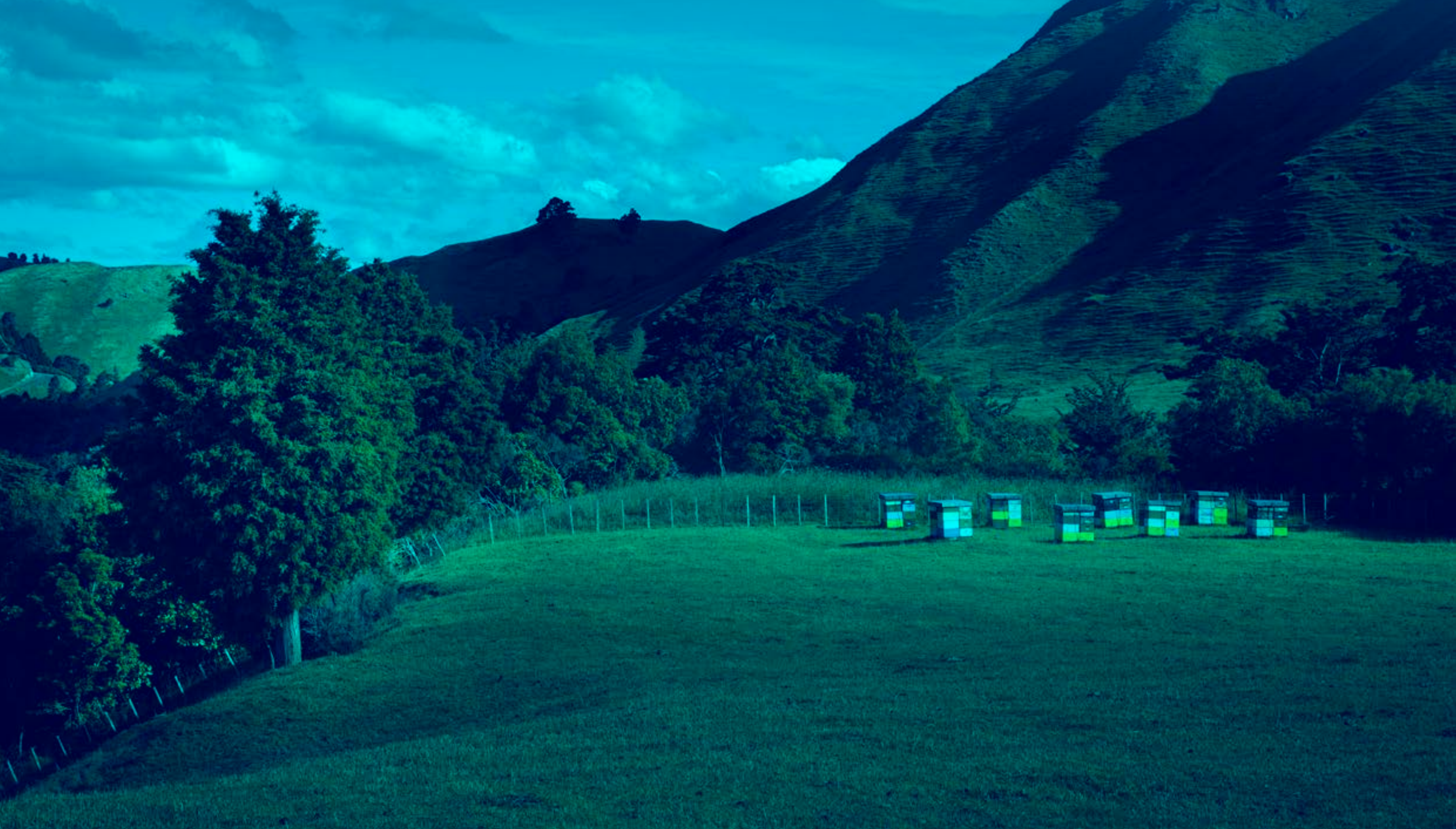
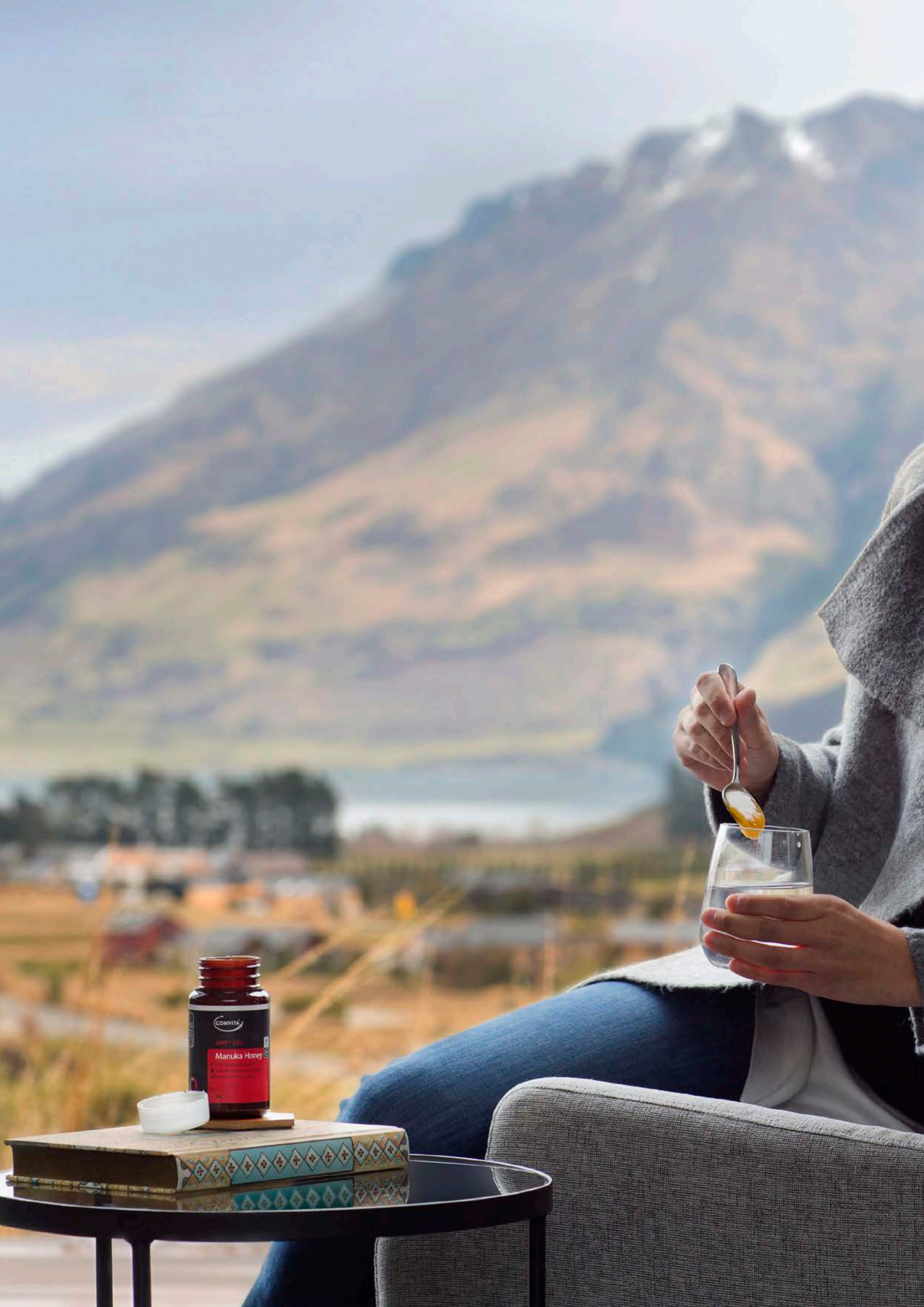
COMVITA LIMITED AND GROUP

CONDENSED INTERIM FINANCIAL STATEMENTS

For the 6 months ended 31 December 2016




COMVITA
Manuka Honey

CONTENTS

2 FROM THE CHAIRMAN AND CHIEF EXECUTIVE

4 DIRECTORS' DECLARATION

5 CONDENSED INTERIM INCOME STATEMENT

6 CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

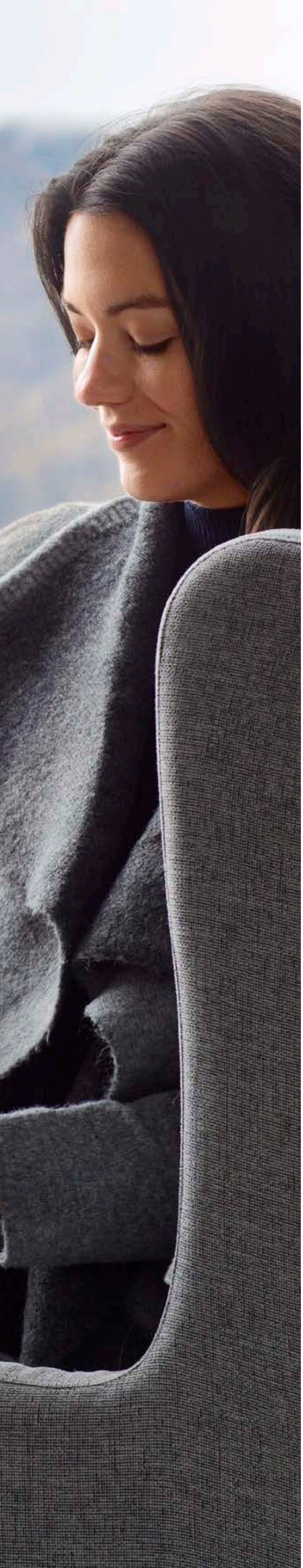
7 CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

8 CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

9 CONDENSED INTERIM STATEMENT OF CASH FLOWS

10 NOTES TO THE INTERIM FINANCIAL STATEMENTS

20 COMPANY DIRECTORY



FROM THE CHAIRMAN AND CHIEF EXECUTIVE

For the six month period ending 31 December 2016, Comvita (NZX:CVT) recorded a net loss after tax of $7.1m on sales of $57.7m. This result is in line with earlier guidance, and compares with a reported net profit after tax (NPAT) of $3.0m on sales of $91.1m for the six month period to 30 September 2015. The interim results for both periods are unaudited.

At an operating level, adjusting for changes in fair value of derivatives, the net loss after tax was $4.4m. The difference between the reported NPAT and the operating NPAT is the revaluation of Comvita's options in SeaDragon (NZX:SEA) down by $2.8m.

Comvita Chairman Neil Craig says, "As we signalled in our market update of 23 January, informal channel sales to China through Asian resellers in Australia and New Zealand are down on expectations and the 2016 comparative period. The poor interim result is almost entirely a result of the drop in sales in these two markets. While this result is very disappointing, we are very pleased with the mitigating actions taken by the management team, including cost reduction initiatives, with a focus on productivity and ongoing innovation and product development. The changes made to the business this year will set us up well for further growth in earnings beyond the excellent 2016 result when the sales environment improves. The board believes the company is still well placed to meet its long term strategic objectives."

Dividend

"On 23 January 2017, we advised that we anticipated our 2017 after tax operating earnings would be in the range of $5-7m. In keeping with our current dividend payment policy of 40-45% of annual after tax operating profits, we will pay a fully imputed interim dividend of two cents per share on 21 March 2017 for those shares registered 14 March 2017."

Derma Sciences, Inc. Post Half Year Event

Mr. Craig said, "We believe the Derma Science (Nasdaq:DSCI) transaction is an exceptional one for our shareholders. We sold the Medihoney brand for NZ $19m, however we have retained the worldwide rights to use the brand in over the counter (OTC) channels. We have also entered into a new manufacturing agreement that enables us to lower our costs for products in our range that require Medical Device certifications, and develop a Medihoney branded Manuka honey band-aid. The agreement also provides for Comvita to supply bulk, medical grade Manuka honey on a commercial basis over the long term.

US company Integra Life Sciences (Nasdaq:IART) has made an offer to buy Derma Sciences at US$7 per share which values our stake at approximately NZ$11m. The total value of the Medihoney sale and the share sale is approximately NZ$30m immediately, with the prospect of a further US$5m over several years, provided certain Medihoney sales targets are met by Integra."

"With the share placement made to China Resources on 26 October 2016 of $21m and the recent Derma Sciences transaction, Comvita has a strong balance sheet. As communicated already, these funds will be applied to debt reduction and then for funding strategic initiatives and potential acquisitions currently under consideration."

CEO Commentary

Comvita CEO Scott Coulter said, "The business operating conditions in our two biggest markets (Australia and New Zealand) have been extremely tough over the first six months and account for most of the shortfall in revenue for the period. We are working through a painful period of channel rebalancing from informal to more formal paths to China. This adjustment period may continue for a few more months and the informal channel business in Australasia remains the largest risk to our short term projections. Longer term Comvita is well positioned to cement our competitive advantage through the strategic partnerships we have set up at both the supply end of its business and inside China itself."

Our China Joint Venture is on track and expected to start from 1 July 2017. This will improve both our profitability from China based sales and our visibility into this market. Our strategic partnership with China Resources is progressing well and we believe this relationship will enable our brand to expand more broadly into Chinese based distribution of high quality, premium, healthy food products outside our traditional bee-products base.

As we informed the market on 23 January 2017, the honey season is likely to be significantly impacted by prolonged and unfavourable weather conditions. This was an exceptionally poor honey harvest across the country. Harvest risk is recognised as a characteristic of beekeeping and this is going to happen from time to time, although the extent this event impacted most of our Apiaries and subsequently our profitability in the second half ending 30 June, was highly unusual.

We will not have full visibility on our 2017 honey harvest until April/May 2017. As the honey season progresses down the country from North to South, some hives are still in the field collecting honey, which means estimating the harvest is extremely difficult. Since our last announcement, the honey season has progressed another month with little improvement in the weather conditions. As we have mentioned previously, assuming a return to normal weather patterns next year, the operating profit impact of this poor honey harvest will be isolated to this current financial year.

Management have used the opportunity over the past six months to significantly improve our underlying operating business. The company has reduced its operating cost base by $6.5m in the first half, and we expect full year savings of $10m compared to the prior year. At the same time we have developed new capability in innovation, as we build towards achieving our strategic goals of value additions to our existing honey business and diversification of the product range. We now have a dedicated innovation team within the business with a cross functional skill base including food formulating, topical products formulation, regulatory affairs, patent management, marketing and project management expertise.

The Derma Sciences transaction enabled us to reduce debt substantially, from $82m at 31 December 2016 to

$53m by 31 March 2017, an amount significantly lower than our total inventory position at $97m.

Innovation

It is important to note while we are vigorously pursuing a diversification strategy, we are not placing any less emphasis on our core bee products business, and in particular Manuka honey. Our inventory is in a very strong position and we are opening new channels and markets for Manuka honey, as well as launching a number of new, value-added initiatives with products containing Manuka Honey. We have launched a Manuka honey beverage range, a range of sugar free lozenges containing Manuka honey and will shortly launch therapeutic versions of pure Manuka honey lozenges.

From Derma Sciences we expect to launch a range of Manuka honey wound dressing products by mid-2017. The sale of the Medihoney brand to Derma Sciences still allows Comvita to have exclusive world-wide use of the Medihoney brand in the OTC market. The Medihoney therapeutic skincare range, targeted at customers who have skin prone to Eczema, is growing strongly in Australian pharmacy channels, our largest Medihoney market at 37% on a moving annual total (MAT) basis.

Fresh Olive Leaf Extract (OLE) continues to go from strength to strength in Australia, our largest OLE market, and we have grown OLE sales in this market by 24% on an MAT basis, driven by new innovation in high strength capsules. Our focus over the next few months will be driving OLE sales and innovation in markets outside Australia.

Markets

Japan is now one of our faster growing markets with sales increasing by 20% for the six months ended

31 December 2016. Sales to our distributor in China have impacted our Asian sales, hence the reported drop in sales over this period from $30m to $20m. This change in sales is due to timing of shipments and seasonal differences in the reporting periods. While sales have decreased over this period to Asia, the profit contribution made on these sales is virtually the same. This indicates a lift in profitability in our Asian business.

Our sales data demonstrates Comvita's underlying growth in China continues. Over the last quarter of 2016, an important period for seasonal reasons, as this period includes the onset of winter as well as covering a number of important sales events like singles day, our China distributor sales grew at 15% compared with the same quarter in 2015. There have been a number of marketing initiatives, including live steaming from our Paengaroa Head Office to 300,000 consumers on T-Mall, which will position our brand well for future growth. It is also important to note that while our online business inside China continues to grow, we have a good base of offline retail locations to provide consumers with the ability to connect and engage directly with our brand.

Sales in the UK are up by 10.5% on a similar currency basis over the prior six month period. We have several new listings in pharmacy with Boots and with Holland & Barrett, the UK's largest health food chain, which will help us drive second half growth. The USA is growing strongly, particularly with e-commerce sales, and we expect to move into a profitable position in this market within the next 12 months. We expect the UK, Korea and Japan to all grow this year on a same currency basis, although the Brexit impact on the UK currency will have a dampening effect in NZ dollar terms.

Overall, we expect our second half year sales to be up significantly on our first half year due to continued growth in the non-Chinese markets, improvement in Australasian sales, the effect of new sales initiatives in new and existing markets and an increasing contribution to sales from our innovation pipeline.

Neil Craig	Scott Coulter
20 February 2017	20 February 2017

DIRECTORS' DECLARATION

In the opinion of the directors of Comvita Limited, the financial statements and the notes, on pages 5 to 19:

- comply with New Zealand generally accepted accounting practice and fairly state the financial position of the Group as at 31 December 2016 and the results of their operations and cash flows for the period ended on that date
- have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013.

The directors consider that they have taken adequate steps to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The directors are pleased to present the financial report, incorporating the condensed interim financial statements of Comvita Limited for the period ended 31 December 2016.

For and on behalf of the Board of Directors:

Neil Craig	Luke Bunt
20 February 2017	20 February 2017

Condensed interim INCOME STATEMENT

For the 6 months ended *In thousands of New Zealand dollars*	Note	31 December 2016 Unaudited	30 September 2015 Unaudited
Revenue		57,730	91,066
Cost of sales		(32,114)	(49,498)
Gross profit		25,616	41,568
Other income		210	126
Selling and marketing expenses		(16,818)	(20,776)
Distribution expenses		(2,733)	(3,986)
Research and development expenses		(1,689)	(1,414)
Administrative expenses		(8,217)	(9,689)
Operating profit before financing costs		(3,631)	5,829
Finance income	5	621	1,070
Net change in fair value of derivatives - SeaDragon options		(2,750)	-
Finance expenses	5	(2,386)	(1,606)
Net finance cost		(4,515)	(536)
Share of loss of equity accounted associates	8a	(352)	(178)
(Loss)/profit before income tax		(8,498)	5,115
Income tax benefit/(expense)	6	1,389	(2,075)
(Loss)/profit for the period		**(7,109)**	**3,040**
Attributable to:			
Equity holders of the Company		(7,109)	3,183
Non-controlling interest		-	(143)
Earnings per share:			
Basic earnings per share (NZ cents)	7	(17.18)	7.69
Diluted earnings per share (NZ cents)	7	(17.18)	7.41

The notes on pages 10 to 19 are an integral part of these financial statements

Condensed interim statement of COMPREHENSIVE INCOME

For the 6 months ended 31 December 2016 *In thousands of New Zealand dollars*	**31 December 2016** **Unaudited**	**30 September 2015** **Unaudited**
(Loss)/Profit for the period	**(7,109)**	**3,040**
Items that are or may be reclassified subsequently to the income statement		
Foreign currency translation differences for foreign operations	(969)	5,786
Effective portion of changes in fair value of cash flow hedges	1,024	(2,610)
Net change in fair value of available-for-sale financial assets	2,130	(4,254)
Foreign investor tax credits received	12	70
Income tax on income and expense recognised directly in other comprehensive income	(105)	(710)
Income and expense recognised directly in other comprehensive income	**2,092**	**(1,718)**
Total comprehensive income for the period	**(5,017)**	**1,322**
Attributable to:		
Equity holders of the Company	(5,017)	1,465
Non-controlling interest	-	(143)

The notes on pages 10 to 19 are an integral part of these financial statements

Condensed interim statement of CHANGES IN EQUITY

For the 6 months ended 31 December 2016

Unaudited

In thousands of New Zealand dollars	Share capital	Foreign currency translation reserve	Hedging reserve	Fair value reserve	Retained earnings	Total	Non-controlling interest	Total
Balance at 1 April 2015	94,778	(4,617)	(1,394)	3,515	26,887	119,169	(490)	118,679
Total comprehensive income for the period								
Profit after tax for the period	-	-	-	-	3,183	3,183	(143)	3,040
Other comprehensive income (net of tax):								
Foreign investor tax credits received	-	-	-	-	70	70	-	70
Foreign currency translation differences for foreign operations	-	4,166	-	-	-	4,166	-	4,166
Effective portion of changes in fair value of cash flow hedges	-	-	(1,879)	-	-	(1,879)	-	(1,879)
Net change in fair value of available-for-sale financial assets	-	-	-	(4,075)	-	(4,075)	-	(4,075)
Total other comprehensive income for the period	-	4,166	(1,879)	(4,075)	70	(1,718)	-	(1,718)
Total comprehensive income for the period	-	4,166	(1,879)	(4,075)	3,253	1,465	(143)	1,322
Transactions with owners, recorded directly in equity								
Share based payments	-	-	-	-	146	146	-	146
Purchase of treasury stock	(936)	-	-	-	-	(936)	-	(936)
Issue of ordinary shares:								
- executive share scheme	355	-	-	-	-	355	-	355
- staff share scheme	63	-	-	-	-	63	-	63
Issue expenses related to treasury stock	(35)	-	-	-	-	(35)	-	(35)
Dividend paid					(3,673)	(3,673)	-	(3,673)
Total transactions with owners	(553)	-	-	-	(3,527)	(4,080)	-	(4,080)
Balance at 30 September 2015	**94,225**	**(451)**	**(3,273)**	**(560)**	**26,613**	**116,554**	**(633)**	**115,922**
Balance at 1 July 2016	97,181	(3,566)	(1,435)	-	39,659	131,839	-	131,839
Total comprehensive income for the period								
Loss after tax for the period	-	-	-	-	(7,109)	(7,109)	-	(7,109)
Other comprehensive income (net of tax):								
Foreign investor tax credits received	-	-	-	-	12	12	-	12
Foreign currency translation differences for foreign operations	-	(698)	-	-	-	(698)	-	(698)
Effective portion of changes in fair value of cash flow hedges	-	-	737	-	-	737	-	737
Net change in fair value of available-for-sale financial assets	-	-	-	2,041		2,041	-	2,041
Total other comprehensive income for the period	-	(698)	737	2,041	12	2,092	-	2,092
Total comprehensive income for the period	-	(698)	737	2,041	(7,097)	(5,017)	-	(5,017)
Transactions with owners, recorded directly in equity								
Share based payment	-	-	-	-	190	190	-	190
Issue of treasury stock (note 16b)	613	-	-	-	1,332	1,945	-	1,945
Issue of ordinary shares:								
- executive share scheme	1,729	-	-	-	-	1,729	-	1,729
- staff share scheme	7	-	-	-	-	7	-	7
- private placement (note 16a)	21,200	-	-	-	-	21,200	-	21,200
Issue expenses related to issuing shares	(31)	-	-	-	-	(31)	-	(31)
Dividend paid (note 17)	-	-	-	-	(829)	(829)	-	(829)
Total transactions with owners	23,518	-	-	-	693	24,211	-	24,211
Balance at 31 December 2016	**120,699**	**(4,264)**	**(698)**	**2,041**	**33,255**	**151,033**	**-**	**151,033**

The notes on pages 10 to 19 are an integral part of these financial statements

Condensed interim statement of FINANCIAL POSITION

Financial Position

As at 31 December 2016

In thousands of New Zealand dollars

	Note	31 December 2016 Unaudited	30 September 2015 Unaudited	30 June 2016 Audited
Assets				
Property, plant and equipment		47,296	45,172	47,895
Biological assets		3,809	4,855	3,844
Intangible assets and goodwill		40,600	44,728	41,629
Investments	8	19,628	9,027	12,629
Deferred tax asset		1,063	1,725	1,361
Total non-current assets		**112,396**	**105,507**	**107,358**
Inventory	10	97,228	67,214	95,299
Trade receivables		21,969	28,173	18,792
Sundry receivables		16,921	5,998	12,015
Tax receivable		3,717	929	76
Derivatives	9	3,602	-	6,948
Cash and cash equivalents	11	4,265	7,549	2,780
Total current assets		**147,702**	**109,863**	**135,910**
Total assets		**260,098**	**215,370**	**243,268**
Equity				
Issued capital	16	120,699	94,225	97,181
Retained earnings		33,255	26,613	39,659
Reserves		(2,921)	(4,283)	(5,001)
Non-controlling interest		-	(633)	-
Total equity		**151,033**	**115,922**	**131,839**
Liabilities				
Loans and borrowings	11	86,650	65,283	86,800
Deferred revenue		-	3,603	2,810
Deferred tax liabilities		23	-	-
Employee benefits		387	436	354
Total non-current liabilities		**87,060**	**69,322**	**89,964**
Trade and other payables		12,368	16,145	11,525
Employee benefits		3,440	4,137	2,749
Deferred revenue		3,338	1,057	1,057
Tax payable		191	2,226	2,096
Loans and borrowings	11	-	2,030	-
Derivatives	9	2,668	4,531	4,038
Total current liabilities		**22,005**	**30,126**	**21,465**
Total liabilities		**109,065**	**99,448**	**111,429**
Total equity and liabilities		**260,098**	**215,370**	**243,268**

The notes on pages 10 to 19 are an integral part of these financial statements

Condensed interim statement of CASH FLOWS

For the 6 months ended 31 December 2016 *In thousands of New Zealand dollars*	Note	31 December 2016 Unaudited	30 September 2015 Unaudited
Receipts from customers		53,284	87,100
Payments to suppliers and employees		(57,609)	(110,011)
Interest received		171	29
Interest paid		(2,330)	(1,608)
Taxation paid		(3,693)	(2,888)
Net cash flows from operating activities	12	**(10,177)**	**(27,378)**
Payment for investment in equity accounted investee		(2,507)	-
Payment for loans to equity accounted investee		(5,674)	-
Payment for the acquisition of property, plant and equipment		(1,992)	(2,817)
Receipt from disposal of property, plant and equipment		239	-
Receipt of profit from equity accounted investee		142	889
Payment for the acquisition of intangibles		(396)	(773)
Net cash flows from investing activities		**(10,188)**	**(2,701)**
Proceeds from the issue of shares		22,936	420
Payment for share capital		-	(937)
Payment for share capital issue expenses		(31)	(35)
Payment of dividend		(829)	(3,673)
Proceeds from loans and borrowings		-	22,500
Repayment of loans and borrowings		(150)	(700)
Net cash flows from financing activities		**21,926**	**17,575**
Net (decrease)/increase in cash and cash equivalents		**1,561**	**(12,504)**
Cash and cash equivalents at the beginning of the period		2,780	19,420
Effect of exchange rate fluctuations on cash held		(76)	633
Cash and cash equivalents at the end of the period		**4,265**	**7,549**
Represented as:			
Cash and cash equivalents	11	4,265	7,549
Bank overdraft		-	-
Total		**4,265**	**7,549**

The notes on pages 10 to 19 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Comvita Limited (the "Company") is a company domiciled in New Zealand, and registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange ("NZX"). The Company is an issuer in terms of the Financial Reporting Act 2013 and Financial Markets Conduct Act 2013.

The condensed interim financial statements of the Group for the six months ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in equity accounted investees.

The balance date was changed from 31 March to 30 June in the prior year to align reporting periods with trading activities. As result, the date of the condensed interim financial statements has changed from 30 September to 31 December.

The principal activity of the Group is that of manufacturing and marketing quality natural health products and apiary ownership and management.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Company is a FMC reporting entity for the purposes of the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013. These Financial Statements comply with these Acts and have been prepared in accordance with the New Zealand Equivalents to International Financial Reporting Standards as appropriate for profit-oriented entities.

The condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the group financial statements as at and for the 15 months ended 30 June 2016.

The condensed interim financial statements were approved by the Board of Directors on 20 February 2017.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for derivative financial instruments, financial instruments classified as available-for-sale and biological assets which are measured at fair value. Fair values have been determined for measurement and/or disclosure purposes on the same basis as those applied by the Group in the financial statements as at and for the 15 months ended 30 June 2016.

(c) Functional and presentation currency

These financial statements are presented in New Zealand dollars ($), which is the Company's functional currency. Amounts have been rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of condensed interim financial statements in accordance with NZ IAS 34 Interim Financial Reporting requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Groups accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the 15 months ended 30 June 2016.

The accounting policies have been applied consistently throughout the Group for the purposes of these condensed interim financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed interim financial statements are the same as those applied in the Group's financial statements as at and for the 15 months ended 30 June 2016.

4. SEGMENT REPORTING

Segment information is presented in the condensed interim financial statements in respect of the Group's contribution segments which are the primary basis of decision making. The contribution segment reporting format reflects the Group's management and internal reporting structure.

Performance is measured based on contribution which is a measure of profitability that the segment contributes to the Group. Contribution is used to measure performance as management believes that such information is most relevant in evaluating the results of certain segments. Inter-segment pricing is determined on an arms-length basis.

Each segment sells Comvita's range of products, except for the medical segment, see below. Comvita's range of products primarily include products with apiary and other natural ingredients.

Apiary operations are an integral part of our total business and are represented over all segments.

The Company is organised primarily by geographic location of its subsidiaries, such as New Zealand, Australia, Asia & Europe, except for the Medical segment, though this is primarily earned from Derma Sciences, Inc., which is an American based company.

NOTES TO THE FINANCIAL STATEMENTS

4. SEGMENT REPORTING (continued)

The Group has five reportable segments as described below:

New Zealand
This segment captures both revenue and related costs for the New Zealand market, excluding exports.

Australia
This segment captures both revenue and related costs for the Australian domestic market and includes non-intercompany revenue and costs from Comvita Australia Pty Limited. This segment excludes all ethical medical based revenue and costs as these are shown in their own segment.

Asia
This segment captures both revenue and related costs of our Asian operations and customers. The Asian segment includes Hong Kong, Taiwan, Japan, China, Korea and Singapore.

Europe
This segment captures both revenue and related costs for the United Kingdom and European markets. This segment excludes all ethical medical based revenue and costs as these are shown in their own segment.

Medical
This segment is based over multiple geographical regions capturing both revenue and related costs for medical Manuka Honey based products. The main contributors to this segment are bulk medical honey sales, deferred revenue and royalty payments received from Derma Sciences, Inc.

Contribution segments
For the 6 months ended 31 December 2016 and 30 September 2015

In thousands of New Zealand dollars	New Zealand		Australia		Asia		Europe		Medical		Total reportable segments		Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Sales	12,409	19,698	12,421	28,719	19,976	30,295	3,658	4,278	3,413	4,679	51,877	87,669	5,853	3,397	57,730	91,066
Contribution	4,906	8,920	1,086	11,299	3,010	3,246	68	125	1,342	2,184	10,412	25,774	201	(283)	10,613	25,491
Non attributable (other corporate expenses)															(18,759)	(20,198)
Share of loss of equity accounted investees (note 8a)															(352)	(178)
Net (loss)/profit before tax															(8,498)	5,115

Total assets
As at

In thousands of New Zealand dollars	31 December 2016 Unaudited	30 September 2015 Unaudited	30 June 2016 Audited
Total non-current assets for reportable segments	86,642	77,895	85,657
Other investments	8,228	8,160	6,098
Investment in equity accounted investees	11,400	867	6,531
Other unallocated assets	154,028	128,448	144,982
Consolidated total assets	260,098	215,370	243,268

NOTES TO THE FINANCIAL STATEMENTS

5. FINANCE INCOME AND EXPENSES

In thousands of New Zealand dollars	31 December 2016 Unaudited	30 September 2015 Unaudited
Interest income on bank deposits	171	27
Foreign exchange gain	431	1,043
Other	19	-
Finance income	**621**	**1,070**
Interest expense on financial liabilities measured at amortised cost	(2,338)	(1,606)
Other	(48)	-
Finance expenses	**(2,386)**	**(1,606)**

6. INCOME TAX EXPENSE

The current period income tax expense is impacted by a number of factors. The $2.8m fair value movement of SeaDragon options is not deductible for tax purposes, this has had the most significant impact on the effective tax rate in the current period. Excluding SeaDragon options movement, the effective tax rate is 24%.

7. EARNINGS PER SHARE

Basic earnings per share – weighted average number of ordinary shares

In thousands of shares	31 December 2016 Unaudited	30 September 2015 Unaudited
Issued ordinary shares at beginning of year	39,581	39,431
Effect of shares issued during the period	1,791	91
Weighted average number of ordinary shares at the end of the period	41,372	39,522
Basic earnings per share (NZ cents)	**(17.18)**	**7.69**

Diluted earnings per share – *weighted average number of ordinary shares*

In thousands of shares	31 December 2016 Unaudited	30 September 2015 Unaudited
Weighted average number of ordinary shares (basic)	41,372	39,522
Effect of stock entitlements issued	1,181	1,497
Weighted average number of diluted shares at the end of the period	42,553	41,019
Diluted earnings per share (NZ cents)	**(17.18)**	**7.41**

The effect of stock entitlements is Nil where the exercise price is higher than the average share price for the year, in accordance with NZ IAS 33 *Earnings per share*. When there is a net loss the diluted earnings per share cannot be less than the basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENTS

In thousands of New Zealand dollars	31 December 2016 Unaudited	30 September 2015 Unaudited	30 June 2016 Audited
Investment in equity accounted investees	11,400	867	6,531
Available-for-sale financial assets	8,220	8,152	6,090
Investment in unlisted shares	8	8	8
Total investments	**19,628**	**9,027**	**12,629**

a) Investment in equity accounted investees

In thousands of New Zealand dollars	SeaDragon	Kaimanawa	Putake	Other	Total
Carrying value at 1 July 2016	**5,343**	**1,083**	**-**	**105**	**6,531**
Acquisition	-	-	5,160	203	5,363
Prior year profit distributed this year	-	(142)	-	-	(142)
Share of (loss)/profit	(302)	19	(69)	-	(352)
Carrying value at 31 December 2016	**5,041**	**960**	**5,091**	**308**	**11,400**

b) Available-for-sale financial assets
Investment held in Derma Sciences, Inc.

	31 December 2016 Unaudited	30 September 2015 Unaudited	30 June 2016 Audited
Number of shares held	1,098,213	1,098,213	1,098,213
Value of shares held	$8,220,000	$8,152,000	$6,090,000

The Group determines fair value through Derma's share price on the Nasdaq, multiplied by the number of shares, converted into New Zealand dollar. The value of the shares has increased primarily due to an increase in Derma share price in the previous six months.

9. DERIVATIVES

The table below analyses financial instruments carried at fair value, by valuation method. These are all level 2 on the fair value hierarchy, inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). There have been no transfers between levels in either direction during the period.

In thousands of New Zealand dollars	31 December 2016 Unaudited	30 September 2015 Unaudited	30 June 2016 Audited
Derivatives – SeaDragon options	1,875	-	4,625
Derivatives – assets (hedged)	1,727	-	2,323
Total assets	**3,602**	**-**	**6,948**
Derivatives – liabilities (hedged)	(2,668)	(4,531)	(4,038)
Total liabilities	**934**	**(4,531)**	**(4,038)**

Fair Values

The fair value of all financial assets and liabilities is the same as the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

10. INVENTORY

In thousands of New Zealand dollars	31 December 2016 Unaudited	30 September 2015 Unaudited	30 June 2016 Audited
Raw materials	63,124	41,991	64,509
Work in progress	1,618	853	2,405
Finished goods	33,361	25,655	29,362
Provision	(875)	(1,285)	(977)
Total inventory	**97,228**	**67,214**	**95,299**

11. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings issued and repaid during the periods presented.

In thousands of New Zealand dollars	31 December 2016 Unaudited	30 September 2015 Unaudited
Balance at beginning of period	86,800	45,513
Repayment of term loans and borrowings	(150)	(700)
Drawdown from long term borrowings	-	22,500
Balance at end of period	**86,650**	**67,313**
Represented as:		
Current loans and borrowings	-	2,030
Non-current loans and borrowings	86,650	65,283
Total loans and borrowings	**86,650**	**67,313**
Less: cash and cash equivalents	(4,265)	(7,549)
Total net debt	**82,385**	**59,764**

The Group was in compliance with banking covenants during the period and as at 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

12. RECONCILIATION OF THE (LOSS) / PROFIT FOR THE PERIOD WITH THE NET CASH FROM OPERATING ACTIVITIES

For the 6 months ended *In thousands of New Zealand dollars*	**31 December 2016 Unaudited**	**30 September 2015 Unaudited**
(Loss)/Profit for the period	(7,109)	3,040
Adjustments for:		
Depreciation	2,352	2,355
Amortisation	1,162	1,121
Gain on disposal of property, plant and equipment	(89)	-
Share based payments	190	146
Release of deferred revenue	(529)	(529)
Share of loss in equity accounted investees	352	178
(Loss)/Profit adjusted for non-cash items	(3,671)	6,311
Change in working capital items from foreign currency translation reserve	(255)	(56)
Foreign investor tax credits	12	70
Change in inventories	(1,929)	(22,695)
Change in trade receivables	(3,177)	(3,176)
Change in sundry debtors and prepayments	630	(2,100)
Change in trade and other payables	843	(6,074)
Change in employee benefits	724	(1,067)
Change in derivatives	1,976	(2,355)
Movement of deferred tax in equity	(105)	864
Change in tax payable	(5,546)	2,576
Change in deferred tax	(321)	324
Net cash from operating activities	**(10,177)**	**(27,378)**

NOTES TO THE FINANCIAL STATEMENTS

13. RELATED PARTIES

Transactions with key management personnel

Key management compensation comprised:

In thousands of New Zealand dollars

	31 December 2016 Unaudited	30 September 2015 Unaudited
Short term employee benefits	1,112	1,050
Shared based payments	98	79
Total	**1,210**	**1,129**

Other transactions with key management personnel

Directors and other key management personnel of the Company control 9.91% (30 June 2016: 9.98%, 30 September 2015: 20.3%) of the voting shares of the Company.

Other related party transactions

Transactions and balances with related parties comprised:

Derma Sciences, Inc. (Derma)

The Group sells goods, receives royalty income and director fees from Derma – these amounts total $3,070,000 (30 September 2015: $3,609,000) and balance due at 31 December $404,000 (30 September 2015: $1,777,000). The Group purchased finished goods from Derma totalling $140,000 (30 September 2015: $388,000) and balance due at 31 December $Nil (30 September 2015: $108,000).

Other transactions

Craigs Investment Partners Limited are considered to be a related party as Neil Craig is Chairman of both entities. Craigs Investment Partners Limited manage the Comvita share purchase program (START Scheme) and facilitated the sale of shares in the Executive Share Scheme (refer Note 14) for some employees. During the period fees paid to Craigs Investment Partners Limited, recognised in other expenses for mainly secretarial services total $16,000 (six months ended 30 September 2015: $25,000).

Equity accounted investees

Name	Holding	Balance Date
SeaDragon Ltd	9.1%*	31 March
Kaimanawa Honey Ltd Partnership	50%	30 June
Medibee Apiaries Pty Ltd	50%	30 June
Putake Group Holdings Ltd	50%	30 June
Makino Station Ltd	50%	30 June
Nga Pi Honey Ltd	33%	30 June
Extracts NZ Ltd	33.3%	31 March

* In addition the Group owns options and convertible loan notes.

NOTES TO THE FINANCIAL STATEMENTS

13. RELATED PARTIES (continued)

SEADRAGON LTD (SEADRAGON)

The Group received director's fees from SeaDragon – these amounts total $18,000 (30 September 2015: $Nil) and balance due at 31 December 2016 of $3,000 (30 September 2015: $Nil).

Comvita advanced a further $500,000 to SeaDragon under the Convertible Loan Note Agreement, taking the total balance receivable at 31 December 2016 to $2,000,000 (30 September 2015: $Nil).

The Group received interest income on convertible loan notes amounting to $84,000 (30 September 2015: $Nil) and the balance due at 31 December 2016 was $40,000 (30 September 2015: $Nil).

KAIMANAWA HONEY LIMITED PARTNERSHIP (KHLP)

The Group provides apiary management services in return for a management fee. Sale of goods and services received amount to $1,070,000 (30 September 2015: $1,365,000), with balance due at 31 December 2016 of $1,426,000 (30 September 2015: $Nil).

Purchases of goods and services totalled $Nil (30 September 2015: $465,000) with a balance due at 31 December 2016 of $Nil (30 September 2015: $465,000).

MEDIBEE APIARIES PTY LTD (MEDIBEE)

A joint venture was formed in May 2016 with Capilano Honey Pty Limited.

The Group has loaned Medibee $4,686,000 as at 31 December 2016 (30 September 2015: $Nil).

PUTAKE GROUP HOLDINGS LTD (PUTAKE)

On 1 July 2016 Comvita Limited formed a joint venture with Putake Group Limited, a Blenheim based apiary management business operating in the upper, East and West coasts of the South Island. Consideration for this joint venture was paid in cash and shares with 163,439 shares issued from treasury stock, refer to note 16(b).

MAKINO STATION LTD (MAKINO)

A joint venture was formed in May 2016 to purchase Makino Station situated in the central North Island. The 50:50 joint venture has been funded equally by the joint venture partners by way of shareholders loans.

The Group has loaned Makino $3,051,000 as at 31 December 2016 (30 September 2015: $Nil).

The Group has accrued interest income on the loan of $62,000 (30 September 2015: $Nil). The balance due as at 31 December 2016 is $62,000 (30 September 2015: $Nil).

NGA PI HONEY LTD (NGA PI)

A joint venture has been set up with Gan Enterprises Limited.

The Group has loaned Nga Pi $211,000 as at 31 December 2016 (30 September 2015: $Nil). This loan is interest free.

The Group has also loaned Gan Enterprises $472,000 as at 31 December 2016 (30 September 2015: $Nil). Interest is payable on this loan.

EXTRACTS NZ LIMITED (ENZ)

The Group rents property from ENZ. Rental expenditure for the six months ended 31 December 2016 totalled $37,000 (30 September 2015: $25,000).

NOTES TO THE FINANCIAL STATEMENTS

14. EXECUTIVE EMPLOYEE SHARE SCHEME

Comvita Limited has an Executive Share Scheme called the Comvita Limited Partly Paid Share Scheme ("The Scheme"). The Scheme is designed to provide key employees with an opportunity to benefit from share price growth. A summary of the key points is disclosed in the most recent annual financial statements.

There has been one issue during the six months ended 31 December 2016. Movements in the number of share entitlements outstanding under the scheme are shown below:

In thousands	31 December 2016		30 September 2015	
	Number of entitlements	**Weighted average exercise price**	**Number of entitlements**	**Weighted average exercise price**
Entitlements on issue				
Entitlements outstanding at beginning of period	1,531	4.71	1,739	3.59
Entitlements granted	801	11.08	544	5.45
Entitlements converted to ordinary shares	(114)	6.71	(150)	2.36
Entitlements forfeited	(461)	3.74	(161)	2.75
Entitlements outstanding at end of period	**1,757**	**7.74**	**1,972**	**4.19**
Entitlements available to be exercised				
Entitlement outstanding at beginning of period	-	-	39	1.53
Entitlements converted to ordinary shares	-	-	(39)	1.53
Entitlements now exercisable	-	-	316	3.90
Entitlements outstanding at end of period	**-**	**-**	**316**	**3.90**

Fair Value of Share rights granted

The fair value of services received in return for share entitlements granted to employees is measured by reference to the fair value of shares. The estimate of the fair value of the services received is measured based on a Monte Carlo simulation model.

Fair value of share entitlements and assumptions

Issue Date	**25-Jul-13**	**5 Sept-14**	**17-Aug-15**	**18-Nov-15**	**30-Sep-16**	**Total**
Entitlements issued (number)	731,250	772,500	544,000	208,750	801,250	**3,057,750**
Entitlements on hand (at 31 Dec 2016)	135,312	295,000	371,500	188,750	766,250	**1,756,812**
Fair Value at measurement date	$0.59	$0.59	$0.95	$1.21	$1.26	
Share price at grant date	$3.90	$3.65	$5.75	$8.18	$11.30	
Grant Date	25-Jul-13	05-Sept-14	17-Aug-15	18-Nov-15	30-Sep-16	
Exercise price	$3.90	$3.67	$5.45	$7.77	$11.08	
Expected price volatility	26.5%	35.3%	27.0%	25.8%	23.7%	
Share life	2-4 years	2-4 years	2-4 years	2-4 years	2-4 years	
Expected dividend yield	2.50%	4.20%	2.78%	2.26%	2.73%	
Risk-free interest rate	4.00%	4.09%	2.69%	2.57%	1.87%	

NOTES TO THE FINANCIAL STATEMENTS

15. NET TANGIBLE ASSETS PER SHARE

	31 December 2016 Unaudited	30 September 2015 Unaudited
Net tangible assets per share (NZ cents)	2.50	1.71

16. SHARE CAPITAL

(a) Private placement

On 26 October 2016, the Company completed a private placement to China Resources Ng Fung Limited for 2,000,000 new ordinary shares for $10.60 per share.

(b) Treasury stock

In thousands of shares	31 December 2016 Unaudited	30 September 2015 Unaudited
Treasury stock at beginning of the period	413	-
Issued as part consideration for Putake Investment (note 13)	(163)	-
Total treasury stock at end of the period	**250**	**-**

On 1 July 2016 the Company issued 163,439 of treasury stock as part consideration for the 50% investment in Putake Group Holdings Limited. This resulted in a gain on issue of treasury stock in retained earnings totalling $1,332,000.

17. DIVIDENDS

On 23 September 2016 a final dividend was paid. It was a fully imputed final dividend of $800,000 (2.0 cents per share).

18. SUBSEQUENT EVENTS

Sale of Medihoney Brand and related Intellectual Property to Derma Sciences, Inc.

On 12 January 2017 the Group announced the sale of the Medihoney Brand and related Intellectual Property to Derma. Proceeds of USD$13.3m were received at this time, with a further US$5m payable in the form of earn outs upon future annual sales milestones being achieved.

Comvita retains the exclusive use worldwide of the Medihoney brand for its over-the-counter business.

On 10 January Derma announced that they are to be acquired by Integra LifeSciences (Nasdaq: IART) for US$7.00 per share. Comvita owns 1,098,213 shares in Derma, refer to note 8(b). The acquisition of Derma by Integra is expected to be completed by 31 March 2017.

China Joint Venture

On 5 September 2016 the Company announced it had signed a Heads of Agreement with Shenzhen Comvita Natural Food Co Limited, its long term distribution partner in China to form a joint venture in China. Under the Heads of Agreement, Comvita will acquire its 51% shareholding by issuing 2,830,000 shares in the Company at $10.60 per share. The incorporation of the joint venture and the share issue are expected to be completed by 30 June 2017.

Interim dividend

The Board has announced an interim dividend of 2 cents per share (fully imputed) payable on 21 March 2017, record date 14 March 2017.

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Alan John Bougen
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Lucas (Luke) Nicholas Elias Bunt
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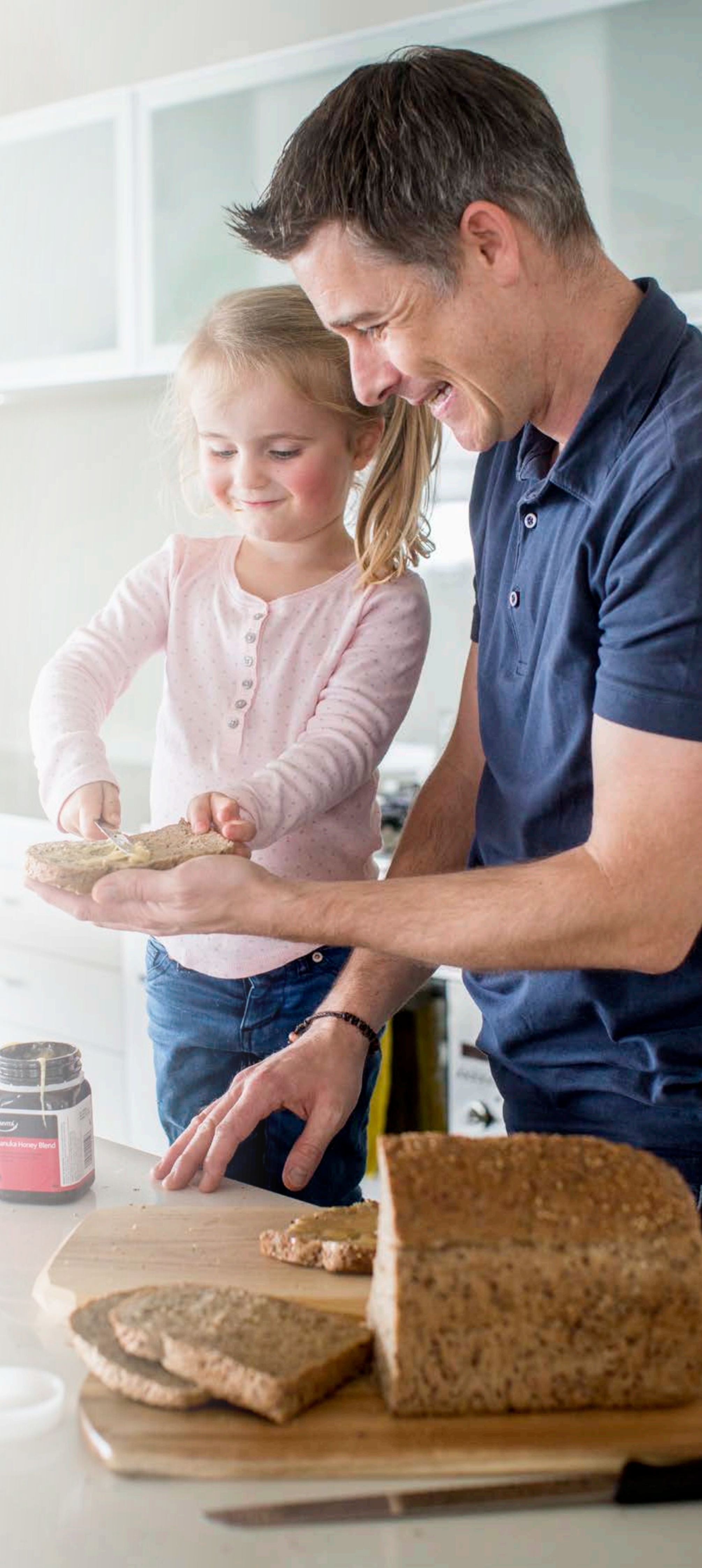

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