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ASX release

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Tassal delivers strong growth in salmon and prawn volumes

Tassal Group Limited (ASX: TGR) is pleased to announce its results for the six months ended 31 December 2020 (1H21) that saw the Company deliver on all its long-term strategic milestones. Tassal's diversification strategy, focus on driving operating efficiencies and lowering costs, risk management systems and business continuity planning, cashflows and strong balance sheet, supported the Company navigating through a volatile COVID-19 operating environment, while generating a statutory NPAT of \$27.6 million (1H20: \$40.8 million).

Financial Performance (A\$m)	1H21	1H20	Change
Revenue	292.48	274.49	6.6% ▲
Statutory results			
Statutory EBITDA ¹	77.51	81.00	(4.3%) ▼
AASB 141 SGARA Impact ¹	9.46	16.76	(43.5%) ▼
Statutory NPAT ¹	27.64	40.82	(32.3%) ▼
Operating results			
Operating EBITDA	78.40	66.46	18.0% ▲
Salmon Operating EBITDA \$/Kg (Pre AASB 16)	3.02	3.44	(12.2%) ▼
Salmon Operating EBITDA \$/Kg (Post AASB 16)	3.71	3.69	0.5% ▲
Prawn Operating EBITDA \$/Kg (Pre AASB 16)	3.05	5.76	(47.0%) ▼
Prawn Operating EBITDA \$/Kg (Post AASB 16)	3.67	6.01	(38.8%) ▼
Operating EBIT	46.78	48.06	(2.7%) ▼
Operating NPAT	28.26	30.64	(7.8%) ▼
Operating cashflow	41.39	40.98	1.0% ▲
Interim dividend - cps ²	7.00	9.00	(22.2%) ▼

Note:

1. Pre-tax SGARA adjustment benefit of \$9.5 million (1H20: increase \$16.8 million). Post tax benefit \$6.6 million (1H20: increase \$11.7 million).
2. 1H21 dividend is unfranked (1H20: 25% franked). Dividend reflects dividend payout policy of at least 50% of Operating NPAT.

Key 1H21 takeaways:

1. **Safety & wellbeing:** Tassal's operations have been and are running close to normal despite COVID-19 restrictions
2. **Salmon production has outperformed:** Salmon harvest biomass is well ahead of Strategic Plan (current biomass was expected in 5 years' time), underpinned by multi-faceted operational improvement programs that have supported a significant uplift in survival and growth
3. **Balanced channel strategies:** Positions Tassal well to capitalise on positive consumer trends
4. **Prawns harvest volume on target:** FY21 expected harvest volume of circa 4,000 tonnes; with a strategic goal to deliver 20,000 tonnes by 2030
5. **Strategic Proserpine farming footprint expansion:** Supports delivery of 20,000 tonnes strategic goal by 2030
6. **Exceptional strategy execution has reduced cost of operations \$/kg for both salmon and prawns and maintained a strong balance sheet:** Tassal's strong balance sheet has supported continued expansion, replacement and upgrading of infrastructure in 1H21, optimised operations, and is responsibly seeing the Company through a significant period of uncertainty. **Salmon cost of growing and production efficiency benefits were circa \$0.50/kg**
7. **Overall:** Increasing salmon and prawn live and harvest biomass, continuing to drive domestic consumption growth, further optimising margins via sales mix and operating efficiencies/cost-out opportunities, and delivering a strong, sustainable diversified operating platform, position Tassal to navigate as best as possible through COVID-19, and importantly to deliver long-term growing earnings and returns in a "post-COVID-19 world".

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Commenting on the Company's 1H21 results, Tassal Managing Director & CEO Mark Ryan said: "Tassal has continued to deliver on all its long term strategic milestones, with salmon volumes currently at the level expected to be achieved in five years' time, and prawn volumes tracking as planned. However, like other global and domestic seafood companies, Tassal experienced significant pricing volatility in 1H21 due to COVID-19 and resulting restrictions and market fractures, particularly in global/export markets.

"Total 1H21 sales volume growth for salmon was up 16.2% and prawns was up 786.4%, but this growth was offset by materially negative returns from the export market given the impact of reduced global pricing and an appreciating AUD/USD exchange rate. This export market position consequently resulted in declining wholesale market returns, as additional funds and activities were employed to stimulate further growth of domestic per capita consumption.

"Tassal is classed as an Essential Service with respect to COVID-19, with our operations continuing to operate at close to normal, ensuring the continued safety and wellbeing of our employees and a healthy product for consumers. We are extremely proud that Tassal has not received, nor sought to receive, any JobKeeper payments. While COVID-19 has caused extreme short term volatility globally, the behaviour of Australian consumers has shifted as people increasingly eat at home and search for Australian-made trusted sustainable brands, as can be seen in the growth of domestic retail sales volumes in 1H21. We believe this will underpin long-term demand for Tassal Salmon and Tropic Co Prawns."

Growth in salmon and prawn production

Salmon production has outperformed, with salmon biomass well ahead of Strategic Plan. Harvested biomass in 1H21 was up 36.7% to 24,508 hog tonnes (1H20: 17,929 hog tonnes) and live biomass was up 12.8% to 26,114 hog tonnes (1H20: 23, 151 hog tonnes). The combination of an efficacious POMV vaccine and the successful investment in Ocean Sanctuary Pens reducing seal impacts, lead to circa 90% survival for the current harvest year class. At the same time, the Wellboat, Feed Centre, improved fish diets and diet cost, and fish husbandry led to improved survival, biomass and reduced cost of growing \$kg. Salmon processing costs were materially better than 1H20 as both size and condition factor of the fish increased yield and throughput.

Tassal has received approval to develop 455 hectares of ponds at the existing Proserpine farm (vs. original target of 400 hectares of ponds). For FY21, 270ha of ponds have been fully stocked, and prawn harvest volumes are on track to achieve circa 4,000 tonnes in FY21. The strategic Proserpine farming footprint expansion, involving the acquisition of Billy Creek and disposal of surplus land at Exmoor Station, supports the Company's strategic harvest goal of 20,000 tonnes by 2030.

Strong balance sheet and responsible use of cashflows supported Tassal navigating through a period of significant uncertainty

Operating cashflow, flat at \$41.4 million, was used for strong live biomass growth and inventory – but was materially impacted by negative pricing and supply chain costs due to COVID-19:

- Reflecting the planned increase in working capital costs to grow incremental live biomass and inventory for salmon (\$24.2 million) and prawns (\$10.9 million) for earnings in 2H21 and beyond
- 1H21 cashflows were materially impacted by lower export market returns for salmon with price \$2.19/kg lower than 1H20 with 6,243 hog tonnes sold (\$13.7 million) and the additional cash costs of Significant Items at \$10.4 million (i.e. additional cost of export freight \$9.6 million and Billy Creek acquisition \$0.8 million).

Cashflows, debt facilities, and a strong balance sheet, were responsibly utilised to underpin \$66.9 million of sustainable investment to grow long-term returns. Given the continuing uncertainty caused by COVID-19, planned salmon and prawn capital spend in FY21 has been reduced to \$105 million (from \$125 million), with prawn growth capex spend to reduce in FY22. Tassal remains well positioned to maximise returns on longer term investment when market conditions improve.

The Directors have declared a FY21 interim dividend of 7 cps unfranked, with a record and payment date of 15 and 30 March 2021 respectively. The Company's Dividend Reinvestment Plan (DRP) will apply to the FY21 interim dividend, and shareholders electing to participate in the non-underwritten DRP will receive a 2% discount.

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Tassal's industry world-best ESG initiatives underpin sustainable growth for salmon and prawns

Aquaculture is one of the most efficient forms of protein production, and Tassal's 35 years of best practice aquaculture experience ensure that the Company can continue to sustainably grow salmon and prawns in Australia to provide the products customers want, and the jobs local communities desire.

For Tassal, sustainability is more than the environment the Company operates in, it's the people we back and the communities we support through all of life's challenges. Tassal is not only a farmer, we are a steward of the oceans on a journey of innovation and continuous improvement. Once again, across nearly every ESG measure the Company tracks, Tassal has further improved its performance, while producing circa 123 million meals over 1H21.

The medium to long-term demand and supply fundamentals of the global salmon and prawn industries are positive in a post-COVID-19 world

Commenting on Tassal's outlook for FY21, Mr Ryan said: *"Significant uncertainty caused by COVID-19 is expected to continue for the remainder of FY21. Tassal's strategy of driving increased domestic per capita consumption is well positioned to align consumer needs both during and post-COVID-19. Our new marketing campaign, primarily TV-based, is focused on Tassal branded products and commenced mid-August 2020 with strong results, with the shortfall in domestic wholesale/foodservice salmon market volume in the first half offset by strong growth in domestic retail sales volume."*

"Heading into COVID-19, Tassal was a global seafood leader in digital technology, and our competitive advantage with digital technology should be further enhanced in FY22. Investments in centralised feeding have contributed to a strong salmon biomass position through improved growth and performance, and reduced feed conversion rates [FCR]. Our Prawn SmartFarm systems are enabling real-time information about the status of our ponds and prawn stocks, providing the insight required to achieve our prawn production targets. Over the next 12-24 months we will leverage the large amount of data we are now capturing with an increasingly advanced data analytics capability, to drive further improvements in both salmon and prawn farming through growth optimisation, survival and FCR."

"In light of the COVID-19 impacts on short term market dynamics, we have reviewed our species mix for 2H21 and FY22 in view of working capital demands and market risk. This will reduce both capital spend across FY21 and FY22 and working capital requirements for FY22, while maintaining a strong position to return to growth as market dynamics improve – and if the market dictates, a return to rapid expansion of our prawn infrastructure. At the same time, FY21 operating cashflow is expected to grow, as FY20's working capital build, coupled with the increase in prawn biomass in 1H21, is converted into cash."

"Our revised short term strategic plan will see Tassal produce circa 41,000 hog tonnes of salmon in FY21 [circa 5,000 hog tonnes ahead of Strategic Plan], and maintain 41,000 hog tonnes for FY22 as this biomass is already at sea. We are on track for 4,000 tonnes of prawns in FY21, and will then slow down prawn growth to 4,500 to 5,000 tonnes for FY22 [instead of previously planned 6,000 tonnes] by reducing the expansionary infrastructure program and adjusting the stocking program accordingly. This revised short term strategic plan is financially prudent in the more uncertain environment, providing the business and shareholders with the risk mitigation and flexibility to adapt/pivot as conditions evolve."

"While Tassal is not immune to global and local forces outside of its control, our key strengths that will assist us mitigate this environment – our diversification strategies across customers and consumers, growing and processing areas, and species and products – combined with our focus on sustainability, position the Company as best it can to navigate the market issues that COVID-19 continues to present. We remain confident that we can continue to grow Tassal's operating earnings and returns in a post-COVID-19 world, through continuing to focus on optimising sales mix and returns and from further reductions in our cost of growing and processing."

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Investor briefing:

An investor call will be hosted by Mark Ryan (Managing Director & CEO) and Andrew Creswell (CFO) at 3:30pm AEDT today, Tuesday 16 February 2021. Those wishing to dial into the briefing are encouraged to pre-register via the following link: <https://s1.c-conf.com/diamondpass/10012317-h8gb76.html>. Once registered, you will receive an individual passcode and PIN allowing for direct access to the briefing.

Alternatively, at the time of the results call, dial your respective local number below and provide the conference ID to the operator. Please be aware that there may be a short wait:

- Australia Toll Free: 1 800 558 698
- Australia Local: +61 (0)2 9007 3187
- Conference ID: 10012317

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Approved for release to ASX by the Board of Tassal Group Limited.

For media / analyst queries, please contact:

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About Tassal

Tassal Group Limited (ASX: TGR) is a vertically integrated salmon and prawn grower; and salmon, prawn and seafood processor, seller and marketer. The Company produces and sells premium salmon, prawn and seafood products for both the Australian domestic and export markets. Tassal grows delicious, fresh and healthy Atlantic Salmon and Australian Tiger Prawns, and through its De Costi Seafood business sources and processes a wide range of seafood. Tassal is committed to taking a leadership role in sustainability in aquaculture and seafood sourcing. The Company employs over 1,700 people. Visit www.tassal.com.au for more information.

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