



WORKING
FOR A
**SUSTAINABLE
FUTURE**

ANNUAL
REPORT
2017



Pesquera
EXALMAR
S.A.A.



IN EXALMAR, WE WORK FOR A
SUSTAINABLE FUTURE, PROMOTING
A RESPONSIBLE FISHERY FOR THE
BENEFIT OF ALL OUR WORKERS, THEIR
FAMILIES AND COMMUNITIES RELATED
TO THE INDUSTRY.

TODAY WE CAN SAY THAT WE SEE THE
FUTURE WITH OPTIMISM, BECAUSE WE
RECOVERED FROM THE DIFFICULTIES
WITH QUICKNESS THANKS TO THE
EFFORTS OF ALL OUR WORKERS AND
NOW WE FACE NEW CHALLENGES,
WITH THE WARRANTY OF A HEALTHY
BIOMASS OF ANCHOVY.



WORKING
FOR A
**SUSTAINABLE
FUTURE**

STATEMENT OF RESPONSIBILITY

This document contains accurate and sufficient information about the business performance of PESQUERA EXALMAR S.A.A. (hereinafter, the Company) during 2017. 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

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LETTER FROM THE GENERAL MANAGER



Dear Friends,

2017 was the year of the fishing sector recovery for us. After facing the consequences of El Niño for three consecutive years, the restoration has been possible, thanks to the good management of the sector authorities. In this regard, the measures taken by IMARPE and PRODUCE to ensure the conservation and sustainability of the anchovy biomass are particularly worthy.

After a first season of 2016 in which only 51% out of the quota allocated in 1800 thousand MT was caught, the second season of that year reached a catch of 98% out of a quota of 2000 thousand MT, ending on January 27th, 2017. It was reached 14.0% of participation in the global processing, which placed Exalmar in the third place of the fishing sector in terms of fishmeal and fish oil processing. For the first season of 2017, which began on April 26th and ended on July 31st of that year, there was a sector catch of 86% out of the quota allocated in 2800 thousand MT. The company then reached a rate of 14.4% of global participation in the sector.

Finally, the second season of 2017 began on November 23rd with exploratory fishing, identifying the high dispersion of the resource and high presence of juveniles. In view of this situation, a temporary closed season and the completion of Eureka Operation were determined, in order to evaluate the current distribution of the resource. This operation was carried out as from December 26th and it took four days; subsequently, an improvement in oceanographic conditions and the availability of the resource could be seen, with the regrouping of shoals of adults and the change of a larger group of individuals to adult sizes.

Given the better conditions, the restart of the second season was authorized with exploratory fishing from January 7th of this year, maintaining the quota of 1490 thousand MT. The end of the season was on January 26th, given the beginning of the summer reproduction period of the anchovy.

As a fishing company, in Exalmar, we can proudly say we are committed to excellence. We remain firm in our commitment to develop the best practices to ensure the conservation and sustainability of the resource, for the benefit of workers and communities related to the sector as well as future generations, who will inherit the consequences of our actions today.

2017 was also a year in which Exalmar once again stood out for its ability to adapt, for its spirit of solidarity and its prompt response to the requirements of the country, thanks to the joint effort of all its collaborators. Remember the last year there were difficult times for many of our compatriots, due to the impact of natural disasters caused by the coastal El Niño. In the face of this emergency, Exalmar quickly organized to offer our solidary support to our affected compatriots. For that purpose, the company placed at their disposal a collection center at the plant of Callao, where hard work was carried out to facilitate the delivery of donations from our people and from third parties. Today we can say that approximately 200 hundred tons of food and humanitarian aid to vulnerable communities, such as Becará, Vice, Parachiqué, Jayanca, Pacora, and Túcume, among others, were delivered.

2017 was also the year in which Exalmar celebrated its 25th anniversary. This was an important milestone in our work history, but also the personal one, because these are years during which we have seen

LETTER FROM THE GENERAL MANAGER

the growth of our company and the development of the particular mysticism joining us as a great family; that capacity for teamwork, to respond with passion, energy and wisdom to the various challenges that have been coming up during these years. Twenty-five years later, we can proudly say that Exalmar is a corporation that acts like a big family; a large family that believes in values, such as, responsibility at work, respect for the environment, and the permanent disposition to dialogue, both inside and outside the company. On these ethical pillars rest our business achievements in these twenty-five years, developing quality marine products, improving and transforming the living conditions of thousands of people.

In 2017 the financial capacity of the Company to overcome an extended period of crisis was demonstrated once again. Positive financial results were obtained with an adequate management of the maturities of short-term debt and compliance with the obligations acquired by the company.

As a result, as at December 31st, 2017 the short-term bank debt was covered at 241% with inventories, cash and accounts receivable, mostly supported by letters of credit.

At the end of 2017, Exalmar obtained an increase in sales of 87% over the previous year, reaching total sales of US \$ 254.6 million, as a result of higher volumes of catch in the second fishing season of 2016 and the first season 2017. In addition, in December



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MANAGEMENT OF THE
SECTOR AUTHORITIES.

it was announced an international bond issuance and private exchange offer of the current corporate bonds expiring in 2020, which were paid in February 2018. The exchange of bonds was carried out in an amount of US \$ 60.9 million or, approximately, 35.8% of the bonds in circulation, generating a better financial position for the company, since the maturity of these new bonds will be in 2025.

Looking to the future, we see 2018 with encouraging prospects for the certainty of having a healthy anchovy biomass, thanks to a good fisheries management developed in recent years. Likewise, 2018 presents great challenges for the fishing industry. Among these challenges, the need to continue the joint effort with all companies in the sector for the development of the industry, promoting sustainable and responsible fishing in Peru, stands out. And this is possible to

achieve through a fisheries management that, given the greater climate variability, responds with a rapid decision-making to the constant challenges that the sector presents to us.

We have the privilege of being born and working in a country with an impressive variety of marine resources. We believe in the wealth of our country, which makes possible our development as a worldwide protein-supplier company. And, if we add to this the passion we put in Exalmar in each of our actions, as a large family with a goal of common well-being, our possibilities are endless.

In Pesquera Exalmar, that passion allows us to overcome obstacles. Therefore, I do not want to end these lines without thanking, equally, all those who make possible the existence and relevance of the Company: collaborators, directors, shareholders, investors, financial entities, fishing ship-owners, artisanal fishermen, suppliers, customers. All of you, who read this letter, make possible we continue working day by day for the progress of Peru. Moreover, you give us more reasons to maintain that look in the future with optimism.

Thanks so much for being with us

ROSSANA ORTIZ RODRÍGUEZ
GENERAL MANAGER



1

WE WORK FOR A
SUSTAINABLE FUTURE BY ACTING WITH

EXCELLENCE IN THE DEVELOPMENT OF MARINE PRODUCTS WITH HIGH PROTEIN

IN EXALMAR, WE DEVELOP QUALITY MARINE PRODUCTS WITH
EXCELLENCE, IMPROVING AND TRANSFORMING THE LIVING CONDITIONS
OF PEOPLE.

1

MILESTONES AND
PERSPECTIVES

THE YEAR 2017 REPRESENTS THE RECOVERY OF THE FISHING SECTOR, AFTER THE IMPACT OF THREE CONSECUTIVE YEARS AFFECTED BY THE EL NIÑO PHENOMENON.

This recovery is due to good fisheries management by the authorities of the sector, which confirms the appropriate measures implemented for the preservation and sustainability of the resource, guaranteeing a healthy biomass of anchovy.





MILESTONES

EXALMAR DURANTE
EL AÑO 2017

INDIRECT HUMAN CONSUMPTION

*

After a first season 2016 in which only 51% of the quota allocated of 1,800 thousand MT was caught, the second season 2016 reached a catch of 98% of the quota allocated of 2,000 thousand MT, ending in January 27, 2017. Exalmar reached a share of 14.0% in the global processing, which meant the third position in the fishing sector in terms of fishmeal and fish oil processing.

*

The first season 2017 started on April 26 and finished on July 31, 2017, with a sector catch of 86% out of the quota allocated of 2,800 thousand MT. Exalmar achieved a global share of 14.4% in the sector, which represents the highest historical level for the company, remaining as the third producer of fishmeal and fish oil in Peru.

*

On January 26, 2018, the first anchovy fishing season corresponding to the North-Central zone was finished, which had an allocated quota of 1,490 thousand MT. The sector reached a catch of 47%, due to the delay when waiting for better oceanographic conditions. In this season, Exalmar achieved a total share of 13% in the processing of the sector.

EN LA SEGUNDA
TEMPORADA DE PESCA
DEL 2017, EXALMAR
ACHIEVED A GLOBAL
SHARE OF

14.4%

IN THE SECTOR.



MILESTONES

EXALMAR DURANTE
EL AÑO 2017

DIRECT HUMAN CONSUMPTION

*

Due to the low availability of raw material for Direct Human Consumption, the decision made by the Board of Directors to temporally suspend the operations in the DHC Plant of Tambo de Mora for the processing of giant squid and other species was announced on September 20, 2017, as well as any activity related to these procedures, keeping the plant working on the processing of jack mackerel and mackerel.

25

AÑOS

DESARROLLANDO
PRODUCTOS
MARINOS
DE CALIDAD,
MEJORANDO Y
TRANSFORMANDO
LAS CONDICIONES
DE VIDA DE LAS
PERSONAS.

2. MILESTONES AND PERSPECTIVES

IN THE YEAR 2017

In the year 2017, Exalmar stood out once again for its ability to adapt itself, thanks to the efforts of all its collaborators:

- In difficult times for the country due to the impact of natural disasters caused by the Coastal El Niño Phenomenon, Exalmar provided support to our affected compatriots. The company made available a collection center in its plant of Callao, where hard work was carried out to facilitate the move of own and third parties' donations. Thus, our vessels Don Víctor and Costa Brava transported approximately 200 tons of food and humanitarian aid to vulnerable communities, such as Becar, Vice, Parachiqué, Jayanca, Pacora, Túcume, among others.
- Our founder and Chairman of the Board, Mr. Víctor Matta Curotto, was elected as one of the Business Leaders of Change 2017, in the Annual Award organized by EY, which seeks to recognize those entrepreneurs who are transforming Peru through their contribution to the economic and social growth.

- Exalmar celebrated 25 years of career. A history of achievements and overcoming of challenges that are only the beginning. 25 years developing quality products, improving, and transforming the living conditions of people.
- The company joined the National Fisheries Society (SNP – in Spanish), in order to join efforts with the other partners and work together in the development of the fishing industry, promoting sustainable and responsible fishing in the country.
- The re-certification ISO 14001: 2004 was carried out for all the Indirect Human Consumption plants, reaffirming the company's commitment to the conservation and protection of the environment.
- The re-certification IFFO and GMP+B2 was obtained for the Indirect Human Consumption plants, recognizing the work developed by the company to get quality products, as well as the responsible fishing, production, and traceability practices.

2. MILESTONES AND PERSPECTIVES

IN THE YEAR 2017

- Also ratifying the commitment of Exalmar to the safety of its collaborators. OHSAS 18001: 2007 certification was achieved in all Indirect Human Consumption plants.
 - The process of implementing the comprehensive risk management began, based on the strategic plan 2016-2020.
 - The process of adoption of the best practices of Good Corporate Governance continued. The first edition of the Investor Day was carried out, as well as the evaluation and analysis process for improving the Board of Directors, and a diagnosis of sustainability management was made, among others.
 - It was implemented the Program of Compliance for the risks of bribery, money-laundering, and terrorist finance. Likewise, the implementation of controls, additional to those ones the Company already had, to minimize the aforementioned risks began, which will be complemented with the improvement of the existing controls, as well as a Plan of Dissemination and Training at all levels.
- In 2017 the financial capacity of the Company to overcome an extended period of crisis was shown once again, providing positive financial results with an adequate management of the maturity dates of the short term debt, and compliance of its liabilities.
- As at December 31, 2017, short-term bank debt was hedged at 241% with inventories, cash and accounts receivable, mostly supported by letters of credit.
 - The credit line for US \$ 20 million committed to Scotiabank is maintained.
 - In September, the risk rating agency Moody's Investors Service kept the rating of the corporate bonds of Pesquera Exalmar S.A.A. in the B3 rating and improved the perspective from negative to stable, due to the good prospects of the fishing sector
- At the end of 2017, Exalmar obtained an increase in sales of 87% compared to the same period of the previous year, reaching total sales of US \$ 254.6 million, as a result of higher volumes of catch in the second fishing season of 2016 and the first season of 2017.
 - In December, an international bond issuance and private exchange offer of the current corporate bonds that expire in 2020, whose liquidation was carried out in February 2018, were announced. The exchange of outstanding bonds was made for an amount of US \$ 60.9 million or, approximately, 35.8% of outstanding bonds, creating a better financial position for the company, since the maturity of these new bonds will be 2025.

AL CIERRE
DEL AÑO 2017,
EXALMAR OBTUVO
UN INCREMENTO
EN SUS VENTAS DE

87%

RESPECTO AL
AÑO ANTERIOR,
ALCANZANDO
VENTAS TOTALES
DE US\$ 254.6
MILLONES



2. MILESTONES AND PERSPECTIVES

IN THE YEAR 2018

The year 2018 is encouraging for the fishing industry because of the evidence of good management that has allowed the stability of a healthy biomass of anchovy. In that sense, the presence of juveniles is very positive since it shows that, despite the hard environmental conditions of recent years, the anchovy has continued to reproduce. This is promising for future fishing seasons and ensures good long-term management of anchovy.

Likewise, Exalmar is firmly committed to develop the best practices that guarantee the conservation and sustainability of the resource, for the benefit of workers and communities related to the sector and future generations.



2

WE WORK FOR A
SUSTAINABLE FUTURE BY ACTING WITH

RESPONSIBILITY FOR THE PRESERVATION OF MARINE RESOURCES

IN EXALMAR, WE PROMOTE RESPONSIBLE FISHING FOR
THE BENEFIT OF THE RESOURCE'S SUSTAINABILITY,
WHICH ALLOWS IT TO REMAIN A VITAL SOURCE OF FOOD,
EMPLOYMENT, AND ECONOMIC AND SOCIAL WELL-BEING
FOR THE POPULATIONS.



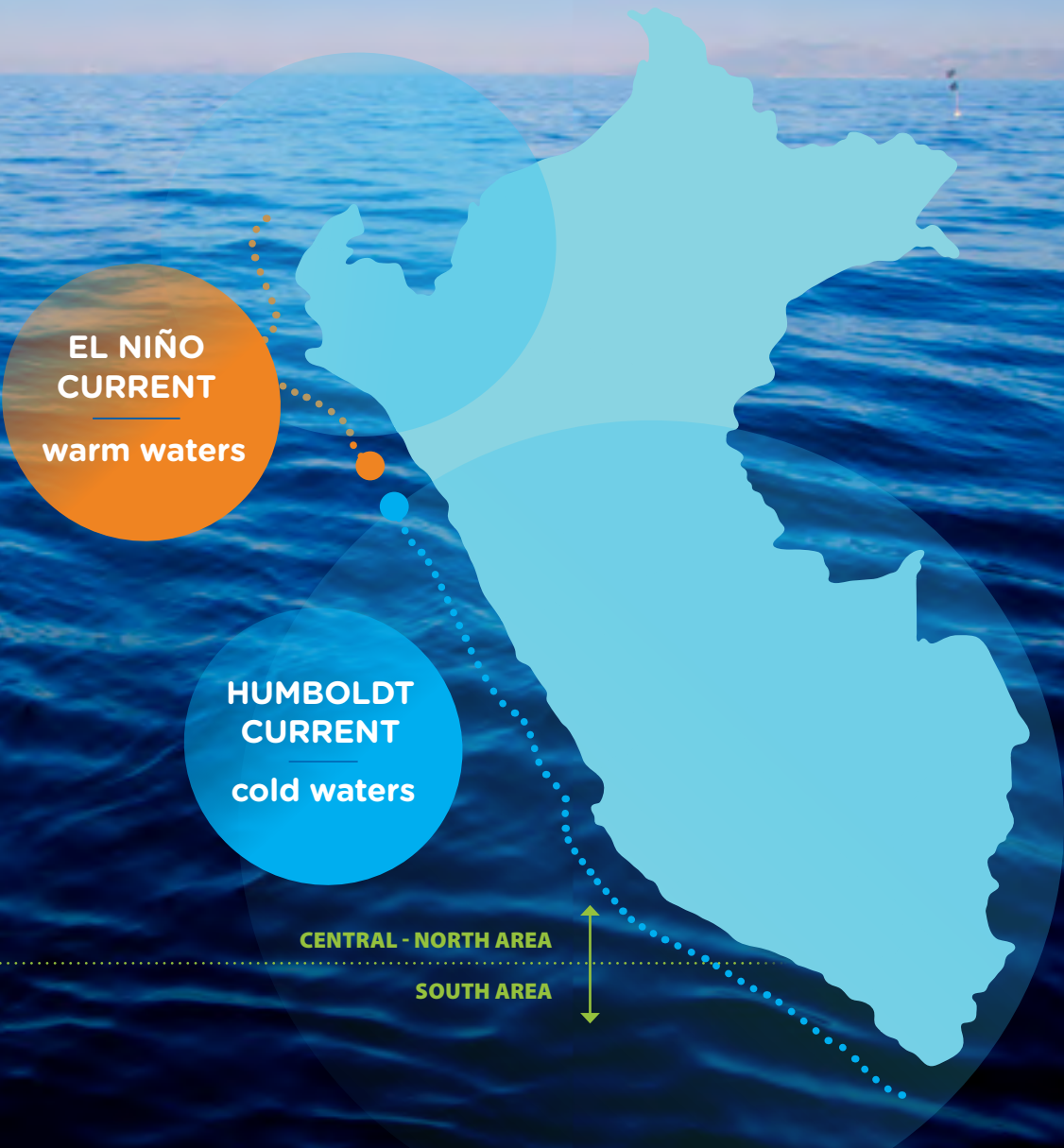


2. ENVIRONMENT

FISHERY
SECTOR

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.

La harina y el aceite de pescado en el Perú se obtienen de la especie “anchoveta” (*Engraulis ringens*), pez pelágico pequeño que habita las aguas frías de la corriente de Humboldt y se distribuye a manera de dos unidades poblacionales: stock Norte- Centro (desde Paita hasta San Juan de Marcona) y stock Sur (desde Chala hasta Chile). La anchoveta muestra ventajas significativas respecto a otras especies.



2. ENVIRONMENT

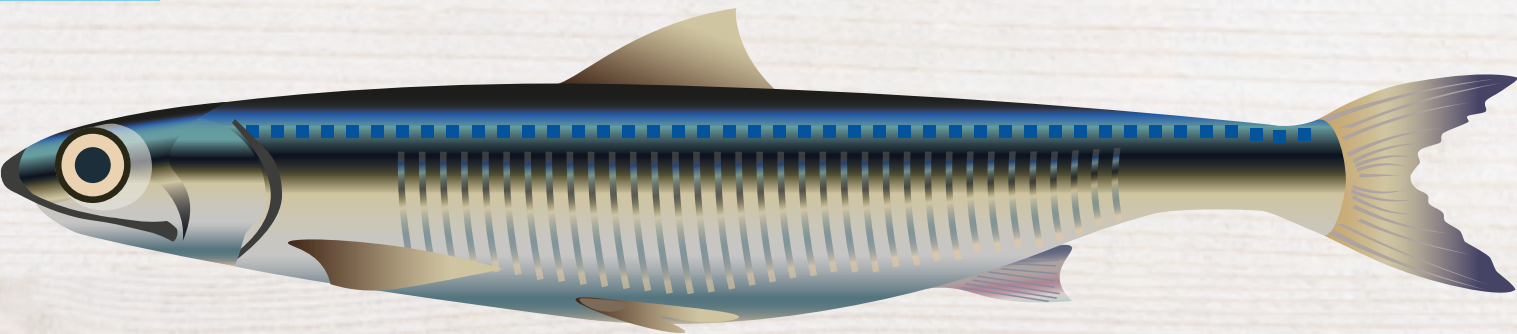
FISHERY
SECTOR

- It is not a migratory species and is distributed in two stocks: South and North- Center..
- Appears in long schools near the coast, which, in periods of high availability, facilitate large-scale catches.
- With a presence close to the coast, it is found up to 80 nautical miles. This range is variable since it has been possible to observe up to 200 miles.
- 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.

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 2016, it remained the first producer worldwide with a participation of 23%, while in average from 2012 to 2015 it represented 31%.

ANCHOVETA PERUANA

Única especie autorizada para la producción de harina de pescado. Presenta diversas ventajas sobre otras especies.



NOMBRE CIENTÍFICO:
Engraulis ringens

NO ES UNA ESPECIE MIGRATORIA

Se distribuye a manera de dos unidades poblacionales: stock norte- centro y stock sur.

Su distribución está asociada con la extensión de aguas costeras frías de la corriente de Humboldt, (rangos que oscilan entre 16° y 23°C en verano y de 14° a 18°C en invierno), salinidades entre 34.5 y 35.1 ppm y elevadas concentraciones de nutrientes (fosfatos, silicatos y nitratos).

PRESENCIA CERCANA A LA COSTA

En función a la distancia de la costa, se encuentra anchoveta hasta las 80 millas marinas. Este alcance es variable, ya que se ha podido observar hasta las 200 millas.

EXTENSOS CARDÚMENES

La anchoveta forma enormes cardúmenes que en períodos de alta disponibilidad facilita capturas de gran magnitud.

CORTO CICLO DE REPRODUCCIÓN

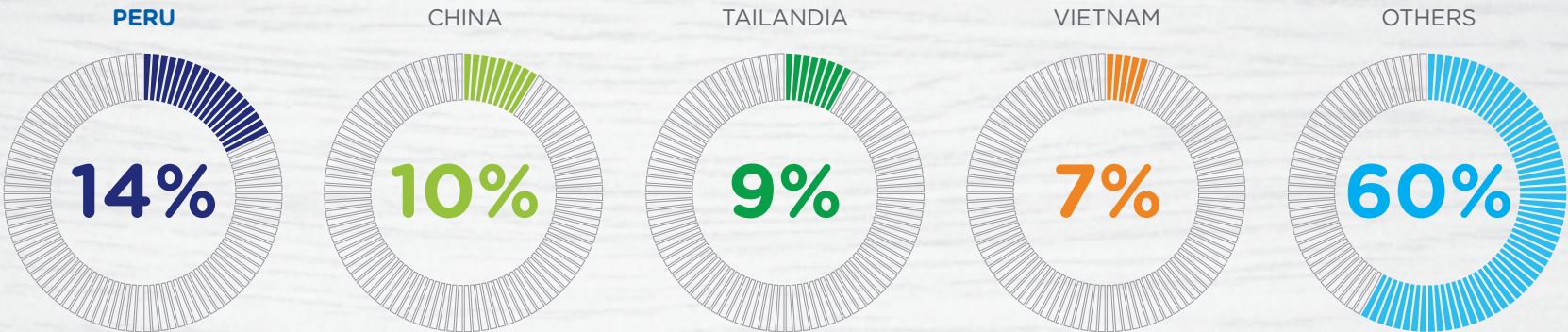
Ciclo de reproducción de 6 meses. Ciclo de vida: 3 años. Madurez: a los 12 cm de longitud (1 año de edad). En 3 años llega a un máximo de 20 cm. Talla mínima para pesca: 12 cm.

2. ENVIRONMENT

FISHERY
SECTOR

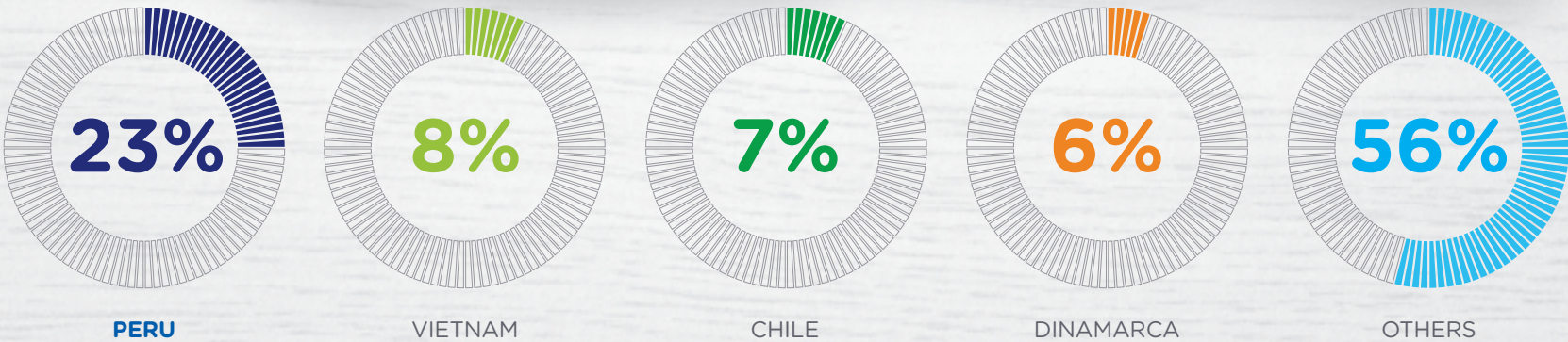
GLOBAL FISHMEAL
PRODUCTION (MT)

Fuente: The Annual
Yearbook 2016, IFFO,
información al 31 de
diciembre del 2016.



GLOBAL FISHMEAL
EXPORTS (MT)

Fuente: The Annual
Yearbook 2016, IFFO,
información al 31 de
diciembre del 2016.



2

ENVIRONMENT

REGULATORY FRAMEWORK

The Ministry of Production (PRODUCE) is the governing body of fishery sector in the country, through the Vice-Ministry of Fisheries which is the highest authority in fisheries matters and has among its functions: 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 series of monitoring instruments that allow 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, minimum catch sizes, and percentage of juvenile 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. In addition, authorizations have been granted only to replace the existing fleet.



2. ENVIRONMENT

REGULATORY FRAMEWORK

Asimismo, se establecen dos periodos de veda al año para la anchoveta, los cuales varían de acuerdo con la disponibilidad del recurso y el ciclo biológico de la anchoveta. Generalmente, las temporadas de pesca se establecen de mayo a julio y de noviembre a enero.

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 Regulation (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

applied in places of unloading, by strengthening actions to control the proper operation of weighing equipment in industrial fishing establishments, and by monitoring and control actions on 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 the 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 would 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:

- Labor retraining: relocation of workers in dependent activities and training.
- Development of micro and small enterprises: training and specialized advice.
- Early retirement: for workers older than fifty years who want this.
- Payment of special bonus: 2.25 compensations per year of work (up to 18 salaries).

IN 2009,
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CAUGHT ITS
ALLOCATED
QUOTA.

2

ENVIRONMENT

FISHERY SECTOR
IN 2017

According to the Instituto Nacional de Estadística and Informática (INEI)¹, production growth in 2017 was 2.5%, registering 19 years of consecutive growth, and driven by the favorable performance in most of the sectors, especially in telecommunications, fishing, among others.

In 2017, the fishery sector reported a growth of 4.7%, due to a greater catch of anchovy for indirect human consumption (+ 16%), going from 2,733 thousand metric tons in 2016 to 3,165 tons in 2017; while the

catch of species for direct human consumption decreased by 1.5 %%% due to lower availability of resources. Thus, the fishery sector had a positive contribution of 0.02% in national production, while in 2016 it had a negative contribution of 0.04%.

The year 2017 represents the recovery of the fishing sector, after the impact of three consecutive years affected by the El Niño phenomenon. This recovery is due to good fisheries management by the authorities of the sector, which confirms the appropriate

¹ Technical Report N° 2, National Production, Instituto Nacional de Estadística and Informática (INEI), February 2018.



2. ENVIRONMENT

FISHERY SECTOR
IN 2017

measures implemented for the preservation and sustainability of the resource, guaranteeing a healthy biomass of anchovy.

- Second Fishing Season 2016:**
In Indirect Human Consumption, after a first season of 2016 in which only 51% out of the quota allocated of 1,800 thousand MT was caught, the second season 2016 reached a catch of 98% out of the quota allocated of 2,000 thousand TM, finishing on January 27, 2017. Exalmar reached a share of 14.0% in the global processing, which meant the third position in the fishing sector in terms of fishmeal and fish oil processing.
- First Fishing Season 2017:**
The first season 2017 began on April 26 and ended on July 31, 2017, with a sector catch of 86% out of the quota allocated of 2,800 thousand MT. The company reached a global share of 14.4% in the sector, which meant the third position in fishmeal and fish oil processing.
- Second Fishing Season 2017:**
The second season 2017 began on November 23 with exploratory fishing; however, in the first

days, it was identified high dispersion of the resource and high presence of juveniles, then a temporary closed season was determined and an Eureka Operation was carried out in order to evaluate the current distribution of the resource.

This operation was carried out since December 26 during four days, and showed an improvement on the oceanographic conditions and the resource availability, with a regrouping of adult shoals and the entering of a larger group of individuals into adult sizes.

Given the better conditions, the restart of the second fishing season was authorized with exploratory fishing since January 7 and during 5 days, while the beginning of the season was on January 12, maintaining the quota of 1,490 thousand MT. The end of the season was established by when the allocated quota was reached, the summer breeding period of the anchovy was initiated or the catch of juveniles reached the limit recommended by IMARPE.

Thus, on January 26, 2018, the first anchovy fishing season corresponding to the North-Central zone ended, in which a satisfactory per-

COMPANY	2 nd SEASON 2016	2 nd SEASON 2017
TASA	23.8%	24.1%
COPEINCA / CHINA FISHERY	21.9%	21.7%
PESQUERA EXALMAR	14.0%	12.9%
HAYDUCK	11.4%	12.4%
PESQUERA DIAMANTE	10.9%	11.4%
AUSTRAL	7.9%	8.3%
OTHERS	10.1%	9.2%

Source: PRODUCE. Elaboration: own

COMPANY	1 st SEASON 2016	1 st SEASON 2017
TASA	27.2%	25.3%
COPEINCA / CHINA FISHERY	20.0%	22.1%
PESQUERA EXALMAR	11.1%	14.4%
PESQUERA DIAMANTE	12.1%	11.5%
HAYDUCK	10.6%	10.7%
AUSTRAL	8.8%	9.0%
OTHERS	10.3%	7.0%

Source: PRODUCE. Elaboration: own

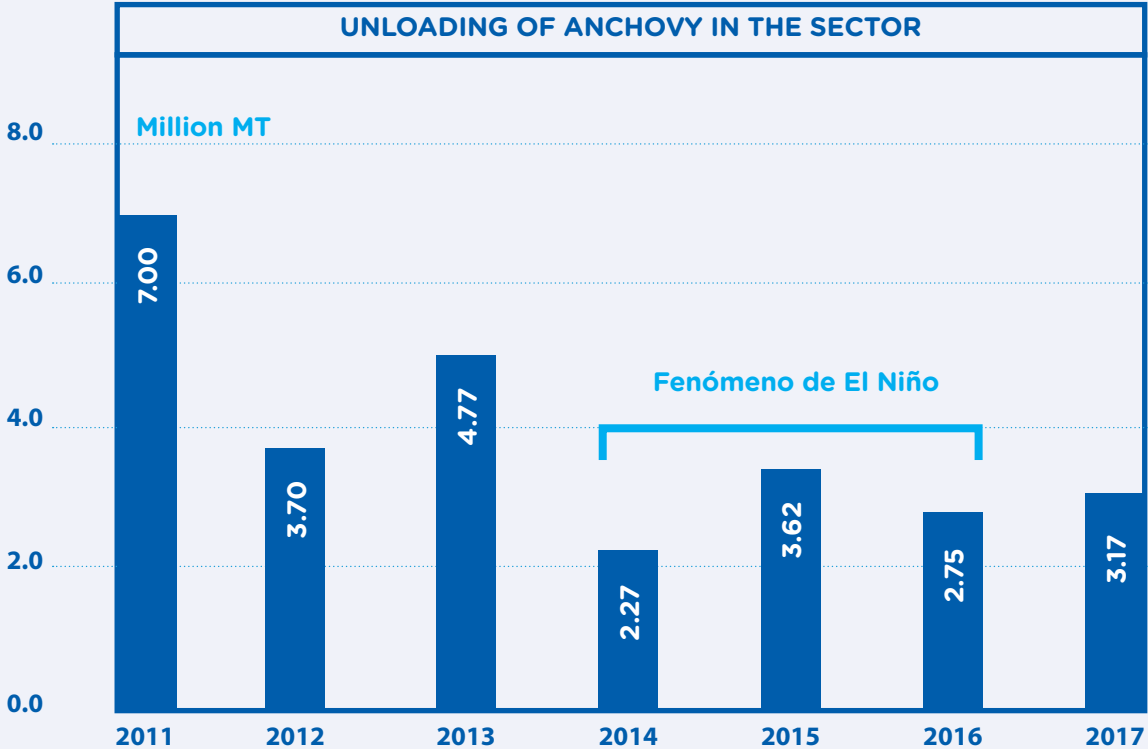
2. ENVIRONMENT

FISHERY SECTOR
IN 2017

centage of around 15% out of the catches of juveniles was finally found, a lower figure than that projected by IMARPE (21%), while the average size of the season was 13 cm.

In this season, the sector reached a catch of 47%, due to the delay for the expectation of better oceanographic conditions, while Exalmar reached a total share of 13.0% in the processing of the sector.

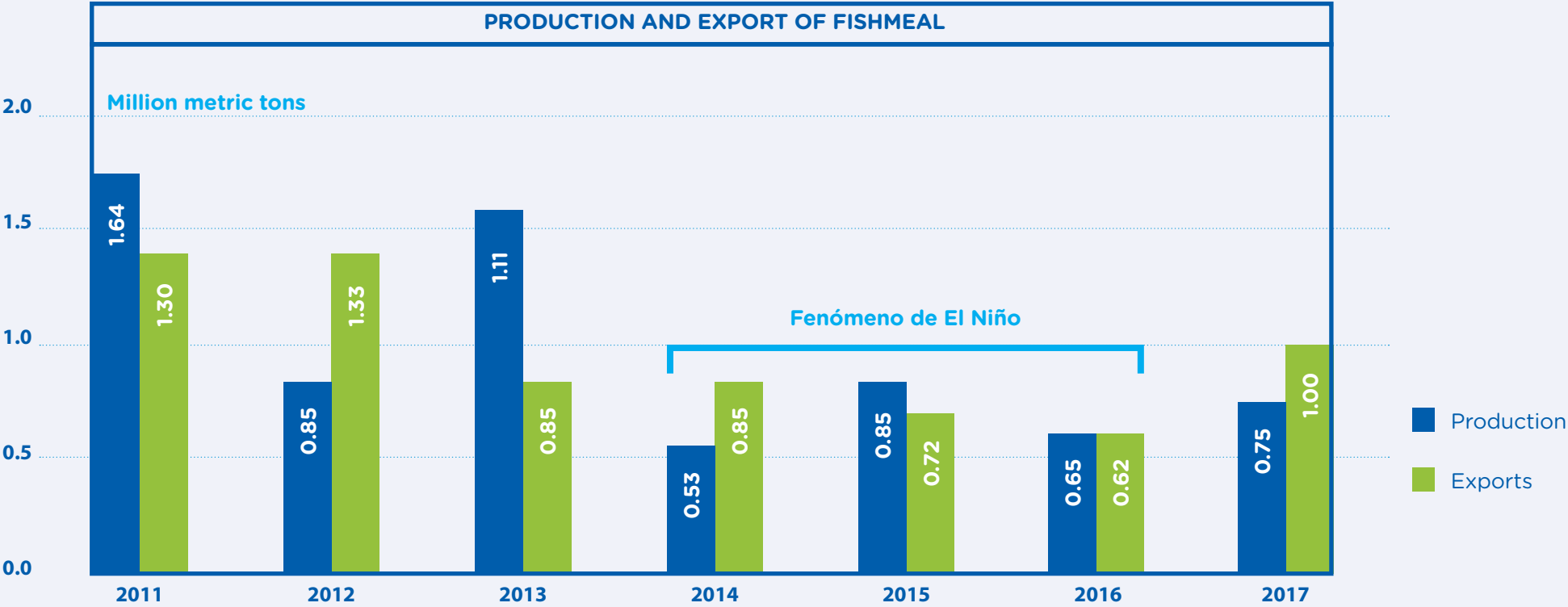
In this way, the year 2017 showed a recovery of around 15% in unloading of anchovy in the sector, as well as an increase of 15% in fishmeal production, and 60% of exports.



Source: PRODUCE. Elaboration: own.

2. ENVIRONMENT

FISHERY SECTOR
IN 2017



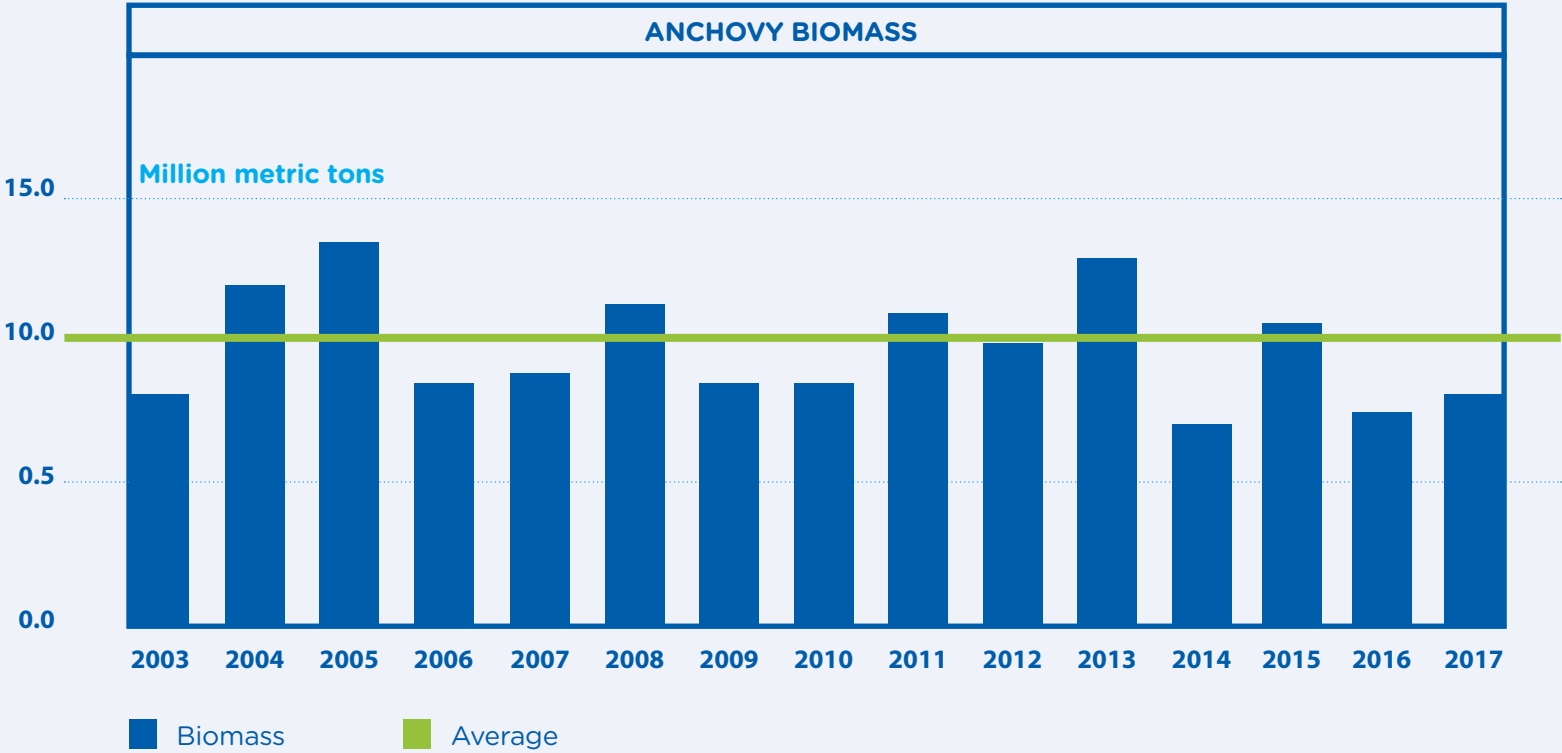
Source: PRODUCE. Elaboration: own.

2. ENVIRONMENT

FISHERY SECTOR
IN 2017

Considering that the annual financial statements of the companies in the sector generally include the sales corresponding to the production of the second quota in the previous year and the first quota in the current year, in 2017 financial statements of the companies in this sector included an effective quota of approximately 4,326 thousand MT, while in 2016 an effective quota of approximately 1,998 thousand MT was included.

Official results of the last fishing seasons confirm that responsible fishing has been carried out in the country and a healthy biomass is maintained, thanks to the successful measures adopted by the Ministry of Production and IMARPE.



QUOTAS IN FINANCIAL STATEMENTS							
THOUSAND METRIC TONES	2011	2012	2013	2014	2015	2016	2017
2nd season - previous year	790	2,448	732	2,274	-	1,084	1,954
1st season- current year	3,686	2,623	1,993	1,679	2,508	914	2,372
Total Quota	4,476	5,071	2,725	3,953	2,508	1,998	4,326

2

ENVIRONMENT

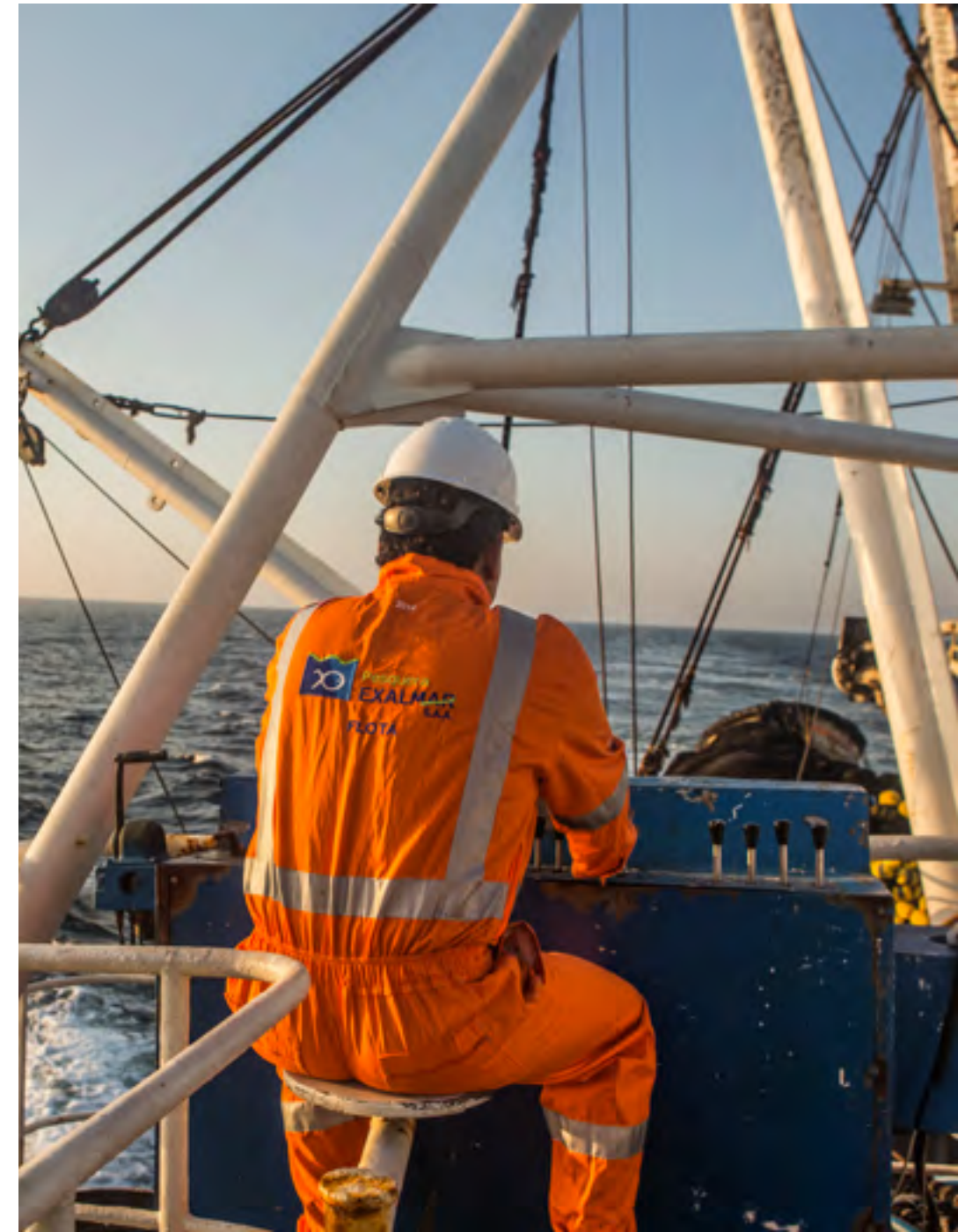
COMMITMENT TO RESOURCE SUSTAINABILITY

The last fishing seasons have shown the right measures adopted in the sector to ensure the sustainability of anchovy, a fundamental objective of the companies in the fishing sector through responsible fishing, allowing it to remain a vital source of food, employment, and economic and social welfare for the populations.

The studies show stability of anchovy biomass, which has been around 9.3 million metric tons in the last 15 years. Accordingly, the fishing of anchovy is recognized as one of the best managed in the world.

International organizations, such as OECD and ECLAC, in their report "Evaluation of Environmental Performance Peru 2016", highlight the fishing management of the anchovy in Peru and indicate that the establishment of individual quotas has made progress in the sustainability of industrial fishing sector.

Likewise, the World Bank has also shown Peru as an example of sustainable fishing management, in the case of the Peruvian anchovy. According to the World Bank, "the reform of anchovy fishing put an end to overfishing that threatened the viability of a



2. ENVIRONMENT

COMMITMENT TO RESOURCE SUSTAINABILITY

crucial resource. Today, the reform has resulted in a more sustainable, resilient and profitable industry, but Peru still faces challenges when it comes to regulate other types of fishing.”

The implementation of the Act of Maximum Limits of Catch in 2009 generated a great change in the fishing sector and achieved various benefits in order to protect the resource, because in previous years there was an excessive race or “Olympic race” among participating agents to access the maximum proportion of the authorized global quota in the shortest possible time, significantly reducing fishing days.

THE IMPLEMENTATION OF THE ACT OF MAXIMUM LIMITS OF CATCH IN 2009 GENERATED A GREAT CHANGE IN THE FISHING SECTOR

GLOBAL QUOTA OR “OLYMPIC RACE”:

- Quick Catch is intended. Competition among participants.
- Environmental pollution. Inadequate treatment of waste.
- Inefficiency and low quality.
- Shorter seasons.

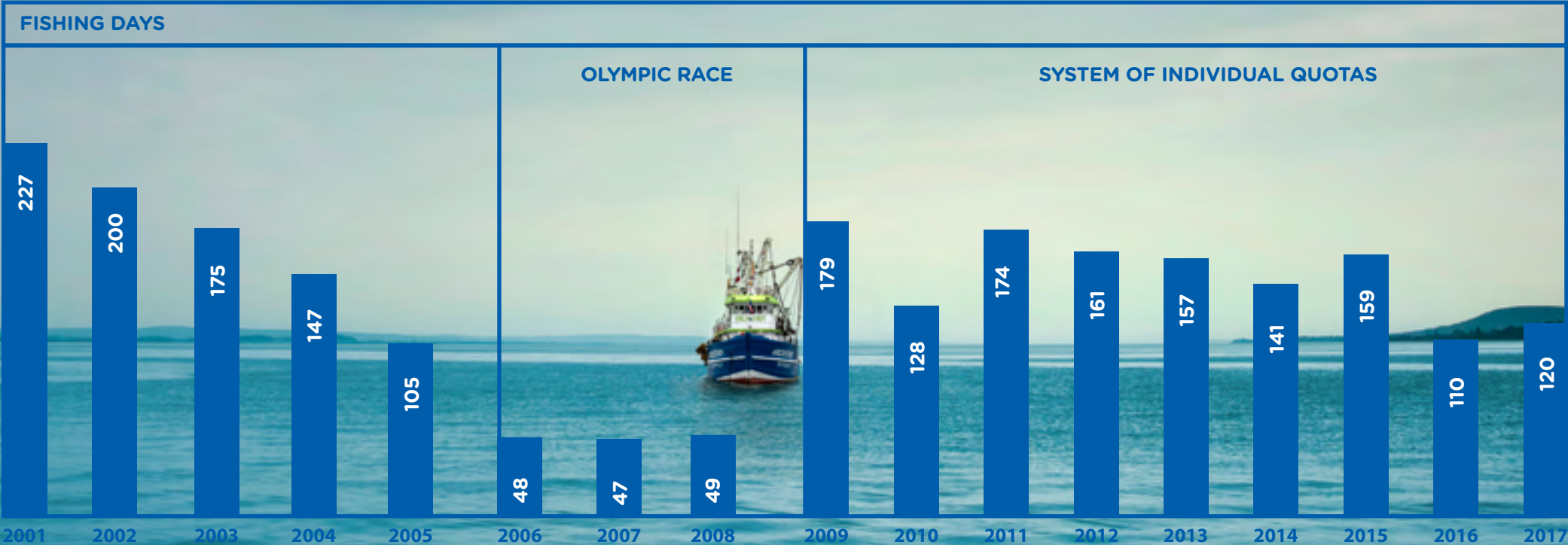


INDIVIDUAL QUOTA SYSTEM:

- Biomass Protection.
- Fleet reduction.
- Reduction of fixed costs. Unloading planning, better exchange rates and quality
- Longer seasons. Longer career for fishing personnel.

2. ENVIRONMENT

COMMITMENT TO RESOURCE SUSTAINABILITY



2. ENVIRONMENT

COMMITMENT TO RESOURCE SUSTAINABILITY

The anchovy is, perhaps, the best studied species in the world, which has given the reliable scientific basis for the adoption of measures for its conservation and management:

Satellite tracking system

It is the system which allows continuing the operations of the entire registered fishing fleet, in order to observe if the vessels are complying with exclusion areas, closed areas, and closed seasons.

Fishing monitoring and control program

Presence of a qualified inspector in all points of unloading, processing, and transportation of the fishmeal and fish oil industry, with the aim of ensuring the strict compliance with the ordering measures, by private certifying companies designated by the State. This program has shown its effectiveness in reducing illegal fishing, the cloning of vessels, fishing and incidental fishing sub-declarations, as well as the illicit processing of fishmeal.

Protection of juveniles

Since there is no technology to know the composition of the shoal previously, a juvenile protection system is implemented that considers various measures, such as:

Temporary closing of areas: allows fishing owners to immediately inform on fishing areas with high presence of juveniles, so that Produce executes the preventive suspension of the mentioned area.

Complementary monitoring system: complementary system for monitoring and controlling the incidence of juveniles, under the application of different measures and instruments:

- Prohibition of access to new vessels, in such a way that fishing effort is not increased.
- Minimum catch size of the resource in 12 cm, a size that determines the adulthood of the anchovy. It allows the breeding and constant renewal of the population.

- Characteristics of the net for catching anchovy (net diameter: ½ inch). It allows selecting the catches and protects the juveniles.
- Reserved areas of the coastline (first 5 miles in the case of the north-central area), protecting the coastal ecosystem for the breeding and concentration of eggs, larvae, and juveniles. In addition, assistance for the development of artisanal fishing.

THE ANCHOVY IS, PERHAPS, THE BEST STUDIED SPECIES IN THE WORLD, WHICH HAS GIVEN THE RELIABLE SCIENTIFIC BASIS FOR THE ADOPTION OF MEASURES FOR ITS CONSERVATION AND MANAGEMENT.

2

ENVIRONMENT

PERSPECTIVES
2018

The cold conditions along the coastline of Peru in the second part of the year 2017, as a consequence of the La Niña Phenomenon, led the anchovy to breed with higher intensity and to disperse, causing that at the beginning of the second fishing season 2017 there is high presence of juveniles and high dispersion of the resource.

The restart of the season in the month of January before the normalization of the oceanographic conditions and its subsequent end on January 26 as usual due to the beginning of the spawning period, anticipate encouraging prospects for the year 2018, since a quite important adult biomass is expected for the first season 2018.

A QUITE
IMPORTANT
ADULT BIOMASS
IS EXPECTED
FOR THE FIRST
SEASON 2018.





2. ENVIRONMENT

PERSPECTIVES 2018

According to the Multisectorial Commission ENFEN , in the Peruvian coastline it is expected that between February and March temperature conditions on the sea surface, in the Niño 1 + 2 region, are normal, due to the decline of the event La Niña Costera.

It should be pointed out that the presence of juveniles in the stock is very positive, because it shows that despite the hard environmental conditions of recent years, anchovy has continued breeding. This is promising for future fishing seasons and guarantees a healthy biomass and a good long-term management of the anchovy, guaranteeing the conservation and sustainability of the resource, for the benefit of workers and communities related to the sector, and future generations.

The year 2018 presents great challenges to the fishing industry, among which it stands out the need

to continue adding efforts with all companies in the sector for the development of the industry, promoting sustainable and responsible fishing in the country, through a fishing management that responds to the greater climatic variability, with an agile decision-making before the constant challenges the sector presents.

It will be important to promote the development of fishing for direct human consumption, strengthening an adequate regulatory framework and a research of the resource biomass, as well as to strengthen the control and monitoring, especially for the cases of giant squid and mahi-mahi. Likewise, it is necessary to continue investing in research and development, both for indirect human consumption and for direct human consumption, finding opportunities to generate new products, as well as to enhance the value of the current ones.

THE PRESENCE OF JUVENILES IN THE STOCK IS VERY POSITIVE, BECAUSE IT SHOWS THAT DESPITE THE HARD ENVIRONMENTAL CONDITIONS OF RECENT YEARS, ANCHOVY HAS CONTINUED BREEDING.

² Official Statement ENFEN N° 03-2018, Multisector Commission in charge of the National Study of El Niño Phenomenon.



3

WE WORK FOR A
SUSTAINABLE FUTURE BY ACTING WITH

TRANSPARENCY AND CORPORATE GOVERNANCE PRACTICES

EXALMAR IS COMMITTED TO THE ADOPTION OF THE
BEST PRACTICES OF GOOD CORPORATE GOVERNANCE,
PROTECTING THE RIGHTS OF INVESTORS AND OTHER
STAKEHOLDERS.

3

COMPANY
INFORMATION

DENOMINATION

Pesquera Exalmar S.A.A. is a leading company in fishery sector. With 25 years of experience, it participates in the catch, processing and commercialization of high quality and high protein value marine products. As at December 31, 2017, it has a share of 14.4% in the industry, which means this is the third company in fishmeal and fish oil processing, in a country that has been established as the leading worldwide producer and exporter of fish meal and fish oil.

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

EXALMAR
PROMOTES
HUMAN
TALENT AND IS
CONSIDERED
AS AN AGENT
OF SOCIAL
CHANGE.



3. COMPANY INFORMATION

NAME, ADDRESS, CONSTITUTION AND CORPORATE PURPOSE

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.

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.

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.

3. COMPANY INFORMATION

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

MISSION VISION

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

3. COMPANY INFORMATION



3

COMPANY
INFORMATIONCOMPLEJO
AGROINDUSTRIAL
BETA S.A.

Complejo Agroindustrial Beta is currently the first exporter and producer of fresh green asparagus in Peru and the world, as well as the first exporter of frozen asparagus and the second one of table grapes in Peru.

Victor Matta started this currently prosperous company, with a modest cultivation of basic products in lands located in his home town Chincha. In addition, he was initially dedicated in parallel to the breeding of laying hens. In 1993, Complejo Agroindustrial Beta S.A. was constituted with an agro-industrial export vision that aimed to develop permanent crops with clear competitive advantages regarding other countries around the world. Currently, the following

COMPLEJO
AGROINDUSTRIAL
BETA IS CURRENTLY
THE FIRST
EXPORTER AND
PRODUCER OF
FRESH GREEN
ASPARAGUS IN PERU
AND THE WORLD.



3. COMPANY INFORMATION

COMPLEJO AGROINDUSTRIAL BETA S.A.

products are exported, all grown in its own fields: fresh green asparagus, frozen asparagus, table grapes, blueberries, avocados, tangerines, tangelos, and pomegranates.

The location and growth of its fields have significantly changed since its beginning in Chinchá. It currently operates in the following areas: Ica (296 hectares of grapes, 1,250 hectares of asparagus, and 61 hectares of pomegranates), Paracas (160 hectares of asparagus, and 60 hectares of tangelos), Chinchá (99 hectares of tangerines, and 61 hectares of avocado), Jayanca (872 hectares of asparagus, and 40 hectares of avocado), Chulucanas (520 hectares of grapes), Olmos (410 hectares of avocados, and 281 hectares of blueberries). Additionally, with related companies there are 131 hectares of asparagus in Ica and Pacora (Lambayeque), 41 hectares of blueberries, and 245 hectares of asparagus. For this year it is planned to finish planting 70 hectares of avocados and 166 hectares of blueberries in Olmos, as well as 100 hectares of blueberries in Jayanca (Lambayeque). All this amounts to 4,900 hectares approximately, with around 800 additional hectares for future growth.

The company also has seven packing plants: one in Ica (for grapes), two in Chinchá (one for asparagus and another for multiple uses, such as avocados or citric fruits), another in Jayanca (asparagus), two in Chulucanas (for grapes), and one for avocados and blueberries in Olmos; in addition to a frozen asparagus plant in Ica. The main destinations of its production are: The United States, Europe, and Asia.

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

In 2017, the sales of Complejo Agroindustrial Beta amounted to approximately US \$ 112 million, and the EBITDA to US \$ 25.6 million.

IN 2017, THE SALES OF COMPLEJO AGROINDUSTRIAL BETA AMOUNTED TO APPROXIMATELY

US\$112
MILLION, AND THE EBITDA TO
US\$25.6
MILLION.

3

COMPANY
INFORMATION

4. SHARE CAPITAL, SHA-
REHOLDERS AND SHARE
EVOLUTION

As at December 31, 2017, 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 right and a nominal value of S / . 1.00 each one. All the shares provide their holders the same rights and obligations.

The shareholding composition as at December 31, 2017, regarding shareholders with more than 5% was as follows:



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%	

3. COMPANY INFORMATION

SHARE CAPITAL,
SHAREHOLDERS AND
SHARE EVOLUTION

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

The company's shares are quoted on the Lima Stock Exchange. As at December 31, 2017, the market value of the 295,536,144 shares was S/. 1.19 per share, while as at December 31, 2016 it was S/. 1.20. The information regarding the monthly quotation of share during 2017 is as follows:

SHAREHOLDING	N° OF SHAREHOLDERS	PARTICIPATION
Menor a 0.5%	121	5.46%
Entre 0.5% - 1%	4	3.19%
Entre 1% - 5%	8	12.78%
Entre 5% - 10%	2	17.65%
Mayor a 10%	1	60.92%
Total	136	100.00%

COTIZACIONES 2017 (S/.)					
MONTH	OPENING	CLOSING	MAXIMUM	MINIMUM	AVERAGE
January	-	-	-	-	-
February	-	-	-	-	-
March	-	-	-	-	-
April	1.18	1.18	1.18	1.18	1.18
May	-	-	-	-	-
June	1.10	1.10	1.10	1.10	1.10
July	1.04	1.04	1.04	1.02	1.04
August	1.05	1.05	1.05	1.05	1.05
September	1.05	1.00	1.05	1.00	1.03
October	1.00	1.05	1.05	1.00	1.02
November	1.05	1.06	1.15	1.05	1.10
December	0.98	1.05	1.05	0.97	0.98

3. COMPANY INFORMATION

HISTORY OF PESQUERA EXALMAR

YEARS

1976

1992

1993/97

SIGNIFICANT EVENTS

VÍCTOR MATTÁ CUROTTO WENT INTO FISHERY SECTOR

Mr. Víctor Mattá Curotto went into the fishery sector as a ship-owner with the purchase of the vessel Cuzco 4.

PRIVATIZATION PROCESS OF FISHERY SECTOR AND CONSTRUCTION OF THE FIRST PLANT

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.

Establishment of Pesquera Exalmar SAA (07.07.1992) and start of operations.

ACQUISITION OF PLANTS AND VESSELS

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

HOLD CAPACITY AND IHC QUOTAS

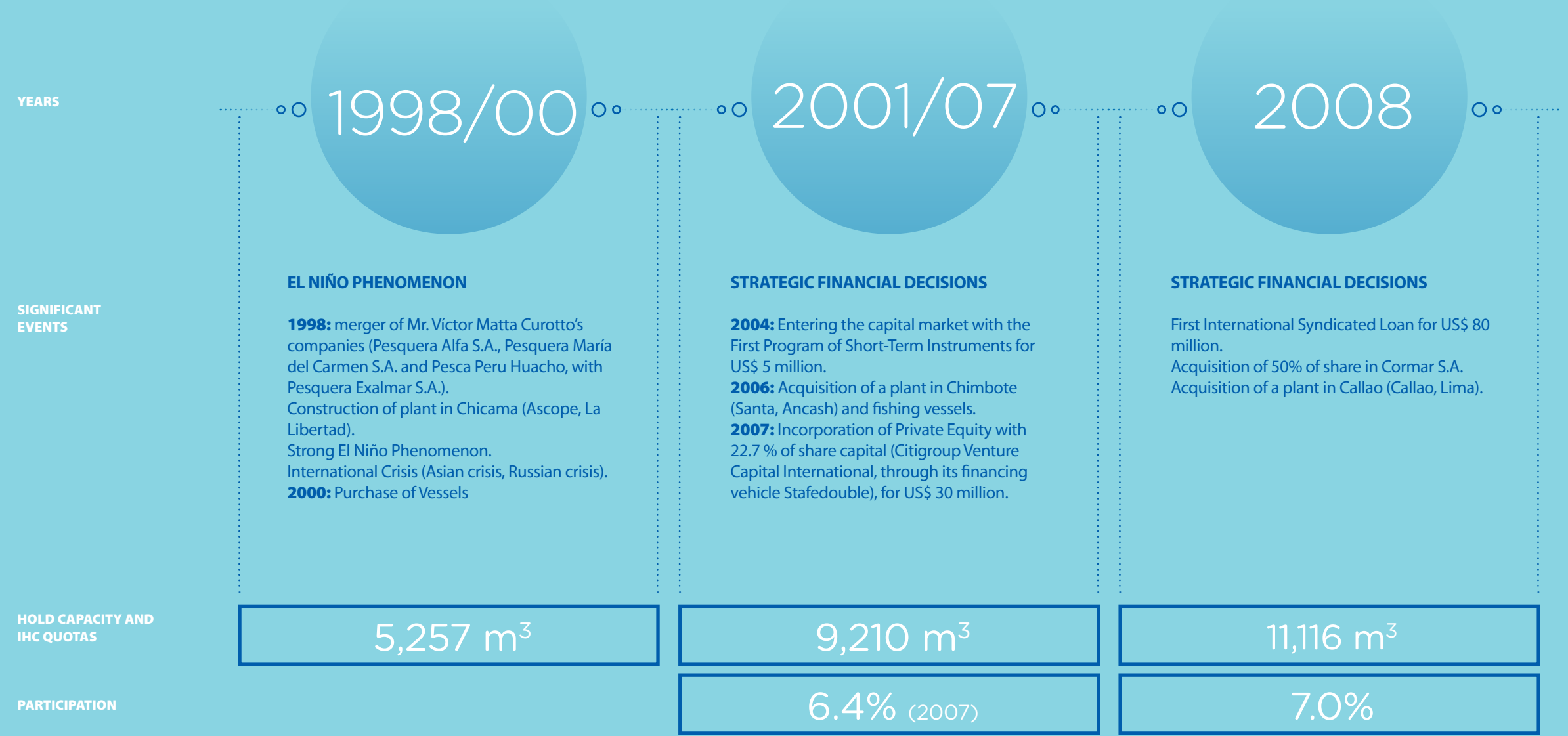
368 m³

368 m³

4,390 m³

3. COMPANY INFORMATION

HISTORY OF PESQUERA EXALMAR



3. COMPANY INFORMATION

HISTORY OF PESQUERA EXALMAR

YEARS

2009

2010

2011

SIGNIFICANT
EVENTS

INDIVIDUAL QUOTA SYSTEM

Allocation of a Maximum Rate of Catch per Vessel (PMCE – in Spanish) based on fleet capacity and volumes caught in the previous four years.
Process of adaptation to the new system, resizing the fleet for more efficiency, and reducing the number of vessels to 14.
Beginning of fishing activity for Direct Human Consumption with 3 vessels with Cooling System.

IPO

Initial Public Offering of Shares (IPO) for 57.5 million of shares, adding an additional capital of US\$ 100 million.
Acquisition of additional quotas, reaching 6.45% in the North – Central area and 4.34% in the South.
Investments in Direct Human Consumption, implementing Cooling System in 3 vessels.

STRATEGIC FINANCIAL DECISIONS

Second International Syndicated Loan of US\$ 140 million
Prepayment of the First International Syndicated Loan.
Conversion of the plant in Huacho to Steam Dried, being all the plants of Exalmar under such system.
Construction of the plant in Paita.

HOLD CAPACITY AND
IHC QUOTAS

North-Central: 5.72%. Sur: 2.79%
DHC: 1,266 m³

North-Central: 6.45%. Sur: 4.34%
DHC: 2,570 m³

North-Central: 6.45%. Sur: 4.34%
DHC: 2,570 m³

PARTICIPATION

9.9%

10.2%

9.8%

3. COMPANY INFORMATION

HISTORY OF PESQUERA EXALMAR

YEARS

2012

2013

2014/16

SIGNIFICANT EVENTS

DIRECT HUMAN CONSUMPTION

Investments in Direct Human Consumption
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.

INTERNATIONAL BOND ISSUANCE

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.
Construction of a plant for frozen products in Tambo de Mora (Chincha, Ica), with an investment of US\$25 million.

EL NIÑO PHENOMENON

Proven capacity to manage a season without a quota for the sector.
Impact on lower levels of quota and effective catch.
Start of operations in plant of frozen products in Tambo de Mora.
Less availability of species for DHC.

HOLD CAPACITY AND IHC QUOTAS

North-Central: 6.45%. Sur: 4.34%
DHC: 2,570 m³

North-Central: 6.45%. Sur: 4.34%
DHC: 2,570 m³

North-Central: 6.45%. Sur: 4.46%
DHC: 2,570 m³

PARTICIPATION

11.9%

10.3%

13.2% (2016)

3. COMPANY INFORMATION

HISTORY OF PESQUERA EXALMAR

YEARS

2017

SIGNIFICANT
EVENTS

START OF THE RECOVERY

Start of the recovery of the fishing sector, due to the good fishing management of the authorities of the sector, guaranteeing a healthy biomass of anchovy.

HOLD CAPACITY AND
IHC QUOTAS

North-Central: 6.63%. Sur: 4.46%
DHC: 2,570 m³

PARTICIPATION

14.4%

EL 2018 PRESENTA GRANDES RETOS EN LA INDUSTRIA PESQUERA, ENTRE LOS CUALES RESALTA LA NECESIDAD DE SEGUIR SUMANDO ESFUERZOS CON TODAS LAS EMPRESAS DEL SECTOR PARA EL DESARROLLO DE LA INDUSTRIA, PROMOVRIENDO UNA PESCA SOSTENIBLE Y RESPONSABLE.

3

COMPANY INFORMATION

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 strictly treat all our effluents, emissions and

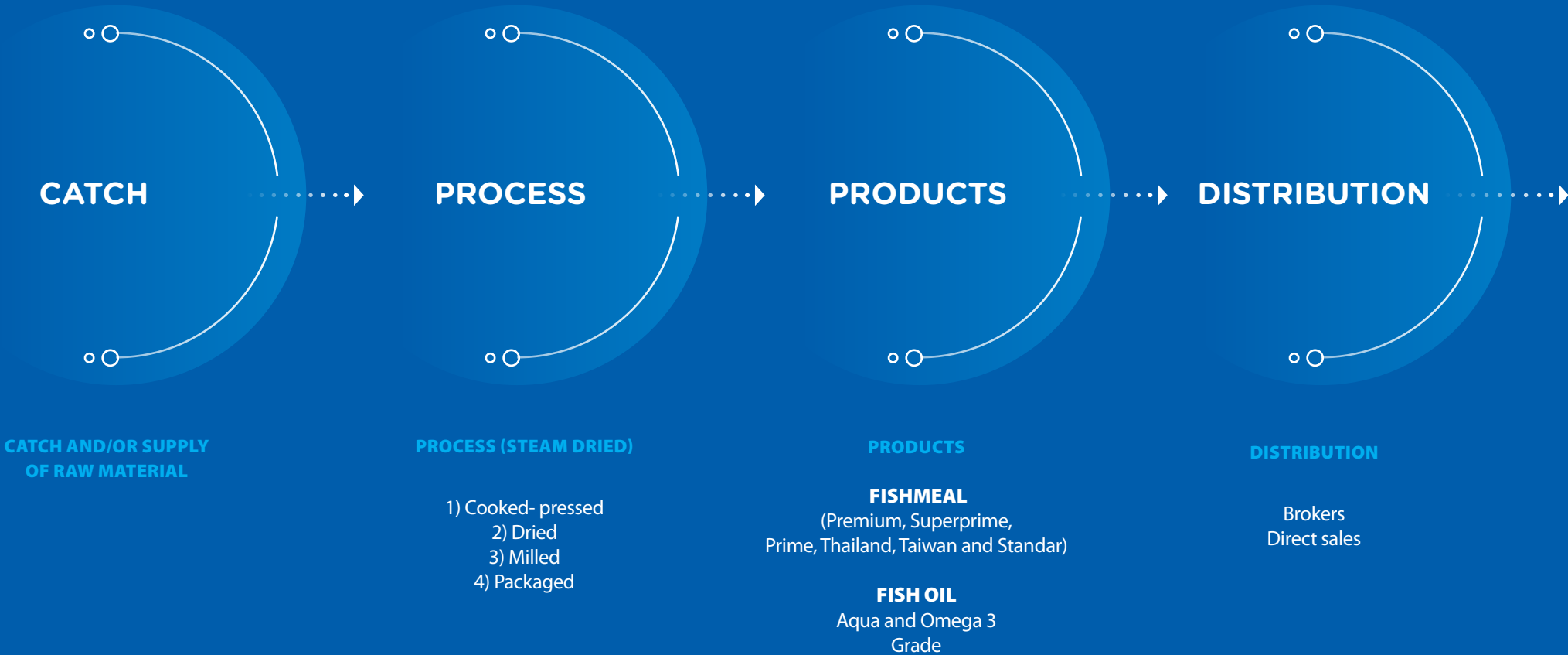
residues, by fulfilling with the current environmental regulations. Indeed, one of our recent achievements has been to recertify in all our plants, the validity of the international environmental management standard ISO 14001. We are currently in the process of certification of the new version ISO 14001, version 2015.

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



3. COMPANY INFORMATION

INDIRECT HUMAN CONSUMPTION



3. COMPANY INFORMATION

DESCRIPTION OF OPERATIONS

Products

a. Fishmeal

It contains between 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 breeding of fish. Its nutrients help to fight against diseases by stimulating and helping to keep a healthy functional immune system.

It has numerous advantages in its use due to its high-quality protein and energy source, as well as health benefits due to its EPA and DHA content (of the Omega 3 series), and the increased animal welfare and productivity, with improvement of immunity, 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, with cardiovascular and immunological benefits, as well as brain functions, among others.

DIRECT HUMAN CONSUMPTION:

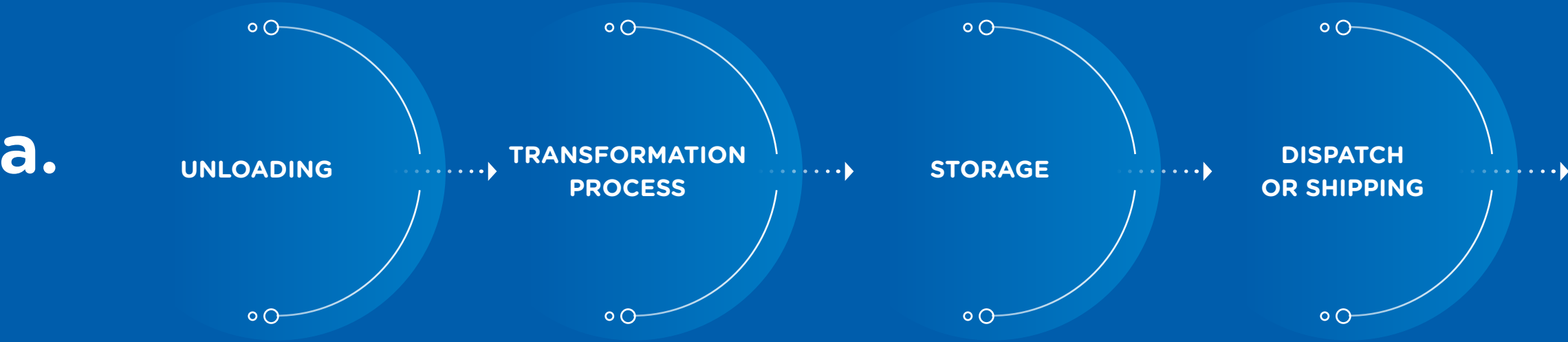
Productive process:

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 uses state-of-the-art equipment, specific for processing pelagic species, such as jack mackerel and mackerel.



3. COMPANY INFORMATION

DESCRIPTION OF OPERATIONS



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

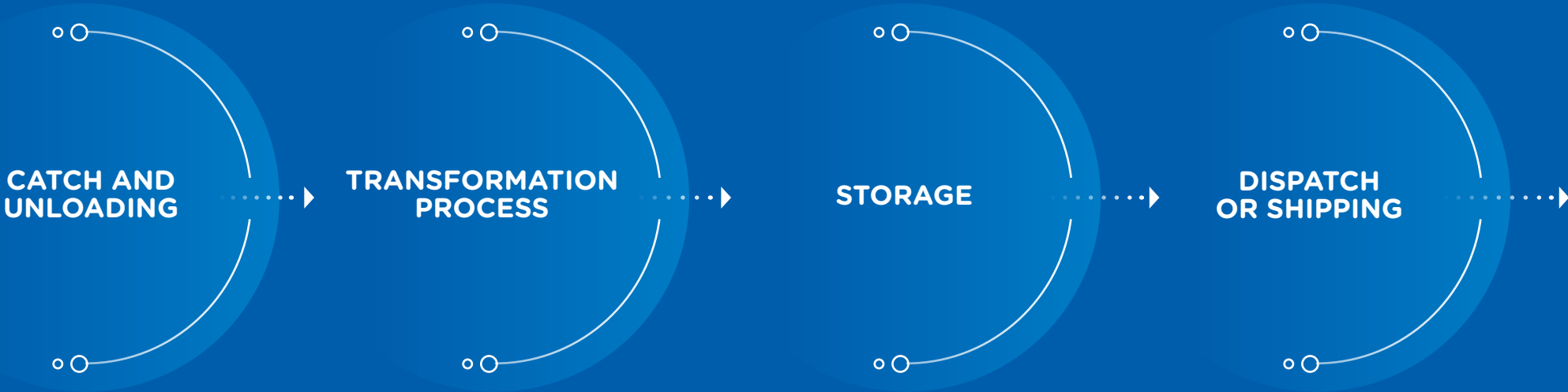
the presentation the customer requires. During all the process, time and temperature are controlled, then the product is frozen in forced air tunnels or contract plate freezers in order to conserve its characteristics and preserve the frozen product for a period of time. Afterwards, the

product is packed and labeled with relevant information for performing traceability, and, then, goes into the cold storage chamber to keep the cold chain and quality of the products till its dispatch (local sale) or shipment (export).

3. COMPANY INFORMATION

DESCRIPTION OF OPERATIONS

b.



b. Automated production system (DHC)
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) to continue the cold chain. Afterwards, it continues to the buffer tank, and is taken to the production line or fish-storage shed, which has a refrigeration system.

On production lines, the fish is classified through an automatic system. Then, it is sent to manual selection belts, where trained personnel separate pelagic species or pieces which are not adequate for freezing because of physical or mechanical damage. Afterwards, the product is conveyed to distribution lines, where the previous classified product is taken to scales having smart applications to weigh and package it.

This operation is automated by a robot system, and 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 the 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

3. COMPANY INFORMATION

DESCRIPTION OF OPERATIONS

keep the cold chain and quality of the products till its dispatch (local sale) or shipment (export).

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



3. COMPANY INFORMATION

DESCRIPTION OF OPERATIONS

MAIN ASSETS

Fleet

As at December 31, 2017, the fleet operates 22 vessels, with an operative hold capacity of about 7,253 m3. The company has its own allocated quota of 6.63% for the North-Central area and 4.52% for the South area, for the development of Indirect Human Consumption activities.

Out of the total operating fleet, six vessels have RSW (refrigerated sea water) preservation system, with a total hold capacity of 2,590 m3 and also current permits for the catch of jack mackerel and mackerel for Direct Human Consumption. There are also state-of-the-art cooling systems, as well as electronic and navigation equipment that meet the highest standards, which allows us to preserve the raw material to be discharged in the plants.

It is important to mention that by the end of 2017 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 fish-meal and fish oil, located in Tambo de Mora, Huacho, Callao, Chimbote, Chicama, and Paita, with a total processing capacity of 394 MT per hour. The six plants, strategically located along the Peruvian coastline, allow us optimizing the production and reception of raw material, both from the own fleet and from third parties.

Likewise, there are two plants for producing frozen products (Direct Human Consumption), strategically located in Tambo de Mora (575 MT / day) and Paita (108 TM / day). As at December 31, 2017, the plant in Paita was temporarily closed due to the low availability of species for Direct Human Consumption, causing a significant decrease in the use of the installed capacity in the plant. In the case of the plant in Tambo de Mora, its operations are temporarily suspended for the processing of giant squid and other species, as well as any activity related to these processes, keeping the plant operating for processing jack mackerel and mackerel.



3. COMPANY INFORMATION

DESCRIPTION OF OPERATIONS

PLANTA DE CONGELADOS
PLANTA DE HARINA DE PESCADO

108
10

TM/DÍA
TM/HORA

PAITA
Puerto de Paita

PLANTA DE HARINA DE PESCADO

60

TM/HORA

CHICAMA
Puerto de Chicama / Puerto de Salaverry

PLANTA DE HARINA DE PESCADO

90

TM/HORA

CHIMBOTE
Puerto de Chimbote / Puerto de Supe

PLANTA DE HARINA DE PESCADO

84

TM/HORA

HUACHO
Puerto de Huacho

PLANTA DE HARINA DE PESCADO

50

TM/HORA

CALLAO
Puerto de Callao

PLANTA DE CONGELADOS
PLANTA DE HARINA DE PESCADO

575
100

TM/DÍA
TM/HORA

TAMBO DE MORA
Puerto de Pisco

ZONA CENTRO-NORTE

ZONA SUR





4

WE WORK FOR A
SUSTAINABLE FUTURE BY ACTING WITH

COMMITMENT AND RESPECT TO THE NEEDS OF OUR FAMILY EXALMAR AND ALL OUR STAKEHOLDERS

IN EXALMAR, WE ARE ALWAYS COMMITTED TO THE NEEDS OF OUR COLLABORATORS AND ALL OUR STAKEHOLDERS. AWARE OF THE IMPORTANCE OF THE HUMAN FACTOR, WE DIRECT OUR EFFORTS TOWARD THE WELL-BEING AND GROWTH OF THE COMPANY AND EACH OF THEM.

4

BOARD OF DIRECTORS AND MANAGEMENT

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.

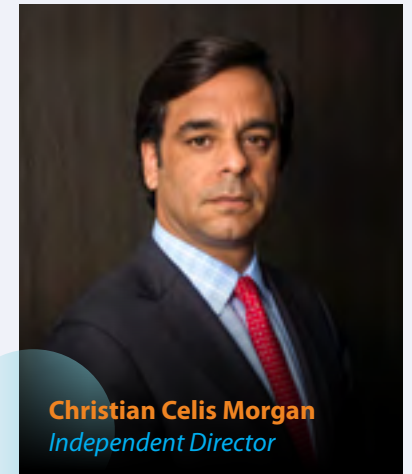
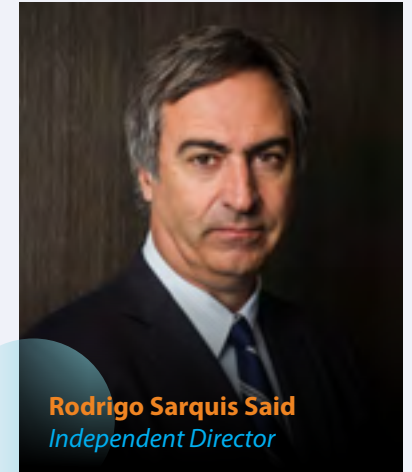
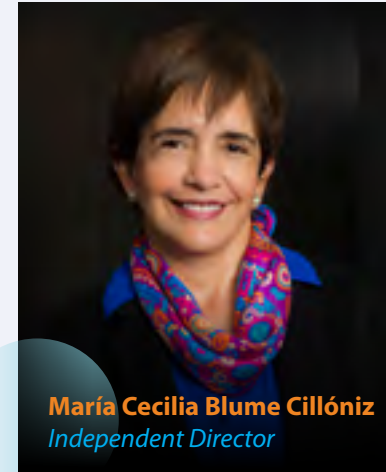
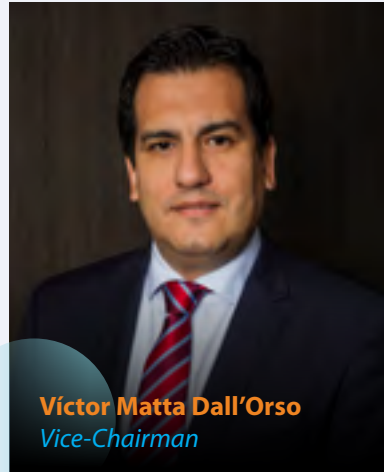
Likewise, Pesquera Exalmar has five independent directors. They are: Rodrigo Sarquis Said, María Cecilia Blume Cillóniz, Andrés Muñoz Ramírez, Cristian Celis Morgan, and Martín Ramos Rizo Patrón.

As at December 31st, 2017, The Board of Directors of the Company is comprised by the following people:



4. DIRECTORS AND MANAGEMENT

DIRECTORS



4. DIRECTORS AND MANAGEMENT

DIRECTORS

HAY ALGO QUE APRENDÍ DESDE MUY JOVEN, QUE ADOPTÉ COMO FILOSOFÍA DE VIDA Y QUE PODRÍA RESUMIR EN ESTA FRASE:

Si vamos a hacer las cosas, vamos a hacerlas bien.

ES DECIR, SIN INFORMALIDAD, TRABAJANDO DE MANERA SERIA Y RESPONSABLE. ESTA FILOSOFÍA LA COMPARTEN TODOS LOS QUE CONFORMAN EXALMAR, POR ESO ES QUE SOMOS UNA EMPRESA CON PROFESIONALES SERIOS, EN QUIENES SE PUEDE CONFIAR. Y NO PORQUE LO DIGAMOS NOSOTROS, SINO PORQUE ASÍ LO DEMOSTRAMOS CON LOS HECHOS. AHÍ RADICA, CREO YO, LA RAZÓN DEL ÉXITO DE EXALMAR, SU CRECIMIENTO Y SU VIGENCIA.

Víctor Matta Curotto
Presidente del Directorio

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.

María 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

4. DIRECTORS AND MANAGEMENT

DIRECTORES

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 Perú. 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.

Martín 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 Rothyn 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.

4

BOARD OF DIRECTORS
AND MANAGEMENT

BOARD
COMMITTEES

As at December 31st, 2017, 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

4

BOARD OF DIRECTORS
AND MANAGEMENTMANAGEMENT
TEAM

As at December 31st, 2017, the Management Team of the company is composed by the following people:

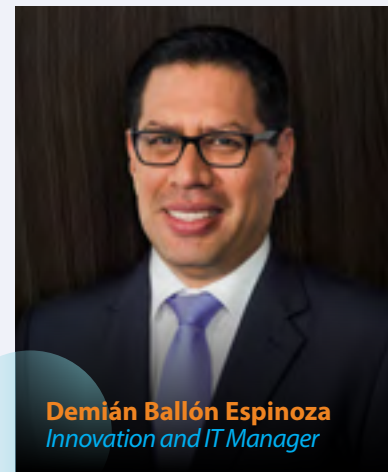
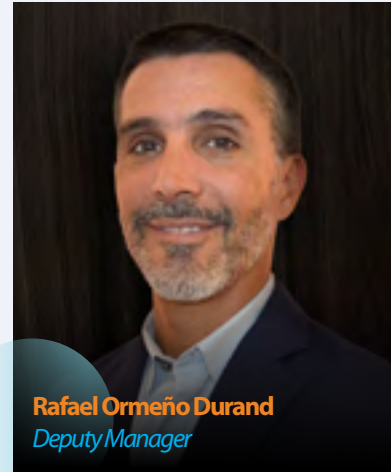


Rossana Ortiz Rodríguez
General Manager

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.

4. DIRECTORS AND MANAGEMENT

MANAGEMENT TEAM



4. DIRECTORS AND MANAGEMENT

MANAGEMENT TEAM

Víctor Matta Dall'Orso

Business Manager graduated from the University of Lima. He worked as Corporate Banking Assistant at Banco de Crédito del Perú 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.

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.

Rafael Ormeño Durand

Graduated in Industrial Engineering from the Pontificia Universidad Católica del Perú, he holds an MBA from the School of Management of the University of Piura. Since 2016 he has been the Project Manager of San Miguel Industrias PET, a leading company in the manufacture of PET bottles. He previously served as Operations Manager (2014-2016) and Logistics Manager (2011-2013) of Peruplast S.A., a leading company in the flexible packaging business. Previously he was Operations Manager and member of the Board of Textil San Cristobal (2010-2011) and he held various roles at Procter & Gamble (1995-2010) in Peru and abroad. He is in the current position since July 2017.



5

WE WORK FOR A
SUSTAINABLE FUTURE BY ACTING WITH

PERSEVERANCE AND AGILITY TO ADAPT OURSELVES TO THE CHALLENGES PROPER OF THE FISHING SECTOR

IN EXALMAR, WE RECOVERED FROM THE IMPACT CAUSED BY EL NIÑO PHENOMENON FOR THREE CONSECUTIVE YEARS, THANKS TO THE AGILITY AND QUICKNESS THAT CHARACTERIZES US, ADAPTING OURSELVES TO THE CHALLENGES PROPER OF THE FISHING SECTOR.

5

MANAGEMENT REPORT

INDIRECT HUMAN CONSUMPTION (IHC)

- After a first season of 2016 in which only 51% of the allocated quota was captured in 1,800 thousand MT, the second season of 2016 reached a catch of 98% of the quota allocated in 2,000 thousand MT, culminating on January 27, 2017. Exalmar achieved a 14.0% global processing share, which achieved the third place in the fishing sector in terms of fishmeal and fish oil processing.
- The first season of 2017 began on April 26 and ended on July 31, 2017, with a sector catch of 86% of the allocated quota in 2,800 thousand MT. Exalmar reached a global participation of 14.4% in the sector, which represents the highest historical level for the company, remaining as the third producer of fishmeal and fish oil in Peru.
- On January 26, 2018, the second anchovy fishing season of 2017 corresponding to the Central-North zone was terminated, which had an assigned quota of 1,490 thousand MT. The sector reached a catch of 47%, due to the delay that occurred when waiting for better oceanographic conditions. In this season, Exalmar reached a total participation in the processing of 13% in the sector.



5. MANAGEMENT REPORT

INDIRECT HUMAN CONSUMPTION (IHC)

CATCH AND PROCESSING:

- Considering that, in general, annual financial statements usually include sales corresponding to the production of the second quota of the previous year and the first quota of the current year. The year 2017 would include a quota of 4,326 thousand MT; while in 2016, an effective quota of 1,998 thousand MT was included.
- By the end of the fourth quarter 2017, catch and processing volumes shown correspond to January (balance of the second season of 2016), to the period between April and June, 2017 (first season of 2017), and between November to December (season with a minimum catch due to the temporary suspension of the fishing activities).

THOUSAND MT	2016		
	2ND SEASON 2015	1ST 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	

THOUSAND MT	2017		
	2ND SEASON 2016	1ST SEASON 2017	TOTAL
C-N Quota	2,000	2,800	4,800
Captura efectiva del sector	1,954	2,372	4,326
Sector Quota Advance	97.7%	84.7%	
Exalmar processing	270	345	615
Quota allocated to Exalmar	6.73%	6.71%	
Participation of Exalmar	13.8%	14.4%	
Season	15/11- 27/01	26/04- 31/07	

5. MANAGEMENT REPORT

INDIRECT HUMAN
CONSUMPTION (IHC)

THOUSAND MT	2016	2017	VARIATION
Own Catch	163.4	215.2	32%
	48%	51%	
Purchase to Third Parties	175.3	209.0	19%
	52%	49%	
Total processed	338.6	424.2	25%
Fishmeal produced	78.0	98.7	27%
Fish oil produced	11.9	11.7	-2%
Fishmeal Factor	4.34	4.30	-1%
Fish oil Factor	3.51%	2.75%	-22%

5. MANAGEMENT REPORT

INDIRECT HUMAN CONSUMPTION (IHC)

INVENTARIOS:

- In 2017, there was an initial fishmeal inventory of 45.5 thousand MT, 42% more than the initial inventory of the previous year, due to the allocation of a higher fishing quota in the second season 2016 (2,000 thousand MT), in comparison to the second season of 2015 (1,110 thousand MT).
- By the end of the fourth quarter 2017, the initial inventory of the year plus the production and reprocessing from January to July meant a volume of 145.3 thousand MT available for sale (110.5 thousand MT in the previous year), from which 144.7 thousand MT were sold, remaining a final inventory of 0.6 thousand MT.
- At the beginning of 2018, the low level of inventories was due to the suspension of fishing activities during November and December 2017, because of the high presence of juveniles and ocean conditions, affected by The Niña Phenomenon.
- It is worth to mention that 99.6% of the fishmeal volume produced and available for sale in 2017 was sold.
- Sales of fish oil as at the end of the fourth quarter 2017 were of 18.3 thousand MT, with a final inventory of 0.0 thousand MT (6.6 thousand MT in the previous year).

FISHMEAL (THOUSAND MT)	2016	2017	VARIATION
First inventory	32.1	45.5	42%
Production	78.0	98.7	
Sales	65.0	144.7	123%
Reprocessing	0.4	1.1	
Final inventory	45.5	0.6	-99%

FISH OIL (THOUSAND MT)	2016	2017	VARIATION
First inventory	2.1	6.6	211%
Production	11.9	11.7	
Sales	7.3	18.3	151%
Reprocessing	0.1	0.0	
Final inventory	6.6	0.0	0%

5

MANAGEMENT
REPORT

DIRECT HUMAN
CONSUMPTION (DHC)

- On January 13, 2017, the catch limit for jack mackerel resource was set at 100,000 MT applicable to extractive activities for Direct Human Consumption for the period corresponding to 2017. Afterwards, on January 19, 2017, the catch limit for mackerel was set at 110,000 MT, totaling 210,000 MT of jack mackerel and mackerel.
- As at the end of the fourth quarter 2017, mackerel catch in the sector decreased by 31% regarding the previous year, while the catch of Exalmar decreased by 16%, reaching a participation of 11.3%.



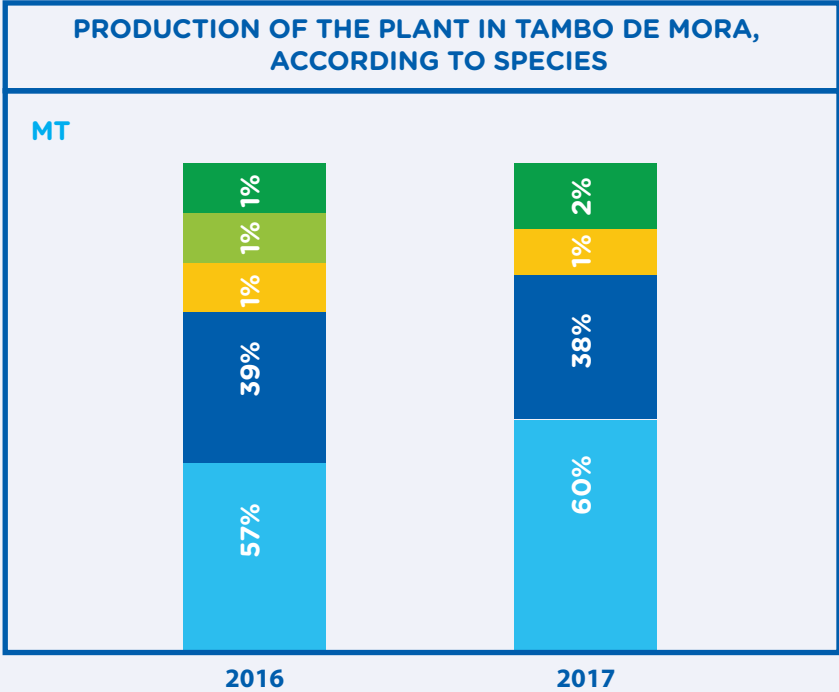
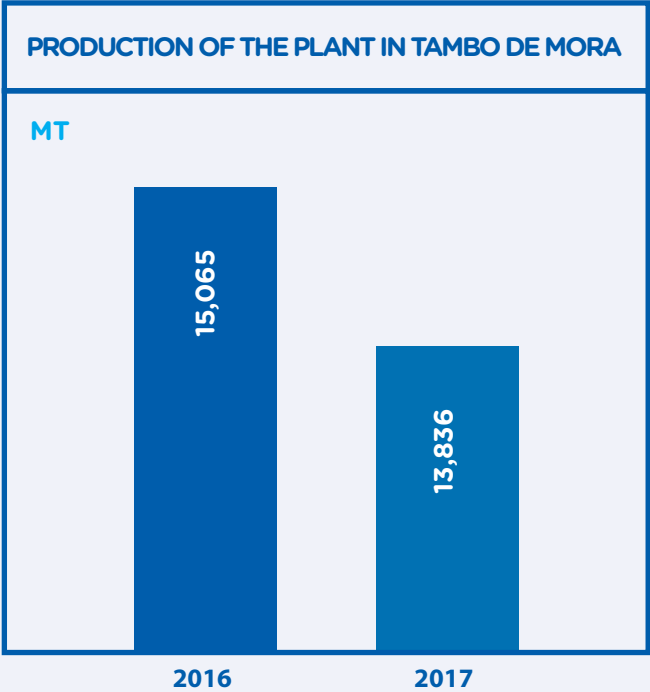
JACK MACKEREL AND MACKEREL				
MT	2014	2015	2016 (*)	2017 (*)
Quota	152,000	140,000	239,000	210,000
Effective Catch of the Sector	89,700	1,080	110,814	76,790
Sector Quota Advance	59.0%	0.8%	46.4%	36.6%
Exalmar Catch	7,792	133	10,310	8,646
Participation of Exalmar	8.7%	12.3%	9.3%	11.3%

Elaboration: own.
(*)The effective catch of 2016 and 2017 corresponds basically to the mackerel species.

5. MANAGEMENT REPORT

DIRECT HUMAN CONSUMPTION (DHC)

- The production of the plant in Tambo de Mora reached 13,836 MT as at the end of the fourth quarter 2017, decreasing by 8% regarding the previous year, due to the few availability of mackerel, during the last months of the year (in 2016 mackerel was available since the fourth quarter).
- By the end of the fourth quarter 2017, there was a final DHC inventory of 154 MT of various species, in comparison to 5,745 MT as at December 31, 2016.
- Direct Human Consumption was affected in the year 2017 due to the following:
 - Absence of jack mackerel and scarce presence of mackerel.
 - Low availability of giant squid and other species.

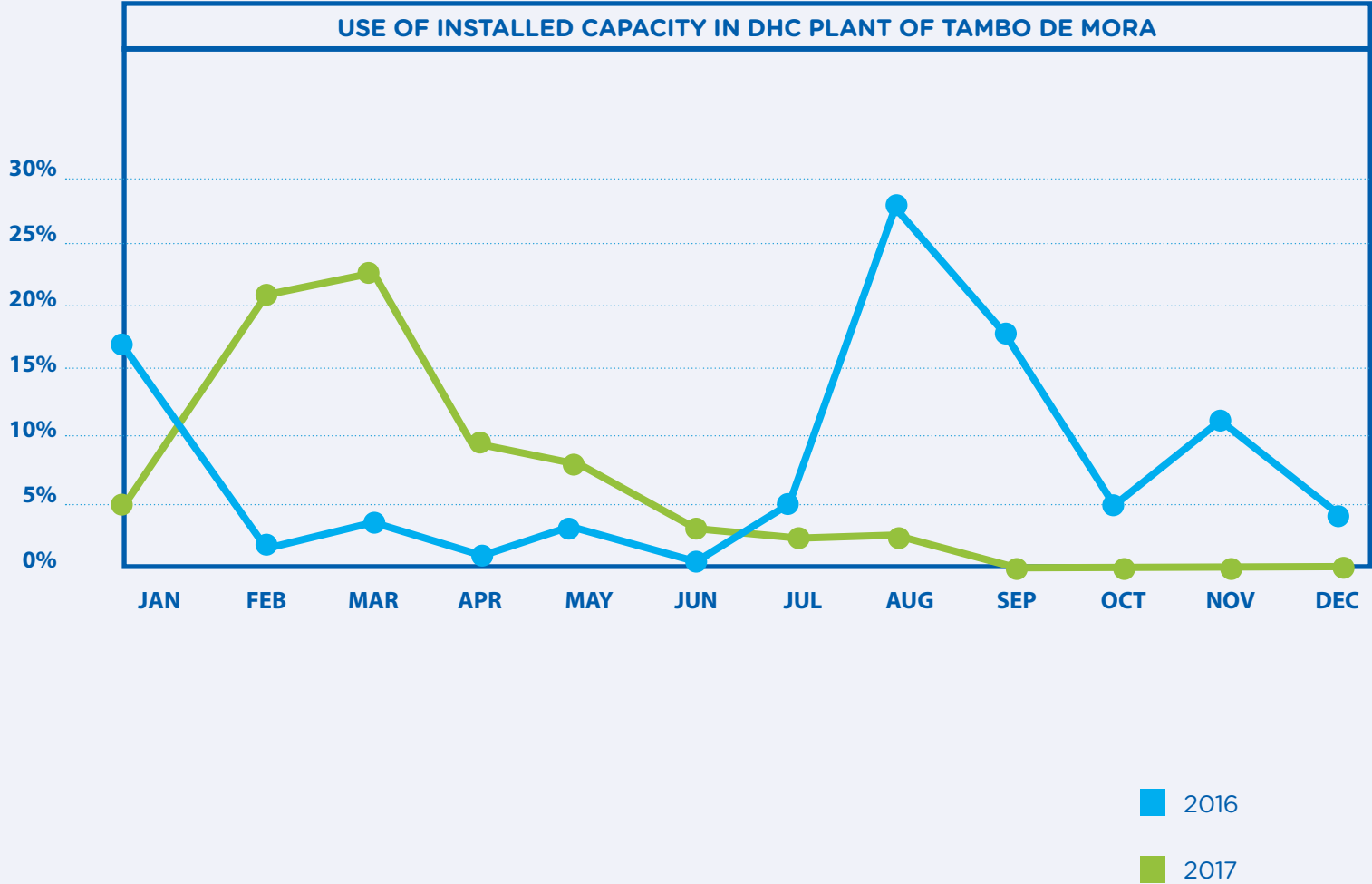


Mackerel Giant squid Mahi mahi Bonito Others

5. MANAGEMENT REPORT

DIRECT HUMAN CONSUMPTION (DHC)

- Due to the low availability of raw material oriented to Direct Human Consumption, the decision made by the Board of Directors to temporally suspend the operations in the DHC Plant of Tambo de Mora for the processing of giant squid and other species was announced on September 20, as well as any activity related to these procedures, keeping the plant working on the processing of jack mackerel and mackerel.
- By means of Resolution N° 643-2017-PRODUCE published on December 31, 2017, the catch limit for jack mackerel resource was set at 75,000 MT and for mackerel at 110,000 MT applicable to extractive activities for Direct Human Consumption for the period corresponding to 2018, totaling 185,000 MT of jack mackerel and mackerel.



5

MANAGEMENT
REPORT

FINANCIAL
INFORMATION

- Financial statements as at December 31, 2017 show an increase in sales (+87%) regarding the same period during the last year, due to a higher initial inventory, as a result of a greater effective catch in the second season of 2016 (1,954 thousand MT against 1,084 thousand MT in the second season 2015), as well as greater effective catch in the first season of 2017 (2,372 thousand MT as at July 31, 2017, in comparison to 914 in the first season of 2016).



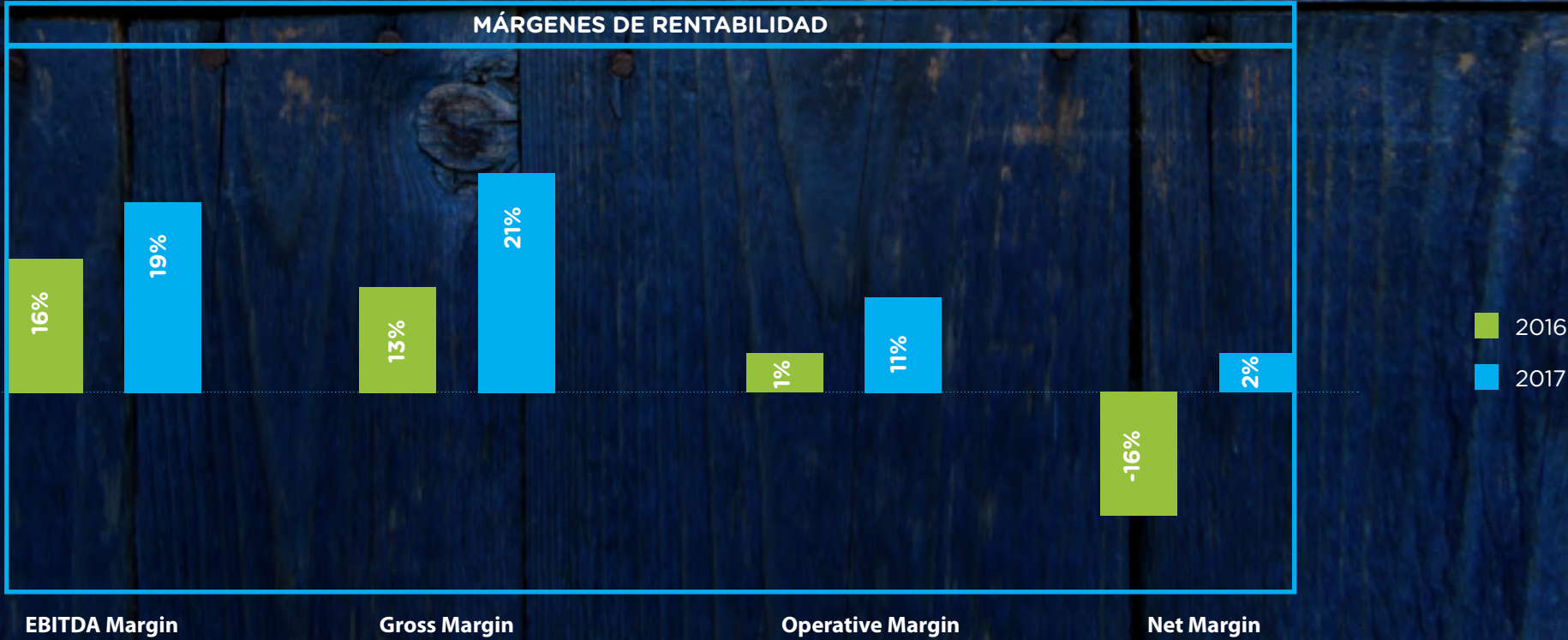
US\$ MILLION	2016	2017	VARIATION
Sales	136.1	254.6	87%
Gross Profit	17.7	53.7	203%
Operating Profit (*)	1.5	28.3	1,769%
Profit before Tax	-21.2	4.7	
Net Profit	-22.3	4.8	
EBITDA (**)	21.3	47.8	124%

(*) 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.

5. MANAGEMENT REPORT

FINANCIAL INFORMATION

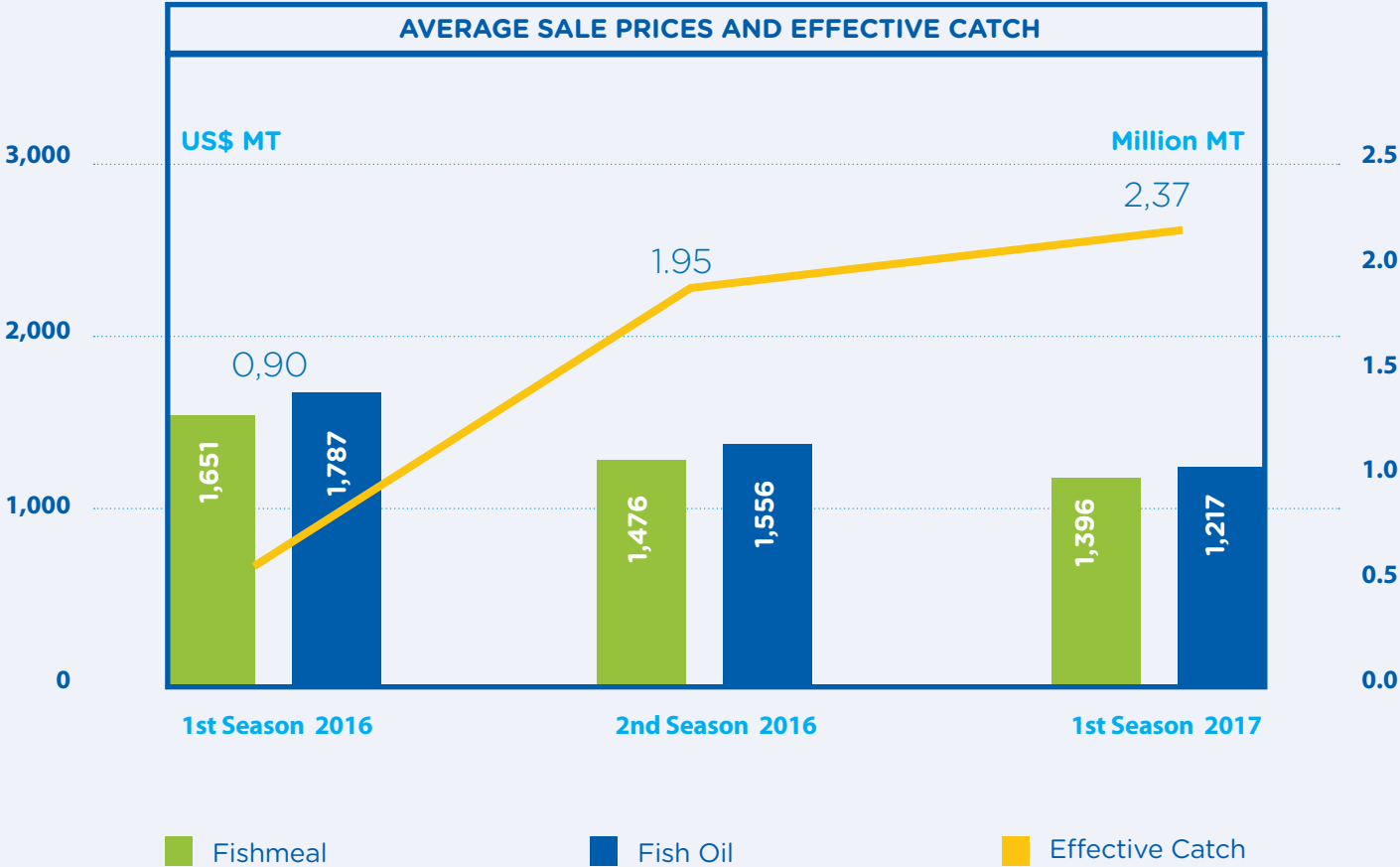


5. MANAGEMENT REPORT

FINANCIAL INFORMATION

SALES

- By the end of the fourth quarter 2017, total sales increased by 87% in comparison to the previous year. IHC sales increased by 98%, which was explained by greater initial inventories, as a result of higher effective catch in the second season 2016 and the first season 2017.
- Given the quota allocated in the first season 2017 (2,800 thousand MT), the effective catch was of 84.7%, the average sale prices of fishmeal were reduced by 5% in comparison to the second season 2016 (effective quota of 1,954 thousand MT) and by 15% in comparison to the first season 2016 (effective quota of 914 thousand MT).
- As at the end of the fourth quarter 2017, 99.6% of the fishmeal volume available for sale was sold.



5. MANAGEMENT REPORT

FINANCIAL INFORMATION

NET SALES - INDIRECT HUMAN CONSUMPTION			
	2016	2017	VARIATION
Fishmeal			
MT	64,996	144,670	123%
US\$/MT	1,578	1,427	-10%
Total Fishmeal Sales (Thousand US\$)	102,579	206,412	101%
% Total Sales	75%	81%	
Fish Oil			
MT	7,279	18,293	151%
US\$/MT	1,970	1,330	-32%
Total Fish Oil Sales (Thousand US\$)	14,341	24,329	70%
% Total Sales	11%	10%	
Anchovy			
MT	1,778	2,554	44%
US\$/MT	267	256	-4%
Total Anchovy (Thousand US\$)	475	655	38%
% Total Sales	0%	0%	
Quota rent (Thousand US\$) (*)	0	656	
% Total Sales	0%	0%	
TOTAL INDIRECT HUMAN CONSUMPTION			
	117,395	232,051	98%
% Total Sales	86%	91%	

(*) Quota rent corresponds to the south region.
(**) It includes jack mackerel, mackerel, sea scallops, mahi-mahi, squid, and giant squid in various forms, among others.
(***) It includes residual fishmeal and different services.

5. MANAGEMENT REPORT

FINANCIAL INFORMATION

NET SALES - DIRECT HUMAN CONSUMPTION			
	2016	2017	VARIACIÓN
Fresh Fish			
Total Fresh (Thousand US\$)	212	160	-25%
% Total Sales	0%	0%	
Frozen Products			
MT	11,944	18,101	52%
US\$/ MT	1,485	1,237	-17%
Total Sales of Frozen Products (Thousand US\$) (**)	17,738	22,390	26%
% Total Sales	13%	9%	
Others (Thousand US\$) (***)	785	37	-95%
% Total Sales	1%	0%	
TOTAL DIRECT HUMAN CONSUMPTION	18,735	22,587	21%
% Total Sales	14%	9%	
TOTAL	136,130	254,638	87%

(*) Quota rent corresponds to the south region.
(**) It includes jack mackerel, mackerel, sea scallops, mahi-mahi, squid, and giant squid in various forms, among others.
(***) It includes residual fishmeal and different services.

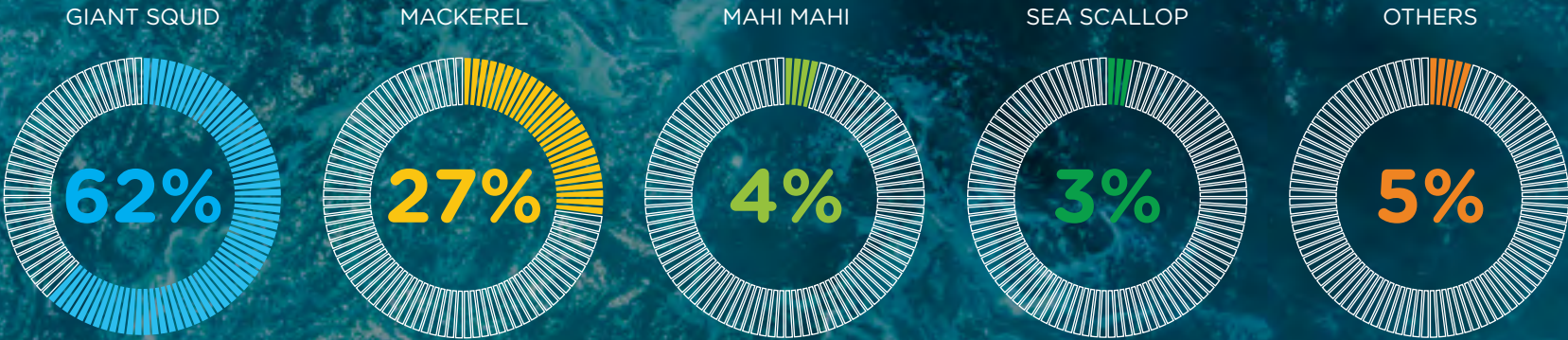
5. MANAGEMENT REPORT

FINANCIAL INFORMATION

- DHC business sales increased by 21% regarding the same period in the previous year, due to the higher presence of mackerel in the first months of the year. DHC sales were 9% out of total sales, lower than the previous year (14%), due to the scarce availability of mackerel in the last quarter of the year.

DHC: SALE OF FROZEN PRODUCTS 2017 (*)

(*) Information in US\$ and as at the fourth quarter 2017.

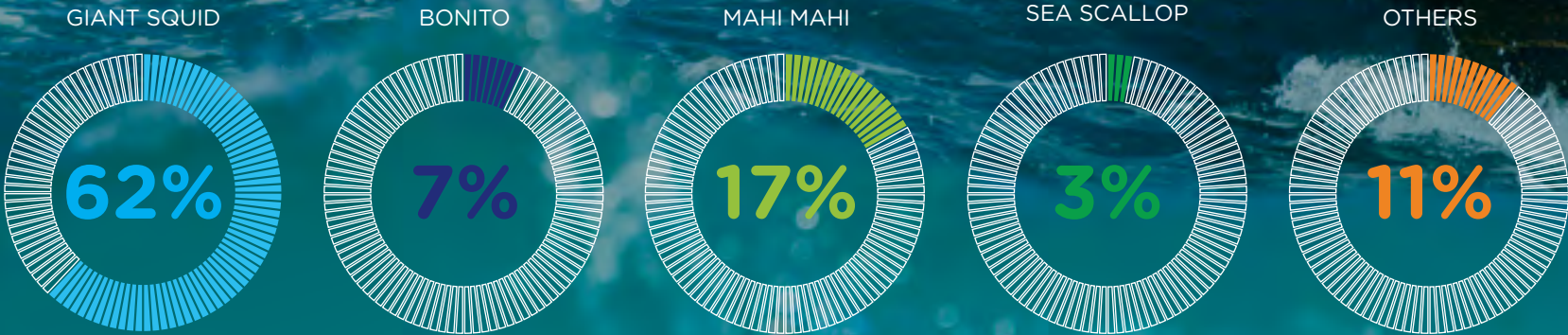


5. MANAGEMENT REPORT

FINANCIAL INFORMATION

DHC: SALE
OF FROZEN
PRODUCTS
2016 (*)

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

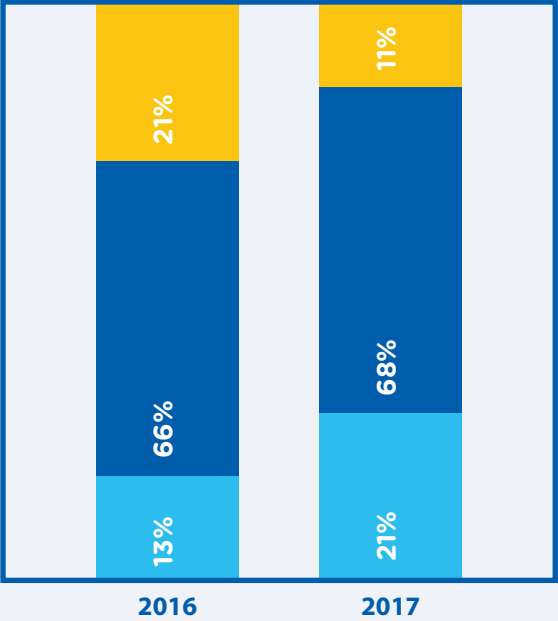


5. MANAGEMENT REPORT

FINANCIAL INFORMATION

GROSS PROFIT

- As at the end of the fourth quarter 2017, the gross profit increased by 206% in comparison to the same period of the previous year, as a result of greater volumes caught in the second season 2016 and the first season 2017.



US\$ MILLION	2016	2017	VARIATION
Sales	136.1	254.6	87%
Cost of Sales	90.2	173.9	93%
Costs of non-production (*)	28.2	27.1	-4%
Gross profit	17.7	53.7	203%
% on Sales			
Gross margin	13%	21%	62%
Cost of Sales	66%	68%	3%
Costs of non-production (*)	21%	11%	-49%

5. MANAGEMENT REPORT

FINANCIAL INFORMATION

COST OF SALES

- As at the end of the fourth quarter 2017, the cost of IHC sales represented 67% of IHC sales, similar to the 64% reported for the same period in 2016. There were 245 days of closed season, against to 256 days in the same period of the previous year. Unit costs of IHC sales were reduced to US\$ 961 per MT , against to US\$ 1,041 per MT in the previous year, due to greater production volumes.
- As at December 31, 2017, the cost of anchovy catch per MT was reduced by 10%, mainly due to dilution of fixed costs for greater catch volumes (+32% against to the same season in 2016).
- The costs of own extraction as at December 31, 2017, are very similar to the previous year, due to the minimum catch in the last two months of the year.

⁴ Considering MT of fishmeal and fish oil sold.

	COSTS OF OWN CATCH		
	2016	2017	VARIATION
Own catch (MT)	163,374	215,177	32%
Cost of own catch (Thousand US\$)	22,230	26,449	19%
US\$/MT	136.1	122.9	-10%
Depreciation	3,583	3,890	
Dep/ MT	21.9	18.1	-18%
US\$/MT (without depreciation)	114.1	104.8	-8%
Detail:			
Personnel /MT	7,857	9,907	
Maintenance	48.1	46.0	-4%
Maintenance/MT	3,109	3,897	
Fuel	19.0	18.1	-5%
Fuel/MT	4,940	4,656	
Others	30.2	21.6	-28%
Others /MT	2,741	4,100	
Otros /TM	16.8	19.1	14%

5. MANAGEMENT REPORT

FINANCIAL INFORMATION

- At the end of the fourth quarter 2017, the purchase to third parties explained 49% of the total processed volume, less than the 52% registered in the same period of the previous year. The cost per MT of purchase to third parties was reduced by 10%, due to the lower prices of fishmeal in this season.

	COSTS OF PURCHASE TO THIRD PARTIES		
	2016	2017	VARIATION
Purchase to third parties (MT)	175,267	209,042	19%
Cost of purchase to third parties (Thousand US\$)	46,686	50,218	8%
US\$/MT	266.4	240.2	-10%



5. MANAGEMENT REPORT

FINANCIAL INFORMATION

- The processing cost per MT by the end of the fourth quarter 2017 (excluding raw material) decreased by 4% regarding the previous year, as a result of: (i) lower variable costs, such as fuel and maintenance; (ii) best dilution of fixed costs for high-volume processing (+23% compared to the same period in 2016).

(*) By the end of the fourth quarter 2017, costs of processing corresponding to the second fishing season 2017 include part of the deferred assets considered as at September 30th, 2017 (previously considered as expenses of closed season).

	COSTOS DE PROCESAMIENTO		
	2016	2017	VARIACIÓN
Fishmeal and Fish Oil Processing MT	89,859	110,342	23%
Processing costs (Thousand US\$)	20,456	24,167	18%
US\$/MT	227.6	219.0	-4%
Depreciation	4,148	4,169	1%
Dep/ MT	46.2	37.8	-18%
US\$/MT (without depreciation)	181.5	181.2	0%
Others:			
Personnel	3,042	4,226	
Personnel /MT	33.9	38.3	13%
Maintenance	1,181	1,050	
Maintenance/MT	13.1	9.5	-28%
Fuel	5,746	6,030	
Fuel/MT	63.9	54.6	-15%
Inspections and analysis	1,015	1,164	
Inspections and analysis /MT	11.3	10.5	-7%
Others	5,324	7,528	
Others/MT	59.2	68.2	15%

5. MANAGEMENT REPORT

FINANCIAL INFORMATION

- In Direct Human Consumption, the availability of mackerel stood out in the first months of the year (around 8,646 MT of catch). However, the expected volumes have not been reached yet and the absence of jack mackerel and the limited availability of giant squid persist.

DHC (US\$ MILLION)	2017		
Sales	22.6		22.6
Variable Cost of Sales	-16.2		-16.2
Contribution Margin	6.4		6.4
Sale Expenses	-3.7		-3.7
	Cost	Deprec.	Total
Non-production Costs	-3.7	-3.5	-7.2
Fixed Cost of Sales	-0.7	-0.0	-0.7
Administrative Expenses	-1.8	-0.5	-2.3
Fixed costs	-6.2	-4.0	-10.2
EBITDA	-3.4		
Operating Profit			-7.4

5. MANAGEMENT REPORT

FINANCIAL INFORMATION

NON-PRODUCTION COSTS

- In order to standardize the accounting criteria to the current tax regulations, since the presentation of the audited annual financial information of 2015, expenses incurred during closed seasons are considered as necessary expenses for the production of the following season, therefore, they are now activated as a part of the cost of production at the inventory value in the production period.
- “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 1% in comparison to the previous year, due to: (i) higher fixed costs in plants as a consequence of lower fishing concentration, especially during the fourth season 2017, in addition to more production days (128 days) against to the same period in the previous year (110 days); and (ii) lower non-production costs of DHC due to greater capacity of use of the plants in this business unit.
- Due to the temporary suspension of the second fishing season, 60% of accumulated deferred costs, since the end of the first season of the year until the beginning of the second season 2017, were charged directly to the non-production cost in the month of December 2017 (approximately US \$ 12.6 Million).

DUE TO THE TEMPORARY
SUSPENSION OF THE SECOND
FISHING SEASON,

60%

OF ACCUMULATED DEFERRED
COSTS, SINCE THE END OF THE
FIRST SEASON OF THE YEAR
UNTIL THE BEGINNING OF THE
SECOND SEASON 2017, WERE
CHARGED DIRECTLY TO THE
NON-PRODUCTION COST.

US\$ MILLION	2016	2017	VARIATION
Fleet non-production cost (*)	8.0	6.8	-15%
Plant non-production cost (*)	12.2	13.0	7%
Costs of DHC Non-production	8.0	7.2	-10%
Non-production costs	28.2	27.0	-4%

5. MANAGEMENT REPORT

FINANCIAL INFORMATION

OPERATING EXPENSES

- By the end of the fourth quarter 2017, administrative expenses increased by 19% with respect to the previous year, mainly due to higher personnel expenses for extraordinary payments of settlement (+US \$ 0.4 Million) and third-party services (+US \$ 0.4 Million). Additionally, expenses for workers' sharing amount to US \$ 0.7 Million.
- By the end of the fourth quarter, sale expenses represented 6% of sales, similar to the previous year, maintaining expenses according to sale levels.



US\$ MILLION	2016	2017	VARIATION
Sale expenses	8.5	16.2	90%
% on Sales	6%	6%	2%
Administrative expenses	7.7	9.2	19%

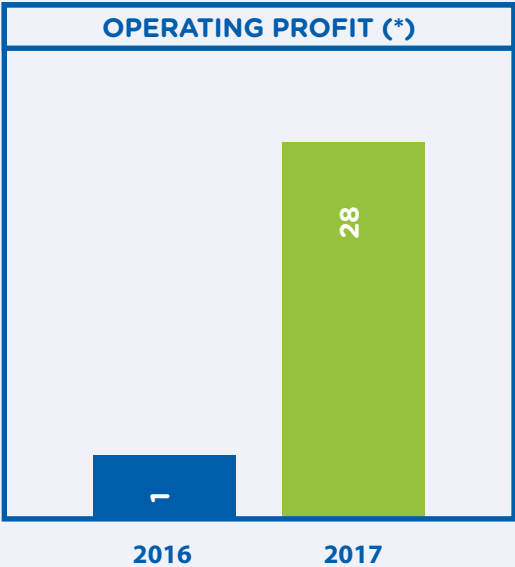
5. MANAGEMENT REPORT

FINANCIAL INFORMATION



OPERATING PROFIT (*):

- By the end of the fourth quarter 2017, the operating profit increased by 27.6 Million regarding the same period of the previous year, as a result of higher volumes processed, with an operating margin of 11% (1% as at December 31st, 2016).



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

5. MANAGEMENT REPORT

FINANCIAL INFORMATION

FINANCIAL EXPENSES

- Net financial expenses had an increase of 17%, changing from US\$ 15.0 million in 2016 to US\$ 17.6 million by the end of the fourth quarter 2017, representing 7% on sales (11% in the same period 2016). This increase was mainly due to the fall of financial incomes by 99% in 2017, for the profit of bond purchase in US \$ 7.0 million, generated in the fourth quarter 2016.

NET PROFIT

- By the end of the fourth quarter 2017, net profit was US \$ 6.0 million, higher than the same period of the previous year (US \$ -22.3 million), as a consequence of the increase in the effective catch and processing.

INDEBTEDNESS

- The total net debt, by the end of the fourth quarter of 2017, amounted to US \$ 200.7 Million, decreasing by 24% with respect to the previous year. The long-term debt (current and non-current part) was US \$ 200.5 Million, from which US

US\$ MILLION	2016	2017	VARIATION
Financial incomes	7.1	0.1	-99%
Financial expenses	22.1	17.7	-20%
Net Financial Expenses	-15.0	-17.6	17%
% On Sales	11%	7%	-37%

DEBT POSITION			
US\$ MILLION	2016	2017	%
Short-term Debt	67.1	3.1	-95%
	25%	2%	
Long-term Debt	203.0	200.5	-1%
Current Part	1.8	5.9	222%
Non-current part	201.2	194.6	-3%
	75%	98%	
Total Debt	270.1	203.6	-25%
Cash	6.7	2.9	-57%
NET DEBT	263.4	200.7	-24%

5. MANAGEMENT REPORT

FINANCIAL INFORMATION

- \$ 4.3 Million correspond to leasing operations. The short-term debt, related to working capital, amounted to US \$ 3.1 Million; 95% lower than that one of the last year in the same period..
- By the end of the fourth quarter, the cash amount was US \$ 2.9 Million, lesser than that of the same period of the previous year (US \$ 6.7 Million). Likewise, the committed line of working capital for US \$ 20 Million is kept without use as at December 31, 2017.
 - Regarding the short-term debt as at December 31, it reached levels of US \$ 3.1 Million, compared to US \$ 67.1 Million in the same period of 2016.
 - By the end of the fourth quarter of 2017, we have current assets to be made of approximately US \$ 7.5 million, from which 42% correspond to valued inventory. These assets cover in excess the balance of the current debt for working capital.

US\$ MILLION	2016	2017	%
Short-term Debt (Working Capital)	67.1	3.1	-95%
Net Trade Accounts Receivable	2.3	1.4	-40%
Valued Inventory (US\$)	90.8	3.1	-97%
Fishmeal stock (thousand MT)	45.5	0.6	-99%
Fish Oil stock (thousand MT)	6.6	0.0	-100%
DHC stock (thousand TM)	5.7	0.2	-97%
Fishmeal Valued Inv (*)	74.5	0.8	-99%
Fish Oil Valued Inv (*)	8.8	0.0	-100%
DHC inv. (**)	7.4	2.3	-69%
Receivables + Valued Inventory + Cash	99.8	7.5	-92%
Short-term Debt Hedge	149%	241%	

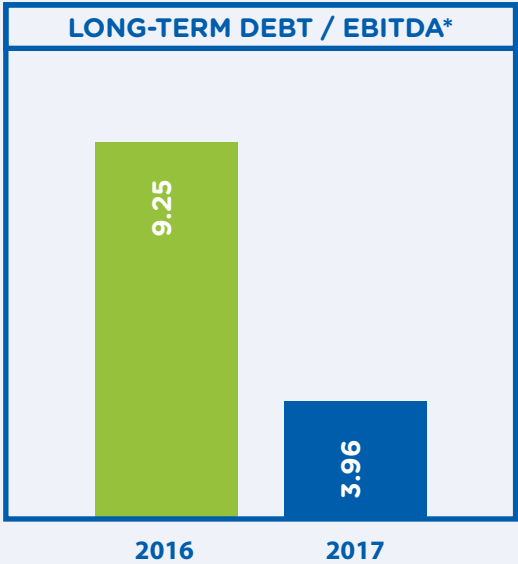
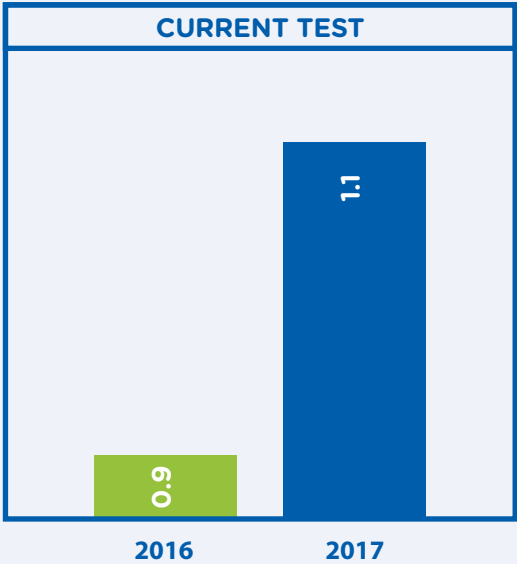
(*) Valued at average sale prices. (**) Valued at inventory costs.

5. MANAGEMENT REPORT

FINANCIAL INFORMATION

FINANCIAL INDICATORS

- Liquidity:**
The current test (current assets / current liabilities) increased to 1.08x in the fourth quarter of 2017, compared to 0.9x in the same period of the previous year. This is due to the reduction of current liabilities by 67%, mainly explained by the decrease of the short-term debt.
- Solvency:**
Solvency ratio was reduced regarding the fourth quarter of 2016, as a result of a lower long-term debt and an EBITDA higher by 128% against the same period of the previous year, due to the increase in effective catch and processing. The EBITDA obtained in September 2017 was affected in the last quarter of the year due to the temporary suspension of the second fishing season, since 60% of the deferred costs that should have been part of production costs were directly charged to non-production costs in the month of December 2017 (approximately US \$ 12.6 Million).
- Profitability:**
Profitability ratios increased, due to higher volumes processed. Net profit by the end of the four-



(*) EBITDA of the last 12 months is considered.

5. MANAGEMENT REPORT

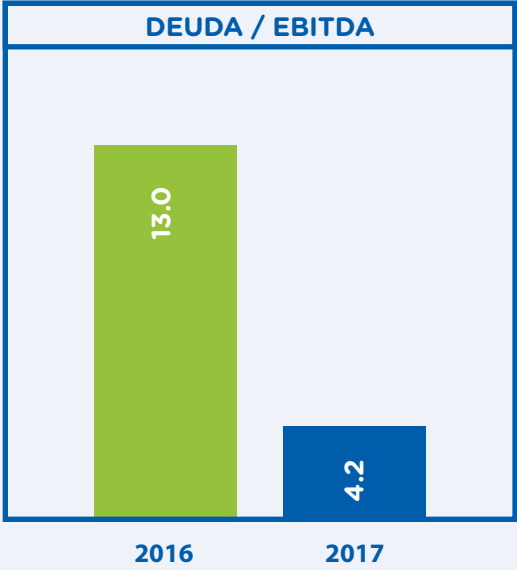
FINANCIAL INFORMATION

th quarter of 2017 increased by 12% (from -24.8 Million to 6.0 Million), compared to the same period of 2016. Regarding equity and fixed assets, variations are of 6% and -1%, respectively, compared to the same period of the previous year.

- Covenants:**
En la emisión internacional de bonos por US\$ 200 MM se acordaron covenants de incurrencia dentro del contrato de emisión.
- Total Debt / LTM EBITDA:**
It shows the relation between funds obtained through financial institutions (debt) 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..

By the end of the fourth quarter of 2017, the indicator decreased from 13.05x to 4.20x compared to the same period of 2016, as a result of higher levels of EBITDA (from 21.3 Million to 48.5 Million) and the decrease of the short-term debt, against higher levels of effective catch in the second season of 2016 and the first season of 2017. Despite the increase of EBITDA in 2017, this was

PROFITABILITY POSITION		
	2016	2017
ROE	-12.0%	2.2%
ROA	-5.3%	1.0%
Net Margin	-16.4%	1,9%



(*) EBITDA of the last 12 months is considered.

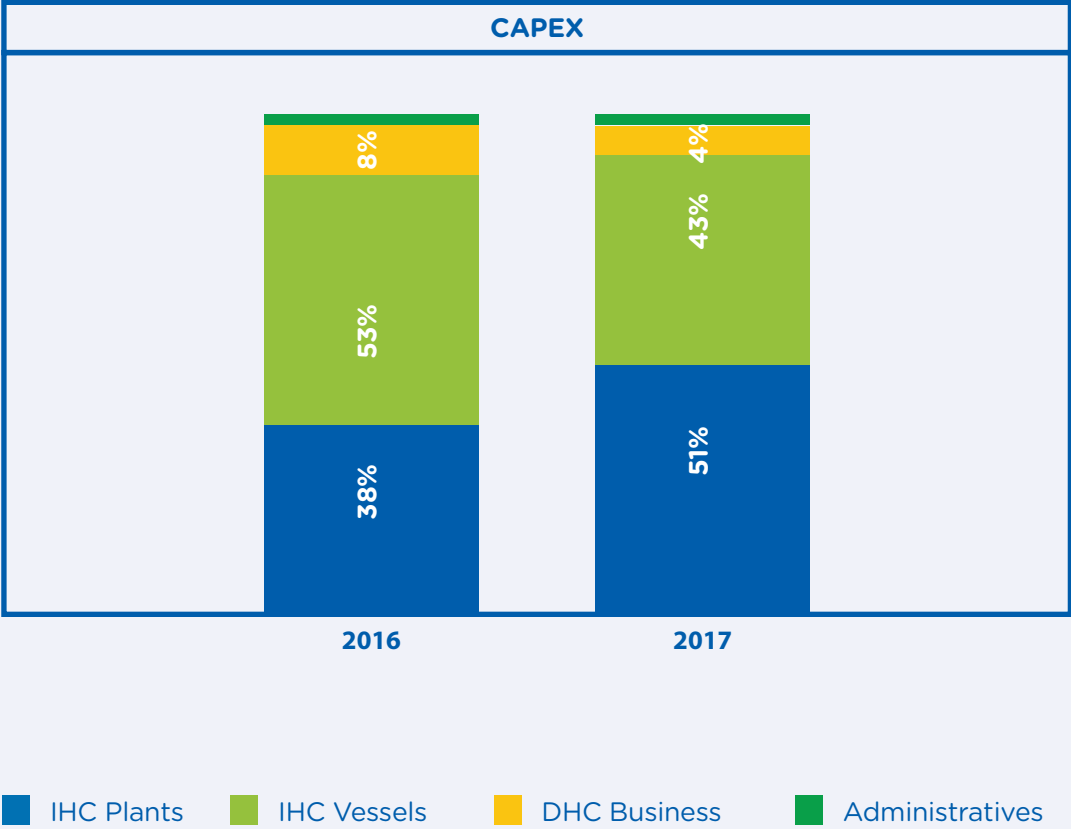
5. MANAGEMENT REPORT

FINANCIAL INFORMATION

affected by the end of the fourth quarter because the temporary suspension of the second fishing season forced the recording of deferred assets in results (non-production costs) for a value of US \$ 12 Million approximately, which would have been part of the inventory value in case of production during the last two months of the year (as at September 2017 there was an EBITDA level of US \$ 60 Million).

CAPEX

- Regarding CAPEX, by the end of the fourth quarter of 2017 there were investments for US \$ 17.4 Million (US \$ 17.8 Million as at December 31, 2016), mainly aimed to IHC plants and vessels. From the total CAPEX, approximately US \$ 3.2 Million correspond to the acquisition of a vessel whose payment was agreed, compensating part of the price with pre-existing debt.

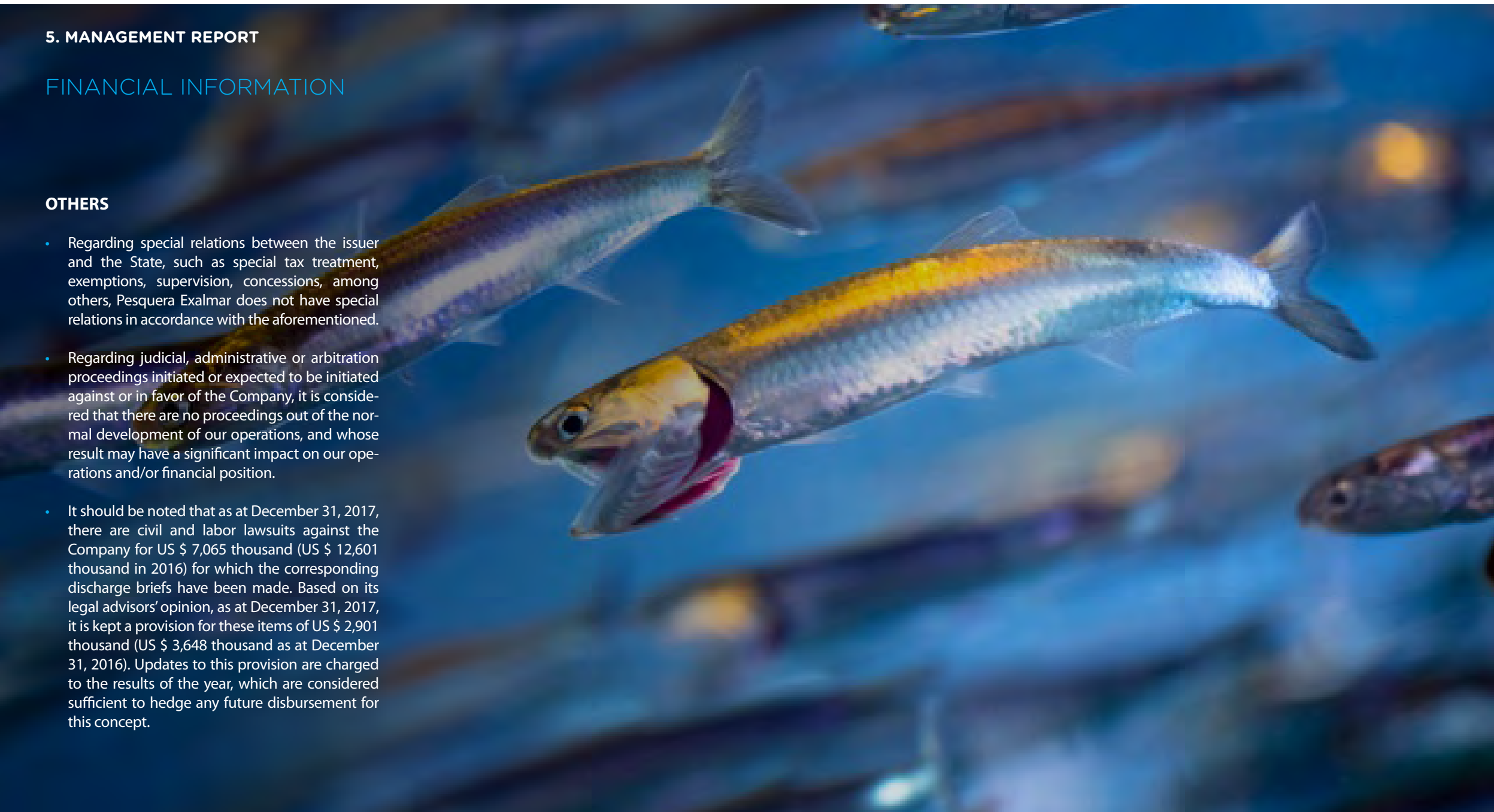


5. MANAGEMENT REPORT

FINANCIAL INFORMATION

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 in accordance with 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.
- It should be noted that as at December 31, 2017, there are civil and labor lawsuits against the Company for US \$ 7,065 thousand (US \$ 12,601 thousand in 2016) for which the corresponding discharge briefs have been made. Based on its legal advisors' opinion, as at December 31, 2017, it is kept a provision for these items of US \$ 2,901 thousand (US \$ 3,648 thousand as at December 31, 2016). Updates to this provision are charged to the results of the year, which are considered sufficient to hedge any future disbursement for this concept.



5

MANAGEMENT REPORT

PEOPLE MANAGEMENT

2017 was a year to remember as we celebrated our 25th Anniversary by reliving the challenges that we have faced, which we have overcome against all the odds.

At the beginning of the year we joint “Una Sola Fuerza” (Just one force), making a solidarity chain in which all the collaborators support with donations to our compatriots from the north because of the destruction caused by El Niño Costero. It was a great union and supportive moment, where we showed that we are a great family.

In production, we were only focused on innovation capacity to obtain the maximum efficiency in our processes during the anchovy caught season. Thus, we re-launched the Program Pescando Ideas (Fi-

shing Ideas), which encourages the making of proposals from the job positions, allowing greater productivity generating savings for the company.

As every year, from Human Resources we maintained the Development Programs oriented to improve the personal and professional contribution of each collaborator, reinforcing negotiation, communication, leadership, and personal skills.

We carried out a new edition of the Program “Haciendo que las Cosas Pasen” (Making things happen), performed by the Psychologist Roberto Lerner, who accompanied the Heads and Supervisors of the headquarters in workshops of topics, such as feedback, effective communication, negotiation, leadership, among others.



5. MANAGEMENT REPORT

PEOPLE MANAGEMENT

The Program “Mar Adentro” (Offshore) was continued, aimed to headquarter collaborators and their partners, performed by Mr. Javier Echevarría, psychologist and actor. This program this year was aimed at working on interpersonal relationships in order to improve work flows and communication among teams. And, for the first year, there were workshops for the San Isidro headquarter, on topics related to communication, commitment, active listening, and teamwork.

Likewise, useful vacations were provided for the children of collaborators and various activities were carried out to honor special dates, such as birthdays, mother’s day, father’s day, fisherman’s day, security day, among others.

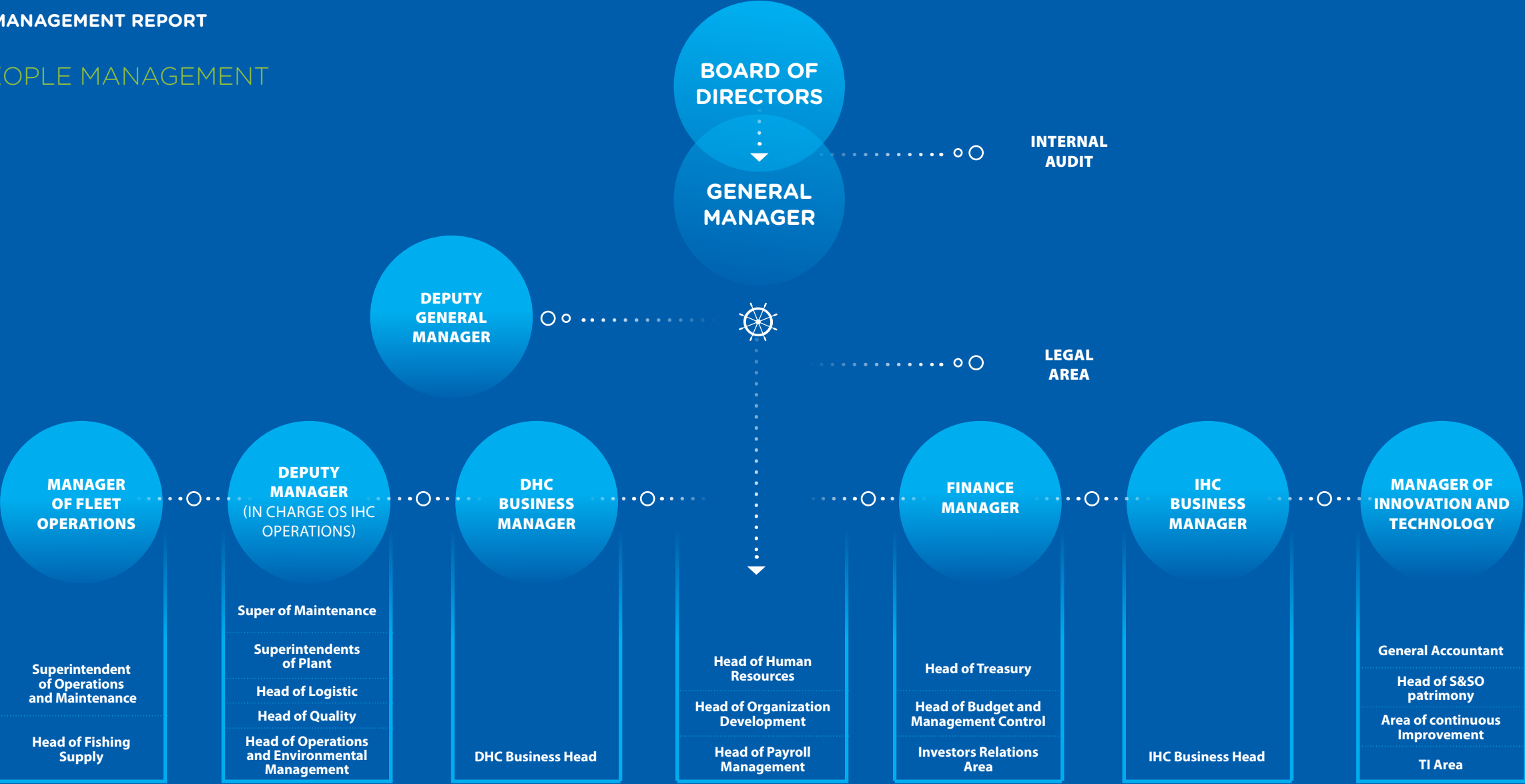
Exalmar ratifies year by year its commitment to human resources, always supporting the talent of our collaborators, because we believe that their personal and professional development will allow us to continue growing together and successfully face the constant challenges of the sector.

Regarding the total of workers, 403 are temporary workers and 687 work permanently, making a total of 1,090 workers, which is less than the previous year, being 1,158 collaborators in 2016 and 1,324 in 2015.

LOCATION	EMPLOYEES	WORKERS	CREW	TOTAL
Callao	26	75		101
Chicama	29	77		106
Chimbote	27	80		107
Huacho	26	78		104
Paita	3	3		6
San Isidro	93			93
Tambo de Mora CHI	24	81		105
Tambo de Mora CHD	9	14		23
Fleet	42		403	445
Total	279	408	403	1,090

5. MANAGEMENT REPORT

PEOPLE MANAGEMENT



5

MANAGEMENT REPORT

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, innocuous products, by minimizing accidents in plants and avoiding negative environmental impacts.



5. MANAGEMENT REPORT

QUALITY, SAFETY AND ENVIRONMENTAL MANAGEMENT

	CERTIFICATIONS					
	INDIRECT HUMAN CONSUMPTION PLANTS (IHC)					
	CHICAMA	CHIMBOTE	HUACHO	CALLAO	TAMBO DE MORA	DESCRIPTION
SAFETY:						
OHSAS 18001:2007	x	In process	x	x	x	Global Standard on management of occupational health and safety.
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 marketing 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	Enabling to produce and export Omega-3 oil for human consumption to the European market.
ENVIRONMENT:						
ISO 14001:2004	x	x	x	x	x	Global recognition of commitment to environmental management. In 2018, we are in the ISO certification process, version 14001:2015.

5. MANAGEMENT REPORT



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 marketing process.
British Retail Consortium (BRC)	x	x	Global standard that guarantees quality and safety of food products.

5

MANAGEMENT REPORT

SUSTAINABILITY MANAGEMENT AND GOOD CORPORATE GOVERNANCE

With a clear vision for sustainable growth, Exalmar develops quality, high-protein value marine products, improving and transforming the living conditions of people.

Being aware of the importance of the 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 1,090 employees, whose families grow with the company. Likewise, many other families who are part of the fi-

shing communities that work with the company are favored with a relationship of trust with Exalmar.

In this way, it has significantly contributed to the ordering of the sector and to the formalization of the fishing community, achieving a redistribution of the sector worth to the smaller entrepreneurs, and contributing to their professional, personal development and that of their families, as well as the progress of areas where the government often does not have access.



5. MANAGEMENT REPORT

SUSTAINABILITY MANAGEMENT AND GOOD CORPORATE GOVERNANCE

The company is committed to the preservation of the environment and marine resources too, in favor to the communities where it works and the future generations. Thus, it uses environmentally friendly technologies and maintains a constant search of opportunities to reduce environmental impacts.

Likewise, the company is committed to adopt the best practices of Good Corporate Governance, protecting the rights of investors and other stakeholders. In 2015, Exalmar was recognized by the Lima Stock Exchange as one of the companies with the highest standards of Good Corporate Governance, being the first and, until now, the only company of the fishing sector to obtain this recognition. In 2016, Exalmar was recognized for its commitment and leadership in the field of Good Corporate Governance, being nominated as a finalist of the IFFO Annual Awards.

In 2017, the validation process of Good Corporate Governance practices was carried out by a specialized consultancy, which showed very positive results when reaching a score of 89.0%, higher than the minimum value required by the Lima Stock Exchange of 80% and more than the score obtained in the validation of the previous year, which had a value of 78.6%. This result shows the important advances developed by the company in terms of Good Corporate

Governance. In mid-2017, a diagnosis and evaluation of the Board of Directors was also developed, in order to find improvement opportunities to enhance the performance within the Board.

Finally, during 2017, a sustainability diagnosis was carried out by a specialized consultancy, as well as a mapping and prioritization of stakeholders, in order to develop and implement a strategy of sustainability and relationship with stakeholders since 2018.

In a market such as Peru, with high presence of family businesses and an undeveloped capital market, the company saw in Good Corporate Governance a way to establish the 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.

This ratifies one of the greatest strengths of Exalmar: to be promoters of an authentic social transformation inspired by the values of respect, mutual confidence, and the ability to establish connections at all levels, based on empathy, dialogue, and the heart in each action.

IN 2017, THE VALIDATION
PROCESS OF GOOD CORPORATE
GOVERNANCE PRACTICES WAS
CARRIED OUT BY A SPECIALIZED
CONSULTANCY, WHICH SHOWED
VERY POSITIVE RESULTS WHEN
REACHING A SCORE OF

89.0%

HIGHER THAN THE MINIMUM
VALUE REQUIRED BY THE LIMA
STOCK EXCHANGE OF 80%
AND MORE THAN THE SCORE
OBTAINED IN THE VALIDATION
OF THE PREVIOUS YEAR.



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 (today Innovation and IT Manager) and is currently responsible for the financial information of the Company.



APPENDIX |

ANNUAL REPORT ON CORPORATE GOVERNANCE 2017

APPENDIX I

ANNUAL CORPORATE
SUSTAINABILITY REPORT
2017

GOOD CORPORATE GOVERNANCE IN EXALMAR

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 expectation of all the stakeholders of the company.

In a market such as Peru, with high presence of family businesses and an undeveloped capital market, the Company saw in Good Corporate Governance a way to establish the 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.

It is important to emphasize the change experienced 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 share in the capital market generated changes and opportunities for future growth and promoted the implementation of Good Corporate Governance practices. The company always stood out for presenting information about its administration to the senior management as well as to financial entities; that is, the culture naturally incorporated transparency, through the dissemination of information. This bu-

siness philosophy, which also represents one of the pillars of Good Corporate Governance, facilitated the incorporation of the rest of the principles related to the Rights of Shareholders, Shareholders' General Meetings, Board of Directors, and Senior Management, and Risk and Compliance.

Although many companies in the country see this as distant and expensive, with complicated processes that do not add value, in Exalmar the incorporation of 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 this results in greater interest for investors, as well as a diversification of financial sources, especially from foreign banks, with the possibility of obtaining credits under much more competitive conditions than those we could access before.

PROCESS OF IMPLEMENTATION OF PRACTICES
AND ACTIONS TAKEN

Exalmar is committed to adopt the best practices of Good Corporate Governance, protecting the rights of investors and other stakeholders. In 2015,

Exalmar was recognized by the Lima Stock Exchange as one of the companies with the highest standards of Good Corporate Governance, being the first and, until now, the only company of the fishing sector to obtain this recognition.

The process of implementation of Good Corporate Governance practices has been naturally carried out through the commitment of the main shareholder and Senior Management. In 2015, the services of the specialized consultant firm Mercado de Capitales, Inversiones y Finanzas Consultores (MC&F), expert in Good Corporate Governance and accredited guarantor before the Lima Stock Exchange, were taken, in order to make a diagnosis of the company and to identify key areas of improvement in relation to the provisions of the best standards.

IT IS IMPORTANT TO EMPHASIZE
THE CHANGE EXPERIENCED IN
EXALMAR: FROM BEING A 100%
FAMILY COMPANY TO OPENING
ITS CAPITAL THROUGH A PRIVATE
EQUITY IN 2007.

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Strengths and weaknesses were identified for each pillar of Good Corporate Governance and, in the early 2016, the implementation of an action plan for the adoption of improvements was initiated, according to certain prioritization criteria already established, ending by mid-2017.

At the beginning of 2017, the validation of Good Corporate Governance practices was developed by the MC&F consultancy, showing very positive results when reaching 89.0%, higher than the minimum value of 80%, required by the Lima Stock Exchange, and higher than the previous year, which reached a value of 78.6%.

This result shows the important advances developed by the company in terms of Good Corporate Governance, with a high level of compliance with the Principles of the Code of Good Corporate Governance, evidenced in this rating.

In the mid-2017, a diagnosis and evaluation of the Board of Directors was also developed, in order to find improvement opportunities to enhance the performance within the Board of Directors.

Finally, during 2017, a sustainability diagnosis was carried out by a specialized consultancy, as well as a mapping and prioritization of stakeholders, in order to develop and implement a strategy of sustainabili-

ty and relationship with stakeholders since 2018. Some recently implemented actions that have allowed the increase of this qualification are the following:

- Shareholder rights, promoting excellence in the treatment of investors:**
In the year 2017, 691 actions have been carried out to contact investors through various tools. 26 important events and 15 press releases were sent out; 495 emails, 60 telephone inquiries were answered, among others. Likewise, it participated in events with investors at local and international level, which are detailed below:

DATE	EVENT
January	Santander, Cancún
March	11th Atlantic Seafood Forum
May	BBVA, Nueva York
June	BOFA, Miami
September	Non Deal Roadshow
September	Credicorp, Lima
November	Non Deal Roadshow

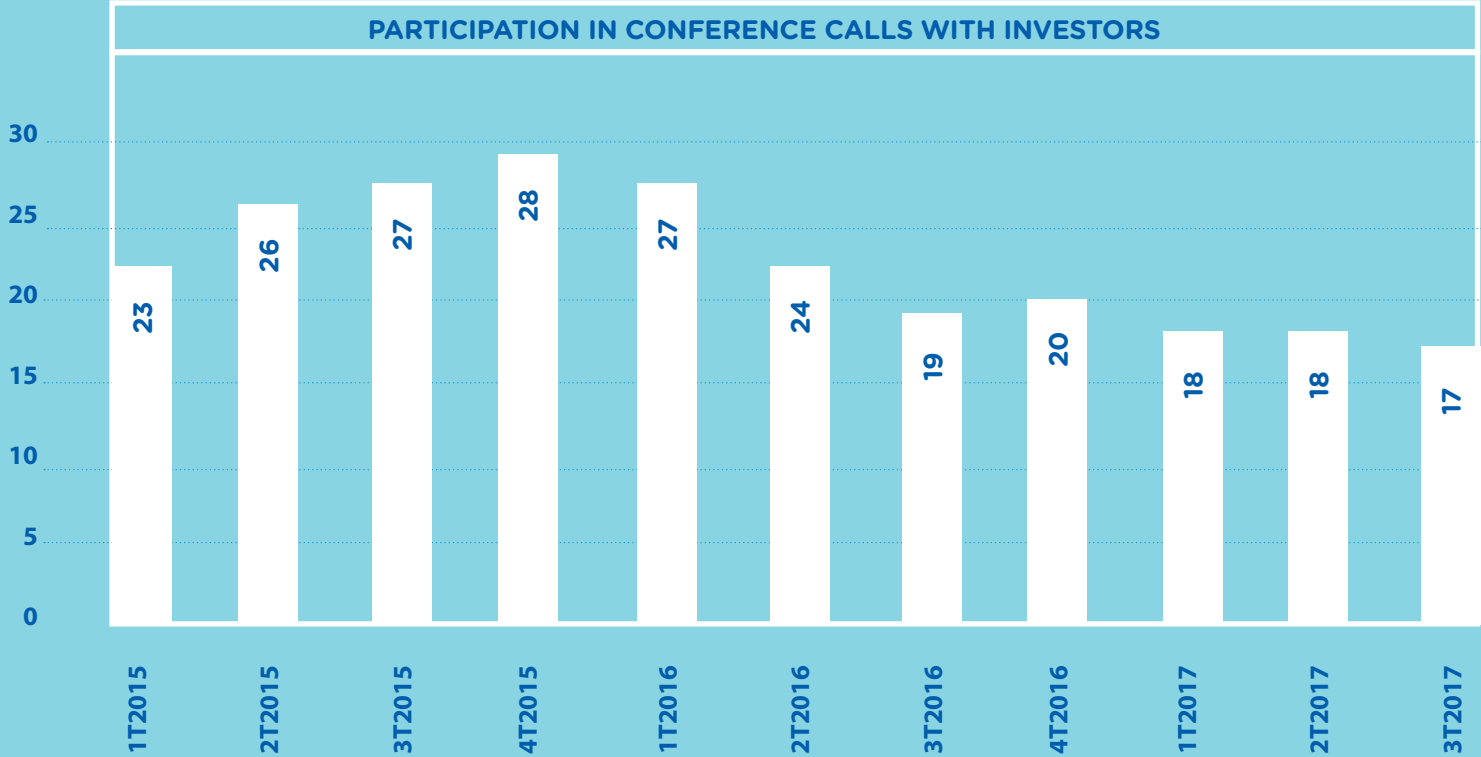
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We had quarterly telephone conferences with investors after the presentation of financial results, in charge of the General Manager, Rossana Ortiz, accompanied by the Finance and Administration Manager, Raúl Briceño, who participated in the last Conference Call (the third quarter of 2017) with 17 investors. Both the recording and the presentation were promptly published on the website of the Company.

On March 28, 2017, the Company’s Annual Compulsory Meeting of Shareholders was held, which was announced on February 28, 2016. With a quorum of 74.7%, the following was approved:

- Approval of Financial Statements and Annual Report of Pesquera Exalmar S.A.A., corresponding to the year 2016.
- Implementation of Profits.
- Appointment of External Auditors for the year 2017 or delegation of their appointment to the Board of Directors.
- Appointment of the Board of Directors for the year 2017, and determination of their remuneration.
- Granting of powers for the formalization of agreements





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Likewise, in December 2017, a General Shareholders’ Meeting was held, with a quorum of 74.7%, approving the following:

- Approval of one or several financing transactions up to an amount to be determined by the General Shareholders’ Meeting, including, among others, the issuance of bonds and, if applicable, the exchange of them, or obtaining of loans; and: That the Company negotiates, enters into and undertakes financing transactions up to a maximum principal amount of US \$ 200’000.00, including the issuance of bonds to be placed in the local or international market and/or the exchange of the current obligations denominated “7.375% Senior Notes due 2020”.
- Delegation of powers in the Board of Directors of the Company to determine the financing method and to adopt the necessary or convenient agreements to determine all the terms, characteristics and conditions of the financing transaction previously approved.

On the other hand, in May, the first Investor Day was celebrated, when 19 investors visited the company’s facilities in Tambo de Mora, Chinchá, sharing

a pleasant moment to learn about the productive process in plants of Indirect Human Consumption and Direct Human Consumption, which, together with the Management presentations, were highly instructive for the participants.

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, Peru.

Among other actions carried out:

- Dissemination of the renewed Annual Report and Good 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.
- Dissemination of announcement and documents related to the Board.
- Right of representation. Model of Power of Attorney with sense of vote.
- Limits of representation in favor of directors and managers.
- Dissemination 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 of Directors 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 31, 2017, the members of the Board of Directors are:

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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 crucial for the achievement of strategic objectives, providing 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 the following:

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

Likewise, there is 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 Good 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 chaired by independents.
- Positions of Chairman and General Manager are given to different people.
- Prohibition of granting loans to a director without the Board approval.
- Executive body responsible for the implementation of GCG improvements: Investors Relations.
- There are no alternate directors.
- Board diagnosis service.



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Transparency of Information, practicing 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 Important Events and Press Releases.
- Participation in events and one-to-one meetings. Publication of quarterly reports, presentations, etc.

- Website renewal. "Investors" section.
- Dissemination of the renewed Annual Report and Good Corporate Governance Report.
- Dissemination of the Annual Sustainability 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 attention procedure for complaints 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.
- Beginning of implementation process of the integral risk management, based on the strategic plan 2016-2020.
- The implementation of the Compliance Program for the risks of corruption, money laundering and terrorist financing began. Likewise, the implementation of controls, additional to those ones the Company already had to minimize the aforementioned risks began, which will be complemented by the improvement of the existing controls, as well as a Dissemination and Training Plan at all levels.

COMMITMENT AND CHALLENGES FOR 2018

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 crucial 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 2018, it is expected to continue with the implementation of a working plan based on the diagnosis made by the Board, searching for the excellence in matters of Good Corporate Governance, as well as for the development and implementation of a sustainability strategy and relationship with the stakeholders.



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Section A:
IMPLEMENTATION OF CORPORATE SUSTAINABILITY ACTIONS

QUESTION A.1	YES	NO	EXPLANATION
Has the Company voluntarily adhered to standards of Good Practices in Corporate Sustainability?	X		The company applies this practice and in 2017 worked with the support of a specialized consultancy for the development of a sustainability diagnosis allowing it to adhere to high standards. In 2018, it is expected to work on a sustainability management strategy and a work plan for relations with stakeholders.

In case of affirmative response, indicate the standard and date of adhesion:

STANDARD	DATE OF ADHESION
Corporate Social Commitment Policy	December 2015
Policy of Integrated System of Global Security, Environmental, and Quality Management	January 2017
Code of Ethics and Business Conduct	May 2016
Regulations of the Board of Directors and its Committees	October 2016
Regulations of the Shareholders' Meeting	April 2016
Policy of Classification, Management and Dissemination of Information	December 2014
Fraud Prevention Policy	December 2014
Recognition of Good Corporate Governance Index, BVL	July 2015
ISO 14001:2004	September 2015

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In the case of preparing sustainability reports other than the present report, indicate the following information:

THESE REPORTS ARE PREPARED:	YES	NO
Voluntarily		
upon the request of investors		
upon the request of public institutions		
Other (specify):		

These reports can be accessed through:

The web of the SSM	
Corporate website	
Social networks	
Others / Specify	

QUESTION A.2 A.1	YES	NO	EXPLANATION
Does the company have a corporate policy that considers the impact of its activities on the environment?	x		

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a. If your answer to question A.2 is affirmative, indicate the corporate document in which said policy is regulated and the body that approves it.

DOCUMENT	BODY
Policy of Integrated System of Global Security, Environmental, and Quality Management Corporate Social Commitment Policy	General Management Board of Directors

b. Does the society quantify the emissions of greenhouse gases that are generated in its activities (carbon footprint)?

YES ☐ NO ☒

If yes, indicate the results obtained:

c. Does the company quantify and document the total use of the energy required in its activities?

YES ☒ NO ☐

If yes, indicate the results obtained:

There is a daily production report, in which the energy consumptions are documented and compared to our daily, monthly, and annual indicators. In 2017, the result was 12,159 MW-h.

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d. Does the company quantify and document the total water used (water footprint) in its activities?

YES ☒

NO ☐

If yes, indicate the results obtained:

There are formats of daily water consumption, which are monthly sent to the National Water Authority (ANA). In 2017, the result was 307,657 m3.

e. Does the company quantify and document the waste generated by its activities?

YES ☒

NO ☐

If yes, indicate the results obtained:

There is an Annual Waste Management Plan and Statement of Waste Management, optimizing the segregation of it. In 2017, the result was 139,000 Kg.

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QUESTION A.3	YES	NO	EXPLANATION
Does the company have a policy to promote and ensure the fundamental principles and rights in the work of its collaborators? ⁵	x		

a. In case of affirmative answer to question A.3, indicate the corporate document in which this policy is regulated and the body that approves this document.

DOCUMENT	BODY
Code of Ethics and Business Conduct	Board of Directors

b. Does the company keep a record of work accidents?

YES ☒ NO ☐

If yes, indicate the area in charge of keeping the record and the hierarchically responsible of that area.

⁵ According to the Declaration of the International Labour Organization (ILO) on fundamental principles and rights at work, adopted in 1998, the principles and rights are included in the following four categories: (i) freedom of association and trade-union freedom and the effective recognition of the right to collective bargaining, (ii) elimination of forced or compulsory labour, (iii) the abolition of child labour, and (iv) the elimination of discrimination in employment and occupation.

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AREA IN CHARGE	IT HIERARCHICALLY DEPENDS ON
Security and Occupational, Patrimony Health	Innovation and Technology Manager

c. Does the company have a training plan for its collaborators?

YES ☒

NO ☐

If yes, indicate the corporate body approving that plan and the frequency with which it evaluates the compliance with that plan:

BODY	PERIODICITY OF EVALUATION
General Management	Annual

d. Does the company conduct surveys or evaluations regarding the work climate?

YES ☐

NO ☒

If yes, indicate the results obtained:

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QUESTION A.4	YES	NO	EXPLANATION
Does the company have a policy that establishes the basic guidelines for its relation with the communities with which it interacts?		X	

a. In case of affirmative answer to question A.4, indicate the corporate document in which this policy is regulated and the body that approves this document.

BODY	PERIODICITY OF EVALUATION

b. Have the company faced social conflicts (strikes, protests, others) in the community where it has its main activities as a result of its operations?

YES ☐ NO ☒

If yes, explain the impact of such social conflicts on the activity of the company.

c. Does the company work in collaboration with the community in the joint creation of value, including the identification and solution of its main common problems?

YES ☐ NO ☒

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d. Does the company invest in social programs in the community where it has its main activities?

YES ☐

NO ☒

If yes, indicate the percentage that represents its investment in these programs with respect to the gross income, according to the company’s financial statements:

(%) Gross income	
------------------	--

QUESTION A.5	YES	NO	EXPLANATION
Does the company have a policy that establishes the basic guidelines for managing the relationship with its suppliers?	x		

a. In case of affirmative answer to question A.5, indicate the corporate document in which this policy is regulated and the body that approves this document.

DOCUMENT	BODY
Policy of Purchase	Board of Directors

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b. Does the company keep an updated record of its suppliers?

YES ☒

NO ☐

If yes, indicate the area in charge of keeping the record and the hierarchically responsible of that area.

AREA IN CHARGE	IT HIERARCHICALLY DEPENDS ON
In the case of Suppliers of Materials and Supplies, the area in charge is the Logistics Headquarters. In the case of service providers, the area in charge is the Superintendence of Maintenance. Both of them report to the Plant Operations Management.	Plant Operations Manager

c. Does the company have a criterion for the selection of suppliers that includes ethical aspects and the compliance with labor legislation?

YES ☒

NO ☐

d. Does the company have a policy of purchase or contract that selects suppliers who comply with standards of sustainable management or environmental media?

YES ☒

NO ☐

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QUESTION A.6	YES	NO	EXPLANATION
Does the company have a policy that establishes the basic guidelines for the management of relations with its customers?	x		

a. In case of affirmative response, indicate the corporate document in which this policy is regulated and the body that approves this document.

DOCUMENT	BODY
IHC Business Policy	Board of Directors
DHC Business Policy	Board of Directors

b. Does the company keep an updated register of claims made by its customers?

YES ☒ NO ☐

AREA IN CHARGE	IT HIERARCHICALLY DEPENDS ON
IHC Business Management	General Management



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c. Does the company have permanent channels of attention for the public and for the reception of suggestions and claims related to the products and services provided?

YES ☒

NO ☐

d. Has the company received any recognition for the quality of service to its customers?

YES ☐

NO ☒

If the answer is affirmative, indicate the recognitions obtained:

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Section B:

DETAIL OF THE ACTIONS IMPLEMENTED BY THE COMPANY

In 2017, a sustainability diagnosis was carried out by a specialized consultancy, as well as a mapping and prioritization of stakeholders, in order to develop and implement a strategy of sustainability and relationship with stakeholders since 2018. This is the mapping of stakeholders developed:





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CUSTOMERS

Exalmar’s customers can be divided into two categories: those of Indirect Human Consumption and those of Direct Human Consumption. The company has customers in different countries, distributed among the five continents, but mainly in Asia.

Indirect Human Consumption customers are, mainly, brokers and traders with whom the company keeps a loyalty relationship, promoted over the years thanks to its quality products. In this sense, the company has the endorsement of various certifications in terms of quality:

- GMP+B2: it 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: global standard for responsible provision, considering supply, production and traceability.
- BASC Safe Commerce: business alliance for a safe commerce with national and international cooperation within our production and marketing process.

- Friends of the Sea (FOS): certification for sustainable fishery and aquaculture products.
- AC Omega 3/UE: enabling to produce and export Omega-3 oil for human consumption to the European market.

In the case of Direct Human Consumption, the company has the following certifications:

- British Retail Consortium (BRC): global standard that guarantees quality and safety of food products.
- BASC Safe Commerce: business alliance for a safe commerce with national and international cooperation within our production and marketing process.

In short, the company focuses its efforts on maintaining quality standards to provide excellent products to its customers and support its competitiveness in the market, which is highly valued and generates very strong loyalty, long-term ties with our customers.

COLLABORATORS

The company has 1,090 collaborators divided into three categories: employees, workers, and crew. The company’s culture is characterized by the responsibility of its people, as well as by their ability to face obstacles and persevere to overcome challenges. One of the key factors to achieve that level of commitment is the strategy of people development promoted in the company.

The company’s development model is based on the TOP model that describes how all collaborators, regardless of their position, can increase their impact on and contribution to the organization. The company believes in the personal and professional development of its collaborators, through teamwork and an innovative attitude, aimed at achieving results beyond the foreseeable.

To express the commitment of Exalmar with the professional, family and personal progress of its collaborators at national level, various initiatives have been deployed, such as:

- Leaders School Program, aimed at Managers, Heads and Superintendents, who participated in workshops seeking to reinforce their leadership skills and development of people for the benefit of the entire organization.
- Talent Development Program, for all the collaborators of the organization, through which they had the opportunity to discover their talents, passions, and professional opportunities.
- Program “Mar Adentro” (Offshore), a learning space to strengthen values, skills, and talents that allow building good personal, family, and professional relationships

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FISHING SHIP-OWNERS

The company directs its formalization, improvement, and training efforts towards the fishing owners, suppliers that are considered by Exalmar as strategic allies. These are some initiatives it promotes:

- Pesca-Puntos Program, which rewards good practices and the loyalty of the ship-owner who decides to unload his catch of the day with Exalmar.
- It also finances, with its own capital, the unloading in its plants. This also allows carrying out maintenance work and operational improvements in the vessels with which artisanal fishermen earn a living.
- It carries out survival and navigation workshops, as well as legal and accounting advice to support them in the insertion and participation in formality.

In this way, it has significantly contributed to the ordering of the sector and the formalization of the community related to Indirect Human Consumption fishing, achieving a redistribution of the value of the sector towards the smallest entrepreneurs.

SUPPLIERS

They can be classified among priority or secondary suppliers. Priority suppliers are those related to the building of nets and fishing rigging. The family of suppliers can be divided between providers of services and materials. The homologation of suppliers is being developed. Likewise, Exalmar has the policy of contribution to the development of entrepreneurs in the areas of influence of the company. Therefore, it keeps a close relationship with its suppliers in the areas of maintenance, repairs, inspections, analysis, monitoring, among others.

INVESTORS AND BANKING

Exalmar practices a transparent, fluid, timely and equitable communication with its shareholders, generating relations of confidence. As at December 31, 2017, the majority shareholder, Mr. Víctor Matta Curotto, has 71% of shares, leaving 29% of floating, where a 28% of shares of foreign institutional investors stand out, as well as 2% of local investors.

The company is committed to the adoption of the best practices for protecting the rights of investors and other stakeholders. Significant progress has

been made in this area, allowing, in 2015, Exalmar to be recognized by the Lima Stock Exchange as one of the companies with the highest standards of Good Corporate Governance, being the first and the only company in the fishing sector to get that recognition.

The Investors Relations area facilitates this interaction, and promotes effective and transparent communication through various tools, such as reports, press releases, telephone conferences, participation in events, response to investors' information requests, communication media, and regulators of stock market, among others. Likewise, it coordinates the necessary actions to promote the best practices of Good Corporate Governance.

In a market such as Peru, with high presence of family businesses and an undeveloped capital market, the company saw in Good Corporate Governance a way to establish the 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.

Exalmar always stood out for presenting its administration information to the senior management, as well as to financial institutions; that is, the culture naturally incorporated transparency through the dissemination of information. This business philosophy, which also represents one of the pillars of Good Corporate Governance, facilitated the incorporation of principles related to the Rights of Shareholders, Shareholders' General Meetings, Board of Directors and Senior Management, and Risk and Compliance.

Exalmar is seen as a company permanently concerned on improving its good practices, and this results in a greater interest of investors in the company, as well as a diversification of funding sources, especially from foreign banks, with the possibility of obtaining loans in conditions much more competitive than those that could be accessed before.

CIVIL SOCIETY

This stakeholder brings together various faces of civil society that transcend the interests of specific communities, such as opinion leaders, NGOs, and national and international activists, as well as Business Associations.

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The last sub-group stands out, since in November the company joined the National Fisheries Society (SNP – in Spanish), in order to combine forces with other partners and work together in the development of the fishing industry, promoting a sustainable and responsible fishing in the country.

MEDIA

This stakeholder is relevant because it provides information to the markets and can influence on the reputation of the company. They can be divided into specialized and non-specialized media. They are attended by the designated persons with enough openness and transparency on the information of the company and the sector.

There is constant cordial communication with specialized media in the sector, as well as with those in the financial - economic sphere.

COMMUNITY

The communities are usually defined by what each fishing plant considers its direct sphere of influence. There are very precise and reduced spheres of influence, and there are also cases where the sphere

of influence refers to the entire district. In the communities there are sub-groups that have a level of influence among the inhabitants or they are relevant institutions in the social life of the community.

Thus, there are communities surrounding the plants in different areas of the coastline, as well as grassroots organizations, APROs, and local and regional media.

STATE

This stakeholder has many faces, with which the company keeps a permanent communication for the timely fulfillment of the regulatory framework. The main ones are the sub-groups that fulfill a regulatory and supervision role, so the following sub-groups are considered:

- **Regulatory bodies and supervisors of the sector:** The ordering of the fishing sector in the country is provided by the Ministry of Production (PRODUCE), through the Vice-Ministry of Fisheries which is the highest authority in fisheries matters and has among its functions: 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 Agency for Environmental Assessment and Enforcement (OEFA) and the General Directorate and Captaincies and Coast Guard (DICAPI) also stand out –both institutions that monitor Exalmar and the companies in the industry comply with the corresponding environmental regulations.

- **Other regulators:** Several regulatory bodies stand out, such as the National Water Authority (ANA) and the Supervisory Body for Investment in Energy and Mining (OSINERGMIN). We also have other regulators applicable to all industries, such as the Labor Ministry and the National Superintendency of Environmental Enforcement (SUNAFI), the National Superintendency of Tax Administration (SUNAT), and the Superintendency of Securities Markets (SMV).
- **Congress of the Republic:** The Congress does not have direct competition in the sector but the work promoted by certain congressmen, commissions or working groups may be related to the activity of the industry.

Regional and Local Governments.

The municipalities have a community-oriented action and are those who have the closest relation with the plants. Among the district municipalities, fishing plants are usually donor entities and represent collaboration opportunities in favor of the district.

ENVIRONMENT

The care of the environment is a part of business commitments assumed by the company, and, in that sense, it is transversal in our relationship with the stakeholders. The company is committed to the preservation of the environment and marine resources, for the benefit of the communities and their future generations.

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Exalmar uses environmentally friendly technologies and constantly keeps searching for opportunities to reduce environmental impacts. Among the practices stand out:

- Change of the energy matrix to natural gas in two of the plants.
- System for treating effluents from fish pumping water.
- Environmental talks presented to the community.
- Cleaning of beaches with the participation of co-laborators.
- Environmental simulations of spill and leakage of hydrocarbons.
- Segregation process of solid waste.

In addition, we have the certifications IFFO RS (which supports a responsible production process) and ISO 14001:2004 (for two plants that reach 35% of Indirect Human Consumption production), among other good practices..





APPENDIX



ANNUAL AUDITED FINANCIAL STATEMENTS

- ESTADO DE SITUACIÓN FINANCIERA.
- ESTADO DE RESULTADOS INTEGRALES.
- ESTADOS DE FLUJOS DE EFECTIVO.
- ESTADOS DE CAMBIOS EN EL PATRIMONIO.

APPENDIX III

ANNUAL
AUDITED
FINANCIAL
STATEMENTS



(Free translation from the original in Spanish)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Directors of
Pesquera Exaltmar S.A.A.

February 27, 2018

We have audited the accompanying financial statements of **Pesquera Exaltmar S.A.A.**, (a subsidiary of Caleta de Oro Holding S.A., company incorporated in Panama) comprising the statements of financial position at December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes from 1 to 30.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing approved for application in Peru by the Board of Deans of Institutes of Peruvian Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Garayola Apurina y Asociados, Sociedad Civil de Responsabilidad Limitada

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Garayola Apurina y Asociados, Sociedad Civil de Responsabilidad Limitada, es una firma miembro de la red global de firmas de membresía independiente miembro de la

Red U.S. Certified Public Accountants (CPA) y miembro de la red global de firmas de membresía independiente miembro de la

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February 27, 2018
Pesquera Exaltmar S.A.A.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Pesquera Exaltmar S.A.A.** at December 31, 2017 and 2016, its financial performance and cash flows for the years then ended, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.


Countersigned by


Francisco Pacheco
Peruvian Certified Public Accountant
Registration No. 01-20611

APPENDIX III

STATEMENT
OF FINANCIAL
POSITION

ASSETS	AT DECEMBER 31	
	2016	2017
	US\$ 000	US\$ 000
CURRENT ASSETS		
Cash and cash equivalents	6,743	2,926
Trade receivables	2,295	1,375
Inventories	73,406	18,742
Receivables from related entities	2,146	3,113
Other receivables	22,094	11,772
Current income tax asset	2,446	2,825
Prepaid expenses	810	3,074
Total current assets	109,940	43,827
NON-CURRENT ASSETS		
Other receivables	17,151	9,893
Property, plant and equipment	216,530	215,739
Intangible assets	114,556	116,819
Goodwill	113,342	113,342
Other assets	1,620	1,447
Total non-current assets	463,199	457,240
TOTAL ASSETS	573,139	501,067



APPENDIX III

STATEMENT
OF FINANCIAL
POSICION

LIABILITIES AND EQUITY	AT DECEMBER 31	
	2016	2017
	US\$ 000	US\$ 000
CURRENT LIABILITIES		
Borrowings	78,633	14,212
Trade payables	35,243	16,951
Payables to related entities	22	31
Provisions	8,407	9,431
Total current liabilities	122,305	40,625
NON-CURRENT LIABILITIES		
Borrowings	191,486	189,428
Provisions	3,648	2,901
Deferred income tax liability	50,025	51,310
Total non-current liabilities	245,159	243,639
Total liabilities	367,464	284,264
EQUITY		
Share capital	89,772	89,772
Share premium	69,721	69,721
Other reserves	3,609	3,609
Revaluation surplus	25,885	32,216
Retained earnings	16,688	21,485
Total equity	205,675	216,803
TOTAL LIABILITIES AND EQUITY	573,139	501,067



APPENDIX III

STATEMENT OF
COMPREHENSIVE
INCOME

	AT DECEMBER 31	
	2016	2017
	US\$ 000	US\$ 000
Revenue from ordinary activities	136,131	254,639
Cost of sales	(90,201)	(173,908)
Costs incurred in non-production periods	(28,204)	(27,070)
Gross profit	17,726	53,661
Selling expenses	(8,508)	(16,154)
Administrative expenses	(7,702)	(9,173)
Other income	3,145	3,065
Other expenses	(12,953)	(8,181)
	(26,018)	(30,443)
Operating profit (loss)	(8,292)	23,218
Finance income	7,079	54
Finance costs	(22,071)	(17,650)
Exchange difference, net	2,062	(902)
	(12,930)	(18,498)
Profit (loss) before income tax	(21,222)	4,720
Income tax	(1,120)	77
PROFIT (LOSS) FOR THE YEAR	(22,342)	4,797



APPENDIX III

STATE OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31 2017 AND DECEMBER 31 2016						
	SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVES	REVALUATION SURPLUS	RETAINED EARNINGS	TOTAL
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
BALANCES AT JANUARY 1 2016	89,772	69,721	3,609	25,471	39,030	227,603
Loss for the year	-	-	-	-	(22,342)	(22,342)
Other comprehensive income:						
- Revaluation surplus	-	-	-	414	-	414
Total comprehensive income	-	-	-	414	(22,342)	(21,928)
BALANCES AT DECEMBER 31 2016	89,772	69,721	3,609	25,885	16,688	205,675
BALANCES AT JANUARY 1 2017	89,772	69,721	3,609	25,885	16,688	205,675
Profit for the year	-	-	-	-	4,797	4,797
Other comprehensive income:						
- Revaluation surplus	-	-	-	6,331	-	6,331
Total comprehensive income	-	-	-	6,331	4,797	11,128
BALANCES AT DECEMBER 31 2017	89,772	69,721	3,609	32,216	21,485	216,803



APPENDIX III

CASH FLOW STATEMENT

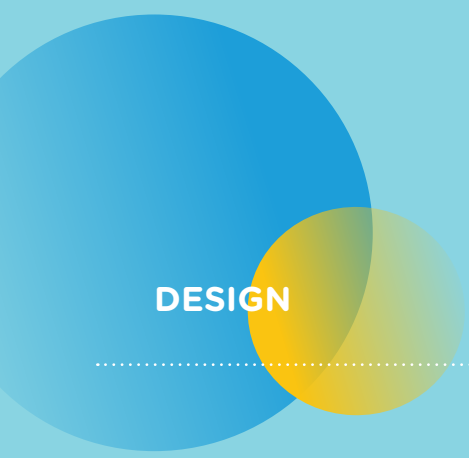
	AT DECEMBER 31	
	2016	2017
	US\$ 000	US\$ 000
OPERATING ACTIVITIES		
Collections from clients	136,060	255,559
Other activity-related cash collections	4,871	1,683
Payments to suppliers	(101,045)	(127,104)
Remunerations paid	(21,371)	(27,907)
Taxes paid	(4,473)	(2,087)
Interest paid	(25,174)	(17,650)
Other activity-related cash payments	(5,581)	(2,402)
Net cash generated from (used in) operating activities	(16,713)	80,092
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(12,876)	(12,636)
Purchases of intangible assets	(2,395)	(4,133)
Other activity-related cash payments	(82)	-
Net cash used in investing activities	(15,353)	(16,769)



APPENDIX III

CASH FLOW STATEMENT

	AT DECEMBER 31	
	2016	2017
	US\$ 000	US\$ 000
FINANCING ACTIVITIES		
Proceeds from borrowings	214,213	160,363
Repayments of borrowings and repurchase	(177,097)	(227,503)
Cash used in (generated from) financing activities	37,116	(67,140)
Net decrease (Net increase) in cash and cash equivalents	5,050	(3,817)
Cash and cash equivalents at beginning of year	1,693	6,743
Cash and cash equivalents at end of year	6,743	2,926
Transactions that do not affect cash flows:		
Purchase of property, plant and equipment through finance leasing	2,488	661
Revaluation of property, plant and equipment	2,296	8,980
Purchase of intangible assets through finance leasing - fishing licence	400	-



2017 ANNUAL REPORT

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Pesquera
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S.A.A.