



**SANFORD LIMITED**  
**SUSTAINABLE SEAFOOD**

19 December 2013

**Managing Director Eric Barratt's Address**  
**Sanford Annual Meeting**  
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The year did not realise its potential and I wish I could have gone out with a better result. It could have been so much better if nature had not interfered.

The slower growth in our largest mussel production area, the Marlborough Sounds, over a year when export prices increased by 25%, was frustrating. It is encouraging to see growth rates more normal this year and prices continue to increase in all export markets. At present we are working hard to clear the backlog and meet continuing new orders in the United States, Asian and European markets.

We have recently concluded and implemented an agreement to market the Sealord half share of mussel production out of the NIML plant at Tauranga which lifts our market share of New Zealand frozen half shell mussels to close to 50%. This coupled with the recent receivership of Greenshell NZ has meant there are now only two producers Sanford and Kono able to meet the market commitments for the Shanghai-based Pure New Zealand Greenshell Mussel business. We are desperately trying to meet at least some of our Chinese customers' demands for product.

Nature also affected the abundance of jack mackerel in the northern winter substantially reducing catches into our Tauranga plant in August and September. However it has since been kind. Catches in October, November and December to date have been at record levels confirming that the resource is strong and availability has much to do with water temperature and currents.

Salmon profitability has improved dramatically on increased demand for fresh product from export and domestic markets to such an extent that we will have minimal amounts of frozen products to sell into commodity markets.

Profitability in the inshore sector is slowly improving and the development of the Precision Seafood Harvesting technology over the next 4 years will make a significant difference to the future profitability and productivity of the resource. Let's take a few minutes and look again at this story.

What I can tell you today is that we have just completed arrangements for one of our vessels to be dedicated to using this technology full time in the northern area. It has already completed its first trip. This will speed up the process of dealing with the logistics from fish out of the water to product in the market place. Trials in the deepwater fishery will begin in earnest in 2014. This technology is a revolution for the fishing industry and one that will be remembered for a long time.

The SpatNZ development for hatchery reared spat will remove the Achilles heel for the mussel industry that is presently totally reliant on wild caught spat.

Taking into account the upgrades to the pacific tuna fleet and the potential gains for increased aquaculture returns the immediate future looks more promising.

Catch and production levels are a little ahead of last year while revenue for the first two months is behind last year although at the end of the November there was a higher level of inventory on board freezer vessels at sea.

The New Zealand fishing resources are being very well managed. The industry has developed a more coordinated vision and cohesive strategy for the industry and if that can be effectively implemented the reputation and the value of the seafood industry will be enhanced in the eyes of the public in New Zealand and our customers worldwide. With our volumes held at sustainable levels we will only ever be able to deliver high quality, high value seafood to the more discerning customers in Asia, Americas and Europe. The future potential of the industry is huge - the industry can really play its share of the New Zealand governments growth agenda - not by volume but by value and Sanford is the best placed New Zealand company to deliver that improved value to shareholders.

Chairman Jeff Todd suggested a few reflections after 31 years associated with Sanford.

Perhaps those reflections are best told in some short phrases.

The quota management system did as much for quality as it did for quantity.

The cheapest storage system for fish stocks is in the ocean.

Sustainability is here to stay and customers will demand more and more transparency.

Within an industry framework different businesses must be free to select their own model.

There is a high intensity of financial capital required for this industry but unless we attract, train and qualify more younger people into the industry that capital will be lost.

To date we have been extremely well served and lucky. We have "storehouses" of fantastic fishermen and fish farmers that have people throughout Sanford that have made this company what it is today and what it can become in the future. I pay tribute to every single person that has been part of the Sanford family - staff and suppliers, customers and stakeholders. In the case of staff there has never been anyone who has not been prepared to do more than what was asked for. I thank each and every one of them for everything they have done for Sanford over the past 16 years.

To the shareholders; large, medium and small - thank you for your support, thank you for your questions and comments. \$340m of cash dividends to shareholders over the 16 years cannot have been all bad.

I commend my successor to you. I have known Volker for most of my time as Managing Director. He is a man of integrity and honour as well as a tremendous background of knowledge and experience. Volker and I sat down and had a beer one night during the Brussels Seafood at a time when many of our colleagues had gone on to other things. We sat in the Grand Plaza and we talked about the opportunity that Sanford might present to Volker. In his typical loyal fashion he said he didn't think he could ever leave Nissui. But as we talked more about Sanford and New Zealand I knew we were awakening a desire to settle in New Zealand and run Sanford. I am somewhat proud to hear him say after a frantic couple of weeks around New Zealand that the opportunity is even more exciting than he originally envisioned.

I wish all my fellow Directors, Executive, Management, Staff and Shareholders the compliments of the festive season and a happy and healthy New Year and I look forward to sitting down there next year. I might even have a question or two.