



GraceKennedy Limited

SHAREHOLDERS' REPORT

2016 was a good year for the GraceKennedy Group as we achieved several of the key strategic and profitability milestones that we had set. These goals were achieved in a rapidly changing environment that presented both opportunities and challenges. Our operational strategy for 2016 was primarily focused on the four broad themes of: optimizing and pursuing growth opportunities for our international foods business, strengthening our foods and financial services position in Jamaica, improving the overall operational efficiency of the Group, and the development of a comprehensive Global Talent Mobility Programme, cornerstones of our 2020 vision of international expansion. This strategic focus fully supports the vision of delivering long term consumer and shareholder value.

Financial Highlights include:

- Group revenue for 2016 was J\$88.27 billion, representing an increase of 10.7% or J\$8.53 billion over 2015 (J\$79.74 billion).
- Net profit attributable to the shareholders of the Company was J\$4.00 billion for 2016 compared with J\$2.76 billion for 2015. Earnings per share was J\$4.04 in 2016 compared with J\$2.78 in 2015, a 45.3% increase. As reported previously, a non-recurring gain was realised on the dissolution of some non-operating subsidiaries. Without this gain, net profit attributable to the stockholders of the Company would have increased by 29.7% or J\$819.85 million.
- Shareholders' equity increased by 10.6% or J\$4.01 billion moving from J\$38.05 billion in 2015 to J\$42.06 billion in 2016.
- Total assets grew by 16.4% or J\$17.79 billion from J\$108.69 billion in 2015 to J\$126.48 billion in 2016.
- Dividends totaling J\$1.01 billion or J\$1.02 per share were paid in 2016 compared with J\$820.03 million or J\$0.83 per share in 2015, an increase of 22.9%.
- At the end of 2016, the GraceKennedy stock price closed at J\$40.29. When adjusted for the three for one stock split which was effective August 11, 2016, this represented a 48.8% increase over prior year.

The Foods segment made great strides in meeting the changing needs of our markets worldwide as customers increased their preference for healthier, more convenient and increased variety in food choices.

Our international foods companies showed improved performance over prior year. GraceKennedy Foods (USA) LLC, saw growth in both the Grace and the La Fe brands. We continue to invest in these brands and our infrastructure to improve the efficiency of our operations. During 2016 we recruited key expertise to drive the future growth and optimization of the business. GraceKennedy (Ontario) Inc. (GKO) was appointed "Category Advisor –Caribbean and Ethnic" by Walmart in 2016. This has provided our Canadian business with the opportunity to strengthen and expand its presence in Walmart, which has over 400 stores in Canada.

Our food operations in the United Kingdom and Europe also performed well despite the uncertainty surrounding Brexit, and the resulting depreciation of the pound sterling. The Aloe drink continues to gain market share in the UK beverage market and not only competes in the Ethnic Drink Category but has successfully expanded into the mainstream beverage category where it is positioned among the Top 10 UK juice brands. In recognition of Grace Foods UK Limited's (GFUK) contribution to commerce, the company received three important awards from the Hertfordshire Chamber of Commerce: Overall Business of the Year Award, Medium to Large Business of the Year and

awards for Excellence in People Development. Sales to the European market continue to show strong growth, and we expect to expand our presence and pursue opportunities in this region.

Our foods business in Jamaica showed strong growth in revenue. Our strategy to cater to multiple segments of the market has resulted in our domestic foods business being resilient and responsive to competitive forces and the changing taste of our customers. Hi-Lo Food Stores, our supermarket chain in Jamaica, delivered strong performance. Our most recently opened location in Liguanea, Kingston and the refurbished Fairview location in Montego Bay, have enhanced the experience of grocery shopping in Jamaica with world-class layouts and wider variety of products and services.

Our manufacturing operations had a remarkable year. Our brands “This Is Really Great Yogurt” and, “Lishous” our juice drink that was introduced into the Jamaican market in 2016, recorded strong growth, while our Tastee Cheese and Soups segment grew exports to the United States. We continue to invest in upgrading facilities within our factories while continually exploring low cost sourcing initiatives for key products to remain competitive.

Our financial services companies continue to meet the high standards of service and innovation that our customers have grown to expect from us. We made investments in technology, and in our people, in order to focus on delivering a seamless customer service experience.

In our Banking and Investments segment First Global Bank (FGB) reported strong growth in revenue over 2015 which was primarily driven by 13.5% growth in the loan portfolio. Profitability however declined over prior year primarily due to costs associated with network expansion and investments in technology. Loan provisions were also higher than prior year, however the Bank continued to effectively manage delinquencies, and has seen a decline in the ratio of impaired loans to total loan portfolio. FGB continued to pursue its strategy of convenience enabled by technology with the opening of a new high-tech branch in Ocho Rios and the relocation and upgrade of the Liguanea branch. GK Capital Management Limited (GKCM) solidified its position in the investment advisory space, having completed a number of transactions during the year valued at over \$3 billion.

The Insurance segment’s revenue growth was driven primarily by our underwriter in Jamaica, GK General Insurance Company Limited (GKGIC). GKGIC also continues to innovate through its micro insurance portfolio resulting in the revenue generated from this portfolio doubling year over year. The growth in profitability is however due to the strong performance of our insurance broker in Jamaica, Allied Insurance Brokers Limited, which also recorded strong revenue growth over prior year. In line with our strategic plan, we continued our focus on regional expansion, and are pleased to report that our underwriter in St. Lucia, EC Global Insurance Company Limited, is now licensed to operate in three additional territories: St Vincent & The Grenadines, Antigua and Barbuda and Grenada.

GraceKennedy Money Services Limited (GKMS) remained the dominant player in the English-speaking Caribbean remittance market. The business continues to be strategically focused on protecting its market-leader position while driving growth and enhancing the regional remittance business through digitization. In February 2016, GKMS expanded its operations into the Turks and Caicos market, through the establishment of a new subsidiary, GraceKennedy Money Services (Turks & Caicos) Limited; this represents the 11th market in which the Company operates. In December 2016, the Bank of Jamaica approved the GK Money Services’ mobile wallet application, GK MPAY, in Jamaica. GK MPAY was launched in the Jamaican market during February 2017, providing the convenience for users to make payments and other money services transactions on their mobile phones.

The GK Value Rewards Programme, which was launched in February 2015, continues to change the face of loyalty programmes in Jamaica, with the introduction of innovative platforms designed to improve customers’ user

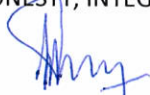
experience. The GraceKennedy Value Rewards programme has issued over \$73 million in points to over 102,000 members.

We continue to hold ourselves to the highest standards of governance, transparency and accountability as these are core to what we do and how we do it. In recognition of this, GraceKennedy was awarded the PSOJ/JSE - Corporate Governance Award for 2015 at the Jamaica Stock Exchange Best Practices Awards function held in December 2016. GraceKennedy was also first runner-up in the Corporate Disclosure & Investor Relations (Main Market) category. We are very proud to receive this recognition as we look forward to continuing to strengthen our relationship with our investors.

Our commitment to the development of the communities within which we operate continues. Our GraceKennedy and Grace and Staff Community Development Foundations continue to champion this cause through various outreach initiatives. Our Grace and Staff Foundation was recognised by the American Chamber of Commerce (AMCHAM) for Corporate Social Responsibility in the large company category. The GraceKennedy Foundation provided scholarships and bursaries totaling J\$17.5M to 75 students tenable at the University of the West Indies, University of Technology, Edna Manley College for the Visual and Performing Arts and the Northern Caribbean University. The Foundation hosted its annual lecture in March 2016, entitled *"Overfed and Undernourished: Dietary Choices in Modern Jamaica"* which was presented by former GraceKennedy scholar, Professor Marvin Reid. He cited research that showed the link between disease and life style choices and emphasised the importance of healthy food choices on wellbeing.

As a Jamaican company with multi-national operations we are very proud of our performance and how far we have come. As part of our transformation, we are currently evaluating our technology infrastructure and customer experience, to enhance a digital strategy for companies in the group. We continue to set high standards for ourselves and remain committed to the vision of being a Global Consumer Group by 2020. Our performance demonstrates the result of our focused strategy and competitive capabilities. As the Company celebrates its 95th year of operation, we will continue to put our customers first as we build on the foundation that was set by those before us. We are thankful to our nearly 2000 employees who are the heart of what we do and who represent the best that this Company has to offer.

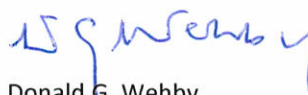
As we work to achieve our goals and grow shareholder value, we remain grounded in and guided by our values of HONESTY, INTEGRITY and TRUST.



Gordon V. Shirley

Chairman

February 28, 2017



Donald G. Wehby

Group Chief Executive Officer