

Tassal Group Limited

2016 Annual General Meeting



Melbourne, 27 October 2016

Tassal Group Limited

2016 Annual General Meeting Chairman's address



Allan McCallum, Chairman

Melbourne, 27 October 2016

Overview



Overview



Tassal is the market leader and largest producer in the Australian Salmon Industry. We have recently been benchmarked as the world's top Salmon farming company in corporate, social and environmental reporting. We have an unwavering commitment to continue our work with our stakeholders, staff and partners to achieve further improvements in sustainability and responsible farming

- Our overarching strategic focus is to deliver sustainable global best practice returns from a financial, operational and environmental perspective – while operating at a zero harm safety level
- Measuring this strategic focus, the FY16 result delivered the following:
 - Financial - continued growth in operational earnings, reflecting Tassal's resilient business model
 - Operating - we were faced with – and successfully dealt with - a significantly challenging operational environment
 - Environmental - Global best practice environmental returns continue to be delivered ... from our practices Aquaculture Stewardship Council (**ASC**) certification through to our reporting (Global No.1 for Salmon and Seafood *Seafoodintelligence.com*)

Overview



- Despite the operating challenges during FY16 – from the extreme weather events of summer 2015/16 and its impacts to the successful integration of De Costi – I believe the final result was an outstanding achievement and demonstrated our resilient business model
- Pleasingly, FY17 has commenced with favourable Salmon pricing in wholesale and export markets, together with a favourable sales mix. We believe this will offset the increased cost of fish to be harvested in FY17 which were impacted by the summer conditions
- While there is a lot of discussion about business culture - I believe the strong culture that exists at Tassal enabled the Company to deal with and manage those challenges in a transparent, open and authentic manner
- Our core values really define who we are – our culture – our DNA at Tassal
 - "Passion"
 - "We Own It"
 - "Can Do – Safely"
 - "Achieve Together"
- Let me take a moment to explain what is behind and strengthens that "culture" as we believe that with every challenge – there exists opportunities

Sustainability



"Sustainability is a "journey" – we must continue to monitor, review, adapt and embrace change and challenges."

"As the Australian market leader, Tassal takes its corporate, social and environmental responsibilities seriously."

Our partnerships with WWF-Australia and ASC certification reflect our focus on sustainability



Tassal is the only Australian Salmon producer to partner with WWF-Australia and was the first to have ASC certification across all its operations

- With the partnership with WWF-Australia commencing in 2012 which evolved from broader discussions we were having with WWF-Australia around seafood sustainability
- Tassal celebrates its partnership with WWF-Australia. We set an ambitious objective of achieving ASC certification across all our operations by 2015 – we achieved this together
- Under the partnership we have undertaken various research studies that have assisted us in designing and implementing a variety of sustainability and conservation initiatives to ensure that both Tassal remains best in class for sustainability practices and that Australia's seafood is produced and caught from sustainable fisheries
- ASC is an independent organisation and operates a third party certification and labelling programme. We must get audited annually to maintain this certification

Tassal is sustainably farming in Macquarie Harbour



Tassal has always been within the maximum allowable biomass conditions set in our license conditions for Macquarie Harbour

- Not all leases are the same in Macquarie Harbour
- We voluntarily adjust and lower stocking densities if there are adverse conditions in the waterway, as we did in response to heat stress conditions last summer
 - allowed our fish to comfortably access oxygenated water during this time period
- During the heat stress last summer, Salmon were lethargic but overall fish health was excellent in Tassal pens in Macquarie Harbour
 - survival rates were and continue to be higher than in Tassal leases in other parts of Tasmania
- CSIRO has confirmed that it is unlikely that Tasmania would see water temperatures as high this summer as they were last summer

Tassal will sustainably farm in Okehampton Bay



Okehampton Bay is suitable for Salmon farming.

- There is strong support from the local council, members of the local community, and our employees for our development in Okehampton Bay
- We understand that not all people using the water ways in Triabunna and Orford support our expansion into Okehampton Bay and we will continue to respond to their concerns
- Tassal's monitoring and contemporary Salmon farming practices and management techniques confirm Okehampton Bay is suitable for Salmon farming
- Tassal will publicly release the results of its monitoring data in Okehampton Bay to provide comfort to those who have concerns about the sustainability of Salmon farming in the area
- Tassal lease is already an active mussel farm and is 600 metres offshore, with measures planned to minimise any impact on local amenity
- Tassal does not have any future plans to acquire, sub-lease or use a marine lease for Salmon farming in Mercury Passage

Tassal proactively risk mitigates

Mass mortality planning is necessary for any farming operation

- The Environmental Protection Authority (EPA), which is the regulator in Tasmania, has asked all members of the Tasmanian Salmon Growers Association to develop a mass mortality plan for Macquarie Harbour [draft was lodged with EPA on 29 June 2016]
- As part of our normal risk management planning over the last two years, Tassal has been preparing mass mortality plans for all of our lease sites in Tasmania
- Preparation of Mass Mortality Plans should not be interpreted as a sign that there is an imminent adverse event expected but a sign of prudent long term planning by Tassal
- Working with CSIRO on providing environmental intelligence to support risk-based decision-making by Tassal - CSIRO believes that the water temperatures for the upcoming months (November 2016 to January 2017) are forecasted to be cooler than average for south-east Tasmania
- Tassal has a well developed climate change policy and action plan in place for the past 4 years – underpinned by our Selective Breeding Program which is breeding Salmon to thrive in Tasmanian conditions and adapt to warming waters

Tassal's food labelling complies with regulatory requirements



All ingredients in our production process have been approved by the relevant Australian regulatory authorities as safe for the fish and safe for human consumption

- Tassal's labelling complies with Food Standards Australia and New Zealand (FSANZ) requirements
- Since 2013, our food label (packaging) provided a link to the Tassal web site where interested consumers can find detailed information about our fish feed: www.tassal.com.au/sustainability/our-Salmon
- Tassal's fish feed comes from Skretting, a major fish feed supplier to all of the Tasmanian Salmon industry. As such, each producer in the Tasmanian Salmon industry that receives fish feed has similar ingredients used in the farming process when it receives Skretting feed

Our products can be eaten by a wide group of people



We believe that it is appropriate to certify our Salmon products as Halal and Kosher

- We maintain an open and transparent dialogue with the relevant certification bodies in Australia for both Halal and Kosher
- We have confirmed with the certifying bodies that our certification is valid and we comply with all their requirements
- Tassal products that carry the Halal certified logo comply with all feed, harvesting and processing requirements of the Halal certification
- Tassal products that carry the Kosher certified logo comply with all harvesting and processing requirements as certified by Kosher Australia
- Salmon is a Kosher fish and a wide range of Tassal Salmon products are Kosher certified (see www.kosher.org.au)

People



"Tassal's team are committed to maintaining the company's leadership position."

"However, no job is so important that it cannot be done safely."

Focus on Zero Harm

KPIs	FY15	FY16
LTIFR	0.6	0.00
MTIFR	29.6	24.5
TRIFR	30.2	24.5
Scorecard measure	95.0%	96.4%

- Achieved Zero LTIFR in FY16... this is a significant achievement
- Continued to reduce TRIFR over FY16
- Achieving full system compliance to various OH&S standards at De Costi within first year of operation
- Developing and implementing the Driving the Safety Culture scorecard in line with our Safety Leadership program throughout all our sites
- Vessel Safety Management Plans now fully compliant and implemented for all vessels and relevant barges in our fleet

Our people share common values



- Our values: “Passion”, “We Own It”, “Can Do – Safely”, “Achieve Together”
- Tassal’s staff have again been recognised for their innovation and can do culture through a number of industry achievements:
 - Maintaining ASC Chain of Custody certification across all sites
 - Global No.1 for both Salmon Farming and Seafood companies in corporate, social and environmental reporting by Seafood Intelligence
 - Retained Employer of Choice
- Our team an outstanding result for FY16 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) and globally (sustainability and reporting)

Tassal's importance to Tasmania



- The Tasmanian Salmon Industry is one of the largest employers within Tasmania
- The industry provides direct employment opportunities for 1,571 people and supports an additional 3,769 FTE positions throughout Tasmania and mainland Australia. Salmonid aquaculture accounts for one out of every 100 people employed in Tasmania and 10% of FTEs in the Tasmanian agriculture, forestry and fishing sector.
- The Tasmanian Salmon industry is Tasmania's largest primary industry (food) production sector by value, and represents approximately 75% of the State's total fisheries production and underpins a number of key regional economies and employment across the state including the Huon region, Northern Midlands and the West Coast
- Tassal is one of the largest individual employers in Tasmania with over 900 employees within Tasmania, more than 65% of these in regional areas, and over 1,200 employees when we include our mainland operations
- Tassal are active within the communities that we operate, with strong community support through a number of sponsorship and development programs

Shareholders



"The FY16 result delivered continued growth in operational earnings, reflecting Tassal's resilient business model."

"FY17 has commenced with favourable Salmon pricing, together with a favourable sales mix to offset increased costs caused by the challenging summer conditions."

Resilient business model delivered growth through a challenging FY16



- Tassal's product and sales initiatives, coinciding with ongoing growth in domestic market per capita consumption, underpinned revenue and earnings growth
 - Revenue up 39.1% to \$430.9m (includes De Costi Seafoods)
 - Operational EBITDA up 13.2% to \$82.2m
 - Operational EBIT up 12.8% to \$61.2m
- Even with higher fish costs for Salmon harvested during FY16 and a high level of retail sales locked in, Tassal was able to maintain returns due to operational efficiencies and sustainable contribution margins
 - Production: warmest water (sea and fresh) on record held for a considerable length of time... Outcome: restructured sales mix and reduced harvest to let fish grow
 - Sales: significant retail price and supply pressure – pulling forward fish = impacting financial returns. Outcome: restructured sales mix and skew to change supply/demand and optimise price

Other FY16 achievements

- Risk mitigation focus delivered outstanding outcomes with respect to Summer growing conditions
- Opened new higher-energy marine site "Lippies"
- Successfully integrated De Costi Seafoods
- Longer tenor on improved banking arrangements
- Capex delivered on time and on budget
- Right people in place, in the right positions, making the right decisions

Conclusion



"We have an unwavering commitment to continue our work with our stakeholders, staff and partners to achieve further improvements in sustainability and responsible farming"

Conclusion



- Tassal is the market leader and largest producer in the Australian Salmon Industry
- We have recently been benchmarked as the world's top Salmon farming company in corporate, social and environmental reporting
- We have an unwavering commitment to continue our work with our stakeholders, staff 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 which is available on the Tassal website www.tassal.com.au
- 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 FY17
- To our shareholders and other stakeholders your continuing support is appreciated and valued

Thank you

Tassal Group Limited

2016 Annual General Meeting Managing Director & CEO's address



Mark A Ryan, Managing Director & CEO

Melbourne, 27 October 2016

Results



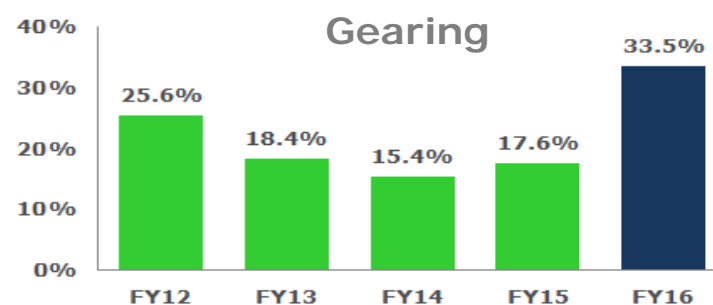
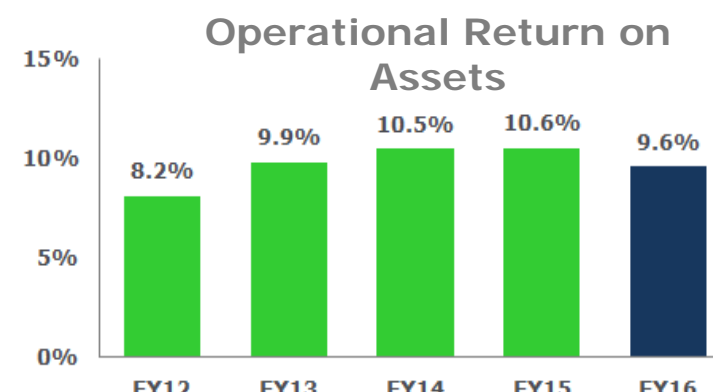
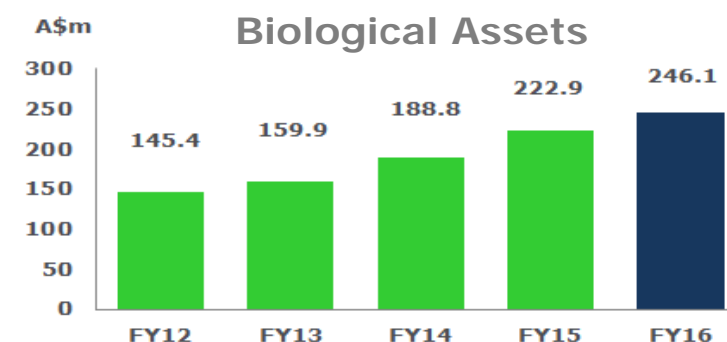
Financial Results

Growth in revenue, earnings, cash flow and dividend



Financial Performance (A\$m)	2016	2015	Change
Statutory results			
Revenue	430.92	309.79	↑ 39.1%
EBITDA	97.29	93.97	↑ 3.5%
EBIT	76.28	75.60	↑ 0.9%
NPAT	48.49	49.99	↓ (3.0%)
Operating results			
Operating EBITDA	82.18	72.59	↑ 13.2%
Operating EBIT	61.17	54.22	↑ 12.8%
Operating NPAT	37.92	35.03	↑ 8.2%
Operating cashflow	50.22	42.70	↑ 17.6%
Final dividend - cps	7.50	7.00	↑ 7.1%
Total dividend - cps	15.00	14.00	↑ 7.1%
Gearing Ratio	33.5%	17.6%	
Funding Ratio	44.6%	34.9%	

- Increased gearing and funding ratio due to De Costi Seafoods acquisition funding
- SGARA (post tax) was \$10.57m in FY16 (FY15: \$14.97m)

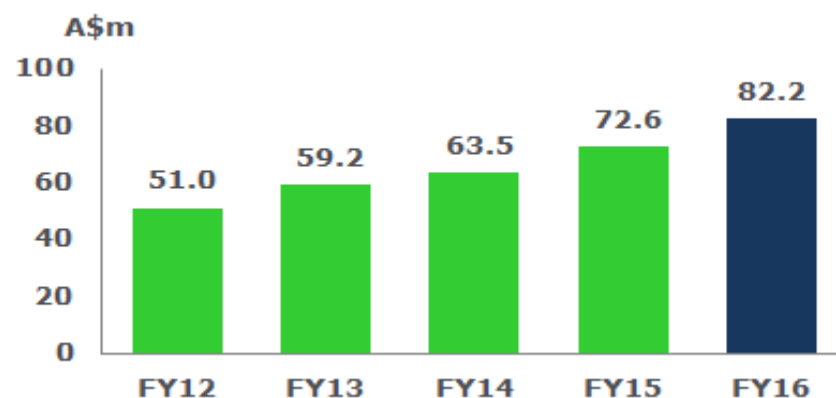


Financial Results

Continuing growth trajectory

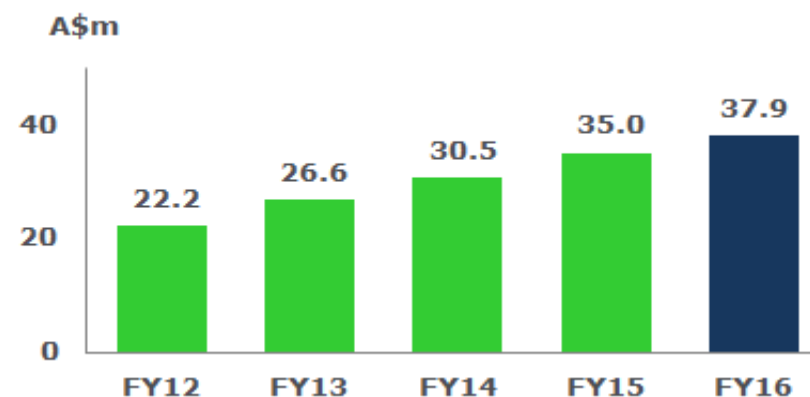


Operating EBITDA: \$82.2m



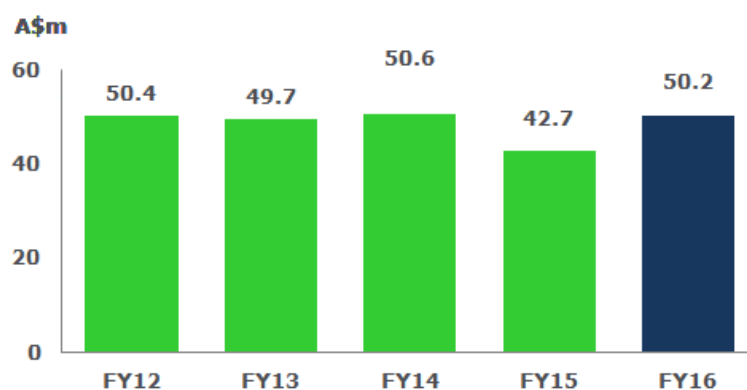
- Statutory EBITDA up 3.5% to \$97.3m

Operating NPAT: \$37.9m

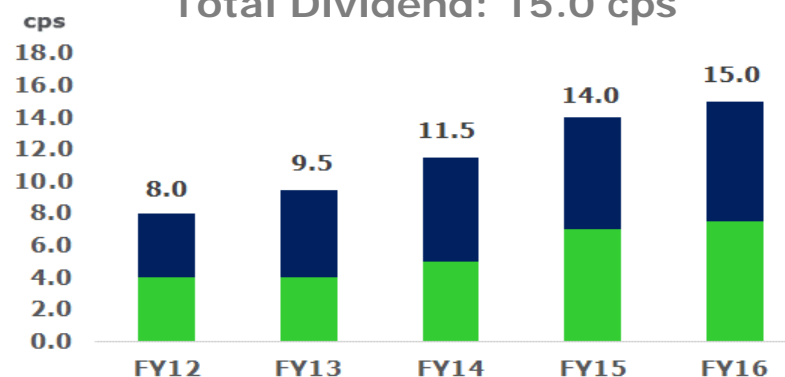


- Statutory NPAT down 3.0% to \$48.5m

Operating Cashflow: \$50.2m



Total Dividend: 15.0 cps



Operational Results



Continued growth in operational earnings in a challenging market environment reflects Tassal's resilient business model

Salmon – managing sales mix to optimise returns

- From a production perspective, it was the warmest water (sea and fresh) on record and it was held at this level for a considerable length of time.
- Tassal's product and sales initiatives, coinciding with ongoing growth in domestic market per capita consumption, underpinned revenue and earnings growth
- Even with higher fish costs for Salmon harvested during FY2016 and a high level of retail sales locked in, Tassal was able to maintain its returns due to operational efficiencies and sustainable contribution margins
- During later 2H16, we restructured our sales mix and reduced Salmon harvest to let fish grow. With a restructured sales mix and through supply/demand we were able to optimise price returns for implementation in FY17

Operational Results



Continued growth in operational earnings in a challenging market environment reflects Tassal's resilient business model

Seafood – successful integration of De Costi Seafoods

- Successfully completed our plan to restructure and align De Costi Seafoods' business –business now fully integrated
- Based on the results for De Costi Seafoods for FY2016, Tassal issued 2.1 million shares under the earn-out provisions – equates to 65.6% of the maximum earn-out. This was the first year of a 3 year earn-out
- On adding back the \$1.1m of compliance, restructuring, alignment and integration costs, this maintains a circa 5X EBITDA multiple for this business

Environmental Results



Global best practice environmental returns continue to be delivered

- ASC certification underpins all current Salmon marine leases ... first global Salmon company to achieve this
- Global number 1 ranking for reporting for Seafood companies globally ... global number 1 ranking for Salmon companies as per the independent *Seafoodintelligence.com*
- Tassal awarded Coles Sustainable and Ethical excellence award in 2016
- Mark Ryan awarded Banksia Foundation Richard Pratt CEO Award for contributions to sustainability across Australia
- Tassal awarded Australian Business Award for Sustainability
- Global best practice breeding program in place
- Effective adaption of sustainability focus & techniques with changing environments
- Continued focus on fish health and performance (fish safety)
- Community acceptance to enable growth and flexibility of operations
- Delivery supported by best on ground people & interdependent team

Strategy



Strategy



Overarching strategic focus is to deliver sustainable global best practice returns from an financial, operational and environmental perspective – while operating at a zero harm safety level

- Maintain our global leading sustainability position (ASC & WWF-Australia) ... continue to grow our Social licence
- Maintain our global leading financial returns
 - Continue to grow domestic per capita consumption of Salmon ... optimise the sales price and mix
 - Continue to drive consumer appeal for Salmon and a preference for our brands
 - Drive key Seafood species growth and our share of category
 - Grow our share of the Seafood and Salmon markets within wholesale, foodservice and ingredient supply segments
 - Grow our share of the Seafood market in the retail segment and in particular the pre packed category ... however, ensure that our Salmon sales are **not** too skewed to retail
- Deliver global leading operational returns – without diminishing financial and environmental returns
 - Deliver global best practice cost for growing and supply chain for Salmon
 - Deliver global best practice supply chain efficiencies and cost for Seafood

Outlook FY17



Outlook



FY17: positioned for continued growth

- For FY2017, targeting to take advantage of a more favourable sales mix and pricing environment
 - Favourable Salmon pricing in wholesale and export markets
 - Managing sales mix to optimise returns
 - De Costi Seafoods to drive Seafood sales and category growth
 - Price increases achieved for smoked salmon in all Retail customers and fresh fish in selected customers - with such price increased reflective of the increase in the cost of fish due to the summer environmental conditions
 - Focus to offset the increased cost of fish to be harvested in FY17 which were impacted by the summer conditions
- From FY2017 onwards, focus is to deliver strong gains in biomass growth, feed conversion and reductions in bathing for AGD – which will in turn drive operating cost efficiencies and a move closer to global best practice operational returns from fish performance
 - Salmon operating platform to deliver best practice cost of growing and supply chain returns
- Strategy: set around delivering global best practice operational, financial & environmental returns – underpinning a best practice balanced scorecard

Any questions?



Tassal Group Limited

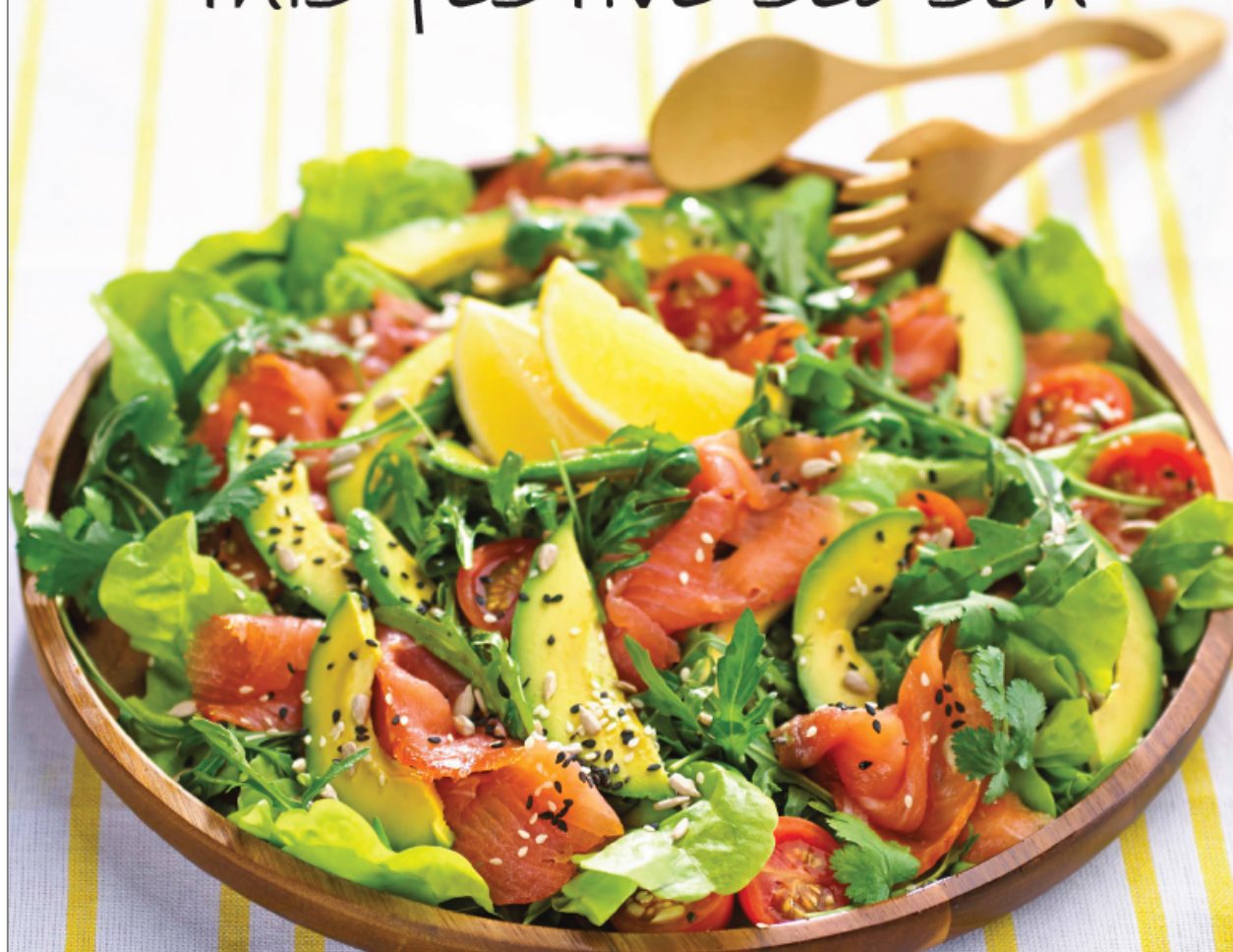
2016 Annual General Meeting



Resolutions

Melbourne, 27 October 2016

Bring the family together
this festive season



SUMMARY OF PROXY VOTES RECEIVED



	FOR	AGAINST	OPEN	ABSTAIN
Resolution 2:				
Adoption of Remuneration Report	92,366,066	2,804,732	749,658	547,025



PACKED WITH THE MOST SUSTAINABLE SALMON IN AUSTRALIA



SUMMARY OF PROXY VOTES RECEIVED



	FOR	AGAINST	OPEN	ABSTAIN
Resolution 3:				
Re-election of Mr Christopher Leon as a Director	94,943,899	990,334	753,658	174,436

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



SUMMARY OF PROXY VOTES RECEIVED



	FOR	AGAINST	OPEN	ABSTAIN
Resolution 4:				
Long-term Incentive Plan – Grant Performance Rights to Mr Mark Ryan pursuant to the 2016 Performance Rights Package	94,197,574	1,401,611	743,658	519,484



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