



## SHAREHOLDERS' REPORT

In 2015, the GraceKennedy Group experienced many successes and some challenges. We remained loyal to our strategic roadmap, driving current performance while ensuring that we made the right decisions to deliver on our long-term vision.

Group revenue for 2015 was J\$79.74 billion, representing an increase of 12.6% or J\$8.90 billion over 2014 (J\$70.84 billion). Net profit attributable to the shareholders of the Company was J\$2.76 billion for 2015 compared with J\$3.29 billion for 2014. Earnings per share was J\$8.35 in 2015 compared with J\$9.90 in 2014. Performance was impacted by costs associated with the integration of the US foods operations through GraceKennedy Foods USA LLC, a non-recurring non-cash credit in 2014 related to post employment obligations under IAS19, lower foreign exchange gains, additional finance costs and an increase in the taxation charge.

Shareholders' equity increased by 4.1% or J\$1.51 billion moving from J\$36.53 billion in 2014 to J\$38.05 billion in 2015. Total assets grew by 6.7% or J\$6.83 billion from J\$101.86 billion in 2014 to J\$108.69 billion in 2015. Dividends totaling J\$2.48 per share were paid in 2015 compared with J\$2.33 in 2014, an increase of 6.4%. At the end of 2015, the GraceKennedy stock price closed at J\$81.25, a 33.1% increase over the prior year.

GraceKennedy divested its 58.1% interest in Hardware & Lumber at a price of J\$18.50 per share on December 30, 2015. This is in keeping with our goal of increasing shareholder value by focusing on the foods business locally and internationally and financial services in the Caribbean region.

The major areas of focus for the Group during 2015 were the continued integration and optimization of our US foods operations, strengthening our Jamaican businesses, growing our international presence, specifically in Western Africa, Continental Europe and on both the East and West Coasts of North America, expanding our regional financial presence and prioritizing our employees and customers.

During 2015 we took significant steps to rationalize and optimize the operating systems and organizational structure of GraceKennedy Foods USA LLC, from which we have started to reap the benefits through efficiency gains as well as improvements in logistics and controls. These steps along with planned infrastructure and brand development investments will place the company firmly on a path to achieving sustainable profitability for 2016 and beyond. We remain confident that our entry into the Hispanic food and beverage market, one of the fastest growing segments in the United States, represents an exciting opportunity for future growth. We continue to invest in long-term strategic relationships, partnering with American beverage giants, AriZona, to distribute Grace beverages in select markets in the United States. This partnership, which started in January of 2015, has already resulted in improved sales of beverages in the US market. There is the potential to expand the parameters of the partnership which will bring even more benefits to the Grace brand.

A core part of our strategy in the European foods market is to increase listings in key markets and we made great strides in this area. The foods business achieved several new listings including at Albert Heijn, the number one supermarket chain in Holland. At our UK factory, we transitioned to Jamaican pepper in the production of our hot sauce. This will be a source of continued growth for our pepper production facility, Grace Agro Processors (GAP) in Jamaica. GraceKennedy Ghana Limited continues to maintain the visibility of the Grace brand in Africa and will be the foundation from which we will nurture our relationship with this continent. Our Nigerian company, GK Foods Limited, launched Nurishment drink and Dunn's River dry spices in Nigeria. The company will be focused on building these brands over 2016.

GraceKennedy Ontario continues to perform well and is leading our efforts to expand into the mainstream foods market. The company has introduced several new products which have transitioned from the ethnic to the mainstream food aisles. Grace Coconut Water is now the number one coconut water brand in Western Canada.

We continue to work on building the coconut category in this market with the aim of becoming one of the top brands of choice.

Our foods business in Jamaica showed strong results, surpassing prior year's revenue and profit. The Jamaican foods distribution business experienced significant growth through a continued focus on re-engaging our consumers through a number of promotional activities. Our main promotional activity for 2015, "Grace on the Move", was very successful. World Brands Services, one of our foods distribution businesses, continued to deliver quality products while adding value and expanding markets for GraceKennedy's principals. This business is expected to show further growth as we look for opportunities to deliver products that meet the needs of our Jamaican customers.

Hi-Lo Food Stores, our supermarket chain in Jamaica, delivered growth in profit. Profit margins were higher than that of 2014 due to improvement in product mix and assortment and the implementation of sustainable cost containment measures. Arising from our on-going renovation exercise, the Manor Park and Barbican branches have seen strong revenue growth and efficiency gains. We continue to invest in the Hi-Lo chain as we strengthen our presence in the Jamaican market.

Our manufacturing operations performed exceptionally well due to strong demand from both our Jamaican and overseas markets, efficiency gains, yield improvements and favorable commodity prices. Grace Agro Processors (GAP), the company's processing plant in Hounslow, St Elizabeth, Jamaica has been performing well despite challenges associated with the severe drought last year. It is expected that GAP's export business will grow significantly, which would directly benefit local farmers with whom GAP partners.

During 2016 we will continue to focus on our manufacturing and distribution portfolios with new and enhanced products, as well as the re-launch and refreshing of some of our Grace and Grace owned brands. We are committed to improving our efficiencies, and on creating strong brand and product awareness, through strategic leadership and an engaged and motivated team.

The GraceKennedy Financial Group (GKFG) had a good year with strong growth in revenue and profit. The Insurance segment reported growth in revenue and profit, primarily attributable to the performance of GK General Insurance Company and Allied Insurance Brokers. In 2015, GraceKennedy rebranded Jamaica International Insurance Company Limited (JIIC) as GK General Insurance Company Limited and First Global Insurance Brokers Limited in Turks and Caicos as GK Insurance Brokers Limited. In July 2015, GK General Insurance Company officially launched its internet-based solution, *GKGOnline*, which allows customers to purchase motor insurance via the Internet. The portal has been enthusiastically received by our customers and provides the foundation for future expansion in the Caribbean region.

First Global Bank (FGB) continued to pursue a strategy focused on convenience and technology with the launch of its Video Teller Machines (VTM) and mobile banking app in the latter part of 2015. Video Teller Machines, the first of its kind in the Caribbean region, is an interactive video technology that allows a live teller to interact with customers using video chat. The mobile banking product was launched with over 1,000 downloads in the first month.

GraceKennedy Money Services (GKMS) now offers remittance services in 11 markets, after its recent entry in the Cayman Islands in November 2015 and Turks & Caicos, in February 2016. This is a major milestone for the Group as we continue to expand our money services in the English speaking Caribbean and strengthen our relationship with Western Union, with whom we celebrated 25 years of partnership in 2015. In line with our strategy to deliver innovative and convenient solutions GKMS is expected to officially launch an electronic service in 2016 that will allow for payment of transactions using cellular phones. We are very excited about the opportunities that this will present for the Group.

GraceKennedy partnered with the Inter-Secondary Schools Sports Association (ISSA) to form a company called Greenfield Media Productions Limited. This will enable the management of media rights for ISSA's entire portfolio of sporting events and the promotion of brand Jamaica's sporting accomplishments to the diaspora and the world.

Our commitment to excellence was again recognized at the Jamaica Stock Exchange's Best Practice Awards where we received the first place award for Corporate Disclosure and Investor Relations (Main Market) and tied as first runner-up for the JSE/PSOJ Best Practice Award for Corporate Governance.

The GraceKennedy and Grace and Staff Community Development Foundations continue to positively impact our communities and exemplify our commitment to "We Care" particularly in the areas of community development, education, sports and environmental awareness. The Grace & Staff Foundation supports nearly 400 students that are pursuing studies at the high school and tertiary level, and over 400 students registered across the five (5) Homework Centres. The Foundation also stages its Annual 5K Education Run which is the flagship event that is used to raise funds and awareness of the educational needs of our students. The Foundation received the 2015 Environmental Health Foundation's Award for contribution to social wellness.

We are optimistic about the prospects for 2016 and beyond, as we strengthen the foundation for future growth, increase our global footprint and develop our people. Continued customer engagement remains a top priority going forward and this will go a far way in transforming GraceKennedy into a more marketing led organization. We remain focused on execution of our strategy and growing market share in our core businesses.

We would like to recognize and thank our employees whose commitment, talent, innovation and hard work continue to guide the achievement of our shared goals. We would also like to recognise and thank you our shareholders, for your investment and continued confidence as we work towards our goal of becoming a Global Consumer Group. To our consumers and customers, thank you for your loyal support.

As we work to achieve our goals, we remain grounded in and guided by our values of HONESTY, INTEGRITY and TRUST.



Chairman



Group Chief Executive Officer

February 29, 2016