

# PRESENTATION TO ARCTIC SECURITIES / INTRAFISH INVESTOR SEMINAR

## HONG KONG SEPTEMBER 8, 2011

### 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 2011 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.

All Figures are in NZ dollars and volumes are in metric tonnes unless expressly shown otherwise.



## **1. Sanford Overview**

## **2. Sustainable Seafood**

## **3. Favourable long term outlook**

## **4. Aquaculture in New Zealand**

## **5. Innovation and Technology**

## **6. From sea to customer**



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# 1. Sanford Overview

The screenshot shows the homepage of Sanford Limited's website. At the top, there is a large banner featuring a fish swimming in the ocean. Below the banner, the company logo is displayed, followed by the text "SANFORD LIMITED SUSTAINABLE SEAFOOD". The main navigation menu includes links for "Home", "Our Products", "Our Fleet", "Our Plants", "Gallery", "News", "Investor Information", "Sustainability", "Recipes", "Links", and "Contact Us". On the left side, there is a sidebar with sections for "Welcome to Sanford", "The Home of Sustainable Seafood", and "Featured Product: Blue Mackerel". It also lists languages available: English, French, German, Italian, Japanese, and Chinese. The main content area features several sections: "Sanford Limited", "Auckland Fish Market", "Auckland Fish Market Wind", and "Employment". Each section contains descriptive text and small images. A sidebar on the right lists news items with dates and titles, such as "Thu 22 Aug 2011 - Announcement - Sanford Increases Focus on Asia and Japan with Multi-Lingual Website", "Wed 22 Jun 2011 - Appointment of Director", and "Wed 29 Jun 2011 - Interim Report 2011". There are also links to "Watch our Videos" and "Visit our Gallery". At the bottom right, there is a "Read more" link.

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This is the Certificate of Incorporation marked "B" produced and shown to Albert Firth Jagger at the time of swearing his Affidavit this 1st day of June 1933 before me :  
NEW ZEALAND.

No. 3 / 1904



Certificate of Incorporation

"*Sanford, Limited*"  
Under "THE COMPANIES ACT,  
1903" No. 4882.

*Under "THE COMPANIES ACT, 1882."*

I, Darwin Rawford, Assistant Registrar of Joint-stock Companies,

do hereby certify that -

1903

Saword (Limited) is incorporated under "The Companies Act, 1882."

Given under my hand, at Auckland, this first  
day of January, one thousand nine hundred and forty

Edinburgh



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# Five Year financial performance highlights

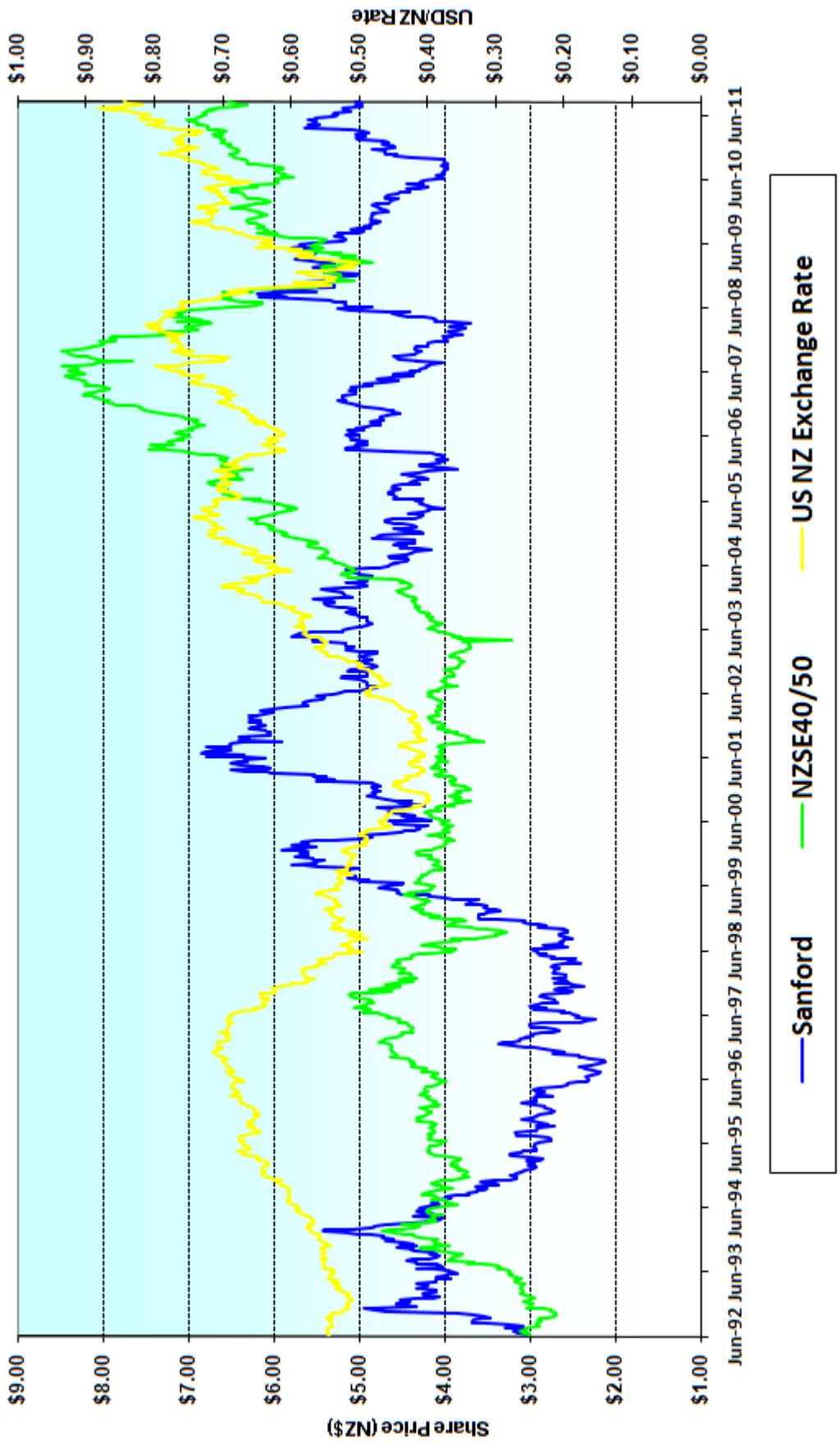
	NZ\$m					6 Mths
	2006	2007 <sup>#</sup>	2008 <sup>#</sup>	2009 <sup>#</sup>	2010 <sup>#</sup>	2011 <sup>#</sup>
<b>Revenue</b>	<b>390.4</b>	<b>367.9</b>	<b>436.6</b>	<b>433.1</b>	<b>421.1</b>	<b>228.0</b>
<b>EBITDA*</b>	<b>63.3</b>	<b>52.2</b>	<b>65.9</b>	<b>68.4</b>	<b>49.0</b>	<b>26.0</b>
<b>NPAT</b>	<b>26.1</b>	<b>20.1</b>	<b>53.3</b>	<b>39.1</b>	<b>25.0</b>	<b>13.1</b>

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

<sup>#</sup>Prepared in accordance with New Zealand equivalents to International Financial Reporting Standards



# Performance Comparison to NZX 50 and US\$ Exchange



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# Organisation structure

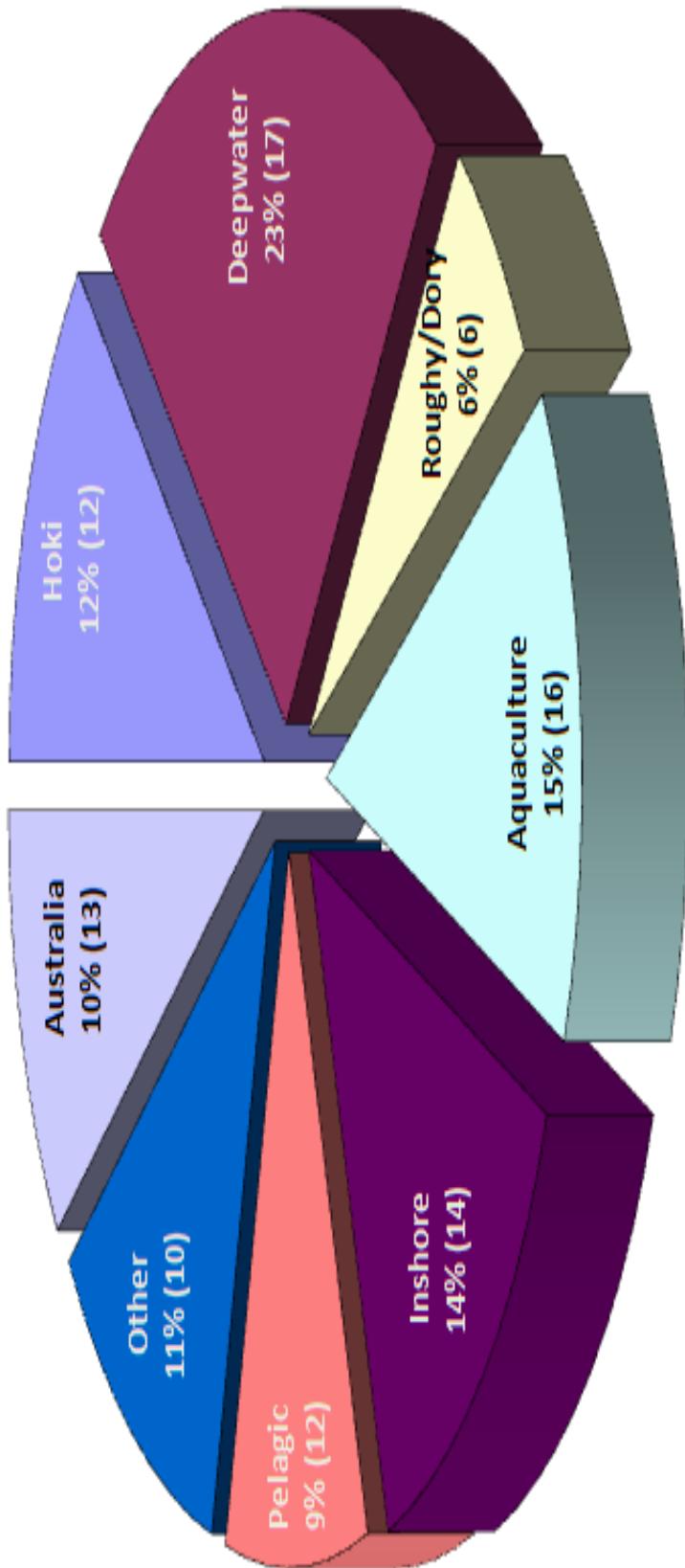


New Zealand Seafood				Australian Seafood	Other
Deepwater	Inshore	Aquaculture			
<ul style="list-style-type: none"> <li>• NZ quota deepwater fishing</li> <li>• Toothfish Charter</li> <li>• Frozen at sea product</li> </ul>	<ul style="list-style-type: none"> <li>• NZ quota inshore fishing</li> <li>• Onshore processing</li> <li>• International &amp; domestic sales</li> </ul>	<ul style="list-style-type: none"> <li>• Mussel, Pacific Oyster &amp; Salmon farming</li> <li>• Lobster, scallop &amp; dredge oyster operations</li> <li>• Land based operations</li> </ul>		<ul style="list-style-type: none"> <li>• Australian seafood auction market</li> <li>• Australian quota fishing</li> <li>• Onshore processing at Bluff</li> </ul>	<ul style="list-style-type: none"> <li>• Skipjack tuna in South Pacific</li> <li>• China</li> <li>• Processing of Sanford catch</li> <li>• Reprocessing of third party catch</li> <li>• Investments &amp; associates</li> </ul>



# Diverse operations

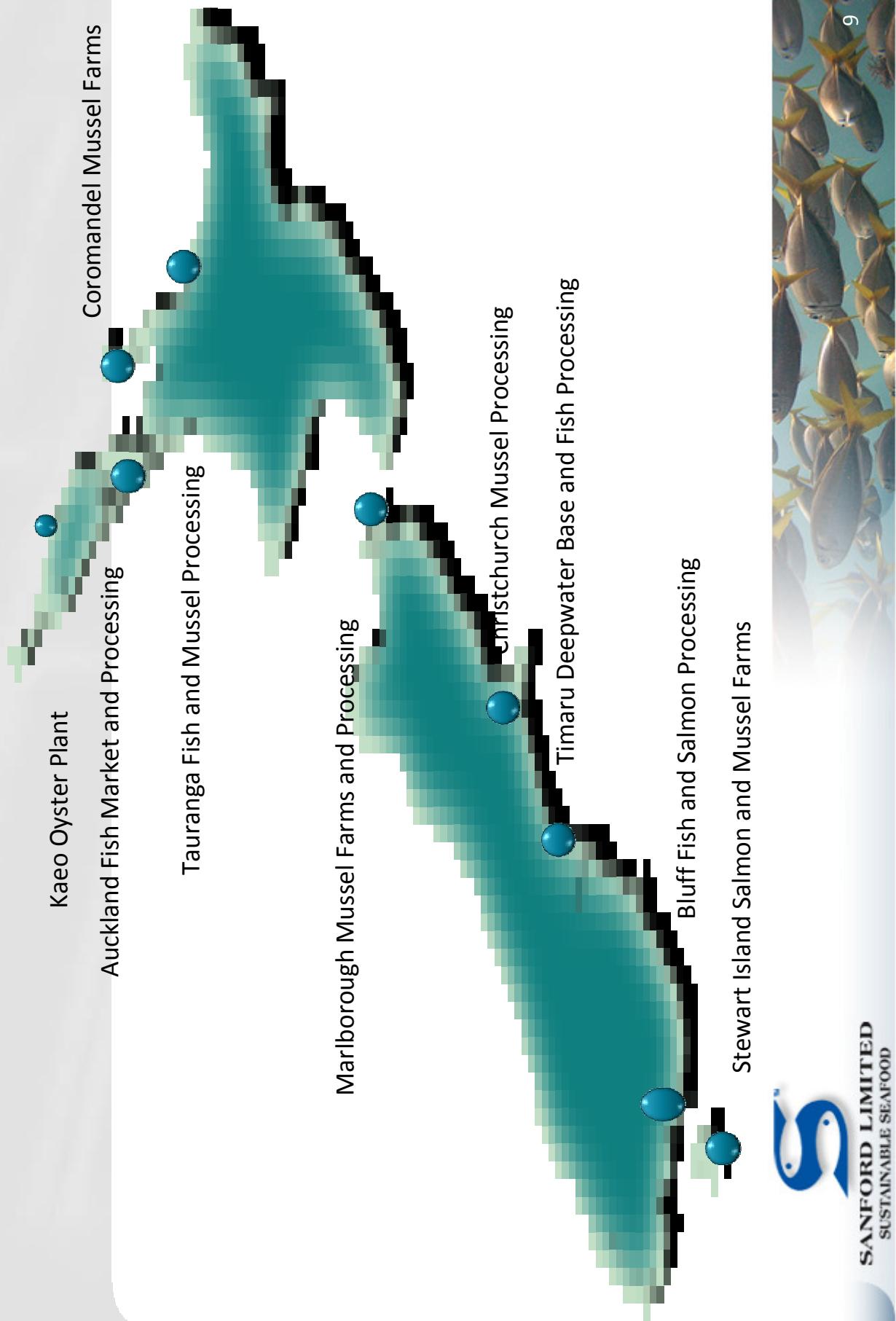
Approximate revenue by species split (2010)



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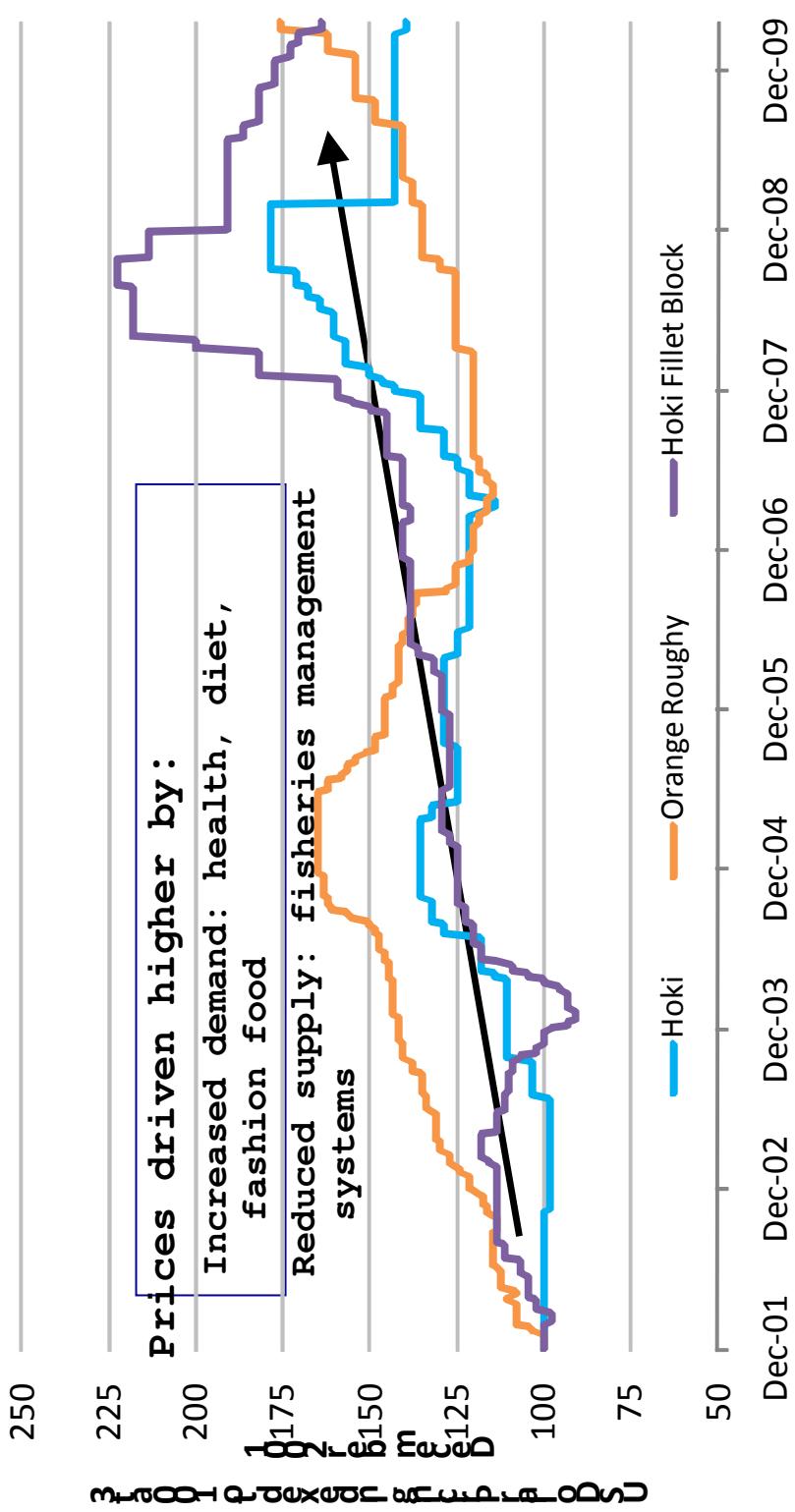
# Diverse Operations



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# Sustained historical price increases

## Historical Pricing for Seafood Products



Source: ANZ Seafood Commodity Index.



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# Outlook – Cautious Optimism

Commentators say that the New Zealand dollars is overvalued by 20% but little sign of weakening.

Markets for many products have recently stabilised at relatively high levels for example – ling, toothfish, skipjack tuna, squid, mackerel and greenshell mussels although mixed results for other species (Hoki Fillet prices down 10% but Hoki H&G prices up 30%).

Some statistics (7 Months to 31 July 2010 versus 2011) to underpin this.

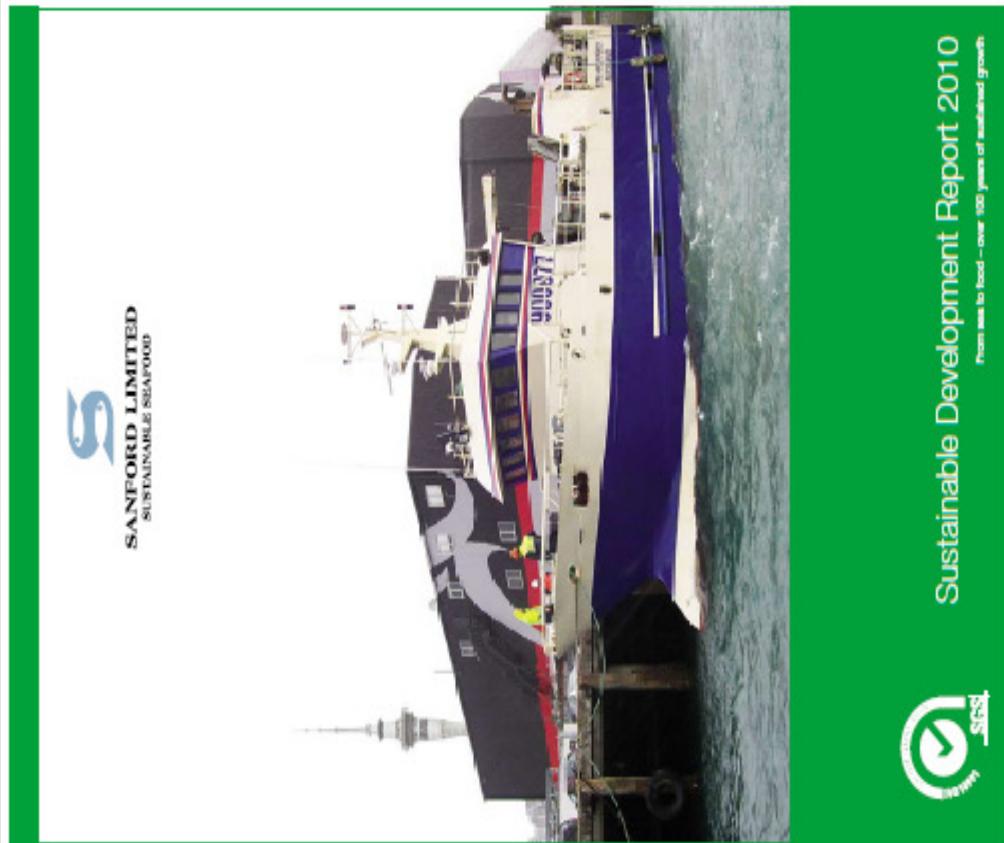
Jack Mackerel H&G	Prices	up 13%
Squid Whole	Prices	up 8%
Toothfish H&G	Prices	up 25%
Half Shell Mussels (Volume up 18%)	Prices	up 26%

And of interest to the Hong Kong Market

Ling Fillets	Prices	up 15%
Squid Heads and Tentacles	Prices	up 9%



## 2. Sustainable Seafood



# Sanford Resource Access

	Sanford Quota Shares Owned	Contract or Leased Access	Total Access
<b>Total Wild Capture</b>	<b>125,147</b>	<b>15,000</b>	<b>140,147</b>
Sanford Marine Farm Long Term Leases			
Greenshell Mussels	30,000	10,000	
Salmon	3,000		
<b>Total Aquaculture</b>	<b>33,000</b>	<b>10,000</b>	<b>43,000</b>
Sanford Other Permitted Access			
Skipjack Tuna in New Zealand	5,000		
Skipjack Tuna in Pacific	20,000		
Toothfish NZ Ross Sea and SGSI	1,500		
<b>Total Seafood</b>	<b>26,500</b>		
<b>OVERALL TOTAL</b>	<b>184,647</b>	<b>25,000</b>	<b>209,647</b>



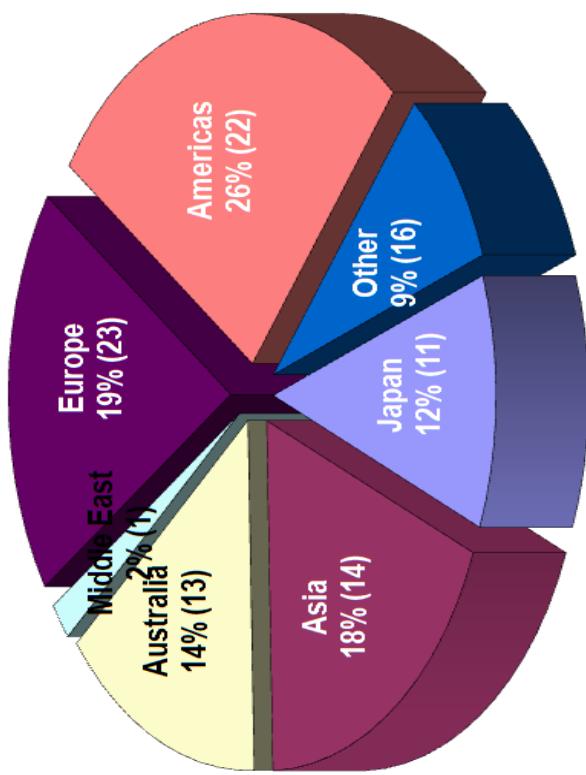
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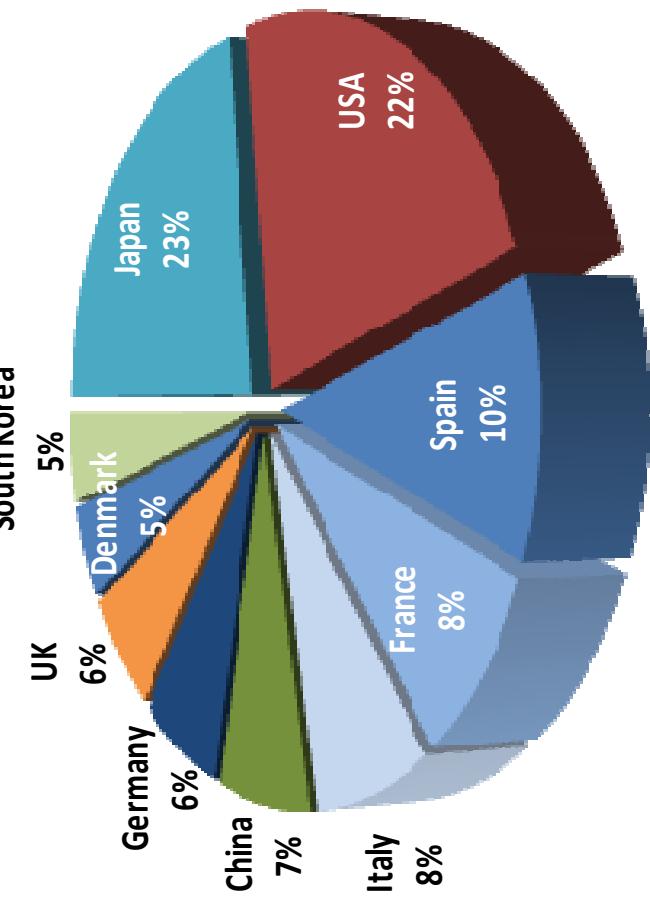
# Worldwide customer base

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

Sanford export markets (2010)



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



# 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 Ross Sea and South  
Georgia Toothfish  
Under certification process Hake, Ling,  
Southern Blue Whiting  
Under investigation for Snapper

Major retailers committed to MSC

Sainsbury's

(UK)

Carrefour  
(France)

Loblaw  
(Canada)

Migros  
(Switzerland)

Target  
(US)

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



**Marine Stewardship Council**

Certified sustainable seafood



### 3. Favourable long term outlook

**Global demand for fish is growing – key sector themes**

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

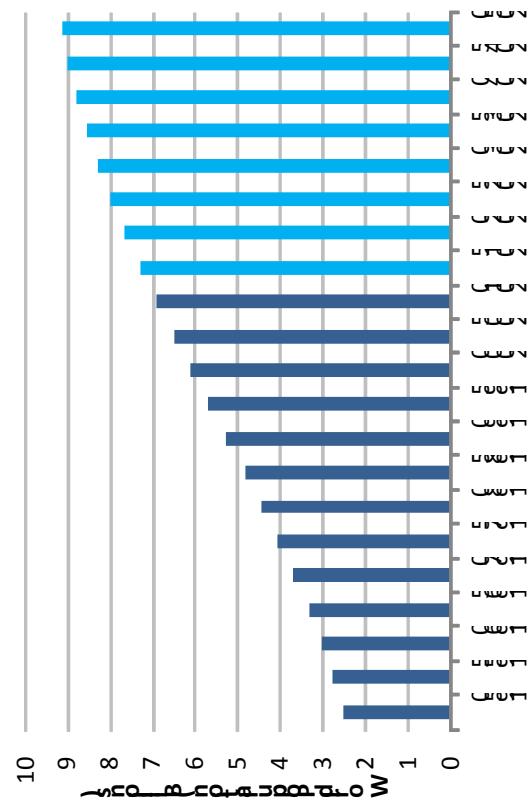


# Food security is a global issue

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

World population to continue growing



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



# Favourable long term outlook

Likely future supply-demand imbalance should support prices

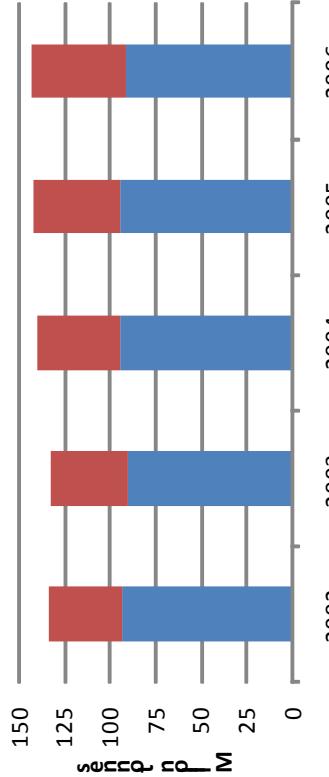
World capture fisheries production is flat/declining

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>

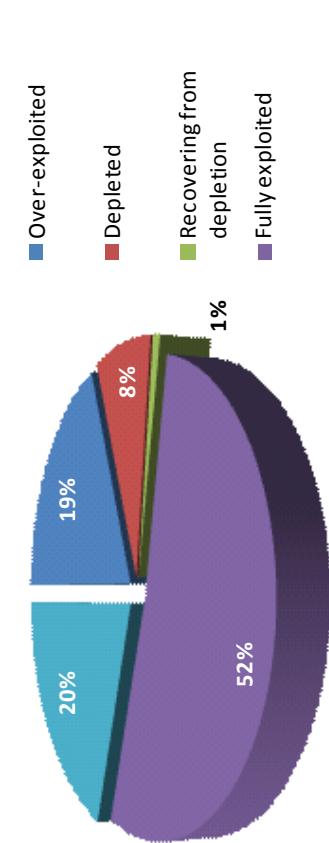
Growth in aquaculture is required to meet demand growth – global industry may not grow fast enough (financial, environmental constraints etc)

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*.



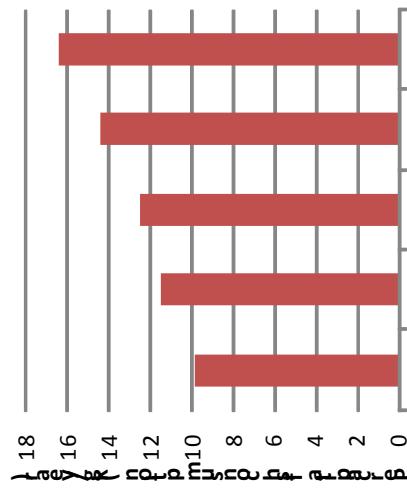
# Increasing fish consumption per capita

Expanding middle class in emerging countries

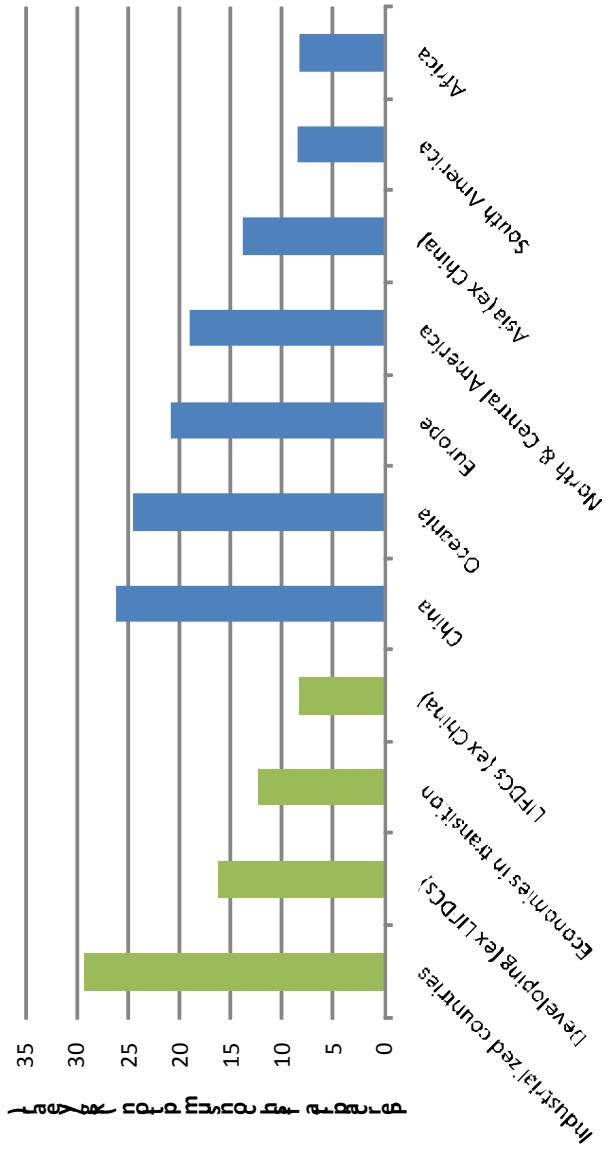
Rising incomes and diversification of diets in developing countries

Continued consumption growth expected from industrialised countries, but at slower pace

Historical global growth<sup>1</sup>



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



- 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



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# Fish is a great source of protein

Global consumption of protein is increasing

Population growth, rising incomes,  
increasing urbanisation

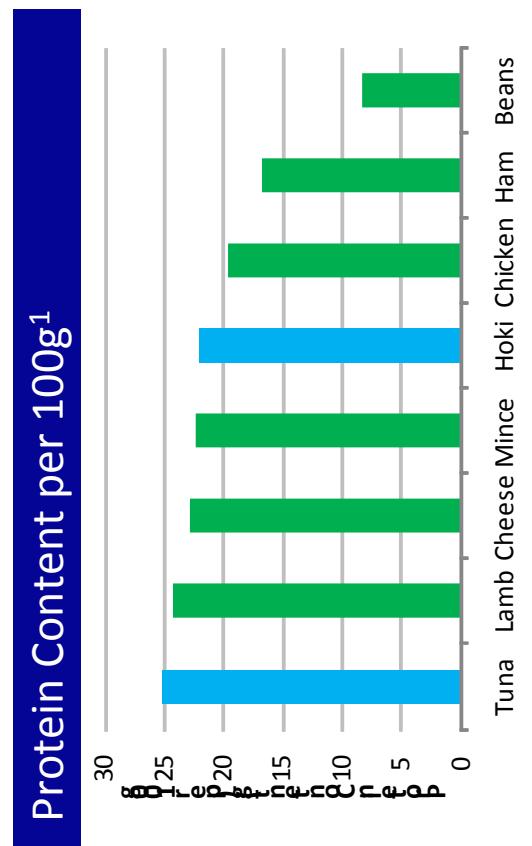
Fish is high in protein

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

*"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>*



Source:

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



# 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).



## 4. Aquaculture in New Zealand

- 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 seafood consumption have originated from aquaculture supply. Continued need for aquaculture growth to meet increasing seafood 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 the 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  
New Zealand is one of the few countries that does not use antibiotics, growth promotants or vaccines in Salmon farming.



# Coordinated Industry with Strong Government Support

**Significant coordination across New Zealand aquaculture industry**

**Strong government support for aquaculture industry**

**Target \$1b by 2015 driven by development of new, high value species and value-add existing species and supported by obtaining access to substantial New Zealand Trade & Enterprise funding for industry-wide benefits**

**New Aquaculture Law enacted**

**Intended to promote creation of new aquaculture space**

**Streamlined planning and consenting process**

**Reduced cost and complexity**

**BUT – uncertainty over fisheries effects resolution remains**



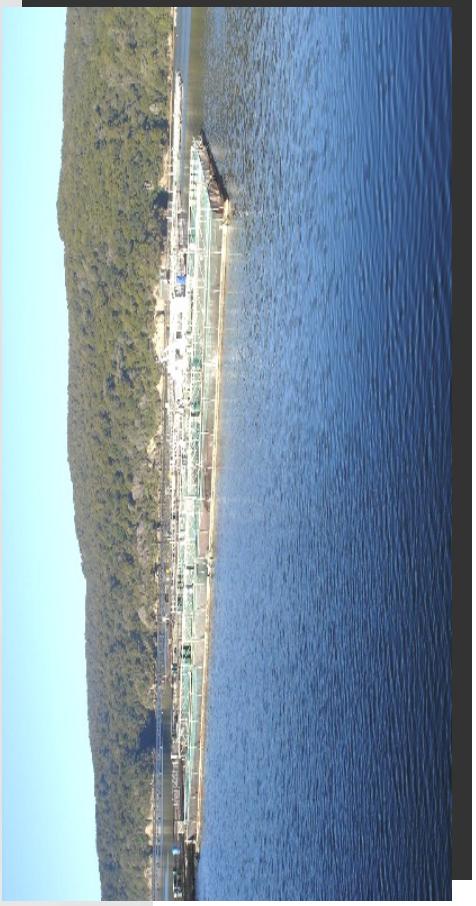
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# NZ's fastest growing seafood sector

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	Total NZ production (tonnes p.a.)	Sanford production (tonnes p.a.)	Sanford Share (by volume)
Greenshell™ mussels	90,588	40,000	45.0%
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.



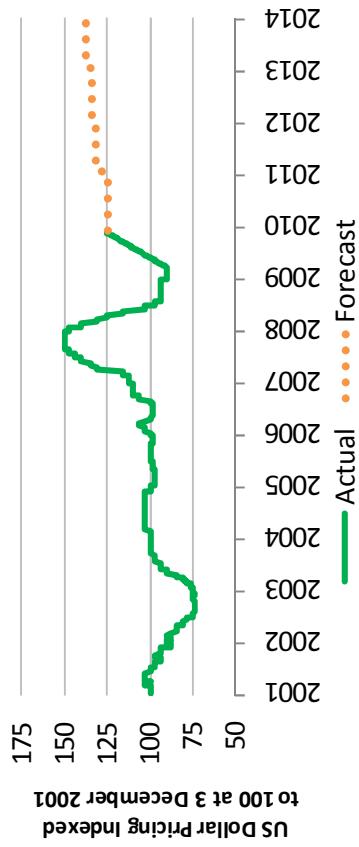
# Increased Exposure to Attractive Mussel Outlook

Favourable outlook for  
Greenshell™ mussel pricing and  
volumes

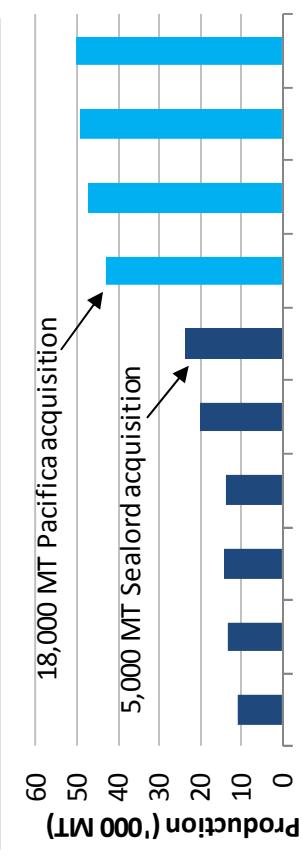
Export mussel prices now back  
above US\$2.00/lb

Pure New Zealand Greenshell  
Mussels initiative in China is now  
operational with product already  
in market and significant customer  
commitment to the brand.

## Mussel prices recovering from lows<sup>1</sup>



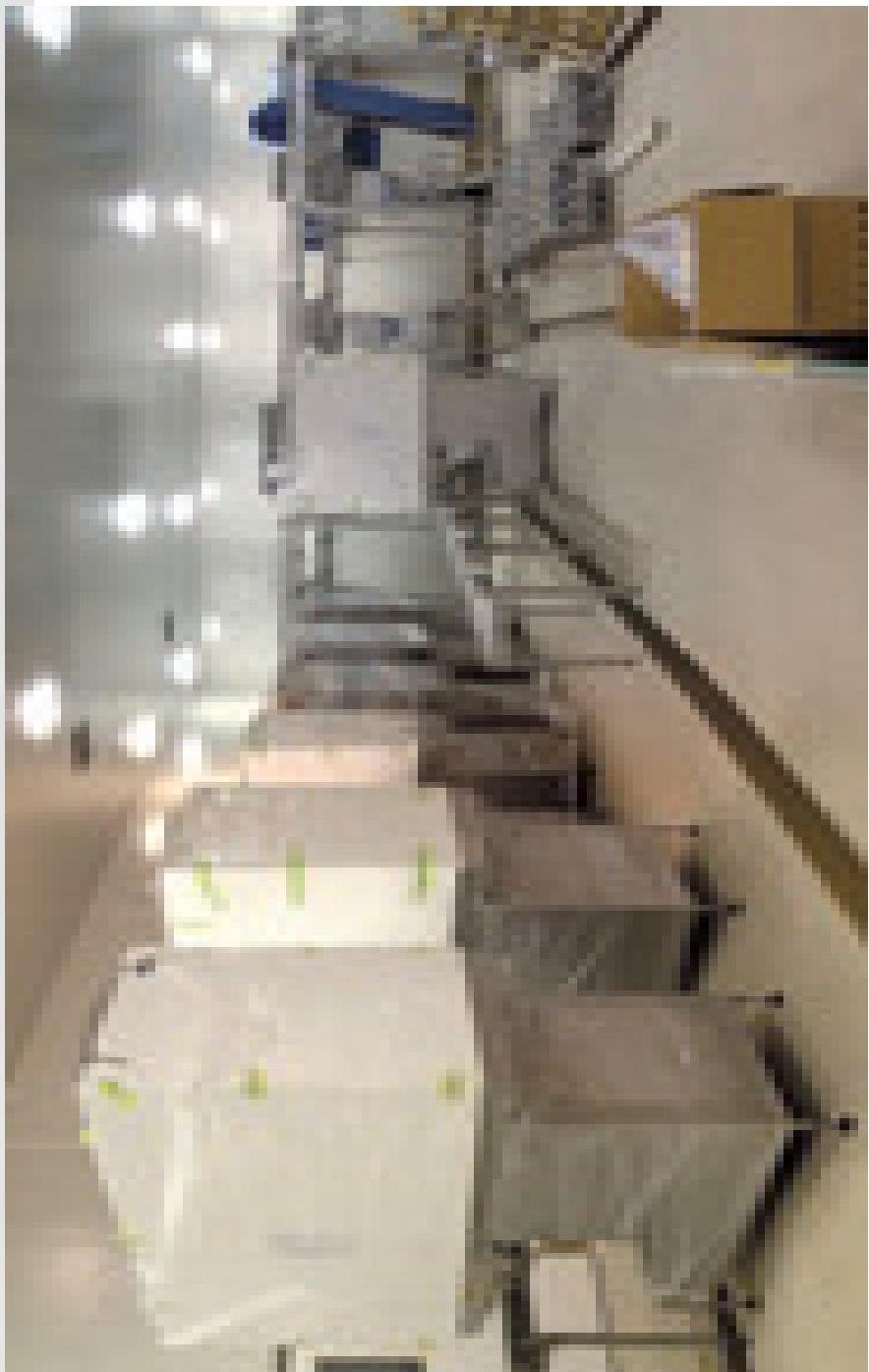
## Forecast Sanford Mussel Volumes



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



## 5. Innovation and Technology



# Innovation and Technology Projects

- Scales to Sales – integrated software system that collects information from first weighing of fish harvested, through processing on shore and at sea, packing, storage, container, to customer including quota management, fish receiving, process control, inventory management, sales and shipping and financials along the way. Most comprehensive installation in the world in 2004 now being upgraded.
- On board vessels high technology Baader heading and filleting machines.
- On shore filleting, grading, weigh packing machinery and systems
- Automated feed and monitoring systems to manage salmon
- Many incremental gains in farming and harvesting technologies for mussels
- Automated mussel opening machinery installed at NIMPL Mussel and Sanford Marlborough processing facility (Circa \$40m).
- Mussel hatchery and breeding programme investment \$52m part industry part government funded over 6 years.
- Precision Seafood Harvesting investment \$52m part industry part government funding over 7 years



# 6. Resource to customer model

## 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 an exposure to:**

**A sustainable New Zealand industry dedicated to international best practice and committed to delivering shareholder value.**

**A favourable long term outlook for seafood.**

**Aquaculture in New Zealand and opportunity for continued growth.**

**An opportunity to capture full value through an integrated supply chain to the customer**



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