

T&G GROUP

FINANCIAL SUMMARY



T&G Global is pleased to announce a profit after tax increase of 67% to \$32.4 million for the year ended 31 December 2016.

The 2016 financial year was another year of growth for T&G Global with improvements in both operating profit and profit after tax from the 2015 financial year. This result has been achieved through a combination of solid performances from most of T&G Global's divisions and the strategic sale of T&G Global's crate hireage business, the Fruit Case Company (FCC).

Revenue and operating profit growth in 2016

The 2016 financial year saw continued strong pricing for New Zealand apples and a full year of trading from the tomato companies acquired towards the end of 2015. T&G Global also experienced strong growth in table grapes and asparagus out of Australia and North America. New kiwifruit sales in Southeast Asia through a memorandum of understanding with Zespri, and uplifts in business in the New Zealand, Australian and Fijian domestic markets also contributed to the result.

These factors contributed to T&G Global experiencing an increase in revenue of \$59.0 million or 7%, a pleasing result given the strong revenue growth already experienced in 2015. The revenue gains were offset by approximately \$7.5 million of lost revenue due to the sale of FCC.

T&G Global saw a corresponding increase in purchases, raw materials and consumable costs of \$52.6 million or 9%, which offset some of the growth in revenue.

Total other operating costs increased by \$10.7 million or 5%. Depreciation and amortisation expenses increased by \$2.5 million due to a rise in T&G Global's asset base. This was a result of prior year business acquisitions and a higher depreciation base for the Group's properties caused by property revaluations carried out in the final quarter of 2015.

The Group continued to grow its presence globally with new trading offices in Thailand, Japan and Europe, and this growth contributed to an increase in employee costs. During 2016, employees of T&G Global saw inflationary adjustments in remuneration and received an incentive payment which recognised their contribution towards a good result in 2015. These factors contributed to employee costs increasing by \$10.2 million or 9% from 2015.

T&G Global's operating profit for the 2016 financial year of \$33.4 million is an increase of \$3.2 million or 10% from last year. This increase is due mainly to operational improvements made in the Pipfruit and New Zealand Produce divisions, although this was offset by weaker performances in the International and Processed Foods divisions

The improvements in T&G Global's main operating divisions combined with the one-off gain from the sale of FCC saw profit after income tax improve to \$32.4 million, a \$13.0 million or 67% increase from 2015.

Steady growth in Pipfruit division

Since 2014, T&G Global has been embarking on a programme to expand its growing operations and the 2016 financial year saw the first impacts from this programme, with increases in volume that will continue over time as young trees mature to

full production. The increases in volume of T&G Global's own-grown apples in 2016 more than compensated for the loss in volume of traded product due to adverse weather events in the Nelson region.

In the Northern Hemisphere, T&G Global's partner growers increased their harvested volumes of JAZZ™, Envy™, and Pacific Rose™ for domestic and export sales in North America and Europe, leading to higher royalty income in 2016 as T&G Global owns the plant variety rights (PVR) to these varieties.

Despite the continued pressure in the Continental European and United Kingdom markets from oversupply of apples, JAZZ™ has performed well in terms of volume and pricing, giving growers in these regions comfort to further invest in this variety. Envy™ has also started becoming more popular with new plantings in Italy and Spain which will support growth in this region as demand for Envy™ grows.

Sales into Asia have increased again in 2016 partly due to the newly established offices in Thailand and Japan, as well as further expansion through T&G Global's Chinese operation.

Overall, the division's operational result from last year has been driven by improved continuity of year-round supply and strong in-market pricing. Operating profit in the Pipfruit division increased to \$32.5 million during 2016 from \$32.0 million in the prior year. The average return to growers of T&G Global's apple varieties JAZZ™ and Envy™ improved this year to \$30.3 and \$49.0 per box respectively.

With Envy™ once again generating high returns, T&G Global's own orchards and its New Zealand partner growers achieved record earnings per hectare.

International Produce division held back by unexpected costs

2016 was a year of investment, success and growth for many parts of the International Produce division, with external revenue increasing by \$45.2 million from 2015. Increased volumes and margins in global trading of table grapes, asparagus and blueberries saw revenue from Australian and North American exports reach new highs.

Further growth in New Zealand exports into Asia and the Pacific Islands as well as the import businesses into Australia and Fiji also contributed to the increase in revenue.

The default of a major customer and additional set-up costs for newly established overseas offices tempered the successes in 2016, resulting in a reduction in operating profit of the division to \$2.2 million from \$4.8 million in 2015. Despite this, the International Produce division is well positioned to recover in 2017.

New Zealand Produce division business success

In 2014, the New Zealand Produce division reported an operating loss of \$0.1 million. Two years on, the division has returned an operating profit of \$8.9 million. This improvement is the result of a new customer centric model that has helped regain market share for the wholesale markets, improve results for imports of tropical fruit, and drive T&G Global's Covered Crops business to achieving record profits.

Other highlights in 2016 for New Zealand Produce included positive profit contributions from T&G Global's maturing berryfruit operations, and operational changes at the transport business leading to a return to positive contributions.

The turnaround in New Zealand Produce has been particularly pleasing and through its customer centric focus, commitment to operational improvements, and organic business growth, the division has returned to its traditional role as the backbone of T&G Global.

Challenges at Processed Foods division

Processed Foods had a challenging year in 2016 having to contend with lower prices, competitive markets in Australia, unfavourable NZD to AUD exchange rates, and other market and processing issues. Apples available for processing were also down on prior year resulting in the processing plants operating below capacity. These factors left the division in a loss-making situation in 2016.

Fruitmark also suffered from competitive price pressures in the Australian market resulting in reduced margins. On a more positive note, Fruitmark established an American office in 2015, which should make a positive contribution in 2017.

Solid financial position

Total net assets for T&G Global as at 31 December 2016 have increased by \$25.9 million from 31 December 2015 due mostly to a reduction in borrowings during the year. T&G Global's total borrowings decreased by \$20.9 million with repayments towards the term debt facility accounting for most of this decrease.

This was offset by a reduction in total assets, mostly through property, plant and equipment which decreased by \$7.4 million. This decrease was due to the sale of FCC and other asset disposals, as well as higher depreciation expenses. T&G Global's capital expenditure programme of \$34.0 million was fully funded from normal operations.

Share capital has increased by \$6.0 million in 2016 because of a dividend reinvestment plan that was concluded earlier in the year.

Due to a stronger net asset position, net tangible assets per share* increased from \$2.47 per share to \$2.62 per share. Earnings per share** also significantly improved from 15.4 cents per share in 2015 to 25.1 cents per share in 2016.

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

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

Authorised by:

Prof. Klaus Josef Lutz
Chairman

ENDS

For media information, please contact:

Jo Jalfon
Corporate Communications Manager
T&G Global Ltd
Tel: + 64 27 201 2645
Email: joanne.jalfon@tandg.global
Web: www.tandg.global