



Amended Investor Presentation \*

## **Tassal Group Limited**

**Results for the six months ended 31 December 2009**  
**23 February 2010**

Mark Ryan, Managing Director and CEO  
Andrew Creswell, Chief Financial Officer

\* Slide 13 has been amended



## Today's agenda

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- Overview
- Financial performance
- Operational review
- Strategy & outlook
- Summary



# Overview



## A satisfactory set of results

(A\$'000)	1H10	1H09	Change
Revenue	206,265	178,434	16%
EBITDA	27,673	28,577	(3)%
NPAT	15,076	16,468	(8)%
Underlying EBITDA <sup>1</sup>	28,807	28,577	1%
Underlying NPAT <sup>2</sup>	15,870	16,468	(4)%
Gearing (Net Debt/Equity) <sup>3</sup>	40.07%		
Interim Dividend <sup>4</sup>	4.00 cps		

(1) Excluding Non Recurring Item - \$1.13m pre-tax net foreign exchange loss as a result of a fair value adjustment

(2) Excluding Non Recurring Item - \$0.79m post tax effect of the net foreign exchange loss

(3) Target range at 31 Dec 09 was 40-45% (30 Jun 09: 33.17%) – target range at 30 June 10 is 30% to 35%

(4) Unfranked dividend. DRP at a 5% discount, with intention to have DRP underwritten



## Strong foundation for future growth

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- Significant growth and retail penetration in the domestic market
- Successfully completed and commissioned state-of-the-art Huon River Hatchery facility
- Substantially completed Huonville Value Add facility
- Continued cost reductions and throughput efficiencies within production facilities – with cost reductions from fish performance coming in FY2011 and beyond
- Improved sea and hatchery performance, together with the expected future benefits from the Selective Breeding Program to continue to drive biomass growth
- Strengthened management team – promotion of Andrew Creswell (to CFO), and addition of Linda Sams (Chief Sustainability Officer) & Peter Jones (General Counsel & Company Secretary)
- Well positioned to continue to pursue growth strategy and deliver on operational and financial performance underpinning Strategic Plan FY2015



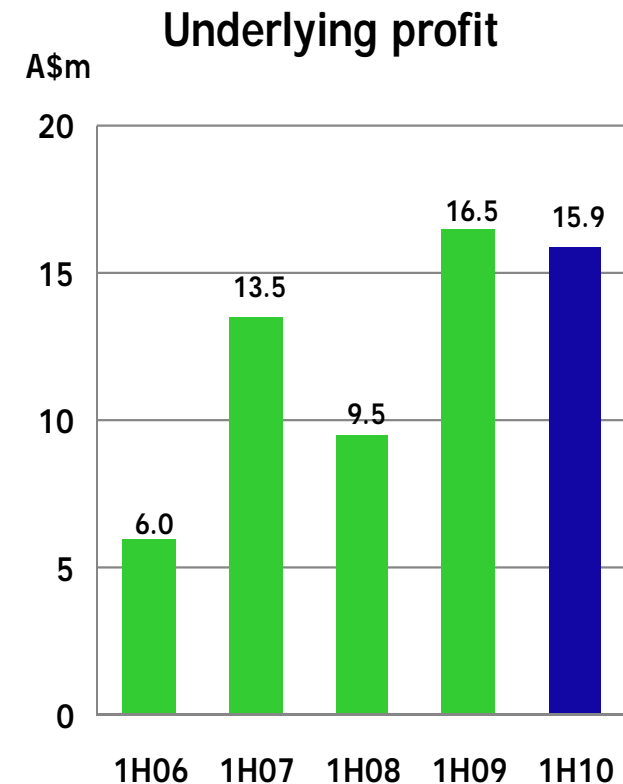
# Financial performance



## Satisfactory financial performance

(A\$'000)	1H10	1H09	Change
Revenue	206,265	178,434	16%
EBITDA	27,673	28,577	(3)%
EBIT	22,654	24,652	(8)%
EBT	20,151	23,273	(13)%
NPAT	15,076	16,468	(8)%
Underlying EBITDA (before NRI*)	28,807	28,577	1%
Underlying NPAT (before NRI*)	15,870	16,468	(4)%
EPS (cps)	10.89 cps	12.20 cps	

(\*) NRI – Non-recurring items: Net foreign exchange loss of \$1.13m pre tax (\$0.79m post tax) as a result of a fair value adjustment to hedge contracts in place at 31 December 2009





## Satisfactory operating performance

(A\$'000)	1H10 Underlying*	AASB 141	1H10 Operating	1H09 Operating	Change
Revenue	206,265	(94,031)	112,234	99,770	12%
EBITDA	28,807	(5,688)	23,119	24,301	(5)%
EBIT	23,788	(5,688)	18,100	20,376	(11)%
EBT	21,285	(5,688)	15,597	18,997	(18)%
NPAT	15,870	(3,982)	11,888	13,475	(12)%

(\*) Before non-recurring items

- Revenue growth underpinned by strong domestic market performance, particularly the retail market (sales revenue up 20%)
  - strong sales momentum will underpin future growth
- Earnings lower predominantly due to:
  - export market – significantly lower returns from net selling prices due to GFC & biomass gain in Norway (base salmon price \$/kg reduction) together with appreciating Australian Dollar
  - domestic market – acquisition of some third party fish for value add production & Tassal's contract growing arrangement with Petuna when Petuna smolt supplied (no further reduction in the price is expected)

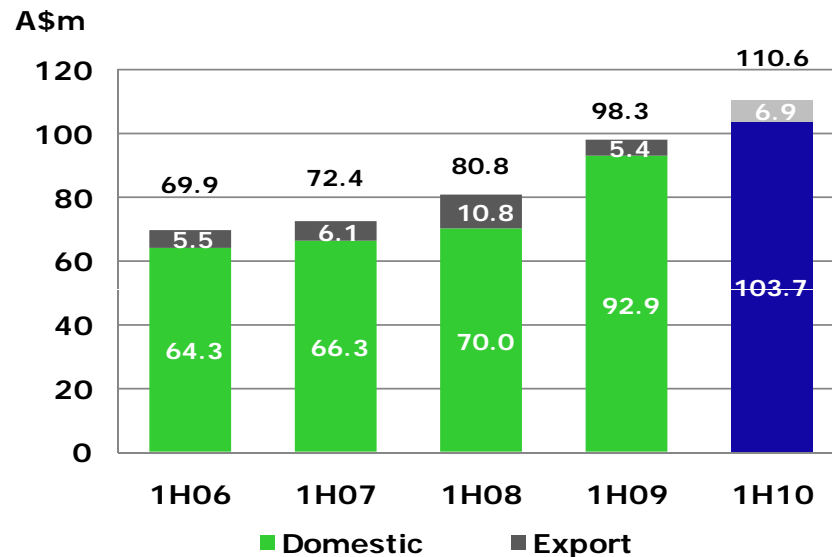




# Growth in operating sales revenue

Operating sales revenue up 12% to \$110.6m due to excellent trading conditions in domestic market

(A\$'000)	1H10	1H09	Change
Domestic	103,659	92,914	12%
Export	6,931	5,396	28%
Total	110,590	98,310	12%



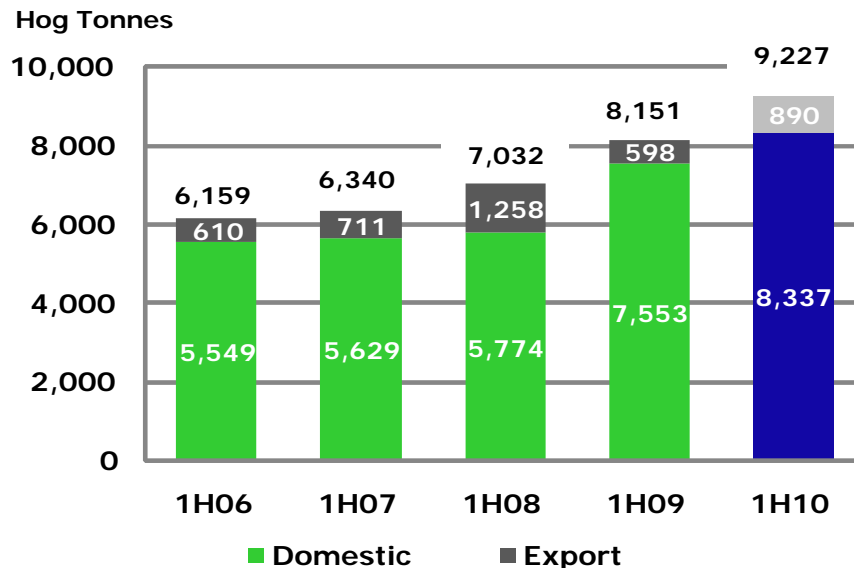
- Domestic sales up 12% to \$103.7m
  - growth across all core products – fresh hog, smoked salmon and Superior Gold
  - accounted for 94% of total sales (1H09: 95%)
  - retail sales particularly strong, up 20%, providing strong revenue momentum
  - nominal growth in wholesale market – reflection of GFC (ie restaurant trade)
- Export sales up 28% to \$6.9m
  - less than expected given GFC & biomass gain from Norway (low base salmon price \$/kg), together with high A\$



# Growth in operating sales volume

## Operating sales volume up 13% to 9,227 tonnes

(hog tonnes)	1H10	1H09	Change
Domestic	8,337	7,553	10%
Export	890	598	49%
Total	9,227	8,151	13%

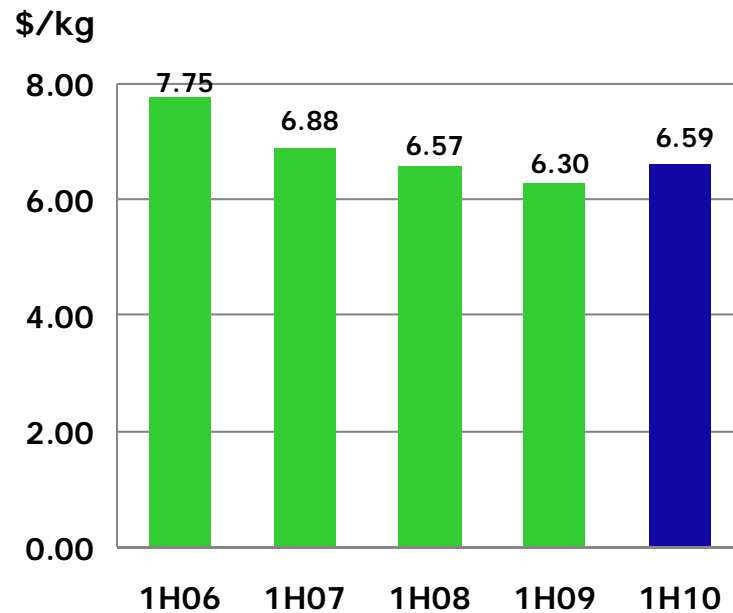


- Domestic volume up 10% to 8,337 tonnes
  - growth across fresh hog and smoked salmon
  - slight decrease in Superior Gold due to focus on Tassal branded supply
  - retail sales to underpin strategy of 1.8kg per capita by FY2015 – organic growth and new products
  - accounted for 90% of total volumes (1H09: 93%)
- Export volume up 49% to 890 tonnes
  - measured growth to maximise return given low base price and high A\$



## Cost of finished goods

Controlling the costs we can control – focus remains to reduce cost of production to move in-line with global best practice



- Cost of finished goods up 5% to \$6.59/kg
  - purchase of 400 tonnes of third party fish for value add production during key growing season – to underpin growth of fish in the water
  - higher fish feed and depreciation costs – partially offset by improved labour and overhead
  - higher costs of imported Superior Gold product – we are now producing most of smoked salmon (not smoked trout) so these costs should reduce in 2H10
- Despite higher finished goods costs, Tassal is moving closer to global best practice cost of production
  - global cost of production has increased due to higher global feed costs and disease issues in Chile

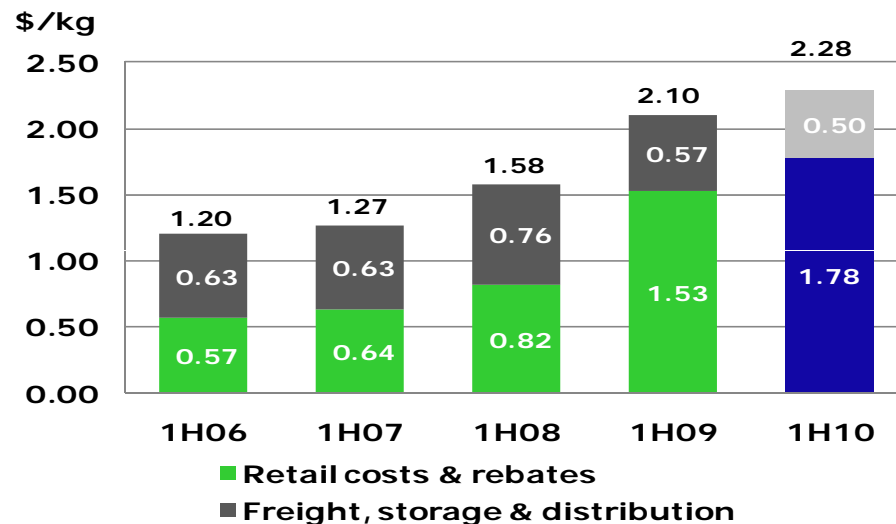


# Operating costs

**Direct selling costs reflect change in sales mix towards retail sales, not lower retail margin**

% of sales	1H10	1H09
Retail costs & rebates	15%	13%
Freight, storage & distribution costs	4%	4%
Total direct selling costs	19%	17%

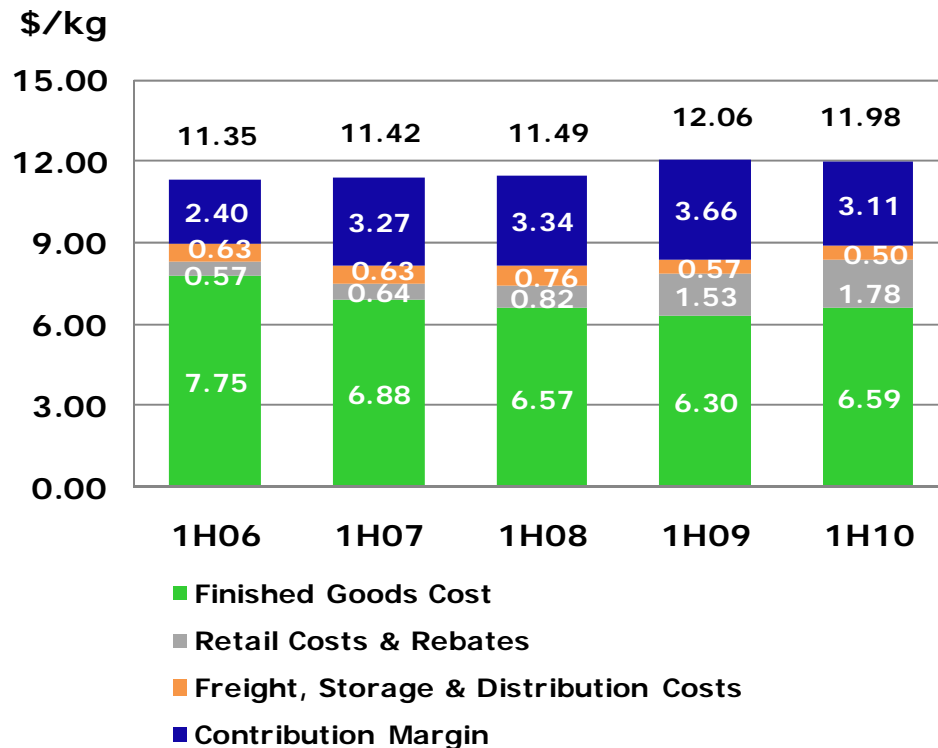
- Increase in direct selling costs reflects change in sales mix (wholesale to retail)
  - does not reflect lower margin return from retail sales
  - we are not “giving away margin” – net retail returns for individual products have in the main improved
- Freight, storage & distribution costs remained stable





# Contribution margin \$/kg

Contribution margin reflects lower returns from the export market and a step down in Petuna Pricing



- Export market
  - affected by significantly lower net selling prices due to lower base salmon price \$/kg and appreciating A\$
  - significant negative impact on contribution margin \$/kg
- Domestic market
  - step down in Petuna pricing – in line with the contract growing arrangement when Tassal grows and supplies Petuna supplied smolt
  - increase in cost of goods sold – predominantly acquisition of third party fish
  - increase in direct selling costs – reflects change in sales mix only



## Cash flows

### Operating cash flow in-line with expectations

(\$'000)	1H10	1H09
Operating cash flow	4,232	8,357
Investing cash flow	(25,209)	(23,291)
Financing cash flow	15,858	8,923
Net increase / (decrease) in cash and cash equivalents	(5,119)	(6,641)

- Strong domestic sales growth underpinning funding of underlying operating business and biomass growth to FY2015
- Forecast capex of \$15-20m in 2H10 to drive further growth (ie expansionary spend), efficiencies and risk mitigation
- Level of capital spend is commensurate with level of growth in our live fish – and more importantly, to ensure appropriate risk mitigation to underpin our sustainability
- Existing facilities in place to 31 Oct 11



# Strong balance sheet

## Significant value underpinning Tassal balance sheet

(\$'000)	Dec 09	Jun 09
Cash	7,663	3,682
Receivables	25,176	23,590
Inventories	48,288	48,311
Biological assets	123,948	100,169
Other current assets	1,766	1,303
<b>Total current assets</b>	<b>206,841</b>	<b>177,055</b>
Trade & other receivables	1,584	0
Investments	7,958	7,907
Property, plant & equipment	149,987	129,170
Goodwill & intangibles	39,035	39,035
Other non current assets	686	707
<b>Total non current assets</b>	<b>199,250</b>	<b>176,819</b>
<b>Total assets</b>	<b>406,091</b>	<b>353,874</b>

(\$'000)	Dec 09	Jun 09
Borrowings	74,392	26,193
Trade & other payables	42,588	35,442
Other current liabilities	4,654	6,458
<b>Total current liabilities</b>	<b>121,634</b>	<b>68,093</b>
Borrowings	24,430	47,566
Deferred tax liabilities	31,934	26,327
Other	577	641
<b>Total non-current liabilities</b>	<b>56,941</b>	<b>74,534</b>
<b>Total liabilities</b>	<b>178,575</b>	<b>142,627</b>
<b>Net assets</b>	<b>227,516</b>	<b>211,247</b>

- Significant growth in biological assets (i.e. live fish), together with planned growth in PP&E underpinning Strategic Plan FY2015
- Cash advance facility of \$31.8m is classified as a current liability – will be reclassified as non current now that existing facilities have been extended



## Comfortable gearing levels

Gearing of 40.07% net debt / equity is within target range

(\$'000)	Dec 09	Jun 09
Cash	7,663	3,682
Borrowings	98,822	73,759
Net debt	91,159	70,077
Shareholders equity	227,516	211,247
Net debt / equity (gearing)	40.07%	33.17%
Interest cover – EBITDA	11.05x	
Underlying EBITDA	11.51x	
Interest cover – EBIT	9.05x	
Underlying EBIT	9.50x	

- Gearing of 40.07% net debt / equity is in line with expectation
  - within target range for the first half of 40-45%
  - target range for Jun 10 of 30-35%
- Interest cover is solid
  - >11x EBITDA and >9x EBIT





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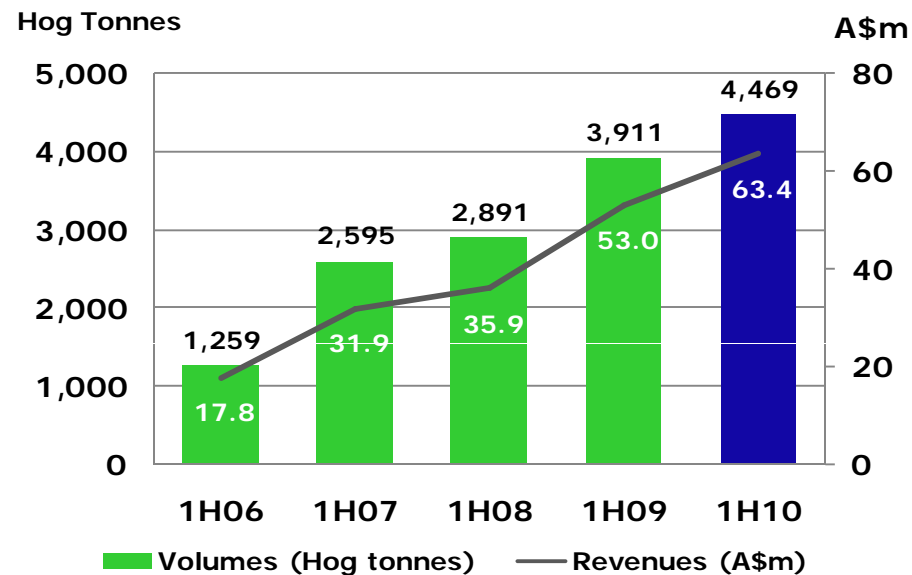
# Operational review



## Domestic retail sales

Volume up 14% to 4,469 hog tonnes; revenue up 20% to \$63.4m

	1H10	1H09	Change
Volume (hog tonnes)	4,469	3,911	14%
Revenue (\$'000)	63,387	53,022	20%



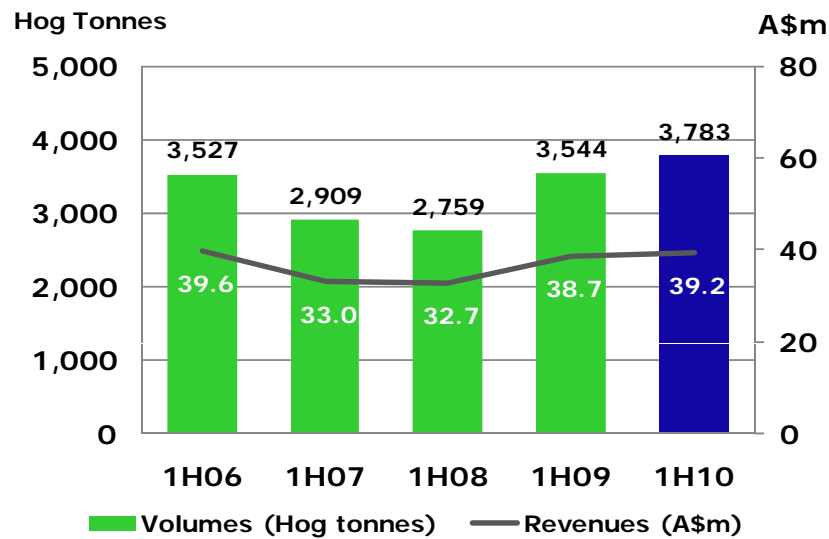
- Fresh hog
  - exceptional growth in volume and revenue
  - fresh hog price \$/kg maintained
- Fillets and portions
  - strategic decision to decrease direct supply of fillets and portions from Sep 09... more than offset by performance of retail hog
- Smoked salmon
  - strong growth in Tassal brand, with hog equivalent price up 10% through sales mix and price increases
  - solid growth in Superior Gold brand underpinned by stable volume and increase in hog equivalent price of 11%



# Domestic wholesale sales

Volume up 7% to 3,783 hog tonnes; revenue up 1% to \$39.2m

	1H10	1H09	Change
Volume (hog tonnes)	3,783	3,544	7%
Revenue (\$'000)	39,211	38,673	1%



NOTE: 1H06 excludes sales to third party grower and sales of Kingfish

- Fresh hog
  - solid increase in fresh hog sales volume and revenues, with fresh hog price/kg maintained
- Smoked salmon
  - volume was up, but revenue was flat due to lower pricing as imports benefited from high A\$
- Petuna
  - volume was up
  - revenue was down due to lower sales return from contract growing arrangement when using Petuna smolt (1H09 was provided from Tassal smolt)
- Expect growth of wholesale sales to increase on back of reducing impact of GFC



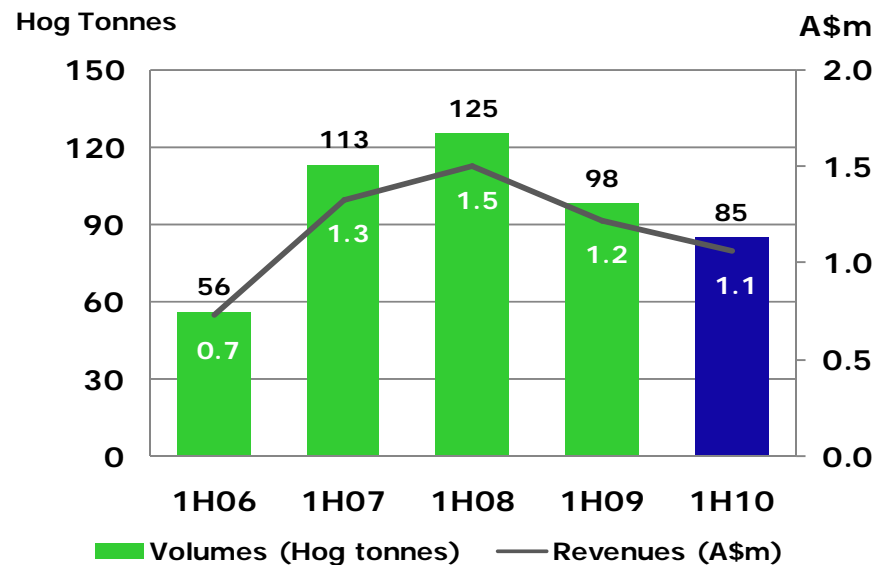
## Food service sales

**Not a target market in 1H10**

**Volume down 13% to 85 hog tonnes; revenue down 13% to \$1.1m**

	1H10	1H09	Change
Volume (hog tonnes)	85	98	(13)%
Revenue (\$'000)	1,060	1,219	(13)%

- Fresh hog price/kg was maintained
- Not prepared to deeply discount product to achieve growth in volume
- Imports extremely active – Tassal was not prepared to sell at a loss
- Will now focus on new business development opportunities based on healthy eating focus



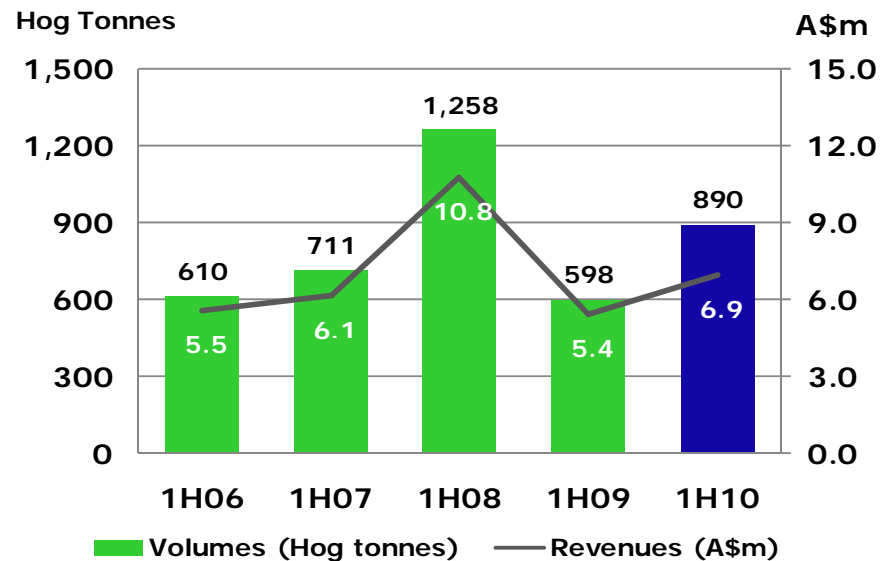


# Export sales

**Volume up 49% to 890 hog tonnes; revenue up 28% to \$6.9m**

	1H10	1H09	Change
Volume (hog tonnes)	890	598	49%
Revenue (\$'000)	6,931	5,396	28%

- Affected by low net hog price/kg (well down on 1H09)
  - GFC, biomass gain in Norway, and high A\$
- Sales during the period were profitable, albeit margins were lower
- Contribution margin for 1H10 was \$1.38/kg hog (1H09: \$2.39/kg hog)
- Focus in 1H10 was to maximise export market return
- Major export market sales traditionally occur between October to March – if there is excess fish in the domestic market





# Inventories

## Inventories in-line with expectations

(\$'000)	1H10	1H09	Change
Biological asset component	7,747	6,082	27%
Tassal finished goods	28,397	23,558	21%
Superior Gold finished good	5,128	3,957	30%
Raw materials	7,015	5,412	30%
Total	48,287	39,000	24%

- Increase in Tassal finished goods due to focussed build on smoked retail lines to allow for summer sales period and then Easter
- Superior Gold smoked salmon inventory levels should decline given move away from importing the product – with the substitution of Tassal’s own salmon into the product

Hog tonnes	1H10	1H09	Change
Tassal finished goods	3,155	2,398	32%
Superior Gold finished goods	454	404	12%
Total	3,609	2,802	29%



## Huon River hatchery

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### Successfully completed and commissioned in Dec 09

- State of the art hatchery facility completed in line with cost expectations
- Plan to produce 4m smolts at around 170 grams for delivery to Tassal's marine farming sites during autumn and winter in 2010
  - underpins bigger & earlier fish going to sea for 2010 Year Class
- Combined with other hatchery sources – Saltas, Russell Falls, Springfield & Sevrup – Tassal is carrying additional smolt capacity
- On firming up excellent performance Huon River hatchery, strategic decision to sell Tassal's share in Springfield on 15 Jan 10 (therefore reduce smolt supply) and reduce supply of Petuna sourced smolt
- Current progress of fish size from Huon River is above plan – Russell Falls on plan – Saltas slightly below plan ... all in all on track
- Huon River hatchery is exceeding expectations in its first year – and it has been tested with warm summer conditions



## Business improvement initiatives

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### Significant focus continues on business improvement initiatives – excellent results being achieved

- Continued cost reductions and throughput efficiencies through production facilities
- Further improving fish size and survivability, particularly evident in performance of
  - 2009 Year Class at sea
  - 2010 Year Class at both Huon River and Russell Falls hatcheries
- Ongoing fish husbandry and feed management improvements
  - reflected in performance of 2009 Year Class (despite extremely warm summer conditions)
- Sale of Springfield hatchery equity on 15 Jan 10
  - loss on disposal of \$1.1m to be classified as non-recurring item in 2H10
  - costly, poor performing smolt removed from Tassal smolt input profile
- Reduction in supply of Petuna sourced smolt – focus on Huon River hatchery smolt



# Progress towards strategic targets



Progress towards Strategic Plan FY2015 targets on track – we will report on FY10 progress at next results

	FY09 actual	FY15 target
Smolt input nos.	5.1m	6.3m – 6.5m
Year class survival %	82% - 84%	88% - 90%
Harvest size – hog	4.1kg – 4.3kg	4.8kg – 5.0kg
Harvest tonnes - hog	Circa 17,000	Circa 30,000
Domestic market revenue CAGR	10%	10%
Pricing assumptions	Targeted price increases	Targeted price increases
Export market	5% to 10%	5% - 10%
Capital expenditure	<b>Focus</b> expansionary efficiency risk mitigation	<b>Focus</b> replacement efficiency risk mitigation



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# Strategy & outlook



# Global salmon supply outlook

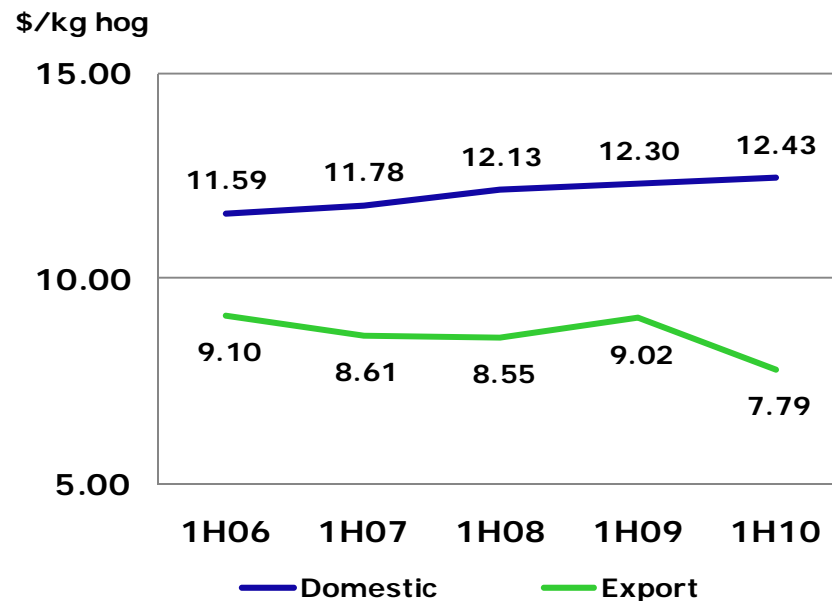
## Market analysts expect better pricing during CY10

- CY09 was a tale of two halves
  - first 6 months (i.e. 2H FY09) – export market returned solid net hog price \$/kg
    - disease issues in Chile (ie lower supply and solid base prices \$/kg)
    - depreciating A\$
  - second 6 months (ie 1H FY10) – export market returned low net hog price \$/kg
    - GFC
    - biomass gain in Norway (ie higher supply and low base prices \$/kg)
    - appreciating A\$
- CY10 is shaping up well
  - volumes down – 2010 global harvest supply < 2009 levels
    - cold Norwegian winter (ie limited growth)
    - limited Chilean harvest biomass
  - Export prices up – on average better export base prices \$/kg
    - lower volumes
  - Outlook for A\$ is difficult to predict!



## Selling price/kg

Changes in domestic prices are mix driven, whilst changes in export prices are real net price changes



- Domestic selling prices
  - steadily increasing over past 5 years
  - change is mix driven (ie retail vs wholesale – direct vs indirect)
- Export selling prices
  - changes are real net price changes
  - improving during early 2H10 – combination of better base pricing (see Appendix) and lower \$A



## 2H10 priorities

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### Finalising key investments that will underwrite delivery of Strategic Plan FY2015

- Further improve smolt size and time of input (ie earlier) following completion of Huon River hatchery
- Further improve fish size and survivability
  - targeted investment in marine infrastructure (eg Huon River hatchery)
  - on-site harvesting technology
  - ongoing fish husbandry and feed management improvements
- Maximise gains from processing automation, innovation and capacity infrastructure investments, leveraging improved fish harvest size
- Cascade risk mitigation and management practices across all business levels
- Further enhance environmental, social and governance culture across business to support sustainable growth
- Continue to adapt farming techniques to changing environmental conditions – summer 2010 has brought warm water, and we have ensured that Tassal
  - remains sustainable with current harvest fish (ie 2008 Year Class)
  - continues to thrive with next year's harvest fish (ie 2009 Year Class)



## 2H10 priorities

### Growing market

- Enhance brand awareness
  - further strengthen product positioning
  - deliver innovative products to our customer base
- Grow salmon per capita consumption
  - new product development
  - innovation and strengthening of retail and wholesale relationships
- Maximise domestic sales opportunities
- Further branding and marketing initiatives
  - underpin continued growth in domestic demand and sales
  - continue to seek out profitable Asia-Pacific export markets





## In summary...

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- Satisfactory set of results in challenging market conditions
  - strong growth in domestic market
- Strong balance sheet
  - underpinned by fish growth and investment in infrastructure
  - comfortable gearing within target range
- Strengthened management team
- Progress on track towards Strategic Plan FY2015 targets
  - achieved operational and financial goals of Strategic Plan since inception in 2006
- Well positioned to continue to grow shareholder value
  - attractive market fundamentals – high growth
  - unique position in the market – clear market leader; successfully growing market and share of it
  - progressing towards being global low cost producer
  - increased fish inventory and size
  - organic growth opportunities

Any questions?



PURE BEAUTY  
FOOD



THE TASMANIAN SALMON



PURE  
BEAUTY  
FOOD



THE TASMANIAN SALMON



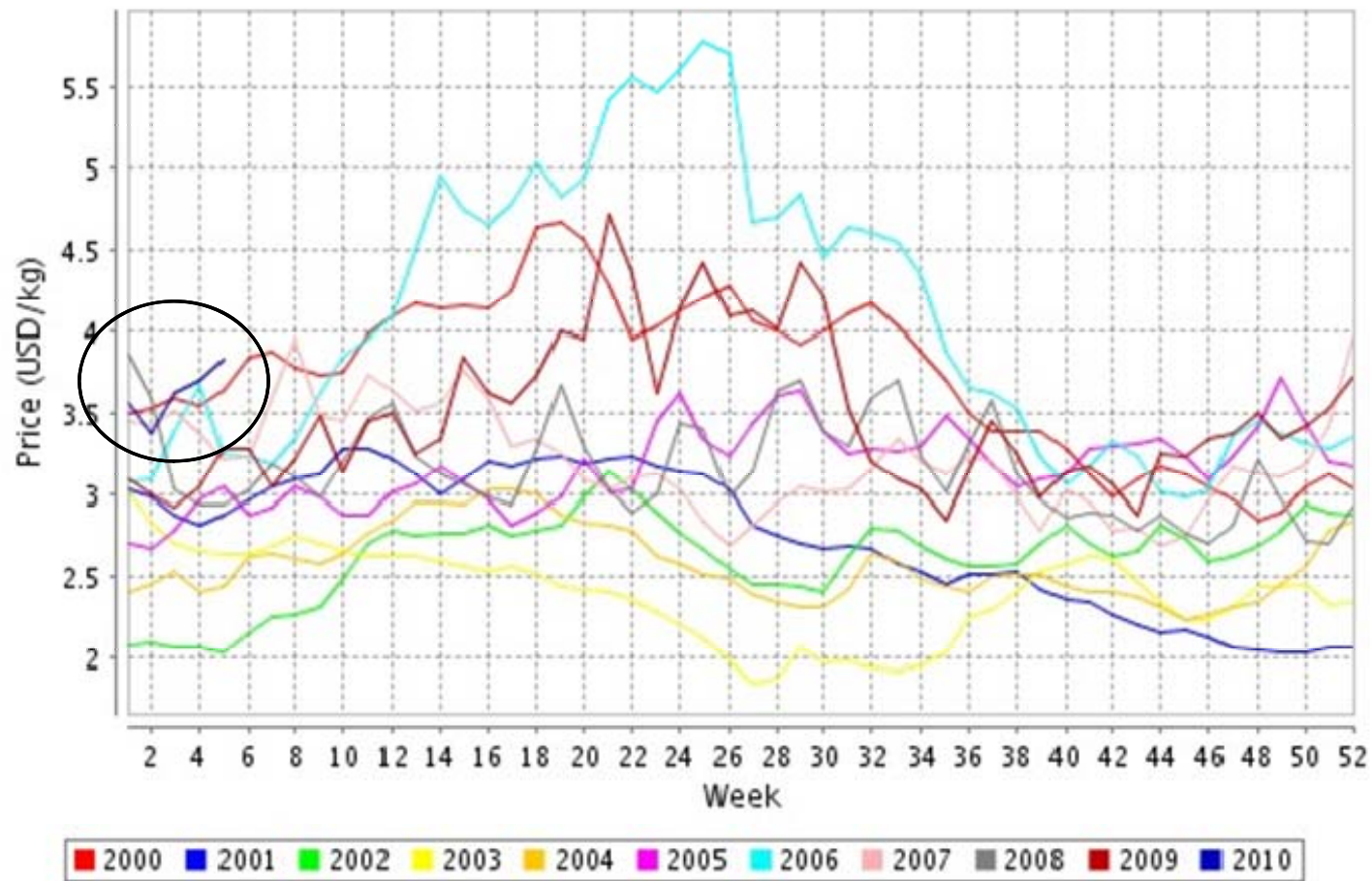


# Appendix



# Export prices

Fresh Atlantic salmon, Norway 3-4 kg  
FCA Oslo

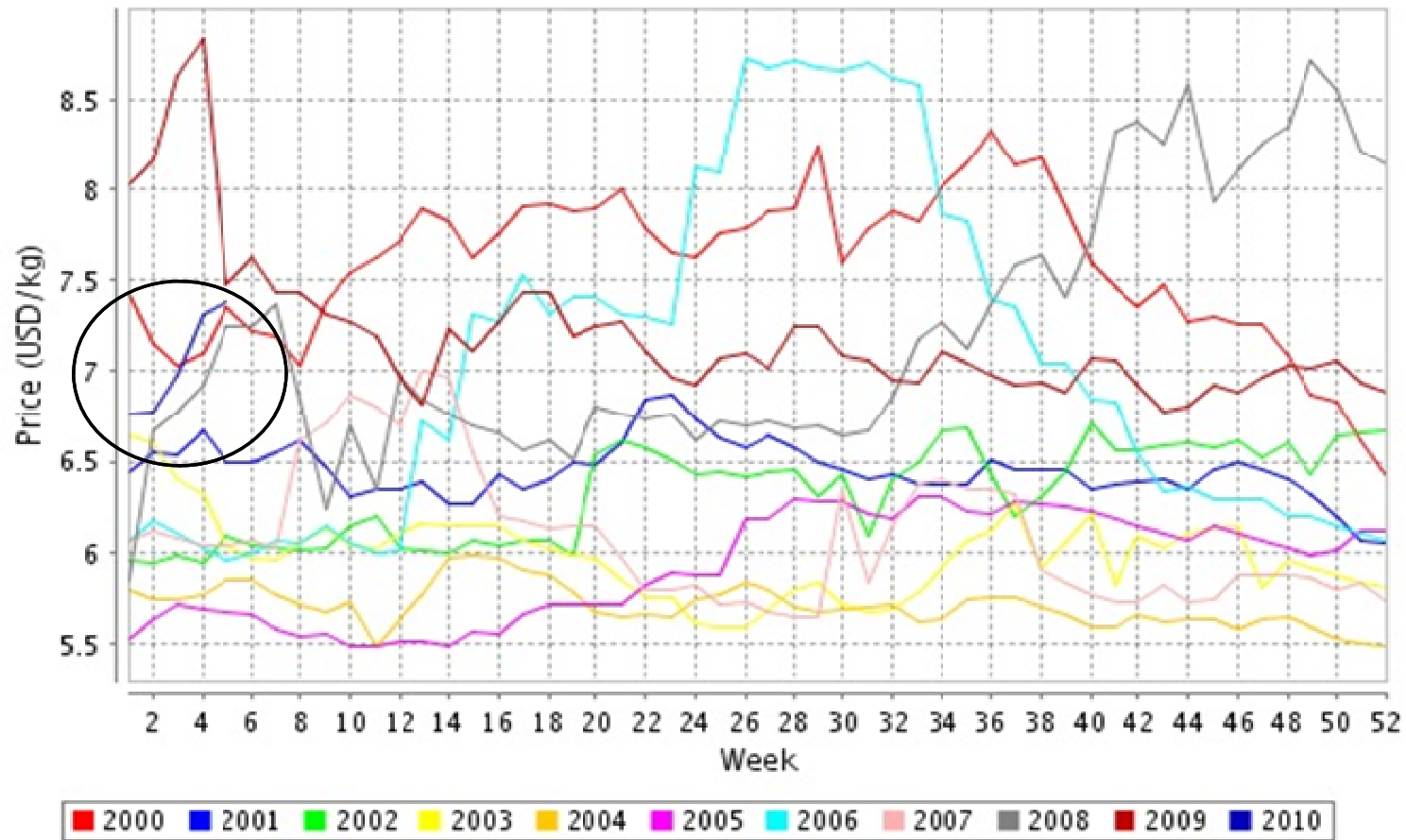


Source: Intrafish



# Export prices

**Fresh Atlantic salmon, Norway 3-4 kg**  
Wholesale prices from the Tsukiji market, Tokyo



Source: Intrafish



## Profit reconciliation

	Statutory Profit \$'000	Non Recurring Items \$'000	Underlying Profit \$000
<b>H1 2010</b>			
Revenue (from all sources)	\$206,265	\$0	\$206,265
EBITDA	\$27,673	\$1,134	\$28,807
EBIT	\$22,654	\$1,134	\$23,788
Profit before income tax expense	\$20,151	\$1,134	\$21,285
Income tax expense	(\$5,075)	(\$340)	(\$5,415)
Net profit after income tax expense	\$15,076	\$794	\$15,870

	Statutory Profit \$'000	Non Recurring Items \$'000	Underlying Profit \$000
<b>H1 2009</b>			
Revenue (from all sources)	\$178,434	\$0	\$178,434
EBITDA	\$28,577	\$0	\$28,577
EBIT	\$24,652	\$0	\$24,652
Profit before income tax expense	\$23,273	\$0	\$23,273
Income tax expense	(\$6,805)	\$0	(\$6,805)
Net profit after income tax expense	\$16,468	\$0	\$16,468

	Statutory Profit \$'000	Non Recurring Items \$'000	Underlying Profit \$000
<b>Movement - H1 2010 v H1 2009</b>			
Revenue (from all sources)	16%		16%
EBITDA	(3%)		1%
EBIT	(8%)		(4%)
Profit before income tax expense	(13%)		(9%)
Income tax expense			
Net profit after income tax expense	(8%)		(4%)



## Profit reconciliation

	Underlying Profit \$000	AASB 141 Impact \$'000	Operational Result \$000
<b>H1 2010</b>			
Revenue (from all sources)	\$206,265	(\$94,031)	\$112,234
EBITDA	\$28,807	(\$5,688)	\$23,119
EBIT	\$23,788	(\$5,688)	\$18,100
Profit before income tax expense	\$21,285	(\$5,688)	\$15,597
Income tax expense	(\$5,415)	\$1,706	(\$3,709)
Net profit after income tax expense	\$15,870	(\$3,982)	\$11,888

	Underlying Profit \$000	AASB 141 Impact \$'000	Operational Result \$000
<b>H1 2009</b>			
Revenue (from all sources)	\$178,434	(\$78,664)	\$99,770
EBITDA	\$28,577	(\$4,276)	\$24,301
EBIT	\$24,652	(\$4,276)	\$20,376
Profit before income tax expense	\$23,273	(\$4,276)	\$18,997
Income tax expense	(\$6,805)	\$1,283	(\$5,522)
Net profit after income tax expense	\$16,468	(\$2,993)	\$13,475

	Underlying Profit \$000	AASB 141 Impact \$'000	Operational Result \$000
<b>Movement - H1 2010 v H1 2009</b>			
Revenue (from all sources)	16%		12%
EBITDA	1%		(5%)
EBIT	(4%)		(11%)
Profit before income tax expense	(9%)		(18%)
Income tax expense			
Net profit after income tax expense	(4%)		(12%)



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