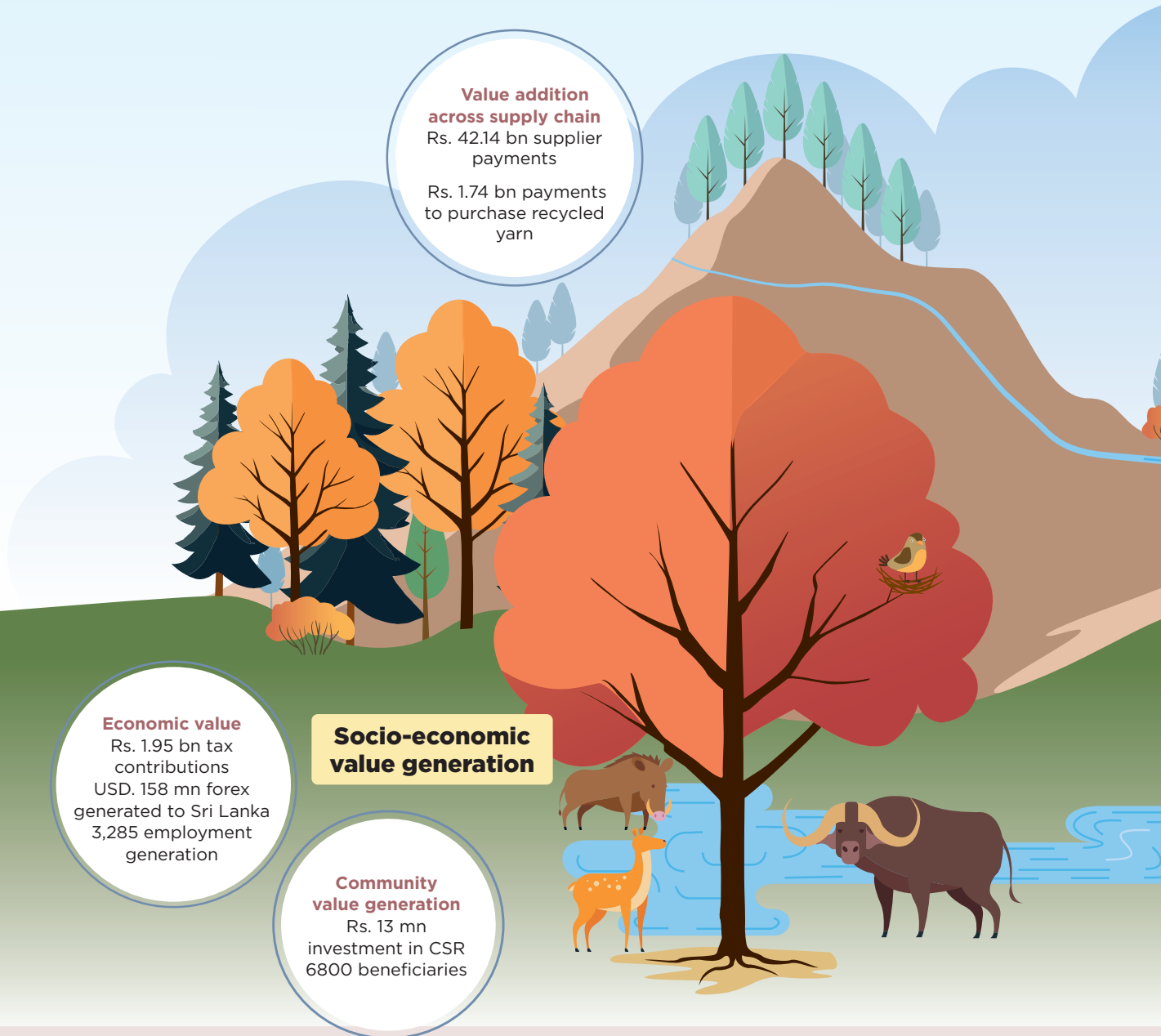




TEXTILES

The Sector is the largest textile manufacturer in the country catering to leading global fashion brands through an innovative and sustainably manufactured portfolio of natural and synthetic-fibre based fabrics. The Sector's value addition is underpinned by its world-class innovation and product development capabilities, award-winning sustainable practices and significant socio-economic impacts in Sri Lanka

TEXTILES



Value addition across supply chain
Rs. 42.14 bn supplier payments
Rs. 1.74 bn payments to purchase recycled yarn

Economic value
Rs. 1.95 bn tax contributions
USD. 158 mn forex generated to Sri Lanka
3,285 employment generation

Socio-economic value generation

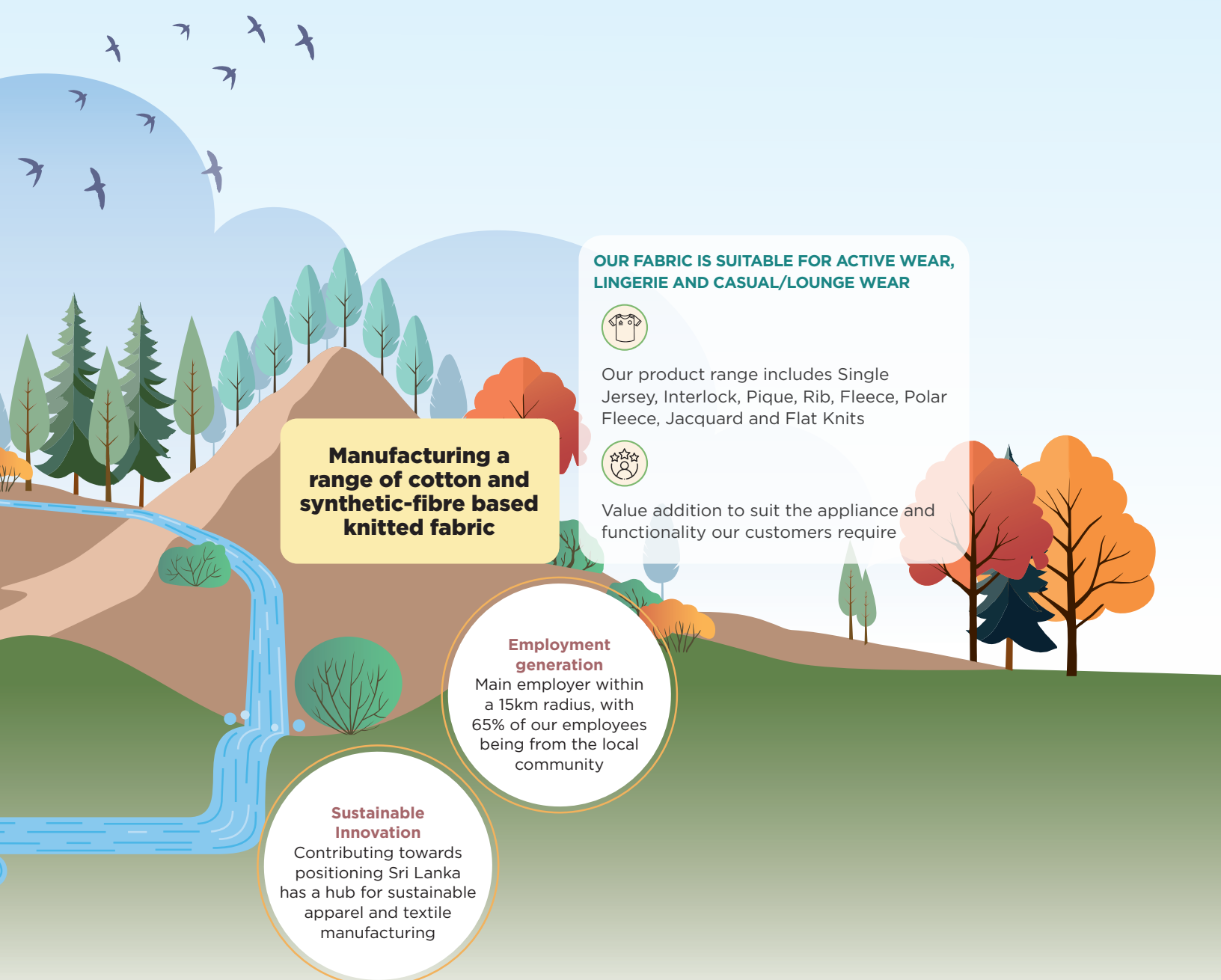
Community value generation
Rs. 13 mn investment in CSR
6800 beneficiaries



Rs. 12.05 bn
Economic value creation



8%
Contribution to Group's value creation



Manufacturing a range of cotton and synthetic-fibre based knitted fabric

OUR FABRIC IS SUITABLE FOR ACTIVE WEAR, LINGERIE AND CASUAL/LOUNGE WEAR



Our product range includes Single Jersey, Interlock, Pique, Rib, Fleece, Polar Fleece, Jacquard and Flat Knits



Value addition to suit the appliance and functionality our customers require

Employment generation
Main employer within a 15km radius, with 65% of our employees being from the local community

Sustainable Innovation
Contributing towards positioning Sri Lanka has a hub for sustainable apparel and textile manufacturing



Revenue
Rs. 46.17 bn
(-18%)



Profit Before Tax
Rs. 3.72 bn
(+12%)



Profit After Tax
Rs. 2.48 mn
(+517%)



Assets
Rs. 35.72 bn
(-11%)



Liabilities
Rs. 24.98 bn
(-16%)



Employees
3,285
(+6%)



Carbon footprint
43,953 tCO₂e
(-19%)

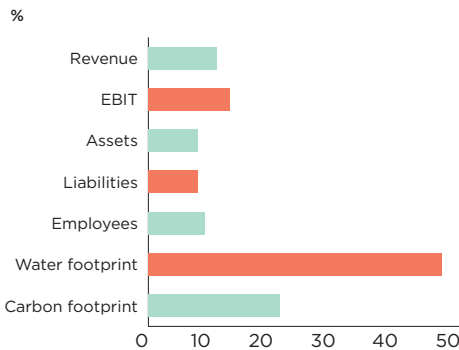
+ denotes y-o-y growth - denotes y-o-y decline

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. The Sector was also the first Sri Lankan fabric mill to launch its own brand, 'INNO'- enabling it to position itself as a niche supplier of fashion-forward, sustainable, value-added fabric.

CONTRIBUTION TO GROUP




HAYLEYS FABRICS PLC

Fabric manufacturer

Contribution to Sector
Revenue: 61%
PBT: 81%

Performance 2023/24
Revenue: -18% growth
PBT: 7% growth



SOUTH ASIA TEXTILES

Fabric manufacturer, acquired by Hayleys Fabric in April 2021

Contribution to Sector
Revenue: 39%
PBT: 19%

Performance 2023/24
Revenue: -20% growth
PBT: 28% growth



OPERATING ENVIRONMENT

The global fashion and apparel industry experienced deepening and varied challenges during the year, against the backdrop of economic

uncertainty, geopolitical tensions and shifting consumer priorities. Many global brands deferred orders given persistent inflation, divergent economic growth and weak consumer confidence. Geopolitical tensions in Europe and the Middle East and resultant disruptions to key maritime routes have led to vessel diversions. Subsequent shipping delays coupled with the global brands' shorter-term forecasts and orders pushed fabric manufacturers to further reduce lead times to minimise disruptions to supply chains. In Sri Lanka, while macro-economic conditions stabilised on comparison to previous year, manufacturers and exporters were adversely affected by escalating energy costs, the appreciation of the Sri Lankan Rupee towards the latter part of the year and the higher tax regime. As a result, Sri Lanka's total garment exports (in dollar terms) contracted by 18% during the year, although the industry maintained its track record of quality and timely delivery in international markets. However, the demand outlook remains favourable over the short-to-medium term, as evidenced by the recovery of volumes from April 2024 onwards.

COMPETITIVE POSITION

The Sector caters to **high-end global fashion brands** such as Nike, Calvin Klein, Tommy Hilfiger and Victoria's Secret among others

Globally recognised for its strong **sustainability focus**, with numerous innovations centered on circularity and resource efficiency

Manufacturing capabilities include Knitting, Dyeing, Printing, Brushing, Sueding and Finishing, with the ability to **manufacture an array of** varieties of tailor-made natural, synthetic and weft-knit fabrics.

The Sector's reputation for quality and sustainability is backed by an **array of international certifications** in environmental management, energy health and safety and responsible business





34%
Increase in petrol costs



8%
Appreciation of
Sri Lanka Rupee



2 - 4%
Growth outlook for
fashion industry

Summary of external drivers

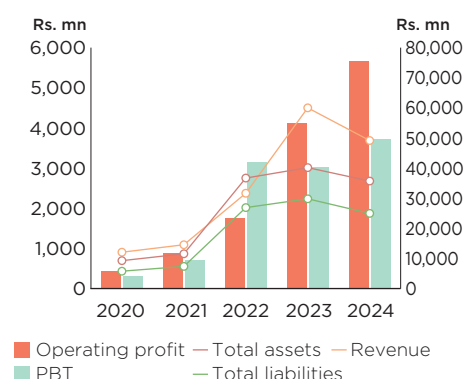
	Driver	Driver Significance of impact	Implications on Sector
Economic and geo-political context	Global geopolitical dynamics and resultant uncertainty	H	- Implications on volumes with global brands deferring orders - Shipping delays and escalation in freight rates
	Appreciation of Sri Lankan Rupee	H	- Reduced competitiveness in the global market and adverse implications on volume and market share
	Reduction in interest rates	H	+ Reduction in borrowing costs
	Increase in energy costs	M	- Adverse impact on cost of production and profitability margins
Industry context	Increased demand uncertainty	M	- Necessitates revisiting pricing, product and manufacturing strategies
	Rapidly evolving consumer demand patterns	H	- Necessitates increased agility and flexibility of manufacturing processes
	Digitalisation and AI in enhancing creatives and processes	H	+ Significant opportunities to drive innovation and agility
Sustainability context	Sustainable fashion as a competitive edge	H	+ Opportunity to strengthen competitive position by catering to emerging requirements + Cost efficiencies
	Implications of climate change	M	- Accelerated climate ambitions across the value chain and need to tackle emissions and build resilience
	Shifting customer preferences towards prolonging use and smaller wardrobes	M	- Potential implications of demand and business growth

H-High, M-Medium, L-Low. Brown circle represents adverse effect while yellow circle represents positive affect

STRATEGY AND INTEGRATED PERFORMANCE REVIEW

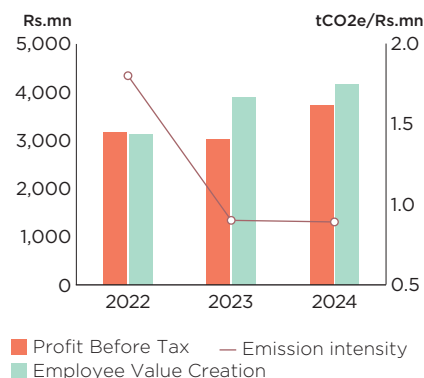
Strategic foresight in building agility enabled the Sector to demonstrate remarkable resilience in a challenging year, delivering improvements in both top and bottom lines. Subdued demand together with the appreciation of the Sri Lankan Rupee resulted in the Revenue declining by 18% to Rs.49.17 bn. The Sector leveraged its agile manufacturing processes to ensure timely delivery to customers. Relentless focus on refining processes and improving production planning and scheduling enabled the Sector to considerably reduce its lead time, which in turn mitigated the adverse impacts of shipping delays for both apparel manufacturing customers and the global brands. Proactive negotiations with yarn suppliers and cost efficiencies delivered through a focus on sustainability, enabled the Sector to widen its profit margins during the year. Resultantly, the Sector's Profit Before Tax and Profit After Tax increased by 23% and 6 - fold to Rs. 3.72 mn and Rs. 2.49 mn respectively during the year.

SECTOR FINANCIAL PERFORMANCE



TEXTILES

INTEGRATED PERFORMANCE



The Sector’s continued success in recent years has been underpinned by its brand-focused strategy, which allowed it to outperform local and regional competitors. In addition to enabling resilient demand conditions, these long-standing relationships with Tier 1 suppliers have facilitated collaborations on product developments and ongoing transfer of knowledge which in turn allowed us to strengthen relationships with these global brands.

Meanwhile, the Sector’s product strategy in recent years has centered on pivoting from basic, conventional cotton-based fabrics to premium, value-added products both in natural and synthetic fabrics. The Sector has made significant strides in building its range of synthetic fabric, led by its own brand INNO which continued to deliver commendable growth during the year under review. Continued investments are also made in strengthening manufacturing and digital capabilities. Capital expenditure for the year amounted to Rs. 1.25 bn comprising investments in new dye machines and versatile technology.

While employee retention remains an industry-wide challenge, the Sector’s efforts to consistently enhance its employee value proposition continues

to bear fruit. Continued investments were made in upskilling employees, driving employee engagement and ensuring a safe and healthy working environment. In a unique female empowerment initiative, the Sector operates a knitting plant that is powered almost entirely by females, thereby increasing employability and driving socio-economic empowerment among these impoverished communities.

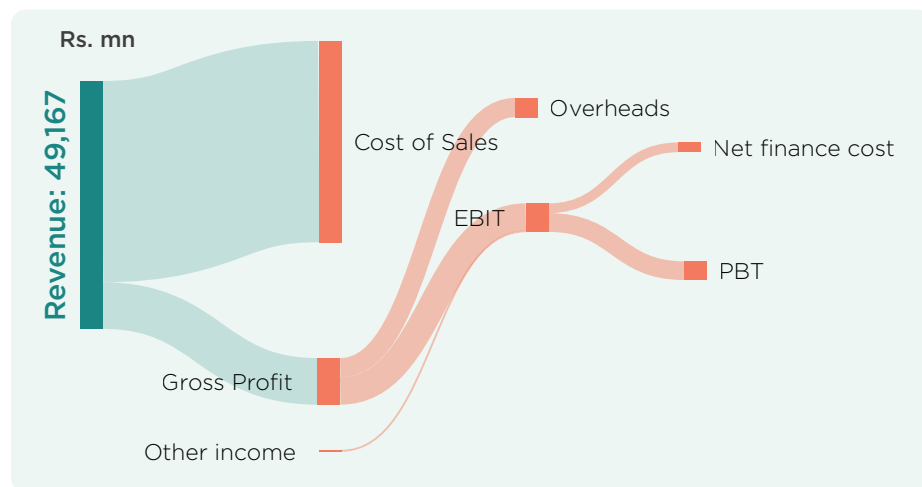
Hayleys Fabric is globally recognised as a pioneer and leader in sustainability in the industry, having gained international recognition for its environmentally conscious, responsible and ethical business practices. The Sector’s remarkable achievements in sustainability (some of which are listed in the 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. During the year, in addition to winning several awards for innovation at the ISPO (Germany) Textrends Awards Fall/ Winter 2025/26, the Sector also won the prestigious Best SDG Impact Award for Commitment to

Sustainability at the ESG World Summit and Awards 2023.

ESG IN ACTION

While sustainability has always been deeply ingrained in Hayleys Fabric, during the year, several measures were taken to strengthen ESG governance, strategy and risk management-aligned with the overall ESG vision of the Hayleys Group. Accordingly, the following interventions were made during the year:

- Establishment of Sector ESG Steering Committee
- Strengthen ESG risk assessment and integration with existing risk processes
- Obtained verification of emission targets under the Science-based-targets-initiative
- Monthly and quarterly monitoring and reporting of performance against ESG targets with the participation of relevant personnel from manufacturing facilities
- Third-party verification of GHG emissions (2023/24)



HOW WE DEFINE VALUE



HOW WE CREATE VALUE

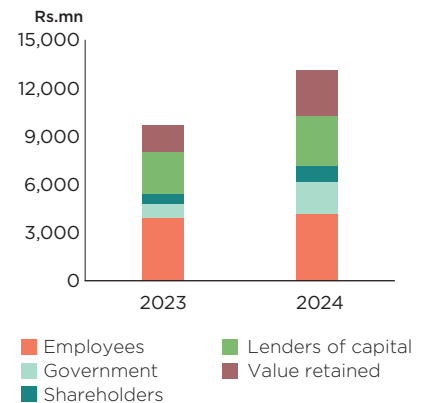
Strategic priorities	Value-added product focus	Brand centered strategy	ESG as a strategic differentiator
Resource Allocation	<p>Rs. 51 mn Investment in R&D Collaborations with global brands</p>	<p>Global fashion brands Proactive engagement through sales and marketing teams</p>	<p>16,995 Training hours focused on sustainability</p>
Strategic KPI/ Pre-financials	<p>445 New products/variants developed</p> <p>289 Products in the pipeline</p>	<p>16,413 MT Volume</p>	<p>19% Reduction in carbon footprint</p> <p>4% Reduction in water footprint</p> <p>43 Sustainable innovations launched</p>

HOW WE DELIVER AND PRESERVE VALUE

- Total economic value generated during the year expanded by 33%
- Payments to employees increased by 7% during the year
- Value generated to Governments amounted to Rs. 1.95 bn (accounting for 16% of value)
- Payments to lenders of capital increased by 16%
- Value retained in the business for future investment amounted to 24% compared to 18% the previous year



VALUE DISTRIBUTION



TEXTILES

FINANCIAL PERFORMANCE

Rs.mn	2024	2023	% y-o-y	2022
Revenue	49,167	60,014	(18)	31,668
Earnings before interest and tax	5,660	4,129	37	1,757
Net finance income/(cost)	(1,941)	(1,115)	74	1,401
Profit before tax	3,719	3,013	23	3,157
Profit after tax	2,488	403	517	2,694
Assets	35,721	40,175	(11)	36,710
Liabilities	24,979	29,824	(16)	26,907
Operating cash flow	6,011	481	1150	2,114
Performance against targets				
	Target	Actual	Reason for variance	
ROCE	>15%	30%	Inline with target	
Gearing	<55%	54%		
OPERATIONAL HIGHLIGHTS				
	2024	2023	% y-o-y	2022
Production volumes (MT)	16,413	16,612	(1)	17,203
Capacity utilisation (%)	>90%	>90%	N/A	90%
Energy intensity (GJ/Revenue Rs.mn)	30	25	20	48
Water intensity (Litres/Revenue Rs.mn)	68,037	57,805	18	47,050
Carbon intensity (tCO ₂ e/Revenue Rs.mn)	0.89	0.9	(1)	1.8
No. of employees	3,285	3,088	9	2,915
Revenue per employee (Rs.mn)	15	19	21	11
Remuneration per employee (Rs.mn)	1.3	1	30	1

ESG HIGHLIGHTS



CLIMATE ACTION

- One of the four companies in Sri Lanka to obtain verification of its emission targets under the Science-Based-Targets-Initiative
- Only fabric manufacturer in Sri Lanka to obtain ISO 50,001 certification
- Largest private sector rooftop solar system (4.5 MW) in Sri Lanka
- Sri Lanka's first floating solar system

	2024	2023	% y-o-y	Target
Energy consumption (TJ)	1,477	1,500	(2)	Aligned to SBTi
Carbon footprint (tCO ₂ e)	43,953	53,998	(19)	
Renewable energy generation(Gjs)	1,075,286	1,024,075	5	

CHEMICAL MANAGEMENT

Committed to the Zero Discharge of Hazardous Chemicals global initiative

100%

Chemicals and dyes certified as ZDHC Level 1

92%

Chemicals and dyes certified as ZDHC Level 3

EMBEDDING CIRCULARITY

- Procurement of recycled yarn obtained through recycling PET bottles
- Recycled polyester yarn procured from reputed suppliers

Partnership with the University of Moratuwa through funding a research initiative to upcycle waste (polythene, waste fabric and sludge) to manufacture a fibre sheet

PRESERVING BIODIVERSITY

- 9 acre thriving biodiversity park established
- Elevated walkways for visitors and school children to build awareness
- 146 species of fauna and 149 species of flora
- 25 acres of fruit and vegetable cultivation using sustainable agriculture practices

SUSTAINABLE INNOVATION

Warna by Mahogany:

Organic natural dye made from extracting dye in-house from furniture industry waste

Eco Stretch:

Eco-friendly fabric for sportswear

PROSPECTS AND PLANS

The industry is expected to be characterised by uncertainty and volatility over the short-term given divergent economic growth and concerns on geopolitical tensions. Manufacturers will be required to strike a balance between managing uncertainties and seizing opportunities through building agile and adaptable operating models, which can swiftly adapt to dynamic changes in demand and other external factors. The Sector’s short, medium and long-term risks and opportunities are summarised below:

INDUSTRY RISK AND OPPORTUNITY LANDSCAPE

+/- Rapid pace of change and shorter lead times

With customer demands evolving at an unprecedented rate, fashion retailers are focusing on getting new styles to customers at record pace, necessitating shorter lead times across the industry

Response

The Sector will be required to invest in automation and process efficiencies to achieve continued improvements in lead time

- Exchange rate volatility

The Sri Lankan Rupee is expected to appreciate further over the short-term before decelerating and stabilising towards the latter part of the year. As an exporter, the appreciation of the Rupee will affect global competitiveness as well as revenue and profitability margins

Response

Proactive monitoring of exchange rate trends

Grow volumes in value-added, relatively price inelastic segments

+ Growing role of digital

Generative AI is likely to feature prominently in the industry value chains as it is used to enhance human creatives and drive increased efficiencies

Response

Pursuing opportunities in digital transformation including data driven decision making, production planning and scheduling among others.

+/- Shifts in consumption patterns

Key consumer trends in fashion include hybrid clothes (such as the athleisure segment), smaller capsule wardrobes, reselling platforms and increased focus on social and environmental considerations.

Response

Flexing strategies and adapting operating model through leveraging insights gained from our network of global retail brands.

Sustainability related risks and opportunities (SRRO)

Transition risk- shifting customer demands

Social and environmental considerations of businesses are gaining higher importance in purchasing decisions coconut husk

< 1 year	Sustainability is a competitive edge in accessing new markets and commanding premium pricing
1-5 years	As retailers seek to cut emissions along their supply chain, manufacturers will be compelled to adopt measures to tackle emissions
>5 years	Businesses who do are unable to comply with these evolving requirements will be challenged to survive
Response	Strategic integration of ESG across the business

Increasingly stringent regulations

Increased stringency of regulations particularly from the EU are reshaping the operations of manufacturers

< 1 year	Evolving regulations on carbon taxes, chemical management, emission reduction and sustainability reporting
1-5 years	
>5 years	Sustainability practices across the industry will be standardised and non-complying organisations will cease to exist
Response	Embedding ESG in a strategic manner, with due consideration to all emerging regulations

Impact of water availability on cotton

Cotton is susceptible to variability in rainfall and temperature patterns

< 1 year	Limited impact albeit increased variability of weather patterns
1-5 years	Volatility of supply and pricing given the wide-ranging impacts of the climate emergency
>5 years	Frequent disruptions to raw material procurement and implications of continuity of production
Response	Research and development efforts focused on sustainable innovation Diversification of raw material sources



TEXTILES

FUTURE PLANS	
Short-term	Medium-to-long term
<ul style="list-style-type: none"> Retention of tier 1 customers Proactive inventory and supply chain development Strengthen position in synthetic fabric segment Retain sustainability and innovation leadership in the industry Increase reliance on sustainable energy sources 	<ul style="list-style-type: none"> Expansion of manufacturing capabilities and capacities Widen value-added synthetic portfolio Technical developments through collaborations Increase contributions from sustainable manufacturing methods
Short-term goals ROCE>15% Gearing< 55%	Medium-to-long term goals ROCE>18% Gearing< 55%

SASB DISCLOSURES

Table: Apparel, Accessories and Footwear Standard- Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	DISCLOSURE/Pg. reference
Management of Chemicals in Product	Discussion of processes to maintain compliance with restricted substances regulations	N/A	CG-AA-250a.1	Compliance to ZDHC Standard
Environmental Impacts in the Supply Chain	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 in compliance with wastewater discharge permits and/or contractual agreement ²	%	CG-AA-430a.1	91% 86%
	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module (Higg FEM) assessment or an equivalent environmental data assessment	%	FB-AG-130a.1	86%
Labour Conditions in the Supply Chain	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have been audited to a labor code of conduct, (3) percentage of total audits conducted by a third-party auditor	%	CG-AA-430b.1	84% assessed for labour code of conduct of which 82% have been audited by 3rd party verifiers
	Priority non-conformance rate and associated corrective action rate for suppliers' labour code of conduct audits	Rate	CG-AA-430b.2	N/A
	Description of the greatest (1) labour and (2) environmental, health, and safety risks in the supply chain	N/A	CG-AA-430b.3	Refer to page 108
ACTIVITY METRICS				
	Number of (1) Tier 1 suppliers and (2) suppliers beyond Tier 1	Number	CG-AA-000.A	58