27 July 2015

Comvita Limited Partly Paid Share Scheme Variation to Rules

On 23 July 2015 the Board of Comvita Limited ("CVT") approved a variation to the Rules of the Comvita Limited Partly Paid Share Scheme, together with the adoption of a new Offer Document.

The Comvita Limited Partly Paid Share Scheme (the "Scheme") was established in 2006 and was approved at the Annual Shareholders Meeting of CVT on 28 April 2006. It was designed to create an alignment of interest between the Company's senior executives and its shareholders, through incentivising them to grow the value of the Company. It was also designed to assist the Company to attract, motivate and retain key employees. The Scheme has proved to be very successful and there are now 39 senior staff participating in the Scheme which comprises approximately 5% of total Comvita shares on issue.

Following the Financial Markets Conduct Act 2013 ("FMCA") coming into force, CVT's existing Prospectus and Investment Statement relating to the Scheme, needs to be replaced with a new Offer Document that aligns with the employee share scheme exemption contained in the FMCA and the Financial Markets Conduct Regulations 2014. A new Offer Document has been prepared and approved by the Board. From this date such Offer Document will replace the Registered Prospectus and Investment Statement dated 16 March 2012.

In conjunction with preparing a new Offer Document, the Board took the opportunity to review the Scheme in its entirety and amend certain Rules that govern the operation of the Scheme. The essence of the Scheme remains the same and the amendments made relate to:

- Broadening the definition of "Eligible Employee Member" to capture individuals engaged under a contract for services on terms approved by the Board.
- Providing the Board with the discretion to determine the issue price on a basis other than the 10 day weighted average price, if it is appropriate to do so in the circumstances.
- Allowing an Employee Member to nominate a related person or entity (e.g a spouse or family trust) to receive that Employee Member's share entitlements under the Scheme at any time, rather than just allowing nomination at the time an offer is accepted.
- For new issues under the Scheme, allowing Employee Members one opportunity on the 2nd and 3rd anniversary dates to roll an entitlement to shares over to the next anniversary date if the relevant share price hurdle is not met.
- Clarifying the Board's discretion to allow an Employee Member who leaves the employment of the Company the ability to continue to participate in the Scheme for a period of time where the Board considers that the circumstances warrant it.

The Board believes that the essential merits of the Scheme are as relevant today as they were when it was established 9 years ago.

A more detailed description of the Scheme (as amended) is contained in the **attached** Explanatory Note.

Ends

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Background information

About Comvita (www.comvita.com)

Comvita (NZX:CVT) is a global natural health company committed to the development of innovative products, backed by ongoing investment in scientific research. We are the world leaders in Manuka (leptospermum) honey and fresh-picked Olive Leaf Extract, which are at the core of the Comvita product range.

We have approximately 50% of honey supply under direct ownership or control, with the balance of supply from long term contractual and partnership arrangements. Comvita pioneered the development and use of medical grade Manuka honey and was the first to receive FDA approval (2007). We partner with US wound care company Derma Sciences, Inc. (NASDAQ:DSCI), the global licensee for Medihoney® specialist wound care products, which are used in hospitals and medical centres around the world. Comvita's freshly picked Olive Leaf Extract is grown, harvested, extracted and bottled at the world's largest specialised olive leaf grove, with over one million olive trees.

Comvita sells into more than 18 countries through a network of our own branded retail locations, online (seven country specific e-commerce websites) and third-party outlets. We have over 500 staff located in New Zealand, Australia, Hong Kong, Japan, Taiwan, South Korea, the United Kingdom and the USA.

EXPLANATORY NOTE – PARTLY PAID SHARE SCHEME

Key Terms of the Scheme

The key terms of the Scheme are:

1. From time to time the Company may offer selected eligible employees who are approved by the Board the ability to participate in the Scheme and to acquire shares in the Company through the Trustee. The number of shares offered to each selected employee will be determined by the Board.

2. Where an eligible employee accepts an offer to participate, they must pay the initial payment amount of 1 cent per share required to enable the Trustee to pay the initial payment of the issue price. The Company will then issue the relevant number of redeemable ordinary shares to the Trustee on a partly paid basis to hold for the benefit of the eligible employee, or if requested by the employee and approved by the Company, for the benefit of a nominated person associated with the employee (for example, a family trust).

3. The issue price of the redeemable ordinary shares will be the weighted average price of Comvita shares on the NZX Main Board market over the 10 trading days prior to the issue date, or such other issue price as determined by the Board accordance with section 47 of the Companies Act 1993.

4. The balance of the issue price will be payable when called by the Company. It is expected that calls will only be made in connection with payments by the employee (see 7 below) or redemptions by the Trustee (see 11 below). The partly paid redeemable ordinary shares will entitle the holder to proportionate voting, dividends and rights to share in the surplus assets of the Company on liquidation to the extent of the proportion of the issue price paid up on the shares. Once the shares are fully paid up and transfer to the eligible employee or their nominated person in accordance with the terms of the Scheme, the shares will cease to be redeemable and the eligible employee (or nominated person) will receive all the same rights and entitlements as attach to other ordinary shares in the Company.

5. When shares are redeemed, the redemption amount will be the amount of the issue price of the shares paid up at the date of the redemption. It is expected that redemptions will only occur in the circumstances described in 11 below.

6. So long as the specified share price hurdles have been met, the shares held by the Trustee will vest as follows:

    a. 50% of the shares will vest on the 2nd anniversary of the issue date;
    b. A further 25% of the shares will vest on the 3rd anniversary of the issue date, or where the share price hurdle was not met on the 2nd anniversary date, up to 75% of the shares will vest on the 3rd anniversary of the issue date; and
    c. A further 25% of the shares will vest on the 4th anniversary of the issue date, or where the share price hurdle was not met on the 3rd anniversary date, up to 50% of the shares will vest on the 4th anniversary of the issue date.

    The intention behind the vesting arrangements outlined above is to provide eligible employees with one opportunity per tranche on each of the 2nd and the 3rd anniversary dates to roll over an entitlement to shares to the next anniversary date if the relevant share price hurdle is not met. Any shares rolled over will then be subject to the relevant share price hurdle applying on the next anniversary date. For example:

- If the share price hurdle applicable on the 2nd anniversary date is not met but the share price hurdle applicable on the 3rd anniversary date is met, the employee may give a notification in respect of up to 75% of the Shares (i.e the 50% tranche from the 2nd anniversary date and the 25% tranche from the 3rd anniversary date).
- If the share price hurdle applicable on the 2nd anniversary date is not met and the share price hurdle applicable on the 3rd anniversary date is also not met, the employee shall forfeit their entitlement to 50% of the Shares issued in respect of that employee.
- If the share price hurdle applicable on the 3rd anniversary date is not met but the share price hurdle applicable on the 4th anniversary date is met, the employee may give a notification in respect of 50% of the Shares (being the 25% tranche from the 3rd anniversary date and the 25% tranche from the 4th anniversary date).
- If the share price hurdle applicable on the 4th anniversary date is not met, any remaining shares from the relevant issue will be forfeited.

7. An employee may, at the employee's election, require that any vested shares held by the Trustee on the employee's behalf be transferred to the employee or their nominated person so long as each of the following conditions is met:

    a. The share price hurdle in respect of an anniversary date has been met;

    b. The employee's transfer request is received by the Trustee within 20 Business Days of the date on which the Company first notifies the employee in writing that the share price hurdle (see 8 below) in respect of an anniversary date has been met;

    c. At the time of making the transfer request the employee must either be employed or otherwise contractually engaged to provide services to the Company or a subsidiary of the Company with the terms of such engagement having been agreed by the Board;

    d. The employee or their nominated person has provided the Trustee with cleared funds sufficient to pay the unpaid issue price in respect of those shares.

    Subject to the above conditions being met, the Trustee will apply the funds provided by the employee or their nominated person to pay up the shares and then transfer the shares to the employee or their nominated person. The redemption rights associated with the shares will fall away once the shares are transferred to the employee or their nominated person. Accordingly, the shares transferred to the employee or nominated person will be fully paid ordinary shares ranking equally with all other ordinary shares in the Company except for dividends declared or payable in respect of any period prior to the date on which those shares became fully paid up.

8. The share price hurdle in respect of any shares held by the Trustee for the benefit of an employee will be calculated as follows:

    a. The initial 'base price' for the purposes of this calculation will be the issue price for the shares.

    b. As soon as practicable after the 1st, 2nd, 3rd and 4th anniversaries of the issue date the Board will calculate a new base price in respect of that anniversary date by:

        i. increasing the last calculated base price by a percentage amount determined by the Board to represent the Company's weighted average cost of capital; and

ii. reducing the resulting figure by the amount of any net cash dividends paid by the Company in respect of a fully paid ordinary share in the 12 month period immediately preceding that anniversary.

c. The share price hurdle in respect of each anniversary date will be met if the volume weighted average price for a share on the NZX Main Board market over the 10 business days prior to that anniversary date exceeds the base price calculated as at that anniversary date.

No share price hurdle calculations will be made in respect of anniversary dates after the 4th anniversary date of the issue date. If the share price hurdle applicable to any shares is not met on or before the 4th anniversary date, the employee will not be entitled to require the Trustee to transfer those shares to the employee or their nominated person.

In the event of any consolidation or subdivision of shares, bonus issues, capital reconstruction or any other adjustments to the shares or the share structure of the Company, the base price will be adjusted in a manner considered by the Board to preserve the position of the Company and participating employees.

9. If a person (or group of associated persons) acquires more than half of the ordinary shares in the Company prior to the 4th anniversary of the issue date, an employee may require that all the shares held by the Trustee on the employee's behalf be transferred to the employee or their nominated person, provided that the employee must still either be employed or contractually engaged to provide services to the Company or a subsidiary of the Company on terms agreed by the Board and provide the Trustee with cleared funds sufficient to pay the unpaid issue price in respect of those shares.

10. If an employee ceases to be an eligible employee prior to the 4th anniversary of the issue date as a result of such circumstances as the Board in its sole discretion may determine, the Board may agree in writing with the employee or their nominated person or their estate (as applicable) that the employee or their nominated person or their estate (as applicable) may continue to participate in the Scheme for such period and subject to such terms and conditions as determined by the Board. Any such agreement must be reached within 20 Business Days of the date of cessation of employment. For the avoidance of doubt the Board has no obligation to allow an employee or their nominated person or their estate (as applicable) to continue to participate in the Scheme. Where no agreement is reached, shares held for the benefit of the employee or their nominated person shall be forfeited in accordance with the rules of the Scheme.

11. At such time as an employee ceases to have any rights under the Scheme to require a transfer of shares held on their behalf to the employee or their nominated person (e.g. because the employee has not requested such a transfer within the period stated in 7(b) above), the Trustee will redeem the shares held on behalf of that employee. It is anticipated that the redemption will occur in conjunction with a call from the Company for the unpaid balance of the issue price of those shares and that the redemption amount and the unpaid balance will be set off. On redemption the shares will be cancelled. The initial payment of 1cent per share issued will be returned to the employee out of the redemption proceeds.

12. Redeemable ordinary shares issued under the Scheme will not be listed on the NZX Main Board market. So long as the Company remains listed on the NZX Main Board it is intended that the ordinary shares transferred to employees under the Scheme will be listed on the NZX Main Board and will be freely tradable.