

The Scottish Salmon Company PLC

Operational Update Q1 2019



Continued operational improvements and record results

Highlights

- Q1 revenue up 23% year-on-year driven by higher harvest volume
- Harvest of 8,725 tonnes in the quarter
- Dividend of NOK 0.57/share announced on 1 March, will be paid on 15 May
- Increased consent by 1,600 tonnes as a result of ongoing site optimisation programme
- Exports increased to 65% of sales
- Volume guidance for 2019 increased to 33,000 tonnes
- Company announces review of strategic options

Key financials

	Q1 2019 Actual	IFRS 16 Adjusted	Q1 2019 Excluding IFRS 16	Q1 2018	FY 2018
Net operating revenues	53,486	-	53,486	43,374	180,125
EBITDA	20,235	2,665	17,570	15,166	56,658
EBIT before fair value adjustments	15,366	79	15,287	13,089	48,014
Equity ratio	66%	-	66%	62%	63%
NIBD	36,938	-	36,938	39,632	35,788
Harvested volume	8,725	-	8,725	7,136	29,913
EBIT/kg before fair value adjustment	1.76	0.01	1.75	1.83	1.61

Status and outlook

- Revenue for the first quarter 2019 was £53.5 million (Q1 2018: £43.4 million). Harvest volumes increased 22% to 8,725 tonnes (Q1 2018: 7,136 tonnes). Revenue per kilo increased to £6.13 in the quarter (Q1 2018: £6.08), driven by continued strong prices.
- Excluding the impact of IFRS 16, underlying operating costs/kg of £4.12/kg compared favourably to the same period last year of £4.23/kg (£3.95/kg reported following changes to mortality reporting in 2018). From Q1 2018, SSC changed its accounting practice for mortalities to be in line with industry standards resulting in a positive accounting effect during the transition year of 2018. Reported operating costs/kg, were £3.81/kg for the quarter reflecting the accounting changes for IFRS 16.
- From the start of 2019, SSC has adopted IFRS 16 - Leases, the new standard for lease accounting. This has resulted in a £2.7m positive impact on EBITDA and a relatively neutral overall impact on EBIT.
- Underlying demand for Scottish salmon remains strong. Export volumes accounted for 65% of sales during the period, up from 61% in Q1 2018, mainly driven by exports to North America and Far East.
- Supporting the strategy for responsible growth, further investment is planned for 2019. During Q1 an upgraded harvest station opened in the South and investment continued in freshwater facilities. The new Applecross Kishorn facility will be stocked in the summer with the remainder of the facility opening in early 2020.

- Site optimisation in Loch Fyne resulted in an additional 1,600 tonnes of consent, with harvesting planned in early 2021. This is an ongoing programme integrated with an ambitious pipeline of new site development projects.
- Re-guided volume for 2019 is increased to 33,000 tonnes due to strong biological performance in Q1, with forecast organic growth of around 7% and a target production volume in excess of 45,000 tonnes by 2025. This reflects the Company's substantial consent development pipeline.
- Supporting our leading quality standards, the new Harris & Lewis Smokehouse on the Isle of Lewis achieved AA rating for BRC, the leading accreditation for retail. Furthermore, SSC has been shortlisted for the international Seafood Global Awards to be held in Brussels in May with its Label Rouge 'Royal Mile Sashimi Cut', is a finalist in Business in the Community 'Responsible Business of the Year' and shortlisted for three prestigious 'Scotland Food & Drink Excellence Awards'.
- Review of Strategic Options

The Company has retained Daiwa Corporate Advisory Limited (DC Advisory) as financial advisor to assist in a review of the various strategic options available to the Company in order to maximise value for its shareholders.

These strategic options include but are not limited to (i) a potential return of capital to shareholders; (ii) utilising the capital markets in order to facilitate the Company's non-organic production growth strategy; and / or (iii) seeking a strategic partner to expedite sales expansion into Asia and other markets.

The Company does not expect to disclose information on the development of the strategic alternatives under review until the process has been completed or terminated, or if a disclosure is required in order to comply with applicable laws and regulations. No assurance can be given that any specific outcome will be proposed or completed as a result of this process.

CEO comment

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

"In the first quarter, we delivered strong results with good operational performance across the value chain and in positive market conditions. Both harvest volumes and revenue increased compared to the same period last year.

"Our commitment to Scottish Provenance continues to further strengthen the position of our brands, particularly in key export markets. We have a global perspective and robust long-term strategy to support growth to which driving exports is fundamental.

"We continue with our investment plan to optimise productivity and efficiency throughout our value chain and site development to support our ongoing growth. In light of this we are undertaking a review of strategic options as it is deemed to be in the best interests of all our shareholders.

"In our view, SSC's share price does not accurately reflect the intrinsic and long-term value of the Company due to its low free float and lack of adequate share trading liquidity. With DC Advisory's assistance we are confident we will be able to address these issues going forward.

"We remain firmly focused on our strategic priorities, ensuring the responsible growth of the Company as we bring the finest quality Scottish salmon to worldwide markets.

"Global recognition has also come in the form of being shortlisted for a Seafood Global Excellence Award for our Label Rouge Tartan Salmon Royal Mile. An addition to our top accreditations is the

recent BRC8 AA rating for the Harris & Lewis Smokehouse which will exclusively smoke our unique Native Hebridean Salmon.

“We were named a finalist in the Business in the Community ‘Responsible Business of the Year’ acknowledging the value of the sector to our communities, Scotland and the UK as a whole. We are also proud to have been shortlisted in three categories in the prestigious Scotland Food & Drink Excellence Awards: Business of the Year, Export Business of the Year and Primary Producer of the Year.”



**The Prince's
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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 600 people are employed by the Company, 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.