



SANFORD LIMITED
SUSTAINABLE SEAFOOD

27 January 2010

MANAGING DIRECTOR'S ADDRESS

Thank you Mr Cole.

Last year I talked about an expectation of markets easing back from the disruptions caused by the global financial crisis but expected that with an exchange rate at that time of 53 to 54 cents that we should generate a satisfactory return to shareholders. Who would have believed that the exchange rate would again spike above 80 cents and remain consistently above 70 cents?

The final result for 2009 taking into account market conditions and exchange rate volatility was satisfactory. Enhancing the operational performance over the past two years has contributed to that satisfactory outcome. The crystal ball that can predict future exchange rates has yet to be invented and will never be when our exchange rate is not determined by the fundamental economics of New Zealand as a country compared to other countries currencies but by currency traders looking for safe havens to park large sums of money for usually very short periods. A very small proportion of trades in New Zealand dollars are related to the basic trading in international goods and services. It is high time New Zealand as a country started earning some income from these currency traders that costs shareholders in Sanford and other trading companies many millions of dollars each year. A tax on non trade related currency transactions could not only earn significant income for the government it could also result in our exchange rate moving closer to its realistic value and thereby add significant value to the wealth of New Zealanders.

Since the end of financial year it is fair to say markets have been stable. Markets for most species are lower than we would like and we are constantly seeking to move price levels to those we were achieving in mid 2008. Inventory levels that rose when the global financial crisis affected demand are now slowly decreasing and we expect this trend to continue over the coming year.

One strong focus this year is to stimulate demand for Greenshell Mussels with present selling prices being uneconomical. In the United States we need to reduce our reliance on the lower priced buffet markets and increase the availability and demand from mainstream foodservice customers. Although we market to more than 60 countries the USA remains the dominant market followed by Korea. Opportunities in China will be explored with a consortium of New Zealand companies. Being the largest farmer and processor of Greenshell Mussels a small price increase can make a significant difference to our profitability. The new automated North Island Mussel Processors Limited (NIMPL) plant in Tauranga is currently under going commissioning trials and full scale production will commence in the near future.

Across our operations we continue to seek improvements in performance in terms of efficiency and technology. The new inshore trawler San Hikurangi has performed up to expectations since it joined the fleet late last year. The Big Picture Wine experience has not had the turnover expected and further efforts will be made in the coming year to promote this attraction. Our deepwater operations continue to be the most profitable part of our business and with a sustainable resource with a good mix of quality assets we would expect this to continue into the future. We continue to seek growth opportunities for aquaculture and we



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are supportive of the call from Federated Farmers to allow trout farming in New Zealand. Sanford would immediately invest in trout farming if it was permitted in New Zealand. There is no valid scientific argument that can be sustained against trout farming. The arguments that were mounted many years ago objecting to salmon farming have been proved groundless.

Catch volumes of skipjack tuna in the Pacific were in line with expectations but prices trended lower than the previous years record. Despite this the vessels still produced a satisfactory result and catches so far this year are satisfactory. Future access and management measures in this fishery will be challenging.

Profitability of the Weihai Dong Won Food plant in China continued to improve as production volumes increased and margins were able to be improved. Since balance date we have sold our holding in High Liner Foods Inc at around book value and used the proceeds to reduce debt.

Outlook

We forecast that markets will remain challenging but gradually improving over the coming year. The exchange rate will continue to be impossible to predict but our efforts will continue to maximise prices and manage the exchange rate risk. The major capital project for the coming year will be the automation of our processing plant at Havelock which will be carried out in the latter part of 2010 and will improve the profitability of that operation.

Operationally we are well positioned to achieve our catch and processing targets and with an excellent team at Sanford ranging from fishing skippers and crew, marine farm workers, fish and shellfish processing staff, and administrative and management staff all committed to this industry and delivering acceptable returns to Sanford shareholders.

E F Barratt
Managing Director