

26 February 2016



Dear Shareholder

Apata Group has just completed its 2015 annual reporting process and finalised the external audit. Shareholders will shortly receive the 2015 annual report and notice of meeting for our AGM to be held on the 30th March 2016 but we thought it was appropriate to provide an update to our shareholders now on recent performance and future plans.

2015 Financial Position

Out of the kiwifruit industry record crop harvested of 122M trays in 2015 Apata Group handled 10.3M trays, up from 7.5M in 2014. Apata's results against the industry as measured by Orchard Gate Returns, fruit loss and offshore supplier accountability were excellent in all areas and have delivered good returns for our growers. The upswing in volume and the later load out season allowed Apata Group to post a profit of \$5.3M, up from \$2.9M in 2014. The Directors are pleased with the financial performance of the business since the amalgamation with Aerocool in late 2013 and this latest result continues the year on year improvement in financial results and operational performance.

Cash flow generated from operations for the year of \$7.6m was higher than the \$3.4M generated in 2014. After several poorer cash flow generating years, as the industry came to grips with Psa, we need to improve these cash flows still further in coming years as the business caters for growth and takes on more debt to do so.

Dividend Declared

At its most recent meeting the Apata board declared a 14.00 cent per share dividend with respect to 2015 performance which will be paid around the 18th of March. The dividend will carry full imputation credits and after tax will mean a payment of 9.38 cents per share to shareholders. We are pleased to be able to return to the payment of a dividend and intend to continue to do so annually. Our future planning allows for a dividend even with proposed capital developments to occur in coming seasons.

Share Price

Apata Group has had its shares assessed by independent experts Staples Rodway as at December 2015 and their midpoint valuation now sits at \$1.52 per share. At amalgamation little over 2 years ago the shares of either company were assessed with a midpoint of 25 cents so this recovery reflects the successful merger between Aerocool Limited and Apata Limited and the industry recovery from Psa. As with dividend payments the board will keep a wary eye on the share price in coming years as we contemplate further development options.

Outlook 2016 and Beyond

The kiwifruit crop volumes are forecast to grow even further in coming seasons and we must continue to expand to cater for our existing grower's future crop potential. The latest industry crop estimate for 2016 is around 147M trays, a 17% increase on what was a record crop in 2015. The increase is largely due to the continued maturing of canopies on SunGold orchards, grafted in response to Psa. With the gold canopies still to mature and further plantings of green that have occurred in 2014 and 2015 still to come into production it is not difficult to see the industry producing well over 170M trays within the next few years. We continue therefore to invest in plant and equipment but more importantly in good people and systems. Further our industry is becoming more and more complex every year and in conjunction with ever increasing compliance obligations being placed on businesses in the modern age those that aren't investing in good people and systems will simply be left behind.

Our crop estimate for 2016 is around 12M trays, an increase of 1.7M trays over 2015. We are currently completing or building 2 new stores with static capacity of around 2M trays at our Turntable Road site to

cater for this crop and we will be ready and able to handle it. The cost of these projects is approximately \$12M.

The expansion at Turntable will complete major capital works at that site as we will exhaust most of our spare land. Future development, if any, will be at our two Te Puke sites, the site established by the Birleys at Mends Lane or the site we purchased 6 kms away on Old Coach Road. Both sites can be expanded, as and if required, to cater for increased crop supply in the future. In the meantime the holding costs at Old Coach Road are more than covered by a lease back on a part of this property.

Avocados

Apata Group completed the 2015/16 avocado harvest in week 5 of 2016. The total export crop of 402k trays was lower than the large crop of 833k trays from the prior season and reflective of a biennial off year for avocados across the Bay of Plenty. The markets in both Australia and New Zealand have been exceptional and our growers can expect fantastic returns for the crop harvested. Avoco continues to evolve but at its core is delivery of a co-ordinated and efficient supply chain into the retail market in Australia and growers are significantly better off due to its formation.

All indications are the coming export season is a huge one with initial crop estimates across the industry higher than the record crop of 2014/15. We have already started gearing up for this season as a harvest of this size requires additional hydraladas, pickers and so on. We cannot rely on the Australian market being strong every year so the network our marketers have established into Asia will bring a welcome relief valve in what is going to be a challenging season. Apata is ready for this challenge.

Primor Produce Limited

Apata Group purchased a cornerstone shareholding in Primor Produce Limited, a produce marketing business located in Auckland, in 2011. Primor are a large part of the highly successful Avoco partnership. Our relationship with Primor continues to strengthen and latterly we have been able to leverage off their marketing capability to improve our position in Class II kiwifruit in Australia and local market avocados in New Zealand.

The gross dividend received in the year of \$791,666.70 represents a 49% return on original investment or 33% on the net after tax dividend of \$530,416.67, good returns for shareholders. Primor still has 6 months to trade in its current financial year but are tracking to a similar year end result. We are very pleased with how our relationship with Primor has evolved over time and both companies continue to explore other ways to work together.

Apata Group Shares

We continue to have a lot of interest in Apata Group shares so if any shareholders would like to sell their shares please contact our Company Secretary, Eugene Crosby (eugene.crosby@apata.co.nz or 07 5520 503) to discuss options.

In closing the Apata Group Board would like to thank our shareholders for their patience and support whilst we have rebuilt over the last few years from the ravages of Psa. We also thank our growers for their continued and loyal support and both these key stakeholder groups can rest assured we remain focussed on delivering the best possible returns whether that be on your orchard, for your shareholding or both. As we look forward we are ready to tackle the exciting times ahead.

Best regards,



Graham Cathie
Chairman, Apata Group Limited