



HUON AQUACULTURE GROUP LIMITED

RESULTS PRESENTATION FOR FIRST HALF FY2017



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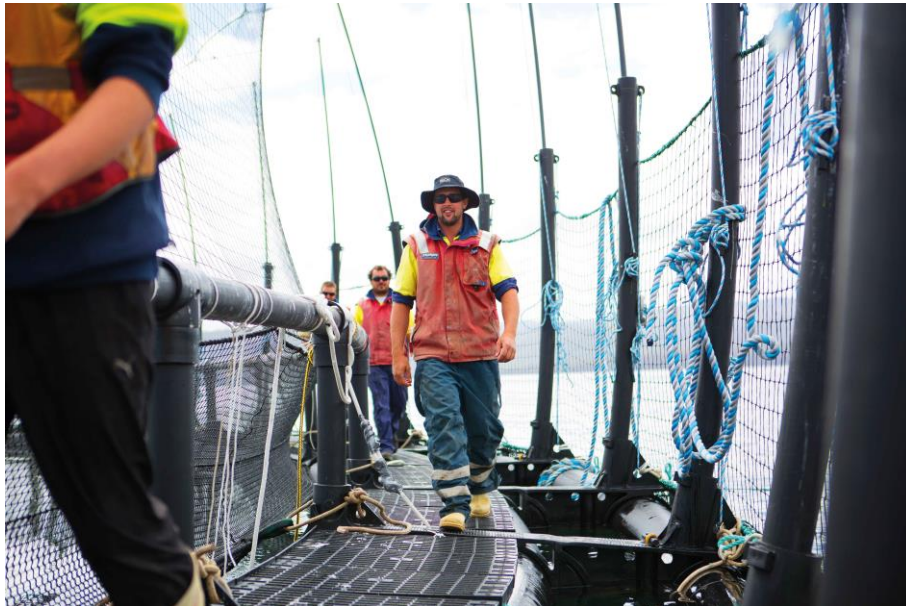
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AGENDA

1 OVERVIEW 2 RESULTS SUMMARY 3 OPERATIONAL REVIEW 4 OUTLOOK

OVERVIEW OF FIRST HALF FY2017



- Strong turnaround in profitability, as forecast, with Operating EBITDA up 67% to \$26.4m and margins increasing from 12% to 20%
- Salmon prices continued to strengthen
- Warm winter and cool start to summer supported ideal growing conditions
- Average fish weight increased from 3.99kg in the prior period to 4.84kg (+21%)
- Majority of production sold into the domestic market – minimal exports
- Supply of salmon to the retail market increased with signing of new retail contracts
 - Huon's share of production volumes going to retail now 21% compared with historical average of 8 -13%
- Macquarie Harbour continues as higher risk growing site – ongoing mitigation strategies
 - Now under delegated authority of EPA Tasmania
 - Recent review supported Huon's long standing concerns regarding overstocking and reduced oxygen levels



OVERVIEW OF FIRST HALF FY2017

FINANCIAL PERFORMANCE

Six months ended		31 December 2016	30 June 2016	31 December 2015	% Change Dec on Dec
Tonnage	t	9,377	8,175	12,288	-24%
Revenue [^]	\$M	133.54	102.64	131.10	2%
Revenue per HOG kg	\$/kg	14.24	12.56	10.67	33%
EBITDA [*]	\$M	57.93	16.78	8.17	609%
EBITDA Margin	%	43%	16%	6%	597%
Operating EBITDA ^{**}	\$M	26.37	10.69	15.76	67%
Operating EBITDA Margin	%	20%	10%	12%	64%
NPAT	\$M	31.46	4.75	(1.32)	n.a
Operating NPAT ^{***}	\$M	9.36	0.49	3.99	135%
Earnings per share	c	36.02	5.44	(1.51)	n.a
Operating Earnings per share	c	10.72	0.56	4.57	135%
Fair value adjustment	\$M	31.56	6.09	(7.59)	n.a

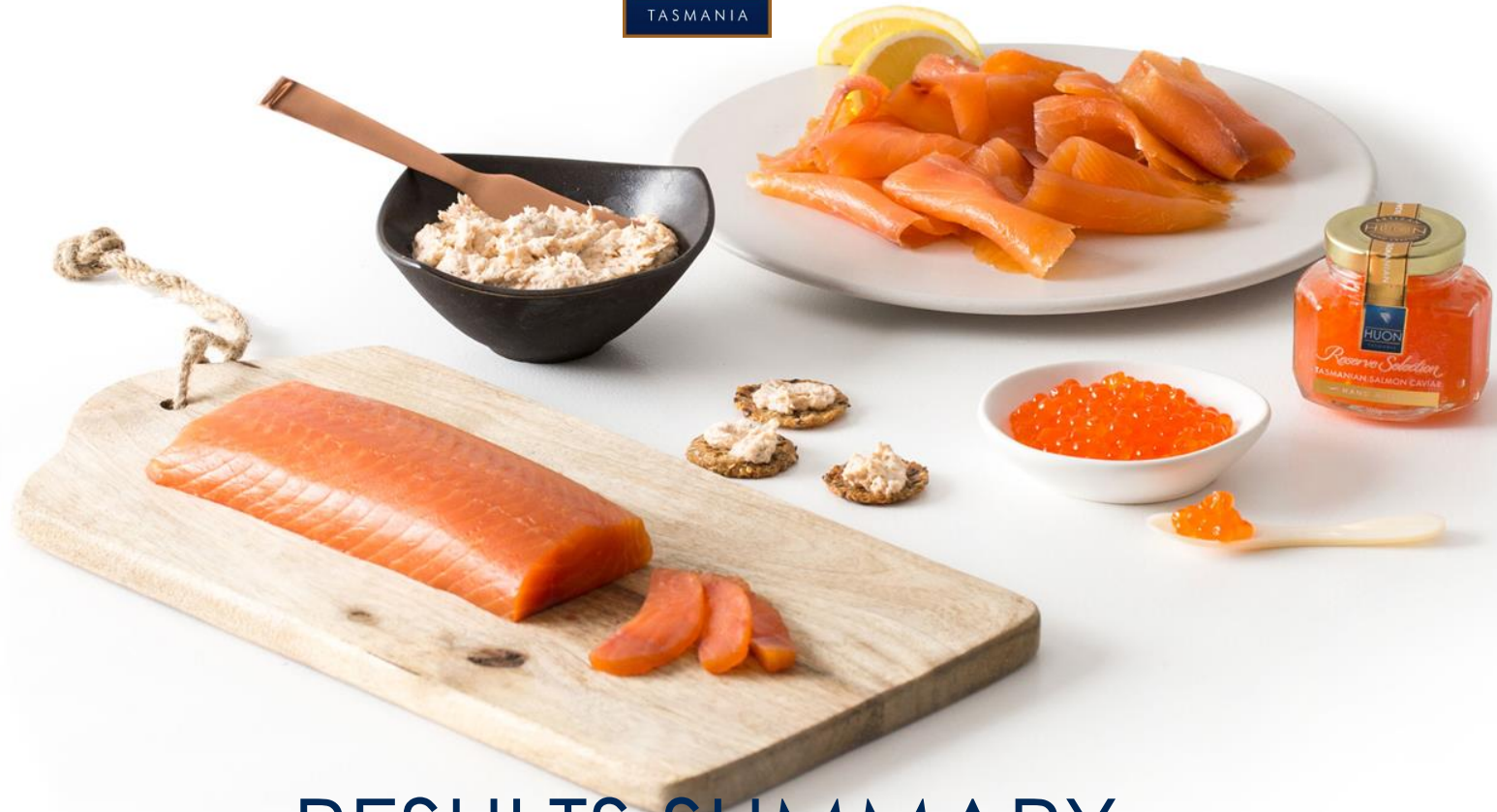
[^] Revenue from the sale of goods

^{*} EBITDA is earnings before interest, tax, depreciation and amortisation

^{**} Operating EBITDA is statutory EBITDA excluding fair value adjustment

^{***} Operating NPAT is statutory NPAT excluding fair value adjustment and related tax impact

- Operating EBITDA up 67% to \$26.4m and Statutory NPAT of \$31.5m compared with a loss of \$1.3m in the prior corresponding period
- Volumes down 24% on the those on pcp which were inflated by bringing forward the harvest due to El Nino
- Sales revenue up 2%, despite lower volumes, due to improved pricing
- Margins recovered significantly on the back of firmer pricing
- Fair value adjustment of biological assets increased as a consequence of higher salmon prices and increasing biomass levels
- Productivity benefits from the implementation of the Controlled Growth Strategy (CGS) not expected to be fully realised until FY18

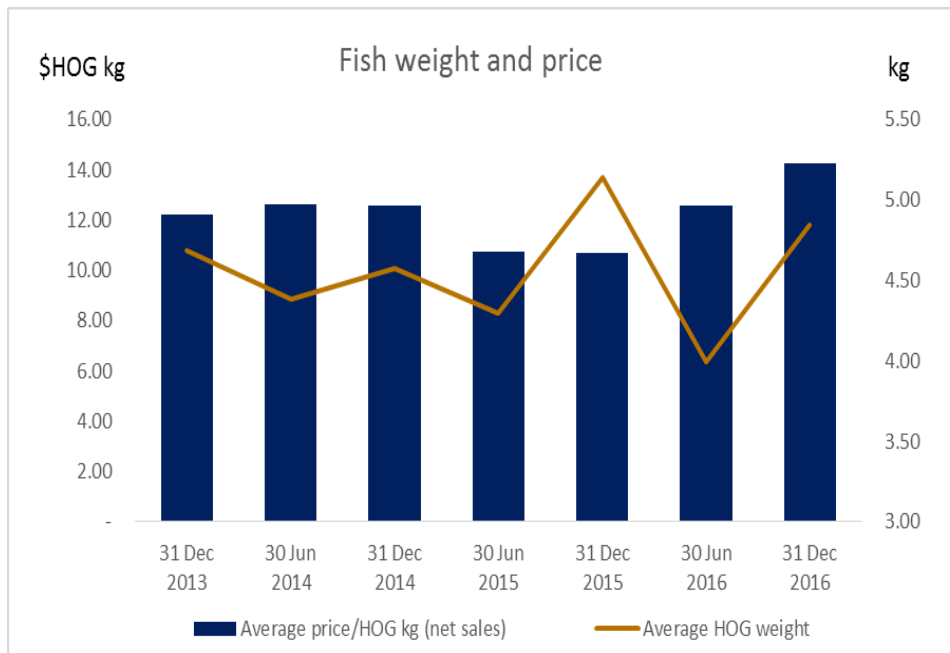


RESULTS SUMMARY

FIRST HALF FY2017

RESULTS SUMMARY

KEY PROFIT DRIVERS IN 1H2017



- Majority of production sold into the domestic market
 - Increased demand and a return to more normal harvest volumes reduced reliance on exports
- Ideal growing conditions and new fish diets resulted in a significant recovery in fish weight
 - Average weight rose 21% from 3.99 kg in 2H2016 to 4.84 kg in 1H 2017
 - Stock responding well to improved feed but some residual impact remaining on 15YC through higher cost of fish
- Operating Margins recovered (+64% on pcp)
 - Operating EBITDA margin as measured by the average \$/hog kg doubled on pcp from \$1.29 to \$2.82 reflecting the increase in prices and improved fish weight

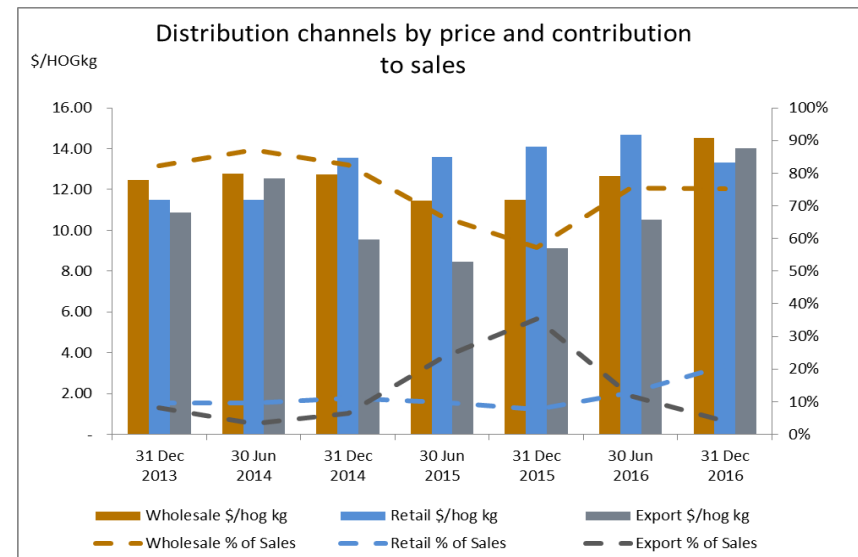
RESULTS SUMMARY

PRICING AND MARKET CONDITIONS

- Pricing (\$/kg) continued to strengthen during the period
 - Average prices for wholesale salmon of \$14.54/kg, now at stable levels
 - Slight decline (5% on pcp) in the average retail price to \$13.31/kg reflects the increased weighting to fresh products, particularly fresh MAP. While the average price is lower, fresh products generate a higher margin return due to higher yields and lower cost of production in comparison to smoked products
 - Supply shortages from major salmon producing countries forecast to continue underpinning prices in calendar 2017
- Growth in domestic demand expected to continue (+10%pa)
 - Strong domestic wholesale market
 - Targeted increase in retail volumes
 - Limited stock available for export

CHANNEL MIX BY REVENUE

Six months ending	31 Dec 2016	30 Jun 2016	31 Dec 2015	30 Jun 2015	31 Dec 2014
Wholesale	75%	75%	57%	67%	82%
Retail	21%	13%	8%	10%	11%
Export	4%	12%	35%	23%	7%





RESULTS SUMMARY

FAIR VALUE ADJUSTMENT IMPACT ON PROFIT

Six months ended		31 December 2016	30 June 2016	31 December 2015	% Change Dec on Dec
Revenue [^]	\$M	133.54	102.64	131.10	2%
EBITDA [*]	\$M	57.93	16.78	8.17	609%
EBITDA Margin	%	43%	16%	6%	597%
Fair value adjustment	\$M	31.56	6.09	(7.59)	n.a
Operating EBITDA ^{**}	\$M	26.37	10.69	15.76	67%
Operating EBITDA Margin	%	20%	10%	12%	64%
Biological Assets	\$M	190.30	147.20	135.50	40%

[^] Revenue from the sale of goods

^{*} EBITDA is earnings before interest, tax, depreciation and amortisation

^{**} Operating EBITDA is statutory EBITDA excluding fair value adjustment

- Fair value adjustment on biological assets recorded a profit of \$31.6 million for 1H2017
- Biological assets increased by 40% as a result of
 - Higher biomass from recovery in fish weight
 - A strong uplift in prices on the previous corresponding period
- The performance of underlying biological assets reflected
 - Excellent recovery in average fish weight as a result of ideal growing conditions during the winter and a mild summer
 - Resolution of issues related to poor quality feed



RESULTS SUMMARY

BALANCE SHEET

Period Ended	31 Dec 2016	30 Jun 2016	31 Dec 2015
ASSETS			
Cash	21.0	3.8	10.8
Receivables	35.5	23.5	29.6
Biological Assets	190.3	147.2	135.5
Inventory	11.0	11.0	13.2
Total current assets	261.9	188.2	192.1
Property, plant & equipment	212.2	210.5	206.6
Total non-current assets	226.5	225.0	221.3
Total assets	488.4	413.2	413.4
LIABILITIES			
Payables	66.1	45.3	59.4
Borrowings	10.0	13.9	2.5
Total current liabilities	82.0	64.4	70.0
Borrowings	64.7	52.0	55.3
Deferred Tax	54.8	41.3	37.2
Total non-current liabilities	123.9	98.0	97.5
Total liabilities	205.9	162.4	167.5
Net assets	282.5	250.8	245.9

- Net assets rose 15% on pcp underpinned by strong uplift in the valuation of biological assets
- Trade working capital (inventory, debtors and creditors)
 - Change in channel mix affected terms
- Net debt levels increased on pcp by \$6.7 million to \$53.7 million
- Gearing remains comfortable at 19% (net debt/equity)
 - Normalised for the \$17.6 million withheld from Ridley, gearing would be 24%
- Biological assets at fair value rose by 40% on pcp to \$190.3 million due to:
 - Continued strengthening in salmon prices
 - Increased biomass from significantly improved growing conditions



RESULTS SUMMARY

CASH FLOW GENERATION

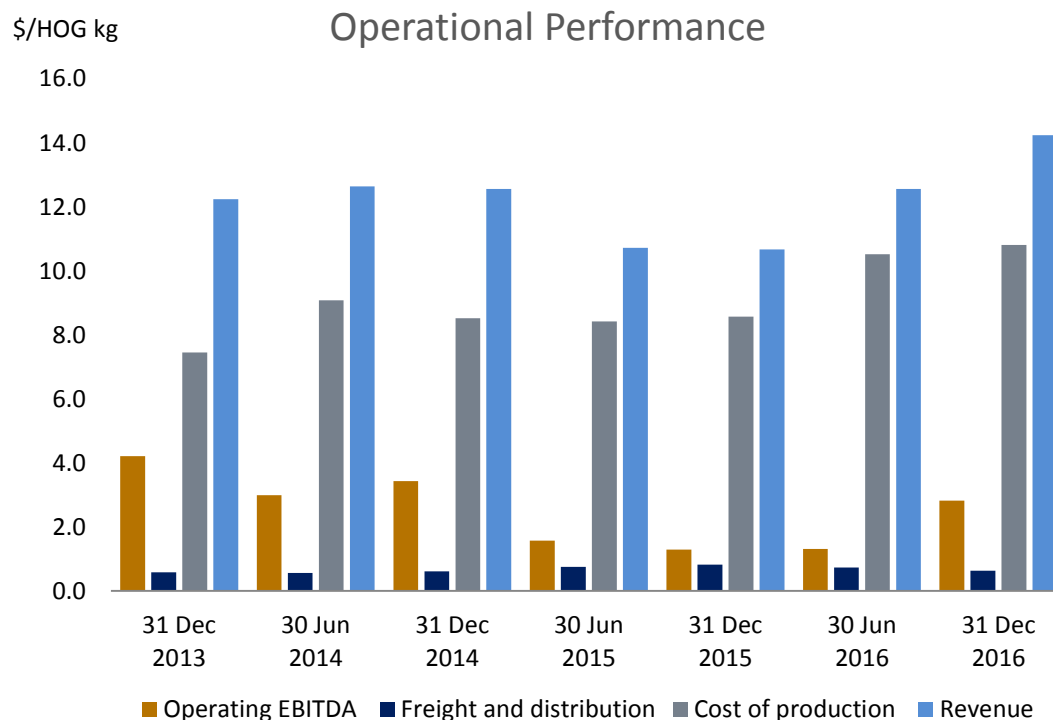
	Six Months Ended			
	31 Dec 2016	30 Jun 2016	31 Dec 2015	30 Jun 2015
\$M				
Operating EBITDA*	26.4	10.7	15.8	13.6
Cash Flow from Operations	20.9	(0.9)	17.2	2.0
Add - Net Interest Paid	1.8	1.6	1.6	0.7
- Tax Paid/(Refunded)	-	-	(4.4)	2.5
Adjusted Cash Flow from Operations	22.7	0.7	14.4	5.2
EBITDA Conversion	86%	7%	91%	38%
Capex	12.7	14.3	30.2	46.5
Cash at end of period	21.0	3.8	10.8	13.8

* Operating EBITDA is statutory EBITDA excluding fair value adjustment

- Cash flow from operations improved during the half despite:
 - The move to retail with longer payment terms which will permanently increase debtors
 - Short term reduction in terms with feed suppliers from 90 to 60 days
 - The build in the level of biological assets following the accelerated harvest
- Cash position and working capital impacted by \$17.6 million payment withheld from Ridley
 - Trade payables recorded as increasing by 11% to \$66.1m on pcp however, adjusting for Ridley, payables have effectively reduced by 18% to \$48.6m.
- Future growth capex planned from 2017 – 2019 to accelerate expansion in Storm Bay, offsetting production decreases in Macquarie Harbour and building capacity for growth

OPERATIONAL PERFORMANCE

EARNINGS DRIVEN BY INCREASING SALMON PRICE



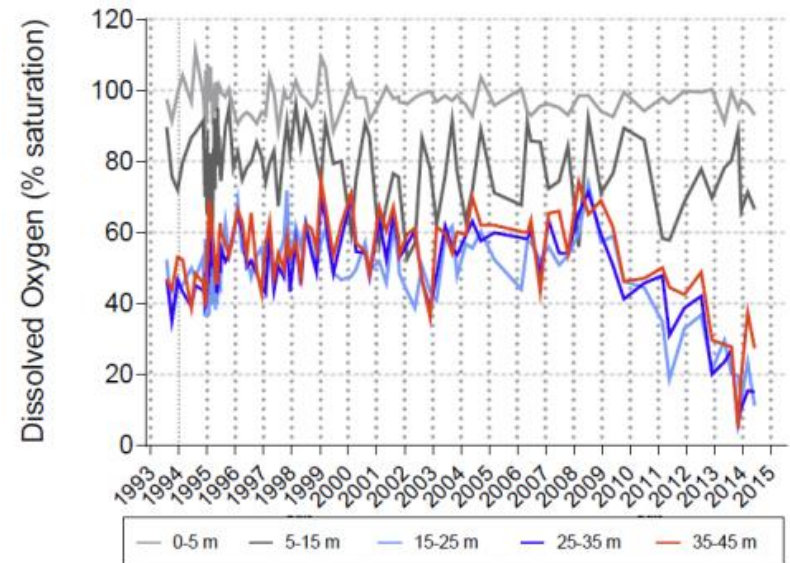
- Strong lift in operational performance driven by a return to more normal growing conditions and improved salmon prices
- Production costs of \$10.80/HOG kg stabilized on the previous half but increased 26% on pcp
 - Higher feed costs associated with building up the 15YC fish, impacted by El Nino conditions and feed quality issues
- Efficiency gains arising from the CGS not expected to be fully realised until FY18
 - Production costs are expected to show signs of easing in the second half
- Freight and distribution costs fell 23% on pcp as exports declined from 35% to 4% of revenue

OPERATIONAL PERFORMANCE

ENVIRONMENTAL

- Continuing conservative approach to managing Macquarie Harbour
 - Risk mitigation strategies in FY2016 included; continued reduction in stock levels, low stocking densities and installation of oxygenation systems
 - Reduced dependence on MH as growth is focused on higher energy sites
- EPA Tasmania assumed responsibility from the State Government on 1 July 2016 for the regulation of the salmonid industry
 - Release of monitoring assessment data for Macquarie Harbour in November confirmed Huon's concerns that the ecosystem remains under significant stress
 - Determination reduced the biomass cap from 21,500 tonnes to 14,000 tonnes (January 2017)
 - Huon advocates the cap should be set at less than 10,000 tonnes
- Huon launches legal action in Federal and Tasmanian Supreme Courts on 6 February 2017
 - Seeks orders to enforce environmental conditions imposed by the Federal Environment Minister in 2012; and
 - Review of the January 2017 biomass determination

Long term trend in DO within a number of depth ranges at Macquarie Harbour EPA site



Source: IMAS Report, Environmental Research in Macquarie Harbour, January 2017

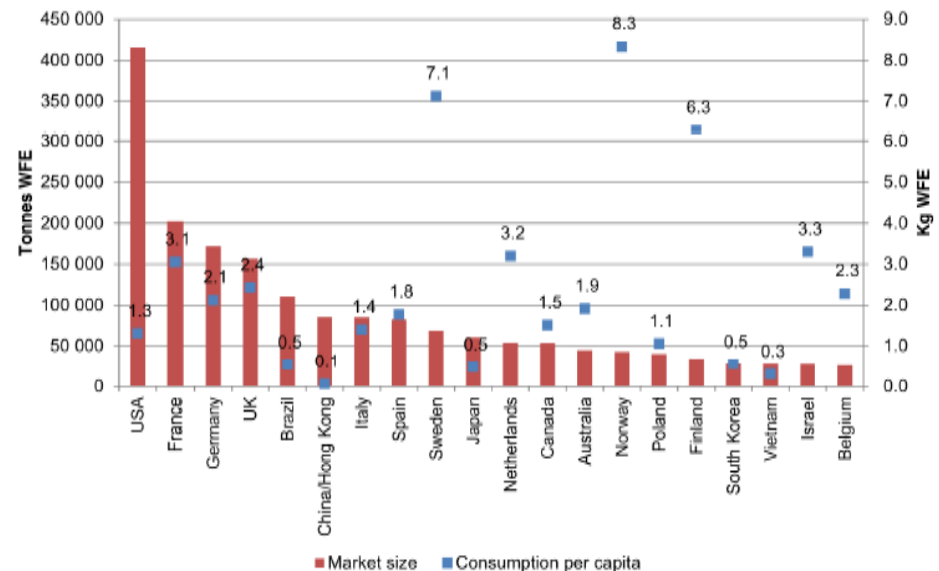


OUTLOOK

MARKET OUTLOOK

- Domestic market expected to continue growing at around 10% per annum
 - Growth for FY2016 +13%
 - CAGR over the past 10 years 11% pa
- Australian consumption per capita at 1.9 kg below comparable developed nations
 - 2.1-3.2 kg for France, UK, Germany, Belgium and Holland
 - 6.3-8.3 kg for Scandinavian countries
- Wholesale market remains strong
- Import volumes into domestic market now solely operating to meet the shortfall in domestic supply
- Rapid recovery in domestic pricing in the last quarter of FY2016 reflects global supply demand imbalance
 - Pricing expected to remain strong throughout CY2017
- The retail market continues as an important strategic goal
 - MAP and meal ready products

Market size and consumption per capita



Source: Kontali analyse, World Bank



OUTLOOK

- We are operating in a supply constrained market with strong growth in demand
- Pricing in the domestic market has stabilised above \$14/kg and is expected to remain at this level in CY2017
- Huon's harvest volumes for FY2017 expected to be in line with or slightly below FY2016
- Cost of production continues to be impacted by events in FY2016, remaining at levels above \$10/kg in FY2017 but expected to reduce to below \$10.00/kg in FY18
- Improved channel mix in FY2017 – domestic wholesale 75% and retail 20%
- Strong focus on risk management, accelerating plans to further reduce exposure to Macquarie Harbour
- Profitability to improve strongly in FY2017 with Operating EBITDA now forecast to increase by up to 126% to \$56 - 60 million
- Efficiency gains from Controlled Growth Strategy to underpin continued growth in FY2018 and FY2019.

Huon well positioned for sustainable growth
and development in a growing, supply constrained market



APPENDIX

FIRST HALF FY2017

STATUTORY TO OPERATING RECONCILIATION

STATUTORY

Six Months ending		31 Dec 2016	30 Jun 2016	31 Dec 2015	30 Jun 2015	% Change Dec on Dec
Tonnage	t	9,377	8,175	12,288	8,686	-24%
Revenue [^]	\$M	133.54	102.64	131.10	93.12	2%
EBITDA [*]	\$M	57.93	16.78	8.17	(7.92)	609%
NPAT	\$M	31.46	4.75	(1.32)	(9.34)	n.a
Biological Assets	\$M	190.30	147.22	135.46	151.84	40%
Cash and cash equivalents	\$M	20.96	3.79	10.81	13.80	94%
Net debt ^{**}	\$M	53.79	62.07	47.06	32.98	14%
Revenue per HOG kg	\$/kg	14.24	12.56	10.67	10.72	33%
Earnings per share	c	36.02	5.44	(1.51)	(11.80)	n.a
Total gearing ratio ^{***}	%	19.0%	24.8%	19.1%	13.3%	-1%
Return on assets ^{****}	%	11.1%	1.8%	-3.2%	6.4%	n.a

[^] Revenue from the sale of goods

^{*} EBITDA is earnings before interest, tax, depreciation and amortisation

^{**} Net debt is total debt net of cash and cash equivalents

^{***} Total gearing ratio is measured as debt (net of cash) / net assets

^{****} Return on assets is measured as statutory EBIT(rolling 12 months) / total assets

FAIR VALUE ADJUSTMENT

Six Months ending		31 Dec 2016	30 Jun 2016	31 Dec 2015	30 Jun 2015	% Change Dec on Dec
Fair value adjustment	\$M	31.56	6.09	(7.59)	(21.50)	n.a
Related income tax refund	\$M	(9.47)	(1.83)	2.28	6.45	n.a

OPERATING RESULTS

Six Months ending		31 Dec 2016	30 Jun 2016	31 Dec 2015	30 Jun 2015	% Change Dec on Dec
Revenue	\$M	133.54	102.64	131.10	93.12	2%
Operating EBITDA [#]	\$M	26.37	10.69	15.76	13.59	67%
Operating NPAT ^{##}	\$M	9.36	0.49	3.99	5.72	135%

[#] Operating EBITDA is statutory EBITDA excluding fair value adjustment

^{##} Operating NPAT is statutory NPAT excluding fair value adjustment and related tax impact



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