



SALMONES CAMANCHACA S.A. AND SUBSIDIARIES

Quarterly Earnings Report on the Consolidated Financial Statements

For the period ended March 31, 2019

About Salmones Camanchaca

Salmones Camanchaca S.A. is a vertically integrated salmon producer engaged in egg and breeder production, recirculating hatcheries for Atlantic salmon and pass-through hatcheries for other species, estuary and sea grow-out sites, primary and secondary processing, marketing and selling of Atlantic salmon. The Company farms trout at estuary grow-out sites, currently through a one third interest in a joint venture with four remaining years with an estimated average annual harvest of 12,000 tons WFE. The Company has an annual estimated harvest from its main business of farming Atlantic salmon of 52,000 tons WFE for 2019, and expects 60,000 tons WFE for 2021 to 2022, in addition to an estimated 4,000 tons WFE of Pacific salmon beginning in 2019. Overall production of all salmonid species at its farm sites should total around 75,000 tons WFE. Salmones Camanchaca has an average annual workforce of approximately 1,200 employees, 55% of which work at its secondary and value-added processing plant. Markets for sales of Atlantic salmon in a variety of fresh and frozen formats are led by the USA, Mexico, Russia, Brazil, Japan, China and Argentina, with over 50% of sales in emerging markets.

Highlights for the 1st quarter 2019

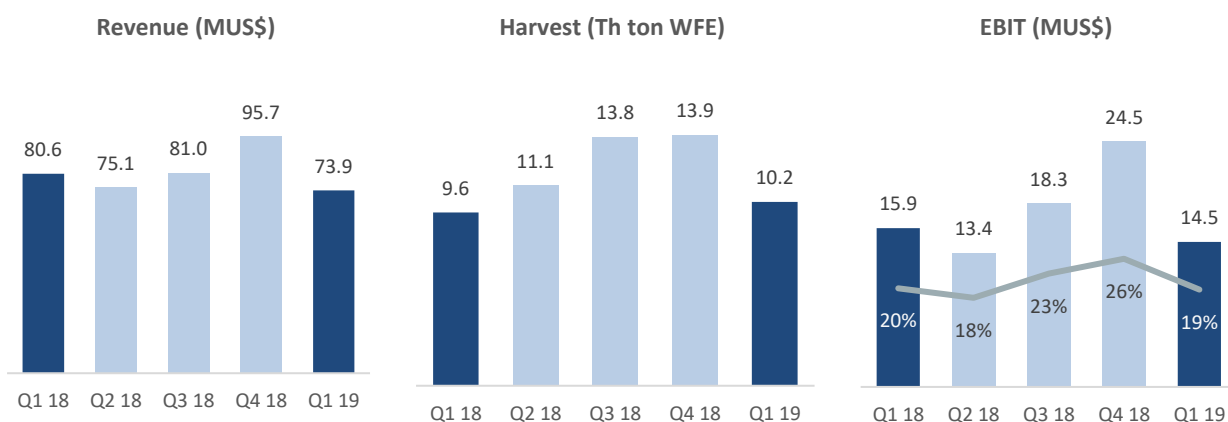
- **Harvests increased 6.3%, in line with estimates.** Total harvests for Q1 2019 reached 10,191 tons WFE, compared to 9,589 tons in the same period last year.
- **Revenue growth from Company-farmed salmon, offset by lower trout income and no third-party sales.** Revenue from Company-farmed Atlantic salmon sales increased by 4.6% due to higher sales volumes (11,622 tons WFE, +9.9%). A minor net loss in the trout joint venture combined with no third-party sales in Q1 2019 compared to US\$ 9 million in Q1 2018 resulted in a decrease in total revenue by 8.3% compared to Q1 2018.
- **Prices slightly down.** The average sales price was US\$ 5.96/Kg WFE, 4.9% lower than the average for Q1 2018 of US\$ 6.27/Kg WFE.
- **EBIT/Kg slightly higher, driven by increased efficiency and lower distribution costs.** The EBIT/Kg WFE for Atlantic salmon was US\$ 1.30, up 3.8% compared to Q1 2018.
- **Live weight ex-cage cost higher than expected due to unfavorable environmental phenomena.** Live weight ex-cage cost was US\$ 3.47/Kg. This is 15.7% higher than the long-term target of US\$ 3/Kg, caused by periods of low oxygen and high levels off algae during the summer.
- **Processing costs slightly higher.** Primary and value-added processing costs were up US\$ 1.06/Kg WFE, or 2.9% compared to Q1 2018, mainly due to larger value-added mix, and lower average fish weight.
- **Atlantic salmon business profitability improved.** Net of trout JV, the EBITDA before Fair Value Adjustments (FVA) was US\$ 18 million, which is 12.3% higher than Q1 2018, while the EBIT before FVA was US\$ 15.1 million, which is 12.7% higher than in Q1 2018. The trout JV had a loss of US\$ 589 thousand for Salmenes Camanchaca in Q1 2019.
- **Reduced debt.** Net financial debt fell by 38% compared to Q1 2018, to US\$ 41.3 million. Equity supported 51% of total assets.
- **Slight decline in 2019 harvest estimates following feeding restrictions caused by unfavorable environmental conditions during the summer.** Expected Atlantic salmon harvests for 2019 is adjusted to 52,000 tons WFE, down 5% from previous estimate. Estimated Pacific salmon harvest for 2019 has remains unchanged at 4,000 tons. Trout harvest forecast by Caleta Bay is maintained at 6,000-8,000 tons WFE.
- **Dividend payment of US\$ ~0.36 per share on May 13, totaling US\$ 23.7 million.** The dividend was 50% of net distributable income for 2018, which is six times the dividend paid last year.

Key Figures

ThUS\$	Q1 2019	Q1 2018	Δ%
Operating Revenues	73,876	80,560	-8.3%
Gross profit before Fair Value	18,833	21,511	-12.4%
EBITDA before Fair Value	17,352	18,481	-6.1%
EBIT before Fair Value	14,495	15,867	-8.6%
EBIT margin %	19.6%	19.7%	-0.4%
Trout JV net income (33%)	-589	2,510	-
EBIT ex trout JV	15,084	13,357	12.9%
Fair Value	-9,022	6,124	-
Net profit/loss after tax	3,588	15,741	-77.2%
EPS (US\$)	0.0544	0.2385	-77.2%
Harvests (ton WFE)	10,191	9,589	6.3%
Harvests (ton GWE)	9,172	8,630	6.3%
Sales (ton WFE Company-farmed)	11,622	10,575	9.9%
Sales (ton GWE Company-farmed)	10,460	9,517	9.9%
Ex-cage cost (US\$/Kg live weight)	3.47	2.90	19.7%
Ex-cage cost (US\$/Kg WFE)	3.73	3.12	19.7%
Ex-cage cost (US\$/Kg GWE)	4.15	3.46	19.7%
Process cost (US\$/Kg WFE)	1.06	1.03	2.9%
Process cost (US\$/Kg GWE)	1.18	1.14	2.9%
Price (US\$/Kg WFE)*	5.96	6.27	-4.9%
Price (US\$/Kg GWE)*	6.62	6.97	-4.9%
Atlantic EBIT/Kg WFE (US\$)**	1.30	1.25	3.8%
Atlantic EBIT/Kg GWE (US\$)**	1.44	1.39	3.7%
Financial debt	50,885	80,165	-36.5%
NIBD	41,348	66,322	-37.7%
Equity/Assets ratio	51%	52%	-2.4%

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

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



Financial Matters

Q1 2019 Results

Salmones Camanchaca harvested 10,191 tons WFE of Atlantic salmon in Q1 2019, 6.3% higher than the Q1 2018 harvest of 9,589 tons. Volume sold was 11,622 ton WFE, 10% higher than Q1 2018, while prices were 4.9% lower.

Total revenue was affected by a fall in net income of US\$ 3.1 million from the trout joint venture's loss of US\$ 0.6 million in Q1 2019, and US\$ 9 million sales generated by raw material purchased from third parties in Q1 2018 (generated 0.2% margin in Q1 2018).

Gross margin before fair value adjustments (FVA) was US\$ 18.8 million, 12.4% lower than the US\$ 21.5 million recorded in Q1 2018. This gross margin represents 25.5% of revenue in Q1 2019, lower than the margin of 26.7% in Q1 2018.

Administrative expenses as a percentage of operating revenue decreased from 3.9% in Q1 2018 to 3.4% in Q1 2019, due to headcount savings implemented towards the end of 2018, while distribution and sales expenses fell from 3.1% to 2.5%. Consequently, the Company's combined administrative and distribution expenses fell from 7% of revenue in Q1 2018 to 5.9% in Q1 2019, a reduction of US\$ 1.3 million.

EBIT before FVA was US\$ 14.5 million during the quarter, 8.6% lower than the US\$ 15.9 million recorded in Q1 2018. EBIT before FVA excluding the trout joint venture operated by Caleta Bay rose from US\$ 13.4 million to US\$ 15.1 million, an increase of 12.7%.

Salmones Camanchaca participates with one-third of its financial performance, and recorded a loss of US\$ 0.6 million as negative net revenue. In Q1 2018 the joint venture earned net income of US\$ 7.5 million, so the Company's share was a net income of US\$ 2.5 million. The reason was the total harvest volume in Q1 2019 of 1,085 tons WFE, far lower than the 4,442 tons WFE harvested in Q1 2018, coupled with lower quality products, due to maturity problems, that resulted in a lower price.

Company-farmed Atlantic salmon harvested and sold generated EBIT/Kg WFE of US\$ 1.30 for the quarter, which compares favorably with US\$ 1.25/Kg WFE in Q1 2018, an increase of 3.8%. The increase is due to lower costs per unit sold, and the reduction in administrative and distribution expenses.

Fair value adjustment to biological assets (biomass) was positive US\$ 11.3 million in Q1 2019, US\$ 15.5 million lower than in Q1 2018, due to a lower valuation price and higher farming costs for subsequent months. For sold fish, the fair value adjustment of harvested and sold fish was negative US\$ 20.3 million for Q1 2019, compared to a negative US\$ 20.7 million for Q1 2018. The latter adjustment reverses the previously recorded estimated margins on now sold fish. Consequently, the net fair value adjustment for Q1 2019 was negative US\$ 9.0 million, compared to positive US\$ 6.1 million in Q1 2018, giving a negative difference of US\$ 15.1 million.

Net financial expenses totaled US\$ 0.7 million in Q1 2019, lower than the US\$ 1.2 million recorded in Q1 2018, due to the 37% reduction in financial debt compared to the same period in 2018.

Consequently, net income before tax fell from US\$ 20.9 million for Q1 2018 to US\$ 4.8 million for Q1 2019. This decrease of US\$ 16.2 million is mainly explained by negative net fair value adjustments. The resulting net income after tax was US\$ 3.6 million in Q1 2019, down from US\$ 15.7 million in Q1 2018.

Cash Flows Q1 2019

Cash flows from operating activities for Q1 2019 were US\$ 6.2 million, an increase over the negative US\$ 1.2 million in Q1 2018, explained mainly by increased sales and higher margins and adjustment of payment terms to suppliers made in 2018 after the IPO.

Cash flows used in investing activities totaled US\$ 9.9 million during the period, up from US\$ 6.7 million in Q1 2018, explained by the use of funds for the investment plan to support the Company's growth plans for the 2019-2021 period.

Cash flows from financing activities in Q1 2019 were zero, compared to positive US\$ 21.0 million in Q1 2018, which includes the funds obtained from the IPO.

The resulting cash flow for Q1 2019 left a cash balance of US\$ 9.5 million.

Financial position

Assets

During 2019, the Company's total assets increased by US\$ 4.2 million to US\$ 345 million, an increase of 1.2%. This growth is mainly due to an increase of US\$ 6.6 million in related party receivables due to higher US sales, which are carried out through the distributor of the parent company (Camanchaca Inc.); an increase of US\$ 7.1 million in property, plant and equipment associated with greater investment; and an increase of US\$ 3.2 million in biological assets consistent with forecast harvests for 2019. These increases were partially offset by a decrease of US\$ 5.3 million in trade receivables, a decrease of US\$ 4.4 million in inventory; and a decrease of US\$ 3.7 million in cash and cash equivalents.

Total current assets amounted to US\$ 211 million, a decrease of 2.5% from US\$ 216 million at the end of 2018, mainly attributed to a decrease of US\$ 5.3 million in trade receivables following the collection of sales in Q4 2018; and a decrease of US\$ 4.4 million in inventory due to sales volumes in the quarter being higher than the harvests; partially compensated by a decrease of US\$ 6.6 million in related party receivables. The Company's finished product inventory valued at cost as of March 31, 2019, was US\$ 13.3 million, equivalent to 1,600 tons of finished product.

Non-current assets increased by US\$ 9.6 million (+7.7%) to US\$ 134 million, mostly due to the increase of US\$ 7.1 million in property, plant and equipment; and an increase of US\$ 1.8 million in non-current biological assets, associated the Company's investments and growth plans.

Liabilities and Equity

Current liabilities increased by US\$ 15.8 million (+17%), mainly due to an increase of US\$ 7.7 million in related party payables. This includes a 30% minimum legal dividend provision that Salmones Camanchaca should pay to its controlling shareholder Compañía Pesquera Camanchaca S.A., which holds 70% of the shares of Salmones Camanchaca S.A.; and an increase of US\$ 3.8 million in trade payables, which also includes the 30% minimum legal dividend provision payable to non-controlling interests.

Non-current liabilities did not significantly change and were this quarter down US\$ 2.8 million (-4.4%).

The equity of Salmones Camanchaca decreased by US\$ 8.9 million at the end of Q1 2019 with respect to December 31, 2018 and reached US\$ 175 million. This was due to an increase in the dividend provision from the original 30% to 50% of net distributable income, partially offset by retained earnings for Q1 2019.

Operating Performance

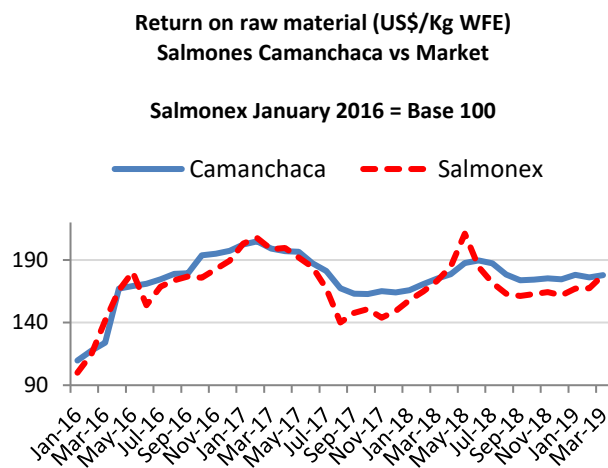
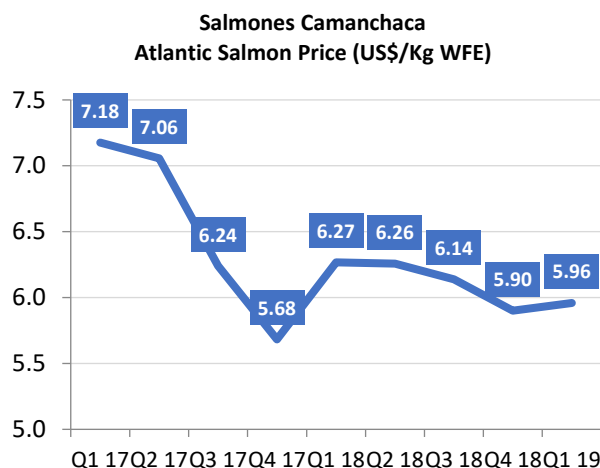
Salmones Camanchaca's financial performance is closely related to three key drivers:

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. **Health conditions for Atlantic salmon**, which affect conversion factors, the use of pharmaceutical and mechanical means to improve fish health and welfare and the final biomass 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 Salmones Camanchaca during Q1 2019 was US\$ 5.96 per Kg WFE, which is 4.9% less than the price for the same period in 2018. After a fall in prices in 2015, there has been an upward trend in Atlantic salmon prices, as demand has outgrown supply. In contrast to 2015, a stronger US dollar in 2018 did not lead to a contraction in salmon demand in the target markets for Salmones Camanchaca. Prices in Q1 2019, and in general throughout the second half of the previous year, showed great stability with minor fluctuations, in line with stable global and Chilean supply.

In Q1 2019, Salmones Camanchaca obtained an average raw material return (RMR) for Atlantic salmon that was 20 US cents higher than the estimated return for the market benchmark, Salmonex, which increased sharply between April and June 2018. During January and February 2019, the Company's RMR outperformed Salmonex by 34 and 27 US cents per kilo, respectively. This differential is consistent with the Company's historical trends. However, prices increased in March 2019 for seasonal reasons, and the differential disappeared due to 60-90 days maturity sales contract and sales of frozen products to China and Russia.



The return on raw material 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 processing and distribution costs for Salmones Camanchaca's fresh trim D. It provides a comparable index to Salmones Camanchaca's Return on raw material.

Volumes

		Q1 2019	Q1 2018	Δ	Δ %
Harvest	tons WFE	10,191	9,589	602	6.3%
Production	tons WFE	10,185	9,637	548	5.7%
Sales (Company-farmed)	tons WFE	11,622	10,575	1,047	9.9%
Sales (Company-farmed)	ThUS\$	69,289	66,269	3,020	4.6%
Average sales price	US\$/Kg WFE	5.96	6.27	-0.30	-4.9%
Price-related change in revenue*	ThUS\$	69,289	72,831	-3,542	-4.9%

* With constant volume 2019

Salmones Camanchaca's harvested 10,191 tons WFE in Q1 2019, an increase of 6.3% compared with Q1 2018. Sales were 11,622 tons WFE in during the quarter, which reflects a decrease of nearly 1,500 tons WFE in inventory.

Revenue

Sales by market segment as of March 2019

Product or Species	USA	Europe + Eurasia	Asia excluding Japan	Japan	LATAM, except Chile	Chile	Others	TOTAL
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Atlantic salmon	26,846	9,680	4,858	4,779	18,737	3,410	978	69,289
Trout (33%)	(62)	0	(40)	(416)	0	(9)	(61)	(589)
Others	0	0	0	0	0	5,176	0	5,176
Total	26,784	9,680	4,818	4,363	18,737	8,577	917	73,876

Sales by market segment as of March 2018

Product or Species	USA	Europe + Eurasia	Asia excluding Japan	Japan	LATAM, except Chile	Chile	Others	TOTAL
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Atlantic salmon	24,026	22,190	5,232	5,131	16,678	1,597	507	75,361
Trout (33%)	765	0	18	1,727	0	0	0	2,510
Others	0	0	0	0	0	2,690	0	2,690
Total	24,762	22,190	5,249	6,858	16,678	4,287	508	80,560

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

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

The Company defines its value-added products as those containing some degree of secondary processing, including freezing. In Q1 2019, frozen products accounted for 85.3% of sales, compared to 82.9% for Q1 2018.

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 while the Chinese market has preferences for both fresh and frozen products. The rest of Latin America prefers frozen fillets.

The percentage of total revenue from North American markets rose from 30.7% to 36.3% in Q1 2019, while Europe and Eurasia fell from 27.5% to 13.1% respectively. The decrease is explained by a significant drop in exports to Russia, which provided less attractive conditions for the frozen whole product. Asia, excluding Japan (mainly China) remained at 6.5%, while Japan decreased from 8.5% to 5.9%. Latin America excluding Chile rose from 20.7% to 25.4%. In essence, the less attractive conditions in Russia transferred product to traditional markets in Brazil and the USA.

The Salmones Camanchaca proportion of its partnership participation account with third parties in the trout business is registered in the “Trout” line in the table above, while other income mostly comes from smolt sales, processing and services for third parties in our primary processing plant, and farm site leases.

Other Businesses

As of March 31, 2019, Salmones Camanchaca had 9 leased farming concessions, of which 7 are in the Reloncaví Estuary (10th Region) for trout farming. The Company contributes its concessions to a partnership participation account (JV) and receives one third of any net income earned. The area where these estuarine concessions are located has a compulsory fallow period during the first quarter of any odd years, consequently harvests are lower on those years.

Total harvests by this participation account were 1,085 tons WFE in Q1 2019, a decrease of 76% compared to the same period last year, and its sales were 3,016 tons WFE, with a loss for Salmones Camanchaca of US\$ 0.6 million. This loss is explained by a drop of over US\$ 1/Kg WFE (-18.1%) in the sales price associated with lower quality raw material, due to maturity problems, and higher costs of US\$ 0.69/Kg WFE, due to lower weight fish.

To date, the estimates used to develop this participation account business have not varied and the operator, Caleta Bay, continues to estimate average annual harvests of 12,000 tons through to 2022 when the agreement ends, with more in even years and less in odd years.

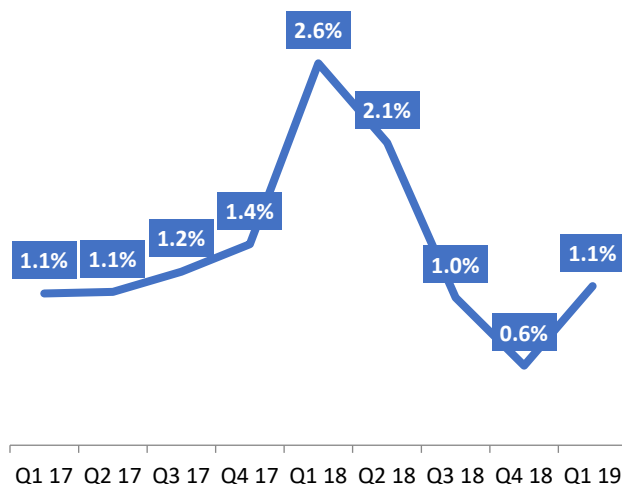
In order to take advantage of estuary farm sites in the 10th Region, and complement the partnership participation account, Salmones Camanchaca in 2018 obtained Pacific, or Coho, salmon smolt stocking permits. Accordingly, the Company stocked 1.4 million smolt of this species, which should translate into future harvests of 4,000 tons in late Q4 2019, with the majority being recorded as sales in Q1 2020. This new initiative will give the Company specific experience producing and selling this species, which in its initial years should represent close to 3% of Chilean supply, due to the better biological conditions found in Chile for this species. However, during the first two production cycles, Salmones Camanchaca expects negative margins due to smolt stocking densities permitted by the regulations.

II. Health and Production Conditions

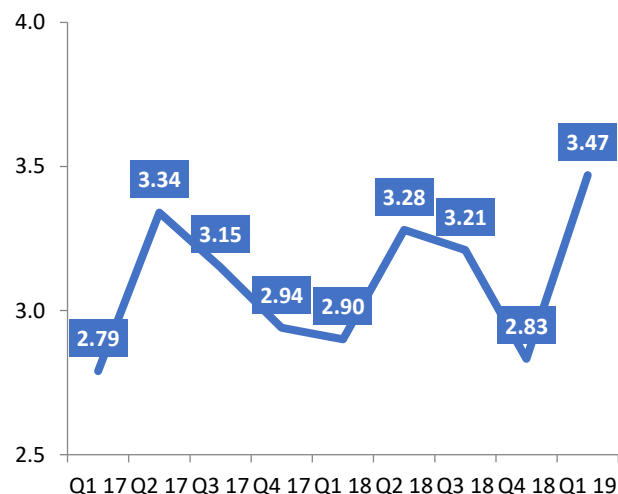
The mortality of Atlantic salmon during Q1 2019 was 1.09%, equal to the previous cycle in Q1 2017. The cumulative mortality at the sites that completed their cycle in Q1 2019 was 11.0%, mainly due to a one-off runt (un-adapted fish at stocking) situation in one site.

Live weight ex-cage costs for fish harvested during Q1 2019 were US\$ 3.47 per Kg, which is 57 US cents higher than in Q1 2018, and 68 US cents higher than the previous cycle in Q1 2017 from similar geographical areas. The reasons for this increase are linked to two separate situations. Harvests were from sites with lower smolt stocking densities, and poor environmental conditions in spring and summer, particularly higher temperatures, light intensity and lack of wind. These conditions favored algae growth and lower oxygen levels and resulted in reduced feeding days and in some cases, earlier harvesting, all of which lowered the average harvest weight by approximately 400 grams compared to Q1 2018. These environmental conditions did not have a significant impact on mortality, but the lack of oxygen affected fish with gill damages from algae, impacting biomass growth and costs. The Company believes that these conditions may be more efficiently mitigated in subsequent seasons, using oxygen generating technology providing continuous supply, rather than the sporadic supply used last season. Similarly, lower smolt stocking densities affected specific farm sites during their first cycle but is not expected to affect successive cycles.

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 health variables.

Q1	BCR (Live weight)	Productivity Kg WFE/smolt	Average harvest weight Kg WFE	Antibiotic use Gr/Ton	Antiparasitic treatments Gr/Ton
2016	1.37	3.63	4.26	513.9	4.3
2017	1.23	5.43	5.69	359.6	0.14
2018	1.19	4.86	5.34	370.6	8.63
2019	1.16	4.45	4.94	93.6	9.09

The Biological Conversion Ratio (BCR) is Kg feed/Kg live fish, and it continued to fall reaching 1.16 at the sites closed during Q1 2019, which the Company considers to be favorable. This decrease is the result of Salmons Camanchaca's feeding strategy, using more frequent micro rations, remote feeding and high energy diets, where feed energy was increased by 10%, 22 MJ/Kg.

Smolt productivity is defined as harvested biomass in Kgs over number of smolts, and it continued its trend of falling average harvest weights, reaching 4.45 Kg in Q1 2019.

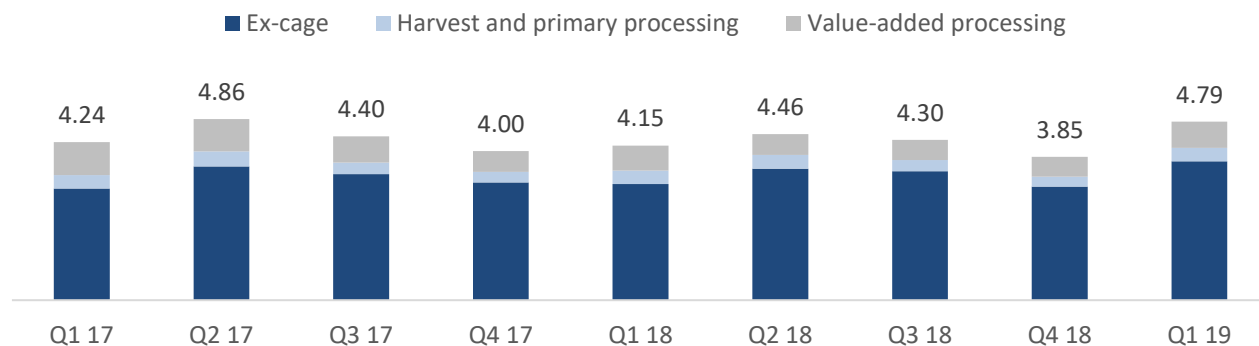
Fish health protection and prevention strategies, such as SRS vaccines at all our farm sites, has enabled Salmones Camanchaca to substantially reduce the use of antibiotics. Lufenuron is used to treat the sea lice parasite and its protection lasts for approximately half the cycle. However, the environmental conditions and the trend towards less effective traditional treatments has led to increased use of antiparasitic drugs.

In conclusion, the environmental conditions during the first quarter at some farm sites in the 10th Region, especially at the Reñihue fjord, were more adverse than those observed in the previous two years and resulted in reduced number of feeding days. Consequently, fish did not grow sufficiently, which together with lower smolt stocking densities at some sites, led to more costly harvests. As a result, the live weight ex cage cost in Q1 2019 was 57 US cents per Kg higher than in Q1 2018. The Company expects that the conditions triggering the increase in costs, should be mitigated or eliminated in the following cycles.

The total cost of the finished product per Kg WFE was 64 US cents higher than Q1 2018 (+15.2%), and 55 US cents higher than Q1 2017 (+12.7%), which is a better comparison as it was the previous cycle from the same geographical areas.

Costs (US\$/Kg WFE)	Q1 17	Q1 18	Q1 19
Ex-cage	3.00	3.12	3.73
Harvest and primary processing	0.36	0.36	0.36
Value-added processing	0.88	0.67	0.70
Total finished product cost	4.24	4.15	4.79

Total finished product cost Q1 2017 - Q1 2019

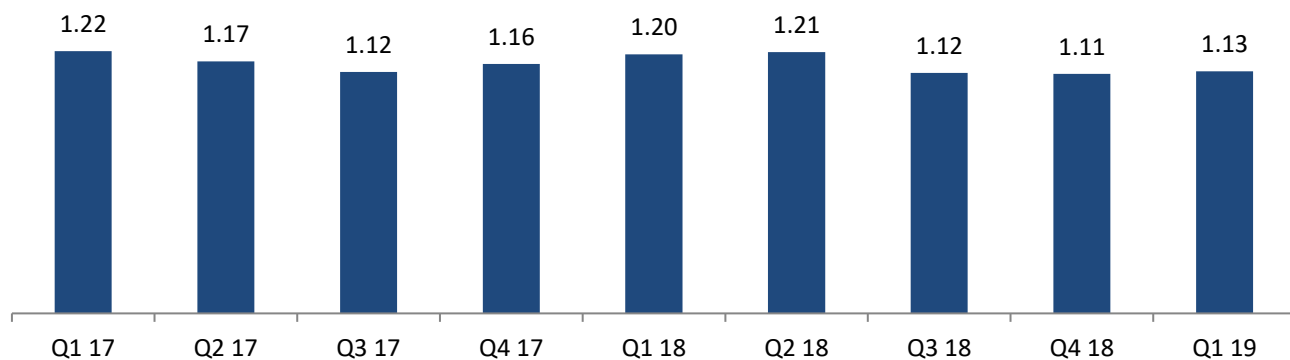


III. Feed Costs

Due to limited variability in prices on main ingredients such as fishmeal, fish oil and soy, feed costs have remained stable in recent years, though dropping slightly in H2 2018. In Q1 2019 there has been a drop in the price of soybeans and slight price increases of fish oil and feather meal.

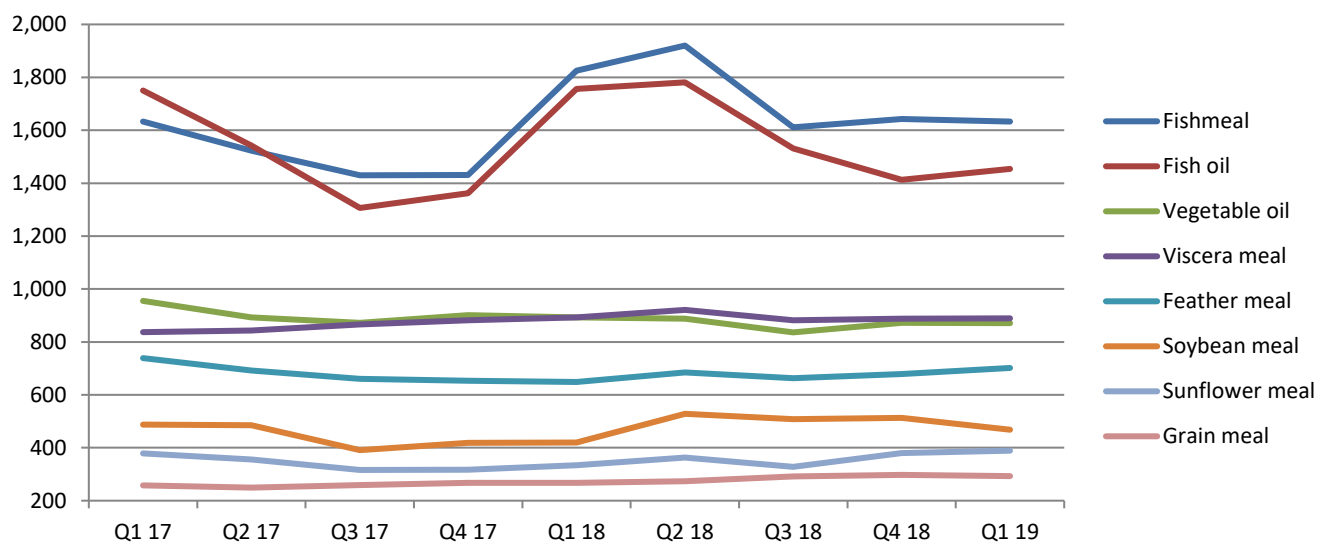
Feed for fish weighing over 2.5 Kg represents close to 40% of the Company's total feed costs. The price of this feed was stable in Q1 2019, reaching US\$ 1.13 per Kg, just 2 cents higher than the previous quarter and 6.6% less than in Q1 2018.

Price 2500 size (Salmones Camanchaca) US\$/Kg



Price including pigment. Does not include medicated food, additives or supplements

Price of main ingredients US\$/ton



Subsequent Events

The Annual General Shareholders' Meeting was held on April 26, 2019, where the following people were appointed as directors of Salmenes Camanchaca S.A. for a statutory period of two years, Messrs. Jorge Fernández García, Francisco Cifuentes Correa, Ricardo García Holtz, Tore Valderhaug, Felipe Sandoval Precht, Rodrigo Errázuriz Ruiz-Tagle and Joaquín Villarino Herrera. The Annual General Shareholders' Meeting also appointed EY as the Company's external auditor for 2019, thus replacing PWC.

Company Outlook

Global supply of Atlantic salmon grew around 5% in 2018. Slightly higher growth is expected for 2019, so the Company is not expecting any global change in price trends, which is consistent with the current regulatory framework in salmon producing countries. For Chilean supply, it grew nearly 20% in 2018 and most recent growth estimates are between 4% and 5% for 2019. The growth in 2018 was the result of an abnormally low base in 2017, without significant growth in Chile's potential capacity.

A significant portion of the cash flows produced by EBITDA in 2018 was used for investments in property, plant and equipment and to grow the biomass to support forecast harvests for the next few years of around 52,000 tons WFE of Atlantic salmon in 2019, and 4,000 tons WFE of Pacific salmon. Salmenes Camanchaca's expectation for Atlantic salmon harvests in 2019 were initially 55,000 tons WFE, but have been adjusted downward, due to the environmental conditions during the last spring-summer season and their impact on expected biomass growth and early harvests.

Total harvests at farm sites owned by Salmenes Camanchaca should include trout harvests, which are forecast between 6,000 and 8,000 tons WFE in 2019. Therefore, the total harvest will be closer to 62,000 tons WFE. Preliminary harvest estimates for 2020 are 55,000 tons WFE of Atlantic salmon, 4,000 of Pacific salmon and between 16,000 and 18,000 of trout. These total approximately 75,000 tons.

The increase in Atlantic salmon harvests for 2019 is forecast around 18,000 tons WFE, when compared to similar geographical areas and farm sites for the previous cycle in 2017. 25% of this increase is based on lower smolt stocking density, and the remainder at normal density (smolt stocking reduction program, PRS), and is the result of using the smolt stocking history of third-party lessors at some of the sites in this cycle. The Company expects higher farming costs for 2019 compared to the previous two years, due to the density situation and the environmental conditions described above. The forecast Pacific salmon harvest for the end of 2019 and 2020 is based on optimal performance in Q1 2019, but given the lower smolt stocking density, its first cycle should have higher costs than subsequent cycles.

Main Risks and Uncertainties

External variables might materially impact the Company's annual performance. The main variable affecting revenue is the price of Atlantic salmon, while the main variables affecting costs are the environmental conditions at farm sites, and the health 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 uses a risk matrix that guides the Company in order 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 a set of strategies to reduce the probability and impact, including insurance wherever this is feasible and financially attractive. These risk maps guide management to continuously manage and mitigate each risk and establish the corresponding responsibilities and accountability, as well as review 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 regulatory 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, smolt production in closed recirculating sites fed by groundwater, transport of breeders and fish for harvest in wellboats, coordinated antiparasitic washing by neighborhood, frequent net cleaning, oxygen plants to supplement pronounced shortfalls in the water, vaccinations at the freshwater stage, and other standards.

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 the latest technologies available in Chile, in addition to having appropriate insurance coverage for these risks, where available.

c. Product Sale Price Risks

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

Prices are highly dependent on supplies from Norway and Chile and on fluctuations in exchange rates used by the Company's major trading partners, which affects demand conditions in these markets. Salmones Camanchaca has sought to safeguard against this risk through diversifying its commercial network and flexing its products to enable its raw material to be sent to any market.

d. Purchase Price Risks

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

e. Regulatory Risks

Aquaculture is strictly regulated in Chile by laws, standards and regulations issued by the corresponding authorities. Significant changes in these regulations could have an impact on the Company's 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 set preventive health standards. The Company is constantly monitoring any potential changes in regulations in order to anticipate and mitigate any potential impacts.

Changes were made to the regulations governing salmon farming densities beginning in Q2 2016, and a smolt stocking reduction program was introduced (PRS) as an alternative to the general density regime. This program requires stocking and farming densities to be reduced when health performance has fallen, or when smolt stockings are expected to grow in the area. The PRS mechanism gives producers the option to replace a reduction in density, when appropriate, with a smolt stocking plan that considers growth containment with respect to the previous cycle, so maintaining densities at maximum permitted levels.

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

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

Salmenes Camanchaca's financial statements could be affected by changes in economic policies, specific regulations and other standards introduced by authorities.

f. Liquidity Risk

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

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

g. Interest Rate Risk

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. Foreign Exchange Risk

A substantial share of Salmenes Camanchaca's revenues arise from contracts and commercial agreements set in US dollars. However, given the diversity and importance of markets other than the North American market, which have historically represented more than 50% of total exports, any devaluation of the US dollar against these markets' currencies and/or the Chilean Peso, could have an impact on market demand and consequently on prices, which would affect the financial performance of the Company.

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

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

i. Credit Risk

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.

2. Sales Operations Risks

The Company has insurance policies covering most of the sales of its products that are not sold with immediate payment. The remaining sales are backed by letters of credit, advance payments, or are sales to customers with good payment performance.

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

Financial Statements

Statement of Income (ThUS\$)

	Q1 2019	Q1 2018
Operating revenue	73,876	80,560
Cost of sales	(55,043)	(59,049)
Gross profit before fair value adjustments	18,833	21,511
Administrative expenses	(2,521)	(3,143)
Distribution costs	(1,817)	(2,501)
EBIT before fair value adjustments	14,495	15,867
Depreciation	(2,857)	(2,614)
EBITDA before fair value adjustments	17,352	18,481
Gain (loss) on fair value of biological assets	11,318	26,855
Fair value adjustment to biological assets harvested and sold	(20,340)	(20,731)
EBIT after fair value adjustments	5,473	21,991
EBITDA after fair value adjustments	8,330	24,605
Financial costs	(710)	(1,193)
Share of net income (losses) of equity method associates	554	316
Exchange differences	(126)	(211)
Other gains (losses)	(416)	11
Financial income	0	17
Net income (loss) before taxes	4,775	20,931
Income taxes	(1,187)	(5,190)
Net income (loss) from continuing operations	3,588	15,741
Net income (loss) from discontinued operations	0	0
Net income (loss) for the period	3,588	15,741
Non-controlling interest	0	0
Net income (loss) for the period attributable to owners of the parent company	3,588	15,741

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

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

Balance Sheet (ThUS\$)

	03/31/2019	12/31/2018	03/31/2018
Cash and cash equivalents	9,464	13,143	13,811
Other financial assets, current	73	50	32
Other non-financial assets, current	5,469	5,990	6,003
Trade and other receivables, current	27,443	32,781	23,236
Related party receivables, current	33,588	26,952	25,353
Inventories	18,554	22,959	29,847
Biological assets, current	114,599	113,237	112,266
Tax assets, current	1,682	1,136	1,866
Total current assets	210,872	216,248	212,414
Other financial assets, non-current	27	27	27
Other non-financial assets, non-current	112	112	112
Rights receivable, non-current	1,737	1,349	5,548
Related party receivables, non-current	0	0	564
Equity method investments	5,348	4,682	5,986
Intangible assets other than goodwill	6,948	6,948	7,083
Property, plant and equipment	99,349	92,269	77,720
Biological assets, non-current	20,436	18,607	17,420
Long-term deferred taxes	0	373	430
Total non-current assets	133,957	124,367	114,890
Total assets	344,829	340,615	327,304
Other financial liabilities, current	885	243	165
Trade and other payables, current	73,980	70,134	47,497
Related party payables, current	22,990	15,296	7,842
Tax liabilities, current	10,280	6,509	5,508
Employee benefit provisions, current	943	1,056	769
Total current liabilities	109,078	93,238	61,781
Other financial liabilities, non-current	50,000	50,000	80,000
Trade and other payables, non-current	0	0	70
Related party payables, non-current	593	591	99
Deferred tax liabilities	9,956	12,733	14,765
Employee benefit provisions, non-current	160	152	162
Total non-current liabilities	60,709	63,476	95,096
Total liabilities	169,787	156,714	156,877
Share capital	91,786	91,786	91,786
Share premium	27,539	27,539	27,539
Retained earnings	32,479	41,450	27,436
Interim dividends	0	0	0
Other reserves	23,238	23,126	23,666
Total equity	175,042	183,901	170,427
Total equity and liabilities	344,829	340,615	327,304

Cash Flow Statement (ThUS\$)

	1T 2019	1T 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Proceeds from sale of goods and provision of services	84,787	94,338
Payments		
Payments to suppliers for supply of goods and services	-71,247	-85,575
Payments to and on behalf of employees	-7,305	-8,597
Dividends paid	0	0
Dividends received	0	0
Interest paid	0	-1,396
Interest received	0	15
Income taxes paid	1	0
Other cash inflows (outflows)	0	0
Net cash flows provided by (used in) operating activities	6,236	-1,215
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of property, plant and equipment	213	155
Purchases of property, plant and equipment	-10,157	-6,831
Other cash inflows (outflows)	0	0
Net cash flows provided by (used in) investing activities	-9,944	-6,676
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issuance	0	45,903
Loan repayments	0	-20,000
Proceeds from/payments to related parties	0	-4,939
Net cash flows provided by (used in) financing activities	0	20,964
Effects of changes in exchange rates on cash and cash equivalents	29	-108
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-3,679	12,965
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	13,143	846
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	9,464	13,811

Statement of Changes in Equity (ThUS\$)

	Share capital	Share premium	Foreign currency conversion reserve	Other reserves	Total other reserves	Retained earnings	Equity Attributable to Owners of the Parent
Opening balance as of January 1, 2018	73,422		90	23,471	23,561	11,695	108,678
Capital increase	18,364	27,539					45,903
Changes in equity							
Dividends accrued							
Comprehensive income							
Net income for the period						15,741	15,741
Other comprehensive income			105		105		105
Closing balance as of March 31, 2018	91,786	27,539	195	23,471	23,666	27,436	170,427
Opening balance as of January 1, 2018	73,422		90	23,471	23,561	11,695	108,678
Capital increase	18,364	27,539					45,903
Changes in equity							
Dividends accrued						-14,262	-14,262
Comprehensive income							
Net income for the period						44,017	44,017
Other comprehensive income			-435		-435		-435
Closing balance as of December 31, 2018	91,786	27,539	-345	23,471	23,126	41,450	183,901
Opening balance as of January 1, 2019	91,786	27,539	-345	23,471	23,126	41,450	183,901
Capital increase							
Changes in equity							
Dividends accrued						-12,559	-12,559
Comprehensive income							
Net income for the period						3,588	3,588
Other comprehensive income			112		112		112
Closing balance as of March 31, 2019	91,786	27,539	-233	23,471	23,238	32,479	175,042

Additional Information

Key Financial Indicators Analysis

This section compares the Company's key financial indicators based on its consolidated financial statements as of March 31, 2019, compared to December 31, 2018.

	03/31/2019	12/31/2018
Liquidity Indicators		
1) Current Liquidity	1.93	2.32
2) Acid Ratio	0.71	0.86
3) Working Capital (US\$ million)	101.8	123.0
Debt Indicators		
4) Net Debt Ratio	0.92	0.78
5) Current Liabilities / Total Liabilities	0.64	0.59
6) Non-Current Liabilities / Total Liabilities	0.36	0.41
Profitability Indicators	(3 months)	(12 months)
7) Return on Equity	2.05%	23.94%
8) Return on Assets	5.46%	27.23%

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 decrease of 0.39 in current liquidity is mainly caused by a decrease of US\$ 5.4 million in current assets and an increase of US\$ 15.8 million in current liabilities, as explained in the financial position analysis. Consequently, working capital decreased by US\$ 21.2 million.

The decrease of 0.15 in the acid ratio is mainly caused by an increase of US\$ 15.8 million in current liabilities. These changes have already been explained in the financial position analysis.

The net debt ratio rose from 0.78 to 0.92 mainly due to total liabilities increasing by US\$ 13.1 million, cash decreasing by US\$ 3.7 million, and equity decreasing by US\$ 8.9 million. These changes have already been explained in the financial position analysis. The decrease in the proportion of long-term liabilities from 0.41 to 0.36 is due to an increase in current liabilities of US\$ 15.8 million. These variations have already been explained in the financial position analysis.

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

Cumulative Indicators

		As of 03/31/2019	As of 12/31/2018
a.	Atlantic Salmon Harvests (tons WFE)/ Site	2,038	2,578
b.	Atlantic Salmon Farming Density (Kg/m3)	7.0	6.7
c.	Atlantic Salmon Group Survival Rate (sea water)	90.7%	93.5%
d.	Pacific Salmon Farming Density (Kg/m3)	1.2	n/a
e.	Pacific Salmon Group Survival Rate (sea water)	n/a	n/a
f.	EBIT before Fair Value Adjustment (US\$ million)	14.5	15.9
g.	EBIT/Kg WFE before Fair Value Adjustment	1.30	1.25

Notes:

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

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

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

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

g. Gross margin before fair value adjustment - administrative expenses - distribution costs – net income from interest in trout business / Kg WFE sold of company-farmed Atlantic salmon

Biomass Fair Value

Fair Value for the period ended March 31 (ThUS\$)

	Gain (loss) on fair value of biological assets		Fair value adjustment to biological assets harvested and sold	
	2019	2018	2019	2018
Atlantic salmon	11,318	26,855	-20,340	-20,731

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

- “Gain (loss) on fair value of biological assets” records the estimated gain or loss for the period from valuing the biomass of live and harvested fish that will be sold in future periods. It can be positive or negative based on changes in the biomass and its market price. A gain of US\$ 11.3 million was recorded for the fair value adjustment of the live and harvested biomass as of March 31, 2019, compared to a gain of US\$ 26.9 million as of the same date for the previous year.
- “Fair value adjustment to biological assets harvested and sold” records the realized gain or loss on the live biomass, and the biomass harvested in current and prior periods that was sold in the current period. This account reverses the estimated gain or loss for the current and prior periods and the actual result of the transaction is recorded in operating revenue and cost of sales. The net effect of the biomass sold as of March 31, 2019, was a loss of US\$ 20.3 million, which reversed a positive margin estimated in prior periods, in contrast to a loss of US\$ 20.7 million as of March 31, 2018.

The net effect of the Fair Value Adjustments of the salmon biomass for the period ended March 31, 2019, is a negative US\$ 9 million, as opposed to the positive US\$ 6.1 million recorded for the same period in 2018.

Differences between the Market and Book Values of Principal Assets

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 4.0 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	Atlantic and Pacific 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 Atlantic salmon over 4 Kg and for Pacific salmon over 2.5 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 35 of the Company's financial statements. This biomass valuation model takes the market price for fish over 1.0 Kg as Fair Value. This model has the following effects on these financial statements for the period ended March 31, 2019:

1. An increase in net income for the period of US\$ 27.6 million, net of deferred tax effects.
2. An increase in net income of US\$ 37.8 million in the line Gain (loss) on fair value for the period in the statement of net income by function.
3. An increase in current assets in the biological asset line of US\$ 37.8 million, also generates an increase in deferred tax liabilities of US\$ 10.2 million and in equity of US\$ 27.6 million.
4. This alternative approach to biomass valuation has no effects on EBITDA, EBIT, nor on the indicators per Kg (before Fair Value Adjustments).