



WITH RECORD EBITDA AT KEYSTONE AND A NEW SCENARIO FOR THE BEEF DIVISION, MARFRIG GLOBAL FOODS PREPARES FOR A NEW CYCLE

- Beef Division posts EBITDA margin of 8.2%, up 150 bps sequentially, with adjusted EBITDA growing 23% to R\$170 million.
- Keystone Division, which accounts for around 50% of Marfrig's total sales, delivers record-high adjusted EBITDA of US\$69 million in the quarter.
- Marfrig maintains its robust financial discipline, with its average annual debt cost falling from 7% to 6.5% over the last six months.
- In July, Marfrig announced the reopening of two units and the expansion of production lines at four other units, with its slaughter capacity in Brazil expanding by around 25% in the third quarter.
- The Company also announced it would reopen three more units located in the states of Rondônia (Ji-Paraná), Mato Grosso do Sul (Paranaíba) and Rio Grande do Sul (Alegrete). These reopenings should expand slaughter capacity in the Brazilian operation of the Beef Division by approximately 20% in the fourth quarter, to 300,000 head/month.
- The reopening of five meatpacking plants and the expansion of production lines at four units should create approximately 4,500 jobs.

São Paulo, August 14, 2017 - Marfrig Global Foods (B3:MRFG3), one of the world's largest animal protein producers, has just filed with the Securities and Exchange Commission of Brazil (CVM) its results for the second quarter of 2017.

The Company, which is formed by the Beef and Keystone business divisions, reported net revenue of R\$4.3 billion, down 8% from the same period of 2016, mainly due to the 9% appreciation in the Brazilian real against the U.S. dollar. As a global company, 79% of the revenue of Marfrig Global Foods is denominated in foreign currency. Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) amounted to R\$391 million, with margin of 9.1%. The net loss in the second quarter of the year was R\$157 million, improving by around R\$44 million from the same period of 2016.



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Despite the challenging scenario in the Brazilian market, with crises affecting both the economy and the animal protein industry, Marfrig's Beef Division has embarked on an organic expansion of its activities.

Beef Division – Sustainable Growth

In July, two meatpacking plants of the Beef Division located in the states of Mato Grosso (Nova Xavantina) and Goiás (Pirenópolis) were reopened, while four other plants expanded their production lines. The moves will lead production capacity in Brazil to expand by 25% in the third quarter.

The Company will reopen three meatpacking units located in the states of Rondônia (Ji-Paraná), Mato Grosso do Sul (Paranaíba) and Rio Grande do Sul (Alegrete). These reopenings should expand slaughter capacity in the Brazilian operation of the Beef Division by approximately 20% in the fourth quarter, to 300,000 head/month.

The reopening of five meatpacking plants and the expansion of production lines at four units will create approximately 4,500 jobs.

This expansion in production capacity is due to, among other factors, the higher supply of finished cattle in Brazil, which is mainly explained by the industry's cyclical characteristics and the macroeconomic scenario.

In the period from April to June, Marfrig's Beef Division posted EBITDA margin of 8.2%, up 150 bps sequentially, with adjusted EBITDA growing 23% to R\$170 million. Compared to the same period last year, EBITDA margin remained stable and adjusted EBITDA fell by 11%, reflecting the 9% Brazilian real appreciation and the lower sales volume.

Keystone – Record EBITDA

The Keystone Division, a supplier to leading global fast-food chains, once again delivered excellent results. In the second quarter, the division registered its highest adjusted EBITDA ever, of US\$69 million, with EBITDA margin of 9.8%. Meanwhile, its net revenue advanced 4% to US\$697 million (R\$2.2 billion). Sales volume grew by 2%.

Keystone's solid performance is explained by, among other factors, its focus on producing and selling value-added processed chicken products and by the continuous growth in demand from both domestic and export demand at its units located in the Asia-Pacific region.

To support this growth, around 65% of the investments made by Marfrig Global Foods in the second quarter of 2017 (R\$162 million reais) was allocated to expanding



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production capacity and increasing efficiency at the Keystone units in countries such as Thailand and Malaysia.

In May, Keystone filed with the U.S. Securities and Exchange Commission a request for an Initial Public Offering (IPO) of its stock. Meanwhile, it continues to work on updating the necessary documentation to conclude the process.

Financial discipline

At the end of the second quarter, Marfrig's gross debt stood at US\$3.7 billion, decreasing US\$55 million from the end of the previous quarter. The average debt term was 4.4 years and only 15% of total debt was due in the short term. Leverage, as measured by ratio of net debt to adjusted EBITDA, stood at 4.17, based on annualized 2Q17 adjusted EBITDA and the average exchange rate in the quarter of R\$3.21/US\$. Between the first and second quarters of 2017, the average annual cost of debt of Marfrig Global Foods fell from 7% to 6.5%, which is basically due to, among other actions, the redemption of the outstanding balance of 2024 Bonds, in the amount of US\$204 million, and the use of more competitive loan facilities.

Marfrig Global Foods

Marfrig Global Foods, a leading global producer of animal protein food products. Comprising the Beef and Keystone divisions, it has production, sales and distribution units in 12 countries. It is one of Brazil's most global and diversified food companies. Every day its products, which are sold to large restaurant and supermarket chains, reach the tables of millions of consumers in approximately 100 countries.

About the Keystone Division

With headquarters in the United States and operations in North America and Asia-Pacific, Keystone is one of the world's leading producers of processed animal protein products. Founded in 1960 as a family business in the state of Pennsylvania, Keystone gained scale by investing in research and developing innovative products for the food industry to become a supplier to some of the world's largest fast food chains.

About the Beef Division

The Beef Division of Marfrig Global Foods, whose production operations are located in South America, is one of the world's largest beef producers. Its products are recognized internationally for their premium quality, which reflects its production model based on respect for legal, environmental and animal-welfare standards. The Beef Division is a partner in various cattle producer associations, through which it disseminates information and promotes initiatives to foster improvements in herd quality in all regions where it operates, leading to safer products for millions of consumers.



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