



**REASONED ANALYSIS OF HORTIFRUT S.A.'S
CONSOLIDATED FINANCIAL STATEMENTS**

As of June 30, 2021
(In thousands of United States dollars)

The current reasoned analysis has been prepared for the period ending June 30, 2021, compared with the financial statements as of December 31, 2020 and June 30, 2020.

Since the Company administers its operations with an agricultural season (July 01 to June 30) point of view, which is the relevant criteria for this type of business, in this analysis we also include the comparison of the 20/21 and 19/20 seasons.

1. HIGHLIGHTS OF THE PERIOD AND SUBSEQUENT FACTS

Significant improvements in the Company's performance and results

	CALENDAR YEAR (6 months)		SEASON (12 months)	
	Jan21 - Jun21	Jan20 - Jun20	Jul20 - Jun21	Jul19 - Jun20
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
EBITDA	75,586	45,674	205,045	121,611
Profit (loss), attributable to the parent company equity holders	11,273	2,502	62,795	22,259

During the 1H21 and the S20/21 Hortifrut showed a relevant improvement in its results, mainly due to the good performance of our trade platforms at the destination markets, together with the strength of our genetic programs, the optimization of our production curve and the constant demand for our products, resulting in an increase in sale prices. Also, innovation and application of production and operation technologies have allowed us to reduce costs. Finally, the maturity and good performance of fields planted in recent years in China and Mexico allowed us to improve our results during the 1H21.

The excellence of our trade platforms allows us to provide better services for our customers with new and diverse product formats, which associated to our genetics (own and licensed) allow us to develop premium programs with fruit with better characteristics, assuring the preference of our customers and third-party producers. This, added to the growth of the Fresh Fruit segment's volume due to investments performed in China and Mexico, and Value Added Products segment thanks to Vitafoods, allowed to record an increase in distributed volume of 61.68% during the 1H21 in relation to the 1H20. In relation to the season, as of June 2021 the Company reached an increase in distributed volume of 45.98%.

Also, the use of technologies at a field and operations level at origin and destination, as well as the planted proprietary varieties, have allowed us to decrease our costs and optimize our production curve in order to accomplish a better market supply. Thereby, sales costs of the 51,763 tons distributed in 1H21 was 6.02 US\$/kg, compared with 6.66 US\$/kg for the 32,016 tons distributed in the 1H20.

Market knowledge allowed Hortifrut to maximize profitability, through an efficient planning of supply, executed through the pruning strategy, the design of the production curve and the handling of programmed harvests, which allowed an early start-up of the S20/21 in Peru and resulted in commercializing during S20/21, 36,300 tons from this country, which represents a 14.77% growth in relation to the previous season.



We managed to supply part of the demand of our trade platforms in Asia and North America from fields developed to obtain competitive advantages, such as blueberry fields in China, and raspberry and blueberry fields in Mexico. In China we obtained an increase in the commercialized volume of blueberries of 103.62% compared to S19/20, reaching a total volume of 4,102 tons. In the case of Mexico, the planted hectares of *Centennial*, own raspberry variety developed by Hortifrut's genetics program, at own and third-party fields, has brought a significant increase in commercialized volumes, passing from 2,593 tons in S19/20 to 6,085 tons in S20/21 (+134.61%). Also, the raspberry volume in Mexico reached 5,836 tons, which represents a 3,980 tons increase compared to the previous season.

This has allowed a growth in the consolidated EBITDA during the S20/21 of 68.61% in relation to the S19/20, reaching US\$205.05 million.

Favorable Resolution US-ITC

The International Trade Commission of the USA, after investigating the imported blueberries market in this country, determined, by unanimity of its members, that fresh, refrigerated or frozen blueberries from the different countries that export to the United States, among them Chile, Peru and Mexico, do not constitute a substantial cause of serious damage or threat for that country's industry.

As a result, dated February 12, 2021, the Commission determined to close the investigation and therefore no safeguards or restrictions will be applied to the imported products.

Change in Agricultural Regime in Peru

At the start of 2021, the Peruvian government approved a change in the country's agricultural regime. The main changes to the previously valid regime are: 1) a special bonus is created for agricultural workers of 30% of minimum vital remuneration, 2) participation in profit for workers will gradually increase from a current 5% to 10% in 2027, 3) the increase in the company's contribution to health insurance of the collaborators has been accelerated and will reach a 9% of taxable salary as of 2025 (before, as of 2029), and 4) there will be a progressive increase in income tax from a current 15% to 29.5% in 2028.

COVID-19 Sanitary Contingency

In relation to the sanitary contingency due to the COVID-19 pandemic, Hortifrut has taken actions in order to take care of the health of its workers and collaborators, adopting the home-office modality for all its workers who can perform their tasks remotely. For the workers whose task is essential and has to be done in person, all the recommendations and measures established by the governmental authorities of each country and global organizations have been applied, a traceability system was developed for the workers and communication campaigns have taken place, as well as support for them.

In order to maintain our commitment to supply berries every day of the year to the whole world, the Company has aimed to assure the continuity of the operations, adopting measures to assure the provision of the necessary supplies for the correct functioning of all our fields. As of the end of 2Q21, the fields where the Company is harvesting are Peru and Mexico, whose operations have not been greatly affected.

2. SUMMARY OF THE PERIOD

The calculation of the EBITDA is detailed below:

	CALENDAR YEAR (6 months)		SEASON (12 months)	
	Jan21 - Jun21	Jan20 - Jun20	Jul20 - Jun21	Jul19 - Jun20
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
EBITDA DETERMINING				
Income from operating activities	396,678	259,303	820,741	560,227
Other income, per function	3,260	6,257	2,464	8,180
Total Income	399,938	265,560	823,205	568,407
Cost of sales	(311,492)	(213,253)	(615,167)	(443,304)
Administration expenses	(31,579)	(24,622)	(60,168)	(47,919)
Other expenses, per function *	(3,431)	(2,834)	(6,120)	(5,906)
Total Costs and Expenses	(346,502)	(240,709)	(681,455)	(497,129)
Operating Result	53,436	24,851	141,750	71,278
Depreciation and amortization	22,150	20,823	63,295	50,333
EBITDA	75,586	45,674	205,045	121,611
EBITDA without Fair Value	75,398	44,933	206,350	120,847

*Excludes impairment in the value of assets

Accumulated analysis as of June 2021

The EBITDA during the 1H21 reached US\$75.59 million, which represents a 65.49% increase compared with the US\$45.67 million recorded in the 1H20. The higher EBITDA is mainly due to: 1) the execution of its commercial strategy through Hortifrut's platforms at destination markets, allowing to record a 7.18% increase in the average sale price of Fresh fruit segment, 2) the strength of its genetics programs and maturing of the fields planted during recent years, which has contributed to the increase in commercialized volume of 61.68%, mainly blueberries from Mexico and China, and raspberries from Mexico, which have mostly been planted with Hortifrut genetics (own and licensed), and 3) the innovation and application of production and operation technologies, generating sales cost per kilo efficiencies and improvements in the quality of the fruit.

The 1H21 recorded profit attributable to the parent company shareholders for US\$11.27 million, representing an US\$8.77 million increase in relation to the US\$2.50 million profit recorded in the 1H20. This improvement in gains attributable to the parent company shareholders is mainly due to an increase in the gross profit of US\$39.14 million as a result of the increase in distributed volumes and the aforementioned average sale price, as well as the already stated reduction in costs and expenses. This was partially offset by the write-off of plantations recognized in Chile associated to the re-planting program with new varieties, which must increase productivity and profitability of these fields, and in the United States by the stripping of non-profitable hectares.

Analysis of the July 2020 – June 2021 season

Also, the EBITDA during the S20/21 reached US\$205.05 million, increasing 68.61% compared to the US\$121.61 million EBITDA recorded in the same period of S19/20. The EBITDA mainly increased due to the 45.98% increase in commercialized volume during the period, influenced by the increase in volume of: 1) Blueberries in Peru, Chile, Mexico and China, 2) Raspberries in Mexico, Portugal and Morocco, and 3) Value Added Products segment thanks to the merger that took place during 2020 between Hortifrut and Alifrut's frozen food business. Additionally, there is a 1.06% increase in the average price of the fruit mix, which, together with higher volume, allow for income from operating activities in the S20/21 to reach US\$820.74 million, which represents a US\$260.51 million increase compared to S19/20, all thanks to the excellence of its commercial platforms that provide customer service with new and diverse product formats.

Profit attributable to the parent company shareholders reached US\$62.80 million in S20/21 compared to the US\$22.26 million recorded during S19/20 (+182.11%). The higher profit is mainly due to higher sales volumes, increase in Fresh fruit segment prices, cost and expense efficiency, and the reduction in net financial expenses (-US\$4.54 million), which was partially offset by: 1) the higher write-off of bearer plants that reached US\$27.99 million during S20/21, and 2) a higher loss due to exchange rate fluctuations (-US\$9.81 million).

Net financial debt determining	30-Jun-21	31-Dec-20
Items	ThUS\$	ThUS\$
Other current financial liabilities	94,665	111,226
Current lease liabilities*	5,956	8,408
Other non-current financial liabilities	382,446	378,636
Non-current lease liabilities*	68,603	62,972
Total financial liability	551,670	561,242
Minus:		
Cash and cash equivalents	87,422	101,637
Total net financial debt	464,248	459,605

**Operating Leases are considered, which as of 2019 must be recognized as assets and liabilities in it (IFRS 16). To calculate debt covenants, the impact of Operating Lease accounting is not considered (IFRS 16).*

The Company's gross financial debt decreased from US\$561.24 million as of December 31, 2020 to US\$551.67 million as of June 30, 2021 mainly due to the payment of working capital debt in Chile and Peru (-US\$41.46 million), which was partially offset by the increase in bank debt of Honghe Jiayu Agriculture Ltd. (China, +US\$21.41 million) and Vitafoods (+US\$12.63 million) to finance working capital at both operations, and investments in China. Also, as of June 2021, the liability associated to the operating lease contracts reaches US\$70.52 million, which is compared with US\$65.76 million as of December 2020.

Net financial debt increased in relation to December 2020 by US\$4.64 million mainly due to the new debts mentioned in China and Vitafoods. Also, during the 1H21 we can see a decrease in cash that was mainly destined to the payment of working capital debt in Chile and Peru.

3. ANALYSIS OF INCOME STATEMENT

During the 1H21 gains attributable to parent company shareholders were recorded for US\$11.27 million, representing an US\$8.77 million increase compared to the US\$2.50 million profit in 1H20. The increase in profit attributable to the parent company shareholders compared to the 1H20 are mainly due an increase in gross profit of US\$39.14 million due to: i) the development of its commercial strategy through Hortifrut's platforms at the destination markets, allowing to record a 7.18% increase in average Fresh fruit segment sale price, ii) the strength of its genetics programs, which have contributed to the increase in commercialized volume of 61.68%, due to the increase of blueberry volume from Mexico and China, and raspberries from Mexico, since most of this surface has been planted with Hortifrut genetics (own and licensed), and by the increase in the volume of the Value added products segment associated to the merger of Hortifrut and Alifrut's frozen food business, and iii) the innovation and application of production and operating technologies, generating sale cost efficiencies per kilo and improving the quality of the fruit. Also, a decrease in net financial costs of US\$4.49 million can be seen.

The aforementioned was partially offset by the write-off of plantations recognized in Chile and the United States (US\$15.15 million); in Chile it was performed with the objective of having a varietal turnover plan, which in the long-term should increase productivity and profitability of the re-planted fields, while in the United States non-profitable hectares were stripped. To this we must add the increase in Administrative Expenses associated to the consolidation of new frozen food operations (Vitafoods) and the growth of operations in China and Mexico.

The EBITDA of the 1H21 reached US\$75.59 million, which represented a 65.49% increase compared to the US\$45.67 million recorded as of 1H20. The higher EBITDA is mainly due to the aforementioned operational factors.

a) **Main Components of Income**

Income from operating activities reached US\$396.68 million during the 1H21, representing a 52.98% increase compared to the 1H20. This increase is mainly due to the 61.68% increase in sales volume and the 7.18% increase in the average price per kilo of the Fresh fruit segment due to the aforementioned factors, with which the average price passed from 8.09 US\$/Kg to 8.67 US\$/Kg (average 1H20 and 1H21, respectively).

Income from operating activities of the S20/21 increased 46.50% (+US\$260.51 million) compared to the previous season, reaching US\$820.74 million, explained by the 45.98% increase in distributed volume to 102,352 tons and the 1.06% increase in average price per kilo.

Income	30-Jun-21	30-Jun-20	Variation	Jul20-	Jul19-	Variation
	ThUS\$	ThUS\$	%	Jun21	Jun20	%
Income from operating activities	396,678	259,303	52.98%	820,741	560,227	46.50%
Other income, per function	3,260	6,257	-47.90%	2,464	8,180	-69.88%
Total Income	399,938	265,560	50.60%	823,205	568,407	44.83%

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

Income per Segment	Jun21	Jun20	Variation	Jul20- Jun21	Jul19- Jun20	Variation
	ThUS\$	ThUS\$	%	ThUS\$	ThUS\$	%
Fresh Fruit	341,568	247,092	38.24%	743,668	536,219	38.69%
Blueberries	287,996	221,699	29.90%	649,818	494,944	31.29%
Raspberries	39,827	15,773	152.50%	70,611	24,413	189.24%
Blackberries	5,691	4,353	30.74%	12,342	9,778	26.22%
Strawberries	1,576	1,171	34.59%	2,838	2,547	11.43%
Cherries	6,478	4,096	58.15%	8,059	4,537	77.63%
Value Added Products	58,370	18,468	216.06%	79,537	32,188	147.10%
Value Added Products	58,370	18,468	216.06%	79,537	32,188	147.10%
Total Operating Income	399,938	265,560	50.60%	823,205	568,407	44.83%

In blueberry sales, during the 1H21, a 29.90% increase was observed compared to the previous period, explained by a 21.44% increase in commercialized volume, and by the increase in average price per kilo of 5.27%, passing from 8.24 US\$/kg in 1H20 to 8.67 US\$/kg in 1S21.

Raspberries experienced an increase in sales income of 152.50%, due to the higher commercialized volume (+133.67%), mainly because of new hectares planted in Mexico with *Centennial*, own raspberry variety developed by Hortifrut's genetics program in own and third-party fields. Commercialized volume passed from 1,571 tons during 1H20 to 3,672 tons during 1H21. Despite the important growth in volume, the average price per kilo increased 8.06% compared to the previous year.

The blackberries segment recorded a 30.74% increase in income compared to 1H20, explained by the increase in average price which was offset by a 27.50% decrease in commercialized volumes, mainly due to lower availability of quality fruit in Mexico.

Strawberries experienced an increase in sales of 34.59% compared to the 1H20, variation that is mainly explained by the increase in the average price per kilo, which was offset by an 8.59% decrease in distributed volume, mainly associated to a lower availability of fruit on the Mexican and Chilean market.

Cherries recorded an increase in sales income of 58.15% compared to 1H20. This increase in income is due to an increase in commercialized volumes which passed from 736 tons in 1H20 to 1,533 tons in 1H21 (+108.48%), which was offset by a decrease in average price per kilo of 24.15%. This decrease in price was generated due to rumors of traces of COVID-19 in Chilean cherries imported in China, news that had a strong presence on social networks and media.

Value added products recorded an increase in sales income of 216.06% compared to income recorded in the same period of 2020. This variation is explained by a 204.88% increase in volume, associated to the merger of the frozen food segment with Alifrut, which started to impact results the last quarter of 2020. There was also an increase in the average price per kilo of 3.66%.

b) Main Components of Costs and Expenses

Costs and Expenses	Jun21 ThUS\$	Jun20 ThUS\$	Variation %	Jul20- Jun21 ThUS\$	Jul19- Jun20 ThUS\$	Variation %
Cost of sales	(311,492)	(213,253)	46.07%	(615,167)	(443,304)	38.77%
<i>Administration expenses</i>	(31,579)	(24,622)	28.26%	(60,168)	(47,919)	25.56%
<i>Other expenses, per function, excluding impairment of value of assets*</i>	(3,431)	(2,834)	21.07%	(6,120)	(5,906)	3.62%
Other operating costs and expenses	(35,010)	(27,456)	27.51%	(66,288)	(53,825)	23.15%
<i>Impairment of value of assets</i>	(15,147)	(877)	1627.14%	(27,994)	(2,624)	966.84%
Total Costs and Expenses	(361,649)	(241,586)	49.70%	(709,449)	(499,753)	41.96%

Main Components of Sales Costs

Sales costs as of Jun21 reached US\$311.49 million, presenting a 46.07% increase compared to the US\$213.25 million recorded as of Jun20. Higher costs are mainly explained by the higher commercialized volume as of Jun21 (+61.68%). Sales costs represented 78.53% of income from operating activities as of Jun21, while as of Jun20 it reached 82.24%, which reflects an improvement in the gross margin of 3.72 percent thanks to the execution of the aforementioned cost efficiency plan.

Sales costs of the S20/21 reached US\$615.17 million, increasing 38.77% (+US\$171.86 million) compared to S19/20. The increase is mainly explained by 1) higher costs due to the higher commercialized volume, and 2) higher depreciation. As a result of the aforementioned, gross margin reached US\$205.57 million, increasing 75.82% compared to the US\$116.92 million recorded in S19/20. Sales cost of S20/21 represented 74.95% of income from operating activities, while during S19/20 they reached 79.13%, which reflects an improvement in the gross margin of 4.18 percent.

Main Components of Administrative Expenses

Administrative expenses decreased in relative terms from 9.27% of income in 1H20, to 7.90% in 1H21, due to the maturity of investments performed in the last years. Administrative expenses in 1H21 reached US\$31.58 million, representing a 28.26% increase compared to 1H20. Higher expenses are due to the growth impact of operations in China and Mexico, to the accounting recognition of consolidated expenses of Vitafoods and its subsidiaries, and to the constitution of the performance bonus payment provision for the season, associated to the fulfillment of the Company's objectives.

Main Components of Other Expenses, per function

Other expenses, per function, increased US\$14.87 million, reaching US\$18.58 million in 1H21, mainly due to the write-off of bearer plants in Chile and the United States. In the case of Chile, 128 hectares were stripped within a varietal turnover plan, whose objective is to be able to substitute old varieties for new varieties which, not only allow to obtain better performance in volumes per hectare, but also have better quality fruit and returns. In the case of the United States, 17 hectares were stripped which were not profitable due to the continuous increase of workforce costs in this country.

c) Other Components of Income Statement

Other Income (expenses)	Jun21	Jun20	Variation	Jul20-	Jul19-	Variation
	ThUS\$	ThUS\$	%	Jun21	Jun20	%
Other profit (loss)	183	(334)	-154.79%	(41)	(1,747)	-97.65%
Financial income	662	618	7.12%	1,479	2,890	-48.82%
Financial expenses	(6,793)	(11,235)	-39.54%	(18,663)	(24,608)	-24.16%
Interest in profit (loss) of associated companies	79	(432)	-118.29%	397	(3,122)	-112.72%
Exchange rate fluctuations	(4,749)	1,318	-460.32%	(6,709)	3,100	-316.42%
Other Income (expenses)	(10,618)	(10,065)	5.49%	(23,537)	(23,487)	0.21%

The other components of the income statement decreased slightly from a US\$10.07 million loss as of Jun20, to a US\$10.62 million loss as of Jun21 (-US\$0.55 million).

The main items that explain this variation are the following:

- a. As of June 2021, a loss due to exchange rate difference was recorded for US\$4.75 million, compared with the US\$1.32 million profit for the same period of 2020. During the 1H21, the Chilean Peso, Peruvian Nuevo Sol, and Euro depreciated against the United States dollar, while the Mexican peso appreciated against the United States dollar.
- b. Decrease of net financial expenses for US\$4.49 million, reaching US\$6.13 million as of Jun21. This variation is mainly explained by the decrease in bank debt, improved financing conditions due to lower rates and the lifting of a financial expense provision associated to taxes of non-residents in Peru (US\$2,73 million).

d) Gains tax expense

Gains tax expense reached US\$5.71 million as of Jun21, while it was US\$5.40 million as of Jun20. Tax expense in the period is mainly itemized by current tax expense of US\$7.07 million (-US\$4.66 million as of Jun20), negative deferred tax effect of US\$2.36 million (+US\$0.64 million as of Jun20), and other adjustments for +US\$1.00 million (+US\$0.11 million as of Jun20).

e) Other result indicators

Activity indicators:

Indicator	Unit	30-Jun-21	30-Jun-20
Activity			
Rotation of Assets	Times	0.26	0.20
<i>Operating revenue / Total average assets of the period</i>			
Rotation of Inventory	Times	3.46	4.07
<i>Cost of sales / Average inventory</i>			
Permanence of inventory (days)	Days	52	44
<i>Inventory / Annual cost of sale (360 day base)</i>			

The rotation of assets between the periods ending June 30, 2021 and 2020, increased slightly because income grows in greater proportion than average total assets in the same period (income growth +50.60% vs. average total asset growth +13.63%).

Likewise, the rotation ratio of inventories decreased because of the increase in the inventory of frozen products due to the merger between Hortifrut and Alifrut within this segment, partially offset by an increase in sales costs. Average inventories increased from US\$52.41 million as of Jun20 to US\$90.10 million as of Jun21 (+71.91%), while sales costs passed from US\$213.25 million in the 1H20 to US\$311.49 million in the 1H21 (+46.07%).

4. COMPARATIVE ANALYSIS OF MAIN TENDENCIES

The evolution of the main financial indicators is the following:

Indicator	Unit	30-Jun-21	31-Dec-20	Variations %
Current Liquidity	times	1.90	1.53	24.69%
<i>Current Asset / Current Liability</i>				
Acid Ratio	times	1.13	1.09	3.57%
<i>Current assets (-) Other non-financial assets, inventories and current biological assets / Current liability</i>				
Debt Ratio	times	1.15	1.26	-8.45%
<i>Total liabilities / Equity attributable to Parent Company</i>				
Short term debt		23.34%	30.60%	-23.73%
<i>Total current liabilities / Total liabilities</i>				
Long term debt		76.66%	69.40%	10.46%
<i>Total non-current liabilities / Total liabilities</i>				
Book value of the share (US\$)	Dollars per share	1.1000	1.0880	1.10%
<i>Equity attributable to parent company / N° shares</i>				

- Current liquidity was 1.90 times as of Jun21, which represents an increase in relation to Dec20. The acid ratio reached 1.13 times experiencing a slight increase of 3.57% in relation with the period ending December 31, 2020. Current liabilities decreased US\$71.13 million mainly due to the decrease in accounts payable (-US\$63.17 million) due to the dividend payment (US\$27.31 million) and the payment of accounts payable to suppliers corresponding to the seasonality of the business. There is also a decrease in Other current financial liabilities.

- The debt ratio decreased slightly compared to December 31, 2020, explained by a decrease in total liabilities of US\$58.81 million because of the decrease in the aforementioned accounts payable and the decrease of Other financial liabilities, current and non-current as a result of the working capital debt payment. Equity attributable to the parent company increased (+US\$6,91 million) because of the profit attributable to the parent company shareholders of the period (+US\$11.27 million), due to a positive operating result during the current period.
- The percentage of current liabilities as of June 2021 was 23.34% in relation to total liabilities, lower than the 30.60% as of December 2020, explained by the aforementioned decrease in current liabilities during the 1H21. In the meantime, the percentage of non-current liabilities as of June 2021 was 76.66% compared to total liabilities, higher than the 69.40% as of December 31, 2020.
- The book value of the share increased 1.10%, passing from 1.0880 US\$/share in December 2020 to 1.1000 US\$/share as of June 2021, mainly associated to the 1.10% increase in parent company equity.

Indicator	Unit	30-Jun-21	30-Jun-20	Variations %
Financial expense coverage <i>(Before tax profit+Financial costs)/Financial costs</i>	times	5.07	2.24	126.70%
Profitability of parent company equity <i>Parent company gains/Parent company equity</i>		1.78%	0.43%	316.67%
Profitability of equity <i>Profit of the period/Total equity</i>		2.95%	1.29%	127.74%

- The increase in the financial expense hedging index as of June 2021 in relation to the same period in 2020 is due to the increase in the before tax result of US\$13.76 million, which is added to lower financial expenses, which passed from US\$11.24 million as of Jun20 to US\$6.79 million as of Jun21.
- The profitability of parent company equity shows an increase of US\$8.77 million in profit attributable to the parent company shareholders in relation to June 2020, mainly due to the previously explained improved operating result.
- Also, the higher profitability of equity is attributed to the positive result of profit in the period of US\$21.96 million as of June 2021, which is compared with an US\$8.51 million profit in the same period in 2020. The improved results are partially offset by the increase in total equity, mainly associated to the profit obtained in 2021.

ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

Main items of the consolidated Statement of Financial Position

Statement of Financial Position	30-Jun-21	31-Dec-20	Variation	
	ThUS\$	ThUS\$	ThUS\$	%
Total current assets	325,121	369,339	(44,218)	-11.97%
Total non-current assets	1,152,237	1,148,761	3,476	0.30%
Total assets	1,477,358	1,518,100	(40,742)	-2.68%
Total current liabilities	170,786	241,914	(71,128)	-29.40%
Total non-current liabilities	561,040	548,725	12,315	2.24%
Total liabilities	731,826	790,639	(58,813)	-7.44%
Equity attributable to parent company equity holders	635,042	628,135	6,907	1.10%
Non-controlling interest	110,490	99,326	11,164	11.24%
Total equity	745,532	727,461	18,071	2.48%

As of June 30, 2021, total assets decreased US\$40.74 million (-2.68%) in relation to those existing as of December 31, 2020, as a result of:

US\$44.22 million (-11.97%) decrease in current assets, mainly due to a decrease in: 1) Accounts payable to related entities for US\$44.75 million due to the corresponding seasonality of the business, 2) Cash and cash equivalent, as a result of the working capital debt payment (-US\$14.22 million). These effects are mainly offset by the increase in Biological asset (+US\$18.42 million) associated to the activation of operating costs that have not yet started their harvesting season, and by the increase in Other non-financial assets (+US\$5.56 million) due to advanced payment of new blueberry plants.

Increase in non-current assets of US\$3.48 million (+0.30%), due to the increase in: 1) Deferred tax assets (+US\$6.13 million), and 2) Right of use assets (+US\$5.79 million) associated to new lease contracts, which was offset by a decrease in: 1) Property, plant and equipment (-US\$4.79 million) due to depreciation and write-offs recognized in Chile and the United States, which were not offset by investments performed in the period, and 2) Other non-current financial assets (-US\$3.15 million) mainly due to the liberating of term deposits taken as collateral by derivative instruments associated to the bond in *Unidades de Fomento* (UF) which the Company issued.

Current liabilities decreased US\$71.13 million (-29.40%), reaching US\$170.79 million as of June 2021. Lower current liabilities are mainly associated to the decrease in Commercial accounts and other current accounts payable (-US\$63.17 million) associated to the seasonality of the business and end of the S20/21 and working capital debt payment. This was offset by the increase in Accounts payable to related entities, current (+US\$5.49 million).

Also, non-current liabilities increased US\$12.32 million (+2.24%), mainly due to an increase in Lease liabilities, non-current (+US\$5.63 million), Other financial liabilities, non-current (+US\$3.81 million), and Deferred tax liabilities (+US\$2.69 million).

The Company's total equity increased US\$18.07 million compared to December 31, 2020, reaching US\$745.53 million (+2.48%). Total equity increased, mostly due to the result of the current period.

5. MAIN COMPONENTS OF NET OPERATING INVESTMENT AND FINANCING CASH FLOWS

Main sources and uses of funds in the period (US\$ million)	January- June 2021	January - June 2020	Notes
Charges from the sale of goods and providing of services	457	340	Increase is due to higher sales during S20/21 since growth in operations in Mexico, China and Vitafoods
Payment to suppliers for supplying of goods and services	(278)	(199)	Increase in payments to supplier due to higher sales in S20/21, and maturity of plantation in Mexico and China
Payment for and on behalf of employees	(84)	(51)	Increase because of consolidation of new businesses
Net interests	(6)	(11)	Reduction due to lower financial debt, and better financial conditions
Taxes	(9)	(1)	Increase in tax payment is due to higher earnings
Others	(0)	2	
(1) Total Cash Flow for Operating Activities	80	81	
Sale and purchase of property, plant and equipment	(39)	(66)	It mainly considers investment in China an Mexico
Other investment activities (sum of all the rest)	(1)	(2)	
(2) Total Cash Flow for Investment Activities	(39)	(69)	
Income from financing	123	156	Reduction in working capital needs due to higher sales durings S20/21
Payment of loans and financial leasings	(151)	(150)	
Paid dividends and other investment flows	(27)	(4)	Increase in dividend is due to higher distributed earnings in 2020 compared to 2019
(3) Total Cash Flow for Financing Activities	(55)	1	
Net Increase of Cash and Cash Equivalents (1) + (2) + (3)	(15)	14	
Effect of exchange rate fluctuation	0	(0)	
Cash and Cash Equivalent at the start of the period	102	42	
Cash and Cash Equivalent at the End of the Period	87	56	



7. **RISK FACTOR 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:

7.1 **Financial Risk**

7.1.1 **Credit Risk**

Credit risk is the risk of financial loss that Hortifrut and subsidiaries face if a customer or counterparty in a financial instrument does not comply with his contractual obligations and is mainly originated from customers' accounts receivable.

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 rate 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.

To mitigate this risk, the Company has contracted credit insurances for the parent company and subsidiaries.

7.1.2. Liquidity and Financing Risk

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 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. Specifically, in the case of subsidiaries such as Hortifrut España Southern Sun SL, Honghe Jiayu Agriculture Ltd in China, and associated companies such as 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 working capital.

The application of IFRS16, means an increase in the company's financial liabilities when recognizing the lease obligation. The company, considering financial safeguards, has agreed with the corresponding financial institutions to not include obligations due to lease in the related calculation formula.

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 working capital, which as of June 30, 2021 reach the amount of US\$283.44 million (US\$233.66 million as of December 31, 2020) distributed among 17 banks. The used amount reaches US\$51.35 million, with an available balance of US\$232.09 million. Credit lines are distributed among the following companies: Hortifrut Chile S.A. with US\$266.50 million, Agrícola El Pampino S.A. with US\$0.75 million, Agrícola El Avellano S.A. with US\$0.50 million, Agrícola Santa Rosa del Parque S.A. with US\$1.00 million, Agrícola Mataquito S.A. with US\$1.70 million, Agrícola Vida Nueva S.A. with US\$0.40 million, Euroberry Marketing S.A. with US\$7.59 million and Hortifrut Import Inc., with US\$5.00 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 working 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 cashflows 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 and financial leasing as of June 30, 2021, based on undiscounted contractual flows:

	Cash Flows						
	Capital	Interests	From 0 to 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Creditor Bank							
Banco de Crédito e Inversiones	60,341	58	20,099	6,851	25,592	17,910	70,452
Banco RaboFinance Chile	48,346	299	345	7,151	44,097	1,096	52,689
Banco Estado	39,934	41	5,008	12,405	24,411	-	41,824
Banco Santander Chile	32,099	347	2,264	1,203	32,277	-	35,744
Banco Industrial and Commercial Bank of China Limite	29,864	342	-	999	32,248	-	33,247
Postal Savings Bank of China	29,171	36	-	2,543	27,985	-	30,528
Banco de Chile	28,746	24	-	12,661	17,514	-	30,175
Communications Bank Yunnan Branch	21,671	31	-	8,163	14,693	-	22,856
Coöperatieve Rabobank U.A.	20,000	122	-	592	16,148	5,614	22,354
Banco Latinoamericano de Comercio Exterior, S.A.	12,941	148	-	433	13,974	-	14,407
Banco China Construction Bank Corp.	11,000	2	11,010	-	-	-	11,010
Metropolitan Life Insurance Company	9,459	93	108	390	1,846	12,256	14,600
Banco Scotiabank	8,964	3	8,961	10	-	-	8,971
Banco Bilbao Vizcaya Argentaria	8,322	33	1,889	2,617	4,003	-	8,509
Banco de Occidente S.A.	7,964	92	-	266	8,600	-	8,866
Banco Santander Central Hispano S.A.	7,108	4	784	830	5,885	-	7,499
Banco ITAU	5,000	3	5,005	-	-	-	5,005
La Caixa	1,510	4	380	1,140	-	-	1,520
Banco Sabadell	754	-	152	456	152	-	760
Bankinter	682	1	228	457	-	-	685
Banco Santander de Negocios Colombia S.A	359	-	-	372	-	-	372
Scotiabank Perú S.A.	333	4	342	-	-	-	342
Banco Continental BBVA	211	-	34	104	77	-	215
GC Rent Chile SpA.	158	-	16	60	86	-	162
Banco Internacional del Perú S.A.	122	-	19	72	32	-	123
Credicorp Capital	79	-	9	70	-	-	79
Banco de Crédito del Perú	7	-	7	-	-	-	7
Banco Internacional	-	-	-	-	-	-	-
Total as of June 30, 2021	385,145	1,687	56,660	59,845	269,620	36,876	423,001

Below is a summary of total financial liabilities as of June 30, 2021:

	Cash Flows						
	Capital	Fair Value	From 0 to 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Detail							
Bank loans	381,131	382,788	55,787	58,395	267,724	36,876	418,782
Bonds - obligations with the public	93,269	94,323	869	3,391	105,702	-	109,962
Leasing Liabilities	4,014	4,044	873	1,450	1,896	-	4,219
Operating Lease Liabilities	67,693	70,515	582	4,814	24,572	89,479	119,447
Trade accounts and other accounts payable	52,106	52,106	39,537	6,063	6,506	-	52,106
Accounts payable to related companies	19,001	19,001	-	7,567	11,434	-	19,001

7.1.3. 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 Chilean companies by contracting derivative instruments. Likewise, in 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, by liquid funds held in financial instruments. Hortifrut performs actions to mitigate the exposure to sales in Euros using 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 different to the functional currency

The following table shows exposure in currencies different to the dollar, over the Company's financial assets and liabilities as of June 30, 2021:

	<u>Chilean</u>					
	<u>Pesos</u>	<u>Nuevo Sol</u>	<u>Euro</u>	<u>Mexican Pesos</u>	<u>Yuan</u>	<u>Others</u>
As of June 30, 2021	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Financial Assets						
Cash and Cash Equivalents	788	1,729	7,072	943	34,374	285
Current trade debtors and other accounts receivable	7,232	7,807	16,110	9,331	2,901	881
Current accounts receivable with related entities	11	-	192	-	-	-
Non-current accounts receivable with related entities	-	-	4,774	-	-	-
Total Financial Assets	8,031	9,536	28,148	10,274	37,275	1,166
Financial Liabilities						
Other current financial liabilities	136	-	8,503	-	10,236	359
Current lease liabilities	354	-	522	420	560	124
Current trade accounts and other accounts payable	9,171	8,776	4,892	6,419	5,885	522
Current accounts payable to related entities	206	12	6,363	-	-	-
Other current provisions	482	142	123	-	-	-
Current provisions for employee benefits	1,537	1,943	-	1,623	-	181
Other non-current financial liabilities	4	-	4,598	-	40,673	-
Non-current lease liabilities	1,889	-	1,288	1,559	44,651	369
Non-current accounts payable to related entities	7,376	-	3,609	-	-	-
Total Financial Liabilities	21,155	10,873	29,898	10,021	102,005	1,555
Net exposure as of June 30, 2021	(13,124)	(1,337)	(1,750)	253	(64,730)	(389)

Sensitivity analysis

The potential net effect on 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\$8,108 (ThUS\$7,924 as of December 31, 2020), 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	8,031	21,155	(13,124)	(11,812)	1,312
Nuevo Sol	9,536	10,873	(1,337)	(1,203)	134
Euro	28,148	29,898	(1,750)	(1,575)	175
Mexican Peso	10,274	10,021	253	228	(25)
Yuan	37,275	102,005	(64,730)	(58,257)	6,473
Others	1,166	1,555	(389)	(350)	39
Total as of June 30, 2021	94,430	175,507	(81,077)	(72,969)	8,108

7.1.4. 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 working 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.

As of June 30, 2021, the variable debt that Hortifrut maintained was US\$341.65 million (US\$334.79 million as of December 31, 2020), if it maintained this debt level for a one-year term and today the rate increased 10%, the impact on the annual financial cost would be US\$0.86 million (US\$0.89 million as of December 31, 2020).

7.2. 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 greater relevance:

7.2.1 Contingencies/Pandemics at origin or destination markets, which affect the production and commercialization cycle

The Company faces the risk that the different areas of the organization may be affected by natural disasters, unexpected events (fires, criminal attacks) or pandemics, from production to commercialization.

Even though all governments consider the agricultural industry as an essential activity, the Company has the risk of seeing its operations affected at point of origin, affecting its fruit harvest or processing in a negative manner. Hortifrut complies with the measures imposed by government organisms and global organizations. In the case of pandemics, due to the imminent possibility of contagion, frequent emergency committees are held, where action plans are adjusted, and a constant monitoring of its operations is maintained, counting with different harvesting techniques at origin and packing options at the destination markets which allow to somewhat mitigate this risk.

Furthermore, there is the risk that destination markets may not be able to receive the planned fruit, under expected conditions. To face this risk, the Company maintains fluid communication with commercial platforms and continuously monitors its shipments, being able to re-destine part of the fruit to other markets when protocols and demand allow it. The aforementioned does not imply that the Company will not be affected by eventual contingencies at destination markets.

7.2.2 Genetic development

The lack of modern varieties of plants could affect the competitiveness of the business, both agricultural and 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.

7.2.3 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.

7.2.4 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.

7.2.5 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 possible climatic risks, such as rain, hail and frost control.

With the acquisition of Rocio Group's blueberries business, the Company's plantations in Peru reached 48.6% of the total plantations as of June 30, 2021, 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.

7.2.6 Plagues and Disease

It is unavoidable for part of the crop to be affected by some 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. Since the 2020/2021 season, the regions of Bio Bio and Ñuble are part of an inspection process of its fruit and farms (System approach) which allows blueberries from these regions to be able to enter the USA without having to be fumigated.



7.2.7 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.

7.2.8 Risks of Availability of Human Resources

Temporary collaborators are vital for fruit harvest, so Hortifrut has developed several initiatives to attract, retain and maintain the temporary collaborators from one season to the next. Additionally, people are recruited through labor fairs and informative meetings organized with the intermediation of 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. Due to the extension of operations in Peru, the human resources factor is especially critical, especially in the main production weeks. To assure the necessary quantity of collaborators for the harvesting periods, Hortifrut has implemented initiatives that create loyalty with the temporary collaborators and has developed attention channels.

7.2.9 Continuity and Costs of Supplies and Services

The development of Hortifrut’s business involves a complex logistic where the opportune availability of quality supplies and services 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. Due to the high demand of shipping company services that affect the availability of ships, Hortifrut looks for diversification alternatives.

7.2.10 Risk associated to New Technologies

Hortifrut, in its varied entrepreneurships, throughout the world, is incorporating growing new technologies in the whole production process, which involves risks associated to the lack of knowledge in 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.

7.2.11 Regulatory risks of origin and destination markets

The Company, due to its production and export operations, as well as importing and sales in different countries, is exposed to different regulations applied at each of them and the potential changes that they could suffer.

To mitigate this risk, the Company maintains constant monitoring of the applicable regulations and their fulfilment, as well as potential changes that are under discussion. Also, the geographic diversity of the destination markets and productive operations, mitigates these risks by being able to destine fruit from different origins, fruit to different markets, considering the applicable regulations and safeguards.

An example of regulatory risk at origin was the derogation of the Agricultural Regime in Peru, which in the short term is translated into higher costs and an increase in tax rate. Also, an example of regulatory risk at destination was the investigation performed by the United States International Trade Commission (USITC), due to the petition of local blueberry producers. In this investigation we worked with lawyers, economists, producers from different origins and importers and it was demonstrated that the importing of blueberries has generated permanent availability of blueberries for the American consumer, thus generating an increase in demand, benefitting the complete industry, including local producers. This was ratified by the pronouncement of the USITC in February 2021.

7.3 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 June 30, 2021 and December 31, 2020 are the following:

<u>COUNTRY</u>	<u>TYPE OF INSURANCE</u>	<u>CURRENCY</u>	<u>30-Jun-21</u>		<u>31-Dec-20</u>	
			<u>COVERED AMOUNT</u>	<u>CURRENCY</u>	<u>COVERED AMOUNT</u>	<u>CURRENCY</u>
Chile	Infrastructure fire	UF	1,211,265	UF	1,595,352	
Chile	Mobile Agricultural Equipment	UF	42,487	UF	47,732	
Chile	Motor Vehicles	UF	29,070	UF	74,200	
Chile	General and Product Civil Liability	USD	5,000,000	USD	5,000,000	
Chile	Maritime Transport	USD	7,000,000	USD	7,000,000	
Chile	Credit Insurance	USD	50,000,000	USD	50,000,000	
Chile	Fruit and Materials Insurance	USD	8,500,000	USD	14,400,000	
Chile	Terrorism	UF	500,000	UF	500,000	
Chile	Business Interruption	UF	1,227,000	UF	1,227,000	
USA	Product Civil Liability	USD	5,000,000	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	

7.4 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 June 30, 2021, the expected margin of fruit on the Company’s bearer plants was recognized, for the amount of US\$0.84 million, which is presented in the income statement under the item Other revenue per function.

The estimation of this same concept recorded as of December 31, 2020, was for the value of US\$0.65 million, which is presented in Other income per function.

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 30-06-2021 (ThUS\$)	10% Reduction Volume (ThUS\$)	10% Reduction Price (ThUS\$)	10% Reduction Volume and Price (ThUS\$)
Hortifrut Perú S.A.C.	837	753	149	134
Total	837	753	149	134

7.5 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 an income statement and balance level 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.