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5 April 2017

Comvita Updates Previous Guidance

Comvita announced today that the two major downside risks communicated in our previous market announcements of 23 January and 21 February 2017 have both come to bear, and we now expect that the direct impact of these two situations will result in an after tax operating loss for the financial year ended 30 June 2017, in the order of $7m. Reported net profit after tax is now expected to be approximately $9m after including the sale of Medihoney IP and shares in Derma Sciences, Inc.

Trading conditions over the last two months in its two largest markets (Australia and New Zealand) have not recovered in line with our earlier expectations. For forecast purposes, in terms of this June year financial result, we are now assuming that the informal channels out of Australia and New Zealand into China will not recover to our earlier forecast levels before 30 June 2017. To exacerbate the financial impact of this sales downturn, continued poor weather has further reduced the production of honey for the 2016-2017 season.

Comvita CEO Scott Coulter, said, "Although the informal trade channels will show growth over the previous half year this is still well under our previous expectations, and much of these sales to China have been satisfied by inventory held within the various channels to market. Our distribution strategy, both online and offline continues to provide our consumers the ability to connect and engage directly with our brand. We believe that when the channel has been fully 'de-stocked' that we should see both 'sell in' and 'sell through' and as a consequence a return to much improved financial performance".

"The commencement of operation of our China distribution Joint Venture on 1 July 2017 is an important stepping stone to getting closer to our customers in China, and to be able to have more influence over our brand. We measure our brand health regularly and our key metrics inside China of Awareness, Trial and Frequency of Use have improved over the previous period. Our navigation of the changing trading environment in mainland China continues to be a main focus to management as we look to enhance all channels to market".

Comvita Chairman Neil Craig, said "With respect to our apiary business, it's quite straight forward in beekeeping, you spend money with the objective of collecting honey. If there is no honey then you will still incur the costs. It's a core part of our planning to mitigate against regional weather events by having hives located in strategic locations around the country, said Mr Craig but we can't mitigate against poor weather across the whole country." Mr Craig stressed as per Comvita's previous guidance that this harvest was seen as a one off, with some experts saying it was a 1 in 20 year event. Given the nature of the 2016-2017 honey harvest and the fact that Comvita has significant levels of inventory, the extremely poor season is unlikely to impact future profitability.

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“In summary, while the simultaneous impact of two very significant events in one financial year is ‘tough to stomach’, the Comvita business model remains sound. We have focused on productivity and cost saving initiatives across the business and we have already implemented significant permanent overhead cost reductions. At the same time, as part of our diversification strategy we will deliver significant new market, channel and product innovation initiatives this year which will underpin our sales increase in the second half year and sets us up well for FY18. Given an average honey harvest in 2017-2018, we remain on track to deliver our medium and longer term strategic objectives beyond what has been a very challenging period of time for the company.”

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.