



12 February 2020

The Manager, Listings
Australian Securities Exchange
Company Announcements Office
Level 4,
Exchange Centre
20 Bridge Street
Sydney, NSW 2000

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Via e-lodgement

Dear Sir

Tassal Group Limited (TGR): Market Release
Results for the Half-Year Ended 31 December 2019

We attach the following:

1. Results Announcement for the Half-Year Ended 31 December 2019.
2. Appendix 4D – “Half-Year Report” incorporating the consolidated financial report and the Directors’ Report.
3. Media Release.
4. Investor Presentation – Results for the six months ended 31 December 2019.

Please release this information to the market.

Yours faithfully

Monika Maedler
Company Secretary
Tassal Group Limited
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TASSAL GROUP LIMITED
ABN 15 106 067 270

APPENDIX 4D
HALF-YEAR REPORT
for the Half-Year ended 31 December 2019
(previous corresponding period: Half-Year ended 31 December 2018)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Compliance Statement

1. The attached financial report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Interpretations or other standards acceptable to ASX.
2. The attached financial report, and the accounts upon which the report is based, use the same accounting policies.
3. The attached financial report gives a true and fair view of the matters disclosed.
4. The attached financial report has been independently reviewed by the Company's auditors. The financial report is not subject to a qualified independent review statement.
5. The entity has a formally constituted Audit Committee.

A handwritten signature in black ink, appearing to read "A. McCallum".

A. McCallum
Chairman
Tassal Group Limited
Hobart, 12 February 2020



TASSAL GROUP LIMITED
ABN 15 106 067 270

APPENDIX 4D
HALF-YEAR REPORT
for the Half-Year ended 31 December 2019
(previous corresponding period: Half-Year ended 31 December 2018)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Half Year ended 31 December 2019 \$'000	Half-Year ended 31 December 2018 \$'000	Period Movement up / (down) \$'000	Period Movement up / (down) %
Revenue (from all sources)	274,492	325,995	(51,503)	(15.8)
EBITDA	81,002	65,871	15,131	22.97
EBIT	62,602	51,430	11,172	21.72
Profit before income tax expense attributable to members	57,631	46,915	10,716	22.84
Income tax expense	(16,814)	(14,076)	2,738	19.45
Net profit after income tax expense attributable to members	40,817	32,839	7,978	24.29
Basic EPS – cents per share	20.62cps	18.63cps		

Dividends (Ordinary Shares)	Amount per security	Franked amount per security
Final dividend:		
- Previous financial year – payment date 30 September 2019	9.00c	2.25c
Interim dividend:		
- Current reporting period * - payment date 31 March 2020	9.00c	2.25c
- Previous corresponding period – payment date 29 March 2019	9.00c	2.25c

*The financial effect of the Interim Dividend in respect of the current reporting period will be recognised in the next reporting period because it has been declared subsequent to 31 December 2019

Record date for determining entitlements to the Interim Dividend	16 March 2020
Date of payment of Interim Dividend	31 March 2020

Brief explanation of any of the figures reported above necessary to enable figures to be understood.

Refer to the "Review of Operations" section at Item 4 in the accompanying Directors' Report which forms part of the Appendix 4D Half-Year Report, together with the Company's H1 2020 results media release.



TASSAL GROUP LIMITED
ABN 15 106 067 270

APPENDIX 4D
HALF-YEAR REPORT
for the Half-Year ended 31 December 2019
(previous corresponding period: Half-Year ended 31 December 2018)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Reported Earnings Per Ordinary Fully Paid Share (EPS)	Current Period	Previous Corresponding Period
Basic EPS – cents per share	20.62	18.63
Diluted EPS – cents per share	20.56	18.56

NTA Backing	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	\$3.18	\$2.84

TABLE A: Impact of AASB 141 “Agriculture”.

The following tables illustrate the effect on net profit after income tax from applying the AASB 141 “Agriculture” accounting standard.

Half-year ended 31 December 2019	AASB 141 Impact \$'000
Revenue (from all sources)	\$0
EBITDA	\$16,763
EBIT	\$16,763
Profit before income tax expense	\$16,763
Income tax expense	\$(5,029)
Net profit after income tax expense	\$11,734

Half-year ended 31 December 2018	AASB 141 Impact \$'000
Revenue (from all sources)	\$0
EBITDA	\$3,315
EBIT	\$3,315
Profit before income tax expense	\$3,315
Income tax expense	\$(995)
Net profit after income tax expense	\$2,320

Monika Maedler
Company Secretary
Tassal Group Limited
12 February 2020



Tassal Group Limited

and its Controlled Entities

ABN 15 106 067 270

Appendix 4D: Half-Year Report

(Pursuant to Listing Rule 4.2A)

Financial Report for the Half-Year Ended
31 December 2019

(The Half-Year financial report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, it is recommended that the Half-Year Report is read in conjunction with the Annual Financial Report of Tassal Group Limited for the Financial Year ended 30 June 2019 together with any public announcements made by Tassal Group Limited and its controlled entities during the half-year ended 31 December 2019 in accordance with the continuous disclosure requirements of the Listing Rules of the Australian Securities Exchange).

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DIRECTORS' REPORT

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2019

The Directors of Tassal Group Limited ("Tassal" or "the Company") submit the financial report for the half-year ended 31 December 2019 of the consolidated entity, being the Company and its controlled entities.

In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

1. DIRECTORS

The names of the Directors of Tassal Group Limited who held office at any time during or since the end of the half-year are:

Name:

Mr Allan McCallum (Chairman)
Mr Mark Ryan (Managing Director and Chief Executive Officer)
Mr Trevor Gerber
Mr Christopher Leon (resigned 29 October 2019)
Mr John Watson
Ms Georgina Lynch
Ms Jackie McArthur

2. PRINCIPAL ACTIVITIES

During the half-year the principal activities of the consolidated entity were the farming of Atlantic Salmon and Tiger Prawns, and the processing and marketing of salmon, prawns and other seafood.

3. REVIEW OF OPERATIONS

Tassal's Directors are pleased to present the Company's Appendix 4D: Half Year Report to 31 December 2019 (1H20).

The Company's growth strategy is underpinned by 5 pillars:

1. Being the market leader on all operational, financial, environmental and societal value metrics
2. Ensuring geographic and species diversification
3. Driving domestic per capita consumption growth
4. Maintaining an Eastern Seaboard supply chain: ensuring Tassal is freshest to market on a national basis with short shelf life products
5. Maintaining best practice aquaculture: being a global leader in fish farming and environmental stewardship.

The operational strategy for 1H20 was to position the business to drive growth in earnings and returns in FY20 and beyond. The Directors believe the Company's first half results demonstrated that this strategy was well implemented – generating strong increases across operational, financial, environmental and social parameters, with the key highlights being:

1. **Salmon:** the strategic focus for 1H20 was to increase operating EBITDA \$/kg through a period of investment in the growth of biomass and size. Reduction in sales in 1H20 was predominantly targeted at the lower value export market, with sales mix shift and cost efficiencies driving the increase in EBITDA \$/kg. Harvesting and selling less salmon in 1H20, supported greater biomass and size, is expected to deliver increasing harvest and sales in 2H20 (vs 2H19) and FY21. Earnings and returns are expected to grow for FY20 and beyond.
2. **Salmon:** live biomass (up 15.5%) including size (up 2.1%) for 1H20 vs 1H19. Growth was achieved given management's focus on sustainable farming and fish health practices... breeding, biosecurity, feed automation, feed diet formulation, stocking densities, optimising leases with fallowing, growth times and survival. Bigger salmon generate better margins
3. **Salmon:** continually optimising salmon biomass growth and size (cost efficiencies) and sales mix (higher margin markets and products) that is underpinning growing salmon EBITDA \$/kg of \$3.44kg (pre AASB 16 Leases impact), which compares favourably with 1H19 of \$2.98kg. Salmon EBITDA \$/kg was \$3.69kg (post AASB 16 Leases impact)
4. **Prawns:** on track for targeted circa 2,400 tonnes harvest and sales in 2H for FY20, with further growth expected in FY21 onwards through staged expansion of farming operations
5. **Overall:** well positioned to deliver earnings and returns growth in FY20 and beyond through capitalising on the strong growth in both salmon and prawn biomass via higher sales and cost efficiencies in 2H20 and FY21.

Tassal's delivery of its core salmon growth strategy, combined with the Company's strategic investment in prawns, will help underpin expected long-term growth in earnings and returns in FY20 and beyond.

DIRECTORS' REPORT

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2019

The Directors believe that there is a well-balanced program in place with species, geographic and earnings diversification, with strong returns expected for:

- **Salmon** – through optimising sales mix and pricing, lease optimisation, cost reductions, and improvements in and adoption of new technologies
- **Prawns** – through investing in a new growth platform that leverages Tassal's aquaculture experience and builds on our success with salmon. The prawn business provides a shorter working capital cycle and the potential for better earnings / returns characteristics with lower capital intensity once established. The potential production from prawns with the aquaculture land acquired (once fully licenced and developed) is expected to support a long-term production harvest target of circa 20,000 tonnes p.a.

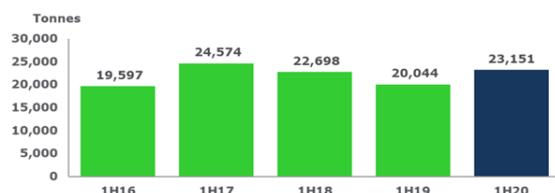
The Directors are mindful of Tassal's social licence to operate, and responsibly balance the Company's initiatives and outcomes against scorecard objectives covering people, planet, product and performance.

In line with the United Nations' Sustainable Development Goals, and supported by world-class partnerships and certification programs, long-term financial, operational, social, biosecurity and environmental ambitions have been established by Tassal that are centred on collaboration, shared value and responsible growth.

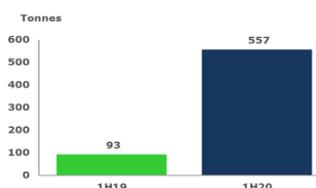
Operational & Financial Highlights

- **Strong platform in place to drive increased earnings and returns in FY20 and beyond.** The strategy for FY20 is to increase operating EBITDA \$/kg returns for both salmon and prawns through optimising biomass growth and size (cost efficiencies) and sales mix (higher margin markets and products). Prawn earnings from 2H20.

Salmon Live Biomass at 31 December 2019: 23,151 tonnes (up 15.5%)



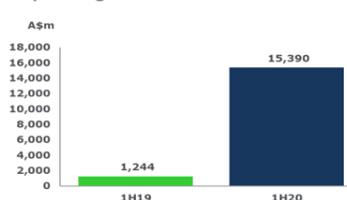
Prawn Live Biomass at 31 December 2019: 557 tonnes (up 498.9%)



Salmon Operating EBITDA \$/kg: \$3.44kg (up 15.5%) pre AASB 16 Leases impact ... \$3.69kg post AASB 16 Leases impact



Prawn SGARA Value: \$15.4m – to be realised in 2H20 for operating results for FY20



- **Salmon: delivering growth and increasing operating EBITDA \$/kg.** The 1H20 strategy was to grow operating EBITDA \$/kg, while driving harvest and sales in 2H20 to deliver expected earnings growth in FY20 and beyond.
 - **Farming:** Salmon growth was optimised by leaving fish in the water to grow in the key growing time of July to October
 - Better balance of harvest biomass between 1H vs 2H with 17,929 hog tonnes of harvest biomass (1H19: 21,710 hog tonnes – 2H19: 11,326 hog tonnes)
 - Average harvest size increased to 4.8kg hog (1H19: 4.7kg hog)
 - 23,151 tonnes of live fish at 31 December 2019 (31 December 2018: 20,044 tonnes)
 - Reduction of freeze volume, with 1,438 hog tonnes of frozen whole salmon at 31 December 2019 (31 December 2018: 2,412 hog tonnes), allowing this volume to be used for smoked salmon production in 2H20 vs lower value export sales in 1H20

DIRECTORS' REPORT

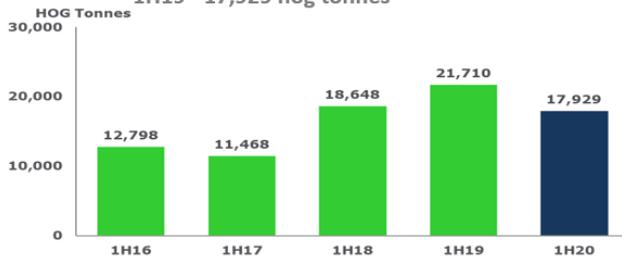
Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2019

- Sales:** EBITDA \$/kg returns optimised via a further improved sales mix into higher value products in the domestic market and less volume (and therefore sales revenue) into the lower value export market
 - 14,031 hog tonnes of domestic market sales (1H19: 13,950 hog tonnes) – excellent earnings EBITDA \$/kg growth realised due to tactical decision to keep 1H20 sales volume flat and keep fish in the water for longer (and feed them) for sales and cost efficiency gains for 2H20 and beyond
 - 3,582 hog tonnes of export market sales (1H19: 6,627 hog tonnes) – the majority of sales occurred in the key December period (highest export prices). The export market will tactically continue as a channel for sales for surplus volume. Export is a lower EBITDA \$/kg return market
 - Pre AASB 16 Leases impact - Operating EBITDA \$/kg returns from salmon sales up 15.5% to \$3.44 kg (1H19: \$2.98kg) – domestic market at \$3.87kg (1H19: \$3.53 kg) and export market at \$1.79kg (1H19: \$1.82kg)
 - Post AASB 16 Leases impact - Operating EBITDA \$/kg hog returns from salmon sales at \$3.69kg – domestic market at \$4.12kg and export market at \$2.04kg
- Sustainability:** Salmon growth on inputs in 2019 and for harvest in FY21 are progressing well with no Pilchard Orthomyxovirus (POMV) impact on salmon survival levels to date. Tassal is significantly focused on POMV from vaccination and fish husbandry practices.

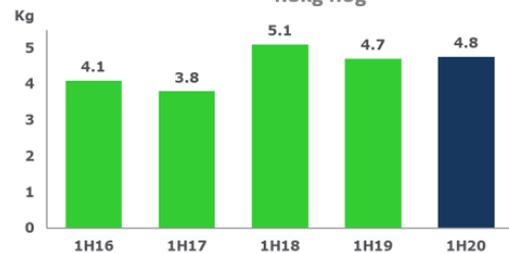
Increased salmon biomass at 31 December 2019 supports sales growth from 2H20 onwards - and particularly, expected material sales and harvest growth in FY21.

Salmon: sustainable salmon growth is at our core. Strong growth in live salmon biomass driven by investments in capacity and supporting infrastructure.

Balance Harvest Tonnage between 1H & 2H:
1H19 - 17,929 hog tonnes



Optimised Salmon Size for Sales Mix:
4.8kg hog



Increased Live Salmon Biomass Tonnage:
23,151 tonnes (up 15.5%)



Increased Live Salmon Value:
\$397.7m (up 20.3%)



DIRECTORS' REPORT

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2019

- **Salmon: growth in EBITDA \$/kg.** In 1H20 Tassal targeted the domestic market while reducing sales in the export market to enable growth in salmon EBITDA \$/kg returns.

Total Salmon Sales (A\$m)	1H20	1H19	Change
Salmon Volume (Hog equiv tonnes)	17,613	20,577	(14.4%) ▼
Salmon Average Price (\$/Hog kg equivalent)	\$ 13.57	\$ 13.87	(2.2%) ▼
Salmon Revenue (\$m)	239.05	285.45	(16.3%) ▼
EBITDA	65.05	61.28	6.2% ▲
EBITDA (\$/kg) (Pre AASB 16)	\$ 3.44	\$ 2.98	15.5% ▲
EBITDA (\$/kg) (Post AASB 16)	\$ 3.69		

- **Prawns: operations delivering to plan.** Prawn biomass harvest on track to deliver targeted circa 2,400 tonnes in 2H20 for FY20. Earnings commencing from 2H20.
 - Stages 1 & 2: Civil and pond works for Proserpine, Mission Beach and Yamba were completed and all ponds responsibly stocked for FY20 production. Smart farm installation progressing to plan, and capital spend and operating costs are below budget. Processing infrastructure upgrades and builds are on track for the FY20 harvest season
 - Stage 3: Expansion at Proserpine (additional 80 hectares of ponds and a new hatchery) is progressing well. Building preparation and works are progressing well. On track for completion and stocking for the FY21 harvest season
 - Stage 4: Approval processes for further expansion at Proserpine has commenced
 - Exmoor: A site Master Plan for Exmoor is being progressed with a view to commencing the approvals process before 31 December 2020
 - Optimising sales mix: Export pricing better than domestic market at present, with bigger prawns attracting a higher sales price. Focus still to grow domestic market, with export market offering significant risk mitigation from a sales perspective. Coles has agreed to domestic supply of prawns from February 2020
 - Prawn earnings skewed to 2H20: Prawn earnings for 2H20 effectively represented as SGARA value of \$15.4 million at 31 December 2019, as this stock is planned to be harvested and sold before 30 June 2020. Targeting an EBITDA \$/kg of \$6.00/kg in FY20 (1H20: \$6.01kg; 1H19: \$6.12kg).

Growth initiatives and Exmoor Station acquisition, once authorised by the relevant authorities and fully developed, are expected to support a long-term prawn production harvest target of circa 20,000 tonnes p.a.

Our people

Tassal's Board has endorsed a health and safety strategy, with a **Can-do Safely** culture at its core – **Zero Harm for Everyone, Everywhere**. Tassal's commitment to safety is consistent with the Company's focus on maximising shareholder value. Ultimately, no job is so important that it cannot be done safely.

Tassal's focus and relentless pursuit is to achieve the core value of "Zero Harm". Tassal's goal from a Total Recordable Injury Frequency Rate (**TRIFR**) perspective is < 10. Significantly, this goal was achieved with a result of **8.9**. However, we need to ensure that we continue to sustain this level of performance.

Tassal's training and focus is to instil a philosophy and culture of zero tolerance to medical treatment incidents. The reduction of manual tasks through automation and operational advancements, such as the new Well Boat and Centralised Feed Centre, will continue to support Tassal's priority goal of achieving Zero Harm.

DIRECTORS' REPORT

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2019

KPI's	1H20	1H19
LTIFR	0	0.4
MTIFR	8.90	14.64
TRIFR	8.90	15.04
Scorecard ¹	95.8%	96.6%
Driving the safety culture scorecard ²	93.2%	95.5%

Notes:

- Scorecard now includes Tassal's prawn operations. Excluding the prawn operations, the result is 97.1%
- Driving the safety culture scorecard now includes Tassal's prawn operations. Excluding prawn operations, the result is 96.1%

Definitions:

- LTIFR – Lost Time Injury Frequency Rate: (Number of Lost Time Injuries/Total Number of Hours Worked) X 1,000,000 hours
- MTIFR – Medical Treated Injury Frequency Rate: (Number of Medically Treated Injuries/Total Number of Hours Worked) X 1,000,000 hours
- TRIFR – Total Injury Frequency Rate: LTIFR + MTIFR+ Restricted work injuries + Fatalities

Financial results

Statutory, Underlying and Operating Financial Performance

Tassal has followed the guidance for underlying profit as issued by the Australian Institute of Company Directors and Financial Services Institute of Australasia in March 2009 and ASIC Regulatory Guide RG 230 'Disclosing non-IFRS financial information'.

The key financial results for 1H20 were:

Half Year ended 31 December 2019	Statutory Profit \$'000	Non Recurring Items \$'000	Underlying Profit \$'000	AASB 141 Impact \$'000	Operational Profit \$'000
Revenue (from all sources)	\$274,492	\$0	\$274,492	\$0	\$274,492
EBITDA	\$81,002	\$2,219	\$83,221	(\$16,763)	\$66,458
EBIT	\$62,602	\$2,219	\$64,821	(\$16,763)	\$48,058
Profit before income tax expense	\$57,631	\$2,219	\$59,850	(\$16,763)	\$43,087
Income tax expense	(\$16,814)	(\$666)	(\$17,480)	\$5,029	(\$12,451)
Net profit after income tax expense	\$40,817	\$1,553	\$42,370	(\$11,734)	\$30,636

Half Year ended 31 December 2018	Statutory Profit \$'000	Non Recurring Items \$'000	Underlying Profit \$'000	AASB 141 Impact \$'000	Operational Profit \$'000
Revenue (from all sources)	\$325,995	\$0	\$325,995	\$0	\$325,995
EBITDA	\$65,871	\$1,719	\$67,590	(\$3,315)	\$64,275
EBIT	\$51,430	\$1,719	\$53,149	(\$3,315)	\$49,834
Profit before income tax expense	\$46,915	\$1,719	\$48,634	(\$3,315)	\$45,319
Income tax expense	(\$14,076)	(\$516)	(\$14,592)	\$995	(\$13,597)
Net profit after income tax expense	\$32,839	\$1,203	\$34,042	(\$2,321)	\$31,722

Statutory results

Biological assets (being salmon at sea and prawns in ponds) are accounted for in accordance with Accounting Standard AASB 141 'Agriculture'. The biological assets are accounted for at the fair value of the salmon and prawns at an estimated harvest tonnage and at an estimated future net market value.

Further, finished goods (being harvested salmon and prawns on hand at reporting date) are accounted for in accordance with AASB 102 'Inventories'. The finished goods are accounted for at the fair value of the raw materials (i.e. salmon and prawns) at the point of harvest (not including processing costs) at an estimated future net market value.

The combination of the above calculations, are, in aggregate compared to the values at the previous reporting period (i.e. 30 June 2019) with any difference in value then applied to the income statement as an increment (SGARA uplift) or decrement (SGARA reduction).

SGARA increment for 1H20 was \$16.8 million, of which salmon SGARA increment was \$1.4 million and prawn SGARA increment was \$15.4 million. For Prawns – due to the shorter working capital cycle – future earnings for 2H20 are

DIRECTORS' REPORT

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2019

effectively represented as the SGARA increment of \$15.4 million at 31 December 2019 as all livestock of prawns is planned to be harvested and sold in 2H20 and realised as operating earnings before 30 June 2020.

The key 1H20 statutory financial results were:

- **EBITDA**¹ up 23.0% to \$81.0 million (1H19: \$65.9 million)
- **EBIT** up 21.7% to \$62.6 million (1H19: \$51.4 million)
- **NPAT** up 24.3% to \$40.8 million (1H19: \$32.8 million).

Tassal took delivery of a well boat (Aqua Spa) under a lease agreement on 19 October 2019 to bathe and transport live fish and to improve biosecurity outcomes in the marine environment.

The well boat has been undertaking trial and commissioning activities since arrival, and Tassal did not have the right to control the use of the asset as at 31 December 2019.

As a result, the asset has not been included in the statement of financial position as a right of use asset and lease liability at the reporting date. Upon the right to control the use of the asset being established, the value would be included in the statement of financial position as prescribed by the accounting standard AASB 16 Leases.

Underlying results

Underlying results adjust Tassal's statutory profit to reflect the ongoing business activities of the Company.

Over 1H20 Tassal successfully executed its operational strategy to underpin underlying financial results that positioned that company for expected growth over FY20 and FY21. These results have also provided Tassal with a solid platform from which to drive continued growth, for customers, suppliers, staff, communities and shareholders.

Costs relating to the purchase of Exmoor Station of \$2.2 million were accounted for as a non-recurring item.

Operating results

Reflecting the underlying performance of the business and excluding the impact of SGARA, the key 1H20 operating results were:

- **Revenue** down 15.8% to \$274.5 million (1H19: \$326.0 million)
- **EBITDA**² up 3.4% to \$66.5 million (1H19: \$64.3 million)
- **EBIT** down 3.6% to \$48.1 million (1H19: \$49.8 million)
- **NPAT** down 3.4% to \$30.6 million (1H19: \$31.7 million).

Operating cashflow

Operating cashflow was in line with expectations. Together with the capital raising of \$125.8 million, operating cashflows supported salmon and prawn biomass generation and investment in infrastructure to underpin long-term growth.

Operating cashflow was down 48.6% to \$41.0 million reflecting decisions in line with the Company's 1H20 operational strategy to:

- 1) Leave salmon in the water to grow (and therefore feed more). Tactically lowered overall revenue through targeting a reduction in sales to the lower value export market and sales for the less profitable domestic product lines; and
- 2) Fully stock 270 hectares of prawn ponds and feed, and optimise the growth of our prawn stock (to be harvested in 2H20).

¹ 1H20 Statutory EBITDA includes \$4.4 million benefit relating to AASB 16 Leases standard, with virtually no impact to EBIT, PBT and NPAT

² 1H20 Operating EBITDA includes \$4.4 million benefit relating to AASB 16 Leases standard, with virtually no impact to EBIT, PBT and NPAT

DIRECTORS' REPORT

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2019

Within investing cashflow, capex of \$96.0 million was invested in 1H20 (1H19: \$82.5 million) comprising:

- Salmon growth capex – \$21.7 million (1H19: \$31.3 million)
- Salmon maintenance capex – \$17.2 million (1H19: \$15.9 million)
- Exmoor Station – \$27.5 million (made up of settlement of \$25.3 million + \$2.2 million of incidental costs)
- Prawn growth capex – \$28.1 million (1H19: \$1.6 million)
- Prawn maintenance capex – \$1.5 million (1H19: Nil).

Tassal will continue to responsibly utilise its cashflows and the capital raising proceeds to help underpin sustainable growth in long-term returns.

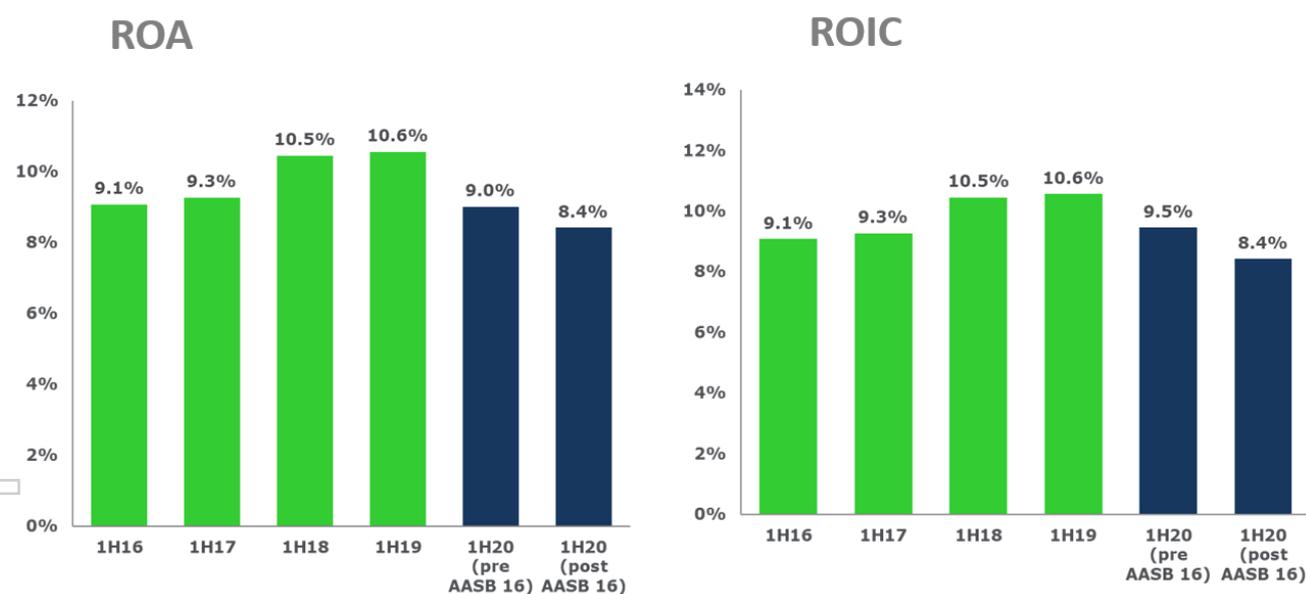
Financial returns

Tassal's 1H20 results demonstrate that the Company continues to deliver on its salmon and prawn growth strategies and reflects a thriving and sustainable seafood business supported by a strong management team, environmentally sound farming practices and attractive market conditions.

Tassal's focus on sustainable salmon growth, together with the strategic investments into the De Costi Seafoods seafood distribution operation, and the higher returning prawn business, is expected to help underpin strong earnings over the short to medium term, with returns to be enhanced over the longer term:

- Operating return on assets (ROA) (pre AASB 16 Leases impact) decreased to 9.0% in 1H20 (1H19: 10.6%), with earnings from prawns to flow in 2H20
- Return on Invested Capital (ROIC) (pre AASB 16 Leases impact) decreased to 9.5% in 1H20 due to the substantial capital investment undertaken in the half – with earnings from prawns to flow in 2H20.

Operating ROA and ROIC for last 5 years has demonstrated stable financial returns as the business has invested for growth:



Moving forward, Tassal expects to generate ROA and ROIC from its prawn farming assets (once fully licenced and developed) above historic Group levels.

At 31 December 2019, Tassal had a gearing ratio (net debt to equity) of 16.2% (pre AASB 16 Leases impact) and a funding ratio (net debt + receivable purchase facility to equity) of 27.4% (pre AASB 16 Leases impact). The decreased gearing reflected the Company's successful \$125.8 million capital raising in 1H20.

Dividends

The Directors of Tassal have declared an FY20 interim dividend of 9.0 cps franked at 25% (1H19: 9.0 cps, 25% franked).

The record and payment dates for this dividend are 16 and 31 March 2020, respectively.

DIRECTORS' REPORT

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2019

The Company's Dividend Reinvestment Plan (DRP) will apply to the 1H20 interim dividend, and shareholders electing to participate in the non-underwritten DRP will receive a 2% discount.

Business Performance

For Tassal, our ongoing commitment is to continue to serve better: better quality salmon, prawns & seafood; better environmental outcomes; better community opportunities; better long-term sustainable returns to shareholders; and an overall better future for our people and communities.

Tassal's right to responsibly grow is supported through balancing:

1. Our people: People Safety & Culture

- Continuing to invest in our people
- Driving towards Zero Harm for Everyone, Everywhere

2. Our planet: Environment & Engagement

- Meeting all environmental legislative & regulatory requirements
- Investing in programs delivering environmental and societal benefits and continuing to maintain world leading, independently audited, environmental certification
- Ensuring highly engaged and aligned communities and stakeholders

3. Our product: Food Quality & Marketing

- Delivering safe, high quality, products
- Maintaining the most valued and recognised salmon and seafood brands
- Tassal salmon winning a greater share of plate

4. Our performance:

- Delivering long-term responsible and sustainable growth for shareholders.
- Tassal is committed to providing Australians with responsibly produced and sourced seafood. In 2014, Tassal became the first salmon farming company in the world to be 100% certified by the Aquaculture Stewardship Council (ASC), the highest standard available for farmed seafood.

"The essence of sustainable development is that today's generations meet their needs without prejudicing future generations' ability to meet theirs"

As a growing company in an expanding industry, Tassal is building on its past successes and addressing present challenges, including:

- Reducing marine debris from operations
- Fostering environmental stewardship among Tassal's employees, suppliers and contractors
- Advocating for best practice Marine Spatial Planning and efficient regulations, which will help the salmon and prawn industries grow in a responsible manner with broad community acceptance
- Ensuring Tassal's salmon and prawn operations meet the highest sustainability standards; and encouraging industry peers to adopt the same high standards
- Extending Tassal's commitment to third party certification to identify and address improvements as required across our operations.

Business fundamentals and risks

Tassal continues to successfully mitigate (where possible) risk at both the sales & marketing (customer and consumer) and production ends of the Company's business (environment and fish).

Tassal is an agricultural company and continues to further enhance its risk mitigation in salmon and prawn hatching and growing, with particular focus on operational risk in the marine and pond environment (climate change).

The Company has a robust risk management system in place with an overall "conservative" risk appetite. We adopt an adaptive management framework encompassing monitoring requirements and management practices aligned with a precautionary approach to salmon and prawn farming. Tassal's risk mitigation strategies counter factors external to management's control including:

- Food Safety – traceability over the supply chain up to the point of sale
- Disease – potential of emerging viral diseases
- Seals – with the seal population ever increasing
- Crocodiles – with crocodiles, like seals being a protected species
- Marine – access and approval of new salmon sites
- Land – access and approval of new 'Greenfield' prawn sites
- Environmental – predicting environmental conditions and adapting to environmental challenges
- Social / Community Value – the concept of shared value as Tassal seeks to use public waterways.

DIRECTORS' REPORT

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2019

Risk mitigation, particularly around operational risk in the marine environment is a continuous focus at Tassal. The key and associated mitigation strategies Tassal has put in place include:

- **Managing Climate Risk – a comprehensive risk management system is used to manage long-term risks, issues and opportunities presented by climate change and respond accordingly**
- **Climate plays an important role in Tassal's operations – particularly summer water temperatures for salmon farming**
 - Summer 2019/20 water temperatures on average for December 2019 and January 2020 were around 1.7 and 1.6 degrees lower than the previous December and January
 - We are again better prepared entering summer with proactive bathing, the Aqua Spa (well-boat) in operation, improved summer feed diets, appropriate level of harvest for frozen hog (to use in 2H20) and isolating larger fish to cooler sites
- **Tassal has developed considerable options for adapting to climate change:**
 - Selective breeding program for salmon, with prawns now a key focus too
 - Improved summer feed diets
 - Modified farming technologies and practices
 - Species diversification with our prawn operations
 - Geographic diversification.

Tassal has also engaged scientists to identify emerging climate trends and system responses, and to undertake comprehensive broad scale environmental monitoring.

- **Summer and Autumn water temperatures and the impact on the rate of salmon growth and survival –** Tassal has an advanced Selective Breeding Program (SBP) in place and is focused on growing fish more resilient to higher water temperatures. Summer and Autumn water temperatures remain a challenge.
- **Amoebic Gill Disease (AGD) remains a significant issue –** To ensure Tassal's fish remain healthy and active, we bathe our fish in fresh water. This bathing process cleans the amoeba from the gills of the fish and allows the fish to intake oxygen and release carbon dioxide more efficiently and effectively. To bathe the fish, fish are transferred from saltwater to fresh water. Tassal has significantly mitigated this risk through the introduction of the harvest strategy for the South East, together with fish grown in Macquarie Harbour (where there is no AGD) and with all fish now from the SBP.

Tassal has also taken possession of a Well Boat (Aqua Spa) under a 10-year lease (with Tassal holding a 5-year option). The Well Boat has a 3,500m³ water capacity – enough to completely bathe one of Tassal's largest pens around three (3) times quicker than current methods. The Well Boat – once fully commissioned - should support more efficient and effective bathing, underpinning further efficiency gains in our current leases and generating further salmon biomass. It also aligns strategically to our ambitions to farm salmon further offshore in higher energy areas and enable higher fish survival rates, improved biosecurity and fish health and welfare.

- **Seals remain a significant challenge –** Seals are attracted to salmon farms. The risk of seal interactions has increased, particularly as seal relocations ceased on 25 December 2017. Tassal monitors seals and seal interactions extremely closely. Our new ocean sanctuary pens provide the best risk mitigation for seals, and these pens are now being rolled out across all Tassal's farms. At 31 December 2019, 101 of our 143 pens (circa 71%) were housed in ocean sanctuary enclosures. All salmon will be contained in our ocean sanctuary enclosures by 31 March 2020.
- **Community activism is an increasing risk –** This is not unique to aquaculture nor Tassal, and is part of doing business in many industries. A proactive engagement strategy, centred around shared value principles, has been implemented by Tassal across operating communities and more broadly. This focuses on a range of partnerships and initiatives aligned to our Community Charter.
- **Ability to grow to salmon based on current technologies, methodologies, and production sites (including new prospects) is becoming more difficult –** The industry is starting to test the 'natural capacity' and growth limits for fish farming in current lease areas using today's technologies and methodologies. Adaptive management and innovation have always been at the core of Tassal's business and growth – in fact it is a strong competitive advantage for Tassal. We believe we need to continue to learn, adapt and innovate as we move forward.

To mitigate this risk, Tassal has implemented a centralised feeding strategy. Remote feeding will play a pivotal role for Tassal in lowering fish growing costs through lower feed conversion ratios; improving environmental outcomes through less feed wastage; improving people safety outcomes with less people working at sea; and improving fish health and welfare through real time monitoring of the fish and environment. For 1H20, Tassal generated a circa 11% increase in growth and circa 6% increase in feed conversion for salmon (compared to 1H19).

DIRECTORS' REPORT

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2019

Growth outlook - Positive market dynamics and prawn ramp-up expected to drive increased FY20 earnings

- **Positive market dynamics for both salmon and prawns expected to continue**
 - Salmon: Agreements with retailers underpinning current strong domestic pricing levels are expected to continue
 - Prawns: Strong pricing and favourable competitive positioning for prawns in the short to medium-term. Export opportunities favourable. Supply to Coles in February 2020
- **Salmon biomass growth exceeding expectations in a buoyant market which should support optimised pricing to provide increasing operating EBITDA \$/kg returns**
 - Transitioning supply for the continuation of more sales into the domestic market (i.e. better sales mix) with a focus also on more profitable product lines in domestic market (i.e. optimise pricing)
 - Optimising existing leases as well as cost of growing reduction initiatives over short to medium-term
 - Both initiatives should translate into increasing salmon returns for FY20 and FY21
- **Prawn biomass growth on track to deliver a harvest of circa 2,400 tonnes**
 - Seasonality of prawn harvesting and sales skewed to 2H
 - Export pricing better than domestic market at present. Focus still to grow domestic market, with export market offering significant risk mitigation from a sales perspective
- **Further investment in both salmon and prawn operations will continue to underpin long term growth**
 - Total capital expenditure, including the acquisition of Exmoor Station, is expected to be \$156.0 million in FY20.

4. SUBSEQUENT EVENTS

Other than as outlined in note 2 in the notes to the condensed consolidated financial statements, there has not arisen in the interval between the end of the half-year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of Tassal, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in subsequent financial periods.

5. BUSINESS DEVELOPMENT

The Company has and continues to examine a number of business development opportunities to grow the business organically.

6. INDEPENDENCE DECLARATION BY AUDITOR

The auditor's independence declaration made under section 307C of the Corporations Act 2001 is set out on page 13 and forms part of this Directors' Report for the half-year ended 31 December 2019.

7. ROUNDING OFF OF AMOUNTS

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the half-year financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of Directors made pursuant to Section 306 (3) of the Corporations Act 2001.

On behalf of the Directors,



A. D. McCallum
Chairman



M. A. Ryan
Managing Director & Chief Executive Officer

Hobart, this 12th day of February 2020

AUDITOR'S INDEPENDENCE DECLARATION

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2019

Deloitte.

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The Board of Directors
Tassal Group Limited
1 Franklin Wharf
Hobart TAS 7000

12 February 2020

Dear Board Members

Auditor's Independence Declaration to Tassal Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Tassal Group Limited.

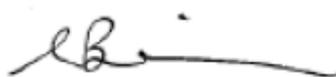
As lead audit partner for the review of the financial report of Tassal Group Limited for the half year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Chris Biermann
Partner
Chartered Accountants

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CONDENSED CONSOLIDATED INCOME STATEMENT

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2019

	Note	Half-Year Ended 31 Dec 2019 \$'000	Half-Year Ended 31 Dec 2018 \$'000
Revenue	3 (a)	270,264	323,226
Other income	3 (b)	4,228	2,745
Fair value adjustment of biological assets		13,662	(3,197)
Fair value adjustment of biological assets at point of harvest		3,101	6,512
Share of profits / (losses) of associates and jointly controlled entities accounted for using the equity method		150	24
Changes in inventories of finished goods and work in progress		11,339	16,878
Raw materials and consumables used		(147,384)	(209,145)
Employee benefits expense		(59,781)	(56,417)
Depreciation and amortisation expense	3 (c)	(18,400)	(14,441)
Finance costs	3 (c)	(4,971)	(4,515)
Exmoor station acquisition costs		(2,219)	-
Prawn farm business acquisition costs		-	(1,719)
Other expenses		(12,358)	(13,036)
Profit before income tax expense		57,631	46,915
Income tax expense		(16,814)	(14,076)
Profit for the period		40,817	32,839
		Half-Year Ended 31 Dec 2019	Half-Year Ended 31 Dec 2018
Earnings per ordinary share (EPS)			
Basic (cents per share)		20.62	18.63
Diluted (cents per share)		20.56	18.56

Notes to the condensed financial statements are included on pages 19 to 28.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2019

Note	Half-Year Ended 31 Dec 2019 \$'000	Half-Year Ended 31 Dec 2018 \$'000
Profit for the period	40,817	32,839
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Gain/(loss) on revaluation of property	-	-
Income tax relating to items that will not be reclassified subsequently	-	-
Items that may be reclassified subsequently to profit or loss :		
Gain/(loss) on cashflow hedges	118	8
Income tax relating to items that may be reclassified subsequently	(35)	(2)
Other comprehensive income for the period (net of tax)	83	6
Total comprehensive income for the period attributed to owners of the parent	40,900	32,845

Notes to the condensed financial statements are included on pages 19 to 28.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2019

	Note	As at 31 Dec 2019 \$'000	As at 30 June 2019 \$'000	As at 31 Dec 2018 \$'000
Current Assets				
Cash and cash equivalents		39,895	24,566	41,631
Trade and other receivables		34,610	14,510	25,067
Inventories		64,379	49,939	89,486
Biological assets		427,893	399,895	330,205
Current tax assets		6,870	2,834	-
Other financial assets		770	824	936
Other		4,527	9,059	6,897
Total Current Assets		578,944	501,627	494,222
Non-Current Assets				
Investments accounted for using the equity method		9,086	8,936	8,526
Other financial assets		2,308	2,516	2,809
Property, plant and equipment		524,898	451,260	405,354
Right-of-use-assets		138,462	-	-
Goodwill		89,894	89,894	89,894
Other intangible assets		24,184	24,184	24,184
Other		5,108	5,116	4,371
Total Non-Current Assets		793,940	581,906	535,138
Total Assets		1,372,884	1,083,533	1,029,360
Current Liabilities				
Trade and other payables		107,838	88,188	99,762
Borrowings		22,222	12,222	17,023
Lease liabilities		40,134	-	-
Obligations under finance leases		-	11,018	12,340
Current tax liability		-	-	5,365
Provisions		11,913	12,742	9,938
Other financial liabilities		145	263	167
Total Current Liabilities		182,252	124,433	144,595
Non-Current Liabilities				
Borrowings		143,221	164,428	115,933
Lease liabilities		116,849	-	-
Obligations under finance leases		-	15,565	18,799
Deferred tax liabilities		155,093	143,261	130,855
Provisions		2,012	1,988	2,035
Total Non-Current Liabilities		417,175	325,242	267,622
Total Liabilities		599,427	449,675	412,217
Net Assets		773,457	633,858	617,143
Equity				
Issued capital	5	412,814	288,814	283,060
Reserves		15,932	16,003	14,689
Retained Earnings		344,711	329,041	319,394
Total Equity		773,457	633,858	617,143

Notes to the condensed financial statements are included on pages 19 to 28.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2019

	Ordinary shares	Asset revaluation reserve	Hedging reserve	Equity- settled employee benefits reserve	Retained earnings	Total attributable to equity holders of the parent
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2018	271,082	12,700	(122)	1,683	300,660	586,003
Profit for the period	-	-	-	-	32,839	32,839
Gain/(loss) on cashflow hedge (net of any related tax)	-	-	6	-	-	6
Total comprehensive income for the period	-	-	6	-	32,839	32,845
Payment of dividends	-	-	-	-	(14,105)	(14,105)
Issue of shares pursuant to dividend reinvestment plan	4,021	-	-	-	-	4,021
Issue of shares pursuant to business acquisition earn-out arrangement	7,957	-	-	-	-	7,957
Recognition of share-based payments	-	-	-	422	-	422
Balance as at 31 December 2018	283,060	12,700	(116)	2,105	319,394	617,143
Balance as at 1 July 2019 (as previously reported)	288,814	14,090	(184)	2,097	329,041	633,858
Effect of change in accounting policy for initial application of AASB 16	-	-	-	-	(6,860)	(6,860)
Balance as at 1 July 2019 – as restated	288,814	14,090	(184)	2,097	322,181	626,998
Profit for the period	-	-	-	-	40,817	40,817
Gain/(loss) on cashflow hedge (net of any related tax)	-	-	83	-	-	83
Total comprehensive income for the period	-	-	83	-	40,817	40,900
Payment of dividends	-	-	-	-	(18,287)	(18,287)
Issue of shares pursuant to share placement	108,416	-	-	-	-	108,416
Share placement costs	(2,940)	-	-	-	-	(2,940)
Related income tax	882	-	-	-	-	882
Issue of shares pursuant to share purchase plan	17,431	-	-	-	-	17,431
Issue of shares pursuant to Executive Long Term Incentive Plan	211	-	-	(211)	-	-
Recognition of share-based payments	-	-	-	57	-	57
Balance as at 31 December 2019	412,814	14,090	(101)	1,943	344,711	773,457

Notes to the condensed financial statements are included on pages 19 to 28.

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2019

	Note	Half-Year Ended 31 Dec 2019	Half-Year Ended 31 Dec 2018
			\$'000
Cashflows from Operating Activities			
Receipts from customers		277,226	339,938
Payments to suppliers and employees		(224,291)	(257,239)
Interest received		56	335
Interest and other costs of finance paid		(8,660)	(4,686)
Income taxes (paid)/refunded		(3,351)	1,305
Net cash (used in) / provided by operating activities		40,980	79,653
Cashflows from Investing Activities			
Payment for property, plant and equipment		(95,987)	(48,800)
Payment for business		-	(33,670)
Net cash (used in) investing activities		(95,987)	(82,470)
Cashflows from Financing Activities			
Proceeds from borrowings		-	37,843
Repayment of borrowings		(11,208)	-
Repayment of lease liabilities		(23,077)	-
Payments of obligations under finance leases		-	(7,132)
Proceeds from issue of equity securities		125,847	-
Payment for share issue costs		(2,939)	-
Dividends paid to members of the parent entity		(18,287)	(10,084)
Net cash (used in) / provided by financing activities		70,336	20,627
Net increase / (decrease) in cash and cash equivalents		15,329	17,810
Cash and cash equivalents at the beginning of the Half-Year		24,566	23,821
Cash and cash equivalents at the end of the Half-Year		39,895	41,631

Notes to the condensed financial statements are included on pages 19 to 28.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2019

1. Summary of accounting policies

a) Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include all the notes of the type normally included in an annual financial report and should be read in conjunction with the annual financial report for the financial year ended 30 June 2019, together with any public announcements made by Tassal Group Limited and its controlled entities during the half-year ended 31 December 2019, in accordance with the continuous disclosure requirement of the Listing Rules of the Australian Securities Exchange.

The half-year financial report was authorised for issue by the Directors on 12 February 2020.

b) Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except if relevant, for the revaluation of certain non-current assets, biological assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the half-year financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

c) Significant accounting policies

The accounting policies and methods of computation in the preparation of the half year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 30 June 2019 other than leases as detailed below. Where appropriate figures for the comparative period have been restated to make them comparable with the disclosure for the half-year ended 31 December 2019 (except for the cumulative catch up approach as disclosed in note 1(d)).

These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Leases

The Group has applied AASB 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and AASB 16 are presented separately below.

Policies applicable from 1 July 2019

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2019

- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other expenses' in profit or loss. As a practical expedient, AASB 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Policies applicable prior to 1 July 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as a lessee

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2019

of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

d) Adoption of new and revised Accounting Standards

(i) Amendments to AASBs and the new interpretations that are mandatorily effective for the current half-year

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the group include:

AASB 16 'Leases'

The Group has adopted AASB 16 'Leases' from 1 July 2019

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 1(c). The impact of the adoption of AASB 16 on the Group's consolidated financial statements is described below.

The Group has applied AASB 16 using the cumulative catch-up approach which:

- Requires the Group to recognise the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- Does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

A - Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

B - Impact on Lessee Accounting

AASB 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying AASB 16, for all leases (except as noted below), the Group:

- Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with AASB 16:C8(b)(ii)
- Recognises depreciation of right-of-use assets and interest on lease liabilities into either:
 - o the consolidated statement of profit or loss or
 - o in respect to leases linked to farming activities, capitalised to biological assets and then derecognised in the consolidated statement of profit or loss under cost of goods sold when sold;
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Under AASB 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within 'other expenses' in profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(ii) Former finance leases

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2019

the Group has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying AASB 16 from 1 July 2019.

C - Incremental Borrowing Rate

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 July 2019 is 5.87%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 30 June 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	31/12/2019
	(\$'000)
Operating lease commitments at 30 June 2019	174,183
Short-term leases and leases of low-value assets	(1,974)
Effect of discounting the above amounts	(34,175)
Finance Lease liabilities recognised under IAS 17 at 30 June 2019	26,583
Present value of the variable lease payments that depend on a rate or index	0
Present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously included in the operating lease commitments	0
Lease Liabilities recognised at 1 July 2019	164,617

At 1 July 2019, the change in accounting policy impacted the following items in the balance sheet

- Right to use assets – increase by \$128,232,000
- Lease liabilities: current – increase by \$31,656,000
- Lease liabilities: non-current – increase by \$106,378,000
- Retained earnings: decrease by \$9,800,000 pre tax (\$6,860,000 post tax)

In addition to AASB 16, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 July. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
- Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement
- IFRIC 23 Uncertainty over Income Tax Treatments

(ii) Standards and Interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective

- IFRS 17 Insurance Contracts IFRS 10 and IAS 28 (amendments)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 3 - Definition of a business
- Amendments to IAS 1 and IAS 8 - Definition of material
- Conceptual Framework Amendments to References to the Conceptual Framework in IFRS Standards

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2019

2. Subsequent events

Interim dividend declared

On 12 February 2020 the Directors declared an interim dividend of \$18.664 million (9.00 cents per ordinary share) in respect of the half-year ended 31 December 2019. The interim dividend will be 25% franked. The interim dividend has not been recognised in this half-year report because the interim dividend was declared subsequent to 31 December 2019. The record date for determining entitlements to this interim dividend is 16 March 2020. The interim dividend will be paid on 31 March 2020. The Company's Dividend Reinvestment Plan will apply to the interim dividend and a discount rate of 2% has been determined by the Directors.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2019

	Note	Half-Year Ended 31 Dec 2019	Half-Year Ended 31 Dec 2018
		\$'000	\$'000
3. Profit from operations			
Profit from operations before income tax expense includes the following items of revenue and expense:			
(a) Revenue			
Revenue from the sale of goods:			
- Domestic wholesale market		87,869	102,479
- Domestic retail market		137,533	138,829
- Export market		44,806	81,583
Interest revenue		56	335
Total revenue		270,264	323,226
(b) Other Income			
Gain/(loss) on disposal of property, plant and equipment		10	15
Government grants received		1,849	2,017
Other		2,369	713
Total other income		4,228	2,745
(c) Expenses			
Depreciation of non-current assets		15,231	14,426
Depreciation of right of use assets		3,154	-
Amortisation of non-current assets		15	15
Total depreciation and amortisation		18,400	14,441
Interest – other entities		3,327	3,580
Interest – lease liabilities		1,644	935
Total finance costs		4,971	4,515

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2019

	Half-Year Ended 31 December 2019		Financial Year Ended 30 June 2019		Half-Year Ended 31 December 2018	
	Cents per share	Total \$'000	Cents per share	Total \$'000	Cents per share	Total \$'000
4. Dividends						
(a) Recognised amounts						
Fully paid ordinary shares:						
Interim dividend paid in respect of current financial year	-	-	9.00	15,953	-	-
Final dividend paid in respect of prior financial year	9.00	18,287	8.00	14,105	8.00	14,105
	9.00	18,287	17.00	30,058	8.00	14,105

On 19 August 2019, the Directors declared a final dividend of \$18.287 million (9.00 cents per ordinary share) in respect of the financial year ended 30 June 2019. The dividend was 25% franked and paid on 30 September 2019.

(b) Unrecognised amounts

Fully paid ordinary shares:

Interim dividend in respect of current financial year	9.00	18,664	-	-	9.00	15,953
Final dividend in respect of current financial year	-	-	9.00	18,287	-	-
	9.00	18,664	9.00	18,287	9.00	15,953

On 12 February 2020, the Directors declared an interim dividend of \$18.664 million (9.00 cents per ordinary share) in respect of the half-year ended 31 December 2019. The interim dividend will be 25% franked. The record date for determining entitlements to this dividend is 16 March 2020. The interim dividend will be paid on 31 March 2020.

The Company's Dividend Reinvestment Plan will apply to the interim dividend and a discount rate of 2% has been determined by the Directors.

The interim dividend in respect of ordinary shares for the half-year ended 31 December 2019 has not been recognised in this Half-Year report because the interim dividend was declared subsequent to 31 December 2019.

No portion of the interim dividend declared for the half-year ended 31 December 2019 constitutes Conduit Foreign Income.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2019

5. Issued capital

	Note	As at 31 December 2019 Number	\$'000	As at 31 December 2018 Number	\$'000
(a) Ordinary share capital (fully paid)					
Ordinary shares		207,374,785	412,814	177,263,858	283,060
(b) Movements in ordinary share capital					
Balance as at the beginning of the half-year		178,450,013	288,814	174,458,730	271,082
Issue of shares pursuant to dividend reinvestment plan	(i)	-	-	955,128	4,021
Issue of shares pursuant to business acquisition earn-out arrangement	(ii)	-	-	1,850,000	7,957
Issue of shares pursuant to share placement	(iii)	24,640,001	108,416	-	-
Share placement costs		-	(2,940)	-	-
Related income tax		-	882	-	-
Issue of shares pursuant to share purchase plan	(iv)	4,188,623	17,431	-	-
Issue of shares pursuant to executive long term incentive plan	(v)	96,148	211	-	-
Balance as at the end of the half-year		207,374,785	412,814	177,263,858	283,060

Current Financial Year

- (iii) On 26 August 2019, 24,640,001 ordinary shares were issued pursuant to a share placement at an issue price of \$4.40 per share to enable the Company to invest in the accelerated prawn growth strategy.
- (iv) On 23 September 2019, 4,188,623 ordinary shares were issued pursuant to a share purchase plan at an issue price of \$4.1615 per share to enable the Company to invest in the accelerated prawn growth strategy.
- (v) On 26 August 2019, 96,148 ordinary shares were issued pursuant to the Company's long term incentive plan at an issue price of \$2.1992 per share. There was no exercise price paid on this conversion.

Previous Financial Year

- (i) On 28 September 2018, 955,128 ordinary shares were issued pursuant to the Company's dividend reinvestment plan at an issue price of \$4.2100 per share. A discount of 2% was applicable.
- (ii) On 28 August 2018, 1,850,000 ordinary shares were issued to Rasin Holdings pursuant to the De Costi Seafoods business acquisition earn-out arrangement at an issue price of \$4.3013 per share.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2019

6. Contingent liabilities and contingent assets

There are no material contingent liabilities or contingent assets at the date of this half-year report.

7. Seasonality

The consolidated entity's principal activities, being the farming of Atlantic Salmon and Tiger Prawns and the processing and marketing of salmon, prawns and other seafood are not generally subject to material or significant seasonal fluctuations.

8. Segment information

The Group has identified operating segments based on the internal reports that are reviewed by the chief operating decision maker (CODM) in assessing performance and in determining the allocation of resources. The CODM at Tassal is considered to be the Board of Directors.

The principal activities of the Group are to farm, process, market and sell salmon and prawns and to procure, process, market and sell other seafood species.

Reportable segments are determined by the similarity of goods sold and the method used to distribute the goods. Information reported to the CODM is primarily focused on geographical regions. The Group's reportable segments under AASB 8 'Operating Segments' are therefore domestic and export markets for the sale of all seafood products.

Operational EBITDA is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2019

31 December 2019	Domestic Segment \$'000	Export Segment \$'000	Consolidated \$'000
Sales (1)	225,402	44,806	270,208
Segment operational EBITDA	59,099	7,359	66,458
Land acquisition costs			(2,219)
Fair value adjustment of biological assets	-	-	16,763
Statutory EBITDA	-	-	81,002
Depreciation expense	-	-	(18,400)
Finance costs	-	-	(4,971)
Profit before income tax expense	-	-	57,631
Income tax expense	-	-	(16,814)
Profit for the period	-	-	40,817
(1) Sales Information	Salmon \$'000	Seafood \$'000	Total \$'000
Domestic wholesale	78,253	9,616	87,869
Domestic retail	118,020	19,514	137,533
Export	43,472	1,334	44,806
Total sales	239,744	30,464	270,208

31 December 2018	Domestic Segment \$'000	Export Segment \$'000	Consolidated \$'000
Sales (1)	241,308	81,583	322,891
Segment operational EBITDA	52,092	12,183	64,275
Prawn Farm acquisition costs			(1,719)
Fair value adjustment of biological assets	-	-	3,315
Statutory EBITDA	-	-	65,871
Depreciation expense	-	-	(14,441)
Finance costs	-	-	(4,515)
Profit before income tax expense	-	-	46,915
Income tax expense	-	-	(14,076)
Profit for the period	-	-	32,839
(1) Sales Information	Salmon \$'000	Seafood \$'000	Total \$'000
Domestic wholesale	87,267	15,212	102,479
Domestic retail	117,994	20,835	138,829
Export	80,186	1,397	81,583
Total sales	285,447	37,444	322,891

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DIRECTORS' DECLARATION

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2019

The Directors declare on 12 February 2020 that:

- a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to Section 303(5) of the Corporations Act 2001.

On behalf of the Directors



A. McCallum
Chairman
Hobart, 12 February 2020

INDEPENDENT REVIEW REPORT

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2019



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Independent Auditor's Review Report to the Members of Tassal Group Limited

We have reviewed the accompanying half-year financial report of Tassal Group Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2019, and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising Tassal Group Limited and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Tassal Group Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Tassal Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Tassal Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Asia Pacific Limited and the Deloitte Network

INDEPENDENT REVIEW REPORT

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2019

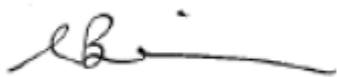
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Tassal Group Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Chris Biermann
Partner
Chartered Accountants
Hobart, 12 February 2020