

Tassal Group Limited



Austock Agribusiness Conference

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Agenda

- **Outline of Competitive Advantages**
 - Australia
 - Australasia & Globally
- **Demonstrated abilities**
 - Return on Investment over time
 - Capital Investment
 - EPS growth over time
- **Challenges & Opportunities**
 - Funding
 - Competition
 - Price & Volume Volatility
- **Conclusion**

Competitive Advantages

Australia



Barriers to entry – extremely high

- There are significant operational and financial barriers to entry with respect to the Tasmanian Atlantic Salmon Industry – from a live (Hatchery), fresh (fresh hog) and frozen fish perspective
- Hatchery
 - due to biosecurity measures in place through Biosecurity Australia – no live broodstock, eggs or salmon semen is allowed into Australia
 - ... even if Biosecurity Australia allowed the importation, to “some” degree, of live Atlantic Salmon – Tasmanian Government biosecurity measures still exist to stop the importation of live fish to propagate and populate a new Atlantic Salmon species (nb Tasmania is the only viable and sustainable area to grow Atlantic Salmon)
 - ... and then, even if the Tasmanian Government allowed the importation of “some” degree of Salmon for propagation and population, Tassal, HAC, Petuna & VDA control all the hatchery licences
- Marine
 - apart from holding all the hatchery licences – Tassal, HAC, Petuna & VDA also hold all the suitable marine leases

Australia



Barriers to entry – extremely high

- **Hatchery & Marine**
 - and from a return on equity / economic profit perspective – the returns would not stack up for a new Tasmanian Salmon industry entrant due to:
 - extremely high set up costs; and
 - lack of ability to generate economies of scale
 - ... to this end, even if a party was to acquire all other industry participants, they would only get around 40% of the entire industry (smolt, marine leases, licences etc) and would not be able to replicate Tassal's cost base (we acquired significant infrastructure at "fire sale" prices)
- **Fresh Hog**
 - Australia's import protocols requires Atlantic Salmon to come into Australia with its "head-off" – "head-on" allows significantly better shelf-life
 - major retailers and wholesalers are unable to deal with such shortened shelf-life ... plus there is significant freight cost to be incurred from a fresh perspective to come from the "other side of the world"
- **Frozen Hog**
 - does not matter from a shelf-life perspective that fish come into Australia with their "head-off" – what does matter is that Australians will buy fresh over frozen fish

Risk & Sustainability

- **Risk**
 - We have completed significant work mitigating our operational risks – and we will continue to drive this focus
 - Our geographical diversification is a significant risk mitigant in this regard – covering all survivability issues (disease, warm water, oxygen, jellyfish etc) from a catastrophic event perspective

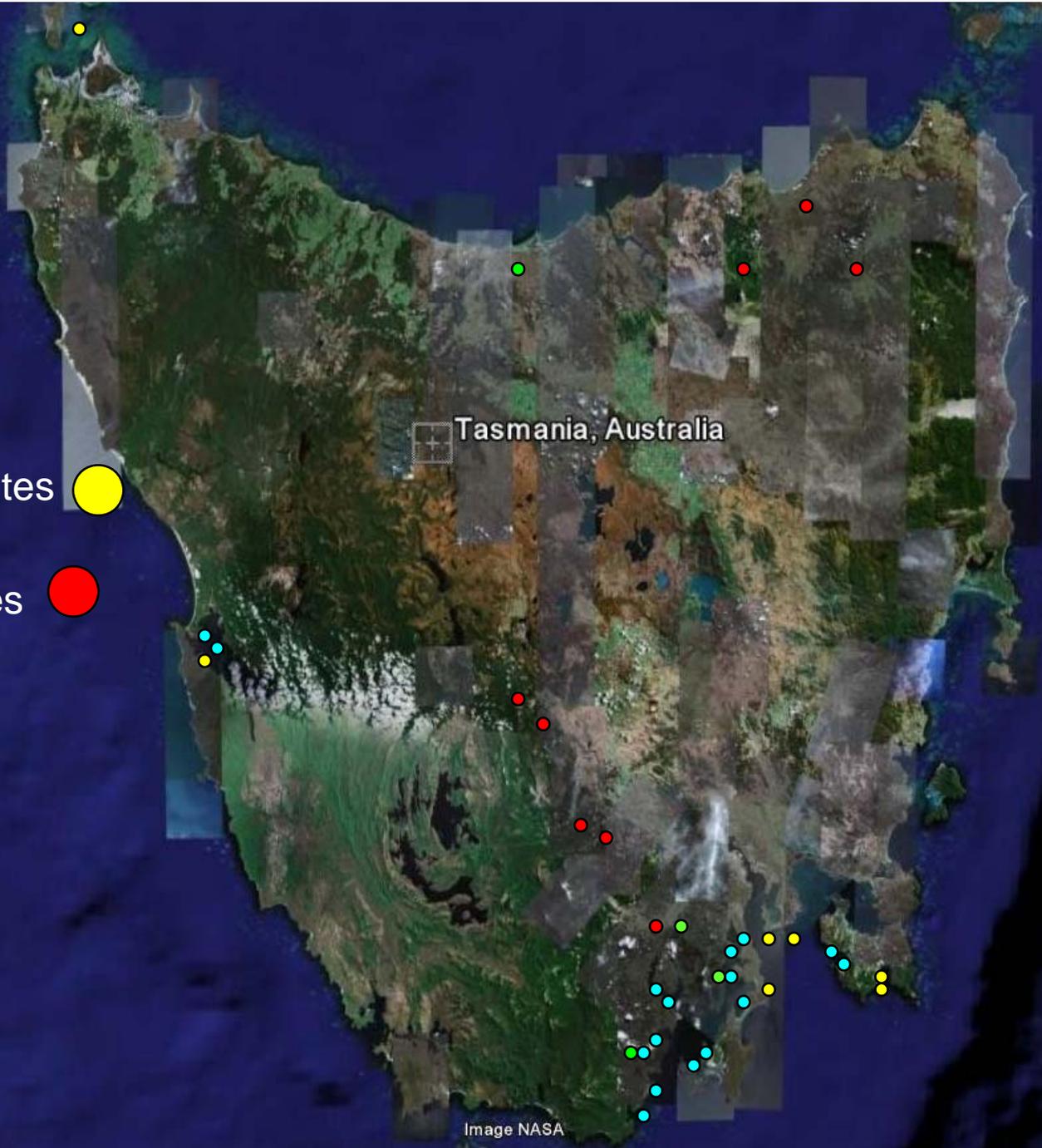
- **Sustainability**
 - The Selective Breeding Program is progressing well – and only growth and survivability benefits have been included in our Strategic Plan to FY2015 – post FY2015 we should see an improved coefficient of variance (“CV”) and the reduction of the number of treatments for AGD (either through successful breeding practices and / or vaccine)
 - We continue to employ “global best practice” – both from the employees that we continue to engage, our marine and processing practices and investment in infrastructure employed
 - “On-site harvesting” is global best practice – from biosecurity and quality perspective
 - Hatchery technology is “global best practice” – whichever way you look at it
 - Chief Sustainability Officer employed – and we will continue to ensure that we employ “best practice” sustainable practices

Sea sites 

Potential sea sites 

Freshwater sites 

Processing 

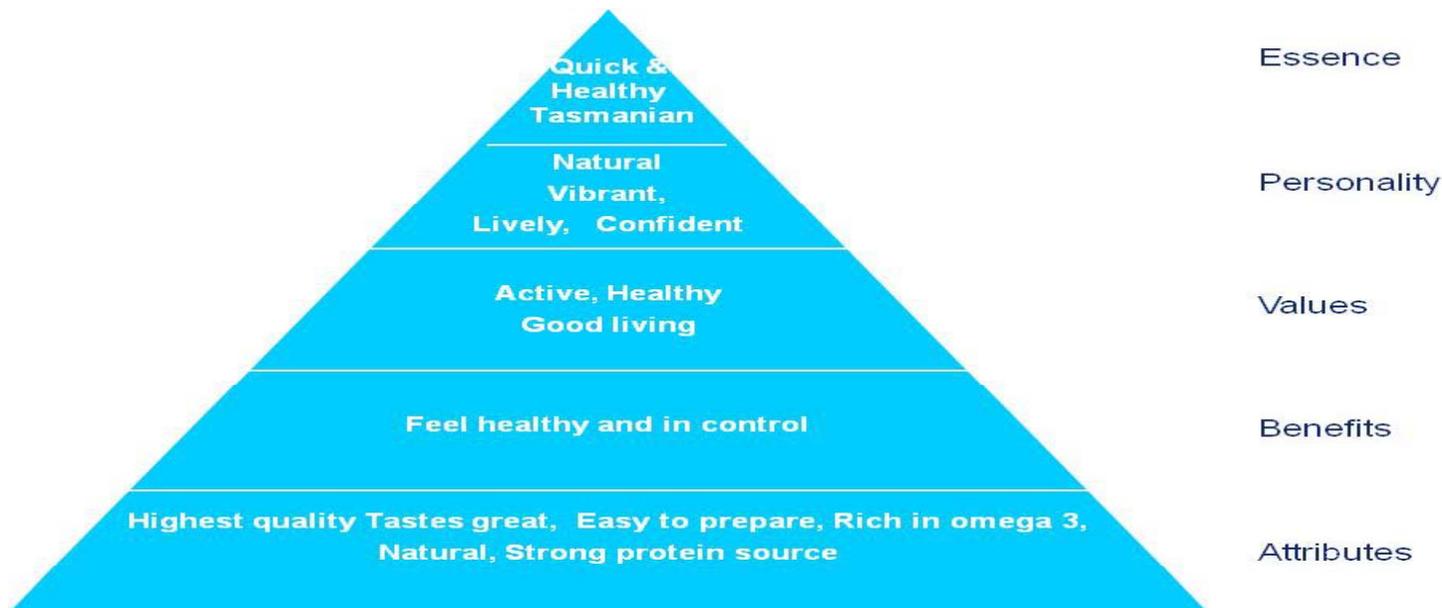


Australia



Sales Market

- Salmon is an everyday protein choice – the overall protein market opportunity is large ... targeting sales growth of 10%+
- Tassal is able to dominate the Australian Salmon market by building a strong Tassal brand, leading innovation and being responsive to consumer and customer needs ... the “value equation” we offer is important
- Tassal Pure Tasmanian: “Quick & Healthy Tasmanian Salmon”
 - Brand Pyramid



Australasia & Globally



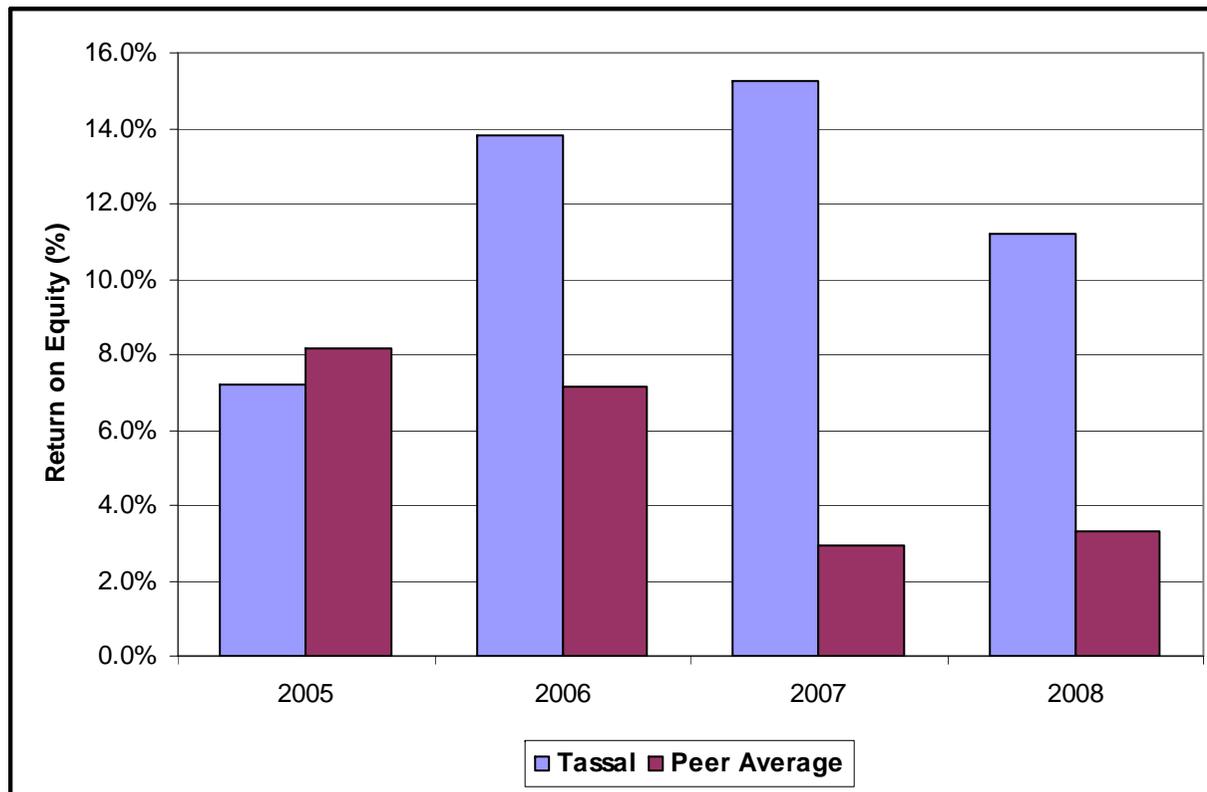
- Clean, Green & Disease free – Chilean production likely to fall 50%+ in 2009 ... and outlook is worse for 2010 = massive opportunities in all markets
- Our Biosecurity practices are best practice
 - Hatchery – water use & temperature control
 - Harvesting – harvesting on-site – limited towing of stock
 - Marine – best practice technologies
 - Processing – best practice technologies
 - EMS in place
- Asia is a “golden” opportunity given its proximity to Australia – we should be able to “own” Asia through a combination of
 - freshness to market
 - yield and fish size benefits
 - an improving write-off rate and / or depreciating AUD

Demonstrated Abilities

Demonstrated Abilities



Sector leading Return on Equity



- ✓ 15.8% CAGR FY2004-FY2008
- ✓ FY2008 impacted by timing of capital raising
- ✓ Market leading result in Agribusiness sector

Peer Group: AWB, ABB, Graincorp, Ridley and Futuris

Demonstrated Abilities



Marine Operations - FY2009 Capital Expenditure Efficiency Initiatives

Efficiency	Cost \$'000	Payback (Yrs)	ROI	IRR	NPV \$'000
Automatic feeder	\$ 1,100	1.13	> 100%	> 50%	\$ 873
Automatic feeder	\$ 1,100	1.13	> 100%	> 50%	\$ 873
Lighting units x 6	\$ 51	.22	> 300%	> 400%	\$ 388
Underwater net washer	\$ 300	.83	> 150%	> 80%	\$ 417
Underwater net washer	\$ 300	.83	> 150%	> 80%	\$ 417
Underwater net washer	\$ 300	.83	> 150%	> 80%	\$ 417
Harvest vessel - Tassal Pure Tasmania 1	\$ 2,500	1.69	> 40%	> 30%	\$ 769
Harvest vessel - Tassal Pure Tasmania 2	\$ 1,400	2.35	> 40%	>10%	\$ 2
Total	\$ 7,051				\$ 4,156

- **Automatic feeders** – a further 2 automatic feeders are to be put to sea in FY2009. The cost of the automatic feeders is \$1.1 million each
- **Lighting** – during FY2008 we put in lights for 10 pens ... with a further 6 pens to be put under lights in FY2009. The cost to light a pen is \$8,500
- **Underwater net washers** – 3 to be utilised in FY2009. The cost of an underwater net washer is \$300k
- **Harvest Vessels (On-site harvesting)– FY2009**
 - Biosecurity best practice
 - Improve growth ... additional 2 to 3 days growing
 - Improve survival ... no towing of nets
 - Improve quality ... significant quality enhancement
 - Tassal Pure Tasmania 1 at a cost of \$2.5 million. This is the primary harvest vessel
 - Tassal Pure Tasmania 2 at a cost of \$1.4 million. This is the back-up harvest vessel and responsible for smolt deliveries and minor works ... with the Business Case based on this. Ultimately, it will be utilised more and more for harvesting ... and therefore the payback, ROI, IRR and NPV would be better if it was utilised primarily for harvesting (rather than as a back-up).

Demonstrated Abilities



Processing – further processing innovation and efficiencies continue to flow

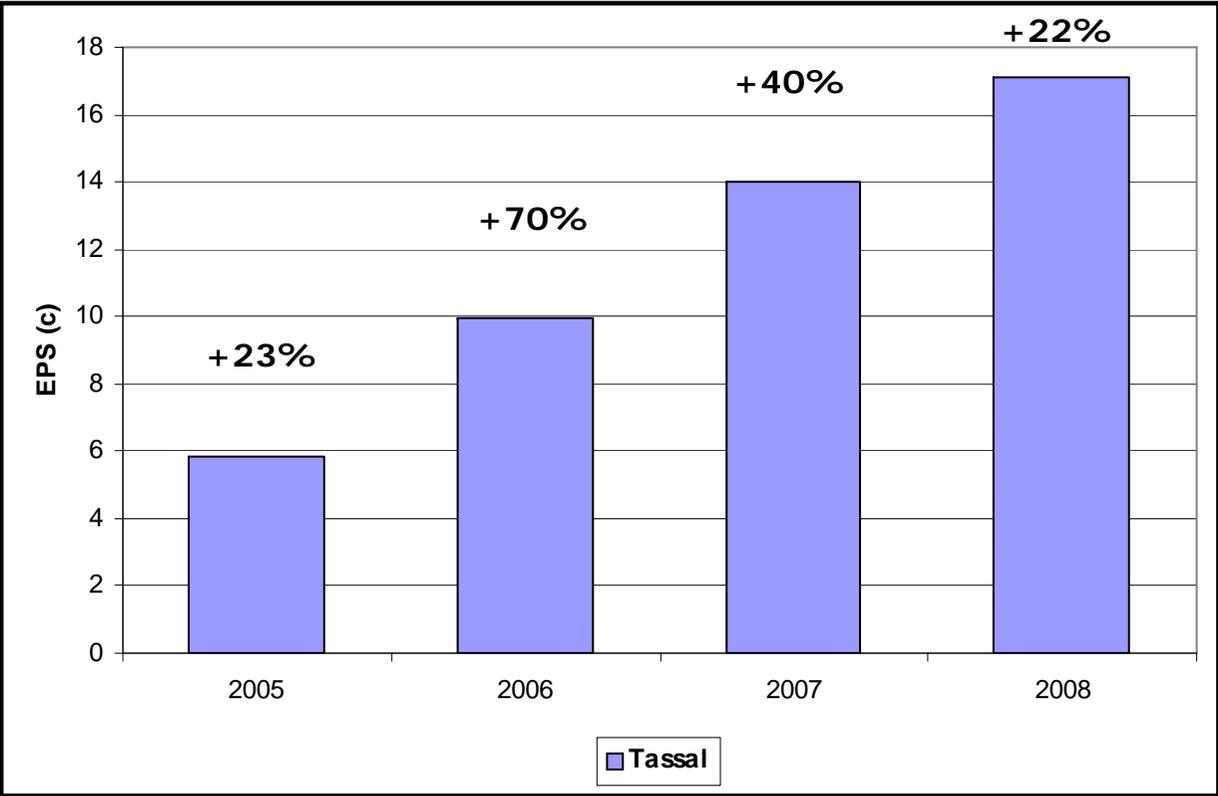
Efficiency Processing Automation	Cost \$'000	Implementation	Payback (Yrs)	ROI	IRR	NPV \$'000
Skinning Machine	\$ 105	Jul-08	1.3	> 20%	> 50%	\$ 71
Baader Post Cleaning Kit	\$ 200	Jul-08	2.1	> 10%	> 10%	\$ 25
Pin Boning Machine	\$ 216	Jul-08	0.31	> 120%	> 300%	\$ 1,276
IPS 3000 & Multivac Packing Machine	\$ 1,680	Oct-08	1.68	> 20%	> 30%	\$ 718
Smokehouse Upgrade	\$ 683	Dec-08	1.9	> 50%	> 40%	\$ 861
Quality Improvement Equipment	\$ 487	Feb-09	0.68	> 160%	> 130%	\$ 2,353
Total	\$ 3,371					\$ 5,304

- Efficiency Processing Automation for FY2009 ... we are still considering a number of other efficiency related capital items

Demonstrated Abilities



Strong growth in EPS



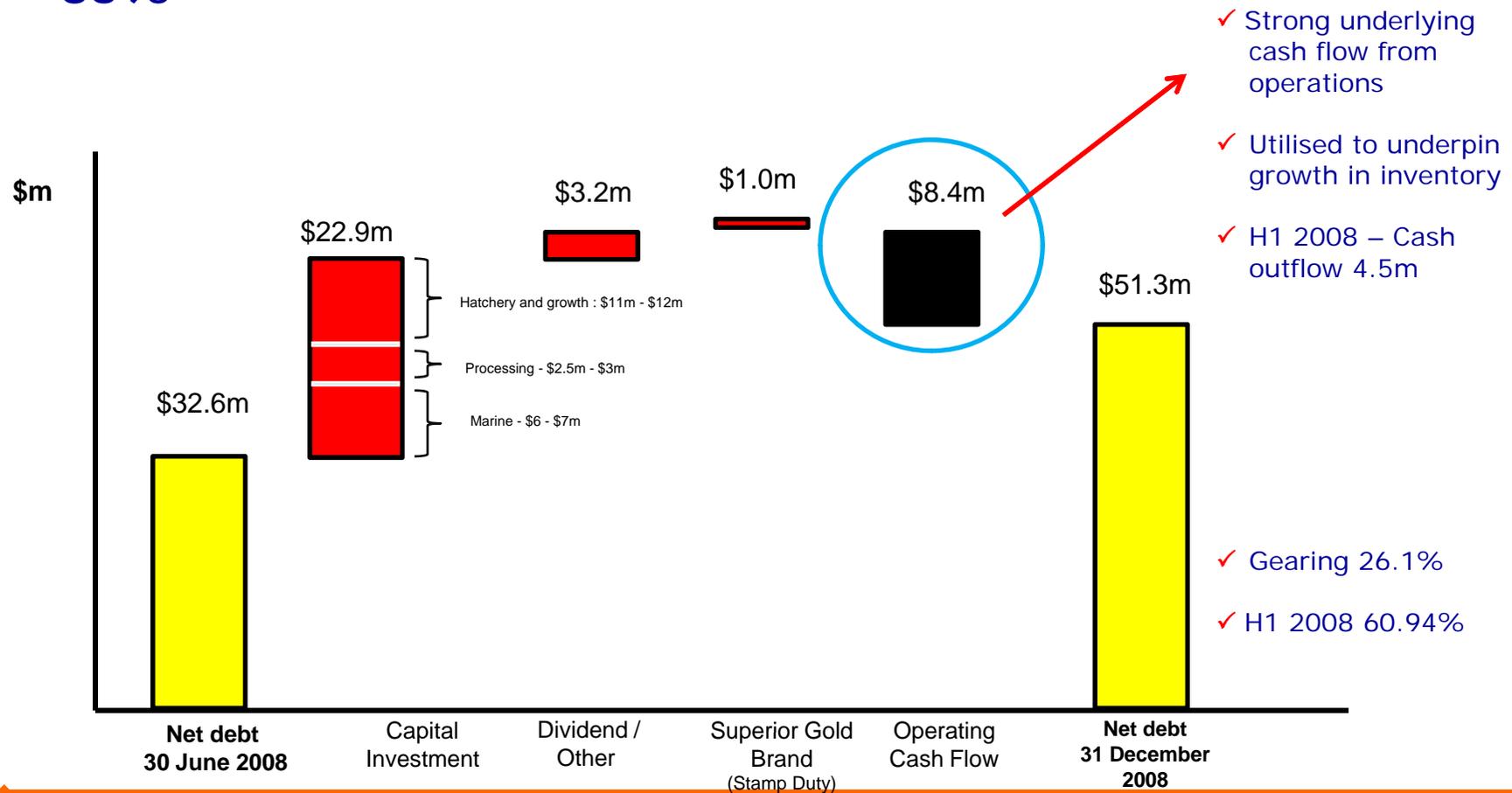
✓ EPS CAGR FY 2005-2008 of 42.8% v peer* average of -27.0%

* Peer Group: AWB, ABB, Graincorp, Ridley and Futuris

Challenges & Opportunities

Funding

At 26.1% gearing remains below our target gearing range 30% - 35%



Funding

Existing banking arrangements allow us to continue our focus on delivering on our Strategic Plan with certainty surrounding ability to fund the growth

- Sufficient available headroom in current bank facility pool
- Strong relationship with Westpac Bank maintained
- Core facilities recently extended until 31 October 2010
- Facility pricing remains competitive within the context of the current debt market

Facility type	Limit	Used	Available
Overdrafts and advance facilities	\$ 48,500	\$ 10,925	\$ 37,575
Lease facilities (3 - 5 year maturity)	\$ 57,000	\$ 40,411	\$ 16,589
Total Facilities	\$ 105,500	\$ 51,336	\$ 54,164

Competition



Our competition domestically are the players in the overall protein market

- Salmon is a competitively priced protein choice in the domestic market – as evidenced by the strong volume growth performance in H1 2009
- Supplier arrangements with our major retailers will continue to strengthen and build on solid H1 2009 growth
- Salmon has a 3.6% share of the overall protein market
- Per Capita opportunity offers tremendous upside - Australia per capita consumption lags many international markets due to
 - Salmon is more mainstream
 - Broader product offerings and aggressive New Product Development (“NPD”)
 - Marketing investment (influencing consumer choice)
 - Broader distribution
- Our Key strategies are to
 - Build Tassal brand awareness
 - Drive and lead NPD and innovation
 - Fortify supermarket and wholesaler relationships
 - Lead growth in Atlantic Salmon per capita consumption

Competition



Our competition from an export perspective is Norway

- Tassal exports around 10% of its production to the export market ... export market is a way for Tassal to move excess stock
- Despite a weak AUD, salmon sales in the export market are breakeven at present
- The global economic crisis has led to a “cash grab”, with NOK and Euro depreciation against Yen and USD translating into a reduction in our global competitors’ selling prices
- Given disease issues in Chile, expectation for the balance of the 2009 calendar year is that we should see a material improvement in the export pricing

1 AUD =	At 30/06/2008	At 31/12/08	Change
Yen	101.93	62.57	(38.61)%
USD	0.96	0.69	(28.13)%

1 NOK =	At 30/06/2008	At 31/12/08	Change
Yen	20.92	12.80	(38.81)%
USD	0.20	0.14	(30.00)%

1 Euro =	At 30/06/2008	At 31/12/08	Change
Yen	167.55	127.36	(23.99)%
USD	1.58	1.41	(10.76)%

Competition



- **The Chilean Salmon Industry continues to face severe biological and operational challenges due to ISA in region 10 of Chile - which is thought to be the consequence of poor biosecurity and unsustainable growth**
 - Market commentary suggests that there will be a downward adjustment of the harvest and activity in region 10 for the period 2008 to 2010 to facilitate the return to a sustainable and profitable Industry ... maybe longer
 - Due to the continuing ISA situation in Chile, industry participants are undertaking fundamental restructuring of their freshwater, seawater and processing facilities - effectively a minimum 3 to 5 year work out plan required
 - Due to Chile’s inability to supply, prices are now starting to improve in the global market = some industry commentary extremely bullish on price improvement

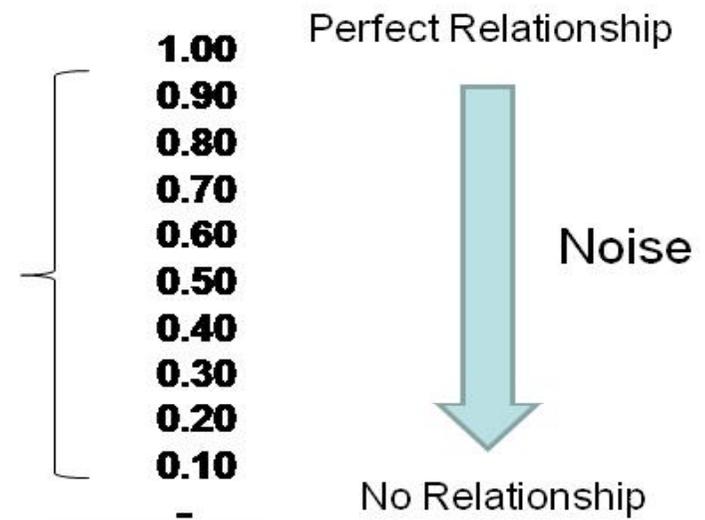
- **Set out below is a position that Chile is endeavouring to “get to” ... compared to where the Tasmanian Industry “is at”**

Biosecurity Issues - Chile	Biosecurity Position - Tasmania
Work-out Plan - Solutions to be implemented	
Land based smolt production in a controlled environment in order to ensure the supply of high quality smolt	Land based smolt supply already in place - smolt considered some of the best in the world
Land based broodstock facility for safe egg-supply	Land based broodstock facility in place - eggs from Tasmanian Industry in global demand
Reduce the grow-out in Region X and establish zone management with strict ISA containment measures	Tasmanian Industry has around 10 grow-out regions (risk diversification) and Tasmania is split into 2 biosecurity zones (fish movement strictly controlled)

Volatility - Domestically

Significant work done on regression analysis for Supermarkets

- With respect to wholesale fish market – industry structure is favourable
- With respect to supermarkets – regression analysis is the key
 - Approach taken
 - Review past pricing / sales
 - Determine elasticity through regression analysis
 - Undertake scenarios of pricing strategy & funding
 - Determine best margin approach for both Tassal & Supermarkets
 - Supermarket Fresh
 - Overall there was a low regression output = price is not the only factor in the buy decision
 - However, at certain price points there was a high regression output = price points below \$30kg have seen strong response
 - Value equation critical
 - Supermarket Retail
 - Dual branding strategy – avoid brand cannibalisation
 - Overall there was a high regression output = strong elasticity of demand



Volatility - Export



Export market pricing is extremely volatile

- Tassal only exports around 10% of its production
- Norway is the price setter in all global markets – except USA (Canada and Chile) and Australian markets
- Tassal focussed on delivering global best practice in growing and production costs = with a freight and freshness advantage, Tassal should be able to dominate Asia
- Tasmanian Atlantic Salmon attracts a Yen 200kg price premium
- Norway will trade off currency “gains” and chase price down to move volume when supply > demand = Norwegian growers have limited hedging as they set “the price to trade” which is reflective of current FX rates
- Chilean production issues are translating into improved prices – particularly in US and Asian markets

Conclusion



- ✓ **Leading Australian Atlantic Salmon producer with very high barriers to entry**
- ✓ **Significant investment in Selective Breeding Program and production infrastructure**
- ✓ **Focus on sustainably growing Atlantic Salmon share of protein market**
- ✓ **Elastic demand – working with supermarkets to optimally position product**
- ✓ **Asian market presents attractive growth opportunity**
- ✓ **Competing with Norway globally – with Chile struggling**
- ✓ **Strong return focus – capital spend delivering excellent returns**
- ✓ **Well capitalised balance sheet with capacity to fund growth**

Questions



*Have fun,
work hard,
stay healthy,
eat salmon*

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