



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

### **Quarterly Earnings Report on the Consolidated Financial Statements** For the period ended June 30, 2020

#### **Information on Camanchaca**

*The Company currently operates three business divisions:*

- 1. Salmon Farming: Its subsidiary Salmones Camanchaca operates in the 8th, 10th and 11th regions. It covers genetics and egg production; a freshwater recirculation hatchery for Atlantic salmon and other fresh water species; 74 sea water concessions in 14 neighborhoods; two primary processing plants in the 10th region and a value-added processing and freezing plant in the 8th region.*
- 2. Industrial Fishing: Its industrial fishing takes place in Chile's northern and central-southern areas. Catches are intended for human consumption, such as fish oils high in omega 3, canned and frozen Jack mackerel and Langostine lobster; and protein for animal consumption in fishmeal and fish oil from small pelagic fish.*
- 3. Other Seafood: Operations in Chiloé focus on purchasing spawn and farming mussels in three owned farming sites, and a processing and freezing plant located in Rauco that focuses on products for human consumption. A farm in the Atacama region produces abalone spawn and grows them for human consumption.*

*Camanchaca is vertically integrated throughout its supply and distribution chain and exports its products to over 50 countries using its 7 offices and commercial agents in its main markets. The Company has approximately 3,500 employees.*

## Highlights for the period

- **Total operating revenue for the half year rose 8.8% higher than in H1 2019** to US\$ 295 million, with increases in all business divisions (Industrial Fishing + 14.4%, Salmon Farming + 6.5%, and Other Seafood + 7.2%).
- **Operational EBITDA increased by 17% compared to H1 2019** to US\$ 38.8 million, with significant improvements in the southern fishing and southern seafood segments. EBITDA Margin rose from 12.2% of operating revenue during H1 2019 to 13.1% this year. However, the sharp decline in Atlantic salmon prices during the second quarter of this year has impacted the salmon business, both operationally and the net fair value of its biological assets, which finally led to a consolidated net loss after tax of US\$ 3.1 million for the first half of the year.
- **Salmon harvest volumes in H1 2020 were 24,572 tons WFE**, 41.8% higher than the same period for the previous year. Atlantic salmon represented 97% of this total, with an increase of 37.4% over H1 2019. Estimated Atlantic salmon harvest volumes for the full year 2020 are 51 to 53,000 tons WFE.
- **Atlantic salmon live fish (ex-cage) costs improved** to US\$3.32/kg in H1 2020, 14.6% lower than H1 2019, but still 7.7% higher than the Company's long-term target of US\$3/kg. **Total processing costs fell to US\$ 1.01/kg WFE**, 15% lower than H1 2019, and in line with the long-term goal of US\$ 1/kg WFE. This was achieved despite lower volumes, the cost of employee health protection measures in the second quarter caused by the pandemic, and processing a higher proportion of value added products.
- **Atlantic salmon EBIT/kg WFE was US\$ 0.36** in H1 2020, 62% lower than in H1 2019, due to a decline of 62 US cents or 9.5% in the average sales price over the same period.
- **Jack mackerel catches in the southern central fishing area increased by 26.6%** in H1 2020 compared to the previous year, to reach 80,400 tons. As of the date of this report, the Company's annual quota of 63,000 tons has been captured, along with another 23,000 tons of international quota purchased from other members of the Jack mackerel RFO.
- **The half-yearly production of frozen and canned Jack mackerel decreased by 23% and 9% respectively**, as priority was given to producing fishmeal and oil over frozen fish in the second quarter, given the weakness of its target markets. This demonstrated the operational flexibility of this business to quickly amend its production mix to match market conditions. This resulted in the Company producing 26,000 tons of frozen fish, 918,000 boxes of canned fish and 35,000 tons of fishmeal and oil. Sales of frozen Jack mackerel fell 19% to 19,000 tons, while canned sales increased by 36% to 700,000 boxes, with strong growth in the Chilean market.
- **The price of frozen Jack mackerel fell by 10%** compared to H1 2019, as it was affected by falling demand in its main markets, particularly Nigeria, due to falling crude oil prices. This resulted in production being switched to fishmeal and oil during the second quarter.
- **Catches of anchovy and its accompanying fauna fell by 49% in northern Chile in H1 2020** compared to H1 2019, at only 25,415 tons, partially due to the unprecedented legal limitation on fishing within five miles in areas where the geographical and demographical conditions make it difficult for artisanal fishermen, but mainly due to the poor fishing environment as a result of smaller fish and a scattered biomass either very deep or very

close to the coast. The anchovy catches have been the lowest for the last decade, even below those in 2016 caused by El Niño.

- **Fishmeal and oil sales rose by 45% and 75% respectively**, driven by higher inventories in the southern central area in the second quarter and by an increase in yields for both fishmeal and oil from 27.4% to 29.6% between H1 2019 and H1 2020.
- **Fishmeal and oil prices increased by 6.9% and 28.8% respectively** in H1 2020 compared to H1 2019, influenced by the scarcity of Peruvian supplies during the first part of the year, combined with recovering demand in China during the second quarter.
- **Mussel yields increased from 19.4% in H1 2019 to 21.4% in H1 2020**, attributable to improvements in oceanographic conditions, which reduced the requirement to purchase raw material from third parties and reduced costs, coupled with a price improvement that contributed to the recovery of US\$ 2.6 million in **EBITDA to reach US\$ 3.2 million** in H1 2020.
- **Selling and administrative expenses fell by 7% in H1 2020**, to represent 7.8% of total operating revenue in H1 2020, down from 9.2% a year earlier, which reflects the efficiencies achieved by the support departments.
- **The health and protection measures to prevent the spread of Covid-19 and to maintain operational continuity** were improved and extended. As of August 20, 2.7% of our 3,782 employees were infected and 23 are currently active. 7,053 tests were performed with less than 1.4% positive. The density and distance restrictions in processing plants reduced production capacities in the salmon division during Q2 2020 by approximately 30% compared to normal. Processing was flexed to adapt to market conditions by increasing the capacity to produce portions, which has been the principal processing format. Production in the industrial fishing and other seafood businesses has not been significantly disrupted, neither at capture nor in processing.
- **Cash was US\$ 52 million as of June 30, 2020**, which together with the unused short and long-term lines of credit of US\$ 35 million provides the Company with liquidity of over US\$ 87 million. Net debt as of June 30, 2020 was US\$ 116.6 million, 1.15 times EBITDA for the last twelve months.

## Key Figures

		Q2 2020	Q2 2019	Δ%	H1 2020	H1 2019	Δ%
Operating revenue	ThUS\$	146,343	139,588	4.8%	295,446	271,499	8.8%
Gross margin	ThUS\$	21,016	24,147	(13.0%)	46,064	45,928	0.3%
Operational EBITDA before fair value adjustments	ThUS\$	17,761	18,809	(5.6%)	38,775	33,039	17.4%
Operational EBIT before fair value adjustments	ThUS\$	9,688	12,740	(24.0%)	22,894	21,008	9.0%
EBIT margin %	%	6.62%	9.13%	(27.5%)	7.75%	7.74%	0.1%
Fair value adjustments	ThUS\$	(10,250)	(1,701)	502.6%	(16,340)	2,896	(664.1%)
Net income (loss) for the period attributable to owners of the parent company	ThUS\$	(2,459)	3,944	(162.3%)	(2,326)	7,847	(129.6%)
Earnings per share	US\$	(0.00059)	0.00095	(162.3%)	(0.00056)	0.00189	(129.6%)
Pelagic catches	tons.	98,382	99,807	(1.4%)	162,325	170,793	(5.0%)
Northern Fishing Area	tons.	17,917	35,532	(49.6%)	25,415	49,734	(48.9%)
Southern Fishing Area	tons.	80,466	64,275	25.2%	136,910	121,059	13.1%
Fishmeal price	US\$/ton	1,595	1,493	6.9%	1,593	1,489	6.9%
Atlantic salmon harvest volumes	Tons WFE	10,670	7,136	49.5%	23,812	17,327	37.4%
Atlantic salmon sales	Tons WFE	10,105	7,885	28.2%	23,340	18,911	23.4%
Atlantic salmon ex cage cost*	US\$/kg live fish	3.32	4.23	(21.5%)	3.23	3.78	(14.6%)
Processing cost*	US\$/kg WFE	1.13	1.37	(17.5%)	1.01	1.19	(15.0%)
Atlantic salmon price**	US\$/kg WFE	5.58	7.00	(20.3%)	5.93	6.55	(9.5%)
Atlantic salmon EBIT/kg WFE	US\$/kg WFE	(0.43)	0.39	(210.3%)	0.36	0.93	(61.8%)
Pacific salmon EBIT/kg WFE	US\$/kg WFE	(2.13)	0.00	-	(2.04)	0.00	-
Financial Debt	ThUS\$				168,711	142,174	18.7%
Net Financial Debt	ThUS\$				116,613	119,242	-2.2%
Equity ratio	%				61%	63%	

\*The cost of harvesting and processing during the period.

\*\*Invoicing in US\$ divided by tons sold

## Summary Statement of Net Income by Division

### Financial Performance

ThUS\$	Industrial Fishing		Salmon Farming		Other Seafood		Total	
	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019
Operating revenue	56,737	48,362	81,524	82,524	8,083	8,702	146,343	139,588
Gross Margin	20,551	14,348	(2,238)	7,558	2,704	2,242	21,016	24,147
<b>EBITDA</b>	<b>19,895</b>	<b>11,983</b>	<b>(3,787)</b>	<b>6,030</b>	<b>1,653</b>	<b>796</b>	<b>17,761</b>	<b>18,809</b>
EBITDA margin (%)	35.1%	24.8%	(4.6%)	7.3%	20.4%	9.1%	12.1%	13.5%
<b>Net income (loss) for the period attributable to owners of the parent company</b>	<b>6,663</b>	<b>4,258</b>	<b>(9,921)</b>	<b>(784)</b>	<b>798</b>	<b>469</b>	<b>(2,459)</b>	<b>3,944</b>

ThUS\$	Industrial Fishing		Salmon Farming		Other Seafood		Total	
	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019
Operating revenue	88,076	76,959	191,377	179,623	15,993	14,917	295,446	271,499
Gross Margin	25,236	13,825	15,729	28,834	5,100	3,270	46,064	45,928
<b>EBITDA</b>	<b>24,273</b>	<b>8,983</b>	<b>11,539</b>	<b>23,484</b>	<b>2,963</b>	<b>572</b>	<b>38,775</b>	<b>33,039</b>
EBITDA margin (%)	27.6%	11.7%	6.0%	13.1%	18.5%	3.8%	13.1%	12.2%
<b>Net income (loss) for the period attributable to owners of the parent company</b>	<b>4,619</b>	<b>(516)</b>	<b>(8,639)</b>	<b>8,278</b>	<b>1,694</b>	<b>84</b>	<b>(2,326)</b>	<b>7,847</b>

### Financial Results for H1 2020

Operational EBITDA before fair value adjustments was US\$ 38.8 million, 17.4% higher than the US\$ 33 million for H1 2019, driven mostly by improvements in the southern fishing and southern seafood segments. The industrial fishing division was supported by higher Jack mackerel catches and good productive performance. The higher industrial fishing EBITDA of US\$ 15.3 million is due to an increase of US\$ 11.4 million in the gross margin, due to increased fishmeal and oil production compared to H1 2019 (+6.5% and +17.5% respectively), and their respective sales (+45.4% and +74.9% respectively). Prices for fishmeal and oil rose by 6.9% and 28.8%, which also had a positive effect. However, anchovy catches were poor in the northern area at only 3% of quota, due to the unprecedented legal limitation on fishing and the poor fishing environment, which delayed the season. This was partially offset by increased catches of Jack and Atlantic mackerel, which reached historical peaks. The other seafood division improved its performance compared to the first half of 2019, and achieved an EBITDA contribution of US\$ 3.0 million mainly from the mussels business.

The net loss was US\$ 2.3 million in H1 2020, compared to net income of US\$ 7.8 million in H1 2019. This decrease is due to lower Atlantic salmon prices and a net fair value adjustment for salmon that reduced its net income by US\$ 19.2 million compared to H1 2019. This adjustment anticipates lower prices in the future, as fish still at the

fattening stage as of the end of June will be sold at these forecast prices, in accordance with IFRS criteria. The industrial fishing and other seafood divisions partially offset this decline with an improvement in their performance by increasing their net income by US\$ 6.7 million and US\$ 1.6 million respectively, compared to H1 2019.

Total consolidated operating revenue for H1 2020 increased by 8.8% over the same period for the previous year, to reach US\$ 295 million.

### **Salmon Farming Division**

Operational EBITDA before fair value adjustments was US\$ 11.5 million in H1 2020, 50.9% lower than the US\$ 23.5 million achieved in H1 2019, with a harvest of 24,572 tons WFE of salmonids, where 760 tons WFE were Pacific salmon.

The average price of Atlantic salmon during H1 2020 was strongly affected by lower demand from the "Food & Service" (HORECA) segment due to the pandemic, and fell by 9.5% or 62 US cents compared to H1 2019, to an average of US\$ 5.93/kg WFE. Accordingly, the Company has prioritized higher value-added formats within its production capacity, such as portioned products that are mostly sold in supermarkets and match current demand. Therefore, the Atlantic salmon EBIT/kg WFE was US\$ 0.36, which is 57 US cents lower than in H1 2019. Despite the increase in volume, lower prices had an unfavorable impact, and the operational costs associated with fallow farming sites increased, which amounted to US\$ 5.0 million. There was also an unfavorable impact from Pacific salmon sales of US\$ 4.3 million, due to low-density smolt stocking in their first productive cycle.

The net fair value adjustment (FVA) for H1 2020 was negative US\$ 16.3 million, lower than the positive US\$ 2.9 million for the same period in 2019. This reduction was caused by falling salmon prices as already mentioned. The FVA does not affect EBITDA, taxes, nor net distributable income.

Other income (expenses) were negative US\$ 3.3 million, mainly due to the estimated costs of the incident at the Islotes site not covered by insurance claims, which resulted in a loss of US\$ 4.1 million. This was partially offset by the favorable result in H1 2020 from the Company's joint venture in the trout farming business, which generated US\$ 1.7 million in the first half of the year compared to a loss of US\$ 1.1 million in H1 2019, and indicates that the operational performance of this business is improving.

### **Industrial Fishing Division**

As of H1 2020, the Fishing division had different performances in its northern and southern segments, with good productive and commercial performance in the southern central area and lower catches in the northern area due to the poor fishing environment and fishing limitations. The southern central area enjoyed favorable conditions and caught 26.6% more jack mackerel than the same period last year. Similarly, the artisanal sardine catches rose by 2%, and together with Jack and Atlantic mackerel catches brought the pelagic fish catches to 136,910 tons, 13.1% higher than in H1 2019. Fishmeal and oil yields improved in the northern and southern central areas, where they rose from 23.7% in H1 2019 to 24.9% in the northern area, and from 30.0% in H1 2019 to 30.8% in the southern area. The Industrial Fishing division's results can be attributed to the following:

- The northern fishing segment achieved a net loss of US\$ 3.2 million, compares to a net loss of US\$ 3.7 million in H1 2019, mainly due to the low anchovy catch, although partially offset by higher Jack and Atlantic mackerel catches, and lower non-operational vessel days that reduced operating costs by US\$ 2.2 million. Furthermore,

this performance benefited from recoveries in oil yields and a 5% increase in fishmeal prices compared to the same period for the previous year.

- The southern fishing segment.
  - The southern area is operated by the subsidiary Camanchaca Pesca Sur, which generated a net income of US\$ 12.1 million, compared to net income of US\$ 7 million in H1 2019. The improved performance was driven by improvements in Jack mackerel catch costs of 12%, and higher Jack mackerel catch volumes (+27%). Operating costs included non-operational vessel days and remained unchanged.
  - The company's 70% share in the results of its subsidiary Camanchaca Pesca Sur was net income of US\$ 8.5 million. The net income produced by this subsidiary was reduced by US\$ 0.7 million for other items assigned to the southern fishing segment, not paid by the Camanchaca Pesca Sur subsidiary, which are mainly allocated financial expenses. Thus, the southern area generated net income of US\$ 7.8 million, compared to net income of US\$ 3.2 million in H1 2019.

### **Corporate Support Departments**

Consolidated administrative expenses for Camanchaca as a percentage of operating revenue fell from 3.9% in H1 2019 to 2.7% in H1 2020, while distribution costs remained at 5.2% in H1 2020. Administrative and distribution expenses in aggregate fell from 9.2% of operating revenue in H1 2019 to 7.8% in H1 2020. Administrative expenses decreased from US\$ 10.7 million to US\$ 7.9 million, while distribution costs increased from US\$ 14.2 million in H1 2019 to US\$ 15.3 million, due to increased sales volumes.

Financial expenses were US\$ 3.9 million in H1 2020 compared to US\$ 3.2 million in H1 2019, due to an increase in financial debt that reached US\$ 168.7 million during H1 2020, associated with growth, investments during the last twelve months and strengthening the Company's liquidity position to deal with the effects of the pandemic.

There was a non-operating, unrealized loss of US\$ 3.0 million due to the devaluation of the US dollar on assets denominated in Chilean pesos, mainly recoverable taxes in the Salmon Farming division, and receivables from artisanal fishermen at Camanchaca Pesca Sur in accordance with current contractual agreements.

### **Cash flow for the period ended June 30, 2020**

Net cash flow from operating activities in H1 2020 was positive US\$ 28.5 million, compared to negative US\$ 17.2 million in H1 2019. The increase is largely explained by the higher production, sales and collections in H1 2020 compared to the last quarter of 2019, when the high production volumes achieved by the salmon farming division was mostly sold and collected in H1 2020.

Cash flow used by investing activities was US\$ 21.2 million in H1 2020, compared to US\$ 33.7 million in H1 2019. This reduction is aligned with reductions in the investment plan in April as a preventive measure to strengthen the Company's net cash position and secure its operating continuity during the extraordinary conditions triggered by the pandemic. The Company decided to temporarily suspend all non-essential investments. It reduced the investment plan for May to December 2020 by approximately 45%.

Cash flow from financing activities was US\$ 4.4 million in H1 2020 due to drawing down US\$ 20 million in short-term bank loans, mainly used to support the fishing season after paying dividends of US\$ 15.3 million. In contrast, the cash flow from financing activities was US\$ 43.1 million in H1 2019, when additional financing of US\$ 60.2

million was used to finance investments, to finance the fishing season in H1 2019, to finance salmon biomass growth and to pay dividends of US\$ 17.1 million.

Total net cash flow for the period was US\$ 10.2 million, leaving a cash balance as of June 30, 2020 of US\$ 52 million.

Camanchaca has a strong financial and liquidity position bearing in mind the current context, with net cash of US\$ 52.1 million as of June 30, 2020 (US\$ 22.9 million as of June 30, 2019) and short-term unused credit lines of US\$ 35 million, or US\$ 87 million of available liquidity.

## **Financial position as of June 30, 2020**

### **Assets**

The Company's total assets increased by 0.5% or US\$ 4.0 million to total US\$ 786.7 million at the end of H1 2020.

Total current assets were US\$ 398 million, a 2.6% increase over December 31, 2019, attributable to a normal increase for the time of year in fishing and seafood inventories of US\$ 14.2 million and an increase in cash of US\$ 10.2 million to strengthen the Company's financial position, offset by a US\$ 14.2 million decrease in trade receivables that reflects collecting the higher volume sold during the fourth quarter of 2019.

Inventories valued at cost as of June 30, 2020 were US\$ 91 million, up from US\$ 77 million as of December 31, 2019, with increases in canned and frozen jack mackerel in the industrial fishing division, and normal inventory building in the other seafood division that occurs in the first part of the year. The inventory of Atlantic salmon was similar to its inventory as of December 31, 2019. Furthermore, operational consumable inventories increased by 17%, as a preventive measure during the COVID-19 pandemic, as the logistics of some products could have been affected.

Non-current assets decreased by 1.5% or US\$ 6.1 million to US\$ 388.5 million, mainly due to the US\$ 5.1 million decrease in long-term deferred taxes.

### **Liabilities and Equity**

The Company's total liabilities increased by 4.4% or US\$ 13 million, from US\$ 296 million as of December 31, 2019 to US\$ 309 million as of June 30, 2020.

Current liabilities increased by 8.8% or US\$ 12.9 million, due to an increase in current financial liabilities of US\$ 16 million, to finance the working capital required by the industrial fishing division and to strengthen the Company's financial position to deal with the Covid-19 pandemic. This was slightly offset by a decrease of US\$ 4.8 million in payables due to the payment of dividends that were provided for as of December 31, 2019.

Camanchaca's equity decreased by US\$ 9.0 million or 1.8% during H1 2020, to US\$ 478 million, mainly due to the decrease in earnings for the period and the additional dividend in excess of the provision for the minimum legal dividend.

# Divisional Operating Performance

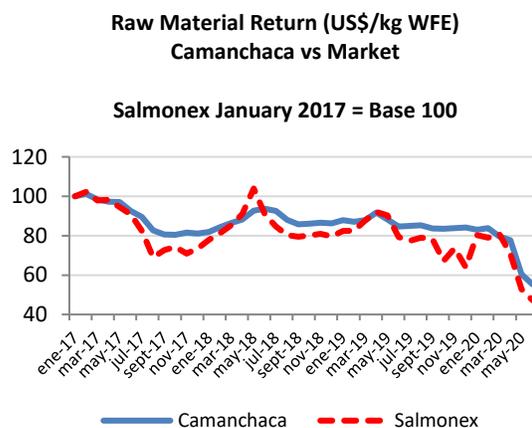
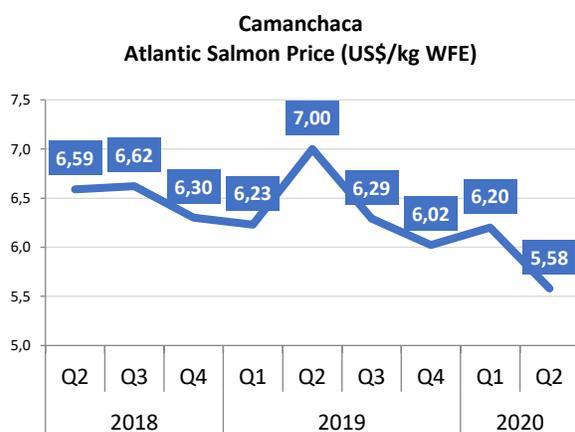
## Salmon Farming Division

The financial performance of the salmon farming division is closely related to three key drivers:

1. The price of Atlantic salmon, which is very sensitive to Norwegian and Chilean supply conditions, and demand from its main trading partners;
2. **Sanitary conditions for Atlantic salmon**, which affect conversion factors, the use of pharmaceutical and mechanical means to improve fish health and welfare, and the final biomass to which costs are allocated.
3. **Feed costs**, which accounts for about half the unit live fish (ex-cage) cost.

### I. Product Prices

The average price of Atlantic salmon sold by Camanchaca during Q2 2020 was US\$ 5.58 per kg WFE, which was 20% or US\$ 1.42 less than during the same period for the previous year. This decrease is explained by a significant drop in demand from the food and services (HORECA) segment in countries heavily affected by the Covid-19 pandemic, which was not offset by increases in demand from the retail segment. All the Company's value-added capabilities were exploited to target this retail segment and mitigate this situation, which required increasing the proportion of portion and fillet sales to North American supermarkets and reducing sales of fresh whole salmon to Brazil and China. This strategy ensured that Camanchaca achieved an average raw material return (RMR) <sup>1</sup> from Atlantic salmon US\$ 0.47 higher than the Salmonex<sup>2</sup> index during H1 2020, which is its reference market. The restrictions imposed on the Russian market in February were maintained during Q2 2020.



<sup>1</sup> Raw Material Return is the final product price less distribution and specific secondary processing costs. It is a price measurement before selecting the final destination for harvested fish and provides a homogeneous aggregate indicator for the Company's products.

<sup>2</sup>The market Index or "Salmonex" is based on the price of fresh fillet trim D exported by Chilean firms, net of Salmones Camanchaca's processing and distribution costs, in order to eliminate cost differences and isolate marketing differences.

## Volumes

Company-farmed Atlantic Salmon		Q2 2020	Q2 2019	Δ	Δ %	H1 2020	H1 2019	Δ	Δ %
Harvest volumes	tons WFE	10,670	7,136	3,534	49.5%	23,812	17,327	6,485	37.4%
Production	tons WFE	10,584	7,069	3,515	49.7%	23,463	17,254	6,209	36.0%
Sales	tons WFE	10,105	7,885	2,220	28.2%	23,340	18,911	4,429	23.4%
Average sales price	US\$/kg WFE	5.58	7.00	(1.42)	(20.3%)	5.93	6.55	(0.62)	(9.5%)

Company-farmed Pacific Salmon		Q2 2020	Q2 2019	Δ	Δ %	H1 2020	H1 2019	Δ	Δ %
Harvest volumes	tons WFE	0	0	0	-	760	0	760	-
Production	tons WFE	0	0	0	-	753	0	753	-
Sales	tons WFE	1,480	0	1,480	-	2,050	0	2,050	-
Average sales price	US\$/kg WFE	3.08	0	3.08	-	3.38	0	3.38	-

Salmones Camanchaca harvested 24,572 tons WFE of salmonids during H1 2020, which included 23,812 tons WFE of Atlantic salmon, up 41.8% on H1 2019. Sales were 25,087 tons WFE in H1 2020, which were 32.8% higher than in H1 2019.

## Operating revenue

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

### Sales by Market Segment as of June 2020

Product or Species	USA	Europe and Russia	Asia, except Japan	Japan	LATAM, except Chile	Chile	Others	TOTAL
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Atlantic salmon	67,148	14,634	13,210	11,667	24,792	5,246	1,702	138,400
Pacific salmon	823	980	1,225	2,703	1,147	54	0	6,932
Others	36,212	0	0	0	0	9,833	0	46,045
<b>TOTAL</b>	<b>104,184</b>	<b>15,614</b>	<b>14,436</b>	<b>14,370</b>	<b>25,939</b>	<b>15,133</b>	<b>1,702</b>	<b>191,377</b>

### Sales by Market Segment as of June 2019

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	55,588	14,099	7,944	9,180	33,319	6,828	1,625	128,583
Pacific salmon	0	0	0	0	0	0	0	0
Others	45,126	0	0	0	0	5,914	0	51,040
<b>TOTAL</b>	<b>100,714</b>	<b>14,099</b>	<b>7,944</b>	<b>9,180</b>	<b>33,319</b>	<b>12,742</b>	<b>1,625</b>	<b>179,623</b>

The Company defines its value-added products as those containing some degree of secondary processing, including freezing, which accounted for 92.9% of sales for H1 2020, exceeding its 87.4% for H1 2019. The remaining sales are head-on gutted whole fresh salmon for the South American and Chinese markets.

Sales to the North American market fell from 56.1% to 54.4% in H1 2020, while sales to the European and Russian markets rose from 7.8% to 8.2%. Russia imposed a blockade on Chilean products at the end of February, which included Camanchaca's products, so there were no sales from March onwards. Sales to Asia excluding Japan increased from 4.4% to 7.5%, while sales to Japan rose from 5.1% to 7.5%. Sales to Latin America declined from 18.5% to 13.6% mainly due to weakness in Brazil, partially offset by an increase in Mexico. Accordingly, weak demand in Brazil and Latin America together with the Russian blockade led to sales being redirected to traditional markets for Camanchaca, such as the USA, Japan and Asia, with increased value-added products.

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

### Other Businesses

Camanchaca owns six sea farming concessions as of June 30, 2020 that are being leased for trout farming in the Reloncaví Estuary (Tenth Region). These leases are the Company's contribution to the trout joint venture. The neighborhood where these concessions are located has a mandatory fallow period in the first quarter of odd-numbered years when harvest volumes are smaller, such as in 2019 when 1,871 tons WFE of trout were harvested, much lower than the 12,758 tons harvested in 2020. Sales for the joint venture were 6,686 tons WFE in H1 2020, an increase of 34% over sales in H1 2019, at higher sales prices and lower costs, so Camanchaca's one-third share in earnings was net income of US\$ 1.7 million for H1 2020 compared to a net loss of US\$ 1.1 million in H1 2019, which was presented in the statement of net income under Other income.

The plans used to develop this business have not varied to date. It is operated by Caleta Bay, who continues to estimate average annual harvest volumes of 12,000 tons until 2022 when the agreement ends.

Camanchaca stocked 1.4 million Pacific salmon smolts in 2018, to make better use of the estuarine sites in the Tenth region and to complement the trout joint venture, and subsequently harvested 5,062 tons WFE during the first productive cycle that terminated in January 2020. This initiative will provide the Company with specific experience in producing and marketing this species, which the Company considers a beneficial step when the contract with trout joint venture expires. Pacific salmon production in 2019 represents around 2.4% of Chilean production, according to Aquabench. Camanchaca expects negative margins during the first two production cycles in 2019 and 2020, due to smolt stocking densities permitted by the regulations.

The Company has decided to reduce Pacific salmon smolt stocking in 2020 from 1.4 million to 0.7 million, due to the COVID-19 pandemic and the estimated harvest volume for the year is 2,700 tons WFE.

The Company's other businesses, such as processing services for third parties, farming site leases and sales of byproducts, resulted in an operating margin of US\$ 1.7 million for H1 2020.

## I. Sanitary and Productive Conditions

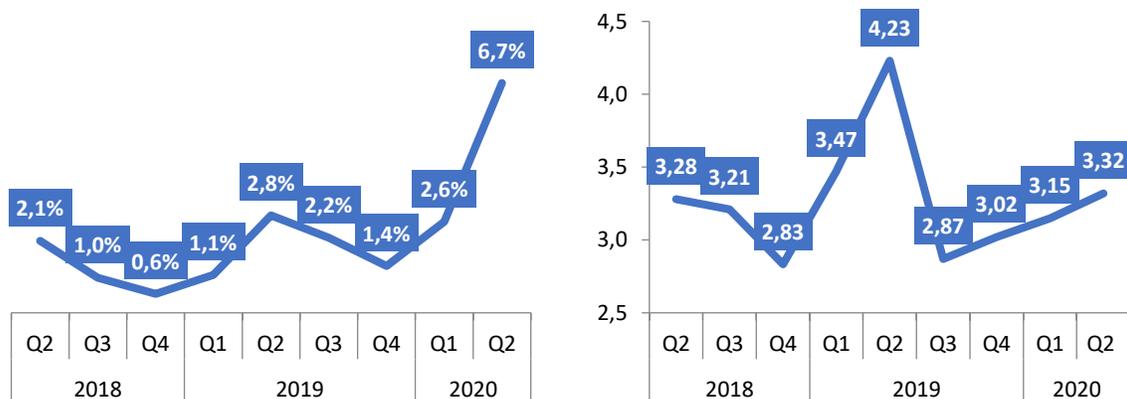
The open-cycle mortality (total mortality of the biomass at sea) of the Atlantic salmon population during Q2 2020 was 6.7%, which was higher than the same quarter for the previous cycle in 2018. This was explained by unusual climatic conditions that affected the Islotes site in Chaitén and destroyed 50% of the cages, resulting in mortality of close to 500,000 fish, which was 29% of the site's initial biomass. The company activated its contingency plans to manage mass mortalities, escaping fish, farming infrastructure failure and storms when the incident began. After recapturing as many fish as possible, the presumably escaped fish came to around 30%, as of the date of this report.

Mortality at the two sites that completed their cycle in Q2 2020 was 15.5%, which is higher than the historical average due to SRS.

Live weight ex-cage costs for fish harvested during Q2 2020 were US\$ 3.32 per kg, which is US\$ 0.91 lower than in Q2 2019, and only US\$ 0.04 higher than the previous cycle (Q2 2018) for similar geographical areas. The cost reduction compared to the previous year is due to a normal oceanographic conditions, as conditions last year were affected by oxygen depletion. Sites with these risks already have risk mitigation measures in place, such as oxygen platforms and aeration equipment to moderate the effects of algae blooms.

**Atlantic salmon mortality\* (%)**

**Atlantic salmon live weight ex-cage cost (US\$/kg)**



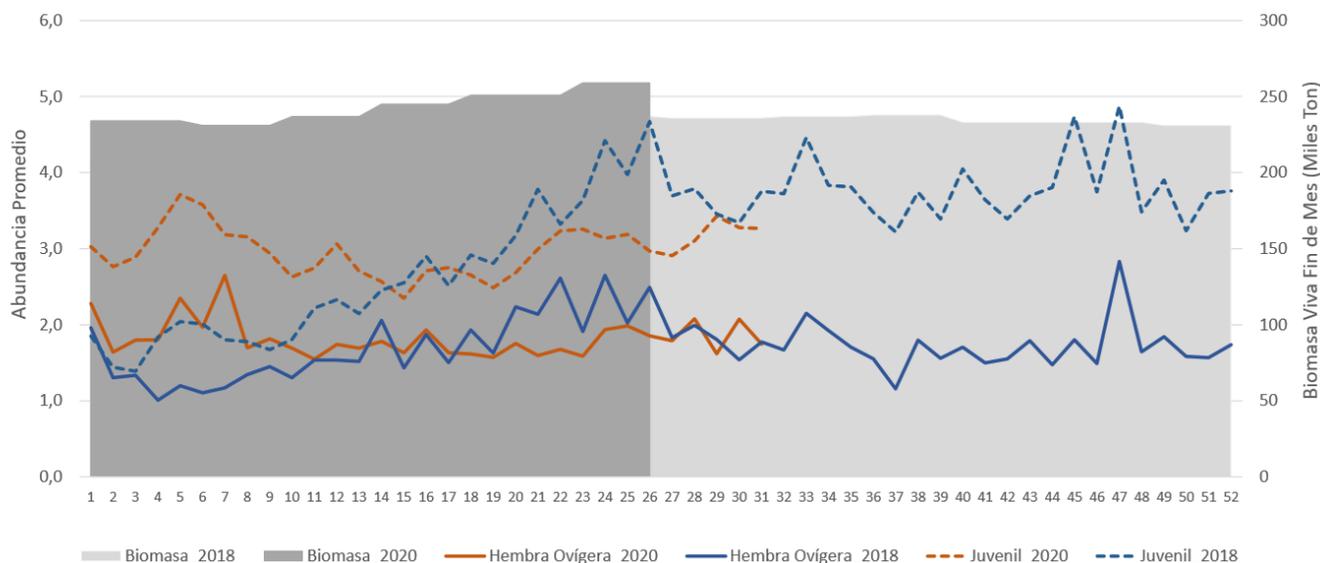
\* Total quarterly mortality (number of fish) including both closed and open sites. Closed sites affected by the HAB are included.

The following table shows the trends in the principal closed circuit Atlantic salmon production and sanitary variables for Q2 2020.

Atlantic	Biological Indicators					Sustainability Indicators				
	FCRb (Live fish)	Productivity kg WFE/smolt	Average harvest weight kg WFE	Antibiotic use Gr/Ton	Antiparasitic treatments Gr/Ton	Number of antibiotic treatments	Medicinal treatments (baths)	Number of escapes	Cycle duration / Fallow periods	FIFO Ratio
2017	1.17	4.8	5.0	514.6	11.6	3.1	11.5	0	17/7	0.69
2018	1.21	4.4	4.8	515.5	13.1	2.9	13.1	0	17/7	0.58
2019	1.30	4.1	4.4	517.3	19.2	1.6	19.1	0	16/8	0.65
2020	1.18	4.5	5.2	579.3	18.9	2.5	18.9	37,150	17/7	0.60

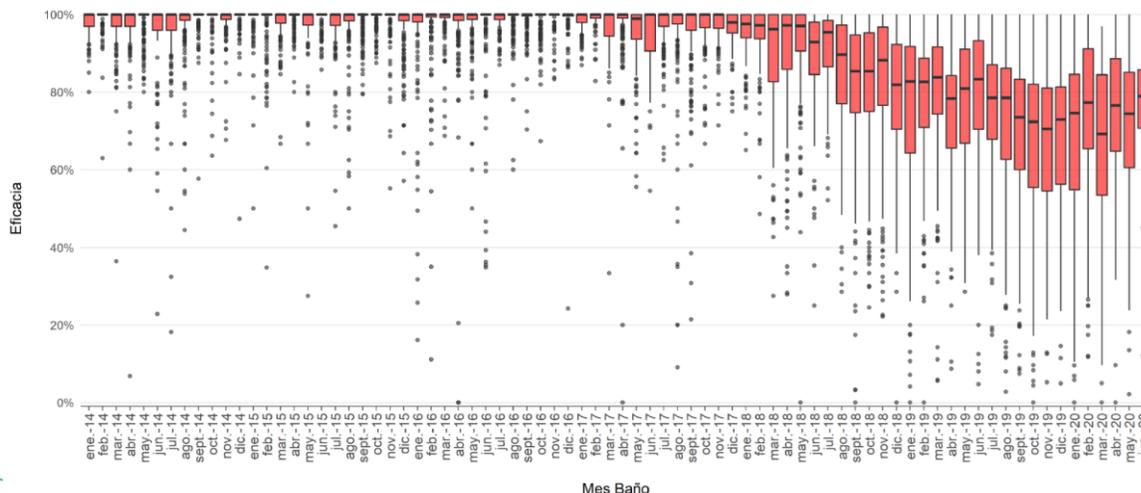
Smolt productivity (biomass harvest volume in kg/number of smolts), reached 4.5 kg WFE in Q2 2020, which is similar to the average for the last three years. Average harvest weight is 5.2 kg, which is 18% higher than in 2019 and 8% higher than the previous cycle in 2018.

Sea lice infections have been controlled during H1 2020, but with intensive antiparasitic treatments using Azametifos and new treatments using Peroxide and Alfaflux. Thus, the average sea lice infection among incubating females in the Atlantic - Trout industry for 2018-2020 has been as follows.



Source: Biomass: Salmobench, Sea lice: Participating companies Sea lice Project.

Meanwhile, the efficiency of Azametifos for the industry during 2014-2020 has remained stable over the last twelve months.



Source: Salmobench

Camanchaca has one farming site classified as a High Propagation Site (HPS) as of the date of this report, where more than 3 incubating females on average have been spotted at this site, and which represents 7.5% of the total live Atlantic salmon at week 31 currently in being harvested with an average weight of 5 kg.

Camanchaca began operating a peroxide barge during 2020, at sites with parasites or BGD (bacterial gill disease) that justify these highly effective, but high-cost treatments.

There was a 14% reduction in the number of antibiotic treatments during H1 2020, compared to the previous cycle in the same neighborhoods, but with a 12% increase in antibiotic use per ton of biomass. Better sanitary practices, the use of live vaccine, and controlling the presence of sea lice, all enabled the number of treatments to be reduced, but treatment doses were increased when applied to heavier fish.

Accordingly, Atlantic salmon costs in the second quarter were as follows.

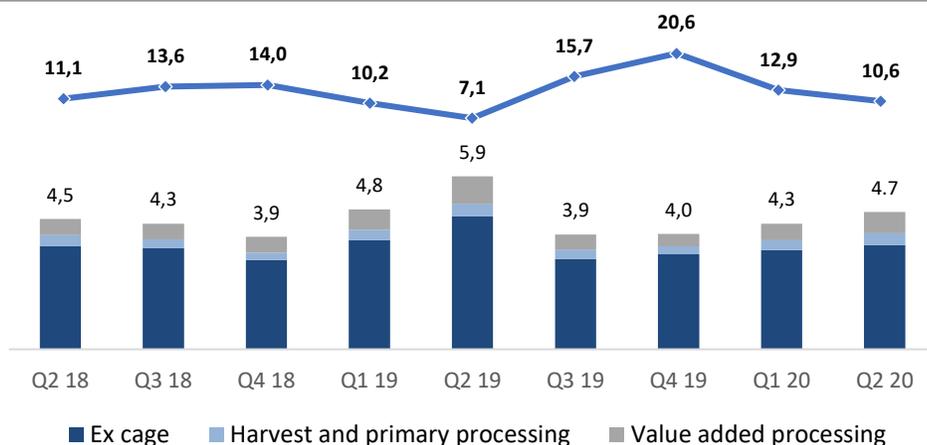
Costs (US\$/kg WFE)	Q2 2018	Q2 2019	Q2 2020
Ex cage (WFE)	3.53	4.55	3.57
Harvest and primary processing (WFE)	0.37	0.43	0.40
Value-added processing (WFE)	0.56	0.94	0.73
<b>Total cost of finished product (WFE)</b>	<b>4.46</b>	<b>5.92</b>	<b>4.70</b>

The ex-cage WFE cost was US\$ 3.57/kg WFE (equivalent to US\$ 3.32/kg in live weight) in Q2 2020, 15.6% lower than Q2 2019, due to more normal oceanographic conditions this year, and despite the extensive risk mitigation measures for oxygen depletion and algae blooms at farming sites. However, the cost was higher than the long-term target of US\$ 3.23/kg WFE (US\$3/kg live weight) as a result of harvests from two SRS-affected sites.

The primary and secondary processing costs were US\$ 1.13/kg WFE, US\$ 0.20 higher than Q2 2018 (+21.5%) and higher than the target of US\$1/kg WFE, due to the smaller scale of production caused by Covid-19 risk mitigation measures and costs, and increased process volumes of higher value-added products.

Consequently, the total cost of finished products was US\$ 4.70 per kg WFE, which was US\$ 1.22 lower than in Q2 2019, and US\$ 0.18 higher than the previous cycle in Q2 2018 for the same neighborhoods and harvested sites. It was US\$ 0.47 higher than the long-term target of US\$ 4.23 per kg WFE. However, a 12-month trend analysis indicates that costs are gradually stabilizing around this target.

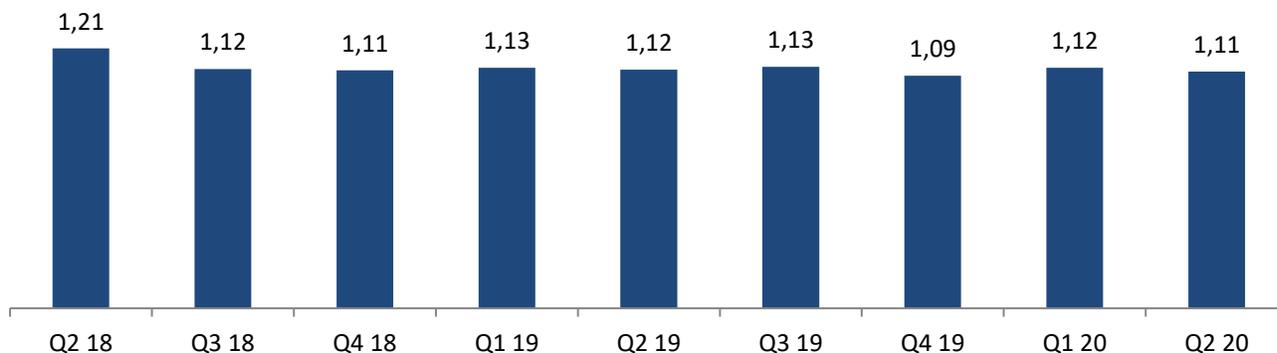
**Total cost of Atlantic salmon finished products (US\$/kg WFE) and processed volume (ton WFE)**



**I. Feed Cost**

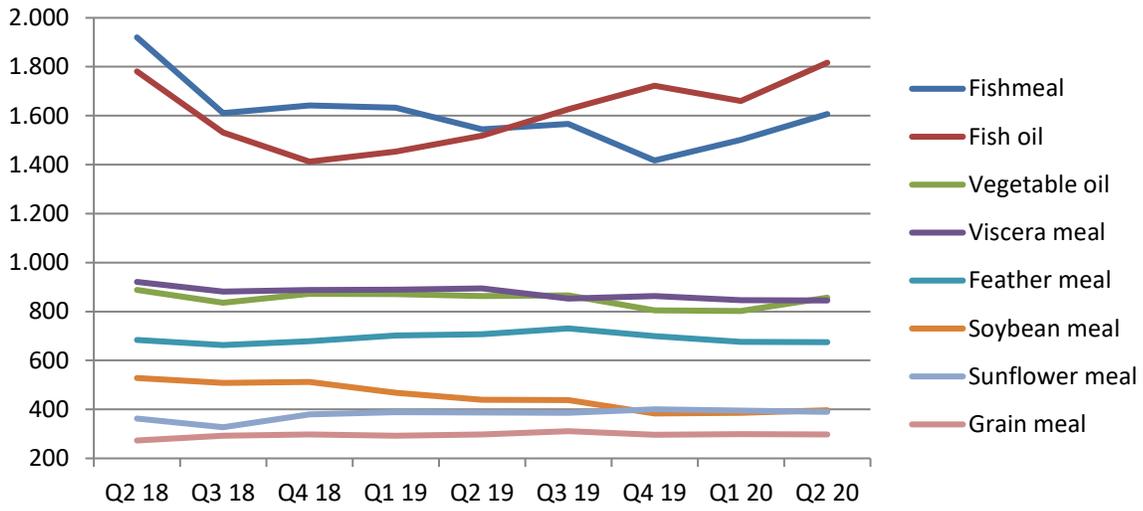
The price of feed for fish over 2.5 kg, which represents 40% of the Company’s total feed cost, slightly decreased by 1.1% compared to the previous quarter, to reach US\$ 1.11/kg, in spite of price increases for the marine ingredients.

**Price for 2500 caliber (Camanchaca) US\$/kg**



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

Price of main ingredients US\$/ton



## Industrial Fishing Division

The performance of the industrial fishing business is closely related to three factors:

1. **The volume of industrial fishing catches**, which impacts the scale of production and unit costs.
2. **The price of fishmeal**, which is highly correlated with Peru's catches, and **the price of frozen Jack mackerel**, which is heavily influenced by the international price of crude oil;
3. **Fuel prices**, which impact industrial fishing costs as well as raw material processing costs.

### I. Catches and production

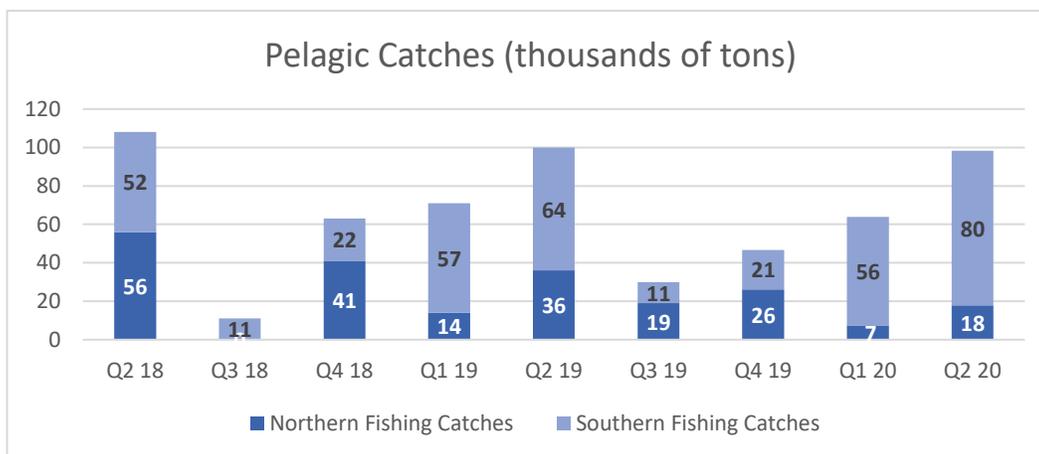
Anchovy catches in the northern area were only 4,386 tons during the first half of 2020, which was 3% of the quota and 91% less than in H1 2019, mainly due to poor industrial fishing conditions. However, Jack and Atlantic mackerel catches in the northern area were 14,717 tons, compared to none in H1 2019. Therefore, the total northern catch including artisanal fishing was 25,415 tons, 49% less than in the same period for the previous year. Accordingly, fishmeal production fell by 48% to 6,005 tons. The anchovy oil yield began to show a slight recovery from 0.5% in H1 2019 to 1.3% in H1 2020.

Jack mackerel catches in the southern-central area reached 80,000 tons, 27% higher than the 63,000 tons caught in H1 2019, although only 858 tons of Atlantic mackerel was caught, which represents only 20% of the catch in H1 2019. The large pelagic fish catches are preferable for human consumption and totaled 81,000 tons. These fish produced 26,000 tons of frozen Jack mackerel compared to 33,000 tons in H1 2019, 918,000 cans compared to 1,000,000 cans in H1 2019, and 28,911 tons of southern fishmeal and oil. The Company captured all its quotas during the second quarter of 2020, amounting to 63,142 tons, and as of the date of this report, it had captured another 23,000 tons under international quotas purchased through the RFO, totaling 86,000 tons altogether.

The industrial and artisanal catches during the sardine and anchovy fishing season in the southern central area were 5% higher at 56,000 tons in H1 2020, despite a late start.

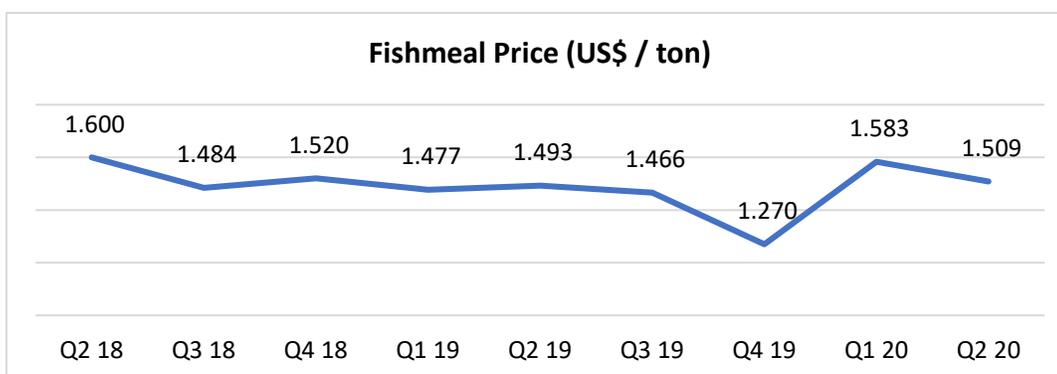
The total production of southern fishmeal increased by 50% due to higher catches. This was combined with higher production of fishmeal from Jack mackerel instead of producing frozen products during part of Q2 2020 due to weak demand from the main market in Nigeria, and an improvement in yields from 20.8% during H1 2019 to 22.9% in H1 2020. Similarly, fish oil production increased by 17%, despite a reduction in yields from 9.3% in H1 2019 to 8.0% in H1 2020.

1,794 tons of Langostine lobsters were caught, 35% less than in H1 2019 due to fishing difficulties in the second quarter, following restrictions imposed by the COVID 19 pandemic. Nevertheless, the full annual quota is expected to be captured in the remaining months.



## II. Prices and sales

The Peruvian anchovy fishery successfully caught all its allocated quotas during 2018 and the first season of 2019, which kept the price of fishmeal stable for the first 9 months of 2019 at around US\$ 1,500/ton. However, the Peruvian anchovy quota for the second season in 2019 was 2.8 million tons, which was believed to be high, together with the decrease in Chinese demand, due to mortality among pigs affected by African swine fever, the combined effect has led to a fall in the price of prime Chilean fishmeal to US\$ 1,250/ton during Q4 2019 and the beginning of 2020. This trend reversed in H1 2020 when only 36% of the quota was captured, bringing prices back up to US\$ 1,583/ton on average in the first months of 2020. Subsequently, catches were normal and 74% of the quota had been caught by June (98% as of the date of this report), leading to prices around US\$ 1,450 per ton as of the date of this report.



Consolidated southern and northern fishmeal sales increased by 45% to reach 23,186 tons, and fish oil sales increased by 75% to reach 7,528 tons in H1 2020. Inventories of fishmeal and fish oil increased in H1 2020 to around 10,800 tons, which is around 4,000 tons higher than in H1 2019.

Frozen Jack mackerel is mainly sent to Africa. Sales decreased by 4,537 tons in H1 2020 to 19,292 tons, which was 19% lower than in the same period for the previous year, and at a price of US\$ 799, which was 10% lower.

Inventories of frozen Jack mackerel as of June 30, 2020 were 7,011 tons, which was 5,864 tons less than as of June 30, 2019.

The average price for a box of canned Jack mackerel during the first half of the year was US\$ 20.40, 6.2% lower than in H1 2019, which was affected by sales in the domestic market where the price in US dollars fell. 700,000 boxes were sold in H1 2020, an increase of 36.4% over sales in H1 2019, leaving an inventory of 687,000 boxes as of June 30, 2020. This inventory is 20.2% lower than as of June 30, 2019, mainly due to improved inventory turnover.

Langostine lobster sales decreased by 51% during H1 2020 to 119 tons, at an average price of US\$ 26.4/kg, an increase of 3.2% compared to H1 2019, due to the production limitations already mentioned.

#### Operating revenue by market segment as of June 2020

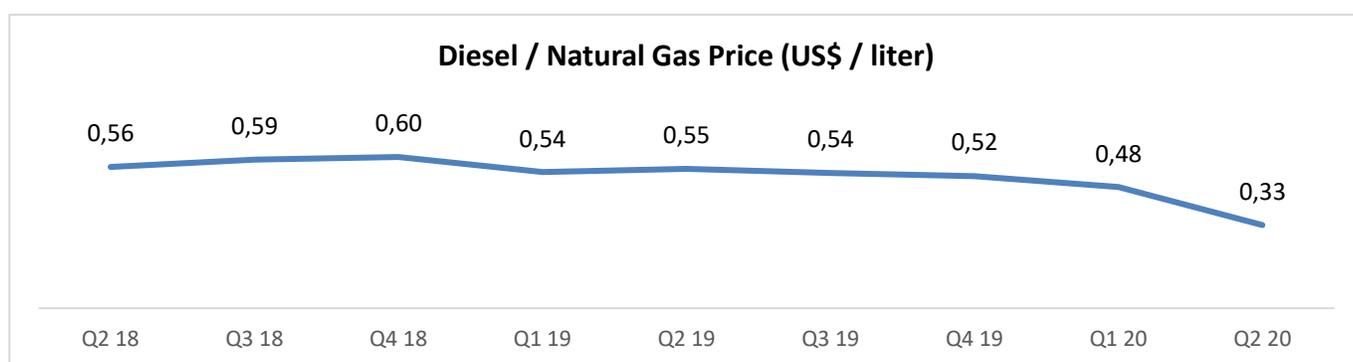
Product	USA	Europe and Russia	Asia, except Japan	Japan	LATAM, except Chile	Chile	Others	TOTAL
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
<b>North</b>								
Fishmeal	0	0	6,757	3,412	0	0	308	10,477
Fish oil	0	0	0	0	0	1,212	0	1,212
<b>South</b>								
Fishmeal	0	0	14,342	3,043	0	8,525	537	26,448
Fish oil	0	7,794	1,810	0	0	4,140	0	13,744
Canned fish	576	219	1,752	0	2,428	8,753	558	14,286
Frozen fish	0	143	45	0	763	3	14,462	15,416
Langostine lobster	3,158	0	0	11	0	4	0	3,173
<b>Others</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,320</b>	<b>0</b>	<b>3,320</b>
<b>TOTAL</b>	<b>3,734</b>	<b>8,156</b>	<b>24,706</b>	<b>6,467</b>	<b>3,191</b>	<b>25,957</b>	<b>15,865</b>	<b>88,076</b>

### Operating revenue by market segment as of June 2019

Product	USA ThUS\$	Europe and Russia ThUS\$	Asia, except Japan ThUS\$	Japan ThUS\$	LATAM, except Chile ThUS\$	Chile ThUS\$	Others ThUS\$	TOTAL ThUS\$
<b>North</b>								
Fishmeal	0	0	7,826	1,722	0	0	0	9,548
Fish oil	0	148	99	0	0	127	0	374
<b>South</b>								
Fishmeal	0	0	5,331	1,909	46	6,911	0	14,197
Fish oil	0	2,233	333	0	0	3,699	0	6,264
Canned fish	489	84	1,179	0	3,934	5,070	425	11,181
Frozen fish	0	274	0	0	870	434	19,637	21,214
Langostine lobster	6,097	0	0	27	0	16	0	6,141
<b>Others</b>	0	0	0	0	0	8,040	0	8,040
<b>TOTAL</b>	<b>6,587</b>	<b>2,739</b>	<b>14,768</b>	<b>3,659</b>	<b>4,849</b>	<b>24,295</b>	<b>20,062</b>	<b>76,959</b>

### III. Fuel costs

The cost of diesel oil and natural gas acquired by Camanchaca was 33 US cents per liter in Q2 2020, 40% lower than the same quarter in 2019. Lower fuel prices during Q2 2020 produced a saving of approximately US\$ 0.4 million for the northern fishing segment.



## Volume

		Q2 2020	Q2 2019	H1 2020	H1 2019
<b>CATCHES</b>					
<b>North</b>	<b>tons.</b>	<b>17,917</b>	<b>35,532</b>	<b>25,415</b>	<b>49,733</b>
Owned	tons.	11,898	34,427	19,199	47,600
Third parties	tons.	6,018	1,105	6,216	2,133
<b>South</b>	<b>tons.</b>	<b>80,466</b>	<b>64,276</b>	<b>136,910</b>	<b>121,060</b>
Owned	tons.	34,549	35,040	81,269	68,091
Third parties	tons.	45,917	29,236	55,642	52,969
<b>Total</b>	<b>tons.</b>	<b>98,382</b>	<b>99,808</b>	<b>162,325</b>	<b>170,793</b>
<b>PRODUCTION</b>					
Fishmeal	tons.	19,295	16,399	27,445	25,776
Fish oil	tons.	5,752	3,406	7,792	6,632
Canned fish	Boxes	406,796	531,980	918,030	1,010,277
Langostine lobster	kg.	200,030	275,600	236,030	357,600
Frozen Jack mackerel	tons.	6,717	18,659	25,845	33,357
<b>SALES</b>					
Fishmeal	tons.	17,962	12,108	23,186	15,948
Fish oil	tons.	5,743	3,731	7,528	4,303
Canned fish	Boxes	416,053	290,976	699,880	513,119
Langostine lobster	kg.	84,356	134,919	118,773	240,038
Frozen Jack mackerel	tons.	6,629	13,571	19,292	23,829
<b>PRICES</b>					
Fishmeal	US\$/ton	1,595	1,493	1,593	1,489
Fish oil	US\$/ton	2,067	1,535	1,987	1,543
Canned fish	US\$/box	20.6	22.2	20.4	21.8
Langostine lobster	US\$/kg	26.3	25.9	26.4	25.6
Frozen Jack mackerel	US\$/ton	807	861	799	890

## Other Seafood Division

This division's operating revenue increased by 7.2% in the first half of the year to US\$ 16 million, due to an increase of 20% in mussel sales, whose production increased due to higher yields, and partially due to improved oceanographic conditions. This enabled the Company to reduce its raw material purchases from third parties, which reduced costs and increased the gross margin by US\$ 1.8 million or 56% compared to H1 2019. Administrative expenses decreased by 25.7% and distribution costs increased slightly by 5.5% due to increased sales volumes, which is reflected in net savings of US\$ 0.4 million in total administrative and distribution costs. Thus, EBITDA was US\$ 3 million in H1 2020, which was US\$ 2.4 million higher than in H1 2019, and net income came in at US\$ 1.7 million, which compares favorably with net income of only US\$ 0.1 million in H1 2019.

Mussel production by the subsidiary Camanchaca Cultivos Sur was 7% higher in Q2 2020, at 3,360 tons of finished products, processed from 11,397 tons of raw material, which resulted in sales of US\$ 7.9 million, with a 9.3% increase in sales volumes during Q2 2020. Thus sales for H1 2020 were 5,768 tons of mussels, an increase of 20% compared to H1 2019, at a price of US\$ 2.8/kg, which was 2.7% higher than the same period for the previous year. These factors generated a positive EBITDA of US\$ 3.2 million compared to a positive US\$ 0.6 million in H1 2019, and net income of US\$ 1.9 million compared to net income of US\$ 0.1 million in H1 2019. This financial performance improvement is mainly explained by higher yields from our own farming.

The abalone business had a negative result of US\$ 0.3 million in H1 2020, affected by lower demand in Asia due to the Covid-19 pandemic.

### Volume

		Q2 2020	Q2 2019	H1 2020	H1 2019
<b>PRODUCTION</b>					
Abalone	tons.	12	30	54	105
Mussels	tons.	3,360	3,140	6,895	6,050
<b>SALES</b>					
Abalone	tons.	10	29	40	85
Mussels	tons.	3,278	2,997	5,768	4,812
<b>PRICES</b>					
Abalone	US\$/kg	24.9	23.5	21.3	21.2
Mussels	US\$/kg	2.8	2.8	2.8	2.7

## Subsequent Events

No subsequent events occurred after June 30, 2020, that materially affect Camanchaca's operations or its financial results.

## The Company's outlook and the Covid-19 pandemic

Camanchaca continues to reinforce the measures adopted during the first quarter to address the global pandemic in Chile, and thus reduce the risks of infection and mitigate the potential human, operational and financial consequences. These measures aim to achieve two main objectives:

- 1 To protect the health of our employees and their families, and anyone who works at Camanchaca's facilities.
2. Protect the company's operational continuity, which is an indispensable requirement in order to protect employment at Camanchaca and conserve the company's own health.

Multidisciplinary operational measures implemented during the quarter to reduce infection risks included fewer people on more shifts, eliminating physical contact between shifts, implementing even stricter hygiene protocols, introducing preventive Covid-19 PCR testing for shifts at remote marine sites, introducing remote working for everyone with non-essential duties, granting temporary home leave for vulnerable employees, such as those aged over 65, reducing passenger density in Company vehicles, and other measures.

These measures in the salmon farming division limited capacity at the secondary processing plant for value-added products by approximately 30% during the second quarter, due to operating shorter shifts during secondary processing. As of the date of this report, the measures adopted by the Company have enabled it to operate continuously and market its products while focusing on products with the highest added-value to meet retail demand, which has been growing within the food services sector. However, demand has fallen following the closure of restaurants and hotels in the main target markets, leading to significant reductions in sales prices.

The industrial fishing division has not significantly reduced its capacity due to the pandemic, neither in catches nor in processing. However, production of frozen Jack mackerel was temporarily suspended during the quarter due to weak demand in the main market in Nigeria, which has been affected by falling crude oil prices. This raw material was switched to producing canned Jack mackerel and fishmeal, which achieve better returns under current conditions.

Mussel production was suspended for approximately ten days in the other seafood division, due to logistical difficulties on land in Chiloé at the end of March. It resumed in the first half of April, and had been completely restored by June 30, 2020.

The Company has sought a conservative liquidity position during the pandemic, by reducing investments, postponing non-essential expenses and increasing its credit lines. The subsidiary Salmones Camachaca has reduced its dividend, and Pacific salmon smolt stocking has been reduced by half in 2020, which will result in estimated harvest volumes of less than 3,000 tons in the new season. Thus, combined Atlantic and Pacific salmon estimated harvest volumes for 2020 are 54,000 to 56,000 tons WFE. This forecast is based on the best information available to date, which may change due to the current pandemic and potential logistical disruptions.

The medium-term impact of COVID-19 is still uncertain, and Camanchaca continues to monitor it and adapt mitigation measures as productive conditions and target markets evolve.

## Main Risks and Uncertainties

External variables might materially impact the Company's annual performance. The principal variables affecting revenue are pelagic fishing catches and the biological condition of Atlantic salmon harvests, as well as market conditions and prices of its main products, fishmeal and Atlantic salmon. The most critical cost factors are the environmental conditions at farming sites, the health status of the salmon biomass, biological feed conversion, pelagic catches that define the scale of production, and the costs of diesel, energy and salmon feed.

Consequently, fishing and aquaculture companies are exposed to various risks, which require Camanchaca to use a risk matrix that directs and prioritizes the Company to i) review and update the critical risk inventory and generate a map that helps manage risks; ii) assess these risks on the basis of impact and probability parameters that helps with prioritizing; iii) implement an internal audit and control plan based on the risk map that focuses resources on the most vulnerable areas; iv) generate strategies to mitigate their probability and impact, including insurance wherever this is financially feasible and attractive. These risk maps guide management to continuously manage and mitigate each risk and establish the corresponding responsibilities, as well as the frequency and depth of internal controls to validate the effectiveness of mitigating measures.

The factors used to detect and manage not only critical risks when events occur, but also operational management are the Company's mission, vision and values; short and long-term strategic planning; known risks inherent to the business; the knowledge and experience of key employees; and other factors.

### a) Phytosanitary Risks

The Company is exposed to risk of disease or parasites that can affect the biomass, increasing mortality or reducing growth of specific species, and thereby, production and sales volumes. Furthermore, salmon farming faces risks associated with harmful algal blooms and low levels of oxygen at farm sites, especially in summer when greater sun-light and higher temperatures encourage these situations.

Camanchaca has adopted strict control standards to minimize these risks, and comply with the Authority's requirements with respect to coordinated fallow periods for the concessions in each neighborhood, maximum fish density in cages, constant monitoring and reporting of the biomass and its biological status and health, the smolt stocking process in closed recirculation sites fed by under-ground water, transport of breeders and fish for harvest in wellboats, coordinated antiparasitic washing by neighborhoods, frequent net cleaning, oxygen plants to supplement pronounced oxygen deficits in the water, vaccinations at the freshwater stage, and other standards. The risks associated with increased concentrations of parasites can result in early harvests, under certain circumstances, with the consequent lower harvest weights. In the extreme, they can result in unusable products. The Company is mitigating these risks by rigorously applying current treatments, diversifying the anti-parasitic treatments it applies to sites affected by higher concentrations. Despite these mitigating measures, sea lice cannot be eradicated as a source of phytosanitary risks in the foreseeable future.

Oceanographic and climatic conditions are among the variables that affect the condition and location of suitable shoals of pelagic fish.

### b) Natural Risks

The Company is exposed to natural risks that may affect normal operations, such as volcanic eruptions, tidal waves and tsunamis, earthquakes, harmful algae blooms, natural predators, pollution and other factors that may threaten the biomasses, fish catches and production infrastructure. Furthermore, it is exposed to fishing and aquaculture

risks that affect people working in this industry, such as highly contagious diseases that limit normal production, intermediate or final logistic chains that can limit production and sales. The Company is constantly monitoring these variables using the latest technologies available in Chile, in addition to having appropriate insurance coverage for these risks, where available.

### **c) Sales Price Risks**

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

- Industrial Fishing Division Despite short-term price volatility, global supply restrictions and sustained growth in demand for protein, driven primarily by developments in aquaculture and increased availability of products for human consumption, have kept prices trending positively in recent years.
- Salmon Farming Division Prices are highly dependent on changes in supplies from Norway and Chile, but also on demand shocks caused by fluctuations in the exchange rates used by the Company's major trading partners. Furthermore, demand may fall due as consumption patterns weaken, for example as a result of the Covid-19 pandemic, which could continue for a prolonged period. Camanchaca has sought to safeguard against this risk through diversifying its commercial network and flexing its products to enable its raw material to be sent to any market.
- Other Seafood Division Mussel and abalone prices have experienced a stable trend on international markets in recent years, without large inter-annual fluctuations. The Company has mitigated these risks by optimizing costs, strengthening commercial ties with offices in various parts of the world, creating high-quality products and launching products in other formats.

### **d) Purchase Price Risks**

The Company is exposed to changes in the price of commodities such as diesel and bunker oil. The Company does not use financial derivatives to mitigate this risk, as the size of future catches is uncertain. However, historically there has been some correlation between the price of fishmeal and other commodities, which reflects the state of the global economy.

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

On average, 30% of total fishing catches come from local independent fishermen. The Company has long-term agreements with them in relation to volumes, pricing systems and additional guarantees. Therefore, Camanchaca is protected as purchase prices are indexed to fishmeal sales prices. The Company provides boat construction financing to local independent fisherman with whom it holds fish purchasing agreements, allowing boat owners to pay off the loan as the Company purchases fish.

## **e) Regulatory Risks**

Our business relies on laws, standards and regulations issued by fishing authorities, and significant changes could have an impact on our performance. Such as the Fisheries Act published on February 9, 2013 that replaced individual fishing quotas with transferable fishing licenses. The regulations governing seafood farming are mainly established by the General Law on Fisheries and Aquaculture, and its associated regulations, which assign concessions, manage the biomass, establish preventive sanitary regulations, and other regulations. The Company is constantly monitoring any potential changes in regulations in order to anticipate and mitigate any potential impacts.

The regulations governing salmon farming densities were changed with effect from Q4 2016, and a smolt stocking reduction program was introduced (SRP) as an alternative to the general density regime. This program requires stocking and farming densities to be reduced when sanitary performance has fallen, or when smolt stockings are expected to grow in the area. The SRP mechanism gives producers the option to replace a reduction in density, when appropriate, with a smolt stocking plan that considers growth containment with respect to the previous cycle, so maintaining densities at maximum permitted levels.

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

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

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

## **f) Social and Political Risks**

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

## **g) Liquidity Risks**

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

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

#### **h) Interest Rate Risks**

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

#### **i) Exchange Rate Risks**

A substantial proportion of Camanchaca's revenue arises 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 30% of total exports, any devaluation of the US dollar against these markets' currencies and/or the Chilean Peso, could have an impact on market demand and consequently on prices, which would affect the financial performance of the Company.

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

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

#### **j) Credit Risk**

##### **j.1) Surplus Cash Investment Risks**

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

##### **j.2) Sales Operations Risks**

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

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

# Financial Statements

## Consolidation

The consolidated financial statements as of June 30, 2020 and June 30, 2019 include Camanchaca S.A., Salmones Camanchaca S.A., Camanchaca Pesca Sur S.A., Camanchaca Cultivos Sur S. A., Camanchaca SpA, Transportes Interpolar Limitada and Aéreo Interpolar Limitada.

Camanchaca S.A. operates fishmeal and fish oil processing plants in northern Chile. Abalone farming and processing takes place in Caldera, in the Third region.

The subsidiary Camanchaca Cultivos S.A. has marine farming concessions located at Chiloé Island in southern Chile, and a processing plant that produces mussels with shell, whole and unshelled.

Salmones Camanchaca S.A. produces, farms and processes salmon and includes Fiordo Blanco S.A. and Fiordo Azul S.A., who own salmon farming concessions.

Camanchaca Pesca Sur S.A. catches, produces and markets pelagic fish in central southern Chile. It includes Cannex S.A., which markets canned food.

Camanchaca SpA owns the foreign companies Camanchaca Inc., (USA), Camanchaca Ltd. (Japan), and Inmobiliaria Camanchaca S.A. (Chile).

The financial statements contain the Company's statement of financial position, which present figures as of June 30, 2020, compared to figures as of December 31, 2019. The statements of net income and cash flow are presented for the six month period ended June 30, 2020, and compared to the six month period ended June 30, 2019.

## Consolidated Statement of Net Income (ThUS\$)

	Q2 2020	Q2 2019	H1 2020	H1 2019
Operating revenue	146,343	139,588	295,446	271,499
Cost of sales	(125,327)	(115,441)	(249,382)	(225,571)
<b>Gross margin</b>	<b>21,016</b>	<b>24,147</b>	<b>46,064</b>	<b>45,928</b>
Administrative expenses	(3,419)	(4,331)	(7,878)	(10,710)
Distribution costs	(7,909)	(7,076)	(15,292)	(14,210)
<b>Sales and administrative expenses</b>	<b>(11,328)</b>	<b>(11,407)</b>	<b>(23,170)</b>	<b>(24,920)</b>
<b>Operational EBIT before fair value adjustments</b>	<b>9,688</b>	<b>12,740</b>	<b>22,894</b>	<b>21,008</b>
<b>Operational EBITDA before fair value adjustments</b>	<b>17,761</b>	<b>18,809</b>	<b>38,775</b>	<b>33,039</b>
Net fair value adjustments to biological assets	(10,250)	(1,701)	(16,340)	2,896
<b>EBIT after fair value adjustments</b>	<b>(562)</b>	<b>11,039</b>	<b>6,555</b>	<b>23,904</b>
<b>EBITDA after fair value adjustments</b>	<b>7,511</b>	<b>17,108</b>	<b>22,435</b>	<b>35,935</b>
Financial costs	(1,990)	(2,029)	(3,908)	(3,216)
Share of net income (losses) of equity method associates	300	463	844	1,017
Exchange differences	1,693	(314)	(2,979)	1,266
Other income (losses)	(3,506)	(2,714)	(3,585)	(5,449)
Financial income	0	24	0	24
<b>Net income (loss) before taxes</b>	<b>(4,065)</b>	<b>6,469</b>	<b>(3,074)</b>	<b>17,547</b>
Taxation income (expense)	114	(989)	21	(4,308)
<b>Net income for the period</b>	<b>(3,951)</b>	<b>5,480</b>	<b>(3,053)</b>	<b>13,239</b>
Non-controlling interest	1,492	(1,536)	727	(5,392)
<b>Net income (loss) for the period attributable to owners of the parent company</b>	<b>(2,459)</b>	<b>3,944</b>	<b>(2,326)</b>	<b>7,847</b>

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

EBITDA after fair value adjustments: EBITDA + Gain (loss) on fair value of biological assets - Fair value adjustment to biological assets harvested and sold

Statement of Net Income - Salmon Farming Division (ThUS\$)

	Q2 2020	Q2 2019	H1 2020	H1 2019
Operating revenue	81,524	82,524	191,377	179,623
Cost of sales	(83,762)	(74,966)	(175,649)	(150,789)
<b>Gross margin</b>	<b>(2,238)</b>	<b>7,558</b>	<b>15,729</b>	<b>28,834</b>
Administrative expenses	(1,763)	(1,826)	(4,024)	(5,047)
Distribution costs	(3,495)	(2,671)	(7,601)	(6,169)
<b>Sales and administrative expenses</b>	<b>(5,258)</b>	<b>(4,497)</b>	<b>(11,625)</b>	<b>(11,216)</b>
<b>Operational EBIT before fair value adjustments</b>	<b>(7,496)</b>	<b>3,061</b>	<b>4,104</b>	<b>17,618</b>
<b>Operational EBITDA before fair value adjustments</b>	<b>(3,787)</b>	<b>6,030</b>	<b>11,539</b>	<b>23,484</b>
Net fair value adjustments to biological assets	(10,249)	(1,701)	(16,340)	2,896
<b>EBIT after fair value adjustments</b>	<b>(17,745)</b>	<b>1,360</b>	<b>(12,236)</b>	<b>20,514</b>
<b>EBITDA after fair value adjustments</b>	<b>(14,036)</b>	<b>4,329</b>	<b>(4,801)</b>	<b>12,172</b>
Financial costs	(1,131)	(1,389)	(2,247)	(2,137)
Share of net income (losses) of equity method associates	285	458	829	1,012
Exchange differences	1,094	(440)	(1,468)	(467)
Other income (losses)	(3,277)	(2,618)	(3,311)	(3,609)
Financial income	0	24	0	24
<b>Net income (loss) before taxes</b>	<b>(20,774)</b>	<b>(2,605)</b>	<b>(18,432)</b>	<b>15,338</b>
Taxation income (expense)	5,941	1,062	5,428	(3,759)
<b>Net income for the period</b>	<b>(14,833)</b>	<b>(1,543)</b>	<b>(13,004)</b>	<b>11,579</b>
Non-controlling interest	4,912	758	4,365	(3,301)
<b>Net income (loss) for the period attributable to owners of the parent company</b>	<b>(9,921)</b>	<b>(784)</b>	<b>(8,639)</b>	<b>8,278</b>

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

EBITDA after fair value adjustments: EBITDA + Gain (loss) on fair value of biological assets - Fair value adjustment to biological assets harvested and sold

Statement of Net Income - Industrial Fishing Division (ThUS\$)

	Q2 2020	Q2 2019	H1 2020	H1 2019
Operating revenue	56,737	48,362	88,076	76,959
Cost of sales	(36,186)	(34,014)	(62,840)	(63,134)
<b>Gross Margin</b>	<b>20,551</b>	<b>14,348</b>	<b>25,236</b>	<b>13,825</b>
Administrative expenses	(1,240)	(1,873)	(2,849)	(4,308)
Distribution costs	(3,491)	(3,367)	(5,984)	(6,235)
<b>Sales and administrative expenses</b>	<b>(4,730)</b>	<b>(5,240)</b>	<b>(8,833)</b>	<b>(10,543)</b>
<b>Operating EBIT</b>	<b>15,821</b>	<b>9,109</b>	<b>16,403</b>	<b>3,282</b>
<b>Operating EBITDA</b>	<b>19,895</b>	<b>11,983</b>	<b>24,273</b>	<b>8,983</b>
Financial costs	(797)	(590)	(1,542)	(994)
Share of net income (losses) of equity method associates	14	5	14	5
Exchange differences	525	(94)	(1,765)	1,483
Other income (losses)	(231)	(85)	(276)	(1,829)
Financial income	0	0	0	0
<b>Net income (loss) before taxes</b>	<b>15,333</b>	<b>8,344</b>	<b>12,833</b>	<b>1,946</b>
Taxation income (expense)	(5,250)	(1,790)	(4,576)	(369)
<b>Net income for the period</b>	<b>10,083</b>	<b>6,554</b>	<b>8,257</b>	<b>1,577</b>
Non-controlling interest	(3,420)	(2,296)	(3,638)	(2,093)
<b>Net income (loss) for the period attributable to owners of the parent company</b>	<b>6,663</b>	<b>4,258</b>	<b>4,619</b>	<b>(516)</b>

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

Statement of Net Income - Other Seafood Division (ThUS\$)

	Q2 2020	Q2 2019	H1 2020	H1 2019
Operating revenue	8,083	8,702	15,993	14,917
Cost of sales	(5,379)	(6,461)	(10,893)	(11,648)
<b>Gross Margin</b>	<b>2,704</b>	<b>2,242</b>	<b>5,100</b>	<b>3,270</b>
Administrative expenses	(417)	(631)	(1,005)	(1,353)
Distribution costs	(923)	(1,040)	(1,707)	(1,807)
<b>Sales and administrative expenses</b>	<b>(1,340)</b>	<b>(1,671)</b>	<b>(2,712)</b>	<b>(3,160)</b>
<b>EBIT</b>	<b>1,364</b>	<b>570</b>	<b>2,388</b>	<b>109</b>
<b>EBITDA</b>	<b>1,653</b>	<b>796</b>	<b>2,963</b>	<b>572</b>
Financial costs	(62)	(50)	(119)	(85)
Share of net income (losses) of equity method associates	0	0	0	0
Exchange differences	73	219	254	249
Other income (losses)	1	(10)	2	(10)
Financial income	0	0	0	0
<b>Net income (loss) before taxes</b>	<b>1,376</b>	<b>729</b>	<b>2,525</b>	<b>263</b>
Taxation income (expense)	(577)	(260)	(831)	(179)
<b>Net income for the period</b>	<b>798</b>	<b>469</b>	<b>1,694</b>	<b>84</b>
Non-controlling interest	0	0	0	0
<b>Net income (loss) for the period attributable to owners of the parent company</b>	<b>798</b>	<b>469</b>	<b>1,694</b>	<b>84</b>

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

## Statement of Financial Position (ThUS\$)

Consolidated (ThUS\$)	H1 2020	2019	H1 2019
Cash and cash equivalents	52,098	41,873	22,932
Other financial assets, current	308	361	920
Other non-financial assets, current	17,627	15,798	10,508
Trade and other receivables, current	81,555	95,777	82,855
Related party receivables, current	98	116	122
Inventories	90,889	76,669	77,749
Biological assets, current	138,162	150,741	177,794
Tax assets, current	17,443	6,726	2,561
<b>Total current assets</b>	<b>398,180</b>	<b>388,062</b>	<b>375,440</b>
Other financial assets, non-current	701	701	701
Other non-financial assets, non-current	14,667	17,149	18,844
Rights receivable, non-current	1,964	1,252	1,380
Related party receivables, non-current	2,013	2,208	2,401
Investments accounted for using the equity method	4,626	4,871	5,251
Intangible assets other than goodwill	50,337	50,314	50,314
Intangible assets	1,214	1,214	1,214
Property, plant and equipment	288,898	287,683	273,977
Long-term deferred taxes	24,057	29,202	26,329
<b>Total non-current assets</b>	<b>388,477</b>	<b>394,593</b>	<b>380,411</b>
<b>Total assets</b>	<b>786,657</b>	<b>782,655</b>	<b>755,851</b>
Other financial liabilities, current	48,039	31,575	18,041
Operating lease liabilities, current	2,426	2,964	346
Trade and other payables, current	95,844	100,953	108,459
Related party payables, current	661	375	1,561
Other provisions, current	6,422	7,129	0
Current tax liabilities	3,389	346	1,080
Employee benefit provisions, current	2,970	3,520	2,795
<b>Total current liabilities</b>	<b>159,751</b>	<b>146,862</b>	<b>132,282</b>
Other financial liabilities, non-current	120,672	116,928	124,133
Operating lease liabilities, non-current	8,435	10,299	272
Trade and other payables, non-current	526	671	252
Related party payables, non-current	0	0	0
Deferred tax liabilities	18,369	20,188	20,167
Employee benefit provisions, non-current	1,207	1,027	1,380
<b>Total non-current liabilities</b>	<b>149,209</b>	<b>149,113</b>	<b>146,204</b>
<b>Total liabilities</b>	<b>308,960</b>	<b>295,975</b>	<b>278,486</b>
Share capital	284,134	284,134	284,134
Share premium	0	0	0
Retained earnings	28,791	35,210	28,574
Other reserves	50,068	50,527	50,872
Non-controlling interests	114,704	116,809	113,785
<b>Total equity</b>	<b>477,697</b>	<b>486,680</b>	<b>477,365</b>
<b>Total equity and liabilities</b>	<b>786,657</b>	<b>782,655</b>	<b>755,851</b>

## Statement of Cash Flow (ThUS\$)

	Q2 2020	Q2 2019	H1 2020	H1 2019
<b>CASH FLOW FROM (USED BY) OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Receipts from selling goods and providing services	175,138	162,261	336,106	315,127
<b>Payments</b>				
Payments to suppliers for goods and services	(134,016)	(156,352)	(262,231)	(285,396)
Payments to and on behalf of employees	(16,298)	(19,512)	(34,607)	(39,694)
Dividends received	589	574	589	574
Interest paid	(3,276)	(2,443)	(3,287)	(2,443)
Interest received	0	24	0	24
Income taxes refunded (paid)	(8,108)	(5,433)	(8,108)	(5,433)
Other receipts (payments)	47	0	47	0
<b>Net cash flow from (used by) operating activities</b>	<b>14,076</b>	<b>(20,881)</b>	<b>28,509</b>	<b>(17,241)</b>
<b>Net cash flow from (used by) financing activities</b>				
Proceeds from short-term loans	5,000	54,000	20,000	64,230
Loan repayments	(184)	(3,936)	(343)	(4,028)
Dividends paid	(15,286)	(17,105)	(15,286)	(17,105)
<b>Net cash flow from (used by) financing activities</b>	<b>(10,470)</b>	<b>32,959</b>	<b>4,371</b>	<b>43,097</b>
<b>Net cash flow from (used by) investing activities</b>				
Receipts from sales of property, plant and equipment	36	882	36	1,095
Purchases of property, plant and equipment	(7,769)	(16,339)	(21,226)	(34,762)
<b>Net cash flow from (used by) investing activities</b>	<b>(7,733)</b>	<b>(15,457)</b>	<b>(21,190)</b>	<b>(33,667)</b>
Effects of changes in exchange rates on cash and cash equivalents	216	(123)	(1,465)	(5)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(3,911)</b>	<b>(3,502)</b>	<b>10,225</b>	<b>(7,816)</b>
CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	56,009	26,434	41,873	30,748
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>52,098</b>	<b>22,932</b>	<b>52,098</b>	<b>22,932</b>

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

	Share capital	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Total other reserves	Retained earnings (losses)	Equity attributable to the parent company	Non-controlling interest	Total equity
Opening balance as of January 1, 2020	284,134	(739)	30	51,236	50,527	35,210	369,871	116,809	486,680
<b>Changes in equity</b>									
<b>Dividends accrued</b>						(4,093)	(4,093)	(1,263)	(5,356)
Comprehensive income									
Net income for the period						(2,326)	(2,326)	(727)	(3,053)
Other comprehensive income		(433)	(26)		(459)		(459)	(115)	(574)
<b>Closing balance as of June 30, 2020</b>	<b>284,134</b>	<b>(1,172)</b>	<b>4</b>	<b>51,236</b>	<b>50,068</b>	<b>28,791</b>	<b>362,993</b>	<b>114,704</b>	<b>477,697</b>
Opening balance as of January 1, 2019 (restated)	284,134	(420)	(32)	51,236	50,784	20,728	355,646	111,215	466,861
<b>Changes in equity</b>									
Dividends accrued								(2,853)	(2,853)
Comprehensive income									
Net income for the period						7,847	7,847	5,392	13,239
Other comprehensive income		103	(15)		88		88	29	117
<b>Closing balance as of June 30, 2019 (restated)</b>	<b>284,134</b>	<b>(317)</b>	<b>(47)</b>	<b>51,236</b>	<b>50,872</b>	<b>28,575</b>	<b>363,581</b>	<b>113,783</b>	<b>477,364</b>

## Additional Information

### Key Financial Indicators

This section compares the Company's key financial indicators based on its consolidated financial statements as of June 30, 2020, compared to December 31, 2019.

	06/30/2020	12/31/2019
<b>Liquidity Indicators</b>		
Current Liquidity	2.49	2.64
Acid Test Ratio	1.06	1.09
Working Capital (US\$ million)	238.429	241.200
<b>Debt Indicators</b>		
Net Debt Ratio	0.54	0.52
Current Liabilities / Total Liabilities	0.52	0.50
Non-Current Liabilities / Total Liabilities	0.48	0.50
<b>Profitability Indicators</b>	(6 months)	(12 months)
Return on Equity (ROE)	-0.49%	4.24%
Return on Assets (ROA)	5.86%	14.73%

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Notes:

- 1) Current Liquidity: Current Assets / Current Liabilities
  - 2) Acid Ratio Current Assets Net of Inventory and Biological Assets / Current Liabilities
  - 3) Working Capital: Current Assets - Current Liabilities
  - 4) Net debt ratio Total Liabilities - Available Cash / Total Equity
  - 5) Return on Equity: Net income (loss) attributable to owners of the parent company / Total equity
  - 6) Return on Assets: Gross margin before fair value adjustment / Total assets
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The decrease of 0.15 in current liquidity is mainly caused by an increase of US\$ 10.1 million in current assets and an increase of US\$ 12.9 million in current liabilities, as explained in the statement of financial position analysis. Consequently, working capital decreased by US\$ 2.8 million.

The acid ratio was 1.06 mainly due to the net increase in inventories and biological assets of US\$ 1.4 million. These changes have already been explained in the financial position analysis.

The net debt ratio increased from 0.52 to 0.54 mainly due to total liabilities increasing by US\$ 12.9 million, while equity decreased by US\$ 8.9 million. These changes have already been explained in the statement of financial position analysis.

The proportion of long-term liabilities decreased from 0.50 to 0.48 as of June 30, 2020 due to an increase in total liabilities of US\$ 13 million, with long-term liabilities remaining the same while the denominator increased. These changes have already been explained in the statement of financial position analysis.

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

## Cumulative Indicators for the Salmon Farming Division

	As of 06/30/2020	As of 06/30/2019
a. Atlantic Salmon harvested in the period (tons WFE) / Site	3,402	2,662
b. Atlantic Salmon farming density (kg/m3)	11.05	7.45
c. Atlantic Salmon group survival rate in sea water by harvest	89.70%	91.70%
d. Pacific Salmon farming density (kg/m3)	1.62	1.14
e. Pacific Salmon group survival rate in sea water by harvest	92.80%	n/a
f. Operational EBIT before fair value adjustments (US\$ million)	4.1	17.6
g. Atlantic salmon EBIT/kg WFE before fair value adjustments	0.36	0.93
h. Pacific salmon EBIT/kg WFE before fair value adjustments	-2.04	n/a

Notes:

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

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

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

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

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

## Biomass Fair Value

### For the six months ended June 30, 2020 (Thousands of USD)

	Gain (loss) on fair value of biological assets		Cost of biological assets harvested and sold	
	As of 06/30/2020	As of 06/30/2019	As of 06/30/2020	As of 06/30/2019
Salmonids	8,542	28,235	-24,882	-25,339

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

- “Gain (loss) on fair value of biological assets” records the estimated gain or loss for the period from valuing the biomass of live and harvested fish at the end of each month that will be sold in future periods. It can be positive or negative based on changes in the biomass, its cost, the quality of concessions and the market price. A gain of US\$ 8.5 million was recorded for the fair value adjustment of the live and harvested biomass as of June 30, 2020, compared to a gain of US\$ 28.2 million as of the same date in 2019. This can be explained mainly by falling prices between the two periods and the characteristics of these farming sites.
- “Fair value adjustment of biological assets harvested and sold” records the realized gain or loss on the live biomass, and the biomass harvested in current and prior periods that was sold in the current period. This

account reverses the estimated gain or loss for the current and prior periods and the result of the transaction is recorded in operating revenue and cost of sales. The net effect of the biomass sold as of June 30, 2020, was a loss of US\$ 24.9 million, which reversed a positive margin estimated in prior periods, in contrast to a loss of US\$ 25.3 million as of June 30, 2019.

The net effect of the fair value adjustments for the salmon biomass for the period ended June 30, 2020 is a negative US\$ 16.3 million, as opposed to the positive US\$ 2.9 million recorded for the same period to June 2019.

## Differences between the market and book values of principal assets

Biological assets include the following.

Biological assets include groups of breeders, eggs, smolts and fish at marine grow-out sites. They are evaluated at initial recognition and through-out their growth.

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

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

The estimated fair value of fish biomass is based on the volume of fish biomass, average biomass weights, cumulative biomass costs for each site, estimated remaining costs and estimated sales prices.

### Volume of fish biomass

The volume of fish biomass is an estimate based on the number of smolts in the sea, an estimate of their growth, identified mortality in the period, average weights, and other factors. Uncertainty with respect to the volume of biomass is normally lower in the absence of bulk mortality events during the cycle, or if the fish catch acute diseases.

The biomass is the weight when it is calculated for each farming site. The target harvest weight depends on each site.

### Cumulative Costs

Cumulative costs for farming sites at the date of the fair value calculation are obtained from the company's accounts.

### Remaining Costs

Estimated remaining costs are based on the forecast direct and indirect costs that will affect the biomass at each site through to final harvest.

This estimate is refined at each calculation, and uncertainty reduces as the harvest approaches.

## Operating revenue

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

A Fair Value Adjustment is applied to all fish at marine grow-out sites, under the current model.

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

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

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

The Company uses the following method.

Stage	Asset	Valuation
Fresh water	Eggs, fry, smolts and breeders	Direct and indirect cumulative costs at their various stages.
Sea water	Salmon, Mussels and Abalone	Fair Value, as there is a market with reference prices and companies that sell these assets. If no market can be identified, then cumulative cost is used.