

Addresses given by the Chairman and the Managing Director to  
Shareholders at the Ninety-Ninth Annual Meeting.  
Wednesday, 4 February 2004.

## Chairman's Address

Ladies and Gentlemen,

With the change in the timing of the annual meeting from December to February instead of wishing you all seasons greetings this time I hope you all have had a pleasant and enjoyable festive season.

I am honoured to present my address to this 99<sup>th</sup> Annual Meeting of Sanford Limited.

### Overall Result

The overall tax paid profit of \$47m for the 13 month period was a good result in the difficult currency and market environment. The hedging of our foreign exchange position over the previous two years showed significant benefit for the company and its shareholders in the current period and this benefit will also flow into the current financial year with the continued strengthening of the New Zealand dollar.

The US dollar and Japanese yen currency hedging activities have decreased over past months as the New Zealand dollar has reached cyclical highs and exceeded our policy guidelines.

### Dividends and Cash Flow

The Directors increased the rate of dividend from 20 cents per share last year to 21 cents per share this year as well as paying a special 20 cent dividend to commemorate the centenary of the company formation. The current cash position of the Company, even after paying these increased dividends, remains very strong with the only debt being the hedging loan in respect to our investment in FPI in Canada. The company has continued to actively seek expansion opportunities over the past year and the additional freezer longline vessel purchased in September has been a valuable addition to our fleet. This vessel ("Gudni Olafsson") is currently fishing successfully targeting toothfish in the Ross Sea and captained by John Bennett who shareholders may remember addressed the annual meeting in December 2002.

Your Directors continue to be confident that the Company will deliver further growth at the same time as retaining a conservative financial structure and will reward shareholders well when returns justify this.

While catching conditions for hoki and tuna may be difficult the market conditions for most of our products are currently relatively stable but the high New Zealand dollar significantly reduces net returns. Our aquaculture business, particularly greenshell mussels, has been adversely affected by the low net returns.

However with excellent forward cover contracts compared to the current exchange rates there are prospects for an overall improvement of profitability in the current year.

Directors and management continue their commitment to support our Sustainable Seafood logo. Two events are worth commenting on in that regard. In 2003 Sanford received the Institute of Accountants award for a Sustainability Report by a listed company for our 2002 Annual Report. Towards the end of last year Sanford Limited was included in the FTSE4Good Global Index of 400 leading companies. This index is designed to measure the performance of companies that meet globally recognised

corporate responsibility standards, and to facilitate investment in those companies. Only five New Zealand companies are included in this Index at this time.

We acknowledge the support and commitment of our many worldwide customers as well as the suppliers of quality goods and services required to make our business successful. Many of our customers and suppliers have long term relationships with the company and some current suppliers go back to the beginning of our corporate history. We will take the opportunity to acknowledge these long term relationships on other occasions during the coming year.

In concluding I would like to pay tribute to those who have served the company over the past 100 years. Those who have served as Chairman, Director and Managing Director over the past 100 years – their names will scroll through on the screens.

The list of staff who have served Sanford Limited over the past 100 years is too long to show on the screen and individually acknowledge however the current competent management team and dedicated and loyal staff epitomise the hard work of the generations who have gone before them.

I would now like to pass over to the Managing Director to outline in more detail some aspects of the Company's operations.

W D Goodfellow  
CHAIRMAN  
4 February 2004

## Managing Directors Address

Thank you Mr Goodfellow, it is certainly an honour to be part of Sanford Limited celebrating its corporate centenary.

The Company celebrates its centenary in great financial shape ready to build a sound history in a second corporate centenary. Its reward to shareholders to celebrate the centennial was a special dividend of 20 cents per share paid to shareholders just prior to Christmas last year. This coupled with the 12 cents final ordinary dividend resulted in a total payout to shareholders of just on \$30m. The payout more than doubles the previous largest single payment to shareholders. I would like to talk about the challenges facing the company as it begins its second century.

As outlined to you by the Chairman, an exchange rate climbing to almost 70 cents makes it almost impossible for the industry to be profitable. We are not sure whether the currency is at its peak or not. It is interesting to compare that the current cycle of decline and rise of the New Zealand dollar has occurred over seven years compared to nine years in the previous cycle. I guess this indicates the increasingly volatile currency world we live in.

Fuel price stability is also a challenge and over the past two years the prices have been subject to increased variability as well as an overall gradual increase by as much as 60%. Fuel is a significant cost in our deepwater operations where there is little alternative to marine diesel.

The next challenge is to our aquaculture rights. This government promised aquaculture law reform that will clarify and create more certainty for our business. The governments proposed reforms place our aquaculture rights more under threat than they were prior to the commencement of the law reform process. The Government continues to suggest that it needs an intervention clause in our marine farming rights allowing it to intervene and prevent renewal of our space when our aquaculture licences are reviewed even if we carry out our aquaculture activities entirely in accordance with resource management and regional council requirements. If our activities were not in accordance with licence requirements we can understand that but to effectively expropriate our aquaculture space without any compensation seriously undermines the viability of our investment in aquaculture.

And our investment is not only in equipment and technology on the farms but in capacity, equipment and technology in the processing plants, in new product developments, new species developments and the extensive investment required to develop and maintain stable export markets, for the substantial value of product that we process and export.

The seabed and foreshore issue has generated a lot of publicity, a lot of comments and a great deal of concern. Our view is that common sense and reason will have to prevail for all sides to be comfortable going forward.

From the public side there has to be an acknowledgment that where there has been continuous traditional and customary use then those use rights must be respected going forward. Those users are entitled to ongoing expectation of use.

From the Maori side there has to be an expectation that the public of New Zealand will continue to enjoy traditional recreational and commercial access to both the foreshore and the seabed, in similar ways to what it has done in the past.

As many parts of our business operate on a 24 hour 7 day a week basis some of the proposed employment law changes have the potential to impact on the efficiency of our business. We try and work closely with our staff and the communities in which we operate our businesses and we believe that issues and solutions to those issues are best resolved at those plants and in those communities. We lend our voice to let employment laws work in a way that give both employers and employees the flexibility they require.

I would now like to turn to some particular issues that have recently been raised in a letter from the New Zealand Shareholders Association and it is appropriate to first answer those questions in today's forum.

The first question they raised was in relation to segment reporting. The Association suggested that our aquaculture, inshore fishing and processing, deep water and international fishing and investments are sufficiently different to warrant analysis into sales, earnings and assets employed. They suggest that this is what is required by the statement of Standard of Standard Accounting Practice number 23. The Board's view is that Sanford Limited operates in a single industry segment and indeed the strength of Sanford over its corporate history has been its focus purely on the fishing and seafood industry. Its predominant activities are in New Zealand and hence geographical segmentation of its business is also not appropriate. Sanford Limited already provides a very comprehensive report on its operations as well its sustainable development reporting. It is the only listed entity on the stock exchange and the only company that reports to this extent in the industry. By international standards we are an SME (Small to Medium sized enterprise). We do not accept that our divisions are equivalent to segments according the SSAP and we therefore do not intend nor do we believe it is in shareholders interests at this point in time to further disclose divisional results.

The second question relates to the future policy regarding cash surpluses. The Chairman has answered that question in his address by stating that the Company will reward shareholders when returns justify this however the Company will continue to maintain a conservative financial structure, something that has served the Company very well over its past 100 years.

The third question related to the basis of the valuation of our fishing quotas and licenses; these total \$245m at last balance date. While directors review the carrying value of these assets on an annual basis a more comprehensive review is carried out every five years and this is scheduled to be carried out in the current year for reporting at the end of this financial year.

There is published data available on the value of fish quota traded, however the difficulty for applying that trading data against Sanford's quota is that there are only very small quantities of quota traded in relation to the overall quota either held by Sanford or owned by the industry in total.

So while the quota trading data provides some useful reference points it is not the total answer. In terms of marine farm valuations we monitor the trading values of known trades of licenses and although this information is more informally obtained we have sufficient knowledge of marine farm valuations in all of the major areas in which we operate to be confident that these values are conservative and fair.

The highlight of this year will be the completion of the development of the Auckland Fish Market. The market will open on time and within budget in June 2004. Early

each morning there will be an extensive fish auction with an electronic clock where buyers including wholesalers, retailers and restaurants will be able to bid for fresh seafood each day. The range of retail outlets on the site which will be open through the rest of the day providing regular access to the best quality seafood New Zealand can produce.

The seafood school and demonstration kitchen will be used by restaurants, celebrity or amateur chefs and will become a popular activity in its own right. I am sure you will see and hear more of this development through the year.

In looking forward to the current year I would have to start by saying "it ain't easy out there". While inshore, deepwater and aquaculture production are in line with expectations they are reduced from last year because two deepwater vessels were deployed into the scampi fishery for the first three months of this year. Traditionally these vessels would participate in higher volume hoki fishing. They will also spend more time this year in the squid fishery. The impact of lower catch volumes, particularly of hoki, the effect of the closure of the Nelson plant in November 2002 and the lower level of activity of our charter fleet in the first three months of the year have resulted in the group turnover being 20% down on the same time last year. Some of this volume shortfall will be recovered through the remaining nine months of the year but achieving a similar level of sales to last year will depend largely on catch rates in the squid and tuna fisheries in New Zealand which are only just commencing. While early signs for these fisheries are positive we need three months of sustained catches to reach last year's level of revenue.

Obviously the high New Zealand dollar significantly impacts profitability and while all of the operations in New Zealand are affected it is particularly severe on aquaculture where excellent efforts are being made by our staff to increase volumes. The returns from these increased volumes are substantially less than what they were last year on a per kilo basis.

However on a more encouraging note markets for skipjack tuna, mussels, orange roughly, ling, hoki fillets and squid are better than they were at the same time last year.

Our forward exchange position remains strong with a likely total gain on forward currency of \$40m this year and a similar level next year if the exchange rate remains at its current level.

The Chairman has already said that at current exchange levels we have sufficient cover for the two years out to meet our policy guidelines and we are outside our policy guidelines for the third year.

It is appropriate to record our appreciation to all our staff who serve the Company extremely diligently despite the effect current exchange rates have on returns to the business units. However they appreciate the bigger picture and Sanford is in a very strong position to move into its second corporate century. It has the direction, staff and resources to progress and I am sure it will do so and continue to reward shareholders well.

Thank you.

E F Barratt

4 February 2004