

ASX ANNOUNCEMENT

2nd November 2017

COSTA ANNOUNCES INCREASE IN OWNERSHIP OF AFRICAN BLUE JOINT VENTURE TO 90%

Costa Group Holdings Limited (Costa; ASX: CGC), Australia's leading horticultural company advises that it has signed an agreement that will permit it to acquire an additional 41% of the shares in African Blue SA, giving it control of the company and enabling it to take its shareholding in the venture to 90%.

Two of the founding shareholders in the company, Gailes Holdings Ltd (21%) and Bennani Abdellatif (20%), have agreed to sell their shares to Costa. Costa will acquire 37% of the issued shares and options will enable Costa to acquire an additional 4% over the next 3 years. Total Worldfresh (a subsidiary of the UK listed fresh produce company, Total Produce LLC) retains a 10% interest.

The value of the initial 37% acquisition is approximately AU\$68 million plus transaction costs, and will be funded from operating cash flow and existing debt capacity. The value of the balance of the remaining 4% will be based on actual earnings achieved.

For the year ended June 2017 African Blue generated an NPAT pre-SGARA of AU\$16.6m on a 100% basis. The acquisition will be earnings per share accretive in the current financial year, and the company will provide a further update at its upcoming Annual General Meeting. Completion of the transaction is expected to occur by the end of this calendar year.

"We are very pleased to have reached agreement with our joint venture partners to acquire their interests in African Blue and become the majority owner. I want to acknowledge the important role our partners have played in contributing to the establishment of our blueberry plantings in Morocco and making the African Blue brand one that is recognised for its quality, particularly in the UK and European markets", said Mr Harry Debney, Costa Group CEO.

The African Blue operations presently consist of five existing farms in Morocco, with total plantings of 253 hectares as at 30 June 2017. A further 63 hectare expansion is currently planned for FY2018.

"Our African Blue Moroccan operations are now an integral part of not only Costa's international segment but also our overall business. The blueberry varieties that we grow in Morocco are from genetics developed by Costa originally in Australia, meaning we also control the IP. We believe this gives us a distinct competitive advantage in the UK and European markets as we are able to deliver a premium product into those markets", said Mr Debney

The principal market for African Blue blueberries is the UK and Europe, with currently 40% of the product being sold into the UK and 60% into Europe. The season runs from January to June, and begins up to six weeks ahead of the main blueberry growing region in Spain, providing African Blue with an earlier presence in the marketplace.



“Year round demand from Europe and North America is one of the key drivers of the global berry trade. We are confident that we can continue to grow our share in not only the UK blueberry market, but also through continental Europe”, said Mr Debney.

Mr Avi Weizman, who has performed the role of General Manager of African Blue since its establishment, will continue in this role as a member of Costa’s international team.

About Costa

Costa is Australia’s leading horticultural company and operates principally in five core categories: berries, mushrooms, citrus, glasshouse tomatoes and avocados. Operations include more than 3,500 planted hectares of farmland, 30 hectares of glasshouse and seven mushroom growing facilities across Australia. Costa also has international operations, with interests in five blueberry farms in Morocco and two berry farms in China.

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