

HUON AQUACULTURE GROUP LIMITED

FIRST HALF YEAR 2016 RESULTS PRESENTATION



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AGENDA

1	OVERVIEW
2	RESULTS SUMMARY
3	RISK MITIGATION AND STRATEGY UPDATE
4	OUTLOOK



OVERVIEW



- Strong increase in sales volumes
 - Planned increase in production and record growth in 2014 year class
 - Harvest program accelerated ahead of forecast “El Nino” conditions
- Revenue growth impacted by increased weighting of sales to lower margin export markets;
- Margins tightened as production costs rose due to the accelerated harvest, increased export sales and higher freight charges;
- Reduction in the fair value adjustment of biological assets;
- Implementation of the Controlled Growth Strategy in final phase and full completion expected this year.



OVERVIEW

FINANCIAL PERFORMANCE:

Six Months Ended		31 Dec 2015	30 Jun 2015	31 Dec 2014	% Change Dec on Dec
Tonnage	t	12,288	8,686	7,850	57%
Revenue [^]	\$M	131.1	93.1	98.6	33%
Statutory EBITDA [*]	\$M	8.2	(7.9)	43.1	-81%
Operating EBITDA ^{**}	\$M	15.9	13.6	26.9	-41%
Statutory NPAT	\$M	(1.3)	(9.3)	25.9	-105%
Operating NPAT ^{***}	\$M	4.0	5.7	14.6	-73%
Fair value Adjustment	\$M	(7.6)	(21.5)	16.2	-147%
Biological Assets	\$M	135.5	151.8	158.6	-15%
Revenue per kg	\$	10.7	10.7	12.6	-15%
Earnings Per Share	c	(1.5)	(11.8)	36.5	-104%

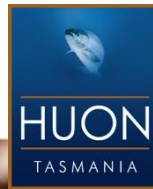
[^] Revenue from the sale of goods

^{*} EBITDA is a non-IFRS financial measure which is used to measure business performance, using net depreciation and amortisation recognised in the income statement. Operating EBITDA excludes the impact of the Fair Value Adjustment of Biological Assets. EBITDA is Earnings before interest, depreciation, amortisation and tax

^{**} Operating EBITDA is statutory EBITDA excluding fair value adjustment

^{***} Operating NPAT is statutory NPAT excluding fair value adjustment and related tax impact

- Sales volume increased 57% due to accelerated harvest and good growing season;
- EBITDA impacted by lower revenue per kg, higher production costs, increased freight costs and decline in Fair Value Adjustment;
- \$7.6m decline in fair value adjustment reflects reduced stock levels and recognises lower market valuation of exports;
- Reduction in Biological Assets an outcome of the accelerated harvest strategy
- Contrast performance with 1H2014
 - biological assets were increasing due to planned boost in production (14YC);
 - higher revenue/kg from dominance of sales through domestic wholesale channel; and
 - \$16m increase in fair value adjustment
- Favourable comparison to Operating EBITDA of \$13.6 million 1H2015 and statutory loss (NPAT) of \$9.3 million for the same period.



RESULTS SUMMARY

1HY2016



RESULTS SUMMARY

INCOME STATEMENT EXTRACT

Six Months Ended		31 Dec 2015	30 Jun 2015	31 Dec 2014
Harvest volume (HOG t)	t	12,288	8,686	7,850
Revenue	\$M	131.1	93.1	98.6
Revenue \$/HOG kg	\$	10.67	10.72	12.56
EBITDA	\$M	8.2	(7.9)	43.1
Operating EBITDA*	\$M	15.8	13.6	26.9
Margin (%)	%	12.0%	14.6%	27.2%
Cost of production	\$M	(101.0)	(69.9)	(61.2)
Cost of production \$/HOG kg	\$	(8.22)	(8.05)	(7.79)
Freight and distribution	\$M	(10.1)	(6.5)	(4.8)
Freight and distribution \$/HOG kg	\$	(0.82)	(0.74)	(0.61)

* Operating EBITDA is statutory EBITDA excluding Fair Value Adjustment

- Accelerated harvest increased tonnage by 57%
 - Higher production levels from 14YC
 - Above average fish weights > 5kg HOG
 - Good growing season and strong performance of new Fortress Pens
- Revenue +33% but Revenue/kg -15% on pcp
 - Pricing affected by increased weighting of sales through export markets,
 - Domestic market pricing in early stages of recovery from import competition
- Operating Margin further compressed by
 - increased cost of production (+6%) including higher feed cost
 - higher freight and distribution costs (+34%)
 - increased seal activity in old pens causing higher stock losses – all production fish now in Fortress pens



RESULTS SUMMARY

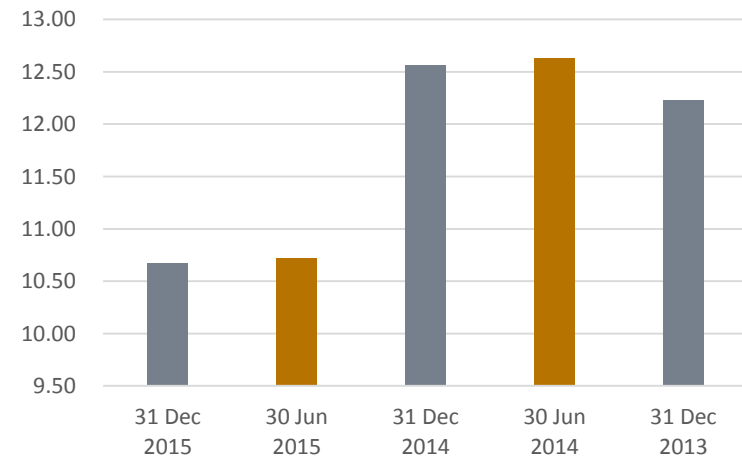
PRICING AND MARKET CONDITIONS

- Pricing (\$/kg) improved in all channels during the half from the lows of prior 6 months but impacted by channel mix
 - Domestic market benefited from increased pricing from reduced volumes of cheaper imports
 - Average pricing affected by increased weighting of sales through lower margin export markets
 - Timing of Huon export placement coincided with Norway selling larger volumes due to sea lice
- Exports accounted for 35% of sales revenue
 - Exports expected to significantly reduce in second half

CHANNEL MIX BY REVENUE

% Total Revenue	1HY16	2HY15	1HY15
Domestic	65%	77%	93%
Export	35%	23%	7%

PRICING (\$/HOG/kg)





RESULTS SUMMARY

FAIR VALUE ADJUSTMENT IMPACT ON PROFIT

Six Months Ended		31 Dec 2015	30 Jun 2015	31 Dec 2014	% Change Dec on Dec
Sales Revenue	\$M	131.1	93.1	98.6	33%
Statutory EBITDA	\$M	8.2	(7.9)	43.1	-81%
Statutory EBITDA Margin	%	4.8	(9.1)	44.3	-89%
Fair Value Adjustment	\$M	(7.6)	(21.5)	16.2	-147%
Operating EBITDA*	\$M	15.8	13.6	26.9	-41%
Operating EBITDA Margin	%	12.0	14.6	27.2	-56%

* Operating EBITDA is statutory EBITDA excluding Fair Value Adjustment

- Fair value adjustment on biological assets recorded a loss of \$7.6 million
 - Direct impact on income statement through reduction in reported earnings and margins
- Biological Assets reduced as part of environmental risk mitigation strategy

RESULTS SUMMARY

BALANCE SHEET EXTRACT

Period Ended	31 Dec 2015	30 Jun 2015	31 Dec 2014
ASSETS			
Cash	10.8	13.8	60.3
Receivables	29.6	19.6	26.2
Biological Assets	135.5	151.8	158.6
Inventory	13.2	11.4	7.0
Total current assets	192.1	205.5	254.9
Property, plant & equipment	206.6	184.5	144.9
Total non-current assets	221.3	199.1	161.2
Total assets	413.4	404.6	416.1
LIABILITIES			
Payables	59.4	59.6	57.9
Borrowings	2.5	5.9	5.0
Total current liabilities	70.0	70.7	71.4
Borrowings	55.3	40.9	43.3
Deferred Tax	37.2	40.7	43.6
Total non-current liabilities	97.5	86.8	88.2
Total liabilities	167.5	157.5	159.7
Net assets	245.9	247.1	256.4

- \$31 million invested in fixed assets during the half
 - Controlled Growth Strategy reaching final stages
 - Funding supported by low gearing and strong cash flow
- Trade working capital (inventory, trade debtors and creditors) tightly managed
- Debt levels increased by \$11.1 million to \$58 million
- Biological assets at fair value declined by 15% to \$135.5 million due to
 - Accelerated harvest reducing biological live weight of fish at sea (-17%)
 - Reduction in overall average pricing due to increased weighting of exports



RESULTS SUMMARY

HEALTHY CASH FLOW

Six Months Ended		31 Dec 2015	30 Jun 2015	31 Dec 2014	% Change Dec on Dec
Cash and cash equivalents	\$M	10.8	13.8	60.3	-82%
Operating cash flow per share	c	19.7	2.3	17.5	13%
Net debt**	\$M	47.1	33.0	(12.1)	
Total gearing ratio***	%	19.1%	13.3%	-4.7%	

Cash flows from operating	\$M	17.2	2.0	15.3	12%
Cash flows from investing	\$M	(31.3)	(46.5)	(58.7)	-47%
Cash flows from financing	\$M	11.1	(2.1)	101.5	-90%

** Net debt is total debt net of cash at bank

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

- Healthy cash position
 - Previous corresponding period includes cash raised from IPO in October 2014
- Strong operating cash flow of \$17.2M underpinned by increase in export sales
 - Operating cash flow per share increased 13%,
 - First half Operating cash flow equivalent to Full Year 2015
- Capex of \$31M during the half for last stages of implementing CGS
- Gearing remains conservative at 19.1% with net debt of \$47.1M



RISK MITIGATION & CONTROLLED GROWTH STRATEGY UPDATE

1HY2016

ENVIRONMENTAL RISK MITIGATION

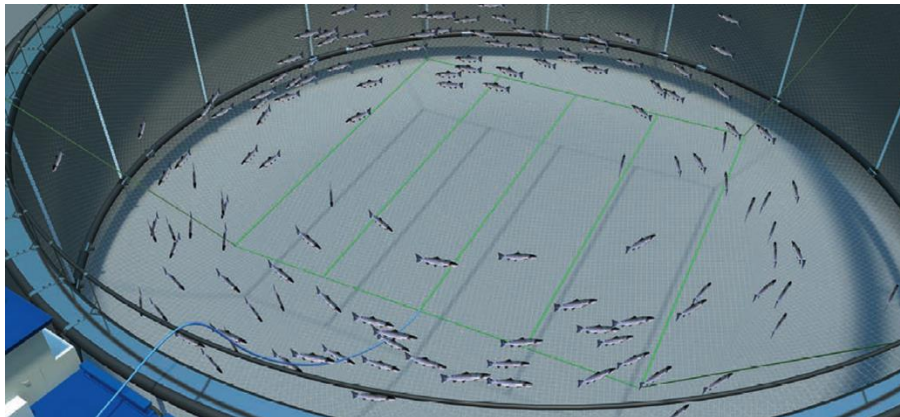
Environmental Risk

Response

- New pens significantly reducing wildlife interactions
- CGS projects delivering environmental improvements
- Reducing reliance on more sensitive growing sites in Macquarie Harbour

Update

- Forecast El Nino for summer 2015/2016
 - Accelerated harvest to reduce stocks held over summer months
- Ongoing management of sensitive MH growing region
 - Risk mitigation strategies, including low stocking densities and oxygenation systems, impacting short-term costs
- Nitrogen cap exceeded in December 2015 in Huon River
 - Temporary in nature, will be fully compliant in calendar year 2016
 - No observed environmental impact
 - Strong fish performance has delivered best growth rates in 2014 year class in South East growing region.



PEOPLE AND SAFETY RISK MITIGATION

People & safety risk

Response

- New pens provide safer working platform
- Safety culture training
- An 'Employer of Choice'

Update

- Loss time Injury Frequency Rate (LTIFR)
62% reduction from 20 to 8 (per 1,000,000 hours worked) on pcp
- Incident rate
62% reduction from 2.0 to 0.8 (per 100 employees) on pcp
- Slips, trips and falls
50% reduction since fortress pens introduced

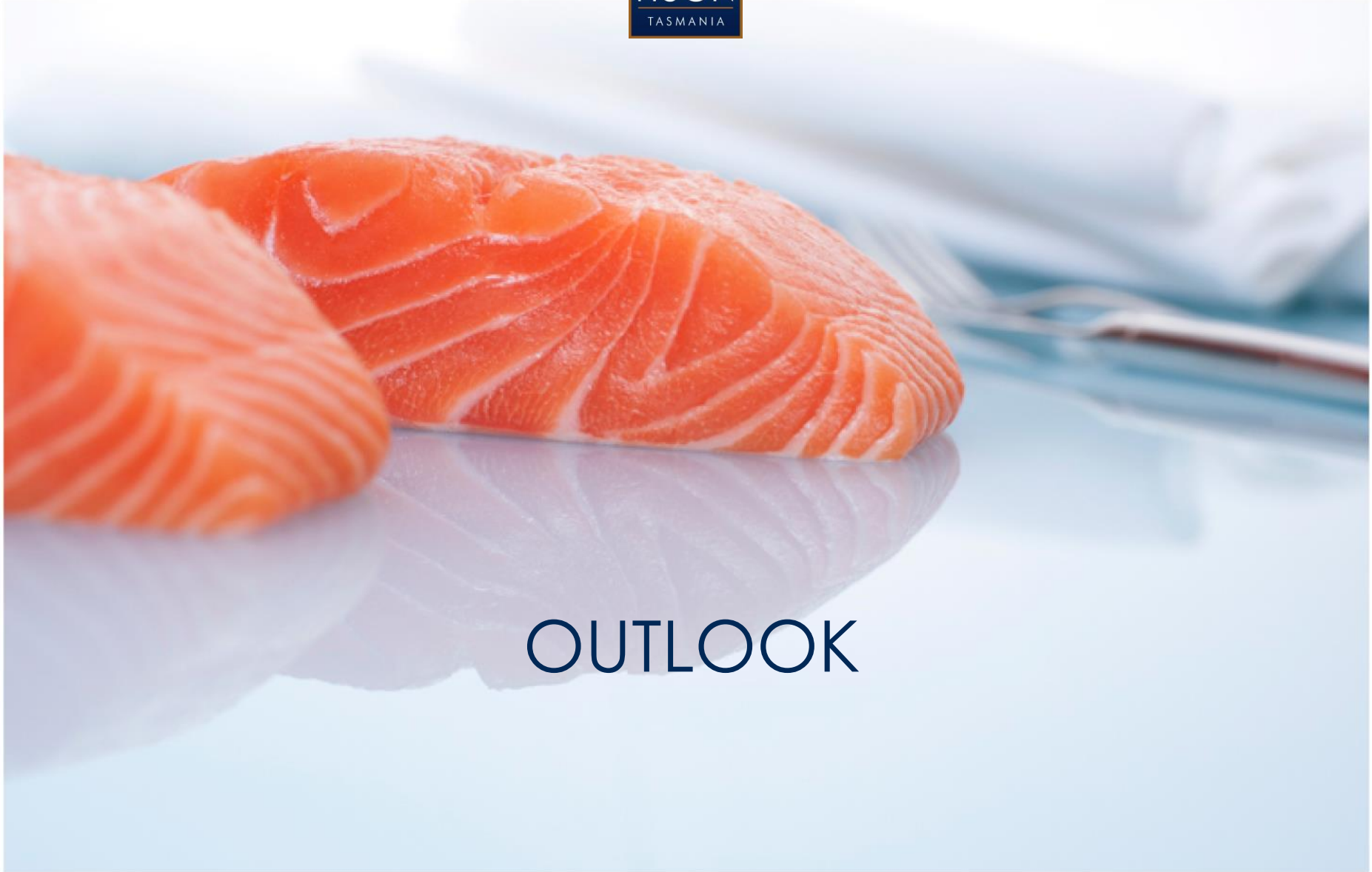




CONTROLLED GROWTH STRATEGY UPDATE

FORTRESS PENS	100%	<ul style="list-style-type: none">• Early results in relation to mortality and growth very encouraging• 50% reduction in slips trips and falls• Significantly reduced seal interactions
MOORINGS	95%	<ul style="list-style-type: none">• Mooring system upgrade and expansion project proceeding to schedule
WELL-BOAT	100%	<ul style="list-style-type: none">• Effective and safer bathing in higher temperatures (chilled water)• Efficient bathing at higher energy sites after initial implementation
FEED BARGES	100%	<ul style="list-style-type: none">• All barges deployed• Supporting zonal farming
FOREST HOME HATCHERY	90%	<ul style="list-style-type: none">• Stages one, two and three completed during first half• First eggs already hatched and been relocated to tanks as fry and parr• Fourth and final stage completed in second half FY16
PROCESSING	100%	<ul style="list-style-type: none">• Significant capacity increase with increased production beginning to flow through• Quality improvements delivered

TOTAL CAPEX SPEND IN LINE WITH PROSPECTUS



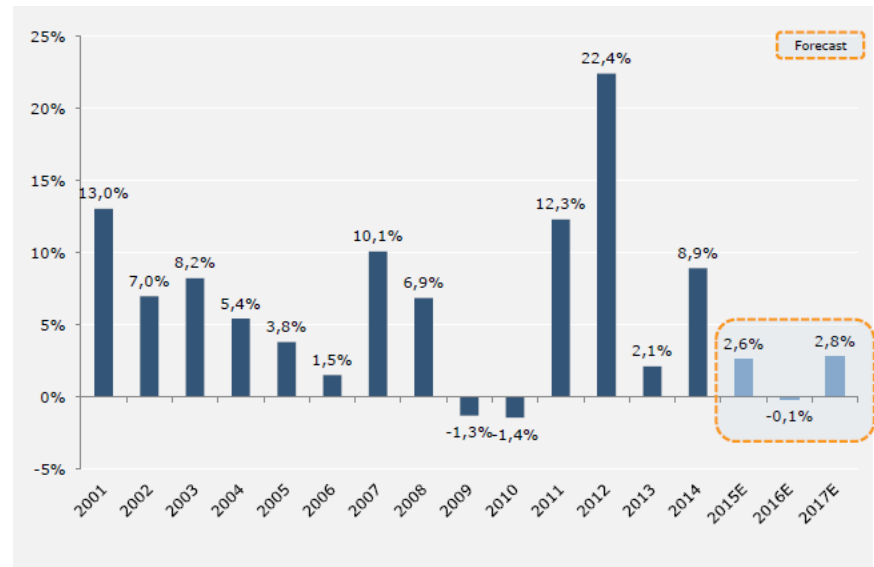
OUTLOOK

OUTLOOK

INTERNATIONAL MARKET OUTLOOK

Global supply expected to be constrained in 2016 and 2017:

- Rabobank expects global supply contraction in 2016, the first time this has occurred since the ISA crisis in Chile in 2010
- Demand expected to continue at around 7% (noting the supply constraint)
- Forecast decline in salmon production from Norway and Chile
- Estimated production declines in major growing regions; the limited availability of suitable lease space will further constrain supply growth.
- The increased presence of amoebic gill disease globally, including in Norway, Scotland, Ireland, Canada and the USA, will hinder optimal harvesting and constrain production.

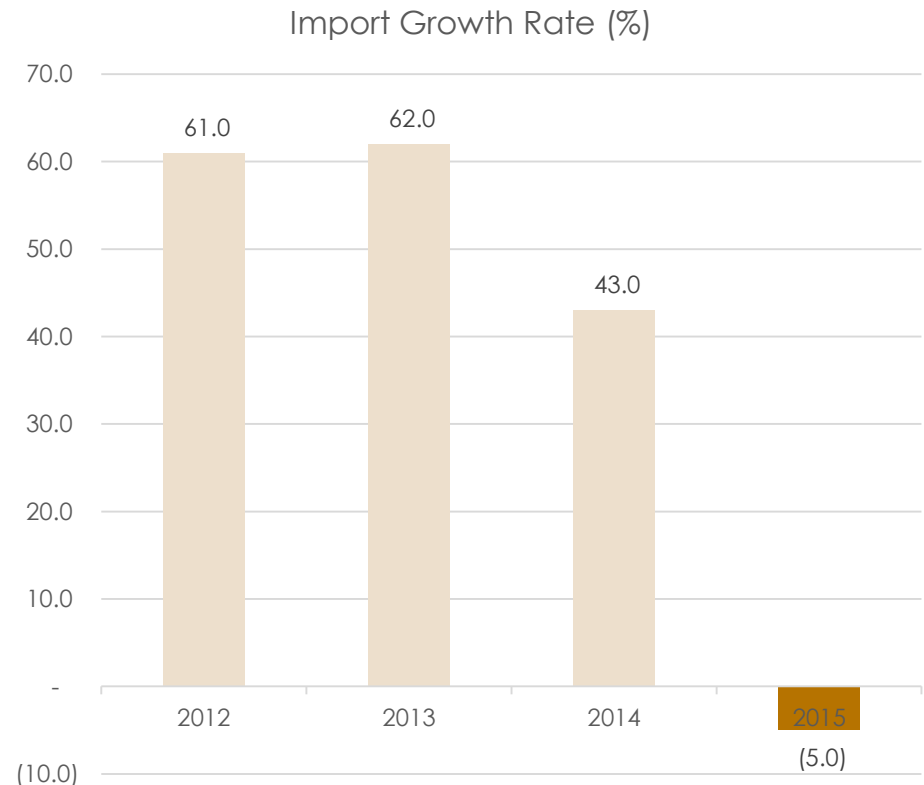


Source: Rabobank

OUTLOOK

DOMESTIC MARKET OUTLOOK

- Market expected to continue growing at around 10%
- Imports into domestic market have declined significantly:
 - Constrained global supply
 - Devaluation of the AUD against the USD has reduced attractiveness of Australia as a market for salmon internationally
- Modest pickup in domestic pricing in the latter months of calendar 2015
- Fish performance in future periods expected to be impacted by higher water temperatures driven by El Nino conditions in all growing regions and deteriorating dissolved oxygen levels in Macquarie Harbour
 - Likely to positively impact pricing in second half and FY2017
- Salmon competitive with alternative proteins (e.g. lamb and beef)

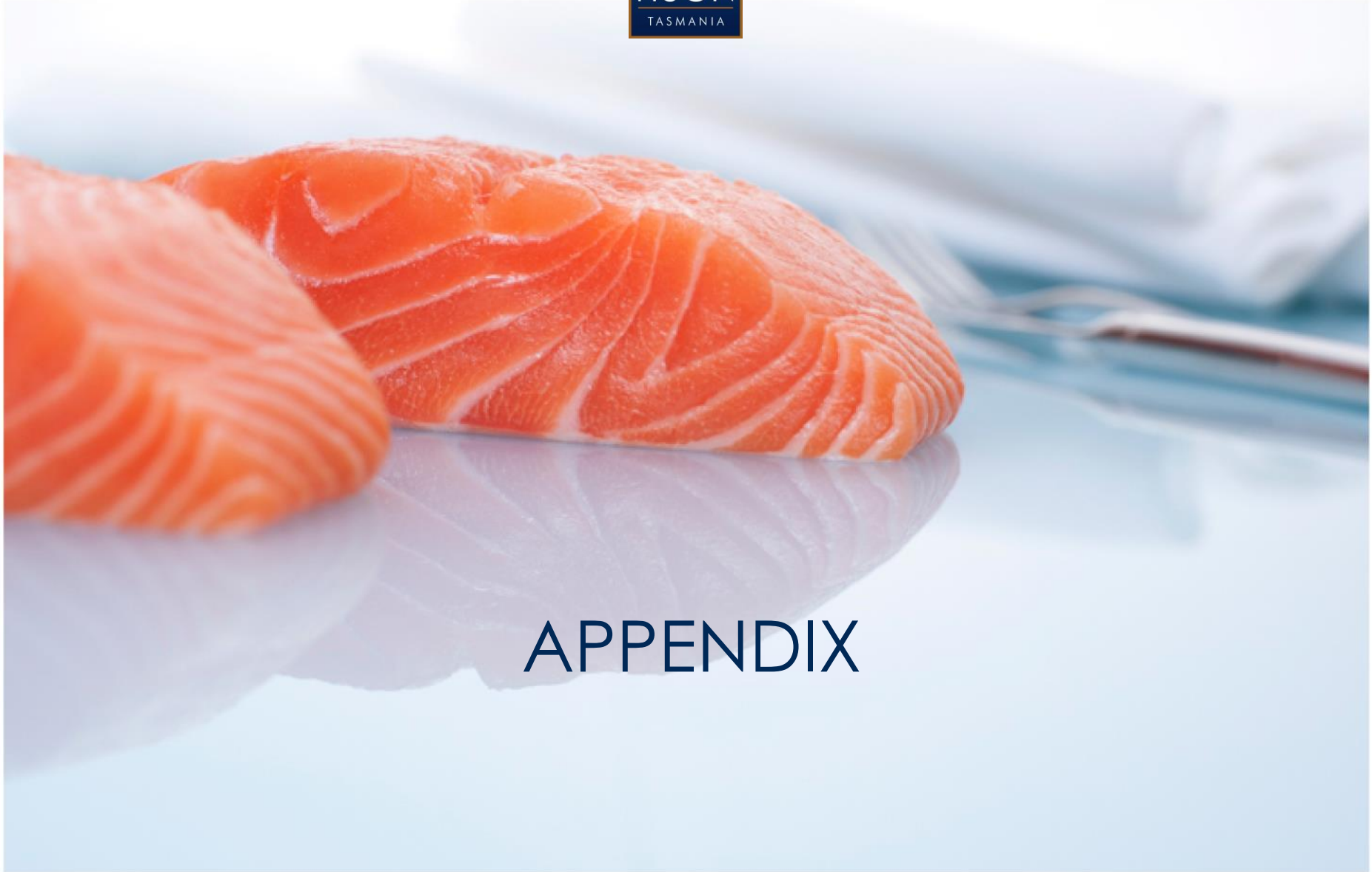




CONCLUSION

- Global salmon market over the next 2 years is facing increasing supply constraints, supporting favourable pricing domestically
- Capex for Controlled Growth Strategy well advanced with efficiency gains expected to flow through in FY17 and FY18
- Half year profitability influenced by risk mitigation strategy driven by extreme El Nino and exporting at the same time as Norway reducing biomass
- Full year profitability expected to be influenced by:
 - Slower fish growth to be impacted by higher water temperatures driven by El Nino conditions in all growing regions and deteriorating dissolved oxygen levels in Macquarie Harbour
 - Lower supply should have a positive impact on domestic pricing in the coming year
- The environmental uncertainty tempers our outlook and as a result the Directors currently expect that the Company's Operating EBITDA for 2H2016 will be less than the Operating EBITDA of \$13.6M reported in the pcp (2H2015).

Huon's focus on risk management combined with strong balance sheet and cash flow underpins its commitment to long-term sustainable profitability



APPENDIX

STATUTORY TO OPERATING RECONCILIATION

Statutory

- ^ Revenue from the sale of goods
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Cash and cash equivalents	\$M	10.8	13.8	60.3	-82%
Net debt***	\$M	47.1	33.0	(12.1)	-490%
Revenue per kg	\$	10.67	10.72	12.56	-15%
Earnings Per Share	c	(1.51)	(11.80)	36.53	-104%
Operating Cash Flow Per Share	c	19.72	2.30	17.52	13%
Total Gearing Ratio****	%	19.1%	13.3%	-4.7%	-506%
Return on Assets	%	-3.2%	6.4%	13.2%	-124%

Fair Value Adjustment

		31 Dec 2015	30 Jun 2015	31 Dec 2014	% Change Dec on Dec
Fair value Adjustment	\$M	(7.6)	(21.5)	16.2	-147%
Related income tax	\$M	2.3	6.5	(4.9)	-147%

Operating Results

Six Months Ended		31 Dec 2015	30 Jun 2015	31 Dec 2014	% Change Dec on Dec
EBITDA*	\$M	15.8	13.6	26.9	-41%
NPAT**	\$M	4.0	5.7	14.6	-73%