



Annual Shareholders' Meeting

5 November 2019

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## **NEW ZEALAND KING SALMON – 2019 ANNUAL SHAREHOLDERS' MEETING**

The attached presentation will be given at New Zealand King Salmon Investments Limited's Annual Shareholders' Meeting starting at 2:00 pm today in the The Lounge at Wither Hills Winery 211 New Renwick Road, Burleigh Blenheim 7272.

- 2019 New Zealand King Salmon Investments Limited Annual Shareholders' Meeting – Chair and Managing Director's Address
- 2019 New Zealand King Salmon Investments Limited Annual Shareholders' Meeting – Presentation

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### **Contacts**

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### **About New Zealand King Salmon**

New Zealand King Salmon is the world's largest aquaculture producer of the premium King salmon species. We operate under our four key brands: Ōra King, Regal, Southern Ocean, and Omega Plus, as well as the New Zealand King Salmon label. We have been growing and selling salmon to consumers for more than 30 years. Today we employ around 500 people. New Zealand investors make up a significant percentage of the ownership of NZ King Salmon and the communities of Marlborough, Nelson Bays and Tasman are well represented with nearly 400 of the 2,800 shareholders from top of the South. More information can be found at [www.kingsalmon.co.nz](http://www.kingsalmon.co.nz)

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*Address by the Chair: John Ryder*

### [SLIDE 2: AGENDA]

My name is John Ryder. I'm Chairman of New Zealand King Salmon and it's my pleasure to welcome you all to our 2019 annual shareholders' meeting.

Some housekeeping matters before we start. Firstly, I would like to remind you, as a matter of courtesy, to turn your mobile phones to silent. If there is an emergency and we need to leave the venue please do so through the marked exits. The assembly point is [outside].

I am pleased to confirm that we have a quorum and therefore declare the 2019 Annual Shareholders' Meeting of New Zealand King Salmon Investments Limited open.

The items of business for this meeting and the resolutions to be considered by shareholders are contained in the Notice of Meeting which was sent to shareholders on the 7<sup>th</sup> of October.

The order of proceedings today is that I will briefly comment on the highlights of the last 12 months followed by an address by Grant Rosewarne, our CEO and Managing Director. We will then attend to the resolutions. While voting is taking place there will be an opportunity for you to ask questions. We will conclude with an opportunity for you to raise any matters of a general nature.

In terms of the formal business, we will cover each resolution in turn and invite questions specific to those items. It will then be time to vote on the resolutions. I will outline the process for the discussion and voting on the resolutions at that point in the agenda.

At the close of the meeting we hope you will join us for refreshments.

I would like to introduce my fellow Directors – they are:

- Grant Rosewarne, CEO and Managing Director;
- Mark Hutton, an Independent Non-Executive Director;
- Tomakin Lai, a Non-Executive Director;
- Paul Steere, an Independent Non-Executive Director; and
- Chiong Yong Tiong, a Non-Executive Director,
- Jack Porus, Non-Executive Director, puts his apologies as he was unable to attend today.

I would also like to note that members of New Zealand King Salmon's management and staff are in attendance as well as our external auditors, Ernst & Young.

### **[SLIDE 3: CHAIRMAN'S REVIEW]**

During the FY19 financial year recently completed the company delivered a robust result with continuing strong demand across all markets leading to improved pricing and revenue growth.

We have achieved our second best financial result, slightly below the previous year's record result, despite a challenging year.

Decisive steps have been taken to implement a new aquaculture production model on our sea farms, which we anticipate will put us in the strongest possible position to deal with the apparent impacts of climate change on our existing inshore sites whilst we create the future in open ocean farming.

On that note we are very pleased to advise that we have lodged a resource consent application for our first open ocean site, named "Blue Endeavour", around seven kilometres off the coast of the Marlborough Sounds. Marlborough District Council has publicly notified the application, and we invite you to make submissions during the submission period which is open until 16 December 2019. A link will be provided on our company website.

I would like to acknowledge the efforts of the whole team at New Zealand King Salmon in continuing to deliver strong results for the company, there have been many challenges but the team has dealt with them capably and with enthusiasm.

In accordance with the Company's constitution I have signed the minutes of the 2018 Annual Shareholders' Meeting, and these are available on request, including here at this meeting.

I'll now invite Grant Rosewarne to address you. At the conclusion of Grant's presentation we will move to the formal business of the meeting. While voting is taking place you will have an opportunity to ask questions. We please ask that if you have a question you save it for this time.

*Address by the Managing Director: Grant Rosewarne*

### **[SLIDE 4: MANAGING DIRECTOR'S REVIEW]**

Thank you John. Good afternoon ladies & gentlemen – I am going to take you through

- The highlights for the last financial year, FY19, and also update you on our efforts around
- Sustainability
- Our business update
- Outlook; and
- The future of salmon farming in New Zealand.

### **[SLIDE 6: FY19 HIGHLIGHTS]**

During FY19 New Zealand King Salmon enjoyed strong financial performance despite some challenges. We achieved record revenue of \$172.6 million, up 8% on the prior year and a record price of \$22.95 per kilo, up 11% on FY18.

Sales volume was 7,520 metric tonnes, down 3% on the prior year. We recorded solid pro forma operating Earnings Before Interest, Tax, Depreciation and Amortisation of \$25.2 million, which was down 4% on FY18 but within the FY19 earnings guidance range.

Our GAAP Net Profit After Tax of \$11.3 million was 33% down on FY18 and this includes calculations for fair value of livestock. We paid a final 3 cent dividend per share on 20th September 2019. FY20 guidance for operating EBITDA is the same as the prior year of \$25 to \$28.5 million.

**[SLIDE 7: FACTS AND FIGURES]**

Slide 7 shows some of the figures I have mentioned in a pictorial fashion, but the main point to be made here is our geographic distribution of revenue with New Zealand dropping below 50% and the USA climbing to 33%. We would have a more evenly spread distribution of revenue had we had more fish to be able to supply Europe and Asia.

**[SLIDE 8: FACTS AND FIGURES (continued)]**

Slide 8 contains some of our key facts, the highlights from amongst these are that we had zero notifiable serious harm injuries for the year; we remain one of the most highly certified salmon companies in the world with four stars from Best Aquaculture Practice; and we have been able to reduce our freshwater consumption, which mainly occurs in processing.

**[SLIDE 9: VISION, PURPOSE, MISSION AND VALUES]**

Slide 9 speaks to our vision, purpose, mission and values. Our vision is to be the Top of the South's most valuable organisation and the world's most inspiring salmon company. Our purpose is all about creating the ultimate salmon experience and our mission is that all of our stakeholders who come into contact with us are better off as a result.

Our values are about maximising value for all stakeholders, continuous improvement, integrity, teamwork and culture.

We have 8 supporting strategies to realise our vision. I won't go into details on these but of course health and safety is always number 1, followed by only farming one species and being dedicated to that, and then being highly differentiated.

**[SLIDE 11: EARTH OVERSHOOT DAY]**

Now onto sustainability. Slide 11 is a sobering look at how the natural resources of the earth are being used. Earth Overshoot Day is the day each year on which the sustainable resources of earth are used up. In 2019 it was the earliest ever, at 29 July for the earth as a whole. That means that from 30 July until 31 December this year, we are consuming the resources of earth faster than can be sustained. We are building up an overdraft that a future generation will have to repay. We are using the resources of nearly 1.75 planet earths every year, and that overshoot is unfortunately increasing.

New Zealand cannot be proud of its record in this area. As a country our earth overshoot day was 6 May – we are using our share of about 2.8 planet earths.

Salmon farming with its low carbon footprint, efficient feed conversion of the salmon, and high protein yield relative to land animals, can help slow this deficit.

**[SLIDE 12: SUSTAINABLE DEVELOPMENT GOALS]**

These are the five United Nations sustainability goals that we have identified as being especially relevant to New Zealand King Salmon; and

**[SLIDE 13: OPERATING SUSTAINABLY]**

We have five supporting goals of our own on sustainability, that directly link back to the UN goals.

**[SLIDE 14: SALMON FARMING IS HIGHLY PRODUCTIVE]**

Illustrating how salmon farming can help reduce the impact of overconsumption of our planet's resources, this slide compares Norway's salmon and land-based farming. Salmon farming in Norway uses a fraction of the area used for land farming but produces considerably more food.

**[SLIDE 15: SUSTAINABILITY OF SALMON FARMING]**

...and in addition, salmon farming has a lower carbon footprint, and a much higher edible protein yield from each animal, due to the inherently more efficient body structure of fish: salmon has no need for an extensive bone structure, as unlike a land animal, it is not constantly fighting gravity.

**[SLIDE 16: ACCREDITATIONS / ENDORSEMENTS]**

As I mentioned earlier, we are one of the more highly accredited salmon farmers in the world, spanning everything from Monterey Bay Seafood Watch, whose green rating is the most difficult to obtain, right through to Ocean Wise and four star BAP and we have begun the process of ASC, that is Aquaculture Stewardship Council, certification.

**[SLIDE 18: AQUACULTURE]**

We have implemented a new aquaculture model which utilises site single year class biosecurity to help achieve a superior health outcome for our fish.

Elements of the new model include reduced handling of stock including reduced towing, upwelling of cool water from the very depths below the farm, passive grading prior to summer to reduce biomass and selectively harvest larger fish, and removing all nets at the end of a year class, disinfecting the farm and then restocking with smolt.

**[SLIDE 19: BRANDS]**

As ever, we are completely committed to maximising differentiation and building our brands. You will see more of this from New Zealand King Salmon in the future.

**[SLIDE 20: ŌRA KING]**

One of our top marketing initiatives is the annual Ōra King awards and this year the theme was around sustainability. We had a record number of entries from some of the top chefs in the world and this activity is extremely well targeted to support our food service premium offering, Ōra King.

**[SLIDE 21: OMEGA PLUS]**

We are very pleased with the trajectory of our pet food brand Omega Plus. Omega Plus has a near perfect balance of Omega 6 to Omega 3 and it's very important to get this balance right to reduce the likelihood of inflammation and autoimmune diseases. Omega Plus is really coming into its own, especially the treat range in China and more recently Korea. We have some exciting initiatives for Omega Plus, rolling it out to more channels and more countries around the world.

**[SLIDE 23: OUTLOOK]**

And now to our outlook for FY20. Unfortunately, volume will remain at FY19 levels for this current year, at about 8,000 metric tonnes.

Demand remains very supportive, especially in export markets.

We have completed the first quarter with results in line with expectations, although as always the summer lies ahead and is the most challenging time for fish survival and performance. We expect that our investments into our new aquaculture production model will yield improved fish survival and health and, as I mentioned earlier, we are reaffirming our guidance of \$25 to \$28.5 million EBITDA for FY20.

We continue to work extremely hard on our Blue Endeavour Open Ocean resource consent application and I note that this has now been notified on the Marlborough District Council website. Hopefully, we can expect a decision towards the end of current financial year, although it appears a decision on the relocation of inshore salmon farms will not be received before the FY21 year now.

**[SLIDE 25: FUTURE FARMING]**

The Open Ocean represents an amazing opportunity to produce sustainable food for a growing population. The oceans cover over 70% of the earth's surface yet they only produce about 17% of the world's animal protein.

New Zealand's marine economic zone is 21 times larger than its land mass and because fish farming utilises volume very effectively as opposed to only surface area, we can generate over \$30 million per surface hectare of revenue.

**[SLIDE 26: NZ GOVT AQUACULTURE STRATEGY]**

Currently, aquaculture with its three species is valued at about \$623 million and I'm very pleased to advise we now have a government led strategy to take it to \$3 billion by 2035, which is a fantastic endorsement of the sustainability credentials of aquaculture.

**[SLIDE 27: MPI SALMON RELOCATION PROCESS]**

We have two processes to enable better water space. One is the relocation process where we have asked for some of our existing low flow sites to be positioned still within sheltered waters but within high flow areas. This initiative is with the Minister and seems to be on quite a long timeframe.

**[SLIDE 28: BLUE ENDEAVOUR]**

The other initiative is our Blue Endeavour application which is with the Marlborough District Council and would appear to be on a much tighter timeline. It also enjoys the support of the Government's recently released Aquaculture Strategy which I previously mentioned. By farming in the open ocean we can get an even better environmental outcome, being further away from competing users it enables us to increase our biosecurity, achieve higher fish health, better survival rates and of course it enables us to increase our scale sustainably.

This image is quite close to what Blue Endeavour will actually look like when and if it is implemented.

**[SLIDE 29: BLUE ENDEAVOUR (continued)]**

A few additional details about Blue Endeavour: this is the first open ocean finfish application in New Zealand, however, there have been and are operating open ocean mussel farms already in place and some of these are larger in surface area than our application.

The application is with the Marlborough District Council with a public hearing likely to be in the first quarter of calendar year 2020.

The earliest possible harvest is in the fourth quarter of 2022.

We anticipate that capital costs for this first farm will be lower than subsequent open ocean farms at up to about \$35 million. And this is because this particular open ocean site is at the lower end of open ocean energy levels

and can be farmed with existing technology rather than some of the emerging technologies out of Norway which are an order of magnitude more expensive.

The first phase of Blue Endeavour will produce about 4,000 tonnes of gilled and gutted output per 18 month cycle, and the second phase an equivalent amount following a few years later.

**[SLIDE 30: BLUE ENDEAVOUR UNDERWATER VIDEO]**

I'd just like to take a moment to show you video footage of the sea floor under the proposed Blue Endeavour site. This footage was shot in the last few months and in the event that we are farming Blue Endeavour we intend to continue updating it regularly as we have done with other farms, so that you can see the positive impact on biodiversity of a high quality salmon farm.

Thank you for your time – I will now hand over to John to cover the ordinary and special resolutions.

*Address by the Chair: John Ryder*

**[SLIDE 31: ORDINARY AND SPECIAL RESOLUTIONS]**

Thank you Grant.

We will now move to the business of the meeting and the procedure for this part of the meeting. We have a number of ordinary resolutions and one special resolution to be considered at this meeting. The resolutions are required to be passed by a simple majority of votes.

The resolutions that we will be voting on today are as follows:

- Resolution 1: Authorisation for the Directors to fix the auditor's remuneration for the coming year.
- Resolution 2: Election of Tomakin Lai as a Director.
- Resolution 3: Election of Chiong Yong Tiong as a Director.
- Resolution 4: Re-election of Grant Rosewarne as a Director.
- Resolution 5: Increase of Directors' fee pool.
- Special Resolution 6: Amendment of NZ King Salmon's constitution.

Current best practice for Shareholder voting is by way of poll. Accordingly, in my capacity as Chair I require that a poll be held for each of the resolutions.

Shareholders who are entitled to vote and proxies who have discretion as to how they vote have received a Voting / Proxy Form when they registered upon arrival at the meeting. If you completed a postal vote, you do not need to complete another Voting / Proxy form.

If you have not received a Voting / Proxy form, please go to the Computershare desk at the back of the room where their representatives will be able to assist you. After voting, you should place your Voting / Proxy form in one of the ballot boxes which will be passed around the room. I'll invite you to vote after all of the resolutions have been introduced to the meeting.

I and my co-directors hold undirected proxies:

- With respect to Resolution 1, authorisation for the Directors to fix the auditor's remuneration for the coming year: 122,619 shares.
- With respect to Resolution 2, election of Tomakin Lai as Director: 125,669 shares.
- With respect to Resolution 3, election of Chiong Yong Tiong as Director: 125,669 shares.
- With respect to Resolution 4, re-election of Grant Rosewarne as Director: 125,669 shares.
- With respect to Special Resolution 6, amendment of NZ King Salmon's constitution: 123,669 shares

Your Board supports these resolutions and we intend to vote all of these shares in favour of these resolutions.

In accordance with the NZX Listing Rules, Directors, and their associated persons, are not able to vote on Resolution 5, which relates to Directors' Fees. Accordingly, the directors will not vote on this resolution and will not exercise any discretion given to them by proxies in relation to this resolution.

However, votes cast by directors will count where that director is voting as a proxy in accordance with express instructions.

There will be an opportunity to ask questions on, or speak to, each resolution being put to shareholders. I ask that, in the interests of fairness to all shareholders attending this meeting, anyone wishing to speak to a resolution be as concise as possible and be considerate to other shareholders who may also wish to ask questions.

**[SLIDE 32: RESOLUTION 1]**

Resolution 1 relates to the remuneration of auditors. The proposed ordinary resolution is to authorise the Directors to fix the auditor's remuneration for the coming year. In accordance with the Companies Act, Ernst & Young have been automatically reappointed as the company's auditors. As is usual with audit fees, due to the complexity and changing nature of the company's affairs, it is not possible to fix the remuneration at the beginning of the year.

I now move, as an ordinary resolution, that the Board is authorised to fix the auditor's remuneration for the coming year.

I now invite discussion on the resolution.

*[Discussion]*

There appears to be no [further] discussion.

We will now move to the next resolution.

**[SLIDE 33: RESOLUTION 2]**

Resolutions 2 and 3 relate to the election of Directors, as required by the company's constitution and NZX Listing Rules. Both directors have been appointed by the Board since the last Annual Shareholders' Meeting and are therefore required to stand for election at this meeting.

Resolution 2 relates to the election of Tomakin Lai (Lai Po Sing).

The Board recommends Tomakin Lai to you as a Director and unanimously supports his election.

I now invite Tomakin to briefly address the meeting on his proposed election.

*[Address from Tomakin Lai]*

Thank you Tomakin.

I now move, as an ordinary resolution, that having been appointed during the year by the board and holding office only until the Annual Meeting, Tomakin Lai be elected as a director. Is there any discussion on this resolution?

*[Discussion]*

There appears to be no [further] discussion. We will now move to the next resolution

**[SLIDE 34: RESOLUTION 3]**

Resolution 3 relates to the election of Chiong Yong Tiong.

The Board recommends Chiong Yong Tiong to you as a Director and unanimously supports his election.

I now invite Yong to briefly address the meeting on his proposed election.

*[Address from Chiong Yong Tiong]*

Thank you Yong.

I now move, as an ordinary resolution, that having been appointed during the year by the board and holding office only until the Annual Meeting, Chiong Yong Tiong be elected as a director. Is there any discussion on this resolution?

*[Discussion]*

There appears to be no [further] discussion. We will now move to the next resolution

**[SLIDE 35: RESOLUTION 4]**

Two directors are required to retire at this meeting. The Directors to retire are those who have been longest in office since their last election, being Grant Rosewarne and Mark Hutton.

Resolution 4 relates to the re-election of Grant Rosewarne as Executive Director.

The Board recommends Grant Rosewarne to you as a Director and unanimously supports his re-election.

I now invite Grant to briefly address the meeting on his proposed re-election.

*[Address from Grant Rosewarne]*

Thank you Grant.

I now move, as an ordinary resolution, that having retired in accordance with NZX Listing Rule 2.7.1, Grant Rosewarne be re-elected as a director. Is there any discussion on this resolution?

*[Discussion]*

There appears to be no [further] discussion.

**[SLIDE 36: RESOLUTION 5]**

Mark Hutton has also retired by rotation, and has decided for personal reasons not to offer himself for re-election. I would like to take this opportunity on behalf of the Board, the company and shareholders to thank Mark for his outstanding service to the company over the last 11 years.

Mark has been a director of NZ King Salmon since Direct Capital invested in the company in 2008, and during that time has been instrumental in guiding the company through many challenges, through the IPO process to listing on NZX and ASX, and in achieving its recent record financial performance.

Mark will be missed and we thank him sincerely for his time with NZ King Salmon as an investor and director.

**[SLIDE 37: THOMAS SONG]**

During the year we were shocked and saddened by the sudden passing of Thomas Song, another huge influence on our company. Thomas became involved in the NZ salmon industry in 1995 when he led the Oregon Group's investment in Southern Ocean Seafoods and Regal Salmon, merging them to create NZ King Salmon in its current form. For nearly 25 years he was an enthusiastic and tireless supporter of the industry, always being willing to provide additional capital and faith in management and team during many challenges over the years, and always with a very personal approach.

We have chosen to name our latest seafarm barge in memory of Thomas Song. This is a \$5.3m investment, the largest NZ King Salmon has made to date in its farm infrastructure, with the vessel in place on Waitata farm as of last week.

We take a moment to acknowledge the outstanding contribution Thomas made in helping create the successful and dynamic NZ salmon industry we have today.

We will now move to the next resolution.

**[SLIDE 37: RESOLUTION 5]**

Resolution 5 relates to a proposal to increase the maximum total pool of directors' remuneration available for your Board of Directors.

This increase reflects benchmarking against a peer group of eight of the most appropriate NZX listed companies at the time of the review, with market capitalisations equally split between larger and smaller companies. It is the intention of NZ King Salmon to target actual board fees at the median range for the group. The proposed director fee pool equates to an average fee per director remaining below the closest comparable companies.

Future fees for Directors and committees have not yet been set, and a search is currently underway for a new independent director to replace Mark Hutton. We are seeking candidates with aquaculture or open ocean experience in particular, having identified those as areas requiring additional strength on the Board as the company looks towards its open ocean future.

We are also extremely mindful of moving Board composition towards a majority of independent directors and with greater diversity in its makeup. We are aware that shareholders share this concern and to that end advise that we will continue to seek independent directors wherever possible as part of Board succession planning.

This resolution is intended to provide the Board with a remuneration pool sufficient to remunerate a Board of six non-executive Directors, including for associated committee work. This is important in ensuring that your company is able to continue to attract and retain the appropriate directorial skills and experience to govern your business.

I now move, as an ordinary resolution, that the maximum total pool of Directors' remuneration payable by New Zealand King Salmon to Directors (in their capacity as Directors) be increased by \$55,000 per annum, from \$465,000 per annum to \$520,000 per annum.

As I referenced, in accordance with the NZX Listing Rules, the directors and their associated persons are restricted from voting on this resolution.

Is there any discussion on this resolution?

I will move now to the final resolution.

**[SLIDE 39: SPECIAL RESOLUTION 6]**

This resolution is procedural in nature and relates to amendment of the NZ King Salmon constitution to reflect the updated NZX Listing Rules, which your Company adopted on 22 March 2019. Under a class waiver granted by NZX Regulation, NZ King Salmon was permitted to defer updating its constitution until this meeting.

The changes are minor and outlined in the Notice of Meeting for this meeting.

Is there any discussion on this resolution?

We will now move to voting.

**[SLIDE 40: VOTING & QUESTIONS]**

If you wish to vote on these motions, you should use either the Voting / Proxy Form that was sent to you with the Notice of Meeting or an alternative voting form given to you by Computershare when you entered the meeting.

When you cast your vote, please tick one box to select “for”, “against” or “abstain”, alongside each resolution in the section named Step 1: Voting Instructions / Voting Form.

If you hold a proxy on behalf of a shareholder, you will need to cast that shareholder’s votes in order for them to be counted. The Voting / Proxy Form given to proxy holders, sets out the number of proxy votes held and records directed votes.

If there are no undirected votes, the proxy holder needs only to sign the voting form. Where there are undirected votes, proxy holders may vote these as they see fit by ticking the appropriate box.

Finally, in all cases, please ensure the voting form is signed. I remind you that you are voting on each separate resolution as detailed in the Notice of Meeting. After voting, you should place your Voting / Proxy Form in one of the ballot boxes which will be passed around the room. If anyone is unsure how to complete the voting form or hasn’t got a form, please go to the registration desk where someone will be able to help you.

Once all the votes have been cast, they will be counted by the Company’s share registrar, Computershare, and scrutinised by the Company’s auditor. The results of today’s meeting will be released to the NZX on the completion of verification of voting.

Please prepare your forms and cast your votes now, while we take questions.

[Can I now ask Computershare to please bring the ballot boxes forward?]

**Questions**

Before I ask for questions I would like to take this opportunity to thank my fellow Directors and the Senior Leadership Team for their continued contribution to New Zealand King Salmon’s leadership, governance and in the formulation of our strategic intent.

At this point we will open the floor to any questions on the financial results, the business update or any other matters you would like to raise.

*[Questions]*

*[After no more questions]*

Are there any items of general business to be discussed?

There appears to be no further business for discussion.

Ladies and gentlemen, that brings us to the end of formal business for New Zealand King Salmon's 2019 Annual Shareholders' Meeting. Thank you for taking the time to participate today.

I would now like to invite you to join us for afternoon tea.

Thank you.

**[ENDS]**