

TRANSPORTATION





Sector Review **TRANSPORTATION**

Our Aviation businesses, which focus on delivering superior value to our customers and strategic partners, enjoyed higher volumes in passenger and cargo movement, resulting in revenue growth of 16.3%.

The Transportation Sector of the Group has business interests in the Aviation, Maritime and Integrated Logistics segments.

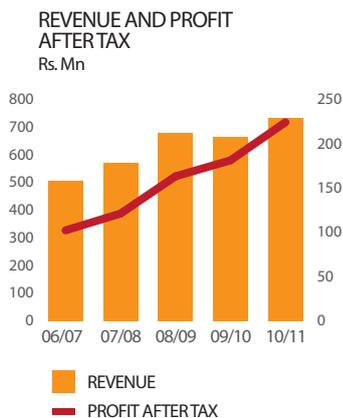
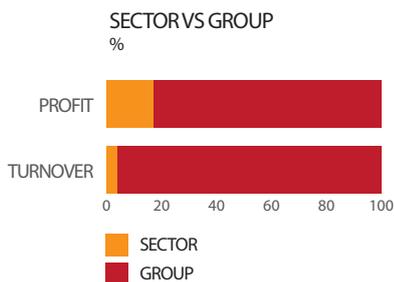
With the expansion of the overall portfolio and strong relationships with our key strategic partners, the Sector posted overall revenues of Rs. 734Mn growing by 10.5% over last year, with the profit after tax growing by 23.8% to Rs. 224Mn.

From a national perspective, the transportation industry grew by 11.4% during the calendar year 2010 (Source: CBSL), the highest recorded growth over the last three years. Ongoing development of seaports and airports as well as road and rail networks will open up a plethora of opportunities for the industry as a whole.

Our Aviation segment comprises airline representation and the outbound travel business. The recovery of global economic conditions was reflected through higher passenger and cargo movements during the year. Our Aviation businesses, which focus on delivering superior value to our customers and strategic partners, enjoyed higher volumes in passenger and cargo movement, resulting in revenue growth of 16.3%.

Hemas Travels and its leisure arm, *Prime Destinations*, performed satisfactorily in a tough, competitive environment. The company continued its focus on developing value-added products and services to complement service offerings and was successful in attracting and retaining key customer accounts during the year.

Our GSA division did well to enhance their business, with Malaysia Airlines enhancing frequencies out of Colombo with a daily service to Kuala Lumpur from March 2011 and Emirates enhancing their frequencies to 28 flights a week during the year. Our portfolio expanded to include Ukraine International Airlines which started operations to Colombo in December 2010. Other Sector GSA's which include Kenya Airlines, Alitalia, Druk Air, Maldivian and BMI together with the ground supervision services for Rossiya Airlines and Travel Service helped to further enhance our Aviation performance with strong cargo and passenger sales.





The Maritime industry recovered globally during the year. Container handling at the Port of Colombo grew by 15% over last year, while transshipment cargo grew by 13% in the same period. Accordingly, our feeder agency business and maritime services division expanded its business despite price competition and ended the financial year with a revenue growth of 25.2%. Our investment in Mercantile Shipping Company PLC (MSL) has given us the opportunity to participate in maritime asset ownership where two vessels have been chartered out internationally.

Our Integrated Logistics segment exceeded expectations, boosted by the increase in cargo movements to and from Sri Lanka. Hellman Worldwide Logistics, our joint venture partner in cargo logistics experienced a good year.

Taking into account the Government's commitment to infrastructure development plans which includes both seaport and airport development, we see considerable opportunity in the Sector and look forward to playing an active role in the growth plans for Sri Lanka in the years to come. Accordingly, we will seek to build our presence locally through strategic partnerships and our experienced team to further strengthen our position in the country.