



FINANSTILSYNET

THE FINANCIAL SUPERVISORY
AUTHORITY OF NORWAY

Salmones Camanchaca S.A.
Diego Portales 2000 piso 13
Puerto Montt 5503642
CHILE

OUR REFERENCE
22/10535

YOUR REFERENCE

DATE
06.02.2023

To the Board of Directors at Salmones Camanchaca S.A.

Review of financial reporting

1. Introduction

In accordance with the Securities Trading Act section 19-1 (2), Finanstilsynet has reviewed certain accounting topics related to the financial reporting of Salmones Camanchaca S.A. Reference is made to previous correspondence, most recently the Company's reply of 6 December 2022.

Salmones Camanchaca S.A is a salmon producer with operations in farming, processing, marketing and sale of salmon, and is listed on the Santiago and Oslo stock exchanges.

Finanstilsynet's review of financial reporting concerned the Company's annual financial statements for 2021. Finanstilsynet's review related to the following items in the Company's annual financial statements for 2021:

- the Company's classification of its loan agreement
- the Company's note information regarding covenants

Based on further information provided on request by the Company, Finanstilsynet agrees that the Company was correct to classify the loan agreement as a non-current financial liability.

Finanstilsynet takes note of the Company's explanation regarding its disclosure information regarding covenants. However, Finanstilsynet is of the opinion that the note information alone, without the additional information provided by the Company at Finanstilsynet's request, was not sufficiently clear to ensure that users of the financial statements gained a full understanding of the Company's loan agreement and the situation regarding covenants. Please see section 2 for further details.

FINANSTILSYNET

Revierstredet 3
P.O. Box 1187 Sentrum
NO-0107 Oslo

Tel. +47 22 93 98 00

post@finansstilsynet.no
www.finanstilsynet.no

Enquiries to

Philip Tyman
Dir. line +47 22 93 99 96

2. Loan agreement and covenants

The Company recognised a loan from three banks, as a non-current financial liability in the statement of financial position at 31 December 2021. In Note 17 of the 2021 annual financial statements, the following information was provided regarding one of the covenants related to this loan agreement:

"a) Debt ratio must not exceed 4 times, defined as the ratio of Net Financial Debt to EBITDA for the last 12 calendar months."

Further, in Note 17 the Company stated that there had been a breach of this covenant:

"The debt ratio had not been met as of the closing date of these financial statements. However, the financing has anticipated such an event. Consequently, this does not constitute a default under the Refinancing Contract."

The Board of Directors report also provided information regarding this breach:

"As a result of the effects of the pandemic that affected the results of the 2020 and 2021 financial years, the calculation of the debt coverage ratio was not complied with, a situation that was authorized by the creditor banks."

Further, the Board of Directors report stated that:

"This loan has a 3-year grace period, with 10% of the loan principal repayable at the end of years 3 and 4 and 80% at maturity."

The information regarding the grace period and the breach of covenants were provided in a separate part of the annual report. It was, therefore, not clear for Finanstilsynet to what extent the 3-year grace period specifically related to a situation regarding the breach of the covenant.

Finanstilsynet requested further information regarding the authorization given by the creditor banks, and to what extent the Company had assessed whether the breach of the covenant should impact the classification of the loan agreement in the statement of financial position.

IAS 1 *Presentation of Financial Statements* paragraph 74 states that an entity that breaches a condition of a long-term loan agreement on or before the end of the reporting period, classifies the liability as current even if the lender agreed not to demand payment as a consequence of the breach. However, IAS 1.75 states that an entity classifies the liability as non-current if, the lender agreed by the end of the reporting period to provide a period of grace ending at least twelve months after the reporting period.

Finanstilsynet requested that the Company provide its assessment in accordance with IAS 1 regarding the classification of the loan as a non-current liability and provided relevant documentation concerning the loan agreement and covenants.

The Company states that the amendment to the loan agreement entered into in November 2021 establishes that the debt ratio covenant is to be "*measured on a semi-annual basis and from 30 June 2022.*" Therefore, "*although the mathematical calculation of the ratio was not fulfilled as of December 31, 2021*", according to the amendment this "*did not constitute a breach nor default of the covenant*".

Further, the Company states that since the amendment outlines that the measurement of the debt ratio will be carried out as of June 30, 2022, the Company did not require any additional waiver agreements or other authorization from the creditor banks in terms of compliance with the covenants of the loan agreement, as of the reporting date of the 2021 annual report.

The Company has provided a copy of the amendment to the loan agreement that was entered into in November 2021. Finanstilsynet notes that the amended loan agreement has, in effect, removed the covenant requirements for the reporting date of December 31, 2021, by stating that the debt ratio will be measured every six months but with the first measurement to take place on June 30, 2022.

Considering the information provided by the Company following Finanstilsynet's request, Finanstilsynet agrees with the Company's assessment that the loan was correctly classified as a non-current liability in the 2021 annual report. IAS 1 Presentation of Financial Statements paragraph 74 states that an entity that breaches a condition of a long-term loan agreement on or before the end of the reporting period, classifies the liability as current even if the lender agreed not to demand payment as a consequence of the breach. In this case, it is Finanstilsynet's assessment that no breach of a condition of the loan agreement has occurred.

Regarding information provided by the Company on this matter in the note information to the 2021 financial statements, and taking into account information provided by the Company as requested including the most recently the Company's reply of 6 December 2022, it is Finanstilsynet's assessment that there is insufficient clarity or information regarding the fact that the covenant requirement was not to be measured until June 30, 2022. This fact is not clearly mentioned in the 2021 annual financial statements. IAS 1 Presentation of Financial Statements paragraph 112 c states that the notes shall provide information that is not presented elsewhere in the financial statements but is relevant to an understanding of any of them.

Finanstilsynet's assessment is that the note information alone, without the additional information provided by the Company at Finanstilsynet's request, was not sufficiently clear to ensure that users of the financial statements gained a full understanding of the Company's loan agreement and the situation regarding covenants.

3. Closing

Finanstilsynet refers to the securities legislation regarding the requirement to disclose inside information in accordance with the Regulation (EU) No 596/2014 (market abuse regulation) article 17 no. 1, cf. article 7, cf. Securities Trading Act section 3-1 subsection (1). Finanstilsynet expects the Company to consider its treatment of information in accordance with this legislation.

Finanstilsynet has forwarded a copy of this letter to the Company's appointed auditor and to Oslo Børs.

On behalf of Finanstilsynet

Lars Jacob Braarud
Head of Department

Philip Tyman
Senior Advisor

This document has been electronically approved and does not require handwritten signatures.

Copy:

Salmones Camanchaca S.A. Manuel Arriagada

Salmones Camanchaca S.A. Ricardo Garcia

Salmones Camanchaca S.A. Daniel Bortnik