

# Investor Presentation

May 2010

Eric Barratt  
Managing Director



**SANFORD LIMITED**  
SUSTAINABLE SEAFOOD



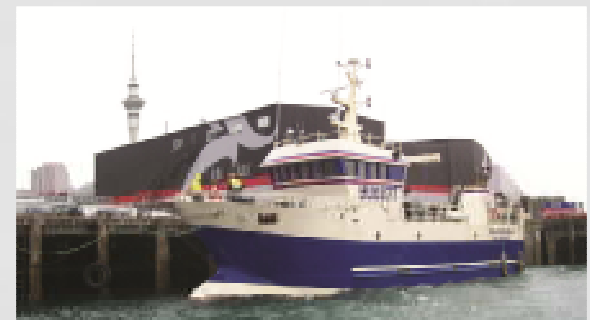
# Disclaimer

This presentation contains not only a review of operations, but also some forward looking statements about Sanford Limited and the environment in which the company operates. Because these statements are forward looking, Sanford Limited's actual results could differ materially. Media releases, management commentary and analysts presentations, including those relating to the March 2010 half year results announcement, are all available on the company's website and contain additional information about matters which could cause Sanford Limited's performance to differ from any forward looking statements in this presentation. Please read this presentation in the wider context of material previously published by Sanford Limited.



# Contents

1. Interim result 2010
2. Sanford overview
3. Attractive sector themes
4. Favourable long term pricing outlook
5. Aquaculture in New Zealand
6. Resource to customer model



# 1. Interim result 2010



**SANFORD LIMITED**  
SUSTAINABLE SEAFOOD



# Interim result 2010

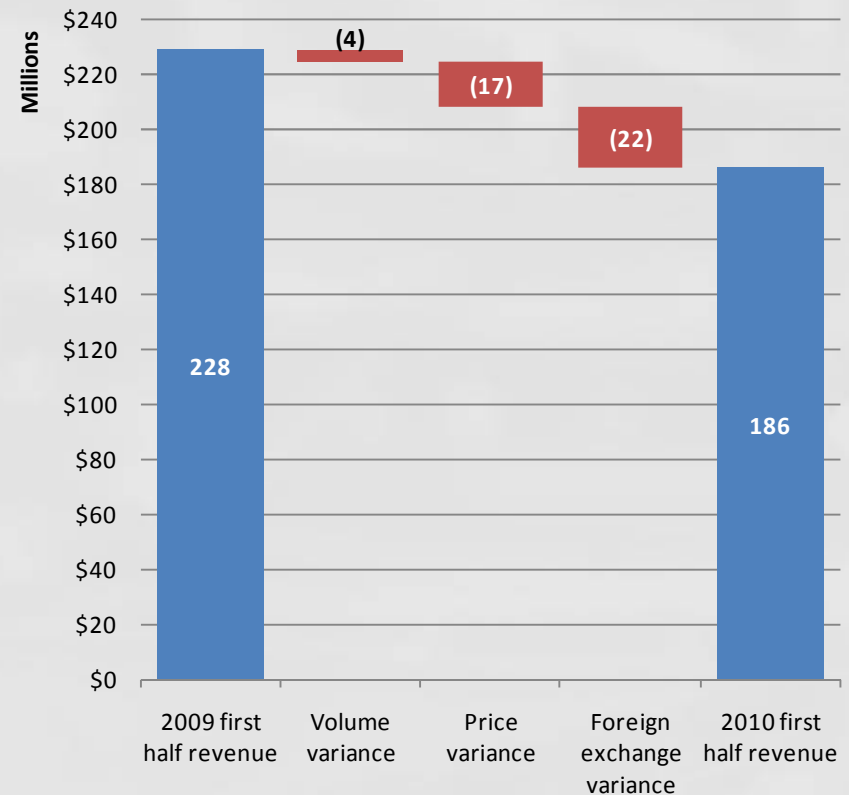
NZ\$'000	6 months to 31 Mar 2010	6 months to 31 Mar 2009	12 months to 30 Sep 2009
<b>Sales revenue</b>	<b>185,878</b>	<b>228,441</b>	<b>433,091</b>
<b>EBITDA</b>	<b>10,296</b>	<b>43,620</b>	<b>68,366</b>
Depreciation, amortisation & impairment	(6,832)	(8,000)	(14,892)
Net interest	(2,599)	(4,213)	(6,788)
Net currency gains/(losses)	7,046	6,470	8,387
Net gain on sale of investments, PP&E	63	(32)	(35)
<b>Operating surplus before tax</b>	<b>7,974</b>	<b>37,845</b>	<b>55,038</b>
Tax	(2,614)	(11,790)	(15,899)
<b>Operating surplus after tax</b>	<b>5,360</b>	<b>26,055</b>	<b>39,139</b>
Minority interests	(20)	(70)	(64)
<b>Net surplus attributable to shareholders</b>	<b>5,340</b>	<b>25,985</b>	<b>39,075</b>



# Revenue impacted by prices & fx

- 2010 interim revenue of \$186m down 18.6% from \$228m in 2009
- 1.7% decrease due to lower volumes
  - Skipjack Tuna and Hoki volumes well down
  - Mussels, Southern Blue Whiting, Hake, Squid and Scampi volumes up
- 7.3% decrease due to lower sales prices
  - Markets for most species remained difficult and recovery proving slower than expected
  - Aquaculture affected by lower mussel prices as NZ producers compete for market share
- 9.7% decrease due to higher NZD

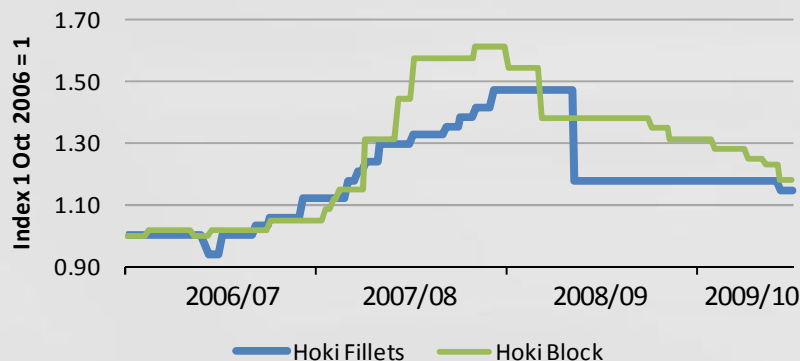
Revenue bridge from 1H09 to 1H10



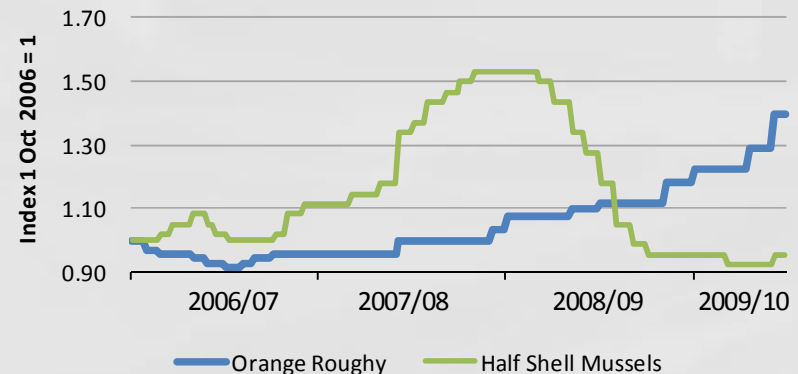
# Ongoing impact of Global Financial Crisis (“GFC”) on prices

- Hoki Fillet prices declined over the period
- Hoki Block prices remained stable but sales slowed during the period, causing an inventory build up (since cleared)
- Prices for Orange Roughy continued to firm during the period
- Prices for Half Shell Mussels declined progressively

Hoki Fillet & Hoki Block



Orange Roughy & Half Shell Mussels

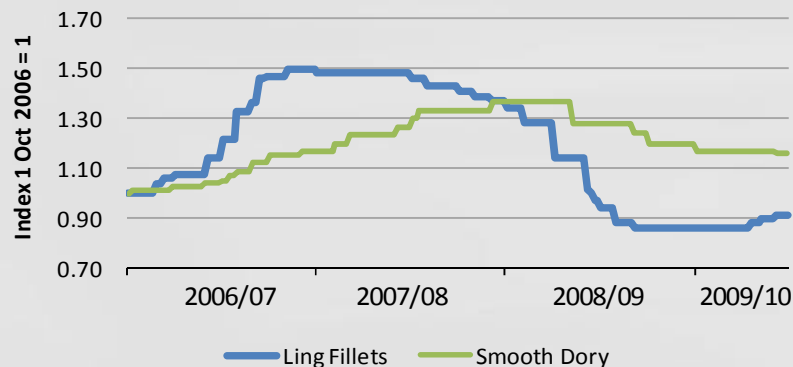




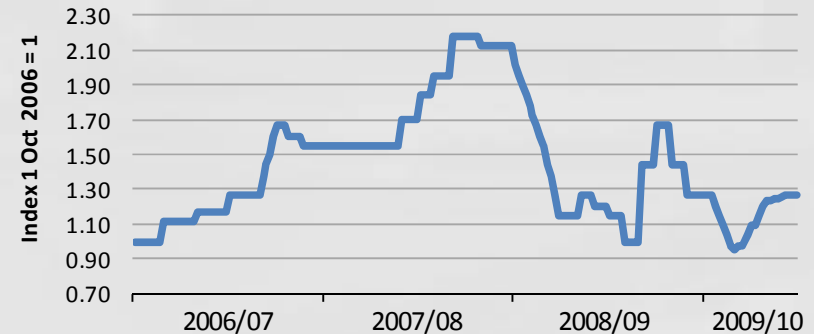
# Ongoing impact of GFC (cont'd)

- Markets in Southern Europe and the UK continued to be difficult and Ling prices have been slow to recover
- Smooth Dory Fillet prices were stable over the period
- Skipjack Tuna prices increased over the period but remain well below pre-GFC levels

## Ling & Smooth Dory Fillets



## Skipjack Tuna





# Segment performance

- The New Zealand Seafood segment produced reasonable results from inshore and deepwater fishing, but poor results from aquaculture
- Aquaculture profitability impacted by:
  - Lower mussel prices due to price competition between NZ producers
  - Pacific Oysters faced competition in Australia
- Some positives from Aquaculture too:
  - Salmon harvest meeting expectations in terms of growth and food conversion
  - Markets more aware of the high quality of NZ King Salmon
  - Agreement concluded with the operators of the three largest NZ mussel plants to form a JV company that will market a single brand of Greenshell mussels into China (Pure New Zealand Greenshell Mussels Limited)
- Australian Seafood catch rates were up to expectations
- Profitability of 50% investment in Weihai Dong Won Foods continues to improve



# Other changes over the period

- \$10m reduction in expenses achieved
  - Reduced impact on fuel price increases from conversion of larger deepwater fleet to light fuel oil
  - Other operating costs contained within expectations
- Inventory of \$57m at end of period up from \$50m at end of September
  - During the period inventories of some species such as Hoki Block and Salmon increased above normal levels
  - Sales since the end of March have cleared most of those inventories
  - Expect further declines over the remainder of the period
- Debt facilities renegotiated
  - Expiry of portion of term debt extended out to 2013
  - Net debt at 31 March 2010 of \$137m
  - 25% net debt to net debt plus equity
- Capital expenditure over the period was minimal

# Outlook for the second half

- There are indications of a reasonable recovery in the six months to 30 September
- Hoki Block and Salmon volumes have increased since the end of March
- Markets for Hoki, Ling, Orange Roughy, Toothfish and Mackerel caught or harvested in the coming months are likely to continue to improve
- Markets in Northern and Eastern Europe continue to improve
- Greenshell™ mussel pricing is improving
- Skipjack Tuna prices have improved and catch rates in the Pacific are likely to seasonally increase
- Recent weakening of the NZD
  - Forward cover for some expected USD and JPY receipts
  - Use of collars to protect against NZD/USD going above 72c
- Some capital expenditure on automation of the Havelock mussel processing operation likely (though most will occur in the next financial year)



## 2. Sanford overview



**SANFORD LIMITED**  
SUSTAINABLE SEAFOOD



# Sustainable seafood company

- Sanford Limited is a large and long established fishing company devoted entirely to the harvesting, farming, processing, storage and marketing of quality seafoods and aquaculture products, with a focus on the clear waters of New Zealand
- Inshore and deepwater fishing – quota and non-quota
- Aquaculture – King Salmon, Greenshell™ mussels and Pacific Oysters
- International investments – 50% in Chinese JV (Weihai Dong Won Food Co)

## Five year financial performance highlights

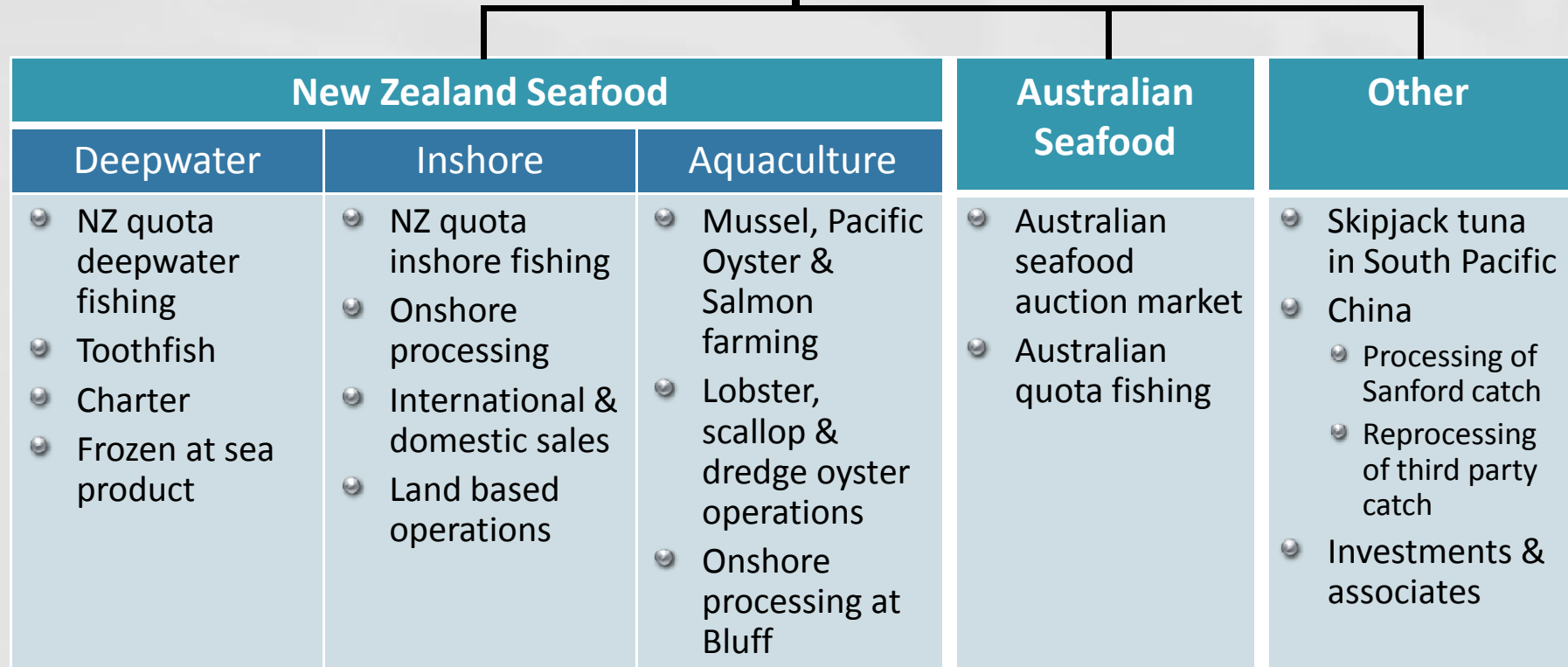
NZ\$m	2005	2006	2007 <sup>#</sup>	2008 <sup>#</sup>	2009 <sup>#</sup>
Revenue	365.8	390.4	367.9	436.6	433.1
EBITDA*	38.3	63.3	52.2	65.9	68.4
NPAT	30.4	26.1	20.1	53.3	39.1

\* Earnings before interest, taxation, depreciation and amortisation, impairment of investments, total currency exchange gains and profit on disposal of investments and fixed and long term assets.

# Prepared in accordance with New Zealand equivalents to International Financial Reporting Standards.

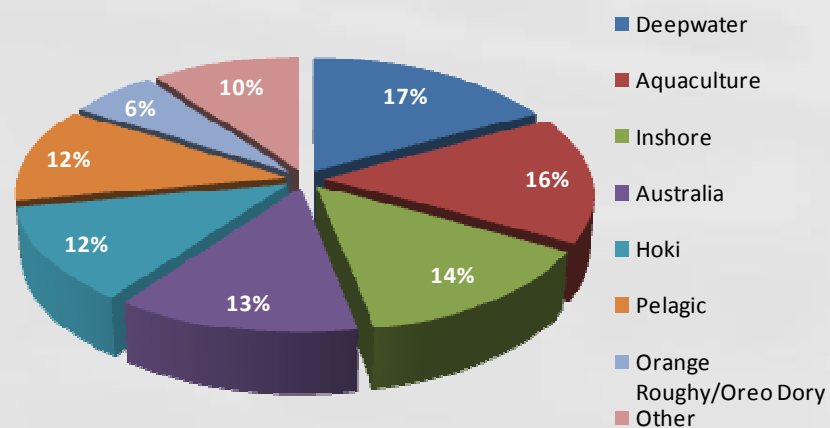


# Organisation structure



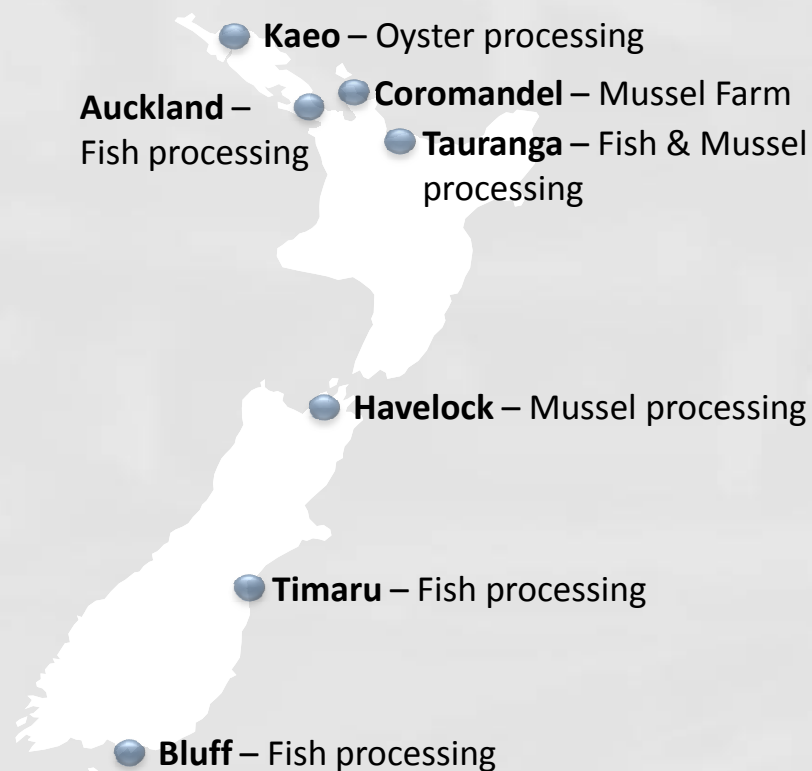
# Diverse operations

## Approximate % species split (2009)



Note, split by dollars of revenue.

## Our plants

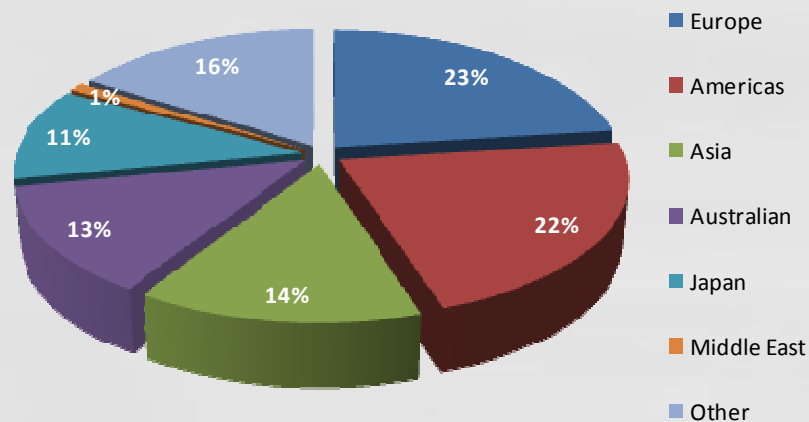




# Worldwide customer base

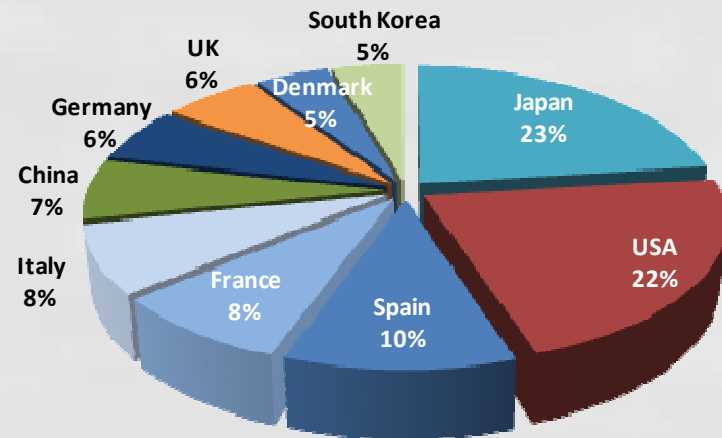
- Sanford sells to over 200 customers in 60 countries around the globe
- We export to the world's biggest fish importers

Sanford export markets (2009)



Note, split by dollars of revenue.

Top 10 importers of fish (2006)<sup>1</sup>



1. Food and Agriculture Organisation of the United Nations, *The State of World Fisheries and Aquaculture 2008*.

# 3. Attractive sector themes



**SANFORD LIMITED**  
SUSTAINABLE SEAFOOD



# Global demand for fish is growing

Key sector themes driving growth:

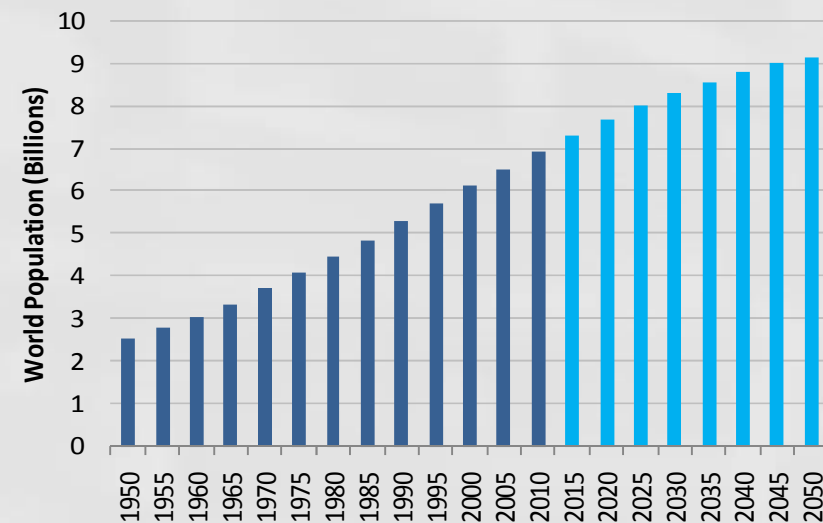
- Food security
- Increasing consumption in emerging and developing nations
- Health and nutrition
- Sustainability



# Food security is a global issue

- Driven by three distinct factors
  1. Increasing global population
  2. Increasing GDP per capita of developing regions driving increased protein consumption per capita
  3. Constraints on food production
- Particularly Asia and Middle East
  - 26% of Sanford sales in 2009
- Sanford offers two exposures to this macro theme:
  1. Customers can purchase high quality seafood products from Sanford
  2. Investors can invest in Sanford as a financial hedge to increasing food prices

## World population to continue growing

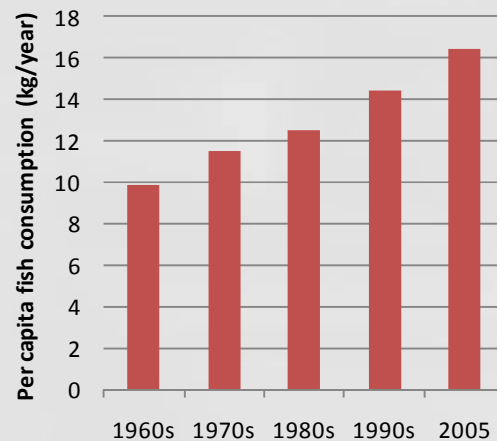


Source: United Nations, Population Division of the Department of Economic and Social Affairs.

# Increasing fish consumption per capita

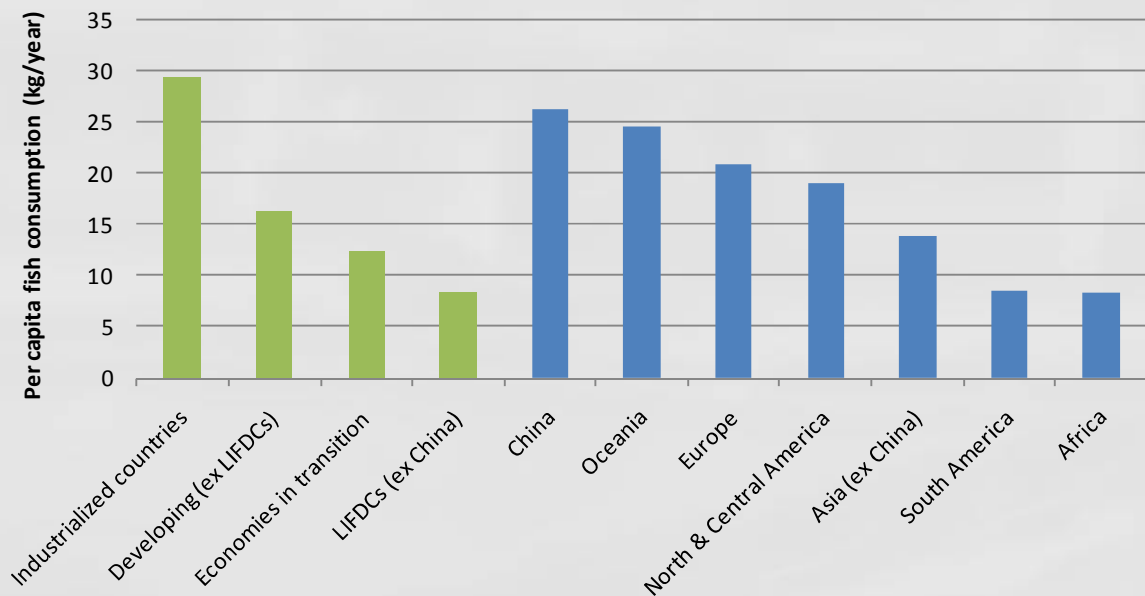
- Expanding middle class in emerging countries
- Rising incomes and diversification of diets in developing countries
- Continued consumption growth expected from industrialised countries, but at slower pace

Historical global growth<sup>1</sup>



1. Food and Agriculture Organisation of the United Nations, *The State of World Fisheries and Aquaculture 2008*.  
Note, "LIFDC" stands for Low Income Food Deficit Country

Per capita fish consumption by economic status & region<sup>1</sup>



# Fish is a great source of protein

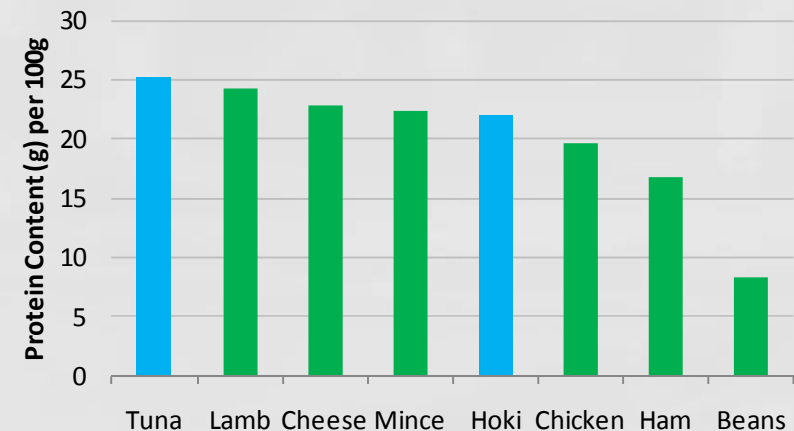
- Global consumption of protein is increasing
  - Population growth, rising incomes, increasing urbanisation
- Fish is high in protein
  - 100g serving of fish provides ~30%<sup>1</sup> of an adult's daily protein needs
  - 100g serving of Greenshell™ mussels provides 25%<sup>2</sup> of an adult's daily protein needs
  - 150g serving of King Salmon provides 70%<sup>2</sup> of an adult's daily protein needs

Source:

1. The New Zealand Seafood Industry Council.
2. Aquaculture NZ, "New Zealand Aquaculture Farm Facts", June 2009.
3. <http://www.prlog.org/10574686-replacing-global-fish-supply-would-cost-22-times-the-worlds-rainforests-scientist.html>

***"If we replaced the protein we got from fish with land based agriculture, we'd need extra grazing land equal to the entire world's rainforest 22 times over, says eminent fisheries scientist Professor Ray Hilborn."***<sup>3</sup>

Protein Content per 100g<sup>1</sup>



# Fish is healthy and nutritious

- Consumer preferences increasingly influenced by health and nutrition
- The vitamins, minerals, & Omega-3 fatty acids found in seafood have significant benefits
  - Studies show that seafood has benefits for: brain, heart, joints, lungs, muscles, digestion and skin<sup>1</sup>
  - The Heart Foundation recommends those at risk of cardio-vascular disease should eat two fish meals a week<sup>1</sup>
  - Norwegian research has found Omega-3 absorption from eating fish is higher than from taking supplements<sup>2</sup>
    - King Salmon is one of the best known sources of Omega-3
  - Low in carbohydrates and saturated fats
- Fish does not have the animal health and welfare concerns associated with other meat protein sources

Source:

1. The New Zealand Seafood Industry Council.
2. Norwegian College of Fishery Science, Department of Marine Biotechnology, University of Tromsø, Norway (*"Enhanced incorporation of n-3 fatty acids from fish compared with fish oils"*, 2006).

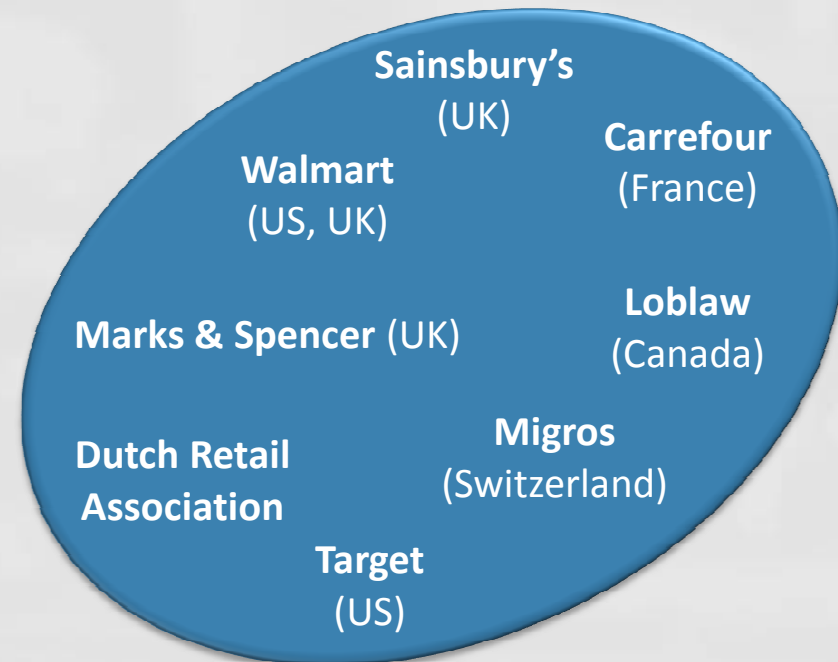




# Increasing focus on sustainability

- Sustainability increasingly of concern for customers and governments
- The Marine Stewardship Council's ("MSC") fishery certification program recognises and rewards sustainable fishing
- Certified fisheries Sanford operates in are New Zealand Hoki and South Georgia Toothfish
- Ross Sea Toothfish certification expected shortly
- Under certification process (due for completion 2010) for Hake, Ling, Southern Blue Whiting
- Under investigation for Snapper

## Major retailers committed to MSC



See [www.msc.org](http://www.msc.org) for a complete list.



**Marine Stewardship Council**  
Certified sustainable seafood

## 4. Favourable long term pricing outlook

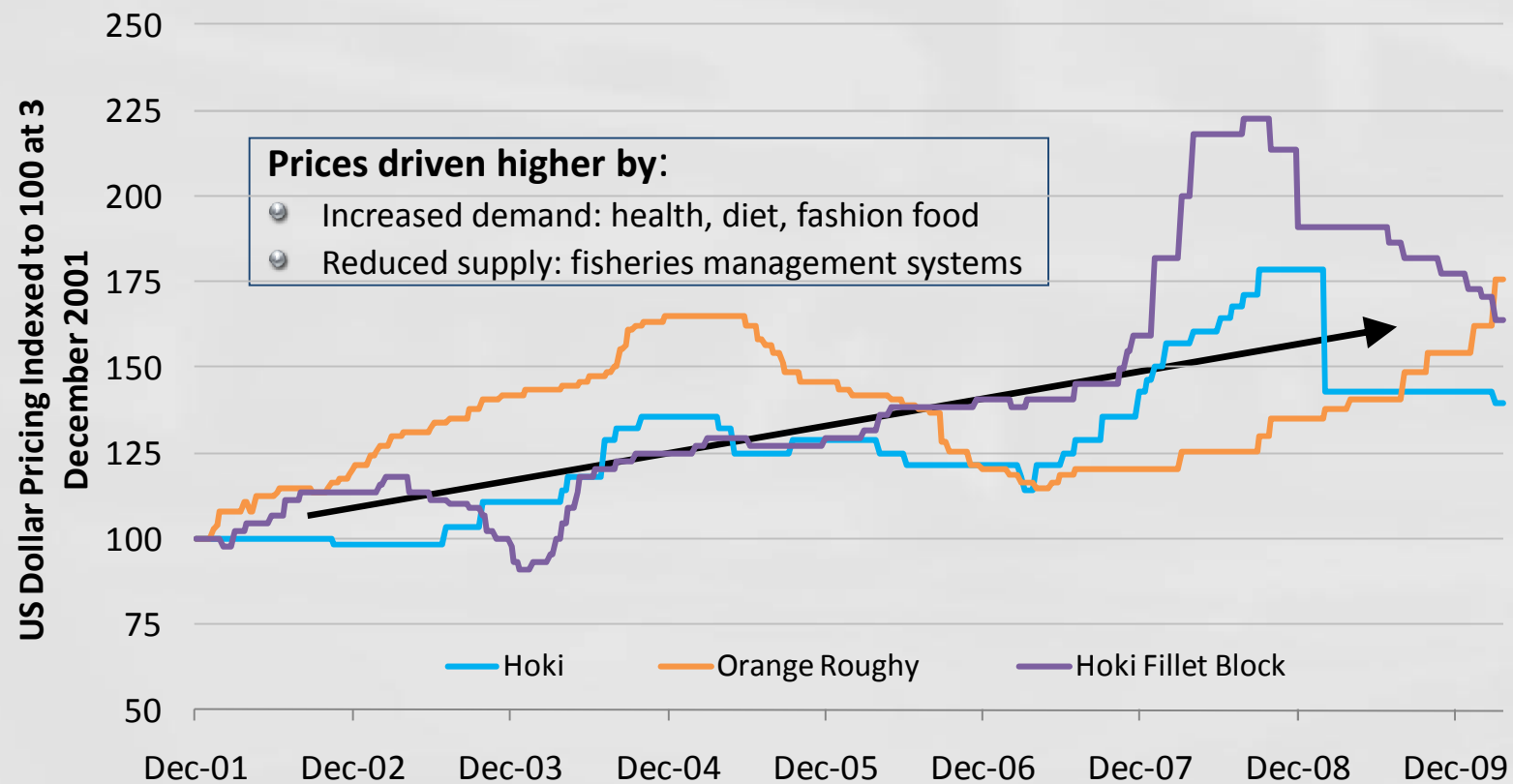


**SANFORD LIMITED**  
SUSTAINABLE SEAFOOD



# Sustained historical price increases

## Historical Pricing for Key Sanford Products

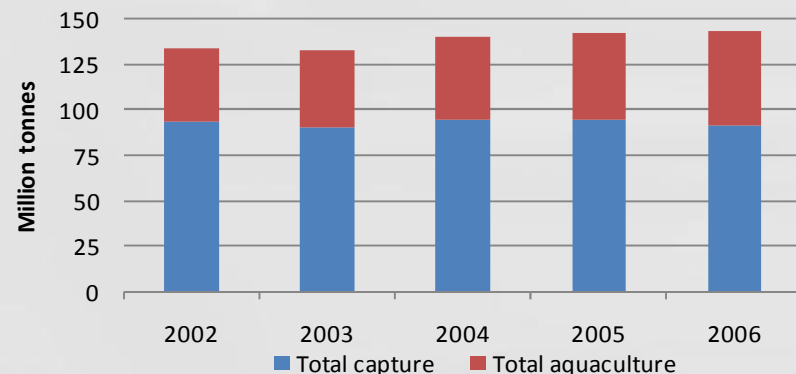


Source: ANZ Seafood Commodity Index.

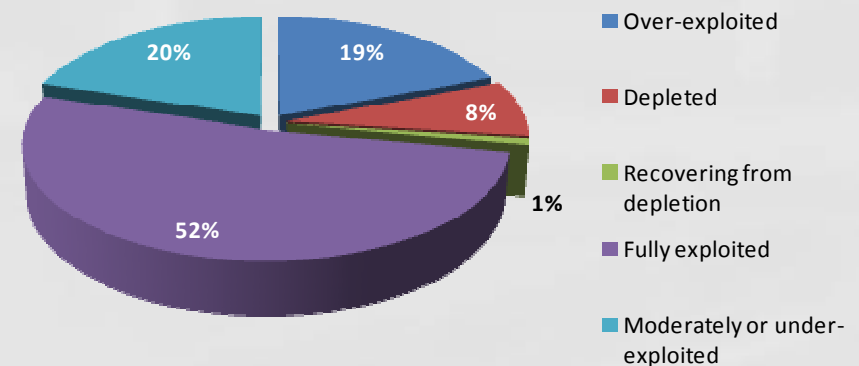
# Favourable long term outlook

- Likely future supply-demand imbalance should support prices
- World capture fisheries production is flat/declining
  - Only 20% of the world's marine fishery resources are moderately or under exploited and maximum wild capture potential has probably been reached<sup>1</sup>
- Growth in aquaculture is required to meet demand growth – global industry may not grow fast enough (financial, environmental constraints etc)
- New Zealand's Quota Management System gives increased confidence in future supply from our fisheries

Total world fisheries production<sup>1</sup>



World marine fishery resources (2007)<sup>1</sup>

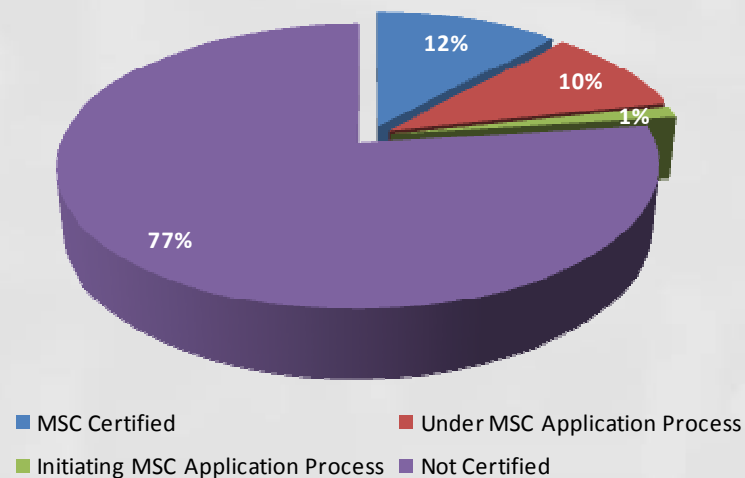


1. Food and Agriculture Organisation of the United Nations, *The State of World Fisheries and Aquaculture 2008*.

# Sanford positioned for growth

- Sanford's wild catch is sustainable, ensuring future ability to maintain supply
- With a largely fixed wild catch quota, earnings growth from wild catch lies in capturing anticipated long term price gains
- Sanford see opportunities for price growth in:
  - MSC Certified fisheries
  - Restaurant chain fish (e.g. Scampi, Toothfish)
- In addition, aquaculture is a key area where Sanford expects price and volume growth

MSC status of Sanford Quota<sup>1</sup>



1. Shown by ACE Equivalent (tonnes).

# 5. Aquaculture in NZ



**SANFORD LIMITED**  
SUSTAINABLE SEAFOOD



# World's fastest growing primary sector

- Per capita supply from aquaculture grew at an average annual growth rate of 6.9% from 1970 to 2006<sup>1</sup>
  - In recent years, major increases in fish consumption have originated from aquaculture supply<sup>1</sup>
  - Continued need for aquaculture growth to meet increasing fish consumption
  - Sustainability constrains ability of capture fisheries to increase production
- Aquaculture expected to overtake capture fisheries as a source of food fish
- Increasing public concerns about quality and industry practices<sup>1</sup>
  - New Zealand is recognised as operating one of the strictest quality assurance programmes for shellfish in the world
  - We are one of the few countries that does not use antibiotics, growth promotants or vaccines in Salmon farming practices

1. Food and Agriculture Organisation of the United Nations, *The State of World Fisheries and Aquaculture 2008*.



# NZ's fastest growing seafood sector

- Aquaculture makes up approximately 20% of NZ's total fisheries production (by value) and 15% of NZ's total seafood exports (by value)
  - About 66% of New Zealand's aquaculture production is exported



## New Zealand Aquaculture production statistics

Key NZ species	Total NZ production (tonnes p.a.)	Sanford production (tonnes p.a.)	Sanford Share (by volume)
Greenshell™ mussels	90,588	22,737	25.2%
King Salmon	12,251	3,003	24.5%
Pacific Oysters	2,820	406	14.4%

Source: Aquaculture New Zealand, Sanford. Data is 12 months to 31 March 2010.



# Sanford NZ's #1 aquaculture producer

Market Position of NZ Producers			
	Greenshell™ mussels	King Salmon	Pacific Oysters
#1		NZ King Salmon	Pacific Marine Farms
#2	Pacifica Seafoods		
#3	Aotearoa Seafoods	Akaroa Salmon	
Other	Sealord Talley's Greenshell NZ OP Columbia Sea Products United Fisheries Future Cuisine Westpac Mussels		

1. Aquaculture New Zealand Levy Production 2008 (% of total production).

## Major aquaculture areas<sup>1</sup>

### Northland

Pacific Oyster: 47%

### Coromandel

Pacific Oyster: 21%

Greenshell™ mussels: 22%

### Auckland

Pacific Oyster: 26%

Greenshell™ mussels: 3%

### Tasman & Golden Bays

Pacific Oyster: 1%

Greenshell™ mussels: 3%

### Marlborough

Pacific Oyster: 5%

Greenshell™ mussels: 68%

King Salmon: 75%

### Southland

Greenshell™ mussels: 3%

King Salmon: 19%

### Canterbury

Greenshell™ mussels: 1%

King Salmon: 6%

# Co-ordinated industry

- “Aquaculture NZ” formed in 2006
  - Strategy to achieve \$1 billion of sales by 2025
  - Drive for development of new, high value species and value-add
  - Successful in obtaining access to substantial New Zealand Trade & Enterprise funding for industry-wide benefits
  - Single desk into China for Greenshell™ Mussels
    - Sanford has 35% share
  - Further potential for co-ordinated promotion of New Zealand aquaculture products overseas
  - Sanford represented on the Board

## Ten-Point Plan

1. Establish a new national sector organisation
2. Strengthen the partnership with government
3. Strengthen other stakeholder partnerships
4. Secure and promote investment in aquaculture
5. Improve public understanding and support for aquaculture
6. Promote Maori success in aquaculture
7. Develop the market for New Zealand aquaculture products
8. Maximise opportunities for innovation
9. Promote environmental sustainability and integrity of aquaculture
10. Invest in training, education and workforce promotion



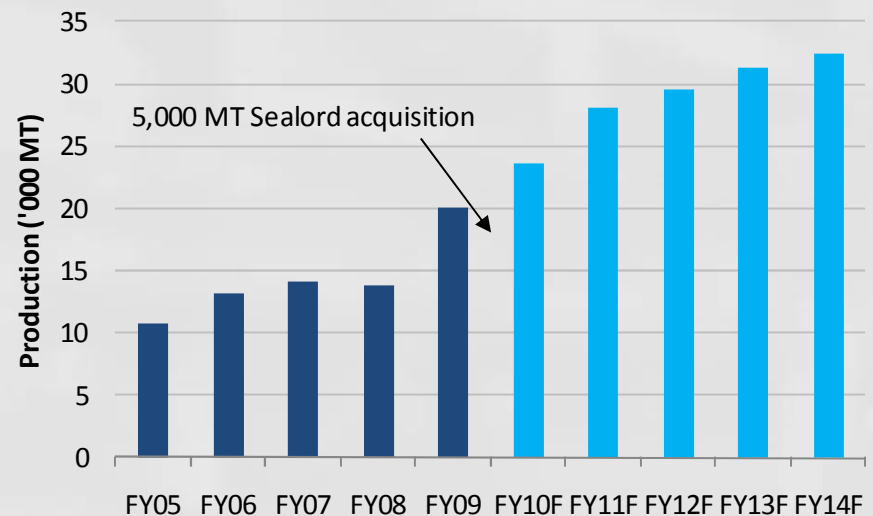
# Strong government support

- Government fully supports Aquaculture NZ's goal of \$1b revenue by 2025
- Aquaculture Reform Bill anticipated mid-2010 comprising package of initiatives to:
  - Reduce costs, delays and uncertainty of the regulatory process
  - Promote investment in aquaculture
  - Balance aquaculture with other marine interests
- Responsibility for management of aquaculture will remain with regional councils
  - Sanford believes responsibility should lie with Ministry of Fisheries
  - Reforms include agreement in principle to establish power for Minister to amend regional council plans in exceptional circumstances
- Undue Adverse Effects on Fishing Test (UAE) to be streamlined
- Will be able to apply directly for aquaculture consents without needing to first establish an Aquaculture Management Area (AMA)

# Mussel volume opportunity

- Greenshell™ mussels are the main focus of Sanford's aquaculture strategy
  - Expect to grow mussel production substantially over the next 5 years
  - Acquisition from Sealord of mussel operations in the Marlborough Sounds in July 2009
  - Volume growth from new seeding rope which reduces losses (particularly Coromandel)
  - Potential space growth in Wilsons Bay Coromandel (Area B) for which Sanford holds an option to acquire 75 ha

Forecast Sanford Mussel Volumes

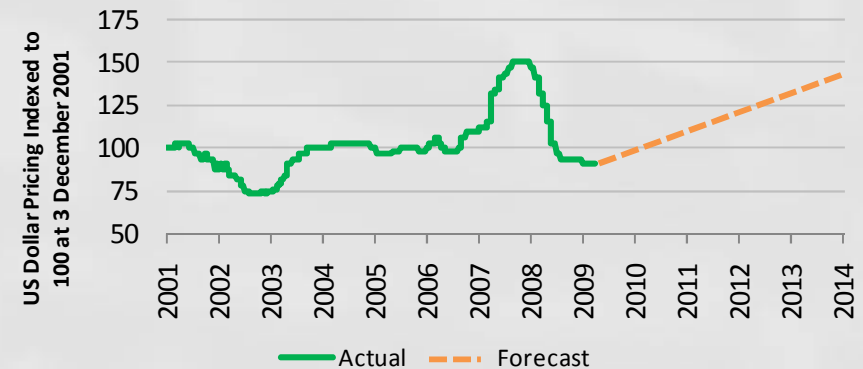


# Positive outlook for Salmon/Mussels

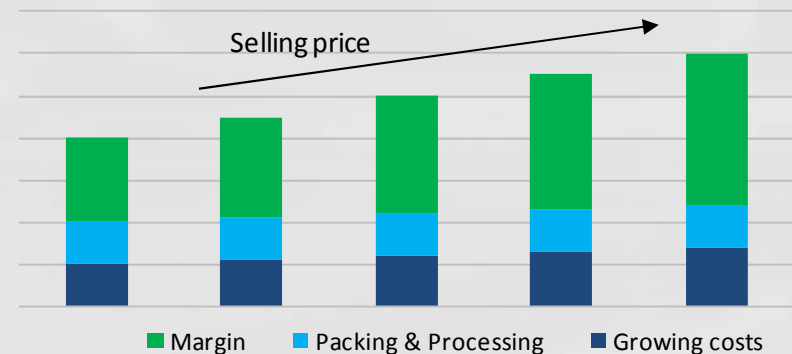
- Salmon demand driven by:
  - Chilean disease – short term, King Salmon unaffected
  - Desirable for health benefits
- Mussel demand driven by:
  - Cheapest seafood
  - New marketing initiatives underway e.g. recent promotion at Seoul Hotel & Food Show
  - China initiative (joint marketing of single brand)
- High margin potential in Mussels
  - Low growing costs
  - Automated processing (Sanford IP) reduced processing cost substantially

Source: 1. ANZ Seafood Commodity Index. Forecasts based on Industry estimates.

## Mussel Prices at Lows<sup>1</sup>



## Mussels – High Margin





## 6. Resource to customer model



**SANFORD LIMITED**  
SUSTAINABLE SEAFOOD





# From sea to food

- Integrated food supply chains enable Sanford to capture more margin, and also provide customers with traceability of origin
  - Consumption in industrialised markets increasingly driven by quality assurances such as traceability, processing controls and packaging requirements
- Focus has been on moving seafood into the higher end food service channels
- Only engaging in the retail market for products that sell themselves without the need for expensive branding, promotion, slotting fees etc
- Long term approach making headway – some species appearing on menus:
  - King Salmon, Scampi and Toothfish on restaurant chain menus in the US
  - Sustainable Hoki in Europe but as block material for retail



# Conclusion

- Sanford offers investors exposure to:
  - A large and long established sustainable New Zealand fishing company
  - The global food security macro theme
  - The favourable long term pricing outlook for seafood
  - Aquaculture in New Zealand
  - An integrated supply chain through to the customer

