

Main Risks and Uncertainties

External variables might materially impact the Company's annual performance. The main variable affecting revenue is the price of Atlantic salmon, while the main variables affecting costs are the environmental conditions at farming sites, and the sanitary status of the salmon biomass, including the biological conversion of feed.

Individually and in aggregate, aquaculture businesses are exposed to various risks. Consequently, Salmenes Camanchaca uses a risk matrix that guides the Company in order to: i) review and update the critical risk inventory and generate a map that helps manage risks; ii) assess these risks on the basis of impact and probability parameters that helps with prioritizing; iii) implement an internal audit and control plan based on the risk map that focuses resources on the most vulnerable areas; iv) generate a set of strategies to reduce the probability and impact, including insurance wherever this is feasible and financially attractive. These risk maps guide management to continuously manage and mitigate each risk and establish the corresponding responsibilities, as well as review the frequency and severity of internal controls to validate the effectiveness of mitigating measures.

The factors used to detect critical risks are the Company's mission, vision and values; short and long-term strategic planning; known risks inherent to the business; the knowledge and experience of key personnel; and other factors.

a. Phytosanitary Risks

The Company is exposed to risk of disease or parasites that can affect the biomass, increasing mortality or reducing the growth of specific species, and thereby, affecting production and sales volume. Examples of these risks are increases in parasitic concentrations, outbreaks of SRS or even ISA in 2008. Salmenes Camanchaca has adopted strict control standards to minimize those risks, and comply with regulatory requirements with respect to coordinated fallow periods for the concessions in each neighborhood. These standards cover the maximum fish density in cages, constant monitoring and reporting of the biomass and its biological status and health, total fish vaccination against ISA and SRS, smolt production in closed recirculating sites fed by groundwater, transport of breeders and fish for harvest in wellboats, coordinated anti-parasitic washing by neighborhood, identifying new parasitic treatments, frequent net cleaning, oxygen plants to supplement pronounced shortfalls in the water, vaccinations at the freshwater stage, and other standards. The risks associated with increased concentrations of parasites can result in early harvests, under certain circumstances, with the consequent lower harvest weights. In the extreme, they can result in unusable products. The Company is mitigating these risks by rigorously applying current treatments, diversifying the anti-parasitic treatments it applies to sites affected by higher concentrations.

b. Natural Risks

The Company is exposed to natural hazards that may affect its business, such as pronounced oxygen depletion or harmful algae blooms, such as those seen in the Reñihue and Comau fjords between the end of Q1 2021 and the beginning of Q2 2021. It is also exposed to volcanic eruptions such as the Calbuco volcano in 2015, storm surges, tsunamis, earthquakes, natural predators, water pollution and other factors that can threaten the biomass and production infrastructure, such as the severe currents produced by heavy rains in 2020 that affected the Islotes site. Furthermore, it is exposed to non-aquaculture risks that affect people working in this industry, such as highly contagious diseases that limit normal production, intermediate or final logistic chains that can limit

production and sales, such those imposed by the COVID-19 pandemic during 2020 and 2021. The Company is constantly monitoring these variables using the latest risk prevention technologies and tools available in Chile, in addition to having appropriate insurance coverage for these risks, where available.

c. Product Sale Price Risks

The Company mainly exports its products to numerous markets and evaluates the prices it obtains, for which it has a wide commercial network. The Company adjusts the speed of its sales in accordance with production and market conditions, which are constantly in flux. However, it does not accumulate inventory in order to speculate on better sale prices in the future.

Prices are highly dependent on supplies from Norway and Chile and on fluctuations in exchange rates used by the Company's major trading partners, which affects demand in these markets. Furthermore, demand may fall due as consumption patterns weaken, for example in the restaurant and hotel segment in 2020 as a result of the COVID-19 pandemic, which could continue well into 2021. Salmenes Camanchaca has sought to safeguard against this risk through diversifying its commercial network and flexing its range of products to enable its raw material to be sent to any market.

The Company complies with production standards and protocols applied by the country with the strictest requirements in the world, in order to take advantage of all available commercial opportunities. However, there is a risk that occasionally some markets will be limited as a result of tariff, para-tariff or sanitary measures, such as the limitations imposed by Russian and Chinese markets during 2020. Should this occur, the Company believes that it is sufficiently diversified across various markets to divert trade elsewhere, although this may result in price decreases in the short-term depending on market conditions.

d. Purchase Price Risks

The Company is exposed to changes in the price of salmon feed, which represents about half the cultivation cost. Salmenes Camanchaca ensures its diets achieve a balance between feed cost and nutritional quality at each fish development stage. The Company aims to produce a final product that contains the same amount of Omega 3 as wild salmon, as well as keeping the marine sourced feed compared to farmed fish feed (the fish in-fish out ratio) to no more than 1:1. The Company has feed contracts with prices adjusted quarterly, on a cost-plus basis. During the last few years, the prices of the main consumables used in production have remained stable.

e. Regulatory Risks

Aquaculture is strictly regulated in Chile by laws, standards and regulations issued by the corresponding authorities. Significant changes in these could impact the Company's performance. These regulations are mainly established by the General Law on Fisheries and Aquaculture, and its associated regulations that assign concessions, manage the biomass and set preventive sanitary standards. The Company is constantly monitoring changes in regulations in order to anticipate and mitigate any potential impact.

The regulations governing salmon farming densities were changed with effect from Q3 2016, and a smolt stocking reduction program was introduced (SRP) as an alternative to the general density regime. This program requires stocking and farming densities to be reduced when sanitary performance has fallen, or when smolt stockings are expected to grow in the area. The SRP

mechanism gives producers the option to replace a reduction in density, when appropriate, with a smolt stocking plan that considers growth containment with respect to the previous cycle, so maintaining densities at maximum permitted levels.

Since the Company's policy has been to use its assets to provide services to third parties/producers, it has routinely leased out several farming sites. Regulations attribute the history of concession use to the concession owner, allowing the Company to use the history of smolt stocking at farming sites leased to third parties in its smolt stocking plans, without affecting the growth of smolt stocking in the areas involved. Therefore, as lease contracts expire beyond 2020, the Company estimates Atlantic salmon harvests of 60,000 MT WFE at its own farming sites, plus another 15,000 to 16,000 MT WFE of other species.

Most of the concessions held by Salmenes Camanchaca for farming fish are of indefinite duration. However, in order to retain the concession, the current regulation requires a minimum amount of use. If minimum use is not achieved, the concession may be revoked. This has led the Company to operate some of its farming sites at minimum capacity where they are at risk of revocation, which results in additional expenses. This situation generates a regulatory contradiction between an obligation to use the concession, and legislation that prefers smolt stocking growth containment, in order to preserve a healthy sanitary situation.

Examples of these risks are limitations on smolt stocking due to anaerobic marine conditions in the concessions, the obligatory use of concessions to avoid them lapsing, and changes in anchoring requirements, all of which can materially impact costs. Congress is discussing the introduction of regulations to mitigate the impacts of marine farming. However, these discussions are still at an early stage, so their impact cannot be estimated.

The financial statements could be affected by changes in economic policies, specific regulations and other standards introduced by authorities.

f. Social and Political Risks

Specific social conditions and/or political situations, such as riots, violence or protests, can generate temporary operational interruptions that affect the continuity of processing plants, primary and/or secondary logistics at export ports, access to specific public services, such as customs or health authorities, availability of labor or security of onshore facilities when faced with strikes, protests, etc. These situations can affect and delay harvests, production or shipments of products to target markets. For example, the social unrest in Chile during the second half of 2019, which interrupted logistics chains. The Company continuously monitors these situations to ensure that its staff, facilities and products are safe, and regularly evaluates mitigating measures, including whether insurance policies are cost-effective.

g. Liquidity Risks

Liquidity risk is the risk of potential mismatches between the funds needed for investments in assets, operating expenses, finance costs, repayment of debt as it matures and dividend payments, and funding sources such as product sales revenue, collections from customers, disposal of financial investments and access to financing.

Salmenes Camanchaca conservatively and prudently manages this risk by preparing cash flow forecasts for at least the next 12 months and by maintaining sufficient liquidity and access to third-

party financing facilities, while carefully ensuring that it complies with all its financial obligations. These were the reasons for restructuring its debt in 2013, 2017 and 2020.

h. Interest Rate Risks

The Company is exposed to interest rate risk since its long-term financing includes a variable interest rate component, which is adjusted every six months. The Company continually evaluates its hedging opportunities, which depend on market conditions. However, it has not used them in the last five years given the interest rate trends and the expansive monetary policies adopted by the main economies since 2008. Exposure to this risk has increased as a result of its increased borrowing.

i. Foreign Exchange Risks

A substantial proportion of Salmones Camanchaca's revenue arises from contracts and commercial agreements in US dollars. However, given the diversity and importance of markets other than the North American market, which have historically represented approximately 50% of total exports, any devaluation of the US dollar against these markets' currencies and/or the Chilean Peso, could have an impact on market demand and consequently on prices, which would affect the financial performance of the Company.

Corporate policy is to agree income, cost and expenses in US dollars whenever possible. When that is not possible, expenses in Chilean pesos are converted to US dollars, which may appear higher if the Chilean peso appreciates. The Company occasionally evaluates exchange rate hedging instruments for its Chilean peso-denominated expenses, based on market conditions, which results in non-operating income or loss, respectively, for any operational loss or income produced.

The Company borrows from financial institutions in U.S. dollars.

j. Credit Risks

1. Surplus cash investment risk

The Company has a highly conservative policy for investing its cash surpluses. This policy covers the quality of both financial institutions and their financial products.

2. Sales Risks

The Company has credit insurance policies covering most sales that do not require immediate payment. The remaining sales are backed by letters of credit, advance payments, or are sales to customers with good payment performance.

Operational stoppages at ports or by customs or other institutions, as well as protests, marches or road blockages, may affect and delay shipments of our products to the markets where they are sold. Therefore, the Company continuously monitors these variables in order to anticipate any issues and identify alternatives to minimize the impact.