

FMCG



For over 50 years, we have been developing innovative products using safe and trusted ingredients to serve the evolving needs of Sri Lankan consumers...

...We continue to leverage our consumer understanding, using global propositions and blending them with Sri Lankan insights to provide our consumers with preferred, affordable, quality products.

Rs. **7,691** Mn
Revenue

Rs. **745** Mn
Profit After Tax



For over 50 years, we have been developing innovative products using safe and trusted ingredients to serve the evolving needs of Sri Lankan consumers. Our portfolio which began with the Baby Cheramy brand now extends to a range of established brands which span the categories of skin care, hair care, fragrances, oral care and home care. We continue to leverage our consumer understanding, using global propositions and blending them with Sri Lankan insights to provide our consumers with preferred, affordable, quality products.

In 2012/13 the FMCG sector performed well in challenging market conditions which saw the overall personal care segment grow at a much slower pace. The industry experienced inflationary pressures caused by rising input costs, augmented by significant rupee devaluation early in the year. Overall price corrections across all sectors led to tightening of disposable incomes and dampening demand, resulting in market growth mainly originating from price. Despite these conditions, our business delivered

strong double digit growth in both revenue and profit. For the year under review, the Sector posted revenues and profits of Rs. 7.7Bn and Rs. 745Mn respectively. Compared to the previous year, sector revenue and profits have grown by 14.5% and 28.8% respectively.

Baby Cheramy, our flagship brand saw its brand equity index steadily improve, strengthening its position as the market leader in baby care. Soap did exceptionally well and now stands as a clear market leader in the category. Accessories such as feeding bottles, nappy wash detergents, diapers, teats and cotton buds have also seen growth during the year. Competitive advertising, promotional and trade activities with constant connectivity with our consumers have led to an impressive sales growth of 17.4%.

The brand celebrated fifty years of 'pure love' serving Sri Lankan mothers with high quality, trusted products. Baby Cheramy reached out to the Sri Lankan underprivileged children by launching the *Yet Young and Growing* Project and the

Big Heart Project. The *Yet Young and Growing Project* set up 'Baby Cheramy Mother Clinics' in collaboration with the Ministry of Child Development & Women's Affairs to educate pregnant mothers on issues relating to mother and child during pregnancy and post natal care.

The *Big Heart Project* was another collaboration with the Ministry of Child Development & Women's Affairs. This project focused on giving children 'at risk' the ability to continue with their education. The *Big Heart Project* was initiated under the 'Nena Diriya' programme of the Department of Probation and Childcare Services. Baby Cheramy will help fund the education of children across the country from grade one to grade five, the most important period of their education.

In support of the *Big Heart Project*, the 1996 Cricket World Cup winning team came together to play an exhibition Twenty20 match against Sri Lanka's cricket legends. The match took place on 12th January 2013, at the NCC grounds in Colombo. All proceeds from ticket sales, well-wisher donations and auction of memorabilia went to the *Big Heart Project Fund* for education, set up by the Department of Probation and Child Care Services.

Kumarika hair oil and shampoo have seen excellent growth in both the Sri Lankan and Bangladeshi market. The market share for its oil category now stands at its highest since the launch of Kumarika in 1995. The business in Bangladesh recorded a very impressive turnover growth of 142.8%, whilst margins improved as a result of driving supply chain and other operational efficiencies.

Clogard, the oral care brand consists of toothpaste, toothbrushes and mouthwash. The '*Back to Roots*' campaign, enhanced Clogard's connectivity with our local consumer. Our core proposition in the goodness of clove blended with the

developments in oral science have helped Clogard maintain its market share in the midst of heightened competition. We continue to maintain strong partnerships with the Sri Lankan Dental Association and local universities, enabling the brand to adapt to the evolving dental needs of our consumers.

Fems sanitary napkins maintained its market share during the year under review with higher revenues. Given the performance of the brand and the opportunities in this category, the fastest growing in the personal care space, we will be investing in the brand to continue to drive growth.

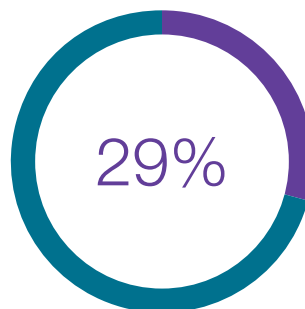
Diva detergents continued to perform exceptionally well with substantial volume and value growth, leading to an increase in market share. The effective campaign '*Raumata Idamak*' along with improvements in product quality contributed to this success.

Velvet soap experienced exponential growth in volume and value. The product now stands as the number one beauty soap in Sri Lanka, displacing and moving ahead from the long standing market leader. The brand has been growing from strength to strength and its popularity has widened in the market.

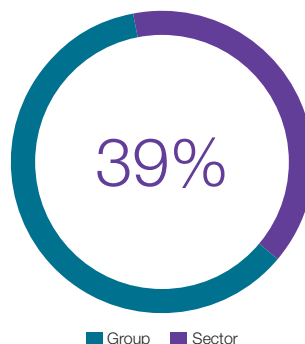
In addition to their excellent financial performance, our brands received various awards during the year. Both '*Diva Detergent Powder*' and '*Dandex*' were recognised at the Effie Awards 2012 for their communication campaigns. '*Diva Detergent Powder*' won a Bronze Award, for the effective '*Raumata Idamak*' consumer promotion under the Household Supplies and Services category while '*Dandex*' won the Silver Award for the '*Dandex vs. Dandruff*' campaign in the Beauty Products and Services category. Our brands were also recognised at the 11th SLIM Brand Excellence Award Ceremony where '*Fems*' won the Silver Award for the Best Turnaround Brand of the Year and '*Velvet*' secured the Bronze Award for the Product Brand of the Year.

In the year ahead, we hope to grow our personal care portfolio. We believe that our country's growth prospects together with a growing consumer focus on personal well being will drive demand for personal care products. We will continually address the evolving needs of our consumers and provide them with safe and trusted quality propositions that will enhance their lifestyles and enrich their lives.

SECTOR VS GROUP REVENUE



SECTOR VS GROUP PROFIT



■ Group ■ Sector

HEALTHCARE



As a responsible entity and a leading healthcare provider, we strive to excel in quality, innovation, ethical standards and cost effectiveness and thereby enrich the lives of the community we aim to serve.

Rs. **8,976**Mn
Revenue

Rs. **493**Mn
Profit After Tax



Hemas, the largest private organisation in the healthcare industry, is the dominant distributor of pharmaceuticals, surgical and diagnostic products in Sri Lanka. We own and manage internationally accredited hospitals and continue to invest in new hospitals and in a chain of diagnostic laboratories. As a responsible entity and a leading healthcare provider, we strive to excel in quality, innovation, ethical standards and cost effectiveness and thereby enrich the lives of the community we aim to serve.

The financial growth this year has exceeded expectations posting an exceptional revenue growth of 20.0% and profit growth of 53.8%. Increased demand for healthcare products and services due to higher Per Capita GDP, rising health awareness and the growing ageing population contributed to this trend. The impressive growth trajectory experienced over the year resulted in a revenue of Rs. 9.0Bn and a profit of Rs. 493Mn for the sector.

Hemas Pharmaceuticals contributed 86.1% to the Healthcare sector revenue resulting in a growth of 19.4%. This enabled the Sector to capture a greater level of market share and further strengthen its market leadership position. Hemas Pharmaceuticals continues to be the largest distributor of Pharmaceutical, Surgical and Diagnostic products in Sri Lanka. We were successful in attracting a new principal, Sun Pharma Limited which is the third largest pharmaceutical company in India, a promising step for the coming year. Sales and distribution channels were also strengthened creating a strong supply chain across the country.

During the year, Hemas Pharmaceuticals received an award from Seven Seas UK for the highest recorded growth in one year. In addition to this, our effort to work towards excellence in supply chain management was rewarded with two of our agencies, Ranbaxy Laboratories Ltd and Terumo Singapore Pte Ltd, winning the Best Supplier Awards at the SPC supplier convention in 2012. With the growth of the

private healthcare sector, new hospitals were opened and existing ones expanded fueling demand for surgical and diagnostic products. Hemas Pharmaceuticals was proud to be a preferred partner of a large number of these new and existing ventures.

Hemas Hospitals operates two private hospitals in Wattala and Galle with a third hospital to be opened in June 2013 in Thalawathugoda. The hospitals sector generated a revenue of Rs. 1.3Bn during the year under review resulting in a growth of 22.7% in comparison to last year.

In order to deliver on our proposition of patient oriented service, Hemas Hospitals is focusing on strengthening nurse training capabilities with a partnership with the Kerala Institute of Medical Sciences (KIMS). Some of our nurses are sent to India to better equip them to provide quality care to patients whilst others receive local training from a high caliber nurse educator from KIMS. Dr. Panna Gunaratne, a renowned cardiac surgeon, joined the team as Group Medical Advisor to improve clinical governance across the chain. As part of our initiative to strengthen the skills of our staff, workshops were held by Dr. Shailesh Puntambekar a world renowned laparoscopic and robotic surgeon from Pune, India to demonstrate technical skills in laparoscopic surgery.

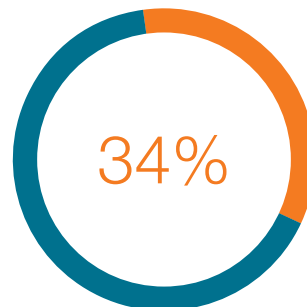
In order to complement the clinical and operational areas of the hospitals, we are in the process of implementing a superior Hospital Information System which automates the clinical, administrative and supply-chain functions of the hospital to improve operations while enhancing quality of care. The software solutions provider is a world leader in healthcare IT solutions and is used in over 100 prominent hospitals in India, Middle-East and Asia Pacific. The Hemas Hospitals laboratory chain introduced a fully automated, diagnostic facility which uses bar coded, automated and interfaced system,

providing patients with accurate and timely reports.

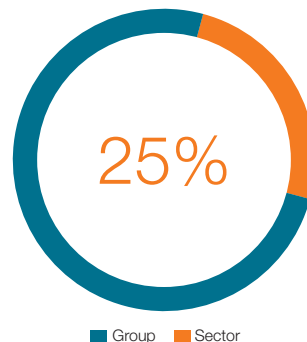
The new Hemas Hospital in Thalawathugoda will commence operations in June 2013. With an investment of Rs. 1.4Bn, the new hospital is making great strides to introduce modern, state of the art technology that will benefit patients, the community and the medical profession.

We expect increasing life expectancy and product innovation to continue to drive demand for prescription medicines and healthcare services. At the same time, we believe that a growing customer focus on personal well being will drive demand for health products and services. With the expansion of the hospital chain and lab network in tandem with the strong presence in the pharmaceutical distribution sector, Hemas Healthcare hopes to continue to grow its presence in the Sri Lankan healthcare arena.

SECTOR VS GROUP REVENUE



SECTOR VS GROUP PROFIT



LEISURE



We are the only Sri Lankan hotel chain that manages an international brand. The 'Avani' brand is owned by Minor International, one of the largest hospitality and leisure companies in the Asia Pacific region.

Rs. **1,643**Mn
Revenue

Rs. **464**Mn
Profit After Tax



Over a million tourists arrived in Sri Lanka in 2012 to enjoy the diverse beauty of the island from the tranquil beach resorts and stunning hill country landscapes to the historical wonders in the Cultural Triangle. The influx of tourists post-war has continued to grow resulting in a 17.5% growth in foreign arrivals in 2012. (source: SLTDA) With mounting accolades, Sri Lanka is attracting the world's attention as a prime travel destination, with the largest segment of tourists arriving from UK, Germany and Eastern Europe. Global outbound tourism grew marginally by 4% as it was hampered by lower business and consumer confidence, unemployment and austerity measures in Europe. (Source: UNWTO)

The Hemas Leisure sector comprises of Serendib Group of Hotels and Diethelm Travels. The Serendib Group of Hotels consists of 4 award winning properties renowned for its scenic locations and unique architecture. Diethelm Travels is an inbound tour operator in Sri Lanka which is part of the Diethelm Travel Group, which has over 50 years' experience providing

full travel services within the region. The Leisure sector recorded a revenue of Rs. 1.6Bn during 2012/13 resulting in a growth of 38.6%.

The Hotels sector experienced another year of excellent earnings growth with revenue of Rs. 1.4Bn and EBITDA of Rs. 513Mn, an increase of 38.1% and 85.5% respectively over 2011/12. Our portfolio of properties include Club Hotel Dolphin, Hotel Sigiriya, Avani Bentota Resort and Spa, and Avani Kalutara Resort with a total room strength of 410. These distinctive properties offer our guests a unique ambiance by blending the environment into our guest experience whether it is through a view of the spectacular rock fortress of Sigiriya at the heart of the Cultural Triangle or the serene seascapes at Avani Bentota Resort and Spa. We are the only Sri Lankan hotel chain that manages an international brand. The 'Avani' brand is owned by Minor International, one of the largest hospitality and leisure companies in the Asia Pacific region.

Club Hotel Dolphin's revenue grew by 18.9% and profit by 113.3% during the year under review, once again providing an exceptional performance. Positioned as a family beach holiday destination, Club Hotel Dolphin creates memorable experiences for its guests whether it is through a dive in Sri Lanka's longest pool or relaxation in the spa. Club Hotel Dolphin was bestowed with the prestigious Holiday Check Award for being one of 99 most popular hotels worldwide in the 'Family' category in January 2013.

'Avani' stems from the Sanskrit word for 'Earth' – a meaning which perfectly mirrors each Avani hotel's refreshingly understated personality. Formerly known as Kani Lanka Resort and Spa, Avani Kalutara was re-branded and re-launched in November 2012 subsequent to a Rs. 550Mn refurbishment. Avani Bentota, formerly Hotel Serendib, is an example of master architect Geoffrey Bawa's signature style. The hotel performed well subsequent to re-branding and extensive renovation undertaken last year and was awarded the Agoda Gold Circle Award for excellence in online distribution.

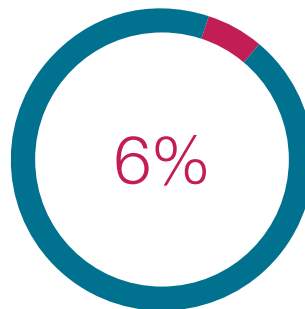
Diethelm Travels had an exceptional year, posting a revenue of Rs. 241Mn and profit of Rs. 56Mn. A close liaison with agents and tour companies was one of the key elements to this success. Diethelm Travel's market position was strengthened during the year, as it strengthened its reputation as one of the leading tour operators in Sri Lanka. The sector focused attention on high-end clientele during the year which translates to one fourth of the tourists entering the island, mainly from Scandinavia and other European countries. The targeted focus on this segment enabled Diethelm Travels to cater specifically to their needs and improve service levels. As arrivals to Sri Lanka grow steadily, Diethelm Travel's business is flourishing alongside.

In 2012/13, Diethelm Travels made changes to improve existing tours and include several new tours. These changes were done to cater to the ever changing needs of customers from all parts of the world. The coming year will see an expansion throughout its offerings. This coupled with an increase in arrivals would have a promising year for Diethelm Travels.

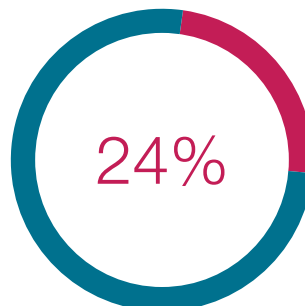
As tourism in Sri Lanka grows, the importance of sustainable tourism is becoming acute in order to preserve the nation's natural and heritage assets. The sector will continue to integrate sustainable practices to all facets of our operations by adopting best practices in environmental and social governance while balancing commercial objectives with sustainable practice. As part of our commitment to sustainability, each hotel aims to enrich the community in which it operates.

The leisure industry has promising years ahead as tourism in Sri Lanka expands. With this expectation, we will continue to invest in improving and growing the Leisure sector. We are looking to develop three new properties in the Southern coastal belt in Ambalangoda, Kalutara and Tangalle. These properties are expected to be branded under the 'Anantara' and 'Avani' brands, further strengthening our portfolio.

SECTOR VS GROUP REVENUE



SECTOR VS GROUP PROFIT



■ Group ■ Sector

TRANSPORTATION



Looking ahead, the Sector has strategic plans to aggressively broaden our presence in the logistics and maritime sectors capitalising on the national vision of creating logistics and maritime hubs. We are bullish of our prospects and given the strength of our team, are confident of reaching our goals.

Rs. **1,101**Mn
Revenue

Rs. **328**Mn
Profit After Tax



Hemas Transportation sector comprises aviation, maritime and logistics business segments which contributed 16.9% to our overall Group profitability during the year under review. Turnover increased by 52.5% to Rs. 1.1Bn and profit after tax grew by 33.6% over last year to Rs. 328Mn.

The transportation industry achieved significant progress in the past year with the expansion of the existing road and rail networks resulting in improved regional connectivity and contribution to national growth. The government continues to invest in the development of the seaports, airports, roads and rail networks, creating multiple opportunities for the industry.

From a global perspective, passenger traffic recovered well from the continuing financial crisis. IATA forecasts a subdued year ahead, while cargo traffic is forecasted to witness a modest rebound from two years of negative growth globally. (source: IATA)

The passenger segment of our business performed moderately throughout the year due to the impact of fuel surcharges and as a result, passenger volume growth was in the mid-single digits. The domestic appetite for corporate and incentive travel continued to be robust, driven by the demand in service-oriented export industries. We were able to increase our overall market share in the travel agency space by recording high double-digit growth ahead of the market which grew by 10% over the previous year. Our strong partnerships with leading brands Cosmos, Globus and Royal Caribbean Lines further strengthened our presence in the fast growing leisure travel segment.

The performance of our aviation services was also well supported through the air cargo GSA businesses. Malaysian Airlines commenced a weekly freighter service to Kuala Lumpur in July 2012 to augment its daily service. The Emirates Airline network continued to provide our customers' access to a strong delivery partner, especially for time-critical logistics. We

continue to lead the local GSA space with a strong talent-base, delivering superior value to our principals and customers alike.

In the fourth quarter, 'Discover The World Marketing', represented in Sri Lanka by Hemas was appointed as the General Sales Agent for China Southern Airlines. This is a landmark appointment for our sector; China Southern Airlines being the largest airline of China. It operates the largest fleet of aircraft in Asia and ranks third amongst 240 airlines in IATA's global network.

The global maritime industry continues to endure freight rate volatility due to excess vessel capacity and recessionary conditions. From a local perspective Sri Lanka's container handling throughput at the Colombo Port reduced by 2% during 2012, while transshipment volumes witnessed a 1.5% decline during the same period. (source: SLPA)

Our maritime segment volumes recorded a robust growth aided by higher throughput in our feeder vessel agency 'Far Shipping' mainly on the Asia-Africa trade route. During the year we also expanded our maritime services beyond the traditional agency operation to handling break-bulk vessels through Hemas Maritime (Pvt) Ltd. We also commenced operations on a joint venture with Mercantile Shipping Company in the port of Galle for the transportation of sea marshals using fuel efficient crew boats which has added a new dimension to this competitive industry segment.

We feel that the capacity expansion project at the Colombo Port and the infrastructure development at the regional ports will result in multiple opportunities for our business from a maritime and logistics perspective.

The logistics business segment was boosted by the strategic investment we made in Forwardair Logistics (Pvt)

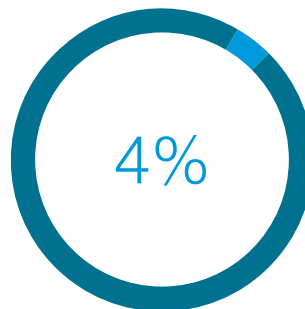
Ltd (later renamed Hemas Logistics (Pvt) Ltd), strengthening our presence in the local logistics space in addition to our freight forwarding and courier businesses. Through Hemas Logistics we offer container and vehicle logistics, project cargo management and contract warehousing. The Company has a strong customer-focused team, which has built a reputation among Main Line Operators for the efficient handling of containers and cargo, maximising throughput for its customers.

Our joint venture businesses had a mixed year with our courier business, 'Skynet' performing exceptionally well due to new business generated through its expanded branch network and the provision of domestic courier solutions. However, our freight forwarding venture with Hellmann Worldwide Logistics endured a difficult year due to aggressive competition. The

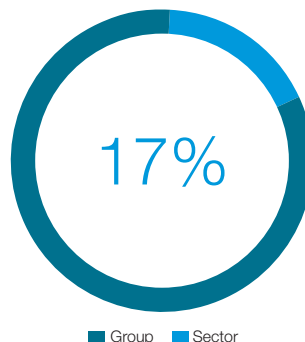
Company has taken measures to expand its services beyond freight-forwarding and is expected to generate better returns in the coming year.

Looking ahead, the Sector has strategic plans to aggressively broaden our presence in the logistics and maritime sectors capitalising on the national vision of creating logistics and maritime hubs. We are bullish of our prospects and given the strength of our team, are confident of reaching our goals.

SECTOR VS GROUP REVENUE



SECTOR VS GROUP PROFIT



■ Group ■ Sector

POWER



In the coming year, we hope to demonstrate leadership in the industry through growing our portfolio, thus serving our stakeholders and our nation. We are committed to contributing to our nation's progress by supplying clean energy and being a leader in renewable energy.

Rs. **5,509**Mn
Revenue

Rs. **286**Mn
Profit After Tax



Our world runs on energy and it is essential to our way of life; fundamental for everything from powering our industries to powering the electronic devices we depend on daily. Post-war, our nation has experienced rapid economic growth and the improved living standards it enables, have created a pressing demand for more power generation. The evident rise in energy-consumption, changing regulations, new technology developments and greater awareness of sustainability issues are all transforming the power industry. Amidst this changing landscape, the Hemas Power sector is committed to long-term growth and value creation.

The Hemas Power sector includes Heladhanvi Ltd a 100MW thermal power plant and three mini hydro plants located in Giddawa, Lindula and Magal Ganga with a total contribution capacity of 7MW. The Sector contributed 650GWh to the national grid this year. During 2012/13, the Sector posted revenue of Rs. 5.5Bn resulting in a growth of 23.2% over last year. The pass-through effect of furnace oil which increased from Rs. 40 per litre to

Rs. 65 per litre in February 2012 partially contributed to this growth.

Our thermal power plant Heladhanavi operated at an average plant capacity of 72% throughout the year notwithstanding closures attributed to scheduled maintenance. The plant contributed 630 GWh to the national grid during the year. While Heladhanavi revenues surged upward with increasing fuel prices, the plant's profitability was adversely impacted by high O&M charges, increasing working capital costs and translation losses on foreign exchange borrowings, most of which were unrealised.

The prolonged drought which occurred in 2012 hampered power generation at our mini hydro power plants. The marginal improvement in rainfall during the latter half of the year aided recovery, enabling the plants to record an average plant factor of 38%. We were also challenged with a few technical issues related to the CEB due to constant grid failure causing heavy downtime losses during the year. Moreover, the revenues of two mini hydro

plants were undermined by the reduction of the Avoided Cost Tariff by 7% over the previous year. This is the second rate cut the sector has experienced since its entry in to the renewable energy space. The three-fold set back of the drought, technical issues at the CEB and reduction of tariff hindered earnings this year. Nevertheless the mini hydro segment revenue grew from Rs. 146Mn to Rs. 222Mn, a growth of 51.8%.

The Giddawa plant faced formidable challenges this year due to heavy floods in December 2012 causing the plant to suspend operations. The engineering team worked tirelessly and was able to restore operations within a fortnight at a marginal cost. Despite the suspension in generation, the 2MW plant generated 6.7Mn units (KWh) at a plant-utilization-level of 38%, compared to the 35% recorded last year. High rainfall levels received in the catchment areas during the latter half of the year helped the plant recover.

Our second 2.6MW mini hydro power plant, Agra Oya generated 7.9Mn KWh at 35% plant factor. This 28% improvement over the last year was chiefly driven by the improved rainfall levels enjoyed toward the latter half of the year.

Magal Ganga was impacted by slightly lower rainfall than the estimated hydrology forecast. Significantly, the plant was impaired by technical problems in machinery and transmission line which have been resolved, but caused a considerable impact on generation.

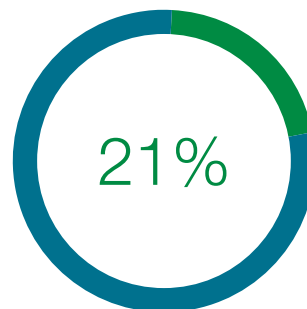
On the growth front, we have earmarked mini hydro power sites in Sri Lanka and East Africa. Expansion into the African region may help counter and balance the economic and natural hindrances faced in Sri Lanka. The team expects to continue pre-development work on new projects in Sri Lanka and the East-African region in the years to come, while looking out for

opportunities in other renewable energy spaces. During the course of the year we also acquired 29.3% of Panasian Power PLC which currently owns two mini hydro plants.

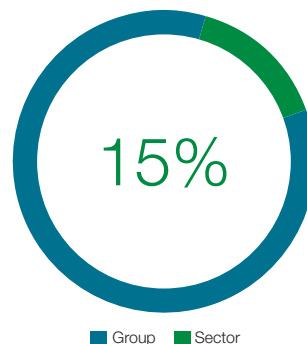
With Sri Lanka's energy demand expected to double by 2020, diverse and reliable sources of power generation will be necessary to facilitate economic growth. While making strides towards renewable energy sources, Sri Lanka continues to depend heavily on conventional energy sources. As such there has been a focus by the CEB on achieving fuel efficiency in thermal generation to improve energy conservation. Hemas Power sector has corresponding aims; we aim to continue our focus on renewable energy sources while improving the efficiencies of our thermal plant. In the coming year, we hope to demonstrate leadership in the industry through growing our portfolio, thus serving our stakeholders and our

nation. We are committed to contributing to our nation's progress by supplying clean energy and being a leader in renewable energy.

SECTOR VS GROUP REVENUE



SECTOR VS GROUP PROFIT



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