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NEWSLINE
Daily by Faraz

"Questioning The Answers"

HAYLEYS PROFIT SURGES AS DHAMMIKA PERERA-CONTROLLED CONGLOMERATE EXTENDS GROWTH RUN

USD 2 BILLION TURNOVER BECKONS.

HAYLEYS
A World of Opportunity

DHAMMIKA PERERA
Co-Chairman & Non-Executive Director
51.01% controlling stake

COLOMBO – Hayleys PLC, the Sri Lankan conglomerate majority-controlled by billionaire businessman Dhammika Perera, has opened its new financial year with sharply higher earnings, as strong performances across logistics, consumer, industrial and export-oriented businesses lifted revenue and operating profit.

Q1 FY2026/27 HIGHLIGHTS (Three months ended 30 June)

REVENUE	OPERATING PROFIT	PROFIT BEFORE TAX	GROUP PROFIT	PROFIT ATTRIBUTABLE TO SHAREHOLDERS	EARNINGS PER SHARE
Rs 179.3 bn	Rs 14.02 bn	Rs 10.15 bn	Rs 5.92 bn	Rs 3.57 bn	Rs 4.56
↑ 38%	↑ 53%	↑ 61%	↑ 86%	↑ 137%	↑ 127%
vs Q1 FY2025/26	vs Q1 FY2025/26	vs Q1 FY2025/26	vs Q1 FY2025/26	vs Q1 FY2025/26	vs Q1 FY2025/26

SEGMENT PERFORMANCE

(Segment Results)

	Q1 FY2026/27	vs Q1 FY2025/26
Transportation & Logistics	Rs 3.24 bn	↑ 122%
Consumer & Retail	Rs 4.83 bn	↑ 60%
Purification Products	Rs 1.75 bn	↑ 83%
Hand Protection	Rs 1.25 bn	↑ 46%
Industry Inputs	Rs 1.38 bn	↑ 518%
Textiles		Lower
Plantations & Tea Exports		Lower
Leisure		Loss (Rs 77 m)

A FOREIGN-EXCHANGE ENGINE

US$800 million
Foreign-currency inflows in FY2025/26

~5% of Sri Lanka's export income

Up from US$685 million in FY2024/25

STRATEGIC MOVES

- Completed transfer of Maldives hotel operation – classified as discontinued (Loss of Rs 403 million)
- Hayleys Advantis acquired controlling stakes in three shipping & logistics businesses to strengthen growth engine
- Rs 17.9 billion invested in property, plant & equipment in Q1 – more than four times year-ago period

FINANCIAL SNAPSHOT (as at 30 June 2026)

Non-current interest-bearing borrowings	Rs 87.85 bn
Current portion of long-term borrowing	Rs 41.85 bn
Short-term interest-bearing borrowings	Rs 175.33 bn
Net operating cash flow	(Rs 441 m)
Inventories	Rs 127.0 bn
Trade & other receivables	Rs 214.4 bn

THE ROAD AHEAD

With earnings momentum broad-based, a record investment push and global revenue streams expanding, Hayleys is well positioned as US$2 billion in annual turnover comes into sight.

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HAYLEYS PROFIT SURGES AS DHAMMIKA PERERA-CONTROLLED CONGLOMERATE EXTENDS GROWTH RUN - USD 2 BILLION TURNOVER BECKONS.

COLOMBO - Hayleys PLC, the Sri Lankan conglomerate majority-controlled by billionaire businessman Dhammika Perera, has opened its new financial year with sharply higher earnings, as strong performances across logistics, consumer, industrial and export-oriented businesses lifted revenue and operating profit.

Revenue for the three months ended June 30 jumped **38% to Rs 179.3 billion**, from Rs 130.4 billion a year earlier, while operating profit rose at an even faster **53% to Rs 14.02 billion**, underlining the scale of the acceleration across one of Sri Lanka's largest and most diversified corporate groups.

Profit before tax climbed **61% to Rs 10.15 billion**, while Group profit for the period increased **86% to Rs 5.92 billion**.

Perhaps the most striking increase came at shareholder level, with profit attributable to owners of Hayleys rising **137% to Rs 3.57 billion**, compared with Rs 1.51 billion in the corresponding quarter. Earnings per share increased to Rs 4.56 from Rs 2.01.

The ownership and management structure behind that performance is noteworthy.

Dhammika Perera controls **51.01% of Hayleys**, making him its majority shareholder, and serves as Co-Chairman and Non-Executive Director. Executive leadership remains in the hands of **Chairman and Chief Executive Mohan Pandithage, a career Hayleys man.**

His long association provides an unusual degree of institutional continuity alongside Perera's controlling ownership - combining the entrepreneurial instincts of one of Sri Lanka's best-known investors with the stewardship of an executive whose career has been built almost entirely within Hayleys.

The results represent a powerful start to FY2026/27 and extend the momentum of a Group that crossed the half-trillion-rupee annual revenue threshold for the first time in the year ended March 2026.

More importantly for investors, the latest quarter demonstrates considerable breadth in the earnings base.

Transportation and Logistics was among the standout performers, with segment earnings more than doubling to **Rs 3.24 billion from Rs 1.46 billion**. External revenue from the division surged to Rs 42.88 billion from Rs 23.35 billion.

Consumer and Retail remained the Group's largest contributor to segment earnings, producing **Rs 4.83 billion**, up from Rs 3.02 billion.

Purification Products almost doubled segment earnings to **Rs 1.75 billion from Rs 957 million**, while Hand Protection increased its contribution to Rs 1.25 billion. Industry Inputs produced another significant increase, with segment results rising from Rs 224 million to **Rs 1.38 billion**.

The numbers suggest that Hayleys' expansion is being generated across several parts of its portfolio rather than depending upon a single business, commodity or economic cycle - an important consideration for international investors seeking exposure to Sri Lanka's economic recovery.

The World Of Hayleys Since 1878

A FOREIGN-EXCHANGE ENGINE

Hayleys' significance, however, extends well beyond its own balance sheet.

For Sri Lanka - which continues rebuilding the external buffers depleted during its foreign-exchange and sovereign debt crisis - Hayleys is also a substantial generator of hard currency.

The Group says it generated approximately **US$800 million in foreign-currency inflows during FY2025/26 and accounted for around 5% of Sri Lanka's export income**.

That places Hayleys in a different category from a conglomerate dependent primarily on recovering domestic consumption. Its substantial export-oriented businesses provide the Group with international revenue streams while simultaneously contributing foreign currency to the Sri Lankan economy.

The US$800 million figure is particularly significant when viewed against Hayleys' own recent history. In FY2024/25, the Group reported **US$685 million in foreign-exchange income**, meaning the reported contribution increased by approximately US$115 million in the following year.

For an international investor, this provides another dimension to the Hayleys proposition.

Consumer and Retail gives the Group substantial exposure to recovering Sri Lankan domestic demand, while businesses including Hand Protection, Purification Products, Textiles, Eco Solutions and Tea Exports connect Hayleys directly to overseas markets.

Hayleys therefore represents something more complex than a conventional Sri Lankan recovery play: **it combines exposure to domestic consumption and investment with businesses capable of earning the foreign currency the wider economy continues to need.**

That distinction could become increasingly valuable as Sri Lanka rebuilds its external financial resilience.

There were, inevitably, weaker areas during the quarter.

Textiles reported lower earnings, while Plantations and Tea Exports softened and Leisure recorded a small loss. But the breadth of the Group allowed stronger divisions comfortably to absorb those weaker performances.

Hayleys has meanwhile continued reshaping its portfolio.

The Group completed the transfer of the operating assets and head lease of its Maldives hotel operation during June. The business, classified as a discontinued operation, recorded a **Rs 403 million loss** during the quarter.

At the same time, subsidiary Hayleys Advantis acquired controlling interests in three Sri Lankan shipping and logistics businesses - Lanka Shipping & Logistics, Oceanserve Lanka and Aiyer Lanka Shipping - further strengthening a division already emerging as one of the Group's fastest-growing contributors.

The combination points towards deliberate capital allocation: reducing exposure to an underperforming hospitality operation while increasing investment in logistics, where both earnings and revenues are expanding strongly.

HAYLEYS: RS 17.9 BILLION INVESTED IN THREE MONTHS

That strategy is occurring alongside a considerably larger investment programme.

Hayleys spent approximately **Rs 17.9 billion on property, plant and equipment during the quarter**, more than four times the Rs 4.1 billion invested during the comparable period.

For international investors, that number may prove almost as significant as the 86% increase in quarterly profit.

It suggests Hayleys is not merely harvesting the benefits of Sri Lanka's economic recovery but committing substantial capital to increasing productive capacity and positioning its businesses for another phase of growth.

There are, nevertheless, balance-sheet considerations.
Finance costs increased **94% to Rs 8.57 billion**, although sharply higher finance income restricted the increase in net finance costs to 31%.

"Questioning The Answers"

RS 17.9 BILLION INVESTED ...

Hayleys carried approximately Rs 87.85 billion of non-current interest-bearing borrowings at June 30, alongside Rs 41.85 billion representing the current portion of long-term borrowing and Rs 175.33 billion of short-term interest-bearing borrowings.

The Group's strong earnings growth therefore comes with a sizeable financing structure - something investors will continue monitoring as Sri Lanka's interest-rate and credit environment evolves.

Cash generation also lagged accounting earnings during the quarter.

Net operating cash flow was negative Rs 441 million, compared with positive Rs 1.99 billion a year earlier, reflecting in part the working-capital requirements of a substantially larger business.

Inventories increased to Rs 127 billion from Rs 91.5 billion a year earlier, while trade and other receivables rose to Rs 214.4 billion from Rs 155.1 billion.

Those numbers warrant attention, but they also need to be read against the extraordinary expansion occurring elsewhere in the accounts.

Revenue increased by nearly Rs 49 billion in a single quarter compared with the previous year, while the Group simultaneously deployed almost Rs 18 billion into property, plant and equipment.

The central question for investors over the coming quarters will therefore be whether that investment produces a corresponding increase in cash generation and allows leverage to moderate relative to the enlarged earnings base.

There are already encouraging indications in the underlying numbers.

Operating profit increased considerably faster than revenue, suggesting improving operating leverage, while the removal of the loss-making Maldives operation could improve the quality of future earnings.

Continuing operations generated earnings of Rs 5.07 per share, compared with Rs 2.63 a year earlier, while discontinued operations reduced reported quarterly EPS by Rs 0.51.

That may ultimately provide a better indication of Hayleys' underlying earnings trajectory than the reported Rs 4.56 quarterly EPS.

HAYLEYS: MORE THAN A DOMESTIC RECOVERY STORY

The June quarter consequently presents an unusually strong opening to Hayleys' new financial year: rapid revenue expansion, substantially faster operating-profit growth, sharply higher shareholder earnings and considerable momentum across several of its largest businesses.

It also presents an interesting corporate combination.

Hayleys has the financial backing and strategic influence of a majority shareholder in **Dhammika Perera**, alongside the institutional continuity of **Mohan Pandithage**, who has spent more than half a century inside the organisation and has led it as Chairman and Chief Executive since 2009.

For international investors looking at Sri Lanka, that combination - entrepreneurial capital on one side and deeply embedded professional management on the other - may be as noteworthy as the headline earnings themselves.

But there is now a third component to that investment proposition.

Hayleys is not merely positioned to benefit from Sri Lanka's recovery. With **US$800 million in annual foreign-currency inflows, around 5% of national export income and substantial exposure to international markets**, the Group is itself a significant participant in the process through which Sri Lanka earns the foreign currency required to strengthen that recovery.

The tests ahead remain identifiable: converting rapidly expanding profits into stronger operating cash flows, managing finance costs and demonstrating adequate returns from the Group's heavy investment programme.

But the starting position is formidable.
Revenue is expanding.

Operating profits are growing faster than sales.
Several major businesses are accelerating simultaneously.
Loss-making assets are being removed.

Capital is being deployed at a substantially increased rate.
And the Group continues to generate foreign currency on a scale unusual among Sri Lankan listed companies.

Be that as it may, Hayleys has begun FY2026/27 with considerably more earnings momentum than it had a year ago - and with Rs 17.9 billion invested in a single quarter alongside US$800 million in annual foreign-currency inflows, the Group appears to be positioning itself not merely to participate in Sri Lanka's next growth cycle, but to capture a substantial share of it.

HOLD THAT RATE: CENTRAL BANK SIGNALS NO MORE HIKES THIS YEAR

Weerasinghe says May's shock increase is working as policymakers try to contain inflation without choking Sri Lanka's recovery

COLOMBO, Thursday. Sri Lanka's Central Bank sees no present need to raise interest rates again this year, Governor Dr Nandalal Weerasinghe has indicated, offering businesses and borrowers some respite after May's surprise 100-basis-point increase while warning that policymakers remain ready to act if inflation departs from expectations.

The comments provide the clearest indication yet that the Central Bank is prepared to hold its Overnight Policy Rate at **8.75%** for the remainder of 2026, provided inflation develops broadly according to its present forecasts.

Weerasinghe told Reuters that the May increase had been a proactive attempt to anchor inflation expectations as the economic consequences of the Middle East conflict pushed energy costs sharply higher. Sri Lanka's inflation rate reached **7.3% in July**, its highest rate of increase in three years, while some analysts expect it could reach around 8% by November. But the Governor expects inflation to ease subsequently and return towards the Central Bank's 5% target during the first half of 2027.

That leaves policymakers attempting an unusually delicate balancing act.

Rates must remain sufficiently restrictive to prevent another inflationary cycle from becoming embedded in the economy, while excessive tightening risks weakening the investment, consumption and credit growth upon which Sri Lanka's still-fragile post-crisis recovery depends.

The May increase was the Central Bank's first rate hike in more than three years and came as Sri Lanka was confronting another external shock through sharply higher global energy prices.

Weerasinghe said the full effect of the increase would take between **12 and 18 months** to pass through the economy.

The Central Bank therefore appears prepared to give the measure time to work rather than responding to every short-term movement in inflation with another increase. That will be welcomed by businesses already confronting higher financing and energy costs.

The Governor nevertheless left himself considerable room to manoeuvre, stressing that future decisions would depend upon whether inflation and other economic indicators begin deviating materially from the path anticipated by the Central Bank.

Sri Lanka's recovery itself remains reasonably strong but exposed to external pressures.

"Questioning The Answers"

HOLD THAT RATE...

The economy expanded by around 5% in both 2024 and 2025. Weerasinghe expects growth of between **4% and 5% during 2026**, although the International Monetary Fund has adopted a more cautious forecast of around 3%.

Foreign exchange provides the other major part of the equation.

The Central Bank is seeking to increase gross official foreign-exchange reserves to approximately **US$8 billion by the end of 2026**, from around US$6.6 billion presently, as higher fuel-import costs threaten renewed pressure on Sri Lanka's external accounts.

That target assumes particular importance for a country whose 2022 economic collapse demonstrated just how quickly inadequate foreign-exchange buffers can become a national crisis.

It also gives additional context to the performance of Sri Lanka's major foreign-currency earners. Exporters, tourism, worker remittances and internationally oriented corporate groups remain central to the country's ability to accumulate reserves without rebuilding external vulnerability through additional borrowing.

The next scheduled monetary-policy announcement is due on **September 30**.

Unless inflation produces an unpleasant surprise before then, the message from the Governor appears relatively clear.

The Central Bank has already applied the brakes.
For the moment, it intends to see whether they work before pressing them harder.

Be that as it may, keeping interest rates steady may prove almost as important to Sri Lanka's recovery as bringing inflation back down: the Central Bank must now demonstrate that it can defend the value of money without strangling the growth the country has fought so hard to recover.

UN STEPS INTO SRI LANKA'S JUDGES' AGE ROW

Special Rapporteur writes directly to President as proposed extension of superior court judges' tenure becomes an international judicial-independence issue

COLOMBO, Thursday. Sri Lanka's increasingly contentious attempt to extend the retirement ages of superior court judges has acquired an international dimension, with the United Nations Special Rapporteur on the independence of judges and lawyers formally raising concerns with President Anura Kumara Dissanayake over the proposed constitutional amendment.

Margaret Satterthwaite, the UN mandate holder responsible for judicial independence, has warned that extending the tenure of judges already sitting on the country's superior courts could create concerns over judicial independence, conflicts of interest and public confidence in the judiciary.

The intervention is particularly significant because it moves the controversy beyond the domestic argument over whether Sri Lankan judges should simply be permitted to serve longer.

At issue is not necessarily whether retirement ages should ever be increased, but **how such a change is made, to whom it applies and whether judges already holding office should benefit from an alteration made during their existing tenure**.

Satterthwaite has urged the Government to approach changes affecting judicial tenure through a transparent, inclusive and consultative justice-reform process accompanied by safeguards protecting judicial independence.

The concern goes directly to one of the most sensitive aspects of the Government's proposal: its potential application to judges presently serving on the Supreme Court and Court of Appeal.

That distinction is critical.

A prospective change applying to judges appointed after a new constitutional provision takes effect presents one constitutional-policy question. Altering the retirement date of judges already occupying judicial office raises another - particularly when decisions affecting their tenure are being made by the political branches of government.

The UN intervention therefore adds considerable weight to concerns already being expressed domestically about the proposed amendment.

The Bar Association of Sri Lanka has also urged the Government not to proceed with the amendment in its present form, while political opposition and sections of the legal community have questioned both its timing and justification.

The Government has argued that extending retirement ages would help retain judicial experience and address pressures facing the courts.

That proposition cannot simply be dismissed. Many jurisdictions permit senior judges to remain in office considerably longer than Sri Lanka currently does, and longevity can preserve institutional knowledge and judicial experience.

But the international concern now being raised is fundamentally about **process and independence rather than age itself**.

Judicial security of tenure is one of the foundations upon which judicial independence rests. Judges must be able to decide cases without contemplating whether the executive or legislature might subsequently shorten - or extend - their period in office.

That principle assumes particular importance where constitutional amendments potentially benefit judges presently serving on courts that may themselves be called upon to determine disputes involving the Government.

Satterthwaite's intervention also places the controversy within Sri Lanka's international obligations, including standards governing judicial independence and fair-trial rights under the International Covenant on Civil and Political Rights.

The Government now faces a considerably different political and constitutional landscape from the one in which the proposal was originally advanced.

What began as an argument about whether Supreme Court and Court of Appeal judges should remain on the Bench for another two years has evolved into a broader question about **how a constitutional democracy changes the rules governing those who judge the State itself**.

There remains a perfectly legitimate debate to be had about whether Sri Lanka's existing judicial retirement ages are appropriate.

There is also a legitimate debate about whether keeping experienced judges longer would make any meaningful contribution towards reducing the country's enormous court backlog.

But the UN intervention sharpens a distinction that may ultimately determine the fate of the proposal.

Changing the retirement age is one thing. Changing the retirement date of the judges already sitting on the Bench is quite another.

The Government must now decide whether to proceed with the amendment substantially as proposed, modify its application to sitting judges, or undertake the broader consultative process being urged by the UN mandate holder.

Be that as it may, the judges' retirement-age controversy is no longer merely an argument within Hulftsdorp or Parliament. The United Nations has entered the debate - and the question confronting the Government is increasingly not whether judges may serve longer, but whether the manner in which their tenure is extended leaves judicial independence beyond reasonable doubt.

"Questioning The Answers"

EUROPE IS LISTENING - BUT WILL THE INVESTMENT FOLLOW?

High-level EU dialogue puts Sri Lanka's investment climate under scrutiny as Government seeks to turn post-crisis stability into foreign capital

COLOMBO, Thursday. Sri Lanka has stepped up its courtship of European investors, elevating its longstanding dialogue with the European Union to ministerial level as the Government seeks to convert economic stabilisation into the foreign direct investment needed for the country's next phase of growth.

The high-level Sri Lanka-EU Investor Dialogue brought together Government ministers and senior officials with the EU Ambassador and representatives of France, Germany, Italy and the Netherlands, alongside European business interests. Discussions focused on investment-climate reforms, market access and obstacles confronting investors.

The significance lies less in another investment conference than in the questions being put on the table.

Sri Lanka has spent much of its post-default period restoring macroeconomic stability. The harder challenge is converting that stability into productive investment capable of creating jobs, increasing exports and generating foreign exchange without rebuilding the country's dependence upon debt.

The EU is already one of Sri Lanka's most important economic partners, making European capital particularly attractive as Colombo attempts to broaden the sources of foreign investment entering the country.

But attracting that capital requires more than tax concessions and promotional presentations.

Foreign investors repeatedly examine the predictability of regulation, taxation, approvals, land access, customs procedures, policy continuity and the speed with which commercial disputes can be resolved. In that sense, Sri Lanka's competition is not merely among investors deciding whether the country looks attractive; it is against other Asian economies offering capital somewhere else to go.

The dialogue itself dates to 2014, but its elevation to ministerial level this year suggests both sides recognise that the relationship has reached a potentially important stage.

For the Government, the opportunity is substantial.

Sri Lanka's recovery has restored a degree of international confidence that appeared almost unimaginable at the height of the 2022 economic collapse. The country must now demonstrate that the painful reforms undertaken to stabilise the economy can produce something more tangible than better macroeconomic indicators.

Investment is one such test.

The Government needs foreign capital that builds factories, technology businesses, logistics operations and export capacity - investment that produces recurring foreign-exchange earnings rather than merely financing consumption.

That makes the EU dialogue particularly timely.

It also means its success cannot ultimately be measured by the warmth of the communique issued afterwards.

The meaningful measures will come later: **how much European capital arrives, where it is invested, how many jobs it creates and how much additional foreign exchange Sri Lanka earns.**

Be that as it may, Sri Lanka has spent four difficult years convincing the world that its economy can be stabilised. The next sales pitch is altogether harder: convincing international investors that their money should stay here long enough to help build it.

GOTABAYA AIDE STAYS BEHIND BARS

Former President's private secretary remanded until August 25 as investigation into alleged misuse of Presidential expenditure funds continues

COLOMBO, Thursday - Sugeeshwara Bandara, the former private secretary to ex-President Gotabaya Rajapaksa, was further remanded until August 25 yesterday as investigators continue pursuing allegations involving the misuse of money allocated under the Presidential Expenditure Head.

The Colombo Fort Magistrate's Court ordered Bandara to remain in custody when the case was taken up on Wednesday, extending a period of remand that has continued since his arrest.

Bandara, who also leads the Nava Janatha Peramuna, is under investigation over allegations relating to payments received while serving in the former President's office.

According to investigators, the case concerns suspicions of criminal misappropriation and misuse of funds allocated under the Presidential Expenditure Head.

One of the allegations under investigation is that Bandara received remuneration from two sources during the relevant period.

The continuing case carries significance beyond the amount of money allegedly involved.

The Presidential Expenditure Head represents public money allocated to the country's highest political office, making questions over how those funds were used an issue of public accountability rather than merely administrative bookkeeping.

Bandara has not been convicted of an offence, and the allegations against him remain to be determined through the judicial process.

That distinction is important.
But so too is the principle underlying the investigation: expenditure authorised through the Presidency is no less subject to scrutiny because it occurred within the country's most powerful office.

Sri Lanka's recent political history has repeatedly demonstrated the danger of treating expenditure associated with high office as though it exists beyond ordinary standards of accountability.

The investigation therefore presents another test of whether the country's increasingly active anti-corruption machinery can move cases from allegation and arrest towards evidence, prosecution and eventual judicial determination.

For the public, that final stage matters.
Arrests generate headlines.

Remand generates another round of headlines.
But neither constitutes proof of guilt.

The credibility of Sri Lanka's anti-corruption drive will ultimately depend upon whether investigators can assemble cases capable of surviving the much tougher examination of a courtroom.

Bandara will now remain in remand custody until August 25, when the matter is expected to return before court.

Be that as it may, the larger principle is straightforward: money allocated under a Presidential Expenditure Head remains public money - and changing the occupant of the Presidency should never change the obligation to account for how it was spent.

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