

Three large salmon fish are shown lying on a bed of crushed ice. The fish are arranged diagonally from the top left towards the bottom right. They have dark, speckled skin on their backs and lighter, silvery skin on their sides. Their eyes are visible, and their mouths are slightly open. The background is a bright, white, textured surface of ice.

Huon Aquaculture Group Limited

Results Presentation

FY2018



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Agenda

- 1 OVERVIEW
- 2 RESULTS ANALYSIS
- 3 OPERATIONAL REVIEW
- 4 OUTLOOK



Overview of FY2018

- Revenue increased 23% to \$317.9m with production volume up 25% on pcp
- Operating NPAT increased 23% to a record \$35.4m while statutory NPAT fell 37% to \$26.4m due to a fall in the Fair Value Adjustment of Biological Assets
- Average harvest weight increased to 4.78kg from 4.64kg despite challenging growing conditions in 2H
- Pricing in the domestic market continued to improve, driven by a shortage in supply and growth in demand
- Operating EBITDA up 14% to \$71.8m resulted in a 7% increase in operating cash flow in FY2018 to \$57.9m
- Construction of the 1,400 tonne Whale Point Salmon Nursery well advanced and production capacity in Storm Bay expanded with 8 new Fortress Pens
- Net debt increased to \$81.3m, gearing remains very manageable at 26.1%
- Huon's maiden annual dividend of 10.0 cents per share, following declaration of final dividend of 5.0 cents per share, 50% franked.



Whale Point Salmon Nursery under construction June 2018



OVERVIEW OF FY2018

Financial Performance: Record Operating Profit

Twelve months ended		30 June 2018	30 June 2017	% Change
Tonnage	t	22,968	18,448	25%
Revenue [^]	\$M	317.9	259.5	23%
Revenue per HOG kg	\$/kg	13.84	14.07	-2%
EBITDA*	\$M	58.9	82.0	-28%
EBITDA Margin	%	19%	32%	-41%
Operating EBITDA**	\$M	71.8	62.8	14%
Operating EBITDA Margin	%	23%	24%	-6%
NPAT	\$M	26.4	42.2	-37%
Operating NPAT***	\$M	35.4	28.8	23%
Earnings per share	c	30.21	48.27	-37%
Dividend per share	c	10.0	5.0	100%
Operating Earnings per share	c	40.53	32.97	23%
Fair value adjustment	\$M	(12.9)	19.2	-167%

[^] 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

*** Operating NPAT excludes the impact of the Fair Value Adjustment of Biological Assets and related tax impact

- Operating EBITDA up 14% to \$71.8m and Operating NPAT of \$35.4m (+23%) reported compared with \$28.8m the previous year
- Volume up 25%, reflecting the planned expansion in production
- Sales revenue up 23% with supply shortages underpinning a strong pricing environment
- Production costs/kg (including freight) maintained at same level as the previous year despite a challenging 2H
- Fair Value Adjustment (FVA) reduced as a result of biomass levels falling due to the impact of the extended summer
- Statutory profit adversely impacted by the \$32m turnaround in FVA from a \$19.2m uplift to a \$12.9m decline



Financial Performance: Challenging Second Half

Six months ending		30 June 2018	31 Dec 2017	30 Jun 2017	Jun to Jun % Change
Tonnage	t	10,275	12,693	9,071	13%
Revenue [^]	\$M	147.4	170.5	126.0	17%
Revenue per HOG kg	\$	14.35	13.43	13.89	3%
Operating EBITDA ^{**}	\$M	32.6	39.2	36.5	-11%
Operating EBITDA Margin	%	22%	23%	29%	-23%
Operating NPAT ^{***}	\$M	16.4	19.0	19.4	-15%
Operating Earnings Per Share	c	18.82	21.71	22.18	-15%
EBITDA [*]	\$M	7.4	51.5	24.1	-69%
NPAT	\$M	(1.2)	27.6	10.7	-111%
Earnings Per Share	c	(1.38)	31.59	12.26	-111%
Dividend Per Share	c	5.00	5.00	5.00	na
Fair Value Adjustment	\$M	(25.2)	12.3	(12.4)	103%
Biological Assets	\$M	169.4	195.3	188.0	-10%

[^] 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

*** Operating NPAT excludes the impact of the Fair Value Adjustment of Biological Assets and related tax impact

- Growth in revenue (+17%) and tonnage (+13%) in 2H2018 was consistent with Huon's planned expansion in production for the year
 - Pricing increased in response to a shortage in supply domestically in 2H2018, lifting revenue
- Operating EBITDA fell 11% in 2H compared with pcp as a result of increased production costs/kg
- Biological Assets reduced 10% to \$169.4m
 - Turnaround from the strong performance in 1H2018 reflects sudden deterioration in growing conditions in November 2017 which extended through to April



Results Analysis

FY2018



Key Profit Drivers in FY2018



- Increased tonnage and strong pricing drove record operating profits in FY2018
- Low average fish weight in 2H offset the record result achieved in 1H as fish growth was impacted by the extended summer and warm water in SE Tasmania from the East Coast Current
 - Average HOG weight for 2H2018 of 4.27 kg was well down from the record high of 5.29 kg in 1H2018
- Average price per HOG kg for the year softened slightly to \$13.84, down 2% from \$14.07 (pcp)
 - Record average price per HOG kg of \$14.35 in 2H2018
 - Sales into the domestic market (wholesale and retail) accounted for 88% of revenue in 2H compared to 76% in 1H



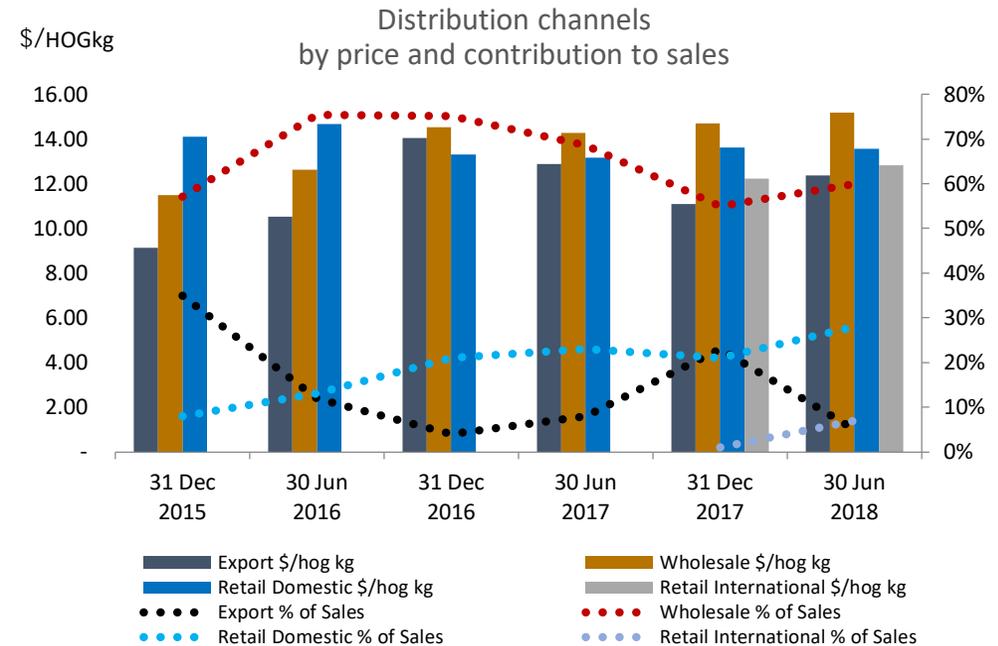
RESULTS ANALYSIS

Pricing and Market Conditions

- The average domestic price rose during the year, with price increases during the 2H
 - Consistent growth in demand (+10%) year on year
 - The wholesale price averaged \$15.17/kg in 2H (+6% on pcp), as demand outstripped supply
 - Sales into the retail channel both domestically and internationally accounted for 35% of revenue in 2H
- Huon carves out a new sales channel, 'retail international', reducing its exposure to the spot export market
 - New markets established in Asia accounted for 4% of annual sales revenue, with prices averaging \$12.71/kg during the year
 - Exports across the financial year averaged 14% of sales (the majority in the first half), at an average price of \$11.26/kg

CHANNEL MIX BY REVENUE

Six months ending	30 Jun 2016	31 Dec 2016	30 Jun 2017	31 Dec 2017	30 Jun 2018
Wholesale	75%	75%	69%	55%	60%
Retail Domestic	13%	21%	23%	21%	28%
Retail International	–	–	–	1%	7%
Export	12%	4%	8%	23%	5%



RESULTS ANALYSIS

Fair Value Adjustment Impact on Profit

Six months ending		30 Jun 2018	31 Dec 2017	30 Jun 2017	% Change Jun on Jun
Revenue [^]	\$M	147.4	170.5	126.0	17%
EBITDA [*]	\$M	7.4	51.5	24.1	-69%
EBITDA Margin	%	5%	30%	19%	↓
Fair value adjustment	\$M	(25.2)	12.3	(12.4)	103%
Operating EBITDA ^{**}	\$M	32.6	39.2	36.5	-11%
Operating EBITDA Margin	%	22%	23%	29%	↓
Biological Assets	\$M	169.4	195.3	188.0	-10%

- Fair value adjustment on biological assets recorded a decline of \$12.9 million for FY2018
 - 2H decline of \$25.2 million reflects a reduction in biomass as a result of poor growth, harvesting forward to meet demand and an increased incidence of AGD due to the extended warm summer
- Biological assets declined (-10% pc)
 - Reduced biomass in the water at 30 June 2018
 - The second half is also the cyclical low point as a result of a new year class being put to sea and final harvest of the older year class
 - Firm pricing in the domestic market supported by high international prices

[^] Revenue from the sale of goods

^{*} EBITDA is earnings before interest, tax, depreciation and amortisation

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



RESULTS ANALYSIS

Cash Flow Generation

	Six Months Ended			
	30 Jun 2018	31 Dec 2017	30 Jun 2017	31 Dec 2016
Operating EBITDA*	32.6	39.2	36.5	26.4
Cash Flow from Operations	34.8	23.2	33.1	20.9
Add - Net Interest Paid	1.7	1.6	1.6	1.8
- Tax Paid/(Refunded)	(4.2)	-	-	-
Adjusted Cash Flow from Operations	32.2	24.8	34.7	22.7
EBITDA Conversion	99%	63%	95%	86%
Capex	44.5	43.2	22.3	12.7
Cash at end of period	2.8	7.4	23.0	21.0

- Cash flow from operations increased from \$54.0m to \$57.9m in FY2018 reflecting:
 - Increased production volumes and firm pricing
 - Reduced cash requirement driven by lower biomass in second half
 - A tax refund in the second half
- Conversion of Operating EBITDA to cash averaged 79% during FY2018
 - Continued trend of cash conversion but expectation of reduction in 1H2019 as rebuild biologicals
- Capex increased in line with investment for future production to \$87.7 million in FY2018 as Huon commenced its next expansion phase
 - \$30 million invested in the construction of the 1,400 tonne Whale Point Salmon Nursery plus expansion at Storm Bay

* Operating EBITDA is statutory EBITDA excluding fair value adjustment



RESULTS ANALYSIS

Balance Sheet

Period Ended	30 Jun 2018	31 Dec 2017	30 Jun 2017
ASSETS			
Cash	2.8	7.4	23.0
Receivables	32.9	39.4	29.9
Biological Assets	169.4	195.3	188.0
Inventory	12.4	13.2	12.4
Total current assets	223.0	258.5	256.3
Property, plant & equipment	286.3	254.7	223.1
Total non-current assets	300.0	268.5	237.2
Total assets	523.0	527.0	493.5
LIABILITIES			
Payables	52.3	58.6	67.8
Borrowings	39.2	19.9	11.2
Total current liabilities	105.0	88.6	85.8
Borrowings	45.0	54.9	54.8
Deferred Tax	57.6	62.9	55.7
Total non-current liabilities	106.3	121.7	114.5
Total liabilities	211.3	210.3	200.3
Net assets	311.7	316.7	293.2

- Net assets rose 6% on pcp underpinned by increased investment (+28%) in fixed assets
- Cash position reflects funding of increased capital expenditure from cash flow and existing debt facilities
- Net debt levels increased on pcp to \$81.3m
- At 26%, gearing (net debt/equity) increased from the normalised gearing of 21% reported at 30 June 2017, yet still remained relatively low
- Refinancing of 5 year debt facility in FY2019
 - Current borrowings increased from \$11.2m to \$39.2m as one of the facilities nears maturity
 - Expanded facility being negotiated on consistent terms and conditions



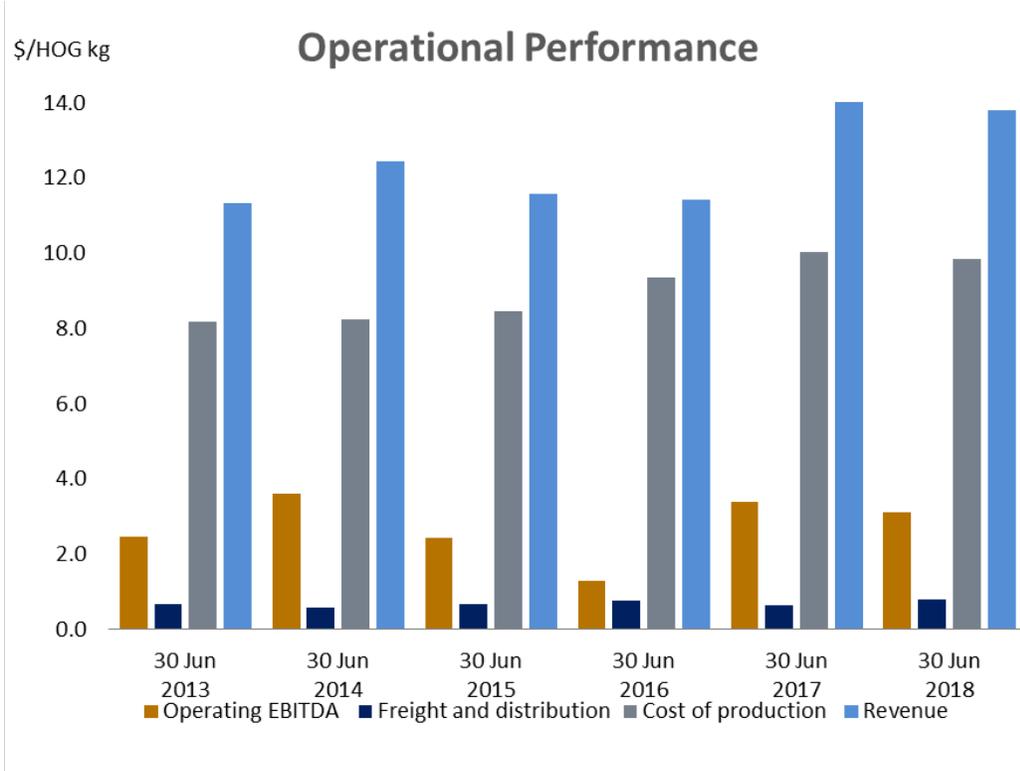
Operational Performance

FY2018



OPERATIONAL PERFORMANCE

Production Costs Stable



- Operational EBITDA per HOG kg in FY2018 declined by 8% on pcp to \$3.13 as margins eased
 - Cost of production*, including freight and distribution, stabilised at \$10.71/HOG kg year-on-year
 - Revenue per HOG kg declined 2% from the peak of \$14.07 in the previous year to \$13.84
- Domestic pricing remained firm throughout the year particularly in the wholesale market
 - Increased weighting of sales into the retail channel
 - Exports accounted for 14% of sales, mostly in the first half
- Average cost of production/kg in FY2019 is expected to remain unchanged on FY2018
 - Ongoing impact in 1H2019 of operational and biological costs on the 2017YC arising from the temperature spike in November 2017 and extended warm summer
 - The focus remains on delivering further reductions in production costs through innovation and efficiency projects. These are expected to deliver improvements to the per kg cost of production from FY2020

*Sales \$ per HOG kg less EBITDA per HOG kg



Leveraging Huon Technology

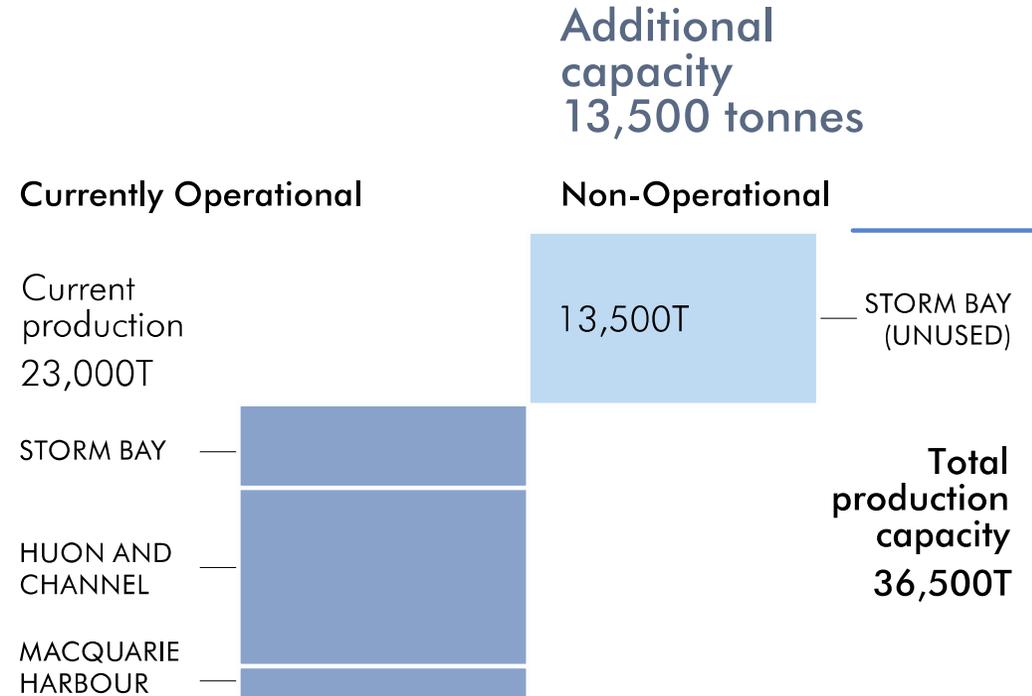
- Whale Point Salmon Nursery
 - Smolt put to sea at more advanced stage of growth
 - Reduced mortality risk and fish grown to the same size in less time at sea
- Unmanned Feed Barges
 - 600 tonne feed barges under construction to manage increased production and feed demands
 - Fully automated and unmanned, meaning less feed delivery trips and increased feed security
 - Fish can be fed in any weather so no missed feed days
- Automated feeding
 - Huon's entire production volume fed from a central control room in Hobart
 - Huon developed technology enables automated feeding using a spreading system monitored by video sensors that stop feeding when fish are not eating
 - Reducing feed conversion rates
- Continued innovation leads to improved efficiency and a lower cost of production



OPERATIONAL PERFORMANCE

Growing Capacity

- Lease expansion at Storm Bay
 - 8 additional pens were installed in existing leases this year as part of the planned expansion in Storm Bay
 - Huon has the capacity, with its existing leases, to double its production from around 6,000 tonnes to 12,000 tonnes
 - Additional lease capacity at East of Yellow Bluff is proposed which will increase total capacity in the Storm Bay region to 20,000 tonnes
- Whale Point Salmon Nursery
 - Construction of 1,400 tonne Whale Point Salmon Nursery due for completion at the end of CY2018
 - Time fish are at sea reduced from 14 to under 12 months
 - Farming capacity and following opportunity increased without having to expand lease area
- Yellowtail Kingfish Trial
 - Trial continuing at Port Stephens in NSW
 - Exploring diversification into other farming locations
- Macquarie Harbour
 - Continue to farm at same production levels



OPERATIONAL PERFORMANCE

The Market

- Throughout FY2018 Huon began to reposition the brand with a strong differentiation strategy, executed in major markets
- ‘Not all salmon is Huon’ asks consumers and B2B customers alike to consider why, who they buy their salmon from, matters
 - Harvested By Day, Fresher By Night
 - Australian Open Festival exclusive salmon supplier
 - Australian Women’s Weekly Huon Salmon recipe book
- This campaign focuses on positioning Huon at the premium end of a growing salmon market domestically and internationally
- Over the course of the year Huon reached millions of Australian salmon consumers through its marketing initiatives
- Launched ‘Fresher Rewards’ B2B app prior to Easter 2018
 - Continued growth in this program expected in FY2019
- As of FY2019 Huon is the first salmon company in Australia to offer RSPCA Approved salmon to the market



IT'S NOT JUST TENNIS STARS THAT SHINE AT NIGHT.

Harvested
BY NIGHT

Fresher
BY DAY

At Huon, we're heading out to work when everyone else is fast asleep (or watching the tennis), because we harvest our salmon as late as possible – at night, to ensure it reaches you as fresh as possible. It's why you should always ask for Huon, because the fresher the salmon, the better the taste. To find out more, visit huonsalmon.com.au

festival Official salmon supplier of the Australian Open Festival.

NOT ALL SALMON IS **HUON** SALMON

The advertisement features a night scene of a tennis court with lights and a starry sky. In the foreground, a piece of fresh salmon is garnished with dill and black pepper. The text is arranged in a clean, modern layout, with the 'Harvested BY NIGHT' and 'Fresher BY DAY' slogans in a mix of script and bold sans-serif fonts.

People and Safety

- During the year Huon launched its 'People & Capability' strategy
 - Workforce planning, the development of career pathways, investing in lifting general literacy and numeracy skills as well as information technology competence
 - Development of leadership capability across the business through the 'Huon Leaders Program' which was developed during the year and is being launched in FY2019
- Key safety measures weakened slightly compared to the previous year
 - Expansion of activities throughout the group and the growth in employee numbers

	FY18	FY17	FY16
Lost Time Injury Frequency Rate (LTIFR)			
Number of injuries per 1 million hours worked	4	3	7
Average Lost Time Rate (ALTR)			
Hours Lost per employee	14	12	16
Incident Rate (IR)			
Number of Lost time Injuries per 100 employees	1.0	0.6	1.3



Capital Expenditure

- \$87.7m in capex invested, funded from cash flow and \$38m from existing debt facilities
- Capex this year has been directed to core infrastructure for expanding production
- Capital expenditure for FY2019 is expected to be around \$70m, funding
 - Balance of Whale Point \$15m
 - Storm Bay expansion \$22m
 - Processing \$5m
 - Efficiency \$8m
 - Maintenance \$20m
- Beyond FY2019 capital expenditure it is expected to be well below the levels of FY2018 and FY2019, unless market opportunities dictate otherwise

Dividend

- Interim dividend of 5 cents per share, franked to 50%, paid in April 2018
- Final dividend declared of 5 cents per share, franked to 50%
- The Final Dividend is payable on 11 October 2018 to shareholders as at the record date of 14 September 2018
- Huon's dividend policy is to maintain an annual payout ratio of up to 35% of net operating profit after tax



Outlook



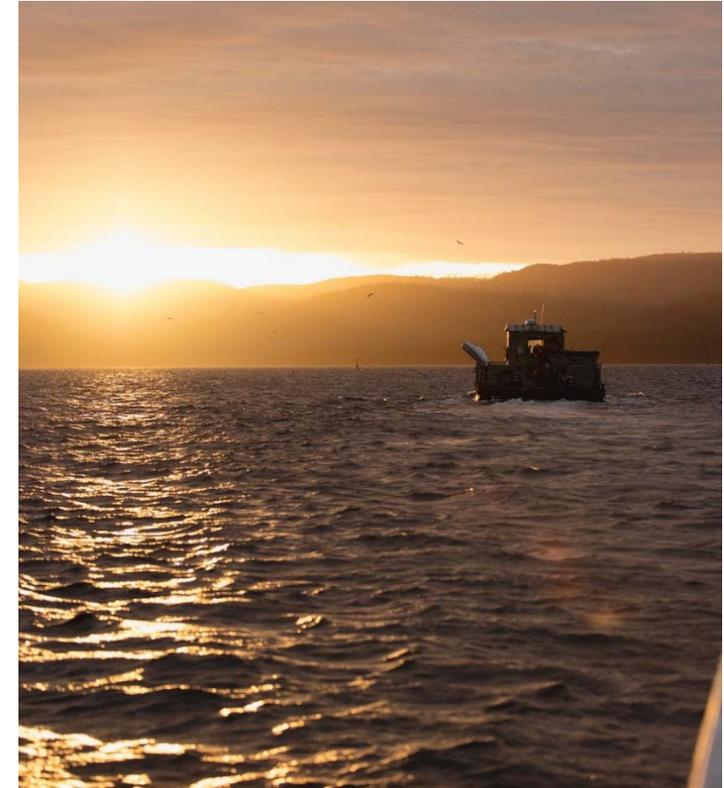
Market Outlook

- Domestic market expected to continue growing at around 10% per annum
 - Domestic salmon production expected to fall short of demand in FY2019 and FY2020
- By 2025 it is estimated that 177 million tonnes of fish will be consumed globally
 - Asia is projected to account for 73% of this
 - Beyond FY2019 Huon's focus on international expansion will continue to be on the Asian region
- Global demand for salmon is growing at 7% pa vs forecast supply growth over the next two years of 3-4% pa
 - Production constraints in major markets Norway and Chile, the two major producers of salmon
 - A shortage of new lease space



Outlook

- FY2019 season has started with low biomass in the water and fish below optimal weight
 - Operational performance in the first half will continue to be impacted by challenging growing conditions that persisted throughout the summer in 2018
- Production volumes for FY2019 are estimated to be around 20,000 tonnes
 - Increased production in FY2020 should result in volumes returning to levels projected prior to FY2018, consistent with growth of c 8-10%pa
- Production costs for FY2019 will be in line with FY2018
- Average pricing in FY2019 to increase as domestic supply tightens
 - Overall average price for FY2019 is expected to remain above \$15.00/HOG kg for the majority of the year
- Beyond FY2019 we expect Huon to return to production levels in line with the long term average growth in the market of around 10%pa
 - Supported by market expectations that pricing will continue to be underpinned by a shortage of supply over demand, which should deliver continued growth in operating EBITDA in FY2020



Huon well positioned for sustainable growth
and development in a growing, supply constrained market



Appendix

FY2018



Statutory to Operating Reconciliation

STATUTORY

- 1 Revenue from the sale of goods
- 2 EBITDA is a non-IFRS financial measure which used to measure business performance, using net depreciation and amortisation recognised in the income statement
- 4 Net debt is total debt net of cash and cash equivalents
- 5 Total gearing ratio is measured as debt (net of cash) / net assets
- 6 Return on assets is measured as statutory EBIT (rolling 12 months) / total assets

Statutory Earnings		30 Jun 2018	31 Dec 2017	30 Jun 2017	31 Dec 2016	% Change Jun on Jun
Tonnage	t	10,275	12,693	9,071	9,377	13%
1 Revenue	\$M	147.42	170.48	125.95	133.54	17%
2 EBITDA	\$M	7.41	51.46	24.09	57.93	-69%
2 EBIT	\$M	(5.02)	39.23	13.33	46.78	↓
NPAT	\$M	(1.20)	27.59	10.70	31.46	↓
Biological Assets	\$M	169.36	195.27	188.02	190.30	-10%
Cash and cash equivalents		2.79	7.42	23.00	20.96	↓
4 Net debt	\$M	81.33	67.34	43.00	53.79	89%
Revenue per HOG kg	\$/kg	14.35	13.43	13.88	14.24	3%
Earnings per share	c	(1.38)	31.59	12.26	36.02	↓
5 Total gearing ratio	%	26.1%	21.3%	14.7%	19.0%	77%
6 Return on assets	%	6.7%	10.4%	13.3%	12.0%	-49%

FAIR VALUE ADJUSTMENT

- 3 Related income tax at current tax rate

Fair value adjustment		30 Jun 2018	31 Dec 2017	30 Jun 2017	31 Dec 2016	% Change Jun on Jun
Fair value adjustment of Biological Assets	\$M	(25.20)	12.33	(12.39)	31.56	103%
3 Related income tax refund/(expense)	\$M	7.56	(3.70)	3.72	(9.47)	103%

OPERATING RESULTS

- 7 Operating EBITDA excludes the impact of the Fair Value Adjustment of Biological Assets
- 8 Operating NPAT excludes the impact of the Fair Value Adjustment of Biological Assets and related tax impact

Operating Earnings		30 Jun 2018	31 Dec 2017	30 Jun 2017	31 Dec 2016	% Change Jun on Jun
Revenue	\$M	147.42	170.48	125.95	133.54	17%
7 Operating EBITDA	\$M	32.61	39.13	36.48	26.37	-10%
Operating EBIT	\$M	20.18	26.90	25.72	15.22	-21%
8 Operating NPAT	\$M	16.44	18.96	19.37	9.37	-15%



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