



1H20 HALF YEAR FINANCIAL RESULTS

01

HIGHLIGHTS



1H20 HIGHLIGHTS

Solid 1H20 performance establishes a foundation for 2H20 and beyond

- Average price achieved of \$24.46/kg, up from \$22.93/kg in 1H19.
- Sales volumes 3,442 MT, restrained from 3,824 MT in 1H19 as we balance available fish for long term supply security following challenging FY19 summer.
- Revenue of \$84.2m, down slightly from \$87.7m in 1H19 albeit off a lower sales volume.
- Pro Forma Operating EBITDA of \$16.5m*, compared with \$17.3m in 1H19. Proforma NPAT of \$8.7m, compared with \$9.7m in 1H19.
- Statutory NPAT of \$20.8m, compared with \$15.1m in 1H19.

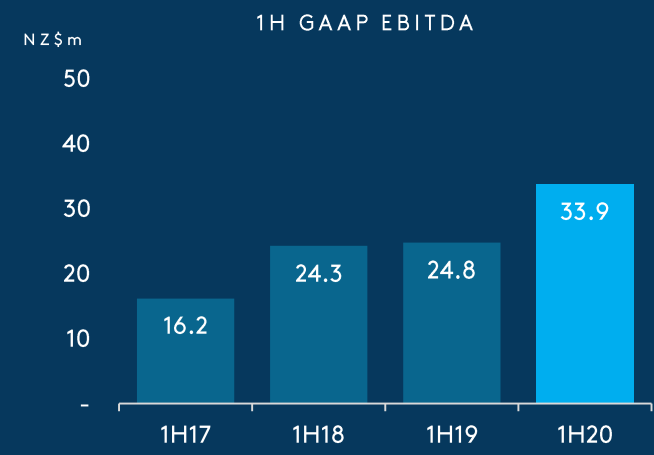
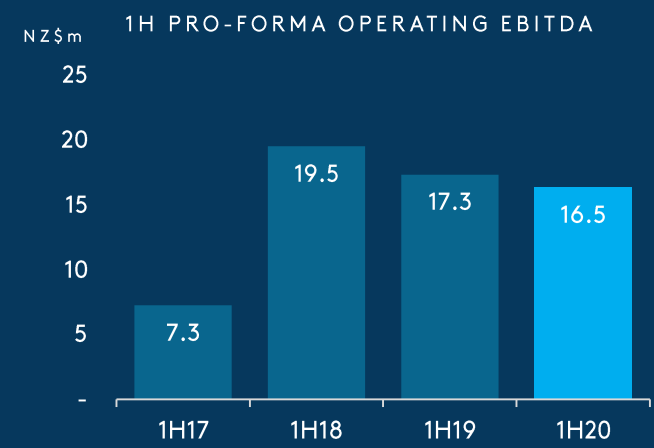
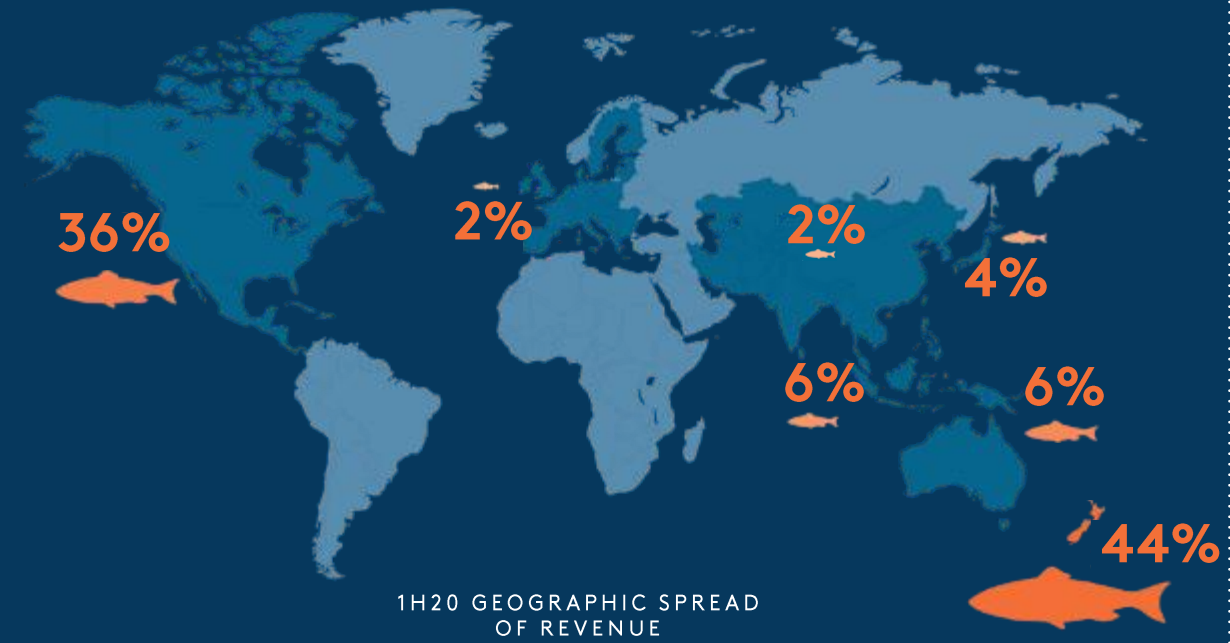
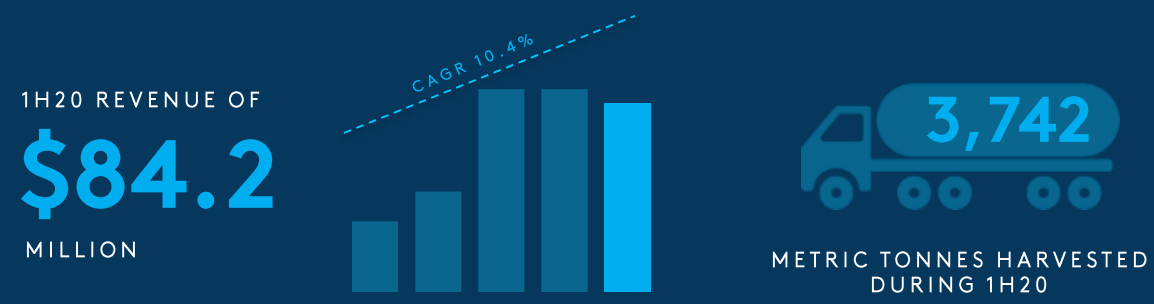
New aquaculture operating model and upwelling in place prior to summer 2019/2020.

Fully imputed final dividend of 2.0 cents per share declared. To be paid 20 March 2020.

FY20 guidance for Operating EBITDA of \$25.0m to \$28.5m reaffirmed.

* A full reconciliation between GAAP and Pro Forma results is shown on page 26 of this presentation.

FACTS AND FIGURES



HEALTH, SAFETY AND WELLNESS

We are uncompromising in our commitment to Health, Safety and Wellness

We had no serious injuries that required notification to WorkSafe during the past 6 months. We are not satisfied with our Lost Time Injury Frequency Rate, although injuries recorded were largely low level strains and sprains that required only time to rehabilitate.

Key Health, Safety and Wellness metrics for the period were:

- Total Recordable Incident Frequency rate (TRIFR), an indicator of severity, improved to 227.7 compared to 261.7 for 1H19.
- Lost Time Injury Frequency Rate (LTIFR) was 23.4 compared to 22.8 for 1H19.
- Near miss reporting remains strong with 307 near misses recorded in 1H20 compared with 437 in 1H19.
- Completion of H&S meetings and H&S audits remains high.

FY19 saw the implementation of an early intervention programme and a pleasing improvement in leading indicators. This programme is aimed at picking up team members' injuries before they are serious enough to require health professional or ACC intervention.

This has seen a decrease in LTIs over the past few months which we anticipate should reflect positively in future LTIFR indicators.



SUSTAINABILITY

OPERATING SUSTAINABLY

Care for the environment is a key pillar in our business strategy – we want to minimise our footprint as much as we can, whilst helping our people, our community and our stakeholders for the long-term.

Our certification programme provides independent verification of our sustainable practices with regular assessments by expert third party organisations. In addition to our ongoing Best Aquaculture Practices certification and as part of our commitment to the Global Salmon Initiative membership, we achieved Aquaculture Stewardship Council certification for our Clay Point farm in 1H20. The New Zealand King Salmon industry retained a Green “Best Choice” rating from Monterey Bay Aquarium Seafood Watch with our company playing a leading role as New Zealand's largest producer.



OPERATING SUSTAINABLY

Our commitments and achievements also include:

- First year of participation in the UN Global Compact, a voluntary code of ten principles addressing fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption. First annual Communication of Progress submitted in August 2019.
- A Life Cycle Analysis report commissioned to gauge our carbon emissions across the business.
- Sustainability Committee established involving team members across the company to set further short and long term sustainability goals.
- As a partner in the New Zealand Plastics Packaging Declaration, we declared our commitment to reaching the ultimate goal of using 100% reusable, recyclable or compostable packaging across our business by 2025. We have replaced polystyrene bins with cardboard cartons for some of our salmon products, eliminating 22,800kg of polystyrene from the environment per year.

03

FINANCIAL OVERVIEW



SUMMARY FINANCIAL INFORMATION

- Strong pricing with ongoing market and product mix optimisation.
- GAAP results are impacted by fair value gains. FY20 sees a significant increase in fair value gains due to strong winter growth and an increase in average fish size as we managed available fish supply post summer.

Group Financial Performance						
NZ\$000s	Pro-Forma*			GAAP		
	1H20	1H19	% chg.	1H20	1H19	% chg.
Volume Sold (MT)	3,442	3,824	-10%	3,442	3,824	-10%
Revenue	84,189	87,681	-4%	84,189	87,681	-4%
Gross Margin	30,857	29,262	5%	47,886	36,744	30%
Gross Margin %	37%	33%		57%	42%	
EBITDA	16,470	17,330	-5%	33,946	24,812	37%
EBITDA %	20%	20%		40%	28%	
EBIT	12,695	14,372	-12%	29,515	21,854	35%
NPAT	8,722	9,693	-10%	20,766	15,080	38%

* Pro-Forma results adjust for the impact of fair value adjustments and NZ IFRS-16. A full reconciliation between GAAP and Pro Forma results is shown on page 26 of this presentation.

UNDERSTANDING OUR GAAP RESULTS

The impact of *NZ IAS-41 Agriculture*, *NZ IAS-2 Inventory* and *NZ IFRS-16 Leases*

Our GAAP results are impacted by Fair Value gains arising from the application of *NZ IAS-41 Agriculture*, *NZ IAS-2 Inventory* and the classification of leases under *NZ IFRS-16 Leases*. The impact of these standards are explained below:

Fair Value under *NZ IAS-41 Agriculture* and *NZ IAS-2 Inventory*

When we record a change in biomass at sea, or to the expected future profit on fish sales, these standards require us to quantify and recognise the gain in the current period. This applies to both biomass at sea and inventories of finished products.

Our Statement of Financial Position shows biological assets at their fair value, with 1H20 seeing a significant uplift in fair value as biomass on hand and average fish size increased. Pro Forma Operating Financial Performance removes gains/losses associated with the application of these standards. The company presents Pro Forma results for future and historical reporting periods on this basis.

NZ IFRS-16 Leases

Under *NZ IFRS-16* a lessee will no longer make a distinction between finance leases and operating leases; all (material) leases will be treated as finance leases.

In the statement of financial position we are therefore required to recognise the asset (or right to use the asset) and the liability for the lease, while in the statement of profit and loss we recognise the interest cost and the depreciation of the leased asset instead of the operating lease expenses. The application of this standard increases EBITDA, assets and liabilities, however this impact is reversed in our Pro Forma results.

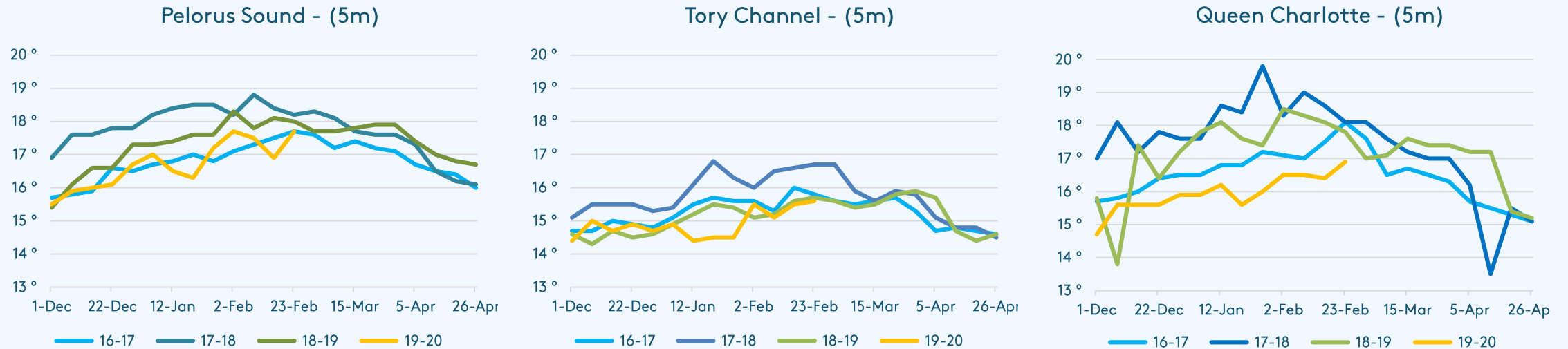
HARVEST BY FARM

Implementation of our new production model has changed harvest timings with FY20 harvest to come predominantly from the Tory Channel and FY21 harvest to be predominantly from the Pelorus and Queen Charlotte sounds.

	Farm	Water Conditions	Other factors	Volume Harvested *			
				1H19	2H19	1H20	2H20F
Queen Charlotte	Ruakaka	Low flow	Low automation, less efficient	555 MT	150 MT	480 MT	-
	Otanerau	Low flow	Low automation, less efficient	815 MT	-	-	-
Tory Channel	Clay Point	High flow	Good automation	-	1,285 MT	565 MT	1,705 MT
	Te Pangu	High flow	Good automation	880 MT	1,395 MT	690 MT	1,860 MT
	Ngamahau	High flow	Good automation	-	595 MT	490 MT	505 MT
Pelorus Sound	Waitata	High flow	High automation, new equipment	1,265 MT	-	1,520 MT	-
	Kōpaua	High flow	High automation, new equipment	505 MT	475 MT	-	-
				4,020 MT	3,900 MT	3,745 MT	4,070 MT

* Based on FY20 harvest and forecast harvest volumes, note that a further 5 MT is forecasted to be harvested from our hatcheries in FY20 (FY19 actual hatchery harvest 11 MT).

WATER TEMPERATURES



Water temperature is only one of a number of factors that influence survival:

- Year to date water temperatures are lower than those seen in the past two years and more in line with long term averages.
- February and March are historically the most challenging months from a fish survival standpoint. As always, we will provide an update to the market at the conclusion of summer.
- NZKS publishes water temperatures on its website at <https://www.kingsalmon.co.nz/summer-water-temps/>

FISH HEALTH

Fish health and therefore survival is influenced by a number of factors including smolt quality, husbandry and the environment in which we operate.

- Best possible biosecurity practices have now been implemented with reduced handling of livestock, full site cleaning and fallowing post harvest.
- Upwelling was deployed on all sites prior to summer and has led to improved water flow and a slight reduction in water temperatures.
- Immunisation appears to have assisted in managing the impact of NZ-RLO*, however *Tenacibaculum maritimum* remains a challenge that will require addressing.

We continue to improve the new aquaculture model which will reduce the variability in production and impact of summer between financial years. As previously noted the full impact of the change in production model cannot be assessed until the end of FY21.

* NZ- RLO or rickettsia-like organism and *Tenacibaculum maritimum* are bacteria naturally present in the marine environment, that have the potential to cause health issues in salmon.

BALANCE SHEET

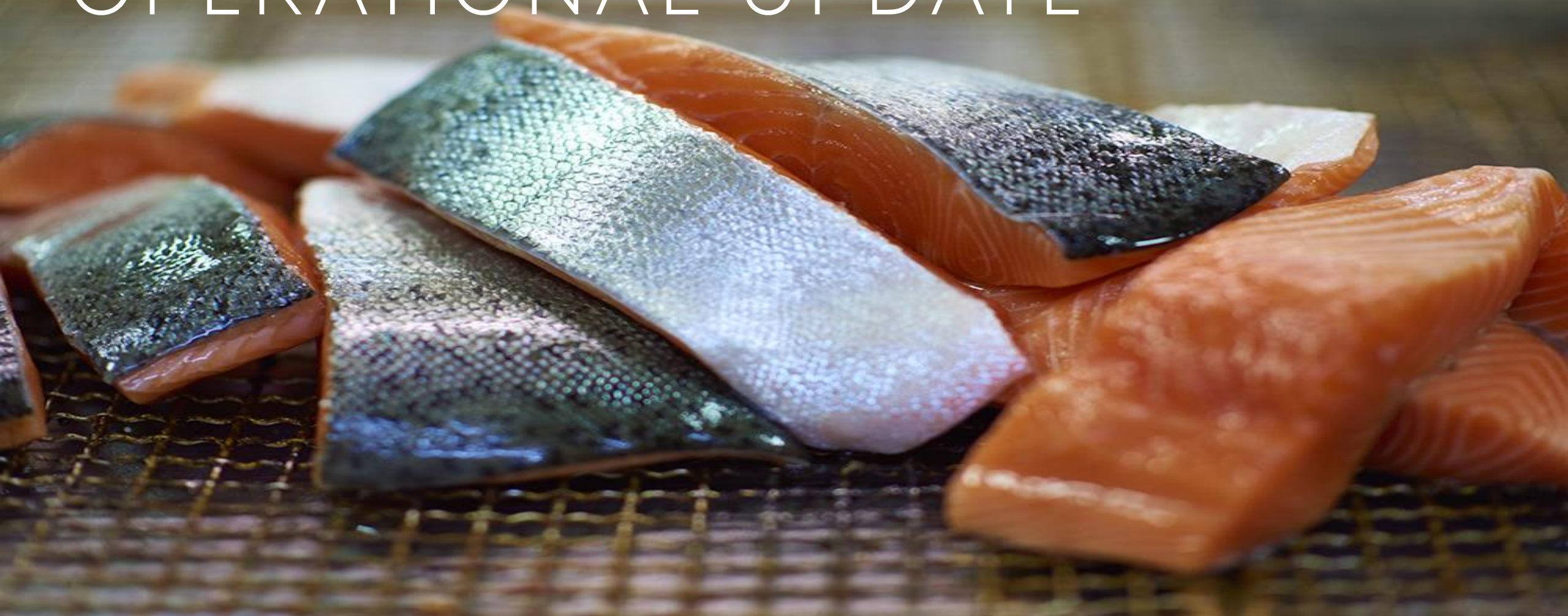
New Zealand King Salmon maintains its strong financial position.

Our balance sheet remains strong with capacity to finance further growth:

- Net debt increases to \$25.1m.
- Inventories increase due to planned stock build with harvest in excess of sales.
- Biological Assets increase significantly as biomass on hand and fish size increase.
- PP&E increased by \$6.0m, including:
 - ▶ The completion and launch of a new feed barge “Thomas Song”.
 - ▶ Implementation of the new operational model including investment in upwelling, grading panels and farm reinstatement (Forsyth/Waihinau).
- Adoption of *NZ IFRS-16 Leases* sees right of use assets and total lease liabilities recognised in the balance sheet at \$5.0m.
- ‘Other’ non-current assets of \$52.4m includes goodwill of \$39.3m.
- ‘Other’ non-current liabilities of \$20.4m reflects deferred tax on fair value gains.

Group Financial Position		
	Dec-19	Jun-19
NZ\$000s	Unaudited	Audited
Current Assets		
Cash and equivalents	4,962	6,231
Receivables	18,456	13,502
Inventories	28,497	20,830
Biological Assets	92,738	68,052
Other	1,858	494
	146,511	109,109
Non-current Assets		
Property, plant & equipment	57,884	51,843
Right of use assets	4,950	-
Biological assets	10,369	10,180
Other	52,353	50,928
	125,556	112,951
Total Assets	272,067	222,060
Current Liabilities		
Loans (external)	(3,104)	(416)
Lease Liabilities	(714)	-
Payables	(20,914)	(16,499)
Other	(8,204)	(5,274)
	(32,936)	(22,189)
Non-Current Liabilities		
Loans (external)	(27,000)	(15,000)
Lease Liabilities	(4,277)	-
Other	(20,413)	(16,119)
	(51,690)	(31,119)
Total Liabilities	(84,626)	(53,308)
Net Assets	187,441	168,752
Net Cash / (Debt)	(25,142)	(9,185)

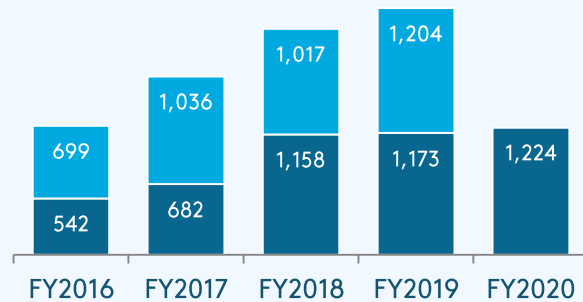
OPERATIONAL UPDATE



SALES BY MARKET - EXPORT

Continuing to target branded premium markets

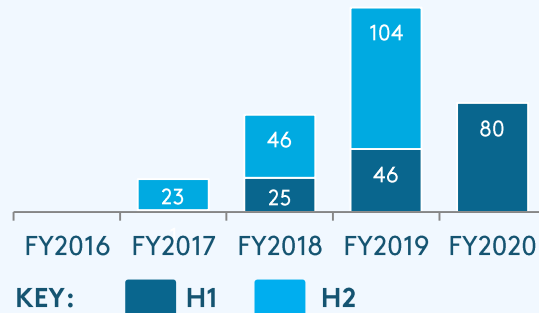
North America (MT)



Sales to North America continued their upward trajectory increasing by 4% on 1H19.

- We continue to target the North American market and are pleased to maintain strong sales momentum.
- Retail brands developing well with retail Regal sales up over 250% from 1H19.
- First steps taken to establish an e-commerce channel.

China (MT)



Sales to China increased by 73% on 1H19, but represented just 2% of total sales.

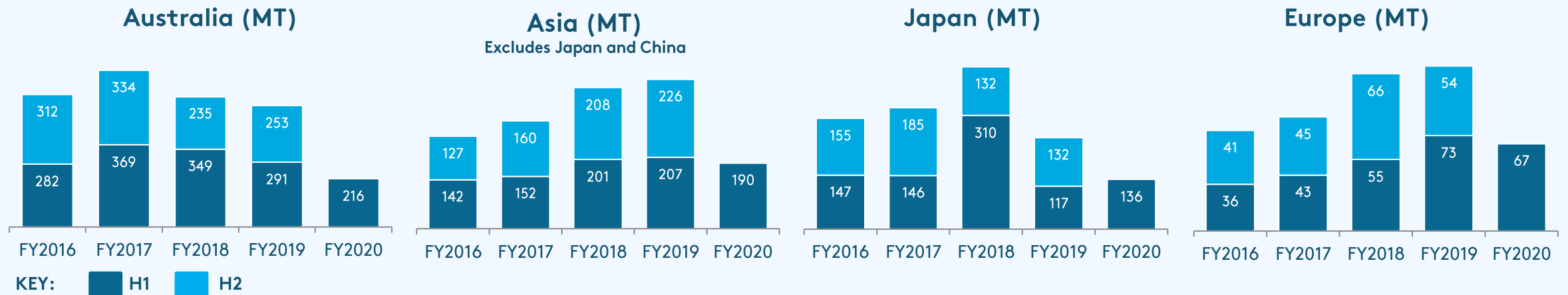
- Our success in China and continued growth is supported by our shareholder China Resources Ng Fung Limited.
- Our salmon brands are complemented by our growing online pet food business.
- The COVID-19 (coronavirus) outbreak is expected to see growth slow in the short term with volume easily reallocated to other markets at equivalent margins, however demand remains positive.

SALES BY MARKET - EXPORT

Strong growth in average sales price offset by volume constraints

We continue to balance volumes between markets to maximise returns

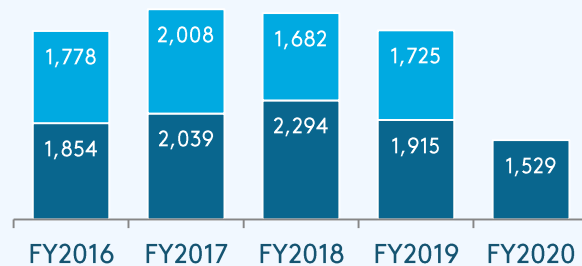
- Asia (ex Japan and China) – continues to grow in significance. Sales decreased slightly in 1H20 after further price rebalancing.
- Japan – ongoing premiumisation has positioned our brands appropriately.
- Europe – volumes remain flat after price rebalancing.
- Australia – significant price rebalancing and a focus on branding.



SALES BY MARKET - DOMESTIC

Branded premium export success has impacted fish availability domestically

Domestic Market (MT)



KEY: H1 H2

High customer demand meant orders surpassed our ability to supply.

- NZKS continues to focus on branding and value added product offerings in the domestic market.
- Improved domestic pricing across all channels.
- Sales volume has decreased by 20% on 1H19 with this being driven by:
 - ▶ Our strategy of focusing on the top end of the salmon category.
 - ▶ Increased competition at the lower end of the market.
 - ▶ December sales being less than forecast due to the inclement weather and limited promotion in the fresh salmon category.
- Atlantic salmon sales continue to grow in the New Zealand market:
 - ▶ NZKS expects to take a larger share of this segment, financial impact on FY20 is immaterial.
 - ▶ Our first Atlantic salmon range was launched in November – Regal Epicurean

AVERAGE SALE PRICES

Market and product optimisation sees ongoing improved value to our business

Overall price growth and a weaker NZD saw average sales price increase.

Sale Prices and Exchange Rates			FY2016	FY2017	FY2018	FY2019	1H2020
Average Gross Sales Price per kg							
Domestic Sales	NZD		17.97	18.77	20.22	22.11	24.99
Export Sales (All Markets)	NZD		20.12	20.46	21.70	23.85	25.47
Foreign Exchange Rates							
NZD:AUD			0.91	0.93	0.93	0.94	0.93
NZD:USD			0.68	0.69	0.69	0.68	0.66
NZD:JPY			77.5	77.1	75.6	71.3	69.1

* Volume weighted average sales price for all exported salmon based on foreign exchange rates achieved as outlined on the table above.

FISH PERFORMANCE

Solid 1H20 recovery from previous summer; as always, fish performance for the second half is the challenge.

- Harvest volume decreased to 3,742 MT, 7% lower than 1H19 and with FY20 now forecast at ~7,800 MT.
- FCR improved to 1.59, 9% lower than 1H19 due to ideal winter growing conditions, good performance in the Tory Channel and smaller fish in the Pelorus Sound. FY20 Full year FCR is expected to be in line with or slightly ahead of the prior year (FY19 FCR :1.80).
- Fish survival rates for 1H20 were in line with last year.
- Strong winter growth sees closing biomass of 7,060 MT up 2% on 1H19 despite last year's low survival.
- Feed costs are up due to the weakening of the NZD, with this partially offset by a change in diet composition. Anticipate FY20 full year feed cost to be similar to FY19.

Biological Performance					
	1H20	1H19	% chg.	1H18	% chg.
Harvest Volume (MT)	3,742	4,026	7% (U)	4,424	15% (U)
Feed Conversion Ratio (FCR)	1.59	1.74	9% (F)	1.74	8% (F)
Mortality as a % of Biomass	5.6%	5.6%	0% (-)	9.0%	38% (F)
Closing Livestock Biomass	7,060	6,915	2% (F)	6,684	6% (F)
Feed Cost (\$/Kg of feed)	2.48	2.44	2% (U)	2.20	13% (U)
(F) Favourable (U) Unfavourable					

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OUTLOOK



FUTURE FARMING INITIATIVES

Open Ocean Farming - NZKS has applied for its first open ocean consent comprising two sites, 7 km off the Marlborough coast:

- The project has been named “Blue Endeavour” representing a step towards the future farming vision for the industry and New Zealand.
- The consent application was publicly notified, and received a total of 56 submissions, 39 in support, 2 support in part, 1 neutral and 14 in opposition.
- The majority of the opposing submissions focused on site-specific environmental concerns. Further reports are being completed which we believe will address the issues and concerns raised by submitters.
- The Resource Management Act (RMA) consenting process is underway and will involve hearings in mid 2020 with a decision expected shortly thereafter.
- The earliest possible harvest from the region would be in the 1st quarter of the 2023 calendar year.
- Capital costs for the first Blue Endeavour farm infrastructure are estimated at \$25 - \$35m with some ability for this spend to be staged. This investment is expected to generate an eventual production volume of ~4,000 MT per 18 month cycle.

Farm Relocation (MPI Salmon Relocation Process):

- A revised proposal from Iwi and NZKS was provided to MPI in June 2019, including use of the proposed site at Mid Waitata.
- Any potential production benefit from relocation would be achieved in FY23 or beyond due to process timing.

OUTLOOK

Expectations for FY20

- Harvest is expected to be higher than sales due to carrying finished goods inventory into FY21 to smooth supply.
- Pricing remains strong; sales volumes are growing with full year sales volume now expected to be 7,400 – 7,600 MT.
- NZKS continues to diversify our offerings in order to extend our premium positioning and category leadership, and improve resilience.
- In the short term the outbreak of the COVID-19 (coronavirus) is expected to negatively impact sales to China (2% of total revenue) with product already re-allocated into other markets. We don't currently anticipate other markets to be affected. We maintain a watching brief in case of any potential inbound procurement disruptions from COVID-19.
- Capital expenditure for FY20 is expected to be ~\$20m as previously advised vs. depreciation of \$8.2m as NZKS continues to establish the infrastructure to facilitate future growth and to improve fish survival and performance.
- Based on factors known to us at the time of writing, the Directors re-affirm previous guidance for FY20 Operating EBITDA of between \$25.0m and \$28.5m.
- We continue to work hard on water space initiatives and anticipate a decision on our Open Ocean resource consent application during the 2020 calendar year, with a farm relocation decision likely to be made in FY21.

Expectations for FY21 and beyond

- No reason at this point for any change to previously guided future harvest volumes of ~8,000 MT for FY21 and ~9,200 MT for FY22. As always, guidance for future periods remains dependent on respective summer survival

APPENDICES



APPENDIX – FY20 RECONCILIATION BETWEEN GAAP RESULTS AND PRO FORMA FINANCIALS

1H20	Statutory Financial Statements	IAS41 and IAS2 Fair Value Adjustments	IFRS16 Lease Adjustments	Pro Forma Operating Financial Information
NZD 000s				
Revenue	84,189			84,189
Cost of goods sold	(74,830)	29,429	(260)	(45,661)
Fair value gain / (loss) on biological transformation	46,198	(46,198)		-
Freight costs to market	(7,671)			(7,671)
Gross Profit	47,886	(16,769)	(260)	30,857
Other operating income	94			94
Overheads				
Sales, marketing and advertising	(6,609)		(86)	(6,695)
Distribution overheads	(2,214)		(248)	(2,462)
Corporate expenses	(5,147)		(113)	(5,260)
Other expenses	(64)			(64)
EBITDA	33,946	(16,769)	(707)	16,470
Depreciation and amortisation	(4,431)		656	(3,775)
EBIT	29,515	(16,769)	(51)	12,695
Finance income	9			9
Finance costs	(734)		92	(642)
Net finance costs	(725)	-	92	(633)
Profit / (loss) before Tax	28,790	(16,769)	41	12,062
Income tax (expense) / credit	(8,024)	4,695	(11)	(3,340)
Net Profit / (loss) for the Year	20,766	(12,074)	29	8,722

Classification of overheads has been adjusted to align with FY19 Financial Statement comparatives.

APPENDIX – FY19 RECONCILIATION BETWEEN GAAP RESULTS AND PRO FORMA FINANCIALS

1H19	Statutory Financial Statements	IAS41 and IAS2 Fair Value Adjustments	* IFRS16 Lease Adjustments	Pro Forma Operating Financial Information
NZD 000s				
Revenue	87,681			87,681
Cost of goods sold	(82,316)	31,720		(50,596)
Fair value gain / (loss) on biological transformation	39,202	(39,202)		-
Freight costs to market	(7,823)			(7,823)
Gross Profit	36,744	(7,482)		29,262
Other operating income	186			186
Overheads				
Sales, marketing and advertising	(5,911)			(5,911)
Distribution overheads	(1,949)			(1,949)
Corporate expenses	(4,071)			(4,071)
Other expenses	(187)			(187)
EBITDA	24,812	(7,482)		17,330
Depreciation and amortisation	(2,958)			(2,958)
EBIT	21,854	(7,482)		14,372
Finance income	36			36
Finance costs	(504)			(504)
Net finance costs	(468)	-		(468)
Profit / (loss) before Tax	21,386	(7,482)		13,904
Income tax (expense) / credit	(6,306)	2,095		(4,211)
Net Profit / (loss) for the Year	15,080	(5,387)		9,693

* Adaption of NZ IFRS-16 Leases requires only a adjustment to opening retained earnings, hence there is no 1H19 profit and loss impact.

APPENDIX – GLOSSARY OF TERMS

1H20	Financial results for the first half of the 2020 financial year covering the period 1 July 2019 to 31 December 2019
1H19	Financial results for the first half of the 2019 financial year covering the period 1 July 2018 to 31 December 2018
CAGR	Compounding annual growth rate
EBITDA	Earnings before interest, tax, depreciation and amortisation
FCR	Feed Conversion Ratio – the amount of feed (in kilograms) required to grow 1 kilogram of fish weight
G&G	Gilled and gutted. Note that all volumetric information presented is on a gilled and gutted basis unless otherwise stated
GAAP	Generally Accepted Accounting Practice
Mortality / Mortality Rate	The percentage mortality of salmon in seawater, calculated as the biomass of salmon mortalities in kg divided by the growth of salmon in kg
MT	Metric tonnes
NPAT	Net profit after tax, also reported as net profit for the period in our published financial results
NZKS	New Zealand King Salmon
Pro Forma Operating EBITDA	Pro Forma Operating EBITDA refers to earnings before interest, tax, depreciation, amortisation after allowing for pro forma adjustments as described in the Appendix to this document. Pro Forma Operating EBITDA is a non-GAAP profit measure
Upwelling System	A system that allows dense cooler water to be moved towards the ocean surface, displacing the warmer water and increasing water flow.

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Our results are reported under NZ IFRS. This presentation includes non-GAAP financial measures which are not prepared in accordance with NZ IFRS. The non-GAAP financial measures used in this presentation include:

- EBITDA. We calculate EBITDA by adding back (or deducting) depreciation, amortisation, finance expense / (income), and taxation expense to net earnings / (loss) from continuing operations.
- EBIT. We calculate EBIT by adding back (or deducting) finance expense / (income), and taxation expense to net earnings / (loss) from continuing operations.
- Pro Forma Operating EBITDA refers to earnings before interest, tax, depreciation and amortisation after allowing for pro forma adjustments as described in the Appendix to this document.

We believe that these non-GAAP financial measures provide useful information to readers to assist in the understanding of our financial performance, financial position or returns, but that they should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with NZ IFRS. Non-GAAP financial measures may not be comparable to similarly titled amounts reported by other companies.

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New Zealand King Salmon

1H20 HALF YEAR RESULTS