



Santiago, April 26, 2018

**Annual General Meeting 2018  
Message from the Chairman**

Dear Shareholders,

I would like to describe in more detail how the Company's business has progressed during 2017, and present a few reflections regarding our future prospects.

Certainly, the US\$90 million increase in equity during 2017 compared to December 2016 is a very important achievement. This included a contribution received from Compañía Pesquera Camanchaca through a capital increase equivalent to US\$42.6 million, which represented all the salmon farming assets that our parent company owned at that time. That contribution included all the shares owned by the parent company in Fiordo Blanco S.A. and Surproceso S.A., which then became a subsidiary and an associate of Salmenes Camanchaca, respectively. In addition, it included capitalizing a US\$19.5 million loan payable to the parent company, and net income generated during this year.

The Company's total assets increased by US\$75 million between December 2016 and December 2017, to reach US\$306 million, including an increase of US\$36.5 million in current biological assets, thus reflecting increasing biomass volumes and projected Atlantic salmon harvests of 45,000 to 50,000 tons WFE in 2018.

Finally, a significant component of Salmenes Camanchaca's EBITDA in 2017 has been invested in biomass growth, which will prepare the Company for expected harvests of over 50,000 tons in 2019.

On the liabilities side, other financial liabilities decreased by US\$10 million as a result of contractual bank loan repayments during the year and a decrease of US\$60 million in short and long-term related entity payables, due to the previously mentioned loan capitalization in September, among others. Therefore, the Company's non-operational debt decreased by US\$70.5 million during the year.

As a result of these measures, the Company's equity increased from US\$18.2 million as of December 31, 2016 to US\$109 million as of December 31, 2017.

Simultaneously with these reductions in liabilities, we had an important and beneficial refinancing of our bank borrowing amounting to US\$100 million, which was originally drawn down in 2013 and would have matured in two years' time. The new borrowing matures in five years' time in 2022. It provides us with significant flexibility to manage our business development plans, and is totally disconnected from the parent company's liabilities. The new creditors are DNB, Rabobank and Santander, a decrease of 4 banks compared to the previous 7.



In September, Compañía Pesquera Camanchaca announced its intention to simultaneously place part of its shares in Salmones Camanchaca on the Santiago and Oslo stock exchanges, through a primary and secondary share offering. This took place on February 2, 2018, when 30% of our shares were placed on the Santiago and Oslo exchanges, raising US\$108 million. This comprises gross proceeds of US\$50 million from the Salmones Camanchaca IPO, and the remainder from the parent company selling some of its shares. This process meant that Salmones Camanchaca became the first Chilean and only Latin American company listed on the main seafood market in the world, in addition to becoming a benchmark for other companies within the Chilean seafood industry that have announced similar processes.

Placing these shares had an impact on the balance sheet, after 2017 had been closed, which will be reflected in the quarterly financial statements as of March 31, 2018. In summary, our net cash balances increased by US\$46 million, with a corresponding increase in equity. This has improved our debt indicators and strengthened our financial position, and I would like to draw your attention to our current net debt falling below equity.

This placement has demonstrated the value of Chilean salmon farming and contributed to the global recognition that it now receives. It is the result of the dedication and achievements by Chileans to make this industry profitable and sustainable. Subsequently, our share price has increased in both markets, to reach a return close to 24% in almost three months.

The attractiveness of the salmon sector is based on growing long-term price trends for Atlantic salmon, which reflects the dynamics of this market. The main driver is that demand is growing faster than supply, following the introduction of limitations by regulatory bodies in the major producer countries, in order to preserve the sanitary and environmental stability of their salmon farming regions. Demand has been healthily growing at over 5% pa, reflecting changes in consumption habits and growth within emerging markets and segments.

Chilean salmon prices have recently followed long-term trends, which are around US\$5 per pound in the North American market, and current global supply projections for 2018 indicate growth of 4-5%, which should lead to price stability. The costs achieved by Salmones Camanchaca over the last few years imply attractive margins, and more importantly more stable future margins.

The sanitary conditions for our Atlantic salmon have improved in 2017, and we are pleased to report that mortality was only 6.5% at the farming sites that were fully harvested this year, which is about half the registered mortality indicator for the entire Chilean industry. Mortality at all of our open, operating and closed sites was only 3.8% during the year. These excellent conditions were also reflected in the food conversion rate, which fell to 1.25.

Therefore, the accumulated cost of live fish immediately before harvest came to US\$3.02 per kilo, which is 29 cents less than this cost in 2016, and very similar to that of 2015, when similar farming sites were harvested. We reached below US\$3 by half of the quarters, which is our target.

Harvests reached 34,000 ton WFE in 2017, an increase of 5% compared to 2016, but close to 20% less than in 2015, when prices were very low and no margins, so at that time we decided to stock two farming sites less than what we were doing before. A comparison of Salmones Camanchaca's



financial performance with other Chilean producers is explained by the seasonality in 2017. Reduced harvests in the first half of the year, when prices reached historical highs that were well above their long-term trends, and more than double the harvests in the second half of the year, when prices were slightly below their long-term trend, hide the strength of our Company's costs and margins. This harvesting pattern should not occur in the future, given our salmon stocking and harvesting plan.

It is worth mentioning that Salmones Camanchaca has operated a "Partnership in Account Participation" in thirds in the trout business since 2014, with the Company providing trout farming concessions. This business generated net income of US\$ 6.1 million during 2017, an increase of 86% over 2016. We have signed a Partnership extension until 2022, and assigned up to six of our concessions to it. Estimated average annual harvests for the entire Partnership are around 12,000 to 13,000 tons.

Therefore, net profit for the year ended December 31, 2017 was US\$31.7 million, 17% higher than the previous year, and EBITDA was US\$52.5 million, 50% higher than in 2016. This favorable increase reflects stability in our oceanographic, sanitary and market conditions.

Revenue fell by 10%, which was entirely due to lower sales volumes after starting 2017 with lower frozen product inventories, which was the opposite of our inventory situation at the beginning of 2016.

Looking forward, our Atlantic salmon stocking and harvesting plan envisages 12 million smolts transferred this year and between 45,000 and 48,000 tons WFE harvested, with new working capital requirement of around US\$20 million, which is less than the requirement in 2017. We are well prepared for this requirement.

Investments in 2017 amounted to US\$17 million, with US\$5 million focused on maintaining and preserving current assets, and US\$12 million invested in projects that improved and extended our productive capacity and made it more efficient. Investments are expected to grow by 53% to US\$26 million in 2018, with a focus on extending our productive capacity and introducing further cost efficiencies, as widely reported during the IPO.

However, maintaining and improving our current business requires not only monitoring markets and costs, but also focusing on the sustainability of our business. Accordingly, I would like to mention that for the third consecutive year Salmones Camanchaca was the highest Chilean salmon farming company in the global sustainability ranking prepared by Seafood Intelligence. This is an international organization specializing in aquaculture and fisheries, which analyzes the transparency of companies in this sector when communicating and reporting their sustainability policies and outcomes, such as sanitary information, relationship with local communities, human resources, and financial information, among others. Salmones Camanchaca moved from eighth to sixth place in the 2017 global ranking, where 47 companies are evaluated: the 36 largest salmon farming companies in the world and the 11 largest salmon feed producers. Salmones Camanchaca was ranked fourth among global salmon farming companies.



Another important milestone was being awarded the Pro SME seal in 2017, which reflects our commitment to paying our suppliers on time, especially local suppliers. This seal was renewed a few weeks ago.

The Friendly Camanchaca Program (Camanchaca Amiga) builds good relationships with the communities that neighbor our facilities and has been running for five years. It now has over 10,000 followers on social networks, and continues to promote healthy diets, caring for the environment and socio-economic developments in neighboring areas.

Finally, I would like to mention certain regulatory issues that are of general interest.

New regulations released over the past two years follow the high volatility that has affected our activity over the last 15 years. This volatility includes sanitary and environmental challenges partially triggered by sudden biomass increases in the fjords and channels containing our farming sites; increases in pesticides and antibiotics used to fight SRS and sea lice; social instability caused by local hiring levels that change as production changes; among others. The Subsecretariat of Fisheries and Aquaculture introduced various regulatory measures two years ago, in order to limit sudden increases in smolt releases and consequently in production, thus avoiding such instabilities and their environmental, social and economic consequences. The implementations of these regulatory changes were completed in the third quarter of 2017, and they have become a powerful restraint to sudden growth. This obstacle is reflected in the performance of the first smolt releases carried out under these standards, which show zero growth in the first half of 2018. Therefore, these modifications appear to have made a major contribution to adding value and sustainability to our industry.

In this context, and related to information that has circulated indicating that new authorities are emphasizing the Concessions Relocation and Merger project, which was requested by many stakeholders in order to reduce the number of concessions, make them larger and introduce greater separation between them, our Company believes that this may result in a risk of deteriorating current conditions, if this project does not contribute to the environmental, sanitary and economic stability achieved by the latest regulatory changes introduced by the market regulator. We believe that the fundamental criteria for concessions relocations and mergers must comply with three conditions: 1) that any concessions required to change has effectively been recently used; 2) that the resulting concessions are effectively further away from their neighboring concessions; and 3) that any smolt release after these changes are governed by at least three stocking reduction program cycles (PRS in Spanish).

If the changes comply with these suggestions, then we are convinced that this provides an opportunity to add safety and efficiency to the system, with the consequent social and economic benefits.

Thank you.

**Ricardo García Holtz**  
**Chairman**  
**Salmones Camanchaca S.A.**