

# SALMONES CAMANCHACA

ANNUAL REPORT 2018



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SALMONES CAMANCHACA

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CHAPTER

**01**

# A WORD FROM OUR CHAIRMAN



Dear Shareholders,

I am pleased to present Salmones Camanchaca's annual report for 2018. The year was marked by several very important accomplishments for our Company, beginning with our initial public offering on the Santiago Stock Exchange and simultaneous placement of share certificates on the Oslo Stock Exchange. We also celebrated numerous operational and commercial achievements throughout the year, thus making 2018 a record year for our Company. All of this was possible thanks to the dedication and hard work of our employees and executives.

Our decision to list the Company on the Santiago and Oslo exchanges positioned Salmones Camanchaca as a model in the Chilean market as the first and only Chilean and Latin American company traded on the world's most important seafood market. Salmones Camanchaca raised approximately US\$50 million through the placement, which has been used to finance the investment plan presented to investors in the pre-IPO roadshows.

In 2018 we reached our production and cost targets with great accuracy, reporting sales of US\$ 332 million and EBITDA of US\$ 83 million, up 59% from the prior year. These favorable results were achieved through strict expense

control, enabling the Company to produce at very competitive costs in relation to its peers in not only Chile but also Norway, considered global leaders in the production of Atlantic salmon.

These results can also be explained by timely changes in Chilean regulations that have created incentives for preserving sanitary conditions, thereby substantially improving biological results for both our Company and the industry. These improvements are reflected in the Company's annual mortality indicator of 8.4% and its feed conversion ratio of 1.17, measured as kilos of feed per kilo of biomass produced.

In addition, growth in smolt stocking has been discouraged through density regulations that force companies to stock at lower densities when intended growth exceeds 3%, thus making it less economically attractive.

The aforementioned investments led to a reduction of 13% in processing costs during 2018, which were strongly impacted by our larger scale of operation for Atlantic salmon with 48.5 thousand tons harvested in 2018.

With Atlantic salmon harvests up by more than 41% and farm and processing costs below US\$4.2 per kilo of WFE salmon, the Company closed 2018 with record EBITDA and net profit. These achievements occurred in a stable sanitary context thanks to favorable environmental conditions at our sites and farm conditions returning to normal after the harmful algae bloom that affected the industry in 2016.

As a result of funds raised from the capital increase and proper planning in prior years, the Company completed reconstruction of the Petrohué hatchery in 2018, after facilities were seriously damaged by the eruption of the Calbuco volcano in 2015. With these facilities now operational, the Company's smolt production capacity will enable it to deploy its production plan to harvest 60 thousand tons (WFE) of Atlantic salmon in 2022 using sites and concessions currently in operation.

I believe that the capital markets have recognized these achievements and our success in meeting expectations generated during the IPO and have placed their trust in our Company and management, as evidenced by the stock's market return during the year of almost 100% and the fact that seven investment banks in Europe currently track the Company through periodic reports.

The sustainability of our business is a critical element of our long-term development and success. In environmental matters, for the first time ever, Salmones Camanchaca certified almost one third of its harvests in 2018 under the demanding international standards of the Aquaculture Stewardship Council (ASC). This certification confirms that the Company's processes are executed under the strictest global sustainability models for aquaculture. Similarly, we became the first salmon company to register with the Huella Chile Program from the Ministry of the Environment. This program is designed to encourage public and private-sector companies to quantify, report and manage their greenhouse gas (GHG) emissions.

Regarding community engagement, our corporate social responsibility program, "Camanchaca Amiga", continued to strengthen ties with communities near our production facilities. In 2018, we carried out 217 activities in three key action areas—community outreach, caring for the environment and healthy living—which had a favorable, direct impact on more than 15 thousand people in the Biobío, Los Lagos and Aysén regions. Some initiatives worth highlighting include coastal cleanup days, recycling programs, training courses, culinary heritage fairs, support for schools and sporting events. The Company is extremely pleased to see how all these initiatives have strengthened relations with surrounding communities since the program was launched in 2013.

In terms of our employees, the Company is always concerned about reducing days lost for injuries and professional illnesses, which reached 399 days in 2018 compared to 654 days in 2017. This

helped reduce our working days lost rate by 42%.

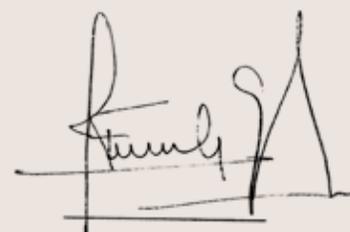
Projections for 2019 call for 55 thousand tons of Atlantic salmon to be harvested, reflecting growth of just over 10% with respect to the prior year. The Company is also resuming production of Coho salmon—a species widely farmed in the Chilean salmon industry—expecting to harvest 4 thousand tons this year. With this new business line, it hopes to diversify production and market risks and take better advantage of its available facilities and concessions.

Salmones Camanchaca will continue to work on multiple fronts, in keeping with our principles and values, to improve and add value to not only our shareholders but also our employees and the communities impacted by our production activities.

Lastly, Salmones Camanchaca experienced changes in management during 2018, activating succession plans to replace the CEO in May. Since then, the Company has been led by Manuel Arriagada, a professional with broad experience and an extensive track record in the industry.

We invite our employees to remain committed to our development and growth, and our shareholders to continue to place their trust in the Company's ability to properly manage its capacities, talents and assets, framed by the values of respect for people and the environment.

Sincerely,



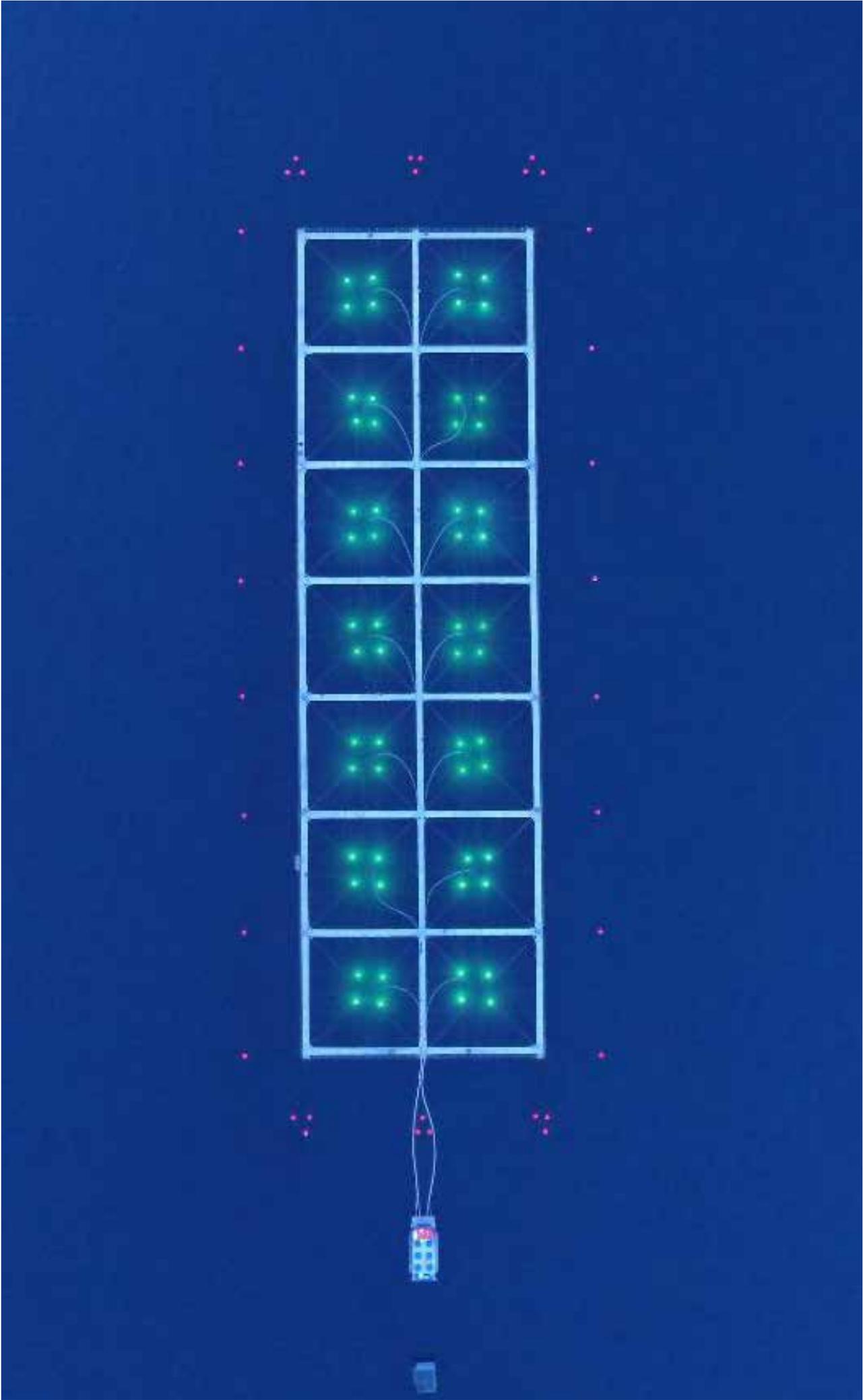
Jorge Fernández García  
**CHAIRMAN, SALMONES  
CAMANCHACA**

CHAPTER

**02**

**BOARD OF  
DIRECTORS' REPORT**

SALMONES CAMANCHACA  
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# FINANCIAL RESULTS

Salmones Camanchaca S.A. is a vertically integrated salmon producer engaged in egg and breeder production, recirculating hatcheries for Atlantic salmon and pass-through hatcheries for other species, estuary and sea grow-out sites, primary and secondary processing, marketing and sale of Atlantic salmon. The Company farms trout at estuary grow-out sites through a joint venture (1/3 share of results) in effect for four more years with an estimated average annual harvest of 12,000 tons WFE. For its main business (Atlantic salmon), the Company has an annual estimated harvest of 55,000 tons WFE for 2019-2021, in addition to an estimated 4,000 tons WFE of Pacific salmon beginning in 2019. Overall production of all salmonid species at its farm sites should total around 75,000 tons WFE. Salmones Camanchaca has an average annual workforce of approximately 1,200 employees, 55% of which work at its secondary and value-added processing plant. Markets for sales of Atlantic salmon in a variety of fresh and frozen formats are led by the U.S., Russia, Brazil, China, Mexico, Japan and Argentina, with over 50% of sales in emerging markets.

Salmones Camanchaca's financial performance is closely related to three key drivers:

1. **THE PRICE OF ATLANTIC SALMON**, which is very sensitive to Norwegian and Chilean supply conditions, and the exchange rates of its main trading partners;
2. **SANITARY CONDITIONS FOR ATLANTIC SALMON**, which affect conversion factors, the use of pharmaceutical and mechanical means to improve fish welfare and the final biomass across which costs are allocated.
3. **THE COST OF FEED**, which represents approximately half of the live fish unit cost at harvest.

During 2018, Salmones Camanchaca harvested 48,496 tons WFE of Atlantic salmon, an increase of 41.7% from 34,213 tons WFE in 2017. The average price for Atlantic salmon during 2018 was US\$ 6.12/Kg WFE, down 2.7% over 2017.

Revenues for 2018 totaled US\$ 332.3 million, 63.6% above the US\$ 203.1 million recorded in 2017, explained by 66.5% growth in the volume of Company-farmed Atlantic salmon sold.

During 2018, the trout joint venture generated net profit of US\$ 2.9 million for Salmones Camanchaca (accounted for

as income with no cost associated) in comparison to US\$ 6.1 million for 2017. This decrease is explained mainly by a price drop of over one dollar per Kg WFE (-19.2%), mitigated by a reduction in unit costs of 50 cents per Kg WFE. The harvest volume for this joint venture was 17,405 tons WFE of trout, up from 15,342 tons WFE in 2017, and in line with estimates prepared by the trout JV partner, Caleta Bay, early in the year.

Live weight ex-cage costs for fish harvested during 2018 were US\$ 3.06 per Kg, which is 3 cents greater than 2017. The quarterly variation in live weight ex-cage costs is coherent with sanitary and environmental conditions for winter/summer and the greater scale of production during the second half of the year.

Gross profit before fair value rose 59.3% to US\$ 92.7 million, or US\$ 34.5 million greater than 2017.

During 2018, administrative expenses as a percentage of operating revenues decreased from 5.3% to 3.6%, while distribution and sales costs fell from 2.8% to 2.6%. Consequently, the Company's combined administrative and distribution and sales costs accounted for 6.2% of revenues during this period, down from 8.1% in 2017. This reduction is explained by higher revenues in 2018, increased efficiency and non-recurring expenses to implement SAP in 2017. The Company also recorded one-time administrative expenses in 2018 of approximately US\$1.6 million for employee severance packages.

Thus, EBIT before fair value adjustment was US\$ 72.1 million for 2018, marking an increase of 72.5% over US\$ 41.8 million in 2017, explained mainly by increased sales volumes and lower production costs, despite lower average prices. Excluding income from the trout joint venture, which is not operated by the Company, EBIT in the Atlantic salmon business was US\$ 69.2 million, or 94% greater than the US\$ 35.7 million recorded for 2017.

During 2018, the price of Company-farmed Atlantic salmon sold by Salmenes Camanchaca fell 17 cents. In that context, EBIT/Kg WFE rose to US\$ 1.38 from US\$ 1.19 in 2017, explained by the fact that improvements in costs and scale of production more than offset the drop in price.

Net finance costs were US\$ 6.3 million compared to US\$ 4.2 million in 2017 due to a rise in the LIBOR interest rate between December 2017 and December 2018, which was only partially offset by the impact of the reduction in net debt. Added to this unfavorable effect is the US\$1.7 million loss on currency hedges in 2018 (hedges known expenses in Chilean pesos for which the Company has revenue in dollars).



Pre-tax profit totaled US\$ 59.9 million in 2018, up 39.5% from US\$ 42.9 million in 2017. Net profit totaled US\$ 44 million in 2018, up 38.8% from US\$ 31.7 million in 2017.

For 2018, cash flows from operating activities totaled US\$ 53.9 million, up from US\$ 36.9 million in 2017, explained mainly by increased sales.

Cash flows used in investing activities totaled US\$ 31.8 million for the period, US\$ 15.7 million greater than the prior year, explained by investments to support the Company's growth plan for the 2018-2021 period, consisting primarily of new farm sites and improvements and automation at primary and secondary processing plants.

Net cash flows used in financing activities totaled a negative US\$ 9.0 million for the year, in comparison to negative US\$ 21.0 million for 2017, explained mainly by payments of US\$ 50 million to banks for financial debt and US\$ 5 million to the parent company of the Camanchaca Group, offset by US\$ 46 million raised from the capital increase.

The resulting net cash flow for 2018 was positive US\$ 12.3 million.

During 2018, the Company's total assets increased 11.3% or US\$ 34.6 million to US\$ 341 million.

Current assets totaled US\$ 216 million, up 8.7% from US\$ 199 million as of year-end 2017, mainly attributed to an increase of US\$ 12.3 million in cash; an increase of US\$ 15.7 million in current biological assets, which is consistent with the estimated biomass for 2019 harvest forecasts; an increase of US\$ 4.6 million in accounts receivable because of greater sales, especially in Q4 2018; and a decrease of US\$ 15.2 million in inventories. The Company's finished

product inventories valued at cost as of December 31, 2018, were US\$ 17.9 million, equivalent to 2,700 tons of finished product, or close to one month of harvests, which the Company considers to be within normal ranges.

Non-current assets increased by US\$ 17.3 million (+16.2%) to US\$ 124 million, mostly due to the aforementioned increase of US\$ 18.6 million in investments in property, plant and equipment, and an increase of US\$ 4.1 million in non-current biological assets, related to the larger biomass to be harvested after 2019.

Current liabilities increased by US\$ 14 million (+17.7%), due to an increase of US\$ 11.1 million in related party payables because of a dividend owed by Salmenes Camanchaca to its controlling shareholder (Compañía Pesquera Camanchaca S.A., holds 70% of the shares of Salmenes Camanchaca S.A.); and an increase of US\$ 4.7 million in current tax liabilities because of improved results in 2018.

Non-current liabilities fell US\$ 54.6 million (-46.3%) due to US\$ 50 million in voluntary payments on its long-term revolving bank debt.

The Company's equity increased by US\$ 75.2 million to US\$ 184 million as of year-end 2018 as compared to December 31, 2017, explained by net profit for the year and the effects of the capital increase as part of the IPO in Q1 2018.

## COMPANY OUTLOOK

Global supply of Atlantic salmon grew around 5% in 2018. Slightly lower growth is expected for 2019, which is consistent with the current regulatory framework in the different salmon producing countries. Chilean supply grew nearly 20% in 2018 and is estimated to expand between 1% and 2% in 2019. Growth in



2018 is the result of an abnormally low base in 2017, plus expansion of Chile's potential capacity.

A significant portion of the operational cash flows produced by EBITDA in 2018, was used for investments in property, plant and equipment and to grow the biomass to support harvest estimates for the next few years calling for around 55 thousand tons WFE of Atlantic salmon and 4 thousand tons WFE of Pacific salmon for 2019. In order to calculate total harvests at Salmones Camanchaca farm sites, one must add the corresponding harvest from the trout joint venture, which in 2019—an odd year—is estimated at between 6 and 8 thousand tons WFE.

The Company estimates total harvests of all species for 2019 of 65 thousand tons WFE. For the year 2020, the Company expects to harvest 55 thousand tons WFE of Atlantic salmon, 4 thousand tons of Pacific salmon and between 16 and 18 thousand tons of trout from the joint venture.

The Company estimates there will be an increase in Atlantic salmon harvests for 2019 with respect to their equivalent at 2017 sites of around 21 thousand tons WFE. Of this amount, 4,300 tons correspond to growth under the (reduced) density system and the remaining growth is under the stocking reduction program (PRS) with no density restrictions, achieved by using smolt stocking

rights from sites leased to third parties and partnership account participation. As a result, somewhat higher farm costs can be expected because of these density levels and, to a lesser extent, because of the use of more expensive, non-pharmaceutical antiparasitic treatments and new technologies to mitigate the risk of harmful algae blooms. Coho smolt have been stocked under the low-density system and, therefore, the Company expects above-normal costs for harvests of this species in late 2019 and 2020.

## **MAIN RISKS AND UNCERTAINTIES**

The main risks and uncertainties to which the Company is exposed are: Phytosanitary Risks; Natural Risks; Product Sale Price Risks; Purchase Price Risks; Regulatory Risks; Liquidity Risk; Interest Rate Risk; Foreign Exchange Risk and Credit Risk. Chapter 8 of this annual report describes each of these risks in more detail.

## **GOING CONCERN**

The Board of Directors confirms that the financial statements have been prepared under the assumption that Salmones Camanchaca is a going concern and that that assumption is justified based on the Company's reported results, business strategy and financial position.



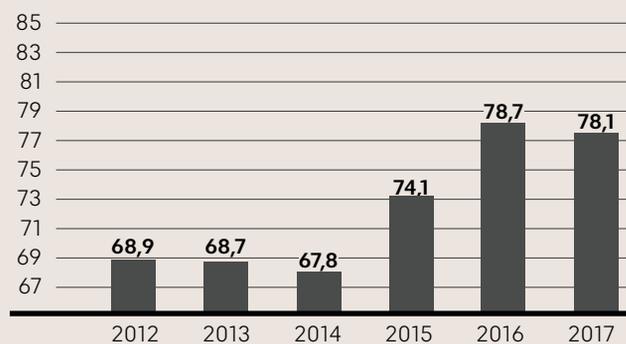
## PERSONNEL

### WORK ENVIRONMENT:

Salmones Camanchaca S.A., encourages an environment of mutual respect, closeness and constructive feedback where associates find a suitable space for professional and personal development.

This evaluation allows to diagnose the perception of its employees regarding conditions that impact on the Work Environment, among them: sense of belonging, communications, autonomy, recognition, creativity and innovation, cohesion and teamwork, challenge and organization at work, leadership, occupational safety and health. The new evaluation is being applied in the period March-April 2019.

### % SATISFACTION (working environment)



Based on these results, the Company generates action plans that are reviewed by each area and incorporated as challenges and goals to be evaluated at the end of each period.



The OHS policy makes direct supervisors responsible for providing associates with well-defined, clear, precise operating procedures and ongoing, structured, systematic control of their tasks, thus creating safe environments that prevent risks. In addition to systematic control and monitoring, they are also responsible for training their teams on an ongoing basis and informing them of the risks involved in their activities, thus taking on an active and proactive leadership role.

Salmones Camanchaca S.A., ended 2018 with a lost-time injury rate ((number of lost-time accidents / annual average number of workers) x 100) of 2.5% compared to 2.0% in 2017, impacted mostly by the processing plant in Tomé, in the city of Concepción. As a point of reference, the Chilean Safety Association reports a benchmark lost-time injury rate of 3.64% for the aquaculture industry.

#### **OCCUPATIONAL HEALTH AND SAFETY (OHS):**

Salmones Camanchaca S.A., believes that the physical and emotional integrity of our associates is essential to the Company's success and progress. Therefore, we are committed to a health and safety management system that works to continuously improve indicators and build a zero-accident workplace.

This OHS management system is designed to create safe work environments and methods and, thereby, build a strong culture of risk control in its operations throughout Chile. Safety is an essential part of everyone's daily responsibilities, especially supervisory staff.

In terms of days lost, the Company ended 2018 with a total of 399 days, compared to 654 in 2017, reflecting a reduction of 39%. The Company reported a working-days lost rate ((number of days lost for the year / annual average number of workers) x 100) of 30 as of year-end 2018 compared to 52 in 2017, representing a decrease of 42%.

The absenteeism rate in 2018 was 3.59%, versus 3.45% in 2017, which reflected an increase of 0.14%, impacted mainly by a rise in sick leave for common illnesses and employees failing to show up for work.

**DIVERSITY AND EQUAL RIGHTS:**

Hiring decisions are made based on the skills, preparation, and experience needed for each job. In the same spirit, employee evaluations and promotions are based on merit, performance and meeting of targets.

The Company's associates are crucial to its success. For this reason, the Company promotes their development in order to improve and strengthen their skills and competitiveness, giving priority to internal promotions.

Salmones Camanchaca S.A., seeks to uphold the following standards in its workplace relations:

- An environment in which its employees can carry out their duties and develop based on their effort, merit and performance.
- Spaces for dialogue where each individual can respectfully express their professional opinion, even if it differs from their supervisor's opinion, all in benefit of Salmones Camanchaca S.A.
- Relations that discourage any type of abuse, including sexual harassment and/or abuse. This is notwithstanding any applicable laws, which govern the conduct of all associates.
- Treatment that does not discriminate based on race, religion, gender, age or other factors.

As of year-end 2018, Salmones Camanchaca had 300 female employees, representing 22% of its total workforce. In 2017, it had 455 female employees, or 29% of its total workforce.

At the end of 2018, 38 women held department head (professional) and executive positions, as a result of ongoing efforts to provide equal opportunities for advancement within the Company. Thirty-seven women held such positions in 2017.

As part of the Company's procedures to guarantee pay equality and transparency, it has a Compensation Policy that defines wage levels for each position based on its value and competitiveness in the market, independent of gender and any other legally protected category, making merit, the market, inflation and the Company's results the key factors that impact employees' economic development.

Chapter 5 of this annual report describes the Company's management and personnel in more detail.

**SUSTAINABILITY**

Salmones Camanchaca has a community engagement program that aims to generate deep, lasting ties with its stakeholders: workers, suppliers, customers, communities and associations. This program, known as "Friendly Camanchaca," focuses on three key areas: community outreach, caring for the environment and healthy living. Chapter 7 of this annual report describes this program and its activities in more detail.

# CORPORATE GOVERNANCE

The Company's highest decision-making authority is the general shareholders' meeting (the "General Shareholders' Meeting"). In accordance with Chilean law and the Bylaws, all shareholders in the Company are entitled to attend, or be represented by proxy, and vote at the General Shareholder Meetings of the Company.

The overall management of the Company is vested in the Board of Directors and the Management. In accordance with Chilean law and the Bylaws, the Board of Directors is responsible for, among other things, supervising the general management of the Company's business, ensuring proper organisation, preparing plans and budgets for its activities and to ensure that the Company's activities, accounts and assets management are subject to adequate controls and undertaking investigations necessary to perform its duties. Also, the Board of Directors may exercise all powers of the Company not resolved to the General Shareholders' Meeting pursuant to the Bylaws or Chilean law.

The Bylaws provide that the Board of Directors shall consist of five members. The Directors are elected by the shareholders at the relevant annual ordinary general shareholders' meeting or any extraordinary general shareholders' meeting called for that purpose.

The Board of Directors has one sub-committee, being the Audit Committee.

The current members of the audit committee are Tore Valderhaug (chairman), Ricardo García Holtz, and Hector Luis Felipe Sandoval Precht.

The primary purposes of the audit committee are to act as a preparatory and advisory committee for the Board of Directors in questions concerning ac-

counting, audit and finance, as well as risk management. The audit committee reports and makes recommendations to the Board of Directors, but the Board of Directors retains responsibility for implementing such recommendations.

The Company's chief executive officer ("CEO") is responsible for the day-to-day management of the Company's operations in accordance with Chilean law and has the power conferred upon him or her by the Board of Directors. In accordance with the Bylaws, the Company's CEO will act as the secretary to the Board of Directors and in accordance with Chilean law he or she must also brief the Board of Directors about the Company's activities, financial position and operating results on a regular basis.

## **SECTION 1: IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE**

As a company incorporated in Chile, the Company is subject to Chilean laws and regulations. In addition, as a consequence of being listed on the Oslo Stock Exchange, the Company must comply with section 3-3b of the Norwegian Accounting Act, certain aspects of the Norwegian Securities Trading Act and is also obligated to adhere to the Norwegian Code of Practice for Corporate Governance dated 17 October 2018 prepared by the Norwegian Corporate Governance Board (the "Code of Practice") on a "comply or explain" basis. Further, the Company's Bylaws set forth certain governance provisions. The Norwegian Accounting Act is found on [www.lovdata.no](http://www.lovdata.no) and the Code of Practice is found on [www.nues.no](http://www.nues.no).

The Company is committed to good corporate governance and has therefore



adopted and implemented a corporate governance regime which seeks to comply with the Code of Practice. However, since the Company is governed by Chilean laws and regulations, some of the Company's governance principles deviate from certain of the recommendations of the Code of Practice. The Board of Directors shall provide an overall overview of the Company's corporate governance in the Company's annual report. The review shall include each individual point of the Code of Practice. If the Company does not fully comply with the Code of Practice, this shall be explained in the Company's annual report.

## **SECTION 2: BUSINESS**

The Company's business shall be clearly described in the Bylaws in order to provide shareholders with sufficient information to anticipate the scope of the Company's activities and risk profile. The operations of the Company shall be in compliance with the purpose set forth in the Bylaws.

The purpose of the Company is: a) the activity of aquaculture in general and, in particular, the breeding, production and nursing of salmon, trout and other salmonid as well as all kind of species, beings or organisms that have the water as their normal or more frequent natural environment, including the investigation and development of the genetics of Salmonidae, and the industrialization, processing, elaboration, cooling, freezing, drying, packing, packaging, transporting and marketing of the products, byproducts and derivatives of the aquaculture activity, all as principal and also providing services to third parties in the activities mentioned above; and b) the investigation and development, production and manufacture of raw materials, machines, elements and materials for the activity of aquiculture, all for its own industry and for their marketing to third parties.

The Company will implement guidelines that explain how it integrates considerations related to its stakeholders into the Company's value creation, focusing on human rights, employee rights and social matters, the external environment, the prevention of corruption, the working

environment, equal treatment, discrimination and environmental impact. The guidelines shall be adapted to the stakeholders affected by the Company's operations and shall relate to the Company's value creation.

## **SECTION 3: EQUITY AND DIVIDENDS**

The Board of Directors is responsible for overseeing that the Company is adequately capitalized relative to the risk and scope of operations and that the capital requirements set forth in applicable laws and regulations are met. The Company shall have a capital structure that is appropriate to its objectives, strategy and risk profile. The Board of Directors continuously monitors and evaluates the Company's capital situation and will promptly take appropriate steps if the Company's equity or liquidity is less than adequate. The Board of Directors has drawn up a clear and predictable dividend policy which is included in the



Bylaws. Dividend payments will be made in cash as approved and determined by the General Shareholders' Meeting.

Pursuant to Chilean law, authorizations may not be granted to the Board of Directors to increase the share capital of the Company or to purchase own shares. Subject to the restrictions and limitations set out in applicable Chilean laws and regulations, the General Shareholders' Meeting has the authority to approve that the Company purchase own shares.

#### **SECTION 4: EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES**

The Company has only one class of shares. Each share in the Company carries one vote, and all shares carry equal rights, without any privilege whatsoever, including the right to participate in General Shareholders' Meetings. All shareholders shall be treated on a non-discriminatory basis.

Pursuant to Chilean law, shareholders are entitled to waive or transfer their pre-emption rights in the event of an increase in share capital. Pursuant to Chilean law, authorizations may not be granted to the Board of Directors to increase the share capital of the Company and, as such, the Board of Directors is not entitled to waive the pre-emption rights of existing shareholders.

Any transactions the Company carries out in its own shares must comply with Chilean laws and regulations, and shall be carried out on the Santiago Stock Exchange, and in any case, at such stock exchange price. Any transaction of treasury shares by the Company is subject to applicable notification requirements, and shall be publicly disclosed in a stock exchange announcement.

Transactions between the Company and its shareholders or other close associates shall be carried out in compliance with Chilean laws and regulations. As a public corporation, the Company will only be able to perform such operations if those transactions have the purpose to contribute to the corporate interest and are adjusted to the market price and conditions prevailing at the time

of their approval. In case of material transactions between the Company and a shareholder, a shareholders' parent company, director, officer, or persons closely related to any of these, different from those transactions specified in the General Habituality Policy of Salmenes Camanchaca S.A. for operations with related parties, published in the Company's website, the Board of Directors will obtain a valuation from an independent third party. Independent valuations shall also be obtained in respect of material transactions between companies in the same group that are not covered by the General Habituality Policy of Salmenes Camanchaca S.A. and where any of the companies involved have minority shareholders.

#### **SECTION 5: SHARES AND NEGOTIABILITY**

The Bylaws do not impose any restrictions on the ability to own, trade or vote for shares in the Company and the shares in the Company are freely transferable.

#### **SECTION 6: GENERAL MEETINGS**

The Board of Directors shall make efforts to ensure that shareholders may participate in the General Shareholders' Meetings and that as many shareholders as possible are able to exercise their voting rights at such meetings, and that the General Shareholders' Meeting is an effective forum for shareholders. In order to facilitate this, the Board of Directors shall ensure the following:

- notices to call for a General Shareholders' Meeting, irrespective of being an ordinary or extraordinary, shall be published 20 days in advance of the respective meeting. The first notice shall be published with a minimum of 15 days prior to the date of the respective General Shareholders' Meeting;
- the resolutions and any supporting documentation shall be sufficiently detailed, comprehensive and specific, allowing shareholders to understand and form an opinion on all matters to be considered at the General Shareholders' Meeting;



- the registration deadline, if any, for shareholders to participate at the General Shareholders' Meeting shall be set as closely to the date of the General Shareholders' Meeting as practically possible and permissible under Chilean law;
- the Board of Directors and secretary of the General Shareholders' Meeting shall ensure that the shareholders are able to vote on each individual matter, including the election of the members of the Board of Directors;
- members of the Board of Directors may be present at all General Shareholders' Meetings; and
- the General Shareholders' Meeting shall be presided by the chairman, and the CEO shall act as its secretary, unless the General Shareholders' Meeting has designated such secretarial duties to another person.

The Company will employ its reasonable best efforts to ensure the possibility to submit their votes by proxy to the shareholders who have their shares traded on the Oslo Stock Exchange and who are unable to be present at the General Shareholders' Meeting.

Pursuant to Chilean law, the General Shareholders' Meetings shall always be presided by the chairman of the Board of Directors and, as such, this represents a deviation from the Code of Practice.

#### **SECTION 7: NOMINATION COMMITTEE**

The Bylaws does not include the establishment of a nomination committee since a nomination committee is not recognized under Chilean law. This represents a deviation from the Code of Practice. According to the Company's corporate governance policy, the Company will consider the possibility to establish a nomination committee in the future. If so, any member of the Board of Directors who is also a member of the nomination committee may offer him- or herself for re-election to the Board of Directors. The Board of Directors will use its best efforts to ensure that all potential candidates for the Board are selected by procedures and policies that guarantees their good standing to fill those positions, in the same manner as a nomination committee.

#### **SECTION 8: BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE**

The Board of Directors shall consist of a minimum of five board members. The term of office for the Board members shall not be longer than two years at a time. Members of the Board of Directors may be re-elected. The members of the Board of Directors shall be elected by the General Shareholders' Meeting, while the Board of Directors itself appoints its chairman. According to the Bylaws, appointment of the chairman shall be made at the first meeting of the Board after the ordinary General Shareholders' Meeting electing the Board of Directors. Pursuant to Chilean law, the Board of Directors is the only corporate body who is entitled to appoint the chairman. This represents a deviation from the Code of Practice. No member of the Company's executive management shall be members of the Board of Directors.

The composition of the Board of Directors should reflect the expertise, capacity and diversity needed to achieve the Company's goals, attend its main challenges and the common interests of all shareholders. Further, individuals of the Board of Directors shall be willing and able to work as a team, resulting in the Board of Directors working effectively as a collegiate body. The Board of Directors shall be composed so that it can act independently of any special interests. A majority of the shareholder-elected members of the Board of Directors shall be independent of the executive management and material business connections of the Company. Further, at least one of the members of the Board of Directors shall be independent of the Company's major shareholder(s) and, as such, represents a deviation from the Code of Practice. For this purpose, a major shareholder shall constitute a shareholder that owns or controls 10% or more of the Company's shares or votes, and independence shall entail that there are no circumstances or relations that may be expected to be able to influence an independent assessment of the person in question. The composition of the Board of Directors does not meet the recommended gender guidelines of the Code of Practice, but meets the Company's need for expertise and diversity. A short description of our board



members is presented in this annual report on chapter 5.

Members of the Board of Directors are welcome to own shares in the Company.

### **SECTION 9: THE WORK OF THE BOARD OF DIRECTORS**

The Board of Directors shall define clear objectives, strategies and risk profiles for the Company's business activities so that the Company creates value for its shareholders. The Board of Directors will execute the decisions of the Shareholders' Meeting through the executive management, focusing on determining allocation of internal responsibilities and duties. The objectives, responsibilities and functions of the Board of Directors and the CEO shall be in compliance with rules and standards applicable to the Company, which are further described in the Company's corporate governance policy that can be found on [www.salmonescamanchaca.cl](http://www.salmonescamanchaca.cl).

The Board of Directors shall provide details in the annual report of any Board committees appointed. Pursuant to Chilean law, the Company is obliged by law to have an audit committee. The audit committee functions as a preparatory and advisory committee for the Board of Directors and the objectives, responsibilities and functions of the audit committee shall be in compliance with rules and standards applicable to the Company, which are further described in the Company's corporate governance policy. All members of the Board of Directors are independent of the executive management, and accordingly the Company will not establish a separate remuneration committee which, as such, represents a deviation from the recommendation in the Code of Practice.

The Board of Directors shall evaluate its performance and expertise every second year, which represents a deviation from the Code of Practice. This evaluation shall include the composition of the Board of Directors and the manner in which its members function as a group, in relation to the objectives set out for its work.



### **SECTION 10: RISK MANAGEMENT AND INTERNAL CONTROL**

It is the Board of Directors that has the responsibility to ensure that the Company has sound and appropriate internal control systems and systems for risk management, and that these are proportionate to and reflect the extent and nature of the Company's activities. Having effective internal control systems and systems for risk management in place may protect the Company from situations that can damage its reputation or financial standing. Furthermore, effective and proper internal control and risk management are important factors when building and maintaining trust, to reach the Company's objectives, and ultimately create value. In addition, having in place an effective internal control system means that the Company is better suited to manage commercial risk, operational risk, the risk of breaching legislation and regulations as well as other forms of risk that may be material to the Company. The internal control system shall also address the organization and execution of the Company's financial reporting, as well as cover the Company's corporate values, ethical guidelines and principles of corporate social responsibility.

The Company shall use its best efforts to have a comprehensive set of relevant corporate manuals and procedures, which shall provide detailed descriptions of procedures covering all aspects of managing the Company's operational business. These procedures and manuals shall continually be revised to reflect the best practice, derived from experience or adopted through regulations. The Board of Directors shall annually review the Company's most important areas of risk exposure and the internal control

arrangement in place for such areas. The review shall pay attention to any material shortcomings or weaknesses in the Company's internal control and how risks are being managed.

### **SECTION 11: REMUNERATION OF THE BOARD OF DIRECTORS**

The remuneration of the Board of Directors is determined by the shareholders at the Company's annual General Shareholders' Meeting. The remuneration of the Board of Directors shall reflect the Board of Directors' responsibility, expertise, the complexity of the Company and its business, as well as time spent and the level of activity in the Board of Directors and any board committee members of the Board of Directors participate in. The remuneration of the Board of Directors shall not be linked to the Company's performance and share options shall not be granted to members of the Board of Directors. The remuneration to the Board of Directors shall be such that their independence is protected. Members of the Board of Directors, or companies associated with a member of the Board of Directors, shall not engage in specific assignments for the Company in addition to their appointment as members of the Board of Directors. If a member of the Board of Directors nonetheless takes on any such assignment the entire Board of Directors must be informed.

Information on the total remuneration and benefits in kind of each member of the Board of Directors is provided in the annual report. This means that the annual report provides details of all elements of the remuneration and benefits of each member of the Board of Directors. This includes a specification

of any consideration paid to members of the Board of Directors in addition to their board remuneration.

### **SECTION 12: REMUNERATION OF EXECUTIVE PERSONNEL**

The Company has prepared guidelines for determining remunerations to the CEO and other executive personnel, which at all times shall support prevailing strategy and values in the Company. These guidelines includes the main principles for the Company's remuneration policy as well as contribute to align the interests of shareholders and executive personnel. Performance-related remuneration of the executive management shall be linked to value creation for shareholders or to the Company's profit over time and, or, to those parameters which create value in time. Such arrangements are meant to incentivize performance and shall be based on quantifiable factors the employee may influence, and then be rewarded accordingly. There is an absolute limit on performance-related remuneration.

### **SECTION 13: INFORMATION AND COMMUNICATION**

The Company is committed to provide information in a manner that contributes to establishing and maintaining confidence with important interest groups and stakeholders. The Company has established guidelines for its reporting of financial and other information based on openness and taking into account the requirement of equal treatment in the securities market. The Company is obliged to continually provide its shareholders, authorities (including the

Santiago Stock Exchange and the Oslo Stock Exchange) and the securities market and financial market in general with timely and precise information about the Company and its operations. The Company has published an annual, electronic financial calendar with an overview of dates for important events, such as the annual General Shareholders' Meeting, publication of the annual report and interim financial reports.

relationship with the controller of the Company and with the bidder and the interest that he or she may have in the operation. The submitted reports must be made available to the general market together with the prospectus required to be prepared pursuant to mandatory Chilean law and a copy must be submitted to the Chilean Financial Market Commission, the stock exchanges and the offeror.

#### **SECTION 14: TAKE-OVERS**

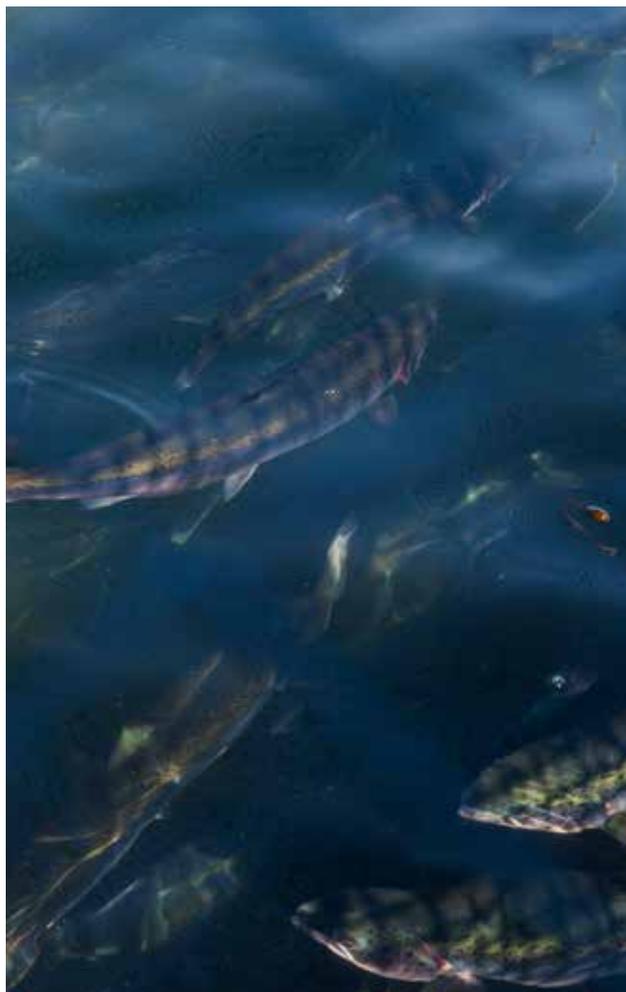
In the event of a take-over, the Board of Directors shall comply with mandatory Chilean laws and regulations. In the event of an announcement of a mandatory take-over, the members of the Board of Directors shall individually issue a written report with their opinion on the take-over offer benefits for the shareholders. In that report, the member of the Board of Directors shall indicate his/her

#### **SECTION 15: AUDITOR**

At each ordinary General Shareholders' Meeting, the shareholders shall designate an external audit firm for the purpose of examining the accounts, inventory, balance sheet and other financial statements of the Company, with the obligation to report in writing to the following ordinary General Shareholders' Meeting about the compliance of its obligations. The Company's auditor shall annually present the main features of the plan for the audit of the Company to the Board of Directors and/or the audit committee. Pursuant to Chilean law, the auditor shall also provide the audit committee with the following:

- an annual written confirmation of its independence;
- information on services other than statutory audit provided to the Company during the course of the financial year; and
- inform about any threats to the auditor's independence, and provide evidentiary documentation of the measures implemented to combat such threats.

The auditor shall participate in meeting(s) of the Board of Directors where any of the following is on the agenda: the annual accounts and other matters of importance where there have been disagreement between the auditor and

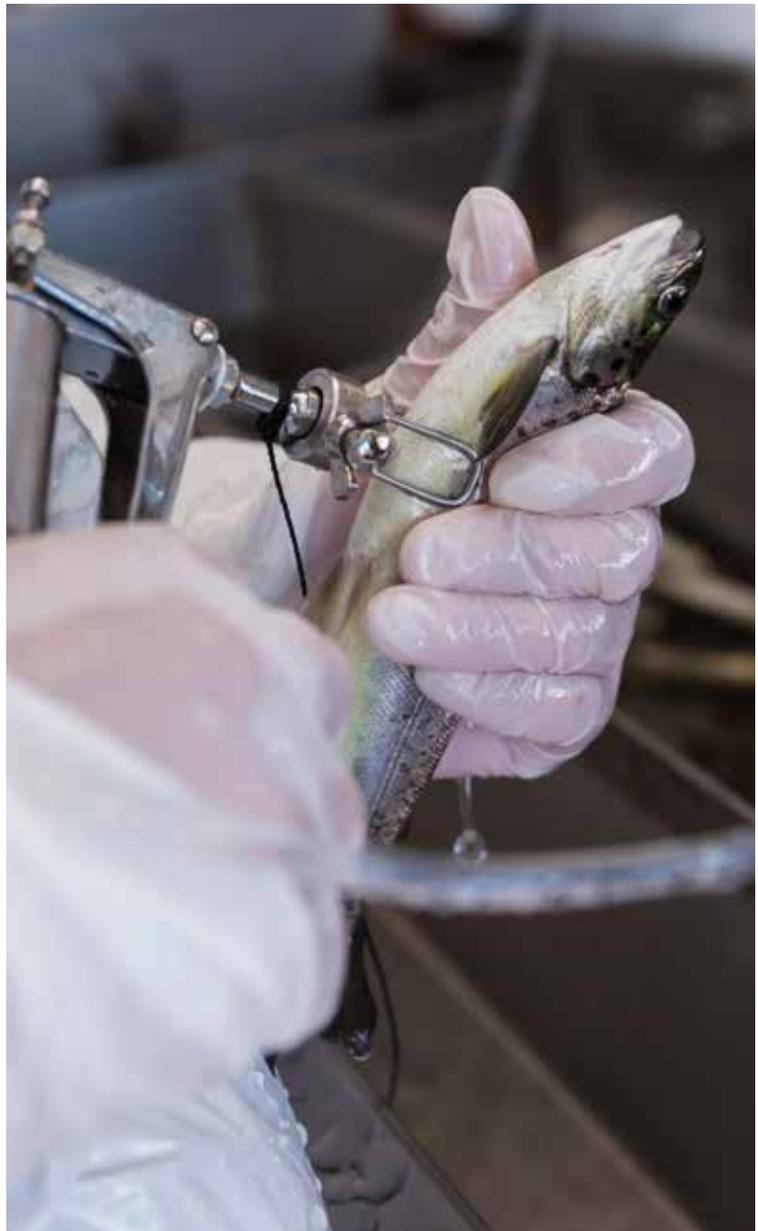


the Company's executive management and/or the audit committee. The auditor shall at least once a year present to the Board of Directors or the audit committee a review of the Company's internal control procedures, including identification of weaknesses and proposals for improvement. In order to strengthen the Board of Directors' work on financial reporting and internal control, the auditor shall provide a report to the audit committee on the main features of the audit in respect to the previous financial year, and especially mention any material weaknesses identified in the internal control relating to the financial reporting process. The auditor shall attend the General Shareholders' Meeting if the matters to be dealt with are of such nature that his or her presence is deemed necessary. The auditor is in any case entitled to participate in the General Shareholders' Meeting.

The Company's Corporate Governance Policy and the Bylaws are available at the web page of the Company.

Also, formal corporate governance procedures have been adopted and published in the web page of the Company, following the regulations issued by the Chilean authority (Commission for the Financial Market). These procedures are:

- Information analysis procedure
- Guidelines on compensation
- Information file procedure
- Permanent training of the board procedure
- Procedure for the hiring of specialist advisers
- Procedure for continuous improvement of the functioning of the Board
- Director's induction procedure
- Procedure for publication of Board members candidates' background
- Procedure for the replacement of main executives



CHAPTER

**03**

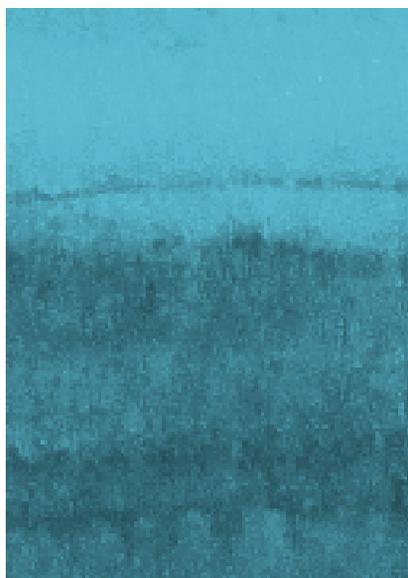
# **FINANCIAL EVOLUTION**

SALMONES CAMANCHACA  
**ANNUAL REPORT 2018**



# SUMMARY OF FINANCIAL POSITION

MAIN FINANCIAL RATIOS	2018	2017
<b>Liquidity Ratios</b>		
Current Liquidity	2.32	2.51
Acid Test Ratio	0.86	0.80
Working Capital (ThUS\$)	123,010	119,784
<b>Debt Ratios</b>		
Net Debt Ratio	0.78	1.81
Current Liabilities / Total Liabilities	0.59	0.40
Non-current Liabilities / Total Liabilities	0.41	0.60
<b>Profitability Ratios</b>		
Return on Equity (ROE)	23.9%	29.2%
Return on Assets (ROA)	27.2%	19.0%



**Notes:**

- Current Liquidity Ratio: Current Assets / Current Liabilities
- Acid Test Ratio: Current Assets Net of Inventory and Biological Assets / Current Liabilities
- Working Capital: Current Assets - Current Liabilities
- Net Debt Ratio: Total Liabilities - Available Cash / Total Equity
- Return on Equity: Net Profit (Loss) Attributable to Owners of the Parent / Total Equity
- Return on Assets: Gross Margin Before Fair Value / Total Assets

# CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME	2018	2017
	ThUS\$	ThUS\$
Operating revenues	332,301	203,070
Cost of sales	-239,564	-144,859
Gross profit before fair value	92,737	58,211
Administrative expenses	-12,077	-10,750
Distribution costs	-8,575	-5,667
EBIT before fair value	72,085	41,794
EBITDA before fair value	83,354	52,474
Fair value adjustment to biological assets	95,455	54,362
Fair value adjustment to harvest and sales	-100,280	-49,061
EBIT after fair value	67,260	47,095
EBITDA after fair value	78,529	57,775
Other gains (losses)	-7,371	-4,155
Net profit (loss) before taxes	59,889	42,940
<b>Net profit (loss)</b>	<b>44,017</b>	<b>31,721</b>

During the year 2018, Salmenes Camanchaca harvested 48,496 tons WFE of Atlantic salmon, an increase of 41.7% from 34,213 tons WFE in 2017, and in line with estimates from early in the year. The average price for Atlantic salmon during 2018 was US\$6.12/Kg WFE, down 2.7% over 2017.

Revenues for 2018 totaled US\$332.3 million, 63.6% above the US\$203.1 million recorded in 2017, explained by 66.5% growth in the volume of Company-farmed Atlantic salmon sold.

Gross profit before fair value rose 59.3% to

US\$92.7 million, or US\$34.5 million greater than 2017. EBIT before fair value adjustment was US\$72.1 million for 2018, marking an increase of 72.5% over US\$41.8 million in 2017, explained mainly by increased sales volumes and lower production costs, despite lower average prices.

The price of Company-farmed Atlantic salmon sold by Salmenes Camanchaca fell 17 cents. In that context, EBIT/Kg WFE rose to US\$1.38 from US\$1.19 in 2017, explained by the fact that improvements in costs and scale of production more than offset the drop in price.

The resulting net fair value adjustment for 2018 was negative at US\$4.8 million, compared to a positive US\$5.3 million in 2017.

Pre-tax profit totaled US\$59.9 million in 2018, up 39.5% from US\$42.9 million in 2017. After-tax net profit totaled US\$44 million in 2018, up 38.8% from US\$31.7 million in 2017. Net distributable income totaled US\$47.5 million in 2018.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>	<b>2018 ThUS\$</b>	<b>2017 ThUS\$</b>
Current assets	216,248	198,975
Property, plant and equipment	92,269	73,646
Other non-current assets	32,098	33,383
<b>Total assets</b>	<b>340,615</b>	<b>306,004</b>
Current liabilities	93,238	79,215
Non-current liabilities	63,476	118,111
<b>Total liabilities</b>	<b>156,714</b>	<b>197,326</b>
Net equity of parent company	183,901	108,678
<b>Total equity</b>	<b>183,901</b>	<b>108,678</b>
<b>Total liabilities and equity</b>	<b>340,615</b>	<b>306,004</b>

## ASSETS

During 2018, the Company's total assets increased 11.3% or US\$34.6 million to US\$341 million. This growth is explained mainly by increases of US\$18.6 million in property, plant and equipment; US\$19.9 million in current and non-current biological assets; and US\$12.3 million in cash. This was partially offset by a reduction of US\$15.2 million in inventories.

Current assets totaled US\$216 million, up 8.7% from US\$199 million as of year-end 2017, mainly attributed to the aforementioned increase of US\$12.3 million in cash; an increase of US\$15.7 million in current biological assets, which is consistent with the estimated biomass for 2019 harvest forecasts; an increase of US\$4.6 million in accounts receivable because of greater sales, especially in the fourth quarter of

2018; and a decrease of US\$15.2 million in inventories. The Company's finished product inventories valued at cost as of December 31, 2018, were US\$17.9 million, equivalent to 2,700 tons of finished product, or around one month of harvests.

Non-current assets increased by US\$17.3 million (+16.2%) to US\$124 million, mostly due to the aforementioned increase of US\$18.6 million in investments in property, plant and equipment, and an increase of US\$4.1 million in non-current biological assets, related to the larger biomass to be harvested after 2019.

## LIABILITIES AND EQUITY

Current liabilities increased by US\$14 million (+17.7%), due to an increase of US\$11.1 million in related party payables

because of a dividend owed by Salmones Camanchaca to its controlling shareholder (Compañía Pesquera Camanchaca S.A., holds 70% of the shares of Salmones Camanchaca S.A.); and an increase of US\$4.7 million in current tax liabilities because of improved results in 2018.

Non-current liabilities fell US\$54.6 million (-46.3%) due to US\$50 million in voluntary payments on its long-term revolving bank debt.

The Company's equity increased by US\$75.2 million to US\$184 million as of year-end 2018 as compared to December 31, 2017, explained by net profit for the year and the effects of the capital increase as part of the IPO in the first quarter of 2018.

# STATEMENT OF CASH FLOW

<b>STATEMENT OF CASH FLOW</b>	<b>2018 ThUS\$</b>	<b>2017 ThUS\$</b>
Cash flow from operating activities	53,943	36,898
Cash flow from investing activities	-31,767	-16,076
Cash flow from financing activities	-9,013	-21,047
Effects of changes in exchange rates on cash and cash equivalents	-866	-571
Cash and cash equivalents at the beginning of the period	846	1,642
Cash and cash equivalents at the end of the period	13,143	846

For 2018, cash flow from operating activities totaled US\$53.9 million, up from US\$36.9 million for 2017, explained mainly by increased sales revenues.

Cash flow used in investing activities totaled US\$31.8 million for the period, US\$15.7 million greater than the prior year, explained by investments to support the Company's growth plan for the 2018-2021 period, consisting primarily of new farm sites and improvements and automation at primary and secondary processing plants.

Net cash flow used in financing activities totaled a negative US\$9.0 million for the year, in comparison to negative US\$21.0 million for 2017, explained mainly by payments of US\$50 million to banks for financial debt and US\$5 million to the parent company of the Camanchaca Group, offset by US\$46 million raised from the capital increase.

The resulting net cash flow for 2018 was positive US\$12.3 million.

# SUMMARIZED INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

<b>2018 (ThUS\$)</b>	<b>SALMONES CAMANCHACA S.A.</b> Individual	<b>FIORDO BLANCO S.A.</b> Individual	<b>Eliminations</b>	<b>SALMONES CAMANCHACA</b> Consolidated*
<b>STATEMENT OF INCOME</b>				
Operating revenues	332,770	1,390	-1,859	332,301
Cost of sales	-241,018	-406	1,859	-239,564
Gross profit before fair value	91,753	984	0	92,737
EBIT before fair value	71,139	946	0	72,085
EBITDA before fair value	82,280	1,074	0	83,354
Net profit (loss) before taxes	59,806	400	-317	59,889
Net profit (loss)	44,017	317	-317	44,017
<b>STATEMENT OF FINANCIAL POSITION</b>				
Current assets	214,874	34,071	-32,696	216,248
Non-current assets	155,478	7,282	-38,394	124,367
Total assets	370,352	41,353	-71,090	340,615
Current liabilities	122,918	3,018	-32,698	93,238
Non-current liabilities	63,533	90	-146	63,476
Total liabilities	186,450	3,108	-32,844	156,714
Total equity	183,902	38,245	-38,246	183,901
Total equity and liabilities	370,352	41,353	-71,090	340,615
<b>STATEMENT OF CASH FLOWS</b>				
Cash flows from operating activities	53,527	416	0	53,943
Cash flows from investing activities	-31,741	-26	0	-31,767
Cash flows from financing activities	-9,013	0	0	-9,013
Effects of changes in exchange rates on cash and cash equivalents	-854	-12	0	-866
Cash and cash equivalents at the beginning of the period	724	121	0	846
Cash and cash equivalents at the end of the period	12,643	500	0	13,143

<b>2017 (ThUS\$)</b>	<b>SALMONES CAMANCHACA S.A.</b> Individual	<b>FIORDO BLANCO S.A.</b> Individual	<b>Eliminations</b>	<b>SALMONES CAMANCHACA</b> Consolidated*
<b>STATEMENT OF INCOME</b>				
Operating revenues	203,007	1,577	-1,514	203,070
Cost of sales	-145,101	-809	1,051	-144,859
Gross profit before fair value	57,906	768	-463	58,211
EBIT before fair value	41,509	723	-438	41,794
EBITDA before fair value	51,943	969	-438	52,474
Net profit (loss) before taxes	42,848	722	-630	42,940
Net profit (loss)	31,721	527	-526	31,721
<b>STATEMENT OF FINANCIAL POSITION</b>				
Current assets	198,733	32,016	-31,774	198,975
Non-current assets	138,925	6,025	-37,921	107,029
Total assets	337,659	38,041	-69,695	306,004
Current liabilities	110,820	169	-31,774	79,215
Non-current liabilities	118,160	98	-147	118,111
Total liabilities	228,980	267	-31,921	197,326
Total equity	108,678	37,774	-37,774	108,678
Total equity and liabilities	337,659	38,041	-69,695	306,004
<b>STATEMENT OF CASH FLOWS</b>				
Cash flows from operating activities	37,651	27	-780	36,898
Cash flows from investing activities	-17,240	-31	1,195	-16,076
Cash flows from financing activities	-20,751	-55	-241	-21,047
Effects of changes in exchange rates on cash and cash equivalents	-578	7	0	-571
Cash and cash equivalents at the beginning of the period	1,642	174	-173	1,642
Cash and cash equivalents at the end of the period	724	121	0	846

\* This is consistent with the audited financial statements in chapter 10

Strategic decisions and production, financial and commercial operations are carried out by Salmones Camanchaca S.A. Fiordo Blanco is the sole subsidiary of Salmones Camanchaca S.A. The main asset of this subsidiary is aquaculture concessions that are leased to be operated by Salmones Camanchaca S.A. Thus, Salmones Camanchaca S.A. acts as the

parent company and operating entity.

In 2018 the standalone income statement of Salmones Camanchaca S.A., represents practically the entire consolidated income statement of Salmones Camanchaca (100% of operating revenue, 99% of EBITDA and 100% of net profit).

The standalone balance sheet of Salmones Camanchaca S.A. represents 100% of consolidated equity.

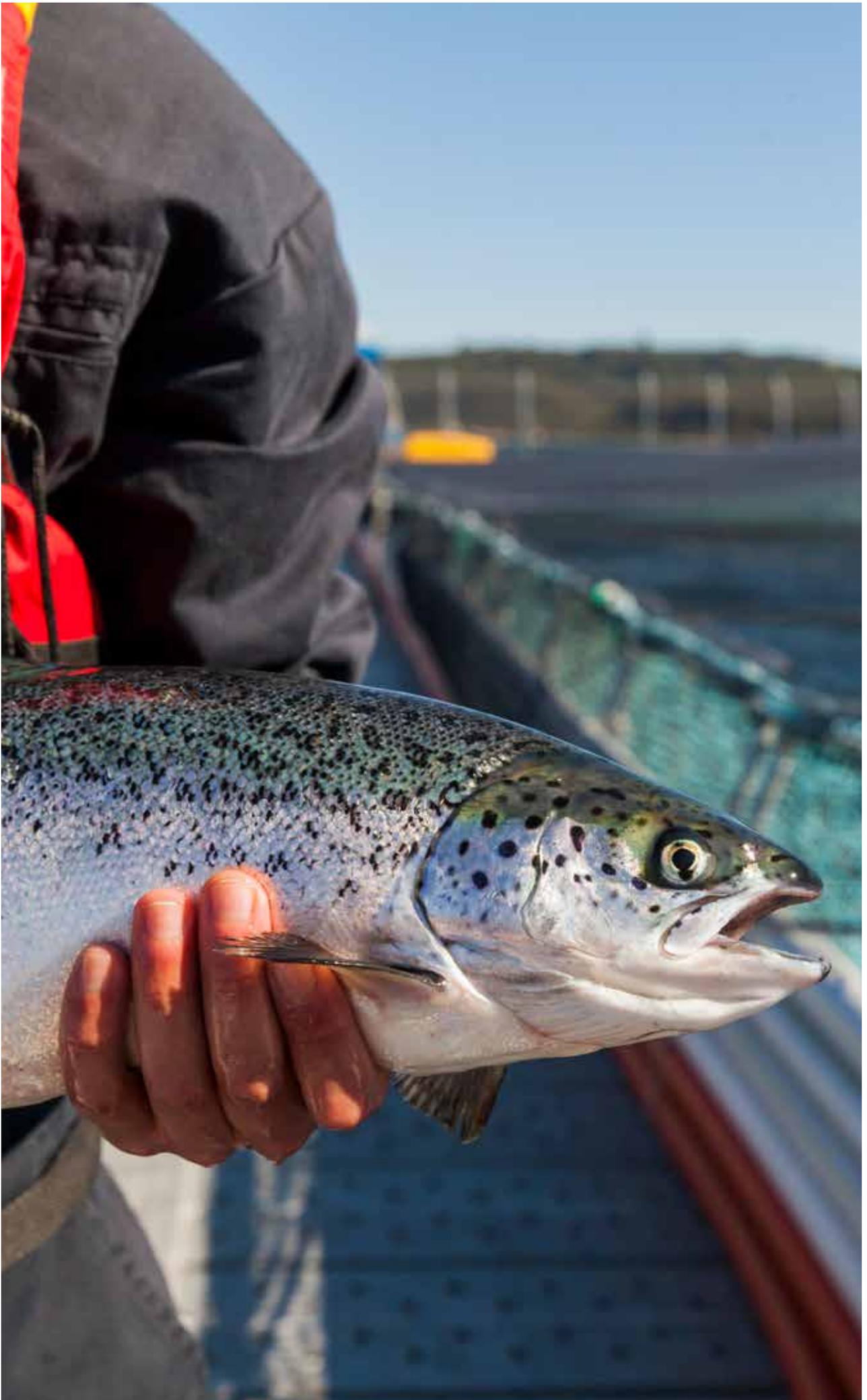
Movements in the standalone cash flow statement of Salmones Camanchaca S.A. represent 99% of operating cash flows, 100% of investing cash flows and 100% of financing cash flows.

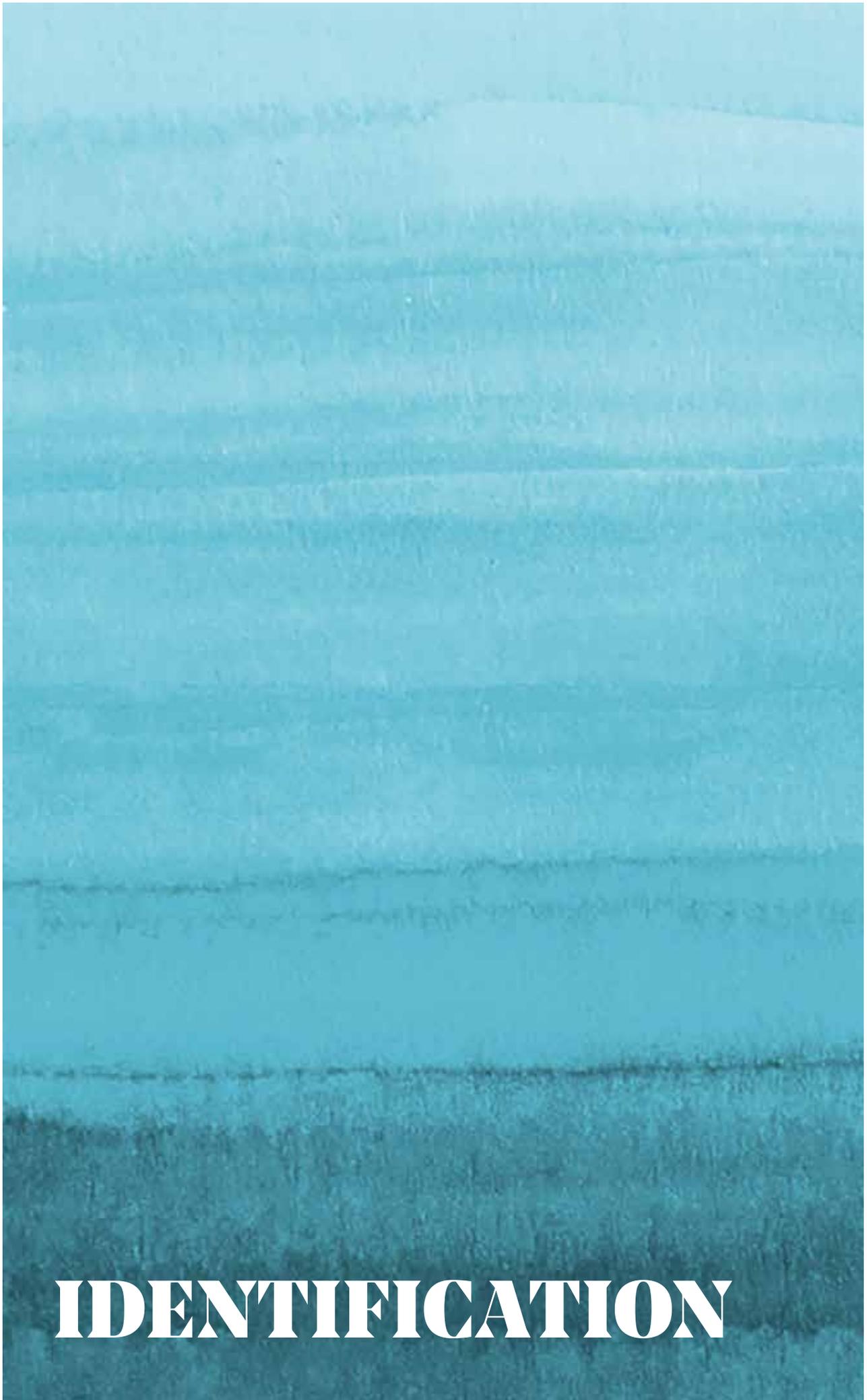
CHAPTER

**04**

**THE  
COMPANY**

SALMONES CAMANCHACA  
**ANNUAL REPORT 2018**





**LEGAL NAME**

Salmones  
Camanchaca S.A.

**PHONE**

(56 2) 2 363 57 00

**CHILEAN TAXPAYER  
ID NUMBER**

76.065.596-1

**FAX**

(56 2) 2 375 43 84

**TYPE OF  
ENTITY**

Joint Stock  
Company

**CONTACT  
E-MAIL**

[inversionistas@camanchaca.cl](mailto:inversionistas@camanchaca.cl)

**SECURITIES  
REGISTRY**

1150

**WEBSITE**

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

**ADDRESS**

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

**TICKER**

Santiago Stock Exchange: SALMOCAM  
Oslo Stock Exchange: SALMON

# OUR HISTORY

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**Period**

**1987  
1999**

In 1987 Camanchaca established its salmon farming operations by acquiring the Polcura hatchery, where the first Pacific (Coho) smolts were produced. This was the first species farmed by the Company. The same year, the first Atlantic salmon were stocked at the Pañasmó and Terao sites. The Company also began to acquire several aquaculture concessions with a combined production potential of 80,000 tons per year.

In 1989 Camanchaca began to farm Atlantic salmon and expanded its operations within the Los Lagos Region.

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**Period**

**2000  
2010**

In 2001 Camanchaca made a pioneering investment, establishing the first recirculating hatchery for salmon in Chile, located on the Petrohué River in the Los Lagos Region, with production capacity of 15 million smolts per year.

In 2004 Fiordo Blanco S.A. was acquired by Camanchaca, adding new important aquaculture concessions and an Atlantic salmon breeding program, with an exclusive, faster growing breed, the Lochy strain.

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

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

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**Period****2011  
2015**

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

In 2012 Salmones Camanchaca became the world's first salmon producer to earn three stars in the Best Aquaculture Practices (BAP) certification program.

In 2013 the Company founded New World Currents, in association with three other Chilean companies, in order to efficiently and consistently supply the Chinese market, with the goal of becoming China's largest importer of farmed salmon.

That same year, the Global Salmon Initiative (GSI) was launched. This organization brings together the world's leading salmon producers, including Salmones Camanchaca. Its objective is to build greater cooperation and transparency in order to make continuous progress in sustainable salmon farming.

In 2015 Salmones Camanchaca published its first Sustainability Report. That same year, the eruption of the Calbuco volcano caused damage in the Los Lagos Region, specifically affecting the Petrohué RAS hatchery. The Company managed to recover more than 85% of its fresh water fish and quickly rebuilt the hatchery.

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**Period****2016  
2017**

In 2016, Salmones Camanchaca suffered the effects of a harmful algae bloom, which resulted in significant mortality at three of its sites in the Reloncaví Gulf. That same year, the Tomé and San José processing plants were certified under the ASC Chain of Custody Standard. The Company also earned a fourth star in the BAP certification program for the Rio Petrohué hatchery, completing certification for its entire chain of production under this standard.

In September 2016, the Petrohué hatchery was reopened after having been damaged by the eruption of the Calbuco volcano. The new hatchery facilities feature high standards of safety and state-of-the-art recirculation technologies, which resulted not only in operational improvements, but also environmental benefits and significant progress towards clean, sustainable aquaculture.

In 2017, the Company's corporate social responsibility program, Friendly Camanchaca, celebrated its fifth anniversary. This program aims to promote healthy eating, caring for the environment and socioeconomic development in areas near the Company's operations.

# 2018 HIGHLIGHTS



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## SALMONES CAMANCHACA LISTED SIMULTANEOUSLY ON OSLO AND SANTIAGO STOCK EXCHANGES



Salmones Camanchaca and its parent company completed a successful primary and secondary placement of 30% of the Company's shares on the Santiago and Oslo stock exchanges for US\$108 million, raising US\$50 million for Salmones Camanchaca. This placement positioned Salmones Camanchaca as the first and only Chilean and Latin American company to be listed on the world's most important seafood market. Following the IPO on February 2, 2018, the Company's shares doubled in value during the year, while coverage by international investment banks rose from 3 at the time of the IPO to 7. The success of this deal is also reflected in the Company having met objectives presented during the IPO roadshow, specifically harvest, sale, margin and investment projections.



## FIRST SALMON FARMING COMPANY TO REGISTER WITH HUELLA CHILE PROGRAM

Salmones Camanchaca became the first salmon farming company to register with the Huella Chile Program from the Ministry of the Environment. This program is designed to encourage public and private-sector companies to quantify, report and manage their greenhouse gas (GHG) emissions. To attain this recognition, the Company quantified its GHG emissions for the year 2017. The process, advised by GreenTicket and audited by Deloitte Chile, culminated with the use of the Huella Chile calculation tool.

## BOARD CHANGES AND NEW CHIEF EXECUTIVE OFFICER

After the shareholders' meeting on April 26, 2018, Jorge Fernández García, the then CEO of Salmones Camanchaca, was appointed the Company's new chairman, to replace Ricardo García, who was named vice-chairman. Manuel Arriagada took over as the new CEO of Salmones Camanchaca. These changes are designed to further the Company's successful track record of asset growth, diversification, development and value generation.

## RECONSTRUCTION OF PETROHUÉ HATCHERY COMPLETE

Reconstruction of the Petrohué hatchery was fully completed in 2018, after facilities were seriously damaged by the eruption of the Calbuco volcano in 2015. This hatchery, one of the first in the world to use a recirculating system for farming Atlantic salmon, now has capacity for 14 million smolts. With these facilities now operational, the Company is on track to comply with its production plan to harvest 60 thousand tons WFE of Atlantic salmon in 2021-2022.

## RECORD ASC PRODUCTION

For the first time ever, almost one third of the Company's production met the demanding standards of the Aquaculture Stewardship Council (ASC) certification program, reaching 96% during the fourth quarter of 2018. These standards guarantee that processes comply with sustainability best practices. In fact, in 2017 Monterey Bay Aquarium's Seafood Watch program updated its recommendation for ASC-certified farmed salmon, calling it a "good alternative" for consumers.



# ARTICLES OF INCORPORATION

Salmones Camanchaca S.A. was incorporated as a privately held corporation by public instrument on June 26, 2009, signed before Santiago Notary Mr. Félix Jara Cadot. An abstract of that instrument was registered on July 23, 2009, on page 33,897, No. 23,131 of the Santiago Commerce Registry and was published in the Official Gazette on July 24, 2009.

The Company's corporate purpose is: a) Aquaculture activity in general, especially breeding, producing and farming salmon, trout, other salmonidae and all other species, beings or organisms grown entirely or primarily in water, including research and development of salmonidae genetics; industrializing, slaughtering, cooling, freezing, dehydrating, packing, packaging, transporting and selling products, by-products and derivatives of aquatic activities, for its own benefit and also by providing services related to these activities to third parties; and b) researching and developing, producing and manufacturing inputs, machinery, elements and materials for aquatic activities, all for its own production or for sale to third parties.

The Company is of indefinite duration.

Its authorized, subscribed and paid-in capital is of US\$91,786,390.08, divided into 66,000,000 nominative, single-series shares with no par value and no preferential rights whatsoever.

The Company is managed by a Board of Directors consisting of five members that are eligible for reelection. They serve two-year terms, at which time the entire Board is renewed. Directors can be re-elected indefinitely.

Shareholders meet in annual general and extraordinary meetings. Annual general meetings are held within the first four months of each year and extraordinary meetings may be held at any time, when required by corporate needs, to decide on any matter for which the law or bylaws require shareholder approval, provided that such matters are indicated in the corresponding meeting notice.

At the annual general meeting, shareholders appoint an external auditing firm each year to examine the Company's accounting, inventory, balance sheet and other financial statements. These auditors shall inform shareholders in writing as to their compliance with their mandate at the next annual general meeting.

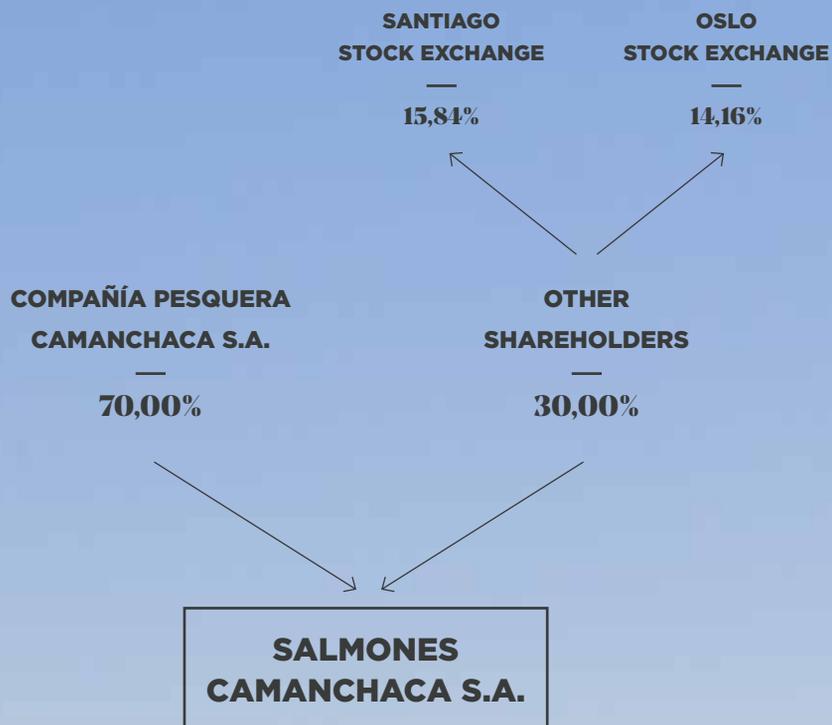
On December 13, 2017, the Company was registered as number 1150 in the Securities Registry maintained by the Superintendency of Securities and Insurance.



# COMPANY'S STRUCTURE

As of December 31, 2018





**Note:**  
Includes direct and indirect interests



# CONTROL



Salmones Camanchaca S.A. is controlled by Compañía Pesquera Camanchaca S.A., direct and indirect owner of 70% of the Company's shares.

Compañía Pesquera Camanchaca S.A., direct owner of 69.9998% of the Company's shares, is controlled by Mr. Jorge Fernández Valdés, Chilean ID Number 3.189.057-8, through the companies Inversiones HFG Limitada, Taxpayer ID Number 76.076.557-0, direct owner of 33.1717% of the Company's shares, and Inversiones Los Fresnos Limitada, Taxpayer ID Number 78.172.330-4, direct owner of 19.6020% of the Company's shares.

Inversiones Los Fresnos Limitada and Inversiones HFG Limitada, companies in which Mr. Jorge Fernández Valdés is direct owner of 99.964% and 0.00069%, respectively, are controlled by Mr. Jorge Fernández Valdés in accordance with their respective bylaws. Inversiones HFG Limitada is direct owner of 0.036% of Inversiones Los Fresnos Limitada. The partners of Inversiones HFG Limitada are: 1) Jorge Fernández Valdés, with 0.00069%; 2) Inversiones La Viña Limitada, Taxpayer ID Number 76.066.421-4, with 16.6665%, of which 96% is owned by Ms. María Carolina Fernández García, Chilean ID Number 6.377.733-1; 3) Inversiones Bahía Quelltehues Limitada, Taxpayer ID Number 76.066.852-4, with 16.6665%, of which 96% is owned by Mr. Jorge Fernández García, Chilean ID Number 6.377.734-; 4) Inversiones Fernández Cambiasso Limitada, Taxpayer ID Number 76.066.862-1, with 16.6665%, of which 96% is owned by Mr. Andrés Fernández García, Chilean ID Number 6.446.623-2; 5) Inversiones Bahía Pastores Limitada, Taxpayer ID Number 76.066.883-4, with 16.6665%, of which 96% is owned by Ms. María de la Paz Fernández García, Chilean ID Number 6.377.735-8; 6) Inversiones Salar Grande Limitada, Taxpayer ID Number 76.066.856-7, with 16.6665%, of which 96% is owned by Mr. Cristián Fernández García, Chilean ID Number 9.216.903-0; 7) Inversiones Orzada Limitada, Taxpayer ID Number 77.066.845-1, with 16.6665%, of which 96% is owned by Mr. Gonzalo Fernández García, Chilean ID Number 13.441.707-2

The following individuals related to Mr. Jorge Fernández Valdés are direct owners of the following percentages of the Company: Jorge Fernández García, Chilean National ID 6.377.734-K: 0.048% and Nicolás Guzmán Covarrubias, Chilean National ID 6.377.761-7: 0.048%

Control of Compañía Pesquera Camanchaca S.A., is also held by Mr. Francisco de

Borja Cifuentes Correa, Chilean National ID 4.333.851-K, who has a joint action agreement with Mr. Jorge Fernández Valdés, that limits the free disposal of shares.

Mr. Francisco de Borja Cifuentes Correa controls, in accordance with their respective bylaws, the companies Inversiones Cifco Limitada, Taxpayer ID Number 78.172.320-7, and Inversiones HCL Limitada, Taxpayer ID Number 76.076.548-1. The latter two entities own 13.1700% of the Company's shares.

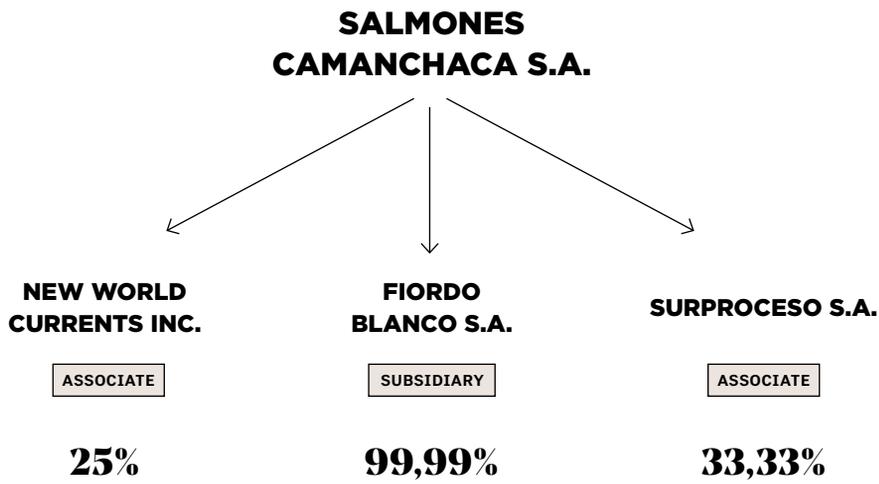
The partners of Inversiones Cifco Limitada, which directly owns 3.1320% of Compañía Pesquera Camanchaca S.A., are Mr. Francisco de Borja Cifuentes Correa, with 99.9621% of that company, and Inversiones HCL Limitada, with 0.0379% of that company. The partners of Inversiones HCL Limitada, which owns 10.0380% of the Company, are: a) Mr. Francisco de Borja Cifuentes Correa, with 0.0024% of that company; b) Inversiones Cilar Uno Limitada, Taxpayer ID Number 76.066.821-4, with 19.9995%, of which 96% is owned by Ms. Mónica del Pilar Cifuentes Larios, Chilean ID Number 9.007.413-5; c) Inversiones Cilar Dos Limitada, Taxpayer ID Number 76.066.824-9, with 19.9995%, of which 96% is owned by Mr. Francisco de Borja Cifuentes Larios, Chilean ID Number 12.629.641-K; d) Inversiones Cilar Tres Limitada, Taxpayer ID Number 76.066.833-8, with 19.9995%, of which 96% is owned by Mr. Crisitán Andrés Cifuentes Larios, Chilean ID Number 12.638.234-0; e) Inversiones Cilar Cuatro Limitada, Taxpayer ID Number 76.066.839-7, with 19.9995%, of which 96% is owned by Ms. Carolina Cifuentes Larios, Chilean ID Number 13.550.339-8; and f) Inversiones Cilar Cinco Limitada, Taxpayer ID Number 76.066.842-7, with 19.9995%, of which 96% is owned by Ms. María José Cifuentes Larios, Chilean ID Number 15.960.728-3

## MAJOR SHAREHOLDERS

SHAREHOLDERS	SHARES	%
COMPAÑÍA PESQUERA CAMANCHACA S.A.	46,199,896	70.00%
DNB NOR BANK ASA	9,345,162	14.16%
COMPASS SMALL CAP CHILE FONDO DE INVERSION	2,204,866	3.34%
CHILE FONDO DE INVERSION SMALL CAP	1,696,481	2.57%
BTG PACTUAL SMALL CAP CHILE FONDO DE INVERSION	1,679,068	2.54%
TOESCA SMALL CAP CHILE FONDO DE INVERSION	1,117,183	1.69%
FONDO DE INVERSION SANTANDER SMALL CAP	967,004	1.47%
BCI SMALL CAP CHILE FONDO DE INVERSION	672,376	1.02%
SIGLO XXI FONDO DE INVERSION	603,999	0.92%
BANCHILE ADMINISTRADORA GENERAL DE FONDOS S.A.	306,005	0.46%
LARRAIN VIAL ASSET MANAGEMENT A.G.F. S.A.	300,217	0.45%
FONDO MUTUO COMPASS ACCIONES CHILENAS	218,137	0.33%
<b>SUBTOTAL</b>	<b>65,310,394</b>	<b>98.96%</b>
<b>OTHERS</b>	<b>689,606</b>	<b>1.04%</b>
<b>TOTAL</b>	<b>66,000,000</b>	<b>100.00%</b>

# OWNERSHIP STRUCTURE

As of December 31, 2018



**Note:**  
Includes direct and indirect interests





## **AGREEMENTS AND CONTRACTS WITH SUBSIDIARIES OR ASSOCIATES**

No agreements or contracts have been signed with subsidiaries or associates that have significantly impacted the operations and results of Salmenes Camanchaca S.A.

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.

# SUBSIDIARIES

As of December 31, 2018 and 2017

TAXPAYER ID	COMPANY NAME	OWNERSHIP INTEREST		
		DIRECT	INDIRECT	TOTAL
96.540.710-3	FIORDO BLANCO S.A.	99,99	0,00	99,99

Percentage that the investment in each company represents of the Company's total individual assets as of December 31.

TAXPAYER ID	COMPANY NAME	INVESTMENT 2018	INVESTMENT 2017
96.540.710-3	FIORDO BLANCO S.A.	10,33%	11,11%

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**CORPORATE NAME AND TYPE OF ENTITY:****FIORDO BLANCO S.A.****SUBSCRIBED AND PAID-IN CAPITAL: US\$ 46.115.059**

Subsidiary of Salmones Camanchaca S.A.

**CORPORATE PURPOSE:**

Farming, breeding, producing, developing, catching and marketing all types of beings and organisms grown entirely or primarily in water, whether sea, lake or river; industrializing, transforming, producing, processing, canning, freezing, dehydrating, packaging and marketing and selling these products in any format; creating and operating hatcheries. The company may enter into all acts and contracts directly or indirectly related to its corporate purpose.

**GENERAL INFORMATION:**

The company was incorporated on September 20, 1988, before Valparaíso notary public Ricardo Maure Gallardo. It was registered with the Commerce Registry of the Los Andes Real Estate Registrar on page 59, number 47 in 1988 and with the Commerce Registry of the Santiago Real Estate Registrar on page 61,647, number 43,161 in 2009.

**BUSINESS RELATIONS:**

Esta filial arrienda concesiones y activos asociados a la actividad de salmonicultura. This subsidiary leases concessions and assets related to the salmon farming business to Salmones Camanchaca S.A.

**CHAIRMAN:**

Francisco Cifuentes Correa

**BOARD OF DIRECTORS:**

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

**CHIEF EXECUTIVE OFFICER:**

Manuel Arriagada Ossa

# ASSOCIATES

As of December 31, 2018

TAXPAYER ID	COMPANY NAME	OWNERSHIP INTEREST		
		DIRECT	INDIRECT	TOTAL
76.346.370-2	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, 2017

TAXPAYER ID	COMPANY NAME	OWNERSHIP INTEREST		
		DIRECT	INDIRECT	TOTAL
76.346.370-2	SURPROCESO S.A.	33,33	0,00	33,33
0-E	NEW WORLD CURRENTS LTD.	25,00	0,00	25,00

Percentage that the investment in each company represents of the Company's total individual assets as of December 31.

TAXPAYER ID	COMPANY NAME	INVESTMENT	INVESTMENT
		2018	2017
76.346.370-2	SURPROCESO S.A.	3,79%	1,64%
0-E	NEW WORLD CURRENTS INC.	0,0014%	0,0004%

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**CORPORATE NAME AND TYPE OF ENTITY:**  
**SURPROCESO S.A.**

**SUBSCRIBED AND PAID-IN CAPITAL: CLP\$ 600.000.000**

**CORPORATE PURPOSE:**

Providing storage, slaughtering, calibration, grading and processing services for the salmon farming and general fishing industries.

**GENERAL INFORMATION:**

The company was incorporated on March 17, 2005, before Santiago notary public Arturo Carvajal Escobar. It was registered with the Puerto Montt Commerce Registry on page 177, number 139 in 2005.

**BUSINESS RELATIONS:**

This associate provides slaughtering and gutting services to the subsidiary Salmones Camanchaca S.A.

**CHAIRMAN:**

Adrián Fernández Rosemberg

**BOARD OF DIRECTORS:**

Adrián Fernández Rosemberg, Ignacio Pérez Benítez, Jose Luis Chanes Carvajal, Alvaro Contreras Pérez, Jorge Fernández García and Daniel Bortnik Ventura

**CHIEF EXECUTIVE OFFICER:**

Guillermo Enrique Vásquez Maldonado

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**CORPORATE NAME AND TYPE OF ENTITY:**  
**NEW WORLD CURRENTS LTD.**

**SUBSCRIBED AND PAID-IN CAPITAL : HKD\$ 10.000**

**CORPORATE PURPOSE:**

Marketing, selling and distributing Chilean salmon in China and Hong Kong.

**GENERAL INFORMATION:**

The company was incorporated on April 10, 2014, in Hong Kong, in accordance with Hong Kong law and registered in the Companies Registry of the Hong Kong Special Administrative Region of the People's Republic of China.

**BUSINESS RELATIONS:**

This associate markets and sells salmon in the Chinese and Hong Kong markets for Salmones Camanchaca S.A.

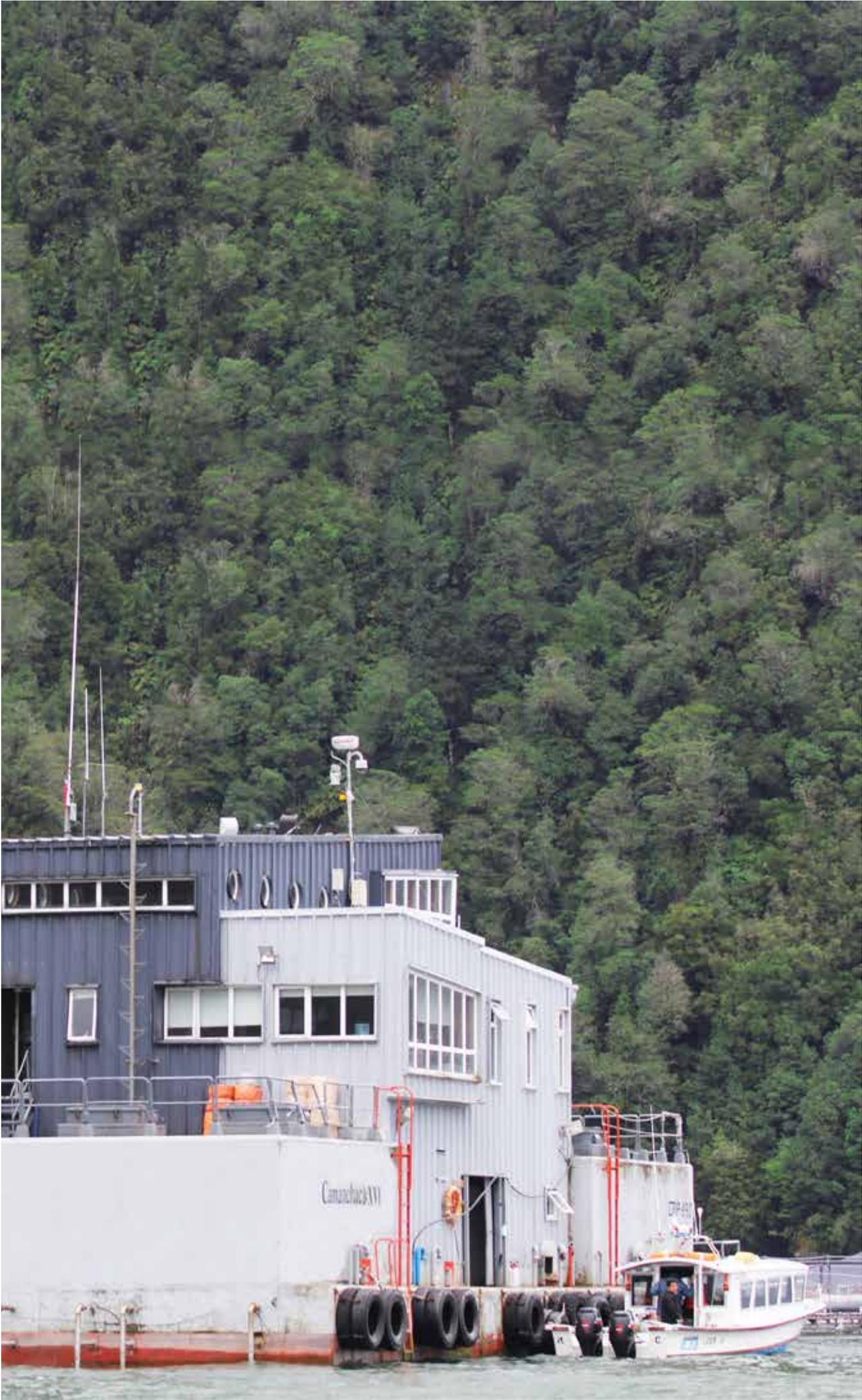
**BOARD OF DIRECTORS:**

Standing Members: Juan Carlos Ferrer Echavarrri, Derek Khon Bruggerman, Daniel Montoya Stehr, Luis Vicente Swinburn Joannon.

**CHIEF EXECUTIVE OFFICER:**

Eduardo Goycoolea Moreno

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# BOARD MEMBERS AND EXECUTIVES WITH POSITIONS AT SUBSIDIARIES OR ASSOCIATES

<b>Name</b>	<b>Subsidiary/Associate</b>	<b>Position in the Subsidiary/Associate</b>
Jorge Fernández García	Fiordo Blanco S.A.	Director
	Surproceso S.A.	Director
Francisco Cifuentes Correa	Fiordo Blanco S.A.	Chairman
Ricardo García	Fiordo Blanco S.A.	Director
Manuel Arriagada Ossa	Fiordo Blanco S.A.	CEO
Daniel Bortnik	Surproceso S.A.	Director
Juan Carlos Ferrer	New World Currents Ltd.	Director

CHAPTER

**05**

**DIRECTORS AND  
KEY EXECUTIVES**

SALMONES CAMANCHACA  
**ANNUAL REPORT 2018**



# BOARD OF DIRECTORS



**Jorge  
Fernández García**

**CHAIRMAN**

CHILEAN ID NUMBER: 6.377.734-K

ECONOMIST AND BUSINESS  
ADMINISTRATOR  
UNIVERSIDAD DE CHILE

DATE ELECTED  
04/26/2018



**Ricardo García Holtz \***

**VICE CHAIRMAN**

CHILEAN ID NUMBER: 6.999.716-3

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 MOST RECENT  
RE-ELECTION  
04/26/2018



**Francisco  
Cifuentes Correa**

**DIRECTOR**

CHILEAN ID NUMBER: 4.333.851-K

LAWYER  
PONTIFICIA UNIVERSIDAD  
CATÓLICA DE CHILE

DATE OF MOST RECENT  
RE-ELECTION  
04/26/2018



**Felipe  
Sandoval Precht \***

**DIRECTOR**

CHILEAN ID NUMBER: 7.673.035-0

CIVIL ENGINEER  
UNIVERSIDAD DE CHILE

DATE OF MOST RECENT  
RE-ELECTION  
04/26/2018



**Tore  
Valderhaug \***

**DIRECTOR**

CHILEAN ID NUMBER: 26.622.508-3

NORWEGIAN STATE AUTHORIZED  
PUBLIC ACCOUNTANT  
NORWEGIAN SCHOOL OF  
ECONOMICS (NHH)

DATE OF MOST RECENT  
RE-ELECTION  
04/26/2018

**Note:**

\* Members of the Audit Committee

# KEY EXECUTIVES



**Manuel Arriagada Ossa**

**CHIEF EXECUTIVE OFFICER**

CHILEAN ID NUMBER: 12.149.818-9

INDUSTRIAL ENGINEER  
PONTIFICIA UNIVERSIDAD  
CATÓLICA DE CHILE

STANFORD  
EXECUTIVE MANAGEMENT PROGRAM

DATE APPOINTED  
04/11/2018



**Juan Carlos Ferrer Echavarrri**

**CORPORATE BUSINESS  
MANAGER**

CHILEAN ID NUMBER: 6.190.572-3

INDUSTRIAL ENGINEER  
PONTIFICIA UNIVERSIDAD  
CATÓLICA DE CHILE

DATE APPOINTED  
01/23/2012



**Daniel Bortnik Ventura**

**CORPORATE CHIEF  
FINANCIAL OFFICER**

CHILEAN ID NUMBER: 8.036.514-4

ECONOMIST AND BUSINESS  
ADMINISTRATOR  
PONTIFICIA UNIVERSIDAD  
CATÓLICA DE CHILE

MBA  
PONTIFICIA UNIVERSIDAD  
CATÓLICA DE CHILE

DATE APPOINTED  
08/01/2011



**Rafael Le-Bert Ramírez**

CORPORATE  
LEGAL COUNSEL

CHILEAN ID NUMBER: 13.273.363-5

LAWYER  
UNIVERSIDAD DE CHILE

LL.M.  
UNIVERSITÉ DE FRANCHE-COMTÉ,  
BESANÇON, FRANCE

DATE APPOINTED  
03/01/2013



**Pablo Hernández Neira**

CORPORATE HUMAN  
RESOURCES MANAGER

CHILEAN ID NUMBER: 10.350.784-7

PUBLIC ADMINISTRATOR  
UNIVERSIDAD DE CHILE

MASTER'S IN HUMAN R  
ESOURCES MANAGEMENT  
UNIVERSIDAD ADOLFO IBÁÑEZ

DATE APPOINTED  
04/01/2013



**Alvaro Poblete Smith**

REGIONAL FARMING  
MANAGER

CHILEAN ID NUMBER: 7.656.660-7

INDUSTRIAL ENGINEER  
UNIVERSIDAD DE CHILE

DATE APPOINTED  
10/01/2016



**Claudio Smauck Céspedes**

ADMINISTRATION AND  
FINANCE MANAGER

CHILEAN ID NUMBER: 11.843.532-K

INDUSTRIAL ENGINEER  
PONTIFICIA UNIVERSIDAD C  
ATÓLICA DE CHILE

DATE APPOINTED  
01/01/2012



**Jorge Vergara González**

REGIONAL PROCESSING  
MANAGER

CHILEAN ID NUMBER: 13.951.783-0

INDUSTRIAL ENGINEER  
UNIVERSIDAD DE DESARROLLO

DATE APPOINTED  
04/01/2017



**Daniel Silva Troncoso**

COMMERCIAL MANAGER

CHILEAN ID NUMBER: 13.940.977-9

ECONOMIST AND BUSINESS  
ADMINISTRATOR  
UNIVERSIDAD DIEGO PORTALES

DATE APPOINTED  
11/01/2018

# PROFESSIONALS, TECHNICIANS AND LABORERS

	2018				2017			
	LABORERS	TECHNICIANS	EXECUTIVES	TOTAL	LABORERS	TECHNICIANS	EXECUTIVES	TOTAL
Salmones Camanchaca S.A.	1,045	277	13	1,335	1,299	275	14	1,588

## INDIVIDUALS BY GENDER

	2018			2017		
	MAN	WOMAN	TOTAL	MAN	WOMAN	TOTAL
Board Members	5	0	5	5	0	5
Key Executives	9	0	9	9	0	9
Company	1,035	300	1,335	1,133	455	1,588

**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	
	2018	2017
Technicians	68%	65%
Administrative	97%	95%
Operative	82%	82%



**INDIVIDUALS BY NATIONALITY**

NATIONALITY	2018					2017				
	MAN		WOMAN			MAN		WOMAN		
	Chilean	Foreign	Chilean	Foreign	TOTAL	Chilean	Foreign	Chilean	Foreign	TOTAL
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	1,024	11	298	2	1,335	1,132	1	455	0	1,588

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

AGE	2018												
	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	3	1	1	0	0	0	0	0	0	5
Key Executives	0	1	5	3	0	0	0	0	0	0	0	0	9
Company	248	330	243	163	49	2	71	92	85	42	10	0	1,335

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

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

EDAD	2018										TOTAL
	MAN					WOMAN					
	< 3	3-6	6<x<9	9-12	>12	< 3	3-6	6<x<9	9-12	>12	
Board Members	3	0	2	0	0	0	0	0	0	0	5
Key Executives	2	1	5	0	1	0	0	0	0	0	9
Company	508	122	251	62	92	138	35	105	12	10	1,335

EDAD	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

# COMPENSATION OF THE BOARD OF DIRECTORS

BOARD OF DIRECTORS SALMONES CAMANCHACA S.A. DIRECTOR	Compensation (UF)	
	2018	2017
Jorge Fernández García	2,280	0
Ricardo García Holtz	960	720
Francisco Cifuentes Correa	960	1,440
Hector Felipe Sandoval	960	120
Tore Valderhaug	960	120
Jan Stengel Meierdirks	0	660
Jorge Fernández Valdés	0	720
Luis Hernán Paul Fresno	0	660



\* **Unidad de Fomento (UF)**: Unit of account used in Chile, readjustable according to Chilean inflation. Its value as of December 31, 2018 is 1 UF = CL\$ 27,566 = US\$ 39,7

# COMPENSATION OF EXECUTIVES

The total compensation received by the managers and key executives during the year 2018 reached the sum of ThUS\$ 2,636.-, which considered fixed and variable components. The latter consists of a performance-determined non-gua-

ranteed 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.

## TOTAL PERCEIVED BY MANAGERS AND KEY EXECUTIVES

		2018	2017
Fixed	ThUS\$	1,807	1,851
Variable	ThUS\$	829	538
Total	ThUS\$	2,636	2,389

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

## 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 2018 reached a total of ThUS\$ 31.

CHAPTER

**06**

**SALMONES  
CAMANCHACA'S  
BUSINESS AND  
INDUSTRY**

SALMONES CAMANCHACA  
**ANNUAL REPORT 2018**



# OUR OPERATIONS

## OUR SALMON PRODUCTION CHAIN

The salmon production cycle begins with the Company's Genetic Enhancement Program. After that, the process from spawning to harvest and sale takes an additional three years.

Throughout the cycle, Salmones Camanchaca seeks, in three of Chile's regions, for optimum conditions so that the farm production process is as similar as possible to salmon development in nature. The first stage takes place in fresh water and the fish are then transported to Salmones Camanchaca's sea grow-out sites in the pristine waters of Chile's Los Lagos and Aysén regions.

## POLCURA HATCHERY - GENETIC ENHANCEMENT PROGRAM (GEP) (36 MONTHS)

Our salmon production process begins with the genetic makeup of our strains at the Polcura hatchery in the Biobío Region. Here, the Company's Innovation and Development and Freshwater divisions have jointly developed its Genetic Enhancement Program (GEP) for more than 15 years near Laguna del Laja National Park and a river of the same name. The GEP is one of the Company's greatest production strengths, allowing it to control genetic variables in addition to selecting fish with specific characteristics, such as more disease-resistant fish or greater-growth-rate fish, among others.

As one of the oldest hatcheries in Chile, operating for almost 70 years, Polcura is the foundation of the Company's family tree. Here, our teams perform studies and genetic crosses of families of the Fanad and Lochy strains to obtain the best outcomes based on the strengths and potential of each strain.

The town of Polcura, located on the road to Antuco, is part of the district of Tucapel, which had around 14,000 residents according to the 2017 census (CENSO, 2017).

Since its beginnings, the hatchery team has included members from the neighboring towns of Huepil and Polcura, including some individuals with more than 30 years of experience at the Company, contributing considerable experience and knowledge acquired over this period. Community relations are strong and valued not only because of the Company's contribution to the development of local residents but also because of its efforts to care for the environment.

Some of the activities carried out as part of the GEP in Polcura include:

1. Selection of fish with high genetic values for resistance (population/family genetic value), quality (color) and growth.
2. Yearly production of breeders for 100% of Company's egg production. It has additional capacity of at least 50% beyond current production (20 million eggs/year)
3. Challenge testing to evaluate resistance to disease
4. Challenge testing to evaluate the effects of co-infection versus single infection
5. Challenge testing to evaluate the effect of vaccinations on fish selection
6. Start of genomic selection for SRS resistance (QTL marker).





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

As part of the GEP in Polcura, breeders are obtained and then transported over land to the Río del Este hatchery in the town of Ralún, Los Lagos Region. Here, near the mouth of the Petrohué River, we obtain male and female gametes that are then used in the fertilization process. Later, the eggs undergo a quality selection process to ensure a highly efficient product. The egg selection process consists of eliminating from production eggs that we believe will not develop optimally. They are identified mainly by traits observable to the naked eye.

Once the eggs reach the so-called eyed egg stage, they are moved 28 km northeast to our Río Petrohué recirculating hatchery to continue developing.

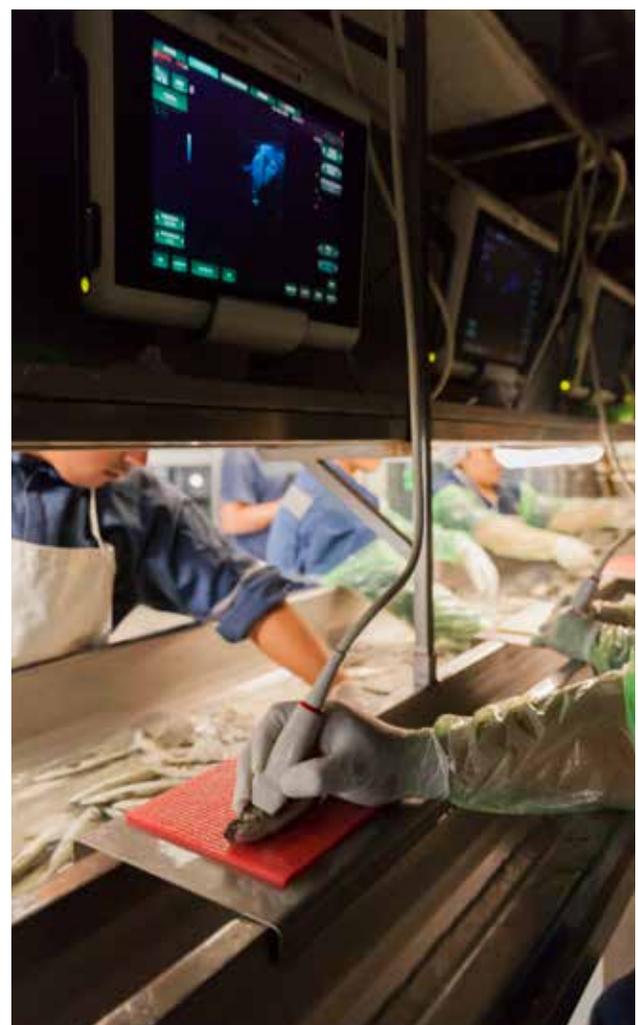
### **RÍO PETROHUÉ HATCHERY (11-12 MONTHS)**

This hatchery was one of the first in the world to use a recirculating system for farming Atlantic salmon (*Salmo salar*). One of the main benefits of this type of system is significant water savings (as compared to open-flow hatcheries). It also allows for tight control of all environmental variables such as oxygen, temperature, pH, etc. Petrohué supplies its tanks using water from deep wells located on its property. This water is very pristine and temperature-constant, which is optimum for salmon farming. Recirculating systems reduce the risk of fish leakage and interaction with other wildlife and allow for strict traceability of the process.

Recirculating systems are characterized by reusing the same water in several cycles of its processes. However, to make this possible, the water must undergo a three-step treatment process:

- 1) Extraction of solids (mechanical treatment)
- 2) Removal of organic matter using a biofilter (biological treatment)
- 3) Elimination of carbon dioxide, disinfecting with ultraviolet (UV) light and other processes that maintain it at optimum conditions to be reused once again in the same process.

Petrohué is separated into two large production units, the hatchery (eyed egg to fry) and the smolt production unit or SPU (pre-smolt and smoltification stage). The hatchery unit receives eyed eggs from Río del Este and keeps them under ideal temperature conditions. After approximately 30 days of incubation, the fry hatch (are born). At this stage, a fry weighs between 0.2 and 0.3 gr. After being intensely fed for a period of one to two months, they reach a weight of five to seven grams. Fry are then transferred to other, larger units within the hatchery for two to three months. Here they reach a weight of 30 to 40 grams, at which time they are moved to the SPU for the final fresh-water phase.



### **SMOLT PRODUCTION UNIT, PETROHUÉ (SPU) (5 MONTHS)**

The last stage of production in fresh water takes place in the Smolt Production Unit (SPU). The SPU tanks are adapted to farm larger fish and optimize control of the most critical process that fish undergo in fresh water, that of acclimating to the major change of environment from fresh to seawater. Following this process, known as "smoltification", the fish are ready to be moved to the ocean. The fish undergo the most fresh-water growth in the SPU, swelling from 30-40 grams to approximately 100 grams or more, based on production planning, which considers sanitary fallow periods for each neighborhood that ultimately determine smolt stocking dates at sea grow-out sites.

Today, there are five SPUs, each with eight to ten tanks that can house up to 120,000 fish.

Overall, around 65 people work at these two Petrohué smolt facilities, 75% of which are local residents of Ensenada and Ralún.

This hatchery was seriously damaged in 2015 following the eruption of the Calbuco volcano. Reconstruction was fully completed in 2019. As a result of this process, the facility now has capacity for 14 million 100-gram smolts, which will enable the Company to achieve its production plan. This gives the Company a forecasted harvest capacity of 70,000 tons WFE per year.

In addition to the fresh water production line for Atlantic salmon, the Company has assets used to produce trout and coho (Pacific salmon), specifically the Río de la Plata hatchery and the Playa Maqui lake farm site.

### **RIO DE LA PLATA**

This hatchery located in the Purranque sector of the Los Lagos Region is used to farm trout and coho salmon. At these facilities, eggs grow until they reach the fry stage (20 g), at which point they are transported to the Playa Maqui lake farm site, which is currently dedicated

exclusively to Company-production of coho. In 2018, nearly five million eggs of this species passed through this site, spending around eight months here.

This farm site has a team of 16 employees, 80% of which are residents of the district of Purranque.

### **PLAYA MAQUI**

The Company has a smoltification site in Llanquihue Lake (Los Bajos sector in the district of Frutillar). For years, this center has been dedicated to producing trout for other companies in the industry and for in-house production of this species before 2014. As of 2018, this facility started Pacific salmon production for third parties and in-house farming and during the first quarter 2019, the Company stocked a total of 1.4 million smolt at four sites.

The Company provides two types of third-party services: sale of smolts and third-party farming. For the latter service, fry, feed and vaccines are provided by the customer.

This farm site has a team of 19 employees, 85% of which are residents of the district of Frutillar.

The Company's Research and Development (R+D) Department began with the Genetic Enhancement Program as part of the Freshwater Division and became a separate department in 2017. The following table details the department's projects:

<b>REPRODUCTION, GENETICS AND R+D</b>					
<b>FOCUS</b>	<b>CODE</b>	<b>RELATED PROJECTS</b>	<b>FARM SITE</b>	<b>PERIOD</b>	<b>STATUS</b>
Production	P003-17	Production evaluation of monosex lochy cages	Islotes	Sep.2017-Jan.2019	Completed
	P004A-17	Lochy response to photoperiod (part 1)	Pilpilehue	Oct.2016-Mar.2018	Completed
	P004B-19	Production evaluation of lochy cages stocked off season (contao and chonos) part 2	Chonos-contao	May.2019-Jun.2020	In process
	P005-17	Year-round production of lochy eggs (part 1)	Polcura-río del este	Sep.2016-Oct.2018	Completed
	P007A-17	Production evaluation of fish selected for srs resistance (population selection)	Pilpilehue-porce-lana	May.2017-Ene.2020	In process
	P007B-18	Production evaluation of fish selected for srs resistance (genomic selection)		May.2018-Ene.2021	In process
Sanitary conditions	P006-17	Effects on embryo development of chilled eggs	Rio del este	Sep.2016-Dic.2017	Completed
	P012-18	Evaluation of vertical transmission of prv on families from gep	Polcura	May.2018-May.2019	In process
	P014-18	Immune status of salmo salar and relationship to infection by p.Salmonis. Collaborative project with strategic investment fund	Islotes-puelche-cabudahue	Feb.2018-Dic.2018	Completed
	P015-18	Formalin v/s bronopol, effects on lochy embryo	Rio del este	Jun.2018-May.2019	In process
Environmental	P010-17	Development of predictive tool for controlling harmful algae blooms		Jun.2017-Jun.2019	In process

### **GROW-OUT IN LOS LAGOS AND AYSÉN REGIONS (12 TO 18 MONTHS)**

Once they are ready to continue growing in salt water, smolts are moved using ground and sea transport from the Petrohué hatchery in the town of Ensenada, district of Puerto Varas, to our different grow-out sites in the Los Lagos and Aysén regions.

Smolt are placed in the different sea farm sites based on production planning, which considers neighborhood closures to comply with current regulations on sanitary fallow periods.



The natural conditions for salmon to develop and grow in sea water can be found in the cold waters of southern Chile, which is an ideal setting for approximately 97% of fish growth to occur in the 12-18 months following the first stage at the hatchery.

The scenery surrounding these production centers is packed with native flora and fauna. Amidst snow-capped peaks and austral fjords, farm site employees work in shifts scheduled to ensure balance between their professional development and personal and family time. In on-land lodges or floating pontoons, men and women co-exist with nature, protecting both the salmon under their care in minimally invasive facilities and the environment around them.

For more than a year, seawater teams have been using an automatic feeding system that today can even be activated remotely when weather does not permit them to enter the area. In addition, other technology has been added to monitor feed consumption and, using specially adapted robots, extract mortalities and wash nets in situ.

When the fish have reached the proper size, close to five kg WFE, they are transported in specially designed wellboats to our primary processing plants. Our farm sites in the Los Lagos Region are processed at the Company's plant in Calbuco and farm sites located in the Aysén Region are processed at the Surproceso plant located in the district of Quellón on the island of Chiloé.

### **SAN JOSÉ PRIMARY PROCESSING PLANT, CALBUCO. LOS LAGOS REGION**

The island of Quihua in the district of Calbuco, a primarily rural (albeit industrial) area, is home to our primary processing plant and fish storage facilities, which are capable of processing 85,000 thousand salmon per day. This plant is responsible for processing seawater production from sites located in the Los Lagos Region. It can process different species such as Atlantic salmon, trout and Pacific salmon or coho.

It has sufficient capacity to also provide processing services for other companies in the area and value-added processes for whole fresh salmon to be exported directly to countries like Argentina, Brazil and China.

Next to the plant lies the San José Rural School, which has a total of 150 students, all from Quihua Island. The areas of Yaco, Pureo, San Antonio and Chullehua, among others, are also part of the school community. This sector has a large number of indigenous communities and numerous community associations with different purposes such as sports, social, tourism, etc.

Surproceso S.A. Processing Plant in Quellón, Island of Chiloé, Los Lagos Region. Fish from our seawater sites in the Aysén Region are processed in Quellón at the Surproceso plant, which has a processing capacity of 140,000 fish per day. Salmones Camanchaca owns one third of this company and also has a nursery concession adjacent to the facilities.

## **TOMÉ SECONDARY PROCESSING PLANT**

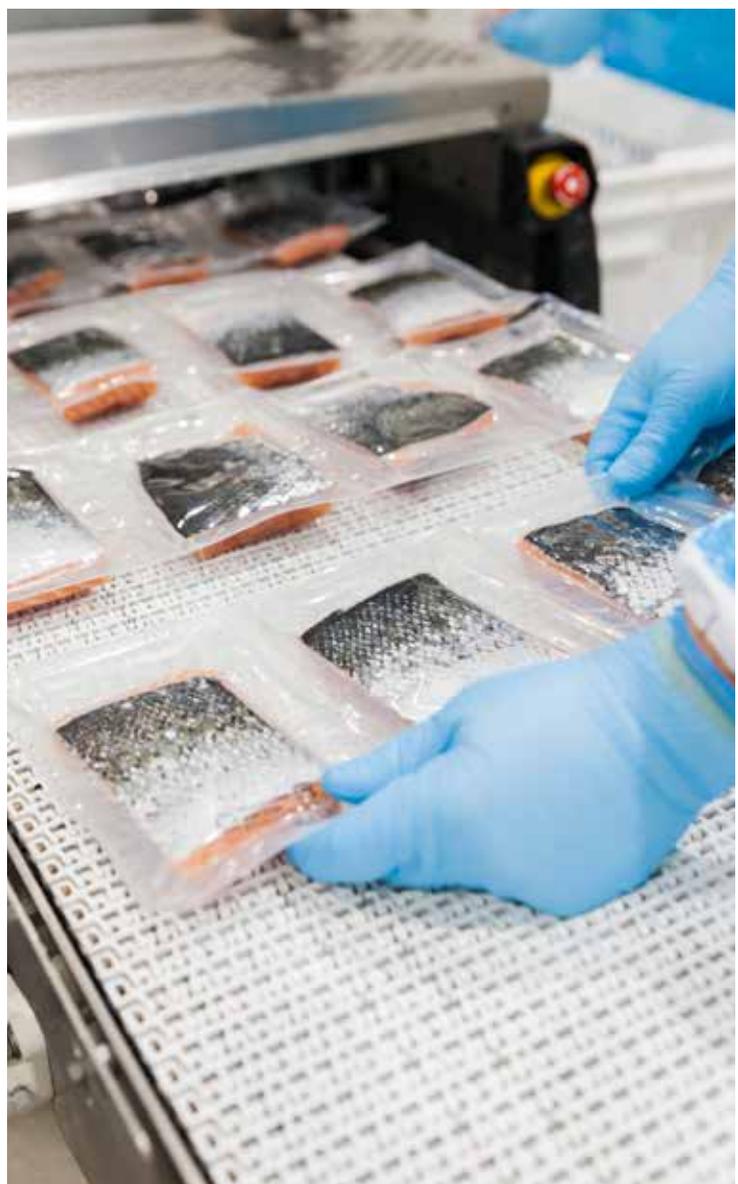
Products other than whole fresh salmon that require more value-added processing are processed at our secondary processing plant in the city of Tomé, Biobío Region. They are transported using reefer trucks to ensure that the cold chain is preserved. The plant has a processing capacity of 240 tons of salmon per day. In 2018, the Company installed a second Marel filleting line to complement another line installed in 2017, thus boosting productivity (+20%) and yield (+1 percentage point).

The plant has the capacity to transform salmon into finished products such as fresh and frozen fillets, fresh and frozen portions and frozen head-on, gutted salmon (HON). These products are offered in skin-on and skinless formats, adapted to consumers in the different markets where Salmenes Camanchaca does business. In addition, a number of by-products such as scrape meat, mince blocks, Harasu, etc., are obtained that have generated an additional revenue stream for the Company.

This plant gives the Company great flexibility, which lets it maximize yield on its salmon and, in collaboration with the commercial division, developing innovative products for different formats and markets.

Fresh products are exported mainly by air in order to optimize the time from harvest to end consumer, even in distant markets such as China and Southeast Asia. Frozen products are transported mainly by ship, which ensures our products reach their final destination in optimum quality.

This plant provides close to 900 jobs each year, with 85% filled by local hires, thus signifying an important contribution to the district's economic and social development and making it an important part of the Tomé community.



# MARKETING NETWORK

Salmones Camanchaca markets and sells its products through a sales team that serves and develops the diverse markets where it does business. This team serves customers directly from Chile, indirectly through a 25% stake in a partnership in China ("New World Currents") and representatives in Mexico and Europe and through sales agreements with Camanchaca Inc. and Camanchaca Ltd. for the US/Canada and Japan/Asia markets, respectively.

The team's sales policies aim to maximize the return on sales and ensure suitable market diversification.

Thanks to this network, throughout its history Salmones Camanchaca has built long-term business relationships with its customers and positioned itself on international markets as a reliable supplier of premium salmon products.

The Company signed an agreement with its parent company, Compañía Pesquera Camanchaca, to market its value-added products in international markets under the Camanchaca Gourmet and Pier 33 brands, which mainly target end consumers.

## CUSTOMERS

Only one direct customer represents more than 10% of total consolidated revenue for 2018. That customer is Camanchaca Inc., a Miami-based subsidiary of its parent company, Compañía Pesquera Camanchaca. It accounts for 32% of total revenue. The Company has no other customers that represent more than 10% of sales.

## 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	174
2018	223

**MARKETS**

The year 2018 was a period of normalization for the Chilean salmon industry following a harmful algae bloom in 2016. The Chilean industry harvests were 678 thousand tons of Atlantic salmon, which represents an increase of 20.3% over the prior year, while global supply grew merely 5.5%.

Salmones Camanchaca attained record production of 48,496 thousand tons WFE, representing 7.1% of Chilean supply of Atlantic salmon and 2% of global harvests. Demand remained solid in both mature and emerging markets in 2018, which kept prices high and stable throughout the period.

New density standards and regulations will limit growth of Chilean producers in the medium term, restricting any in-

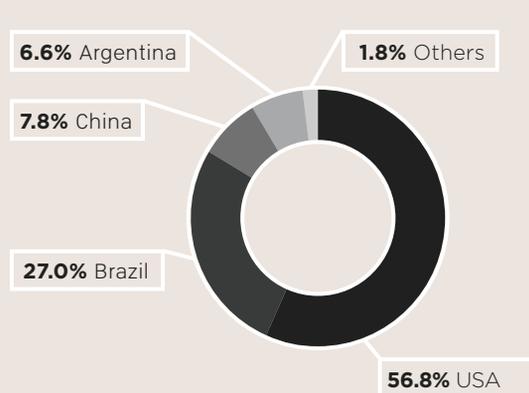
crease in supply. The challenge for Salmones Camanchaca will be to supply new emerging markets with salmon and to reach end consumers more directly with value-added products that adapt to their needs and, in turn, improve the Company's raw material yield.

Traditional markets like the US, Brazil, Russia and Japan remained strong and reported growth in 2018, but new opportunities are also opening up in other countries. Today China has become an important market for the industry and for Salmones Camanchaca in particular, with great growth potential for salmon. Lastly, the Company's partnership to supply the Chinese market with Atlantic salmon, "New World Currents", reported sales of US\$ 99,873 million and 11,549 tons exported, up 78.4% from 2017.

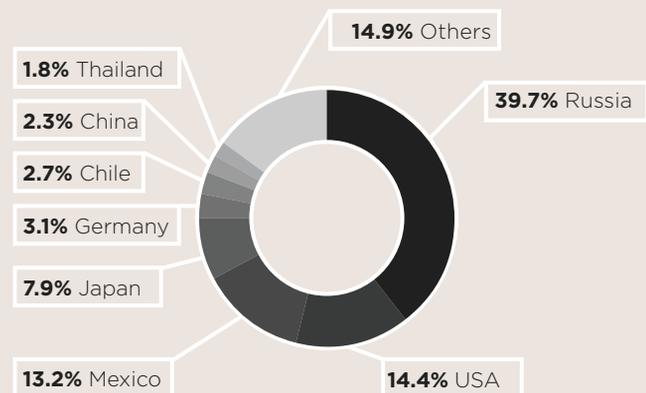
**CAMANCHACA AROUND THE WORLD**

Sales distribution

**FRESH ATLANTIC SALMON (39% OF SALES)**



**FROZEN ATLANTIC SALMON (61% OF SALES)**



CHAPTER

**07**

# **SUSTAINABILITY**

SALMONES CAMANCHACA  
**ANNUAL REPORT 2018**



# FRIENDLY CAMANCHACA PROGRAM



Salmones Camanchaca's sustainability program emerged in 2013 from the Company's desire to generate deep, lasting ties with its surroundings: workers, suppliers, customers, communities and associations. In this spirit, the Company founded the "Friendly Camanchaca Program," which has three key action areas: Community Outreach, Caring for the Environment and Healthy Living.

The program and its three action areas were strengthened in 2018, making it a model program for the salmon industry. Over its six years in operation, the program has continuously surpassed sustainability standards, while developing plans and activities that generate shared value with communities and give them ongoing support for their initiatives, which ultimately results in improved quality of life.

The Company knows that development must be based on a strong foundation. Therefore, in 2018 it conducted the II Study on Perceptions of Local Leadership and Operating Environments. This initiative is designed to identify and describe Salmones Camanchaca's current image in the communities near its operations and compare it to the first report published in 2016. Based on the study results, the Company established a calibrated road map for the next few years detailing aspects it can improve and attributes that the community believes should be strengthened, such as:

- In general, the Company has a good image because it is stable and follows good labor practices.
- It is valued for creating local jobs, which is still considered a significant contribution.

- It has strengthened ties with the community. It is recognized for its community engagement team and the team's close, respectful relationship with neighbors and direct communication channels.
- The Company has experienced a paradigm shift towards a sustainable organization. The negative perception related to negative environmental conduct has lessened.

In general, communities appreciate the corporate social responsibility program, Friendly Camanchaca, and recognize the Company as a committed, socially responsible entity.

Salmones Camanchaca is proud of its accomplishments in 2018 and considers it one of its most positive years. The results are satisfactory, with the Company having received important recognition not only for initiatives implemented but also for workers involved in the program. For example, the Deputy Manager for Human Resources and Corporate Social Responsibility was recognized for the work done building community relations.

In 2018 Salmones Camanchaca carried out 217 initiatives that impacted over 15 thousand people in the Biobío, Los Lagos and Aysén regions. In an effort to further strengthen ties with the community, a larger role was given to the Friendly Camanchaca fan page on Facebook, quadrupling the number of followers to 105 thousand and increasing interactions to 242 posts, with more than 22 thousand reactions.



# 1.

## COMMUNITY OUTREACH

Close, direct contact with communities is a priority for the Company. In this spirit, this has been one of the three action areas of its corporate social responsibility program for the past six years. The Company understands that shared value is generated by maintaining stable bonds and engaging in concrete actions not only with its employees but also with communities near its operations. In 2018 Salmones Camanchaca focused a large part of its efforts on training neighbors, entrepreneurs and female heads of household in order to equip them with tools for professional development. The Company organized more than 10 cour-

ses, workshops and training sessions, some through agreements with nearby schools to educate new professionals for the aquaculture industry.

Open dialogue is another important component of sustainable development for the Company. In 2018 it proactively initiated community dialogues in order to continue its engagement policy of strengthening ties with communities. Salmones Camanchaca's work support concrete actions, and most of its activities are born from consensus among neighbors and communities.

**TRADE COURSES:**

In March, the Company organized a course entitled "Fish Skin Tanning and Handicrafts" for 17 women participating in a job training program put on by the Municipality of Tomé. At the course, the students learned a variety of techniques for tanning fish skin, a material used to create many typical local handicrafts.

**RELATIONS WITH AUTHORITIES:**

As in prior years, the Company worked together with the municipalities of Quemchi, Tomé, Puerto Varas, Cochamó and Chaitén to organize a variety of activities such as coastal cleanup days, health fairs, soccer tournaments and other events.

**NEIGHBORHOOD DIALOGUES:**

Another noteworthy activity this year was the "Neighborly Dialogues" held in Chaitén in September. At the gathering, local residents proposed turning beach cleanup days into educational experiences for local schoolchildren. The request was met and the project was included within the Company's Sustainable Schools Program, collecting more than eight cubic meters of waste.





# 2.

## CARING FOR THE ENVIRONMENT

Caring for the environment is another key action area for the Company. At Salmones Camanchaca, it is important to create awareness among the general population as to the importance of being concerned for the environment, which is fundamental to the wellbeing of society and planet Earth. The Company believes that preserving the ecosystem is essential to its production activities and addresses this topic at all operations. To accomplish this, it must analyze each action in advance in order to minimize externalities.

The Company actively engages in several tangible environmental practices such as publishing yearly sustainable reports, assisting neighboring schools through the environmental certification process, installing recycling centers at educational establishments in Tomé, training students and their families about recycling and cleaning beaches. These efforts are developed continuously at all operations with involvement from the community and employees.



**ENVIRONMENTAL CERTIFICATION:**

Salmones Camanchaca attained Clean Production certification for the progress it made in 2018 in waste management, energy efficiency and emissions reductions.

**ENVIRONMENTAL CERTIFICATION FOR SCHOOLS:**

As part of its corporate social responsibility program, the Company helped several Chilean schools obtain environmental certification, advising them throughout the process and helping them develop an annual plan. Thanks to these efforts, three schools in the Los Lagos Region were certified with this environmental recognition. Mauricio Hitchcock School in Contao was certified at the excellence level; San José Rural School in Calbuco at the intermediate level and Epson Rural School in Ensenada at the basic level.

**ENVIRONMENTAL TRAINING:**

One particular environmental initiative was a training program for several community leaders from Puelche, Mañihueico and Contao in the Los Lagos Region, preparing them to be environmental leaders in their areas, providing tools to manage networks, share knowledge and forge new environmental protection projects and initiatives.





# 3.

## HEALTHY LIVING

Healthy living is the third action area of the Friendly Camanchaca Program. These programs aim to improve the eating habits and physical activity levels in neighboring communities in light of the high obesity rates affecting the Chilean population. Chile is currently the second most overweight population in the region among OECD countries, according to the most recent report from the FAO. The Company understands that a healthy community brings shared benefits.

Throughout the program's six years, Salmones Camanchaca has committed to and feels responsible for the towns where it operates and it has developed several initiatives to establish these good habits. In this spirit, in 2018 the Company further strengthened several program activities that are already widely recognized by the community such as "Cooking Live," health fairs, races and soccer tournaments. These events attracted over 3,000 children, youth and adults.

**HEALTH FAIRS:**

The Company put on health fairs at preschools, schools and heritage festivals.

In the Los Lagos and Aysén regions, as part of the Healthy Schools project, it organized healthy eating fairs at preschools and schools in order to teach students about the importance of healthy eating and promote an active lifestyle.

**RACES:**

Salmones Camanchaca supported different races throughout Chile, including the Tengo Trail Family Run, in which 300 people participated. The Company handed out water to athletes at three hydration stations along the race route, which offered participants 4K and 12K course options. In addition, the Company handed out a variety of products at the finish line such as reusable bags, t-shirts and baseball caps.

**COOKING LIVE:**

Developed throughout the year, this activity aimed to encourage healthy eating in the entire family.

It attracted large audiences, including 2,500 attendees at the event in Tomé. At each event, a well-known chef prepared salmon-based dishes and the Company distributed cookbooks with recipes made using seafood products.

**SOCCER TOURNAMENTS:**

In Tomé, the Company organized an interscholastic soccer tournament entitled "Camanchaca for Healthy Living", which brought together 250 children and 500 spectators.



# EFFICIENT CAMANCHACA



Efficiency is one of the cornerstones of Salmenes Camanchaca's strategy and an integral focus of our daily operations as our teams implement short, medium and long-term initiatives to optimize and improve processes.

During 2018, the Company joined forces with an external consulting firm to conduct an in-depth review of its numerous back office areas, which include the Accounting, Treasury, Purchasing and Procurement, Logistics, Human Resources, Information Technology and Export departments.

The project called for restructuring back office functions to make them serve our business more effectively and efficiently, establishing recommendations for improving processes and generating service and management KPIs for each area.

Several key support functions, approximately 40% of all back-office operations, were centralized in the city of Tomé in the Biobío Region. Also, the Accounting, Purchasing, Logistics and Export departments were merged into a new Commercial Operations Division. All other functions need to be close to our salmon operations and, therefore, are based in Puerto Montt.

This project is expected to generate important savings and efficiencies starting in 2019. They should be fully implemented in 2020, when the savings is estimated at US\$ 2.5 million each year.

The year 2018 was a period of strong growth in production during which the Company implemented and developed several efficiency projects and initiatives in diverse areas. In fresh water, the Company implemented innovation and genetic development programs to

identify fish with greater disease resistance, which considerably reduces the use of antibiotics and results in fish with greater, faster growth rates. In addition, we implemented a gender selection initiative at fresh water facilities that enables us to stock seawater cages with exclusively one gender. This technique had positive outcomes in seawater, leading to faster growth and larger fish size compared to random stocking. It is also important to mention that the reconstruction of the Petrohué hatchery has been completed, recovering its original production capacity of 14 million smolt.

In the seawater area, the Company reported advancements in the feed area, improving the WFE feed conversion rate from 1.30 in 2017 to 1.25 in 2018, attributed to an appropriate feeding strategy, reinforced by high-energy diets and automatic feeding. Another improvement that impacted operations was the incorporation of a photoperiod at most farm sites to help prevent early maturation of fish while boosting growth. Equipment was also installed to supply oxygen to sites with low oxygen levels, thus reducing oxygen-related mortality. Lastly, the Company invested in 40x40 cages for farm sites designed to optimize costs and improve production control in the grow-out phase.

In processing, margins of third-party farming services increased from US\$ 0.7 million in 2017 to US\$ 1.6 million in 2018.

For ground transportation between the primary and secondary processing plants, truck use was optimized, generating savings of approximately US\$ 400 thousand each year.

At the secondary processing plant located in Tomé, the Company installed

a second Marel filleting line, boosting productivity by 20%. This also improved yields by almost 1 percentage point, which led to US\$ 1.5 million in profits. The percentage of premium finished products increased from 97.2% in 2017 to 97.5% in 2018, benefiting the Company by more than US\$ 100 thousand. The capacity of the Company's static freezing tunnels increased 65%, which boosted the return on raw material (RRM) by US\$ 960 thousand thanks to increased capacity to process more HON instead of fillets (2 cents more RRM per ton WFE). The deboning process for fresh product was also optimized, increasing yield by 2% for portions, an improvement valued at US\$ 700 thousand.

Regarding energy costs, the Company now pays an unregulated customer rate for electricity, which generated annual savings of US\$ 500 thousand.

Lastly, there was a production increase of almost 42% in tons harvested (34,213 tons WFE in 2017 to 48,496 tons WFE in 2018), maintaining administrative expenses at levels similar to 2017.

## **PURCHASING AND PROCUREMENT**

In 2018 the Company organized tenders for 16 different suppliers and service providers with annualized savings of US\$ 3 million. These tenders included several operating improvements such as including gas and oxygen tanks in the last three pontoon tenders, thereby avoiding additional investments in platforms, anchoring, transport and insurance. The Company also tendered biomass insurance, leading to annual savings of US\$ 1.4 million.

It reduced warehouse stock by 40% with a decrease in non-moving inventory from 5.9% to 1.5%.

Several system improvements were implemented in 2018 in the Purchasing and Procurement module in SAP, which allows the Company to more efficiently manage the area using automated processes, improved reporting and control points. Some of these improvements include incorporating master agreements for supplies, automating the delivery of documents to suppliers, improving process flow times and redefining approval and release strategies to improve expense control and efficiency.

### **EXPORT LOGISTICS**

In 2018, the Company increased shipments of fresh salmon from Carriel Sur Airport in Concepción, making it an important alternative for exports to the US and generating important savings in logistics expenses and transport times. This new alternative has marked a milestone in the development and modernization of logistic processes in the Biobío Region. During 2018, 550 tons of fresh salmon were exported from Concepción, with a monthly average of 70 tons by air, which represents 14% of total fresh salmon production processed at the Tomé value-added plant. The Company expects this volume to continue to increase in the future.

In addition, changes were made to both processes and infrastructure that have led to an improvement in consolidation and shipping ratios for our products,

including modernizing infrastructure at our plants and cold storage warehouse located in the city of Tomé. As a result, products can be transported directly from the value-added plant to ports of embarkation, which has reduced the use and cost of cold storage warehouses and substantially improved inventory turnover.

Consequently, since this investment was completed in September, 1,200 tons of frozen product has been transported directly from the plant to the port. Combined with the fresh salmon dispatched directly from the plant to the airport, these products account for 30% of production in 2018.

The Company continued to optimize logistics processes in the operational area throughout 2018, achieving important savings in air, sea and ground freight through direct negotiations with airlines and shipping lines. Similarly, important improvements were made to planning processes, which have reduced demurrage times. The Company incorporated the electronic platform Siscomex, which has helped streamline delivery processes for export documentation, improving loading times by 1.5 days and helping trucks leave straight from the plant to the primary zone.

### **SUPPLIERS**

In 2018, only two suppliers represented 10% or more of the division's purchases. Billing by these suppliers, which provide salmon feed, each separately account for less than 23% of the division's purchases.



CHAPTER

**08**

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

SALMONES CAMANCHACA  
**ANNUAL REPORT 2018**



# MAIN RISKS AND UNCERTAINTIES

External variables might materially impact the Company's annual performance. The main variable affecting revenues is the price of Atlantic salmon, while 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 Caman-

chaca operates using a risk matrix that guides the Company in order to: i) review and update the critical risk inventory and generate a map that helps manage risks; ii) assess these risks on the basis of impact and probability parameters that helps with prioritizing; iii) implement an audit and internal control plan based on the risk map that focuses resources on the most vulnerable areas; iv) generate a set of strategies to either reduce probability and/or impact, including insurance wherever/whenever this is economically feasible and convenient. These risk maps guide management to continuously manage and mitigate each risk and establish the corresponding responsibilities and accountability, as well as review 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 regulatory requirements with respect to coordinated fallow periods for the concessions in each neighborhood, maximum fish density in cages, constant monitoring and reporting of the biomass and its biological status and health, the smolt production process in closed recircu-



lating sites fed by groundwater, transport of breeders and fish for harvest in wellboats, coordinated antiparasitic washing by neighborhood, frequent net cleaning, oxygen plants to supplement 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 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 accumulate inventory under speculation of a better sale price in the future.

Prices are highly dependent on the supply from Norway and Chile and on fluctuations in exchange rates used by the Company's major trading partners, which affects demand conditions in

these markets. Salmenes Camanchaca has mitigated price risk through its diversified marketing strategy and by producing higher value-added products, which have contracts that average 60 to 90-day periods.

The Company has a policy of diversifying its sales between several buyers in each market, and large diversity of markets and territories. This ensures that sales can be reallocated 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 well-diversified ingredients and suppliers. Salmenes Camanchaca defines its diets seeking a balance between feed cost and nutritional quality

at each fish development stage. The Company aims to produce a final product that contains the same amount of Omega 3 as wild salmon, as well as a fish in-fish out ratio (amount of marine ingredients used to produce one weight equivalent of farmed fish) of no more than 1.0. The Company has feed contracts that are adjusted quarterly, on a cost-plus basis.

### **E. REGULATORY RISKS**

Aquaculture is strictly regulated in Chile by laws, standards and regulations issued by fishing authorities. Significant changes in these regulations could have an impact on the Company's performance. These regulations are mainly established by the General Law on Fisheries and Aquaculture, and its associated regulations that assign concessions, manage the biomass and set sanitary





preventive rules. The Company is constantly monitoring any potential changes in regulations in order to anticipate and mitigate any potential impacts.

Starting with Q2 2016, changes were made to the regulations governing salmon farming densities, and a smolt stocking reduction program was introduced (PRS). This new regulation forces salmon farmers to reduce smolt stocking and farming densities in cages when low sanitary performance has been detected and/or smolt growth is expected in the zone. The PRS mechanism gives producers the choice between replacing a reduction in density, when appropriate, with a smolt stocking plan that contains a reduction with respect to the prior cycle, maintaining densities at maximum permitted levels.

Since the Company has a policy to use its assets to provide services to third

parties/producers, it has routinely leased out several farm sites. Regulations grants the stocking rights of a concession to the owner, allowing the Company to use the history of smolt stocking at farm sites leased to third parties in its own smolt stocking plans for subsequent cycles, without affecting the growth in the areas involved. Therefore, and as the lease agreements expire after 2020, the Company estimates it will harvest approximately 60,000 tons WFE of Atlantic salmon and 4,500 tons WFE of Pacific salmon (Coho), at its own farm sites, plus another 12,000 tons WFE of trout, without introducing growth to the system, and therefore without having to materially reduce densities at its farm sites.

Most of the concessions held by Salmones Camanchaca for farming fish are of indefinite duration. However, in order to retain the concession, current regulation requires a certain level of minimum use. In a context in which regulators aim to limit smolt stocking growth to preserve favorable sanitary conditions, this generates inconsistency and the risk of the concession expiring.

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

## **F. LIQUIDITY RISK**

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

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

## **G. INTEREST RATE RISK**

The Company is exposed to interest rate risk since its long-term financing includes a variable interest rate component, which is adjusted every six months. The Company evaluates hedging alternatives based on market conditions, but has not used any over the past five years.

**H. FOREIGN EXCHANGE RISK**

A substantial share of Salmenes Camanchaca's revenues arise from contracts and commercial agreements set in US dollars. However, given the diversity and importance of markets other than the North American market, which has historically represented more than 50% of total exports, any devaluation of the US dollar against these markets' currencies and/or the Chilean Peso, could have an impact on the financial performance of the Company.

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

The Company's liabilities with financial institutions are in US dollars.

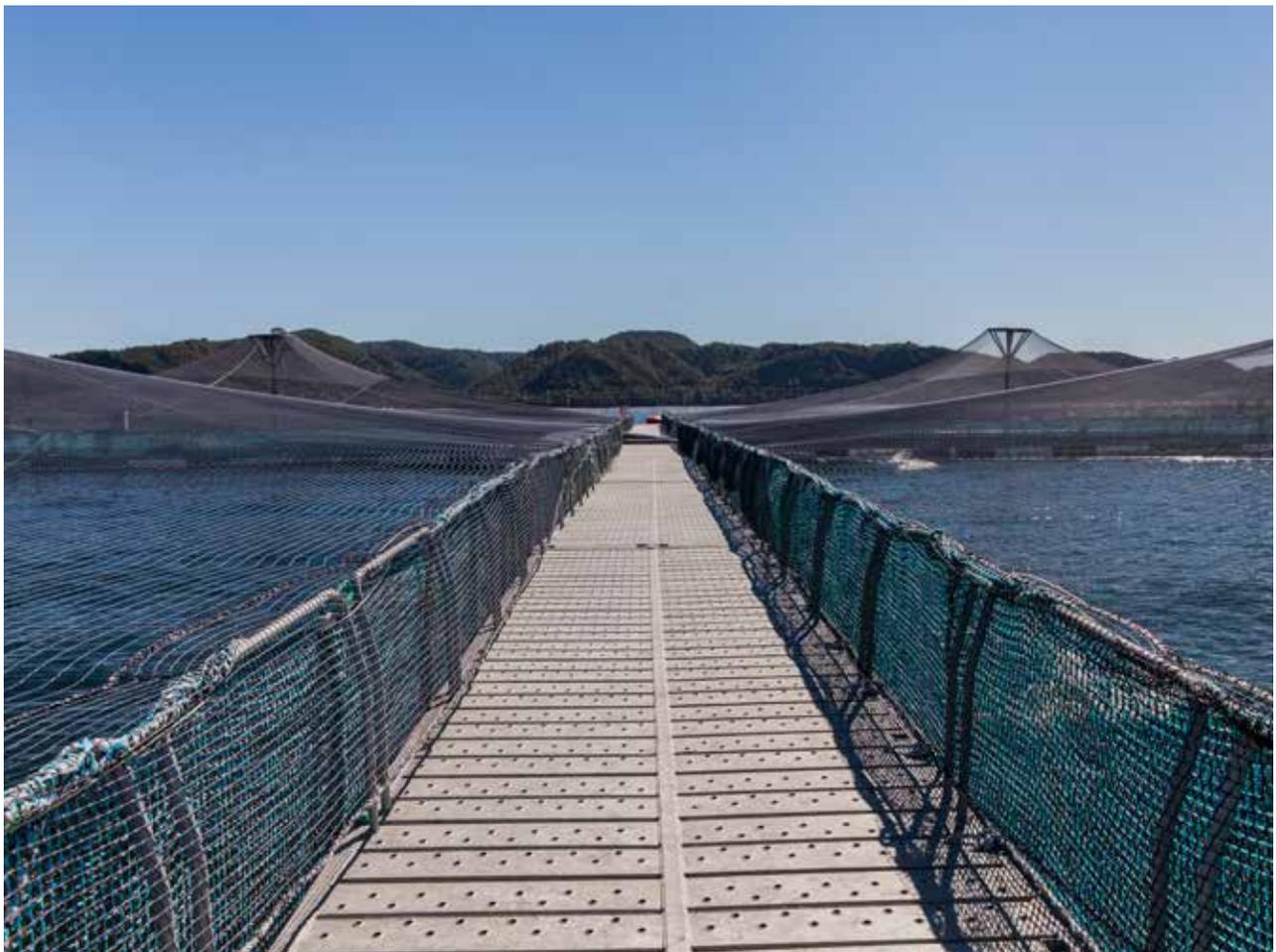
**I. CREDIT RISK****1. SURPLUS CASH INVESTMENT RISKS**

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

**2. SALES OPERATIONS RISKS**

The Company has insurance policies covering most of the sales of its products that are not sold with immediate payment. 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

Over time, the Company's investment policy has focused on maintaining all production assets in optimal operating conditions. Therefore, each year it invests a fraction of the depreciation of its property, plant and equipment incurred during the prior year. It also makes investments in property, plant and equipment and concessions in order to boost its production capacity in order to comply with its strategic development plan. These investments are financed using corporate resources, by selling assets or with long-term loans from financial institutions. Investments in working capital are funded with corporate resources or short-term bank financing. The Company has covenants with its banks to maintain a debt over EBITDA coverage ratio no greater than 4 times and a ratio of equity to assets equal to or greater than 40%, in accordance with the lending agreement signed in November 2017.

A total of US\$32.5 million was invested in 2018, including US\$5.3 million to maintain and upkeep existing assets and US\$27.2 million on efficiency, improvements and production capacity expansion.

Approximately US\$39 million is expected to be invested in 2019. Close to 40% of these investments will be to maintain and upkeep existing assets and the

rest will focus on expanding production capacity in line with the Company's growth plan.

## DIVIDEND POLICY

The bylaws of the Company set forth that out of the distributable net profits of each fiscal year, there shall be destined:

- a) a quota not inferior to thirty per cent (30%) of same to be distributed as dividend in cash among the shareholders, proportionate to their shares; and
- b) the balance of the profits not distributed as dividend, to form the reserves that the Ordinary General Shareholders Meeting decides.

The Board unanimously approved to establish the following dividend policy for Salmones Camanchaca S.A., starting December 2017:

- 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 will not distribute interim dividends unless so decreed by the Board for a particular distribution.
- c) The terms indicated in "a" and "b" above may be modified by the Board in the future.

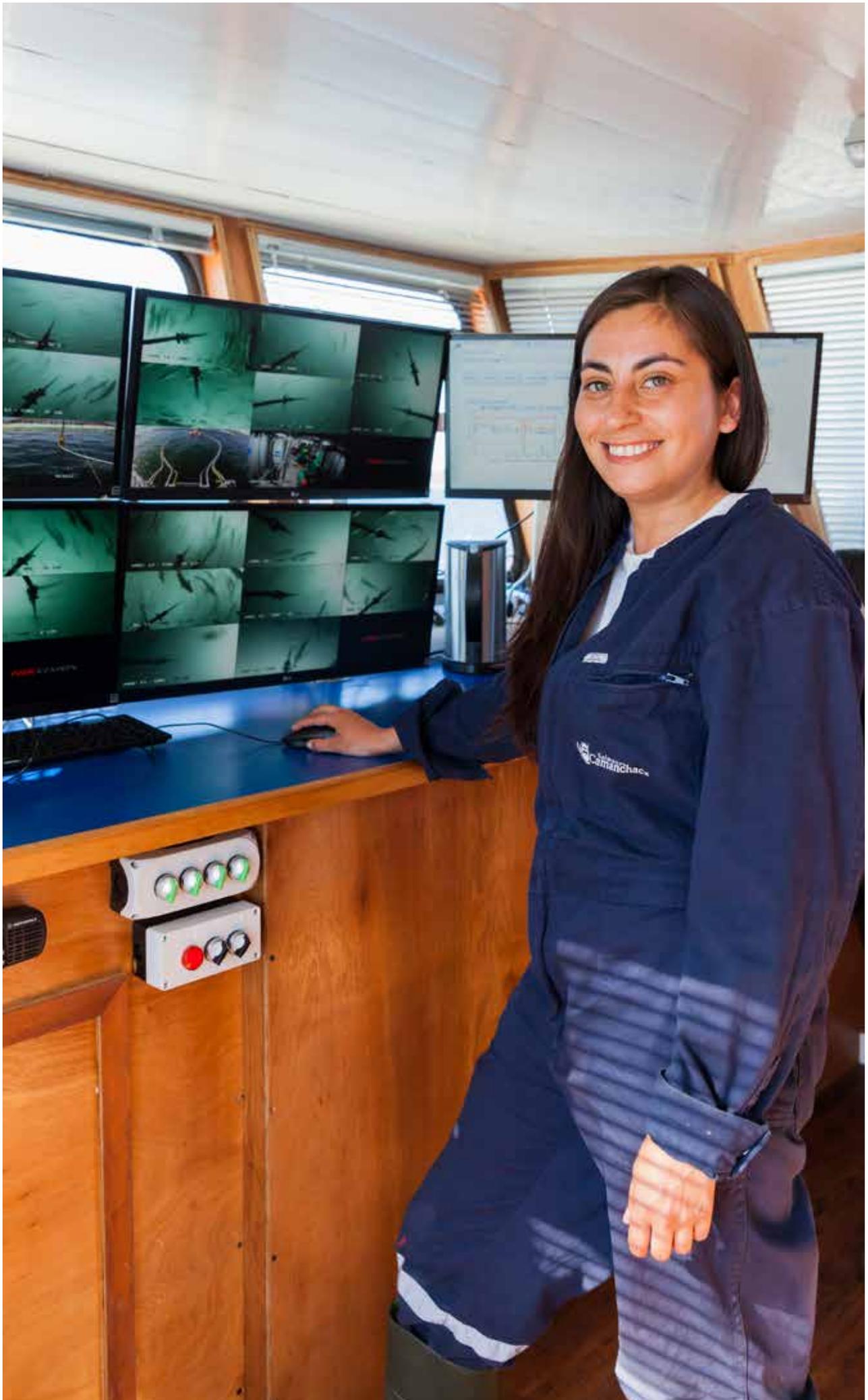
To date, the Company has no restrictions involving limitations on dividend payments. However, the debt rescheduling and financing commitment agreement signed on November 27, 2017, with DNB Bank ASA, Cooperative Rabobank U.A., and Banco Santander Chile S.A., set forth that if the Company does not comply with the financial covenants established in that agreement, it may not distribute dividends in excess of 30% of distributable net income for the year, determined based on the respective balance sheet.

## DIVIDEND PROVISION

For the year ended December 31, 2018, the Company's financial statements contain a provision for payable dividends amounting to ThUS\$ 14,262, equivalent to 30% of the distributable net profit.

The Board of Directors of Salmones Camanchaca agreed at session of March 27, 2019, to propose to the Annual General Meeting the payment of a final dividend of 50% of the distributable net profit amounting ThUS\$ 23,770, equivalent to US\$ 0.36015 per share.

The Company distributed dividends charged to the year ended December 31, 2017, of ThUS\$ 3,354, equivalent to US\$ 0.05081 per share. Salmones Camanchaca did not distribute any dividends in the years prior to 2017.



CHAPTER

**09**

**SHARE TRANSACTIONS  
AND SYNTHESIS  
OF MATERIAL FACTS  
REPORTED TO THE CMF**

SALMONES CAMANCHACA  
**ANNUAL REPORT 2018**



# TRANSACTION OF EXECUTIVES AND CONTROLLERS

NAME/ CORPORATE NAME	RELATION	TRANSACTION DATE	PURCHASES			SALES			OPERATION'S INTENTION	
			NO. SHARES	PRICE (CL\$)	AMOUNT	NO. SHARES	PRICE (CL\$)	AMOUNT	COMPANY CONTROL	FINANCIAL INVESTMENT
Juan Carlos Ferrer Echavarri	Manager	02-02-18	7,815	3,268	25,539,420					Yes
Ricardo Adolfo Garcia Holtz	Director	02-02-18	23,448	3,268	76,628,064					Yes
Daniel Bortnik Ventura	Manager	02-02-18	15,631	3,268	51,082,108					Yes
Ricardo Adolfo Garcia Holtz	Director	04-07-18				3,448	4,500	15,516,000		Yes

# SHARE TRANSACTIONS IN CHILE

2018	NO. SHARES	AMOUNT (CLP)	AVERAGE PRICE
1st quarter	25,915,335	86,309,348,904	3,330.44
2nd quarter	4,040,204	16,734,960,546	4,142.11
3rd quarter	1,344,636	7,337,489,174	5,456.86
4th quarter	2,881,024	17,461,899,287	6,061.00

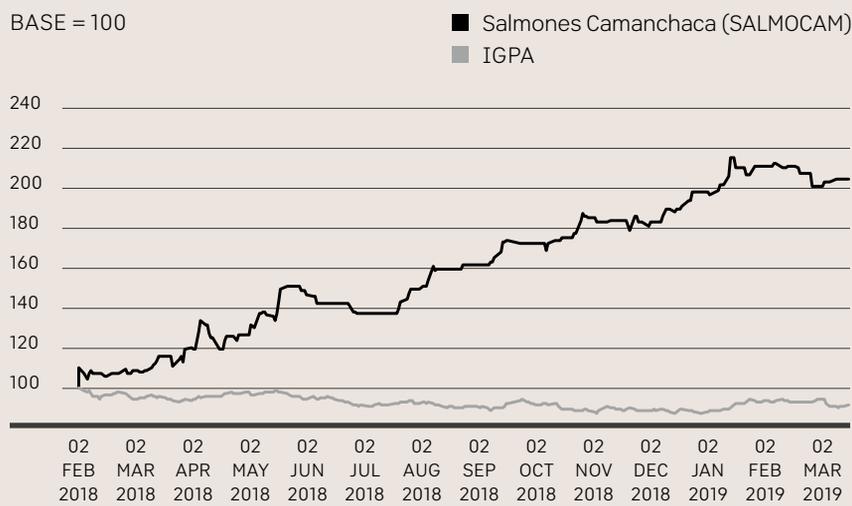
#### Source

Santiago Stock Exchange, Chilean Electronic Stock Exchange.

# SHARE PRICE DEVELOPMENT

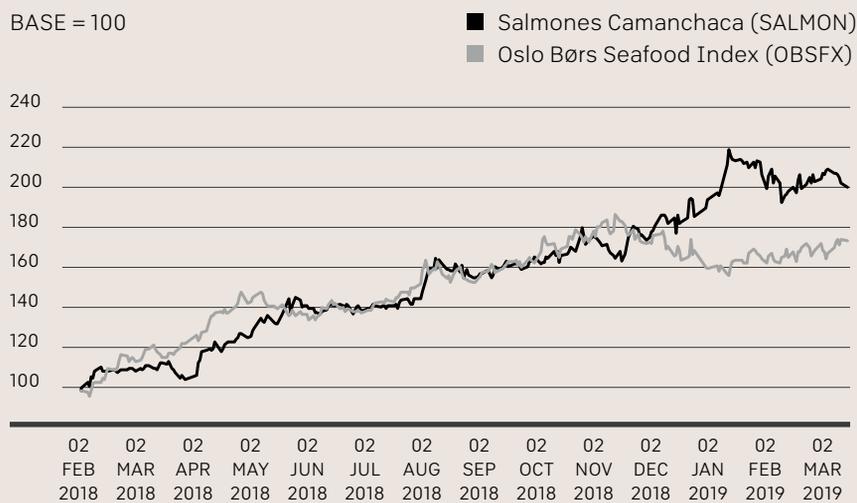
## SANTIAGO STOCK EXCHANGE

BASE = 100



## OSLO STOCK EXCHANGE

BASE = 100



# SYNTHESIS OF MATERIAL FACTS REPORTED TO THE CMF

## **SANTIAGO, FEBRUARY 1, 2018.**

Salmones Camanchaca S.A. informs that, in relation to the public offer of its shares communicated opportunely to the market, the board of the company, in extraordinary session held today, has decided to place through the mechanism called auction of a Book of Orders, of the Santiago Stock Exchange, a total of 19,800,000 shares, at the price of CLP\$ 3,268 each, which will be traded on the Santiago Stock Exchange and the Oslo Stock Exchange, Norway, starting the negotiation of said securities in the mentioned markets on Friday, February 2. The liquidation of the placement will take place on Tuesday, February 6, 2018.

## **SANTIAGO, FEBRUARY 2, 2018.**

In addition to the material fact sent yesterday, a total of 19,800,000 shares of the Company, of which 9,181,992 shares correspond to primary shares and 10,618,008 shares correspond to secondary shares, were placed today in the Santiago Stock Exchange through the auction mechanism known as subasta de un libro de órdenes, at a price of \$ 3,268 per share according to the allocation tranches indicated in the annex attached to this letter.

Larrain Vial S.A. Corredora de Bolsa act-

ed as placing agent and DNB Markets, a division of DNB Bank ASA, acted as global coordinator.

## **SANTIAGO, MARCH 21, 2018.**

In a board meeting held on December 20, 2017, whose minutes were signed by the directors with today's date, the Board of Directors of Compañía Pesquera Camanchaca S.A. agreed, by unanimity of its members, to adopt the following general policy of habituality, for the purposes of the provisions of number 7) of article 147 of Law 18,046 on public limited companies:

"GENERAL HABITUALITY POLICY OF SALMONES CAMANCHACA S.A. FOR OPERATIONS WITH RELATED PARTIES

Pursuant to the provisions of article 147 of Law 18,046 on Corporations, a corporation may only enter into transactions with related parties when they are intended to contribute to the corporate interest, and the prices, terms and conditions of such transactions are those prevailing in the market at the same time of its approval, and are approved by the Board of Directors or by the shareholders' meeting, following the procedures established in the same provision.

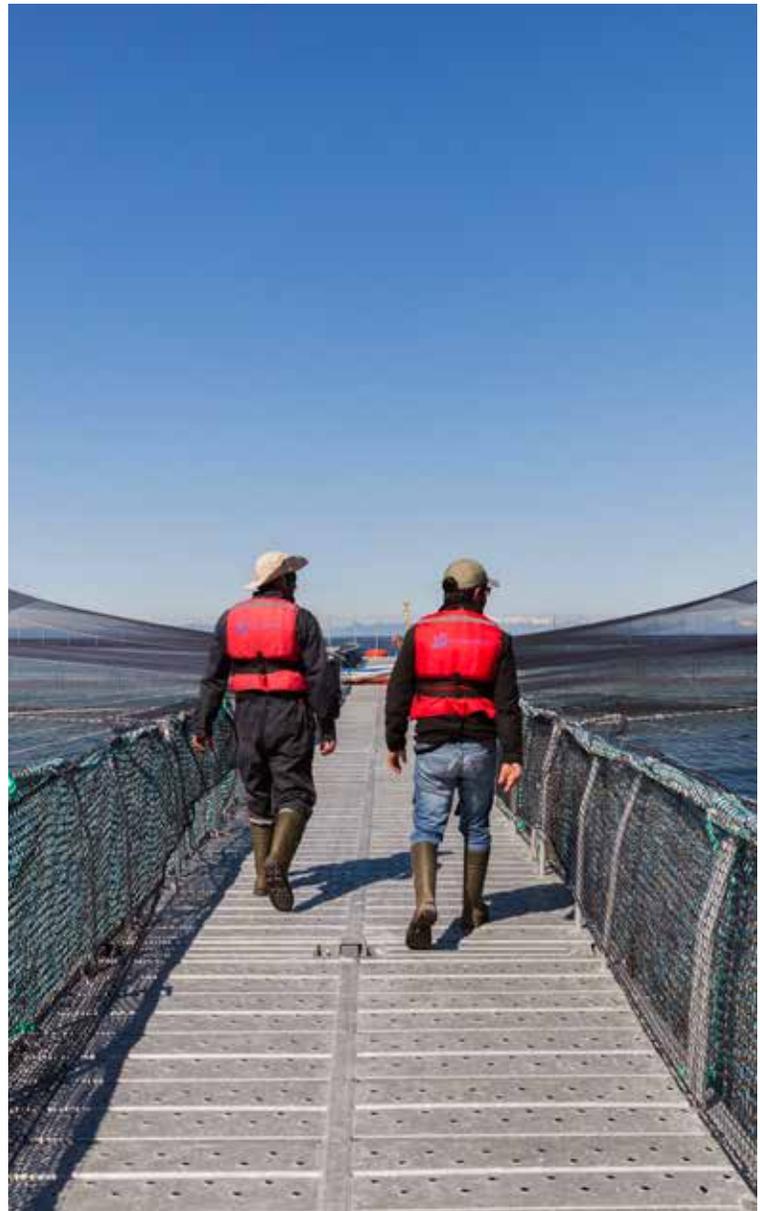
Notwithstanding the foregoing, Article 147 of the aforementioned Law establishes in letter "b)", that transactions with related parties may be executed which, in accordance with the general policies of habituality determined by the company's board of directors, are ordinary in consideration of the business purpose of the company, without following the approval procedure contemplated in that standard, as long as they are intended to contribute to the social interest and the prices, terms and conditions of such transactions are those prevailing in the market at the same time of its approval.

For the purposes of the provisions of the aforementioned rule of Law 18,046, the Board of Directors authorizes the administration to hold, with related parties, the following usual and ordinary operations, in consideration of the company's activities and business purpose, to the extent that said operations are intended to contribute to the corporate interest and the prices, terms and conditions of such transactions are those prevailing in the market at the time of their celebration:

- 1.** The purchase and sale of fish and hydrobiological products, in their different stages of development.
- 2.** The provision of services to market, export, sell and distribute products associated with the business of the company and its subsidiaries.
- 3.** The provision and contracting of fish processing services and other hydrobiological products.
- 4.** The contracting of terrestrial and maritime transport services for fish and other hydrobiological products, finished products and materials.
- 5.** The provision and contracting of services for the storage of fish and other hydrobiological products, finished products and materials, including the maintenance and storage in cold rooms.
- 6.** Financial operations of commercial current account and / or financial loans that are carried out with a related company, in order to carry out a correct and efficient administration of the financial

resources of the company. The celebration, modification, extension and termination of credit agreements and the performance of all types of financial operations; and the investment of cash surpluses.

- 7.** The provision of management and administration services, and other similar services such as financial, accounting, human resources consulting, legal and tax consultancy, insurance, procurement, procurement and supplies, IT services and general technology, of comptroller and internal audit.



**8.** Form, constitute, or integrate companies, companies or associations for the proper development of business purposes.

**9.** Leasing of offices, parking lots and other real estate.

**10.** The leasing and conclusion of all types of contracts that imply the cession of temporary use or enjoyment of movable property, aquaculture concessions, fishing and aquaculture authorizations and rights over these classes of goods."

**SANTIAGO, MARCH 21, 2018.**

In a board meeting held on December 20, 2017, whose minutes were signed by the directors with today's date, the Board of Directors of Compañía Pesquera Camanchaca S.A. agreed, by unanimity of its members, to adopt the following dividend policy effective as of December 2017:

**SALMONES CAMANCHACA S.A. DIVIDEND POLICY**

a) The company will distribute final annual dividends after the approval by the Shareholders' Meeting of the balance of each fiscal year, for an amount that will be equal to 30% of the distributable net profits that the respective balance presents;

b) The company will not distribute interim dividends, unless otherwise agreed by the Board of Directors for a particular and determined distribution;

c) The terms indicated in "a" and "b" above are established without prejudice to the powers of the Board of Directors to modify them in the future.

**SANTIAGO, MARCH 21, 2018.**

In the ordinary session of my represented board of directors, held today, March 21, 2018, it was agreed, among other matters, to call an ordinary general meeting of shareholders for April 26, 2018, at 12:00 o'clock, in the Chilean Institute of Rational Business Administration "ICARE", located on Avenida El Golf 40, subsoil, Las Condes district, Santiago. At said meeting, by agreement of the aforementioned board of directors, the payment of a mandatory minimum final dividend of US \$ 0.05081 per share shall be proposed, charged to the profits of the year closed as of December 31, 2017. Said dividend, if approved by the ordinary general meeting of shareholders of Salmones Camanchaca, shall be paid in pesos, national currency, according to the "Observed Dollar" exchange rate published in the Official Gazette on May 18, 2018. The date of payment of the proposed dividend is from May 25, 2018 and will be entitled to the same shareholders who are registered in the Register of Shareholders of Salmones Camanchaca SA at midnight on May 18, 2018.

**SANTIAGO, APRIL 11, 2018.**

In an extraordinary session of the board of directors held on this date, Mr. Jorge Andrés Fernández García has submitted his resignation to the position of Chief Executive Officer of Salmones Camanchaca S.A.

The board of directors, after recognizing Mr. Fernández García for his performance, agreed to appoint Mr. Manuel Arriagada Ossa as the new Chief Executive Officer of the company.



CHAPTER

# 10

## **FINANCIAL STATEMENTS, EARNINGS REPORT AND SUMMARIZED INDIVIDUAL SUBSIDIARIES FINANCIAL STATEMENTS**

SALMONES CAMANCHACA  
ANNUAL REPORT 2018





SALMONES CAMANCHACA S.A. AND SUBSIDIARY

Consolidated financial statements

As of December 31, 2018

CONTENTS

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

ThUS\$ - Thousands of US dollars

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

ThCh\$ - Thousands of Chilean pesos



## INDEPENDENT AUDITOR'S REPORT

Santiago, Chile. March 4, 2019

To the Board of Directors of 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, 2018 and 2017, 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, 2018 and 2017.
- 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, Chile. March 4, 2019  
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\$131.844. Biological assets comprise ova (eggs), juveniles, broodstock and fish held for harvesting purposes (on growing stage), (see also Note 2 accounting principles, Note 6 significant estimates and judgement, and Note 11 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 margin for the year. The Company therefore shows the effect from changes in fair value estimates as a separate line item, before gross margin. 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 margin.

### *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.



Santiago, Chile. March 4, 2019  
Salmones Camanchaca S.A.

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#### *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.

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 2018. 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 6 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.



Santiago, Chile. March 4, 2019  
Salmones Camanchaca S.A.

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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.

*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.



Santiago, Chile. March 4, 2019  
Salmones Camanchaca S.A.

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- 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.

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.  
RUT: 9.473.234-4



Price water house coopers

SALMONES CAMANCHACA S.A. AND SUBSIDIARY  
CONSOLIDATED CLASSIFIED STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2018 AND 2017

Assets	Note	As of December 31, 2018 ThUS\$	As of December 31, 2017 ThUS\$
<b>Current assets</b>			
Cash and cash equivalents	7	13,143	846
Other financial assets, current		50	31
Other non-financial assets, current	12	5,990	7,041
Trade and other receivables, current	8	32,781	28,196
Related party receivables, current	9	26,952	25,585
Inventories	10	22,959	38,170
Biological assets, current	11-35	113,237	97,522
Tax assets, current	14	1,136	1,584
<b>Total current assets</b>		<b>216,248</b>	<b>198,975</b>
<b>Non-current assets</b>			
Other financial assets, non-current		27	27
Other non-financial assets, non-current	12	112	260
Rights receivable, non-current	14	1,349	5,520
Equity method investments	13	4,682	5,565
Intangible assets other than goodwill	15	6,948	7,083
Property, plant and equipment	16	92,269	73,646
Biological assets, non-current	11-35	18,607	14,472
Long-term deferred taxes	17	373	456
<b>Total non-current assets</b>		<b>124,367</b>	<b>107,029</b>
<b>Total assets</b>		<b>340,615</b>	<b>306,004</b>

The accompanying notes numbered 1 to 35 are an integral part of these consolidated financial statements.

Note 35 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\$41,371.

SALMONES CAMANCHACA S.A. AND SUBSIDIARY  
CONSOLIDATED CLASSIFIED STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2018 AND 2017

Liabilities	Note	As of December 31, 2018 ThUS\$	As of December 31, 2017 ThUS\$
<b>Current liabilities</b>			
Other financial liabilities, current	18	243	439
Trade and other payables, current	19	70,134	71,729
Related party payables, current	9	15,296	4,198
Tax liabilities, current	17	6,509	1,829
Employee benefit provisions, current	20	1,056	1,020
<b>Total current liabilities</b>		<b>93,238</b>	<b>79,215</b>
<b>Non-current liabilities</b>			
Other financial liabilities, non-current	18	50,000	100,000
Trade and other payables, non-current		-	102
Related party payables, non-current	9	591	4,572
Deferred tax liabilities	17-35	12,733	13,280
Employee benefit provisions, non-current	20	152	157
<b>Total non-current liabilities</b>		<b>63,476</b>	<b>118,111</b>
<b>Equity</b>			
Share capital	21	91,786	73,422
Share premium	21	27,539	-
Retained earnings	21	41,450	11,695
Other reserves	21	23,126	23,561
<b>Total equity</b>		<b>183,901</b>	<b>108,678</b>
<b>Total equity and liabilities</b>		<b>340,615</b>	<b>306,004</b>

The accompanying notes numbered 1 to 35 are an integral part of these consolidated financial statements.

Note 35 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 ThUS\$11,170.

Retained earnings within equity increased by ThUS\$30,201.

SALMONES CAMANCHACA S.A. AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	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
Changes in equity								
Dividends accrued	-	-	-	-	-	-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>

	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, 2018	73,422	-	90	23,471	23,561	11,695	108,678	108,678
Capital increase	18,364	27,539	-	-	-	-	45,903	45,903
Changes in equity								
Dividends accrued	-	-	-	-	-	-14,262	-14,262	-14,262
Comprehensive income								
Net income for the period	-	-	-	-	-	44,017	44,017	44,017
Other comprehensive income	-	-	-435	-	-435	-	-435	-435
<b>Closing balance as of December 31, 2018</b>	<b>91,786</b>	<b>27,539</b>	<b>-345</b>	<b>23,471</b>	<b>23,126</b>	<b>41,450</b>	<b>183,901</b>	<b>183,901</b>

The accompanying notes numbered 1 to 35 are an integral part of these interim consolidated financial statements.

SALMONES CAMANCHACA S.A. AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF NET INCOME BY FUNCTION  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Note	For the years ended December 31,	
		2018 ThUS\$	2017 ThUS\$
Operating revenue	23	332,301	203,070
Cost of sales	10	-239,564	-144,859
<b>Gross profit before fair value adjustment</b>		<b>92,737</b>	<b>58,211</b>
Gain (loss) on fair value of biological assets	11	95,455	54,362
Fair value adjustment to harvested and sold biological assets	11	-100,280	-49,061
<b>Gross profit</b>		<b>87,912</b>	<b>63,512</b>
Administrative expenses	24	-12,077	-10,750
Distribution costs	25	-8,575	-5,667
Financial costs	26	-6,361	-4,236
Share of net income (losses) of equity method associates	13	1,629	541
Exchange differences	27	-1,916	-455
Other gains (losses)	28	-772	-60
Financial income		49	55
<b>Net income (loss) before tax</b>		<b>59,889</b>	<b>42,940</b>
Income tax (expense) income	17	-15,872	-11,219
<b>Net income (loss) from continuing operations</b>		<b>44,017</b>	<b>31,721</b>
Net income (loss) from discontinued operations			
<b>Net income (loss) for the years</b>		<b>44,017</b>	<b>31,721</b>
Net Income (loss) attributable to:			
Net income (loss) attributable to owners of the parent company		44,017	31,721
Net income attributable to non-controlling interests		-	-
<b>Net income (loss) for the years</b>		<b>44,017</b>	<b>31,721</b>
Earnings (loss) per share			
Basic earnings (loss) per share (US\$/share)	22	0.6669	0.5583
<b>Basic earnings (loss) per share (US\$/share)</b>		<b>0.6669</b>	<b>0.5583</b>

The accompanying notes numbered 1 to 35 are an integral part of these interim consolidated financial statements.

Note 35 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\$41,371.

Income tax (expense) increased due to a loss of ThUS\$11,170.

Net income for the years increased by ThUS\$30,201.

SALMONES CAMANCHACA S.A. AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	For the years ended December 31,	
	2018 ThUS\$	2017 ThUS\$
Net income (loss) for the period	44,017	31,721
Gain (loss) from cash flow hedge		
Gain (loss) from foreign currency conversion	-435	15
Other income and expenses charged or credited to equity		
<b>Total comprehensive income</b>	<b>43,582</b>	<b>31,736</b>
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent company	43,582	31,736
<b>Total comprehensive income</b>	<b>43,582</b>	<b>31,736</b>

The accompanying notes numbered 1 to 35 are an integral part of these interim consolidated financial statements.

SALMONES CAMANCHACA S.A. AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF CASH FLOW - DIRECT METHOD  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	As of December 31, 2018 ThUS\$	As of December 31, 2017 ThUS\$
<b>CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES</b>		
<b>Receipts</b>		
Receipts from the sale of goods & provision of services	366,393	224,137
<b>Payments</b>		
Payments to suppliers for goods and services	-274,496	-161,742
Payments to and on behalf of employees	-27,701	-22,634
Dividends paid	-3,354	-
Dividends received	2,077	-
Interest paid	-5,950	-3,683
Interest received	47	55
Income taxes refunded (paid)	-3,053	31
Other receipts (payments)	-20	734
<b>Net cash flows from (used by) operating activities</b>	<b>53,943</b>	<b>36,898</b>
<b>CASH FLOWS FROM (USED BY) FINANCING ACTIVITIES</b>		
Proceeds from issuing shares	45,903	-
Loan repayments	-50,000	-10,407
Payments to related parties	-4,916	-10,640
<b>Net cash flows from (used by) financing activities</b>	<b>-9,013</b>	<b>-21,047</b>
<b>CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES</b>		
Proceeds from disposals of property, plant and equipment	277	261
Purchases of property, plant and equipment	-32,044	-16,256
Other receipts (payments)	-	-81
<b>Net cash flows from (used by) investing activities</b>	<b>-31,767</b>	<b>-16,076</b>
<b>Net increase (decrease) in cash and cash equivalents, before the effect of changes in exchange rates</b>	<b>13,163</b>	<b>-225</b>
Effect of exchange rate changes on cash and cash equivalents	-866	-571
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>12,297</b>	<b>-796</b>
<b>CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD</b>	<b>846</b>	<b>1,642</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>13,143</b>	<b>846</b>

The accompanying notes numbered 1 to 35 are an integral part of these interim consolidated financial statements.

SALMONES CAMANCHACA S.A. AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2018

**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 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 value of the capital contribution for these shares was ThUS\$38,579. In return, all the rights of Transportes Interpolate Ltda. were transferred to its 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.

On February 2, 2018, 19,800,000 Company shares, which represent 30% of the Company, 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, and these are now traded on the Santiago, Chile and the Oslo, Norway Stock Exchanges.

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 agents 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 Salmones 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 Salmones Camanchaca S.A. for the years ended December 31, 2018 were approved by the Board of Directors at a meeting held on March 4, 2019.

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

The principal accounting policies used to prepare the financial statements of Salmones 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 statements of financial position as of December 31, 2018 and 2017.
- Consolidated statements of net income by function for the years ended December 31, 2018 and 2017.
- Consolidated statements of comprehensive income for the years ended December 31, 2018 and 2017.
- Consolidated statements of cash flows - direct method for the years ended December 31, 2018 and 2017.
- Consolidated statements of changes in equity for the years ended December 31, 2018 and 2017.
- Notes to the consolidated financial statements

### **2.2 Basis of preparation**

These financial statements of Salmones Camanchaca S.A. as of December 31, 2018 were prepared in accordance with International Financial Reporting Standards (IFRS). In accordance with the standards and instructions issued by the Financial Market Commission (FMC), they include additional disclosures in the notes to the financial statements. These are in addition to 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 6 of these financial statements discloses the areas which involve a higher degree of judgment and complexity, where the assumptions and estimates are significant to the financial statements.

These consolidated financial statements of Salmones Camanchaca S.A. have been prepared from accounting records held by the Company. The figures in these consolidated 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, 2018.

#### Standards and Interpretations

IFRS 9 Financial Instruments - issued in July 2014. The IASB published the complete 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.

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.

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.

#### Amendments and improvements

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.

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.

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.

Amendments and improvements

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.

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.

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.

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 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
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".	01/01/2021
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.	01/01/2019
Amendment to IFRS 9 "Financial Instruments" -issued in October 2017. This amendment permits more assets to be measured at amortized cost than under the previous version of IFRS 9, in particular some prepaid financial assets with negative offset. The assets affected, which include some loans and debt securities, would otherwise have been measured at fair value through profit and loss (FVTPL). To qualify for amortized cost measurement, the negative compensation must be "reasonable compensation for early termination of the contract".	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 without using the equity method should use IFRS 9. The IASB 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

Standards and Interpretations	Mandatory for annual periods beginning
Amendment to IFRS 3 “Business Combinations” -issued in December 2017. The amendment clarifies that gaining control of a joint operation company involves a business combination achieved in stages. The acquirer must re-value its previously held interest in the joint venture at fair value at 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 should be recognized according to where past transactions or events that generated 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 IAS 19 "Employee Benefits" -issued in February 2018. The amendment requires entities to use updated assumptions to determine the cost of current service and net interest for the remaining period after a plan amendment, reduction or settlement. They must recognize reductions in a surplus in gains or losses on the cost of past service, or a gain or loss on settlement, even if this surplus was not previously recognized because it did not exceed the upper asset limit.	01/01/2019
Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" -issued in October 2018. These introduce a consistent definition of materiality in all the IFRS and the Conceptual Framework for Financial Information. They clarify the explanation that defines materiality and includes some of the guides in IAS 1 on immaterial information.	01/01/2020
Amendment to IFRS 3 “Business Combinations” -issued in October 2018. It reviews the definition of a business. According to feedback received by the IASB, the current guide is frequently considered to be too complex, and results in too many transactions being classified as business combinations.	01/01/2020
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
The Company’s management believes that the adoption of these standards, amendments and interpretations will have no significant impact on the Company’s consolidated financial statements when they are first applied.	

During 2018, the Administration evaluated the impact of the adoption of IFRS 16 as of the effective term of the new standard, which was determined through the evaluation of lease contracts, assets that according to their nature and lease terms, they must be registered at the date of initial application as assets for right to use, which will incur amortization expenses through the period of the contract or the useful life of the asset, whichever is less. Regarding this evaluation, the Company has not yet concluded what will be the effects of the adoption of IFRS 16 in its Consolidated Financial Statements.

## 2.4 Basis of consolidation

### a) Subsidiaries

An entity is a subsidiary when the Company can exercise control over its financial and operational policies, which usually involves owning over half its voting rights. When evaluating whether the Company controls another entity, all its currently exercisable or convertible voting rights and their effects are considered. A subsidiary is consolidated from the date on which control is transferred to the Company and is excluded from consolidation on the date on which it ceases to be controlled.

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's 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 reorganization of Salmones Camanchaca S.A. has resulted in it being consolidated with Fiordo Blanco S.A. as it has had a 99.99% interest from September 14, 2017. Nevertheless, this company is not a significant component of Salmones Camanchaca S.A. as virtually all its operating revenue is eliminated.

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 FMC (formerly Superintendent of Securities and Insurance). The purpose was to arrange an IPO for such shares, which took place on February 2, 2018 and those issued in the future or their representative certificates.

The following subsidiary is included in these consolidated financial statements, together with its functional currency:

Consolidated Company	Country	Functional Currency	Ownership Interest		12/31/2018	12/31/2017
			Direct %	Indirect %	Total %	Total %
Fiordo Blanco S.A.	Chile	US dollars	99.99	-	99.99	99.99

#### 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.

The Salmones Camanchaca S.A. share of net income or losses in associates subsequent to acquiring them are recognized in net income, and its share of equity movements (that are not due to net income) subsequent to their 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 interest 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 2017, 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 dollars

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\$
12/31/2018	694.77	0.0252	0.8742	110.3800	8.7272
12/31/2017	614.75	0.0229	0.8317	112.5900	8.1739

## 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, naval equipment (pontoons), hatchery centers and cultivating 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
Buildings	10 - 50
Plant and equipment	3 - 20
Vessels	50
Vehicles	7 - 10
Other fixed assets	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 include groups or families of breeders, such as eggs, smolts, 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 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 income statement for the period.

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

Fair value hierarchy is determined according to the data source, according to the IFRS 13. The Company's valuation model uses hierarchy level III. The most significant unobserved variable is the average weight.

Note 35 contains a comparison of Chilean and Norwegian practices for valuing biological assets.

## 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 it 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 and liabilities

### Financial assets

Financial assets within the scope of IFRS 9 are classified according to the business model used by the Group to manage its financial instruments and contractually established cash flows.

Financial investments not classified at fair value through profit and loss are initially recognized at fair value plus directly attributable transaction costs.

The Company evaluates whether embedded derivatives exist in contracts or financial instruments, to determine whether their characteristics and risk are closely related to the principal contract provided that in aggregate they are not being accounted for at fair value. If they are not closely related, they are recorded separately and changes in value are accounted for directly in the statement of comprehensive income.

The Company and its subsidiaries classify their financial assets after initial recognition and, when permitted and appropriate, reassess this classification as of each year end. All regular purchases and sales of financial assets are recognized on the trade date, which is the date on which the company becomes committed to the trade. Regular purchases and sales are purchases or sales of financial assets that require the delivery of assets within the time frame established generally by market regulation or convention. The following investment classifications are used:

- a) Financial assets at fair value through profit and loss - Financial assets at fair value through profit and loss include financial assets held for sale and financial assets initially recognized at fair value through profit and loss.

Financial assets are classified as held for sale if they are acquired for the purpose of selling them in the short term.

Derivatives, including any separate embedded derivatives, are also classified as held for sale, unless designated as effective hedging instruments or as financial guarantee contracts. Gains or losses on held-for-sale instruments are recognized in the income statement.

When a contract contains one or more embedded derivatives, the entire hybrid contract can be designated as a financial asset at fair value through profit and loss, except when the embedded derivative does not significantly modify the cash flows, or it is clear that separation of the embedded derivative is prohibited.

- b) Financial assets measured at amortized cost - The entity measures assets at amortized cost when the asset complies with the following two conditions: i. The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- c) Financial assets at fair value with changes in other comprehensive income - Financial assets are measured at fair value with changes in other comprehensive income if they meet the following two conditions: (i) They are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- d) Derivative and hedge financial instruments - Derivative financial instruments to hedge risks associated with fluctuations in interest rates and exchange rates are initially recognized at fair value at the date the derivative contract is signed and are subsequently measured at fair value. Derivatives are recorded as assets (other financial assets) when their fair value is positive and as liabilities (other financial liabilities) when their fair value is negative.

#### Financial liabilities

Debt and equity instruments are classified as either financial liabilities or equity, based on the substance of the contractual agreement.

Equity instruments - An equity instrument is any contract that evidences a residual interest in the assets of a company after deducting all of its liabilities. Equity instruments are recorded at the value of the consideration received, net of direct issuance costs.

Financial liabilities - Financial liabilities are classified either as financial liabilities at “fair value through profit and loss”, or as “other financial liabilities”.

a) Financial liabilities are classified at fair value through profit and loss when these are held for sale or are designated as such.

b) Other financial liabilities, including loans, are valued initially at the amount of cash received, net of transaction costs. Other financial liabilities are subsequently valued at amortized cost using the effective interest rate method, recognizing interest expense on an effective rate basis.

The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense throughout the corresponding period. The effective interest rate is the rate that exactly discounts the estimated cash flows payable over the expected life of the financial liability, or when appropriate, a shorter period when the associated liability has a prepayment option that it expects to exercise.

### 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.

The Group applies the simplified approach in IFRS 9 to measure expected credit losses, using an expected loss provision over the life of the instrument for all receivables.

Expected credit losses are measured by grouping receivables by their shared credit risk characteristics and days overdue. Historical loss rates are adjusted to reflect current and expected information regarding macroeconomic factors that affect the ability of customers to meet their commitments.

#### 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 Income and deferred taxes

The tax expense on net income for the period includes current income tax and deferred tax.

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.

#### 2.19 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.

#### 2.20 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.

#### 2.21 Revenue recognition

The Company has applied IFRS 15 as of January 1, 2018, and has not encountered any significant impact on the consolidated financial statements or the financial performance of Salmones Camanchaca S.A. This standard requires more detailed disclosures than the previous standards, in order to provide more information regarding customer contracts.

Revenue is recorded at the fair value of the consideration received or receivable derived from that revenue. The Company takes into consideration all the relevant facts and circumstances when applying each step of the model established by IFRS 15 regarding customer contracts: (i) identify the contract, (ii) identify the performance obligations, (iii) determine the transaction price, (iv) assign the transaction price to the performance obligations, and (v) revenue recognition. The Company also assesses any incremental costs that arise from winning a contract and any costs directly related to fulfilling a contract. The Company recognizes revenue when the steps set out in this IFRS have been successfully completed.

(i) Operating revenue recognition from the sale of goods

Operating revenue from the sale of goods is recognized when the Company has transferred control over the goods sold to the buyer; when revenue can be reliably measured; when the Company cannot influence how the goods sold are managed; when the Company is likely to receive the financial benefits of the transaction; and when the transaction costs can be reliably measured.

Operating revenue is based on the price established in the sale agreement, net of volume discounts as of the sale date. There is no significant funding component, as sales proceeds are collected within a reduced average period, which is in line with market practice.

Revenue from export sales is based on Incoterms 2010, which are official regulations for interpreting trade terms, and they are issued by the International Chamber of Commerce.

The principal Incoterms used by the Company are as follows:

"CFR (Cost and Freight)", where the Company is responsible for all costs, including principal transport costs, until the goods arrive at the destination port. Risk is transferred to the buyer when the goods are loaded onto the ship, in the country of origin.

"CIF (Cost, Insurance and Freight)", where the Company arranges and pays the foreign transportation costs and other costs, such as insurance. Salmenes Camanchaca S.A. ceases to be responsible for the goods once they have been delivered to the maritime or air carrier, in accordance with the corresponding deadline. The sale is complete when the goods are delivered to the carrier. This service is arranged by the seller.

FOB (Free on Board) and similar, where the buyer arranges and pays the transport costs. Therefore, the sale is complete when the goods are delivered to the carrier arranged by the buyer.

(ii) Operating revenue recognition for providing services

Operating revenue from services is recognized when the performance obligation has been satisfied. Revenue is accounted for considering the degree of service completion as of the closing date, and whether the Company has an enforceable right to payment for providing those services.

## 2.22 Leases

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.

## 2.23 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.

Distributions of dividends to shareholders are recognized as a liability as of each reporting date, in accordance with the dividend policy agreed upon by shareholders at the ordinary general shareholders' meeting.

## 2.24 The 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 - CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Changes in policy:

The accounting policies described in these consolidated financial statements as of December 31, 2018 reflect the amendments to IFRS 9 and IFRS 15 that apply from January 1, 2018.

The Company has evaluated the impact of applying IFRS 9, which includes identifying gaps between these financial instrument classification and measurement criteria and those currently used, and the impact of applying an expected losses model to determine financial asset impairment. The standard requires that impairment losses are recognized based on the expected credit losses (PCE) instead of credit losses incurred as indicated in IAS 39.

This evaluation has determined that there are no significant changes affecting the classification and measurement of financial assets as a result of applying IFRS 9.

This new standard must be applied to periods beginning on or after January 1, 2018. The Company has applied this standard prospectively using the practical resources allowed by the standard, and comparatives for 2017 will not be represented given that the effects are not significant.

The basic principle in IFRS 15 is that an entity recognizes operating revenue when goods or services are transferred to customers for an amount that reflects the amount that the entity expects to receive in exchange for those goods or services. An entity recognizes operating revenue in accordance with this basic principle by applying the following 5 steps:

- Step 1 - Identify the contracts with a customer.
- Step 2 - Identify the performance obligations in the contract.
- Step 3 - Determine the transaction price.
- Step 4 - Assign the transaction price to the performance obligations.
- Step 5 - Recognize operating revenue when the entity satisfies a performance obligation.

The Company has evaluated these 5 steps and has not identified any new performance obligations or any changes to those already presented in the consolidated financial statements, and believes that there are no significant changes in applying this new standard for recognizing operating revenue. This is based on operating revenue being recognized primarily when it is probable that financial benefits will flow to the Company and can be measured with reliability, at prices that reflect the fair value of the financial benefits receivable when its performance obligations are satisfied. Operating revenue is presented in the statement of net income by function net of value added tax, returns, and discounts.

This new standard must be applied to periods beginning on or after January 1, 2018. The company applies this standard prospectively, using the practical resources allowed.

Group operating revenue is recognized when control over its products is transferred, which is when products have been delivered to the customer and the customer has full discretion over how to sell them and at what price, and there is no unsatisfied obligation that may affect the customer's acceptance of these products. Delivery is complete when products have been sent to the location specified by the customer, obsolescence and loss risks have been transferred to the customer, and the customer has accepted the products in accordance with the sale contract, the acceptance provisions have expired, or the Group has objective evidence that all the acceptance criteria have been satisfied.

When the sale contract includes volume discounts based on total sales during a specific period, operating revenue is based on the contract price, net of estimated volume discounts. Experience is used to estimate discounts using the expected value method, and operating revenue is recognized when it is very likely that there will be no significant changes. A liability is recognized for expected volume discounts on sales through to the end of the reporting period. There is no financing component, as credit sales are unusual and these have very short payment periods, which is consistent with market practice. A provision is recognized to reflect the Group's obligation to refund any defective products under its standard warranty terms.

Receivables are recognized when products have been delivered, since this is the moment when payment becomes unconditional and it is simply a matter of time before payment is made.

There are no other significant changes in the accounting policies and estimates used to prepare the consolidated financial statements of the Company and its subsidiaries with respect to the previous year, and they have been consistently prepared according to IFRS.

#### Changes in Accounting Estimates

There have been no changes in accounting estimates as of December 31, 2018 in comparison to December 31, 2017.

#### **NOTE 4 - FINANCIAL RISK MANAGEMENT**

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

##### 4.1. Credit risk

###### a) Customer portfolio risk

The Company has no customers in default, but not impaired, as of the reporting date.

###### 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.

#### 4.2. 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, 2018

Item	1 to 3 months ThUS\$	3 to 12 months ThUS\$	1 to 5 years ThUS\$	Over 5 years ThUS\$	ThUS\$
Interest-bearing loans	-	2,743	58,227	-	<b>60,970</b>
Trade and other payables	62,436	7,698	-	-	<b>70,134</b>
Related party payables, current	15,296	-	-	-	<b>15,296</b>
Related party payables, non-current	-	-	-	591	<b>591</b>
<b>Total</b>	<b>77,732</b>	<b>10,441</b>	<b>58,227</b>	<b>591</b>	<b>146,991</b>

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

Item	1 to 3 months ThUS\$	3 to 12 months ThUS\$	1 to 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>

#### 4.3. 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 asset balance in Chilean pesos as of December 31, 2018 totaling ThUS\$ 1,677. Therefore, an increase of 5% in the exchange rate results in an exchange loss of ThUS\$ 84, while a decrease of 5% in the exchange rate results in an exchange gain 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\$ 50,243 in bank liabilities denominated in US dollars as of December 31, 2018. 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\$ 502, as appropriate.

## NOTE 5 – FINANCIAL INSTRUMENTS

The Company has financial instruments as of December 31, 2018 and 2017 valued at their fair value as shown in the following table, and there are no differences between their fair value and book value.

Item	12/31/2018		12/31/2017	
	Book value ThUS\$	Fair value ThUS\$	Book value ThUS\$	Fair value ThUS\$
<b>Financial assets at amortized cost</b>				
Cash and cash equivalents				
Cash balances	45	45	56	56
Bank balances	13,098	13,098	790	790
Other financial assets (ii)	50	50	31	31
Trade and other receivables (i)	32,781	32,781	28,196	28,196
Related party receivables (i)	26,952	26,952	25,585	25,585
Recoverable rights, non-current (ii)	5,344	5,344	5,520	5,520
<b>Financial liabilities at amortized cost</b>				
Other financial liabilities (iv)	243	243	439	439
Trade and other payables, current (iii)	70,335	70,335	71,729	71,729
Related party payables, current (iii)	15,764	15,764	4,198	4,198
Other financial liabilities, non-current (iv)	50,000	50,000	100,000	100,000
Payables, non-current (iii)	-	-	102	102
Related party payables, non-current (iii)	591	591	4,572	4,572

### (i) Trade and other receivables

Debtors and accounts receivable are amounts owed by customers for goods sold or services rendered in the ordinary course of business. Generally they must be settled within 30 days and, therefore, are classified as current. Customers and accounts receivable are initially recognized for the amount of unconditional consideration unless they contain significant financing components, in which case they are recognized at fair value. The Group maintains customers and accounts receivable in order to collect the contractual cash flows and, therefore, subsequently measures them at amortized cost using the effective interest rate method. The details of the Group's impairment policies and the calculation of the provision for losses are included in note 8 (Trade debtors and other accounts receivable).

Due to the short-term nature of accounts receivable, their book value is considered equal to their fair value.

Information on the impairment of customers and accounts receivable and the Group's exposure to credit risk, exchange rate risk and interest rate risk can be found in note 4 b) (Financial risk management).

### (ii) Other financial assets at amortized cost

The Group classifies its financial assets at amortized cost only if the following two criteria are met:

- The asset is maintained within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms give rise to cash flows that are only payments of principal and interest.

These amounts generally come from transactions outside the Group's ordinary operating activities.

(iii) Trade and other payables

Accounts payable balances are not guaranteed and are generally paid within 60 days after recognition.

The carrying amounts of suppliers and other accounts payable are considered equal to their fair values, due to their short-term nature.

(iv) financial liabilities

Guaranteed liabilities and assets given as collateral.

The loans are guaranteed by the most representative and significant assets of the company, which are detailed in note 30 (Guarantees and contingencies). The Group will not provide any other guarantee on its assets and will ensure that the financial ratios described in note 18 (Other current and non-current financial liabilities) are met.

The book values of financial and non-financial assets given as collateral for current and non-current loans are disclosed in note 30 (Guarantees and contingencies).

## **NOTE 6 - 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, is based on all the non-current assets at the reporting date in 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 7 - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are as follows.

	12/31/2018 ThUS\$	12/31/2017 ThUS\$
Cash balances	45	56
Bank balances	13,098	790
<b>Total cash and cash equivalents</b>	<b>13,143</b>	<b>846</b>

**NOTE 8- TRADE AND OTHER RECEIVABLES**

Trade and other receivables are as follows.

	12/31/2018			12/31/2017		
	Trade receivables	Doubtful debt provision	Net trade receivables	Trade receivables	Doubtful debt provision	Net trade receivables
Customers	24,605	-450	24,155	23,395	-111	23,284
Recoverable VAT	7,223	-	7,223	3,710	-	3,710
Insurance claims	942	-	942	959	-	959
Sundry debtors	450	-	450	200	-	200
Staff receivables	11	-	11	23	-	23
Notes receivable	-	-	-	20	-	20
Others	-	-	-	-	-	-
<b>Total</b>	<b>33,231</b>	<b>-450</b>	<b>32,781</b>	<b>28,307</b>	<b>-111</b>	<b>28,196</b>

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 2018 and 2017.

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

Classification of receivables by due date.

Overdue ranges	12/31/2018				12/31/2017			
	Number of customers non-renegotiated portfolio	Gross non-renegotiated portfolio ThUS\$	Doubtful debt provision ThUS\$	Net trade receivables ThUS\$	Number of customers non-renegotiated portfolio	Gross non-renegotiated portfolio ThUS\$	Doubtful debt provision ThUS\$	Net trade receivables ThUS\$
Not yet due	202	27,987	-	27,987	165	20,322	-	20,322
1- 30 days	173	4,235	-	4,235	342	4,327	-	4,327
31- 60 days	13	467	-	467	29	2,318	-	2,318
61- 90 days	7	42	-37	5	3	457	-	457
91- 120 days	2	182	-100	82	-	-	-	-
121- 150 days	4	3	-	3	8	383	-	383
151-180 days	-	-	-	-	3	216	-114	102
181-210 days	-	-	-	-	2	200	1	201
211-250 days	6	5	-5	-	2	1	-1	-
>250 days	42	310	-308	2	2	83	3	86
<b>Total</b>	<b>449</b>	<b>33,231</b>	<b>-450</b>	<b>32,781</b>	<b>556</b>	<b>28,307</b>	<b>-111</b>	<b>28,196</b>

Movements in the non-collectable portfolio were as follows:

	12/31/2018 ThUS\$	12/31/2017 ThUS\$
Opening balance	-111	-14
Reverse for payments received	112	14
Increases	-451	-111
<b>Total</b>	<b>-450</b>	<b>-111</b>

#### NOTE 9 - 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) Related party receivables are as follows:

- Current

	Chilean ID Number:	Country	Payment terms	Currency	12/31/2018 Current ThUS\$	12/31/2017 Current ThUS\$
Camanchaca Inc.	Foreign	USA	Under 30 days	US\$	20,425	16,956
Kabushiki Kaisha Camanchaca Ltd.	Foreign	Japan	Under 30 days	US\$	4,753	7,933
Cia. Pesquera Camanchaca S.A.	93,711,000-6	Chile	Under 30 days	Ch\$	486	162
Camanchaca Cultivos Sur S.A.	96,633,150-K	Chile	Under 30 days	Ch\$	243	193
Camanchaca Pesca Sur S.A.	76,143,821-2	Chile	Under 30 days	Ch\$	861	341
Transportes Interpolar Ltda.	77,970,900-0	Chile	Under 30 days	Ch\$	184	-
<b>Total</b>					<b>26,952</b>	<b>25,585</b>

b) Related party payables are as follows:

- Current

	Chilean ID Number:	Country	Payment terms	Currency	12/31/2018 Current ThUS\$	12/31/2017 Current ThUS\$
Cia. Pesquera Camanchaca S.A.	93,711,000-6	Chile	Under 30 days	Ch\$	11,919	1,412
Transportes Interpolar Ltda.	77,970,900-0	Chile	Under 30 days	Ch\$	388	1,528
Kabushiki Kaisha Camanchaca Ltd.	Foreign	Japan	Under 30 days	US\$	77	204
Inmobiliaria Camanchaca S.A.	96,786,700-4	Chile	Under 30 days	Ch\$	1,546	510
Camanchaca Pesca Sur S.A.	76,143,821-2	Chile	Under 30 days	Ch\$	1,245	267
Camanchaca Cultivos Sur S.A.	96,633,150-K	Chile	Under 30 days	Ch\$	17	-
Frigorífico Pacifico S.A.	77,858,550-2	Chile	Under 30 days	Ch\$	-	188
Surproceso S.A.	76,346,370-2	Chile	Under 30 days	Ch\$	97	86
Codepack S.A.	96,974,100-8	Chile	Under 30 days	Ch\$	7	3
<b>Total</b>					<b>15,296</b>	<b>4,198</b>

- Non-current

	Chilean ID Number:	Country	Payment terms	Currency	12/31/2018 Non-current ThUS\$	12/31/2017 Non-current ThUS\$
Cia. Pesquera Camanchaca S.A.	93,711,000-6	Chile	No time limit	Ch\$	591	4,572
<b>Total</b>					<b>591</b>	<b>4,572</b>

c) Transactions with related companies for over ThUS\$20 and their effects on net income for the periods ended December 31, 2018 and 2017 are as follows.

Company	Chilean ID number	Country	Relationship	Transaction Description	Currency	12/31/2018		12/31/2017	
						Amount ThUS\$	Effect on net income (Charge)/Credit ThUS\$	Amount ThUS\$	Effect on net income (Charge)/Credit ThUS\$
Camanchaca Inc.	Foreign	USA	Common shareholder	Product sales	US\$	112,476	22,399	74,593	21,150
Kabushiki Kaisha Camanchaca Ltd.	Foreign	Japan	Common shareholder	Product sales	US\$	14,367	3,865	15,475	4,388
Kabushiki Kaisha Camanchaca Ltd.	Foreign	Japan	Common shareholder	Commissions	US\$	307	(307)	503	(503)
Cia. Pesquera Camanchaca S.A.	93,711,000-6	Chile	Parent company	Administrative services	US\$	5,529	(5,529)	5,359	(5,359)
Cia. Pesquera Camanchaca S.A.	93,711,000-6	Chile	Parent company	Product sales	Ch\$	328	14	335	95
Cia. Pesquera Camanchaca S.A.	93,711,000-6	Chile	Parent company	Payments	US\$	(4,916)	-	(10,640)	-
Camanchaca Pesca Sur S.A.	76,143,821-2	Chile	Common shareholder	Product sales	Ch\$	373	16	311	158
Camanchaca Pesca Sur S.A.	76,143,821-2	Chile	Common shareholder	Services	Ch\$	182	153	355	188
Camanchaca Pesca Sur S.A.	76,143,821-2	Chile	Common shareholder	Plant lease	US\$	1,363	-	504	(423)
Camanchaca Cultivos Sur S.A.	96,633,150-K	Chile	Common shareholder	Product sales	Ch\$	40	2	101	29
Camanchaca Cultivos Sur S.A.	96,633,150-K	Chile	Common shareholder	Product purchases	Ch\$	15	-	24	-
Camanchaca Cultivos Sur S.A.	96,633,150-K	Chile	Common shareholder	Sales of property, plant and equipment	Ch\$	35	2	-	-
Transportes Interpolar Ltda.	77,970,900-0	Chile	Common shareholder	Transport services	Ch\$	5,452	(4,582)	3,363	(2,826)
Transportes Interpolar Ltda.	77,970,900-0	Chile	Common shareholder	Sales of property, plant and equipment	Ch\$	212	9	-	-
Inmobiliaria Camanchaca S.A.	96,786,700-4	Chile	Common shareholder	Rental services	US\$	1,379	(1,159)	1,380	(1,159)
Surproceso S.A.	76,346,370-2	Chile	Associate	Salmon processing	Ch\$	3,094	-	793	-
Frigorífico Pacifico S.A.	77,858,550-2	Chile	Director and subsidiary shareholder	Leased refrigerators	Ch\$	693	(582)	222	(186)
Codepack S.A.	96,974,100-8	Chile	Related Director	Packaging	Ch\$	64	(54)	30	(26)

Fiordo Blanco S.A. transactions are only disclosed for 2017, as it was consolidated into Salmones Camanchaca S.A. with effect from September of that year.

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\$378 during 2018 (ThUS\$173 in 2017).

The remuneration of Senior Management during 2018 amounted to ThUS\$1,143 (ThUS\$943 in 2017).

**NOTE 10 - INVENTORIES**

Inventories as of each reporting date are as follows.

	Unit of Measure	12/31/2018		12/31/2017	
		Quantity	ThUS\$	Quantity	ThUS\$
Finished products*	Kilo	2,700,807	13,595	5,143,345	26,988
Fair value of biological assets harvested but not sold*	N/A	-	4,298	-	6,629
Production supplies	N/A	-	5,590	-	6,049
Net realizable value provision*	N/A	-	-225	-	-787
Decrease in provisions			-299		-709
<b>Total</b>			<b>22,959</b>		<b>38,170</b>

\* Total Finished Product Inventory to Net Realizable Value plus Fair Value.

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

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

#### 10.1 Inventory valuation policy

The Company values its inventories as follows.

- a) 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.

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

#### 10.2 Inventory cost calculation formula

Inventories of finished products are valued using the weighted average cost method, which is the cost of each product unit based on the weighted average cost at the beginning of the period and the cost of articles bought or produced during the period.

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

#### 10.3 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, 2018 and December 31, 2017.

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).

## 10.4 Reconciliation of finished products

Movements in finished products are as follows.

	12/31/2018 ThUS\$	12/31/2017 ThUS\$
Opening balance	32,830	17,321
Increases for production costs	56,343	33,576
Increases for harvested biological assets	159,385	116,604
Cost of sales	-228,335	-136,175
Fair value of harvested biological assets	97,950	51,352
Fair value of harvested and sold biological assets	-100,280	-49,061
Net realizable value provision	-225	-787
<b>Total</b>	<b>17,668</b>	<b>32,830</b>

Cost of sales is composed as follows.

	12/31/2018 ThUS\$	12/31/2017 ThUS\$
Cost of products sold	228,335	136,175
Cost of services	5,776	3,792
Cost of fallow periods	4,484	4,892
Mortality costs	969	-
<b>Total</b>	<b>239,564</b>	<b>144,859</b>

**NOTE 11 - BIOLOGICAL ASSETS**

Current and non-current biological assets are as follows.

Item	12/31/2018			12/31/2017		
	Current ThUS\$	Non-current ThUS\$	Total ThUS\$	Current ThUS\$	Non-current ThUS\$	Total ThUS\$
Salmon	113,237	18,607	<b>131,844</b>	97,522	14,472	<b>111,994</b>
<b>Total</b>	<b>113,237</b>	<b>18,607</b>	<b>131,844</b>	<b>97,522</b>	<b>14,472</b>	<b>111,994</b>

Movements in biological assets are as follows.

	12/31/2018 ThUS\$	12/31/2017 ThUS\$
Opening balance as of January 1	111,994	78,176
Increases from cultivating and production	182,699	147,412
Decreases from harvests (measured at cost)	-159,385	-116,604
Fair value adjustment for the period	95,455	54,362
Fair value of harvested biological assets, transferred to inventories	-97,950	-51,352
Mortality losses	-969	-
<b>Closing biological assets</b>	<b>131,844</b>	<b>111,994</b>

Biological assets are as follows:

Biomass as of 12/31/2018	Thousand units	Final biomass	Production costs	Fair value adjustments	Total cost
		Ton	ThUS\$	ThUS\$	ThUS\$
Fish in sea water	12,805	24,670	107,438	13,816	121,254
Fish in fresh water	17,477	578	10,590	-	10,590
<b>Total</b>			<b>118,028</b>	<b>13,816</b>	<b>131,844</b>

Biomass as of 12-31-2017	Thousand units	Final biomass	Production costs	Fair value adjustments	Total cost
		Ton	ThUS\$	ThUS\$	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>

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

	12/31/2018 ThUS\$	12/31/2017 ThUS\$
Opening fair value of biological assets	22,941	17,640
Increase due to biological adjustments for the period	95,455	54,362
Less: Fair value adjustment for sales of inventories	-100,280	-49,061
<b>Closing balance</b>	<b>18,116</b>	<b>22,941</b>

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	508	-1,484	3,351	-4,579

#### NOTE 12 - OTHER CURRENT AND NON-CURRENT NON-FINANCIAL ASSETS

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

	12/31/2018		12/31/2017	
	Current ThUS\$	Non-current ThUS\$	Current ThUS\$	Non-current ThUS\$
Insurance policies	3,296	-	4,929	-
Prepaid expenditure at centers	1,590	-	377	-
Prepaid rent	40	-	40	-
Other prepaid expenditure	1,064	-	1,695	-
Other non-financial assets	-	112	-	260
<b>Total</b>	<b>5,990</b>	<b>112</b>	<b>7,041</b>	<b>260</b>

**NOTE 13 - EQUITY METHOD INVESTMENTS**

Investments in associates as of December 31, 2018 are as follows.

Chilean ID number	Name	Country	Investments in associates ThUS\$	Interest %
77,970,900-0	Surproceso S.A.	Chile	4,681	33.33
Foreign	New World Currents Inc.	Panama	1	25.00
<b>Total</b>			<b>4,682</b>	

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

Chilean ID number	Name	Country	Investments in associates ThUS\$	Interest %
77,970,900-0	Surproceso S.A.	Chile	5,564	33.33
Foreign	New World Currents Inc.	Panama	1	25.00
<b>Total</b>			<b>5,565</b>	

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

	12/31/2018		12/31/2017	
	Assets ThUS\$	Liabilities ThUS\$	Assets ThUS\$	Liabilities ThUS\$
Current	4,882	1,757	5,751	1,621
Non-current	10,917	14,042	12,561	16,691
<b>Total</b>	<b>15,799</b>	<b>15,799</b>	<b>18,312</b>	<b>18,312</b>

Revenue and net income for the year for these associates are as follows.

	As of 12/31/2018 ThUS\$	As of 12/31/2017 ThUS\$
Operating revenue	19,654	20,282
Net income for the year (1)	4,887	4,698

(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, 2017. Therefore, the net income earned by these associates were reflected in the financial statements of the owners of those shares until the reporting date.

**NOTE 14 - TAX ASSETS AND RIGHTS RECEIVABLE**

Current tax assets are as follows.

	12/31/2018 ThUS\$	12/31/2017 ThUS\$
Provisional payment for absorbed profits	630	1,085
Training expenses, Sence	226	167
Labor bonus tax	73	-
Other recoverable taxes	207	332
<b>Total</b>	<b>1,136</b>	<b>1,584</b>

Non-current rights receivable are as follows.

	<b>12/31/2018</b> <b>ThUS\$</b>	<b>12/31/2017</b> <b>ThUS\$</b>
Tax incentive for investment (1)	1,349	5,520
<b>Total</b>	<b>1,349</b>	<b>5,520</b>

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

#### **NOTE 15 - INTANGIBLE ASSETS OTHER THAN GOODWILL**

Non-internally created intangible assets are as follows.

	Useful life	12/31/2018 ThUS\$	12/31/2017 ThUS\$
Aquaculture concessions and water rights	Indefinite	6,948	7,083
<b>Total</b>		<b>6,948</b>	<b>7,083</b>

Movements of intangible assets as of December 31, 2018 and December 31, 2017, are detailed as follows:

	<b>12/31/2018</b> <b>ThUS\$</b>	<b>12/31/2017</b> <b>ThUS\$</b>
Opening balance as of January 1	7,083	4,216
Movement during the year	-135	2,867
<b>Closing balance</b>	<b>6,948</b>	<b>7,083</b>

**Water rights**

No	DGA Resolution No	Water source	Location	Owner	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	Fallow
Chaiquen	X	1	1	Puerto Varas	Sea Water	3.74	Fallow
Pucheguin	X	1	1	Cochamo	Sea Water	3	Fallow
Pucheguin coast	X	1	1	Cochamo	Sea Water	9	Fallow
Farellones	X	1	1	Cochamo	Sea Water	21.06	Fallow
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	Use
Cascajal	X	1	1	Cochamo	Sea Water	9	Fallow
Factoría	X	1	1	Cochamo	Sea Water	9	Fallow
Puelche	X	1	2	Hualaihue	Sea Water	7.54	Fallow
Manihueico	X	1	2	Hualaihue	Sea Water	15	Fallow
Contao	X	1	2	Hualaihue	Sea Water	15	Fallow
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	Use
Pilpilehue	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
Islets	X	5	14	Chaitén	Sea Water	36	Use
Edwards	X	0	15	Chaitén	Sea Water	9.04	Fallow
Yelcho	X	5	16	Chaitén	Sea Water	4.5	Use
Chilco	X	5	16	Chaitén	Sea Water	6.5	Use
Fiordo Largo	X	5	16	Chaitén	Sea Water	6	Use
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	Use
Reñihue 3	X	5	16	Chaitén	Sea Water	6.32	Fallow
Loncochalgua	X	5	17a	Hualaihue	Sea Water	8	Use
Porcelana	X	5	17a	Chaitén	Sea Water	18.54	Use
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	Fallow

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	Fallow
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	Fallow
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	Use
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	Fallow
Johnson 2	XI	6	19a	Cisnes	Sea Water	6.35	Fallow
Midhurst	XI	6	19a	Cisnes	Sea Water	N/A	Use
Tahuenahuec	XI	6	20	Cisnes	Sea Water	5.52	Fallow
Benjamin	XI	6	20	Cisnes	Sea Water	50.88	Use
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	Use
Williams 2	XI	6	21d	Cisnes	Sea Water	10.28	Fallow
Williams Sector 2	XI	6	21d	Cisnes	Sea Water	N/A	Fallow

**NOTE 16 - PROPERTY, PLANT AND EQUIPMENT**

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

	Land ThUS\$	Buildings ThUS\$	Plant and equipment ThUS\$	Vessels ThUS\$	Motor Vehicles ThUS\$	Other property, plant and equipment ThUS\$	Total ThUS\$
Opening balance as of January 1, 2018							
Cost or valuation	5,322	39,397	121,460	2,715	149	3,338	<b>172,381</b>
Accumulated depreciation	-	-16,326	-77,737	-2,465	-94	-2,113	<b>-98,735</b>
<b>Net balance as of January 1, 2018</b>	<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>
Additions	-	957	28.619	52	-	970	<b>30.598</b>
Disposals	-15	-96	-695	-	-11	-18	<b>-835</b>
Transfers	-	1.077	-1.112	7	-	28	-
Depreciation	-	-1.268	-9.253	-38	-7	-574	<b>-11.140</b>
<b>Closing balance as of December 31, 2018</b>	<b>5,307</b>	<b>23,741</b>	<b>61,282</b>	<b>271</b>	<b>37</b>	<b>1,631</b>	<b>92,269</b>
	Land ThUS\$	Buildings ThUS\$	Plant and equipment ThUS\$	Vessels ThUS\$	Motor Vehicles ThUS\$	Other property, plant and equipment ThUS\$	Total ThUS\$
Opening balance 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>
<b>Net balance as of January 1, 2017</b>	<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	-
Contributed assets	180	7	994	-	-	3	<b>1,184</b>
Depreciation	-	-1,782	-8,454	-34	-8	-402	<b>-10,680</b>
<b>Closing balance as of December 31, 2017</b>	<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>

Property, plant and equipment as of December 31, 2018 is as follows.

	Gross value ThUS\$	Accumulated depreciation ThUS\$	Net value ThUS\$
Land	5,307	-	5,307
Buildings	41,490	-17,749	23,741
Plant and equipment	153,943	-92,661	61,282
Vessels	2,777	-2,506	271
Motor vehicles	138	-101	37
Other property plant and equipment	4,258	-2,627	1,631
<b>Total</b>	<b>207,913</b>	<b>-115,644</b>	<b>92,269</b>

Property, plant and equipment as of December 31, 2017 is 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>

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 property, plant and equipment to guarantee the syndicated loan.

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.

	12/31/2018 Gross value ThUS\$	12/31/2017 Gross value ThUS\$
Buildings	8,823	6,540
Plant and equipment	40,335	48,339
Vessels	2,387	2,369
Motor vehicles	86	86
Other property plant and equipment	-	1,007
<b>Total</b>	<b>51,631</b>	<b>58,341</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 17 – CURRENT AND DEFERRED INCOME TAXES

The corporate income tax rate is 25.5% for 2017 and from 2018 onwards it is 27%, according to the law.

Deferred tax assets and liabilities are as follows.

	12/31/2018		12/31/2017	
	Deferred tax assets ThUS\$	Deferred tax liabilities ThUS\$	Deferred tax assets ThUS\$	Deferred tax liabilities ThUS\$
Tax losses	1,066	-	1,178	-
Inventory provisions	-	14	-	388
Staff vacation provisions	-	285	-	275
Staff severance indemnity provision	-	41	-	42
Doubtful debt provisions	-	122	-	30
Prepaid revenue	-	1,437	-	1,017
Property, plant and equipment	69	-270	63	-180
Manufacturing expenses	-	-9,161	-	-8,985
Concessions	-762	-34	-785	20
Income from compensation claims	-	-	-	-55
Biological assets	-	-4,891	-	-6,194
Other provisions	-	12	-	362
Capitalized prepaid costs	-	-288	-	-
<b>Total</b>	<b>373</b>	<b>-12,733</b>	<b>456</b>	<b>-13,280</b>
<b>Net Total</b>		<b>-12,360</b>		<b>-12,824</b>

Income taxes are as follows.

**Tax (expense) benefit**

	12/31/2018 ThUS\$	12/31/2017 ThUS\$
Current tax expense	-16,335	-1,829
Tax expense adjustment (prior period)	-1	88
Deferred tax expense for the period	464	-9,478
<b>Total</b>	<b>-15,872</b>	<b>-11,219</b>

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

	12/31/2018 ThUS\$	12/31/2017 ThUS\$
Income tax expense using the statutory rate	-16,170	-11,007
Second category tax (on salaries and wages)	-29	-34
Tax effect of non-taxable revenue	440	195
Tax effect of non-deductible expenses	-113	88
Tax effect on changes in rates for deferred taxes	-	-461
<b>Total</b>	<b>-15,872</b>	<b>-11,219</b>

Current tax liabilities are as follows:

	12/31/2018 ThUS\$	12/31/2017 ThUS\$
Certain tax	16.306	4.451
Austral Law Credit	-6.871	-2.701
Monthly Provisional Payments	-2.956	-
Other taxes	30	79
<b>Total</b>	<b>6,509</b>	<b>1,829</b>

**NOTE 18 - OTHER CURRENT AND NON-CURRENT FINANCIAL LIABILITIES**

Other financial liabilities are as follows.

Current

	12/31/2018 ThUS\$	12/31/2017 ThUS\$
Interest-bearing loans	243	439
<b>Total current</b>	<b>243</b>	<b>439</b>

## Non-current

	12/31/2018 ThUS\$	12/31/2017 ThUS\$
Interest-bearing loans	50,000	100,000
<b>Total non-current</b>	<b>50,000</b>	<b>100,000</b>

On November 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., in order for these companies to reschedule their liabilities. The rescheduling covers three financing tranches.

- Tranche A conditions
  - Debtor: Compañía Pesquera Camanchaca S.A.
  - Amount: US\$ 25 million
  - Maturity: November 2019, fully prepaid on February 12, 2018
  - 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
  - Debtor: 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
  - Debtor: 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. has guaranteed the obligations of Compañía Pesquera Camanchaca S.A. with respect to tranches A and B, whereas Compañía Pesquera Camanchaca has guaranteed the obligations of its subsidiary in respect of tranche C. However, the IPO for Salmones Camanchaca S.A. was completed on February 2, 2018 and according to the Financing Agreement, it then ceased to guarantee the obligations of its parent company while the latter also ceased to guarantee the obligations of the subsidiary.

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, and this margin will fluctuate between 2.25% and 3.25%.

The most representative and significant assets of the borrower are pledged in guarantee. The loan has financial covenants: a) Borrowing Ratio, which shall not exceed 4, defined as the ratio between Net Financial Borrowing and EBITDA for the previous 12 months, and (b) Equity Ratio, which should be at least 40%, defined as the ratio between Total Equity and Total Assets. These are measured on a quarterly basis.

On March 15, 2018, Salmenes Camanchaca S.A. voluntarily repaid US\$20 million and on September 13, 2018 repaid another US\$10 million.

On November 9, 2018, Salmenes Camanchaca S.A. voluntarily repaid US\$20 million and on November 27, 2018 repaid another US\$10 million.

### Interest-bearing loans

Obligations that mature in under 12 months

	12/31/2018 ThUS\$	12/31/2017 ThUS\$
Interest payable	243	439
<b>Total</b>	<b>243</b>	<b>439</b>

Obligations that mature in over 12 months

	12/31/2018 ThUS\$	12/31/2017 ThUS\$
DNB Bank ASA	17,000	34,000
Rabobank Cooperate U.A.	23,000	46,000
Banco Santander	10,000	20,000
<b>Total</b>	<b>50,000</b>	<b>100,000</b>

The Company's loans are as follows.

a) As of December 31, 2018

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	Noruega	US\$	Semestral y al vencimiento	5,49	5,49	% de activos	82	-	82	3.400	13.600	-	17.000
76.065.596-1	Salmones Camanchaca S.A.	Chile	97.036.000-k	Banco Santander	Chile	US\$	Semestral y al vencimiento	5,49	5,49	% de activos	49	-	49	2.000	8.000	-	10.000
76-065.596-1	Salmones Camanchaca S.A.	Chile	0-E	Rabobank Cooperate U.A.	Holanda	US\$	Semestral y al vencimiento	5,49	5,49	% de activos	112	-	112	4.600	18.400	-	23.000
											243	-	243	10.000	40.000	-	50.000

b) 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	Noruega	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 Cooperative U.A.	Holanda	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

Reconciliation of financial obligations for the statement of cash flows:

a) As of December 31, 2018

Other financial liabilities	Balance as of January 01, 2018 ThUS\$	Cash Flows			Accrual ThUS\$	Others ThUS\$	Balance as of December 31, 2018 ThUS\$
		Payments		Acquisitions ThUS\$			
		Capital ThUS\$	Interest ThUS\$				
<b>Current</b>							
Bank loans	439	-	-4,251	-	4,055	-	243
<b>Total other financial liabilities, current</b>	<b>439</b>	<b>-</b>	<b>-4,251</b>	<b>-</b>	<b>4,055</b>	<b>-</b>	<b>243</b>
<b>Non-current</b>							
Bank loans	100,000	-50,000	-	-	-	-	50,000
<b>Total other financial liabilities, non-current</b>	<b>100,000</b>	<b>-50,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,000</b>
<b>Total other financial liabilities</b>	<b>100,439</b>	<b>-50,000</b>	<b>-4,251</b>	<b>-</b>	<b>4,055</b>	<b>-</b>	<b>50,243</b>

b) As of December 31, 2017

Other financial liabilities	Closing balance as of January 01, 2017 ThUS\$	Cash Flows			Accrual ThUS\$	Others ThUS\$	Closing 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>-</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>-</b>	<b>-</b>	<b>-</b>	<b>-</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>-</b>	<b>4,058</b>	<b>-</b>	<b>100,439</b>

**NOTE 19 – TRADE AND OTHER PAYABLES**

Trade and other payables are as follows:

	12/31/2018 ThUS\$	12/31/2017 ThUS\$
Trade payables	60,579	49,220
Notes payable	2,086	16,402
Withholdings	1,463	1,361
Dividends payable	4,279	3,354
Other	1,727	1,392
<b>Total</b>	<b>70,134</b>	<b>71,729</b>

Trade payables as of December 31, 2018 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		
Products	16,073	9,850	7,830	7,698	-	41,451	62
Services	14,780	3,875	16	-	-	18,671	48
<b>Grand Total</b>	<b>30,853</b>	<b>13,725</b>	<b>7,846</b>	<b>7,698</b>	<b>-</b>	<b>60,122</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 181 days	
Products	150	18	-	-	-	52	220
Services	132	29	1	-	11	64	237
<b>Grand Total</b>	<b>282</b>	<b>47</b>	<b>1</b>	<b>-</b>	<b>11</b>	<b>116</b>	<b>457</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 366 days		
Products	11,456	8,236	7,720	6,425	-	-	33,837	59
Services	12,608	1,878	6	6	201	-	14,699	43
<b>Grand 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 181 days	
Products	160	-	-	-	-	131	291
Services	243	53	39	12	10	36	393
<b>Grand Total</b>	<b>403</b>	<b>53</b>	<b>39</b>	<b>12</b>	<b>10</b>	<b>167</b>	<b>684</b>

The Company has no confirming transactions.

### NOTE 20 - EMPLOYEE BENEFIT PROVISIONS

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

	Current	
	12/31/2018 ThUS\$	12/31/2017 ThUS\$
Opening balance	1,020	681
Increase (decrease)	36	339
<b>Total</b>	<b>1,056</b>	<b>1,020</b>

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

	Non-current	
	12/31/2018 ThUS\$	12/31/2017 ThUS\$
Opening balance	157	136
Payments	-7	-
Increase (decrease)	2	21
<b>Total</b>	<b>152</b>	<b>157</b>

### NOTE 21 – EQUITY

a) Share capital

The Company's share capital is as follows.

	12/31/2018 ThUS\$	12/31/2017 ThUS\$
<b>Share capital</b>		
Capital subscribed but not paid	18,364	-
Share capital paid	73,422	73,422
<b>Total</b>	<b>91,786</b>	<b>73,422</b>

Common Shares	Total number of shares	
As of December 31, 2018 and December 31, 2017	66,000,000	56,818,008

## b) Share premium

	12/31/2018 ThUS\$	12/31/2017 ThUS\$
Share premium	27,539	-
<b>Total</b>	<b>27,539</b>	<b>-</b>

Share premium is the difference between the IPO proceeds from placing 9,181,992 shares on February 2, 2018 (approx. US\$5 per share) and the book value of those shares (US\$2 per share).

## c) 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-first each year.

Net income for the year will be distributed as follows.

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

## d) Dividend provision

The Company proposed a final dividend of US\$3,354, as of December 31, 2017, which was approved at an Annual General Shareholders' Meeting held on April 26, 2018 and was paid on May 25, 2018. The Company has provided for a dividend of US\$14,262, as of December 31, 2018, which shall be subject to approval at an Ordinary Shareholders' Meeting to be held on April 26, 2019. This dividend has been calculated as follows:

Item	As of 12/31/2018 ThUS\$	As of 12/31/2017 ThUS\$
Retained losses	-	16,672
Net income, according to statement of financial position	44,017	31,721
<b>Dividends equivalent to 30%</b>	<b>44,017</b>	<b>15,049</b>
<b>Reductions to distributable income</b>		
Fair value adjustment for 2018	4,825	-5,301
Deferred tax (27%)	-1,303	1,431
Net fair value adjustment	3,522	-3,870
Income distributable to shareholders	<b>47,539</b>	<b>11,179</b>
<b>Dividends equivalent to 30%</b>	<b>14,262</b>	<b>3,354</b>
<b>Distribution of Dividends</b>		
	<b>12/31/2018 ThUS\$</b>	<b>12/31/2017 ThUS\$</b>
Controller Camanchaca	9,983	2,348
Minority shareholders	4,279	1,006
<b>Total Dividends</b>	<b>14,262</b>	<b>3,354</b>

## e) Other reserves

Other reserves are as follows.

	12/31/2018 ThUS\$	12/31/2017 ThUS\$
Conversion in other companies reserves	-345	90
Corporate reorganization reserves (*)	23,471	23,471
<b>Total</b>	<b>23,126</b>	<b>23,561</b>

(\*) These reserves include the difference between the book value and the proceeds from the capital increase in Fiordo Blanco S.A. and Surproceso S.A. shares, as this transaction was carried out between companies under common control.

## f) Retained earnings are as follows.

	12/31/2018 ThUS\$	12/31/2017 ThUS\$
Opening balance	11,695	-16,672
Dividends	-14,262	-3,354
Retained income for the period	44,017	31,721
<b>Total</b>	<b>41,450</b>	<b>11,695</b>

**NOTE 22 - EARNINGS PER SHARE**

Earnings per share are as follows.

Detail	12/31/2018 ThUS\$	12/31/2017 ThUS\$
Net income (loss) for the period (ThUS\$)	44,017	31,721
Weighted average number of shares	66,000,000	56,818,008
Basic earnings per share (US\$/share)	0.6669	0.5583

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 23 - OPERATING REVENUE**

Operating revenue is as follows.

	For the years ended December 31,	
	2018 ThUS\$	2017 ThUS\$
Fresh salmon sales	125,104	80,681
Frozen salmon sales	193,486	110,648
Services	7,456	5,072
Share of trout production	2,889	6,115
Other products	3,366	554
<b>Total</b>	<b>332,301</b>	<b>203,070</b>

Operating revenue by destination market is as follows:

DESTINATION	12/31/2018 %	12/31/2017 %
Exports	93.98	93.55
Domestic	6.02	6.45
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

DESTINATION	12/31/2018 %	12/31/2017 %
USA	29.17	35.02
Europe + Eurasia	28.75	15.69
Asia, except Japan	8.34	8.07
Japan	4.99	9.46
LATAM, except Chile	21.86	24.13
Chile	6.02	6.45
Others	0.87	1.18
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

The Company does not have final clients abroad that represent more than 10% of sales and do not have foreign assets.

Revenue in ThUS\$ by the Company's markets are as follows:

a) As of December 31, 2018

Product or Species	USA ThUS\$	Europe + Eurasia ThUS\$	Asia, except Japan ThUS\$	Japan ThUS\$	LATAM, except Chile ThUS\$	Chile ThUS\$	Others ThUS\$	TOTAL ThUS\$
Atlantic salmon	96,211	95,510	27,648	14,695	72,618	9,066	2,842	<b>318,590</b>
Trout	716	25	67	1,885	10	115	72	<b>2,890</b>
Others	-	-	-	-	-	10,821	-	<b>10,821</b>
<b>Total</b>	<b>96,927</b>	<b>95,535</b>	<b>27,715</b>	<b>16,580</b>	<b>72,628</b>	<b>20,002</b>	<b>2,914</b>	<b>332,301</b>

## b) As of December 31, 2017

Product or Species	USA	Europe + Eurasia	Asia, except Japan	Japan	LATAM, except Chile	Chile	Others	TOTAL
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Atlantic salmon	70,189	31,847	16,390	14,356	49,004	4,988	2,169	<b>188,943</b>
Trout	926	12	-	4,850	-	103	224	<b>6,115</b>
Others	-	-	-	-	-	8,012	-	<b>8,012</b>
<b>Total</b>	<b>71,115</b>	<b>31,859</b>	<b>16,390</b>	<b>19,206</b>	<b>49,004</b>	<b>13,103</b>	<b>2,393</b>	<b>203,070</b>

**NOTE 24 - ADMINISTRATIVE EXPENSES**

Administrative expenses are as follows.

	For the years ended December 31,	
	2018 ThUS\$	2017 ThUS\$
Corporate support services	4,492	4,515
Remuneration	3,916	3,328
Communications	460	480
Leases	552	519
Depreciation	149	181
Audit and consultancy	216	388
Travel and traveling allowances	171	197
Legal expenses	229	100
Overhead expenses	839	413
Stock market expenses	335	-
Other administrative expenses	718	629
<b>Total</b>	<b>12,077</b>	<b>10,750</b>

**NOTE 25 - DISTRIBUTION COSTS**

Distribution costs are as follows.

	For the years ended December 31,	
	2018 ThUS\$	2017 ThUS\$
Distribution services	936	662
Remuneration	1,315	959
Storage expenses	1,094	840
Commissions	911	826
Haulage costs	1,605	751
Maritime freight	595	274
Shipment costs	562	289
Travel and Traveling allowances	88	30
Samples and analysis	107	56
Export certificates	395	81
Other expenses	967	899
<b>Total</b>	<b>8,575</b>	<b>5,667</b>

**NOTE 26 - FINANCIAL COSTS**

Financial costs are as follows:

	For the years ended December 31,	
	2018 ThUS\$	2017 ThUS\$
Financial interest	4,051	3,489
Commercial current account interest	3	241
Financial commissions	472	308
Income from financial instruments	1,699	-
Other expenses	136	198
<b>Total</b>	<b>6,361</b>	<b>4,236</b>

**NOTE 27 – EXCHANGE DIFFERENCES**

Exchange differences are as follows.

Item	Currency	For the years ended December 31,	
		2018 ThUS\$	2017 ThUS\$
<b>Assets (charge) / credit</b>			
Bank accounts	Ch\$	-624	-604
Bank accounts	Euros	-104	28
Domestic customers	Ch\$	-170	77
Foreign customers	Yen	-	52
Foreign customers	Euros	-79	44
Foreign customers	GBP	4	-
Other receivables	Ch\$	-697	56
Miscellaneous receivables	UF	-	3
Commercial current accounts with related companies	Ch\$	-992	326
Commercial current accounts with related companies	Euros	58	-
Recoverable taxes	Ch\$	-326	551
Other financial assets	Ch\$	-138	-
Prepaid expenses	Ch\$	-172	6
<b>Total</b>		<b>-3,240</b>	<b>539</b>
<b>Liabilities (charge) / credit</b>			
Trade payables	Ch\$	1131	-884
Payables	Euros	-5	-
Payables	NOK	-2	-
Payables	GBP	2	-
Notes payable	Ch\$	28	11
Notes payable	Euros	5	-27
Provisions and withholdings	Ch\$	171	-94
Provisions and withholdings	NOK	-6	-
<b>Total</b>		<b>1,324</b>	<b>-994</b>
<b>Gain (loss) on foreign currency conversion</b>		<b>-1,916</b>	<b>-455</b>

**NOTE 28 - OTHER GAINS (LOSSES)**

Other gains and losses for the year are as follows.

	For the years ended December 31,	
	2018 ThUS\$	2017 ThUS\$
Net gain on selling assets	42	16
Gain (loss) on insurance claims	21	-328
Costs of disposing of property, plant and equipment	-835	-947
Others	-	1,199
<b>Total</b>	<b>-772</b>	<b>-60</b>

**NOTE 29 - ASSETS AND LIABILITIES IN FOREIGN CURRENCIES**

Assets and liabilities in foreign currencies are as follows:

Item	Currency	12/31/2018 ThUS\$	12/31/2017 ThUS\$
<b>Current assets</b>			
Cash and cash equivalents	US\$	5,738	531
Cash and cash equivalents	Ch\$	5,540	-121
Cash and cash equivalents	Euro	1,865	436
Other financial assets, current	US\$	19	-
Other financial assets, current	Ch\$	31	31
Other non-financial assets, current	US\$	5,990	7,041
Trade and other receivables, current	US\$	23,904	21,297
Trade and other receivables, current	Ch\$	7,974	4,259
Trade and other receivables, current	Euro	903	2,429
Trade and other receivables, current	GBP	-	211
Related company receivables	US\$	25,620	25,076
Related company receivables	Ch\$	1,332	509
Inventories	US\$	22,959	38,170
Biological assets, current	US\$	113,237	97,522
Tax assets, current	Ch\$	1,136	1,584
<b>Total</b>		<b>216,248</b>	<b>198,975</b>

Item	Currency	12/31/2018 ThUS\$	12/31/2017 ThUS\$
<b>Non-current assets</b>			
Other financial assets, non-current	US\$	27	27
Other non-financial assets	US\$	112	260
Rights receivable, non-current	US\$	1,349	3,995
Rights receivable, non-current	Ch\$	-	1,525
Equity method investments	US\$	4,682	5,565
Intangible assets other than goodwill	US\$	6,948	7,083
Property, plant and equipment	US\$	92,269	73,646
Biological assets, non-current	US\$	18,607	14,472
Deferred tax assets	US\$	373	456
<b>Total</b>		<b>124,367</b>	<b>107,029</b>

Item	Currency	12/31/2018 ThUS\$	12/31/2017 ThUS\$
<b>Current liabilities</b>			
Other financial liabilities, current	US\$	243	439
Trade and other payables, current	US\$	53,739	43,803
Trade and other payables, current	Ch\$	13,128	28,250
Trade and other payables, current	UF	446	412
Trade and other payables, current	Euro	2,799	-738
Trade and other payables, current	NOK	10	-
Trade and other payables, current	DKK	-	-10
Trade and other payables, current	GBP	12	12
Related party payables, current	US\$	15,296	2,393
Related party payables, current	Ch\$	-	1,805
Tax liabilities, current	US\$	6,509	1,829
Employee benefit provisions, current	Ch\$	1,056	1,020
<b>Total</b>		<b>93,238</b>	<b>79,215</b>

Item	Currency	12/31/2018 ThUS\$	12/31/2017 ThUS\$
<b>Non-current liabilities</b>			
Other financial liabilities, non-current	US\$	50,000	100,000
Trade and other payables, current	Ch\$	-	102
Related party payables, current	US\$	591	9,703
Related party payables, current	Ch\$	-	-6,213
Related party payables, current	Euro	-	1,082
Deferred tax liabilities	US\$	12,733	13,280
Employee benefit provisions, non-current	Ch\$	152	157
<b>Total</b>		<b>63,476</b>	<b>118,111</b>

### NOTE 30 - GUARANTEES AND CONTINGENCIES

#### a) Bank loan conditions

On November 27, 2017 the Parent Company 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. An Initial Public Offering of shares in Salmones Camanchaca S.A. took place on February 2, 2018, and in accordance with the debt scheduling agreement, the cross guarantees granted by the parent company and its other subsidiaries were lifted, leaving only the assets of Salmones Camanchaca S.A. and subsidiaries pledged in guarantee, as follows.

- i. Mortgage on six plots including everything built on them, four in Tome, one in Puerto Varas and one in Calbuco.
- ii. One mortgage on fishing vessels and four on naval crafts owned by Salmones Camanchaca.
- iii. Pledge
  - a. Non-possessory pledge over the salmon processing plant in Tome, Calbuco and the Fish Farm in Petrohue.
  - b. Salmones Camanchaca S.A. and subsidiary mortgaged to the Banks all the aquaculture concessions that it owns for salmon and trout.

## b) Direct guarantees

Debtor		Guarantee	Property	Book value ThUS\$
Name	Relationship			
Salmones Camanchaca S.A.	Commercial	Property mortgage	Tome real estate	3,876
Salmones Camanchaca S.A.	Commercial	Property mortgage	Puerto Varas real estate	2,215
Salmones Camanchaca S.A.	Commercial	Property mortgage	Calbuco real estate	214
Salmones Camanchaca S.A.	Commercial	Property mortgage	Salmon vessels	1,665
Salmones Camanchaca S.A.	Commercial	Pledge	Machinery and equipment	10,737
Salmones Camanchaca S.A.	Commercial	Pledge	Buildings and construction	13,511

## 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, 2018.

Proceedings	Number of cases	Accounting provision ThUS\$
Civil	4	47
Administrative	3	16
<b>Total</b>	<b>7</b>	<b>63</b>

**NOTE 31 - SANCTIONS**

The Company, its Directors and Managers have not been subject to sanctions of any kind by the FMC (formerly the Superintendent of Securities and Insurance) or other administrative authorities as of the date these financial statements were issued.

**NOTE 32 – 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 environmental mitigation projects during the period January 1 to December 31, 2018.

Project	12/31/2018 Investment ThUS\$
Waste management	615
Environmental services	335
<b>Total</b>	<b>950</b>

The Company invested in the following projects during the period January 1 to March 31, 2017.

Project	12/31/2017 Investment ThUS\$
Waste management	554
Environmental services	133
<b>Total</b>	<b>687</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 33 - SUBSEQUENT EVENTS

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 34 - OTHER INFORMATION

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

Laborers	Professionals and Technicians	Senior Executives	Total 12/31/2018
1,045	277	13	<b>1,335</b>

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

### NOTE 35 - 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 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 Fall 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 with 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 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, 2018.

- a) An increase in net income for the period of ThUS\$30,201 (ThUS\$9,589 in 2017), 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\$41,371 (ThUS\$13,135 in 2017).
- c) An increase in biological assets within current assets of ThUS\$41,371 (ThUS\$13,135 in 2017). an increase in deferred tax liabilities of ThUS\$11,170 (ThUS\$ 3,546 in 2017) and an increase in equity of ThUS\$30,201 (ThUS\$9,589 in 2017).

The consolidated statements of financial position and the consolidated statements of net income by function including these effects are as follow:

SALMONES CAMANCHACA S.A. AND SUBSIDIARY  
CONSOLIDATED CLASSIFIED STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2018 AND 2017

Assets	Note	As of December 31, 2018 ThUS\$	As of December 31, 2017 ThUS\$
<b>Current assets</b>			
Cash and cash equivalents	7	13,143	846
Other financial assets, current		50	31
Other non-financial assets, current	12	5,990	7,041
Trade and other receivables, current	8	32,781	28,196
Related party receivables, current	9	26,952	25,585
Inventories	10	22,959	38,170
Biological assets, current	11-35	154,608	110,657
Tax assets, current	14	1,136	1,584
<b>Total current assets</b>		<b>257,619</b>	<b>212,110</b>
<b>Non-current assets</b>			
Other financial assets, non-current		27	27
Other non-financial assets, non-current	12	112	260
Rights receivable, non-current	14	1,349	5,520
Equity method investments	13	4,682	5,565
Intangible assets other than goodwill	15	6,948	7,083
Property, plant and equipment	16	92,269	73,646
Biological assets, non-current	11-35	18,607	14,472
Long-term deferred taxes	17	373	456
<b>Total non-current assets</b>		<b>124,367</b>	<b>107,029</b>
<b>Total assets</b>		<b>381,986</b>	<b>319,139</b>

SALMONES CAMANCHACA S.A. AND SUBSIDIARY  
CONSOLIDATED CLASSIFIED STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2018 AND 2017

Liabilities	Note	As of December 31, 2018 ThUS\$	As of December 31, 2017 ThUS\$
<b>Current liabilities</b>			
Other financial liabilities, current	18	243	439
Trade and other payables, current	19	70,134	71,729
Related party payables, current	9	15,296	4,198
Tax liabilities, current	17	6,509	1,829
Employee benefit provisions, current	20	1,056	1,020
<b>Total current liabilities</b>		<b>93,238</b>	<b>79,215</b>
<b>Non-current liabilities</b>			
Other financial liabilities, non-current	18	50,000	100,000
Trade and other payables, non-current		-	102
Related party payables, non-current	9	591	4,572
Deferred tax liabilities	17-35	23,903	16,826
Employee benefit provisions, non-current	20	152	157
<b>Total non-current liabilities</b>		<b>74,646</b>	<b>121,657</b>
<b>Equity</b>			
Share capital	21	91,786	73,422
Share premium	21	27,539	-
Retained earnings	21	71,651	21,284
Other reserves	21	23,126	23,561
<b>Total equity</b>		<b>214,102</b>	<b>118,267</b>
<b>Total equity and liabilities</b>		<b>381,986</b>	<b>319,139</b>

SALMONES CAMANCHACA S.A. AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF NET INCOME BY FUNCTION  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

		For the years ended December 31,	
		2018 ThUS\$	2017 ThUS\$
Operating revenue	23	332,301	203,070
Cost of sales	10	-239,564	-144,859
<b>Gross profit before fair value adjustment</b>		<b>92,737</b>	<b>58,211</b>
Gain (loss) on fair value of biological assets	11	136,826	67,497
Fair value adjustment to biological assets harvested and sold	11	-100,280	-49,061
<b>Gross profit</b>		<b>129,283</b>	<b>76,647</b>
Administrative expenses	24	-12,077	-10,750
Distribution costs	25	-8,575	-5,667
Financial costs	26	-6,361	-4,236
Share of net income (losses) of equity method associates	13	1,629	541
Exchange differences	27	-1,916	-455
Other gains (losses)	28	-772	-60
Financial income		49	55
<b>Net income (loss) before tax</b>		<b>101,260</b>	<b>56,075</b>
Income tax (expense) income	17	-27,042	-14,765
<b>Net income (loss) from continuing operations</b>		<b>74,218</b>	<b>41,310</b>
Net income (loss) from discontinued operations			
<b>Net income (loss) for the period</b>		<b>74,218</b>	<b>41,310</b>
Net Income (loss) attributable to:			
Net income (loss) attributable to owners of the parent company		74,218	41,310
Net income attributable to non-controlling interests		-	-
<b>Net income (loss) for the period</b>		<b>74,218</b>	<b>41,310</b>
Earnings (loss) per share			
Basic earnings (loss) per share (US\$/share)	22	1.1245	0.7271
<b>Basic earnings (loss) per share</b>		<b>1.1245</b>	<b>0.7271</b>





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

### **Earnings Report on the Consolidated Financial Statements**

For the periods ended December 31, 2018

#### **About Salmones Camanchaca**

*Salmones Camanchaca S.A. is a vertically integrated salmon producer engaged in egg and breeder production, recirculating hatcheries for Atlantic salmon and pass-through hatcheries for other species, estuary and sea grow-out sites, primary and secondary processing, marketing and sale of Atlantic salmon. The Company farms trout at estuary grow-out sites through a joint venture (1/3 share of results) in effect for four more years with an estimated average annual harvest of 12,000 tons WFE. For its main business (Atlantic salmon), the Company has an annual estimated harvest of 55,000 tons WFE for 2019-2021, in addition to an estimated 4,000 tons WFE of Pacific salmon beginning in 2019. Overall production of all salmonoid species at its farm sites should total around 75,000 tons WFE. Salmones Camanchaca has an average annual workforce of approximately 1,200 employees, 55% of which work at its secondary and value-added processing plant. Markets for sales of Atlantic salmon in a variety of fresh and frozen formats are led by the U.S., Russia, Brazil, China, Mexico, Japan and Argentina, with over 50% of sales in emerging markets.*

## Highlights for 4th Quarter 2018

- **Harvests in line with estimates.** The harvests of Q4 2018 reached 13,944 tons WFE, totaling in 2018 48,496 tons WFE, which are in line with the estimates at the beginning of the year.
- **Sales Up, Inventories Down.** Revenues up 22% over Q4 2017 due to higher sales volumes (+17%), reaching 15,730 tons WFE. This is consistent with a reduction in inventories over Q3 2018.
- **Prices stable, slightly up.** Average sales price was US\$ 5.90/Kg WFE, 3.8% up from US\$ 5.68/Kg WFE in Q4 2017 (down 3.9% over Q3 2018).
- **Sharp rise in unit margin.** Atlantic salmon EBIT/Kg WFE at US\$ 1.58, up 60% from Q4 2017, due to increased sales and reduced costs per Kg of production sold.
- **Live weight ex cage cost below expectations.** Live weight ex cage cost at US\$ 2.83/Kg, down 3.7% from Q4 2017 and 5.7% below the Company's long-term target. For 2018, live weight ex cage cost was US\$ 3.06/Kg, slightly above the long-term target.
- **Significant reduction in processing costs.** Total processing costs per Kg, which include primary and value-added processing, fell 5% this quarter compared to the same quarter in 2017, and were also down 5% with respect to the immediately preceding quarter. This reduction was due to increased production scale and greater efficiency following investments in 2017-2018. This is the second lowest processing cost recorded in the last 20 quarters.
- **Substantial increase in profitability.** EBITDA at US\$ 27.5 million, or 74% higher than Q4 2017, explained by greater sales volumes and lower costs. EBIT before Fair Value was US\$ 24.5 million for the quarter, reflecting growth of 86% over Q4 2017.
- **Reduced debt.** Net debt is reduced by 63% since year-end 2017 to US\$ 37.1 million, giving an equity ratio of 54%, compared with 36% as of December 31, 2017.
- **Future harvest estimates in line with projections.** Atlantic salmon harvest estimates at 55,000 tons WFE for 2019. The Company also expects to harvest 4,000 tons WFE of Pacific salmon in 2019 which will generate revenues in Q1 2020, along with 6,000-7,000 tons WFE of trout from its trout farming joint venture (100%).
- **Dividend.** Subject to shareholder approval at the Annual General Meeting scheduled for April 26, 2019, the Company will pay a dividend 30% of net profit, equivalent to US\$ 0.22 per share.

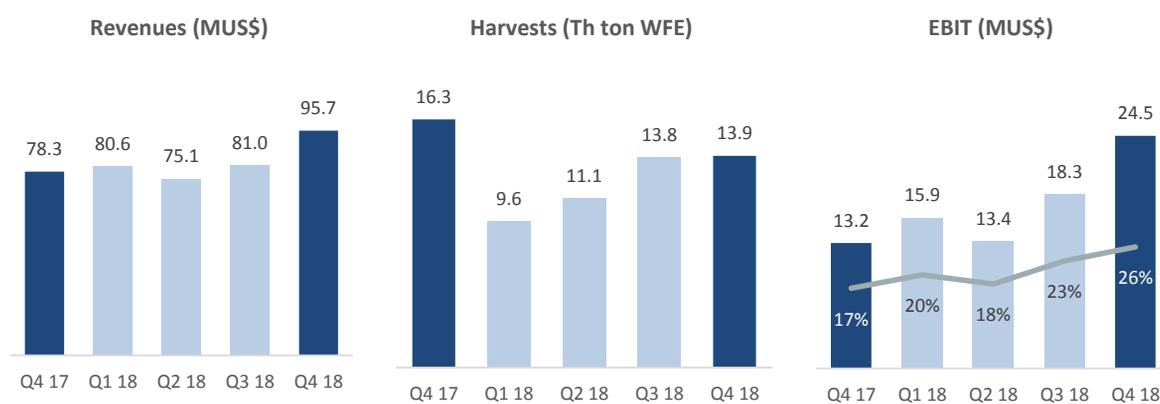
## Key Figures

ThUS\$	Q4 2018	Q4 2017	Δ%	2018	2017	Δ%
Operating revenues	95,698	78,250	22.3%	332,301	203,070	63.6%
Gross profit before Fair Value	30,057	18,217	65.0%	92,737	58,211	59.3%
EBITDA before Fair Value	27,480	15,795	74.0%	83,354	52,474	58.8%
EBIT before Fair Value	24,508	13,196	85.7%	72,085	41,794	72.5%
EBIT %	25.6%	16.9%	51.9%	21.7%	20.6%	5.4%
Fair Value	-6,690	-2,699	-	-4,825	5,301	-
Net profit (loss)	10,398	4,854	114.2%	44,017	31,721	38.8%
EPS (US\$)*	0.1575	-	-	0.6669	-	-
Harvests (ton WFE)	13,944	16,284	-14.4%	48,496	34,213	41.7%
Harvests (ton GWE)	12,550	14,656	-14.4%	43,646	30,792	41.7%
Sales (ton WFE Company-farmed)	15,730	13,469	16.8%	50,032	30,049	66.5%
Sales (ton GWE Company-farmed)	14,157	12,122	16.8%	45,029	27,044	66.5%
Ex-cage cost (US\$/Kg live weight)	2.83	2.94	-3.6%	3.06	3.03	0.9%
Ex-cage cost (US\$/Kg WFE)	3.05	3.16	-3.6%	3.29	3.26	0.9%
Ex-cage cost (US\$/Kg GWE)	3.38	3.51	-3.6%	3.65	3.62	0.9%
Processing cost (US\$/Kg WFE)	0.80	0.84	-4.8%	0.89	1.02	-12.7%
Processing cost (US\$/Kg GWE)	0.89	0.93	-4.8%	0.99	1.13	-12.7%
Price (US\$/Kg WFE)**	5.90	5.68	3.8%	6.12	6.29	-2.7%
Price (US\$/Kg GWE)**	6.56	6.31	3.8%	6.80	6.99	-2.7%
EBIT/Kg WFE (US\$)***	1.58	0.99	59.6%	1.38	1.19	16.3%
EBIT/Kg GWE (US\$)***	1.75	1.10	59.6%	1.53	1.32	16.3%
Financial debt				50,243	100,439	-50.0%
NIBD				37,100	99,593	-62.7%
Equity ratio				54%	36%	52.0%

\*After Fair Value, distributed in 66,000,000 shares at the end of Q1 2018 (after IPO)

\*\*Billing in US\$ divided by tons of product sold excluding operations with third-party raw materials

\*\*\*Excludes net profit (loss) from the trout joint venture and operations with third-party raw materials



## Financial Matters

### Q4 2018 Results

Salmones Camanchaca harvested 13,944 tons WFE of Atlantic salmon in Q4 2018, 14.4% less than the Q4 2017 harvest of 16,284 tons. The Company's average Atlantic salmon price remained fairly stable at US\$ 5.90 per Kg WFE during Q4 2018, up 3.8% from Q4 2017, which reflects stable Chilean supply.

In Q4 2018, revenues rose 22.3% over the same period in 2017 to US\$ 95.7 million, driven by a 16.8% rise in volumes of Atlantic salmon sold, a reduction of inventories over Q3 2018, and a 3.8% rise in prices.

The joint venture farming trout in sites owned by Salmones Camanchaca (in effect from 2016 to 2022), reported a loss for the Company of US\$ 319 thousand for Q4 2018, compared with a loss of US\$ 122 thousand for Q4 2017. This is mainly due to a price drop of more than one dollar per Kg WFE (-18.3%), mitigated by a reduction in unit cost by 50 cents per Kg WFE. Harvest volume for Q4 2018 was 4,828 tons WFE in comparison to 7,362 tons WFE for Q4 2017.

Gross profit before fair value was US\$ 30.1 million, 65% higher than the US\$ 18.2 million recorded for Q4 2017. Gross profit represented 31.4% of revenues in Q4 2018, up from 23.3% in Q4 2017 because of higher prices and reduced costs.

Administrative expenses as a percentage of operating revenues increased from 3.1% in Q4 2017 to 3.5% in Q4 2018, due to a one-time extraordinary expense for employee severance of US\$ 0.8 million. Distribution and sales expenses fell from 3.3% to 2.3%. Consequently, the Company's combined administrative and distribution & sales costs amounted to 5.8% of operating revenues during this quarter, down from 6.4% for the same quarter last year, explained by increased revenues and efficiencies.

EBIT before fair value was US\$ 24.5 million for the quarter, 85.7% higher than the US\$ 13.2 million recorded in Q4 2017, explained mainly by increased sales volumes and lower processing costs.

Company-farmed Atlantic salmon generated EBIT per Kg WFE of US\$ 1.58, which compares favorably to US\$ 0.99 per Kg WFE in Q4 2017 (+59.6%) and US\$ 1.43 per Kg in Q3 2018 (+10.5%), in a context of stable prices compared to the prior quarter. Thus, the increase was due to the specific characteristics of the sites harvested and processed during Q4 2018, which had lower costs than Q3 2018 and Q4 2017.

The fair value of biological assets (biomass) was a positive US\$ 24.7 million in Q4 2018, US\$ 10.2 million more than Q4 2017. The fair value adjustment to harvest and sales was a negative US\$ 31.4 million for Q4 2018, compared to a negative US\$ 17.1 million for Q4 2017. As always, this adjustment considers the reversal of estimated and accounted margins for fish sold in the quarter that was recorded as biomass in grow-out sites in previous quarters. The resulting net fair value adjustment for Q4 2018 was negative at US\$ 6.7 million, compared to a negative US\$ 2.7 million in Q4 2017.

Net finance costs were US\$ 2.1 million in comparison to US\$ 1.5 million in Q4 2017. The increase in 2018 is explained by the rise in the LIBOR rate and the negative effect of currency hedges (US\$ 1 million), which was offset by a 63% reduction in net financial debt over the last twelve months.

As a result, pre-tax profit rose from US\$ 8.4 million for Q4 2017 to US\$ 15 million for Q4 2018. This increase of US\$ 6.6 million is explained mainly by a greater gross profit (+US\$ 11.8 million), offset by a lower fair value (-US\$ 4 million). The resulting after-tax net profit in Q4 2018 was US\$ 10.4 million, up from US\$ 4.9 million in Q4 2017.

### Cash Flows Q4 2018

Cash flows from operating activities for Q4 2018 totaled a positive US\$ 21.3 million, marking an increase from US\$ 16.0 million in Q4 2017, explained mainly by increased sales and greater margins.

Cash flows used in investing activities totaled US\$ 6.2 million during the period, up from US\$ 5.7 million in Q4 2017, explained by disbursements for the investment plan to support the Company's growth for the 2018-2021 period.

Cash flows from financing activities in Q4 2018 were a negative US\$ 20.0 million, compared to a negative US\$ 10.5 million in Q4 2017. This was achieved by reduced use of available credit facilities secured in Q4 2017.

The resulting net cash flow for Q4 2018 was negative US\$ 5.2 million.

### 2018 Results

During the year 2018, Salmones Camanchaca harvested 48,496 tons WFE of Atlantic salmon, an increase of 41.7% from 34,213 tons WFE in 2017, and in line with estimates from early in the year. The average price for Atlantic salmon during 2018 was US\$ 6.12/Kg WFE, down 2.7% over 2017.

Revenues for 2018 totaled US\$ 332.3 million, 63.6% above the US\$ 203.1 million recorded in 2017, explained by 66.5% growth in the volume of Company-farmed Atlantic salmon sold.

During 2018, the trout joint venture generated net profit of US\$ 2.9 million for Salmones Camanchaca (accounted for as income with no cost associated) in comparison to US\$ 6.1 million for 2017. This decrease is explained mainly by a price drop of over one dollar per Kg WFE (-19.2%), being offset by a reduction of 50 cents per Kg WFE in unit cost. The harvest volume for this joint venture was 17,405 tons WFE of trout, up from 15,342 tons WFE in 2017, and in line with estimates prepared by Caleta Bay early in the year.

Gross profit before fair value rose 59.3% to US\$ 92.7 million, or US\$ 34.5 million greater than 2017.

During 2018, administrative expenses as a percentage of operating revenues decreased to 5.3% from 3.6%, while distribution and sales costs fell from 2.8% to 2.6%. Consequently, the Company's combined administrative and distribution and sales costs accounted for 6.2% of revenues during this period, down from 8.1% in 2017. This reduction is explained by higher revenues in 2018, increased efficiency and non-recurring expenses to implement SAP in 2017. The Company also recorded one-time administrative expenses in 2018 of approximately US\$ 1.6 million for employee severance packages.

Thus, EBIT before fair value adjustment was US\$ 72.1 million for 2018, marking an increase of 72.5% over US\$ 41.8 million in 2017, explained mainly by increased sales volumes and lower production costs, despite lower average prices. Excluding income from the trout joint venture, which is not operated by the Company, EBIT in the Atlantic salmon business was US\$ 69.2 million, or 94% greater than the US\$ 35.7 million recorded for 2017.

During 2018, the price of Company-farmed Atlantic salmon sold by Salmenes Camanchaca fell 17 cents. In that context, EBIT/Kg WFE rose to US\$ 1.38 from US\$ 1.19 in 2017, explained by the fact that improvements in costs and scale of production more than compensate the drop in price.

The Company leases some of its grow-out sites to other companies. This year the Company concluded an agreement to purchase 2,376 tons WFE of raw materials from a farmer leasing a Company-owned site, which was acquired at the US fresh spot price and generated net profit of 4 cents per Kg. This agreement gave the Company access to raw material during quarters with low Company-farmed harvests and allowed it to maintain a smolt stocking base line, which will be used for Salmenes Camanchaca's smolt stocking plan for 2019, without needing to stock additional smolt in the area. The Company has no pending purchases of raw materials scheduled for the future.

Atlantic Salmon	Total	Other Farmers	Company-Farmed	Company-Farmed 2017
EBIT (ThUS\$)	69,195	85	69,110	35,679
Sales volume (ton WFE)	52,408	2,376	50,032	30,049
EBIT/Kg WFE	1.32	0.04	1.38	1.19

The fair value adjustment of biological assets (biomass) for 2018 was US\$ 95.5 million, compared to US\$ 54.4 million for 2017, driven by larger biomass. The fair value adjustment for sold volume was negative US\$ 100.3 million for 2018, as compared to negative US\$ 49.1 million for 2017, which also reflects increased sales volumes. The latter adjustment reverses the estimated and accounted margins for the fish sold during this period for which margins were recognized in previous periods when they were considered biomass. The resulting net fair value adjustment for 2018 was a negative US\$ 4.8 million, compared to a positive US\$ 5.3 million in 2017, giving an unfavorable difference of US\$ 10.1 million.

Net finance costs were US\$ 6.3 million compared to US\$ 4.2 million in 2017 due to a rise in the LIBOR interest rate between December 2017 and December 2018, which was only partially offset by the reduction in net debt. Added to this unfavorable effect is the US\$ 1.7 million loss on currency hedges in 2018 (hedges known expenses in Chilean pesos for which the Company has revenue in dollars).

Pre-tax profit totaled US\$ 59.9 million in 2018, up 39.5% from US\$ 42.9 million in 2017. After-tax net profit totaled US\$ 44 million in 2018, up 38.8% from US\$ 31.7 million in 2017.

Net distributable income totaled US\$ 47.5 million. Subject to shareholder approval at the Annual General Meeting scheduled for April 26, 2019, the Company will pay a dividend of US\$ 14.3 million (30% of net profit), equivalent to US\$ 0.22 per share.

#### Cash Flows as of 12/31/2018

For 2018, cash flows from operating activities totaled US\$ 53.9 million, up from US\$ 36.9 million for 2017, explained mainly by increased sales revenues.

Cash flows used in investing activities totaled US\$ 31.8 million for the period, US\$ 15.7 million greater than the prior year, explained by investments to support the Company's growth plan for the 2018-2021 period, consisting primarily of new farm sites and improvements and automation at primary and secondary processing plants.

Net cash flow from financing activities totaled a negative US\$ 9.0 million for the year, in comparison to negative US\$ 21.0 million for 2017, explained by a US\$ 50 million payment to the banks reducing the financial debt and US\$ 5 million to the Parent Company. The payments were offset by US\$ 46 million raised from the capital increase.

The resulting net cash flow for 2018 was positive US\$ 12.3 million.

## Balance Sheet

### Assets

During 2018, the Company's total assets increased 11.3% or US\$ 34.6 million to US\$ 341 million. This growth is explained mainly by increases of US\$ 18.6 million in property, plant and equipment; US\$ 19.9 million in current and non-current biological assets; and US\$ 12.3 million in cash. This was partially offset by a reduction of US\$ 15.2 million in inventories.

Current assets totaled US\$ 216 million, up 8.7% from US\$ 199 million as of year-end 2017, mainly attributed to the aforementioned increase of US\$ 12.3 million in cash; an increase of US\$ 15.7 million in current biological assets, which is consistent with the estimated biomass for 2019 harvest forecasts; an increase of US\$ 4.6 million in accounts receivable because of greater sales, especially in Q4 2018; and a decrease of US\$ 15.2 million in inventories. The Company's finished product inventories valued at cost as of December 31, 2018, were US\$ 17.9 million, equivalent to 2,700 tons of finished product, or close to one month of harvests, which the Company considers to be within normal ranges.

Non-current assets increased by US\$ 17.3 million (+16.2%) to US\$ 124 million, mostly due to the increase of US\$ 18.6 million in investments in property, plant and equipment, and an increase of US\$ 4.1 million in non-current biological assets, related to the larger biomass to be harvested after 2019.

### Liabilities and Equity

Current liabilities increased by US\$ 14 million (+17.7%), due to an increase of US\$ 11.1 million in related party payables because of the 2018 dividend provision to be paid by Salmones Camanchaca to its controlling shareholder (Compañía Pesquera Camanchaca S.A., holds 70% of the shares of Salmones Camanchaca S.A.); and an increase of US\$ 4.7 million in current tax liabilities because of improved results in 2018.

Non-current liabilities fell US\$ 54.6 million (-46.3%) due to US\$ 50 million in voluntary payments on its long-term revolving bank debt.

The Company's equity increased by US\$ 75.2 million to US\$ 184 million during the year, mainly explained by net profit for the year and the effects of the capital increase as part of the IPO in Q1 2018.

## Operating Performance

Salmones Camanchaca's financial performance is closely related to three key drivers:

1. **The price of Atlantic salmon**, which is very sensitive to Norwegian and Chilean supply conditions, and the exchange rates of its main trading partners;
2. **Sanitary conditions for Atlantic salmon**, which affect conversion factors, the use of pharmaceutical and mechanical means to improve fish welfare and the final biomass across which costs are allocated.
3. **The cost of feed**, which represents approximately half of the live fish unit cost at harvest.

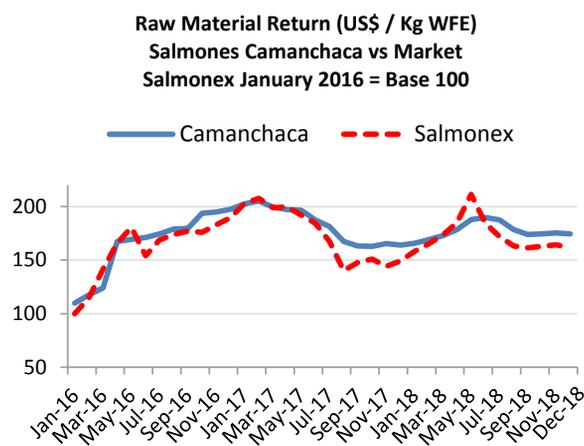
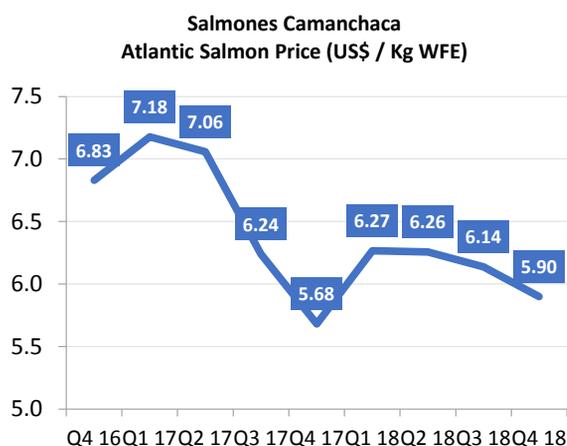
### I. Product Prices

Average price of Atlantic salmon sold by Salmones Camanchaca during Q4 2018 was US\$ 5.90 per Kg WFE, up 3.8% from the same period in 2017. After a fall in prices in 2015, there has been an upward trend in Atlantic salmon prices more consistent with long-term trends (i.e. demand outgrowing supply). In contrast to 2015, a stronger dollar in 2018 did not lead to a contraction in salmon demand in the Company's markets. Price levels in Q4 2018, and in general throughout the second half of 2018, showed great stability with minor variations, in line with stable global and Chilean supply.

In Q4 2018, Salmones Camanchaca obtained an average raw material return (RMR) for Atlantic salmon of 37 cents more for volumes sold in relation to returns shown by the market benchmark (Salmonex), which increased sharply in April and May of this year and then fell for the next two months. In particular, during October, November and December 2018, the Company's RMR outperformed Salmonex by 36, 34 and 40 cents per Kg, respectively. This differential is consistent with the Company's historical trends. In Q2 2018, this differential was negative because of the strong increase in market prices and the accounting lag for recording sales of frozen product, shipped mainly to Russia and China, which take up to 90 days between the sale being closed and being recorded in accounting. In addition, the Company settles many contracts an average of 60-90 days in advance, which generates a lag in recorded price versus Salmonex. The Company considers its contract policy to be favorable as it allows it to build long-term relationships with valuable customers and maintain the needed flexibility to adjust to changes in specific format and/or market conditions.

In this context, the drop in price from Q3 2018 to Q4 2018 did not affect Salmones Camanchaca, which maintained the prices of its raw materials and enjoyed a cumulative premium over Salmonex of 19 cents for the year 2018.

In line with expectations, prices rose in Q4 2018 (+3.8%) but failed to reverse the drop seen during the first three quarters, finishing the year with a price reduction of 2.7%. Overall, prices were stable in 2018 (fluctuating only 30 cents during the period). This in contrast to the three preceding years, which drove development in salmon consuming markets.



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 companies, net of processing and distribution costs for Salmones Camanchaca's fresh trim D. It provides a comparable index to Salmones Camanchaca's Raw Material Return.

## Volumes

		Q4 2018	Q4 2017	Δ	Δ %	2018	2017	Δ	Δ %
Harvest	tons WFE	13,944	16,284	-2,340	-14.4%	48,496	34,213	14,283	41.7%
Production	tons WFE	13,952	16,216	-2,264	-14.0%	48,333	34,118	14,215	41.7%
Sales (Company-farmed)	tons WFE	15,730	13,469	2,261	16.8%	50,032	30,049	19,983	66.5%
Sales (Company-farmed)	ThUS\$	92,813	76,537	16,276	21.3%	306,016	188,943	117,073	62.0%
Average sales price	US\$/Kg WFE	5.90	5.68	0.22	3.8%	6.12	6.29	-0.17	-2.7%
Price-related change in revenues*	ThUS\$	92,813	89,383	3,430	3.8%	306,016	314,590	-8,574	-2.7%

\* With constant volume 2018

Harvests by Salmones Camanchaca in 2018 were in line with estimates from early 2018 (i.e. 48,496 tons WFE, up 41.7% over 2017, and with a decrease in 4Q from the record level seen in Q4 2017. Sales of 50,032 tons WFE in 2018 exceeded harvests, reflecting a reduction of nearly 1,500 tons WFE in inventories. The scarce inventory levels seen at the end of 2016, and abundant stocks in late 2017, explain the decreased sales in 2017 with respect to harvests, while the opposite occurred in 2018. This situation of final inventories explains the 66.5% increase in volumes sold in 2018, 25% greater than the increase in harvests.

## Revenues

### Sales by Market Segment as of December 2018

Product or Species	USA	Europe + Eurasia	Asia excluding Japan	Japan	LATAM excluding Chile	Chile	Other	TOTAL
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Atlantic Salmon	96,211	95,510	27,648	14,695	72,618	9,066	2,842	318,590
Trout (33%)	716	25	67	1,885	10	115	72	2,890
Other	0	0	0	0	0	10,821	0	10,821
<b>TOTAL</b>	<b>96,927</b>	<b>95,535</b>	<b>27,715</b>	<b>16,580</b>	<b>72,628</b>	<b>20,002</b>	<b>2,914</b>	<b>332,301</b>

### Sales by Market Segment as of December 2017

Product or Species	USA	Europe + Eurasia	Asia excluding Japan	Japan	LATAM excluding Chile	Chile	Other	TOTAL
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Atlantic Salmon	70,189	31,847	16,390	14,356	49,004	4,988	2,169	188,943
Trout (33%)	926	12	0	4,850	0	103	224	6,115
Other	0	0	0	0	0	8,012	0	8,012
<b>TOTAL</b>	<b>71,115</b>	<b>31,859</b>	<b>16,390</b>	<b>19,206</b>	<b>49,004</b>	<b>13,103</b>	<b>2,393</b>	<b>203,070</b>

The Company's marketing and sales strategy is to diversify products and target markets and focuses on the most attractive markets for its raw material, based on medium-term conditions and favoring stable customer relations.

Salmones Camanchaca has a 25% share in "New World Currents" since November 2013, a joint venture with three other Chilean producers to market Atlantic salmon in China. In this important market, there has been a significant increase in air shipments of fresh products.

The Company defines its value-added products as those containing some degree of secondary processing, including freezing, which accounted for 83.3% of total sales in 2018, slightly above 82.0% in 2017.

The remaining volume is composed of sales of fresh whole gutted head-on salmon for South American and Chinese markets. Fresh Atlantic salmon fillets are preferred in the North American market, while Europe favors frozen Atlantic salmon fillets and portions. In Asia, Japan prefers frozen fillets and China both fresh and frozen products. The rest of Latin America favors frozen fillets.

The North American market's share of total revenues decreased from 35.0% to 29.2% during 2018, while Europe and Eurasia (mainly Russia) grew from 15.7% to 28.7%. Asia excluding Japan (mainly China) rose marginally to 8.3% and Japan dropped from 9.5% to 5.0%. Latin America excluding Chile fell from 24.1% to 21.9%. In short, the Company reduced production of value-added products in order to ship more product to Eurasia (Russia) because of that region's attractive conditions in 2018.

Salmones Camanchaca's proportion of its partnership account participation with third parties in the trout business is registered in the "Trout" line, and volumes sold during 2018 by this partnership are consistent with estimates (i.e. approximately 18 thousand tons harvested in even years).

Other income comes mostly from processing and services for third parties in our primary processing plant and farm site leases.

### Other Businesses

Salmones Camanchaca had nine leased farming concessions as of December 31, 2018, seven of which are in the Reloncaví Estuary (Los Lagos Region) for trout farming. The Company contributes its concessions to a partnership account participation and receives one third of net profit generated. In 2018 this partnership reported harvests of 17,405 tons WFE and sales of 15,422 tons WFE, which generated net profit for Salmones Camanchaca of US\$ 2.9 million, or half the amount attained in 2017. This decrease is explained by a drop of more than 1 dollar per Kg WFE (-19.2%) in the sales price; an increase in inventories with respect to year-end 2017 (+3 thousand tons WFE); and greater distribution costs. These items were offset by improved mortality, conversion factors and processes, which reduced the unit cost of finished product by 50 cents.

To date, the estimates used to develop this business have not varied and the operator (Caleta Bay) continues to estimate average annual harvests of 12 thousand tons until the year 2022 when the agreement ends.

In order to take better advantage of the estuary farm sites in the Los Lagos Region and complement the partnership account participation (Joint Venture) in that area, Salmones Camanchaca obtained Pacific, or coho, salmon smolt stocking licenses in 2018. With these rights, the Company stocked 1.4 million smolt of this species in Q1 2019, which should translate into estimated harvests of 4 thousand tons in late Q4 2019 to be recorded as revenue in Q1 2020. This new initiative will give the Company specific experience producing and selling Pacific salmon, which will benefit from certain conditions in Chile that give it biological advantages over other species. The Company's production should represent around 3% of Chilean supply of this species during the first few years. Because of smolt stocking density levels permitted by regulations, Salmones Camanchaca estimates negative margins during the first two production cycles.

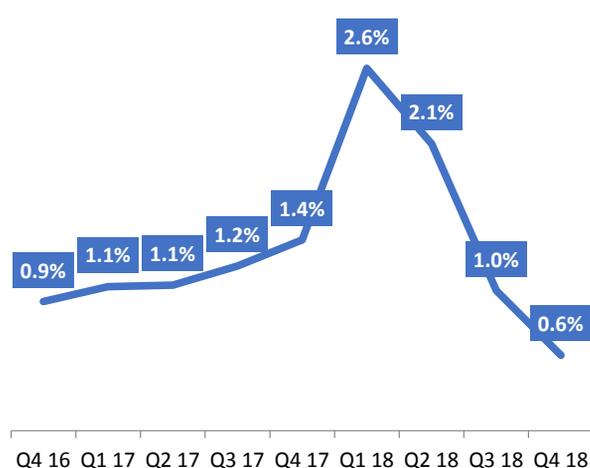
The Company's other businesses, such as processing services for third parties, farm site leases and sales of byproducts, resulted in a favorable operating margin of US\$ 5 million in 2018, up 21.9% over 2017.

## II. Sanitary and Production Conditions

Mortality of the Atlantic salmon population in Q4 2018 was 0.6%, while mortality at the farm sites that closed their cycles in 2018 was 8.4%. Good conversion and growth conditions enabled the Company to move harvests up to the later months of 2018, thus reducing sanitary risks that often emerge during the summer months (Q1 2019).

Live weight ex-cage costs for fish harvested during Q4 2018 were US\$ 2.83 per Kg, which is 11 cents less than Q4 2017, and only 4 cents greater than Q4 2016 (at the same farm sites and/or geographic areas as the previous cycle). The quarterly variation in live weight ex-cage costs is coherent with sanitary and environmental conditions for winter/summer and the greater scale of production during the second half of the year.

Salmones Camanchaca Atlantic Salmon Mortality\* (%)



Salmones Camanchaca Live Weight Ex-Cage Cost (US\$/kg)



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

The following table shows the evolution over time of the most important production and sanitary variables,

Year	FCRb (LW)	Yield Kg WFE/smolt	Harvest average weight Kg WFE	Antibiotic use Gr/Ton	Antiparasite use Gr/Ton
2016	1.29	4.33	5.03	550	6.89
2017	1.21	4.76	5.14	569	6.41
2018	1.17	4.83	5.32	519	6.25

The Company has seen a reduction in biological feed conversion ratio over time, with sites closed in 2018 registering 1.17 (Kg feed/Kg live fish), as a result of the use of a micro-rations strategy, a larger number of feed lines per farm site, remote feeding and the use of higher energy diets (energy in feed up 10%, 22 MJ/Kg). The conversion ratio for Q4 2018 was 1.12.

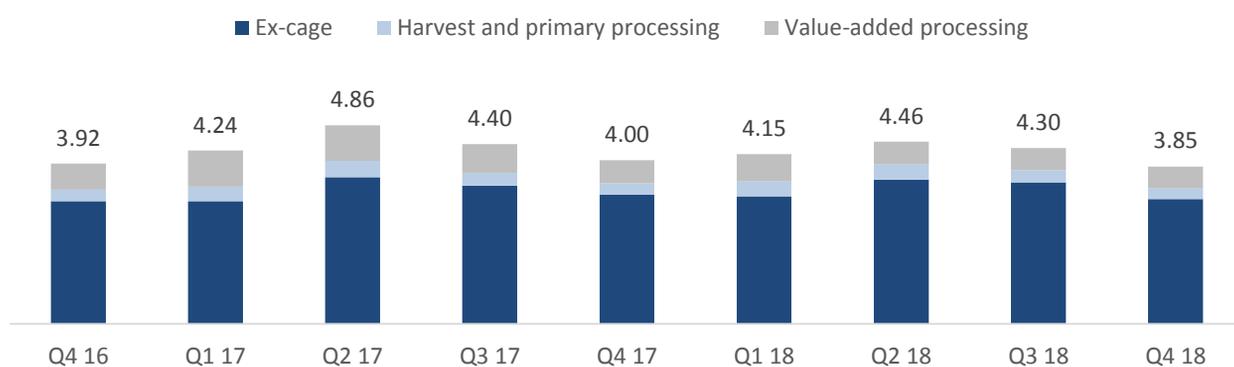
In terms of smolt productivity (Kgs of harvested biomass/number of stocked smolts), a three-year high was also attained in 2018 with a value of 4.83 Kg WFE/smolt for closed centers, explained by a greater average weight, which reached 5.32 Kg in 2018, and lower mortality.

Lastly, there has been a decrease over time in the use of both antibiotics and antiparasitic treatments. This is mainly due to improved oceanographic and sanitary conditions as well as protective and preventative strategies such as live SRS vaccines and the use of Lufenuron at sea sites (sea lice). These pharmaceutical treatment efforts explain approximately 9 cents of live weight cost (3% of total live weight cost).

Despite having reduced the scale of production by 14.4% in Q4 2018 versus Q4 2017, the cost of secondary or value-added processing showed a two-cent reduction per Kg WFE, a reflection of greater efficiency following recent investments at plants and a better use of the raw material.

With this, total finished product cost per Kg WFE was 15 cents lower than Q4 2017 (-4%), and 7 cents lower than Q4 2016 (-2%), which shows consistency between farm sites and improvements in plant productivity, thus meeting the Company’s objectives.

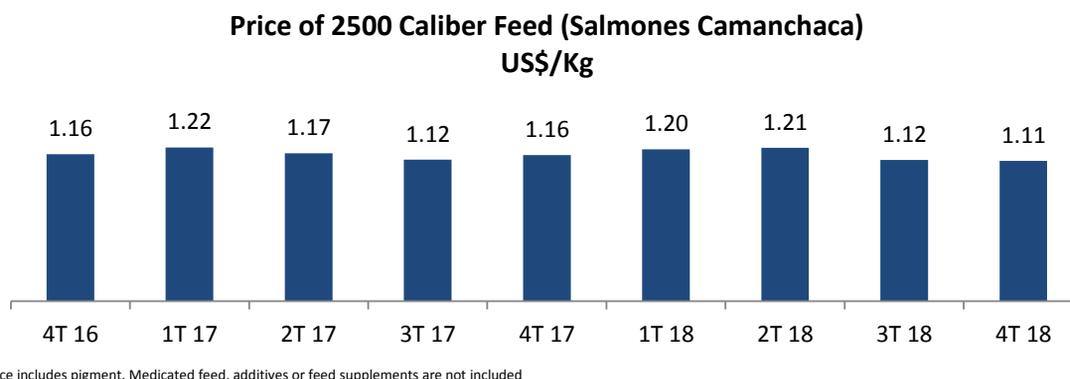
Costs (US\$/Kg WFE)	Q4 16	Q4 17	Q4 18
Ex-cage	3.00	3.16	3.05
Harvest and primary processing	0.28	0.28	0.26
Value-added processing	0.64	0.56	0.54
<b>Total finished product cost</b>	<b>3.92</b>	<b>4.00</b>	<b>3.85</b>

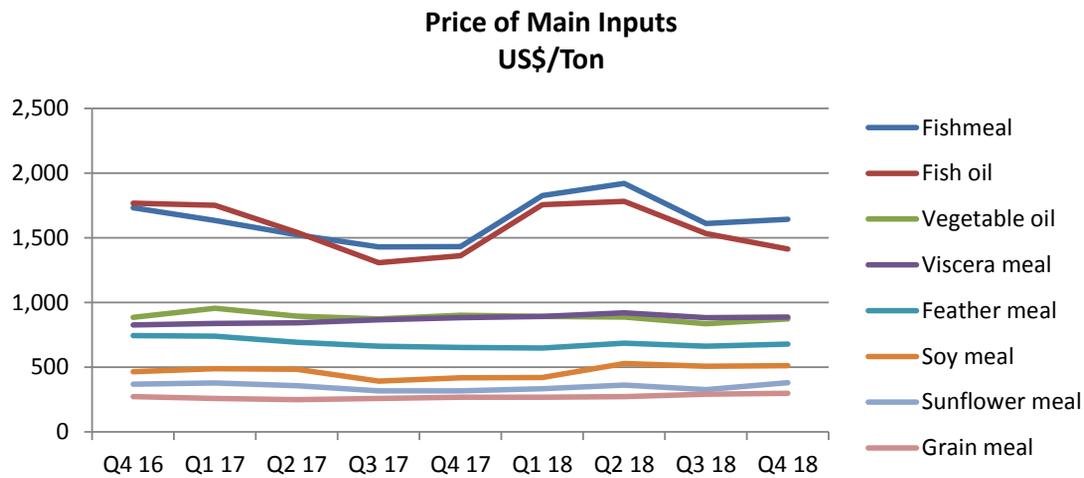


Sales volumes of Company-farmed products totaled 15,730 tons WFE in Q4 2018, which is in line with expectations and more stable from one quarter to the next, in contrast to 2017 or 2016, when significantly more than half of harvests occurred during the first half of the year.

### III. Feed Costs

Feed costs have remained stable in recent years, dropping slightly in the last two quarters of 2018, because the costs of the main inputs (fishmeal, fish oil and soy) have also held steady. The most representative caliber of feed is used for fish weighing over 2.5 Kg, which represents around 40% of the Company's total feed use, and its price development is the following,





## Subsequent Events

No subsequent events occurred after December 31, 2018, that materially affect Salmenes Camanchaca's operations or its financial results.

## Company Outlook

Global supply of Atlantic salmon grew around 5% in 2018. Slightly lower growth is expected for 2019, which is consistent with the current regulatory framework in the different salmon producing countries. Chilean supply grew nearly 20% in 2018 and is estimated to expand between 1% and 2% in 2019. Growth in 2018 is the result of an abnormally low base in 2017, plus expansion of Chile's potential capacity.

A significant portion of the cash flows produced by EBITDA in 2018, was used for investments in property, plant and equipment and to grow the biomass to support harvest estimates for the next few years calling for around 55 thousand tons WFE of Atlantic salmon and 4 thousand tons WFE of Pacific salmon for 2019. In order to calculate total harvests at Salmenes Camanchaca farm sites, one must add the corresponding harvest from the trout joint venture, which in 2019, an odd year, is estimated at between 6 and 8 thousand tons WFE.

The Company estimates total harvests of all species for 2019 of 65 thousand tons WFE. For the year 2020, the Company expects 55 thousand tons WFE of Atlantic salmon, 4 thousand of Pacific salmon and 16 - 18 thousand of trout from the joint venture.

The Company estimates an increase in Atlantic salmon harvests for 2019 with respect to their equivalent at 2017 sites of around 21 thousand tons WFE. Of this amount, 4,300 tons correspond to growth under the density system (reduced) and the remaining growth is under the PRS (stocking reduction program by its acronym in Spanish) system with no density restrictions, achieved by using smolt stocking rights from sites leased to third parties and partnership account participation. As a result, somewhat higher farm costs can be expected because of these density levels and, to a lesser extent, because of the use of more expensive, non-pharmaceutical treatments (antiparasitic) and the use of new technologies to mitigate the risks of harmful algae blooms. Regarding the new

coho harvests, expected for the end of 2019 and 2020, they have been stocked under the density system at a low level, so higher than normal costs are expected.

## Main Risks and Uncertainties

External variables might materially impact the Company's annual performance. The main variable affecting revenues is the price of Atlantic salmon, while 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 operates using a risk matrix that guides the Company in order to: i) review and update the critical risk inventory and generate a map that helps manage risks; ii) assess these risks on the basis of impact and probability parameters that helps with prioritizing; iii) implement an audit and internal control plan based on the risk map that focuses resources on the most vulnerable areas; iv) generate a set of strategies to either reduce probability and/or impact, including insurance wherever/whenever this is economically feasible and convenient. These risk maps guide management to continuously manage and mitigate each risk and establish the corresponding responsibilities and accountability, as well as review 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 regulatory requirements with respect to coordinated fallow periods for the concessions in each neighborhood, maximum fish density in cages, constant monitoring and reporting of the biomass and its biological status and health, the smolt production process in closed recirculating sites fed by groundwater, transport of breeders and fish for harvest in wellboats, coordinated antiparasitic washing by neighborhood, frequent net cleaning, oxygen plants to supplement 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 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 accumulate inventory under speculation of a better sale price in the future.

Prices are highly dependent on the supply from Norway and Chile and on fluctuations in exchange rates used by the Company's major trading partners, which affects demand conditions in these markets. Salmenes Camanchaca has mitigated price risk through its diversified marketing strategy and by producing higher value-added products, which have contracts that average 60 to 90-day periods.

The Company has a policy of diversifying its sales between several buyers in each market, and large diversity of markets and territories. This ensures that sales can be reallocated 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 well-diversified ingredients and suppliers. Salmenes Camanchaca defines its diets seeking a balance between feed cost and nutritional quality at each fish development stage. The Company aims to produce a final product that contains the same amount of Omega 3 as wild salmon, as well as a fish in-fish out ratio (amount of marine ingredients used to produce one weight equivalent of farmed fish) of no more than 1.0. The Company has feed contracts that are adjusted quarterly, on a cost-plus basis.

**e. Regulatory Risks**

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

Starting with Q2 2016, changes were made to the regulations governing salmon farming densities, and a smolt stocking reduction program was introduced (PRS). This new regulation forces salmon farmers to reduce smolt stocking and farming densities in cages when low sanitary performance has been detected and/or smolt growth is expected in the zone. The PRS mechanism gives producers the choice between replacing a reduction in density, when appropriate, with a smolt stocking plan that contains a reduction with respect to the prior cycle, maintaining densities at maximum permitted levels.

Since the Company has a policy to use its assets to provide services to third parties/producers, it has routinely leased out several farm sites. Regulations grants the stocking rights of a concession to the owner, allowing the Company to use the history of smolt stocking at farm sites leased to third parties in its own smolt stocking plans for subsequent cycles, without affecting the growth in the areas involved. Therefore, and as the lease agreements expire after 2020, the Company estimates it will harvest approximately 60,000 tons WFE of Atlantic salmon at its own farm sites previously used by third parties, plus another 12,000 tons WFE of trout, without introducing growth to the system, and therefore without having to materially reduce densities at its farm sites.

Most of the concessions held by Salmenes Camanchaca for farming fish are of indefinite duration. However, in order to retain the concession, current regulation requires a certain level of minimum use. In a context in which regulators aim to limit smolt stocking growth to preserve favorable sanitary conditions, this generates inconsistency and the risk of the concession expiring.

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

**f. Liquidity Risk**

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

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

**g. Interest Rate Risk**

The Company is exposed to interest rate risk since its long-term financing includes a variable interest rate component, which is adjusted every six months. The Company evaluates hedging alternatives based on market conditions, but has not used any over the past five years.

**h. Foreign Exchange Risk**

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

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

The Company's liabilities with financial institutions are taken out in US dollars.

**i. Credit Risk**

**1. Surplus Cash Investment Risks**

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

**2. Sales Operations Risks**

The Company has insurance policies covering most of the sales of its products that are not sold with immediate payment. 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.

## Financial Statements

### Statement of Income (ThUS\$)

	Q4 2018	Q4 2017	2018	2017
<b>Operating revenue</b>	<b>95,698</b>	<b>78,250</b>	<b>332,301</b>	<b>203,070</b>
Cost of sales	(65,641)	(60,033)	(239,564)	(144,859)
<b>Gross profit before fair value adjustments</b>	<b>30,057</b>	<b>18,217</b>	<b>92,737</b>	<b>58,211</b>
Administrative expenses	(3,366)	(2,437)	(12,077)	(10,750)
Distribution & sales costs	(2,183)	(2,584)	(8,575)	(5,667)
<b>EBIT before fair value</b>	<b>24,508</b>	<b>13,196</b>	<b>72,085</b>	<b>41,794</b>
Depreciation	2,972	2,599	11,269	10,680
<b>EBITDA before fair value</b>	<b>27,480</b>	<b>15,795</b>	<b>83,354</b>	<b>52,474</b>
Fair value adjustment to biological assets	24,686	14,409	95,455	54,362
Fair value adjustment to harvest and sales	(31,376)	(17,108)	(100,280)	(49,061)
<b>EBIT after fair value</b>	<b>17,818</b>	<b>10,497</b>	<b>67,260</b>	<b>47,095</b>
<b>EBITDA after fair value</b>	<b>20,790</b>	<b>13,096</b>	<b>78,529</b>	<b>57,775</b>
Finance costs	(2,062)	(1,486)	(6,361)	(4,236)
Share of profit (loss) of associates	336	395	1,629	541
Exchange differences	(241)	(335)	(1,916)	(455)
Other income (losses)	(837)	(657)	(772)	(60)
Finance income	(1)	19	49	55
<b>Net profit (loss) before taxes</b>	<b>15,013</b>	<b>8,433</b>	<b>59,889</b>	<b>42,940</b>
Income taxes	(4,615)	(3,579)	(15,872)	(11,219)
<b>Net profit (loss) from continuing operations</b>	<b>10,398</b>	<b>4,854</b>	<b>44,017</b>	<b>31,721</b>
Profit (loss) from discontinued operations	0	0	0	0
<b>Net profit (loss) for the period</b>	<b>10,398</b>	<b>4,854</b>	<b>44,017</b>	<b>31,721</b>
Non-controlling interest	0	0	0	0
<b>Net profit (loss) for the period attributable to owners of the parent</b>	<b>10,398</b>	<b>4,854</b>	<b>44,017</b>	<b>31,721</b>

## Balance Sheet (ThUS\$)

	12/31/2018	12/31/2017
Cash and cash equivalents	13,143	846
Other financial assets, current	50	31
Other non-financial assets, current	5,990	7,041
Trade and other receivables, current	32,781	28,196
Related party receivables, current	26,952	25,585
Inventories	22,959	38,170
Biological assets, current	113,237	97,522
Current tax assets	1,136	1,584
<b>Total current assets</b>	<b>216,248</b>	<b>198,975</b>
Other financial assets, non-current	27	27
Other non-financial assets, non-current	112	260
Rights receivable, non-current	1,349	5,520
Related party receivables, non-current	0	0
Equity method investments	4,682	5,565
Intangible assets other than goodwill	6,948	7,083
Property, plant and equipment	92,269	73,646
Biological assets, non-current	18,607	14,472
Long-term deferred taxes	373	456
<b>Total non-current assets</b>	<b>124,367</b>	<b>107,029</b>
<b>Total assets</b>	<b>340,615</b>	<b>306,004</b>
Other financial liabilities, current	243	439
Trade and other payables, current	70,134	71,729
Related party payables, current	15,296	4,198
Current tax liabilities	6,509	1,829
Employee benefit provisions, current	1,056	1,020
<b>Total current liabilities</b>	<b>93,238</b>	<b>79,215</b>
Other financial liabilities, non-current	50,000	100,000
Trade and other payables, non-current	0	102
Related party payables, non-current	591	4,572
Deferred tax liabilities	12,733	13,280
Employee benefit provisions, non-current	152	157
<b>Total non-current liabilities</b>	<b>63,476</b>	<b>118,111</b>
<b>Total liabilities</b>	<b>156,714</b>	<b>197,326</b>
Share capital	91,786	73,422
Share Premium	27,539	0
Accumulated losses	41,450	11,695
Interim dividends	0	0
Other reserves	23,126	23,561
<b>Total equity</b>	<b>183,901</b>	<b>108,678</b>
<b>Total equity and liabilities</b>	<b>340,615</b>	<b>306,004</b>

## Cash Flow Statement (ThUS\$)

	Q4 2018	Q4 2017	As of 12/31/2018	As of 12/31/2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds from sale of goods and provision of services	82,956	59,703	366,393	224,137
<b>Payments</b>				
Payments to suppliers for supply of goods and services	-50,832	-35,614	-274,496	-161,742
Payments to and on behalf of employees	-6,593	-6,889	-27,701	-22,634
Dividends paid	0	0	-3,354	0
Dividends received	577	0	2,077	0
Interest paid	-1,755	-1,910	-5,950	-3,683
Interest received	-2	18	47	55
Income taxes paid	-3,017	-48	-3,053	31
Other cash inflows (outflows)	-41	735	-20	734
<b>Net cash flows provided by (used in) operating activities</b>	<b>21,293</b>	<b>15,995</b>	<b>53,943</b>	<b>36,898</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sales of property, plant and equipment	0	157	277	261
Purchases of property, plant and equipment	-6,184	-5,703	-32,044	-16,256
Other cash inflows (outflows)	0	-148	0	-81
<b>Net cash flows provided by (used in) investing activities</b>	<b>-6,184</b>	<b>-5,694</b>	<b>-31,767</b>	<b>-16,076</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from share issuance	0	0	45,903	0
Loan repayments	-20,000	-5,248	-50,000	-10,407
Proceeds from/payments to related parties	36	-5,282	-4,916	-10,640
<b>Net cash flows provided by (used in) financing activities</b>	<b>-19,964</b>	<b>-10,530</b>	<b>-9,013</b>	<b>-21,047</b>
Effects of changes in exchange rates on cash and cash equivalents	-357	-341	-866	-571
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>-5,212</b>	<b>-570</b>	<b>12,297</b>	<b>-796</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>18,355</b>	<b>1,416</b>	<b>846</b>	<b>1,642</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>13,143</b>	<b>846</b>	<b>13,143</b>	<b>846</b>

## Statement of Changes in Equity (ThUS\$)

	Paid-in Capital	Share Premium	Foreign Currency Conversion Reserve	Other Reserves	Total Other Reserves	Retained Earnings (Accumulated Losses)	Equity Attributable to Owners of the Parent	Total Equity
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 accrued						-3,354	-3,354	-3,354
Comprehensive income								
Net profit 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>90</b>	<b>23,471</b>	<b>23,561</b>	<b>11,695</b>	<b>108,678</b>	<b>108,678</b>
Opening balance as of January 1, 2018	73,422		90	23,471	23,561	11,695	108,678	108,678
Capital increase	18,364	27,539					45,903	45,903
<b>Changes in equity</b>								
Dividends accrued						-14,262	-14,262	-14,262
Comprehensive income								
Net profit for the period						44,017	44,017	44,017
Other comprehensive income			-435		-435		-435	-435
<b>Closing balance as of December 31, 2018</b>	<b>91,786</b>	<b>27,539</b>	<b>-345</b>	<b>23,471</b>	<b>23,126</b>	<b>41,450</b>	<b>183,901</b>	<b>183,901</b>

## Additional Information

### Key Financial Indicators Analysis

This section compares the Company's key financial indicators based on its consolidated financial statements as of December 31, 2018, compared to December 31, 2017.

	12/31/2018	12/31/2017
<b>Liquidity Indicators</b>		
1) Current Liquidity	2.32	2.51
2) Acid Ratio	0.86	0.80
3) Working Capital (US\$ million)	123.0	119.8
<b>Debt Indicators</b>		
4) Net Debt Ratio	0.78	1.81
5) Current Liabilities / Total Liabilities	0.59	0.40
6) Non-Current Liabilities / Total Liabilities	0.41	0.60
<b>Profitability Indicators</b>		
	(12 months)	(12 months)
7) Return on Equity	23.94%	29.19%
8) Return on Assets	27.23%	19.02%

The decrease of 0.19 in current liquidity is mainly caused by an increase of US\$ 17.3 million in current assets and an increase of US\$ 14 million in current liabilities, as explained in the balance sheet analysis. As a result of these movements, working capital increased by US\$ 3.3 million, where US\$ 15.7 million is explained by an increase in biological assets.

The increase of 0.06 in the acid ratio is mainly caused by an increase of US\$ 12.3 million in cash and an increase of US\$ 14 million in current liabilities. These variations have already been explained in the balance sheet analysis.

The net debt ratio fell from 1.81 to 0.78 mainly due to total liabilities decreasing by US\$ 40.6 million and equity increasing by US\$ 75.2 million, as well as the aforementioned increase in cash. These variations have already been explained in the balance sheet analysis. The decrease in the proportion of long-term liabilities from 0.60 to 0.41 is due to a decrease in non-current liabilities of US\$ 54.6 million. These variations have already been explained in the 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 effects of the IPO that took place on February 2, 2018.

## Cumulative Indicators

		As of 12/31/2018	As of 12/31/2017
a.	Atlantic Salmon Harvests (tons WFE)/ Site	4,041	4,277
b.	Atlantic Salmon Farming Density (kg/m3)	7.0	7.3
c.	Atlantic Salmon Group Survival Rate (sea water)	91.6%	93.6%
d.	EBIT before Fair Value (US\$ million)	69.1	35.7
e.	EBIT / kg WFE (before Fair Value)	1.38	1.19

## Notes:

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

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

c. Survival rate, expressed as groups of stocked smolt that are eventually harvested. A harvest group is fish of a similar origin and strain.

d. Gross margin before fair value - administrative expenses - distribution costs salmon business

e. (Gross margin before fair value - administrative expenses - distribution costs – result from one-third interest in trout business) / kg WFE sold of company-farmed salmon

## Biomass Fair Value

**Fair Value for the year ended December 31 (ThUS\$)**

	Fair value adjustment to biological assets		Fair value adjustment to harvest and sales	
	2018	2017	2018	2017
Atlantic Salmon	95,455	54,362	-100,280	-49,061

The net effect of the Fair Value of the salmon biomass is reflected in two accounts:

- a. "Fair Value Adjustment to Biological Assets" records the estimated gain or loss as of the period end 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\$ 95.5 million was recorded for the Fair Value of the live and harvested biomass as of December 31, 2018, compared to a gain of US\$ 54.4 million as of the same date in 2017.
- b. "Fair Value Adjustment to Harvest and Sales" records the realized gain or loss on the live biomass, and the biomass harvested in current and prior periods that was sold in the current period. This account reverses the estimated gain or loss for the current and prior periods and the actual result of the transaction is recorded in revenues and cost of sales. The net effect of the biomass sold as of December 31, 2018, was a loss of US\$ 100.3 million, which reversed a positive margin estimated in prior periods, in contrast to a loss of US\$ 49.1 million as of December 31, 2017.

The net effect of the Fair Value of the salmon biomass for the period ended December 31, 2018, is a negative US\$ 4.8 million, as opposed to the positive US\$ 5.3 million recorded for the same period in 2017.

### Differences between the Market and Book Values of Principal Assets

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 4.0 kg 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 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, 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 35 of the Company's financial statements. This biomass valuation model takes the market price for fish over 1.0 kg as Fair Value. This model has the following effects on these financial statements for the period ended December 31, 2018:

1. An increase in net profit for the period of US\$ 30.2 million, net of deferred tax effects.
2. An increase in "Fair Value" within the statement of income of US\$ 41.4 million.
3. An increase in biological assets within current assets of US\$ 41.4 million, which also generates an increase in deferred tax liabilities of US\$ 11.2 million and in equity of US\$ 30.2 million.
4. This alternative approach to biomass valuation has no effects on EBITDA, EBIT, nor on the indicators per kg (before Fair Value).

SUBSIDIARIESFIORDO BLANCO S.A.

	2018 ThUS\$	2017 ThUS\$
<b>STATEMENTS OF FINANCIAL POSITION</b>		
<b>ASSETS</b>		
Current assets	34,071	32,016
Non-current assets	7,976	6,747
Total assets	42,047	38,763
<b>EQUITY AND LIABILITIES</b>		
Current liabilities	3,018	169
Non-current liabilities	784	820
Equity	38,245	37,774
Total equity and liabilities	42,047	38,763
<b>STATEMENT OF INCOME</b>		
Gross profit	984	769
Net profit before tax	399	722
Income taxes	-83	-195
Net profit attributable to owners of the parent	316	527
<b>Net profit for the period</b>	<b>316</b>	<b>527</b>
<b>STATEMENTS OF CASH FLOW</b>		
Cash flows provided by operating activities	417	26
Cash flows used by financing activities	-	-55
Cash flows used by investing activities	-26	-31
Effects of changes in exchange rates	-12	7
<b>Net increase in cash and cash equivalents</b>	<b>379</b>	<b>-53</b>



CHAPTER

**11**

**RESPONSIBILITY  
STATEMENT**

SALMONES CAMANCHACA  
**ANNUAL REPORT 2018**

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 and they confirm, to the best of their knowledge, that the financial statements for the period January 1 to December 31, 2018 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. They also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the main risks and uncertainties the entity and the group face.

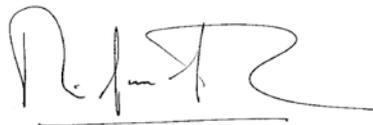
Santiago, March 27, 2019



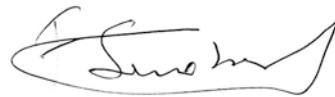
Jorge Fernández García  
**CHAIRMAN**  
6.377.734-K



Ricardo García Holtz  
**VICE CHAIRMAN**  
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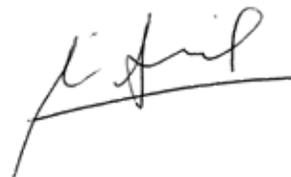
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Tore Valderhaug  
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