

# 3Q16 Earnings Presentation

November 11, 2016

Investor Relations





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# Guidance 2016 - Revision

	Original Target 2016 <sup>(1)</sup>	Revised Target 2016 <sup>(4)</sup>
<b>Net Revenue</b>	<b>R\$22 to R\$24 billion</b>	<b>R\$19 to R\$20 billion</b>
<b>Adjusted EBITDA Margin<sup>(2)</sup></b>	<b>8.5% - 9.5%</b>	<b>8.5% – 9.0%</b>
<b>CAPEX</b>	<b>R\$450 to R\$600 million</b>	<b>R\$450 to R\$550 million</b>
<b>Free Cash Flow<sup>(3)</sup></b>	<b>R\$100 to R\$250 million</b>	<b>R\$0 to R\$100 million</b>

(1) Assumptions based on exchange rate of R\$4.10/US\$1.00.

(2) Excludes non-recurring items.

(3) Operating cash flow after capital expenditures, interest expenses and income tax.

(4) Assumptions based on the exchange rate of R\$3.47/US\$1.00 (average exchange rate: 1Q16 - R\$3.91; 2Q16 - R\$3.51; 3Q16 - R\$3.25; 4Q16e - R\$3.20/US\$1.00).



# Guidance 2016 and 9M16

	Revised Target 2016 <sup>(1)</sup>	9M16
Net Revenue	R\$19 a 20 billion	R\$14 billion
Adjusted EBITDA Margin <sup>(2)</sup>	8.5% – 9.0%	8.4%
CAPEX	R\$450 to R\$550 million	R\$344 million
Free Cash Flow <sup>(3)</sup>	R\$0 to R\$100 million	R\$(29) million

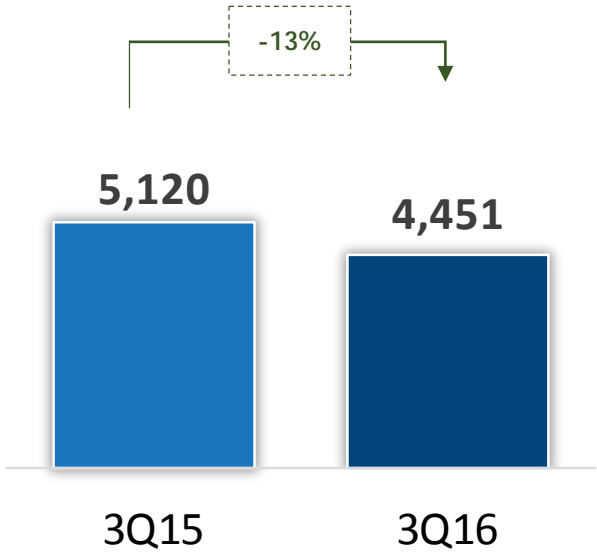
(1) Assumptions based on exchange rate of R\$3.47/US\$1.00.

(2) Excludes non-recurring items.

(3) Operating cash flow after capital expenditures, interest expenses and income tax.

# Financial Performance | Consolidated

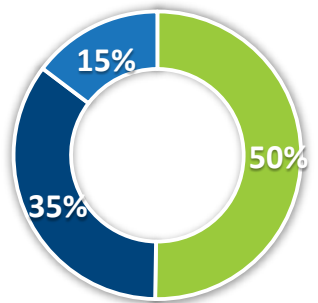
## Net Revenue (R\$ million)



The decline in net revenue was due to the effects from the **8.5%** Brazilian real appreciation against the U.S. and lower volume, partially offset by better prices in Brazilian domestic market.

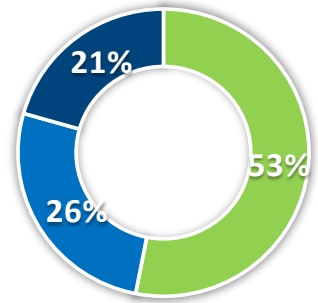
## 3Q16 Revenue Breakdown

By Business



- Keystone USA & APMEA
- Beef Brazil
- Beef International

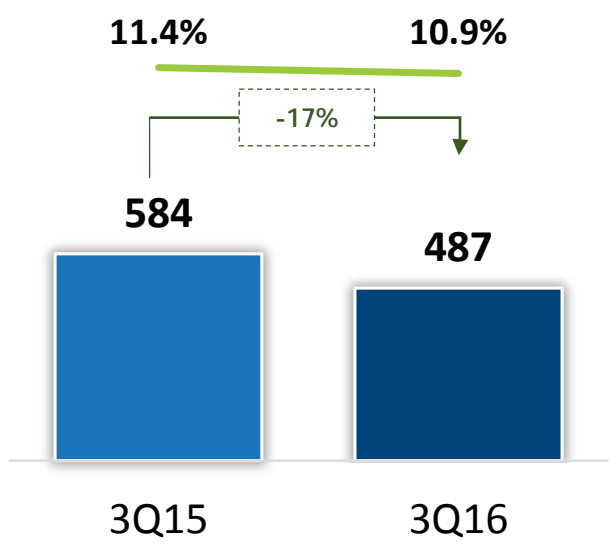
By Currency



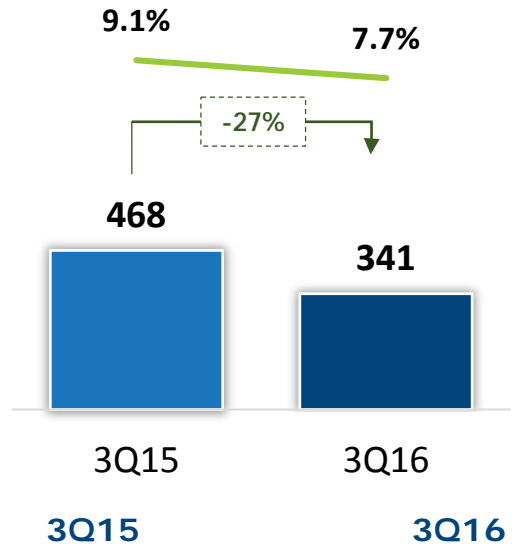
- US\$
- Real
- Other

# Financial Performance | Consolidated

## Gross Profit and Gross Margin (R\$ million and %)

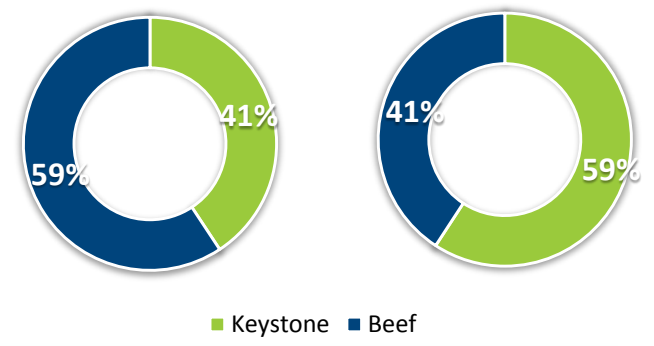


## Adjusted EBITDA and Margin (R\$ million and %)



Gross Profit impacted by the margin retraction and volume of Beef Division, partially offset by the strong Keystone result.

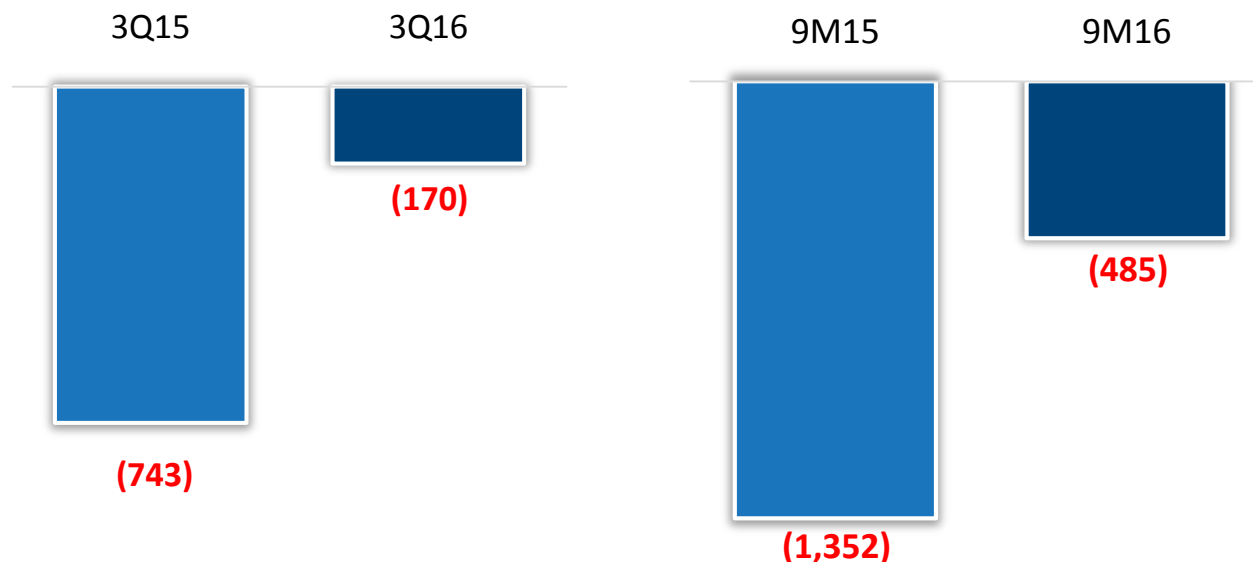
### EBITDA Breakdown





# Net Income/Loss | Consolidated

## Net Loss (R\$ million)



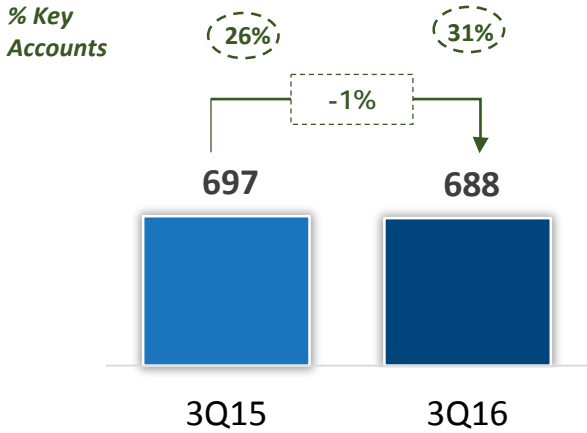
- In 3Q16, the net result of continued operations\* posted a net loss of R\$170 million, improving R\$573 million from the same quarter last year.
- On the same basis, the accumulated loss for the year was R\$485 million, improving R\$867 million from the same period of 2015.

\*Results from Continued Operations exclude the results from asset and equity interest divestments.

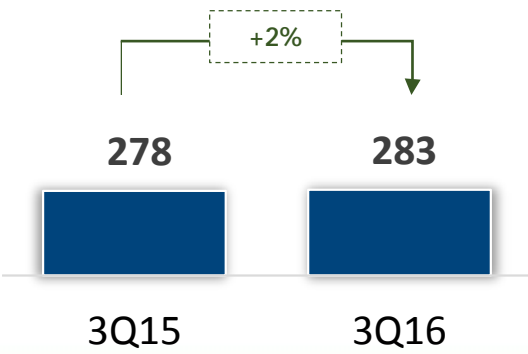


# Keystone Highlights

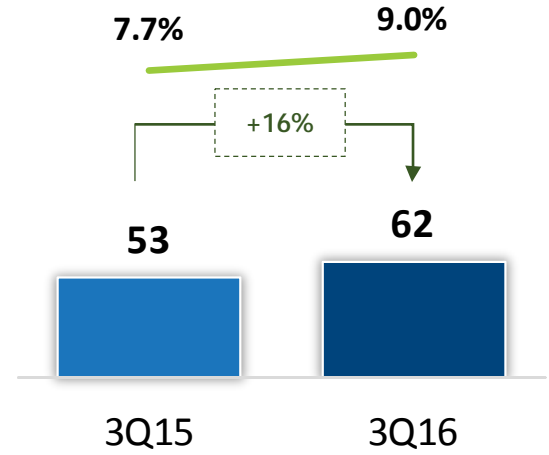
## Net Revenue (US\$ million)



## Total Volume (Thousand Tons)



## Adjusted EBITDA and Margin (US\$ million and %)

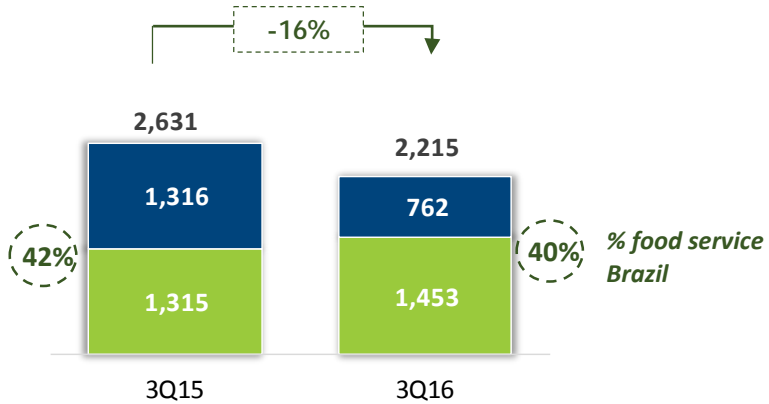


- Double digit EBITDA growth:
  - Continued Key Accounts expansion growth and improved product mix (NAE) in the U.S.;
  - Improved U.S. export sales price;
  - Strong growth in Australia and Malaysia.
- Net revenue impacted by lower US beef prices.

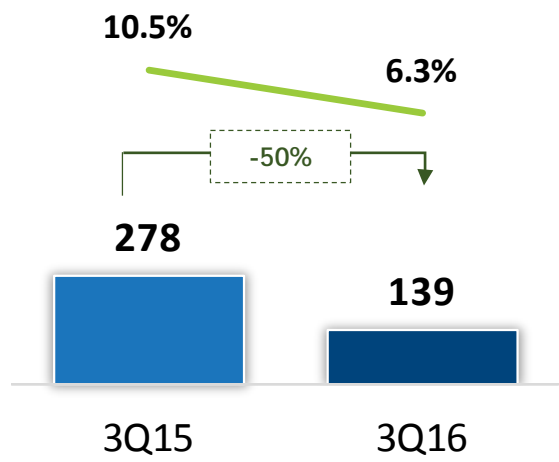


# Beef Highlights

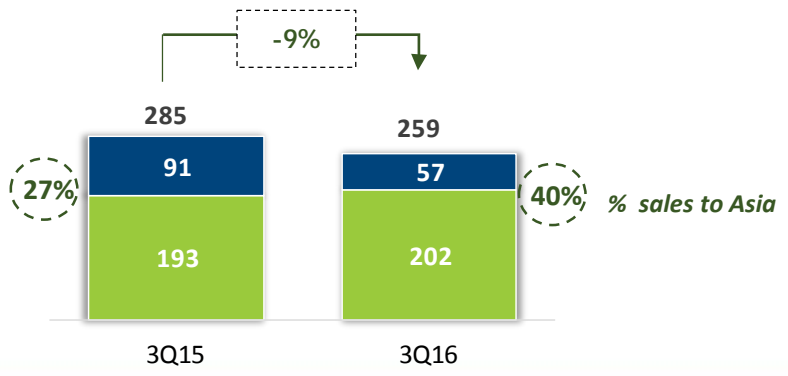
## Net Revenue (R\$ million)



## Adjusted EBITDA and Margin (R\$ million and %)



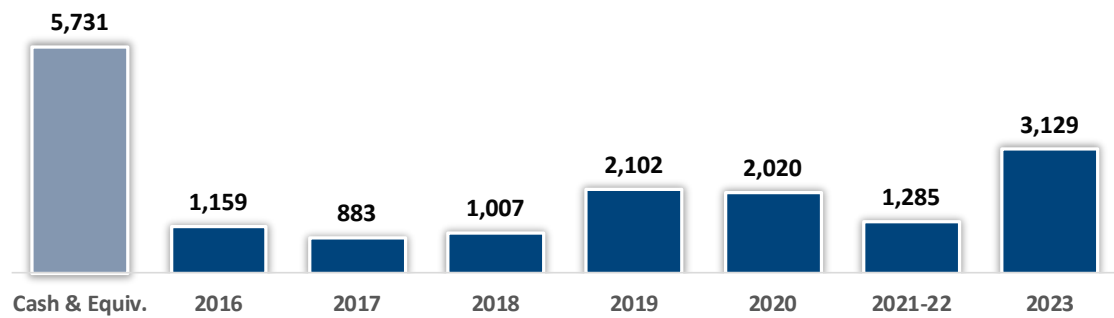
## Total Volume (Thousand Tons)



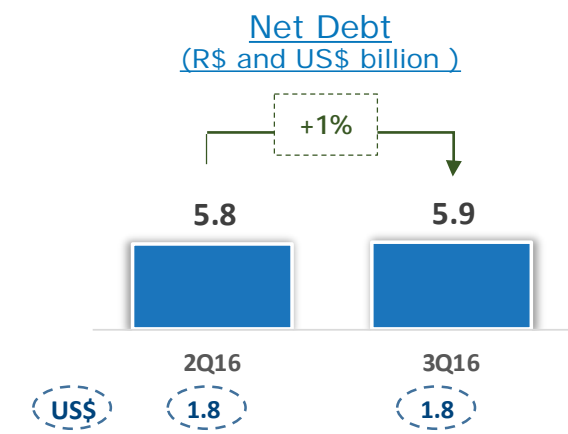
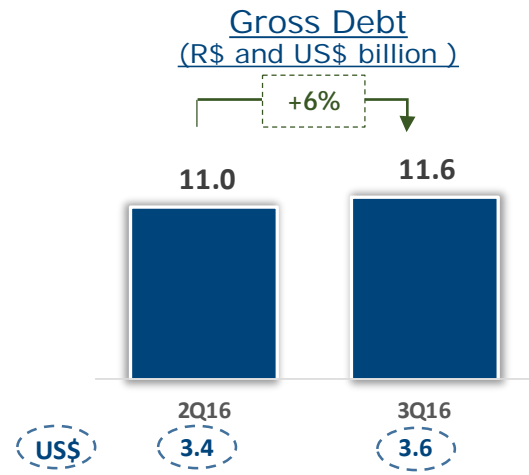
- The negative impact of the appreciation of real and the lower sales volumes were partially offset by domestic market prices.
- Reduction of the pace of exports to seek price improvement.
- EBITDA negatively impacted by the retraction of the sector's export spreads and lower sales volume.

# Debt Maturity Schedule & Ratios

R\$ million



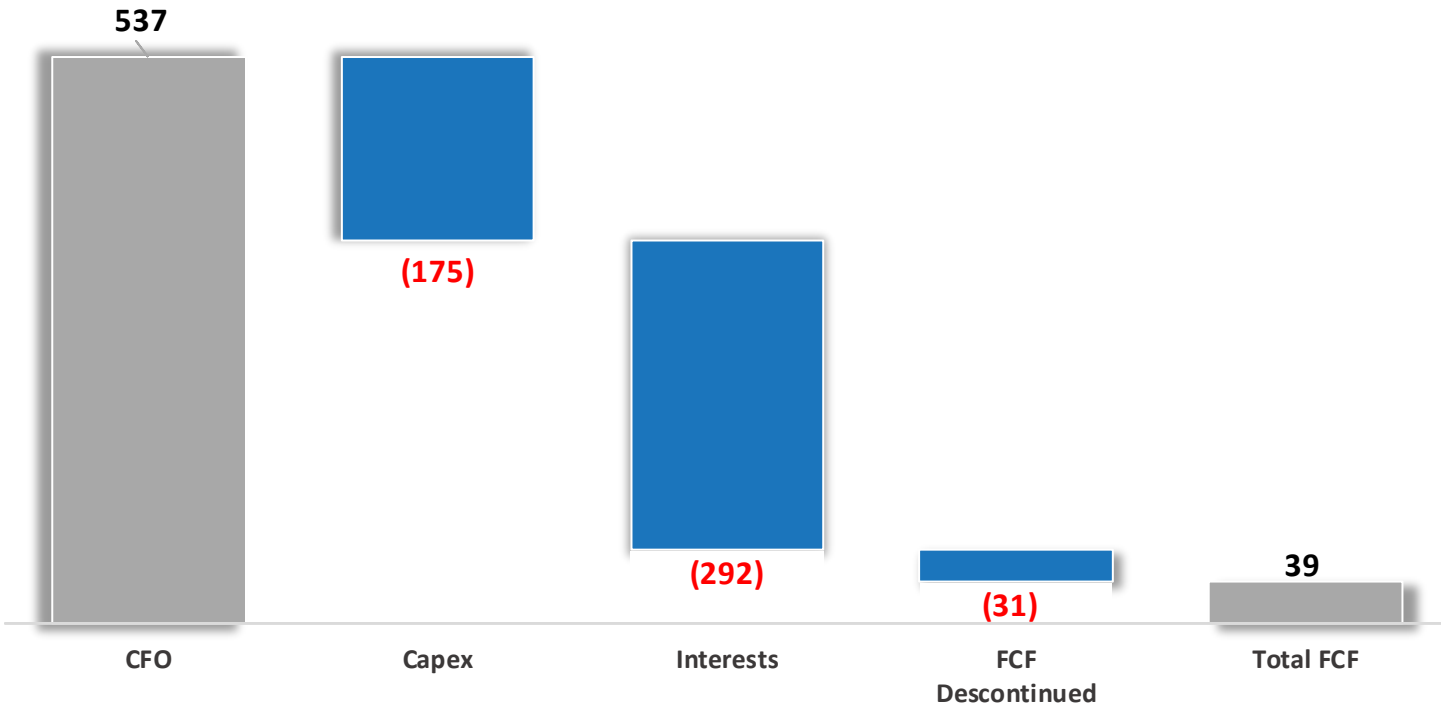
Ratios	2Q16	3Q16
<b>Leverage:</b>		
Net Debt / adj. EBITDA LTM – Continued Operations (excl. capital gains)	3.1x	3.4x
Net Debt / EBITDA LTM (Excl. FX Variation)	1.1x	2.3x
<b>Managerial Indicators:</b>		
Average Cost (p.a.)	7.3%	7.4%
Current Liquidity	1.7	1.7
Duration (years)	4.0	4.0





# 3Q16 Cash Flow | Consolidated

R\$ million



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