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**Q1 2019 Presentation**



# Agenda

- Salmones Camanchaca
- Q1 2019 highlights
- Business review
- Markets
- Financial review
- Outlook and summary



# Strategic Positioning

## Vision

*Be a sustainable, cost and market leading producer of Salmon from the Chilean Patagonia*

## Medium term ambitions

- Unleash scale potential
  - Exceed 60,000 tons WFE of Atlantic by 2021-2022
  - Reach annual production of ~4,500 tons Coho (Pacific salmon) starting in 2019
  - Potential of 12,000 tons of annual production from existing trout JV ('17-'22)
- Gain cost efficiencies
  - Live weight cost (ex-cage) at US\$ 3/kg
  - Processing cost below US\$ 1/kg WFE
- Diversified market/buyer portfolio, leveraging presence in emerging markets
- Majority of our production ASC certified

## Priorities

- Maximize farming capacity utilization as leases expire
- Processing automation
- Introduce latest technology for feed and fish wellness
- Introduce Pacific salmon farming, processing & marketing
- Biology control
  - Reduce use of antibiotics
  - Introduce non-pharmaceutical sea lice treatments
- Oxygen & algae mitigation systems at sites
- Open up new markets and gain product flexibility
- Adhere and comply to all 8 principles of ASC certification in all farming sites

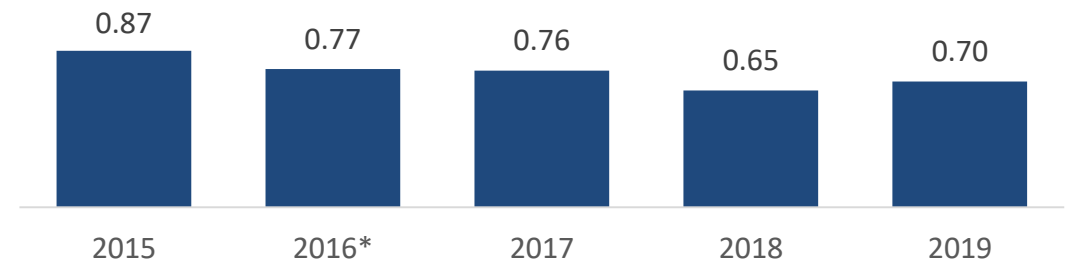
# An advocator for sustainable salmon farming

- A founding member of Global Salmon Initiative (GSI), which aims to help members be sustainable salmon farmers, based on pre-competitive collaboration
- Implemented Best Aquaculture Practices (BAP) and Global Aquaculture Practices (GAP), aiming for world class environmental performance
- Majority of salmon production ASC certified by 2020 (full 2018 was 29%, Q1 2019 was 23%)
- Lead the Chilean salmon industry in sustainability transparency (2017 ranked the 4th most transparent salmon farming company globally, and #1 in Chile)
- First Salmon Company to register with the “Huella Chile” Emissions Reduction, a program designed to manage greenhouse gas (GHG) emissions

## Sustainability indicators (closed sites)

Q1	2016*	2017	2018	2019
# of antibiotic treatments	2.1	2.1	1.6	0.8
Medicinal In-bath Treatments [g API per ton]	4.1	0	8.63	9.02
Feed Conversion Ratio (B)	1.37	1.23	1.19	1.16
# Escape incidents	0	0	0	0
Smolt productivity [Kg WFE/smolt]	3.63	5.43	4.86	4.45
Length of cycle/Fallow period [months]	18/6	17/7	16/8	16/8

## FIFO Ratio Q1



\* 2016 does not include the 3 sites affected by HAB



# Q1 2019 financial results

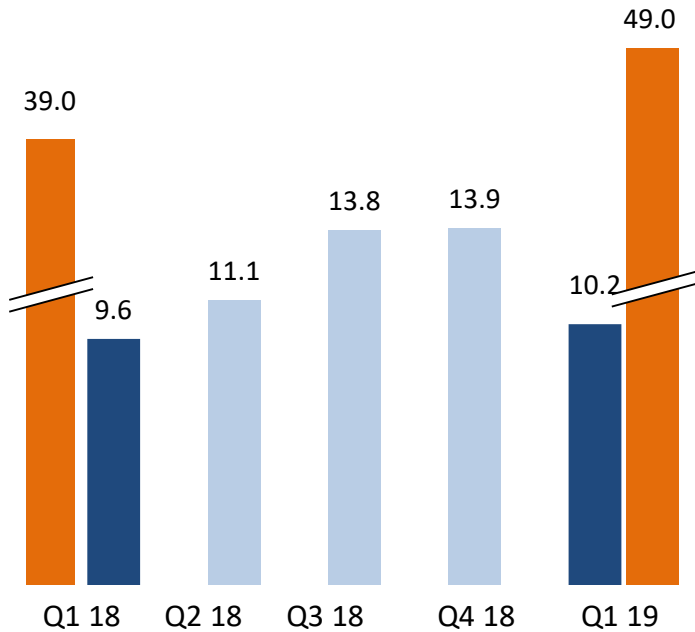


# Q1 2019 highlights

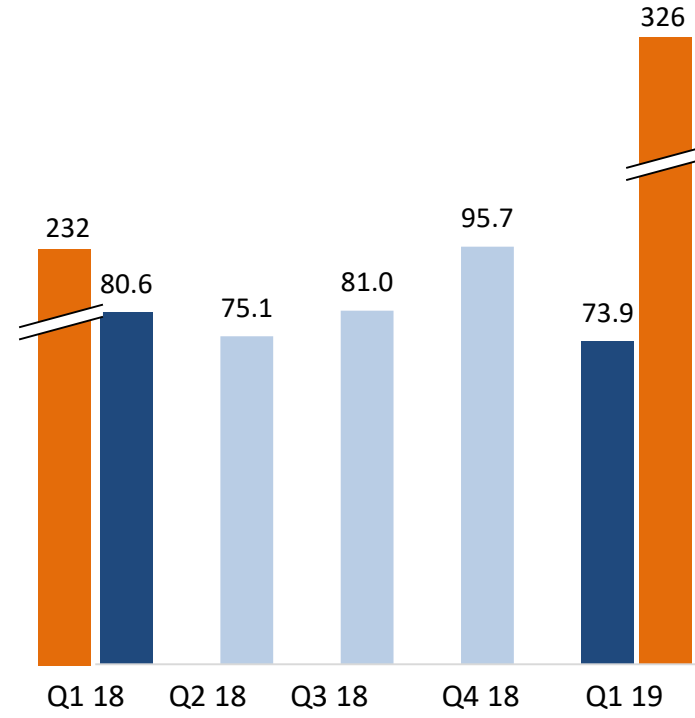
- Sales of Company-farmed Atlantic salmon products +10% vs Q1 2018.
- Total Revenues down 8.3% due to higher Q1 18 3<sup>rd</sup> party product sales and a reduction in Trout JV outcome
- Live weight cost of Q1 harvested fish increased to US\$ 3.47/kg due to environmental summer conditions.
- EBIT/kg Atlantic salmon WFE US\$ 1.30, up 3.8%. Helped by administration and distribution expenses efficiencies, and lower cost of fish sold.
- Excluding Trout JV, EBIT pre FV (i.e. Atlantic) at US\$ 15.1 million, up 12.7% from Q1 2018.
- Net financial debt reduced by 38% due to strong operating cash last 12 months
- 2019 Harvest guidance reduced 5% to 52,000 tons WFE of Atlantic due to summer environmental issues.

# Key figures

- Harvests (Th ton WFE)

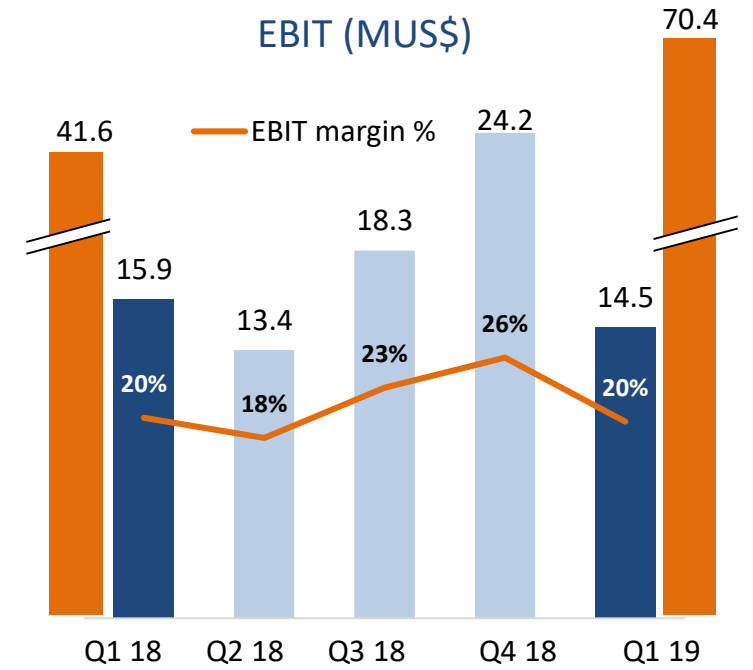


- Revenues (MUS\$)

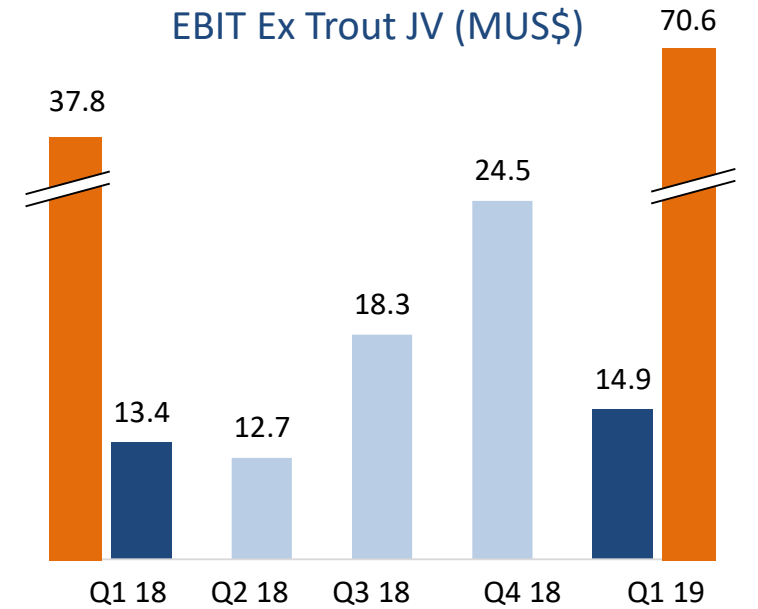


■ Last twelve months ■ Q1

## EBIT (MUS\$)



## EBIT Ex Trout JV (MUS\$)



# Key Q1 2019 financial figures

ThUS\$	Q1 2019	Q1 2018	Δ%
Operating Revenues	73,876	80,560	-8%
EBITDA before Fair Value	17,352	18,481	-6%
EBIT before Fair Value	14,495	15,867	-9%
EBIT margin %	19.6%	19.7%	-0.4%
Trout JV net income (33%)	-589	2,510	-
EBIT ex trout JV	15,084	13,357	13%
Fair Value	-9,022	6,124	-
Net profit/loss after tax	3,588	15,741	-77%
EPS (US\$)	0.0544	0.2385	-77%
Harvests (ton GWE)	9,172	8,630	6%
Sales (ton GWE Company-farmed)	10,460	9,517	10%
Ex-cage cost (US\$/Kg GWE)	4.15	3.46	20%
Process cost (US\$/Kg GWE)	1.18	1.14	3%
Price (US\$/Kg GWE)*	6.62	6.97	-5%
Atlantic EBIT/Kg GWE (US\$)**	1.44	1.39	4%
Financial debt	50,885	80,165	-37%
NIBD	41,348	66,322	-38%
Equity/Assets ratio	51%	52%	-2%

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

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



# Cash Flow & Balance Sheet

US\$ million	Q1 2019	Q1 2018
CASH FLOWS FROM OPERATING ACTIVITIES	6.2	-1.2
CASH FLOWS FROM INVESTING ACTIVITIES	-9.9	-6.7
CASH FLOWS FROM FINANCING ACTIVITIES	0	21.0
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	9.5	13.8

- Q1 2019 Operating Cash Flow increased by US\$ 7.4 million explained by higher Ebitda and suppliers' payment in Q1 2018.
- Investments increased by 50% in Q1 2019, in line with growth and efficiency plans for 2018-2021.
- No Financing activities in Q1 2019, in contrast with 2018 IPO and debt repayments .

	31/03/2019	31/12/2018
Total current assets	210,872	216,248
Total non-current assets	133,957	124,367
<b>Total assets</b>	<b>344,829</b>	<b>340,615</b>
Total current liabilities	109,078	93,238
Total non-current liabilities	60,709	63,476
<b>Total liabilities</b>	<b>169,787</b>	<b>156,714</b>
<b>Total equity</b>	<b>175,042</b>	<b>183,901</b>
<b>Total equity and liabilities</b>	<b>344,829</b>	<b>340,615</b>

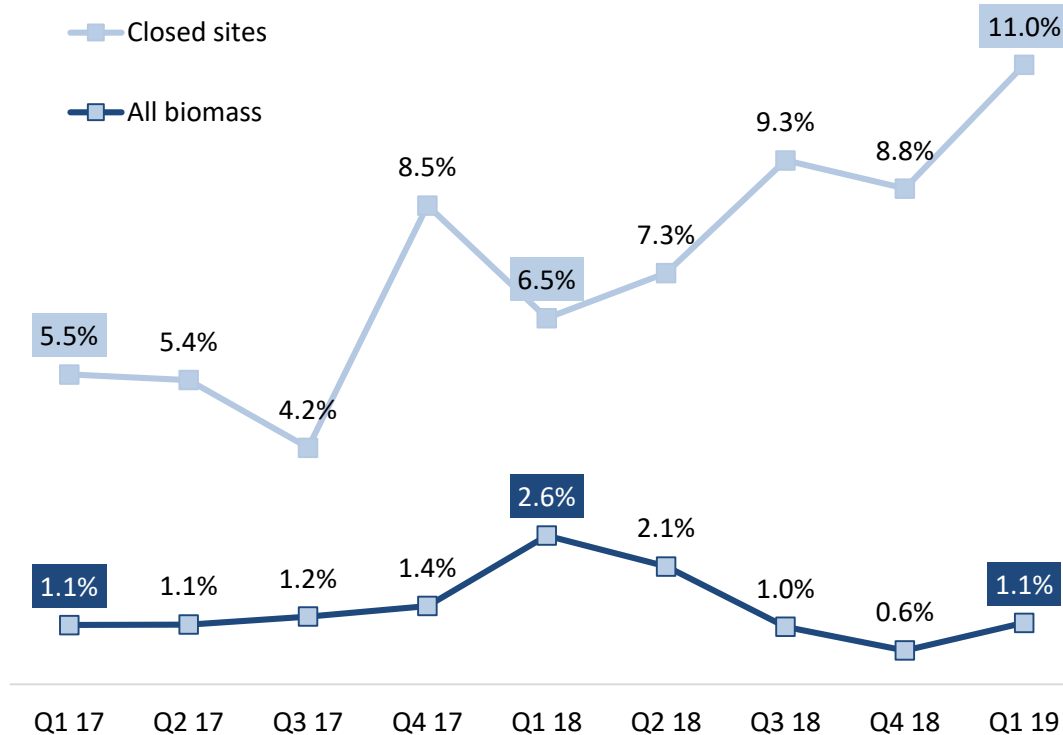
- Current Liabilities up US\$ 16 million due to dividend provision of 50% of net distributable income (versus 30% as of December 31, 2018).

# Business review



# Atlantic salmon biology

## Total quarterly mortality



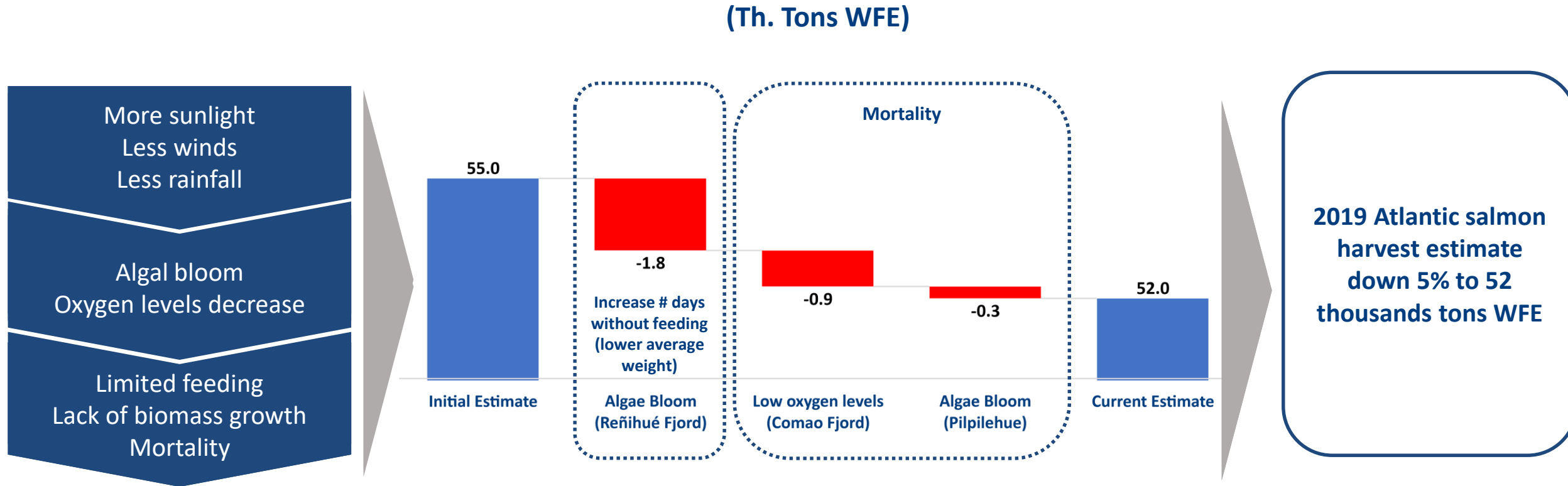
## Biology indicators

Q1	2016	2017	2018	2019
FCRb* (live weight)	1.37	1.23	1.19	1.16
Yield (kg WFE/smolt)	3.63	5.43	4.86	4.45
Average harvest weight (kg WFE)	4.26	5.69	5.34	4.94
Antibiotic usage (g/ton)	514	360	371	94
Antiparasitic usage (g/ton)	4.30	0.14	8.63	9.09

\* FCRb = Feed conversion ratio biology

- Performance explained by:
  - Increase # of feed lines and remote feeding
  - Use of high-energy & micro diets
  - Photoperiod light use
  - Use of Live SRS vaccines and Lufenuron
- Q1 2019 closed cycle mortality influenced by runt in one site
- Smolt yield reduced due to lower harvest weight

# Q1 environmental conditions: Estimate adjustments in harvests



**Action measures - Permanent oxygen stations**

# GSI Sustainability Indicators

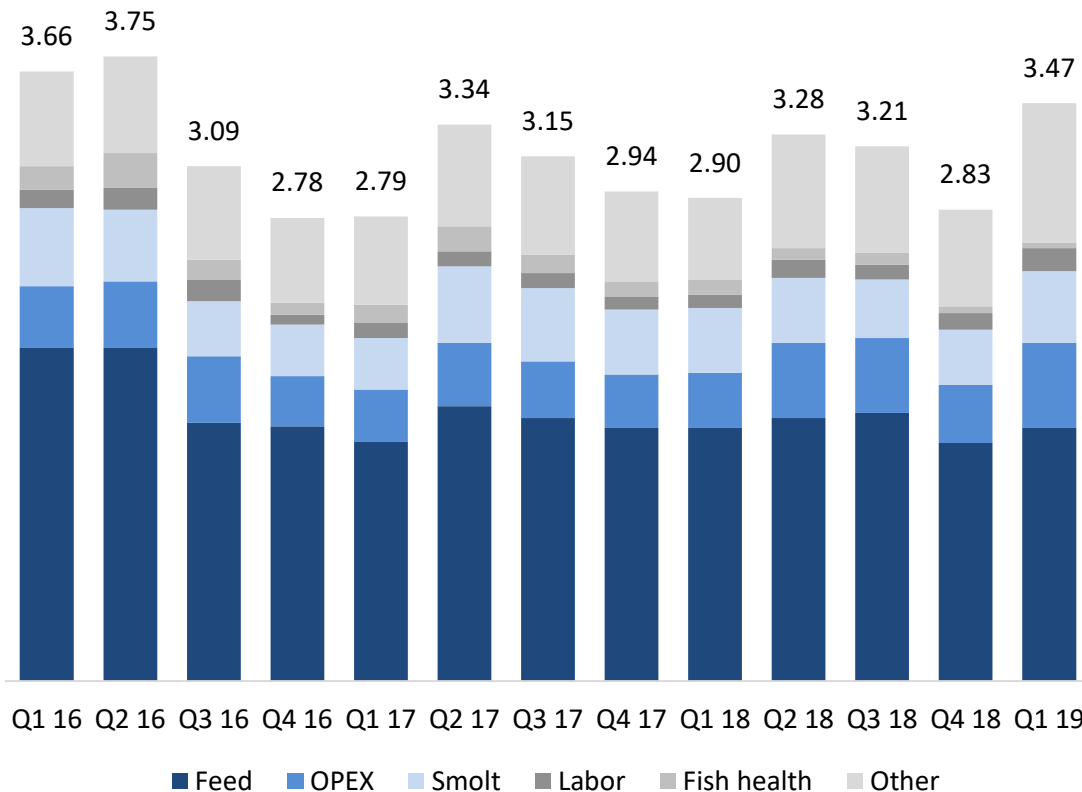
Atlantic salmon

<b>Biomass Mortality (#)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Salmones Camanchaca	4.7%	3.1%	6.6%	17.8%	3.2%	2.8%
Chilean Average	6.8%	4.9%	5.7%	10.7%	3.7%	3.8%
Norwegian Average	6.3%	5.8%	5.8%	5.2%	5.8%	5.8%

<b>No. Antibiotic treatments in cycle</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Salmones Camanchaca	2.41	2.49	2.91	2.68	2.70	2.70
Chile Average	3.35	3.46	2.98	2.88	3.02	2.54
Norwegian Average	0.02	0.01	0.03	0.06	0.01	0.03

# Live fish cost: Q1 2019 above long-term target

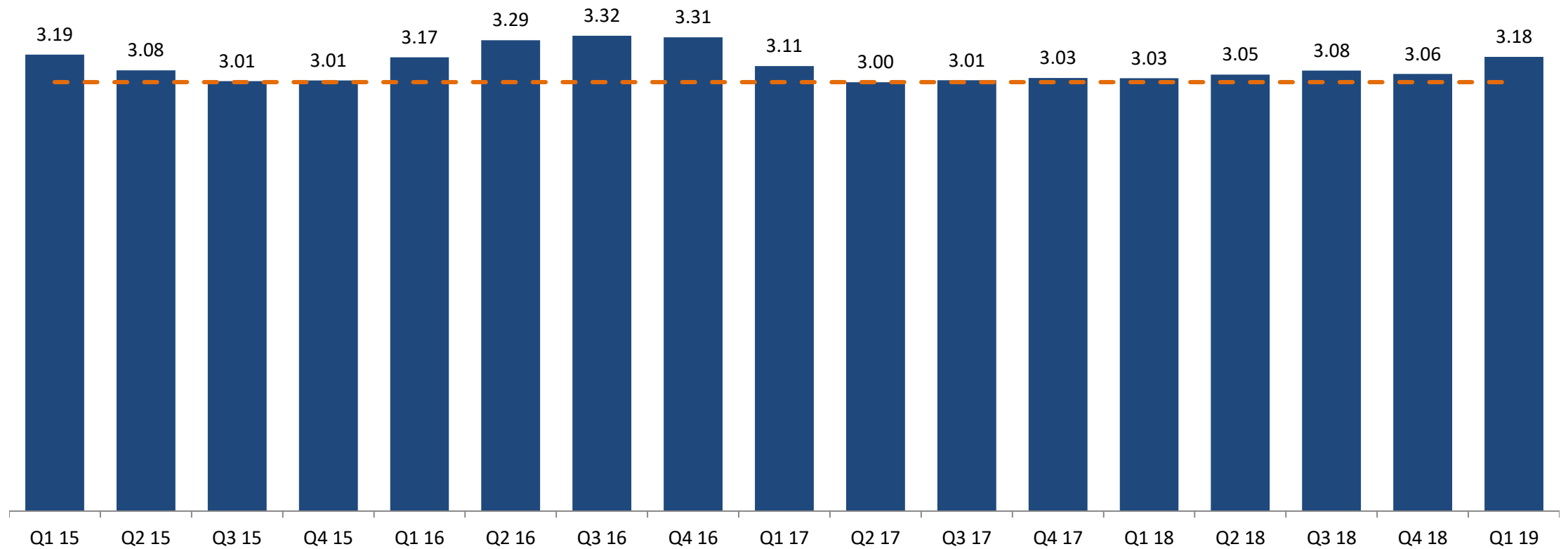
Atlantic Live Weight Cost (US\$/kg, ex-cage)



- Above US\$3/kg target due to
  - Half of harvest from lower density stockings
  - 25% of harvest from sites with algae issues
  - Average cost increased.
- Existing technology to supplement oxygen proved insufficient to maintain feeding: different technology will be implemented next season
- Stable feed cost trend
- Higher costs due to larger # farming sites in XI region

# Stable twelve months rolling cost development

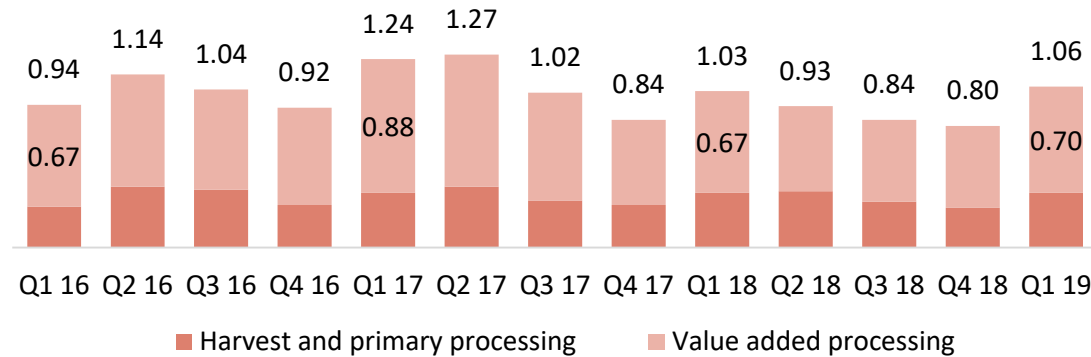
Atlantic salmon LTM rolling live weight cost (US\$/kg, ex-cage)



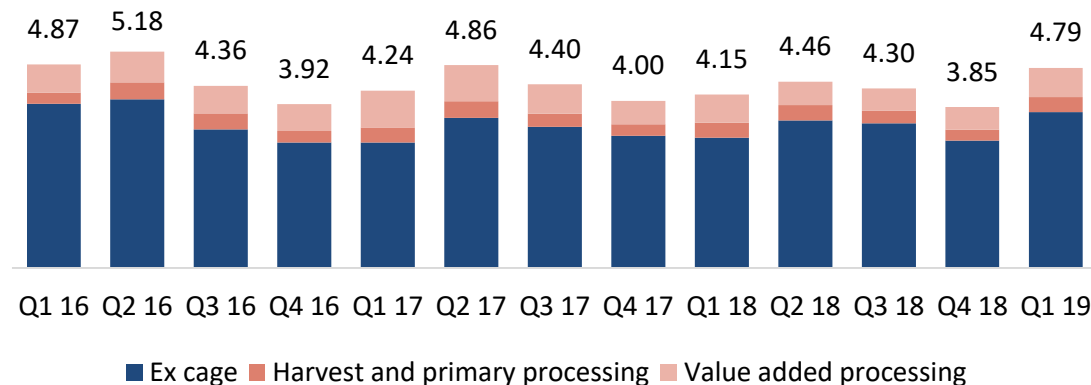
# Q1 Processing cost aligned with the Company target

US\$/kg WFE

## Processing Atlantic Cost



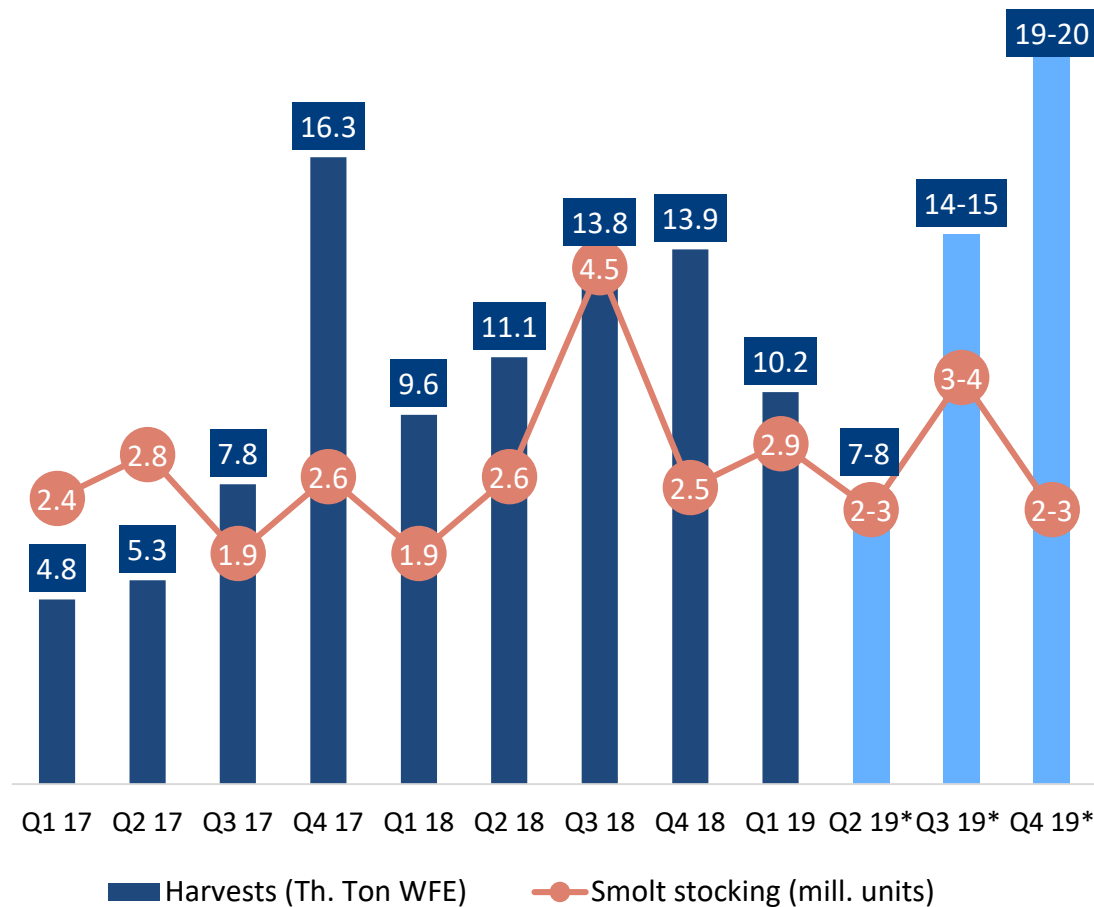
## Atlantic Finished Product Cost



- Total processing cost in Q1 2019 was US\$ 1.06/kg
  - +2.9% vs Q1 2018 and +6% above US\$ 1 target explained by larger fraction of value added products
- Value added processing cost was US\$ 0.70/kg
  - 4.5% over Q1 2018 due to value added mix.
- Finished product cost of US\$ 4.79/kg
  - +15.4% compared to Q1 2018
  - Live weight cost over the trend due to density stockings and summer conditions.
  - Processing cost increase due to a higher value-added mix and lower average weight.



# Smolt Stocking and Harvest Volume



Atlantic Salmon	2016	2017	2018	2019*
Smolt Stocking (mill. Units)	8.4	9.7	11.9	11
Harvest volume (Th. Ton WFE)	36.2	34.2	48.5	52

- Company estimates 18,000 additional tons (WFE) of Atlantic salmon harvests in 2019 vs 2017 (same harvest areas)
- Initial estimate 55,000 tons WFE of Atlantic salmon for 2019, affected by environmental summer conditions, now at 52,000 tons WFE, 5% below.
- 20% of 2019 harvest coming from farming sites stocked at lower density (9 Kg/m<sup>3</sup>) for one cycle (temporary).
- Live weight cost higher than originally expected in 2019 (15-20 cents/Kg) due to summer conditions
- 2019 growth only in Q4

\* Company estimates are based on current information, which could change due to new information

# Markets

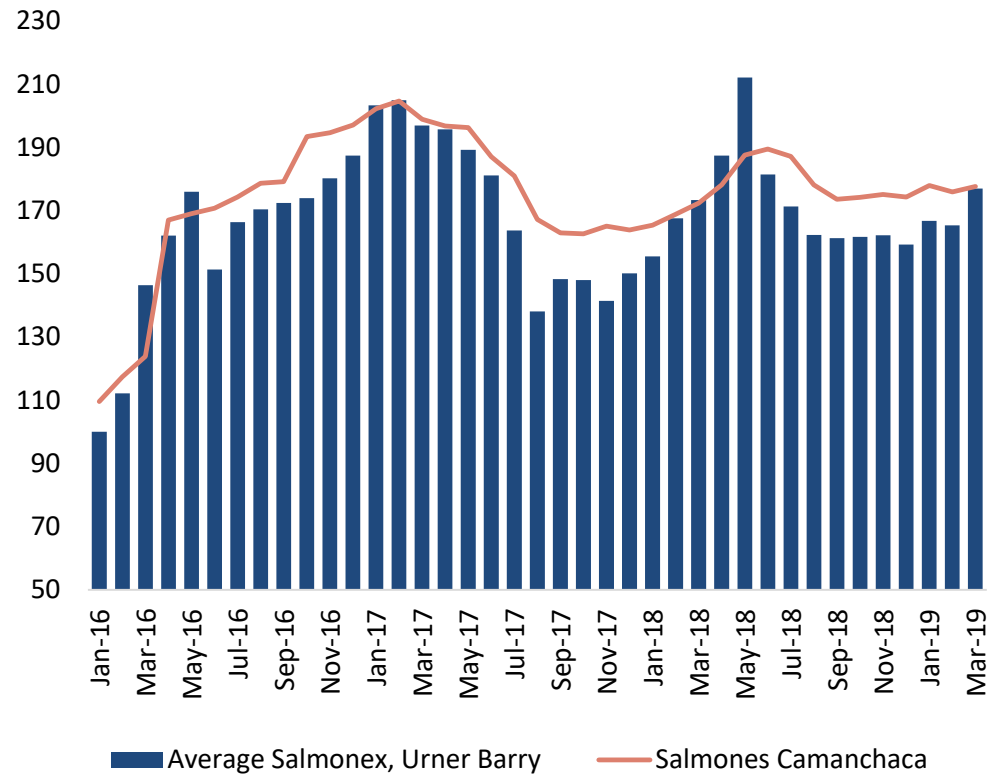


# Atlantic Price

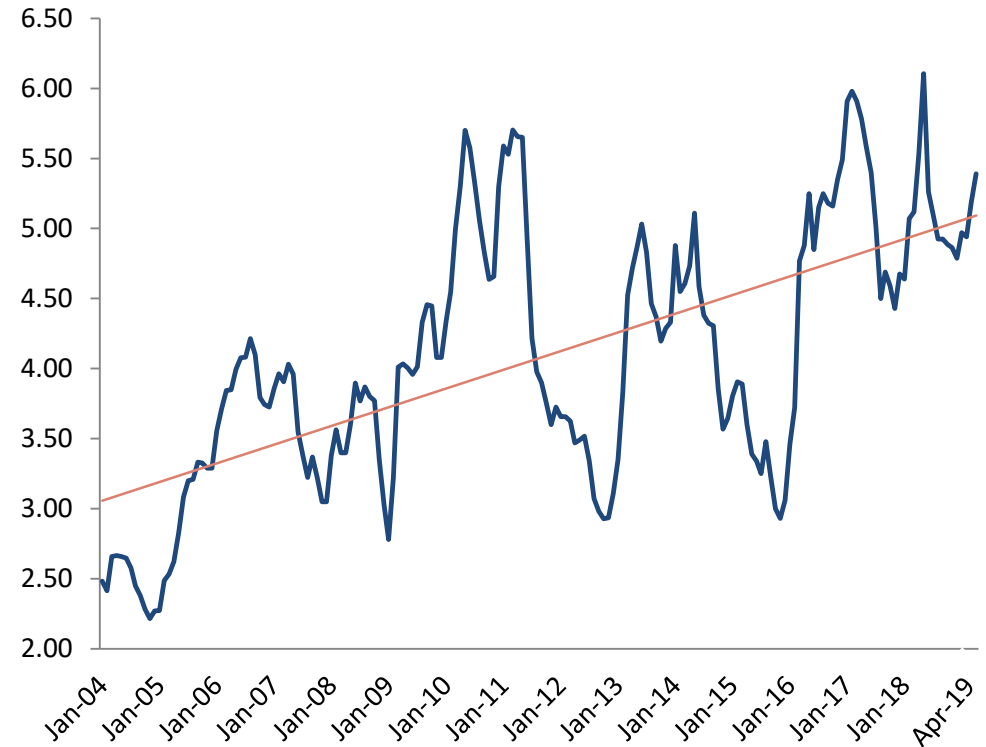
## Return on Raw Material (RRM)

### Salmones Camanchaca vs US Benchmark

(Avg Salmonex, Urner Barry, Jan 2016 = Base 100)



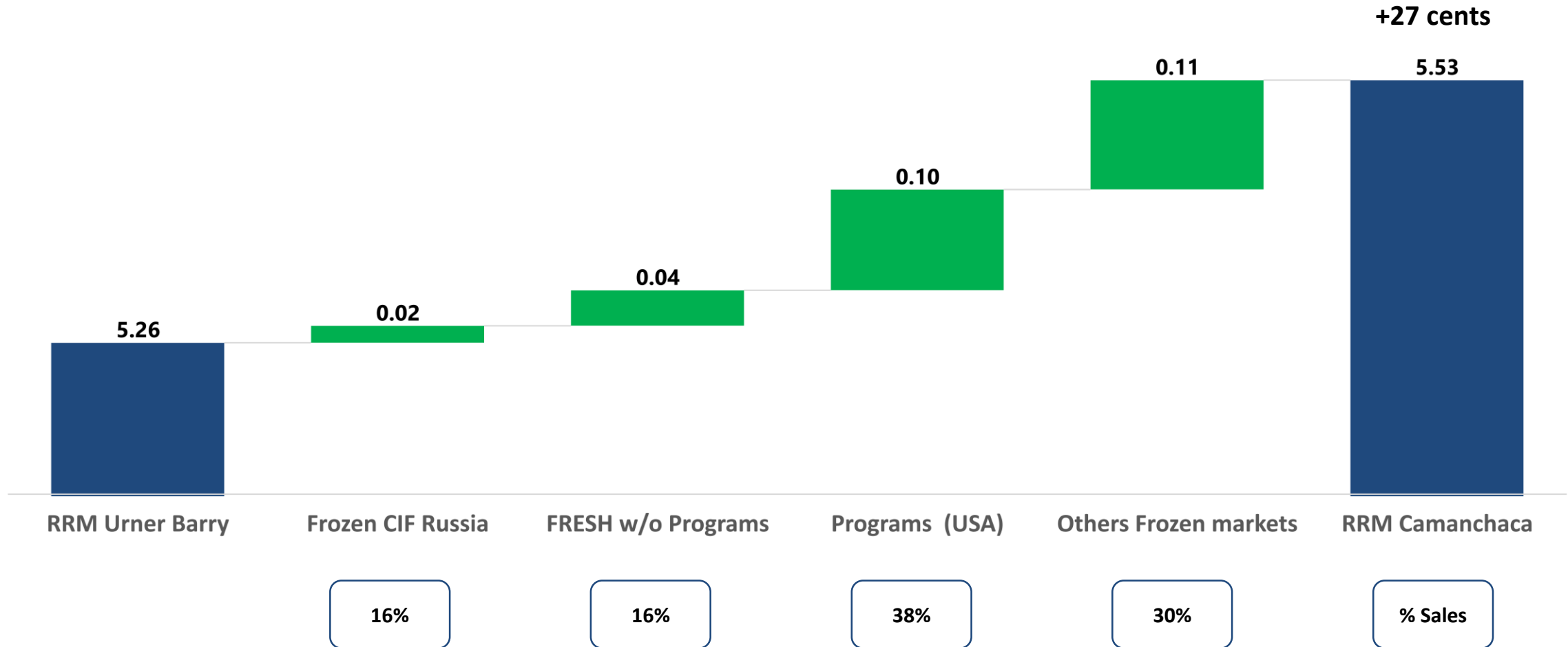
### Long term trend US Market Price (Urner Barry, US\$/Lb)



# Salmones Camanchaca vs Urner Barry

RRM = Return or Price obtained for WFE fish with primary process (Raw Material)

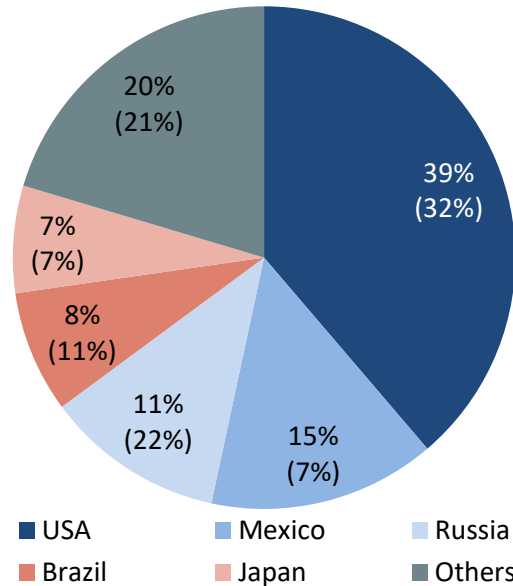
RRM Urner Barry vs RRM Camanchaca (US\$/ Kg WFE)



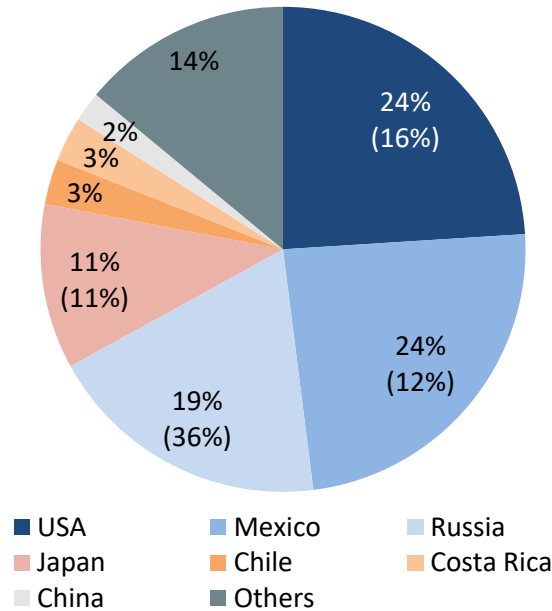
# Sales Distribution of Atlantic Salmon (% based on dollar sales)

Q1 2019 (Q1 2018)

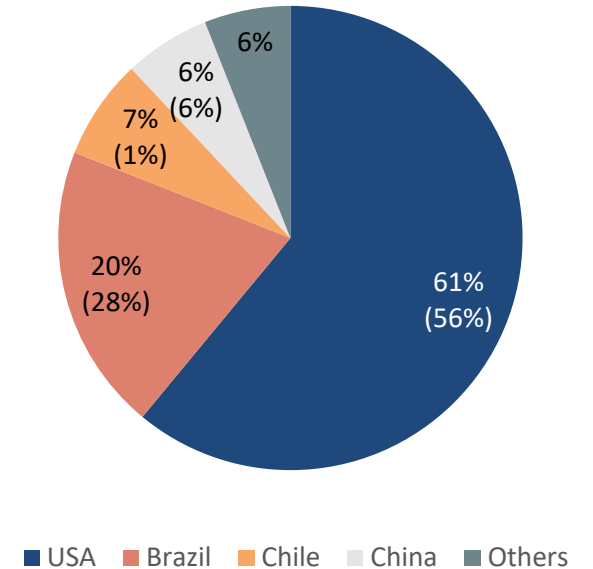
Q1 2019



Frozen: 60% (61%)



Fresh: 40% (39%)



## Product type distribution

Format	Q1 2019	Q1 2018
HOG	19%	42%
Fillets	48%	42%
Portions	27%	10%
Others	6%	6%

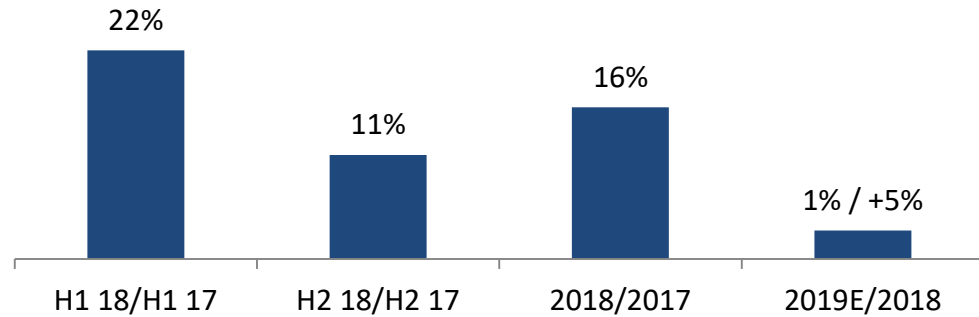
Format	Q1 2019	Q1 2018
HOG	37%	43%
Fillets	47%	41%
Portions	16%	16%

# Outlook and summary



# Chilean industry

## Harvest growth: Atlantic salmon



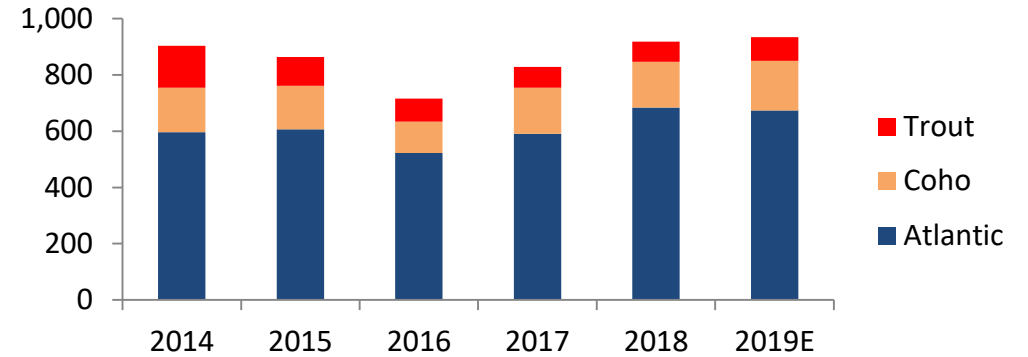
## Actual stocking: Atlantic salmon

Q1 2019 vs Q1 2017: **42%**

Q1 2019 vs Q1 2017 X & XI region: **18%**

Q1 2019 vs Q1 2018: **29%**

## Harvest evolution (Th. Tons WFE)



### Harvests growth 2014 - 2018:

- Atlantic salmon → 14.8%
- All species → 1.6%

# Summary

- EBIT ex-trout up 13% at US\$ 15.1 million.
- JV trout at its low year harvest (Q1 2019 fallow period), and maturity issues affecting prices
- Harvest estimates for 2019 down 5% to 52,000 tons WFE.
- Net financial debt reduced by 38% vs Q1 2018 and Equity ratio at 51%





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**Q1 2019 Presentation**

