



Media Release

28 February 2018

NEW ZEALAND KING SALMON DECLARES PROFIT AFTER TAX FOR 1H18 OF \$15.7 MILLION, UP 81% ON 1H17

A combination of strong global demand and a boost in volume available has helped New Zealand King Salmon Investments Ltd (NZX and ASX:NZK) (the *Company*) deliver a record first-half profit result. Key highlights of the *Company*'s first-half result, which were reported today, include:

- Net Profit After Tax of \$15.7 million, up 81% on the comparable six month period to 31 December 2016 (*1H17*).
- Pro Forma Operating EBITDA of \$19.5 million, 169% ahead of 1H17.¹
- Fully imputed dividend of 2.0 cents per share (*cps*) declared.
- 4,392 metric tonnes of gilled and gutted salmon sold, up 29% on 1H17.
- Average selling price improved as branding penetration increases, mainly due to Ōra King sales up 22% on 1H17.
- Impact of summer temperatures on fish survival will be reported following the summer period, as we did last year.

Chairman John Ryder said "The *Company* experienced strong demand for its premium King salmon products over the six month period. Favourable growing conditions during the FY2017 year allowed us to deliver additional volume to satisfy the demand. However, the situation has now become more challenging. The extraordinarily hot summer has impacted the survival rates of our King salmon, and this will be a principal factor behind an anticipated reduction in profits for the second half" cautions Ryder.

"We remain positive about the longer-term prospects for our *Company*" he said.

The *Company* continues to execute on its premium branded strategy, said Managing Director and CEO Grant Rosewarne. "In addition to achieving strong growth in sales volumes, we have also made significant gains in the average selling price of our salmon. This mainly reflects increased sales of Ōra King whole salmon, but also represents our focus on the right mix of product and customer. A nationwide advertising campaign for Regal coupled with new product launches also positions us well for future sales of our

¹ Pro-Forma Operating EBITDA is a non-GAAP profit measure used by New Zealand King Salmon. In addition to the adjustments outlined above, Pro-Forma Operating EBITDA reverses out fair value gains associated with the revaluation of livestock pursuant to NZ IAS 41-Agriculture and NZ IAS 2-Inventory. The application of NZ IAS 41-Agriculture, and NZ IAS 2-Inventory effectively results in the New Zealand King Salmon Group recognising expected profits from the sale of livestock prior to sale. Other international listed salmon companies will typically present 'Operating' results which remove the impact of these gains or losses. New Zealand King Salmon therefore believes that Operating results enable a better comparison of financial performance between its peers and between periods. A full reconciliation between GAAP and Pro Forma results is included in the Interim Results FY18H1 Investor Presentation.

premium branded retail products. We're confident in the strong foundation we're building for the long-term performance of the Company."

"Our aquaculture team has been actively preparing the farms in anticipation of the warmer summer months, however this year, water temperatures have been well above-average. Our recently-commissioned higher-flow sites have lessened the impact of the sustained heat, although, like many other farmers on land and in the sea, we have had associated performance and survival challenges. As a result, growth in sales volumes will be impacted during the second half of the financial year and into FY2019F. We'll report in more detail once the summer period is over as we did last year, including an update on our progress towards a long term solution to combat the risk of increasing sea temperatures."

He added that "the company is in a strong financial position with a positive net cash position as at 31 December 2017."

"We're also pleased to see the Ministry for Primary Industries' proposal to relocate up to six salmon farms advance to the next stage with the recent publication of the Marlborough Salmon Farm Relocation Advisory Panel recommendations. The panel recognised the 'distinct environmental advantages' of higher-flow sites, as well as the positive social and economic outcomes. We look forward to working with Government, Council and our community to progress our vision for best-practice salmon farming."

New Zealand King Salmon has declared a fully imputed final dividend of 2.0 cents per share to be paid on 23 March 2018.

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About New Zealand King Salmon

New Zealand King Salmon is the world's largest aquaculture producer of the premium King salmon species. We operate under our four key brands: Ōra King, Regal, Southern Ocean, and Omega Plus, and the New Zealand King Salmon label. We have been growing and selling salmon to consumers for more than 30 years. Today we employ around 500 people. New Zealand investors make up a significant percentage of the ownership of NZ King Salmon, and the communities of Marlborough, Nelson and Tasman are well represented with more than 400 of the approximately 2,200 shareholders being from the Top of the South.

More information can be found at www.kingsalmon.co.nz