



SALMONES CAMANCHACA S.A. AND SUBSIDIARIES

Earnings Report on the Consolidated Financial Statements

For the fourth quarters and full years ended December 31, 2017 and 2016.

EARNINGS REPORT

This document contains the Quarterly Earnings Report of the Consolidated Financial Statements of Salmenes Camanchaca S.A. as of December 31, 2017, compared to December 31, 2016, which covers the consolidated statements of financial position, cash flows and net income. The analysis covers the latest quarter of each year and the full year.

1. BUSINESS DIVISIONS

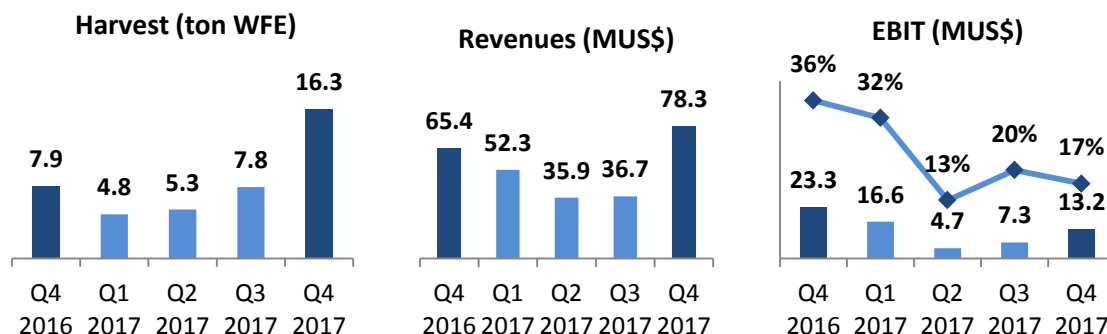
The business divisions covered in this report include all the company's salmon farming operations in the 8th, 10th and 11th regions; genetics and egg production; freshwater hatchery; 74 sea water grow-out sites in 14 neighborhoods; two primary processing plants in the 10th region; and a value-added processing and freezing plant in the 8th region. It also includes finished product marketing.

2. QUARTERLY AND ANNUAL KEY FIGURES

ThUS\$	Q4 2017	Q4 2016	Δ%	FY 2017	FY 2016	Δ%
Operating revenues	78,250	65,357	19.7%	203,070	225,546	-10.0%
Gross profit pre Fair Value	18,217	27,287	-33.2%	58,211	40,349	44.3%
EBITDA	15,795	25,829	-38.8%	52,474	34,862	50.5%
EBIT	13,196	23,286	-43.3%	41,794	24,405	71.3%
EBIT %	16.9%	35.6%	-52.7%	20.6%	10.8%	90.2%
Fair Value	-2,699	-10,700	-74.8%	5,301	24,929	-78.7%
Net profit	4,854	6,488	-25.2%	31,721	27,166	16.8%
Harvests (ton WFE)	16,284	7,859	107.2%	34,213	32,644	4.8%
Harvests (ton GWE)	14,656	7,073	107.2%	30,792	29,380	4.8%
Sales (ton WFE)	13,437	9,109	47.5%	30,049	38,494	-21.9%
Sales (ton GWE)	12,094	8,198	47.5%	27,044	34,645	-21.9%
Ex cage Cost (US\$/Kg live weight)	2.9	2.8	5.4%	3.0	3.3	-8.8%
Ex cage Cost (US\$/Kg WFE)	3.2	3.0	5.4%	3.2	3.6	-8.8%
Ex cage Cost (US\$/Kg GWE)	3.5	3.3	5.4%	3.6	4.0	-8.8%
Price (US\$/Kg WFE)*	5.7	6.8	-16.6%	6.3	5.6	11.3%
Price (US\$/Kg GWE)*	6.3	7.6	-16.6%	7.0	6.3	11.3%
EBIT/Kg WFE (US\$)**	0.99	2.28	-56.4%	1.19	0.55	116.5%
EBIT/Kg GWE (US\$)**	1.10	2.53	-56.4%	1.32	0.61	116.5%

*Billing in US\$ divided by ton sold

**Excludes the net profit/loss from the trout Joint Venture



3. MAIN COMMENTS TO THE QUARTERLY AND ANNUAL RESULTS

Fourth Quarter

The Company recorded a net profit of US\$ 4.9 million for the fourth quarter of 2017, which is 25.2% lower than the net profit of US\$ 6.5 million for the same period in 2016. EBITDA fell 38.8% from US\$ 25.8 million in the fourth quarter 2016 to US\$15.8 million in 2017. This reduction in quarterly performance was the result of two opposing factors:

- a) It was adversely affected by a substantial fall in prices in the fourth quarter compared to same quarter last year, which returned to their historical levels, combined with a slight increase in harvesting costs of 5%.
- b) It was favorably affected by 48% higher sales volumes from our own farms, as Q4 2016 was affected by the harmful algae bloom (HAB), which reduced harvests for that period by almost 12,000 tons.

Q4 2017 performance included the negative net effect of "fair value" (FV) adjustments of US\$ 2.7 million. This was US\$ 8 million higher than in Q4 2016, due to the reversal of estimated margins on fish sold in that period, but already recognized in previous periods. Gross profit before fair value adjustments was US\$ 18.2 million, which is comparable to the US\$ 27.3 million achieved in Q4 2016.

Operating revenue increased by 19.7%, reaching US\$ 78 million, due to the combination of 47.5% higher sales volumes from company-farmed salmon, offset by prices falling by 16.6%.

Full Year

The Company recorded a net profit of US\$ 31.7 million for the year ended December 31, 2017, an increase of 16.8%, which compares favorably with the net profit of US\$ 27.2 million for 2016. The EBITDA increase was even larger and rose from US\$ 34.9 million in 2016 to US\$ 52.5 million in 2017. This improvement was achieved within the context of oceanographic stabilization in 2017 following the acute effects of the El Niño phenomenon at the beginning of 2016.

Specifically, the most significant changes in these results were due to:

- a) The favorable combination of higher salmon prices, which rose by 11.3%, and lower harvesting costs, which fell by 8.6%.
- b) Offset by lower sales volumes of company-farmed salmon, which fell by 21.9% due to: i) the one-off decision to reduce smolt stocking at two farming sites in 2015, which resulted in reduced harvests in the first quarter of 2017, and ii) a drop in salmon harvests of 12,000 tons in 2016, due to the harmful algae bloom (HAB), which led to reduced inventory at the start of 2017.

This positive performance includes a net positive "fair value" (FV) adjustment of US\$ 5.3 million. However, this FV adjustment is US\$ 19.6 million lower than in 2016 due to a combination of: i) lower prices at the end of January 2018 compared to January 2017, reducing the fair value of biomass over 4 kg; ii) the reversal of estimated margins on fish sold in this period, but already recognized in previous periods. The gross profit before fair value adjustments for the year ended December 31, 2017 was US\$ 58.2 million, which compares favorably with the US\$ 40.3 million achieved last year.

Operating revenue fell by 10%, reaching US\$ 203 million, due to a reduction of 21.9% in the sales volumes of company-farmed salmon, offset by prices rising by 11.3%.

4. FINANCIAL PERFORMANCE

Sales volume of company-farmed products for the year ended December 31, 2017 totaled 30,049 tons WFE, a fall of 21.9% over 2016. This was a consequence of smolt stocking decisions in 2015 to improve cash liquidity in 2016, and the effect of the HAB, which left the Company with reduced harvest at the end of 2016 and therefore low level of inventory as of January 2017, compared to January 2016. Therefore, Operating Revenue was US\$ 203 million, down 10% compared to 2016. The Company recorded a Net Profit of US\$ 31.7 million, 17% higher than in 2016, due to higher average prices and despite lower sales volumes in 2017, and a smaller FV adjustment of US\$ 5.3 million for the year, US\$ 19.6 million lower than as of December 31, 2016.

Additional Information:

- a. Sales volume of Company's products fell by 21.9% for the year ended December 31, 2017, to just over 30,000 tons WFE. This was mainly due to relatively high level of sales during 2016, which was possible as high level of inventories were left at the end of 2015. In the Q4 2015, the Company expected a recovery of prices during 2016 and left higher than normal inventories, all of which proved to be correct.
- b. The strategy of making better use of under-utilized assets by providing services to third parties, resulted in operating margins of US\$ 4.1 million as of December 31, 2017, a fall of 2.3% compared to the same period in 2016, mainly due to lower leasing/renting income. This income continued to fall as leased concessions returned to Company use, though offset by higher income from processing services.
- c. Salmones Camanchaca had 8 leased farming concessions as of December 31, 2017, mainly in the Reloncaví Estuary as trout grow-out sites. Salmones Camanchaca contributes with these leased concessions as a "Partnership Account Participation" or Joint Venture with third parties in the trout business. This business generated profits for Salmones Camanchaca of US\$ 6.1 million during the year ended December 31, 2017, an increase of 86% over 2016.
- d. The net fair value adjustment of the salmon biomass as of December 31, 2017 was a gain of US\$ 5.3 million, compared to a gain of US\$ 24.9 million for the same period in 2016. This reduction reflects specific gross profits that had already been recognized in previous quarters on products that were still in inventory. These were reversed during this period when they were sold. The fair value adjustment of the salmon biomass was also affected by a fall in salmon prices from Q3 2017 to the close of Q4 2017.
- e. EBITDA before the salmon biomass fair value adjustment reflects the profit on fish harvested and sold, and this came to US\$ 52.5 million, which compares favorably with US\$ 34.9 million as of December 31, 2016. This improvement arose from improved average salmon prices during the year, which increased by US\$ 0.6 per kg WFE, or +11.3%, and reduced harvesting costs, both of which compensated for the lower sales volumes mentioned previously.
- f. The EBIT pre fair value as of December 31, 2017 was US\$ 41.8 million. Excluding the trout business that produced a profit of US\$ 6.1 million, the Atlantic salmon business achieved an EBIT of US\$ 1.19 per kg WFE as of December 31, 2017, which more than doubled the US\$ 0.55 achieved as of December 31, 2016.
- g. Administrative expenses as a percentage of operating revenue increased from 4.1% to 5.3%, while distribution costs (including sales expenses) fell from 3.0% to 2.8%. Therefore, the Company's combined administration and distribution costs rose from 7.1% of operating revenue to 8.1%. This was explained by the decrease in salmon revenues; falling exchange rates that affected administration expenses mostly in Chilean pesos; staff severance settlements; and the SAP implementation, which is now fully operational. Lower sales volumes explained the fall in distribution costs, combined with greater efficiencies in logistics.
- h. There were no extraordinary significant events in "Other income (losses)" in 2017, which compares favorably with 2016 when a net loss of US\$ 10.1 million was recognized, associated with the HAB caused by the El Niño phenomenon.
- i. The Company's finished product inventories valued at cost as of December 31, 2017 were US\$ 33.6 million, equivalent to slightly over 5,000 tons of finished product, which represented about 40% of the harvest during Q4 2017.
- j. The Company repaid approximately US\$ 10.4 million in capital to its creditor banks in May and November 2017, in accordance with the agreed schedule. Its bank debt as of December 31, 2017 was approximately US\$ 100 million. New refinancing took place at the end of November 2017, and rescheduled all the outstanding debt as of that date, which came from the refinancing of May 2013 with a residual term of 2 years. The new creditors are three financial institutions (DNB, Rabobank and Santander), a reduction of 4 banks from the previous financing (7). The Norwegian bank DNB was incorporated, who acted as structuring agent. This new funding has a 5 year term with 10% repayments at the end of year 3 and 4, and the remainder at maturity. These conditions provide the Company with greater operational and strategic flexibility.

- k. A corporate reorganization took place at Salmon Division of the Parent Company on September 14, 2017, aimed to transfer all its assets used in the salmon business (smolt stocking, harvesting, and processing) to Salmenes Camanchaca S.A. The share capital of Salmenes Camanchaca was increased, and settled when the Parent Company contributed with all the shares it directly held in Fiordo Blanco S.A. and Surproceso S.A. In addition, a Receivable held by the Parent Company on Salmenes Camanchaca was capitalized. This resulted in the number of shares increasing to 66 million, and share Capital becoming US\$ 91 million as of December 31, 2017.
- l. As of December 2017, the Company has paid 98.6% of suppliers on time, a proportion raised to 99.4% when payments that are less than 30 days overdue are included.

5. OPERATIONAL PERFORMANCE

Key Business Drivers

Salmenes Camanchaca's performance is closely related to two key drivers:

- a. The price of Atlantic salmon, which is very sensitive to Norwegian and Chilean supply conditions, and the exchange rates of its main trading partners;
- b. Sanitary conditions for Atlantic salmon, which affects unit costs.

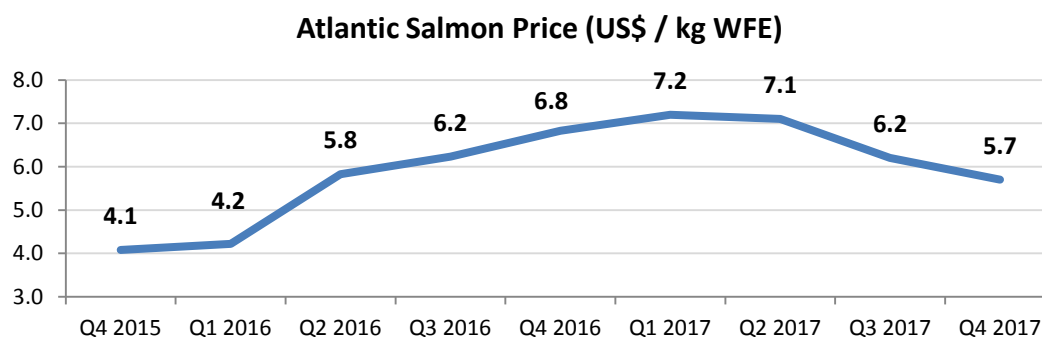
Recent changes in these critical variables are explained in the following sections: Revenue and prices; Productive performance.

5.1. Analysis of revenue and price

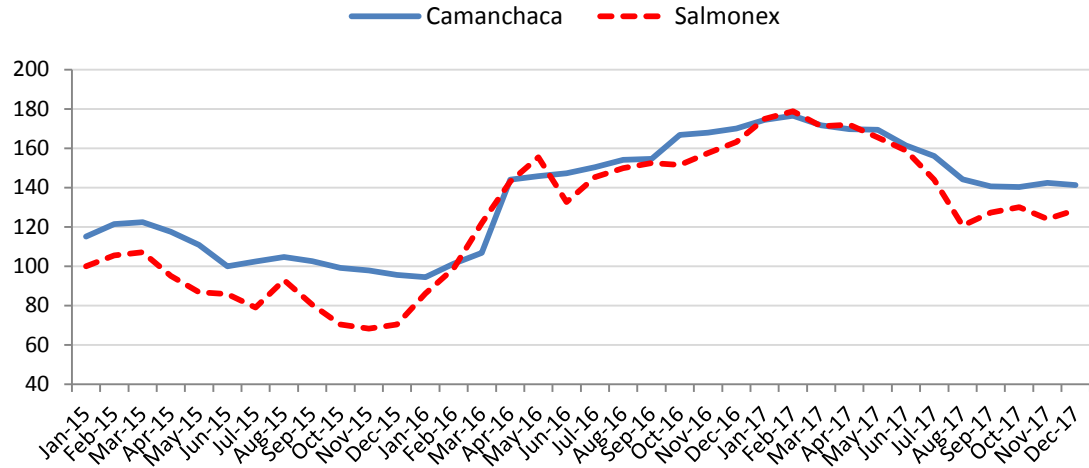
Price.

Atlantic salmon prices were US\$ 5.7 per kg WFE in Q4 2017, which is 16.6% lower than the price for the same period in 2016. This trend in prices began 2 years ago when they started to cautiously increase at the beginning of 2016 following the verification of a global supply reduction. They then accelerated after the HAB in Chile, which reduced Chilean supplies by 20% between the second half of 2016 and the first half of 2017. Current prices already reflect an adjustment for normal harvests after the HAB and reflect global supply growth, which was close to 6% in 2017. Estimated supply growth for 2018 is between 3% and 5%, which is consistent with long-term trends.

In relative terms, the rapid increase in market prices during the second quarter of 2016 and again in the first quarter of 2017 generated a natural delay in the effective raw material yield obtained by Salmenes Camanchaca, compared to the daily spot price in the United States (Urner Barry) or the SalmonEx index, as the Company's contracts average 60-90 days. Greater price stability towards the end of 2017 helped prices to return to their historical trend, and Salmenes Camanchaca achieved an average margin close to 50 - 60 cents per kg WFE above the North American market's short-term indicators.



Raw Material Return (US\$ / kg WFE) Camanchaca vs Market Salmonex January 2015 = Base 100



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

Sales Volumes

		Salmon Harvest				Salmon Harvest			
		YTD Q4 2017	YTD Q4 2016	Change	Change %	Q4 2017	Q4 2016	Change	Change %
Atlantic Salmon	tons WFE	34,213	32,644	1,569	4.8%	16,284	7,859	8,425	107.2%

		Production				Production			
		YTD Q4 2017	YTD Q4 2016	Change	Change %	Q4 2017	Q4 2016	Change	Change %
Atlantic Salmon	tons WFE	34,118	32,287	1,831	5.7%	16,216	7,725	8,491	109.9%

		Sales				Sales			
		YTD Q4 2017	YTD Q4 2016	Change	Change %	Q4 2017	Q4 2016	Change	Change %
Atlantic Salmon	tons WFE	30,049	38,494	-8,445	-21.9%	13,437	9,109	4,329	47.5%

Average Sales Prices

		Average Sales Price of Products				Average Sales Price of Products			
		YTD Q4 2017	YTD Q4 2016	Change	Change %	Q4 2017	Q4 2016	Change	Change %
Atlantic Salmon	US\$ x kg	6.3	5.6	0.6	11.3%	5.7	6.8	-1.1	-16.6%

Change in Revenue due to Price Effect*

		Change in Revenue due to Price Effect				Change in Revenue due to Price Effect			
		YTD Q4 2017	YTD Q4 2016	Change	Change %	Q4 2017	Q4 2016	Change	Change %
Atlantic Salmon	ThUS\$	188,943	169,723	19,220	11.3%	76,537	91,789	-15,252	-16.6%

* With constant volume 2017

Revenue

As of December 2017

Product or Species	U.S. ThUS\$	Europe + EuroAsia ThUS\$	Asia ex Japan ThUS\$	Japan ThUS\$	LATAM ex Chile ThUS\$	National Market ThUS\$	Others ThUS\$	TOTAL ThUS\$
Atlantic Salmon	70,189	31,847	16,390	14,356	49,004	4,988	2,169	188,943
Trout	0	0	0	0	0	6,115	0	6,115
OTHERS	0	0	0	0	0	8,012	0	8,012
TOTAL	70,189	31,847	16,390	14,356	49,004	19,115	2,169	203,070

As of December 2016

Product or Species	U.S. ThUS\$	Europe + EuroAsia ThUS\$	Asia ex Japan ThUS\$	Japan ThUS\$	LATAM ex Chile ThUS\$	National Market ThUS\$	Others ThUS\$	TOTAL ThUS\$
Atlantic Salmon	80,003	52,779	18,083	13,379	48,774	3,776	629	217,422
Trout	0	0	0	0	0	3,296	0	3,296
OTHERS	0	0	0	0	0	4,828	0	4,828
TOTAL	80,003	52,779	18,083	13,379	48,774	11,899	629	225,546

The Company's commercial policy seeks to diversify its products and target markets. Salmones Camanchaca has held an interest in "New World Currents" since November 2013, which is a joint venture with three other Chilean producers to satisfy the demand for salmon in the Chinese market. There has been a significant increase in air shipments of fresh produce over the last two years, with a consequent increase in distribution costs. Salmones Camanchaca focuses its strategies on the most attractive markets with the best raw material yield based on short and medium-term conditions. The Company defines its value-added products as those containing some degree of secondary processing. These products account for 82% of sales for the period to December 31, 2017 and 82.6% of sales for the same period in 2016. The remainder are sales of fresh whole salmon that have only undergone primary processing (bleeding and gutting). Fresh Atlantic salmon fillets are preferred in the US market; frozen Atlantic salmon fillets and portions in Europe; fresh or frozen whole Atlantic salmon in Asia (excluding Japan); frozen Atlantic salmon fillets in Japan; whole fresh Atlantic salmon in Brazil and Argentina, and frozen Atlantic salmon fillets in the rest of Latin America.

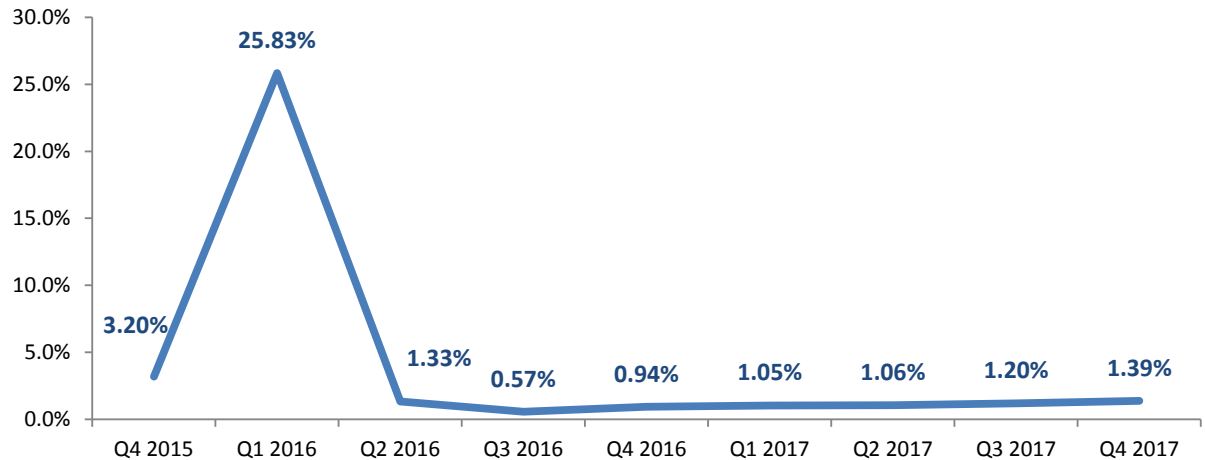
From year-end 2016 to year-end 2017, the US market as a percentage of total sales decreased from 35.5% to 34.6%. Europe and Eurasia decreased from 23.4% to 15.7%. Asia excluding Japan increased from 8.0% to 8.1% and Japan increased from 5.9% to 7.1%. Latin America excluding Chile grew from 21.6% to 24.1%. The Salmones Camanchaca proportion of its Partnership Account Participation with third parties in the trout business competes within the national market. Other income is mostly processing and services for third parties.

5.2. Productive performance

The sanitary conditions for salmon indicated an extraordinary increase in mortality rates during the first quarter of 2016, mainly as a result of extraordinary harmful algae bloom (HAB) associated with the most severe El Niño phenomenon for 65 years. This situation started to stabilize in the second half of that year and mortality in open and closed farm sites fell to only 1.39% by the fourth quarter of 2017.

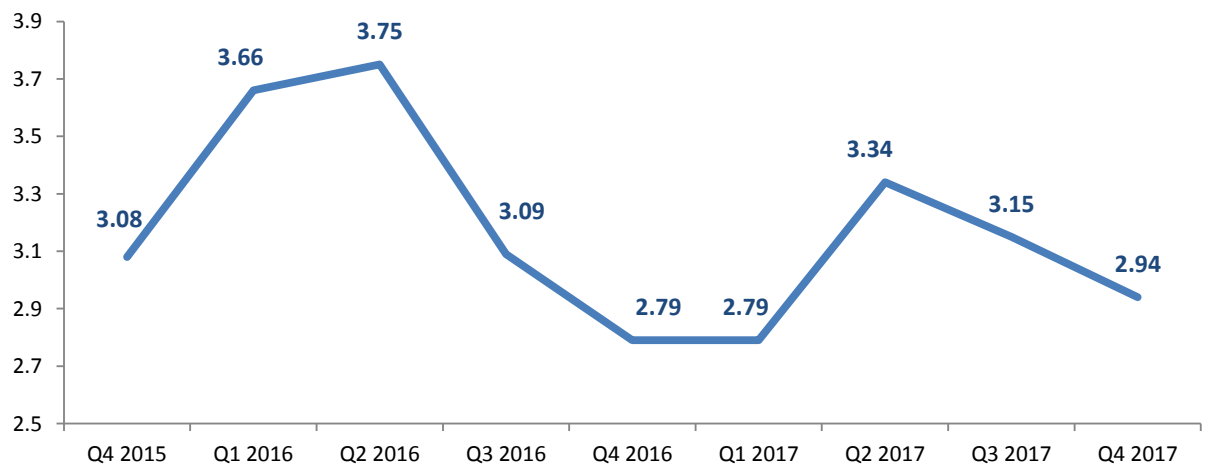
Ex-cage costs live weight of harvested fish in Q4 2017 were US\$ 2.94 per kg, which is 15 cents higher than the cost of US\$ 2.79 for the same period in 2016, but 14 cents lower than in Q4 2015, which is a more representative period for these sites and neighborhoods. The increase of 6 cents over the fourth quarter of 2016 that affected approximately 14,000 tons of live weight equivalent sold, had a negative impact of close to US\$ 0.8 million in the fourth quarter of 2017. Production costs as of December 31, 2016 do not include the catastrophic mortality caused by the HAB, which was separately disclosed in net income for the period as a non-recurring extraordinary loss within "Other income (losses)".

Atlantic Salmon Mortality (%)



*Total quarterly mortality including both closed and open sites. The closed sites affected by the HAB are included.

Salar - Liveweight ex-cage cost (US\$ / kg)



Salmones Camanchaca published its third Sustainability Report during July 2017, which provided valuable information about the challenges, priorities and performance of the most important issues affecting the sustainability of our salmon farming division from a financial, social and environmental perspective.

Regarding processing plants, Salmones Camanchaca has the San José primary processing plant that processes the 10th region harvests, which during 2017 processed 40 thousand tons WFE, from which 23 thousand tons are company-farmed salmon at a cost close to US\$ 0.13 per kg WFE. In addition, the company participates with a third of the primary processing plant Surproceso that processes the harvests of the 11th region, which during 2017 processed 5 thousand tons WFE of company-farmed salmon with a cost close to US\$ 0.17 per kg WFE. The company's secondary processing plant located in Tomé, processed 28 thousand tons WFE of company-farmed salmon in 2017 at a cost of around US\$ 0.75 per kg WFE.

6. SUBSEQUENT EVENTS

On February 2, 2018 Salmones Camanchaca completed the IPO for its shares in Chile and their representative certificates in Norway. The IPO captured interest in the Chilean and Nordic capital markets, particularly the latter, as it has the highest sectoral depth, analysis and liquidity. The Company's primary offer was for 13.9% of its shares, and raised US\$ 50 million. The funds raised will finance the organic growth plans for Salmones Camanchaca and its subsidiaries, which was explained during the opening process. This process also included

offering shares already issued by Salmones Camanchaca and held by its Parent Company, which represented a 16.1% interest.

On March 15, 2018, Salmones Camanchaca made a special US\$ 20 million repayment of its bank debt, which left its net financial debt at US\$ 80 million. The Company has an open credit line of US\$ 100 million.

7. FINANCIAL INFORMATION

Consolidation

The consolidated statement of financial position as of December 31, 2017 and December 31, 2016 consolidates the individual statements of financial position for Salmenes Camanchaca S.A. and Fiordo Blanco S.A.

Salmenes 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.

The statements of financial position, cash flows and net income are presented for the period ended December 31, 2017. They are compared with these same statements as of December 31, 2016.

7.1. CONSOLIDATED FINANCIAL STATEMENTS

ThUS\$

<u>STATEMENT OF INCOME</u>				
	Q4 2017	Q4 2016	YTD Q4 2017	YTD Q4 2016
Operating revenue	78,250	65,357	203,070	225,546
Cost of sales	(60,033)	(38,070)	(144,859)	(185,197)
Gross profit before fair value adjustments	18,217	27,287	58,211	40,349
Administrative expenses	(2,437)	(2,536)	(10,750)	(9,207)
Distribution costs	(2,584)	(1,465)	(5,667)	(6,737)
EBIT before fair value	13,196	23,286	41,794	24,405
EBITDA before fair value	15,795	25,829	52,474	34,862
Fair value adjustment to biological assets	14,409	13,419	54,362	63,623
Fair value adjustment to harvest and sales	(17,108)	(24,119)	(49,061)	(38,694)
EBIT after fair value	10,497	12,586	47,095	49,334
EBITDA after fair value	13,096	15,129	57,775	59,791
Finance costs	(1,486)	(938)	(4,236)	(3,596)
Share of profit (loss) of associates	395	9	541	127
Exchange differences	(335)	359	(455)	(409)
Other income (losses)	(657)	(4,145)	(60)	(10,054)
Finance income	19	31	55	73
Net profit (loss) before taxes	8,433	7,902	42,940	35,475
Income taxes	(3,579)	(1,414)	(11,219)	(8,309)
Net profit (loss) from continuing operations	4,854	6,488	31,721	27,166
Profit (loss) from discontinued operations	0	0	0	0
Net profit (loss) for the period	4,854	6,488	31,721	27,166
Non-controlling interest	0	0	0	0
Net profit (loss) for the period attributable to owners of the parent	4,854	6,488	31,721	27,166

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

EBITDA after fair value adjustments: EBITDA + fair value adjustments to biological assets - fair value adjustments to harvest and sales

7.2. STATEMENTS OF FINANCIAL POSITION

	Dec 2017 ThUS\$	Sep 2017 ThUS\$	Dec 2016 ThUS\$
ASSETS			
Current assets	198,975	160,973	135,921
Property, plant and equipment	73,646	71,029	69,005
Other non-current assets	33,383	45,289	25,961
Total assets	306,004	277,291	230,887
LIABILITIES			
Current liabilities	79,191	54,415	72,196
Non-current liabilities	118,111	115,843	140,445
Total liabilities	197,302	170,258	212,641
Net equity attributable to owners of the parent company	108,702	107,033	18,246
Total equity	108,702	107,033	18,246
Total liabilities and equity	306,004	277,291	230,887

A. Asset Analysis

The Company's total assets increased by US\$ 75.1 million between December 2016 and December 2017, to reach US\$ 306 million, mainly due to an increase of US\$ 36.5 million in current biological assets, thus reflecting stable biomass volumes and projected harvests of Atlantic salmon in 2018 of 45,000 to 50,000 tons WFE. This biomass was temporarily below its target levels, due to the effects of the harmful algae bloom in Q1 2016, and lower smolt stockings in 2015. Inventories also increased by US\$ 14.8 million as of December 31, 2017, with close to 3,000 tons of additional finished product compared to the close of 2016.

A significant component of the Company's EBITDA this year has been invested in biomass growth, which will prepare the Company for expected harvests of over 50,000 tons in 2019.

Current Assets

Current assets increased by US\$ 63.1 million (+46.4%) as of December 31, 2017, attributable to:

- An increase in current biological assets of US\$ 36.5 million, which is mainly due to the greater salmon biomass explained in the previous paragraph.
- An increase of US\$ 14.8 million in inventories, due to 3,000 tons of additional finished product compared to the close of 2016.

Property, Plant, Equipment and Other Non-Current Assets

Non-current assets have increased by US\$ 12.1 million (+12.7%) as of December 31, 2017, to reach US\$ 107 million, mainly associated with an increase of US\$ 9.8 million in investments and fixed assets, which is consistent with the plan to increase harvests.

B. Liabilities and Equity Analysis

The Company's liabilities and equity decreased by 7.2% to US\$ 197 million as of December 31, 2017, which is explained by the following movements:

Current Liabilities

Current liabilities increased by US\$ 7 million (+9.7%) mainly explained by an increase of US\$ 43.6 million in third party payables associated with salmon feed suppliers following growth in the Company's biological assets; a decrease of US\$ 10.1 million in other financial liabilities as a result of scheduled debt repayments; and a decrease of US\$ 28.6 million in related company payables following the restructuring on September 14, 2017. Fiordo Blanco S.A. became a subsidiary of Salmenes Camanchaca on this date, and this account was offset during the consolidation of the financial statements. This situation did not apply as of December 31, 2016, when Fiordo Blanco S.A. was related company.

Non-Current Liabilities

Non-current liabilities decreased by US\$ 22.3 million, mainly due to a decrease of US\$ 31.8 million in related company payables, due to the previously mentioned capitalization of receivables held by the parent company.

Equity

The Company's equity increased from US\$ 18.2 million as of December 31, 2016, to US\$ 109 million as of December 31, 2017, mainly due to the previously mentioned capital increase and net profit for the year.

7.3. STATEMENTS OF CASH FLOW (ThUS\$)

The Company had cash and cash equivalents of US\$ 0.8 million as of December 31, 2017, which is 48% lower than the US\$ 1.6 million as of December 31, 2016, explained by:

	Q4 2017	Q4 2016	As of December 31, 2017	As of December 31, 2016
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES				
Receipts				
Receipts from the sale of goods & provision of services	59,876	64,073	224,137	236,736
Payments				
Payments to suppliers for goods and services	-35,614	-53,931	-161,742	-168,423
Payments to and on behalf of employees	-6,889	-4,817	-22,634	-20,368
Interest paid	-1,910	-1,626	-3,683	-3,367
Interest received	18	31	55	73
Income taxes refunded (paid)	-48	0	31	-47
Other cash receipts (payments)	735	400	734	2,225
Net cash flows from operating activities	16,168	4,130	36,898	46,829
CASH FLOWS USED BY FINANCING ACTIVITIES				
Receipts from short-term loans				
Loan repayments	-5,248	-5,159	-10,407	-10,619
Payments to related parties	-5,214	-2,315	-10,640	-25,140
Receipts from related parties	-68	0	0	0
Net cash flows used by financing activities	-10,530	-7,474	-21,047	-35,759
CASH FLOWS USED BY INVESTING ACTIVITIES				
Receipts from the sale of property, plant and equipment	157	105	261	105
Purchases of property, plant and equipment	-5,703	-3,386	-16,256	-11,029
Other cash receipts (payments)	-148	0	-81	0
Net cash flows used by investing activities	-5,694	-3,281	-16,076	-10,924
Effects of changes in exchange rates on cash and cash equivalents	-341	-69	-571	-278
NET INCREASE IN CASH AND CASH EQUIVALENTS	-397	-6,694	-796	-132
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,243	8,336	1,642	1,774
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	846	1,642	846	1,642

Operating activities generated a positive net cash flow of US\$ 36.9 million in 2017, a fall of 21.2% compared to 2016, mainly due to the fall in sales volumes of 21.9%.

Financing activities produced negative net cash flows of US\$ 21 million in 2017 compared to negative net cash flows of US\$ 35.8 million during 2016. This is mainly explained by lower payments to related companies following the capital increase in September 2017, where Fiordo Blanco S.A. became a subsidiary of Salmenes Camanchaca.

Investing activities produced negative net cash flows of US\$ 16.1 million in 2017, compared to negative net cash flows of US\$ 10.9 million in 2016, as a result of investments in the Company's growth plan projects and efficiency projects. These investments mainly consist of new farming sites, according to the productive plan of the company (US\$ 3.5 million), hatchery expansion at Petrohué in order to produce higher smolt-weight (US\$ 3.2 million), and capacity and efficiency investments at processing plants (US\$ 2.9 million).

7.4. ANALYSIS OF THE FINANCIAL STATEMENTS

A. Consolidated Analysis

This section compares the Company's key financial indicators based on its consolidated financial statements as of December 31, 2017 compared to December 31, 2016.

	Dec 2017	Dec 2016
Liquidity Indicators		
1) Current Liquidity	2.51	1.88
2) Acid Ratio	0.80	0.71
3) Working Capital (US\$ million)	119.8	63.7
Debt Indicators		
4) Net Debt Ratio	1.81	11.56
5) Current Liabilities / Total Liabilities	0.40	0.34
6) Non-Current Liabilities / Total Liabilities	0.60	0.66
Profitability Indicators		
	(12 months)	(12 months)
7) Return on Equity	29.18%	148.89%
8) Return on Assets	19.02%	17.48%

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 profit before Fair Value Adjustment / Total Assets.

The increase of 0.63 in current liquidity is mainly caused by an increase of US\$ 63.1 million in current assets and by an increase of US\$ 7 million in current liabilities. These variations have already been explained in the statement of financial position analysis. As a result of these movements, working capital increased by US\$ 56.1 million, where US\$ 36.5 million is explained by an increase in biological assets.

The increase of 0.08 in the acid ratio is mainly caused by an increase of US\$ 63.1 million in current assets offset by an increase of US\$ 51.4 million in inventories and current biological assets. These variations have already been explained in the statement of financial position analysis.

The net debt ratio fell from 11.56 to 1.81 mainly due to total liabilities decreasing by US\$ 15.3 million and equity increasing by US\$ 90.5 million. These variations have already been explained in the statement of financial position analysis. The decrease in the proportion of long-term liabilities from 0.66 to 0.60 is due to the combination of increases in current liabilities and decreases in non-current liabilities. These variations have already been explained in the statement of financial position analysis.

Return on equity and return on assets are mainly due to the Company's margins and performance for the respective periods, and the previously mentioned capital increase at Salmenes Camanchaca in September 2017.

B. Cumulative Indicators for the Salmon Business

	Periods	
	Dec-17	Dec-16
a) Atlantic Salmon Harvests (tons)/ Site	4,599	3,900
b) Atlantic Salmon Farming Density (kg/m3)	7.3	7.4
c) Atlantic Salmon Group Survival Rate (sea water)	93.6%	87.1%
d) EBIT before fair value (US\$ million)	41.8	24.4
e) EBIT / kg WFE (before fair value)	1.19	0.55

Notes:

- a Harvests for the period, expressed in ex-cage tons / number of sites harvested, expressed in ex-cage tons per site.
- b Average farming density, expressed in kgs per cubic meter (for sites harvested during the corresponding period).
- c Survival rate, expressed as harvested fish groups compared to smolt stocking. A harvest group is fish of a similar origin and strain.
- d Gross profit before fair value adjustment - administrative expenses - distribution costs, for the salmon farming division
- e (Gross profit before fair value adjustment - administrative expenses - distribution costs - results from the Partnership Account Participation in the trout business) / Kg WFE sales of company-farmed Atlantic salmon

Fair Value for the Year Ended December 31, 2017 (ThUS\$)

	Fair Value Adjustment to Biological Assets		Fair Value Adjustment to Harvest and Sales	
	YTD Q4 2017	YTD Q4 2016	YTD Q4 2017	YTD Q4 2016
Atlantic Salmon	54.362	63.623	(49.061)	(38.694)
TOTAL	54.362	63.623	(49.061)	(38.694)

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\$ 54.4 million was recorded for the fair value adjustment of the biological assets as of December 31, 2017, compared to a gain of US\$ 63.6 million as of the same date in 2016.
- b. "Fair value adjustment to harvest and sales" records the realization of the estimated result of the biological assets 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, 2017 was a loss of US\$ 49.1 million, which reversed a positive margin estimated in prior periods, in contrast to a loss of US\$ 38.7 million as of December 31, 2016, which reversed a positive margin estimated in prior periods.

The net effect of the fair value adjustment of the salmon biomass as of December 31, 2017 is US\$ 5.3 million, as opposed to US\$ 24.9 million as of December 31, 2016.

7.5. DIFFERENCES BETWEEN THE MARKET AND BOOK VALUES OF PRINCIPAL ASSETS

Biological assets include the following.

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

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

The valuation criteria for farmed fish that are being fattened is fair value. This is understood to be their market price less their estimated processing and selling costs. There is a representative market for fish being fattened that are over a certain size, which is 4.0kg 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 and Trout	Fair Value, based on a market with reference prices and companies that buy and sell these assets. Historically we have considered that this market is for fish over 4 kg. If no market can be identified, then cumulative cost is used.

The Company has developed a valuation model that incorporates the recommendations proposed by the Norwegian Financial Supervisory Authority, which are detailed in Note 34 of the Company's financial statements. This biomass valuation model takes the market price for fish over 1kg as fair value. This model has the following effects on these financial statements for the year ended December 31, 2017.

- a) An increase in net income for the year of US\$ 9.6 million, net of deferred tax effects.
- b) An increase in "Gain (loss) on fair value of biological assets" within the statement of net income by function of US\$ 13.1 million.
- c) An increase in biological assets within current assets of US\$ 13.1 million, and an increase in deferred tax liabilities of US\$ 3.5 million and equity of US\$ 9.6 million.
- d) This alternative approach to biomass valuation has no effects on EBITDA, EBIT, nor on the indicators per kg (before fair value adjustment).

8. RISK ANALYSIS

External variables materially impact the Company's annual performance. The main variable affecting revenue is the price of Atlantic salmon. The main variable affecting costs is the sanitary status of the salmon biomass, including the biological conversion of feed.

Individually and in aggregate, aquaculture businesses are exposed to various risks. Consequently, Salmones Camanchaca has a risk matrix that allows it to: i) review and update the critical risk inventory; ii) assess these critical risks on the basis of impact and probability parameters; iii) conduct risk mapping; iv) implement an audit and internal control plan that uses the risk matrix as the basis for an annual control plan. These risk maps are used to constantly 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 Company's mission, vision and values; short and long-term strategic planning; critical business and knowledge risks; and the experience of key personnel are among the factors used to detect critical risks.

a) Phytosanitary Risks

The Company is exposed to risk of disease or parasites that can affect the biomass, increase mortality or reduce growth of specific species, and thereby, production and sales volumes. Salmones Camanchaca has adopted strict control standards to minimize those risks, and comply with 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, among others.

b) Natural Risks

The Company is exposed to natural risks that may affect normal operations, such as volcanic eruptions, tidal waves and tsunamis, earthquakes, harmful algae blooms, natural predators, water pollution and other factors that may threaten biomasses and production facilities. The Company is constantly monitoring these variables using first-rate instruments within the salmon industry, in addition to having appropriate insurance coverage for these risks, all of which are monitored from a central, specialized unit. This unit not only monitors the status of insurance coverage, but also manages claims preparation when these occur, from the moment they occur, in order to make claims that are in line with contractual coverage.

c) Product Sale Price Risks

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

Prices are highly dependent on the supply from Norway and Chile and on the fluctuations in exchange rates used by the Company's major trading partners. Salmones Camanchaca has mitigated price risk through its marketing capacity and by producing higher value-added products.

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

d) Purchase Price Risks

The Company is exposed to changes in the purchase price of salmon feed, which is based on diversified ingredients and suppliers. Salmones Camanchaca varies its diets under certain conditions, and seeks a balance between feed cost and nutritional quality at each stage. The Company expects to produce a final product that contains the same amount of Omega 3 as a wild salmon, which depends on the marine ingredients. It also expects that the amount of

forage fish included in fishmeal and fish oil do not exceed the amount of salmon produced. The Company has feed contracts that are adjusted on a quarterly basis.

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. These regulations are mainly established by the General Law on Fisheries and Aquaculture, and its associated regulations that assign concessions, manage the biomass, and jointly operate the industry, among others. The Company is constantly monitoring any potential changes in regulations in order to anticipate and mitigate any potential impacts.

In 2016, changes were made to the regulations governing salmon farming densities, and a smolt stocking reduction program was introduced. This allows salmon farmers to reduce densities in cages when low densities are required, for historical performance reasons or to meet smolt growth expectations. In these circumstances, smolt stocking can be reduced and growth restrictions introduced, along with incentives for good fish health performance. The Company has a policy of using assets to provide services to third parties. This regulation gives the Company the possibility to use smolts at leased sites for its own use, without affecting neighborhood growth, once the contracts have finished. Under this regulation, the Company estimates harvesting approximately 60,000 tons of Atlantic salmon at its own sites, plus another 12,000 to 13,000 tons of trout, without introducing system growth or reducing densities.

Salmones Camanchaca's 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 asset investments, operating expenses, financial costs, scheduled debt repayments and committed dividends, compared to funding sources such as sales revenue, collections from customers, disposal of financial investments and access to financing.

Salmones Camanchaca prudently manages this risk, by maintaining sufficient liquidity and access to third-party financing, while carefully ensuring that it complies with all its 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. Depending on market conditions, the Company assesses hedging alternatives.

h) Exchange Rate Risks

A significant share of Company revenue arises from contracts and agreements set in US dollars. However, given the diversity and importance of markets other than the North American market, which represent over 50% of total exports, any devaluation of the US dollar against the Chilean Peso must be evaluated in the context of movements in exchange rates with other export countries.

Corporate policy is to re-negotiate the prices of approximately half the costs and expenses that are indexed in Chilean pesos, and agree them in US dollars where possible. Liabilities with financial institutions are in US dollars. The Company occasionally evaluates exchange rate hedging instruments, in accordance with market conditions and only when changes are very sudden. No foreign exchange hedges were contracted during 2017.

i) Credit Risks

i.1) Surplus Cash Investment Risks

The Company has a low-risk 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

Salmones Camanchaca has insurance policies covering most of the sales of its products. The remaining sales are backed by letters of credit, or advance payments, or are to customers with an excellent credit performance.

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