

Chairman's Review

I am pleased to report an excellent business performance by your Society in 2018 with record volumes of milk processed and strong progress achieved across all of our operations.



Jerry Doody
Chairman

Revenues increased by 10% to an all-time record level of €113.1m from €102.8m in the prior year, yielding an operating profit of, €331k which includes a reduction of €165k in trading profit compared to 2017. This adjustment is directly attributable to the Society's commitment to support dairy farmers with the highest possible milk price in line with market conditions - and particularly taking into account the seriously adverse weather conditions of the past year.

2018 was a generally difficult and unpredictable year for dairy farmers, ranging from floods to drought within the first nine months. Thankfully the last quarter proved more favourable with milk volumes recovering by some 4% year on year. Bearing this in mind we also brought forward a supplementary payment of €365k for our milk producers during the year, in addition to paying €725k to North Cork milk suppliers in excess of market returns during 2018, giving a total of €1.1m in support payments.

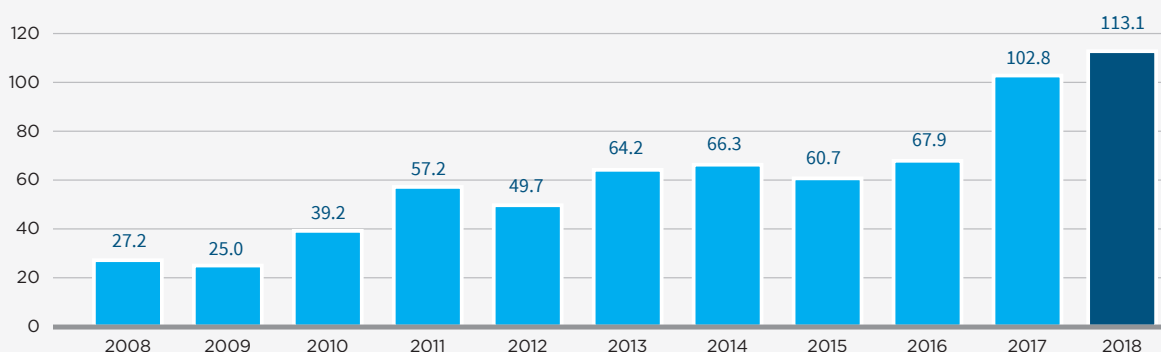
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) increased by 4% to €2.2m which is a very positive indicator of the continuing strength of the business.

We closed the year with Shareholders' Funds of €14.2m. These are very satisfactory results which are built around the continuing progress and efficiency of our business, our operations and our overall organisation.

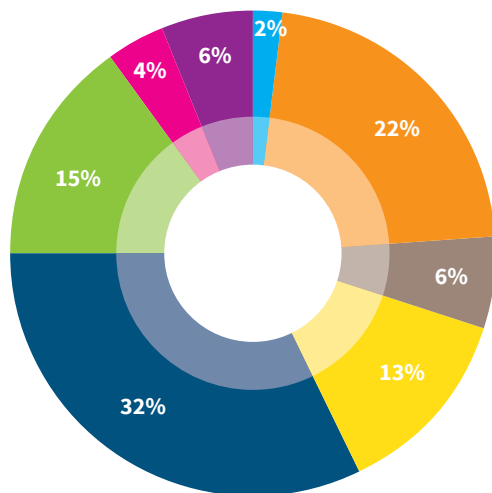
Revenue growth was driven predominantly by business development activity which yielded increased export sales of powders and butters. Our retail products portfolio performed extremely well and also benefited from a sophisticated packaging redesign which boosted consumer interest across our butter, cream and milk market segments.

We also benefited from increased turnover in our branch stores including our newly added Fealesbridge & Headleys Bridge outlets following from the successful amalgamation of this society with North Cork during the year. I warmly welcome the members of Fealesbridge & Headleys Bridge to our now combined co-operative. Additionally, I am very pleased to record the subsequent decision taken last year by the members of North Cork and Newtownsandess Co-operatives to create a merger of our two societies and thereby form a further enlarged co-operative, and this merger has now been completed in the current year.

Revenue History 2008-2018 (€'m)



Dairy Revenue by Main Product Category



- SMP
- Casein
- SWP
- Retail Butter
- Bulk Butter
- Whey Butter
- Liquid Milk
- Others

North Cork Creameries is a strong and independent farmer owned dairy co-operative. Our developments will continue to support efficiency and excellence in everything we do and will contribute to ongoing growth and sustainability for our dairy farmers in the years ahead. Following from the recent mergers, North Cork Co-operative Creameries will process over 240 million litres of milk annually, with an already well invested capacity to increase processing throughput to over 360 million litres. This will cater for the ongoing expansion of milk producers across our operating region.

Our increased processing capacity has been created through our multi-annual strategic capital investment programme and will total €21.6m by the end of 2019. North Cork Creameries continued to invest in building its capability to consistently deliver innovative dairy products to discerning customers around the globe. Significant investments were made to optimise the Casein production process and to develop a Heat-Stable Whey Powder product for Asian markets, among other innovations.



We have also continued to invest in our agribusiness operations and in our expert advisory services for members, designed to maximise dairy herd performance through best practice nutrition, soil analysis, AI and milk recording. Our sustainability programme will continue to be developed to support our dairy farmers in meeting the environmental requirements of CAP in the years ahead.

Our stores have been refocused and revamped, offering an excellent range of farm inputs, feeds, fertilisers and equipment for farmers and the wider rural communities who we serve. Additionally, our members and milk producers are also benefiting from the dedicated trading loyalty programmes that we have in place and which, in return, benefit the collective best interests of our co-operative.

During the year we further strengthened our strategic alliances with key stakeholders and partners in our industry. Total whole milk processed increased by 26% to 198m litres. This includes 58.3m litres supplied directly by our own members which increased by 25% following from the addition of the Fealesbridge and Headleys Bridge milk pool.

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We processed record volumes of product including some 7m litres of liquid milk (up by 5%) and 30,000 tonnes of dairy food ingredients (up by 18%) including Butter, SMP, Casein and Whey, in addition to our consumer products range. This growth in volumes, which is creating efficiencies and directly feeding our sales development activity, is very encouraging.

North Cork Creameries is a value-added dairy processor with technologically advanced facilities and the flexibility to divert milk into product categories that will yield the best possible returns from the market depending on overall supply and demand on a global basis. The consolidation achieved through the vision represented by our now amalgamated society is helping us to create new economies of scale and to achieve our strategic objectives to grow the business on a sustainable platform into the future.

We have a continuous focus on innovation and organisational effectiveness. This is underpinned by our Lean Management Programme, a second phase of which has now started to run throughout the organisation until April 2021, and which will serve to ensure that our growth and development plans are realised into the future.

Environmental improvements were also a focus during 2018 with the completion of the move away from heavy fuel oil in favour of LPG. These, and other initiatives were recognised by external bodies including Origin Green, Integrated Pollution Prevention and Control (IPPC) and the BRC Global Standard for Food Safety.

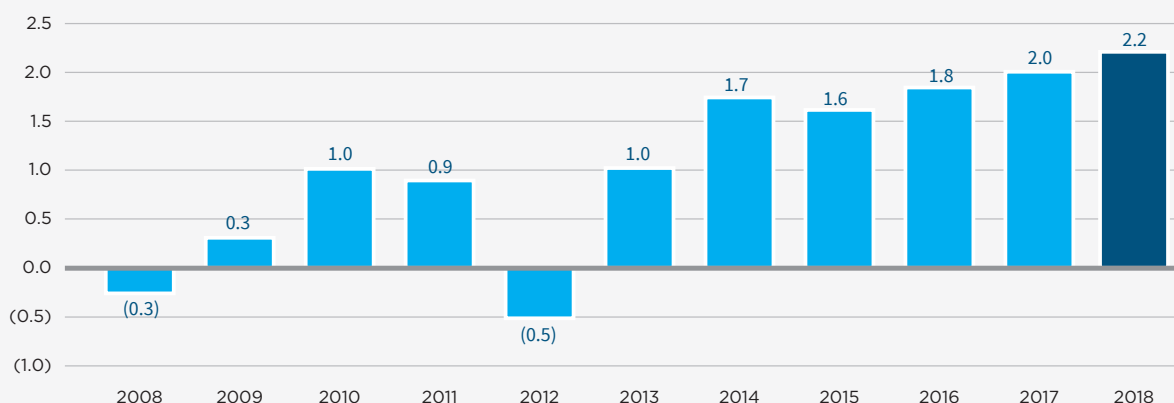


We will also continue to make improvements in environmental sustainability by undertaking an extensive review of all of our energy usage onsite, with a view to identifying process improvements and cost reduction opportunities, thereby also minimising our environmental impact. Significant improvements were made in our IT infrastructure to manage our volume growth even more effectively. Information technology systems management across our Supply Chain, Production, Retail and Staffing processes were all enhanced during the year. These systems proved essential to the successful integration of Fealesbridge & Headleys Bridge Co-ops during 2018.

We have an excellent management team and very dedicated staff throughout our organisation led by our Chief Executive, Pat Sheahan. On behalf of the Board and all members, I thank the Chief Executive and his colleagues for the substantial and meaningful progress achieved for our Society over the past year and across successive years to date.

EBITDA History

(€'m) 2008 - 2018



We have a highly skilled and talented workforce and relevant programmes in place to ensure their continuing development within our organisation. Everything we do is designed to ensure that we will meet the needs of our deeply valued customers in Ireland and throughout the world. We will continue to meet their exacting requirements with the most competitive processing capacity, the highest quality products and excellent global logistics capabilities, backed-up by great customer service.

I thank the Board for your valuable commitment, encouragement and support. I warmly acknowledge the contribution of our former Chairman Martin O'Keeffe, who retired from the Board last year after 15 years of service including five years as Chairman. On behalf of the Board, I express our appreciation to all of our milk producers for your commitment to excellence in dairy farming, your dedication to the highest Irish and international standards and the very high quality of milk that you send to us for processing into value-added products destined for global markets.

North Cork Creameries will continue to be a powerful engine for economic progress in the interests of the dairy farmers who we serve and the rural communities in which we are proud to operate, sustainably and vibrantly into the future. On the basis of the very strong platform that has been created for the continuing success of our business, we may look forward with optimism and confidence for the future.

Jerry Doody
Chairman

