

The Scottish Salmon Company PLC

Operational Update Q4 2018



Strong operational development and record results

Highlights

- Fourth quarter revenue up 6% and EBIT/Kg up 20% year-on-year driven by higher harvest volume and strong prices
- Harvest of 7,045 tonnes in the quarter, total harvest for 2018 of 29,913 tonnes
- Record full year revenue and EBITDA
- Acquisition of Harris & Lewis Smokehouse in the Isle of Lewis
- Dividend declared of 0.57 NOK/share
- 2019 annual harvest target of 31,500 tonnes

Key financials

	Q4 2018	Q4 2017	FY 2018	FY 2017
Net operating revenues	42,488	39,895	180,125	150,946
EBITDA	9,976	8,650	56,302	38,669
EBIT before fair value adjustments	8,019	6,542	48,014	30,476
Equity ratio	63%	59%	63%	59%
NIBD	35,787	38,519	35,787	38,519
Harvested volume	7,045	6,874	29,913	25,272
EBIT/kg before fair value adjustments	1.14	0.95	1.61	1.21

Status and outlook

- Revenue for the fourth quarter 2018 was £42.5 million (Q4 2017: £39.9 million). Harvest volumes increased 2.5% to 7,045 tonnes (Q4 2017: 6,874 tonnes). Revenue per kilo also increased to £6.03/kg in the quarter (Q4 2017: £5.80/kg), driven by overall continued strong prices.
- Costs/kg was £4.61 for the quarter (Q4 2017: £4.55/kg). From Q1 2018, The Scottish Salmon Company (SSC) changed its accounting practice for mortalities to be in line with industry standards. This has resulted in a positive accounting effect in 2018, lowering harvest costs by £0.32/kg year to date and £0.27/kg in Q4 2018. However, total Q4 costs were relatively higher as processing capability was extended in the South region. Other cost movements reflect the different profile of sites being harvested.
- The underlying demand for Scottish salmon remains strong. Export volumes accounted for 61% of sales during the period, up from 58% in Q4 2017. SSC continues to develop overseas markets, particularly in North America and the Far East, exports for 2018 were 58%.
- Total harvest volume in 2018 was 29,913 tonnes, slightly above the revised target of 29,500 tonnes.
- Total capital expenditure was £20.5 million in 2018 consisting of infrastructure investment in the new marine sites of Maaley and Portree as well as freshwater facilities and ongoing site improvement projects.
- In December SSC acquired the Harris & Lewis Smokehouse in the Isle of Lewis, this strategic investment underpins the focus on brand development in key international markets, with Scottish Provenance Guaranteed.
- Estimated harvest volume for 2019 is 31,500 tonnes and 7% cycle on cycle growth is forecast.

CEO comment

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

“In the fourth quarter, we delivered record results driven by strong operational performance across the value chain, good biological performance and a positive market environment.

“Throughout 2018 we focussed on driving export growth. Our commitment to Scottish Provenance and quality are key differentiators in the international market place. Our brands, underpinned by this unique Scottish Provenance, have contributed to our export achievements over the past 12 months. Lochlander Salmon was successfully introduced into North America and Tartan Salmon Label Rouge launched in France, growing our market share in these territories. Developing our presence in North America and the Far East remain our focus. While, like any business, we have been monitoring Brexit negotiations closely, we have a global perspective and robust long-term strategy in place to support growth.

“We made several investments to improve productivity and efficiency throughout our value chain during 2018. These included; freshwater developments, the Native Hebridean Family Breeding Unit, strategic site development as well as further increasing our processing capabilities.

“Supporting this strategy is the recent acquisition of the Harris & Lewis Smokehouse on the Isle of Lewis. Reinforcing our commitment to rural Scotland, it will exclusively smoke Native Hebridean salmon and represents a milestone in the development of this salmon. It complements the introduction of fresh Native Hebridean salmon into a major UK retailer earlier this year.

“In 2019, we remain firmly focused on our strategic priorities, ensuring the responsible growth of the Company as we bring the finest quality Scottish salmon to customers worldwide”

Results presentation

CEO Craig Anderson and CFO Fiona Larkin will present the Q4 and full year 2018 results at 09.00 CET on 12 March 2019 at Hotel Continental, 2019 Stortingsgata 24/26, Oslo, Norway.

For more information, please contact:

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About The Scottish Salmon Company

The Scottish Salmon Company is the leading producer of quality Scottish Salmon with all operations 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 BAP accreditation scheme, which includes excellence in fish husbandry and animal welfare.

Over 550 people are employed by the Company, approximately 250 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 Stock Exchange.

For more information, visit: www.scottishsalmon.com

This information is subject to the disclosure requirements pursuant to section 5 -12 of the Norwegian Securities Trading Act.