

Chairman's Speech

Ladies and gentlemen before I comment on the company's performance over the last year, I want to make special mention of the recent passing of Frank Costa, AO.

I and many others at Costa Group had the privilege of working with Frank, this included under family ownership, private equity, and public ownership.

The Frank we all knew and so greatly admired was someone who along with his brothers, took what was a retail fruit and vegetable shop in Geelong and grew it into a business which is today recognised as a global leading fresh produce company.

Frank was a person of enormous integrity and his word was his bond. It was Frank who established and instilled the values that have so greatly contributed to Costa's success. He was someone who placed great store in a person's character and as is well known his mantra was 'hire for character and train for skill.'

Frank leaves an enormous legacy which not only includes this company and the Geelong football club, but also the many other charitable and community causes that he supported over the years. There are so many people who have benefited from not only his financial generosity, but also his generosity of spirit.

On behalf of the board and entire Costa Group I wish Frank's wife Shirley and the Costa family our sincerest condolences and best wishes.

On that somewhat sombre note I now move on to the company's performance. As we all know, 2020 was a year like no other, presenting challenges to our business, our economies, and our communities. I would firstly like to recognise and thank each and every one of our employees, who continue to show great resilience and dedication. We could not have asked more from our people during these unprecedented times.

With agriculture declared an essential industry, Costa continued operating during the various lockdowns and border closures. We managed and executed a COVID action plan which mitigated the risk of any cases within our business and the community and ensured we could continue our day-to-day operations.

For the 2020 financial year, Costa delivered a \$59.4 million underlying Net Profit After Tax (before fair value movements in biological assets, the effect of AASB 16 Leases and material items - NPAT-SL), representing an increase of 108.4% over the prior year.

The total dividend payment for CY20 was 9.0 cents per share, fully franked.

This was a very pleasing result, demonstrating the strength and resilience of our business model. Costa Group finished the 2020 year with a strong balance sheet and a capacity to continue our long-term growth agenda, with both organic and in-organic opportunities being pursued.

Our international segment, which includes berry growing operations in Morocco and China, continues to grow and increase its earnings contribution as was evidenced by its strong performance in 2020.

Costa blueberry genetics will drive us toward our goal of 52-week supply from Africa into the UK and European markets, with initial licensing of genetics to growers in South Africa and Zimbabwe. We will also increase our own plantings in the south of Morocco at Agadir where blueberries are being harvested from late November.

In China, the burgeoning middle class, which numbers more than 230 million people, is fuelling demand for premium berries and we are well positioned to benefit from this. In 2020, we also extended our supply focus into South West China, which has a population of circa 220 million people, and we continue to work closely with our Joint Venture partner Driscoll's to better understand market needs and conditions.

We are continuing to develop world-leading IP and technology as we strive to create superior product genetics. Through our sub-tropical and tropical blueberry breeding programs, we are identifying and trialling new varieties, including those suited to low latitude environments.

We also have a number of important capital projects in progress, including both acquisitions and organic growth. In March, the company announced the acquisition of KW Citrus orchards located in the Sunraysia region. This is a high-quality citrus asset, and it increases our capacity to supply citrus into premium exports markets, including Japan, where the company has spent the better part of two decades establishing our presence in this market.

The Board also approved the recommencement of the construction of tomato glasshouse four and the new nursery at our New England Highway site in Guyra, northern New South Wales. Water efficiency together with improved water security are key factors in being able to continue our operations in this area and consistent with this, our new glasshouse will be water self-sufficient and will include increased water capture capacity on the site, and recycling of crop water to be reused in the growing process.

A further exciting project is the commercialisation of protected substrate avocado cropping. Sean will speak to this in more detail, but this is world leading and all going to plan will be a real game changer in the way avocados are grown.

Fellow shareholders, the agriculture sector and global environment in which we compete necessitates that we are agile and proactive. We must continually look to identify and execute initiatives that promote the sustainable medium to long term profitability of the business and maximise returns.

The Board and management have taken some important recent steps in acknowledgement of this, including the establishment of a new Board committee, namely the Horticultural Innovation and Technology Committee.

The Committee comprises three independent directors, including me, and the CEO/Managing Director. It will assist and provide the Board with oversight on strategy, policies and procedures that relate to Costa's assessment and adoption of horticultural technology and innovation. The Committee provides a forum and review group for management and technical personnel to challenge the traditional horticultural model and to present innovative concepts and programs which aim to significantly advance Costa's performance and importantly our management of climate related risk.

Whilst the Committee will have oversight of all of the company's horticultural innovation and technology, it will also have a specific focus on areas including adaptation to the impacts of climate change; continued refinement of protected cropping techniques and technologies; sustainability measures, including methods to minimise or utilise operational by products and identification and development of superior varietal genetics.

The Committee is also an important governance initiative in our actions to adopt and implement the framework of the Taskforce on Climate Related Financial Disclosures or TCFD. The company acknowledges the reality of climate related financial risks and that they can, and do, expose the company and investors to material risk. The Board and management actively seek to manage these risks, which can incur financial costs, but also offers opportunities with respect to investment in, and development of, innovation and technology to mitigate financial risk, while also opening up growth opportunities for the company.

The Board is also committed to reviewing and guiding strategy, overseeing and approving major capital expenditures and working with management to develop and implement actions that address climate related risks. Prominent examples of this which have occurred over several years and continue to be a priority, have been Costa's strategy to invest in renewable energy, protected cropping, and the geographical spread of our production footprint. Indeed, for the first time in 2020, our mushroom farm in Monarto South Australia generated renewable energy through our on-site solar farm.

The electricity produced was equivalent to avoiding the production of circa 900 tonnes (CO₂-e) of scope 2 greenhouse gas emissions. The company sees this as a small but important step in the wider adoption of renewable energy sources, and in particular the adoption of solar energy to improve energy security and reduce emissions is a priority for the company.

With respect to more sustainable growing and production techniques, the Company is also undertaking the growing of organic blueberries. Our farm in Tumbarumba New South Wales is moving all production to an organic system. The farm, which is currently classified as 'Organic – in conversion', is the first organic blueberry venture for Costa.

Our commitment to sustainability is underpinned by our Sustainable Commercial Farming Pillars, encompassing environmental, economic, people and community. We support the United Nations Sustainable Development Goals and believe our Sustainable Commercial Farming approach reflects and complements these goals.

Our 2020 Sustainability Report, which is available on the Costa website, outlines key metrics relating to water use, energy use and greenhouse gas emissions. It also details key initiatives, including recycling and the reduction of food waste. Importantly, our actions are targeting all aspects of our business, from the adoption of renewable energy sources to small but important changes in our day-to-day operations, such as reducing the use of single use plastic.

During the year we continued to make progress on implementing our Ethical Sourcing Program. The Program started in May last year with the aim to register all partner growers on Sedex, an online platform which is one of the world's leading ways in which to assess ethical compliance. Through the Sedex platform, growers are risk assessed based on their inherent industry risk and the answers to their Self- Assessment Questionnaires. Excluding Driscoll's Australia growers, to date, 97 per cent of Costa's partner grower base supplying to Costa in Australia are registered on Sedex. With 91 per cent having completed a self-assessment questionnaire detailing their labour practices.

Our Ethical Sourcing Program also underpins how we address modern slavery. Costa is committed to addressing modern slavery issues and is also required by law in Australia to publish an annual Modern Slavery Statement. This Statement will explain what we are doing to assess and address the risks that modern slavery practices may be occurring in our global and domestic operations and supply chains. Our first Modern Slavery statement has now been approved by the Board and will be publicly lodged within the next week.

Costa operates in more than 50 locations across Australia and we continue to support a wide range of community, sporting, and charitable organisations. In Tasmania, for example, our employees installed a water tank for a sustainable garden at the Andrews Creek School, and in Guyra, we donated the equivalent of 28,000 punnets of tomatoes to 17 primary schools. We also continue to support the work of Foodbank, last year donating 294 tonnes of produce for people most in need.

As we continue to expand our operations in China, it is important to build on our relationships with those communities, which includes supporting social and community programs. One such key program run by the Yunnan Province government, where our farms are located, is the Poverty Alleviation Program.

This is a nationally driven program which targets what are classified as the poorest provinces in China (including Yunnan), with the aim of improving the economic well-being of this population.

In 2020, the company was recognised formally in Mengzhe (Yunnan province) for its support for poverty alleviation through the creation of employment which has benefited the local population along with support for local programs to further the educational opportunities for young children.

Company staff are also now holding regular sessions at the Liming Middle School in Mengzhe where they are working with children to develop their enthusiasm for learning English and seeing the opportunities that this will give them. The company is also now supporting a

community centre in the village of Manle where children can attend to undertake additional educational activities, learn more about their local ethnic culture and take part in sporting activities.

Moving on to the work of the Board. I would like to thank my Board colleagues for their efforts and flexibility over the past year as we navigated the COVID environment.

Although this has limited our opportunities to visit farms, we have maintained strong engagement with management, including a focus on the progress of our growth projects, the company's handling of COVID and consideration of acquisitions and significant capital expenditure.

The Board also spent time during 2020 carefully considering and assessing both external and internal candidates for the CEO's position. The time and effort the board has put into succession planning over a number of years was borne out by the ultimate appointment of our Chief Operating Officer Sean Hallahan, who brings to the role of CEO a wealth of experience and deep passion for the fresh produce industry.

Sean has played a pivotal role in the development of the company over the past four years and has brought the necessary skills to the role of CEO to further grow the company. We are delighted to have Sean lead the company into its next phase.

We also appointed a new Chief Financial Officer, Wayne Johnston, who commenced in the role in July 2020. Wayne is a proven CFO with extensive experience in complex operating environments across multiple geographies, including managing transformational and organisational change in both corporate and operational environments.

Finally, on behalf of the Board and shareholders, I want to acknowledge and thank Harry Debney for the considerable contribution he has made to our company over the past decade in his role as CEO and Managing Director.

When Harry took on the role of CEO, he brought with him a discipline and clear vision of what was needed to establish Costa as the number one player in the Australian fresh produce industry. Harry's leadership saw the company achieve significant growth and financial returns for shareholders. He also oversaw the establishment of our China footprint, the establishment of the vertically integrated avocado category, the introduction and adoption of industry leading agronomic practices and growing techniques and the successful transition of the company into public ownership. Perhaps most importantly, Harry has been a people champion having built a strong management team from which the Board was able to appoint a successor.

On behalf of the Board and shareholders, we farewell Harry and look forward to Sean leading the company to further growth and the delivery of long-term sustainable shareholder returns.

I would now like to ask Sean to speak in more detail about the calendar year 2020, our current growth activities and to provide an update on our performance.

Thank you.

END.

CEO Speech

Ladies and gentlemen, today I will talk about our performance in the most recent financial year, update you on our current growth initiatives, outlook for CY21 and how I see our commitment to sustainable commercial farming playing a fundamental role in the company's future growth and success.

Firstly, to the year just passed, and 2020 was one in which as our Chairman noted we delivered a strong result, reflecting the resilience of our business model, underpinned by the successful execution of business fundamentals, including yield, quality, cost and COVID management.

For much of 2020 COVID featured prominently in our lives and as a business our first priority was protecting the health and well-being of our employees and their families. We took a proactive approach both in our domestic and international operations, this included mandatory temperature testing at all of our sites and increased hygiene protocols and procedures. As a result, there was minimal disruption to our operations, and we were able to continue to supply fresh, healthy, and nutritious produce both here in Australia and across several other countries and continents to millions of people. Most importantly, given all of the significant challenges we faced as a result of COVID, I want to acknowledge the outstanding efforts of our people in making this possible.

We remain vigilant and alert to the continued risks posed by COVID as highlighted as recently as the last few days, and we are committed to ensuring we maintain production and supply to our customers, and that we do all we can to ensure the communities in which operate stay safe and healthy.

In our domestic produce segment, we have continued to face short term challenges arising from COVID restrictions and labour shortages. I can report that we have currently been able to cover our citrus harvest labour requirements, however we have faced some labour shortfall at our Monarto mushroom farm. Although challenging, we expect to meet our requirements for the main berry season in Corindi New South Wales, and we remain focused on also targeting more local labour through our Pick Adventure recruitment campaign.

The incentives in the recent Federal budget to promote local employment in agriculture is welcome, however there must also be a focus on ensuring growers can access in a timely manner the necessary numbers of seasonal workers through both the Seasonal Worker and Pacific Labour Schemes. This includes greater capacity and flexibility to relocate these workers across multiple locations and produce categories. Without action on this, the industry will continue to face labour capacity challenges both for the remainder of CY21 and into CY22.

Moving now to specific segment and category performance in 2020, some of the highlights to note include:

- There was a strong earnings contribution from our international segment despite COVID challenges.
- The first harvest from our Agadir Morocco plantings proved very promising in terms of timing and price realisation. Expansion through increased plantings in this region will continue over the coming period.
- Yield from all of our China farms was exceptional with full year volumes positive versus budget and contributing to another enhanced year.
- In the citrus category, despite industry wide harvest volumes being impacted due to previous heat events experienced during flowering and fruit set in CY19, there was strong export and domestic demand, with price appreciation over the previous year, and as the season progressed there was improvement in yield and sizing over earlier estimates.
- There was a positive performance from the berry category, bolstered by a doubling in the volume of our premium Arana blueberry variety accompanied by a sustained price premium.
- There was recovery in the mushroom category from the previous year, with consistently strong retail demand. This was reflective of consumers doing more home cooking during the COVID lockdown, with COVID also having a positive effect on mushroom pre pack demand.
- In the tomato category water quality and light issues caused yield reductions, while pricing was impacted by higher industry volumes and the impact of COVID on demand, being mostly reflective of school, café, and restaurant closures.
- Strong retail demand and pricing for avocados saw the category deliver its best performance since its establishment as our fifth vertically integrated core produce category.

Moving to the key financial results for the 2020 calendar year. Revenue of \$1.164bn saw growth of 11.2% on CY19. Our international segment grew 49% on the previous year, while revenue growth in the produce segment was boosted by increased avocado volumes and improved pricing, and strong citrus domestic and export demand which assisted improved pricing.

EBITDA – SL was \$144.8m compared to \$98.3m in CY19. This was an improvement of 47.2%. NPAT –SL came in at \$59.4m, an increase of 108.4% on CY19. Statutory NPAT was \$60.8m. Our net debt was \$143.9m and leverage of 0.99 times.

I am pleased to report that the company's growth projects proceeded to plan over CY20 and have positioned the company to capitalise on market opportunities.

Construction of our new 10 hectares of tomato glasshouse and 2.5-hectare nursery project, both at Guyra in Northern New South Wales, recommenced in the second half of the year.

The commissioning of the glasshouse and nursery are anticipated to be completed by the end of August 2021 as planned.

The company continues to look for high quality citrus assets to build out our offering and export market opportunities and is actively engaged in a citrus acquisition program. The acquisition of the KW Orchards citrus farm and associated packing operations in March has increased the company's footprint in the Sunraysia region to circa 700 hectares of citrus, 250 hectares of table grapes and 130 hectares of wine grapes. Planning has also commenced for the development of a large-scale citrus packing facility to be located in the Sunraysia region.

In our berry category we continue to focus on developing our substrate production, blueberry variety improvement program and further utilising long cane raspberry and blackberry plants. This will provide flexibility with respect to where we can undertake such berry growing, providing us with options beyond our current farming locations, including Corindi.

Our international growth program continues with an emphasis on season extension. Planted hectares in Morocco now total 347, with an additional 23 hectares at Agadir having been planted during the year, bringing the total planted hectares at Agadir to 88 as at the end of CY20.

We have also commenced a progressive replanting of our northern farms with Costa VIP purpose bred, superior genetics blueberry varieties. This includes replacing 13 year old in soil plants which had an original expected life span of six to eight years.

As our Chairman mentioned, we are using our world leading blueberry genetics and IP to drive toward the goal of 52-week supply from Africa. In addition to our own production footprint which runs from December through June in Morocco, we have also licensed our genetics to growers in South Africa and Zimbabwe, where our aim is to supply product from these areas through June to December, under the African Blue brand into our key UK and European markets.

In China, 69 hectares have been planted at our new farm at Guangmen with this planting to support the goal of achieving maximum first year yield realisation in CY21. Establishment of the initial circa 50-hectare Baoshan/Pupiao development is progressing as planned, with the first harvest expected in CY22.

Costa is uniquely placed as Australia's premier fresh produce supplier to use our Sustainable Commercial Farming framework to build on not only product differentiation, but a number of other sustainability factors including sustainable packaging, the challenge to reduce food waste and the ethical sourcing of produce throughout the length of the supply chain, in particular as it relates to the engagement of labour.

On this issue and as our Chairman mentioned, we have a strong focus on ethical sourcing, and we see action on addressing modern slavery as being an important goal and one which has widespread community support. This is why we have in place our own ethical sourcing

programme to achieve real change in the agricultural supply chain. To this end we welcome the commitment from our customers, the major retailers, to take positive steps to support and enable the reduction and removal of unethical labour practices from the fresh produce supply chain. Importantly, if there is to be continuous improvement, then Costa encourages the retailers to hold all of their suppliers to similarly high standards.

The experiences of the last 18 months to two years have reinforced the importance of Sustainable Commercial Farming to our long-term growth and success. This includes protected cropping, in particular its use in our berry crops, and the geographical diversification of our production footprint.

Our focus on technology and innovation also proved crucial, in particular our ongoing investment in water efficiency and security, meaning we were able to make this resource go further and last longer than it otherwise might have. In addition, our investment in water storage infrastructure also proved its worth when it finally did rain, with the result being that our berry and tomato category water storages are both at close to 100% capacity. Importantly, this meant we were in an excellent position to capitalise on the upswing in momentum that inevitably comes after such challenging conditions as things return to a more normal setting.

Our next innovation is here. In late 2017, Costa commenced a trial of growing protected, trellised high density substrate avocados. This was and remains world leading, aimed at addressing a number of different sustainable commercial farming factors. This included earlier crop maturity, greater planting density, improved yield compared to traditional growing methods including efficiency of inputs used, protection from extreme weather events, and ease of harvesting with a focus on improving health and safety.

Over three years the trial demonstrated faster tree maturity, higher yield, better fruit quality and greater efficiency of water use over conventional plantings. It also saw a significant advancement in the reduction of health and safety risk with lower height trees minimising the need to use elevated work platforms.

As a result of this positive trial, in early 2021 the Costa Board approved a commercialisation program consisting of 40 hectares of protected, trellised high density substrate avocado trees, across a number of regions aligned to existing avocado plantings. The high-density commercial plantings will encompass a minimum 1,000 trees per hectare which is more than four times greater than conventional avocado tree plantings. This is truly game changing.

It also demonstrates that Costa is at the forefront of agricultural innovation. That we have the agility to embrace opportunity, deploy leading agronomic knowledge through our skilled and passionate workforce, reduce environmental risk, provide a safe working environment, improve our profitability, and grow our business. This is the future of farming and it is the essence of what we call Sustainable Commercial Farming. Costa – Well Grown.

Our people and the communities in which we operate are also an important part of Sustainable Commercial Farming. This means we strive to be the employer of choice in fresh

produce, not just because we are Australia's biggest, but because we provide people with a career pathway and an opportunity to be leaders in their field, and to be at the forefront of global innovation. It is also why we offer a comprehensive scholarship and graduate career development programme to attract, retain and promote the next business and industry leaders.

The Costa Graduate Development Program had its first intake in 2020, with four graduates participating in the 18-month program. The tailored program has been developed for high performing graduates, who have completed or are in their final year of a Bachelor level qualification in a relevant discipline. The 2020 intake focused on graduates of horticulture and agricultural degrees. The program provides three rotations across several farms and regions which enables exposure to multiple categories of the business.

Our significant footprint across regional and rural locations in three countries means that our employees predominantly live and work in their local communities. This provides us with a unique insight into the mutually dependent relationship that we have with our local communities. The importance of Costa making not only a positive economic but also social contribution is integral to our sustainability as a company.

The principles and objectives that underpin sustainable commercial farming must be dynamic and evolving. We must be agile enough to anticipate risks and opportunities, as we have done for example with our investment in protective cropping and growing out of the soil in substrate.

The big picture here is that Costa has a central role to play in finding more sustainable and productive methods to grow fresh, healthy food and to make it as widely available as possible.

It is one of the most critical issues of our times and there are not many other companies that are in such a position to influence and shape the direction and outcome. How we do this is not just a theoretical concept or unattainable goal, rather it is dynamic and integral to our business success.

In terms of the outlook for our 2021 financial year, in our international segment we are now well progressed on our harvests in both China and Morocco and as we reported in February at our full year CY20 results announcement, performance has been very positive versus previous year and expectations.

In China, although volumes were initially slightly down due to some late flowering, yield is expected to finish in line with expectations. There has been strong pricing and demand over the season. This was also helped by lower imports of South American fruit into the market earlier in the year. Pleasingly our premium varieties have gained further market recognition which supports the continuing development of our farming footprint.

In Morocco early season plantings in Agadir as well as earlier season higher volumes across our northern farms together with generally strong pricing has seen the business perform well, although ongoing supply chain and COVID related costs have had an impact.

Whilst operating performance and results from our international segment have been pleasing, as expected, the reported results will be negatively impacted by the higher Australian dollar.

Across the domestic produce categories, we have seen mixed performances for the current year to date. In relation to the berry category, solid pricing across the four main berry varieties has led to a good performance to date with a strong outlook.

As mentioned, mushroom production at Monarto has been impacted by short term labour constraints, however once labour needs are fully addressed, we expect improving outcomes. Overall mushroom demand conditions remain strong going into the cooler months.

Avocado volumes and quality have been pleasing and export volumes continue to grow. We have seen recent pricing pressure due to increased Hass variety production across the sector resulting in reduced pricing compared to last year. It is likely this pricing trend will continue into the second half of the year as increased volume is expected to be delivered across the industry.

In our citrus operations, challenges relating to the previously advised hail damage which occurred mainly to our table grape crop at the beginning of the year along with fruit fly restrictions in the South Australian Riverland have impacted performance in the current half year. However, CY21 is an 'on year' in terms of yield and it is expected that results in the second half of the year, where the bulk of harvest occurs, will benefit from strong yields. It is also noted that our exposure to supply chain constraints with respect to exports to China is limited.

In tomatoes, notwithstanding international COVID restrictions our glasshouse four and nursery construction works are nearing completion and on budget. Contribution from the additional ten hectares will not commence until CY22. Whilst we have witnessed some recent short term pricing pressure mainly arising from increased field tomato supply, this is currently abating, and pricing is improving as we move toward the second half of the year.

Overall, first half performance is expected to be marginally ahead of the previous comparable period in CY20, with strong international operations offset by challenges in domestic produce conditions. This also once again highlights the importance of the diversity of our portfolio.

As previously notified the company has fully adopted the AASB16, Leases Standard, and does not intend to separate the impact of the leasing standard in future headline results. The company currently anticipates depreciation and Amortisation charges of approximately \$110m for the 2021 year.

In relation to cashflow and debt, our growth projects internationally and domestically across the group have progressed as planned, and we remain committed to driving long term sustainable growth. The strength of our balance sheet and solid operating cashflow, position us well to maintain our strong growth agenda as we pursue both organic and inorganic opportunities.

Ladies and gentlemen, I want to also follow our Chairman's lead and acknowledge the contribution of our former CEO Harry Debney and Frank Costa to making Costa Group what is today – a world leading fresh produce company.

Firstly, with respect to Harry, he brought to the company a discipline and clear vision of what was needed to establish Costa as the number one player in the fresh produce industry, indeed we are a company that is somewhat unique in the world of agriculture and certainly publicly listed agricultural companies. Harry's leadership has seen the company achieve significant growth and financial returns for shareholders. There were certainly some challenging times, but the work that was done under Harry's leadership to mitigate such risk and also develop new opportunities has placed us in good standing to deal with such challenges and hopefully become a better company for it. That is largely down to Harry and I hope you can all join with me in wishing him the very best for the future.

With regards to Frank, much has been publicly said about his love of Geelong and what he did for the Geelong football club. I would like to pay tribute to his business success. It was Frank and his brothers who showed the entrepreneurial spirit and foresight to transform Costa from a fruit and vegetable shop in Geelong to a vertically integrated fresh produce business and Australia's largest supplier of produce to the major retailers. Frank's legacy is immense, and it will undoubtedly live on in the Costa business.

In closing and as I said in my introduction, I acknowledge the outstanding efforts of our people in dealing with COVID in particular. It has been a genuine team effort across our business, where we not only kept our business running but also ensured people had access to healthy and nutritious food during what were, and continue to be, uncertain times. I genuinely believe we are a better business for this experience.

Thank you ladies and gentlemen and I now hand back to our Chairman.

END.

Annual General Meeting 27th May 2021



**Costa Group Holdings Ltd
(ASX:CGC)**



Board of Directors



Neil Chatfield
Chairman & Non -Executive
Director



Sean Hallahan
CEO & Managing
Director



Peter Margin
Independent Non-Executive
Director



Janette Kendall
Independent Non-Executive
Director



Dr Jane Wilson
Independent Non-Executive
Director



Tim Goldsmith
Independent Non-Executive
Director

Costa Group Holdings Limited
Annual General Meeting 2021





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- **Financial data:** All dollar values are in Australian dollars (\$) or A\$) unless stated otherwise.



CY20 in review



- Delivered a strong result reflecting the resilience of our business model, underpinned by the successful execution of business fundamentals, including yield, quality, cost and COVID management.
- First priority with COVID was protecting the health and well-being of our employees and their families.
- Proactive approach both in our domestic and international operations - mandatory temperature testing at all of our sites and increased hygiene protocols and procedures.
- Minimal disruption to our operations, able to continue to supply fresh, healthy, and nutritious produce both in Australia and across several other countries and continents to millions of people.
- Remain vigilant and alert to continued COVID risks.





Key Highlights - segment and category performance

- Strong earnings contribution from international segment despite COVID challenges.
- First harvest from Agadir Morocco plantings - proved very promising in terms of timing and price realisation. Expansion in this region will continue over the coming period.
- Yield from China farms exceptional with full year volumes positive versus budget and contributing to another enhanced year.
- Despite industry wide harvest volumes being impacted due to previous heat events in citrus category, there was strong export and domestic demand, with price appreciation over the previous year.





Key Highlights - segment and category performance

- Positive performance from domestic berry category - doubling in the volume of premium Arana blueberry variety accompanied by a sustained price premium.
- Recovery in the mushroom category from the previous year, with consistently strong retail demand.
- In the tomato category water quality and light issues caused yield reductions, while pricing was impacted by higher industry volumes and the impact of COVID on demand, being mostly reflective of school, café, and restaurant closures.
- Strong retail demand and pricing for avocados - category delivered best performance since its establishment as our fifth vertically integrated core produce category.





CY20 Financial Performance

EBITDA -SL: \$144.8m +47.2% increase on CY19

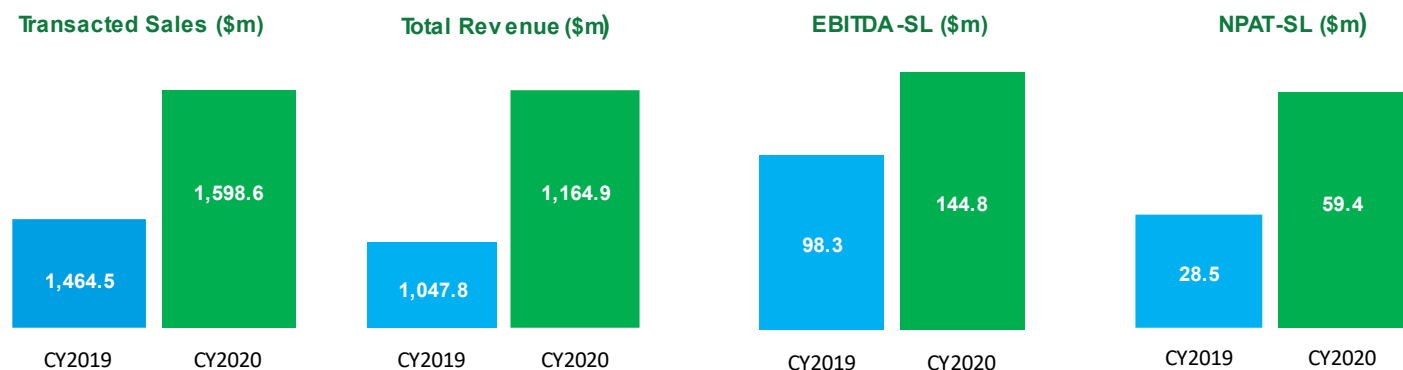
NPAT -SL: \$59.4m +108.4% increase on CY19

Statutory NPAT: \$60.8m

Net debt: \$143.9m -19.5% decrease on CY19

Leverage: 0.99x

Total dividend: 9.0 cents per share



Costa Group Holdings Limited
Annual General Meeting 2021





Growth projects

- Construction of new 10 hectares of tomato glasshouse and 2.5-hectare nursery project, Guyra in Northern New South Wales, recommenced in the second half of CY20. Anticipated to be completed by the end of August CY21 as planned.
- Acquisition of KW Orchards citrus farm and associated packing operations in March has increased the company's footprint in the Sunraysia region to circa 700 hectares of citrus .
- Continue to focus on developing our substrate berry production, blueberry variety improvement program and further utilising long cane raspberry and blackberry plants. This will provide flexibility with respect to where we can undertake such berry growing, providing us with options beyond our current farming locations, including Corindi.





Growth projects

- Planted hectares in Morocco now total 34, with an additional 23 hectares at Agadir having been planted during the year, bringing the total planted hectares at Agadir to 88 as at the end of CY20.
- Commenced progressive replanting of northern Moroccan farms with Costa VIP purpose bred, superior genetics blueberry varieties.
- World leading blueberry genetics and IP to drive toward the goal of 52 week supply from Africa.
- 69 hectares have been planted at new China farm at Guangmen. Establishment of the initial circa 50-hectare Baoshan/Pupiao development is progressing as planned – first harvest expected in CY22.

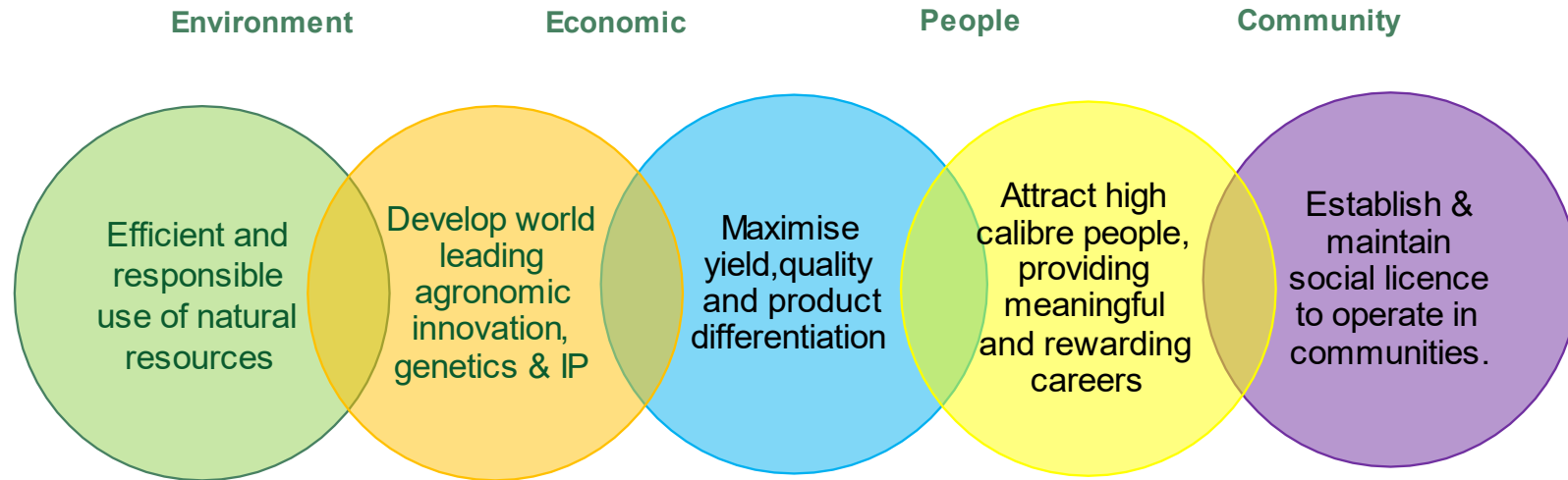


Guangmen berryfarm, Yunnan Province, China





Sustainable Commercial Farming





Innovation

- Protected high density substrate avocado trial results from original small plantings undertaken in late 2017 has delivered global leading results.
- Faster tree maturity, higher yield, better fruit quality and greater efficiency of water use versus conventional plantings.
- Board approval for planting of 40 hectares of protected, trellised high density substrate avocado trees, across several regions aligned to existing avocado plantings.
- Potential harvesting productivity savings (excluding mechanical harvesting at this stage).
- High density commercial plantings - minimum of 1,000 trees per hectare (at least 4x greater than conventional avocado tree plantings), planted in substrate.



People and communities



Costa Group Holdings Limited
Annual General Meeting 2021



Sustainable Commercial Farming



'Finding more sustainable and productive methods to grow fresh, healthy food while also making it as widely available as possible.'

- It is one of the most critical issues of our times and Costa has a vital role to play.
- Competing tensions and objectives - a number of moving and connected parts – environment, economic, people, community.
- Seek to manage risks and opportunities in a dynamic way and deliver a positive financial return to shareholders





CY21 update

- International segment - well progressed on our harvests in both China and Morocco. As reported in February at our full year CY20 results announcement, performance has been very positive versus previous year and expectations.
- China - although volumes were initially slightly down due to some late flowering, yield is expected to finish in line with expectations. There has been strong pricing and demand over the season. This was also helped by lower imports of South American fruit into the market earlier in the year
- Our premium varieties have gained further market recognition which supports the continuing development of our farming footprint.
- Morocco - early season plantings in Agadir as well as earlier season higher volumes across our northern farms together with generally strong pricing has seen the business perform well, although ongoing supply chain and COVID related costs have had an impact.
- Whilst operating performance and results from our international segment have been pleasing as expected, the reported results will be negatively impacted by the higher Australian dollar





CY21 update

- Domestic produce segment - mixed performances for the current year to date.
- Berry category - solid pricing across the four main berry varieties has led to a good performance to date with a strong outlook.
- Mushroom category - production at Monarto has been impacted by short term labour constraints , however once labour needs are fully addressed, we expect improving outcomes. Overall mushroom demand conditions remain strong going into the cooler months.
- Avocado category - volumes and quality have been pleasing and export volumes continue to grow. We have seen recent pricing pressure due to increased Hass variety production across the sector resulting in reduced pricing compared to last year.
- It is likely this pricing trend will continue into the second half of the year as increased volume is expected to be delivered across the industry.





CY21 update

- Citrus category - challenges relating to the previously advised hail damage which occurred mainly to our table grape crop at the beginning of the year, along with fruit fly restrictions in the South Australian Riverland have impacted performance in the current half year.
- However, CY21 is an 'on year' in terms of yield and it is expected that results in the second half of the year, where the bulk of the harvest occurs, will benefit from strong yields.
- Our exposure to supply chain constraints with respect to exports to China is limited.
- Tomato category - notwithstanding international COVID restrictions our glasshouse four and nursery construction works are nearing completion and on budget. Contribution from the additional ten hectares will not commence until CY22.
- Some recent short term pricing pressure, mainly arising from increased field tomato supply, is currently abating, and pricing is improving as we move toward the second half of the year.





CY21 update

- Overall, first half performance is expected to be marginally ahead of the previous comparable period in CY20, with strong international operations offset by challenges in domestic produce conditions.
- This once again highlights the importance of the diversity of our portfolio.
- As previously notified the company has fully adopted the AASB 16, Leases Standard, and does not intend to separate the impact of the leasing standard in future headline results.
- Currently anticipating depreciation and amortisation charges of approximately \$110m for the CY21 year.
- Cashflow and debt - our growth projects internationally and domestically across the group have progressed as planned, and we remain committed to driving long term sustainable growth.
- Strength of our balance sheet and solid operating cashflow, position us well to maintain our strong growth agenda as we pursue both organic and inorganic opportunities.



