

Tassal Group Limited

2014 Annual General Meeting



Melbourne, 29 October 2014

Tassal Group Limited

2014 Annual General Meeting

Chairman's address



Allan McCallum, Chairman

Melbourne, 29 October 2014

FY14 performance at a glance



- The key financial results for FY14 were
 - Reported revenue of \$ 266.3m – down 2.4 % on FY13
 - Reported EBITDA of \$78.6m – up 13.9% on FY13
 - Reported NPAT of \$41.06m – up 22.7% on FY13
 - Operating cash flow of \$50.63m – up 1.8% on FY13
 - Total dividend of 11.5 cents per share (50% franked) – up 21.1% on FY13
- FY14 was an extremely challenging year from a fish growing perspective
 - warm water temperatures over summer 2012/13 impacted severely on production
- Proactive response from across the business to deliver our results for FY14
 - marine operations, processing, logistics and sales all came up with better strategies and outcomes to meet our customers' needs
 - many of these actions taken in FY14 have resulted in improved operational efficiencies that will carry forward into future years
- Despite these challenges it is clear that the business is delivering on our strategic plan
- **We are targeting a statutory Return on Assets (ROA) of 15% in FY15**

Strategic priorities driving growth



- Our four strategic priorities are:
 - 1) Zero harm
 - 2) Optimise the business
 - 3) Maximise cash flow
 - 4) Deliver acceptable returns
- These priorities focus the business to deliver the outcomes and returns that Shareholders expect. Through our focus on the strategic priorities it maximises our chances of achieving a ROA of 15%
- Tassal's Board has endorsed a health and safety strategy that has as its core value **Zero Harm For Everyone, Everywhere**
- Overall, our safety performance was at an **unacceptable level**. Any fatality or serious injury is unacceptable
 - The loss of Ian Thompson in December 2013 needs to be acknowledged for the magnitude of the impact to his family and workmates and stands as a poignant reminder to everyone of the importance of a sustained and relentless focus on "Zero Harm - Everyone, Everywhere"
 - This challenging event has resulted in a strengthening of resilience towards our safety culture - at all levels and with everyone
 - Our focus remains on supporting Ian's family and workmates

Sustainability is at our core



- Tassal's sustainability achievements put us as the global leader
- Tassal has been benchmarked as the world's leading salmon farmer for Corporate, Social & Environmental Reporting by *Seafood Intelligence* for 2014. This benchmark underlines the commitment from all our employees and the tremendous work that has been done across the company in moving not only Tassal, but the entire Tasmanian salmon industry towards world's best practice in sustainability
- Tassal's partnership with WWF - Australia and our commitment to responsible farming gives our customers and consumers **the** sustainable choice in seafood
- Tassal has been working towards reaching Aquaculture Stewardship Council (ASC) accreditation since 2012, and has been operating in partnership with WWF-Australia since then to further develop its responsible aquaculture practices
- WWF recognises the ASC certification as the highest standard available internationally for responsibly farmed seafood – this covers practices to reduce impacts on the marine environment, protecting the local surroundings and wildlife, as well as supporting local communities
- As the Marine Stewardship Council (MSC) accreditation has done for the Wild Fishing Industry – we believe that ASC will do for the Aquaculture Industry
- ASC sets the bar high and not everyone will achieve certification, but **it is a relentless pursuit of Tassal to be the global leader in aquaculture from an economic, social and environmental perspective**

Sustainability – ASC accreditation



- By the end of CY14, Tassal aims to be the first salmon company in the world to achieve full ASC accreditation across all of its marine farms
- In-line with the ASC's sustainable aquaculture standards, Tassal has updated its sustainability practices, including:
 - Reducing reliance of fish meal and fish oil in feed; resulting in reduced pressure on wild fish stocks and less pressure on the environment through improved feed formulations – Tassal are world leading in this area with one of the lowest Fish Feed Dependency Ratio (FFDR) in the world
 - Removing the last copper treated nets from the water in June this year, replacing them with Kikko nets made from semi-rigid polyester monofilament
 - Creation of a full ASC dashboard that reports in real time any antibiotic use, wildlife interactions or unexplained fish loss across all of Tassal's marine sites. All reports are available publically online and are fully audited
 - Development of a new fish health department – including onsite lab, two vets, a fish health field officer and lab technician – as well as the development of a zero harm fish welfare program
- The Australian aquaculture industry generally does well in setting and implementing environmental regulations, but where we believe it falls down is in its transparency
- Transparency is a key focus for Tassal and why we created our annual sustainability report, our ASC dashboard, and why we ensure our data is fully audited before being put into the public domain. **This level of transparency is one which we feel genuinely sets us apart from others in the industry**

Lease space



- To continue to grow Tassal in a sustainable and profitable manner under the company's Strategic Plan 2025, it is important that we continue to maximise our social and environmental licence and mitigate our agricultural risk
- We clearly understand our position as custodians of the environment, and our achievements with this is clearly and transparently **independently** demonstrated through our strategic partnership with WWF – Australia and ASC accreditation
- Tassal has a proven track record of obtaining and maintaining our marine lease space. **We currently have in place or in train enough lease space to grow out to FY20**
- The future post FY20 will no doubt include more exposed sites which become a viable option as technology improves, aided also by improvements in AGD thanks to our selective breeding program
- Our stakeholder consultation, partnership with WWF and the transparency and credibility that comes from our sustainability reports and ASC accreditation underpins our position as the global industry leader in sustainability
- The Tasmanian Government is well aware of our consultation efforts, compromises made and our effort in seeking balance and not detracting from any other Tasmanian industries or the environment

Macquarie Harbour

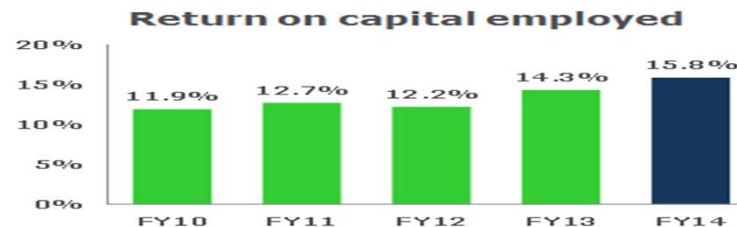


- Tassal increased its stocking of Macquarie Harbour to a level that allows us to balance the economic, social and environmental impacts
- Macquarie Harbour is an important area for growing fish for Tassal – **we have relied on independent scientific analysis, input and evidence which was run through an extensive and robust external process to support our growth initiatives in Macquarie Harbour**
- Tassal has an impeccable record for achieving many successful sustainable and environmental projects
- In April this year Tassal became the first Australian aquaculture company of any species, and one of the first salmon farming companies in the world, to achieve “Gold Standard” ASC accreditation for its Macquarie Harbour farm
- **We are clearly able to demonstrate through this accreditation process that our practices and procedures are not just sustainable – but global best practice**
- **Our stakeholders can rest assured with our growth in Macquarie Harbour and in any other area that we grow, process and sell fish that we will not place at risk our valuable brand and reputation, our WWF – Australia endorsement and our ASC certification by causing unacceptable harm to lease areas or our fish**
- We understand that where we farm fish in Macquarie Harbour is unique and comes with many challenges ... but through our policies, procedures and practices, together with our partnership with WWF –Australia and our ASC certification, **we continue to see improving fish performance in Macquarie Harbour**

Thank you



- Tassal Staff ... Your commitment, innovation and **"can do"** culture shone through in FY14 in delivering an outstanding result under difficult circumstances, so a very sincere thank you to our 850 employees
- Tassal Directors ... Thank you for your support and commitment. During the year Rudi Tsai and Ng Joo Thieng resigned as Directors of Tassal Group and I would just like to acknowledge their contribution during their time as Directors and wish them both well for the future. Consequently the Board went through a process and appointed Mike Carroll to the Board – welcome Mike
- Tassal Shareholders ... Finally to our Shareholders and other stakeholders thank you for your ongoing support. Overall, the FY14 results provide clear evidence that the Company's strategy is delivering on improved profitability and returns



Tassal Group Limited

2014 Annual General Meeting

Managing Director & CEO's address



Mark Ryan, Managing Director
& CEO

Melbourne, 29 October 2014

**“Tassal is delivering results
through its focused domestic
market strategy”**



Key themes from FY14



Sales initiatives and operating efficiencies driving earnings growth and \$/kg returns...

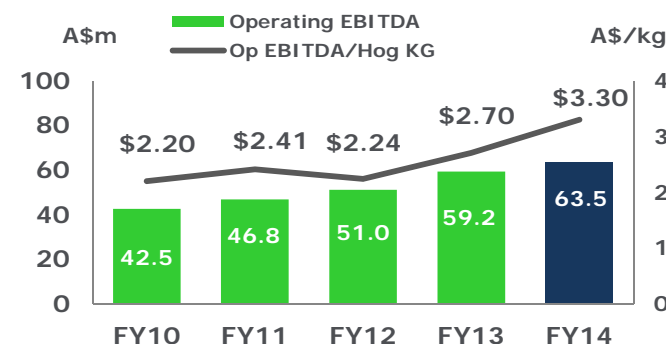
- Sustainably generating more \$/kg from sales – underpinning improved returns
- Customer support through tough supply period due to hot summer 2012/13 highlights sustainability of domestic market strategy
- Domestic marketing campaign continues to build brand and drive sales

Strong balance sheet and growing dividend...

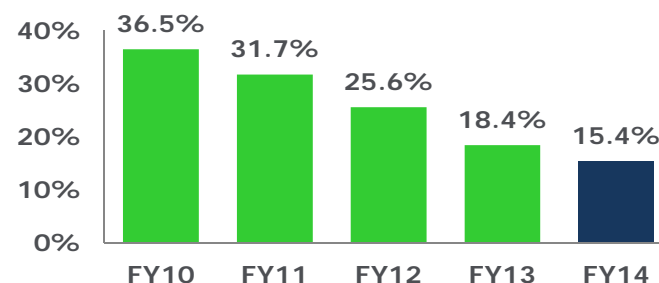
- Continued strength in cash flow... sustainable contribution margins, combined with working capital management practices and effective use of RPF
- Further strengthened balance sheet with gearing at lowest level since listing
- Continued growth in dividend... total dividend up 21.1% to 11.5cps (50% franked)

...return levels continuing to increase towards target

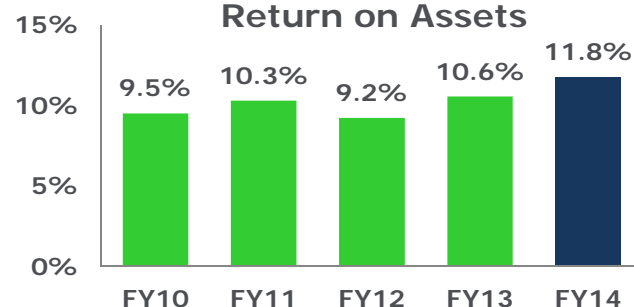
Operating EBITDA \$/Hog Kg



Gearing (net debt/equity)



Return on Assets



“FY14 saw strong growth in earnings, continued strength in cashflows, lower debt and higher dividends”



Strong growth in earnings and dividend

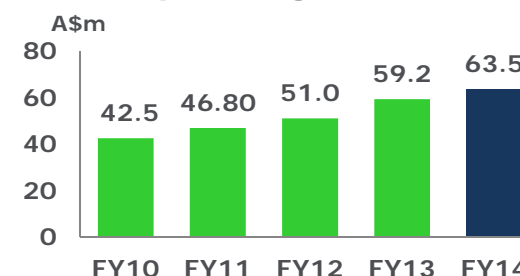


(A\$m)	2014	2013	Change
Statutory results			
Revenue	266.33	272.81	↓ (2.4%)
EBITDA	78.60	69.03	↑ 13.9%
EBIT	63.13	53.50	↑ 18.0%
NPAT	41.06	33.46	↑ 22.7%
Operating results			
Operating EBITDA	63.55	59.25	↑ 7.3%
Operating EBIT	48.08	43.71	↑ 10.0%
Operating NPAT	30.52	26.61	↑ 14.7%
Operating cashflow			
Operating cashflow	50.63	49.72	↑ 1.8%
Final dividend - cps	6.00	5.00	↑ 20.0%
Total dividend - cps	11.50	9.50	↑ 21.1%
Gearing Ratio	15.41%	18.40%	↑ 16.3%
Funding Ratio	29.13%	33.23%	↑ 12.3%

Gearing Ratio (net debt/equity)
Funding Ratio (net debt + RPF/equity)

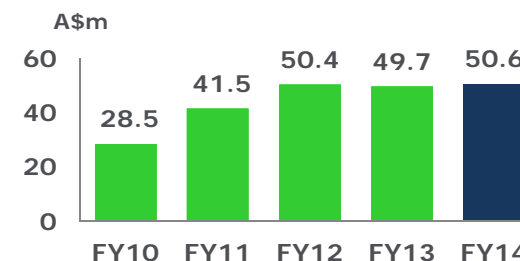
- ✓ Earnings growing faster than revenue

Operating EBITDA



- ✓ Continued strength and growth in cash flow

Operating Cash Flow

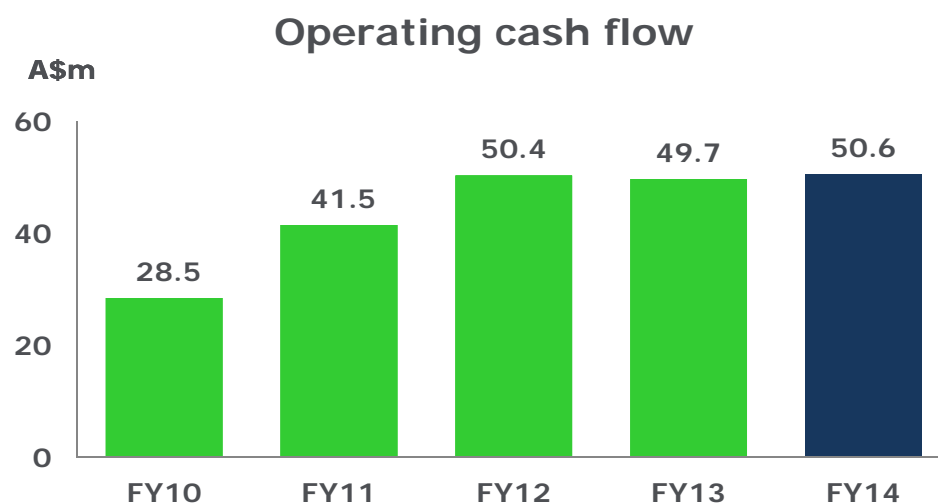


- ✓ Continued growth in dividend
- ✓ Further strengthened balance sheet and lowered gearing

Continued strength in cash flows



(A\$m)	2014	2013	Change
Operating cashflow	50.63	49.72	↑ 1.8%
Investing cashflow	(29.84)	(19.95)	↓ (49.6%)
Financing cashflow	(28.13)	(30.61)	↑ 8.1%
Net decrease in cash held	(7.34)	(0.83)	↓

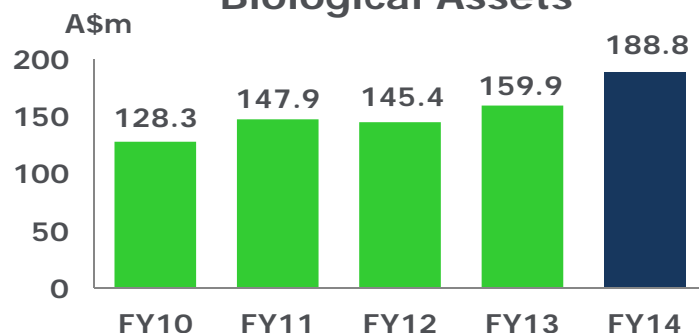


- **Operating cash flow** up 1.8% to \$50.6m
 - sustainable contribution margins generated from domestic market sales
 - cashflow from operations has underpinned increase of biological assets – up \$28.9m to \$188.8m
 - focus on improved working capital management practices
 - effective use of RPF
- **Investing cash flow** up 49.6% to \$(29.8)m due to Macquarie Harbour expansion and biomass growth
- **Financing cash flow** at \$(28.1)m down 8.1% from \$(30.6)m comprising repayment of debt \$12.7m and payment of dividends \$15.4m

Strong balance sheet; gearing at its lowest level since listing



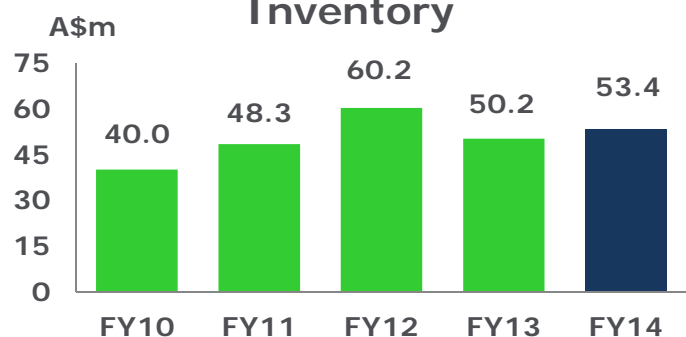
Biological Assets



Biological Assets

- Value of live fish up 18.0% to \$188.8m (FY13: \$159.9m)
- Requisite biological asset pipeline for future revenue and earnings growth

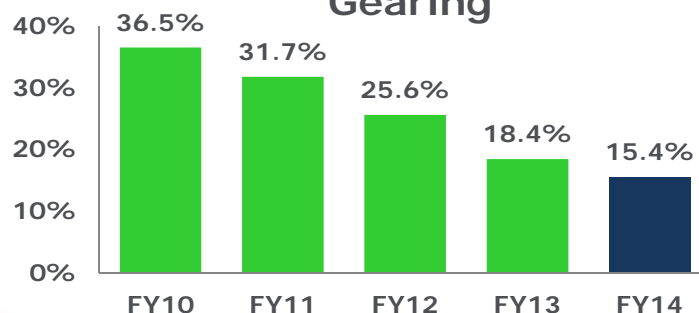
Inventory



Inventory

- Marginal inventory build for finished goods stock heading into FY15 ... which is reflective of the sales growth anticipated for FY15

Gearing



Gearing reduced significantly

- Gearing reduced to 15.4% (FY13: 18.4%) to lowest levels since listing
- Appropriate bank funding arrangements in place – from a structure, headroom and tenor perspective

Funding ratio

- Funding ratio, i.e. including RPF (net debt + RPF / equity) at 29.1% (FY13: 33.2%)

“Tassal’s domestic retail strategy is underpinning sustainable growth”



Revenue driven by sales initiatives



Revenue flat whilst volume down due to supply constraints

Operating Revenue (A\$m)	2014	2013	Change
Domestic	260.43	265.31	↓ (1.8%)
Export	0.04	0.75	↓ (94.1%)
Total Revenue	260.47	266.05	↓ (2.1%)

Volume (Hog equiv tonnes)	2014	2013	Change
Domestic	19,265	21,701	↓ (11.2%)
Export	3	233	↓ (98.7%)
Total Volume	19,268	21,934	↓ (12.2%)

- **Operating revenue** largely flat at \$260.47m (FY13: \$266.05m) and volume down 12.2% to 19,268 hog tonnes (FY13: 21,934)
 - domestic retail market sales the largest driver of revenue and volume
 - domestic wholesale market revenue and volume down due to restricted supply base from hot summer 2012/13
 - sales otherwise destined for domestic wholesale were utilised for domestic retail due to restricted supply base
 - higher domestic \$ sales/kg return offset higher COGS due to hot summer 2012/13
 - limited export sales

Domestic retail market underpinning growth

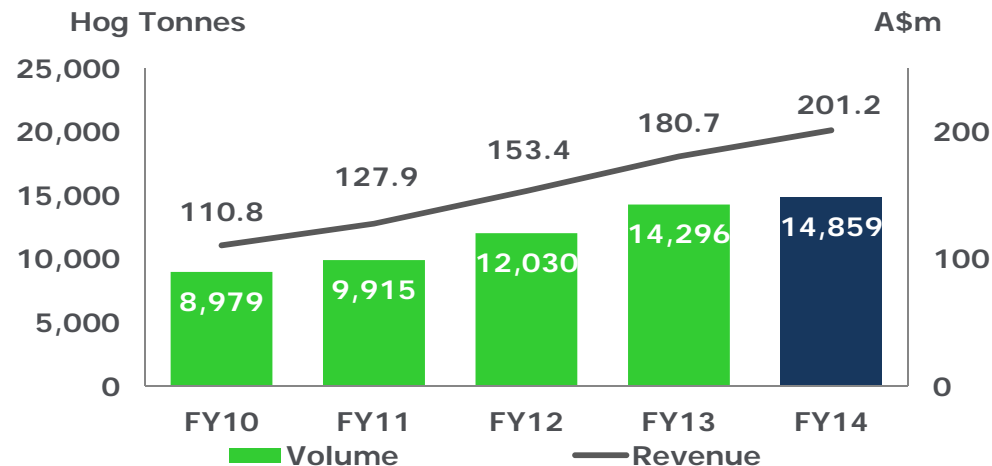


Volume up 3.9%; revenue up 11.3%

	2014	2013	Change	
Volume (Hog equiv tonnes)	14,859	14,296	↑	3.9%
Revenue (\$m)	201.21	180.74	↑	11.3%

- Domestic retail market was the largest driver of sales revenue and volume
- Retail is expected to continue to drive sales and volumes going forward
 - 2-3 year agreements with major customers for fresh and smoked salmon
 - retailers continue to embrace new Tassal products
 - strong performance due to marketing campaign and support of major customers

Domestic retail sales



Volume constraints limiting domestic wholesale market

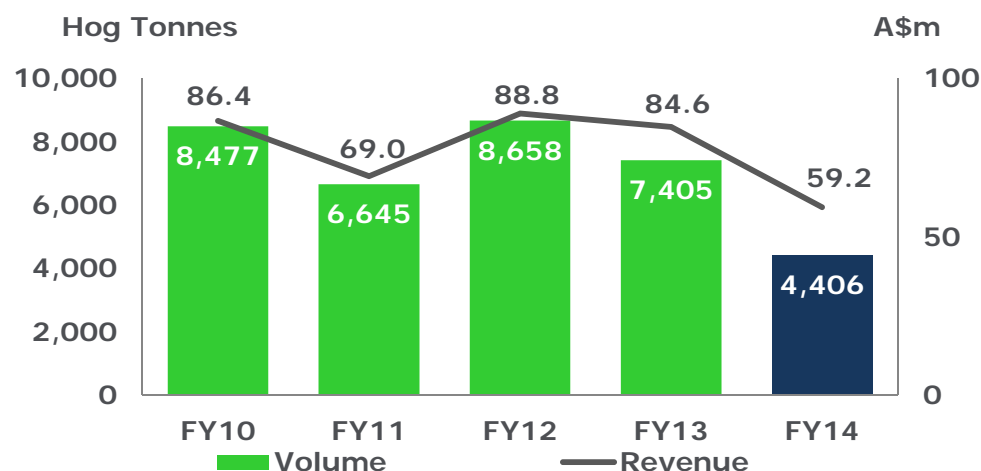


Volume down 40.5%; revenue down 30.0%

	2014	2013	Change
Volume (Hog equiv tonnes)	4,406	7,405	↓ (40.5%)
Revenue (\$m)	59.22	84.57	↓ (30.0%)

- Domestic wholesale revenue was down due to low fish supply
- Supply constrained for FY14 due to effects of hot Summer 2012/13
- Repositioned fish input and feed diet strategies to underpin supply growth in FY15 onwards
- Supply is being managed as best we can to return a more balanced supply across wholesale and retail sales markets in FY15

Domestic wholesale sales



**“Targeting a statutory
ROA of 15% in FY15”**



Key priorities – FY15

Targeting statutory ROA of 15%

- Delivering acceptable returns – ROA 15%:
 - maintaining pricing (and increasing where possible)
 - continue to increase domestic market per capita consumption (through investment in marketing and promotion, new product initiatives, support of major customers)
 - reducing production costs (through increased biomass at Macquarie Harbour and from the performance of the SBP)
- Tassal marketing campaign objective

*To drive Australian salmon per capita **consumption**, building on our communications campaign and targeting light salmon consumers*
- Superior Gold marketing objective

*To drive the **premium segment** of the smoked salmon category, providing consumers with a point of difference to encourage to not only trade up but to drive overall category growth*
- Move closer to global best practice from operational perspective - cost of growing, cost of processing, cost of supply and logistics

Key priorities – FY15

Targeting statutory ROA of 15%

- Commencement of the next round of expansionary investment with the build of new hatchery infrastructure
 - total FY15 capex approved spend approximately \$37m
 - maintenance capex now around \$20m
 - increase in the main due to Rookwood 2 expansion – which will be completed over FY15 and FY16
 - Triabunna Fish By-Products Processing Facility – which is supported by a \$3.85m Federal Government Grant – to be completed over FY15
- Repositioned fish input and feed diet strategies underpinning supply growth in FY15 onwards
- Continue to mitigate agricultural risk
 - New Harvest Strategy, Smolt Input (Project Sweet Spot) and Selective Breeding Program (SBP)
- Implement further sustainability and environmental initiatives

Key priorities – FY15

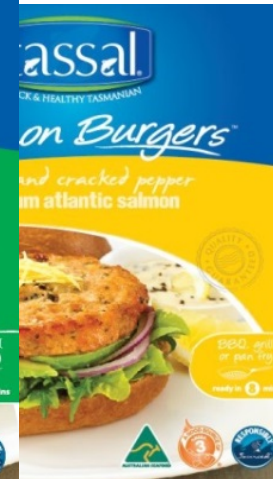
2H15 stronger than 1H15

- To allow Tassal the best chance to achieve its targeted Statutory ROA of 15% - and to recover higher feed costs incurred during FY14 for the fish to be harvested in FY15 – we have positioned 2H15 to be stronger than 1H15 – underpinned by the following:
 - A new and innovative way to merchandise and price the fresh portion range for Coles from October 2014
 - New & improved Superior Gold smoked salmon range and premium pricing came into effect in October 2014 at both major retailers
 - Improved pricing for the Tassal smoked salmon range has been implemented
 - Timing and focus of our marketing campaign
- **As of the end September 2014 the primary harvest class fish for FY15 currently has 37% more biomass at sea as compared to the previous primary harvest year class in September 2013**

Maximising our chances of achieving target statutory ROA of 15%

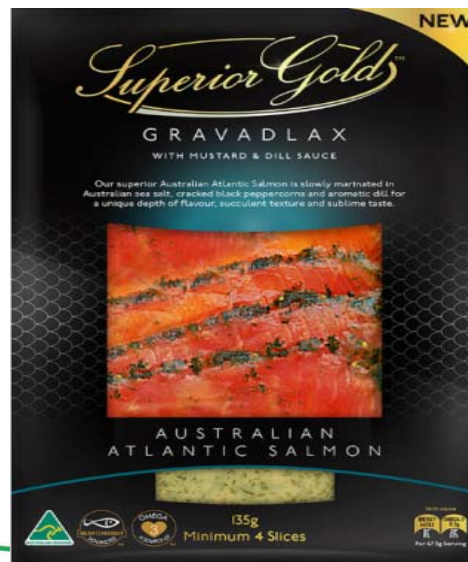
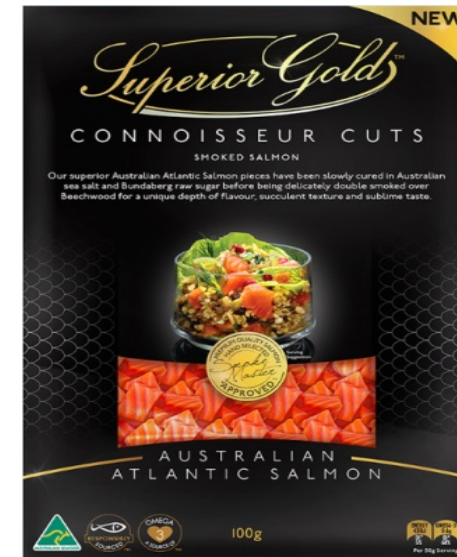
Key priorities – FY15

New products ... Tassal



Key priorities – FY15

New products ... Superior Gold



A balanced approach to growth



Balancing the economic, social and environmental outcomes

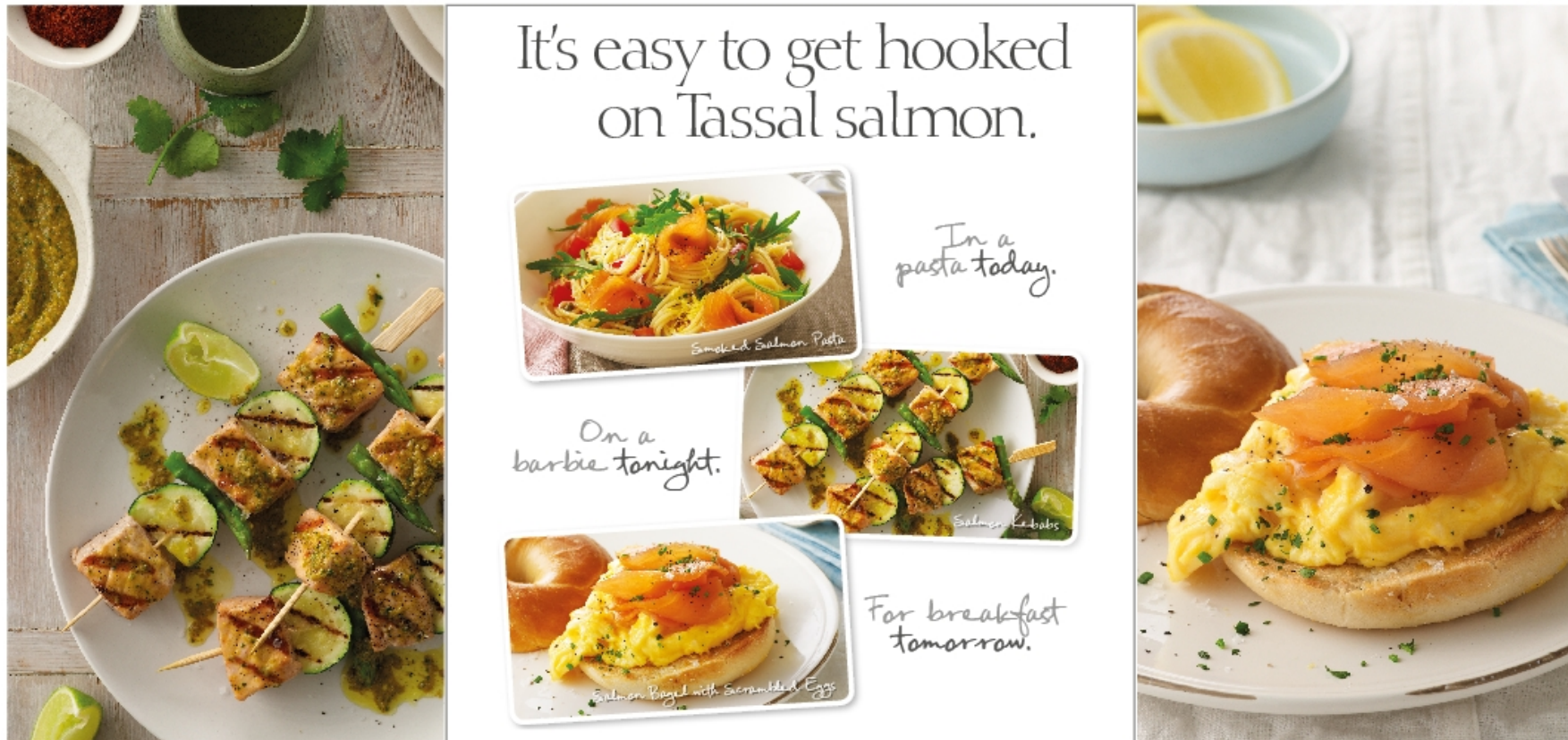
- Tassal has been on the sustainability journey for many years and has worked in partnership with WWF-Australia since 2012 to achieve the best possible responsible aquaculture outcomes
- WWF recognises the ASC certification as the highest standard available internationally for responsibly farmed seafood
- Tassal's growth plans have been well articulated to all stakeholders – with our focus to continue to maximise domestic per capita consumption
- **Our growth must be undertaken in a way that balances the economic, social and environmental outcomes**
- We take community and stakeholder consultation very seriously. We listen to stakeholders and modify plans where possible to address concerns. We will continue to be proactive in ensuring collaboration is ongoing. We understand that not everyone will understand or support our endeavours
- As a result of our listening, ongoing consultation and commitment to working with the local community, Tassal has modified proposals, sought compromises where possible and transparently communicated about its operations and plans. We will continue to deeply engage with the communities in which we operate

In summary...



- **Strong growth in earnings...** particularly \$/kg returns
- Sustainably generating more \$/kg from sales given domestic market focus and improved operational efficiencies
- Domestic market demand continues to strengthen... marketing campaign continues to build brand and drive sales
- **Continued strength in cash flow...** sustainable contribution margins, combined with working capital management practices and effective use of RPF driving reduction in borrowings and increased dividends
- **Further strengthened balance sheet...** due to stable cash flows, with lowest gearing since listing and lower funding ratios
- **Continued growth in dividend...** up 21.1% to 11.5cps; 50% franked for FY14
- **2H15 positioned to be stronger than 1H15**
- **ASC certification as the highest standard available** internationally for responsibly farmed seafood ... and we are on target for all our sites to be ASC certified by end of calendar year 2014 – a **global salmon first**
- Our growth will be undertaken in a way that balances the economic, social and environmental outcomes

Any questions?



That's the beauty of Tassal salmon.

Tassal Group Limited

2014 Annual General Meeting



Resolutions

Melbourne, 29 October 2014

SUMMARY OF PROXY VOTES RECEIVED



	FOR	AGAINST	OPEN	ABSTAIN
Resolution 2:				
Adoption of Remuneration Report	98,812,303	453,623	230,666	126,238



SUMMARY OF PROXY VOTES RECEIVED



	FOR	AGAINST	OPEN	ABSTAIN
Resolution 3:				
Re-election of Mr Trevor Gerber as a Director	99,341,427	786,328	257,166	13,478



SUMMARY OF PROXY VOTES RECEIVED



	FOR	AGAINST	OPEN	ABSTAIN
Resolution 4:				
Election of Mr Michael Carroll as a Director	99,691,609	439,216	249,366	18,208



SUMMARY OF PROXY VOTES RECEIVED



	FOR	AGAINST	OPEN	ABSTAIN
Resolution 5:				
Increase in the Maximum Aggregate Annual Remuneration of Non-Executive Directors	98,292,100	1,088,638	249,535	381,500



SUMMARY OF PROXY VOTES RECEIVED



	FOR	AGAINST	OPEN	ABSTAIN
Resolution 6:				
Long-term Incentive Plan – Grant Performance Rights to Mr Mark Ryan pursuant to the 2014 Performance Rights Package	99,127,135	551,233	240,535	92,870

