29 May 2019

Company Announcements Office
Australian Securities Exchange

Dear Sir/Madam

I attach the Chairman's and CEO's addresses for the Costa Group Holdings Ltd (ASX: CGC) Annual General Meeting, to be held on 30 May 2019.

These addresses include updated earnings guidance.

As shareholders may have queries in relation to this updated guidance but may not be able to attend the AGM, an investor call will be held at 9.15am (AEST) on Thursday 30 May 2019.

Dial in details for the call are as follows: +61 2 8038 5221 or toll free 1800 123 296.

Country specific toll-free dial in details are listed below.

Canada - 1855 5616 766
China - 4001 203 085
Hong Kong - 800 908 865
Japan – 0120 994 669
New Zealand - 0800 452 782
Singapore - 800 616 2288
United Kingdom - 0808 234 0757
United States - 1855 293 1544

The conference ID# for all participants is 2483173.

Yours faithfully

David Thomas
Company Secretary

Unit 1, 275 Robinsons Road, Ravenhall VIC 3023, Locked Bag 1000, Sunshine, VIC 3020 Australia
p | +61 3 8363 9000 f | +61 3 8363 9099 w | www.costagroup.com.au
Costa Group Holdings Ltd ACN 151 363 129

Costa Group Holdings Ltd AGM 30 May 2019

Chairman's AGM speech

Ladies and gentlemen, fellow shareholders, it was only six months ago that we gathered here for our 2018 AGM.

As many of you are aware, the reason we are back so soon is because of the change to our financial year reporting, which is now based on the calendar year.

The board made the decision to change to calendar year reporting because of the company's earnings profile becoming further skewed to the January to June half year period. Due to ongoing growth projects and expansion, this will become further amplified by pre-harvest farming costs incurred over the July to December period.

Changing over from a July to June financial year to calendar year resulted in a transition period, which we describe as the Six-Month Financial Period 2018.

The six-month period saw the company deliver an $8.5 million underlying Net Profit After Tax before SGARA, material items and amortisation. A final fully franked dividend of 5.0 cents per share was paid in April.

This result essentially reflects the issues I have just described with respect to our financial reporting year, consolidation of African Blue as a result of our assuming majority ownership, an 'off year' citrus crop in which volumes are lower, and subdued trading conditions in December of which the market was informed in January.

Harry will talk in more detail about the six month period and also some of the key initiatives we are pursuing to deliver medium to long term growth, but I do want to note that it is important to remember that the fundamentals of our business remain strong, our business model has been proven and is based on a well-developed strategy This is underpinned by operational execution to ultimately deliver superior shareholder value through growth in earnings and cashflow over the medium to long term.

As an agricultural business there will always be short term cyclical challenges, including factors such as pricing and weather. We have undertaken a number of growth and diversification projects and have others underway across our business which help to address these challenges and build on our competitive advantages.

In the last six months we have experienced an unprecedented level of volatility across virtually all of our categories and seen our earnings negatively impacted.

The Board is intensely focused on ensuring that long term fundamentals continue to be strengthened and that the company retains its competitive advantage in the face of any future trading volatility.

Our berry growth program has been focused on building our capacity to grow blueberries and raspberries for 52 weeks of the year. We can do this because of the varieties and IP we have developed over more than 25 years, and the agronomic practices we have pioneered, including growing in substrate and utilising protective cropping to provide protection from adverse weather events.

As a result of this we are the only significant berry grower during those periods that fall outside the main berry growing season, with a production footprint across four different states. This places us at a distinct advantage when it comes to market presence during these periods. The major retailers know that Costa can supply consumers with berries that are of consistent quality at an affordable price, and year-round. This would have been unthinkable a decade ago.

The company is maintaining its drive to open up export markets for our world leading blueberry varieties. Whilst we are working constructively with the relevant authorities, we remain frustrated by the slow pace of progress in an area in which we believe Australia has a unique export advantage. It is important that the federal government take a whole of government approach when negotiating such trade access, and that the necessary technical and trade negotiation experts are all involved.

In our citrus business, we have worked assiduously over many years to develop export markets that place a premium on the quality of our product. Last year we exported 73% of our citrus crop to over 25 countries of which Japan, USA, China, Hong Kong and Malaysia are the biggest markets.

We have also undertaken further acquisition activity, through acquiring Nangiloc Colignan Farms located in the Sunraysia region of north western Victoria. The acquisition was undertaken in conjunction with CK Life Sciences, with Costa operating the farm under a 20-year lease.

The strategic importance of this acquisition should not be overlooked. The location of the farm in the Sunraysia region as opposed to the South Australian Riverland, will reduce our reliance on any one region in our citrus portfolio and will also open up additional growth opportunities. In particular, it will allow us to further take advantage of export market demand with respect to Afourer mandarins and navel oranges.

Costa is the industry leader in the growing and marketing of mushrooms with supplying 45% of Australia's mushrooms. Our footprint, which spans production facilities across five states is unmatched and enables us to supply markets across the country.

Our mushroom facility in Monarto, South Australia, where we have invested $70 million to double our weekly production capacity and also installed the most modern compost making infrastructure, puts our company at the forefront of efficient farming production techniques.

Mushroom production resembles an advanced manufacturing process, where they are grown on vertical shelves that allow for the use of fully mechanised equipment to fill and empty the compost, apply the mushroom spawn and water the crop.

Our newest vertically integrated category is avocados, and we now have a production footprint spanning Far North Queensland, Central Queensland, North Coast New South Wales and South Australia. We are on target to increase our production from 900,000 trays to almost 2 million trays of avocados within the next few years.

Avocado exports are also becoming an increasing focus for the company. We recently opened our upgraded and extended packing facility in Childers, Central Queensland. This will allow both Costa and our third-party growers to expand production in the coming years to meet customer demand and export a larger volume of avocados. This is highlighted by our ongoing focus on avocado export development, where in 2018 we exported 60,000 trays of avocados to countries including Hong Kong, Singapore and Malaysia.

In August 2018 we announced a further 10 hectares of tomato glasshouse would be added to operations at Guyra in northern New South Wales. The new production capacity will be dedicated to growing snacking and specialty variety tomatoes, thus capitalising on our already established

reputation as a grower of premium snacking tomatoes, with our renowned Perino brand a market leader.

The international component of our business illustrates how we have successfully applied and integrated world leading IP and agronomic practices into geographic locations outside of Australia.

In Morocco we are looking to build further competitive advantage with respect to our growing locations, with circa 65 hectares of blueberries having been planted in Agadir, which is located some 720kms south of our existing plantings. The aim of this is to generate an earlier crop and supply the European and UK markets ahead of other major growing regions.

In early April the Board travelled to China to visit our operations in Yunnan Province, where the company has four separate farms, with two of them producing blueberries, raspberries and blackberries, a third having just been planted and the most recent farm in its first stages of development.

In addition to gaining an understanding of the demand for our premium berries in the Chinese market, the Board also gained an appreciation of the positive impact our farms are having on local communities with respect to both economic and social benefits. This is reflected in the fact that a Memorandum of Understanding was signed between Costa and the Yunnan
Bureau of Investment and Promotion with the stated purpose to 'strengthen the existing working relationship between the parties and to create a framework which will enable Costa

to continue to operate in an economically, socially and environmentally positive way, and so it can continue to develop its commitment to Yunnan Province.'

The Costa team in China has done a fantastic job in establishing our farming presence in Yunnan. The Board was very impressed by what has been achieved in such a short period of time, and the way in which Costa's world leading agronomic practices and IP have been successfully adapted to the local conditions.

Ladies and gentlemen, at our last AGM we launched our Sustainable Commercial Farming objective, which incorporates our commitment to the key areas of Environment, Economic, People and Community. The focus on sustainability continues at pace and Harry will talk more about our progress here shortly.

As I have highlighted previously, Costa operates across more than 30 regional and rural communities. In many of these we are the major employer and economic presence. We need a workforce that is accessible, and also skilled in a range of occupations, including horticulture, quality control, finance, human resources and administration.

Providing not only employment, but also meaningful career pathways, has been central to our ability to attract and retain staff. To this end, in late 2018 we announced new ongoing university scholarships in our berry and tomato businesses to encourage and assist students studying agriculture related degrees. These scholarships cover our berry operations on the north coast of New South Wales and Far North Queensland and our tomato operations at Guyra in the New England region of Northern New South Wales.

The berry scholarships are worth $5,000 a year and will be offered through the University of New England and the University of Queensland.

The tomato scholarships are being specifically provided to assist local Central Guyra High School students with educational and living expenses during their university studies. The scholarship is valued at $16,000 over a four-year degree and recipients will also have the opportunity to undertake paid employment with Costa during the year. These new scholarships are in addition to the Costa North-West Tasmania Scholarship in Agricultural Science and the Costa Honours Scholarship in Agricultural Science, both offered through the University of Tasmania.

We are proud of being able to provide support and assistance for local young people in regional and rural areas who want to pursue a university qualification which not only enables them to work in the horticulture industry and in particular for Costa, but to also continue to live in their local community and contribute to its growth and success.

Moving on to the work of the Board, I want to acknowledge the contribution of your Directors during the year and in particular note the resignation of Kevin Schwartz as a Non-Executive Director in February 2019. Kevin is a founding partner and CEO of Paine Schwartz Partners and joined the Board in October 2011. We sincerely thank Kevin for his contribution. His deep understanding and insights into our industry, together with his investment skills, have been instrumental in guiding the company's growth agenda and establishing a sustainable platform from which to drive long term shareholder returns.

Subsequent to Kevin's departure, Dr Jane Wilson was appointed as an independent Non-Executive Director from 1st April 2019 and she is standing for election as a director today.

Jane has considerable corporate experience and knowledge of the horticulture industry, serving as a Guardian of the Future Fund Board, Australia's Sovereign Wealth Fund, and in the early 2000's Jane was the Inaugural Chairman of Horticulture Australia.

Ladies and gentlemen, in conclusion, I want to acknowledge the job done by our CEO Harry Debney, his executive team and the entire Costa workforce.

As we all know, agriculture has its own unique challenges. There is no other sector in our economy that is subject to the weather and climate related risks that agriculture is. The Board and your CEO are experienced enough not to get unnecessarily side-tracked by the immediacy of short-term events which are often only cyclical in nature. What is required, and what the company is well equipped to do, is ensure it pursues strategic management and planning that is focused on the medium to long term, while continuing to build and reinforce the foundations of a business that delivers sustained growth and value to shareholders.

I would now like to ask Harry to speak in more detail about the six-month period to the end of December 2018, our current growth activities and to provide an update on our performance to date during the current financial year.

Thank you. END.

CEO's AGM speech

Ladies and gentlemen before I review the company's performance for the six-month period to 30th December 2018, I want to comment on our strategy for balancing short and long term growth.

Please be assured we manage Costa for the long term which is key to success in a business operating within agricultural production time cycles, and multi seasonal weather and market influences.

Whilst there will be annual variances, we are committed to achieving an average annual low double-digit earnings growth trajectory with a planning framework centred on a rolling three to five year time frame.

To achieve competitive differentiation as well as business growth, the core focus elements are yield, quality and 52-week production within our diversified portfolio. With the drivers being genetics, enhanced agronomic practices, consumer led demand responses, adaptation to climate change and protected cropping.

Moving on to the company's performance for the six-month period to 30th December 2018, which reflected our expectations that earnings for the period would be significantly lower than the prior comparable six-month period.

This was inclusive of a number of factors including the consolidation of our majority ownership stake in African Blue and additional pre harvest farming cost investment through our increased international footprint in Morocco and China. Our international harvest period predominantly occurs within the period January to June, meaning pre harvest costs are incurred during the July to December six month period.

Another important factor impacting our earnings for the period was the biennial nature of our citrus crop, with 2018 being an 'off year' and also a shorter season than 2017.

Finally, there was subdued trading in December, mainly in our berry, avocado and tomato categories and as previously stated, the reasons for this were more cyclical than anything else, with pricing being a main factor.

The combined result of these factors was that our Net Profit After-tax minus SGARA (NPAT-S) earnings were below plan by approximately $3.5 million.

I now turn to the performance of our produce segment for the six-month period and start with our berry category first.

Blueberry performance over the period was mixed, highlighted by strong production volumes from our Corindi New South Wales farm, however these were offset by lower volumes from the end of the Far North Queensland season.

Our Arana blueberry premium offering continues to be well received, selling in 200-gram packs and attracting a net premium of approximately 23 per cent over standard blueberry offerings. Raspberry production was unfortunately impacted by unfavourable crop timing and its contribution was disappointing.

Our mushroom category met its financial targets for the period, with capacity constraints to be addressed through the expansion of our Monarto South Australian facility. As mentioned the citrus category's contribution was forecast to be significantly below the prior year due to the 'off-year' biennial fruit production cycle. Lower quality towards the tail end of the harvest also affected sales price realisation in November and December.

Citrus exports for the 2018 calendar season comprised 73% of packed volume, with Japan being the largest market taking 40% of total exports, followed by the US, New Zealand and China. Exposure to the Korean market is expected to increase in 2019 as tariffs are further reduced under the Australia – Korea Free Trade Agreement.

In the tomato category excellent production of snacking and cocktail varieties was unfortunately met by a weaker retail channel pull through due to an oversupplied tomato market generally, with more product being sold via wholesale markets, resulting in an overall lower price. Market conditions are now back to normal. Our truss production volumes were lower, however we have commenced growing a truss variety called 'Endeavour' in 2019 with enhanced yield, shelf life and disease resistance.

Costa's main avocado production region during the six-month period was the Northern Coast of New South Wales, with some residual volume coming from the Central Queensland farms. Additional expenditure was undertaken on orchard nutrition and health programs on all farms to ensure maximum tree health for future yield.

In the Costa Farms and Logistics segment, positive interplay between supply and price opportunities saw optimisation of the trading margin across the three wholesale operations in Victoria, South Australia, and Queensland. Logistics contribution was in line with the prior year, with additional income from contract warehousing offset by lower incomes on produce handling.

Earnings from the international segment, incorporating farming operations in Morocco and China and royalty income from the Americas, are weighted to the first half of the calendar year, meaning there was little in the way of harvest activity in the six months to December 2018.

Moving to the key financial results for the six-month period, our revenue of $478 million was down 2.4% on the previous corresponding period. EBITDA before SGARA and material items and amortisation (EBITDA-S) was $35.3 million, down 42.0% on the prior period. NPAT -S earnings were $8.5 million, while statutory NPAT was $4.3 million. Our leverage as at December 2018 was 1.96x EBITDA-S, with net debt of $244.6 million.

I would now like to specifically touch on a number of strategic initiatives which are aimed at driving medium to long term profit growth across our business.

These initiatives contain a number of key elements focused on building and further developing our capability to meet various market conditions, and to capitalise on opportunities to establish and consolidate our position as a market leader.

Underpinning this is our Sustainable Commercial Farming model which is central to realising our objective of achieving and continually building competitive advantage, while also focusing on the management and mitigation of agricultural risk and meeting our environmental responsibilities.

The key components of this include a diversified portfolio, with vertically integrated produce categories, supported by multiple sales channels into both domestic and export markets.

Our newest vertically integrated category is avocados and the integration of our avocado assets and business are well-progressed, with a particular focus on brand development, farm optimisation, and supply chain. Our 'Lovacado' brand, under which we sell our premium Hass and Shepard avocados, has seen circa 750,000 branded trays sold since its launch in May 2018, with this figure increasing in 2019 with our own farm production providing enhanced customer experience and consistent quality. As our Chairman mentioned there has also been a focus on export market development, with 60,000 trays exported in 2018, and plans to substantially increase these volumes in coming years.

We know from experience that the development of such export markets takes time, effort and patience, but it is worth it as the potential reward can be significant. This is perhaps best illustrated by our experience with gaining entry into the Japanese market. Costa spent 14 years building a citrus export window into Japan for our Vitor brand, where we are now the preferred Australian supplier of navel oranges and mandarins, with circa 40% of our citrus exports going to this country.

The growth in such markets and the opportunity they provide is highlighted by the fact that at our IPO in July 2015 we had four citrus farms in the South Australian Riverland with circa 2,000 hectares in plantings. At the end of 2018 with the acquisition of the Nangiloc Colignan citrus business, we now have seven farms, producing from almost 3,000 hectares of crop and covering two growing regions, namely the Riverland and Sunraysia district in Victoria.

Protected and high-density cropping is another important feature of our model, in which the aim is to reduce the risk of extreme weather and climate related events, while also improving yield and productivity. Our protected cropping activity contributes circa 65% of our earnings and we are focused on trialling and developing protected and high density cropping in produce categories where such growing methods have not traditionally been used. This includes avocados, where we are currently trialling high density growing on trellis under permanent protective netting.

By undertaking this trial, we are seeking to change our economic farming model through improving crop yield, quality, pollination, per unit water consumption and promoting an earlier producing crop. The trials are located in four different regions in order to also evaluate differing climatic and seasonal influences.

In our citrus category, where the crop has been historically unprotected, we are investigating the potential for the large-scale adoption of robust permanent netting. Once again this is only in its early days and covers a small part of the crop, but we have installed permanent protective net structure over 24 hectares of mandarins and persimmons. Aside from protecting the crop from extreme weather events, the netting has reduced sunburn on the fruit, minimised damage from wind, helped to reduce water usage by 10 to 20 per cent, and resulted in a higher percentage of first grade fruit which increases average price.

Another key to our Sustainable Commercial Farming model and which provides a competitive advantage is our ability to engage in year-round, geographically diverse, large scale production of crops, including blueberries, raspberries and mushrooms. The ability to provide 52-week supply of produce to consumers which is of a consistent quality, not only removes seasonality, it also smooths cash flow and in a crop such as blueberries, allows us to have substantial market share outside of the main growing season. In our mushroom category, where we produce from facilities located across five Australian states, we have invested significant capital to enhance our most modern production facility at Monarto in South Australia to ensure it remains leading edge.

The Monarto facility is our lowest cost mushroom composting and growing facility and has adopted world's best practice technology. Producing mushrooms 365 days a year, a $72 million capital investment will increase the facility's production capacity from 120 tonnes of production per week to 240 tonnes. State of the art compost technology is also being installed to support the entire facility which will produce 1200 tonnes of phase 1 compost each week and will have a significant positive impact over the long term.

We are also undertaking a major long cane raspberry and blackberry initiative which will enable us to better match supply and demand, and level seasonal peaks from 2020 onwards. Long cane is a raspberry or blackberry cane which has been grown in a nursery, cold stored and then planted in substrate where the cane produce a consolidated crop of premium fruit. The specific benefits of long cane production include the ability to produce superior varieties in non- traditional timings and increased flexibility in scheduling production timing, such as smoothing of the crop to capitalise on peak demand periods. Importantly it will enhance our rollout and supply to the Australian market of the world class blackberry varieties Elvira and Victoria, including enabling a 52-week production cycle.

Our IP and technology provide us with superior product genetics, which have been developed internally as in the case of our world leading blueberry varieties, and through external partnering arrangements, such as our premium snacking tomato variety, Perino, Sun World grapes and of course Driscoll's raspberry and blackberry varieties.

Costa conducts sub-tropical and tropical blueberry breeding programs, where we are focused on further season extension, and enhancing flavour, texture, colour, firmness and eating qualities. Our tropical program in Far North Queensland aims to create a new range of blueberries, suited to low latitude environments. This program has only been running for three years however the first two selections are undergoing early commercial evaluation.

The payoff from such an investment can be significant, as is evidenced by our premium Arana variety, which we claim as the current world's leading blueberry variety. Arana sells at a price premium in both the domestic and global markets.

In our tomato category we have built our reputation over the past 15 years by investing in the trialling of new varieties, successfully commercialising them and bringing them to market. We are constructing a large new nursery which will be able to produce on site 100% of advanced grafted seedlings for our tomato glasshouses, which will increase to 40 hectares of production capacity by late 2020. Our ongoing evaluation of new snacking and cocktail varieties includes up to 40 new cultivars per year.

Our international operations, encompassing Morocco and China, continue to grow and as with our domestic operations, market optimisation and competitive advantage are important goals.

As Neil noted earlier, our Morocco 2018/19 expansion program has focused on further early season planting in Agadir, which is approximately 720kms south of our established plantings in the north. The Agadir plantings, which comprise 21 hectares with a further 45 hectares planted in May 2019, will commence making a revenue contribution from calendar year 2020, and are intended to provide a crop from December to February, compared to the main season of March/April/May.

In China, our total plantings at the end of December 2018 were 110 hectares, with a further 65 hectares of blueberries completed in May 2019, with a similar area to be planted in 2020.

Overall, we are tracking to our initial five-year China plan, and we are undertaking ongoing evaluation of current commercial varieties as well as potential new varieties, including from our Variety Improvement Program in Australia.

Ladies and gentlemen, I cite all of these examples as not merely a laundry list of things to do or that we are doing. On the contrary, these are all intended to highlight our constant preparedness to look for new and innovative ways to improve the way in which we operate, not simply for a short term fix, but to identify and execute initiatives that promote the sustainable medium to long term profitability of the business. Whether it be to increase yield and productivity, mitigate weather risk or further develop our world leading IP, I want to assure you that we won't stand still in our efforts to grow the business and deliver value to our shareholders.

Perhaps most importantly, our people and the knowledge, skills and experience that they bring to their roles has been crucial in Costa's ability to be a market leader in so many facets, including development of new growing techniques, product innovation and post-harvest quality disciplines.

The next generation must be equipped to develop and successfully execute strategic initiatives to continuously drive innovation and profit growth. As with all of the other key elements of our business, this also reflects the need to think long term and to plan for the future to ensure our ongoing success.

To this end, we are committed to identifying and developing the capability of our people, as well as attracting those of the highest calibre to work in our business. We do this in a number of ways, including the provision of continuous education and training, triannual capability reviews of our top 300 people, and the operation of a business wide agronomy group that I chair, which is comprised of senior horticulturalists from each of our core produce categories, with a specific focus on developing agronomic skills, practice and knowledge that can be applied across the business.

Before I move on to our outlook and trading update, I want to touch on another key component of our Sustainable Commercial Farming model, and that is water use and security.
There has been some recent speculation, both within the market and media about the status of water security and supply in our citrus and tomato operations.

Dealing with citrus first, I can advise that our permanent licence allocation for the period July 2019 through to June 2020 will be allocated from the beginning of July. The balance will then be made up of forward contract pre purchases and temporary spot purchases. We recently pre-purchased 3,000 ML for the next water year.

As many of you are aware, Costa has invested in water efficiency over the past decade in our citrus crops and focused on reducing our usage per hectare. We now use as little as 7 to 8 megalitres per hectare and this compares very favourably to other crops at the southern end
of the Murray Darling Basin, which in some cases use double this amount. Rest assured that we will continue to investigate ways in which to improve our citrus water use efficiency, and as I mentioned earlier, this includes deriving water saving benefits from the trialling of protected cropping. While Costa will be financially affected during drought periods, we are ensuring that we remain cost competitive in relation to the rest of the industry.

Our tomato glasshouse operations in Guyra, northern New South Wales are facing some challenges with respect to water, however this has not impacted our production. Our 20-hectare glasshouse relies on using town water. A pipeline is being constructed from the Malpas Dam to provide additional water to Guyra and this is expected to come online from mid-August.

In the interim, the State Government has guaranteed supply of water to Guyra and this will also meet our needs. We will of course continue to work closely with the local Council and State Government to ensure our needs are met, and those of the Guyra township.

Our 10-hectare glasshouse is self-sufficient via intensive rainfall collection facilities and a high recycling rate, and only requires town water for staff amenities. The new 10 hectares we are building will also be water self-sufficient.

Outlook

Since the last company update issued in February the trading environment through March and April was generally favourable with an improved outlook for a number of our categories including tomatoes, avocados and berries, and good prospects for the forthcoming citrus season.

The mushroom category had to contend with lower pricing levels due to extended summer temperatures affecting short term demand, as well as the previously disclosed commissioning delays at Monarto with the late change in compost technology.

The late Moroccan season progressed positively in terms of crop health, but harvest volumes were slow with delayed fruit maturity and increasing competitive pressures on pricing.

At the end of April, full year forecasts aligned with the previous financial guidance provided in February.

As we have worked through May we are facing a deteriorating operating environment on a number of fronts which taken collectively are likely to impact the (calendar) full year results.

In Morocco with almost half of the crop still to be packed from the start of May, weekly harvest yields have been variable. Whilst fruit quality is good, the season is now expected to continue through June and price competition with Spain is high. Consequently, the season outlook has declined.

From early May, the Driscoll's grower network started to see high waste in the major raspberry variety from a condition called 'crumbly fruit'. Costa is seeing resulting low yields and harvest labour inefficiencies which are substantial.

In the mushroom category, based on previous year comparisons we went into the month of May expecting an increase in mushroom consumption to coincide with the cooler weather. The continued unseasonably warm weather has seen continuing weaker demand and price softness. The new growing facility is being commissioned at Monarto, but the cost impact of the later development of the new phase one compost operations is significant.

Last week a female fruit fly was found in routine trapping at the Impi farm at Stuart's Point. Authorities are in the process of implementing a 15-kilometre exclusion zone from the Riverland fruit fly free region. We are in discussion with the relevant state and national agencies, but it appears that approximately 17,000 tonnes of Costa's citrus crop may not be packed in our Riverland sheds and in that event would need to be sent to third party packers in Sunraysia and also cold treated to meet export protocols.

Water allocation for our seven citrus orchards remains at 100% for the balance of this water period ending June 30. We have instituted a number of hedging and pre-purchase instruments to assist the position from July but temporary water pricing is high and future allocation levels are uncertain.

Notwithstanding these issues, we are positive overall about the prospects for the citrus season.

The combined impact of these recently emerging factors suggest that the full calendar year results will be above prior year but below our earlier expectations.

Whilst most of these issues are in progress and require assumptions to be made, at this point in time based on current information we provide updated guidance of an EBITDA-SL range of $140 - 153 million compared to the pro forma CY18 EBITDA-SL result of $125 million, and an NPAT-SL range of $57 - 66 million. (CY18 NPAT-SL was $56.6 million.)

We will continue to update the market as the season unfolds.

On behalf of the Board and Executive, I want to thank all of our employees for their hard work in what is a challenging period. No one ever said it was easy to run an agricultural company, and whether it be our farm managers, horticulturalists, harvest personnel, quality assurance specialists or marketing and sales teams, the passion and dedication that so many of our people bring to their jobs underpins the fundamental strength of Costa and will ensure this continues to be the case well into the medium to long term.

As I said in my introduction, we manage Costa for the long term which is key to success in a business operating within agricultural production time cycles, and multi season weather and market influences.

In conclusion I would also like to sincerely thank the Board for its continued confidence in, and support of, management.

Thank you.

END

Costa Group (ASX: CGC)

costa
well grown

ANNUAL GENERAL MEETING

30th May 2019

Balancing short and long term growth

- We manage Costa for the long term which is key to success in a business operating within agricultural production time cycles, and multi seasonal weather and market influences.

- Whilst there will be annual variances, we are committed to achieving an average annual low double digit earnings growth trajectory with a planning framework centred on a rolling 3-5 year time frame.

- To achieve competitive differentiation as well as business growth, the core focus elements are YIELD, QUALITY and 52 WEEK PRODUCTION within our diversified portfolio. With the drivers being genetics, enhanced agronomic practices, consumer led demand responses, adaptation to climate change and protected cropping.





Six month financial period to Dec 2018

Produce Segment

Berries

- Blueberry performance was mixed, with strong production volumes from the Corindi NSW farm offset by lower volumes from end of the Far North Queensland season.
- Arana blueberry premium offering continues to be well received, selling in 200-gram packs and attracting a net premium of approximately 23 per cent over standard blueberry offerings.
- Raspberry production was unfortunately impacted by unfavourable crop timing - contribution was disappointing.

Mushrooms

- Met financial targets for the period.
- Expansion of Monarto South Australian facility to address production capacity constraints.

Six month financial period to Dec 2018

Citrus

- Contribution was forecast to be significantly below the prior year due to the ‘off-year’ biennial fruit production cycle.

- Citrus exports for the 2018 calendar season comprised 73% of packed volume, with Japan being the largest market taking 40% of total exports, followed by the US, New Zealand and China.

Tomatoes

- Excellent production of snacking and cocktail varieties - unfortunately met by a weaker retail channel pull through due to an oversupplied tomato market generally, with more product being sold via wholesale markets, resulting in an overall lower price. Market conditions are now back to normal.

- Have commenced growing a truss variety called ‘Endeavour’ in 2019 with enhanced yield, shelf life and disease resistance.

Six month financial period to Dec 2018

Avocados

- Main avocado production region during the six-month period was the Northern Coast of New South Wales, with some residual volume coming from the Central Queensland farms.
- Additional expenditure was undertaken on orchard nutrition and health programs on all farms to ensure maximum tree health for future yield.

Costa Farms and Logistics

- Positive interplay between supply and price opportunities saw optimisation of the trading margin across the three wholesale operations in Victoria, South Australia and Queensland.
- Logistics contribution was in line with the prior year, with additional income from contract warehousing offset by lower incomes on produce handling.

Six month financial period to Dec 2018

International segment

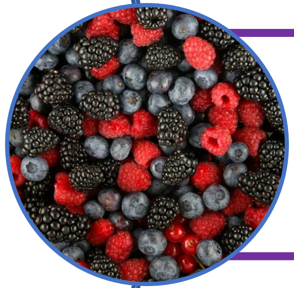
Morocco & China

- Earnings from the international segment, incorporating farming operations in Morocco and China and royalty income from the Americas, are weighted to the first half of the calendar year, meaning there was little in the way of harvest activity in the six months to December 2018.

Financial performance

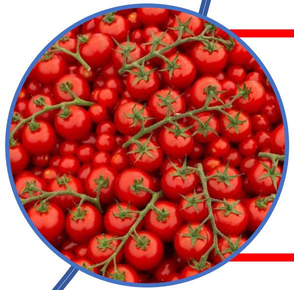
Revenue

$478 million - down 2.4% on the previous corresponding period.



EBITDA -S

EBITDA before SGARA and material items and amortisation (EBITDA-S) was $35.3 million, down 42.0% on the prior period.



NPAT

NPAT-S earnings $8.5 million.

Statutory NPAT was $4.3 million.

Strategic Initiatives

costa
well grown

- Number of key elements focused on building and further developing our capability to meet various market conditions, and to capitalise on opportunities to establish and consolidate our position as a market leader.

- Underpinning this is our **Sustainable Commercial Farming** model - central to realising our objective of achieving and continually building competitive advantage, while also focusing on the management and mitigation of agricultural risk and meeting our environmental responsibilities.

- The key components of this include a diversified portfolio, with vertically integrated produce categories, supported by multiple sales channels into both domestic and export markets.

Vertical integration

costa
well grown

- Our newest vertically integrated category is avocados and the integration of our avocado assets and business are well-progressed, with a particular focus on brand development, farm optimisation, and supply chain.

- Our ‘Lovacado’ brand, under which we sell our premium Hass and Shepard avocados, has seen circa 750,000 branded trays sold since its launch in May 2018, with this figure increasing in 2019.

- Focus on export market development, with 60,000 trays exported in 2018, and plans to substantially increase these volumes in coming years.

6447
LOVACADO™
Aussie avos. From Costa.
09322281002056

Export Market Development

- Development of export markets takes time, effort and patience. Best illustrated by our experience with gaining entry into the Japanese market.

- Costa spent 14 years building a citrus export window into Japan for our Vitor brand, where we are now the preferred Australian supplier of navel oranges and mandarins, with circa 40% of our citrus exports going to this country.

- Growth in such markets and the opportunity they provide is highlighted by the fact that at our IPO in July 2015 we had four citrus farms in the South Australian Riverland with circa 2,000 hectares in plantings.

- With the acquisition of the Nangiloc Colignan citrus business at the end of 2018, we now have seven farms, producing from almost 3,000 hectares of crop and covering two growing regions, namely the Riverland and Sunraysia district in Victoria.

Protected and High Density Cropping

- Protected and high-density cropping aims to reduce the risk of extreme weather and climate related events, while also improving yield and productivity.

- Focused on trialling and developing protected and high density cropping in produce categories where such growing methods have not traditionally been used. Currently trialling high density avocado growing on trellis under permanent protective netting.

- Seeking to change our economic farming model through improving crop yield, quality, pollination, per unit water consumption and promoting an earlier producing crop.

- In our citrus category, where the crop has been historically unprotected, we are investigating the potential for the large-scale adoption of robust permanent netting. We have installed permanent protective net structure over 24 hectares of mandarins and persimmons.

- The netting has reduced sunburn on the fruit, minimised damage from wind, helped to reduce water usage by 10 to 20 per cent, and resulted in a higher percentage of first grade fruit which increases average price.

Year round production

costa
well grown

- Another key to our Sustainable Commercial Farming model and which provides a competitive advantage is our ability to engage in year-round, geographically diverse, large scale production of crops, including blueberries, raspberries and mushrooms.

- Ability to provide 52-week supply of produce to consumers of a consistent quality, removes seasonality and smooths cash flow. In a crop such as blueberries, allows us to have substantial market share outside of the main growing season.

- In our mushroom category, where we produce from facilities located across five Australian states, we have invested significant capital to enhance our most modern production facility at Monarto in South Australia to ensure it remains leading edge.

Enhanced production timing

costa
well grown

- Undertaking a major long cane raspberry and blackberry initiative which will enable us to better match supply and demand, and level seasonal peaks from 2020 onwards.

- The specific benefits of long cane production include the ability to produce superior varieties in non- traditional timings and increased flexibility in scheduling production timing, such as smoothing of the crop to capitalise on peak demand periods.

- Importantly it will enhance our rollout and supply to the Australian market of the world class blackberry varieties Elvira and Victoria, including enabling a 52-week production cycle.

IP & Variety Improvement

- Our IP and technology provide us with superior product genetics, developed internally as in the case of our world leading blueberry varieties, and through external partnering arrangements, such as our premium snacking tomato variety, Perino, Sun World grapes and of course Driscoll's raspberry and blackberry varieties.

- Costa conducts sub-tropical and tropical blueberry breeding programs. Our tropical program in Far North Queensland aims to create a new range of blueberries, suited to low latitude environments. This program has only been running for three years however the first two selections are undergoing early commercial evaluation.

- Payoff from such an investment can be significant, as is evidenced by our premium Arana variety, which we claim as the current world's leading blueberry variety. Arana sells at a price premium in both the domestic and global markets.

IP & Variety Improvement

- In our tomato category we have built our reputation over the past 15 years by investing in the trialling of new varieties, successfully commercialising them and bringing them to market.
- We are constructing a large new nursery which will be able to produce on site 100% of advanced grafted seedlings for our tomato glasshouses, which will increase to 40 hectares of production capacity by late 2020.
- Our ongoing evaluation of new snacking and cocktail varieties includes up to 40 new cultivars per year.

International

- Our international operations, encompassing Morocco and China, continue to grow and as with our domestic operations, market optimisation and competitive advantage are important goals.

- Morocco 2018/19 expansion program has focused on further early season planting in Agadir, which is approximately 720kms south of our established plantings in the north. Comprising 21 hectares of blueberries with a further 45 hectares planted in May 2019, Agadir will commence making a revenue contribution from calendar year 2020, and is intended to provide a crop from December to February, compared to the main season of March/April/May.

- In China, our total plantings at the end of December 2018 were 110 hectares, with a further 65 hectares of blueberries completed in May 2019, with a similar area to be planted in 2020.

- We are tracking to our initial five-year China plan, and we are undertaking ongoing evaluation of current commercial varieties as well as potential new varieties, including from our Variety Improvement Program in Australia.

Medium to Long Term Growth

costa
well grown

- Costa has a constant preparedness to look for new and innovative ways to improve the way in which we operate.

- Not simply for a short term fix, but to identify and execute initiatives that promote the sustainable medium to long term profitability of the business.

- Whether it be to increase yield and productivity, mitigate weather risk or further develop our world leading IP, the clear aim is to grow the business and deliver value to our shareholders.

People

- Our people and the knowledge, skills and experience that they bring to their roles has been crucial in Costa's ability to be a market leader in so many facets - development of new growing techniques, product innovation and post-harvest quality disciplines.

- The next generation must be equipped to develop and successfully execute strategic initiatives to continuously drive innovation and profit growth. This reflects the need to think long term and to plan for the future to ensure our ongoing success.

- We are committed to identifying and developing the capability of our people, as well as attracting those of the highest calibre to work in our business.

- Do this in a number of ways, including the provision of continuous education and training, triannual capability reviews of our top 300 people, and the operation of a business wide agronomy group - comprised of senior horticulturalists from each of our core produce categories, with a specific focus on developing agronomic skills, practice and knowledge that can be applied across the business.

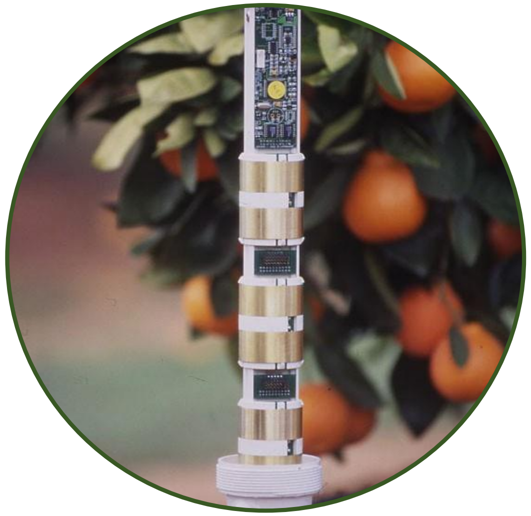
Water Security

Citrus

- Permanent licence allocation for the period July 2019 through to June 2020 will be allocated from the beginning of July. The balance will then be made up of forward contract pre purchases and temporary spot purchases. Recently pre-purchased 3,000 ML for the next water year.

- Costa has invested in water efficiency over the past decade in our citrus crops and focused on reducing our usage per hectare.

- We now use as little as 7 to 8 megalitres per hectare and this compares very favourably to other crops at the southern end of the Murray Darling Basin, which in some cases use double this amount.



Water Security

Tomatoes

- Our tomato glasshouse operations in Guyra, northern New South Wales are facing some challenges with respect to water, however this has not impacted our production.

- Our 20-hectare glasshouse relies on using town water, while our 10-hectare glasshouse is self-sufficient via intensive rainfall collection facilities and a high recycling rate, and only requires town water for staff amenities. The new 10 hectares we are building will also be water self-sufficient.

- A pipeline is being constructed from the Malpas Dam to provide additional water to Guyra and this is expected to come online from mid-August.

- In the interim, the State Government has guaranteed supply of water to Guyra and this will also meet our needs.

Outlook

- At the end of April full year forecasts aligned with the previous financial guidance provided in February.
- As we have worked through May we are facing a deteriorating operating environment on a number of fronts which taken collectively are likely to impact the (calendar) full year results.
- The combined impact of these recently emerging factors suggest that the full calendar year results will be above prior year but below our earlier expectations.
- Updated guidance of an EBITDA-SL range of $140 - 153 million compared to the pro forma CY18 EBITDA-SL result of $125 million, and an NPAT-SL range of $57 - 66 million. (CY18 NPAT-SL was $56.6 million.)

Important notice

- **Important notice and disclaimer:** This presentation contains a general summary of the activities of Costa Group Holdings Ltd (**Costa**), does not purport to be complete and is to be read in conjunction with all announcements filed with the Australian Securities Exchange (**ASX**). Information in this presentation is current as at the date of this presentation (30 May 2019) and remains subject to change without notice. Costa does not warrant the accuracy, adequacy or reliability of the information in this presentation. To the maximum extent permitted by law, none of Costa, its directors, employees or agents accept any liability arising out of fault or negligence, for any loss arising from the use of or reliance on information contained in this presentation by any person.

- **Not an offer or financial product advice:** This presentation is not investment or financial product advice or any recommendation (nor tax, accounting or legal advice) and is not intended to be used as the basis for making an investment decision. In providing this document, Costa has not considered the objectives, financial position or needs of any particular recipients. Each recipient should consult with its professional adviser(s), conduct its own investigation and perform its own analysis in order to satisfy themselves of the accuracy and completeness of the information, statements and opinions contained in this document. This presentation does not constitute an offer to issue or sell securities or other financial products in any jurisdiction. The distribution of this presentation outside Australia may be restricted by law.

- **Forward looking statements:** This presentation contains forward looking statements and comments about future events, which reflect Costa's intent, belief or expectation as at the date of this presentation. Such forward looking statements may include forecast financial and operating information about Costa, its projects and strategies and statements about the industries and locations in which Costa operates. Forward looking statements involve inherent known and unknown risks, uncertainties and contingencies, both general and specific, many of which are beyond Costa's control, and there is a risk that such predictions, forecasts, projections and other forward looking statements will not be achieved. Forward looking statements are provided as a general guide only and should not be relied on as an indication, representation or guarantee of future performance or activities. Costa does not undertake to update or review any forward looking statements.

- **Past performance:** Past performance should not be relied upon as (and is not) an indication or guarantee of Costa's future performance or condition.