

ASX ANNOUNCEMENT
2nd December 2016

COSTA ANNOUNCES AGREEMENT FOR ACQUISITION OF AVOCADO RIDGE

Costa Group Holdings Limited (Costa; ASX: CGC), Australia's leading horticultural company advises that it has signed an agreement for the acquisition of the Avocado Ridge orchards and packing operations from the Carney family.

Avocado Ridge is a grower of avocados with high quality farms located in the Childers and Kumbia regions of central Queensland, with total plantings of circa 300 hectares on circa 500 hectares of land. The Avocado Ridge farms currently supply the Australian retail market from March to September and are located in a key growing region for avocado production.

The acquisition agreement has been entered into in conjunction with Macquarie Agricultural Funds Management (MAFM). Under the agreement, MAFM will purchase the farms and enter into a 20-year lease with Costa to operate them. This is the first acquisition under a recently announced arrangement between the two parties to jointly consider M&A projects.

Costa CEO Harry Debney said this acquisition is the first major step in Costa's strategy to realise vertical integration in its avocado category.

"This acquisition is a first major step in Costa's strategy to vertically integrate our avocado category. It will add significant growing capacity to our existing plantings, and ripening and marketing functions. Avocados will become a truly vertically integrated fifth pillar complementing our existing core produce categories of berries, mushrooms, citrus and glasshouse tomatoes," said Mr Debney.

"Our focus is to be number one in the categories that we operate in where there are opportunities for us to create a genuine market difference and to ultimately achieve a 52-week production situation. We believe avocados is a very strong growth area that fits these criteria", said Mr Debney.

The Carney family will remain with the business to perform key management and operational roles, utilising their extensive experience and knowledge of successful avocado production as well as the local growing climate.

"Costa has been exploring opportunities to expand our core produce categories and we identified the Carney family and their proven operation as being an excellent fit with our business model. The Avocado Ridge farms network is largely comprised of young trees which provide a strong growth trajectory into the future," said Mr Debney

With the current circa 100 hectares of avocados Costa has in the South Australian Riverland, this acquisition would bring the Company's total plantings to circa 400 hectares.

The acquisition is expected be completed in January 2017 and while the acquisition price has not been disclosed the transaction is expected to be earnings per share accretive from the first full financial year.

**About Costa**

Costa is Australia's leading horticultural company and operates principally in four core categories: berries, mushrooms, glasshouse tomatoes and citrus. Operations include approximately 3,000 planted hectares of farmland, 30 hectares of glasshouse facilities and seven mushroom growing facilities across Australia. Costa also has strategic foreign interests, with interests in five blueberry farms in Morocco and is currently developing a new berry farming operation in China.

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