

The Scottish Salmon Company PLC

Operational Update Q3 2017



Record revenues driven by continued high prices and increased volume

Highlights

- Record quarterly revenue of £39.0m (Q3 2016: £25.2m), driven by continued high prices and increased harvest volume
- Mortalities and accelerated harvesting impact costs
- Successful positioning of premium brand by addressing high-end segments with export focus. Exports to North America increased to 6% (Q3 2016: 0%)
- Upheld 2017 volume of 25,000 tonnes, anticipate 26,500 tonnes in 2018

Key financials

	Q3 2017	Q3 2016	YTD 2017	YTD 2016	FY 2016
Net operating revenues	39 031	25 150	111 050	82 712	109 921
EBITDA	6 723	(1 401)	30 016	7 765	8 939
EBIT before fair value adjustments	4 747	(3 392)	23 932	1 667	672
Equity ratio	60 %	56 %	60 %	56 %	55 %
NIBD	35 814	36 464	35 814	36 464	42 904
Harvested volume	6 781	5 486	18 398	18 609	24 342
EBIT/kg before fair value adjustments	0.70	(0.62)	1.30	0.09	0.03

Status and outlook

- Revenues for the third quarter 2017 were £39.0m (Q3 2016: £25.2m) on harvested volumes of 6,781 tonnes (Q3 2016: 5,486 tonnes). Increased revenue was driven by higher harvesting volumes and higher prices vs Q3 2016. Prices constrained due to harvesting smaller sizes and accelerated harvesting as a result of biological issues experienced at the end of the quarter during the period of seasonal warmer temperatures.
- Cost/kg were impacted by mortalities and lower harvest mean weights, as a result of accelerated harvesting, compared to H1 2017. The mortalities were accounted for as they occurred. Higher costs from mortalities continue into Q4 and may continue to affect costs into 2018.
- Focus remains on the biology of the salmon with continued use of the hydrolicer and freshwater treatment trials have shown encouraging results. Ongoing stocking of cleaner fish throughout all sites and further development of site specific health planning have contributed to improved management of these issues.
- The development of the Company's platform for future growth is the core element of the quality growth strategy. This has continued with the introduction of a new filleting facility in the south. In addition to improving overall operational efficiency and product utilisation, the new line will improve flexibility and strengthen consistent and valued service.
- Export sales accounted for 48% of value in Q3 2017, compared to 42% in Q3 2016, demonstrating the effective strategy of driving export growth. Underpinning the strategy is the focus on: partnerships with key customers, identifying niche export market opportunities, developing the product range and regional brand development. The Label Rouge and Native Hebridean brand values are built on the core competencies of provenance and quality, recognised for their premium positioning.

- The outlook for continued strong demand and limited global supply growth paves the way for continued firm prices throughout the remainder of 2017 and into 2018. The Scottish Salmon Company reiterates target to harvest 25,000 tonnes in 2017 and guides on a harvest volume of 26,500 tonnes in 2018.

CEO comment

Craig Anderson, Chief Executive Officer at The Scottish Salmon Company, said:

“We remain committed to our long-term strategy to grow our business and to produce the finest Scottish Salmon produced in a sustainable way. During the third quarter, we continued to develop our operations, investing in operational efficiency and capacity.”

“We continue to pursue our ambitions to drive export growth and develop our premium brands with a focus on provenance. The Scottish Salmon Company has successfully developed the market further for Native Hebridean salmon. The innovative success of being recognised recently in winning three Food & Drink awards.”

“The continued success and drive to develop and grow our business requires involvement from all employees. SSC has experienced staff, and is committed to their continued development, which, in turn, will continue to drive the organisation forward.”

“Demand for Scottish salmon as a premium food continues and we will capitalise on this through market development and ongoing brand development built on our core competencies and heritage as already showcased by our Label Rouge and Native Hebridean brands.”

Financial calendar

The Company will release its full year 2017 results on Monday 5 March 2018.

For more information, please contact:

Su Cox, Investor Relations
e-mail: su.cox@scottishsalmon.je

Notes:

The Scottish Salmon Company is the leading producer of premium salmon with operations only in Scotland. The Company is engaged in all stages of the value chain from smolt production through freshwater and marine farming to harvesting and processing, as well as sales and marketing activity. It is dedicated to producing the highest quality Scottish salmon.

All of The Scottish Salmon Company's farms and processing facilities are audited and approved by the internationally acclaimed GlobalG.A.P. Accreditation scheme, which includes excellence in fish husbandry and animal welfare.

The Scottish Salmon Company supports the development of health and wellbeing in the local communities in which staff work and live. Over 500 people are employed by the Company, approximately 230 of whom are in the Hebrides, with its head office in Edinburgh.

The Scottish Salmon Company Limited is a subsidiary of The Scottish Salmon Company PLC, which is listed on the Oslo Børs stock exchange.