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## Macquarie Connections Australian Conference Emerging Leaders

7<sup>th</sup> May 2008  
Hilton Sydney

# Agenda

- **Reaffirm Market Guidance**
- **Some History**
- **Some Biology**
- **An Operational Snapshot**
- **Global Market Trends**
- **Strategic Plan FY2015**

## **Market Guidance Unchanged**

# Market Guidance

## RE-AFFIRMED

- Current forecast full-year normalised NPAT for FY2008 at \$21 million

# Market Guidance

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## RE-AFFIRMED

- Current estimated full-year normalised NPAT for FY2009 at \$30 million

# Market Guidance

It is prudent that Tassal must continue to ensure that it has appropriate risk mitigation strategies in place – the Board believes that this is the case and that the following risks, albeit not exhaustive, are worth noting for FY2008 and beyond:

- Agriculture risk
- Exchange risk
- Feed pricing risk
- Interest rate risk
- Pricing risk

## Some History

# Setting the Scene

**2002**

- Tassal Limited \$30m loss
- Cost of Growing \$8.00kg hog
- Cost of Processing \$3.50kg hog
- Sales = Domestic Fresh Hog price moved from \$13.00kg to \$9.50kg effectively in one year
- Human Capital – quality and structure was poor



**2008**

- Tassal Group Limited \$21m NPAT
- Cost of Growing \$4.75kg hog
- Cost of Processing \$1.60kg hog
- Sales = Average product pricing around \$11.70kg
- Human Capital – we now have global best practice

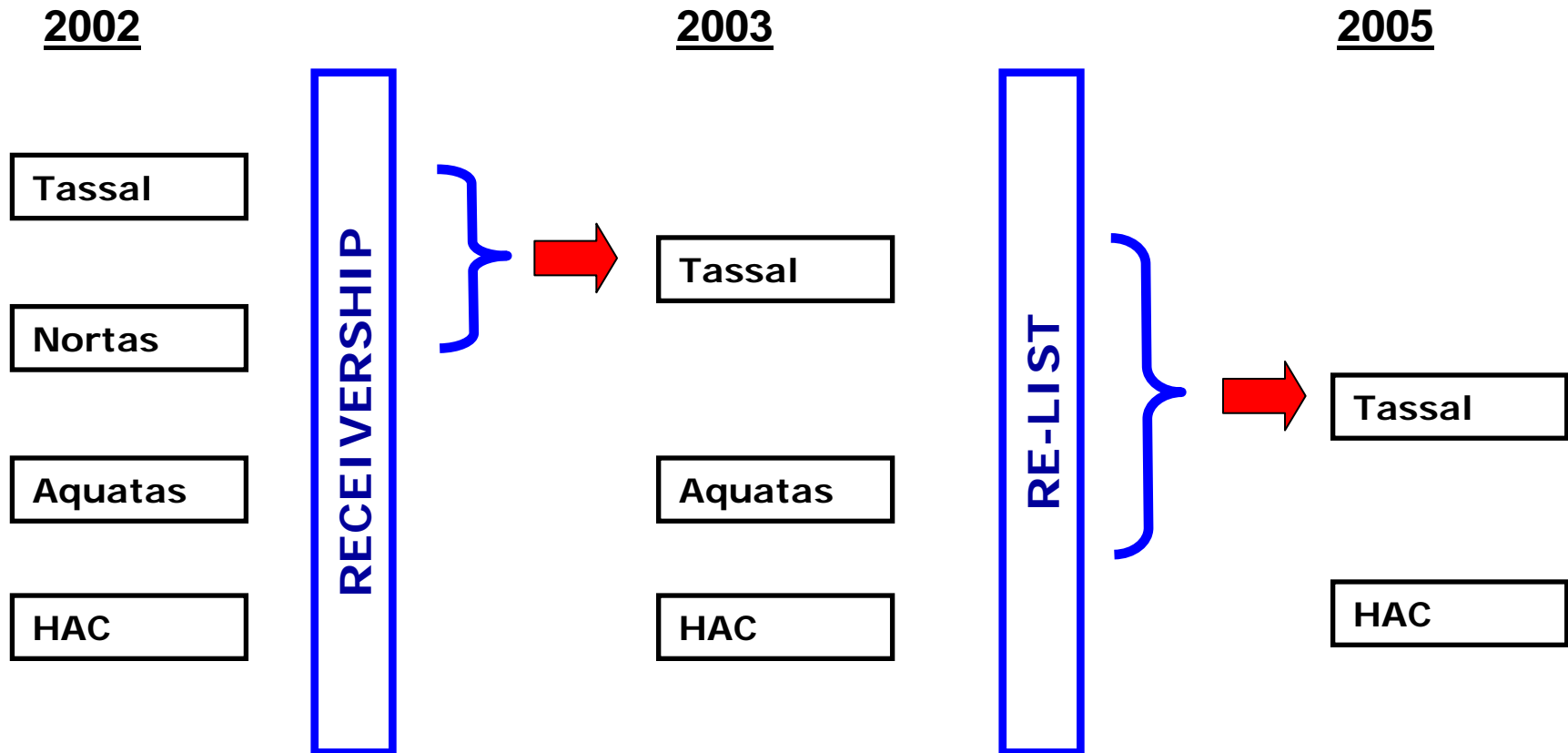


**2015**

- Cost of Growing \$3.50kg – global best practice
- Cost of Processing \$1.30kg – global best practice
- Sales = maintaining premium



# Setting the Scene



# Strong NPAT Growth

FY2004	→	\$3.9M
FY2005	→	\$5.8M
FY2006	→	\$11.2M
FY2007	→	\$15.9M
FY2008	→	\$21.0M
FY2009	→	\$30.0M

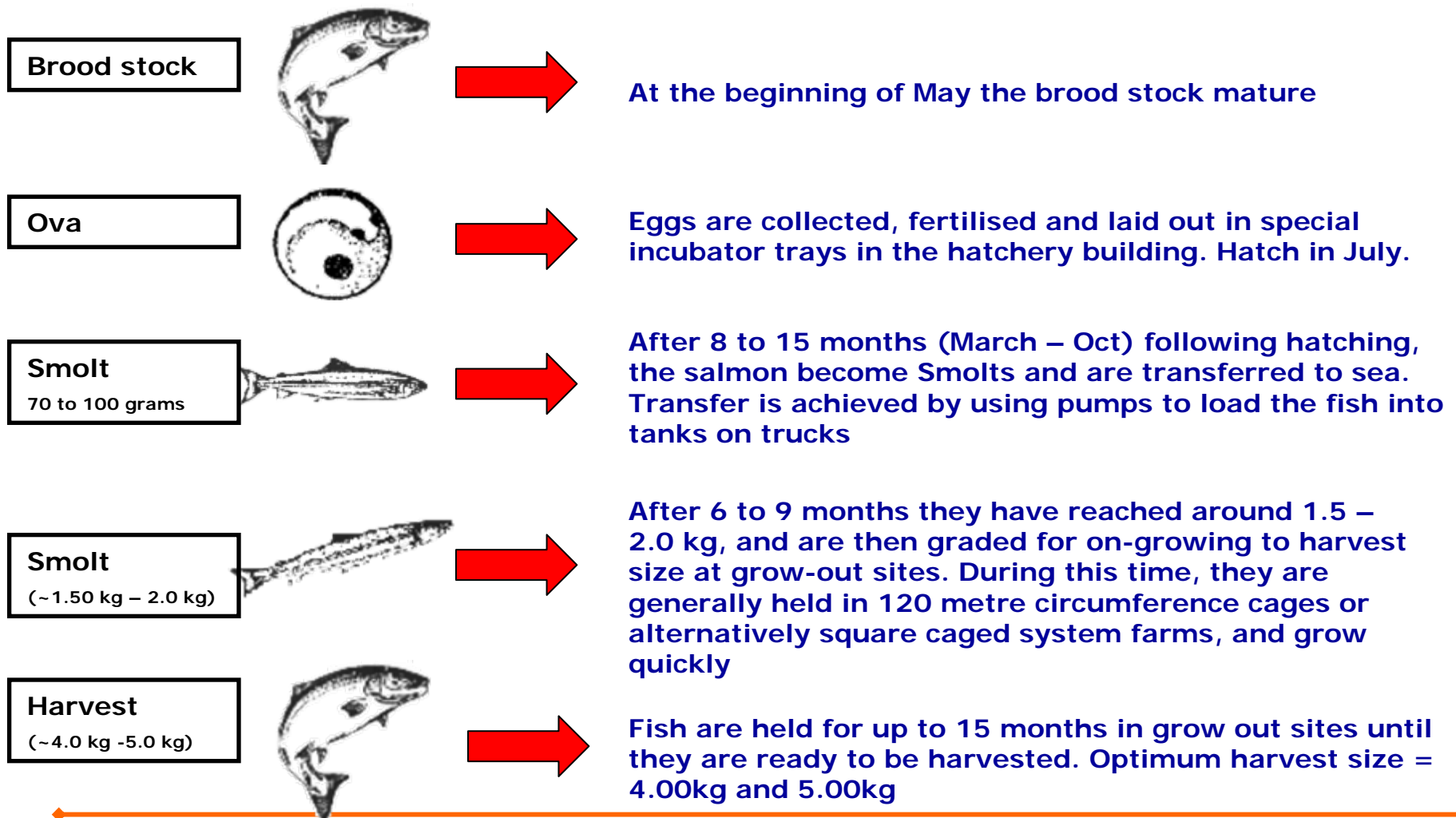


Unchanged

## Some Biology

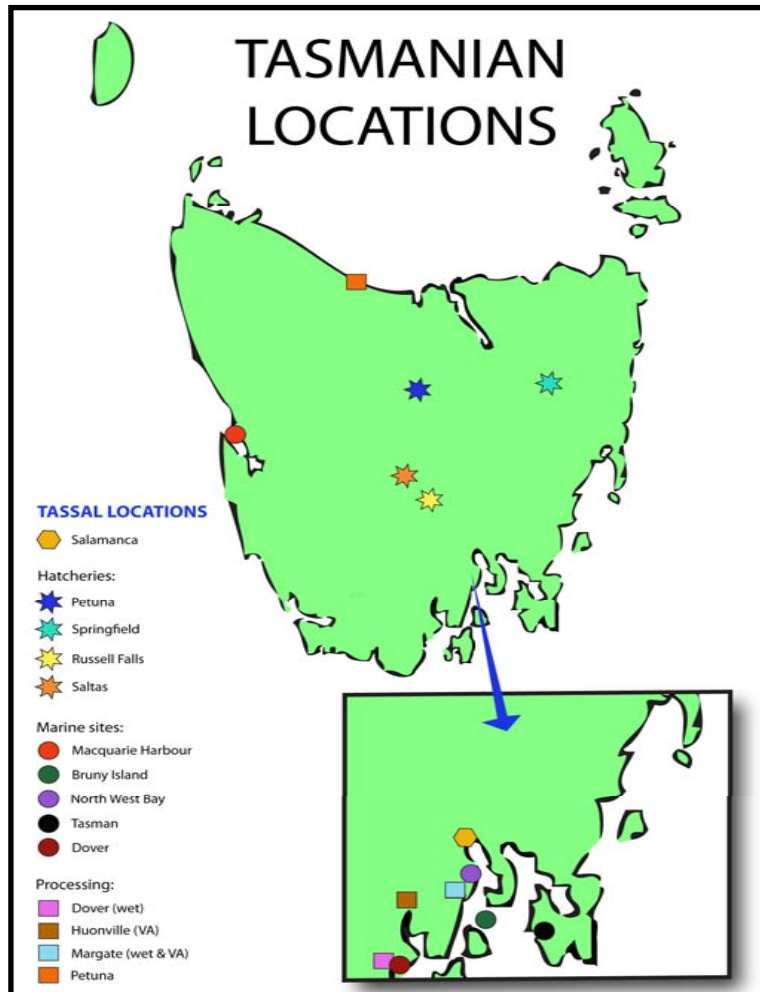
# Salmon Cycle

The typical lifecycle of farmed Atlantic Salmon, from ova to harvest, is approximately 24 to 36 months.



# An Operational Snapshot

# Where Are We



Multiple smolt sources from hatcheries on differentiated river systems

Geographically diversified marine farming regions

Increasingly product dedicated and automated processing facilities

Largest vertically integrated salmon company in Australia

Around 65% of industry harvest

# Hatchery



**Russell Falls  
Hatchery Site**



# Hatchery



**Tanks  
under lights  
at Russell  
Falls**



# Smolt Delivery



**Transport trucks used to transfer salmon smolt from hatcheries to sea farms.**

# Marine Farm Site



**Bruny Island  
Marine Farm**



# Processing - Fresh



**Fresh  
processing  
at Dover**

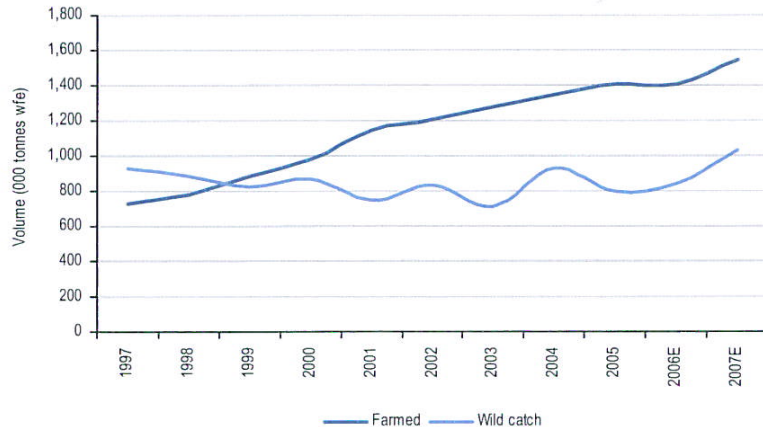
# Processing - VA



**Portion  
vacuum  
packing line  
at Margate  
processing  
facility**

# Global Market

# Global Salmon Supply

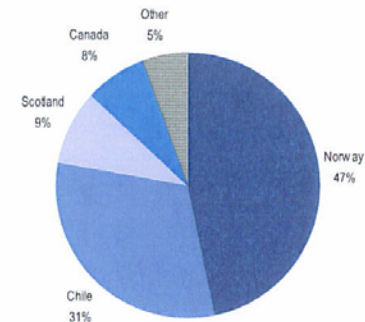


Source: Kontali

**Wild catch stable**

**Farmed salmon 60% of total world supply in 2007**

**Farmed salmon doubled in total over last 8 years**



Source: Kontali

**Tasmanian industry around 1% of world production**

# Global Market Trends

## CY2006

Stable farmed supply but with demand around + 10% = record global prices

## CY2007

+ 9% farmed supply driven by + 21% record growth in Norway, partly offset by a 4% decrease in Chile.

Global market absorbed the high volume ... supply = demand - albeit that pricing was significantly less and volatile

Wild Catch Salmon reached its highest level in more than a decade at 1,1031,000 tonnes ... 23% more than the average catch of the last 10 years (also fuelled pricing volatility).

## CY2008

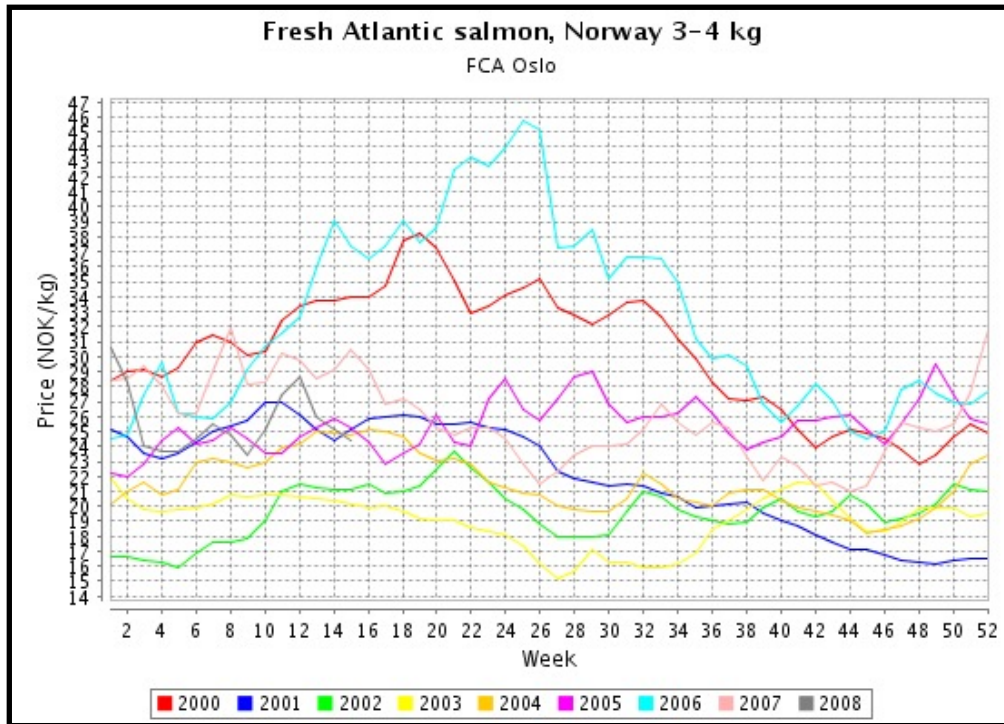
+ 1-2% farmed supply, driven by around 8% growth in Norway, with Chile expected to decline around 14% (due to ongoing biological issues)

Return to stable market supply conditions should see improving prices in the second half of calendar year 2008 (where the effects of the downturn of Chile production will be felt).

Analysts view that the long term outlook for global salmon prices is favourable in view of expected further industry consolidation and rising meat prices in general, driven by raw material price inflation due to increased demand from the alternative energy industry



# Global Pricing



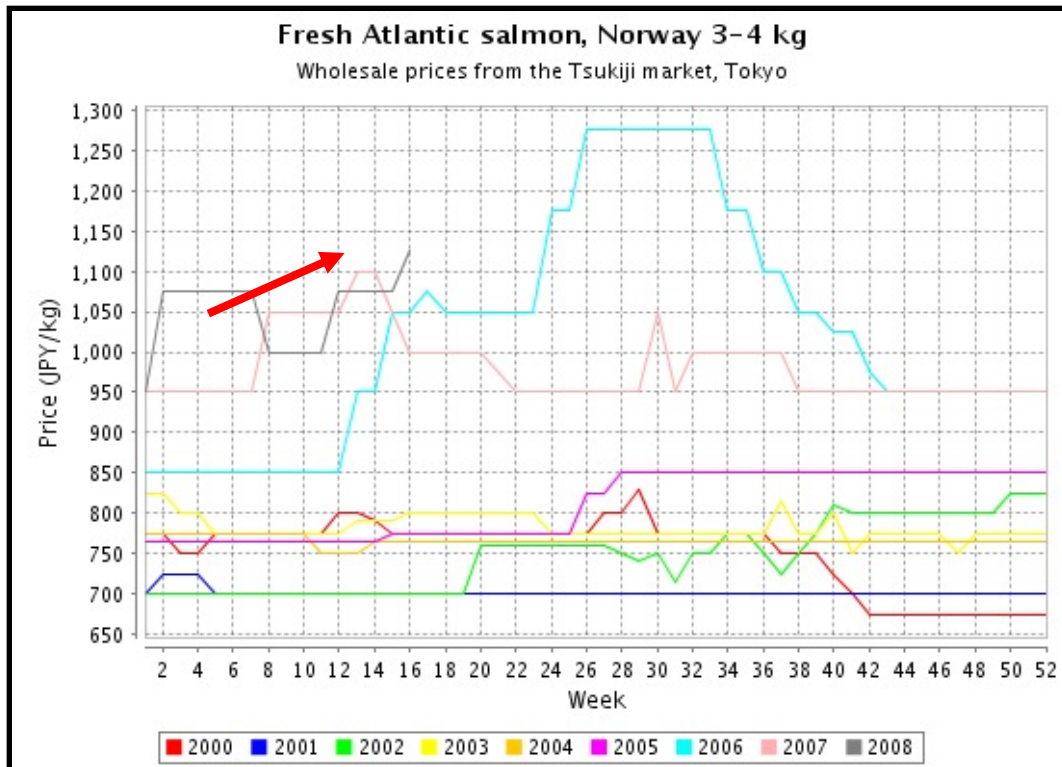
**Norwegian market remains volatile**

**Recovery expected in later half of 2008 calendar year**

Source: Intrafish Website May 08



# Global Pricing



**Upwards momentum in  
Japanese market this year**

**Tassal's principal export market**

Source: Intrafish Website May 08

# Chile is not Tasmania

The Chilean Salmon Industry is facing 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 is 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. Region 11 is now being built up - with harvesting to ramp up in 2009.

Due to the continuing ISA situation in Chile, industry participants are undertaking fundamental restructuring of their freshwater, seawater and processing facilities - effectively a 3 year work out plan required - total smolt input is expected to be significantly reduced in 2008 (up to 40%)

Set out below is a position that Chile is endeavouring to "get to" ... as compared to where the Tasmanian Industry "is at"

Biosecurity Issues - Chile	Biosecurity Position - Tasmania
<b>Work-out Plan - Solutions to be implemented</b>	
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)

# Strategic Plan FY2015

# Strategic Plan FY2015



- Tassal's overarching strategy is to be globally cost competitive in aquaculture production, together with achieving premium returns from its Sales and Marketing initiatives
- We consider we are on track to deliver on Strategic Plan FY2015

# EBIT Waterfall

FY2015  
Target =  
\$3.50 kg

	31-Dec-07 \$/Hog Kg	30-Jun-07 \$/Hog Kg	30-Jun-06 \$/Hog Kg	30-Jun-05 \$/Hog Kg	30-Jun-04 \$/Hog Kg
Revenue	\$ 11.70	\$ 11.68	\$ 11.63	\$ 11.85	\$ 12.81
Salmon Cost	\$ 4.76	\$ 4.88	\$ 5.06	\$ 5.05	\$ 5.72
Third Party Contractors	\$ 0.15	\$ 0.26			
Processing & Packaging	\$ 1.65	\$ 1.77	\$ 2.61	\$ 2.87	\$ 3.15
Direct Selling	\$ 1.58	\$ 1.36	\$ 1.17	\$ 1.57	\$ 1.65
Labour & Overheads	\$ 1.15	\$ 1.11	\$ 0.81	\$ 0.95	\$ 0.89
EBITDA	\$ 2.41	\$ 2.31	\$ 1.98	\$ 1.41	\$ 1.40
Depreciation	\$ 0.15	\$ 0.13	\$ 0.16	\$ 0.11	\$ 0.43
EBIT	\$ 2.26	\$ 2.18	\$ 1.82	\$ 1.30	\$ 0.97

Focus on costs is clearly  
delivering bottom line growth

Our Ongoing focus is to continue  
to do so

Price line "stable" to date

Norway ~\$3.50 to \$4.00 kg

Chile ~\$3.00 to \$3.50 kg  
(Under pressure)

# Strategic Plan FY2015

- FY2008 – FY2011 viewed as “engine room” to deliver FY2015 Plan
- Jan’08 placement (apart from SG A’cqn) provided funds to accelerate future capital investment initiatives (drive the engine...) to
  - deliver our Plan on a sustainable basis;
  - and
  - reinforce our focus on risk mitigation

# FY2015 Mops Initiatives

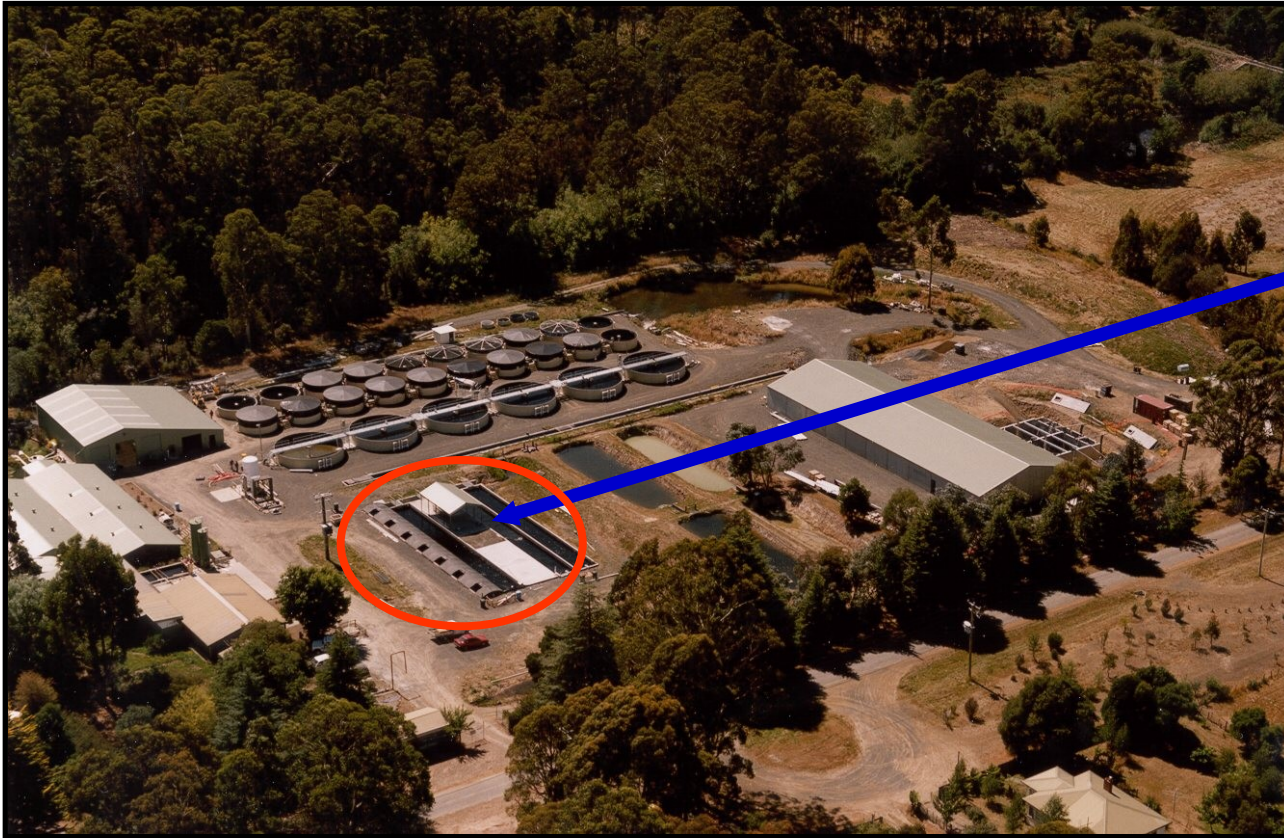
Target to achieve \$3.50 cost of growing – focus continues on

- Harvest size
- FCR
- Survival
- Smolt input numbers
- Selective Breeding Program
- Removal of AGD



Hatchery

# Hatchery



**Existing  
broodstock  
holding facility**



# Hatchery

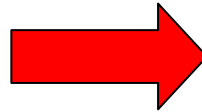


**Brood stock  
temperature  
controlled facility**

# FY2015 Mops Initiatives

Target to achieve \$3.50 cost of growing – focus continues on

- Harvest size
- FCR
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- Smolt input numbers
- Selective Breeding Program
- Removal of AGD



Automatic feeders

# Previous Feeding Method



**Delivered to  
individual  
pen by boat  
via “water  
jet”**



# Automatic Feeders

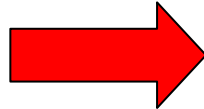


# FY2015 Mops Initiatives

Target to achieve \$3.50 cost of growing – focus continues on

- Harvest size

- FCR



Feed and diet

- Survival

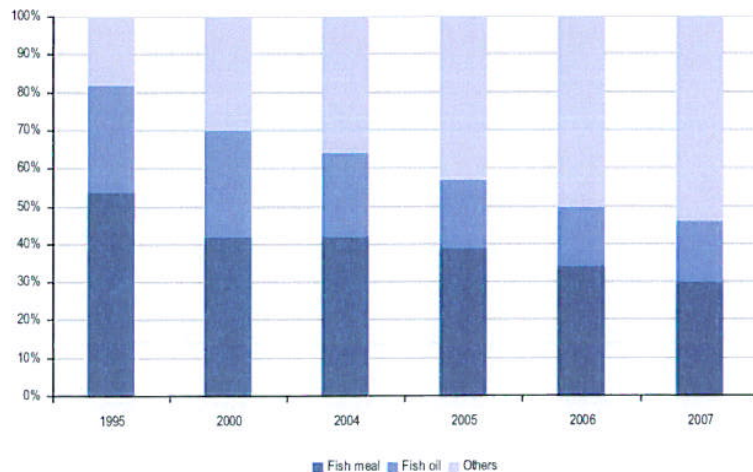
- Smolt input numbers

- Selective Breeding Program

- Removal of AGD

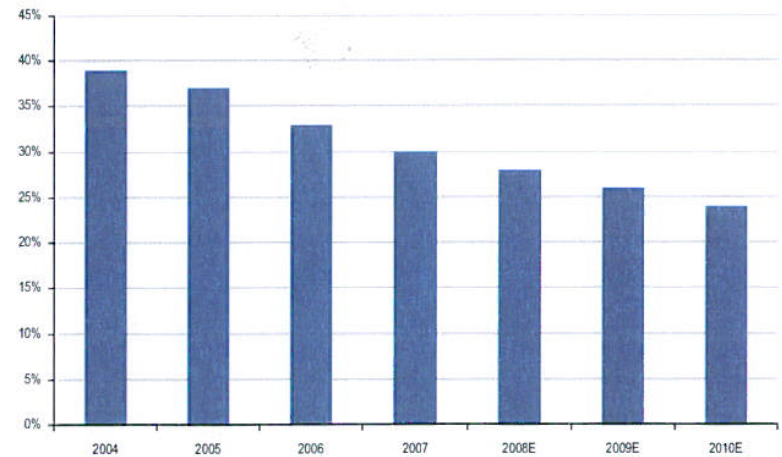
# Feed and Diet

## Development of fishmeal and fish oil in fish feed



Source: Biomar

## Development of fish meal in fish feed



Source: Nutreco



**Increasing substitution = sustainable development**

# FY2015 Processing Initiatives

- Target = achieve global best practice from a cost of processing perspective – actual \$/kg hog is sales mix dependent
  - On-site Harvesting
  - Margate redevelopment
  - Continued automation



# Existing Harvest Process





# Harvest Vessel

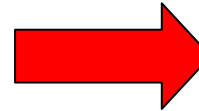


# Harvest Vessel



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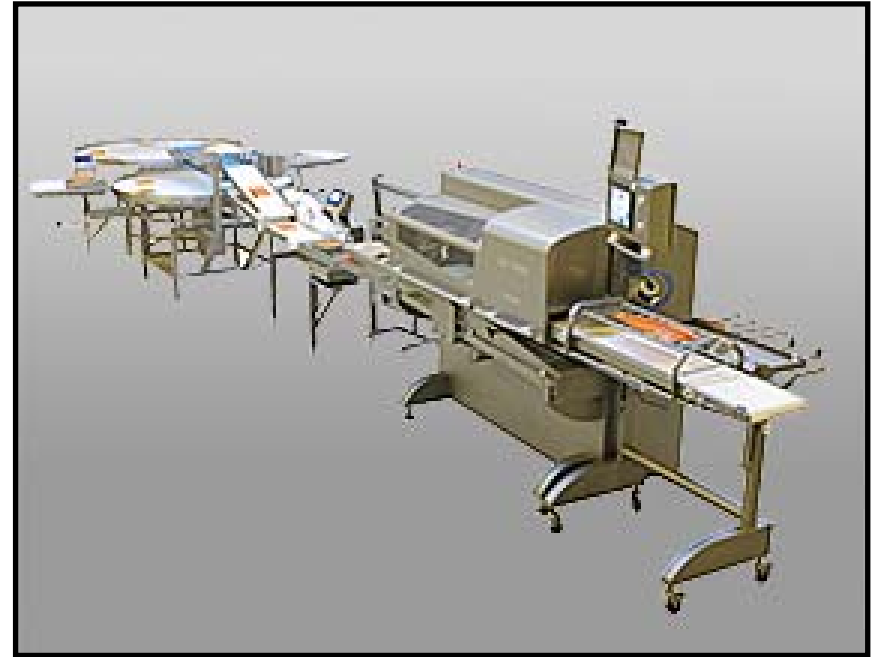


# FY2015 Processing Initiatives

- Target = achieve global best practice from a cost of processing perspective – actual \$/kg hog is sales mix dependent
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  - Margate redevelopment
  - Continued automation



# Automation - Retail Packing





# FY2015 Sales and Marketing Initiatives



- Strong organic growth continues ... not seeing a slow-down
- Domestic - 15% growth reasonable assumption of growth in short term.
- Salmon is well positioned against other proteins – the growing understanding of the health benefits of Salmon will continue to drive demand – Omega 3 benefits really underpin the “Super food” classification of Salmon
- Export - Remaining around 10% to 12% of sales
- “twiceaweek” - Woolworths still supporting 8 varieties

# Super Salmon

Tasmanian Atlantic Salmon  
is the super-easy  
**Superfood.**



Tasmanian Atlantic Salmon is the standout among Superfoods. It's rich in Omega 3s and other essential nutrients for healthy hearts, active minds and youthful looks. Fast and easy to prepare, feel super by enjoying it twice a week. Tasmanian Atlantic Salmon is super-easy Superfood.

For more information visit [tasmaniansalmon.com.au](http://tasmaniansalmon.com.au)

*Super-Easy Superfood*



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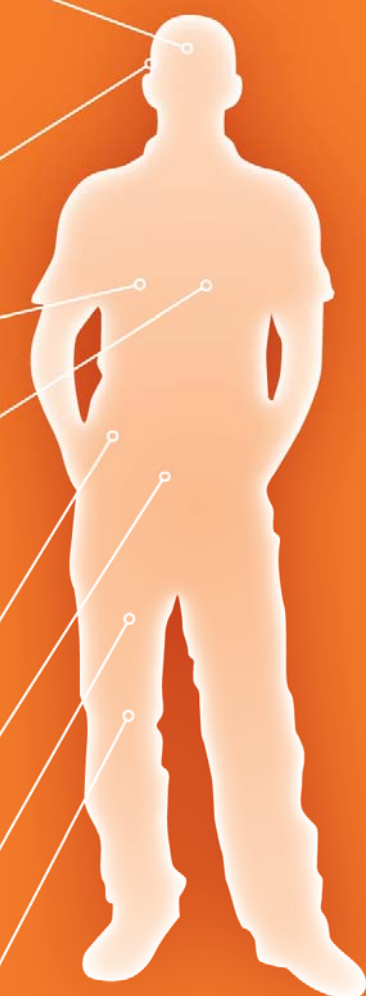
*Super-Easy Superfood*



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## TASMANIAN ATLANTIC SALMON

A RICH SOURCE OF OMEGA 3 HEALTH BENEFITS FOR EVERYONE



**brain**

- Helps keep brains active and alert
- Reduces risk of depression
- Benefits Bipolar Disorder
- Has been known to reduce risk of Alzheimers
- Aids treatment of behavioural and mood disorders

**skin and hair**

- Promotes youthful healthy skin and hair
- Can help relieve symptoms of Psoriasis and Eczema
- Reduces wrinkles and improves skin tone to achieve anti-aging effect

**lungs**

- Reported to reduce symptoms of Asthma

**heart**

- Helps reduce blood clotting
- Lowers blood pressure
- Helps prevent clogging of the arteries
- Reduces inflammation
- Helps prevent Arrhythmia
- Helps protect against stroke
- Helps protect against heart attack
- Lowers LDL (bad) cholesterol
- Raises HDL (good) cholesterol

**cancer**

- Has been known to reduce risk of breast, colon and prostate cancer

**digestion**

- Reported to reduce symptoms of Inflammatory Bowel Disease

**weight loss**

- Can assist weight loss by controlling blood sugar and cholesterol

**joints**

- Helps reduce inflammation present in Rheumatoid and Osteoarthritis

**pregnancy**

- Aids infant brain and vision development

[tasmaniansalmon.com.au](http://tasmaniansalmon.com.au)

Sources: Omega 3 Fatty Acids 2002, University of Maryland Medical Centre, viewed 27 March 2007 <http://www.umm.edu/ohmed/ComSupplements/Omega3FattyAcids>; Rickland, Paul, 2000, 3rd Edition, *Reckley's Diet Whole Foods Asthma Triggers and Asthma Nutrition*, North Atlantic Books, California; Better Health Channel 2007, viewed 27 March 2007, [www.betterhealth.vic.gov.au/bhcr2/bhcrarticles.nsf/pages/Fish](http://www.betterhealth.vic.gov.au/bhcr2/bhcrarticles.nsf/pages/Fish)

# The Omega Man



*Have fun,  
work hard,*



*stay healthy,  
eat salmon*

**Questions?**