



THE WORLD'S MOST LOVED SALMON

25 November 2015

HUON AQUACULTURE GROUP LIMITED (ASX: HUO)
Announcement

2015 Annual General Meeting

Attached are copies of the Chairman's Address and Chief Executive Officer's Review of Operations to be presented at today's Annual General Meeting, Wednesday 25 November 2015, Henry Jones Art Hotel, 25 Hunter St, Hobart commencing at 10.30am.

A copy of the presentation which accompanies these addresses will follow.

Yours faithfully,

Thomas Haselgrove
Company Secretary

End

For further information please contact:

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CHAIRMAN'S ADDRESS

HUON AQUACULTURE GROUP LIMITED ANNUAL GENERAL MEETING

10.30am, Wednesday 25 November 2015

Henry Jones Art Hotel

25 Hunter St, Hobart

Good morning ladies and gentlemen and a very warm welcome to the inaugural Annual General Meeting of Huon Aquaculture Group Limited. My name is Peter Margin and I am the Chairman of the company.

The Company Secretary has advised me that we have a quorum so, as the time is now past 10.30am, I have pleasure in declaring the meeting open. Before proceeding would you please take the time to switch your mobile phone off or to silent, thank you.

I would also like to ensure that you are familiar with the evacuation procedures we will follow in the unlikely event of an emergency. If there is an emergency you will hear the evacuation alarm. Then please exit via the main stairs or via the fire escape on my right. And please follow all instructions of the wardens.

The Board is here today to report on Huon's performance for the financial year ended 30 June 2015 and to explain the company's outlook for the current year and beyond. The presentations from today's meeting have been lodged with the Australian Stock Exchange and posted on the Huon website.

The format that we will follow today is, firstly I will address you, followed by our Managing Director, Mr Peter Bender, after which you will have the opportunity to ask questions. Then we will proceed to the formal part of business of voting on the resolutions as set out in the Notice of Meeting which was sent to you.

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Shareholders will be invited to vote on the adoption of the Remuneration Report, the issue of Performance Rights to Peter Bender, and the re-election of Frances Bender and Neil Kearney as Directors of the company.

The details of these resolutions are set out in the Notice of Meeting and, unless there are any objections, I propose to take the Notice as having been read.

Introductions

Let me now introduce the people who are on the stage with me:

- Peter Bender, CEO and Managing Director
- Frances Bender, Executive Director, who is standing for re-election at this meeting
- Neil Kearney, Non-executive Director, who is also standing for re-election at this meeting
- Simon Lester, Non-executive Director
- Thomas Haselgrove, Chief Financial Officer and Company Secretary

Also with us here today, is our Deputy CEO Philip Wiese.

Auditors

The company's external auditors Pricewaterhouse Coopers Australia are also represented here this morning by partner Daniel Rosenberg. Mr Rosenberg will be available to answer questions when the Accounts are considered.

With the formalities out of the way, I will move on to my report for the year ended July 2015.

Opening Remarks

In its first year since listing, the focus for Huon has been to ensure the smooth transformation from a very successful private company to public ownership under Board leadership, positioning the company for long term sustainable profitability.

This allows the expertise and experience of the founders, Peter and Frances Bender, to be fully leveraged while being augmented by the broad business experience and acumen of the new Directors.

FY15 Results

Huon faced some challenges in its first year as a public company.

An increase in in the volume of imported salmon coming onto the domestic market, coupled with increased domestic supply, resulted in a softening of prices during the second half.

This was compounded by weaker prices in the export market as well.

However, despite these factors, Huon was able to retain sales volume for the year although with a reduction in revenue.

These difficult trading conditions resulted in the Board deciding in April to revise the Prospectus Forecast Operating EBITDA for FY15 down from \$51.9M to a range of \$40.0M to \$45.0M.

Eventually we were able to achieve an Operating EBITDA of \$40.5M, in line with the revised forecast. We believe that this represents a solid result, given the magnitude of the challenges that the company faced in the latter part of the year.

Net Debt for the year was \$33.0M, a significant improvement on the Prospectus forecast of \$38.8M, and giving Huon a gearing ratio of 13.4%.

Operating cash flow was strong at \$17.3M and this will support the company's implementation of its Controlled Growth Strategy.

Strategy

Despite a challenging year, the Company has continued to maintain its strategic business direction to achieve long term sustainable profitability.

The company's strategy is embodied in three goals or principles:

- Grow the market - by increasing consumption, optimised channel mix and the protection and enhancement of sales and brand value;
- Grow production and operational efficiency - through implementation of our Controlled Growth Strategy and the optimisation of our marine leases; and
- Grow safely and sustainably – we need to keep our people safe and our environment robust, and strive to continually improve our performance in these areas.

Achieving these goals will require the continuation of Huon's long track record of innovation and relentless focus on operational and asset efficiency.

In this new era as a public company, it is these characteristics that will ensure that the company remains nimble and innovative.

The capital raised from the IPO has been used to pay down bank debt and for meeting transaction costs associated with the IPO. It has also enabled the company to embark on our transformational Controlled Growth Strategy capital investment program.

When this program is fully implemented, it is expected to deliver significantly increased production capacity and operational efficiency while also improving overall environmental sustainability.

During the year the company has constructed and commissioned a new Smokehouse and Product Innovation Centre which will be the hub of Huon's product development.

New technology and innovations are being rolled out across the company's farms including a new well-boat, feed barges, and Fortress Pens.

All are delivering on expectations and contributing to increasing production, quality, consistency and efficiency.

We fully expect the Controlled Growth Strategy to increase its contribution to the overall business strategy and performance.

Growing safely and sustainably is a vital element of the Company's business strategy and the Board recognises that the company's safety performance needs to improve and considerable time and resources are being focused on this issue.

We have doubled the resources in the safety team and we are implementing a new safety program for all farm sites and employee teams.

Company-wide safety training has been undertaken in an effort to make Huon a safer place to work. The early indications are that these measures are having an effect and our injury rate is reducing.

Sustainability

In terms of sustainability, Huon recognises that the company must remain in step with community expectations while we continue to improve our environmental performance. We have introduced a number of measures to achieve this.

Every project in the Controlled Growth Strategy is designed to improve environmental outcomes.

For example we are now seeing greatly reduced wildlife interactions since the introduction of our Fortress Pens.

Capital Management

After deliberation, the Board decided not to pay a dividend for FY15, but rather to retain earnings to maintain a balance between the company's growth program and its capital structure. The Board will review the need for adopting a company dividend policy once the current capital expenditure program is completed.

Before moving on to the Company's outlook, I would like to share some of my thoughts about the Company.

One of the things that has impressed me about Huon since I commenced as Chairman is the strong ethical culture of the company and the passion of our people. I want to take this opportunity to offer my thanks to our employees for their ongoing support and diligence as we move forward in the creation of a new era in salmon farming in Australia.

I also want to express my appreciation for the loyalty and support of our shareholders, customers, suppliers and the communities in which we operate.

And finally, I thank my board colleagues for their diligence, humour and hard work and I look forward to working with them in the years ahead. Which leads me on to the outlook for the Company.

Going forward, the company will continue to increase production and seek to grow profitable revenue by optimising channel mix and brand value through targeted innovation. At the same time we expect that operational costs will be reduced and efficiency gains from the Controlled Growth Strategy will be standardised.

As at the end of October our revenue was well up on last year, reflecting a change in our harvesting profile to help mitigate potential risk from the forecast “El Nino” event.

We have placed the additional volume into the export channel which has traditionally had a lower selling price resulting in expected lower returns in the first half.

Pricing in all channels is showing solid signs of recovery, albeit at lower prices than the same period last year.

Overall, profitability is likely to be lower than the first half last year while the Board remains confident of improvement in the second half on the back of the recovery in pricing and improved channel mix.

The Board continues to remain optimistic about the future of Huon which is underpinned by sound business fundamentals and moving forward, as the benefits of the Controlled Growth Strategy are realised.

I will now hand over to our Managing Director, Mr Peter Bender, who will give a more detailed review of operations.

Thank you.

ENDS



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**CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS
HUON AQUACULTURE GROUP LIMITED ANNUAL GENERAL MEETING**

**10.30am, Wednesday 25 November 2015
Henry Jones Art Hotel
25 Hunter St, Hobart**

Thank you Peter, and good morning everyone.

I'd first like to thank you for attending today's 2015 Annual General Meeting of Huon Aquaculture Group Limited.

It has certainly been a transformational year for the business.

Listing the business in October provided the necessary capital for the Company to implement our Controlled Growth Strategy that I will talk about in more detail shortly. Peter Margin has already outlined our business strategy and I believe that Huon's underlying business fundamentals have been, and continue to be, very sound.

When you look at the business as a whole, and in the context of our business strategy I think we are well positioned for long term profitability.

FY2015 in review

In terms of our financial performance we have delivered an Operating EBITDA of \$40.5 million, which is within the revised profit guidance as stated in April.

This result reflects the challenging market conditions in the second half of the financial year, resulting from the influx of imported salmon during a key trading period for the Company that has continued into Financial Year 2016.

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Even in such challenging conditions, we increased our revenue on last year from \$188.4 million to \$191.7 million despite failing to meet our prospectus forecast of \$214.8 million. Pleasingly, we were able to sustain our sales volumes – up 9% on last financial year and consistent with expectations.

Huon has performed well in terms of costs and has achieved a 5.9% improvement on the operating costs disclosed in the Prospectus.

There has also been strong performance of our fish in the water, our biological assets, which came from a good growing season, good farming practices and the performance of the new Fortress Pens.

It is also worth noting that we continue to take a fairly conservative approach to the valuation of our stock, which we believe is reflected in our results, which I'll discuss in more detail shortly.

Our cash flow held up well throughout the year, finishing at \$17.3 million despite the impact of the decrease in expected sales revenue, and the \$11 million tax payment following our strong performance last year.

We have also been able to keep our gearing ratio low at 13.4% and our net debt is a very manageable \$33million.

The implementation of the Controlled Growth Strategy placed some pressure on Return on Assets, as expected. We also however, expect this to progressively improve as we finalise implementation of the strategy.

And as outlined by Peter Margin, earnings per share of 25.6 cents will be fully retained. I'll now move on to our results in more detail.

Importantly, we were able to improve our operating costs against our Prospectus forecast. Our operating costs per HOG/kg was a 5.9% improvement on our Prospectus forecast and we believe that this is a reflection of the efficiency of our production and close management of costs within the business.

This is a pleasing result, particularly during one of the two implementation years of the Controlled Growth Strategy.

As mentioned harvest tonnage was also consistent with Prospectus forecasts.

Turning now to our operating NPAT Results. As compared to FY2014, our results were down by approximately 80 cents net per kilogram. However, other than the decrease in respect of sales revenue, which was largely pricing-related, our other results for the year were consistent with expectations.

Of that 80 cent reduction in operating NPAT, the reduced revenue per kilogram was approximately 90 cents, which was offset by reduced costs and tax benefits.

Key items to note in the balance sheet are that:

- The Company has low gearing of 13.4% which we believe puts us in a position to complete the controlled growth strategy and take advantage of any future opportunities; and
- We effectively protected our cash position through cost control measures and close management of trade working capital which includes stock, trade debtors and creditors.

As we mentioned in the half-yearly results, the IPO proceeds have been used to:

- implement the Controlled Growth Strategy;
- repay bank debt; and
- pay transaction costs associated with the IPO.

In terms of our biological assets, the strong performance from our stock in the water was largely due to larger and increased numbers of smolt, lower mortality rates and better growth.

Implementation of the new fortress pens and feed-barges have also assisted us to achieve this result, and I am happy to report that since earlier this month we now have all grow-out fish in fortress pens.

This increase in biological assets of around 37% is in line with the Company's continued focus on optimising its channel mix and making use of sustainable export channels, particularly into key Asian and Pacific markets.

It is also important to draw your attention to our cost of production. In a year that saw us undertake significant changes to farming technologies and methods, we experienced only a minor increase in cost of production. I believe this demonstrates the Company's ability to implement large-scale transformational projects smoothly and effectively.

Moving forward we will continue to focus on reducing our cost of production as the efficiencies of the Controlled Growth Strategy increase over time.

Now I'll move on to talk about the progress of the Controlled Growth Strategy in more detail.

Progress of Controlled Growth Strategy

As you would be aware, the Company is pursuing a \$200million controlled Growth Strategy to deliver growth, efficiency and quality.

The Controlled Growth Strategy is proceeding as planned. It is on time and on track and importantly is also within budget.

All of the projects are well advanced if not completed.

Pleasingly, the fortress pens are now in place for all grow-out fish and are showing a marked reduction in mortalities as well as better growth being experienced as a result of less interaction with predators.

It is also important to note that the pens are safer and more efficient to work on for fish handling for our staff.

The success of the fortress pens for grow-out will also be applied to a pre-harvest holding pen system that is expected to be installed early next year. The new harvest pen system will utilise the technology of the fortress pens coupled with changes to design and layout that we expect to deliver a range of benefits. Specifically, the new harvest pen system is expected to;

- Increase speed and efficiency of fish movements;
- Reduce stress and protect fish from predators immediately prior to harvest; and
- Improve quality and consistency through reduced handling.

In essence, the new system will allow fish to continue to grow well right up until harvest whilst preserving their condition and quality.

Although the new fortress pens are at the heart of the Controlled Growth Strategy, we would not be able to use them without moorings systems that can withstand the weather and support the new pens.

The mooring installation and replacement program is proceeding on schedule with almost 90% now in place.

The well-boat continues to play a critical role in our operations.

All bathing is currently being undertaken by the well-boat without using the older style method of bathing. However, in the warmer summer months we may supplement bathing operations with our older-style bathing equipment to ensure the health, welfare, and therefore quality of our fish.

Every month we are increasing our bathing efficiency and most importantly, we are able to bathe safely and efficiently at our higher energy sites.

The new 240m circumference fortress pens would be difficult to bathe in and out of without the well boat.

The forth feed barge is operational and we expect the fifth and final of this group of feed-barges to be commissioned and deployed in the coming weeks.

These new barges are very advanced in their technology and specifically, they are able to feed all pens of fish at the same time and the feed is distributed through the pen extremely well. This means fish are fed more evenly, when they are hungry and all fish have an equal opportunity to feed. The outcome of this is simple - improved growth rates in our fish.

Stage one and two of the Forest Home Hatchery has been completed on time and the first eggs have already hatched and relocated to tanks as fry.

We're expecting great results from the hatchery due to its high water quality parameters. We anticipate that the hatchery will enable us to grow larger smolt, which translates to larger fish at harvest and a shorter grow-out time at sea. The new hatchery also takes the pressure off our other hatcheries meaning they too can grow larger, better quality smolt.

Finally, the Parramatta Creek facility has been completed on time and within budget.

The new state-of-the-art facility will enable us to produce new products and will give us the capability to expand our volumes and capitalise on emerging consumer trends.

This will give us the ability to combat the impact of imports, as well as supply value-added product to both domestic and international markets.

It is also expected to deliver efficiency savings. In particular freight, packaging and labour savings are expected to be in the vicinity of \$1.0m this year.

I'll now move on to a sales and marketing update.

Sales and Marketing update

As I mentioned earlier it is unfortunate that the strong prices in the first half of the year did not carry through to the second half of FY2015.

Huon was able to protect its wholesale market share, despite strong competition and weakening prices, with the support of its strong relationships in the wholesale sector and its marketing activities focussed on increasing consumption and protecting Huon's share of the channel.

Throughout FY2015 Huon utilised existing as well as re-established export channels into key Asian markets in response to increased domestic competition and to distribute additional volume from the good local growing season. However, the Russian ban on Norwegian and Scottish salmon coupled with the Norwegian government allowing a temporary increase in the biomass limits also increased supply and therefore competition weakened export pricing.

From some of the indicators we've seen in recent months, we believe there is an increasing likelihood global salmon supply will be constrained in the next 12-24 months.

Our sales effort and product development capabilities are well supported by our underlying biological assets which positions the Company well to capitalise on improved market conditions going forward.

The first new products have already come out of the new Parramatta Creek factory and our product development capabilities are increasing.

A national fresh Huon branded presence in the retail sector was successfully launched in the first half of FY2015 giving the Huon brand greater visibility to consumers in a sector that we are currently under-trading in. In addition Huon also supplies all of the Jamie Oliver fresh salmon products to a major retailer.

The business will continue to grow its on-shelf retail presence through new product development capabilities and additional production capacity at the newly completed Parramatta Creek processing, smokehouse and product innovation facility as well as from the new Sydney fresh value adding processing facility.

In response to the increasing presence of imports in the domestic market, we've also developed new products aimed at displacing them such as a smoked caterers pack for example.

I would now like to show you how we are managing some of our risks.

Responding to challenges

In terms of agricultural risk, Huon has a strong track record of managing this and the controlled growth strategy is a good example.

Huon's attention to detail in our farming practices and our preparedness to look further forward and pioneer new ways of farming is one of our bigger strengths.

The move to higher energy sites provides for better growing conditions for the fish and allows for future expansion as more sheltered sites have become very limited in their availability.

The industry-wide selective breeding program is already delivering improved amoebic gill disease resistance and improved growth rates.

In terms of environmental risk, our pens have significantly reduced wildlife interactions. The wellboat, new feed barges together with the significantly more robust fortress pens have allowed us to move more stock to the better performing higher energy sites and have reduced our reliance on the more sensitive growing region in Macquarie Harbour. We continue to be conservative in our approach to farming in Macquarie Harbour and over the next couple of years. We are expecting to be in a position where the Macquarie Harbour growing region represents less than 15% of our total production.

The size of our new fortress pens gives us the ability to further reduce our stocking densities, both giving the fish a better environment to grow but also substantially lessening the growing risk.

Our focus on safety has also resulted in significant improvements.

The Loss Time Injury Frequency Rate is markedly improved on the previous year, however it also shows that the Company needs to remain focussed on safety improvements.

The Company experienced a 32% reduction in slips, trips and falls (the number one injury category for the Company) across all pen types, which is largely attributable to the roll-out of its new Fortress Pens.

In line with these pleasing results, we will continue to drive the safety culture at Huon, which has seen us recognised as an 'Employer of Choice'.

FY2016 outlook

In terms of the medium-term outlook for the global salmon market, there are indications that supply may be constrained the next 12-24 months.

This view is based on factors including:

- salmon production estimates from Norway and Chile. Norway, the major global salmon growing regions, is estimating a decline in salmon harvests due to early harvests of smaller fish and the impact of sea lice. Chile is one of the largest global salmon growing countries with declines of 15% forecast.
- In addition to the estimated production declines in major growing regions, the limited availability of suitable lease space and the increased presence of amoebic gill disease globally including in Norway, Scotland, Ireland, Canada, and the USA.

This is occurring in an environment of global demand that is predicted to continue at around 5-7 per cent.

Moving on to the domestic market. Domestic demand growth is still very high at around 10%.

The Company expects that imports are likely to reduce during the year as a result of a variety of factors including:

- devaluation of the AUD against the USD
- Australian production sufficient to supply the domestic market
- constrained global supply
- import replacement products being produced locally through the ability of the new processing facility to produce bigger volumes and a greater variety of new products
- the current value of salmon relative to other proteins, as other proteins have increased markedly, in particularly beef and lamb.

In closing, I think it is important to recap on the key points from my presentation.

- The business strategy remains on track and the fundamentals that underpin the business remain sound – particularly cash flow, low gearing of only 13.4% and prudent cost control across the business.
- We believe that the underlying biological assets position the Company well for this year
- The efficiencies from the controlled growth strategy are expected to continue growing throughout the year as the projects reach completion and are bedded down.

- We will continue to optimise our channel mix in an environment of tightening global supply; and
- By retaining our focus on risk management, will seek to ensure we remain in a strong position to continue to grow safely and sustainably.

I also take this opportunity to add my thanks to our employees for their diligence, our shareholders for their continued support, our customers for their loyalty and friendship, our suppliers for their support, and finally the communities that we are proud to be a part of.

ENDS