

ASX ANNOUNCEMENT

25th August 2016

COSTA GROUP FINANCIAL RESULTS FY2016

Costa Group Holdings Limited (Costa; ASX: CGC), Australia's leading horticultural company today announced its financial results for the full year ended 26th June 2016 (FY2016).

FY2016 Key highlights

- Exceeded prospectus forecast earnings
- Continued to deliver on key domestic and international growth projects
- Strong performance from overall portfolio offset challenging market conditions in tomatoes
- Meaningful financial contribution from international segment reflective of ongoing growth and expansion
- Strong cash flow generation and growth capacity.

FY2016 Financial results

- Pro forma revenue of **\$809.0m** – **11.8%** increase on FY2015
- Pro forma EBITDA before SGARA **\$91.1m** – up **27.6%** on FY2015
- Pro forma NPAT of **\$49.3m** a **29.7%** increase on FY2015. Statutory NPAT of **\$25.3m**.
- Transacted sales exceeded **\$1 billion** for the first time
- Leverage reduced from **1.7x** to **1.1x** at June 2016
- Final fully franked dividend of **6.0 cents** per share (record date 28th September, payment date 26th October 2016). Full year fully franked dividend total of 9.0 cents per share.

Costa Group CEO Harry Debney said the results are evidence of the strength of the Company's business model.

"This year has seen Costa complete our first full financial year as a publicly listed company and while it is very pleasing to have exceeded our prospectus forecast earnings, the results also demonstrate the strength of our business model underpinned by our high quality diversified portfolio," said Mr Debney.

Revenue and transacted sales exceeded the prospectus forecast by 9.6% and 6.5% respectively, with stronger citrus and mushroom sales outweighing the impact from lower tomato and banana pricing. Revenue growth across the core produce categories was 18.7%.

Demand for mushrooms has been positive, with stable industry volume growth over the past year. As reported at the half year, Costa's growth has been driven by yield growth through production refinements.

Berries returned a solid performance despite the early setback in the first half due to three hailstorms at our New South Wales farms. Category growth has continued unabated, with an increase in raspberry volume largely driven by new Costa production volume coming onto the market.

"The contribution of raspberries to our produce performance has been exceptional this year and follows six years of continuous growth where raspberries now rank equally as significant as our blueberry crop," said Mr Debney.

Citrus delivered outstanding results through a combination of yield, quality and price. Export market demand was buoyant, particularly from the Japanese market, which resulted in 59% of the crop being exported. The early season grape farm in Queensland performed above expectations as did Costa's grape export program.

It was a challenging year in tomatoes, heavily impacted by price deflation. The new 10 hectare glasshouse which is focused on Snacking tomatoes and began operating in October 2015, has delivered better than expected yield performance.

As per the half year, Costa Farms and Logistics continued to improve earnings from distribution centres. There was some negative impact from banana price deflation, caused predominantly by industry oversupply, however bananas is not one of Costa's major categories.

International

FY2016 saw continued growth of our international segment, driven largely by the success of Costa's blueberry varieties in the UK and European markets, and Driscoll's use of Costa's varieties in the Americas.

The African Blue 2016 season exceeded expectations due to favourable growing conditions enabling a longer growing season. Transacted sales increased by 76.6% on FY2015.

"Expanding production in Morocco through our African Blue joint venture means that our blueberry varieties are now available in volume in the UK and Europe, with retailers routinely rating our varieties as preferred product, commanding a price premium", said Mr Debney.

Growth projects update

Costa continues with its Australian berry expansion projects, completing 76 hectares of new protected cropping plantings across Tasmania, Western Australia, Far North Queensland and New South Wales in FY2016. Yields and results to date have exceeded expectations.

“Due to the success of our berry growth projects, Costa now has greater than 50% of blueberry production outside of the main production period of August to December. This gives us a significant advantage over our competitors with a full 12 month market offer,” said Mr Debney

At the end of FY2016, African Blue has 208 hectares planted across five farms, including 13 hectares of substrate production. New Costa trial varieties are also being tested in Morocco, with the joint venture continuing to self-fund its growth in addition to payment of dividends to shareholders.

Costa’s China joint venture agreement with Driscoll’s was executed in January 2016, with Costa having 70% ownership and Driscoll’s 30%. A farm is established in Shiping, Yunnan Province, with the first raspberry harvest completed in early 2016 and the first blueberry harvest to occur in December to March in FY2017. A second China farm is currently being established in Manlai near the Burmese border.

During FY2016 a new citrus farm was acquired. The Pike Creek farm added another 109 hectares taking Costa’s citrus footprint to approximately 2,200 hectares.

FY2017 Outlook

FY2017 will see continued execution of the Company’s announced domestic and international growth initiatives.

The Company is projecting NPAT (pre-SGARA) growth at approximately 10% for FY2017.

Due to seasonality and the increased weighting of the Company’s international operations, performance will be more heavily weighted towards the second half.

A strong balance sheet supports continued organic growth and a disciplined M&A program.

“FY17 dividends will be balanced against our need to fund growth objectives, but indicatively will be in the range of 50-70% of NPAT (pre-SGARA)”, said Mr Debney.

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About Costa

Costa is Australia’s leading horticultural company 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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Forward Looking Information

Certain statements in this release constitute forward looking statements and comments about future events, including the Company's expectations about the performance of its businesses as at the date of this release. By their nature, forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company and which may cause actual results, performance or achievements to differ materially from those expressed or implied by such statements. Forward looking statements are provided as a general guide only, and should not be relied on as an indication or guarantee of future performance. No assurances can be given that any forward looking statements referred to in this release will be realised. Any forward looking information speaks only as of the date of this release. Past performance is not indicative of future performance and no guarantee of future returns is implied or given. Nothing contained in this release is a promise, representation, warranty or guarantee as to the past, present or the future performance of the Company. The Company makes no representation, and gives no assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this release will occur or that any assumption that underpins any forward looking information is reasonable. Nothing in this release is a solicitation, invitation, advice or encouragement to buy, sell or hold shares in the Company.