

ASX & Media Release

30 April 2019

Clean Seas Q3 Sales Revenue increases 24% over Prior Year

Highlights:

- FY19 growth continues to accelerate, with Q3 FY19 sales volume of 710 tonnes exceeding the same period in FY18 by 23%
- Sales growth in the core Australian market was up 20% in Q3 FY19 versus the same period last year
- The Company continues to pursue international expansion, and all regions recorded solid growth in Q3 FY19 versus last year. Volumes in the established Europe market are up 19%, and in the emerging markets of North America and Asia volumes are up 30% and 152% respectively
- Growth in frozen product, including the innovative new *SensoryFresh* range, was up 113% in Q3 FY19 versus the same period in FY18
- Global sales revenue increased by 24% in Q3 FY19 versus the prior year
- Having overcome a weak Q1 FY19, where Q1 sales were 6% down year-on-year, the continuing improvement in sales growth during Q2 and into Q3 indicates that the Company remains on track to deliver sales volumes of 2,750 for FY19 (a 17% increase on FY18 excluding frozen clearance product)
- Year-To-Date FY19 Cash Flow from Operations (excluding investment in biomass growth) improved by 28% to \$5.3 million

Clean Seas Seafood Limited (ASX: CSS), the global leader in full cycle breeding, production and sale of Yellowtail Kingfish, is pleased to provide an update on business progress.

Sales Growth Accelerates into Q3 FY19

Sales volume (by market, excluding frozen clearance sales)			
Tonnes (WWE)	Q1 FY19 v Q1 FY18	Q2 FY19 v Q2 FY18	Q3 FY19 v Q3 FY18
Australia	2%	18%	20%
Europe	(16%)	32%	19%
North America	13%	22%	30%
Asia/China	(8%)	67%	152%
Total	(6%)	23%	23%

Clean Seas' *Spencer Gulf Hiramasa Kingfish* remains the pre-eminent Yellowtail Kingfish with clear market leadership positions in both Australia and Europe.

Global sales volume and revenue (excluding frozen clearance) in Q3 FY19 exceeded Q3 FY18 by 23% and 24% respectively.

Growth in the core Australian market was up 20% in Q3 FY19 versus the same period last year and 14% year-to-date (YTD) reflecting new customer growth from the chef activation program, and recaptured market share from local competitors. This result is especially encouraging as this has been achieved while Farm Gate prices have also been increased.

The Company continues to pursue international expansion, with all regions recording significant volume growth in Q3 FY19. Europe is up 19%, North America is up 30% and Asia is up 152% compared to the same quarter last year.

The Company has achieved strong double-digit growth in Europe despite increased competition from local European land-based farms with selling prices significantly below Clean Seas. The Company has driven this positive result through the superior quality of its Spencer Gulf Hiramasa product, its investment in the Spencer Gulf brand marketing campaign, the chef activation program and recent visits to the Clean Seas operations in the Spencer Gulf by major European distributors and leading chefs.

The Company continues to achieve Farm Gate price increases in Australia, North America and Asia. Europe Farm Gate prices were softer in the quarter, reflecting increased competitive pressure from land based farms and the recently introduced EU-Japan Free Trade Agreement.

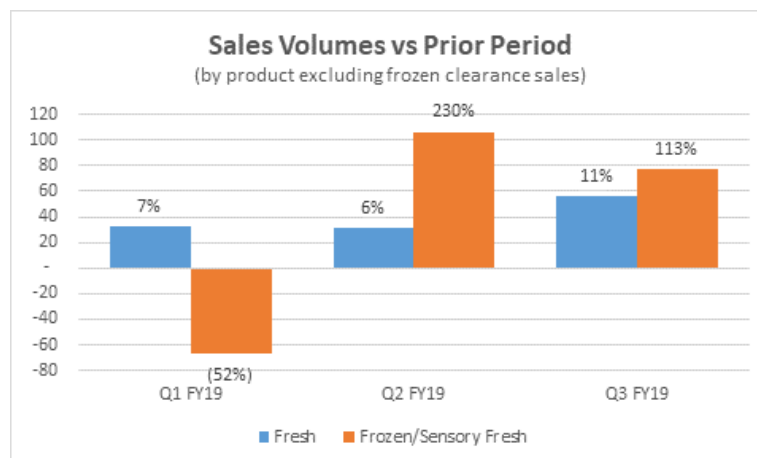
Clean Seas achieved strong growth in both North America and Asia whilst increasing Farm Gate selling prices. Large Fresh Farm Gate prices increased 30% in North America and 23% in Asia. Frozen product Farm Gate prices in Asia increased 43% following the introduction of **SensoryFresh**, Clean Seas' premium rapid frozen product range.

The Company's Farm Gate price is its selling price less processing costs, freight and handling, sales commissions and packaging materials, and is reported on a whole weight equivalent (WWE) basis.

***SensoryFresh* premium frozen product driving product category expansion**

Premium frozen product sales (excluding frozen clearance sales) in Q3 FY19 were 113% up on Q3 FY18. The launch of **SensoryFresh** has seen the premium frozen category increase by 48% for YTD FY19 compared to the same period last year.

Fresh product sales in Q3 FY19 of 565 tonnes were up 11% versus the same period last year, at higher Farm Gate prices.



Due to the timing of Easter moving from March to April in FY19, volumes for March were in line with the prior year, however April sales are expected to be significantly higher than the same period last year, with expected growth at circa 30%.

Sales volume (by market, excluding frozen clearance sales)				
Tonnes (WWE)	Jan-19 v Jan-18	Feb-19 v Feb-18	Mar-19 v Mar-18	Apr-19 v Apr-18
Total	30%	48%	(1%)	30%

Fish Health Remains Excellent with Biomass up 24%

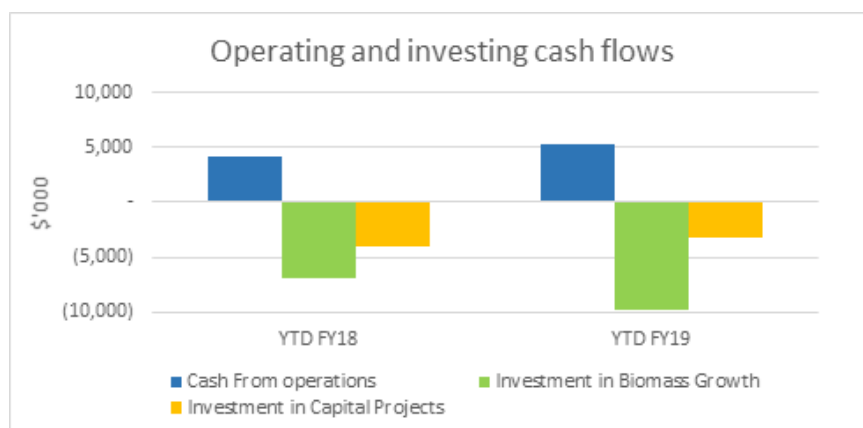
Net Growth of 2,752 tonnes in YTD FY19 is 13% higher than the same period last year. Total biomass at 31 March 2019 of 4,126 is 24% higher than 12 months earlier, reflecting the investment required to support current and future sales growth.

The biomass growth positions the Company well for further sales growth in FY20 and beyond as Clean Seas continues to expand sales of Spencer Gulf Hiramasa Kingfish in global markets.

Q3 FY19 Cash Flow Report Reflects Investment in Future Growth

Year-To-Date FY19 Cash Flow from Operations (excluding investment in biomass growth) improved by 28% to \$5.3 million.

Investment in biomass increased by 43% YTD compared to the same period last year. This will support future sales growth and achieve the scale required to efficiently leverage its overheads and deliver sustainable profitability.



The Company retains flexibility to vary its cash commitment to biomass, and the source of its funding for this investment, as part of its growth planning to align biomass levels with sales objectives.

Feed Litigation Update

The Company's legal action against Gibson's Ltd in the Supreme Court of South Australia, in respect of what the Company maintains were defective feeds supplied to the Company and fed to the Company's Yellowtail Kingfish between December 2008 and July 2012, continues. The interlocutory steps in the litigation have been completed with both parties having completed discovery and the exchange of initial and responding experts reports on liability and quantum. Gibson's Limited, trading as Skretting Australia, is defending the proceedings and has denied all liability to the Group.

On the 28 February 2019, the Company announced that the mediation with Gibson's Ltd was unsuccessful. Unless the claim resolves beforehand, the matter will proceed to trial in the Supreme Court of South Australia commencing on 30 September 2019.

Outlook

Continuing improvement in the rate of growth during Q2 and into Q3 indicates that the Company remains on track to deliver sales volumes of approximately 2,750 tonnes in FY19, which is consistent with the range of the previous guidance. This represents a 17%+ increase from the 2,353 tonnes in FY18 (which excludes frozen clearance products).

The Company intends to continue to invest to develop its sales and marketing capabilities to support long term sales growth in Europe and to expand its presence in the US and Asian markets. This investment together with investment in increased biomass will support the planned sales growth.

The Board notes that the inherent operational risks in aquaculture may impact future results.

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