

**2017**  
**ANNUAL**  
**REPORT**





# 2017 ANNUAL REPORT



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## A WORD FROM OUR CHAIRMAN

Ricardo García Holtz

Dear shareholders,

This year witnessed a structural change in Salmones Camanchaca that will provide sustainment to its future growth, based in the financial strengthening, appropriate use of the concessions, and improvements to the Company's fish farming and primary and secondary processing facilities.

In fact, the year 2017 will be remembered as the year in which Salmones Camanchaca announced and prepared its opening to hundreds of Chilean, Norwegian, European and American investors, that carried in a successful and historic public offer of shares in the stock markets of Santiago and Oslo, where the Company listed its shares since February 2, 2018. In order to do that, the capacities of the organization and the efforts

of its talents were tested, preparing and conducting two processes of opening, that included extensive audits and due diligences processes, all of which permitted the first registration of a Chilean company in Norway.

Following an intense work, the operation raised US\$ 50 million for Salmones Camanchaca, a clear view of the renewed confidence in the Chilean fish farming industry, which has been valued in the entire world. In this manner, Salmones Camanchaca took a great step crossing unexplored boundaries to access the capital markets of the world leaders.

In parallel to the opening process, Salmones Camanchaca, together with its parent company, Compañía Pesquera Camanchaca, completed a refinancing process involving the totality of its financial liabilities for an

amount, in our case, of US\$ 100 million. In this new financing participated DNB Bank, Coöperatieve Rabobank U.A. and Banco Santander, which established a five-year revolving facility, with gave the company sufficient flexibility to concrete its investment plans for the 2017-2019 three-year period, that will provide a profitable and sustainable source for growth.

In the productive and operational areas, this year 2017 was a year of a total harvest of Atlantic Salmon of 34,000 tons WFE, representing an annual increase of 6%. The last two years have been marked by a transitory reduction in harvest and have not represented the actual capacity of our Company.

In a context of prices the rises 11%, and a reduction of our sales and revenues of 24%, Salmones Camanchaca obtained a net profit of US\$ 31.7 million, 17% above that of the previous year, and an Ebitda of US\$ 52.5 million, 50% higher than that of the year 2016. Reduction in sales is a foreseeable consequence of extremely low levels of inventories in the beginning of the year, contrary to what had occurred in the year precedent, added to the decision to reduce for only once the stockings in two sites in the year 2015, the impact of which was reflected in the harvests of 2017.

During the year we experienced a normalization of the oceanographic conditions, leaving behind the phenomenon of El Niño, which added to a diverse type of initiatives, translated in a low mortality of our biomass, which reached to 3.8%, with a conversion factor of feed of 1.25; a good progress as compared to the years preceding. The foregoing permitted costs of harvested of only US\$ 3,02 per kg. live-weight, equal to that of 2015 and slightly below that of 2016.

The investment plan, that expects to improve the positioning of the Company in the years 2017-2019, saw the materialization of its first stage in 2017 with the expansion of the Petrohué hatchery, the stocking of more sites, the improvements in primary and secondary processing plants, all within the program that considers the investments of US\$ 46 million in the 2017-2019 three-year period, and that will provide sustainability to the Atlantic salmon fish harvests of over 50,000 tons WFE in the year 2018 and 60,000 tons WFE in the year 2021. To that should be added a production of trout in sites of the Company for the equivalent of approximately 15,000 tons WFE per annum on an average, of which Salmones Camanchaca possesses one third of the profits it generates, that in 2017 meant a profit of US\$ 6.1 million.

The care for the environment and the relationship with the communities where we operate constitute fundamental pillars that accompany the economic sustainability of our activity. The foregoing translated in that Salmones Camanchaca, for the third year in a row, this 2017 has been acknowledged as the best ranked Chilean company in the global ranking of transparency in matters of sustainability by Seafood Intelligence, advancing from the eighth to the sixth place among the 47 seafood producing companies evaluated worldwide.

In the center of our efforts to provide sustainability to our activities, the corporate social program denominated "Friendly Camanchaca", that in 2017 reached its fifth year, was critical in the process of creating a virtuous relationship of the Company with the community, founded in three main pillars: closeness, care for the environment, and healthy life, successfully implementing

diverse initiatives that in the year 2017 directly benefited more than 54,000 individuals in the regions of Biobio, Los Lagos and Aysén. In this context, stood out the activities related to the cleaning of beaches, recycling, training courses, customs fairs and support to educational establishments.

Friendly Camanchaca implemented a series of programs of reduction of generation of residues and promotion of recycling, both in our facilities and in the communities which we are part of; and, as part of the permanent concern for our collaborators. In 2017 Salmones Camanchaca subscribed the document "Good Practices of the Salmon Fish Farming", which reflexes a commitment of the industry with the strengthening of the labor relationship through the implementation of the best practices and standards.

In addition, during this year the Ministry of Economics awarded our Company the Pro Pyme seal, reflex of the commitment and concern towards our small- and medium-size suppliers, guaranteeing the timely payment for their services in compliance with the terms agreed upon.

Salmones Camanchaca will continue working to make of our activities in the fish farming industry a source for the generation of sustainable value for our shareholders, employees, suppliers, customers and neighbor communities, respecting the environment and the community where we work.

We thank our collaborators, commercial partners and new shareholders the trust deposited in our organization, committing our best efforts to advance in a path of shared progress.

Truly yours,



**Ricardo García Holtz**  
CHAIRMAN

# CHAP

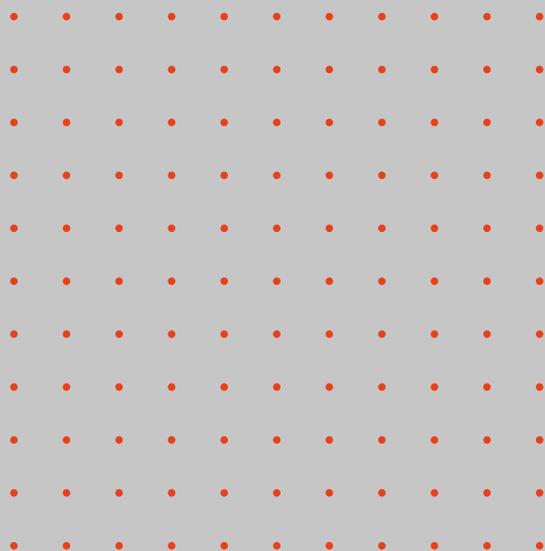
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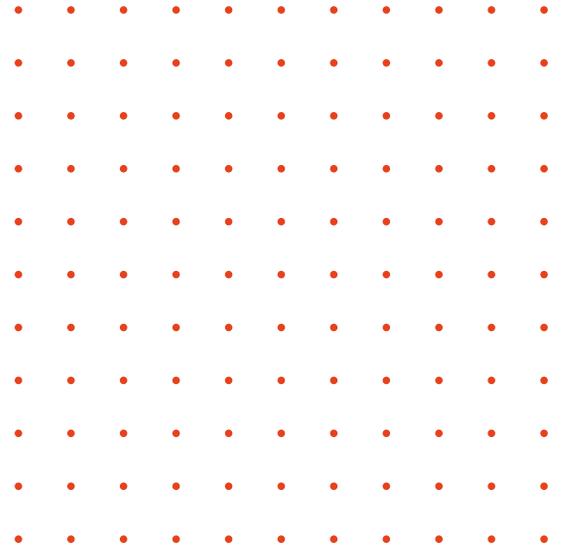
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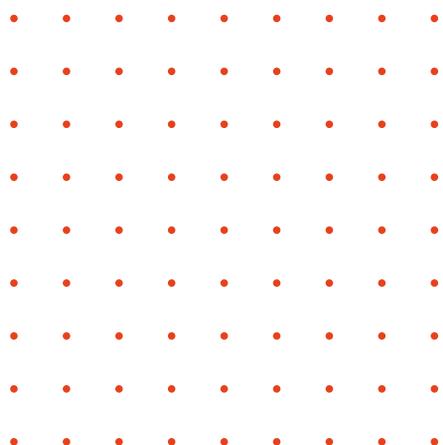




# **FINANCIAL EVOLUTION**

# SUMMARY OF FINANCIAL SITUATION

MAIN FINANCIAL INDICATORS	2017	2016
<b>Liquidity Indicators</b>		
Current Liquidity	2.51	1.88
Acid Test Ratio	0.80	0.71
Working Capital ThUS\$	119,784	63,725
<b>Leverage Indicators</b>		
Debt Ratio	1.81	11.56
Current liabilities / Total Liabilities	0.40	0.34
Non-current liabilities / Total Liabilities	0.60	0.66
<b>Profitability Ratios</b>		
Return on Equity (ROE)	29.18%	148.89%
Return on Assets (ROA)	19.02%	17.48%



**Notes:**

- Current Liquidity: Current Assets / Current Liabilities
- Acid Test Ratio: Current Assets Net of Inventory and Biological Assets / Current Liabilities
- Working Capital: Current Assets – Current Liabilities
- Debt Ratio: (Total Liabilities – Available Cash) / Total Equity
- Return on Equity: Net Income (Loss) Attributable to Owners of the Parent Company / Total Equity
- Return on Assets: Gross profit before Fair Value Adjustment / Total Assets.

# CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT	2017 ThUS\$	2016 ThUS\$
Operating revenue	203,070	225,546
Cost of sales	-144,859	-185,197
Gross profit before fair value adjustments	58,211	40,349
Administrative expenses	-10,750	-9,207
Distribution costs	-5,667	-6,737
EBIT before fair value	41,794	24,405
EBITDA before fair value	52,474	34,862
Fair value adjustment to biological assets	54,362	63,623
Fair value adjustment to harvest and sales	-49,061	-38,694
EBIT after fair value	47,095	49,334
EBITDA after fair value	57,775	59,791
Other income	-4,155	-13,859
Profit (loss) before taxes	42,940	35,475
<b>Net profit (loss) for the period</b>	<b>31,721</b>	<b>27,166</b>

The Company recorded a net profit of US\$ 31.7 million for the year ended December 31, 2017, an increase of 16.8%, which compares favorably with the net profit of US\$ 27.2 million for 2016. The EBITDA increase was even larger and rose from US\$ 34.9 million in 2016 to US\$ 52.5 million in 2017. This improvement was achieved within the context of oceanographic stabilization in 2017 following the acute effects of the El Niño phenomenon at the beginning of 2016.

Specifically, the most significant changes in these results were due to:

- a) The favorable combination of higher salmon prices, which rose by 11.3%, and lower harvesting costs, which fell by 8.6%.
- b) Offset by lower sales volumes of company-farmed salmon, which fell by 21.9% due to: i) the one-off decision to reduce smolt stocking at two farming sites in 2015, which resulted in reduced harvests in the

first quarter of 2017, and ii) a drop in salmon harvests of 12,000 tons in 2016, due to the harmful algae bloom (HAB), which led to reduced inventory at the start of 2017.

This positive performance includes a net positive "fair value" (FV) adjustment of US\$ 5.3 million. However, this FV adjustment is US\$ 19.6 million lower than in 2016 due to a combination of: i) lower prices at the end of January 2018 compared to January 2017, reducing the fair value of biomass over 4 kg; ii) the reversal of estimated margins on fish sold in this period, but already recognized in previous periods. The gross profit before fair value adjustments for the year ended December 31, 2017 was US\$ 58.2 million, which compares favorably with the US\$ 40.3 million achieved last year.

Operating revenue fell by 10%, reaching US\$ 203 million, due to a reduction of 21.9% in the sales volumes of company-farmed salmon, offset by prices rising by 11.3%.

# CONSOLIDATED GENERAL BALANCE SHEET

CONSOLIDATED BALANCE SHEET	2017 ThUS\$	2016 ThUS\$
Current assets	198,975	135,921
Property, plant and equipment	73,646	69,005
Other non-current assets	33,383	25,961
<b>Total Assets</b>	<b>306,004</b>	<b>230,887</b>
Current liabilities	79,191	72,196
Non-current liabilities	118,111	140,445
<b>Total Liabilities</b>	<b>197,302</b>	<b>212,641</b>
Net equity of parent company	108,702	18,246
Non-controlling interest	0	0
<b>Total Equity</b>	<b>108,702</b>	<b>18,246</b>
<b>Total Liabilities and Equity</b>	<b>306,004</b>	<b>230,887</b>

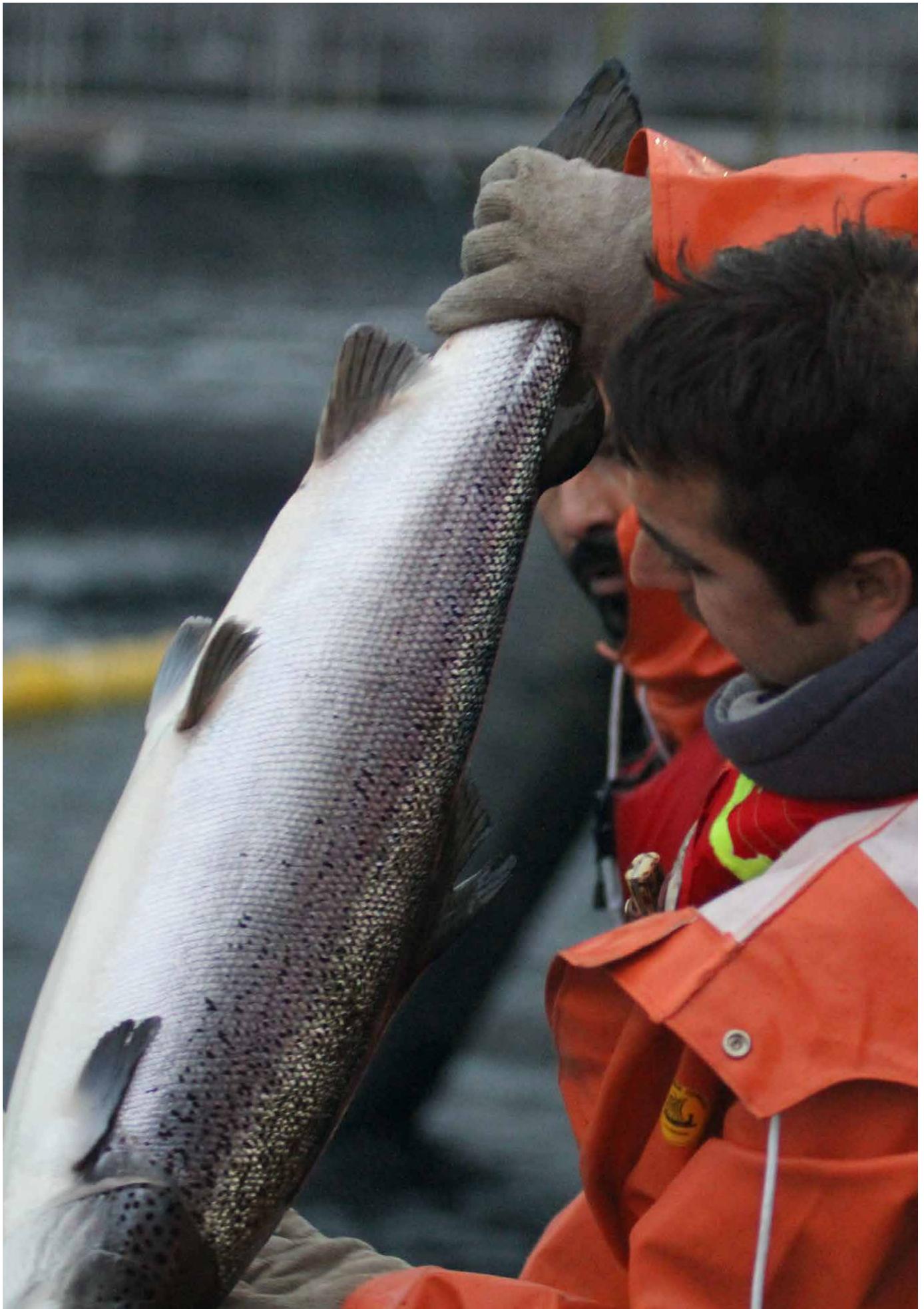
The Company's **total assets** increased by US\$ 75.1 million between December 2016 and December 2017, to reach US\$ 306 million, mainly due to an increase of US\$ 36.5 million in current biological assets, thus reflecting stable biomass volumes and projected harvests of Atlantic salmon in 2018 of 45,000 to 50,000 tons WFE. This biomass was temporarily below its target levels, due to the effects of the harmful algae bloom in Q1 2016, and lower smolt stockings in 2015. Inventories also increased by US\$ 14.8 million as of December 31, 2017, with close to 3,000 tons of additional finished product compared to the close of 2016. A significant component of the Company's EBITDA this year has been invested in biomass growth, which will prepare the Company for expected harvests of over 50,000 tons in 2019.

**Current liabilities** increased by US\$ 7 million (+9.7%) mainly explained by an increase of US\$ 43.6 million in third party payables associated with salmon feed suppliers following growth in

the Company's biological assets; a decrease of US\$ 10.1 million in other financial liabilities as a result of scheduled debt repayments; and a decrease of US\$ 28.6 million in related company payables following the restructuring on September 14, 2017. Fiordo Blanco S.A. became a subsidiary of Salmones Camanchaca on this date, and this account was offset during the consolidation of the financial statements. This situation did not apply as of December 31, 2016, when Fiordo Blanco S.A. was related company.

**Non-current liabilities** decreased by US\$ 22.3 million, mainly due to a decrease of US\$ 31.8 million in related company payables, due to the previously mentioned capitalization of receivables held by the parent company.

The Company's **equity** increased from US\$ 18.2 million as of December 31, 2016, to US\$ 109 million as of December 31, 2017, mainly due to the capital increase and net profit for the year.



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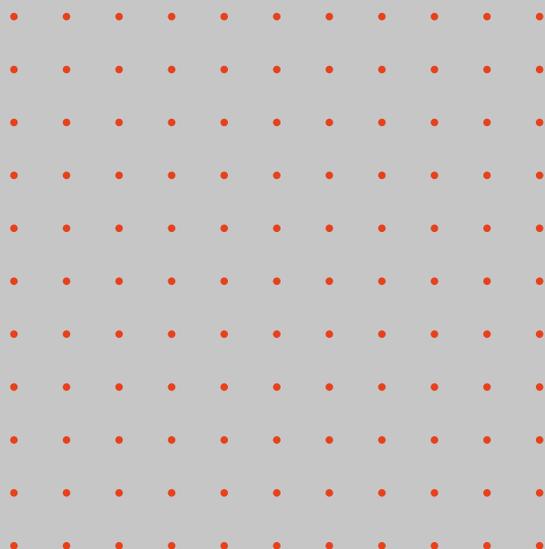
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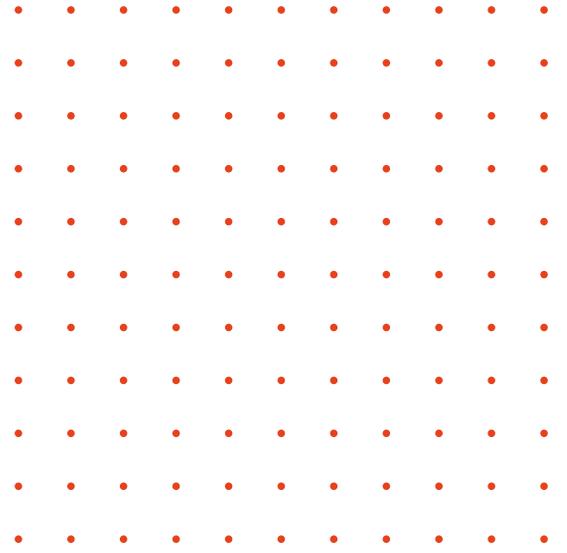
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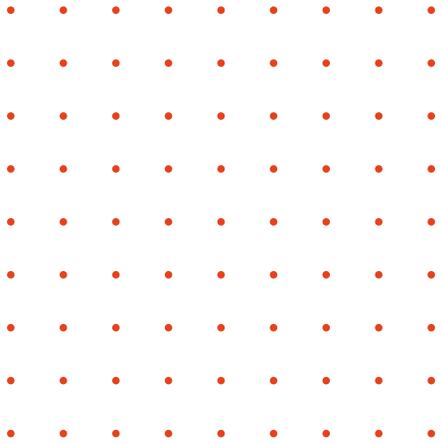




# THE COMPANY

# **IDEN**

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# **TIFI**

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# **CATION**

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**LEGAL NAME**

SALMONES CAMANCHACA S.A.

**ADDRESS**

Avenida El Golf N° 99, Piso 10, Las Condes, Santiago,  
Región Metropolitana, Postal code 7550000

**CHILEAN TAXPAYER ID NUMBER**

76065596-1

**TYPE OF ENTITY**

Joint Stock Company.

**SECURITIES REGISTRY**

1150

**CONTACT E-MAIL**

inversionistas@camanchaca.cl

**WEBSITE**

[www.salmonescamanchaca.cl/en](http://www.salmonescamanchaca.cl/en)

**PHONE**

(56-2) 2363 5700

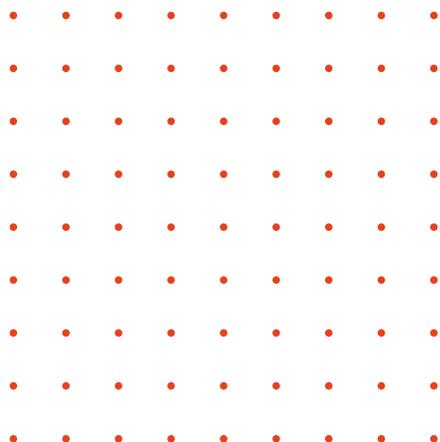
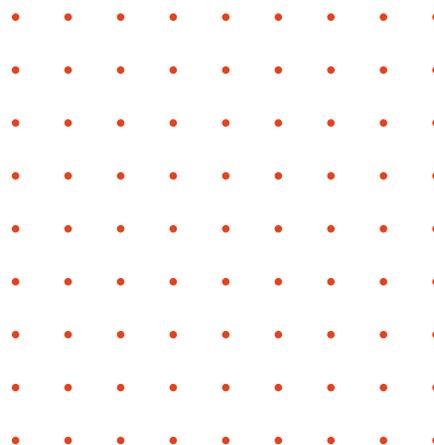
**FAX**

(56-2) 2375 4384

**TICKER**

Santiago Stock Exchange: SALMOCAM

Oslo Stock Exchange: SALMON



# OUR HISTORY

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## PERIOD

# 1987 1999

.....

In 1987 the Camanchaca Group established its salmon farming operations by acquiring the Polcura hatchery, where the first (Coho) smolts were produced. These were the first species farmed by the Company. The same year, the first Atlantic salmon were stocked at the Pañasmó and Terao sites. In addition, aquaculture concessions were acquired with a potential production of 75 thousand tons per year, allowing the diversification of the production.

.....

In 1989 Camanchaca began the farming of Atlantic salmon and the expansion of its operations within the 10th region.

---

**PERIOD**

**2000  
2010**

.....

In 2001 Camanchaca made a pioneering investment establishing the first recirculating hatchery for salmon in Chile, located on the Río Petrohué in the 10th region, with a production capacity of 15 million smolts per year.

.....

In 2004 Fiordo Blanco S.A. was acquired by the Camanchaca Group, launching the Atlantic salmon breeding program, with an exclusive faster growing breed, the Lochy strain.

.....

In 2008, like other fish farming companies, the Camanchaca Group suffered the effects of the ISA virus and decided to suspend the production of Atlantic salmon until health and sanitary conditions and regulatory and protocols were implemented.

.....

In 2009 Camanchaca Group formed Salmones Camanchaca S.A., incorporating the salmon operations in order to focus and consolidate the resources for the production and farming of this product.

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**PERIOD**

**2011  
2015**

.....

In 2011 the farming of Atlantic salmon is reassumed with healthy indicators and successful yields after the two-year interruption due to the ISA virus.

.....

In 2012 Salmones Camanchaca became the world's first salmon producer to earn three stars for complying with the BAP of the GAA.

.....

In 2013 Salmones Camanchaca founded New World Currents in association with three other Chilean companies in order to supply the Chinese market in an efficient and stable manner, and the goal of becoming the largest importer of this emerging market.

.....

In 2015 Salmones Camanchaca published its first sustainability report in June, 2015. In April, 2015, the eruption of the Calbuco volcano caused damages in the 10th region, specifically affecting the Petrohué RAS hatchery. It was possible to recover more than 85% of the fresh water fish, and the hatchery had a fast reconstruction.

---

**PERIOD**

**2016**

.....

The Tomé and San José processing plants were certified (ASC Chain of Custody Standard). In addition, Salmones Camanchaca earned the fourth star of the BAP certification for the Petrohué hatchery, completing the certification of the entire chain of production of the Company under this standard.

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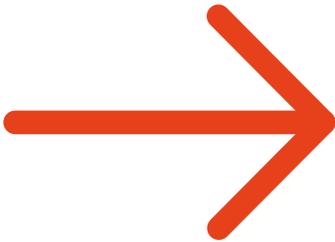
In early September, the facilities of the Petrohué hatchery reopened with high standards of safety and state-of-the-art recirculation technologies, which resulted not only in operational improvements, but also in environmental benefits and significant progress towards a sustainable and clean aquaculture.

# 2017

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# HIGHLIGHTS

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## PRO PYME SEAL

Other important milestone that took place during the year 2017 was the obtainment of the Pro Pyme seal in Salmones Camanchaca, which reflects the commitment with, and concern for, our suppliers. Such certification allows us to ensure the timely payment for their services within the terms agreed upon.

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## REFINANCING OF LIABILITIES

During the fourth quarter, Compañía Pesquera Camanchaca, together with its subsidiary Salmones Camanchaca, concreted a refinancing comprising the totality of its financial liabilities for an amount of US\$ 165 million with DNB Bank, Coöperatieve Rabobank U.A. and Banco Santander. This new loan for Salmones Camanchaca of US\$ 100 million, whose maturity is five years, provided the Company capacity to finance its investment plans, in addition to a higher degree of flexibility in the use of its resources.

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## RANKING OF SUSTAINABILITY OF SEAFOOD INTELLIGENCE

For the third year in a row, Salmones Camanchaca was the Chilean salmon producer better located in the world ranking of sustainability of Seafood Intelligence, an international consultancy firm specialized in aquaculture and fishing, that analyzes the transparency of the companies of the area when communicating their policies and results of sustainability, such as reports, sanitary information, relationship with communities, human resources, financial information, among others. In the last version of 2017, Salmones Camanchaca reached a rating of 75.2 points, superior to the 69.2 obtained in the measurement made in 2016, advancing from the eighth to the sixth place in the worldwide ranking, in a list that evaluates 47 companies (the 36 largest salmon farming companies and the 11 largest salmon feed producers). Salmones Camanchaca occupied the fourth place among the salmon farming companies.

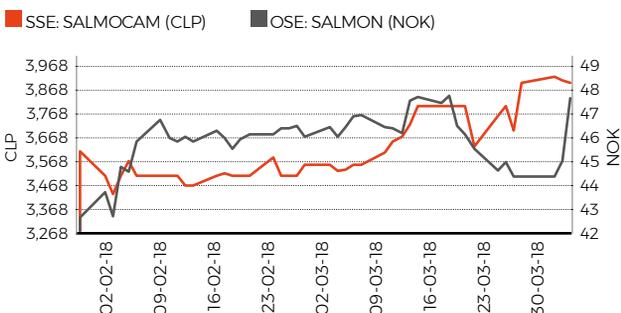
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## FRIENDLY CAMANCHACA 5th ANNIVERSARY

The program of corporate social responsibility of the Company had its 5th anniversary and exceeded the 10,000 followers in social media, specifically in its Fanpage of Facebook. This way, Friendly Camanchaca, that was created to be a space of interaction with the communities that are linked with the different divisions of the Company throughout Chile, continued promoting healthy life, environment care, and socio-economic development of the areas where the Company operates.



## SALMONES CAMANCHACA COMPLETES SIMULTANEOUS INITIAL PUBLIC OFFERING IN OSLO AND SANTIAGO



In the month of September of 2017, Compañía Pesquera Camanchaca communicated its intention to place part of the property of its subsidiary Salmones Camanchaca in a simultaneous manner in the stock markets of Santiago and Oslo through a primary and secondary offer of shares. On February 2, 2018 such opening was materialized, involving 30% of the property, raising for Salmones Camanchaca US\$ 50 million through a primary placement. In turn, Compañía Pesquera Camanchaca S.A. conducted a secondary share offer of Salmones Camanchaca S.A., raising the sum of US\$ 58 million. This operation positioned Salmones Camanchaca as the first Chilean company, and the only one in Latin America, to transact its shares in the main seafood market of the world, in addition to becoming a referent for other players of the Chilean industry that study to follow the same process.

# ORGANIZATIONAL DOCUMENTS

Salmones Camanchaca S.A. was organized as a close joint stock corporation as evidenced from the public deed executed June 26, 2009 before the notary public of Santiago Mr. Felix Jara Cadot. An abstract of the deed mentioned above was registered on July 23, 2009 on page 33,897 with the number 23,131 of the Register of Commerce of Santiago and published in the Official Gazette on July 24, 2009.

The objective of the Company is: a) the activity of aquaculture in general, and in particular, the breeding, production and farming of salmon, trout and other salmon and other type of species, beings or organisms that have the water as their normal or more frequent means of life, including the investigation and development of the genetics of salmon, and the industrialization, processing, elaboration, cooling, freezing, drying, packing, packaging, transportation and marketing of the products, byproducts and derivatives of the activity of aquaculture, all of the above for its own account and also providing services to third parties in the activities indicated above; and b) the investigation and development, production and manufacture of raw materials, machinery, elements and materials for the activity of aquaculture, all for its own consumption and for their marketing to third parties.

Its duration is indefinite.

The authorized, subscribed for, and paid up capital is the sum of US\$ 91,786,390.08

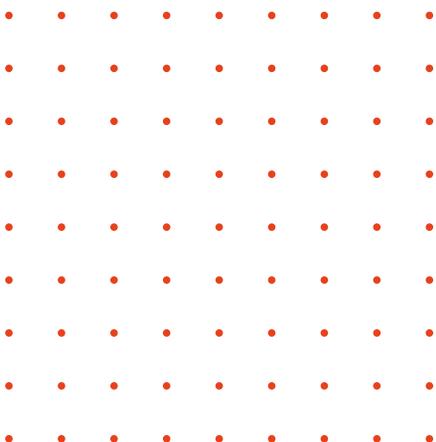
divided into 66,000,000 nominative no par value shares, all of the same and single series, without no privileges whatsoever.

The administration is entrusted to a Board of Directors that consists of five members that may be re-elected and remain in office for a period of two years, at the end of which period they must be renovated in their entirety. The directors may be re-elected indefinitely.

The shareholders gather in the Annual General Meeting (AGM) and extraordinary meetings. AGM is held within the first four months of each year, while the general extraordinary meetings may be held at any time, whenever demanded by the needs of the Company, to resolve in respect of any matter that the law of the by-laws submit to the knowledge of the shareholders meetings, provided such matters are indicated in the relevant summons.

The AGM designates, on an annual basis, an external Audit firm to examine the accounts, inventory, balance sheet and other financial statements of the Company, being the designated firm obligated to report in writing to the next AGM on the compliance with its duties.

On December 13, 2017, the Company was registered in the Register of Securities kept by the Superintendence of Securities and Insurance, under the number 1,150.



**ON DECEMBER 13, 2017, THE  
COMPANY WAS REGISTERED IN THE  
REGISTER OF SECURITIES KEPT  
BY THE SUPERINTENDENCE OF  
SECURITIES AND INSURANCE, UNDER  
THE NUMBER 1,150**



# COMPANY'S STRUCTURE

As of December 31, 2017



# CONTROL

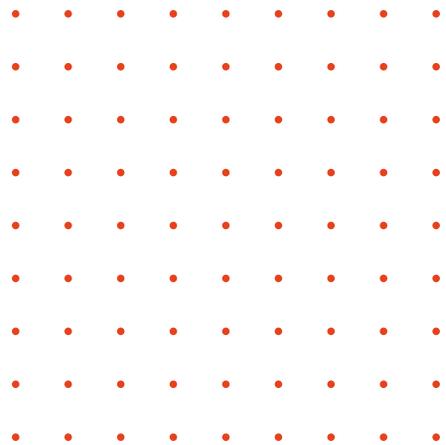
Salmones Camanchaca S.A. is controlled, as of December 31, 2017, by Compañía Pesquera Camanchaca S.A., direct and indirect owner of 100% of the shares in the Company.

In turn, Compañía Pesquera Camanchaca S.A., the direct owner of 99.999% of the shares in the Company, is controlled by Mr. Jorge Fernández Valdés, Chilean National ID number 3189057-8, through the companies Inversiones HFG Limitada, single taxpayer identification number 76076557-0, the direct owner of 33.1717% of the Company, and Inversiones Los Fresnos Limitada, single taxpayer identification number 78172330-4, the direct owner of 19.6020% of the Company.

Inversiones Los Fresnos Limitada and Inversiones HFG Limitada, companies in which Mr. Jorge Fernández Valdés has a direct participation of 99.964% and 0.00069%, respectively, are controlled, in accordance with their respective by-laws, by Mr. Jorge Fernández Valdés. In turn, Inversiones HFG Limitada has a direct participation of 0.036% in the company Inversiones Los Fresnos Limitada. The partners in Inversiones HFG Limitada are the following: 1) Mr. Jorge Fernández Valdés, with 0.00069% interest in the partnership's capital; 2) Inversiones La Viña Limitada, single taxpayer identification number 76066421-4, with 16.6665% interest in the partnership's capital, being the holder of 96% interest in the partner-

ship's capital of that company Ms. María Carolina Fernández García, Chilean National ID number 6377733-1; 3) Inversiones Bahía Queltehues Limitada, single taxpayer identification number 76066852-4, with 16.6665% interest in the partnership's capital, being the holder of 96% interest in the partnership's capital of that company Mr. Jorge Fernández García, Chilean National ID number 6377734-k; 4) Inversiones Fernández Cambiasso Limitada, single taxpayer identification number 76066862-1, with 16,6665% interest in the partnership's capital of that company, being the holder of 96% interest in that company Mr. Andrés Fernández García, Chilean National ID number 6446623-2; 5) Inversiones Bahía Pastores Limitada, single taxpayer identification number 76066883-4, with 16.6665% interest in the partnership's capital of that company, being the holder of 96% interest in the partnership's capital of that company Ms. María de la Paz Fernández García, Chilean National ID number 6377735-8; 6) Inversiones Salar Grande Limitada, single taxpayer identification number 76066856-7, with 16,6665% interest in the partnership's capital, being the holder of 96% interest in the partnership's capital of that company Mr. Cristián Fernández García, Chilean National ID number 9216903-0; and 7) Inversiones Orzada Limitada, single taxpayer identification number 77066845-1, with 16.6665% interest in the partnership's capital, being the holder of 96% interest in the interest in





the partnership's capital of that company Mr. Gonzalo Fernández García, Chilean National ID number 13441707-2.

It is acknowledged that the following individuals, family relatives of Mr. Jorge Fernández Valdés, are direct holders of the percentages of shares in the Company that are mentioned below: Mr. Jorge Fernández García, Chilean National ID number 6377734-k: 0.048% and Nicolás Guzmán Covarrubias, Chilean National ID number 6377761-7: 0.048%.

Likewise, there forms part of the controller of Compañía Pesquera Camanchaca S.A., Mr. Francisco de Borja Cifuentes Correa, Chilean National ID number 4333851-k, who maintains a pact of collective acting executed with Mr. Jorge Fernández Valdés, which considers limitations to the free disposal of the shares.

Mr. Francisco de Borja Cifuentes Correa controls, in accordance with their respective by-laws, the companies Inversiones Cifco Limitada, single taxpayer identification number 78172320-7, and Inversiones HCL Limitada, single taxpayer identification number 76076548-1, which companies are the owners of 13.8928 % of the shares in the Company.

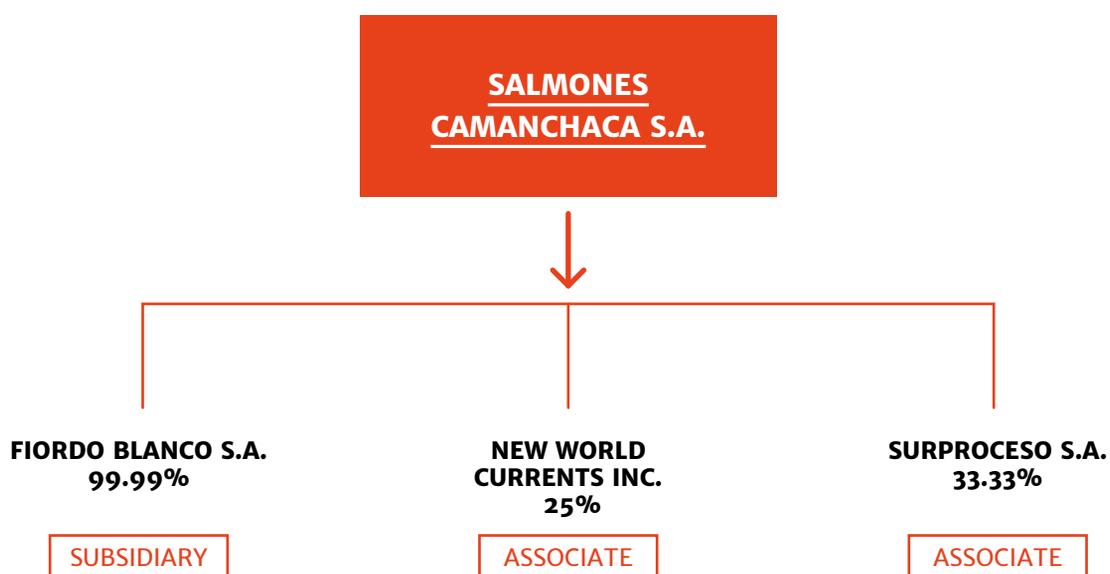
The partners in Inversiones Cifco Limitada, a company with 3.8548 % of direct participation in Compañía Pesquera Camanchaca S.A., are Mr. Francisco de Borja Cifuentes Correa, with 99,9621% interest in the partnership's capital, and Inversiones HCL Limitada, with 0.0379% interest in the partnership's capital of the above-mentioned company. The partners in Inversiones HCL Limitada, a company with 10.0380% of direct participation in the Company, are the following: a) Mr. Francisco de Borja Cifuentes Correa,

with 0.0024% interest in the partnership's capital; b) Inversiones Cilar Uno Limitada, single taxpayer identification number 76066821-4, with 19.9995% interest in the partnership's capital, being the holder of 96% interest in the partnership's capital of that company Ms. Mónica del Pilar Cifuentes Larios, Chilean National ID number 9007413-5; c) Inversiones Cilar Dos Limitada, single taxpayer identification number 76066824-9, with 19.9995% interest in the partnership's capital, being the holder of 96% interest in that company Mr. Francisco de Borja Cifuentes Larios, Chilean National ID number 12629641-k; d) Inversiones Cilar Tres Limitada, single taxpayer identification number 76066833-8, with 19.9995% interest in the partnership's capital, being the holder of 96% interest in that company Mr. Cristián Andrés Cifuentes Larios, Chilean National ID number 12638234-0; e) Inversiones Cilar Cuatro Limitada, single taxpayer identification number 76066839-7, with 19.9995% interest in the partnership's capital, being the holder of 96% interest in that company Ms. Carolina Cifuentes Larios, Chilean National ID number 13550339-8; and f) Inversiones Cilar Cinco Limitada, single taxpayer identification number 76066842-7, with 19.9995% interest in the partnership's capital, being the holder of 96% interest in that company Ms. María José Cifuentes Larios, Chilean National ID number 15960728-3.

Note: On February 2, 2018, Salmones Camanchaca S.A. launched a public offer of its shares at the Santiago Stock Exchange (Bolsa de Comercio de Santiago, Bolsa de Valores), following which Compañía Pesquera Camanchaca S.A. remained the direct owner of 69.9998% and the indirect owner of 0.0002% of the shares in the Company.

# OWNERSHIP STRUCTURE

As of December 31, 2017



Note: Considers direct and indirect participation

# AGREEMENTS AND CONTRACTS WITH SUBSIDIARIES OR ASSOCIATES

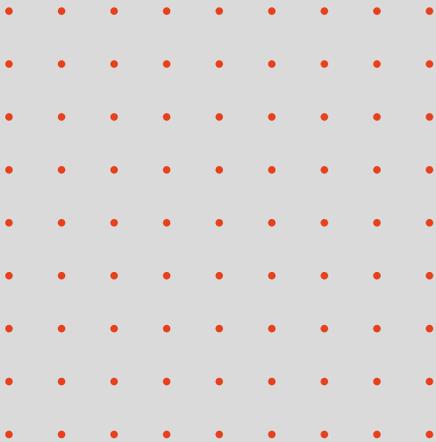
No acts have been performed or agreements entered into with the subsidiaries and associates that may have had a significant impact in the operations and results of Salmones Camanchaca S.A.

It is also important to mention that the Company does not have any investments representing over 20% of the investee's total assets in entities that are not considered subsidiaries or associates.

As of December 31, 2017, Francisco de Borja Cifuentes Correa, Jorge Andrés Fernández García and Ricardo García Holtz, held the offices of directors of the subsidiary Fiordo Blanco S.A., acting in addition with Francisco de Borja Cifuentes Correa as chairman of its Board of Directors and Jorge Andrés Fernández García as its CEO.

As of December 31, 2017, Juan Carlos Ferrer Echavarri, corporate business director served the office of director and chairman of the associated company New World Currents. As of the same date, Ricardo García Holtz, director, performed the office of alternate director in the associated company New World Currents.

As of December 31, 2017, Jorge Andrés Fernández García (CEO of Salmones Camanchaca S.A.) and Daniel Bortnik Ventura (corporate CFO), served as directors of the associate Surproceso S.A.



# SUBSIDIARIES

As of December 31, 2017

TAXPAYER ID	COMPANY NAME	OWNERSHIP INTEREST		
		DIRECT	INDIRECT	TOTAL
96540710-3	FIORDO BLANCO S.A.	99.99%	0.00	99.99%

As of December 31, 2017, Salmones Camanchaca did not have subsidiary companies.

Percentage that the investment represents in each company over the individual total assets of the Company.

TAXPAYER ID	COMPANY NAME	INVESTMENT	INVESTMENT
		2017	2016
96540710-3	FIORDO BLANCO S.A.	11.11%	0.00%

**CORPORATE NAME AND LEGAL NATURE:** FIORDO BLANCO S.A.  
**CAPITAL SUBSCRIBED FOR AND PAID UP:** US\$ 45.960.499

**CORPORATE PURPOSE:**

Investigation, exploitation, farming, processing, production and marketing of sea products.

**GENERAL DATA:**

The company was organized by public deed dated September 20, 1988 executed before the notary public of Valparaíso Mr. Ricardo Maure Gallardo, whose abstract was registered on page 59 over with the number 47 in the Register of Commerce of Los Andes corresponding to the year 1988.

**COMMERCIAL RELATIONSHIPS:**

This subsidiary leases concessions and assets associated to the activity of salmon farming to Salmones Camanchaca S.A.

**CHAIRMAN:**

Francisco Cifuentes Correa

**CEO:**

Jorge Fernández García

**DIRECTORS:**

Francisco Cifuentes Correa, Ricardo García Holtz and Jorge Fernández García.



# ASSOCIATES

As of December 31, 2017

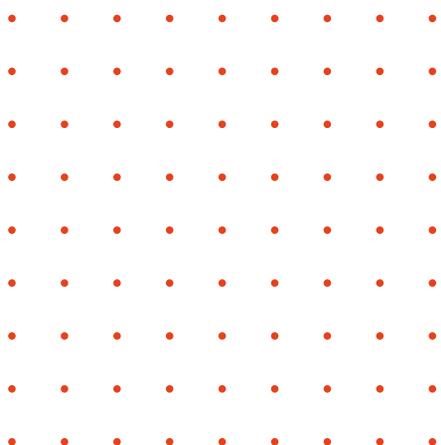
TAXPAYER ID	COMPANY NAME	OWNERSHIP INTEREST		
		DIRECT	INDIRECT	TOTAL
76346370-2	SURPROCESO S.A.	33.33	0.00	33.33
0-E	NEW WORLD CURRENTS INC.	25.00	0.00	25.00

As of December 31, 2016

TAXPAYER ID	COMPANY NAME	OWNERSHIP INTEREST		
		DIRECT	INDIRECT	TOTAL
77970900-0	TRANSPORTES INTERPOLAR LTDA.	50.00	0.00	50.00
0-E	NEW WORLD CURRENTS INC.	25.00	0.00	25.00

Percentage that the investment represents in each company over the individual total assets of the Company.

TAXPAYER ID	COMPANY NAME	INVESTMENT 2017	INVESTMENT 2016
77970900-0	TRANSPORTES INTERPOLAR LTDA.	0.00%	0.18%
76346370-2	SURPROCESO S.A.	1.64%	0.00%
0-E	NEW WORLD CURRENTS INC.	0.0004%	0.0004%



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**CORPORATE NAME AND LEGAL NATURE:** SURPROCESO S.A.  
**CAPITAL SUBSCRIBED FOR AND PAID UP:** CLP\$ 600,000,000

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**CORPORATE PURPOSE:**  
Services related to aquaculture.

**GENERAL DATA:**  
The company was organized by means of a public deed dated March 17, 2005 executed before the notary public of Santiago Mr. Arturo Carvajal Escobar, whose abstract was registered in the Register of Commerce of Santiago on page 177 with the number 139 corresponding to the year 2005, and in addition was registered in the Register of Commerce of Puerto Montt on page 167 with the number 139 corresponding to the year 2005.

**COMMERCIAL RELATIONSHIPS:**  
Provision of services of slaughtering and evisceration to Salmones Camanchaca S.A.

**CHAIRMAN:**  
Ignacio Pérez Benítez

**CEO:**  
Guillermo Enrique Vásquez Maldonado

**DIRECTORS:**  
Ignacio Pérez Benítez, Adrián Fernández Rosemberg, Sergio Smith Partarrieu, Álvaro Contreras Pérez, Jorge Fernández García and Daniel Bortnik Ventura.

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**CORPORATE NAME AND LEGAL NATURE:** NEW WORLD CURRENTS INC.  
**CAPITAL SUBSCRIBED FOR AND PAID UP:** US\$ 10,000

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**CORPORATE PURPOSE:**  
Establish, handle and carry out the businesses of an investor company anywhere in the world; purchase, sell and negotiate all type of consumption articles, shares of capital, bonds and securities of all kinds; purchase, sell, lease or otherwise acquire or dispose of personal or real properties; invest in all type of industrial, or commercial business, either as principal or shareholder; receive and grant money in loan, with or without guaranty; agree upon, enter into, comply and perform agreements of all types; open and operate banking accounts of any nature in any part of the world, obligate itself as surety or secure the compliance and observance of any and all contracts; participate in any legitimate business not prohibited to a joint stock corporation; and carry out any of the acts mentioned above as principal,

agent or in any other form of representation, irrespective of its nature.

**GENERAL DATA:**  
The company started its activities on December 20, 2013.

**COMMERCIAL RELATIONSHIPS:**  
Marketing of salmon in the Chinese market to Salmones Camanchaca S.A.

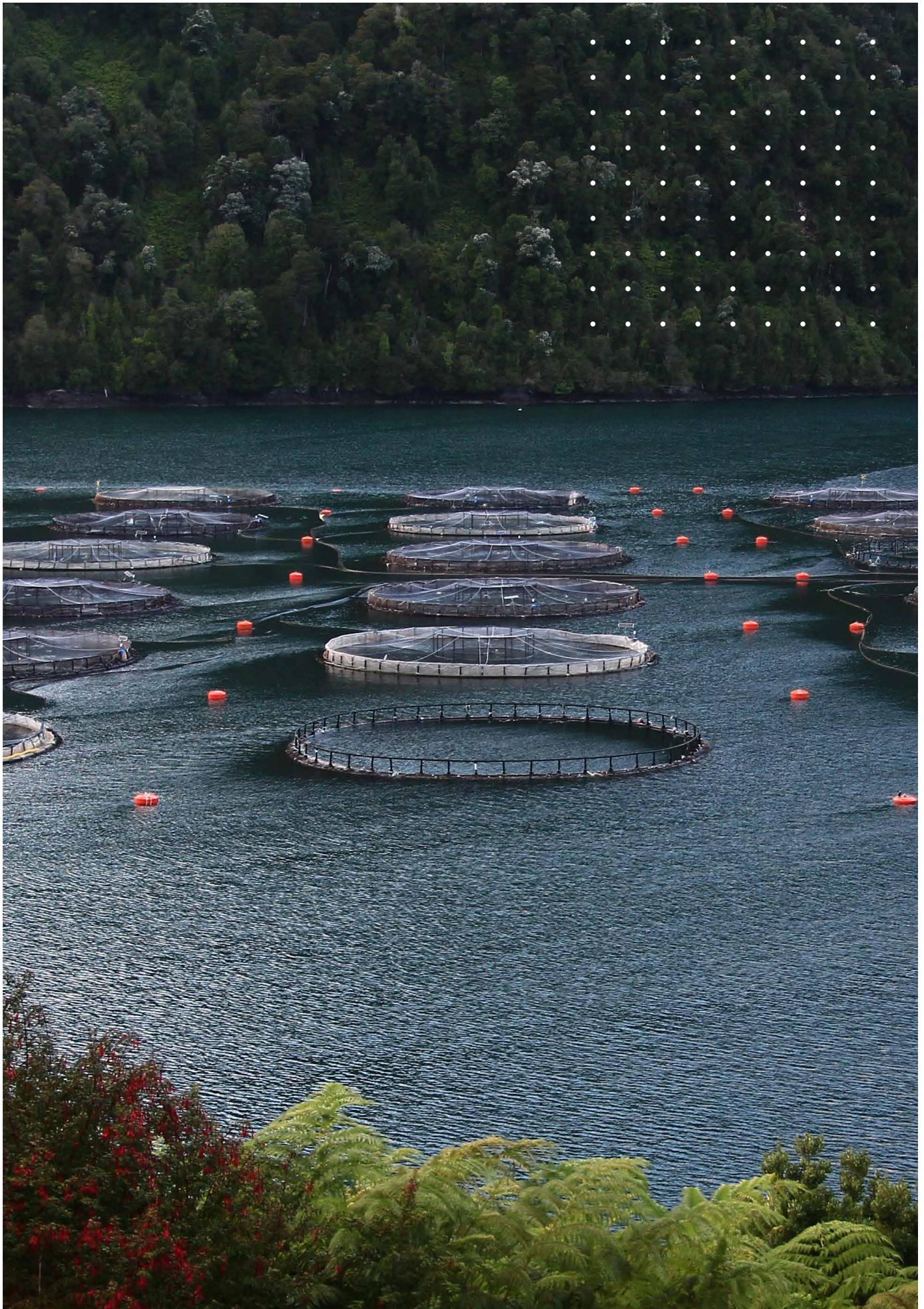
**CHAIRMAN:**  
Juan Carlos Ferrer Echavarri

**DIRECTORS:**  
Juan Carlos Ferrer Echavarri, Derek Khon Bruggeman, Daniel Montoya Stehr, Vicente Swinburn Joannon. **Alternate directors:** Ricardo García Holtz, Ricardo Misraji Vaizer, Gerardo Balbontín Fox, Benjamín Holmes Cheyre.

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# DIRECTORS AND EXECUTIVES SERVING IN SUBSIDIARIES AND ASSOCIATES

<b>Name</b>	<b>Subsidiary/Associate</b>	<b>Position in the subsidiary / associate</b>
<b>Francisco De Borja Cifuentes Correa</b>	Fiordo Blanco S.A.	Chairman
<b>Ricardo García Holtz</b>	Fiordo Blanco S.A.	Director
<b>Jorge Fernández García</b>	Surproceso S.A.	Director
	Fiordo Blanco S.A.	Director and CEO
<b>Daniel Bortnik Ventura</b>	Surproceso S.A.	Director
<b>Juan Carlos Ferrer Echavarrí</b>	New World Currents Inc.	Chairman

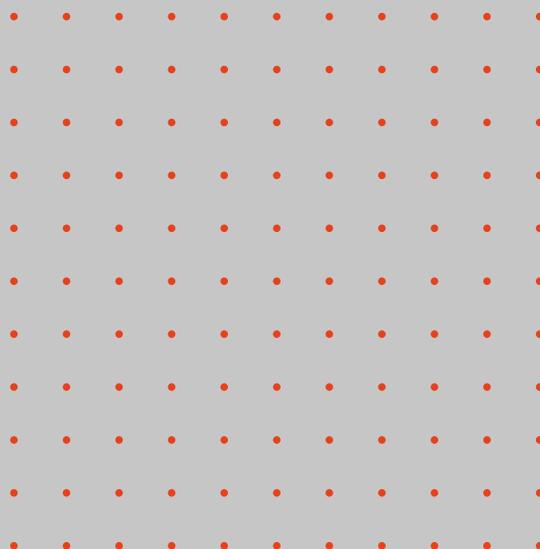


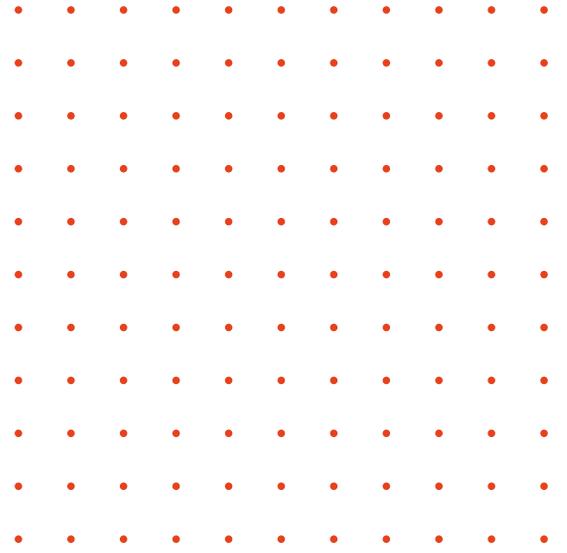
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# **DIRECTORS AND KEY EXECUTIVES**

# DIRECTORS



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**RICARDO  
GARCÍA HOLTZ**  
CHAIRMAN

**Chilean National ID:**  
6999716-3

**Economist and Business  
Administrator,**  
Pontificia Universidad  
Católica de Chile

**Master's in Economics,**  
Pontificia Universidad  
Católica de Chile

**Master's in Economics,**  
University of California,  
Los Angeles (UCLA)

**Date of re-election**  
26/04/2016

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**JORGE  
FERNÁNDEZ VALDÉS**  
DIRECTOR

**Chilean National ID:**  
3189057-8

**Financial Investor**

**Date of re-election**  
26/04/2016



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**FRANCISCO DE BORJA  
CIFUENTES CORREA**  
DIRECTOR

**Chilean National ID:**  
4333851-K

**Lawyer,**  
Pontificia Universidad  
Católica de Chile

**Date of re-election**  
26/04/2016



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**FELIPE  
SANDOVAL PRECHT**  
DIRECTOR

**Chilean National ID:**  
7673035-0

**Civil Engineer,**  
Universidad de Chile

**Date of designation**  
15/11/2017



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**TORE  
VALDERHAUG**  
DIRECTOR

**Passport number:**  
27710026

**Norwegian State Authorized  
Public Accountant,**  
Norwegian School of Economics  
and Business Administration  
(NHH)

**Date of designation**  
15/11/2017

# KEY EXECUTIVES



**JORGE  
FERNÁNDEZ GARCÍA**  
CEO

**Chilean National ID:** 6377734-K

**Economist and Business  
Administrator,**  
Universidad de Chile

**Date from which he held  
the position**  
01/10/1989



**JUAN CARLOS  
FERRER ECHAVARRI**  
CORPORATE BUSINESS  
MANAGER

**Chilean National ID:** 6190572-3

**Industrial Engineer,**  
Pontificia Universidad  
Católica de Chile

**Date from which he held  
the position**  
23/01/2012



**PABLO  
HERNÁNDEZ NEIRA**  
CORPORATE HUMAN  
RESOURCES MANAGER

**Chilean National ID:** 10350784-7

**Public Administrator,**  
Universidad de Chile

**Date from which he held  
the position**  
01/04/2013



**RAFAEL  
LE-BERT RAMÍREZ**

CORPORATE  
LEGAL COUNSEL

**Chilean National ID:** 13273363-5

**Lawyer,**  
Universidad de Chile

**Master of Laws,**  
Université de Franche-Comté,  
Besançon, France

**Date from which he held  
the position**  
01/03/2013



**DANIEL  
BORTNIK VENTURA**

CORPORATE  
CFO

**Chilean National ID:** 8036514-4

**Economist and Business  
Administrator,**  
Pontificia Universidad  
Católica de Chile

**MBA,**  
Pontificia Universidad  
Católica de Chile

**Date from which he held  
the position**  
01/08/2011



**IGAL  
NEIMAN BRODSKY**

CORPORATE PLANNING,  
MARKETING AND IT MANAGER

**Chilean National ID:** 9669507-1

**Economist and Business  
Administrator,**  
Universidad de Chile

**MBA,**  
Stern School of Business – New  
York University

**Date from which he held  
the position**  
04/07/2011



**ÁLVARO  
POBLETE SMITH**

FARMING REGIONAL MANAGER

**Chilean National ID:** 7656660-7

**Industrial Engineer,**  
Universidad de Chile

**Date from which he held  
the position**  
01/10/2016



**CLAUDIO  
SCHMAUK CÉSPEDES**

ADMINISTRATION AND  
FINANCE MANAGER

**Chilean National ID:** 11843532-K

**Industrial Engineer,**  
Pontificia Universidad  
Católica de Chile

**Date from which he held  
the position**  
01/01/2012



**JORGE  
VERGARA GONZÁLEZ**

ADDED VALUE PROCESS  
REGIONAL MANAGER

**Chilean National ID:** 13951783-0

**Industrial Engineer,**  
Universidad del Desarrollo

**Date from which he held  
the position**  
01/04/2017

# PROFESSIONALS, TECHNICIANS AND LABORERS

	2017				2016			
	Laborers	Technicians	Executives	Total	Laborers	Technicians	Executives	Total
<b>Salmones Camanchaca S.A.</b>	1,299	275	14	1,588	959	270	15	1,244

## INDIVIDUALS BY GENDER

	2017			2016		
	Man	Woman	Total	Man	Woman	Total
<b>Board Members</b>	5	0	5	5	0	5
<b>Key Executives</b>	9	0	9	9	0	9
<b>Company</b>	1,133	455	1,588	899	345	1,244

**Note:** Key executives include the corporate executives of the parent company Compañía Pesquera Camanchaca S.A. that provide services to Salmones Camanchaca S.A.

## SALARY GAP

Type of position, responsibility and role played	Salary Ratio Women/Men	
	2017	2016
Technicians	65%	61%
Administrative	95%	100%
Operative	82%	80%



## **INDIVIDUALS BY NATIONALITY**

Nationality	2017					2016				
	Man		Woman		Total	Man		Woman		Total
	Chilean	Foreign	Chilean	Foreign		Chilean	Foreign	Chilean	Foreign	
Board Members	4	1	0	0	5	4	1	0	0	5
Key Executives	9	0	0	0	9	9	0	0	0	9
Company	1,132	1	455	0	1,588	898	1	344	1	1,244

## **INDIVIDUALS BY RANGE OF AGE (YEARS)**

Age	2017												
	Man						Woman						Total
	< 30	30-40	41-50	51-60	61-70	>70	< 30	30-40	41-50	51-60	61-70	>70	
Board Members	0	0	0	2	1	2	0	0	0	0	0	0	5
Key Executives	0	1	4	4	0	0	0	0	0	0	0	0	9
Company	338	334	247	164	49	1	126	127	129	62	11	0	1,588

Age	2016												
	Man						Woman						Total
	< 30	30-40	41-50	51-60	61-70	>70	< 30	30-40	41-50	51-60	61-70	>70	
Board Members	0	0	0	2	1	2	0	0	0	0	0	0	5
Key Executives	0	0	4	4	1	0	0	0	0	0	0	0	9
Company	226	283	218	128	43	1	96	100	94	49	6	0	1,244

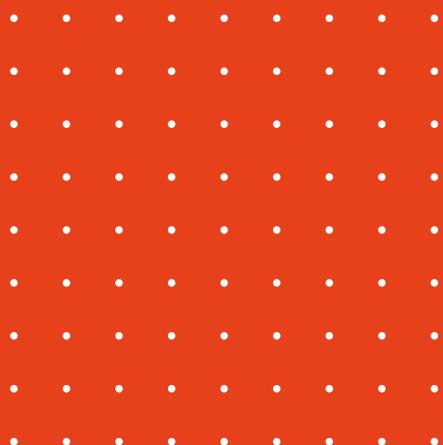
## **INDIVIDUALS BY YEARS OF SERVICE (YEARS)**

Years of service	2017										Total
	Man					Woman					
	< 3	3-6	6<x<9	9-12	>12	< 3	3-6	6<x<9	9-12	>12	
Board Members	2	0	3	0	0	0	0	0	0	0	5
Key Executives	0	5	2	1	1	0	0	0	0	0	9
Company	563	366	96	28	80	264	160	14	7	10	1,588

Years of service	2016										Total
	Man					Woman					
	< 3	3-6	6<x<9	9-12	>12	< 3	3-6	6<x<9	9-12	>12	
Board Members	0	5	0	0	0	0	0	0	0	0	5
Key Executives	0	6	0	1	2	0	0	0	0	0	9
Company	362	317	106	36	78	166	148	14	8	9	1,244

# COMPENSATION OF THE BOARD OF DIRECTORS

BOARD OF DIRECTORS SALMONES CAMANCHACA S.A.	Compensation (UF*)	
	2017	2016
Francisco Cifuentes Correa	1,440	1,440
Ricardo García Holtz	720	720
Jan Stengel Meierdirks	660	720
Jorge Fernández Valdés	720	420
Luis Hernán Paul Fresno	660	420
Héctor Felipe Sandoval	120	0
Tore Valderhaug	120	0



\* Unidad de Fomento (UF): Unit of account used in Chile, readjustable according to Chilean inflation. Its value as of December 31, 2017 is 1 UF = US\$ 43,6

# COMPENSATION OF KEY EXECUTIVES

The total compensation received by the managers and key executives during the year 2017 reached the sum of ThUS\$ 2,389.-, which considered fixed and variable components. The latter consists of a performance-determined non-guaranteed variable annual bonus, subject to the evaluation of the compliance with the objectives agreed upon and the performance expected and /or established by the relevant supervisor.

<b>Total perceived by managers and key executives</b>		<b>2017</b>	<b>2016</b>
Fixed	ThUS\$	1,851	1,687
Variable	ThUS\$	538	375
<b>Total</b>	<b>ThUS\$</b>	<b>2,389</b>	<b>2,062</b>

## **KEY EXECUTIVES COMPENSATION AND BENEFITS PLANS**

The Company has in place compensation and benefits plans for its key executives founded in the compliance with individual goals, such as the financial results, and permanence in office. Such plans have as their purpose to enhance conditions that add value and mobilize the energy, creativity and collaboration of our executives, attract new talents to the Company; retain the existing talents; and develop the professional and personal aspects of our collaborators.

In addition to the Bonuses Based on Results incorporated in the amount indicated in the first paragraph as part of the annual compensation, Salmones Camanchaca offers other benefits, among which there is a complementary health insurance, life insurance and catastrophic insurance, that during the year 2017 reached a total of ThUS\$ 30.

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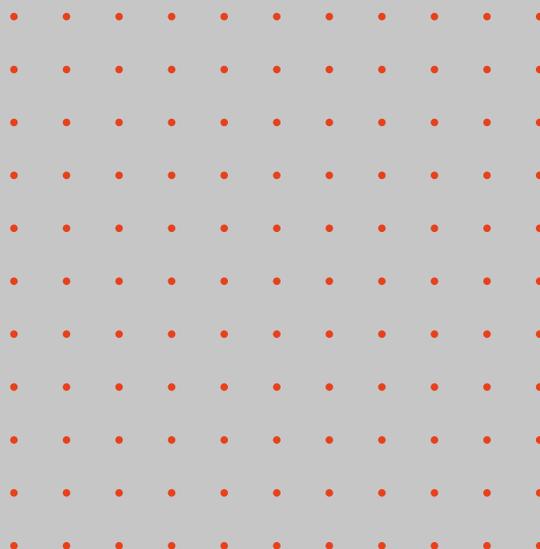
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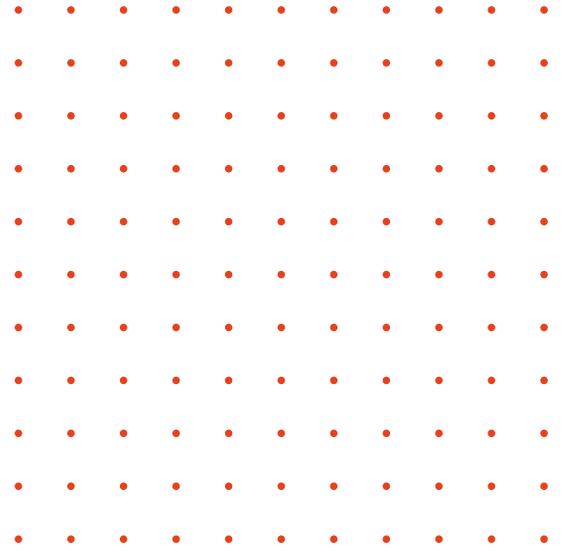
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# **THE INDUSTRY AND THE BUSINESS OF SALMONES CAMANCHACA**

# OUR OPERATIONS

## **PRODUCTIVE CHAIN OF OUR SALMONS**

The productive cycle of a salmon takes approximately three years from the process of spawning to its harvest and marketing.

During that cycle our salmon travels throughout three regions of Chile looking for the optimal conditions in order for their productive process to resemble as far as possible their growth in natural conditions, commencing in fresh water in a first stage to be subsequently transferred to the pristine waters where our sea water sites are located in the 10th and 11th regions.

## **POLCURA FISH FARMING FACILITY – GENETIC IMPROVEMENT PROGRAM (GIP) (36 MONTHS)**

The process commences with the Genetic Improvement Program in our Polcura hatchery sited in the Eighth region of Biobío. In this zone of our country there has been developed for the last fifteen years the GIP (Genetic Improvement Program) in charge of the Fresh Water area collectively with the Company's Innovation and Development area, near the Laguna del Laja National Park and the river that carries the same name.

The GIP is one of the main productive strengths of our Company which permits us exercise the control of the genetic variables from the start in order to ensure an optimal yield along the entire productive cycle.

Being one of the most ancient fish farming sites of Chile, with almost 70 years operating,

Polcura is the base of the genealogical tree of Salmones Camanchaca. Here are conducted the studies and made the crossbreeding of the families of the Fanad and Lochy strains to obtain the best results.

The locality of Polcura, sited by the road to Antuco, belongs to the county of Tucapel, with some 14,000 inhabitants (census of 2017). As from the start, the fish farming team handling the facility has been formed by inhabitants from the nearby localities of Huepil and Polcura, having members that today have more than 30 years of trajectory.

Following, some of the activities that are carried out within the framework of the GIP in Polcura aimed at the genetic selection:

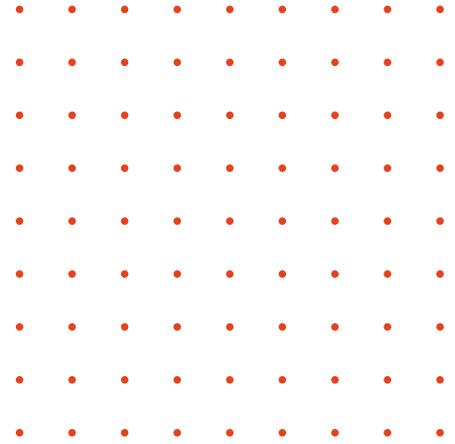
Selection of fish with high genetic value for resistance (population /family genetic value).

Annual production of Breeders for the 100% of the production of the eggs of the Company.

Challenge tests to evaluate the resistance to illnesses.

Challenge tests to evaluate the effects of the co-infection versus the simple infection.  
Challenge tests to evaluate the effect of the inoculations over the selection of fish.  
Start of the genomic selection for resistance to SRS (QTL marker).

The R&D area of the Company is started with the Genetic Improvement Program, being materialized as a department in 2017. In the following table are shown the projects currently under execution:



## R&D PROJECTS CURRENTLY COMPLETED AND IN PROGRESS

PROJECTS	OBJECTIVES	STATUS
Follow-up embryonic development in chilled eggs	Evaluate the effect of chilling on eggs, on the hatching and first feeding processes.	COMPLETED
Productive evaluation of Lochy cages subject to photoperiod.	To evaluate the effect of photoperiod on the biomass and control of maturity in Lochy strain.	COMPLETED
Productive evaluation monosex cages Lochy (Islotes).	Optimize the production process in the sea sites.	IN PROGRESS
Production Lochy strain eggs all year round	Seasonalize the production of Lochy eggs by using photoperiod in broodstock.	IN PROGRESS
Production of selected eggs for resistance to SRS (Population Selection)	Produce selected eggs for SRS resistance, and their results in sea sites	IN PROGRESS
Production of selected eggs for resistance to SRS (Genomic Selection)	Produce selected eggs for SRS resistance, and their results in sea sites	IN PROGRESS
Evaluation of optimal environmental conditions for the development of Pseudochatonella sp., as a predictive tool for algae bloom	"Determine which environmental factors and conditions can be predictably associated to a HAB event of Pseudochatonella sp., in the company's sea sites.	IN PROGRESS
Estimation of the prevalence and vertical transmission of PRV in Atlantic Salmon	Control via reproductive screening the vertical transmission of PRV	IN PROGRESS
Immune status of Salmo salar in field conditions and its relation to P.salmonis infection: Bases for the incorporation of immunomodulatory peptides in diet as new medicines against the pathogen and the SRS	Collaborative project with Intesal / Ser-napesca to "Establish criteria of immune response and quality of smolt in farmed salmon and its association with infection by P. salmonis	IN PROGRESS

## **THE RECIRCULATION SYSTEMS REDUCE THE RISK OF ESCAPES AND THE INTERACTION WITH OTHER WILD ANIMALS**

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### **RÍO DEL ESTE HATCHERY – BREEDERS (12 MONTHS)**

Starting from the GIP developed in Polcura there are obtained the breeders that are transported by land to the 10th region of Los Lagos, to the Río del Este Fish Farm Facility, in the locality of Ralún. It is here, at the mouth of the Río Petrohué, where the male and female gametes to be then used in the process of fertilization are obtained. Later on, the roes are submitted to a selection, historically conducted by women, due to the thoroughness that the process requires. The “picking” of roes consists in the elimination from the production of the roes that will not have an optimal development, and that are identified mainly by characteristics that may be observed by the naked eye.

This production is conducted along the entire year, and after reaching the last stage of these roes, called eye roe, they are transported 28 kilometers to the northwest, to our Río Petrohué recirculation hatchery, to continue their process.

### **RÍO PETROHUÉ HATCHERY (6 MONTHS)**

This fish farming facility was one of the first in the world to have a system of recirculation of water for the farming of the Atlantic salmon. One of the main benefits of this type of farming systems is the significant saving of the hydrological resource (this as compared with other types of systems such as open flow piscicultures), in addition to have a very good control of all the environmental variables, such as oxygen, temperature, Ph, among others. Petrohué fills its tanks with the water obtained from deep wells (very pristine and of constant temperature) that results optimal for this type of farming. The recirculation systems reduce the risk of escapes and the interaction with other wild animals and maintain an extremely strict traceability of the process.

The recirculation systems are characterized by the continuous re-utilization of the water in their processes. However, in order for this to be possible, the water must be submitted to a treatment process that contemplates three steps:

- 1°) extraction of solids (mechanical treatment);
- 2°) removal of organic matters by means of a biofilter (biological treatment); and
- 3°) disinfection with ultra-violet light (UV) and other processes that render the resource in optimal condition to be re-used again in the same process.

Petrohué receives the eye roes from the Río del Este hatchery, and keeps them under ideal conditions of temperature. After approximately 30 days of incubation, the fry are born. In this phase a fry weights between 0.2 to 0,3 grams. After having been feed intensively in this stage, and following a period of 3 to 4 months, they will reach a weight of between 5 to 7 grams. Later on, they will be transported to other larger units, where they will reach the last phase of the fresh water process.



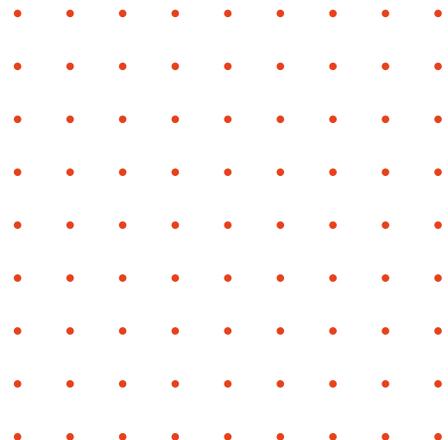
**SMOLT PRODUCTION UNIT (SPU)**  
**(5 MONTHS)**

The last phase of production in fresh water is conducted in the smolts production unit (SPU). The tanks of the SPU are adapted to farm fish of larger size, and control in an optimal manner the most critical process faced by fish in fresh water, that is, to adapt for the great change of environment between fresh and sea water. This last phase occurs in a period between 3 to 4 months, and fish reach a weight of 120 grams.

All in all, in both productive units work 56 individuals, out of which 65% are inhabitants of the Ensenada area.

**PLAYA MAQUI**

In addition to the Smolt Production Unit, the Company has a smolt-producing hatchery located in the Llanquihue lake, sector of Los Bajos, in the county of Frutillar. This hatchery has for years been producing trout for other companies in the industry. However, the working team, as well as the raw and other materials, form part of salmones Camanchaca. At this hatchery, 87% of the individuals forming part of the team are residents of the county.

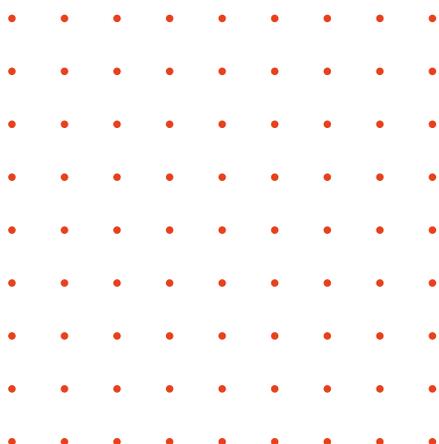


**GROW-OUT SITES IN THE 10TH AND 11TH REGIONS (12 TO 18 MONTHS)**

Once they are ready to continue their growth in sea water, our smolts are transported by land and sea from Ensenada to our several grow-out sites located in the 10th and 11th regions.

In accordance with the closings of productive neighborhoods and the sanitary rests regulations in force, the productions are destined to the sea water farming sites.

In the following table are shown productive indicators of the sites that were active in 2017:



**10th REGION**

<b>HUALAIHUÉ</b>	
<b>PUELICHE*</b> (info. Cycle affected by algae bloom)	
Recent cycle	Mar.2016-Sep. 2016
Harvest (Ton. WFE)	793
Average weight WFE (kg.)	4.63
LOSS (%)	13.2
FCRe WFE	1.34* estimated
<b>MAÑIHUEICO*</b>	
Recent cycle	May.2013-Dec 2014
Harvest (Ton. WFE)	5,326
Average weight WFE (kg.)	5.35
LOSS (%)	17.8
FCRe WFE	1.50
<b>CONTAO*</b>	
Recent cycle	Apr. 2013-Nov.2014
Harvest (Ton. WFE)	5,130
Average weight WFE (kg.)	4.83
LOSS (%)	11.7
FCRe WFE	1.50
<b>MARILMÓ</b>	
Recent cycle	Sep. 2016-Dec. 2017
Harvest (Ton. WFE)	4,076
Average weight WFE (kg.)	5.51
LOSS (%)	18.2
FCRe WFE	1.28

\* MAÑIHUEICO and CONTAO sites were affected by the 2016 Harmful Algae Bloom (HAB) events, so there was no harvest in those sites that year. The fish rescued finished their grow-out process in PUELICHE, where they were harvested, showing a cycle between March and September 2016 for this site (reflecting the last 6 months of growth for the fish rescued in the HAB events).

## CHAITÉN

### PUNTA ISLOTES

Recent cycle	Aug.2015-Dec. 2016
Harvest (Ton. WFE)	9,864
Average weight WFE (kg.)	5.85
LOSS (%)	3.1
FCRe WFE	1.29

### LEPTEPU

Recent cycle	Dec. 2016-Jan. 2018
Harvest (Ton. WFE)	1,313
Average weight WFE (kg.)	4.42
LOSS (%)	7.3
FCRe WFE	1.33

### BAHÍA EDWARDS

Recent cycle	Oct. 2015-Feb.2017
Harvest (Ton. WFE)	4,190
Average weight WFE (kg.)	5.69
LOSS (%)	4.6
FCRe WFE	1.34

### FIORDO LARGO

Recent cycle	May 2016- Sep. 2017
Harvest (Ton. WFE)	3,575
Average weight WFE (kg.)	4.55
LOSS (%)	2.55
FCRe WFE	1.57

### PORCELANA

Recent cycle	Aug.2016-Nov. 2017
Harvest (Ton. WFE)	4,839
Average weight WFE (kg.)	5.17
LOSS (%)	14.4
FCRe WFE	1.40

### PUERTO ARGENTINO

Recent cycle	Mar 2016-Jul. 2017
Harvest (Ton. WFE)	4,173
Average weight WFE (kg.)	4.82
LOSS (%)	2.8
FCRe WFE	1.41

## CHONCHI

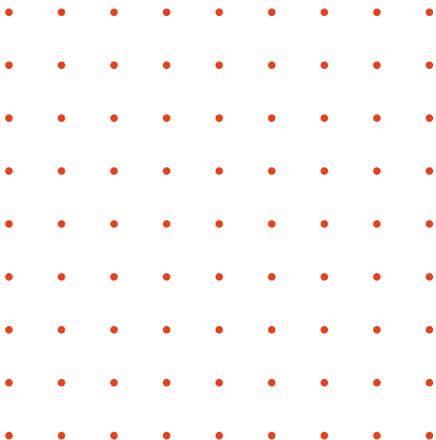
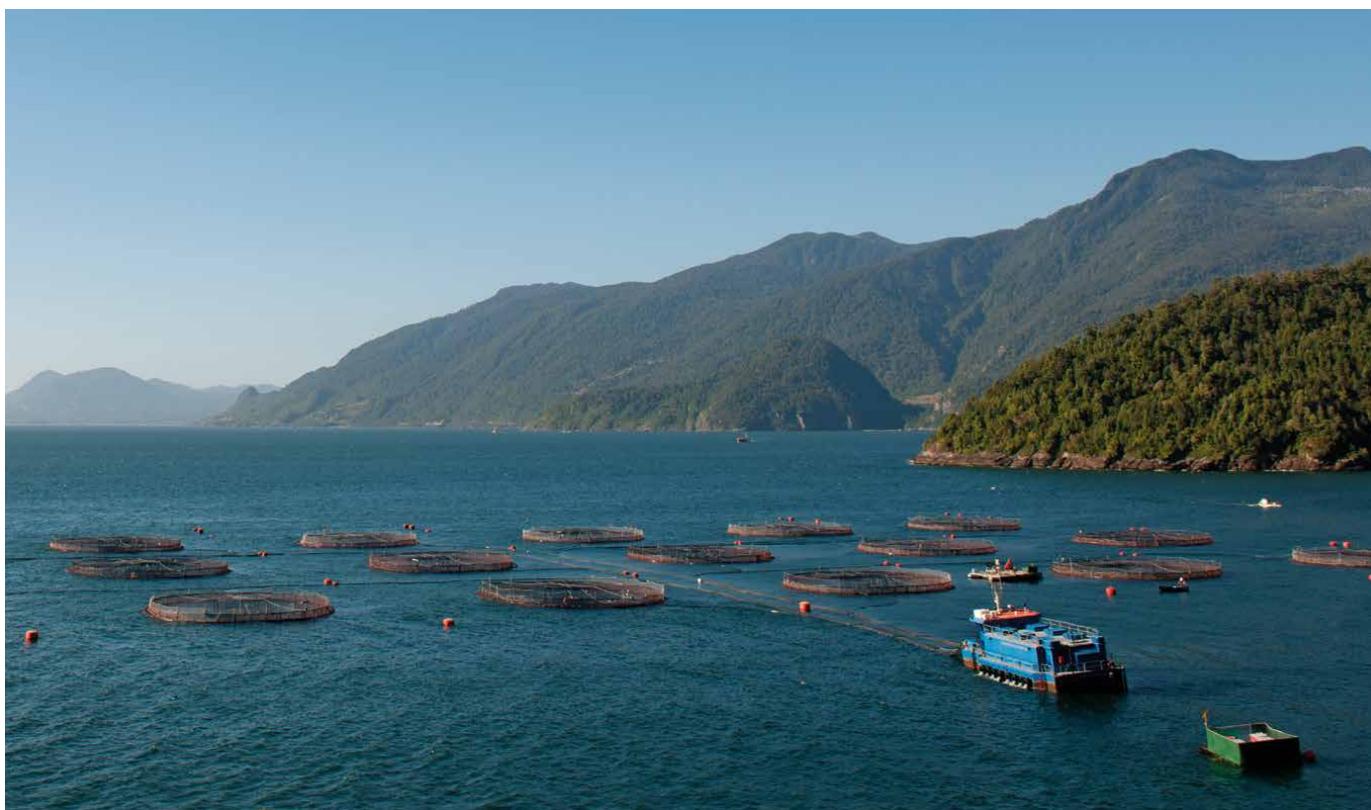
### PILPILEHUE

Recent cycle	Jul.2014-Dec.2015
Harvest (Ton. WFE)	5,048
Average weight WFE (kg.)	5.31
LOSS (%)	3.6
FCRe WFE	1.26

## QUEILEN

### AHONI

Recent cycle	Jul. 2016-Dec 2017
Harvest (Ton. WFE)	4,995
Average weight WFE (kg.)	5.30
LOSS (%)	3.2
FCRe WFE	1.21



## 11th REGION

### GUAITECAS

#### FORSYTH

Recent cycle	Dic.2014-Jun.2016
Harvest (Ton. WFE)	3,435
Average weight WFE (kg.)	5.03
LOSS (%)	11.9
FCR e WFE	1.6

#### JHONSON 2

Recent cycle	Jan. 2015-Jun. 2016
Harvest (Ton. WFE)	3,714
Average weight WFE (kg.)	4.86
LOSS (%)	19.0
FCR e WFE	1.44

#### IZAZA

Recent cycle	Jan. 2016-May 2017
Harvest (Ton. WFE)	4,825
Average weight WFE (kg.)	5
LOSS (%)	4.0
FCR e WFE	1.31

The grow-out phase of salmon is better carried out in cold waters, due to which the south of our country is an ideal scenario for the 12 to 18 months in which they will finalize approximately 90% of their growth. The landscapes that generally surround these production sites have a high presence of unexploited wild flora and fauna. Encircled by snow-capped mountains and southern fiords, the workers of the sites perform their duties in work shifts adapted to balance work and family life.

In land lodgings or in floating pontoons, men and women live in harmony with nature, safekeeping both the salmon in cages and the environment that surrounds them.

For a period superior to one year, the teams in sea water use an automatic system of feeding, that today even allows remote feeding when the weather conditions do not permit the approximation to the area. In addition, technologies have been incorporated to monitor the feed consumption, the extraction of dead fish and the cleaning of nets in situ, that permit that the work teams establish the priorities for the routine tasks.

When the fish have reached the appropriate size, they are transported again through wellboats to the primary processing plant in Calbuco.

### **SAN JOSÉ PRIMARY PLANT, CALBUCO. 10<sup>TH</sup> REGION OF LOS LAGOS**

At the Quihua island located in the county of Calbuco, a mainly rural (but also industrial) area, is sited our primary processing and fish gathering plant, with a capacity to process 80,000 salmon per day. This plant is the one in charge of processing the sea water production of the Los Lagos region. Its capacity permits it, in addition, to provide processing services to other enterprises in the region, as well as to export whole fresh salmon in a direct manner to countries such as Argentina, Brazil and China.

At one side of the plant is located the San José rural school that today provides education to a total of 150 students, all from the Quihua island. Sectors such as Yaco, Puerto, San Antonio, Chullehua, among others,

## **THE GROW-OUT PHASE OF SALMONS IS BETTER CARRIED OUT IN COLD WATERS, DUE TO WHICH THE SOUTH OF OUR COUNTRY IS AN IDEAL SCENARIO**

are part of the student community of this school. A characteristic of this sector is the large presence of indigenous communities and, in addition, a large quantity of social groups with different purposes: sports, social, tourism, etc.

### **SURPROCESO PRIMARY PLANT, QUELLÓN, ISLA GRANDE DE CHILOÉ, 10<sup>TH</sup> REGION OF LOS LAGOS**

Fish originated in our sea water sites located in the region of Aysén are processed at the Surproceso plant located in Quellón, with a daily capacity to process 150,000 fish. Camanchaca owns one third of the company, in addition to have a nursery concession adjoined to the facility, which has permitted it to optimize the work at the San José plant and open the facility to provide processing services to other companies in Calbuco.

### **VALUE ADDED PLANT IN TOMÉ**

The production requiring added value is transported in bins to the county of Tomé in the Biobío region, maintaining the cold chain. In this location is sited our plant with a capacity to process 250 tons of salmon per day. Here are conducted stages such as fish-bone elimination and portioning. Here fish are also skinned and vacuum sealed. Given the closeness to the capital of the nation, the Tomé plant exports fresh products to the USA.

This plant offers approximately 1,000 work positions on a yearly basis, which in 85% correspond to local hiring, implying a material contribution to the economic and social development of the zone.

# MARKETING NETWORK

For the sale of its products, Salmones Camanchaca counts with a marketing team that attends and develops the different markets where it is present, both in a direct manner from Chile and through the subsidiaries and representatives that the Company has in China (New World Currents) and Mexico, in addition to the sales agreements it has entered into with Camanchaca Inc. and Camanchaca Ltd. for the markets of the USA/Canada and Japan/Asia respectively.

The above-indicated team defines its sales policies in an independent manner, seeking to maximize the return of its sales at the same time that maintains an adequate diversification of its markets.

With the network and commercial structure that Salmones Camanchaca has today, the Company has been able to position itself in the international markets as a reliable supplier of premium products of salmon, building a long-term commercial relationship with its clients along its history.

Salmones Camanchaca entered into an agreement with Camanchaca that allows it to market its products abroad under the “Camanchaca Gourmet” and “Pier 33” trademarks that are oriented to the development of value added products destined mainly to final consumers.

## CLIENTS

Only two direct or indirect clients of Salmones Camanchaca represented more than 10% of the total sales (the most important one represented 14% of the total revenues).

## MARKET PARTICIPATION

Atlantic salmon (Salar): In accordance with the data provided by the Chilean industry and Kontali, a total of 579 thousand tons WFE of Salar was harvested during the year 2017, representing 25% of the harvest of this species at a worldwide level, being Norway the main producing country with 52% of the total at that level. The harvest of Camanchaca totaled 34.2 thousand tons WFE, representing 5.9% of the Chilean harvest of Salar, and 1.5% of the harvest worldwide.

## NUMBER OF CLIENTS OF SALMONES CAMANCHACA WITH ANNUAL SALES OVER THUS\$ 10

YEAR	NO. CLIENTS
2011	63
2012	90
2013	96
2014	124
2015	118
2016	136
2017	140

## CAMANCHACA AROUND THE WORLD

Sales distribution



**CHAP**

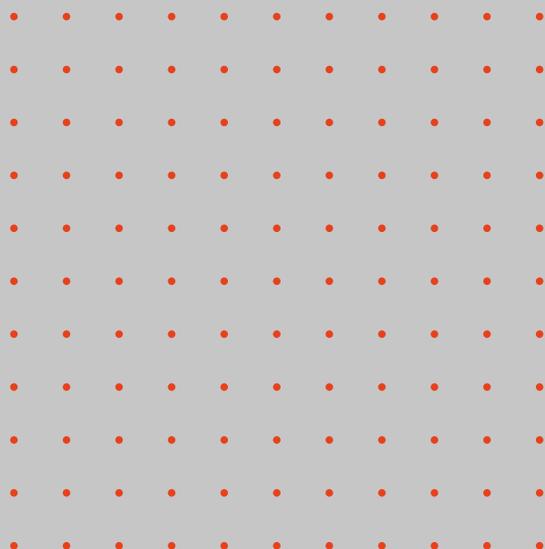
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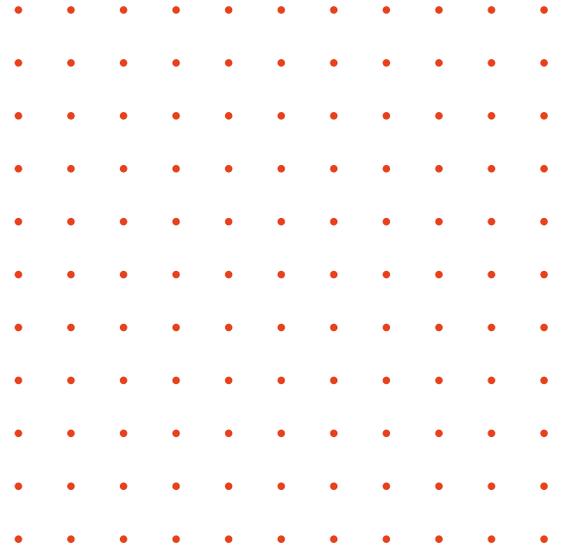
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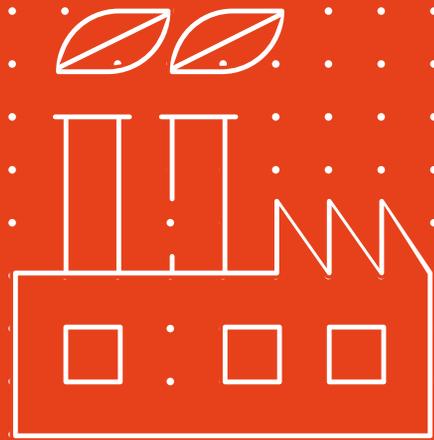
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**SUSTAINABILITY**





## FRIENDLY CAMANCHACA

Considering that every productive activity has an impact in its surroundings, in 2013 Camachaca resolved to give form to the Friendly Camachaca program, which seeks to develop and maintain in time a virtuous relationship with communities, collaborators, customers, suppliers and authorities, based upon the trust, closeness, care for the environment, and a healthy feeding and life.

The impact of this program has grown each year, and it is already known as one of the areas of influence of the Company.

Links have been created through the frequent dialog, at the same time that a path to new projects and collective development opportunities have been opened and continue progressing to this day. Along its trajectory, the actions have been perfected to aim at the adequate territories and support the true needs of the neighboring communities.

The Camachaca Amiga program considers three fundamental pillars that permit the coordination of the actions and generate real impacts in the community: Closeness, Care for the Surroundings, and Healthy Life.

At Salmones Camanchaca we are proud to present the new progresses that our Friendly Camachaca as attained, which along its trajectory has permitted the incorporation of this support towards the communities as part of its corporate culture, generating a positive and beneficial impact for both the Company and its neighboring communities and collaborators. In addition, during 2017 Salmones Camanchaca received the “Sello Inclusivo Tomecino” recognition for its contribution to the advancement in the matter of labor inclusion of individuals in condition of disability among its workers.

In 2017 work was continued along the line of fomenting a culture of active participation of the collaborators with near 86 activities, in addition to continue fomenting the closeness of the Company with its diverse groups of interest. Only in 2017 the program has a reach of more than 54,000 individuals in the Biobío, Los Lagos and Aysén regions, where 5,400 individuals participated in ferias of all types; more than 2,000 participated in the activities of cleaning of beaches, 483 individuals visited our facilities, and 93 students conducted internship work in Farming and Plant, among other activities.

# 1

## CLOSENESS

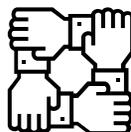
This pillar responds to the importance that Camanchaca confers to the development of the communities in which it works, where an important number of its workers and their families live. To the Company it is a priority to maintain a reciprocally collaborative long term and stable link with them, generating mutual benefits and making possible a shared value for all. This manner, in 2017 the main objective of the Company was to strengthen the relationship with the different communities through Neighbor Dialogs. Meetings were held starting in the month of August with the participation of near 48 neighbors of three communities: Río del Este, Playa Maqui and Contao, where the latter two had a second version product of the progress of the work with the communities involved. At a corporate level, an “open doors” relationship has been maintained, where different groups of neighbors, senior homes, educational institutions, among others, may learn in respect of the Company and become acquainted with the work that Camanchaca performs. This year highlights the visit of the students of the course of Chemicals of Universidad Católica de la Santísima Concepción to our Tomé plant, and that of the students of course of Environmental Engineering of University of Los Lagos to the Playa Maqui hatchery in Frutillar. Camanchaca also participated in other activities in alliance with educational centers, exhibits and other events in the zone.

### DIALOGS OF NEIGHBORS



Commencing the month of August, six journeys were conducted with the neighbors of the localities of Ralún, Los Bajos and Contao. These reunions permitted that 60 neighbors became acquainted with the work that Camanchaca carries out and could clarify their doubts in respect of its functioning. In addition, the neighbors of Ralún had the opportunity to visit the installations guided by the professional team of the facility.

### RELATIONSHIP WITH AUTHORITIES



Same as in previous years, the municipalities of Tomé, Puerto Varas, Calbuco and Frutillar were present in the coordination of diverse activities organized collectively. Among these may be mentioned those of cleaning of beaches, health fairs, football games, etc.

### HANDWORK COURSES



During the month of May took place the course of certification on “ornamental handwoven” in the locality of Hualaihué, where during ten days the students belonging to indigenous communities learned the technics of this work.

In addition, during the month of October, the Company, in alliance with the Labor Intermediation Office of the municipality of Frutillar certified neighbors of the county as Security Guards. This alliance permitted to 17 individuals have a new work tool, with 47% participation of women.

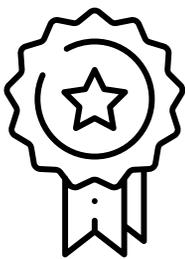
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## CARE OF THE ENVIRONMENT

The care of the environment has been always a fundamental pillar for the Company since its beginning, and the Friendly Camanchaca program has been prominent in the campaigns of cleaning of beaches that are carried out in association with educational entities and neighboring groups in the different sectors that reinforce the cleanings that are performed in the context of the normative in force. In this line, an alliance is maintained with the Maritime Authority and the collaboration to celebrate the Beaches Cleaning International Day, organized by Directmar at a national level. In 2017 more than 1,400 individuals participated in the different activities of recollection of residues, and for the first time the border of the Llanquihue lake was included, with the participation of the Epson School of Ensenada.

In addition, the Company maintains a close tie with educational establishments of the zone, due to which during this year three schools of the region of Los Lagos were selected to receive support in the process of Environmental Certification of Educational Establishments awarded by the Ministry of the Environment, successfully obtaining the certification for the three establishments in the beginning of 2018.

### ENVIRONMENTAL CERTIFICATION OF EDUCATIONAL ESTABLISHMENTS



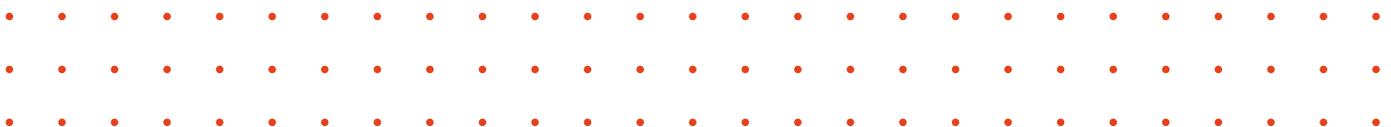
The Environmental Certification of Educational Establishments is a program coordinated by the Ministry of the Environment, the Ministry of Education, the Forestry National Corporation, the Ministry of Energy, the Chilean Agency of Energetic Efficiency, and the Organization of the United Nations for the Education, Science and Culture (UNESCO). The purpose of this program is to promote the incorporation of environmental variables in the educational establishments in three areas: education, management of the school, and in the relationship of the educational community with the environment.

This seal recognizes those establishments that have succeeded in integrating within their work an educational process with criteria of sustainability.

In this line, the Company selected three nearby schools to provide support during

their process of certification: Colegio Mauricio Hitchcock of Contao, Escuela Rural San José of Calbuco and Escuela Rural Epson of Ensenada.

Through systematic work, that was carried out during several months in cooperation with each establishment, the Company provided support in several activities in which the students learned in respect of sustainability and the care of the environment. Among these activities, a journey of planting of trees in the framework of the Day of the Environment, the building of a greenhouse at the Escuela Mauricio Hitchcock, and the cleaning of beaches together with the students and personnel of the three schools, were conducted. In the month of January was informed the obtaining of the certification for the three institutions.



# 3

## HEALTHY

## LIFE

The companies producing food for human consumption have strict standards of quality that certify that their products are fit for their consumption and that they will not be harmful for the individuals making use of them, nor that the processes for their elaboration be dangerous for those who share the territory. However, a responsibility that Camanchaca has assumed is the promotion of activities that seek also to promote a healthy life style that encourages the practice of sports and the sharing of spaces in the open air.

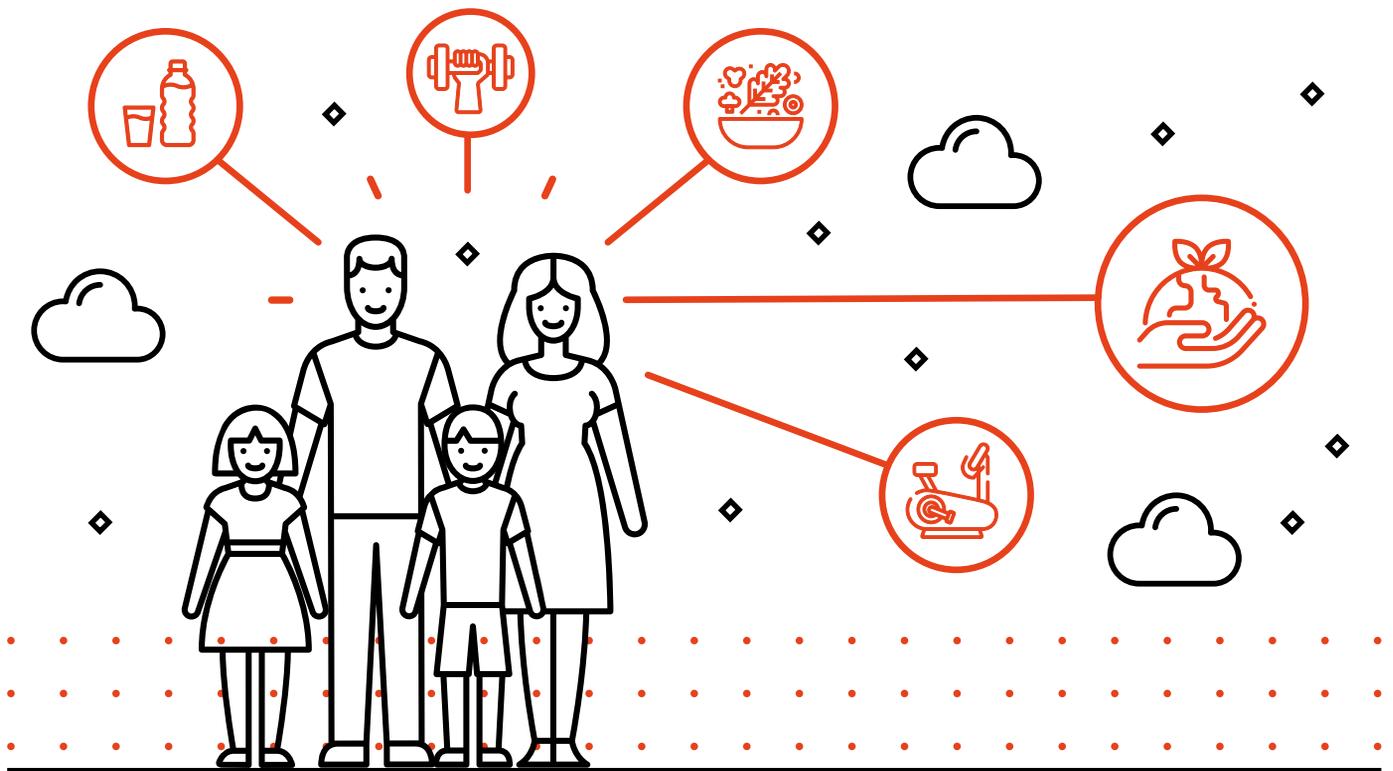
In the year 2017, once again the Company committed to the promotion of healthy life in its communities and participated in diverse activities in order to inspire same, among them, the Custom Fairs held in different localities and the School Students Health Fairs, in which more than 1,700 children, young people and adults participated. In them, the Company aided with stands where information regarding healthy feeding was distributed, complemented with the presence of chefs that made live cooking demonstrations with seafood products. In addition, Camanchaca also provided assistance in diverse sports activities during the year, delivering water and elements of protection to the participants.

For the first time a radio project was commenced, in which Camanchaca, by means

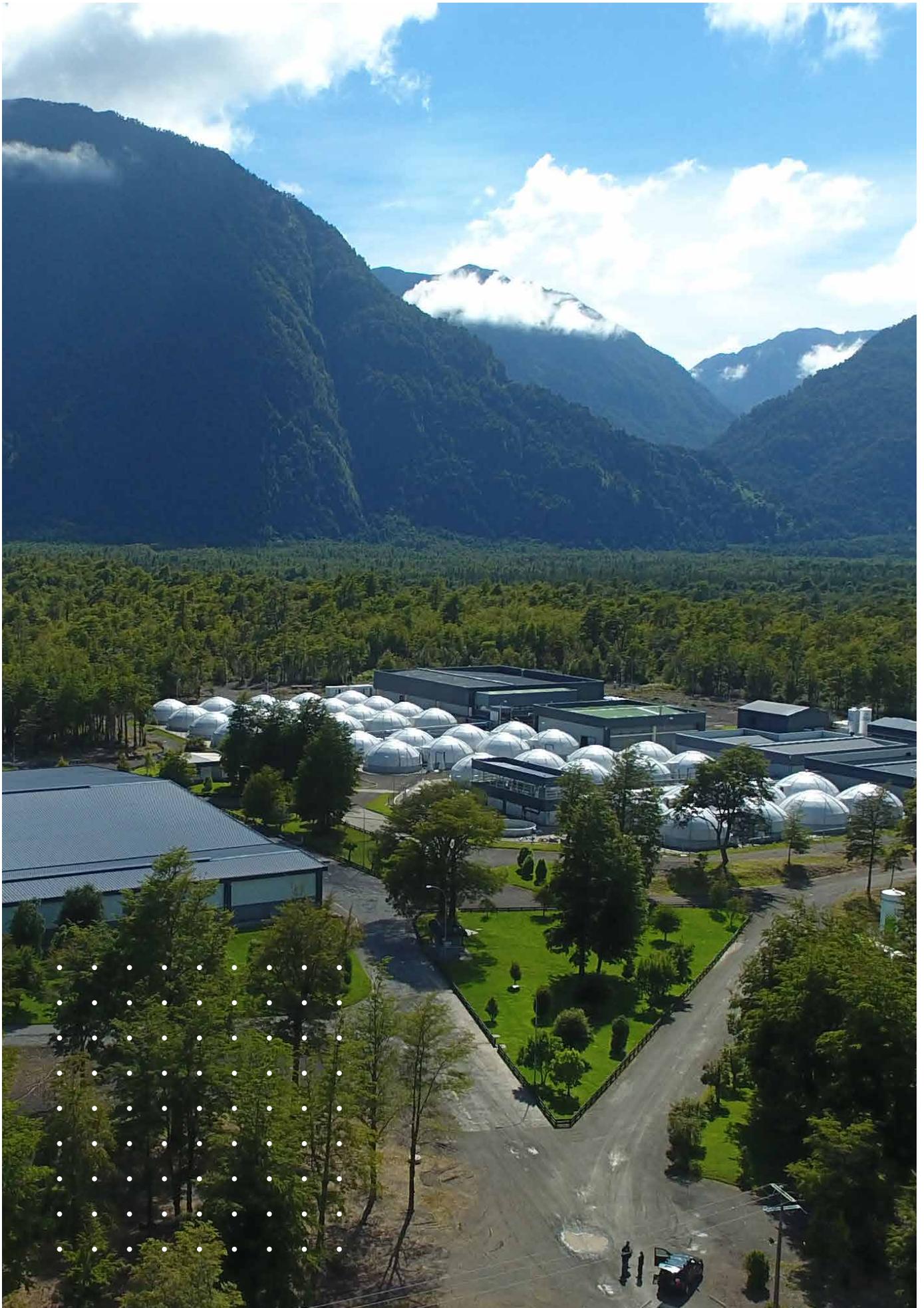
of capsules, informed to its communities in respect of the benefits of the consumption of seafood products and offered advice to take full advantage of same, in addition to suggest manners to improve their preparation. These capsules were present in eight radios of the localities of Calbuco, Llanquihue, Chiloé, Palena, Castro, Iquique, Hornopirén, Contao, Hualaihué, Coronel, Melinka and Tomé.

For a third year in a row now, the Company has conducted a fair in collaboration with the municipality of Tomé to promote the consumption of healthy products. The 2017 version counted with the participation of the well-known chef Miguel Valenzuela, who taught to the persons attending new preparation based in our and local products. This live cuisine event was conducted at Playa Bellavista, a resort that attracts an important number of tourists and inhabitants of the sector and counted with the attendance of more than 2,000 persons.

In addition, and for a second year, was continued the agreement between Camanchaca and Aramak –a company leader in institutional feeding-, to promote in the communities in which they participate a healthy and nutritive nourishing with products of the sea corresponding to the respective business areas.







# CAMANCHACA EFFICIENT

For Salmones Camanchaca, an increasingly efficient production chain is a fundamental pillar of its business strategy. This gives it competitive advantages and makes it sustainable over the long term. In 2017, several initiatives were developed in this line:

In the Processing Plant located in Tomé, the first phase of installation of Marel equipment stands out, obtaining 25% more productivity compared to the current processing lines, which generates annualized savings of US \$ 600 thousand. There is also a 1% higher yield, which has a positive impact of US\$ 1.2 million.

The closing of the second phase of the Marel project, which corresponds to a second processing line, as well as non-premium and skinning conveyer belts, will be carried out during the first half of 2018 with an investment around US \$ 2.8 million and with expected annual impact of US \$ 2.2 million. Finally, in a constant search to achieve new efficiencies, the recovery of by-products was improved: the yield of the Scrape Meat was doubled, and a new by-product was developed. Both will generate annual impact of US \$ 2 million.

## **PURCHASES, SUPPLY AND LOGISTICS**

Bidding processes for the awarding of 26 categories of contracts for the provision of materials and services were carried out in 2017, with annualized savings of US\$6,3 million. Within these processes stand out the inclusion of robotic technology for mortality extraction and cage nets cleaning on site, as well as the investment in 40x40 mts cages.

During the year 2017 the expenses in Foods were US\$ 69.1 million, with savings of US\$ 4.2 million, product of notes of credit for reduction in tariffs for awards due to the compliance with volumes, retroactivity and competitiveness.

In matters of logistics, highlights the commencement of air shipping from the airport of Concepción to markets abroad, implying savings in costs, transfer time, in addition to representing a significant milestone for the development of the region. Material savings and efficiencies were attained both in the air, maritime and land transportation and in the use of external warehouses and cold storage plants. Savings based in the concepts mentioned above exceeded US\$ 1 million.

On the side of transportation, an improvement in the integration of Transportes Interpolar Ltda. to the Company is obtained, making substantial investments in equipment by means of a plan of modernization projected to the year 2020. This modernization increases its competitiveness and efficiency at the same time that improves the quality of the services provided to the related companies.

## **SUPPLIERS**

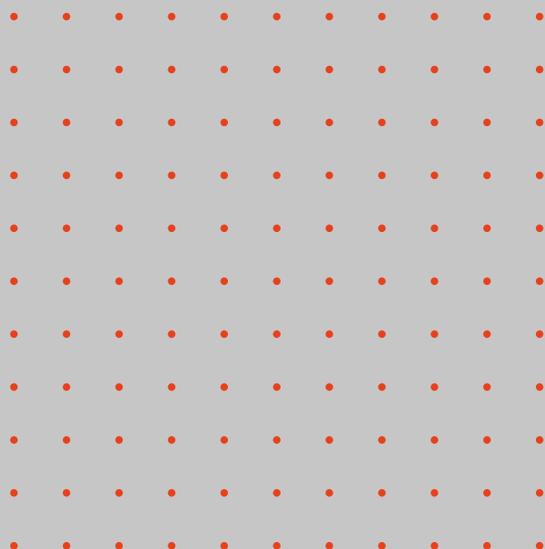
In 2017 only two suppliers represented purchases equal to or higher than 10%. The largest supplier was related to feed purchases and represented less than 19% of total purchases.

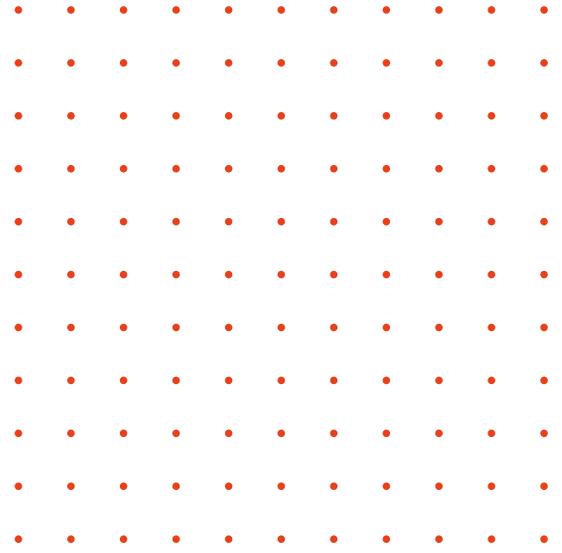
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# **MAIN RISK FACTORS AND INVESTMENT, FINANCING AND DIVIDEND POLICIES**

# MAIN RISK FACTORS

External variables materially impact the Company's annual performance. The main variable affecting revenue is the price of Atlantic salmon. The main variable affecting costs is 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 has a risk matrix that allows it to: i) review and update the critical risk inventory; ii) assess these critical risks on the basis of impact and probability parameters; iii) conduct risk mapping; iv) implement an audit and internal control plan that uses the risk matrix as the basis for an annual control plan. These risk maps are used to constantly manage and mitigate each risk and establish the corresponding responsibilities as well as the frequency and depth of internal controls to validate the effectiveness of mitigating measures.

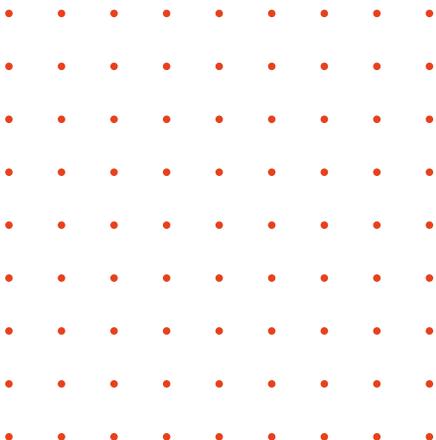
The Company's mission, vision and values; short and long-term strategic planning; critical business and knowledge risks; and the experience of key personnel are among the factors used to detect critical risks.

## **a) PHYTOSANITARY RISKS**

The Company is exposed to risk of disease or parasites that can affect the biomass, increase mortality or reduce growth of specific species, and thereby, production and sales volumes. Salmones Camanchaca has adopted strict control standards to minimize those risks, and comply with the Authority's 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, the smolt stocking process in closed recirculation hatchery fed by under-ground water, transport of breeders and fish for harvest in wellboats, coordinated antiparasitic washing by neighborhoods, frequent net cleaning, oxygen plants to supplement oxygen shortfalls in the water, vaccinations at the freshwater stage, among others.

## **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, water pollution and other factors that may threaten biomasses and production facilities. The Company is constantly monitoring these variables using first-rate instruments within the salmon industry, in addition to having appropriate insurance coverage for these risks, all of which are monitored from a central, specialized unit. This unit not only monitors the status of insurance coverage, but also manages claims preparation when these occur, from the moment they occur, in order to make claims that are in line with contractual coverage.





### **c) PRODUCT SALE PRICE RISKS**

The Company exports its products mainly at prices that are fixed on international markets, 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 operate a policy of accumulating inventory in order to speculate on a better sale price in the future.

Prices are highly dependent on the supply from Norway and Chile and on the fluctuations in exchange rates used by the Company's major trading partners. Salmones Camanchaca has mitigated price risk through its marketing capacity and by producing higher value-added products.

The Company has a policy of diversifying its sales between several buyers in each market, and between markets. This ensures that it can reassign inventory when necessary or convenient.

### **d) PURCHASE PRICE RISKS**

The Company is exposed to changes in the purchase price of salmon feed, which is based on diversified ingredients and suppliers. Salmones Camanchaca varies its diets under certain conditions, and seeks a balance between feed cost and nutritional quality at each stage. The Company expects to produce a final product that contains the same amount of Omega 3 as a wild salmon, which depends on the marine ingredients. It also expects

that the amount of forage fish included in fishmeal and fish oil do not exceed the amount of salmon produced. The Company has feed contracts that are adjusted on a quarterly basis.

### **e) REGULATORY RISKS**

Our business relies on laws, standards and regulations issued by fishing authorities, and significant changes could have an impact on our 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 jointly operate the industry, among others. The Company is constantly monitoring any potential changes in regulations in order to anticipate and mitigate any potential impacts.



In 2016, changes were made to the regulations governing salmon farming densities, and a smolt stocking reduction program was introduced. This allows salmon farmers to reduce densities in cages when low densities are required, for historical performance reasons or to meet smolt growth expectations. In these circumstances, smolt stocking can be reduced and growth restrictions introduced, along with incentives for good fish health performance. The Company has a policy of using assets to provide services to third parties. This regulation gives the Company the possibility to use smolts at leased sites for its own use, without affecting neighborhood growth, once the contracts have finished. Under this regulation, the Company estimates harvesting approximately 60,000 tons of Atlantic salmon at its own sites, plus another 12,000 to 13,000 tons of trout, without introducing system growth or reducing densities.

Salmones Camanchaca's financial statements could be affected by changes in economic policies, specific regulations and other standards established by authorities.

#### **f) LIQUIDITY RISKS**

Liquidity risk is the risk of potential mismatches between the funds needed for asset investments, operating expenses, financial costs, scheduled debt repayments and committed dividends, compared to funding sources such as sales revenue, collections from customers, disposal of financial investments and access to financing.

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

#### **g) 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. Depending on market conditions, the Company assesses hedging alternatives.



**h) EXCHANGE RATE RISKS**

A significant share of Company revenue arises from contracts and agreements set in US dollars. However, given the diversity and importance of markets other than the North American market, which represent over 50% of total exports, any devaluation of the US dollar against the Chilean Peso must be evaluated in the context of movements in exchange rates with other export countries.

Corporate policy is to re-negotiate the prices of approximately half the costs and expenses that are indexed in Chilean pesos, and agree them in US dollars where possible. Liabilities with financial institutions are in US dollars. The Company occasionally evaluates exchange rate hedging instruments, in accordance with market conditions and only when changes are very sudden. No foreign exchange hedges were contracted during 2017.

**i) CREDIT RISKS**

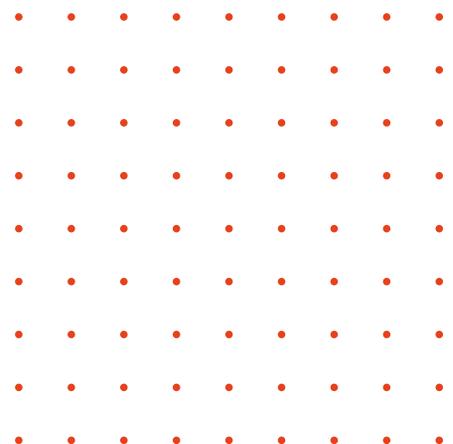
**i.1) SURPLUS CASH INVESTMENT RISKS**

The Company has a low-risk policy for investing cash surpluses. This policy encompasses both the quality of financial institutions and the type of financial products used.

**i.2) SALES OPERATIONS RISKS**

Salmones Camanchaca has insurance policies covering most of the sales of its products. The remaining sales are backed by letters of credit, or advance payments, or are to customers with an excellent credit 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.



# INVESTMENT, FINANCING AND DIVIDEND POLICIES

## INVESTMENT AND FINANCING POLICIES

The Company has maintained along the time a policy of investments oriented to maintain all its productive assets in optimal condition of operation. Therefore, in each fiscal year it invests a fraction of the financial depreciation of the fixed assets incurred in the previous fiscal year. In addition, it makes investments destined to increase the productive capacity (fixed assets and concessions) with the objective of complying with its plan of strategic development. The financing of the investments in fixed assets and concessions, following the policy of the Company, is obtained with its own resources, the sale of assets, and long-term loans granted by financial institutions. In the same manner, the investments in working capital are financed with its own resources as well as short-term banking financing. The commitment with the banking institutions with which it operates is to maintain a debt ratio not in excess of 4 times and an equity ratio equal to or higher than 40%, in accordance with the financing agreement entered into in November of 2017.

The investments made in 2017 amounted to US\$ 17 million, out of which US\$ 4.9 million were focused to maintain and preserve the current assets, and US\$ 12.1 million in projects of efficiency, improvements and expansion of our productive capacities.

For 2018 it is expected to invest US\$ 26 million. Close to 30% of these investments will be destined to maintain and preserve the current assets, and the remainder will have a focus in the expansion of our productive capacities in accordance with the growth plan of the Company.

## DIVIDEND POLICY

By the unanimity of its members, the Board of Directors adopted the following resolutions: With effect commencing in the month of December of 2017, to establish the following policy of dividends for Salmones Camanchaca S.A.:

- a) The Company shall distribute definitive annual dividends after the approval of the balance sheet of each fiscal year by the Annual General Meeting, in an amount that will be equal to 30% of the net profits susceptible of being distributed as shown in the relevant balance sheet.
- b) The Company shall not distribute interim dividends, except when a resolution of the Board of Directors in that respect regarding a particular and determined distribution is adopted;
- c) The terms indicated in "a" and "b" above are established without prejudice to the authority of the Board of Directors to amend them in the future.

The Company does not have as of this date restrictions that imply limitations to the payment of dividends. However, the re-programming and financing commitment agreement entered into November 27, 2017 with DNB Bank ASA, Cooperative Rabobank U.A. and Banco Santander Chile S.A., states that if the Company and its parent company fail to comply with the financial indexes established, it will be prohibited from distributing dividends exceeding 30% of the net profits of the fiscal year susceptible of being distributed, determined in accordance with the result of the relevant balance sheet.

## PROVISION REGARDING DIVIDENDS

For the fiscal year ended December 31, 2017 the Company presents interim dividends for a sum that reaches ThUS\$ 3,354. The Company did not distribute dividends corresponding to the fiscal years previous to 2017.



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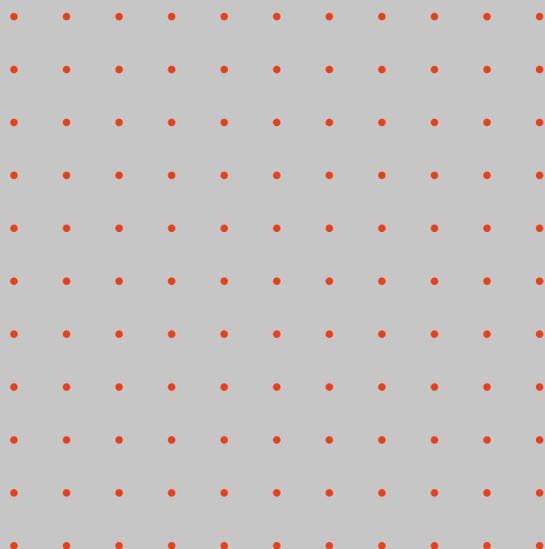
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# SYNTHESIS OF THE ESSENTIAL FACTS REPORTED TO THE CMF

**On November 15, 2017** Salmenes Camanchaca S.A. reported that at its extraordinary meeting held on even date the Board of Directors had received and accepted the resignations submitted by Messrs. Jan Stengel Meierdirks and Luis Hernán Paul Fresno to their offices as directors of the Company. At the same Board of Directors meeting it had been resolved to designate as new directors to Messrs. Tore Valderhaug and Felipe Sandoval Precht.

**On February 1, 2018** Salmenes Camanchaca S.A. reported that, in connection with the public offer of shares timely communicated to the market, the Board of Directors of the Company, at an extraordinary meeting, had resolved to place, through the mechanism denominated orders book auction (subasta de un libro de órdenes) of the Santiago Stock Exchange (Bolsa de Comercio de Santiago, Bolsa de Valores) a total of 19,800,000 shares, at the price of CL\$3,268 each, which will be traded at the Santiago Stock Exchange and the Oslo Securities Market, Norway, being the transaction of the above-indicated securities in the stock exchanges commenced on Friday, February 2. The settlement of the placement will be made on Tuesday, February 6, 2018, being subject to the conditions precedent established in Annex No. 46 of the Manual of Operations in Shares of the Santiago Stock Exchange.

**On February 2, 2018** Salmenes Camanchaca complemented the essential fact reported on the previous day indicating that a total of 19,800,000 shares in the Company, out of which 9,181,992 shares correspond to first issue shares, and 10,618,008 correspond to secondary shares, had been placed through the Santiago Stock Exchange by means of the mechanism denominated orders book auction, at the price of CLP 3,268 per share,

in accordance with the segments of awarding. LarraínVial S.A. Corredora de Bolsa acted as placement agent, and DNB Markets, a division of DNB Bank ASA, acted as global coordinator.

**On March 21, 2018**, Salmenes Camanchaca S.A. reported that the Board of Directors of Compañía Pesquera Camanchaca S.A., by the unanimity of its members, resolved the adoption of the following general policy of habituality for the purposes of the provision in section 147, number 7) of Law 18,046 containing the Joint Stock Corporations Act:

## GENERAL POLICY OF HABITUALITY FOR TRANSACTIONS WITH RELATED PARTIES OF SALMONES CAMANCHACA S.A.

In accordance with the provision in section 147 of Law 18,046 containing the Joint Stock Corporations Act, a joint stock corporation may only conduct transactions with related parties when they have as their purpose to contribute to the interest of the company, conform in price, the terms and conditions prevailing in the market at the time of their approval, and be approved by the Board of Directors or the Annual General Meeting, following the procedures that are set forth in the same provision.

Without prejudice to the foregoing, section 147 of the above-mentioned Act establishes in its letter "b)", that there may be conducted with related parties those transactions that in accordance with their policies of habituality determined by the Board of Directors of the company are ordinary in respect of the corporate purpose, without following the procedure for approval contemplated in such provision, provided they have as purpose to contribute to the corporate interest and conform to the price and the terms and conditions prevailing in the market at the time of their approval.

For the purposes of what is indicated in the above-indicated provision of Law 18.046, the Board of Directors authorizes the administration to enter with related parties into the following agreements of habitual and ordinary character, in consideration to the activities and the purpose of the company, to the extent that such transactions have as their objective to contribute to the corporate interest, and conform in respect of the price as well as the terms and conditions, to those prevailing in the market at the time of their materialization:

1. The purchase and sale of fish and hydrobiological products in their different phases of development.
2. The provision of services to market, export, sell and distribute products associated to the objective of the company and its subsidiaries.
3. The provision and contracting of fish processing services as well as other hydrobiological products.
4. The contracting of services regarding land and maritime transportation of fish and other hydrobiological products as well as finished products and materials.
5. The provision and contracting of services regarding the warehousing of fish and other hydrobiological products as well as finished products and materials, including the maintenance and storage in cold-storage plants.
6. Financial transactions of mercantile current account and /or financial loans that are entered into with a related company in order to carry out a correct and efficient administration of the financial resources of the company. The execution, amendment, extension and termination of credit loan agreements and the entering into all type of financial transactions, and the investment of cash surpluses.
7. The provision of management and administration services, as well as similar others such as financial advising and

work, accounting, human resources, legal and tax consultancy, insurance, supply, purchasing, computer and technological in general, controlling and internal audit services.

8. The organization, establishment or participation of companies, enterprises or associations for the adequate development of the corporate purposes.
9. The leasing of office and parking space, as well as other real properties.
10. The lease and execution of all type of contracts that imply the assignment of the use or temporary enjoyment of personal properties, aquaculture concessions, fishing and aquaculture authorizations and rights over these types of properties.

In accordance with the provision in letter b) of number 7) of section 14.7 of Law 18,046, this general policy of habituality is at the disposal of the shareholders in the offices of the Company and was published on even date hereof in the website of the Company [www.salmonescamanchaca.cl/en](http://www.salmonescamanchaca.cl/en).

On March 21, 2018, Salmones Camanchaca S.A. reported that at its meeting held December 20, 2017, the Board of Directors of Compañía Pesquera Camanchaca S.A. had resolved, by the unanimity of its members, to adopt the following policy regarding dividends, to be effective as from the month of December of 2017:

#### POLICY OF DIVIDENDS OF SALMONES CAMANCHACA S.A.

- a) The Company will distribute definitive annual dividends after the approval of the general balance sheet corresponding to each fiscal year on the part of the Annual General Meeting, for an amount that will be equal to 30% of the net profits susceptible of being distributed as shown in the relevant general balance sheet.
- b) The Company shall not distribute interim

dividends, except in accordance with a resolution adopted by the Board of Directors in that respect for a particular and determined distribution.

- c) The terms indicated in "a" and "b" above are established without prejudice to the authority of the Board of Directors in order to vary them in the future.

On March 21, 2018, Salmones Camanchaca S.A. reported that at its Annual General Meeting (AGM) held on the same date, the Board of Directors had resolved to convene the AGM to be held April 26, 2018, at the 12:00 hours, at the Instituto Chileno de Administración Racional de Empresas "ICARE", sited in the basement of the building located at Avenida El Golf 40, district of Las Condes, Santiago. At that meeting, by resolution adopted by the Board of Directors indicated above, there shall be proposed the payment of a mandatory definitive minimum dividend of US\$ 0.05081 per share, on account of the profits of the fiscal year ended December 31, 2017.

The above-indicated dividend, should it be approved by the AGM of Salmones Camanchaca S.A., will be payable in pesos, national currency, according to the exchange rate of the so-called "Observed Dollar" (Dólar Observado) that appears published in the Official Gazette on May 18, 2018. The term for the payment of the dividend to be proposed will commence May 25, 2018, and there shall be entitled to it the shareholders who appear registered in the Register of Shareholders of Salmones Camanchaca S.A. at midnight on May 18, 2018.

The information mentioned in the paragraph preceding is provided with the character of important, or "Essential Fact", in compliance with the provision contained in the final paragraph of section 1 of the Circular Letter No. 660, of 1986, of the Commission for the Financial Market.



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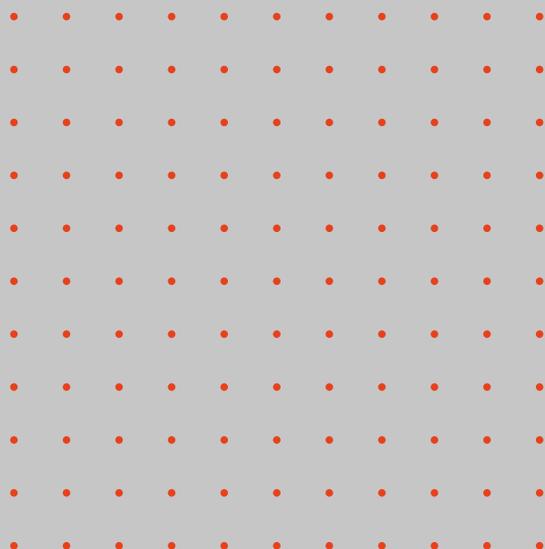
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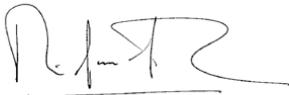


# STATEMENT OF LIABILITY

The directors and the CEO of Salmones Camanchaca S.A., undersign this Annual Report and state under oath that the information contain in it is the faithful expression of the truth.



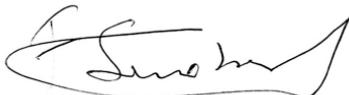
**Ricardo García Holtz**  
CHAIRMAN



**Francisco Cifuentes Correa**  
DIRECTOR



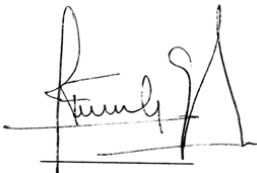
**Jorge Fernández Valdés**  
DIRECTOR



**Felipe Sandoval Precht**  
DIRECTOR



**Tore Valderhaug**  
DIRECTOR



**Jorge Fernández García**  
CEO

**CHAP**

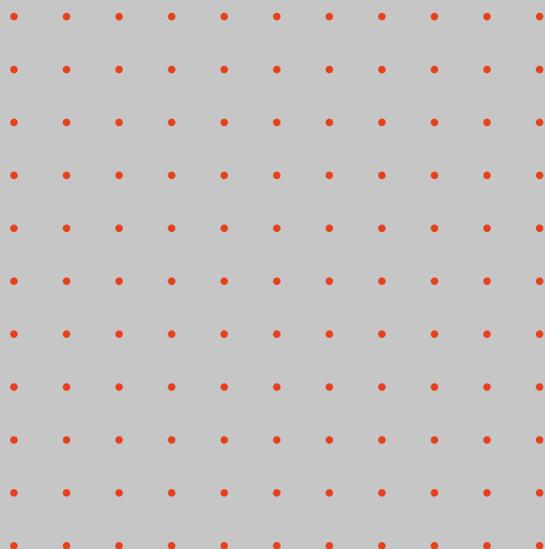
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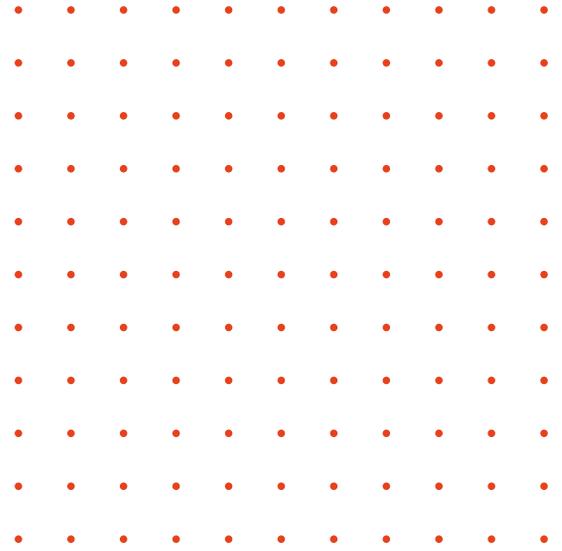
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**FINANCIAL STATEMENTS,  
EARNINGS REPORT AND  
SUBSIDIARIES' SUMMARIZED  
FINANCIAL STATEMENTS**





SALMONES CAMANCHACA S.A. AND SUBSIDIARY

Consolidated Financial Statements

As of December 31, 2017

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Consolidated Classified statements of financial position  
Consolidated Statements of changes in equity  
Consolidated Statements of net income by function  
Consolidated Statements of comprehensive income  
Consolidated Statements of cash flows, direct method  
Consolidated Notes to the financial statements

ThUS\$ - Thousands of United States dollars

UF - Unidades de fomento (a Chilean peso based inflation indexed currency unit)

ThCh\$ - Thousands of Chilean pesos



## INDEPENDENT AUDITOR'S REPORT

Santiago, March 19, 2018

To the Board of Directors  
Salmones Camanchaca S.A.

Report on the audit of the financial statements

### *Our opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Salmones Camanchaca S.A. (the Company) as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### *What we have audited*

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2017 and 2016.
- the statement of comprehensive income for the years then ended;
- the statement of changes in equity for the years then ended;
- the statement of cash flows for the years then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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PwC Chile, Av. Andrés Bello 2711 - piso 5, Las Condes – Santiago, Chile  
RUT: 81.513.400-1 | Teléfono: (56 2) 2940 0000 | [www.pwc.cl](http://www.pwc.cl)



Santiago, March 19, 2018  
Salmones Camanchaca S.A.  
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#### *Measurement and valuation of biological assets*

As described in the financial statements Salmones Camanchaca S.A. values biological assets at their fair value. For fishes weighing less than 4kgs, historical cost is used as an approximation of fair value, according to IAS 41. At the balance sheet date the biological assets amount to MUS\$111.994. Biological assets comprise ova (eggs), juveniles, broodstock and fish held for harvesting purposes (on growing stage), (see also Note 2 accounting principles, Note 5 significant estimates and judgement, and Note 10 biological assets).

In fair valuing biological assets the determination of both the physical quantity (kilograms) and the fair value per kilo required estimations and a significant degree of judgement.

The fluctuations in the value estimate that arise due to, for instance, changes in market price, may have a significant impact on the gross profit for the year. The Company therefore shows the effect from changes in fair value estimates as a separate line item, before gross profit. We focused on the valuation of the biological assets due to the size of the amount, use of criteria and the effect the fair value estimate has on gross profit.

#### *Biomass and number of fishes*

When auditing inventories the auditing standards require that the auditor to attend the physical inventory counting when this is possible. The biological assets are by nature difficult to count, observe and measure due to lack of sufficiently accurate measuring techniques that at the same time does not affect fish health. As a result, there is some uncertainty related to the number of fish and biomass in the water. We have therefore focused on measurement of the biological assets, (number and biomass), and specifically the inventory of live fish held for harvesting purposes (on growing), which constitutes the majority of the value of the biological assets.

The Company maintains information on number of fish, average weight and biomass per groups in its Biomass System. We have reviewed the Company's processes for registering the number of fishes and testing the Company's relevant controls. In order to challenge the historical accuracy of Company's biomass estimates we have reviewed the harvest deviation for the period comparing the number of fishes maintained in the company system before harvest and the number of fishes received in the processing plant. We found the accumulated deviations to be as expected.

The period's net growth corresponds to the feed used in the period divided by the feed conversion rate (kilos of growth per kg feed used). To evaluate the feed usage for the period were viewed the Company's controls, and tested a sample of feed invoices throughout the year. Our procedures substantiated that the growth for the year was reasonable.

#### *Fair value measurement*

We challenged the Company's model for calculating the fair value of biological assets by assessing the model against the criteria in IAS 41 and IFRS 13. We found no obvious exceptions. We then examined whether the biomass and number of fish used in the calculation corresponded to the biomass and number of fish in the Company's biomass system, and tested that the model made mathematical calculations as intended.



Santiago, March 19, 2018  
Salmones Camanchaca S.A.

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After ensuring that these fundamentals were in place, we assessed if the assumptions made by the Company when estimating the fair value were reasonable. We did this by discussing the assumptions with the Company's management and comparing them to other historical data and/or observable market data. We found that the assumptions were reasonable

#### *Impairment test*

The Company prepared an impairment assessment based on a value in use calculation using budget and forecasts prepared for 2018 which considers the most updated information available in the last quarter of 2017. These cash flows are based on key assumptions such as expected harvested volume, margins, capital expenditure and discount rates. The forecast required significant judgement from management. The impairment valuation was a key audit matter due to the historical challenging market conditions for the Chilean salmon industry and significant judgments involved in the forecasts.

We performed test of supporting documentation for the evaluation of the impairment. We evaluated management's estimates relating to the future cash flows. Our audit procedures included inquires of and discussion with management. Our audit procedures also included analysis and evaluation of historical accuracy of prior years's forecasts. We also tested the mathematical accuracy of the value in use calculation, including comparison of certain key assumptions with market evidence. Furthermore, we involved an internal valuation specialist in the valuation of the methodology, growth rate and the discount rate applied in the valuation in use model. We also performed a sensitivity analysis of the critical assumptions.

We assessed the Company's disclosures regarding assumptions to with the outcome of the impairment test, (see Note 5 of the financial statements).

#### *Responsibilities of management and those charged with governance for the financial statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Santiago, March 19, 2018  
Salmones Camanchaca S.A.

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#### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Santiago, March 19, 2018  
Salmones Camanchaca S.A.

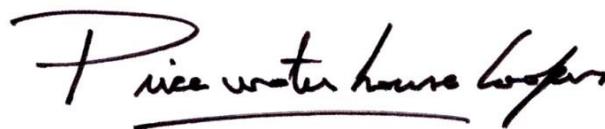
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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Guido Licci P.



Price water house coopers

SALMONES CAMANCHACA S.A.

CONSOLIDATED CLASSIFIED STATEMENTS OF FINANCIAL POSITION (AUDITED)

Assets	Note	December 31, 2017 ThUS\$	December 31, 2016 ThUS\$
<b>Current assets</b>			
Cash and cash equivalents	6	846	1,642
Other financial assets, current		31	2
Other non-financial assets, current	11	7,041	4,868
Trade and other receivables, current	7	28,196	27,684
Related party receivables, current	8	25,585	15,547
Inventories	9	38,170	23,344
Biological assets, current	10-34	97,522	60,977
Tax assets, current	13	1,584	1,857
<b>Total current assets</b>		<b>198,975</b>	<b>135,921</b>
<b>Non-current assets</b>			
Other financial assets, non-current		27	27
Other non-financial assets, non-current	11	260	112
Rights receivable, non-current	13	5,520	3,995
Equity method investments	12	5,565	412
Intangible assets other than goodwill	14	7,083	4,216
Property, plant and equipment	15	73,646	69,005
Biological assets, non-current	10-34	14,472	17,199
Long-term deferred taxes	16	456	-
<b>Total non-current assets</b>		<b>107,029</b>	<b>94,966</b>
<b>Total assets</b>		<b>306,004</b>	<b>230,887</b>

The accompanying Notes 1 to 34 are an integral part of these consolidated financial statements.

Note 34 describes the assumptions used to calculate the fair value of biological assets using the model suggested by the Norwegian Financial Supervisory Authority. The effects on the statement of financial position are as follows.

Biological assets within current assets increased by ThUS\$ 13,135.

SALMONES CAMANCHACA S.A.

CONSOLIDATED CLASSIFIED STATEMENTS OF FINANCIAL POSITION (AUDITED)

Liabilities	Note	December 31, 2017 ThUS\$	December 31, 2016 ThUS\$
<b>Current liabilities</b>			
Other financial liabilities, current	17	439	10,554
Trade and other payables, current	18	71,729	28,140
Related party payables, current	8	4,198	32,812
Tax liabilities, current	16	1,829	9
Employee benefit provisions, current	19	1,020	681
<b>Total current liabilities</b>		<b>79,215</b>	<b>72,196</b>
<b>Non-current liabilities</b>			
Other financial liabilities, non-current	17	100,000	99,917
Trade and other payables, non-current		102	128
Related party payables, non-current	8	4,572	36,372
Deferred tax liabilities	16	13,280	3,892
Employee benefit provisions, non-current	19	157	136
<b>Total non-current liabilities</b>		<b>118,111</b>	<b>140,445</b>
<b>Equity</b>			
Share capital	20	73,422	34,843
Retained earnings (accumulated losses)	20	11,695	(16,672)
Other reserves	20	23,561	75
<b>Total equity</b>		<b>108,678</b>	<b>18,246</b>
<b>Total equity and liabilities</b>		<b>306,004</b>	<b>230,887</b>

The accompanying Notes 1 to 34 are an integral part of these consolidated financial statements.

Note 34 describes the assumptions used to calculate the fair value of biological assets using the model suggested by the Norwegian Financial Supervisory Authority. The effects on the statement of financial position are as follows.

Deferred tax liabilities increased by MUS\$ 3,546.  
Retained earnings within equity increased by ThUS\$ 9,589.

SALMONES CAMANCHACA S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (AUDITED)

	Share capital ThUS\$	Share premium ThUS\$	Foreign currency conversion reserve ThUS\$	Other reserves ThUS\$	Total other reserves ThUS\$	Retained earnings (accumulated losses) ThUS\$	Equity attributable to owners of the parent company ThUS\$	Total equity ThUS\$
Opening balance as of January 1, 2016	34,843		55		55	(43,838)	(8,940)	(8,940)
<b>Changes in equity</b>								
Comprehensive income								
Net income for the period						27,166	27,166	27,166
Other comprehensive income			20		20		20	20
<b>Closing balance as of December 31, 2016</b>	<b>34,843</b>	<b>-</b>	<b>75</b>	<b>-</b>	<b>75</b>	<b>(16,672)</b>	<b>18,246</b>	<b>18,246</b>

	Share capital ThUS\$	Share premium ThUS\$	Foreign currency conversion reserve ThUS\$	Other reserves ThUS\$	Total other reserves ThUS\$	Retained earnings (accumulated losses) ThUS\$	Equity attributable to owners of the parent company ThUS\$	Total equity ThUS\$
Opening balance as of January 1, 2017	34,843		75	-	75	(16,672)	18,246	18,246
Capital increase	38,579			23,471	23,471		62,050	62,050
<b>Changes in equity</b>								
Dividends						(3,354)	(3,354)	(3,354)
Comprehensive income								
Net income for the period						31,721	31,721	31,721
Other comprehensive income			15		15		15	15
<b>Closing balance as of December 31, 2017</b>	<b>73,422</b>	<b>-</b>	<b>90</b>	<b>23,471</b>	<b>23,561</b>	<b>11,695</b>	<b>108,678</b>	<b>108,678</b>

The accompanying Notes 1 to 34 are an integral part of these consolidated financial statements.

SALMONES CAMANCHACA S.A.

CONSOLIDATED STATEMENT OF NET INCOME BY FUNCTION (AUDITED)

STATEMENT OF NET INCOME BY FUNCTION	Note	For the years ended December 31,	
		2017 ThUS\$	2016 ThUS\$
Operating revenue	22	203,070	225,546
Cost of sales	9	(144,859)	(185,197)
<b>Gross profit before fair value</b>		<b>58,211</b>	<b>40,349</b>
Gain (loss) on fair value of biological assets	10	54,362	63,623
Fair value adjustment to biological assets harvested and sold	10	(49,061)	(38,694)
<b>Gross profit</b>		<b>63,512</b>	<b>65,278</b>
Administrative expenses	23	(10,750)	(9,207)
Distribution costs	24	(5,667)	(6,737)
Financial costs	25	(4,236)	(3,596)
Share of net income (losses) of equity method associates		541	127
Exchange differences	26	(455)	(409)
Other gains (losses)	27	(60)	(10,054)
Financial income		55	73
<b>Net income before tax</b>		<b>42,940</b>	<b>35,475</b>
Income tax (expense) income	16	(11,219)	(8,309)
<b>Net income from continuing operations</b>		<b>31,721</b>	<b>27,166</b>
Net income from discontinued operations			
<b>Net income for the year</b>		<b>31,721</b>	<b>27,166</b>
Net Income attributable to:			
Net income attributable to owners of the parent company		31,721	27,166
<b>Net income for the year</b>		<b>31,721</b>	<b>27,166</b>
Earnings per share			
Basic earnings per share (US\$/share)		0.5583	131.8348
<b>Basic earnings per share</b>		<b>0.5583</b>	<b>131.8348</b>

The accompanying Notes 1 to 34 are an integral part of these consolidated financial statements.

Note 34 describes the assumptions used to calculate the fair value of biological assets using the model suggested by the Norwegian Financial Supervisory Authority. The effects in the statement of net income by function are as follows.

Gain (loss) on fair value of biological assets increased by ThUS\$ 13,135.

Income tax (expense) increased due to a loss of ThUS\$ 3,546

Net income for the year increased by ThUS\$ 9,589

SALMONES CAMANCHACA S.A.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (AUDITED)

	For the years ended December 31,	
	2017 MUS\$	2016 MUS\$
Net income for the year	31,721	27,166
Gain (loss) from cash flow hedge		
Gain (loss) from foreign currency conversion	15	20
Other income and expenses charged or credited to equity		
<b>Total comprehensive income</b>	<b>31,736</b>	<b>27,186</b>

The accompanying Notes 1 to 34 are an integral part of these consolidated financial statements.

SALMONES CAMANCHACA S.A.

CONSOLIDATED STATEMENT OF CASH FLOWS, DIRECT METHOD (AUDITED)

	As of December 31, 2017 ThUS\$	As of December 31, 2016 ThUS\$
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>		
<b>Receipts</b>		
Receipts from the sale of goods & provision of services	224,137	236,736
<b>Payments</b>		
Payments to suppliers for goods and services	(161,742)	(168,423)
Payments to and on behalf of employees	(22,634)	(20,368)
Interest paid	(3,683)	(3,367)
Interest received	55	73
Income taxes received (paid)	31	(47)
Other cash receipts (payments)	734	2,225
<b>Net cash flows from operating activities</b>	<b>36,898</b>	<b>46,829</b>
<b>CASH FLOWS USED BY FINANCING ACTIVITIES</b>		
Receipts from short-term loans		
Loan repayments	(10,407)	(10,619)
Payments to related parties	(10,640)	(25,140)
Receipts from related parties		
<b>Net cash flows used by financing activities</b>	<b>(21,047)</b>	<b>(35,759)</b>
<b>CASH FLOWS USED BY INVESTING ACTIVITIES</b>		
Receipts from the sale of property, plant and equipment	261	105
Purchases of property, plant and equipment	(16,256)	(11,029)
Other cash receipts (payments)	(81)	0
<b>Net cash flows used by investing activities</b>	<b>(16,076)</b>	<b>(10,924)</b>
<b>Net increase (decrease) in cash and cash equivalents, before the effect of changes in exchange rates</b>	<b>(225)</b>	<b>146</b>
Effects of changes in exchange rates on cash and cash equivalents	(571)	(278)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(796)</b>	<b>(132)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>1,642</b>	<b>1,774</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>846</b>	<b>1,642</b>

The accompanying Notes 1 to 34 are an integral part of these financial consolidated statements.

SALMONES CAMANCHACA S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017 (AUDITED)

**NOTE 1 - GENERAL INFORMATION**

Salmones Camanchaca S.A. was constituted as a private limited company when Compañía Pesquera Camanchaca S.A. split on January 1, 2009, in accordance with a public deed dated June 26, 2009 legalized before the Public Notary Mr. Félix Jara Cadot. The purpose of the Company is breeding, producing, marketing and farming salmon and other species or organisms whose normal and most frequent environment is water, including research and development of salmonidae genetics, farming, cultivating, processing, producing and marketing sea-food. An Extraordinary General Shareholders' Meeting held on October 23, 2009 agreed that Salmones Camanchaca S.A. should become a direct subsidiary of Compañía Pesquera Camanchaca S.A. following a reorganization of the salmon business within the Group. Therefore, the latter company increased its share capital. This increase was paid for by all the shareholders in Salmones Camanchaca S.A. contributing all their shares, except one, to Compañía Pesquera Camanchaca S.A. The remaining share belonged to Inmobiliaria Camanchaca Ltda.

An Ordinary General Shareholders' Meeting held on September 14, 2017 agreed to a reorganization where the company acquired through a capital contribution all the shares of Fiordo Blanco S.A. and Surproceso S.A., which were owned by the parent company Compañía Pesquera Camanchaca S.A. The capital contribution for the referred shares amounted to ThUS\$ 38,579. In exchange it transferred its shareholding in Transportes Interpolar Ltda. to the parent company. This reorganization means that Salmones Camanchaca S.A. will consolidate Fiordo Blanco S.A. as it owns 99.99% of its shares from that day.

An Extraordinary Shareholders' Meeting of Salmones Camanchaca S.A. was held on November 6, 2017. The minutes were legalized in a public deed with the same date at the Santiago Notary of Mr. Felix Jara Cadot and an extract was recorded in the Santiago Trade Register on November 8, 2017 on page 83,700 at number 45,024 for 2017. It was published in the Official Journal on November 9, 2017. The following resolutions were approved at this extraordinary shareholders' meeting:

To increase the number of shares in the company from 546,327 shares to 56,818,008 shares. This increase will take place by replacing each share currently held with 104 new shares.

Furthermore, to increase the share capital from US\$ 73,422,406.08 divided into 56,818,008 equal single series shares with no par value, to US\$ 91,786,390.08 divided into 66,000,000 equal single series shares with no par value, by issuing 9,181,992 shares with no par value, at a price of US\$ 2 per share.

The Company is a major market player in the salmon farming business. The principal characteristic of Salmones Camanchaca is its fully integrated value chain, including the genetic development of breeders and all the facilities required to produce fry, smolts and marine grow-out sites; primary and value-added processing plants; and sales and marketing using its own overseas sales channels or those belonging to its parent company, Compañía Pesquera Camanchaca S.A., in the USA, Japan, China and representation agencies in Mexico.

The main formats for selling Atlantic Salmon are Trim C, D, and E, HG and Hon fillets, in 4, 5, 6, and 8 oz. portions. The company prepares its products in plants located in the VIII and X regions. They are mainly sold into the North American, Japanese and Brazilian markets.

Since 2016 Salmenes Camanchaca S.A. has participated as a "participant" in a joint venture partnership to produce and market trout. It has contributed maritime concessions to this partnership. The "Manager" of this joint venture partnership is Caleta Bay S.A. and the other partner is Kabsa S.A. Partnership net income is divided in equal parts between these three companies.

The financial statements of Salmenes Camanchaca S.A. for the year ended December 31, 2017 were approved by the Board of Directors at a meeting held on March 19, 2018.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies used to prepare the financial statements of Salmenes Camanchaca S.A. have been applied in a uniform manner, and are described as follows.

### **2.1 Period covered**

These financial statements cover the following periods:

- Consolidated Classified statements of financial position as of December 31, 2017 and December 31, 2016.
- Consolidated Statements of net income by function for the years ended December 31, 2017 and 2016.
- Consolidated Statements of comprehensive income for the years ended December 31, 2017 and 2016.
- Consolidated Statements of cash flows, direct method for the years ended December 31, 2017 and 2016.
- Consolidated Statements of changes in equity for the years ended December 31, 2017 and 2016.

### **2.2 Basis of preparation**

These consolidated financial statements of Salmenes Camanchaca S.A. as of December 31, 2017, were prepared in accordance with International Financial Reporting Standards (IFRS).

In accordance with the rules and instructions issued by the Financial Market Commission (CMF= "Comisión para el Mercado Financiero"), formerly known as the Superintendence of Securities and Insurances (SVS="Superintendencia de Valores y Seguros") additional disclosures are included in the notes to the financial statements. These are additions and not deviations from IFRS.

The presentation of the financial statements in accordance with IFRS requires the use of specific accounting estimates and also requires management to exercise its judgment when implementing the Company's accounting policies. Note 5 of these financial statements discloses the areas which involve a higher degree of judgment and complexity, where the assumptions and estimates have a significant effect on the financial statements.

These financial statements of Salmenes Camanchaca S.A. have been prepared from accounting records held by the Company. The figures in these financial statements are expressed in thousands of US dollars, which is the Company's functional currency.

There are no significant uncertainties regarding events or conditions as of the reporting date that may cast doubt on the Company's ability to continue functioning normally as a going concern.

## 2.3 New accounting pronouncements

### a) Standards, interpretations and amendments that are mandatory for the first time for financial periods beginning on January 1, 2017.

#### Amendments and improvements

Amendments to IAS 7 "Statement of Cash Flow" - issued in February 2016. The amendment introduces additional disclosure that enables users of financial statements to evaluate changes in obligations from financing activities.

Amendment to IAS 12 "Income Tax" - issued in February 2016. The amendment clarifies how to account for deferred tax assets relating to debt instruments valued at fair value.

Amendment to IFRS 12 "Disclosures of Interests in Other Entities" - issued in December 2016. The amendment clarifies the scope of this standard. These amendments must be applied retroactively to annual periods beginning on or after January 1, 2017.

The adoption of these standards, amendments and interpretations do not have a significant impact on the Company's consolidated financial statements.

### b) Standards, interpretations and amendments issued, but not yet mandatory and which have not been adopted early.

Standards and Interpretations	Mandatory for annual periods beginning
IFRS 9 "Financial Instruments" - issued in July 2014. The IASB has issued the full version of IFRS 9, which replaces the guidance in IAS 39. This final version includes the classification and valuation requirements of financial assets and liabilities and a model of expected credit losses that replaces the current impairment loss model. The part relating to hedge accounting within this final version of IFRS 9 had already been issued in November 2013. Early adoption is permitted.	01/01/2018
IFRS 15 "Revenue from Contracts with Customers" - issued in May 2014. It establishes the principles applicable to information disclosures in financial statements in relation to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The basic principle is that an entity recognizes revenue that represents the transfer of goods or services promised to customers for an amount that reflects the consideration, which the entity expects to receive in exchange for those goods or services. It replaces IAS 11 Construction Contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programs; IFRIC 15 Agreements for the Construction of Real Estate; IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue – Barter Transactions Involving Advertising Services. Early adoption is permitted.	01/01/2018
IFRS 16 "Leases" - issued in January 2016. Establishes the standards to recognize, measure, present and disclose leases. IFRS 16 replaces IAS 17 and introduces a unique lessee accounting model that requires a lessee to recognize the assets and liabilities of all rental contracts with a term of over 12 months, unless the underlying asset is of low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, and early adoption is permitted for entities that apply IFRS 15 or before the date that IFRS 16 is initially applied.	01/01/2019

<p>IFRS 17 "Insurance Contracts" - issued in May 2017, replaces the current IFRS 4. IFRS 17 will change the accounting for all entities that issue insurance contracts and investment contracts with discretionary participation features. The standard applies to annual periods beginning on or after 1 January 2021, and early adoption is permitted for entities that apply IFRS 15, "Revenue from contracts with customers" and IFRS 9, "Financial Instruments".</p>	01/01/2021
<p>IFRIC 22 "Transactions in Foreign Currency and Advance Payments" - issued in December 2016. This Interpretation applies to a foreign currency transaction (or part of it) when an entity recognizes a non-financial asset or liability that arises from the payment or collection of an advance payment before the entity recognizes the related asset, expense or income (or part of it). The interpretation provides a guide for when a single payment / receipt is made, as well as for situations involving multiple payments / receipts. Its purpose is to reduce practical diversity.</p>	01/01/2018
<p>IFRIC 23 "Uncertainty over Income Tax Treatments" - issued in June 2016. This interpretation clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty regarding income tax treatment.</p>	01/01/2019
<p>Amendment to IFRS 2 "Share-based Payments" - issued in June 2016. The amendment clarifies the measurement of share-based payments settled in cash and the accounting of changes to such payments when they are settled with equity instruments. Additionally, it introduces an exception to the principles of IFRS 2 that will require accounting for these awards as if they were fully settled as equity instruments, when the employer is obliged to withhold tax related to share-based payments.</p>	01/01/2018
<p>Amendment to IFRS 15 "Revenue from Contracts with Customers" - issued in April 2016. The amendment introduces clarifications to the guide that identifies performance obligations in contracts with customers, accounting for intellectual property licenses and the evaluation of principal versus agent (gross versus net income presentation). It includes new and amended illustrative examples as a guide, as well as practical examples related to the transition to the new revenue standard.</p>	01/01/2018
<p>Amendment to IFRS 4, "Insurance Contracts", with regard to applying IFRS 9 "Financial Instruments" - issued in September 2016. The amendment introduces two approaches: (1) Overlay approach, which gives all companies that emit insurance contracts the option to recognize in other comprehensive income, instead of gains and losses the volatility that could arise when IFRS 9 is applied under the new insurance contracts standard; and (2) Temporary waiver of IFRS 9, that enables companies whose business is predominantly related to insurance, to optionally waive IFRS 9 until 2021, and continue applying IAS 39 until then.</p>	01/01/2018
<p>Amendment to IAS 40 "Investment properties", relating to investment property transfers - issued in December 2016. The amendment clarifies that there must be a change in use to transfer to or from an investment property. To conclude, a change in use of a property must be supported by an evaluation and evidence to ensure that the property change complies with the definition.</p>	01/01/2018
<p>Amendment to IFRS 1 "First-time adoption of IFRS" regarding suspending short-term exceptions for first time adopters with respect to the IFRS 7, IAS 19 and IFRS 10. - issued in December 2016.</p>	01/01/2018
<p>Amendment to IAS 28 "Investments in associates and joint ventures", relating to measuring the associate or joint venture at fair value - issued in December 2016.</p>	01/01/2018

Amendment to IFRS 9 "Financial Instruments". -issued in October 2017. The amendment allows more assets to be valued at amortized cost than in the previous version of IFRS 9, in particular some prepaid financial assets with negative compensation. The qualifying assets include some loans and debt securities, which otherwise would have been measured at fair value through profit and loss (FVTPL). To qualify as amortized cost, this negative compensation should be "reasonable compensation for early contract termination".	01/01/2019
Amendment to IAS 28 "Investments in Associates and Joint Ventures". -issued in October 2017. This amendment clarifies that companies that account for long-term interests in an associate or joint venture, where the equity method is not applied - should use IFRS 9. The Council has issued an example that illustrates how companies should apply the requirements of IFRS 9 and IAS 28 to long-term interests in an associate or joint venture.	01/01/2019
Amendment to IFRS 3 "Business Combinations" - issued in December 2017. The amendment clarifies that gaining control of a joint operation company is a business combination achieved in stages. The acquirer should revalue its previous interest in the joint operation at fair value on the acquisition date.	01/01/2019
Amendment to IFRS 11 "Joint Arrangements" - issued in December 2017. The amendment clarifies that the entity that gains joint control of a joint operation company must not revalue its previous interest in the joint operation.	01/01/2019
Amendment to IAS 12 "Income Taxes" - issued in December 2017. The amendment clarifies that the income tax consequences of dividends on financial instruments classified as equity must be recognized according to where the transactions or past events that generated those distributable profits were recognized.	01/01/2019
Amendment to IAS 23 "Borrowing Costs" - issued in December 2017. The amendment clarifies that if a specific loan remains outstanding after the qualifying asset is ready for its intended use or sale, that loan becomes part of general loans.	01/01/2019
Amendment to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - issued in September 2014. This amendment addresses an inconsistency between the requirements of IFRS 10 and IAS 28 in the treatment of the sale or provision of goods between an investor and its associate or joint venture. The main consequence of these amendments is that they recognize a full gain or a loss when the transaction involves a business (whether or not in a subsidiary) and a partial gain or loss when the transaction involves assets that do not constitute a business, even if these assets are in a subsidiary.	Undetermined

Management is particularly analyzing the effects of adopting IFRS 9 and 16.

## 2.4 Basis of Consolidation

### a) Subsidiaries

Subsidiaries are all the entities over which the company has the power to direct its financial and operating policies. Such power is generally associated with an ownership interest of more than half of the voting rights. When evaluating whether the company controls another entity, all its currently exercisable or convertible voting rights and their effects are considered. Subsidiaries are consolidated from the date on which control is transferred to the company, and they are excluded from consolidation on the date such control ceases.

The acquisition method is used to account for the acquisition of subsidiaries by the company. The acquisition cost is the fair value of the assets delivered, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets, liabilities and contingencies acquired in a business combination are initially valued at their fair value on the acquisition date, regardless of the extent of minority interests. At each acquisition, the Group recognizes any minority interest at its fair value, or the proportional value of the minority interest over the fair value of the acquired net assets.

The surplus acquisition cost over the fair value of the company share of the acquired net identifiable assets is recognized as purchased goodwill. If the acquisition cost is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in the income statement.

Intercompany transactions, balances and unrealized gains on transactions between Group entities are eliminated. Unrealized losses are also eliminated, unless that transaction provides evidence that the transferred asset is impaired. The accounting policies at subsidiaries are amended as necessary, to ensure that Group policies have been consistently adopted.

Salmones Camanchaca S.A. began a corporate restructuring process in September 2017. Accordingly, on September 11, 2017 the Company transferred all the shares it held in Transportes Interpolar Ltda. to Compañía Pesquera Camanchaca S.A. and Camanchaca SpA leaving them with an interest of 99% and 1%, respectively, in Transportes Interpolar Ltda.

An Extraordinary Shareholders Meeting was held on September 14, 2017, which agreed to increase the share capital, in order to consolidate ownership of all the assets used in salmon smolt stocking, harvesting and processing by Salmones Camanchaca S.A. This capital increase was completed when Compañía Pesquera Camanchaca S.A. (Parent Company) contributed all the shares that it owned in Fiordo Blanco S.A. and Surproceso S.A.

This meeting also agreed to adopt new by-laws that meet the regulations governing publically-owned corporations, as soon as the Company and its shares have been registered in the Securities Registry of the Financial Market Commission (CMF= "Comisión para el Mercado Financiero"). The purpose is to arrange an IPO for such shares and those issued in the future or their representative certificates.

On September 20, 2017, the parent company Compañía Pesquera Camanchaca S.A. reported a Material Event to the Financial Market Commission (CMF= "Comisión para el Mercado Financiero") that it and its subsidiary Salmones Camanchaca S.A. had signed an agreement with DNB Markets, which granted it a mandate for 12 months to assess the opportunities in the Chilean and Norwegian capital markets, with a special focus on the latter. The purpose being for the subsidiary Salmones Camanchaca S.A. to make a public offering of up to one-third of its shares or representative certificates. If the IPO is approved, the funds it secures will finance the Company's growth plans.

The previously mentioned reorganization means that Salmones Camanchaca S.A. will consolidate Fiordo Blanco S.A. as it owns 99.99% of its shares as of September 14, 2017.

## b) Associates

Associates are defined as entities over which the Company exercises significant influence but does not control the financial and operational policies. It generally has an interest in the voting rights of between 20% and 50%. Investments in associates are accounted for using the equity method and are initially recognized at cost.

Salmones Camanchaca S.A.'s share in net income or losses subsequent to acquiring its associates are recognized in net income, and its share of equity movements (that are not due to net income) subsequent to the acquisition are recognized in reserves, and reflected as appropriate in the statement of comprehensive income. When the Company's share of an associate's losses is equal to or greater than its share in that company, including any other unsecured receivables, the Company does not recognize further losses unless it has incurred obligations or made payments on behalf of that associate.

Unrealized gains on transactions between Salmones Camanchaca S.A. and its associates are eliminated according to the Company's percentage interest in them. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the transferred asset.

Surproceso S.A is a company that provides aquaculture services. It has a commercial relationship with Salmones Camanchaca S.A. providing it with slaughtering and gutting services. Compañía Pesquera Camanchaca S.A. owned 33.3% of this company, but under the corporate restructuring in September this year, all these shares were transferred to Salmones Camanchaca S.A., who now owns that percentage.

New Worlds Currents Inc. is a company incorporated in Panama to establish, process and operate businesses associated with marketing salmon in China. The Company owns 25% of New Worlds Currents Inc.

## 2.5 Operating segment reporting

IFRS 8 requires entities to adopt "Management's approach" when disclosing information about the outcome of their operating segments. In general, this is the information that Management uses internally to evaluate segment performance and to allocate resources to segments.

Salmones Camanchaca S.A. has only one operating segment, according to this standard.

## 2.6 Foreign currency transactions

### a) Presentation currency

The items included in the Company's financial statements are valued using the currency of the principal economic environment in which the entity operates (functional currency), which is also the presentation currency for the statements of financial position.

### b) Functional currency

Based on the instructions and definitions provided in IAS 21, functional currency is the currency of the primary economic environment in which the entity operates.

Therefore, the Company has established that the conditions that support the functional currency are as follows.

Factors	Currency
The currency that primarily influences the selling prices of goods and services; normally the price used to describe and pay for them.	US dollar <sup>1</sup>
The currency that principally affects the costs of labor, materials and other costs to produce goods or provide services, normally the price used to describe and pay for such costs.	US dollar and Chilean peso <sup>2</sup>
The currency used to collect receipts for billed operational activities.	US dollar

The following aspects were also considered when selecting the Company's functional currency.

- The currency used by the Company's financing activities, such as bank obligations and equity, is the US dollar.
- The currency primarily used to invest the receipts from the Company's billed operational activities is the US dollar.

Therefore, the Company considers that under the current circumstances the functional currency of Salmenes Camanchaca S.A. is the US dollar.

#### c) Transactions and balances

Transactions in foreign currencies other than the functional currency are converted to the functional currency using the exchange rate in effect as of the transaction date. Gains and losses on foreign currencies resulting from settling these transactions, and the conversion of monetary assets and liabilities denominated in foreign currencies at closing rates, are recognized in the statement of net income.

#### d) Exchange rates

The company has converted its monetary assets and liabilities, using the following exchange rates to the US dollar.

Date	Ch\$ / US\$	UF / US\$	Euro / US\$	Yen / US\$	Nok / US\$
12/31/2017	614.75	0.0229	0.8317	112.5900	8.1739
12/31/2016	669.47	0.0254	0.9488	116.836	8.6227

## 2.7 Property, plant and equipment

The Company's property, plant and equipment is made up of land, building, infrastructure, machinery, equipment and other fixed assets. The main types of property, plant and equipment are: Production plants, marine equipment (pontoons), hatchery centers and grow-out centers.

Land, buildings, plants, equipment and machinery are recognized at their historical cost less depreciation. Historical cost includes the fair value considered to be attributed cost according to IFRS 1. This historical cost includes expenditure that is directly attributed to acquiring the asset.

<sup>1</sup> US dollar

<sup>2</sup> Chilean peso

Subsequent costs are included in the initial value of the asset, or recognized as a separate asset, only when it is likely that the future financial benefits associated with these components will flow to the Company and the cost of these components can be determined reliably. The value of the replaced component is expensed.

Land is not depreciated.

Depreciation of other items of property, plant and equipment is calculated using the straight-line method, in order to allocate their cost over their estimated technical useful lives.

	Years
Constructions	10 - 50
Infrastructure	10
Machinery	3 - 20
Equipment	5 - 20
Vehicles	7 - 10
Furniture and fittings	3 - 10

The residual value and useful life of these assets are reviewed and adjusted when necessary at each reporting date.

When the book value of an asset is greater than its estimated recoverable value, its book value is immediately reduced to its recoverable value.

Losses and gains on sales of assets are calculated by comparing the proceeds with the book value, and presented in the statement of net income.

## 2.8 Biological assets

Biological assets include the following.

Biological assets that include groups or families of breeders, such as eggs, smolts and fish at marine grow-out sites, are valued at initial recognition and subsequently at their fair value less estimated selling costs, except where their fair value cannot be reliably measured, in accordance with IAS 41. Therefore, in the first instance an active market for these assets is sought.

As there is no active market for live fish at all their stages, they are valued as freshwater fish, such as breeders, eggs, fry and smolts, using their cumulative costs at the reporting date.

The valuation criteria for fish that are being fattened is fair value. This is understood to be their market price less their estimated processing and selling costs. There is a market for fish being fattened that are over a certain size, which is 4.00kg for Atlantic salmon. The market price is adjusted appropriately for each marine group at the reporting date, from which the harvesting, processing, packaging, distributing and selling costs are deducted. The volume is adjusted for process wastage.

Smaller fish are valued at cost, and are subject to impairment testing.

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

Biological assets that will be harvested in the next 12 months are classified as current biological assets.

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 cumulative costs at their various stages.
Sea Water	Salmon	Fair Value, as there is a market with reference prices and companies that sell these assets. In the absence of a market, accumulated cost at the reporting date, net of impairment, (which is applied and recorded if appropriate.)

- Valuation model

Each group of fish is valued and uses the biomass of fish at the end of each month. The detail includes the total number of fish being fattened, their estimated average weight and the cost of fish biomass. The value is estimated from the average weight in that biomass, which in turn is multiplied by the market price per kilo. The market price is normally obtained from published international prices.

- Assumptions used to calculate the fair value of fish being fattened

The estimated fair value of fish biomass is based on the following items: volume of fish biomass, average biomass weight, weight distribution at harvest and market prices.

- Volume of fish biomass

The volume of fish biomass is based on the number of smolts in the sea, their estimated growth and their mortality during the period, etc. Uncertainty with respect to the volume of biomass is normally lower in the absence of mass mortality events or acute diseases during the cycle.

- Distribution of harvest weights

Fish grow at various rates, so there is always a wide variation in the quality and size of the fish around the average. The distribution of fish quality and size is important, as these attract different prices on the market.

The value of fish biomass is based on a normal weight distribution.

- Market Prices

Salmones Camanchaca S.A. calculates fair value using the price of products in representative markets that can be obtained from frequently published independent external sources.

Therefore, the reference prices for Atlantic Salmon are published by Urner Barry Publications Inc. in their report "Urner Barry's Seafood Price-Current" based on transactions of at least 3,500 pounds. The price used is the FOB price of "Trim D" fresh fillet, from Chile to Miami (USA).

Urner Barry is a business editor specializing in timely, reliable and impartial news and market quotations for customers in segments related to the food industry, through a variety of printed and virtual media.

- Hierarchy

In accordance with the provisions of IFRS 13, the fair value hierarchy is determined according to the input data used. The level of Hierarchy that corresponds to the model of the company is Level III. Regarding the unobservable variables, the most significant is the average weight.

In note 34 there is a comparison between the Chilean and Norwegian practice for evaluation of the biological asset.

## 2.9 Intangible assets other than goodwill

### a) Aquaculture concessions

Aquaculture concessions acquired from third parties are presented at historical cost. The useful life of concessions is indefinite, because they have no expiry date or a foreseeable lifetime, so they are not amortized. This status of indefinite useful life is reviewed at each reporting date, in order to assess whether events and circumstances continue to support an indefinite useful life for that asset. These assets undergo impairment testing on a yearly basis.

### b) Research and development expenses

Research expenses are expensed when incurred. The directly attributable costs of development projects relate to the design and testing of new or improved products. These are recognized as intangible assets when the following criteria are met.

- It is technically feasible to fully produce the intangible asset, to the point where it can be used or sold.
- Management intends to complete the intangible asset, and to use or sell it.
- The Company has the ability to use or sell it.
- The Company can demonstrate how the intangible asset is likely to generate financial benefits in the future.
- The Company has sufficient technical, financial or other resources, to complete development and to use or sell the intangible asset.
- The expenditure attributable to developing the intangible asset can be reliably measured.

## 2.10 Interest costs

Interest costs incurred in the construction of any qualified asset are capitalized over the period of time needed to complete and prepare the asset for its intended use. Other interest costs are expensed.

## 2.11 Impairment losses on non-financial assets

Assets with indefinite useful lives are not amortized and are tested yearly for impairment losses. Amortized assets are tested for impairment whenever an event or change in circumstances indicates that their book value may not be recoverable. An impairment loss is recognized for the amount by which the asset's book value exceeds its recoverable value. The recoverable value is the greater of the fair value of an asset less selling costs, or its value in use. Impairment is assessed by grouping assets at the lowest levels at which they generate separately identifiable cash flows (cash-generating units). Non-financial assets that have been impaired are reviewed at every reporting date to identify whether any reversals have occurred.

## 2.12 Financial assets

The Company classifies its financial assets into the following categories: at fair value through profit and loss, loans and receivables, assets held-to-maturity and assets held-for-sale. The classification depends on why the financial assets were acquired. Management determines the classification of its financial assets upon initial recognition.

### Classification of financial assets

#### a) Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally to sell in the short term. Assets in this category are classified as current assets.

The Company records the following financial assets in this category:

- Mutual funds
- Investment agreements
- Term deposits

b) Trade and other receivables

Receivables are recognized at their nominal value and are non-derivative financial assets with a fixed or determinable value and without a market price. Those assets that will mature in less than 12 months are classified as current assets. Those assets that will mature in greater than 12 months are classified as non-current assets.

The Company records sales receivables and other receivables in this category. They are initially recognized at fair value, recognizing a financial result for the period between their recognition and subsequent valuation. Sales receivables and other receivables are valued at their nominal value, as the Company collects these over a short period of time.

c) Valuation of financial assets

Purchases and sales of financial assets are recognized as of the transaction date, i.e. the date when the Company commits to purchase or sell the asset.

- Initial recognition: Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets at fair value through profit and loss are initially recognized at fair value and transaction costs are expensed.
- Subsequent valuation: Financial assets at fair value through profit and loss are subsequently recorded at fair value.

Investments are derecognized when the rights to receive cash flows from an investment have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets may be impaired.

### 2.13 Inventories

Inventory is valued at its cost or net realizable value, whichever is lower. Cost is calculated using the average cost method.

The cost of finished and in-process products includes the costs of raw materials, direct labor, other direct costs and general manufacturing expenses, based on normal operating capacity, but excluding interest.

Net realizable value is the estimated sales price during the normal course of business, less any variable selling costs.

Obsolete or slow-moving products are recognized at their recoverable value.

## Inventory valuation policy

a) The Company values its inventories as follows.

- i. The production cost of manufactured inventory includes all costs related to the units produced such as labor and fixed and variable costs required to transform raw materials into finished products.

The production cost of fresh and frozen salmon is based on the last fair value of biological asset when harvested, plus direct and indirect production costs.

- ii. The acquisition cost of purchased inventory includes its purchase cost, customs fees, transport, storage and other costs attributable to its acquisition.

b) Inventory cost calculation formula

Inventories of finished products are valued using the weighted average cost, ie. the cost of each product unit is based on the weighted average cost at the beginning of the period, and the cost of items purchased or produced during the period.

Inventories of raw materials, packaging materials are valued at weighted average cost.

### 2.14 Trade and other receivables

Trade receivables are initially recognized at fair value (nominal value including implicit interest), and they are subsequently recognized at their amortized cost according to the effective interest rate method, less provisions for impairment losses.

Implicit interest must be disaggregated and recognized as financial income to the extent that such interest has accrued.

The provision is the difference between the asset's book value and the present value of its estimated future cash flows, discounted using the effective interest rate.

However, if the difference between the nominal value and the fair value is not significant, the nominal value is used.

Doubtful debt provisions on trade and other receivables are based on a stratification of the customer portfolio and the age of those debts. An individual analysis is performed for those cases that have exceeded the normal collection period and the Company believes that collection is doubtful.

### 2.15 Cash and cash equivalents

Cash and cash equivalents include cash balances, time deposits with financial institutions, and other highly-liquid, short-term investments originally maturing in less than three months.

### 2.16 Share capital

Share capital is represented by ordinary shares.

Incremental costs directly attributable to new share issues or options are presented in net equity as a deduction from their proceeds.

Legal minimum dividends on ordinary shares are recognized as a reduction in equity when they are accrued.

## 2.17 Trade and other payables

Trade payables are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method.

However, similarly to trade receivables, if the difference between the nominal value and the fair value is not significant, the nominal value is used.

## 2.18 Interest-bearing loans

Obligations to banks and financial institutions are initially recognized at fair value, net of transaction costs. Subsequently, loans are valued at their amortized cost. Any difference between the proceeds, net of any transactions costs, and their repayable value, is recognized in the statement of net income during the loan term, in accordance with the effective interest rate method. The effective interest rate method applies the interest rate that exactly matches the discounted future repayments to the initial net value of the liability.

## 2.19 Income and deferred taxes

Income tax expense for the period includes both current and deferred taxes.

Current income taxes are based on the tax laws at the reporting date.

Deferred taxes are calculated using the liability method on temporary differences that arise between the tax value of assets and liabilities and their book values. However, if deferred taxes arise from the initial recognition of a liability or an asset in a transaction other than a business combination, which at the time of the transaction do not affect accounting net income nor taxable profit, then they are not accounted for.

Deferred tax is calculated using the current tax rates and laws, or those about to be approved at the reporting date, which are likely to be applicable when the corresponding deferred tax asset is collected or deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is likely that future tax benefits are available to offset such temporary differences.

Current and deferred income taxes are recognized in the statement of net income, except for taxes arising on items recognized in other comprehensive income, directly in equity, or on a business combination. In which case, the corresponding tax is also recognized in other comprehensive income, directly in the statement of net income, or in commercial goodwill, respectively.

## 2.20 Employee benefits

### a) Staff vacations

The Company recognizes the expense for staff vacations using the accrual method, which is recorded at its nominal value. The staff vacation benefit does not represent a significant amount in the statement of comprehensive income.

### b) Severance indemnities

This liability is the present value of defined benefit obligations at the reporting date. It is calculated annually using actuarial assumptions and by discounting the corresponding estimated cash flows. Gains and losses that arise from adjustments that reflect experience and changes in actuarial assumptions are charged or credited to the statement of net income or equity, depending on their nature, in the period in which they arise.

The parameters used in the actuarial valuation model are as follows: mortality and invalidity rates, discount rates, salary growth rates and staff turnover rates due to resignations.

#### 2.21 Provisions

Provisions are recognized when:

- i) The Company has a legal or implicit obligation, as a result of past events.
- ii) It is likely that a disbursement will be necessary to settle the obligation.
- iii) The amount can be reliably estimated.
- iv) Provisions are measured at the present value of Management's best estimate of the expenditures required to settle the obligation. The discount rate used to calculate the present value reflects current market assessments at the reporting date of the time value of money, as well as any specific risks related to the particular liability.

#### 2.22 Revenue recognition

Revenue includes the fair value of consideration received or to be received for the sale of goods and services in the ordinary course of the Company's business. Revenue is presented net of value added tax, and any refunds, rebates and discounts.

The Company recognizes revenue when its value can be reliably measured, it is probable that future financial benefits will flow to the Company, and conditions specific to each of the Company's businesses have been met, as follows.

##### a) Sales of goods

Sales of goods are recognized when the Company has transferred the risks and rewards of owning those products to the customer, who has accepted them, their value can be reliably calculated and it is likely that this amount will be collected.

##### b) Interest income

Interest income is recognized on the proportion of elapsed time, using the effective interest rate method.

##### c) Services provided

Revenue from services are recorded when the service has been provided. A service is considered as provided when the customer confirms satisfactory completion.

#### 2.23 Leasing

##### a) When the Company is the lessee - Operating leases

Leases in which the lessor conserves a significant part of the risks and rewards of ownership of the good are classified as operating leases. Payments for operating leases, net of any incentive received from the lessor, are charged to the statement of net income on a straight-line basis over the lease term.

##### b) When the Company is the lessor - Operating leases

Assets leased to third parties under operating lease contracts are included in property, plant and equipment or investment property, as appropriate.

Income from operating leases is recognized in the statement of net income on a straight-line basis over the lease term.

## Dividend policy

The Company has defined the following dividend policy, in accordance with its by-laws.

Financial statements shall be prepared as of December thirty-one each year.

Net income for the year will be distributed as follows.

- a) No less than thirty percent to be distributed as a dividend in cash to shareholders, in proportion to their shares.
- b) The balance to be used to form reserves, as agreed by an Annual General Shareholders' Meeting.

The company profits in the current year reversed the accumulated losses of the previous years, for which it will be obliged to distribute dividends. The distribution of dividends to shareholders is recognized as a liability at the end of each year in the financial statements, based on the dividend policy agreed by the Shareholders' Meeting.

## 2.24 Environment

The disbursements associated with improvements and investments in productive processes that improve environmental conditions are recorded as an expense or investment in the period in which they arise. When these disbursements are part of investment projects, they are recorded as increases to property, plant and equipment.

The Company has established the following disbursements for environmental protection projects.

- a) Disbursements relating to improvements and investments in productive processes that improve environmental conditions.
- b) Disbursements relating to verifying and monitoring regulations and laws covering industrial processes and facilities.
- c) Other disbursements that affect the environment.

## **NOTE 3 - FINANCIAL RISK MANAGEMENT**

The Company's business activities are exposed to various financial risks: credit risk, liquidity risk, interest rate risk and market risk.

### 3.1. Credit Risk

- a) Customer portfolio risk

The company at the closing date of the period does not register customers in default and not deteriorated.

- b) Sales risk

The Company uses the usual tools operating in the industry to market its products. These are contracted with recognized and qualified insurance companies and financial institutions. These tools are insurance policies covering credit, transport and cargo, confirmation of letters of credit, etc. Where collection is directly performed by the Company, this is substantiated by a long-term business relationship, a full record of payment behavior and recognized financial solvency.

The Company has established policies to ensure that product sales on credit are made to customers with an appropriate credit history. The Company mostly sells into the wholesale market, and export sales are supported by letters of credit. Domestic sales are preferably to customers with an appropriate credit history.

### 3.2. Liquidity risk

The Company's liquidity risks arise from a shortfall of funds for operating costs, finance costs, investments, debt repayments and dividends, compared its sources. This risk is mitigated through prudent liquidity management, which involves holding sufficient cash and marketable securities, together with balanced bank financing.

Capital and interest commitments over the terms of bank loans and other commitments are as follows.

#### a) As of December 31, 2017

CONCEPT	Between 1 and 3 months ThUS\$	Between 3 and 12 months ThUS\$	Between 1 and 5 years ThUS\$	Over 5 years ThUS\$	ThUS\$
Interest-bearing loans	-	4,652	117,213	-	<b>121,865</b>
Trade and other payables	64,413	7,316	102	-	<b>71,831</b>
Related party payables, current	4,198	-	-	-	<b>4,198</b>
Related party payables, non-current	-	-	-	4,572	<b>4,572</b>
<b>Total</b>	<b>68,611</b>	<b>11,968</b>	<b>117,315</b>	<b>4,572</b>	<b>202,466</b>

#### b) As of December 31, 2016

CONCEPT	Between 1 and 3 months ThUS\$	Between 3 and 12 months ThUS\$	Between 1 and 5 years ThUS\$	Over 5 years ThUS\$	ThUS\$
Interest-bearing loans and other hedge liabilities	-	13,494	105,300	-	<b>118,794</b>
Trade and other payables	22,185	6,636	128	-	<b>28,949</b>
Related party payables, current	1,863	30,949	-	-	<b>32,812</b>
Related party payables, non-current	-	-	-	36,372	<b>36,372</b>
<b>Total</b>	<b>24,048</b>	<b>51,079</b>	<b>105,428</b>	<b>36,372</b>	<b>216,927</b>

### 3.3. Market risk

#### a) Exchange rate risk

The Company has defined the US dollar as its functional currency, therefore, it is exposed to exchange rate risk on transactions in Chilean pesos. The exchange rate risk arises on planned commercial transactions, and on assets and liabilities held in Chilean pesos.

The Company has a net liabilities balance in Chilean pesos as of December 31, 2017 totaling ThUS\$ 25,362. Therefore, an increase of 5% in the exchange rate results in an exchange gain of ThUS\$ 1,268, while a decrease of 5% in the exchange rate results in an exchange loss of the same amount.

#### b) Interest rate risk

Movements in interest rates modify the expected cash flows on assets and liabilities that are subject to variable interest rates.

The Company is exposed to interest rate risks, since its long-term financing is at a variable interest rate, which is amended every six months.

The Company has a total of ThUS\$ 100,439 in bank liabilities denominated in US dollars as of December 31, 2017. Sensitivity analysis on the interest rates for bank loans reveal that a 1%pa movement in interest rates at the reporting date would result in additional or lower interest costs of ThUS\$ 1,004, as appropriate.

#### NOTE 4 – FINANCIAL INSTRUMENTS

The Company has financial instruments as of December 31, 2017 and December 31, 2016 valued at their fair value as follows, and there are no differences between their fair value and book value.

Item	12/31/2017		12/31/2016	
	Book value	Fair value	Book value	Fair value
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Cash and cash equivalents				
Cash balances	56	56	51	51
Bank balances	790	790	1,591	1,591
Other financial assets	31	31	2	2
Trade and other receivables	28,196	28,196	27,684	27,684
Related party receivables	25,585	25,585	15,547	15,547
Recoverable rights, non-current	5,520	5,520	3,995	3,995
Other financial liabilities	439	439	10,554	10,554
Trade and other payables, current	71,729	71,729	28,140	28,140
Related party payables, current	4,198	4,198	32,812	32,812
Other financial liabilities, non-current	100,000	100,000	99,917	99,917
Payables, non-current	102	102	128	128
Related party payables, non-current	4,572	4,572	36,372	36,372

Financial instruments as of December 31, 2017, according to the categories specified in IAS 39, are as follows.

	Financial assets at fair value through profit and loss ThUS\$	Financial assets held to maturity ThUS\$	Cash and cash equivalents, loans and receivables ThUS\$	Financial assets held for sale ThUS\$	Total ThUS\$
Cash and cash equivalents					
Cash balances	-	-	56	-	56
Bank balances	-	-	790	-	790
Other financial assets, current	-	-	31	-	31
Trade and other receivables	-	-	28,196	-	28,196
Related party receivables	-	-	25,585	-	25,585

	Fair value through profit and loss ThUS\$	Hedging instruments ThUS\$	Financial liabilities at amortized cost ThUS\$	Total ThUS\$
Other financial liabilities, current	-	-	439	439
Trade and other payables	-	-	71,729	71,729
Related party payables, current	-	-	4,198	4,198
Other financial liabilities, non-current	-	-	100,000	100,000
Payables, non-current	-	-	102	102
Related party payables, non-current	-	-	4,572	4,572

Financial instruments as of December 31, 2016, according to the categories specified in IAS 39, are as follows.

	Financial assets at fair value through profit and loss ThUS\$	Financial assets held to maturity ThUS\$	Cash and cash equivalents, loans and receivables ThUS\$	Financial assets held for sale ThUS\$	Total ThUS\$
Cash and cash equivalents					
Cash balances	-	-	51	-	51
Bank balances	-	-	1,591	-	1,591
Other financial assets, current	-	-	2	-	2
Trade and other receivables	-	-	27,684	-	27,684
Related party receivables	-	-	15,547	-	15,547
Other financial assets, non-current	-	-	27	-	27

	Fair value through profit and loss ThUS\$	Hedging instruments ThUS\$	Financial liabilities at amortized cost ThUS\$	Total ThUS\$
Other financial liabilities, current	-	-	10,554	10,554
Trade and other payables	-	-	28,140	28,140
Related party payables, current	-	-	32,812	32,812
Other financial liabilities, non-current	-	-	99,917	99,917
Payables, non-current	-	-	128	128
Related party payables, non-current	-	-	36,372	36,372

## NOTE 5 - SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The estimates and judgments used are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered reasonable based on the circumstances.

The Company's main accounting estimates as follows.

### a) Biomass of biological assets

The fish biomass estimate will always be based on assumptions, even though the Company has ample experience with these factors. The estimates take into account the following components: volume of fish biomass, average biomass weights, distribution of fish weights and market prices.

The volume of fish biomass estimate is based on the number of smolts in the sea, their estimated growth and their mortality during the period, etc. Uncertainty with respect to the volume of biomass is normally lower in the absence of mass mortality events or acute diseases during the cycle.

Fish grow at various rates and even though average weights can be accurately estimated, there is always a wide variation in the quality and size of the fish. The distribution of fish quality and size is important, as these attract different prices on the market.

The value of fish biomass is based on a normal weight distribution.

### b) Asset impairment

The recoverable amount of property, plant and equipment is revalued annually according to IAS 36, as the Company has intangible assets. Factors that are considered an indication of impairment are declining market values, significant changes in the technological environment, obsolescence or physical deterioration, changes in the way the item is used or expected to be used, including ceasing to use it, etc. The Company evaluates whether there is evidence of impairment at each reporting date, ie. whether the book value of an item of property, plant and equipment or an intangible asset is greater than its value in use.

It evaluates each Cash Generating Unit (CGU).

CGUs are identified for impairment testing. IAS 36 defines a CGU as "the smallest identifiable group of assets that generates receipts for the Company, which are largely independent of the receipts generated by other assets or groups of assets."

Therefore, given the Company as a whole, the characteristics of its assets and its productive and marketing processes, the Company has defined a policy that the CGU value to compare with future cash flows generated by using its assets, based on the non-current assets at the reporting date of the financial statements, less those assets that are not Property plant and equipment and intangible assets other than goodwill.

The Company has used a cash flow forecasting model to calculate the value in use of its assets, based on the following assumptions.

1. Ten year evaluation horizon. Investments in the industry are long-term, as are the cycles and risks that affect the biomass. Therefore, a horizon of less than 10 years does not reflect the Company's long term situation.
2. Residual value. The residual value at the end of the horizon.

Forecast cash flows. Cash flows used in the methodology are based on budget data, best estimates and reasonable and substantiated assumptions that represent Management's best estimates, taking into account the prevailing economic conditions during the remaining useful life of the evaluated assets. The most important assumptions are:

- 2.1. Sales and production volumes.
- 2.2. Estimated annual inflation of 3% and its impact on prices, sales and administration costs, and other costs.
3. Cash flow forecasts are brought to present value using a discount rate that reflects the time value of money and the risks specific to the asset. The Weighted Average Cost of Capital (WACC) rate is used, calculated on the basis of the following variables: The Company or industry beta; the risk-free rate of return; the market rate of return; the cost of the Company's financial debt; and the long-term target debt / equity ratio.

This evaluation resulted in no indications of asset impairment.

Except for the estimated biomass of the biological assets, Management believes that these financial statements do not contain any assumptions about the future or other uncertain estimates that risk causing significant adjustments to this accounting period and the next.

#### **NOTE 6 - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are as follows.

	12/31/2017 ThUS\$	12/31/2016 ThUS\$
Cash balances	56	51
Bank balances	790	1,591
<b>Total cash and cash equivalents</b>	<b>846</b>	<b>1,642</b>

## NOTE 7 - TRADE AND OTHER RECEIVABLES

Trade and other receivables are as follows.

	12/31/2017			12/31/2016		
	Trade receivables	Doubtful debt provision	Net trade receivables	Trade receivables	Doubtful debt provision	Net trade receivables
Customers	23,395	(111)	23,284	9,391	(14)	9,377
Notes receivable	20	-	20	9	-	9
Recoverable VAT	3,710	-	3,710	2,443	-	2,443
Receivables from property sales	200	-	200	650	-	650
Staff receivables	23	-	23	9	-	9
Advances to suppliers	-	-	-	159	-	159
Insurance claims <sup>1</sup>	959	-	959	14,953	-	14,953
Other	-	-	-	84	-	84
<b>Total</b>	<b>28,307</b>	<b>(111)</b>	<b>28,196</b>	<b>27,698</b>	<b>(14)</b>	<b>27,684</b>

(1) Insurance claims as of December 31, 2016 mainly relate to the harmful algal blooms (HABS) in various parts of the Reloncaví Sound in the 10th Region. This claim was fully paid in February 2017.

Salmones Camanchaca S.A. does not have any receivables that are guaranteed or renegotiated or any payments that have been rejected and have entered a judicial collection process. It has not factored any of its receivables during 2017 and 2016.

The Company has no financial assets at the reporting date that are in arrears and not impaired.

Classification of receivables by due date.

Overdue ranges	As of December 31, 2017				As of December 31, 2016			
	Number of customers non-renegotiated portfolio	Gross non-renegotiated portfolio ThUS\$	Doubtful debt provision ThUS\$	Net non-renegotiated portfolio ThUS\$	Number of customers non-renegotiated portfolio	Gross non-renegotiated portfolio ThUS\$	Doubtful debt provision ThUS\$	Net non-renegotiated portfolio ThUS\$
Not yet due	165	20.322	-	20.322	63	26.311	-	26.311
1-30 days	342	4.327	-	4.327	18	1.282	-	1.282
31-60 days	29	2.318	-	2.318	1	31	-	31
61-90 days	3	457	-	457	1	36	-	36
91- 120 days	-	-	-	-	2	7	(5)	2
121- 150 days	8	383	-	383	-	-	-	-
151-180 days	3	216	(114)	102	2	24	(9)	15
181-210 days	2	200	1	201	-	-	-	-
211-250 days	2	1	(1)	-	-	-	-	-
>250 days	2	83	3	86	9	7	-	7
<b>Total</b>	<b>556</b>	<b>28.307</b>	<b>(111)</b>	<b>28.196</b>	<b>96</b>	<b>27.698</b>	<b>(14)</b>	<b>27.684</b>

## NOTE 8 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related parties include the following entities and individuals.

- a) Shareholders that can exercise control
- b) Subsidiaries and their members
- c) Parties with sufficient interest to give them significant influence
- d) Parties with joint control
- e) Associates
- f) Interests in joint ventures
- g) Senior management of the entity or of its parent company
- h) Close relatives of individuals described in the previous points
- i) An entity that controls, or jointly controls, and is significantly influenced by any of the individuals described in the two previous points.

Generally transactions with related companies are not subject to special conditions. These transactions are in accordance with Law 18,046 governing Corporations and with IAS 24.

Transferring current and non-current funds between related companies, which do not relate to the collection or payment of services, are structured using commercial current accounts.

- a) Current related party receivables are as follows:

	Chilean ID Number	Country	Transaction term	Currency	As of December 31, 2017		As of December 31, 2016	
					Current ThUS\$	Non-Current ThUS\$	Current ThUS\$	Non-Current ThUS\$
Camanchaca Inc.	Extranjera	USA	Under 30 days	US\$	16.956	-	11.433	-
Kabushiki Kaisha Camanchaca Ltd.	Extranjera	Japón	Under 30 days	US\$	7.933	-	3.895	-
Cia. Pesquera Camanchaca S.A.	93.711.000-6	Chile	Under 30 days	\$	162	-	117	-
Camanchaca Cultivos Sur S.A.	96.633.150-K	Chile	Under 30 days	\$	193	-	61	-
Camanchaca Pesca Sur S.A.	76.143.821-2	Chile	Under 30 days	\$	341	-	41	-
<b>Total</b>					<b>25.585</b>	<b>-</b>	<b>15.547</b>	<b>-</b>

- b) Current related party payables are as follows:

	Chilean ID Number	Country	Transaction term	Currency	As of December 31, 2017		As of December 31, 2016	
					Current ThUS\$	Non-Current ThUS\$	Current ThUS\$	Non-Current ThUS\$
Fiordo Blanco S.A.	96.540.710-3	Chile	Under 30 days	\$	-	-	30.949	-
Cia. Pesquera Camanchaca S.A.	93.711.000-6	Chile	Under 30 days	\$	1.412	4.572	667	36.372
Transportes Interpolar Ltda.	77.970.900-0	Chile	Under 30 days	\$	1.528	-	564	-
Kabushiki Kaisha Camanchaca Ltd.	O-I	Japón	Under 30 days	US\$	204	-	398	-
Inmobiliaria Camanchaca S.A.	96.786.700-4	Chile	Under 30 days	\$	510	-	201	-
Camanchaca Pesca Sur S.A.	76.,143.821-2	Chile	Under 30 days	\$	267	-	17	-
Camanchaca Cultivos Sur S.A.	96.633.150-K	Chile	Under 30 days	\$	-	-	14	-
Frigorífico Pacífico S.A.	77.858.550-2	Chile	Under 30 days	\$	188	-	-	-
Surproceso S.A.	76.346.370-2	Chile	Under 30 days	\$	86	-	-	-
Codepack S.A.	96.974.100-8	Chile	Under 30 days	\$	3	-	2	-
<b>Total</b>					<b>4.198</b>	<b>4.572</b>	<b>32.812</b>	<b>36.372</b>

The payable to Fiordo Blanco S.A. as of December 31, 2017 was eliminated under the aforementioned restructuring dated September 14, 2017 when Fiordo Blanco S.A. became a subsidiary of Salmenes Camanchaca. This situation did not apply as of December 31, 2016, when Fiordo Blanco S.A. was related company.

The payable to Compañía Pesquera Camanchaca S.A. was capitalized at ThUS\$ 19,500 on September 14, 2017.

c) Transactions with related companies for over ThUS\$ 20 and their effects on net income for the periods ended December 31, 2017 and 2016 are as follows.

Company	Chilean ID Number	Country	Relationship	Transaction Description	Currency	12/31/2017		12/31/2016	
						Amount ThUS\$	Effect on net income (Charge) Credit ThUS\$	Amount ThUS\$	Effect on net income (Charge) Credit ThUS\$
Camanchaca Inc.	Foreign	USA	Common shareholder	Products sold	USD	74,593	21,150	88,315	(5,495)
Kabushiki Kaisha Camanchaca Ltd.	Foreign	Japan	Common shareholder	Products sold	USD	15,475	4,388	14,243	3,102
Kabushiki Kaisha Camanchaca Ltd.	Foreign	Japan	Common shareholder	Fees	USD	503	(503)	399	(399)
Camanchaca Pesca Sur S.A.	76,143,821-2	Chile	Common shareholder	Products sold	CLP	311	158	-	-
Camanchaca Pesca Sur S.A.	76,143,821-2	Chile	Common shareholder	Services	CLP	355	188	505	424
Camanchaca Pesca Sur S.A.	76,143,821-2	Chile	Common shareholder	Plant lease	USD	504	(423)	-	-
Surproceso S.A.	76,346,370-2	Chile	Associate	Salmon processing	CLP	793	-	1,468	-
Frigorífico Pacífico S.A.	77,858,550-2	Chile	Director and subsidiary shareholder	Leased refrigerators	CLP	222	(186)	412	(346)
Transportes Interpolar Ltda.	77,970,900-0	Chile	Common shareholder	Transport service	CLP	3,363	(2,826)	3,374	(2,835)
Cía. Pesquera Camanchaca S.A.	93,711,000-6	Chile	Parent company	Administrative services	USD	5,359	(5,359)	4,608	(4,608)
Cía. Pesquera Camanchaca S.A.	93,711,000-6	Chile	Parent company	Product sales	CLP	335	95	166	-
Cía. Pesquera Camanchaca S.A.	93,711,000-6	Chile	Parent company	Payments	US\$	10,640	-	25,140	-
Camanchaca Cultivos Sur S.A.	96.633.150-K	Chile	Common shareholder	Product sales	CLP	101	29	35	-
Camanchaca Cultivos Sur S.A.	96.633.150-K	Chile	Common shareholder	Product purchases	CLP	24	-	75	-
Inmobiliaria Camanchaca S.A.	96,786,700-4	Chile	Common shareholder	Leased services	USD	1,380	(1,159)	1,379	(1,159)
Codepack S.A.	96,974,100-8	Chile	Related Director	Packaging	CLP	30	(26)	8	(6)

d) Remuneration and benefits received by the Board and Senior Management.

The Company is managed by a Board of Directors, whose members received fees totaling ThUS\$ 173 during 2017 (ThUS\$ 145 in 2016).

The remuneration of Senior Management during 2017 amounted to ThUS\$ 943 (ThUS\$ 840 in 2016).

## NOTE 9 – INVENTORIES

Inventories as of each reporting date are as follows.

	Unit of Measure	12/31/2017		12/31/2016	
		Quantity	ThUS\$	Quantity	ThUS\$
Atlantic salmon	Kg	5,143,345	33,608	1,942,735	18,119
Other products	Kg	1,893	8	13,438	95
Production supplies	N/A	-	6,049	-	6,022
Net realizable value provision	N/A	-	(1,495)	-	(892)
<b>Total</b>			<b>38,170</b>		<b>23,344</b>

Quantities are for finished products and differences in processes, qualities or value added are not distinguished.

Inventories are valued at the lower of cost or net realizable value.

### 9.1 Information on finished products

The Company has not written off any finished products at the reporting dates.

The Company has not pledged inventories of finished products in guarantee as of December 31, 2017 and December 31, 2016.

The Company has insurance covering its inventories of finished products (Stock Throughput), which includes raw materials (at agreed value or cost), consumables (cost value) and work-in-process and finished products (agreed value).

### 9.2 Reconciliation of finished products

Movements in finished products are as follows.

	12/31/2017 ThUS\$	12/31/2016 ThUS\$
Opening balance	23,344	37,363
Production	151,001	157,710
Cost of sales	(136,175)	(171,729)
<b>Closing balance</b>	<b>38,170</b>	<b>23,344</b>

Cost of sales is composed as follows.

	12/31/2017 ThUS\$	12/31/2016 ThUS\$
Cost of products sold	136,175	171,729
Cost of services	3,792	4,102
Cost of fallow periods	4,892	6,373
Mortality costs	-	2,993
<b>Total</b>	<b>144,859</b>	<b>185,197</b>

## NOTE 10 - BIOLOGICAL ASSETS

Current and non-current biological assets are as follows.

Item	12/31/2017			12/31/2016		
	Current ThUS\$	Non-Current ThUS\$	Total ThUS\$	Current ThUS\$	Non-Current ThUS\$	Total ThUS\$
Salmon	97,522	14,472	<b>111,994</b>	60,977	17,199	<b>78,176</b>
Total	97,522	14,472	<b>111,994</b>	60,977	17,199	<b>78,176</b>

Movements in biological assets are as follows.

	12/31/2017 ThUS\$	12/31/2016 ThUS\$
Opening balance as of January 1	78,176	93,441
Increases due to fattening, production and purchasing	147,412	123,338
Decreases due to sales and harvesting	(167,956)	(199,233)
Fair value adjustment for the period	54,362	63,623
Mortality	-	(2,993)
<b>Closing balance</b>	<b>111,994</b>	<b>78,176</b>

Biological assets are as follows:

Biomass as of 12/31/2017	Thousand units	Final biomass Ton.	Production costs ThUS\$	Fair value adjustments ThUS\$	Total cost ThUS\$
Fish in sea water	11,174	23,500	86,072	16,311	102,383
Fish in fresh water	17,382	447	9,611	-	9,611
<b>Total</b>			<b>95,683</b>	<b>16,311</b>	<b>111,994</b>

Biomass as of 12-31-2016	Thousand units	Final biomass Ton.	Production costs ThUS\$	Fair value adjustments ThUS\$	Total cost ThUS\$
Fish in sea water	8,810	13,888	55,882	13,301	69,183
Fish in fresh water	9,977	459	8,993	-	8,993
<b>Total</b>			<b>64,875</b>	<b>13,301</b>	<b>78,176</b>

Movements in the fair value adjustment of biological assets are as follows.

	12/31/2017 ThUS\$	12/31/2016 ThUS\$
Opening balance fair value of biological assets	17,640	(7,289)
Biological increase adjustment in the period	54,362	63,623
Less: Fair value adjustment for sales of inventories	(49,061)	(38,694)
<b>Closing balance</b>	<b>22,941</b>	<b>17,640</b>

The balance relates to the fair value adjustment of biological assets for ThUS\$ 16,311 (ThUS\$ 13,301 as of December 31, 2016) and the fair value adjustment of biological assets in finished product inventories for ThUS\$ 6,630 (ThUS\$ 4,339 as of December 31, 2016).

Sensitivity analysis on the effect on fair value due to an increase or decrease in the unobservable average weight of biomass in the water at the reporting date is as follows.

Species	Variation in ThUS\$			
	1% increase	1% reduction	5% increase	5% reduction
Atlantic salmon	446	(2,931)	3,665	(6,269)

#### NOTE 11 - OTHER CURRENT AND NON-CURRENT NON-FINANCIAL ASSETS

Other current and non-current non-financial assets are as follows.

	12/31/2017		12/31/2016	
	Current ThUS\$	Non-Current ThUS\$	Current ThUS\$	Non-Current ThUS\$
Insurance policies	4,929	-	3,690	-
Prepaid expenditure at centers	377	-	970	-
Prepaid rent	40	-	40	-
Other prepaid expenditure	1,695	-	168	-
Other non-financial assets	-	260	-	112
<b>Total</b>	<b>7,041</b>	<b>260</b>	<b>4,868</b>	<b>112</b>

#### NOTE 12 - EQUITY METHOD INVESTMENTS

Investments in associates as of December 31, 2017 are as follows.

Chilean ID Number	Name	Country	Investments in associates ThUS\$	Interest %
76,346,370-2	Surproceso S.A.	Chile	5,564	33.33
Foreign	New World Currents Inc.	Panama	1	25.00
<b>Total</b>			<b>5,565</b>	

Investments in associates as of December 31, 2016 are as follows.

Chilean ID Number	Name	Country	Investments in associates ThUS\$	Interest %
77,970,900-0	Transportes Interpolar Ltda.	Chile	411	50.00
Foreign	New World Currents Inc.	Panama	1	25.00
<b>Total</b>			<b>412</b>	

A summary of these associate's assets and liabilities are as follows.

	12/31/2017		12/31/2016	
	Assets ThUS\$	Liabilities ThUS\$	Assets ThUS\$	Liabilities ThUS\$
Current	5,751	1,613	1,315	921
Non-Current	12,561	16,691	538	932
<b>Total</b>	<b>18,312</b>	<b>18,312</b>	<b>1,853</b>	<b>1,853</b>

Revenue and net income for the period for these associated are as follows.

	As of 12/31/2017 ThUS\$	As of 12/31/2016 ThUS\$
Revenue	20,282	5,033
Net associate income for period (1)	4,698	253

- (1) Salmenes Camanchaca S.A. acquired shares in Surproceso S.A. under the corporate restructuring on September 14, 2017, and Compañía Pesquera Camanchaca S.A. acquired Transportes Interpolar Limitada on September 11. Therefore, the net income earned by these associated were reflected in the financial statements of owners of those shares until the date on which these transactions took place, resulting in ThUS\$ 146 as of September 30, 2017, in ThUS\$ 541 as of December 31, 2017 and ThUS\$ 127 as of December 31, 2016.

### NOTE 13 - TAX ASSETS

Current tax assets are as follows.

	12/31/2017 ThUS\$	12/31/2016 ThUS\$
Provisional payment for absorbed profits	1,085	1,371
Training expenses	167	156
Labor bonus tax	-	41
Other recoverable taxes	332	289
<b>Total</b>	<b>1,584</b>	<b>1,857</b>

Non-current tax assets are as follows.

	12/31/2017 ThUS\$	12/31/2016 ThUS\$
Investment tax incentive (1)	5,520	3,995
<b>Total</b>	<b>5,520</b>	<b>3,995</b>

- (1) The tax incentive is for investments in the Aysen Region, in accordance with Law 19,606. The deadline to recover this incentive is 2045, by discounting it from corporate income tax.

### NOTE 14 - INTANGIBLE ASSETS OTHER THAN GOODWILL

Non-internally created intangible assets are as follows.

	Useful life	12/31/2017 ThUS\$	12/31/2016 ThUS\$
Aquaculture concessions and water rights	Indefinite	7,083	4,216
<b>Total</b>		<b>7,083</b>	<b>4,216</b>

Movements in intangible assets as of December 31, 2017 and December 31, 2016 are as follows.

	12/31/2017 ThUS\$	12/31/2016 ThUS\$
Opening balance as of January 1	4,216	4,216
Increases	2,867	-
Disposals	-	-
<b>Closing balance as of December 31</b>	<b>7,083</b>	<b>4,216</b>

Increases relate to the acquisition of Fiordo Blanco S.A. on September 14, 2017 with intangible assets of ThUS\$ 2,867.

### Water rights

No	DGA Resolution No	Water source	Location	Owned	Status
1	494/1990	Superficial and Current	Puerto Varas	Salmones Camanchaca	Granted
2	046/2011	Underground	Puerto Varas	Salmones Camanchaca	Granted
3	200/1998	Superficial and Current	Purranque	Salmones Camanchaca	Granted
4	154/2008	Superficial and Current	Puerto Varas	Salmones Camanchaca	Granted
5	184/2001	Underground	Puerto Varas	Salmones Camanchaca	Granted
6	318/2003	Underground	Puerto Varas	Salmones Camanchaca	Granted
7	235/2009	Underground	Puerto Varas	Salmones Camanchaca	Granted
8	931/2013	Underground	Puerto Varas	Salmones Camanchaca	Granted
9	263/2008	Superficial and Detained	Frutillar	Salmones Camanchaca	Granted
10	356/1998	Superficial and Current	Frutillar	Salmones Camanchaca	Granted
11	001/2010	Underground	Frutillar	Salmones Camanchaca	Granted
12	468/2004	Superficial and Current	Cochamo	Salmones Camanchaca	Granted
13	468/2004	Superficial and Current	Puerto Montt	Salmones Camanchaca	Granted
14	468/2004	Superficial and Current	Puerto Montt	Salmones Camanchaca	Granted
15	468/2004	Superficial and Current	Puerto Montt	Salmones Camanchaca	Granted
16	468/2004	Superficial and Current	Cochamo	Salmones Camanchaca	Granted
17	134/2006	Superficial and Current	Cochamo	Salmones Camanchaca	Granted
18	N/A	Superficial and Current	Antuco	Salmones Camanchaca	Granted
19	N/A	Superficial and Current	Antuco	Salmones Camanchaca	Granted
20	390/2007	Underground	Calbuco	Salmones Camanchaca	Granted
21	150/2015	Superficial and Current	Chaitén	Salmones Camanchaca	Granted
22	Denied	Superficial and Current	Chaitén	Salmones Camanchaca	Denied
23	109/2015	Superficial and Current	Chaitén	Salmones Camanchaca	Granted
24	149/2015	Superficial and Current	Chaitén	Salmones Camanchaca	Granted
25	In process	Superficial and Current	Puerto Varas	Salmones Camanchaca	Requested
26	In process	Superficial and Current	Purranque	Salmones Camanchaca	Requested
27	012/1998	Superficial and Current	Chaitén	Fiordo Blanco S.A	Granted
28	183/1998	Superficial and Current	Chaitén	Fiordo Blanco S.A	Granted
29	126/1999	Superficial and Current	Chaitén	Fiordo Blanco S.A	Granted
30	360/1998	Superficial and Current	Chaitén	Fiordo Blanco S.A	Granted
31	1239/1998	Superficial and Current	Chaitén	Fiordo Blanco S.A	Granted
32	124/1999	Superficial and Current	Chaitén	Fiordo Blanco S.A	Granted
33	429/1998	Superficial and Current	Chaitén	Fiordo Blanco S.A	Granted
34	269/1998	Superficial and Current	Chaitén	Fiordo Blanco S.A	Granted
35	692/2000	Superficial and Current	Chaitén	Fiordo Blanco S.A	Granted
36	137/1998	Superficial and Current	Chaitén	Fiordo Blanco S.A	Granted
37	161/2001	Superficial and Current	Chaitén	Fiordo Blanco S.A	Granted
38	356/1997	Superficial and Current	Chaitén	Fiordo Blanco S.A	Granted
39	685/1997	Superficial and Current	Purranque	Fiordo Blanco S.A	Granted
40	246/2006	Superficial and Current	Chaitén	Fiordo Blanco S.A	Granted
41	397/2004	Superficial and Current	Chaitén	Fiordo Blanco S.A	Granted
42	496/2004	Superficial and Current	Chaitén	Fiordo Blanco S.A	Granted
43	In process	Superficial and Current	Puerto Varas	Fiordo Blanco S.A	Requested

## Salmon concessions

Name	Region	Macro zone	Number of concessions (District)	Municipality	Sea water or fresh water	Surface area	Status (Use, Fallow, Other)
Maqui beach (Lake center)	X	6	1	Frutillar	Fresh Water	7.5	Use
Chaiquen	X	1	1	Puerto Varas	Sea Water	3.74	Fallow
Pucheguín	X	1	1	Cochamo	Sea Water	3	Use
Pucheguín coast	X	1	1	Cochamo	Sea Water	9	Use
Farellones	X	1	1	Cochamo	Sea Water	21.06	Use
Marimelli	X	1	1	Cochamo	Sea Water	24.98	Fallow
Chilco River 1	X	1	1	Cochamo	Sea Water	6	Fallow
Chilco River 2	X	1	1	Cochamo	Sea Water	6.75	Fallow
Cascajal	X	1	1	Cochamo	Sea Water	9	Use
Factoría	X	1	1	Cochamo	Sea Water	9	Use
Puelche	X	1	2	Hualaihue	Sea Water	7.54	Use
Manihueico	X	1	2	Hualaihue	Sea Water	15	Use
Contao	X	1	2	Hualaihue	Sea Water	15	Use
Chagual River	X	1	2	Hualaihue	Sea Water	7.2	Fallow
Aulen	X	1	2	Hualaihue	Sea Water	3.25	Fallow
San José	X	1	3b	Calbuco	Sea Water	3.75	Fallow
Penasmo	X	1	3b	Calbuco	Sea Water	28.56	Fallow
Pilpilihue	X	3	10b	Chonchi	Sea Water	32	Use
Ahoni	X	3	10b	Queilen	Sea Water	33.45	Use
Pumalín	X	5	14	Chaitén	Sea Water	5.58	Use
Islotes	X	5	14	Chaitén	Sea Water	36	Use
Edwards	X	0	15	Chaitén	Sea Water	9.04	Use
Yelcho	X	5	16	Chaitén	Sea Water	4.5	Fallow
Chilco	X	5	16	Chaitén	Sea Water	6.5	Fallow
Fiordo Largo	X	5	16	Chaitén	Sea Water	6	Fallow
Cabudahue	X	5	16	Chaitén	Sea Water	6	Fallow
Pillán	X	5	16	Chaitén	Sea Water	19.63	Fallow
Isla Nieves	X	5	16	Chaitén	Sea Water	6.5	Fallow
Puerto Argentino	X	5	16	Chaitén	Sea Water	6.5	Fallow
Reñihue 3	X	5	16	Chaitén	Sea Water	6.32	Fallow
Loncochalgua	X	5	17a	Hualaihue	Sea Water	8	Fallow
Porcelana	X	5	17a	Chaitén	Sea Water	18.54	Fallow
Leptepu	X	5	17a	Chaitén	Sea Water	24.5	Use
Cahuelmó	X	5	17a	Hualaihue	Sea Water	8	Fallow
Piedra Blanca	X	5	17a	Hualaihue	Sea Water	2	Fallow
Marilmó	X	5	17a	Chaitén	Sea Water	3	Use
Arbolito	XI	6	18b	Cisnes	Sea Water	12.5	Fallow
Lamalec	XI	6	18b	Cisnes	Sea Water	12.5	Fallow
Northeast Garrao 1	XI	6	18b	Cisnes	Sea Water	12.5	Fallow
Piure Stream	XI	6	18b	Cisnes	Sea Water	12.5	Fallow
Filomena 2	XI	6	18b	Cisnes	Sea Water	12.5	Use

Name	Region	Macro zone	Number of concessions (District)	Municipality	Sea water or fresh water	Surface area	Status (Use, Fallow, Other)
East Lamalec	XI	6	18b	Cisnes	Sea Water	12.5	Fallow
East Filomena	XI	6	18b	Cisnes	Sea Water	12.5	Fallow
Chonos	XI	6	18c	Cisnes	Sea Water	12.5	Use
Licha	XI	6	18c	Cisnes	Sea Water	12.5	Fallow
Garrao	XI	6	18c	Cisnes	Sea Water	12.5	Fallow
Gallo Stream	XI	6	18c	Cisnes	Sea Water	12.5	Fallow
Southwest Leucayec	XI	6	18c	Guaitecas	Sea Water	11.08	Use
Piure Channel	XI	6	18c	Cisnes	Sea Water	12.5	Fallow
Northeast Francisco	XI	6	18d	Cisnes	Sea Water	12.5	Fallow
East Jechica	XI	6	18d	Cisnes	Sea Water	12.5	Fallow
South Garrao	XI	6	18d	Cisnes	Sea Water	12.5	Fallow
South Jechica	XI	6	18d	Cisnes	Sea Water	12.5	Fallow
West Filomena	XI	6	18d	Cisnes	Sea Water	12.5	Fallow
Southwest Filomena	XI	6	18d	Cisnes	Sea Water	12.5	Fallow
Carmencita	XI	6	18d	Cisnes	Sea Water	6.06	Fallow
Forsyth	XI	6	19a	Cisnes	Sea Water	8.45	Use
Johnson 1	XI	6	19a	Cisnes	Sea Water	10.6	Use
Johnson 2	XI	6	19a	Cisnes	Sea Water	6.35	Use
Midhurst	XI	6	19a	Cisnes	Sea Water	N/A	Fallow
Tahuenahuec	XI	6	20	Cisnes	Sea Water	5.52	Fallow
Benjamin	XI	6	20	Cisnes	Sea Water	50.88	Fallow
King	XI	6	20	Cisnes	Sea Water	29.38	Fallow
Punta Alta	XI	6	20	Cisnes	Sea Water	26.56	Use
No Name	XI	6	20	Cisnes	Sea Water	17.84	Fallow
South Izaza	XI	6	20	Cisnes	Sea Water	8.96	Use
Martita	XI	6	20	Cisnes	Sea Water	17.57	Fallow
Paso Lautaro	XI	6	20	Cisnes	Sea Water	9.8	Fallow
Southwest Tahuenahuec	XI	6	20	Cisnes	Sea Water	14.64	Fallow
Southeast Izaza	XI	6	20	Cisnes	Sea Water	6.62	Fallow
Port Róbaló	XI	6	20	Cisnes	Sea Water	14.07	Fallow
Williams 1	XI	6	21d	Cisnes	Sea Water	11.95	Fallow
Williams 2	XI	6	21d	Cisnes	Sea Water	10.28	Fallow
Williams Sector 2	XI	6	21d	Cisnes	Sea Water	N/A	Fallow

## NOTE 15 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and its movements are as follows.

	Land ThUS\$	Buildings ThUS\$	Plant and equipment ThUS\$	Vessels ThUS\$	Vehicles ThUS\$	Other property, plant and equipment ThUS\$	Total ThUS\$
Opening balances as of January 1, 2017							
Cost or valuation	5,142	35,950	110,593	2,707	149	2,519	<b>157,060</b>
Accumulated depreciation	-	(14,544)	(69,283)	(2,431)	(86)	(1,711)	<b>(88,055)</b>
Net balances as of January 1, 2017	<b>5,142</b>	<b>21,406</b>	<b>41,310</b>	<b>276</b>	<b>63</b>	<b>808</b>	<b>69,005</b>
Additions	-	2,141	13,310	8	-	797	<b>16,256</b>
Disposals	-	(150)	(1,947)	-	-	(22)	<b>(2,119)</b>
Transfers	-	1,449	(1,490)	-	-	41	-
Assets contributed	180	7	994	-	-	3	<b>1,184</b>
Depreciation	-	(1,782)	(8,454)	(34)	(8)	(402)	<b>(10,680)</b>
Closing balances as of December 31, 2017	<b>5,322</b>	<b>23,071</b>	<b>43,723</b>	<b>250</b>	<b>55</b>	<b>1,225</b>	<b>73,646</b>
Opening balance as of January 1, 2016							
Opening balances as of January 1, 2016							
Cost or valuation	5,106	32,793	104,802	2,702	161	3,342	<b>148,906</b>
Accumulated depreciation	-	(13,017)	(62,199)	(2,157)	(128)	(1,646)	<b>(79,147)</b>
Net balances as of January 1, 2016	<b>5,106</b>	<b>19,776</b>	<b>42,603</b>	<b>545</b>	<b>33</b>	<b>1,696</b>	<b>69,759</b>
Additions	-	3,205	7,079	5	40	436	<b>10,765</b>
Disposals	-	-	(510)	-	(5)	(547)	<b>(1,062)</b>
Transfers	36	(36)	488	-	-	(488)	-
Depreciation	-	(1,539)	(8,350)	(274)	(5)	(289)	<b>(10,457)</b>
Closing balances as of December 31, 2016	<b>5,142</b>	<b>21,406</b>	<b>41,310</b>	<b>276</b>	<b>63</b>	<b>808</b>	<b>69,005</b>

Property, plant and equipment as of December 31, 2017 are as follows.

	Gross value ThUS\$	Accumulated depreciation ThUS\$	Net value ThUS\$
Land	5,322	-	5,322
Buildings	39,397	(16,326)	23,071
Plant and equipment	121,460	(77,737)	43,723
Vessels	2,715	(2,465)	250
Motor vehicles	149	(94)	55
Other property plant and equipment	3,338	(2,113)	1,225
<b>Total</b>	<b>172,381</b>	<b>(98,735)</b>	<b>73,646</b>

Property, plant and equipment as of December 31, 2016 are as follows.

	Gross value ThUS\$	Accumulated depreciation ThUS\$	Net value ThUS\$
Land	5,142	-	5,142
Buildings	35,950	(14,544)	21,406
Plant and equipment	110,593	(69,283)	41,310
Vessels	2,707	(2,431)	276
Motor vehicles	149	(86)	63
Other property plant and equipment	2,743	(1,935)	808
<b>Total</b>	<b>157,284</b>	<b>(88,279)</b>	<b>69,005</b>

a) Valuation

Management has chosen the cost model as its accounting policy, and has applied this policy to all items in property, plant and equipment.

b) Depreciation method

The depreciation method applied to all items of property, plant and equipment (excluding land) is the straight line method, which produces a constant expense over their useful life.

c) Property, plant and equipment subject to guarantees or restrictions

The Company has mortgaged and pledged some items, to guarantee the syndicated loan for Compañía Pesquera Camanchaca S.A. and Salmones Camanchaca S.A. (Note 29).

d) Insurance

The Company has insurance policies to cover the risks to items of property, plant and equipment, including in some cases loss of profit or loss due to strikes. The Company constantly analyzes its insurance cover to ensure that it is reasonable when compared to the risks inherent to its business.

- e) The gross value of properties, plant and equipment items that are fully depreciated and still in use are as follows.

	12/31/2017 Gross value ThUS\$	12/31/2016 Gross value ThUS\$
Buildings	6,540	5,215
Plant and equipment	48,339	32,172
Vessels	2,369	2,369
Motor vehicles	86	86
Other property plant and equipment	1,007	724
<b>Total</b>	<b>58,341</b>	<b>40,566</b>

- f) There are no items of property, plant and equipment that are no longer actively used, but not classified as held for sale, in accordance with IFRS 5.
- g) Management believes that all items of property, plant and equipment have fair values that are not significantly different from their book values.

#### NOTE 16 - INCOME AND DEFERRED TAXES

Law 20,780 was published in the Official Gazette on September 29, 2014 amending the Chilean tax regime. Subsequently, Law 20,899 was enacted on February 1, 2016, which amended it, by simplifying it and clarifying some aspects. The essential changes to the income tax regimes were that corporations must adopt the "partially integrated system". The former Law gave them the option to alternatively adopt the "attributed income system", but this option was withdrawn by the latter Law.

The Law establishes a progressive increase in corporate income tax rates under the "Partially Integrated System". The tax rate was increased from 20% to 21% for 2014, to 22.5% for 2015, to 24% for 2016, to 25.5% for 2017 and to 27% for 2018.

Deferred tax assets and liabilities are as follows.

	12/31/2017		12/31/2016	
	Deferred tax assets ThUS\$	Deferred tax liabilities ThUS\$	Deferred tax assets ThUS\$	Deferred tax liabilities ThUS\$
Tax losses	1,178	-	8,569	-
Inventory provisions	388	-	552	-
Staff vacation provisions	275	-	207	-
Staff severance indemnity provision	42	-	37	-
Doubtful debt provisions	30	-	4	-
Other provisions	362	-	139	-
Prepaid income	1,017	-	-	-
Property, plant and equipment	-	(117)	-	(571)
Manufacturing expenses	-	(8,985)	-	(3,671)
Concessions	-	(765)	-	-
Income from compensation claims	-	(55)	-	(4,589)
Biological assets	-	(6,194)	-	(4,498)
Capitalized prepaid costs	-	-	-	(71)
<b>Total</b>	<b>3,292</b>	<b>(16,116)</b>	<b>9,508</b>	<b>(13,400)</b>
<b>Net Total</b>		<b>(12,824)</b>		<b>(3,892)</b>

Income taxes are as follows.

	12/31/2017 ThUS\$	12/31/2016 ThUS\$
Current tax expense	(1,829)	(9)
Tax expense adjustment (prior period)	88	(39)
Deferred tax expense for the period	(9,478)	(8,261)
<b>Total</b>	<b>(11,219)</b>	<b>(8,309)</b>

Reconciliation of tax expense using statutory rate to tax expense using effective rate.

	12/31/2017 ThUS\$	12/31/2016 ThUS\$
Income tax expense using the statutory rate	(11,007)	(7,982)
Tax on salaries and wages	(34)	(9)
Tax effect of non-taxable revenue	195	31
Tax effect of non-deductible expenses	88	(38)
Tax effect on changes in rates for deferred taxes	(461)	(311)
<b>Total</b>	<b>(11,219)</b>	<b>(8,309)</b>

The composition of the line of liabilities for current taxes is as follows:

	12/31/2017 ThUS\$	12/31/2016 ThUS\$
Income tax	1,829	9
<b>Total</b>	<b>1,829</b>	<b>9</b>

#### NOTE 17 - OTHER CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

Other financial liabilities are as follows.

Current:

	12/31/2017 ThUS\$	12/31/2016 ThUS\$
Interest-bearing loans	439	10,554
<b>Total current</b>	<b>439</b>	<b>10,554</b>

Non-current:

	12/31/2017 ThUS\$	12/31/2016 ThUS\$
Interest-bearing loans	100,000	99,917
<b>Total non-current</b>	<b>100,000</b>	<b>99,917</b>

On September 27, 2017 Compañía Pesquera Camanchaca and its subsidiary Salmones Camanchaca S.A. signed a debt rescheduling, financing commitment and joint and several guarantee contract with DNB Bank ASA, Cooperative Rabobank U.A. and Banco Santander Chile S.A., as legalized in a public deed. It rescheduled these companies' liabilities amounting to ThUS\$ 165,000. The rescheduling covers three financing tranches.

- Tranche A conditions
  - Borrower: Compañía Pesquera Camanchaca S.A.
  - Amount: US\$ 25 million
  - Maturity: November 2019.
  - Repayments: four equal installments from May 27, 2018 to November 27, 2019, unless the IPO for Salmones Camanchaca S.A. is approved, in which case the loan will be fully repaid from these funds.
  - Rate: Applicable Margin + Libor for the defined period

- Tranche B conditions
  - Borrower: Compañía Pesquera Camanchaca S.A.
  - Amount: US\$ 40 million
  - Maturity: November 2022.
  - Minimum six-monthly repayments: six equal installments from May 27, 2020 to November 27, 2022.
  - Rate: Applicable Margin + Libor for the defined period
- Tranche C conditions
  - Borrower: Salmones Camanchaca S.A.
  - Amount: US\$ 100 million
  - Maturity: November 2022.
  - Repayments: two equal installments of 10% of the debt on May 27, 2020 and on November 27, 2021, plus a final installment for the remaining 80% of the debt on November 27, 2022.
  - Rate: Applicable Margin + Libor for the defined period.

Salmones Camanchaca S.A. guaranteed the obligations of Compañía Pesquera Camanchaca S.A. under tranches A and B, unless the IPO takes place first, in which case this guarantee would cease. Camanchaca guaranteed the obligations of the subsidiary, unless the IPO takes place first, in which case this guarantee would cease. In February 2<sup>nd</sup>, 2018 the Salmones Camanchaca's IPO occurred and the cross guarantees ceased.

The costs of tranches A, B and C are represented by a margin over LIBOR, which depends on the extent of borrowing measured every six months as the ratio between the previous twelve months EBITDA and net borrowing. It will fluctuate between 2.25% and 3.25% if the IPO takes place, and increase by 0.25% if it doesn't.

The guarantees associated with these tranches consist of pledged shares owned by the parent company in its subsidiaries Camanchaca Pesca Sur S.A., Camanchaca Cultivos Sur S.A. and its subsidiary's shares that are not part of the IPO. It also guarantees the most representative and significant assets of the respective borrowers.

The loan has the following financial covenants:

- a) Net Debt to EBITDA ratio that should not exceed 4 times, defined as the ratio between Net Financial Debt and Ebitda of 12 mobile months and
- b) Equity ratio that must be at least 40%, defined as the ratio between the Total Equity to the Total Assets. Before the IPO, they it will be measured on the consolidated figures of the parent company and after that they are considered according to the consolidated figures of Salmones Camanchaca S.A.

### Interest-bearing loans

Obligations that mature in under 12 months

	12/31/2017 ThUS\$	12/31/2016 ThUS\$
Banco de Chile	-	2,013
Banco Santander	-	827
Banco Crédito e Inversiones	-	2,890
Banco Estado	-	1,759
Rabobank	-	1,593
Banco Security	-	1,236
Interest payable	439	236
<b>Total</b>	<b>439</b>	<b>10,554</b>

Obligations that mature in over 12 months

	12/31/2017 ThUS\$	12/31/2016 ThUS\$
Banco de Chile	-	19,437
DNB Bank ASA	34,000	-
Rabobank Cooperate U.A.	46,000	-
Banco Santander	20,000	8,024
Banco Crédito e Inversiones	-	27,944
Banco Estado	-	17,067
Rabobank	-	15,452
Banco Security	-	11,993
<b>Total</b>	<b>100,000</b>	<b>99,917</b>

The Company's loans are as follows.

a) As of December 31, 2017

Debtor ID Number	Debtor	Country	Creditor ID Number	Creditor	Country	Currency	Repayments	Nominal rate	Effective rate	Guarantees	Current		Non-Current				
											Maturity		Total current	Maturity			Total non-current
											Under 90 days	90 days to 1 year		1 to 3 years	3 to 5 years	Over 5 years	
76-065.596-1	Salmones Camanchaca S.A.	Chile	0-E	DNB Bank ASA	Países Bajos	US\$	Semestral y al vencimiento	4,65	4,65	% de activos	-	149	149	4.600	29.400	-	34.000
76.065.596-1	Salmones Camanchaca S.A.	Chile	97.036.000-k	Banco Santander	Chile	US\$	Semestral y al vencimiento	4,65	4,65	% de activos	-	88	88	2.000	18.000	-	20.000
76-065.596-1	Salmones Camanchaca S.A.	Chile	0-E	Rabobank Cooperate U.A.	Países Bajos	US\$	Semestral y al vencimiento	4,65	4,65	% de activos	-	202	202	3.400	42.600	-	46.000
											-	439	439	10.000	90.000	-	100.000

b) As of December 31, 2016

Debtor ID Number	Debtor	Country	Creditor ID Number	Creditor	Country	Currency	Repayments	Nominal rate	Effective rate	Guarantees	Current		Non-Current				
											Maturity		Total current	Maturity			Total non-current
											Under 90 days	90 days to 1 year		1 to 3 years	3 to 5 years	Over 5 years	
76-065.596-1	Salmones Camanchaca S.A.	Chile	97.004.000-5	Banco de Chile	Chile	US\$	Semestral y al vencimiento	2,80	2,80	% de activos	-	2.028	2.028	19.436	-	-	19.436
76.065.596-1	Salmones Camanchaca S.A.	Chile	97.006.000-6	Banco Crédito Inversiones	Chile	US\$	Semestral y al vencimiento	2,76	2,76	% de activos	-	2.930	2.930	27.944	-	-	27.944
76-065.596-1	Salmones Camanchaca S.A.	Chile	97.030.000-7	Banco Estado	Chile	US\$	Semestral y al vencimiento	2,79	2,79	% de activos	-	1.812	1.812	17.068	-	-	17.068
76.065.596-1	Salmones Camanchaca S.A.	Chile	97.036.000-k	Banco Santander	Chile	US\$	Semestral y al vencimiento	2,60	2,60	% de activos	-	850	850	8.024	-	-	8.024
76-065.596-1	Salmones Camanchaca S.A.	Chile	97.949.000-3	Rabobank	Chile	US\$	Semestral y al vencimiento	3,76	3,76	% de activos	-	1.657	1.657	15.452	-	-	15.452
76.065.596-1	Salmones Camanchaca S.A.	Chile	97.053.000-2	Banco Security	Chile	US\$	Semestral y al vencimiento	3,02	3,02	% de activos	-	1.277	1.277	11.993	-	-	11.993
											-	10.554	10.554	99.917	-	-	99.917

## Reconciliation of financial obligations for the statement of cash flows:

a) As of December 31, 2017

Other financial liabilities	Balance as of December 31, 2016 ThUS\$	Cash Flows			Accrual ThUS\$	Other ThUS\$	Balance as of December 31, 2017 ThUS\$
		Payments		Acquisitions ThUS\$			
		Capital ThUS\$	Interest ThUS\$				
<b>Current</b>							
Bank loans	10,554	(10,407)	(3,683)	-	4,058	(83)	439
<b>Total other financial liabilities, current</b>	<b>10,554</b>	<b>(10,407)</b>	<b>(3,683)</b>	-	<b>4,058</b>	<b>(83)</b>	<b>439</b>
<b>Non-Current</b>							
Bank loans	99,917	-	-	-	-	83	100,000
<b>Total other financial liabilities, non-current</b>	<b>99,917</b>	-	-	-	-	<b>83</b>	<b>100,000</b>
<b>Total other financial liabilities</b>	<b>110,471</b>	<b>(10,407)</b>	<b>(3,683)</b>	-	<b>4,058</b>	-	<b>100,439</b>

b) As of December 31, 2016

Other financial liabilities	Balance as of December 31, 2015 ThUS\$	Cash Flows			Accrual ThUS\$	Other ThUS\$	Balance as of December 31, 2016 ThUS\$
		Payments		Acquisitions ThUS\$			
		Capital ThUS\$	Interest ThUS\$				
<b>Current</b>							
Bank loans	10,815	(10,619)	(3,367)	-	3,497	10,228	10,554
<b>Total other financial liabilities, current</b>	<b>10,815</b>	<b>(10,619)</b>	<b>(3,367)</b>	-	<b>3,497</b>	<b>10,228</b>	<b>10,554</b>
<b>Non-Current</b>							
Bank loans	110,145	-	-	-	-	(10,228)	99,917
<b>Total other financial liabilities, non-current</b>	<b>110,145</b>	-	-	-	-	<b>(10,228)</b>	<b>99,917</b>
<b>Total other financial liabilities</b>	<b>120,960</b>	<b>(10,619)</b>	<b>(3,367)</b>	-	<b>3,497</b>	-	<b>110,471</b>

## NOTE 18 - TRADE AND OTHER PAYABLES

Trade and other payables are as follows:

	12/31/2017 ThUS\$	12/31/2016 ThUS\$
Trade payables	49,220	21,977
Notes payable	16,402	5,283
Retentions	1,361	568
Dividends payable	3,354	-
Other	1,392	312
<b>Total</b>	<b>71,729</b>	<b>28,140</b>

Trade payables as of December 31, 2017 by suppliers are as follows.

- Suppliers with payments not overdue

Supplier	Amount by payment terms						Total ThUS\$	Average Payment Period (days)
	Under 30 days	31-60	61-90	91-120	121-365	Over 365		
Products	11,456	8,236	7,720	6,425	-	-	33,837	59
Services	12,608	1,878	6	6	201	-	14,699	43
<b>Total</b>	<b>24,064</b>	<b>10,114</b>	<b>7,726</b>	<b>6,431</b>	<b>201</b>	<b>-</b>	<b>48,536</b>	

- Suppliers with payments overdue

Supplier	Amount by overdue range in days						Total ThUS\$
	Under 30 days	31-60	61-90	91-120	121-180	Over 180	
Products	160	-	-	-	-	131	291
Services	243	53	39	12	10	36	393
<b>Total</b>	<b>403</b>	<b>53</b>	<b>39</b>	<b>12</b>	<b>10</b>	<b>167</b>	<b>684</b>

Trade payables as of December 31, 2016 by suppliers are as follows.

- Suppliers with payments not overdue

Supplier	Amount by payment terms						Total ThUS\$	Average payment period (days)
	Under 30 days	31-60	61-90	91-120	121-365	Over 365		
Products	1,334	3,623	3,383	4,719	754	-	13,813	57
Services	2,494	4,507	-	-	-	-	7,001	42
<b>Total</b>	<b>3,828</b>	<b>8,130</b>	<b>3,383</b>	<b>4,719</b>	<b>754</b>	<b>-</b>	<b>20,814</b>	

- Suppliers with payments overdue

Supplier	Amount by overdue range in days						Total ThUS\$
	Under 30 days	31-60	61-90	91-120	121-180	Over 180	
Products	312	14	1	26	1	391	745
Services	116	35	63	147	9	48	418
<b>Total</b>	<b>428</b>	<b>49</b>	<b>64</b>	<b>173</b>	<b>10</b>	<b>439</b>	<b>1,163</b>

The Company has no confirming transactions.

## NOTE 19 - EMPLOYEE BENEFIT PROVISIONS

The current portion of these provisions cover staff vacations as follows:

	Current	
	12/31/2017 ThUS\$	12/31/2016 ThUS\$
Opening balance	681	892
Increase (decrease)	339	(211)
<b>Closing balance</b>	<b>1,020</b>	<b>681</b>

The non-current portion of these provisions cover staff severance indemnities as follows:

	Non-Current	
	12/31/2017 ThUS\$	12/31/2016 ThUS\$
Opening balance	136	125
Payments	-	(46)
Increases	21	57
<b>Closing balance</b>	<b>157</b>	<b>136</b>

## NOTE 20 – EQUITY

### a) Capital

The Company's share capital is as follows.

Series	12/31/2017 Subscribed capital ThUS\$	12/31/2016 Paid capital ThUS\$
Single	73,422	34,843
<b>Total</b>	<b>73,422</b>	<b>34,843</b>

Common Shares	Total number of shares	
Balance as of December 31, 2017 and 2016	56,818,008	206,061

### b) Dividend policy

The Company has defined the following dividend policy, in accordance with its by-laws.

Financial statements shall be prepared as of December thirty-one each year.

Net income for the year will be distributed as follows.

- No less than thirty percent to be distributed as a dividend in cash to shareholders, in proportion to their shares.
- The balance to be used to form reserves, as agreed by an Annual General Shareholders' Meeting.
- Dividend provision

The Company has declared a final dividend of US\$ 3,354 for the year ended December 31, 2017, which will be approved by the Company's Annual General Shareholders Meeting.

d) Other reserves

Other reserves are as follows.

	12/31/2017 ThUS\$	12/31/2016 ThUS\$
Conversion effects in other companies reserves	90	75
Corporate reorganization reserves (*)	23,471	-
<b>Total</b>	<b>23,561</b>	<b>75</b>

(\*) Under this concept, the difference between the book value and the contribution value, assigned to the capital increase, of the shares of Fiordo Blanco S.A. and Surproceso S.A., considering that this transaction was made between companies under common control.

e) Retained earnings are as follows.

	12/31/2017 ThUS\$	12/31/2016 ThUS\$
Opening balance	(16,672)	(43,838)
Dividends	(3,354)	-
Net income for the year	31,721	27,166
<b>Closing balance</b>	<b>11,695</b>	<b>(16,672)</b>

**NOTE 21 - EARNINGS PER SHARE**

Earnings per share are as follows.

Detail	12/31/2017 ThUS\$	12/31/2016 ThUS\$
Net income (loss) for the year (ThUS\$)	31,721	27,166
Weighted average number of shares	56,818,008	206,061
Basic earnings per share (US\$/share)	0.5583	131.8348

Basic earnings per share takes the net income for the period and divides it by the number of single series shares.

The Company has not issued convertible debt or other equity securities. Consequently, there are no potentially diluting effects on earnings per share.

**NOTE 22 - OPERATING REVENUE**

Operating revenue is as follows.

	For the years ended December 31,	
	2017 ThUS\$	2016 ThUS\$
Fresh salmon sales	80,681	90,926
Frozen salmon sales	110,648	125,253
Services	5,072	5,230
Caleta bay	6,115	3,296
Other products	554	841
<b>Total</b>	<b>203,070</b>	<b>225,546</b>

**NOTE 23 - ADMINISTRATIVE EXPENSES**

Administrative expenses are as follows.

	For the years ended December 31,	
	2017 ThUS\$	2016 ThUS\$
Corporate support services	4,515	3,960
Remuneration	3,328	2,484
Communications	480	220
Leases	519	567
Depreciation	181	172
Audit and consultancy	388	507
Travel and travelling allowances	197	198
Legal expenses	100	153
Overhead expenses	413	500
Other administrative expenses	629	446
<b>Total</b>	<b>10,750</b>	<b>9,207</b>

**NOTE 24 - DISTRIBUTION COSTS**

Distribution costs are as follows.

	For the years ended December 31,	
	2017 ThUS\$	2016 ThUS\$
Distribution services	662	648
Remuneration	959	926
Storage costs	840	1,281
Fees	826	1,107
Haulage costs	751	864
Maritime freight	274	756
Shipment costs	289	387
Travel and Traveling allowances	30	68
Samples and analysis	56	94
Export certificates	81	104
Other expenses	899	502
<b>Total</b>	<b>5,667</b>	<b>6,737</b>

## NOTE 25 - FINANCIAL COSTS

Finance costs are as follows.

	For the years ended December 31,	
	2017 ThUS\$	2016 ThUS\$
Financial interest	3,489	3,103
Commercial current account interest	241	304
Financial commissions	308	90
Other expenses	198	99
<b>Total</b>	<b>4,236</b>	<b>3,596</b>

## NOTE 26 – EXCHANGE DIFFERENCES

Exchange differences are as follows.

Item	Currency	12/31/2017 ThUS\$	12/31/2016 ThUS\$
<b>Assets (charge) / credit</b>			
Banks	CLP	(604)	(291)
Banks	EUR	28	13
Domestic customers	CLP	77	33
Foreign customers	YEN	52	-
Foreign customers	EUR	44	103
Foreign customers	GBP	-	8
Miscellaneous receivables	CLP	56	102
Miscellaneous receivables	UF	3	304
Commercial current accounts with related companies	CLP	326	(620)
Commercial current accounts with related companies	EUR	-	33
Commercial current accounts with related companies	UF	-	(2)
Recoverable taxes	CLP	551	356
Prepaid expenses	CLP	6	23
<b>Total</b>		<b>539</b>	<b>62</b>
<b>Liabilities (charge) / credit</b>			
Trade payables	CLP	(884)	(562)
Notes payable	CLP	11	(2)
Notes payable	EUR	(27)	30
Provisions and withholdings	CLP	(94)	69
Provisions and withholdings	UF	-	(6)
<b>Total</b>		<b>(994)</b>	<b>(471)</b>

Gain (loss) on foreign currency conversion	(455)	(409)
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**NOTE 27 - OTHER INCOME (LOSSES)**

Other income for the period is as follows.

	For the years ended December 31,	
	2017 ThUS\$	2016 ThUS\$
Net gain on selling assets	16	89
Gain (loss) on insurance claims	(328)	(9,308)
Costs of disposing of property, plant and equipment	(947)	(964)
Other	1,199	129
<b>Total</b>	<b>(60)</b>	<b>(10,054)</b>

The loss on insurance claims in 2016 mainly arose from: The estimated loss as of December 31, 2016 not covered by insurance of US\$ 5.8 million associated with the Harmful Algal Blooms, partially offset by a gain of US\$ 1.6 million on the balance of the insurance claim associated with the eruption of Volcano Calbuco in 2015.

**NOTE 28 - ASSETS AND LIABILITIES IN FOREIGN CURRENCIES**

Assets and liabilities in foreign currencies are as follows:

Item	Currency	12/31/2017 ThUS\$	12/31/2016 ThUS\$
<b>Current assets</b>			
Cash and cash equivalents	USD	531	852
Cash and cash equivalents	CLP	(121)	626
Cash and cash equivalents	EUR	436	164
Other financial assets, current	CLP	31	2
Other non-financial assets, current	USD	7,041	4,868
Trade and other receivables, current	USD	21,297	23,949
Trade and other receivables, current	CLP	4,259	3,172
Trade and other receivables, current	EUR	2,429	482
Trade and other receivables, current	GBP	211	-
Trade and other receivables, current	UF	-	81
Related company receivables, current	USD	25,076	15,331
Related company receivables, current	CLP	509	216
Inventories	USD	38,170	23,344
Biological assets, current	USD	97,522	60,977
Tax assets, current	CLP	1,584	1,857
<b>Total</b>		<b>198,975</b>	<b>135,921</b>

Item	Currency	12/31/2017 ThUS\$	12/31/2016 ThUS\$
<b>Non-current assets</b>			
Other financial assets, non-current	USD	27	27
Other non-financial assets	CLP	260	112
Rights receivable, non-current	USD	5,520	3,995
Equity method investments	USD	5,565	412
Intangible assets other than goodwill	USD	7,083	4,216
Property, plant and equipment	USD	73,646	69,005
Biological assets, non-current	USD	14,472	17,199
Deferred tax assets	USD	456	0
<b>Total</b>		<b>107,029</b>	<b>94,966</b>

Item	Currency	12/31/2017 ThUS\$	12/31/2016 ThUS\$
<b>Current liabilities</b>			
Other financial liabilities, current	USD	439	10,554
Trade and other payables, current	USD	43,803	14,843
Trade and other payables, current	CLP	28,250	12,573
Trade and other payables, current	UF	412	143
Trade and other payables, current	EUR	(738)	581
Trade and other payables, current	DKK	(10)	0
Trade and other payables, current	GBP	12	0
Related party payables, current	USD	2,393	31,975
Related party payables, current	CLP	1,805	837
Tax liabilities, current	CLP	1,829	9
Employee benefits provision	CLP	1,020	681
<b>Total</b>		<b>79,215</b>	<b>72,196</b>

Item	Currency	12/31/2017 ThUS\$	12/31/2016 ThUS\$
<b>Non-current liabilities</b>			
Other financial liabilities, non-current	USD	100,000	99,917
Trade and other payables, current	CLP	102	128
Related party payables, current	USD	9,703	35,392
Related party payables, current	CLP	(6,213)	20
Related party payables, current	EUR	1,082	960
Deferred tax liabilities	USD	13,280	3,892
Employee benefit provisions, non-current	CLP	157	136
<b>Total</b>		<b>118,111</b>	<b>140,445</b>

## NOTE 29 - GUARANTEES AND CONTINGENCIES

### a) Bank loan conditions

The parent company and its subsidiary Salmones Camanchaca S.A. on November 27, 2017, under the cover of the Reprogramming and Financing Commitment and joint and several guarantee Contract, with DNB Bank ASA, has constituted guarantees and cross-guarantees, with the following details:

- i. Mortgages on plots of land, including everything built on them. The parent company and other subsidiaries of it correspond to 3 properties in Caldera, 9 in Tomé, 3 in Coronel and 1 in Chonchi. Salmones Camanchaca direct correspond to 4 in Tomé, 1 Puerto Varas and 1 in Calbuco.
- ii. Naval mortgages on fishing vessels. and naval artifacts from the parent company and other subsidiaries and 5 direct from Salmons Camanchaca S.A.
- iii. Pledge
  - a. Non-possessory pledges: Indirect over the fishmeal plant in Iquique and process plant of mussels in Chiloé and Direct on the salmon processing plant in Tome, Calbuco, fish-farm in Petrohue and mussel processing plant in Chiloé.
  - b. Compañía Pesquera Camanchaca S.A. has a pledge over all the shares of Salmones Camanchaca S.A., as owner of most of them, together with Inmobiliaria Camanchaca S.A. who owns one share.
  - c. Compañía Pesquera Camanchaca S.A. as owner of share of Camanchaca Pesca Sur S.A., together with Camanchaca SPA. owner of 100 shares, which account for 70% of the total shares of said company.
  - d. Pesquera Company Camanchaca S.A. as holder of 258,670 shares of Camanchaca Cultivos Sur S.A., together with Inmobiliaria Camanchaca S.A., owner of 19,318 shares.
  - e. Non-possessory pledges on tradable fishing licenses class A, of Compañía Pesquera Camanchaca S.A. and its subsidiary Camanchaca Pesca Sur.
  - f. Salmones Camanchaca S.A. and Subsidiaries delivered in mortgage in favor of the Banks, all the aquaculture concessions of its own related to the salmon and trout species.

### b) Direct guarantees

Guarantee creditor	Debtor		Assets involved Guarantee	Property	Book value ThUS\$
	Name	Relationship			
Banco Chile	Salmones Camanchaca S.A.	Commercial	Property mortgage	Tome real estate	4,659
Banco Chile	Salmones Camanchaca S.A.	Commercial	Property mortgage	Puerto Varas real estate	2,215
Banco Chile	Salmones Camanchaca S.A.	Commercial	Property mortgage	Calbuco real estate	214
Banco Chile	Salmones Camanchaca S.A.	Commercial	Property mortgage	Salmon vessels	1,665
Banco Chile	Salmones Camanchaca S.A.	Commercial	Pledge	Machinery and equipment	10,737
Banco Chile	Salmones Camanchaca S.A.	Commercial	Pledge	Buildings and construction	13,511

### c) Indirect guarantees

Guarantee creditor	Debtor		Assets involved Guarantee	Property	Book value ThUS\$
	Name	Relationship			
Banco Chile	Camanchaca S.A.	Commercial	Property mortgage	Iquique real estate	1,640
Banco Chile	Camanchaca S.A.	Commercial	Property mortgage	Caldera real estate	6,864
Banco Chile	Camanchaca S.A.	Commercial	Property mortgage	Tome real estate	1,412
Banco Chile	Camanchaca S.A.	Commercial	Property mortgage	Vessels in Iquique	12,856
Banco Chile	Camanchaca S.A.	Commercial	Pledge	Machinery and equipment	11,335
Banco Chile	Camanchaca Pesca Sur S.A.	Commercial	Property mortgage	Coronel real estate	11,514
Banco Chile	Camanchaca Pesca Sur S.A.	Commercial	Property mortgage	Tome real estate	1,966
Banco Chile	Camanchaca Pesca Sur S.A.	Commercial	Property mortgage	Vessels in Coronel	19,334
Banco Chile	Camanchaca Pesca Sur S.A.	Commercial	Property mortgage	Maritime artifacts in Coronel	914
Banco Chile	Camanchaca Cultivos Sur S.A.	Commercial	Property mortgage	Chonchi/Chiloé real estate	6,916
Banco Chile	Camanchaca Cultivos Sur S.A.	Commercial	Pledge	Machinery and Equipment	3,376

In respect to the warranties indicated above and that affect the assets of Camanchaca Pesca Sur SA, in accordance with the provisions of the reprogramming contract, the administrative procedure of inscription in the competent records of those contracts originating jointly with that entity has been completed, all guarantees will be lifted, which will be formalized in the first four months of 2018.

In the event of a public offering of shares of Salmones Camanchaca S.A. , the cross-guarantees between the parent company and Salmones Camanchaca S.A. will be raised. On February 2, the aforementioned public offer was made and are in the process of formalization.

#### d) Contingencies

The Company regularly evaluates the likelihood of loss on its litigation and contingencies, in accordance with estimates provided by its legal advisers. Detailed information relating to these processes is available, provided it does not compromise the Company's defense. Salmones Camanchaca S.A. has litigation or administrative proceedings before the Courts of Justice or administrative bodies at the reporting date. Therefore, it had created the following provisions as of December 31, 2017.

Proceedings	Number of cases	Accounting provision ThUS\$
Civil	7	59
Administrative	2	5
<b>Total</b>	<b>9</b>	<b>64</b>

#### NOTE 30 - SANCTIONS

The Company, its Directors and Managers have not been subject to sanctions of any kind by the Financial Market Commission or other administrative authorities as of the date these financial statements were issued.

#### NOTE 31 – ENVIRONMENT

Salmones Camanchaca S.A. continuously renews its commitment to the environment, by implementing new processes and technologies at its production plants. This has enabled it to achieve a sustainable business, and to further cultivate species in an efficient manner, while minimizing its impact on the environment.

The Company invested in the following projects associated with environmental mitigation during the period January 1 to December 31, 2017.

Project	12/31/2017 Investment ThUS\$
Waste management	554
Environmental services	133
<b>Total</b>	<b>687</b>

The Company invested in the following projects associated with environmental mitigation during the period January 1 to December 31, 2016.

Project	12/31/2016 Investment ThUS\$
Waste management	308
Environmental services	310
<b>Total</b>	<b>618</b>

The Company is committed to complying with all environmental regulations. In particular it will continue to actively participate in discussions regarding projects that involve amendments and improvements to environmental and health regulations, to ensure that these can be implemented from a technical, financial, social and environmental perspective. It is dedicated to supporting the best proposal for the environment and developing the industry.

### NOTE 32 - SUBSEQUENT EVENTS

On February 2, 2018, 19,800,000 Company shares were placed through the Santiago Stock Exchange, using a mechanism known as an order book auction. These represent 9,181,992 first issue shares and 10,618,008 second issue shares, at a price of Ch\$ 3,268 per share.

The placing agent was Larraín Vial S.A. Corredora de Bolsa and the global coordinator was DNB Markets, a division of DNB Bank ASA.

Important placement points.

Orders: Primary and secondary  
Code: SALMOCAM  
Quantity: Up to 21,780,000 shares

Share allocation:

The placement agent reported that the Issuer decided to waive the minimum price established in the secret terms and conditions, and place the SALMOCAM shares at a price of Ch\$ 3,268 each.

a) Award price: Ch\$ 3,268 per share

b) Shares awarded: 19,800,000 shares

- NDR (Norwegian Depository Receipts) segment: 16,500,000 shares (83.33%).
- Transferable Funds, Small Cap and Insurance Companies segment: 2,474,999 shares (12.50%).
- Significant Non-Institutional Amount segment: 324,715 shares (1.64%).
- Other Local, Mutual Fund and Foreign Institutions segment: 320,096 shares (1.62%).
- Retail segment: 130,692 shares (0.66%).
- Organizations related to Salmenes Camanchaca segment: 49,498 shares (0.25%).

The placement affected the loan tranches as described in Note 17 (Other current and non-current financial liabilities). Therefore, the parent company had to repay tranche A, the subsidiary ceased to guarantee the parent company's obligations and the parent company also ceased to guarantee the subsidiary's obligations.

On March 15, 2018, Salmenes Camanchaca S.A. will voluntarily repay ThUS\$ 20,000 of tranche C.

Between the reporting date and the date these financial statements were issued, Management was not aware of any other subsequent events that could significantly impact their interpretation.

### NOTE 33 - OTHER INFORMATION

The number of employees by category at the reporting date is as follows.

Laborers	Professionals and Technicians	Senior Executives	Total 12/31/2017
1,299	275	14	<b>1,588</b>

Laborers	Professionals and Technicians	Senior Executives	Total 12/31/2016
959	270	15	<b>1,244</b>

### **NOTE 34 - BIOLOGICAL ASSETS BASED ON BIOMASS VALUATIONS ACCORDING TO NORWEGIAN REGULATIONS**

The Company began trading securities that represent the Company's shares on the Oslo Stock Exchange during 2018. This situation required a study that compared the fair valuation model for biological assets used in Chile, with the industry model used in Norway. The purpose being to prepare and provide public financial information in Norway that is comparable with the information provided by companies that trade their shares on the Oslo Stock Exchange.

The Norwegian Financial Supervisory Authority has carried out research to assess the comparability of models used to measure biomass fair value for biological assets in the salmon industry. Since 2015 it has encouraged the industry to develop a common valuation model, in order to increase the comparability of financial information prepared by companies in this industry. The Financial Supervision Authority has encouraged the industry to change to a cash flow model (net present value model) to calculate the fair value of biological assets. Therefore, companies in the salmon industry evaluated this proposal in autumn 2016, and agreed to migrate to the proposed model. By the end of 2016 they had agreed the principal elements of the new valuation model.

The Company has developed a valuation model that incorporates the recommendations issued by the Norwegian Financial Supervisory Authority, in order to comply with its proposed guidelines.

The valuation model contains the following points.

- a) Biological assets are governed by IAS 41 "Agriculture". The principal standard is that biological assets should be measured at fair value less selling costs, unless fair value cannot be measured reliably. Fair value measurement is determined by IFRS 13. "Fair value" refers to the price that would have been achieved by selling the asset in an orderly transaction between market participants on the measurement date at prevailing market conditions.
- b) For eggs, fry and smolts, historical cost is considered a reasonable approach to estimating fair value, as there is little biological transformation at these stages (IAS 41.24). As smolts are transferred to the sea when their weight is still relatively low. Furthermore, this group represents a limited proportion of the Group's biological assets by both volume and value.
- c) Breeding stock are also valued at cost
- d) The net present value of cash flow model is used. In a hypothetical market with perfect competition, the maximum that a hypothetical live fish buyer would be willing to pay is the net present value of estimated future benefits from selling fish when it is ready to be harvested. The estimated future benefit is cash flow receipts, after taking into account all price adjustments and harvesting costs incurred at the end of the productive cycle.

In accordance to the principle of greater and better use, the Company believes that fish have an optimal harvesting weight when their live weight is equal to or greater than 4 kg. Fair value has been determined for all fish that have a weight equal to or greater than 1 Kg at the reporting date, in accordance with recommendations issued by the Financial Supervisory Authority to calculate the fair value of biological assets Fish that are under this weight are valued at historical cost. The same criteria is used for breeding stock. Fish valued at historical cost are subject to quarterly impairment testing.

Estimated cash flow receipts are based on the estimated biomass multiplied by the estimated price. The costs required to bring small fish to their harvest weight are estimated. Cash flow is discounted on a monthly basis using an estimated discount rate of 0.8% per month.

- e) The estimated biomass (volume) is based on the actual number of fish in the sea at the reporting date, adjusted to cover projected mortality through to harvest, multiplied by their estimated weight at harvest. The unit of measure is individual fish. The live weight of fish in the sea is converted to gutted weight, as this is the unit of measure used for sales prices.
- f) The price is based on future prices.
- g) The costs associated with abnormal mortality are recognized immediately in the statement of net income and are classified under "Other expenses by function". Normal mortality during the production process is treated as part of production costs. Whether mortality is considered normal or abnormal requires an evaluation using mortality criteria. The Group uses a common indicator and threshold for all cultivation units. If local mortality during one month due to a single event exceeds 2% of fish numbers at that locality, this is an indication of abnormal mortality. This is followed by a detailed evaluation to establish whether this was abnormal mortality. These mortality evaluations examine the cause and the size of the fish.
- h) Changes in the estimated fair value of biological assets, in accordance with IAS 41, are recognized in the statement of net income under "Gain (loss) on fair value of biological assets". It may potentially comprise two components; (1) Changes in the fair value of inventories of fish in the sea, (2) Estimated impairment of fish valued at cost at the end of the reporting period.
- i) Cash flow receipts are generated by product sales. The analysis is simplified by assigning all the remaining costs to the same period as revenue, to leave only one cash flow by locality. Cash receipts are assigned to the month when the harvest is expected to take place. All cash flows at all the the Group's marine fish farms will be distributed throughout the period it takes to grow fish at sea at the reporting date. Estimated future cash flows are discounted on a monthly basis.

Salmon farming is not a market with free competition and no entry barriers. Due to limited access to salmon farming concessions, these licenses currently have a very high value. If a hypothetical live fish buyer should wish to take control and continue farming fish, he would need a license, a site and other obligatory production permits. It must be assumed that this would be possible within a hypothetical market for buying and selling live fish. Such a mortgage buyer would claim a significant discount in order to assign an appropriate proportion of profitability to cover the cost of the buyer's own licenses or the rental cost of leased aquaculture concessions.

This model has the following effects on these financial statements for the year ended December 31, 2017.

- a) An increase in net income for the year of US\$ 9,589, net of deferred tax effects.
- b) An increase in "Gain (loss) on fair value of biological assets" within the statement of net income by function of ThUS\$ 13,135.
- c) An increase in biological assets within current assets of ThUS\$ 13,135, and an increase in deferred tax liabilities of ThUS\$ 3,546 and equity of ThUS\$ 9,589.

The consolidated statement of financial position and the consolidated statements of net income by function including these effects are as follows.

SALMONES CAMANCHACA S.A.  
CONSOLIDATED CLASSIFIED STATEMENTS OF FINANCIAL POSITION (AUDITED)

Assets	Note	December 31, 2017 ThUS\$	December 31, 2016 ThUS\$
<b>Current assets</b>			
Cash and cash equivalents	6	846	1,642
Other financial assets, current		31	2
Other non-financial assets, current	11	7,041	4,868
Trade and other receivables, current	13	28,196	27,684
Related party receivables, current	8	25,585	15,547
Inventories	9	38,170	23,344
Biological assets, current	10-34	110,657	60,977
Tax assets, current	13	1,584	1,857
<b>Total current assets</b>		<b>212,110</b>	<b>135,921</b>
<b>Non-current assets</b>			
Other financial assets, non-current		27	27
Other non-financial assets, non-current	11	260	112
Rights receivable, non-current	7	5,520	3,995
Equity method investments	12	5,565	412
Intangible assets other than goodwill	14	7,083	4,216
Property, plant and equipment	15	73,646	69,005
Biological assets, non-current	10-34	14,472	17,199
Long-term deferred taxes	16	456	-
<b>Total non-current assets</b>		<b>107,029</b>	<b>94,966</b>
<b>Total assets</b>		<b>319,139</b>	<b>230,887</b>

SALMONES CAMANCHACA S.A.  
CONSOLIDATED CLASSIFIED STATEMENTS OF FINANCIAL POSITION (AUDITED)

Liabilities	Note	December 31, 2017 ThUS\$	December 31, 2016 ThUS\$
<b>Current liabilities</b>			
Other financial liabilities, current	17	439	10,554
Trade and other payables, current	18	71,729	28,140
Related party payables, current	8	4,198	32,812
Tax liabilities, current	16	1,829	9
Employee benefit provisions, current		1,020	681
<b>Total current liabilities</b>		<b>79,215</b>	<b>72,196</b>
<b>Non-current liabilities</b>			
Other financial liabilities, non-current	17	100,000	99,917
Trade and other payables, non-current	18	102	128
Related party payables, non-current	8	4,572	36,372
Deferred tax liabilities	16	16,826	3,892
Employee benefit provisions, non-current	19	157	136
<b>Total non-current liabilities</b>		<b>121,657</b>	<b>140,445</b>
<b>Equity</b>			
Share capital	20	73,422	34,843
Share premium	20	-	-
Retained earnings (accumulated losses)	20	21,284	(16,672)
Other reserves	20	23,561	75
<b>Total equity</b>		<b>118,267</b>	<b>18,246</b>
<b>Total equity and liabilities</b>		<b>319,139</b>	<b>230,887</b>

SALMONES CAMANCHACA S.A.  
CONSOLIDATED CLASSIFIED STATEMENTS OF FINANCIAL POSITION (AUDITED)

STATEMENT OF NET INCOME BY FUNCTION	Note	For the years ended December 31,	
		2017 ThUS\$	2016 ThUS\$
Operating revenue	22	203,070	225,546
Cost of sales	9	(144,859)	(185,197)
<b>Gross profit before fair value</b>		<b>58,211</b>	<b>40,349</b>
Gain (loss) on fair value of biological assets	10	67,497	63,623
Fair value adjustment to biological assets harvested and sold	10	(49,061)	(38,694)
<b>Gross profit</b>		<b>76,647</b>	<b>65,278</b>
Administrative expenses	23	(10,750)	(9,207)
Distribution costs	24	(5,667)	(6,737)
Financial costs	25	(4,236)	(3,596)
Share of net income (losses) of equity method associates		541	127
Exchange differences	26	(455)	(409)
Other gains (losses)	27	(60)	(10,054)
Financial income		55	73
<b>Net income before tax</b>		<b>56,075</b>	<b>35,475</b>
Income tax (expense) income	16	(14,765)	(8,309)
<b>Net income from continuing operations</b>		<b>41,310</b>	<b>27,166</b>
Net income from discontinued operations			
<b>Net income for the year</b>		<b>41,310</b>	<b>27,166</b>
Net Income attributable to:			
Net income attributable to owners of the parent company		41,310	27,166
Net income attributable to non-controlling interests		-	-
<b>Net income for the year</b>		<b>41,310</b>	<b>27,166</b>
Earnings per share			
Basic earnings per share (US\$/share)		0.7271	131.8348
Earnings per share on discontinued operations (US\$/share)		0.0000	0.000
<b>Basic earnings per share</b>		<b>0.7271</b>	<b>131.8348</b>



**SALMONES CAMANCHACA S.A. AND SUBSIDIARIES**

**Earnings Report on the Consolidated Financial Statements**

For the fourth quarters and full years ended December 31, 2017 and 2016.

## EARNINGS REPORT

This document contains the Quarterly Earnings Report of the Consolidated Financial Statements of Salmenes Camanchaca S.A. as of December 31, 2017, compared to December 31, 2016, which covers the consolidated statements of financial position, cash flows and net income. The analysis covers the latest quarter of each year and the full year.

### 1. BUSINESS DIVISIONS

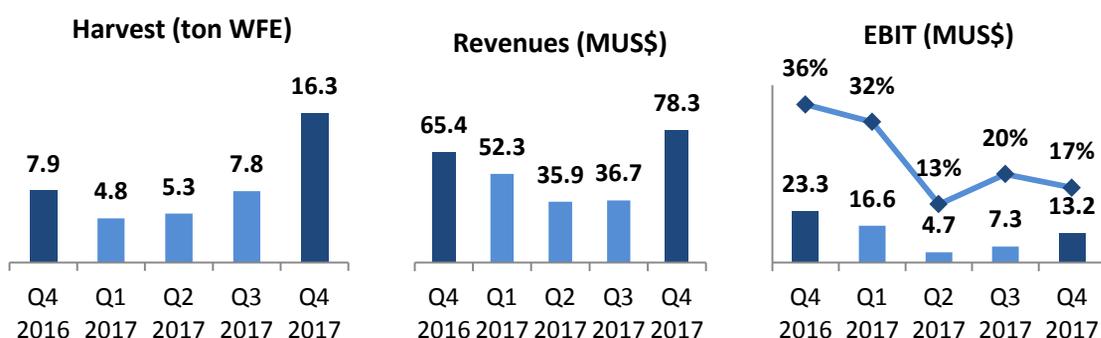
The business divisions covered in this report include all the company's salmon farming operations in the 8<sup>th</sup>, 10<sup>th</sup> and 11<sup>th</sup> regions; genetics and egg production; freshwater hatchery; 74 sea water grow-out sites in 14 neighborhoods; two primary processing plants in the 10<sup>th</sup> region; and a value-added processing and freezing plant in the 8<sup>th</sup> region. It also includes finished product marketing.

### 2. QUARTERLY AND ANNUAL KEY FIGURES

ThUS\$	Q4 2017	Q4 2016	Δ%	FY 2017	FY 2016	Δ%
Operating revenues	78,250	65,357	19.7%	203,070	225,546	-10.0%
Gross profit pre Fair Value	18,217	27,287	-33.2%	58,211	40,349	44.3%
EBITDA	15,795	25,829	-38.8%	52,474	34,862	50.5%
EBIT	13,196	23,286	-43.3%	41,794	24,405	71.3%
EBIT %	16.9%	35.6%	-52.7%	20.6%	10.8%	90.2%
Fair Value	-2,699	-10,700	-74.8%	5,301	24,929	-78.7%
Net profit	4,854	6,488	-25.2%	31,721	27,166	16.8%
Harvests (ton WFE)	16,284	7,859	107.2%	34,213	32,644	4.8%
Harvests (ton GWE)	14,656	7,073	107.2%	30,792	29,380	4.8%
Sales (ton WFE)	13,437	9,109	47.5%	30,049	38,494	-21.9%
Sales (ton GWE)	12,094	8,198	47.5%	27,044	34,645	-21.9%
Ex cage Cost (US\$/Kg live weight)	2.9	2.8	5.4%	3.0	3.3	-8.8%
Ex cage Cost (US\$/Kg WFE)	3.2	3.0	5.4%	3.2	3.6	-8.8%
Ex cage Cost (US\$/Kg GWE)	3.5	3.3	5.4%	3.6	4.0	-8.8%
Price (US\$/Kg WFE)*	5.7	6.8	-16.6%	6.3	5.6	11.3%
Price (US\$/Kg GWE)*	6.3	7.6	-16.6%	7.0	6.3	11.3%
EBIT/Kg WFE (US\$)**	0.99	2.28	-56.4%	1.19	0.55	116.5%
EBIT/Kg GWE (US\$)**	1.10	2.53	-56.4%	1.32	0.61	116.5%

\*Billing in US\$ divided by ton sold

\*\*Excludes the net profit/loss from the trout Joint Venture



### 3. MAIN COMMENTS TO THE QUARTERLY AND ANNUAL RESULTS

#### Fourth Quarter

The Company recorded a net profit of US\$ 4.9 million for the fourth quarter of 2017, which is 25.2% lower than the net profit of US\$ 6.5 million for the same period in 2016. EBITDA fell 38.8% from US\$ 25.8 million in the fourth quarter 2016 to US\$15.8 million in 2017. This reduction in quarterly performance was the result of two opposing factors:

- a) It was adversely affected by a substantial fall in prices in the fourth quarter compared to same quarter last year, which returned to their historical levels, combined with a slight increase in harvesting costs of 5%.
- b) It was favorably affected by 48% higher sales volumes from our own farms, as Q4 2016 was affected by the harmful algae bloom (HAB), which reduced harvests for that period by almost 12,000 tons.

Q4 2017 performance included the negative net effect of "fair value" (FV) adjustments of US\$ 2.7 million. This was US\$ 8 million higher than in Q4 2016, due to the reversal of estimated margins on fish sold in that period, but already recognized in previous periods. Gross profit before fair value adjustments was US\$ 18.2 million, which is comparable to the US\$ 27.3 million achieved in Q4 2016.

Operating revenue increased by 19.7%, reaching US\$ 78 million, due to the combination of 47.5% higher sales volumes from company-farmed salmon, offset by prices falling by 16.6%.

#### Full Year

The Company recorded a net profit of US\$ 31.7 million for the year ended December 31, 2017, an increase of 16.8%, which compares favorably with the net profit of US\$ 27.2 million for 2016. The EBITDA increase was even larger and rose from US\$ 34.9 million in 2016 to US\$ 52.5 million in 2017. This improvement was achieved within the context of oceanographic stabilization in 2017 following the acute effects of the El Niño phenomenon at the beginning of 2016.

Specifically, the most significant changes in these results were due to:

- a) The favorable combination of higher salmon prices, which rose by 11.3%, and lower harvesting costs, which fell by 8.6%.
- b) Offset by lower sales volumes of company-farmed salmon, which fell by 21.9% due to: i) the one-off decision to reduce smolt stocking at two farming sites in 2015, which resulted in reduced harvests in the first quarter of 2017, and ii) a drop in salmon harvests of 12,000 tons in 2016, due to the harmful algae bloom (HAB), which led to reduced inventory at the start of 2017.

This positive performance includes a net positive "fair value" (FV) adjustment of US\$ 5.3 million. However, this FV adjustment is US\$ 19.6 million lower than in 2016 due to a combination of: i) lower prices at the end of January 2018 compared to January 2017, reducing the fair value of biomass over 4 kg; ii) the reversal of estimated margins on fish sold in this period, but already recognized in previous periods. The gross profit before fair value adjustments for the year ended December 31, 2017 was US\$ 58.2 million, which compares favorably with the US\$ 40.3 million achieved last year.

Operating revenue fell by 10%, reaching US\$ 203 million, due to a reduction of 21.9% in the sales volumes of company-farmed salmon, offset by prices rising by 11.3%.

#### 4. FINANCIAL PERFORMANCE

Sales volume of company-farmed products for the year ended December 31, 2017 totaled 30,049 tons WFE, a fall of 21.9% over 2016. This was a consequence of smolt stocking decisions in 2015 to improve cash liquidity in 2016, and the effect of the HAB, which left the Company with reduced harvest at the end of 2016 and therefore low level of inventory as of January 2017, compared to January 2016. Therefore, Operating Revenue was US\$ 203 million, down 10% compared to 2016. The Company recorded a Net Profit of US\$ 31.7 million, 17% higher than in 2016, due to higher average prices and despite lower sales volumes in 2017, and a smaller FV adjustment of US\$ 5.3 million for the year, US\$ 19.6 million lower than as of December 31, 2016.

Additional Information:

- a. Sales volume of Company's products fell by 21.9% for the year ended December 31, 2017, to just over 30,000 tons WFE. This was mainly due to relatively high level of sales during 2016, which was possible as high level of inventories were left at the end of 2015. In the Q4 2015, the Company expected a recovery of prices during 2016 and left higher than normal inventories, all of which proved to be correct.
- b. The strategy of making better use of under-utilized assets by providing services to third parties, resulted in operating margins of US\$ 4.1 million as of December 31, 2017, a fall of 2.3% compared to the same period in 2016, mainly due to lower leasing/renting income. This income continued to fall as leased concessions returned to Company use, though offset by higher income from processing services.
- c. Salmenes Camanchaca had 8 leased farming concessions as of December 31, 2017, mainly in the Reloncavi Estuary as trout grow-out sites. Salmenes Camanchaca contributes with these leased concessions as a "Partnership Account Participation" or Joint Venture with third parties in the trout business. This business generated profits for Salmenes Camanchaca of US\$ 6.1 million during the year ended December 31, 2017, an increase of 86% over 2016.
- d. The net fair value adjustment of the salmon biomass as of December 31, 2017 was a gain of US\$ 5.3 million, compared to a gain of US\$ 24.9 million for the same period in 2016. This reduction reflects specific gross profits that had already been recognized in previous quarters on products that were still in inventory. These were reversed during this period when they were sold. The fair value adjustment of the salmon biomass was also affected by a fall in salmon prices from Q3 2017 to the close of Q4 2017.
- e. EBITDA before the salmon biomass fair value adjustment reflects the profit on fish harvested and sold, and this came to US\$ 52.5 million, which compares favorably with US\$ 34.9 million as of December 31, 2016. This improvement arose from improved average salmon prices during the year, which increased by US\$ 0.6 per kg WFE, or +11.3%, and reduced harvesting costs, both of which compensated for the lower sales volumes mentioned previously.
- f. The EBIT pre fair value as of December 31, 2017 was US\$ 41.8 million. Excluding the trout business that produced a profit of US\$ 6.1 million, the Atlantic salmon business achieved an EBIT of US\$ 1.19 per kg WFE as of December 31, 2017, which more than doubled the US\$ 0.55 achieved as of December 31, 2016.
- g. Administrative expenses as a percentage of operating revenue increased from 4.1% to 5.3%, while distribution costs (including sales expenses) fell from 3.0% to 2.8%. Therefore, the Company's combined administration and distribution costs rose from 7.1% of operating revenue to 8.1%. This was explained by the decrease in salmon revenues; falling exchange rates that affected administration expenses mostly in Chilean pesos; staff severance settlements; and the SAP implementation, which is now fully operational. Lower sales volumes explained the fall in distribution costs, combined with greater efficiencies in logistics.
- h. There were no extraordinary significant events in "Other income (losses)" in 2017, which compares favorably with 2016 when a net loss of US\$ 10.1 million was recognized, associated with the HAB caused by the El Niño phenomenon.
- i. The Company's finished product inventories valued at cost as of December 31, 2017 were US\$ 33.6 million, equivalent to slightly over 5,000 tons of finished product, which represented about 40% of the harvest during Q4 2017.
- j. The Company repaid approximately US\$ 10.4 million in capital to its creditor banks in May and November 2017, in accordance with the agreed schedule. Its bank debt as of December 31, 2017 was approximately US\$ 100 million. New refinancing took place at the end of November 2017, and rescheduled all the outstanding debt as of that date, which came from the refinancing of May 2013 with a residual term of 2 years. The new creditors are three financial institutions (DNB, Rabobank and Santander), a reduction of 4 banks from the previous financing (7). The Norwegian bank DNB was incorporated, who acted as structuring agent. This new funding has a 5 year term with 10% repayments at the end of year 3 and 4, and the remainder at maturity. These conditions provide the Company with greater operational and strategic flexibility.

- k. A corporate reorganization took place at Salmon Division of the Parent Company on September 14, 2017, aimed to transfer all its assets used in the salmon business (smolt stocking, harvesting, and processing) to Salmenes Camanchaca S.A. The share capital of Salmenes Camanchaca was increased, and settled when the Parent Company contributed with all the shares it directly held in Fiordo Blanco S.A. and Surproceso S.A. In addition, a Receivable held by the Parent Company on Salmenes Camanchaca was capitalized. This resulted in the number of shares increasing to 66 million, and share Capital becoming US\$ 91 million as of December 31, 2017.
- l. As of December 2017, the Company has paid 98.6% of suppliers on time, a proportion raised to 99.4% when payments that are less than 30 days overdue are included.

## 5. OPERATIONAL PERFORMANCE

### Key Business Drivers

Salmenes Camanchaca's performance is closely related to two key drivers:

- a. The price of Atlantic salmon, which is very sensitive to Norwegian and Chilean supply conditions, and the exchange rates of its main trading partners;
- b. Sanitary conditions for Atlantic salmon, which affects unit costs.

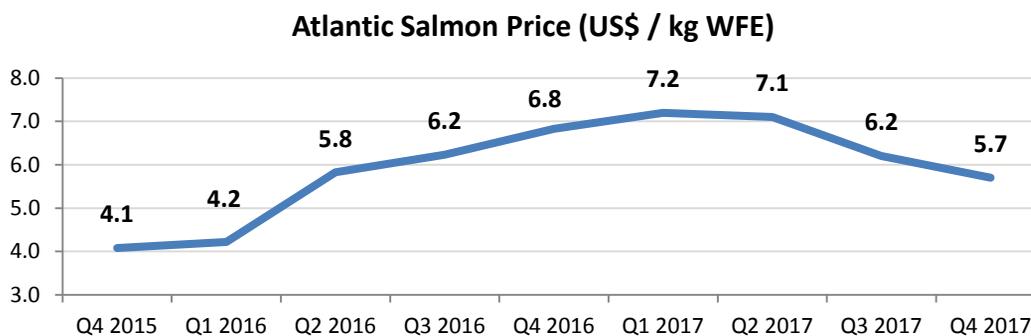
Recent changes in these critical variables are explained in the following sections: Revenue and prices; Productive performance.

### 5.1. Analysis of revenue and price

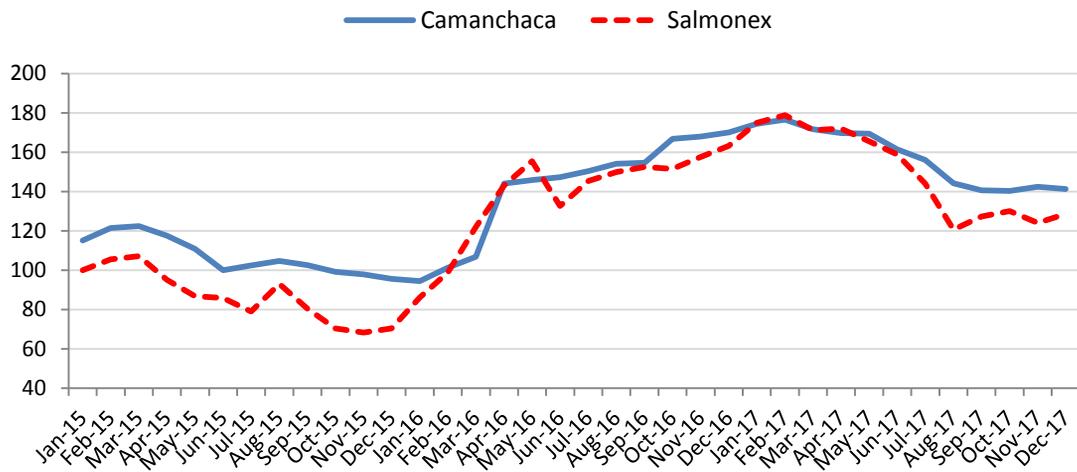
#### Price.

**Atlantic salmon prices** were US\$ 5.7 per kg WFE in Q4 2017, which is 16.6% lower than the price for the same period in 2016. This trend in prices began 2 years ago when they started to cautiously increase at the beginning of 2016 following the verification of a global supply reduction. They then accelerated after the HAB in Chile, which reduced Chilean supplies by 20% between the second half of 2016 and the first half of 2017. Current prices already reflect an adjustment for normal harvests after the HAB and reflect global supply growth, which was close to 6% in 2017. Estimated supply growth for 2018 is between 3% and 5%, which is consistent with long-term trends.

In relative terms, the rapid increase in market prices during the second quarter of 2016 and again in the first quarter of 2017 generated a natural delay in the effective raw material yield obtained by Salmenes Camanchaca, compared to the daily spot price in the United States (Urner Barry) or the SalmonEx index, as the Company's contracts average 60-90 days. Greater price stability towards the end of 2017 helped prices to return to their historical trend, and Salmenes Camanchaca achieved an average margin close to 50 - 60 cents per kg WFE above the North American market's short-term indicators.



**Raw Material Return (US\$ / kg WFE) Camanchaca vs Market  
Salmonex January 2015 = Base 100**



The Raw Material Return is the final product price less distribution and specific secondary processing costs. It is a measurement of price before selecting the final destination for harvested fish and provides a homogeneous aggregate indicator for the Company's diverse products. The market Index or "Salmonex" is based on the price of fresh fillet trim D exported by Chilean firms, net of the same processing and distribution costs used for Salmones Camanchaca's fresh trim D. It provides a comparable index to Salmones Camanchaca's Raw Material Return.

## Sales Volumes

		Salmon Harvest				Salmon Harvest			
		YTD Q4 2017	YTD Q4 2016	Change	Change %	Q4 2017	Q4 2016	Change	Change %
Atlantic Salmon	tons WFE	34,213	32,644	1,569	4.8%	16,284	7,859	8,425	107.2%

		Production				Production			
		YTD Q4 2017	YTD Q4 2016	Change	Change %	Q4 2017	Q4 2016	Change	Change %
Atlantic Salmon	tons WFE	34,118	32,287	1,831	5.7%	16,216	7,725	8,491	109.9%

		Sales				Sales			
		YTD Q4 2017	YTD Q4 2016	Change	Change %	Q4 2017	Q4 2016	Change	Change %
Atlantic Salmon	tons WFE	30,049	38,494	-8,445	-21.9%	13,437	9,109	4,329	47.5%

## Average Sales Prices

		Average Sales Price of Products				Average Sales Price of Products			
		YTD Q4 2017	YTD Q4 2016	Change	Change %	Q4 2017	Q4 2016	Change	Change %
Atlantic Salmon	US\$ x kg	6.3	5.6	0.6	11.3%	5.7	6.8	-1.1	-16.6%

## Change in Revenue due to Price Effect\*

		Change in Revenue due to Price Effect				Change in Revenue due to Price Effect			
		YTD Q4 2017	YTD Q4 2016	Change	Change %	Q4 2017	Q4 2016	Change	Change %
Atlantic Salmon	ThUS\$	188,943	169,723	19,220	11.3%	76,537	91,789	-15,252	-16.6%

\* With constant volume 2017

## Revenue

As of December 2017

Product or Species	U.S. ThUS\$	Europe + EuroAsia ThUS\$	Asia ex Japan ThUS\$	Japan ThUS\$	LATAM ex Chile ThUS\$	National Market ThUS\$	Others ThUS\$	TOTAL ThUS\$
Atlantic Salmon	70,189	31,847	16,390	14,356	49,004	4,988	2,169	188,943
Trout	0	0	0	0	0	6,115	0	6,115
OTHERS	0	0	0	0	0	8,012	0	8,012
<b>TOTAL</b>	<b>70,189</b>	<b>31,847</b>	<b>16,390</b>	<b>14,356</b>	<b>49,004</b>	<b>19,115</b>	<b>2,169</b>	<b>203,070</b>

As of December 2016

Product or Species	U.S. ThUS\$	Europe + EuroAsia ThUS\$	Asia ex Japan ThUS\$	Japan ThUS\$	LATAM ex Chile ThUS\$	National Market ThUS\$	Others ThUS\$	TOTAL ThUS\$
Atlantic Salmon	80,003	52,779	18,083	13,379	48,774	3,776	629	217,422
Trout	0	0	0	0	0	3,296	0	3,296
OTHERS	0	0	0	0	0	4,828	0	4,828
<b>TOTAL</b>	<b>80,003</b>	<b>52,779</b>	<b>18,083</b>	<b>13,379</b>	<b>48,774</b>	<b>11,899</b>	<b>629</b>	<b>225,546</b>

The Company's commercial policy seeks to diversify its products and target markets. Salmenes Camanchaca has held an interest in "New World Currents" since November 2013, which is a joint venture with three other Chilean producers to satisfy the demand for salmon in the Chinese market. There has been a significant increase in air shipments of fresh produce over the last two years, with a consequent increase in distribution costs. Salmenes Camanchaca focuses its strategies on the most attractive markets with the best raw material yield based on short and medium-term conditions. The Company defines its value-added products as those containing some degree of secondary processing. These products account for 82% of sales for the period to December 31, 2017 and 82.6% of sales for the same period in 2016. The remainder are sales of fresh whole salmon that have only undergone primary processing (bleeding and gutting). Fresh Atlantic salmon fillets are preferred in the US market; frozen Atlantic salmon fillets and portions in Europe; fresh or frozen whole Atlantic salmon in Asia (excluding Japan); frozen Atlantic salmon fillets in Japan; whole fresh Atlantic salmon in Brazil and Argentina, and frozen Atlantic salmon fillets in the rest of Latin America.

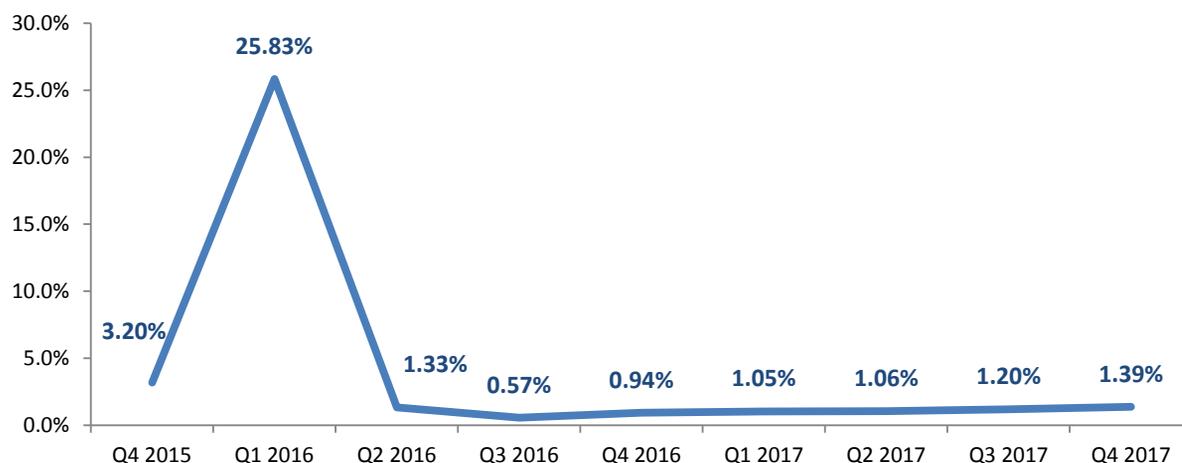
From year-end 2016 to year-end 2017, the US market as a percentage of total sales decreased from 35.5% to 34.6%. Europe and Eurasia decreased from 23.4% to 15.7%. Asia excluding Japan increased from 8.0% to 8.1% and Japan increased from 5.9% to 7.1%. Latin America excluding Chile grew from 21.6% to 24.1%. The Salmenes Camanchaca proportion of its Partnership Account Participation with third parties in the trout business competes within the national market. Other income is mostly processing and services for third parties.

### 5.2. Productive performance

**The sanitary conditions for salmon** indicated an extraordinary increase in mortality rates during the first quarter of 2016, mainly as a result of extraordinary harmful algae bloom (HAB) associated with the most severe El Niño phenomenon for 65 years. This situation started to stabilize in the second half of that year and mortality in open and closed farm sites fell to only 1.39% by the fourth quarter of 2017.

Ex-cage costs live weight of harvested fish in Q4 2017 were US\$ 2.94 per kg, which is 15 cents higher than the cost of US\$ 2.79 for the same period in 2016, but 14 cents lower than in Q4 2015, which is a more representative period for these sites and neighborhoods. The increase of 6 cents over the fourth quarter of 2016 that affected approximately 14,000 tons of live weight equivalent sold, had a negative impact of close to US\$ 0.8 million in the fourth quarter of 2017. Production costs as of December 31, 2016 do not include the catastrophic mortality caused by the HAB, which was separately disclosed in net income for the period as a non-recurring extraordinary loss within "Other income (losses)".

### Atlantic Salmon Mortality (%)



\*Total quarterly mortality including both closed and open sites. The closed sites affected by the HAB are included.

### Salmon - Liveweight ex-cage cost (US\$ / kg)



Salmones Camanchaca published its third Sustainability Report during July 2017, which provided valuable information about the challenges, priorities and performance of the most important issues affecting the sustainability of our salmon farming division from a financial, social and environmental perspective.

Regarding processing plants, Salmones Camanchaca has the San José primary processing plant that processes the 10<sup>th</sup> region harvests, which during 2017 processed 40 thousand tons WFE, from which 23 thousand tons are company-farmed salmon at a cost close to US\$ 0.13 per kg WFE. In addition, the company participates with a third of the primary processing plant Surproceso that processes the harvests of the 11<sup>th</sup> region, which during 2017 processed 5 thousand tons WFE of company-farmed salmon with a cost close to US\$ 0.17 per kg WFE. The company's secondary processing plant located in Tomé, processed 28 thousand tons WFE of company-farmed salmon in 2017 at a cost of around US\$ 0.75 per kg WFE.

## 6. SUBSEQUENT EVENTS

On February 2, 2018 Salmones Camanchaca completed the IPO for its shares in Chile and their representative certificates in Norway. The IPO captured interest in the Chilean and Nordic capital markets, particularly the latter, as it has the highest sectoral depth, analysis and liquidity. The Company's primary offer was for 13.9% of its shares, and raised US\$ 50 million. The funds raised will finance the organic growth plans for Salmones Camanchaca and its subsidiaries, which was explained during the opening process. This process also included

offering shares already issued by Salmenes Camanchaca and held by its Parent Company, which represented a 16.1% interest.

On March 15, 2018, Salmenes Camanchaca made a special US\$ 20 million repayment of its bank debt, which left its net financial debt at US\$ 80 million. The Company has an open credit line of US\$ 100 million.

## 7. FINANCIAL INFORMATION

### Consolidation

The consolidated statement of financial position as of December 31, 2017 and December 31, 2016 consolidates the individual statements of financial position for Salmones Camanchaca S.A. and Fiordo Blanco S.A.

Salmones Camanchaca S.A. is dedicated to salmon production, farming and processing. Fiordo Blanco S.A. became a subsidiary on September 14, 2017, and it owns salmon farming concessions.

The statements of financial position, cash flows and net income are presented for the period ended December 31, 2017. They are compared with these same statements as of December 31, 2016.

### 7.1. CONSOLIDATED FINANCIAL STATEMENTS

ThUS\$

<u>STATEMENT OF INCOME</u>	<u>Q4 2017</u>	<u>Q4 2016</u>	<u>YTD Q4 2017</u>	<u>YTD Q4 2016</u>
Operating revenue	78,250	65,357	203,070	225,546
Cost of sales	(60,033)	(38,070)	(144,859)	(185,197)
<b>Gross profit before fair value adjustments</b>	<b>18,217</b>	<b>27,287</b>	<b>58,211</b>	<b>40,349</b>
Administrative expenses	(2,437)	(2,536)	(10,750)	(9,207)
Distribution costs	(2,584)	(1,465)	(5,667)	(6,737)
<b>EBIT before fair value</b>	<b>13,196</b>	<b>23,286</b>	<b>41,794</b>	<b>24,405</b>
<b>EBITDA before fair value</b>	<b>15,795</b>	<b>25,829</b>	<b>52,474</b>	<b>34,862</b>
Fair value adjustment to biological assets	14,409	13,419	54,362	63,623
Fair value adjustment to harvest and sales	(17,108)	(24,119)	(49,061)	(38,694)
<b>EBIT after fair value</b>	<b>10,497</b>	<b>12,586</b>	<b>47,095</b>	<b>49,334</b>
<b>EBITDA after fair value</b>	<b>13,096</b>	<b>15,129</b>	<b>57,775</b>	<b>59,791</b>
Finance costs	(1,486)	(938)	(4,236)	(3,596)
Share of profit (loss) of associates	395	9	541	127
Exchange differences	(335)	359	(455)	(409)
Other income (losses)	(657)	(4,145)	(60)	(10,054)
Finance income	19	31	55	73
<b>Net profit (loss) before taxes</b>	<b>8,433</b>	<b>7,902</b>	<b>42,940</b>	<b>35,475</b>
Income taxes	(3,579)	(1,414)	(11,219)	(8,309)
<b>Net profit (loss) from continuing operations</b>	<b>4,854</b>	<b>6,488</b>	<b>31,721</b>	<b>27,166</b>
Profit (loss) from discontinued operations	0	0	0	0
<b>Net profit (loss) for the period</b>	<b>4,854</b>	<b>6,488</b>	<b>31,721</b>	<b>27,166</b>
Non-controlling interest	0	0	0	0
<b>Net profit (loss) for the period attributable to owners of the parent</b>	<b>4,854</b>	<b>6,488</b>	<b>31,721</b>	<b>27,166</b>

EBITDA: gross profit before fair value adjustments + depreciation - administrative expenses - distribution costs

EBITDA after fair value adjustments: EBITDA + fair value adjustments to biological assets - fair value adjustments to harvest and sales

## 7.2. STATEMENTS OF FINANCIAL POSITION

	Dec 2017 ThUS\$	Sep 2017 ThUS\$	Dec 2016 ThUS\$
<b>ASSETS</b>			
Current assets	198,975	160,973	135,921
Property, plant and equipment	73,646	71,029	69,005
Other non-current assets	33,383	45,289	25,961
<b>Total assets</b>	<b>306,004</b>	<b>277,291</b>	<b>230,887</b>
<b>LIABILITIES</b>			
Current liabilities	79,191	54,415	72,196
Non-current liabilities	118,111	115,843	140,445
<b>Total liabilities</b>	<b>197,302</b>	<b>170,258</b>	<b>212,641</b>
Net equity attributable to owners of the parent company	108,702	107,033	18,246
<b>Total equity</b>	<b>108,702</b>	<b>107,033</b>	<b>18,246</b>
<b>Total liabilities and equity</b>	<b>306,004</b>	<b>277,291</b>	<b>230,887</b>

### A. Asset Analysis

The Company's total assets increased by US\$ 75.1 million between December 2016 and December 2017, to reach US\$ 306 million, mainly due to an increase of US\$ 36.5 million in current biological assets, thus reflecting stable biomass volumes and projected harvests of Atlantic salmon in 2018 of 45,000 to 50,000 tons WFE. This biomass was temporarily below its target levels, due to the effects of the harmful algae bloom in Q1 2016, and lower smolt stockings in 2015. Inventories also increased by US\$ 14.8 million as of December 31, 2017, with close to 3,000 tons of additional finished product compared to the close of 2016.

A significant component of the Company's EBITDA this year has been invested in biomass growth, which will prepare the Company for expected harvests of over 50,000 tons in 2019.

#### **Current Assets**

Current assets increased by US\$ 63.1 million (+46.4%) as of December 31, 2017, attributable to:

- An increase in current biological assets of US\$ 36.5 million, which is mainly due to the greater salmon biomass explained in the previous paragraph.
- An increase of US\$ 14.8 million in inventories, due to 3,000 tons of additional finished product compared to the close of 2016.

#### **Property, Plant, Equipment and Other Non-Current Assets**

Non-current assets have increased by US\$ 12.1 million (+12.7%) as of December 31, 2017, to reach US\$ 107 million, mainly associated with an increase of US\$ 9.8 million in investments and fixed assets, which is consistent with the plan to increase harvests.

### B. Liabilities and Equity Analysis

The Company's liabilities and equity decreased by 7.2% to US\$ 197 million as of December 31, 2017, which is explained by the following movements:

**Current Liabilities**

Current liabilities increased by US\$ 7 million (+9.7%) mainly explained by an increase of US\$ 43.6 million in third party payables associated with salmon feed suppliers following growth in the Company's biological assets; a decrease of US\$ 10.1 million in other financial liabilities as a result of scheduled debt repayments; and a decrease of US\$ 28.6 million in related company payables following the restructuring on September 14, 2017. Fiordo Blanco S.A. became a subsidiary of Salmones Camanchaca on this date, and this account was offset during the consolidation of the financial statements. This situation did not apply as of December 31, 2016, when Fiordo Blanco S.A. was related company.

**Non-Current Liabilities**

Non-current liabilities decreased by US\$ 22.3 million, mainly due to a decrease of US\$ 31.8 million in related company payables, due to the previously mentioned capitalization of receivables held by the parent company.

**Equity**

The Company's equity increased from US\$ 18.2 million as of December 31, 2016, to US\$ 109 million as of December 31, 2017, mainly due to the previously mentioned capital increase and net profit for the year.

### 7.3. STATEMENTS OF CASH FLOW (ThUS\$)

The Company had cash and cash equivalents of US\$ 0.8 million as of December 31, 2017, which is 48% lower than the US\$ 1.6 million as of December 31, 2016, explained by:

	Q4 2017	Q4 2016	As of December 31, 2017	As of December 31, 2016
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Receipts from the sale of goods & provision of services	59,876	64,073	224,137	236,736
<b>Payments</b>				
Payments to suppliers for goods and services	-35,614	-53,931	-161,742	-168,423
Payments to and on behalf of employees	-6,889	-4,817	-22,634	-20,368
Interest paid	-1,910	-1,626	-3,683	-3,367
Interest received	18	31	55	73
Income taxes refunded (paid)	-48	0	31	-47
Other cash receipts (payments)	735	400	734	2,225
<b>Net cash flows from operating activities</b>	<b>16,168</b>	<b>4,130</b>	<b>36,898</b>	<b>46,829</b>
<b>CASH FLOWS USED BY FINANCING ACTIVITIES</b>				
Receipts from short-term loans				
Loan repayments	-5,248	-5,159	-10,407	-10,619
Payments to related parties	-5,214	-2,315	-10,640	-25,140
Receipts from related parties	-68	0	0	0
<b>Net cash flows used by financing activities</b>	<b>-10,530</b>	<b>-7,474</b>	<b>-21,047</b>	<b>-35,759</b>
<b>CASH FLOWS USED BY INVESTING ACTIVITIES</b>				
Receipts from the sale of property, plant and equipment	157	105	261	105
Purchases of property, plant and equipment	-5,703	-3,386	-16,256	-11,029
Other cash receipts (payments)	-148	0	-81	0
<b>Net cash flows used by investing activities</b>	<b>-5,694</b>	<b>-3,281</b>	<b>-16,076</b>	<b>-10,924</b>
Effects of changes in exchange rates on cash and cash equivalents	-341	-69	-571	-278
NET INCREASE IN CASH AND CASH EQUIVALENTS	-397	-6,694	-796	-132
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,243	8,336	1,642	1,774
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>846</b>	<b>1,642</b>	<b>846</b>	<b>1,642</b>

Operating activities generated a positive net cash flow of US\$ 36.9 million in 2017, a fall of 21.2% compared to 2016, mainly due to the fall in sales volumes of 21.9%.

Financing activities produced negative net cash flows of US\$ 21 million in 2017 compared to negative net cash flows of US\$ 35.8 million during 2016. This is mainly explained by lower payments to related companies following the capital increase in September 2017, where Fiordo Blanco S.A. became a subsidiary of Salmenes Camanchaca.

Investing activities produced negative net cash flows of US\$ 16.1 million in 2017, compared to negative net cash flows of US\$ 10.9 million in 2016, as a result of investments in the Company's growth plan projects and efficiency projects. These investments mainly consist of new farming sites, according to the productive plan of the company (US\$ 3.5 million), hatchery expansion at Petrohué in order to produce higher smolt-weight (US\$ 3.2 million), and capacity and efficiency investments at processing plants (US\$ 2.9 million).

## 7.4. ANALYSIS OF THE FINANCIAL STATEMENTS

### A. Consolidated Analysis

This section compares the Company's key financial indicators based on its consolidated financial statements as of December 31, 2017 compared to December 31, 2016.

	Dec 2017	Dec 2016
<b>Liquidity Indicators</b>		
1) Current Liquidity	2.51	1.88
2) Acid Ratio	0.80	0.71
3) Working Capital (US\$ million)	119.8	63.7
<b>Debt Indicators</b>		
4) Net Debt Ratio	1.81	11.56
5) Current Liabilities / Total Liabilities	0.40	0.34
6) Non-Current Liabilities / Total Liabilities	0.60	0.66
<b>Profitability Indicators</b>		
	(12 months)	(12 months)
7) Return on Equity	29.18%	148.89%
8) Return on Assets	19.02%	17.48%

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 profit before Fair Value Adjustment / Total Assets.

The increase of 0.63 in current liquidity is mainly caused by an increase of US\$ 63.1 million in current assets and by an increase of US\$ 7 million in current liabilities. These variations have already been explained in the statement of financial position analysis. As a result of these movements, working capital increased by US\$ 56.1 million, where US\$ 36.5 million is explained by an increase in biological assets.

The increase of 0.08 in the acid ratio is mainly caused by an increase of US\$ 63.1 million in current assets offset by an increase of US\$ 51.4 million in inventories and current biological assets. These variations have already been explained in the statement of financial position analysis.

The net debt ratio fell from 11.56 to 1.81 mainly due to total liabilities decreasing by US\$ 15.3 million and equity increasing by US\$ 90.5 million. These variations have already been explained in the statement of financial position analysis. The decrease in the proportion of long-term liabilities from 0.66 to 0.60 is due to the combination of increases in current liabilities and decreases in non-current liabilities. These variations have already been explained in the statement of financial position analysis.

Return on equity and return on assets are mainly due to the Company's margins and performance for the respective periods, and the previously mentioned capital increase at Salmones Camanchaca in September 2017.

## B. Cumulative Indicators for the Salmon Business

	Periods	
	Dec-17	Dec-16
a) Atlantic Salmon Harvests (tons)/ Site	4,599	3,900
b) Atlantic Salmon Farming Density (kg/m3)	7.3	7.4
c) Atlantic Salmon Group Survival Rate (sea water)	93.6%	87.1%
d) EBIT before fair value (US\$ million)	41.8	24.4
e) EBIT / kg WFE (before fair value)	1.19	0.55

Notes:

- a Harvests for the period, expressed in ex-cage tons / number of sites harvested, expressed in ex-cage tons per site.
- b Average farming density, expressed in kgs per cubic meter (for sites harvested during the corresponding period).
- c Survival rate, expressed as harvested fish groups compared to smolt stocking. A harvest group is fish of a similar origin and strain.
- d Gross profit before fair value adjustment - administrative expenses - distribution costs, for the salmon farming division
- e (Gross profit before fair value adjustment - administrative expenses - distribution costs - results from the Partnership Account Participation in the trout business) / Kg WFE sales of company-farmed Atlantic salmon

### Fair Value for the Year Ended December 31, 2017 (ThUS\$)

	Fair Value Adjustment to Biological Assets		Fair Value Adjustment to Harvest and Sales	
	YTD Q4 2017	YTD Q4 2016	YTD Q4 2017	YTD Q4 2016
Atlantic Salmon	54.362	63.623	(49.061)	(38.694)
<b>TOTAL</b>	<b>54.362</b>	<b>63.623</b>	<b>(49.061)</b>	<b>(38.694)</b>

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

- a. "Fair value adjustment to biological assets" records the estimated gain or loss for the period from valuing the biomass of live and harvested fish that will be sold in future periods. It can be positive or negative based on variations in the biomass included in the valuation and its market price. A gain of US\$ 54.4 million was recorded for the fair value adjustment of the biological assets as of December 31, 2017, compared to a gain of US\$ 63.6 million as of the same date in 2016.
- b. "Fair value adjustment to harvest and sales" records the realization of the estimated result of the biological assets 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 actual result of the transaction is recorded in operating revenue and cost of sales. The net effect of the biomass sold as of December 31, 2017 was a loss of US\$ 49.1 million, which reversed a positive margin estimated in prior periods, in contrast to a loss of US\$ 38.7 million as of December 31, 2016, which reversed a positive margin estimated in prior periods.

The net effect of the fair value adjustment of the salmon biomass as of December 31, 2017 is US\$ 5.3 million, as opposed to US\$ 24.9 million as of December 31, 2016.

## **7.5. DIFFERENCES BETWEEN THE MARKET AND BOOK VALUES OF PRINCIPAL ASSETS**

Biological assets include the following.

Biological assets include groups or families of breeders, such as eggs, smolts and fish being fattened at sea. They are valued at initial recognition and subsequently at their fair value less estimated selling costs, except where their fair value cannot be reliably measured, in accordance with IAS 41. Therefore, an active market for these assets is sought in the first instance.

As there is no active market for live fish at all their stages, they are valued as freshwater fish, such as breeders, eggs, fry and smolts, using their cumulative costs at the reporting date.

The valuation criteria for farmed fish that are being fattened is fair value. This is understood to be their market price less their estimated processing and selling costs. There is a representative market for fish being fattened that are over a certain size, which is 4.0kg for Atlantic salmon. The market price is used in both cases, adjusted appropriately for each group in the sea, from which the harvesting, processing, packaging, distributing and selling costs are deducted. The volume is adjusted for process wastage.

Smaller fish are valued at cost, though are subject to net realizable value testing.

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

Biological assets that will be harvested in the next 12 months are classified as current biological assets.

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.

<b>Stage</b>	<b>Asset</b>	<b>Valuation</b>
Fresh water	Eggs, fry, smolts and breeders	Direct and indirect cumulative costs at their various stages.
Sea water	Salmon and Trout	Fair Value, based on a market with reference prices and companies that buy and sell these assets. Historically we have considered that this market is for fish over 4 kg. If no market can be identified, then cumulative cost is used.

The Company has developed a valuation model that incorporates the recommendations proposed by the Norwegian Financial Supervisory Authority, which are detailed in Note 34 of the Company's financial statements. This biomass valuation model takes the market price for fish over 1kg as fair value. This model has the following effects on these financial statements for the year ended December 31, 2017.

- a) An increase in net income for the year of US\$ 9.6 million, net of deferred tax effects.
- b) An increase in "Gain (loss) on fair value of biological assets" within the statement of net income by function of US\$ 13.1 million.
- c) An increase in biological assets within current assets of US\$ 13.1 million, and an increase in deferred tax liabilities of US\$ 3.5 million and equity of US\$ 9.6 million.
- d) This alternative approach to biomass valuation has no effects on EBITDA, EBIT, nor on the indicators per kg (before fair value adjustment).

## **8. RISK ANALYSIS**

External variables materially impact the Company's annual performance. The main variable affecting revenue is the price of Atlantic salmon. The main variable affecting costs is 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, Salmenes Camanchaca has a risk matrix that allows it to: i) review and update the critical risk inventory; ii) assess these critical risks on the basis of impact and probability parameters; iii) conduct risk mapping; iv) implement an audit and internal control plan that uses the risk matrix as the basis for an annual control plan. These risk maps are used to constantly manage and mitigate each risk and establish the corresponding responsibilities as well as the frequency and depth of internal controls to validate the effectiveness of mitigating measures.

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

### **a) Phytosanitary Risks**

The Company is exposed to risk of disease or parasites that can affect the biomass, increase mortality or reduce growth of specific species, and thereby, production and sales volumes. Salmenes Camanchaca has adopted strict control standards to minimize those risks, and comply with the Authority's 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, the smolt stocking process in closed recirculation centers fed by under-ground water, transport of breeders and fish for harvest in wellboats, coordinated antiparasitic washing by neighborhoods, frequent net cleaning, oxygen plants to supplement oxygen shortfalls in the water, vaccinations at the freshwater stage, among others.

### **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, water pollution and other factors that may threaten biomasses and production facilities. The Company is constantly monitoring these variables using first-rate instruments within the salmon industry, in addition to having appropriate insurance coverage for these risks, all of which are monitored from a central, specialized unit. This unit not only monitors the status of insurance coverage, but also manages claims preparation when these occur, from the moment they occur, in order to make claims that are in line with contractual coverage.

### **c) Product Sale Price Risks**

The Company exports its products mainly at prices that are fixed on international markets, 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 operate a policy of accumulating inventory in order to speculate on a better sale price in the future.

Prices are highly dependent on the supply from Norway and Chile and on the fluctuations in exchange rates used by the Company's major trading partners. Salmenes Camanchaca has mitigated price risk through its marketing capacity and by producing higher value-added products.

The Company has a policy of diversifying its sales between several buyers in each market, and between markets. This ensures that it can reassign inventory when necessary or convenient.

### **d) Purchase Price Risks**

The Company is exposed to changes in the purchase price of salmon feed, which is based on diversified ingredients and suppliers. Salmenes Camanchaca varies its diets under certain conditions, and seeks a balance between feed cost and nutritional quality at each stage. The Company expects to produce a final product that contains the same amount of Omega 3 as a wild salmon, which depends on the marine ingredients. It also expects that the amount of

forage fish included in fishmeal and fish oil do not exceed the amount of salmon produced. The Company has feed contracts that are adjusted on a quarterly basis.

#### **e) Regulatory Risks**

Our business relies on laws, standards and regulations issued by fishing authorities, and significant changes could have an impact on our 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 jointly operate the industry, among others. The Company is constantly monitoring any potential changes in regulations in order to anticipate and mitigate any potential impacts.

In 2016, changes were made to the regulations governing salmon farming densities, and a smolt stocking reduction program was introduced. This allows salmon farmers to reduce densities in cages when low densities are required, for historical performance reasons or to meet smolt growth expectations. In these circumstances, smolt stocking can be reduced and growth restrictions introduced, along with incentives for good fish health performance. The Company has a policy of using assets to provide services to third parties. This regulation gives the Company the possibility to use smolts at leased sites for its own use, without affecting neighborhood growth, once the contracts have finished. Under this regulation, the Company estimates harvesting approximately 60,000 tons of Atlantic salmon at its own sites, plus another 12,000 to 13,000 tons of trout, without introducing system growth or reducing densities.

Salmones Camanchaca's financial statements could be affected by changes in economic policies, specific regulations and other standards established by authorities.

#### **f) Liquidity Risks**

Liquidity risk is the risk of potential mismatches between the funds needed for asset investments, operating expenses, financial costs, scheduled debt repayments and committed dividends, compared to funding sources such as sales revenue, collections from customers, disposal of financial investments and access to financing.

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

#### **g) 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. Depending on market conditions, the Company assesses hedging alternatives.

#### **h) Exchange Rate Risks**

A significant share of Company revenue arises from contracts and agreements set in US dollars. However, given the diversity and importance of markets other than the North American market, which represent over 50% of total exports, any devaluation of the US dollar against the Chilean Peso must be evaluated in the context of movements in exchange rates with other export countries.

Corporate policy is to re-negotiate the prices of approximately half the costs and expenses that are indexed in Chilean pesos, and agree them in US dollars where possible. Liabilities with financial institutions are in US dollars. The Company occasionally evaluates exchange rate hedging instruments, in accordance with market conditions and only when changes are very sudden. No foreign exchange hedges were contracted during 2017.

#### **i) Credit Risks**

##### **i.1) Surplus Cash Investment Risks**

The Company has a low-risk policy for investing cash surpluses. This policy encompasses both the quality of financial institutions and the type of financial products used.

## i.2) Sales Operations Risks

Salmones Camanchaca has insurance policies covering most of the sales of its products. The remaining sales are backed by letters of credit, or advance payments, or are to customers with an excellent credit 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.

SUBSIDIARIES

FIORDO BLANCO S.A.

	2017 ThUS\$	2016 ThUS\$
<b>STATEMENTS OF FINANCIAL POSITION</b>		
<b>ASSETS</b>		
Current assets	32,016	31,209
Non-current assets	6,747	6,895
Total assets	38,763	38,104
<b>EQUITY AND LIABILITIES</b>		
Current liabilities	169	132
Non-current liabilities	820	725
Equity	37,774	37,247
Total equity and liabilities	38,763	38,104
<b>STATEMENT OF INCOME</b>		
Gross profit	769	666
Net profit before tax	722	535
Income taxes	-195	-129
Net profit attributable to owners of the parent	527	406
<b>Net profit for the period</b>	<b>527</b>	<b>406</b>
<b>STATEMENTS OF CASH FLOW</b>		
Cash flows provided by operating activities	26	99
Cash flows used by financing activities	-55	-
Cash flows used by investing activities	-31	6
Effects of changes in exchange rates	7	2
<b>Net increase in cash and cash equivalents</b>	<b>-53</b>	<b>107</b>



