

ASX ANNOUNCEMENT

26 August 2022

COSTA GROUP FINANCIAL RESULTS 1HCY22

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 3 July 2022 (1HCY22). Presentation materials for the investor and analyst webcast and conference call to be hosted by Costa commencing at 10:00am AEST today (26 August) have been lodged with ASX. These materials can also be accessed at <http://investors.costagroup.com.au/Investor-Centre/>.

The webcast can be accessed at <https://webcast.openbriefing.com/8848/>

Key Headlines

- Strong operating performance in line with guidance, +12.6% EBITDA-S growth, +10.8% underlying NPAT-S vs pcp.
- Highlighting quality of asset base, benefits of diversified portfolio and market leading position in high demand categories
- Strong execution on strategic growth capital projects including Monarto mushrooms and new Glasshouse 4 tomatoes – delivering improved return on invested capital.
- Outstanding International performance, driven by China.
- Positive contribution from successful execution of FNQ premium 'Delight' blueberry strategy.

Financial Headlines

- Revenue of **\$708.7m**. +15.7% vs pcp.
- Underlying NPAT –S² **\$49.2m**. +10.8% vs pcp.
- Net debt: **\$328.2m**, leverage of **1.94x**.
- EBITDA – S¹ **\$140.1m**. + 12.6% vs pcp.
- Statutory NPAT **\$37.9m**.
- Avocado industry challenges led to a non-cash goodwill impairment (\$2.2m).

Interim dividend of **4.0 cents** per share, fully franked (record date 15 September 2022; payment date 6 October 2022).

¹ Earnings before Interest, Tax, Depreciation & Amortisation, the fair value movements in biological assets (SGARA) and Material Items.

² NPAT-S but excluding the 1HCY22 incremental impacts vs 1HCY21 of renegotiated Vitalharvest leases and 2PH acquisition

Quotes from Costa Group CEO, Sean Hallahan

- 1HCY22 performance

“It is a very pleasing result, which reflects the company’s strong execution on our strategic capital projects, including positive yield consistency and quality at our Monarto (SA) mushroom facility, and the coming online of our new 10 hectares of tomato glasshouse at Guyra (NSW), which performed as per our expectations. The result further highlights the growing contribution from our international operations, with China’s performance reflecting strong quality, demand and higher pricing for our premium berry product.”

“Our long term growth strategy has come to the fore in the current uncertain economic environment, including our high quality of asset base, the scope and range of our protected cropping footprint, the successful deployment of new varieties which attract a price premium, a diversified portfolio and our market leading positions in high demand categories.”

“With respect to input costs and the inflationary environment, we continue to manage any supply chain risk through our diversified supply base, and to work on a combination of efficiency and pricing improvements. Energy costs have benefited to date from fixed pricing, while there has been a significant increase in fertiliser and chemical costs. Shipping costs have begun to trend down versus the peak of the pandemic, but remain at historic highs, while water pricing has come off its highs of previous years and the forward outlook is positive.”

- Avocado export market access

“It is vitally important for the new Albanese government to prioritise export market access for horticultural products into key markets, most prominently Japan.

A whole of government approach is needed to gain access to Japan for eastern seaboard (QLD/NSW) grown avocados. If this can occur, then together with the access Western Australia currently has to Japan, it will provide Australian avocado growers an opportunity to supply the Japanese market on an almost year round basis, something that no other country can do.

Disappointingly, this is an opportunity that through lack of urgent action continues to go begging. I encourage both the Federal Agriculture and Trade Ministers to work together to address this issue as a matter of urgency for the greater good of the avocado industry.”

Outlook 2HCY22

Citrus: Whilst CY22 is an off-season, there have been positive volumes across the season to date, which is expected to continue through 2H. There has been favourable export demand and pricing, however extreme weather conditions, including a prolonged La Nina period, have to date impacted quality, premium product packout rates and increased farming costs across all three growing regions.

There remains significant overall volumes to be harvested in the southern region for the remainder of the season, the extent of the final impact of these conditions won’t be known until much later in

the season. 2PH has completed 80% of crop as at mid August with results as foreshadowed impacted by lower quality mix compared to CY21.

Domestic Berry: The winter months saw cooler weather than the average, however the quality of early season protected blueberries is strong, including premium fruit mix. This is expected to provide beneficial sales and pricing opportunities for premium domestic and export sales. Season volume forecast to be in line with expectations.

Pollination requirements continue to be met and successfully managed in response to New South Wales varroa mite incursion, including ongoing access to beehives.

Mushroom/Tomato: Are on a positive trajectory to perform favourably over 2H. Expect to continue to deliver consistent supply volume to our customers, with strong demand and pricing.

Avocado: Current pricing conditions are improving, however industry conditions expected to remain challenging for remainder of CY22. Continuing export demand opportunity, with WA product selling into Japan market and being well received.

Labour requirements/Inflation costs - Labour requirements are being met across all categories and expect this to continue over 2H. Cost inflation is unlikely to moderate significantly in 2H.

The 2H Outlook contemplates normal crop cycles in Australia for the remainder of the calendar year, no extreme weather events, crop yields and quality in line with historic averages.

This release is authorised by the Costa Group Holdings Limited Board.

END.

About Costa (ASX:CGC) - *Costa is Australia's leading grower, packer and marketer of fresh fruit & vegetables and operates principally in five core categories: berries, mushrooms, glasshouse tomatoes, citrus and avocados. Operations includes 7,200+ planted hectares of domestic farmland, 40 hectares of glasshouse facilities and three mushroom growing facilities across Australia. Costa also has strategic foreign interests, with majority owned joint ventures covering six blueberry farms in Morocco and four berry farms in China, covering approximately 740 planted hectares.*

For further information contact: Michael Toby – Corporate Affairs Manager T: +613 8363 9071

APPENDIX - SEGMENT COMMENTARY

International

- China

Revenue was +34.3% vs pcp reflecting strong quality, demand and higher pricing prior to major city COVID lockdowns toward the end of the season. However, easing of lockdown restrictions over June helped to minimise full impact.

New plantings contributed to increased volume of +32.3% higher vs pcp.

- Morocco

Volumes were 4% higher vs pcp, however delayed timing due to weather resulted in a 16.2% revenue reduction over the half vs pcp.

The replanting program is on track, including Mayra variety replacement with Costa Variety Improvement Program (VIP) purpose bred, superior genetics blueberry varieties.

- Emerging Regions (Genetics Licensing)

Strong revenue growth of 37.1% vs pcp, driven by continuing traction of the berry VIP.

Produce

- Berry

Volumes were +10.1% vs pcp, with pricing strong across the four berry types, especially premium blueberries. Revenue was +12.8% vs pcp.

Average premium blueberry sale price increased by 40% vs pcp.

Far North Queensland blueberry volumes and pricing over the 1H were higher vs pcp. The new Delight variety performed in line with expectations.

The Tasmanian berry season saw increased volumes vs pcp. Raspberry and blackberry pricing were both strong vs pcp, which also benefited from lighter broader industry volumes across the 1H.

Strawberry volumes and pricing were higher vs pcp, with lower Queensland crop volumes toward the latter part of the season having a positive impact.

- Mushroom

Excellent production consistency from the Monarto (SA) facility drove overall category production +7.3% vs pcp. Higher consistent volumes ensured increased earnings and benefit from strong demand and pricing

Sales volume was ahead of pcp, driven by strong demand and increase in Monarto production volume.

Average retail price over the half was +6% vs pcp, with an 86% retail sales mix vs 84% pcp.

- Tomato

First crop from Glasshouse 4 and new nursery for the half contributed to production consistency and resulted in a 38.3% increase in volume vs pcp. Positive pricing and demand maintained in response to these additional volumes. +27.9% revenue vs pcp.

Increased volumes from glasshouse 4 and new variety offerings, including Perino entertainers and Perino noir, supported increase in sales volume vs pcp.

Overall pricing was positive, reflecting strong demand, especially for Truss varieties.

- Citrus

Grape volumes improved significantly versus the pcp, including the return of volumes from the Colignan (Sunraysia) crop. Early season citrus pricing was strong, especially for our premium citrus varieties. +39.5% revenue vs pcp. First 1H trading from 2PH acquisition, contributed sales of \$21m, with earnings contribution skewed to 2H.

As season has progressed weather events have impacted quality, volume and packout rates across the three citrus growing regions (Riverland, Sunraysia and Central QLD).

- Avocado

Costa and third-party volume was down vs pcp, as expected pricing over the half was impacted by prolonged Western Australian crop and lack of opening further export market access. -16.4% revenue vs pcp.

Export volumes were up vs pcp, 118,044 trays exported vs circa 80,000 pcp.

9,600 trays exported to Japan from WA YTD, with quality being maintained during shipping and well received by consumers. Australian and Japanese governments continue negotiating market access for eastern seaboard (QLD/NSW).