

ASX ANNOUNCEMENT

23 December 2021

COSTA ANNOUNCES SIGNING OF NEW LEASES FOR VITALHARVEST ASSETS

Costa Group Holdings Limited (Costa; ASX:CGC), Australia's leading grower, packer and marketer of fresh fruit and vegetables today announces that new leases for those farms previously leased by Costa from Vitalharvest, are now effective with Macquarie Asset Management, through its managed fund as the owner of the Vitalharvest Freehold Trust.

The leases cover seven farms operated by Costa, which include three citrus farms in South Australia and four berry farms (two in NSW and two in Tasmania). The two large citrus packing sheds at Renmark and Murtho which pack Costa and third-party grower fruit in South Australia are owned and operated by Costa.

The new leases commenced on 1 December 2021 and will expire in December 2040 with a 10-year option exercisable by Costa. A fixed rent agreement applies for each of the seven farms.

There are no variable components in any of the leases, and the rent yields reflect current market conditions for premium large scale horticulture assets. The leases contain certain additional rights to Costa's favour including a purchase option at the approximate mid-point of the leases and are otherwise consistent with existing agreements Costa has with Macquarie Asset Management, namely avocado farms.

The previous Vitalharvest leases if renewed would have been subject to a market rental review in 2026. Relative to these previous leases the new arrangements in comparison include a fixed rental and extended lease period, and importantly provide long-term operating and rental certainty for Costa in relation to our citrus and berry assets. Relative to the previous leases they are also expected to be value accretive over the medium to long-term.

In part due to the nature of the old lease arrangements, in recent years Costa has deliberately explored investment opportunities in our Citrus and Berry categories beyond these farms. This includes the acquisition of 2PH Farms (Central QLD) in July 2021, the aggregation of circa 700 hectares of high-quality citrus farms in Sunraysia (VIC/NSW), and further expansion of our domestic and international berry businesses in FNQ, Tasmania, China, and Morocco. With the Vitalharvest farms now secured under long term leases, Costa looks forward to working closely with Macquarie Asset Management to explore new investment opportunities at the seven farms in the coming years.

As a consequence of the increased lease duration, the consolidated balance sheet of Costa Group Holdings Ltd will be impacted by an increase in non-cash Right of Use assets of approximately \$276m and additionally, an increase in Lease Liabilities of approximately \$276m, representing the net present value of the incremental future lease payments.

The forecast statutory CY22 rent expense for the new leases is \$25.7m, representing the straight line, non-cash amortisation of the Right of Use Asset of \$14.6m and interest expense of \$11.1m from the unwinding of the Lease Liability. Due to the application of the relevant standards, the starting lease cash costs (which are subject to annual indexation) are materially lower (more than 20%) than the accounting expense.

Finally, relative to the old leases, the group's CY22 annualised EBITDA-S will be approximately \$5m higher, whilst the NPAT-S result is forecast to be \$6.4m lower, notwithstanding that there will be no material impact on cash earnings.

This release is authorised by David Thomas, Company Secretary.

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 include approximately 6,000+ planted hectares of 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 600 planted hectares.

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