

healthcare

sector operational review

The main business line in the Healthcare Sector is the distribution of Pharmaceutical products, for which Hemas is the market leader in the private sector. The Sector is also engaged in the distribution of Surgical, Diagnostic and Veterinary products, where we have a relatively small but a growing presence.

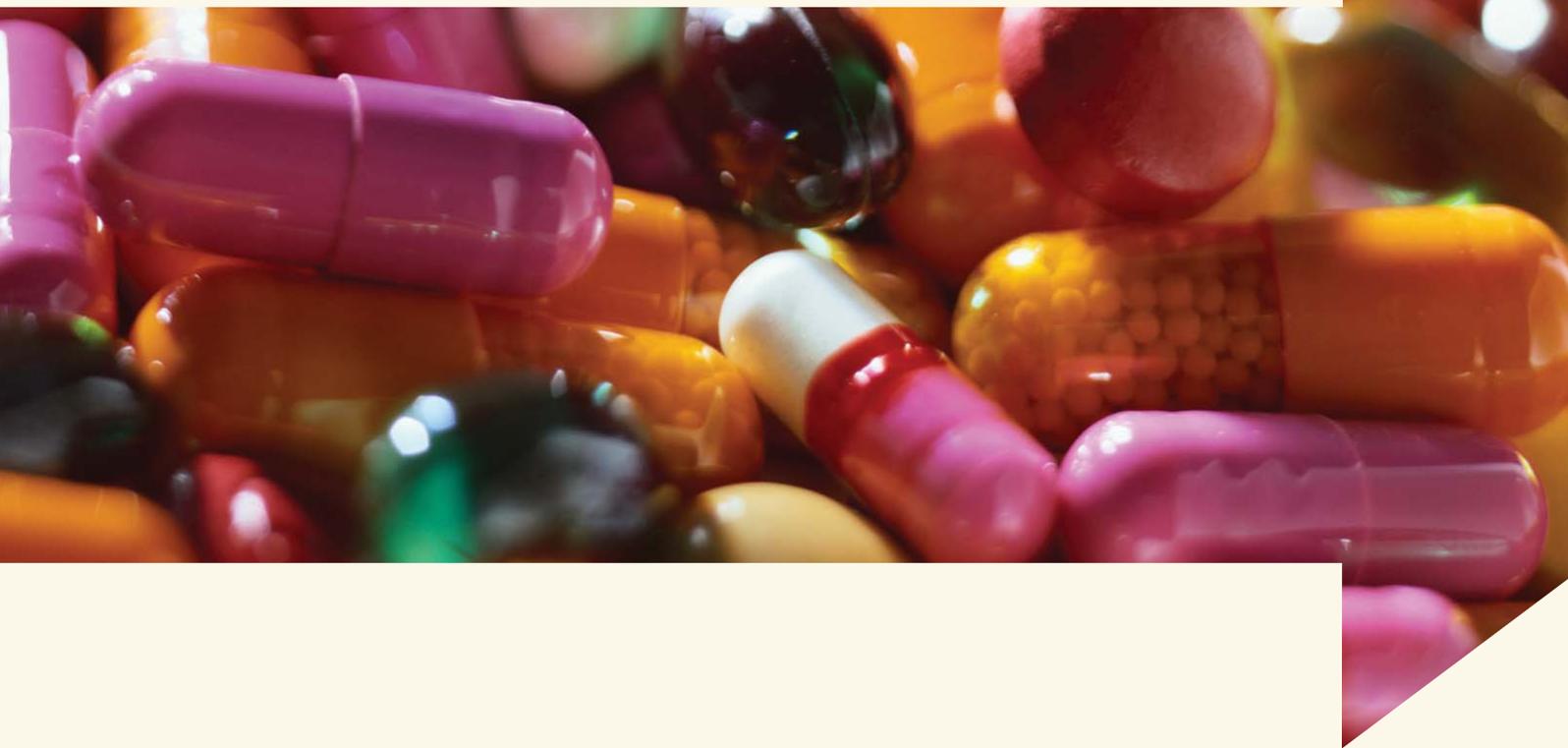
During the year 2005, the total market for pharmaceuticals (excluding SPC sales) grew at a rate of 10.0%, compared to a 14.0% growth during 2004. Our agency operations have been able to maintain a 15.3% growth for 2005, increasing its market share from 14.1% to 14.8% over the year. The market share in our own branding operations declined during the year from 1.7% to 1.0%, due to a gradual exit from the market. As a result, our total market share in pharmaceutical operations remained stable at 15.8% (market information is based on IMS data).

For the financial year under review, the Sector achieved a turnover of Rs 2,461Mn and a profit of Rs 131Mn. Both the Sector turnover and profits increased by 13.1% over the previous year.



The latest addition to our agency portfolio of global pharmaceutical suppliers is 'Torrent', which commenced operations in May last year. With this addition, we currently manage 19 agencies in the pharmaceutical category and 12 agencies in surgical, diagnostics and veterinary categories. We continue to add value to our principals by investing in infrastructure and support services to facilitate their business. The implementation of SAP has streamlined processes and information flow and we are confident of obtaining business benefits in time to come.

In line with our vision to expand from being a pharmaceutical company to a fully fledged provider of healthcare products and



services, Hemas invested in a 25% stake in e-Channelling Ltd, at a cost of Rs 43Mn. Although e-Channelling is primarily engaged in providing an electronic means for channeling the doctors, its long-term objective is to become a total provider of Healthcare Technology Solutions.

Another initiative aimed at getting closer to our Healthcare Sector Vision is the entry into the Hospital Industry. Currently we are in the process of evaluating several opportunities, and are confident of making substantial progress towards this end in the coming year. Hospital entry will be a key focus area for the year ahead. In addition the company will be placing greater focus on the allied

categories - surgicals, diagnostics and veterinary, with a view to becoming a leading player in the years to come.

As in the past, this year too, we have been playing a key role in adding value to the medical profession in various ways. Whilst we continue to support the key activities of various colleges attached to the field of medicine, the Hemas e-Resource Centre, which was setup in November 2004 in collaboration with the Sri Lanka Medical Association, has been a great success. Increasing numbers of doctors of different specialities have been using the e-Resource Centre for their educational needs.

