

HUON AQUACULTURE GROUP LIMITED

FY2015 ANNUAL GENERAL MEETING



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REVIEW OF OPERATIONS

PETER BENDER, CHIEF EXECUTIVE OFFICER



OVERVIEW



- Successfully completed IPO in October 2014
- Smooth transition to public ownership and Board leadership
- Capital raised at IPO enabled Controlled Growth Strategy capital investment program
 - Being delivered on time and on budget
- Business strategy on track;
 - Growing the market
 - Growing production and operational efficiency
 - Growing safely and sustainably
- Sound underlying business fundamentals
- Well positioned for long-term sustainable profitability



FINANCIAL PERFORMANCE

		Actual FY2015	Actual FY2014	Prospectus FY2015
Tonnage	†	16,536	15,156	16,680
Revenue [^]	\$M	191.7	188.4	214.8
Operating EBITDA*	\$M	40.5	54.7	51.9
Statutory EBITDA*	\$M	35.2	59.2	54.1
Operating NPAT	\$M	20.3	30.7	27.2
Statutory NPAT	\$M	16.6	33.8	28.8
Fair value Adjustment	\$M	(5.3)	4.5	2.2
Biological Assets	\$M	151.8	122.8	N/A

[^] Revenue from the sale of goods

*EBITDA is a non-IFRS financial measure which is used to measure business performance

- Profit result of \$40.5M (Operating EBITDA) despite significant market volatility
- Sales volume remained strong in a difficult market
- Weakening prices in 2H FY2015 impacted revenue and underlying profit
- Operating cost improved by 5.9% compared to Prospectus forecast
- Conservative approach to fair value adjustment
- Strong performance of underlying biological assets from a good growing season and performance of the new Fortress Pens

FINANCIAL PERFORMANCE

		Actual FY2015	Actual FY2014	Prospectus FY2015
Operating Earnings Per Share	c	25.6	N/A	31.2
Cash flow from operations	\$M	17.3	42.9	N/A
Net Debt	\$M	33.0	64.5	N/A
Total Gearing Ratio*	%	13.4	58.7	N/A
Return on Assets**	%	6.4	19.6	N/A

* Total Gearing Ratio is measured as debt (net of cash) / net assets.

** Return on Assets is measured as statutory EBIT / total assets, where EBIT is rolling 12 month to period end.

- Operating cash flow of \$17.3M despite difficult trading environment and influence of \$11.0M tax payment
- Low gearing ratio of 13.4% with net debt of \$33.0M
- Controlled Growth Strategy placed short-term downward pressure on Return on Assets (ROA) as expected
- Operating Earnings per Share of 25.6 cents fully retained

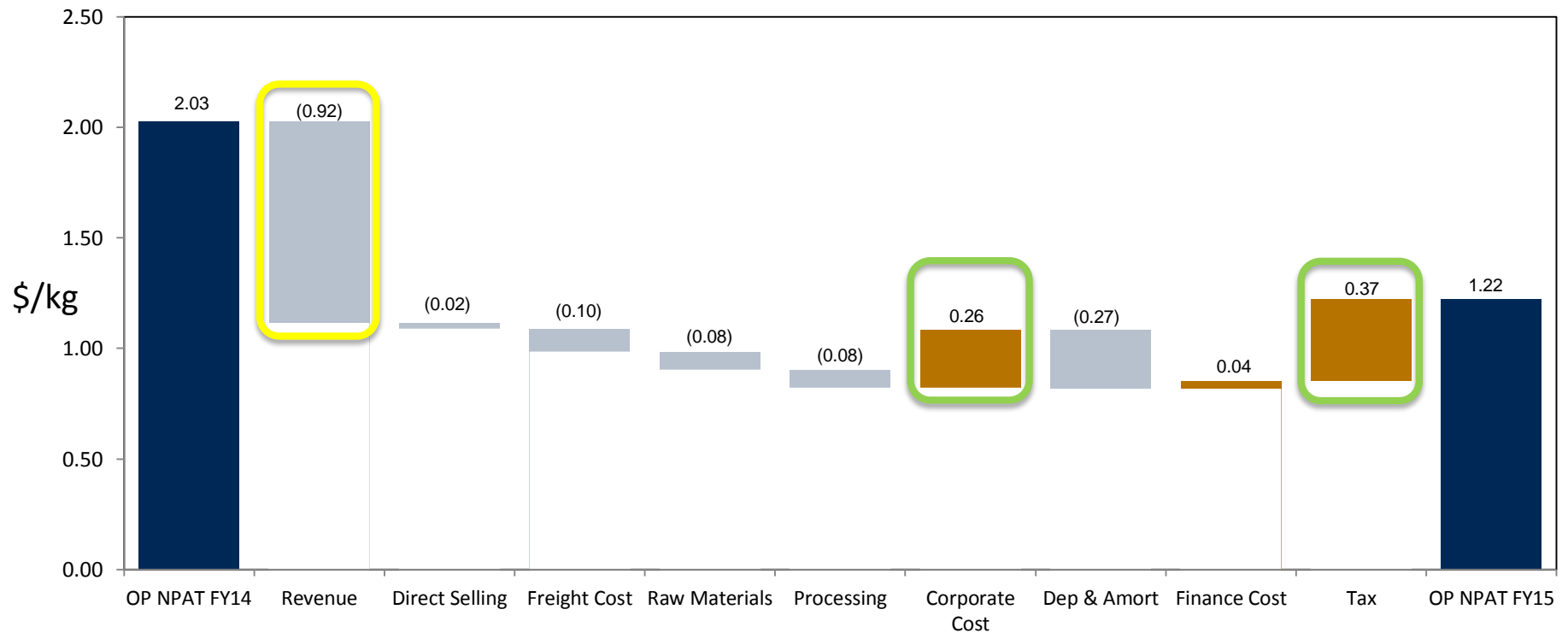
OPERATING COST COMPARISON TO PROSPECTUS

		Actual FY2015	Prospectus
Revenue	\$M	191.7	214.8
Op EBITDA	\$M	40.5	51.9
Tonnage	†	16,536	16,680

Revenue / HOG kg	\$/kg	11.59	12.87
EBITDA / HOG kg	\$/kg	2.45	3.12
Op Cost / HOG kg	\$/kg	9.15	9.75

- Effective cost control during year
- 5.9% improvement in operating costs per HOG kilogram in FY2015 compared with Prospectus forecast
- Harvest tonnage consistent with expectations

OPERATING NPAT COMPARISON FY2014 TO FY2015 (\$/KG)





BALANCE SHEET EXTRACT

\$M	FY2015	FY2014
ASSETS		
Current assets	205.5	153.4
Non-current assets	199.1	107.1
Total assets	404.6	260.5
LIABILITIES		
Total current liabilities	70.3	53.6
Total non-current liabilities	83.0	97.0
Total liabilities	157.5	150.6
Net assets	247.1	109.9

COMMENTARY

- Low gearing ratio positions the Company to deliver Controlled Growth Strategy as planned
- Close management of trade working capital (stock, trade debtors and creditors) plus cost control measures protected Company's cash position
- Controlled Growth Strategy placed some downward pressure on ROA as expected.
- IPO proceeds settled in late October. Main use of funds during the reporting period:
 - Funding of the Controlled Growth Strategy
 - Repayment of bank debt
 - Payment of transaction costs

BIOLOGICAL ASSETS

COMMENTARY

		Actual FY2015	Actual FY2014
Biological assets at fair value	\$M	151.8	122.8
Fair value adjustment	\$M	30.9	36.1
Biological assets (excluding fair value adjustment)	\$M	121.0	86.7
Total weight of live finfish at sea	t	15,949	11,653
Biological asset value / HOG kg	\$/kg	7.58	7.44
Fair value adjustment / HOG kg	\$/kg	1.94	3.10
Total biological assets (at fair value per kilo)	\$/kg	9.52	10.54

- Significant increase (37%) in biological live weight
- Strong performance in underlying biological assets from good growing season and performance of new Fortress Pens;
 - Lower mortalities, better growth rates and increased ave. weights resulted from improved feeding systems (feed-barges), new pens, improved husbandry practices and favourable environmental conditions
- Conservative approach to fair value adjustment;
 - Fair Value Adjustment = \$30.9M
 - Equates to \$1.94 per kg uplift in FY2015 compared to \$3.10 per kg in FY2014
- Cost of production remained low despite implementation of Controlled Growth Strategy
 - Minor increase of 1.9% to \$7.58/kg cost of production in FY2015

CONTROLLED GROWTH STRATEGY

			% COMPLETE
FORTRESS PENS		<ul style="list-style-type: none"> • Pen replacement program on time and budget • Marked reduction in mortalities and better growth • Extending program to SafeQ harvest race 	100
NEW MOORING SYSTEMS		<ul style="list-style-type: none"> • Mooring system upgrade and expansion project proceeding to schedule 	87
WELL-BOAT		<ul style="list-style-type: none"> • Continues to set new bathing records • Safe and efficient bathing at higher energy sites • Ongoing efficiency improvements 	100

Huon is investing ~\$200m¹ of capital from FY2014 to FY2017 over a range of projects to deliver growth, efficiency and quality

CONTROLLED GROWTH STRATEGY

		% COMPLETE
FEED-BARGE	 <ul style="list-style-type: none"> • First four feed barges demonstrating very promising early growth results in next year's harvest fish • Last barge deployed early December 	90
FOREST HOME HATCHERY	 <ul style="list-style-type: none"> • Mooring system upgrade and expansion project proceeding to schedule 	90
PROCESSING	 <ul style="list-style-type: none"> • Parramatta Creek completed. • Expected to deliver \$1m in savings in FY2016 	100

Huon is investing ~\$200m¹ of capital from FY2014 to FY2017 over a range of projects to deliver growth, efficiency and quality

SALES AND MARKETING UPDATE

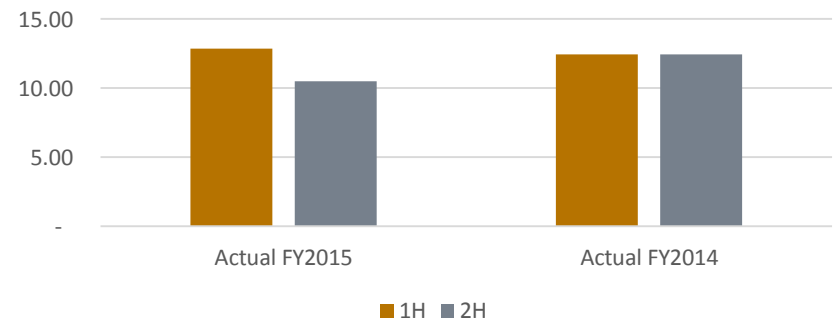
MARKET CONDITIONS

- Strong prices (\$/kg) in the first half of the year did not carry through to the second half
- Combined impact of increase in cheaper imports and additional volumes from good growing season increased competition in domestic market
- Increased competition in export sector weakened prices in this channel
- Increasing likelihood global salmon supply will be constrained in next 12-24 months

CHANNEL MIX BY REVENUE (% of total revenue)

	FY2015	FY2014
Wholesale	75%	84%
Retail	10%	10%
Export	15%	6%

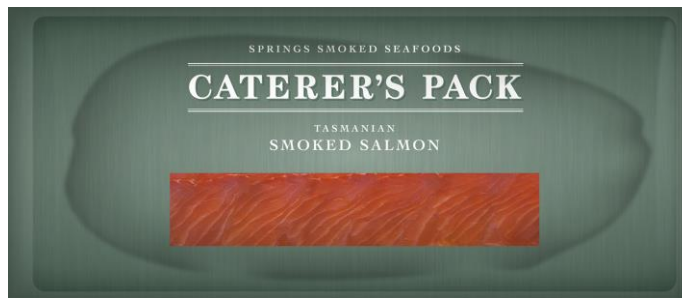
REVENUE PER KG



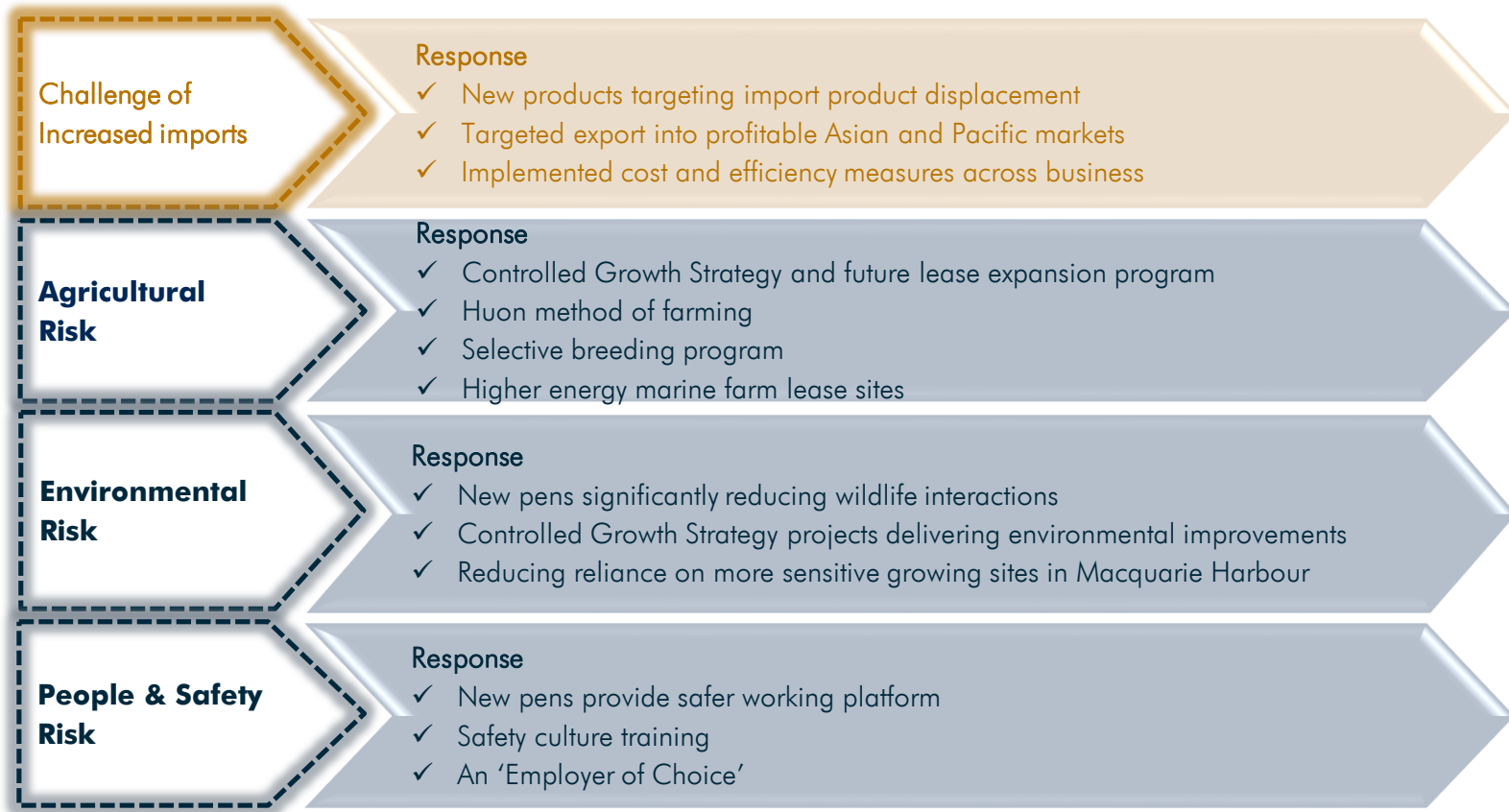
SALES AND MARKETING UPDATE

COMMENTARY

- Innovative products for new market segments and import replacement
- Development of MAP and Jamie Oliver



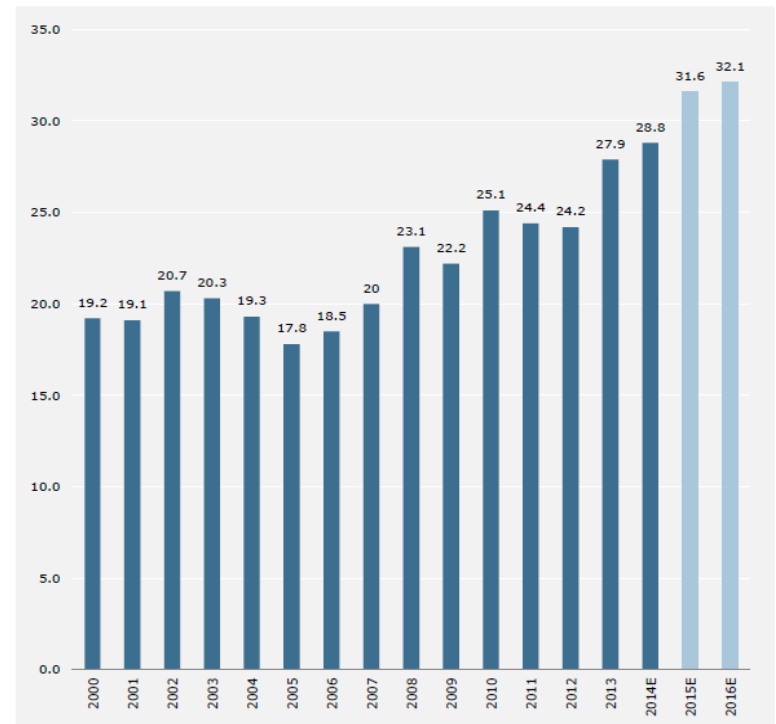
RESPONDING TO CHALLENGES



OUTLOOK

INTERNATIONAL SALMON INDUSTRY OUTLOOK*

- Constrained global supply expected in FY2016
- All salmon producing countries finding it difficult to expand due to suitable lease space availability
- “Norway's seafood federation expects drop in 2016 salmon harvests” – Intrafish
- Early harvest of small fish in Norway as a result of lice becoming resistant to available treatments
- Production in Chile forecast to decline due to biological issues and rising production costs
- AGD increasing in Norway, Scotland, Ireland, Canada and USA (potential production decrease of “up to 15%” (Intrafish))
- Global estimated demand for salmon is increasing with Rabobank forecasting between 5-7%



* Source: Salmon industry dynamics and expectations – Rabobank International September 2015

* Source: Rabobank, Kontali, Subsecretaria de Pesca 2015



OUTLOOK

DOMESTIC MARKET OUTLOOK

- Market expected to continue growing at around 10%
- Likelihood of imports into domestic market decreasing:
 - Australian production sufficient to supply domestic market
 - Constrained supply growth in international markets
 - Marked devaluation of the AUD against the USD has reduced attractiveness of Australia as a market for salmon internationally
 - Import replacement through both retailer and wholesale underway
 - New factory gives Huon capacity and capability to produce larger volumes of product that can replace imports
- Alternative proteins (e.g. lamb and beef) have increased in price

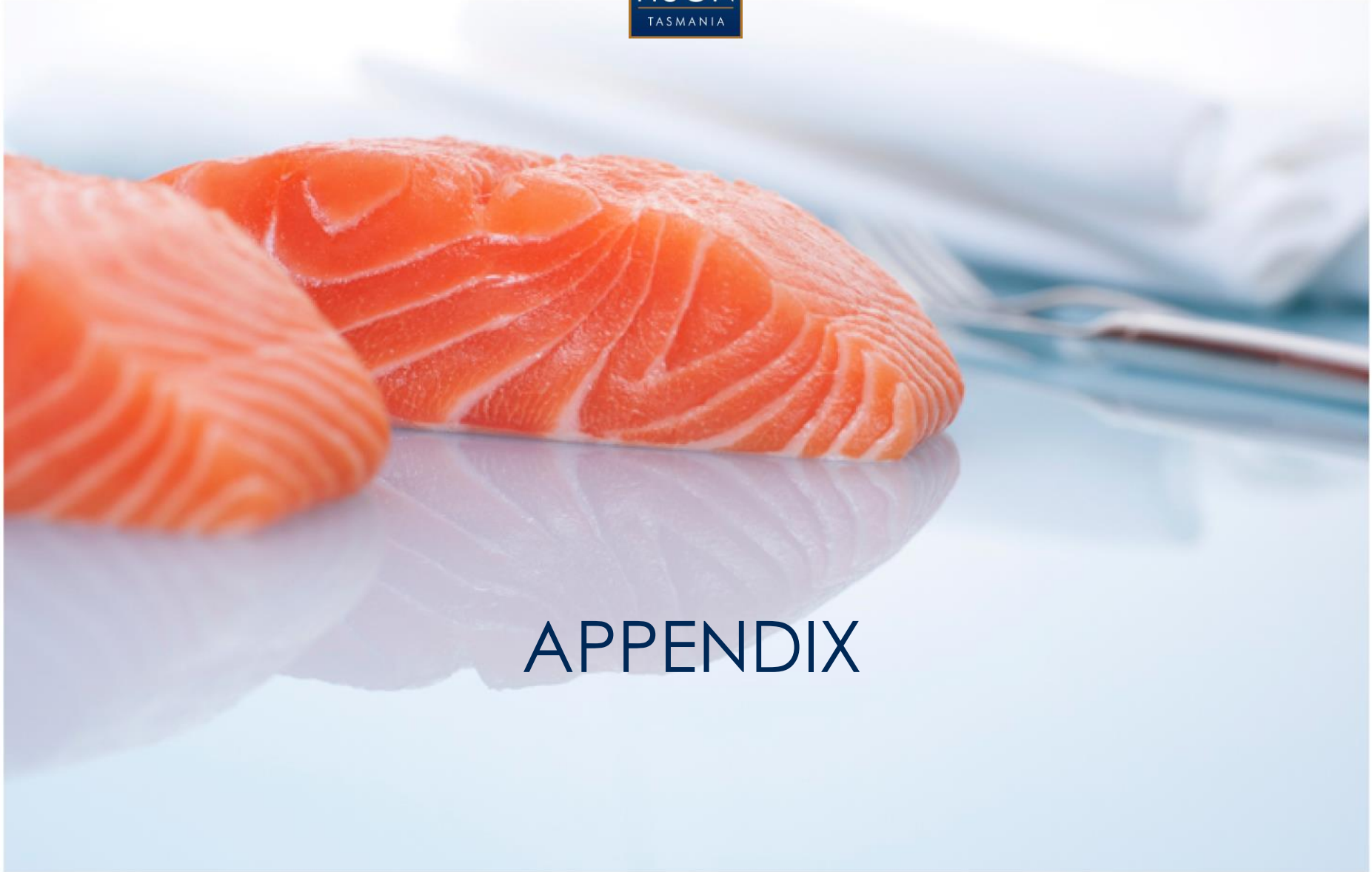


SUMMARY

- Business strategy on track
- Sound business fundamentals – low gearing of only 13.4%, prudent cost control across the business and expanded capacity.
- Underlying biological assets position the company well for this year.
- Efficiencies from the controlled growth strategy are expected to continue growing.
- Continuing to optimise channel mix in an environment of tightening global supply.
- Effective risk management



THANK YOU



APPENDIX

STATUTORY TO OPERATING RECONCILIATION

Statutory

		Actual FY2015	Actual FY2014	Prospectus FY2015
Tonnage	†	16,536	15,156	16,680
Revenue	\$'000	191,730	188,352	214,754
EBITDA*	\$'000	35,191	59,193	54,424
NPAT	\$'000	16,603	33,797	28,794
Biological Assets	\$,000	151,837	122,834	N/A
Cash Flow from Operations	\$'000	17,314	42,855	N/A
Net Debt	\$'000	32,984	64,474	N/A
Total Gearing Ratio**	%	13.35%	58.65%	N/A
Return on Assets***	%	6.38%	19.63%	N/A

Fair Value Adjustment

Fair value Adjustment	\$'000	(5,260)	4,490	2,245
Related income tax	\$'000	1,578	(1,347)	(674)

Operating Results

EBITDA*	\$'000	40,451	54,703	51,998
NPAT	\$'000	20,285	30,654	27,223