

1H CY2019 Results Presentation

August 2019



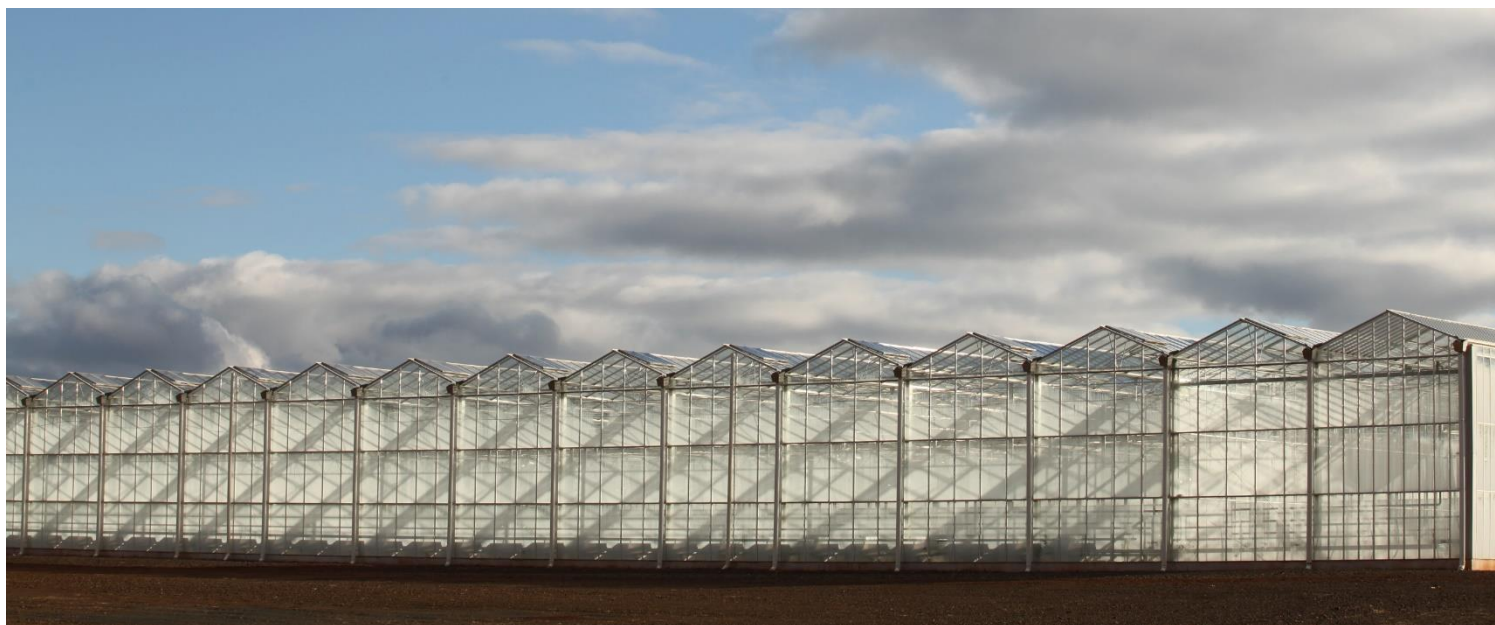
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- **Financial data:** All dollar values are in Australian dollars (\$) or A\$) unless stated otherwise.
- **Non-IFRS measures:** Throughout this presentation, Costa has included reference to certain non-IFRS measures. Non-IFRS measures have not been subject to audit. A further explanation of these measures is provided in the Appendix.

Cover: aerial overview of the Corindi, NSW berry farm

1.	Overview and highlights	Harry Debney
2.	Segment Performance	Sean Hallahan
3.	Financial Results	Linda Kow
4.	Growth Plan Update	Harry Debney
5.	Appendix	



Guyra glasshouse



Overview and highlights

Successful agri businesses focus on long term strategy and value creation

Costa is meeting short term challenges head on whilst executing strategic priorities for long term growth

Overview

- Domestic technology/production footprint well advanced in core pillars
- Short-term market and cost issues in mushrooms and raspberries
- Establishment of 5th core growth pillar (avocado) progressing to plan
- Global diversification of earnings underpinned by ongoing investment in genetics development, Morocco and China
- Unusual weather events impacted CY19 Morocco earnings
- The company will continue to invest 'ahead of the curve' as it builds and enhances its agricultural produce platform

Headlines

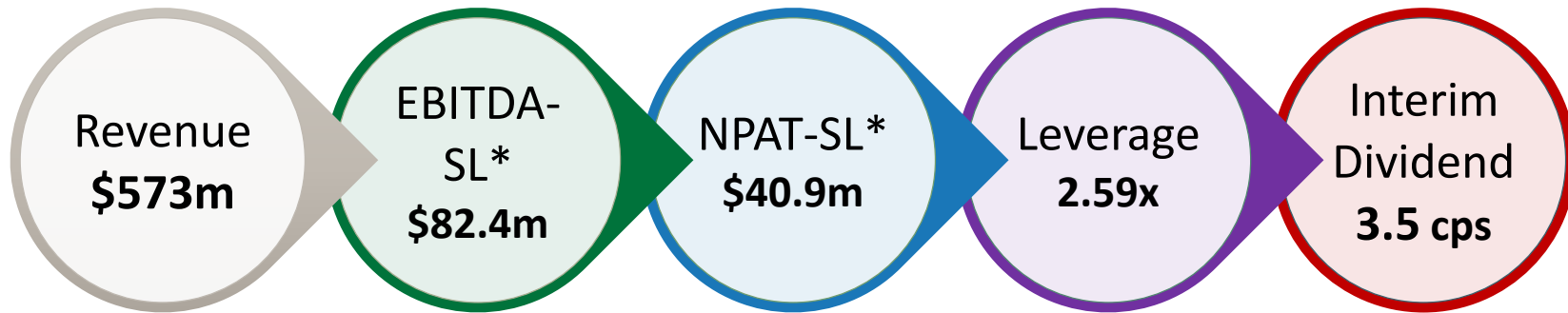
- At the half year, the business was tracking broadly in line with the lower end of the revised target range outlined at the AGM with H2 results supported by a strong citrus crop with 75% to be harvested from Jul-Nov
- Adverse conditions during the Moroccan blueberry season, low mushroom demand, raspberry quality and citrus water cost/fruit fly have culminated in a difficult H1
- The trading environment across tomatoes, avocados and berries has been favourable
- The outlook for the 2019 citrus season is solid, although later in timing
- At this time, challenges and uncertainties remain with market conditions in mushrooms and berries in the second half
- Refinancing of senior debt facilities completed with extension of term to 3 and 4 year tenors, and upsize of facilities to \$500m

Growth Program

- China expansion on track to achieve 5 year roll-out plan by 2020 with planning underway for further expansion in 2021
- Morocco 45ha expansion in Agadir for earlier season production completed
- Phase 2&3 compost and growing complex completed at Monarto. Phase 1 compost component expected to be completed late CY2019
- Tomato 10ha glasshouse and nursery expansion progressing to plan
- In Berries, the focus is on expansion of Arana blueberry production and long cane raspberry and blackberry plantings
- Under our current long-term growth agenda pre-harvest costs will continue to increase ahead of future earnings

Financial Headlines

For the half year ended 30 June 2019[#]



Financial Performance

*

- Revenue growth of 11.8% on the prior period
- EBITDA-SL was \$82.4m, 8.4% lower than the prior period
- NPAT-SL was \$40.9m, \$7.2m lower than the prior period
- Leverage at June was 2.59x EBITDA-SL
- Interim dividend of 3.5 cents per share (fully franked), recognising major growth initiatives in train
- Statutory NPAT of \$41.1m, inclusive of material items and amortisation of intangibles relating to the African Blue acquisition, and adoption of IFRS16 from Jan-19

[#] Prior year comparative period is 6 months to June 2018, H2 FY2018

^{*} Before SGARA, adoption of IFRS16 and material items & amortisation of acquired intangibles. Refer to the Appendix for further details on non-IFRS measures and details of material items & amortisation of acquired intangibles.

Costa's vertically integrated business model is strategically designed to achieve competitive advantage and manage agricultural risk

Our values and people culture underpins the model and is the main success factor



Diversification

- Diversified category **portfolio** with scale and market share
- **Vertically integrated** produce operations
- **Geographic spread** of production
 - National Australian footprint across the 6 states
 - International berry footprint (Morocco, China)
- Royalty income streams
- Multiple sales channels (domestic & export)

IP, technology and people

- **Superior product genetics**, both developed internally and through external partnering arrangements
- Costa adopts a 'lowest cost' mindset
- Efficient production techniques
 - Modern farming, harvesting and irrigation
- Post-harvest and product quality discipline
- Product innovation and branding

Protected cropping

- Costa's core produce categories have the potential for protected cropping to mitigate environmental risk

- **Protected cropping** techniques across a number of key categories (~65% of produce related earnings)
 - Growing indoors, in glasshouses, under tunnels & permanent netting, and in substrate manages risk and **improves yield & quality**

Year-round production

- Costa has invested in produce categories that are **large scale** and have the potential for year-round supply
 - **52-week supply** removes seasonality, maintains consumer reach and smooths cash flow
- Achieved by production methods, varietal selection and geographic spread
- Marketing programs aligned to supply patterns

The central diagram consists of a yellow circle with the text "Sustainable Commercial Farming" inside. This circle is surrounded by a dark green ring that is divided into four equal segments by white lines, forming a cross shape. The segments of the ring are positioned between the four main content blocks: Diversification (top-left), Protected cropping (top-right), Year-round production (bottom-right), and IP, technology and people (bottom-left).

Sustainable
Commercial
Farming

The team is working intensely to mitigate the 2019 challenges Concurrently a highly focused effort on major initiatives to ensure strong delivery 2020-2022 and beyond



BERRY

- Blueberry shoulder period development
- Premiumisation for enhanced margins
- Automation of processes
- Raspberry & blackberry 'long cane' program to optimise production cycles
- Gain market access for blueberries into Japan & China



CITRUS

- Build on 'best in class' reputation in export markets
- Further automation of packing operations
- Continued scale build (M&A and greenfield)
- Rapid growth of 'Sun World' proprietary grape program
- Investigate cost/benefits of protected cropping



AVOCADO

- Costa harvest span now 10 months, extend to 12
- Trial high density protected cropping
- Optimise yield/production cost
- Build 'Lovacado' brand – consistent quality paradigm
- Develop export opportunities for 'Lovacado'



INTERNATIONAL

- Expand varietal breeding program – both sub-tropical and tropical
- Moroccan season extension and continued growth
- China expansion and market optimization
- Expand royalty program to new countries



TOMATO

- Ongoing R&D evaluation of new snacking & cocktail cultivars
- Construct large new nursery for lower cost & more advanced plants
- Add glasshouse capacity for market growth & in-housing external volume
- Develop new sales channels



MUSHROOM

- Build new capacity to claim market growth (ongoing)
- Implement new technologies → lower cost
- Expand brown mushroom sub category

Segment Performance – Produce

Tomato

Good earnings recovery from a challenging start to the year - excellent YTD performance

- The category exceeded financial targets for the period
- Production across all 3 glasshouses was above expectations
- Truss pricing, which was most affected over early summer, recovered strongly in early Feb and has since traded within expectations
- Snacking & speciality segments have traded solidly

Berry

Improving FNQ production - Arana premium delivery - raspberry crumble a drag with focus on mitigation

- FNQ blueberry production and shoulder season contribution continuing to improve. Ongoing refinement in agronomic practices in addition to new varieties should see continued improvement from this region
- Raspberries performance was mixed:
 - The raspberry crumble issue which became apparent over May adversely impacted Q2, with increased fruit waste and higher production costs, particularly at Corindi
- Increased volume of blackberries from Tasmania, with good market uptake

Mushroom

Challenging industry short-term demand-supply-pricing dynamic

- Category performance for the half year has been challenging, driven by an extended period of unexpected low demand and unfavourable channel mix
- Wholesale pricing has seen the largest impact, with current pricing still lagging behind normal levels
- Delays in the commissioning of Monarto also negatively impacted category performance

Avocado

Continuing ramp up in crop maturity - changing the agronomic & market paradigms

- Despite an excellent fruit set, smaller fruit sizing across the FNQ avocado farms has resulted in lower yields from this region. This issue was experienced by all growers across the region, also impacting marketing revenue in H1
- Central Queensland which is be in harvest through to August is looking stronger in term of yield and quality
- Overall farm production is on track to achieve ~1m trays this year, and expected to reach ~2m trays over the next 5 years with on-going farm maturity

Citrus

Large crop with 75% harvest in 2H – a strong season with excellent export demand

- The 2019 citrus season is shaping up well, but running a few weeks later than usual with only 25% harvested to June
- Fruit fly - a dipping tank solution has been established, enabling packing at Costa's Riverland packing sheds. No further fruit fly incidents have been detected since May
- Table and wine grape yield and profit contribution from the new Colignan citrus/table grape farm was ahead of business case expectations
- Costa's table grape marketing program, underpinned by licensed propriety varieties, is now a meaningful earnings contributor
- Water costs are actively being managed through a number of hedging and pre-purchase instruments. Temporary water pricing is high and future allocation levels are uncertain but improving

Costa Farm & Logistics

Solid performer - developing new channels

- Solid first half result with all three wholesale operations in SA, Vic and QLD trading well across the core produce lines
- Contract warehousing activities continue to improve with optimisation of facilities.

Morocco

Second difficult season - improving prospects for 2020

- The season held initial promise with a good crop set. However low overnight temperatures delayed maturity with the harvest commencing a few weeks late
- Initial harvest volumes were low, and did not ramp up until late April, when the Spanish competitive season was also in full swing. Only one-third of the harvest was completed by the end of April, compared to an average of 50%+ in a normal season
- Agadir 66ha will have first harvest Jan-Mar 2020
- Deeper integration and full management control is proceeding ahead of full buyout of existing local shareholders in CY20

China

Showing great promise – earnings now ramping up

- 2019 was the 3rd harvest from China
- Market demand continued to be strong for blueberries, with raspberries also showing some improvement
- Blueberry yield was impacted by some pest pressure, and smaller fruit size. Rapid commercialisation of new varieties better suited to these regions and on-going refinement of agronomic practices is a key area of focus

Financial Results



Financial results

Comparison of results for the half year to June



A\$'m	Pre-IFRS16			Post-IFRS16
	Jun-18	Jun-19 1HCY19	Var	Jun-19 1HCY19
Revenue	512.7	573.3	60.6	573.3
EBITDA-S, EBITDA-SL	89.9	82.4	(7.5)	106.4
Fair value mvmt in bio. assets	(4.6)	10.2	14.8	10.2
EBITDA	85.3	92.5	7.2	116.5
Depreciation & amortisation	(18.6)	(23.0)	(4.4)	(42.7)
EBIT	66.4	70.8	4.4	75.1
Interest expense	(4.1)	(4.9)	(0.8)	(13.0)
Tax expense	(14.7)	(15.7)	(1.0)	(14.6)
NPAT (before material items & amortn)	47.6	50.2	2.6	47.5
Material/pro forma items, post tax	(4.2)	(4.5)	(0.3)	(4.5)
Non-controlling interest	(2.7)	(1.9)	0.7	(1.9)
NPAT attributable to shareholders	40.7	43.8	3.1	41.1
NPAT-S, NPAT-SL	48.1	40.9	(7.2)	38.3
Transacted Sales	673.0	756.2	83.2	756.2

Key Highlights

Revenue +11.8%:

- Produce growth led by new Colignan farm sales and increased table grape marketing volume
- International growth from China and Morocco

EBITDA-SL -8.4%

- EBITDA reduction due to lower Produce segment earnings

NPAT-SL -\$7.2m:

- Higher depreciation and interest charges reflective of recent capex investments

SGARA movement +\$14.8m:

- Increase in SGARA values due to large citrus hanging crop balance at June, offset by harvest of berries across all regions over H1

Material items & amortisation:

- Relates to African Blue acquisition – amortisation of acquired intangibles and integration expenses

Impact of IFRS16 – lease accounting:

- EBITDA +\$24m, interest and amortisation -\$28m
- NPAT -\$2.7m

• Note: Refer to the Appendix for a reconciliation of statutory NPAT to the non-IFRS measures disclosed, details of material items & amortisation of acquired intangibles

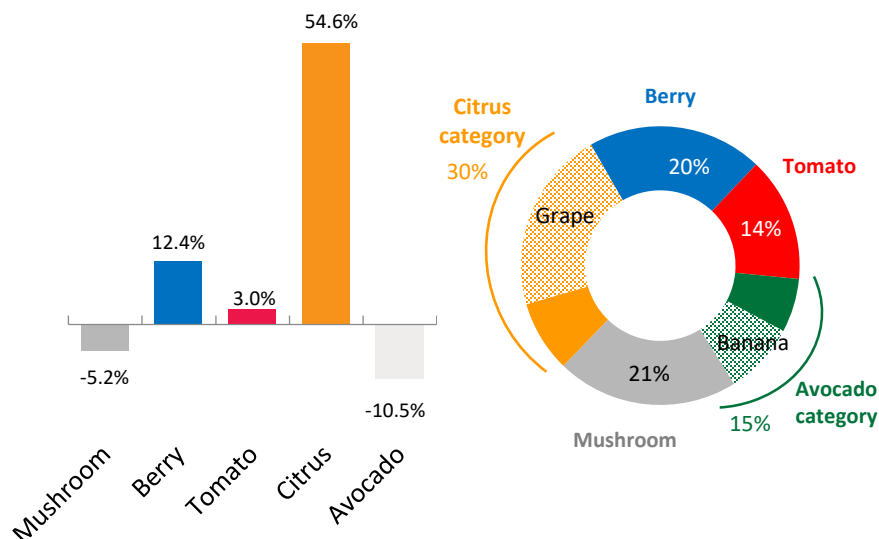
Produce

Segment financial and operating metrics for the half year to June

A\$'m	Pre-IFRS16			Post-IFRS16
	Jun-18	Jun-19 1HCY19	Var	Jun-19 1HCY19
Revenue	398.5	443.9	45.3	443.9
EBITDA-S, EBITDA-SL	59.3	48.1	(11.3)	66.1
EBITDA margin	14.9%	10.8%	-4.1%	14.9%
Transacted Sales	560.0	629.1	69.2	629.1

Revenue growth: +11.4%

1HCY19 share of revenue



Mushroom:

- Revenue and EBITDA-SL reduction due to unfavourable channel mix and lower wholesale pricing

Berry:

- Largest driver of revenue growth is new blackberry sales
- Increased revenue from Tasmanian raspberries tempered by lower Corindi sales due to the crumbly fruit quality issue
- Lower volume of blueberry MA fruit carried over from December reduced margin opportunity this half

Tomato:

- Continued growth and solid performance from snacking/cocktail segments
- Overall truss sales in line with prior year

Citrus – category revenue growth driven by table grape sales:

- Additional grape revenue from Colignan farm acquisition and continued growth in the marketing program
- Citrus sales reflect a later season with a major uplift in H2

Avocado:

- Avocado revenue reduction due to lower FNQ season marketing volumes, and trading a larger portion of third party fruit through agency arrangements

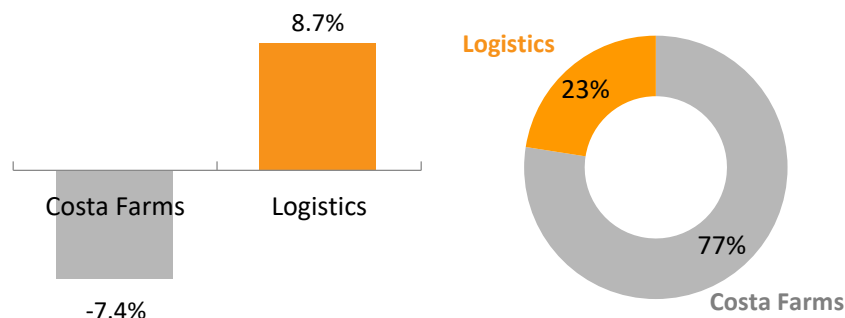
Costa Farms & Logistics

Segment financial and operating metrics for the half year to June

A\$'m	Pre-IFRS16			Post-IFRS16
	Jun-18	Jun-19 1HCY19	Var	Jun-19 1HCY19
Revenue	76.1	72.9	(3.2)	72.9
EBITDA-S, EBITDA-SL	2.2	2.9	0.6	7.3
EBITDA margin	2.9%	3.9%	1.0%	10.0%
Transacted Sales	74.3	70.4	(3.9)	70.4

Revenue growth: -4.2%

1HCY19 share of revenue



- **Revenue down \$3.2m or 4.2%** on prior period :
 - Lower revenue on core avocado and mushroom produce lines due to lower wholesale pricing
 - Logistics growth due to additional Sydney services leveraging the Eastern Creek facility
- **EBITDA-SL up \$0.6m or +\$27.4%** on prior period:
 - Strong margin capture and trading outcome across the Costa Farms sites, improving earnings despite lower revenue
 - Ongoing improvement across Logistics sites

International

Segment financial and operating metrics for the half year to June

A\$'m	Pre-IFRS16			Post-IFRS16
	Jun-18	Jun-19 1HCY19	Var	Jun-19 1HCY19
Revenue	70.8	83.5	12.7	83.5
EBITDA-S, EBITDA-SL	28.3	31.4	3.1	33.0
EBITDA margin	40.0%	38.0%	-2.0%	39.5%
Transacted Sales	70.8	83.5	12.7	83.5

China:

- Revenue growth from additional hectares under production – 110ha this season vs 50ha last season
- Demand and price support for blueberry remains strong, with pricing slightly below prior year, but ahead of expectations
- China earnings contribution to the group is now meaningful

African Blue

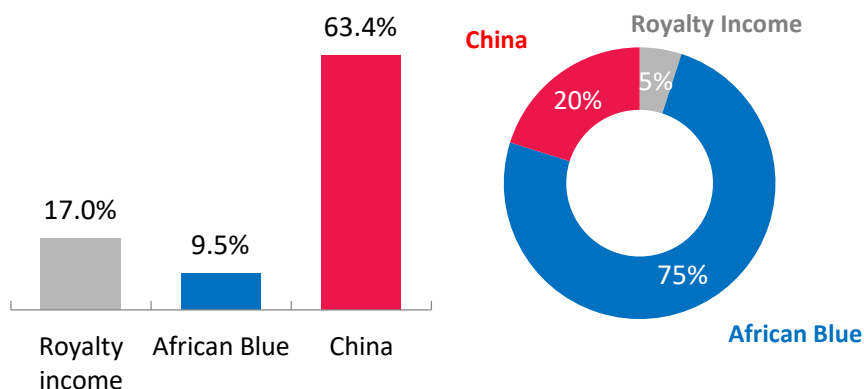
- Harvest volumes were up almost 20% on prior year, however the unfavourable peak timing and increased price competition from April resulted in average sell price reduction of ~15%
- Earnings contribution fell significantly short of expectations, due to softer than anticipated pricing

Royalty income:

- Royalty income growth from China licensing, and increase in US royalties, both plant sales and fruit based

Revenue growth: +17.9%

1HCY19 share of revenue



* Graph data is prior to intersegment eliminations

Cash flow

A\$m	6 mths Jun-18	H1 CY19	Var
EBITDA-S	89.9	106.4	
Payment for leases	n/a	(25.0)	
EBITDA-S, less payment for leases	89.9	81.4	(8.5)
Less: share of JVs profit	(3.3)	(3.6)	(0.3)
Dividends from JVs	2.7	1.1	(1.6)
Movement in working capital / non-cash items	0.6	(44.5)	(45.1)
Operating capex	(10.3)	(12.4)	(2.0)
Free cash flow	79.6	22.0	(57.6)
Productivity & growth capex	(43.2)	(53.5)	(10.3)
Payment for acquisition of subsidiary	-	(0.4)	(0.4)
Other	0.6	(1.7)	(2.3)
Net cash flow before financing, tax, dividends & material items	36.9	(33.6)	(70.6)
Cash conversion ratio ⁽¹⁾	89%	27%	-62%

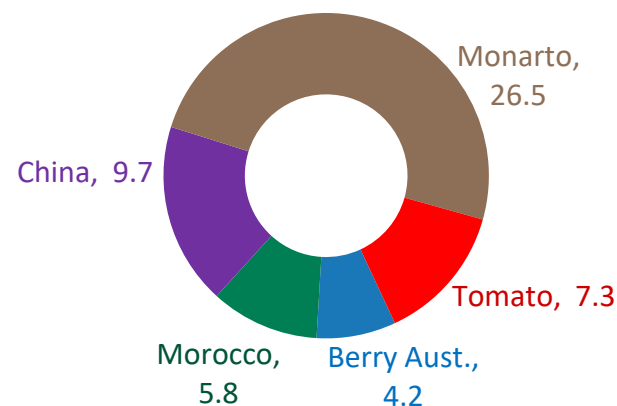
• Note:

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

Key Highlights

- Significant seasonal working capital movement over H1 which will largely be released over coming months with harvest proceeds:
 - Carry over impact from timing benefit at December
 - Citrus export ramp up, with most sales YTD still in debtors
 - Significant African Blue June sales, and higher FNQ sales
- Reduced JV cash conversion due to Driscoll's nursery investment
- Operating capex in line with expectations
- Total investment in growth initiatives \$53.5m

Growth Capex Initiatives \$53.5m

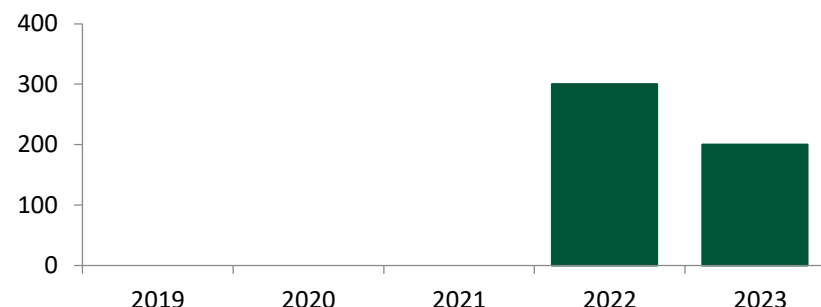


Balance sheet & net debt

A\$m	Dec-18	Jun-19	Var
Cash & cash equivalents	45.8	50.4	4.6
Receivables	92.5	123.6	31.1
Inventories	25.4	25.5	0.1
Biological assets	48.3	62.3	13.9
Equity accounted investments	14.4	17.0	2.5
Intangibles	255.6	253.7	(2.0)
Property, plant & equipment	414.2	459.4	45.3
Right of use asset	-	296.8	296.8
Other assets	40.7	40.3	(0.6)
Total Assets	937.0	1,329.0	392.0
Payables	130.2	124.2	(6.1)
Borrowings	290.4	354.8	64.4
Provisions	27.0	25.7	(1.3)
Lease liabilities	-	300.6	300.6
Other liabilities	26.3	29.8	3.5
Total Liabilities	474.0	835.2	361.3
Net Assets	463.0	493.8	30.8

	Dec-18	Jun-19	Var
Net debt	244.6	304.9	60.3
Net debt / LTM EBITDA-SL	1.96x	2.59x	0.63x

Senior debt facility maturity profile



- Net leverage increased to 2.59x EBITDA-S at Jun-19
- All covenants at June comfortably met
- Refinancing of senior debt facilities completed with upsize to \$500m on 3 and 4 year tenors
- Further modest financing facilities being established for each of China/Morocco for seasonal working capital and capex requirements – ~A\$25m combined
- IFRS16 – recognition of lease right of use asset and corresponding lease liabilities

Growth Plan Update

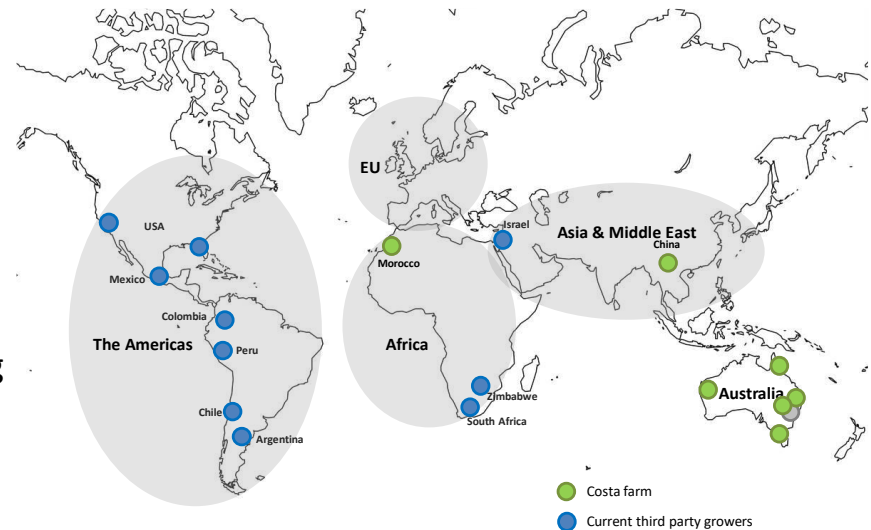


#1 Blueberry Variety Improvement Program “VIP”

Costa's VIP program is now approaching 26 years of development, and is renowned globally for its leading sub-tropical varieties

Significant investment has been made over recent years to expand the program and also develop tropical varieties:

- Adoption of substrate production systems for breeding program
 - shortens development and commercialisation timeframes
 - provides the ability to 'fast track' commercialisation program for elite selections
 - develops varieties suited to substrate growing systems
- Expansion of VIP program to Far North Queensland
 - develops low latitude 'tropical' varieties – early season window
 - enables application to FNQ, China, Morocco, Mexico with in-situ testing in each region



Costa's Arana blueberry

#1 Blueberry Variety Improvement Program “VIP”

There has been pleasing progress on a raft of new, game changing selections:

- New pipeline focussed on early season, tropical, premium sized fruit varieties
- First commercial planting of fast tracked ‘tropical’ variety planned for FNQ in CY21
- New jumbo varieties to extend premium/jumbo season, and generate new flagship varieties



Arana in Morocco



FNQ VIP selection



FNQ VIP selection



VIP trial tunnels, Manhong, China

#2 Australian berry expansion

- 2019 program focusing on:
 - Further optimisation of existing footprint, including FNQ replanting
 - Premium blueberry expansion: further 30ha Arana expansion to 89ha planted across 3 regions
 - Blackberry program building in quantum; first meaningful harvest and 52 week reach in CY20
 - Progressive soil to substrate conversion of raspberries in Tasmania – 7.1ha for 2019



Blackberries

#3 International berry expansion - China

- China plantings currently 174ha: 144 blueberry, 22 raspberry, 8 blackberry
- 2020 program entails 62ha at Guangmen, Southern Yunnan Province (all blueberry):
 - Ground preparation work is well progressed ahead of the wet season with planting to commence early next year.
 - Pipeline to be built from a nearby reservoir for water supply
 - This completes Costa's original 5 year plan
- Land options for future expansion are currently being assessed, and will be in a new region for spread of labour and climate. Preferred site will be selected later this year to support a 2021 planting
- The local/provincial governments have been very supportive of Costa's expansion, and have assisted with site selection
- Total China capital investment by the JV will be ~A\$55m by the end of CY19 with solid returns to date
- China expansion now primarily funded from China cash flow and on-shore external debt



Blueberry harvest, China

#4 International berry expansion - Morocco

- Total Morocco footprint 314ha, with 2019 45ha expansion completed
- Despite a second challenging season, the outlook for African Blue is positive
 - Approx 30-40% of northern farm production is outside competitive Spanish season
 - 66ha of total footprint situated in Agadir, for early season extension. A further 23ha is planned in Agadir for CY20 expansion program
 - Costa VIP program targeting earlier season, and larger sized fruit attributes
- Further 2.67% share acquisition in late 2019 and 2020, taking Costa ownership to 90%
- Plant health and productivity on oldest plants now 12 years old remains excellent. Future replanting will leverage new early season varieties



New substrate plantings, Agadir Massa



Original Kirra plantings (12 years old)

- All growing rooms now operational with production to progressively ramp up. Costa's overall production network has been rebalanced, including the mothballing of the Glen Aplin (QLD) site
- Additional labour is being brought on progressively, including technical support. Training programs are progressing well
- Construction:
 - Phase 2 & 3 compost, growing rooms and office/staff amenities completed
 - Certificate of occupancy issued for completed areas
 - New phase 1 compost bunker construction in progress with scheduled completion end CY2019



Phase 1 compost bunker construction, Jul-19



New growing rooms

- Project announced in Aug-18 encompassing new 10ha high tech glasshouse, expanded nursery facility and enhanced packing and post harvest facilities
- The additional 10ha is required to provide further capacity to grow Costa's snacking/specialty tomato offering. This segment has continued to grow consistently and is now almost the same size as the truss market
- The new glasshouse incorporates new technology for improved yield and energy efficiency. The site will be self sufficient for water through water capture and recycling, with a back up bore available in the event of dry conditions
- Recruitment for key technical and agronomy roles in progress
- Construction:
 - Major glasshouse tender awarded
 - 2.5ha nursery pad, and both 5ha glasshouse pads completed
 - Program of works is on schedule



Nursery pad



Glasshouse pad (4A and 4B)

Current year outlook

- Despite current trading challenges, business fundamentals remain strong
- Challenges and uncertainties remain in light of:
 - continued lower than expected pricing of mushrooms
 - raspberry crumble proving to be more significant, and taking time to mitigate
 - potential blueberry pricing pressure due to significantly higher than anticipated estimated NSW blueberry industry crop, with some mitigation from Arana premium returns
- Whilst results to date have broadly been in line with the lower end of latest guidance, trading and forecasting remain challenging with potential further downside risk, depending on the impact of the above factors

Appendix - Material items & amortisation of acquired intangibles

A\$m		6 mths Jun-18	H1 CY19
African Blue transaction & integration costs	1	0.6	1.7
Amortisation of intangibles	2	4.6	3.9
Total material items & amortisation (before tax)		5.2	5.7
Tax effect on material items & amortisation		(1.0)	(1.1)
Total material items & amortisation (after tax)		4.2	4.5

- 1. African Blue transaction & integration costs:** comprised of stamp duty, due diligence, legal and integration expenses associated with the acquisition of African Blue
- 2. Amortisation of acquired intangibles:** comprises amortisation of customer contracts and re-acquired rights arising from the African Blue acquisition. These amounts will be written off by the end of CY2019

Appendix - Explanation of certain non-IFRS operating 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 (prior to Costa's majority share acquisition) 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 before SGARA (EBITDA-SL)	Earnings before interest, tax, depreciation, material items & amortisation and fair value movements in biological assets (SGARA) and adoption of AASB16
NPAT-SL	Net profit after tax attributable to shareholders, but excluding material items & amortisation and SGARA and adoption of AASB16