

Tassal Group Limited

2017 Annual General Meeting



Melbourne, 25 October 2017

Tassal Group Limited

2017 Annual General Meeting Chairman's address



Allan McCallum, Chairman

Melbourne, 25 October 2017

Overview



Tassal is the market leader in the Australian salmon Industry

- Tassal continues to execute on its strategy to be a world leading seafood company producing a high quality/healthy protein by leveraging:
 - industry leading scientific know how
 - sustainable and efficient production
 - respect for the earth's resources and the communities in which it operates
 - prudent commercial management
- Tassal has faced an unprecedented level of scrutiny during FY17 and has been subject to a great deal of public misinformation
- Our unwavering focus continues to be on enhancing our environmental and sustainability credentials and driving our engagement with the wider Tasmanian community
- Tassal has – and will continue to invest – in the communities we directly operate in and also the communities we reach through our broader supply chain
- We seek to deliver sustainable, competitive growing returns. Successful aquaculture and its growth is about finding common ground on shared values around environment ... and for salmon, respecting the use of shared waterways

Tassal's importance to Tasmania



- The Tasmanian Salmon Industry is one of the largest employers within Tasmania. Due to its regional operating footprint – the industry is a critical enabler to typically fragile economic communities
- We are increasing investment and promotion of societal/community value credentials, with a dedicated Community Foundation framework
- Tassal operates within shared waterways and there will always be a natural tension between the economic and socio-economic benefit of fish farming growth vs. people's amenity and the environment
- We understand there is enormous 'trust' placed by communities in Tassal to operate responsibly and ensuring sustainability remains core to our business principles is key
- Tassal is one of the largest individual employers in Tasmania with around 1,000 employees within Tasmania, more than 65% of these in regional areas, and over 1200 employees when we include our mainland operations

Sustainability



"The essence of sustainable development is that today's generations meet their needs without prejudicing future generations' ability to meet theirs."

Sustainability & Environment



Underpins everything we do

- Tassal is independently assessed by the Aquaculture Stewardship Council (ASC) and is in partnership with World Wildlife Fund-Australia (WWF). Maintaining ASC certification is a priority – it is the global 'gold standard' certification, very difficult to obtain and maintain
- Tassal was the first salmon producer globally to achieve ASC across its entire business in 2014 – and remains as one of only two (Petuna) who have this in Australia across 100% of harvest stock
- Tassal has 100% 'out of lease' compliance on all its leases – including Macquarie Harbour
- The Waste Collection System (WCS), approved by the Environment Protection Authority (EPA) is an excellent solution for safeguarding environmental conditions in low energy sites. The WCS is a clear example of industry innovation seeking to lower environmental footprint
- Significant investment continues in adaptive farming practices, treating all our sites as unique eco-aquaculture hubs, centres of excellence
- Tassal's intent is to balance environmental, financial, operational and societal/community value principles and practices

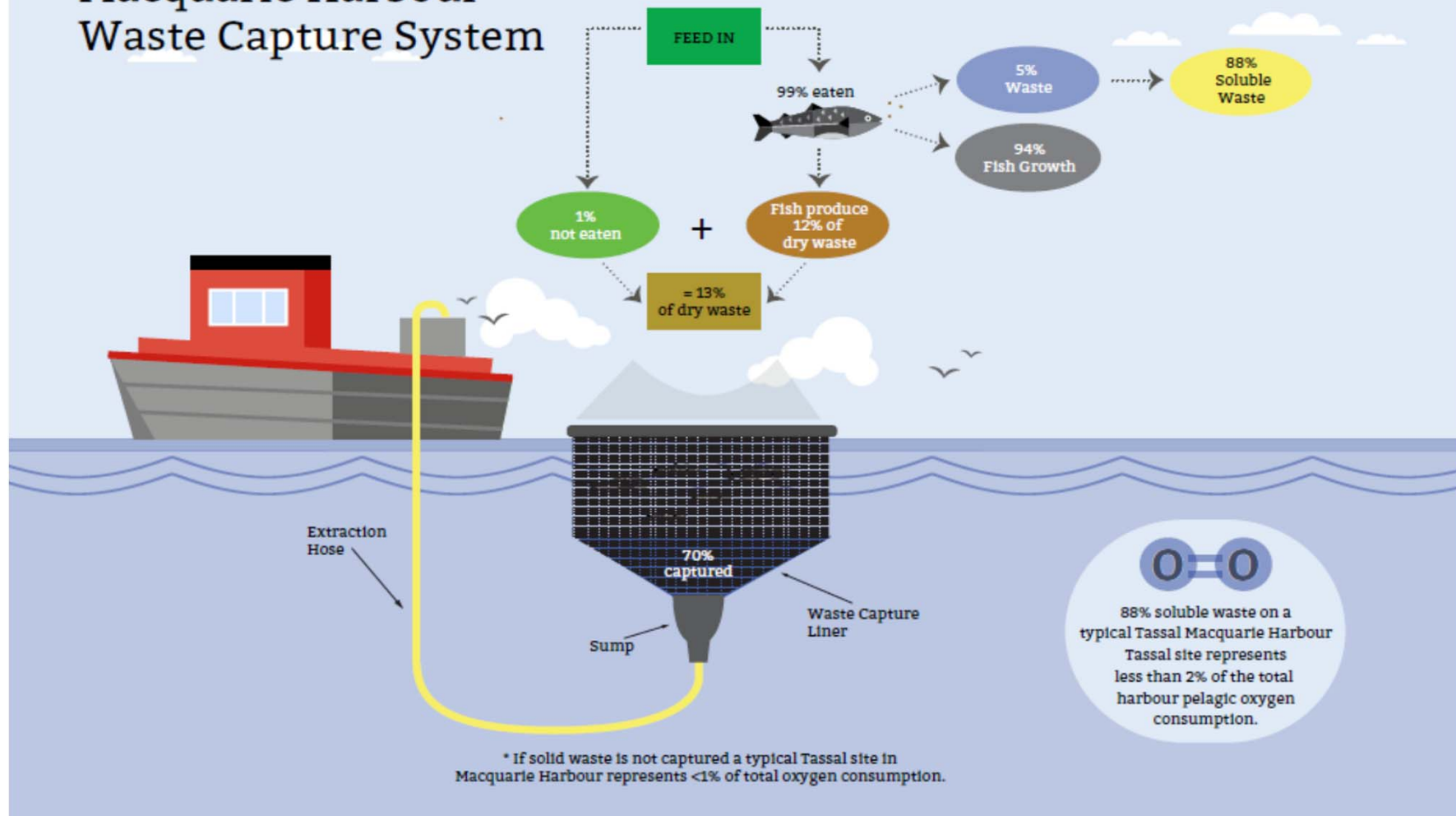
Macquarie Harbour

Full compliance confirmed by EPA for 'out of lease' compliance – i.e. there must be no significant visual impacts at, or extending beyond, 35-metres from the boundary of the lease area

- Middle Harbour lease #214 and Gordon lease #219 remain with 100% full compliance
- Franklin lease #266 is now also 100% 'out of lease' compliant
 - Expectation is that this lease will be stocked again in 2018
- Recent surveys have shown positive signs of biological recovery in the benthic communities at Franklin lease
- Any salmon grower in Macquarie Harbour can stock up to 28 tonnes of fish per hectare if it is using a WCS approved by the EPA
- Tassal has installed WCS on cages where biomass in excess of 13 tonnes per hectare, and also on a number of the cages below this level of tonnage
- Tassal is committed to maintaining a sustainable operation in Macquarie Harbour

Macquarie Harbour

Macquarie Harbour Waste Capture System



Transparency



Tassal is recognised globally for its transparency and has a strong history of marine compliance

- Tassal's superior record of sustainability in the industry should provide comfort to investors
 - Tassal has consistently and proactively informed the market on its environmental initiatives and achievements
- ASC is considered the 'gold standard' global certification – independently audited
- Tassal was recently ranked #2 salmon business in the world for transparent corporate, social and environment reporting (*seafoodintell.com*) – top 3 since 2012
- EPA Tasmania has confirmed that Tassal has full 'out of lease' compliance across all three of its leases in Macquarie Harbour ... Tassal now has 100 per cent 'out of lease' compliance state-wide
- Tassal believes the current proceedings brought on by Huon Aquaculture are misconceived and are being **vigorously defended by all parties**. We are yet to see any science upon which Huon's proceedings are based

People



"No job is so important that it cannot be done safely."

Safety



No job is so important that it cannot be done safely

Overall:

- Tassal's Board has endorsed a health and safety strategy which has a '**Can-Do Safely**' culture at its core – **Zero Harm for Everyone, Everywhere**
- Tassal's safety performance improved over FY2017 – externally, safety achievements would be considered excellent
- However, until Tassal delivers its core value of Zero Harm – we will rank ourselves as operating at an **unacceptable level**

KPIs	FY16	FY17
LTIFR	0.0	0.5
MTIFR	24.5	10.9
TRIFR	24.5	11.4
Compliance Scorecard	96%	96%
Driving Safety Culture Scorecard	N/A	92%

Definitions:

LTIFR – Lost Time Injury Frequency Rate: (Number of Lost Time Injuries/Total Number of Hours Worked) X 1,000,000 hours

MTIFR – Medical Treated Injury Frequency Rate: (Number of Medically Treated Injuries/Total Number of Hours Worked) X 1,000,000 hours

TRIFR – Total Injury Frequency Rate: LTIFR + MTIFR

Our people share common values



- Our values: "Passion", "We Own It", "Can-Do Safely", "Achieve Together"
- Tassal's people have again been recognised for their innovation and can do culture through a number of industry achievements:
 - Maintaining ASC & ASC Chain of Custody certification across all sites
 - Retained Employer of Choice
 - Developed and implemented WCS
- Our team once again achieved an outstanding result given the extremely challenging operating environment we faced
- On behalf of the Board I would like to thank our team. Their unwavering passion ensures we can maintain our leadership position in Australia (production & sales) and globally (sustainability & reporting)

Shareholders



Delivering growing returns

- Tassal delivered growing earnings & returns in FY2017 – despite increased cost of growing
- Revenue up 4.5% to \$450.45m
- Tassal successfully lowered retail sales to around 51.9% of total sales revenue (FY2016: 68.3%)
- Operational EBITDA was up 8.3% to \$88.97m, even though salmon volume sold was down 6.2%
- Operational EBIT up 11.2% to \$68.03m
- Even with a challenging growing and operating environment over summer 2016 leading into FY2017, Tassal was still able to increase returns over FY2017 by capturing favourable salmon growing conditions and operational efficiencies, and combining a flexible sales mix and high pricing to optimise contribution margins

Conclusion



- Tassal is the market leader and largest producer in the Australian salmon Industry. It is the most recommended consumer choice as independently surveyed in 2017
- We have once again been benchmarked as one of the world's top salmon farming companies in corporate, social and environmental reporting
- We have an unwavering commitment to continue our work with our stakeholders, communities, employees and partners to achieve further improvements in sustainability and responsible farming
- The issues I have addressed in this presentation on sustainability are covered more comprehensively in our latest Sustainability Report
- To my fellow Directors and Management, thank you for your support and input over the past 12 months and I know that we are all looking positively to continuing growth across the business in FY2018
- To our shareholders and other stakeholders, your continuing support is appreciated and valued

Thank you

Tassal Group Limited

2017 Annual General Meeting Managing Director & CEO's address



Mark A Ryan, Managing Director & CEO

Melbourne, 25 October 2017

Another record year



FY17 Financial Results

High pricing & favourable sales mix optimised margins



Financial Performance

Financial Performance (A\$m)	2017	2016	Change
Statutory results			
Revenue	450.45	430.92	4.5% ▲
EBITDA	114.55	97.29	17.7% ▲
EBIT	93.62	76.28	22.7% ▲
NPAT	58.08	48.49	19.8% ▲
Operating results			
Operating EBITDA	88.97	82.18	8.3% ▲
Operating EBIT	68.03	61.17	11.2% ▲
Operating NPAT	42.19	37.92	11.3% ▲
Operating cashflow	51.36	50.22	2.3% ▲
Final dividend - cps	7.50	7.50	0.0% ▲
Total dividend - cps	15.00	15.00	0.0% ▲
Gearing Ratio	12.4%	33.5%	
Funding Ratio	24.3%	44.6%	

Operating Revenue

Operating Revenue (A\$m)	2017	2016	Change
Domestic	400.58	412.14	(2.8%) ▼
Export	44.14	13.05	238.3% ▲
Total Revenue	444.72	425.19	4.6% ▲

Operating Revenue – Salmon & Seafood

Operating Revenue (A\$m)	2017	2016	Change
Salmon	371.86	359.13	3.5% ▲
Seafood	72.86	66.05	10.3% ▲
Total Revenue	444.72	425.19	4.6% ▲

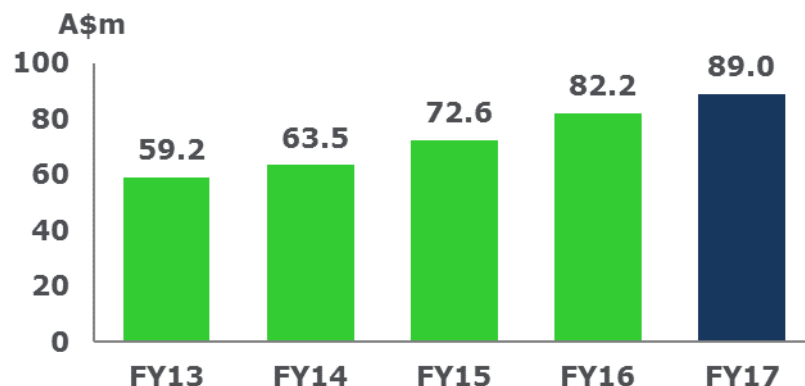
- SGARA uplift was \$32.3m in FY2017 (FY2016: \$15.1m) ... pre tax
- De Costi Seafoods: Contingent Consideration increased by \$6.7 million based on the most recent assessment for forecast earnings for FY2018

FY17 Financial Results

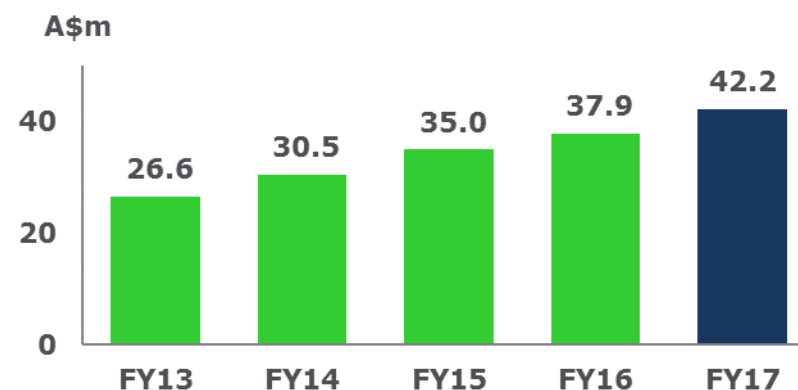
Record earnings; sustainable growth



Operating EBITDA: \$89.0m



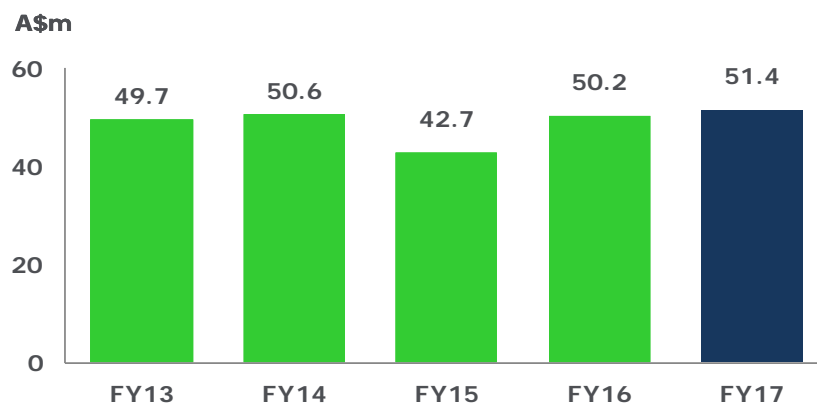
Operating NPAT: \$42.2m



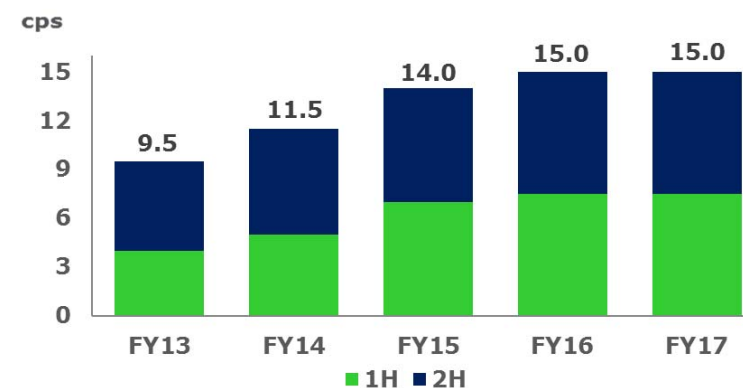
• Statutory EBITDA up 17.7% to \$114.6

• Statutory NPAT up 19.8% to \$58.1m

Operating Cashflow: \$51.4m



Full year Dividend:
15.0 cps, fully franked



Operational Results



Optimised margins to deliver growing earnings & returns

- Favourable salmon pricing in wholesale and export markets
- Salmon was kept in the water longer to optimise growth and in turn fish size and biomass
 - 'Step change' achieved in underlying fish size being circa 4.80kg Head on Gutted (HOG) by end of FY2017
 - Underlying fish size and biomass is expected to continue to improve in FY2018 and beyond
- Fish size and timing of harvest is being proactively matched to sales market demand to support sales mix and pricing returns
- Sales mix continues to be managed to optimise returns and deliver growing earnings. During FY2017, Tassal successfully lowered retail sales to around 51.9% of total sales (FY2016: 68.3%)
- De Costi Seafoods driving seafood sales and category growth: EBITDA for De Costi Seafoods as a standalone operation was up 11.4% to \$12.7 million (FY2016: \$11.4 million)
- Given De Costi Seafoods' FY2017 result, Tassal has subsequently issued 2 million shares under the provisions of the Contingent Consideration

Environmental Results



Tassal continues to evolve best practices

- Maintained ASC certification across all operations
- Tassal also renewed and strengthened its partnership with WWF
- Tassal has been reporting to the Global Reporting Initiative (GRI) framework since 2012 and in the 2017 Sustainability Report will further enhance its climate related disclosure
- All leases in Macquarie Harbour have now returned to compliance from an 'out of compliance' perspective and in-faunal abundance is returning
- Tassal is determined to ensure the health of Macquarie Harbour remains a priority
- Global best practice SBP in place
- Effective adaption of sustainability focus and techniques with changing environments
- Continued focus on fish health and performance (fish safety)

Strategy



"Tassal seeks to deliver sustainable, competitive growing returns. Successful aquaculture and its growth is about finding common ground on shared values around environment... and for salmon, respecting the use of shared waterways."

Strategic focus



Tassal has the right strategy in place to be a world leading seafood company

- *Tassal farms the ocean to produce a high quality/healthy source of protein, leveraging its industry leading scientific know how, being both sustainable and efficient in its production, and respecting the resources of the earth and the wider society in which the company operates:*
 - Leveraging the scale of Tassal's vertically integrated supply chain to optimise value and ensure product quality and freshness
 - Accessing the market via multiple channels (i.e., direct, retail, wholesale and export) to maximise penetration, optimise margins and deliver sustainable growing returns
 - Expanding the consumer offer to continually meet more of their seafood requirements

Outlook FY2018



Contribution margin



Tassal is not overly reliant on Macquarie Harbour

- There has been some market concern regarding reducing salmon biomass from Macquarie Harbour, with a particular focus on increased growing costs from FY2019
 - Tassal is not solely reliant on Macquarie Harbour... we have a network of leases and potential leases throughout Tasmania to provide a natural hedge / risk mitigation
 - Tassal illustrated during 2017 that we can direct salmon numbers and biomass to other locations and materially reduce the number of fish grown in Macquarie Harbour for harvest in FY2019
- Tassal's cost of growing efficiency has improved and continues to get closer to global best practice as we move towards an average of 5kg hog
 - **Global cost of growing averaging circa \$6/kg hog vs Tassal which is circa \$6.50/kg hog**
- While Tassal manages costs tightly, our focus is **optimising contribution margin**
 - **Favourable pricing dynamics, improved sales mix, fish size and biomass and further efficiency improvements**, are expected to more than offset potential increased growing costs

Contribution margin



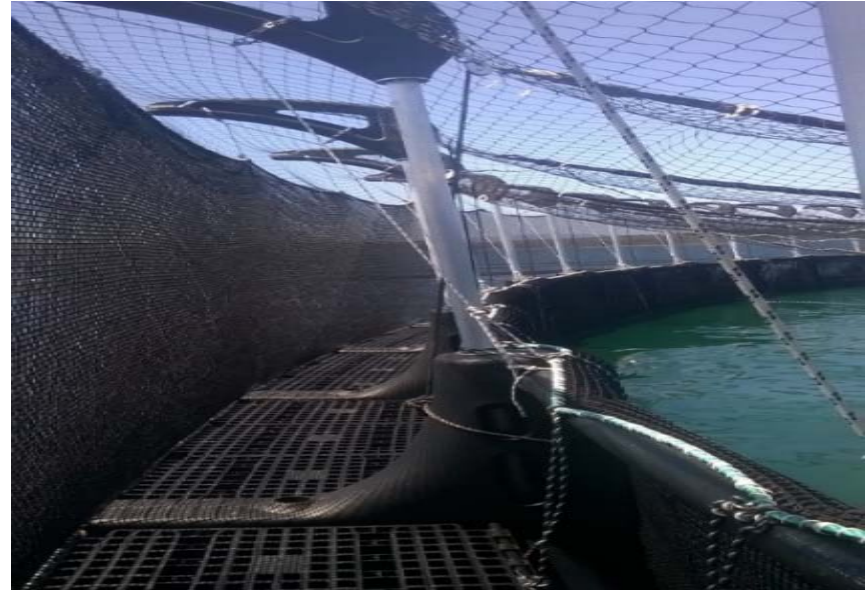
Tassal will continue to deliver efficiency improvements

- Tassal has commenced moving to centralised land based feeding (supported by barges & cameras) ... ensures efficient and sustainable feeding (optimise growth & feed conversion) while ensuring environmental (reducing benthic and environmental risk) and people safety outcomes
- Continued roll out of Tassal's 'Sanctuary' pens which to date have had 0 seal breaches. Sanctuary pen is a 168m circumference pen with a single underwater 25mm K-Grid mesh net (stiff, strong and seal proof) with a 3m high external seal fence to prevent "over the top" seal incursions and upgraded bird-net and bird-net stand to ensure a fully enclosed pen
- Harvest and wet processing efficiency improvements with a new 250 tonne harvest vessel (2.5x more capacity vs current harvest boat)
- Reduced bathing and improved growth outcomes from continued benefits of Tassal's SBP
- Further automation at De Costi Seafoods to support the large demand growth in seafood and salmon MAP packaged ranges

Centralised land based feeding ... supported by feed barges & camera technology



Sanctuary Pens



Harvest Vessel



Salmon pricing

Expected to remain strong in FY2018



- Salmon pricing was at historic highs in FY2017 and is expected to remain elevated in both domestic and export markets
- Fundamental drivers underpinning current global price levels and its sustainability are:
 - Increased world demand for sustainable salmon – Market analysts believe that global demand will grow between 5% to 7% pa (Chinese demand expected to grow at 25% pa)
 - Norwegian lice infestations – Due to lice issues in Norway, Norwegian production was reduced by some 70K tonnes, causing salmon to be harvested earlier and costs to increase
 - Chilean algal bloom - Over 100K tonnes of salmon were lost in Chile due to algae bloom – when measured at harvest weight
 - Australian consumers understand the health benefits of consuming salmon and rate it higher as a healthy product over other proteins e.g. Chicken#
 - Having a health diet is important to Australian consumers and over 70% want to serve more salmon to their families#

Positive outlook for FY2018



Another record result expected

Tassal's **growth** strategic priorities are:

- Maintaining existing channels to market and continuing to grow domestic per capita consumption
- Increasing salmon volume to position Tassal with the superior biomass in the Australian market, optimal margins and greatest scale
- Enhancing salmon growing performance and efficiencies through SBP
- Farming expansion - Okehampton, Port Arthur & Oceanic Sites in Storm Bay
- Processing expansion – automation & processing capacity
- Further enhancing the Export strategy - benefit from strong salmon sizes
- Continuing to improve traceability and freshness of products
- Tasmanian Government supporting growth of Industry through the proposed State Sustainable Industry Growth Plan

Any questions?



Tassal Group Limited

2017 Annual General Meeting



Resolutions

Melbourne, 25 October 2017



SUMMARY OF PROXY VOTES RECEIVED



	FOR	AGAINST	OPEN	ABSTAIN
Resolution 2:				
Adoption of Remuneration Report	95,958,943	8,034,482	4,883,737	358,504



SUMMARY OF PROXY VOTES RECEIVED



	FOR	AGAINST	OPEN	ABSTAIN
Resolution 3:				
Re-election of Mr Trevor Gerber	100,923,902	4,048,342	5,140,154	235,476

{ DELICIOUSLY CURED, DOUBLE SMOKED,
FESTIVE INDULGENCE. *Superior Gold's* }



SUMMARY OF PROXY VOTES RECEIVED



	FOR	AGAINST	OPEN	ABSTAIN
Resolution 4:				
Re-election of Mr Michael Carroll	104,504,612	465,583	5,148,254	229,425



SUMMARY OF PROXY VOTES RECEIVED



	FOR	AGAINST	OPEN	ABSTAIN
Resolution 5:				
Long Term Incentive Plan	97,208,561	7,366,608	4,911,907	278,689



SUMMARY OF PROXY VOTES RECEIVED



	FOR	AGAINST	OPEN	ABSTAIN
Resolution 6:				
Long Term Incentive Plan- Grant of 87,846 Performance Rights to Mr Mark Ryan pursuant to the 2017 Performance Rights Package	97,163,739	7,325,498	4,927,011	360,017

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