FINANCIAL CAPITAL

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Financial capital represents the funds available to TTE through equity, debt, and internally generated resources that empower the Company to execute its strategic objectives. It forms the foundation for sustaining plantation operations, investing in growth initiatives, supporting innovation, and ensuring operational continuity. By effectively managing financial capital, TTE converts monetary resources into long-term value, aligning day-to-day operations with broader strategic priorities under the ReGen Agenda 2030, while maintaining resilience, productivity, and sustainable shareholder returns.

WHAT FINANCIAL CAPITAL MEANS TO TTE

Financial capital refers to the funds available to TTE PLC through equity, debt, and internally generated resources to support its business operations, investments, and growth plans. At TTE, financial capital forms the monetary foundation that enables the Company to manage its plantation operations, invest in strategic projects, strengthen productivity, and support long-term business sustainability.

WHY FINANCIAL CAPITAL IS IMPORTANT TO TTE

Financial capital is important to TTE because it supports the Company's strategic goals, operational continuity, and long-term resilience. A strong financial position in TTE enables the Board and management to formulate and execute effective business strategies while ensuring that adequate resources are available to respond to changing market conditions. Given the labour-intensive nature of our operations, with wages representing approximately 65% of production costs, effective working capital management is essential to ensure uninterrupted operational continuity.

HOW FINANCIAL CAPITAL SUPPORTS VALUE CREATION GOALS

TTE uses financial capital as a key input in its value creation model by converting financial resources into long-term value for stakeholders. The Company allocates financial capital to agricultural activities, tea processing, research and development, ESG initiatives, renewable energy, climate action, biodiversity conservation, and community development.

LINK TO TTE STRATEGY

- Winning with the Customer
- Operational Excellence
- Nurturing Our People
- Business Diversification

MATERIAL MATTERS

- Economic Performance
- Climate Related Risk
- Wage and Material Costs
- Tax

CAPITAL PERFORMANCE

Rs. 19.50	**Rs. 1.85 Bn**	**Rs. 7.89**	**Rs. 180**
Earning Per Share	Investment in fixed-income non-current financial assets	Dividend per share	Share Price - 52-Week High

MANAGEMENT APPROACH

TTE's approach to managing Financial Capital aims to sustain operational stability, support future growth opportunities, and strengthen its capacity to create long-term value despite operating within an increasingly complex and volatile external environment. The emphasizes is on disciplined cost management, proactive cash flow planning, and continuous monitoring of financial risks arising from commodity price volatility, weather-related disruptions, inflationary pressures, and changes in labour costs. In parallel, capital allocation decisions are guided not only by short-term financial returns, but also by the Company's broader strategic priorities under the Regen Agenda 2030 to ensure that investments contribute towards long-term resilience, productivity enhancement, and sustainable earnings quality. At the same time, the Company remains committed to shareholder value creation through prudent dividend policies and responsible capital stewardship.

GOVERNANCE

Strategic Oversight

- Board Guides and controls how financial capital is used
- Audit Committee ensures financial capital is properly reported, protected, and controlled
- Group Management Committee ensures alignment with group strategy
- The Head of Finance ensures that financial capital is properly planned, Efficiently used, Carefully controlled and Transparently reported

Risk & Decision Intelligence

- Identify risks affecting financial capital such as operational risk, Liquidity risk, Credit risk, Market risk, Investment risk
- Data-Driven Decision Making
- Opportunity Identification

Operational Execution

- Structured approvals, and strict asset control
- Structured budgeting, cost control, investment appraisal and performance monitoring processes
- disciplined allocation, monitoring and reinvestment of funds across the Company's core business activities.
- ensuring the availability of working capital

Monitoring, Assurance & Reporting

- Reviewed through management reporting, variance analysis, internal controls, internal audit assessments and Board-level oversight
- Monitored through regular review of budgets, cash flows, operating costs, capital expenditure, profitability, borrowings and return on investments

KEY OUTCOMES

Rs. 160.33
Net Asset Per Share

12.58%
ROE

TRADE OFF

Please refer page 141

How financial capital interacts with and impacts other capitals in creating balanced value.

FUTURE OUTLOOK

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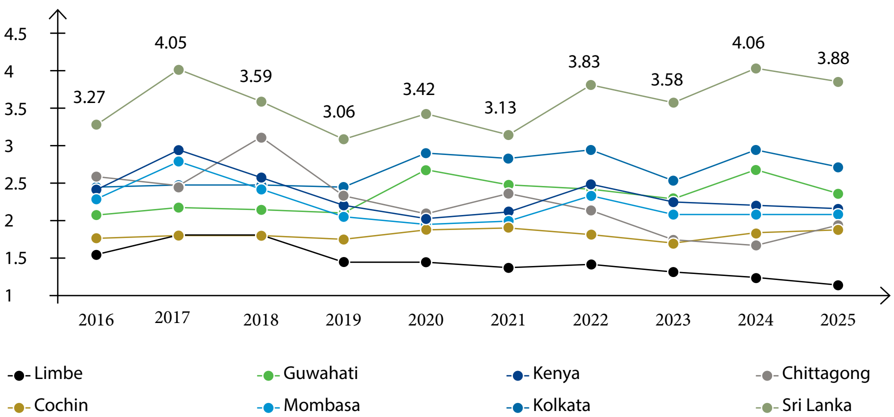
Short, medium, and long-term impact driving resilience, performance, and strategic value creation.

Financial Capital

Sri Lanka Tea Industry Performance and Competitive Strength

World Auction Prices In USD - 2016 To 2025



Source: Tea Review 2025 Forbes & Walker

Sri Lanka's tea industry outperforms many countries by focusing on quality and value rather than volume. As a leading producer of orthodox tea, Sri Lanka is known for its distinctive flavor, strong aroma, and high purity standards, which allow it to command premium prices in global markets. Compared to other major producers like Kenya and Vietnam, which mainly supply bulk tea at lower prices, Sri Lanka consistently achieves higher auction prices due to its superior product quality and strong "Ceylon Tea" brand reputation.

In addition, Sri Lanka benefits from a strong export-oriented structure, with around 90% of its tea production exported globally. The industry generates high export earnings through value-added products such as tea bags and packaged tea, rather than relying solely on bulk sales. Combined with stable demand in key markets and the ability to capture premium segments, Sri Lanka maintains a competitive advantage by maximizing value per kilogram rather than increasing production volume.

Role of Financial Capital in TTE

For TTE, operating in the capital-intensive and weather-sensitive tea industry, the management of financial capital is not merely a corporate discipline, it is a strategic imperative. Sustaining daily estate operations, funding field development, navigating volatile commodity prices, and delivering consistent shareholder returns all demand a carefully structured and actively managed capital base

Over the past two and a half decades, TTE has demonstrated a remarkable transformation in its capital management framework, evolving from a relatively leveraged and liquidity-constrained position in the early 2000s to a highly resilient, equity-driven structure in recent years. In the early period (2002–2011), TTE operated with higher debt levels, with debt-to-equity ratios exceeding 100% at times and comparatively lower levels of shareholders' funds. Liquidity indicators such as the current ratio remained below or close to 1.0 in several years, reflecting tighter working capital conditions. However, even during this phase, the foundation for disciplined financial management was evident through steady capital employed growth and gradual strengthening of reserves.

This position improved significantly over the subsequent decade, as the TTE adopted a more conservative and strategic capital structure. From 2012 onwards, TTE steadily deleveraged its balance sheet, reducing reliance on borrowings while enhancing internally generated funds. Shareholders' funds grew consistently, reaching over Rs. 7.6 Bn by 2025/26 and further strengthening thereafter, supported by sustained profitability and retained earnings. At the same time, debt levels were progressively reduced to minimal levels, with the debt-to-equity ratio declining to single digits in recent years, alongside strong interest cover ratios exceeding 20 times. Liquidity also improved markedly, with current ratios consistently above 2.0 and peaking above 4.0 in certain years, demonstrating strong working capital management.

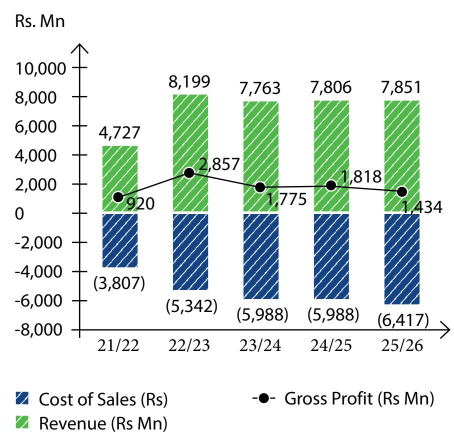
Overall, this long-term shift reflects TTE's disciplined and forward-looking capital management strategy, focused on strengthening equity, maintaining low financial leverage, and preserving liquidity buffers. The result is a robust capital structure that not only provides resilience against economic volatility but also enables TTE to pursue growth opportunities with confidence, delivering sustainable value to shareholders over the long term.

Analysis of Profit and Loss

Revenue

For the year ended March 2026, the Company recorded a turnover of Rs. 7,851 Mn, reflecting a marginal increase of Rs. 45.39 Mn compared to the previous year. This performance demonstrates the Company's resilience in sustaining its topline despite operating within a highly challenging and uncertain environment.

Top-line Performance



Segmental Performance

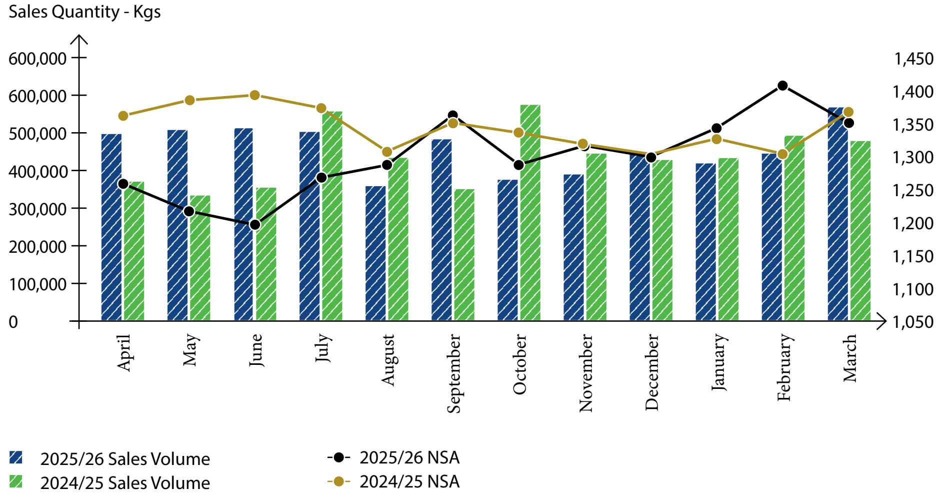
Tea remains the Company's core product, accounting for 96% of total revenue during the 2025/26 financial year. The Company's sales performance reflects a clear divergence between volume growth and price realization during the year. While sales volumes recorded an upward trend across most months compared to the previous year, net sales averages (NSA) remained under pressure, particularly during the mid-year period. This highlights the impact of adverse market conditions, where increased supply and global price pressures limited price gains despite higher throughput. Notably, the latter part of the year saw a recovery in volumes, supporting revenue stability.

The Company's main diversified crop, cinnamon, recorded an increase in revenue of Rs. 20.8 Mn. This growth was entirely driven by higher sales volumes, which increased by 5,684 kgs, while the average selling price remained largely unchanged.

The rubber segment, which is being strategically phased out due to limited scope for improvement, recorded a revenue decline of Rs. 2.8 Mn. This was driven by a decrease in the average selling price by Rs. 44.51, along with a reduction in sales volume of 1,097 kg.

Other revenue decreased by Rs. 24 Mn, primarily due to a decline in income from the sale of Absolute Refuse Tea and Tea Centers, despite a notable increase of 6.6 Mn in Direct Tea Exports Moreover, the Ditwah cyclone in late November 2025 caused considerable damage and disrupted hydropower operations. This reversed earlier gains in the segment, resulting in a Revenue loss of Rs. 30 Mn compared to the last year.

TTE NSA and Sales Volume



Gross Profit

Despite stable revenue growth, profitability was impacted by significant cost pressures. The tea industry remains highly labour-intensive, with wages constituting the largest component of the cost of production.

Recently, the Company absorbed a 35% increase in daily wages from middle of the previous financial year, followed by a further 15% increase in the final quarter, substantially elevating cost levels.

Notwithstanding these challenges, the Company's dominant Revenue Share Model, combined with disciplined cost management initiatives, helped mitigate the overall impact on profitability.

Consequently, the Company reported a gross profit of Rs. 1,434 Mn, representing a year-on-year decline of 21%.

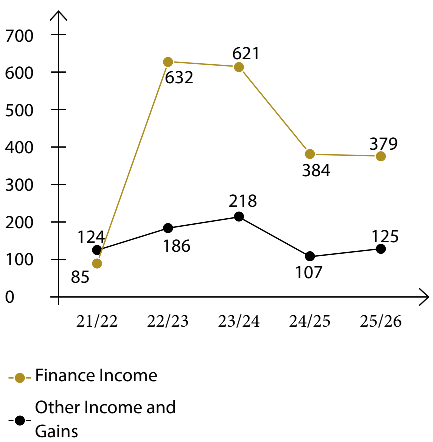
Segment	Contribution to Group Revenue (Rs Mn)		Contribution to Group GP (Rs Mn)	
	24/25	25/26	24/25	25/26
Tea	7,436	7,518	1,654	1,367
Rubber	32	29	(19)	(30)
Cinnamon	36	57	11	15
Other	207	183	126	114
Hydro Power	94	64	46	(31)
Total	**7,806**	**7,851**	**1,818**	**1,434**

Finance Income

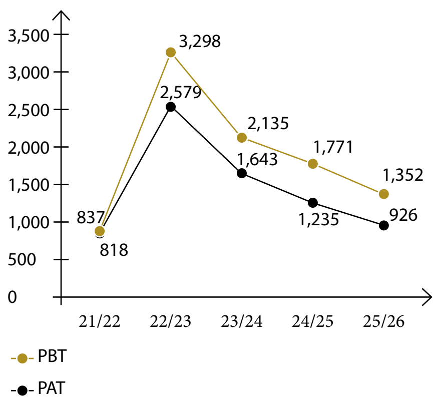
Finance income represents returns generated from investments in fixed-income instruments, unit trusts, and exchange gains. As at year-end, the total investment portfolio stood at Rs. 4.7 Bn, compared to Rs. 4.2 Bn in the previous year. This generated a return of Rs. 377 Mn, reflecting a slight decline from Rs. 384 Mn recorded in the preceding year. The marginal decrease in income is primarily attributable to the low interest rate environment maintained by the Central Bank of Sri Lanka to support economic recovery. The effective interest rate for the year 2025/26 was 8.12%, compared to 9.55% in 2024/25.

Financial Capital

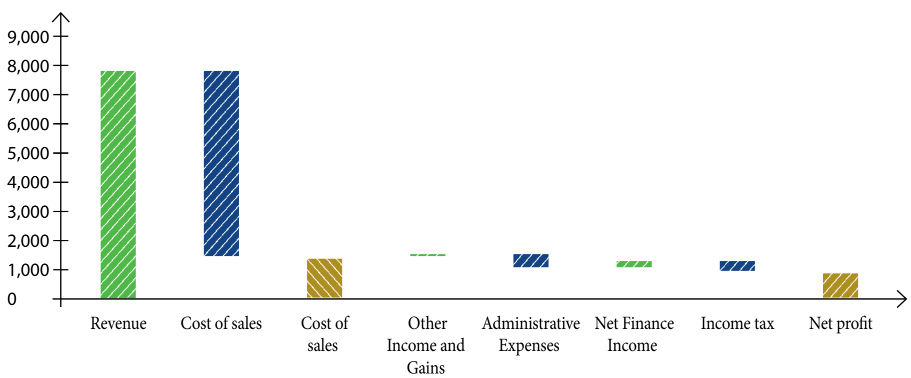
Finance and other Income



Bottom line Performance



Revenue to profit conversion



Other Income and Gains

An increase was recorded in other income, mainly driven by higher proceeds from the sale of timber following the stabilization of the timber market, increased income from the leasing of land for telecommunication towers, and improved performance of the strawberry project as it expanded beyond its trial stage.

Profit Before Tax

GRI 207-1-2

Profit before tax for the year reflects the combined impact of marginal revenue growth, other income streams and a significantly higher cost of production, mainly driven by the wage bill, which dominates the cost structure and increased twice during the last two years — first by 35% and subsequently by a further 15%

Accordingly, the Company recorded a profit before tax of Rs. 1,352 Mn for the year ended March 2026, compared to Rs. 1,771 Mn in the previous year, reflecting a decline.

Profit After Tax

Following a tax charge of Rs. 426 Mn, profit after tax for the year amounted to Rs. 926 Mn, compared to Rs. 1,235 Mn in the previous year.

Profitability and Returns

Despite continued pressure on both revenue and cost fronts, driven by the government-mandated wage increase and ongoing geopolitical uncertainties that have become the norm, the Company demonstrated resilience and delivered solid financial performance during the year.

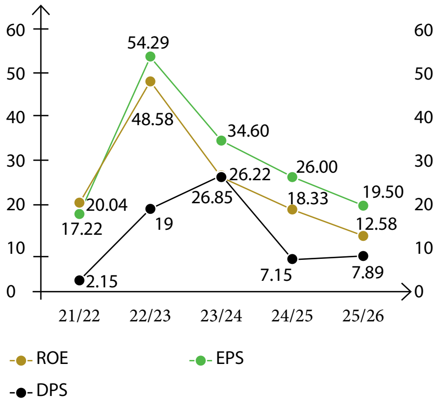
The Company reported earnings of Rs. 19.50 per share, reflecting its ability to sustain profitability under challenging conditions. In line with its commitment to rewarding shareholders, a dividend of Rs. 7.89 per share, representing a 40% payout ratio, was declared for investors who place their continued trust in the Company.

As at year-end, the Company's share price stood at Rs. 129.75, trading at a P/E ratio of 6.6 times, indicating attractive valuation levels and reinforcing investor confidence in the Company's long-term prospects.

"Financial capital is not merely the fuel that powers our business—it is the foundation upon which we create enduring value, sustainable growth, and a stronger future."

Mrs. V A Perera
Director - Finance

Profitability and Returns



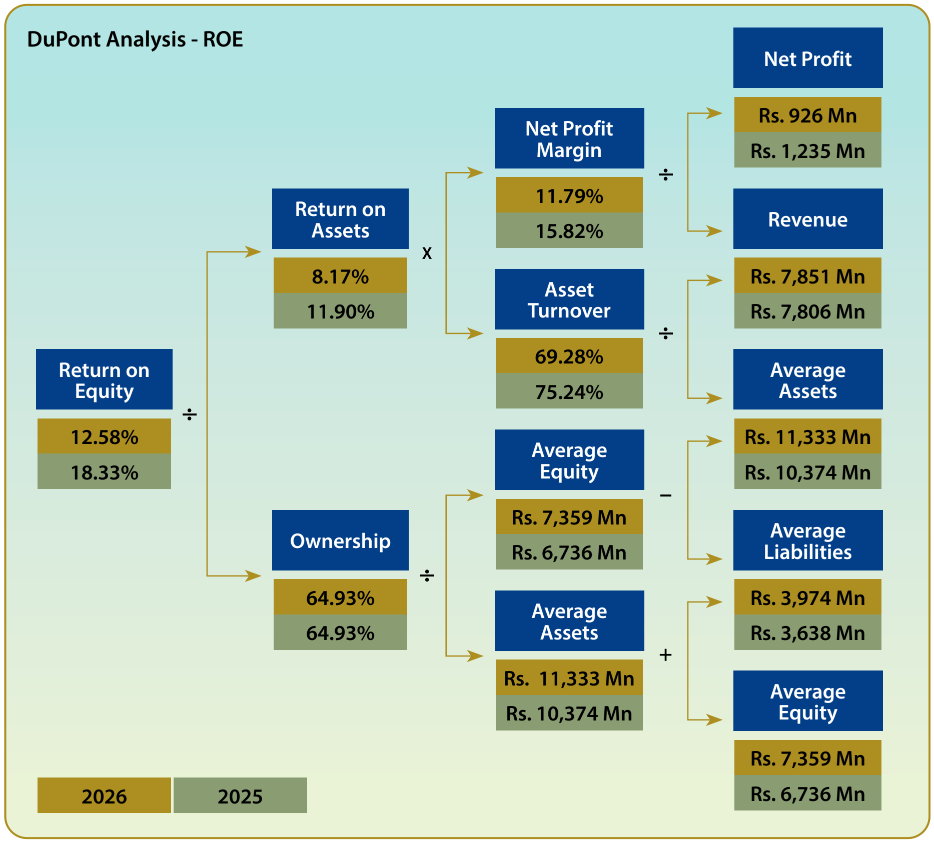
DuPont Analysis - ROE

The TTE's Return on Equity (ROE) declined to 12.58% in 2025/26 from 18.33% in the previous year, reflecting the combined impact of reduced profitability and moderating asset efficiency, while maintaining a strong and stable capital structure.

A DuPont decomposition indicates that the decline in ROE was primarily driven by a contraction in the net profit margin, which decreased from 15.82% to 11.79%, in line with the reduction in profit after tax to Rs. 926 Mn from Rs. 1,235 Mn. This margin compression was largely attributable to the significant increase in cost of production, particularly wage increments, coupled with prevailing global price pressures in the tea market.

From a capital structure perspective, the TTE continued to maintain a conservative and equity-driven financing model, with an ownership ratio of approximately 65%, reflecting minimal reliance on debt. This stability in financial leverage helped cushion the overall decline in ROE and underscores the TTE's strong balance sheet and low financial risk profile.

This pattern suggests that the decline in ROE is primarily cyclical and margin-driven rather than structural, positioning the Company to rebound strongly with improvements in market pricing and cost conditions.



Analysis of Financial Position

Equity and Reserves

TTE reached a significant milestone during the year, with its total asset base surpassing Rs. 11 Bn, reflecting strong growth and financial stability. The company continues to maintain an exceptionally robust and resilient capital structure, characterized by a strategic reliance on equity and minimal dependence on debt. This approach provides TTE with a high degree of financial independence, enhances its ability to withstand macroeconomic volatility, and supports sustainable long-term expansion. In the 2025/26 financial year, equity funding accounted for 65% of the total capital base, reinforcing a strong equity-to-asset ratio and ensuring a solid foundation for operational and investment activities.

In line with its prudent financial strategy, TTE maintains very low leverage, significantly reducing its exposure to interest rate fluctuations—an important advantage in uncertain economic conditions. The TTE's gearing ratio further improved to 6.09% during the year, down from 6.47% in the previous year, underscoring its disciplined approach to debt management.

Financial Capital

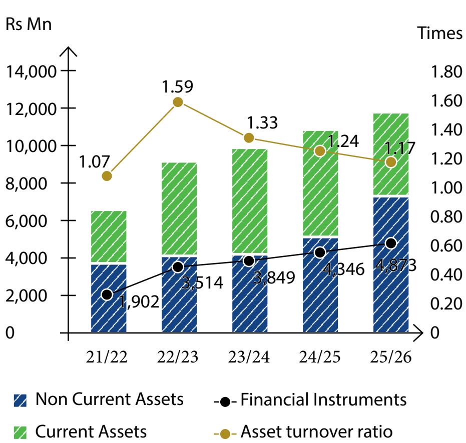
Capital Structure

Total Assets

TTE's total asset base expanded by 8% to Rs. 11,775 Mn as at 31 March 2026, compared to Rs. 10,891 Mn at the end of the previous financial year, reflecting continued growth momentum. This increase was primarily driven by strategic investments in property, plant and equipment, bearer biological assets, and financial instruments. The asset turnover ratio (excluding investments in financial instruments) is 1.17, indicating enhanced efficiency in the utilization of operating assets.

Investments in financial instruments accounted for 41% of total assets and generated income of Rs. 377 Mn during the 2025/26 financial year.

Assets Position

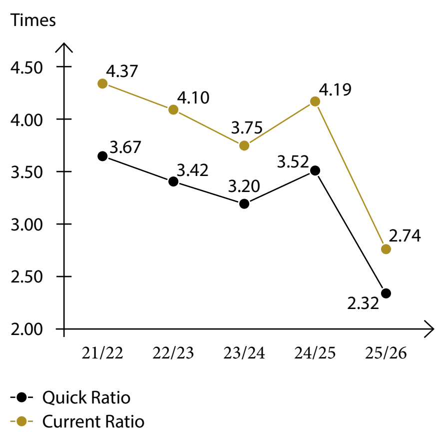


Liquidity Position

The TTE's liquidity position, as reflected in the current and quick ratios, declined during the 2025/26 financial year, with the current ratio reducing to 2.74 from 4.19 and the quick ratio decreasing to 2.32 from 3.52 in the previous year. Despite this moderation, both ratios remain well above conventional benchmarks, demonstrating that the TTE continues to maintain a strong capacity to meet its short-term obligations and sustain operational stability.

This decline was primarily driven by the strategic reallocation of approximately Rs. 1.85 Bn into fixed-income non-current financial instruments during the year. In the prior financial year, these funds were largely held as short-term investments within current assets. This deliberate shift towards longer-term, income-generating investments reflects TTE's focus on optimizing returns and strengthening its long-term financial position, while prudently maintaining sufficient liquidity to support ongoing operational requirements.

Liquidity positions

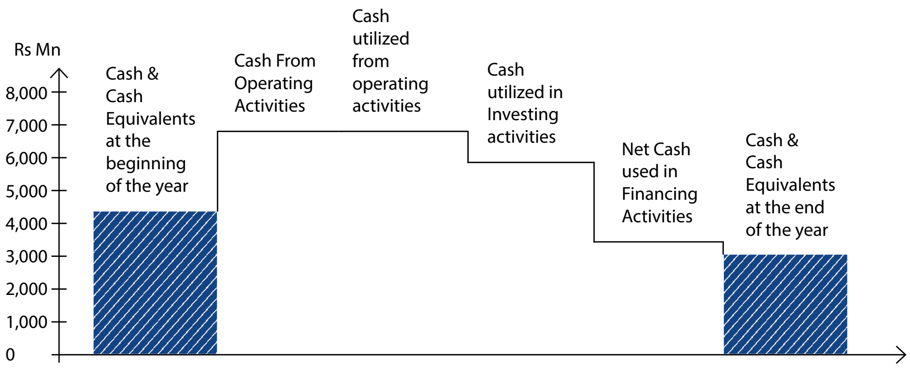


Cash Movement

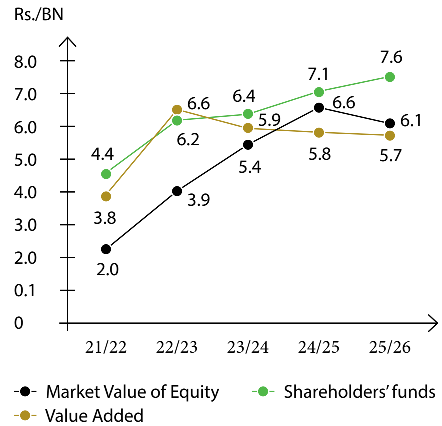
Cash flows during the 2025/26 financial year reflect TTE's disciplined financial management and strong operational cash generation. The TTE generated net cash inflows of Rs. 1,492 Mn from operating activities, demonstrating healthy cash conversion and the underlying strength of core business operations. Investing activities represented a significant outflow of Rs. 2,456 Mn, primarily driven by strategic investments in property, plant and equipment, field development expenditure, and the reallocation of funds into non-current financial instruments, consistent with the TTE's long-term growth and income optimization strategy.

Financing activities recorded a net cash outflow of Rs. 358 Mn, mainly attributable to dividend payments and lease-related obligations, reflecting the Company's continued commitment to shareholder returns while meeting its financial obligations. Overall, the TTE recorded a net decrease in cash and cash equivalents of Rs. 1,321 Mn during the year, resulting in a closing cash balance of Rs. 3,073 Mn, compared to Rs. 4,394 Mn at the beginning of the year. Despite this reduction, the closing cash position remains robust, ensuring adequate liquidity to support ongoing operations, investments, and future strategic initiatives.

Cash Movement



Shareholder Value Creation and Market Performance



Shareholder Value Creation and Market Performance

Over the past five years, TTE has demonstrated a steady creation of shareholder value, as reflected in the consistent growth of both shareholders' funds and the market value of equity. Shareholders' funds increased from Rs. 4.4 Bn in 2021/22 to Rs. 7.6 Bn in 2025/26, highlighting sustained capital accumulation driven by strong earnings and disciplined reinvestment. Similarly, the market value of equity recorded a significant rise from Rs. 2.0 Bn to Rs. 6.1 Bn over the same period, indicating growing investor confidence in the Company's long-term prospects.

While value-added performance showed some fluctuations during the period, it remained at healthy levels and continued to support overall value creation. The alignment between internal value generation and external market recognition underscores TTE's ability to translate operational performance into enhanced shareholder wealth. This sustained alignment between intrinsic value and market capitalization reflects investor confidence in TTE's disciplined financial stewardship and long-term growth strategy.

Trade-offs

01 With Manufacturing Capital

Investment in reforestation, soil conservation, and renewable energy infrastructure temporarily raises operational costs, but enhances long-term efficiency and reduces fossil fuel dependency.

02 With Human Capital

Financial allocation toward climate and environmental initiatives limits short-term cash flow for other areas but creates employment, skills development, and sustainable livelihoods for estate communities.

Future Outlook

Short Term

Maintain disciplined cash flow, invest in field, machinery, and factory upgrades, follow structured budgeting, and secure a stable, productive workforce to ensure operational continuity.

Medium Term

Invest strategically in productivity, digital transformation, AI, specialty tea, and cinnamon cultivation, optimize operations, manage risks, and balance sustainability and community program spending.

Long Term

Build resilient financial capital, fund climate adaptation, biodiversity, and agricultural innovation, maintain disciplined dividends, and strengthen organizational capability against market and environmental volatility.