# Tassal Group Limited

# Market Update

**5 November 2009**

# Highlights

**Tassal Group Limited in FY2009**

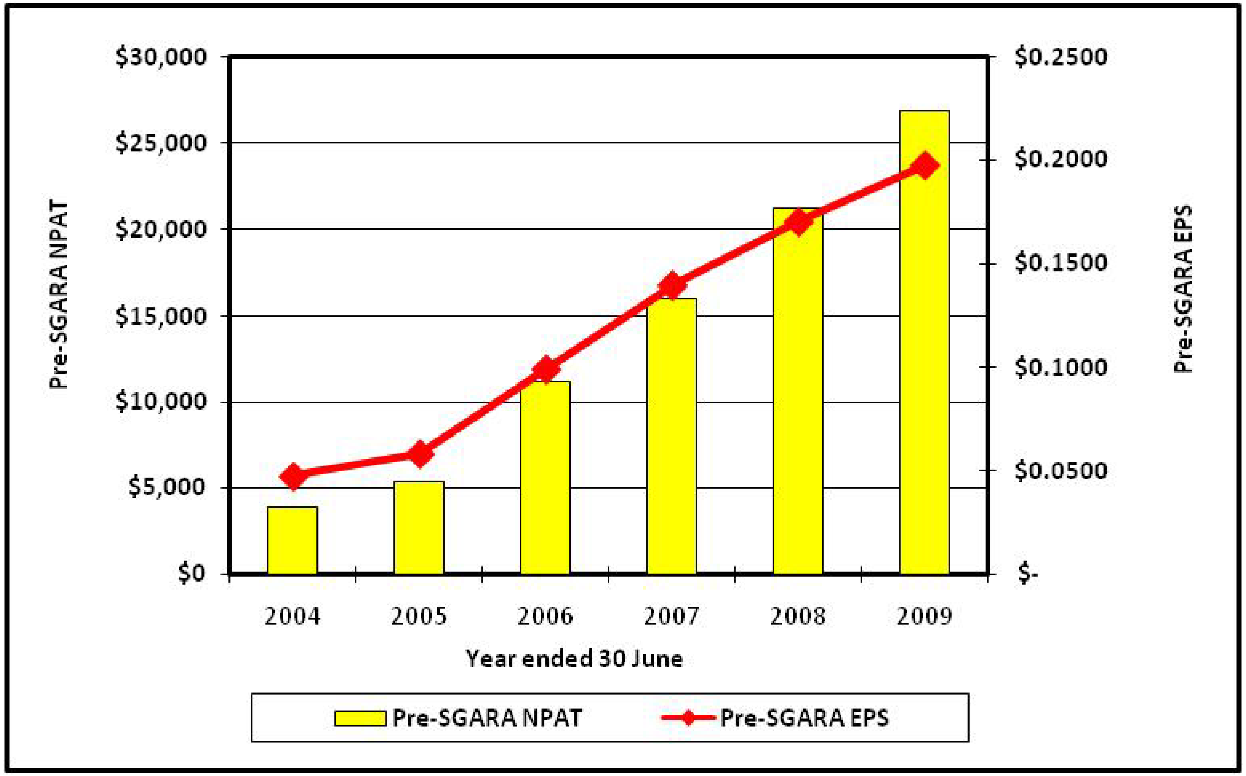
- ✓ Delivered strong EPS (16%) and dividend growth (23%)
- ✓ Continued to implement and achieve cost reductions and throughput efficiencies
- ✓ Commenced initial stocking of our global best practice Huon River Hatchery recirculation hatchery
- ✓ Marketing aimed at increasing per capita salmon consumption, with the retail channel sales base underpinning strong domestic sales momentum
- ✓ Continued to pursue growth opportunities, bringing forward capital investment in biomass growth, efficiency and risk initiatives to provide a solid platform to deliver on our Strategic Plan FY2015
- ✓ Continued to up-skill our Leadership Group toward global best practice in operational, risk management and sustainability
- ✓ Maintained an acceptable gearing profile and sufficient debt facility head room

# FY2009 highlights

- ✓ Special accounting standards apply to companies such as Tassal that are involved with 'manufacturing' and marketing live products such as Salmon.
- ✓ For Tassal a special accounting standard is for Self-Generating and Live Assets ("SGARA").
- ✓ We can sell our fish as soon as possible or leave them in the water and grow and appreciate, thereby increasing future sales and profitability – i.e. shareholder value.
- ✓ The profit post SGARA is the profit after allowing for the increase in net value of our harvested fish (i.e. inventory) and for those live fish over a size threshold of 2.3kg hog in the water (i.e. biological assets).
- ✓ Analysts of companies such as Tassal tend to look at both the pre and post SGARA profit measures.
- ✓ For Tassal in FY2009:
  - ✓ Pre SGARA profit after tax was up 26%
  - ✓ Post SGARA profit after tax was up 47%, reflecting a decision to invest in stock to grow our supply capacity and ultimately, further "shareholder value"

# Highlights

**Tassal has delivered another excellent pre-SGARA performance in FY2009 …**




**Pre- SGARA results:**

- ✓ Revenue of $204.1m *(+22% on pcp)*
- ✓ EBITDA of $42.3m *(+14% on pcp)*
- ✓ NPAT of $26.8m *(+26% on pcp)*
- ✓ Basic EPS 19.8 cps *(+16% on pcp)*

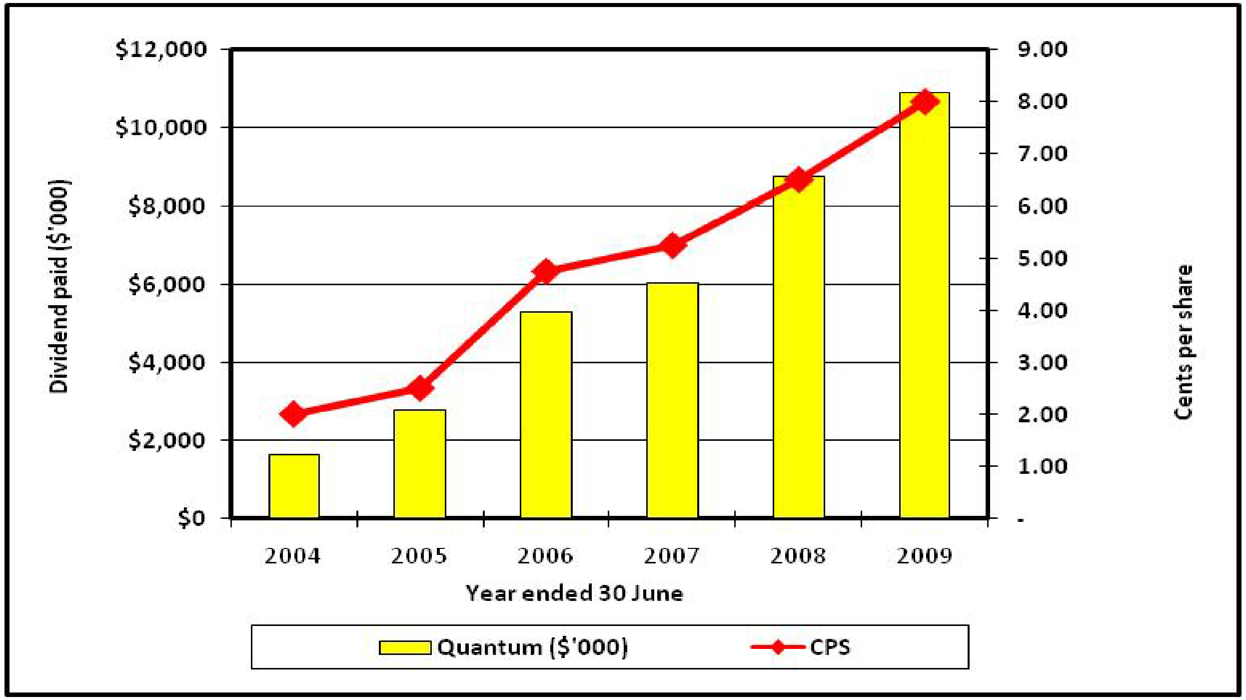
**EPS CAGR:**
**FY2004 – FY2009**
**33%**

**Post- SGARA results:**

- ✓ SGARA (unrealised) addition to net profit after tax of $3.3m

# Highlights

**… maintaining an increasing dividend payment to shareholders**




| % | F2004 | F2005 | F2006 | F2007 | F2008 | F2009 |
|---|---|---|---|---|---|---|
| Payout ratio* | 42% | 52.1% | 47.5% | 37.8% | 41.2% | 40.6% |

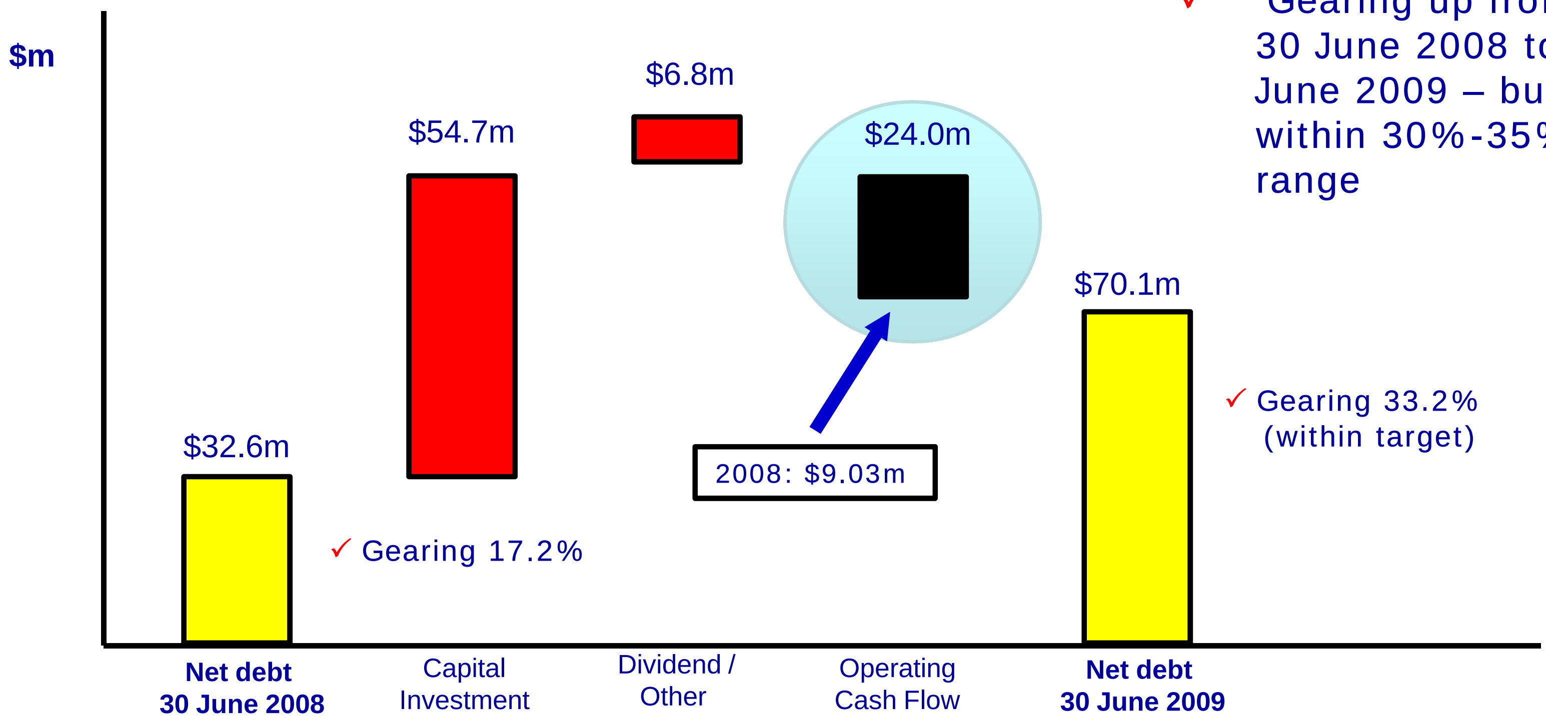
* Based on Pre-SGARA NPAT

- ✓ Dividend of 8.00c per share in 2009 *(up from 6.50c per share in 2008)*
- ✓ DRP underwritten to support continued investment in business
- ✓ Intention to also seek to underwrite FY2010 Interim
- ✓ Franking expected to commence with FY2010 Final

**Will continue to target a dividend payout ratio ~40% on Pre-SGARA NPAT**

# Highlights

**… Improved cash flow and debt utilised to accelerate capital investment and fund biomass growth.**




- ✓ Gearing up from 17% at 30 June 2008 to 33% at 30 June 2009 – but sitting within 30%-35% target range

# FY2010

**FY2010 will bring the finalisation of the key investments that will underwrite our objectives to deliver on the Strategic Plan FY2015**

- ✓ Deliver a significant improvement in smolt size and time of input following the completion of our global best practice Huon River Hatchery recirculation hatchery
- ✓ Further improve fish size and survivability through targeted investment in marine infrastructure (e.g. Huon River Hatchery), on-site harvesting technology and ongoing fish husbandry and feed management improvements
- ✓ Maximise the gains from processing automation, innovation and capacity infrastructure investments, leveraging-off improved fish harvest size
- ✓ Continue to “de-risk” the business and cascade risk mitigation and management practices across *all* levels of the business
- ✓ Strengthen the environmental, social and governance (ESG) culture across the business to support corporate reputation and sustainable business growth

# FY2010

**The priorities for FY2010 are to continue to…**

- ✓ Increase EPS and dividends
- ✓ Build Tassal brand awareness to strengthen product positioning and deliver innovative products to our customer base
- ✓ Grow salmon per capita consumption via new product development, innovation and strengthening of our retail and wholesale relationship bases
- ✓ Harness branding and marketing initiatives momentum to underpin strong domestic demand and sales growth, while proactively seeking out profitable Asia-Pacific market alternatives as they arise
- ✓ Invest in biological assets and inventory growth to underpin our Strategic Plan FY2015. We have built significant underlying value in our asset base, both in fish harvested (i.e. processed inventories) and fish in the sea (i.e. biological assets)

# Highlights FY2009

**A strong Full Year results for FY2009 [1]**

**Pre-SGARA**

- ✓ Revenue of $204.1m *(+22% on pcp)*
- ✓ EBITDA of $42.3m *(+14% on pcp)*
- ✓ NPAT of $26.8m *(+26% on pcp)*
- ✓ Basic EPS 19.8 cps *(+16% on pcp)*
- ✓ No non-recurring items for FY2009 ($1.4m)

**Post-SGARA**

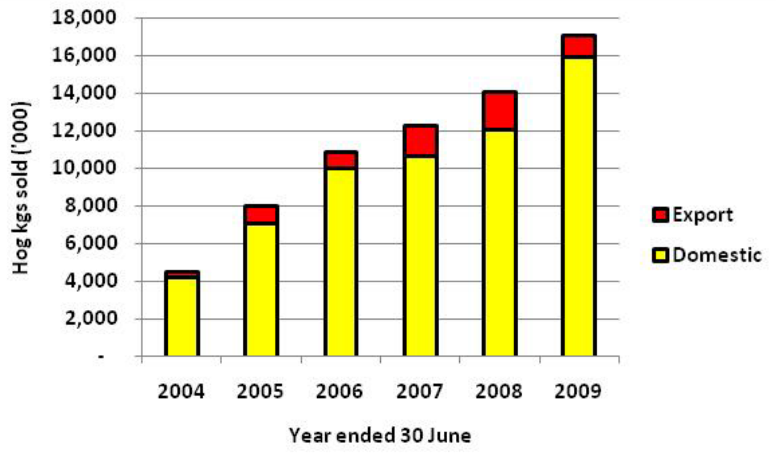
- ✓ Revenue of $357.8m *(+24% on pcp)*
- ✓ NPAT of $30.1m *(+45% on pcp)*

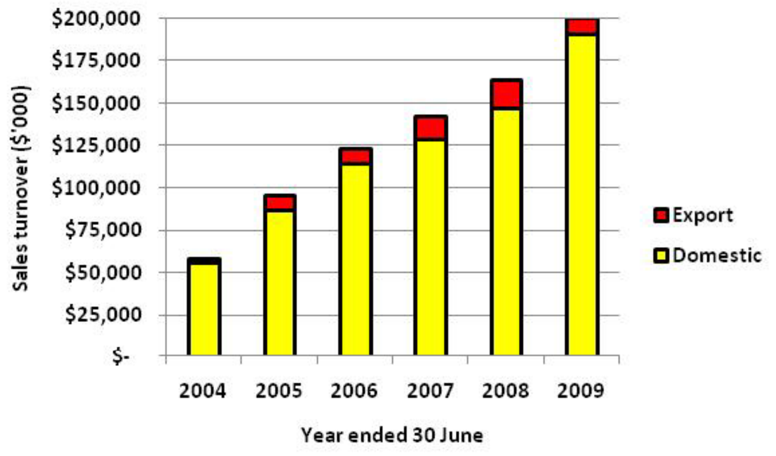
| Pre-SGARA operational result | Financial Year Ended 30 June 2009 $'000 | | Financial Year Ended 30 June 2008 $'000 | | Period Movement up / (down) $'000 | | Period Movement up / (down) % |
|---|---|---|---|---|---|---|---|
| Revenue (from all sources) | $ | 204,133 | $ | 167,266 | $ | 36,867 | 22.04% |
| EBITDA | $ | 45,254 | $ | 39,580 | $ | 5,674 | 14.34% |
| EBIT | $ | 37,225 | $ | 32,204 | $ | 5,021 | 15.59% |
| Profit before income tax expense | $ | 34,438 | $ | 28,090 | $ | 6,348 | 22.60% |
| Income tax expense | $ | (7,626) | $ | (6,890) | $ | (736) | 10.68% |
| Net profit after income tax expense attributable to | $ | 26,812 | $ | 21,200 | $ | 5,612 | 26.47% |
| Basic earnings per share (cents) | $ | 0.1978 | $ | 0.1705 | $ | 0.0273 | 16.02% |

1. Statutory reported results have been adjusted for the impact of AASB141 and non-recurring items. Refer the appendix for a reconciliation back to Statutory Reported Results

# Highlights FY2009

**Strong sales momentum (particularly in the domestic market) and despite the challenging economic environment**



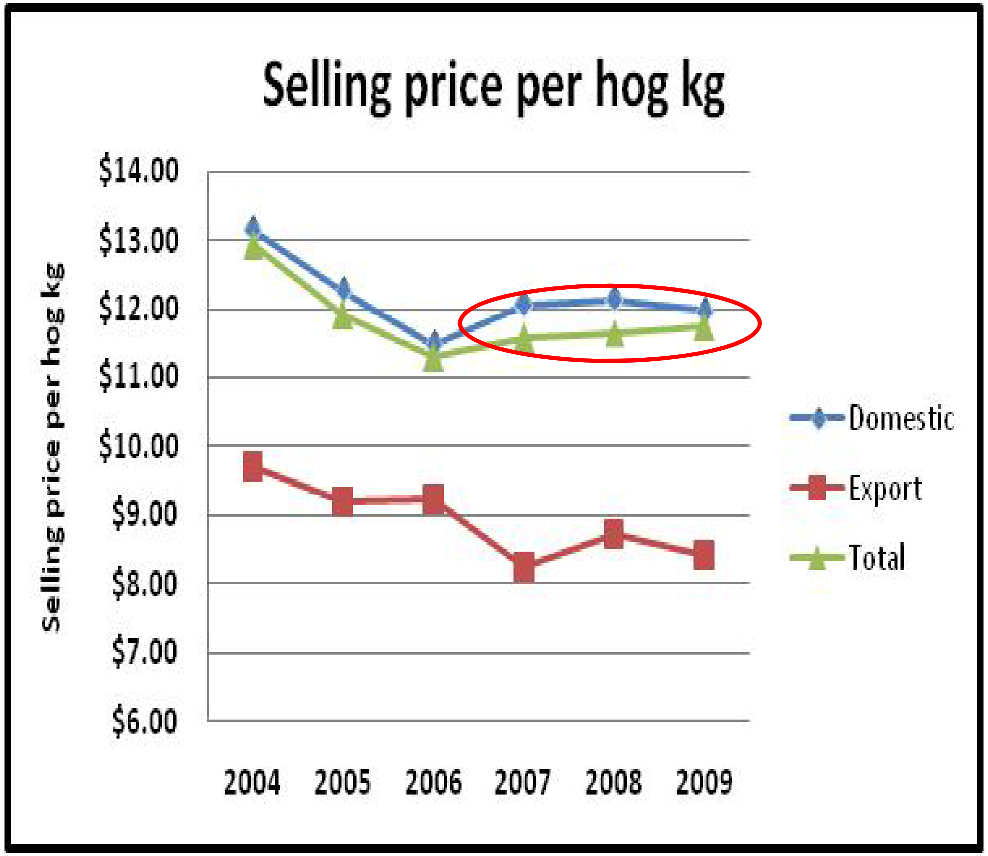




| | Turnover ($'000) | Tonnage ('000) |
|---|---|---|
| Domestic | + 30% | + 32% |
| Export | (- 45%) | (- 43%) |
| Total | + 22% | + 21% |

- ✓ Domestic market delivered solid revenue and volume growth … both pre and post inclusion of Superior Gold
- ✓ Strategic Plan FY2015 sales revenue target is on a compound average 10% annual domestic revenue growth (i.e. CAGR 10%) … salmon sales are proving resilient in current economic conditions and we expect this to continue in FY2010
- ✓ Satisfying domestic demand, increasing fish size and ensuring sufficient frozen inventories are on hand are the priorities
- ✓ Export market is being utilised only for "excess" supply … given the underlying price and foreign exchange (i.e. currency) volatility

# Highlights FY2009

**Maintained our domestic market focus – both wholesale and retail sales ensuring our solid returns**




- ✓ Overall, domestic sales price is "relatively stable"
- ✓ However, a change in sales channel and product mix mask the overall positive / upward trend
- ✓ Export pricing reflects the net effect of the price and the foreign exchange, with the pricing continuing to be volatile. This volatility reinforces our view that the export market is an "excess supply" market
- ✓ Our domestic focus, and more particularly, our retail focus has protected us from the otherwise negative export margin trend in FY2009

# Highlights FY2009

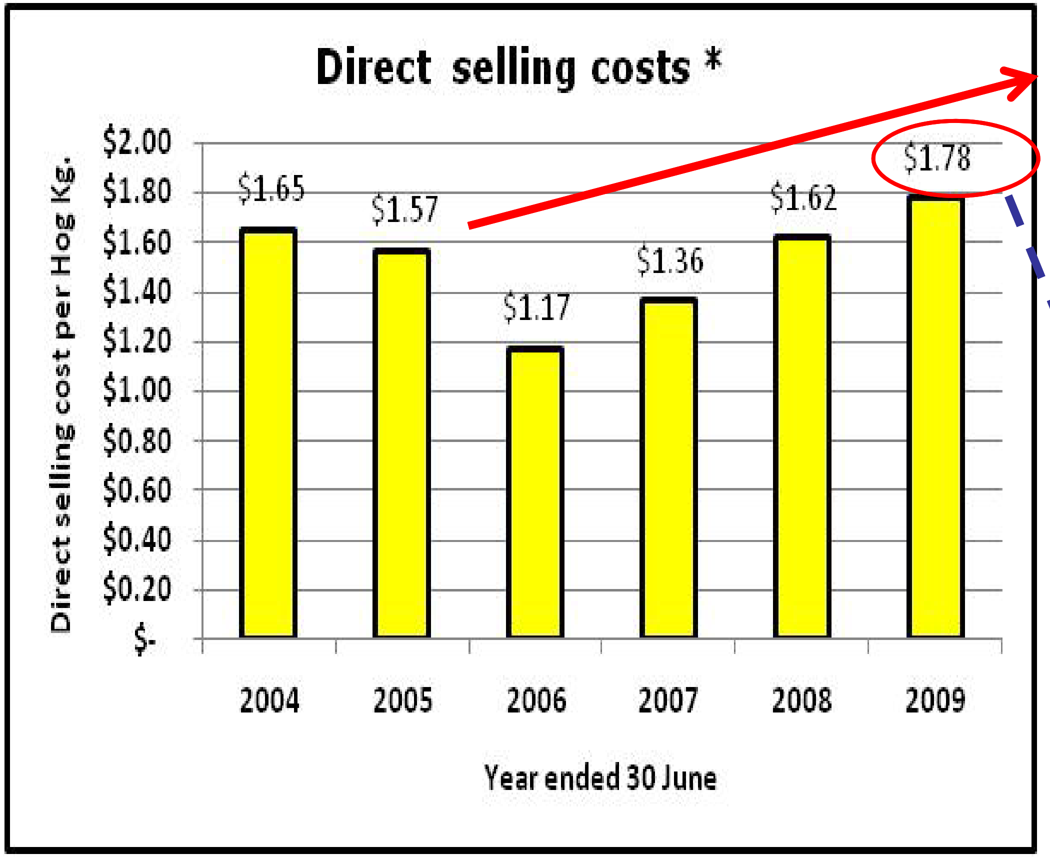
**Tassal continues to reduce its cost of production and remains confident on achieving global best practice in aquaculture production and processing**


- ✓ FY2009 cost improvement of 29% since FY2004
- ✓ Driven by improved:
  - ➢ fish size
  - ➢ fish survival
  - ➢ FCR's
  - ➢ automation
  - ➢ restructuring
- ✓ Despite absorbing increasing base costs of:
  - ➢ fish feed
  - ➢ depreciation
  - ➢ Circa $0.30 - $0.35 per hog kg

* Underlying finished goods cost = cost of fish, processing, third party contractors, and packaging expressed as a cost per head on gutted equivalent kilogram prior to direct selling costs

# Highlights FY2009

**Increase in direct selling costs reflects both a sales mix change (i.e. wholesale to retail), together with a change in product mix (including direct v indirect supply). It does not reflect a deteriorating margin return from retail sales per se (in fact margins are on average increasing from retail sales)**

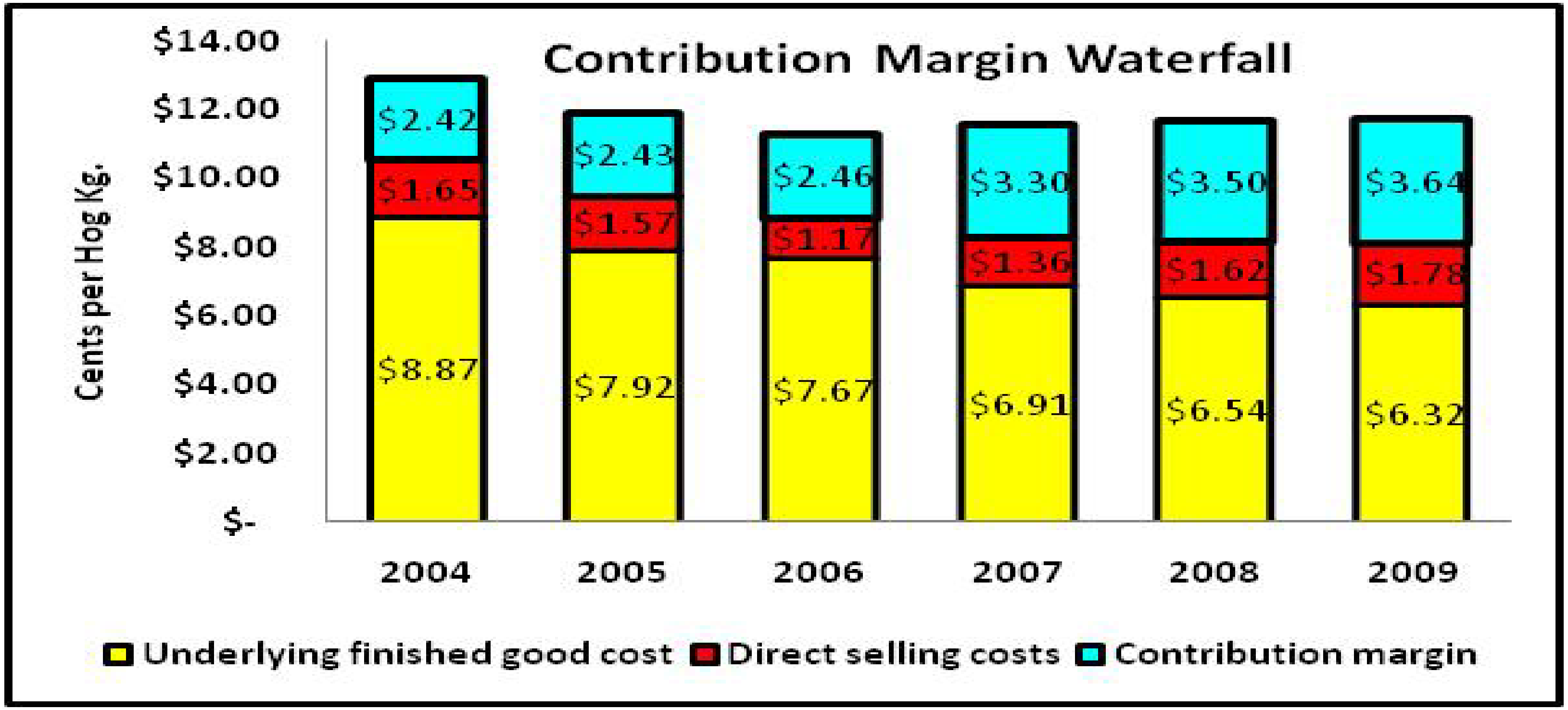



- ✓ Retail Costs & Rebates have increased, but only in line with the sales mix changes
- ✓ This cost as a % of our business is likely to continue to increase in FY2010, but again only in line with the further growth of our retail business – i.e. we are not “giving away” margin
- ✓ Anticipate stabilising at around 15% - 17% of total sales revenue per HOG kilo moving forward (FY2009 – 15%)

* Direct selling costs include rebates, retail costs, storage & distribution and freight (both domestic and export)

# Highlights FY2009

**Overall, FY2009 demonstrated that Tassal has achieved incremental gains at the contribution margin level – both overall and as presented on a $ / hog kg basis**




- Underlying finished goods cost = cost of fish, processing, third party contractors, and packaging expressed as a cost per head on gutted equivalent kilogram prior to direct selling costs.
- Direct selling costs include rebates, retail costs, storage & distribution and freight (both domestic and export)

# Highlights

**Tassal is a growth company and has financed this significant growth through a combination of equity, retained earnings and debt … as illustrated below, we are ensuring that we are taking a balanced approach to funding this growth**

**Balance sheet change composition - FY2007 - FY2009**

| | As at 30-Jun-09 $'000 | As at 30-Jun-08 $'000 | As at 30-Jun-07 $'000 | FY2007 to FY009 Movement $'000 | FY2007 to FY009 Movement % |
|---|---|---|---|---|---|
| **Current Assets** | | | | | |
| Cash and cash equivalents | 3,682 | 7,093 | 1,654 | 2,028 | 1.3% |
| Trade and other receivables | 23,590 | 19,391 | 9,811 | 13,779 | 8.9% |
| Inventories | 48,311 | 37,239 | 33,110 | 15,201 | 9.8% |
| Biological assets | 100,169 | 83,289 | 66,660 | 33,509 | 21.6% |
| Other financial assets | 511 | 847 | 998 | (487) | -0.3% |
| Other | 792 | 906 | 892 | (100) | -0.1% |
| **Total Current Assets** | 177,055 | 148,765 | 113,125 | 63,930 | 41.2% |
| **Non-Current Assets** | | | | | |
| Investments accounted for using equity method | 7,907 | 7,439 | 6,370 | 1,537 | 1.0% |
| Other financial assets | 124 | 135 | 143 | (19) | 0.0% |
| Property, plant and equipment | 129,170 | 85,095 | 63,892 | 65,278 | 42.1% |
| Goodwill | 14,851 | 14,851 | 14,851 | 0 | 0.0% |
| Other intangible assets | 24,184 | 23,118 | - | 24,184 | 15.6% |
| Other | 583 | 467 | 489 | 94 | 0.1% |
| **Total Non-Current Assets** | 176,819 | 131,105 | 85,745 | 91,074 | 58.8% |
| **Total Assets** | 353,874 | 279,870 | 198,870 | 155,004 | 100.0% |
| **Net of cash** | 350,192 | 272,777 | 197,216 | 152,976 | |

| | As at 30-Jun-09 $'000 | As at 30-Jun-08 $'000 | As at 30-Jun-07 $'000 |
|---|---|---|---|
| **Current Liabilities** | | | |
| Trade and other payables | 35,442 | 29,133 | 24,356 |
| Borrowings | 26,193 | 16,119 | 7,739 |
| Other financial liabilities | 2,186 | - | - |
| Current tax liability | 194 | - | - |
| Provisions | 3,812 | 2,932 | 2,617 |
| Other | 266 | 306 | 338 |
| **Total Current Liabilities** | 68,093 | 48,490 | 35,050 |
| **Non-Current Liabilities** | | | |
| Borrowings | 47,566 | 23,567 | 46,091 |
| Deferred tax liabilities | 26,327 | 18,052 | 12,167 |
| Provisions | 623 | 646 | 602 |
| Other | 18 | 27 | - |
| **Total Non-Current Liabilities** | 74,534 | 42,292 | 58,860 |
| **Total Liabilities** | 142,627 | 90,782 | 93,910 |
| **Net Assets** | 211,247 | 189,088 | 104,960 |

| | As at 30-Jun-09 $'000 | As at 30-Jun-08 $'000 | As at 30-Jun-07 $'000 | FY2007 to FY009 Movement $'000 | FY2007 to FY009 Movement % |
|---|---|---|---|---|---|
| **Equity** | | | | | |
| Issued Capital | 139,605 | 136,272 | 65,560 | 74,045 | 69.67% |
| Reserves | 4,163 | 5,286 | 5,141 | (978) | -0.92% |
| Retained earnings | 67,479 | 47,530 | 34,259 | 33,220 | 31.25% |
| **Total Equity** | 211,247 | 189,088 | 104,960 | 106,287 | 100.00% |

| Increase in assets funded by: | Asset growwth | % |
|---|---|---|
| Equity | 74,045 | 48.40% |
| Net debt | 17,901 | 11.70% |
| Retained earnings | 33,220 | 21.72% |
| Other | 27,810 | 18.18% |
| **Total asset growth (net of cash)** | **152,976** | **100.00%** |

# Highlights

**Tassal is continuing to invest in biological assets and inventory growth to underpin our Strategic Plan FY2015 … we have built significant underlying value in our asset base, both in fish harvested (i.e. processed inventories) and biological assets**

**Inventory movement**

| | 30/06/2009 | 30/06/2008 | 30/06/2007 | Change | |
|---|---|---|---|---|---|
| Processed inventories | $ 34,475 | $ 27,865 | $ 24,409 | $ 10,066 | |
| Uplift re application of AASB 141 | $ 7,675 | $ 6,002 | $ 5,307 | $ 2,368 | (A) |
| Feed, packaging and consumables | $ 6,161 | $ 3,372 | $ 3,394 | $ 2,767 | |
| **Total** | **$ 48,311** | **$ 37,239** | **$ 33,110** | **$ 15,201** | |

**Biological assets (live fish)**

| | 30/06/2009 | 30/06/2008 | 30/06/2007 | Change | |
|---|---|---|---|---|---|
| Base cost | $ 86,613 | $ 72,734 | $ 56,393 | $ 30,220 | |
| Uplift re application of AASB 141 | $ 13,556 | $ 10,555 | $ 10,267 | $ 3,288 | (B) |
| | | | | | |
| **Total** | **$ 100,169** | **$ 83,289** | **$ 66,660** | **$ 33,509** | |

**Size threshold - Hog kg.**

| | | | |
|---|---|---|---|
| Domestic | 2.10 | 2.40 | 2.30 |
| Export | 3.00 | 3.00 | 3.00 |

**Total AASB141 Impact**

| | 30/06/2009 | 30/06/2008 | 30/06/2007 | Change | |
|---|---|---|---|---|---|
| Balance sheet | $ 21,231 | $ 16,557 | $ 15,574 | $ 5,656 | (A) + (B) |
| P&L impact - PBT | $ 4,674 | $ 983 | $ 7,150 | | |

# Strategic Plan FY2015

| Key Plan Metrics | FY2009 | FY2015 |
|---|---|---|
| Smolt Input Nos. | 5.1m (in FY2009) | 6.3m - 6.5m |
| Year Class Survival % | 82% - 84% | 88% - 90% |
| Harvest Size | 4.1Kg – 4.3 Kg | 4.8Kg - 5.0 Kg |
| Harvest Tonnes | Circa 17,000T | Circa 30,000T |
| Domestic Market Revenue CAGR | 10% | 10% |
| Pricing Assumptions | Targeted price increases | Targeted price increases |
| Export Market Revenue | Circa 5% - 10% sales tonnage – excess "play" only | Circa 5% - 10% total sales tonnage - excess "play" only |
| Capital expenditure | **Focus:**<br>Expansionary<br>Efficiency<br>Risk Mitigation | **Focus:**<br>Replacement<br>Efficiency<br>Risk Mitigation |

**We continue to apply best practice farming and environmental science to ensure sustainable production. Fallowing and adaptive monitoring programs are in place and are continuously being modified to remain within the carrying capacity of a given lease. We fully understand the need to manage our leases with the latest in environmental management to underpin our sustainability**

**After significant analysis, the lease space required to ensure sustainable production to FY2015 and beyond is summarised as:**

- ✓ **"Up to FY2015 ... should any additional lease production capacity be required – most likely would only be a change in the shape or size of our current farming zones**
- ✓ **Beyond FY2015 ... There will be a need for additional lease production capacity - may take the form of either new lease area(s) and / or a combination in the shape or size of the current farming zones"**

# Strategic Plan FY2015

**Building the bridge … Delivering the incremental harvest tonnage to FY2015**

**Set out below is an illustrative example of how the FY2015 harvest tonnage may be delivered from the FY2009 "base" of 17,000 hog tonnes:**

| Strategic Plan FY2015 | Smolt # | Survival % | Harvest Weight Hog Kg | Incremental Harvest Hog Tonnes |
|---|---|---|---|---|
| Existing inputs | 5,100 | 82% | + 800 grams | 3,300 |
| Existing inputs | 5,100 | 8% | 5.00 kgs | 2,000 |
| Increased inputs | 1,400 | 90% | 5.00 kgs | 6,300 |
| **Incremental Harvest - Hog Tonnes** | | | | **11,600** |

# Strategic Plan FY2015

## Building the bridge … Hatchery capacity = Smolt

**Smolt Scorecard** | **Historic** | **Strategic Plan**

| Hatchery Year Class<br>Sea Water Year Class<br>Financial Year | 2004<br>2005<br>2007 | 2005<br>2006<br>2008 | 2006<br>2007<br>2009 | 2007<br>2008<br>2010 | 2008<br>2009<br>2011 | | | | 2012<br>2013<br>2015 |
|---|---|---|---|---|---|---|---|---|---|
| Maximum Hatchery Smolt Capacity - (millions) | 5.30 | 5.30 | 5.30 | 5.85 | 5.85 | | | | 8.65 |
| Actual Smolt Input - (millions)<br>Strategic Plan Smolt Input - (millions) | 3.66 | 4.74 | 5.23 | 5.64 | 5.78 | | | | 6.30 |
| | 3.66 | 4.74 | 5.23 | 5.64 | 5.78 | | | | 6.30 |
| Smolt Supply - Excess / (Shortage) | 1.64 | 0.56 | 0.07 | 0.21 | 0.07 | | | | 2.35 |

**Huon River Hatchery – 4m smolt**

Set out below is a summary of the Huon River Hatchery Business Case:

- ✓ The new Hatchery is required to:
  - ➢ Deliver strategic plan volume requirements
  - ➢ Drive improvements in fish size & quality
  - ➢ Reduce the average cost of smolt
  - ➢ Reduce risk – water availability and temperature control

| Investment Fundamentals | |
|---|---|
| Capital Forecast | $ 25,000,000 |
| Internal Rate of Return (IRR) | 19% |
| Net Present Value (NPV) | $ 8,757,404 |
| Non-Discounted Pay Back | 4.64 |
| Project ROI After Tax | 26% |

**Takeaways:**

- ✓ **Top-line … we have sufficient cover from a smolt supply perspective, in fact we can grade-out to ensure we put the best performing smolt to sea**
- ✓ **Back-up … we have appropriate risk mitigation / "back up" protection in place**

# Strategic Plan FY2015

## Building the bridge... Year Class Survival

**Survival Scorecard** | Historic → Strategic Plan

| Hatchery Year Class<br>Sea Water Year Class<br>Financial Year | 2004<br>2005<br>2007 | 2005<br>2006<br>2008 | 2006<br>2007<br>2009 | | | | | | 2012<br>2013<br>2015 |
|---|---|---|---|---|---|---|---|---|---|
| Actual Seawater Survival | 81% | 83% | 83% | | | | | | |
| Strategic Plan Survival: | | | | | | | | | |
| Base Survival | | | | | | | | | 83% |
| Harvest Vessel | | | | | | | | | 2% |
| Improved Fish Husbandry | | | | | | | | | 3% |
| Selective Breeding Program | | | | | | | | | 2% |
| | 81% | 83% | 83% | | | | | | 90% |

Set out below is a summary of the Harvest Vessels Business Case:

✓ The Harvest Vessels are required to:
- ➢ Reduce mortalities and escapes
- ➢ Drive improvements in fish quality
- ➢ Reduce risk – biosecurity focus

| Investment Fundamentals | | |
|---|---|---|
| Capital Forecast | $ | 6,114,128 |
| Internal Rate of Return (IRR) | | 47% |
| Net Present Value (NPV) | $ | 4,952,908 |
| Non-Discounted Pay Back | | 1.89 |
| Project ROI After Tax | | 48% |

**Takeaways:**

✓ **With the combination of the harvest vessels, improved fish husbandry (e.g. net washers, seal management etc) and the selective breeding program, survival targets are achievable**

✓ **Global best practice is for survival of 90%+**

# Strategic Plan FY2015

## Building the bridge… Harvest Size

| Hatchery Year Class<br>Sea Water Year Class<br>Financial Year | 2008<br>2009<br>2011 | 2009<br>2010<br>2012 | 2010<br>2011<br>2013 | 2011<br>2012<br>2014 | 2012<br>2013<br>2015 |
|---|---|---|---|---|---|
| Base Harvest Size (Hog Kgs) | 4.18 | 4.18 | 4.18 | 4.18 | 4.18 |
| Huon River Hatchery increment (Hog Kgs) | | 0.22 | 0.32 | 0.32 | 0.32 |
| Selective Breeding Program | | | | 0.18 | 0.57 |
| Other Initiatives | | | 0.10 | 0.12 | (0.07) |
| | 4.18 | 4.40 | 4.60 | 4.80 | 5.00 |
| Strategic Plan Harvest Size (Hog Kgs) | 4.18 | 4.40 | 4.60 | 4.80 | 5.00 |

- ✓ **Set out below is a summary of the Harvest Size uplift projected to be delivered by the Selective Breeding Program ("SBP"):**

Selective Breeding Gains - Commerical Population (relative to the previous Year Class)

| Key Discrete Gains | Hatchery Year<br>Sea Water Year<br>Financial Year | 2011<br>2012<br>2014 | 2012<br>2013<br>2015 | 2013<br>2014<br>2016 | 2014<br>2015<br>2017 | 2015<br>2016<br>2018 | 2016<br>2017<br>2019 | 2017<br>2018<br>2020 |
|---|---|---|---|---|---|---|---|---|
| Hog Weight Improvement | | 4% | 8% | 2% | 2% | 2% | 2% | 2% |
| Reduction in AGD Bathes | | 3% | 8% | 3% | 3% | 3% | 3% | 3% |
| Early Maturation | | 1% | 1% | 1% | 1% | 1% | 1% | 1% |
| Flesh Fat Content | | 1% | 3% | 1% | 1% | 1% | 1% | 1% |
| Flesh Colour | | 2% | 7% | 2% | 2% | 2% | 2% | 2% |

Key Practical Examples

| Key Assumptions | Hatchery Year<br>Sea Water Year<br>Financial Year | 2011<br>2012<br>2014 | 2012<br>2013<br>2015 | 2013<br>2014<br>2016 | 2014<br>2015<br>2017 | 2015<br>2016<br>2018 | 2016<br>2017<br>2019 | 2017<br>2018<br>2020 |
|---|---|---|---|---|---|---|---|---|
| Hog Weight Improvement | | | | | | | | |
| Fish size - Hog Kg | **4.60** | 4.78 | 5.17 | 5.27 | 5.38 | 5.48 | 5.59 | 5.70 |
| Number of AGD Bathes | **13.00** | 12.61 | 11.60 | 11.25 | 10.92 | 10.59 | 10.27 | 9.96 |

# Strategic Plan FY2015

## Building the bridge… Harvest Size

**Takeaways:**

- ✓ With the combination of the new Huon River Hatchery (including better utilisation of existing hatcheries and "grading-out" smolt for better performance at sea)

**and**

- ✓ The Selective Breeding Program where we have illustrated the discrete Year on Year size gains for the same elapsed period at sea – in reality, we can either take the additional weight gains post 5.00kg or reduce the time in the sea

**then**

- ✓ We are able to underpin both the harvest weight under the Strategic Plan FY2015, together with providing significant size gains post FY2015

**as well as**

- ✓ Provide risk mitigation / contingency

# Strategic Plan FY2015

### Building the bridge … Domestic Market Revenue (CAGR 10% pa)

✓ Set out below is a summary of the Tassal revenue growth in the domestic market:

**Domestic Sales Revenue Scorecard** | **Historic** → **Strategic Plan**

| Domestic Sales Revenue | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 |
|---|---|---|---|---|---|---|---|---|---|
| Tassal (Pre Superior Gold) | $ 128,025 | $ 138,762 | $ 162,395 | | | | | | $ 298,808 |
| Annual Growth % | 10.35% | 8.39% | 17.03% | | | | | | |
| Tassal (Including Superior Gold) | $ 128,025 | $ 147,067 | $ 191,069 | | | | | | $ 345,282 |
| Annual Growth % | 10.35% | 14.87% | 29.92% | | | | | | |

✓ Set out below is a summary of the domestic market sales mix:

**Domestic Sales Mix Scorecard** | **Historic** → **Strategic Plan**

| Domestic Sales Revenue | FY2005 | | FY2006 | | FY2007 | | FY2008 | | FY2009 | |
|---|---|---|---|---|---|---|---|---|---|---|
| Wholesale Distributors + Petuna | $ 50,581 | 58% | $ 76,177 | 66% | $ 60,678 | 47% | $ 68,801 | 47% | $ 82,257 | 43% |
| Retail Market (direct) | $ 35,240 | 40% | $ 38,324 | 33% | $ 64,927 | 51% | $ 75,610 | 51% | $ 106,808 | 56% |
| Large Food Service | $ 1,402 | 2% | $ 1,514 | 1% | $ 2,419 | 2% | $ 2,656 | 2% | $ 2,003 | 1% |
| Total | $ 87,223 | 100% | $ 116,015 | 100% | $ 128,024 | 100% | $ 147,067 | 100% | $ 191,068 | 100% |

| FY2015 | |
|---|---|
| $ 148,471 | 43% |
| $ 193,358 | 56% |
| $ 3,453 | 1% |
| $ 345,282 | 100% |

# Strategic Plan FY2015

**Building the bridge … Domestic Market Revenue (CAGR 10% pa)**

✓ Set out below is a summary of the supply chain as it applies to Retail Market Sales – both direct and indirect:

**Domestic Retail Sales Mix Scorecard**

**Historic**

| Domest Retail Sales Revenue | FY2005 | | | FY2006 | | | FY2007 | | | FY2008 | | | FY2009 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fresh Hog | $ | 4,147 | 12% | $ | 5,988 | 16% | $ | 22,264 | 34% | $ | 21,551 | 29% | $ | 24,782 | 23% |
| Fillets and Portions | $ | 9,183 | 26% | $ | 10,499 | 27% | $ | 18,220 | 28% | $ | 18,952 | 25% | $ | 24,771 | 23% |
| Tassal Smoked Salmon | $ | 20,407 | 58% | $ | 20,070 | 52% | $ | 21,992 | 34% | $ | 25,274 | 33% | $ | 27,436 | 26% |
| Superior Gold Smoked Salmon | $ | - | 0% | $ | - | 0% | $ | - | 0% | $ | 8,132 | 11% | $ | 28,272 | 26% |
| Other | $ | 1,503 | 4% | $ | 1,767 | 5% | $ | 2,451 | 4% | $ | 1,701 | 2% | $ | 1,547 | 1% |
| **Total** | **$** | **35,240** | **100%** | **$** | **38,324** | **100%** | **$** | **64,927** | **100%** | **$** | **75,610** | **100%** | **$** | **106,808** | **100%** |

# Strategic Plan FY2015

**Why we can grow domestic revenue at 10% per annum?**

- ✓ Low salmon share of protein market at only 3.6%
- ✓ Australian consumption at 1.2kg per capita lags well behind other developed nations (e.g. UK at 3.6kg per capita)
- ✓ Positive consumer and market trends – consumer trend towards healthier and functional eating will stimulate salmon consumption, with significant market growth momentum
- ✓ Sales and marketing opportunities:
  - limited category marketing of salmon – we estimate that hereon we will spend about 3% to 5% of domestic revenue on marketing
  - building market, consumer and retail understanding, then subsequently tailoring marketing programs
  - above and below-the-line marketing investments including media, improved packing presentation, new salmon shops (Kew store opening in January 2010), additional in-store promotions
  - aggressive new product development program, including new formats

# Strategic Plan FY2015

## Building the bridge … Domestic Market Revenue (CAGR 10% pa)

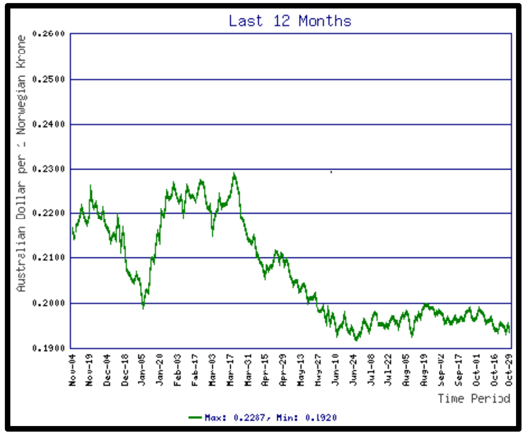
**Takeaways:**

- ✓ With the strategy to increase domestic salmon per capita from 1.2kg to 1.8kg pa, it is important that we maximise every domestic sales opportunity
- ✓ We have seen a shift in our sales mix with the global financial crisis, a shift to retail sales with people eating at home more, but wanting a superior protein choice to enjoy
- ✓ Once the GFC ends, our sales mix should re-balance somewhat with people eating more again at restaurants – we have planned that the domestic sales mix in FY2015 should be consistent with FY2009
- ✓ Retail margins are not deteriorating - on average we are experiencing slightly improving margins

# Strategic Plan FY2015

## Building the bridge… Export Market Revenue

**AUD : NOK**




**AUD : USD**

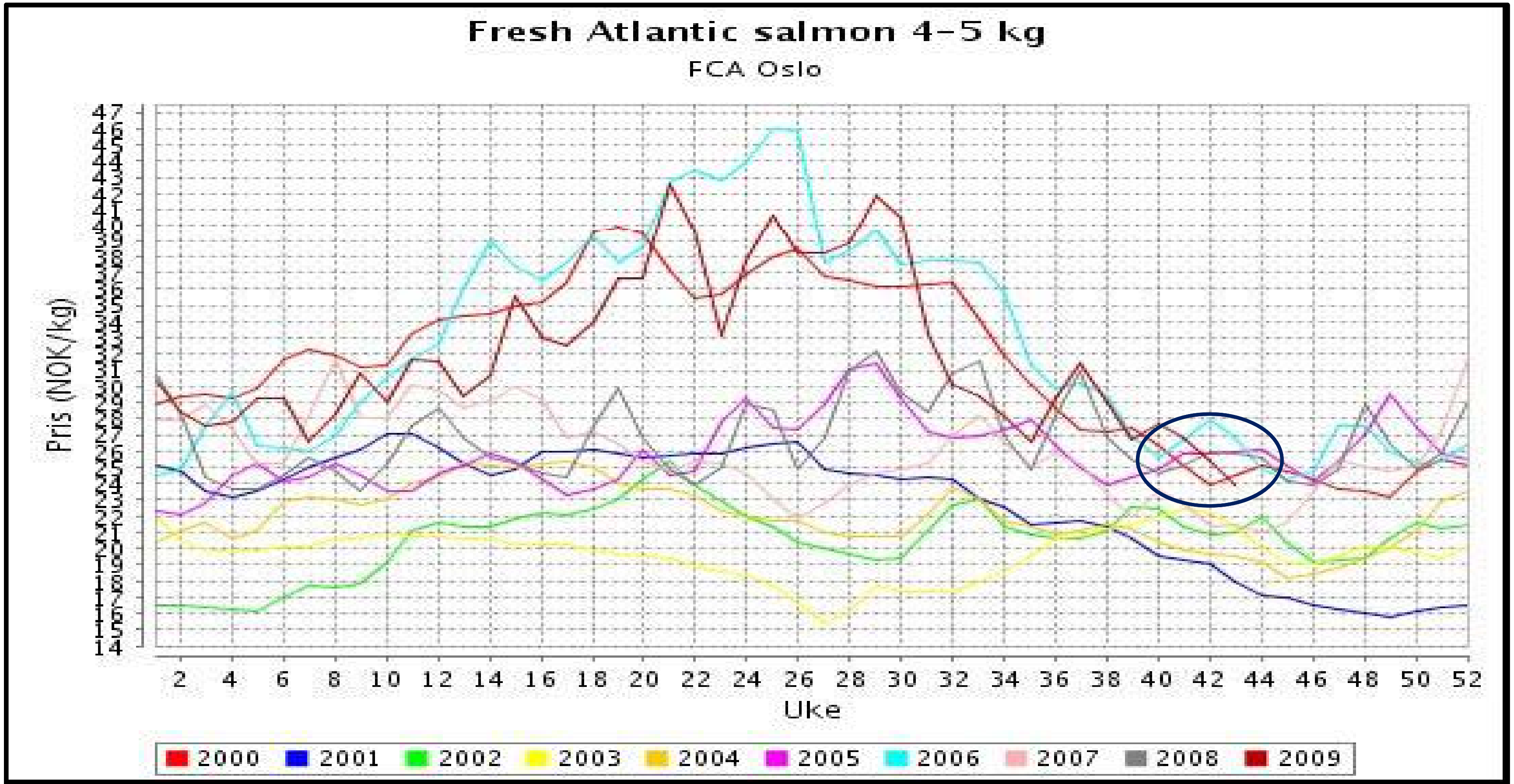

**NOK : USD**


- ✓ FX is highly volatile … and this is continuing

# Strategic Plan FY2015

**Building the bridge … Export Market Revenue**

✓ Prices remain highly volatile…and this is continuing:



# Strategic Plan FY2015

## Building the bridge … Export Market Revenue

**Takeaways:**

- ✓ Export market sales are for "excess" supply only, focus is on growing domestic consumption per capita
- ✓ There is significant price and currency volatility in export markets – and it appears the NOK / USD cross has not been as volatile as the AUD / USD position
- ✓ Price volatility remains despite the disease and supply issues associated with Chile
- ✓ Norway has had an excellent summer growing period and therefore, due to a statutory Maximum Allowable Biomass ("MAB") threshold underpinning their licensing protocols, we have seen sharp pricing in most markets as Norwegian farmers sell their additional biomass
- ✓ When Norwegian farmers "need" to sell due to biomass pressures, they will obviously target profitable markets first (i.e. the same markets we target)
- ✓ Needless to say, the domestic market remains our focus

# Strategic Plan FY2015

## Building the bridge… Capital Expenditure

- ✓ Following our capital raising in January 2009, we identified that we could bring forward some key capital expenditures … which allowed us to pursue quicker growth opportunities (i.e. expansion) with an efficiencies and risk-mitigation focus … as well as ensuring best-practice biosecurity practices (e.g. harvest vessels, automatic feeders)

- ✓ Two key spends were identified - $25m for the Huonville hatchery and $15m for Huonville expansion – with the funding of these assets effectively split over FY2009 and FY2010

- ✓ We could have delayed both outlays, but the benefits were so attractive that the argument for the expenditure were compelling

- ✓ The Hatchery and Huonville development spends allow us to proceed beyond the Strategic Plan FY2015, from a growth perspective

### Hatchery

| Investment Fundamentals | |
|---|---|
| Capital Forecast | $ 25,000,000 |
| Internal Rate of Return (IRR) | 19% |
| Net Present Value (NPV) | $ 8,757,404 |
| Non-Discounted Pay Back | 4.64 |
| Project ROI After Tax | 26% |

### Huonville Development

| Investment Fundamentals | |
|---|---|
| Capital Forecast | $ 15,092,306 |
| Internal Rate of Return (IRR) | 34% |
| Net Present Value (NPV) | $ 17,479,584 |
| Non-Discounted Pay Back | 3.26 |
| Project ROI After Tax | 45% |

# Strategic Plan FY2015

## Building the bridge... Capital Expenditure

- ✓ During the past three years the major focus of the main capital programs has been expansionary in view of achieving Strategic Plan volume targets
- ✓ Additionally, significant investment has been made in efficiency based capital projects for all three operational business units, to maximise existing infrastructure and to progress towards world's best practice salmon production
- ✓ Most expansionary capital expenditure has also had efficiency and risk mitigation focus … as illustrated below (most of these items has had a post implementation review completed to vet the returns):

| Actual / Forecast | Business Unit | Date of Implementation | Capital Cost | IRR | NPV | Non-Discounted Payback | ROI after tax |
|---|---|---|---|---|---|---|---|
| **Harvest Vessels** | **MOPS** | Oct-08 & Dec 09 | $ 6,114,228 | 38% | $ 6,254,847 | 2.47 | 42% |
| **Liberty Feed Barge** | **MOPS** | Jul-09 | $ 1,963,887 | 38% | $ 2,133,293 | 2.48 | 49% |
| **Marcon** | **MOPS** | Jan-09 | $ 1,700,962 | 15% | $ 155,256 | 4.54 | 15% |
| **Automatic Net Washer I & II** | **MOPS** | Dec-08 | $ 749,026 | 87% | $ 2,230,224 | 0.98 | 126% |
| **Automatic Net Washer 3** | **MOPS** | Mar-09 | $ 510,966 | 57% | $ 890,091 | 1.59 | 77% |
| **Shore Power Brabazon** | **MOPS** | Apr-09 | $ 359,554 | 26% | $ 179,419 | 3.19 | 27% |
| **SUB TOTAL** | | | **$ 11,398,623** | | | | |
| **IPS3000 + MV** | **VA** | Aug-08 | $ 2,142,703 | 25% | $ 1,201,882 | 3.36 | 27% |
| **Brine Injector** | **VA** | Feb-09 | $ 804,086 | 31% | $ 672,972 | 3.13 | 42% |
| **Smokehouse Upgrades** | **VA** | Dec-08 | $ 795,146 | 46% | $ 1,200,661 | 2.19 | 45% |
| **Margate Pin Boner** | **VA** | Mar-08 | $ 240,720 | 228% | $ 2,404,307 | 0.41 | 429% |
| **HV Pin Boner** | **VA** | Nov-08 | $ 162,763 | 240% | $ 2,501,109 | 0.53 | 531% |
| **Carton Erector** | **VA** | Sep-07 | $ 199,610 | 26% | $ 104,589 | 3.33 | 33% |
| **SUB TOTAL** | | | **$ 4,345,028** | | | | |
| **Ice Slurry Machine** | **Wet** | Oct-07 | $ 699,164 | 55% | $ 1,208,352 | 1.65 | 81% |
| **Baader Cleaning Kits** | **WET** | Jul-08 | $ 373,050 | 20% | $ 112,342 | 3.91 | 20% |
| **SUB TOTAL** | | | **$ 1,072,214** | | | | |
| **GRAND TOTAL** | | | **$ 16,815,865** | | | | |

# Strategic Plan FY2015

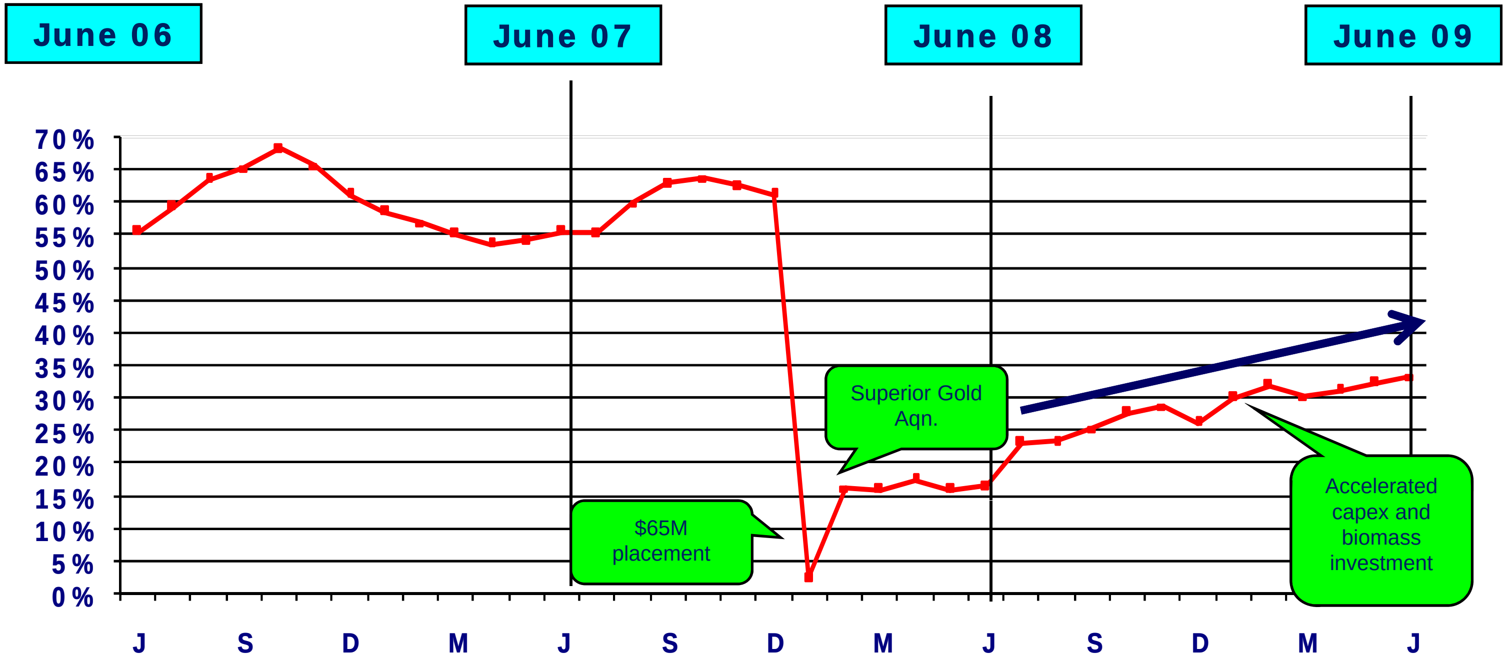
## Building the bridge … Capital Expenditure

**Takeaways:**

- ✓ The majority of expansionary spend has and will be respectively undertaken in FY2009 and FY2010
- ✓ Our strategy post FY2010 is for the expansionary phase to give way to a consolidation / replacement phase
- ✓ But with the incorporation of some 20 people from overseas or interstate – best-practice people with best-practice ideas – we will not pass up opportunities to invest with clear and pervasive paybacks that continue to drive efficiencies throughout our business
- ✓ Capital spend (over and above replacement capital expenditure) will need to demonstrate an ROI after tax of at least 15%
- ✓ By FY2015, depreciation and replacement capital expenditure will effectively be in line at between \$13m and \$15m

# Strategic Plan FY2015

**Acceptable gearing targets are in place to allow us to deliver on our Strategic Plan**




| Year | Debt | Gearing |
|---|---|---|
| 2006 | $44.8m | 55% |
| 2007 | $52.2m | 50% |
| 2008 | $32.6m | 17% |
| 2009 | $69.6m | 33% |

**Gearing Target Range**

**FY2010 – FY2011: 40% - 50% (with the range dependent on fish growth above short-term Strategic Plan targets and our position on "export" sales)**

**FY2012 – FY2015: 25% - 35%**

# Strategic Plan FY2015

**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
- ✓ Incremental trade finance and leasing facilities have been secured with NAB and Bankwest since 30 June 2009 to underpin our Strategic Plan funding requirements
- ✓ Core facilities mature 31 October 2010, but will be re-visited well prior to then
- ✓ Facility pricing remains competitive within the context of the current debt market

**It is not currently the Company's intention to access equity markets (except via our DRP) to fund our future growth – this will be underpinned by increasing operating cash flow and accessing primarily incremental finance lease lines**

# Conclusion

| | | |
|---|---|---|
| ✓ Tassal continues to experience strong sales momentum despite the current challenging economic environment | ⇒ | we expect this to continue in FY2010 |
| ✓ Salmon farming remains a capital intensive industry … both from a capital expenditure and from a working capital perspective | ⇒ | given the expansion / biomass growth that Tassal is undertaking pursuant to its Strategic Plan FY2015, we expect a similar production growth and capital expenditure profile in FY2010 |
| ✓ Sales and marketing focus continues with the domestic market as we continue to ensure we deliver on the Strategic Plan FY2015 target sales revenue growth of 10% pa | ⇒ | Satisfying domestic demand, increasing fish size and ensuring sufficient frozen inventories are on hand are the priorities. Export market is being utilised only for “excess” supply … given the underlying price and foreign exchange (i.e. currency) volatility |
| ✓ Retail Costs & Rebates have increased, but only in line with the sales mix changes | ⇒ | This cost as a % of our business is likely to continue to increase in FY2010, but again only in line with the further growth of our retail business – i.e. we are not “giving away” margin |
| ✓ With a strong balance sheet in place | ⇒ | Tassal is well positioned in FY2010 to continue to pursue the growth underpinning its Strategic Plan FY2015 |

# Conclusion

- ✓ FY2010 will bring finalisation of the key investments that will underwrite our objectives to deliver on the Strategic Plan FY2015
- ✓ Strong sales momentum continues – particularly in the domestic market – and despite the challenging economic environment
- ✓ We continue to maintain our domestic market focus – both wholesale and retail sales ensuring our solid returns
- ✓ We remain focused on sustainable growth and global best practice
- ✓ Acceptable gearing and banking arrangements are in place to allow us to deliver on our Strategic Plan
- ✓ Tassal is well positioned in FY2010 to continue to pursue the growth underpinning its Strategic Plan FY2015

***Have fun,***

***work hard,***

***stay healthy,***

***eat salmon***

# Appendices

# Statutory Results Reconciliation

| Financial Year Ended 30 June 2009 | Reported $'000 | AASB 141 impact $'000 | Non-recurring items impact $'000 | Underlying operational result $'000 |
|---|---|---|---|---|
| Revenue (from all sources) | $ 357,781 | $ (153,648) | $ - | $ 204,133 |
| EBITDA | $ 49,928 | $ (4,674) | $ - | $ 45,254 |
| EBIT | $ 41,899 | $ (4,674) | $ - | $ 37,225 |
| Profit before income tax expense | $ 39,112 | $ (4,674) | $ - | $ 34,438 |
| Income tax expense | $ (9,028) | $ 1,402 | $ - | $ (7,626) |
| Net profit after income tax expense | $ 30,084 | $ (3,272) | $ - | $ 26,812 |
| Gearing Ratio | | | | 33.17% |
| Interest Cover (x) | | | | 13.36 |
| NTA ($'000) | | | | $ 172,211 |
| NTA per Share | | | | $ 1.26 |
| ROE (NPAT) | | | | 12.69% |
| ROA (EBIT) | | | | 10.52% |
| EPS | | | | $ 0.1978 |

| Financial Year Ended 30 June 2008 | Reported $'000 | AASB 141 impact $'000 | Non-recurring items impact $'000 | Underlying operational result $'000 |
|---|---|---|---|---|
| Revenue (from all sources) | $ 288,311 | $ (121,045) | $ - | $ 167,266 |
| EBITDA | $ 38,533 | $ (983) | $ 2,030 | $ 39,580 |
| EBIT | $ 31,157 | $ (983) | $ 2,030 | $ 32,204 |
| Profit before income tax expense | $ 27,043 | $ (983) | $ 2,030 | $ 28,090 |
| Income tax expense | $ (6,576) | $ 295 | $ (609) | $ (6,890) |
| Net profit after income tax expense | $ 20,467 | $ (688) | $ 1,421 | $ 21,200 |
| Gearing Ratio | | | | 17.24% |
| Interest Cover (x) | | | | 7.83 |
| NTA ($'000) | | | | $ 151,119 |
| NTA per Share | | | | $ 1.12 |
| ROE (NPAT) | | | | 11.21% |
| ROA (EBIT) | | | | 11.51% |
| EPS | | | | $ 0.1705 |

1. Statutory reported results have been adjusted for the impact of AASB141 and non-recurring items

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