



16 December 2015

Sanford Limited 2015 Annual Meeting
Mr Paul Norling
Chairman's Address

The Directors of Sanford are pleased to present to shareholders our report for the year ended 30 September, 2015. A full account of the company's progress and the Board's work over this past year is provided in the Annual Report, but it is appropriate that I highlight today the Board's main activities and considerations throughout this period.

This will be followed by a more in-depth review of operational matters by our Chief Executive Officer, Volker Kuntzsch.

2015 – THE YEAR IN REVIEW

As stated in the Company's Annual Report, the past year has been a busy one for the company's management team and your Board. 2015 has been our inaugural year of strategy transition – one of journey commencement - from a commodity seafood producer to one that is much more focussed on delivering higher value seafood nutrition.

Some will recall our Chief Executive outlining our intended strategy in a compelling manner at our Annual Meeting last year. This redefining of purpose and the resulting actions that were necessary to refocus the business, were somewhat painful in terms of our bottom-line result but our underlying operating profit, which adjusts for these actions, was relatively pleasing as was the cash-flow improvement.

In summary our results were:

Net Profit after Tax declined by 38% to \$13.8m from \$22.4m in the 2014 year. The better news however was the adjusted operating result where Earnings before Interest and Tax – and before impairment and one-off restructuring costs - improved by \$10.4m (or 24.8%) to \$52.4m for the year.

Revenue was down marginally but only by approximately 1% from the prior year at \$455.3m which was actually relatively solid considering some of the corrective steps we took during the year and other challenges faced in the aquaculture side of the business. Currency rates, however, assisted.

As noted previously our cash flow from operations was also a pleasing feature as it improved by 69% from the previous year to \$55m and enabled us to reduce our borrowings by \$27m

Our New Zealand 'wildcatch' fishing activities – incorporating both 'deepwater' and 'inshore' – were either in line or in advance of plan and our salmon farming operation in Big Glory Bay on Stewart Island also performed solidly. The greenshell mussel business, however, did encounter some adversity during the year from spat supply issues and limited mussel growth as well as weakness in our European markets.

While we still have a long way to go and the transition has only just begun, we are satisfied with the results achieved thus far, given the challenges and other matters that were or are being addressed within the company.

CORRECTIVE STEPS TAKEN DURING THE YEAR.

As I have already stated, the remedial steps taken during this past year were somewhat painful but were realistic and necessary in the overall picture of better positioning your company for the future, and our primary focus of sustainably building earnings. The steps taken included:

- Making the decision to exit the Pacific Tuna fishing operation which had become increasingly problematic as far as profitability is concerned, and increasingly it also did not fit our 'sustainability' imperative from a resource perspective. We had been hopeful that a robust sustainability plan along with a sensible fishing environment would be possible and thus be able to return the operation to an appropriate level of profitability. This did not occur, with the Bangkok commodity tuna price continuing at seriously uneconomic levels. The correct decision was therefore taken.
- Similar challenges faced us in Australia with our resource quota holding there. Having endeavoured to have local Australian operations profitably fish the quota, and then sending our own vessel across the Tasman without any real improvement, we have taken the appropriate impairment decision on this asset also.
- Because of greenshell mussel constraints, which arose mainly as a result of spat scarcity and climatic factors, the decision was taken in April of this year to close our Christchurch Processing Facility and consolidate the South Island mussel processing on our automated plant located at Havelock in the Marlborough Sounds.

The combined impairment charges for the three decisions taken were \$13.3m. Other restructuring and redundancy costs of \$3m were also incurred.

As noted in our Annual Report we sold one of the two remaining International Purse Seine vessels (having already sold one in a prior period) in August with the last remaining vessel currently on the market. The land and buildings and plant constituting our Christchurch operation is also being actively marketed.

In respect to our Australian quota package, we are currently working through and assessing the most appropriate options.

NOTABLE ACHIEVEMENTS DURING THE YEAR.

In addition to achieving the underlying operating result and cash flow improvement, management's efforts were also focussed on advancing the business in organisational and positioning terms for the future, to facilitate the sustainable and continuous growth in profitability that we are seeking. These achievements during this past year included:

- The rebranding of Sanford - our Chief Executive will cover this important aspect in his presentation. I would just like to say though that the implementation of our rebranding project was very well executed by Volker and his management team.
- Continuing to build the 'people' structure within the company's progressively changing face of what we do, to ensure we are equipped with talented and professional people to deliver on what we say we will.
- Technology and research and development are areas of close focus also and they will be even more so in the coming year. During 2015 the Minister of Primary Industry opened our new SPATnz facility in Nelson where we are optimistic that the capability of this technology will enable us to better manage both the risk factor of mussel spat availability as well as take advantage of future market and product opportunities for greenshell mussels that will benefit Sanford as well as our customers.
- The Precision Seafood Harvesting technology – the revolutionary new 'wildcatch' netting system – also continued its development in encouraging fashion and all things being equal will progressively commence commercial activity in 2016.
- We also made a decision late in the financial year to commit to acquiring a deep sea trawling vessel from Norway. While this vessel is not new, it has been wonderfully maintained and we believe it will be a valuable addition to our fleet and our focus on maximising the market value of our New Zealand 'wildcatch' resource. We won't, however, take delivery of it until August next year and in a sense it is part of the refocusing of our fishing activities away from the Tropical Pacific and Australia, back to New Zealand as we strive to become the 'best seafood company in the world'

CORPORATE GOVERNANCE

The fishing and seafood industry generally is a challenging and complex business that has many aspects of risk attaching to it – some of which are either unpredictable or uncontrollable or both.

As a Board we seek to have these risks managed as best as they can be by management, with appropriate and continuing oversight from the Board.

Corporate Governance is always a work in progress as the Board also seeks to improve this exceedingly important aspect wherever we can. To this end we have just recently developed a wider and more comprehensive committee structure within the Board which will come into effect from 1 January, 2016. Details of this new structure were set out in the Annual Report and its objective is to facilitate a more rigorous analysis of proposals and policies prior to going to the Board for approval. Equally importantly though and as a direct consequence, it will also facilitate more time for the Board as an entity to consider and discuss in greater depth, matters relating to strategy and operational performance – this was also a prime objective! As you will have noted, the scope of responsibilities of these committees has widened considerably as well as having an additional Committee added. An operational and governance aspect of particular focus is Health and Safety as we operate in an industry that has more than its share of safety risks. New legislation is also becoming operative in April 2016.

Management has been exceedingly busy this past year as we endeavour to ensure that our workplaces for all employees, share-fishermen, contractors and visitors are as safe as they can possibly be. The company has put a very considerable amount of effort and financial resource into this highly important area and we will continue to monitor performance closely as we seek to improve safety and wellbeing behaviour right across the company.

To supplement our own in-company efforts the Board, in the latter part of the year, also commissioned an external audit of our Health and Safety processes and practices in the company, and this review will be used to guide the further improvement of this key responsibility that the company has.

A final brief comment in this important area of Governance and it is on the topic of Communication. You will be aware that in respect to our 2015 Annual Report, this is the second year in which details not only of Sanford's financial and operational performance but also our environmental, social and economic performance, is presented in a comprehensive and integrated way. While continuing improvements will be made, we are pleased with how this major reporting and communication document is developing and we trust shareholders are as well.

You also might have noticed from this year's Annual Report that Sanford won a Gold Award in the overall General Division of the 2015 Australasian Reporting Awards and was also a Finalist for Integrated Reporting at the same awards. Understandably we are proud of these achievements, particularly as the assessment was on an Australasian wide basis. As an organisation we embrace the Culture of Continuous Improvement so if you have any comments that would be helpful in assisting us further improve our communication and reporting, we would welcome them.

CONCLUSION

I spoke to you last year about the wonderful seafood resources that New Zealand possesses which are excellently managed within our 4.4m square kilometre Exclusive Economic Zone. As you are aware, Sanford has 23 % of the allocated quota encompassing approximately 100 species.

From a resource perspective we are very well placed both as an industry and particularly from a Sanford viewpoint, but from an international market perspective the competition is tough! Government subsidies are huge globally and in 2013 a European Parliamentary study estimated that the worldwide amount of Global Fishing subsidies totalled in excess of \$50 billion NZ dollars each year. Such substantial amounts can have a major distortional affect in terms of industry economics, company profitability and – extremely importantly – fish stock sustainability.

While we are in very good shape regarding fish stock sustainability in New Zealand, in respect to the economics and flow-through profitability, we are not! It is for this latter reason we believe that there is potential for the New Zealand fishing industry to investigate sensible areas of collaboration in an effort to improve the efficiency and profitability of the industry here - and Sanford is ready to participate positively in such discussions.

The major distortionary tilt created by this level of Government subsidies worldwide, is another clear reason why we must also shift from being a production driven commodity business. The future for

Sanford is clearly to become a consumer led and enhanced value niche seafood supplier if we are to prosper in the very competitive international seafood marketplace.

The affect of the changes we are making and will continue to make are not necessarily evident overnight and the journey will be a progressive one as our management address the interlocking capabilities necessary to continue down the path of change we have now commenced. Continuing and consistent growth in both our underlying, as well as bottom line, profit performance will however also be a prime objective in spite of the continuing cost of implementing such change. While Sanford is a seafood company, it is actually about people – as most companies are! For Sanford, this is even more so given the complex and challenging nature of our business – from catching and marine farming, to processing (much of it still with a high manual content) and to marketing, in a highly competitive and subsidized world. We therefore wish to acknowledge the total Sanford ‘team’ from our fishermen through to our marketing and sales force and all our highly important and well regarded Sanford people in between, who handle and facilitate our seafood products with such care and pride. And, of course, Volker and his management team – the leadership group - who are guiding the good ship ‘Sanford’ as it goes through this substantial change of course!

The Board thanks each and every one of you.

Finally I would like to say that under Volker’s leadership and with his passion for all things seafood as well as environmental and resource sustainability, we are optimistic about the future. What we have embarked on as a company, as well as the industry we are in, is – as I have already said - not without risk and challenges, and it will require a constant focus and inspirational connectivity with the market and our consumer customers. The team at Sanford are embracing this challenge and I look forward to personally reporting to you again in 12 months’ time on our progress.

Thank you ladies and gentlemen.