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1H FY2016 Results Presentation

February 2016


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Non-IFRS measures: Throughout this presentation, Costa has included certain non-IFRS financial information, including Operating EBITDA and Transacted Sales. Costa believes that these non-IFRS financial and operating measures provide useful information to recipients for measuring the underlying operating performance of Costa's business. Non-IFRS measures have not been subject to audit.

Contents

SCARLOTTA SEEDLESS
AUTUMNCRISP
GREEN SEEDLESS GRAPES
SLICED MUSHROOMS
300 g
ARTISAN
blush
SABROSO
SAMPARI
perino
lady fingers
Driscoll's
costa


Sauté as a side dish or as a main ingredient in your favourite recipe.
400 g
MEET THE GROWER...
COSTA MUSHROOMS,
PROUD PARTNER OF WOOLWORTHS FOR OVER 5 YEARS
VISIT WOOLWORTHS.COM.AU/COSTA

Highlights

Highlights

Highlights

- Strong first half result
- The resilience of Costa's business model continues to be demonstrated:
  - Potential impact from several damaging hailstorms mitigated by protective cropping
  - Challenging conditions in tomato industry offset by out performance in balance of portfolio

Growth Program

- 2nd year of the Australian berry growth expansion completed
- New tomato glasshouse commissioned and now operating at capacity
- China Joint Venture Agreement signed by both parties
- Morocco farm expansion ahead of plan
- Agreement to acquire Pike Creek orchards, a quality 130 Ha citrus orchard adjacent to Costa's farms in SA to be completed Q3 FY2016
- We announce today a further major berry growth program

Highlights

Revenue
↑12.7%

EBITDA-S
↑31.9%

NPAT
$20.2m

Leverage
1.4x

Interim Dividend
3.0 cps

Financial Performance

- Pro forma revenue growth of 12.7% on 1H FY2015
- Pro forma EBITDA before SGARA (EBITDA-S) growth of 31.9% to $39.3m
- Pro forma NPAT of $20.2m and statutory NPAT of $0.6m*
- Leverage reduced to 1.4x of pro forma EBITDA at December 2015
- Interim dividend of 3.0 cents per share

** Note: a reconciliation between pro forma and statutory results is included in the Appendix.*

Category Performance

PRODUCE

TOMATO

- New glasshouse now operating at capacity but experienced some early agronomic issues with the new varieties
- Challenging market conditions with an industry-wide category value decline of 5.5% in the last 6 months (Nielsen data):
    - Truss -6.8%, Field -14.2%, Snacking +6.2%
- Snacking remains best performing sub category
- Favourable weather produced large field crops with some consumer switching between field and truss
- Sluggish supermarket sales resulting in excess supply on wholesale markets
- Launch of new products executed well but given market landscape will take longer to achieve targets

MUSHROOM

- Solid trading performance underpinned by yield improvements due to production refinements across the national network
- Increased engagement with all retail customers

BERRIES

- Impact of the Corindi hailstorms mitigated by significant protected cropping on that site as well as effective contribution from the diversified farming network
- Raspberry yields have been exceptional, and customer demand continues to support category growth
- Promising start to Tasmanian strawberry season

CITRUS

- Excellent crop yields and fruit quality
- Buoyant export market conditions
- Contribution from new Amaroo citrus farm at top end of expectations
- Our early season grape farm at Mundubbera performed above expectations

Category Performance

COSTA FARMS & LOGISTICS

- Revenues impacted by weaker banana pricing during the winter months
- Our Melbourne wholesale market stand relocated to Epping in August 2015, with ripening & warehousing facilities upgraded and integrated into the existing Costa facility at Derrimut
- Improved Logistics earnings through improved site utilisation and cost management

INTERNATIONAL

International segment results are weighted heavily towards the second half of the financial year:

African Blue

- Small early season harvest in December with volume season commencing in January
- Initial indications point to a strong cropping cycle

Licensing

- A tranche of royalty payments received from Driscoll's USA
- Majority of royalty income from Morocco and US will be received in second half

The portfolio nature of our business remains central to the business model, with above budget performance in Citrus, Mushrooms and Berries offsetting the Corindi hail storms and the difficult trading conditions in Tomatoes

Financial Results

1H FY2016 vs 1H FY2015 Pro Forma Results

A$m	Pro forma 1H FY2016	Pro forma 1H FY2015	Variance
Revenue	403.8	358.3	45.5
Other revenue	5.0	3.4	1.6
Share of associates and joint ventures	3.8	1.3	2.5
Operating expenses	373.3	333.2	40.1
EBITDA before SGARA	**39.3**	**29.8**	**9.5**
Fair value movements in biological assets	2.0	2.4	(0.4)
EBITDA	**41.3**	**32.2**	**9.1**
Depreciation & amortisation	10.2	8.9	1.3
Profit/(loss) on sale of assets	(0.6)	0.2	(0.8)
EBIT	**30.5**	**23.5**	**7.0**

Transacted Sales	515.3	468.4	46.9
Operating EBITDA	37.8	30.9	6.9

Key Highlights

Revenue +12.7%:

- Increase driven by revenue growth across the Produce categories
- Costa Farms & Logistics (CF&L) revenue lower due to weaker banana pricing and reduced volume of promotions
- Transacted sales are forecast to exceed $1 billion for the first time in FY2016

EBITDA before SGARA +31.9%:

- Contribution from all segments has increased year on year
- All joint ventures are performing in line with, or better than expectations
- Includes $1.9m SGARA (hanging crop) benefit from African Blue
- Operating expense increase driven by revenue growth, with EBITDA-S margin improvement from 8.3% to 9.7%

EBIT +29.8%:

- Depreciation expense increase with new capex

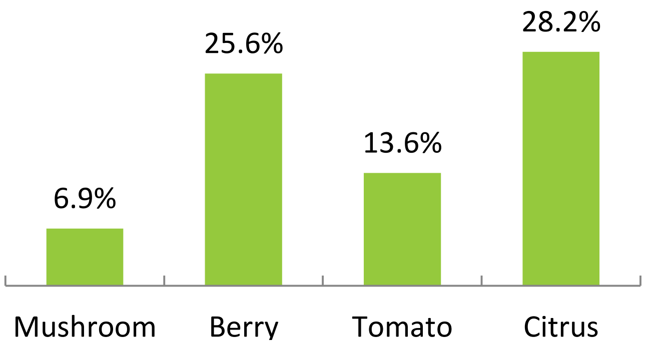
Note: Refer to the Appendix for a reconciliation between pro forma and statutory results, and the definition of Transacted Sales and Operating EBITDA

Produce

Pro Forma segment financial and operating metrics

A$m	Pro forma 1H FY2016	Pro forma 1H FY2015	Var
Revenue	317.9	267.3	50.6
EBITDA before SGARA	32.3	26.9	5.4
EBITDA-S margin	10.2%	10.1%	+0.1%
Transacted sales	408.2	362.5	45.7
Operating EBITDA	32.5	26.9	5.6

Revenue: + 18.9%



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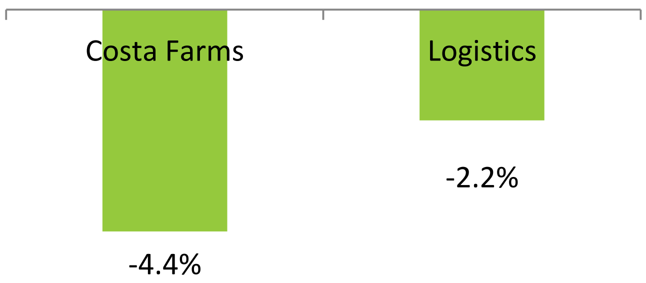
Costa Farms & Logistics

Pro Forma segment financial and operating metrics

A$m	Pro forma 1H FY2016	Pro forma 1H FY2015	Var
Revenue	107.5	111.7	(4.2)
EBITDA before SGARA	5.8	4.9	0.9
EBITDA-S margin	5.4%	4.4%	+1.0%

Transacted sales	127.3	126.4	0.9
Operating EBITDA	5.7	4.9	0.8

Revenue: -3.8%



International

Pro Forma segment financial and operating metrics

A$m	Pro forma 1H FY2016	Pro forma 1H FY2015	Var
Revenue	-	-	-
EBITDA before SGARA	1.2	(2.0)	3.2
EBITDA-S margin	-	-	-

Transacted sales	1.3	0.2	1.1
Operating EBITDA	(0.4)	(0.9)	0.5

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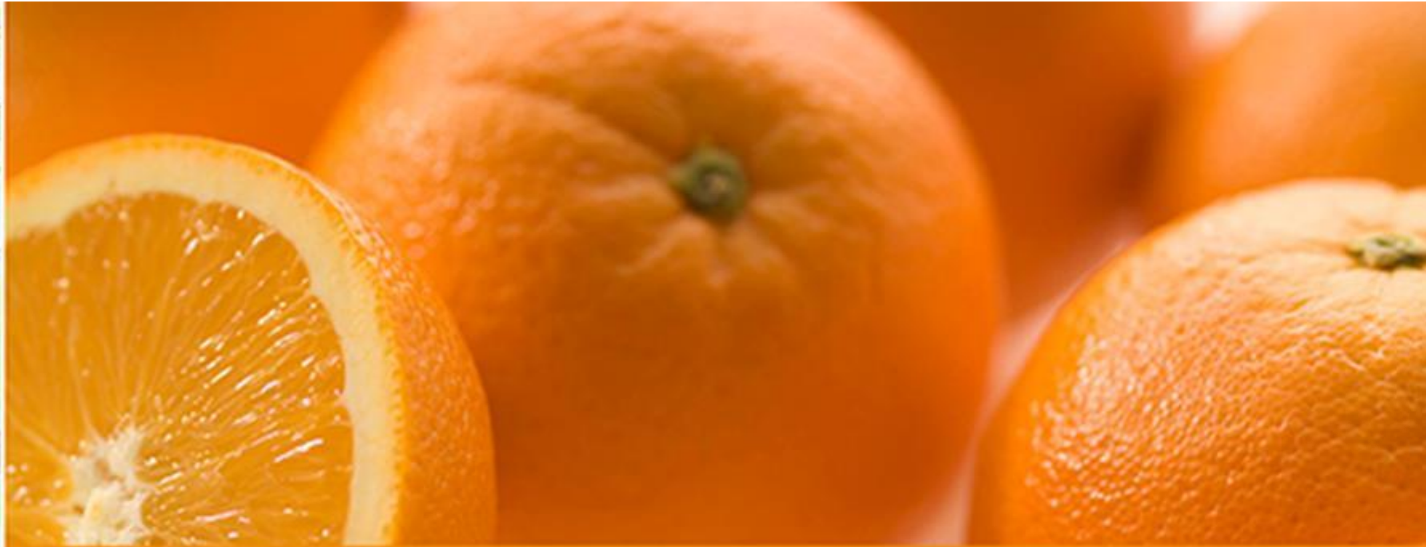
Pro forma balance sheet and cash flow

A$m	Pro forma 1H FY2016	Pro forma 1H FY2015	Variance
EBITDA before SGARA	**39.3**	**29.8**	**9.5**
Less: share of JVs profit	(3.8)	(1.3)	(2.5)
Dividends from JVs	1.7	4.7	(3.0)
Change in working capital	(4.0)	(5.7)	1.7
Maintenance capex	(4.4)	(4.0)	(0.4)
Free cash flow (1)	**28.8**	**23.4**	**5.4**
Productivity & growth capex	(24.3)	(32.2)	7.9
Loan repayments from investments	1.6	-	1.6
Disposals of PPE	0.5	0.2	0.3
Net cash flow before financing, tax & dividends	**6.6**	**(8.6)**	**15.2**
Cash conversion ratio	**73%**	**79%**	

	December 2015	June 2015 (2)	Variance
Total Assets	**548.8**	**527.9**	**20.9**
Net debt	113.0	122.7	(9.7)
Net debt / LTM pro forma EBITDA-S	**1.4x**	**1.7x**	**0.3x**

- Pro forma net leverage has decreased from 1.7x in June to 1.4x
- Strong free cash flow generation of $28.8m, up 23% from prior year
- Cash conversion ratio impacted by timing of African Blue and Driscoll's dividends scheduled for H2 – received in H1 last year
- Seasonal working capital build
- Growth capex tracking in line with plan. China funding to occur from H2
- African Blue loan repayment received

Note:
(1) Cash conversion ratio is Free Cash Flow / EBITDA before SGARA
(2) Pro forma balance sheet post completion of the IPO



Growth Plan Update

#1 Expansion growth initiatives – new tomato glasshouse

Inside the new glasshouse

- New 10ha high yield state of the art glasshouse facility, providing flexibility to develop and grow new and unique offerings to the market
- Commissioned October 2015, the glasshouse is now at operational capacity
- Both 5ha compartments are now in full production
- Some initial project commissioning delays and pollination issues (now rectified) which have impacted costs and revenue
- New product launches have been successfully deployed. Some evidence of consumer range confusion in store is being addressed with collaboration with the supermarkets
- Financial performance to date has been impacted by weaker average pricing, with price deflation led by field and truss pricing also impacting the snacking segment
- Capex costs are being finalised, and are in line with forecast

#2 Expansion growth initiatives – berry growth project update

Costa continues to grow its market volumes in blueberries, raspberry and summer strawberry production. Importantly we have achieved year round production of high quality blueberries.

- FY16 projects (76 ha) across 4 regions – FNQ, WA, Tasmania and Corindi – have been completed on schedule
- Total of 147 ha planted representing 32% footprint increase since 2014. Further 35ha to be planted in FY17
- Total program planting revised down to 181 ha (Prospectus 195ha) due to increasing proportion of higher return projects. Overall earnings projections exceed expectations
- Yields and results to date have exceeded expectations
- Capex in line with forecast

Tasmanian strawberries

New blueberry plantings

#3 International growth projects underway

African Blue expansion continuing

- At the end of FY2015, African Blue had 182ha of protected blueberry tunnel production at its five farms, with a further 90ha expected to be planted by FY2017
- This year 15ha has been planted, with a further 37ha (total 52ha) to be planted in FY2016
- Two further land parcels totaling 160ha have been secured, which will support completion of the FY2017 program as well as future growth
- The FY2016 planting includes a 12ha area of blueberry substrate production, a growing technique which has been previously commercialised successfully in Australia

Larache blueberry farm, Morocco

Substrate trials at Larache farm, Morocco

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#4 International growth projects underway

China

- In 2014, Costa entered into an MOU with Driscoll's for the formation of a berry farming JV in China
- The joint venture agreement was executed in January 2016
- Ownership: Costa 70%, Driscoll's 30%
- The first Costa managed blueberry and raspberry farm has already been established in Yunnan province with the initial raspberry harvest in progress
- A second farming location has been selected with land preparation and planting to commence shortly
- The enterprise will grow berries for the Asian market and the product will be marketed by Driscoll's
- Driscoll's have funded the expansion to date - Costa to reimburse Driscoll's for its share of costs in H2 FY2016

Initial berry farm at Shiping, Yunnan Province, China

New Berry Growth Plan

Costa retains its high conviction on the long term growth prospects for fresh berry products globally and in Australia

- Costa's Board has approved a new berry growth plan for the Australian business following the success of the current program
- This will continue to cement Costa as the clear technology and market leader of fresh berry production in Australia through to 2020's
- Project value of $80m over 4 years, with returns meeting internal hurdle rates, capable of being funded from cash flow and existing debt facilities
- New program will involve up to 11 projects, each individually considered on merit, covering all four major berry types – blueberries, raspberries, strawberries and blackberries
- Additional plantings in 2017 will augment the last elements of the current $47m program, with major expansion in FY2018, FY2019 and FY2020
- The plan includes the commercialisation of the nascent blackberry category with new quality genetics becoming available over the next 2 years
- All new plantings will be housed under protected cropping and the vast majority grown in substrate using technology proven by Costa
- The plan includes increased farming and support infrastructure in Far North Queensland, Corindi NSW (with both new plantings and blueberry conversion to substrate) and potentially WA and Tasmania

Outlook

Outlook

- The portfolio and protected cropping has provided resilience to absorb individual category volatility
- Reconfirm FY2016 Prospectus forecast of $47.6m pro forma NPAT based on current trading outlook
- Due to seasonality, timing of growth projects and international operations, performance is more heavily weighted towards the second half
- Strong cash flow generation and cash conversion expected over H2 with earnings and release of seasonal working capital build
- Pipeline of growth projects is progressing to schedule
- Reconfirm intention to pay fully franked dividends of 60% of full year pro forma NPAT

Appendix

Additional information

Statutory to Pro forma results reconciliation

A$m		1H FY2016
Statutory EBITDA before SGARA		**18.3**
IPO transaction costs	1	20.5
Costa Asia	2	0.5
Pro forma EBITDA before SGARA		**39.3**

Statutory NPAT		**0.6**
IPO transaction costs	1	14.3
Costa Asia	2	0.5
Site Closure	3	(1.9)
Interest Expense adjustment	4	6.7
Pro forma NPAT		**20.2**

1. **IPO transaction costs**: costs associated with the IPO.
2. **Costa Asia:** initial start-up costs for Costa Asia.
3. **Site Closures:** profit from sale of grape farms impaired in FY2015. These sites were reported as a pro forma adjustment in the prospectus.
4. **Interest expense adjustment**: The new IPO banking facilities were effective 29 July 2015. Adjustment to reflect the terms of the new Banking Facilities as if they were in place for the full financial year.

Explanation of certain non-IFRS operating measures

Transacted Sales

Transacted Sales are used by management as a key measure to assess Costa's sales and marketing performance and market share. Transacted Sales represent the aggregate volume of sales in which Costa is involved in various capacities (including sales of third party-grown produce marketed by Costa under agency arrangements), as well as royalty income. Transacted Sales are not considered by Costa to be a revenue measure. There are material differences between the calculation of Transacted Sales and the way in which revenue is determined under AAS.

Transacted Sales comprise:

- statutory revenue;
- gross invoiced value of agency sales of third party produce;
- Costa's proportionate share of joint venture sales relating to the African Blue and Polar Fresh joint ventures;
- royalty income from the licensing of Costa blueberry varieties in Australia, the Americas and Africa; and
- 100% of Driscoll's Australia Partnership sales after eliminating Costa produce sales to the Driscoll's Australia Partnership. Prior to the formation of Driscoll's Australia in 2010, all of Costa's domestic sales and marketing activities for the berry category were managed by Costa.

Other market participants, including Costa's retailer customers, frequently do not distinguish between the various capacities in which Costa may transact with them. For example, the arrangements under which Costa delivers produce to its customers usually does not specify whether the produce is grown by Costa, marketed by Costa on behalf of third party growers under agency arrangements or otherwise sourced from third party growers. Accordingly, Costa believes that other market participants perceive the aggregate of all sales in which Costa is involved (including as a grower, sales agent, trader and joint venture party) as reflective of Costa's market share and therefore indicative of its negotiating position.

Similarly, management looks at Transacted Sales as a measure that indicates, on a comparative basis, Costa's sales and marketing performance. While movements between the various components of Transacted Sales can be relevant for this assessment, the aggregate of all components is a key indicator of Costa's overall sales and marketing performance.

Investors should note that Transacted Sales are presented for the purposes described above and are not considered by Costa to be a revenue measure. There are material differences between the calculation of Transacted Sales and the way in which revenue is determined under AAS, including that, under AAS:

- the invoiced value of agency sales is excluded from revenue with only the commission associated with the agency sales recognised as revenue;
- joint ventures are accounted for under the equity method, with only Costa's share of the joint venture NPAT recognised in the statement of profit or loss; and
- royalty income is recognised as other income in the statement of profit or loss.

Operating EBITDA

Operating EBITDA is EBITDA before SGARA, adjusted to include Costa's proportionate share of EBITDA from non-wholly owned entities. This measure is used by management to evaluate the operating performance of the overall business, inclusive of the performance of non-wholly owned entities on a look-through basis, without the non-cash impacts of depreciation and amortisation, fair value movements in SGARA and interest and tax charges, which are significantly affected by the capital structure and historical tax position of Costa. Under AAS, joint ventures are accounted for using the equity method, with only Costa's proportionate share of NPAT from joint ventures recognised in the statement of profit or loss. The inclusion of the proportionate share of joint venture EBITDA in Operating EBITDA is not in accordance with AAS