

ANNUAL MEETING ADDRESSES

Addresses given by the Chairman and the Managing Director to Shareholders at the Ninety-Eighth Annual Meeting. Thursday, 5 December 2002.

Chairman's Address

Ladies and Gentlemen,

On behalf of the Directors of Sanford Limited, it is again my pleasure to extend a warm welcome to so many shareholders and staff attending this 98th annual meeting.

Overall Result

The overall tax paid profit of \$37m for the year was a pleasing result and built on the platform for future earnings growth established over the past two years. The turnaround in our foreign exchange position occurred in the middle of the financial year such that foreign exchange gains were made in the second six months. The challenge to management is to continue this earnings growth in the current year.

Forward Exchange Policy

The US dollar and Japanese yen currency hedging activities have continued over the past year after the independent review of our policy resulted in some refinements and introduced more specific decision rules. Those rules have recently resulted in a reduction in the cover taken for Japanese yen three years forward.

Based on current exchange rates if all our contracts run till their due date over the next three years the potential gains exceed \$60m. Again, emphasizing **based on current exchange rates**, over 25% of this benefit will occur in the current year and over 45% in the following year. The extent to which these gains are incremental to the Company in total will depend on the extent to which we can achieve a similar level of net New Zealand dollar returns for our products exported as has been achieved over the past year.

Dividends and Cash Flow

The Directors have continued the same dividend payment as last year at 20 cents per share which is a payout level of just over 50% of after tax profits. The current cash flow position of the Company is very strong with net debt reduced from \$58m last year to \$37m at balance date. Further expansion options are being explored which would not require additional capital from shareholders. If these expansion opportunities are not able to be developed your Board will investigate options for further returns to shareholders.

Investment in Fishery Products International Limited (14.9%) and High Liner Foods Inc (9.4%), Canada

Both of these companies, although Canadian based, are significant marketers of seafood in the United States and Canada. FPI is more focused on the food service and restaurant sector with High Liner stronger at retail level. The seafood supply side of the food industry in North America remains very fragmented but on the purchase side we are seeing significant aggregation in food service, restaurant chain business and the retail sector. Two companies now dominate the food service sector. The restaurant chain businesses are becoming more concentrated and the major super-market chains and club stores are dominating the seafood retail business.

Our investments in FPI and High Liner will assist in the longer term consolidation of the supply side of the seafood business. We continue to hedge our investments in Canada with equivalent loans in Canadian dollars.

Future Outlook

Your Directors continue to be confident that the Company will deliver further growth. We are well positioned and actively working to take advantage of strategic expansion opportunities that we believe will arise in the seafood business. The restructured management team is focused on margin and efficiency improvements in the New Zealand fishing business as well as growth and development in aquaculture and international fishing activities.

The market conditions for most of our products are currently stable with some prospects of improvement during the year. If this happens we would expect the results for shareholders in the coming year to be further improved.

We continue to be well served by a very competent management team and a dedicated and loyal staff. Our fishermen and marine farm staff are the start of our productive process and their efforts are developed by the production, marketing and administrative team that get our excellent products to an important and loyal range of customers throughout the world.

We also acknowledge the support and commitment of the many suppliers of quality goods and services required to make our business successful.

Before passing over to the Managing Director to outline in more detail some aspects of the Company's operations may I take the opportunity to wish you and your families an enjoyable festive season and a healthy and prosperous New Year.

W D Goodfellow, Chairman
5 December 2002

Managing Director's Address

The result for the twelve months just ended of \$37m was a pleasing outcome after a particularly difficult first six months. The period September 2001 through to January 2002, where the dramatic events stalled economic activity significantly in the United States and other economies, was a difficult trading period for the Company.

Markets are more stable now and demand for our products continues to increase. The improved trading in the second half of last year has continued into the first two months of the new financial year, a trend which if it continues, will result in improved profitability for the current year.

Directors' Fees

Shareholders are asked to vote on a resolution later in the meeting to increase Directors' fees from the present maximum permitted level of \$150,000 to a total permitted maximum level of \$250,000. I can speak with some level of independence on this issue because as an executive director I do not receive directors fees. However I thought shareholders should be aware of some interesting statistics. Since 1988 the average fee paid to a Sanford director has increased by 2.78 times, or 278%. Over that same period the annual net profit has increased by 6 times, or 613%, the annual dividends paid to shareholders has increased by 5.75 times, or 575%, the dividends per share have increased by 364% and the share price has increased by 4.5 times or 450%.

A shareholder purchasing 1000 shares in 1988 would have paid \$1100 for those shares. Since then that shareholder would have received over \$2,400 in dividends and today would own 1,464 shares valued at over \$7,000 (assuming they had not taken up a cash issue in 1996 at \$1.70 per share).

The reason I am presenting this information is

- to show that the average fee being paid to Sanford directors has not increased in line with returns to shareholders or increased profitability,
- to note that recent publications, including articles in the New Zealand Herald have highlighted the comparatively low level of directors fees paid by Sanford,
- to recall that at last year's annual meeting a number of shareholders pointed out to directors that their fees were lower than some shareholders thought they should be.

It is not proposed that the total increase be paid out to existing directors, but if Sanford is to retain and attract new directors in the future, it should be able to offer directors fees that are competitive and comparable with other successful companies.

I would ask shareholders to support the resolution.

Change of Balance Date

Having just received approval from the Inland Revenue Department we intend to change the annual balance date of the Company from 31 August each year to 30 September each year. This change has been made to coincide with the end of the fishing quota year. This will make accounting for quotas, levies and transaction fees on a fishing year consistent with our accounting year.

This change will have some effect on our timetable for reporting to shareholders next year. The first accounting period will be seven months ending on Monday 31 March 2003 and we would expect to announce our results for that period (7 months) just prior to the end of May. The interim report will be published in the last week of June at the same time as we pay the interim dividend. The new financial year will end on 30 September 2003, with the expected annual announcement to the Stock Exchange in the last week of November 2003. The annual report and final dividend for the year will be paid approximately one week before Christmas.

The next annual meeting will be in early February 2004 which will coincide with the 100th anniversary of the incorporation of Sanford Limited.

This revised timetable will mean a more even work flow in the October/November period each year.

By combining dividend payments with the distribution of the interim and annual reports we will have some savings on postage. We do though encourage all shareholders to register with the Company for direct crediting of their dividends which ensures your dividend is received into your bank account on the due date. Suitable forms are available from our staff at the conclusion of the meeting.

Management Structure

As outlined in the annual report the management structure of the Company was strengthened during the year with the creation of four logical business units. The appointment of Mr Ted Culley to lead the aquaculture group will enable him to focus on all of the issues that arise in respect to aquaculture, marine farming and associated activities. Ted will be based at our largest aquaculture facility in Havelock, and will be ably supported by the four lead managers of our aquaculture operations, Mr Peter Harris in Kaeo, Mr Steve Keeves in Coromandel, Mr Bruce Cardwell in Havelock and Mr Tommy Foggo in Bluff.

Mr Shane Walsh will lead the inshore fishing and processing activities in Auckland, Tauranga, Timaru and Oamaru. This will include all of the longline and trawl fleets based in Auckland, Tauranga and Timaru as well as the purse seine fleet based out of Tauranga and all of the associated processing plants in those locations. Miss Margret Hall and Mr Jim Fitzgerald lead the Auckland operations with Mr Ian Vandernagel in charge in Tauranga and Mr Brent Keelty recently promoted to take charge of Timaru and Oamaru. Shane also has responsibility for and is leading the development of the Auckland fish market facility which I will talk about shortly.

Mr Tom Birdsall, as well as an advisory role on fleet issues, takes direct responsibility for all of our international fishing activities. In Australia the operation is managed by Mr Julian Baldey who we welcome to his first Sanford annual meeting. Julian has recently joined Sanford to lead our Australian operations and has been immersed in learning a new business in a very competitive market environment. The Pacific tuna vessels operate throughout the Pacific and over the past twelve months have unloaded or transhipped in Pago Pago, American Samoa, Christmas Island and Majuro in the Marshall Islands. Mr Martin de Beer, who leads this operation, has spent a reasonable amount of time in these remote locations over the past year. At the present time Mr Birdsall is directly supervising the Argentine operations although there are support services provided by our Canadian and Argentine partners as well as two locally employed administration staff. We see international fishing as an area of potential growth for the Company and Tom is well qualified to lead these operations.

Mr Greg Johansson leads our deepwater division based in Timaru. His team consists of a group of vessel managers each responsible for one of the freezer vessel operations. Mr Simon Gibb, Mr Patrick Perkins, Mr Dave Woods, Mr Steve Collier, Mr Darryn Shaw and Mr John Finlayson along with Engineering Manager Mr Grant Finlayson and Charter Manager Mr Steve Coles make up the leaders of this most important team.

Leading our small but experienced marketing team is Mr Graeme Burke and we are also well supported by our secretarial and quota management team lead by Miss Gillian McNamara and our financial and accounting team led by Mr Dean McIntosh. Last but not least is our Commonwealth gold medal shooter Mrs Teresa Borrell who is kept extremely busy leading our research, technical and

quality teams and at the same time coordinating development of our new aquaculture activities.

Industry Publicity

There has been considerable negative publicity concerning the fishing industry over recent months. Some of this publicity has resulted in a parliamentary select committee enquiry and a State Services Commission review. Most of the negative publicity has been driven from within the industry and relates to arguments over catch history entitlements for future quota. The government decided, through an extensive consultation process some years ago, that quota would be based on catch history in the 1991/1992 fishing years. While any combination of years could have been chosen, those two were selected on the basis that there was no opportunity to influence past reported catch. Unreported catch, of course, would not qualify.

Fishers who have or have been allowed to increase catch levels since that time feel disadvantaged by those rules and are attempting to persuade the government that the catch history years should be modified. Sanford, as a long established and historical operator, is a strong supporter of the quota management system. We also support the introduction of species into the quota management system where that is the most appropriate mechanism to manage them. We also support the use of the 1991/1992 fishing years to establish quotas for established fisheries.

With our interests in a wide range of species across a wide range of fisheries throughout New Zealand there are some species where we are disadvantaged by the use of those catch history years and other species where we are advantaged. However, overall the most equitable solution in establishing long term quota rights is the use of the legislated catch history years.

It is fair to say that we are concerned over some of the selective reporting of some of these and other industry issues by various media. Often so called industry spokespersons or sources are unidentified and in some cases the media has given prominence to the minority or dissenting decision of the court to the exclusion of the majority decision.

Nelson Plant

Last week our Nelson plant closed with the loss of 87 permanent jobs. However it is pleasing to report that as of last Friday 10 of those staff have transferred to other positions within Sanford and over 40 people have either gone to other jobs, travelled, moved overseas or left the area. There are 20 people who have advised that they have other work options they are considering, leaving 20 who we continue to seek new positions for. We are continuing to provide advice and support for those still seeking work and we are confident that over the summer period most of them will be offered positions with other employers.

International Purse Seine Vessels

Our purse seine vessels had a much better start to this current financial year, one vessel is currently unloading its second cargo and the other is well into its second trip.

Project Fish

The Company has recently embarked on a major project to upgrade its information technology and communications systems. This has included an analysis of world-wide systems used in the fishing industry and has resulted in us recently selecting a European based system, successfully implemented in a number of leading fishing and aquaculture companies. This system will allow a

far more integrated approach to our catch and harvest, production, inventory and marketing, and financial and accounting management. It will provide improved tools for our divisional and operational managers to increase the efficiency of their operations and reduce the time to get our products in the form required to our customers. We expect this project to be implemented by the end of the financial year.

Fish Market

The rebuilt Auckland processing plant opened on schedule in June 2002. The final resource consent for the Fish Market complex has been delayed while a review of the fish market and our processing plant in the context of the larger planning study of the whole Western Reclamation area of the Viaduct Basin in Auckland was conducted. While the Auckland Waterfront Review Group (AWAG) has been positive over the Fish Market development we have had concerns over the effects on our perpetually renewable lease from any rezoning of the land. We have formally lodged with the Ports of Auckland Ltd our interest in free holding the land.

We expect to receive the resource consent before Christmas. Site preparation for construction is well advanced so that building can commence immediately resource consent is received. It is expected that the auction market, retail and wholesale premises, cooking school and associated office complex will be completed well before this time next year.

Annual Report Response Forms

The annual report this year included a separated section for the triple bottom line report rather than a separate document; it is pleasing to report that over 90% of response forms returned to date indicate a rating of either very good or excellent.

Appreciation

Management and staff have been challenged over the past twelve months by a difficult trading period, by challenges associated with new activities and by a restructure of our divisions. The challenges and changes have been implemented in a positive environment where everyone has acknowledged the need to work together to improve the profitability of the business and seek new development opportunities. I express my thanks and appreciation to all staff for their support and loyalty. Sanford is unique in the industry in having the depth of talent and experience to serve it well in both good times and times of hardship.

On behalf of those staff I express appreciation to directors and shareholders for their continued support and loyalty and may I wish you all Seasons Greetings.

Thank you.

E F Barratt, Managing Director
5 December 2002