



PESQUERA EXALMAR S.A.A. ANNUAL REPORT 2016

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STATEMENT OF RESPONSIBILITY

This document contains accurate and sufficient information about the business performance of PESQUERA EXALMAR S.A.A. (hereinafter, the Company) during 2016. Without prejudice to the responsibility corresponding to the issuer, the signatories are responsible for the contents hereof in accordance with the applicable legal provisions.

Raúl Briceño Valdivia - Finance and Administration Manager

Rossana Ortiz Rodríguez - General Manager



CHAPTER I: MILESTONES

1. 2016 was a challenging year for fishing industry, due to the persisting impact of El Niño for three consecutive years, which affected both Indirect Human Consumption and Direct Human Consumption.
2. Indirect Human Consumption:
 - i. In the second fishing season 2015, the quota allocated by PRODUCE was only 1,110 thousand MT. Such season started on November 17th, 2015 and finished on January 31st, 2016, getting 98% of catch in the sector.
 - ii. The first season 2016 started on June 16th and finished on July 27th. The sector caught approximately 51% of the quota allocated to 1,800 thousand MT, due to the short season starting quite late and finishing by the end of July because of the normal start of the spawning season.
 - iii. The second season 2016 started on November 15th and finished on January 27th, 2017. The sector caught 98% of the quota allocated to 2,000 thousand MT.
3. Direct Human Consumption:
 - i. The low availability of giant squid and other species caused a significant drop in the use of the installed capacity in the plant of frozen products in Paita as well as its temporary closure, until achieving a consistent supply of raw material that allows an adequate use of the installed capacity.
 - ii. In addition, there was a scarce presence of jack mackerel and mackerel till July, when appeared a significant volume of mackerel.
 - iii. Given these difficulties and in order to continue with the growth of this business unit, various efforts have been made to develop new markets and direct customers through products of high added value. To this end, new product lines have been worked, strengthening the company's commitment to its collaborators and to the communities of artisanal fishermen from the various areas of the Peruvian coast.
4. Despite the demanding challenges faced over the year, Exalmar once again stood out for its adaptability thanks to the efforts of all its employees, overcoming obstacles with agility and quick response, through the appropriate mechanisms for the company's sustainability in the long term:
 - i. The company's Strategic Plan was developed and approved by the year 2020.
 - ii. The process of adopting the best practices of Good Corporate Governance continued. The launch of the new website, the approval of the General Shareholders' Meeting Regulations, the beginning of a sustainability management diagnosis, among others are highlighted.
 - iii. Exalmar was nominated as a finalist for the IFFO annual awards, recognizing its commitment and leadership in the field of Good Corporate Governance.
 - iv. In recognition of its commitment to the conservation and protection of the environment, it was considered in the Register of Good Environmental Practices of the OEFA.
 - v. The lowest volume of fishing in more than 18 years and the shorter number of production days in our fishmeal and fish oil processing plants was recorded in 2016. In spite of this, the company maintained a firm commitment to its people, timely fulfilling with all its responsibilities.



5. In 2016, the Company's financial capacity to face an extended period of crisis generated by the impact of climatic factors was evidenced, maintaining a very healthy position with an adequate management of the maturities of short-term debts and compliance of its obligations.
 - i. As at December 31st, 2016, the short-term bank debt was hedged at 151% with inventories, cash and accounts receivable, mostly supported by Credit Letters.
 - ii. In September, a Tender Offer was made, which allowed the company to repurchase 15% of the current corporate bond issuance in the market.
 - iii. The credit line committed to Scotiabank for US\$ 20 million remains in existence; only US\$ 5 million of it have been used.

CHAPTER II: ENVIRONMENT



1. Macroeconomic Context

According to the Instituto Nacional de Estadística and Informática (INEI)¹, the national economic activity grew up to 3.90% in 2016; making 89 months of continuous increase, determined by the favorable performance in most of the productive sectors, amongst which the contribution of Mining and Hydrocarbons sector is highlighted.

In 2016, the economic activity was characterized by the contrast between a solid growth of primary sectors, especially mining, and the fall of private investment. Although the recovery of construction sector was expected in the last quarters of 2016; this was not materialized due to the government's commitment to reach the fiscal objective in 2016.

According to the figures of the last Inflation Report of the Central Reserve Bank of Peru², the GDP would continue growing up to rates slightly above 4.0% between 2017 and 2018, stimulated by domestic demand, considering that private investment would return to a higher rate of growth, due to the execution of the main projects delivered in concession and in the announcements of new concessions. Likewise, it is expected that the reversal of expenses in public investment will be another important factor for the planned greater dynamism of domestic demand, due to the execution of infrastructure projects, such as Route 2 of Metro de Lima, Panamerican Games infrastructure, Refinery of Talara, among others. However, the most recent estimates show a reduction in the economic growth expectations, which stood at 3.8% for both 2016 and 2017, according to information from The Central Reserve Bank of Peru, updated as at February 3rd, 2017³.

During the last years, Peru shows a macroeconomic soundness internationally recognized after recording an accelerated growth over the past decade, leading the regional growth and allowing GDP per capita exceeds the world average by 2020⁴. This growth has been driven by private investment, which today represents about 20% of GDP; considering that between 2016 and 2018 important announcements of private investment projects are expected, which represent US\$ 33,127 million approximately. In addition, domestic demand is strengthening and this is complemented by a dynamic commercial exchange which has been diversifying, as well as a context of macroeconomic stability, one of the lowest inflation rates in the region, a steady exchange rate, a country risk level under the regional average, a healthy level of debt, and international reserves by one third of GDP. Peru offers a favorable legal framework for foreign investment, ranking 3rd on ease for doing business in Latin America, after Mexico and Colombia, according to the most recent Doing Business 2017 edition, published by the World Bank. Moreover, it has a trade liberalization policy sustained over time and a responsible economic policy that have deserved such a degree of investment and the confidence of investors.

2. Fishery Sector

¹ Technical Report N° 2, National Production, Instituto Nacional de Estadística e Informática (INEI), February 2017.

² Inflation Report: Current Outlook and Macroeconomic Forecasts 2016 – 2018, The Central Reserve Bank of Peru, December 2016.

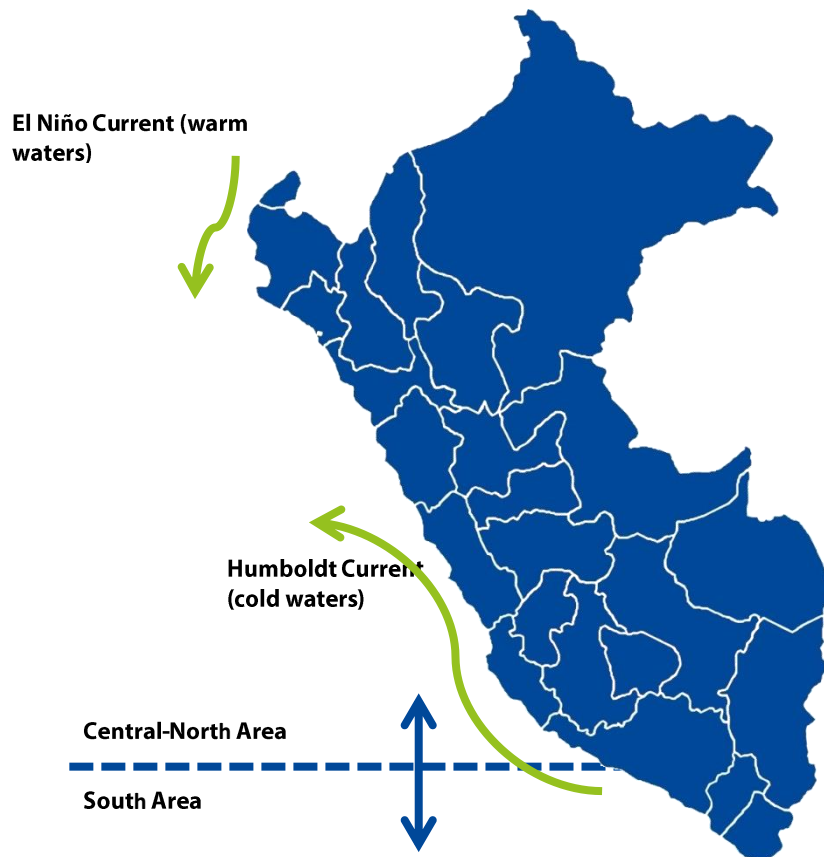
³ Report of Monthly Survey on Macroeconomic Expectations, The Central Reserve Bank of Peru, January 2017.

⁴ Presentation of main macroeconomic results and sector opportunities, "Why to invest in Peru?", Proinversión, December 2016.



Peru is the first exporter of fishmeal and fish oil worldwide. It is favored by unique geographic conditions due to the convergence of Humboldt and El Niño ocean currents, with an extensive fishing coast (longer than 3,000 km) and highly recognized biomass due to its quality and diversity.

In Peru, fishmeal and fish oil are produced from “anchovy” (*Engraulis ringens*), a small pelagic fish



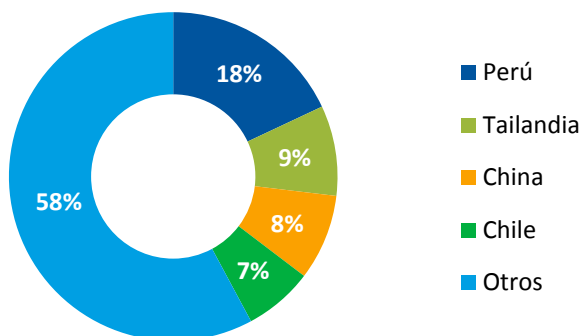
living in cold waters of Humboldt Current and which is distributed in two population units: north-center stock (from Paita to San Juan de Marcona) and south stock (from Chala to Chile). It is not a migratory species, which appears in long schools near the coast, with a short-cycle of reproduction (six months), and a life-cycle of three years. It reaches the middle size of first maturity when it is one year old and measures 12 cm long, the minimum size for fishing.

Since the system of individual anchovy fishing quotas entered into force in 2009, the country has had an effective regulatory framework. This has led the industry organization, as well as the quality and efficient use of plants and vessels, by reducing the number of vessels used, reaching greater productive efficiency, and, therefore, considerable savings on fixed costs and better production planning, which has allowed an efficient investment in the sector.

Given these conditions, Peru is the first producer and exporter of fishmeal and fish oil worldwide, being aquaculture the main use destination of these products. In 2015, Peru remained the first producer worldwide with a participation of 18%.

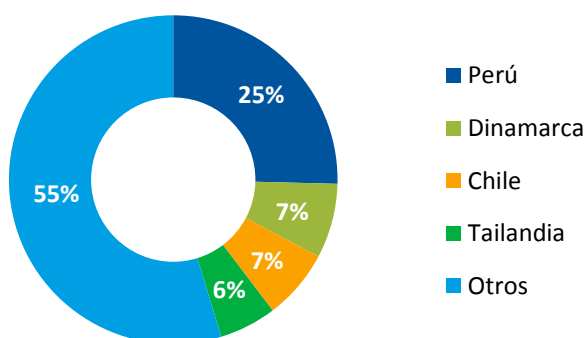


World Fishmeal Production (MT)



Source: The Annual Yearbook 2016, IFFO, as at December 31st 2015.

World fishmeal Exportations (MT)



Source: The Annual Yearbook 2016, IFFO, as at December 31st 2015.

The world supply of fishery resources is limited by a controlled catch due to the need of preserving the resource and to restrictions of producer countries for protecting the marine ecosystem; while global demand has showed a significant growth in aquaculture, especially in Asian countries, because of population growth and a diet rich in marine resources, as well as an important demand for animal food. Fish consumption is expected to continue growing, given the increasing demand of emerging markets and global tendencies related to healthy eating.

Because of its high protein content and high digestibility, fishmeal and fish oil produced from anchovy processing are the main sources of food in aquaculture, and, in lower rate, for other animal species, such as pigs. Additionally, fish oil has been benefited in the last years by the new Direct Human Consumption demand through its Omega-3 type, given its proved benefits in coronary and neurological system. The greatest demand from Asian countries has higher per capita fish consumption rates in Europe and great potential of consumption in Africa and South America. Likewise, consumption patterns in developed countries for higher value-added products create potential demand of Direct



Human Consumption products. In this way, limitations of supply in anchovy catch and the increasing aquaculture demand have carried to a sustained going up in the level of prices for fishmeal and fish oil during a number of years.

3. Regulatory Framework

The **Ministry of Production (PRODUCE)**, through the Vice-Ministry of Fisheries, is the governing body of fishery sector in the country. Its functions are: to manage resources rationally, to promote fish production, and to develop fishing in general. On the other hand, the **Instituto del Mar del Peru (IMARPE)** fulfills an important function when studying the environment and marine biodiversity, assessing fishery resources, and providing information and advice for decision-making on fishing, aquaculture, and marine environmental protection.

The Vice-Ministry of Fisheries, along with IMARPE, has a number of monitoring instruments allowing it controlling the access to catch and processing of pelagic resources, such as the application of closed seasons, specification of total permitted volumes of catch, minimal catch sizes, and percentage of young individuals permitted in catch, determination of protected areas, establishment of non-fishing zones or fishing prohibition, among others.

Considering the volume and size of the existing infrastructure, anchovy and sardine were declared as species fully exploited. This involved the restriction of new fishing vessels to catch these species. Authorizations have been granted only to replace the existing fleet.

Likewise, two periods of closed season are annually set for anchovy, which vary according to the resource availability and anchovy life cycle. Generally, fishing seasons are from May to July, and from November to January.

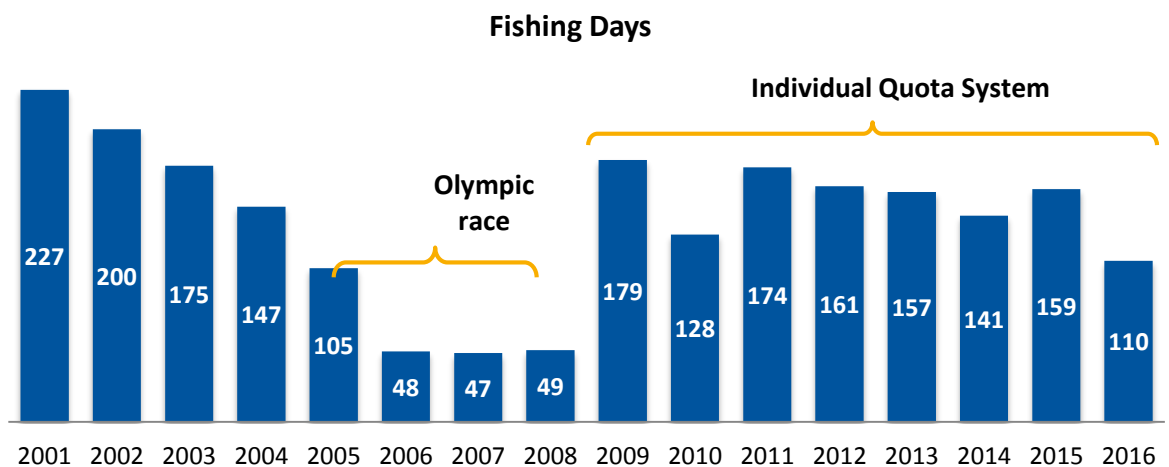
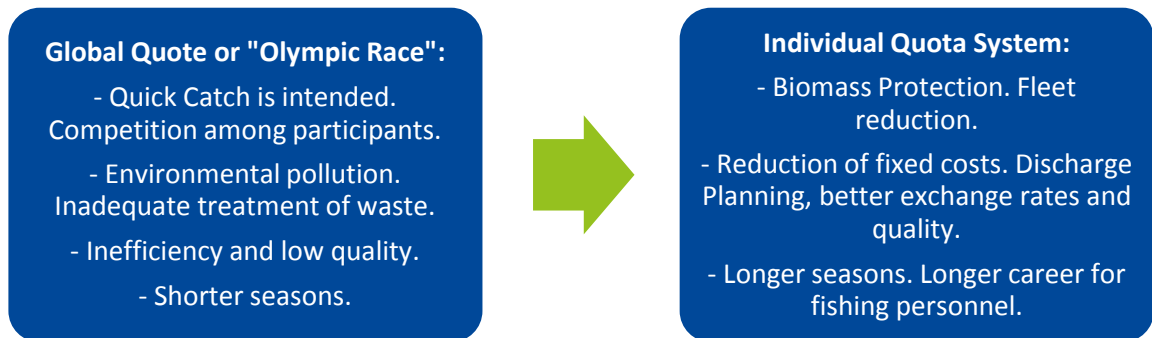
Sector standards are mainly contained in the **General Fisheries Act** (DL 25977) and its Regulations (DS 01-94-PE). The aim is to regulate fishing activities in order to promote sustainable development as a source of food, employment, and earnings, as well as to ensure the responsible use of hydro-biological resources.

In addition, the following relevant facts that meet an important contribution to the development of fisheries sector stand out:

- **Monitoring and Control Program for Fishing & Unloading:**
In 2003, permanent monitoring and control are created in places of unloading, strengthening actions to control the proper operation of weighing equipment in industrial fishing establishments; and through monitoring and control of vessels which do not have fishing permissions.
- **Act of Maximum Limits of Catch:**
In 2008, the Act of Maximum Limits of Catch (Legislative Decree 1084 and its corresponding Regulations) was enacted, changing from the system of global quota of catch to a mixed system, which combines a quota of catch per season and the allocation of maximum limits of catch per vessel (LMCE), or individual fishing quotas. This system of individual transferable fishing quotas (ITQ) was implemented since the first fishing season 2009 onwards, and allowed each authorized vessel catching anchovy until completing their individual quota or a percentage of



the total catch permitted. It is intended to protect the resources, because years ago it was seen an inordinate race or "Olympic Race" among the participating agents, in order to access the maximum rate of the global quota authorized in a minimum time, significantly reducing fishing days. In 2009, Exalmar was operating with less than 50% of its vessels, and successfully caught its allocated quota.



This new system meant a change, not only for companies but also for many crew members who would lose their jobs with the reduction of the fishing fleet. Therefore, in order to support those who adopt the system established in DL 1084, a program of voluntary benefits financed by the contribution of fishing companies (owners) for Indirect Human Consumption was created. These programs include:

- Retraining: relocation of workers in dependant activities and training.
 - Development of micro and small enterprises: training and specialized advice.
 - Early retirement: for workers older than fifty years who want to adopt this system.
 - Payment of special bonus: 2.25 compensations per year of work (up to 18 salaries).
- **Reserve areas for anchovy catch:**



In 2012 the Supreme Decree No. 005-2012 and other additional rules were issued, whereby reserve areas designated to catch anchovy for Direct Human Consumption were established. Artisanal vessels were defined as those having a hold capacity up to 10 m³, and small scale fishing vessels as those with more than 10 m³ and up to 32.5 m³ of hold capacity. On the other hand, it was established that between 0 and 5 miles artisanal vessels would be authorized to catch anchovy exclusively for Direct Human Consumption, while the area between 5 and 10 miles would be allocated to small scale fishing vessels, which should preferably allocate their catch to DHC. Fishing for the industry which produces fishmeal and fish oil would be conducted by vessels greater than 32.5 m³ of hold capacity, making their fishing away from 10 nautical miles.

In 2013, the Chamber of Constitutional and Permanent Law of the Supreme Court of Justice of the Republic, in process of Popular Action, rendered item 2.2 of Article 2 in Supreme Decree N° 005-2012-PRODUCE invalid. Afterwards, SD 011-2013-PRODUCE was issued, through which it was ordered to keep reserve areas allocated to catch anchovy for Direct and Indirect Human Consumption. However, by Resolution No. 09, the Fourth Civil Chamber of the Superior Court of Justice of Lima, through an injunction, suspended the application of Supreme Decree No. 011-2013, allowing again industrialists catching anchovy from the mile 5.

In 2015, by Supreme Decree No. 001-2015-PRODUCE, the regime for catching anchovy resource allocated for direct human consumption in the south was established. This rule renders Supreme Decree 001-2013-PRODUCE invalid, reducing the area exclusively reserved for direct human consumption, and stating that the industrial fleet will carry out its activities out of the Reserve Area, established from the coastline up to mile 5.

Finally, by Resolution dated December 19th, 2016, the Permanent Constitutional and Social Law Chamber of the Supreme Court of Justice of the Republic issues sentence in the process of **POPULAR ACTION No. 4196-2015**, declaring unconstitutionality of Supreme Decree N 011-2013-PRODUCE, reaffirming the provisions by means of a precautionary measure and definitively allowing the industrial fishing of anchovy from mile 5.

4. Fishery Sector in Peru in 2016

According to the Instituto Nacional de Estadística and Informática (INEI)⁵, production growth in 2016 was 3.90%, driven by mining and hydrocarbon sector, among others. The fishery sector had a negative contribution of 0.04%, while in 2016 there was a contribution of 0.14%.

In 2016, the fishery sector had a variation of -10.09%, because of a lower catch of marine species, especially for Indirect Human Consumption, against 2015 when it had a growth of 15.87%.

2016 was a challenging year for fishing industry, due to the persisting impact of El Niño for three consecutive years.

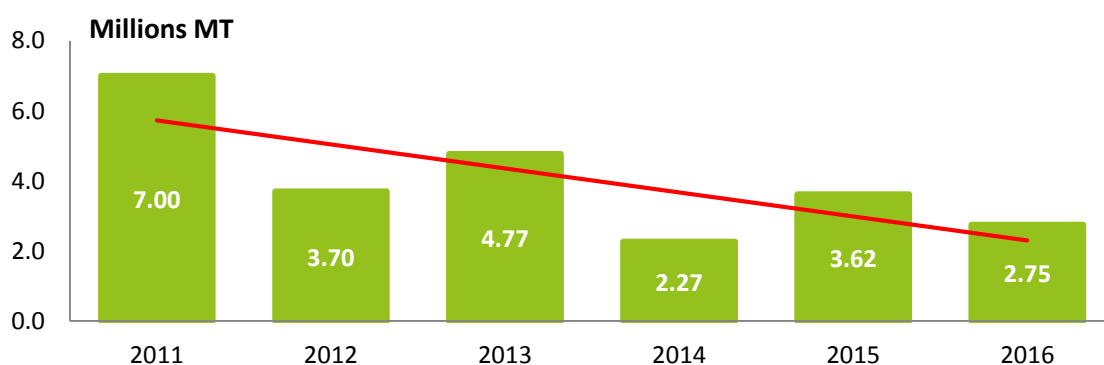
⁵ Technical Report N° 2, National Production, Instituto Nacional de Estadística e Informática (INEI), February 2017.



In Indirect Human Consumption, there were weather factors affecting two fishing seasons (second season 2015 and first season 2016), reaching the lowest levels of fishing in recent years. In Direct Human Consumption, the low availability of resources had a significant drop in use of plant capacity.

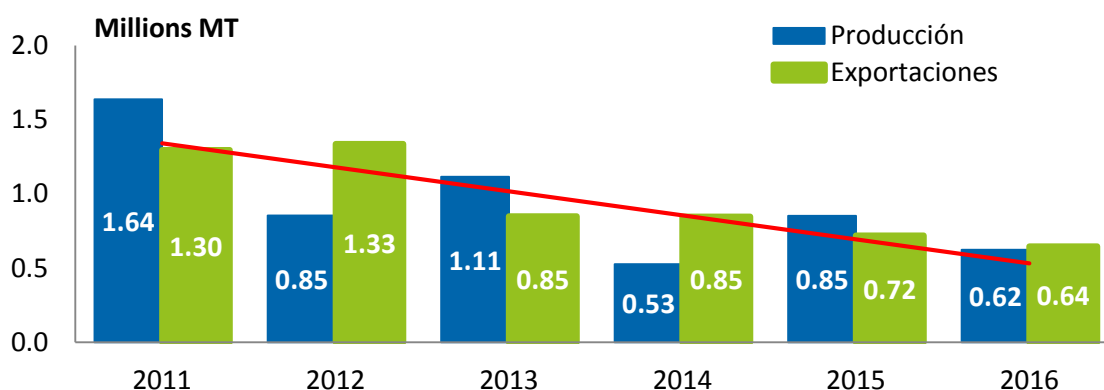
In this way, 2016 was the year with the lowest unloading of anchovy in the sector, with the exception of 2014 when the second season was suspended. It was also the year with the lowest exports of fishmeal and the lowest volume of production, with the exception of 2014.

Unloading of anchovy in the peruvian industry



Source: INEI. Elaboration: own.

Production and exports of fishmeal



Source: INEI. Elaboration: own.

Considering that the annual financial statements of the companies in the sector generally include sales corresponding to the production of the second quota from the previous year and the first quota of the current year, 2016 included in the financial statements of the companies an effective quota of



approximately 1,998 thousand MT, while in 2015 included an effective quota of approximately 2,508 thousand MT. This represents the lowest levels of fishing and production days in recent years.

This is due to the development of two unusual fishing seasons affected by climatic factors: (i) in the second fishing season 2015, PRODUCE allocated a quota of just 1,110 thousand MT. Such season started on November 17th, 2015 and finished on January 31st, 2016, with a catch of 98%; (ii) the first season 2016 started on June 26th and finished on July 27th. The sector caught approximately 51% of the quota allocated to 1,800 thousand MT, due to the short season starting quite late and finishing by the end of July because of the normal start of the spawning season.

Quotas in Financial Statements						
Thousand metric tones	2011	2012	2013	2014	2015	2016
2nd season- previous year	790	2,448	732	2,274	-	1,084
1st season- current year	3,686	2,623	1,993	1,679	2,508	914
Total Quota	4,476	5,071	2,725	3,953	2,508	1,998

CHAPTER III: COMPANY INFORMATION

Pesquera Exalmar SAA is a leading company in fishery sector. With more than forty years of experience, it participates in the catch, processing and commercialization of high quality and high protein value marine products, generating bonds of trust with its stakeholders over time.

Exalmar promotes human talent and is considered as an agent of social change; consequently, it contributes to the development of its collaborators and the community related to fishing in the areas where it operates. Thinking on the benefit of communities and the development of future generations, the company promotes growth based on sustainable development, supporting conservation and protection of the environment, in accordance with a regulatory framework that seeks to ensure preservation of marine resources. It also stands out for its commitment to Good Corporate Governance practices and is endorsed by the following international certifications regarding quality, safety and environment: BRC, OHSAS 18001, ISO 14001, GMP +, IFFO RS, BASC, AC OMEGA, Friend of the Seas. In addition, the Company participates in the HACCP Program.

1. Name, address, constitution and corporate purpose

Pesquera Exalmar S.A. was incorporated as a public limited company by means of public deed granted on November 25th, 1997, before the Notary Public of Lima, Dr. Walter Ramón Pinedo Orrillo, registered with Entry A 001 in the Electronic Record N° 11006351 of the Register of Legal Entities of Lima.



By agreement of the General Meeting of Shareholders held on November 1st, 1997, converted into public deed on December 5th, 1997, before the Notary Public of Lima, Dr. Walter Ramón Pinedo Orrillo, Corporación Matta S.A. changed its name to PESQUERA EXALMAR S.A.

By public deed granted on January 5th, 1998, before the Notary Public of Lima, Dr. Ricardo Ortiz de Zevallos V., Pesquera Exalmar S.A. merged with Pesca Perú Huacho S.A., Pesquera María del Carmen S.A. and Exalmar S.A.

The purpose of this company is the extraction, transformation, commercialization and export of hydro-biological products for Direct and Indirect Human Consumption, as well as the import of supplies for its business activity, wholesale and retail purchase/sale of those products, representation of them, and other related or similar activities. Likewise, without excluding related activities, the company can engage in production and commercialization of fishmeal and fish oil. The company has an indefinite duration. These activities are classified under the CIU Code 15127. Its economic activity is governed by the General Fisheries Act, its regulations and amendments.

The headquarters is located at Av. Víctor Andrés Belaúnde 214, San Isidro, Lima, Peru. The phone number is 51 1 441 4420.

2. Corporate Identity

- **Mission:**

We elaborate, in a sustainable way, quality hydro-biological products, improving and transforming the living conditions of people.

- **Vision:**

To be recognized by our stakeholders as a sustainable company, supplier of the best products with high protein value.

- **Values:**

- **Integrity:** we act with transparency, honesty and ethics in all our fields.
- **Respect:** we appreciate people as individuals, as well as sustainability of natural resources and the environment for the benefit of future generations.
- **Responsibility:** we are committed to the result of our decisions and their impact on our stakeholders.
- **Communication:** we promote confidence to generate a transparent and unifying communication in all our areas of action facilitating the feedback.
- **Excellence:** we encourage an outstanding performance, teamwork, and innovative attitude, contributing with personal development.

3. Economic Group

Here is the list of the main companies of Grupo Matta which are linked to us:



- **Complejo Agroindustrial Beta S.A.**

Complejo Agroindustrial Beta is, nowadays, the first producer and exporter of fresh green asparagus in Peru and worldwide; and the second exporter of frozen green asparagus and table grapes in Peru.

Víctor Matta started this prosperous company, with a modest cultivation of vegetables in lands located in his home town Chincha. In addition, initially, he was dedicated in parallel to the laying hens business. In 1993 he formed Complejo Agroindustrial Beta S.A. with an agro-industrial export vision that aimed to develop permanent crops with clear competitive advantages regarding other countries in the rest of the world. Nowadays, the following products are exported, all grown in their own fields: fresh green asparagus, frozen asparagus, table grapes, blueberries, mandarins, tangelos and avocados.

Location and growth of the fields have varied significantly since the beginning in Chincha. Nowadays it operates in the following areas: Ica (296 h. of grapes and 1,250 h. of asparagus), Paracas (160 h. of asparagus and 60 h. of tangelos), Chincha (99 h. of mandarins and 61 h. of avocados), Jayanca (872 h. of asparagus and 40 h. of avocados), Chulucanas (520 h. of grapes), Olmos (420 h. of avocados and 250 h. of blueberries) and Pacora (45 h. of blueberries and 200 h. of asparagus), making a total of 4,200 h. approx., with around 1,000 h. additional for future growth.

Moreover, the company has seven packing plants: one in Ica (for grapes), two in Chincha (one for asparagus and the other one for multiple processing, such as avocados or citric fruits), other in Jayanca (asparagus) and three in Chulucanas (for grapes); besides a plant for frozen asparagus in Ica. The main destinations for its production are: the USA, Europe and Asia.

Likewise, Complejo Agroindustrial Beta provides direct employment to approximately 8 thousand collaborators and represents a great agent of change, intensive generator of work and promoter of development in different areas of the country where the State does not always arrive. From its beginnings, it worked with the communities related to agriculture in the zones of influence to show them how this activity could be modernized, promoting a new mentality in the people. This has allowed thousands of families to improve their quality of life.

In 2016, sales of Complejo Agroindustrial Beta (*Beta Agro-industrial Complex*) raised up to US\$ 115 million approx., and the EBITDA up to US\$ 30.0 million.

4. Share capital, shareholders and share evolution

As at December 31st, 2016, the fully subscribed and paid-up capital of the Company amounts to S/. 295'536,144, divided into 295'536,144 common shares with voting rights for a nominal value of S/. 1.00 each one. All shares provide their holders the same rights and liabilities.

The shareholding composition as at December 31st, 2016, regarding shareholders with more than 5%, was the following:



Shareholders	Shares	Participation	Origin
Caleta de Oro Holding S.A.	180,048,423	60.92%	Panama
Caleta de Oro Holding del Perú S.A.C.	25,000,000	8.46%	Peru
Bancard International Investment Inc.	27,156,338	9.19%	British Virgin Islands
Others	63,331,383	21.43%	-
Total (*)	295,536,144	100.0%	

The table below details the distribution of shares with voting rights, according to the shareholding percentage:

Shareholding	N° of shareholders	Participation
Less than 0.5%	117	5.11%
Between 0.5% - 1%	2	1.37%
Between 1% - 5%	10	14.95%
Between 5% - 10%	2	17.65%
More than 10%	1	60.92%
Total	132	100.00%

The company's shares are quoted on the Lima Stock Exchange. As at December 31st, 2016, the market value of the 295'536,144 shares was S/.1.19 per share, while as at December 31st, 2015 it was S/. 1.01. The information regarding the monthly quotation of shares during 2016 is as follows:



Quotations 2016 (S/.)					
Month	Opening	Closing	Maximum	Minimum	Average
January	1.01	1.01	1.01	1.01	1.01
February	0.90	0.90	0.90	0.90	0.90
March	0.80	0.80	0.90	0.75	0.80
April	0.75	0.90	0.90	0.75	0.88
May	-	-	-	-	-
June	0.90	0.95	0.95	0.90	0.90
July	1.00	1.10	1.12	1.00	1.04
August	1.15	1.17	1.17	1.15	1.16
September	1.16	1.20	1.20	1.16	1.18
October	-	-	-	-	-
November	1.20	1.20	1.20	1.20	1.20
December	1.19	1.19	1.19	1.19	1.19



5. History of Pesquera Exalmar: Over 40 years growing.

YEARS	1976	1992	1993 - 1997	1998 - 2000
SIGNIFICANT EVENTS	VÍCTOR MATTA CUROTTO WENT INTO FISHERY SECTOR	PRIVATIZATION PROCESS OF FISHERY SECTOR AND CONSTRUCTION OF THE FIRST PLANT	ACQUISITION OF PLANTS AND VESSELS AND INCORPORATION OF PESQUERA EXALMAR S.A.	EL NIÑO PHENOMENON
	Mr. Víctor Matta Curotto went into the fishery sector as a ship-owner with the purchase of the vessel Cuzco 4.	One of the first private companies that went into industrial activity. Construction of first fishmeal plant in Casma (Casma, Ancash), through the company Explotadora de Alimentos del Mar S.R.L.	1995: Construction of the plant in Tambo de Mora (Chincha, Ica) by the company Pesquera Alfa S.A. 1997: Purchase of the company Pesca Perú Huacho S.A., whose main asset was the plant in Huacho (Huaura, Lima), through the company Pesquera María del Carmen S.A. Incorporation of Pesquera Exalmar S.A. Purchase and construction of new fishing vessels.	1998: merger of Mr. Víctor Matta Curotto's companies (Pesquera Alfa S.A., Pesquera María del Carmen S.A. and Pesca Peru Huacho, with Pesquera Exalmar S.A.). Construction of plant in Chicama (Ascope, La Libertad). Strong El Niño Phenomenon. International Crisis (Asian crisis, Russian crisis). 2000: Purchase of vessels.
PROCESSING CAPACITY		80 MT/ hour	224 MT/ hour	284 MT/ hour
HOLD CAPACITY AND IHC QUOTAS	368 m ³	368 m ³	4,390 m ³	5,257 m ³



YEARS	2001 - 2007	2008	2009	2010
SIGNIFICANT EVENTS	STRATEGIC FINANCIAL DECISIONS	STRATEGIC FINANCIAL DECISIONS	INDIVIDUAL QUOTA SYSTEM	IPO
	<p>2004: Entering the capital market with the First Program of Short-Term Instruments for US\$ 5 million.</p> <p>2006: Acquisition of a plant in Chimbote (Santa, Ancash) and fishing vessels.</p> <p>2007: Incorporation of Private Equity with 22.7 % of share capital (Citigroup Venture Capital International, through its financing vehicle Stafedouble), for US\$ 30 million.</p>	<p>First International Syndicated Loan for US\$ 80 million.</p> <p>Acquisition of 50% of participation in Cormar S.A.</p> <p>Acquisition of a plant in Callao (Callao, Lima).</p>	<p>Allocation of a Maximum Rate of Catch per Vessel (PMCE) based on fleet capacity and amounts caught in the previous four years.</p> <p>Process of adaptation to the new system, resizing the fleet for more efficiency, and reducing the number of vessels to 14.</p> <p>Beginning of fishing activity for Direct Human Consumption with 3 vessels with Cooling System.</p>	<p>Initial Public Offering of Shares (IPO) for 57.5 million of shares, adding an additional capital of US\$ 100 million</p> <p>Acquisition of additional quotas, reaching 6.45% in the Center - North area and 4.34% in the South.</p> <p>Investments in Direct Human Consumption, implementing Cooling System in 3 vessels.</p>
PROCESSING CAPACITY	374 MT/ hour	474 MT/ hour	474 MT/ hour	474 MT/ hour
HOLD CAPACITY AND IHC QUOTAS	9,210 m ³	11,116 m ³	Center- North: 5.72%. South: 2.79% DHC: 1,266 m ³	Center- North: 6.45%. South: 4.34% DHC: 2,570 m ³



YEARS	2001 - 2007	2008	2009	2010
SIGNIFICANT EVENTS	STRATEGIC FINANCIAL DECISIONS	STRATEGIC FINANCIAL DECISIONS	INDIVIDUAL QUOTA SYSTEM	IPO
	<p>2004: Entering capital market with the First Program of Short-Term Instruments for US\$ 5 million.</p> <p>2006: Acquisition of a plant in Chimbote (Santa, Ancash) and fishing vessels.</p> <p>2007: Incorporation of Private Equity with 22.7 % of share capital (Citigroup Venture Capital International, through its financing vehicle Stafedouble), for US\$ 30 million.</p>	<p>First International Syndicated Loan for US\$ 80 million.</p> <p>Acquisition of 50% of participation in Cormar S.A.</p> <p>Acquisition of a plant in Callao (Callao, Lima).</p>	<p>Allocation of a Maximum Rate of Catch per Vessel (PMCE) based on fleet capacity and volumes caught in the previous four years.</p> <p>Process of adaptation to the new system, resizing the fleet for more efficiency, and reducing the number of vessels to 14.</p> <p>Beginning of fishing activity for Direct Human Consumption with 3 vessels with Cooling System.</p>	<p>Initial Public Offering of Shares (IPO) for 57.5 million of shares, adding an additional capital of US\$ 100 million</p> <p>Acquisition of additional quotas, reaching 6.45% in the Center - North area and 4.34% in the South.</p> <p>Investments in Direct Human Consumption, implementing Cooling System in 3 vessels.</p>
PROCESSING CAPACITY	374 MT/ hour	474 MT/ hour	474 MT/ hour	474 MT/ hour
HOLD CAPACITY AND IHC QUOTAS	9,210 m ³	11,116 m ³	Center- North: 5.72%. South: 2.79% DHC: 1,266 m ³	Center- North: 6.45%. South: 4.34% DHC: 2,570 m ³

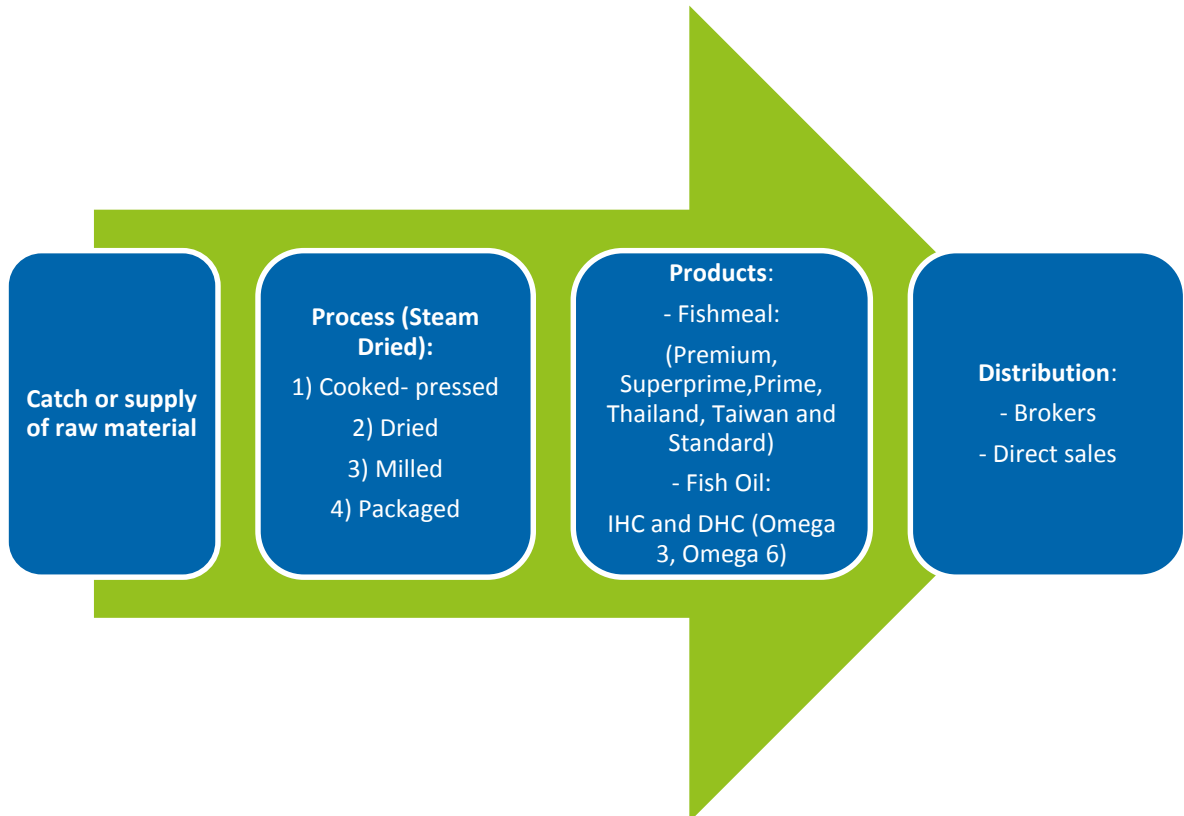


YEARS	2011	2012	2013	2014-2016
SIGNIFICANT EVENTS	STRATEGIC FINANCIAL DECISIONS	DIRECT HUMAN CONSUMPTION	INTERNATIONAL BOND ISSUANCE	EL NINO PHENOMENON
	<p>Second International Syndicated Loan of US\$ 140 million.</p> <p>Prepayment of the First International Syndicated Loan.</p> <p>Conversion of the plant in Huacho to SteamDried, being all the plants of Exalmar under such system.</p> <p>Construction of the plant in Paita begins.</p>	<p>Investments in Direct Human Consumption.</p> <p>Construction of the plant for frozen products in Paita (Paita, Piura), with an investment of US\$ 10 million and a residual fishmeal plant in the same location.</p>	<p>First International Bond Issuance for US\$ 200 million, maturing in 2020 with an interest rate of 7.375%, allocating funds for the settlement of the Second Syndicated Loan and several investments.</p> <p>Construction of a plant for frozen products in Tambo de Mora (Chincha, Ica), with an investment of US\$ 25 million.</p>	<p>Proven capacity to manage a season without a quota for the sector.</p> <p>Impact on lower levels of quota and effective catch.</p> <p>Start of operations in plant of frozen products in Tambo de Mora.</p> <p>Less availability of species for DHC.</p>
PROCESSING CAPACITY	IHC: 434 MT/ hour DHC: 38 MT/ day	IHC: 434 MT/ hour DHC: 108 MT/ day	IHC: 434 MT/ hour DHC: 683 MT/ day	IHC: 434 MT/ hour DHC: 683 MT/ day
HOLD CAPACITY AND IHC QUOTAS	Center - North: 6.45%. South: 4.34% DHC: 2,570 m ³	Center - North: 6.45%. South: 4.34% DHC: 2,570 m ³	Center - North: 6.45%. South: 4.34% DHC: 2,600 m ³	Center - North: 6.45%. South: 4.34% DHC: 2,600 m ³



6. Description of operations

- **Indirect Human Consumption:**
 - **Productive process:**



Fishmeal and fish oil production process begins when catching anchovy; it continues with the process of storage, cooked-pressed, dried, milled, and packaged.

All our plants have indirect steam drying system. Besides, two of our plants use natural gas as energy source: Callao and Tambo de Mora.

We are strongly committed to the environment; thus we treat all our effluents, emissions and residues, fulfilling with current environmental regulations. Indeed, one of our recent achievements has been to certify in all our plants the validity of the international environmental management standard ISO 14001.

Finally, the commercialization of our fishmeal and fish oil products reaches Europe and Asia, mainly, under direct sale or by brokers.



- **Products:**

- a. **Fishmeal:**

Fishmeal contains 65% and 70% of high quality proteins and it is rich in Omega 3. Thus, it is an essential source of food and energy used as supply for feeding animals in the cattle industry, both bovine and porcine, and mainly in aquaculture.

Fishmeal has become a strategic component in the formula used for aquaculture, optimizing the development, growth and reproduction of fish. Its nutrients help against disease resistance by stimulating and helping to maintain a healthy immune system.

It has numerous advantages in its use for its high quality protein and energy source, as well as health benefits due to its EPA and DHA content, and increased animal welfare and productivity, resulting in immunity improvement, reduction of mortality and severity of inflammatory diseases.

- b. **Fish oil:**

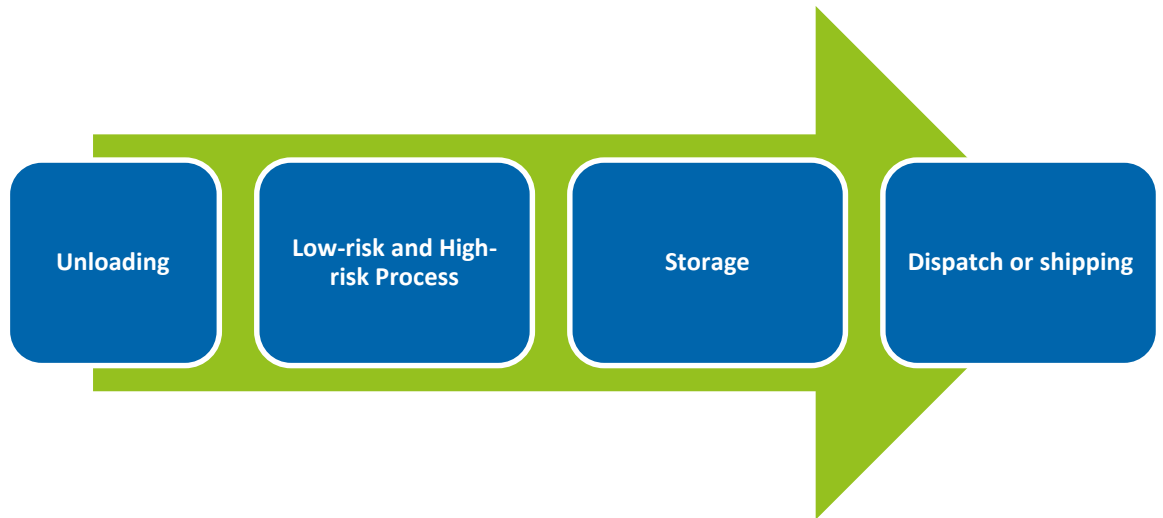
It is valued for its health benefits, thanks to its essential fatty acids EPA and DHA. It is used in aquaculture industry, and also for human consumption by capsules that are an important supplement for human health.

- **Direct Human Consumption:**

- **Productive process:**

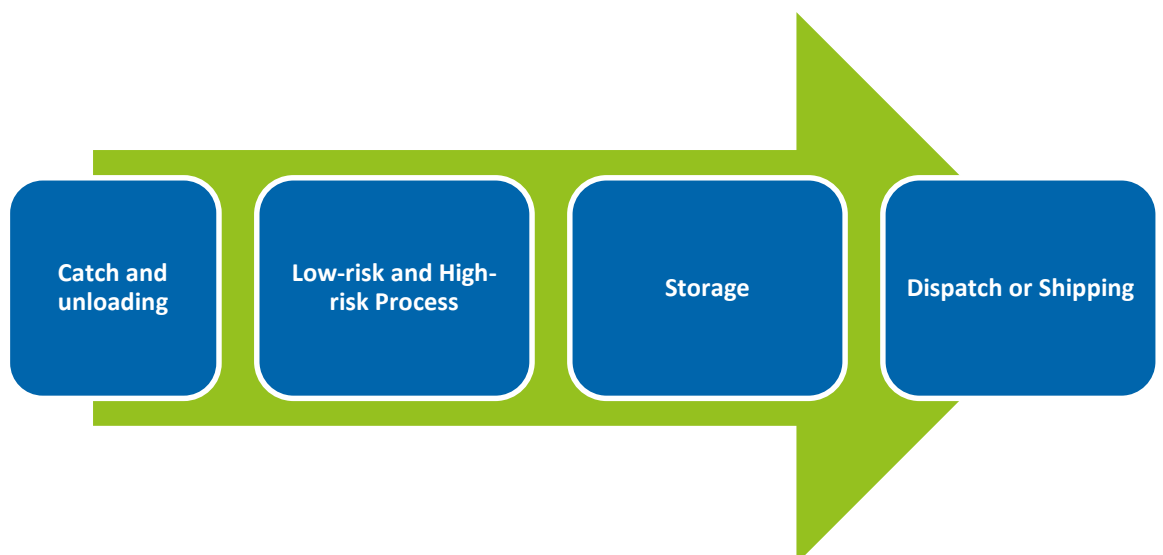
There are two well-defined production systems in the freezing plants for DHC: one is for manual operations performed by personnel specialized in making frozen hydro-biological products; and, the other is automated and it uses state-of-the-art equipment, specific for processing pelagic species, such as jack mackerel and mackerel.

- a. **Manual production system:**



It begins with the unloading and reception of raw material in the Processing Plant. Then, primary or conditioning operations (filleting, eviscerating, finning, laminating, die-cutting, pre-cooking) are made in order to can the product according to the presentation the customer requires. During all the process, time and temperature are controlled, then the product is frozen in forced air blast tunnels or contact plate freezers in order to conserve its characteristics and preserve it in frozen state for a period of time. Afterwards, the product is packed and labeled with relevant information for performing traceability, and goes into the cold storage chamber to keep the cold chain and quality of the products till its dispatch (local sale) or shipment (export).

b. Automated production system:



This system, specific for pelagic species, such as jack mackerel and mackerel, begins pumping the fish from the holds of ships having refrigeration system on board (Refrigerated Sea Water - RSW) for continuing the cold chain. Afterwards, it continues to the buffer tank and is taken to the production line or fish-storage sheds, which have a refrigeration system.



On production lines, the fish is classified through an automatic system. Then, it is sent to manual selection belts, where pelagic species or pieces which are not adequate for freezing, because of physical or mechanical damage, are separated by trained personnel. Afterwards, the product is conveyed to distribution lines, where the previous classified product is taken to scales having smart applications to weight it. Packing is automated, and, by a robot system, the boxes full fish are placed on racks for being conveyed to freezing tunnels and continuing the freezing stage. During all the process, time and temperature are controlled. Then, racks with boxes full of frozen product are conveyed to an automated equipment in order to be conditioned on pallet's, which are placed into the cold storage chamber, whose purpose is to keep the cold chain and quality of the products till its dispatch (local sale) or shipping (export).

In the dispatch or shipping process, personnel of finished products and shipping verify hygiene, cleanliness, hermetic seal of containers, as well as the correct functioning of the cold system. The objective is to provide the necessary conditions for conveying the product to its final destination.

- **Products:**

In Direct Human Consumption, healthy foods with high protein and Omega 3 are developed, recognized for their quality and exquisite taste. In the category of frozen products, the giant squid or pota, mahi mahi, jack mackerel, mackerel, squid, sea scallops, swordfish, silverside and anchovy stand out. Meanwhile, among pota-based value-added products, breaded sticks and hamburgers, nuggets, non-breaded burgers and seafood mixture are developed.

- **Main assets**

- **Fleet**

As at December 31st, 2016, the fleet operates 23 vessels, with an operative hold capacity of about 7,329 m³. The company has an own allocated quota of 6.67 % (Centre – North area) and 4.46 % (South area), for the development of Indirect Human Consumption activities.

- The second fishing season 2015 started on November 17th, 2015 and finished on January 31st, 2016. The sector catches 98% of the quota allocated by PRODUCE, only to 1,110 thousand MT.
- The first season 2016 started on June 26th and finished on July 27th. The sector caught approximately 51% of the quota allocated to 1,800 thousand MT, due to the short season starting quite late and finishing by the end of July because of the habitual start of the spawning season.



- The second season 2016 started on November 15th, 2016 and will finish once reached the quota allocated to 2,000 thousand MT, or when recommended by IMARPE. As at December 31st, 2016, the sector had caught approximately 67% of the quota allocated.

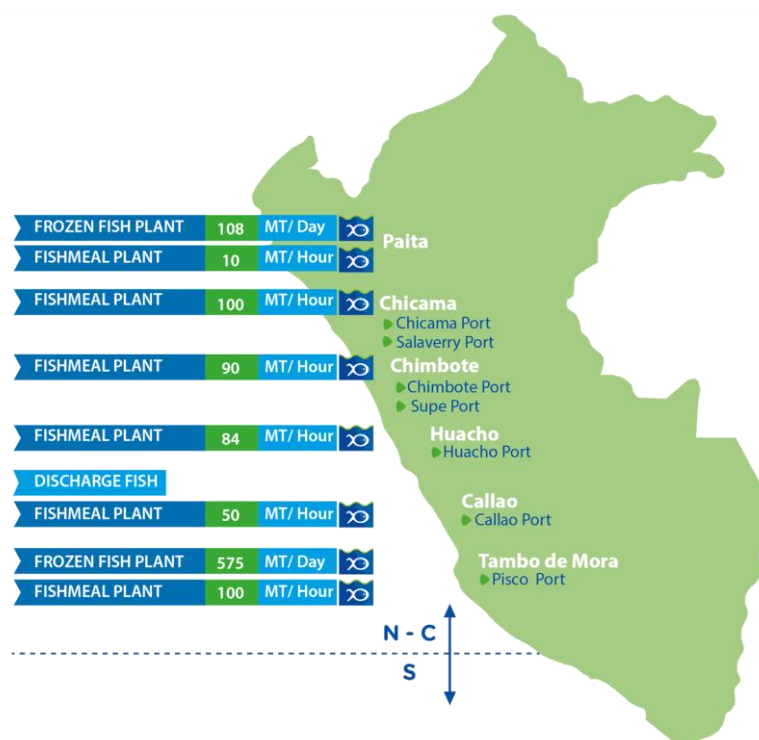
Out of the total operating fleet, six vessels have RSW (refrigerated sea water) preservation system, with a total hold capacity of 2,570 m3, and also current permits for the extraction of jack mackerel and mackerel for Direct Human Consumption. Likewise, there are state-of-the-art cooling systems, as well as electronic and navigation equipment that meet the highest standards, which allow us to preserve the raw material to be discharged in the plants.

It is important to mention that by the end of 2015, there are four vessels in Trust and one in secured transaction in favor of entities from financial system. This supports the company's particular credit operations, such as long-term loans and committed lines of credit.

- **Processing Plants**

The company has six plants for producing fishmeal and fish oil, located in Tambo de Mora, Huacho, Callao, Chicama, Chicama, and Paita, with a total processing capacity of 434 MT per hour. The six plants, strategically located along the Peruvian coast, allow us optimizing the production and reception of raw material, both from the own fleet or third parties.

Likewise, there are two plants for making frozen products (Direct Human Consumption), strategically located in Tambo de Mora (575 MT / day) and Paita (108 MT / day). As at December 31st, 2016, the plant in Paita is temporarily closed due to the low availability of species oriented to Direct Human Consumption, causing a significant decrease in the use of the installed capacity in that plant.





CHAPTER IV: BOARD OF DIRECTORS AND MANAGEMENT

1. Directors

The Board of Directors is currently comprised by seven directors. The Chairman of the Board, Mr. Victor Matta Curotto, who is linked to the shareholders of Caleta de Oro Holding del Peru S.A.C., Caleta de Oro Holding S.A., and Silk Holding Management LTD, adding to the control Economic Group up to 71.1 % of shareholding.

Likewise, Pesquera Exalmar has five independent directors. They are: Rodrigo Sarquis Said, María Cecilia Blume Cillóniz, Andrés Muñoz Ramírez, Cristian Celis Morgan, and Martín Ramos Rizo Patrón.

As at December 31st, 2016, The Board of Directors of the Company is comprised by the following people:

Directors	
Víctor Matta Curotto	Chairman
Víctor Matta Dall'Orso	Vice-Chairman
María Cecilia Blume Cillóniz	Independent Director
Rodrigo Sarquis Said	Independent Director
Andrés Muñoz Ramírez	Independent Director
Cristian Celis Morgan	Independent Director
Martín Ramos Rizo Patrón	Independent Director

A brief overview of the directors is below:

- **Víctor Matta Curotto.** Businessman with more than 35 years of experience in fishery, agro-industry, and service sector. Founding partner of Pesquera Maria del Carmen, Pesquera Alfa and Exalmar (companies that merged giving origin to Pesquera Exalmar S.A.), Complejo Agroindustrial Beta and Empacadora Beta (companies currently merged into Complejo Agroindustrial Beta S.A.), Agrocítricos S.A., Alpine Peru S.A., and Compañía Hotelera El Sausal. Chairman of Pesquera Exalmar S.A., Complejo Agroindustrial Beta S.A., and Corporación Exalmar S.A.
- **Víctor Matta Dall'Orso.** Business Manager graduated from the University of Lima. He worked as Corporate Banking Assistant at Banco de Credito del Peru from 2003 to 2005. In 2005, he entered Pesquera Exalmar S.A.A., and worked as Deputy General Controller until 2008. He has worked as Deputy General Manager since 2010, with functions related to the areas of Fleet Operations, Acquisition of Third Parties Fishing, and Legal Affairs. He has been a member of the Board of Directors of Pesquera Exalmar since 2015.
- **Cecilia Blume Cillóniz.** Lawyer graduated from the Pontificia Universidad Católica del Perú, with studies on Political Science and Public Services Regulation. During her career she has served the State of Peru



in the Ministries of Energy and Mines, Economy and Finance, and in the Presidency of the Council of Ministers, being Chief of Staff three times. She has been director of several public companies from the electricity sector, Legal Manager of Osinergmin, member of the Indecopi Market Access Commission, director of CONITE, Chairman of the Electricity Legal Committee of SNMPE, and member of the Board of Directors of ProInversion. She worked as a lawyer in the Estudio Echecopar, professor of Business Law and teacher in the Energy Seminar at the Universidad Peruana de Ciencias Aplicadas, member of the Advisory Board for the Master in Public Management at ESAN university, at the Universidad Peruana del Norte, member of the Alumni Association Board of the Pontificia Universidad Católica del Perú, and Transparencia Civil Association. She is director of several national private companies, and columnist of papers such as El Comercio and Correo. She has been New Zealand Consul in Peru since 2010. Nowadays, she is a shareholder and director of the company Grupo NewLink Peru SRL, a firm giving consultancy services on several areas, such as legal, communications, economic analysis, strategy and planning, among others. She has been a member of the Board of Directors of Pesquera Exalmar since 2010.

- **Rodrigo Sarquis Said.** Graduated in commercial engineering from the Universidad Adolfo Ibáñez of Chile in 1985. Currently, he is the Chairman of Blumar SeaFood. Previously, he was Chairman of Pesquera ITATA S.A., a company specialized in extractive fishing and salmon farming, which merged with Golfo in 2011, giving origin to Blumar SeaFood. He is director of the Association of Fishing industrialists ASIPES A.G. Region VIII, director of Sinergia Inmobiliaria S.A., and director of Agroindustrial Siracusa S.A. He also was Chairman of the Sociedad Nacional de Pesca de Chile (*National Fisheries Society of Chile*) and chief advisor of the National Council of Fisheries (business sector). He has participated in other businesses, such as olive oil industry, in Villa Prat, located in Maule Region – Chile. Likewise, he is also a member of the group of thirty businessmen of the first Business Advisory Council formed by the Universidad del Desarrollo (*University for Development*) in Chile. He has been a member of the Board of Directors of Pesquera Exalmar since 2011.
- **Andrés Muñoz Ramírez.** Commercial Engineer in Business Administration from the University of Santiago de Chile in 1986, post-graduated in Administration and Business Management from the University for Development of Chile in 1995. Currently, he is Chairman of Financiera TFC. He worked since 1999 to 2011 at Interbank, being Executive Commercial Vice-President, responsible for opening the Representative Office in China. He developed the Corporate Finance area (Capital Markets and M&A) and was Executive Vice-president of Risks, being responsible for the acquisition of Banco Latino and restructuring the Loan Portfolio of the bank. He has experience in Housing Mortgage area at Interbank and was Director of URBI (Interbank Real Estate Group). Previously, he worked as Risk Manager - Company Admission, at Grupo Santander Peru. In 2008, he participated in KELLOG GRADUATE SCHOOL OF MANAGEMENT, The CEO'S Management (Illinois, July 2008). He was a visiting professor at the School of Economics for the course "Topics on Applied Economy", at the University of Lima. He has been a member of the Board of Directors of Pesquera Exalmar since 2013.
- **Martin Ramos Rizo Patrón.** Graduated of Science and Electrical Engineering, as well as Management Science focused on Finance, at the Massachusetts Institute of Technology (MIT). He also has a Master degree in Electrical and Computing Engineering at that centre of studies. Since 2012 he has worked as investment professional with the international assets manager "The Rohatyn Group (TRG)", managing the Private Equity Fund LAPEF, and participating in the strategic direction of the companies in their investment portfolio. Previously he was in the team of Corporate Finance and Investment Banking for



Latin America Region at the Investment Bank Morgan Stanley, based in New York. Before he belonged to the group of Investment Banking and Corporate Finance, focusing on Technology Sector customers in the American market, based in Boston and New York. He has more than 13 years of experience on corporate finance, mergers and acquisitions, strategic business direction, and analysis and execution of investments in the United States and Latin America. He has been a member of the Board of Directors of Pesquera Exalmar since December 2015.

- **Cristian Celis Morgan.** Commercial Engineer graduated from the Pontificia Universidad Católica de Chile in 1991. In 1996, he obtained his Master degree in Finance at the London Business School. He is a founding partner of Australis Partners, an independent firm of private equity management focused on the countries from the Pacific Alliance, Mexico, Colombia, Peru, and Chile. Cristian started his professional career at Citigroup in 1991 as a member of the Corporate Finance team. During 10 years he gained valuable experience on M&A and Debt transactions for big Chilean and regional companies, both in the local capital market and the international one. Since 1998 his professional career has been focused on the private equity business. Firstly, contributing to the development of this business locally (Chile) and, then, since 2001, as a member of the global platform of private equity for emerging markets of Citi – CVCI (Citigroup Venture Capital International). As a part of his professional development in private equity business, he has actively participated in companies from different sectors, such as: building and real-estate, fishmeal and fish oil, no-metal mining, telecommunications and optical fiber networks, salmon farming and export, energy, among others. He has been a member of the Board of Directors of Pesquera Exalmar since April 2016.
- **Carlos Rojas Perla.** Graduated of Business Administration from the Universidad del Pacífico in Peru, with specialization courses at Harvard University, TEC of Monterrey and the Universidad del Pacífico. He is a columnist of G de Gestión magazine, and regular lecturer in seminars. He is also Director for Peru Chapter of the “Hedge Fund Management Association”, and has been a founding member and Managing Director of Andino Asset Management SAC since November 2011. He worked in Compass Peru, from March 2006 to September 2011, as Investment Manager. He was Director of Compass Group SAFI (Sociedad Administradora de Fondos de Inversión – Investment Fund Administrator Association). He was a member of the Investment Committee of Faro Capital, private investment fund with a “private equity” fund, and a committed capital of US\$ 55 million. In September 2006, he founded and managed the fund “Peru Special Investments Fund (PSIF)” for Compass Group, the first “hedge fund” of Peruvian shares. This fund had US\$ 135 million in assets under management, and was ranked in 2007 and 2010 by the Bloomberg magazine, within funds with better return on investment for the industry. He also was Investment Manager at Compass Colombia for a short time. He was a member of the Board of Directors of Pesquera Exalmar since 2013 until April 2016.

2. Board Committees

As at December 31st, 2016, the following people are part of the Board Committees of Pesquera Exalmar:



Committees	Directors	Chairman
Committee of Corporate Governance	Víctor Matta Dall'Orso, Cecilia Blume, Rodrigo Sarquis	Rodrigo Sarquis
Committee of Designations and Remunerations	Víctor Matta Curotto, Víctor Matta Dall'Orso, Cecilia Blume	Cecilia Blume
Committee of Audit	Víctor Matta Dall'Orso, Martín Ramos, Cristian Celis	Martín Ramos
Committee of Risks	Víctor Matta Curotto, Rodrigo Sarquis, Andrés Muñoz	Andrés Muñoz
Committee of Finance	Cristian Celis, Andrés Muñoz, Martín Ramos	Cristian Celis

3. Management Team

As at December 31st, 2016, the Management Team of the company is composed by the following people:

Management Team	
General Manager	Rossana Ortiz Rodríguez
Deputy General Manager	Víctor Matta Dall'Orso
Finance Manager	Raúl Briceño Valdivia
DHC Business Unit Management	Rafael Ferrero Diez Canseco
IHC Plant Operation Management	Arturo Muñoz Lizárraga
DHC Plant Operation Management	Eduardo Lago Sotomayor
Fleet Operation Management	Fernando Angulo Delgado
IHC Commercial Manager	Judith Vivar Ramírez
DHC Commercial Manager	Mariangella Matta Dall'Orso
Comptroller Manager	Demían Ballón Espinoza

A brief overview of the Management Team members:

- **Rossana Ortiz Rodríguez.** Public Accountant graduated from the University of Lima. She studied in the Senior Management Program at the Universidad de Piura in 1992. She also has several studies in the



areas of strategic planning, projects, management, accounting, tax systems; studies done in Sweden, Japan, and the United States. Likewise, she studied in the Training School of Arthur Andersen, at local and international levels, and in various educational institutions of the country. She served as Executive Director of Pesquera Exalmar S.A. (1996 - 2005), as Business, Administration and Finance Manager of Fima S.A. (1990 - 1995), and as Senior Auditor at Arthur Andersen & Co. (1983 - 1989). She has been working in her current position since 2006.

- **Víctor Matta Dall'Orso.** Business Manager graduated from the University of Lima. He worked as Corporate Banking Assistant at Banco de Credito del Peru from 2003 to 2005. In 2005, he entered Pesquera Exalmar S.A.A. as Deputy General Controller until 2008. He has worked as Deputy General Manager since 2010, with functions related to the areas of Fleet Operations, Acquisition of Third-Parties Fishing, and Legal affairs.
- **Raúl Briceño Valdivia.** Economist graduated from the University of Lima in 1982 and Master in Business Administration from ESAN in 1986. He studied in the Executive Development Program at the Universidad de Piura (1991), and a certification program in Quality Management-AOTS, obtained in Osaka (Japan) in 2003. In 2014, he participated in the International Financial Management Program organized by P.A.D. of the Universidad de Piura and the London School of Economics. He worked in the financial area of Minsur S.A. (1988 - 1999), and as Business Assistant Manager at Interbank (1983 - 1988). Currently, he is a member of the Board of Directors of Procapitales and Director of Aproferrol. He has been working in his current position since 2000.
- **Rafael Ferrero.** Industrial Engineer from the University of Lima. He has a Master degree in Business Administration (MBA) and another in Marketing & Commercial Management. He has 20 years of professional experience in commercial and operations management in cosmetics industry and fisheries sector. He performed as Operations Manager (2006-2007) and CHD Business Unit Manager (2007-2011) at Tecnológica de Alimentos S.A. (TASA), as well as Corporate Director of New Markets (2012-2013) and Corporate Leader of Finance and Operations for New Channels (2013 - 2014) at BELCORP. He has been working in his current position since April 2015.
- **Arturo Muñoz Lizárraga.** Mechanical engineer from the National University of Callao. He has a Master degree in Maintenance Management at the National University of Callao. He studied specialized courses of energy saving at the Latin American Energy Conservation Seminar in Armstrong, Three Rivers, Michigan (1997). He previously served as Operations Manager at Alexandra S.A.C. (2001 - 2005), as Fishing Technical Manager at Fima S.A. (1995 - 2000), and as Plant Engineer - Chief of Production at Conservera Rody S.A. (1990 - 1995). He has been working as a teacher of Energy Saving in the Industry and Buildings at the National University of Callao since 2015; and, in his current position, since 2005.
- **Fernando Angulo Delgado.** Bachelor of Maritime Science, graduated from the Escuela de Oficiales de la Marina Mercante (School of Merchant Navy Officers) in 1987, with wide experience at managing port, maritime and fishing operations, maintenance management, operations and integrated management systems (Safety, Protection, and Quality). He was Fleet Marine Superintendent at Trabajos Marítimos S.A. for 12 years, an important maritime and port operator in Peru. He has been working in his current position since 2012.
- **Judith Vivar Ramírez.** Business Manager with a Master degree in International Business from the Peruvian University of Applied Sciences (UPC). She has a long career in the fisheries sector of Peru,



mainly in areas of marketing, quality, fishmeal and fish oil commercialization, as well as management, implementation, and logistic operator management, within the distribution chain. Likewise, she has experience on import and export of products, such as soy flour and fertilizers, at renowned Peruvian companies. She has been working in her current position since 2009.

- **Mariangella Matta Dall’Orso.** Graduated from the Faculty of Marketing of the University San Ignacio de Loyola and Administration and International Business of the High Technological Institute of Foreign Trade – ADEX. She studied courses in the area of negotiation, developed at Harvard University. With professional experience in sales, he joined Pesquera Exalmar S.A.A. in 2003 with functions in the IHC Commercial area. She has been in her current position since 2011.
- **Demián Ballón Espinoza.** Business Manager from Ricardo Palma University, with a Master degree in Corporate Finances from the University of Applied Sciences (UPC). He was Head of Management Control at Inretail Peru Corp, and Assistant Manager of Management Control and Projects at Intercorp Retail. He has been working in his current position since 2014.
- **Eduardo Lago.** Fishing Engineer from the National Agrarian University - La Molina, member of the engineering society. He has a Master degree in Maintenance Management by the National University of Callao and an MBA from Ricardo Palma University. He has specialized studies on Total Quality and Productivity, Integrated Management Systems with ISO9001, ISO14001, OHSAS 18001 and SA8000 (Corporate Social Responsibility) Standards, Logistics, Project Management, and Industrial Production Systems, based on The Theory of Constraints. He studied at Netzsch Pumps (Brasil), Transvac (USA) and Optimar (Norway). He has been working as DHC Operations Manager since 2011; previously, he served as Superintendent of Plant Maintenance in 2007, and as the Superintendent of Chimbote Plant, in 2004. He has been working at Pesquera Exalmar S.A.A. since 1999, as Chief of Production in Chicama Plant. Before, he worked as Chief of Production for the frozen food plant at Frigoríficos AESA-Agropecuaria Esmeralda S.A. He worked as DHC Plant Operation Manager since 2011 until January 2017.







CHAPTER V: MANAGEMENT REPORT

1. Indirect Human Consumption (IHC):

1.1. First Season 2016 in the North-Central Region:

- The first season 2016 in the north-central region began on June 26th and ended on July 27th, 2016. The sector caught approximately 51% of the quota of 1,800 thousand MT allocated by PRODUCE, in comparison to the first season 2015 in which 98% was caught. This low level of catch occurred as a consequence of the short season, due to a very late onset and its culmination at the end of July because of the usual beginning of the period of anchovy spawning.
- In this first season, the Company had its own quota of 6.67% for the north-central region and reached a participation of 11.1% in the total processing, being the fourth one in the fishing sector in terms of fishmeal and fish oil processing in the first season.









Company	1 st season 2016
 TASA	27.2%
 COPEINCA CHINA FISHERY	20.0%
 PESQUERA DIAMANTE	12.1%
 Pesquera EXALMAR S.A.A.	11.1%
 HAYDUK	10.6%
 AUSTRAL	8.8%
Otros	10.3%

Source: PRODUCE. Elaboration: own.

1.2. Second Season 2016 in the North-Central Region:

- The second season of 2016 in the north-central region began on November 15th and ended on January 27th, 2017. The sector caught 100% of the quota of 2,000 thousand MT allocated by PRODUCE in comparison to the second season 2015 in which 98% of the quota of 1,110 thousand MT was caught and the first season 2016 in which 51% of the quota was caught.
- By the end of the season, the Company had its own quota of 6.95% for the north-central region, due to rental operations carried out in January 2017. In this way, it reached 14.0% of participation in the total processing, which meant the third position in the fishing sector in terms of processing of fishmeal and fish oil in the second season.

Company	2nd Season 2016
 TASA	23.8%
 COPEINCA CHINA FISHERY	21.9%
 Pesquera EXALMAR S.A.A.	14.0%
 HAYDUK	11.4%
 PESQUERA DIAMANTE	10.9%
 AUSTRAL	7.9%
Otros	10.1%

Source: PRODUCE. Elaboration: own.

1.3. South Region:



- By means of Resolution No. 017-2016-PRODUCE published on January 20th, 2016, the beginning of the first fishing season 2016 in the south region was authorized, with a TMLAC (total maximum limit of allowable catch) of 382 thousand MT. This season began on February 2nd and ended on June 30th, 2016, with an effective catch of 40% of the companies in the sector.
- By means of Resolution No. 242-2016-PRODUCE published on July 1st, 2016, the beginning of the second fishing season 2016 in the south region was authorized, with a TMLAC (total maximum limit of allowable catch) of 382 thousand MT. This season began on July 7th and ended on December 31st, 2016, with an effective catch of 8% by companies of the sector.
- Likewise, by means of Resolution No. 010-2017-PRODUCE published on January 11th, 2017, the beginning of the first fishing season 2017 in the south region was authorized, with a TMLAC (total maximum limit of allowable catch) of 515 thousand MT. This season began on January 17th and will end once reached the TMLAC or, otherwise, it cannot exceed June 30th, 2017.

1.4. Catch and Processing:

- Considering that, in general, annual financial statements include the sales corresponding to the production of the second quota of the previous year and the first quota in the current year, in 2016 the financial statements of the companies from this sector included an effective quota of approximately 1,998 thousand MT, the lowest in 15 years; while in 2015 it was included an effective quota of 2,508 thousand MT.

Thousand of MT	As at December 31st , 2015		
	2 nd Season 2014	1 st Season 2015	Total
N-C Quota	0	2,580	2,580
Effective catch of the sector	0	2,508	2,508
Sector Quota Advance	0	97.2%	
Exalmar processing	0	324	324
Quota allocated to Exalmar	0	6.54%	
Participation of Exalmar		12.9%	
Season		09/04 - 31/07	

Thousand TM	As at December 31st, 2016		
	2 nd Season 2015	1 st Season 2016	Total
C-N Quota	1,110	1,800	2,910
Effective catch of the sector	1,084	914	1,998
Sector Quota Advance	97.6%	50.8%	
Exalmar processing	141	101	242
Quota allocated to Exalmar	6.61%	6.67%	
Participation of Exalmar	12.7%	11.1%	
Season	17/11-31/01	26/06- 27/07	

- As at December 31st, 2016, catch and processing volumes shown correspond to the second season 2015 (January), to the first season 2016 (June and July) and the second season 2016 (November and December).



Thousand MT	As at 4Q15	As at 4Q16	Variation
Own Catch	224.5	163.0	-27%
	54%	48%	
Purchase to Third Parties	193.0	173.9	-10%
	46%	52%	
Total processed	417.5	336.9	-19%
Fishmeal produced	94.8	78.0	-18%
Fish Oil produced	11.9	11.9	0%
Fishmeal Factor	4.4	4.3	-2%
Fish oil Factor	2.9%	3.5%	24%

1.5. Inventories:

- In 2016, there was an initial inventory of fishmeal of 32.1 thousand MT, as a result of the catch and processing corresponding to the second season 2015, in comparison to 2015 when there was a low inventory level, as a consequence of the suspension of the second fishing season in 2014.
- As at December 31st, 2016, such first inventory plus the production meant an available for sale of 110.1 thousand MT (101.9 thousand MT in the previous year), from which 65.0 thousand MT were sold, remaining a final inventory of 45.5 thousand MT.
- It is worth to mention that 59% of the fishmeal volume available for sale was sold, which corresponds to the production of the first season 2016 and the remainder of the second season 2015, remaining a something corresponding basically to a part of the production of the second season 2016.
- Sales of fish oil as at December 31st, 2016 were 7.3 thousand MT, remaining a final inventory of 6.7 thousand MT (2.2 thousand MT in the previous year).

Fishmeal (Thousand MT)	As at 4Q15	As at 4Q16	Variation
First inventory	7.1	32.1	352%
Production	94.8	78.0	
Sales	70.0	65.0	-7%
Reprocessing	0.2	0.4	
Final Inventory	32.1	45.5	41%

Fish Oil (Thousand MT)	As at 4Q15	As at 4Q16	Variation
First Inventory	0.7	2.1	200%
Production	11.9	11.9	
Sales	10.5	7.3	-30%
Reprocessing	0.0	0.1	
Final Inventory	2.2	6.7	212%

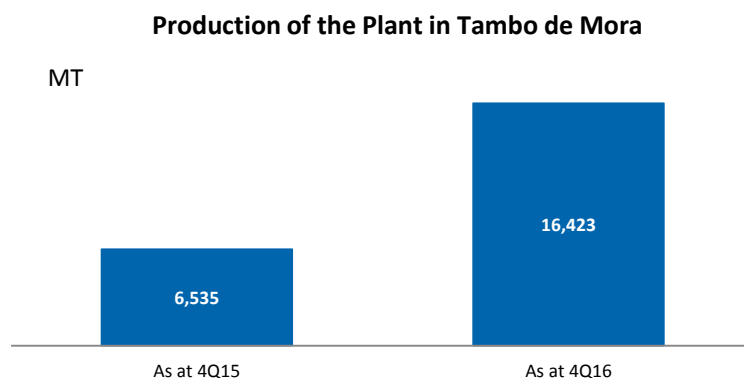


2. Direct Human Consumption (DHC):

- On January 4th, 2016, it was established the catch limit for jack mackerel and for mackerel in 93,000 MT and 44,000 MT respectively, applicable to extractive activities for Direct Human Consumption for the period from January 1st to December 31st, 2016. Afterwards, on August 25th, 2016, the catch limit for mackerel was extended to 114,000 MT and on October 26th, 2016, it was extended to 146,000 MT, adding 239,000 MT of jack mackerel and mackerel.
- On January 13th, 2017, the catch limit for jack mackerel was established in 100,000 MT, applicable to extractive activities for Direct Human Consumption for the period corresponding to 2017. Afterwards, on January 19th, 2017, the catch limit for mackerel in 110,000 MT, adding 210,000 MT of jack mackerel and mackerel.

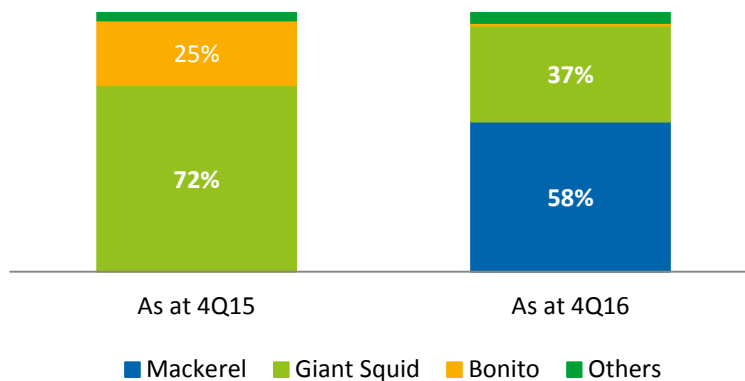
Jack Mackerel and Mackerel				
MT	2014	2015	2016	2017
Quota	152,000	140,000	239,000	210,000
Effective Catch of the sector	89,700	1,080	110,814	
Sector Quota Advance	59.0%	0.8%	46.4%	
Exalmar's Catch	7,792	133	10,310	
Participation of Exalmar	8.7%	12.3%	9.3%	

- The production of the Plant in Tambo de Mora reached 16,423 MT as at December 31st, 2016, increasing 151% in relation to the previous year, due to the availability of mackerel in the third quarter of the year.



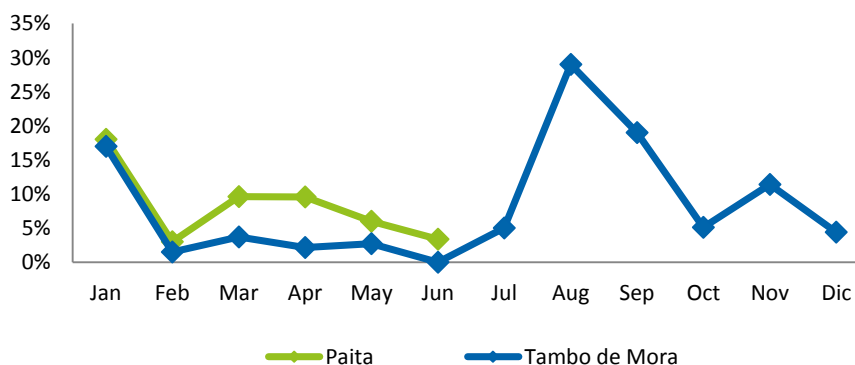


Production of the Plant in Tambo de Mora, according to species



- As at December 31st, 2016, there was a final DHC inventory of 5,704 MT of various species, in comparison to 1,740 MT as at December 31st, 2015.
- In Direct Human Consumption, the year 2016 has been significantly affected by the following:
 - Scarce presence of jack mackerel and mackerel until July.
 - Low availability of giant squid and other species, generating a decline in the use of the installed capacity of the Plant in Paita and its temporary closure until achieving a supply of raw material that allows an adequate use of the installed capacity.
- Given these difficulties and in order to continue the growth of this business unit, various efforts have been made to develop new markets and direct customers through products with high added value.

Use of Installed Capacity in DHC Plants



3. Financial Information:

- Financial Statements as at December 31st, 2016, show the effect of:
 - Reduction in sales (-13%) as a consequence of lower effective catch during the second season 2015 (1,084 thousand MT) and the first season 2016 (914 thousand MT), which implies a reduction of 20% in the effective catch in comparison to the previous year.

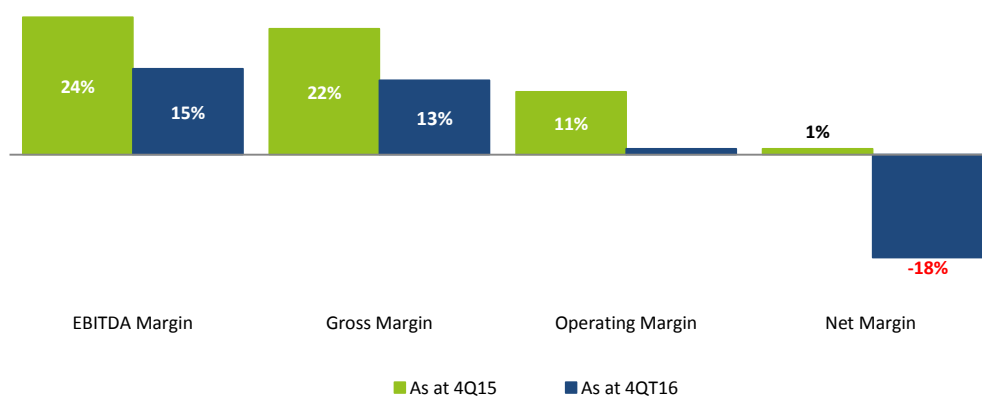


- (ii) Increased number of closed days in 2016 due to the late start of the first season (256 closed days in 2016 in comparison to 206 days in 2015).
 - (iii) Low availability of resources for DHC processing, as well as the temporary closure of the plant in Paíta.
- As at December 31st, 2016, EBITDA was US\$ 20.7 million, which includes an IHC EBITDA of US\$ 26.2 million and DHC EBITDA of US\$ -5.5 million. Despite the low availability of raw material for DHC processing, EBITDA for this business unit was increased by 103% in comparison to the previous year.

US\$ Million	4Q15	4Q16	As at 4Q15	As at 4Q16	Variation
Sales	24.8	14.9	156.2	136.1	-13%
Gross Profit	10.9	-1.5	34.6	17.1	-50%
Operating Profit	7.0	-5.3	17.9	0.9	-95%
Profit before Tax	-0.6	-14.5	-6.6	-21.2	-131%
Net Profit	3.4	-17.3	1.3	-24.7	-95%
EBITDA (*)	12.3	-0.3	38.2	20.7	-46%

(*) Operating profit does not consider the other incomes/expenses.

(**) Estimated EBITDA does not consider the other incomes/expenses (because they are non-recurrent items) nor sharing to workers.

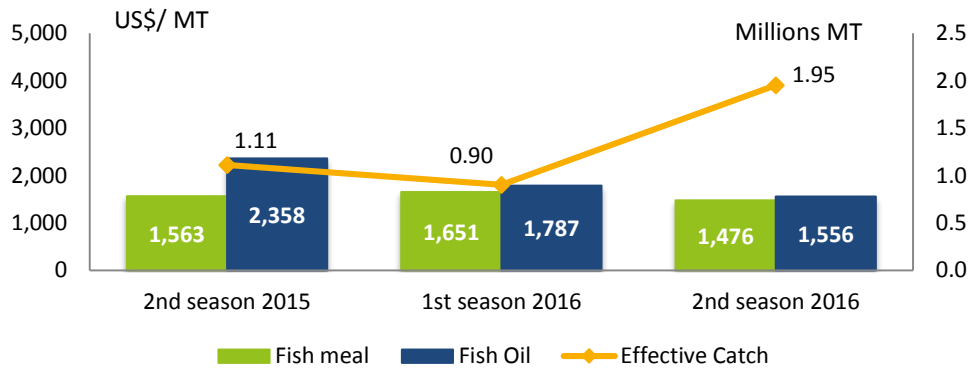


3.1 Sales:

- As at December 31st, 2016, total sales decreased by 13% in comparison to the previous year. IHC sales decreased by 14%, which was basically explained by a lower effective catch in the first season 2016 due to its late start.
- Because of the higher quota allocated in the second season 2016 and its 100% effective catch, the average sale prices of fishmeal for this season were reduced by 11% in comparison to the first season 2016 (effective quota of 914 thousand MT) and by 6% in comparison to the second season 2015 (effective quota of 1,084 thousand MT). The average prices of fish oil per season showed a significant reduction basically due to its lower quality.



Average Sale Prices and Effective Catch



- Sales value of fishmeal in 2016 was reduced by 12% in comparison to 2015, due to a sales volume lower than 7% and a price lower than 5%.
- As at December 31st, 2016, 59% of fishmeal volume available for sale was sold, mainly corresponding to the production of the second season 2015 and the first season 2016.



Net Sales – Indirect Human Consumption					
	4Q15	4Q16	As at 4Q15	As at 4Q16	Variation
Fishmeal					
MT	13,251	2,229	69,987	64,996	-7%
US\$/MT	1,606	1,597	1,663	1,578	-5%
Fishmeal Total (Thousand US\$)	\$21,283	\$3,560	\$116,385	\$102,580	-12%
% Total Sales	87%	24%	74%	75%	
Fish Oil					
MT	1,002	2,469	10,466	7,277	-30%
US\$/MT	1,911	1,584	1,694	1,970	16%
Total Fish Oil (Thousand US\$)	\$1,915	\$3,911	\$17,725	\$14,339	-19%
% Total Sales	8%	26%	11%	11%	
Anchovy					
MT	192	1,381	8,394	1,778	-79%
US\$/MT	271	270	281	267	-5%
Total Anchovy (Thousand US\$)	\$52	\$373	\$2,356	\$475	-80%
% Total Sales	0%	3%	2%	0%	
Quota Rent (Thousand US\$)	\$0	\$0	\$695	\$0	
% Total Sales	0%	0%	0%	0%	
TOTAL INDIRECT HUMAN CONSUMPTION (Thousand US\$)	\$23,250	\$7,844	\$137,161	\$117,394	-14%
% Total Sales	95%	53%	88%	86%	

Net Sales – Direct Human Consumption					
	4Q15	4Q16	As at 4Q15	As at 4Q16	Variation
Fresh Fish					
MT					
US\$/MT					
Total Fresh (Thousand US\$)	\$0	\$37	\$0	\$212	
% Total Sales					
Frozen Products (*)					
MT	1,232	6,636	16,235	11,943	-26%
US\$/MT	821	1,050	1,069	1,485	39%
Total Frozen (Thousand US\$)	\$1,012	\$6,966	\$17,359	\$17,739	2%
% Total Sales	4%	47%	11%	13%	
Others (Thousand US\$)	\$239	\$34	\$1,717	\$786	-54%
% Total Sales	1%	0%	1%	1%	
TOTAL DIRECT HUMAN CONSUMPTION (Thousand US\$)	\$1,251	\$7,037	\$19,076	\$18,737	-2%
% Total Sales	5%	47%	12%	14%	

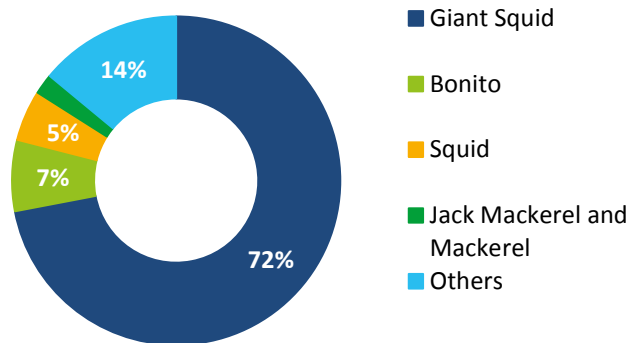
TOTAL (Thousand US\$)	\$24,501	\$14,881	\$156,237	\$136,131	-13%
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(*)It includes jack mackerel, mackerel, sea scallops, mahi-mahi, squid, giant squid in various forms, among others. (**)It includes residual fishmeal and different services.



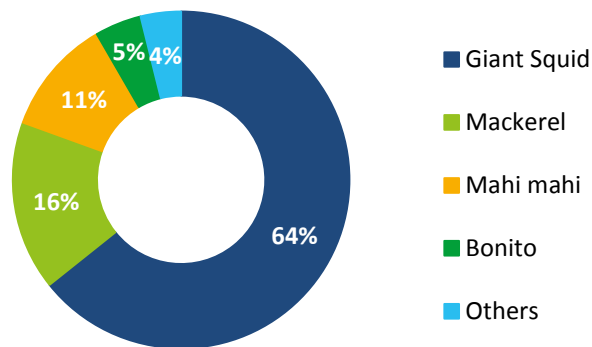
- DHC business sales were reduced by 2% regarding the same period in the previous year, due to a low availability of squid, mahi mahi, among others, which was partly compensated by the presence of mackerel in third quarter.
- It is worth to mention that during the last quarter of 2016, 4,728 MT of mackerel were sold, more than the same period of the previous year (436 MT).
- DHC sales represented 14% of total sales, 12% higher than the previous year.

DHC: Sale of frozen Products 2015 (*)



(*) Information in US\$ and as at December 31st, 2015.

DHC : Sale of Frozen Products 2016 (*)



(*) Information in US\$ and as at December 31st, 2016.

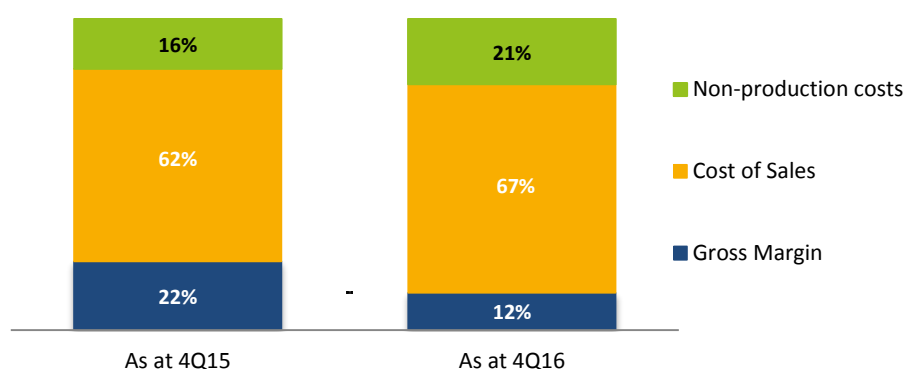


3.2 Gross Profit:

US\$ Million	4Q15	4Q16	As at 4Q15	As at 4Q16	Variation
Sales	24.8	14.9	156.2	136.1	-13%
Cost of Sales	14.3	10.8	97.3	90.8	-7%
Costs during non-production periods (*)	-0.3	5.6	24.3	28.2	16%
Gross Profit	10.9	-1.5	34.6	17.1	-50%
% On Sales					
Cost of Sales	58%	72%	62%	67%	7%
Costs during non-production periods (*)	-1%	37%	16%	21%	33%

(*) As at December 31st, 2016, closed season expenses are registered as deferred assets (US\$ 3.7 billion) which will be charged to the inventory values in the second season 2016. Since the presentation of the audited annual financial statements for 2015, they are not considered closed season expenses; there are only non-production costs. Variation of costs incurred in non-production periods is explained in section 3.4.

- As at December 31st, 2016, gross profit decreased by 50% in comparison to the previous year, as a result of a lower effective catch during the second season 2015 (1,084 thousand MT) and the first season 2016 (914 thousand MT), directly impacting on the financial results of 2016.
- It is worth mentioning that gross profit corresponding to DHC was US\$ -4.8 million in 2016, a higher percentage than 2015 (US\$ -8.7 million).





US\$ million	4Q15	4Q16	As at 4Q15	As at 4Q16	Variation
Sales	24.8	14.9	156.2	136.1	-13%
IHC	23.4	7.8	137.2	117.4	-14%
DHC	1.5	7.0	19.1	18.7	-2%
Costs of Sales	14.3	10.8	97.3	90.8	-7%
IHC	13.0	5.7	75.9	75.3	-1%
DHC	1.3	5.0	21.4	15.5	-27%
Non-production costs (*)	-0.3	5.6	24.3	28.2	16%
IHC	-2.5	3.7	17.9	20.2	13%
DHC	2.2	1.9	6.4	8.0	25%
Gross Profit	10.9	-1.5	34.6	17.1	-50%
IHC	12.9	-1.5	43.3	21.9	-49%
DHC	-2.0	0.1	-8.7	-4.8	81%

% On Sales	4Q15	4Q16	As at 4Q15	As at 4Q16	
Costs of Sales	58%	72%	62%	67%	
IHC	56%	72%	55%	64%	
DHC	90%	73%	111%	83%	
Non-productions costs (*)	-1%	37%	16%	21%	
IHC	-11%	47%	13%	17%	
DHC	147%	26%	33%	43%	
Gross Margin	44%	-10%	22%	13%	
IHC	55%	-20%	32%	19%	
DHC	-137%	1%	-46%	-26%	

(*)As at December 31st, 2016, closed season expenses are registered as deferred assets (US\$ 3.7 billion) which will be charged to the inventory values in the second season 2016. Since the presentation of the audited annual financial statements for 2015, they are not considered closed season expenses; there are only non-production costs. Variation of costs incurred in non-production periods is explained in section 3.4.

3.3 Costs of Sales :

- As at December 31st, 2016, 256 closed days were registered against to 206 days in the previous year, due to the late start of the first season 2016.
- As at December 31st, 2016, the cost of IHC sales represented 64% of IHC sales, higher than the 55% registered in 2015. At the end of 2016, the unit cost of IHC sales increased to US\$ 1,053 per MT⁶, against to US\$ 944 per MT in the previous year, because of lower production volumes and less fishing days.
- As at December 31st, 2016, the cost of anchovy catch per MT increased by 25%, due to a lower volume caught as a result of the short first fishing season 2016 and a lower quota allocated in the second

⁶Considering MT of fishmeal and fish oil sold.



season 2015. The lower volume also generated higher fuel costs due to lower efficiency and higher maintenance costs.

	Costs of own catch		
	As at 4Q15	As at 4Q16	Variation
Own catch (MT)	224,509	162,977	-27%
Cost of own catch (thousand US\$)	24,116	23,220	-4%
US\$/MT	107.4	142.5	33%
Depreciation	2,535	3,583	41%
Dep/ MT	11.3	22.0	95%
US\$/MT (without depreciation)	96.1	120.5	25%
Others:			
Personnel	10,880	7,857	-28%
Personnel /MT	48.5	48.2	-1%
Maintenance	2,422	3,100	28%
Maintenance /MT	10.8	19.0	76%
Fuel	5,964	6,006	1%
Fuel/MT	26.6	36.9	39%
Others	2,315	2,674	16%
Others /MT	10.3	16.4	59%

(*) As at December 31st, 2016, the costs of own catch corresponding to the second fishing season 2016 include a part of the deferred assets considered as at September 30th, 2016 (before considered as closed season expenses).

- As at December 31st, 2016 the purchase to third parties explained 52% of the total processed volume. The cost per MT of purchase to third parties decreased by 10% in comparison to the previous year, due to lower prices of fish meal.

	Costs of Purchase to Third Parties		
	As at 4Q15	As at 4Q16	Variation
Purchase to third parties (MT)	192,982	173,887	-10%
Cost of purchase to third parties (thousand US\$)	57,241	46,324	-19%
US\$/MT	296.6	266.4	-10%

- The processing cost per MT as at December 31st, 2016 (excluding raw materials) increased by 21% regarding the previous year, due to a lower processing volume for the short period of the first season 2016. The lower volume also generated higher personnel and maintenance costs.



	Processing Costs		
	As at 4Q15	As at 4Q16	Variation
Fishmeal and Fish Oil Processing MT	106,699	89,850	-16%
Processing Cost (Thousand US\$)	19,757	21,152	7%
US\$/MT	185.2	235.4	27%
Depreciation	3,102	4,148	34%
Dep/ MT	29.1	46.2	59%
US\$/MT (without depreciation)	156.1	189.2	21%
Others:	2,317	3,042	31%
Personnel	21.7	33.9	56%
Personnel/MT	611	1,181	93%
Maintenance	5.7	13.1	130%
Maintenance/MT	6,761	6,510	-4%
Fuel	63.4	72.5	14%
Fuel/MT	1,630	1,015	-38%
Inspections and analysis	15.3	11.3	-26%
Inspections and analysis /MT	6,966	6,271	-10%
Others	65.3	69.8	7%
Others/MT	106,699	89,850	-16%

(*) As at December 31st, 2016, processing costs corresponding to the second fishing season 2016 include a part of the deferred assets considered as at September 30th, 2016 (before considered as closed season expenses).

- Regarding DHC, the abovementioned fall in the use of the capacity installed, due to the low availability of giant squid and other species, affected the results of this Business Unit. This was partially compensated by the presence of mackerel in the third quarter.

DHC (US\$ million)	As at 4Q16		
Sales	18.7		18.7
Variable cost of sales	-14.0		-14.0
Contribution Margin	4.7		4.7
Sale Expenses	-3.2		-3.2

	Cost	Deprec.	Total
Non-production Costs	-4.7	-3.3	-8.0
Fixed Cost of Sales	-1.2	-0.2	-1.4
Administrative Expenses	-1.1	-0.4	-1.5
Fixed Costs	-7.0	-3.9	-10.9
EBITDA	-5.5		



Operating Profit

-9.4

3.4 Non-production Costs:

- In order to standardize the accounting criteria to the current tax regulations, as of the presentation of the audited annual financial information for the year 2015, expenses incurred during closed seasons are considered as necessary expenses for the production of the following season, so they are now activated as inventory value. Therefore, closed season expenses have been reclassified to the costs of production (catch and processing), inventories and subsequent impact on cost of sales.
- “Non-production costs” correspond to expenses in the plants during non-production days and to non-operating vessels during fishing seasons.
- Non-production costs increased by 16% in comparison to the previous year, due to: (i) intermittent fishing during 2016; and (ii) higher costs of DHC non-production due to the low use of the capacity installed in the plants of Tambo de Mora and Paita.

US\$ million	As at 4Q15	As at 4Q16	Variation
Fleet non-production cost (*)	8.3	8.0	-4%
Plant non-production cost (*)	9.6	12.2	27%
Costs of DHC Non-production	6.4	8.0	26%
Non-production Costs	24.3	28.2	16%

(*) As of the presentation of the 2015 audited annual financial statements, they are no longer considered closed season expenses; there are only non-production costs. As at December 31st 2016, closed season expenses are recorded as deferred assets (US\$ 3,7 million), which will be charged to the inventory value in the second season 2016.

3.5 Operating Expenses:

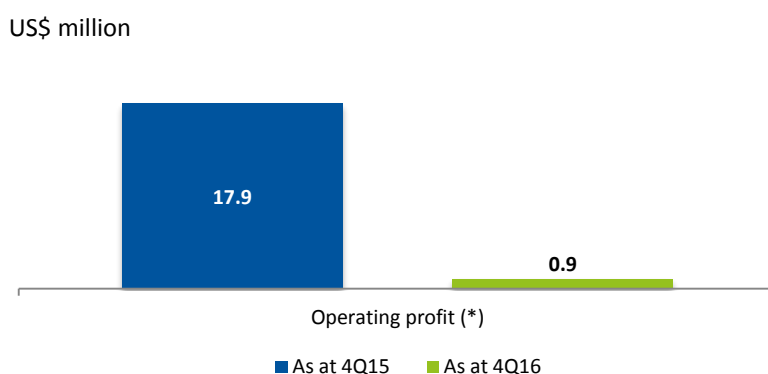
- As at December 31st, 2016, administrative expenses increased by 8% regarding the previous year, mainly due to temporary increases in services to third parties.
- Sale expenses are kept in 6% regarding the sales.

US\$ million	4Q15	4Q16	As at 4Q15	As at 4Q16	Variation
Sale expenses	2.0	1.9	9.6	8.5	-12%
% On Sales	8%	13%	6%	6%	1%
Administrative Expenses	1.9	2.0	7.1	7.7	8%



3.6 Operating Profit (*):

- As at December 31st, 2016, the operating profit was reduced by 95% regarding the previous year, having an operating margin of 1% (11% as at December 31st, 2015), as a result of the lower volume processed.



(*) Operating profit does not consider the other incomes/expenses.

3.7 Financial Expenses:

- Net financial expenses had an increase of 20%, representing 16% of sales (12% in the previous year), due to extraordinary expenses for the repurchase transaction of US\$ 30 million of corporate bonds, as well as for the credit obtained to do such transaction.
- This repurchase of bonds at the nominal value meant extraordinary incomes for US\$ 7 million approximately, which are recorded in the account Other Incomes.

US\$ million	4Q15	4Q16	As at 4Q15	As at 4Q16	Variation
Financial incomes	0.0	0.0	0.1	0.0	-63%
Financial expenses	5.3	5.1	18.5	22.1	20%
Net Financial Expenses	-5.2	-5.1	-18.4	-22.1	20%
% On Sales	21%	34%	12%	16%	38%

3.8 Other incomes and expenses:

- As at December 31st, 2016, the net of other incomes and expenses was US\$ -2.2 million, lower than the previous year (US\$ -4.4 million). The main items in 2016 were the following:
 - Extraordinary Income of US\$ 7.1 million, resulting from the repurchase of 15% of the original issue of bonds at a price below the nominal value.
 - Provision of contingencies of US\$ 2.6 million, due to administrative sanctions in process.



3.9 Net Profit:

- As at December 31st, 2016, the income tax was US\$ -3.5 million, higher than the previous year (US\$ 7.9 million), as a consequence of a negative effect on the Company's deferred liabilities, due to the increase in the income tax rate which varied from 28% to 29.5% for 2017 and beyond. In 2015 the effect was positive because in that year the income tax rate was reduced from 30% to 28%.
- As at December 31st, 2016, the net profit was US\$ -24.8 million, lower than the previous year (US\$ 1.3 million), due to a lower effective catch in 2016 and less availability of species oriented to Direct Human Consumption.

3.10 Indebtedness:

- As at December 31st, 2016, the total net debt amounted to US\$ 264.3 million. The long-term debt (current and non-current part) was US\$ 204.0 million, from which US\$ 5.6 million correspond to leasing operations and US\$ 25 million to a 6-year loan for the repurchase of bonds.
- The short-term debt related to working capital increased by 143% in comparison to the previous year (US\$ 67.1 million) and the cash increased by 298% (US\$ 6.7 million), due to the increase in the fishing quota corresponding to the second season 2016 regarding the previous year (2.0 million MT against 1.1 million MT), which implied a greater need for financial resources to cover catch and production operations, as well as a greater purchase of raw material to third parties.
- As at December 31st, 2016, the Company has a committed line of working capital with Scotiabank for US\$ 20.0 million, covering any eventual need of liquidity. Up to that date, only US\$ 5 million from the above mentioned line have been used.

Debt Position			
US\$ million	As at 4Q15	As at 4Q16	%
Short-term Debt (*)	27.6	67.1	143%
	12%	25%	
Long-term Debt	211.0	204.0	-3%
Current part	3.2	1.8	-39%
Non-current part	207.8	202.2	-2%
	88%	75%	
Total Debt	238.7	271.1	14%
Cash	1.7	6.7	298%
NET DEBT	237.0	264.3	12%

- It should be noted that the repurchase of bonds led to a reduction in the long-term debt for the corporate bonds from US\$ 200 million to US\$ 170 million, while the long-term debt to banks increased to US\$ 25 million (credit arranged to 6 years, with 1 year of grace and a balloon quota of 20%).
- As at December 31st, 2016, the short-term bank debt was covered at 152% with inventories, cash and accounts receivable, mostly supported by Credit Letters.



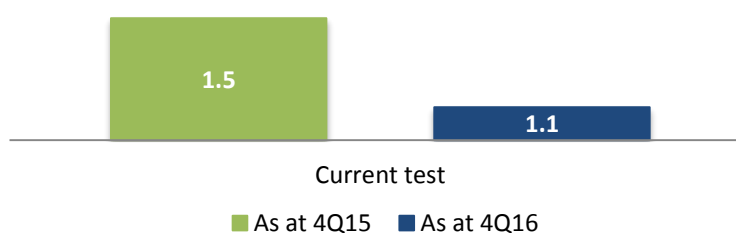
US\$ million	As at 4Q15	As at 4Q16	%
Short-term Debt (Working Capital)	27.6	67.1	143%
Net Trade Accounts Receivable	2.2	2.3	3%
Valued Inventory (US\$)	61.3	92.1	51%
Fishmeal stock (thousand MT)	32.1	45.5	42%
Fish Oil stock (thousand MT)	2.1	6.6	211%
DHC stock (thousand MT)	2.9	5.7	97%
Fishmeal Valued Inv. (*)	53.5	71.7	34%
Oil Fish Valued Inv. (*)	3.6	13.1	262%
DHC Inv. (**)	4.2	7.4	76%
Receivables + Valued Inventory + Cash	65.2	101.4	56%
Short-term Debt Hedge	236%	151%	

(*) Valued at average sale prices. (**) Valued at inventory costs.

3.11 Financial Indicators:

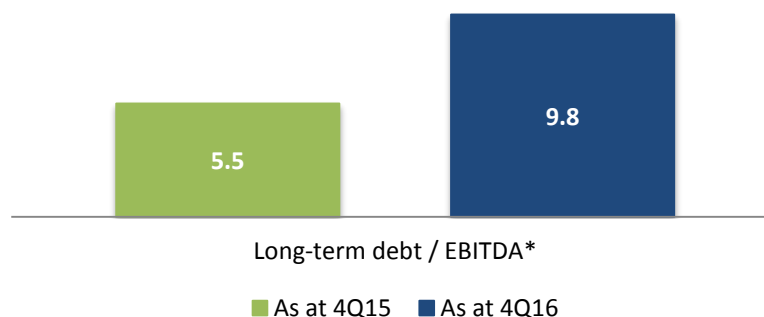
- Liquidity:**

The current test (current assets / current liabilities) was slightly reduced due to higher working capital requirements, resulting from the late start of the first fishing season 2016.



- Solvency:**

Solvency rates increased due to lower levels of EBITDA for the last twelve months.



(*) EBITDA for the last twelve months is considered.

- Profitability:**

Profitability ratios decreased, due to the late start of the first fishing season 2016 in comparison to the previous year.

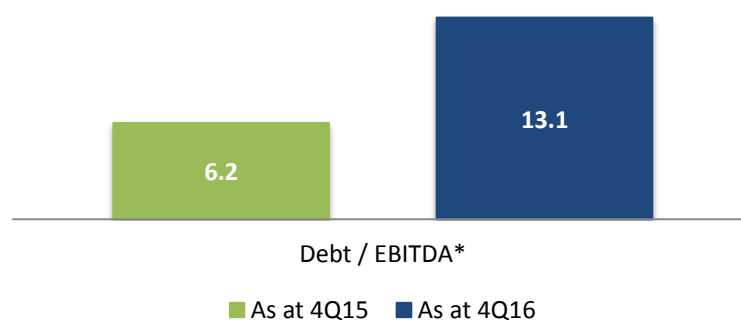
Profitability Position		
	As at 4Q15	As at 4Q16
ROE	1%	-11%
ROA	0%	-6%
Net Margin	1%	-18%

- Covenants:**

In the international bond issuance for US\$ 200 million, incurrence covenants were agreed into the issuance agreement.

- **Total Debt / LTM EBITDA:**

It shows the relation between funds obtained through third parties and operating results. In case this relation is greater than 3.5, we shall not assume more debt, except for the authorized by the baskets made for that purpose, and which are indicated in the corresponding prospectus.



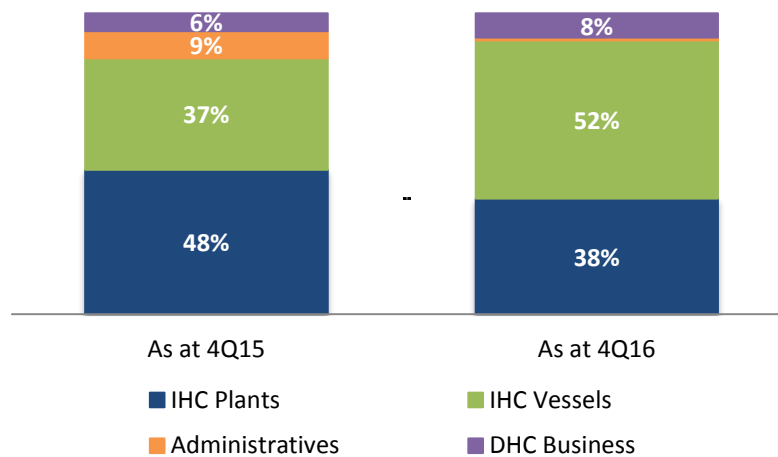


(*) EBITDA for the last twelve months is considered.

As at December 31st, 2016, the indicator increased from 6.2x to 13.1x, compared to the same period in 2015, as a result of greater initial stocks regarding the previous year.

3.12 CAPEX:

- Regarding CAPEX, as at December 31st, 2016 there has been investments for US\$ 17.8 million (US\$ 8.0 million as at December 31st, 2015), mainly aimed to IHC vessels due to usual maintenance work and others.



3.13 Others:

- Regarding special relations between the issuer and the State, such as special tax treatment, exemptions, supervision, concessions, among others, Pesquera Exalmar does not have special relations as the aforementioned.
- Regarding judicial, administrative or arbitration proceedings initiated or expected to be initiated against or in favor of the Company, it is considered that there are no proceedings out of the normal development of our operations, and whose result may have a significant impact on our operations and/or financial position.

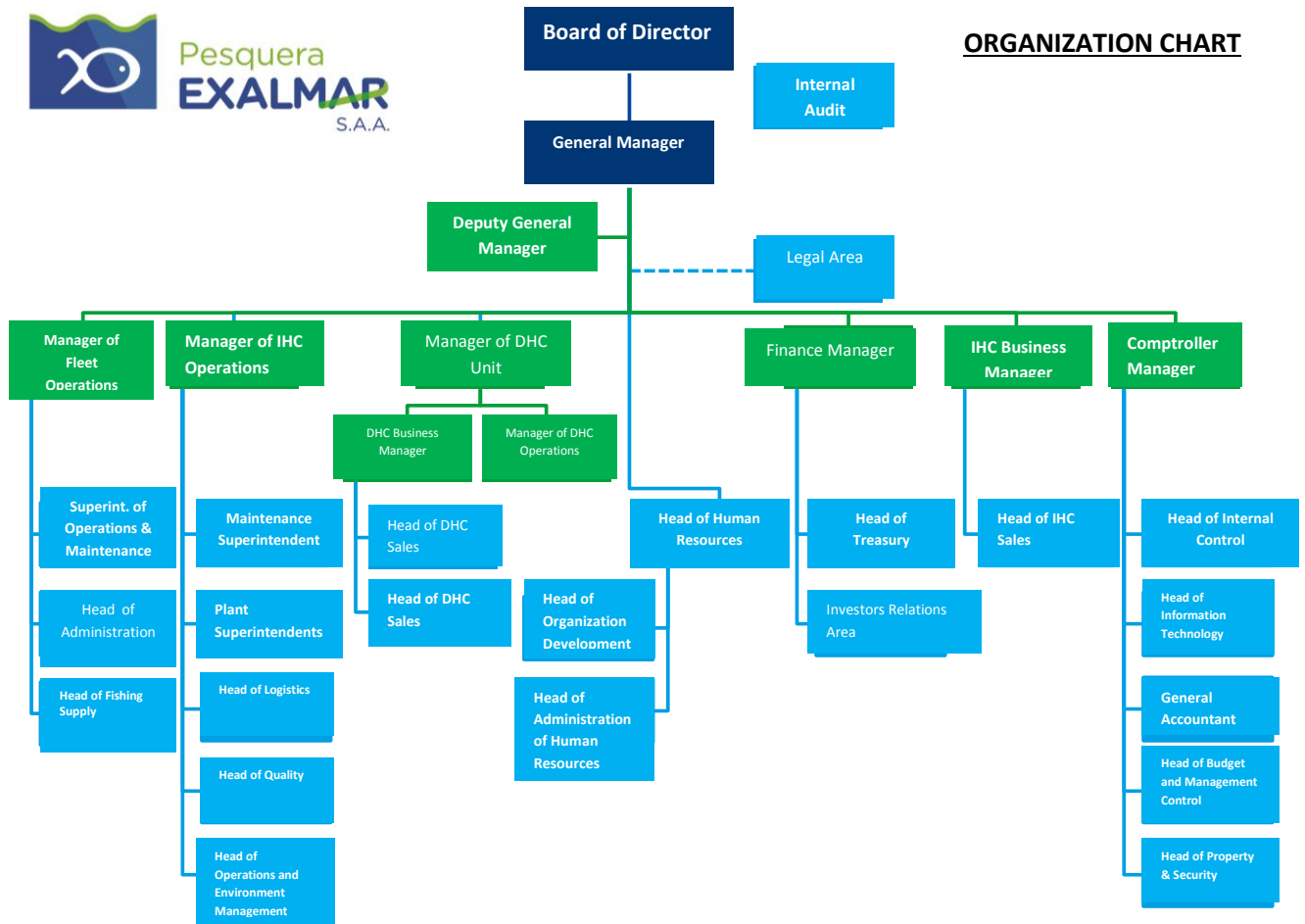
4. PEOPLE MANAGEMENT

- Organization Chart**

The organization chart of Pesquera Exalmar is below:



ORGANIZATION CHART



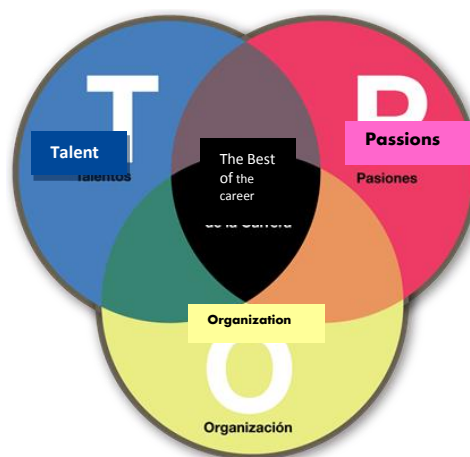


- **Collaborators**

Exalmar and all its collaborators faced a difficult 2016 year, despite the demanding challenges. Exalmar stood out once again because of its adaptability thanks to the efforts of all its collaborators.

The response of Exalmar, before a situation of crisis, is always quick and its fundamental interest is on its collaborators. Thus, the company did not apply a staff reduction or suspension of work. It met timely all its responsibilities and directed its efforts to provide food and health support, as well as other benefits such as tools for development of negotiation, communication and leadership skills.

Human Resources have as strategic objective to achieve that our collaborators are motivated for high performance and they share the mission, vision and values of the Company. During 2016 we maintained the TOP Model of Development for the Company, which was reminded in the implementation of the Performance Management Program at national level.



Internally we update our procedures according to the new challenges of the Company and we spread them in trainings around all the headquarters at national level, under the Program "Navega Exalmar".

The program "Mar Adentro" (*Offshore*), directed to the headquarters collaborators and their couples, in charge of Mr. Javier Echevarría, psychologist and actor, was carried out. This program was aimed to teach the different strategies of communication so that the participants can understand each other as a couple and start the process of restoring confidence and love. Likewise, we worked jointly in elaborating the family budget to order the household economy, among others.

Likewise, the development program "Haciendo que las cosas pasen" (*Making things happen*) was also carried out, in charge of Mr. Roberto Lerner, through a training program on soft skills directed to the leadership of headquarters, with the aim of strengthening leadership skills of those who are in charge of human teams that they must develop and enhance for their personal and professional growth.

There were also useful vacations for the children of collaborators, and several activities were carried out to honor special dates, such as birthdays, mother's day, father's day, fisherman's day, among others.

Facing any crisis situation, Exalmar's response is focused on human factor, thus confirming the company's commitment to human talent and the needs of our people, because we believe in the personal and professional development of our collaborators, through teamwork and an innovative attitude aimed to achieve the results beyond the expectations.

Regarding the total of workers, 453 are temporary workers and 705 are permanent workers, with a total of 1,158 collaborators, a figure that decreased compared to the previous year, having 1,324 collaborators in 2015 and 1,166 in 2014.



Location	Employees	Workers	Crew	Total
Callao	25	74	0	99
Chicama	28	76	0	104
Chimbote	27	85	0	112
Huacho	24	79	0	103
Paita	6	3	0	9
San Isidro	94	0	0	94
IHC Tambo de Mora	24	81	0	105
DHC Tambo de Mora	21	54	0	75
Fleet	43	0	414	457
Total	292	452	414	1,158



5. QUALITY, SAFETY, AND ENVIRONMENTAL MANAGEMENT

The Company works with teams specialized in providing the necessary support for operating the systems of quality, safety, occupational health, and environment. This ensures a proper performance and safe and innocuous products, highly reducing accidents in plants and avoiding negative environmental impacts.

	CERTIFICATIONS					Description
	Indirect Human Consumption Plants (IHC)					
	Chicama	Chimbote	Huacho	Callao	Tambo de Mora	
Safety:						
OHSAS 18001:2007	x	In process	In process	x	x	Global standard on safety and health management at work.
Quality:						
GMP+B2	x	X	x	x	x	Guarantees food innocuousness in the whole production chain and with suppliers, through a quality control based on HACCP, SSOP, GMP and ISO 9001.
IFFO RS	x	X	x	x	x	Global standard for responsible provision, considering supply, production and traceability
BASC Safe Commerce	x	X	x	x	x	Business alliance for a safe commerce with national and international cooperation within our production and commercialization process.
Friends of the Sea (FOS)	x	X	x	x	x	Certification for sustainable fishery and aquaculture products
AC Omega 3/UE	x	X	x	x	x	Authorization to produce and export Omega-3 oil for human consumption to European market
Environment:						
ISO 14001:2004	x	X	x	x	x	Global recognition of commitment to the environmental management



Quality:	CERTIFICATIONS		
	Direct Human Consumption Plants (DHC)		Description
	Tambo de Mora	Paita	
BASC Safe Commerce	X	X	Business alliance for a safe commerce with national and international cooperation within our production and commercialization process.
British Retail Consortium (BRC)	X	X	Global standard that guarantees quality and safety of food products.
Tesco Food Manufacturing Standard (TMFS)	In process	X	Recognition as an authorized supplier of the chain Tesco Supermarket worldwide.

6. SUSTAINABILITY MANAGEMENT

For Exalmar, sustainability management is a fundamental issue that involves the whole company and not only a particular area. With a clear vision for sustainable growth, it develops high quality and high protein marine products, improving and transforming people's living conditions.

Being aware of the importance of human factor, we aim our efforts towards personal and professional development of our collaborators, the fishing ship-owners, our crew, and the artisanal fishermen. Thus, Exalmar provides stable work to 1,158 collaborators, whose families grow with the company; so, many other families who are part of the fishing communities that work with the company are favored with a relationship of trust with Exalmar.

In this way, it has contributed significantly to the development of this sector and to the formalization of the community related to fishing for Indirect Human Consumption, achieving a redistribution of the sector worth to the smaller entrepreneurs, and contributing to their professional, personal development and their families, as well as the progress of areas where the government often does not arrive.

Exalmar seeks all the time to give them the guidance they need to make them a human and work group with better resources to integrate an efficient chain. On the one hand, through fair prices; and, on the other, supporting their training and development of infrastructure, allowing their growth.

Likewise, Exalmar policy is to contribute to the development of entrepreneurs in the areas of influence of the company. Therefore, it tries to work with suppliers from these areas and to contribute to their development, maintaining a close relationship with suppliers in the fields of maintenance, repairs, inspections, analysis, monitoring, among others.



Moreover, in order to maintain a sustainable fishing, a number of control measures for resources management have been implemented in Peru, mainly contained in the General Fisheries Act. These include the Act of Maximum Limits of Catch, closed seasons, protected areas, minimum sizes, percentage of permissible juveniles, the program for monitoring and control fishing and unloading, restricted entry of new fishing vessels, regulation of fishing nets, satellite control, reserve area for Direct Human Consumption, among others.

Likewise, the company is committed to the preservation of the environment and marine resources, in benefit of the communities where it develops and future generations. Exalmar uses friendly technologies with the environment and keeps searching opportunities to reduce environmental impacts. Here, it is important to mention the change of the energy source to natural gas in two plants, the system for treatment of effluents coming from the fish pumping water, the environmental talks presented to the community, beach cleaning with the help of collaborators, environmental simulations of hydrocarbon spill and leak, solid waste segregation process, IFFO RS certification that guarantees a responsible production process, ISO 14001: 2004 certification for two plants that reach 35% of the production of Indirect Human Consumption, among others.

Exalmar has the capacity to favorably transform its environment, because progress is a concept that involves joint growth, of both Exalmar and the fishing communities that work with the company. It ratifies one of the greatest strengths: to be promoters of an authentic social transformation inspired by the values of respect, mutual trust, and the ability to establish connections at all levels, from empathy, dialogue and good heart in each one of its actions.

7. INVESTORS RELATIONS AND CORPORATE GOVERNANCE

Investors Relations coordinates the necessary actions to promote the best Corporate Governance practices, which are detailed in the Corporate Governance Report (Annex I). The objective is to achieve an effective communication between Exalmar and its shareholders, bondholders, financial community, and other stakeholders, promoting a permanent communication and transparency in management and spread of information.

For this purpose, various actions are carried out to contact investors, such as reports of results, press releases, telephone conferences, and a permanent attention to requests of information from investors, the media, and regulators of the stock market.

The new corporate website (www.exalmar.com.pe) was launched in 2016, a more accessible, dynamic and attractive structure that provides more information. It facilitates the navigation of users in accordance with the new technologies, adapting to all browsers and devices. It emphasizes the section addressed to the investor, where relevant information has been put available, such as financial statements, quarterly reports, corporate presentations, telephone conferences, and calendar of events, Facts of Importance, among others.

The process of implementation of Corporate Governance practices has been naturally done based on the commitment of the main shareholder and the Top Management. In 2016, Exalmar was



recognized for its commitment and leadership in the field of Corporate Governance, being nominated as a finalist of the IFFO Annual Awards.

In the same year, the implementation of an action plan for the adopting improvements began, according to certain criteria established in the diagnosis made the previous year. This plan was successfully implemented in the course of 2016, reaching 74% of progress at the end of the year.

The Company is committed to adopt these practices and makes a permanent effort to improve even more its Corporate Governance, protecting the rights of investors and other stakeholders. In the Peruvian market, with a high presence of family businesses and undeveloped capital market, the company saw in the Corporate Governance a means to establish appropriate mechanisms for the professionalization and sustainability of the company in the long term, taking a great leap forward from a family business to a corporation.



CHANGES OF THOSE RESPONSIBLE FOR PREPARING AND REVIEWING THE FINANCIAL INFORMATION

Since 2003, the firm Pazos, López de Romaña, Rodríguez, representatives of BDO, has served as external auditor. Since 2007, Beltran, Gris & Asociados S.C.R.L., representatives of Deloitte ToucheTohmatsu, was contracted. In 2013, the Company PricewaterhouseCoopers was appointed as external auditor.

In 2014, Mr. Demian Ballón Espinoza, was hired as Comptroller Manager and is currently responsible for the financial information of the Company.



APPENDIX I

ANNUAL REPORT ON CORPORATE GOVERNANCE 2016

The Corporate Governance in Exalmar

The Corporate Governance has allowed Pesquera EXALMAR SAA progressing towards the consolidation of an ethical way of doing business, where the managing bodies act considering the needs and expectative of all the stakeholders of the company.

In a stock market like Peru, with high presence of family businesses and an underdeveloped capital market, the Company saw the Corporate Governance as a means to establish the right mechanisms for the professionalization and sustainability of the company in long term, taking a great leap forward from a family business to a corporation.

It is important to emphasize the change in Exalmar: from being a 100% family company to opening its capital through a private equity in 2007. Then, it made an IPO at the end of 2010 and finally issued debt in the international capital market in 2013. The strategic financial decisions adopted and the participation in the capital market generated changes and opportunities for future growth and promoted the implementation of Corporate Governance practices. The company always stood out for presenting information on its administration to the senior management as well as to financial entities; that is, this culture naturally incorporated transparency, through the spread of information. This corporate philosophy, which also represents one of the pillars of Corporate Governance, facilitated the incorporation of the other principles related to Shareholders Rights, General Shareholder Meetings, Board of Directors and Senior Management, and Risk and Compliance.

While in the country many companies see this as distant and costly, with complicated processes that do not add value, in Exalmar incorporating these practices in the company management has brought benefits and the main one is the permanence in the long term. Investors see Exalmar as a company permanently concerned with improving its good practices and it results in greater interest for investors, as well as diversification of financial sources, especially from foreign banks, with the possibility of obtaining credits under more competitive conditions that we could access before.

Process of implementation of practices and actions taken

Exalmar is committed to adopt the best practices of Corporate Governance, protecting the rights of investors and other stakeholders. In the last years there were important advances in such matter that allowed the Company being recognized in 2015, by the Lima Stock Exchange, as one of the companies with the highest standards of Corporate Governance, the first and the only one in the fisheries sector to obtain this recognition. In 2016, Exalmar was recognized for its commitment and leadership in the field of Corporate Governance, being nominated as a finalist of the IFFO Annual Awards.

The process of implementation of Corporate Governance practices has been naturally carried out through the commitment of the main shareholder and Senior Management. In 2015, it was taken services of the specialized consultancy firm Mercado de Capitales, Inversiones y Finanzas Consultores (MC&F), expert in Corporate Governance and accredited guarantor before the Lima Stock Exchange



was contracted, in order to make a diagnosis of the company to identify key areas for improvement in relation to the provisions of the best standards.

Strengths and weaknesses were identified for each pillar of Corporate Governance and, at the beginning of 2016, it started the implementation of an action plan for adopting improvements according to certain prioritization criteria already established. That plan has been successfully implemented in the course of 2016, reaching an advance of 74% at the end of the year.

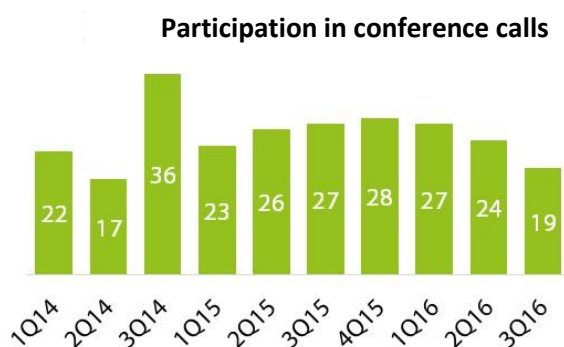
Some actions implemented are the following:

- **Shareholder rights, promoting excellence in treatment of the investor:**

In 2016, 813 actions have been carried out to contact investors through various tools. 22 important events and 23 press releases were sent out, 557 emails and 66 telephone inquiries were answered, among others. It also participated in events with investors at local and international level, which are detailed below:

Date	Event
January	Santander, Cancún
March	Larrain Vial, Santiago
March	11th Atlantic Seafood Forum
May	BBVA, New York
June	Procapitales, Lima
September	Credicorp, Lima

We had quarterly telephone conferences with investors after the presentation of financial results, in charge of the General Manager, Rossana Ortiz, accompanied by the Finance and Administration Manager, Raúl Briceño, who participated in the last Conference Call (the third quarter of 2016) with 19 investors. Both the recording and the presentation were promptly published on the website of the Company.



On April 13th, 2016, the Company's Annual Compulsory Meeting of Shareholders was held, which was announced on March 15th, 2016. With 75.10% of quorum it was approved, among others, the



General Meeting Regulations of Shareholders, which is aimed to detail the guidelines that regulate the operation of the General Shareholders' Meeting, related to the agenda and call, participation and exercise of shareholder rights, among others.

Regarding information requests from shareholders, they may be done through the following means:

- ✓ By telephone: (511) 441-4420, extension 1051.
- ✓ E-mail of the responsible of Investor Relations: ozuniga@exalmar.com.pe
- ✓ "Service to the Investor" Department in the website: www.exalmar.com.pe
- ✓ In person or by simple letter. Address: Av. Víctor Andrés Belaunde 214, San Isidro, Lima, Perú.

On the other hand, the new corporate website (www.exalmar.com.pe) was launched, with more accessible, dynamic, and attractive structure that provides more information, makes easier the user navigation, and is in line with the new technologies, adapting to all browsers and devices. It emphasizes the section addressed to the investor, where relevant information has been made available such as financial statements, quarterly reports, corporate presentations, telephone conferences, calendar of events, Facts of Importance, among others.

Among other actions carried out:

- ✓ Spread of Renewed Annual Report and Corporate Governance Report.
 - ✓ Publication of quarterly reports, presentations, press releases, etc.
 - ✓ Approval of the Shareholder's Meeting Regulations.
 - ✓ Single-class shares with voting rights. One vote per share.
 - ✓ Separate voting right for independent issues.
 - ✓ Obligation to report in cases of operations that may lead to dilution.
 - ✓ Spread of announcement and documents related to the Board.
 - ✓ Right of representation. Power of attorney Model with sense of vote.
 - ✓ Restriction to representation in favor of directors and managers.
 - ✓ Spread of dividend policy and strict compliance.
 - ✓ Procedure for inclusion of agenda items.
 - ✓ Incorporation of arbitration as a possible means of dispute settlement.
- **Board of Directors and Management Team, promoting an adequate participation of the Board and Management as well as clear policies:**

The company has a Board of Directors comprised by people with different specialties and competences, with prestige, ethics, sufficient availability and other qualities relevant to the company, so that there are various approaches and opinions.

There is a Board comprised by five independent members and two dependant members (Chairman and Vice-Chairman), with a total of seven directors, ensuring plurality and representativeness for all the stakeholders. As at December 31st, 2016, the members of the Board of Directors are:



Board of Directors	
Víctor Matta Curotto	Chairman
Víctor Matta Dall'Orso	Vice-chairman
María Cecilia Blume Cillóniz	Independent Director
Rodrigo Sarquis Said	Independent Director
Andrés Muñoz Ramírez	Independent Director
Cristian Celis Morgan	Independent Director
Martín Ramos Rizo Patrón	Independent Director

The Chairman has more than 40 years of experience in fisheries sector and the management team is comprised by independent professionals with wide experience. There are also Board Committees, whose sessions are fundamental for the achievement of strategic objectives, facilitating a permanent monitoring of some tasks of special relevance, becoming a very effective support to the Board in order to make better decisions. The Board Committees are as follows:

- ✓ Corporate Governance Committee.
- ✓ Audit Committee.
- ✓ Nomination and Remuneration Committee.
- ✓ Committee of Risks.
- ✓ Finance Committee.

Likewise, there is also a Regulation of the Board of Directors and its Committees, which details the guidelines governing the operation of the Board, its composition, functions and responsibilities, with the purpose of promoting transparency, in line with Corporate Governance practices.

Among other actions carried out:

- ✓ Own definition of independence.
 - ✓ Election of directors once a year.
 - ✓ Induction program for directors.
 - ✓ Established session schedule.
 - ✓ Timely delivery of information to directors.
 - ✓ Board Committees headed by independents.
 - ✓ Positions of Chairman and General Manager are given to different people.
 - ✓ Prohibition to grant loans to a director without the Board approval.
 - ✓ Executive body responsible for implementing GCG improvements: Investors Relations.
 - ✓ There are no alternate directors.
 - ✓ Implementation of a Strategic Plan. Participation in making strategic objectives.
- **Transparency of Information, practicing a transparent communication with its stakeholders, generating relationships of trust:**



The company has Internal Rules of Conduct, which establish the regulations to be followed to protect confidentiality of reserved or privileged information on the Company, determining internal responsibilities and procedures for the elaboration and communication of the Facts of Importance.

Likewise, it has a Policy for Classification, Management and Dissemination of Information, which establishes the guidelines and provisions for an adequate classification and management of the Company's information, in order to safeguard its confidentiality and ensure its proper dissemination to the general public, truthfully, transparently, equitably, timely, and in accordance with current legislation.

Among other actions carried out:

- ✓ Timely publication of Facts of Importance, and Press Releases.
- ✓ Participation in events and one-to-one meetings. Publication of quarterly reports, presentations, etc.
- ✓ Website renewal. "Investors" section.
- ✓ Dissemination of renewed Annual Report and Corporate Governance Report.

• **Risk and compliance, promoting adequate risk management:**

The company has a Risk Committee that supervises the execution of the integral risk management strategy, which is chaired by an independent director.

Likewise, it has an Audit Committee, which is chaired by an independent director, who supervises the external and internal audit process and is responsible for the selection, supervision and removal of auditors.

Among other actions carried out:

- ✓ Updating of Code of Ethics and Conduct in Businesses.
- ✓ Independence of the Internal Auditor, who reports to the Audit Committee.
- ✓ Implementation of complaints procedure to the Code of Ethics and Conduct in Businesses, for both collaborators and third parties, by the Internal Auditor.
- ✓ External audit firms of recognized prestige.
- ✓ Internal training programs on internal procedures and policies.
- ✓ Comprehensive Risk Management Policy.

Commitment and challenges for 2017

Exalmar is committed to the adoption of the Best Corporate Governance practices, protecting the rights of investors and other stakeholders. It is not enough to create procedures or manuals that reflect good practices, it is essential to know and internalize the concept and that it is actually applied at all levels of the organization, starting from the Board. This is the great challenge, the challenge that allows moving from a family business to a corporation, ensuring sustainability and promoting the development of the stock market.

In 2017 we expect to continue with the implementation of the working plan developed in coordination with the consultancy firm MC&F, in the search of excellence in matters of Corporate Governance, for



the satisfaction of our stakeholders. For that, two key actions to be launched in 2017 stand out: (i) Board Diagnosis and Evaluation, and (ii) Diagnosis of Sustainability Management.



APPENDIX II

ANNUAL CORPORATE SUSTAINABILITY REPORT 2016

APPENDIX III

ANNUAL AUDITED FINANCIAL STATEMENTS.

- **STATEMENT FINANCIAL POSITION**
- **STATEMENT OF COMPREHENSIVE INCOME**
- **CASH FLOW STATEMENT**
- **STATEMENT OF CHANGES IN EQUITY**