

The Management of Marfrig Global Foods (“Marfrig” or “Company”) presents the Management Report and Financial Statements, accompanied by the reports of the Audit Board and Independent Auditors, for the fiscal year ended December 31, 2017.

1. MESSAGE FROM MANAGEMENT

Global GDP growth for 2017 is estimated to have been 3.7%, confirming the positive trend that began in mid-2016, according to the latest report from the International Monetary Fund (IMF). The recovery in investment and the improvement in industrial activity and global trade flows have strengthened and driven growth in both mature and developing economies.

In Brazil, despite the turbulent political environment, GDP growth returned to positive territory and is expected to close the year with moderate growth of 1%. With this moderate recovery, per-capita income has remained stable, which is good news after two straight years of contraction.

In the animal protein industry, the Weak Flesh Operation, launched in the 2nd half of March, temporarily affected local consumption as well as Brazilian exports which normalized as of the middle of the second quarter. The exception is the United States, which in June 2017 decided to temporarily suspend imports until the national meatpackers comply with certain production processes, procedures for the vaccination of animals, and Russia, which claimed to have found substances in breach of the country’s control standards.

Although it has created challenges, this scenario also presented opportunities given the already expected positive cattle cycle in Brazil. Marfrig has been able to rapidly adapt to the industry developments and take advantage of opportunities that emerged in the second half of the year. The Company, decided to re-adjust the footprint of the Brazilian operations of its Beef Division and announced the reopening of plants that had been temporarily shuttled down due to the negative phase of the cattle cycle. This strategic move also included restructuring the division’s commercial and industrial teams, as well as its product portfolio.

In response to the positive outlook for Brazil’s domestic market, in November, Marfrig announced the repositioning of its brand Montana, which enjoys excellent recognition in the barbecue segment, along with the expansion of its product portfolio, which now better serves consumer’s day-to-day needs. Additionally, Marfrig announced the establishment of a pioneering partnership with Hospital de Amor, which is a reference in the prevention and treatment of cancer free of charge.

In further processed products, the highlight was the development of the new line of meat sauces, in partnership with Nestlé Professional, and of rice products in pouches and cans.

In the international operations of the Beef Division, sales continued to focus on serving the most demanding markets, as North America, Asia and Europe.

For the Keystone Division, 2017 was another year of record results. With a portfolio of high-value protein products, especially in poultry, Keystone is a leading global supplier in the foodservice channel including leading global QSR brands. With production based in the United States and APMEA, the company is well positioned to serve these markets, whose GDP for the year is expected to exceed the initial expectations of 2.3% and 6.5%, respectively, according to the IMF.

And to meet this growing demand, in October 2017 the new plant in Thailand started its operations. With annual capacity of 30,000 tons of chicken-based further processed products, the plant will expand its production capacity in the APMEA region by around 10%.

In the United States, the highlight was the tax reform approved and sanctioned in December 2017, whose key aspect is the reduction of the corporate income tax rate from 35% to 21%. This tax cut not only benefits the cash flow from operations based in the country, but also has the potential to encourage new investments, create new jobs and drive domestic demand.

Keystone's strong performance track-record and the positive outlook for the industry, combined with Marfrig's commitment to its financial discipline, led to the strategic decision to commence Keystone's IPO journey. As announced in May 2017, Keystone filed with SEC the Form F-1 in a confidential format, which is the first step in the registration process for an initial public offering in the United States.

In terms of the capital structure, in January 2017, the debentures detained by BNDES were converted into shares simultaneously with the last payment in the amount of R\$327 million, which contributes to an important structural savings in the Company's interest expenses. Furthermore, Marfrig continued its liability management process, which aims to lengthen its debt maturity profile and reduce its average debt cost, by placing US\$750 million in 7-year bonds in the international market.

The rating agencies Fitch, Moody's and S&P reaffirmed the Company's ratings at BB-, B2 and B+, respectively. S&P revised its rating outlook from positive to stable, while Fitch and Moody's reaffirmed the stable outlook of their ratings assigned in late 2016.

Also during the year, Marfrig decided to participate in the tax amnesty program known as PERT, which effectively settled all pending tax claims with the Brazilian federal government. Marfrig consolidated into the program liabilities of some R\$1.3 billion, of which R\$ 252 million was paid in the last semester of 2017. After applying the discounts and allowances provided under PERT, an outstanding balance of R\$490 million will be paid in 145 monthly installments starting in January 2018. With its participation in PERT, the Company settled all pending tax litigations and paved the way for the use of its balance of tax credits.

Also worthy of note is the Company's position in the ranking of the "Transparência em relatórios corporativos: as 100 maiores empresas e os 10 maiores bancos brasileiros" report, carried out by "Transparência Internacional Brasil", which evaluates the information and activities of the companies in regards to its practices related to anticorruption and organizational transparency. The survey highlighted Marfrig as one of the top 10 best anticorruption programs within the evaluated companies and the best score in sector, achieving a high standard in of transparency.

Regarding its main financial indicators, Marfrig's gross revenue came to R\$19 billion. The effects from the stronger Brazilian real on international sales were partially offset by the higher sales volume.

Consolidated Adjusted EBITDA was R\$1.7 billion, increasing 5.8% from 2016. EBITDA margin stood at 9.2%, increasing 60 bps over the previous year. This performance was driven by margin gains in the Beef Division, accompanying the industry trend (exports spreads in U.S. dollar, considering the average Secex fed cattle price based on the ESALQ index, widened by 16%), and by another solid performance by Keystone, which set a new record for Adjusted EBITDA in 2017.

In terms of leverage, Management believes that the EBITDA measure that best reflects the company's footprint and performance is the annualized adjusted EBITDA in the last quarter of 2017. Excluding from this analysis the extraordinary effects from PERT, the Company closed the year with a leverage ratio of 3.94x.

In conclusion, the results delivered in 2017 reflected the flexibility and ability of the commercial and operating teams at both divisions to quickly adjust to the opportunities presented by a change in the industry, enabling Marfrig to further consolidate its position as one of the world's leading protein suppliers.

Acknowledgements

I would like to start by thanking all Marfrig employees for their commitment and for successfully overcoming adversities by quickly adjusting to the new scenario. Marfrig ends the year certain that these actions will lead to a more solid platform for future growth.

To our Clients, Suppliers, Financial Market and Shareholders, thank you once again for your partnership and confidence that we are blazing a new path, without foregoing our commitment to serving our clients with excellence with innovative and high-quality products.

In 2018, we will continue to strengthen Marfrig’s capital structure, with a focus on deleveraging through more robust cash generation and divesting the interest in the Keystone Division.

We will continue to pursue the highest levels of excellence, supported by an adequate capital structure to enable Marfrig to become a leading company in the industry in terms of value creation for all stakeholders.

Marcos Antonio Molina dos Santos
Chairman of the Board

The year 2017 was marked by industry-specific factors that affected our results in the first half. On the other hand, these same factors created opportunities and, in this new scenario, we opted to expand the production capacity of the Beef Division.

We believe that this decision to adjust our production footprint, while maintaining a high level of investment - which included growth projects especially at the Keystone Division - affected results in the near term.

However, I want to emphasize that these actions were ultimately based on a long-term vision. And, in this respect, we remain confident that we're building a solid foundation for Marfrig to become an increasingly profitable company, in line with our vision to be recognized as a global leader in our industry and the preferred partner of our clients.

Lastly, I want to reaffirm Marfrig’s commitment to its financial discipline, which is a key factor for its sustainable and long-lasting growth.

We will continue to work hard to deliver these goals throughout 2018.

My deep appreciation to all who support us.

Martin Arias Secco
Chief Executive Officer

2. MARFRIG GLOBAL FOODS

Marfrig Global Foods is a Brazilian multinational corporation with a broad international footprint, with operations in 12 countries, and is one of the most diversified and largest companies in the global protein industry. Its business model is formed by 50 production units, distribution centers and offices located in South America, North America, Europe, Oceania and Asia. Its activities include the production, processing, further processing, sale and distribution of foods made from animal proteins, as well as a variety of other food products, such as frozen vegetables and desserts.

With a workforce of more than 30,000 employees, the Company operates in the foodservice, retail and food processing segments offering innovative, safe and healthy solutions. It has a diversified and comprehensive portfolio of products that can be found in major restaurant and supermarket chains, reaching the tables of millions of consumers in some 100 countries. Its business model comprises two divisions, both of which have global operations:

Keystone: one of the largest global suppliers of higher-value protein products to the fast food (quick service restaurants or QSRs), retail and food processing industries. Based in the United Kingdom and with its head office in the United States, Keystone's operating platform and footprint span over seven U.S. states and five countries in Asia and Oceania. Committed to innovation and the highest food safety and quality standards, it combines vast expertise in the food industry with a strong focus on clients to offer a complete *mix* of fresh and frozen products.

Beef: one of the world's leading beef producers, with vast expertise in Brazil's food service segment, it also has a strong presence in foreign markets, where it is equally recognized for the quality of its products. The international operations based in South America focus on exporting premium beef and lamb cuts and on leveraging the strategic position it enjoys in Uruguay and Chile, which gives its access to major consumer markets around the world.

3. PERFORMANCE

According to the USDA (U.S. Department of Agriculture), the global consumption of proteins (beef, poultry and pork) in 2017 amounted to 258 million tons. China accounted for 29% of world consumption, reflecting the country's considerable size as well as economic growth, emerging middle class and increasingly urban population.

Industry Scenario – Poultry and Foodservice Channel

United States

2017 was another exceptionally good year for US poultry producers. The industry has benefitted from a combination of low input costs and high selling prices. As a result, margins were near record levels through much of the year.

In the restaurant industry, the National Restaurant Association "NRA" of the US estimates that revenues have reached the level of US\$799 billion. According to NDP Group, the QSR category saw a 1% increase in store visits illustrating strong consumer demand for convenience and value. For example, McDonalds reported a very strong year in 2017 with comparable store sales increase of 5.3% significantly outperforming its peer group and the general indicator, according to TDn2K (specialized research firm).

US Consumer confidence has remained high with the University of Michigan Consumer Confidence index at 95.9 at the end of 2017. Real personal disposable income, which has a high correlation with restaurant performance, also has exhibited signs of improvement.

APMEA

In the APMEA region, global foodservice companies as well as local and regional chains continue to expand in existing and new markets. Among proteins, chicken continues to lead production in the region.

China

China's population continues to migrate to urban areas and the wealth effect of ongoing development is increasing demand in the foodservice industry. McDonalds completed its largest developmental licensee transaction in China in 2017 and is expecting to see strong growth driven by new initiatives including menu innovation and delivery. Other global QSR brands are seeing strong demand in the country.

Thailand

Thailand continues to be well-positioned as a low-cost poultry producer with broad access to large and high growth export markets worldwide. According to Rabobank, approximately 79% of Thai poultry exports are destined for Japan and the European Union. Most of its export volume is further processed. Domestic foodservice demand continues to be robust with a strong tourism industry and changing consumer behavior leading modern urban families to eat out more and seek prepared meals.

Malaysia

In Malaysia, retail foods sector continues to see strong growth domestically with over 3% growth in 2017 according to the USDA data. Malaysia continues to be well-established in the food industry due to halal certification of production facilities that open up broad export markets in Islamic countries. The Middle East, for example, including Saudi Arabia and the United Arab Emirates offer large and growing market opportunities for value-added food products in fast growing retail channel as well as in foodservice where global brands are expanding.

Industry Scenario – Beef

Brazil

Brazilian beef exports came to 1.53 million tons in the year, up 9.5% from the total volume exported in 2016, according to data from the Brazilian Association of Beef Exporters (ABIEC). Total export revenue in 2017 was US\$6.28 billion, representing growth of 14% on the prior year.

On March 17, the Brazilian Federal Police launched the Operation Weak Flesh, which had an adverse effect on the operations of animal proteins companies (poultry, beef, pork and processed products). Despite the immediate actions taken by the Ministry of Agriculture, consumer confidence was shaken and consumption of these products declined momentarily. Important destinations, such as China and Chile, temporarily closed their markets to Brazilian exports, but with exports normalizing as of the second quarter.

In June 2017, the industry was surprised by the U.S. decision to suspend imports of fresh beef from Brazil, until meatpackers adjusted their production process to the country's requirements regarding reactions to the vaccines applied in the animals. The measures were taken and Brazilian authorities are awaiting a new positioning from the U.S. government on reopening its market. Although export volumes to the destination are not as relevant compared to other destinations, the United States is a key global consumer market, and a reference for other countries that follow the certification requirements of the U.S. Department of Agriculture (USDA).

In December 2017, Russia announced a temporary ban of beef and pork imports from Brazil, claiming the presence of ractopamine in analyses of the country's meat, a substance that is not allowed according to the country's veterinary and sanitary standards. However, ABIEC issued a statement contesting that, since 2013, there has been no notification indicating by the country the substance's use in beef cattle and that, if necessary, the industry is

prepared to comply with the new criteria.

In Brazil’s foodservice industry, which is one of the Company’s key channel, nominal sales were estimated at R\$160 billion in 2017, up 4.0% from 2016, according to a specialized consulting firm (Food Consulting).

In terms of supply, the current cattle cycle in the country expanded the availability of fed cattle in 2017. Meanwhile, the processing of cows increased 10.9% on the prior year, according to data from the Ministry of Agriculture “(MAPA)”. In this context, the average cattle price fell 9.2%, according to the ESALQ index.

Uruguay

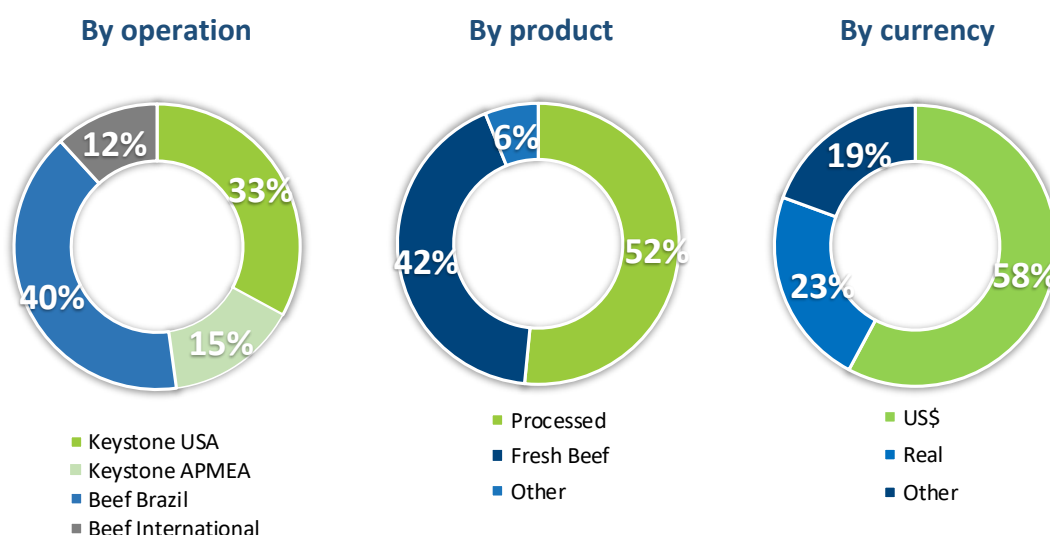
Uruguay registered slightly stronger margins compared to 2016, in line with the global market dynamics. The better international scenario benefited exports from the country, led by China, which increased its share among Uruguay’s export destinations.

3.1. Consolidated Results

▪ **Net Revenue**

Marfrig Global Foods posted consolidated net revenue of R\$19 billion in 2017, down slightly (-1.3%) on the prior year. The main factors were the 8.5% depreciation in the U.S. dollar and the lower domestic price in Brazil at the Beef Division, which accompanied the downward trend in cattle costs, with these factors partially offset by the higher sales volume at both Keystone and Beef division.

Marfrig is a global company, with a large share of its revenue generated in currencies other than the Brazilian real. The international operations (Keystone and Beef International) accounted for 60% of total revenue in 2017. Considering the exports from the Brazilian Beef division, the international market accounted for 77% of the Company’s total sales. Meanwhile, sales in Brazil’s domestic market accounted for 23% of the total.



▪ **Cost of Goods Sold (COGS)**

In 2017, COGS amounted to R\$16 billion, down 1.8% from the previous year, which is explained by (i) the average appreciation in the Brazilian real against the U.S. dollar; and (ii) the lower average price of fed cattle in Brazil, which fell 9.2% compared to 2016, according to ESALQ; with these factors partially offset (iii) by the higher production cost in the beef operation, due to the reactivation of industrial facilities.

COGS (R\$ Million)	2017	2016	Chg. (%)
Raw Material	11.932,2	12.325,3	-3,2%
Labor	1.903,5	1.944,7	-2,1%
Production Costs	2.519,6	2.391,5	5,4%
TOTAL	16.355,4	16.661,5	-1,8%
<i>Beef</i>	51%	49%	2%
<i>Keystone</i>	49%	51%	-2%

The shift in the share between the divisions is explained by the higher sales volume at the Beef Division.

▪ **Gross Profit & Gross Margin**

Gross profit came to R\$2.2 billion in 2017, up 2.6% from 2016, reflecting the growth of the Beef division and the continued solid performance of Keystone.

Gross margin stood at 12.0%, improving 50 bps on the prior year, supported by significant margin expansion in the Keystone division.

▪ **Selling, General and Administrative Expenses (SG&A)**

SG&A expenses amounted to R\$968 million (5.2% of net revenue), down 4.8% compared to 2016, reflecting lower expenses at both divisions and the effects from the translation into Brazilian real of amounts from the international units.

Selling expenses increased R\$9 million, due to higher logistics costs on the higher sales volumes at the Beef division, which were partially offset by actions to capture efficiency gains and streamline the sales team in Brazil.

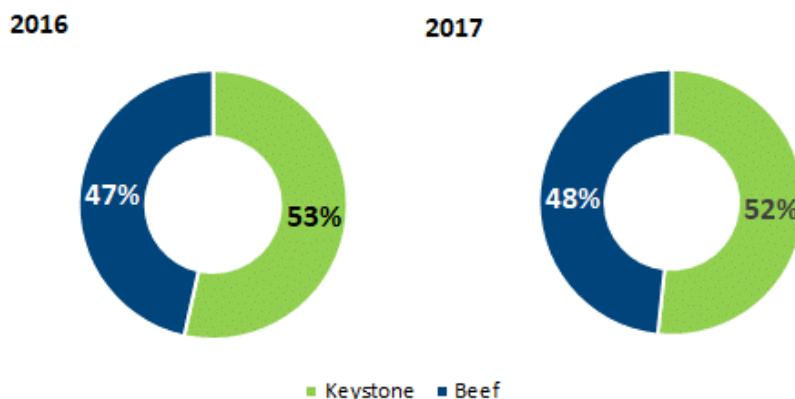
Meanwhile, general and administrative expenses fell 13% from 2016, reflecting the Company's ongoing efforts to capture productivity gains and manage fixed expenses.

SG&A (R\$ Million)	2017	2016	Chg. (%)
Sales Expenses	586.5	577.6	1.5%
<i>% of Net Revenues</i>	3.2%	3.1%	
General & Administrative Expenses	382.0	439.7	-13.1%
<i>% of Net Revenues</i>	2.1%	2.3%	
TOTAL DVG&A	968.4	1,017.3	-4.8%
<i>% of Net Revenues</i>	5.2%	5.4%	

▪ **Adjusted EBITDA and Adjusted EBITDA Margin**

In 2017, consolidated adjusted EBITDA amounted to R\$1.7 billion, up 5.8% on the prior year. In 2017, adjusted EBITDA margin was 9.2%, up 60 bps from the 8.6% margin in 2016. The main factors explaining this performance were (i) the recovery in growth at the beef operations in Brazil, with gains in productivity, better operational efficiency and margin recovery which followed the industry spreads trend; and (ii) for another record result at Keystone; partially offset (iii) by the effects from the appreciation in the Brazilian real against the U.S. dollar.

In 2017, excluding corporate expenses (see note 34 to the 2017 financial statements), Keystone accounted for 52% of Adjusted EBITDA, down slightly from 53% in 2016.



3.1.1. Keystone Division

The Keystone division posted net revenue of US\$2.8 billion in 2017, an increase of 3.2% from 2016. This performance is mainly explained by the growth in sales volume at the operations in APMEA.

In the United States (which accounted for 69% of the operation), net revenue came to US\$1.9 billion, stable compared to the prior year. The stronger demand from the foodservice channel, which supported a 5.5% increase in sales volume, was offset by lower sales to the industrial channel and to the convenience & retail. The result also reflected Keystone’s strategy to focus its mix on higher-value products and to grow volumes to strategic accounts.

In the APMEA region (which accounted for 31% of Keystone’s operation), net revenue was US\$867 million, up 11% on 2016, supported by growth in the foodservice channels in China, Thailand and Malaysia.

Gross profit advanced 8.7% on 2016 to US\$273 million, with gross margin expanding 50 bps to 9.8%. Gross margin expansion was driven by (i) the ongoing successful strategy to grow through strategic accounts, with a solid contribution from No Antibiotic Ever (NAE) products; and (ii) lower grain prices in the United States, which reduced the cost of animal feed (average annual corn price fell 6%, CBOT data on the year).

Selling, general and administrative (SG&A) expenses amounted to US\$57 million, down US\$3 million. SG&A expenses as a ratio of net revenue stood at 2.1%.

Consequently, Keystone reported a record adjusted EBITDA of US\$282 million, growing 8% from 2016. Adjusted EBITDA margin was 10.1%, expanding around 40 bps on the prior year. In Brazilian real, adjusted EBITDA in 2017 was R\$900 million.

3.1.2. Beef Division

Signs of improvement in the cattle cycle, the expected recovery in domestic demand in Brazil and the continued favorable international scenario led Marfrig to adopt the strategic decision to anticipate and accelerate growth at its Brazil operation by reopening primary processing units that had been temporarily shuttered in the states of Goiás, Mato Grosso, Pará, Rio Grande do Sul and Rondônia. Consequently, the Company closed the year with effective primary processing capacity of around 300,000 head of cattle per month.

In 2017, the Beef Division posted net revenue of R\$9.7 billion, advancing 2.6% on the prior year to account for 52% of the Company’s consolidated revenue. The 11% growth in sales volume was partially offset by the lower average sales price, which was influenced by the appreciation in the Brazilian real against the U.S. dollar and by lower cattle costs. Exports accounted for 48% of the Beef Division’s total revenue, reflecting the Company’s competitive

advantage in the global beef industry. Exports from the Brazilian operations, which grew by 28% in fresh beef volume, prioritized the most profitable destinations.

Gross profit was R\$1.3 billion, up R\$40 million from 2016. Gross margin stood at 13.8%, reflecting the margin recovery in the industry during the second half of the year. The performance highlights were (i) the 11% expansion in sales volume in Brazil; (ii) the recovery in spreads in the Brazilian operation, reflecting the 9.2% drop in the average fed cattle price compared to 2016 due to the higher cattle supply (beef cycle); (iii) improvement of spreads in Uruguay, mainly on stronger export prices, which rose 3% in the year, according to INAC.

In the year, selling, general and administrative expenses (SG&A) came to R\$736 million, increasing 1% from 2016, influenced by the increase in volumes, to represent 7.6% of the unit's net revenue (from 7.7% in 2016).

In this context, the Beef Division posted adjusted EBITDA of R\$841 million, advancing 7% from R\$789 million in the previous year. EBITDA margin was 8.7%, expanding 30 bps from 8.4% in 2016.

3.2. Financial Result

The net financial result in 2017 was an expense of R\$1.9 billion, compared to an expense of R\$2.0 billion in 2016.

Excluding the effects from exchange variation, the net financial result decreased by R\$214 million, or 11%, compared to 2016. This result was mainly due to (i) the reduction in net interest income (interest income and expenses) of R\$377 million, reflecting the settlement of the debentures and the liability management actions; and (ii) the positive impact from the depreciation in the U.S. dollar against the Brazilian real of 8.5% on the translation of interest expenses paid in the period; partially offset by (iii) the increase in other expenses related to working capital operations; and (iv) the negative net effect from market operations (derivatives).

	2017	2016	Chg.	
	R\$	R\$	R\$	%
FINANCIALS REVENUES	256.3	491.3	(235.0)	-47.8%
Interest income, income from marketable securities	111.5	155.2	(43.7)	
Market transactions	137.6	292.0	(154.4)	
Other revenues	7.2	44.1	(36.9)	
FINANCIALS EXPENSES	(1,974.3)	(2,423.7)	449.3	-18.5%
Interests provisioned, debentures and lease	(809.2)	(1,222.7)	413.5	
Market transactions	(142.8)	(257.5)	114.7	
Bank fees, commissions, finance. disc. and other	(1,022.3)	(943.4)	(78.8)	
FINANCIAL RESULT EX-EXCHANGE VAR.	(1,718.0)	(1,932.4)	214.3	-11.1%
Exchange Variation	(213.9)	(82.7)	(131.2)	
NET FINANCIAL RESULT	(1,931.9)	(2,015.0)	83.1	-4.1%

3.3. Net Income (Loss)

For comparison purposes and due to the asset divestment process, the following analysis considers only the net result from continuing operations.

Marfrig posted a net loss of R\$461 million in 2017, which represents improvement of 33% from the net loss of R\$689 million in 2016.

3.4. Cash Flow

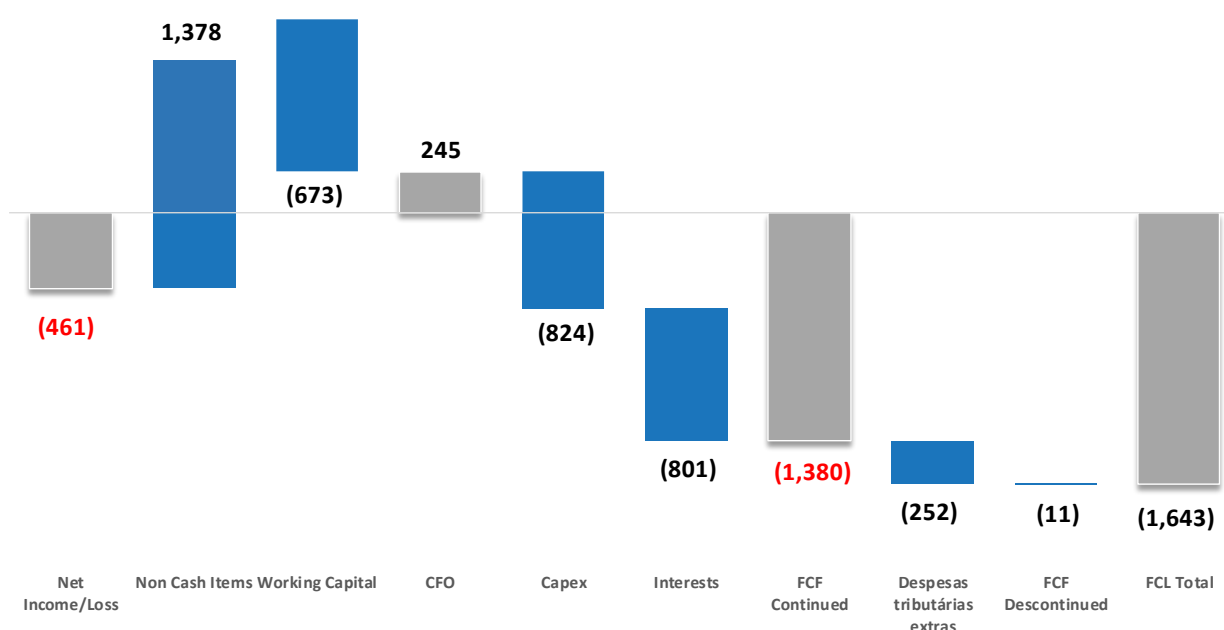
In 2017, the Company’s operating cash flow was positive R\$245 million. The result is influenced by higher working capital needs, given the strategic decision to increase beef production in Brazil, and at the Keystone division due to the broader product mix, promotional activities and stronger demand for no-antibiotics ever (NAE) products.

Marfrig maintained its CAPEX commitment, investing R\$824 million in the year. The highlights were expenditures with the reopening of industrial facilities in the Brazilian beef operation and the ongoing investments to improve and expand production capacity at Keystone.

Interest expenses came to R\$801 million, which represents a significant reduction of R\$363 million from 2016. This result reflected the ongoing liability management process and the conversion of the mandatorily convertible debentures into shares.

The combination of these factors, associated with the flow of discontinued operations and the extraordinary payment of R\$ 252 million related to the Company's decision to join the special tax regularization program ("PERT"), led to a negative free cash flow of R\$1,643 million in the year.

Free Cash Flow 2017 (R\$ million)



3.5. Capital Structure, Liquidity and Rating

Indebtedness and debt profile

Net debt in U.S. dollar closed the year at US\$ 2.4 billion, an increase of US\$624 million. In Brazilian real, net debt stood at R\$8.0 billion, increasing 37%.

Consolidated gross debt was US\$3.8 billion, up US\$335 million, or 10%, compared to 2016, which is explained by the Company’s cash need.

The balance of cash and marketable securities stood at US\$1.3 billion, down US\$289 million or 18% from the prior year, which is explained by the same reasons above.

In keeping with the goal to lengthen its debt maturity profile and reduce its debt cost, the Company successfully concluded a US\$750 million issue of senior notes (bonds) in the year, for which demand exceeded the offer by three times. The bonds due in March 2024 were issued with interest of 7.00% p.a. and the proceeds were used to fully redeem the bonds due in 2020 and to partially settle the bonds due in 2018 with coupons of 8.375% p.a. and 9.5% p.a., respectively.

Liquidity and Debt

Leverage measured by the ratio of net debt to Adjusted EBITDA LTM from continuing operations and without the extraordinary effect related to PERT stood at 4.55x at the end of 2017, up from 3.64x times at the end of the prior year.

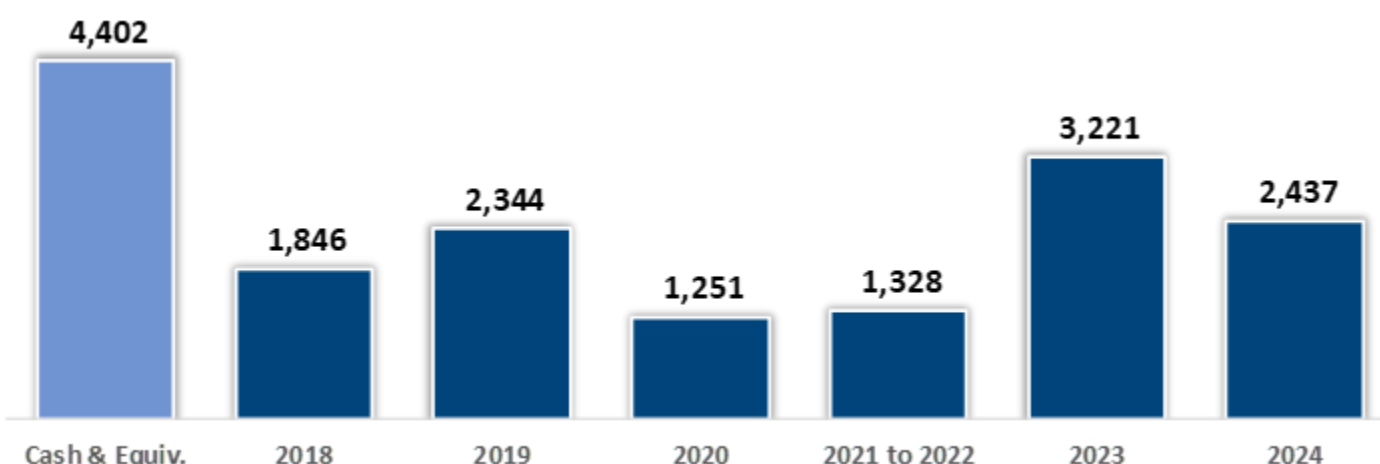
In Management’s opinion, the ratio that best reflects the Company’s current leverage is the ratio of net debt to annualized adjusted EBITDA from continuing operations and excluding from the analysis the non-recurring payment from joining PERT. This ratio stood at 3.94x.

It is important to note that bank and market funding transactions include contractual provisions that allow for excluding currency translation effects from the leverage ratio calculation. The ratio for this purpose ended 4Q17 at 4.50x (for more information, see Note 20.3 to the 2017 financial statements).

Debt Maturity Schedule (R\$ million)

At December 31, 2017, the duration of outstanding debt was 3.8 years (in line with 2016), with only 15% of debt maturing in the short term. At the end of the year, the average cost of the Company’s debt was 6.4% p.a., down 90 bps from 7.3% p.a. in 2016.

Debt Maturity Schedule (R\$ million)



Financial Indicators

	2017	2016		2017	2016
Dív. Líq / EBITDA UDM - XVc	4.50	2.40	Short Term	14.9%	13.0%
Net Debt/EBITDA LTM adjusted	4.70	3.64	Long Term	85.1%	87.0%
Avg. Cost of Debt (p.a.)	6.38%	7.26%	Debt in R\$	2.1%	6.0%
Duration (years)	3.8	3.9	Debt in other currencies	97.9%	94.0%

Credit Risk Rating – Global Scale

In 2017, Marfrig remained focused on executing the plan to expand its beef capacity in Brazil, on implementing the 2021 strategy at Keystone, on advancing the liability management plan and on its commitment to financial discipline, which are factors that will enable it to achieve its leverage target in 2018.

The credit rating agencies have been monitoring the Company’s strategic initiatives and reviewing their risk rating.

In this context, the agencies Fitch, Moody’s and S&P reaffirmed the Company’s ratings of BB-, B2 and B+, respectively. S&P revised its rating outlook from positive to stable, while Fitch and Moody’s reaffirmed the stable outlook of their ratings assigned in late 2016.

Agency	National scale	International Scale	Outlook
S&P	Br A-	B+	Stable
FitchRatings	A bra	BB-	Stable
Moody's	-	B2	Stable

3.6. Investments

TOTAL	2017	2016
	R\$	R\$
Investments in Subsidiaries	7.6	61.3
Investments in Fixed Assets	795.2	450.9
Fixed Assets	721.6	371.6
Breeding Stock	73.6	79.3
Investment in Intangible Assets	21.1	10.9
TOTAL	823.9	523.0

Investments came to R\$824 million in 2017, an increase of approximately R\$300 million compared to 2016. This result was influenced by the investments made at the Beef Division (~55% of the total) to reopen the industrial facilities in Brazil and by the ongoing investments made to improve and expand Keystone’s operations. The highlight were the investments to expand production in Malaysia and the startup of the new further processing plant in Thailand in the last quarter of the year. With annual production capacity of 30,000 tons, the new plant represents an additional production of 10% in processed food in the APMEA region and aims to meet the demand from strategic clients in destinations such as Japan and the United Kingdom.

4. GUIDANCE

The Company announced in October 2013 its long-term strategic plan "Focus to Win", which set targets for 2018.

Guidance	2018
Marfrig	
Net Revenue (R\$ Billion)	7.5% - 9.5% CAGR 13-18
Adjusted EBITDA Margin	8.5% - 9.5%
Total Free Cash Flow (R\$ Million)	R\$ 650 - 850 million

Also in this occasion, the Company shared its aspiration to achieve the financial leverage (until the end of 2018) of 2.5x (Net Debt / LTM EBITDA).

Taking into consideration the ongoing strategic plan, the company informs that the projections are within the range that makes it possible to achieve this goal.

5. CORPORATE GOVERNANCE

Marfrig Global Foods S.A. has a business management model that complies with the rules of the Securities and Exchange Commission of Brazil (CVM), the Novo Mercado Regulations of the São Paulo Stock Exchange (B3) and the recommendations of the Brazilian Code of Corporate Governance Best Practices of the Brazilian Corporate Governance Institute (IBGC). Business conduct is based on transparency in the reporting of information to its various stakeholders (shareholders, investors, clients, consumers, suppliers, employees and society) and adopts corporate governance practices that exceed legal recommendations and obligations.

In addition to a Board of Directors and a permanent Audit Board, the Corporation has three Advisory Committees to its Board of Directors, whose main function is ensuring that its activities are conducted to protect and increase the value of its assets and to optimize return on investment in the long term. These committees are the Audit Committee, Financial & Risk Management Committee, Compensation Committee, Corporate Governance & Human Resources.

Other instruments and policies supporting Marfrig’s corporate governance activities include:

- **Code of Ethics:** establishes the ethical foundation for compliance and strengthens governance by defining the values, principles and practices that guide good corporate conduct, in line with best practices and legal requirements.
- **Anticorruption Manual:** based on Brazilian anticorruption legislation, the manual informs how the Company’s integrity policies translate into processes and practical procedures to be followed.
- **Whistleblowing Channel:** called HELPLINE, the channel is made available to all employees, clients, suppliers, service providers, investors, government officials and partners to receive reports on any activity in violation of the Company’s standards and policies as well as of governing law, in particular, Brazil’s Federal Law 12,846/13, which combats corruption.
- **Securities Trading Policy:** establishes the rules and procedures to be adopted by the Company and its related persons regarding trading in securities issued by it, assuring to all stakeholders that ethical conduct is adopted by those with access to material information.
- **Disclosure Policy:** establishes the practices for the disclosure and use of information to be observed by the Controlling Shareholder, Managers and members of the Audit Board, as well as by anyone who, due to their

position, function or duties at the Company, may come to acquire knowledge of a Material Act or Fact of the Corporation, in accordance with CVM Instruction 358 of January 3, 2002 and with CVM Instruction 369 of June 11, 2002. The Company's material facts are published on the news portal of Valor Econômico (<http://www.valor.com.br/valor-ri>), on its Investor Relations website, and on the Regular and Special Information (IPE) system of the Securities and Exchange Commission of Brazil (CVM).

- **Dividend Policy:** in accordance with Brazilian Corporation Law and Marfrig's bylaws, an Annual Shareholders' Meeting must be held within the first four months of each year to decide on the distribution of annual dividends. In dividend distributions, all shareholders are entitled to receive a minimum dividend corresponding to 25% of adjusted net income calculated based on the financial statements.
- **Related Party Policy:** ensures transparency for shareholders, investors and the market and promotes fair treatment of suppliers and clients, in line with corporate governance best practices adopted by the market.
- **Market Risk Management Policy:** it defines (i) the risk limits acceptable to the Company; (ii) the parameters for negotiating the products to hedge Marfrig's exposures; (iii) the responsibilities and approval authorities for contracting hedge instruments; (iv) the methodology for monitoring, communicating and informing the agents involved in market risk management.
- **Compliance Program:** the Compliance program aims to strengthen Marfrig's commitment to ethics and transparency, as well as to prevent, detect and treat any deviation or breach. In order to better spread the culture of compliance to all its employees, in 2017 the Compliance department carried out the "Orgulho de ser correto. Vale para a Empresa. Vale para a Vida" campaign. Held during the months of October and November, the campaign reached all the employees of Marfrig, contemplating the accomplishment of training, actions in the units - such as cultural contest and games, besides the elaboration and distribution of graphic materials allusive to the campaign. In addition, we conducted face-to-face training for the entire Marfrig leadership, in the cities of Promissão / SP, Bagé / RS, Hulha Negra / RS and Tangará da Serra / MT. In an event held in December 2017 in the city of Itupeva, a panel was dedicated to the Compliance department to present to all employees of the Company the balance of the actions carried out in 2017 and the projects and actions programmed for the year 2018. In addition, it hired KPMG to carry out the work to diagnose the maturity of the Marfrig Compliance Program, aiming at improving integrity mechanisms related to prevention and combating corruption, strengthening the Compliance culture and, as a result, the improvement of maturity level in Compliance.

Submission to Market Arbitration Chamber

The Company, its shareholders, Managers and Audit Board members undertake to resolve, through arbitration at the Market Arbitration Chamber, any and all disputes or controversies that arise between them related to or arising from, in particular, the application, validity, effectiveness, interpretation, violation (and its effects) of the provisions of Brazilian Corporation Law, the Company's Bylaws, the rules issued by the National Monetary Council, by the Central Bank of Brazil and by the Securities and Exchange Commission of Brazil and the other rules applicable to the capital markets in general, as well as those in the Novo Mercado Regulations, the Arbitration Regulations, the Sanctions Regulations and the Novo Mercado Listing Agreement.

Relationship with the independent auditors

Pursuant to CVM Instruction 381/2003, which refers to the rendering of services by our independent auditors, Grant Thornton Brasil, we hereby declare that the total fees related to services other than those associated with the independent audit represented less than 5% of the total fees paid to the group of auditors by Marfrig Global Foods S.A. and its subsidiaries, and none of the work affected the independence of the auditors.

6. CAPITAL MARKETS and INVESTOR RELATIONS

Marfrig’s stock traded on the Novo Mercado segment of B3 ended 2017 quoted at R\$7.32 per share, up 11% from end-2016. This stock price increase was positively influenced by (i) the announcement of Keystone IPO process in the United States; and (ii) better margins in the beef industry.

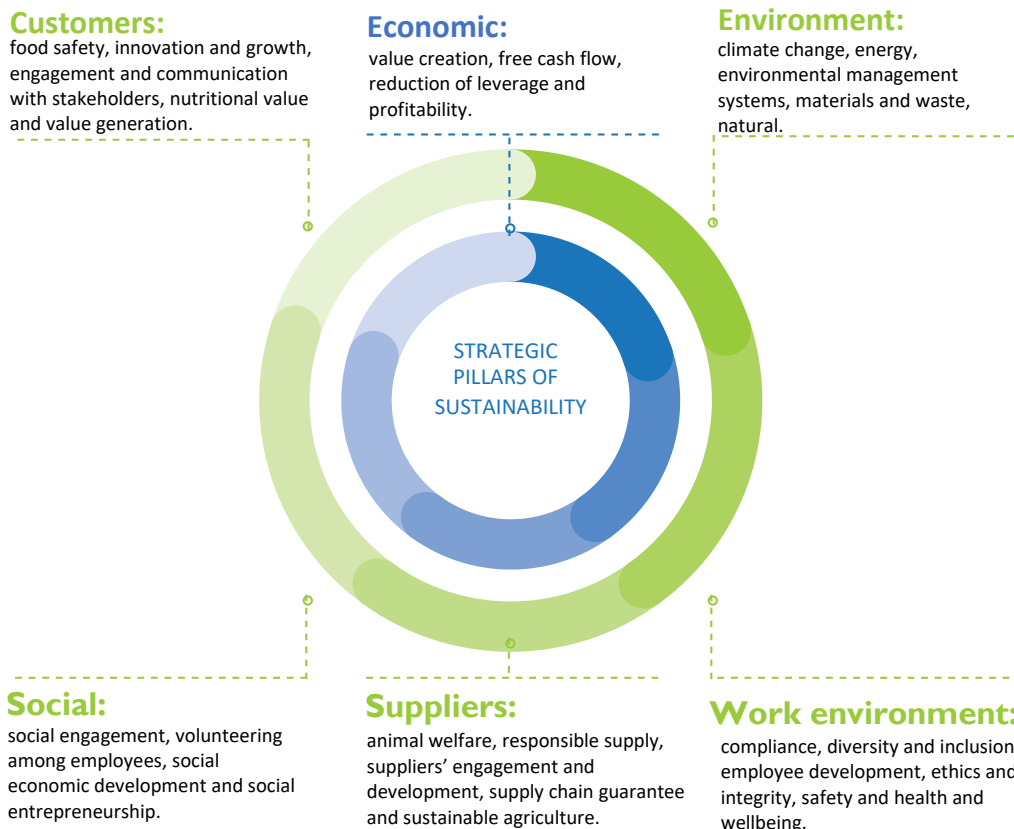
Average daily financial trading volume decreased 16%, from R\$16.5 million to R\$13.9 million, due to the reduced interest in the industry compared to other sectors. Meanwhile, the Ibovespa index ended 2017 at 76,402 points, for a gain of 27% in the year. This performance was explained by more positive economic data for Brazil following the recession of the past two years and investors’ greater optimism on foreign markets.

The ADRs traded on the over-the-counter market (MRRTY) ended the year quoted at US\$1.96 per share, down 1% from 2017. In the same period, the S&P Index increased 20% to 2,687 points.

In the composition of the Ibovespa valid from September to December 2017, Marfrig ranked 56th in terms of liquidity and had a weighting of 0.23% in the index.

7. SOCIAL AND ENVIRONMENTAL PERFORMANCE

Since 2013, when it implemented its “Focus to Win” strategy, Marfrig has consistently strengthened the strategic pillars of Sustainable Development, which permeate all business units and are a reference for developing local actions that together foster and ensure the sustainability of the entire production system. The Corporation is committed to always balancing the economic, social and environmental aspects of its business to contribute to the development of society and help preserve the planet. The pillars forming the Corporation’s Sustainability strategy are (1) Customers, (2) Suppliers, (3) The Environment, (4) Workplace, (5) Economic and (6) Social.



Given its leading position in promoting sustainable production and preserving biodiversity, the Corporation upholds, and continues to uphold and strengthen, various public commitments in partnership with major organizations. The highlights in 2017 include:

Environment

- **Amazon Biome Pact:** the various factors that affected the industry in the first half of 2017 led Greenpeace to announce its departure from the Public Commitment on Amazon Cattle Ranching. Nevertheless, Marfrig reaffirmed its commitment – not to source animals from deforested areas and/or areas that violate indigenous land rights and/or Conservation Units, with the Corporation subjected to annual audits by independent audit companies to verify compliance with the requirements of the agreement – and proposed new advances in the context of the commitment signed in 2009. According to the audit report drafted in the second half of 2017 by the international consulting firm DNV-GL, Marfrig remains in conformity with the commitment for the fourth consecutive year. Marfrig is also the only company with georeferenced maps for 100% of its suppliers in the Amazon Biome.
- **Rainforest Alliance Certified:** after launching, in 2015, in partnership with a European client, the first Rainforest Alliance certified hamburger, which will serve retail chains in Europe with beef produced in accordance with the highest environmental, social, economic, animal welfare and production management standards, in 2016, Brazilian consumers also were able to buy products with this seal. During 2017, the Company worked to consolidate this line production.
- **CDP Forest:** Marfrig Global Foods was recognized in Latin America by the Forest Program of the Carbon Disclosure Program (CDP), which addresses climate change, the environment and water resources in the value chain. The recognition is for the company's efforts to reduce deforestation in the value chain, i.e., reducing Scope 3 carbon emissions. The commitment undertaken by the Corporation in 2009 not to source animals from areas that have been banned by IBAMA, coupled with efforts to monitor suppliers, ensured a score of "A," attesting to its industry leadership. Marfrig's case can be accessed at: <http://cdpla.net/infografico-2017/#acoes>.
- In 2017, Keystone, through its **Keystar*** program, exceeded goals in reducing water usage intensity (as measured by production) by nearly 32% and over 13%, at Eufaula and Ohio facilities, respectively. Our North Carolina facility reduced chemical usage in its wastewater treatment process while also improving worker safety through transition to bulk storage of these chemicals.
- **Tacuarembó unit:** in Uruguay, a wind farm in Tacuarembó was concluded and put into operation, with a wind turbine of 1.800Kw for its own consumption. The wind capacity in this part of Uruguay will allow energy generation, on average, to be around 30% of the demand for this plant, with a focus on sustainable and cleaner production and in line with the Company's commitment to the Environment.

Suppliers

- **Animal Welfare:** Animal welfare is a key concern of Marfrig, which nearly a decade ago intensified its work in this area, based on its belief that animals should be treated with respect throughout their life cycles. It is in our interest to implement and maintain procedures to guarantee the quality and safety of our products and satisfaction of our clients, continuously improve all stages of management and, whenever possible, make changes to meet the five inherent freedoms of animals, as defined by the Farm Animal Welfare Council - England (FAWC).
- Marfrig has a department dedicated exclusively to the production chain, promoting animal welfare and good management practices, minimizing unnecessary animal suffering. The department is coordinated by

an Officer Welfare Animal (AWO), who is designated to address animal welfare issues in each of the plants. The team is formed by highly trained zootechnicians and veterinarians, who monitor the evolution in indicators, assess the decision-making process and develop training programs. The Keystone Division has maintained its leadership in animal welfare by participating on the animal welfare committees of the National Chicken Council and the American Association of Avian Pathologists, and becoming involved in the Poultry Welfare Alliance. In 2017, Keystone implemented improvements in its animal welfare monitoring systems and animal stunning systems which resulted from information gained through its internal welfare research activities.

Keystone supports a proactive stance in engaging with its suppliers to help them conduct their operations in a sustainable manner. In 2017, the Company qualified and worked with new suppliers of raw materials in the US and China. In the United States, Keystone helped its suppliers overcome Food Safety and Inspection seal issued by the US Department of Agriculture (USDA) stating that certain products are safe, healthy and labeled with accuracy. At the Shenzhen facility, a conference was convened where suppliers shared best practices and regulatory updates, while Keystone shared its actions regarding the responsible use of antibiotics.

- **NGO Engagement:** Keystone continues to globally support the development of protein sustainability standards through engagement with:
 - Global round table for sustainable meat;
 - US round table for sustainable meat;
 - Australian Beef sustainability; and
 - China veterinary association on the welfare of chickens to establish the first national standard of animal welfare in China.

Work environment

- **Job Safety:** Keystone accomplished its job safety performance goals in 2017 and remains a leader considering U.S. industry standards. Keystone USA Fish Division (U.S. Fish Division) has achieved a significant safety milestone, working 1 million man-hours without accidents. This achievement is equivalent to 10 years of safe work and supports the "Safety First Culture" culture.

***KEYSTAR:** Keystone Foods strives to be a responsible global business that balances environmental management, social responsibility, and profitable growth to operate sustainably within the global and local communities where we do our business. The program four pillars are: sustaining the planet, contributing to communities, supporting people and creating shared value. Through KEYSTAR program, the Company maintains a comprehensive set of guidelines and metrics to help communicate and measure its vision and dedication to Corporate Social Responsibility.

A reference and pioneer in its market segments, Marfrig adopts the principle of guaranteeing transparency and advancing sustainability. For this reason, it publishes an annual report in accordance with the framework of the Global Reporting Initiative (GRI), which features the major achievements and challenges on the work fronts established by its sustainability pillars. A full version of the document is available on the corporate website <http://www.marfrig.com.br/pt/sustentabilidade>.

8. SOCIAL RESPONSIBILITY

Grounded in the principles of social responsibility, the units of Marfrig Global Foods develop important programs to support local communities. For example:

At Keystone, using the 9-Box process, we reevaluate the existing talent pipeline to identify areas of development and succession opportunities, which should allow us to achieve our long-term targets aligned with the 2021 Strategy. We also redesigned the performance management process to support oriented training and align targets between managers and their teams.

At its Thailand plant, Keystone has invested in employees through educational courses designed to create the next generation of leaders to support business growth.

10. OUTLOOK

For 2018, the expectation is for global economic activity to continue strengthening. According to the World Bank, the stronger growth in 2017 in both mature and emerging markets should sustain a new positive cycle. The IMF (International Monetary Fund) is signaling world GDP expansion of 3.9%, which reflects the more favorable macroeconomic conditions and the ongoing improvement in consumer confidence, which should leverage demand and encourage higher investments, especially in exporting economies.

In the United States, the approval of the tax reform package and stronger economic activity are sustaining expectations of GDP growth of 2.7% (up from the previous estimate of 2.3%), according to the latest report from the IMF. According to the IMF, the region comprising Asia's emerging and developing economies (including China) will continue to account for half of global growth and GDP is expected to grow at an average growth rate of 6.5%, positively influenced by stronger external demand.

In Brazil, the expectation is for a stronger recovery, with GDP growth in 2018 of 1.9%, which is a more conservative figure than that of the Brazilian central bank, which is projecting GDP growth of 2.89% for 2018 (Focus report of March 23, 2018).

Therefore, the variables that influence consumption remain favorable and the expectation is an increase in the demand for fresh and processed animal protein worldwide. According to recent USDA forecast, global protein consumption should grow by 14% over the next decade (2017-2027).

For the Brazilian beef market, we expect the positive cattle cycle to persist. The larger cattle supply, combined with the good prospects for demand, should keep margins at healthy levels. The USDA projects both domestic consumption (+2.5%) and exports (+4%) growth in the country, with the latter being potentially boosted by a) the resumption of markets that are currently closed to Brazil, such as the case of United States; b) new authorizations, as in the case of China; c) and the signing of bilateral agreements, such as the one being proposed by Mercosur and Europe, which could establish a new quota with a lower tariff.

For the global industry, the expectation is for firmer demand for beef. In the US, production growth should be followed by stronger demand, with the country remaining a net importer. Meanwhile, Australia, which should meet the growing demand from countries such as Japan and South Korea, continues to export approximately 80% of its 2014/2015 sales level. Based on this situation, Indonesia informed that it expects to open its market for Brazilian beef. And lastly, in China, the lower production due to the decline in the cattle herd and the scenario of growth in consumption (China today consumes 5.6 kg per capita, according to ABIEC) should result in higher imports, completing the more robust scenario for world trade in beef.

In the chicken market, which is the fastest growing protein given its lower relative price (+2% p.a. according to the USDA), the outlook for 2018 is promising, with the positive fundamentals for commodity prices remaining in place, which could sustain sector margins. At the global level, production should grow in leading producer countries, such as US and Brazil. In Thailand, a significant exporter of chicken-based processed products, exports should increase

by 4% in 2018. On the demand side, growth should occur especially in emerging markets in regions such as Africa, Middle East, Latin America and Asia. China in particular, imports are expected to increase by around 6% in 2018, which is consistent with rising income.

In the foodservice industry in the United States, country that accounts for 70% of Keystone's sales, the trend is for customer's traffic in restaurants to continue being influenced by menu's level of value and innovation, as well as the use of digital tools, such as kiosks and online orders. Regarding demand, the RPIe index – which measures expectations of U.S. restaurant performance in the next six months – reached 102.9, marking the fourth successive increase and the highest level of the last three years.

The risk factors to this scenario are associated with a slowdown in world economic growth and sharper depreciations in the currencies of emerging countries, which could lead to contraction in household consumption. Specifically, in relation to the protein industry, disease remains a key risk factor for the business.

Marfrig's strategy remains focused on capturing potential growth in the global protein industry and on creating value for shareholders by maintaining its commitment to strengthening its business through:

- Operational improvements, productivity and margin expansion.
- Capacity expansion, with a focus on growing the key accounts base through organic growth projects at Keystone Division.
- Focus on profitability, by maximizing the use of assets and prioritizing service through channels and value-added markets.
- Greater diversification of the value-added products portfolio at Keystone.
- Financial discipline, with a permanent focus on deleveraging and increasing free cash flow.

APPENDIX

RECONCILIATION OF ADJUSTED EBITDA (R\$ million)	2017	2016
Net Profit / Loss	(460.7)	(688.6)
(+) Provision for income and social contribution taxes	(397.1)	(335.1)
(+) Non-controlling Interest	38.2	46.4
(+) Net Exchange Variation	213.9	82.7
(+) Net Financial Charges	1,718.0	1,932.0
(+) Depreciation & Amortization	453.7	464.2
(+) Equity Income	3.2	6.4
EBITDA	1,569.3	1,508.0
(+) Other Operacional Revenues/Expenses	138.5	105.6
Adj. EBITDA	1,707.8	1,613.7

In the first quarter of 2017, the Marfrig Administration decided to sell “Villa Mercedes” unit located in the Province of São Luis, Argentina. The results of 2016 and 2017 of this operation are presented in "Net Income from Discontinued Operations". The assets and liabilities of this company are presented in "Assets Held for Sale" and "Assets Liabilities Held for Sale".