



Healthcare Focus

*Leveraging our industry position to serve
the ever increasing demand for quality
and affordable hospital services*

Operational Review

The distribution of pharmaceuticals has been the predominant line of business in the sector since its inception. Among the private sector pharmaceutical distributors, Hemas has enjoyed market leadership in the recent past and our agency portfolio represents over 30 multinational and regional companies. The main highlight for the sector during the year was the entry into Hospital Services and Consumer Health markets.

For the period under review, turnover was up by 16.0% to Rs 2.9Bn whilst net profits grew by 3.0% to Rs 141Mn.

management information. In October 2006 the sector divested its healthcare manufacturing business in order to facilitate growth in our core business by avoiding internal conflicts within our agency portfolio.

During the year the sector commenced construction of its first hospital in Wattala. This is the outcome of our strategic alliance with Columbia Asia, a regional hospital operator. This 100-bed multi specialty secondary care facility is expected to commence operations in mid 2008. The sector also entered into an

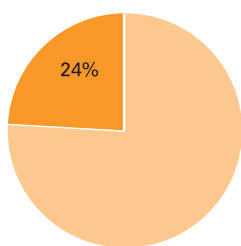
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The year under review was generally a challenging year for our core business of prescription medicines with the industry growing by 8.4% vis-à-vis 10.0% in the previous year. The business closed the year with a market share of 14.3% (Source: IMS). During the year the sector made a strategic entry into the fast growing Consumer Health market by acquiring the *Paracetol* brand of analgesics, the second largest brand of Paracetamol. The sector was also successful in securing certain key agencies in the Animal Health and Surgicals & Diagnostics areas. In order to improve service levels to our Principals, the sector invested in a new Sales and Re-distribution solution, which when integrated to SAP will contribute towards greater process efficiency and better

agreement with a Ministry of Health certified nursing school to train a batch of 70 nurses to provide the first intake when the hospital opens in mid 2008.

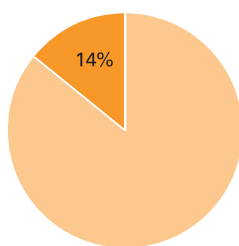
Looking at the year ahead, we will focus on building the Consumer Health and other non-prescription categories in order to augment growth of our core pharmaceutical business. Successful management of the Wattala Hospital project will be vital in the context of building a wider presence in this industry, and will be a top priority for the sector.

Segment Revenue vs Group

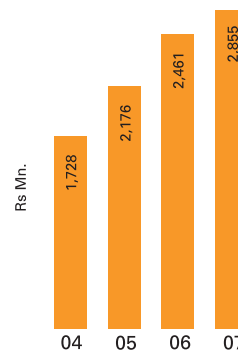


Healthcare Sector

Segment Profit vs Group



Revenue



Net Profit after Taxation

