costa
fresh is our passion

Costa Group
Holdings Limited
ASX:CGC

‘Managing the Unpredictable’

UBS Australasia Conference

13th November 2017

Managing the unpredictable – today's conference theme

- Sustainable success in agriculture equals being able to manage the unpredictable.
- Number of issues to be pro actively managed - weather including the impact of climate change, usage of energy and water, geographical and product diversity and market volatility.
- Must be agile, innovative and active in implementing change.
- Difficult to 'Predict the Unpredictable', however we must always anticipate and prepare for it.

Costa

The Costa business model can be simply stated as:

- Portfolio of five attractive fresh vertically integrated produce categories – mushrooms, berries, citrus, glasshouse tomatoes and avocados
- Integrated farmer, packer and marketer
- Active risk management, circa 65% protected cropping, portfolio and geographic diversity
- 52 week production via geographical reach, varietal mix and agronomic expertise
- Product and process IP as a key differentiator
- Number one market position in core categories with high market share
- Expanding international business by leveraging core competencies and
- Strong retail focus - largest fresh produce supplier to the major Australian retailers – Woolworths, Coles and Aldi





Managing Climate Change – Protected Cropping

- Responded and adapted to climate change by altering our risk profile.
- In a number of categories moved from traditional open field agriculture, to more of an industrial agronomic system.
- Selection and rapid scaling up of protected cropping activity - including mushrooms, berries and glasshouse tomatoes.
- Managing risk but also improving yield & quality.

Reducing Risks of Unprotected Cropping

Citrus farming has historically been unprotected.

Over 24 hectares of permanent protective net structures covering mandarins and persimmons in the Riverland of South Australia.

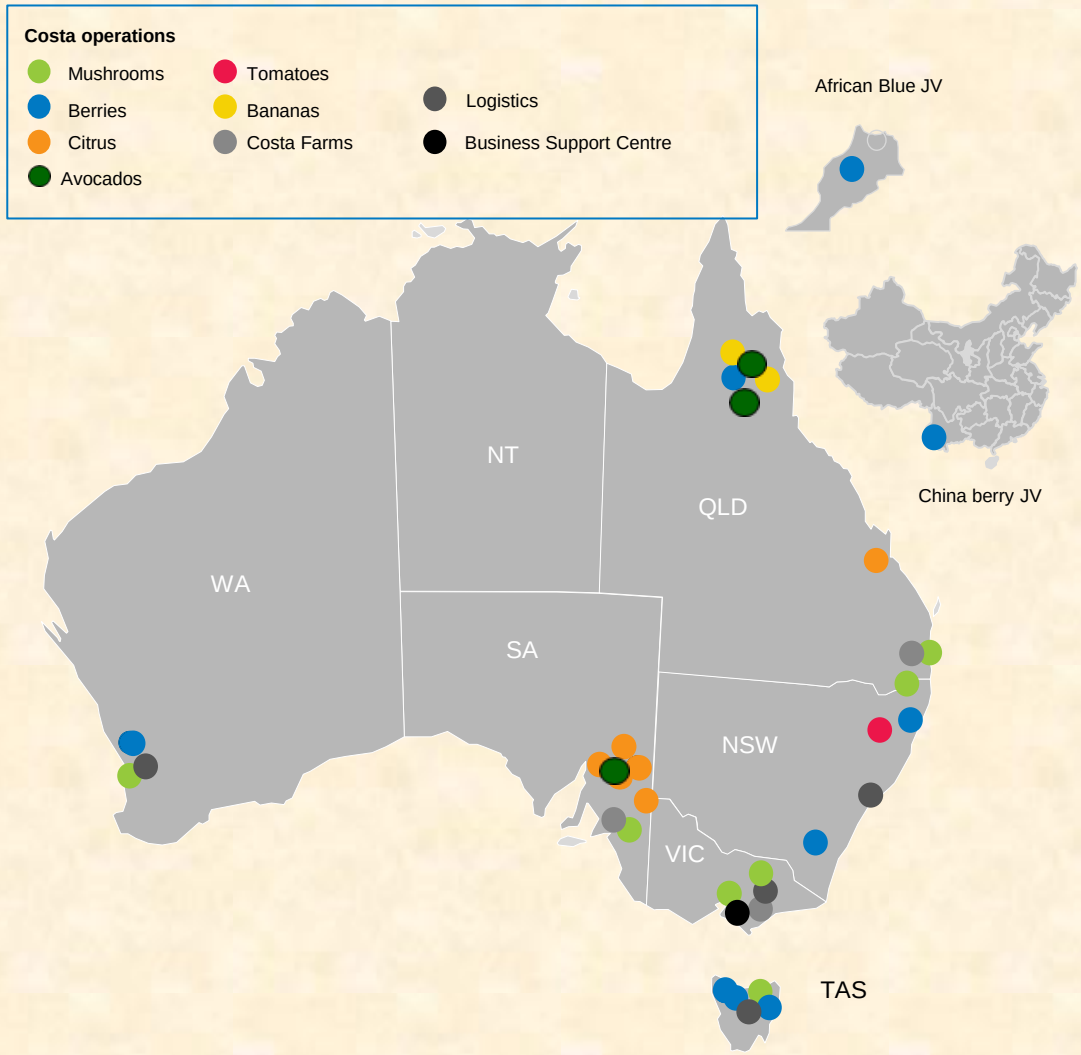
Main benefits :

- Reduces water usage by 10% to 20%.
- Minimises fruit damage from wind, higher % of first grade fruit increases average price.
- Stops bees from pollinating afourer mandarins, reducing the seed count and increases marketability.
- Protects trees and crop from hail events, reduces sunburn on the fruit.

A further 20 hectares of permanent netting over our early season table grape farm at Mundubbera in QLD.

Geographical and Product Diversity

- Focused on a wider geographical dispersal of our production sites.
- Reduced previous reliance on a small number of locations, spread harvest periods to 52 weeks in most categories.
- Blueberries grown across five regions in four states – New South Wales, FNQ, Tasmania and Western Australia.
- Strength in product diversity across five core produce categories.
- Vertically integrated - control production, post-harvest, supply and marketing.



Innovation in Agronomic Practices - Substrate Production

- Continually exploring new ways to improve crop yield through innovative agronomic practices.
- Early global adopter of substrate hydroponic production of raspberries. Now a world leader in using this agronomic technique to grow blueberries.
- Continued refinement and new learnings.

- Changed blueberry production technique from 'in soil' growing to substrate.
- Yield in first year of substrate planting equal to that of 'in soil' yield after three years.
- Today all Australian and Chinese blueberry growth plantings are in substrate, also converting replant crops to substrate.

Reliability of Energy Supply

Reliability and certainty of energy supply is more important than cost in our business.

Generators

- Five backup generators at largest mushroom facility in Mernda, Victoria.
- Removes the risk of power outage incidents which could destroy up to seven weeks of crop for each incident.
- Tomato glasshouses at Guyra NSW and mushroom facilities in South Australia and Western Australia also have backup generators to run entire sites.

Reliability of Energy Supply

Solar

- Already using solar to power irrigation pumps at largest berry farm.
- Reviewed solar power options across a number of sites.
- Focus on South Australia. Solar farm to be installed at South Australian mushroom facility.
- 2,000KW capacity. Initially will complement power from the grid.

Batteries

- Investigating economics of batteries to provide on-site storage capability and enhance energy security.

Water Use and Management

Capture

- State of the art 10 hectare glasshouse producing snacking tomatoes has a closed water cycle, does not require any water sourced external to the site.
- Capture rainfall from glasshouse roofs, buildings, hard stands and land within a defined site perimeter. Large holding dams to store captured water.
- Recycling of water and nutrients from the glasshouse - micro filtration to purify water for use.

Efficiency

- Citrus farms utilise cutting edge drip fertigation technology.
- Enviro scan probes monitor moisture.
- Technology is used to determine if there is under irrigating (causing stress) or over irrigating (wasting water).
- Enables informed decisions in applying precise water and nutrient amounts.

Recycling

- Installation of a waste water treatment plant at largest mushroom farm at Mernda in Victoria.
- Captures approximately 1ML of waste water per week which is recycled and reused.
- Reduced site usage of potable mains water by up to 40%.

Costa's vertically integrated business model is strategically designed to achieve sustainable competitive advantage and manage agricultural risk

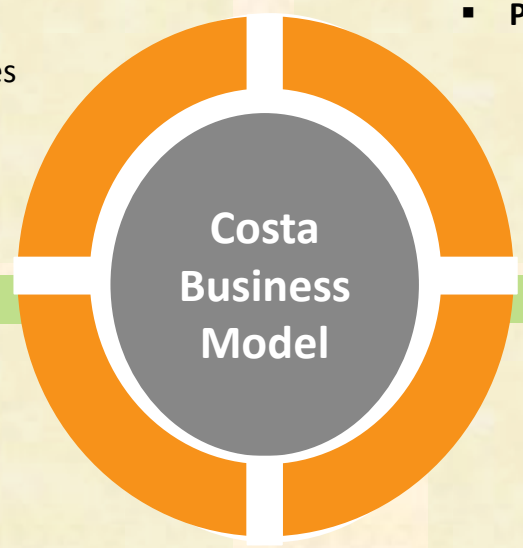
Our values and people culture underpins the model and is the main success factor

Diversification

- Diversified category **portfolio** with scale and market share
- **Vertically integrated** produce operations
- **Geographic spread** of production
  - National Australian footprint across the 6 states
  - International berry footprint (Morocco, China)
- Royalty income streams
- Multiple sales channels (domestic & export)

IP, technology and people

- **Superior product genetics,** both developed internally and through partnering arrangements (eg Driscoll's, Syngenta, Sunworld, Amycel)
- Costa pursues a 'lowest cost' mindset
- Efficient production techniques
  - Modern farming, harvesting and irrigation technology
- Post-harvest and product quality discipline
- Product innovation and branding



Protected cropping

- Costa focuses on core produce categories that have the potential for protected cropping to mitigate environmental risk
- **Protected cropping** techniques across a number of key categories (~75% of product related earnings in FY17)
  - Growing indoors, in glasshouses, under tunnels & permanent netting, and in substrate manages risk and **improves yield & quality**

Year-round production

- Costa has invested in produce categories that are **large scale** and have the potential for year-round supply
- **52-week supply** removes seasonality, maintains consumer reach and smooths cashflow
- Achieved by production methods, varietal selection and geographic spread
- Marketing programs aligned to supply patterns

Discussion


SCARLOTTA SEEDLESS
AUTUMN CRISP
SLICED MUSHROOMS
300 g
ARTISAN
SABROSO
lady fingers
Driscoll's
blush
perino