

News Release

Kelani Valley Plantations posts best year on record in 2007

*-- Post tax profit up 61% to Rs 412 million; declares
dividend of 55% --*

A record output of rubber combined with high prices for both tea and rubber in 2007 has enabled Kelani Valley Plantations PLC (KVPL), the Hayleys Group plantation company to post its best ever performance in a financial year.

The company which is owned and managed by Dipped Products PLC, the Hayleys Group's globally-significant rubber glove manufacturing business, has reported that pre-tax profit grew 52 per cent to Rs 442 million in the year ending December 31, 2007. Profit after tax at Rs 412 million represented a growth of 61 per cent on a turnover of Rs 2.83 billion, which was up 21 per cent.

Profit attributable to equity holders of the parent company increased by 62 per cent to Rs 416 million, the highest return generated by KVPL since its incorporation in 1992.

Based on these results, the Board of Directors of the company has recommended the payment of a first and final dividend of 55 per cent for 2007.

Commenting on these results, KVPL Chairman N. G. Wickremeratne said a significant development in the year concluded was a decision by the parent company to waive its management fee of Rs 38 million in its entirety, from 2007.

"The performance of KVPL is particularly noteworthy in the context of the substantial crop losses in tea that the company incurred as a result of the work stoppages late in

2006, and two wage increases in the year which cost the company an additional Rs 236 million," Mr. Wickremeratne said.

Tea production fell by 10 per cent over the previous year and by 16 per cent over 2005 primarily due to the long gestation period prior to normal growth following the month long work stoppage in 2006. The situation was worsened by adverse weather conditions in the Nuwara Eliya and Hatton regions. However, the company's average prices for high and low grown teas improved by 24 per cent and 48 per cent respectively largely on account of strong demand for Ceylon tea boosting revenue from tea by 18 per cent.

KVPL's marketing associate Mabroc Teas contributed Rs 28 million to profit, an improvement of 50 per cent over 2006.

Rubber production grew by 12 per cent to register the highest ever output in a year, with yields surpassing 1000 kilograms per hectare. Sole crepe production increased by 32 per cent, while output of centrifuged latex grew by 19 per cent. With RSS price up 27 per cent and sole crepe prices rising 35 per cent, turnover from rubber grew by 30 per cent in the year under review.

Looking ahead, Mr. Wickremeratne said robust tea prices are likely to continue in the early part of 2008. The prospects for rubber would depend on global economic conditions, but while an economic slowdown has been observed in advanced economies, no significant changes have been evident in China, India, Russia, the Middle East and other emerging countries, he noted. However, an upsurge in oil prices and local currency devaluation could positively impact on tea and particularly rubber prices, he said.

Kelani Valley Plantations manages 27 estates with an extent of more than 13,000 hectares, divided almost equally in to tea and rubber. All of the company's black tea producing factories have been certified compliant with HACCP, ISO 22000:2005 and SGS-TASL product quality standards, ensuring that the teas they manufacture meet the highest required international food safety standards.

In the year under review, KVPL and Mabroc Teas achieved a world first with the launch internationally of a unique new range of single origin teas positioned as 'The Ethical Tea Brand of the World.' The company was also acknowledged by the United Nations Global Compact (UNGC) for becoming the first signatory company in the world to promote the principles of the UNGC via product packaging.

The claim of these teas to be the ethical teas of the world is backed by three distinct facets, the company's commitment to the Global Compact principles, its pledge to improve the lives and living conditions of its over 11,000 worker families through its 'A Home for Every Plantation Worker' programme' and the internationally-certified purity of the products.

The Board of Directors of Kelani Valley Plantations Limited comprises Messrs N. G. Wickremeratne (Chairman), J. A. G. Anandarajah, G. K. Seneviratne (Managing Director) R. W. Soysa, , Dr. W. S. E. Fernando, B. P. W. Jayasekera and A. M. Pandithage (Alternate: R. A. Ebell).

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