



August 13, 2015

**TRADING SYMBOL: The Toronto Stock Exchange:  
Village Farms International, Inc. – VFF**

## Village Farms International Announces Second Quarter 2015 Results

**Vancouver, B.C., August 13, 2015** – Village Farms International, Inc. (the “Company”) (TSX: VFF) (OTCQX:VFFIF), announced today results for the quarter ended June 30, 2015.

### **Conference Call**

A conference call will be held August 14, 2015 to discuss the Company’s second quarter and year to date 2015 results. The conference call will begin at 8:00 a.m. Pacific Standard Time (11:00 a.m. Eastern Standard Time) and will be hosted by Messrs. Michael DeGiglio, Chief Executive Officer, and Stephen Ruffini, Chief Financial Officer.

To participate in the conference call, please dial into the conference call a few minutes before the start time: **1-888-390-0546 or 778-383-7413 or 416-764-8688.**

Michael DeGiglio, Chief Executive Officer, stated “Recent launches and demand for our new products, including three new exclusive varieties, are gaining momentum. In the last quarter, one of our customers, a national U.S. retailer, has commenced a nationwide program on one of these new products. The increase in our specialties coupled with an improved customer mix in our core commodities led to an increase in our average tomato pricing over 2014. However as we continue to replace our core commodity products with each new planting cycle, the challenge of retailer conversion from the traditional core commodities to specialties takes time. While specialty tomato product demand has seen over a 23% lift over last year’s demand, as consumer taste continues to shift, our specialty penetration was slower than expected causing our second quarter expectations to be below plan.”

“Looking ahead to the remainder of the year we see increasing interest in our new products by our key retail accounts and believe our strategy is aligned with the outlook in consumer preferences. We will be ramping up our winter volume with the addition of Great Northern in Ontario, Canada, previously announced, as well as increasing our capacity with our Mexican marketing partners. All Village Farms facilities, both company owned and those of our marketing partners grow the same products, under the same stringent food safety and sustainability standards, in order to maintain nationwide distribution while providing our customers with the freshest vine ripened product 365-days a year.”

Mr. DeGiglio continued “We remain steadfast in improving our existing facilities, increasing our market share in both the U.S. and Canada, introducing new products and varieties while we reduce our debt and explore strategic opportunities.”

### **Year to Date Operating Summary:**

*(Note amounts in U.S. Dollars)*

- Net sales increased \$3.7 million, or 6%, to \$69.0 million for the six months ended June 30, 2015 compared to \$65.3 million for the six months ended June 30, 2014.
- EBITDA for the six months ended June 30, 2015 increased by \$0.4 million to \$4.5 million, as compared to \$4.1 million for the six months ended June 30, 2014.
- Net (loss) decreased \$0.7 million, or 6%, to (\$0.1) million for the six months ended June 30, 2015 compared to (\$0.8) million for the six months ended June 30, 2014.
- (Loss) per share of (\$0.00) for the six month period ended June 30, 2015 versus (\$0.02) per share for the same period in 2014.
- Net debt decreased by \$0.8 million to \$48.6 million on June 30, 2015 compared to \$49.4 million on June 30, 2014.

### **Operational Summary:**

*(In thousands of U.S. Dollars)*

#### **Net Sales**

Net sales for the six months ended June 30, 2015, increased \$3,687, or 6%, to \$68,958 compared to \$65,271 for the six months ended June 30, 2014. The increase in net sales is primarily due to a 12% increase in the average selling price of tomatoes, partially offset by a decrease of (5%) in tomato pounds, a (20%) decrease in pepper pounds and an (18%) decrease in cucumber pounds. The increase in tomato prices is higher pricing on tomatoes-on-vine over the same period in 2014, as well as a higher percentage of specialty tomato sales. The supply partner revenues decreased by (5%) due to a (9%) decrease in pounds purchased.

#### **Cost of Sales**

Cost of sales for the six months ended June 30, 2015, increased \$4,429 or 8%, to \$62,945 from \$58,516 for the six months ended June 30, 2014. The increase is mostly due to the increase in cost per pound produced from the Company’s facilities, which is attributable to the increase in specialty tomatoes acreage which cost more to grow and harvest than tomatoes-on-the-vine and beefsteak varieties.

#### **Change in fair value of biological asset, net**

The net change in fair value of biological asset for the six months ended June 30, 2015, increased \$727, to \$670 from (\$57) for the six months ended June 30, 2014. The increase is due to a combination of higher pricing in July 2015 versus the same period in 2014, partially offset by lower production for July 2015 versus the same period in 2014, and a lower beginning value on January 1, 2015 versus the January 1, 2014 value.

## **Selling, General and Administrative Expenses**

Selling, general and administrative expenses for the six month period ended June 30, 2015 decreased (\$588) or (9%) to \$5,867 from \$6,455 for the six month period ended June 30, 2014. The decrease is due to various cost reductions in most departments.

## **Income from Operations**

Income from operations for the six months ended June 30, 2015, increased \$573 to \$816 from \$243 for the six months ended June 30, 2014. The increase is primarily a result of the change in fair value of biological asset increase of \$727 and a decrease in selling, general and administrative expenses of \$588 offset by an increase in cost of sales.

## **Interest Expense, net**

Interest expense, net, for the six month period ended June 30, 2015 decreased (\$178) to \$1,146 from \$1,324 for the six month period ended June 30, 2014. The decrease is due to a decrease in the Company's borrowing rates and a lower principal balance on its term debt.

## **Other (expense)**

Other (expense) for the six month period ended June 30, 2015, increased (\$77) to (\$102) from (\$25) for the six month period ended June 30, 2014. The increase was primarily due to a decrease in gain on foreign currency exchange of (\$131) partially offset by a decrease of (\$52) in amortization of intangible assets.

## **Income Taxes**

Income tax (recovery) for the six month period ended June 30, 2015 was (\$358) compared to (\$332) for the six month period ended June 30, 2014. The effective tax rate is 83% for the six month June 30, 2015 from 30% for the same period in 2014. The 83% rate in 2015 is due to the change in effective tax on the biological asset from December 31, 2014.

## **Net (Loss) Income**

Net (loss) for the six month period ended June 30, 2015 decreased (\$700) to a loss of (\$74) from a loss of (\$774) for the six month period ended June 30, 2014. The decrease is primarily a result of a decrease in selling, general and administrative expenses, a decrease in interest expense and an increase in change in biological asset partially offset by an increase in cost of sales.

## **EBITDA**

EBITDA for the six month period ended June 30, 2015 increased \$303 to \$4,450 from \$4,147 for the six month period ended June 30, 2014, primarily as a result of the decrease in selling, general and administrative expenses of \$588 as compared to the same period in 2014, as well as the addition of the

Company's co-generation facility. See the EBITDA calculation in –“Non-IFRS Measures - Reconciliation of Net Earnings to EBITDA and Adjusted EBITDA”, below.

### **Second Quarter 2015 Operating Results Summary:**

*(Note amounts in U.S. Dollars)*

- Net sales of \$41.2 million for the second quarter of 2015 compared to \$41.3 million for the second quarter of 2014;
- EBITDA decreased (22%) or (\$0.7) million to \$2.4 million in the second quarter of 2015 compared to \$3.1 million in the second quarter of 2014.
- Earnings (loss) per share of \$0.02 for the second quarter of 2015 versus (\$0.01) for the second quarter of 2014;
- Net income (loss) increased \$1.4 million to \$0.9 million in the second quarter of 2015 compared to (\$0.5) million in the second quarter of 2014.
- Change in biological asset increased \$2.7 million in the second quarter of 2015 to \$1.5 million from the prior year second quarter decrease in change in biological asset of (\$1.2) million.

### **Operational Summary for the Quarter:**

*(In thousands of U.S. Dollars)*

#### **Net Sales**

Net sales for the three month period ended June 30, 2015 decreased to \$41,211 from \$41,267 for the three month period ended June 30, 2014. The decrease in net sales is primarily due to a decrease of (6%) in tomato pounds sold and a decrease of (29%) in pepper pounds sold, offset by increased average selling price for tomatoes of 9% over the same period in 2014. The decrease in tomato pounds sold is due to a change in the cropping cycle of one of the 40 acre facilities in west Texas, an increase in the area of specialties grown and lower light levels through most of the first five months of 2015 at the Company's Texas facilities.

#### **Cost of Sales**

Cost of sales for the three month period ended June 30, 2015 increased by \$1,215, or 3% to \$38,014 from \$36,799 for the three month period ended June 30, 2014. The increase is mostly due to the increase in cost per pound produced from the Company's facilities due to the increase in specialty tomatoes.

#### **Selling, General and Administrative Expenses**

Selling, general and administrative expenses for the three month period ended June 30, 2015 decreased (\$405), to \$2,923 from \$3,328 for the three month period ended June 30, 2014. The decrease is due to various cost reductions in most departments.

### **Change in Biological Asset**

The net change in fair value of biological asset for the three months ended June 30, 2015 increased by \$2,656 to \$1,486 from (\$1,170) for the three months ended June 30, 2014. The increase is due to higher selling prices in July 2015 versus July 2014, partially offset by a decrease in pounds produced in 2015 from the same period in 2014. The higher prices are mainly due to increases from the tomatoes-on-vine and beefsteak varieties. The fair value of the biological asset at June 30, 2015 is \$7,719 and was \$7,885 at June 30, 2014.

### **Income (Loss) from Operations**

Income (loss) from operations for the three month period ended June 30, 2015 increased by \$1,790 to \$1,760 from a loss of (\$30) for the three month period ended June 30, 2014. The increase was primarily the result of the increase in change in biological asset of \$2,656 and a decrease of \$405 in selling, general and administrative expenses, partially offset by an increase in cost of sales of (\$1,215).

### **Interest Expense, net**

Interest expense, net, for the three month period ended June 30, 2015 decreased by (\$51), to \$585 from \$636 for the three month period ended June 30, 2014. The decrease is due to a lower principal balance on the Company's term debt.

### **Income Taxes**

Income tax expense/(recovery) for the three month period ended June 30, 2015 was an expense of \$317 compared a recovery of (\$194) for the three month period ended June 30, 2014. The income tax expense in 2015 as compared to the (recovery) in the same period in 2014 is related to the tax effect on the change in fair value of biological asset.

### **Net Income (Loss)**

Net income for the three month period June 30, 2015 increased by \$1,304 to \$854 from a net loss of (\$450) for the three month period ended June 30, 2014. The increase was the result of an increase in change in fair value of biological asset of \$2,656 and a decrease in selling, general and administrative expense by \$405, offset by an increase in cost of sales of (\$1,215) and an increase in the income tax provision of (\$511).

### **EBITDA**

EBITDA for the three month period ended June 30, 2015 decreased by (22%) or by (\$686), to \$2,430 from \$3,116 for the three month period ended June 30, 2014, primarily as a result of an increase in the cost of sales of (\$1,215), partially offset by a decrease in selling, general and administrative expenses of \$405. See the EBITDA calculation in "Calculation of EBITDA."

## Calculation of EBITDA

References to “EBITDA” are to earnings before interest, taxes, depreciation, amortization, foreign currency exchange gains and losses on translation of long-term debt, unrealized gains on the changes in the value of derivative instruments, unrealized change in biological asset, stock compensation, and gains and losses on asset sales. EBITDA is a cash flow measure that is not recognized under IFRS and does not have a standardized meaning prescribed by IFRS. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA should not be construed as an alternative to net income or loss determined in accordance with IFRS as an indicator of the Company’s performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. Management believes that EBITDA is an important measure in evaluating the historical performance of the Company.

The following table is the calculation of net income to EBITDA:

*(in thousands of U.S. dollars)*

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	2015	2014
Net Income (loss)	\$854	(\$450)	(\$74)	(\$774)
Add:				
Amortization	2,102	1,910	4,180	3,736
Foreign currency exchange loss (gain)	18	(43)	126	(5)
Interest expense	585	637	1,146	1,325
Income taxes	317	(194)	(358)	(332)
Stock compensation	40	85	100	139
Change in biological asset	(1,486)	1,170	(670)	57
Loss on asset disposal	-	1	-	1
EBITDA	\$2,430	\$3,116	\$4,450	\$4,147

## About Village Farms

Village Farms is one of the largest producers, marketers and distributors of premium-quality, greenhouse-grown tomatoes, bell peppers and cucumbers in North America. This premium product as well as premium product produced under exclusive arrangements with other greenhouse producers is grown in sophisticated, highly efficient and intensive agricultural greenhouse facilities located in British Columbia and Texas. Product is marketed and distributed under the Village Farms® brand primarily to retail grocers and dedicated fresh food distributors throughout the United States and Canada. Since its inception, Village Farms has been guided by friendly growing methods, growing produce vegetables 365 days a year from its facilities that are healthier for people and the planet. Village Farms is Good for the Earth®.

## Forward Looking Statements

This press release contains certain “forward looking statements”. These statements relate to future events or future performance and reflect the Company’s expectations regarding its growth, results of operations, performance, business prospects, opportunities, industry performance and trends and capital availability. These forward looking statements reflect the Company’s current internal projections, expectations or beliefs and are based on information currently available to the Company. In some cases, forward looking statements can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue” or the negative of these terms or other comparable terminology. A number of factors could cause actual events or results to differ materially from the results discussed in the forward looking statements. In evaluating these statements, you should specifically consider various factors, including, but not limited to, such risks and uncertainties as availability of resource, competitive pressures and changes in

market activity, risks associated with U.S. and Canadian sales and foreign exchange, regulatory requirements and all of the other "Risk Factors" set out in the Company's current annual information form and management's discussion and analysis for the year ended December 30, 2014, which is available electronically at [www.sedar.com](http://www.sedar.com). Actual results may differ materially from any forward looking statement. Although the Company believes that the forward looking statements contained in this press release are based upon reasonable assumptions, you cannot be assured that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this press release, and other than as specifically required by applicable law, the Company assumes no obligation to update or revise them to reflect new events or circumstances.

**For further information**

Stephen C. Ruffini, Executive Vice President and Chief Financial Officer, Village Farms International, Inc., (407) 936-1190 ext. 340.

**Village Farms International, Inc.**  
**Condensed Consolidated Interim Statements of Financial Position**  
(In thousands of United States dollars)

	June 30, 2015	December 31, 2014
	(Unaudited)	(Audited)
<b>ASSETS</b>		
<i>Current assets</i>		
Cash and cash equivalents	\$ 3,060	\$ 6,337
Trade receivables	12,568	9,168
Other receivables	689	939
Inventories	10,349	14,424
Prepaid expenses and deposits	599	229
Biological asset	7,719	4,698
Total current assets	34,984	35,795
<i>Non-current assets</i>		
Property, plant and equipment	97,962	101,430
Other assets	1,520	1,664
Total assets	\$ 134,466	\$ 138,889
<b>LIABILITIES</b>		
<i>Current liabilities</i>		
Trade payables	\$ 10,771	\$ 11,795
Accrued liabilities	3,687	3,651
Income taxes payable	-	426
Current maturities of long-term debt	4,409	4,418
Current maturities of capital lease obligations	27	26
Total current liabilities	18,894	20,316
<i>Non-current liabilities</i>		
Long-term debt	46,740	48,947
Long-term maturities of capital lease obligations	21	35
Deferred tax liability	7,040	7,774
Deferred compensation	892	817
Total liabilities	73,587	77,889
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	24,850	24,850
Contributed surplus	1,121	1,021
Accumulated other comprehensive loss	(357)	(210)
Retained earnings	35,265	35,339
Total shareholders' equity	60,879	61,000
Total liabilities and shareholders' equity	\$ 134,466	\$ 138,889



**Village Farms International, Inc.**  
**Condensed Consolidated Interim Statements of Income and Comprehensive Income**  
**For the Three and Six Months Ended June 30, 2015 and 2014**  
(In thousands of United States dollars, except per share data, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net sales	\$ 41,211	\$ 41,267	\$ 68,958	\$ 65,271
Cost of sales	(38,014)	(36,799)	(62,945)	(58,516)
Change in biological asset	1,486	(1,170)	670	(57)
Selling, general and administrative expenses	(2,923)	(3,328)	(5,867)	(6,455)
Income from operations	<u>1,760</u>	<u>(30)</u>	<u>816</u>	<u>243</u>
Interest expense, net	585	636	1,146	1,324
Foreign exchange loss/(gain)	18	(43)	126	(5)
Amortization of intangible assets	-	26	-	52
Other income, net	(14)	(5)	(24)	(22)
Income (loss) before income taxes	<u>1,171</u>	<u>(644)</u>	<u>(432)</u>	<u>(1,106)</u>
Provision for/(Recovery of) income taxes	<u>317</u>	<u>(194)</u>	<u>(358)</u>	<u>(332)</u>
Net income (loss)	<u>\$ 854</u>	<u>\$ (450)</u>	<u>\$ (74)</u>	<u>\$ (774)</u>
Basic earnings (loss) per share	<u>\$ 0.02</u>	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>	<u>\$ (0.02)</u>
Diluted earnings (loss) per share	<u>\$ 0.02</u>	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>	<u>\$ (0.02)</u>
Other comprehensive income (loss):				
Foreign currency translation adjustment	<u>53</u>	<u>-</u>	<u>(147)</u>	<u>-</u>
Comprehensive income (loss)	<u>\$ 907</u>	<u>\$ (450)</u>	<u>\$ (221)</u>	<u>\$ (774)</u>

**Village Farms International, Inc.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**For the Three and Six Months Ended June 30, 2015 and 2014**  
(In thousands of United States dollars, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
<b>Cash flows from operating activities:</b>				
Net income (loss)	\$ 854	\$ (450)	\$ (74)	\$ (774)
Adjustments to reconcile net income (loss) to net cash provided by/(used in) operating activities:				
Depreciation and amortization	2,102	1,910	4,180	3,736
Foreign exchange loss/(gain)	18	(43)	126	(5)
Net Interest paid	594	702	1,157	1,400
Share-based compensation	40	85	100	139
Deferred income taxes	(350)	(909)	(734)	(1,070)
Change in biological asset	(1,486)	1,170	(670)	57
Changes in non-cash working capital items	2,444	(647)	(3,210)	(8,551)
Net cash provided by/(used in) operating activities	<u>4,216</u>	<u>1,818</u>	<u>875</u>	<u>(5,068)</u>
<b>Cash flows from investing activities:</b>				
Purchases of property, plant and equipment, net	(419)	(1,411)	(947)	(6,115)
Other non-current assets and liabilities, net	58	31	291	87
Net cash used in investing activities	<u>(361)</u>	<u>(1,380)</u>	<u>(656)</u>	<u>(6,028)</u>
<b>Cash flows from financing activities:</b>				
Proceeds from borrowings	1,500	3,000	5,000	4,000
Repayments on borrowings	(6,101)	(1,042)	(7,200)	(2,084)
Interest paid on long-term debt, net	(594)	(702)	(1,157)	(1,400)
Payments on capital lease obligations	(7)	(7)	(13)	(13)
Net cash (used in)/provided by financing activities	<u>(5,202)</u>	<u>1,249</u>	<u>(3,370)</u>	<u>503</u>
Effect of exchange rate changes on cash and cash equivalents	(18)	43	(126)	5
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(1,365)</u>	<u>1,730</u>	<u>(3,277)</u>	<u>(10,588)</u>
<b>Cash and cash equivalents, beginning of period</b>	<u>4,425</u>	<u>6,350</u>	<u>6,337</u>	<u>18,668</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 3,060</u>	<u>\$ 8,080</u>	<u>\$ 3,060</u>	<u>\$ 8,080</u>
<b>Supplemental cash flow information:</b>				
Income taxes paid	<u>\$ 362</u>	<u>\$ 455</u>	<u>\$ 665</u>	<u>\$ 1,464</u>