



Calidad en Carnes

1Q20 RESULTS

- **Revenues** of US\$ **121.9 million**, 142.5% higher than 1Q19.
- **EBITDA** of US\$ **13.7 million**.
- **Gross Profit** of US\$ **18 million**.
- **Gross margin** of **14.8%**; 49.5% higher than 1Q19.
- **Leverage** was 3.11x.
- **Net income** of US\$ **9.7 million**.

The financial information presented in this section as of and for the three-month periods ended March 31, 2020 and 2019 derived from and should be read in conjunction with our consolidated financial statement. Our Consolidated Financial Statements have been prepared in accordance with Py-GAAP, which differs in significant respects U.S. GAAP and IFRS.

1Q20 CONSOLIDATED RESULTS

(US\$ thousands)	1Q20	1Q19	%
GROSS REVENUE	121,864	50,251	142.5%
Local sales	11,599	11,016	5.3%
External sales	110,265	39,235	181.0%
Cost of sales	(103,830)	(45,273)	129.3%
GROSS PROFIT	18,034	4,978	262.3%
Operational and commercial expenses	(2,327)	(1,579)	47.4%
Salaries and other employee benefits	(1,196)	(765)	56.3%
Administrative expenses	(834)	(568)	46.8%
RESULTS OF OPERATING ACTIVITIES (EBITDA)	13,677	2,066	562.0%
Depreciation	(608)	(765)	-20.5%
RESULTS OF OPERATING ACTIVITIES (EBIT)	13,069	1,301	904.5%
Interest expenses	(852)	(1,824)	-53.3%
Interest on bond issue	(1,928)	(618)	212.0%
Bank expenses	(22)	(1)	2,100.0%
Other net income and expenses	1,334	(83)	-1,707.2%
Exchange difference	(1,141)	(1,798)	-36.5%
RESULT BEFORE INCOME TAX	10,460	(3,022)	446.0%
Income tax	(801)	-	
NET INCOME	9,659	(3,022)	419.5%

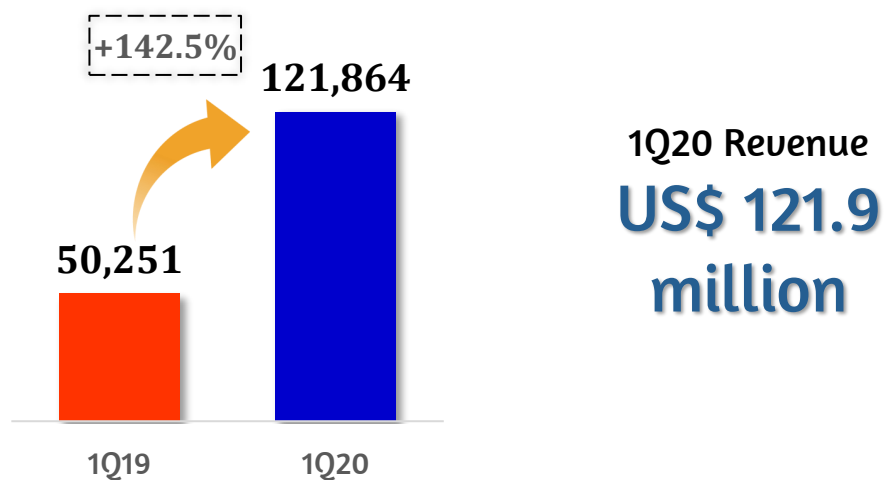
Revenues

Revenue increased from US\$ 50.3 million for the three months ended March 31, 2019 to US\$ 121.9 million for the three months ended March 31 2020, an increase of US\$ 71.6 million, or 142.5%.

The increase is due to factors such as the main plant's authorization to export to Russia, which was restricted as of March 31, 2018. We also benefitted from increased exports to China from the BFC subsidiary.

For the three months ended March 31, 2020, 90.5% of our sales were for the export market. During the period, we exported to 28 different countries including China.

Sales Revenue
(Thousands of US\$)

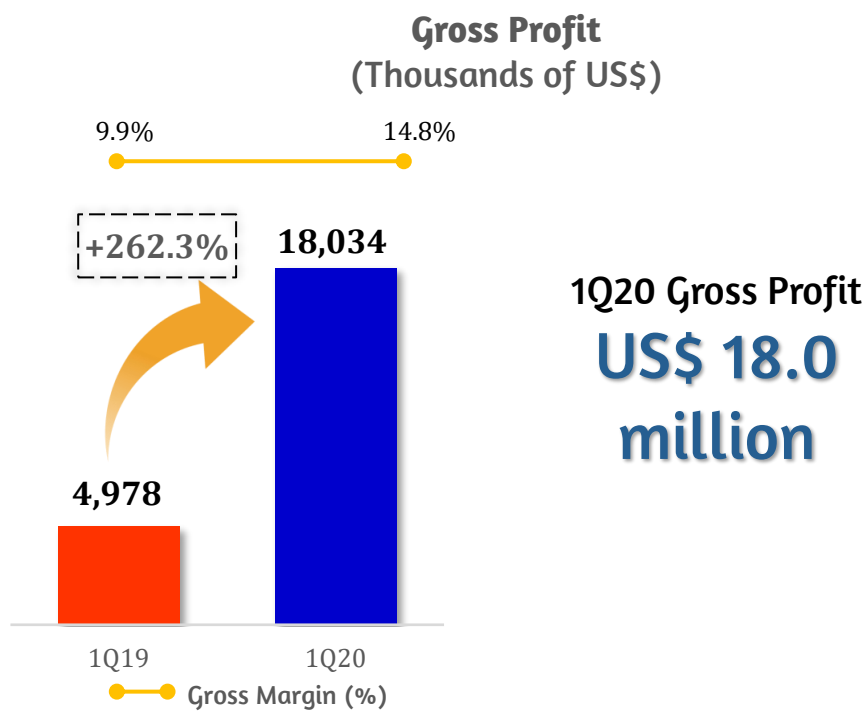


Gross Profit

Gross profit increased from US\$ 5.0 million for the three months ended March 31, 2019 to US\$ 18.0 million for the three months ended March 31, 2020, an increase of US\$ 13.1 million, or 262.3 %.

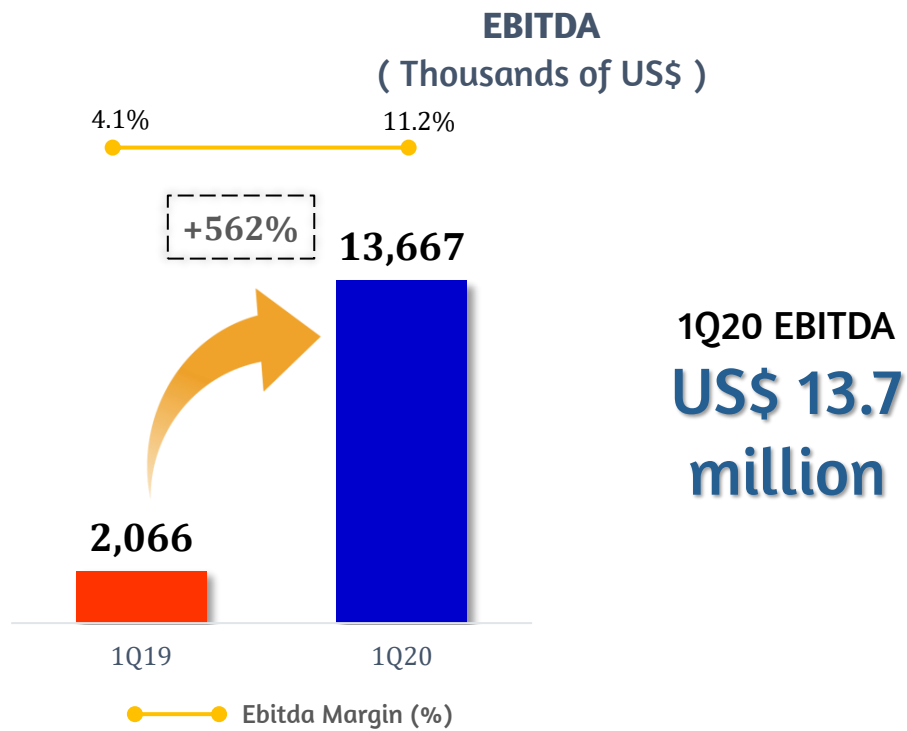
Year over Year for the three months ended March 31st, our gross margin increased from 9.9% to 14.8%.

The improvement was driven by low livestock prices in Paraguay as well as higher export prices, specifically in China.



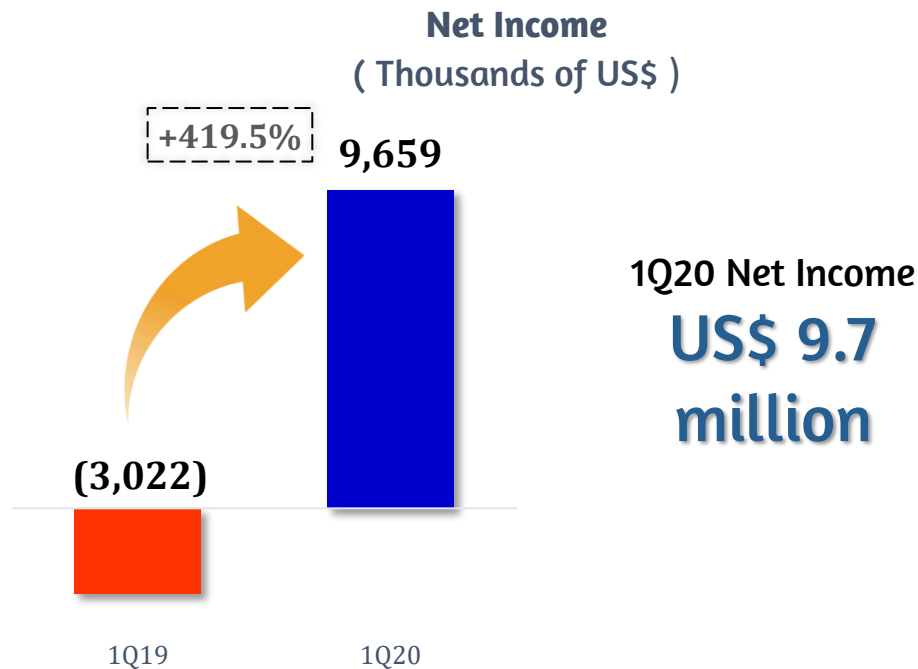
EBITDA

1Q20 EBITDA was US\$ 13.7 million, representing 11.2% margin, a 562% increase from the same period in 2019.



Net Income

As a result of the factors mentioned above, net income increased from US\$ (3.0) million for the three months ended March 31, 2019 to US\$ 9.7 million for three months ended March 31, 2020, an increase of US\$ 12.7 million or 419.5%, This increase was mainly due to the improvement in our gross margin and the significant increase in our sales volume in both Paraguay and Bolivia.



Cash Flows

The following table presents our cash flow data for the periods presented:

(US\$ thousands)	1Q20	1Q19
Net cash flows used in operating activities	(14,877)	8,299
Net cash flows used in investing activities	(97)	(140)
Net cash flows from in financing activities	18,434	(7,355)
Exchange rate difference	(1,141)	(1,798)
Increase in cash and cash equivalents	2,319	(994)
Cash and equivalents at the beginning of the period	1,675	1,425
Cash and cash equivalents at end of the period	3,994	432

For the three months ended March 31, 2020, we had net cash flow used in operating activities of US\$ (14.9) million, compared to net cash flow generated from operating activities of US\$ 8.3 million in the three months ended March 31, 2019. The net cash outflow from operating activities in the three months ended March 31, 2020 was due to payments to suppliers and employees being made in an amount of US\$ 115.6 million in such period, while our collections from clients in such period were only US\$ 106.9 million. The excess of payments over collections was due to the increase in livestock purchases that were made because of the favourable market prices, in addition to the increase in our accounts receivable due to the increase in our sales operations.

Net cash flows from financing activities were US\$ 18.4 million, compared to net cash flow used from financing activities of US\$ 7.4 million in the three months ended March 31, 2019. This variation is due to the January 2020 financing through the issuance of an international bond for US\$ 100 million, with proceeds used to pay down for US\$ 74.8 million of local market financial loans and bonds.

Indebtedness

(US\$ thousands, except percentages and ratios)	1Q20	1Q19
Short-term debt	16,037	80,293
<i>Short-term debt as a percentage of total debt</i>	<i>12.61%</i>	<i>70.91%</i>
Long-term debt	111,144	32,947
<i>Long-term debt as a percentage of total debt</i>	<i>87.39%</i>	<i>29.09%</i>
Total debt	127,181	113,240

Borrowings from Financial Institutions

(US\$ thousands)	1Q20	1Q19
Banco Nacional de Fomento	12,466	10,902
Banco Bancop S.A.	2,097	2,430
Multibank-Panamá	2,050	3,286
Banco Atlas S.A.	3,768	5,927
Banco Rio S.A.	2,057	-
Banco Regional S.A.E.C.A.	697	1,906
Banco GNB Paraguay S.A.	625	1,760
Vision Banco S.A.E.C.A.	193	236
Interfisa S.A.	49	2,548
Sudameris Bank S.A.E.C.A.	-	39,904
Banco Continental S.A.E.C.A.	-	18,418
Citibank S.A.	-	3,264
Banco BASA S.A.	-	6,771
Banco Itapua S.A.E.C.A.	-	2,240
Finexpar S.A.	-	966
BBVA Paraguay S.A.	-	446
Less: accrue interest ⁽¹⁾	(2,867)	(10,250)
Total borrowings from financial institutions ⁽²⁾	21,135	90,754

(1) Balances in table include outstanding principal plus the total interest payable through the maturity date. Interest not yet accrued has been subtracted in order to present total borrowings including accrued interest.

(2) Including accrued interest.

Domestic Bonds

(US\$ thousands)	1Q20	1Q19
Current portion		
Outstanding principal	3,918	15,127
Interest payable on bonds issued	266	2,459
Interest not yet accrued on bonds ⁽¹⁾	(137)	(2,040)
Total current portion of bonds	4,047	15,546
Non-current portion		
Outstanding principal	-	6,939
Interest payable on bonds issued	-	944
Interest not yet accrued on bonds ⁽¹⁾	-	(943)
Total non-current portion of bonds	-	6,940
Total domestic bonds⁽²⁾	4,047	22,486

(1) Balances in table include outstanding principal plus the total interest payable through the maturity date. Interest not yet accrued has been subtracted in order to present total borrowings including accrued interest.

(2) Including accrued interest.

On October 8, 2019, we issued domestic bonds in respective principal amounts of Gs. 6.5 billion and US\$ 1.1 million (the “October Domestic Bonds”), of which the Gs.-denominated bonds bear interest rate of 11.75% per annum and the US\$-denominated bonds bear interest at a rate of 7.75% per annum. The October Domestic Bonds mature on July 3, 2020. On January 6, 2020, we issued domestic bonds in respective principal amounts of Gs. 6.5 billion and US\$ 1.1 million (the “January Domestic Bonds” and, together with the October Domestic Bonds, the “Short-Term Domestic Bonds”), of which the Gs.-denominated bonds bear interest at a rate of 12% per annum and the US\$-denominated bonds bear interest at a rate of 8% per annum. The January Domestic Bonds mature on September 26, 2020. The Short-Term Domestic Bonds are unsecured.

With the issuance of international bonds, we have canceled all long-term bonds for the amount of US\$ 16.6 million, including interest.

International Seniors Bonds

(US\$ thousands)	1Q20	1Q19
Current portion		
Outstanding principal	-	-
Interest payable on bonds issued	10,264	-
Interest not yet accrued on bonds ⁽¹⁾	(8,492)	-
Total current portion of bonds	1,772	-
Non-current portion	-	-
Outstanding principal	100,137	-
Interest payable on bonds issued	33,358	-
Interest not yet accrued on bonds ⁽¹⁾	(33,267)	-
Total non-current portion of bonds	100,228	-
Total internacional Bonds⁽²⁾	102,000	-

(1) Balances in table include outstanding principal plus the total interest payable through the maturity date. Interest not yet accrued has been subtracted in order to present total borrowings including accrued interest.

(2) Including accrued interest.

On January 29, 2020 we issued international bonds in respective principal amount of US\$ 100 million, which will be valid for 5 years, maturing in January 2025. It is guaranteed by a trust managed by Financiera Finexpar S.A. The Bonds are listed on the Luxembourg Stock Exchange.

Commitments and Other Contractual Obligations

We enter into various commitments and contractual obligations that may require future cash payments. The following table summarizes the contractual obligations of Frigorífico Concepción on an consolidated basis as of the three months ended March 31, 2020, showing the undiscounted cash flows of financial liabilities based on the earliest date on which we can be required to pay.

(US\$ thousands)	Payments Due by Period				
	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
Operating lease payments	8,302	2,570	3,788	1,276	667
Borrowings from financial institutions ⁽¹⁾	120,582	9,849	5,262	80,471	25,000
Domestic bonds obligations ⁽¹⁾	3,918	3,918	-	-	-
Financial sector debt ⁽²⁾	141	141	-	-	-
Total contractual obligations	132,943	16,478	9,050	81,747	25,667

(1) Amounts include repayments of principal only and do not include accrued interest.

(2) Guarantees issued by banks in favor of the Company used in the process of recovering VAT tax credit from the Ministry of Finance of Paraguay, in accordance with the normal procedure in Paraguay as stipulated in applicable tax legislation.

Critical Accounting Policies

Our preparation of our consolidated financial statements in accordance with Py-GAAP generally requires our management to make certain assumptions and estimates in connection with matters relating to the value of our assets, liabilities, revenues and expenses. Our actual results may differ materially from such estimates and assumptions. We regularly revise these estimates and assumptions and any related revisions are recognized in the same period and in any future periods affected by these estimates and assumptions. Certain of our main estimates and assumptions are described below. The main areas on which management has made estimates and assumptions that have a significant impact on the amounts recognized in the Financial Statements relate to the allowance for doubtful debts and obsolescence, depreciation and income tax charge.



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