

ASX ANNOUNCEMENT

25th February 2016

COSTA GROUP FINANCIAL RESULTS 1H FY 2016

Costa Group Holdings Limited (Costa; ASX: CGC), Australia's leading grower, packer and marketer of fresh fruit and vegetables today announced its financial results for the half year ended 27th December 2015 (1H FY2016).

1H FY 2016 Key highlights

- Strong first half result, underpinned by solid Revenue and EBITDA before SGARA growth
- Resilience of business model continues to be demonstrated
- Potential impact from several damaging hailstorms mitigated by protective cropping
- Challenging conditions in tomato category offset by performance in balance of portfolio
- Growth projects on schedule, including China Joint Venture Agreement signed by both parties

1H FY 2016 Financial results

- Pro forma revenue of **\$403.8m** – **12.7%** increase on 1H FY2015
- Pro forma EBITDA before SGARA **\$39.3m** – up **31.9%** on 1H FY2015
- Pro forma NPAT of **\$20.2m** and statutory NPAT of **\$0.6m**
- Leverage reduced from 1.7x to 1.4x at December 2015
- Strong free cash flow generation of **\$28.8m**, up 23% from prior year
- Interim dividend of 3.0 cents per share (record date 22 March, payment date 27 April 2016)

Costa Group CEO Harry Debney said the results reflect a productive first half for the company.

“Our overall performance demonstrates not only the resilience of our business model, but also our portfolio structure and our capacity to absorb individual category volatility in production and markets,” said Mr Debney.

Increased revenue was driven by revenue growth across the Produce categories (+18.9%).

In blueberries, diversified farming sites ensured availability for the full period with favourable pricing. This covered the shortfall resulting from the Corindi hailstorms.

“Despite our Corindi farm experiencing several damaging hailstorms during the period the financial impact was only moderate due to our strategic investment in protected cropping,” said Mr Debney.

Raspberry crop yields were strong and customer demand continues to support growth in this category.

In Citrus, yields and fruit quality were excellent and market conditions in export destinations were buoyant, supported by a lower \$A. The early season grape farm at Mundubbera performed above expectations.

Mushrooms achieved all production objectives, underpinned by yield improvements due to production refinements across the network.

Tomatoes experienced challenging market conditions due to favourable winter weather producing large field crops. This resulted in some price deflation across all sales channels, with snacking tomatoes still the best performing sub category. There were also sluggish supermarket sales resulting in excess supply on wholesale markets.

Costa Farms & Logistics revenue was impacted by weaker average banana pricing in the first 5 months of FY16 due to softer consumer demand during the winter months. Improved logistics earnings were achieved through better site utilisation and cost management.

Growth projects update

The second year of the Australian berry growth expansion project has been successfully completed on schedule, including projects in Far North Queensland, Western Australia, Tasmania and Corindi (New South Wales).

“This investment ensures Costa continues to grow its market volumes in blueberries, raspberries and in summer strawberry production. Importantly we now have consistent year round production of high quality blueberries,” said Mr Debney.

The new 10 hectare tomato glasshouse was commissioned in October 2015 and is now operating at capacity, with both 5 hectare compartments in full production. The launch of new products has been well executed but given the current tomato market landscape it will take longer to achieve targets.

International

The African Blue Joint Venture in Morocco is on track to complete additional plantings by end February 2016.

Costa and Driscoll's have now signed the China Shareholder Agreement (Joint Venture) which formalised an agreement for a berry production company operating in China to service the rapidly expanding Asian middle class appetite for high quality berries. Under the agreement Costa has a 70% ownership and Driscoll's 30%.

"This agreement builds on the successful equally owned Joint Venture in Australia which has grown to be the number one marketer of blueberries, raspberries, strawberries and blackberries in Australia. The first blueberry and raspberry farm has already been established in Yunnan Province with initial raspberry harvest in progress," said Mr Debney.

Outlook

The company reconfirms its profit guidance that the FY2016 prospectus pro forma forecast will be achieved, based on the current trading outlook. The company also reconfirms its intention to pay a fully franked dividend of 60% of full year pro forma NPAT.

For the first time, Costa's transacted sales are forecast to exceed \$1 billion in FY2016.

"Due to seasonality, growth project timing and international operations, performance will be more heavily weighted to the second half and, as noted, our domestic and international pipeline of growth projects are progressing to plan," said Mr Debney.

About Costa

Costa is Australia's largest grower, packer and marketer of fresh fruit & vegetables and operates principally in four core categories: berries, mushrooms, glasshouse tomatoes and citrus. Operations include approximately 3,000 planted hectares of farmland, 30 hectares of glasshouse facilities and seven mushroom growing facilities across Australia. Costa also has strategic foreign interests, with interests in five blueberry farms in Morocco and is currently developing a new berry farming operation in China.

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