

Tassal Group Limited



Merrill Lynch Emerging Companies Conference

(Sydney)

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Presenter: Mark Ryan
CEO and Managing Director
Tassal Group Limited

Agenda

- ✓ Tassal Overview
- ✓ Profit Update
- ✓ Key Highlights
- ✓ Strategy
- ✓ How Are We Tracking?
 - ✓ Financial Performance
 - ✓ Hatchery
 - ✓ Marine
 - ✓ Processing
 - ✓ Branding
 - ✓ Revenue
 - ✓ Risk Management
 - ✓ ESG
- ✓ Competitive Advantages
- ✓ Conclusions
- ✓ Appendices

Overview



Tassal Group Limited in FY2009...

- ✓ Australia's leading aquaculture company
- ✓ Benefiting from strong domestic and global demand
- ✓ Well positioned to escalate key export market penetration
- ✓ Leading branding
- ✓ Delivering strong growth in financial performance and increased dividends for shareholders
- ✓ Continued reduction in cost of production and automated processing driving transition to global best practice
- ✓ Significant capital investment undertaken targeted at growth, innovation, efficiency and risk mitigation
- ✓ Low gearing profile and ample debt facility head room
- ✓ Balance sheet well capitalised and positioned to support continued growth



Profit Update

- ✓ Tassal expects to report underlying FY2009 NPAT in the range of \$27.0m - \$28.0m (statutory NPAT [i.e. after inclusion of AASB 141 Agriculture uplift] expected to be above \$30.0m)
 - ✓ Represents strong underlying earnings growth of 27% - 32% for FY2009
 - ✓ Achieved significant sales growth
 - ✓ Absorbed significant feed cost and marine infrastructure depreciation increases
- ✓ Tassal has made a number of longer term business decisions in FY2009:
 - ✓ Strategic decision to sacrifice short term profit for longer term gain by leaving fish in the water longer to achieve optimal weight which will deliver benefits in FY2010 and beyond...we currently could be profitably exporting more, however pulling fish forward now will compromise both growth and cost in FY2010
 - ✓ Strategy of investing in and growing retail channel has delivered strong sales growth, however terms of trade and use of promotions/rebates has impacted overall contribution margin
 - ✓ Strategy of continuing to incrementally invest in marketing to sustain underlying domestic market growth

Profit Update



- ✓ Tassal continues to experience strong sales momentum (>30% in domestic market volumes) despite challenging economic environment
- ✓ Tassal is an agricultural stock with agricultural risk. Our risk mitigation strategies are robust, yet medium term operational demands often must be balanced against short term financial outcomes



Key Highlights

- ✓ **Forecasting strong sales growth** – overall sales volume increasing by 21% with domestic market sales volume increasing 31%
 - ✓ *H2 2009 overall sales volume increasing 26% [H1 2009 21%], with domestic market sales volume increasing 32% [H1 2009 31%]*
- ✓ **Changing sales mix** – FY2009 has seen strong growth in our retail lines (i.e. smoked salmon and fillets and portions), particularly the supermarket business
- ✓ **Maintained premium pricing model** – maintained domestic market prices in FY2009 and we have seen recent significant export price increases, offering incremental FY2010 margin opportunities
- ✓ **Investment in marketing** – we have a robust marketing strategy and plan in place and will continue to invest around 3% - 5% of our domestic market sales in marketing in line with food and beverage peers – target to increase domestic per capita consumption from 1.2kg to 1.8kg by FY2015
- ✓ **Overall cost reduction focus** – we remain on track to achieve global best practice from a cost of growing and cost of processing perspective
- ✓ **Strong balance sheet** – gearing circa 30%, at bottom of 30% - 35% target range and operationally cash flow positive in FY2009
- ✓ **Investing for future** - Continued accelerated capital investment focused on growth, efficiency and risk mitigation

Strategic Plan FY2015



- ✓ Strategic Plan FY2015 in place – we clearly understand where Tassal is heading ... there is a plan in place and we are achieving the hurdles set
- ✓ Strategy - Global cost competitiveness in both aquaculture production and processing, together with achieving premium returns from our sales and marketing initiatives
- ✓ FY2009 Focus – to build on our FY2008 achievements to drive further substantial increases in both financial and operational performance in the short term, and ensure that the appropriate infrastructure from a capital, financial and operational perspective is in place to underwrite the delivery of the Strategic Plan FY2015
- ✓ FY2009 Priority Initiatives
 - ✓ *Hatchery Initiatives – larger and earlier introduced smolt underwrites fish size growth targets*
 - ✓ *Marine Initiatives – increased fish size underscores profit growth*
 - ✓ *Processing Initiatives – further processing innovation and efficiencies continue to flow*
 - ✓ *Branding Initiatives – “Tassal Pure Tasmania” – the consumer choice*
 - ✓ *Revenue Initiatives – opening the gateway to new market and product development horizons*
 - ✓ *Risk Management Initiatives – enhanced company-wide risk management drives business sustainability*
 - ✓ *Environmental Management Initiatives – sustainable environmental management – a key accountability across the business*

Strategic Plan FY2015



Key Plan Metrics	Now	FY2015
Harvest tonnes	Circa 18,000T	Circa 30,000T
Harvest size	4.1Kg – 4.3 Kg	4.8Kg - 5.0 Kg
Year class survival %	82% - 84%	88% - 90%
FCR*	1.5 – 1.6	1.3 – 1.4
Smolt input nos.	5.5m	6.8m – 7.0m
Domestic market CAGR	10%	10%
Export market	Circa 10% total sales tonnage	Circa 10% total sales tonnage
Pricing assumption	Flat	Flat

**The
bridge
builders**

* FCR = Number of kilograms of fish feed to deliver 1 kilogram of fish weight.

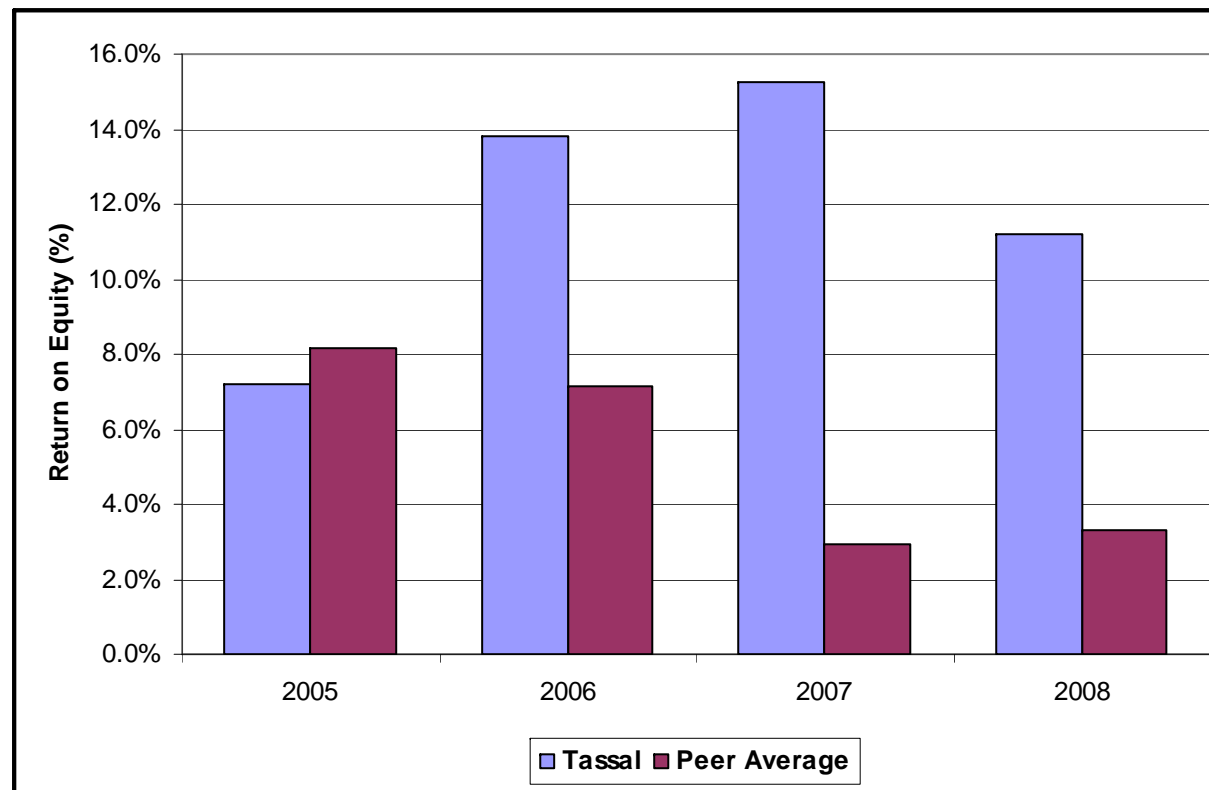


How are we tracking?

Financial Performance



Sector leading Return on Equity



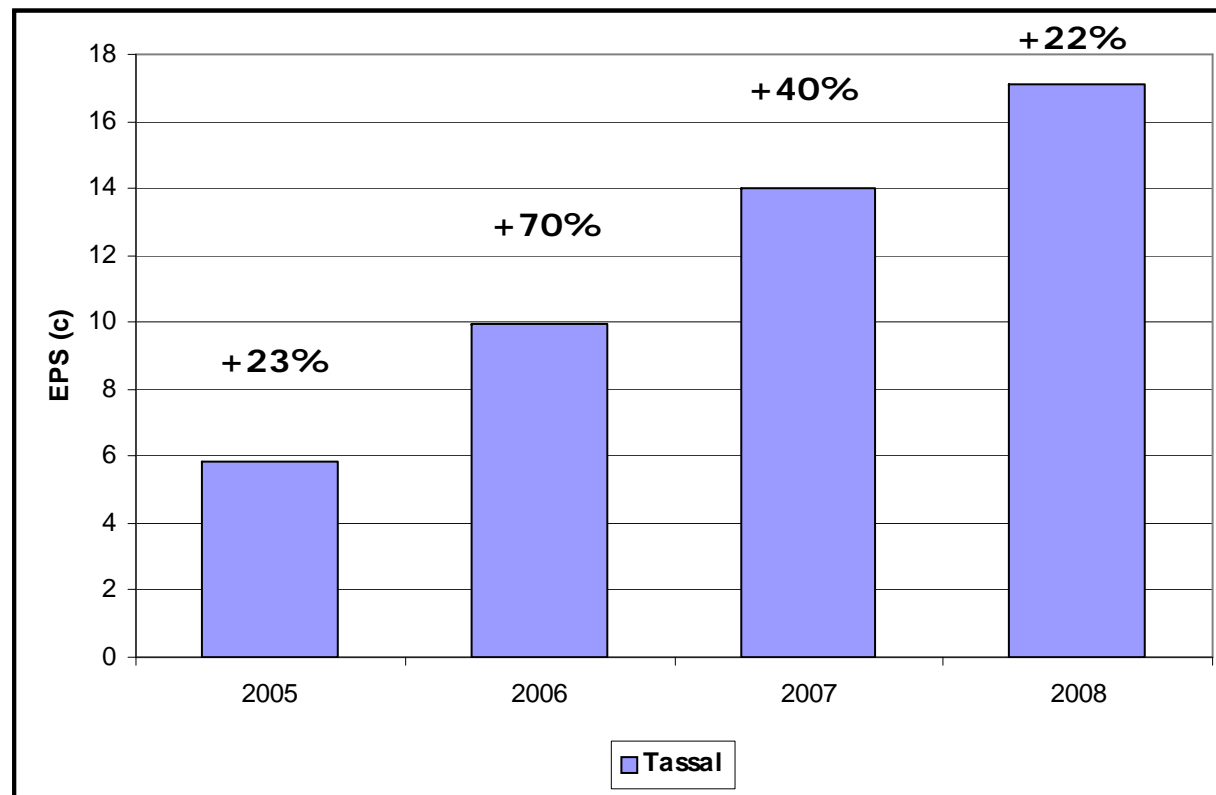
- ✓ 15.8% CAGR
FY2004-FY2008
- ✓ FY2008 impacted
by timing of
capital raising
- ✓ Market leading
result in
Agribusiness
sector

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

Financial Performance



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

Hatchery



Hatchery Initiatives – larger and earlier introduced smolt underwrites fish size growth targets

- ✓ Tassal is constructing a state-of-the-art freshwater hatchery to mitigate risk and underwrite significant improvement in smolt size and an accelerated smolt input regime
- ✓ Summary of the new Hatchery:
 - ✓ Cost \$18.5 million for FY2009
 - ✓ Hatchery capacity = 4 million smolts
 - ✓ Ready for egg incubation in June 2009
 - ✓ First smolt output – March 2010
 - ✓ Benefits:
 - ✓ Flexibility and growth ... allows Tassal to have the ability to input up to 9 million smolt
 - ✓ Global best practice facility ... employing global best practice biosecurity and environmental measures
 - ✓ Full recirculation – allowing minimum use of fresh water resources
 - ✓ Limited use of fresh water = ability to “cool” water in summer = ability to carry more biomass over summer = earlier smolt inputs at a bigger size
 - ✓ Closeness to marine sites = improving quality of smolts

Hatchery



**Huonville
Hatchery
site - April
2009**



Marine



Marine Initiatives – increased fish size underscores profit growth

Underpinning FY2009.....continued infrastructure investment *

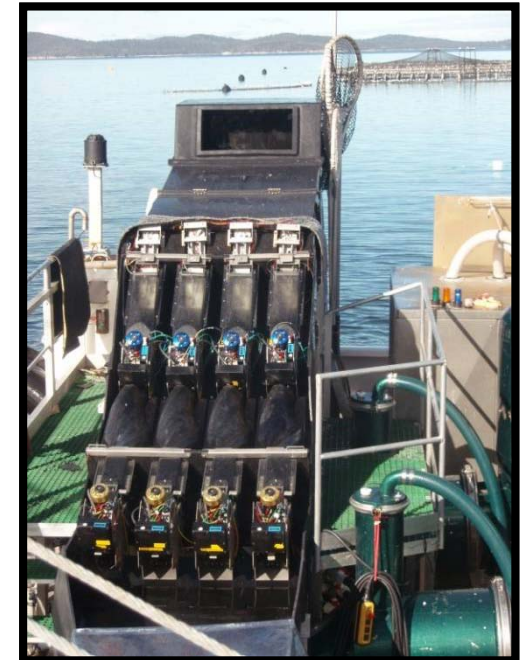
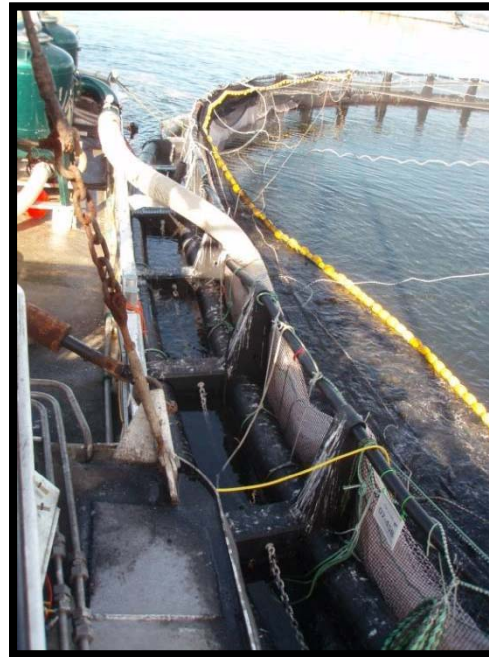
*Paybacks 0 – 2 years
(refer appendices)

- ✓ Growth – targeting 4.3kg hog for 2007 YC (4.9% improvement on 2006 YC)
 - ✓ Automatic feeders (2 more to be put to sea)
 - ✓ Lighting of fish pens
 - ✓ Underwater net cleaners (3 to be utilised)
 - ✓ Harvest vessels
 - ✓ Diet formulations
- ✓ Survival – targeting 84% survival for 2007 YC (1% improvement on 2006 YC)
 - ✓ Harvest vessels
 - ✓ Diet formulations
 - ✓ Underwater net cleaners
- ✓ FCR – improved FCR's
 - ✓ Stable FCR performance in 2007YC – (Focus is on fish growth delivery)
 - ✓ Automatic Feeders
 - ✓ Diet formulations

Automatic Feeders



Harvest Vessel



"Tassal 1"

Marine



Capital Expenditure Expansion Initiatives

- ✓ Additional marine capital expenditure on pens, moorings and nets will be incurred during FY2009 – to allow for the growth in fish numbers and biomass

Diet Formulation Initiatives

- ✓ Skretting and Tassal continue to use and research a number of diet formulations
- ✓ Dual feed supply arrangements also being investigated to maximise diet formulation alternative options
- ✓ There is a high degree of substitutability of raw materials – allowing Tassal to be flexible

Year Class	Fish Meal %	Other Meal %	Fish Oil %	Other Oil %
2005	20	56	12	12
2006	28	44	14	14
2007	30	42	14	14
2008	28	44	11	17

- ✓ Feed prices have increased over FY2008 and FY2009 - Tassal has absorbed these - now seeing a stabilisation

Marine



Selective Breeding

- ✓ Potential for significant gains from the selective breeding program are excellent – growth, survival, fish quality and AGD.
- ✓ Around 9% predicted gain in the growth from selectively bred fish for the first commercially produced stock
- ✓ Strong evidence to support the reduction of bathing for AGD through increasing the bathing interval – at least three bathes less for fish during their life cycle (single bath costs \$0.08 / kg, so potential savings \$0.24 / kg)
- ✓ Significant genetic diversity exists in the Tasmanian Salmon Industry population to allow us to breed from fish that will tolerate high water temperatures – which will allow us to embrace climate change
- ✓ CSIRO describe the program as a global best practice breeding program – utilising successes from terrestrial breeding and other global salmon breeding programs
- ✓ We have completed one full cycle of breeding – now we can introduce some of the program's stock into our 2009 Year Class (to be harvested FY2010)

Global Salmon Farming – How we compare from a cost perspective



- % cost of smolt is comparable
- % of feed v total cost is less than Norway, comparable to Chile

	Tassal 07 YC	Norway	Chile	UK
Cost of smolt	11%	11%	11%	16%
Cost of feed	58%	66%	60%	55%
Marine labour	10%	7%	4%	6%
Marine overheads	13%	12%	19%	17%
Depreciation	8%	4%	6%	6%
Total cost at the wharf	100%	100%	100%	100%

Harvest cost per kg at the wharf

\$5.00

\$3.50

\$4-\$4.50

\$4.35

Tassal's FY2015 strategic plan underpins drive to achieving world's best practice levels





Processing

Processing Initiatives – further processing innovation investment* and efficiencies continue to flow

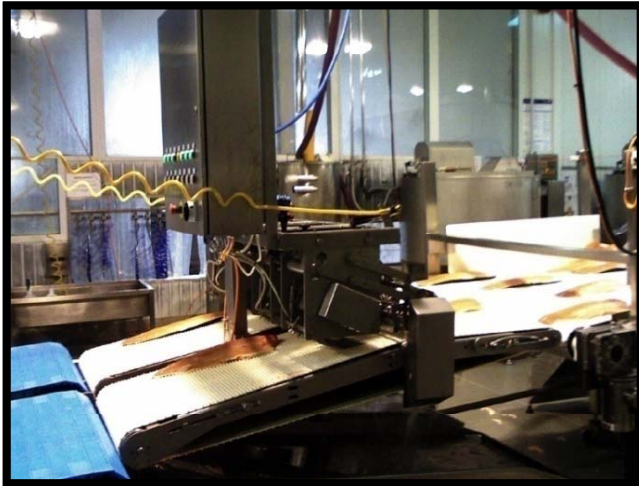
*Paybacks 0 – 2 years (refer appendices)

- ✓ Focus is to deliver incremental processing efficiency gains by introducing further automation and innovative processing techniques leveraging off the benefits from improved fish harvest size
- ✓ Set out below is a summary of the processing improvements for FY2008 (over FY2007)

	Labour Improvement %	Overhead Improvement %	Total Improvement %
FY2008 (over FY2007)			
Wet Processing	14%	8%	9%
Value-Add Processing	10%	0%	7%

- ✓ We are delivering further continuation of processing improvements in % terms during FY2009 (over FY2008) which are underpinned by
 - ✓ Automation – benefit of FY2008 initiatives for a full year in FY2009 ... together with implementation in H1 2009 of further automation to underpin further quantum uplift in H2 2009
 - ✓ Improved processing techniques – will underpin improved yields ... particularly in H2 2009
 - ✓ Improved fish size – also underpinning throughput (\$/kg) and yield improvements
 - ✓ Fish quality initiatives – will underpin sales and freight improvements in H2 2009

Processing Initiatives



Pin-boning
machine



IPS 3000 –
Retail
packing
line



Vacuum
packing
line

Revenue



Revenue Initiatives – continuing the growth in the domestic market and open the gateway to new market and product development horizons

- ✓ Focus is to continue to drive growth in the domestic market and to harness increasing global demand to continue strong sales growth and expand our Australian and Asia-Pacific markets
- ✓ Forecast growth in the domestic market of Tassal products assumed at circa 10%
- ✓ Significant additional growth over FY2008 for both contract growing (Petuna supply effectively commenced in late March 2008) and Superior Gold (Tassal acquired in mid-February 2008)
- ✓ Export opportunities - FY2009 only at break-even in these markets as we progressively deliver on existing hedge positions. Further upside expected in FY2010.
- ✓ Brand management strategy is focussed on development and differentiation of Tassal brand



Revenue

We continue to investigate opportunities to grow demand for Atlantic Salmon in Australia

✓ **Internally:**

- ✓ Restructure of Sales & Marketing team
- ✓ Regression analysis – fresh and smoked *

* (refer appendices)

✓ **Externally:** independent Sales and Marketing Review undertaken (framework for Marketing Plan)

✓ **Objectives**

- o Achieve sales growth of 10%+
- o Refocus Tassal branding initiatives
- o Increase Salmon per capita from 1.2kg to 1.8kg
- o Excite the customer
- o Educate the consumer

✓ **Key Strategies**

- o Build Tassal brand awareness and equity
- o Drive and lead NPD and innovation
- o Fortify retail and wholesaler relationships
- o Lead growth in Salmon per capita consumption

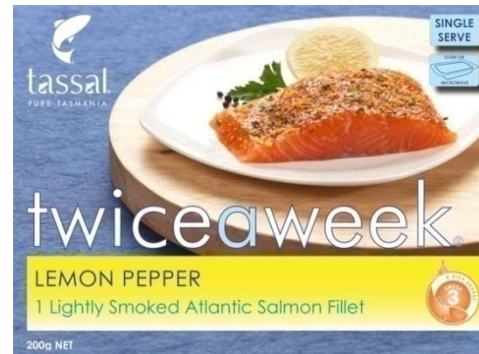
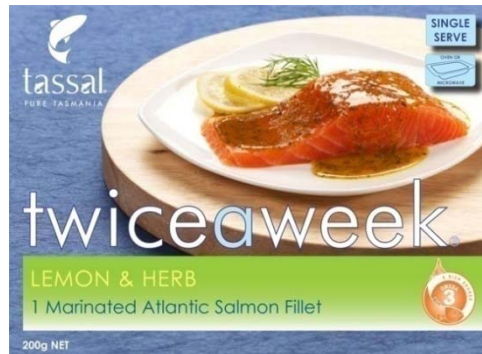
- ✓ **Branding**
- ✓ **Innovation (NPD) Centre**
- ✓ **Salmon Education and Retail Centre**
- ✓ **Consumer Relations Team**

Branding

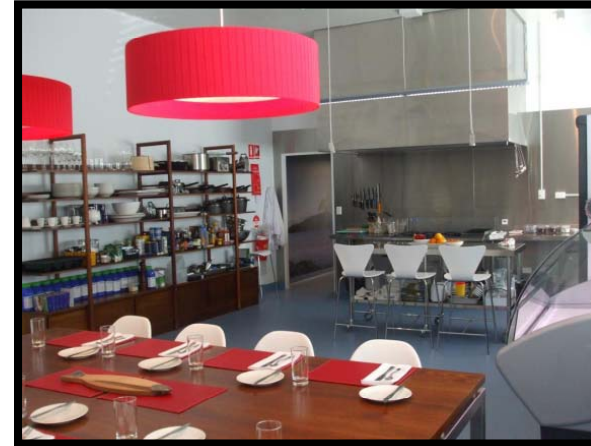


Branding Initiatives – “Tassal Pure Tasmania” – the consumer choice

- ✓ Focus is to drive the “Tassal Pure Tasmania” brand to strengthen product positioning, deliver innovative products to our customer base and build on existing customer loyalty



Innovation Centre



Salmon Education Centre



Consumer Relations Team



- ✓ Unique to industry
- ✓ Currently 14 employees
- ✓ Increasing in 2009
- ✓ Specialists with egg to plate knowledge
- ✓ Store merchandising support



Risk Management

Risk Management Initiatives – enhanced company-wide risk management drives business sustainability

- ✓ Focus is to cascade risk mitigation and management accountability to all levels of the business and continue to build on the significant trend improvement in key workplace safety performance indicators achieved to date
- ✓ FY2010 workers compensation insurance renewal parameters improved over FY2009
- ✓ Tassal has achieved significant improvement trends across a range of workplace safety performance indicators demonstrated as follows:

Indicator	2005	2006	2007	2008
Lost times injuries	101	16	6	9
Days lost	613	82	15	28
Workers compensation claims	163	26	18	11
Number of Employees	516	441	482	474
Workers compensation cost of claims (\$'000)	\$622	\$284	\$261	\$123

Environmental, Social and Governance (“ESG”)



ESG Initiatives – sustainable environmental management – a key accountability across the business

- ✓ As a fundamental premise, we have a responsibility to act in the best interests of our stakeholders – short, medium and long term. Environmental, Social and Corporate Governance (“ESG”) issues underpin this responsibility
- ✓ Our focus is to continue to drive sustainable environmental management practices and accountability across all levels of business to build on the foundations laid during 2008
- ✓ Tassal has appointed a Chief Sustainability Officer (start July 2009) – this represents the next step in our commitment to growing high quality salmon in an environmentally responsible and sustainable manner
- ✓ Tassal fully supports sustainable aquaculture practices – from fish feed through to the Hatchery, Marine, Processing and Sales & Marketing activities
- ✓ Tassal will continue to support the expansion of its aquaculture activities in a sustainable manner



Competitive Advantages

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

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

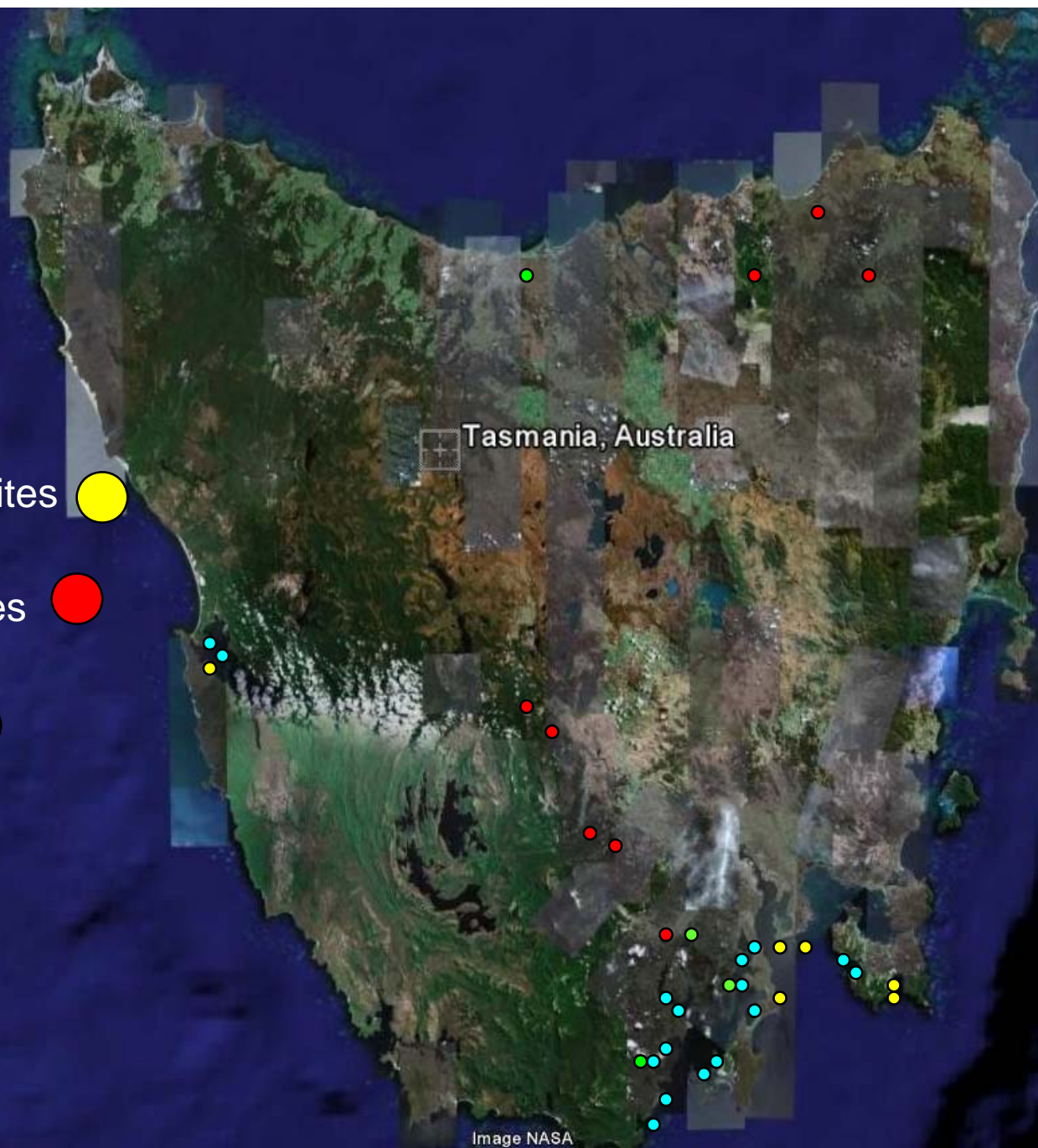


Image NASA

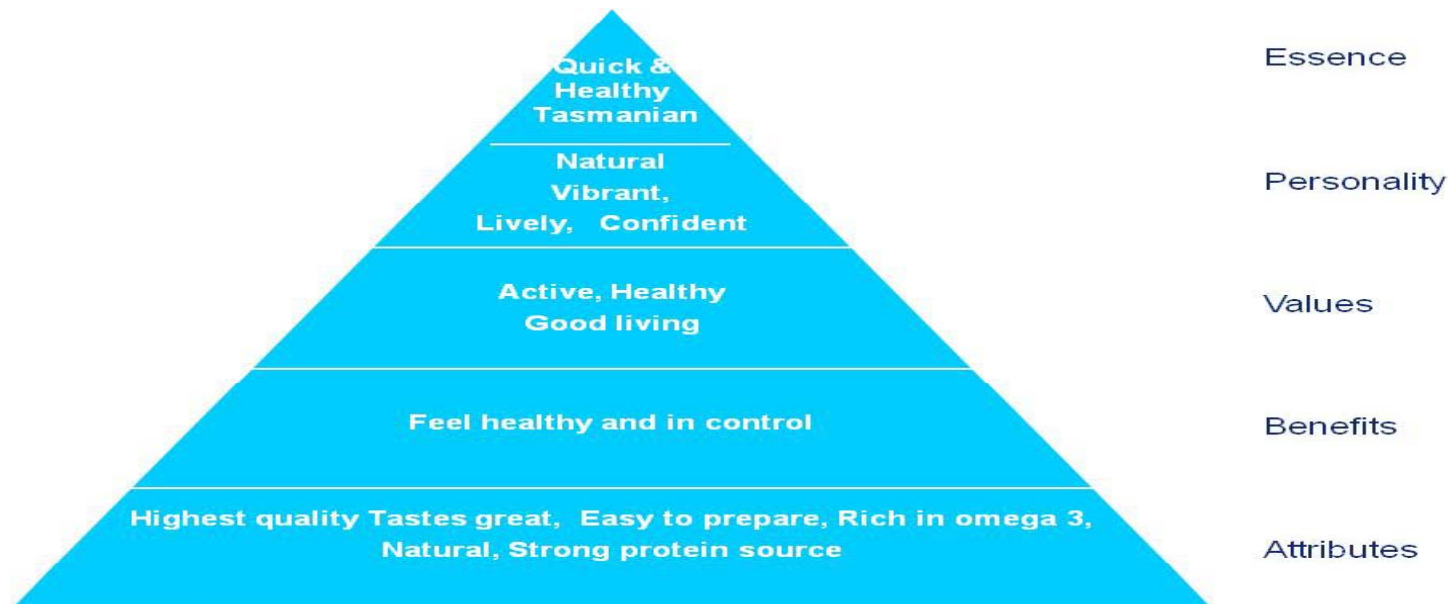
Image © 2008 TerraMetrics
Image © 2008 DigitalGlobe

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 40% + in 2009 ... and global supply down 7.5%* (a first since 1990's) = promising opportunities in export markets**

* (refer appendices)

- ✓ **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**

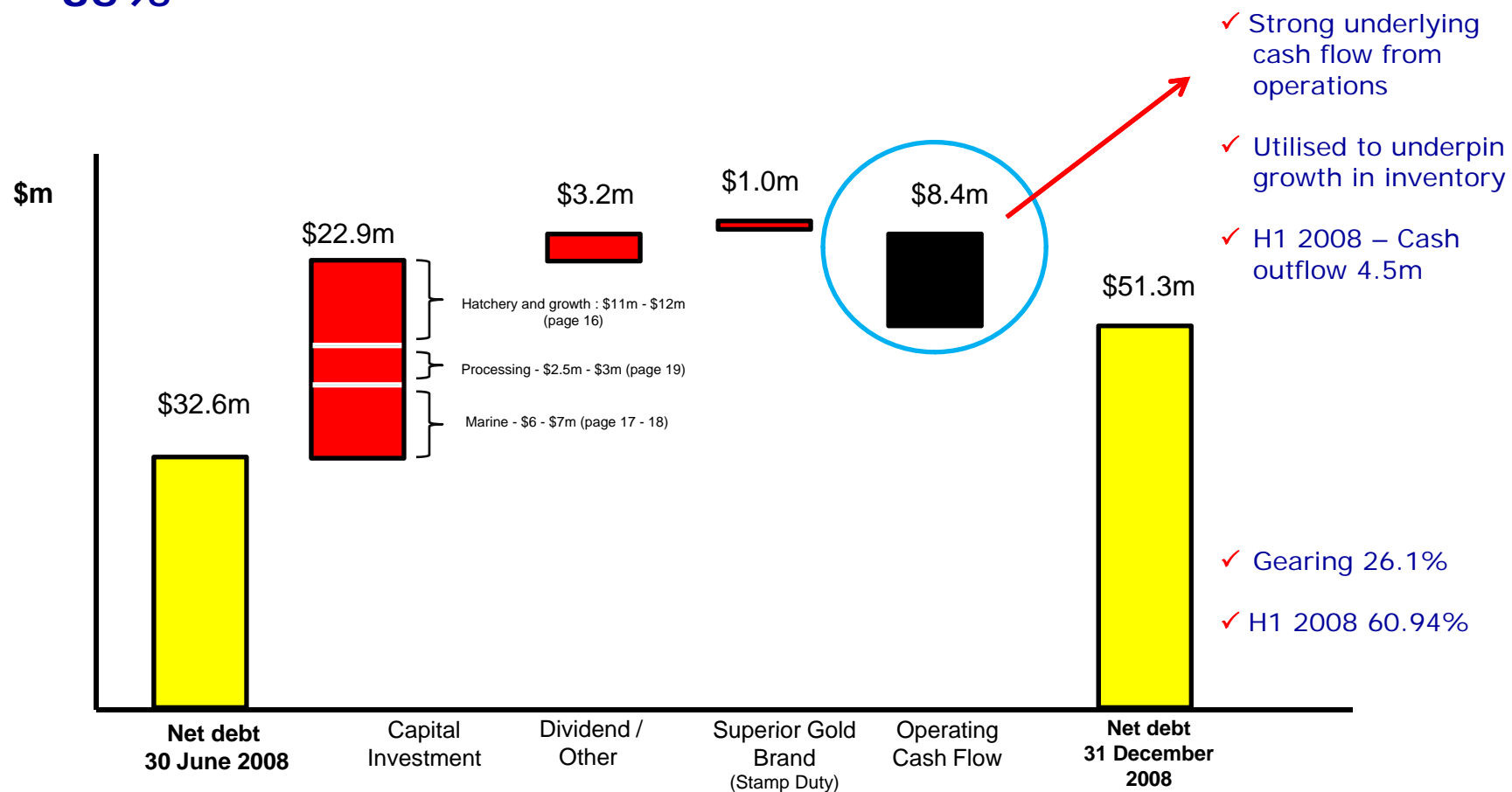
- ✓ freshness to market
- ✓ yield and fish size benefits
- ✓ an improving write-off rate and / or depreciating AUD

Funding

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



Conclusion

- ✓ Leading Australian Atlantic Salmon producer with very high barriers to entry
- ✓ Existing and planned capital investment initiatives will continue to reduce cost of production, enhance Tassal's global cost competitiveness and support future earnings growth
- ✓ 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
- ✓ Well positioned to maintain its earnings momentum
- ✓ Will continue to implement the financial and operational strategies underpinning the Strategic Plan to FY2015

Questions



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

Appendices



Marine - paybacks

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).



Processing - paybacks

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

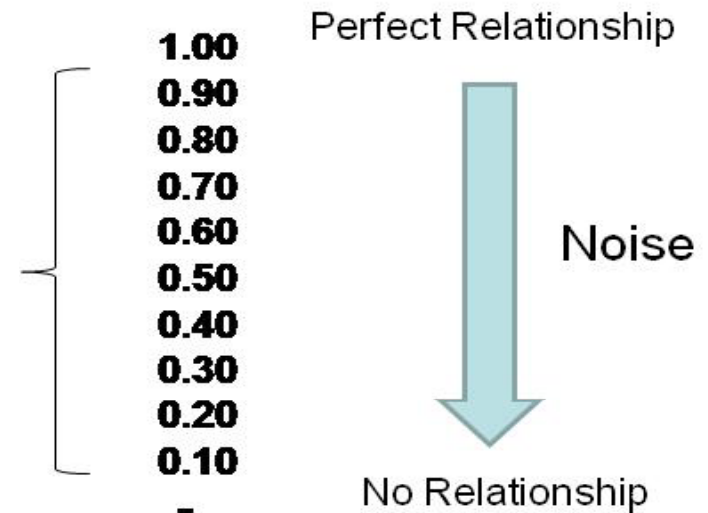
- Efficiency Processing Automation for FY2009 ... we are still considering a number of other efficiency related capital items

Revenue – Regression Analyses



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



Global Salmon Farming

– Chile...



- 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 significant 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)

Global Salmon Farming – Global salmon supply outlook

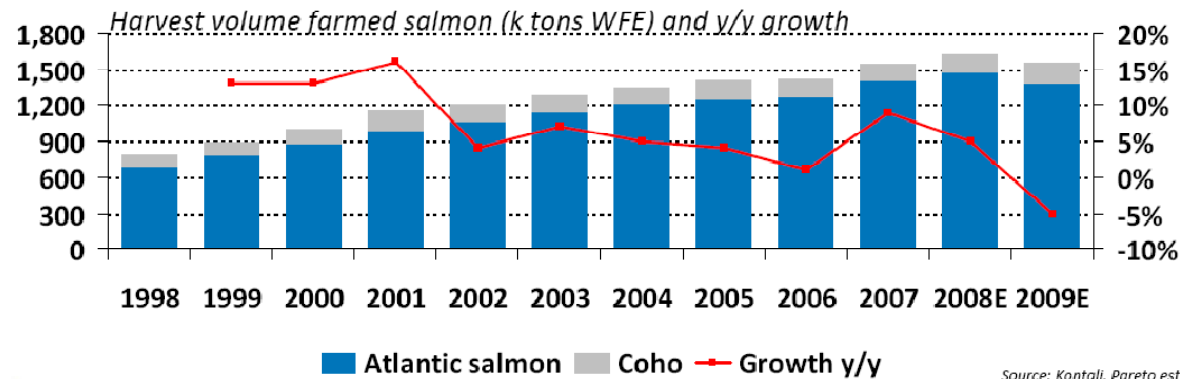


Atlantic Salmon – negative supply growth of 6% expected

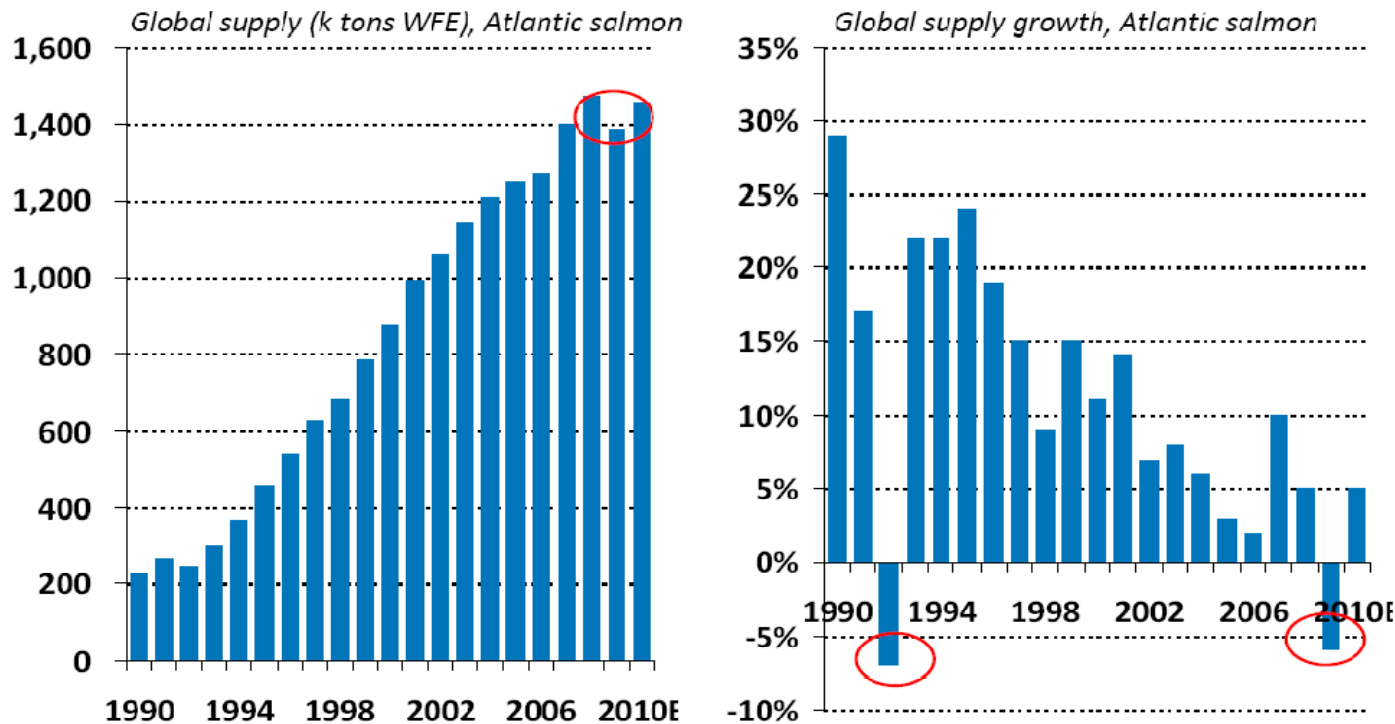
- Norway +7.5%
- Chile -40%
- UK / Canada slightly positive

Coho – moderate growth of 5% expected

Wild – sockeye catch projected down YOY



Global Salmon Farming – Global supply expected to be down...a first since the early 1990's



Source: Kontali, Pareto estimates

Disclaimer



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