



19 November 2015

Australian Stock Exchange  
Company Announcements Office

Dear Sir/Madam

**Costa Group Holdings Ltd (ASX: CGC) – addresses to 2015 AGM**

Attached are the addresses of the Company's Chairman and CEO that will be delivered at the Company's AGM today, together with the accompanying presentation slides.

Yours faithfully

**David Thomas**  
**Company Secretary**

**Costa Group Holdings Ltd  
Annual General Meeting  
KPMG Theatre  
147 Collins Street, Melbourne  
19<sup>th</sup> November 2015, 3pm**

**CHAIRMAN'S SPEECH - MR NEIL CHATFIELD**

In June 2015 I assumed the role of Chairman of your company, taking over from our previous Chairman Frank Costa. During the last year there were also four directors who ceased their directorship of the Company, namely Robert Costa, Angelos Dassios, Greg Hunt and Bruno Ferrari.

I would like to thank them all for their service and acknowledge their contributions to the growth of our Company.

In particular I would like to note the contribution made by Frank and Robert Costa who have both played a significant role in building the Costa business into the success that it is today. Thank you Frank and Robert.

As Australia's biggest horticultural business, Costa currently has approximately 3,000 planted hectares of farmland, 30 hectares of glasshouse and seven mushroom growing facilities across Australia. The Company also has international operations, with blueberry farms located in Morocco and is currently establishing a new berry farm in China.

Costa is the number one supplier in Australia in its four core categories of berries, mushrooms, glasshouse tomatoes and citrus.

Financial year 2015 was very much a defining year for Costa, with the Company undertaking significant work on the initial public offering of shares in the Company which was successfully completed with our ASX listing in late July.

I am delighted to advise that the Company achieved its prospectus forecast for financial year 2015.

Costa's total pro forma revenue of \$723.5 million exceeded prospectus forecasts as did pro forma EBITDA of \$71.0 million and pro forma Net Profit After Tax of \$38.3 million.

Importantly 75% of our produce earnings in financial year 2015 were generated from our protected cropping activities, giving the Company a high degree of earnings certainty and protection from external risks, such as adverse weather events.

Costa is tracking well against its financial year 2016 prospectus forecast of pro-forma Net Profit After Tax of \$47.6m with the Board currently targeting a dividend of approximately 60% of pro forma NPAT in respect of the 2016 year.

Financial year 2015 also saw significant progress made by the Company with respect to its current growth strategy, targeted in our glasshouse tomato and berry categories.

The new \$60 million ten hectare tomato glasshouse in Guyra northern New South Wales was completed with the first crop harvested in October 2015.

There has been major expansion of our berry production across both domestic and international sites. Our Australian berry footprint now extends across four states, including New South Wales, Tasmania, Queensland and Western Australia.

This footprint builds on and consolidates the Company's position as Australia's largest blueberry and raspberry grower. It also positions the Company as being able to supply the Australian market year round with berries.

Internationally, the Company has expanded its hectares under planting in Morocco as part of our African Blue joint venture, having 182 hectares at the end of financial year 2015. Importantly these hectares are all protected.

Costa continues to strengthen its position in supplying the growing European berry market and we have the advantage of our Moroccan blueberries being available for harvest six weeks ahead of the main growing regions in Spain.

Work has also commenced on establishing a blueberry and raspberry farm in Yunnan Province, China which is expected to supply the burgeoning Asian middle class market.

Ladies and Gentlemen, the Company has an exceptional management team with the skills and industry experience to successfully implement our growth strategy.

This includes our on farm personnel who are able to draw upon many decades of practical know-how and are acknowledged as industry leaders with respect to product innovation supported by well-resourced research and development.

I want to acknowledge the enormous work done by our CEO Harry Debney and his team in not only delivering on our growth strategy but also in preparing the Company for the initial public offering and its successful execution.

In recognition of the high value we place on our people, Costa is committed to performing the best it possibly can with respect to the health and safety of our workforce and contractors. Costa promotes a zero tolerance culture, where the risk of harm to our people is unacceptable.

During financial year 2015 there was a consolidation of the Company's Workplace Health and Safety framework into a truly national health and safety system applied uniformly across the business.

The development of this new system was mapped to Australian Standard 4801, covering the key elements of policy, compliance, governance, risk management, incident investigation and workplace preparedness.

Through our Company's footprint, which includes operations in every state of Australia and in a large number of regional and rural communities, Costa plays a major role in the economic and social sustainability of these communities.

We do not take this responsibility lightly and we recognise that we rely just as much on these communities for our success as they do on our presence to generate economic activity, including employment opportunities.

The key to these relationships is of course our employees, those who work, live and raise their families in the communities that we operate in.

Throughout financial year 2015 Costa continued its involvement with these local communities, through supporting various community and sporting organisations.

Of particular note was Costa's support for the building of a helipad at the Guyra Base Hospital. Costa was pleased to support The Rotary Club of Guyra's efforts to build a helipad at the hospital by contributing a \$17,000 donation.

As one of the largest local employers in the Guyra area, our employees and their families rely heavily on their local hospital. The ability to provide air ambulance services to and from the hospital is vital and it will ensure the local community has the best possible access to emergency health services.

The Company also continued its proud association with Foodbank, a non-profit organisation which supplies food to those charities and community groups who feed the hungry. In financial year 2015 Costa donated almost 390,000 kilograms of produce to Foodbank Australia wide.

As I mentioned earlier, financial year 2015 has truly been a defining year for our Company. On behalf of our board I want to thank you for the confidence and trust that you have shown through your investment in Costa.

Before closing I am compelled to address certain issues raised by a proxy advisor in its voting recommendations to institutional shareholders. In particular this relates to my classification as a "non-independent" director. This classification is based solely on my role as a director in the period leading up to the IPO.

Any suggestion that I am not independent is absolutely refuted and simply not supported by the facts. In addition it was reported that I hold four public company directorships, including three chairmanships and therefore I am in excess of an arbitrary limit on the number of roles which a director can effectively undertake.

I do not hold three chairmanships and more importantly at all times I ensure that I am able to commit all necessary time and effort to the company.

Although it's early days in terms of our being a publicly listed Company, we have an experienced Board and management team who are committed to continuing to get the runs on the board by way of financial results in order to build on the trust and confidence that you have shown in the Company.

I would now like to ask our CEO, Harry Debney, to speak in more detail about our achievements and activities over the past financial year.

Thank you.

## **CEO's SPEECH – MR HARRY DEBNEY**

Before I begin, I would like to play for you a video about Costa which was filmed earlier this year and which I believe will give you an excellent insight into our business and the breadth of our operations.

Ladies and gentlemen our financial year 2015 results are evidence of the strength of our business model and the clear and robust growth strategy that the Company has embarked upon, and will continue to execute over the coming years.

I concur with the comments of our Chairman who has noted that financial year 2015 has been a defining year for our Company in which we completed the groundwork for our successful IPO which launched in late July.

We also achieved a number of milestones, further delivered on our growth strategy and continued to position and grow our core produce categories.

I can say with a high degree of confidence that the Board, management and employees all have a genuine passion and commitment to the Company's performance and success.

Over the last five to six years we have established a portfolio of attractive high market value fresh produce categories, underpinned by four core categories in which we are the market leader, namely berries, mushrooms, glasshouse tomatoes and citrus.

There is considerable potential for further domestic market growth in our core categories coupled together with international growth opportunities through our investments in Morocco and China.

Our key customers, the major supermarket retailers continue to expand their market share and Costa's farming footprint which is supplemented by third party supply enables us to deal directly with these customers.

Consumer trends towards healthy eating, convenience packaging and seeking out trusted brands is also a positive dynamic for Costa.

Over recent years, our primary focus has been on achieving year round production through geographical reach, varietal mix, superior intellectual property and agronomic expertise. The benefit of 52 week supply is that it removes seasonality, maintains consumer reach and smooths cash flows.

By engaging in active risk management and growing more of our crops in a protected environment, last year 75% per cent of our produce related earnings came from protected cropping.

We also seek to be constant innovators drawing both on our own existing varietal IP and being a leader in the application of new production methods. Costa has an active R&D program across all of our categories and this delivers new product innovation, production efficiencies and enhanced post-harvest performance.

By way of example the majority of our berry crops are now being planted in substrate and under permanent tunnels. Substrate growing utilises a drip irrigation system and optimised water and nutrient use, meaning there is no water waste, minimal run-off and no contamination of water sources. Because the plants are grown above the soil this also eliminates soil degradation and guards against the risk of disease.

Most importantly it provides for a better yield which is achieved in a quicker time. This means we generate a return on our investment for our shareholders, in a shorter period of time than if we were undertaking conventional soil plantings.

Over the past year we have made significant progress on implementing our growth program which includes four major projects focused on growing our tomato and berry categories.

In tomatoes, we completed construction of our new 10 hectare glasshouse at Guyra which will further grow the sweet snacking tomato segment. As a result of this growth project, the Company now has 30 hectares of glasshouse, further cementing Costa as one of the top glasshouse tomato growers in Australia.

The new glasshouse will produce snacking tomato products exclusive to Costa, including Super Tom, Perino Gold, Bellino, Sweet Delights, Sun Delights and Goldens.

In our berry business, there are three major growth projects encompassing both domestic and international initiatives.

On the domestic front, a significant expansion program over three years and begun in financial year 15 is underway, with an additional 193 hectares of berries to be planted.

Once completed, this will see an increase in planted hectares of more than 40% to 660 hectares achieved over the life of the planting program.

On a further positive note, I can confirm that our financial year 15 plantings were completed on schedule and on budget.

The additional hectares coupled together with new packing and cold storage facilities in Far North Queensland and Tasmania will further grow the berry market and fill out selected production window gaps enhancing our capacity to provide 52 week, year round supply into the Australian market.

Year round supply is principally made possible by the extensive farming footprint, new varieties and geographical spread that we have, with berry farms in New South Wales, Far North Queensland, Tasmania and Western Australia.



With respect to our international growth projects, we now have 182 hectares of blueberries planted in Morocco under our African Blue Joint Venture and we have commenced blueberry and raspberry plantings in Yunnan Province, China through our new joint venture established with Driscoll's.

The African Blue Joint Venture was formed in Morocco in 2007 and it utilises Costa's own blueberry varieties for the growing and supply of blueberries into the European market.

As part of the African Blue Joint Venture, Costa also generates an income stream from royalties for the use of our varieties. African Blue is planting a further 90 hectares by financial year 17 in Morocco and we expect this growth to be funded out of the Joint Venture's own operating cash flow in addition to being able to pay dividends to its shareholders.

In 2014, Costa entered into a Memorandum of Understanding with Driscoll's for the formation of a berry farming joint venture in China. Plantings have now commenced in Yunnan Province, located in South Western China, and we will have the initial 25 hectares planted by the end of 2016.

The aim is to farm blueberries and raspberries for sale into the Asian market, fuelled by China's burgeoning middle class, which according to research by Credit Suisse now numbers more than 100 million Chinese.

The four key growth projects that I have updated you on will play a pivotal role in Costa continuing to grow its market share in these fresh produce categories and to further develop our European market share and to establish a foothold in the developing Asian consumer market.

As our Chairman has pointed out Costa promotes a zero safety tolerance culture, where the risk of harm to our people is unacceptable.

The Executive team has reinforced its commitment to promoting health and safety in our workplaces and further embedding a safety culture through continuing in 2015 the 'Executive Health and Safety Roadshow', where members of our Executive team visited our sites to emphasise and reinforce senior management's commitment to our three pillars of safety.

I am pleased to report that the lost time injuries frequency rate during financial year 2015 fell by 17 per cent and the number of active workers compensation claims decreased by 22 per cent.

Costa has a talented and experienced workforce many of whom are acknowledged as leaders in their field. When we describe our people as our greatest asset we mean it and we seek to actively support and foster their professional development.

The Company holds an annual Costa Awards night at which we bring together many of our key personnel from all over Australia. This is an important part of Costa's culture, with the Awards having been established some years ago by the Costa family.

The Awards are not only an occasion to recognise those who have excelled in such areas as customer service, research and development and workplace health and safety, it is also an excellent opportunity for them to catch up with colleagues and to share their knowledge and experiences.

A key feature of the Costa Awards are the Adrian Costa Scholarships, each worth \$10,000 which are awarded to employees in recognition of outstanding service to the Company and the future leadership potential demonstrated by the particular individual. The scholarships are used by the recipients to further their professional and leadership development, most often through further study.

Costa has also identified the need to develop those people presently outside of our business and the agricultural sector. In recognition of this, Costa has commenced a programme of awarding scholarships to students from the North West of Tasmania to study agricultural science at the University of Tasmania in Hobart.

Commencing from the academic year 2016, over the next four years Costa will award one scholarship per year to the value of \$10,000 per annum for a local student from the North West Coast to undertake a four year agricultural science degree. Successful applicants will be entitled to \$40,000 in total over the life of the degree.

Before I move on I want to acknowledge the tremendous work done by all of our employees and their genuine commitment to our Company's core values of passion, sincerity, determination, accountability and respect. Our people live by and practise these values every day and I believe it makes for and builds a culture of success.

The efforts of the Executive and finance team in preparing the Company for its initial public offering also needs to be recognised and I want to acknowledge and place on the record my thanks for their contribution toward its successful execution.

Ladies and gentlemen I spoke briefly before about the fact that in financial year 2015 the Company generated 75% of its produce revenue from protected cropping. We have strongly focused on produce categories that have the potential for protected cropping.

In addition to our glasshouse tomatoes and mushrooms, a significant portion of our berry plantings are now protected.

This is a key part of our growth and risk management strategy, in particular the protection it provides from the adverse impact of extreme weather events.

Many of you will be aware that in recent weeks there were severe hail storms in the Coffs Harbour region which also includes our largest berry growing farm at Corindi. I am pleased to report that the impact of the hail storms on our crops was only moderate and is not expected to impact on the Company's ability to meet its full year earnings forecast. This is because our entire raspberry crop at Corindi is protected and likewise a large part of our blueberry crop.

We see this as very much a vindication of our decision to expand our protected cropping and to proactively address a significant element of risk for not only ours but for any agricultural Company.

Moving now to our key achievements over the last year and I will start with our financial performance.

We have delivered a robust financial performance, achieving, and in several areas exceeding, our Prospectus forecast, including revenue, EBITDA before SGARA, Net Profit After Tax and cashflow.

Our pro forma Net Profit After Tax of \$38.3 million was 1.3 per cent ahead of our prospectus forecast. Likewise our statutory NPAT was 2.9 per cent ahead of forecast.

Pro forma revenue increased by \$61.2 million to \$723.5 million from the prior year due primarily to stronger results in the Produce segment.

This was \$19.1 million above Prospectus forecast with uplift across all Produce categories, except tomatoes which was impacted by weaker truss tomato prices over the last quarter of the year.

The Costa Farms and Logistics segment achieved strong trading growth, offset by the expiry of the Coles logistics services contract at Eastern Creek.

Pro forma EBITDA before SGARA increased by \$0.8 million from the prior year to \$71.0 million. This was due to strong underlying earnings growth across the Produce and international segments.

The international segment growth was driven by African Blue and increased royalty income from licensing of Costa's blueberry varieties.

Finally our pro forma cash flow conversion was strong at 74%.

Other notable achievements in financial year 2015 included Produce pro forma revenue increasing by \$48.8 million on FY14.

A key driver of this was overall sales volume growth across the berry category supported by our ongoing farm expansions and continued implementation of our growth strategy. Our market share via our Driscolls Australia Joint Venture, including our own farms and third party growers now stands at 77 per cent of the Australian blueberry market and 91 per cent of the raspberry market.

There was also volume growth with new sweet snacking and cocktail tomato varieties launched in advance of our new glasshouse being completed.

In our mushroom category there was moderate production volume growth and stronger wholesale market prices. Market data shows there has been 7 per cent growth in the mushroom market over the past 12 months.

Finally in our citrus category, there was a strong start to the season which has continued into Financial Year 16 and a better than expected contribution from the new Amaroo citrus farm which added an additional 292 hectares to our total citrus plantings.

Our financial year progress to date is tracking well and the percentage of our Produce revenue to be generated from protected cropping will increase from 75 per cent to 80 per cent.

We have almost completed our Financial Year 16 berry planting program which will further enhance our capacity to provide 52 weeks supply to the Australian market.

By the end of Financial Year 16, our African blueberry plantings will have increased from 182 hectares to approximately 225 hectares, allowing us to further develop and grow our Moroccan footprint.

Finally Costa reconfirms its Financial Year 16 prospectus forecast of Pro forma EBITDA before SGARA of \$90.4 million and Net Profit After Tax of \$47.6 million.

This increase is predominantly driven by the well advanced growth projects, along with performance across the existing produce segment.

In conclusion I would like to thank the Board for its continued support of management and also thank the whole Costa team for their passion and commitment to making our Company successful and delivering strong financial results.

Thank you.



# Costa Annual General Meeting

19 November 2015





# Achievements

## FY15

- ✓ FY15 has been a defining year for our Company
- ✓ Achieved a number of milestones
- ✓ Continued positioning to further grow our core produce categories
- ✓ Successfully completed IPO
- ✓ Delivering on growth strategy
- ✓ Board, management and employees all have genuine passion and commitment to Company's performance



# Company positioning

---

- Portfolio of attractive fresh produce categories
- Integrated farming, packing and marketing operations
- Active risk management – 80% protected cropping, portfolio, geographic diversity
- 52 week production via geographical reach, varietal mix and agronomic expertise
- Product and process IP as a key differentiator
- #1 market position in core categories with high market share
- Largest fresh produce supplier to the major Australian retailers – Woolworth's, Coles and Aldi



*Devonport strawberry farm, TAS*



# Growth Projects

## Australia

---



- **Tomato glasshouse – completed**
  - Harvested from October 2015
  - New exclusive products for our customers – Super Tom, Perino Gold, Bellino, Sweet Delight, Sun Delights and Goldens



- **Berries – on schedule**
  - 193 hectares, or **42% increase** to 660 hectares across farms in four states
  - FY2015 plantings completed, and FY2016 plantings substantially completed
  - Project aims to further grow the berry market and fill out selected production window gaps, for **52 week supply** of berries to the Australian market
  - Initial results from new Far North Queensland and WA have exceeded expectations



# Growth Projects

## *International*

---



### African Blue

- Joint Venture formed in 2007 to supply European market
- Utilises Costa's own blueberry varieties
- **182 hectares** now planted, further 90 hectares by FY17
- Expect growth to be funded out of Joint Venture's own operating cash flow in addition to paying dividends to shareholders

### China

- Entered into MOU with Driscolls in 2014
- Have commenced plantings of blueberries and raspberries in Yunnan Province (South Western China)
- Initial **25 hectares** to be planted by end of 2016
- Selling into Asian market, fuelled by China's burgeoning middle class

# People

## *Health and Safety*

### Promoting Zero Safety Tolerance

#### FY15 highlights

- Executive Health and Safety Roadshow
- **17% reduction** in Lost Time Injuries Frequency Rate
- Number of active workers compensation claims **down by 22%**

### 3 PILLARS OF SAFETY



#### TO PROTECT

- To look out for your work colleagues  
To point out any work practice you think is unsafe
- To treat company plant & equipment as if it were your own
- To prevent damage being done to our sites/properties

#### TO IMPROVE CULTURE

- To create and maintain a workplace where people feel safe at all times
- To create and maintain a working environment where people feel comfortable to raise safety concerns

#### TO BE THE BEST

- To continually strive to improve our people behaviours, knowledge and systems
- To achieve safety outcomes that set high standards and benchmark among the best in our industry



### COSTA WHS STRATEGY

# People

## Costa Awards



### People our greatest asset



Important part of our Company culture with Costa Awards established by the Costa Family



Adrian Costa scholarships worth **\$10,000 each**



Recognition of outstanding service to the Company from current and future leaders



Acknowledging excellence in research and development, customer service, workplace health and safety

### Building a future skills base



University of Tasmania scholarships, commencing academic year 2016



Developing potential employees and local skilled workforce



Targeted at North West Tasmania students



Focus on agricultural science degrees



Costa Awards, 2015.



# Protected Cropping

## *Corindi hailstorm*

---



### Strong focus on protected cropping

- 75% of produce revenue in FY 15 generated from protected cropping
- Glasshouse tomatoes and mushroom fully protected, with significant portion of berry plantings now also protected
- Key part of growth and risk management strategy
- Provides protection from extreme/adverse weather events



### Impact of Corindi hailstorms

- Impact was moderate
- Entire raspberry crop protected and large part of blueberry crop
- Vindicates decision to expand and focus on protected cropping activity

# Key FY15 achievements

## *Financial performance*

### Pro Forma Net Profit After Tax

- **\$38.3 million** – 1.3% ahead of prospectus forecast
- Statutory NPAT of **\$4.6 million**

### Pro forma revenue

- Increased by **\$61.2 million** to **\$723.5 million** - \$19.1 million above prospectus forecast
- Uplift across all produce categories but impacted by weaker truss tomato prices and completion of Coles logistics services contract at Eastern Creek

### Pro forma EBITDA before SGARA

- Increased by **\$0.8 million** to **\$71.0 million**
- Strong underlying earnings growth across produce and international segments
- International segment growth driven by African Blue and increased royalty income from blueberry licensing



# FY16 forecast

## *Financial*

---

Tracking well against FY 16 forecast

- Pro forma EBITDA of \$90.4 million
- Net Profit After Tax of \$47.6 million

Driven by well advanced growth projects and performance across existing produce segment



# Important notice

**Important notice and disclaimer:** This presentation contains a general summary of the activities of Costa Group Holdings Ltd (**Costa**), does not purport to be complete and is to be read in conjunction with all announcements filed with the Australian Securities Exchange (**ASX**). Information in this presentation is current as at the date of this presentation (19 November 2015) and remains subject to change without notice. Costa does not warrant the accuracy, adequacy or reliability of the information in this presentation. To the maximum extent permitted by law, none of Costa, its directors, employees or agents accept any liability arising out of fault or negligence, for any loss arising from the use of or reliance on information contained in this presentation by any person.

**Not an offer or financial product advice:** This presentation is not investment or financial product advice or any recommendation (nor tax, accounting or legal advice) and is not intended to be used as the basis for making an investment decision. In providing this document, Costa has not considered the objectives, financial position or needs of any particular recipients. Each recipient should consult with its professional adviser(s), conduct its own investigation and perform its own analysis in order to satisfy themselves of the accuracy and completeness of the information, statements and opinions contained in this document. This presentation does not constitute an offer to issue or sell securities or other financial products in any jurisdiction. The distribution of this presentation outside Australia may be restricted by law.

**Forward looking statements:** This presentation contains forward looking statements and comments about future events, which reflect Costa's intent, belief or expectation as at the date of this presentation. Such forward looking statements may include forecast financial and operating information about Costa, its projects and strategies and statements about the industries and locations in which Costa operates. Forward looking statements involve inherent known and unknown risks, uncertainties and contingencies, both general and specific, many of which are beyond Costa's control, and there is a risk that such predictions, forecasts, projections and other forward looking statements will not be achieved. Forward looking statements are provided as a general guide only and should not be relied on as an indication, representation or guarantee of future performance or activities. Costa does not undertake to update or review any forward looking statements.

**Past performance:** Past performance should not be relied upon as (and is not) an indication or guarantee of Costa's future performance or condition.