

11th October 2013

Comvita Result will be Year of Two Halves

Comvita's net profit after tax (NPAT) for the first six months to 30 September 2013 is expected to be a loss of approximately \$1.0m on sales of approximately \$43.3m. This compares to NPAT and sales in the prior half year period of \$2.4m and \$45.4m respectively. The actual result will be announced to the market on the 28th November.

Second half earnings stronger than first half

Comvita CEO Brett Hewlett said, "Comvita has historically had a year of two profit halves with the second half year sales and earnings stronger than the first half due to many of our product lines primarily being consumed in the northern hemisphere winter months. This effect is compounded by Asian tourists purchasing our products in New Zealand and Australia during the peak tourism season in our own summer. As we grow our retail infrastructure in Asia and with the Australian market continuing to be quite soft, this year of two halves effect is becoming more pronounced."

"While sales are down for the first six months on the prior comparable period by a little over \$2m, shareholders should not read too much into this, says Mr. Hewlett. For this financial year ended 31 March 2014, we expect in excess of 60% of our total sales (56% in 2013) to be in the second half of the year. Further, we necessarily carry an overhead and marketing cost structure in place for the full year, which negatively impacts our first half earnings."

"We remain confident of delivering full year revenue and earnings in excess of 2013. NPAT for the full year ending March 2013 was \$7.4m on sales of \$103.5m."

Trading conditions in key markets

Mr. Hewlett said, "Trading conditions in most markets have been challenging throughout the six month period, particularly in wholesale markets such as Australia and the UK (where we have limited sales direct to the consumer), where price competition remains strong. The recent publicity about misleading labeling by some competing brands of Manuka honey is providing some stimulus to Comvita sales in the UK in the last few weeks. Our attention to maintaining quality standards has allowed us to obtain new listings in retailers such as Tesco's, Costco and Boots."

"Sales in Hong Kong, our second largest market by sales value, have been impacted over August and September as the recent food security issues have heightened consumers' scrutiny of all imported food products from New Zealand. However, we have embarked on an information marketing campaign aimed at reassuring our customers of the quality and integrity of the Comvita brand as we enter the Asian 'high season'. We remain confident

that sales in this key Asian market will be up to our budgeted numbers over the next six month period.”

“Our recent further investment of \$1m in world leading laboratory equipment announced on 25 September 2013 will enable us to expand our testing and research capability for Manuka honey. It will also provide us with a competitive edge when it comes to consumer confidence and trust in our products.”

Raw material supply

Mr. Hewlett said, “We feel it is important to continue to communicate the lasting impact of the previous two poor honey seasons on our earnings performance. The La Nina wet, colder and windy weather pattern of 2010/11 and 2011/12 meant the North Island Manuka crop was at record lows (35% and 30% lower than average respectively). This supply issue combined with demand increases resulted in an increase of approximately 50% in the wholesale cost for Manuka honey in the last 18 months.”

“The recent 2012/13 summer was much warmer and less windy than the previous two summers and it is anecdotally reported to have been one of the best honey crops for many years. However it has taken time to build an acceptable inventory position of new season honey as beekeepers extract and sell their supply of honey to Comvita. Our stock of raw Manuka honey has been full from July and we expect this to now underpin a solid full year with sales in the second half being higher than the same period last year. Honey cost remains high, and while this continues to impact margins in the short term, we expect this pressure to ease throughout 2013/2014 as supply and demand are better matched and we continue to work price rises into the market.”

Continued investment in supply chain infrastructure

Comvita Chairman Neil Craig said, “Comvita’s focus is on building our core supply chain infrastructure that will support our growth targets. The recent \$8.9m investment in Comvita by Derma Sciences, the global licensee for Medihoney® specialist wound care products, will primarily be used to build supply capacity to support the company’s apiary acquisition and harvest modernisation strategy. This was announced to the market on 5 September 2013.

The acquisition of strategically located apiary businesses means Comvita is now in a position to accelerate our apiary growth programme and meet our strategic objective of owning up to 50% of our honey supply needs. The balance of supply will come from long term contractual supply and partnership relationships.”

“As part of this strategy, we are pleased to announce an acquisition of another Manuka honey apiary business in Poverty Bay.* Comvita’s apiary business will in total be

operating 20,000 hives this season, making Comvita one of the largest apiary businesses in the country. Approximately one third of our honey needs are this year coming from our own apiaries enabling us to better manage costs of this key ingredient.”

Outlook

“Our focus for the remainder of the year remains growing our revenue to greater than 2013 while maintaining a tight focus on operating costs. We are targeting a better financial result than 2013 while continuing with our strategic initiatives of increased control over raw material supply and introducing new systems to support our growth in Asia.”

*The apiary acquisition was completed in September and the purchase price is confidential.

Ends

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Background information

About Comvita (www.comvita.com)

Comvita is an international natural health and beauty company committed to the development of innovative products, backed by credible scientific research. We are the global leader in Manuka (leptospermum) honey and fresh-picked Olive Leaf Extract, which are at the core of the Comvita product range. We have approximately one third of honey supply under our ownership with the balance of supply from long term contractual and partnership arrangements. Comvita's fresh Olive Leaf Extract is grown, harvested, extracted and bottled at the world's largest specialised olive leaf grove, with over 580,000 olive trees. Comvita sells into more than 18 countries through a network of wholesale and third-party outlets and online. We have offices in New Zealand, Australia, Hong Kong, Japan, Taiwan, South Korea and the United Kingdom.