



SANFORD LIMITED
SUSTAINABLE SEAFOOD

17 December 2014

Chief Executive Officer, Volker Kuntzsch's Address
Sanford Annual Meeting
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It is with pleasure that I report back to you on my first year at Sanford. It has been a steep learning curve for me and probably for many of my colleagues. I had to step into those huge footsteps that Eric Barratt left behind, but I soon found out, that the team at Sanford consists of very capable and dedicated individuals, who made my start in the company so much easier. We have come a long way over the last twelve months and I thank the Sanford team for their strong support and patience during this period.

Sanford is a unique business in the seafood industry: we are active in both fishing and farming and we cover a variety of activities in these two disciplines. We fish with smaller vessels closer to the coast and with large freezer vessels in the deep sea, not only in New Zealand's Exclusive Economic Zone, but as far away as the Ross Sea, South Georgia and the South Pacific Islands. Our farming activities include finfish and shellfish farming. The combination of these activities and species within a single company is not common, but this is what attracted me to Sanford.

However, the diversity comes with its fair share of challenges and 2014 was no exception. Our low Return on Equity of just over 4% is primarily driven by our dependency on commodity prices. The poor performance in parts of our inshore fishing business and the International Purse Seining operation around the Pacific Islands is the result of low commodity prices for pelagic species this year. Although the global supply of seafood is limited, and population growth and increasing middle classes globally require more seafood, prices for commodities sometimes fluctuate widely as a result of short term supply and demand patterns. The seasonality, volume surges and preferred product form of some species we fish often require the production of commodities. We can only combat these circumstances by innovating different products and making these more desirable to customers, or through playing a dominant role in the supply of a commodity or divesting from this part of the business if all of the above are unlikely to occur and significant price fluctuations remain in place.

Our deepwater fishing operations performed well with catches and prices being better than anticipated. The fish caught in the deeper waters around New Zealand and further afield include sought after species like orange roughy, toothfish and scampi and their limited availability supports a satisfactory pricing structure.

New Zealand is a small player in seafood on a global scale. This requires a higher degree of innovation to develop opportunities for adding value to our resources. In order to combat the dependency on fluctuating commodity prices we need to move away from our previous focus on extracting raw materials - fishing, farming - towards manufacturing food and customizing our valuable marine resources to customer requirements. We will always be producing a certain amount of commodity product to cope with seasonal volume surges of certain species, but we have to create more value for the greatest part of our resources.

While we need to investigate opportunities in creating economies of scale in commodities, we have to continue improving efficiencies in our supply chain, utilizing the benefits of New Zealand provenance to our advantage.

All of these elements call for greater collaboration across industry. Above all, though, we need to create alternative products for discerning customers.

Aquaculture is generally regarded as the only farming activity with the potential of alleviating future protein requirements of a growing population. Trends in global supply of seafood indicate that catches of wild fish have stagnated around 90 million metric tons for some years now, while the output from aquaculture continues to grow. We had a good year in aquaculture during 2014. This was mainly driven by the shift in production of frozen king salmon to supplying fresh king salmon to our domestic market and an improvement in mussel prices over the last two years. Please note that a part of the improvement in performance is also due to a revaluation of mussel stock in the water. We will continue to grow our aquaculture business and have embarked on a number of initiatives to support a sustainable growth of this important part of our business.

In addition to investigating the feasibility of new species we are excited about the progress achieved in the SPATnz PGP project that will safeguard the future supply of mussel spat and the experimental offshore farming of mussels in Pegasus Bay. The growing supply of mussels requires greater diversification in final product forms and the geographic spread of our customer markets. Our Marketing and Sales and Innovation teams are working on these challenges and we have made great progress in establishing promising markets in South East Asia in addition to the US and Europe and I am encouraged by the recent development of new product forms that enable us to move beyond conventional frozen mussels.

Reducing the dependency on commodities across our business, as mentioned and as highlighted in our Annual Report, requires a shift in mind set through a focus on a number of strategic objectives. Quality, innovation, value creation and the development of a stronger brand will support our vision of becoming the best seafood company in the world. This is a very aspirational target, but our people, the diversity of Sanford, the portfolio of species we own, our involvement in aquaculture and in progressive PGP projects like SPATnz and Precision Seafood Harvesting, and the development of Brand NZ will all strengthen the foundation of this aspiration.

While we have embarked on creating greater value with our marine resources – and, this is a process that will take some time – we are actively engaged in promoting a better image for the seafood industry. In order to retain our social licence to operate, i.e. ensure that the general public understands and accepts the activities we perform, it is important for us to inform the public about our focus on sustainable practices and not leave communication about the seafood industry to unrelated parties and institutions. As we intend to operate this business for many generations to come, the need for us to work in harmony with the environment and nurture the clean image of New Zealand speaks for itself and we will soon utilize the Auckland Fish Market as an educational window into the industry. You will have noticed that our Integrated Report (a combination of the Annual and Sustainability Reports) delivers a transparent insight into Sanford and our goals.

It is our endeavour to become the employer of choice and this requires us meeting high expectations. This should also be an attractive proposition to our shareholders.

I would like to thank my team for sharing my passion for the seafood industry and my excitement about the opportunities our company holds. It has been a challenging year in many aspects and we will have a lot to do before the seas are calmer, but it will be a rewarding journey. I am sure the Board has not had an easy time with the agenda we have embarked upon during the year, but it has been and is a pleasure to have these high calibre individuals around the board table. Thank you for your guidance and support.

My special appreciation goes to Mr Jeff Todd. His diplomacy and calming abilities as a facilitator have had a tremendous impact on the progress we have achieved during this year. Without his foresight and tenacity we wouldn't have achieved the milestones we had set ourselves earlier in the year. Thank you, Jeff, for allowing me the opportunity to work with you in your final year as Director and Chairman of the Board and for offering a helping hand when it was needed.

Your successor as Chairman of the Board, Mr Paul Norling, has been heavily involved in many of the developments that have taken place during the course of this year and is thus well prepared to follow in your footsteps. Paul, as you are aware, you are taking over as Chairman at an interesting point in time, but I know that you are as keen as we are on developing a promising future for Sanford and the team is looking forward to working with you.

Dear Shareholders, thank you for your support.