DIRECTORS' REPORT

Group

T&G Global Limited and its subsidiary companies (the Group) have recorded an unaudited profit after tax of $3.3 million for the six months ended 30 June 2018. Although this represents a $9.4 million decrease from $12.7 million compared to the first six months of 2017, the prior period result included an $8.2 million gain recognised from the first-time consolidation of Worldwide Fruit Limited into the Group, and a $1.7 million gain from selling the assets of the Group's Floramax business. The Group has also recorded a higher tax expense at June 2018 compared to the prior year as there have been more taxable profits generated in the first six-months of 2018.

At an operating profit level for the first six months of the year, the Group improved $3.0 million from $7.5 million to $10.5 million. Revenue for the first six months of 2018 also improved by $70.6 million from $511.2 million in 2017 to $581.7 million in 2018.

Pipfruit

The Pipfruit division benefited from an earlier harvest in 2018, resulting in fruit moving into the market quicker than in the first six months of 2017. The division was also able to take advantage of European apple shortages caused by frosts in 2017.

These gains were offset by a lack of export quality fruit impacting sales in North America. Combined with lower pricing driven by a smaller fruit size profile, revenue in the North American market decreased from last year.

Overall, the Pipfruit division recorded an increase in revenue of $60.1 million from $269.0 million in the first six months of 2017 to $329.1 million over the same period in 2018. Over the same period operating profit increased by $1.3 million to $13.1 million.

International Produce

The International Produce division also saw an increase in its revenue compared to the same period last year, improving by $13.3 million from $113.4 million to $126.7 million. This improvement was driven mainly by sales of produce exported from South America, particularly grapes, mangoes, and cherries.

Improvements were also seen in Australian export grapes and asparagus due to better weather conditions than in the prior year. There was also an increase in sales in Pacific Island markets due to stronger relationships being fostered with key retailers.

Overall the International Produce division recorded a $1.1 million increase in its operating profit, from $1.0 million in the first six months of 2017 to $2.1 million in 2018.

New Zealand Produce

Revenue of the New Zealand Produce division improved by $3.5 million from $108.4 million in 2017 to $111.9 million in 2018. Despite this revenue improvement, operating profit decreased by $4.6 million from last year when there were exceptionally high prices and margins.

Operating profit has been affected by unusually low prices experienced by the Covered Crop business unit early in 2018 and lower production volumes of high value sweet tomato varieties. This combined with the loss of a blueberry harvest because of rains experienced in Kerikeri have been the major drivers of the reduction in operating profit.

Processed Foods

From April 2018, the Processed Foods division comprises solely of the Group's Fruitmark businesses. The results of T&G Processed Foods Limited (formerly ENZAFOODS New Zealand Limited) are presented as discontinued operations for the six months to 30 June 2018 due to the sale of this business in April 2018. Prior year comparatives have been restated for this segment to ensure comparability to the current year.

Revenue from continuing operations in the Processed Foods division decreased by $5.3 million from a restated amount of $19.1 million in 2017 to $13.8 million in 2018, due mainly to the Australia Fruitmark business losing supply contracts, changes in manufacturers production, and a greater targeting of higher valued and margined products.

Other highlights

As the Group looks towards the future, one of its key strategies is to focus on growing the Group's core businesses. This strategy led to the Group's divestment of several non-core businesses and investments during the first six months of 2018, including ENZAFoods to Cedenco Foods New Zealand Limited and the Group's Kerikeri based kiwifruit orchards, post-harvest facilities, and business assets to Seeka Limited.

In March 2018, the Group declared a fully-imputed dividend of $0.06 per share which was fully paid in cash to shareholders in April.

For more information please contact:

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