



1H FY2018 Results Presentation

February 2018



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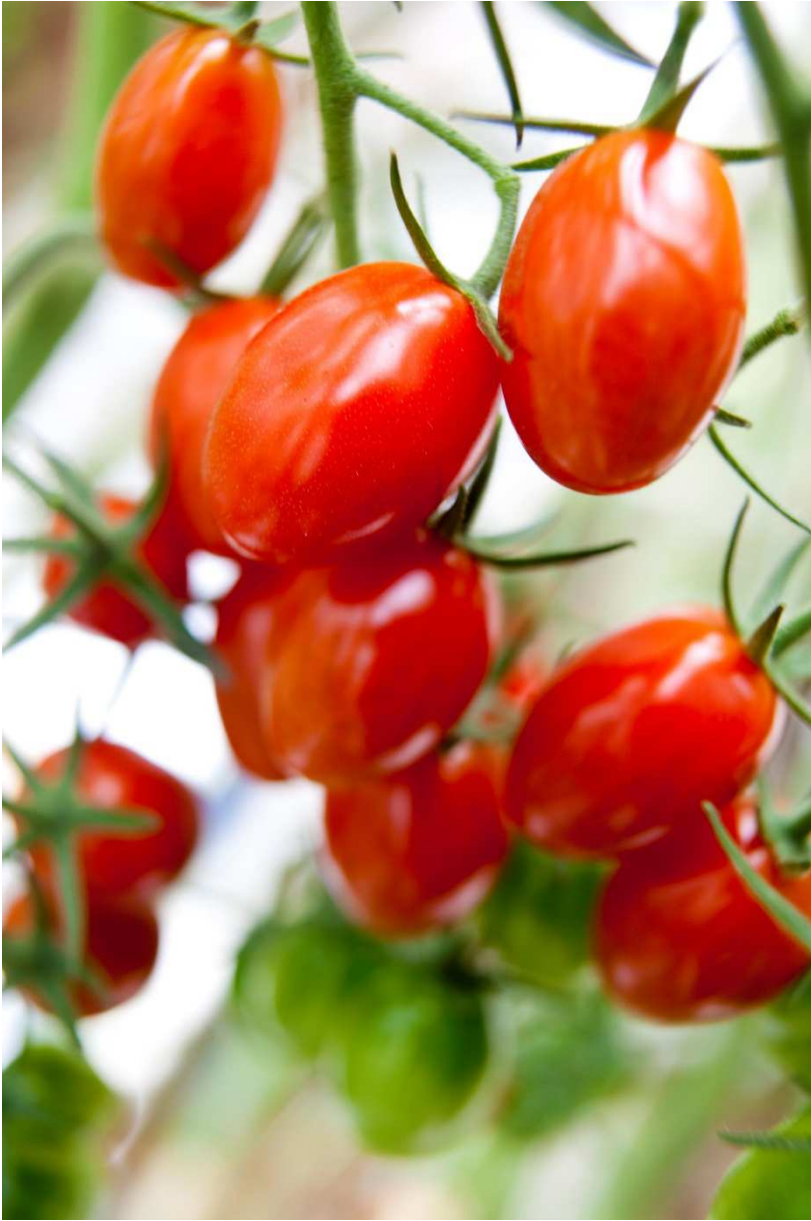
Non-IFRS measures: Throughout this presentation, Costa has included reference to certain non-IFRS measures. Non-IFRS measures have not been subject to audit. A further explanation of these measures is provided in the Appendix.

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Bailang berry farm, China



Highlights

Highlights

Headlines

- A strong first half result, with citrus and tomato categories being the standouts
- Balance sheet and cash flow positions are robust, with acquisition of African Blue and growth projects increasing leverage to a comfortable 1.4x EBITDA-S
- Despite some extreme weather events, there was no major weather impact on our H1 result. This is continued evidence of the benefits of the diversified asset base and risk management practices.

Growth Program

International:

- Acquisition of a further 37% of African Blue completed in November, taking Costa ownership to 86% with options to increase to 90% over the next 3 years
- China FY18 expansion on track, including securing of land for FY19 plantings

Avocado:

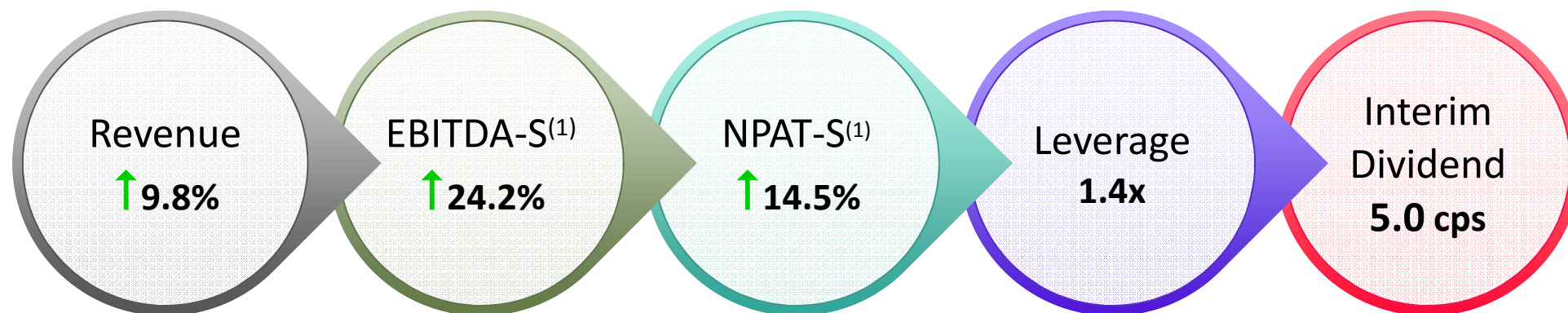
- We announce today the signing of a conditional agreement for the acquisition of Coastal Avocados in Northern NSW, which will be the hub for Costa's 4th avocado growing region
- In addition, 2 smaller avocado farms have been acquired to complement the existing hubs in Atherton and Childers

Berry – Australia: ongoing execution of the domestic berry growth program

Mushroom: Project scope updated to include enhanced compost preparation technology, with first production expected from February 2019

Citrus: acquisition of Impi Orchards completed in December, and 126 ha of new plantings during FY18 to date completed under the 3IP program at existing Riverland farms

Highlights



Financial Performance

(1)

- Revenue growth of 9.8% on 1H FY17
- EBITDA before SGARA and material items (EBITDA-S) growth of 24.2% to \$60.9m
- NPAT before SGARA and material items (NPAT-S) was \$28.6m, or 14.5% growth
- Leverage increased to 1.4x EBITDA-S at December 2017
- Interim dividend of 5.0 cents per share (25% increase on FY17), fully franked
- Statutory NPAT of \$66.2m, inclusive of material items relating to the African Blue acquisition. This includes a \$40.1m non-cash gain from the consolidation of the 49% interest previously held

1) Before material items – FY18: African Blue non-cash revaluation gain from first time consolidation and transaction costs. Refer to page 23 for further details. FY17: impairment of Polar Fresh investment. Refer to the Appendix for further details on non-IFRS measures and details of material items.

Segment Performance - Produce

Mushroom

- Category on target for the first half
- Category performance continues to be constrained by supply, with available production favouring prepack retail sales where strong demand exists
- Industry value growth of 4.4%, largely driven by price*

Berry

- Blueberry contribution was in line with prior year:
 - Later harvest at Corindi adversely affected price outcomes. Significant cost improvement initiatives, predominantly around productivity and labour, were able to mitigate the impact of lower prices
 - As previously advised, Corindi volumes reduced due to the major late season replanting program. Despite that, overall volume was marginally higher than last year, ahead of expectations, with heavy late Corindi production.
- Raspberries recovered from the poor growing conditions in 2016. December peak production supported the high demand Christmas week.
- Industry blueberry and raspberry sector growth was 22.1% and 20.3% respectively*

Segment Performance - Produce

Citrus

- The 2017 citrus season was exceptional, with a total yield of 98,000 tonnes.
- Export market demand absorbed all incremental volume, with strong sales growth across key markets including Japan, USA and China.
- Navel oranges in particular performed strongly, and coupled with excellent quality, farming returns per tonne were in line with the prior season despite a less favourable SKU sizing mix due to the larger crop
- The 2018 season is expected to be lighter, following the normal biennial bearing cycle
- The early season Mundubbera grape farm performed well, in line with prior year

Tomato

- Excellent first half performance
- Reconfiguration of the glasshouses to 6 x 5ha modules and change in planting schedules has smoothed volume away from the traditional peak summer production
- The snacking segment continues to perform strongly, with excellent production from the new glasshouse and strong market uptake
- The upgraded nursery now supplies all of our tomato seedling requirements, ensuring improved quality and timing flexibility
- Average industry sector growth -9.1%: truss -14.8%, snacking +9.5%, field -17.9%*

Segment Performance – Produce / CF&L

Avocado

- Third party avocado sales growth was primarily due to higher pricing on lower volumes marketed, with overall industry volumes down 22%*. Central QLD season ~40% below expectations, and the WA crop also lighter
- Category contribution aligned to second half harvests
- Good early fruit set on new season crop on the Atherton Tableland. Harvest at the Atherton Tableland farms commenced in February with Central QLD to follow in March
- Hail at the 38 ha Kumbia farm in Central QLD has stripped the young trees of leaves, with a small loss of trees. It will take approx. 2 years to regain tree health and structure with some minor financial impact on H1 FY19 results
- Good contribution from banana farming and marketing activities, with an early spring production flush driving up volumes by 34%

Costa Farms & Logistics

- Berry services income increased with higher volume of summer berries, but overall trading flow across the wholesale stands was constrained by lower available avocado and mushroom supply
- Coles Devonport (Tas) logistics contract has been agreed for a further 2 years
- Exit from Polar Fresh completed in October 2017. Final partnership wind down activities are underway.

Segment Performance - International

International

- Both China and Morocco harvests occur in H2, with crops requiring operational cost investment through H1
- China
 - Small volume of blueberries harvested from both farms leading into December, with the main harvest expected Mar-May in line with expectations
 - Significant increase in YTD raspberry volumes due to the summer crop peaking 3 weeks earlier than usual
 - First small harvests of blackberries from November 2017
 - Conditions over the past summer were challenging with wet weather hampering growth project development and requiring more focused pest and disease management
- African Blue
 - The crop forecast for the 2018 season is positive. Timing is slightly delayed due to the cold northern hemisphere winter. Harvest will commence in volume from late February and finish in June
- Royalty income – tracking well, noting that fruit based royalties will accrue with harvests over H2



Financial Results

Note: 1H FY17 results have been restated for:

- *The transfer of avocado (and banana) categories from the Costa Farms & Logistics segment to Produce*
- *Allocation of costs from the Produce segment to International to better reflect costs associated with the segment*

1H FY2018 vs 1H FY2017 Results

A\$m	1H FY17	1H FY18	Variance
Revenue	445.5	489.4	43.8
Share of assoc. and joint ventures	5.5	3.5	(2.0)
Operating expenses	(402.0)	(431.9)	(29.9)
EBITDA before SGARA	49.0	60.9	11.9
Fair value mvmt in bio. assets	(1.9)	0.6	2.5
EBITDA	47.2	61.5	14.3
Depreciation & amortisation	(12.8)	(15.8)	(2.9)
Profit/(loss) on sale of assets	0.6	(0.3)	(0.9)
EBIT	35.0	45.4	10.5
NPAT (before material items)	22.7	29.0	6.3
Material items, post tax	(7.7)	37.2	44.9
Non-controlling interest	1.0	0.1	(0.9)
NPAT attributable to shareholders	15.9	66.2	50.3
NPAT-S	25.0	28.6	3.6
Transacted Sales	570.6	663.1	92.5

Key Highlights

Revenue +9.8%:

- Revenue growth achieved across all reportable segments
- Citrus and avocado sales were key drivers

EBITDA before SGARA +24.2%:

- EBITDA-S margin improvement from 11.0% to 12.4%, led by strong Produce category performance
- Avocado, China and Morocco expansions have resulted in additional cost investment in H1 vs pcg with harvest cycle to occur during H2. Associated SGARA increase was offset by citrus reduction post harvest.

NPAT-S +14.5%:

- African Blue equity accounted to Nov-17, and consolidated from Dec-17
- Depreciation expense increase driven by new capex, in line with expectations

Material items:

- FY18: Gain on revaluation of African Blue equity investment and transaction costs
- FY17: impairment of Polar Fresh investment

Note: Refer to the Appendix for details on non-IFRS measures and material items

Produce

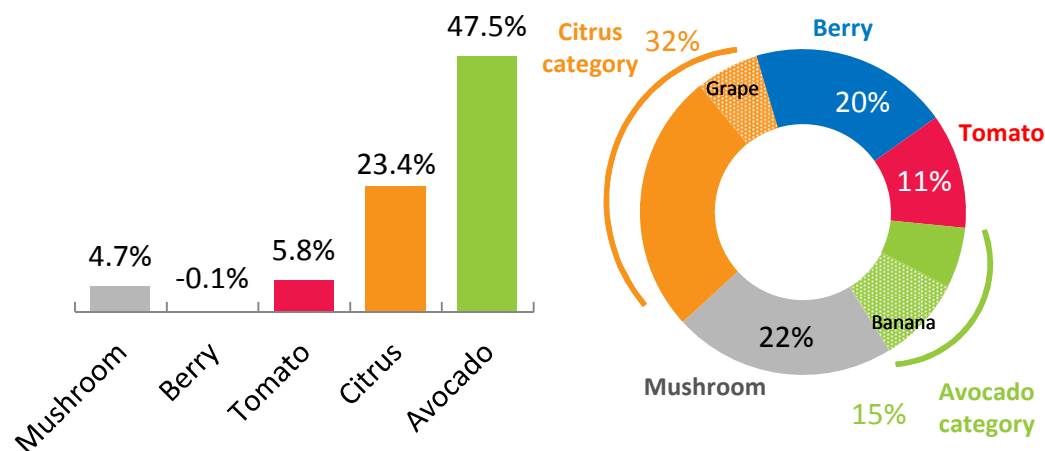
Segment financial and operating metrics

A\$m	1H FY17	1H FY18	Var
Revenue	389.7	444.8	55.2
EBITDA before SGARA	42.6	59.9	17.3
EBITDA-S margin	10.9%	13.5%	2.5%

Transacted Sales	514.7	620.3	105.6
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Revenue growth: + 14.2%

FY18 share of revenue



Revenue:

- **Mushroom:** modest yield growth, and continued mix shift towards pre-pack into retail
- **Berry:**
 - revenue flat with raspberry sales growth offset by lower blueberry sales
 - average pricing reductions noted in both blueberry and raspberries reflective of increased industry volumes and concentrated peak production windows this season
 - Transacted Sales increase of 22%, with Driscoll's marketing sales growth
- **Tomato:** solid result underpinned by improved yield across all sites, particularly the new 10ha glasshouse dedicated to snacking production
- **Citrus:** record production year with ~75% of packed crop exported. Strong navel demand and pricing offset impact of smaller fruit. Mandarin pricing was lower.
- **Avocado:** third party sales growth due to higher pricing on lower volumes marketed. Own farm fruit sales below expectations due to lighter biennial yield at Childers.
 - Banana marketing revenue also increased with the early spring flush.

EBITDA before SGARA:

- EBITDA margin improvement reflects standout citrus result, solid tomato category contribution, and berry category cost initiatives with higher Driscoll's JV contribution
- New avocado farms crop cycles are negative to EBITDA in H1
- Electricity cost increase of 24 % vs pcp (\$1.1m) with largest increase across the mushroom facilities

Costa Farms & Logistics

Segment financial and operating metrics

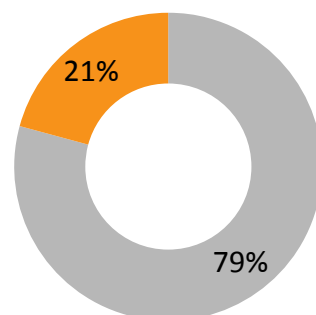
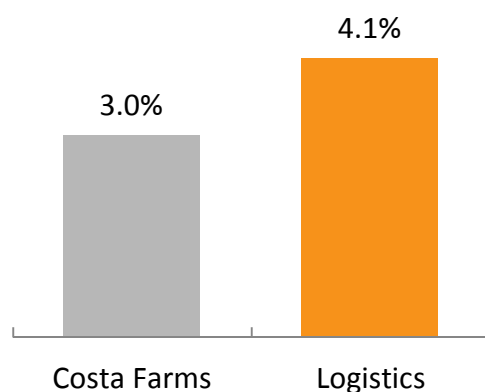
A\$m	1H FY17	1H FY18	Var
Revenue	73.8	76.1	2.3
EBITDA before SGARA	5.1	3.4	(1.7)
EBITDA-S margin	6.9%	4.5%	-2.4%

Transacted sales	73.5	74.3	0.8
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- **Revenue** up \$2.3m or 3.2% against 1H FY17:
 - Costa Farms revenue growth constrained by availability of product from the Produce categories, most notably mushrooms and avocado, and lower banana pricing. Good volumes of berries over Q2 enabled overall revenue growth.
 - Moderate logistics revenue growth through additional contract warehousing activities.
- **EBITDA before SGARA** \$1.7m lower than 1H FY17:
 - Reduction mainly driven by closure of Polar Fresh operations.
 - Logistics contribution also reduced with Jandakot contract renewal during FY17 at reduced margins

Revenue growth: +3.2%

FY18 share of revenue



International

Segment financial and operating metrics

A\$m	1H FY17	1H FY18	Var
Revenue	2.0	3.6	1.6
EBITDA before SGARA	1.3	(2.5)	(3.8)
EBITDA-S margin	-	-	-

Transacted sales	2.3	3.7	1.3
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Soil plantings, African Blue

Key Drivers

- Earnings from the International segment are concentrated in H2, with harvests in Morocco and China and licensing income from Driscoll's Americas and Morocco fruit sales occurring over the second half
- **Revenue** increase from 1H FY17 reflects additional China raspberry sales
- **EBITDA before SGARA** is below prior year, due to:
 - Additional farming cost investment in China and Morocco with expansion
 - Change from equity accounting (share of NPAT) of African Blue to consolidation
 - Increase in dedicated resources to support the International segment – agronomy, R&D, finance, management capabilities
 - The International segment is expected to deliver significant earnings growth for the full year, reflective of increased plantings and African Blue increased ownership.
- Refer to the Appendix for the accounting and reporting implications arising from the majority share acquisition of African Blue

Cash flow

A\$m	1H FY17	1H FY18	Var
EBITDA-S	49.0	60.9	11.9
Less: share of JVs profit	(5.5)	(3.5)	2.0
Dividends from JVs	5.2	2.8	(2.4)
Movement in working capital	13.8	(2.5)	(16.4)
Operating capex	(6.2)	(8.4)	(2.2)
Free cash flow	56.2	49.3	(7.0)
Productivity & growth capex	(19.8)	(27.6)	(7.8)
Payments for business acquisitions	(3.8)	(4.0)	(0.2)
Payment for acquisition of subsidiary	-	(57.4)	(57.4)
Disposals of PPE	0.7	0.1	(0.6)
Net cash flow before financing, tax, dividends & material items	33.4	(39.7)	(73.1)
Cash conversion ratio ⁽¹⁾	115%	81%	

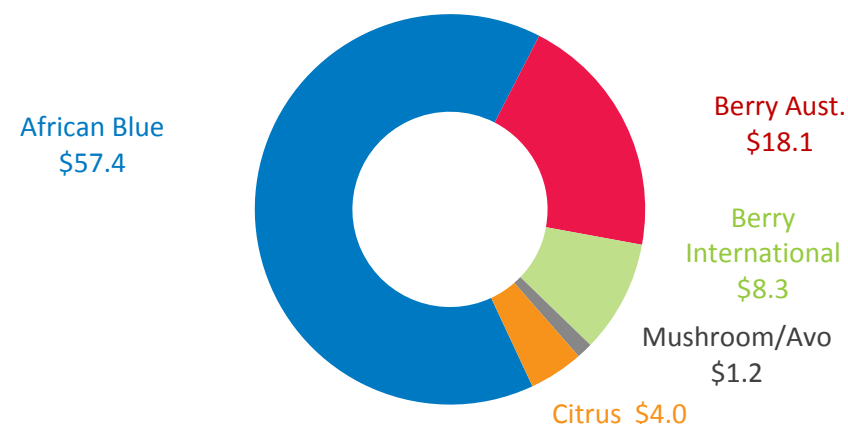
Note:

(1) Cash conversion ratio is Free Cash Flow / EBITDA-S

Key Highlights

- Good first half free cash flow outcome with 81% cash conversion ratio
- Reduction in JV earnings and dividends reflecting changes with African Blue and Polar Fresh.
- Working capital outflow vs pcp due to timing of calendar month end payments, with Dec-17 falling on the calendar month end
- Operating capex in line with expectations
- \$89.0m invested in growth initiatives during H1 FY18
 - African Blue payment \$68.6m, less cash \$11.1m acquired

Growth Initiatives \$89.0m

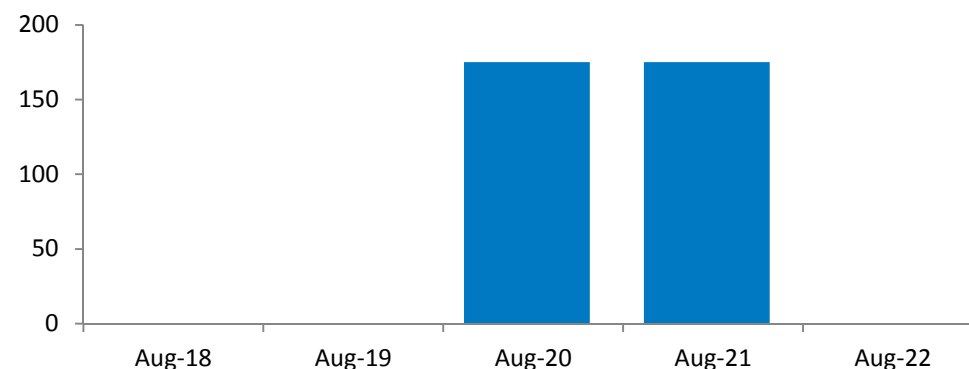


Balance sheet & net debt

A\$m	Jun-17	Dec-17	Var
Cash & cash equivalents	22.6	37.5	14.9
Receivables	87.4	85.5	(1.9)
Inventories	18.1	19.9	1.8
Biological assets	46.0	47.1	1.1
Equity accounted investments	32.4	10.7	(21.6)
Intangibles	143.1	247.4	104.3
Property, plant & equipment	281.9	325.3	43.3
Other assets	16.7	29.7	13.0
Total Assets	648.2	803.0	154.8
Payables	102.7	110.5	7.8
Borrowings	106.8	215.1	108.3
Provisions	25.0	25.1	0.1
Other liabilities	17.6	19.1	1.5
Total Liabilities	252.1	369.8	117.8
Net Assets	396.2	433.2	37.0

	Jun-17	Dec-17	Var
Net debt	84.2	177.6	93.4
Net debt / LTM EBITDA-S	0.7x	1.4x	0.7x

Debt facility maturity profile



- Net leverage has increased to 1.4x following African Blue acquisition. Balance sheet and debt facilities are still well positioned to support growth initiatives
- Reduction in equity accounted investments and goodwill increase also due to African Blue acquisition
- PPE increase relates to berry and mushroom projects, and consolidation of African Blue

Growth Plan Update



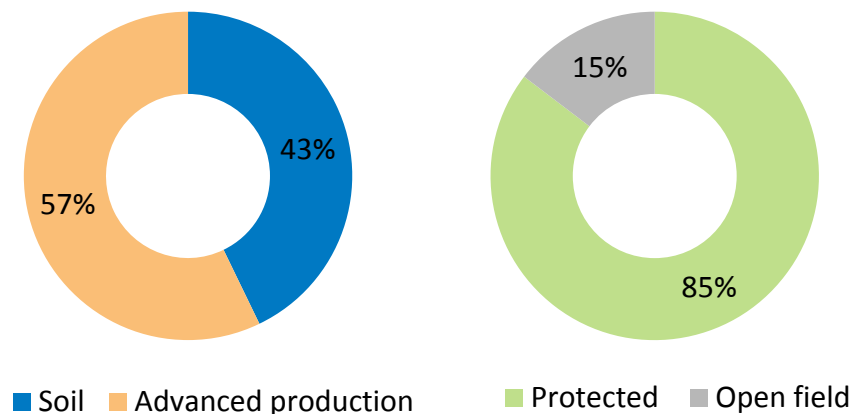
#1 Australian Berry expansion

- FY18 scheduled expansion of 95ha completed on time, including 31ha new blueberry plantings, 31ha substrate conversion to Arana at Corindi, 10ha new blackberries and 23ha raspberries.
- New blackberry plantings are establishing well, with a small harvest of the new variety Elvira expected from March this year
- New premium blueberry punnet launched, backed by Costa's Arana variety. Further volume will be available in FY19 following the 31ha substrate conversion during FY18
- Tasmania DC expansion completed on schedule, supporting cooling and consolidation of peak December volumes and increased blueberry packing and MA capacity



New Elvira blackberry plantings, Tasmania

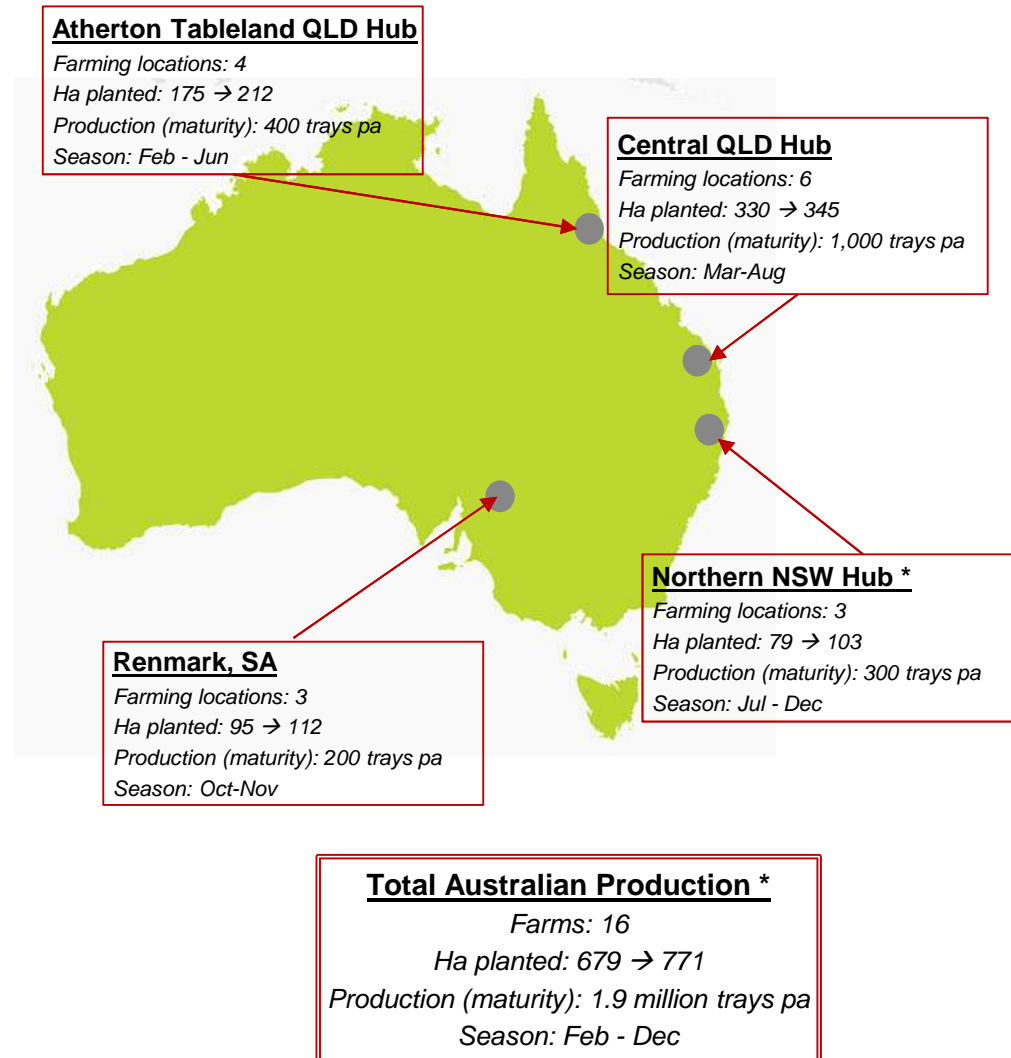
% of production (all berry types) – FY18E



#2 Avocado vertical integration

- Conditional acquisition of Coastal Avocados in Northern NSW
 - 4th growing region, which will extend Costa's production season from Feb-Dec
 - 79ha planted, with further 24ha greenfield development land
 - Good profile of trees, with ~50% of trees less than 6 years old
 - Current production of 200k trays pa, growing to 300k trays at maturity
 - Network of third party growers with additional 300k trays processed through the newly upgraded packing facility
- Bolt-on acquisitions:
 - Gunalda farm, Central QLD
 - Burness orchard, Atherton Tableland QLD
- Coastal Avocados and Burness orchards acquired in conjunction with Macquarie Agricultural Funds Limited
- Costa avocado category*:
 - ~\$110m capital investment (including Macquarie component)
 - 679ha planted (further 92ha planned), across 4 regions
 - First class packing facilities in each location
 - Own farm production today ~ 0.8m trays increasing to 1.9m trays over next 5 years
 - Additional 3rd party volume marketed of ~2m trays pa

Costa Avocado Production Footprint



#3 Mushroom expansion – Monarto, SA

- The Monarto farm is the most modern composting and growing facility in our portfolio of mushroom growing assets
- The expansion entails a doubling of existing production at the site from 120T to 240T per week
- Construction works have commenced
- The works will now also incorporate new enhanced compost preparation technology which will also be retrofitted to service the existing site. This will provide improved yield and quality
- As a result total CAPEX has risen to \$70.7m from \$65m to accommodate this improvement
- Additional production capacity is expected to now commence from Feb 2019 (previously Dec 2018), reaching the full incremental 120T from Nov 2019
- The expansion will further enhance Costa's competitive cost position with scale and new technology, and equip Costa with additional prepack and brown mushroom market development capability



Aerial view of Monarto Mushroom farm (currently producing 120T per week)

#4 International growth projects

China

- FY18 plantings will be completed to schedule despite significant challenges with wet weather hindering development work
- Learnings have been extended into FY19 plan with preparatory groundworks undertaken at the new Manhong site in advance of the next wet season (65ha expansion)
- Significant focus on further developing team capability and safety culture
- First pick from 2nd blueberry farm (Manlai) has commenced



Manlai Farm, China

Morocco

- FY18 growth 46ha (295ha total). Planting in higher density substrate has enabled the full planting program to be achieved over a smaller area.
- FY18 planting includes 20ha at a new site in Agadir further south, to enable early season crop extension
- Extension of Costa R&D breeding program into Morocco to enable future selection of varieties bred specifically for Morocco
- The new packing shed will be operational from mid-season, supporting volume growth from the northern farms.
- FY18 capex requirement ~A\$6m



Substrate plantings in progress at Ouled Mesbahia farm, Morocco

Outlook

Outlook

- Trading over Jan/February continues to be solid with the portfolio performing well
- Full year earnings will be more heavily weighted to the second half due to the timing of the avocado harvests and further growth of the international operations including the increased African Blue shareholding.
- The company is projecting NPAT (pre-SGARA and material items) growth of approximately 25% for the full year, up from previous guidance of at least 20%.
- The company continues to be well positioned to execute further profitable organic growth alongside a disciplined value accretive M&A program

Appendix: African Blue Acquisition

Accounting & reporting implications

Transaction details

- Agreement to acquire 41% of African Blue SA, increasing Costa ownership to 90%
 - Initial 37% acquired on 27 November 2017
 - Option to acquire further 4% over next 3 years

Consideration

- Cash consideration of \$68.5m for initial 37%
- Value of remaining 4% based on meeting earnings thresholds over the next 3 years, with an estimated fair value of \$9.1m recognized as a financial liability
- Acquisition related costs were \$2.9m, predominantly stamp duty

Accounting & reporting

- Equity accounted (49% of NPAT) to Nov-17
- Consolidated from Dec-17

Business Combinations Accounting

1. Fair value of assets acquired and liabilities assumed

- Independent valuations in progress to assign fair values to intangible assets and liabilities (eg brand names, customer contracts)
- Provisional accounting adopted in December, to be finalized for June full year reporting

2. Re-measurement of existing 49% interest in African Blue

- Requirement to revalue existing 49% interest as if it was disposed of and repurchased at the transaction value, adjusted for control premium paid
- Resultant non-cash gain of **\$40.1m**, and disclosed as a material item

3. Goodwill

- Goodwill of **\$102.8m** provisionally recognized, including the step up gain of \$40.1 m

4. Material items associated with the transaction: \$37.2m

- Comprises non cash gain \$40.1m, less acquisition costs \$2.9m

Appendix: Material items

A\$m		1H FY17	1H FY18
Polar Fresh impairment	1	7.9	
African Blue step-up valuation gain	2		(40.1)
African Blue transaction costs	3		2.9
Total material items (before tax)		7.9	(37.2)
Tax effect on material items		(0.2)	-
Total material items (after tax)		7.7	(37.2)

- 1. Polar Fresh impairment:** write-down against the carrying value of the investment due to the decision taken to wind down operations.
- 2. African Blue step-up valuation gain:** notional disposal and repurchase of existing 49% equity stake at the transaction value, less control premium, upon first time consolidation of African Blue. This gain has no tax impact.
- 3. African Blue transaction costs:** comprises of stamp duty, due diligence, legal and other expenses associated with the acquisition of African Blue.

Appendix: Explanation of certain non-IFRS measures

Term	Definition
Transacted Sales	<p>Transacted Sales is 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.</p> <p>Transacted Sales comprise:</p> <ul style="list-style-type: none"> • 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; • 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.
EBITDA-S	Earnings before interest, tax, depreciation, material items and fair value movements in biological assets (SGARA)
NPAT-S	Net profit after tax attributable to shareholders, but excluding material items and SGARA