

**EARNINGS REPORT OF HORTIFRUT S.A.'S**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**As of December 31, 2018**  
**(In thousands of United States dollars)**

The current earnings report has been prepared as of December 31, 2018, and compared with the financial statements as of December 31, 2017.

**1. HIGHLIGHTS OF THE PERIOD**

**Acquisition-Merger Process with Grupo Rocio in Peru**

As of June 28, 2018 the preceding conditions for the closing of the acquisition and merger of the blueberries business belonging to Grupo Rocio in Peru were fulfilled, successfully concluding the transaction on July 03, 2018. As a result of this transaction, Hortifrut incorporated 1,450 hectares planted in Peru, reaching a total of 2,200 hectares planted in that country and thus consolidating its leadership position in the global berries market.

At the same time, the Company proceeded to integrate the blueberries business belonging to the Grupo Rocio in Peru to the consolidated financial statements. As per what is established in IFRS3-Business Combinations, we proceeded to distribute the purchase price among the acquired identifiable assets, according to the following detail:

|  | <b>ThUS\$</b>    |
|--|------------------|
| <b>Detail purchase price distribution</b>              |                  |
| Cash   | 147,674          |
| Hortifrut Shares                                       | 212,042          |
| Contingent Considerations                              | 6,506            |
| <b>Paid Price Acquired Equity</b>                      | <b>366,222</b>   |
| <b>Minority Interest</b>                               | <b>77,865</b>    |
| <b>Paid Equity Price at 100%</b>                       | <b>444,087</b>   |
| <b><u>Minus:</u></b>                                   |                  |
| Net historic assets                                    | <b>(107,052)</b> |
| <b><u>Adjustment to fair value :</u></b>               |                  |
| <b>Estimation of fair value of the acquired assets</b> |                  |
| Land   | (11,164)         |
| Construction and Infrastructure Works                  | (10,661)         |
| Machinery and Equipment                                | (1,189)          |
| Plantations  | (222,189)        |
| Others   | (6,898)          |
| Deferred tax liabilities                               | 68,067           |
| <b>Total adjustments</b>                               | <b>(184,034)</b> |
| <b>Total net assets at fair value</b>                  | <b>(291,086)</b> |
| <b>Equity as of July 03, 2018</b>                      | <b>153,001</b>   |



Below, is the effect of the updating to fair value of assets and liabilities of the blueberries business subject to this transaction:

| <b>Detail</b>                                       | <b>Fair value as of July 01, 2018</b> |                    |                                   |
|---|---------------------------------------|--------------------|-----------------------------------|
|   | <b>Financial Values</b>               | <b>Fair Values</b> | <b>Modification to fair value</b> |
|   | <b>ThUS\$</b>                         | <b>ThUS\$</b>      | <b>ThUS\$</b>                     |
| <b>Assets</b>                                       |                                       |                    |                                   |
| Cash and cash equivalents                           | 7,065                                 | 7,065              | -                                 |
| Other current non-financial assets                  | 2,126                                 | 2,126              | -                                 |
| Current trade debtors and other accounts receivable | 2,680                                 | 2,680              | -                                 |
| Current accounts receivable with related entities   | 13,550                                | 13,550             | -                                 |
| Inventories   | 23,725                                | 23,725             | -                                 |
| Biological Assets, current                          | -                                     | -                  | -                                 |
| Current tax assets                                  | 2,684                                 | 2,684              | -                                 |
| Property, plant and equipment                       | 121,097                               | 151,009            | 29,912                            |
| Non-current biological assets                       | 43,366                                | 265,555            | 222,189                           |
| Deferred tax assets                                 | 5                                     | 5                  | -                                 |
| <b>Liabilities</b>                                  |                                       |                    |                                   |
| Other current financial liabilities                 | (70,423)                              | (70,423)           | -                                 |
| Current trade accounts and other accounts payable   | (6,408)                               | (6,408)            | -                                 |
| Other current provisions                            | (15,402)                              | (15,402)           | -                                 |
| Current provisions for employee benefits            | (505)                                 | (505)              | -                                 |
| Other non-current financial liabilities             | (2,376)                               | (2,376)            | -                                 |
| Deferred tax liabilities                            | (14,132)                              | (82,199)           | (68,067)                          |
| <b>Net assets at fair value</b>                     | <b>107,052</b>                        | <b>291,086</b>     | <b>184,034</b>                    |

## **2. SUMMARY OF THE SECOND SEMESTER OF 2018**

The 2018-2019 season began on July 03, 2018, which covers the period between July 2018 and June 2019.

During the first six months of the season, the Company recorded a profit attributable to the parent company shareholders of US\$78.39 million, amount US\$66.52 million higher than what was recorded during the same period of the previous season, which is mainly due to the US\$51.04 million increase in operating result, mostly linked to the operation in Peru, after the acquisition of Grupo Rocio's blueberries business, and the US\$43.29 million increase in other income /(expense) outside the operation, mostly due to the adjustment to fair value of the 50% interest in Hortifrut Tal S.A.C. (Peru), adjustment which reached US\$60.99 million, which net of tax reaches US\$44.52 million. These positive effects were partially offset by a higher tax profit of US\$22.12 million as a result of the Company's improved results and a higher financial expense of US\$9.14 million, due to the increase in financial debt associated to the transaction in Peru, the increase in short term interest rates and the financing of working capital for the season.

Operating income reached US\$273.41 million, reflecting a 47.8% increase compared to the previous season, boosted by the 59.6% increase in distributed fruit volume, mainly from a Peruvian origin, slightly offset by the 7.4% reduction in average income per kilo.

Also, EBITDA reached US\$82.89 million between July and December 2018, experiencing an increase of US\$60.63 million compared to what was recorded in the same period of 2017, mainly due to the results obtained in the operations acquired in Peru, which includes US\$5.33 million that correspond to the valuation of fruit on bearer plants (see detail in 8.4).

Due to the acquisition and merger operation of the blueberries business belonging to Grupo Rocio in Peru and its need for working capital, the Company increased its net financial debt by US\$257.39 million, which meant higher financial expenses for US\$4.23 million.

## **3. SUMMARY OF THE PERIOD**

In the period ending December 31, 2018, profit attributable to the parent company shareholders reached US\$83.88 million, a US\$57.32 million increase compared to the previous year. This increase is mostly due to a higher operating result of US\$43.88 million, mainly due to operations in Peru, and the one time effect in other income /(expense) outside the operation of US\$43.66 million due to the adjustment to fair value of Hortifrut Tal S.A.C. (Peru)'s interest, adjustment which reached US\$60.99 million, which net of taxes reaches US\$44.52 million, that were partially offset by a higher tax profit of US\$22.73 million, due to improved results and a higher financial expense of US\$11.54 million, as a result of the higher financial debt associated to the acquisition and merger of Grupo Rocio's blueberries business in Peru and the increase in average short term interest rates and financing of working capital for the season.



Revenue from operating activities reached US\$528.16 million as of December 31, 2018, representing a 36.04% increase compared with the same in 2017. This increase is mainly due to a 26.9% increase in sales volume, mainly due to fruit from Peru, accompanied by a higher average income of 8.5% per kilo for the period. Also, operating costs reached US\$414.18 million, a 27.55% increase as a result of the aforementioned increase in distributed volume. As a result of the latter, the gross margin reached US\$113.97 million, which is 79.39% higher than the US\$63.53 million as of December 31, 2017.

In the case of the EBITDA, it reached US\$108.94 million as of December 31, 2018, which represents an 83.04% increase compared with the US\$59.52 million reached as of December 31, 2017. The increase in EBITDA is mainly due to the incorporation of the operation in Peru and the aforementioned valuation of fruit on bearer plants.

The EBITDA calculation is detailed below:

|   | <b>31-Dec-2018</b> | <b>31-Dec-2017</b> |
|---|--------------------|--------------------|
|   | <b>ThUS\$</b>      | <b>ThUS\$</b>      |
| <b>EBITDA Calculation</b>   |                    |                    |
| Operating Income  | 528,157            | 388,250            |
| Other income, per function  | 7,503              | 495                |
| <b>Total Income</b>   | <b>535,660</b>     | <b>388,745</b>     |
| Sales Cost  | (414,184)          | (324,718)          |
| Administration Expenses   | (38,080)           | (26,773)           |
| Other expenses, per function, excluding impairment in the value of assets | (4,686)            | (1,528)            |
| <b>Total Costs and Expenses</b>   | <b>(456,950)</b>   | <b>(353,019)</b>   |
| <b>Operating Result</b>   | <b>78,710</b>      | <b>35,726</b>      |
| Depreciation and amortization   | 30,234             | 23,794             |
| <b>EBITDA</b>   | <b>108,944</b>     | <b>59,520</b>      |

The Company's net financial debt increased from US\$207.66 million as of December 31, 2017 to US\$455.17 million as of December 31, 2018, variation explained by the financing of the acquisition and merger of Grupo Rocio's blueberries business in Peru and the working capital necessary for this new operation.

|   | <b>31-Dec-2018</b> | <b>31-Dec-2017</b> |
|---|--------------------|--------------------|
|   | <b>ThUS\$</b>      | <b>ThUS\$</b>      |
| <b>Net Financial Debt Calculation</b>   |                    |                    |
| <b>Items</b>                            |                    |                    |
| Other current financial liabilities     | 172,629            | 151,531            |
| Other non-current financial liabilities | 331,443            | 83,966             |
| <b>Total financial liability</b>        | <b>504,072</b>     | <b>235,497</b>     |
| <b>Minus:</b>                           |                    |                    |
| Cash and cash equivalent                | 48,901             | 27,838             |
| <b>Total net financial debt</b>         | <b>455,171</b>     | <b>207,659</b>     |



#### 4. ANALYSIS OF INCOME STATEMENT

Profits that can be attributed to the parent company shareholders reached US\$83.88 million, a 215.79% increase compared to the US\$26.56 million reached last year, increase which is explained in detail below:

##### a) **Main Components of Income**

The Company's Income includes income from operating activities and other income, per function, which increased 37.79% to US\$535.66 million, as is shown in the following table:

| <b>Total Operating Revenue</b>    | <b>31-Dec-18</b><br><b>ThUS\$</b> | <b>31-Dec-17</b><br><b>ThUS\$</b> | <b>Variation</b><br><b>%</b> |
|-----------------------------------|-----------------------------------|-----------------------------------|------------------------------|
| Revenue from operating activities | 528,157                           | 388,250                           | 36.04%                       |
| Other revenue, per function       | 7,503                             | 495                               | 1415.76%                     |
| <b>Operating Revenue, Total</b>   | <b>535,660</b>                    | <b>388,745</b>                    | <b>37.79%</b>                |

The following is the detail of total operating income per business segment:

| <u>Segment</u>              | <u>31-Dec-18</u><br><u>ThUS\$</u> | <u>31-Dec-17</u><br><u>ThUS\$</u> |
|-----------------------------|-----------------------------------|-----------------------------------|
| <b>Fresh Fruit</b>          | <b>509,072</b>                    | <b>364,911</b>                    |
| Blueberries                 | 465,235                           | 314,650                           |
| Raspberries                 | 18,063                            | 18,349                            |
| Blackberries                | 14,113                            | 16,121                            |
| Strawberries                | 7,132                             | 12,811                            |
| Cherries                    | 4,529                             | 2,980                             |
| <b>Value Added Products</b> | <b>26,588</b>                     | <b>23,834</b>                     |
| Value Added Products        | 26,588                            | 23,834                            |
| <b>Total</b>                | <b>535,660</b>                    | <b>388,745</b>                    |

In blueberry sales, a 47.86% increase was observed compared to the previous period, which shows an increase of 42.8% in commercialized volume and 3.5% of average income per kilo as to the period ending December 31, 2018. This amount considers the valuation of fruit on bearer plants as of December 31, 2018 of US\$5.33 million. Isolating this effect, average income per kilo experienced a 2.3% increase.

Raspberries experienced a decrease in sales income of 1.56%, as a result of a slight increase in commercialized volume of 0.8%, while average income per kilo experienced a 2.4% decrease.

Blackberries experienced a decrease in sales income of 12.46%, which is explained by an almost unchanged distributed volume compared to 2017, together with a decrease in average income per kilo of 12.4%.

Strawberries experienced a decrease in sales of 44.33% compared to the previous period, variation that is explained by a 48.9% decrease in distributed volume, a lower availability of fruit in the Mexican market, partially offset by the 8.9% increase of average income per kilo.

Cherries recorded a sales income of US\$4.53 million during 2018, compared to the US\$2.98 million of the previous period. This increase in income is due to a 140.9% increase in kilos commercialized from Chile, offset by the 36.9% decrease experienced by average income per kilo.

Value added products recorded sales income of US\$26.59 million during 2018, increasing 11.55% compared to income recorded during the previous year. This variation is explained by a 3.0% increase in sold volume and by the increase in average income per kilo of 8.3%.

## b) Main Components of Costs and Expenses

| <b>Total Expenses and Costs</b>           | <b>31-Dec-18<br/>ThUS\$</b> | <b>31-Dec-17<br/>ThUS\$</b> | <b>Variation<br/>%</b> |
|---|-----------------------------|-----------------------------|------------------------|
| <b>Cost of Sales</b>                      | <b>(414,184)</b>            | <b>(324,718)</b>            | <b>27.55%</b>          |
| <i>Administration expense</i>             | (38,080)                    | (26,773)                    | 42.23%                 |
| <i>Other expenses, per function</i>       | (7,003)                     | (4,743)                     | 47.65%                 |
| <b>Other operating costs and expenses</b> | <b>(45,083)</b>             | <b>(31,516)</b>             | <b>43.05%</b>          |
| <b>Minus:</b>                             |                             |                             |                        |
| <i>Impairment in value of assets</i>      | 2,317                       | 3,215                       | -27.93%                |
| <b>Total Expenses and Costs</b>           | <b>(456,950)</b>            | <b>(353,019)</b>            | <b>29.44%</b>          |

### Main Components of Cost of Sales

Sales costs corresponding to 2018 increased 27.55% compared to what was recorded in 2017. This increase is mainly due to the incorporation of Grupo Rocio's blueberries business in Peru, through which the total volume of commercialized fruit increased 26.9%, from 46.1 million kilos in 2017 to 58.5 million kilos in 2018.

### Main Components of Administrative Expenses

Administrative expenses increased US\$11.31 million, reaching US\$38.08 million. The increase in this concept is mainly due to the one time effect on remunerations associated to an extraordinary growth bonus (+US\$1.0 million), indemnity due to restructuring in Chile and Mexico (+US\$0.35 million), strengthening of the commercial team in the United States and Europe (+US\$2.0 million) and the incorporation of the blueberries business belonging to Grupo Rocio in Peru (+US\$2.64 million).

### c) Other Components of Income Statement

| <b>Other Income (expenses)</b>                    | <b>31-Dec-18<br/>ThUS\$</b> | <b>31-Dec-17<br/>ThUS\$</b> | <b>Variation<br/>%</b> |
|---|-----------------------------|-----------------------------|------------------------|
| Other profit (loss)                               | 60,823                      | (363)                       | -16855.65%             |
| Financial income                                  | 1,448                       | 1,746                       | -17.07%                |
| Financial costs                                   | (17,254)                    | (5,711)                     | 202.12%                |
| Interest in profit (loss) of associated companies | (3,483)                     | 9,468                       | -136.79%               |
| Exchange rate fluctuations                        | 2,005                       | (5,256)                     | -138.15%               |
| <b>Other Income (expense)</b>                     | <b>43,539</b>               | <b>(116)</b>                | <b>-37633.62%</b>      |

The other components of the income statement passed from a loss of US\$0.12 million as of December 31, 2017 to a profit of US\$43.54 million as of December 31, 2018.

The main items that explain this variation are the following:

- Profit in other profit (loss) reached US\$60.82 million, due to an adjustment to fair value of interest in Hortifrut Tal S.A.C. (US\$60.99 million, US\$44.52 million net of tax), originated from the acquisition and merger operation of Grupo Rocio's blueberries business in Peru.
- The loss due to interest in profit (loss) of associated companies reached US\$3.48 million, a US\$12.95 million decrease compared to the previous year. This difference is mainly composed of a lower profit of US\$10.37 million in the associated company Hortifrut Tal S.A.C. (Peru) due to the incorporation of this company to the consolidation of the Hortifrut Group from the purchase and merger of Grupo Rocio's blueberries business in Peru, and a higher loss of US\$2.51 million in the associated company Munger Hortifrut NA LLC in the United States.
- Profit generated by Exchange Rate Difference of US\$2.01 million during the period ending December 31, 2018 (US\$5.26 million loss as of December 31, 2017), originated by the depreciation of the Euro, the Chilean peso and the Mexican peso, in relation to the dollar.
- Financial expenses increased from US\$5.71 million in 2017 to US\$17.25 million during 2018, variation which is mainly explained by the financing of the acquisition and merger of Grupo Rocio's blueberries business in Peru, the existing debt of the business acquired in this transaction, higher working capital necessary for the operation in Peru and the increase in short term interest rates.

### d) Income tax expense

Income tax expense was US\$27.42 million (US\$4.69 million as of December 31, 2017), which is subtracted as a current tax expense of US\$14.30 million (US\$8.98 million as of December 31, 2017), deferred tax expense of US\$13.33 million (US\$3.90 million in profit as of December 31, 2017) and other adjustments that offset the other items, of US\$0.21 million (US\$0.17 million as of December 31, 2017). The difference in deferred tax expense between 2018 and 2017 is mainly explained by US\$16.47 million associated to the adjustment to fair value of the interest in Hortifrut Tal S.A.C. due to the merger with Grupo Rocio in Peru.

**e) Other Indicators of Results**

**Equity Profitability:**

| Indicator   | Unit | 31-Dec-18 | 31-Dec-17 |
|---|------|-----------|-----------|
| Profitability of the parent company equity                            | %    | 17.97%    | 12.84%    |
| <b><i>Profit of parent company / Equity of the parent company</i></b> |      |           |           |
| Profitability of equity   | %    | 17.81%    | 11.37%    |
| <b><i>Profit of the period / Total equity</i></b>                     |      |           |           |

This index confirms the higher increase experienced by both total income and what can be attributed to the parent company shareholders, in relation to the increase in total equity and attributable to the parent company shareholders.

**Activity Indicators:**

| Indicator   | Unit  | 31-Dec-18 | 31-Dec-17 |
|---|-------|-----------|-----------|
| <b>Activity</b>   |       |           |           |
| <b>Rotation of Assets</b>                                     | Times | 0.62      | 0.73      |
| <i>Operating Revenue / Total average assets of the period</i> |       |           |           |
| <b>Rotation of inventories</b>                                | Times | 9.44      | 11.74     |
| <i>Cost of sales / Average inventory</i>                      |       |           |           |
| <b>Permanence of inventory (days)</b>                         | Days  | 38        | 31        |
| <i>Inventory / Annual cost of sale (base 360 días)</i>        |       |           |           |

The rotation of assets between the periods 2018 and 2017, decreased influenced by the increase in total operating income (+37.79%) which was proportionally lower than the increase in average total assets in the same period (+62.18%).

Likewise, the rotation of inventories decreased due to the increase in average inventories passing from US\$27.67 million in 2017 to US\$43.88 million in 2018, variation that was proportionally higher than the increase in sales costs previously explained.



## 5. COMPARATIVE ANALYSIS OF MAIN TENDENCIES

The evolution of main financial indicators is as follows:

Current liquidity, defined as the current asset to current liability ratio, increased as of December 31, 2018, showing an increase in current assets higher than the increase in current liabilities, mainly due to the increase in long term debt associated with the acquisition of the blueberries business of the Grupo Rocio in Peru.

The acid ratio increased compared to the previous year, which is explained by the movements of the aforementioned current assets and current liabilities.

| Indicator  | Unit  | 31-Dec-18 | 31-Dec-17 |
|--|-------|-----------|-----------|
| <b>Liquidity (times)</b>   |       |           |           |
| <b>Current Liquidity</b>   | Times | 1.08      | 0.89      |
| <i>Current Asset / Current Liability</i>   |       |           |           |
| <b>Acid Ratio</b>  | Times | 0.67      | 0.61      |
| <i>(Total current assets minus: Other non-financial assets, inventories and current biological assets) / Current Liability</i> |       |           |           |

| Indicator  | Unit               | 31-Dec-18 | 31-Dec-17 |
|--|--------------------|-----------|-----------|
| <b>Debt</b>  |                    |           |           |
| <b>Debt Ratio</b>  | Times              | 1.56      | 1.59      |
| <i>Total liabilities / Equity attributable to Parent Company</i>     |                    |           |           |
| <b>Short Term Debt</b>   | %                  | 37.70%    | 63.97%    |
| <i>Total current liabilities / Total liabilities</i>                 |                    |           |           |
| <b>Long term debt</b>  | %                  | 62.30%    | 36.03%    |
| <i>Total non-current liabilities / Total liabilities</i>             |                    |           |           |
| <b>Book value of the share (US\$)</b>                                | Dollars per action | 0.9704    | 0.4749    |
| <i>Equity attributable to the parent company / N° average shares</i> |                    |           |           |

The debt ratio decreased in relation to December 31, 2017, explained by an increase in total liabilities of US\$398.78 million (121.17%), proportionally lower than the increase in equity attributable to the parent company of US\$259.87 million (125.65%). Both effects are mainly due to the transaction with Grupo Rocio in Peru.

| Indicator  | Unit  | 01-Jan-2018<br>31-Dec-2018 | 01-Jan-2017<br>31-Dec-2017 |
|--|-------|----------------------------|----------------------------|
| <b>Financial expense coverage</b>                                    | Times | 7.95                       | 6.67                       |
| <i>(Before tax profit - Financial expenses) / Financial expenses</i> |       |                            |                            |

The increase in the financial expense coverage index as of December 31, 2018, compared to the previous year, is because the increase in the income before tax of US\$87.54 million (270.22%) was proportionally higher than what was experienced in financial expenses, which passed from US\$5.71 million during 2017 to US\$17.25 million in 2018.

## **6. ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION**

As of December 31, 2018, total assets increased US\$674.63 million in relation to the existing as of December 31, 2017, which is equal to a 117.80% variation.

Current assets increased US\$108.36 million (+57.79%), with an increase in cash and cash equivalents of US\$21.06 million (+75.66%), trade and other receivables US\$36.11 million (+78.34%), current biological assets US\$11.36 million (+116.92%), inventories US\$41.93 million (+94.12%), accounts receivable with related entities US\$0.19 million (+0.38%), and current tax assets US\$0.92 million (+84.81%). These increases were partially offset by the reduction of other current financial assets for US\$3.06 million (-68.46%), by the valuation of derivative financial instruments and other current non-financial assets for US\$0.15 million (-2.71%).

Non-current assets experienced an increase of US\$566.27 million (+147.01%), mainly due to the increase in property, plants and equipment of US\$448.30 million (+182.94%) linked to the execution of the Company's investment plan and the incorporation of Grupo Rocio's blueberries business in Peru, due to which we can see an increase in Equity of US\$153.0 million (+571.56%). The aforementioned is slightly offset by the decrease of investments recorded using the equity method of US\$38.46 million (-56.69%) because Hortifrut Tal S.A.C. (Peru) was incorporated in the consolidation, recognition of the interest in results and reserves of the associated companies, accounts receivable with related entities for US\$3.84 million (-47.59%) and other non-current financial assets for US\$1.03 million (-76.43%).

Current liabilities increased US\$63.87 million (+30.34%), due to an increase in trade accounts and other accounts payable of US\$38.60 million (+77.62%), other non-financial liabilities US\$1.08 million (+108.57%), other financial liabilities US\$21.10 million (+13.92%) and accounts payable to related entities US\$1.50 million (+24.49%).

Also, non-current liabilities increased US\$334.91 million (+282.46%), with the items with the highest increase being within the same other financial liabilities for US\$247.48 million (+294.73%), mainly associated to the financing of the transaction with Grupo Rocio's blueberries business in Peru and the restructuring of the financial debt from short to long term, deferred tax liabilities for US\$84.47 million (+375.51%), increase that is mainly due to the adjustment to fair value of properties, plants and equipment recorded due to the assigning of the price paid in the acquisition and merger transaction of the blueberries business belonging to Grupo Rocio in Peru and an increase in other accounts payable of US\$6.51 million for the recording of the estimation of the current value of the "earn-out" agreed with Grupo Rocio. This increase is partially offset with the decrease in accounts payable to related entities of US\$3.51 million (-29.07%) and other provisions for US\$0.04 (-100.00%).

The Company's total equity increased US\$275.85 million during the period, mainly explained by:

- a) The increase in capital issued for US\$212.04 million, associated to the share swap due to the merger with Grupo Rocio's blueberries business in Peru, specifically with the company Talsa Chile II SpA.

- b) The increase in accumulated profit (loss) of US\$65.02 million, composed of the recorded profit of US\$83.88 million minus a dividend of US\$18.08 million and an adjustment in the provision of uncollectables associated to the application of standard IFRS9 for US\$0.79 million.
- c) The decrease of other reserves for US\$12.97 million, linked to a lower reserve due to exchange rate fluctuations, which decreased US\$7.78 million due to the effect of equity on the subsidiaries with a functional currency different to the dollar, and to the fall in cash flow hedging reserve of US\$5.19 million associated to the application of hedge accounting over derivative instruments.
- d) The increase in non-parent company interests of US\$15.99 million (+43.49%), mainly due to the increase in capital at the subsidiary Honghe Jiayu Agriculture Limited.

| <b>Statement of Financial Position</b>               | <b>31-Dec-18<br/>ThUS\$</b> | <b>31-Dec-17<br/>ThUS\$</b> |
|--|-----------------------------|-----------------------------|
| Total current assets                                 | 295,866                     | 187,507                     |
| Total non-current assets                             | <u>951,454</u>              | <u>385,181</u>              |
| <b>Total assets</b>                                  | <b><u>1,247,320</u></b>     | <b><u>572,688</u></b>       |
| Total current liabilities                            | 274,418                     | 210,546                     |
| Total non-current liabilities                        | <u>453,477</u>              | <u>118,567</u>              |
| <b>Total liabilities</b>                             | <b><u>727,895</u></b>       | <b><u>329,113</u></b>       |
| Equity attributable to parent company equity holders | 466,682                     | 206,817                     |
| Non-controlling interest                             | <u>52,743</u>               | <u>36,758</u>               |
| <b>Total equity</b>                                  | <b><u>519,425</u></b>       | <b><u>243,575</u></b>       |

## 7. MAIN COMPONENTS OF NET OPERATING INVESTMENT AND FINANCING CASH FLOWS

| Main sources and uses of funds in the period (US\$ million)      | January-December 2018 | January - December 2017 | Comments   |
|--|-----------------------|-------------------------|--|
| Charges from the sale of goods and providing of services         | 511                   | 377                     | Increase of sales income due to a higher average price and higher volume from Peru                     |
| Payment to suppliers for supplying of goods and services         | (342)                 | (274)                   | A higher cost associated to the purchase of third party fruit  |
| Payment for and on behalf of employees                           | (94)                  | (55)                    | Increase of remunerations of harvest and packing in Chile and Peru and payment of extraordinary bonus. |
| Net interests  | (12)                  | (4)                     |  |
| Taxes  | (15)                  | (11)                    |  |
| Others   | (1)                   | (1)                     |  |
| <b>(1) Total Cash Flow for Operating Activities</b>              | <b>47</b>             | <b>32</b>               |  |
| Sale and purchase of property, plant and equipment               | (65)                  | (57)                    |  |
| Other investment activities (sum of all the rest)                | (132)                 | 4                       | Mainly purchase and merger of Rocio Group's blueberry business in Peru                                 |
| <b>(2) Total Cash Flow for Investment Activities</b>             | <b>(197)</b>          | <b>(53)</b>             |  |
| Net financing  | 515                   | 146                     | Restructuring of the debt and financing of the purchase of Rocio Group's blueberry business in Peru    |
| Payments of loans  | (326)                 | (119)                   | Restructuring of the debt  |
| Paid dividends and other investment flows                        | (18)                  | (12)                    |  |
| <b>(3) Total Cash Flow for Financing Activities</b>              | <b>171</b>            | <b>15</b>               |  |
| <b>Net Increase of Cash and Cash Equivalents (1) + (2) + (3)</b> | <b>21</b>             | <b>(6)</b>              |  |
| Effect due to exchange rate fluctuation                          | -                     | (1)                     |  |
| Cash and Cash Equivalents at the start of the period             | 28                    | 35                      |  |
| <b>Cash and Cash Equivalent at the End of the Period</b>         | <b>49</b>             | <b>28</b>               |  |

## **8. RISK FACTORS ANALYSIS**

The Company's business intrinsically involves a series of risk factors which, in one way or another, could affect the performance of the business. Within these factors, we can mention the following:

### **8.1 Financial Risk**

#### **8.1.1 Credit Risk**

a) Investment risk of cash surpluses:

The financial institutions with whom Hortifrut S.A. and subsidiaries operate and the type of financial products where they materialize said cash surplus investments, are considered low risk for the Company.

The Company's policy regulates investment and debt, trying to limit the impact of currency valuation and interest rates changes over the Company's net results, through cash surplus investments and signing of forwards contracts and other instruments in order to maintain a balanced rate and exchange rate position.

Within the authorized instruments, are those whose maturity terms do not exceed 90 days and have high liquidity.

- Cash at hand
- Term deposits
- Investments in mutual funds
- Other short term and high liquidity investments.

The financial entities where the investments are placed have a high creditworthiness.

b) Risk from sales operations:

Hortifrut has diversified sales in several countries.

The main customers are supermarkets in the United States, where the fresh fruit business is subject to PACA law, which protects fresh fruit and vegetable suppliers in the USA.

For sales outside the United States, the Company's policy is to obtain credit insurance policies. For those customers whose policies have a maximum limit, the Company constantly evaluates the risk of exposure and decreases/increases deliveries in accordance with the performed analysis or demands advanced payment from customers.

Regardless of the fact that to date Hortifrut has not had any problems in relation to credit risk, it is important to bear in mind that this fact does not guarantee that in the future, the Company may be exposed to this risk.



In order to mitigate this risk, the Company has credit insurance for the parent company and subsidiaries as of December 31, 2018.

### **8.1.2 Liquidity Risk and Financing**

This risk is associated to the probability that Hortifrut S.A. and its subsidiaries cannot comply with their obligations, as a result of insufficient liquidity or the impossibility to obtain credits.

Additionally, there is the risk that, due to an impairment in its operations or other circumstances, certain financial ratios could reach levels higher than the limits established in the credit contracts, which could limit the debt capacity or accelerate the maturity of the Company's valid financial liabilities.

To mitigate this risk, the Company continuously monitors its financial ratios and other affirmative and negative covenants stipulated in its credit contracts, in order to be able to take opportune actions to avoid the potential negative effects associated to this risk.

Regardless of the fact that to date Hortifrut has not had any problems in relation to exceeding the financial ratios stipulated in the financing contracts, it is important to bear in mind that this fact does not guarantee that in the future, Hortifrut may be exposed to this risk.

The Hortifrut Group centrally administers these risks from the parent company through an appropriate distribution, extension of terms and by limiting the amount of its debt, as well as the maintenance of an adequate liquidity reserve, constantly monitoring the debt of the Subsidiaries and Associated Companies. In the case of subsidiaries such as Hortifrut España Southern Sun SL, and associated companies such as Hortifrut Tal S.A.C. and Munger Hortifrut N.A. LLC in the United States, credit decisions are made at these business units in coordination with Hortifrut S.A. Debts are incurred through bank credits in Chile and overseas, aiming to optimize credit conditions based on the financing needs to face investment plans and requirements for work capital.

Regardless of the fact that to date Hortifrut has not had any problems in relation to liquidity risk, it is important to bear in mind that this fact does not guarantee that in the future, Hortifrut may be exposed to this risk.

Hortifrut has available short-term credit lines, approved and valid for work capital, which as of December 31, 2018 reach US\$238.34 million (US\$222.0 million as of December 31, 2017), distributed among 14 banks. The used amount reaches US\$131.34 million, with an unused balance of US\$107.04 million. The credit lines are distributed among the following companies: Hortifrut Chile S.A. with US\$217.45 million, Hortifrut S.A. with US\$5 million, Agrícola El Pampino S.A. with US\$0.75 million, Agrícola Santa Rosa del Parque S.A. with US\$0.50 million, Agrícola Vida Nueva S.A. with US\$0.4 million, Agrícola Mataquito S.A. with US\$1.3 million, Agrícola El Avellano with US\$0.5 million, Hortifrut Import Inc., with US\$5 million and Euroberry Marketing S.A. with US\$7.44 million.

Based on the current operational performance and its liquidity position, the Company estimates that cash flows from operating activities and available cash will be enough to finance work capital and interest payments, for the next 12 months and the foreseeable future.

To administer short term liquidity, the Company uses as a base its cash flows forecasted for a mobile period of twelve months and maintains cash and cash equivalents which are available to comply with its future obligations.

Below we summarize the maturity of the Company's bank loans as of December 31, 2018, based on undiscounted contractual flows:

|   | <b>Cash Flows</b> |                  |                           |                                |                              |                     |                |
|---|-------------------|------------------|---------------------------|--------------------------------|------------------------------|---------------------|----------------|
|   | <b>Capital</b>    | <b>Interests</b> | <b>From 0 to 3 months</b> | <b>Between 3 and 12 months</b> | <b>Between 1 and 5 years</b> | <b>Over 5 years</b> | <b>Total</b>   |
| <b>Creditor Bank</b>                          | <b>ThUS\$</b>     | <b>ThUS\$</b>    | <b>ThUS\$</b>             | <b>ThUS\$</b>                  | <b>ThUS\$</b>                | <b>ThUS\$</b>       | <b>ThUS\$</b>  |
| Banco Santander Chile                         | 76,752            | 254              | 37,640                    | 1,838                          | 43,491                       | -                   | 82,969         |
| Banco RaboFinance Chile                       | 48,432            | 435              | 537                       | 2,357                          | 31,690                       | 28,656              | 63,240         |
| Banco de Crédito e Inversiones                | 68,884            | 1,408            | 10,714                    | 7,075                          | 29,614                       | 40,895              | 88,298         |
| Banco Scotiabank                              | 66,414            | 117              | 23,853                    | 4,883                          | 43,807                       | -                   | 72,543         |
| Banco BICE                                    | 7,000             | 19               | 7,027                     | -                              | -                            | -                   | 7,027          |
| Banco de Chile                                | 23,115            | 117              | 23,227                    | 24                             | -                            | -                   | 23,251         |
| Banco China Construction Bank Corp.           | 9,000             | 12               | 9,061                     | -                              | -                            | -                   | 9,061          |
| Banco Estado                                  | 35,633            | 78               | 5,360                     | 2,063                          | 21,905                       | 14,178              | 43,506         |
| Banco Itaú                                    | 15,000            | 32               | 15,065                    | -                              | -                            | -                   | 15,065         |
| Banco Santander Central Hispano S.A.          | 12,825            | -                | 3,469                     | 3,304                          | 6,234                        | -                   | 13,007         |
| Banco Bilbao Vizcaya Argentaria               | 10,048            | 48               | 1,469                     | 1,469                          | 7,344                        | -                   | 10,282         |
| La Caixa                                      | 5,022             | 14               | 366                       | 1,099                          | 3,662                        | -                   | 5,127          |
| Bankinter                                     | 2,802             | 3                | 220                       | 659                            | 1,977                        | -                   | 2,856          |
| Banco Sabadell                                | 2,151             | -                | 146                       | 439                            | 1,610                        | -                   | 2,195          |
| Banco de Crédito del Perú                     | 5,295             | -                | 54                        | 2,784                          | 2,774                        | -                   | 5,612          |
| Scotiabank Peru S.A.                          | 23,500            | 266              | 3,194                     | 4,437                          | 18,785                       | -                   | 26,416         |
| Banco Chile                                   | 24,802            | 47               | -                         | 1,324                          | 20,646                       | 8,997               | 30,967         |
| GC Rent Chile SPA                             | 1                 | -                | -                         | 1                              | -                            | -                   | 1              |
| HSBC México SA, Institucion de Banca Multiple | 4,501             | -                | -                         | 1,476                          | 3,274                        | -                   | 4,750          |
| Coöperatieve Rabobank U.A.                    | 19,742            | 426              | 2,292                     | 2,170                          | 18,328                       | -                   | 22,790         |
| Metlife                                       | 39,259            | 618              | 2,640                     | 2,598                          | 19,290                       | 28,992              | 53,520         |
| <b>Total as of December 31, 2018</b>          | <b>500,178</b>    | <b>3,894</b>     | <b>146,334</b>            | <b>40,000</b>                  | <b>274,431</b>               | <b>121,718</b>      | <b>582,483</b> |

Below is a summary of the maturities of the total financial liabilities as of December 31, 2018:

|   | <b>Cash Flows</b> |                  |                           |                                |                              |                     |               |
|---|-------------------|------------------|---------------------------|--------------------------------|------------------------------|---------------------|---------------|
|   | <b>Capital</b>    | <b>Interests</b> | <b>From 0 to 3 months</b> | <b>Between 3 and 12 months</b> | <b>Between 1 and 5 years</b> | <b>Over 5 years</b> | <b>Total</b>  |
| <b>Detail</b>                             | <b>ThUS\$</b>     | <b>ThUS\$</b>    | <b>ThUS\$</b>             | <b>ThUS\$</b>                  | <b>ThUS\$</b>                | <b>ThUS\$</b>       | <b>ThUS\$</b> |
| Bank loans                                | 500,178           | 504,072          | 146,334                   | 40,000                         | 274,431                      | 121,718             | 582,483       |
| Trade accounts and other accounts payable | 88,319            | 88,319           | 68,006                    | 20,313                         | -                            | -                   | 88,319        |
| Accounts payable to related companies     | 16,208            | 16,208           | -                         | 7,646                          | 8,562                        | -                   | 16,208        |

### **8.1.3 Exchange rate risk**

The international character of its business and its operations in different countries expose Hortifrut to risks due to exchange rate fluctuations. The main exposures refer to exchange rate fluctuations in US Dollar versus Chilean Pesos, Mexican Pesos, Peruvian Nuevo Sol and Euros.

#### **a) Exposure to Chilean Pesos**

The source of exposure to Chilean Pesos comes from the costs of the Chilean companies denominated in said currency, trade accounts receivable with national customers and liquid funds held in financial instruments and bank obligations.

Hortifrut performs actions to mitigate the exposure to costs of the Chilean companies by contracting derivative instruments. Likewise, in the Chilean companies, Cross Currency Swap instruments are used to mitigate the exchange rate risk in bank obligations denominated in Chilean Pesos.

#### **b) Exposure to Mexican Pesos**

The source of exposure to Mexican Pesos mainly comes from agricultural operating costs in Mexico which are mostly denominated in said currency and, at a lower scale, trade accounts receivable with Mexican customers.

Hortifrut performs mitigation measures over the exposure to costs of Mexican companies, through the contracting of derivative instruments.

#### **c) Exposure to Euros**

The source of exposure to Euros comes from sales performed in said currency, bank obligations and, at a lower measure, liquid funds kept in financial instruments. Hortifrut performs actions to mitigate the exposure to sales in Euros through the use of forward derivative instruments.

#### **d) Exposure to Peruvian Soles**

The source of exposure to Peruvian Soles mainly comes from agricultural operating costs in Peru, which are mainly denominated in said currency, and, at a lower measure, customer's receivable trade accounts. Hortifrut constantly evaluates the need to realize risk mitigation actions.

Regardless of the fact that to date Hortifrut has not had any problems in relation to exchange rate risk, it is important to bear in mind that this fact does not guarantee that in the future, Hortifrut may be exposed to this risk.





## Exposure in currencies other than dollar

The following table shows exposure in currencies other than dollar, over the Company's financial assets and liabilities as of December 31, 2018:

|   | <u>Peso/UF</u> | <u>Nuevo Sol</u> | <u>Euro</u>   | <u>Mexican \$</u> | <u>Argentine \$</u> | <u>Real/others</u> |
|---|----------------|------------------|---------------|-------------------|---------------------|--------------------|
|   | <u>ThUS\$</u>  | <u>ThUS\$</u>    | <u>ThUS\$</u> | <u>ThUS\$</u>     | <u>ThUS\$</u>       | <u>ThUS\$</u>      |
| <b>As of December 31, 2018</b>                        |                |                  |               |                   |                     |                    |
| <b>Financial Assets</b>                               |                |                  |               |                   |                     |                    |
| Cash and Cash Equivalents                             | 505            | 4,958            | 9,878         | 234               | 2                   | 1,969              |
| Other current non-financial assets                    | 1,369          | -                | 192           | 3,461             | 20                  | 22                 |
| Current trade debtors and other accounts receivable   | 10,062         | 9,658            | 44,441        | 2,192             | 1,495               | 3,207              |
| Current accounts receivable with Related Entities     | 298            | -                | 5,084         | -                 | -                   | -                  |
| Non-current accounts receivable with Related Entities | -              | -                | 4,224         | -                 | -                   | -                  |
| <b>Total Financial Assets</b>                         | <b>12,234</b>  | <b>14,616</b>    | <b>63,819</b> | <b>5,887</b>      | <b>1,517</b>        | <b>5,198</b>       |
| <b>Current Liabilities</b>                            |                |                  |               |                   |                     |                    |
| Other current financial liabilities                   | 455            | 1                | 10,029        | -                 | -                   | -                  |
| Current trade accounts and other accounts payable     | 15,723         | 11,809           | 6,910         | 1,238             | 27                  | 376                |
| Current accounts payable to Related Entities          | 4,061          | -                | 245           | -                 | -                   | -                  |
| Current provisions for employee benefits              | 441            | -                | -             | 507               | -                   | -                  |
| Other non-current financial liabilities               | 5              | -                | 20,520        | -                 | -                   | -                  |
| Non-current accounts payable to Related Entities      | 1,209          | -                | 7,353         | -                 | -                   | -                  |
| <b>Total Financial Liabilities</b>                    | <b>21,894</b>  | <b>11,810</b>    | <b>45,057</b> | <b>1,745</b>      | <b>27</b>           | <b>376</b>         |
| <b>Net exposure as of December 31, 2018</b>           | <b>(9,660)</b> | <b>2,806</b>     | <b>18,762</b> | <b>4,142</b>      | <b>1,490</b>        | <b>4,822</b>       |

## Sensitivity analysis

The potential net effect in financial assets and liabilities of a 10% devaluation of the United States dollar against all the other relevant currencies to which the Company is exposed, would be approximately ThUS\$2,236 (ThUS\$769 as of December 31, 2017) as a higher charge to the company's results as of December 31, 2018, the aforementioned maintaining all the other variables constant. The calculation considers the Company's exposure in financial assets and liabilities denominated in currency different to the dollar.

| <u>Currencies</u>             | <u>Assets</u>  | <u>Liabilities</u> | <u>Net</u>    | <u>Net (10% Devaluation)</u> | <u>Variation</u> |
|-------------------------------|----------------|--------------------|---------------|------------------------------|------------------|
|                               | <u>ThUS\$</u>  | <u>ThUS\$</u>      | <u>ThUS\$</u> | <u>ThUS\$</u>                | <u>ThUS\$</u>    |
| Chilean Peso /UF              | 12,234         | 21,894             | (9,660)       | (8,694)                      | 966              |
| Nuevo Sol                     | 14,616         | 11,810             | 2,806         | 2,525                        | (281)            |
| Euro                          | 63,819         | 45,057             | 18,762        | 16,886                       | (1,876)          |
| Mexican Peso                  | 5,887          | 1,745              | 4,142         | 3,728                        | (414)            |
| Argentine Peso                | 1,517          | 27                 | 1,490         | 1,341                        | (149)            |
| Real / Others                 | 5,198          | 376                | 4,822         | 4,340                        | (482)            |
| <b>Total as of 31-12-2018</b> | <b>103,271</b> | <b>80,909</b>      | <b>22,362</b> | <b>20,126</b>                | <b>(2,236)</b>   |

### 8.1.4 Interest Rate Risk

The Hortifrut Group has its long term financial liabilities linked to long term investments.

Long term liabilities are both at fixed and variable rates and mostly in dollars to avoid cost variations and to be aligned with the Company's functional currency. Even though short term financial

liabilities, linked to temporary work capital are at a fixed rate, an exposure to fluctuations in the market rates at the moment of its contracting and/or renewal is experienced.

If Hortifrut held a whole year the debt that it has at a variable rate, which is ThUS\$131,741 as of December 31, 2018 (ThUS\$128,233 as of December 31, 2017) and the rate increased 10%, the impact on the annual financial cost would be ThUS\$406 (ThUS\$221 as of December 31, 2017).

## **8.2 Operating Risks**

Hortifrut's operating risks are administered by each corresponding management, in accordance with the norms and standards defined at a corporate level. Below is a detail of those that management considers to be of higher relevance:

### **8.2.1 Genetic development**

The lack of modern varieties of plants could affect the competitiveness of the business, both agricultural, export and trade. The Hortifrut Group currently counts with varietal development programs, maintaining in Chile and overseas strategic alliances with universities and companies dedicated to this sector, as well as establishing agreements with the main nurseries in the world, guaranteeing Hortifrut access to a large spectrum of modern and attractive plant varieties.

### **8.2.2 Significant increase in Supply**

In the case of very significant increases in the planted hectares at a global level, a scenario of over-supply of berries could be generated, which would lead to a fall in prices at the destination markets. Nevertheless, at the main markets where Hortifrut operates we can still observe a great growth potential in the demand for berries, due to the combination of (i) a product with very positive health effects; (ii) the growing importance given by consumers to healthy food and (iii) a still relatively low consumption of berries per capita.

### **8.2.3 Intensification of competition**

The Company also faces the risk of an eventual intensification of competition or the appearance of new actors in the berries market. To face these risks, the Company concentrates its efforts on actions aimed at maintaining its leadership in costs, maintaining a strong distribution chain, constantly improving the offer of products and obtaining brand recognition, among others. Likewise, Hortifrut has privileged an international expansion through strategic alliances both in the productive and commercial area, which allows it to better face competition and be able to supply its customers with fresh berries every day of the year.

#### **8.2.4 Climatic risks**

Climate is an external factor that is difficult to control, which can affect quality and cause variations in the volume of fruit available to commercialize during the year. Even though this risk is difficult to control, the Hortifrut Group aims for a greater geographic diversification and invests in infrastructure to assure the availability of water and to face the possible climatic risks, such as rain, hail and frost control.

With the acquisition of Grupo Rocio's blueberries business, the Company's plantations in Peru reached 63.1% of the total own plantations, increasing exposure to climatic risk in this country. Nevertheless, the Company has other smaller plantations in South America, North America, Europe and Asia, which allow it to partially mitigate this risk.

#### **8.2.5 Plagues and disease**

It is unavoidable for part of the crop to be affected by some incidence of plagues and/or disease. Therefore, efficient control of these is as necessary as fertilizing or watering. Risk associated with plagues or disease impacts on the quality and/or performance, being able to affect appearance and post-harvest life of the fruit; in some cases this risk involves the application of quarantines in specific productive zones on behalf of the phytosanitary authorities of the countries where the fruit is destined.

Nevertheless, through a good control (search and monitoring) an outbreak of plagues or disease can be detected on time, allowing to eliminate the problem before it causes greater damage. The aforementioned does not imply that in the future the Company will not be affected by current or new plagues and/or disease.

From 2013, the United States applied quarantine to some regions in Chile due to the detection of the Lobesia Botrana moth. These quarantines can generally be lifted immediately through fumigation of the fruit at destination or, in the medium term, working with the authorities on preventive measures to control the plague which prove contention or eradication, ending up in the lifting of the quarantine.

#### **8.2.6 Food-Safety**

As in all foods, there is always the risk of a "recall" in the industry (term employed in case a product is removed from the market if there is a suspicion or a certainty that it violates the valid food laws or that the quality standards established by the company for said market are exceeded) which could considerably affect the Company's results. Until now Hortifrut has never had a problem in this aspect, nevertheless, this does not assure that it won't occur in the future. The Company guarantees the quality and sanity of its berries by investing in technology, specifically traceability systems, working with a rigorous quality assurance and food safety program which applies during all the phases of the productive process (pre-harvest, harvest and post-harvest), which allows to circumscribe the eventual problem to a lower volume, not affecting the complete production.

#### **8.2.7 Risks of Availability of Human Resources**

Temporary collaborators are vital for fruit harvest, so Hortifrut has developed several initiatives to maintain the temporary collaborators from one season to the next. Additionally, people are recruited through labor fairs and informative meetings organized with the intermediation the regional governments corresponding to the area of each productive unit, so a relationship of mutual collaboration with the community and its municipalities has been built.



### 8.2.8 Continuity and Costs of Supplies and Services

The development of Hortifrut's business involves a complex logistic regarding the opportune supply of quality supplies and services which are fundamental to maintain competitiveness. As in all agricultural business, the availability of water is critical to assure the good result of the harvest, Hortifrut invests in infrastructure such as reservoirs and deep wells to partially mitigate this risk. Regarding electrical energy, Hortifrut's process plants count with generators that allow to assure the continuity of the operation in front of supply cuts. Also, all the plants have contingency plans to face restrictive supply scenarios. Nevertheless, it is not possible to discard that in the future, supply shortages could generate a discontinuity in the supply and/or higher costs at Hortifrut's plants. It is also important to consider eventual standstill at ports and transport companies in general, which could affect Hortifrut's performance if the events extend in time.

### 8.2.9 Risk associated to New Technologies

Hortifrut, in its varied entrepreneurship, throughout the world, is incorporating growing new technologies in the whole production process, which involves risks associated to the lack of knowledge of their behaviors. Even though most of its technologies are widely widespread in the world, there is still no extended history which allows to know beforehand all the adverse effects that could derive from it.

### 8.3 Insurance

The Hortifrut Group has contracted insurance policies to cover exposure to the main financial and operational risks, considering that the coverage of these policies is adequate.

The main insurances contracted as of December 31, 2018 and 2017 are the following:

| <u>COUNTRY</u> | <u>TYPE OF INSURANCE</u>                       | <u>CURRENCY</u> | <u>31-Dec-2018</u>               |  | <u>CURRENCY</u> | <u>31-Dec-2017</u>               |  |
|----------------|--|-----------------|----------------------------------|--|-----------------|----------------------------------|--|
|                |  |                 | <u>COVERED AMOUNT</u>            |  |                 | <u>COVERED AMOUNT</u>            |  |
| Chile          | Infrastructure Fire                            | UF              | 1,658,152                        |  | UF              | 1,469,132                        |  |
| Chile          | Mobile Agricultural Equipment                  | UF              | 48,092                           |  | UF              | 70,244                           |  |
| Chile          | Motor Vehicles                                 | UF              | 48,563                           |  | UF              | 131,400                          |  |
| Chile          | General and Product Civil Responsibility       | USD             | 5,000,000                        |  | UF              | 127,144                          |  |
| Chile          | Maritime Transport                             | USD             | 7,000,000                        |  | UF              | 305,147                          |  |
| Chile          | Credit Insurance                               | USD             | 20,000,000                       |  | UF              | 254,289                          |  |
| Chile          | Fruit and Materials Insurance                  | USD             | 9,810,916                        |  | UF              | 249,481                          |  |
| Chile          | Terrorism                                      | UF              | 500,000                          |  | UF              | 500,000                          |  |
| Chile          | Business Interruption                          | UF              | 1,227,000                        |  | UF              | 250,000                          |  |
| USA            | Product Civil Responsibility                   | USD             | 20,000,000                       |  | USD             | 20,000,000                       |  |
| Mexico         | Transporting of Load                           | USD             | 200,000/shipment                 |  | USD             | 200,000/shipment                 |  |
| Mexico         | Infrastructure Fire, Theft and Civil Liability | USD             | 48,000,000                       |  | USD             | 48,000,000                       |  |
| Mexico         | Motor Vehicles                                 | USD             | Commercial Value                 |  | USD             | Commercial Value                 |  |
| Spain          | Motor Vehicles                                 | EUR             | Commercial Value / without limit |  | EUR             | Commercial Value / without limit |  |
| Spain          | Installations                                  | EUR             | 350,000 per event                |  | EUR             | 350,000 per event                |  |
| Spain          | Goods  | EUR             | 50,000 per event                 |  | EUR             | 50,000 per event                 |  |
| Spain          | Civil Liability                                | EUR             | 6,500,000                        |  | EUR             | 6,500,000                        |  |
| Spain          | Credit Insurance                               | EUR             | 90% unpaid                       |  | EUR             | 90% unpaid                       |  |
| Peru           | Fire   | PEN             | 618,320                          |  | PEN             | 618,320                          |  |
| Peru           | Motor Vehicles                                 | USD             | 261,820                          |  | USD             | 261,820                          |  |

## 8.4 Risk in the Estimations

### Effects of the valuation of fruit that grows on “bearer plants” due to changes in volume and price

As per what is established in IAS 41, agricultural products that grow on fruit bearer plants will remain within the scope of this standard, which must be measured at their fair value minus sale costs, recording the changes in valuation in result as the product grows.

Since this valuation corresponds to an estimation, it could vary when fruit sales are perfected, the moment that said result is realized.

As of December 31, 2018, the recognition, due to the concept of the expected margin of fruit on Hortifrut S.A. and subsidiaries’ bearer plants, is as follows:

| Company                 | Fair Value Adjustment as of 12/31/2018 (ThUS\$) | 10% Reduction Volume (ThUS\$) | 10% Reduction Price (ThUS\$) | 10% Reduction Volume and Price (ThUS\$) |
|-------------------------|---|-------------------------------|------------------------------|---|
| Hortifrut Tal S.A.C.    | 4,729   | 4,289                         | 3,448                        | 3,136                                   |
| Hortifrut Peru S.A.C.   | 1,130   | 1,022                         | 516                          | 471                                     |
| Berries de Chao S.A.C.  | 324   | 294                           | 224                          | 204                                     |
| Agrícola Hortifrut S.A. | 1,174   | 1,057                         | 638                          | 574                                     |
| <b>Total</b>            | <b>7,357</b>                                    | <b>6,662</b>                  | <b>4,826</b>                 | <b>4,385</b>                            |

As of December 31, 2018, the expected margin of the fruit on the Company’s bearer plants was recognized, for the amount of ThUS\$7,357 which is presented under other income, per function and net of the amount incorporated due to the merger with the Rocio Group on July 03, 2018, reaching ThUS\$5.332.

As of December 31, 2017, the expected margin of fruit on Agrícola Hortifrut S.A.’s bearer plants was recognized, for the amount of ThUS\$1,640.

Below we detail the effect that a 10% decrease in price and volume would have had on said margin:

| Company                 | Fair Value Adjustment as of 31.12.2017 (ThUS\$) | 10% Reduction Volume (ThUS\$) | 10% Reduction Price (ThUS\$) | 10% Reduction Volume and Price (ThUS\$) |
|-------------------------|---|-------------------------------|------------------------------|---|
| Agrícola Hortifrut S.A. | 1,640   | 1,476                         | 1,016                        | 914                                     |

Also, within the item Investments recorded using the equity method as of December 31, 2017, the expected margin of fruit on Hortifrut Tal S.A.C. (Peru)’s bearer plants was recognized based on the interest percentage that it had in it, amount that reached ThUS\$953, as of December 31, 2017.



Below we detail the effect that a 10% decrease in price and volume would have had on said margin:

| <b>Company</b>       | <b>Fair Value Adjustment as of 31.12.2017 (ThUS\$)</b> | <b>10% Reduction Volume (ThUS\$)</b> | <b>10% Reduction Price (ThUS\$)</b> | <b>10% Reduction Volume and Price (ThUS\$)</b> |
|----------------------|--|--------------------------------------|-------------------------------------|--|
| Hortifrut Tal S.A.C. | 953  | 877                                  | 744                                 | 670  |

### **8.5 Risk Associated to Merger and Acquisition Process**

Due to the global character of the business and the Company's intention to remain within the main global participants in the production and commercialization of berries and other fruits, Hortifrut has materialized different purchase and/or merger processes in the past, and could materialize other similar transactions in the future. Both the Company and the acquired companies or assets are exposed to the potential financial, operational and other previously described risks.

To mitigate these risks, the Company continuously monitors the potential effects that the merger and/or acquisition processes could have on the financial ratios, both at a profit and balance level, in order to take opportune actions to remain within the scopes allowed by its financing contracts.

Even though to date Hortifrut has not had any problems associated to the merger and acquisition processes, it must keep in mind that this fact does not guarantee that in the future Hortifrut will not be exposed to this risk.

