

The financial year 2017 presented a number of opportunities and challenges for the GraceKennedy Group in all our business segments. The Group was proactive in maximizing on the opportunities that were presented, and in reducing the effect of external factors on our businesses through proper and effective risk management. We remained focused on our strategic plans and achieved several of the objectives that we had set for ourselves during 2017. Our operational strategy for 2017 was focused on strengthening and optimizing domestic and international foods operations, improving operational efficiencies across the Group, accelerating the introduction of digital products and channels, and executing our financial inclusion strategy.

Net profit after tax was J\$4.77 billion for 2017 an increase of 5.2% over the prior year. Performance for the year was negatively affected by the unprecedented impact of two major hurricanes within the Caribbean region which increased the value and number of claims for our Insurance segment. In addition, as previously reported, a non-recurring gain was realized in 2016 on the dissolution of some non-operating subsidiaries. Without this gain, net profit would have increased by 15.2% or J\$625.9 million, as shown in the table below. This was driven by improved operating performance in our Food Trading and Banking and Investments segments, a non-recurring gain on the successful acquisition of Consumer Brands Limited as well as the recognition of tax credits of J\$416M under Jamaica's Urban Renewal (Tax Relief) Act (URA). Under this Act companies which carry out development in areas designated under the Act for the improvement of those areas are able to receive one-third of the eligible capital expenditure in the form of tax credits. GraceKennedy Limited remains committed to Downtown Kingston, Jamaica and is investing over J\$3 billion in the construction of its new corporate headquarters. The majority of this capital expenditure has been approved as eligible under the URA and as such additional tax credits will be realized by the Group in 2018.

Excluding the non-recurring gains on liquidation and acquisition, net profit would have increased by 5.0% or J\$207.41 million as shown in the table below.

	2017	2016	Change	Change
	\$'000	\$'000	\$'000	%
<b>Net Profit After Tax, as reported</b>	4,772,100	4,534,862	237,238	5.2%
<b>One-off items (after-tax):</b>				
- Non-recurring gains on liquidation of non-operating subsidiaries (after tax)	36,558	425,193		
Net Profit After Tax, excluding non-recurring liquidation gains	4,735,542	4,109,669	625,873	15.2%
- Non-recurring gains on acquisition of subsidiary	418,460	-		
<b>Net Profit After Tax, excluding non-recurring gains</b>	4,317,082	4,109,669	207,413	5.0%

**Financial Highlights:**

- Group Revenue for 2017 was J\$92.48 billion, representing an increase of 4.8% or J\$4.21 billion over 2016 (J\$88.27 billion).
- Net profit attributable to the shareholders of the Company was J\$4.12 billion for 2017 compared with J\$4.00 billion for 2016. Earnings per share was J\$4.15 in 2017 compared with J\$4.04 in 2016, a 2.7% increase.
- Shareholders' equity increased by 7.5% or J\$3.16 billion moving from J\$42.06 billion in 2016 to J\$45.22 billion in 2017.
- Total assets grew by 2.8% or J\$3.51 billion from J\$126.48 billion in 2016 to J\$129.99 billion in 2017.

- Dividends totaling J\$1.12 billion or J\$1.13 per share were paid in 2017 compared with J\$1.01 billion or J\$1.02 per share in 2016, an increase of 11.0%.
- At the end of 2017, the GraceKennedy stock price closed at \$43.84. This represented an 8.8% increase over prior year.

The Food Trading segment grew in both revenue and profitability when compared to 2016.

Our Foods business in Jamaica showed growth in both revenue and profit, despite being impacted by the temporary ban on corned beef from Brazil during the first half of 2017. Growth was achieved through strong performance from other key products such as Grace vienna sausages, mackerel and frankfurters, as well as new product innovations. Our objective of increasing our share of the retail supermarket space was supported by our ongoing renovation of our Hi-Lo Food Stores. The previously renovated stores located at Manor Park in St. Andrew and Fairview in St James experienced growth in their customer numbers. The Hi-Lo Barbican store location in St. Andrew was negatively affected by a major road upgrading project being undertaken by the Government of Jamaica, which commenced in the fourth quarter of 2017. During 2017, GraceKennedy acquired Consumer Brands Limited, a large player in the distribution business. This acquisition brings with it the strong line of Proctor and Gamble (P&G) products and other international brands. The Consumer Brands business has now been successfully integrated into the GraceKennedy Group, and is proving to be a natural fit.

Our International Foods companies, while showing overall improved revenue growth, were impacted by the performance of Grace Foods UK which experienced a decline in both revenue and profit. The Company was affected by lower sales from the Grace-Owned “Nurishment” branded nutritionally enriched milk drink. Sales of Nurishment are expected to grow in the coming months with investments in the brand for new promotional activities. GraceKennedy Foods (USA) LLC, experienced growth over 2016, driven by the Grace and La Fe brands. Grace Foods Canada Inc. was successful in establishing a relationship with Costco, one of the largest warehouse clubs in North America, while other listings in Canada continue to show good growth prospects. Growth within the North American market, is a key strategic objective for the Group, and we are positive that through further investment and focus this will continue to be realized.

The GraceKennedy Financial Group’s focus on expanding financial inclusion, increasing use of technology and delivering innovative and convenient solutions to customers’ needs was the key driving force for our financial businesses during 2017. To enhance this focus, the GK ONE initiative, launched on November 10, 2017, allows customers to access a range of banking, insurance, bill payment, remittance, investment and cambio services at select locations islandwide.

Our Insurance segment reported flat revenue and a reduction in profit when compared to 2016. Profit was primarily impacted by increased claims activity from Caribbean territories that were affected by destructive Hurricanes Irma and Maria in September 2017. Consistent with our approach to Enterprise Risk Management, and through our robust reinsurance programme, GK General Insurance is satisfying their customers’ claims while lessening the impact of these losses on our bottom line.

The Banking and Investments segment achieved growth in both revenue and profit. First Global Bank (FGB) showed an increase in revenue and profit when compared to 2016. The Company’s objective of being the #1 bank in terms of customer convenience guided the Company’s decisions during 2017. During December 2017 FGB received a license to pursue Agent Banking Activities and will actively roll-out this new business model as part of our financial inclusion strategy in 2018. In order to expand our banking footprint from our current branch network, FGB launched the first two of its “Money Link” locations in August 2017. These “Money Link” locations will be a system of mini integrated branches located within existing infrastructure occupied by other companies within the GraceKennedy Group. Adding to the strength of the FGB team, we welcomed career banker Mr. Peter Moses who assumed the role of Chairman effective September 19, 2017.

The Money Services segment reported flat revenue and moderate growth in profit relative to 2016. The performance of the segment was affected by decreased transaction volumes from our Jamaican remittance operations, GraceKennedy Remittance Services (GKRS). This was offset by the strong performance of our Trinidad and Guyana money services

operations. GraceKennedy Money Services (GKMS) and Western Union temporarily suspended money transfer services in some agent locations in Jamaica during 2017 in an ongoing effort to increase oversight for the protection of our customers while strengthening compliance efforts throughout our network of agencies. By the end of 2017 GKRS was able to reopen 8 of the 10 locations whose services had been suspended. While these suspensions have had a negative impact on profitability in the short term, we are determined to maintain a strong and efficient compliance model which will protect the reputation of financial services in the Caribbean region and also serve as a competitive advantage for our remittance business.

On December 11, 2017 the Judicial Committee of The Privy Council handed down its judgment in the matter of Paymaster Jamaica Limited's claim against GraceKennedy Remittance Services Limited (GKRS) which was commenced in 2000. The Privy Council ruled unanimously in favour of GKRS, allowing our appeal and dismissing Paymaster's counter appeal. This decision reaffirms that we acted in accordance with our core values of honesty, integrity and trust.

The following senior management changes within the GraceKennedy Group took effect on January 1, 2018. Andrea Coy was appointed CEO of GK Foods International, a position previously held by Ryan Mack, who assumed the role of CEO of the GK Foods Domestic business. Also, Steven Whittingham was appointed to the Company's Executive Committee and continues in his roles as Chief Investment Officer for the GraceKennedy Group and Managing Director of GK Capital Management Limited and GK Investments Limited.

GraceKennedy was awarded the 2016 PSOJ/JSE Corporate Governance Award at the Jamaica Stock Exchange's Best Practices Awards in 2017. This award recognizes companies that demonstrate and practice outstanding corporate governance. We are honoured to have received this recognition and remain committed to complying with best practises that balance the interest of the Company, our numerous stakeholders and the wider society. We were also recognized as 1st Runner Up in the Corporate Disclosure & Investor Relations category. This award recognizes companies that maintain good investor relations with the wider investing public and make timely and accurate reports and announcements to the Jamaica Stock Exchange.

Through our Grace & Staff and GraceKennedy Foundations we continue to contribute proudly and actively to the development of our communities in the areas of education, sports and the environment. During 2017, through our two foundations we were able to provide scholarship and bursary support to over 480 students at the tertiary and secondary school levels.

We have launched 2018 under the theme "Delivering Consumer and Shareholder Value through Innovative Solutions". We believe that in order for GraceKennedy to remain innovative and successful in this ever changing environment we must be forward-looking to ensure an agile, efficient and high-performing corporate structure. We have made significant strides in our goal of becoming a Global Consumer Group and are confident in our strategies for achieving this.

We thank our shareholders, employees and customers for their continued commitment and support. We are committed to our core values of Honesty, Integrity and Trust as our platform for continued growth.

Gordon V. Shirley, O.J.  
Chairman

Donald G. Wehby, C.D.  
Group Chief Executive Officer

March 01, 2018