SALMONES CAMANCHACA S.A. AND SUBSIDIARIES

Quarterly Earnings Report on the Consolidated Financial Statements

For the period ended June 30, 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, fish-farming sites in estuary and oceanic waters used mainly for Atlantic salmon, primary and secondary processing, marketing and selling Atlantic and Pacific salmon. The Company farms trout at its own estuary fish-farming sites currently through a joint venture (1/3 share of results) with three remaining years to run and an estimated average annual harvest of 12,000 tons WFE. The Company expects an Atlantic salmon harvest of 54,000 to 55,000 WFE tons in 2019 and expects to exceed 60,000 WFE tons in 2022. In addition, it expects to harvest approximately 4,500 WFE tons of Pacific salmon beginning in 2019. Overall production of all salmonid species at its own farm sites should total around 75,000 tons WFE in 2020. Salmones Camanchaca has an average annual workforce of approximately 1,400 employees, 60% of which work at its secondary and value-added processing plant. Markets for sales of Atlantic salmon are led by the USA, Mexico, Russia, Brazil, Japan, China and Argentina, with approximately 40% of sales in emerging markets in a variety of fresh and frozen formats.

Highlights for 2nd Quarter 2019

- **35.9% decreased volume of own salmon harvests** compared to Q2 2018, at 7,136 WFE tons in Q2 2019. This quarter has the lowest expected harvest within 2019 and may account for between 12% and 14% of the expected harvest for the full year. This decrease is mainly explained by lower average harvest weight due to algae presence and low oxygen level in some areas that produced lack of feeding, and harvests from sites stocked at low density.

- **Decrease in revenue from own salmon sales, mainly due to lower volumes harvested and sold.** Revenues from own Atlantic salmon sales decreased 29.8% due to lower volumes sold (7,262 WFE tons, which is 33.5% less than 2Q 2018).

- **Atlantic salmon prices higher in Q2 compared to last year**. Although market prices remained stable during the quarter, the average selling price at Salmones Camanchaca was US$ 6.60/Kg WFE, 5.5% higher than the average of US$ 6.26/Kg WFE in Q2 2018. This is explained by a higher share of added value products in Q2 2019, as a result of raw material and market conditions which favored the production of fillets and portions.

- **Live fish costs (ex-cage) were higher than long-term objectives, which was consistent with expectations, due to unfavorable environmental phenomena (algae and oxygen issues), smaller production scale, and harvests from sites with lower smolt stocking density**. These phenomena caused higher than normal mortalities and reduced average harvest weight by 10% from 4.8 kg to 4.3 kg. Consequently, the live fish cost (ex-cage) was US$ 4.23/kg in Q2 2019, 29% higher than Q2 2018. The live fish cost for the first half year was US$ 3.78 / Kg, 22% higher than H1 2018.

- **Higher processing costs resulted from a smaller production scale and a higher value-added mix**. Primary processing and value-added costs increased to US$ 1.37/kg WFE, 47% higher than in Q2 2018, mainly due to a smaller production scale with lower average harvest weight, which generated extra costs of about 30 cents, and a higher value-added mix, which generated extra costs of about 15 cents.

- **Results affected by a smaller scale quarter with environmental adversities**. EBITDA before fair value adjustment (FV) was US$ 4.2 million, 74.3% less than in Q2 2018, while EBIT before FV was US$ 1.2 million, 90.9% less than in Q2 2018. Consequently, **the EBIT / Kg margin was 79.6% lower** than in 2Q 2018, at an EBIT/Kg WFE of US$ 0.24 for Atlantic salmon. The EBIT/Kg for the first half year 2019 was US$ 0.89, 26.4% lower than H1 2018.

- **Greater concentration of sea lice.** Four of our nineteen active fish farming sites in Q2 2019 are classified as High Propagation Sites (CAD) as of the date this report was published. Although there has been an increase in sea lice compared to 2018, it has not yet become necessary to begin harvesting earlier than planned. Their levels does not threaten fish health, nor their ability to feed and grow, and the affected biomass show good feed conversion ratios. Salmones Camanchaca is implementing extraordinary measures to control this parasite, including the use of non-pharmacological treatments in 2019.

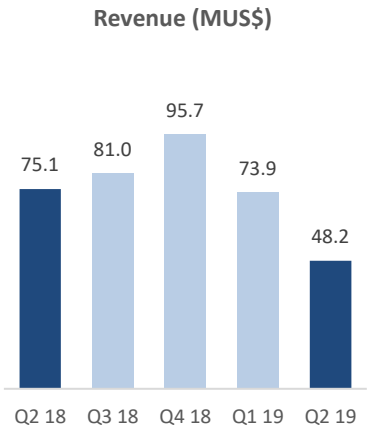
- **Recovery of forecast harvests for 2019. Since June 2019 the oxygen levels and algae concentrations returned to normal, so t**he biomass in the ocean has had good growing and conversion conditions. This leads to a revised harvest estimates of 54,000 to 55,000 tons WFE for 2019 compared to the estimate of 52,000 tons as presented in the Q1/2019 report

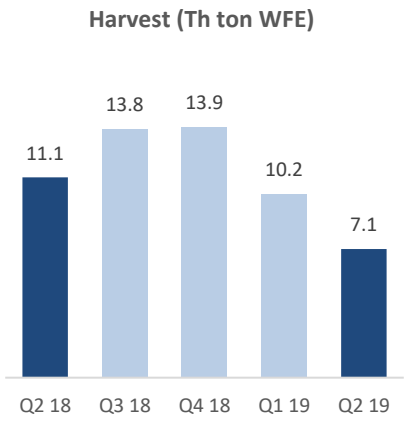
Key Figures

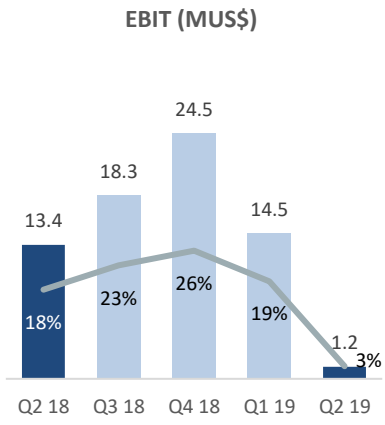
ThUS$	Q2 2019	Q2 2018	Δ%	H1 2019	H1 2018	Δ%
Operating revenue	48,179	75,093	-35.8%	122,055	155,653	-21.6%
Gross profit before fair value adjustments	5,058	18,682	-72.9%	23,891	40,193	-40.6%
EBITDA before fair value adjustments	4,153	16,183	-74.3%	21,505	34,664	-38.0%
EBIT before fair value adjustments	1,212	13,371	-90.9%	15,707	29,238	-46.3%
EBIT margin %	2.5%	17.8%	-85.9%	12.9%	18.8%	-31.5%
Earnings from trout joint venture (33%)	-524	699	-	-1,113	3,209	-
EBIT without trout joint venture	1,736	12,672	-86.3%	16,820	26,029	-35.4%
Fair Value adjustments	12,183	-6,628	-	3,161	-504	-
Net income (loss) for the period	7,608	3,098	145.6%	11,196	18,839	-40.6%
Earnings per share (US$)	0.1153	0.0469	145.6%	0.1696	0.2854	-40.6%
Harvests (ton WFE)	7,136	11,132	-35.9%	17,327	20,721	-16.4%
Harvests (ton GWE)	6,422	10,019	-35.9%	15,594	18,649	-16.4%
Sales (ton WFE Company-farmed)	7,262	10,922	-33.5%	18,884	21,497	-12.2%
Sales (ton GWE Company-farmed)	6,536	9,830	-33.5%	16,996	19,347	-12.2%
Ex-cage cost (US$/Kg live weight)	4.23	3.28	29.0%	3.78	3.10	22.1%
Ex-cage cost (US$/Kg WFE)	4.55	3.53	29.0%	4.07	3.33	22.1%
Ex-cage cost (US$/Kg GWE)	5.06	3.92	29.0%	4.52	3.70	22.1%
Processing cost (US$/Kg WFE)	1.37	0.93	47.3%	1.08	0.98	11.1%
Processing cost (US$/Kg GWE)	1.52	1.03	47.3%	1.21	1.08	11.1%
Price (US$/Kg WFE)*	6.60	6.26	5.5%	6.21	6.26	-0.8%
Price (US$/Kg GWE)*	7.34	6.96	5.5%	6.90	6.96	-0.8%
EBIT/Kg WFE (US$)**	0.24	1.17	-79.6%	0.89	1.21	-26.4%
EBIT/Kg GWE (US$)**	0.27	1.30	-79.6%	0.99	1.35	-26.4%
Financial debt				94,414	80,390	17.4%
Net Financial Debt				84,818	64,129	32.3%
Equity ratio				50%	51%	-0.6%

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

**Excludes net income (loss) from the trout joint venture and excluding transactions involving third-party raw materials







Financial Matters

Q2 2019 Results

Salmones Camanchaca harvested 7,136 tons WFE of Atlantic salmon in Q2 2019, 35.9% less than the Q2 2018 harvest of 11,132 tons. Consequently, the volume sold was 33.5% lower and only reached 7,262 WFE tons, while average prices were 5.5% higher than Q2 2018.

Total operating revenue was affected by lower sales volumes and only reached US$ 48.2 million, 35.8% lower than Q2 2018. Salmones Camanchaca recognized a loss of US$ 0.5 million in Q2 2019 on its share of the trout farming business at its sites, in contrast to US$ 0.7 million profit recognized in Q2 2018.

Gross margin before fair value adjustments to biological assets (FV) was US$ 5.1 million, or 10.5% of operating revenue, which was 72.9% lower than the US$ 18.7 million recorded in Q2 2018. This is due to lower harvests and sales, and increases in costs due to smaller production scale, harvests from sites with lower smolt stocking density, and unfavorable environmental conditions between February and April that affected the average weight and costs of fish harvested and sold in the quarter.

Administration expenses decreased by US$ 1 million and distribution expenses decreased by US$ 0.4 million.
As a percentage of operating revenue increased from 4.4% in Q2 2018 to 4.8% in Q2 2019, due to lower operating revenue, while distribution and sales expenses increased from 2.6% to 3.2%. Consequently, the Company's combined administrative and distribution expenses increased from 7.1% of operating revenue in Q2 2018 to 8.0% in Q2 2019.

EBIT before FV was US$ 1.2 million in Q2 2019, 90.9% lower than the US$ 13.4 million recorded in Q2 2018. The decrease becomes 86.3% when the loss at the trout JV by a third party in the Company's fish farming sites is excluded reaching US$ 1.7 million in Q2 2019.

Sales of own Atlantic salmon left an EBIT/Kg WFE of US$ 0.24 in Q2 2019, lower than the US$ 1.17/Kg WFE in Q2 2018. This decrease due to the smaller production scale and higher costs associated with lower oxygen, algae blooms and harvesting sites with lower smolt stocking density. It is estimated that these situations will reverse in the second half of the year as a result of substantial increases in the scale of harvests, normal densities returning to fish farming sites, and normal oxygen and environmental conditions.

The FV adjustment to biological assets was US$ 17.3 million positive in Q2 2019, US$ 2.2 million lower than in Q2 2018 due to a lower valuation price, higher harvesting costs estimates, though offset by a higher biomass. The FV adjustment for fish harvested and sold was negative US$ 5.2 million in Q2 2019, compared to negative US$ 26.1 million in Q2 2018, due to lower sales this quarter consistent with lower harvests. The latter adjustment reverses margins estimated in previous periods on fish sold in this period. Therefore, the net fair value adjustment for Q2 2019 was positive US$ 12.2 million, compared to negative US$ 6.7 million in Q2 2018, resulting in a favorable difference of US$ 18.8 million.

Net financial expenses totaled US$ 1.3 million in Q2 2019, compared to US$ 1.2 million in Q2 2018, where the slight increase is due to slightly higher average financial debt for the period.

Other income (expense) reports a loss of US$ 2.1 million, which is mainly due to the provision of the net deductible cost of mortality and expenses not covered in the current biomass insurances associated with low oxygen levels between February and April.

Consequently, net income before tax increased from US$ 4.6 million for Q2 2018 to US$ 10.2 million for Q2 2019. This increase of US$ 5.6 million is mainly explained by the higher net fair value adjustment, which offset the unfavorable operational effects in the period. Net income after tax in Q2 2019 was US$ 7.6 million, up from US$ 3.1 million in Q2 2018, an increase of 146%.

Cash Flows Q2 2019

Operating cash flow in Q2 2019 was negative US$ 31.2 million, a decrease compared to the positive US$ 12.6 million in Q2 2018, mainly due to lower operating revenue associated with smaller harvests and sales during the quarter, dividends paid of US$ 23.8 million that were 50% of the distributable net income for 2018, and income tax paid of US$ 5.4 million.

Cash flow used in investing activities totaled US$ 12.6 million during the period, up from US$ 9.7 million in Q2 2018, and were used by the investment plan to support the Company's growth during 2019-2021.

This was supported by cash flow from financing activities in Q2 2019 of US$ 44 million sourced from the Company's long-term revolving line of credit with financial institutions, which compares with zero use in Q2 2018.

The resulting net cash flow for Q2 2019 left US$ 9.6 million in bank balances.

H1 2019 Results

Salmones Camanchaca harvested 17,327 WFE tons of Atlantic salmon during 2019, a decrease of 16.4% compared to 20,721 WFE tons harvested during the same period in 2018, which is consistent with harvest estimates at the beginning of the period, when it was reported that the entire growth for 2019 would be concentrated in the second half of the year, with lower volumes in the first half. Volumes sold in H1 2019 were 18,884 tons, 12.2% lower than the 21,497 tons sold in H1 2018. The average sales price during H1 2019 was US$ 6.21/Kg WFE, in line with the same period for the previous year, but with a greater focus on value-added products.

Operating revenue for the first six months of 2019 was US$ 122 million, 21.6% lower than revenue of US$ 156 million for the first half of 2018, a decrease of 12.2% due to lower sales volumes. This decrease was worsened by two situations. Firstly, the Company did not purchase any raw material from third parties during 2019, versus US$ 12.6 million in H1 2018. Secondly, in H1 2018 the trout joint venture generated a profit for Salmones Camanchaca of US$ 3.2 million, recorded as Income without associated cost, compared to a loss of US$ 1.1 million generated so far this year. When these third-party effects are excluded, operating revenue decreased by 11.9%.

Live fish costs (ex-cage) increased by 22.1% during H1 2019, reaching US$ 4.07 per kg WFE. This increase is due to: (i) 40 cents due to smaller production volumes and lower average harvest weight; (ii) 20 cents due to previously mentioned lack of oxygen and algal blooms; and (iii) 10 cents due to harvesting sites with lower smolt stocking density.

Therefore, gross margin before fair value adjustments fell 40.6% to US$ 23.9 million, which is US$ 16.3 million lower than in H1 2018.

Administrative expenses as a percentage of operating revenue decreased from 4.2% in H1 2018 to 3.9% in H1 2019, while distribution and sales expenses fell from 2.9% from 2.8%. Consequently, the Company's combined administrative and distribution costs accounted for 6.7% of revenue during this period, down from 7.0% in H1 2018. During the first half year, administrative expenses decreased by US$ 1.6 million, due to savings following headcount adjustments at the end of 2018. Distribution expenses decreased by US$ 1.1 million, due to increases in logistic efficiency and lower sales volumes.

Therefore, EBIT before fair value adjustments was US$ 15.7 million, a 46.3% decrease with respect to the US$ 29.2 million achieved in H1 2018, mainly due to lower sales volumes and higher production costs caused by unfavorable summer environmental conditions that impacted the average harvest weights and biomass in general, smaller production scale, and prices similar to H1 2018.

Consequently, EBIT/Kg WFE was affected by the same situations described above and ended at US$ 0.89 for H1 2019, lower than the US$ 1.21 achieved in H1 2018.

However, the Company estimates that these unfavorable situations in the first half of 2019 should not be repeated in the second half of the year as harvests, and consequently sales, are estimated to be 70% of the annual total. The environmental conditions affecting oxygen and winter algae have been normal as of the date of this report and no harvests are expected from sites with low smolt stocking density.

The fair value adjustment to biological assets (biomass) for H1 2019 was US$ 28.7 million, compared to US$ 46.4 million for H1 2018, due to forecast lower prices and higher costs. The fair value adjustment for fish harvested and sold was negative US$ 25.5 million in H1 2019, compared to negative US$ 46.9 million in H1 2018, which also reflects decreased sales volumes. The latter adjustment reverses the estimated and accounted margins for the fish sold during this period, whose margins had been recognized in previous periods. The resulting net fair value adjustment for H1 2019 was positive US$ 3.2 million, compared to negative US$ 0.5 million in H1 2018, resulting in a favorable difference of US$ 3.7 million for H1 2019.

Net financial expenses were US$ 2.0 million during H1 2019, compared to US$ 2.4 million in H1 2018, a decrease caused by lower average financial debt and a lower interest rate in H1 2019.

Other income (expense) was a loss of US$ 2.5 million, mainly attributable to the provision of the net deductible cost of mortality and expenses not covered in the current biomass insurances when oxygen levels fell during the period. Furthermore, US$ 0.5 million was written off following the replacement of property, plant and equipment scheduled in the 2019 investment plan.

Therefore, net income before tax was US$ 15.0 million in H1 2019, a decrease of 41.4% compared to US$ 25.6 million for H1 2018. Net income after tax was US$ 11.2 million in H1 2019, a decrease of 40.6% compared to US$ 18.8 million for H1 2018.

Cash flows H1 2019

Operating cash flow in H1 2019 was negative US$ 24.9 million, lower than that generated in H1 2018, which was positive US$ 11.4 million. This decrease is due to lower sales during this period, and dividends and taxes paid that relate to the fiscal year 2018, mentioned above.

Net cash flow used in investing activities totaled US$ 22.6 million for the period, US$ 6.2 million greater than the previous year, and consistent with the investment plan that supports the Company's growth for 2019-2021, which includes new farming sites and processing plant improvements and automatizations.

This is supported by net cash flow from financing activities of positive US$ 44 million during the period, compared to positive US$ 20.9 million in H1 2018, drawn from the Company's revolving line of credit.

The Company's resulting net cash flow left US$ 9.6 million in bank balances as of June 30, 2019.

Financial position

Assets

The Company's total assets increased by 8.5% during the first six months of the year, or by US$ 29.0 million to a total of US$ 370 million. This growth is mainly due to an increase of US$ 39.4 million in biological assets consistent with estimated increased harvests for 2019-2020, growth in property, plant and equipment of US$ 16.0 million, and decreased receivables of US$ 13.5 million.

Total current assets were US$ 233 million, an increase of 7.9% over US$ 216 million at the close of 2018, mainly attributable to the US$ 43.6 million increase in current biological assets attributable to higher harvests in subsequent months, a decrease in receivables of US$ 13.5 million as sales in 4Q 2018 were higher than sales in 2Q 2019, and a decrease in inventory of US$ 6.1 million. The Company's finished product inventory valued at cost as of June 30, 2019 was US$ 13.3 million, equivalent to slightly over 1,500 tons of finished product.

Non-current assets increased by US$ 12.0 million (+9.6%) to US$ 136 million, mainly due to a US$ 16.0 million increase in property, plant and equipment under the investment plan executed so far this year, partially offset by a US$ 4.2 million decrease in non-current biological assets.

Liabilities and Equity

The company's total liabilities increased by US$ 27.2 million (+17.4%), reaching US$ 184 million so far this year.

Current liabilities decreased by US$ 19.5 million or 20.9%, mainly due to a US$ 11.8 million decrease in related entity payables following a dividend paid by Salmones Camanchaca to its controlling shareholder (Compañía Pesquera Camanchaca S.A. who owns 70% of its shares) that was provisioned as of December 2018, and a US$ 6.5 million decrease in current income tax liabilities paid in April 2019, corresponding to the fiscal year 2018.

Non-current liabilities increased by US$ 46.7 million, or 73.6%, to US$ 110 million, due to drawing down US$ 44 million of the long-term revolving line of credit (US$ 94 million from a total of US$ 100 million has been drawn down to date), mainly to finance the company's investment plan. As a result, net financial debt increased by US$ 47.7 million in the first half of the year, to reach US$ 84.8 million.

Therefore, the Company's equity increased by US$ 1.8 million (+1.0%) as of June 30, 2019 compared to December 31, 2018, to become US$ 186 million, in line with the increase in retained earnings.

Operating Performance

Salmones Camanchaca's 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. **Sanitary conditions for Atlantic salmon**, which affect conversion ratios, the use of pharmaceutical and mechanical means to improve fish health and welfare and the final biomass across which costs are allocated.

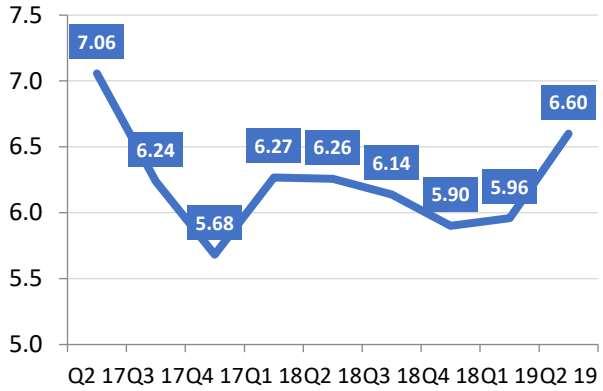
3. The **cost of feed**, which represents approximately half of the live fish unit cost at harvest.

I. Product Prices

The average price of Atlantic salmon sold by Salmones Camanchaca during Q2 2019 was US$ 6.60 per Kg WFE, which is 5.5% higher than the average price for Q1 2018 and reverses the fall in Q1 2019. Since 2016 there has been an upward trend in the prices of Atlantic salmon with supply expanding slower than demand. Contrary to 2015, the strengthening US dollar during 2018 did not reduce demand for salmon in Salmones Camanchaca's target markets and current prices has shown great stability with only minor fluctuations, in line with a stable global and Chilean supply, which encourages increases in consumption.

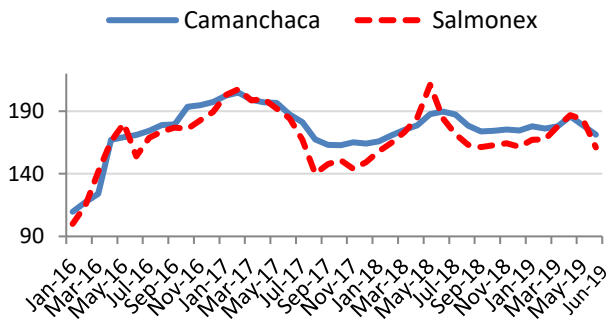
Higher prices in Q2 2019 are influenced by a higher proportion of value-added sales, which consequently have higher associated costs, attributable to raw material conditions and market demand, which has resulted in higher sales of fillets and portions in the United States and lower whole fish sales in Russia and Brazil. Therefore, Salmones Camanchaca achieved an average raw material return (RMR) from Atlantic salmon of 5 US cents higher than the Salmonex index during 2Q 2019, which is its reference market. This index had a pronounced increase between April and May 2019, when Salmones Camanchaca obtained an RMP lower than the reference, but this was more than offset by the favorable difference of 32 cents in June, when reference market prices fell. This behavior is due to a portfolio of value-added product contracts that provide greater stability than the spot market.

Salmones Camanchaca
Atlantic Salmon Price (US$/kg WFE)



Raw Material Return (US$/kg WFE)
Salmones Camanchaca vs Market

Salmonex January 2016 = 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 companies, net of processing and distribution costs for Salmones Camanchaca's fresh trim D. It provides a comparable index to Salmones Camanchaca's Raw Material Return.

Volumes

		Q2 2019	Q2 2018	Δ	Δ %	H1 2019	H1 2018	Δ	Δ %
Harvest	tons WFE	7,136	11,132	-3,996	-35.9%	17,327	20,721	-3,394	-16.4%
Production	tons WFE	7,069	11,132	-4,063	-36.5%	17,254	20,769	-3,515	-16.9%
Sales (Company-farmed)	tons WFE	7,262	10,922	-3,660	-33.5%	18,884	21,497	-2,613	-12.2%
Sales (Company-farmed)	ThUS$	47,965	68,339	-20,373	-29.8%	117,254	134,608	-17,354	-12.9%
Average sales price	US$/Kg WFE	6.60	6.26	0.35	5.5%	6.21	6.26	-0.05	-0.8%
Price-related change in revenue*	ThUS$	47,965	45,438	2,527	5.6%	117,254	118,246	-992	-0.8%

* With constant volume 2019

Salmones Camanchaca harvested 7,136 WFE tons in Q2 2019, a 35.9% decrease compared to Q2 2018. Sales were 7,262 WFE tons in Q2 2019, which is 33.5% lower than Q2 2018. The Company expects that harvest volumes will increase in the second half of the year, projecting close to 35,000 tons in H2 2019, twice the volumes in the first half of the year.

Operating revenue

Sales by Market Segment as of June 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	50,690	12,857	7,245	8,371	30,384	6,226	1,481	117,254
Trout (33%)	(118)	0	(76)	(786)	0	(17)	(116)	(1,114)
Others	0	0	0	0	0	5,914	0	5,914
TOTAL	**50,572**	**12,857**	**7,169**	**7,585**	**30,384**	**12,124**	**1,365**	**122,055**

Sales by Market Segment as of June 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	48,774	41,183	11,784	6,062	35,620	2,949	810	147,182
Trout (33%)	1,078	13	55	2,063	0	0	0	3,209
Others	0	0	0	0	0	5,262	0	5,262
TOTAL	**49,852**	**41,196**	**11,839**	**8,126**	**35,620**	**8,211**	**810**	**155,653**

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

Salmones Camanchaca has had a 25% share in "New World Currents" since 2013, a joint venture with three other Chilean producers to market 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, which accounted for 87.4% of sales for H1 2019, exceeding its 81.2% for H1 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 and China both fresh and frozen products. The rest of Latin America favors frozen fillets.

The percentage of total revenue from North American markets rose from 32.0% to 41.4% in H1 2019, while Europe and Eurasia fell from 26.5% to 10.5%%, explained by a large fall in Russia, which provided less attractive conditions. Asia excluding Japan (mainly China) fell from 7.6% to 5.9%, while Japan rose from 5.2% to 6.2%. Latin America excluding Chile rose from 22.9% to 24.9%. In essence, the less attractive conditions in Russia and Brazil transferred product from there to traditional markets in USA and Mexico.

The proportion of Salmones Camanchaca in the results of the partnership participation account in the trout business operated by a third party in the Company's farming sites is recorded in the "Trout" line in the above table. Other income is mostly smolt sales, processing and services for third parties in our primary processing plant, and farm site leases.

Other Businesses

Salmones Camanchaca owns seven sea farming concessions as of June 30, 2019, which are being leased for trout farming in the Reloncaví Estuary (Tenth Region). The Company contributes these leased concessions to a partnership participation account operated by a third party and receives one third of any net income earnt. The sector where these estuarine concessions are located has a compulsory fallow period during the first quarter of odd years. Harvests are lower in these years as is the case in 2019.

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.

Salmones Camanchaca obtained Pacific, or coho, salmon smolt stocking permits in 2018, in order to take advantage of estuary farm sites in the Tenth Region and complement the partnership participation account. Accordingly, the Company stocked 1.4 million smolt of this species, which should produce forecast harvests of 4,500 tons in late Q4 2019, with some part being recorded as sales in Q1 2020. This initiative will give the Company specific experience in production and marketing processes for this species, which the Company considers a beneficial step ahead of the above partnership coming to an end. The production of Pacific salmon in 2019 represents about 3% of the Chilean supply. The biological performance conditions are better in Chile than other species. Salmones Camanchaca expects negative margins during the first two production cycles in 2019 and 2020, due to smolt stocking densities permitted by the regulations.

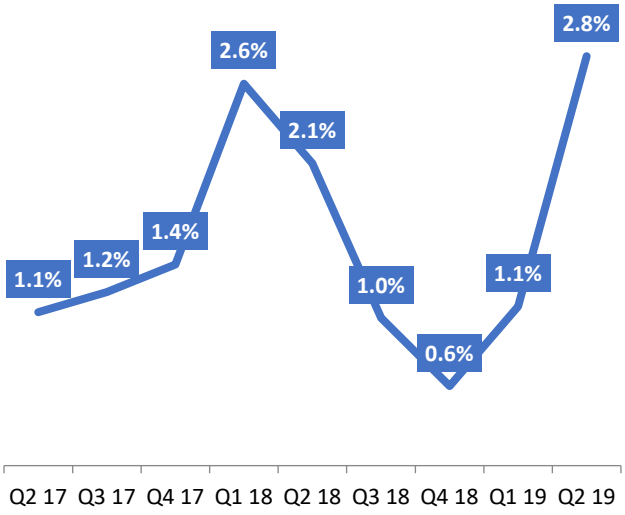
The Company's other businesses, such as processing services for third parties, farm site leases and sales of byproducts, resulted in operating margins of US$ 2.8 million for H1 2019, up 8.1% over H1 2018.

II. Sanitary and Production Conditions

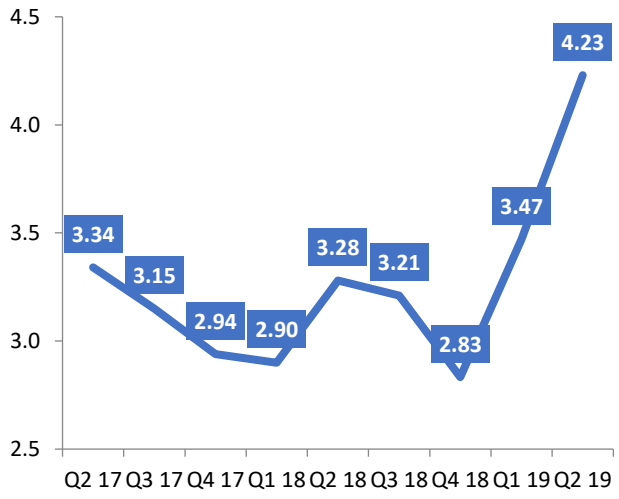
The open cycle mortality of the Atlantic salmon population during Q2 2019 was 2.8%, higher than the Q2 of the previous cycle (2017) which was 1.1%. This increase is mainly due to the environmental conditions affected by algae blooms and a lack of oxygen in the last two quarters. The cumulated mortality at sites that completed their cycle in Q2 2019 was 7.6%, which high due to the environmental conditions affected by algal blooms and a lack of oxygen in the last two quarters.

Live weight ex-cage costs for fish harvested during Q2 2019 were US$ 4.23 per Kg, which is 95 US cents higher than in Q2 2018, and 89 US cents higher than the previous cycle (Q2 2017) for similar geographical areas. The reasons for this cost increase are linked to two separate situations. Harvests from sites with lower smolt stocking density (about 35 cents extra cost compared to Q2 2017) that affected certain farming sites in their first cycle harvested in H1 2019, and that should not have this condition in later cycles. In addition, spring-summer environmental conditions (higher temperatures, luminosity and lack of wind) that increase algae growth and reduce oxygen in the water impacted cost negatively. This resulted in reduced feeding days and in some cases early harvests, which lowered the average harvest weight by approximately 20% with respect to initial estimates, to only 4.3 kg in this quarter, about 500 grams or 9.6% less than Q2 2018, and about 750 grams or 13.0% less than the previous cycle in Q2 2017. These environmental conditions did not have a significant impact on mortality, but the lack of oxygen affected the fish, with some gill damage due to the algae, and this impacted biomass growth and costs. The Company believes that these conditions may be more efficiently mitigated in subsequent seasons using oxygen generating technology that provides a continuous supply, rather than the sporadic supply used last season.

Atlantic Salmon Mortality* (%)



Atlantic Salmon live weight ex-cage cost (US$/kg)



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

The following table shows the trends in the most important production and sanitary variables (closed sites).

Q2	BCR (Live weight)	Productivity Kg WFE/smolt	Average harvest weight Kg WFE	Antibiotic use Gr/Ton	Anti-parasitic treatments Gr/Ton
2016	1.36	4.01	4,789	761	10
2017	1.17	5.16	5,001	515	12
2018	1.21	4.76	4,813	515	13
2019	1.30	4.45	4,349	381	16

The biological feed conversion ratio (FCRb, Kg of food/Kg of live fish) was 1.30 for the sites closed during Q2 2019, which was higher than expected due to the effects of the unfavorable conditions mentioned above, preventing normal feeding. These effects were mitigated using more frequent micro rations, remote feeding and high energy diets, where feed energy was increased by 10%, 22 MJ/kg.

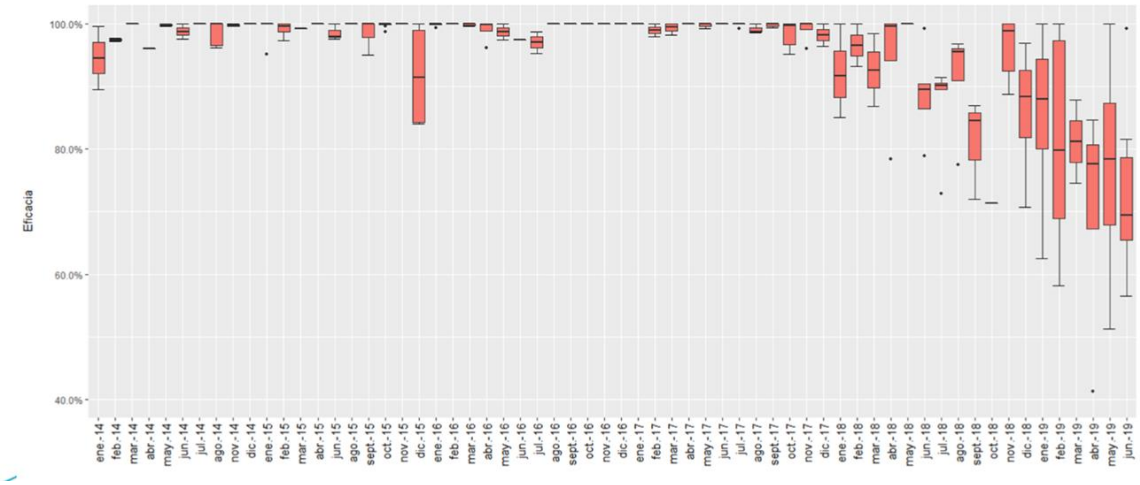
Smolt productivity is defined as harvested biomass in kgs over number of smolts, and it continued its trend of falling average harvest weights to become 4.45 kg WFE for smolts in Q2 2019.

Fish health protection and prevention strategies, such as SRS prevention vaccines at all our farm sites, enabled Salmones Camanchaca to substantially reduce the use of antibiotics.

In conclusion, the environmental conditions during the first half year at some farm sites in the Tenth region, especially at the Reñihué fjord, were more adverse than those observed in the previous two years and resulted in increased days without fish feeding. 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 Q2 2019 was 102 US cents per kg higher than in Q2 2018. The Company expects that the conditions that triggered an increase in costs, should be mitigated or absent in the following cycles.

Regarding the sea lice situation, the second quarter of this year saw an increase in the concentration of fish parasites and sea lice in specific saltier waters areas. Subsequently, fish in these areas have been affected by a decline in the effectiveness of the anti-parasitic Azamethiphos, which has been used in Chile since 2013. This explains an increase in the use of anti-parasites to 16 gr/Ton, as a reactive measure to the decline in effectiveness, which requires more treatments. However, it has still not been necessary to harvest earlier than planned. Current concentrations do not threaten fish health, nor their ability to feed and grow.

Efficiency Azamethiphos period 2014-2019 for Salmones Camanchaca S.A.



As of the date of this report, we can indicate that Salmones Camanchaca has 4 sites in the condition of High Propagation Sites (CAD), that is, those sites that have a count of more than 3 adult females on average. These sites are located in two neighborhoods (ACS) and represent at this date 30% of the total live fish of the company, half of which are in Pilpilehue site located in 10B neighborhood, Chiloé, which is at full harvest plan with average live weight of 5.4 Kg, as originally scheduled and without significant adverse effects estimated at the end of that harvest. The average live weight of these 4 sites is 4.69 Kg.

The increased presence of parasites and the loss of efficiency of Azamethiphos has meant that a total of 37 antiparasitic treatments have been carried out during the first half of 2019, totaling a cost of US$ 1.7 million compared to 18 treatments reaching US$ 0,8 million during the same period of 2018.

In order to face this situation, new pharmacological treatments such as peroxide baths, as well as non-pharmacological treatments have been explored and are about to be introduced. This includes the "Optilicer" developed by the company Optimar and "FLS Delousing System" by Flatsetstund Engineering, which through systems of temperature variations and water pressure, respectively, allow the affected fish to release their sea lice.

Also, at this date, the authority, Sernapesca, is prompt to issue adjustments to the sea lice prevention plan, which aims to provide facilities for effective control measures, including incentives to use non-pharmacological treatments such as those listed above and voluntary preventive harvests.

Lufenuron (Invixa) has been applied to fish before they enter the sea, which provides effective protection for approximately 5 to 6 months of the cycle at sea. Additionally, in those fish weighing less than 800 grams, the Company will apply a new antiparasitic developed by Pharmaq, Alfaflux that is expected to be released to the market this summer. This would extend Lufenuron's protection for approximately 4 to 5 more months, resulting in a protection that could be extended to 10 to 11 months for fish from areas more exposed to sea lice. In the last

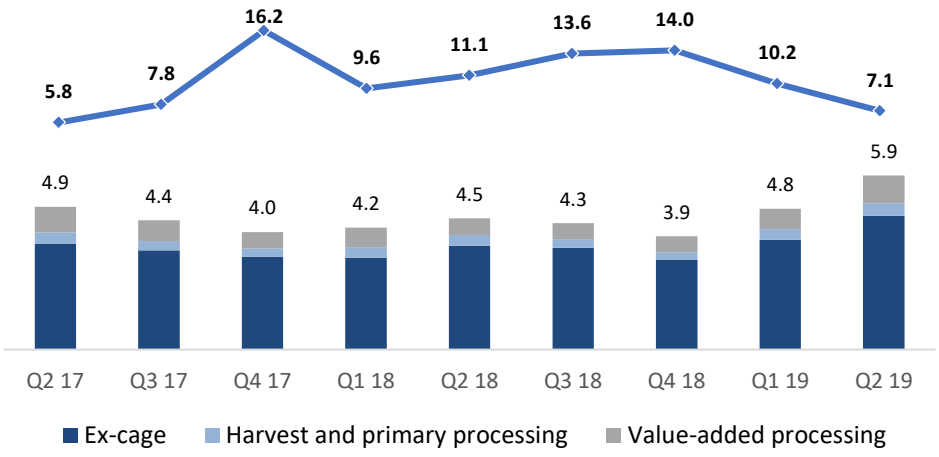
stage of the cycle, the Company estimates that other mechanisms, including non-pharmacological and peroxide use, will be able to control the presence of parasites in the medium term. In conclusion, the risk area for a possible early harvest affects those fish that today are over 800 grams, but still outside of commercial weight ranges. In these circumstances and in higher salinity waters, the Company maintains a biological asset of 4 sites with 3.8 million fish, representing 28% of the total.

Primary and secondary processing costs were US$ 1.37/kg WFE, 44 US cents higher than in Q2 2018 (+47.3%) and 10 US cents higher than Q2 2017 (+7.9%). They were affected by lower volumes in the processing plants (about 30 US cents extra cost) and a production mix with a higher proportion of added value products (about 15 US cents extra cost).

The total cost of finished products per Kg WFE was 146 US cents higher than Q2 2018 (+32.7%). Compared to the previous cycle in 2017 (for the same geographical areas of the harvested sites), the cost is 107 US cents higher than Q2 2017 (+22.1%).

Costs (US$/Kg WFE)	Q2 17	Q2 18	Q2 19
Ex-cage	3.58	3.53	4.55
Harvest and primary processing	0.40	0.37	0.43
Value-added processing	0.87	0.56	0.94
Total finished product cost	4.85	4.46	5.92

Total cost of finished product (US$/Kg WFE) and volume processed (M Ton WFE)

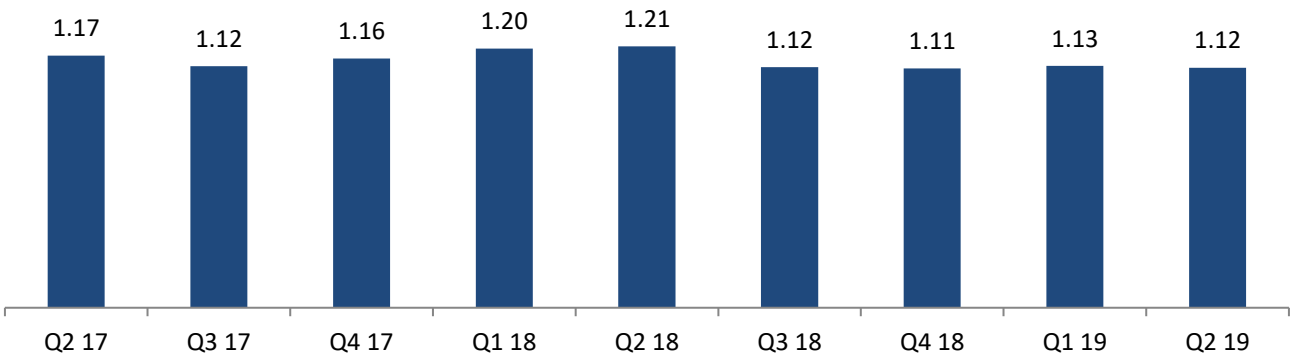


III. Feed Costs

Feed costs have remained stable in recent years, as the prices of its main ingredients, such as fishmeal, fish oil and soybeans, have remained stable, although they did decrease slightly in H2 2018. Soya and fishmeal prices fell slightly in Q2 2019 compared to the previous quarter, but have been offset by a small rise in fish oil prices.

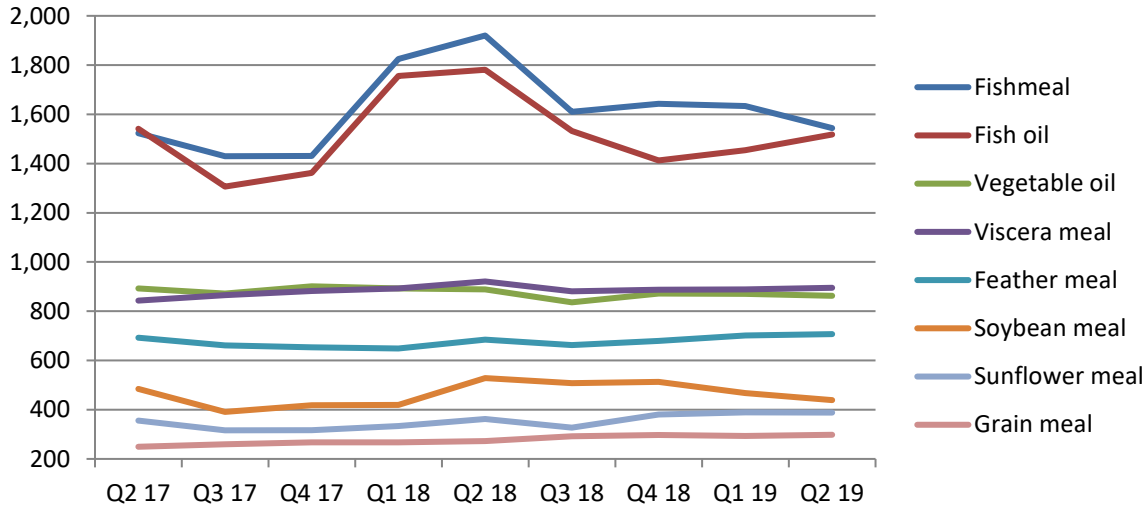
The price of fish feed for fish weighing more than 2.5 kg, which represents close to 40% of the Company's total feed cost, remained stable in Q2 2019, at US$ 1.12 per kg, only 1 US cent less than in the previous quarter, but 7.4% less than in Q2 2018 as a result of the fall in fishmeal and fish oil prices. We estimate that this fall of close to 10 US cents has a positive effect of approximately 7 US cents on the ex-cage cost of harvested fish, assuming current production volumes.

Price for 2500 caliber (Camanchaca Salmon) US$/Kg



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

Price of main ingredients US$/ton



Subsequent Events

On August 23, 2019, Salmones Camanchaca will hold its first "Capital Markets Day" in Oslo, Norway. The event will include presentations on the company's ambitions, objectives, strategy and operations and will include presentations by external stakeholders on key issues of the Chilean industry. These will all be available to anyone interested on our web site www.salmonescamanchaca.cl/en, and will be streamed to: https://webtv.hegnar.no/presentation.php?webcastId=98012731

Company Outlook

Global supply of Atlantic salmon grew around 6% in 2018. Similar growth is expected for 2019, so the Company is not expecting any changes in global price trends, which is consistent with the current regulatory framework in salmon producing countries. Chilean supply grew nearly 20% in 2018 and latest estimates are around 4% 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 cash flow produced by EBITDA in 2018 was used for investments in property, plant and equipment to support forecast harvests for the next few years of around 54,000 tons WFE of Atlantic salmon in 2019 (55,000 estimated at the beginning of March and 52,000 by the middle of May) and 4,500 tons WFE of Pacific salmon.

Total harvests at farm sites owned by Salmones 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 64,000 tons WFE. Preliminary harvest estimates for 2020 are 55,000 tons WFE of Atlantic salmon, 4,500 of Pacific salmon and between 16,000 and 18,000 of trout. These total approximately 75,000 tons. The trout business is operated by a third party through a joint venture, where Salmones Camanchaca receives a third of the earnings. This venture will terminate in 2022.

The increase in Atlantic salmon harvests for 2019 with respect to harvests from similar geographical areas and farming sites during the previous cycle (2017) is estimated at about 18,000 tons WFE. 25% of this increase, or 4,000 to 5,000 tons will be harvested from sites with lower smolt stocking density (SRP regime) and the rest will be from sites with normal smolt stocking density (normal regime). The Company expects higher farming costs for 2019, concentrated in H1 2019, with respect to the previous two years, due to the density situation and the environmental conditions described previously. The Pacific salmon health and biological performance in H1 2019 is optimal for the forecast harvests at the end of 2019 and 2020, but given the lower smolt stocking density, its first two years should have higher costs than subsequent years.

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 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 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 anti-parasitic washing by neighborhood, frequent net cleaning, oxygen plants to supplement pronounced shortfalls in the water, vaccinations at the freshwater stage, and other standards. The risks associated with increased concentrations of parasites can result in early harvests, under certain circumstances, with the consequent lower harvest weights. In the extreme, they can result in unusable products. The Company is mitigating these risks by rigorously applying current treatments, diversifying the anti-parasitic treatments it applies to sites affected by higher concentrations.

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. Salmones 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 sanitary 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 (SRP) as an alternative to the general density regime. This program

requires stocking and farming densities to be reduced when sanitary performance has fallen, or when smolt stockings are expected to grow in the area. The SRP mechanism gives producers the option to replace a reduction in density, when appropriate, with a smolt stocking plan that considers growth containment with respect to the previous cycle, so maintaining densities at maximum permitted levels.

Since the Company's policy has been to use its assets to provide services to third parties/producers, it has routinely leased out several 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 Salmones 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 sanitary situation.

Salmones 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.

Salmones 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 Salmones 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 Net Income (ThUS$)

	Q2 2019	Q2 2018	H1 2019	H1 2018
Operating revenue	**48,179**	**75,093**	**122,055**	**155,653**
Cost of sales	(43,122)	(56,411)	(98,165)	(115,460)
Gross profit before fair value adjustments	**5,058**	**18,682**	**23,891**	**40,193**
Administrative expenses	(2,299)	(3,324)	(4,820)	(6,467)
Distribution & sales costs	(1,547)	(1,987)	(3,364)	(4,488)
EBIT before fair value	**1,212**	**13,371**	**15,707**	**29,238**
Depreciation	2,942	2,812	5,799	5,426
EBITDA before fair value	**4,153**	**16,183**	**21,505**	**34,664**
Fair value adjustment to biological assets	17,339	19,505	28,657	46,360
Fair value adjustment to harvest and sales	(5,156)	(26,133)	(25,496)	(46,864)
EBIT after fair value	**13,394**	**6,743**	**18,867**	**28,734**
EBITDA after fair value	**16,336**	**9,555**	**24,666**	**34,160**
Finance costs	(1,354)	(1,177)	(2,064)	(2,370)
Share of profit (loss) of associates	458	509	1,012	825
Exchange differences	(215)	(1,536)	(341)	(1,747)
Other income (losses)	(2,094)	74	(2,510)	85
Finance income	24	31	24	48
Net profit (loss) before taxes	**10,214**	**4,644**	**14,989**	**25,575**
Income taxes	(2,605)	(1,546)	(3,792)	(6,736)
Net profit (loss) from continuing operations	**7,608**	**3,098**	**11,196**	**18,839**
Profit (loss) from discontinued operations	0	0	0	0
Net profit (loss) for the period	**7,608**	**3,098**	**11,196**	**18,839**
Non-controlling interest	0	0	0	0
Net profit (loss) for the period attributable to owners of the parent	**7,608**	**3,098**	**11,196**	**18,839**

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

Financial Position (ThUS$)

	06/30/2019	12/31/2018	06/30/2018
Cash and cash equivalents	9,596	13,143	16,261
Other financial assets, current	55	50	29
Other non-financial assets, current	3,356	5,990	5,433
Trade and other receivables, current	19,249	32,781	17,825
Related party receivables, current	25,964	26,952	25,435
Inventories	16,833	22,959	29,071
Biological assets, current	156,798	113,237	111,432
Tax assets, current	1,413	1,136	2,236
Total current assets	**233,264**	**216,248**	**207,722**
Other financial assets, non-current	27	27	27
Other non-financial assets, non-current	112	112	112
Rights receivable, non-current	1,381	1,349	5,434
Equity method investments	5,228	4,682	4,697
Intangible assets other than goodwill	6,948	6,948	7,083
Property, plant and equipment	108,239	92,269	85,720
Biological assets, non-current	14,408	18,607	20,253
Long-term deferred taxes	0	373	382
Total non-current assets	**136,343**	**124,367**	**123,708**
Total assets	**369,607**	**340,615**	**331,430**
Other financial liabilities, current	414	243	390
Operating lease liabilities, current	346	0	0
Trade and other payables, current	68,442	70,134	58,153
Related party payables, current	3,456	15,296	2,356
Current tax liabilities	0	6,509	9,252
Employee benefit provisions, current	1,079	1,056	848
Total current liabilities	**73,737**	**93,238**	**70,999**
Other financial liabilities, non-current	94,000	50,000	80,000
Operating lease liabilities, non-current	273	0	0
Trade and other payables, non-current	0	0	43
Related party payables, non-current	600	591	290
Deferred tax liabilities	15,157	12,733	12,483
Employee benefit provisions, non-current	143	152	150
Total non-current liabilities	**110,173**	**63,476**	**92,966**
	84,818	**37,100**	
Total liabilities	**183,910**	**156,714**	**163,965**
Share capital	91,786	91,786	91,786
Share premium	27,539	27,539	27,539
Retained earnings	43,138	41,450	30,534
Interim dividends	0	0	-5,762
Other reserves	23,234	23,126	23,368
Total equity	**185,697**	**183,901**	**167,465**
Total equity and liabilities	**369,607**	**340,615**	**331,430**

Cash Flow Statement (ThUS$)

	Q2 2019	Q2 2018	H1 2019	H2 2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Proceeds from sale of goods and provision of services	68,805	94,297	153,592	188,635
Payments				
Payments to suppliers for supply of goods and services	(63,805)	(72,576)	(135,052)	(158,151)
Payments to and on behalf of employees	(6,108)	(6,487)	(13,413)	(15,084)
Dividends paid	(23,770)	(3,353)	(23,770)	(3,353)
Dividends received	574	1,500	574	1,500
Interest paid	(1,518)	(775)	(1,518)	(2,171)
Interest received	24	33	24	48
Income taxes paid	(5,377)	(36)	(5,376)	(36)
Other cash inflows (outflows)	0	21	0	21
Net cash flows provided by (used in) operating activities	**(31,175)**	**12,624**	**(24,939)**	**11,409**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales of property, plant and equipment	106	122	319	277
Purchases of property, plant and equipment	(12,727)	(9,808)	(22,884)	(16,639)
Net cash flows provided by (used in) investing activities	**(12,621)**	**(9,686)**	**(22,565)**	**(16,362)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from share issuance	0	0	0	45,903
Proceeds from loans	44,000	0	44,000	0
Loan repayments	0	0	0	(20,000)
Proceeds from/payments to related parties	0	(19)	0	(4,958)
Net cash flows provided by (used in) financing activities	**44,000**	**(19)**	**44,000**	**20,945**
Effects of changes in exchange rates on cash and cash equivalents	(72)	(469)	(43)	(577)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	132	2,450	(3,547)	15,415
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	9,464	13,811	13,143	846
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**9,596**	**16,261**	**9,596**	**16,261**

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 company
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						(5,762)	(5,762)
Comprehensive income							
Net income for the period						18,839	18,839
Other comprehensive income			(193)		(193)		(193)
Closing balance as of June 30, 2018	**91,786**	**27,539**	**(103)**	**23,471**	**23,368**	**24,772**	**167,465**
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						(9,508)	(9,508)
Comprehensive income							
Net income for the period						11,196	11,196
Other comprehensive income			108		108		108
Closing balance as of June 30, 2019	**91,786**	**27,539**	**(237)**	**23,471**	**23,234**	**43,138**	**185,697**

Additional Information

Key Financial Indicators Analysis

This section compares the Company's key financial indicators based on its consolidated financial statements as of June 30, 2019, compared to December 31, 2018.

	06/30/2019	12/31/2018
Liquidity Indicators		
1) Current Liquidity	3.16	2.32
2) Acid Ratio	0.81	0.86
3) Working Capital (US$ million)	159.5	123.0
Debt Indicators		
4) Net Debt Ratio	0.94	0.78
5) Current Liabilities / Total Liabilities	0.40	0.59
6) Non-Current Liabilities / Total Liabilities	0.60	0.41
Profitability Indicators	(6 months)	(12 months)
7) Return on Equity	6.03%	23.94%
8) Return on Assets	6.46%	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 margin before fair value adjustment / Total assets.

The increase of 36% in the current liquidity ratio is mainly caused by an increase of US$ 17.0 million in current assets and a decrease of US$ 19.5 million in current liabilities, as explained in the financial position analysis. Consequently, working capital increased by 30% or US$ 36.5 million.

The decrease of 6% or 0.05 in the acid ratio is mainly caused by an increase of US$ 43.6 million in current biological assets. These changes have already been explained in the financial position analysis.

The net debt ratio increased from 0.78 to 0.94 mainly due to total liabilities increasing by US$ 27.2 million and cash equivalents decreasing by US$ 3.5 million. These changes have already been explained in the financial position analysis. The increase in the proportion of long-term liabilities from 0.41 to 0.60 is due to the decrease in current liabilities of US$ 19.5 million and the increase of US$ 46.7 million in long-term liabilities. 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

		H1 2019	H1 2018
a.	Atlantic Salmon Harvests (tons WFE)/ Site	2,662	3,713
b.	Atlantic Salmon Farming Density (kg/m3)	7.5	6.9
c.	Atlantic Salmon Group Survival Rate (sea water)	91.7%	93.1%
d.	Pacific Salmon Farming Density (kg/m3)	1.1	n/a
e.	Pacific Salmon Group Survival Rate (sea water)	n/a	n/a
f.	EBIT before fair value adjustments (US$ million)	15.7	29.2
g.	EBIT/Kg WFE before fair value adjustments	0.89	1.21

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 June 30 (ThUS$)

	Gain (loss) on fair value adjustment of biological assets		Fair value adjustment to biological assets harvested and sold	
	H1 2019	H1 2018	H1 2019	H1 2018
Atlantic salmon	28,657	46,360	-25,496	-46,864

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

a. “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$ 28.7 million was recorded for the fair value adjustment of the live and harvested biomass as of June 30, 2019, compared to a gain of US$ 46.4 million as of the same date in 2016.

b. “Fair Value Adjustment to Biological Assets Harvested and Sold” records the estimated 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 June 30, 2019, was a loss of US$ 25.5 million, which reversed a positive margin estimated in prior periods, in contrast to a loss of US$ 46.9 million as of June 30, 2018.

The net effect of the fair value adjustment of the salmon biomass for the period ended June 30, 2019, is a positive US$ 3.2 million, as opposed to the negative US$ 0.5 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 and 2.5 kg for Pacific 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 salmon 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 occurs for fish of 4 kg or more for Atlantic salmon and 2.5 kg for Pacific salmon. 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 June 30, 2019:

1. An increase in net profit for the period of US$ 13.5 million, net of deferred tax effects.
2. An increase in net income, which is presented within Gain (loss) on fair value adjustments for the period in the statement of net income by function, of US$ 18.5 million.
3. An increase in biological assets within current assets of US$ 18.5 million, which also generates an increase in deferred tax liabilities of US$ 5.0 million and in equity of US$ 13.5 million.
4. This alternative approach to biomass valuation has no effects on EBITDA, EBIT, nor on the indicators per kg (before Fair Value).