

**International Conference Call**

**Marfrig Global Foods S. A.**

**Acquisition of Quickfood and Varzea Grande Assets**

**December 7, 2018**

**Operator:** Good afternoon ladies and gentlemen. At this time we would like to welcome everyone to Marfrig Global Foods S.A. conference call to present Quickfood acquisition and Varzea Grande assets.

The audio for this conference is being broadcast simultaneously through the Internet in the website [www.marfrig.com.br/ir](http://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 call please press star zero for the 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. Eduardo Miron, CEO of Marfrig Global Foods.

Please Mr. Eduardo Miron you may now begin the conference.

**Mr. Eduardo Miron:** thank you. Good morning and good afternoon everyone and thanks for attending this conference in such short notice. Without it would be extremely important for us

to have this quick update on the operations we have just finalized. Before I start I would like just to share that with me today we have Marco Spada, CFO of the company and Roberta Varella, director of investor relations. I would like to start saying that although the current or the operation that we have just announced is not material from a financial standpoint, for us it has a very important strategic fit and I would like to go through this with you.

So the first thing is as you may remember after the process with Keystone we decided to keep the beef operations in Ohio, which is our hamburger beef plant with a total of 19,000 tons of production. We have another small production of hamburger in Uruguay and there were two other places where we did not have presence as a production of hamburger. With this operation that we are just announcing we are now having the opportunity to acquire one of the most prestigious business in Argentina, which is Quickfood. It is an asset, a business that we owned before. We know the quality of it, we know the brand and the brand is the number one in Argentina and so totally aligned to our objective of growing in the hamburger, more processed products and not to mention the food production and that the brands, which is named Vieníssima, which is another market leader in the region.

So having now the access to this market for us it was good as a very interesting movement for Marfrig. The South American business or areas they are facing very positive momentum right now. Argentina for example has just been authorized to exports to the US; Uruguay has just recently approved to exports to Japan. So having production in those areas that has, that creates diversification and access to very good markets and key for our strategy.

Before moving on I would like to highlight that in our strategy that is based on sustainable growth we have two very important pillars that in our view the current operation is totally aligned: the first one is the pillar related to operational efficiency and excellence and the second one is about products and clients. So with this move we will have access to branding products and value-added products in the region that is very interesting for us and this part of our South American operation.

The second part of this transaction is the acquisition of a plant in Brazil where we were not producing hamburgers because of a noncompete that we had signed and that is now gone. So having the access to this plant creates the opportunity for us to accelerate the sale of hamburgers in Brazil, where we have already contracts being arranged that will help us fulfill that plant.

In addition to that and very important we are putting together a supply arrangement with BR Foods, which is the company selling those assets for a production of further processed food for them for a period of five years. So the combination of those factors: the Quickfood piece

plus the Brazilian lag having this plant with contracts already in place for food service and for BR Foods creates an environment that for us was very appealing given the nonmaterial size of the transaction and moved us to close this deal today.

One important comment about the deal is we are signing of this today and the closing of this transaction is planned to be at the beginning of 2019. If we go a little bit further on the two parts of this operation, as I mentioned before Quickfood in Argentina is a leader in the sale of processed food. We have over their three plants and we have production of, a slaughtering house of 620 head per day and we are going to have in terms of hamburger the capacity is 39,000 tons. In Brazil Varzea Grande - Mato Grosso the plant has the total capacity for hamburger of 69,000 tons and there is additional capacity for other products and with this deal we have the five-year contract with BR Foods, which is a company that we believe we can do a number of good deals together. So the supply of products for them certainly is something that is very good for both companies. We were already supplying the beef for that plant and now we are going to process the products as well.

Having said that I will now pass for the Q&A session and then we can clarify some of the points that you may have, thank you.

### **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 touch tone phone. To remove yourself from the questions you press star two.

Our first question comes from Marcel Moraes of Santander. You may proceed.

**Mr. Marcel Moraes:** hey good afternoon Miron and Spada. The first question just understand you are adding capacity for processed beef right? Hamburgers and some other, meatballs, this kind of stuff, in different markets. So when you look at all these assets together, Argentina, the US and Brazil, are you targeting the domestic market for each one of these plants or are you planning to export out of these plants into other markets?

**Mr. Miron:** that is a very good question. Look, one of the targets for us is that late 2019 we are going to have our 10% of the total sales in hamburgers. So hamburgers will count for 10% of our total sales. The businesses that we have in both countries they are pretty much for domestic consumption, so they are pretty much for food service and in the case of Argentina

we have those brands and in the case of the US it is for food service. In Brazil we are going to sell to food service as well and we have this contract.

So we have a mix in terms of what we are going to do with the hamburgers that we are going to produce. But it is fair to say that we are going to become one of the largest producers of hamburgers and the whole globe.

**Mr. Moraes:** right. In Brazil specifically or in Brazil and Argentina are you planning also food service like Keystone used to do serving McDonald's or... I am not sure if you are allowed to do that, I mean somebody else is doing but...

**Mr. Miron:** we are, we are. In fact I think that when I started the presentation I mentioned that one of the key points for this deal was the fact that we now are no longer under the noncompete in Brazil and therefore we are moving forward with the contract with food service that will be produced out of the Varzea Grande plant.

**Mr. Moraes:** thank you. Just a final question if you allow me with regards to the Paty brand in Argentina. As you mentioned it is a sort of a blockbuster over there and I just want to understand if you are planning on exporting the brand into the Brazilian market, thank you.

**Mr. Miron:** yes and get one quick correction: today out of Uruguay we produce already for food service. Yes I think your point on exporting brands it is part of the strategy. You know that Brazil for example is short in 'picanha', one of the cuts that Brazilians really love and we import these from Argentina today. I think this brand is a very strong brand, number one in Argentina and there is no reason for us not to explore this brand in other markets.

**Mr. Moraes:** and also other products, I mean so it is not only with hamburgers and you could also do as you mentioned 'picanha' and the other kind of cuts?

**Mr. Miron:** those we are doing already, so those we are doing already. So one of the key points of having a processed business in Argentina is that we can take advantage of the raw material that we produce in Argentina and in Brazil as well, so then we can leverage our raw material capacity, our production to utilize in the processed products.

**Mr. Moraes:** wonderful thank you very much Miron.

**Mr. Miron:** you are welcome.

**Operator:** our next question comes from Luiz Serrano, Citigroup.

**Mr. Luiz:** hi this is Luiz from Citigroup. The questions I had are first just to clarify on the proceeds from Keystone you should have press release that that would be used for the debt reduction. I just wanted to make sure that that is still the case, that is my first question.

**Mr. Miron:** yes, the answer is yes.

**Mr. Luiz:** okay and then in terms of the Quickfood asset you used to own it, you sold it to BRF. Were they exactly the same assets or was there any change in terms of number of plants that you sold for BRF and if you could clarify just the amount that you sold it for Mac in 2012 I believe?

**Mr. Miron:** the Quickfood asset is the same asset that was sold in the past and now we are buying back.

**Mr. XXX:** okay and then in terms of just the 19<sup>th</sup>, the bond outstanding, any more clarity in terms of what are the exact plans for that, how you are planning to refinance or will the proceeds perhaps be used for that?

**Mr. Miron:** I will ask Marco to address your question thanks.

**Mr. Marco Spada:** hi. In terms of refinancing there is no plan to do any liability management because we had already done that in the past. So we have the cash in hand to the 19<sup>th</sup> and it is just a matter of deciding the best...

**Mr. Miron:** okay thanks very much.

**Operator:** This concludes today's question and answer session. I would like to invite Mr. Eduardo Miron to proceed with his closing statements. Please go ahead, sir.

**Mr. Miron:** again I would like to finish as I started thinking everyone for your time and interest to hear our stories and certainly we are very excited with this operation and we hope to deliver on our promises. So thank you very much, have a great day.

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

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