

23 January 2017

Honey Season and Profit Guidance to 30 June 2017

Comvita (NZX:CVT) announced today that the 2017 honey season is likely to be significantly impacted by prolonged and unfavourable weather conditions.

Comvita CEO Scott Coulter said, "Although we do not have full visibility on our 2017 honey crop until April/May, the honey season has progressed to a point where we have enough evidence to suggest we are likely to see a 60% shortfall in harvest expectations this season from our own apiary operations. The majority of the country has seen cold, wet and windy conditions over the optimal nectar flow period. There is still some time in certain areas of the country, subject to a sustained period of fine weather, to see some form of recovery. However it appears the whole industry is experiencing one of the most difficult honey production seasons for many years."

Profit Outlook

Comvita Chairman Neil Craig said, "Unfortunately these wet, cold, and particularly windy conditions have significantly impacted the production of this season's honey, which in turn has impacted our ability to deliver on our 2017 financial forecast. We indicated on 26 October 2016 that we expected our net profit after tax for the June 2017 financial year will be similar to our 2016 after-tax operating earnings of \$17.1m. We also indicated for the first four months of the year, we had experienced tough trading conditions, with sales significantly lower than the prior year resulting from a slowdown in the New Zealand and Australian informal trade channels into China. As a result of these two factors, we now anticipate that our 2017 after-tax operating earnings will be in the range of \$5-7m with the majority of the shortfall compared with last year resulting from the profit impact of the 2016/17 honey season."

"Putting the operating result into context, the budget for our own apiary business based on an average harvest year was for 974 tonnes and we now expect just 380 tonnes. The weather pattern has been so severe that our diversification of apiary hubs covering all regions of the North Island has been of limited mitigation this year."

Mr. Craig said, "As also indicated on 26 October 2016 we expected the first half result for the six months to 31 December 2016 to be a loss. We will announce our half year result on 21 February 2017, for which we are forecasting a reported after-tax loss of \$7-7.5m. This includes an unfavourable, non-operating, fair value adjustment on SeaDragon Limited (NZX:SEA) options held of \$2.8m for the six months ended 31 December 2016."

"As a result of the sale of the Medihoney brand to Derma Sciences, Inc. (Nasdaq: DSCI) and the related intellectual property and imminent sale of our shareholding in Derma, our full year net profit after tax earnings, including surplus from these transactions, is forecasted to be in the range of \$20-22m compared to previous guidance of \$17.1m (refer to details in announcement of 26 October 2016)."

Business Outlook

Mr Coulter said, "Although it's very disappointing to be forecasting such a result, we have also been conscious of the possibility of this type of weather event happening at some point in our business life and what we could do to mitigate its effect. Over the last 18 months the company has been actively acquiring Manuka honey inventory from third party suppliers so the business is well positioned to fully meet consumer demand from existing inventory for at least the next 12 months."

We are seeing strong sales in all our markets, including the Australian domestic market, however the exception is still the Australasian informal trade channel into China. Although this has improved over the past two months, revenue from this channel is expected to remain lower than historical levels in the short to medium term. We have also been focussed on adjusting our underlying operating cost base which enables us to maintain confidence to deliver on our longer term objectives.”

“We believe it is important for our shareholders to consider, that assuming a return to normal weather patterns next year, the operating profit impact of this very poor honey harvest will be isolated to this current financial year.”

“The very poor honey production this season reinforces the importance of being successful in our diversification and value add strategies, i.e. value add to raw bulk Manuka honey, fresh Olive Leaf Extract and other ingredient platforms, and moving the brand to Omega-3 fish oils and other unique New Zealand ingredients. This is an active, ongoing process, about which we expect to release more details over the next few months.”

On 21 February 2017 Comvita will release its unaudited results for the six months ended 31 December 2016. Chairman Neil Craig and CEO Scott Coulter will host a conference call for investors to discuss these results. Details of conference call numbers will be released closer to the time.

Ends.

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Background information

About Comvita (www.comvita.co.nz)

Comvita (NZX:CVT) is a global natural health company committed to the development of innovative products, backed by ongoing investment in scientific research.