

Huon Aquaculture Group Limited

Full Year Results Presentation

FY2021



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Agenda

- 1 OVERVIEW
- 2 FINANCIAL PERFORMANCE
- 3 OPERATIONAL PERFORMANCE
- 4 GROWING SUSTAINABLY
- 5 OUTLOOK



Overview of Financial Performance

Financial Results for FY2021

- Operating EBITDA of \$16.7m compared to \$47.3m pcp
- The reduction in operating profit was primarily attributable to the impact of COVID through reduced salmon prices and increased freight charges
- The reduction in market value below book value resulted in a \$113.9m impairment charge (before tax)

Balance Sheet Initiatives

- Placement and SPP in August 2020 raised \$66 million to reduce debt and improve liquidity
- Revised terms for Huon's banking facilities until June 2022 after which time the previous financial covenants will recommence

Outcome of Strategic Review

- The Board initiated a strategic review in February 2021 to assess potential corporate level transactions in light of a number of unsolicited approaches
- On 6 August Huon announced it had entered into a Scheme Implementation Deed with JBS to acquire 100% of Huon shares by way of a Scheme of Arrangement
- On 13 August Huon entered a process agreement with JBS for the making of a recommended takeover bid.

COVID 19 Financial Impact

	Net Revenue (\$'000)	Freight Expense (\$'000)
FY20 (Actual)	339,869	31,764
Volume Movement		
- Domestic (Wholesale + Retail)	70,110	3,492
- Export	57,143	9,166
- Channel mix impact	6,400	–
FY21 (Excl. price impact)	473,522	44,422
Price Movement		
- Domestic (Wholesale + Retail)	(29,944)	(371)
- Export	(10,769)	21,905
- Channel mix impact	(6,400)	–
FY21 (Actual)	426,409	65,956
FY21 COVID Variance	47,113	21,534

From FY2020 to FY2021

- Revenue increased by \$87m as result of both increased volumes and reduced price
- The COVID related impact of this (price) **reduced revenue by \$47m** from \$473m to \$426m
- Freight costs increased by \$34.1m due to increased volumes and higher costs
- The **COVID related impact accounted for \$22m, or two-thirds of this increase**, as freight costs increased 49% on a per kg basis



Overview of Operating Performance

- **Market Conditions**

- Global oversupply of salmon due to reduced demand from the food services sector as a result of COVID restrictions
- Average international salmon price in the first half fell 28% compared to the previous half but has since recovered
- High cost of international freight a major contributing factor to weakened FY2021 performance
- Forecast supply growth for calendar 2021 of 2.3%¹ is lower than demand growth or historical supply growth
- Both domestic and international markets for salmon remain in long term demand growth

- **Efficiency benefits**

- Efficiencies continued to be delivered with cost of production falling to \$9.65/HOG kg
 - Cost of production in the first half of FY2021, the lowest in 5 years
- Technology projects completed in the last three years have delivered:
 - increased smolt size to sea,
 - Improved growth and survival rates at sea, and
 - improved feed conversion rates

¹ Kontali

- **Channel Mix**

- Revised target production of 35,000t for FY2021 as supply was managed to meet the disruption to demand as global markets slowly adjusted to operating in a COVID restricted environment
- Increased production volumes sold into the export market where prices were severely depressed in the first half due to the global oversupply
- The retail channel performed strongly with prices holding and record volumes delivered
 - Strong growth (+ 184%) in Huon's online sales, with returning customer rate up 12% on pcp
- Wholesale volumes recovered despite disruption from the lock down in Victoria and the hotel, catering and event industry continuing to operate under restricted conditions
- Contracted sales into international retail markets grew strongly, albeit at reduced prices, with good progress in diversifying markets throughout Asia and into the US



Financial Performance

FY2021



FINANCIAL PERFORMANCE

Overview of FY2021

Twelve months ended		30 June 2021	30 June 2020	Jun to Jun % Change
Tonnage	t	35,611	25,566	39%
Revenue [^]	\$M	426.4	339.9	25%
Revenue per HOG kg	\$/kg	11.97	13.30	-10%
EBITDA*	\$M	(113.2)	48.8	↓
EBITDA Margin	%	(26.5%)	14.4%	↓
Operating EBITDA**	\$M	16.7	47.3	-65%
Operating EBITDA Margin	%	3.9%	13.9%	-72%
NPAT	\$M	(128.1)	4.9	↓
Operating NPAT***	\$M	(36.9)	3.9	↓
Earnings per share	cents	(120.79)	5.63	↓
Dividend per share	cents	0.00	0.00	
Operating Earnings per share	cents	(34.87)	4.42	↓
Fair value adjustment	\$M	(16.0)	1.5	↓

[^] Revenue from the sale of goods

• EBITDA is a non-IFRS financial measure which is used to measure business performance using net depreciation and amortisation recognised in the income statement

** Operating EBITDA excludes the impact of the Fair Value Adjustment of Biological Assets

*** Operating NPAT excludes the impact of the Fair Value Adjustment of Biological Assets and related tax impact also the \$79.9m impairment charge

- Harvest volumes increased 39% to 35,611 tonnes, meeting our February guidance of '35,000 tonnes'
- Growth in revenue (+25%) was driven by an increased share of volume sales in the domestic market but offset by depressed pricing in the wholesale and international markets, particularly in 1H21.
- Operating EBITDA fell 65% to \$16.7m and an Operating Loss after tax of \$36.9m was a significant turnaround from the previous year's profit of \$3.9m
- Production costs/kg (excl freight) declined from \$10.20 to \$9.65, reflecting the impact of increased volumes on a fixed cost base and benefits from a range of efficiency programs
- Fair Value Adjustment (FVA) declined by \$16.0m due to the lower biomass and reduced average market price at 30 June 2021
- Statutory NPAT was adversely affected by the fall in average price and deteriorating outlook in the short-medium term which resulted in a non-cash net impairment loss of \$80m after tax



FINANCIAL PERFORMANCE

Second Half Impact of COVID-19

Six months ending		30 June 2021	31 Dec 2020	30 June 2020	Jun to Jun % Change
Tonnage	t	16,318	19,293	12,245	33%
Revenue [^]	\$M	206.3	220.1	161.8	28%
Revenue per HOG kg	\$	12.64	11.41	13.21	-4%
Operating EBITDA ^{**}	\$M	7.2	9.5	24.3	-70%
Operating EBITDA Margin	%	3.5%	4.3%	15.0%	-77%
Operating NPAT ^{***}	\$M	(18.5)	(18.4)	0.2	↓
Operating Earnings Per Share	c	(16.84)	(16.81)	0.26	↓
EBITDA [*]	\$M	(13.1)	(100.1)	(0.4)	↓
NPAT	\$M	(32.7)	(95.3)	(17.1)	91%
Earnings Per Share	c	(29.76)	(86.76)	(19.55)	52%
Dividend Per Share	c	0.00	0.00	0.00	
Fair Value Adjustment	\$M	(20.3)	4.3	(24.7)	-18%
Biological Assets	\$M	218.3	260.1	264.0	-17%

[^] Revenue from the sale of goods

^{*} EBITDA is a non-IFRS financial measure which is used to measure business performance using net depreciation and amortisation recognised in the income statement

^{**} Operating EBITDA excludes the impact of the Fair Value Adjustment of Biological Assets

^{***} Operating NPAT excludes the impact of the Fair Value Adjustment of Biological Assets and related tax impact and also the \$79.9m impairment charge

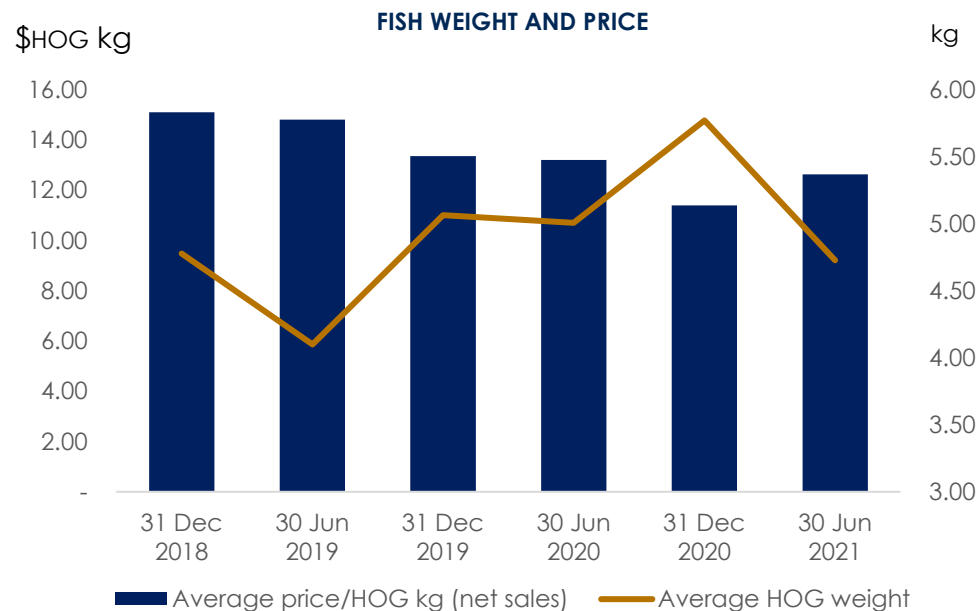
- Revenue growth (+28% pcp) was underpinned by a 25% recovery in the international salmon price¹ on the previous half (-9% on pcp)
- A fall in volumes sold through the lower priced export spot market resulted in Huon's total weighted average price increasing 11% on the first half to \$12.64/HOG kg (-4% on pcp)
- Operating EBITDA fell 70% to \$7.2m and Operating NPAT recorded an \$18.5m loss compared to break even in pcp
 - The international salmon price remains below pcp as a result of COVID's impact on the food service sector globally
 - Significantly increased freight costs arising from disruptions to international air freight
 - Operating EBITDA margins remained tight at 3.5% (-77% on pcp)
 - Production costs rose 8% on pcp to \$10.59/HOG kg due to the lower biomass in the second half
- A major contributor to the statutory loss after tax of \$32.7m was the \$20.3m reduction in the Fair Value Adjustment of Biological Assets

¹ Fishpool monthly average price for 2H2021 and 1H2021



FINANCIAL PERFORMANCE

Revenue Drivers



- Harvest volume for the year rose 39% on pcp but revenue growth (25%) was offset by significant price weakness in the international market particularly in 1H21
- Average price per HOG kg fell 10% on the previous year to \$11.97
 - Driven by channel mix with increased weighting to export but lower international prices affected pricing across all channels
 - Average spot export price per HOG kg for the year was \$9.96 (\$10.66 in pcp)
 - Volumes through the wholesale channel recovered strongly, however pricing fell 15% on pcp to \$12.44/HOG kg
- Average HOG weight increased 4% in FY2021 on pcp to 5.24kg
 - Harvest weights improved due to a particularly strong performance in 1H21 with optimal growing conditions and the realisation of increased operating efficiencies across the farm
 - Performance was impacted in the second half by water remaining warm through to April, slowing growth rates of the 20 Year Class, and the introduction of the new 21 Year Class



FINANCIAL PERFORMANCE

Cost Drivers

Six months ended		30 Jun 2021	31 Dec 2020	30 Jun 2020	Jun to Jun % Change
Harvest volume HOG	t	16,318	19,293	12,245	33%
Revenue from operations	\$M	206.3	220.1	161.8	28%
Revenue \$/HOG kg	\$/kg	12.64	11.41	13.21	-4%
Cost of production	\$M	(172.8)	(170.9)	(119.7)	44%
Cost of production \$/HOG kg	\$/kg	(10.59)	(8.86)	(9.78)	8%
Freight and distribution	\$M	(26.3)	(39.7)	(17.8)	48%
Freight and distribution \$/HOG kg	\$/kg	(1.61)	(2.06)	(1.45)	11%
Operating EBITDA	\$M	7.2	9.5	24.3	-70%
Operating EBITDA \$/HOG kg	\$/kg	0.44	0.49	1.98	-78%
Margin	%	3.5%	4.3%	15.0%	-77%
Fair value adjustment	\$M	(20.3)	4.3	(24.7)	-18%
Average HOG weight	kg	4.73	5.77	5.01	-6%

- Freight costs doubled to \$66m over FY2021 driven by the increased cost of export freight as a result of restricted access to international flights
 - Average cost of freight per kg increased 49% to \$1.85 (\$1.24 pcp)
 - Export freight rates doubled to c. \$3.30/kg
- Production costs (excluding freight) fell 5% to \$9.65/HOG kg over the year
 - Significant reduction in cost/kg in 1H21 to \$8.86 partially offset in 2H21 by an 8% increase on pcp to \$10.59 as a result of the reduction in the biomass
- One-off costs of c. \$2m from loss of fish arising from two incidents involving damage to pens and another \$2m from the organised theft of salmon from the Ingleburn processing facility
- Change in smolt strategy continued to deliver efficiency gains through an increase in the average size of smolt to sea
 - Above average growth rates, higher survival and improved feed conversion



CAPITAL STRUCTURE

Balance Sheet

As at	30 Jun 2021	31 Dec 2020	30 Jun 2020
ASSETS			
Cash	5.9	4.9	5.9
Receivables	40.0	37.2	24.5
Biological Assets	218.3	260.1	264.0
Inventory	20.7	25.0	19.3
Total current assets	298.4	336.9	329.2
Property, plant & equipment	229.8	239.1	305.6
Right of use assets	97.8	102.5	162.6
Total non-current assets	337.5	351.8	481.2
Total assets	637.9	688.7	810.4
LIABILITIES			
Payables	71.1	79.9	82.9
Borrowings	12.5	5.9	23.4
Total current liabilities	114.7	119.6	138.3
Borrowings	126.7	119.8	149.8
Deferred Tax	(2.0)	11.9	53.2
Total non-current liabilities	275.5	290.2	363.9
Total liabilities	392.2	409.8	502.2
NET ASSETS	245.7	278.9	308.2

- Net assets decreased in FY2021 by 20% on the prior period to \$245.7m due to
 - An after tax impairment charge of \$80m following COVID impacts and medium term downgrade in harvest growth rates
 - Partly offset by a reduction in borrowings following the \$66m capital raising in August 2020
- Working capital decreased 12% on 1H2021 to \$196.1m due to the reduction in biological assets
- Net debt levels, excluding lease liabilities, fell 20% on the prior period to \$133.3m
 - Gearing (net debt/equity) remained steady at 54.2% (excluding leases)
- Existing bank covenants waived and revised covenants in place until June 2022
 - Support from lenders by way of revised terms for its banking facilities



CAPITAL STRUCTURE

Biological Assets

Six months ending		30 Jun 2021	31 Dec 2020	30 Jun 2020	Jun to Jun % Change
Revenue [^]	\$M	206.3	220.1	161.8	28%
EBITDA*	\$M	(13.1)	(100.1)	(0.4)	↓
EBITDA Margin	%	-6.3%	(45.5%)	-0.2%	↓
Fair Value Adjustment	\$M	(20.3)	4.3	(24.7)	-18%
Operating EBITDA**	\$M	7.2	9.5	24.3	-70%
Operating EBITDA Margin	%	3.5%	4.3%	15.0%	-77%
Biological Assets	\$M	218.3	260.1	264.0	-17%
Biological Assets/kg (live)	\$/kg	10.73	9.01	9.99	7%
Total weight of live finfish at sea	t	20,336	28,883	26,429	-23%

[^] Revenue from the sale of goods

* EBITDA is earnings before interest, tax, depreciation and amortisation excluding impairments

** Operating EBITDA is statutory EBITDA excluding impairments and the Fair Value Adjustment

- Investment in biological assets fell 17% on pcp to \$218.3m
 - Live weight at sea decreased from 26,429 tonnes to 20,336 tonnes (-23%)
 - The number of fish harvested increased 34% returning Huon to a level consistent with its long term average growth rate
 - A combination of exceptional growth in 1H21 and a strong recovery in the salmon price in 2HFY2021 lifted the harvest for the year to 35,611 tonnes
- Average market value of biological assets increased 7% over the year from \$9.99/kg to \$10.73/kg
 - The recovery of salmon prices in 2H2021 partially reflected in the closing biomass
 - Channel mix moving away from export spot providing uplift in value
- FVA declined by \$16.0 million in FY2021
 - Lower biomass at June from reduced fish growth in 2H21 and increased harvest on pcp which was impacted by COVID
 - Value increased in 2H2021 with the recovery in the salmon price



CAPITAL STRUCTURE

Cash Flow Generation

\$M	Six Months Ended		
	30 Jun 2021	31 Dec 2020	30 Jun 2020
Operating EBITDA*	7.2	9.5	24.3
Cash Flow from Operations	1.4	(4.4)	(10.9)
Add - Net Interest Paid	2.4	2.4	3.9
- Net Lease Interest Paid	4.1	4.2	3.6
- Tax Paid/(Refunded)	(0.4)	-	(3.7)
Adjusted Cash Flow from Operations	7.5	2.2	(7.1)
EBITDA Conversion	104%	23%	-29%
Capex	5.0	4.0	9.1
Cash at end of period	5.9	4.9	5.9

- Adjusted Cash flow from operations increased from (\$7.1m) in pcp to \$7.5m in 2H2021
 - On an annual basis Adjusted Cash flow fell 44% from \$17.4m to \$9.7m in FY2021
- Conversion of Operating EBITDA to cash in 2H2021 turned around from -29% in pcp to 104%
 - Reduction in working capital requirements due to the structured approach to easing production levels over the next two years
 - Offset by the high cost of export freight
- Net capex spend of \$9.0m in FY2021
 - A shift to managing volumes at current levels over the next two years has eased capex requirements in the short term

* Operating EBITDA is statutory EBITDA excluding Fair Value Adjustment





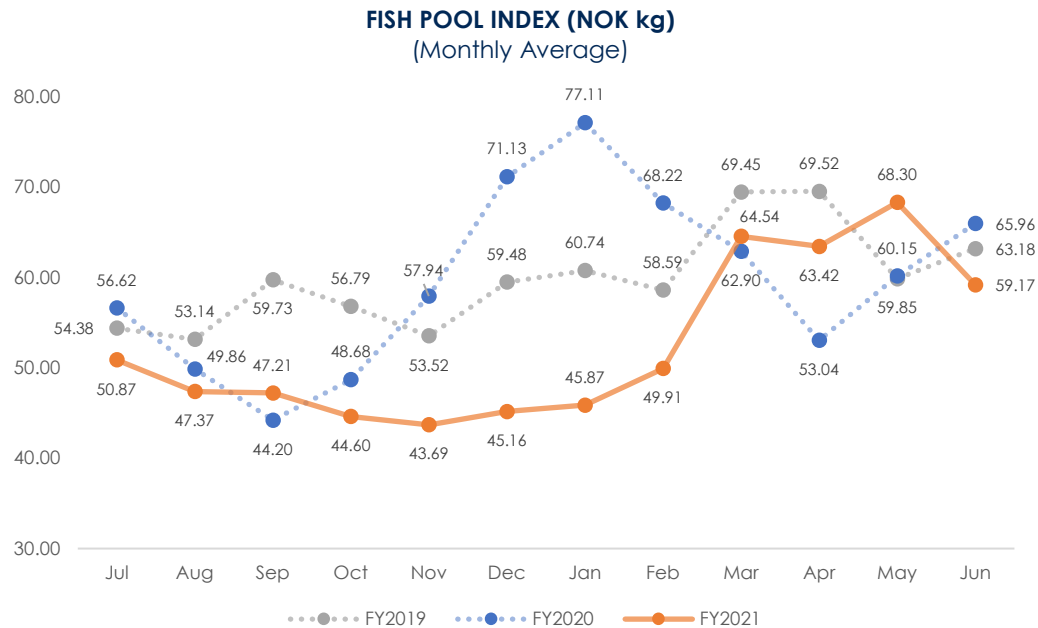
Operational Performance

FY2021

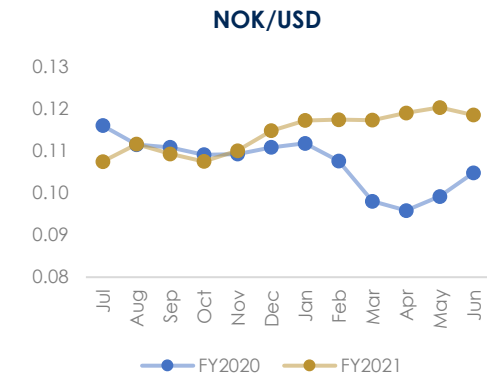
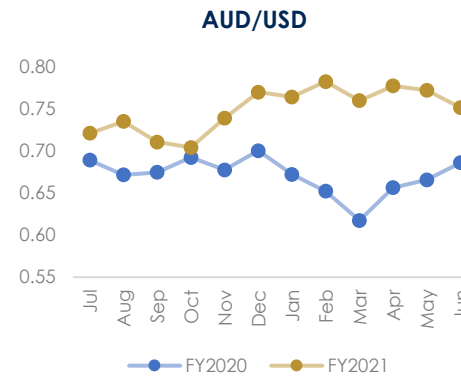


OPERATIONAL PERFORMANCE

International Market Conditions



- Salmon prices remained depressed during the first 8 months of the financial year, but rapidly returned to levels comparable to prior years in March and have remained there



- Most international trade is undertaken in US dollars
- Australian dollar competitiveness against the US dollar weakened through FY2021
- The NOK strengthened in FY2021 weakening its competitive position against the US dollar, relative to that in 2H2020



OPERATIONAL PERFORMANCE

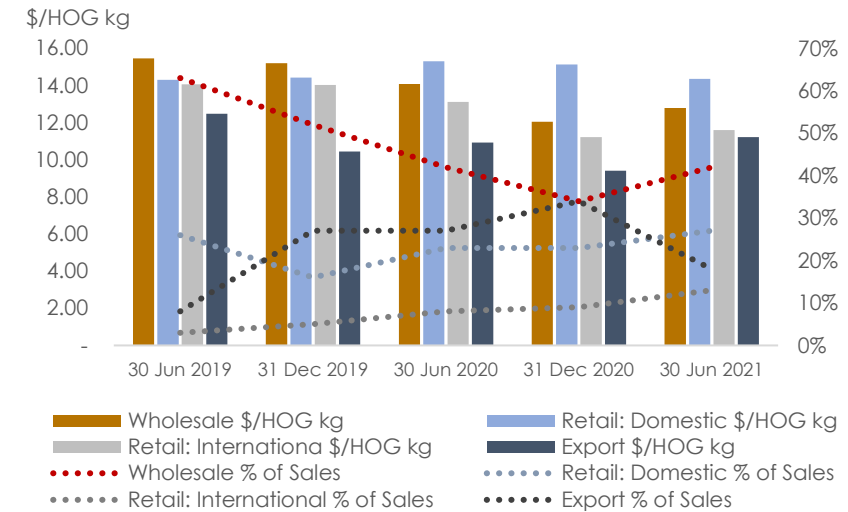
Huon Pricing and Channel Mix

- Sales volume into the wholesale market returned quickly to pre-COVID levels in 1H2021 and continued to increase in 2H2021 as Huon gained market share
 - Average net price fell 15% on pcp in FY2021 to \$12.44/kg
 - Prices were affected by the weakened international salmon price during the year and discounting to stimulate demand
- Huon's contracted sales into the domestic retail channel achieved record volumes in FY2021 increasing 63% on pcp
 - Volumes of c. 4,000 tonnes recorded in the second half as Huon started supply in April/May to the major supermarkets under two new 3 year contracts
 - Average pricing into the retail market stabilised at \$14.65/kg for FY2021 (-1% on pcp)
- Spot exports accounted for 32% of total volume (c.11,400 tonnes) at an average price of \$9.96/kg
 - Until March 2021 international spot prices remained depressed, trading at an average 47 NOK (21% below FY2020 average of 60 NOK)
- Contracted volumes (c.4000 tonnes) sold into the international retail market rose 151% in FY2021 accounting for 12% of total volumes
 - Average prices fell 15% to \$11.43/kg in response to the decreased demand globally
 - Revenue more than doubled, lifting this segments share of total revenue over the year from 6% in FY2020 to 11%

CHANNEL MIX BY REVENUE

Six months ending	30 Jun 2018	31 Dec 2018	30 Jun 2019	31 Dec 2019	30 Jun 2020	31 Dec 2020	30 Jun 2021
Wholesale	60%	64%	63%	52%	42%	34%	42%
Retail Domestic	28%	30%	26%	16%	23%	23%	27%
Retail International	10%	2%	3%	5%	8%	9%	13%
Export	2%	4%	8%	27%	27%	34%	18%

DISTRIBUTION CHANNELS BY PRICE AND CONTRIBUTION TO SALES

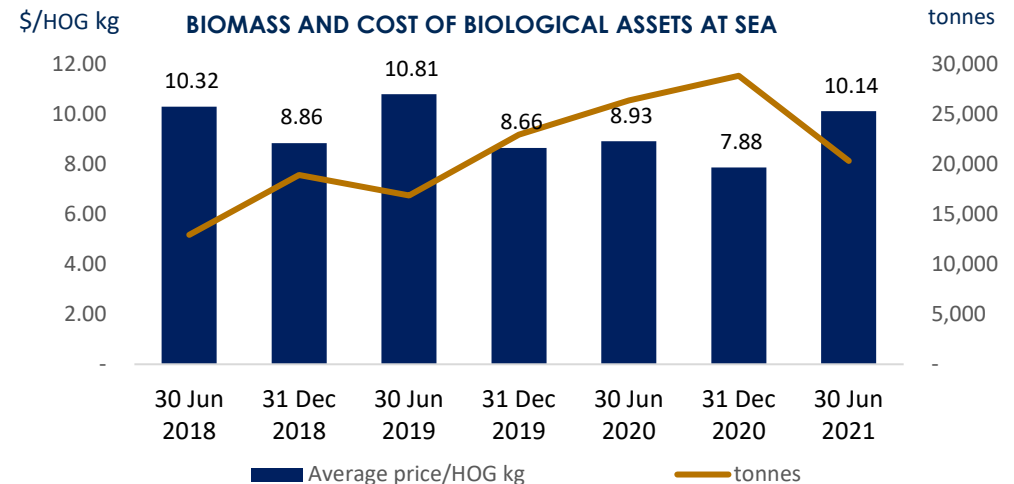
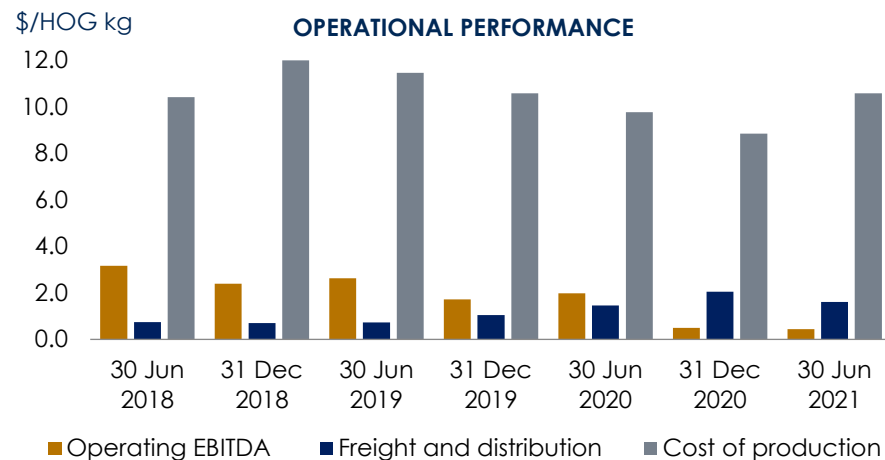


OPERATIONAL PERFORMANCE

Production Costs

- Cost of Production, excluding freight and distribution, fell 5% to \$9.65/HOG kg for the year (\$10.20/HOG kg pcp) despite a disappointing increase in 2H2021
 - Warmer waters through to April slowed fish growth
 - Shift in production mix to retail and higher value-add component drove an increase in processing costs
- Since FY2019 annual production costs per HOG kg have fallen by 18%
- Production costs in FY2022 expected to average 10.50/HOG kg

- The cost of biological assets in the water, excluding FVA, at 30 June 2021 increased 14% to \$10.14/HOG kg from \$8.93/HOG kg in pcp
 - Reflects the planned reduction in the biomass and weaker fish performance due to an extended warm summer in 2H2021
- Overall live weight at sea (biomass) decreased 23% on pcp to 20,336 tonnes
 - Production being managed to deliver a consistent 35,000 tonnes a year for the next two years



Growing Sustainably



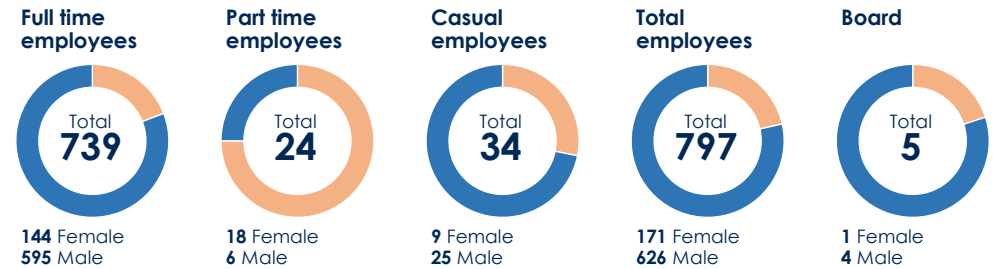
GROWING SUSTAINABLY

People and Safety

PEOPLE, CULTURE AND LEADERSHIP

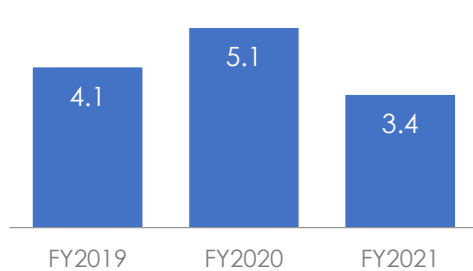
- Huon believes in developing career opportunities for its people. It demonstrated this in FY2021 by emphasising the retention of existing talent through recruiting for positions internally across all divisions in the business as well as advertising externally for new talent.
- An Employee Engagement Survey was conducted in late 2020. As a result a variety of different communication methods were implemented throughout the business and activities designed to help employees understand how their role helps Huon live its values
- New approaches were adopted to ensure training continues despite COVID with a continued focus on compliance training
- VET sector qualifications across a wide range of work skills are currently being completed by 79 employees.

GENDER DIVERSITY FY2021



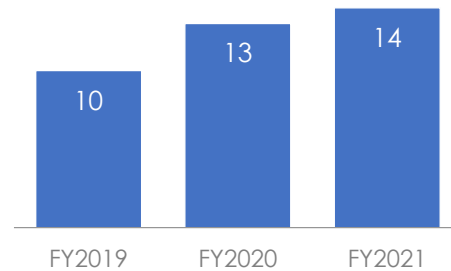
LOST TIME INJURY FREQUENCY RATE (LTIFR)

Per million hours worked



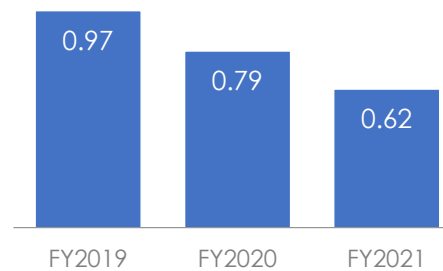
AVERAGE LOST TIME RATE (ALFR)

Hours lost per employee

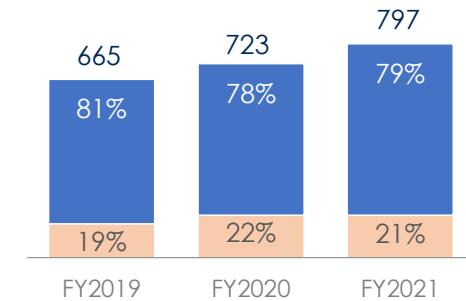


INCIDENT RATE (LR)

Lost time injuries per 100 employee



EMPLOYEES



GROWING SUSTAINABLY

Community and Partnerships

Third party accreditations



Partnerships

Supporting research into the potential restoration of the Tasmanian Giant Kelp forests through the cultivation of warm water tolerant strains on our Storm Bay leases.

With the Beacon Foundation to showcase the education and training pathways students can take to gain the skills needed for employment in the aquaculture industry

With the Weetapoon Aboriginal Corporation where indigenous students can participate in a workplace pathway program at Huon, including to school-based apprenticeships.

Environmental Impact



Whale Point Smolt Transfer System

saved
478

truck movements in 2020

Antibiotic Use in Marine Ops-

zero

Every year since January 2016



Sustainable Packaging Guideline (SPG) – Annual Assessments

100%

of Huon's new retail products now contain an ARL (Australasian Recycling Label)

Whole-of-fish philosophy

Huon's whole-of-fish philosophy drives our work in the by-product innovation area.

Diverting by-products from landfill is a great way to improve the sustainability of fish farming while also opening up new and potentially lucrative income streams.



Omega Treats Pet food

In late 2020, Huon launched the *Omega Treats* range; a line which takes fish waste and through freeze drying, turns them into shelf-stable treats for dogs and cats.



Protecting Environments where we Operate

Freshwater Ecosystems

- Huon's freshwater facilities across Tasmania are licensed by the EPA and Inland Fisheries Service and subject to strict environmental conditions and regular monitoring
- A Freshwater Improvement Plan (FIP) has been implemented for all freshwater sites including a cap on discharge limits and site biomass capacities
 - data is provided monthly to the EPA by the NATA-approved laboratory conducting the analysis

Marine Ecosystems

- Huon complies with a range of environmental monitoring processes for the regulator (the EPA) and other government departments, resulting in the following approaches being adopted
 - Maintain low stocking density levels in pens, below the regulatory threshold
 - Good fallow practices to ensure separation of year classes and adequate periods for benthic recovery
 - Pellet detection technology to minimise fish food losses to the seafloor
 - Baseline video surveys at and around new farming sites to allow monitoring for change
 - Managing stocking profiles and feeding practices to comply with Total Permissible Dissolved Nitrogen Output (TPDNO) allowances
 - Significant investment in a feed R&D program to improve feed efficiencies and reduce nutrient to the environment
 - In-pen water quality monitoring with live reporting to the Control Room
 - Regular algal sampling at all marine leases by trained employees

Seabed Health

BENTHIC COMPLIANCE (at 35m compliance sites)	2018	2019	2020	1H2021
Number of ROV dives	140	136	146	61
Number of compliant sites	139	136	144	61
% Compliant	99%	100%	99%	100%

- Huon's focus on strict environmental compliance around its leases has resulted in a compliance level of $\geq 99\%$ over the past three years
- Routine remotely operated underwater vehicle (ROV) and dive inspections of underwater infrastructure to identify net integrity issues

Wildlife Interactions

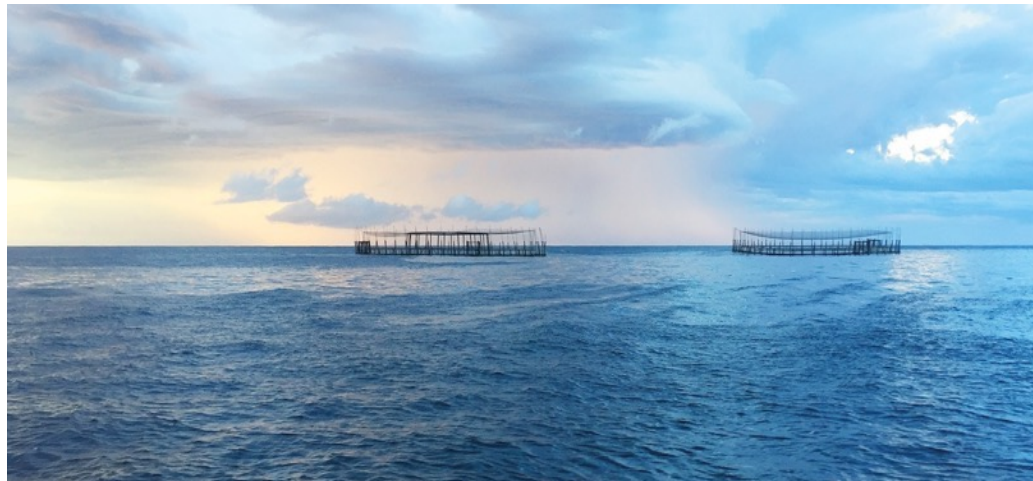
- All wildlife and predator interactions are reported to relevant authorities and the following practices adopted to protect wildlife that may come into contact with its operations
 - Pen and barge camera inspections to monitor pen integrity and reduce wildlife interactions
 - Bird escape hatches to enable self release in the event of pen entry
 - Cessation of beanbags and scare caps as seal deterrents since 2018
 - Adherence to DPIPW's Seal Management Framework for the aquaculture industry
 - Huon recorded 5 accidental seal deaths in FY2021 and no incidents requiring euthanasia
 - Adherence to Huon's Whale Migratory Interaction Plan and training in whale interaction protocols



Climate Change

Climate Change and Warming Waters

- Huon is committed to understanding how its business interacts with a changing climate and how climate risks can be mitigated to secure its future including
 - Predicted increased incidence of natural disasters and warming temperatures
- Practices will continue to be adapted and innovative and sustainable solutions applied



Mitigation Measures

- Investment in Tasmania's Selective Breeding Program for thermotolerant (warming water) and disease resistant fish
 - Huon holds rights to 50% of biological output
 - Works in conjunction with the CSIRO in developing SNP chip technology for use in the program
- Continuing to use trial pens to test feed
 - Improving diets to help the fish convert feed in summer temperatures that are higher than their preferred range for growth
- Focus on Fish Husbandry
 - Reducing stocking densities of larger production pens during summer
- Investment in double netted patented Fortress Pens
 - Tolerate high energy environments in offshore sites at Storm Bay
 - Light weight, super strong nets allow improved water flow and dissolved oxygen levels
- Participation in the FRDC¹ project on Storm Bay in conjunction with the CSIRO¹ and IMAS¹
 - Identifying primary sources of nutrients into Storm Bay in order to detect larger-scale ocean impacts on the aquaculture industry

¹Fisheries Research and Development Corporation; Commonwealth Scientific and Industrial Research Organisation; Institute for Marine and Antarctic Studies



Climate Action

Salmon farming, compared to other forms of food production has a low carbon footprint, high energy and protein retention and a low water footprint

Energy use and management

- Major source of electricity used in Huon's operations is from hydro generation, including at the Whale Point Salmon Nursery which reduced electricity usage by 32% from January to May 2021 on the same period in 2020
- Diesel is used to power feed barges and vessels used in marine operations. Usage has increased as the business has expanded, including following the arrival of the Ronja Storm in February 2020
- Participation in the **Blue Economy Cooperative Research Centre**, partnering with other research institutions to examine renewable energy options, including hydrogen power as a fuel source and the viability of using tidal power at its marine leases

Managing Water

- Freshwater is used in Huon's hatcheries – the majority is not consumed but flows through, is filtered, treated and directly discharged back to its source
- Recirculation Aquaculture Systems (RAS) designed for low water usage are used including at Whale Point where up to 98% of water is repeatedly treated and reused

- Freshwater is used in marine operations as a safe treatment for AGD
 - The use of well boats has reduced freshwater consumption as bathing water is able to be reused
 - The Ronja Storm employs reverse osmosis systems on board, which is designed to further reduce Huon's reliance on freshwater
- Processing facilities use freshwater for hygiene purposes – a project is underway to assess how usage can be reduced

Managing Waste

- Operational waste from Huon's farming operations include high density polyethylene pipe, netting, polystyrene and rope
 - Targets are being set to maximise reuse and recycling opportunities
- Fish by-products form a large component of Huon's organic waste
 - Alternative pathways are being pursued including petfood and composting to redirect this waste from landfill to more renewable uses
 - Huon's goal is to achieve 100% reuse of fish by-product by 2025 – currently 100% of organic waste from its Tasmanian operations go to pet treats, composting, rendering or direct farmland-spreading projects
- Huon is very focused on improving the integration of sustainable packaging across its business with targets set that are aligned with ¹APCO's 2025 National Packaging Targets. Highlights to date include:
 - All smoked lines transitioned from foil board to 100% recyclable card
 - 99% of Huon own-brand MAP² sleeves transitioned from plastic to recyclable cardboard with the Australian Recycling logo added to these sleeves
 - The majority of secondary packaging are 100% recyclable (shelf-ready trays, cardboard shippers)

¹ Australian Packaging Covenant Organisation ² Modified Atmosphere Packaging



Outlook



Marketing Strategy

Growing the Market

- Significant above the line investment in marketing in 2021 to drive Huon Salmon consumption domestically
 - Campaign launched in February “Give Chicken The Night Off”
 - Salmon and seafood industry also investing in an increased marketing presence
 - Expect this to deliver a major increase in domestic per capita consumption, driving double digit volume growth
- Secured increased retail supply to the domestic market on the basis of Huon’s quality product, speed to market and focus on growth
 - Won two large 3 year contracts to supply Woolworths and Coles
 - Significant growth in sales through Huon’s e-commerce channel
 - Opening of the processing facility in Forrestdale, WA strengthened Huon’s ability to fulfill major retail contracts and meet local demand
- Sales into the wholesale market increased above pre-COVID levels in FY2021
 - Supported by Huon’s B2B loyalty program, Fresher Rewards

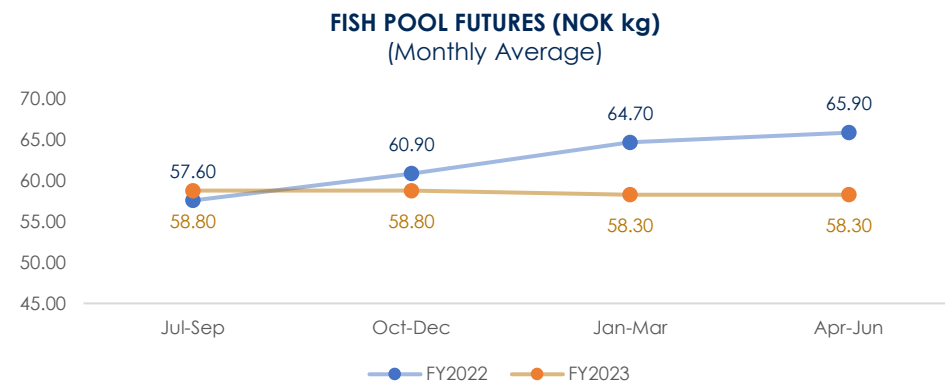
Rebalancing the Channel Mix

- The focus in FY2021 has been on securing contracts that will move more volume out of the spot export market and into retail contracts, both domestically and in international markets
 - Major gains achieved in both which will be reflected in a more balanced channel mix in FY2022 and beyond
- International retail sales grew strongly in FY2021 with 151% volume sales growth recorded from new customers across nine different markets in the Asian region.
 - International sales now account for 12% of revenue, double that in FY2020
 - This share of revenue expected to at least be maintained in FY2022
- Huon’s share of volume sales from the retail channel is expected to increase from 20% in FY2021 to around 32% in FY2022
 - Retail’s share of revenue forecast to rise from 25% to c. 32% in FY2022



Market Outlook

- Prices have rebounded by 36% from their depressed levels during most of FY2021, to average 64 NOK since March
 - Fish Pool¹ futures indicate the price will average 62-63 NOK in FY2022, adjusting back to 58-59 NOK in FY2023
- The weakening of the AUD against the USD since June 2021 increases the competitiveness of Australian producers in the international market, particularly in relation to Norway
- Growth in global demand expected to recover as foodservice gradually reopens, together with a lift in price expectations
 - The timing of this remains uncertain, despite the acceleration of vaccination programs in recent months, due to the rapid advance of the Delta strain of COVID across the globe
- Growth in demand in Australia is expected to continue, supported by the significant increase in marketing by the industry in 2021
 - Domestic consumption returned to long term average growth rate of 10% per annum
 - Pricing in the domestic market returned to pre-COVID levels



- Expected improvement in export prices will continue to be offset by high costs of export freight in FY2022
- Global supply growth over 2021 is forecast by Kontali to average only 2.3%
 - This is much lower than demand growth or historical supply growth
 - Chile is the main driver behind tightening supply due to reduced smolt numbers in 2020 resulting in a 14% contraction in their supply
 - This is a key driver of current and forecast higher prices

Source: ¹ Fish Pool Pricing Index is quoted in Norwegian Krone;



Huon Outlook

- Forecast production volumes for the next 2 years will be managed to deliver a consistent harvest level of c.35,000 tonnes
- Continued focus on driving operating efficiencies and growing the market
 - Medium term forecast cost of production (excluding freight) targeted at less than \$9.50/HOG kg despite setback in 2H2021
- A more balanced sales mix is forecast by the end of FY2023 with the domestic market equally split between the wholesale and retail markets
 - The export and contracted international retail market to account for c.20% of sales
- Market supply in FY2022 is tightening with international pricing having already recovered (+36%) since February to average 64 NOK
 - Salmon prices forecast to average 62-63 NOK in FY2022
- Operating earnings (EBITDA) to recover strongly over the next two years
- Huon remains confident in the potential for double digit volume growth in the domestic market over the short to mid term, year on year
- Despite the short-term setback delivered by COVID, the underlying fundamentals within the global salmon industry of a long-term structural shortfall in supply remain.



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



Appendix

FY2021



Recommended Acquisition of Huon by JBS

Transaction overview	<ul style="list-style-type: none"> All cash offer from JBS to acquire 100% of Huon shares for \$3.85 per share¹ by way of two alternative schemes of arrangement ("Schemes") JBS will make a takeover bid in parallel, but not in substitution to Schemes for \$3.85 per share¹ ("Offer"), subject to a 50.1% minimum acceptance condition and the Schemes not becoming effective (among other conditions) This transaction is a culmination of a strategic review process that the Huon Board commenced in February 2021
Cash consideration	<ul style="list-style-type: none"> The cash consideration of \$3.85 represents a: <ul style="list-style-type: none"> 61% premium over the undisturbed closing price of \$2.39, being the last traded price on 26 February 2021 before the strategic review was announced; 43% premium over the 3 month volume weighted average price to 6 August 2021 of \$2.69; and 38% premium over the closing price of Huon shares of \$2.79 on 6 August 2021, the last trading day before this announcement
Unanimous recommendation of Huon Board	<ul style="list-style-type: none"> In the absence of a superior proposal and subject to the Independent Expert concluding and continuing to conclude that the Schemes are in the best interests of Huon shareholders, the Huon Board unanimously recommends that Huon shareholders vote in favour of the Schemes and accept the Offer Subject to those same qualifications, each Huon Director, including Huon's founding and major shareholders, Peter and Frances Bender, intends to vote all the shares held or controlled by them in favour of the Schemes and acceptance of the Offer to the extent those shares are entitled to be voted (representing up to approximately 53% of Huon's issued shares)
Transaction structure	<ul style="list-style-type: none"> Huon's shareholders will be asked to approve two alternative Schemes at the Scheme Meeting and decide whether to accept the Offer The price to be paid to all Huon shareholders, including the Bender family, under both the proposed Schemes and the Offer will be the same – \$3.85
Timing	<ul style="list-style-type: none"> A Transaction Booklet, containing information relating to the proposed acquisition, transaction structures and details of the shareholder meetings is expected to be sent to Huon shareholders in September 2021. It will also contain an Independent Expert's Report on whether the transaction is in the best interests of Huon shareholders Huon shareholders will have the opportunity to vote on the Schemes at a shareholder meeting, currently expected to be held in October 2021

¹ Reduced by the amount of any dividend paid or declared by Huon



Statutory to Operating Reconciliation

STATUTORY

- 1 Revenue from the sale of goods
- 2 EBITDA is a non-IFRS financial measure which used to measure business performance, using net depreciation and amortisation recognised in the income statement
- 3 Net debt is total debt net of cash and cash equivalents
- 4 Total gearing ratio is measured as debt (net of cash excluding lease liabilities) / net assets
- 5 Return on assets is measured as statutory EBIT (rolling 12 months) / total assets

Statutory Earnings		30 Jun 2021	31 Dec 2020	30 Jun 2020	% Change Jun on Jun
Tonnage	t	16,318	19,293	12,245	33%
1 Revenue	\$M	206.3	220.1	161.8	28%
2 EBITDA	\$M	(13.1)	(100.1)	(0.4)	↓
2 EBIT	\$M	(40.3)	(129.7)	(20.1)	100%
NPAT	\$M	(32.7)	(95.3)	(17.1)	91%
Biological Assets	\$M	218.3	260.1	264.0	-17%
Cash and cash equivalents	\$M	5.9	4.9	5.9	0%
3 Net debt	\$M	133.3	120.8	167.3	-20%
Revenue per HOG kg	\$/kg	12.64	11.41	13.31	-4%
Earnings per share	c	(29.76)	(86.76)	(19.51)	52%
4 Total gearing ratio (excluding leases)	%	54%	43%	54%	0%
5 Return on assets	%	(25.3%)	(21.0%)	1.4%	↓

IMPAIRMENT ADJUSTMENT

Impairment Adjustment					
Impairment of goodwill and other assets	\$M	-	(113.9)	-	-
6 Related income tax refund/(expense)	\$M	-	34.0	-	-

FAIR VALUE ADJUSTMENT

- 6 Related income tax at current tax rate

Fair Value Adjustment					
Fair Value Adjustment of Biological Assets	\$M	(20.3)	4.3	(24.7)	-18%
6 Related income tax refund/(expense)	\$M	6.1	(1.3)	7.4	-18%

OPERATING RESULTS

- 7 Operating EBITDA excludes the impact of the Fair Value Adjustment of Biological Assets
- 8 Operating NPAT excludes the impact of the Fair Value Adjustment of Biological Assets and related tax impact

Operating Earnings					
Revenue	\$M	206.3	220.1	161.8	28%
7 Operating EBITDA	\$M	7.2	9.5	24.3	-70%
Operating EBIT	\$M	(20.0)	(20.1)	4.6	↓
8 Operating NPAT	\$M	(18.5)	(18.4)	0.2	↓



Huon Aquaculture Group Limited

www.huonaqua.com.au

