



International Conference Call

Marfrig

2Q18 Earnings Results

August 15, 2018

Operator: Good morning ladies and gentlemen. At this time we would like to welcome everyone to Marfrig Global Foods S.A. conference call to present and discuss its results for 2Q 18.

The audio for this conference is being broadcast simultaneously through the Internet in the website www.marfrig.com.br/ir. In that address you can also find the slideshow presentation available for download.

We inform that all participants will only be able to listen to the conference call during the Company's presentation. After the Company's remarks are over there will be a Q&A period. At that time further instructions will be given. Should any participant need assistance during this conference please press star zero for an operator.

Before proceeding, let me mention that forward-looking statements are being made under the Safe Harbor of the Securities Litigation Reform Act of 1996. Forward-looking statements are based on the beliefs and assumptions of Marfrig's management and on information currently available to the Company.

Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future.

Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Marfrig and could cause results to differ materially from those expressed in such forward-looking statements.

Now I will turn the conference over to Mr. Marcos Molina, Marfrig Global Foods Chairman. Please Mr. Molina you may now begin the conference.

Mr. Marcos Molina: *Bom dia a todos.*

Mr. Eduardo Miron: Good morning everyone.

Mr. Marcos Molina: *Antes de passar a palavra ao Martin gostaria de parabenizar a todos pelo sólido resultado nesse trimestre.*

Mr. Miron: before I pass the word to Martin I would like to congratulate everyone from Marfrig for its solid result in this quarter.

Mr. Marcos Molina: *que demonstra que nossa decisão de focar na proteína bovina e diversificar geograficamente para uma plataforma de produção também na América do norte foi correta.*

Mr. Miron: it demonstrates and reinforces that our decision to focus in the beef protein and diversifying from a geographic standpoint with our production base in North America was absolutely correct.

Mr. Marcos Molina: *tanto a decisão como o momento de entrar no setor nos EUA, cuja perspectiva permanece favorável.*

Mr. Miron: not just the decision but the timing of entering in this sector in the US was very positive, which in our view the long-term perspective continues to be very favorable for the beef protein.

Mr. Marcos Molina: *Eu lembro que o redirecionamento da estratégia também contempla a venda da Keystone.*

Mr. Miron: our shifting in our strategy includes the sale of Keystone.

Mr. Marcos Molina: *O processo segue avançando bem e mantemos vocês informados sobre a sua evolução.*

Mr. Miron: the sale process continues to advance in good terms and we will continue to keep you addressed on the evolution of this.

Mr. Marcos Molina: *Vale destacar também que a Keystone é um excelente ativo.*

Mr. Miron: it is important to highlight that Keystone is an exceptional asset.

Mr. Marcos Molina: *Nesse momento de piora de ciclo de frango nos EUA*

Mr. Miron: amidst this commodity crisis in the chicken business in the US

Mr. Marcos Molina: *Seu modelo de negócio se diferencia dos demais concorrentes.*

Mr. Miron: its business model is differentiating itself from the competition.

Mr. Marcos Molina: *Aproveito ainda para ressaltar*



Mr. Miron: I would like to highlight

Mr. Marcos Molina: *que a estratégia da companhia permanece a mesma e nosso compromisso com a alavancagem e disciplina financeira permanece inegociável.*

Mr. Miron: that we will continue focusing on our strategy and that our commitment to the financial discipline and deleveraging continue to be in a negotiable.

Mr. Marcos Molina: *Quando finalizado o processo da venda da Keystone seremos a empresa brasileira com menor alavancagem no setor.*

Mr. Miron: the way we see it when the process, the sale processes finalized Marfrig will be the sector company with the best leverage in this sector.

Mr. Marcos Molina: *Passo a palavra agora ao Sr. Martin Secco para dar início à apresentação dos resultados.*

Mr. Miron: I will now pass the word to Martin Secco that will start the presentation of the quarter.

Mr. Martin Secco: thank you Marcos good morning everyone. Thank you for your interest in the company and for participating in yet another conference call of Marfrig Global Foods. In addition to presenting the results of 2Q we also give some comments about the transaction of divesting of Keystone Foods. With me today are Eduardo Miron, our global CFO; Tim Klein, CEO of National Beef and responsible for the North American operation; and Roberta Varella, our IRO.

Please go to the slide number three. In April this year we announced a shift in the company's growth strategy to focus on beef. With this decision we launched two major projects: the first which we already have discussed extensively with you was the acquisition of a controlling interest in National Beef, which we concluded in June; and the second project is the sale of Keystone Foods.

As we noticed on the first half of July we received the bidding offers which were analyzed during the month and we are in the negotiation phase. I know you would like to receive more details but unfortunately that is what I can share information with you at the moment.

Regarding our operations our exceptional operating results in 2Q, which reflects our successful decision to expand geographically with a focus on beef protein. Marfrig pro forma adjusted Ebitda in the quarter was 918 million BRL, 87% higher YoY driving mainly by the good scenario in the US market.



In the next slide we will provide a snapshot where Marfrig stands day. With a production platform concentrated in the Americas and the daily processing capacity of 32,000 head of cattle Marfrig today is one of the global leaders of meat supply.

Our geographic diversification enables us to serve the largest and most important beef consumers around the world. As you can see US domestic market accounted for 62% of our revenue in the quarter; China including Hong Kong, Japan and Europe combined account for 17% of our revenues in Marfrig has a strong presence in South America, one of the world's main emerging regions which accounts for 15% in 2Q.

Now I give the presentation to Eduardo that to continue the presentation regarding the results.

Mr. Miron: good morning everyone. I would like to start with slide number five where we... Before we start commenting on the quarterly results we would like to provide some guidance on how the numbers were reported, how we are going to see the numbers in the following pages. As you know with the conclusion of the National Beef acquisition we are presenting the key operating indicators on a pro forma basis. In other words fully consolidating the company's results for the second quarters of both 2018 and 2017.

Continued operation in this presentation refers to the figures as reported in our financial statements, which includes National Beef only as of June 18, which is the month in which the acquisition was concluded. As these figures do not consider any results... And these results do not consider any results from Keystone Foods as since 1Q TY it has been classified as an available for sale asset.

And lastly although not material for the metrics we reclassified Argentina as business as a continued operation, given the sale process has already exceeded one year and to conform with the IFRS rules for assets held for sale.

So moving to the next slide here we are going to talk about the revenue profile. So in addition to the beef production platform in South America which you know as beef division before, which is as you know the operations in Brazil, Uruguay, Chile and Argentina, now after the recent strategic transactions it also includes the beef operations in North America.

So to facilitate the understanding of these regions dynamics we are dividing our report in two operations, which in the quarter accounted for 71% and 21% respectively of Marfrig consolidated pro forma revenue. As you can see on the right of this chart on the pie chart we tried to leave all the brands and you see that we have a very diversified number of brands that cover different that cover different lines of products and different programs of integration with farmers and customers and that makes a big difference for us in terms of competition.



Now moving to the next slide we are now talking about the pro forma revenue for 2Q. As you can see in the graph it shows the main drivers that led to the revenue, which is volume, price and the exchange variation. In 2Q 18 Marfrig net revenue was 9.9 billion BRL representing a growth of 21% YoY with higher sales volume, which contributed to 1.3 billion BRL to the revenue growth offset by the lower average price, which had the negative impact of 478 million BRL. The effect from the BRL depreciation on exports from Brazil and the translation of the revenues from our international operations had a positive impact of 929 million BRL.

In the case of North America the higher sales volume is explained by the strong demand of beef protein at a global level combined with a higher supply of cattle. US industry harvests was around 6.6 million heads, up 4% compared to 2Q 17. These factors offset the lower sales price which followed market dynamics.

In South America for example the strategy to reopen plants in Brazil to serve the great demand of beef offset the lower primary processing volume in Uruguay. So we had a higher... An increase in Brazil and then a lower volume in Uruguay. In the Brazilian operation the contribution from the higher sales volume around 53% was partially offset by the lower average sales price compared to 2Q LY.

In the domestic market a higher supply of cattle and more intense competition among proteins was observed. In the case of the external market there was an increase in sales to countries that comes to lower value products because the process of certifying our exports to more premium markets is still pending, is ongoing.

Even in this challenging scenario we posted growth of 58 million BRL revenue in our further processed products, which represents a growth of 40% versus 2017. It was pretty much driven by the sales of higher volumes to premium markets such as the United Kingdom and the United States, which again reinforces the positive market momentum of the US economy, which is what Marfrig believes.

Moving now to slide number eight here is the pro forma indicators for 2Q. This slide represents the key operating indicators and the first one is the higher cattle supply which is supported growth in the primary processing about 21% compared to 2Q LY combined with a strong demand supported by margin expansion in the comparison periods.

The margin again is explained by higher margins in North America reflecting the positive cattle cycle in the region and the continued good performance of the operations in the southern cone. These factors offset by the lower margin in the Brazilian operation, which as you know was affected by the lower average prices pretty much given the higher cattle price since 2Q TY affected by the exogenous industry dynamics one year ago.



In this context Marfrig reported adjusted Ebitda of 918 million BRL, up 87% on the same period of last year - and again this is pro forma and we are comparing apples to apples 2017 and 2018. So in both cases we have the same components.

Moving on to the next slide, slide number nine, here we are going to talk about our debt and leverage. This slide shows the indicators; but first before we moved to that I should mention that reporting basis includes first of all the bridge loan for the National Beef acquisition and pro forma adjusted Ebitda LTM of this operation. LTM results and debt of Keystone, which since 1Q TY has been classified as available for sales and so we have National Beef and we have Keystone Foods in this specific slide and for this specific calculation. And again we added the result from our operation in Argentina.

So having said that on June 30 Marfrig net debt to debt 16.3 billion BRL increasing 3.7 billion from the end of 1Q. This increase is mainly explained by first the sharp appreciation of 17% of the BRL against the USD in the comparison periods; two, by the adjustment of the debt of National Beef from 223 million USD to close to 400 million in 2Q, which was due to unexpected dividend distribution prior to the sale. It is worth mentioning the long-term profile of our debt with only 30% of maturities in the short term, even highlighting the cost of this debt has been reduced to 6.6% per annum.

Another important reference to the debt is the cost indicators is that it is a kind of fluid at this point since we had the bridge loan out the acquisition and it does not necessarily include any positive impact of the inflow of Keystone sale. As a result company net debt stood at USD terms 4.2 billion USD and in BRL net debt was 16 billion BRL. As you can see in the table at the bottom of the slide pro forma leverage as measured by net debt/adjusted Ebitda ratio LTM closed the quarter at 4.2x. It is important to note that this result was affected by the average exchange rate and the exchange rate depreciation at the end of the period of around 7%. If we exclude this difference from the analyses leverage would be below 4x. This increase in relation to 1Q 18 is explained by the negative cash flow of the company in the quarter that we will discuss in the next slide.

Moving now to the cash flow slide the cash flow shows our cash flow from the continued operations in the quarter. Again just a reminder it includes just one month of the results of National Beef and it does not include any cash flow from our Keystone operations. So Marfrig registered operating cash flow negative of 156 million BRL, which is explained primarily by the inventory build and driven by basically the Brazilian operation, where the truck drivers' strike had a negative impact of around 100 million BRL.

The second block which is Capex excluding the amount of the acquisition was 156 million BRL, increasing on the prior quarter. So the increase is explained by as we had the strike we ended up accelerating certain maintenance costs that we had to take advantage of those



stoppages; and number two, the second impact was the start of expenditures with modernization projects such as the new freezing tunnel in our Promissao unit and other modernization in some of the plants.

The third block which is interest expenses they came at 255 million BRL increasing 52 million from the prior quarter and the main factors were again the sharp appreciation in the USD of 17%; and the one-off increase in interest expenses due to the bridge loan for the acquisition that we have already mentioned when we talked about the debt. As a result our free cash flow in the quarter stood at 568 million BRL.

So I would just like to go back and just repeat: so in this case we just have one month of National Beef and second there is no cash flow from Keystone in this. So pretty much this cash is driven by the Brazilian operation where we had some events and the fluid situation on the debt for the acquisition of National Beef.

With that I conclude my piece and now I would like to invite Martin to continue the call.

Mr. Secco: thank you Eduardo. On the next slide I will comment briefly on the steps of our short-term strategy. At National Beef we plan to move forward now in 2H TY with our integration plan. As I already mentioned the acquisition complements very nicely our other operations, in other words we do not expect any type of change to the structure and so the integration will focus on identifying, capturing opportunities and how we will move forward. For example we are in the process of implementing to global committees: one of the food safety and another for sustainability and animal welfare with the goal of guaranteeing the best practices in all our businesses.

Also in the issue of sustainability a highlight of this quarter was the strategic partnership of Marfrig with Embrapa for the certification of carbon neutral beef. The partnership represents yet another advance in the industry value chain and it reinforces Marfrig's commitment to a sustainable production system.

In terms of our commercial portfolio we continue working to expand our portfolio of high value products. In Brazil we plan to start the construction of a new beef party plant to serve the food service channel. For the investment of around 80 million BRL the plant will have annual production capacity for 20,000 tons and we start expectation for April 2019.

For our liability management once the Keystone transaction is concluded we will announce the next steps in this process and when these steps are concluded we will then focus on updating and starting the long-term strategic plan, which we will share with you in the medium term at another on the Day event.



Next slide of the presentation. Marfrig expects to conclude the short period of time another phase of its strategic business plan which will help its commitment of reducing its leverage and improving its capital structure.

Today with the business model with a diversified footprint in America and with access to our key consumer markets Marfrig is consolidating its position as one of the worlds large beef producers. With an ample supply of cattle and driven by strong demand in both the domestic and international markets the US beef industry has delivered record result.

In Brazil the beef cattle cycle remains favorable in the country is important as a platform for serving growing global demand is indisputable. Brazil, which is the world's largest exporter, was recognized by the world organization of animal health as free of foot and mouth disease with vaccination, with this certification further expanding of possible access in international markets.

And in this entire process what has not changed and will not change at the company is its nonnegotiable goal of financial discipline. Now we are concluding our presentation and we invite you to the Q&A session, thank you very much.

Q&A Session

Operator: Thank you. Ladies and gentlemen we will now begin the question-and-answer session. To pose a question please press the star key followed by the one key on your touchtone phone and to remove yourself from the questioning queue press star two.

Our first question comes from Isabela Simonato, Bank of America. Ms. Isabela, your line is open.

Ms. Isabela Simonato: hello do you hear me?

Mr. Secco: yes.

Ms. Simonato: thank you Martin for the call. When you published pro forma numbers for US and Brazil is there a way you could disclose to us more or less or show the profitability you saw in both divisions in terms of Ebitda margin so we can have a better understanding of how the strike impact Brazil and of the main trends for both countries? That would be very helpful.

Mr. Miron: Isabela hi. As you know we are in this transition phase where we are working still in what would be the best way for us to address this new platform according to this new model that we are creating. So if you remember Uber when we had the beef division we never split



the numbers between the southern cone and Brazil and now I think we are just being consistent to the way we used to report. But I understand your point and I think we will try to provide more direction so that you can work on your models.

Certainly the operations in the US they had a better performance than the operations in South America; but we certainly will try to address your point provide information that you can do to your models. So we are not there yet but we will.

Ms. Simonato: great thank you and regarding the Keystone sale Martin you mentioned that you cannot give a lot of disclosure right now; but I think there was an expectation that the sale could be concluded before the earnings and also there were several articles mentioning Tyson Foods in exclusive talks with you guys. Is there any expectation in terms of timing that you could be a little bit more precise when you are going to conclude the sale or not?

Mr. Miron: I think you know the answer. So we absolutely cannot comment on rumors and we cannot comment on anything related to a negotiation of sale of the company and so therefore I think I will frustrate you in terms of providing more detail. But I can tell you that one of the reasons why we are making our we are having this call out of the US is because we are very focused and we believe that we are going to be able to move this process to the end soon.

Ms. Simonato: okay thank you very much.

Mr. Miron: you are welcome.

Operator: our next question comes from Thiago Duarte, BTG Pactual.

Mr. Thiago Duarte: hi hello everybody. I have a quick question, it is actually a follow-up; but if you just could provide us the breakdown when we look at the 4.22 billion USD net debt at the end of the quarter just the breakdown between the different divisions. If I am not mistaken you mentioned something about in your initial remarks but we could not get the figure. I am particularly interested in how much of that is represented by National Beef's consolidated net debt at the end of June. That would be very helpful.

Mr. Miron: I think I quickly mentioned the number of National Beef in terms of total debt was around 400 million and it was pretty much part of the negotiation, a discussion that we had in the past. So not think has really changed from there. That is what I can provide and you know that we had this bridge loan that is about 1 billion, which was utilized for the acquisition.

Mr. Duarte: yes yes okay. And the second question is related to the cash burn in the quarter. You mentioned the higher inventories were the main responsible for the working capital drain in the quarter; you also mentioned an impact for the truck drivers' strike in Brazil around 80 to 100 million BRL. So I am just wondering if you have any visibility on the reversal, at least



partial reversal of some of the that working capital drain in the next few quarters? So it would be helpful to get some granularity on that.

And particularly on the working capital investment related to the North American operation National Beef why was that? How much your sales or your slaughtering grew QoQ before and after you incorporated National Beef? Just to see how much of that working capital drain we might see a reversal of that in the next few quarters. That would be helpful thank you.

Mr. Miron: certainly I will not provide you a model in this call; but what I can actually tell you is that I would not defined this is a cash burn. I think we have specific examples of what happened this quarter and I think we made a very intelligent decision to take advantage of the stoppage that we had in our plants to accelerate some of the maintenance we had to do. So we tried to do what was right to do and in spite of having to explain some negative cash or additional Capex in this specific quarter. I think we have to consider we had this additional, as I mentioned during my presentation, we had the additional situation in terms of interest that we had this additional cost that we added to this.

Specifically on the working capital I think we had this situation. We expect cash flow to improve. I do not know if you got that completely; but in this cash flow we just have one month of National Beef, so it is not a pro forma; we are not putting all the cash flow from the business in this number. So that is one of the reasons why we were a little bit careful before we started the presentation trying to demonstrate the basis at which the numbers were demonstrated.

So and again it does not include any cash flow from Keystone Foods. So it is as I mentioned before pretty much focus on the Brazilian operation where we had the strike and we decided to make some additional investments in Capex, maintenance Capex and I think steel we have to say we are going to continue having some additional cost in the interest as you may imagine.

Mr. Duarte: yes that is helpful Miron and then one last question just to give us your view on the Brazilian operation and the South American operation. You mentioned that margins in the US were higher than in South America and so that is how you resulted in a 9 percentage Ebitda margin; but it looks like looking at the market and talking to some of your competitors it looks like the spreads in the Brazilian beef industry are improving or had been improving over the course of the last few months considering the currency, considering the cattle cycle. So adjusted would be nice to hear your thoughts on where you see the profitability for the beef industry in Brazil going into 3Q and 2H TY thank you.

Operator: our next question comes from Marcel Moraes, Santander.

Mr. Marcel Moraes: hello Marcos, Martin, Miron. First congratulations on the acquisition of National Beef and that think Miron was discussing a very important aspect which is the cash flow and they understand that the exercise that we see in the presentation does not take into



account National Beef, the three months of National Beef; but you probably have made an exercise, an internal exercise considering what if National was incorporated the full quarter and if you exclude the negative impact from the truckers strike what do you think the cash flow would look like? So including National Beef the three months and excluding this impact from the truckers strike in the Brazilian business how much better you think the cash flow would be? This would be my first question thank you.

Operator: just a moment we are reconnecting the speakers. Hello the speakers are back, please proceed. Mr. Marcel could you please repeat your question?

Mr. Moraes: yes okay hi good morning everyone, congratulations on the acquisition of National Beef. Miron has shared some thoughts about cash flow and it is quite clear for me that it does not incorporate National Beef during the three months of 2Q; but is it possible to give us an idea on the cash flow what would be cash flow in case you include National Beef for the full quarter and if you exclude the negative impact from the truckers strike in the Brazilian business? Is it possible to do that exercise to give us an idea of how much money you have made in search circumstances? Thank you.

Mr. Miron: first of all sorry for the technical issues that we had. Yes you are right we had this. If we consider the overall I think we would be more on a flat situation for the cash flow.

Mr. Moraes: right. By flat you mean you are comparing to the 156... Not only the operating cash flow you are talking about the free cash flow as a whole, so the 568?

Mr. Miron: yes the whole free cash flow.

Mr. Moraes: thank you Miron. An additional question about the working capital needs for National Beef. What should we expect... When you compare National Beef with the South American business holder you compare the working capital needs? Of course National Beef is much larger; but I am not sure if structurally you need more working capital than South America. Can you give us some color on that?

Mr. Miron: again Marcel I think the way we started the call saying we are in the middle of this transition and so I think we have to work a little bit more on the model with the analysts in order to help you to prepare your figures. From our and we are not expecting any major impact from National Beef. I think for this quarter we had a small increase in inventory in National Beef; but that was something that was not necessarily expected; but there was a small increase included in the Ebitda you see in this one month that we included this in this cash flow. So nothing major; but we do not... For the whole quarter we will have to provide a better perspective in terms of working capital for the business so to help you to prepare your modeling.



Mr. Moraes: sure thank you and finally with regards to the South American business you mentioned that profitability has gone down a little bit and the question is is it because of Uruguay or the Brazilian business this also, the margins are also going down in the Brazilian business?

Mr. Secco: regarding the margin we have a little bit down in Uruguay for the reason that we have a very good and strong activity at the beginning of the year for a little bit draw season and we will reduce a little bit the production in 2H TY. As you know it is a very, very small country and all these events made some significant movement in the volume of the activity; but we compensate during the year and we are going to achieve the volume that we have planned in our budget.

Mr. Moraes: thank you Martin but... I am just trying to understand if in 2Q the reduction in the profitability of the South American business if it was kind of fully explained by Uruguay or in Brazil there was also some pressure because of the truckers strike or... Just understand what we are going to see next, if it is something more structural or something very punctual related to the truckers strike effect in Brazil. - it may not be the case, it may be only because Uruguay is not running as fast as in the past.

Mr. Secco: the other brands that we have... As Eduardo commented before in this event of the strike in Brazil we lose at least 10 days of the operation in the whole of Brazil because it was not possible to collect the animals for slaughter. We have a very important problem on the exports also that it was a very difficult time to collect the containers to the port and later on to put the containers on the vessels. We... A little bit in the local market because we had products on our CDs that we can share with the customers in small vehicles; but of course it was a huge event and in three months we lose 10 of the operation and it will have an important impact.

All the operation is already working normally. We almost finished our problem with the exports because later on we could have all the space that we need on the vessel because it was a national strike and a lot of products from Brazil our on the flow waiting for space; but we almost finished everything regarding the export sales.

Mr. Moraes: that is perfect thank you very much and once again congratulations on the acquisition of National Beef.

Operator: our next question comes from Theo Lasarte, Insight.

Mr. Teo Lasarte: hi good afternoon. I was wondering if you could comment a bit on the pro forma adjusted Ebitda that you presented. So the 918 million BRL for 2Q and then you have 490 million 2Q 17. Looking at your results from last year the beef operation had 238 million Ebitda. So that seems to be a very small number four National Beef on these pro forma



numbers. Could you comment on did anything happen in 2Q 17 for National Beef which resulted in a very low earnings in this division?

Mr. Miron: Hi Teo. So I think we are trying to fully understand your question. Your question I believe is about Ebitda 490 to 918 correct? So the variation and if the participation of the different businesses and it seems that National Beef was pretty small one year ago correct?

Mr. Lasarte: yes I am trying to understand why National Beef had such low earnings in 2Q 17.

Mr. Miron: so again we will not go with the specifics; but I think the bottom line of the situation is we have two main drivers: one is the cattle cycle and then I think we are in a different momentum in terms of beef in the US and I think that is why we said that our decision to enter it was timely and we believe we did the right thing.

And the second thing you have to consider is you have FX impact as well. So we have here when you saw the brief that we provided for the sales you see that FX has an important component over there correct? So there is the additional component in those numbers. So in terms of National Beef I think the main driver was the cash cycle during these two periods.

Mr. Secco:... Just to complement the comment of Eduardo we do not consider that National Beef result of last year was not good; it was very good but this result was excellent for that I mentioned.

Mr. Lasarte: okay because it seems that National Beef in 2Q 17 had an Ebitda of roughly 250 million BRL, which is significantly below the Ebitda figure you gave for National Beef when you announced the acquisition. So I think we are trying to understand why the Ebitda of National Beef was so low.

Mr. Miron: sorry. We had... Seems like... We can provide some color about the last... 2017 and the environment in 2017 as well. I think it would be great to have... Are you there?

Mr. Lasarte: yes I am here. To answer your question first of all the cattle cycle in the US has continued to improve. So the dynamics in place for 2018 were better than they were in 2017 for each quarter of the year. In addition to that this year June was a five-week month and last year June was a four-week month and so there was one extra week in this year's numbers.

Mr. Lasarte: okay I understood. Just one follow-up question then. So the 490 million from 2017 that is using last year's exchange rate, whereas obviously this one 2Q 18 is using the current exchange rate and that also had a big impact on the reported Ebitda correct?

Mr. Lasarte: okay thank you.

Operator: our next question comes from Anne Grann, Schroders.



Ms. Anne Grann: hi can you hear me?

Ms. Grann: right hi this is Grann from Schroders. I have a two questions. The net debt/Ebitda figure sided at 4.2x. Is it calculated in USD terms or in BRL terms? So specifically what FX rate are using for the net debt figure and what FX rate are using for the LTM Ebitda figure?

Mr. Miron: you are correct that we are calculating this in BRL right? So therefore there is an impact of FX. I think I tried to address this when I said that this number has a negative impact of the difference of FX we are utilizing between Ebitda and the FX for the end of the month, which is what we used for the debt. One additional information that we gave is if we normalize FX we will have a leverage ratio below 4x and... provided these specifics at the P&L FX rate was 3.51 and for the balance sheet it was 3.86.

Ms. Grann: okay so you are... Okay so you are using the average of the last quarter but not of the last 12 months for that P&L figure?

Mr. Miron: yes, several leverages for the quarter.

Ms. Grann: okay that is helpful and secondly certainly it is very welcome to see this commitment to financial discipline as the company thinks about its long-term strategy. Is there a way to quantify what financial discipline means and either quantify it or what does that really mean to the company?

Mr. Miron: I think within... One recurring thing for us and we have to go over this. So for us the financial discipline is to have a leverage that is adequate for the sector. So in our decisions, our strategic decisions are 100% linked to our brief that we have to have a lower leverage for the top of businesses that we are in. So our target is 2.5x our main target for the main of the year. The additional comment about the financial discipline is related to our liability management process and is making sure that a financial... health that will allow us to... Our terms and reduce our cost, our carrying cost and we believe that with the finalization of the effect that led us this strategic move, which is the sale of Keystone would be ready to another round in our liability management that will provide benefits for our carrying cost.

Ms. Grann: okay so the commitment to 2.5x is very strong at the end of this year. Can we be confident that that will hold as the leverage target over the long-term?

Mr. Miron: sorry. Yes our aspiration is certainly to be investment grade. So we are going to continue working on this. We will go step-by-step and I think our first target is to reduce leverage... As I just mentioned.

Ms. Grann: okay thank you.

Mr. Miron: thank you.



Operator: This concludes today's question-and-answer session. I would like to invite Mr. Martin Secco to proceed with his closing statements. Please go ahead sir.

Mr. Secco: Thank you very much. We would like to invite especially the attendance that have questioned already to follow us in the Portuguese call because we are just on time to be in the other call. Thank you very much and keep in touch.

Operator: Thank you. That does conclude our Marfrig conference call. Thank you very much for your participation and have a nice day.
