APIMEC and

3Q17

Earnings conference call

Investor
relations

November | 14 | 2017

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Agenda

1. MARFRIG GLOBAL FOODS – **OVERVIEW**
2. **BEEF** DIVISION
3. **KEYSTONE** DIVISION
4. CONSOLIDATED RESULTS **3Q17**
5. FINAL **COMMENTS**
6. Q&A

Overview



Marfrig is one of the world's **largest animal** protein producers

Who we are

2.3 millions

tons

R$ 19 billions

Net Revenue *

R$ 2.0 billions

Adj* EBITDA

* Annualized 3Q17 data

MARFRIG IS NOW MORE

Leaner and focused

COMPANY



Operational improvement at business units

Liability management

2013

Implementation of **"Focus to Win"** Plan

Long-term guidance 2013-2018

Productivity agenda

2017

Optimization of organizational structure without loosing global footprint - Beef and Keystone divisions

DRIVERS OF

growth

Focus on **customer**

Expansion through **organic projects**

Strong presence in the **foodservice**, retail and export channels

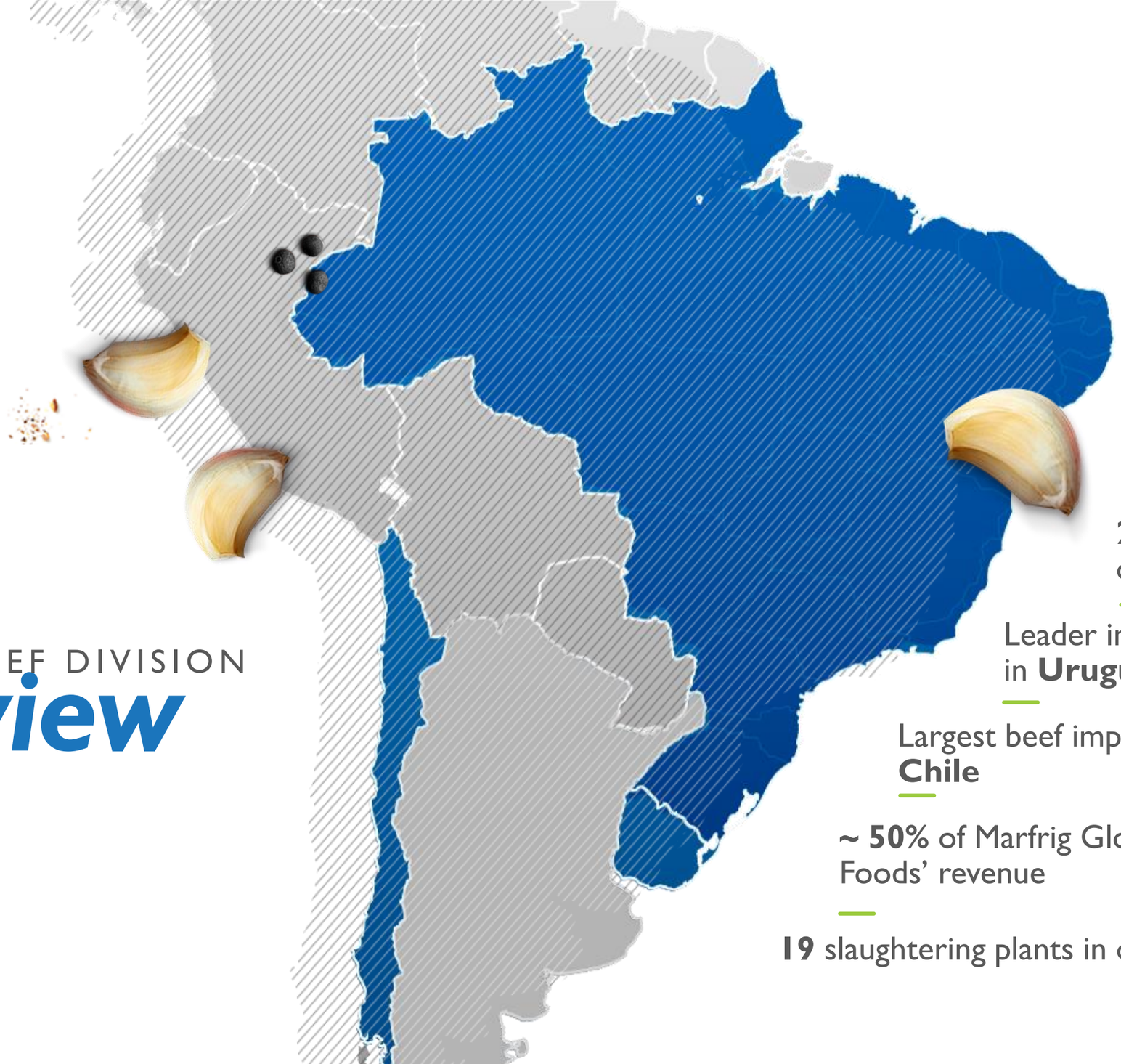
Investments in innovation

Leadership in sustainability

Beef division

BEEF DIVISION

overview



+ 18 mil
employees

2nd largest beef operation in Brazil

Leader in beef production in **Uruguay**

Largest beef importer in **Chile**

~ 50% of Marfrig Global Foods' revenue

19 slaughtering plants in operation



BEEF DIVISION

structure

Simplification of structure, with COOs reporting directly to **global CEO**

More **agility** for decision-making

Better **visibility** of results

Focus and **independence** in management

Better **execution**



STRATEGIC GOALS

Focus on **profitability**

Maximizing asset utilization

Focus on serving higher value-added channels

South America as a supply platform for global demand growth

Operational efficiency gains



BRAZILIAN LIVESTOCK

competitive advantages

Production with strategic advantages, such as grass-fed cattle
» low fat content

Hormone free

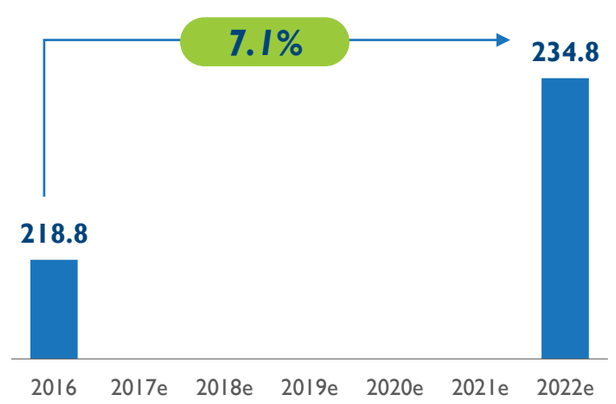
Excellent **sanitary conditions**

Abundance of land, water and labor - natural platform for supporting global demand growth

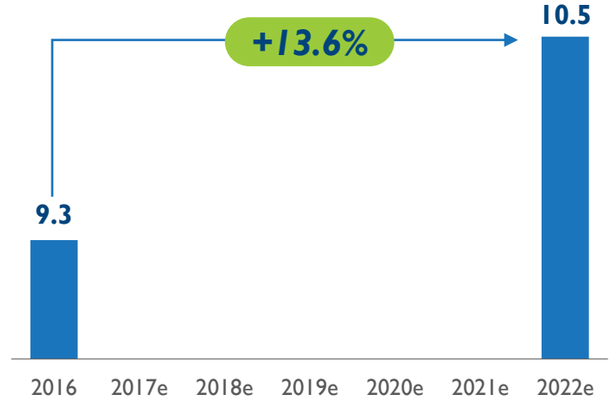
Management experience, highly adapted to breeds and growing use of **genetic enhancement**

BRAZILIAN LIVESTOCK outlook

Brazilian Cattle Herd Projections
(million head)

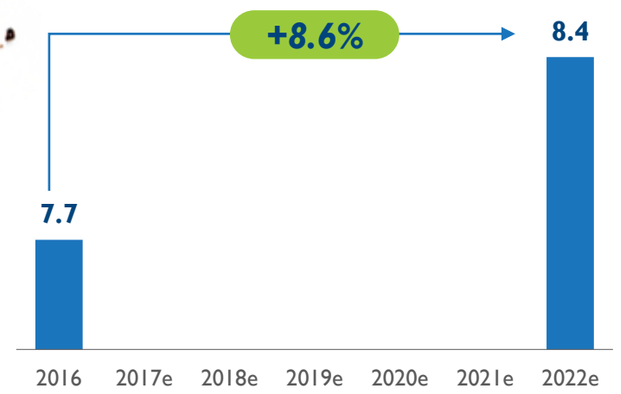


Brazilian Beef Productions Projections
(million tons)

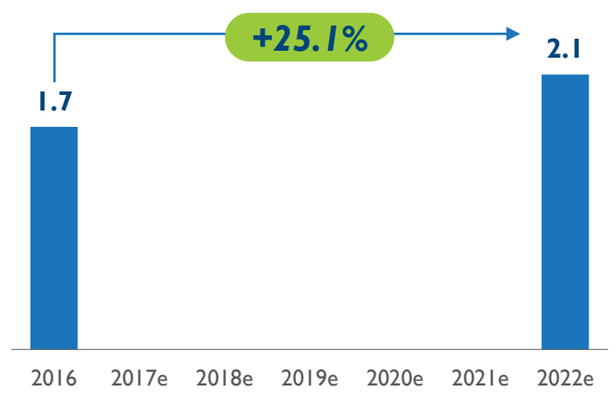


Source: Outlook Fiesp and preparation : FIESP/DEAGRO and MBAGRO

Brazilian Beef Consumption Projections
(million tons)



Brazilian Beef Exports Projections
(million tons)



Source: CGEA/DCEE/SPA/Mapa and SGI/Embrapa with data from CONAB and USDA

beef

GLOBAL OFFER SCENARIO

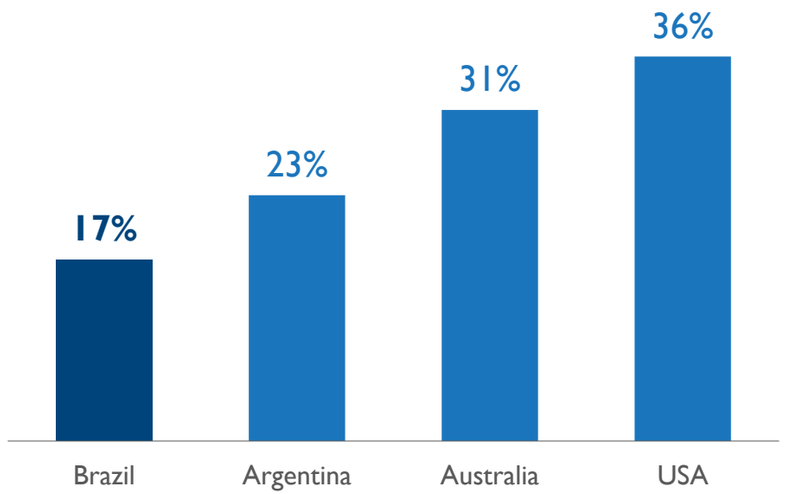
2017e (1000 MT CWE)

	COUNTRY	CATTLE HERD
1	India	305,000
2	Brazil	232,350
3	China	98,100
4	USA	94,400
5	Europe	89,030

	COUNTRY	PRODUCTION
1	USA	12,086
2	Brazil	9,500
3	Europe	7,875
4	China	7,070
5	India	4,250

Cattle herd growth and the perspective for higher productivity have positioned **Brazil as a key player** in the global beef industry

% Productivity (2017e)





Source: USDA (Updated October, 2017)

beef

GLOBAL DEMAND SCENARIO

2017e (1000 MT CWE)

	COUNTRY	IMPORT
1	USA	1,245
2	China	950
3	Japan	760
4	South Korea	535
5	Russia	485

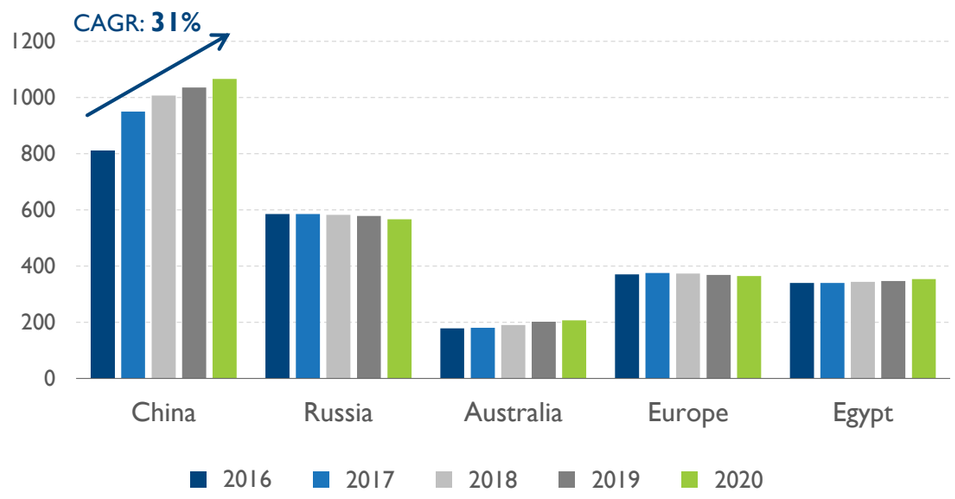
	COUNTRY	EXPORT
1	India	1,850
2	Brazil	1,800
3	Australia	1,400
4	USA	1,236
5	New Zealand	545

Source: USDA (Updated October, 2017)

USA, although a relevant player, **is a net importer of beef**

Better income distribution and global GDP growth, **highlighting China,** have supported higher beef consumption

Selected Beef Importing Countries
(million kg)



BEEF DIVISION

competitive advantages

Access to **key** international markets

Production system based on natural pastures

Uruguay: unique portfolio of British breeds and organic certification for **USA**

Processed products for local and **export** markets

Brazil & Uruguay´s Beef Acess to Global Market

Ranking	Country	Brazil & Uruguay
1	USA	✓
2	China	✓
3	Japan	✗
4	Russia	✓
5	South Korea	✓✗
6	Hong Kong	✓
7	European Union	✓
8	Egypt	✓
9	Canada	✓✗
10	Chile	✓
11	Malaysia	✓
12	Mexico	✓✗
13	Saudi Arabia	✓
14	Philippines	✓
15	Iran	✓
Rest of the world		





✓ Brazil & Uruguay
✓✗ Uruguay
✗ No access

MARFRIG x **STATE**



share

SLAUGHTER

PHASE I

Expansion and reopening of 2 units

1ST phase: expansion and reopening of plants have increased slaughter capacity to **250,000** head/month (Sept/2017)

Source: Abiec – Calculation base: May.

% of Beef division slaughtering

MARFRIG x **STATE**



share

SLAUGHTER

PHASE 2
Reopening of +3 units

1ST phase: expansion and reopening of plants have increased slaughter capacity to **250,000** head/month (Sept/2017)

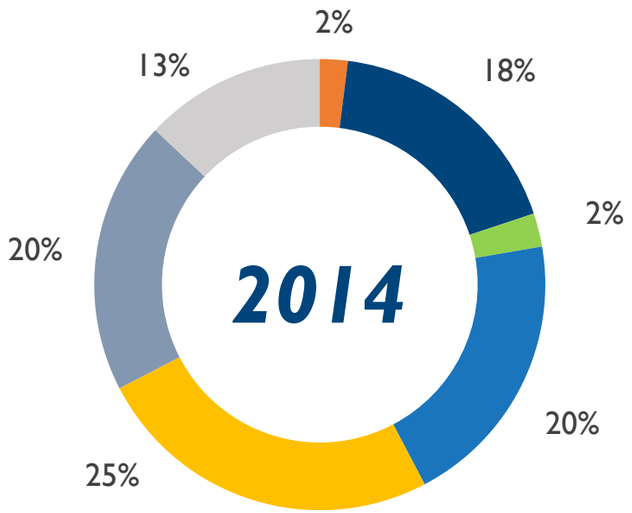
2st phase of reopening will expand capacity to **300,000** head/month (by Dec/2017)

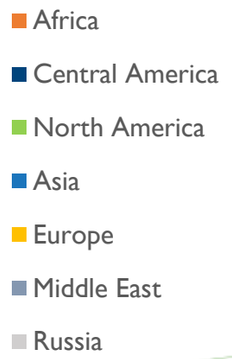
Source: Abiec – Calculation base: May

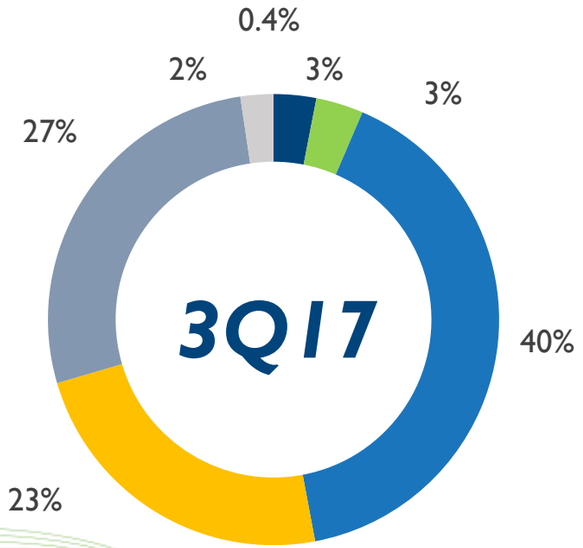
% of Beef division slaughtering

BEEF DIVISION Brazil EXPORTS

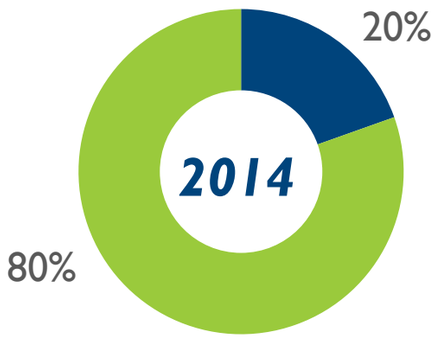
SALES PROFILE





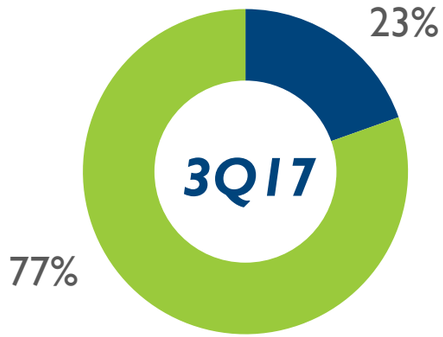


MARKET SHARE











Foodservice

BRAZILIAN MARKET

Repositioning of Montana and Bassi brands

Expansion of product line

MONTANA **+ 35%**

Sales Volume

Bassi **+ 91%**

Sales Volume

Sales expansion to the **Midwest and Northeast regions**

Actions with the main regional customers of foodservice and retail



Portfolio expansion

Consolidation and expansion of the portfolio of products distributed by the division (bakery, fish and cheese)

pagnifique

Lo bueno, te acompaña siempre.

Support for **Hospital do Amor in Barretos**

HOSPITAL DE CÂNCER DE BARRETOS
Fundação Pio XII
O HOSPITAL DO AMOR

MARFRIG

further processed

Products

Corned Beef, Cold Packs, Hot Packs, Extrato, Pouch, Beef Jerky



Development of new products

New line of rice-based products with

New line of sauces in partnership with

Nestlé

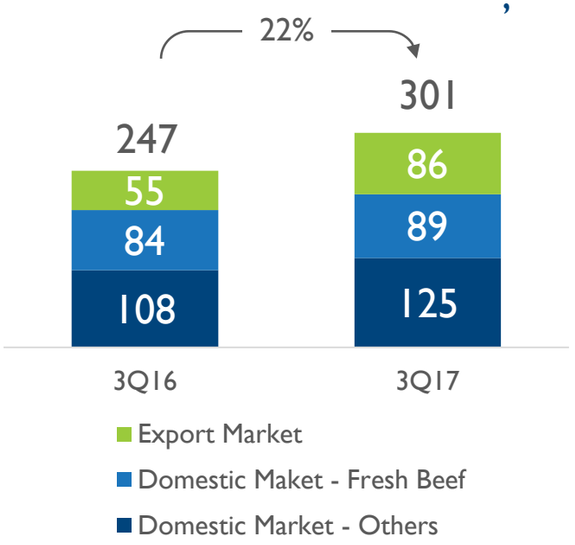


BEEF DIVISION

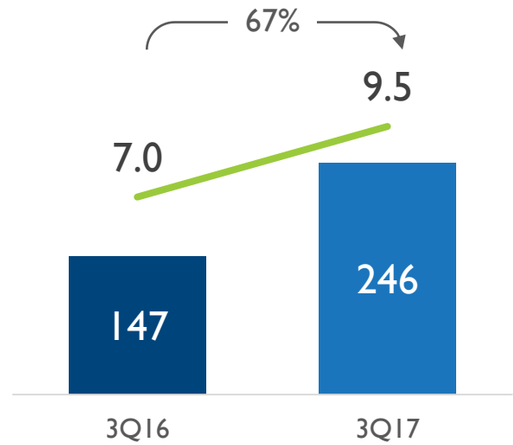
Result

3Q17

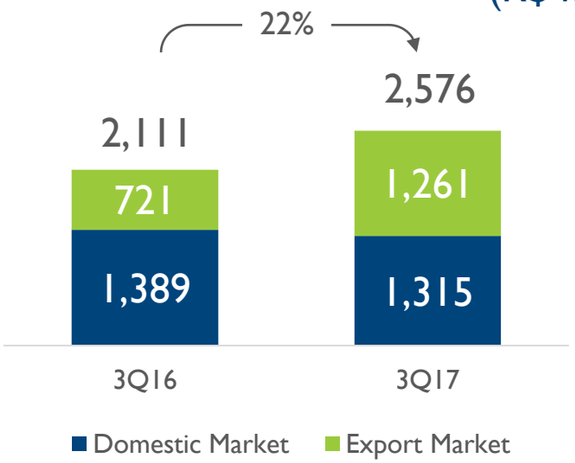
TOTAL VOLUME



EBITDA Ajusted and Margin (R$ million and %)



NET REVENUE (R$ millions)



Successful execution with improved margins and optimization of production

Revenue growth driven by higher sales volume of the Brazilian operation

Keystone division

KEYSTONE at a Glance

Leading supplier of **high-quality**, **value-added** food products to the world's leading foodservice, retail & convenience, and industrial brands



Trusted supplier to a **high-quality and growing customer base**

Focused on large and fast-growing global foodservice channel, providing nearly **70% of revenue**

Longstanding customer relationships with over **45-year tenure serving McDonald's,** our largest customer

Food safety and quality is at the heart of our unique business model

Large scaled, global business with **$2.8 billion** of revenue* and **UDM Adj EBITDA* $275 millions**

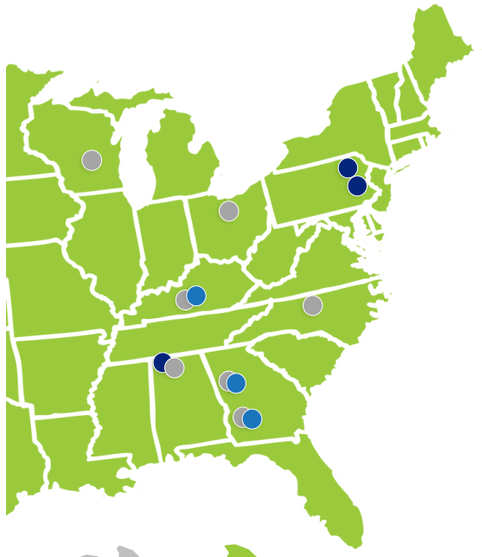
Global reach with **69% of revenue*** from US and **31%** from APMEA

~72% of value-added product portfolio is poultry, a fast-growing category

* Last 12 months

GEOGRAPHIC **footprint**

United States



APMEA



Scaled processing platform to support customers' growing needs

Operate 13 processing facilities located in the U.S., China, Malaysia, Thailand, Korea and Australia

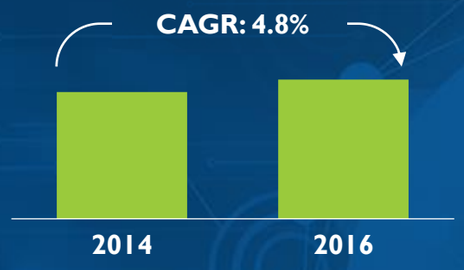
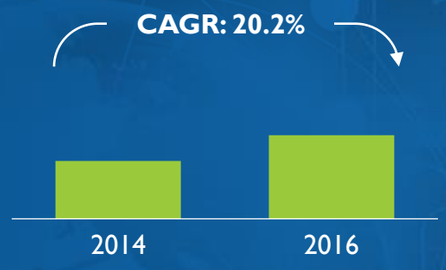
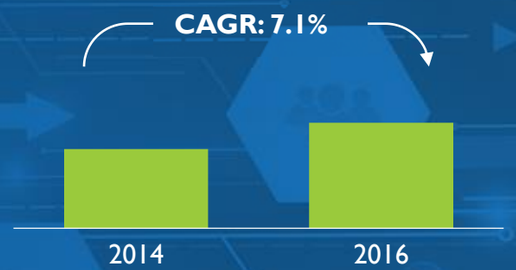
Manage three vertically-integrated poultry complexes in the U.S. that met 63% of our U.S. further processing needs in 2016

All facilities are ISO or GFSI certified

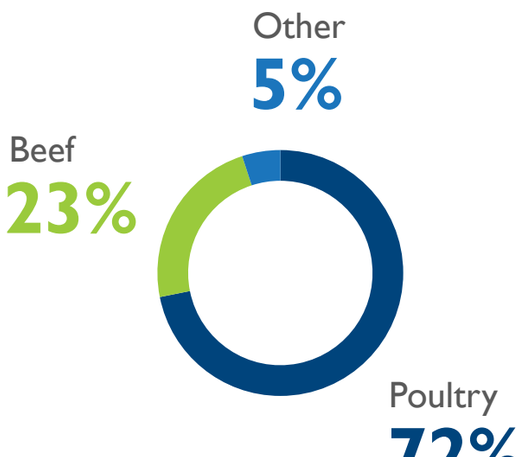
- Primary Processing
- Further Processing
- Other
- ☆ New facility



OUR **value-added** CHANNELS

	Foodservice	Retail & Convenience	Industrial
Revenue ($m)			
Description	"Food away from home" Focus on QSR chains One of largest suppliers in product categories	Focus on private label products in supermarket deli areas Also serves customers in fast–growing convenience store segment	Built strategic alliances with leading, global food manufacturers, such as General Mills and Conagra, to help develop on-trend product offerings

DIVERSIFIED PRODUCT *portfolio*



Value-Added Poultry

- Ready-to-Cook Par-Fried Poultry
- Fully Cooked Frozen Poultry
- Fresh, Marinated Deli-Rotisserie Poultry

Value-Added Beef

- Raw Beef Patties
- Fully Cooked Beef Products

Value-Added Fish and Other

- Fish Patties, Fish Fingers, and Fish Nuggets
- Pork Patties, Shredded Pork, Bacon, and Pork Sausages
- Veggie Patties
- Halal Bacon Substitutes and Bakery Products



COLLABORATIVE APPROACH TO

product innovation



Collaboration with our customers to create customized products based on the **unique needs and attributes** of the brand

- No Antibiotics Ever (NAE)
- Health Halo
- Unique and regional product offerings

Team extends through **innovation, product development, food technology and project management**

Innovation centers include test kitchen and presentation center for **product and customer demonstrations**

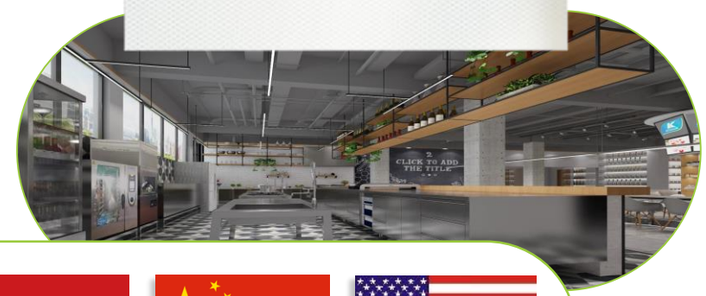
- USDA-inspected, state-of-the-art Innovation Center in the U.S.
- China and Thailand Innovation Centers

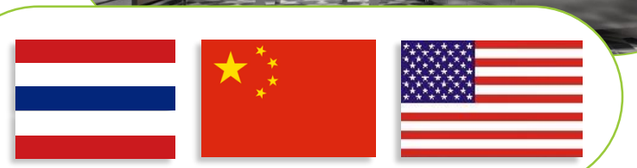
Foster creativity in **product development** while adding value in processing

- Optimize production process
- Equipment discovery









190 products commercialized worldwide in 2016

excellence

IN FOOD SAFETY AND QUALITY

Keystone expertise recognized by peers

International Association for Food Protection

Leader of Meat and Poultry Food Safety Group for International Food Protection Association

BRC GLOBAL STANDARDS

Board of Directors for International Audit Standards (BRC)

Speaker at World Food Safety Symposium



Keystone Holds Food Safety Leadership Positions in the Industry

Core capabilities include food safety, reliability, consistency and assurance of supply

History of providing safe and high-quality products so customers can protect their brands

Industry-leading food safety team led by Barb Masters, VP of Food Safety and Quality Assurance

Internationally recognized Quality Management System

Comprehensive testing program to ensure that all raw materials meet strict microbiological and chemical standards

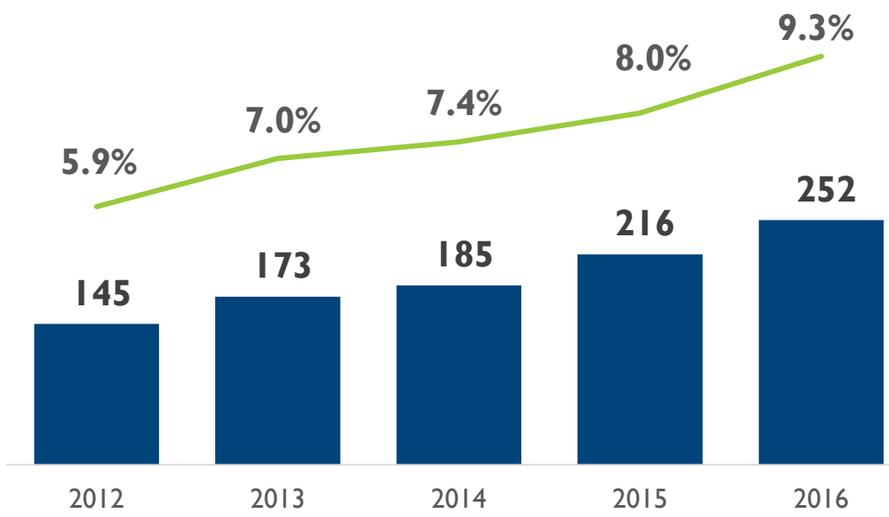
KEYSTONE

SOLID TRACK record

Adj EBITDA and Margin

(US$ millions and %)

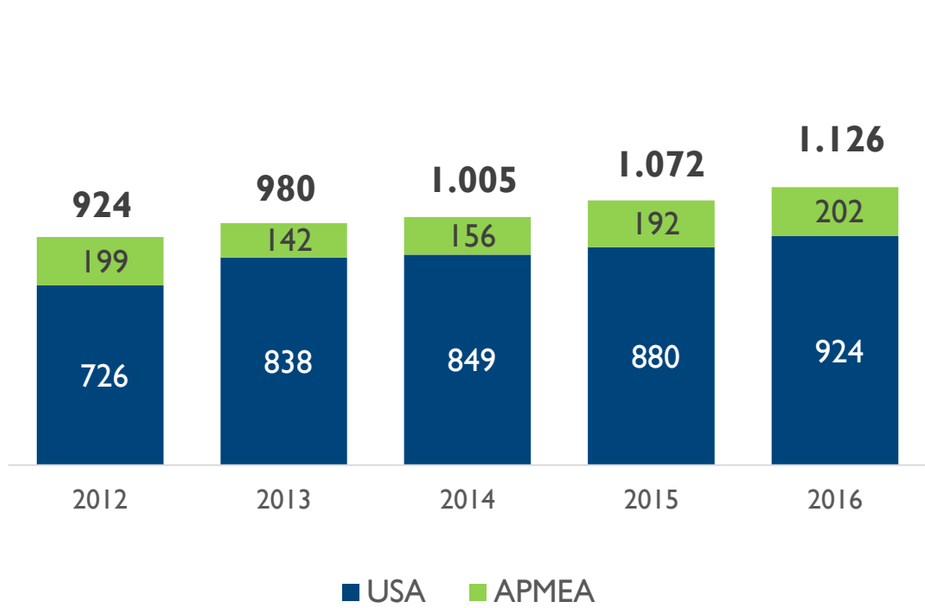
CAGR: 13.8%



Total Volume

(000 tons)

CAGR: 5.1%



Solid track record

Sustainable EBITDA and volume growth

STRATEGY

2021

Expand

Expand customer relationships

Partner

Be the partner of choice for our customers

Drive

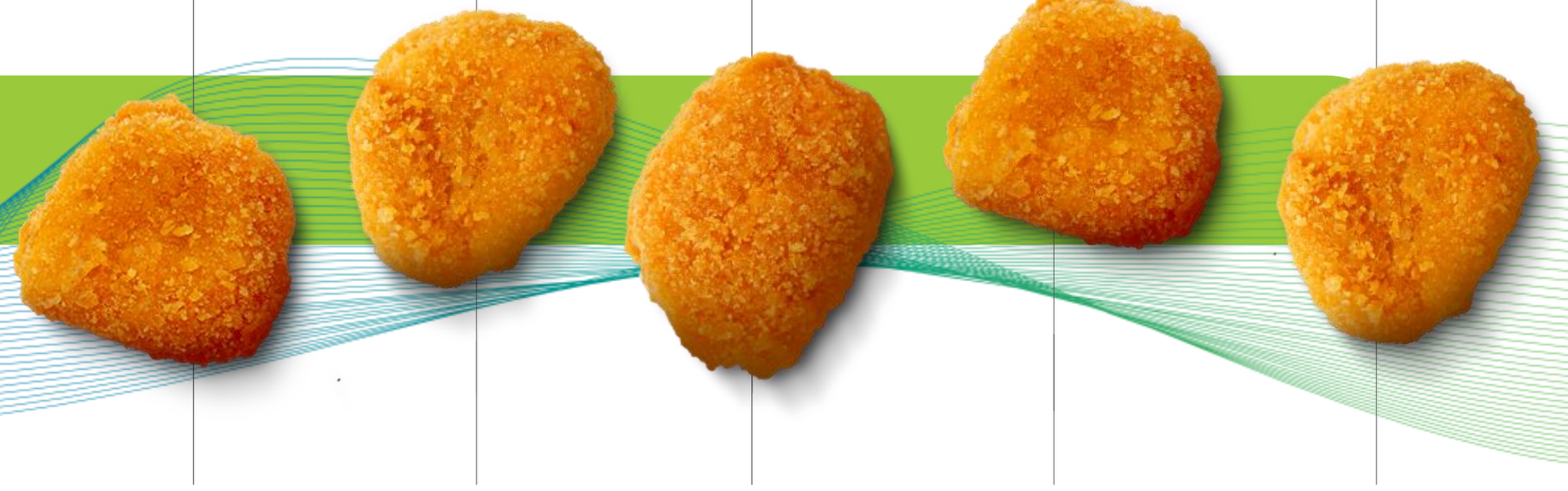
Drive mix to higher value-added products

Unlock

Unlock growth with commercial capabilities

Invest

Robust Investment plan to increase capacity



Thailand Project

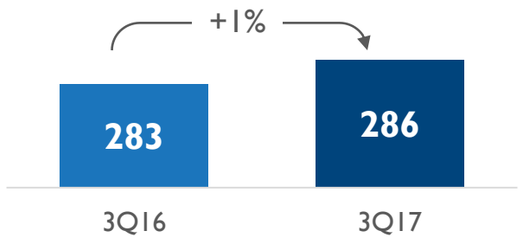




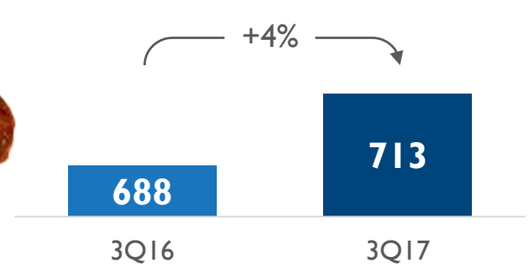
KEYSTONE DIVISION

3Q17 results

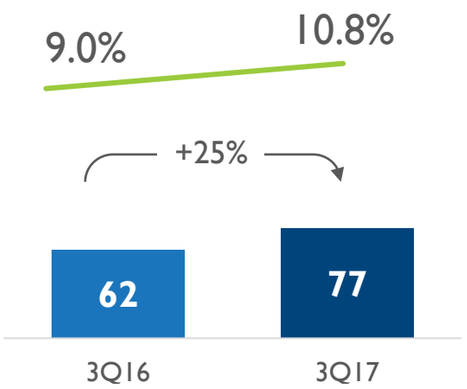
Total Volume
('000 tons)



Net Revenue
(US$ millions)



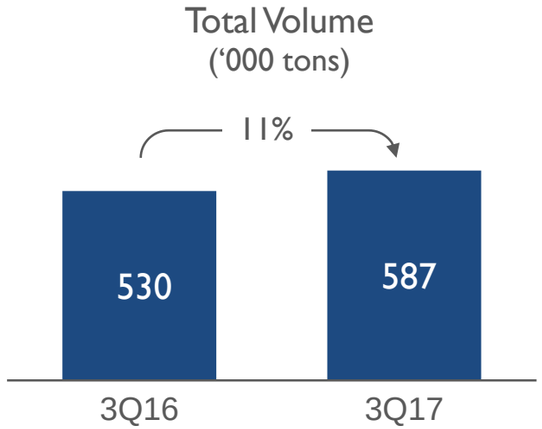
Ajusted EBITDA & Margin
(US$ millions and %)

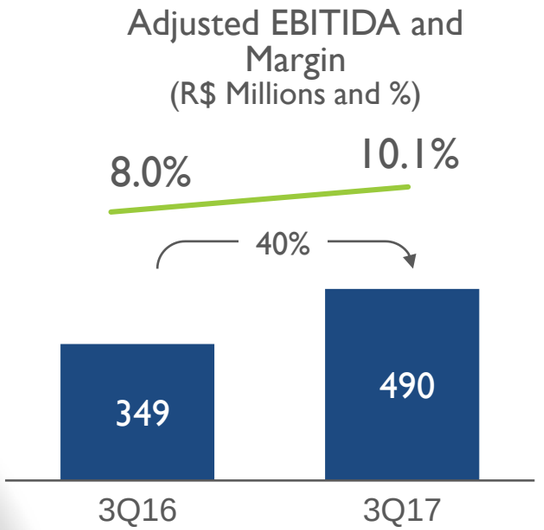


New Adj EBITDA record and best performance in history

- Strong performance in Foodservice in the US and APMEA
- 17% sales volume increase in APMEA
- Favorable product mix supported by ongoing demand for high-value NAE products

Consolidated result 3Q17





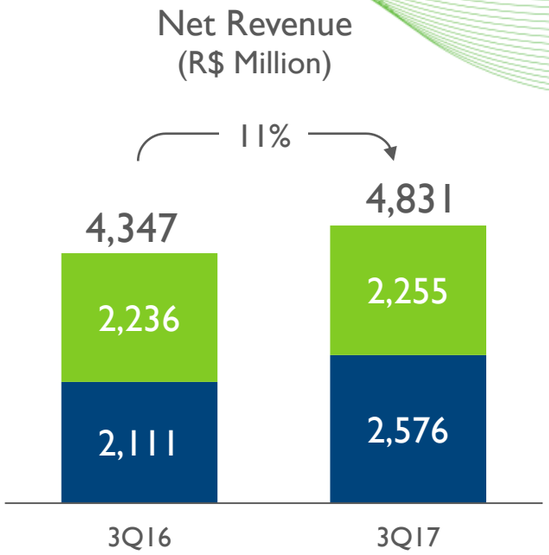


consolidated performance

3Q17

Revenue driven by **sales volume** growth in the Beef Division

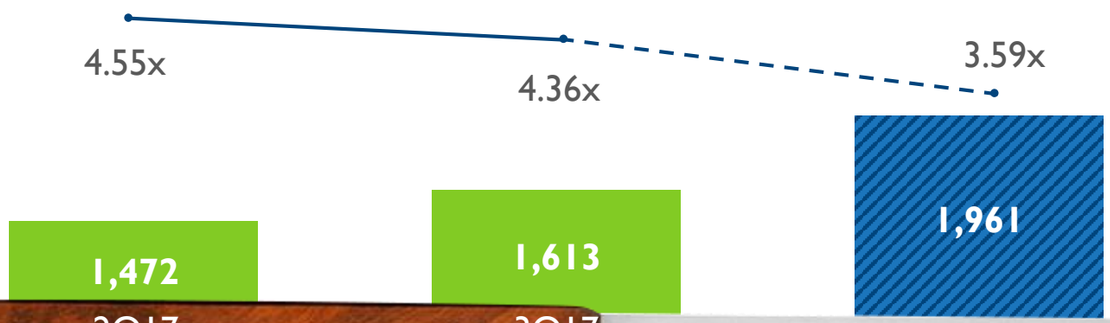
Improved result at Beef division and record-high Adj EBITDA at Keystone drove the **40% growth**



leverage & debt

3Q17

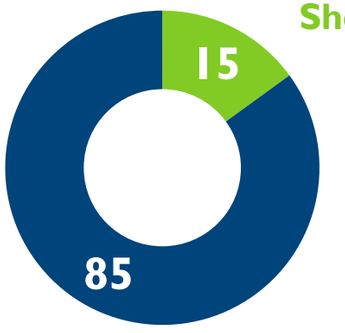
Leverage and Adjusted EBITDA



2.5x by 2018

LTM Adj. EBITDA (R$ million)
Leverage

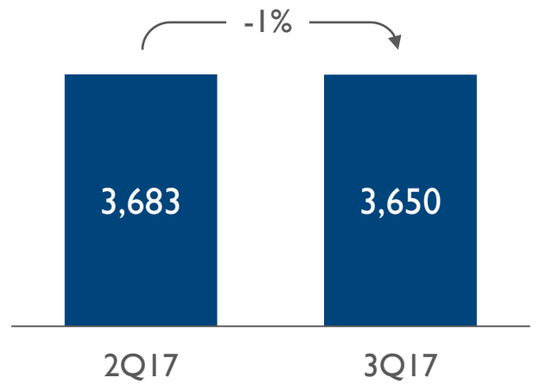
US$ million



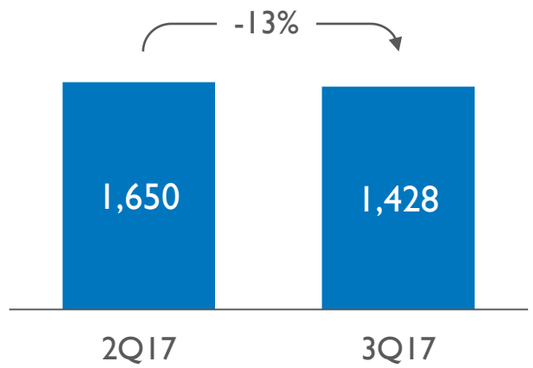
Medium Cost (% a.a.)
6.47%

Average Term
4.0 years

Gross Debt



Cash & Equiv.

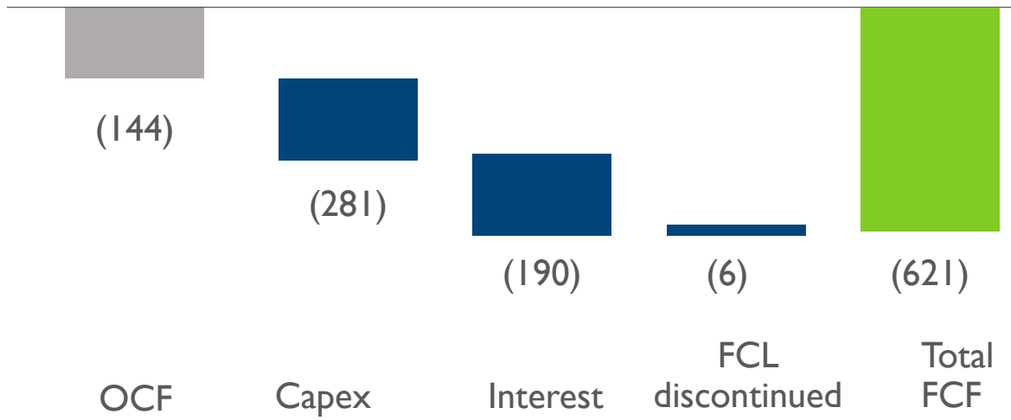




cash flow consolidated

3Q17

R$ millions



Maintaining the **high level of investments**

Operating cash flow influenced by **higher working capital** needs



final considerations

Closing Remarks

Perspective



4Q17 SCENARIO

Beef Division: favorable scenario and stronger demand (seasonal) should maintain the recovery trend for the 2nd semester

Keystone Division: earnings are expected to be similar to the last 9M17

Deleveraging trend

Maintaining high investment level

2018 SCENARIO

Outlook for the protein sector remains favorable

Continued improvement of operational cash flow is expected

Capital restructuring through equity sale at Keystone

Achieving leverage ratio of 2.5x

Continued high level of investments

strategic

GUIDELINES

2021

To be **recognized** as one of the

global leaders and

the **partner** of **choice**

in the segments where it operates,

generating value for

its **stakeholders**



Thank you!



Q&A

APIMEC e call de

resultado

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