

Chairman's Statement

I am very pleased to report another successful year of operation in 1997 for Berger Paints Jamaica Limited, with the Company achieving consistent growth and reflecting continued stability and viability.

In a contracting economy marked by tight money policy, decline in the manufacturing sector as well as in the construction industry, and uncertainties in the financial sector, Berger Paints Jamaica Limited successfully recorded a volume growth of 2% and, at the same time, increased its market share, further cementing its dominance as the number one paint company in Jamaica.

This achievement is noteworthy, as it makes Berger one of the few manufacturing companies listed on the Jamaica Stock Exchange to record growth in 1997. In fact, the Company's consistent performance is reflected in a steady increase in the value of its shares, which has risen by some 223% between September 1992 when it was publicly listed, and December 1997.

During the year under review, Berger Paints Jamaica Limited recorded Net Sales of J\$614.1 Million, some 3.2% more than the J\$595.3 Million earned in 1996, and the highest in the Company's history. While Trading Profit stood at J\$81.7 Million, a Profit After Tax of J\$44 Million was achieved.

The steady performance of Berger Paints Jamaica Limited has helped to assure stockholders of a good return on their investment; and they continue to benefit from the Company's strong dividend policy. In the five years since going public, gross dividends have increased from J\$18.3 Million in 1993, to J\$24 Million in 1997.

It should be noted that, throughout this period, Berger Paints Jamaica Limited has consistently paid a dividend of between 49% and 57% of Profits After Taxes. This is, indeed, an enviable record and one of which our shareholders can be proud.

In the coming year, the Company will continue to consolidate its dominance in the local paint market and seek to make its mark in the international arena, against the background of an overall increase of 35% in export sales volumes in 1997 over 1996.

Other growth strategies being pursued include further diversification of our product base through a series of strategic alliances with the manufacturers of quality international brands. The first collaborative agreement of this type was made in 1992 with Carboline of USA for their Carboline range of Heavy Duty Protective Coatings. A further agreement was arrived at in 1995 with Herberts of Germany, whose Standox brand of automotive paints have doubled their sales on the Jamaica market over the past two years. The Company will be strengthening its presence in the adhesives market which it entered in 1997 as the Sole Agent for the Evo-Stik adhesive range. An agreement has also been reached with the United States-based Samuel Cabot Inc. for their high quality Cabot wood finishes.

Our long-term objective is to enhance existing skills and deepen Berger Paints Jamaica's links with the building industry by providing quality finishes and ancillary products, as well as providing access to the latest technical developments and specialized training.

The installation of new, state-of-the-art production equipment, upgrading of our computer systems, ongoing product development, and extensive staff training to reinforce product quality, make products more environmentally-friendly, and enhance productivity, are elements of the corporate strategy to equip our organization to operate effectively in the global scenario. Our relationship with member companies of the Berger International Limited (BIL) Group, whose reputation for excellence is well known, represents a natural advantage in our thrust to attain the cutting edge of service and efficiency. Such co-operation is illustrated by BIL's associate company, Dutch Boy Philippines Inc., helping and supporting us in our preparation for ISO certification.

In the new world order, there are challenging times ahead. We will have to work even harder to improve our productivity, efficiency, competitiveness and customer service both to retain existing business, and to capitalize on emerging business prospects.

I am confident that we have laid the necessary foundation for success, and that with

teamwork and collaboration with our international partners, we can achieve our objectives. Berger Paints Jamaica Limited, and other members of BIL worldwide, are poised for aggressive growth, and we are ready for the challenges which will face us, as we embark on this new phase of our development.

I commend the Management and Staff of Berger Paints Jamaica Limited, whose commitment to excellence and strong teamwork have contributed to our Company's continued growth in a difficult business environment. Above all, I thank our shareholders and customers. Your continued confidence has created a positive framework for our successful operation.

Dato'Abdul Ghani Bin Yusof
Chairman
