

Managing Risk as an International Business

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Today I will share with you

- An Introduction to Ornua – The Home of Irish Dairy
- Managing Risk on the International Market
 - Brexit
 - Volatility in Global Markets
 - Sustainability
- Our Ambition for the Future
- Closing Comments

An introduction to Ornua

Ornua at a Glance



Ireland's largest
exporter of
dairy products



Exporting to c.110
markets around
the world



Proud owner of
Kerrygold



A strong global team
of over 2,000



Markets the unique
taste of grass-fed
Irish dairy



Adds value to Irish
milk through brands
and ingredients



Ornua Foods



Turnover of
€2,069.2m



Operating
profits of
€35.2m



Irish purchase
volumes of
338,000 MT

Arrabawn
Together we grow

Aurivo


CARBERY

dairygold
Golden Valleys, Growing Naturally

glanbia

Lakeland
DAIRIES

North Cork
Creameries


TIPPERARY
COOP

Ornua Foods and Ornua Ingredients


World class quality milk from grass-fed cows paramount to the success of Ornua's brands worldwide.



New Foodservice strategy implemented in 2017 resulting in strong growth opportunities.

Kerrygold  found in 50% of households and in top 10 of all FMCG brands in Germany.




 Pilgrims Choice is the No. 2 cheddar brand and Kerrygold is the No. 3 block butter brand in the UK.

Kerrygold Park opened in 2016, the global home for Kerrygold.

Milk powder brand portfolio includes Kerrygold, Beo and Forto.



 Kerrygold No. 2 butter brand in the US.

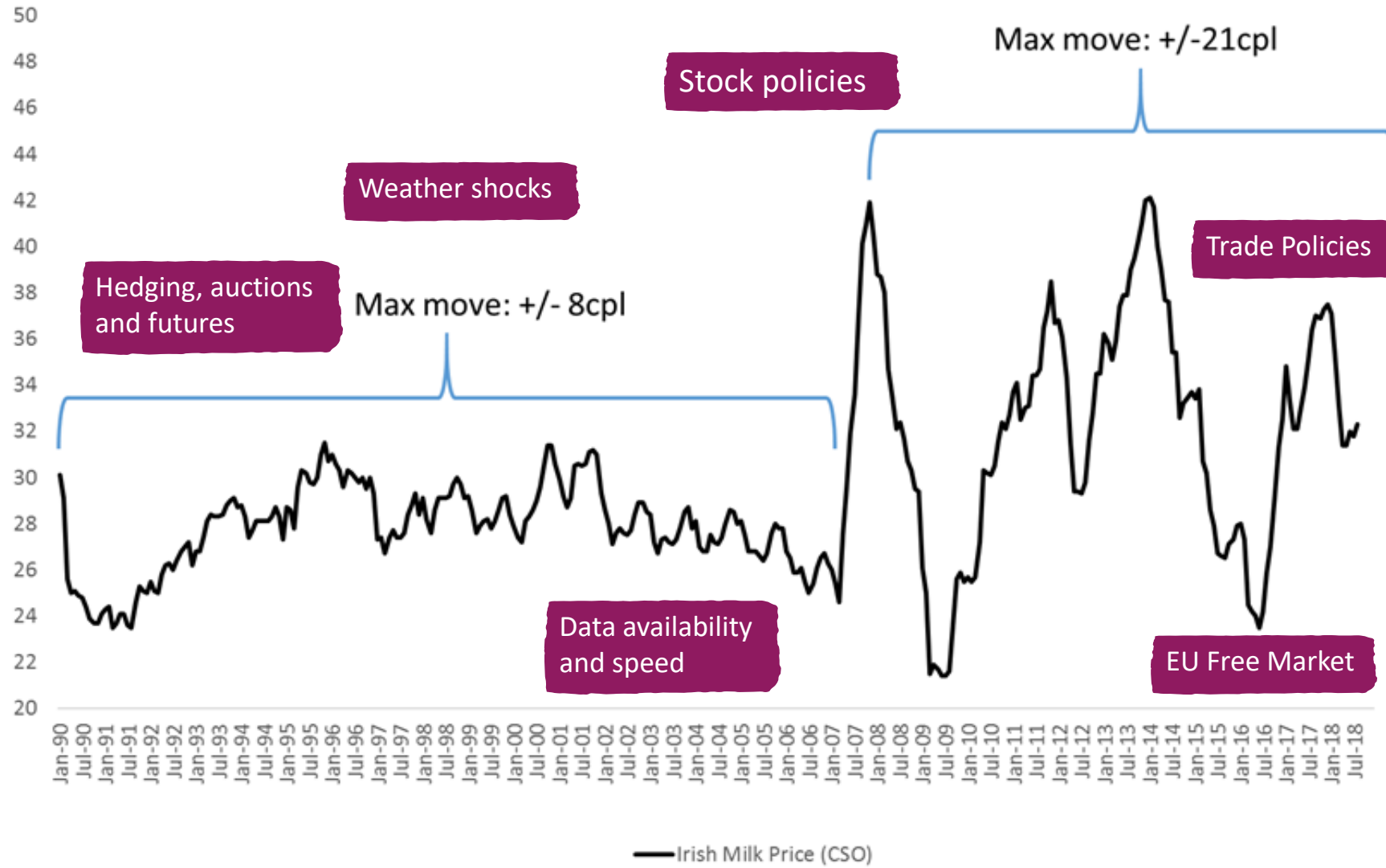
Ornua Ingredients North America had a record year in 2017 and a €2 million shred and dice line was commissioned.



 Strategic acquisition of F.J. Need in the UK solidifies Ornua position as the leading supplier of cheese ingredients in the UK.

Volatility in Global Markets

Increase in volatility, 1990 - 2018



Volatility Risks

Quota
Removal
2015

Weather
Events

International
Trade
Barriers

Butter/
SMP
Imbalance

Consumer
Demand

Oil price

How we manage market volatility

- Continued investment in **trading expertise**
- **Fixed term contracts** and other risk mitigating mechanisms
- Securing strong returns for farmers through;
 - **Growing our brands** internationally
 - Developing **differentiated value-added ingredients**
- **Fixed milk price** schemes
- **Diversifying** our markets through acquisitions

A close-up photograph of green grass, likely a type of ryegrass, with long, slender blades. The grass is vibrant green with some yellowish-brown tips, suggesting it might be dry or a specific variety. The word "Brexit" is overlaid in white, bold, sans-serif font in the upper left quadrant.

Brexit

Brexit: A Fast Changing Political Landscape

Challenges associated with international trade



Securing favourable
trade
agreements



Management of
currency risk
in international
markets



Managing and
preparing for
tariffs



Food
inflation



Protectionist
measures
against imports



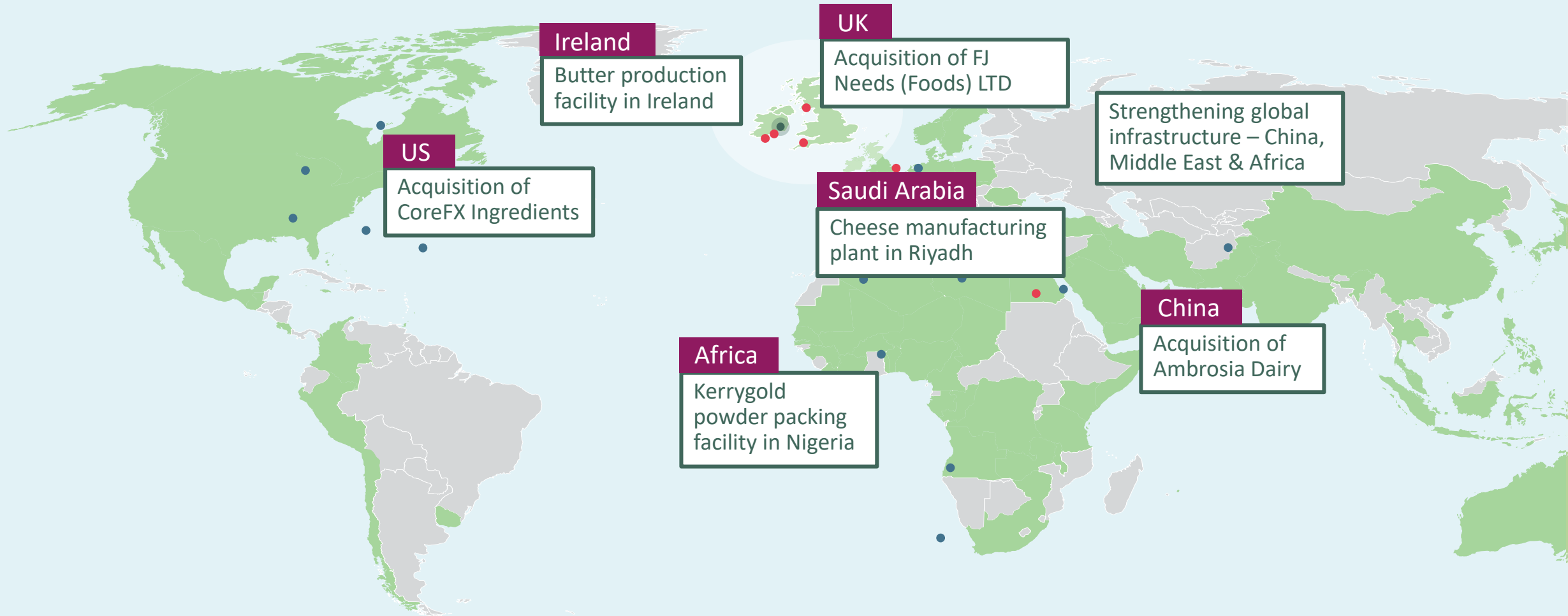
Free
movement of
people

Mitigating Against Risk

- Brexit Working Group
- Management of currency risk
- Ensuring Ornua UK Operations are as efficient as possible
- Security of supply – product / workforce
- Market / product diversification
- In-market expansion

Expanding our global footprint

In
Market



In Summary

- The UK is, and continues to be, a **very important market** for Ornua
- The full implications of Brexit are unclear, but we are **planning for every eventuality**
- Our role is to **manage the downside**
- **Optimise our position** via successful trade negotiations ensuring the trading relationship remains essentially as is
- We are a **global business** with a proven strategy in place to further strengthen our **diverse, global footprint**

A close-up, slightly blurred photograph of green grass blades, filling the entire frame. The blades are long and thin, with some showing slight yellowing at the tips. The lighting is soft, creating a natural, organic feel.

Grass-Fed

Marketing Ireland's Grass Fed Message



Ireland's grass-fed message | Pure, Irish, natural & taste

Ornua brands include Kerrygold, Dubliner, Pilgrims Choice, Forto & Beo milk powders



US TV Advert

Kerrygold -
No.1 imported
butter brand & No. 2
branded butter in
the US



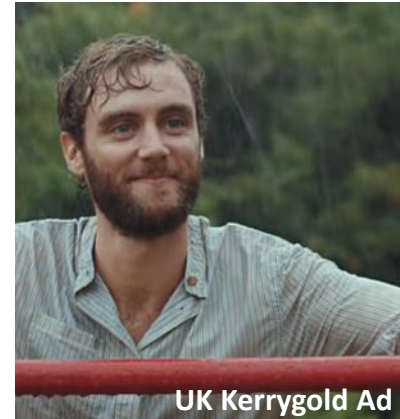
Kerrygold -
No. 1 butter brand in
Germany



Kerrygold -
No. 1 speciality
cheese in the US



Kerrygold global
sales retails at
c€900m



UK Kerrygold Ad

Kerrygold –
fastest growing
brand in its category
in the UK



Kerrygold -
No. 1 imported
butter brand in RSA



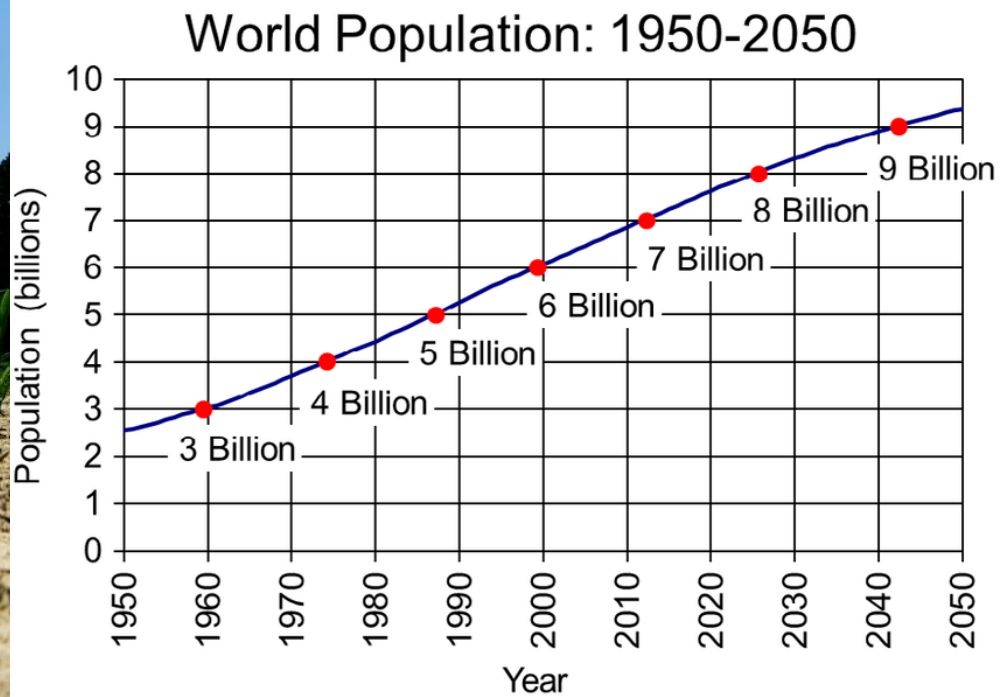
kerrygold



Kerrygold -
No. 1 block butter in
Spain



Sustainability



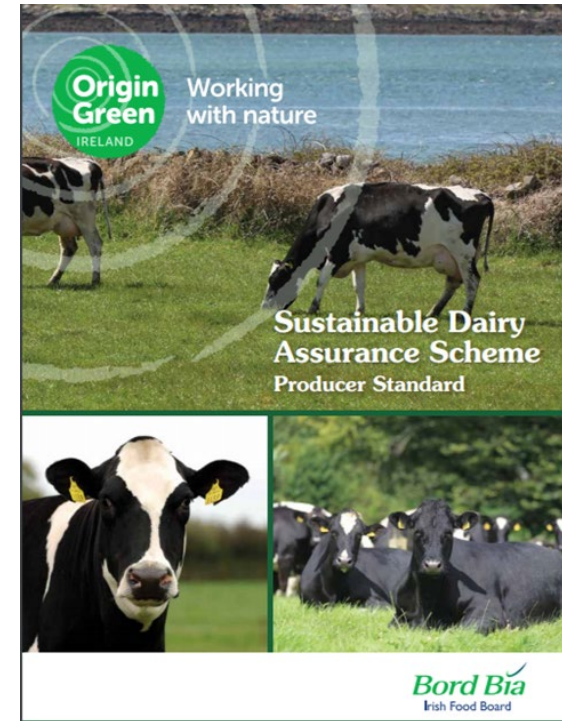
The response

- Ireland is the most carbon efficient milk producer in the EU
- Our grass-based system is well suited to sustainable dairy farming
- Position Ireland as a source of sustainable dairy while committing to improvements



Working
with nature

Dairy  Sustainability
Ireland

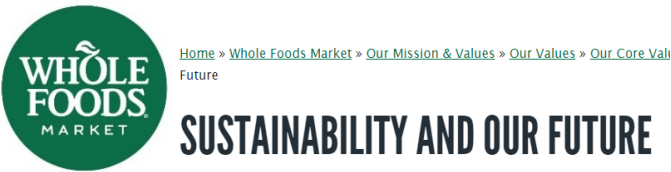
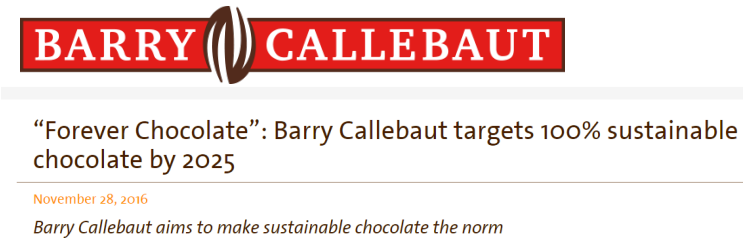


ICOS Climate Change Working Group

‘Positive steps toward a low carbon future for the Irish dairy sector’

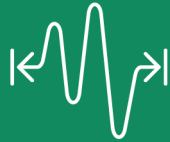


Customer Expectation: Sustainably Sourced



Consumer Expectation - What Have We Noticed?

Transparency



Total **transparency** is necessary in building trust

Authenticity



Consumers want **authentic and honest** products

Responsibility



Consumers are conscious of the **impact products have on their health**

Realness



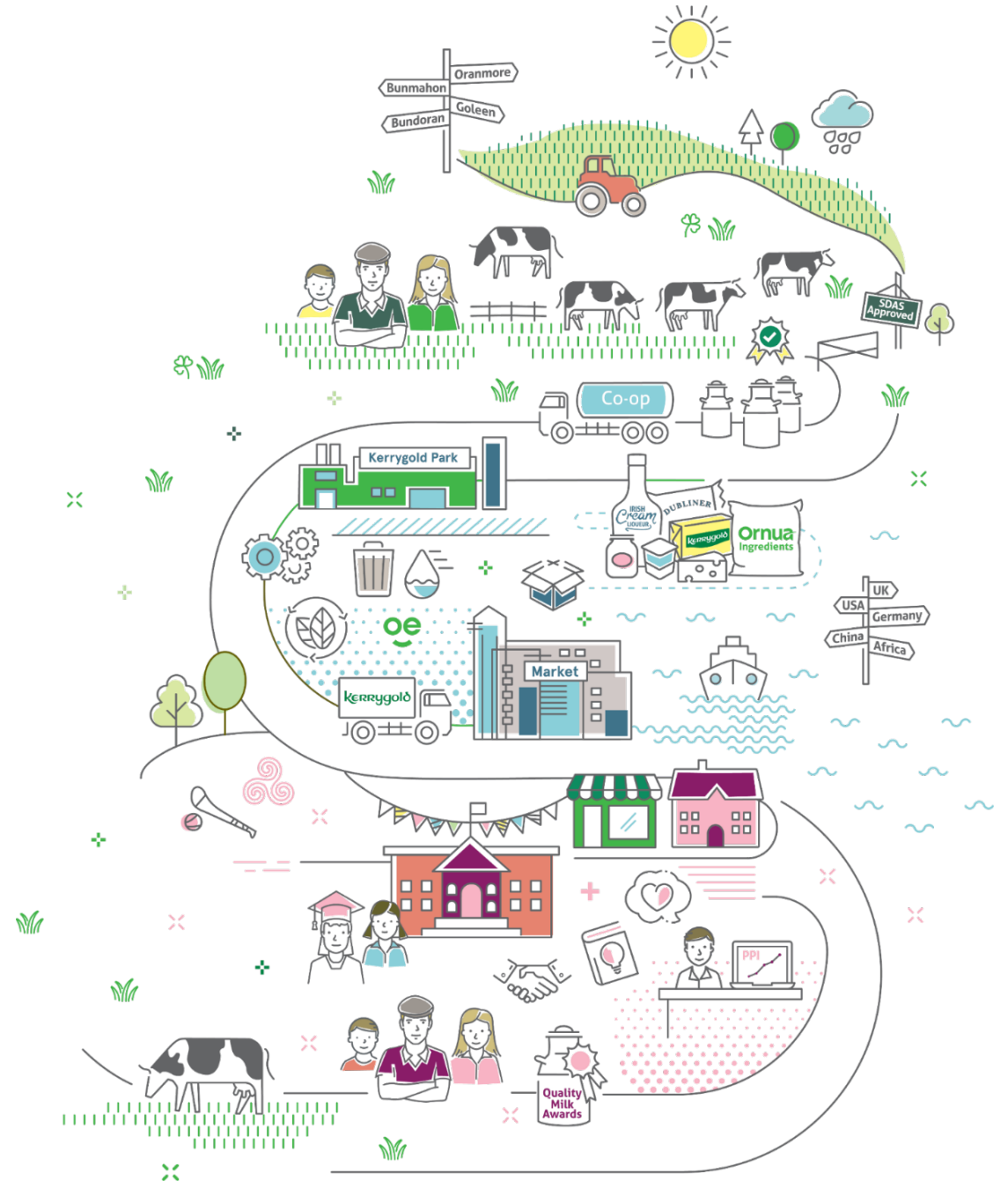
Knowing **product origin** is key for consumers today

Our Way Matters

Our Way
of Farming

Our Way
of Operating

Our Way
of Supporting



The onus is on us...

De-Risk:

As an industry, we must continue to prepare for Brexit, exploring global opportunities, diversifying and planning for every eventuality

Compliance:

By reviewing policy framework, public opinion and science, we must engage with activating change in order to address environmental issues

Engagement:

Whilst defending our position as clean producers, we must engage fully with sustainability goals, supporting initiatives such as Origin Green and striving for 100% SDAS certification

Thank you