COMPAÑÍA PESQUERA CAMANCHACA S.A. AND SUBSIDIARIES

Earnings Report on the Consolidated Financial Statements
For the periods ended December 31, 2018

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. These operations cover genetics and egg production; a freshwater recirculation hatchery for Atlantic salmon and other fresh water species; 74 sea water grow-out sites 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: The Company's industrial fishing operations are carried out in northern and south-central Chile. Catches are intended for human consumption such as fish oils high in omega 3, canned and frozen jack mackerel and langostino lobster; and protein for animal consumption in fishmeal and fish oil from small pelagic fish.*

3. *Other Seafood: Operations in Chiloé focus on purchasing seeds and farming mussels for human consumption in three dedicated grow-out sites, plus a processing and freezing plant located in Rauco. An on-land site in the Atacama Region produces abalone seeds and grows them for human consumption.*

Camanchaca is vertically integrated throughout its supply and distribution chain and exports its products to over 50 countries through 7 offices and commercial agents in its main markets. In business for over 30 years, the Company is well-recognized in international markets. It has approximately 3,000 employees.

Highlights for the Year

- **Operating revenues increased by 34%** compared to 2017, at US$ 629 million in 2018, giving gross profit before fair value adjustments (FV) of US$ 138 million, 82% higher than in 2017. Meanwhile, gross profit before FV increased by 167% in Q4 2018, reaching US$ 37 million.

- **EBITDA increased by 118%** to US$ 102 million in 2018 compared to 2017, equivalent to 16% of operating revenue. EBITDA for the salmon farming division increased by 57% to US$ 82 million, whereas EBITDA for the industrial fishing division rose from negative US$ 3.6 million to US$ positive 22.6 million, as the El Niño phenomenon disappeared in 2018 and catches in the north subsequently recovered.

- **Sales volumes of company-farmed salmon increased by 72%** reaching 50,670 tons (WFE), which reflected a harvest increase of 42% in 2018 to 48,000 tons (WFE), and a reduction in inventories at the start of the year.

- The price of farmed Atlantic salmon sold by Camanchaca during 2018 fell by 19 US cents or 2.8% compared to 2017. However, its **EBIT per kilogram (WFE) increased by 13 US cents** in 2018, reaching US$ 1.33/Kg WFE. This was achieved through scale efficiencies resulting from higher production volumes, coupled with efficiency improvements in processing plants as a result of recent investments. The price in Q4 2018 was 4.4% higher than Q4 2017, and the EBIT/Kg WFE in those three months was 54 US cents higher than the same quarter for the previous year, reaching this time US$ 1.60/Kg.

- The cost of Atlantic salmon at harvest (ex-cage) was US$ 3.06/kg in 2018, marginally higher than the US$ 3.03/kg achieved in 2017, while **harvest and processing costs fell by 13%** to US$ 0.89/Kg WFE, resulting from higher production volumes and investments in efficiency and productivity at the value-added plant.

- **Anchovy catches in northern Chile increased by 33%** in 2018, and the entire quota of 125,000 tons was achieved, as a consequence of northern fishing conditions returning to normal and the healthy status of the biomass. This led to an increase in fishmeal sales of 13% compared to 2017 and 133% in fish oil, the latter due to a significant increase in yields.

- **Prices of fishmeal and fish oil increased by 13% and 29%**, respectively in 2018, with fish oil prices recovering from the abnormal situation in 2017, when there was excess Peruvian supply in the aquaculture segment.

- **The specific fishing tax paid by Camanchaca doubled,** and all of its fisheries in the southern division were already tendered at 15% since 2018, as established by the Fisheries Law from 2013. The Company will be affected by higher specific fishing taxes levied on the northern division in 2019, as the anchovy tender for the first 5% was completed in December 2018. The total specific fishing taxes paid by the Company rose from US$ 3 million in 2017 to US$ 6 million in 2018, thus extracting two thirds of pre-tax profits from the business.

- **Jack mackerel catches increased by 33%** in 2018, reaching 77,000 tons, which were used to produce 30,000 tons of frozen mackerel (+35%) and 1.1 million boxes of canned mackerel (+11%). Consequently, frozen jack mackerel sales rose by 21%, reaching 27,000 tons, with a favorable 15% increase in the price of this product, which reached an annual average of US$955/ton, following the recovery of African markets.

- **EBITDA for the Other Seafood Division increased its loss by 23%**, as a result of low yields and sizes for mussel harvests, generating higher costs and lower prices for these products. EBITDA was a negative US$ 2.3 million.

- **Compañía Pesquera Camanchaca reduced its net debt by 68%** from US$ 162 million in December 2017 to US$ 51 million in December 2018, a favorable outcome from generating EBITDA and selling shares of Salmones Camanchaca during its IPO.

- **Net working capital (current assets minus current liabilities) increased by 23%**, reaching US$ 185 million, from US$ 150 million in December 2017.

- **The minimum legal dividend of 30% of net distributable income was US$ 9.97 million for 2018**. This will be considered at the Annual General Shareholders' Meeting to be held on April 26, 2019, where the dividend distribution will be announced.

Key Figures

		Q4 2018	Q4 2017	Δ%	2018	2017	Δ%
Operating revenues	ThUS$	147,279	141,532	4.1%	629,370	469,675	34.0%
Gross profit before fair value	ThUS$	36,626	13,725	166.9%	137,605	75,598	82.0%
EBITDA before fair value	ThUS$	27,653	4,814	474.5%	102,255	46,973	117.7%
EBIT before fair value	ThUS$	21,424	-1,969	-	77,824	21,260	266.1%
EBIT %	%	14.5%	-1.4%	-	12.4%	4.5%	173.2%
Fair value	ThUS$	-6,690	-2,699	-	-4,825	5,301	-
Net profit (loss) for the period attributable to owners of the parent company	ThUS$	4,328	-5,416	-	30,782	15,779	95.1%
Earnings per share	US$	0.0010	-0.0013	-	0.0074	0.0038	95.1%
Pelagic catches	tons.	63,162	33,183	90.3%	261,314	229,468	13.9%
Northern Fishing Operations	tons.	40,899	20,788	96.7%	127,441	111,665	14.1%
Southern Fishing Operations	tons.	22,263	12,395	79.6%	133,873	117,803	13.6%
Fishmeal price	US$/ton	1,520	1,369	11.1%	1,572	1,397	12.5%
Atlantic salmon harvest	Tons WFE	13,944	16,284	-14.4%	48,496	34,213	41.7%
Company-farmed Atlantic salmon sales	Tons WFE	15,285	12,490	22.4%	50,670	29,384	72.4%
Atlantic salmon ex-cage cost	US$/Kg live weight	2.83	2.94	-3.6%	3.06	3.03	0.9%
Processing cost	US$/Kg WFE	0.80	0.84	-4.8%	0.89	1.02	-12.7%
Atlantic salmon price*	US$/Kg WFE	6.30	6.03	4.4%	6.41	6.60	-2.8%
Atlantic salmon EBIT/Kg WFE**	US$/Kg WFE	1.60	1.06	50.4%	1.33	1.20	10.9%
Financial debt	ThUS$				81,712	171,963	-52.5%
NIBD	ThUS$				50,964	161,758	-68.5%
Equity ratio	%				68%	53%	28.9%

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

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

Summary Statement of Income by Division

ThUS$	Industrial Fishing		Salmon Farming		Other Seafood		Total	
	Q4 2018	Q4 2017	Q4 2018	Q4 2017	Q4 2018	Q4 2017	Q4 2018	Q4 2017
Operating revenues	33,064	32,590	108,846	102,896	5,369	6,045	147,279	141,532
Gross profit before fair value	5,046	-7,047	31,124	20,071	456	701	36,626	13,725
EBITDA before fair value	1,340	-10,025	27,158	15,764	-845	-925	27,653	4,814
Net profit (loss) for the period attributable to owners of the parent company	**(1,551)**	**(9,234)**	**6,626**	**4,952**	**(746)**	**(1,134)**	**4,328**	**(5,416)**

ThUS$	Industrial Fishing		Salmon Farming		Other Seafood		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Operating revenues	163,167	132,210	436,295	309,964	29,907	27,500	629,370	469,675
Gross profit before fair value	35,533	7,945	98,081	62,950	3,991	4,703	137,605	75,598
EBITDA before fair value	22,629	-3,461	81,937	52,309	-2,312	-1,876	102,255	46,973
Net profit (loss) for the period attributable to owners of the parent company	**3,494**	**(12,555)**	**29,671**	**31,117**	**(2,382)**	**(2,783)**	**30,782**	**15,779**

Financial Matters

Results 2018

The Company recorded a profit of US$ 30.8 million, an increase of 95.1% over its profit of US$15.8 million recorded in 2017. EBITDA contains non-controlling interests, and more than doubled from US$ 47 million in 2017, to US$ 102.3 million in 2018. This EBITDA increase of US$ 55.3 million is explained by (a) an increase of US$ 26.1 million in the EBITDA generated by the industrial fishing division, driven by larger catches and higher prices for all its products, and (b) an increase of US$ 29.6 million in the EBITDA generated by the salmon farming division, explained by higher sales volumes and lower costs. The other seafood division generated a negative EBITDA of US$2.3 million, a deterioration of US$ 0.4 million, mainly explained by lower yields and higher costs in the mussels business, despite improvements in the abalone business.

The increase in net profit is explained by US$ 3.5 million from the industrial fishing division, (an improvement of US$16.0 million compared to 2017); and US$ 29.7 million from the salmon farming division, (a reduction of US$ 1.4 million compared to 2017), the latter was affected by a lower positive Fair Value (FV) adjustment, down US$ 10.1 million from 2017. However, the FV adjustment does not affect net distributable income.

Total consolidated revenues increased by 34% to US$ 629 million, with a 40.8% increase in revenues from the salmon farming division, a 23.4% rise from the industrial fishing division and an 8.8% increase from the other seafood division. The increase from the salmon farming division is mainly explained by a 72.4% increase in Company-farmed volumes sold, despite a 2.8% fall in price. Revenues from the industrial fishing division were driven by price increases across all products, resulting in a positive effect of US$ 16.1 million, which was added to the larger jack mackerel and anchovy catches. Prices during 2018 were in line with historical trends, after having remained below them in 2017.

This favorable trend in revenues generated EBITDA of US$ 81.9 million from the salmon farming division and US$ 22.6 million from the industrial fishing division, which resulted in a consolidated EBITDA before FV of US$ 102.3 million, including EBITDA of negative US$2.3 million from the other seafood division.

The results for the **salmon farming division** for 2018 were as follows:

EBIT before fair value adjustment was US$ 70.5 million for 2018, marking an increase of 70.2% over US$ 41.4 million in 2017, mainly explained by increased sales volumes and lower production costs, despite lower average prices. Excluding income from the trout joint venture, which is not operated by the Company, EBIT in the Atlantic salmon business was US$ 67.5 million, or 91.3% greater than the US$ 35.3 million recorded for 2017.

During 2018, the price of Company-farmed Atlantic salmon sold by Camanchaca fell by 19 US cents. In that context, EBIT/Kg WFE rose to US$ 1.33 from US$ 1.20 in 2017, due to cost improvements and the higher scale of production mentioned earlier more than offsetting the drop in price.

The Company leases some of its grow-out sites to other companies. This year the Company concluded an agreement under the conditions of one of these leases to purchase 2,376 tons WFE of raw materials from a farmer leasing a Company-owned site, which was acquired at the US fresh spot price and generated net profit of 4 US cents per Kg. This agreement gave the Company access to raw material during quarters with low Company-farmed harvests and allowed it to maintain a smolt stocking base line, which will be used for Salmones Camanchaca's smolt stocking

plan for 2019, without needing to stock additional smolt in the area. The Company has no pending purchases of raw materials scheduled for the future.

Atlantic salmon	Total	Other Farmers	Company-Farmed	Company-Farmed 2017
EBIT (ThUS$)	67,598	85	67,513	35,289
Sales volume (ton WFE)	53,046	2,376	50,670	29,384
EBIT/Kg WFE (US$)	1.27	0.04	1.33	1.20

The fair value adjustment of biological assets (biomass) for 2018 was US$ 95.5 million, compared to US$ 54.4 million for 2017, driven by larger biomass and stable prices. The fair value adjustment for sold volume was negative US$ 100.3 million for 2018, as compared to negative US$ 49.1 million for 2017, which also reflects increased sales volumes. The latter adjustment reverses the estimated and accounted margins for the fish sold during this period for which margins were recognized in previous periods when they were still considered biomass. The resulting net fair value adjustment for 2018 was a negative US$ 4.8 million, compared to a positive US$ 5.3 million in 2017, giving an unfavorable difference of US$ 10.1 million in 2018, but which did not affect EBITDA or net distributable income.

The 2018 results for each fishing area in the industrial fishing division were as follows.

- Northern Fishing Operations earned a net profit of US$ 5.6 million, compared with a net loss of US$ 7.1 million in 2017, attributable to higher anchovy catches (+33,1%), higher fish oil yields (+1.7% to +2.7%), and improved sales prices for fishmeal and fish oil (+14% and +19%, respectively). The expenses of assets not used in production are not capitalized in product costs, but taken directly to the statement of income. These totaled US$ 13.7 million in 2018, down from US$ 15 million in 2017, which is consistent with the greater number of fishing days and subsequent fish processing.

- Southern Fishing Operations:
    - Our subsidiary Camanchaca Pesca Sur earned a net profit of US$ 0.8 million compared to a net loss of US$ 2.8 million in 2017, due to higher sales of frozen jack mackerel and sardine oil, and higher prices for all products in this division. The expenses of assets not used in production and not capitalized in product costs amounted to US$ 27.1 million in 2018, the same as 2017.
    - Our 70% interest in our subsidiary Camanchaca Pesca Sur gave us a net profit of US$ 0.5 million. This was combined with a net loss of US$ 2.7 million from other fishing businesses in the southern fishing division not included in Camanchaca Pesca Sur, and relating primarily to allocated financial and administrative costs of US$ 3.3 million, leaving a loss of US$ 2.2 million, compared to a loss of US$ 5.5 million in 2017.

Therefore, the expenses of assets not used in production throughout the industrial fishing division amounted to US$ 40.8 million, US$ 1.3 million less than for 2017. This is not necessarily unfavorable, as it may mean that annual quota catches are made quickly and effectively, resulting in lower catch costs, as was the case in 2018.

Consolidated administrative expenses for Cía. Pesquera Camanchaca as a percentage of revenue fell from 6.3% in 2017 to 5% in 2018, while distribution costs fell from 5.3% to 4.5%. Administrative and distribution expenses in aggregate fell from 11.6% of revenue in 2017 to 9.5% in 2018. This reduction is explained by higher revenue in 2018 and greater efficiency. Administrative costs have extraordinary components in both years. Additional costs arose in 2018 for employee termination benefits, and in 2017 for SAP implementation. Specifically, the Company conducted a thorough analysis of its support departments during 2018, concluding with various efficiency and effectiveness

improvements, which resulted in centralizing some functions, transferring them to the 8th Region and a consequent decrease in headcount.

Net financial expenses totaled US$ 10.1 million compared to US$ 6.8 million in 2017. This increase was due to (i) exchange rate hedge contracts taken in 2018 to cover fixed costs in Chilean pesos with revenue in US dollars and, as the exchange rate rose, they produced an unfavorable result of US$ 3.2 million, and (ii) the rise in LIBOR interest rates of 2% per annum. The US$ 60 million reduction in the Company's average debt during the year did not compensate for these two adverse effects on net financial expenses.

The combined prices of all the Company's products increased by 1.3% during 2018 compared to 2017, influenced by increases in the prices of industrial fishing products, with a positive effect of US$ 16.1 million, in contrast to the fall in salmon prices, which had a negative effect on revenues and margins of US$ 9.4 million.

Cash Flows 2018

Net cash flow from operating activities in 2018 was a positive US$ 59.6 million, which was higher than the positive US$ 33.4 million in 2017, mainly due to i) higher sales volumes and actual collections during the period (+36% totaling US$ 676 million in 2018), ii) partially offset by reductions in payment terms to suppliers, which optimized funds received from the capital increase and sale of shares in the subsidiary Salmones Camanchaca (+35% of payments to suppliers totaling US$ 522 million in 2018).

Net cash flows from financing activities totaled a positive US$ 11.1 million for the year, in comparison to negative US$ 14.2 million for 2017, explained mainly by the proceeds of the IPO for the subsidiary Salmones Camanchaca, which raised US$ 101 million. These funds led to a reduction of US$ 95 million in bank borrowings.

Net cash flows used in investing activities was negative US$ 49.0 million during the year, compared to negative US$ 28.4 million in 2017. These are investments in plant improvements and automation, fleet improvements and new farm sites, which will support the Company's growth plan.

Total net cash flows for the year left a cash balance as of December 31, 2018 of US$ 30.7 million.

Statement of Financial Position as of December 31, 2018

Assets

The Company's total assets increased by US$ 39.7 million or 6.2% to US$ 685 million during 2018. This growth was mainly driven by a net increase of US$ 20.5 million in cash from the business and from the proceeds of the IPO for the subsidiary Salmones Camanchaca, an increase of US$ 20.6 million in current and non-current biological assets that reflects the biomass required to produce the greater Atlantic salmon harvest forecast for 2019 and 2020, and an increase in net investment in property, plant and equipment of US$ 23.1 million predominantly in the salmon farming division to support its growth plans for the 2019-2022 period. This plan includes automating primary and secondary plants, and opening new farm sites. This was partially offset by a reduction of US$ 16.6 million in inventory, principally salmon.

Total current assets were US$ 305 million, an increase of 7.6% over the total of US$ 284 million as of December 31, 2017, mainly attributed to an increase of US$ 20.5 million in cash and an increase of US$ 16 million in biomass, offset by a decrease of US$ 16.6 million in inventory.

Non-current assets increased by US$ 18.3 million or 5.1% to US$ 380 million. This increase was attributable to net investments in property, plant and equipment, and an increase in non-current biological assets, both consistent with the Company's growth plan.

Finished product inventory valued at cost, excluding fair value adjustments as of December 31, 2018, was US$ 40.3 million, which was less than the US$ 55.1 million as of December 31, 2017. This reflects a substantial increase in product sales, which follows production increases in the salmon farming and industrial fishing divisions.

Liabilities and Equity

Current liabilities decreased by 10.0% or US$ 13.4 million, due to the decrease of US$ 16.8 million in current financial liabilities as a result of optimizing the Company's financial structure after the IPO for Salmones Camanchaca.

Non-current liabilities decreased by US$ 73.9 million, mainly due to a decrease of US$ 73.4 million in financial and banking obligations as dependence on bank finance decreased.

The Company had long-term bank finance facilities of US$ 140 million as of the reporting date, and it had used US$ 80 million of them as of December 31, 2018.

Consequently, Camanchaca's equity increased by US$ 127 million as of December 31, 2018, reaching US$ 467 million. This increase is explained by net profits and the proceeds of the IPO for Salmones Camanchaca. Compañía Pesquera Camanchaca reduced its interest in that subsidiary to 70% during the IPO, which also decreased its accumulated tax losses from US$ 81 million to US$ 72 million.

At an Extraordinary Shareholders' Meeting, shareholders approved the capitalization of all the Company's accumulated losses as of December 31, 2017, of US$ 88.6 million during Q2 2018. As a result, its share capital increased by US$ 66.4 million and its share premium decreased by US$ 155 million to arrive at a final balance of zero.

Consequently, having eliminated accumulated losses as of December 31, 2018, the net distributable income for calculating 2018 dividends was US$ 33.2 million. Therefore, at the Annual General Shareholders' Meeting to be held on April 26, 2019, shareholders shall approve the final dividend, bearing in mind that the minimum legal dividend of 30% of this figure is US$9.97 million.

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 the exchange rates of its main trading partners;

2. **Sanitary conditions for Atlantic salmon**, which affect conversion factors, the use of pharmaceutical and mechanical means to improve fish welfare and the final biomass across which costs are allocated.

3. The **cost of feed**, which represents approximately half of the live fish unit cost at harvest.

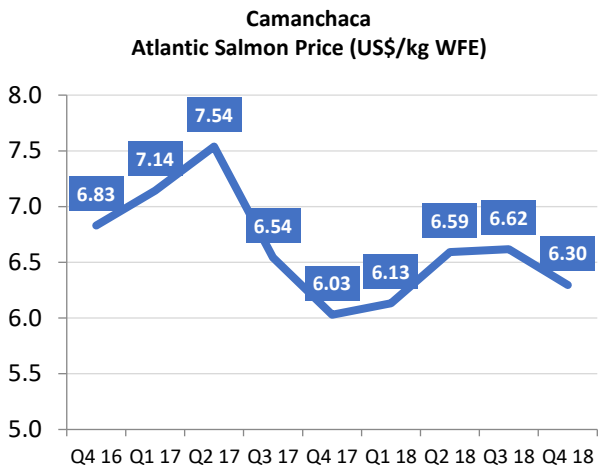
I. Product Prices

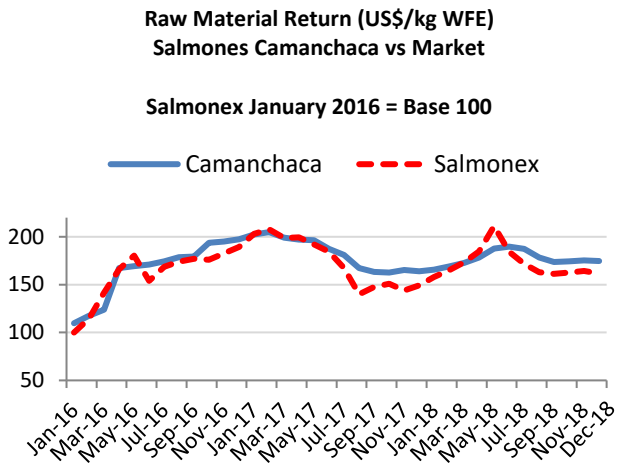
The average price of Atlantic salmon sold by Camanchaca during Q4 2018 was US$ 6.30 per kilo WFE, up 4.4% from the same period in 2017. After a fall in prices in 2015, there has been an upward trend in Atlantic salmon prices more consistent with long-term trends (i.e. demand outgrowing supply). In contrast to 2015, a stronger dollar in 2018 did not lead to a contraction in salmon demand in the Company's markets. Prices in Q4 2018, and in general throughout the second half of the year, showed great stability and very minor variations, in line with stable global and Chilean supply.

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

In this context, the drop in price from Q3 2018 to Q4 2018 did not affect Camanchaca, which maintained its RMR and enjoyed a cumulative premium over Salmonex of 19 US cents during 2018.

In line with expectations, prices rose in Q4 2018 (+4.4%) but failed to reverse the drops from the first three quarters, finishing the year with a price reduction of 2.8%. Overall, prices were stable in 2018 (fluctuating only 30 US cents during the period), in contrast to the three preceding years, which encouraged salmon consuming markets to develop.





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

Volumes

Company-farmed Atlantic Salmon		Q4 2018	Q4 2017	Δ	Δ %	2018	2017	Δ	Δ %
Harvest	tons WFE	13,944	16,284	-2,340	-14.4%	48,496	34,213	14,283	41.7%
Production	tons WFE	13,952	16,216	-2,264	-14.0%	48,333	34,118	14,215	41.7%
Sales	tons WFE	15,285	12,490	2,796	22.4%	50,670	29,384	21,285	72.4%
Average sales price	US$/Kg WFE	6.30	6.03	0.27	4.4%	6.41	6.60	-0.19	-2.8%
Price-related change in revenue*	ThUS$	96,247	92,159	4,088	4.4%	324,816	334,234	-9,418	-2.8%

* With constant volume in 2018

Harvests by Camanchaca were the same as estimates from early 2018 at 48,496 tons WFE, up 41.7% over 2017, and with a decrease in Q4 from the record levels seen in Q4 2017. Sales of 50,670 tons WFE in 2018 exceeded harvests, reflecting a reduction of nearly 1,500 tons WFE in inventory. The scarce inventory levels seen at the end of 2016, and abundant stocks in late 2017, explain the decreased sales in 2017 with respect to harvests, while the opposite occurred in 2018. This change in inventory explains the 72.4% increase in volumes sold in 2018, 30% greater than the increase in harvests.

Revenues

Sales by Market Segment as of December 2018

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	98,091	97,376	28,188	14,982	74,037	9,244	2,897	324,816
Trout	716	25	67	1,885	10	115	72	2,890
Others	96,250	0	0	1,518	0	10,821	0	108,590
Total	**195,058**	**97,401**	**28,255**	**18,385**	**74,047**	**20,179**	**2,970**	**436,295**

Sales by Market Segment as of December 2017

Product or Species	USA	Europe + Eurasia	Asia, except Japan	Japan	LATAM, except Chile	Chile	Others	TOTAL
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Atlantic salmon	72,004	32,670	16,814	14,727	50,271	5,117	2,225	193,828
Trout	926	12	0	4,850	0	103	224	6,115
Others	93,191	0	0	8,819	0	8,012	0	110,021
Total	**166,120**	**32,682**	**16,814**	**28,396**	**50,271**	**13,232**	**2,449**	**309,964**

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

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

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

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

The North American market's share of total revenues decreased from 53.6% to 44.7% during 2018, while Europe and Eurasia (mainly Russia) grew from 10.5% to 22.3%. Asia excluding Japan (mainly China) rose from 5.4% to 6.5%, and Japan dropped from 9.2% to 4.2%. Latin America excluding Chile increased from 16.2% to 17.0%. In short, the Company reduced production of value-added products in order to ship more product to Eurasia (Russia) because of that region's attractive conditions in 2018.

Other revenue is mainly product sales by our US and Japanese offices, processing and services for third parties at our processing plants, and farm site leases.

Other Businesses

Camanchaca had nine leased farming concessions as of December 31, 2018, seven of which are in the Reloncaví Estuary (Los Lagos Region) for trout farming. The Company contributes its concessions to a partnership participation account and receives one third of net profit generated. In 2018 this partnership reported harvests of 17,405 tons WFE and sales of 15,422 tons WFE, which generated net profit for Camanchaca of US$ 2.9 million, or half the amount attained in 2017. This decrease is explained by a drop of more than 1 US dollar per Kg WFE (-19.2%) in the sales price due to the maturity of harvested fish; an increase in inventory with respect to year-end 2017 (+3,000 tons WFE); and greater distribution costs. These items were offset by improved mortality, conversion factors and processes, which reduced the unit cost of finished product by 50 US cents.

To date, the estimates used to develop this business have not varied and the operator (Caleta Bay) continues to estimate average annual harvests of 12,000 tons until the year 2022 when the agreement ends, comprising approximately 18,000 tons in even years and 6,000 tons in odd years.

Camanchaca obtained Pacific or coho salmon smolt stocking licenses in 2018, in order to take advantage of the estuary farm sites in the Los Lagos Region and complement the partnership participation account in that area. These licenses enabled the Company to stock 1.4 million smolt of this species in Q1 2019, which should translate into estimated harvests of 4,000 tons in late Q4 2019 to most likely be recorded as revenue in Q1 2020. This new initiative will give the Company specific experience producing and selling Pacific salmon, which should represent around 3% of Chilean supply during the first few years. This species will benefit from conditions in Chile that give it biological advantages over other species. Camanchaca estimates negative margins during the first two production cycles, because the smolt stocking densities for these additional stocks are limited by regulations.

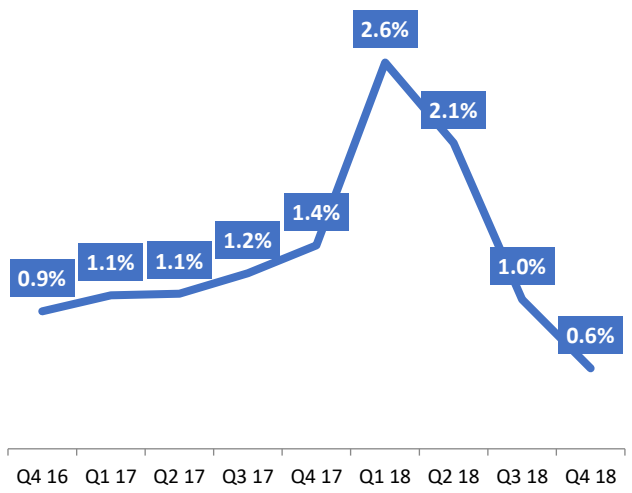
The Company's other businesses, such as processing services for third parties, farm site leases and sales of byproducts, resulted in a favorable operating margin of US$ 5 million in 2018, up 21.9% over 2017.

II. Sanitary and Production Conditions

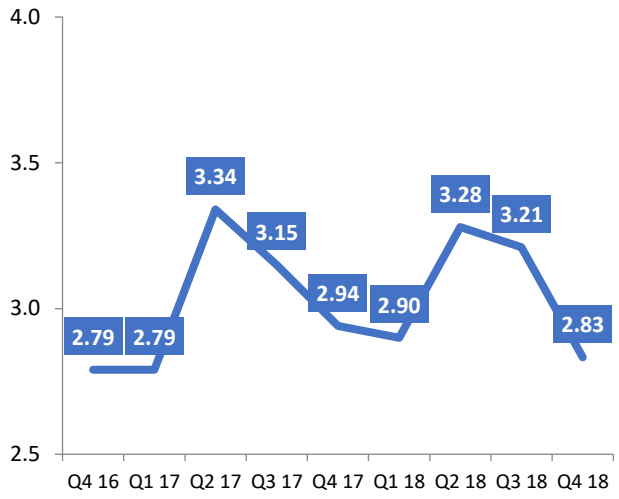
Mortality of the total Atlantic salmon population in Q4 2018 was 0.6% on average, while mortality at the farm sites that closed their cycle in 2018 was 8.4%. Good conversion and growth conditions enabled the Company to move harvests up to the later months of 2018, thus reducing sanitary risks that often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

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

Atlantic Salmon Mortality* (%)



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



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

The following table shows the trends in the most important production and sanitary variables.

Year	FCRb (Live weight)	Productivity Kg WFE/smolt	Average Harvest Weight Kg WFE	Antibiotic Use Gr/Ton	Antiparasitic Treatments Gr/Ton
2016	1.29	4.33	5.03	550	6.89
2017	1.21	4.76	5.14	569	6.41
2018	1.17	4.83	5.32	519	6.25

The Feed Conversion Ratio (FCRb) is Kg feed/Kg live fish and decreased to 1.17 at the farms closed in 2018, as the result of a strategy to use micro rations, a greater number of feeding lines per site, remote feeding and higher energy diets (energy in feed increased by 10%, 22 MJ/kg). The conversion ratio for Q4 2018 was 1.12.

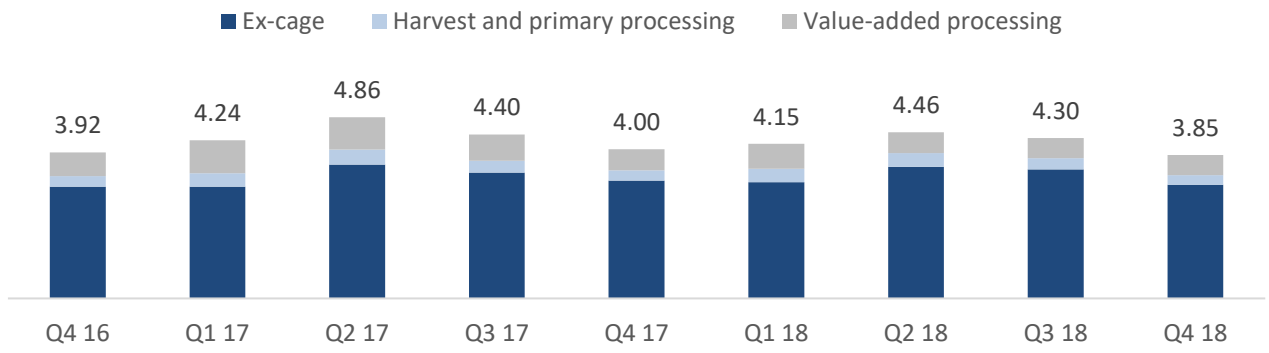
Smolt productivity is kilos of harvested biomass/number of smolts, which also achieved a record value in 2018 compared to the last 3 years in closed sites at 4.83 Kg/smolt. This affects higher average weight, which increased to 5.32 Kg on average in 2018, and lower mortality.

Lastly, there have been improvements in the use of both antibiotics and antiparasitic treatments, due mainly to improved oceanographic and sanitary conditions, as well as protective and preventative strategies such as live SRS vaccines and the use of Lufenuron at sea sites for sea lice. These pharmaceutical treatments account for approximately 9 US cents of live weight cost, or 3% of the total live weight cost.

Despite having reduced the scale of production by 14.4% in Q4 2018 versus Q4 2017, the cost of secondary or value-added processing showed a reduction of 2 US cents per kg WFE, which reflects greater efficiency following recent investments at plants and more efficient use of the raw material.

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

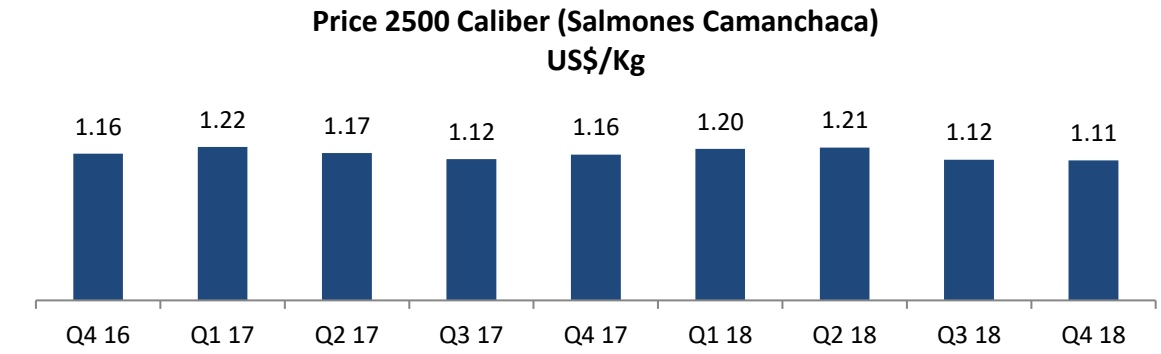
Costs (US$/Kg WFE)	Q4 16	Q4 17	Q4 18
Ex-cage	3.00	3.16	3.05
Harvest and primary processing	0.28	0.28	0.26
Value-added processing	0.64	0.56	0.54
Total finished product cost	**3.92**	**4.00**	**3.85**



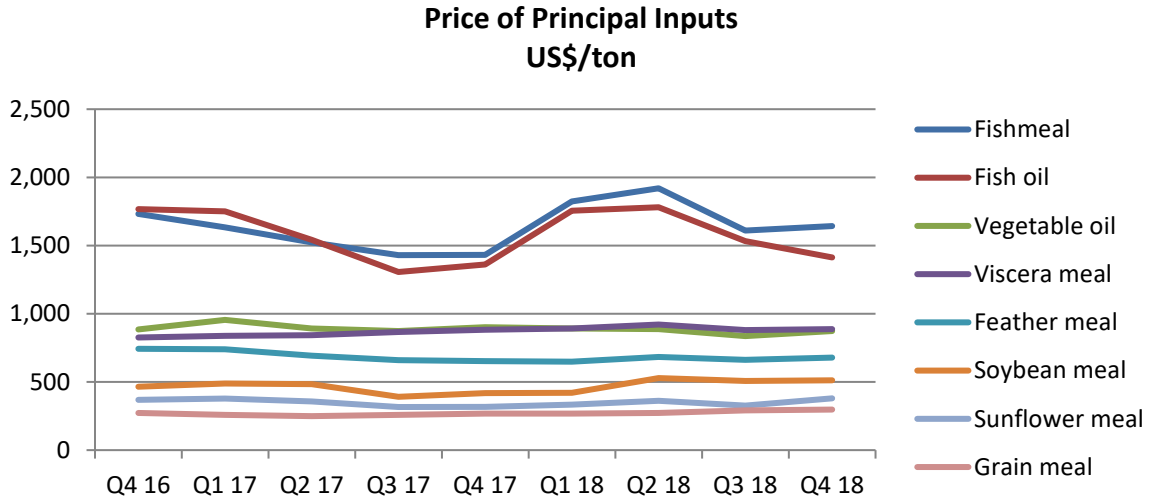
Sales volumes of Company-farmed products grew by 22.4% in Q4 2018 to reach 15,285 tons WFE, which is in line with expectations and more stable from one quarter to the next, in contrast to 2017 or 2016, when significantly more than half of harvests occurred during the second half of the year.

III. Feed Costs

Feed costs have remained stable in recent years, dropping slightly in the last two quarters of 2018, because the prices of the main inputs, such as fishmeal, fish oil and soy, have also held steady. The most representative feed is used to feed fish weighing over 2.5 kg, which represents close to 40% of the total cost of feed used by the Company. Its price has trended as follows.



Price includes pigment. Medicated feed, additives or feed supplements are not included.



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, therefore, unit costs.
2. The price of fishmeal, which is strongly correlated with Peru's catches.
3. Fuel prices, which impact industrial fishing costs as well as raw material processing costs.

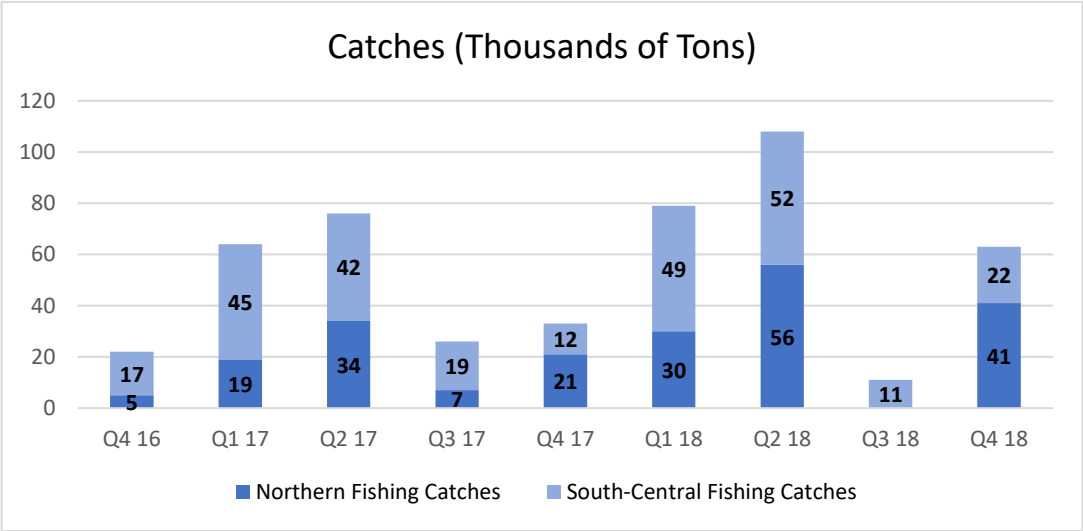
I. Catches and Production

All the fishing quotas assigned to Camanchaca's target species were caught in 2018, which has not occurred since 2014. Anchovy catches in the northern area totaled 125,000 tons, or 33.1% more than in 2017. However, there were fewer captures of bycatch during 2018, mainly jack mackerel and Atlantic mackerel, which fell from 13,000 tons in 2017 to only 820 tons in 2018. Thus, the total catch in the northern area increased by 14.1% to 127,441 tons, and fishmeal production increased by 20.7% to 31,008 tons, due to improved yields, which rose from 23% to 24.3% in 2018. Fish oil yields increased by 56%, from 1.7% to 2.7% in 2018 and, consequently, production increased by 78% from 1,899 to 3,380 tons. The yield improvement can be attributed to normal temperatures and constant resource vigilance by fishing companies to avoid catching small fish. At the end of 2018, the Undersecretary of Fisheries conducted the first tender for 5% of the anchovy quota, where Camanchaca increased its participation by 2.6%, reaching 19.95% of the industrial proportion. In 2019 this tender will generate an increase in specific fishing taxes.

Jack mackerel catches in the southern-central area reached 69,000 tons, 26.2% higher than the 55,000 tons caught in 2017, where 13,500 tons were international quota purchases from RFMO countries. These catches were complemented by Atlantic mackerel, which reached 8,088 tons in 2018 compared to 3,354 tons in 2017. Thus, the jack mackerel and Atlantic mackerel catches totaled 77,000 tons, and they are preferentially selected for human consumption (80%). Jack mackerel and Atlantic mackerel catches were mainly used to produce frozen jack mackerel (30,000 tons versus 22,000 in 2017) and canned (1.1 million cases versus 975,000 in 2017, or 30,000 tons of raw material), all destined for human consumption.

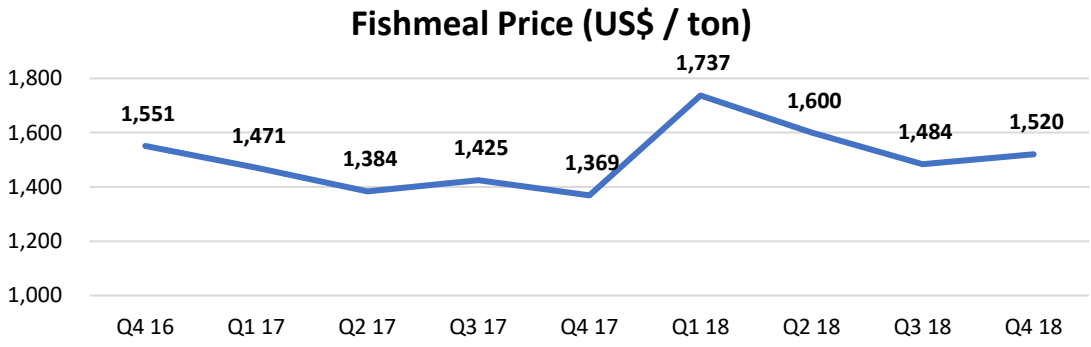
Industrial and artisan sardine catches in the central-southern area were 5% lower than last year, and reached 57,000 tons in 2018. Fishmeal, made in the south from sardine catches and jack mackerel discards, reported a 13.4% increase in production to 18,000 tons. Fish oil production increased by 16.4% to 6,320 tons in 2018, as yields also increased in the southern area from 6.7% to 7.1%.

Langostino lobster catches reached 4,770 tons in 2018 (a reduction of 3.2%) and production reached 595 tons (648 tons in 2017) with a yield of 12.5%, somewhat lower than the 13.1% achieved in 2017.



II. Prices and Sales

Fishmeal prices soared above the long-term trend during the El Niño phenomenon that affected the Pacific coast in 2015-2017, specifically at the beginning of 2016. This was associated with the shortage of Peruvian and Chilean catches as a result of this phenomenon, although prices began to return to normal as the effects of El Niño subsided. Effectively, in the first and second Peruvian seasons of 2018 the entire anchovy quotas of 3.3 million and 2.1 million tons were caught, respectively. Therefore, the price fell to US$ 1,520 per ton in Q4 2018, which is consistent with historical trends. By the end of February and early March 2019, the prices for prime Chilean fishmeal reached around US$ 1,500 per ton.



Consolidated fishmeal sales rose by 7.1% to reach 45,000 tons in 2018, while fish oil sales rose by 31.1% to reach 9,000 tons. Fishmeal production was higher than sales in 2018, creating a large inventory of around 5,000 tons, which represents about a month and a half of sales, due to catches in the northern area during the last month of the year.

Sales of frozen jack mackerel reached 27,000 tons in 2018, an increase of 20.9% over sales in 2017, and at a price 14.9% higher, indicating that this product is recovering, with Africa remaining its main market.

One million cases of canned jack mackerel were sold in 2018, a decrease of 8.6% compared to sales in 2017, at an average price of US$ 22 per box (US$ 21.6 in 2017). Camanchaca's canned inventory reached 293,000 boxes as of December 31, at a cost close to US$ 12.3 per box. This inventory was higher than expected due to restrictions in Asian markets affected by parasites detected in food canned in China. However, Camanchaca's sales have accelerated in the Chilean market, which represents a higher fraction of sales than in previous years.

Sales of langostino lobsters fell by 5% in 2018, reaching 609 tons at an average price of US$ 25.1/kg (+6.8%), in line with the lower catches permitted by 2018 quotas.

Sales by Market Segment as of December 2018

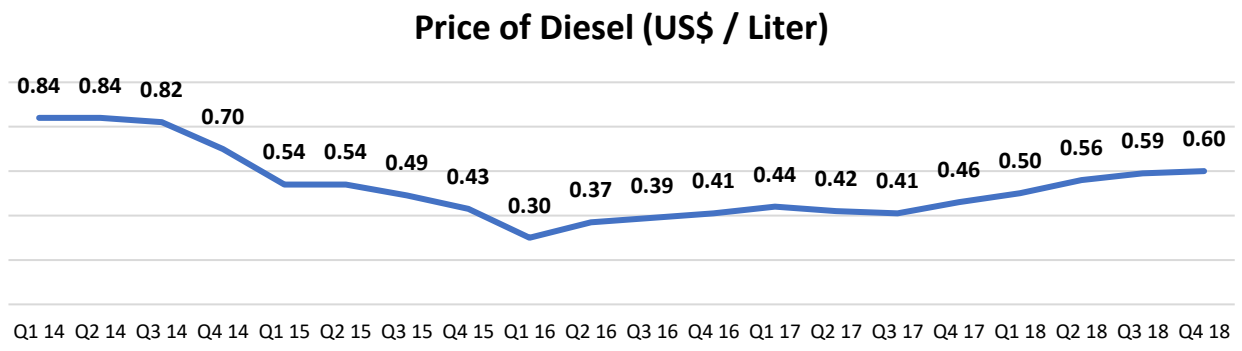
Product	USA	Europe + Eurasia	Asia, except Japan	Japan	LATAM, except Chile	Chile	Others	TOTAL
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
North								
Fishmeal	0	0	41,408	3,823	0	0	0	45,231
Fish oil	0	4,985	447	0	771	650	0	6,853
South								
Fishmeal	0	0	9,699	1,980	0	13,246	373	25,299
Fish oil	0	0	767	0	0	8,528	0	9,296
Canned fish	948	492	1,253	0	6,130	8,413	6,438	23,675
Frozen fish	0	243	0	0	2,093	247	22,778	25,361
Langostino lobster	14,637	0	0	243	0	412	0	15,292
Others	**0**	**0**	**0**	**0**	**0**	**12,161**	**0**	**12,161**
Total	**15,584**	**5,721**	**53,574**	**6,047**	**8,994**	**43,658**	**29,589**	**163,167**

Sales by Market Segment as of December 2017

Product	USA	Europe + Eurasia	Asia, except Japan	Japan	LATAM, except Chile	Chile	Others	TOTAL
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
North								
Fishmeal	0	0	31,390	3,747	0	0	0	35,137
Fish oil	0	2,191	0	0	0	750	0	2,940
South								
Fishmeal	0	0	5,758	700	0	16,950	0	23,408
Fish oil	0	0	0	0	0	6,603	0	6,603
Canned fish	1,353	804	2,937	0	8,220	7,384	4,783	25,481
Frozen fish	0	3,326	0	0	7,483	1,153	6,297	18,260
Langostino lobster	13,309	0	0	231	0	1,542	0	15,082
Others	**0**	**0**	**0**	**0**	**0**	**5,298**	**0**	**5,298**
Total	**14,662**	**6,321**	**40,085**	**4,678**	**15,703**	**39,681**	**11,081**	**132,210**

III. Fuel Costs

The cost of diesel purchased by Camanchaca has been falling significantly since 2014, bottoming out in the first quarter of 2016 at 30 US cents per liter. The rise in diesel prices during 2018 generated higher fuel costs close to US$ 2.8 million compared to 2017. The price climbed to 60 US cents per liter during Q4 2018, which was 30.4% higher than in the same quarter for the previous year.



Volumes

		Q4 2018	Q4 2017	Δ	Δ %	2018	2017	Δ	Δ %
CATCHES									
Northern Fishing Operations	**tons.**	**40,899**	**20,788**	**20,111**	**96.7%**	**127,441**	**111,665**	**15,776**	**14.1%**
Company-owned vessels	tons.	40,899	20,788	20,111	96.7%	126,453	107,863	18,590	17.2%
Third parties	tons.	0	0	0	-	988	3,803	-2,815	-74.0%
Southern Fishing Operations	**tons.**	**22,263**	**12,395**	**9,868**	**79.6%**	**133,873**	**117,803**	**16,070**	**13.6%**
Company-owned vessels	tons.	13,048	4,798	8,250	171.9%	82,741	64,395	18,346	28.5%
Third parties	tons.	9,215	7,597	1,618	21.3%	51,132	53,408	-2,276	-4.3%
Total	**tons.**	**63,162**	**33,183**	**29,979**	**90.3%**	**261,314**	**229,468**	**31,846**	**13.9%**
PRODUCTION									
Fishmeal	tons.	13,120	6,724	6,395	95.1%	48,815	41,388	7,427	17.9%
Fish oil	tons.	843	686	157	22.9%	9,700	7,327	2,374	32.4%
Canned fish	boxes	0	6,775	-6,775	-100.0%	1,082,699	975,262	107,437	11.0%
Langostino lobster	Kg.	89,444	107,125	-17,681	-16.5%	595,217	648,239	-53,022	-8.2%
Frozen jack mackerel	tons.	3,527	47	3,480	7404.3%	29,889	22,151	7,738	34.9%
SALES									
Fishmeal	tons.	10,163	8,698	1,465	16.8%	44,866	41,908	2,957	7.1%
Fish oil	tons.	1,365	663	702	105.9%	9,260	7,062	2,198	31.1%
Canned fish	boxes	239,656	371,980	-132,324	-35.6%	1,076,375	1,177,212	-100,836	-8.6%
Langostino lobster	Kg.	156,900	167,434	-10,534	-6.3%	609,362	641,736	-32,374	-5.0%
Frozen jack mackerel	tons.	2,952	5,274	-2,322	-44.0%	26,570	21,984	4,586	20.9%
PRICES									
Fishmeal	US$/ton	1,520	1,369	151	11.1%	1,572	1,397	175	12.5%
Fish oil	US$/ton	1,426	1,661	-234	-14.1%	1,744	1,351	392	29.0%
Canned fish	US$/box	21.9	21.1	0.8	3.9%	22.0	21.6	0.3	1.6%
Langostino lobster	US$/Kg	24.3	22.6	1.8	7.8%	25.1	23.5	1.6	6.8%
Frozen jack mackerel	US$/ton	871	717	153	21.4%	955	831	124	14.9%
Price-related change in revenue*									
Fishmeal	ThUS$	15,450	13,911	1,539	11.1%	70,529	62,676	7,853	12.5%
Fish oil	ThUS$	1,947	2,267	-320	-14.1%	16,149	12,514	3,635	29.0%
Canned fish	ThUS$	5,247	5,053	195	3.9%	23,675	23,298	376	1.6%
Langostino lobster	ThUS$	3,816	3,539	276	7.8%	15,292	14,322	970	6.8%
Frozen jack mackerel	ThUS$	2,570	2,118	453	21.4%	25,361	22,069	3,292	14.9%
Total	**ThUS$**	**29,031**	**26,887**	**2,144**	**8.0%**	**151,006**	**134,880**	**16,126**	**12.0%**
Change in fuel costs due to price effect*									
Diesel oil	ThUS$	1,649	1,250	399	31.9%	6,986	5,436	1,550	28.5%
Bunker fuel	ThUS$	944	771	173	22.4%	4,337	3,121	1,216	39.0%
Total	**ThUS$**	**2,593**	**2,021**	**572**	**28.3%**	**11,323**	**8,557**	**2,766**	**32.3%**

* With constant volume in 2018

Other Seafood Division

Operating revenues for this division increased by 8.8% to US$ 29.9 million in 2018, but the division generated a net loss for the year of US$ 2.4 million, compared to a net loss of US$ 2.8 million in 2017.

Mussel production by the subsidiary Camanchaca Cultivos Sur was slightly lower than in 2017 (-2.3%), reaching 8,505 tons of finished products, from 29,000 tons of processed raw material, 35% of which was purchased from third party farms (20% in 2017). Revenues grew by 14.7% to US$ 27.1 million, due to an increase of 15.9% in volumes sold, which reduced the closing inventory for 2017, as rising inventory during that year resulted in high cold storage costs. Average prices fell by 1.2% due to low raw material returns, which affected the size of products without shells. These factors generated EBITDA of negative US$ 1.5 million compared to US$ 0.3 million positive in 2017, and a net loss for the year of US$ 1.7 million compared to the net loss of US$ 0.8 million in 2017. This loss is explained by lower prices and higher costs caused by lower yields, resulting from lower concentrations of nutrients in the ocean, as these bivalve mollusks filter their food.

The abalone business generated a loss of US$ 0.7 million in 2018, compared to a loss of US$ 2 million in 2017, and EBITDA of negative US$ 0.8 million, also lower than the negative US$ 2.2 million in 2017 caused by sanitary conditions. This division is streamlining its processes to eliminate its losses in recent years, which includes sending its products to third parties for canning, diversifying its frozen products in the Japanese market and other measures.

Volumes

		Q4 2018	Q4 2017	Δ	Δ %	2018	2017	Δ	Δ %
PRODUCTION									
Abalone	tons.	68	24	43	178.4%	156	125	31	25.1%
Mussels	tons.	1,142	1,357	-215	-15.8%	8,505	8,702	-196	-2.3%
SALES									
Abalone	tons.	66	42	25	58.9%	142	185	-43	-23.1%
Canned abalone	boxes	0	0	0	-	0	19	-19	-100.0%
Mussels	tons.	1,472	2,269	-796	-35.1%	9,982	8,612	1,370	15.9%
PRICES									
Abalone	US$/Kg	20.8	16.7	4.2	25.0%	20.2	20.5	-0.3	-1.4%
Canned abalone	US$/box	-	-	-	-	-	414	-	-
Mussels	US$/Kg	2.82	2.52	0.30	11.8%	2.61	2.64	-0.03	-1.2%
Price-related change in revenue*									
Abalone	ThUS$	1,385	1,107	277	25.0%	2,869	2,910	-41	-1.4%
Mussels	ThUS$	4,149	3,713	437	11.8%	26,027	26,330	-303	-1.2%
Total	**ThUS$**	**5,534**	**4,820**	**714**	**14.8%**	**28,896**	**29,240**	**-345**	**-1.2%**

* With constant volume in 2018

Subsequent Events

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

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 health status of the salmon biomass, including feed conversion; pelagic catches, which 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 following factors are used to detect and manage not only critical risks, but also operational management when events occur: 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 personnel; 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 solar radiation 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 centers fed by under-ground water, transport of breeders and fish for harvest in wellboats, coordinated antiparasitic washing by neighborhoods, frequent net cleaning, oxygen plants to supplement oxygen shortfalls in the water, vaccinations at the freshwater stage, and other standards.
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, water pollution and other factors that may threaten the biomasses, fish catches and production infrastructure. The Company is constantly monitoring these

variables using first-rate instruments within the industry, in addition to having appropriate insurance coverage for these risks, all of which are monitored from a central, specialized unit. This unit not only monitors the status of insurance coverage, but also manages the claims process when these occur, from the moment they occur, in order to submit claims that are in line with contractual coverage.

c) Product Sale Price Risks

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

- 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 the supply from Norway and Chile and on fluctuations in exchange rates used by the Company's major trading partners, which affects demand in these markets. Camanchaca has mitigated this risk through its commercial flexibility to move products between alternative markets, and the ability of its value-added plant to flex the formats and types of products being produced. Furthermore, some sales are at fixed prices for 60, 90 or 180 days, which provides a degree of stability in the face of short-term price fluctuations.

- Other Seafood Division: Mussel prices have experienced a stable trend on international markets in recent years, without large inter-annual fluctuations. Abalone prices have begun to recover after the greater controls imposed by Chinese authorities on luxury expenses for public workers started in 2014. 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.

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

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 purchase price of salmon feed, which is based on well-diversified ingredients and suppliers. Camanchaca defines its diets by optimizing the balance between feed cost and nutritional quality at each fish development stage. The Company aims to feed its farmed salmon with sufficient marine ingredients to ensure that they contain as much omega 3 as wild salmon. It also aims to keep the "fish in-fish out" ratio no greater than 1.0, which is the ratio of marine resources used in feed to fish produced. 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.

A draft fishing bill, called the Short Law, is being processed by Congress, which aims to change the Fisheries Act of 2013 by eliminating renewability for type B fishing licenses, whose status is enshrined in the 2013 law. The 2013 law granted holders of indefinite fishing permits that were valid in 2012, to choose a new LTP-B fishing license based on their maximum catch licenses through 2012, but waiving their indefinite fishing licenses. On that occasion Camanchaca choose this waiver in exchange for an LTP-B license, with the belief that its divisibility, transferability and renewability was attractive to the Company. Approval of the Short Law would be a serious violation of its rights exchanged in 2013, and the Company would exercise all the legal measures to which it is entitled to defend its legitimate interests.

Since Q2 2016 changes have been made to the salmon farming density regulations, introducing an alternative regulation called the smolt stocking reduction program (PRS in Spanish), which requires reductions in smolt stocking and farming densities in cages in exchange for maintaining efficient densities, and when a low sanitary or environmental performance has been detected or when stocking is expected to grow in the area. The PRS mechanism gives producers the choice between replacing a reduction in density, when appropriate, with a smolt stocking plan that contains a reduction with respect to the prior cycle, maintaining densities at maximum permitted levels.

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

Most of the concessions held by Camanchaca for farming fish are of indefinite duration. However, current legislation establishes a minimum use in order to preserve the concession, or a maximum number of cycles without use. This regulation forces the Company to stock cages at concessions that could continue to be fallow, which increases sanitary risks and artificially increases costs. The regulatory authority is clearly seeking to limit the growth of stocks in order to preserve a healthy environment, but a regulation revoking concessions for not using them is inconsistent with this objective, and increases risks and costs.

Financial statements could be affected by changes in economic policies, specific regulations and other standards established by authorities.

f) Liquidity Risks

Liquidity risk is the risk of potential mismatches between the funds needed for 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 credit facilities, while carefully ensuring that it complies with all financial covenants.

g) Interest Rate Risks

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

h) Exchange Rate Risks

A substantial proportion of Camanchaca's revenue arises from contracts and commercial agreements set in US dollars. However, given market diversity and the 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 or the Chilean Peso could have an impact on these market prices, and consequently on the financial performance of the Company.

A proportion of the Company's costs are fixed in local currency, and if the local currency appreciated, costs in US dollars would increase. Camanchaca's policy is to negotiate revenue, costs and expenses in US dollars, and if this is not possible, evaluate the possibility of converting Chilean currency expenditure into US dollars using currency forwards. Occasionally the Company negotiates such hedging instruments only to cover local currency expenses. Currency forwards were negotiated for this purpose during 2018. Although they produced losses in non-operational finance costs, their counter-part reduced operating expenses.

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

i) Credit Risk

i.1) Surplus Cash Investment Risks

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

i.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, or advance payments, or are to customers with an excellent credit performance.

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

Financial Statements

Consolidation

The consolidated financial statements as of December 31, 2018 and December 31, 2017, 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.

Cía. Pesquera Camanchaca S.A. operates fishmeal and fish oil processing plants in northern Chile. Abalone farming and processing takes place in Caldera, in the 3rd Region.

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

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

Camanchaca Pesca Sur S.A. is dedicated to catching, producing and marketing pelagic fish in the southern-central Chile. Beginning November 2017, this subsidiary has consolidated Cannex S.A., a company dedicated to marketing canned food.

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

The statements of financial position, cash flows and net income are presented for the period ended December 31, 2018. They are compared with these same statements as of December 31, 2017.

Consolidated Statement of Income (ThUS$)

Consolidated (ThUS$)	Q4 2018	Q4 2017	2018	2017
Operating revenues	147,279	141,532	629,370	469,675
Cost of sales	(110,654)	(127,807)	(491,765)	(394,077)
Gross profit before fair value	**36,626**	**13,725**	**137,605**	**75,598**
Administrative expenses	(8,440)	(8,131)	(31,230)	(29,547)
Distribution costs	(6,762)	(7,562)	(28,550)	(24,792)
EBIT before fair value	**21,424**	**(1,969)**	**77,824**	**21,260**
EBITDA before fair value	**27,653**	**4,814**	**102,255**	**46,973**
Gain on fair value of biological assets	24,686	14,409	95,455	54,362
Cost of harvested and sold biological assets	(31,376)	(17,108)	(100,281)	(49,061)
EBIT after fair value	**14,734**	**(4,668)**	**72,999**	**26,561**
EBITDA after fair value	**20,963**	**2,115**	**97,429**	**52,274**
Finance costs	(3,204)	(2,292)	(10,171)	(6,841)
Share of profit (loss) of associates	358	395	1,650	1,565
Exchange differences	(1,387)	311	(2,993)	635
Other gains (losses)	(979)	(749)	(1,168)	(1,164)
Finance income	(0)	19	54	56
Net profit (loss) before tax	**9,522**	**(6,985)**	**60,370**	**20,811**
Income taxes	(3,673)	181	(16,156)	(5,883)
Net profit (loss) for the year	**5,849**	**(6,804)**	**44,214**	**14,928**
Non-controlling interest	(1,521)	1,387	(13,432)	852
Net profit (loss) for the period attributable to owners of the parent company	**4,328**	**(5,416)**	**30,782**	**15,779**

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

EBITDA after fair value adjustment: EBITDA + Fair value adjustments to biological assets - Cost of harvested and sold biological assets

Statement of Income - Salmon Farming Division (ThUS$)

Salmon Farming (ThUS$)	Q4 2018	Q4 2017	2018	2017
Operating revenues	108,846	102,896	436,295	309,964
Cost of sales	(77,722)	(82,825)	(338,215)	(247,014)
Gross profit before fair value	**31,124**	**20,071**	**98,081**	**62,950**
Administrative expenses	(3,538)	(3,181)	(13,928)	(11,777)
Distribution costs	(3,443)	(3,721)	(13,665)	(9,769)
EBIT before fair value	**24,143**	**13,169**	**70,488**	**41,404**
EBITDA before fair value	**27,158**	**15,764**	**81,937**	**52,309**
Gain on fair value of biological assets	24,686	14,409	95,455	54,362
Cost of harvested and sold biological assets	(31,376)	(17,108)	(100,281)	(49,061)
EBIT after fair value	**17,453**	**10,470**	**65,662**	**46,706**
EBITDA after fair value	**20,469**	**13,065**	**77,112**	**57,610**
Finance costs	(2,082)	(1,423)	(6,470)	(4,166)
Share of profit (loss) of associates	337	395	1,629	1,565
Exchange differences	(185)	(334)	(1,310)	(1,010)
Other gains (losses)	(1,145)	(640)	(1,069)	(1,066)
Finance income	(0)	19	49	56
Net profit (loss) before tax	**14,378**	**8,487**	**58,491**	**42,084**
Income taxes	(4,633)	(3,535)	(15,615)	(10,967)
Net profit (loss) for the year	**9,745**	**4,952**	**42,876**	**31,117**
Non-controlling interest	(3,119)	0	(13,205)	0
Net profit (loss) for the period attributable to owners of the parent company	**6,626**	**4,952**	**29,671**	**31,117**

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

EBITDA after fair value adjustment: EBITDA + Fair value adjustments to biological assets - Cost of harvested and sold biological assets

Statement of Income - Industrial Fishing Division (ThUS$)

Industrial Fishing (ThUS$)	Q4 2018	Q4 2017	2018	2017
Operating revenues	33,064	32,590	163,167	132,210
Cost of sales	(28,019)	(39,637)	(127,634)	(124,265)
Gross margin	**5,046**	**(7,047)**	**35,533**	**7,945**
Administrative expenses	(3,968)	(3,774)	(13,687)	(13,866)
Distribution costs	(2,679)	(3,111)	(11,124)	(11,043)
EBIT	**(1,601)**	**(13,932)**	**10,721**	**(16,964)**
EBITDA	**1,340**	**(10,025)**	**22,629**	**(3,461)**
Finance costs	(1,078)	(651)	(3,513)	(2,027)
Share of profit (loss) of associates	21	0	21	0
Exchange differences	(1,272)	793	(2,108)	1,523
Other gains (losses)	159	(83)	(110)	(137)
Finance income	0	0	5	0
Net profit (loss) before tax	**(3,771)**	**(13,874)**	**5,016**	**(17,604)**
Income taxes	621	3,253	(1,295)	4,197
Net profit (loss) for the year	**(3,150)**	**(10,621)**	**3,721**	**(13,407)**
Non-controlling interest	1,598	1,387	(227)	852
Net profit (loss) for the period attributable to owners of the parent company	**(1,551)**	**(9,234)**	**3,494**	**(12,555)**

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

Statement of Income - Other Seafood Division (ThUS$)

Other Seafood (ThUS$)	Q4 2018	Q4 2017	2018	2017
Operating revenues	5,369	6,045	29,907	27,500
Cost of sales	(4,913)	(5,344)	(25,916)	(22,797)
Gross margin	**456**	**701**	**3,991**	**4,703**
Administrative expenses	(935)	(1,176)	(3,615)	(3,904)
Distribution costs	(640)	(731)	(3,761)	(3,980)
EBIT	**(1,119)**	**(1,206)**	**(3,385)**	**(3,181)**
EBITDA	**(845)**	**(925)**	**(2,312)**	**(1,876)**
Finance costs	(44)	(217)	(188)	(648)
Share of profit (loss) of associates	0	0	0	0
Exchange differences	70	(148)	424	122
Other gains (losses)	7	(27)	11	38
Finance income	0	0	0	0
Net profit (loss) before tax	**(1,086)**	**(1,597)**	**(3,137)**	**(3,669)**
Income taxes	339	463	755	886
Net profit (loss) for the year	**(746)**	**(1,134)**	**(2,382)**	**(2,783)**
Non-controlling interest	0	0	0	0
Net profit (loss) for the period attributable to owners of the parent company	**(746)**	**(1,134)**	**(2,382)**	**(2,783)**

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

Statement of Financial Position (ThUS$)

	12/31/2018	12/31/2017
Cash and cash equivalents	30,748	10,205
Other financial assets, current	327	646
Other non-financial assets, current	9,860	13,052
Trade and other receivables, current	88,046	80,021
Related party receivables, current	92	176
Inventory	55,297	71,853
Biological assets, current	117,990	101,979
Tax assets, current	2,672	3,319
Assets held for sale	0	0
Total current assets	**305,032**	**281,251**
Other financial assets, non-current	701	762
Other non-financial assets, non-current	18,869	21,010
Rights receivable, non-current	1,349	5,520
Related party receivables, non-current	2,314	2,544
Equity method investments	4,699	5,565
Intangible assets other than goodwill	50,313	50,894
Intangible assets	1,214	834
Property, plant and equipment	255,462	232,356
Biological assets, non-current	20,582	16,033
Long-term deferred taxes	24,645	26,331
Total non-current assets	**380,148**	**361,849**
Total assets	**685,180**	**643,100**
Other financial liabilities, current	1,306	18,144
Trade and other payables, current	108,548	106,981
Related party payables, current	784	1,441
Tax liabilities, current	6,874	2,112
Inter-divisional accounts	0	0
Employee benefit provisions, current	2,556	2,434
Total current liabilities	**120,068**	**131,112**
Other financial liabilities, non-current	80,406	153,819
Trade and other payables, non-current	302	728
Related party payables, non-current	0	0
Long-term provisions	0	0
Deferred tax liabilities	16,168	16,330
Employee benefit provisions, non-current	1,261	1,149
Total non-current liabilities	**98,137**	**172,026**
Total liabilities	**218,205**	**303,138**
Share capital	284,134	217,742
Share premium	0	155,006
Retained earnings (accumulated losses)	20,808	(88,614)
Other reserves	50,784	7
Non-controlling interest	111,249	55,821
Total equity	**466,975**	**339,962**
Total equity and liabilities	**685,180**	**643,100**

Cash Flow Statement (ThUS$)

	Q4 2018	Q4 2017	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Receipts from sale of goods and provision of services	137,512	116,599	675,767	498,423
Other receipts from operating activities				
Payments				
Payments to suppliers for goods and services	-87,949	-75,177	-522,116	-387,398
Payments to and on behalf of employees	-19,060	-19,578	-82,114	-73,365
Dividends paid	0	0	-1,006	0
Dividends received	577	0	2,077	1,039
Interest paid	-3,179	-2,954	-9,557	-5,788
Interest received	2	19	54	56
Income taxes refunded (paid)	-3,395	10	-3,616	-253
Other receipts (payments)	67	591	93	734
Net cash flows provided by (used in) operating activities	**24,575**	**19,510**	**59,582**	**33,448**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuing shares	0	4,804	100,975	4,804
Proceeds from short-term loans	0	-163	6,000	0
Loan repayments	-20,873	-8,218	-95,913	-19,028
Net cash flows provided by (used in) financing activities	**-20,873**	**-3,577**	**11,062**	**-14,224**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposals of property, plant and equipment	284	212	533	409
Purchases of property, plant and equipment	-9,167	-10,864	-49,216	-29,288
Other receipts (payments)	-139	439	-339	507
Net cash flows provided by (used in) investing activities	**-9,022**	**-10,213**	**-49,022**	**-28,372**
Effects of changes in exchange rates on cash and cash equivalents	-592	-341	-1,079	-440
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-5,912	5,379	20,543	-9,588
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	36,660	4,826	10,205	19,793
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**30,748**	**10,205**	**30,748**	**10,205**

Statement of Changes in Equity (ThUS$)

	Share capital	Share premium	Foreign currency conversion reserve	Cash flow hedge reserve	Other reserves	Total other reserves	Retained earnings (accumulated losses)	Equity attributable to the parent company	Non-controlling interest	Total equity
Opening balance as of January 1, 2017	217,742	155,006	-321	103		-218	-104,393	268,137	56,682	324,819
Changes in equity										
Comprehensive income										
Net profit (loss) for the year							15,779	15,779	-851	14,928
Other comprehensive income (loss)			320	-95		225		225	-10	215
Closing balance as of December 31, 2017	**217,742**	**155,006**	**-1**	**8**		**7**	**(88,614)**	**284,141**	**55,821**	**339,962**
Opening balance as of January 1, 2018	217,742	155,006	-1	8		7	(88,614)	284,141	55,821	339,962
Capitalization of earnings	66,392	-155,006					88,614			
Changes in equity										
Comprehensive income										
Net profit (loss) for the year							30,782	30,782	13,432	44,214
Other comprehensive income (loss)			-419	-40		-459		-459	-99	-558
Dividends accrued							-9,974	-9,974	-4,279	-14,253
Increase for changes in interests in subsidiaries that do not involve loss of control					51,236	51,236		51,236	46,374	97,610
Closing balance as of December 31, 2018	**284,134**		**-420**	**-32**	**51,236**	**50,784**	**20,808**	**355,726**	**111,249**	**466,975**

Additional Information

Key Financial Indicators

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

	12/31/2018	12/31/2017
Liquidity Indicators		
1) Current Liquidity	2.54	2.12
2) Acid Ratio	1.10	0.82
3) Working Capital (US$ million)	185.0	150.1
Debt Indicators		
4) Net Debt Ratio (NIBD)	0.40	0.87
5) Current Liabilities / Total Liabilities	0.55	0.44
6) Non-Current Liabilities / Total Liabilities	0.45	0.56
Profitability Indicators	(12 months)	(12 months)
7) Return on Equity	6.59%	4.64%
8) Return on Assets	20.08%	11.71%

Notes:
1) Current Liquidity: Current Assets / Current Liabilities
2) Acid Ratio: Current Assets Net of Inventory and Biological Assets / Current Liabilities
3) Working Capital: Current Assets - Current Liabilities
4) Net Debt Ratio: Total Liabilities - Available Cash / Total Equity
7) Return on Equity: Net Income (Loss) Attributable to Owners of the Parent Company / Total Equity
8) Return on Assets: Gross Margin before Fair Value Adjustment / Total Assets.

The increase of 0.42 in current liquidity is mainly caused by an increase of US$ 21.4 million in current assets and a decrease of US$ 13.4 million in current liabilities, as explained in the statement of financial position analysis. As a result of these movements, working capital increased by US$ 34.8 million, where US$ 16.0 million is explained by an increase in current biological assets. Accordingly, working capital was US$ 185 million as of the reporting date, compared to financial debt of US$ 82 million.

The increase of 0.27 in the acid ratio was caused by movements already explained in current assets and liabilities. These changes have already been explained in the statement of financial position analysis.

Net Debt Ratio fell from 0.87 to 0.40 mainly due to total liabilities decreasing by US$ 87.3 million and equity increasing by US$ 129 million. These changes have already been explained in the statement of financial position analysis.

The proportion of long-term liabilities decreased from 0.56 to 0.45 as of December 2018, due to the combination of decreases in current and non-current liabilities. These changes have already been explained in the statement of financial position analysis.

The ratio of net debt over EBITDA was 0.50 as of December 2018, versus 3.44 as of December 2017, due to the reduction in net debt.

Return on equity and return on assets are mainly due to the Company's margins and performance for the respective periods, and the previously mentioned effects of the IPO for Salmones Camanchaca that took place on February 2, 2018.

Cumulative Indicators for the Salmon Farming Division

		2018	2017
a.	Atlantic Salmon Harvests (tons WFE)/ Site	4,041	4,277
b.	Atlantic Salmon Farming Density (kg/m3)	7.0	7.3
c.	Atlantic Salmon Group Survival Rate (sea water)	91.6%	93.6%
d.	EBIT before Fair Value Adjustment (US$ million)	70.5	41.4
e.	EBIT before Fair Value Adjustment (/kg WFE)	1.33	1.20

Notes:

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

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

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

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

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

Biomass Fair Value

Fair Value for the period ended December 31 (ThUS$)

	Gain on fair value of biological assets		Cost of harvested and sold biological assets	
	2018	2017	2018	2017
Atlantic salmon	95,455	54,362	-100,280	-49,061

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

a. "Fair value adjustment to biological assets" records the estimated gain or loss for the period from valuing the biomass of live and harvested fish that will be sold in future periods. It can be positive or negative based on variations in the biomass included in the valuation and its market price. A gain of US$ 95.5 million was recorded for the Fair Value Adjustment of the live and harvested biomass as of December 31, 2018, compared to a gain of US$ 54.4 million as of the same date in 2017.

b. "Cost of harvested and sold biological assets" records the realized gain or loss on the live biomass, and the biomass harvested in current and prior periods that was sold in the current period. This account reverses the estimated gain or loss for the current and prior periods and the actual result of the transaction is recorded in operating revenue and cost of sales. The net effect of the biomass sold as of December 31, 2018, was a loss of US$ 100.3 million, which reversed a positive margin estimated in prior periods, in contrast to a loss of US$ 49.1 million as of December 31, 2017.

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

Differences between the Market and Book Values of Principal Assets used by the Salmon Farming Division

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

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

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

Smaller fish are valued at cost, though are subject to net realizable value testing.
Changes in the fair value of biological assets are recorded in the statement of net income for the year.
Biological assets that will be harvested in the next 12 months are classified as current biological assets.

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

The Company uses the following method.

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