



Addresses given by the Chairman and the Managing Director to Shareholders at the Ninety-Seventh Annual Meeting.  
5 December 2001.

## 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 97<sup>th</sup> annual meeting.

### Overall Result

The overall result for the year, a tax paid profit of \$30.2m was disappointing for the Company. However despite the unfortunate foreign exchange losses this year the underlying earnings of the Company remained relatively strong in a year in which market conditions were more difficult than the past three years. The Company has continued to build a platform for future earnings growth.

### Forward Exchange Policy

Our currency hedging was undertaken as a risk reduction strategy when all the experts were predicting a substantial appreciation of the New Zealand dollar. Despite the foreign exchange losses the Company has continued its policy covering a proportion of net foreign exchange earnings. During the last year this policy has improved the Company's position because at 31 August 2001 all contracts taken out this year should be profitable even if exchange rates remain at current levels. We believe the New Zealand dollar is at or near the bottom of the currency cycle and therefore to discontinue our forward cover policy would deny the Company future benefits when the NZ dollar strengthens.

### Dividends

The Directors have continued the same dividend payment as last year at 20 cents per share after increasing the ordinary dividend from 15 cents per share in 1999 year (in 1999 we also paid a special, one-off millennium dividend of five cents per share) year to 20 cents per share last year.

### Investment in Fishery Products International Limited, Canada

At balance date the market value of our investment in FPI was C\$4m in excess of our carrying value. Our representation on the Board of Directors enables us to play a more active role in the future direction of the company. A major restructuring of the company was announced in late July that eliminated 30 positions in the corporate head office in Newfoundland and empowered the relevant plant managers to be more accountable for the profitable use of their plant inputs.

In September a proposal was announced to purchase the private company Clearwater Fine Foods Inc which, although only half the size of FPI, is far more profitable. Because the owner of Clearwater Fine Foods Inc is a Director of FPI the proposed transaction requires an independent committee of directors to undertake legal and valuation due diligence. The committee will then make a recommendation for shareholders to consider and vote on the proposed purchase which will likely occur early in 2002. If approved the transaction should be finalized later in the first half of 2002. A significant portion of the purchase will be satisfied by the issue of up to 16 million non voting FPI shares to the owner of Clearwater. Sanford's economic interest will therefore be effectively reduced from just under 15% to less than 7%. We have always sought in the medium term to increase our stake beyond the 15% limit on listed voting shares and will continue to do so. An economic stake of 7% is too low for us to commit and sustain our interest in the future.

We continue to hedge our investment by an equivalent loan in Canadian dollars.

### **Tuna Vessels**

Late in the financial year the Company purchased two large second hand tuna purse seine vessels. The first vessel (San Nikunau) has completed two trips since balance date and is now undergoing survey and repair in Auckland before returning to the fishing grounds in mid December. The second vessel (San Nanumea) was brought to New Zealand immediately after purchase for extensive overhaul and refit. That vessel has unloaded its first full load into a tuna cannery in Pago Pago last week and will immediately return to the fishing grounds. The performance of the vessels so far is up to expectations.

### **Argentina**

I am pleased to advise that last week we achieved the approval from the Argentine government for our proposed hoki venture in that country. The vessel San Arawa II will be deployed into the Argentine hoki fishery in the early part of 2002 operating in a joint venture with Argentine and Canadian interests. Sanford will retain ownership of the vessel and will be leasing or renting any necessary shore support facilities in the port of Ushuaia in the very south of Argentina.

### **Future Outlook**

Your Directors are confident that the Company is well positioned for further growth and to take advantage of other strategic expansion opportunities that might arise in the seafood business. While the New Zealand fishing business growth prospects are limited to either margin and efficiency improvements or acquisition, our aquaculture business will continue to grow.

The current market conditions make predictions of trading results in the coming year even more difficult. We are confident that we have a strong inventory position, an excellent mix and match of quota and vessels, processing plants that are constantly improving their efficiency and the best team of industry professionals that will seek to maximize and improve our position over the coming year.

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

**The Managing Director's slide presentation follows.**

  
SANFORD LIMITED  
SUSTAINABLE SEAFOOD

**Annual Meeting  
Presentation**


**Auckland 5 December 2001**

  
SANFORD LIMITED  
SUSTAINABLE SEAFOOD

**OVERVIEW**

- FOREIGN EXCHANGE
- SUSTAINABLE SEAFOOD
- GROWTH

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SUSTAINABLE SEAFOOD

**FOREIGN EXCHANGE  
Company Policy**

- Cover on a Monthly Rolling Forward Basis
- A Set but Declining Percentage of Expected Net Foreign Exchange Receipts
- US Dollar (approx 85%) coverage for 36 months forward and Japanese Yen (approx 15%) coverage 24 months forward.


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**FOREIGN EXCHANGE  
Company Policy**

- Policy Reviewed Every Board Meeting in terms of whether to continue to cover, the period of cover, the percentage of cover.
  - Review is based on information from banks, commentators and other sources
  - Outside advice (for fees) is only obtained approximately every two years
  - Cover is for net estimated receipts after allowing for net payments in US dollars (eg fuel and freight)
  - Report monthly all forward cover contracts entered into

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**FOREIGN EXCHANGE  
Annual Report 31 August 2000**

- Fair (Mark to Market) Values on Foreign Exchange Contracts (page 42)      Loss \$58.56m
- Exchange rate at 31 August 2000 of US\$0.4312 and JPY 45.92
- Forecast spread of those losses (page 24)
 

|            |     |             |           |      |          |
|------------|-----|-------------|-----------|------|----------|
| Difference | 44% | 2000 – 2001 | Therefore | Loss | \$25.76m |
|            | 33% | 2001 – 2002 | Therefore | Loss | \$19.33m |
|            | 23% | 2002 – 2003 | Therefore | Loss | \$13.47m |
- Actual Reported Loss 2000 – 2001      Loss \$27.69m

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**FOREIGN EXCHANGE  
Annual Report 31 August 2001**

- Value of Contracts at 31 August 2001 (page 38)      \$390m
- Fair (Mark to Market) Values on Foreign Exchange Contracts (page 38)      Loss \$13.49m
- Based on exchange rates of US\$0.4432 and JPY 52.71
- Book Value Loss based on exchange rate of US\$0.42      Loss \$19.00m

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## FOREIGN EXCHANGE Past Results



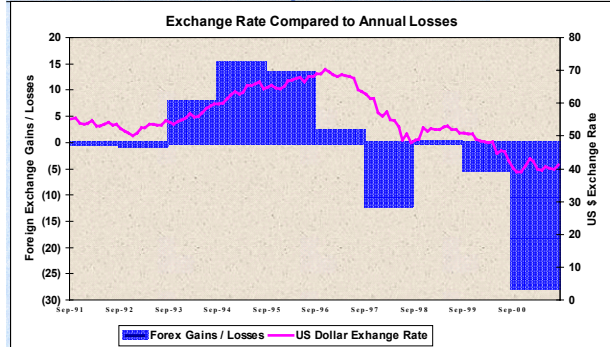
- Over the past five years foreign exchange losses have totalled \$42.2m on sales revenue of NZ\$1.6 billion.
- Over the past ten years foreign exchange losses have totalled \$6.1m on sales revenue of NZ\$3.2 billion
- Every foreign exchange contract entered into over the last twelve months has created future value for the company while the exchange rate is at 0.42.

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## FOREIGN EXCHANGE Ten Year Comparison

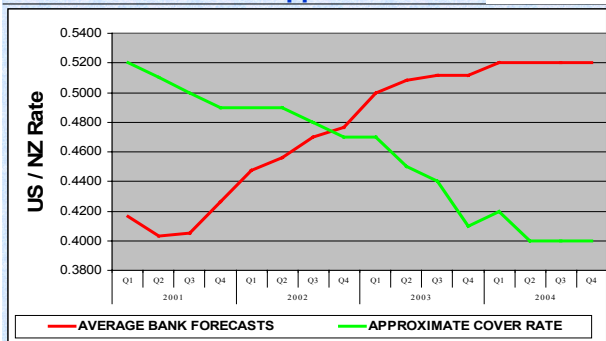


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## FOREIGN EXCHANGE Forecasts versus approx cover

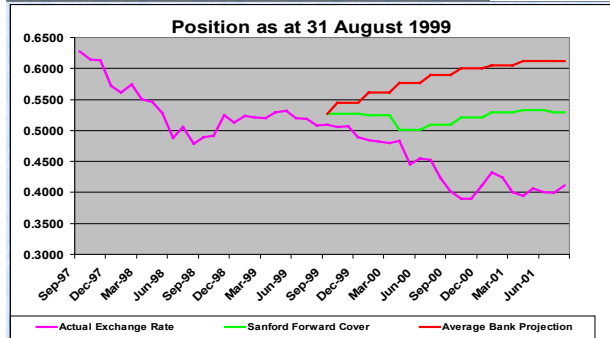


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## FOREIGN EXCHANGE Historical Review 1999

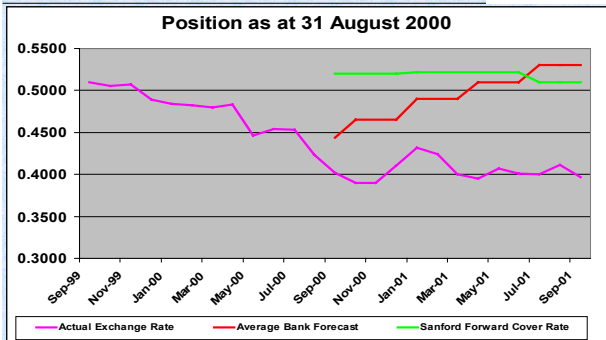


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## FOREIGN EXCHANGE Historical Review 2000

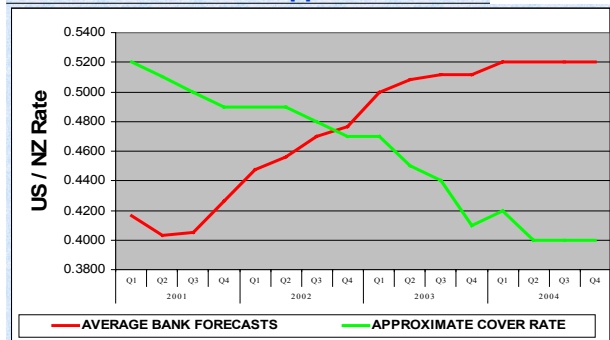


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## FOREIGN EXCHANGE Forecasts versus approx cover

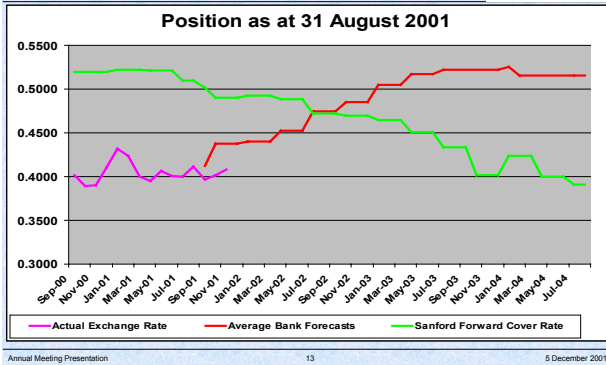


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## FOREIGN EXCHANGE Historical Review 2001



## SUSTAINABLE SEAFOOD



- Triple Bottom Line Reporting is our accountability to “Sustainable Seafood”
- “Sustainable Seafood” not only refers to the marine resources but also the way in which we utilize them
- Our “Licence to Operate” includes privileged access to marine resources
- We operate in many small local and regional communities

## SUSTAINABLE SEAFOOD Encompasses



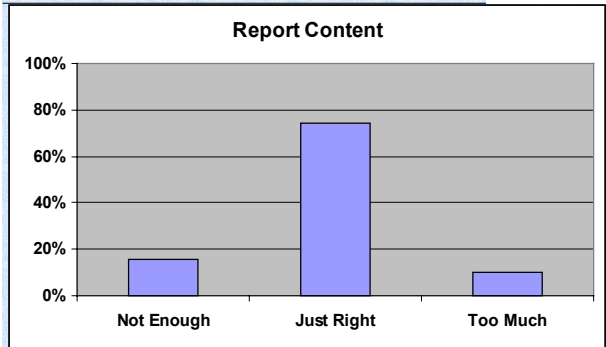
- Quota Management System and Marine Farming Rights
- ISO 14001 Environmental Management System
- Marine Stewardship Council certification of hoki fishery
- NZ Business Council for Sustainable Development Membership
- Triple Bottom Line Reporting

## SUSTAINABLE SEAFOOD Delivering Value to Shareholders

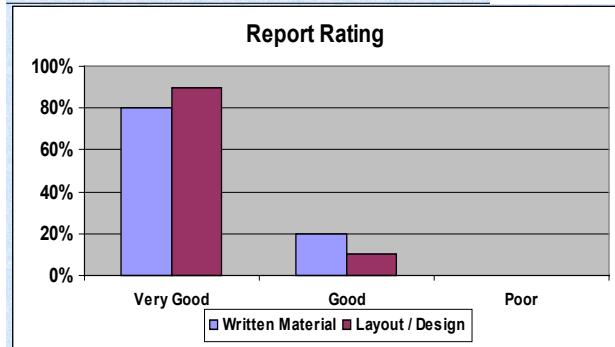


- Protecting \$240million of Quota and Marine Farm Asset Values in Balance Sheet
- Increasing revenue through increased market prices from customers seeking “sustainable” supplies and suppliers of seafood (estimated net benefit \$1m per annum)
- Reduced operating costs by measuring and reducing use of environmental inputs such as energy, water, waste streams etc (estimated net benefit \$0.2m per annum)

## SUSTAINABLE SEAFOOD Shareholders Views on TBL



## SUSTAINABLE SEAFOOD Shareholders Views on TBL



## GROWTH

### Comments from USA Nov 21 2001

Sysco - the Largest Food Service Distribution Business in USA - CEO Charles Cotros

"..sales had improved since hitting bottom immediately after the attacks, but were not yet back to normal because many people were reluctant to travel."

"a tendency for sales to be softer in the markets where you depend on tourism, conventions and air traffic. ..."

"Orlando, New York and Washington as cities that have been hard hit as well as California"



## GROWTH

### Comments from USA Nov 9 2001

H. J. Heinz, parent company of Star-Kist tuna, told analysts yesterday that it has seen a significant slowdown in sales of foodservice items such as ketchup, due to the contraction in restaurant business. The foodservice group will see sales down \$25 to \$30 million, which the company attributes to the economic slowdown, and the impact on foodservice of the Sept. 11th attacks.

The company said that its tuna business was not impacted, and that it expected good results both in the U.S., and overseas.



## GROWTH

### Comments from USA Nov 2001

- Fish Prices Dropped Most in Latest USA Producer Price Index.

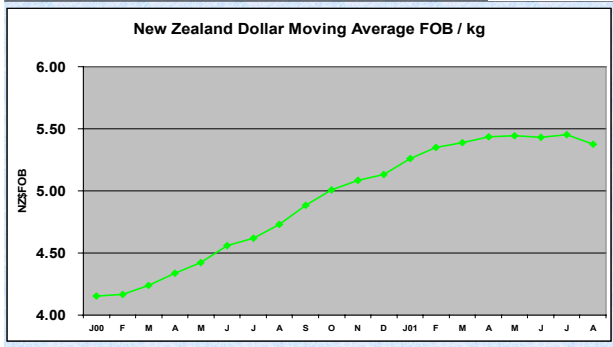
The latest producer price index report shows that for October, fish and shellfish prices fell at a seasonally adjusted pace greater than any other protein.

The steeper decline in seafood prices is quite possibly due to the slowdown in restaurant business, where seafood is more exposed to a fall off in business than are competing proteins. For the year, seafood prices have fallen 5.9%, while pork prices fell 4.9%, and beef prices rose 0.6%.



## GROWTH

### MARKETS - FOB RETURNS OVER 1.5 years



## GROWTH

### NZ Fishing Business

- Hoki quota down by 20%
- Orange Roughy up in main catching area
- Other small adjustments up and down
- Overall indications of Quota Management System Working
- Good mixture of Frozen at Sea / Ice vessels
- Good mix of inshore, purse seine and deepwater quotas



## GROWTH

### NZ Fishing Business

- Fleet efficiency / enhancements
- New processing technologies
- Improved yields and utilization of waste products for biotechnical and pharmaceutical use
- Value Chain Enhancements in local and overseas market

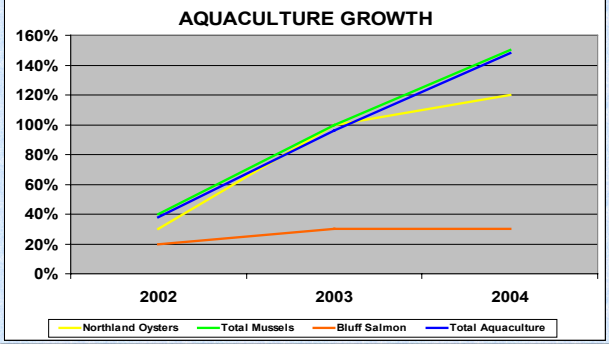


**GROWTH**  
**Aquaculture Business**



- Positioned for Substantial Growth over the next few years
- Water Space expansion secured by growth of existing sites, acquisition of sites and approval of new sites.
- Aquaculture reform announced recently will not affect following forecasts but could influence growth beyond 2004
- Processing capacity in place
- Markets Ready

**GROWTH**  
**Aquaculture Business**



**GROWTH**  
**Aquaculture Business - Mussels**



- Three growing areas
- Coromandel, Marlborough Sounds and Stewart Island
- Three processing plants
- Coromandel, Havelock, Bluff
- Markets in Asia, Europe and USA

**GROWTH**  
**Aquaculture Business - Oysters**



- Water Space on Farms available
- Expansion of racking on existing space underway.
- Processing Capacity ready at Kao
- Markets under serviced at present

**GROWTH**  
**Aquaculture Business - Salmon**



- Record growth, production and food conversion but into a difficult market.
- Market oversupplied - prices well down.
- Volume increase will assist price reduction
- NZ Production small 6,000mt vs 600,000mt but NZ produces King (Chinnock Salmon)

**GROWTH**  
**International Business - Australia**



- Long serving Managing Director and former owner of Australian business retired on 30 September 2001 after 50 years in the seafood business
- A Sanford Management person has been appointed in a temporary position to enable a review of the business potential and its future structure.
- We expect improved operational efficiencies and increased financial returns

## GROWTH International Fishing



- Two large scale skipjack tuna vessels San Nanumea and San Nikunau expected to increase turnover by over NZ\$20m per year.
- Indian Ocean declining - one vessel (Rover) withdrawn, being prepared for sale – second vessel San Arawa II may be used only during high catch rate spawn season.
- Permit received for Antarctic Toothfish venture in Ross Sea for San Aotea II. Expected deployment January to April 2002.

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## GROWTH International Business - Argentina



- Permit Approved 10 days ago
- Vessel San Arawa (II) will be transferred into a wholly Sanford owned Argentine company and then leased into the new venture
- Joint Venture includes Sanford, Argentine Companies and Clearwater (FPI)
- Expect to commence in February/March 2002

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## GROWTH International Business - Canada



- Fishery Products International (FPI) first nine months results down through weak shrimp markets and delayed crab season
- Substantial one off write downs of proxy contest costs, executive severance payments, management restructuring and asset write downs
- Restructuring will empower plant management to make better decisions and result in reduced administration costs (possibly over C\$2m pa)

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## GROWTH International Business - Canada



- Fishery Products International (FPI) announce agreement in principle to acquire Clearwater
- Subject to regulatory and shareholder approval.
- Clearwater Revenue C\$345m EBITDA C\$75m will add to existing FPI Revenue C\$770m and EBITDA C\$42m (Clearwater margins higher than FPI).
- Purchase will be financed by issue of non voting stock as part satisfaction of purchase price.
- This will reduce Sanford's economic interest from 15% to just over 7%. Sanford seeks an economic interest of 20%+.

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## GROWTH Expansion Projects



- Havelock Mussel Expansion Project Completion January 2002
- San Won Coldstore Construction commenced to increase capacity from 5,000 tonnes to 9,000 tonnes on waterfront in Timaru
- Spat Cleansing Plant Construction commenced on plant in Bluff to remove algae cysts from spat collected on 90 mile beach

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## GROWTH Expansion Projects



- Tauranga Processing Equipment Upgrade plant delivered November 2001
- Auckland Fish Processing Plant expansion half completed and commissioned in March 2002
- Auckland Fish Market Complex on Sanford site commence construction April 2002 – completion December 2002

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