



14 December 2018

Sanford Limited 2018 Annual Meeting
Mr Paul Norling
Chairman's Address

(Slides 1 - 2)

I and my fellow directors wish to present to shareholders our report for the year ending 30th September, 2018 which, in the main, will summarise and in some instances supplement our reasonably extensive 2018 Annual Report.

(Slide 3 Steffan Stewart)

I need, however, to commence my address today on a very sombre and most regrettable note. For those shareholders who have read our Annual Report and in particular the footnote to the Chairman and CEO's Review section, you will be aware that at the time this year's Annual Report was going to print, a fatal accident occurred on one of our vessels at sea - one of our valued crew members, Steffan Stewart, aboard the San Granit suffered a fatal injury on November 14 while working on the factory deck of the vessel. Such an occurrence is a company and a family's worst nightmare and I trust you will understand that at the present time we are not able to discuss and certainly neither would we wish to elaborate further in respect to any details surrounding this extremely unfortunate and tragic incident. The matter is, of course, subject to official investigation with a report to be issued in due course as to the exact circumstances - in the meantime the company management is continuing to focus their attention on supporting the family as well as work colleagues.

I will return to the topic of Health and Safety later in my remarks but wished to accord priority to this most regrettable matter and to comment on it specifically at the beginning of my address.

(Slide 4 Integrated Report)

Now to our report on the company's result and progress over the past 12 months to September 30, 2018.

2018 Results

Firstly, our financial results for the 2018 year. Following our solid result for the 2017 year, this past year's financial outcome fell short of both management and the Board's expectations.

(Slide 5 Results)

On the one hand our reported GAAP compliant NPAT of \$42.3 million was \$4.8 million or 12.9% ahead of our 2017 result - this increase, however, was largely attributable to the settlement of an insurance claim relating to our Havelock mussel processing facility, a

consequence of the damage sustained during the Kaikoura earthquake. The Non GAAP compliant methodology of measuring Adjusted or Normalised Earnings before Interest and Tax (i.e. the Underlying operating result) saw this measurement improve by only 1.6% to \$64.7 million over the 2017 year result.

As we noted in the Annual Report review, our financial performance was adversely influenced by challenging climatic conditions in our operations around the country – I will comment further on this shortly. The counterfactual, however, could have been more challenging had the company not previously embraced and implemented a strategy of prioritising brand and channel development, innovation and product cascade improvements which enabled us to mitigate in value terms some of the ‘climate change’ affects encountered.

This past year also saw us advance our continuing progress with EBIT per kilogram of green-weight resource (both caught and harvested) from 52c. to 54c per kilogram. If we were to exclude our lesser value commodity species caught by our charter fishing partners, this improvement would have been from 57c per kilo to 63c year on year.

On a further positive note, cash flow from operations improved by \$22.3 m. to \$72.6 m.

(Slides 6-7 Climate Change)

CLIMATE CHANGE

I would now like to briefly revert to the topic of Climate Change which is potentially amongst our most substantial emerging business risks we face at the present time. The impact of rising atmospheric temperatures earlier this year in the January/May period saw substantial increases in ‘normal’ water temperatures – particularly so in the Tasman Sea where the affect flowed through to some of our fishing grounds as well as certain of our aquaculture farming waters.

Management and the Board are very mindful of the potential risks that this phenomenon could pose. Without being at all complacent we are, however, reasonably placed to mitigate (to some extent), the possible downsides resulting from Climate Change influences – our relative strengths being the extent, quality and high value characteristics of our wild-catch quota assets, the location of our salmon farming operations in the cooler southern waters of Stewart Island and with some diversity in location of our mussel growing areas. Also, management is investigating and implementing appropriate operational enhancements wherever practicable. The Climate Change factor is also being taken into full consideration with all major decisions being made.

I am sure our Chief Executive Officer will have more to say on this important topic during his address.

(Slide 8 Sanford Strategy)

STRATEGIC REVIEW

I would now like to spend a few moments talking about the company's strategy.

Earlier this year, senior management together with the Board undertook an extensive review of the company's strategy against the background of the company's vision which, as you are aware, is to become the Best Seafood Company in the World! The management team put considerable effort into this review and the Board along with the senior executive looked at all the material parts and aspects of the company's business and activities. It was an in-depth review.

As a consequence of this review we re-affirmed our added value strategy regarding the company's marine resources (both fished and farmed) but with greater emphasis to be placed on product development and innovation as well as getting closer to our end consumers. There is a considerable amount of activity and some exciting prospects in all these areas of focus – particularly in non-food opportunities such as nutraceuticals - and there are also other areas of endeavour where improved commercial outcomes will be possible.

To lend more support and to accelerate this value-added focus and equally to increase our efficiency and productivity, the Board also approved in principal, capital investment of \$120 million over the next two-year period. In respect to the efficiency and productivity component this, in the main, will be focussed on optimising our land-based processing footprint and also selectively improving the efficiency of our fishing fleet where capital investment is also required.

(Slide 9 Strategy in Action)

OTHER STRATEGIC INITIATIVES

You may have noticed recently that we made a decision to sell our 50% shareholding in Weihai Dong Won Foods Ltd - a seafood processing and product manufacturing company which produces crumbed seafood products and is located in China. This business was co-owned with our long-standing charter fishing partner Dong Won Fisheries Ltd of South Korea. From a business operations perspective we will continue to supply similar fish species to the business which will have expanded turnover prospects as the new co-owner is Plenus Company Limited of Japan which has in excess of 3000 'family' type seafood restaurants.

We have also announced just last week the unconditional sale of our Tauranga based 'pelagic' business for \$24.3m to Pelco Ltd, another Tauranga based fishing company which specializes in the pelagic fishery. From Sanford's viewpoint this fishery had very limited potential for us to add further value without substantial capital investment and the offer we received was attractive given the limited prospects and scale that existed under our ownership.

Both of these transactions are in harmony with our increased and accelerated focus on maximising the value from what we catch and process.

We are also about to undertake a re-organisation and expansion of our Australian activities which will focus entirely on the market side of the business. Product will continue to be resourced in the main from our high quality New Zealand seafood capability. We will, however, have a much improved 'on the ground' sales presence, both directly and indirectly, and will be getting much closer to end consumers in much greater numbers.

(Slide 10 Auckland Fish Market)

We have a similar objective in New Zealand which is moving ahead in an encouraging way. This will be assisted by the opening very shortly of our re-vamped Auckland Fishmarket (downstairs from our Head Office) together with a complex of some 10 new restaurant/eateries in the same downstairs and courtyard area. I hasten to stress that we will be the landlord and not the restaurant operator and we are also being assisted with the establishment and on-going oversight of this facility by one of Auckland's leading restaurant development groups. As I understand it there has been strong demand with very good selected tenant quality.

(Slide 11 Health and Safety)

Health and Safety

During the year to September 30, 2018 we made favourable strides by reducing the number of Serious Harm Injuries from 10 in the 2017 year to 5 this past year. You might recall that I drew particular attention to this issue at last year's Annual Meeting and that we were looking forward to a measurable improvement in the 2018 year which we achieved. We were quietly pleased with this improvement although our goal is to get the sustainable number of Serious Harm Injuries down to zero. Total Reported Injuries also came down by some 6% - we were looking for an even better result than this but the progress was in the right direction.

Unfortunately, this progress that the company achieved, 'pales into insignificance' with the tragic death that I spoke of at the outset of this meeting. In this respect shareholders can be assured that the Board and the senior management team accord the safety of all our employees and contractors as a paramount priority and this will continue to have our constant focus.

(Slide 12 Other Matters)

GOVERNMENT AND INDUSTRY MATTERS

Last year we observed that the new (at that time) Government had shown some favourable beginning signs with a new Minister of Fisheries established and the sensible delay to the implementation of some regulatory provisions, to enable a more considered and effective approach to be taken.

The fishing industry is, as we have mentioned, facing challenges particularly on the supply side of the business. As change is also happening faster and new potential obstacles such as climate change are emerging, we need a Ministry that reacts to matters that have operational and/or financial implications for industry participants, with more urgency, agility and decisiveness. Sanford has clearly illustrated its willingness to work closely with the regulator to formulate long term and sensible solutions to issues as they arise but materially improved timeframes would be greatly welcomed.

(Slide 13 Dividend)

Dividend

I acknowledged this issue at last year's Annual Meeting and it has been the Board's wish to endeavour to increase the company's dividend. Unfortunately, matters have conspired against our objectives for the following reasons:

- Our profit result did not meet our expectations with climate change intrusions being a material factor on the supply side of our business.
 - The company is in need of continuing investment both in respect to the substantial transformational change on the market side of our business (e.g. innovation, new product development and implementation, branding etc) as well as our fishing fleet and processing plants which are in need of rejuvenation as we seek greater efficiency and productivity.
 - Sanford is a capital-intensive undertaking which can also have unpredictable &/or difficult operational challenges to endeavour to manage e.g. climatic. We are also undergoing a period of substantial change and for this reason also need to be relatively conservative with our financial structure including NPAT dividend cover and Debt/EBITDA cover ratios
- for the 2018 year we will pay out just over half of our Profit after Tax which also included an insurance claim payment.

It is for these reasons that the dividend has remained unchanged again this year and the Board must consider annually whether a dividend increase is appropriate given the other competing demands and what is considered to be in the best interests of the company. Shareholders can be assured, however, that your Board will keep this matter under continual review but you will understand that I can't make any promises in this respect at this point.

(Slide 14)

ACKNOWLEDGEMENTS

In case there may be some of our shareholders who are not aware, I am pleased to be able to tell you that just last month, Sanford was the recipient of the Excellence in Governance Award at the Deloitte Top 200 Awards for 2018. This is a prestigious award amongst a very prestigious group of the top New Zealand companies and in this regard, I wish to particularly

acknowledge my hard-working Board colleagues as well as our dedicated Head Office senior management team. Very well done to all concerned.

I would also like to publicly and personally acknowledge Mr. Bruce Goodfellow who is retiring from the Board at the conclusion of this meeting. As stated in our Annual Report, Bruce has been an integral and longstanding member of the Board since 2006 and has served the company in this important capacity in a considered, consistent and diligent manner throughout his tenure.

We thank you for the thoughtful contribution you have made Bruce to the many important matters that have come before the Board for consideration during your time as a Director, and as a representative of the substantial Goodfellow shareholding interests in the Company.

We wish you and Mary Ann a well-deserved and enjoyable retirement. I would be grateful ladies and gentlemen if you would join with me in expressing our thanks and best wishes to Bruce.

(Slide 15)

As a consequence of Bruce's retirement today, I am also very pleased to be able to inform you that we have just selected a new director as Bruce's replacement. His name is Peter Cullinane and he will bring a different but extremely valuable skillset to the Company.

His career experience in Innovation, Brand development and Channel strategy, Marketing will provide a great addition to Sanford as the company progresses its transition to a higher end value added seafood company, and also beyond seafood into marine resource-based nutraceutical products and more.

Peter's career background includes the leadership of Saatchi and Saatchi's New Zealand operations from where he progressed to become the global Chief Operating Officer of this leading and influential international entity. Subsequent to this, he has formed and grown other successful businesses, most notably Lewis Road Creamery which has become a stand-out innovator in the chilled food sector.

He is an ideal fit with Sanford and our strategic pathway forward. He is excited to be joining us which he will do from February 1, 2019. He also has good public company director experience in both New Zealand and Australia which includes his current chairmanship of NZME Group.

To our Chief Executive Officer and his management team along with the entire staff throughout the company, the year (and since) has been a challenging one. We thank you all for your efforts and the continued passion you bring to the company as we pursue both our vision as well as our many short and medium term objectives.

(Slide 16)

Conclusion

The Board and the management team again looks forward to the coming year and continuing to implement the strategic and operational changes as the company pursues its vision of becoming the Best Seafood Company in the World. We trust also that the influence of climate will be less intrusive this year and that we are able to present you with a pleasing report on our progress, 12 months hence.

(Slide 17 Thank You)

Thank you, ladies and gentlemen - I now have pleasure in placing you in the very knowledgeable hands of our CEO Mr Volker Kuntzsch who will present his report to you.