

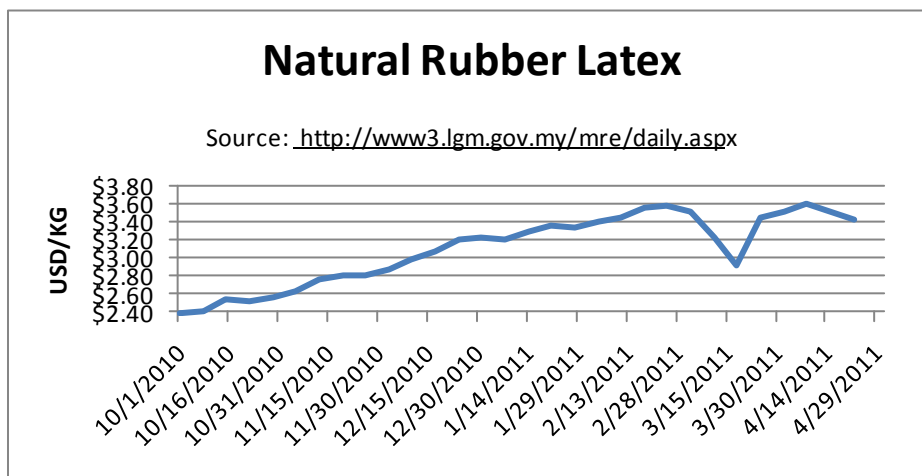
## Manufacturing Cost Update May 2011

### OVERVIEW

Over the last six months, there have been significant increases in commodities, raw materials, and other logistics costs associated with the manufacturing of our glove products. Rapidly increasing raw materials, packaging, transportation and labor rates are driving record highs in disposable glove manufacturing costs. These factors, coupled with the unfavorable currency exchange rates, continue to adversely impact manufacturing costs.

### LATEX

The vast majority of our natural rubber latex gloves are produced in the Southeast Asian countries of Malaysia, Thailand, and Indonesia. Natural Rubber Latex (NRL) represents almost 70% of the manufacturing cost for latex gloves. Over the last year, there has been a steady climb in cost of NRL.



The most significant factors driving the increase are as follows:

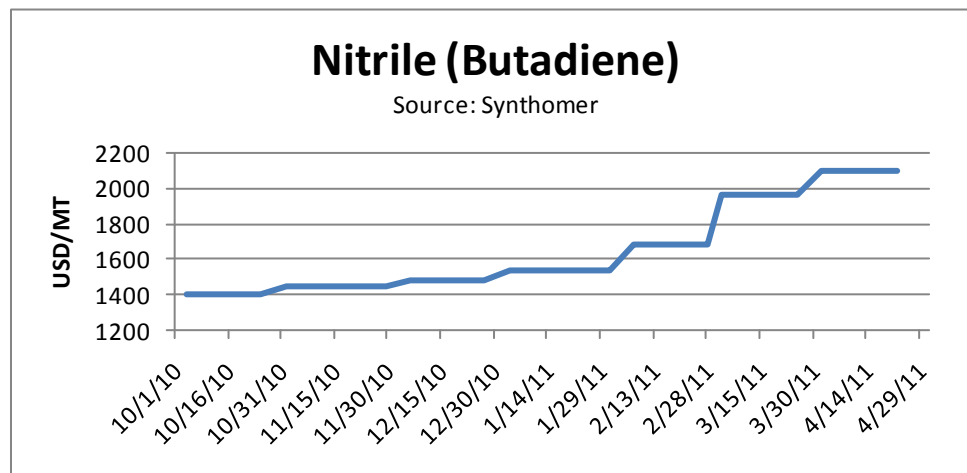
- **Rising Demand:** More than 70% of demand for NRL is for the manufacturing of car tires. Due to the rapid economic expansion of the middle class in China, India, and Russia, the demand for automobiles has increased significantly. This demand has increased commodity prices for many of the materials used in automotive construction, especially rubber and certain plastics. This is the primary factor for the increasing demand for rubber and the leading reason attributed to the current cost levels.

- **Decreasing Supply:** Although demand for natural rubber continues to grow steadily, supply is growing at a much slower rate. The maturation cycle for a rubber tree is seven years and although many new crops have been planted, the new supply cannot be harvested until seven years after the trees are planted. Current projections indicate that there will be a continued shortage of supply for the next 10 to 11 years.
- **Speculative Buying:** Because of the supply and demand imbalance, the market has invited speculative buyers to purchase latex futures, which is creating higher levels of volatility in natural rubber prices.
- **Weather Impact:** Thailand is currently the world's largest rubber producing country. Recent heavy flooding in Southern Thailand, the country's primary rubber producing area, has hindered latex harvesting and driven prices to record highs.
- **Shortened Harvesting Seasons:** NRL is a natural substance collected from rubber trees. The trees naturally undergo a seasonal cycle know as 'wintering'. During this cycle, trees shed their leaves and rubber cannot be harvested. This period usually lasts 6-8 weeks, starting in mid March and ending by early to mid May. During this period, supply is limited and costs typically increase. In recent years harvesting patterns and yields have been affected by non-typical climate conditions resulting in longer wintering cycles and lower rubber yields.

In summary, global demand for natural rubber is projected to remain strong for the foreseeable future, supported by continued increase in global consumption. This demand will keep rubber prices very high.

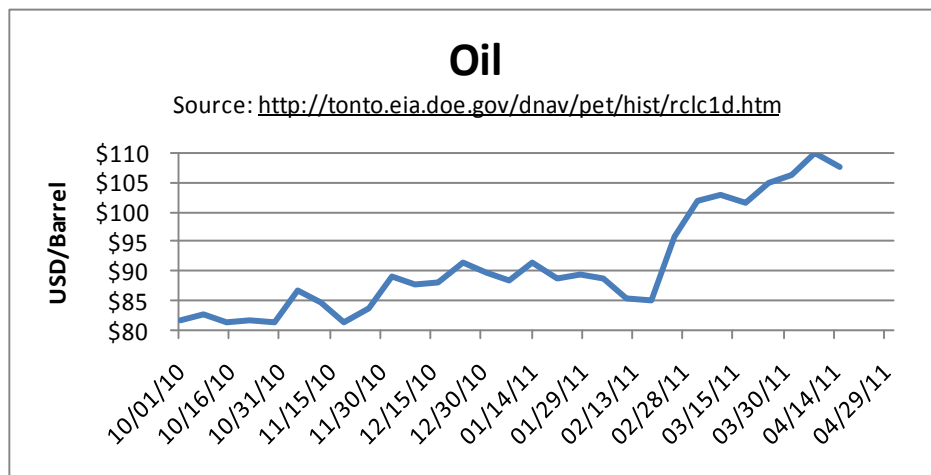
## BUTADIENE

Butadiene (a raw material component of nitrile) has increased 60% in the last 3 months primarily due to limited capacity coupled with increasing demand caused by growth in emerging markets such as China and India.



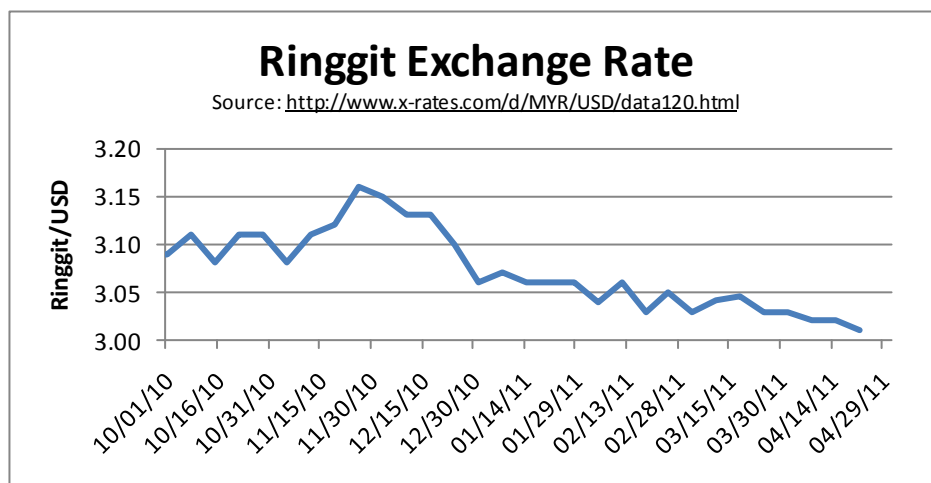
## OIL

As global economies continue to improve, the demand for oil continues to rise. In April 2011, oil traded at its highest level since 2008 surpassing \$110 per barrel, increasing the costs of synthetic rubber, transportation, and other costs in the supply chain.



## EXCHANGE RATES

The US dollar has continued to weaken against the Malaysian Ringgit reaching its lowest level on record..



## PACKAGING MATERIALS

The higher pulp prices and restricted supply have driven meaningful increases in packaging material upwards of +20%.