

REPORT TO OUR STOCKHOLDERS

In 2019 the GraceKennedy Group experienced both successes and challenges in the execution of our strategy. The Group balanced continuity with change as we sought to drive agility and efficiencies in the way we do business while keeping our customers at the center of our strategy. Our operational strategy for 2019 was focused on investing in our brands and expanding market share, deploying digital and innovative solutions for our customers. The Group continued to enhance its enterprise wide risk management and compliance processes and drive greater operational efficiencies within the Group. GraceKennedy Limited has positioned itself for future growth with the on-going implementation of transformational structural and process improvement initiatives.

Revenue for the Group totaled J\$103.09 billion, an increase of J\$5.55 billion over 2018. This is a historic achievement, the first time that the Group has surpassed the J\$100 billion mark for revenue, ahead of our original target of 2022, which will be the Group's 100th anniversary.

Profit before other income, increased by J\$598.5 million to J\$3.74 billion, a 19% increase over 2018, indicating an improved operating margin. In 2019 GraceKennedy Limited incurred IAS 19 post-employment benefit expenses of J\$1.22 billion. This is an increase of J\$890 million over the IAS 19 post-employment benefit expenses of J\$332 million in 2018. Excluding this non-cash expense, profit before other income would have shown an increase of 43%. Our results were also negatively impacted by the adoption of the new accounting standard on leases, IFRS 16, resulting in an increase in expenses of J\$228 million.

Stockholders will recall that the GraceKennedy Group is a net earner of foreign exchange and has net foreign assets, whose values are subject to movements in foreign currency exchange rates. During the year, the volatility in the Jamaican foreign exchange market, particularly in the US Dollar exchange rate had a negative effect on the Group's results when compared to 2018.

Profit before Tax for 2019 was J\$6.13 billion, a decrease of 12% or J\$835 million compared to 2018. As previously reported, in 2018 the Group had non-recurring gains of J\$1.13 billion from the dissolution of a non-operating subsidiary and an acquisition by an associated company. Excluding these gains in 2018, together with the IAS 19 and IFRS 16 expenses noted above, Profit before Tax for the year 2019 would have been higher than 2018 by J\$1.42 billion or 23%.

Financial Highlights include:

- Group Revenue for 2019 was J\$103.09 billion, representing an increase of J\$5.55 billion or 5.7% over 2018 (J\$97.54 billion).
- All business segments recorded increased revenue and profits for 2019 compared to 2018
- Profit before other income, excluding IAS 19 expenses, increased by 43%.
- Net profit attributable to the shareholders of the Company was J\$4.49 billion for 2019 compared with J\$5.01 billion for 2018 a J\$518.53 million decrease. Earnings per share was J\$4.52 in 2019 compared with J\$5.05 in 2018, a 10.5% decrease.
- Total assets grew by 14.4% or J\$19.47 billion from J\$135.24 billion in 2018 to J\$154.71 billion in 2019. On the adoption of IFRS 16 on January 1, 2019, the Group recognized a right-of-use asset of J\$6.24 billion shown in fixed assets, with a corresponding amount being recognized as a lease liability shown in bank and other loans. At the end of 2019, these items increased to J\$8.33 billion and J\$8.51 billion respectively.
- Dividends totaling J\$1.54 billion or J\$1.55 per share were paid in 2019 compared with J\$1.34 billion or J\$1.35 per share in 2018, an increase of 14.8%.

- At the end of 2019, the GraceKennedy stock price closed at J\$69.43. This represented a 9.3% increase over the stock price at the close of 2018.

The Food Trading segment recorded improved revenue and profitability for 2019 compared to 2018 due mainly to the performance of our Jamaican manufacturing and distribution business.

Our Jamaican food distribution business experienced double digit growth in both revenue and pre-tax profit coupled with improved operating margins with most of our core products reporting higher sales when compared to 2018. The “Grace Winna House” national consumer promotion, rebate and customized channel programs were major contributors to the performance of the business. Our chain of Jamaican supermarkets, Hi-Lo Foods Stores, showed improved operating performance when compared to 2018. This increase in revenues was mainly due to five of our locations showing significant sales growth over prior year. Our investments in the Catherine’s Peak brand of pure spring water and Consumer Brands Limited continue to show satisfactory growth in line with our expectations. Our manufacturing companies performed well for the year due mainly to strong growth in Grace Viennas, Grace Frankfurters, Grace Bacon and Grace Tropical Rhythms exports to the United States of America (USA) and the United Kingdom (UK). Our Grace Agro Processors (GAP) locations at Hounslow, St. Elizabeth and Denbigh, Clarendon in Jamaica continue to broaden their supplier base for agricultural products. This is expected to improve production yields, reduce shortages and improve quality control for our raw materials while strengthening our network of farmers. GAP Denbigh commenced its export of Grace Canned Ackee, Grace Canned Callaloo and Grace Jerked Seasoning to the USA, UK and Canada. Our ongoing partnership with farmers in Jamaica is aimed at securing steady and consistent quality supplies to satisfy the demand for our products in Jamaica and abroad.

GraceKennedy Foods (USA) LLC’s (“LLC”) performance for 2019 met management’s expectations. The overall business showed significant improvement in gross profit. At LLC the Grace brand had a 10% growth in revenue and a 16% growth in gross profits expanding sales of key items including Grace Frozen Patties, Grace Tropical Rhythms and Grace Coconut Milk Products. The La Fe brand reported a 4% growth in gross profit with the major contributor being La Fe Frozen vegetables. We are seeing good growth in most of the key product categories for this business. On October 7, LLC opened its new Grace/La Fe distribution facility in Woodbridge, New Jersey. GraceKennedy invested US\$5 million in outfitting the new facility, which boasts a state of the art layout and increased automation of functions, fully compliant with all health and safety standards. This investment is expected to drive increased operating efficiencies and improve staff and customer satisfaction. We are already seeing positive outcomes from this investment.

Grace Foods UK’s performance was impacted by the decline in sales of its Nurishment brand. The Nurishment re-launch plans, which include a new label design for the can and a new advertising campaign was successfully launched in the last quarter of 2019. Additionally, a new format, Nurishment in a PET bottle, will be launched in the first quarter of 2020.

Grace Foods Canada Inc. reported reduced performance for 2019 when compared to the previous year. The company faced distribution challenges throughout the year but was able to strengthen its relationship with numerous chains and independents to aggressively promote key products. Grace Coconut Water retained its # 1 position based on volumes.

The GraceKennedy Financial Group (GKFG) reported growth in revenues and pre-tax profit for 2019 over 2018.

The Banking and Investments segment reported an increase in revenue and pre-tax profit for 2019 compared to 2018. The customer loan portfolio increased by 15.9% compared to 2018 as First Global Bank (FGB) placed greater emphasis on developing products and capacity building activities for small and medium-sized enterprises; automated its loan approval process and continued its focus on relationship building. The Bank executed on its financial inclusion strategy through its sub-brand, First Global MoneyLink. The first nine (9) bank agents are now open in Jamaica with locations in the parishes of St. Andrew, St. Elizabeth, St. Thomas and Portland which will contribute to both the revenue and profit of FGB. This remains a key strategic focus for the Bank. GK Capital Management Limited (GKCM) produced a strong performance for 2019 in both revenue and profit.

GKFG significantly strengthened its financial services platform in the Caribbean through Signia's acquisition of Globe Finance Inc. in Q4 2018, forming the largest merchant bank in Barbados and fortifying our footprint in the regional financial services space. The successful merger, and subsequent rebranding in 2019 to "SigniaGlobe" resulted in the growth of our core banking revenues as well as the creation of synergies from the joint operations.

The Insurance segment reported an increase in revenue and pre-tax profit for 2019 compared to 2018. The segment continues to perform well with existing operations achieving growth and various new initiatives forming a base for future growth. GK General Insurance Company Limited (GKGI) reported revenue growth in its motor, engineering and property portfolios. GKGI continues to play a major role in the insurance sector, providing insurance products for many of the large infrastructure projects across Jamaica. Allied Insurance Brokers performed exceptionally well for 2019 driven by significant gains in general and cover holder business when compared to prior year.

A key strategic driver for GK's insurance business expansion is mergers and acquisitions and as part of this strategy the GraceKennedy Financial Group Limited made an offer to purchase the outstanding shares of Key Insurance Company Limited, a general insurance company listed on the Junior Market of the Jamaica Stock Exchange (JSE). We see potential for the company to grow and it is GraceKennedy's intention to properly capitalize it, and maximize shareholder value through this acquisition. GraceKennedy intends to limit its share acquisition in this company to not more than 80% so that the company will remain listed on the JSE.

The Money Services segment reported an increase in both revenue and pre-tax profit for 2019 compared to 2018. The segment executed on its objective of enhanced customer convenience through digital offerings, which have showed increasing adoption by customers since their introduction. These offerings include WU.com, a digital money transfer platform which allows customers 24/7 access to send funds electronically to over 200 countries, Direct to Bank where customers can receive money through Western Union for deposit to their bank accounts, and Pay@WU which allows customers to pay for Amazon orders at more than 50 Western Union locations in Jamaica. Our strategic focus on growth is being supported by an increased presence through the expansion of our network in Jamaica and regionally through a combination of traditional and digital channels. The Group's continued investment in enhanced compliance measures has positioned the business for growth as we solidify our market leadership. It is anticipated that the strengthened oversight will offer greater protection for our customers throughout our network of agencies and result in a competitive advantage.

Other Highlights:

The construction of GraceKennedy Limited's new headquarters was completed during the 1st quarter of 2019. The building was officially opened on May 29 by Prime Minister Andrew Holness who was also the guest speaker at the opening ceremony. The building is energy efficient and has increased the company's green footprint through the use of solar panels and rain harvesting. The Group remains committed to the development of Downtown Kingston and has invested over J\$3 billion in this project.

GraceKennedy Limited in association with the Jamaica Household Workers' Union was pleased to honour male and female household workers for their outstanding performance, through the sixth staging of the GraceKennedy/Heather Little-White Household Workers Awards in December 2019. This event publicly recognizes the contribution these workers make to families and households with whom they work.

In December 2019, GraceKennedy won the Governor General's Award for Excellence, in the Main Market category at the Jamaica Stock Exchange Awards Banquet. This prestigious award is presented to the company that ranks highest in the areas of investor relations, corporate disclosures, corporate governance, website design, annual reporting and overall performance on the Stock Exchange. GraceKennedy also won the award for Best Annual Report, was the second runner up for Corporate Disclosures, and the first runner up for Corporate Governance Best Practices. These awards demonstrate that the company is not only performing well, but also doing so in accordance with the highest standards, guidelines and best practices set by the Jamaica Stock Exchange, and benchmarked against our counterparts around the world. This prestigious achievement has only been possible through the combined efforts of our strong and loyal staff.

As we look ahead to our 100th anniversary and beyond we remain focused on building and protecting long term value for all our stakeholders. We are humbled by the continued support that we have received as we realize our mission and vision of becoming a Global Consumer Group, guided always by our core principles of Honesty, Integrity and Trust.



Gordon V. Shirley, OJ
Chairman



Donald G. Wehby, CD
Group Chief Executive Officer

February 28, 2020