FINANCIAL COMMENTARY 2015

T&G Global Ltd and its subsidiary companies ("T&G" or "the Group") are pleased to announce a profit after tax of $19.5 million for the year ended 31 December 2015.

During the year, the Group early adopted the amendments to the International Financial Reporting Standards for Agriculture (NZ IAS 41) and Property, Plant and Equipment (NZ IAS 16). These amendments have resulted in restatements of prior year comparatives and have changed certain balances in the income statement and balance sheet including operating profit and profit after income tax.

The commentary below refers to the restated 2014 balances as comparisons. Further details on the restatement are available in note 14 to the financial statements that are attached to this announcement.

Strong revenue and operating profit growth in 2015

Operating profit for the year is $30.2 million, an increase of 52% on last year. This profit improvement is mainly due to revenue growth exceeding the increase in operating expenses from strong performances of T&G's existing business units and new business additions.

T&G's revenues increased strongly in 2015, up by 12% or $85.7 million on last year. This was largely due to a full year of trading from Apollo Apples, which was acquired towards the end of 2014, and the consolidation of T&G Vizzarri Farms Pty Limited, a joint venture previously known as Delica Pty Limited, due to a change of control resulting from a new shareholders' agreement. Also contributing to increased revenue were the acquisitions of Great Lake Tomatoes Limited and Rianto Limited during the year. Together these new additions contributed $63.4 million of revenue to the Group with the majority of the remaining increase attributable to higher volumes and prices in the pipfruit business, an expansion of markets in the trading of table grapes, improved revenue and commission income domestically from other operations, further growth in imports into Australia, and diversified produce exports from New Zealand to Australasia.

The growth in operating profit was mainly attributable to the Pipfruit Division. The expanded hectares of T&G's own production combined with favourable market conditions translated into higher earnings on T&G owned orchards. Additionally EnzaFoods, T&G's apple juice concentrate and apple solids producer, improved its operation and contributed positively to the Group's operating profit by reducing its cost of sales substantially. The trading entities in New Zealand and offshore also kept their trading margins stable which, with increased trading volumes, resulted in significantly higher operating profit than 2014.

Operating costs(1) increased by 9% on last year, with depreciation and amortisation costs up approximately $4.0 million mainly due to prior year acquisition of Apollo Apples increasing the asset base. Employee costs increased by 30% principally from the newly acquired pipfruit and tomato businesses. These are fully integrated growing and packing businesses resulting in more labour intensive activities than the existing T&G operations. Aside from an inflationary adjustment, the higher employee costs were a result of an increase in market share for T&G's transport and hire crates businesses, further investments in China and North America, and restructure of some areas of the business to align with T&G's strategy.

Overall, excluding the business acquisitions, operating costs for the Group have been maintained at similar levels to last year.

Net profit after tax

The combination of an outstanding performance in the Pipfruit Division and substantial improvements in all other operating segments resulted in a net profit after tax of $19.5 million for 2015, up on 2014 by 83% or $8.8 million.

The increase in operating profit was partially offset by an increase in financing expenses. Additional finance costs arose as a consequence of the Group's growth strategy including recent acquisitions of pipfruit, tomato and asparagus businesses. In addition, T&G executed a comprehensive capital expenditure programme that focused on improving existing facilities to enhance competitiveness both domestically and globally.

Increased volumes and better pricing for pipfruit

The Pipfruit Division has benefited from increased volumes in its owned growing operations since the acquisition of Apollo Apples in late 2014. T&G's partner growers also experienced increased volumes of Jazz™, Envy™ and Pacific Rose™ apples in the Northern Hemisphere, with Washington State (USA) having a record crop in 2015. Consequently, higher royalty income has arisen from T&G's plant variety rights (PVRs) for domestic and export sales in North America. Despite large hail storms hitting all major growing regions earlier in the year, New Zealand volumes (excluding Apollo Apples) were maintained at similar levels to 2014.

The European market continued to be challenging due to the ongoing ban of European fruit exports into Russia resulting in an oversupply in continental Europe which led to low apple prices. Despite the downward pressure on apple prices, T&G's New Zealand grown Jazz™ apples have been sold at record prices, reaching the highest price since introduction to the European market. Furthermore, the continuing success of Jazz™ in the United Kingdom boosted sales by 25% compared to the same period last year.

Sales into Asia have progressed in 2015 with Envy™ being a clear favourite of the Asian markets. As a result Envy™ has generated record returns for our partner growers and T&G's owned orchards, and looks set to continue being the star performer for both T&G and partner growers.

These successes in the pipfruit operation have increased T&G's operating profit as well as contributed to the joint ventures and associates' success, with Group's share of their profit up by 58%, or $2.3 million on last year.

Trading divisions gaining momentum

2015 also proved to be a successful year for the International Produce Division mainly due to increased volumes and better margins resulting from improved global trading of table grapes and asparagus. Further export growth in the Pacific region, mainly Australia and Fiji also contributed favourably.

Substantial financial improvements were made in the New Zealand Produce Division from the strong trading of citrus, apples and root-crop categories while the service operations, transport and hire crates, performed above expectations. Covered crops encountered challenging production conditions in 2015, however the impact was lessened by a good start into the summer season at the beginning of 2015.

T&G's flower auction business also improved its operating results significantly due to steadily regaining market share that was lost in previous years.

Processed Foods Division

The Processed Foods Division has rebounded after a difficult year in 2014 that saw low volumes and low prices. Increased volumes coupled with vastly improved efficiencies in the processing plants have contributed to a substantially improved result for the division this year. The trading arm of the division, Fruitmark, successfully maintained market share in Australia and opened two new offices with one in New Zealand and one in Washington State (USA). The combined operating results from the new offices have exceeded expectations, with strong growth prospects for 2016.

Solid financial position

Total net assets for the Group as at 31 December 2015 have increased by $44 million when compared to the same period in 2014. The three main contributors to the increase are a $35 million gain on asset revaluations before tax, $20 million of asset additions and $15 million of intangible assets recognised as a result of the business acquisitions, and $8 million of net asset additions from continued operations.

These increases are offset mainly by an increase in borrowings of $39 million to fund the acquisitions. Share capital also increased by $5 million this year as a result of a dividend reinvestment plan.

A stronger net asset position has seen the net tangible asset per share(2) increasing from $2.27 per share to $2.47 per share. Earnings per share(3) also significantly improved from 8.4 cents per share in 2014 to 15.4 cents per share in 2015.

(1) Operating costs represents the sum of purchases, raw materials and consumables used, employee benefits expenses, depreciation and amortisation expenses and other expenses on the income statement.

(2) Net tangible asset per share is defined as total net assets less intangible assets divided by number of shares issued at balance date.

(3) Earnings per share is net profit attributable to equity holders of the issuer divided by the weighted average number of shares for the year.