Turners & Growers Ltd
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Half Year Result - 2014

Report of Directors

Profit after tax for the Turners & Growers Group is down on last year's result for the six months to June 2014.

Pipfruit

The Pipfruit division has improved its operating profit by 22% over last year. The 2014 New Zealand apple season had an improved start to the year with increased volumes into markets with favourable pricing in Asia compared to the prior year. In Europe and the UK the Group's flagship varieties, Jazz™ and Envy™, are selling at a premium and still gaining market share whereas commodity variety prices have come under pressure. The US market started strong across all varieties and exports into the Group's prime Asian markets - Thailand, Vietnam, Singapore and Hong Kong have increased. Additionally ENZA's global apple programme in the Northern Hemisphere has had a solid finish to the season.

The Group has directed most of its capital expenditure towards the Pipfruit category by upgrading packing facilities, expanding coolstore space and the pending strategic acquisition of Apollo Apples. Apollo Apples is a significant New Zealand based growing, packing and exporting company with over 500 hectares of fruit producing orchards, which will add 20% more export volume to the Pipfruit division.

International Produce

The International Produce division experienced a difficult first half of 2014. Supply shortages in most of the regions led to a 13% decrease in revenues. New Zealand sourced cherries, berries and stonefruit decreased markedly compared to 2013. Spring frosts in Chile resulted in heavily reduced volumes of stonefruit and grapes available for export. Additional volume reduction arose from a poor growing season for Australian stonefruit and a lower New Zealand kiwifruit crop from the Group's orchards in Kerikeri. Worldwide overproduction reduced export opportunities for Peruvian asparagus. Exports to the Pacific Islands were very competitive as favourable growing conditions in the islands resulted in reduced availability of import quotas compared to 2013.

Exports of berries, salads and stonefruit from the USA have increased remarkably as a result of favourable growing conditions and strong support from key growers.

New Zealand Produce

The New Zealand Produce division improved its operating profit by $0.7m, finishing close to break even for the first six months. The domestic growing operations, Status Produce - specialist for hothouse tomatoes and Turners & Growers Horticulture - the Group's citrus growing operation in Kerikeri, both managed to improve their profitability, whilst the wholesale markets performed steadily on the back of good trading in tropical fruit and root crop.

Due to another prolonged summer in New Zealand, tomato volumes in the market have been high. The increased supply had a negative effect on market prices which was offset by higher volumes sold, reduced energy costs and diversification into specialty tomatoes.

The improved result in the citrus category was mainly due to the recovery of lemon prices in New Zealand.

Processed Foods

The Processed Foods division has underperformed year to date. Fruit available for processing was at an all time low during the first half of the year due to the outstanding quality of the New Zealand apple crop which resulted in an exceptionally high percentage of fruit for export. Submitted volumes to the Group's apple processing plants dropped by 40% compared to prior year which is well below the volume needed to cover the fixed costs for running ENZAFoods' two plants.

Additionally the continued appreciation of the New Zealand Dollar against the Australian Dollar added pressure to the apple juice concentrate margin. The Australian arm of the division, ENZACor Pty Ltd (trading as Fruitmark), traded operationally slightly below last year's levels with the 2013 result also including a one-off gain of $1.6m for the sale of the Group's shares in Fruitmark Belgium.

Other

The Other businesses' half year result improved over 2013 and ended up close to break even for 2014. This segment comprises Turners & Growers' non-produce businesses and corporate overhead costs. Lower consultancy costs and the absence of one-off costs that had been incurred in 2013 resulted in less corporate overhead costs compared to last year.

Results for the Group's crate business were on par with the prior year. In a highly competitive market costs for the transport business increased, mainly in employment and road user charges, which could not be fully recovered despite higher revenues.

Other items of note

Turners & Growers has announced the pending acquisition of Apollo Apples and is still awaiting the approval of the Overseas Investment Office, therefore Apollo Apples is not part of the consolidated Group at half year.

In 2013 properties were sold which contributed $1.2m to other operating income for last year's half year result. There have been no significant property sales for the period ended June 2014.

Outlook

The Group's profitability has been adversely affected by a number of isolated one-off events. Trading for the remainder of the year is expected to be consistent with last year's performance.

K.J. Lutz
CHAIRMAN

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