

Seeka Kiwifruit Industries Six Months to 30 June 2015 [Unaudited]

Directors and management are pleased to present Seeka's financial results for the six months to 30 June 2015. It was a challenging six months for the Company with a fire significantly damaging Seeka's Oakside post-harvest facility just prior to harvest, then having to focus on managing a record 27.7m trays of kiwifruit; the first major lift in production since 2011's previous high of 27.1m trays.

Profits are up. Profit before tax this half year is ahead of the previous corresponding period (pcp) by \$2.87m [+115%] at \$5.36m, reflecting record kiwifruit volumes handled by post-harvest along with good earnings achieved by the orchard division. The half year results include an allowance for the full second year cost of the three-year grower share scheme totalling \$2.55m. The results also include the costs of the impairment of the destroyed buildings at Oakside and the insurance proceeds to date. The net impact at the six months of these two items is a \$143,000 addition to profit. Later when the insurance claim is finalised and settled, a one-off gain is likely to arise which could be available to fund any further reinstatement or other costs associated with the fire.

Kiwifruit volumes are up. Hayward volumes handled by post-harvest increased by 3.9m trays while market share remained steady at 24.8%. Zespri SunGold volumes increased by 2.8m trays with market share up from 10% to 14%. Further growth in Zespri SunGold volumes are anticipated as orchards continue their recovery from Psa-V.

Our facilities were fully utilised this year with a record 27.7m trays handled compared to 21.2m trays in the pcp.

Margins have been maintained. The post-harvest environment remains competitive. Seeka has strived to deliver competitive pricing for services to growers understanding that many growers are still recovering their financial positions after the devastating effects of Psa-V. While margins have remained tight, the greater volumes of fruit delivered the benefits of scale to both shareholders and growers. In 2015, supplying growers delivered an exceptional crop. Exceptional yields of largely good quality fruit make the post-harvest job easier.

Seeka continues to focus on infrastructure expansion and careful capacity planning to ensure adequate capacity for anticipated volumes. There is little alternative to further investment in New Zealand infrastructure considering the industry's inertia to implementing offshore handling and storage, and limited collaborative marketing opportunities. Seeka remains well prepared for investment with low core debt and unutilised debt facilities.

Orchard earnings are increasing. As New Zealand's largest kiwifruit grower, Seeka benefited from record Hayward yields and new Zespri SunGold volumes. Seeka's long term leases are returning to profitability following intense reinvestment. While Zespri's forecast market returns are down, total orchard returns are supported by higher yields across all varieties. Orchard costs continue to be under inflationary pressure and per tray orchard returns volatile.

New business delivers incremental earnings despite being seasonally affected. The New Zealand banana business remains very competitive with large volumes of fruit depressing wholesale prices resulting in lower than anticipated returns to Glassfields. New supply lines to retail have opened for domestic supply of kiwifruit and avocados. SeekaFresh earnings have been affected by an earlier avocado selling season and lower volumes. Market prices were lower in the first quarter of 2015, however Seeka's performance delivered supplying growers incremental returns, leading the market in grower returns for the second year in a row.

Seeka continues its growth strategy through operational growth and acquisitions that deliver accretive value. Our foundation and principal focus is kiwifruit. We will continue to pursue excellence and strive for improvements in this our core business. Our strategy is to build on that foundation and our vision is to become "New Zealand's Premier Produce Business".

Seeka continues to pursue excellence in its core business and will continue to strive for improvements to make it the best of breed in our kiwifruit business. Seeka will continue to look for opportunities to innovate and expand or diversify to secure long term growth and sustainable profitability. At the same time the Company will review its asset base to ensure that our operating assets and investments are aligned to our strategy and commercial drivers.

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OUTLOOK

Seeka normally provides current-year profit guidance at the "Stakeholder Update" typically held in October, by which time the Company has greater certainty over fruit selling prices and international market performance. Given, however, the extent of the profit variation for the six months ended 30 June 2015, and the seasonal nature of the kiwifruit business, it is considered prudent to provide earlier guidance this year. Seeka expects the stronger operational financial performance achieved in the first six months to push into the second half of the year. The Company expects its full year net profit after tax to be up by between 30% and 40% on the pcp level of \$3.17m.

This profit forecast excludes any one-off gain arising from accounting for the insurance proceeds from the Oakside fire which is expected to be settled in the second six months. This could further boost earnings noting that any one-off gain will be required for ultimate reinstatement.

The Company will advise the market should there be a material variation to the guidance and will further update stakeholders and shareholders at the October stakeholder meeting, and will provide an update on the insurance accounting aspect once it is known. The forecast also excludes any revaluations or impairments and excludes any costs associated with acquisitions or disposals and any interest cost or benefit associated with those.

DIVIDEND

An increased dividend of \$0.09 per share has been declared by the Board as result of the reported financial results. The dividend is fully imputed and will be paid 18 September 2015 to all shareholders on the register at 5pm 11 September.

SUBSEQUENT EVENTS

On 5 August 2015, Seeka announced its purchase of the kiwifruit and other orchard operations and assets of Australian produce company, Bunbartha Fruit Packers and associated entities for AUD\$22m. The acquisition is scheduled for 20 August following satisfaction of conditions usual for a transaction of this nature, including Australian Foreign Review Board approval.

The purchase builds on Seeka's foundation of kiwifruit while adding new produce lines to the Company including pears, plums, apricots and cherries. It is consistent with the Company's strategy and will result in Seeka having its produce in the Australian market all year round. The kiwifruit pollen venture established with Bunbartha in 2014 will be wholly owned as a result of this transaction.

The purchase price will be funded through debt facilities with settlement including an element of deferred payment. Seeka anticipates revenue to increase by approximately NZD\$17m with EBITDA to increase by NZD\$3.2m to NZD\$4.0m before any synergy gains.

An Australian company Seeka Australia Pty Limited has been established with Seeka's operations in Australia to be run as an Australian business.

Seeka is pleased with the purchase, the businesses are strategically aligned and complement each other. Both sell to similar customers at different times of the year and the acquisition delivers opportunities to integrate selling and marketing operations. The fruit produced and marketed by Seeka Australia will broaden and complement Seeka's existing offering of kiwifruit, avocados and kiwiberries. We expect optimisation to occur.

FOR MORE INFORMATION CONTACT

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Seeka Kiwifruit Industries

Six Months to 30 June 2015 [Unaudited]

Reporting period for six months to 30 June 2015. The previous reporting period is for the six months to 30 June 2014.

FINANCIAL SUMMARY

Operating revenue from ordinary activities (\$m)	\$ 104.74	up	32%
EBITDA (\$m)	\$ 11.43	up	97%
Profit before tax(\$m)	\$ 5.36	up	115%
Net profit after tax (\$m)	\$ 3.72	up	152%
Negative cash flow from operations* (\$m)	\$ 2.44 compared to \$ 9.17 in the pcp		

* It is normal that Seeka operates at a cash deficit through the first six months and cash positive through the second six months. Seeka invested \$10.09m in capital expenditure [net of insurance recoveries] compared against \$2.0m in pcp.

EARNINGS PER SHARE

	30 June 2015	30 June 2014
Basic earnings per share	\$ 0.25	\$ 0.10
Diluted earnings per share	\$ 0.24	\$ 0.10

NOTES AND TABLES

1. This announcement should be read in conjunction with the attached half year report (unaudited). A copy of the half year report can also be found on Seeka's website www.seeka.co.nz.
2. EBITDA before revaluations and impairments is considered by the board to be a key measure of performance and a reflection of cash flow generation.
3. Turnover represents the total value of goods and services provided to customers during the period. It includes the value of fruit sales made on behalf of growers and suppliers where the Group acts as the agent. The Directors consider that sales turnover is a useful measure and provides an indication of the Group's operating activity.

Revenue (\$m)

	30 June 2015
Turnover	114.32
Value of sales made as agent	(9.58)
Revenue	\$ 104.74 m

EBITDA (\$m)

	30 June 2015
Net profit before tax	\$ 5.36 m
Impairment charges - land and buildings	2.17
Depreciation and amortisation	3.11
Interest	0.79
EBITDA before impairments and revaluations	\$ 11.43 m