

2010 Preliminary Announcement

TURNERS & GROWERS LIMITED AND SUBSIDIARY COMPANIES For the year ended 31 December 2010

Commentary:

For the year ended 31 December 2010 Turners & Growers announces a pre-tax profit of \$17.1m, \$3.4m up on 2009.

The full year profit after tax (before minorities) was \$6.3m compared to \$9.5m reported for 2009.

In May 2010, the Government announced a number of changes to the tax legislation in its budget. One of the changes was to remove the ability to depreciate buildings for tax purposes. Turners & Growers is a substantial property holder and the impact of the change has caused a one-off, non-cash accounting entry to tax expense and deferred tax of \$5.1m. Due to the one-off nature of the tax adjustments, the Directors consider profit before tax a more appropriate measure for 2010 compared to the prior year.

The 2010 Group result was also impacted by a large one-off \$3.4m valuation write-down of its investment in Inglis Horticulture. Adding this back to profit before tax to normalise the result, Turners & Growers is approximately \$6.8m up on last year.

Domestic markets, including imports, had a good year and contribution was up on 2009. Margins on some key product lines were strong, and the consolidation of parts of the supply base, in particular citrus, helped to regulate supply. Returns on imported produce were sound, helped by the strength of the New Zealand dollar.

Exporting from New Zealand continued to be a challenge due to the high New Zealand dollar against most major currencies. The largest export from the Group is apples, and this industry is going through a tough time with a number of growers struggling to break even. Turners & Growers' apple exporter, ENZA, also had a difficult year and contribution was down on 2009. The Australian market may open up to apples and this certainly has some upside for the industry, however 2011 looks to be another difficult year.

The Delica group of companies had another impressive year, with a result that was over 30% up on 2009. In its first full year, Delica North America traded extremely well and growth, particularly in the apple category, was outstanding. Delica New Zealand had another good year. It exports a significant amount of its produce to Australia, whose currency is also very high, so the New Zealand operation is somewhat sheltered from the high New Zealand dollar. Delica Australia fell below expectations, mainly due to extreme weather conditions in Australia that impacted some key export varieties.

ENZA Foods, the fruit concentrate, juice and fruit ingredient division had a poor year and was significantly down on 2009. The core product of ENZA Foods is apple juice concentrate (AJC), a commodity product that for most of 2010 was at very low prices due to over supply and lack of demand. Prices lifted dramatically in the last few months of 2010 as demand increased and stock levels reduced, and we are expecting a much better result in 2011. In an attempt to avoid the price fluctuations of commodity products such as AJC, the Board has approved the expansion of the Hawkes Bay factory to include a fruit ingredients plant, complementing the Nelson factory that is at full capacity. This will shift the product mix towards higher priced products avoiding the commodity trap.

Status Produce, the tomato production division, had a record year. Strong market prices, increased focus on exports and a change of management is having a positive impact on results. Management have concentrated on efficiency and cost savings during 2010 and this will continue throughout 2011.

The turnaround of Kerifresh, our citrus and kiwifruit grower packer, has been pleasing. It has been two years since the purchase of Kerifresh and this division is now profitable. We are currently planting our new kiwifruit and blueberries varieties on the orchards and the outlook for this long term investment is promising.

During the year the expansion of the Kerifresh facilities in Kerikeri was completed. This included a new coolstore, dry-store and administration building and this site is now fully self-sufficient with adequate accommodation for staff.

A Turners & Growers joint venture in Fiji was recently approved by the Directors. This operation will supply produce to supermarkets and a number of resorts, with a presence in both Suva and Nadi. Product will be supplied by Turners & Growers Pacific Island Export operation, and customers will be serviced by Turners & Growers representatives based in these locations. Cool-chain facilities have been secured, and it is planned to have the operation up and running by the second quarter of 2011.

Early signs are that most business units are trading well and the Board is confident that 2011 will produce improved results.

The Board has approved a Profit Distribution Plan similar to last year. The Distribution Plan allocates bonus shares to shareholders and the option to sell the bonus shares for cash through an off-market buy back facility. The distribution will be un-imputed and will be 6 cents per share with a record date of 18 April 2011 and an allotment date of 27 April 2011.

A.I (Tony) Gibbs
Chairman

