

transportation

sector operational review

The range of businesses in the Hemas Transportation Sector includes, Airline Representation, Passenger Travel, Freight Management and Courier Services.

The highly competitive industry scenarios across all transportation businesses we are engaged in continued to prevail during the last financial year. Nevertheless, industry growth was evident in terms of increasing passenger and cargo traffic.

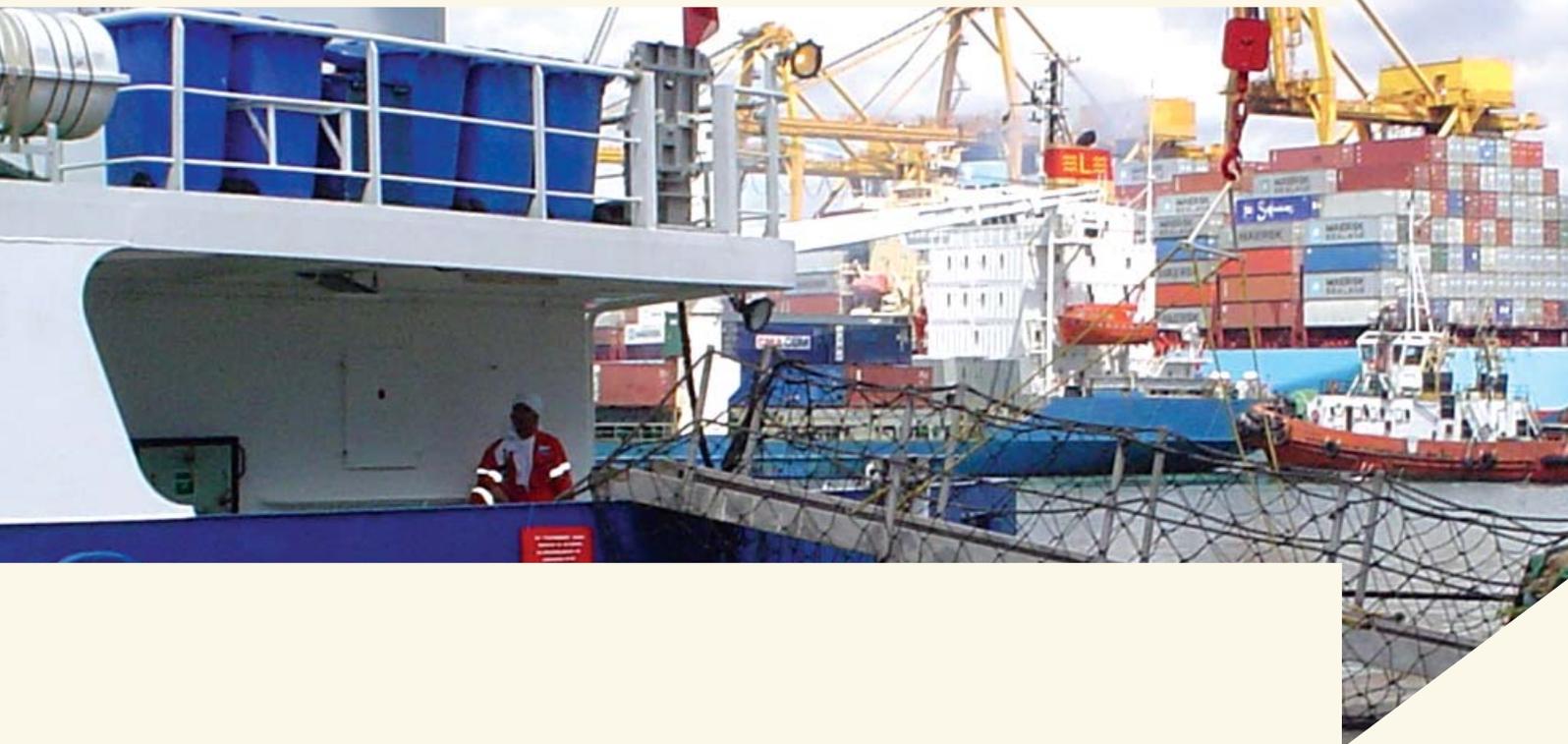
During the financial year under review, the Sector achieved a turnover of Rs 418Mn, up 16.6% from previous year, and a profit of Rs 106Mn, up 23.0%.

Our Airline General Sales Agency (GSA) Operations continued to see positive growth during the year. As market leaders in this segment, for both Passenger and Cargo, our airline partners continue to strengthen their operations. Hemas celebrated a decade long GSA relationship with Emirates, which coincided with the airline's 20th year in operation. These twin events were celebrated



by offering a variety of special airfares and package deals to the general public. An open skies agreement was signed by Sri Lanka and Malaysia during the year, paving the way for greater frequency of flights between the two countries. We expect this to have a positive influence on Malaysia Airlines in the future. The GSA's of Alitalia and Kenya Airways, both grew significantly during the year, while that of LTU declined due to the decrease in frequency to Colombo.

Hemas Travels, our Outbound Travel Operator has performed exceptionally well during the year under review. The focused plan



of offering greater value added services in a wide variety of areas ranging from hotels, packaged tours, to travelers cheques and insurance was a key element in this success. As pilot agents to the new Bank Settlement Plan (BSP) introduced to the passenger market, the company had taken initiatives to manage tighter working capital requirements that arise within this environment.

Our Freight Management arm achieved significant growth during last year, and we see many opportunities for further development in this business. An important step was the initiation of our regional operations through strategic partnerships with global networks. This initial step towards a regional presence in the Sector will be enhanced considerably later this year. There was also significant expansion of our network partners. Hemas entered a joint-venture

partnership with Hellmann, a leading global network. This joint-venture company is expected to be an important revenue earner for Hemas in the future.

In line with our objective of expanding the Logistics value chain, the acquisition of one of Sri Lanka's well-known courier companies 'ACX International' was concluded towards the end of the financial year. Subsequent to the acquisition, our initial steps were the reorganization of the company's management team and a focused development of global network partners. Whilst the company has seen improved performance since the takeover, we expect the impact of these strategic changes to be fully visible in the next financial year.

