

**TasFoods AGM**  
**Managing Director and CEO Presentation**  
**23 July 2020**

Good Morning Everyone.

We believe that great food comes from great places. With its clean air, abundant rain, rich soil and temperate climate, Tasmania is ideally suited to creating the finest food produce. This is why we leverage Tasmania's natural advantages and its reputation for fantastic foods to create a portfolio of branded food businesses, bringing the delight of Tasmania's finest foods to consumers in Australia and the world.

Our stable of food brands covers 3 key product categories of poultry, dairy and horticulture.

Never has there been a better time to live on a sparsely populated, remote island in the southern hemisphere.

Tasmania has a natural barrier of water providing excellent conditions for managing biosecurity which have been demonstrated in the current COVID environment. This biosecurity barrier also provides benefit for intensive livestock industries such as poultry and sensitive crops like wasabi.

Changing climatic conditions in Australia make water security a growing risk factor for agribusiness. Tasmania has significant investment in irrigation providing reliable water security for agriculture, and with it, high levels of surety for production.

The Tasmanian brand has global recognition as a source of trusted premium food products.

In the 2019 financial year the business achieved sales revenue growth across all business units totaling 32%. Growth came through a combination of 11% organic growth and growth through the acquisition of Betta Milk

Gross margin declined by 3% as a result of drought influenced commodity price increases of milk and cream in the dairy segment and feed grain costs in poultry.

Operating EBITDA improved by 29% however it remained negative at \$658,000

The decline in net profit was predominantly a result of a change in tax of \$1.17 million and an increase in depreciation of \$451,000 that resulted from the acquisition of Betta Milk and capital investments during the year.

We are pleased with the progress we have been able to make with the Betta Milk business since acquisition on 31 July 2019.

In December we launched a new brand of white milk called Tassie Taste into independent retail chains across Tasmania. This product has provided additional revenue and is an internal source of cream. Sales for Tassie Taste have not impacted Betta Milk branded sales in these stores as it has taken market share from a value position competitor.

Tassie Taste sales and growth in the Betta Milk brand have combined to provide annualized sales growth to June of 20%

In June we moved the final segment of the Pyengana branded milk bottling from Kings Meadows to Burnie. The site is now bottling 50% more milk than at the time of acquisition.

2020 got off to a strong start for the business with all segments reporting sales growth in the first quarter and a positive operational EBITDA

The four weeks from mid March to mid April saw a rapid pace of change imposed by Government in response to the emerging pandemic issue and management were quick to respond

Our first priority was to ensure the safety of our people and we began implementing a range of measures to minimize the risk of infection across our sites. From mid-April until mid-May our two largest sites were operating through the strict lockdown of North West Tasmania and continued to function without disruption to our supply and distribution chains. We continue to modify our operational COVID safe measures as new information and recommendations emerge. Whilst these measures have added cost and complexity to our operations, they are essential to maintain our ongoing business.

We are working collaboratively with our customers to manage their changing circumstances to ensure we continue to maintain market supply. We anticipate that some level of volatility in market demand will continue in the short term.

We have restructured the dairy operations to create centres of excellence to drive production and distribution efficiencies

The Betta Milk site in Burnie is focused on fresh milk which is providing labour and packaging efficiencies and reducing waste. It is also supporting customers through improved shelf life of up to 5 days.

The Kings Meadows site centre's on the creation of specialty creams and butter as well as producing a range of fresh cheeses. Removal of milk bottling from this site has improved process flow of other products.

Pyengana Dairy continues to produce premium cloth matured cheeses and offer a tourism experience that supports growing brand awareness and sales.

The Betta Milk distribution network now delivers products from across our dairy brands to 90% of all Tasmanian dairy customers. The volume of product moving through this network has grown by 50% since acquisition and provides increased frequency of delivery for smaller volume products which is helping to drive sales growth.

TasFoods' refrigerated distribution network provides a customer focused statewide service for short shelf-life goods requiring multiple deliveries per week to each customer.

Overall dairy sales remain on budget year to date. The flexibility of operations to react to changes in volume and product mix have been pivotal to management through this period of uncertainty.

Milk sales, representing 62% of dairy sales have remained strong and continue to grow with year to date growth across all milk brands of 19%

Cream & butter sales, representing 26% of dairy sales slowed in April as a result of the closure of the Food Service sector but have rebounded through retail growth in May and June with year to date sales achieving 16% growth above 2019

Cheese sales, representing 3% of dairy sales slowed as a result of the closure of the Food Service sector and people being unable to entertain at home. Sales for March to May were down 38% but have returned to pre COVID levels in June.

The Pyengana Dairy Café remained closed for the whole of the second quarter but reopened on 4 July and has enjoyed strong patronage from the local Tasmanian community.

Unprecedented shifts in poultry markets experienced since March have created significant uncertainty as the industry experienced rapid changes to demand mix and volume.

Nichols Poultry sales revenue for the first half of 2020 were higher than the same period for the previous year, however changes to product mix and volumes have impacted gross margins.

The business responded quickly to demand changes by realigning chicken volumes in agricultural operations. Whilst this was enacted in April there is a 10 week lead time for changes to field inventory.

Our processing operation has the highest number of employees on site with in excess of 100 people. The site implemented a range of physical and social distancing measures, banned non essential site visitors and implemented COVID-safe hygiene practices all of which will continue indefinitely. We have worked closely with Government, unions and industry bodies to ensure we are adopting best practices as they emerge.

We are actively working with key customers to support their changes in product demand and identifying new and emerging opportunities for the business.

Sales for Shima Wasabi have historically comprised 73% fresh wasabi, made up of the various components of the plant including stem, leaves and flowers.

These products are sold across Australia, predominantly to high-end restaurants and food service catering for corporate events. These markets closed in March, at the start of the COVID-19 pandemic in Australia, and will remain constrained until indoor mass gatherings are permitted and international travel recommences.

Since April, the business has pivoted sales to retail and online markets with a strong focus on fresh stems and powdered product.

In H2 2020 the business is launching a unique, new, ready-to-use wasabi paste made from real wasabi. This convenient ready to use wasabi will be sold through retail outlets and to the food service industry.

The diverse nature of the TasFoods customer base and product mix ensures the core business has a strong future despite the ongoing uncertainty in current markets

Demand for chicken meat is forecast to grow as consumers downgrade protein choices in a tougher economic climate

Tasmanian consumers continue to seek local products across the fresh food retail market. With over 80% of sales revenue generated in Tasmania the business, is well positioned to provide reliable and

frequent service to this market with a variety of products through its statewide refrigerated distribution network

The Board and Management are developing a new strategic plan that addresses the risks and opportunities emerging for the business to set the future direction.

We thank you for your continued support.