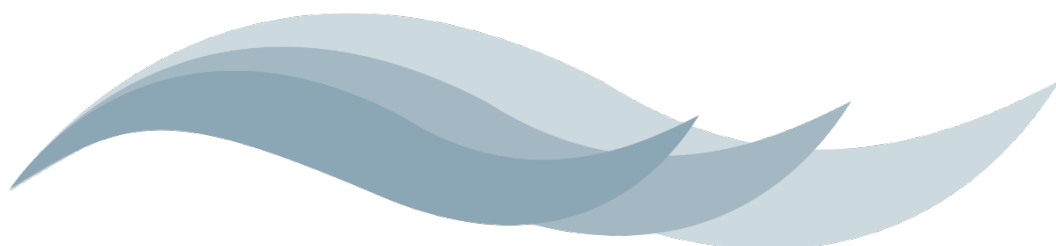




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**CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS  
AT SEPTEMBER 30, 2021**



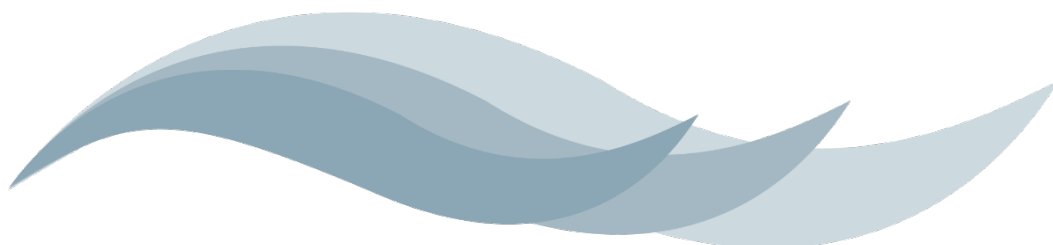
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT SEPTEMBER 30, 2021**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME AT SEPTEMBER 30, 2021**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
AT SEPTEMBER 30, 2021**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS AT  
SEPTEMBER 30, 2021**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS AT SEPTEMBER 30, 2021**



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT SEPTEMBER 30, 2021**

Presented in comparative with the year ended December 31, 2020  
(In US Dollars)

	9/30/2021	12/31/2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 3)	90,635,315	37,218,088
Trade receivables (note 4)	134,410,951	102,040,393
Other receivables (note 5)	64,399,875	47,338,361
Inventories (note 6)	94,633,316	69,380,476
Other assets	34,681	9,710
<b>Total current assets</b>	<u>384,114,138</u>	<u>255,987,028</u>
<b>Non-current assets</b>		
Trade receivables (note 4)	274,992	275,545
Other receivables (note 5)	46,338,676	28,261,912
Property, plant and equipment (note 8)	130,098,710	89,743,007
Investments (note 7)	15,267,437	-
Investment properties	6,801,248	6,801,248
Other assets	243,447	321,001
<b>Total non-current assets</b>	<u>199,024,510</u>	<u>125,402,713</u>
<b>TOTAL ASSETS</b>	<u><b>583,138,648</b></u>	<u><b>381,389,741</b></u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Loans and borrowings (note 9)	24,115,981	12,676,476
Trade payables (note 10)	16,049,990	12,636,902
Other payables (note 11)	14,767,115	10,028,165
<b>Total current liabilities</b>	<u>54,933,086</u>	<u>35,341,543</u>
<b>Non-current liabilities</b>		
Loans and borrowings (note 9)	319,731,238	178,587,144
Trade payables (note 10)	177,561	182,630
Deferred tax liability	4,995,023	4,635,696
Other payables (note 11)	3,610,491	1,606,778
<b>Total non-current liabilities</b>	<u>328,514,313</u>	<u>185,012,248</u>
<b>TOTAL LIABILITIES</b>	<u>383,447,399</u>	<u>220,353,791</u>
<b>EQUITY</b>		
Capital (note 16)	66,085,903	77,585,311
Conversion adjustment (note 16)	2,095,275	(11,926,342)
Legal reserve (note 16)	5,593,952	5,129,970
Revaluation reserve (note 16)	52,945,541	50,640,845
Retained earnings	34,536,979	663,766
Net income	28,818,752	34,136,303
Equity attributable to owners of the Company	<u>190,076,402</u>	<u>156,229,853</u>
Non-controlling interests	9,614,847	4,806,097
<b>TOTAL EQUITY</b>	<u>199,691,249</u>	<u>161,035,950</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u><b>583,138,648</b></u>	<u><b>381,389,741</b></u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AT  
SEPTEMBER 30, 2021**

Presented in comparative with the period ended September 30, 2020  
(In US Dollars)

	9/30/2021	9/30/2020
<b>GROSS REVENUE</b>		
Local sales (note 13)	43,342,704	33,424,995
External sales (note 13)	447,496,379	326,080,350
Cost of sales	<u>(419,601,819)</u>	<u>(296,299,496)</u>
<b>GROSS PROFIT</b>	<b>71,237,264</b>	<b>63,205,849</b>
Operating and commerce expenses	(10,239,971)	(7,839,732)
Salaries and other employee benefits	(4,834,864)	(3,410,857)
Administrative expenses	(3,824,545)	(2,697,589)
Depreciation	<u>(2,330,920)</u>	<u>(2,078,373)</u>
<b>RESULTS OF OPERATING ACTIVITIES</b>	<b>50,006,964</b>	<b>47,179,298</b>
<b>Financial results</b>		
Interest expenses	(1,168,001)	(1,763,470)
Interest on bond issue	(13,915,240)	(7,371,367)
Bank expenses	<u>(354,347)</u>	<u>(483,890)</u>
<b>Net finance expense</b>	<b>(15,437,588)</b>	<b>(9,618,727)</b>
Other net income and expenses	(866,915)	835,126
Foreign exchange difference	203,869	(3,725,865)
<b>RESULT BEFORE INCOME TAX</b>	<b>33,906,330</b>	<b>34,669,832</b>
Income tax	(3,332,284)	(2,669,597)
<b>NET INCOME</b>	<b><u>30,574,046</u></b>	<b><u>32,000,235</u></b>
Profit attributable to:		
Owners of the Company	28,818,752	28,077,702
Non-controlling interests	1,755,294	3,922,533

Delia S. Brítez E.  
Accountant

Pedro Cassildo Pascutti  
Vice President

Jair Antonio de Lima  
President

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AT  
SEPTEMBER 30, 2021 (CONTINUED)**

Presented in comparative with the period ended September 30, 2020  
(In US Dollars)

	9/30/2021	9/30/2020
<b>NET INCOME</b>	<b>30,574,046</b>	<b>32,000,235</b>
<b>Other comprehensive income:</b>		
<b>i) Items that will not be reclassified to profit or loss</b>		
Revaluation of property, plant, equipment	3,233,941	28,304,622
<b>ii) Items that are or may be reclassified subsequently to profit or loss</b>		
Difference in conversion from functional currency to presentation currency	-	(8,379,620)
Difference of conversion for change in functional currency (Note 2 c.4)	2,113,587	-
<b>Other comprehensive income for the year, net of taxes</b>	<b>5,347,528</b>	<b>19,925,002</b>
<b>TOTAL COMPREHENSIVE INCOME OF THE PERIOD</b>	<b>35,921,574</b>	<b>51,925,237</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	32,556,992	48,002,704
Non-controlling interests	3,364,582	3,922,533

Delia S. Brítez E.  
**Accountant**

Pedro Cassildo Pascutti  
**Vice President**

Jair Antonio de Lima  
**President**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT SEPTEMBER 30, 2021**

Presented in comparative with the period ended September 30, 2020  
(In US Dollars)

	Attributable to owners of the Company					Total	Non-controlling interest	Total Equity
	Capital	Conversion adjustment	Legal Reserve	Revaluation Reserve	Retained Earnings			
<b>Balance as of December 31, 2020 (*)</b>	<b>77,585,311</b>	<b>(11,926,342)</b>	<b>5,376,491</b>	<b>51,321,214</b>	<b>35,162,736</b>	<b>157,519,410</b>	<b>6,250,264</b>	<b>163,769,674</b>
<b>Total transactions with owners of the Company</b>								
Other income statement- Revaluation reserve				1,624,653		1,624,653	1,609,289	3,233,942
Other income statement- Conversion adjustment	(11,499,408)	14,021,617	269	(326)	(408,565)	2,113,587	-	2,113,587
Net income					28,818,752	28,818,752	1,755,294	30,574,046
<b>Total comprehensive income for the period</b>	<b>(11,499,408)</b>	<b>14,021,617</b>	<b>269</b>	<b>1,624,327</b>	<b>28,410,187</b>	<b>32,556,992</b>	<b>3,364,583</b>	<b>35,921,574</b>
Legal reserve	-	-	217,192	-	(217,192)	-	-	-
<b>Total mandatory reserves</b>	<b>-</b>	<b>-</b>	<b>217,192</b>	<b>-</b>	<b>(217,192)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance as of September 30, 2021</b>	<b>66,085,903</b>	<b>2,095,275</b>	<b>5,593,952</b>	<b>52,945,541</b>	<b>63,355,731</b>	<b>190,076,402</b>	<b>9,614,847</b>	<b>199,691,249</b>
	Attributable to owners of the Company							
	Capital	Conversion adjustment	Legal Reserve	Revaluation Reserve	Retained Earnings	Total	Non-controlling interest	Total Equity
<b>Balance as of January 1, 2020, as previously reported</b>	<b>66,432,561</b>	<b>(6,901,935)</b>	<b>3,813,748</b>	<b>23,489,902</b>	<b>11,816,368</b>	<b>98,650,644</b>	<b>642,521</b>	<b>99,293,165</b>
Capitalization of retained earnings	11,152,750	-	-	-	(11,152,750)	-	-	-
<b>Total transactions with owners of the Company</b>	<b>11,152,750</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,152,750)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other income statement- Revaluation reserve	-	-	-	28,304,455	-	28,304,455	167	28,304,622
Other income statement- Conversion adjustment	-	(6,280,123)	(293,109)	(1,806,280)	(55)	(8,379,567)	(53)	(8,379,620)
Net income	-	-	-	-	28,077,702	28,077,702	3,922,533	32,000,235
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(3,197,835)</b>	<b>(293,109)</b>	<b>26,498,175</b>	<b>28,077,647</b>	<b>48,002,590</b>	<b>3,922,647</b>	<b>51,925,237</b>
<b>Balance as of September 30, 2020</b>	<b>77,585,311</b>	<b>(13,182,058)</b>	<b>3,520,639</b>	<b>49,988,077</b>	<b>28,741,265</b>	<b>146,653,234</b>	<b>4,565,168</b>	<b>151,218,402</b>

(\*) Initial balance of newly controlled companies are from the date of acquisition

Delia S. Brítez E.  
Accountant

Pedro Cassildo Pascutti  
Vice President

Jair Antonio de Lima  
President

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
AT SEPTEMBER 30, 2021**

Presented in comparative with the period ended September 30, 2020  
(In US Dollars)

	9/30/2021	9/30/2020
<b>I. OPERATING ACTIVITIES</b>		
<b>NET INCOME</b>	<b>30,574,046</b>	<b>32,000,235</b>
Depreciation	2,330,920	2,078,373
Provision for Income Tax	3,014,922	2,669,597
Provisions and employee benefits	497,793	-
Financial Interest	15,083,241	9,134,837
Exchange difference	(203,869)	3,725,865
Other adjustment	(286,469)	(4,417,101)
Non-cash items and other adjustments	20,436,538	13,191,571
Change in trade receivables	(30,847,709)	(20,659,205)
Payments to suppliers and employees	(10,981,306)	(19,627,879)
<b>Net cash flows from operating activities</b>	<b>9,181,569</b>	<b>4,904,722</b>
<b>II. INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(24,810,566)	(4,425,010)
New Company Acquisition	(20,146,103)	-
<b>Net cash flows from investing activities</b>	<b>(44,956,669)</b>	<b>(4,425,010)</b>
<b>III. FINANCING ACTIVITIES</b>		
Increase in loans and borrowings	133,694,745	21,303,808
Interest paid	(15,083,241)	(9,134,837)
(Decrease) cancellation / bond issuance fees	(30,490,631)	-
<b>Net cash flows from financing activities</b>	<b>88,120,873</b>	<b>12,168,971</b>
Exchange difference	203,869	(3,725,865)
Increase or decrease in cash and cash equivalents	<b>52,549,642</b>	<b>8,922,818</b>
Cash and cash equivalents at the beginning of the year	38,085,673	1,675,026
<b>Cash and cash equivalents at the end of the year</b>	<b>90,635,315</b>	<b>10,597,844</b>

(\*) Initial balance of newly controlled companies are from the date of acquisition.

Delia S. Brítez E.  
Accountant

Pedro Cassildo Pascutti  
Vice President

Jair Antonio de Lima  
President

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AT SEPTEMBER 30, 2021**

**Presented in comparative with the year ended December 31, 2020  
(In US Dollars)**

**NOTE 1 – BASIC INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES**

**PARENT ENTITY**



**FRIGORIFICO CONCEPCIÓN S.A. (Company)** was originally incorporated under the name "Nelore Importadora y Exportadora S.R.L." on August 28, 1997 according to Public Deed No. 70 registered in the Public Registry of Commerce under No. 490, folio 4596 and then on of the section Contracts dated September 5, 1997.

Subsequently, on September 25, 1998 according to Public Deed No. 134, the name was changed to Frigorífico Concepción S.R.L. which was registered in the Public Registry of Commerce under No. 608, folio 5216 and then on October 13, 1998.

Finally, on August 2, 2001 according to Public Deed No. 68 it was decided to transform the legal entity from a S.R.L. to S.A.

The Company is mainly engaged in the purchase and processing of cattle, and the commercialization of meat both in the local market and abroad.

According to Public Deed No. 46 dated June 25, 2008, the Company may also issue securities that may be traded through the Bolsa de Valores y Productos de Asunción S.A. subject to authorization by the Comisión Nacional de Valores and in accordance with the laws that regulate the matter.

The legal address Av. Santa Teresa Esq / Av. Aviadores de Chaco, Edificio Torres Del Paseo – Torre 1, Pisos 17 y 18, Asunción, Paraguay.

**DIRECTLY CONTROLLED COMPANIES**



**FRIGORÍFICO BFC S.A. (Bolivia):** was incorporated according to testimony N° 0289/2018 on June 6, 2018. under Tax identification number N° 360698020, Public Registry Commerce under enrollment N° 00397250 with legal address on Víctor Pinto Street. Torre Dúo Building, 12 Floor of Santa Cruz – Bolivia.

Is mainly engaged in the purchase and processing of cattle, and the commercialization of meat both in the local market and abroad.

Frigorífico BFC S.A. has an approved and issued Capital, which has been totally integrated of Bs. 4,630,000 (Seventy thousands 00/100 Bolivianos), of which one Frigorífico Concepción S.A. owns 51%.

Frigorífico BFC S.A. under enrollment of June 8, 2018 according to the Servicio de Impuestos Nacionales certify to are under General Regime and the fiscal year end of June 30, every year.

On January 15, 2020, the Subsidiary was authorized by the Servicio de Impuestos Nacionales (Bolivia) to do the change its fiscal year to end at December, 31 every year from 2020.

**INDIRECTLY CONTROLLED COMPANIES**



**BFC-PAR S.A. (Paraguay):** On August 2, 2021, Frigorífico BFC S.A. acquired 99.5% of the shares and voting interest in "Societe Agricola Ganadera Sociedad Anónima" (SAGASA), later SAGASA by minutes of the shareholders' meeting changed its name to "BFC-PAR S.A.", the company is dedicated to agricultural and livestock farming, and to buying and selling activities. (Note 12).

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AT SEPTEMBER 30, 2021**

**Presented in comparative with the year ended December 31, 2020**

(In US Dollars)

CABAÑA EL NIDO S.A.



**CABAÑA EL NIDO S.A. (Paraguay):** On date August 31, 2021 BFC-PAR S.A. acquired 99% of the shares of "Cabaña El Nido S.A.", located in the city of Fram, Department of Itapúa. The company is dedicated to breeding, fattening and commercialization of high genetic pork of the DUROC, LANDRACE, YORKSHIRE breeds, and its own breed called MASTER X. (Note 12).

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES USED**

**a. Reporting entity**

These Condensed Consolidated Interim Financial Statements at September 30, 2021 comprise the Financial Statements of Company (Frigorífico Concepción S.A.) and its Subsidiaries Frigorífico BFC S.A.; BFC-Par S.A. and Cabaña El Nido S.A., together referred to as the 'Group'.

**b. Basis of preparation of the Condensed Consolidated Interim Financial Statements**

These Condensed Consolidated Interim Financial Statements for the nine months ended September 30, 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group's last annual consolidated financial statements as of and for the year ended 31 December 2020 ('last annual financial statements'). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The financial statements of subsidiaries are included in the consolidated financial statements from the date control begins until the expiration date of this.

**c. Functional and presentation currency**

**c.1. Presentation currency**

The consolidated interim financial information is presented in currency U.S. Dollar (US\$) as of September 2021 and December 2020.

**c.2 Functional currency of the Parent and Subsidiary**

**Frigorifico Concepcion S.A. (Parent Company):**

The functional currency defined by the Parent from January 1, 2021 is U.S. dollar (US\$.)

*Change of the functional currency*

In accordance with International Accounting Standard 21 (IAS 21), the Company's management has evaluated the influence of the currencies involved in the economic environment in which Frigorífico Concepción operates and has defined the U.S. dollar as the functional currency for the current year.

The functional currency of the Company for the years prior to these Condensed Consolidated Interim Financial Statements was the Guarani (Gs.). However, in order to issue reports comparable with the meat processing industry worldwide the U.S. dollar (US\$) has been used as the presentation currency.

As a basis for changing and determining the functional currency (US dollars), the following criteria mentioned in IAS 21 have been considered:

- Currency of fundamental influence in sales prices of refrigerated products.
- Currency of fundamental influences in the purchase costs of raw materials and industrial supplies.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AT SEPTEMBER 30, 2021**

**Presented in comparative with the year ended December 31, 2020**

(In US Dollars)

- Currency in which funds from financing activities are generated.
- Currency in which cash flows from operating activities are maintained.

As of 2020, based on the factors mentioned above, Frigorífico Concepción S.A. considers as "main factor" US dollar for financing and upcoming CapEx.

**Frigorífico BFC S.A.:**

The functional currency of the subsidiary is Pesos Bolivianos (Bs.) based on the fact that this is the current currency of the country.

**BFC -Par S.A.:**

The functional currency of the subsidiary is Guaraní (Gs.) based on the fact that this is the currency of significant influence on its economic environment.

**Cabaña El Nido S.A.:**

The functional currency of the subsidiary is Guaraní (Gs.) based on the fact that this is the currency of significant influence on its economic environment

**c.3 Conversion of the balances from the functional currency to presentation currency**

The conversion of the balances from the functional currency (Bs.) and (Gs.) to the presentation currency (US\$) was made applying the criteria established in International Accounting Standard 21, as detailed below:

- The balances of assets, liabilities and shareholder's equity of each of the statements of financial position presented (including comparative figures) were converted at the closing exchange rate at the date of the corresponding statement of financial position. The captions Capital and Results of prior years are presented at their nominal values in (Bs.) and (Gs.) and the conversion of such captions is charged to the equity account.
- The income and expense balances of each of the income statement items (including comparative figures) were converted at the average exchange rate of the year.
- All conversion differences arising as a result of the foregoing were recognized as a separate component of shareholder's equity in the conversion adjustment account.

**c.4 Conversion of the balances from the functional currency guaraníes to dollar**

The effect of a change in functional currency mentioned in Note d.2 was accounted by Frigorífico Concepción S.A. prospectively according the criteria established in International Accounting Standard 21. In other words, the Company translated all items into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for non-monetary items was calculated at historical cost. The effect of the change was accounted in the equity as "Conversion adjustment."

**d. Changes in significant accounting policies**

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as of and for the year ended December, 31 2020.

The IASB issued the revised standards detailed below, with the effective date in 2021:

- COVID-19-Related Rent Concessions Amendment to IFRS 16;
- Interest Rate Benchmark Reform Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16;

The amendments were evaluated by the Group's management, and there were not applicable to the operations of the Group.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AT SEPTEMBER 30, 2021**

**Presented in comparative with the year ended December 31, 2020**

(In US Dollars)

New standards, amendments and interpretations of existing standards that have not yet become effective and have not been early adopted by the Group (for which no significant impacts are expected in the period of initial adoption and, therefore, no additional disclosures are being made):

- Onerous Contracts: Cost of Fulfilling a Contract-Amendments to IAS 37;
- Annual Improvements to IFRS Standards 2018-2020-Amendments to IFRS 1, IFRS 9, illustrative examples accompanying IFRS 16 and IAS 41;
- Property, Plant and Equipment: Proceeds before Intended Use-Amendments to IAS 16;
- Reference to the Conceptual Framework - Amendments to IFRS 3;
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1;
- Definition of Accounting Estimate Amendments to IAS 8;
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2;
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

**e. Foreign currency**

Transactions in foreign currencies are converted to the respective functional currency at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are expressed in our functional currency at the exchange rate at that date.

Foreign currency differences arising from conversions are generally recognized in profit or loss.

Below is the detail of the exchange rates of currencies other than the U.S. dollar (US\$) and Bolivian Pesos (Bs.) issued from the central bank of each country:

	Average		Close	
	Sep - 21	Dec - 20	Sep - 21	Dec - 20
Paraguayan Guarani's	US\$ 1=Gs. 6,761.53	US\$ 1=Gs. 6,777.6	US\$ 1= Gs 6,913.99	US\$ 1= Gs. 6,900.11
Bolivian Pesos	US\$ 1=Bs. 6.96	US\$ 1=Bs. 6.96	US\$ 1=Bs. 6.96	US\$ 1=Bs. 6.96

**f. Use of accounting estimates and judgments**

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

The detail of the cash and cash equivalents is as follows:

Concept	9/30/2021	12/31/2020
Cash Gs.	81,665	204,461
Cash Bs.	5,681	13,741
Bank - Gs.	1,621,746	1,824,829
Banks - US\$	78,731,904	23,419,270
Banks - Bs.	2,638,229	4,684,589
Collections to deposit	7,556,090	7,071,198
<b>Total Cash and cash equivalents</b>	<b>90,635,315</b>	<b>37,218,088</b>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AT SEPTEMBER 30, 2021**

Presented in comparative with the year ended December 31, 2020

(In US Dollars)

**NOTE 4 – TRADE RECEIVABLES**

The detail of Trade receivables is as follows:

Concept	9/30/2021	12/31/2020
<b>CURRENT</b>		
Trade receivables – In trust (1)	-	68,769,000
Export trade receivables	127,171,102	26,868,805
Local trade receivables	5,716,704	5,429,739
Related parties (Note 15)	1,523,145	972,849
<b>Total current Trade receivables</b>	<b>134,410,951</b>	<b>102,040,393</b>
<b>NON-CURRENT</b>		
Related parties (Note 15)	274,992	275,545
Receivables with collection management	50,079	50,180
Less: Allowance for uncollectable receivables	(50,079)	(50,180)
<b>Total non-current Trade receivables</b>	<b>274,992</b>	<b>275,545</b>

(1) On December 12, 2019 the Company established a fiduciary guaranty trust identified as “Contrato de Fideicomiso de Administración y Garantía– Bonos Internacionales Frigorífico Concepción S.A.” among Frigorífico Concepción S.A. (trustor), Wilmington Trust National Association (beneficiary) and Finexpar S.A.E.C.A. (trustee). On January 29, 2020, the collateral for guarantee structure (collateral) of the aforementioned issue was transferred together with deeds.

In furtherance of all agreements dated on January 29, 2020 based on the contractual structure, the Company assigned the right to collect trade receivables for the creation of the Autonomous Assets of the new administration and guarantee trust, administered by the Finexpar S.A.E.C.A. The accounts receivables were assigned and, subject to certain conditions, collected in a fiduciary bank account. With the new issuance of international bonds (note 9.2) trade receivables are no longer part of the trust guarantee.

**NOTE 5 – OTHER RECEIVABLES**

The detail of the Other receivables is as follows:

Concept	9/30/2021	12/31/2020
<b>CURRENT</b>		
Advances to suppliers	19,560,820	10,428,894
Tax credits - VAT	15,301,723	17,242,701
Related party transactions (Note 15)	7,319,365	2,700,299
Escrow account (1)	-	9,068,090
Tax credits - Rent	7,364,887	2,487,629
Deferred checks receivable	65,346	135,609
Advances to employees	180,779	110,971
VAT credit receivables	90,056	223,393
Advance to foreign suppliers	78,363	27,025
Expenses to defer	4,105,143	-
Other credits	10,333,393	4,913,750
<b>Total current Other credits</b>	<b>64,399,875</b>	<b>47,338,361</b>
<b>NON-CURRENT</b>		
Tax credits - VAT	10,764,782	9,385,407
Expenses to defer	32,841,142	-
Guarantee deposit (Note 9,a)	-	8,241,552
Related parties (Note 15)	642,977	529,686
Other credits	3,121,694	11,128,230
Less: Allowance for uncollectible	(1,031,919)	(1,022,963)
<b>Total non-current Other credits</b>	<b>46,338,676</b>	<b>28,261,912</b>

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- (1) In 2020, according to "Formalization of the Administration and Guarantee Trust Agreement - International bond issue Frigorífico Concepción S.A. between Frigorífico Concepción S.A. and Frigorífico BFC S.A. as grantor, Wilmington Trust National Association, as beneficiary and Finexpar S.A.E.C.A. as a trustee and its modifications", the trustee retained US\$ 15.000.000 of the proceeds from the bond issue as "Capex Funds" that the trustor may withdraw and use only for capital expenditures of Frigorífico BFC S.A. for the acquisition of machinery and expansion of its production installations.

**NOTE 6 - INVENTORIES**

The detail of the Inventories is as follows:

Concept	9/30/2021	12/31/2020
Goods	74,838,161	65,274,041
Pork Cattle	9,424,833	-
Materials-Industrial Supplies	10,370,322	4,106,435
<b>Total Inventories</b>	<b>94,633,316</b>	<b>69,380,476</b>

From the inventory impairment analysis performed by the Group as of September 30, 2021 and December 31, 2020, it has been concluded that there is no indication of impairment, the goods are of high rotation and in situations of price variations can be easily relocated.

**NOTE 7 - INVESTMENTS**

The detail of Investments is a follow:

Concept	9/30/2021	12/31/2020
Goodwill (Note 12.2.3)	11,188,477	-
Investments in Subsidiaries (*)	4,078,960	-
<b>Total</b>	<b>15,267,437</b>	<b>-</b>

(\*) As part of acquisition of Cabaña El Nido S.A. (note 12.2), there are shares representing 24.39% of UPISA - Unión de Productores de Itapúa S.A., a leading pork meatpacker in Paraguay.

**NOTE 8- PROPERTY, PLANT AND EQUIPMENT**

The detail of the Property, plant and equipment is as follow:

Concept	9/30/2021	12/31/2020
Property plant and equipment (8.1)	63,019,773	22,343,378
Property plant and equipment in Trust (8.2)	66,040,825	66,087,113
Right to use	1,038,112	1,312,516
<b>Sub total</b>	<b>130,098,710</b>	<b>89,743,007</b>

**8.1 PROPERTY, PLANT AND EQUIPMENT:**

Concept	9/30/2021	12/31/2020
Land and Buildings	37,450,600	17,524,893
Machinery and equipment	7,432,803	3,465,294
Vehicles	16,169,603	948,482
Construction in progress	1,966,767	404,709
<b>Sub total</b>	<b>63,019,773</b>	<b>22,343,378</b>

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**8.2 PROPERTY, PLANT AND EQUIPMENT IN TRUST:**

Concept	9/30/2021	12/31/2020
Movable property held in trust	12,644,529	28,258,848
Immovable property held in trust	24,336,521	32,732,426
Trust real estate	29,059,775	5,095,839
<b>Sub total</b>	<b>66,040,825</b>	<b>66,087,113</b>

As disclosed in the consolidated financial statements as of December 31, 2020, the Company constituted in 2020 a fiduciary trust identified as “Contrato de Fideicomiso de Administración y Garantía- Bonos Internacionales Frigorífico Concepción S.A.” Between Frigorífico Concepción S.A. (trustor), Wilmington Trust National Association (beneficiary) and Finexpar S.A.E.C.A. (trustee). On 21 July, 2021 Security Trust Agreement governing the new bond issuance was amended providing for (i) release of the Trust security interest over all collateral, other than the real estate property and equipment, and removal of the Initial individual guarantors, (ii) change of definition of secured obligations under the bonds, (iii) eliminating the obligation to maintain a minimum value of receivables as collateral and (iv) change Wilmington Trust National Association for The Bank of New York Mellon as Trustee and beneficiary of the Security Trust Agreement. In addition, a Bolivian Share Pledge Agreement was signed, granting first priority security interest over the shares of BFC owned by the Company.

At September 30, 2021 both the Trust’s Fixed Assets and the remaining assets have been depreciated in order to calculate the effects of the wear and tear of the depreciable assets according to the tax criteria allowed in its current regulations.

**Acquisitions and disposals**

During the second quarter of the year BFC acquired of a cattle ranch in Bolivia to support the supply of cattle for slaughtering. In addition BFC bought trucks machinery and equipment for maintenance and development of such cattle ranch.

At BFC, construction continues to expand its refrigeration chambers and corrals for live animal.

**NOTE 9- LOANS AND BORROWINGS**

The detail of Loans and borrowings is as follows:

Concept	9/30/2021	12/31/2020
<b>CURRENT</b>		
Financial Institutions (9.1)	19,659,188	6,803,451
International Bonds (9.2)	4,456,793	119,581
Domestic Bonds (9.3)	-	5,753,444
<b>Total current Loans and borrowings</b>	<b>24,115,981</b>	<b>12,676,476</b>
<b>NON-CURRENT</b>		
Financial Institutions (9.1)	19,731,238	9,338,265
International Bonds (9.2)	300,000,000	169,248,879
<b>Total non-current Loans and borrowings</b>	<b>319,731,238</b>	<b>178,587,144</b>

**9.1 Financial institutions**

Concept	9/30/2021	12/31/2020
<b>CURRENT</b>		
Banco Nacional de Fomento	3,956,453	2,872,704
Banco Atlas S.A.	3,562,909	3,804,235
Banco de Crédito Bolivia S.A.	2,771,731	-
Banco Itau S.A.E.C.A.	1,880,979	-
Banco BBVA S.A.	1,495,247	-
Banco BASA S.A.	1,051,572	-
Banco Continental S.A.E.C.A.	1,015,534	1,068,585

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Concept	9/30/2021	12/31/2020
Banco GNB Paraguay S.A.	897,378	-
Banco Regional S.A.E.C.A.	870,902	-
Banco Bancop S.A.	714,217	-
Banco Familiar S.A.E.C.A.	702,609	-
Banco Interfisa S.A.E.C.A.	662,920	-
Banco Rio S.A.	613,939	-
Solar Ahorros y Finanzas S.A.	546,396	-
Sudameris Bank S.A.E.C.A.	471,053	-
Financiera Paraguayo Japonesa S.A.	164,625	-
Vision Banco S.A.E.C.A.	142,899	-
Bill of credit	151,602	-
Less: accrued interest	(2,013,777)	(942,073)
<b>Total current Financial institutions</b>	<b>19,659,188</b>	<b>6,803,451</b>
<b>NON-CURRENT</b>		
Banco Nacional de Fomento	7,250,467	8,809,899
Banco de Crédito Bolivia S.A.	5,671,433	-
Banco Itau S.A.E.C.A.	2,509,637	-
Vision Banco S.A.E.C.A.	1,179,059	-
Banco GNB Paraguay S.A.	936,669	-
Interfisa Banco S.A.E.C.A.	917,290	-
Banco Regional S.A.E.C.A.	812,436	-
Banco BASA S.A.	811,515	-
Banco Atlas S.A.	772,412	1,738,745
Sudameris Bank S.A.E.C.A.	707,210	-
Banco Rio S.A.	611,509	-
Banco Familiar S.A.E.C.A.	275,897	-
Financiera Paraguayo Japonesa	291,013	-
Less: accrue interest	(3,015,309)	(1,210,379)
<b>Total non-current Financial institutions</b>	<b>19,731,238</b>	<b>9,338,265</b>

The interest rates agreed in US dollars are between 5.2% and 12% per year during.

## 9.2 International bonds

On January 29, 2020 FRIGORIFICO CONCEPCION S.A. (Parent Company) listed 100 million dollars of corporate notes in the Luxembourg Market, maturing January 2025. The bonds were secured with collateral placed with Financiera Finexpar S.A. as trustee. The Bonds were listed on the Luxembourg Stock Exchange. This issue was increased in October 28, 2020 for US\$40,000,000 (forty million dollars) and December 22, 2020 for US\$21,000,000 (Twenty-one million dollars). In July 2021, the company proceeded to issue a new 144 A / Reg. S bond, maturing in 2028, also listed at Luxembourg Stock Exchange, for 300 million dollars. The new Notes provide collateral through a Security Trust Agreement and are guaranteed by a pledge of shares held in Frigorífico BFC S.A. ("BFC") These coupons have been registered at a rate of 7.7%. The proceeds from the new issuance were used to repurchase the senior secured 10.25% maturing in 2025, to pay the expenses of the public offering, operating capital and for the acquisition of strategic assets, if and when opportunities arise.

Concept	9/30/2021	12/31/2020
<b>CURRENT</b>		
Interest payable on bonds issued	23,100,000	16,602,685
Interest to be accrued on bonds	(18,643,207)	(16,483,104)
<b>Total current International bonds</b>	<b>4,456,793</b>	<b>119,581</b>
<b>NON-CURRENT</b>		
International Stock Bonds	300,000,000	161,977,418
Interest payable on bonds issued	138,600,000	45,657,385
Interest to be accrued on bonds	(138,600,000)	(38,385,924)
<b>Total non-current International bonds</b>	<b>300,000,000</b>	<b>169,248,879</b>

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**9.3 Domestic bonds issued**

Concept	9/30/2021	12/31/2020
<b>CURRENT</b>		
Bonds issued	-	5,500,829
Interest payable on bonds issued	-	484,148
Interest to be accrued on bonds	-	(231,533)
<b>Total current Domestic bonds issued</b>	<b>-</b>	<b>5,753,444</b>

On July, 2020, the Company issued domestic bonds in respective principal amounts of Gs. 12 billion and US\$2 million ("May Domestic Bonds" and July Domestic Bonds, the "Short-Term Domestic Bonds"). The Domestic Bonds issued in July matured on July, 2021. The Short-Term Domestic Bonds are unsecured. As of September 30, all local bond issues are repaid.

**NOTE 10- TRADE PAYABLES**

The detail of Trade payables is as follows:

Concept	9/30/2021	12/31/2020
<b>CURRENT</b>		
Trade payables	13,642,707	8,545,468
Issued checks	1,572,894	2,903,667
Related parties (Note 15)	834,389	1,187,767
<b>Total current Trade payables</b>	<b>16,049,990</b>	<b>12,636,902</b>
<b>NON-CURRENT</b>		
Advance from customers	177,561	182,630
<b>Total non-current Trade payables</b>	<b>177,561</b>	<b>182,630</b>

**NOTE 11- OTHER PAYABLES**

The detail of Other payables is as follows:

Concept	9/30/2021	12/31/2020
<b>CURRENT</b>		
Tax debts	5,124,884	5,337,362
Related parties (Note 15)	106,684	1,557,374
Various creditors	1,023,737	1,167,264
Selling shareholders (Note 12.2.1)	5,690,038	-
Social debts	1,257,945	747,747
Other liabilities	722,705	378,275
Contingency provisions (1)	841,122	840,143
<b>Total current Other payables</b>	<b>14,767,115</b>	<b>10,028,165</b>
<b>NON-CURRENT</b>		
Related parties (Note 15)	1,221,529	1,334,132
Other liabilities	2,388,962	272,646
<b>Total non-current Other payables</b>	<b>3,610,491</b>	<b>1,606,778</b>

- (1) Corresponds to provision made on account of litigations with risk as classified as probable loss. The Group does not record post-employment benefits such as contribution plans and/or defined benefit plans. All benefits and short-term paid leave, as well as profit sharing and bonuses are in accordance with the requirements of the respective accounting standards.

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**NOTE 12- ACQUISITION OF SUBSIDIARY**

**12.1 Acquisition of BFC-PAR S.A.**

On August 2, 2021, Frigorífico BFC S.A. acquired 99.5% of the shares and voting interest in "Societe Agricola Ganadera Sociedad Anónima" (SAGASA), after that it was renamed "BFC-PAR S.A.

In the two months to 30 September 2021, BFC-PAR S.A. contributed revenue of US\$126,938 and profit of US\$6,660 to the group results. If the acquisition had occurred on 1 January 2021, management estimates that contribution to consolidated revenue would have been US\$489,618 and contribution to consolidated net income for the year would have been US\$137,459.

**Identifiable assets acquired and liabilities assumed with BFC-PAR**

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

Cash and cash equivalents	54,697
Trade receivables	139,583
Other receivables	102,746
Trade payables	78,599
<b>Total identifiable net assets acquired</b>	<b>218,425</b>

**12.2 Acquisition of Cabaña El Nido S.A.**

BFC-PAR acquired 99% of shares in Cabaña El Nido S.A. on August 31, 2021, a premium pork farm.

With Cabaña El Nido S.A., Concepcion enters a diversified protein, breeding and fattening high genetic porks for sale. with 10,336 high genetic sows on the farm and a production capacity of 22,000 piglets per month, is the main supplier of pork's to Frigorífico UPISA.

From August to 30 September 2021, Cabaña El Nido S.A. contributed revenue of US\$1,840,633 and net income of US\$47,034 to the group results. If the acquisition had occurred on 1 January 2021, at September 30 management estimates that contribution to consolidated revenue would have been US\$14,855,325 and contribution to consolidated net income for the period would have been US\$897,974.

**12.2.1 Contingent consideration**

The group has agreed to pay the sellers of El Nido in August 2022 US\$5,690,038. This obligation is recognized as liabilities (Note 11).

**12.2.2 Identifiable assets acquired and liabilities assumed**

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

Cash and cash equivalents	812,888
Trade receivables	1,408,631
Other receivables	3,379,195
Inventories	14,001,251
Investments	4,085,763
Property, plant, equipment	14,219,638
<b>Total assets acquired</b>	<b>37,907,366</b>
Loans and borrowings	18,888,854
Trade payables	1,955,111
Other payables	143,923
<b>Total liabilities assumed</b>	<b>20,987,888</b>
<b>Total identifiable net assets acquired</b>	<b>16,919,478</b>

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### 12.2.3 Goodwill

The goodwill arising from the acquisition has been recognized as follow:

Total consideration transferred	25,492,500
Non-controlling interest	169,195
Fair value of interest in Cabaña el Nido	2,446,260
Fair value of identifiable assets	(16,919,478)
<b>Goodwill</b>	<b>11,188,477</b>

The goodwill is attributable to the value of high genetics laboratories, as well as the potential of the stockholding of Frigorífico UPISA.

## NOTA 13 – GROSS REVENUE

### 13.1 Disaggregation of revenue

In the following table, revenue disaggregated by tape of products.

Concept	9/30/2021	9/30/2020
<b>Export sales</b>		
Beef/Burger	389,609,772	298,624,240
Offal	29,331,126	16,140,305
Leather	8,255,341	2,864,924
Sub-products	19,865,610	7,885,209
Other	434,530	565,672
<b>Sub-total (export)</b>	<b>447,496,379</b>	<b>326,080,350</b>
<b>Domestic sales</b>		
Beef/Burger	34,949,204	29,847,645
Offal	1,536,781	1,021,230
Leather	60,961	-
Sub-products	3,864,914	1,907,648
Other	2,930,844	648,469
<b>Sub-total (domestic)</b>	<b>43,342,704</b>	<b>33,424,993</b>
<b>Total revenue</b>	<b>490,839,083</b>	<b>359,505,343</b>

In the following table, revenue of exports breakdown by country.

Concept	9/30/2021	9/30/2020
<b>Country</b>		
Russia	130,720,281	90,518,099
Brazil	100,603,901	71,406,599
Chile	87,427,114	48,075,569
China	39,874,046	52,851,447
Israel	11,511,705	19,538,239
Taiwan	31,172,672	15,850,668
Other countries	46,636,659	27,839,729
<b>Total exports</b>	<b>447,496,379</b>	<b>326,080,350</b>

### 13.2 Revenue recognition policies

Revenue is measured based on the agreed considerations established with a customer. The Group does not enter into contracts with customers providing for performance obligations other than the delivery of products.

The Group recognizes revenue at that point in time when it transfers control over the sold products to a customer.

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Customers obtain control when the goods are delivered to and accepted. Invoices are generated at that point in time. Invoices are payable on average within 90 days.

Considering the nature of the cash operations, the group does not expect significant revenue reversals.

**NOTA 14 – FINANCIAL RISKS MANAGEMENT**

**14.1 Management risk**

Companies are exposed to the following risks associated with the use of financial instruments:

- Credit risk (Note 14.1.1)
- Liquidity risk (Note 14.1.2)
- Market risk (Note 14.1.3)

This note presents information about the Company's exposure to each of the above risks, its objectives, policies and procedures to measure and manage risk.

The Board is responsible for establishing and overseeing the risk management structure of companies. Management is responsible for developing and monitoring the Group's risk management of companies, and reports regularly to the Board on its activities.

The risk management policies are established in order to identify and analyze the risks faced by the Company and the Subsidiary, set limits and appropriate risk controls and to monitor risks and adherence to limits. Risks management policies and systems are regularly reviewed to reflect changes in market conditions and activities.

The Group, through its management standards and procedures, aims to develop a disciplined control environment and constructive in which all employees understand their roles and obligations.

**14.1.1 Credit risk**

Credit risk is the risk of financial loss faced by the Group if a customer or counterparty in a financial instrument fails to meet its contractual obligations. and arises principally from trade receivables.

Management has credit policies that allow it to mitigate this risk through a strict pre-approval procedure for credit lines in accordance with the financial capacity of each client and a guarantee structure to deal with eventual breaches of the counterparty. Constant monitoring of market conditions allows the evaluation of the credit behavior of the portfolio and. consequently. of the forecasts on doubtful accounts.

*Loss allowance for trade receivables and other receivables*

The group measures the impairment loss at an amount equal to the expected credit losses over the life of the asset for trade receivables on the basis of estimating ECL Simplified approach.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 150 days past due.

The Group considers a financial asset to be in default when:

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- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or

- the financial asset is more than 365 days past due.

For the analysis of ECL, the Group classifies accounts receivable into local and foreign customers, and on the other hand, it groups in special customers that occasionally present arrears in certain operations; however, the volume of transactions with them has increased and they have not shown signs of arrears in such credits.

#### 14.1.2 Liquidity risk

Liquidity risk is the risk that the Group will not be in position to meet its financial obligations as they come due. The business approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage companies.

Management, through its policy of underutilization of its pre-approved credit lines with banks and suppliers, seeks to ensure direct access to resources and financing. In addition, it considers opportunities in the capital markets.

#### 14.1.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rate, variable interest rates and other market prices that may affect the Group's income or value of the financial instruments it holds. Market risk management seeks to mitigate market risk exposures within reasonable parameters, while optimizing return.

#### Currency risk

At September, 2021, the Group may be exposed to foreign currency risks in transactions other than the US Dollars and Bolivian Pesos especially the Guaraní.

### NOTE 15 - RELATED PARTIES

15.1 The detail of related parties is as follows:

#### Balances as of September 30, 2021

Concept	Trade receivables (note 4)	Other receivables (note 5)	Trade payables (note 10)	Other payables (note 11)
Central de la Carne Concepción S.A.	1.045.713	-	46.851	-
Transportadora Concepción S.A.	39.010	1.853.474	786.822	1.104.352
Concepción Palace Hotel S.A.	-	-	477	30.807
Agroganadera Concepción S.A.	185.994	5.440.172	-	193.054
GJ Emprendimientos S.A.	527.420	668.696	239	-
<b>Total</b>	<b>1.798.137</b>	<b>7.962.342</b>	<b>834.389</b>	<b>1.328.213</b>

#### Balances as of December 31, 2020

Concept	Trade receivables (note 4)	Other receivables (note 5)	Trade payables (note 10)	Other payables (note 11)
Central de la Carne Concepción S.A.	714,878	25,796	1,799	-
Transportadora Concepción S.A.	288,496	2,510,037	1,184,004	1,329,111
Concepción Palace Hotel S.A.	5,823	-	1,379	104,006
Agroganadera Concepción S.A.	1,831	-	-	1,458,389
GJ Emprendimientos S.A.	237,366	529,686	585	-
SAGASA	-	164,466	-	-
<b>Total</b>	<b>1,248,394</b>	<b>3,229,985</b>	<b>1,187,767</b>	<b>2,891,506</b>

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15.2 Transactions with related companies is as follows:

	Transaction values for the year	
	9/30/2021	9/30/2020
<b>Sale of goods</b>		
Central de la Carne Concepción S.A.	2,314,839	2,859,281
Transportadora Concepción S.A.	287,938	104,992
Concepción Palace Hotel S.A.	47,475	19,111
Agroganadera Concepción S.A.	102,406	71,831
GJ Emprendimientos S.A.	24,387	18,788
<b>Total</b>	<b>2,777,045</b>	<b>3,074,003</b>
<b>Purchases of goods</b>		
Central de la Carne Concepción S.A.	707,228	7,028
Agroganadera Concepción S.A. (1)	4,151,861	4,018,154
	<b>4,859,089</b>	<b>4,025,182</b>
<b>Purchases of service</b>		
<i>Purchases of freight and logistics services</i>		
Transportadora Concepción S.A.	4,825,969	7,248,206
<i>Purchases of hotel and gastronomy services</i>		
Concepción Palace Hotel S.A.	13,639	39,254
GJ Emprendimientos S.A.	7,374	2,181
	<b>4,846,982</b>	<b>7,289,641</b>

(1) cattle purchase

**NOTE 16 - EQUITY**

**a) Capital**

As of September 30, 2021, the capital stock is US\$66,085,903 represented by 4,560 registered shares with a par value of US\$15,496 each. which is fully integrated at those dates.

Shareholders	Number of shares	Capital in US\$	% of Ownership
Jair Antonio de Lima	4,467	64,764,185	98%
Carina Prado Durán de Lima Tiburcio	93	1,321,718	2%
<b>Total</b>	<b>4,560</b>	<b>66,085,903</b>	<b>100%</b>

As of September 30, 2021. the capital stock of Frigorífico BFC S.A. is US\$665,230 registered shares with a par value of US\$14.37 each which is fully integrated at those dates.

Shareholders	Number of shares	Capital in US\$	% of Ownership
Minority interest	22,344	325,963	49%
Frigorífico Concepcion S.A.	23,256	339,267	51%
<b>Total</b>	<b>45,600</b>	<b>665,230</b>	<b>100%</b>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AT SEPTEMBER 30, 2021**

**Presented in comparative with the year ended December 31, 2020  
(In US Dollars)**

**a.1) Ordinary shares**

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Group are suspended until those shares are reissued.

All ordinary shares rank equally with regard to the Group's residual assets.

**b) Legal reserve**

According to the Paraguayan and Bolivian laws, each of Frigorífico Concepción S.A. and Frigorífico BFC S.A. is required to allocate 5% of its year net income to constitute a Legal reserve until the reserve balance represents 20% the paid-in capital for Frigorífico Concepción S.A. and 50% for Frigorífico BFC S.A.

**c) Revaluation reserve**

It corresponds to increases or decreases resulting from revaluations, the changes in fair values of the items of property, plant and equipment were determined by independent value as explained in the Note 7.

**d) Conversion adjustment**

The balance of the conversion adjustment was determined as explained in Note 2.c3 and note 2.c4.

**NOTE 17 - CONTINGENCIES AND COMMITMENTS**

El Group is a party to lawsuits and administrative proceedings related to tax, civil, penal proceedings and labor matters.

The lawsuits to which the Group is a party, whether as defendant, are classified based on the risk of loss, having the following accounting treatment:

- i) Regarding lawsuits with risk of probable loss, the provisions are formed;
- ii) For lawsuits which risk of loss is "possible" the corresponding information is disclosed in the Notes, a provision not being recognized; and
- iii) For causes where a risk of remote loss is not subject to formation of provisions or disclosure.

The accounting provisions related to lawsuits are constituted by amounts periodically updated to represent the best estimate of future disbursements, based on reports issued by the Group's legal areas.

The following is a detail of the lawsuit against the Group classified as "Possible" pending resolution:

The Company maintains a civil lawsuit filed by a foreign entity under the caption "Corporación alimenticia Rubezh c/ Frigorífico Concepción S.A. s/ ejecución de sentencias dictadas en el extranjero Nro 292/2019" (Rubezh Food Corporation v. Frigorífico Concepción S.A. s/ enforcement of foreign judgments Nro 292/2019), the principal value demanded amounts to US\$5,259,730 plus interest US\$77,951.08.

"Rubezh", a Russian company initiated a claim with the Company for an order of meat for approximately US\$11,755,226.22. The complaint alleges that after having paid 100 % of the indicated sum, the Company shipped meat for only US\$6,495,496.66 and therefore defaulted on deliveries of US\$5,259,730.

The Company firmly maintains that the agreement indicated by the Rubezh Food Corporation never existed.

On January 25, 2018, the court rendered a judgment against the Company for the payment of an amount of US\$5,337,681 (the "Rubezh Judgment") based on this claim, and a final appeal of this judgment was denied by the Supreme Court of Russia in March 2019.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AT SEPTEMBER 30, 2021**

**Presented in comparative with the year ended December 31, 2020**

(In US Dollars)

On May 18, 2020, the Company filed an action in Paraguayan court to challenge the enforcement of the Rubezh Judgment before the Paraguayan courts.

At the presentation of these financial statements, the status of the litigation is with a court opinion filed and judgment pending.

Based on the Group's lawyers' reports, the chances of the Company losing the litigation exist but are low.

As of September 30, 2021, there are no other contingent situations, nor claims that could result in the generation of obligations for the Group additional to those presented in these financial statements.

Delia S. Brítez E.  
**Accountant**

Pedro Cassildo Pascutti  
**Vice President**

Jair Antonio de Lima  
**President**

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The financial information presented in this section for the nine-month period ended September 30, compares 2021 with the same period of our 2020 fiscal year. This information is derived from and should be read in conjunction with our consolidated financial statements. Our consolidated financial statements have been prepared in accordance with IFRS.

### Highlights

- Revenue of US\$490.8 million, 36.5% higher than the period ended September 30, 2020.
- Gross Profit of US\$71.2 million; 12.7% higher than the period ended September 30, 2020.
- EBITDA of US\$52.3 million; 6.3% higher than the period ended September 30, 2020
- Net income as of September 30, 2021 of US\$30.6million 4.5% less than the period ended September 30, 2020.
- Leverage 5.2x

### Main Income Statement Line Items

#### Gross Revenue

Our gross revenue is composed of 9% domestic and 91% foreign revenue generated by our sales of boneless beef, bone beef, ribs, hamburgers, steaks, sausages and cold-cut products, cowhide leather, bone meal, blood, and meat meal tallow, among other beef products and by-products. We recognize revenue at the transfer of possession to a buyer. Customers gain possession once the shipment is delivered and accepted. Invoices are generated at that point in time and are payable on average within 74 days.

#### Cost of Sales

The cost of purchasing live cattle (81.7% for September 30, 2021) is our main cost item. In addition to live cattle, our costs of sales consist of 'other production costs' (such as packaging, materials, and electricity), 'direct and indirect labor costs', all of which we refer to in the financial statements as "general production costs".

#### Operating Expenses

Our operating expenses are comprised primarily of the following:

- *Operating and commercial expenses:* commissions paid for the purchase of livestock, freight and other costs to export our products. Also commissions paid in connection with the importation of materials and supplies.
- *Salaries and other employee benefits:* expenses related to administrative staff salary expenses, bonuses, vacations, and administrative professional fees.
- *Administrative expenses:* expenses related to advertising and marketing, office stationery, donations, road tolls, municipal licenses and fees, vehicle registration payments and other miscellaneous overhead expenses.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Depreciation

Depreciation is calculated using the straight-line method in accordance to the estimated useful life of each asset, from the year following the incorporation of the asset. The estimated useful life of property, plant and equipment are as follows:

- Lands and buildings: 40 years
- Machineries and equipment: 4 - 10 years
- Vehicles: 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted as appropriate.

### Net Finance Expense

Net finance expense (financial results) includes income and expenses from interest, taxes and gains or losses from exchange rate variations.

### Foreign Exchange Difference

Foreign Exchange difference reflects the changes in the values of assets and liabilities due to the effect of variations in foreign exchange rates at the close of each accounting period. The exchange rates are provided by *Secretaría de Estado de Tributación del Paraguay* or SET. Our functional currency for 2018, 2019 and 2020 financial statements was Guaraní (PYG), however, most accounts receivable, accounts payable, financial debts and bonds are in U.S. dollars., At the close of each accounting period those items was converted to Guaraní based on the applicable exchange rate, which resulted in a gain or loss on the income statement. As of January 1, 2021, the functional currency of the Company is the USD.

### Income Tax

We are generally subject to Paraguayan national income tax (called *IRACIS* until December 2019, and *IRE* since January 2020) at a rate of 10%, which is the standard corporate tax rate in Paraguay. Our subsidiary Frigorífico BFC is subject to (i) the company profit tax in Bolivia (*Impuesto sobre las Utilidades de las Empresas - IUE*) at a rate of 25% of any net corporate gain, (ii) the value added tax (*Impuesto al Valor Agregado - IVA*) at a rate of 13% on any sales, (iii) the transactions tax (*Impuesto a las Transacciones - IT*) at a rate of 3% of any gross income, and (iv) the tax of foreign beneficiaries (*Impuesto sobre las Utilidades de las - Empresas Pagos a Beneficiarios del Exterior - IBE*) at a net rate of 12.5% of any remittance to foreign beneficiaries of Bolivian source income.

### Legal Reserve

According to the Paraguayan Commerce Law (1,034/1983), Paraguayan stock corporations (Sociedades Anónimas) must add annually legal reserves of at least 5% of its net profits, but no more than 20% of their subscribed capital.

According to the Bolivian Commerce Code, Bolivian corporations (Sociedades Anónimas) are required to add annual legal reserves of at least 5% of their net profit until reaching 50% of their paid-in capital.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Condensed Consolidated Statement of profit or loss and other comprehensive income, for the nine-months ended 30 September, 2021

The following table sets forth components of our income statement for the nine-month periods ended September 30, 2021 and 2020.

	Period ended September 30,	
	2021	2020
	<i>(US\$ thousands)</i>	
Local sales	43,343	33,425
External sales	447,496	326,080
<b>Gross revenue</b>	<b>490,839</b>	<b>359,505</b>
Cost of sales	(419,602)	(296,299)
<b>Gross profit</b>	<b>71,237</b>	<b>63,206</b>
Operations and commerce expenses	(10,240)	(7,840)
Salaries and other employee benefits	(4,835)	(3,411)
Administrative expenses	(3,824)	(2,698)
Depreciation	(2,331)	(2,078)
<b>Results of Operating Activities</b>	<b>50,007</b>	<b>47,179</b>
Interest expense	(1,168)	(1,763)
Interest on bond issue	(13,915)	(7,371)
Bank expenses	(354)	(484)
Other net income and expenses	(867)	835
Exchange difference	203	(3,726)
<b>Result before income tax</b>	<b>33,906</b>	<b>34,670</b>
Income tax	(3,332)	(2,670)
<b>Net income</b>	<b>30,574</b>	<b>32,000</b>

#### Gross Revenue

Gross revenue for September 30, 2021 was US\$490.8 million, up US\$131.3 million, or 36.5% from US\$359.5 million for the nine-month period ended September 30, 2020. This was largely due to an increase in export sales from US\$326.1 for the nine-month period ended September 30, 2020 to US\$447.5 million in the nine-month period ended September 30, 2021. The increase in export sales relies on the Frigonorte manufacturing contract, allowing us to expand our slaughtering capacity by 19%.

Our total export volumes increased to 137,805 MT for the nine-month period ended September 30, 2021 from 103,063 MT for the nine-month period ended September 30, 2020, an increase of 34,742 MT, or 33.7%.

Revenues generated by Frigorífico BFC accounted for 9.4% of our consolidated revenue at September 30, 2021. At September 30, 2020 Revenues generated by Frigorífico BFC accounted 17.1% of our consolidated revenue.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Domestic sales (total Paraguay and Bolivia) represented US\$43.3 million in the nine-month period ended September 2021 versus US\$33.4 million in the nine-month period ended September 2020, in part due to the lifting of some pandemic restrictions. Commercial and industrial activities in both countries resumed and increased local consumption, compared to same period in 2020.

### Cost of Sales

Cost of sales increased to US\$419.6 million in the nine-month period ended September 2021 from US\$296.3 million for in the same period in 2020, an increase of US\$123.3 million, or 41.6%. The increase is directly related to the purchase of more livestock for increasing exports, plus an increase of 38% in the purchase price of cattle, compared with the same period.

### Gross Profit

Gross profits increased to US\$71.2 million in the nine-month period ended September 2021 from US\$63.2 million for the nine-month period ended September 30, 2020, an increase of US\$8.0 million, or 12.7%. The gross margin for the nine-month period ended September 30, 2021 was 14.5%, as compared to 17.6% for the nine-month period ended September 30, 2020. The decrease in gross margin is due to the increase in the purchase cost of livestock. Although the sale prices have increased, it does not fully compensate for the increase in the purchase price.

### Operations and Commerce, Selling and Administrative Expenses and Depreciation

Operations and commerce expenses increased to US\$10.2 million for nine-month period ended September 30, 2021 from US\$7.8 million for the nine-month period ended September 30, 2020, an increase of US\$2.4 million, or 30.6%. This was due to the increase in transportation and export expenses related to larger exports, compared for the same period 2020. Moreover, last year we did not have the expenses of the Frigonorte plant in Pedro Juan Caballero.

Salaries and employee benefits increased to US\$4.8 million for the nine-month period ended September 30, 2021 from US\$3.4 million for the nine-month period ended September 30, 2020, an increase of US\$1.4 million, or 41.7%. This increase is due to large staff in both Bolivia and Paraguay, increase in overtime, in addition to some salary increases due to inflation.

Administrative expenses increased to US\$3.8 million for the nine-month period ended on September 30, 2021 from US\$2.7million for the nine-month period ended on September 30, 2020, an increase of US\$1.1 million, or 41.8%. The increase was due to larger administrative expenses for the recovery of tax credits. Depreciation expenses increased by 12.2% due to the depreciation of buildings and installations in Bolivia in 2020.

### Operating Profit

As a result of the foregoing factors, operating profit increased to US\$50.0 million for the nine-month period ended September 30, 2021 from US\$47.2 million for nine-month period ended September 30, 2020, an increase of US\$2.8 million or 6.0%. The operating margin for the nine-month period ended September 30, 2021 was 10.2%, as compared to 13.1% for the nine-month period ended September 30, 2020.

### Net Financing Expenses

Net finance expense increased to US\$15.4 million for the nine-month period ended September 30, 2021 from US\$9.6 million for the nine-month period ended September 30, 2020, an increase of US\$5.8 million, or 60.5%. The increase is due to the October 2020 and December 2020 issuance, which were cancelled with the July 2021 issuance

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Income Tax Expense

Income tax expense increased to US\$3.3 million for the nine-month period ended September 30, 2021 from US\$2.7 million for the nine-month period ended September 30, 2020, an increase of US\$0.7 million. This is was due to larger taxable income.

### Cash Flows

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

	Period ended September 30,	
	2021	2020
	<i>(US\$ thousands)</i>	
<b><i>Operating activities</i></b>		
Net income:	<b>30,574</b>	<b>32,000</b>
<b>Adjustment for:</b>		
Depreciation	2,331	2,078
Provision for Income Tax	3,014	2,670
Provisions for employee benefits	498	-
Financial Interest paid	15,083	9,135
Foreign Exchange difference	(203)	3,726
Other adjustment	(286)	(4,417)
<b>(+/-)Non-cash items and other adjustments</b>	<b>20,437</b>	<b>13,192</b>
Change in trade receivables	(30,848)	(20,659)
Payments to suppliers and employees	(10,981)	(19,628)
<b>Cash generated from operating activities</b>	<b>9,182</b>	<b>4,905</b>
<b><i>Investing activities</i></b>		
Acquisition of property, plant, equipment	(24,810)	(4,425)
Acquisition of investment	(20,146)	-
<b>Net cash flows from investing activities</b>	<b>(44,956)</b>	<b>(4,425)</b>
<b><i>Financing activities</i></b>		
Increase in loans and borrowings	133,695	21,304
Interest paid	(15,083)	(9,135)
(Decrease) cancellation / bond issuance fees	(30,491)	-
<b>Net cash flows from financing activities</b>	<b>88,121</b>	<b>12,169</b>
Exchange difference	203	(3,726)
<b>Increase or decrease in cash and cash equivalents</b>	<b>52,550</b>	<b>8,923</b>
Cash and cash equivalents at the beginning of the year	38,085	1,675
<b>Cash and cash equivalents at end of period</b>	<b>90,635</b>	<b>10,598</b>

(1) See “ – Description of Main Income Statement Line Items – Foreign Exchange Rate Difference.”

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the nine-month period ended September 30 2021, we generated US\$9.2 million of net cash flows from operating activities compared to US\$4.9 million of same period in 2020. The variation responds to cancellation of supplier finance programs; Cash purchases of live cattle is the norm since 2020.

We invested US\$44.9 million of net cash flows in tangible assets (property, plants and equipment), compared to US\$4.4 million of same period in 2020. This includes the Frigorífico BFC Expansion Project, purchase of trucks, as well as the acquisition of new subsidiaries, thus expanding the group's sales.

At September 30, 2021, we had net cash flows from financing activities of US\$88.1 million compared to net cash flows from financing of US\$12.2 million at September 30, 2020. The increase is primarily attributable to the new bond issuance along with the cancellation of the previous bonds for the nine-month period ended September 30, 2021.

### Capital Expenditures

Our capital expenditures are investments to improve our operational efficiency, maintain our processing facilities and expand our production capacity.

#### *Maintenance Capital Expenditures*

In addition to our planned capital expenditures to the expansion of Frigorífico BFC as described above, our investment plan focuses on maintenance of machinery and equipment and replacement of obsolete machinery. Aside from the Frigorífico BFC expansion project, we budget annual capital expenditures at US\$4.0 million, though our actual investment plans is subject to change to accommodate various operational needs.

#### *Sources of Financing for Capital Expenditures*

Historically, the principal sources of financing for our capital expenditures is cash flow generated by operations.

### Indebtedness

The following table sets forth information on our outstanding current and non-current portion of principal indebtedness obligations (including accrued interest) as of September 30, 2021 compared with December 31, 2020.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

	As of September 30, 2021		As of December 31, 2020	
	(US\$ thousands)	(% of total debt)	(US\$ thousands)	(% of total debt)
Loans and borrowings (current portion)	24,116	7.0%	12,676	6.6%
Loans and borrowings (non-current portion)	319,731	93.0%	178,587	93.4%
<b>Total indebtedness</b>	<b>343,847</b>	<b>100%</b>	<b>191,263</b>	<b>100%</b>

### International Bonds

In July 2021, the company listed bonds the Luxembourg Stock Exchange for US\$300.0 million under Rule 144 A / Reg. S. The new Notes will be guaranteed through a Security Trust Agreement, holding our plants and equipment, and a pledge of shares in Frigorífico BFC S.A. ("BFC").

The new bond coupons have a nominal rate of 7.7%, maturing in 2028. The proceeds from the new issuance was used to repurchase of the senior secured notes with an interest rate at 10.25% maturing in 2025. The balance is being used for the acquisition of strategic assets, if opportunities arise, and operating capital.

### Borrowings from Financial Institutions

The following table sets forth information on our outstanding financial institution debt obligations as of September 30, 2021

	As of September 30, 2021	As of December 31, 2020	Interest rate per annum Average <sup>(1)</sup>
	<i>(US\$ thousands)</i>		<i>(%)</i>
Banco Continental S.A.E.C.A. ....	1,016	1,068	6.3
Banco Nacional de Fomento .....	11,207	11,683	7.3
Banco Atlas S.A. ....	4,335	5,543	8.8
Banco Itaú S.A.E.C.A. ....	4,391	-	7.9
Banco BBVA S.A. ....	1,495	-	5.5
Banco BASA S.A. ....	1,863	-	12.0
Banco GNB Paraguay S.A. ....	1,834	-	7.8
Banco Regional S.A.E.C.A. ....	1,683	-	8.5
Banco Bancop S.A. ....	714	-	5.5
Banco Interfisa S.A.E.C.A. ....	1,580	-	10.2
Banco Rio S.A. ....	1,225	-	8.5
Solar Ahorros y Finanzas S.A. ....	546	-	5.9
Sudameris Bank S.A.E.C.A. ....	1,178	-	10.2
Banco Familiar S.A. ....	979	-	7.2
Financiera Paraguayo Japonesa S.A. ....	456	-	8.5
Visión Banco S.A.E.C.A. ....	1,322	-	10.5
Banco de Crédito Bolivia S.A. ....	8,443	-	6.0
Bill of credit .....	152	-	
Less: Interest not yet accrued <sup>(2)</sup> .....	<u>(5,029)</u>	<u>(2,152)</u>	
<b>Total borrowings from financial institutions<sup>(3)</sup></b>	<b><u>39,390</u></b>	<b><u>16,142</u></b>	

(1) As of December 31, 2020.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(2) 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.

(3) Including accrued interest.

### Domestic Bonds

As of September 30, 2021, all local bond issues have been canceled.

	As of September 30, 2021	As of December 31, 2020
	<i>(US\$ thousands)</i>	
<b>Current portion</b>		
Outstanding principal	-	5,501
Interest payable on bonds issued	-	484
Interest not yet accrued on bonds <sup>(1)</sup>	-	(232)
<b>Total current domestic bonds issued<sup>(2)</sup></b>	-	<b>5,753</b>

(1) Balances in the 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.

### Commitments and Other Contractual Obligations

We enter into various commitments and contractual obligations that may require future cash payments. The following table summarizes contractual obligations on a consolidated basis as of September 30, 2021, showing undiscounted cash flows of financial liabilities based on the earliest date on which we can be required to pay.

	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
	<i>(US\$ thousands)</i>				
Operating lease payments	6,066	1,666	3,486	609	305
Borrowings from financial institutions <sup>(1)</sup>	38,916	7,194	27,866	1,767	2,089
International Bonds <sup>(1)</sup>	300,000	-	-	-	300,000
<b>Total contractual obligations</b>	<b>344,982</b>	<b>8,860</b>	<b>31,353</b>	<b>2,376</b>	<b>302,394</b>

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Off-Balance Sheet Arrangements

As of the date of this report, we do not have any off-balance sheet arrangements.

### Hedging

We do not engage in hedging activities. Our export sales enable us to generate receivables payable in US Dollars and provide a natural hedge against our U.S. dollar-denominated debt service. Our management regularly monitors our foreign currency exposure in respect of our indebtedness.

### Critical Accounting Policies

The preparation of our financial statements in accordance with IFRS generally requires our management to make certain assumptions and estimates in connection with matters relating to the value of our assets, liabilities, revenue 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 (i) the allowance for doubtful receivables, which are based on certain assumptions in determining the weighted average loss rate, (ii) the recognition and measurement of contingencies, and our key assumptions regarding the likelihood and magnitude of an outflow of resources, and (iii) depreciation and amortization of our assets.

### Quantitative and Qualitative Disclosure of Market Risks

We are exposed to a number of market risks arising from our normal business activities. These market risks represent potential losses arising from adverse changes in market prices. Our risk management strategy seeks to identify and analyze risks to which we are exposed in order to define limits and appropriate risk controls and to monitor risk and adherence to such limits.

### Credit Risk

Credit risk and arises principally from our trade receivables. We have credit policies that allow us to mitigate credit risk through a strict pre-approval procedure for credit lines in accordance with the financial capacity of each client and a guarantee structure to deal with eventual breaches by the counterparty. Continuous monitoring of market conditions allows us to evaluate of the credit behavior of our portfolio and, consequently, of the forecasts on doubtful accounts.

### Liquidity Risk

Our approach to managing liquidity is to ensure, as far as possible, that we will always have sufficient liquidity to meet our liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to our company.

### Market Risk

We may be exposed to foreign currency risks in transactions other than the U.S. dollar, especially the Guaraní. We operate in a business environment mainly in U.S. dollars for purchases and sales. Therefore, an eventual appreciation of the Guaraní and its effect on specific items of the financial statements would be considered of minor impact and low exposure within the context of our global operations.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Cattle Price Risk

A significant portion of our production costs consist of raw materials. Our main raw material is live cattle, the prices of which vary, based on the supply and demand. Generally, we purchase cattle on the spot market, with prices based on the cash price per kg. We try to pass the cost increases to sales, as long as market permits. However, significant increases can reduce our gross margins and our financial results. Inversely, significant reductions in the price of cattle and consequent reductions in cost of our products could increase our gross margins and results of operations, generally resulting in an increase in sales.