



FRIGORÍFICO CONCEPCIÓN – 4Q20 AND ALL YEAR EARNINGS CALL

Operator: Good morning, everyone. Welcome to Frigorífico Concepción's 2020 and 4th quarter 2020 earnings call. Joining us today are Jair Antonio de Lima, President of the Board, Pedro Pascutti, Vice-President, Joaquin Lagos, Chief Financial Officer.

Today's call is being recorded and all participants will be in a listen-only mode during the Company's presentation. At the end of the presentation, there will be a Question and Answer Session. Should any participant need assistance during this call, please press *0 to reach the operator.

Please remember that forward-looking statements regarding the Company's business outlook, projections, and the Company's growth potential are merely assumptions based on management's expectations regarding the Company's future operations. They involve risks and uncertainties because they relate to future events and therefore depend on circumstances that may or may not occur.

The presentation of this call is available at www.ri.frigorificoconcepcion.com.py.

Now I would like to turn the conference over to Jair Lima, CEO and Chairman, who will be doing the presentation in Spanish, with the help of a translator.

Mr. Jair Lima: Buenos días a todos. Sean bienvenidos a nuestra divulgación de resultados año 2020, el cuarto trimestre del Frigorífico Concepción S.A..

Translator: Good morning everyone. Welcome to our release of Frigorífico Concepción S.A. 2020 and 4th quarter results.

Mr. Jair Lima: Quisiera comenzar a presentación agradeciendo a la participación de todos ustedes y la confianza depositada en Frigorífico Concepción en las 3 emisiones realizadas en año 2020 por un valor total de USD 161 millones.

Translator: I would like to begin my presentation by thanking all of you for your participation and for the trust placed in Frigorífico Concepción in the three issues made in 2020, for the total value of USD 161 million.

Mr. Jair Lima: En año 2002, no fue un año fácil para el mundo que pese el cenario de incertidumbre, hemos logrado consolidarnos como empresa líder de exportación en Paraguay, en el tercero mayor exportador de Paraguay y el primero mayor exportador en rubro cárnico, superando nuestro número histórico de ventas a nivel internacional, como podemos ver en la página 4 de la presentación.



Translator: 2020 was not an easy year for the world. Despite a scenario of uncertainty, we have managed to consolidate our position as a leading export company in Paraguay, being the 3rd largest exporter in Paraguay and the 1st largest exporter in the meat sector, exceeding our historical number of sales at international level, as you can see on page 4 of the presentation.

Mr. Jair Lima: Entre los destaques del 2020, otro importante rito para nosotros fue el contrato de prestación de servicios de la faena firmado con Frigonorte, en octubre de 2020, lo que nos permite ascender a nostras novas fontes de ganado a precios competitivos y aumento de nossa producción en aproximadamente 18% em nossas operaciones de Paraguay

Translator: Among the highlights of 2020, an important development for us was the slaughter service contract signed with Frigonorte in October, allowing us to access new sources of competitively priced cattle and increasing our production by approximately 18% at our Paraguay operations.

Mr. Jair Lima: Seguindo com nosso plano de expansão, en la página 6 pueden ver parte de las obras de ampliación que vinimos realizando en nuestra planta BFC en Bolivia com el objetivo de alcanzar la producción de faena de animales de mil cabezas por dia, prevista, com a finalizaçã para Octubre de 2021, para seguir cobriendo la forte demanda por la carne pelo mercado asiático, asi como la reciente abertura de Russia, para exportar desde Bolívia, un mercado bastante conocido para nosotros, por nossas operaciones en Paraguay.

Translator: Continuing with our expansion plans, on page 6 you can see partial expansion of the construction works we have been carrying out at our BFC plant in Bolivia, with the objective of reaching production and slaughter of one thousand heads per day, scheduled for completion in October 2021, to continue covering the strong demand for meat from the Asian market, as well as the recent opening of Russia, to export from Bolivia, a market well known to us from our operations in Paraguay.

Mr. Jair Lima: No podemos dejar de destacar todas las acciones que fueran tomadas y seguirán sendo tomados para evitar a propagaçã del Covid entre nossos colaboradores de la ciudadanía. Nossos esforços seguiremos direccionado a contribuir al combate de esta pandemia mediante acciones que sean necessárias.

Translator: We cannot fail to mention all the actions that have been taken and will continue to be taken to prevent the spread of Covid among our employees and the public. And we will continue to direct our efforts to contribute to the fight against this pandemic through the necessary actions.

Mr. Jair Lima: Y por último, antes de passar a la parte de resultados, quería mencionar que, como resultado de nossa performance en ano 2020, hemos obtenido el *upgrade* de



nossa clasificación de B menos a B estable por parte de Standard & Poor's en mes de Marzo de 2021 reafirmando nosso compromisso de seguir fortaleciendo la Compania.

Translator: And finally, before moving on to the results, I wanted to mention that, as a result of our performance in 2020, we have obtained the upgrade of our rating from B- to B stable by Standard & Poor's in March of this year. We are affirming our commitment to continue strengthening the Company.

Mr. Jair Lima: Ahora passo a la palabra a Joaquin Lagos, FCO de la Compania.

Translator: I now turn the word to Joaquin Lagos, CFO of the Company.

Mr. Joaquin Lagos: Thank you, Jair, good morning everyone. We start on page 8, with the 2020 and 4th quarter 2020 highlights. At yearend 2020, we have accumulated revenues of US\$ 514.6 million. Total revenues for the 4th quarter were US\$ 155 million, 52.9% more than in the 4th quarter of 2019.

2020 gross profit was US\$ 86.7 million and for the 4th quarter was US\$ 23.5 million. The accumulated EBITDA for the year reached a record US\$ 64.5 million. The EBITDA for the 4th quarter 2020 was US\$ 15.2 million. The net income 2020 was US\$ 38.3 million and the 4th quarter 2020 was US\$ 6.3 million.

On page 9, we can see the graph of our annual and 4Q revenues for the year 2020 and the details by business unit. The total 2020 revenues were 72.5% higher than 2019 revenue. 4th quarter revenues, compared to the same quarter of the previous year, were 52.8% higher. Revenues in the Bolivian operation increase by 556.2% in 2020 compared to 2019. In Paraguay, revenues increased by 52.1% compared to 2019.

Please turn to page 10. This page details the main destination of our products in 2020: Russia, 26%, Brazil, 20%, Chile, 16%, China, 15%, Israel, 6%, Taiwan, 5% and all others 10%. At this point I would like to mention the positioning of sales to China during 2020, since it's the most important market from our unit in Bolivia and in a consolidated basis with Paraguay operation.

On page 11, we have the graph showing our percentage utilization of our installed capacity, where we can see improvement in capacity utilization. In 2020, we have reached 59.2% utilization of our installed capacity, a significant improvement compared to 2019 utilization of 37.6%.

On page 12, the details of EBITDA generated. In 2020, as mentioned above, is our historical record achieved by the Company, reaching US\$ 64.5 million, 126% higher than EBITDA in 2019, with an EBITDA margin of 25%. In the Bolivian unit, EBITDA generated in 2020 was US\$ 8.9 million, 550% higher than 2019, achieved by sales to China. In Paraguay, EBITDA generated was US\$ 55.7 million, 104.7% higher than 2019.



The Company's net income was US\$ 38.3 million, 206% higher than results in 2019. In the Bolivian operation, the profit was 532.9% higher than in 2019 and in Paraguay 171.3% higher than 2019. This is shown on page 13.

On page 14 is a description of our debt profile for the period 2021 to 2025. Our payment schedule for the next few years shows that 93% of our debt is long term. Our debt composition by currency is 99% in dollars, 1% in guaranis. The debt by source of fund shows that 89% of our financing corresponds to bond issued in January, October and December 2020. Now we can proceed to the Question and Answer Session. Thank you for your attention.

QUESTION AND ANSWER SESSION

Operator: Thank you. The line is now open for questions. Please note that a translator is in the room translating all questions and answers. There will be a brief moment of silence to translate the questions. To pose a question, please press *1. To remove the question from the cue, press *2. Hold while we assemble our roster.

Thank you for waiting. Our first question comes from Omar Ziolla, with Oppenheimer. Please, Omar, go ahead.

Mr. Omar Ziolla: Yes, hi, good morning. I just want to know if you can talk about a little bit the cattle prices and export prices for the 4th quarter and if they have changed in this 1st quarter of this year? Thank you.

Mr. Jair Lima: Bueno, Jair que habla. El precio de ganado en pie, ano passado, 2020, iniciou a US\$ 3, despues sí bajó a US\$ 2 por quilo y después que estabilizó un poco la pandemia seguiu alzando y de US\$ 2 fue a US\$ 2,40 y terminó o ano en US\$ 2,80, US\$ 2,80 por kilo, en Paraguay.

Translator: Paraguayan cattle last year, in 2020, started at US\$ 3 per kilo, at the beginning of the pandemic went down to US\$ 2, started to rise towards the middle of the year to US\$ 2,40 and ended the 4th quarter at 2,80. These are prices for Paraguay.

Mr. Jair Lima: En Bolivia, o animal que trabajaba estable en US\$ 2,20 y siguió estável nesse preço de US\$ 2,20 ha llegado a US\$ 2,60 el final del ano.

Translator: Bolivia the prices for light cattle started at 2,20 per kilo, stayed stable throughout the year and rose in the 4th quarter to 2,60 per kilo.



Calidad en Carnes

Mr. Jair Lima: El precio de la carne en Paraguay, exportamos a vários mercados y los preços seguiram estáveis apesar del novillo estar com preço muy bajo, seguiram estáveis praticamente por todo o ano.

Translator: In Paraguay, the prices are low and stable throughout the year, including the 4th quarter.

Mr. Jair Lima: En Bolivia, los preços de la carne para China, que é la grande exportação de nosotros, no início del Covid se bajó los precios e após, no segundo semestre, los preços alzarán novamente, llegando a um patamar de los cortes, lo delantero a 4.7 e los cortes de trasero a 5.5.

Translator: In Bolivia, export prices due to China, towards the end of the year they raised and stabilized at US\$ 4.7 per kilo in the front quarters of the animal and in the back quarters at 5.50. Has that question been answered?

Mr. Omar Ziolla: Yes, thank you.

Operator: Our next question comes from Christina Ronake with HMBC. Please, Christina, go ahead.

Mrs. Christina Ronake: Hi, thank you. Revenues were very strong, up 53% in the 4th quarter, great, congratulations, but the margin of EBITDA was a little bit lower at 10%. Is that because of your launch, opening new contracts, or why was the margin soft? And it looks like you use a lot of working capital, because your cash flow from operations was negative 29. Can you explain that as well? Will that become positive in 2021? And I have a question after that. Thank you.

Mr. Joaquin Lagos: Nuestro flujo efectivo fue negativamente US\$ 23.8 millones en comparación a los US\$ 23.9 millones generados en el año terminado.

Translator: The cash flow was negative US\$ 23.8 million compared to...

Mr. Joaquin Lagos: En comparación a los US\$ 23.9 million generados en el año terminado 31 de diciembre 2019.

Translator: Compared to US\$ 23.9 in last quarter 2019.

Mr. Joaquin Lagos: Los flujos de efectivo netos utilizaban las actividades operativas fueron negativos debido al aumento de pago a nuestros proveedores y empleados.

Translator: The negativeness has to do with cash flow for payments to employees and suppliers.



Mr. Joaquin Lago: Y a los movimientos desfavorables de tipo de cambio.

Translator: And also there is a negative incidence on the foreign exchange.

Mr. Joaquin Lagos: El aumento en las vendas hizo necesario aumento de ganado, materia y suministros

Translator: The increase on sales made necessary to increase the supply on cattle, materials and inputs and the cycles of payments to suppliers became faster than the cycle to collection from plants. Frigorífico has used higher cash flow in the operations and the collection of invoices remains the same. I hope that explains your question.

Mrs. Christina Ronake: Thank you. My other question is we are investors in the bond and we are hoping you can combine your bonds into one issue, combine them, is there any progress in doing that?

Translator: At the moment, the three trenches of the bond are the same issuance, is bond that was originally launched in January 2020, with two subsequent reopenings, and they are parts of the same issuance. I hope that answers your question.

Mrs. Christina Ronake: I know, I'm just hoping to encourage management to combine into one, it's easier for liquidity.

Translator: Definitely we can take your point to our investment bankers and see what we can do.

Mrs. Christina Ronake: Thank you very much, I appreciate it. Great results, congratulations.

Operator: Please stand by while we assemble our roster.

Our next question comes from Omar Ziolla, with Oppenheimer. Please, Omar, go ahead.

Mr. Omar Ziolla: Yes, just quickly, I just want to clarify the cash available or cash position. The 37.2 million that's unrestricted cash does not include, of course, the 8.25 million in the debt service account and does that exclude the 50 million set up for the Bolivian expansion, that, the 50 million should be set up in a separate trust, is that right?

Translator: The Bolivian operation expansion requires 15, one, five million dollars of capital, and that is already reserved and the cash flow for operations in Bolivia required 12 million and the expansion is not affecting the 12 million at all.



Mr. Omar Ziolla: Okay, so the 12 million for the working capital in Bolivia that will come out of the 37.2 million unrestricted cash balance, I would think, right?

Translator: Yes, that's correct.

Mr. Omar Ziolla: Okay, one last question I had is can you give us the number for the total slaughter, the number of heads slaughtered for the year 2020?

Translator: The current slaughter in Bolivia is 480 and, after the expansion, that should be ready by October, one thousand a day.

Mr. Omar Ziolla: Yes, I'm sorry, but I'm asking what was the total slaughter for the whole operation for 2020.

Translator: The total slaughter for 2020 in Paraguay is 459,222 heads and in Bolivia is 88,350.

Mr. Omar Ziolla: Good, thank you.

Operator: Our next question comes from Joon Ku with Eaton Vance. Please, Joon, go ahead.

Mr. Joon Ku: Hi, thank you for taking my question. Can you elaborate a little bit more on the working capital, maybe explain in terms of how many days it takes for you to pay the cattle, for the cattle and then what are your collection days from your customers, on average? Thank you.

Translator: The working capital, it improved because we are operating with short term payments. Accounts payable was shortened from 91 days to 72 days, so from accounts receivable we receive an improvement in cash.

Operator: Please wait while we assemble our roster.

Our next question comes from the webcast, it's from César Fernandez with Bank Julius Baer, and he asks what's the dividend policy? Thank you.

Mr. Jair Lima: La compañía tem a política de não distribuir dividendos. Invertimos sempre, haciendo inversión tanto en Paraguay, cuanto en Bolívia, não distribuimos dividendos.

Translator: The investment policy has been not to distribute dividends, but to reinvest in the company. So far that's what has been happening to date.



Calidad en Carnes

Operator: Our next question, also from the webcast, comes from Joon Ku, with Eaton Vance. He asks, “A meatpacker in Brazil shut down a plant because they couldn't pass through cost and customers. How are you coping with rising cattle prices? Thank you.”

Mr. Jair Lima: Bueno, en Brasil, alguns frigoríficos, muchos frigoríficos estão com dificuldade de ganado.

Translator: In Brazil there is a series of difficulties given by the price of cattle.

Mr. Jair Lima: Algum frigorífico que encerró suas atividades en Brasil normalmente são frigoríficos que não têm aprovação a China.

Translator: Normally, the meatpackers in Brazil that had to close their doors are the meatpackers that don't have exports approved to China.

Mr. Jair Lima: Los preços de ganado en Brasil alzaran demasiado, sempre baseado na exportação de China.

Translator: Because of the exports to China, cattle prices in Brazil rise significantly.

Mr. Jair Lima: Algunas plantas que não tiene China realmente sofreram uma dificuldade muy grande de repassar los preços do ganado.

Translator: The other meatpackers, they don't have the export to China, they couldn't pass on the increase in the input prices.

Mr. Jair Lima: Que não é o caso de Paraguai e de Bolívia, que nós temos o animal sobrando de acá.

Translator: That's not the case of Paraguay and Bolivia, because in Paraguay and Bolivia there is still excess of cattle and the prices haven't risen like in Brazil.

Operator: Our next question comes from the webcast, it's from Darten Nielsen, from Julius Baer. He says: “Hi, thank you for the call. What can we expect in terms of capacity utilization for 2021? Thank you.”

Mr. Pedro Pascutti: Hola, todos gratos pelas las llamadas, sou Pedro Pascutti y nosotros estamos trabajando con una posibilidad entre 60 y 70% de la capacidade instalada, ao redor do que foi o 4º trimestre de 2020.

Translator: Okay, this is Mr. Pedro Pascutti, the Frigorífico, in Paraguay, is working with 60 to 70% installed capacity and that's what it was reflected in the 4th quarter of 2020.



Operator: Our next question comes from the telephone, from Habar Causer, with Eaton Vance. Please, Habar, go ahead.

Mr. Habar Causer: Hi, my questions were mostly answered, just a couple of follow-ups. Can you provide any information on that Russian dispute that happened maybe about a year ago? Has there been any resolution on that matter? And secondly any details on that environmental spill into the river that had caused the shutdown? What's the update on that? Thank you.

Mr. Joaquin Lagos: This is Joaquin Lagos. During the last quarter there has been no new development and our lawyers continue moving the case in Russia but there has been no resolution and no new developments for the time being.

Mr. Habar Causer: And what about the spill in the river?

Mr. Jair Lima: Esse foi um caso pontual, que houve um rompimento de uma tubulação, se rompeu, mas foi corrigido imediatamente em dez minutos.

Translator: This is a very unusual case, it was a broken pipe, it was corrected within ten minutes and there were no consequences after that.

Mr. Jair Lima: El meio ambiente de Paraguay fez toda a verificação se houve poluição no rio e não houve nada e só paramos um dia de faena.

Translator: The sanitary authorities in Paraguay did a thorough verification of the river to make sure there was no pollution and within one day of the operations stopped and the conclusion was that there were no pollution in the river.

Mr. Habar Causer: Ok, thank you. And I just echo a previous caller's comments on combining the three securities. I think it would be very helpful for the company, it would increase the attractiveness of the security by making it more liquid and obviously over time would help the company's cost of capital. I think the request in particular is to make the three securities fungible. So thank you. And congrats on the results.

Translator: Thanks to you. We definitely take your point on the liquidity and on the simplification of the debt structure. We will follow up on that.

Operator: Our next question comes from Christina Ronake with HMBC. Please Ms. Christina, go ahead.

Mrs. Christina Ronake: Hi, thank you again and thank you for backing me up on that. Can you put on your website, provide operational data for us like you did before on slaughtering, sales, export by countries, average sales price, you provided this operating data before, splitting up EBITDA between Bolivia and Paraguay? Can you please do that



for 2020? And second question I don't see the presentation on the website, is that also something you can put on your website? Thank you.

Translator: We're going to consult with our legal counsel. We are posting all the information that is allowed by the regulators to post, so please be in touch to see if we can provide information as we are allowed to do.

Operator: Our next question comes from the webcast. It's from Darten Nielsen with Julius Baer. He asks, "also how the availability of cattle currently in the outlook? Any impact on Covid on availability? Thank you."

Mr. Jair Lima: Disponibilidad de ganado en Paraguay está muy bien, temos 14 millones de animales, las ofertas de animales están estables, no hay nenhum problema de oferta de animales;

Translator: Paraguay is good in terms of supply, there is a stock of 14 million heads and the expectations for the year is that supply remains stable.

Mr. Jair Lima: En Bolivia hay un sobrante muy grandes, Bolivia tiene nove millones seiscientos mil animales e solamente três frigoríficos sendo BFC el mayor, então hay un sobrante de animal en Bolivia, por isso que não temos nenhum problema em Bolivia.

Translator: In the case of Bolivia is a situation of excess capacity. Bolivia has a stock of 9.6 million heads, it's only three meat packers of which Concepción is the largest, so Mr. Jair doesn't see any issue of lack of supply in Bolivia, on the contrary.

Mr. Jair Lima: Sobre el Covid, nós tivemos incidência de Covid sim nas plantas, mas muy pocas, ao qual quando havia uma incidência afastávamos todo o departamento, substituindo-o por outro e sem problema.

Translator: In the case of Covid, yes, there was incidents in the course of the year, but the company has a very, very strong policy to prevent contagion and every time that there is a case detected, the whole department would close until contagions remains isolated.

Mr. Jair Lima: A parte isso, en Bolivia la fábrica nossa con 660 funcionários, esse próximo sábado vai ser vacunado todos os funcionários con la vacuna Sinovac.

Translator: In the case of Bolivia, there are 600 operators and all of them, 100% of them are going to receive the Sinovac vaccine by this weekend, by this Saturday.

Operator: Our next question comes from the webcast and it's from César Fernandez with Bank Julius Baer. He asks, "could you please elaborate on your Capex plans? What's the breakdown between expansion and maintenance Capex? Thank you."



Mr. Joaquin Lagos: We can separate in two. The works will take place in Paraguay that is all related to maintenance and in the case of Bolivia it's associated to expansion in the capacity to reach the thousand heads of cattle.

Operator: Our next question is also from the webcast, it comes from Diego, with Interamerican Advisors. He asks: "Do you plan on hedging any of your debt away from effects volatility? Thank you."

Translator: Incidence of local currency is only 10% of the total revenue. There is a natural hedge between all the amount in dollars of the imports and the exports. Guarani, as a currency, is very expensive to hedge. The company does not believe that it's going to be affected by variations of effects in the 10% that is exposed to the guaranis.

Operator: Our next question from the webcast comes from Darten Nielsen, with Julius Baer. He asks, "What is the target net leverage by year end 2022? Thank you."

Translator: The answer to that for 21, 22 and beyond is to keep it under three times leverage. At the moment it's between 2.7, 2.8, and the plans are to continue as that.

Operator: Our next question, from the webcast, is: "the 21 million trench was supposed to fungue with the 40 million trench, why this has not happened? Any plans on funguing all three trenches? Thank you."

Translator: We are not aware of 4 million trench, but we will refer this question to the investment banking team. (after a pause) One clarification, we understood 4 million, but it's 40. Again, we will talk to the investment banking team to see why those bonds show as 3 if it's the constant reopening of a single bond, so we'll definitely take your concern to the investment banking team.

Operator: Our next question comes from the webcast and it's from Thomas Haidy and he asks "can you explain in more details the working cap and the negative cash flow in operations? How much is due to suppliers? How much to employees and why? How much to the exchange rate? Is this linked to the Bolivian operations? Thank you."

Mr. Joaquin Lagos: La casa he tido operaciones debido a la gran compra de ganado que estamos haciendo en el último trimestre del año.

Translator: As we told earlier today, we have purchased, cash, a large amount of cattle at the end of the year and that generated a negative working capital of 23.9 million that was discussed in the previous question.

Mr. Joaquin Lagos: Los proveedores ese año consolidado son 12.6 millones.



Translator: Payment to suppliers at the end of the year on a consolidated basis is USD 12.6 million.

Mr. Joaquin Lagos: Que a signado a todos los empleados todos los meses un millón de dólares consolidado.

Translator: Consolidated payments to employees one million dollars per month. That's it. There is a question about foreign exchange that we didn't quite understand in the same question, but we remain available to answer that.

(AFTER PAUSE)

We have an answer for the investors' concern about the trenches of the same bond. Our legal team just told us that there is a process and they're going to merge the three trenches into one, so that will give you tranquility that we will always see one bond on the screen that corresponds to the reality, that is one bond with two reopenings.

Operator: That concludes our Question and Answer Session for today. As a reminder, this conference will be available on the website ri.frigorificoconcepcion.com.py. I would now like to turn the conference over to Jair de Lima for the closing remarks.

Mr. Jair Lima: Agradeço a todos por estar presentes. Seguimos trabajando e qualquer informação mais que nos busque, sí? Gracias a todos por estar junto con nosotros e nos apoiando.

Translator: Mr. Jair Lima says thank you to everybody, to continue supporting the company and thank you for participating in this conversation.

Operator: This concludes Frigorífico Concepción's conference for today. Thank you very much for your participation and have a good day.