



MEDIA RELEASE

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Tassal's domestic market strategy underpins growth in operating earnings

Tassal Group Limited (ASX: TGR) today announced its results for the six months ended 31 December 2011 (1H12), delivering a statutory net profit after tax of \$13.0 million.

Results overview

(\$ million)	1H12	1H11	Change
Revenue	127.55	109.67	16.3%
EBITDA	28.96	29.11	(0.5)%
NPAT	12.96	14.00	(7.4)%
Operating cash flow	19.10	18.60	2.7%
Gearing (net debt/equity)	30.65%	35.96%	
Operating Earnings			
Operating EBITDA	26.06	23.88	9.1%
Operating NPAT	10.93	10.34	5.7%

Tassal's Managing Director and CEO, Mr Mark Ryan, said that the financial and operating performance of Tassal over 1H12 reflected Tassal's focused strategy to deliver long term sustainable growth in shareholder value.

"At the heart of Tassal's strategy is a focus to grow domestic market per capita consumption through increasing domestic retail and wholesale penetration and distribution. The strong growth achieved in retail and wholesale sales is a clear indication that our strategy is working.

"The overall strength of Tassal's business model can clearly be seen in the Company's growing operating cashflows and resilient earnings base during a period of substantial price pressure in the fresh hog for export and domestic wholesale markets. In addition, Tassal's balance sheet continued to strengthen, with gearing down to 30.7 per cent, at the low end of the Company's target range.

"Tassal's very successful farming programme has continued to deliver growth in fish and harvest size over the past six months. The average fish harvest size was up 6.75% on the same period last year. With a substantial fish inventory still growing, Tassal is well placed to continue growing domestic market per capita consumption and leverage attractive market fundamentals," said Mr Ryan.

Revenue continued to grow, up 16.3% to \$127.55 million (1H11: \$109.67 million), underpinned by strong growth in domestic retail and wholesale sales. Whilst export markets were severely affected by low global prices and a volatile foreign exchange rate, the strong growth in Group revenue was achieved through increasing domestic product sales to existing customers and further domestic market penetration through attracting new customers and developing new products.

EBITDA was stable at \$28.96 million (1H11: \$29.11 million) even though export margins were substantially negatively impacted by difficult global trading conditions given volatile foreign exchange rates and substantially increased global supply that saw Tassal's export sales price down 19.6% on 1H11. The benefits from Tassal's strong retail and wholesale performance, cost efficiency initiatives, improved processing results, and improved fish size driving labour, overhead and yield benefits, ensured the Company's earnings had a sustainable base.

Net profit after tax was down 7.4% to \$12.96 million (1H11: \$14.00 million). Lower export performance, higher depreciation following the significant investment in hatchery and marine assets, higher borrowing costs due to the financing of infrastructure, and a lower uplift in fish biomass impacted NPAT.

Operating cash flow continued to grow, up 2.7% to \$19.10 million (1H11: \$18.60 million) due to the growth in sales and tighter working capital management even though live fish biomass continued to grow.

Gearing continued to decrease, with net debt to equity down to 30.7% (1H11: 36.0%) and at the low end of the Company's target range, as cashflows continued to increase after the significant infrastructure investment that was recently completed.

Dividend

Having recommended the Company's dividend programme for the previous FY11 final dividend, and with operating earnings growing and Tassal's growth infrastructure now in place, the Directors have declared an interim FY12 unfranked dividend of 4.00 cents per share (1H11: nil). Tassal is not activating its Dividend Reinvestment Plan.

Outlook for continued growth

Tassal has built a world class sustainable platform from which to further grow its market presence, revenue and earnings.

Tassal's focused strategy of growth in domestic market per capita consumption, particularly through the retail segment is the right strategy. The financial and operating results achieved over the past six months put Tassal in a very strong position to continue to grow across the domestic retail and wholesale segment whilst also retaining flexibility to build a strategic presence in key export markets should pricing improve.

Improved statutory and operating earnings are forecast for 2H12 over 1H12 given:

- domestic retail segment initiatives being undertaken to further broaden Tassal's leading retail presence with more products in more locations, eg cans to be ranged in Woolworths
- continued growth of domestic market per capita consumption
- increased fish size lowering average fish costs
- reducing feed prices – significant achievements evident on diet and raw material substitution
- cost efficiency strategies – more in place for 2H12
- improved yields and cost reductions flowing from previous infrastructure investment – processing facilities operating at global best practice.

"Tassal is maximising its domestic market opportunity through changing consumer behaviour and lifting Australian per capita consumption levels. This is at the core of everything the Company does and provides very substantial growth opportunities.

"Tassal is sustainably growing earnings and delivering improved operating performance. With continued growth of Tassal's live fish biomass, focus on sustainable growing practices, and world class infrastructure, Tassal is well placed to sustainably grow its business and produce attractive returns for its shareholders," said Mr Ryan.

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About Tassal

Tassal Group Limited (ASX: TGR) is a vertically integrated salmon grower, processor, seller and marketer. The Company produces and sells premium salmon products for both the Australian domestic and export markets. Tassal grows delicious, fresh and healthy Atlantic salmon in Tasmania's pristine waters and employs over 750 people. Visit www.tassal.com.au for more information.