

# MANAGEMENT REPORT

**Santiago, May 6, 2019** – Athena Foods, the leading natura beef and beef derivatives exporter in South American, also operating in the processed meat segment, announces today its results for the first quarter of 2019.

## 1Q19 HIGHLIGHTS

- » Athena Foods recorded a Gross Revenue of US\$ 410.5 million in 1Q19; 72% of total revenues originated from the export market while 28% of sales came from the domestic market. In 1Q19, Athena's export volumes allowed the Company to achieve an 11% market share on South America beef exports, consolidating the Company as the leading beef exporter in the region.
- » Net Revenue reached US\$ 395.8 million in 1Q19, with gross profit totaling R\$ 51.5 million, representing a gross margin of 13%.
- » Adjusted EBITDA reached US\$ 35.9 million in 1Q19, with an adjusted EBITDA margin of 9.1%.
- » Athena Foods recorded a Net Income of US\$ 15.6 million in 1Q19, with a net margin of 4%.
- » Besides the seasonal effect, it is important to highlight that the heavy rainfall in Paraguay and Argentina in the 1Q19 momentarily restricted cattle supply in those regions and, consequently, jeopardize the operational capacity utilization, revenues and profitability levels of Athena Foods during this period.
- » Positive Free Cash Flow generation of US\$ 29.2 million, contributing to a net debt reduction which amounted to US\$ 43 million by the end of March 19.

KEY INDICATORS (US\$ million)	1Q19
Slaughter Volume (Thousand heads)	426.6
Capacity Utilization Rate	71.5%
<b>Gross Revenue</b>	<b>410.5</b>
Export Market	295.7
Domestic Market	114.8
Slaughter Volume ('000 heads)	426.6
Capacity Utilization Rate	71.5%
<b>Net Revenue</b>	<b>395.8</b>
<b>Adjusted EBITDA</b>	<b>35.9</b>
<i>Adjusted EBITDA Margin (%)</i>	<i>9.1%</i>
<b>Net Income</b>	<b>15.6</b>
<i>Net Margin (%)</i>	<i>3.9%</i>
<b>Cash and Cash Equivalents</b>	<b>47,4</b>
<b>Net Debt</b>	<b>43,0</b>

## RESULTS ANALYSIS

### Slaughters

In the first quarter of 2019, the slaughter volume of Athena's units totaled 427 thousand heads, achieving an utilization rate of 71.5%.

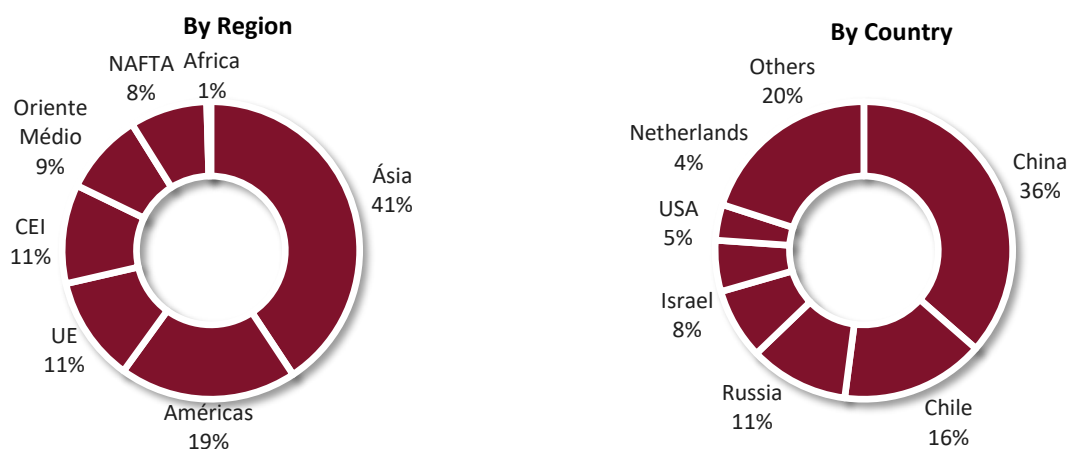
### Gross Revenue

Gross revenues from the Athena Foods operations amounted to US\$ 410.5 million in 1Q19. Of this amount, US\$ 295.7 million derived from exports while US\$ 114.8 came from sales in the domestic market.

### **Export Market – 72% of Athena Foods' Gross Revenue in 1Q19**

Export results in 1Q19 reflected (1) exports to Asia, in particular China; and (2) continued recovery on argentinian exports, mainly towards important markets such as China, Europe and the United States.

Graph 1 and 2 – Exports by Region – Athena Foods

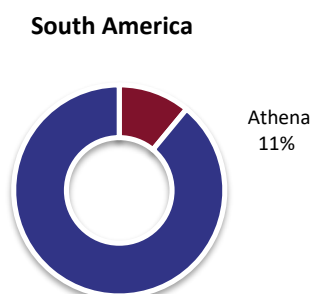


Source: Minerva

### Market Share – South America

On 1Q19, the Company's market share in South American exports totaled 11%, consolidating Athena Foods as the leader in beef exports in the continent.

Graph 3 – Market Share in 2018 (% Revenue)



Sources: Minerva, INAC, SENACSA, IPCVA e DANE

### Domestic Market – 28% of Athena Foods' Gross Revenue in 1Q19

Domestic consumption of beef followed the natural seasonality of the first quarter, which is historically the weakest quarter of the year.

### Income Statement

Income Statement (US\$ million)	1Q19
<b>Gross Revenue</b>	<b>410.5</b>
<i>Export Market</i>	295.7
<i>Domestic Market</i>	114.8
<i>Deductions from Revenues</i>	(14.6)
<b>Net Revenue</b>	<b>395.8</b>
<i>Cost of Goods Sold (COGS)</i>	(344.4)
<b>Gross Profit</b>	<b>51.5</b>
<i>Selling, General and Administrative Expenses and Other Operating Income/Expenses</i>	(35.5)
<i>Financial Expenses</i>	(3.0)
<i>Financial Income</i>	0.2
<i>Exchange Rates and Monetary Variation</i>	6.2
<b>Financial Result</b>	<b>3.4</b>
<i>Income Tax and Other Taxes</i>	(3.8)
<b>Net Income</b>	<b>15.6</b>

### EBITDA

EBITDA (US\$ million)	1Q19
<b>Net Income</b>	<b>15.6</b>
<i>Financial Result</i>	(3.4)
<i>Income Tax and Other Taxes</i>	3.8
<i>Depreciation and Amortization</i>	11.5
<b>EBITDA</b>	<b>27.5</b>
<i>Conversion Adjustments</i>	8.4
<b>Adjusted EBITDA</b>	<b>35.9</b>
<b>Adjusted EBITDA Margin (%)</b>	<b>9.1%</b>

## Sales, General & Administrative Expenses

<b>Expenses (US\$ milhões)</b>	<b>1Q19</b>
<b>Sales Expenses</b>	<b>(25.0)</b>
<i>% of Net Revenues</i>	6.3%
<b>General &amp; Administrative Expenses</b>	<b>(10.5)</b>
<i>% of Net Revenues</i>	2.6%

## Indebtedness

<b>Indebtness (US\$ million)</b>	<b>Mar/19</b>
<b>Gross Debt</b>	<b>90.4</b>
<i>Short-term Debt</i>	69.2
<i>Long-term Debt</i>	21.2
<i>Cash and Cash-Equivalents</i>	47.4
<b>Net Debt</b>	<b>43.0</b>

## Net Result

Company's net result accounted for US\$ 15.6 million by 1Q19, with a net margin of 3.9%.

<b>Net Result (US\$ million)</b>	<b>1Q19</b>
<b>Net Result before income taxes</b>	<b>19.4</b>
<i>Income Taxes</i>	(3.8)
<b>Net Result</b>	<b>15.6</b>
<b>Net Margin</b>	<b>3.9%</b>

## Free Cash Flow

<b>FCL (US\$ million)</b>	<b>1Q19</b>
<b>Adjusted EBITDA</b>	<b>35.9</b>
<i>Capex</i>	(2.6)
<i>Interest payment</i>	(2.5)
<i>Working Capital</i>	(1.6)
<b>Free Cash Flow</b>	<b>29.2</b>