ACTING CEO'S REVIEW

> HEMAS REMAINED FOCUSED ON DELIVERING SUSTAINABLE VALUE TO OUR STAKEHOLDERS, GUIDED BY OUR PURPOSE-DRIVEN APPROACH AND A DEEP SENSE OF RESPONSIBILITY AS A DIVERSIFIED CONGLOMERATE.

I am honoured to present to you the Annual Report of Hemas Holdings PLC for the financial year ended 31 March 2025. This year's report reflects not only our operational resilience and strategic progress but also our unwavering commitment in creating meaningful impact across the communities we serve. The Group remained focused on delivering sustainable value to our stakeholders, guided by our purpose-driven approach and a deep sense of responsibility as a diversified conglomerate.

SIGNS OF STABILITY, STEPS TOWARD RECOVERY

The Group continued to face macroeconomic headwinds in the first half of the year, stemming from the previous financial period. However, the latter half presented a more favourable outlook, marked by signs of political stability following the conclusion of both Presidential and Parliamentary elections, and improved economic indicators.

The macroeconomic landscape showed encouraging signs of recovery during the year. GDP growth returned to positive territory, recording a robust 5.0% expansion in 2024 following two consecutive years of contraction. Per capita GDP rose to an all-time high of USD 4,516, reflecting improved economic momentum. The Sri Lankan Rupee remained relatively stable, appreciating marginally by 1.6%, while inflation continued to ease, entering deflationary territory from September onwards.

In December 2024, Sri Lanka achieved a key milestone in its debt restructuring efforts, marking tangible progress in addressing its first-ever external default and moving closer to economic stabilisation. The Government's successful completion of the International Sovereign Bond (ISB) restructuring led Fitch Ratings to upgrade the country's credit rating from Restricted Default to CCC+, with Moody's issuing a similar upgrade. The completion of the third review of Sri Lanka's Extended Fund Facility arrangement with the IMF in February 2025 enabled the disbursement of the fourth tranche of USD 334 million, reinforcing the Government's reform agenda and overall macroeconomic stability.

The Government's maiden budget provided relief to the public while preserving fiscal discipline. Increased foreign inflows from worker remittances, tourism receipts, and conversion of export earnings bolstered reserves and enabled a further relaxation of import restrictions. Declining interest rates - with the AWPLR falling to 8.4% - helped ease net finance expenses for businesses, while reduced energy tariffs lowered operating costs across sectors.

Nonetheless, the year concluded with emerging external uncertainties, particularly the potential introduction of new tariffs by the United States. If implemented as proposed, these measures could affect the competitiveness of Sri Lankan exports to this key market.

Financial Snapshot		
LKR Mn	FY25	Vs FY24
Revenue	117,970.2	-3.0%
Gross Profit	37,073.3	3.0%
Gross Profit Margin	31.4%	1.8%
EBITDA	15,704.3	15.4%
EBITDA Margin	13.3%	2.1%
Operating Profit	13,706.6	15.0%
Operating Profit Margin	11.6%	1.8%
Net Interest Cost	(977.8)	(60.1%)
Income Tax Expenses	(4,390.1)	41.0%
Earnings	8,057.0	31.9%

DELIVERING STRONG FINANCIAL RESULTS

In this challenging yet gradually improving macroeconomic landscape, the Group delivered a commendable performance, recording cumulative earnings of Rs. 8.1 billion, reflecting a significant growth of 31.9% over the previous year. While the Healthcare and Mobility sectors saw strong revenue growth, the Consumer Brands sector faced significant pricing and volume pressures for most of the year, leading to a decline of 9.4% in its revenue. As a result, the Group's cumulative revenue experienced a marginal decline of 3.0%, totalling Rs. 118.0 billion for the year.

This decrease in revenue compared to the same period last year was primarily driven by cautious consumer spending and strategic price adjustments in certain categories, particularly within the Consumer Brands segment. However, the Group's continued focus on efficiency improvements, alongside favourable foreign exchange movements and supply chain optimisations, contributed to enhanced profitability margins.

The Group's ongoing efforts to optimise working capital, combined with the benefits of a declining interest rate environment, led to a further reduction in finance costs, thus boosting margins and overall profitability.

The Group's disciplined approach to better working capital management, productivity improvements, and cost rationalisation initiatives enabled margin increases across all sectors, with overall operating profit margins improving to 11.6% compared to 9.8% the previous year. Reduced borrowings, supported by stronger cash flows, along with lower interest rates, resulted in a 60.1% decrease in net interest expenses for the year.

The Group's financial position remains robust, supported by strong operating cash flows. Fitch Ratings reaffirmed Hemas' national long-term rating at "AAA (lka) – Outlook Stable" for the sixth consecutive year, underscoring the Group's solid balance sheet, robust cash flows, and prudent financial management.

Hemas' share price appreciated by 49.3% during the year, outperforming both the ASPI and the S&P SL20 indexes, which rose by 38.2% and 42.7%, respectively. Considering this strong performance, and with a view to further enhance market accessibility, the Company announced a 5-for-1 share subdivision.

INVESTING TO SHAPE THE FUTURE

While the Group delivered strong financial results this year, we remained equally focused on building a resilient foundation for future success. As we navigate an evolving landscape, the Group continues to make strategic investments to develop high-calibre leaders, foster innovation, and strengthen our capabilities for sustainable, long-term growth.

The Hemas Leadership Academy, launched in partnership with RBL USA, was created to develop a new generation of leaders and build a strong leadership pipeline. The inaugural batch of twenty six emerging leaders from across the Group embarked on a six-month experiential journey to hone their leadership skills.

In line with efforts to continuously upgrade our technology backbone, the Group invested in the SAP RISE platform—marking the first implementation of its kind by a conglomerate in Sri Lanka. The resultant transformation is expected to unlock efficiencies, strengthen operational synergies, and deliver meaningful cost savings across the Group.

To further enable strategic execution, the Group is rolling out a new operating model aimed at increasing responsiveness, sharpening strategic focus, and aligning more closely with our long-term objectives. This initiative will enhance organisational agility, decentralise decision-making, and better position Hemas to capture emerging growth opportunities in a rapidly changing business environment.

Looking ahead, the Group is positioning itself for the long-term by pursuing growth across larger emerging markets, expanding into adjacencies, and driving technology-led transformation. Whether through acquisitions, strategic partnerships, or new market entry, our focus remains on accelerating sustainably.

The Group's international business aims to leverage Sri Lanka's natural ingredients and core expertise to offer authentic, high-quality products to global consumers. With a strong base in Sri Lanka and experience in Bangladesh, we are exploring strategic expansion into Southeast Asia and Africa through mergers, acquisitions, and partnerships.

Reflecting this strong performance and strategic confidence, the Company declared its highest-ever dividend for the financial year—demonstrating our commitment to rewarding shareholders while continuing to invest for the future.

PERFORMANCE BEYOND THE NUMBERS

CONSUMER BRANDS

Consumer Brands	
Rs. 46.0 Bn ↓ Revenue	Rs. 6.9 Bn ↓ Operating Profit
Rs. 5.1 Bn ↓ Earnings	Rs. 6.8 Bn ↓ Profit Before Tax

With the broader macroeconomic environment showing signs of improvement, consumer sentiment began to recover towards the end of the year. However, constraints on consumer purchasing power continued to influence buying behaviour. Consumers increasingly favoured value-for-money (VFM) offerings, and overall consumption levels remained subdued, with a noticeable slowdown in demand across general trade channels. This was further influenced by previous market-wide price reductions, driven by the strengthening of the Rupee and declining global commodity prices. This weighed in on the Sector performance with Revenue declining by 9.4% while earnings were flat at Rs. 5.1 billion.

Despite these headwinds, the sector retained its market shares across most categories—reflecting the enduring trust placed in its brands.

Home and Personal Care (HPC) Sri Lanka

The trend observed during the previous year continued with consumers focusing on value-for-money (VFM) options, reflecting the current constraints on purchasing power. Despite the reduction in overall market volumes, the business has successfully maintained its market shares across most categories, even achieving marginal growth in several categories. While the Personal Care and Beauty categories experienced encouraging volume growth, the Home Care segment saw a decline in market share due to increased preference for generic products in a price-sensitive segment.

As part of its commitment to product innovation and portfolio expansion, the business launched and revamped several products across its key brands. Some of the notable products introduced during the year were the '*Vivya*' sunscreen and Vitamin C body lotion range, '*Velvet*' body wash Naturals range and fruity fragrances along with soap variants and deodorants from '*Goya*'. During the year the '*Velvet*' soap range and '*Clogard*' natural salt-based toothpaste and mouth wash products were relaunched to meet evolving consumer preferences while strengthening its brands across key market segments.

In response to evolving market dynamics and to increase product awareness, the business launched several successful marketing and promotional initiatives, including the innovative '*Kumarika*' Hair Play Studio with its mobile truck-based salon concept, offering Personal Care products directly to consumers in a distinctive and engaging manner.

Marking a milestone in operational excellence and global trade compliance, Hemas Manufacturing (Pvt) Ltd. was awarded the 'Authorised Economic Operator (AEO) Tier 1 Certification', by Sri Lanka Customs, reinforcing its position as a leader in compliance, operational efficiency and global trade facilitation. This achievement is a testament to its unwavering commitment to compliance, efficiency and global trade excellence.

Consumer Brands – International

The socio-political unrest and macroeconomic challenges in Bangladesh that impacted the first half of the year significantly subsided during the latter half. The newly formed Interim Government effectively stabilised the economy and brought inflation under control, reducing it to single digits by the fourth quarter. Prices of essential commodities eased towards the end of the year, driven by a strong domestic harvest, Government measures such as reducing or eliminating taxes on imported essential goods, and enhanced market monitoring. These steps provided much-needed relief to low- and middle-income families.

> **“HEMAS MANUFACTURING (PVT) LTD. WAS AWARDED THE 'AUTHORISED ECONOMIC OPERATOR (AEO) TIER 1 CERTIFICATION', BY SRI LANKA CUSTOMS, REINFORCING ITS POSITION AS A LEADER IN COMPLIANCE, OPERATIONAL EFFICIENCY AND GLOBAL TRADE FACILITATION.”**

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The Value-Added Hair Oil (VAHO) segment, which includes the '*Kumarika*' and '*EVA*' branded hair oil products, experienced growth in both volumes and revenues. At the start of the year, prices were reduced to address the declining purchasing power of consumers. However, rising input costs due to higher raw material prices and the depreciation of the Taka during the latter half of the year led to an increase in selling prices in line with market trends, helping to maintain profit margins.

Leveraging market insights and its distribution strengths, the business also ventured into the male grooming segment with the successful launch of the '*Vibe*' perfume range, expanding the brand's footprint and product offerings in the country.

Learning

The Learning segment worked towards creating meaningful learning opportunities for all by easing financial burdens and delivering high-quality, safe and innovative tools that help students, teachers and parents thrive in supportive learning environments. Dedicated to empowering the champions of tomorrow, '*Atlas*' remains committed to making learning fun and accessible for every Sri Lankan child. Through initiatives such as Atlas Sipsavi, GuruGaru and Atlas Learn, the Learning Segment business continued to extend its support beyond students, empowering parents and teachers to build a more inclusive and collaborative learning ecosystem.

With the easing of import restrictions and the stabilisation of the Rupee, the stationery market experienced added competition with an influx of new entrants offering products at lower price points and varying quality. In response, several initiatives were launched to create a unique and innovative point of difference, including the relaunch of its '*Innovate*' range and the expansion of its '*Homerun*' stationery line to include books, providing an accessible and a cost-effective range for consumers. As a result of these initiatives, despite severe competition in the market, the business managed to successfully defend its market leading position. Reaffirming its role as the nation's most trusted partner in making learning a joyful and enriching experience for every child, '*Atlas*' was awarded School Supply Brand of the Year at SLIM-Kantar People's Awards 2025, for the sixth consecutive year.

Furthermore, the Government's financial assistance programme for underprivileged school children has positively impacted demand for school stationery, ensuring a more inclusive learning environment for all children.

The Learning Segment launched its first-ever collection of educational toys under the '*PlayPalz*' range, marking a strategic entry into the educational toys market, providing quality and safe aids which not only diversifies the product portfolio but also reinforces the brand's commitment to enhancing learning experiences for children.

HEALTHCARE

Healthcare	
Rs.70.0 Bn ↑ Revenue	**Rs. 6.5 Bn** ↑ Operating Profit
Rs. 4.3 Bn ↑ Earnings	**Rs. 5.8 Bn** ↑ Profit Before Tax

The Healthcare Sector earnings increased to Rs. 4.3 billion, supported by cost management initiatives, improved working capital efficiency, and lower finance costs while cumulative revenues were Rs. 70.0 billion.

The recent gazette notifications on pharmaceutical pricing have prompted the need for a thorough review. In response, the business is working closely with the Sri Lanka Chamber of the Pharmaceutical Industry (SLCPI) to engage with all relevant stakeholders and evaluate the basis of these directives. This collaborative approach is essential to ensure that implementation is guided by principles of fairness and transparency—standards that are crucial for the industry to continue providing high-quality, innovative pharmaceutical products to the market.

Pharmaceuticals

For over seven decades, the Pharmaceutical Distribution business has played a pivotal role in strengthening Sri Lanka's healthcare sector. Through long-standing partnerships with globally renowned healthcare principals, the business has consistently ensured access to high-quality, safe, and effective healthcare solutions across the country. As a trusted partner of all stakeholders, the business remains dedicated to advancing access to innovative healthcare solutions, while upholding the highest standards of quality, compliance, and ethical practice.

During the year, the Pharmaceutical Distribution business reinforced its market leadership position and commitment to delivering innovative healthcare solutions by onboarding several new partnerships including Vexxa Lifesciences and Aculife, with the added objective of addressing underleveraged areas of strategic interest, further strengthening its position in the market.

Having successfully fulfilled all Government orders for 2024, the Pharmaceutical Manufacturing business secured an extension to the buyback agreement for 2025, with new orders already confirmed. It is encouraging to note that the buyback quotas are now allocated in an equitable manner providing a fair opportunity and a level playing field for all.

The Pharmaceutical Manufacturing business continued to expand its product range further with the production of several Morison branded medicines mainly for the treatment of non-communicable diseases. This strategic initiative delivers high-quality treatments at significantly lower costs, enhancing accessibility for patients. In a landmark achievement for Sri Lanka's pharmaceutical industry, the business introduced two cardiovascular medications—Cilnidipine and Rivaroxaban—manufactured locally for the first time. Cilnidipine, a fourth-generation calcium channel blocker, addresses hypertension (high blood pressure), while Rivaroxaban, a direct

Factor Xa inhibitor, is a next-generation oral anticoagulant used in the prevention and treatment of thromboembolic disorders.

The recent budget proposal to provide Value Added Tax (VAT) exemptions for imported packing materials used in the pharmaceutical manufacturing sector is a positive incentive for local manufacturing.

Pharmaceutical Manufacturing businesses' recognition as the "Sector Winner for Pharmaceuticals" in LMD's Most Respected Entities in Sri Lanka 2024 highlights its strong standing in the industry.

Hospitals

While a significant increase in channelling consultations and inpatient admissions relating to surgeries were observed, the segment witnessed a moderate decline in overall inpatient admissions and outpatient visits. This change in mix together with a continued enhancement in profit margins and a reduction in finance expenses enabled the Hospital segment to deliver an improved performance during the year.

Hemas Hospital Wattala achieved a significant milestone in the advancement of its cardiac care capabilities with the commissioning of a state-of-the-art Catheterisation Laboratory (CATH Lab), with an investment of Rs. 1.0 billion. Equipped with Sri Lanka's most advanced cardiovascular diagnostic and interventional technology, this facility enhances the hospital's ability to deliver precise, minimally invasive cardiac procedures.

The planned acquisition of land for the expansion of the Thalawathugoda hospital was completed with an investment of Rs. 1.9 billion and the next steps of this expansion project are being finalised.

Hemas Hospitals have been honoured as the Category Winner in the Hospitals & Medical Laboratory sector at the Best Management Practices Company Awards 2025 organized by the Institute of Chartered Professional Managers of Sri Lanka. This prestigious accolade reinforces the hospital's leadership in delivering high-quality, patient-focused healthcare services and highlights Hemas Hospitals' steadfast commitment to clinical excellence, strategic adoption of digital innovations, and a deeply embedded patient-centric ethos. Through these pillars, the hospitals continue to set industry benchmarks, strengthen operational effectiveness, and deliver outstanding value to patients and stakeholders alike.

> **HEMAS HOSPITAL WATTALA ACHIEVED A SIGNIFICANT MILESTONE IN THE ADVANCEMENT OF ITS CARDIAC CARE CAPABILITIES WITH THE COMMISSIONING OF A STATE-OF-THE-ART CATHETERISATION LABORATORY (CATH LAB).**

MOBILITY

Mobility	
Rs.1.9 Bn ↑ Revenue	**Rs. 1.5 Bn** ↑ Operating Profit
Rs. 0.8 Bn ↑ Earnings	**Rs. 1.5 Bn** ↑ Profit Before Tax

The easing of import restrictions together with the appreciation of the Rupee saw a comparative increase in import volumes. Increase in cargo volumes was also driven by the growth of sea-air general cargo movements related to the Red Sea situation and heightened demand for shipments to Europe and the USA. These developments supported the Sector earnings to grow to Rs. 0.8 billion with revenues increasing by 14.2% to Rs. 1.9 billion.

In the Maritime segment, both freight rates and volumes saw significant increases in the import and export operations compared to the previous year, which led to a notable rise in cumulative revenue, despite the appreciation of the Rupee during the period.

The Aviation segment saw a growth in cargo revenues due to higher yields and expanded market share. However, passenger revenue faced a decline due to intense fare competition among the key players.

Emirates SkyCargo (CMB) was recognised for its outstanding service and major contributions to Sri Lanka's logistics sector, receiving the prestigious Gold Award in the Airline Category at the 2024 National Logistics Awards, hosted by the Sri Lanka Logistics and Freight Forwarders Association.

LEADING WITH ESG

ESG Impact	
1,5m^3 ↓ Water Intensity	**10.6%** ↑ Renewable Energy Usage
225,800+ Families Empowered	**1.1 Mn Kg** ↑ Plastic Collected

In alignment with the Group's Environmental Agenda 2030, significant progress was made across key environmental performance indicators. Water intensity across significant operations was reduced by 6.2%, moving towards the 2030 target of a 50% reduction. Renewable energy now accounts for 10.6% of total electricity consumption, driven by sustained investments in solar infrastructure. These achievements reflect the Group's commitment to embedding resource efficiency and low-carbon practices across its operations. Further, the Group has collected over 1.1 million kilogrammes of plastic to date through its ongoing recovery initiatives, demonstrating a proactive approach to reducing environmental impact across the value chain.

Under the three focus areas—Creating Equal Opportunities for Learning, Supporting Health and Well-being, and Empowering Vulnerable Communities—the Group continued to deliver meaningful social impact. During the year, over 255,800 families benefited from initiatives spanning education access, healthcare awareness, mental well-being, economic inclusion, and skills development. These programmes are designed to support diverse communities across Sri Lanka, strengthening resilience and enhancing quality of life. Complementing these efforts, new environmental and purpose-led projects were launched to broaden the Group's impact and reinforce its commitment to long-term, inclusive value creation for all stakeholders.

THE PATH AHEAD

During the reporting period, Sri Lanka made encouraging progress on the path to macroeconomic stability. The Government's commitment to the IMF programme has ensured greater policy consistency, rebuilding stakeholder confidence, and enabled the country to exceed several key quantitative targets. However, we must remain vigilant—continued structural reforms and fiscal discipline are crucial to ensuring long-term stability, debt sustainability, and inclusive growth.

Building on a year of solid performance, we are now focused on laying the foundation for the next phase of growth. Our core businesses continue their strong performance, generating strong cash flows and improving the balance sheet—creating the headroom for sustained investment in strategic growth initiatives.

We are actively pursuing opportunities to expand our foreign exchange earnings footprint—one of the Group's long-term priorities. Our efforts span export growth across key business lines, strategic international acquisitions and partnerships, and deepening our operations in Bangladesh. In parallel, we are exploring targeted organic and inorganic investments in areas where we have a strong right to play and scale sustainably.

Sri Lanka's ongoing infrastructure investments, such as expansions at Colombo Port and the Katunayake International Airport, are expected to enhance the country's logistics competitiveness and support the continued growth of our Mobility Sector. At the same time, we are mindful of external risks, including shifting global trade dynamics.

As we look to FY2026, we are entering a phase of growth in line with our strategic plans. Our main priorities are to grow across larger emerging markets, expand into adjacencies, and drive technology-led transformation that unlock value for our stakeholders.

What makes all this possible is our people. I remain grateful to our passionate teams across the Group for their contributions, our Board for its steadfast guidance, and our customers, partners, and shareholders for their continued trust and belief in Hemas. We are proud of what we've achieved and excited about what lies ahead.

Ravi Jayasekera
Acting Chief Executive Officer

May 22, 2025

Colombo

RENEWABLE ENERGY NOW ACCOUNTS FOR 10.6% OF TOTAL ELECTRICITY CONSUMPTION, DRIVEN BY SUSTAINED INVESTMENTS IN SOLAR INFRASTRUCTURE.