

CHAIRMAN'S MESSAGE



THE GROUP HAS DEMONSTRATED STRONG PERFORMANCE DELIVERING RECORD EARNINGS OF RS. 8.1 BILLION, A 31.9% GROWTH OVER THE PREVIOUS YEAR.



Dear Shareholders,

It is with great pleasure that I present to you the Annual Report of Hemas Holdings PLC for the financial year ended 31st March 2025.

The Group has demonstrated strong performance delivering record Earnings of Rs. 8.1 billion, a 31.9% growth over the previous year. Group Revenues declined marginally by 3.0% to Rs. 118.0 billion, which was primarily attributed to price adjustments made by Consumer Brands and Healthcare sectors in response to the strengthening of the Rupee and evolving market conditions.

The continuous focus on operational excellence through process optimisation and efficiency improvements has further strengthened the Group's performance. As a result, Operating margins improved to 11.6% from 9.8%, reaffirming the Group's agility and readiness to thrive in a dynamic economic environment.

The Group maintained a strong emphasis on cash flow generation, delivering Operating cashflows of Rs. 13.4 billion. The Net cash position improved significantly to Rs. 4.7 billion from Rs. 0.5 billion while Gearing declined from 22.4% to 13.5%. Net finance expenses also fell by 60.1%, driven by lower borrowings through working capital optimisation, and a favourable interest rate environment. These improvements provide a solid financial foundation for the Group to pursue future growth opportunities.



17.7%
Return on Equity

THE EVOLVING SRI LANKAN ECONOMY

Sri Lanka's economic environment saw a significant shift towards stability and growth during the year under review. In December 2024, the country concluded its external debt restructuring efforts, including the successful renegotiation of International Sovereign Bonds. This milestone led to credit rating upgrades by Fitch Ratings and Moody's.

Further progress was marked in February 2025, when the International Monetary Fund's (IMF) Executive Board completed the Third Review under the 48-month Extended Fund Facility, granting access to the next tranche of funding. Following a challenging period, Sri Lanka recorded a GDP growth rate of 5.0% in 2024, signalling ongoing economic recovery. Inflation, which stood at 0.9% at the beginning of the financial year, steadily declined and entered deflationary territory from September, driven by lower

utility and food prices. By March 2025, year-on-year monthly inflation stood at -2.6%, marking seven consecutive months of price declines.

As inflation eased, interest rates also continued to fall, with the Average Weighted Prime Lending Rate (AWPLR) dropping from 11.1% to 8.4% per annum—substantially lowering finance costs for businesses.

The Sri Lankan Rupee remained stable during the year, appreciating by a modest 1.6% against the United States Dollar by year-end. Politically, the financial year was a landmark one for the country, with both the Presidential and Parliamentary elections taking place. The National People's Power (NPP) led by President Anura Kumara Dissanayake secured a two-thirds majority in Parliament, ushering in expectations for consistent policymaking and strong governance.

In February 2025, the Government presented its maiden budget, aiming to balance public relief measures with the fiscal discipline required under the IMF's Extended Fund Facility.

Overall, 2024 marked a year of meaningful progress for Sri Lanka, laying the groundwork for sustained recovery and long-term growth. With continued reforms and political stability, the country is well-positioned for the future.

PERFORMANCE AT A GLANCE

The Consumer Brands sector navigated a challenging environment, with revenues declining primarily due to price reductions. While operating profits declined, improved supply chain and operational efficiencies contributed to stronger margins. Despite intense competition, market shares across key categories remained broadly unchanged. The business continued to focus on innovations, launching new products including 'Vivya' sunscreen and the Vitamin C range, and 'Goya' deodorant and fruity fragrances range. The Learning segment forayed into the educational toys segment with the launch of 'PlayPalz', a range designed to make learning fun, safe and interactive for children.

The Healthcare Sector benefitted from positive regulatory developments, including the Government's introduction of a transparent pricing mechanism for essential medicines and a more equitable quota allocation process for public sector pharmaceutical procurement. The sector delivered a strong performance with all businesses recording growth in profitability. The Pharmaceutical Manufacturing business introduced several Morison branded new products, including two therapies in the fast-growing Cardiovascular segment. Hemas Hospital Wattala also marked a key milestone with the commissioning of its state-of-the-art Catheterisation Laboratory, equipped with the most advanced cardiovascular diagnostic and interventional technology in Sri Lanka.

Over the past year the Group significantly advanced its digital and AI capabilities, focusing on enhancing internal productivity and efficiency while enriching the experiences offered to consumers and patients. The Group also prioritised data governance, cybersecurity, and the ethical use of technology.

On the back of improved financial performance and a renewed sense of optimism, the Company's share price rose significantly by 49.3% during the year, outperforming the All Share Price Index (ASPI), which grew by 38.2% in the corresponding period. Shareholders approved a subdivision of the Company's shares with each existing share being split into five.

The credit profile of the Group remained strong, with Fitch Ratings reaffirming the Group's AAA (lka) rating with a Stable Outlook for the sixth consecutive year, highlighting the Group's financial stability and positive outlook.

In line with the commitment to providing

AAA (lka)

Stable Outlook

Sixth Consecutive Year



sustained shareholder returns, an Interim dividend of Rs. 1.00 per share (Post-subdivision equivalent of Rs. 0.20 per share) for the 2024/25 financial year was paid in November 2024, followed by a Final dividend, post the subdivision of shares, of Rs. 0.70 per share, which was declared on May 22nd 2025. The dividend payout for the year was 29.6%.

SUSTAINABILITY AT THE HEART OF OUR BUSINESS

The Group continued to advance its integrated Environmental, Social, and Governance (ESG) strategy, ensuring that sustainability remains at the core of its business operations and a key driver of long-term stakeholder value. With a focus on minimising and mitigating its environmental footprint, the Group's Environmental Agenda 2030 aligned with responsible consumption of plastic, safeguarding our ecosystem and the protection of natural resources. Significant progress was made in key environmental metrics, including a 6.2% reduction in water intensity and a rise in renewable energy usage to 10.6% of total electricity consumption, supported by ongoing investments in solar infrastructure. In line with our commitment to responsible plastic consumption, over 1.6 million kilogrammes of plastic have been recovered through targeted collection initiatives, advancing the Group's goals around extended producer responsibility and ecosystem preservation.

Reflecting these sustained efforts, Hemas was named among Sri Lanka's Top 10 Best Corporate Citizens by the Ceylon Chamber of Commerce. The Group's social sustainability agenda remains centred on creating inclusive communities and empowering

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255,800+
Families Empowered

families across Sri Lanka. Structured around three key pillars—Creating Equal Opportunities for Learning, Supporting Health and Well-being, and Empowering Vulnerable Communities—these purpose-led initiatives reached over 255,800 families during the year, delivering measurable impact by improving access to education, promoting health and mental well-being, and enabling economic inclusion.

GUIDING OUR TRAJECTORY

Hemas Holdings PLC experienced several changes to the Board of Directors this year. Mr. Shaktha Amaratunga resigned from the Board having completed nine years of service, both as an Independent Director and Chair of the Audit committee. Having reached the age of 70, Mr. Jyotindra Trivedi retired from the Board. Ms. Kasturi C. Wilson also retired as a Non-Executive Director. On behalf of the Board of Directors, I express our sincere gratitude for their invaluable contributions and wish each of them the very best in their future endeavours.

Dr. Anura Ekanayake transitioned from his role as an Independent Non-Executive Director to that of a Non-Executive Director with effect from 1st January 2025. During the year under review, we were pleased to welcome three new Independent Non-Executive Directors to the Board; Ms. Thusitha Perera, Mr. Ajith Fernando, and Mr. Supun Weerasinghe. In line with these changes, all Board Sub-Committees were reconstituted to reflect the new composition.

At the time of writing, we have announced the appointment of Mr. Ashish Chandra as the Group Chief Executive Officer with effect from 1st July 2025. Post this date, Mr. Ravi Jayasekera, who assumed the role of Acting Chief Executive Officer on 22nd May 2024, will function in the expanded capacity of Chief People and Corporate Affairs Officer for the Group.

TOWARDS A BRIGHTER FUTURE

With Sri Lanka having completed the restructuring of its external debt, it is our hope that the Government stays the course and advances the long-awaited structural reforms needed to sustain our economic recovery.

On our part, we continue to be focused on the evolving needs of our patients and customers in order to drive innovation and competitiveness in our core businesses. At the same time, we will actively look to accelerate growth by entering larger emerging markets, expanding into adjacencies, and driving technology-led transformation to position the business for sustained success.

I am deeply grateful to my fellow Board members for their continued guidance and insight as we drive the next phase of our growth and transformation. A sincere thank you to Acting Chief Executive Officer Mr. Ravi Jayasekera, the management team, and every member of the Hemas family for their commitment and drive, which made this year's record performance possible.

I am equally humbled by the trust placed in us by our consumers, both customers and patients, as we continue to serve their needs with dedication and care. To our business partners, thank you for your continued support in our shared journey to uplift families and empower futures.



WE WILL ACTIVELY LOOK TO ACCELERATE GROWTH BY ENTERING LARGER EMERGING MARKETS, EXPANDING INTO ADJACENCIES, AND DRIVING TECHNOLOGY-LED TRANSFORMATION.



Finally, I extend my sincere gratitude to you—our shareholders—for your unwavering confidence. We look forward to your continued support as we accelerate our growth ambitions in Sri Lanka and beyond.

Husein Esufally
Chairman

May 22, 2025