STATEMENT REGARDING MANDATORY OFFER FROM P/F BAKKAFROST

1. INTRODUCTION

This statement is issued by the board of directors of **THE SCOTTISH SALMON COMPANY PLC** ("**SSC**" or the "**Company**") pursuant to § 6-16 of the Norwegian Securities Trading Act in connection with the mandatory offer put forward by P/F Bakkafrost ("**Bakkafrost**" or the "**Offeror**") to acquire all the issued and outstanding shares in SSC not already owned by Bakkafrost against a consideration of NOK 28.25 in cash per share (the "**Offer**"), made in an offer document dated 8 November 2019 (the "**Offer Document**").

Pursuant to § 6-16 of the Norwegian Securities Trading Act, the board of directors of SSC (the "**Board**") is required to make a public statement regarding the Offer at the latest one week prior to the Offer expiring. The statement shall include the Board's opinion of the Offer and its views on the effect of the implementation of the Offer on the Company's interest, including the effects that the Offeror's strategic plans as described in the Offer Document may have on the employees and the location of the Company's business.

The Oslo Stock Exchange has, in its capacity as take-over authority of Norway pursuant to § 6-16 (4) of the Norwegian Securities Trading Act, decided that the Board, shall submit the statement on behalf of the Company and that none of the members of the Board can be considered to have any potential conflict of interest in this regard.

2. BACKGROUND

SSC is an independent integrated salmon farming business operating exclusively in Scotland with 60 sites across the West Coast and Hebrides, having harvested c.30,000 tonnes of salmon in 2018.

In April, SSC appointed Daiwa Corporate Advisory Limited ("**DC Advisory**") to conduct a strategic review, which, *inter alia*, included inviting offers for the Company in a two-stage process. Such strategic review was carried out by DC Advisory with a number of interested parties participating.

On 8 October 2019, Bakkafrost completed the acquisition of 133,125,109 shares (68.6% of total shares outstanding) in SSC from Northern Link Ltd. Subsequently Bakkafrost acquired further SSC shares in the open market and thus increased its shareholding in SSC to 80.77 % (holding a total of 156,683,313 shares) and consequently triggering a mandatory offer obligation in accordance with chapter 6 of the Norwegian Securities Trading Act.

In an announcement on 8 October 2019, Bakkafrost announced its intention to make a mandatory offer for all the issued and outstanding shares in SSC not already owned by Bakkafrost within four weeks (the "**Announcement**"). On 11 November 2019, Bakkafrost launched the Offer on terms set out in the Offer Document.

The Offer Document has been approved by the Oslo Stock Exchange in accordance with § 6-14 of the Norwegian Securities Trading Act and will be distributed to all shareholders of SSC with known residence, except for shareholders who reside in a jurisdiction where the Offer cannot legally be made or accepted.

3. ASSESSMENT OF THE OFFER

The Board has reviewed the Offer Document and evaluated factors that the Board considers relevant and material for the assessment of whether the Offer should be accepted by the shareholders of SSC or not. The Board would like to highlight that there has been no contact between the Offeror and management or governing bodies of SSC regarding the Offer before the mandatory offer obligation was triggered on 8 October 2019 other than such contact described in the Offer Document. Furthermore, the Offeror states in the Offer Document that no special benefits have been presented, nor will be given by Bakkafrost to members of the executive management or the Board as a consequence of the Offer.

3.1 Important details on the offer

The price offered in the Offer for all the outstanding shares in SSC is NOK 28.25 per share in cash, which values SSC' shares to approximately NOK 5,481million (market capitalization).

The Board finds it relevant to point out that since Bakkafrost prior to issuing the Offer already is the owner of more than 50% of the issued and outstanding shares in the Company, pursuant to the provisions of the Norwegian Securities Trading Act, Bakkafrost will no longer be required to make a repeated mandatory offer in connection with further acquisition of shares after completion of the Offer. Therefore, there is a risk that shareholders that do not accept the Offer will be shareholders in a company with one majority shareholder and it is possible that the share will be less liquid following the completion of the Offer.

If Bakkafrost, as a result of the completion of the Offer, or otherwise, acquires and becomes the owner of 90% or more of the shares and an equivalent right of the voting rights which may be cast at the general meeting, then Bakkafrost will have the right to resolve (and the remaining shareholders in SSC will have a right to require) a compulsory acquisition of the shares in SSC, cf. Article 117 to and including Article 121 in Part 18 of the Companies (Jersey) Law 1991.

The Board has not undertaken investigations to determine the extent to which the Offer is in compliance with legislation in the relevant jurisdictions, or whether the Offer has a significant impact on the Company's contractual obligations or business relationships apart from the following. If Bakkafrost through the Offer becomes the owner of more than 50% of the issued and outstanding shares in the Company, this will trigger a change of control clause in the Company's financing agreement with The Royal Bank of Scotland Plc. This clause allows The Royal Bank of Scotland to request a renegotiation of the terms of the financing agreement and to cancel the financing agreement if a new agreement cannot be reached. The Board is informed that The Royal Bank of Scotland intends to exercise their repayment rights under the Company's existing financing arrangement, due to the change of control in favour of Bakkafrost. The total amount of facility/funding required to repay such facility is currently estimated at GBP 57.7m. Given that such a change of control will not in itself change the Company's risk profile, the Company should be able to secure a new agreement on similar terms, either independently or with the support of Bakkafrost.

Such acquisition will also trigger a change of control clause in the Company's subsidiary The Scottish Salmon Company Ltd's ("**SSC Ltd**") leases with the Crown Estate Scotland (Interim Management) Order 2017 (the "**Crown Estate**") in relation to four lease agreements. This clause allows the Crown Estate to request a renegotiation of the terms of the leases and to cancel such leases if a new agreement cannot be reached. Given that such a change of control will not in itself change the SSC Ltd's risk profile, SSC Ltd should be able to secure either a continuation of the current lease agreements or new agreements on similar terms, either independently or with the support of Bakkafrost.

Further, the acquisition also triggers a change of control clause in SSC Ltd's rearing agreement with Hendrix. This clause allows Hendrix to request a renegotiation of the terms of such rearing agreement and to cancel such rearing agreement if a new agreement cannot be reached. Given that such a change of control will not in itself change SSC Ltd's risk profile, SSC Ltd should be able to secure either a continuation of the current rearing agreement or a new agreement on similar terms, either independently or with the support of Bakkafrost.

3.2 Rationale for the offer and impact for the company and the employees

Bakkafrost states in the Offer Document that the commercial rationale for Bakkafrost's investment in SSC and the Offer is that Bakkafrost wishes to expand its geographical area of operations and increase its production volume.

SSC operates geographically in an area reasonably adjacent to the Bidder's centre of operations where after an acquisition is well suited as a means to achieve such expansion. It is further stated that Bakkafrost also believes that substantial cost and operational synergy benefits can be achieved by integrating SSC's operations in its own, but that it is Bakkafrost's intention that SSC will remain headquartered in Scotland.

According to what is stated in the Offer Document Bakkafrost has not yet concluded as to whether any corporate reorganisations will be undertaken after the completion of the acquisition.

In the Offer Document, Bakkafrost has stated that subject to the outcome of the Offer, it may further consider applying for a delisting of the shares in SSC from the Oslo Stock Exchange. Bakkafrost may apply for a delisting also without obtaining a 90% ownership in SSC. If the Oslo Stock Exchange approves such application, it will affect the liquidity of the share and the ability to sell shares going forward.

Furthermore, the Offeror states in the Offer Document that it does not expect the Offer to have any immediate legal, economic or work related consequences for the Company's employees and that it is not familiar with any potential legal consequences for the Company following the Offer.

The Offer has been made known to the SSC's employees. The board has not received any statement from employees in connection with the Offer. The Board notes that the Offer Document, provides that the Offeror has no plans to make immediate changes that would have legal, economic or work-related consequences for the employees, including consequences related to the place of business.

3.3 Assessment of the Offer Price

The Board has reviewed the Offer Document and evaluated factors that the Board considers as material for the assessment of whether the mandatory Offer should be accepted by the shareholders in SSC.

The offer price in the Offer is NOK 28.25 per share (the **"Offer Price"**).The Board has become aware that a limited number of shareholders have commented that SSC minority shareholders have not been offered the same terms as those received by Northern Link. In accordance with § 6-14, cf. § 6-10(4) of the Norwegian Securities Trading Act, determining whether the Offer price stated in the Mandatory Offer Document is the highest price paid is a matter for Bakkafrost and the Oslo Stock Exchange to confirm. The Board understands that the Oslo Stock Exchange has made its own internal assessment of the non-cash consideration paid, and based on such internal assessment has approved the Offer Price after having had access to the agreements between Bakkafrost and Northern Link. The Board has forwarded communications it has received by minority shareholders to the Oslo Stock Exchange for their consideration.

The Board also notes that the SSC share price has increased by more than 281% over the past three years, and that the price offered by Bakkafrost is at an all-time high for the SSC share pre the strategic review announcement. It is also noted that the Offer Price has been tested with competing bidders through the strategic review initiated by the Board. This has been a broad process in which both strategic and financial bidders participated and that the Offer Price was the highest price offered by any of the parties participating in such strategic review.

In connection with the announcement of the forthcoming Offer, the Board, acting in conformity with the Norwegian Code of Practice for Corporate Governance (the NUES recommendation) engaged DC Advisory to provide a fairness opinion (the **"Fairness Opinion"**). The opinions expressed in the Fairness Opinion are prepared for the Board in order for the Board to evaluate if the Offer is fair from a financial point of view. The Fairness Opinion dated 29 November 2019 is attached to this statement.

The offer price of NOK 28.25 per share values the shares in SSC at approximately NOK 5,481 million (market capitalization). DC Advisory has calculated that the Offer represents a premium of 61.4% to the Company's pre-strategic review undisturbed closing price of NOK 17.50 per share on the Oslo Stock Exchange on 29 April 2019, and a premium of approximately 3.5%, 7.7%, 21.8% and 43.6% for the volume-weighted average share price (**"VWAP"**) in the 1-month, 3-month, 6-month and 12-month period prior to Announcement, respectively.

The Offer represents a premium on any pre-strategic review undisturbed closing price which is substantially above the average historical bid premiums observed on the Oslo Stock Exchange in successful public takeover situations. The average bid premium for successful takeovers on the Oslo Stock Exchange has historically been approximately 22%, calculated as a premium to the share price 1-month prior to Announcement.

4. THE BOARD AND CEO'S POINT OF VIEW BY VIRTUE OF BEING SHAREHOLDERS

The following Board members and the CEO owns shares in the Company directly or indirectly:

- Board member Merete Myhrstad (owns 65,000 shares);
- Board member Douglas Low (owns 40,000 shares);

- Chief Executive Officer of the Scottish Salmon Company Ltd (the **CEO**) Craig Anderson (owns 456,086 shares)

Board members Merete Myhrstad and Douglas Low, and the CEO Craig Anderson have all informed the Board that they intend to accept the Offer with respect to their respective shares. Board members Merete Myhrstad has also informed the Board that she owns 100 shares in Bakkafrost.

5. CONCLUSION AND BOARD RECOMMENDATION

After careful consideration, the Board concludes that the Offer from Bakkafrost in its opinion is fair and recommends that the shareholders of SSC accept the Offer.

The Board emphasizes that the assessment of fair value is uncertain and sensitive to a number of assumptions. The Board therefore advises shareholders to carefully review their options in light of the factors set out herein and any other available information, and to make an independent evaluation whether or not to accept the Offer.

This document does not constitute legal or tax advice, and each shareholder should consult its own advisors regarding the legal and tax consequences of accepting (or not accepting) the Offer.

This Board's recommendation is unanimous.

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1 December 2019

The Board of Directors of
The Scottish Salmon Company Plc.

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Douglas Low Non-Executive Director	Martins Jaunarajs Non-Executive Director
Merete Myhrstad Non-Executive Director	

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Signed by :

DRD Low

Douglas Low
Non-Executive Director

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