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The Manager Listings
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Australian Securities Exchange
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Via e-lodgement

Tassal's operational strategy delivers growth in earnings

Tassal Group Limited (ASX: TGR) is pleased to announce its results for the six months ended 31 December 2016 (1H17), with operating net profit after tax up 6.2% to \$20.5 million.

Results overview

(\$ million)	1H17	1H16	Change
Statutory results ¹			
Revenue	219.3	226.8	(3.3%)
EBITDA	53.5	49.9	7.2%
NPAT	27.7	25.3	9.6%
Operating results			
EBITDA	43.1	41.3	4.4%
NPAT	20.5	19.3	6.2%
Operating cashflow	24.0	25.5	(5.9%)
Gearing (net debt/equity)	34.6%	34.5%	
Interim dividend ²	7.5	7.5	

Note:

- Overall, the AASB 141 'Agriculture' (**SGARA**) was higher for the period to 31 December 2016 (1H17). Salmon biomass (i.e. volume) was up and there was also an increase in sales price underpinning the net market value for future sales. EBITDA for 1H17 included \$10.4 million SGARA adjustment, compared to \$8.6 million for 1H16. Likewise, NPAT for 1H17 included \$7.3 million SGARA adjustment compared to \$6.0 million in 1H16.
- Interim dividend is 100% franked in 1H17, compared to 75% franked in 1H16.

Commenting on the company's 1H17 results, Tassal Managing Director & CEO Mark Ryan said:

"As Australia's leading fish farmer and a recognised global leader for sustainable salmon aquaculture, we are delighted with Tassal's half year 2017 results. While Tassal harvested and sold less salmon over the first-half compared to the same period last year, the Company's financial and operational returns increased.

"We have enhanced margins by targeting a more favourable sales mix and optimising salmon pricing – both in the domestic and export markets. This margin improvement is despite a higher cost of growing salmon caused by the impact of the previous summer. At the same time, over the past six months we have successfully grown our overall biomass which in turn is

anticipated to deliver cost of growing benefits when these fish are harvested towards the end of this second half and during FY18.”

Ensuring a sustainable future

A sustainable environment is fundamental for healthy fish, social licence (i.e. societal value) and ultimately for operational and financial returns. Overall, Tassal has excellent environment credentials and very good compliance across its operations, as independently assessed by the Aquaculture Stewardship Council in partnership with WWF-Australia.

“Farmed Salmon is a high-quality, low carbon footprint source of protein. Its popularity must be driven by sustainable processes that achieve a balance across environmental, social and economic dimensions. Continuous improvements, proactive identification and mitigation of risk, and a deep commitment to sustainability is embedded in Tassal's strategy and its practices,” said Mr Ryan.

Tassal's focused strategy is delivering growth in returns and a step change in biomass

Reflecting the rebalancing of sales away from retail to higher margin wholesale markets, together with leaving the salmon in the water longer to optimise growth, Tassal's 1H17 revenue was down 3.3% to \$219.3 million (1H16: \$226.8 million). Harvesting and sales were held back in 1H17 to optimise fish biomass, with 11,761 hog tonnes sold in 1H17 compared (1H16: 13,508 hog tonnes). Tassal's biomass at 31 December 2016 was 24,573 tonnes, compared to 15,164 tonnes at 30 June 2016 and 19,596 tonnes at 31 December 2015.

Operational EBITDA was up 4.4% to \$43.1 million (1H16: \$41.3 million) reflecting an increasing proportion of sales to higher margin channels, continued stability in earnings from De Costi Seafoods, and the benefits from key operational efficiencies flowing through.

“While it was very pleasing to see earnings grow as a result of our focused strategy with good pricing in both wholesale and export hog markets, even more pleasing was the step change in biomass achieved. Leaving our salmon in the water for longer is allowing us to optimise their growth and will deliver scale and operational cost efficiencies,” said Mr Ryan.

Maintained operating cash flows while investing for long term growth

Tassal's operating cashflow in 1H17 of \$24.0 million was only slightly lower than 1H16 (\$25.5 million). This is a very positive result given harvesting and sales were held back to optimise fish biomass, and additional feed was used to take advantage of the favourable growing conditions. Increasing salmon growth has continued over summer 2016/17 with favourable water temperatures.

Comfortable gearing and fully franked dividend

Tassal's gearing as reflected by net debt to equity, has remained steady at 34.6% (1H16: 34.5%). Reflecting the Company's strong balance sheet, operating cashflows and growth outlook, the Directors of Tassal declared a fully franked interim dividend for 1H17 of 7.50 cents per share (1H16: 7.50 cents per share, 75% franked).

Positive outlook for 2H17

“Environmental conditions underpinning fish growth improved in the first half and continued over summer 2016/17, and current favourable salmon pricing in wholesale and export markets are anticipated to continue into FY18. With greater ability to flex Tassal's supply and sales mix, the Company is well placed to offset increased salmon costs resulting from the extraordinarily adverse environmental conditions encountered in summer 2015/16.

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“The focus going forward is to continue to increase domestic Salmon and Seafood consumption while maximising returns and improving sustainability and performance. Moving into the second half of this financial year, we will have more flexibility to evolve Tassal’s Salmon supply and sales channel mix to maximise overall returns.

“Tassal has achieved a step change in biomass over the past six months. This is expected to underpin strong growth in the 2018 financial year, and positions Tassal to continue its growth trajectory and generate increased revenues and earnings over the remainder of FY17.”

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Media / analyst queries:

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About Tassal

Tassal Group Limited (ASX: TGR) is a vertically integrated Salmon grower and Salmon and Seafood processor, seller and marketer. The Company produces and sells premium Salmon and Seafood products for both the Australian domestic and export markets. Tassal grows delicious, fresh and healthy Atlantic Salmon in Tasmania’s fresh waters and through its De Costi Seafood business sources and processes a wide range of Seafood. Tassal is committed to taking a leadership role in sustainability in aquaculture and Seafood sourcing. The company employs over 1,200 people. Visit www.tassal.com.au for more information.

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