



Operator:

Good morning, everyone. Welcome to Frigorífico Concepción 2021 earnings conference

Joining us today are:

Jair Antonio de Lima – Chairman

Pedro Pascutti – Vice president

Jorge Usandivaras – Director

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, Chairman, who will be doing the presentation in Spanish with the help of a translator. Let's go ahead.

Jair Lima:

Buenos días. Jair Lima que habla. Los resultados del año estuvieron en línea con los objetivos de la empresa. Los objetivos eran unos ingresos de 700 millones de dólares y un EBITDA de 70 millones de dólares. El establecimiento de una cuota de exportación de Bolivia, el aumento del precio del ganado en Paraguay y el segundo año de sequía extraordinaria fueron los principales factores que impactaron en nuestros resultados.

En cuanto a nuestros objetivos financieros y de expansión, en 2021 completamos una nueva emisión de bonos y el retiro de los bonos más antiguos. La empresa realizó el mayor número de adquisiciones de su historia, añadiendo por la primera vez la carne de cerdo como una nueva proteína. Creemos que las inversiones ejecutadas en sólo seis meses estuvieron en línea con sus expectativas.

A partir de 2022 estamos en camino de alcanzar una meta mayor que la del año pasado, siempre comprometida con nuestros inversores, iniciando las nuevas plantas



recientemente adquiridas en Brasil.

Ahora le cedo la palabra a Jorge Usandivaras para que nos hable de los resultados finales de 2021 y con algunos números preliminares del primer trimestre de 2022.

Agradecemos la participación de todos y su confianza en el Frigorífico Concepción, multinacional paraguaya

TRADUCTOR:

Results for the year were in line with the company's goals. The targets were for revenues of US\$700 million and EBITDA of US\$70 million. The establishment of an export quota in Bolivia, the increase in the price of cattle in Paraguay, and the second year of extraordinary drought were the primary factors that impacted our results.

Regarding our financial and expansion objectives, in 2021 we completed a new bond issuance, and the retirement of the older bonds.

The company made the largest number of acquisitions in its history, adding pork as a new protein for the first time. We believe the investments, executed in only six months, were in line with your expectations.

Starting 2022, we are on track to achieve a larger goal than last year, always committed to our investors, starting the new plants recently acquired in Brazil.

I will now give the floor to Jorge Usandivaras to tell us about the financial results for 2021 and to give us some preliminary numbers of the first quarter of 2022.

We appreciate everyone's participation and your trust in Frigorífico Concepción, a Paraguayan multinational.

Jorge Usandivaras:

Good morning, everyone and thank you, Jair.

We are going to go through a presentation that is in our website and as always, we expect your questions for anything that we are going to discuss today.

I'm going to turn the presentation to page # 3 and I'm going to highlight two numbers, as Jair mentioned, we have a goal for the year of US\$ 700 million in revenue and US\$ 70 million in EBITDA, we came very close to the target, as the page shows, we have US\$ 673.4 million in gross revenue and US\$ 65.5 million in EBITDA and, as Jair mentioned, the reasons for this... we depart a little bit from the goal was the drought, the rise in prices in Paraguay and the... the third was the... I'm sorry... the Bolivian quotas that came and hit us towards the end of the year. So, that's the most important highlights, we have US\$ 94 million in gross profit, 34.5 in net income and 5.6 has been our leverage, gross leverage, and 4.2... the net leverage, as you all well know, is due to the issuance of the new bonds that came out in August of last year.

Next page, # 4, consolidated revenue, we have a very good end-of-the-year in 2021, if you see in the upper left corner, we have US\$ 182.5 million compared to 155 million of the last quarter of the previous year, 2020. You can walk through all these numbers, but I really want to highlight two things. One is in the lower portion of the page, revenue share by Company, we still see that Paraguay continues being the mothership, 83.9% of our revenue comes from Paraguay, from our three plants in the country, but we're starting to see the expansion into the other two countries, BFC, 7.5 and BMG, 7.4, BMG is the operation in Brazil, BFC is the operation in Bolivia, and we think Paraguay, El Nido will start showing and all these numbers are going to expand as we go into this year, 2022.

Some of you, before we started this cycle of announcements, asked me about the breakdown by country, we have it in the bottom left corner of the page. Russia, last year, ended up being 30.2% of the sales, Brazil 23%, Chile 18.9, these numbers, I'm sure we're going to have questions from this later, these numbers are going to change dramatically in 2022. Asia continued growing, Taiwan is 7.7, China through Bolivia 7.3, and the other countries 10%. Israel stays in 2.1% and is a very important client for us.

Another highlight on this page, if you look at the right-hand side, you have exports coming down in the last quarter, but largely compensated by local sales that went up significantly. This is also part of the new acquisitions, part of El Nido, part of Brazil, that is jumping up our local sales in Paraguay and Brazil, but also, we started to see an increase in local sales in Bolivia and this trend will hopefully continue.

We are going to move to the next page, page #5, we want to show especially, and this is something that we always get questions, on our capacity utilization. Capacity utilization went down a little bit towards the quarter, last quarter of 21, two main reasons: one is prices went up significantly during the drought. You see the last two quarters, the trend going down 68%, 57%. We produced less because we bought less cattle during the month that the prices increased substantially and also the last quarter reflects part of the new plans that they count for access capacity, although they are not fully operational.

Price of cattle on the following chart on the right, it shows how we went through the year, these are average prices. As we have discussed before, we touch upon the US\$ 4 per kilo in Paraguay, although the average for the quarter is 3,71, 3,74. In Bolivia, and that's the good news, the prices became very steady, in the twos, and that continues through this year and that's driving significant margins for the company in 21 and 22.

We're going to move to the EBITA page, #6, we have... same as the capacity utilization and the increase in prices, we have a compression of margins towards the end of the year. That trend has reverted in the beginning of 2022, but it shows very clearly that we made 13.1 million in the last quarter versus 15.2 in the last quarter of the year prior, and the trend was slowing already in the third quarter with 15 million. Overall, the year-end up not too bad, 65.5 million, a little short of our 70 target, but still a very healthy result.

We're going to move to the next page to review net income. You see pretty much the same that you see on the EBITDA, the diminishing return in the last quarter, 3.9 million versus 7.8 of 2020, and the annualized result at 34.5 versus 39.8 of the year prior. So, that

also reflects, by the way, in the net income, the impact of the restructuring of the debt and a more larger interest payment that we start doing after we issued the US\$ 300 million bond. So, those numbers are the most important for the year.

Now moving to page 8, you know the numbers are showing our significant... that is the new bond, we extended the maturity that we used to have at 2025 to 2028, we have three or four hundred million maturing in 2028, the rest is relatively small short-term debt that we have with some local banks, some of which is not particularly new, but some of this is that came with the acquisitions and we are restructuring and refinancing.

On page 9 we have our cash flow picture. Operating cash flow has improved from 2020, minus 22 million, 22.8, to plus 8.0 in 21 and then our free cash flow reflects also the new acquisitions, as any company that is expanding, we went from minus 44.5 million in 2020 to minus 73.5 in 21. So, these are the main numbers, the website is also going to have our audited financial statements as of today. You can look at it and we are always, always here for you, any question, comments you may have, we are more than willing to respond.

Now we would like to spend a couple of minutes of your time talking about the new business. If you go to page 10, you're going to see our new pork plants. We're particularly proud of the speed and the quality of these acquisitions undertaken by our management. In Paraguay, we bought a significant farm, I want to remark this because it's a slightly different business model than the one that we used for the cattle business. We want to secure our own supply and also processing and export pork meat. For that reason, in Paraguay and in Brazil, we bought these two farms Cabaña El Nido, BMG Agrícola, both have approximately 10,000, so each extremely high genetics and, at the moment of the acquisition in Paraguay, we have 180,000 heads of cattle and 165 thousand heads in Brazil. The rotation of these piglets is much faster than in the cow business and we are going to be producing a significant amount of heads a day, and slaughtering in Paraguay, in the existing plant that we have minority participation called UPISA and a new plant that we are building that is called INCA. And in Brazil we have already 2 pork meat packing plants, one of which is already operating and the other is going to start in the second semester of 2022.

The following page, you have a great deal of detail on all the new companies that we acquired. By now we are undergoing a relatively small streamline corporate restructuring, we're going to talk about it during 2022. We are going to have Bolivia as a standalone group, BFC Paraguay, that is an old company that is becoming a some sort of a holding company for the pork business in Paraguay, is going to hold Cabaña El Nido, All Par Casings is a casing company that is being built and is going to start also production in the second semester of 2022, INCKA Foods, that is the new pork meat packing plant, and in Brazil we have the big umbrella is going to be BMG Foods, we also have an acquisition that is going to fall into BMG that is Frigorífico Vila Bela and Bolivia that is going to become a standalone company, also it's going to have a small meat packing plant that we are... so it's going to be our second plant in Bolivia that we're going to use for satisfying mostly the domestic market, and we have a new company set up in the US at the beginning of this year, 2022, that is going to function as a trading company for now, for some of our offshore operations, and hopefully, if the US market opens in the second half of this year,

we are going to have that trading company operating out of Miami as a small local platform for our sales into the US market. That's pretty much it about the acquisitions. Again, we are more than open for questions. A big highlight of 2021 was to have... we have been granted an upgrade by Fitch Ratings of B+ International and we are scheduled for review of this upgrade later this year and also, we are scheduled for review on our Standard and Poor's rating later this year, and we are going to be sharing with you the news about the ratings.

We have a very, very brief three points, I put it on page 13, but we can talk extensively about it. We would like to share with you some of the results of the first quarter of 2022. Just to give you a sense of where we are standing, the Company has a goal, has increased the target from 70 million EBITDA to 90 for this 22 year and from US\$ 700 million revenue to US\$ 900 million revenue. We are pretty much on track, by the closing of March we have a revenue of US\$ 195 million, that is 32% higher than the same quarter of the 2020. If you project us 194.8, US\$ 195 million for the rest of the year, we are achieving roughly US\$ 800 million of revenue projected, based on the first quarter, but you need to bear in mind that three out of the four plants that we acquired in Brazil are not working, they're not operational and they're not invoicing any client, so by the time that we have the four Brazilian plans operating at full capacity we believe the second part of this year is going to bring a significant additional revenue that we are now projecting at this moment. That's for the first quarter of 22.

I'm more than open to questions about the Russian situation. We have many, many comments in the last few weeks, we tried to share with you in real time. Well, what's happening in... with our Russian customers, the big news is most of the deliveries that we made into Russia by the time that the war started has been paid. And also, most of the deliveries that we have in transit, in the ocean, also have been paid. So, the total exposure, that original exposure of the delivery of containers into Russian customers that we have at the beginning of the war, that was about US\$ 5 million, is by now a little bit more than US\$ 200,000, so it's essentially, they have paid everything. And of the total exposure of US\$ 20 million, we have roughly US\$ 7 million exposure for containers that are still in transit, we can divert, and we can redirect to other markets.

Final comment for today, we are going to be attending the 2022 Bank of America Securities Emerging Market Debt Conference in Miami, in June of this year, June 1st through June 3rd. We have been invited by the Bank of America folks, we are very grateful for the invitation and Mr. Jair Lima is going to be there and we are more than open to one on one... we cleared the agenda to be open for one on one meetings, we can meet all of you attending the conference and have an in-depth discussion. By then we're going to have the second quarter under the belt, and we are going to be able to discuss how all these acquisitions are functioning, especially in Brazil. Those are the highlights that I want to bring to your attention, thank you very much and we open this to questions.

Question and Answer Session

Operator:

Thank you. The line is open for questions. If you have a question, please press *1. Please note that the translator is in the room translating all questions and answers. There will be a brief moment of silence to translate the questions.

And our first question comes from Omar Zeolla, from Oppenheimer.

Omar Zeolla:

Hello Jorge and Jair. A couple of questions very quickly, how's the cattle prices in Paraguay now, how has it changed since the fourth quarter and how do you see it developing over the next few months? And the second one is if there are any updates on the opening of the US market? Has there been any changes there, are you still expecting final approval now, in May, June? And that's it for me.

Jorge Usandivaras:

Omar, today prices... 3,15 to 3,70 in Paraguay, we see the price very stable since the beginning of the year and we think it's going to be around that. We have a forecast of 3,50 for the year and now we are exactly that, 3,50 is the lowest part of the range today, 3,70, 3,75 the highest, the highest quality animals, novillo. I couldn't get the second part of your question.

Omar Zeolla:

Oh yeah, sure, sorry, no, I was just asking if there is any update on the opening of the US market for the Paraguayan exports?

Jorge Usandivaras:

Okay, here Jair says that the US, the expectation that we have from the Government, from SENACSA, is first week of June, which is pretty much in line with what we have been hearing in the last few weeks.

Omar Zeolla:

Ok, great, thank you.

Operator:

Our next question comes from Lisseu Santi, Laren Bial.

Lisseu Santi:

Hi, Jorge, Jair, thanks for the call. I have a couple of questions here. Why did we see a low utilization at BFC, in Bolivia? It's around 20% and it was 35% in the first quarter. I would like to know the reasons for that. And if should we expect a significant change this year?

Jorge Usandivaras:

Yes, the main reason for 2021 low utilization in Bolivia is that the Government of Bolivia, unlike Paraguay, provides for export quotas for all the three meat packers there to ship containers abroad, and they use the quota system to regulate prices for the domestic market. It's not quite as dramatic as the situation in Argentina, that once in a while they forbid exports, Bolivia regulates the flow by giving you quarterly quotas and that was one of the issues that we had last year. We increased the capacity of our plant from the time we bought it to sometime last year. Within a year we increased the plant threefold, we bought a plant that was able to process like 300 heads a day and we took it to over 1000, but then the government didn't provide for the quotas for us to export, because they want to push the exporters to sell to the domestic market. That situation has changed, I have to say, and it's reflected... by the way, following up on the previous question, we went from a price of cattle in Bolivia of 2,80 to 3,20 that reflects, also, part that right now, in the first quarter, the Bolivian Government opened significantly the quota for exporters. So, in this quarter we did much better than in 2021 and we expect that throughout the year Bolivia is going to be much more open into the export quotas, because they need the foreign reserves for the Central Bank. Mr. Jair here was received in Bolivia by the Minister of Finance and the President of the Central Bank to say that they will be very, very happy and very glad just to have Concepcion exporting more, so we are very optimistic about the possibilities to increase the quotas in Bolivia and we have the capacity to process much more than what we are doing today.

Lisseu Santi:

OK, thanks and related I have a couple of questions, so in order I will verify one by one. You're expecting sales around 100 million for this year, what working capital investment could we expect? Because most of the capital consumed last year, it was working capital, even more than Capex.

Jorge Usandivaras:

Yeah, yeah, no, no, that's always the case. Let me see, because we consolidate all the numbers for Brazil... we manage Bolivia also from... we have a centralized treasury and Bolivia is part of the overall treasury, let me see if I can get you the specific number for Bolivia, because we are looking at the overall cash flow for the entire Company all the time. I owe you the exact number for Bolivia.

Lisseu Santi:

Okay, yeah, no, don't worry, because... what about all the administrative expenses? We're turning a huge increase in the last quarter of the year. Why is that you're wasting around 10 million quarterly?

Jorge Usandivaras:

It's two reasons. One is there's a relatively small increase in the administration, because

by now we have six more plants than what we had before the last quarter of last year, but that's not all the explanation of the increase. The way that we account for the recovery of VAT in the financials, by the end of last year, we didn't recover enough, but the VAT paid, it shows as an administrative expense that will be recovered over time, by now probably most of those credits are allocated to the first quarter of 22. But that's basically the explanation. But much more significant the VAT credits than the real admin cost.

Lisseu Santi:

Okay, thanks. I'm thinking about the bonus, and this is the last one. What increase should we expect for 2022 in volumes overall and is El Nido fully operating, or should we expect (falha no audio)?

Jorge Usandivaras:

Well, let me do it backwards. El Nido is fully operating since day one, but we want to increase the capacity of El Nido by 40% in three years. So, we started essentially with 10,000 sows and we are increasing that herd... essentially a 3-year plan. And we are going to probably have by the end of the year, I don't know, 11,500, 12,000 sows and 13,000 to 14,000 in the next couple of years. It's a slow process, but steady, but that's just expansion of the existing operation. Also, El Nido has been rationalized a lot. We have deployed into El Nido good part of our Asuncion management team. We have a director in residence, that is Marcos Hermann, that is virtually living in Encarnacion, Paraguay, spending five days a week and making sure that we applied all the standards of Concepcion to that operation, and we are doing the same in Brazil. So, what we expect is to achieve many efficiencies, despite the, you know, the headline numbers, because they were okay ran as family-owned farms, but we want to bring them into all the efficiencies of Concepcion, that is a much higher standard for this country.

Lisseu Santi:

OK, but overall, what increased...?

Jorge Usandivaras:

Overall increasing capacity? Capacity utilization is something that we try to keep around 70%, but this year is going to be tricky, because 70% of capacity... and the 70% is a number... it's not a magic number, it's something that contemplates many peaks, you know, when Israel demands Kosher meats, we need to shut down an entire plant to be able to process for X number of days Kosher meat, it's the same for Halal. So, you have throughout the year that 70% number, but it's a little bit misleading because it's really a composite of many different days of the week that we have either full, full, full or relatively low utilization. But now, again, I can email to you the numbers, they increase in utilization for the four plants in Brazil when they start operating full, it's going to be massive. I don't know how we're going to bring those numbers into the projections, we haven't done it yet, but we're going to see probably a lower capacity utilization towards the end of the year, because, first, we're going to build it and then we're going to start using it, and by the time that everything is fully utilized at our ratio, 70%, it's going to be very close to the end of

the year, so it's going to... the average for the year is going to be probably in the high 50s or low 60s.

Lisseu Santi:

Okay, that's great, and related to installed capacity?

Jorge Usandivaras:

To what? Sorry, I missed you.

Lisseu Santi:

To the installed capacity, because you were speaking about utilization, but, yeah, the capacity of the Company.

Jorge Usandivaras:

I give you the numbers of installed capacity. They are in the presentation, but you need to get them, part in page 10 and part in page 11. In Paraguay, today we are at 1200 heads a day with El Nido, but the new plant is going to bring it up to additional 2500 heads, that's probably not going to happen this year, El Nido is scheduled to enter into production early 2023. The Brazil plant is already working at 550 heads a day, the new plant 1200 heads a day. That's the capacity for pork in Brazil, that's on page 10. On page 11, it's harder to see, but essentially, it's going to be two cow meat processing plants, one of 500 heads a day, and the other is 1200 heads a day. In Bolivia, we have already achieved the installed capacity of 1000 heads a day, that was something that we target for 2021 and we complete the construction and now the new plant is going to add 300 heads a day, that's cow meat in Bolivia and in Paraguay we stay the same. We have Concepcion, the three plants working at 3500 heads a day steady, with a small increase in Frigo Norte.

Lisseu Santi:

Thanks, Jorge.

Jorge Usandivaras:

In case you don't remember, we talked about this before, but the biggest increase in Paraguay was made in Frigo Norte, that was our lease plant, from 600 heads a day to 800 heads a day. That is a 30% higher.

Operator:

Our next question comes from Carlos Assumpção, Bank of America.

Carlos Assumpção:

Thank you, Jorge and team, for the presentation and for taking my questions. I'd like to

clarify something you mentioned. At the beginning you said you have US\$ 7 million of containers still in transit to Russia, I'm not sure if I understood if you already received the payments from these products already.

Jorge Usandivaras:

I give you the exact numbers for Russia. We, at the beginning of the war, I'm going to start on container number. At the beginning of the war, we have 253 containers in transit, 2-5-3. By the beginning of April, we have been paid down to 120, no 140, so we have 107 containers unpaid. And by today we have 94 containers unpaid. How do we break down these 94 containers? We have only five containers delivered into Russian port that haven't been paid and that is exactly US\$ 299,000. Those are the five containers that arrived to port, that were delivered, and the customer still owe us. It's slower than normal, but it's normal to have a gap between the delivery of... especially the good clients at the moment, they pay you, they will pay these US\$ 200,000 and they are mostly being affected by the depreciation of the ruble. That's the most if you want compromise situation, because those are the containers that arrived to Russia and they were delivered, and we were waiting for the payment. The rest is a total, including these US\$ 299,000 is 7,058,000, and the balance of the 7,058,000 minus the 299 that is waiting for payment in Russia is in transit. So, it's essentially US\$ 6,800,000 of containers in transit. Those containers will not arrive to Russia if we don't get paid. The payment has been accelerated to 45 days from the departure of Asuncion. That means that normally it takes 60 to 90 days to arrive to European ports and if by day 45 we don't get the full payment, that container is going to be diverted. So far, we hear, and we talk to these clients every single day, we hear total willingness to pay. There has been some delays, there has been trying to get the best possible effects that they can get between the ruble and the dollar, but they've been able to pay through banks that are not sanctioned, and they've been able to fulfill all the obligations, so that's essentially the situation as of this morning.

Carlos Assumpção:

Thank you very much.

Jorge Usandivaras:

If you look at the overall exposure at the beginning of the war, it was US\$ 20,900,000, 9-27 with these 253 containers. So, we feel that the situation is very much under control. Of course, we want to collect these 299,000 that they owe us, and we will, but again, at this moment container doesn't arrive to a Russian port if it's not fully paid in advance, that's pretty much the situation. And remember, this is not necessarily new orders, they are orders that come from December, from January, you know, it takes months to process them. Believe it, we see the willingness of some Russian customers to continue buying, we don't know what is going to happen, not only with the war, but also with the sanctions, we are very attentive to this situation. We have been diverting most of the production to... the bulk of Russia to Brazil and Chile. That's going to be clearly reflected in the first quarter of the year when we have the final numbers for you in a couple of weeks and, again, we don't know what is going to happen from now on, but we feel sufficiently covered with the additional customs.

Carlos Assumpção:

Perfect, thank you, Jorge, and could you comment about the demand and the prices in the other regions where you are redirecting devolvments away from Russia?

Jorge Usandivaras:

Price increases all over, Carlos. I give you some examples: Israel for Kosher meat 12% up this year, Taiwan 15% up, Brazil 25% up, that is Brazil is largely due to the stronger BRL and China remained, for Bolivia, remains very, very strong. So, across the border, we see since the beginning of the war price increase, we can attribute part of that is inflation, part of that is fear of disruptions in the supply chain, but we see prices increasing in every single market. These are the most significant.

Carlos Assumpção:

Okay, and could you give us some color on the amount of your Capex planned for this year, please?

Jorge Usandivaras:

So, could you repeat, please?

Carlos Assumpção:

Yes, sure, if you could give us some color about your Capex planned for this year?

Jorge Usandivaras:

No, very, very small. The big Capex was between the end of 2021 and January, well you can count on January, it's going to be about US\$ 30 million, roughly. That's the acquisition of BMG plus the improvements in Bolivia. Many of these plants that were in relatively good shape, but to get them up and running, we need to make some investment. But I would say it's thirty million or less for 22, 20 something millions were in 21. If you look at our budget for acquisitions was US\$ 60 million and that was from the proceeds of the bonds and we were very much there, we were 64, 65 million, that was all we spend, and again, I don't expect much more.

Carlos Assumpção:

Just to confirm, if I understood you, you mentioned about 54 million...

Jorge Usandivaras:

64. 6-4.

Carlos Assumpção:

Sixty-four for the year, including the Capex plus acquisitions, is that right?

Jorge Usandivaras:

Correct, but that wasn't for the year, that was really part of 21, because we started with El Nido in September of 21, August, September, including all the last acquisition that was January of this year in Brazil. So that is the period that we spend the 64 million.

Carlos Assumpção:

OK, but for 22, do you have any targeted acquisition or something you can...?

Jorge Usandivaras:

No, no, no. Now we need to make work whatever we bought that's the target. It's four big plants, plus the casing plant and we are very excited first to bring them into full production and second to "concepcionize", we really need to bring them to the standards of Concepcion. Remember, this used to be family-owned companies and we need to do everything, streamline to function with the Company from the accounting to the packaging.

Carlos Assumpção:

Right, so, in summary, US\$ 30 million for 22 in terms of investments is a good number?

Jorge Usandivaras:

Yeah, that's going to be about right. When we release the first quarter, that's probably going to be the entire number, because I don't expect anything going forward, anything else.

Carlos Assumpção:

Okay, perfect, thank you, Jorge. That's all my question. Thank you all.

Operator:

And our next question comes from the webcast, from Maria José Brogin. "Para 22, cuanto esperan que represente el mercado de Rusia en las ventas de Frigorífico Concepcion?"

Jorge Usandivaras:

Look, it's very hard to make a forecast in the current situation in Russia that is evolving in many fronts, but we had to have a forecast, you know, as a Company we had to have some sort of a forecast. But we believe the... again, for Paraguay, that is, the legal entities that are dealing with Russia almost exclusively, if last year was 30%, we cannot envision a

scenario with more than 15% for this year, so Russia will be cut by half. And, again, without lowering our production, we estimate that the United States will take at least 10% of the production, at least, Chile and Brazil will take 5% and 5% each. So, that will be even with the United States, Russia would not even be 15%, will be 10%. If the United States doesn't come up as expected, maybe it's 5% that could be the other end of the range of the forecast. It will be United States 5% instead of 10%, Brazil and Chile another 5% each. So that will bring what would have been Russian production of 30% to 15 and maybe 10. That's what we are thinking, but we don't know.

Operator:

And our next question comes from Ignacio Ponce, from Altio Capital. "Can you please go over the Russian exposure again, please?"

Jorge Usandivaras:

Yes, of course, let me repeat the numbers of Russia. Beginning of the war, we have 253, 2-5-3 containers shipped already into Russia, of which 72 were delivered to Russian clients, out of Russian ports. The 72 containers, they brought an exposure of US\$ 5,800,000. That was the beginning of the war. Today in Russia we have five containers unpaid and that represents US\$ 299,000 and we have a total of 94 containers in transit, including those five, so it will be 89, 89 containers in transit that need to be paid before we deliver and that is an exposure of US\$ 7 million. Minus 299, so 6,7 million, right? I'm more than happy to... send me an email and I'll be happy to resend these numbers to you again.

Operator:

Our next question comes from José Pablo Rocha, from AESA Ratings. "What is the rationale behind making the Bolivian operation a standalone operation? And what are the implications for both the Bolivian Company and the Paraguayan Company? Thank you."

Jorge Usandivaras:

A good question. The main reason for this corporate restructuring is due to the fact that Bolivia was never meant to hold the Brazil group of companies. Where we have it, Bolivia was the owner of a company called BFC PAR and BFC PAR was essentially having a very small business in Paraguay. Nothing changed for Bolivia, Bolivia is called BFC, continues being a subsidiary of Concepcion SA from Paraguay, with 20% ownership of Mr. Pedro Pascutti and that remains unchanged. So, if you look at the corporate structure, you're going to see that Bolivia remains exactly the same. What we did is, the shares of BFC PAR that was owned by Bolivia, we are moving them into Paraguay, because Paraguay is going to be the owner of the Brazil business. And that's the rationale, taxes have something to do with this. Brazil has a complicated tax jurisdiction, and we want to have the ownership of... like we don't have multilayers of ownership into Brazil, I mean between Brazil and Concepcion S.A.

Operator:

Our next question comes from Rodrigo Crespo, from BCB. “Como va a afectar el mercado ruso con las prohibiciones des sus ingresos?”

Jorge Usandivaras:

Again... no, zero. There is no impact because we had enough time to divert and to redirect the shipments that otherwise would have gone to Russia today to two principal clients, that is, Brazil and Chile, and in the expectation that the US is going to take also a big chunk in the second part of the year. So, overall revenue is not impacted for us with what is happening in Russia. If you look at the history of the Company, Russia used to be 66% of the total exports and, over the last four years, it has been a policy of making Russia smaller as a customer, while making Asia bigger and Latam bigger and that trend, that had nothing to do with the war, had nothing to do with this particular situation with Ukraine, has been accentuated since February, but this is a long-standing policy that took years to implement and I'm not talking another set of markets that are still top to be very important for us. Mr. Jair was reminding me Chile is going to open to pork meat, for example, this year, for some of our plants in Brazil. We have the expansion in the Middle East, Qatar with the World Cup probably is going to become a very serious customer after June, Saudi Arabia, Kuwait, all those countries, we start visiting them and attending the food fairs during the pandemic, and they're going to continue expanding and expanding. So, one thing balanced the other, and we were anyway into reducing the exposure to Russia, so that should bring the result, the net result at the end of this year is going to be 0.

Operator:

Our next question comes from Clemence Hoser from Evo Capital. “Hello, how do you see working capital in 2022 in days of receivables, inventories and payables?”

Jorge Usandivaras:

Let me start from the back of the question. The net operating cycle that we have right now is between 100, 120 days, 100 to 120 days, that's from the moment that we buy the cattle to the moment that we get paid. It fluctuates during the year, and we expect to be like that, working capital as a function of these cycles. So essentially, we are going to rotate the working capital 3, 4 times a year and it's roughly US\$ 70 million. We're going to see how it works as we expand into Brazil, but that's the forecast for now.

Operator:

Excuse me. We conclude the Q&A session. The conference call of Frigorífico Concepcion is now concluded. Thank you for your participation and have a good day.

