SALMONES CAMANCHACA S.A. AND SUBSIDIARIES

Quarterly Earnings Report on the Consolidated Financial Statements

For the period ended December 31, 2019

Salmones Camanchaca

Salmones Camanchaca S.A. is a vertically integrated salmon producer engaged in egg and breeder production, recirculating hatcheries for Atlantic salmon and pass-through hatcheries for other species, fish-farming sites in estuary and oceanic waters used mainly for Atlantic salmon, primary and secondary processing, marketing and selling Atlantic and Pacific salmon. The Company farms trout at its own estuary fish-farming sites currently through a joint venture with a third party operator, where it has a 1/3 share in the results, with three remaining years to run and an estimated average annual harvest volume of 12,000 tons WFE. The Company harvested 54,000 tons WFE from its core business of Atlantic salmon farming in 2019 and expects to exceed 60,000 tons WFE in 2022. It also began Pacific salmon farming in 2019 and it harvested approximately 4,000 tons WFE this year. Overall production of all salmonid species at its own farming sites is expected to reach around 75,000 tons WFE in 2023. Salmones Camanchaca has around 1,500 employees on average, 60% of whom work in its secondary processing and value-added plant. Markets for sales of Atlantic salmon are led by the USA, Mexico, Russia, Brazil, Japan, China and Argentina, with approximately 40% of sales in emerging markets in a variety of fresh and frozen formats.

Highlights for the fourth Quarter 2019

- **Record harvest volume** for the quarter at 24,100 tons WFE, 72.8% higher than Q4 2018, bringing the total volume for 2019 to 58,033 tons WFE, an increase of 19.7% over 2018.

- **Atlantic salmon harvest volume** reached 20,288 tons WFE, compared to 13,944 tons WFE in Q4 2018, an increase of 45.5%. The total harvest volume of this species for the year was 53,731 tons WFE, 10.8% higher than in 2018.

- **Pacific salmon (Coho) harvest** volume was 4,302 tons WFE in its first year of production at Salmones Camanchaca. The harvest volume for the quarter was 3,813 tons WFE. This first cycle will be completed when the remaining 760 tons are harvested during the first quarter of 2020.

- **Revenue increased by 45.0%** due to 51.5% increase in sales volume compared to Q4 2018. Despite market prices fell by 8.8%, the Company's achieved prices were only 1.3% below the same quarter in 2018.

- **Live fish (ex-cage) costs** were USD3.02/Kg in Q4 2019, 6.7% higher than in Q4 2018, but in line with the long-term target of USD3/Kg. Live fish ex-cage costs for the full year 2019 were USD3.22/Kg, 16 cents higher than in 2018, mainly explained by harvesting two low density sites, and algae and oxygen problems during the summer, which negatively affected growth and costs in the first half of the year.

- **Processing costs** were USD0.7/Kg WFE, 12.5% lower than Q4 2018 and 30% lower than our long-term target of USD 1/Kg WFE, due to higher volume processing than previous quarters, and excellent average harvest weights of 5.6 Kg WFE. Processing costs for the year were USD0.9/Kg WFE, 10% lower than the long-term target, due to higher volume and efficiency investments that enabled the processing of more value-added products at a lower cost.

- **Improved results**[1] during the quarter, due to higher volume and normal environmental conditions. EBITDA was USD37.5 million, 35.0% higher than Q4 2018, and EBIT was USD 34.3 million, 38.1% higher than the same quarter for the previous year. Accordingly, EBIT/kg reached USD 1.44, slightly lower than in Q4 2018 when it was USD 1.58. EBITDA for the full year reached USD80.5 million, in line with 2018 as the higher sales volume was affected by lower market prices. Consequently, the annual EBIT/Kg WFE was 12.1% lower at USD 1.22/Kg.

- **Atlantic salmon EBIT/kg WFE** was USD 1.63 for the quarter, 3.2% higher than Q4 2018. Coho EBIT/Kg was USD -0.33, the loss is driven by low density stocking and low market prices. Full year EBIT/Kg for Atlantic salmon reached USD 1.28 compared to USD 1.38 for 2018, as lower processing cost due to higher volumes were offset by the higher cost of live fish and sales prices decrease.

- **The harvest volume for 2020 is estimated to be between 60,000 and 62,000 tons WFE**, which comprises 56,000 to 57,000 tons WFE of **Atlantic salmon** and 4,000 to 5,000 tons WFE of **Coho**.

- **Net financial debt** rose from USD37 million to USD84 million during 2019, due to an increase in investments and biological biomass, but the equity ratio remained similar to the previous year.

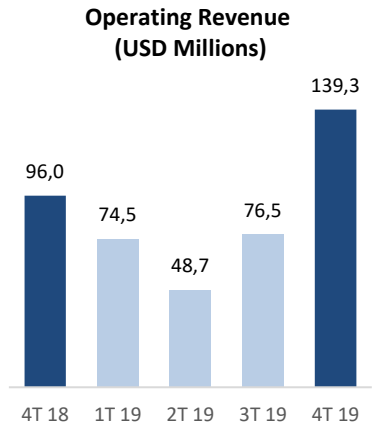
[1]Our 2019 financial performance reflects a change in accounting criteria for our share of the trout business, which is now in Other Income, the application of IFRS 16, and improvements to the fair value calculation for biological assets under IAS 41. For more detail, see Note 3 of the financial statements - Changes in accounting policies and estimates.

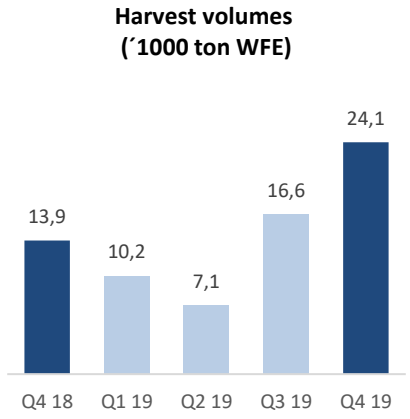
Key Figures

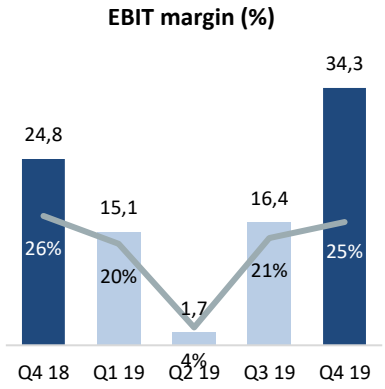
(USD 1 000)	Q4 2019	Q4 2018	Δ%	2019	2018	Δ%
Operating revenue	139,250	96,017	45.0%	338,959	329,411	2.9%
EBITDA before fair value	37,527	27,798	35.0%	80,517	80,464	0.1%
EBIT before fair value	34,284	24,827	38.1%	67,486	69,195	(-2.5%)
EBIT margin %	24.6%	25.9%	(4.8%)	19.9%	21.0%	(-5.2%)
Net profit (loss) for the period	16,121	17,272	(6.7%)	42,352	49,238	(-14.0%)
Earnings per share*	0.244	0.262	(6.7%)	0.642	0.746	(-14.0%)
Harvest volume (ton WFE)	24,101	13,944	72.8%	58,033	48,496	19.7%
Sales (ton WFE Own company)	23,838	15,730	51.5%	55,411	50,032	10.8%
Ex-cage cost (USD/Kg live weight)	3.02	2.83	6.7%	3.22	3.06	5.4%
Ex-cage cost (USD/Kg WFE)	3.25	3.04	6.7%	3.46	3.29	5.4%
Process cost (USD/Kg WFE)	0.70	0.80	(12.5%)	0.90	0.89	1.2%
Atlantic price (USD/Kg WFE)*	5.82	5.90	(1.3%)	5.96	6.12	(-2.6%)
Atlantic EBIT/Kg WFE (USD)**	1.63	1.58	3.2%	1.28	1.38	(-7.2%)
Coho EBIT/Kg WFE (USD)**	(0.26)	-	-	(0.33)	-	-
Financial debt				98,391	50,243	95.8%
NIBD				84,524	37,100	127.8%
Equity/Assets ratio				50%	54%	(-7.7%)
NIBD/EBITDA LTM				1.05	0.46	127.7%

*Billing in USD divided by tons sold excluding operations with third-party raw materials

**Excludes the net profit/loss from the trout Joint Venture and operations with third-party raw materials







Financial Performance

Results for the fourth quarter (Q4) 2019

Salmones Camanchaca harvested 20,288 tons WFE of Atlantic salmon in Q4 2019, 45.5% higher than the Q4 2018 harvest volume of 13,944 tons. The volume harvested during the last quarter was the highest in Salmones Camanchaca's history. The volume of Atlantic salmon sold was 35.6% higher at 21,334 tons WFE, while average prices were 1.3% lower than Q4 2018.

Operating revenue for the quarter rose to USD139.3 million, 45.0% higher than Q4 2018, due to higher volume, while prices were 1.3% lower than same period for the previous year.

Gross profit was USD39.8 million, or 28.6% of revenue, 31.6% higher than the USD30.4 million achieved for Q4 2018, due to higher sales volume and despite the 18 cents price reduction. The Company has with effect Q4 2019 reclassified its participation in the trout business joint venture from gross profit to other income. All 2019 and 2018 numbers have been restated to facilitate appropriate comparison.

In a context of increased production scale, administrative expenses decreased by USD0.6 million, or 19.1% compared to Q4 2018. Consequently, they decreased from 3.5% as a percentage of revenue in Q4 2018, to 2.0% in Q4 2019. Distribution and selling expenses increased by USD0.6 million but decreased from 2.3% to 2.0% of operating revenue. Consequently, and due to savings following structural adjustments at the end of 2018 the Company's combined administrative and distribution expenses decreased from 5.8% of operating revenue in Q4 2018 to 4.0% in Q4 2019.

EBIT before Fair Value Adjustment (FVA) was USD34.3 million in Q4 2019, 38.1 higher than USD24.8 million recorded in Q4 2018.

Atlantic salmon sales resulted in an EBIT/Kg WFE of USD 1.63 in Q4 2019, 5 cents higher than the USD 1.58/Kg WFE achieved in Q4 2018, explained by higher volume, lower processing costs, and in a quarter where reference market prices were 8.8% lower than for the same period previous year, Salmones Camanchaca's prices decreased only 1%.

The FVA[2] for biological assets was USD18.6 million for Q4 2019, USD 8.2 million lower than in Q4 2018, due to the historical and forecasted costs for these fish subject to valuation, and a reduction in the market prices used for this calculation. The FVA for fish harvested and sold was negative USD28.0 million in Q4 2019, compared to negative USD24.1 million in Q4 2018. The latter adjustment reverses margins estimated in previous periods on biomass sold in this period. Consequently, the net FVA for Q4 2019 was negative USD9.4 million, compared to positive USD2.7 million in Q4 2018, resulting in an unfavorable difference of USD12.2 million.

Net Financial Expenses were USD1.4 million, compared to USD2.1 million in Q4 2018. This decrease is explained by losses on currency exchange hedging in 2018, and lower interest rates referenced to Libor, all of which compensated for the higher net debt.

[2] Improvements were made to the fair value calculation of biological assets with effect from 2019 and on a comparative basis for 2018, in accordance with the definition in IAS 41. All biomass in the sea is now valued at fair value and not just fish weighing over 4kg for Atlantic salmon and over 2.5kg for Pacific salmon. For more detail, see Note 3 of the financial statements - Changes in accounting policies and estimates.

Other income (expense) reflects a loss of USD3.7 million in the quarter, which is mainly driven by a loss of USD0.9 million from Salmones Camanchaca's share of the trout joint venture, and the sale and write off of fixed assets replaced by new technology of USD1.1 million.

Therefore, net income before taxes was USD21.7 million, 25.4% lower than Q4 2018, and net income after taxes was USD16.1 million in Q4 2019, 18.0% or USD1.2 million lower than Q4 2018.

Cash Flow Q4 2019

Net cash flow for the quarter was USD5.7 million compared to negative USD 5.2 mill in the same quarter last year.

Operating cash flow was USD16.5 million, a decrease from USD21.3 million in Q4 2018, mainly due to the heavy concentration of sales at the end of the period, generating an increase in trade receivables of USD26 million, compared to the same period previous year.

Cash flow used in investing activities totaled USD9.4 million during the period, higher than the USD6.2 million used in Q4 2018. The investments are part of the Company's investment plan to support growth during 2019-2021.

Accordingly, cash flow from financing activities was negative USD1 million in Q4 2019, following short-term debt repayments of USD5 million and receiving similar debt of USD4 million, which compares to negative cash flow from financing activities in Q4 2018 of USD20 million due to debt repayment.

Consequently, the cash balance at the end of the quarter was USD13.9 million.

Financial performance Full Year (FY) 2019

Salmones Camanchaca harvested 58,033 tons of salmonids during 2019, an increase of 19.7% over 2018 and it's the company´s historical highest volume.

Atlantic salmon full year harvest volume was 53,731 tons WFE, an increase of 10.8% over the 48,496 tons WFE from last year. Additionally, Salmones Camanchaca had its first production of Coho in 2019, harvesting during the year a total volume of 4,302 tons WFE.

Total volume sold in 2019 was 55,411 tons, 10.8% higher than the 50,032 tons sold in 2018.

The average selling price for Atlantic salmon was USD5.96/Kg WFE during 2019, 2.6% lower than 2018.

Operating revenue for 2019 was USD339 million. Excluding sales in 2018 from raw materials purchased from other producers of USD12.6 million, the growth in revenue from own sales is 7%.

Live fish (ex-cage) cost in 2019 was USD3.22 per kg, an increase of 5.4%, due to the effects of oceanographic events in the first half of the year resulting from algae problems and low oxygen levels, a low scale of operations in the second quarter, and harvests from low-density seawater sites. These challenges were not relevant during the second half of the year, and total ex-cage cost for the year were therefore only 7% higher than the long-term target and in line with forecasts at the beginning of the year.

The variance in prices and cost presented above explains why the gross profit decreased by 4.8% to USD85.5 million, USD4.4 million lower than 2018.

Administrative expenses as a percentage of operating revenue decreased from 3.7% in 2018 to 2.9% in 2019, while distribution and sales expenses as a percentage of operating revenue fell from 2.6% to 2.4%. Consequently, the Company's combined administrative and distribution costs represented 5.3% of operating revenue during the year, lower than the 6.3% for 2018. Administrative expenses decreased by USD2.2 million during 2019, due to savings following structural adjustments at the end of 2018.

EBIT for 2019 was USD67.5 million, 2.5% below the USD69.2 million achieved in 2018, due to the combination of lower market prices and higher production costs in the first half of the year, caused by a smaller scale of operations, poor oceanographic conditions and low densities at two seawater sites, which did not apply in the second half of the year.

EBIT/Kg WFE full year 2019 for Atlantic salmon was USD1.28, which is below the USD1.38 achieved in 2018. In a context where the decreased sales prices and increased production cost, were compensated by lower processing cost improved from higher volumes and lower administrative and sales expenses.

The FVA for biological assets in 2019 was USD81.5 million, compared to USD95.3 million in 2018, a decrease mainly due to the combination of historical and forecast production cost, and lower forecast prices used in the valuation. The FVA for the volume sold was negative USD81.2 million in 2019, compared to negative USD93 million in 2018. The latter adjustment reverses the estimated and accounted margins for the fish sold during this period, whose margins had been recognized in previous periods. The resulting net FVA for 2019 was positive USD0.3 million, compared to positive USD2.3 million for 2018, resulting in an unfavorable difference of USD2 million for 2019.

Net financial expenses were USD4.7 million during 2019, compared to USD6.4 million during 2018, a decrease of USD1.6 million, caused by losses on foreign exchange hedge transactions in 2018, and by lower interest rates in 2019. These effects offset the higher average debt in 2019.

Other income (expense) amounted to a loss of USD6.7 million, which includes a loss of USD2.5 million from the trout joint venture, due to maturity and color problems that reduced the market value of its inventories, compared to a profit of USD2.9 million in 2018. These maturity problems were resolved during the 2019-2020 season. Furthermore, a loss of USD2.6 million arose, due to extraordinary mortality not covered by biomass insurance following oxygen depletion events that occurred between February and April of this year. The difference of USD1.6 million is write off and sales of assets replaced mentioned above.

Net income before tax reached USD 57.2 million in 2019, 14.7% lower than the USD67.0 million achieved in 2018. Net income after tax is USD 42.4 million in 2019, 14.2 % lower than the USD49.3 million achieved in 2018. The net distributable income was USD 42.1 million in 2019, 11% lower than prior year.

Cash flow 2019

Net cash flow for the year was USD 0.7 million compared to USD 12.3 million in 2018.

Operating Cash Flow was USD 17.6 million, compared to USD 57.3 million in 2018. The variance is due mainly to the increase in trade receivables by year end, resulting from the high sales volume in the last quarter of the year that will be collected in Q1 2020.

Net cash flow used in investing activities totaled USD40.4 million for the period, USD8.6 million higher than the previous year, and consistent with the investment plan that supports the Company's growth for 2019-2021, which includes new Atlantic and Pacific salmon farming sites, and improvements and automatizations in the processing plant.

This was financed by the Company's syndicated loans and revolving bilateral credit lines totaling USD 48 million and offset by dividend payments of USD23.8 million, which were USD20.4 million higher than in 2018.

The cash balance as of December 31, 2019 was USD13.9 million.

Financial position

Assets

The Company's total assets increased by 20.1% or USD68.1 million to reach USD407.7 million in 2019. This growth is attributable to an increase of USD47.4 million in current assets and USD20.7 million in non-current assets.

Total current assets were USD281.3 million, and the strong increase of 20.3% over the 2018 is mainly due to the higher value of trade receivables of USD26 million reflecting the higher volume sold in Q4 2019, an increase of USD11.0 million in biological assets, and the increase in inventories of USD10.0 million as a result of higher production in Q4 2019. The Company's finished product inventory valued at cost as of December 31, 2019 was USD32.9 million, equivalent to 3,895 tons of finished product.

Non-current assets increased by 19.6% or USD20.7 million to USD126.5 million, mainly due to a USD20.7 million increase in property, plant and equipment under the investment plan executed this year.

Liabilities and Equity

The Company's total liabilities increased by 30.9% or USD48.2 million to reach USD204.0 million at year end.

Current liabilities increased by 4.5% or USD4.1 million, primarily due to an increase in financial liabilities for short-term debt of USD8.1 million, together with an increase of USD1.4 million in current payables, which was mitigated by a reduction of USD6.5 million in current tax liabilities.

Non-current liabilities increased by 69.5% or USD44.1 million to USD107.5 million, due to an increased draw down of USD40 million of the syndicated long-term loan. As of end of December 2019 USD 94 million of the USD 100 million facility is used, mainly to finance the Company's investment and growth plan. As a result, net financial debt increased by USD47.4 million to USD84.5 million.

The Company's equity increased by 10.8% or USD19.9 million compared to December 31, 2018 to reach USD203.7 million, which is in line with its increase in earnings, net of paid and accrued dividends.

Operating Performance

Salmones Camanchaca's performance is driven by three key factors:

1. **The price of Atlantic salmon**, which is very sensitive to Norwegian and Chilean supply conditions, and the exchange rates of its main trading partners;

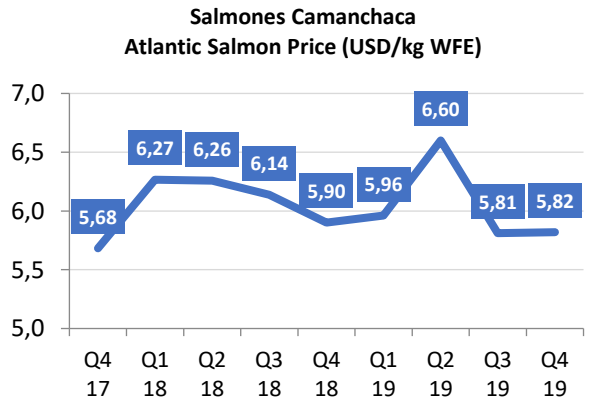
2. **Sanitary conditions for Atlantic salmon**, which affect conversion factors, the use of pharmaceutical and mechanical means to improve fish health and welfare and the final biomass across which costs are allocated.

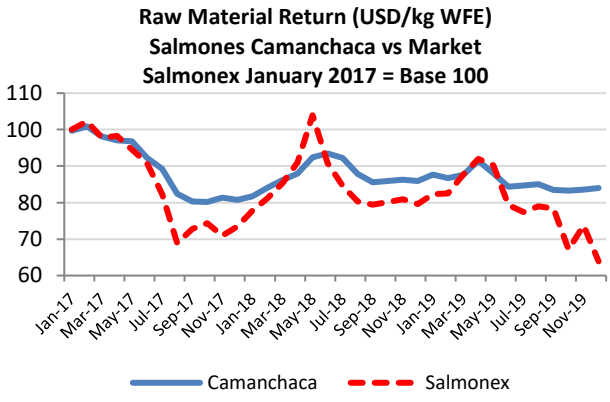
3. **Feed costs**, which accounts for about half the unit live fish (ex-cage) cost.

I. Product Prices

The average sales price of Atlantic salmon of Salmones Camanchaca during Q4 2019 was USD 5.82 per kg WFE, which is in line with same period in 2018. Prices in Q4 2019 were influenced by a higher proportion of value-added sales, attributable to raw material conditions and market demand, which has resulted in higher sales of fillets and portions to the United States and frozen whole salmon sales to Russia.

Salmones Camanchaca achieved an average raw material return (RMR[3]) from Atlantic salmon that was 97 US cents higher than the Salmonex[4] index during Q4 2019, which is its reference market, and reverses the situation encountered in Q2 2019 when this index rose sharply. This behavior reflects the sale of value-added products under medium-term contracts, which secure greater stability than the spot market.





[3] Raw Material Return is the final product price less distribution and specific secondary processing costs. It is a price measurement before selecting the final destination for harvested fish and provides a homogeneous aggregate indicator for the Company's products.

[4] The market index or "Salmonex" is based on the price of fresh fillet trim D exported by Chilean companies, net of processing and distribution costs for Salmones Camanchaca's fresh trim D. It provides a comparable index to Salmones Camanchaca's Raw Material Return.

Volume

Atlantic salmon		Q4 2019	Q4 2018	Δ	Δ %	2019	2018	Δ	Δ %
Harvest volume	tons WFE	20,288	13,944	6,344	45.5%	53,731	48,496	5,235	10.8%
Production	tons WFE	20,553	13,952	6,601	47.3%	53,549	48,333	5,216	10.8%
Own salmon sales	tons WFE	21,334	15,730	5,604	35.6%	52,907	50,032	2,875	5.7%
Own salmon sales	USD 1 000	124,235	92,813	31,422	33.9%	315,225	306,016	9,209	3.0%
Average sales price	USD/Kg WFE	5.82	5.90	-0.08	-1.3%	5.96	6.12	-0.16	-2.6%

Pacific salmon		Q4 2019	Q4 2018	Δ	Δ %	2019	2018	Δ	Δ %
Harvest volume	tons WFE	3,813	-	3,813	-	4,302	-	4,302	-
Production	tons WFE	3,806	-	3,806	-	4,295	-	4,295	-
Sales	tons WFE	2,504	-	2,504	-	2,504	-	2,504	-
Sales	USD 1 000	11,465	-	11,465	-	11,465	-	11,465	-
Average sales price	USD/Kg WFE	4.58	-	4.58	-	4.58	-	-	-

Salmones Camanchaca harvested the all-time high volume in the company's history of 20,288 WFE tons Atlantic salmon in Q4 2019, 45.5% higher than in Q4 2018. Sales were 21,334 tons WFE in Q4 2019, 35.6% higher than for the same quarter in 2018. The volume harvested in the last quarter of the year represented 38% of the annual harvest volume.

Harvest volume of Coho was 3,813 WFE tons in Q4 2019, and 2,504 WFE tons were sold at an average price of USD 4.58/Kg WFE.

Operating revenue

The Company's marketing and sales strategy is to have the flexibility and capacity to diversify its products and market access in order to target the most attractive return for its raw material, based on medium-term conditions in those markets and preferring stable customer relations.

Sales by market segment as of full year 2019

Products (in 1 000 USD)	USA	Europe + Eurasia	Asia excluding Japan	Japan	LATAM, except Chile	Chile	Others	TOTAL
Atlantic salmon	114,175	59,587	24,313	29,368	68,330	14,839	4,614	315,225
Coho	1,147	1,949	115	7,911	344	0	0	11,465
Others	0	0	0	0	0	12,269	0	12,269
TOTAL	**115,322**	**61,536**	**24,428**	**37,278**	**68,674**	**27,108**	**4,614**	**338,959**

Sales by market segment as of full year 2018

Products (in 1 000 USD)	USA	Europe + Eurasia	Asia excluding Japan	Japan	LATAM, except Chile	Chile	Others	TOTAL
Atlantic salmon	96,211	95,510	27,648	14,695	72,618	9,066	2,842	318,590
Coho	0	0	0	0	0	0	0	0
Others	0	0	0	0	0	10,821	0	10,821
TOTAL	**96,211**	**95,510**	**27,648**	**14,695**	**72,618**	**19,887**	**2,842**	**329,411**

Salmones Camanchaca has had a 25% share in "New World Currents" (NWC) since 2013, a joint venture with other Chilean producers to market Atlantic salmon in China. There has been a significant increase in air shipments of fresh products to this important market. One of NWC's partners reported its intention to leave the partnership during the second half of the year, and the remaining partners are currently negotiating the acquisition of the outgoing partner's share.

The Company defines its value-added products as those containing some degree of secondary processing, including freezing, which accounted for 88.3% of sales in 2019, higher than the 83.3% achieved in 2018. The remaining volume is sales of head on gutted whole fresh salmon for the South American and Chinese markets.

Fresh Atlantic salmon fillets are preferred in the North American market, while Europe favors frozen whole Atlantic salmon and portions from Chile. Japan prefers to receive frozen fillets, while China receives both fresh and frozen fillets. The rest of Latin America prefers frozen fillets.

The percentage of total revenue from North American markets rose from 29.2% to 34.0% in 2019, while Europe and Eurasia fell from 29.0% to 18.2%%, explained by a large fall in Russia, which had less attractive market conditions during the first half of the year. Access to the Russian market and its relative attractiveness is more volatile when compared to other markets, where the Company seeks to take advantage of opportunities that arise by planning to allocate no more than 10% over the medium and long term. Asia excluding Japan (mainly China) fell from 8.4% to 7.2%, while Japan rose from 4.5% to 11.0%. Latin America excluding Chile fell from 22.0% to 20.3%, due to a decrease in the Brazilian market, offset by an increase in the Mexican market. As a result of less attractive conditions in Russia and Brazil, product was transferred to traditional markets in USA, Japan and Mexico.

Other income is mostly smolt sales, processing and services for third parties in our primary processing plant, and farming site leases.

Other Businesses

As of 31st December 2019, seven of Salmones Camanchaca's sea farming concessions were being leased out for trout farming in the Reloncaví Estuary (Tenth Region). These leases are the Company's contribution to the trout joint venture. The neighborhood or geographical area where these concessions are located has a mandatory fallow period in the first quarter of odd-numbered years when harvest volume is smaller, as in 2019 when 2,958 tons WFE of trout were harvested, compared to 17,405 tons harvested in the previous year. Salmones Camanchaca's results in the one-third share joint venture was a loss of USD 2.5 million in 2019, compared to a profit of USD 2.8 million in 2018, which is presented in the statement of net income under Other income. This decrease is due to the smaller operating scale and trying to produce this species throughout the year using sites outside the Reloncavi estuary that increased costs and caused problems with fish maturity that affected sales prices. These conditions have not applied to production since Q2 2019.

The assumptions used to develop the trout joint venture business have not changed to date, and the operator, Caleta Bay, continues to estimate average annual harvests of 12,000 tons through to 2022 when the agreement ends, with more in even years and less in odd years.

Salmones Camanchaca stocked 1.4 million Coho smolts in 2018, to make better use of the estuarine sites in the Tenth region and to complement the trout joint venture, and subsequently harvested 4,302 tons WFE during 2019. This initiative will provide the Company with specific experience in producing and marketing this species, which the Company considers a beneficial step when the trout joint venture comes to an end. Pacific salmon production in

2019 represents around 2.4% of Chilean production, according to Aquabench. Salmones Camanchaca expects negative margins during the first two production cycles in 2019 and 2020, due to smolt stocking densities permitted by the regulations. The margin during 2019 was slightly negative, reaching USD 0.2 million.

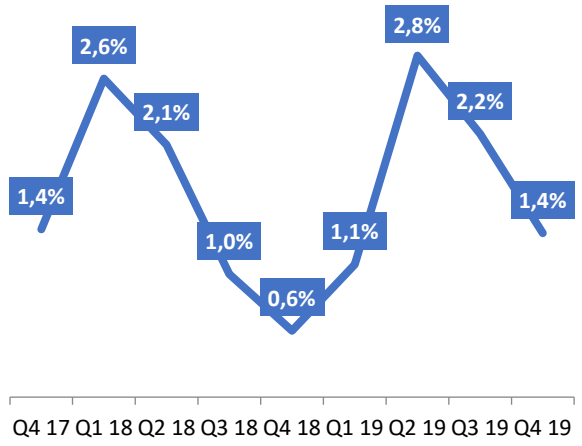
The Company's other businesses, such as processing services for third parties, farming site leases and sales of byproducts, resulted in operating margins of USD 7.6 million for 2019, 51.9% higher than in 2018.

II. Sanitary and Production Conditions

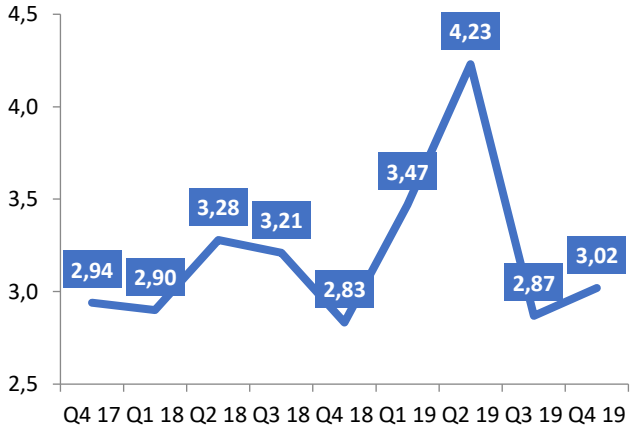
The open cycle mortality of the Atlantic salmon biomass during Q4 2019 was 1.4%, equal to the mortality in Q4 for the previous comparable cycle (2017), which was affected by isolated oxygen deficiency events, sea-lion attacks and damage during transport. The accumulated mortality at sites that completed their cycle in Q4 2019 (5 seawater sites) was 11.4%, which was significantly influenced by the closure of a site affected by low oxygen levels during the first half of the year (Marilmó).

Live weight ex-cage cost for fish harvested during Q4 2019 was USD 3.02/Kg, which is USD 19 cents higher than in Q4 2018, and USD 8 cents higher than the previous cycle (Q4 2017) for similar geographical areas, but in line with the Company's long-term target. The increase in cost compared to previous cycle (2017) is attributable to an increase in the smolt cost due to sanitary measures like live vaccination and lufenuron, as well as general costs associated with risk mitigation measures such as oxygen platforms and equipment to mitigate algae blooms. In comparison with Q4 2018 there is an increase in feed cost due to higher FCR in some seawater sites of Q4 2019.

Atlantic salmon mortality* (%)



Atlantic salmon live weight ex-cage cost (USD/kg)



* Total quarterly mortality (number of fish) including both closed and open sites. Closed sites affected by the HAB are included.

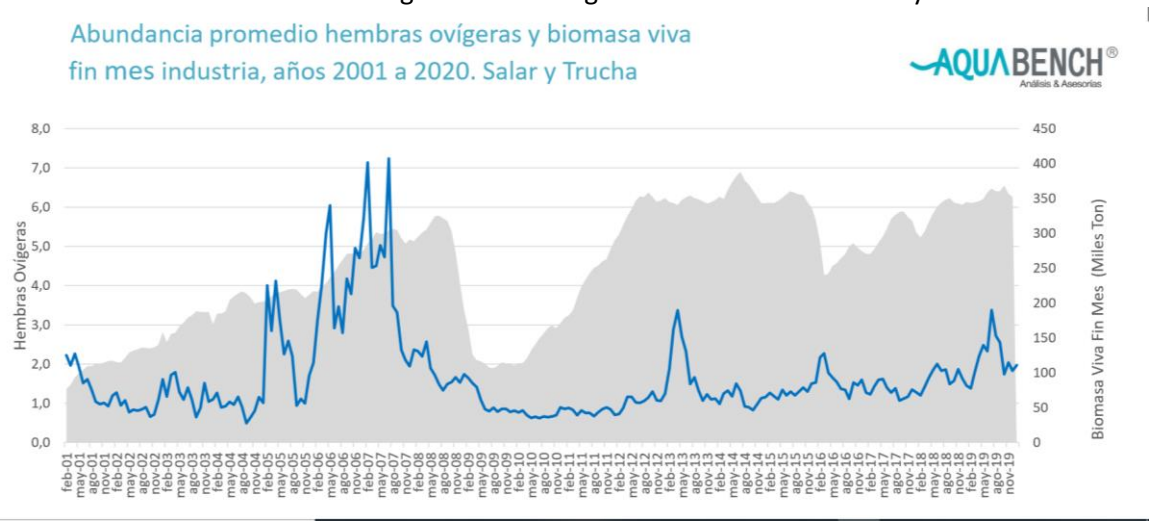
The following table shows the trends in the principal closed production cycles and sanitary variables for Q4 2019.

	Biological Indicators					Sustainability Indicators				
	FCRb (Live fish)	Productivity Kg WFE/smolt	Average harvest weight Kg WFE	Antibiotic use Gr/Ton	Antiparasitic drug use Gr/Ton	FIFO Ratio	Cycle duration / Fallow periods	Number of escapes	Medicinal treatments (baths) gr API per ton	Number of antibiotic treatments
2016	1.17	5.7	5.9	455.3	0.5	0.68	17/7	0	0.0	2.3
2017	1.14	4.7	5.3	568.8	4.0	0.65	17/7	0	4.0	2.4
2018	1.12	4.9	5.3	462.3	0.5	0.61	16/8	0	0.5	2.4
2019	1.15	5.1	5.6	511.1	7.8	0.57	16/8	0	7.8	1.9

Smolt productivity (biomass harvested in Kg/number of stocked smolts) reached 5.1 kg WFE per smolt in Q4 2019, higher than in previous years, mainly due to the 6.6% increase in average harvest weights that reached 5.6 kg WFE.

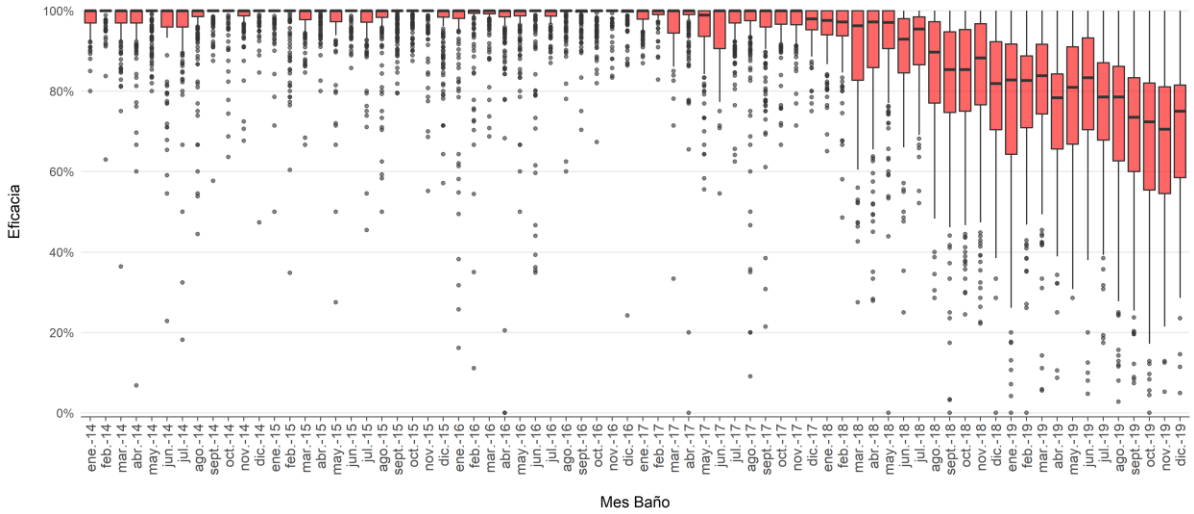
Sea lice concentrations have increased since March this year, especially in certain extra saline areas, due to a downward trend in the effectiveness of the most widely used antiparasitic in the industry, Azamethiphos. Accordingly, the treatment frequency has increased as well as the introduction of alternative treatments, which has contributed to control the concentrations of the parasite from Q3 onwards in 2019.

Sea lice concentrations on incubating females during 2014-2019 for the industry.



Source: Aquabench

Azamethiphos effectiveness during 2014-2019 for the industry.



Source: Aquabench

Parasites are applying greater pressure on the industry and traditional treatments with lower efficacy has led Salmones Camanchaca to seek alternative treatments that provide more effective solutions. These include peroxide, a new antiparasitic treatment called Alfaflux and mechanical treatments such as Optilizer and FLS. Nevertheless, the Company has not yet felt the need to bring harvests forward at fish weights lower than originally expected, as shown by the Q4 2019 average harvest weight statistics.

At the date of this report, Salmones Camanchaca has three farming sites classified as High Propagation Sites (HPS), where more than 3 incubating females on average have been spotted at these sites. These sites are located in 3 neighborhoods (ACS) and currently represent 18% of the company's total live fish in week 6. One of the seawater sites at CAD 2 is being harvested during the first months of 2020 with an average weight of 5.3Kg and the other two are CAD 1 with average weights of 4.6Kg and 3.4Kg respectively. The Company expects to harvest these sites at their standard average harvest weight in line with the harvest plan.

The Chilean fish health authority, Sernapesca, changed the sea-lice control regulations during Q4 2019, by introducing more inspections, greater flexibility in treatments and more effective control measures, including voluntary preventive harvests and incentives for non-pharmacological treatments.

There was a 10% reduction in antibiotic use in the same neighborhoods during Q4 2019, compared to the previous cycle, mainly due to improved sanitary measures and the use of live vaccine. The increase in consumption compared to Q4 2018 is due to the fact that during Q4 2018 harvest took place from one of the best farming sites with excellent biological and sanitary conditions and in their majority ASC certified.

Atlantic salmon ex-cage farming cost were:

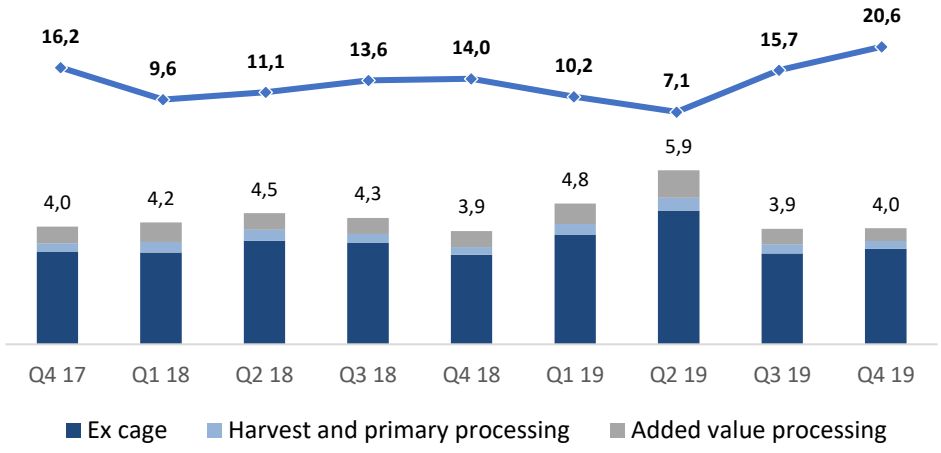
Atlantic salmon costs (USD/Kg WFE)	Q4 17	Q4 18	Q4 19
Ex cage	3.16	3.05	3.25
Harvest and primary processing	0.28	0.26	0.27
Added value processing	0.56	0.54	0.43
Total cost of finished product	**4.00**	**3.85**	**3.95**

Live fish (ex-cage) cost in Q4 2019 were USD 3.25/Kg WFE, 6.7% higher than in Q4 2018. This increase is mainly due to higher smolt cost due to sanitary measures (live vaccines and lufernuron), general expenses associated with mitigating risk measures (oxygen and bloom algae control) and higher feed cost from a higher biological feed conversion ratio in the sites closed during Q4 2019.

Primary and secondary processing costs were USD 0.70/Kg WFE, 12.5% lower than in Q4 2018 and 16.7% or USD 14 cents lower than Q4 2017, due to the higher processing volume.

The total cost of the finished product per kg WFE was USD 10 cents higher than in Q3 2018. The cost for the same geographical area covering the seawater sites harvested was USD 5 cents lower than for the previous cycle in 2017.

Total cost of Atlantic salmon finished product (USD/Kg WFE) and volume processed (M Ton WFE)

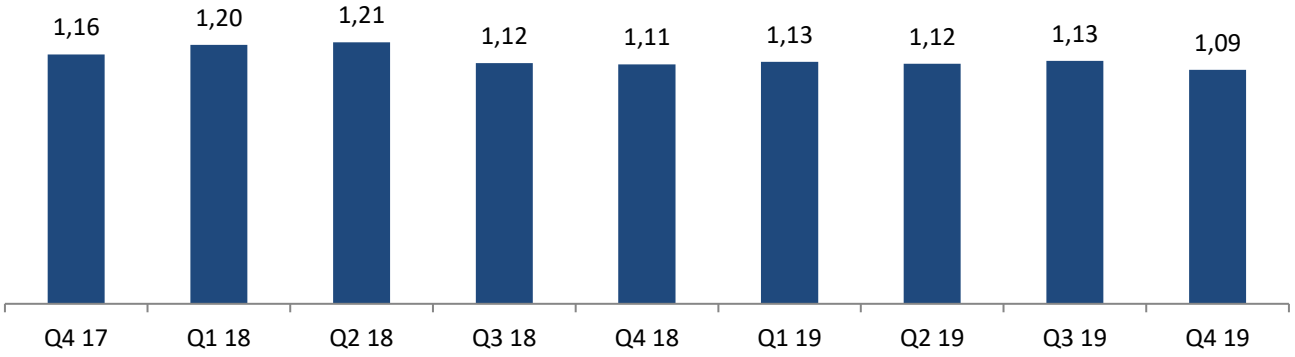


III. Feed Cost

Prices of the main ingredients remained stable during 2019, except for fishmeal, fish oil and soy meal, which were volatile. The price of fishmeal fell 14% in Q4 2019 compared to Q4 2018, while the price of fish oil rose 22% during the same period. The price of soybeans meal fell by 25%, comparing Q4 2019 with the same period of 2018.

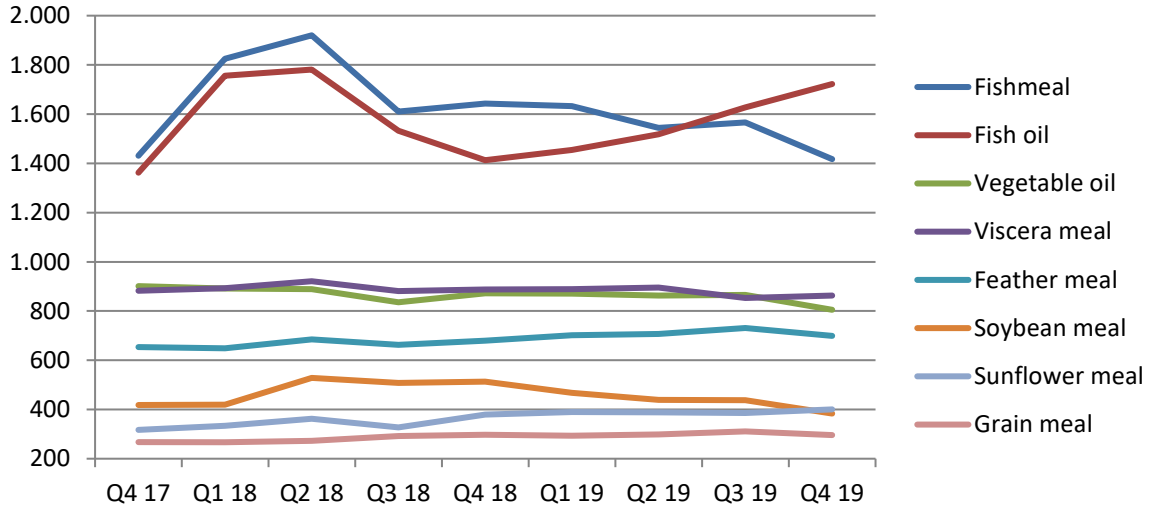
The price of feed for average weight fish of more than 2.5 kg, which represents close to 40% of the Company's total feed cost, remained stable in Q4 2019, at USD 1.09 per kg, 3.6% or 4 US cents lower than in the previous quarter, due to the fall in fishmeal and soybean prices.

Price for 2500 caliber[5] (Salmones Camanchaca) USD/Kg



Price includes pigment. Does not include medicated feed, nor feed additives or supplements

Price of main ingredients USD/ton



[5] Diet for average fish weight of over 2.5Kg (Growers diet)

Subsequent Events

Import restrictions were applied by the Russian authorities at the end of February 2020, which affected many Chilean processing plants. These restrictions also applied to Salmones Camanchaca's processing plants, which will require redirecting volume to other markets over the next few months. The Russian market represents around 5% of world consumption of farmed Atlantic salmon, and it purchased 8% of Chilean Atlantic salmon exports in 2019 (source: Kontali). Salmones Camanchaca sent 18% of its Atlantic salmon to the Russian market in 2019. The Company believes that it can can distribute this sales volume to other markets, as it normally will when relative conditions change, and therefore does not expect any material changes to its farming or investment plans.

Coronavirus affected China early 2020. Some measures taken by the country included the restriction of movement of people for health reasons, causing a drop-in consumption and logistic chains. This situation stopped orders and new shipments of salmon. However, the situation began to revert towards the end of February. The Chinese market represents only 3.3% of the Company's sales in 2019.

Outlook

Global Atlantic salmon supplies grew by 4% in 2019, according to Kontali, with slower growth forecast for 2020. Therefore, there are no expectations of global changes that might alter current price trends, where demand is growing a slightly faster than supply. According to the same source Chilean supply grew nearly 17% in 2018. The growth in 2018 was the result of an abnormally low base in 2017, without significant growth in Chile's potential capacity. For 2019 Chilean industry growth was estimated at 4%. Global supply is expected to grow by 4% in 2020, and by 5% in Chile, according to Kontali data.

A significant part of the operating cash flow in 2018 and 2019 was used to invest in farming and processing assets and to grow the biomass, in order to support the forecasted harvest volume for the next few years. This is around 56,000 to 57,000 tons WFE of Atlantic salmon in 2020 and 4,500 to 5,000 tons WFE of Pacific salmon, and similar figures for 2021 and 2022. The total harvesting capacity at farming sites owned by Salmones Camanchaca also include the harvest volume at sites leased for Trout and Atlantic salmon farming, which in 2019 was 8,500 tons WFE. The estimated harvest volume in 2020 is around 56,000 to 57,000 tons WFE of own Atlantic salmon, around 5,000 tons WFE of Coho and around 12,000 tons WFE of trout from the joint venture. This is around 72,000 to 74,000 tons WFE in total. The trout farming joint venture is operated by a third party, and Salmones Camanchaca is entitle to one third of the result. This operation is effective until 2022 and its results are reflected as Other income in the statement of net income.

Main Risks and Uncertainties

External variables might materially impact the Company's annual performance. The main variable affecting revenue is the price of Atlantic salmon, while the main variables affecting costs are the environmental conditions at farm sites, and the sanitary status of the salmon biomass, including the biological conversion of feed.

Individually and in aggregate, aquaculture businesses are exposed to various risks. Consequently, Salmones Camanchaca uses a risk matrix that guides the Company in order to: i) review and update the critical risk inventory and generate a map that helps manage risks; ii) assess these risks on the basis of impact and probability parameters that helps with prioritizing; iii) implement an internal audit and control plan based on the risk map that focuses resources on the most vulnerable areas; iv) generate a set of strategies to reduce the probability and impact, including insurance wherever this is feasible and financially attractive. These risk maps guide management to continuously manage and mitigate each risk and establish the corresponding responsibilities, as well as review the frequency and severity of internal controls to validate the effectiveness of mitigating measures.

The factors used to detect critical risks are the Company's mission, vision and values; short and long-term strategic planning; known risks inherent to the business; the knowledge and experience of key personnel; and other factors.

a. Phytosanitary Risks

The Company is exposed to risk of disease or parasites that can affect the biomass, increasing mortality or reducing the growth of specific species, and thereby, affecting production and sales volume. Salmones Camanchaca has adopted strict control standards to minimize those risks, and comply with regulatory requirements with respect to coordinated fallow periods for the concessions in each neighborhood, maximum fish density in cages, constant monitoring and reporting of the biomass and its biological status and health, smolt production in closed recirculating sites fed by groundwater, transport of breeders and fish for harvest in wellboats, coordinated anti-parasitic washing by neighborhood, frequent net cleaning, oxygen plants to supplement pronounced shortfalls in the water, vaccinations at the freshwater stage, and other standards. The risks associated with increased concentrations of parasites can result in early harvests, under certain circumstances, with the consequent lower harvest weights. In the extreme, they can result in unusable products. The Company is mitigating these risks by rigorously applying current treatments, diversifying the anti-parasitic treatments it applies to sites affected by higher concentrations.

b. Natural Risks

The Company is exposed to natural risks that may affect normal operations, such as volcanic eruptions, tidal waves and tsunamis, earthquakes, harmful algae blooms, natural predators, pollution and other factors that may threaten the biomass and production infrastructure. The Company is constantly monitoring these variables using the latest technologies available in Chile, in addition to having appropriate insurance coverage for these risks, where available.

c. Product Sale Price Risks

The Company mainly exports its products to numerous markets and evaluates the prices it obtains, for which it has a wide commercial network. The Company adjusts the speed of its sales in accordance with production and market conditions, which are constantly in flux. However, it does not accumulate inventory in order to speculate on better sale prices in the future.

Prices are highly dependent on supplies from Norway and Chile and on fluctuations in exchange rates used by the Company’s major trading partners, which affects demand conditions in these markets. Salmones Camanchaca has

sought to safeguard against this risk through diversifying its commercial network and flexing its products to enable its raw material to be sent to any market.

The Company complies with production standards and protocols applied by the country with the strictest requirements in the world, in order to take advantage of all available commercial opportunities. However, there is a risk that occasionally some markets will be limited as a result of tariff, para-tariff or sanitary measures. Should this occur, the Company believes that it is sufficiently diversified across various markets to divert trade elsewhere, although this may result in price decreases in the short-term depending on market conditions.

d. Purchase Price Risks

The Company is exposed to changes in the price of salmon feed, which represents about half the cultivation cost. Salmones Camanchaca ensures its diets achieve a balance between feed cost and nutritional quality at each fish development stage. The Company aims to produce a final product that contains the same amount of Omega 3 as wild salmon, as well as keeping the ratio of marine sourced feed to farmed fish (the fish in-fish out ratio), to no more than 1.0. The Company has feed contracts with prices adjusted quarterly, on a cost-plus basis.

e. Regulatory Risks

Aquaculture is strictly regulated in Chile by laws, standards and regulations issued by the corresponding authorities. Significant changes in these could impact the Company's performance. These regulations are mainly established by the General Law on Fisheries and Aquaculture, and its associated regulations that assign concessions, manage the biomass and set preventive sanitary standards. The Company is constantly monitoring changes in regulations in order to anticipate and mitigate any potential impact.

The regulations governing salmon farming densities were changed with effect from Q3 2016, and a smolt stocking reduction program was introduced (SRP) as an alternative to the general density regime. This program requires stocking and farming densities to be reduced when sanitary performance has fallen, or when smolt stockings are expected to grow in the area. The SRP mechanism gives producers the option to replace a reduction in density, when appropriate, with a smolt stocking plan that considers growth containment with respect to the previous cycle, so maintaining densities at maximum permitted levels.

Since the Company’s policy has been to use its assets to provide services to third parties/producers, it has routinely leased out several seawater sites. Regulations attribute the history of concession use to the concession owner, allowing the Company to use the history of smolt stocking at seawater sites leased to third parties in its smolt stocking plans, without affecting the growth of smolt stocking in the areas involved. Therefore, as lease contracts expire beyond 2020, the Company estimates Atlantic salmon harvests of 60,000 tons WFE at its own farm sites, plus another 15,000 to 16,000 tons WFE of other species.

Most of the concessions held by Salmones Camanchaca for farm fish are of indefinite duration. However, in order to retain the concession, the current regulation requires a minimum amount of use. If minimum use is not achieved, the concession may be revoked. This has led the Company to operate some of its farming sites at minimum capacity where they are at risk of revocation, which results in additional expenses. This situation generates a regulatory contradiction between an obligation to use the concession, and legislation that prefers smolt stocking growth containment, in order to preserve a healthy sanitary situation.

The financial statements could be affected by changes in economic policies, specific regulations and other standards introduced by authorities.

f. **Social and Political Risks**

Specific social conditions and/or political situations, such as riots, violence or protests, can generate temporary operational interruptions that affect the continuity of processing plants, primary and/or secondary logistics at export ports, access to specific public services, such as customs or health authorities, availability of labor or security of onshore facilities when faced with strikes, protests, etc. These situations can affect and delay harvests, production or shipments of products to target markets. The Company continuously monitors these situations to ensure that its staff, facilities and products are safe, and regularly evaluates mitigating measures, including whether insurance policies are cost-effective.

g. Liquidity Risks

Liquidity risk is the risk of potential mismatches between the funds needed for investments in assets, operating expenses, finance costs, repayment of debt as it matures and dividend payments, and funding sources such as product sales revenue, collections from customers, disposal of financial investments and access to financing.

Salmones Camanchaca conservatively and prudently manages this risk by maintaining sufficient liquidity and access to third-party financing facilities, while carefully ensuring that it complies with all its financial obligations.

h. Interest Rate Risks

The Company is exposed to interest rate risk since its long-term financing includes a variable interest rate component, which is adjusted every six months. The Company evaluates its hedging options, depending on market conditions, but has not used them during the last five years.

i. Foreign Exchange Risks

A substantial proportion of Salmones Camanchaca's revenue arises from contracts and commercial agreements in US dollars. However, given the diversity and importance of markets other than the North American market, which have historically represented more than 50% of total exports, any devaluation of the US dollar against these markets' currencies and/or the Chilean Peso, could have an impact on market demand and consequently on prices, which would affect the financial performance of the Company.

Corporate policy is to agree income, cost and expenses in US dollars whenever possible. When that is not possible, expenses in Chilean pesos are converted to US dollars, which may appear higher if the Chilean peso appreciates. The Company occasionally evaluates exchange rate hedging instruments for its Chilean peso-denominated expenses, based on market conditions, which results in non-operating income or loss, respectively, for any operational loss or income produced.

The Company borrows from financial institutions in U.S. dollars.

j. Credit Risks

1. Surplus cash investment risk

The Company has a highly conservative policy for investing its cash surpluses. This policy covers the quality of both financial institutions and their financial products.

2. Sales Risks

The Company has credit insurance policies covering most sales that do not require immediate payment. The remaining sales are backed by letters of credit, advance payments, or are sales to customers with good payment performance.

Operational stoppages at ports or by customs or other institutions, as well as protests, marches or road blockages, may affect and delay shipments of our products to the markets where they are sold. Therefore, the Company continuously monitors these variables in order to anticipate any issues and identify alternatives to minimize the impact.

Financial Statements

Statement of Net Income

(USD 1 000)	Q4 2019	Q4 2018	2019	2018
Operating revenue	139,250	96,017	338,959	329,411
Cost of sales	(99,431)	(65,641)	(253,463)	(239,564)
Gross profit before fair value adjustments	**39,819**	**30,376**	**85,496**	**89,847**
Administrative expenses	(2,723)	(3,366)	(9,837)	(12,077)
Distribution & sales costs	(2,812)	(2,183)	(8,173)	(8,575)
EBIT before fair value	**34,284**	**24,827**	**67,486**	**69,195**
EBITDA before fair value	**37,527**	**27,798**	**80,517**	**80,464**
Fair value adjustment to biological assets	18,582	26,796	81,490	95,299
Fair value adjustment to harvest and sales	(28,016)	(24,069)	(81,179)	(92,972)
EBIT after fair value	**24,850**	**27,554**	**67,797**	**71,522**
EBITDA after fair value	**28,093**	**30,281**	**80,828**	**82,791**
Finance costs	(1,411)	(2,062)	(4,748)	(6,361)
Share of profit (loss) of associates	315	336	1,604	1,629
Exchange differences	(9)	(241)	(723)	(1,916)
Other income (losses)	(2,085)	(1,156)	(6,739)	2,118
Finance income	0	(1)	24	49
Net profit (loss) before taxes	**21,660**	**24,430**	**57,215**	**67,041**
Income taxes	(5,539)	(7,158)	(14,863)	(17,803)
Net profit (loss) for the period	**16,121**	**17,272**	**42,352**	**49,238**
Non-controlling interest	0	0	0	0
Net profit (loss) for the period attributable to owners of the parent	**16,121**	**17,272**	**42,352**	**49,238**

Statement of Financial Position

(USD 1 000)	31/12/2019	31/12/2018
Cash and cash equivalents	13,867	13,143
Other financial assets, current	56	50
Other non-financial assets, current	8,518	12,363
Trade and other receivables, current	39,887	25,558
Related party receivables, current	38,600	26,952
Inventories	32,875	22,959
Biological assets, current	142,615	131,687
Current tax assets	4,861	1,136
Total current assets	**281,279**	**233,848**
Other financial assets, non-current	27	27
Other non-financial assets, non-current	112	112
Rights receivable, non-current	1,252	1,349
Equity method investments	4,805	4,682
Intangible assets other than goodwill	6,948	6,948
Property, plant and equipment	111,888	92,269
Long-term deferred taxes	1,419	373
Total non-current assets	**126,451**	**105,760**
Total assets	**407,730**	**339,608**
Other financial liabilities, current	8,391	243
Operating lease liabilities, current	810	0
Trade and other payables, current	63,949	62,613
Related party payables, current	15,697	15,296
Current tax liabilities	0	6,509
Employee benefit provisions, current	1,379	1,060
Other provisions, current	6,308	6,671
Total current liabilities	**96,534**	**92,392**
Other financial liabilities, non-current	90,000	50,000
Operating lease liabilities, non-current	270	0
Related party payables, non-current	0	591
Other provisions, non-current	0	0
Deferred tax liabilities	17,110	12,690
Employee benefit provisions, non-current	101	148
Total non-current liabilities	**107,481**	**63,429**
Total liabilities	**204,015**	**155,821**
Share capital	91,786	91,786
Share premium	27,539	27,539
Accumulated gain/losses	61,543	41,336
Other reserves	22,847	23,126
Total equity	**203,715**	**183,787**
Total equity and liabilities	**407,730**	**339,608**

Statement of Cash Flow

(USD 1 000)	Q4 2019	Q4 2018	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Proceeds from sale of goods and provision of services	112,097	82,956	326,877	366,393
Payments				
Payments to suppliers for supply of goods and services	(87,026)	(50,832)	(274,511)	(274,496)
Payments to and on behalf of employees	(6,834)	(6,593)	(26,780)	(27,701)
Dividends received	629	577	1,203	2,077
Interest paid	(2,359)	(1,755)	(3,884)	(5,950)
Interest received	0	(2)	24	47
Income taxes paid	0	(3,017)	(5,376)	(3,053)
Other cash inflows (outflows)	0	(41)	0	(20)
Net cash flows provided by (used in) operating activities	**16,507**	**21,293**	**17,553**	**57,297**
CASH FLOWS FROM INVESTING ACTIVITIES	0	0	0	0
Proceeds from sales of property, plant and equipment	(79)	0	254	277
Purchases of property, plant and equipment	(9,347)	(6,184)	(40,666)	(32,044)
Other cash inflows (outflows)	0	(41)	0	(20)
Net cash flows provided by (used in) investing activities	**(9,426)**	**(6,184)**	**(40,412)**	**(31,767)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from share issuance	0	0	0	45,903
Proceeds from loans	4,000	0	53,000	0
Loan repayments	(5,000)	(20,000)	(5,000)	(50,000)
Proceeds from/payments to related parties	0	36	0	(4,916)
Dividends paid	0	0	(23,770)	(3,354)
Net cash flows provided by (used in) financing activities	**(1,000)**	**(19,964)**	**24,230**	**(12,367)**
Effects of changes in exchange rates on cash and cash equivalents	(353)	(357)	(647)	(866)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,728	(5,212)	724	12,297
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	8,139	18,355	13,143	846
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**13,867**	**13,143**	**13,867**	**13,143**

Statement of Changes in Equity

(USD 1 000)	Share capital	Share premium	Foreign currency conversion reserve	Other reserves	Total other reserves	Retained earnings	Equity attributable to owners of the parent company
Opening balance as of January 1, 2018	73,422		90	23,471	23,561	6,360	103,343
Capital increase	18,364	27,539					45,903
Changes in equity							
Dividends accrued						(14,262)	(14,262)
Comprehensive income							
Net income for the period						49,238	49,238
Other comprehensive income			(435)		(435)		(435)
Closing balance as of December 31, 2018	**91,786**	**27,539**	**(345)**	**23,471**	**23,126**	**41,336**	**183,787**
Opening balance as of January 1, 2019	91,786	27,539	(345)	23,471	23,126	41,336	183,787
Capital increase							
Changes in equity							
Dividends accrued						(22,145)	(22,145)
Comprehensive income							
Net income for the period						42,352	42,352
Other comprehensive income			(323)	44	(279)		(279)
Closing balance as of December 31, 2019	**91,786**	**27,539**	**(668)**	**23,515**	**22,847**	**61,543**	**203,715**

Additional Information

Analysis of Key Financial Indicators

This section compares the Company's key financial indicators based on its consolidated financial statements as of December 31, 2019, with December 31, 2018.

	12/31/2019	12/31/2018
Liquidity Indicators		
1) Current Liquidity	2.91	2.53
2) Acid Ratio	1.10	0.86
3) Working Capital (USD million)	184.75	141.46
Debt Indicators		
4) Net debt ratio	0.93	0.78
5) Current Liabilities / Total Liabilities	0.47	0.59
6) Non-Current Liabilities / Total Liabilities	0.53	0.41
Profitability Indicators	(12 months)	(12 months)
7) Return on Equity	20.79%	26.79%
8) Return on Assets	20.97%	26.46%

Notes:

1) Current Liquidity: Current Assets / Current Liabilities

2) Acid Ratio: Current Assets Net of Inventory and Biological Assets / Current Liabilities

3) Working Capital: Current Assets - Current Liabilities

4) Net debt ratio Total Liabilities - Available Cash / Total Equity

7) Return on Equity: Net income (loss) attributable to owners of the parent company / Total equity

8) Return on Assets: Gross margin before fair value adjustment / Total assets.

The increase of 15.1% in the current liquidity ratio is mainly caused by an increase of USD 47.4 million in current assets and an increase of USD 4.1 million in current liabilities, as explained in the financial position analysis. Consequently, working capital increased by 30.6% or USD 43.3 million.

The increase in the acid ratio of 28% or 0.24 is mainly due to the increase in trade and related party receivables totaling USD 26.0 million. These changes have already been explained in the financial position analysis.

The increase in the net debt ratio from 0.78 to 0.93 is mainly due to total liabilities increasing by USD 48.2 million. These changes have already been explained in the financial position analysis. The increase in the proportion of long-term liabilities from 0.41 to 0.53 is due to an increase in long-term financial liabilities of USD 40 million. These changes have already been explained in the financial position analysis.

Return on equity and return on assets can be explained mainly by the Company's margins and financial performance for the respective periods.

Year to date Key Indicators

		12/31/2019	12/31/2018
a.	Atlantic Salmon harvested in the period (tons WFE) / Site	3,838	4,041
b.	Atlantic Salmon farming density (kg/m3)	8.5	7.0
c.	Atlantic Salmon group survival rate in sea water by harvest	90.4%	91.6%
d.	Coho farming density (kg/m3)	2.1	n/a
e.	Coho group survival rate in sea water by harvest	90.3%	n/a
f.	EBIT before fair value adjustments (USD million)	67.5	69.2
g.	EBIT/Kg WFE before fair value adjustments	1.28	1.38

Notes:

a. Harvests for the period, expressed in ex-cage tons / number of sites harvested, expressed in ex-cage tons per site.

b and d. Average farming density, expressed in kg per cubic meter for sites harvested during the corresponding period.

c and e. Survival rate, expressed as harvested fish groups compared to smolt stocking. A harvest group is fish of a similar origin and strain.

f. Gross margin before fair value adjustment - administrative expenses - distribution costs for the salmon farming division

g. Gross margin before fair value adjustment - administrative expenses - distribution costs – net income from interest in trout business / kg WFE of own Atlantic salmon sold

Biomass Fair Value

Fair Value for the period ended December 31 (in 1 000 USD)

	Gain on fair value of biological assets		Cost of biological assets harvested and sold	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Salmonids	81,491	95,299	(81,179)	(92,973)

The net effect of the fair value adjustment of the salmon biomass is reflected in two accounts:

a. "Gain (loss) on FVA of biological assets" records the estimated gain or loss for the period from valuing the biomass of live and harvested fish at the end of each month that will be sold in future periods. It can be positive or negative based on changes in the biomass, its cost, the quality of concessions and the market price. A gain of USD 81.5 million was recorded for the FVA of live and harvested biomass as of December 31, 2019, compared to a gain of USD 95.3 million during the same period previous year.

b. "Cost of harvested and sold biological assets" records the realized gain or loss on the live biomass, and the biomass harvested in current and prior periods that was sold in the current period. This account reverses the estimated gain or loss for the current and prior periods and the result of the transaction is recorded in operating revenue and cost of sales. The net effect of the biomass sold as of December 31, 2019 was a loss of USD 81.2 million, which reversed a positive margin estimated in prior periods, in contrast to a loss of USD 93.0 million as of December 31, 2018.

The net effect of the FVA of the salmon biomass for the year ended December 31, 2019, is positive USD 0.3 million, compared to a positive USD 2.3 million for the year ended December 31, 2018.

Differences between the market and book values of biomass

Biological assets include the following:

Biological assets include groups of breeders, eggs, smolts and fish at marine grow-out sites. They are valued at initial recognition cost and subsequently.

Live fish inventories at all their freshwater stages, which are breeders, eggs, fry and smolts. These are valued at accumulated cost at the reporting date.

The fair value criteria for fish at seawater sites includes the value of the concession as a component of the farming risk, in accordance with the definition in IAS 41. Therefore, a valuation model has been that calculates the Fair Value Adjustment (FVA) by applying a risk factor to the expected biomass margin at seawater site.

The estimated fair value of the biomass is based on the following: the volume of fish in the biomass, the biomass average weight, the cumulative costs at each site, estimated remaining costs and estimated sales prices.

<u>Volume of fish in the biomass</u>
The volume of fish in the biomass is based on the number of smolts stocked at seawater sites, their estimated growth, identified mortality for the period, average weights and other factors.

Uncertainty regarding the biomass volume is normally lower in the absence of mass mortality events or fish suffering from acute diseases during the cycle.

The volume of fish in the biomass will be calculated for each site, and the target harvest weight will depend on each site.

Accumulated Costs

Accumulated costs for each seawater site at the date that fair value is calculated will be taken from the company's accounts.

Remaining costs

Estimated remaining costs are based on forecast direct and indirect costs that will affect the biomass of each site until it is harvested. This estimate is refined at each calculation, so uncertainty reduces as the harvest approaches.

Revenue is calculated using a monthly estimated sales price based on future price information from public sources, adjusted to historical price behavior from the main destination market for our fish. This is reduced by the costs of harvesting, processing, packaging, distribution and sale.

Under current valuation model 100% of the biomass at seawater is subject to fair value calculation.

Changes in the fair value of biological assets are recorded in the statement of net income for the year.

All biological assets are classified as current biological assets, as they form part of the normal farming cycle that concludes with harvesting the fish.

The gain or loss on the sale of these assets may vary in comparison to their calculated fair value at the reporting date.

The Company uses the following method.

Stage	Asset	Valuation
Fresh water	Eggs, fry, smolts and breeders	Direct and indirect accumulated costs at their various stages.
Sea water	Salmon	Fair value includes prices, costs and volumes that are estimated by the company.