

Q3 2015 Earnings Call

Company Participants

- Augusto Ribeiro
- Flavia Faugeres
- Pedro de Andrade Faria
- Ricardo Saraiva
- Rodrigo Reghini Vieira
- Unverified Participant
- Unverified Participant]

Other Participants

- Fernando F. Ferreira
- Gabriel Vaz de Lima
- Pedro Leduc
- Thiago Duarte
- Vincenzo Paternostro

MANAGEMENT DISCUSSION SECTION

Ricardo Saraiva

[Starts abruptly] extract those details and to give you an idea, because this is a very broad market. So I would like all of you to take advantage of this meeting, because it's not always that we have such an important panel available. So do enjoy it, ask your questions, therefore we can take to our evaluation model a right pricing model of our company and to show investors everything that we need in a transparent way. Of course, APIMEC, an independent forum that tries to gather investors, analysts of the sell side, and potential investors as well and we should try to interact and ask your questions so that you can understand everything about the company.

We have an assessment questionnaire on the table, it's important to return that to us, filled out, of course, because we would like to have information from you in a transparent manner so that we can - a feel of the relevance of this meeting and that's also part of our meeting quality, the best meeting of 2015. So we do need to have that base, those filled out questionnaires in order for us to be part of that award.

So now I would like to tell you who we have here on the panel. Pedro Andrade Faria, Global CEO of BRF. Pedro, please. Also, Augusto Ribeiro Junior, VP and CFO and IR Officer; Flávia Faugeres, General Manager for Brazil, she is also with us. And Rodrigo Vieira, VP of HR, also in our meeting today.

I would like to ask you to have your phones on mute or in vibrate so that we have as little interference as possible in the meeting. So, thank you very much. I will turn to the floor to Mr. Faria so that he can start our meeting today. Thank you.

Pedro de Andrade Faria {BIO 15115819 <GO>}

Good morning, everyone. It is a great pleasure to be here. Ricardo, thank you very much. Thank you, APIMEC, for this partnership. This is a long-lasting one that we have had for 33 years in a row with BRF and also the prior companies Sadia and Perdigão taking part of one of the main pillars of the capital industry, capital market industries in Brazil, so it's great to be here in this third quarter earnings call and also very relevant in our communication agenda with investors is to hold this BRF Day today. Here we are in São Paulo to kick off the process. On Monday we will be in New York and Tuesday in London.

At least once a year we bring detailed information about our company. The whole team is here and then we can discuss several topics about the company in the medium and long runs. I would like to start by telling you what I believe is important for today.

And these are the topics that we brought to guide the meeting and after that, we will time for a Q&A session. So what we wanted to bring to you first and that's a very relevant topic, it has to do with the cultural transformation process that we have gone through in these last two years and a half.

It starts in a very further way when Mr. Diniz came to chair the board and we also brought Rodrigo that he is here on the panel. He is responsible for management of VP and he is going to tell us a little bit about this history, which has the largest and allowed the company to have the results that I consider to be very satisfactory in this last quarter and this last half of the year.

And also what I would like to say, it has to do with the results of this third quarter is that in this last two years and a half, the company has had a very good well succeeded process of internationalization of its process. We have challenged results in the country in Brazil due to the current situation, but we do have a record result in the company in our abroad markets. And the results really have been reached, thanks to our dedication to the operations we have had of taking part in this consumers' life out of Brazil where we try to show you that in a very clear manner.

And third what we would like to share with you in this market dialog is what we have had in the company. We consider that after these two years and a half we have gone through where we had a lot of turnaround, a lot of discussions in terms of fixing of things here and there that were important and reducing - and increasing productivity, because of those two things that I mentioned, we do have a clear growth agenda that will be permeated by two strategic themes which is consumerization. There is no return there, because we are getting closer to the consumer. We are going forward advancing so that we can have valid products.

FINAL

Bloomberg Transcript

And also the company is becoming more internationalized. This is really – and it behaves as a multinational company, so this is what we are going to bring to you. Augusto is here with me. Flávia is responsible for the Brazilian market and I am sure that she has a lot of interesting points of view to share with us. We will discuss the results of the third quarter.

We know that we have specific topics we will be addressing. So very briefly, I would like to start being as brief as possible about our ambition and why do we wake up every day to work and what we believe to be our dream, what we aim and what we are looking for. And the first slide shows in a very clear manner and we are not being arrogant here. We do see a possible path ahead. This is a company that is the most inspiring and relevant food company in the world. We have three main pillars.

This is a global food company, focused on the brand and its consumer oriented. We know the origin of the two companies that are part of it. It's a company manufacture oriented. We are productive, efficient and we wanted to keep on being it and the company has changed itself about brands and consumers.

Also, we occupy a leadership position. We know where we want to be at. In the last two years and half we clearly defined relevant markets in which we believe that we're able to be leaders at and we even had to take difficult decisions of leaving some markets, some segments and countries where we did not see long-term conditions to be leaders or either a business environment that would make sense.

And finally, our supply footprint, this is what really supports the company. We have a footprint that is global. We will talk about an accelerated investment process where our productive capacity is gaining international projection. So our marketing strategy really wants to establish Sadia as a global brand and we have protein-based food. We do not have a global brand in the world and we believe that the brand that has the most strength in the world to become that in the next five years is Sadia. This brand has revenue of over BRL4 million. We know that this is revenue of BRL1 million, so we believe that Sadia and with the focus that we wanted to provide to open markets and we will capture more market share and this could be the first global brand in the food segment in protein based one and we have also been able to follow to that possibility.

We went out of some business that were strategic for the company and now we are finding four key categories and we want to be leaders there in terms of innovation, quality and portfolio. Obviously, one thing that is very important to us and there has been strong change in the last years which are our added value products that are based on poultry and pork cuts. We have international growth supported by the category in the Middle East, Asia and Latin America, cold cuts as well. That is another area and an icon product of the company whether the ham and we know that we have room to grow innovation also there.

Breaded products is another area in which we can add value to our portfolio and a process that has been – has not grown that much in the last years, but we have a strong pipeline of innovation bringing convenience, which is our ready-to-eat meals.

FINAL

And finally if we turn to a global possibility in the market, we are and we intend to keep being leaders in Brazil. We have a strong sound base that has been reached in the Middle East and we also see strong growth possibility in the adjusted markets. Latin America for us has gone through a fast process of reconfiguration and also support of our investments to-date. So we are glad to announce recent acquisitions in Argentina, and based on that experience in Argentina, we have also room to grow in another few - other fields in Latin America.

We have interesting experiences and we have promoted growth in Asia specifically in the Southeast where Sadia is already a reality markets such as China, Hong Kong and Singapore. And we believe we have a path to grow there and even mirroring ourselves in our market in the Middle East. And finally, we have no markets; we are looking at interesting possibilities in the African markets.

We work every day trying to improve our competences and now we have defined our management model in three main competences in which we wanted to develop ourselves and grow. This is a sustainable production chain. In addition to being sustainable, it has to make sure that each part of it has competitive sustainability, environmental sustainability, economic sustainability, also innovation. This is going to be the main driver over the next five years of growth of the company that globally.

I will not talk much about people now, because we have another part of the presentation just for that, but that's what has allowed the company to get the results I'm mentioning now. Also quality, it is always connected to our products. In 2015, we increased our quality standard and that is seen by each one of the metrics that we follow and we do have a strong associated investment that we want to be leaders in quality. We have the support of our brands. We report results today that in a way they are related to record investments in communication and marketing in all our brands. Never in the history of both companies so much has been invested to position our - and we have the three most admired brands in Brazil and globally also we have a great knowledge and preference in Russia and Middle East. That is an investment and the support in our brands that is unprecedented.

And finally, really our greater competitive advantage, which is our service; the service we provide to the market, how we present ourselves commercially and logistically to our clients. So these are the six skills, the six capacities in which we are concentrating everything that we have to do. Now talking specifically about the capacities, you see a arch figure, but this is the consolidated management model of the company that starts by our cultural leverage which is our program called Viva BRF. I have a lot of colleagues here that do share that with me. This is a great movement that we were able to develop in the last two years and have unified the company along values that we believe - around values in which we believe a lot. These six drivers are competences that I mentioned and I will talk about each one of them will always to have results.

We have understood along the last years that we cannot change that logic order of our management model to aim results at any cost without going for the management of our capabilities, or forgetting the human value or cultural value. So, we would go into a short adventure and that's not the purpose that all of us here dream about.

Talking about sustainable chain, we just had a press conference and we let them know that we do now able to start an accelerated process of our projected capacity advancement out of Brazil. We have growth of our factories in the Arab Emirates. It's one year ahead of the original plan and we now are contemplating the expansion of that plant in the scenario that we would expect even in three years to have that operating in what we believe to be the next year.

So we have the capacity of having 400 employees and that plant has zero accident since it started operating. We have BRF today in the sustainability benchmark in the market. This is the single company that is in the Dow Jones Sustainability Index. So we are crowned by several agencies that see us a sustainable company. And we believe that we have a long path ahead to develop that benchmark that we are setting.

Innovation, we have a target of doubling the representativeness of innovation in our revenues and especially to expedite the cycle of what we call to be our time to market, what we are able to bring in terms of new ideas to the consumer. This is what we are doing in terms of innovation to allow that gear (16:45) to work.

We have also a metric in people that defines not only my personal metric, but also the company metrics which is people's engagement in the markets, the people that work in the factories and corporation and also to have a global view of talents. Rodrigo will talk more about that.

The ability to lead the global standards of the industry, not only what today is seen as quality by the consumers, but also what believe that to have quality from now on.

Brands, as I said, we have Sadia worldwide known as an active brand and also to strengthen a path that is very feasible in Argentina, regional brands that are strong such as (17:36) brand in Argentina. Finally, sales and logistics, we want to create excellence standards in the way that we access the market, on how we serve the clients and to have better distribution guided for the consumer.

Now, Rodrigo will talk about something that is fundamental in our project, which is the view of talent people.

Rodrigo Reghini Vieira {BIO 18232980 <GO>}

I would like to ask my colleagues to - allow me to talk standing up, because I like to walk while I talk. That's a habit that I have. I've been with the company for two years. I have had a lot of opportunity of talking to a lot of people, but usually I talk to the employees in internal meetings, so in this BRF Day, this is different for me. I am very intrigued, because I help everyone to understand what BRF has been and how we are developing this history in the last years. I do know that this is a long-term company. It's not that we are creating a long-term company and we try to understand how much history the company has already developed. And together we can keep on doing history. So I would like to bring to you a different theme, different from what we usually talk about in the market.

What I am - let's discuss - I will try to take 15 minutes and during my time, I will show you two videos to try to communicate what might be a little difficult to express. A year and a half ago, we developed that project Viva BRF, its Live BRF. This would be like a baptism of something that I believe to be very important in the company, the start of a new culture that we could bring in-house results, the best inspiration and the best aspirations. This name was very nice and in Portuguese, it has two different meanings. The first meaning is to live, Live BRF. So that we want to develop a company that we could live for it and it could live for us. And also in Portuguese it also means Hurray BRF. So it is great to have BRF so that we could also celebrate, celebrate everything that we are developing with a lot of efforts and dedication.

Our major positive surprise was that this word Viva in 29 idioms that represent our employees, all employees that was - this is a word that everyone can speak, so German, Arab, Dutch, everyone is able to pronounce that word and this is fundamental in terms of what we believe to be the culture. This is an inclusive step where everyone can take part. In a world in which we are guided to have control based results, we have found this step to be something that we are building from bottom up. So in the Viva BRF we believe that we will only be able to have that strong culture if all 100,000 employees really are able to take part to write the history and not only to be guided or tele-guided by a vision or something that we want them to follow.

And a year and a half later I believe this was a very happy project, both subjectively as well as in the hands on results that the company has able to reach financially and other operating results as well. Why bottom up? Because we also have a second important base which is our belief. We do believe BRF is a company that develops - focused on people. We have over 50 plants, a lot of machinery, a huge CapEx, but we do believe that BRF is a company that will be successful, because it is related to our ability to have people in the company. And why do we believe in that? Because only people are able to feel integrated in the company and the company does need a lot of integration. We believe that only people grow and make grow. And we believe that the ambition and destiny of BRF is to grow and we believe that only people can transform and grow. And we do believe this industry - this company needs to be transformed and needs to develop itself.

So this basic belief of BRF has launched our motto, we want BRF to be a company that gathers around its own capacity. We want to dream this company together. So I will show you a video that we have launched in this last meeting that talks about that invitation, that inviting the employees to dream with us, with the company, to dream about this company.

If we gather our dreams what would be the size of this new dream? It is much easier to make dreams come true if we are together. Yes, because every day, at every minute, at every hour, at every meeting, we make a decision how much I will fight for my happiness, how much I will understand the other person, I will listen, I will grow. And then we find out that one plus one is much more than two.

And then it comes that and manageable control and desire to belong, to be part of, to thank. It is time to joint efforts. Together we are stronger. A community that is connected, tied by strong ties made by people that makes things in the right way that take no short-cuts. We are more than individuals. We are more than one group. We are more than one

FINAL

company. We are a community of over 100 people inspired, strong people that may transform the world. We dream together and we may create a better world. That's why we are here, all of us together.

That experience of integrating the company, inviting people to write and to take part of it has been helped by a process that we call engaging in values. Our choice was - we chose seven attributes and in each one of them we did not want to publish a list of what they represent. We wanted that each one of us could inspire ourselves and find ways the company to be an example or to bring up the best cases and help develop things that are universal. So if we look here, you see to have a healthy life, to be inspired by the consumer, never settle for less, to be eager for performance, to have the owner's passion, as the company as if the company were each one of us, to have the ability of doing it right away and doing it fast and at the same time, building it together.

This is a language that everyone understands. There is no sophistication. There is no big marketing here. This is the simplest thing we could imagine. And at the same time, it's very easy to be understood by anyone, by Chinese, by Africans. So this is a value chart that is very simple, direct and inclusive and we would invite each one of us, each person in each unit in the world could show the company what have you seen in the company that is relevant to be told to everyone else that could be inspired in these values and what we have seen is an amazing compliance, a feeling of unity that we are developing or seeing in the company.

We go to our offices and we see BRF really pulsating and we see the emotion of people in those companies and the ability that they have to translate in a way that only them can translate what BRF means there. And at the same time they are able to tell us any one here in Brazil or in Latin America, how important it is the feeling that they have for the company. So for the first time we have seen an ability, a real ability, an important ability to have that connection around a company that is BRF. And that it's part of the union of several other companies and it does have an important challenge in its integration.

What have we been doing in practice to expedite the process and that has proven to be a potentializer of BRF? We have invested a lot in in-house meetings, (27:55) meetings with our leaders. We had 400 people gathered for the first time to discuss our culture and the last year, in November of last year we had 3,000 leaders gathered in the same place to talk about the company, to talk about leadership, and we also had two weeks ago, one week of meeting with 2,000 people talking about the future of the company, checking our advancements and discussing our plans. This way of dialoging and the scale and that magnitude of thousands of people has been a very valuable bet and it has shown us things in which we believe. We believe that the best contribution to expedite or accelerate our culture therefore to produce Viva is to connect people. So people meet in the event, they spend some time together and they connect.

Second, we tell all of them that we do believe in a company that does not have hierarchy and everything has to follow a flow in the path. We believe that people when they connect they will find solutions, they will bring up creative and better solutions, better than other solutions we have thought about.

So these meetings are very important in developing connectivity. After one week of meeting, people that have never seen each other from different parts in the world end up helping each other. So this is different, so I have met the person that sends the product and the pork to that store that I sell, so when these two people meet something happens in their lives, in the life of the company and the results that we have later on.

We also have shown in these events something that is very important that in developing a company that is people oriented, the main people in the company are not us, the CEOs, rather the common people, so we are providing room for each one of these people that have a lot of merits that have a lot of good things to show they could come up in the company. They are the common heroes, the everyday heroes. They are the ones developing the company.

When the company understands that, the company gets motivated and starts saying this is a people's company. So now I will share the video of the last convention. It was called Viva BRF Week. It's a very quick video that will show you a little bit of the type of meeting and the type of environment that we have when we gather to discuss the company.

[Video Presentation] (30:40-30:54)

So, now getting to that part of the presentation that you are probably asking yourself, what about ROIC? We try to consider or translate this into results, because our management is based on an assumption we believe will serve a company with an ambition brought by a winning culture, we need results. And that's what you see in practice, particularly over the last cycles.

But to help this progress we do some reading. We surveyed our employees, how they feel about it, how do they feel engaged with the company in an attempt to measure the quality of the bond reported by our force. We do it on a quarterly basis by sampling, so we have readings of 5,000 to 7,000 respondents by every post-survey and once a year, well, we start a census in which all the 100,000 employees are invited to answer the questionnaire. This is great.

But this engagement reported by employees help us understand how all the strategy, bottom up, this invitation to be engaged and be the owner is really taking place. And then we rate by using the best inspiration from our gurus worldwide in different organizations. There is a very well-known method; we did not reinvent the wheel. So at the company you find people who tend to be promoters of the company. I would even recommend the company to a friend or to the family, for instance, and you also have detractors, people who come and say, well, I really have a lot of resistance, I don't like, I don't want this company. It's important to work on extremes. It's very good to know how excited people are about it, but also when we have a growth in the base of people, all are not - who are indifferent and might have a negative impact that might eventually grow up.

So today, surprisingly, we are close to our goal. We wish we could have 80% engagement or 80% of our base of employees reporting high engagement rates. And now we can see 79% consolidated in the last rating and by the end of the month, we are going to have the

FINAL

census to come to an average. And then we go by region. We break down by area in order to help and understand how we have worse or better engagement by region and try to correct, understand, listen and learn more. So this has proved to be an amazing result. We compare it to the industry, we had very positive effects, but we also have a big challenge, how can we maintain and keep high engagement rates?

A very important conversion has to do with the company's responsible level, responsiveness, 80%. What does that mean? On concrete terms, we have a campaign and ask what is your dream. 3,000 people write questions to us – answers to us. The company, for instance, had many stories of value, each one here started a company that merged with another one, some have been working for three years or 30 years, but everybody has his or her own story and we invite people to share.

To our surprise, 10,000 people wrote their story saying this is my story at the company, personally, and the social strength is unprecedented. We had event in Xanxerê, the tornado, we had some families who had their homes destroyed and we had this campaign to help and bring solidarity. And 23,000 employees donated something, so you start having more tangible results, moving from something very abstract and then you have more team available to act, to act on concrete terms to the company's benefit. And now from the operational standpoint, we begin to see very positive effect.

Metrics, engagement followed up in the industry, which were very significant, particularly at an industrial based company. Turnover rates, behavior, turnover behavior, I think this chart is not easy to read, but now we have LTIF, which is measured by millions of hours worked. And you begin to see a phenomenon in the sense that there is a correlation or at least a first positive sign that as Viva BRF culture became more prominent, indicators were improved. Well, Brazil has a turnover rate that can be very positive, right, but despite of that, the downward trend on a monthly basis was already observed in the last quarter of last year.

And there is a second piece of information, also very interesting at the bottom, which is environment, safety and health. It is a program we have about environment, health and safety in the workplace and re-inspired our culture, because when we first started our management with Abílio, Pedro and Flávia, they already had EHS and maybe it was a very precious, valuable seed for us to focus on and understand what happened in the past. And thanks to this cultural process and engagement process, EHS, or SSMA in Portuguese, led to a reduction in number of accidents in a very favorable manner.

Curiously enough, what's striking in both charts, in addition to the downward trend is the scale. At the top we have one year scale. At the bottom, the scale is eight years. In other words, if you extrapolate cultural processes, once they become mature, they have some years of scale. The time process is extended. So our best investment, our best excitement is to witness that there is aware, effort and human resources and culture can prove to have even better future results because of these long term learning curves and EHS is an evidence to show that we invest and it's worth it because when it comes, the results comes very strongly.

FINAL

Lastly, our ambition, we also want to build - we want to build a machine of global talent. We need some kind of machines to have a global talent machine, that's our industrial trend. We want to build 3,000 leaders in the category, so this is the size of the leadership base with direct responsibility on employees. So for a people-centric company, we want 3,000 people who are competent to manage human resources, and for that we have to do two things. First choose the best people and bring new talent from outside. These two moves have proved to be very significant to us.

Owing to the speed with which BRF has turned out to be an attractive employer to our workforce, so to help this effort, we have some programs. For MBAs, we also have fast track to try and expedite internal leadership from different areas and positions and we even, well, moving away from university, we also have the trainee program. And in Brazil, we have unprecedented program to try to have sales supervisors.

Some anecdotal examples, about two years ago when I had the first conversation with MBA schools and talk about BRF, I got into this room and Carpo (39:32) is a company with a speaker that would speak before my presentation and there were many people listening to (39:44) about summer and then I had just arrived at the company, I was going to talk about BRF and only two people were in the room. I said, well, there is something wrong about it. We have a whole future ahead and people want to go the financial market, nobody is interested to talk about BRF, but to our surprise last year the picture was reversed. We delivered a presentation in major MBA schools and our level of attention and audience was really amazing. And this shows the speed of our evolution, so we can reach more people.

Now in Brazil, we also have a very positive surprise. Today, we are launching another program, PAB, in order to bring a new generation of supervisors which will be our future officers. It's highly operational, dedicated people and today we have a lot of applicants from the polytechnical school of engineering. Many years ago I would never ever dream leaving university and say now I'm going to be a sales supervisor, but today we have this possibility. We have more than 70 youngsters in-house and many of them come from the polytechnical school and are working as a sales supervisor.

So this year alone, just to give an idea of the challenge behind a global company, from January to December, we have more than 400 promotions. So we are investing in recognition to learn the best talent and make them climb the ladder faster and another 200 newcomers. We are speaking of almost 20% of renewal to some extent of our leadership base from January to September, so that's quite a challenge. But we are really focusing our efforts and we are only successful, because today the company devotes a lot of time.

Rodrigo, Human Resources, if they want to do it on their own, in this scale it is nearly impossible, so we really have to thank all our colleagues who joined forces with me and given more relevance to our human resource and culture agenda for the future. And today, everything is being built and we have this headway because the company trusts our motto from three months ago speaking that nobody is greater than all together. We can see this as a living practice.

So thank you for the patience of listening to this unusual chapter and now I give the floor to Pedro to continue our presentation. Thank you.

Pedro de Andrade Faria {BIO 15115819 <GO>}

Thank you, Rodrigo. I think it was critical to listen to this chapter. It was so cool to share the transformation that has taken place and that makes it all possible.

In terms of legacy and sustainability, which is another item in the agenda, very briefly, let me mention some indicators of the company, so we can move away from the pure vision of participating in each sustainability index and think about the practical aspects. Today, 98% of our energy comes from renewable sources at BRF and we had intense efforts. As you know, one of the main items of our production cost, which is energy with an impact of tariffs, we managed over 2015 to have 5% reduction of global use of energy at the company. So that's the benchmark that we challenge and the technicians who supported us never thought we would come to this level of reduction.

Now we have 20% of water being reused. And in terms of animal welfare, which is one of the strongest trends that we can capture in our industry, our consumers are increasingly more concerned. They want to know where the food they're having comes from and we entered into an agreement with an NGO, which is the main organization involved in the area, and we've been working in order to really have focus on animal welfare.

And we have more than 17,000 outgrowers who are going through a fast requalification logistics management process supporting 17,000 outgrowers today. Today we have an army of almost 2,000 people those who are daily on the field disseminating the best practices, making a point of having technical absorption process to be fast, translating in more efficiency. And then we also have another process through the BRF Institute, which is our partner, also going beyond the company's profit an exercise that reach 80,000 beneficiaries. Rodrigo mentioned Xanxerê campaign which was very strong in our BRF institute.

What about the industrial footprint in our chain? In recent years we have been talking a lot to the market, saying that our driving force for investment is readjustment of the company adjustment, the legacy of two companies that merged and that has to be tackled. Naturally, we had to think about what it would be tangible down the road. Just highlighting what happen at the company as a direct result of the capital invested and from the driving program. Today, we doubled our production capacity in our greatest plant in Lucas do Rio Verde. We improved our capacity from 62% (sic) [by 62%] (45:40) to 400,000 broilers per day and doubling for pork. So this is the plant where we have the lowest live animal cost of the platform. This plant went through more than five years of challenge being idle and today begins to work at full speed, which also made tangible or allowed us this year - by the way, we visited the leadership and we had a full revolution of the way we relate to the community. Today the community sees BRF as the epicenter of its economic development.

FINAL

Bloomberg Transcript

FINAL

Like I said, recently we announced a new processed food plant in Rio. It is the most high-end plant, benefiting from all the lessons learned during the implementation of Abu Dhabi plant and now we are getting started in the process to build this plant. I was in Rio recently announcing with the authorities and by the third quarter of 2016, we expect to start up production in Rio with Lean manufacturing concepts at a plant that today no longer has ammonia. And the reuse of water is over 90%. So we believe today when it comes to engineering and processes knowledge, the plant is highly efficient to allow for our growth overseas.

We also invested a lot in the Toledo plant in Paraná, improving pork production. We came to the conclusion it was the major competitiveness driver for pork and we increased by 18% our production, 7,500 animals per day – improving poultry production. Today the plant runs at a benchmark level worldwide.

And speaking of Argentina, by the way, we dedicated a lot of resources. We increased significantly. our production in Rio Cuarto, which is our integrated production platform for poultry in Argentina, a plant that simply supply to the Argentine market and today supplies to all markets like Japan, China and even Europe for quota (48:00) purposes and Baradero plant which is processed foods in Argentina. It had challenged capacity, but now with the acquisition of other brands of sausages, at the end of the day, in addition to investment in ham, and processed foods, the plant also runs at full speed.

So these are our moves that I want to highlight that led to a fully (48:30) annual investment plan and we are beginning to reap the fruit very significantly. Now I would like to give the floor Augusto, obviously we are considering the results that we announced yesterday to you so we could get into more details and now I will also give you a break down by region and the highlights of the quarter.

Augusto Ribeiro {BIO 18485971 <GO>}

Good morning, everyone. I will also stand up like Rodrigo did. I feel more comfortable. I don't feel so comfortable if I sit down. I think it's easier if I walk. In our opinion, the company's performance achieved in the third quarter showed good results. In terms of market discussion, Flávia is going to talk about Brazil and Pedro will be addressing other regions, particularly in Asia we had volumes problems, flood in the south, (49:29) people strike in Rio Verde slightly interrupted. So some factors led to some impairment, but we are going to make comments later on.

What about financial aspects? We can make our lives more difficult, so we had some launches this quarter just to make it very clear about the highlights. Definitely, we had very many extraordinary items this quarter. First point. Amazing gains in our dairy sales. This is good. It is cash in the third quarter. It also happened in July, BRL213 million. We had the greatest AVA and we had the highest allowance for doubtful accounts this quarter, AVA, BRL180 million. Today we no longer have any exposure to our sales in Venezuela. As long as we don't address properly growth and sales in that specific country and by the way because we had a term to achieve, we decided to work on our allowance this quarter.

FINAL

There were other factors, other losses coming from restructuring, for instance, agreement relate to dairy products that were lost in the P&L. We also had gains, taxes that were also significant, recovery of former terms that happened this quarter. And we had another BRL47 million as losses in Minerva. In 2015, our EBITDA amounts to BRL130 something million, accounting reasons. Net income, because equity method affects the EBIT.

Now if you add all these factors together, we might consider that the third quarter is almost a washout between negative and positive. If you consider the order of magnitude of dairy, very significant AVA and even the equity income of our business in Minerva. But to be very candid with you, the margin where we are at the company today on a consolidated basis - and by the way just a suggestion as we did in previous quarters, we just made comments about adjusted EBITDA. It's about BRL80 million less compared to what we published. The company run the 17.4%, 17.5% of EBITDA margin. Each market is different, every discussion is different, every choice over the third quarter will be addressed later on.

Having said that, later on I will be showing more slides just reminding you like we said in the previous quarter our financial cash cycle worsened by four days as expected this quarter. Historically it happens. Compared to last year, where we had five days worse, this year it was preciousy four days, particularly inventory and stock. We have acquisitions, integrations. In the past, there were sales inventory and now they are in process. We also have grain, historically we have more physical grain, increasing our inventory levels for future times and we also are building our inventory for special dates and year-end. So there is the slight curve.

Cash flow, we keep on delivering well, generating cash. The company today is in very comfortable cash liquidity position. Net debt was slightly affected by the buyback program, a little bit of exchange variance. Indebtedness profile is very long, 80%. Our debt basically is dollar-denominated and so is our cash, cash and cash and equivalents, a lot in strong currency and also in dollars.

We keep on improving our ROIC and we have challenges, but with high engagement, we provide more assurance to our continuous challenge to improve the ROI of the company.

So, now, I give the floor to Flávia, so she can give the breakdown of different regions. So just highlighting what we said before, and the IR team will also be available to you, we talked to some of you yesterday, but we just wanted to clarify more about this quarter that sometimes can be more confusing. Thank you.

Pedro de Andrade Faria {BIO 15115819 <GO>}

We can give you a breakdown of market by market, but that's an important message that Augusto showed us. In this quarter in which we had significant extraordinary events among the positives and negatives, they kind of offset, so the profitability of 7.5 is a reality that we found made up of record margins in international markets and the challenges that Flávia will be addressing for Brazil.

Flavia Faugeres {BIO 17666968 <GO>}

Good morning. Before I get into the financial results, let me show you what we want to do in Brazil. The most important thing like Pedro mentioned, he said we want to be the most inspiring food company worldwide and that's why I begin by saying that BRF wants to be the most inspiring food company in Brazil. What does that mean? This means that we, you and our children, we want to work for BRF and relish taking our food.

I know it doesn't sound so significant, but it is very relevant. If you think about how were you to feed ourselves five years ago and how we do today, we would see that that's a very strong position moment. Our awareness when it comes to us, our body and what we eat and how our children will be is changing very fast. Now, that's something amazing about this company. Deep inside, this company has been on for 80 years now and it is constantly reinventing itself, teaching us to eat in a different way and that's our mission in Brazil.

But how can we make it happen? It takes a very simple vision. I talked to some of you before, but the vision is the following. We are, we behave and we have to be perceived as the only leader of food in Brazil and how does it bind to our results. This year, we have a lot of emotions and challenges. We decided to have a strategic series and results in Brazil, more than anything, show precisely how we work on our strategy for the year.

So these are the results for Brazil. Sometimes, Brazilians are anxious and I say, no, keep cool. I've been in the industry for 24 years now. We are going to overcome these problems. So we won't focus on the quarter alone, but we are going to talk how to address a day, a week, a month and the whole year and how we will overcome the crisis.

So first thing, since 2010, when we had the (57:08) event and the restructuring of the food industry, where we are, volumes of many categories went down in Brazil. In other words, this year and next year, we will come back to the amount that was eaten back in 2010 Brazil. So first thing, there is a lot of room for growth volume wise in Brazil so much so that we increased by 9% in the first quarter and we keep on growing year to date 5.8%, growing quarter-on-quarter, 3.8%.

In Brazil, many companies are decreasing their volume. So are you bullish about the continuous growth of volumes in Brazil? Yes, I am bullish. Is it easy? No, not for me, not to anyone.

[Unfortunately, we lost the sound. We don't have sound in the translation booth, we apologize.]

Contribution margins sometimes are 20% more compared to other categories that we see in the market. So there is a very strong interest on our part to re-innovate these categories with innovation, so they keep on having a good pricing range.

So let us talk about price. In reality, we transfer prices in July and we decided that we would not transfer prices, but what do we mean by that? It's plain and simple. Naturally,

we have a very strong cost pressure and there will be a carryover effect for next year, but as a good leader, we decided that was the right moment to transfer or not to transfer and we decided that we would face the second half of the year.

Perdigão was coming back and we wouldn't have a price transfer holding the cost structure with us. It's no use being a leader if you fail to understand your strategy, when you go upwards or downwards and our strategy for the second half of the year is to be see extremely aggressive, to make the market evolve and sell out in the market so consumers can keep on buying our products and strengthening our brands.

Now, the net sales growth last month was 3.8% and EBIT that unfortunately has a downwards arrow, but it is absolutely - we have awareness of that. Now, we have no intention of losing money, but we have decided, as we have told you a few months ago, a high investment on Perdigão brand, a very high investment in our - because in terms of point of sales and we wanted to place Perdigão back in the game and that was not time to back down. We wanted to have two strong brands, one that we call AM1, which is Sadia that has a premium price and the other one Perdigão that is more affordable brand.

Both of them will be playing the game right now in Brazil, when we do have the task of just facing the crisis with a strong portfolio. So let's go to the regions, because I know you are interested on that. So what's happening to Perdigão? For me, something amazing happened. I've been with the company for one year and one of the things that I wanted to test was the equity size of the brand, because I get old, you get old and the brand is here for 80 years. This is the job that we have, right.

So what happened was that we did have a return that was higher than expected and we do have a problem of production ceiling. This is a ridiculous problem, but it has happened. We did have a ham volume of total BRF Sadia and Perdigão that grew quarter-on-quarter since the brand came back in July, August and September, 11.8% in ham and 11.3% and smoked frankfurter.

And the question that I love and I am already bringing that to you, what about market share? An amazing thing has happened, Nielsen did not read Perdigão and it's reporting that the market quarter-on-quarter, third quarter vis-à-vis second-quarter has grown 0% in the smoked and 0.3% in ham.

So I don't know if I'm sad because if the market just went straight through and I have gone round sometime, I will have market share, but these data are very good. Another thing that is important for me is that we had here a target of clients and we do not know how strong Perdigão was and we have increased our target of clients that was supposed to reach December and we already met the target, July, August and September that was strong enough. So that means that Perdigão ham is already in 28,000 points of sale and the smoked Perdigão, this amazing category, is in 43,000 points of sale.

So you can see the base of clients that we move, which is very relevant for us, is high. So high that we are now managing the portfolio and increased production to be able to meet the target. These are the results for Perdigão.

FINAL

And now we are going to talk about something else that is happening at the same time at BRF and we are talking a lot about transformation, which is how BRF Brazil changes itself and transforms itself?. You may have an idea, an older, prior idea of BRF, you might be asking what's happening and there is something happening and you are asking yourselves how we are going to change the future? We had a go-to market in Brazil last year, which was very strong.

We have grown 43,000 points of sale and now we have a stronger task, which is, one, to make everything happen, to increase productivity, and when you expand, you end up losing productivity and how we are going to make that path efficient. We have some important things that are happening this year that will be even stronger next year, the way in which we are structured on sales and this is a long-term commitment. So, how we placed ourselves in sales went from channels to regions. That's very important because when I am ready to have a category strategies, I have understand what is my ability to price in that specific area in that specific town, considering that consumer and that available income. And we did not have that information available before. We now do, so we will have specific strategies for the different regions for specific categories.

We have done something that's very special which is the optimization of SKUs. We had 700 SKUs to be sold. Now, we cut them down to 350 SKUs. We had a meeting that we're going up and I said we had to cut them down and we do need to cut them down and we have a strong productivity work being done with our sales force. And if we calculate the productivity as volume per head count, we has increased in Brazil 18% that productivity. Is that over? No. But in Brazil, there is a lot to be made in terms of efficiency of our sales forces.

To work in the service cost, we have a logistic power, logistic structure that is huge and it is far from being ready. And also we have three important pieces of data for you. It seems to be a joke in the beginning, but it gets more interesting along the years, which is the visits compliance. Here we have 3,500 visitors and but we're not able to see if they were going to our points of sales or not. So now we are able to check that by GPS. So in the beginning of the year, we had more or less 30% of our sales force that would go exactly - that would exactly follow our daily visit plan. And now we have 80% and that's very important because behind a salesperson, we always have a truck.

So can you all imagine if the salesperson goes out of their route all the times, so we also have that optimization work. It has a lot to grow that's how much I can optimize when I go to the points of sales. The (01:06:20) or those optimization are already improving, because that is what provides our ability to make things working a lot well to have the correct prices, to have the priority categories in that point of sale and to have the correct merchandising in that place. So BRF is working on a major cultural change. That's why we have the project Viva BRF. So let's work, let's go to the point-of-sale, let's do that penetration in a sustainable manner. There is no use of having a strong penetration and having no discipline along with the work.

And now, we talk about brands, I am a marketer, everyone loves to have a market opinion. Oh, that's a new campaign, have you seen a new movie, new film, but the brand - you cannot develop that overnight. Thanks God. This brand, Sadia and I wanted to show you

that because I'm very happy to tell you. The Sadia is the major food brand in Brazil and here we have two peers, even in our categories, these are huge peers and we are larger than them.

Sadia is this brand, the largest food brand in Brazil and we have a lot of room, not only to have categories that are in the kitchen as I usually say, but also out of the home because a lot of times, you eat Sadia brand in your homes, but if you go out and you pay attention to everything that you eat out of your homes, you will want to see us out of your homes as well because we are eating out. It's the more - we also have Perdigão, our third food brand, it's growing.

This is no joke, I mean, here, we have the ability of placing that brand and the clients to price it, to bring innovation and we also have Qualy, this is the fifth largest food brand in the world and we have an expansion staff as well there in food and it's amazing. We should not only keep that brand in margin range. If you see how big that is, the size of its equity, you see that it has a lot of room to grow beyond the asset already is. And here we have two of our competitors in the bottom part of the slide with a lot of effort, a lot of dedication, and marketing, they have the size and they still have a lot to do.

Finally, I think we have something important here and how much we are able to differentiate those brands. This seems to be very simple, but it is not. This is the key of success of major companies that have done mergers. And how do I merge two brands, one, was the leader brand and the other one was the follower brand and how can I work in a way that a brand does not cannibalize the other one and something that is going to be very clear for you is - and next year is going to be even clearer - is that what is Sadia's path.

Sadia is a flavor convenience and health. This is a brand that is recognized by everything it brings. It is the brand that has the best flavor in Brazil and it also involves a lot of health ability. So I would like to say that Sadia has that obligation of innovating in Brazil. I'll give you an example with ham. Up to today for the Brazilian consumer, the best ham is the cooked ham of Sadia and the price that they consider is Sadia's - the highest price for ham in Brazil is Sadia, but when we start to work with the premium line, and these are products that we have with Sadia for a long time, the (01:10:42) ham and other types of ham, you start changing the price perimeters of consumers.

So, yes, you are working in the premium segment and we also are changing the price perception of consumers, because when we have higher prices here, the prices become relative in the total portfolio. So Sadia has a major role of innovating here and also pricing the foods - the food market in Brazil.

So now, let's turn to Perdigão now. Perdigão is AM2, there is no question about that. In addition to being AM2, it has a clear task of ensuring access to quality food. We are leaders of the excess proteins in Brazil. We are leaders in (01:11:42) and frankfurters and a lot of proteins that are entry proteins for Brazilian consumers and we do have a task, we need to be affordable, we need to bring nutrition. There are a lot of needs that we do not mention too much here, but they are all related to nutrition as well and we want to work

with very affordable ranges here. So you see that these brands have a little different directions, one in the premium and another one is a more popular brand. And Perdigão is there every Sunday and Sunday show on TV.

And Qualy is a wonderful brand that has to go beyond margarine. We have to expand that brand. It has an amazing profitability, a great margin of contribution and we have a lot to be done here with this brand.

The selection of the (01:12:55) cuts the seasoning based on herbs and wine. The maturation for 12 months, cooked and all the different brands. Eureka Sadia, the most perfectionist (01:13:18) ham producer in the world. Please go back, yes, he went and he came back. Yes, he went and he came back. Perdigão ham is back. It's good, it is very good, it is really, really good, avoid surprises. Buy what you know ham with less fat and more protein, only in Perdigão.

Well to conclude, we do believe in quality products and I have to tell you one thing. Did you know that the only two hams in the world that can say that they're really good protein sources are the hams from Sadia and Perdigão? Well, what I mean by that, what have we been eating? So, we would like to conclude with that, maybe, we will have more questions about Brazil later on.

But this is the meaning of being a leader, Sadia has its own tasks, we are not going to go out to fight on the streets, you know about its superior quality and Perdigão has also its clear path, that's not something that you develop in one day, in one quarter, but that's what's going to have us go forward in the next years, feeling very confident. Thank you very much.

Pedro de Andrade Faria {BIO 15115819 <GO>}

Okay. I will also stand up and now talk about international markets. I was the CEO responsible for everything except Brazil. In New York and London, we will have our colleagues that are managing those regions with record results and I will start by Latin America, that's where we see higher transformations in our business already in the quarter.

So, here we have the figures, numbers that are difficult to explain, but if you exclude everything that represented the Venezuela in my Latin America basket, we are going to have a growth of 12% in everything that is out of Venezuela. More than that, we have a strong process of profitability recovery in the business. Now, we are reaping record results in Argentina, considering the political and economic scenario that we see there and I believe that in fact that we have made a leading in the Argentinean market, especially accelerating acquisitions is going to give us strong dividends.

But we have already hosted record results of growth and profitability in Latin America and I would like to talk about movement that we have had with that. Now, we are having a movement or re-launching the Paty brand which is a synonym of hamburger in Argentina, a strong go-to market work and we're actually the quality of Paty, hamburger already

makes 56% of the hamburger market in Argentina. That category in Argentina, if you have been to points of sales, this is not a category of hamburgers that we have in Brazil. This is one of the major drivers of traffic and profitability for our clients and points of sales.

And then with the acquisition of those brands and this is something that we have announced with Molinos industries and then consolidating a leadership in at least three of the main categories of the Argentinean market, go-to-market brand is the premium brand of hamburgers. It is seen as a niche market that is with a price point even above (01:17:25) now we will have the same possible architecture of AM1 and AM2 and I will reach to the hamburger position that much more than 56% that I am showing.

I cannot give you the data yet, but this is a clear dominance in that category. Vienissima, brand, if Paty is the synonym of hamburger in Argentina, Vienissima is a synonym of frankfurter. It is such as an iconic brand as Paty and along with Paty and Paty Vienna (01:17:58), we are also able to have a comfortable leadership in the market with above 40% of the frankfurter market there. And then with Delicia, we will have then a position of complete dominance over 80% of market share in the margarine and spread category in Argentina.

Now, Africa and Middle East, this is data that I also challenged analysts to detach us from dollars. So how has it been possible even with the dollar to have these results that are eight times higher than last year in the Middle East and once again as Flávia mentioned, this was a conscious effort to go forward in the Middle East to create conditions by the means of acquisitions of distributors that have been seen as a small acquisition, not as relevant in total, but on the whole, they positioned Sadia especially as the dominant brand in the points of sales in the Middle East.

We have harvested results of average prices that challenge logic of the company as we have operated because the depreciation of (01:19:14) always causes a price environment that is much more challenging in dollars and the region and now we are now very comfortable with the prices and prices that are going up, even in dollars in some categories and we have a growth level of the company that is much accelerated, over 20%. So I feel I am harvesting a lot of what we have planted in the last two years.

Talking a little bit about Abu Dhabi plant, it has allowed us to grow strongly our market share in the categories in which we have higher added value. We are doubling our presence in those five or six categories in which we decided to play. We already have in Abu Dhabi plant all six lines in operations and now we are discussing what we are going to do in terms of broadening.

We are one year ahead in the plant business plan, we were very well received in the market. And in the main market in the Middle East, Saudi Arabia has given us the license to exports from Arab Emirates to Saudi Arabia in less than three months, so we already have a gap to go after what happened in Kuwait and Emirates and Oman as indicators, we believe we are going to have an accelerated growth process as well. We have employees of 20 different nationalities, working there. So we are already having some productivity and efficiency indicators higher than even the benchmarking plants here in Brazil.

FINAL

No accidents since the opening, this is really a feat. So if you started a new plant in a different environment, you should be proud of that. And still very important, we are launching our dream of becoming international and I mentioned that in the press conference. We expect that in the next three years, at least 20% of the total production of the company comes from other divisions and Abu Dhabi's model is possible to be replicated in Africa and the south-east of Asia, and in Latin America to grow the categories that are interesting. And that growth is 18% year-on-year.

This is the portfolio of Abu Dhabi's plant. It's a very broad portfolio. If you have an opportunity to go to Kuwait or to Qatar and we have concluded that cycle of acquiring distributors with Qatar's acquisition. We have no other acquisitions to be announced there because mainly all relevant markets are directly being discussed with us. And that productivity journey that Flávia launched in Brazil will feed a lot of the knowledge that we are having with the distributors there and we believe this is a market in which we have changed our business model and we have a leadership there that is going to be hard to be challenged and the results, and the cycles will withstand at levels that the company has never been before.

Media coverage, we have done a lot there. What Flávia mentioned was a massive investment in brands and categories. That is also happening there in spite of the record results we are having there. It does not come because we are holding back marketing investments and distribution investments, we have been very active.

[Video Presentation] (01:23:10-01:23:21)

Bloomberg Transcript

As you can see here, differently from what we are doing in Brazil, which is growing deeper in the positioning of Perdigão, different from Sadia here, we are introducing ourselves to the region's consumers as someone that is not only a player in the broiler or chicken category, but we have a whole set of products that can supply them.

Now going to Asia, that's where I wanted to go more into details of what happened in the quarter, we had an impact that was very relevant of at least three or four factors that will explain the drop in volume as well as the drop in profitability. We had some issues considering the strike that has held back the volume, not only for Asia, but also for other exports, Asia still depends on the export model more than the Middle East. We have had also issues related to the suspension of one of our plants.

It was very specific, it happened in (01:24:28). We have volumes there that are exported to China and Japan and we believe the process to have that plant up and running is already going, but we had a held back there. So differently from some reports saying that Asia is already undergoing a deceleration process, a drop in prices, we did have challenges, operating challenges here.

This is a portfolio, I would like to say that we have said before in the quarterly releases that we want to introduce Sadia brand in Asia. This is part of our portfolio that is in China and it is related to that convenience driver and quality driver as well that Flávia mentioned about

FINAL

Brazil. So if you have not been to China, this is a snack product, it is sold in an environment temperature and it is customized.

We have different sauces here for Szechwan cuisine, and it is sold in convenience store as a snack and we have that in over 2,000 points of sale in the Continental China and we have a full portfolio to our right, which are the portfolio of in-natura products sold in Hong Kong with also high penetration. We have had good results because of that.

We have another portfolio of processed food, of course, we do not export processed to Asia, we have three partnerships there with co-packers, local producers that are doing the work for processed products.

And finally Europe. Differently from other markets, Europe benefits itself vis-à-vis the quarter of last year to the easy comp. You might remember that we had a challenge in the plants that were suspended for Russia and so the volume that we had for Russia, we are now back working in Russia easily and that explains all the gain we have had in the year-on-year.

This is also a retail portfolio that we now have in Europe. We have launched Sadia brand in the main markets of Eastern Europe, seven markets in which we are present and here you will see the portfolio. The breaded products category is one of the major drivers, but they are also added by in-natura products in which we are present in Hungary, Poland, Romania and other markets and we are well succeeded going back to Russia with our brand.

We were out of Russia for almost two years in the retail market. Now, we have a consistent work being done by local partnerships that have recovered one of that - something that we had there, awareness of over 40% and in spite of being less than three months of launching what we have been able to have in terms of sellout in Russia shows that Sadia does have room there in addition to our in-natura business that we have there basically with pork and meat.

So I would like to conclude with our Seal of consistency and diligence. This seems to be the longer lasting company in (01:27:57).

And now, we are going to open the Q&A session, it's very important we can go into details, I'm sorry for the long presentation, but I think that is very probably what's very good for our BRF Day, so that you can have a better idea about the company.

Unverified Participant]

Before we start our Q&A session, I would like to have a quick ceremony here for the Seal of Consistency. 33 years, this is the longer lasting in APIMEC system. The seal is given here in Brazil (01:28:38) along all the time have been with us providing us a lot of information and, as I said, I believe we have grown together in the market and also we practice what we believe is important to have information flowing in the market in a quality manner so that we have the possibility of having a meeting in which we can

bring together a lot of market agents, those that make our work - have the vision and transfer that type of information and results.

And I agree with Rodrigo, I believe that in any company, in any moment of our life, people management is fundamental. There is no use of having a whole set of things working if people are not feeling good, they are not recognized and are not feeling motivated.

So there's no use of having a machine if people are not feeling motivated to work. And to bring that perception to the results, to see it turning into numbers, and that challenges the analysts, to integrate all these pieces of information and I also should mention sustainability, governance, we realize the change is there, but not always we see in the reports that being said, some event that might be contributing to show value that the company is developing.

Sometimes the analyst is not able to bring that up either to value the company or either to penalize the company saying that this is a practice that should be in place. And now I would like to bring up the National Chairman of APIMEC, the regional - we have the national APIMEC, which is the regulating agency for the analyst professional and Alexandre is our Chairman, I would like him to give Pedro our CEO of Consistency for 33 years. And let's not forget that the market information job is something that applies to all members of the company because sometimes the analyst needs the information and they have to go to the shop floor to get it.

So I would like to congratulate everyone from the company for this whole set of information. It is the longest standing story of the history of the association. There is a five-year difference totaling 29. So this long history and track record highlights the importance of transparency, willingness to establish a dialog and this is represented by the CEO. Congratulations, Viva BRF.

We are opening now the question-and-answer session. Please introduce yourself and speak into the microphone.

Q&A

Q - Pedro Leduc {BIO 16665775 <GO>}

Good morning, everyone. Thank you for your presentation and for the meeting. I'm Pedro Leduc here, analyst from JPMorgan. My question is about the domestic market, you mentioned you're working very strongly to activate brands, so why is it that we had this slowdown of volume in processed products? Is this something more domestic or specific?

And Flávia also made a comment about a change in price where we are the leaders, that's our behavior. So are they going to lead and drive a price hike or lead the share, should we expect to see a price rise in the future?

A - Pedro de Andrade Faria {BIO 15115819 <GO>}

FINAL

Let me talk a little bit about price, just to start it. Answering your question, actually a leader is a leader in every sense of the term, driving prices and maintaining market share. So this game, sometimes - I pulled the market because if you don't price the market, the market doesn't come along. So sometimes you pull the market and then you lose market share, it's only normal and then you balance again, you pull the market again. And if you can deliver new benefits in a very active brand. Then you can have higher prices and improve the scenario.

So as we speak, we actually decided that we would not increase prices, even though they are. So we decided to maintain cost in-house and we will be working on prices in the beginning of the year and during the Brazilian crisis, we cannot deny there was a crisis, this will be the rule of the game.

So, try to increase prices without putting too much pressure on Brazilians. It is our ability to maintain the market keep on growing. One of the most interesting things that happened to the market if you look at it carefully, the food markets, our market is increasing volume because the whole market is just like me. So some markets however are going down the drain.

In our market, this is so to speak basic. So consumers start cutting down items but they have to pay a rent and they have to feed themselves and as a leader, we benefit from this. So processed products are growing up. In the second quarter as everybody imagines the pace is slower now and imagine that in the first quarter of next year, it will be slower and then catch up.

Now, that's a wonderful market to play the game in the midst of the Brazilian crisis, let's face it. So your first question was why is there a slowdown in the trend of growth year-on-year, considering the second quarter. If I understood your question correctly, clearly, we're not immune in Brazil. We've all read the newspapers, there is a drop, significant drop in disposable income that are projections made by analysts and maybe the most or the strongest recession in Brazil since 1930.

So it's surprising to see that we still have positive comps vis-à-vis last year in our categories, particularly when we are activating more often, which are the categories in which Perdigão is coming back with double-digit growth. So the price moves has to do with the choice made by the company to support its market share like Flávia said and we are cognizant that if at any time we need to work on margins again, we'll be able to do that because we're leaders in the category.

Q - Thiago Duarte {BIO 16541921 <GO>}

Thank you. Thiago Duarte from BTG Pactual. You shared some information in the first quarter and that was very important for me to follow. It has to do with the evolution of the gross margin in the domestic market. Even though the operating margin was not following up and certainly not in the third quarter, it's important to have some reading of the gross margin. Flávia always mentions contribution margin, right, and gross margin is also important to do the math. So I'd like to understand better the gross margin in the third quarter.

And my second question, I understood that, well, Nielsen, which measures the market share in your industry more often did not capture this, but in your opinion, what is your share evolution sell-in, considering space on the shelf, competitors' performance?

And if I may, Augusto, I have a question for you, when we make adjustments, there is a series of non-recurring items. You have a reversal of provisions or maybe a new provision that is associated to Venezuela and then you have a number of other gains or reversal of provisions and other revenues. From which markets do these margins come from so we can make the right adjustments?

A - Pedro de Andrade Faria {BIO 15115819 <GO>}

Gross margin. Precisely, you know that I do love operating margin. My CFO was very happy with me because it was driving the gross margin quite strongly and gaining points in the gross margin. This quarter, we slightly lost gross margin due to the move we decided to go to. So the gross margin has the price effect.

So I held prices a little bit longer and then the gross margin got weaker not so much concerning, because that's something we did voluntarily, but clearly the path, as I see it is, to gain gross margin. We will be recovering it next year and we have a total obsession for categories that will add value. So if you ask me, I consider to be a very fortunate evolution in terms of having margins and right prices in the right categories.

Your second question was about market share, right. So in reality, I seem to be very calm in this whole game. By the way, years of experience do help me, but I'm very happy with some of our results, results, for instance, in domestic accounts. Maybe, some of you have access to this and you see that we managed to do our homework.

So there is a percentage of cannibalization between Sadia and Perdigão, but it is below our expectation and we are moving towards market share, but to be clear with you, Nielsen has 35% coverage of smoked ham and smooth animal effect and aggressiveness in the markets, so the readings will take two or three points to be read.

Other than that, the important thing right now is to be very clear in terms of our attitude at BRF. You heard me saying that before. Once we define the minimum and maximum range of market share, then we will be monitoring all the time. I have no intention to maximize market share. I have a real intention to optimize it and that is my direction in my capacity to be a leader and innovator in the market, so we are just in the beginning.

The maths that I mentioned before in previous times, this is the math that would tell me the ideal market share or the right range for BRF, taking into account these two categories, ham and smoked products. And just for your information, the categories in which we play with both brands are doing fine. Thank you.

A - Augusto Ribeiro {BIO 18485971 <GO>}

Just adding to the comment based on my experience and even based on what you saw before in Brazil in the past, price transfer in Brazil was never a problem to the company,

never ever, particularly Sadia, which was a market leader and Perdigão was also following suite, but since it merged with BRF as a competitor, Sadia, Perdigão, so Flávia is underscoring this several times. This strategy is a voluntary choice by the company.

Naturally, we have a crisis in the country and this helps us in our decision, but that's a clear decision by the company. We are positioning Perdigão, launching the brand, a new drive for a position in Sadia and this does have an impact on the company's profitability if I think about SG&A, I also invest more.

So, I have more cost, my price, that's why EBIT does down. So we're not really concerned about profitability in Brazil. It's only a matter of knowing how and when we will be having profitability back.

As to other results, historically speaking, we don't rate other results for specific events, particularly major events. We have a platform. PEDRO mentioned our ambition to reach a significant percentage, over 10% or 15% of production overseas for the next three or years, which is amazing for a company like BRF, but our footprint, our tax base, our distribution base is pretty much focused on Brazil and it meets the needs of all markets.

So we rate equally for all markets, including the ADA that we mentioned before, but the IR area can give you more detail for EBIT adjustment, which I believe is what you're interested in.

Thiago, let me try to give you a more bird's eye view of the company's profitability. We are considering some disappointment in Brazil margin at a quarter in which we have record historical margin of the company for the third quarter, increasing our EBITDA over 30% in reais.

If we look at the whole picture, naturally the dollar does have a contribution with part of the international market share and Flávia goes for out of strategy and makes all the sense of the world, she doesn't work through and act on immediately from the price pressure. So we do have a slowdown from the trend in gross margin, but that's something that is under our control.

What we see going forward, particularly in Brazil, that's what Flávia tried to say, not only does the company keep the same lever, trying to recover the profitable position in Brazil, but also a mix effect also taking place into Brazil that will need a healthier contribution market.

So, I would just like to underscore this, as to extraordinary items, we adopted a line of the company and we believe that EBITDA is EBITDA. If I started it fine, what is adjustment or not, you've just created my ability to break the moment to be followed by market, but in reality, if you look at consolidated figures, you're very close to actual numbers.

Over the last quarter as we were affected, but increased our provision, that is very significant. Some of them are being reversed because we were strongly related to our

FINAL

legal department. These gains did not come from extraordinary item on their own. We were bold at the time and I wish I could see all the players in Venezuela to see that as credit and the level of probability is much lower. So we stopped running the machine for more than two quarters or three quarters and this has an impact on our balance sheet in over BRL185 million this quarter. And I believe it has to be addressed as an extraordinary item.

And lastly, we do have gains which also stem from our initiative to fix dairy asset sales in dollars. But in reality, there is a carryover effect for the dairy operation last year and it was already a decision to invest and it did have an impact on other quarter results. So when you look at management as a whole, this quarter is, so to speak, polluted by BRL200 million or even higher BRL185 downwards reversal of some provisions.

And the equity of Minerva which also has an impact on us, by the way, that's something I make a point of, explaining to accountants how come they have this rule in which equity income, well, the impact of foreign exchange in Minerva balance sheet becomes EBITDA for BRF. That's an impact that we should check, BRL133 million per year, but it's there in the math and I even saw the report, I think you're concerned about having a better rating (01:46:25), the scenario of historical maximum profitability, factors in domestic market that are structural and not cyclic.

Flávia's cognizant strategy to support market share in Brazil and this is the key moment for Perdigão to be positioned when it comes to communication and image and it affected a decision that Flávia mentioned. Considering the economic scenario, when it's the right time to adjust the price. This too is not broken, but we just decided not to use it right now.

A - Pedro de Andrade Faria {BIO 15115819 <GO>}

Just adding to the comment, that's the conversation I had with some of you before. BRF had easily found a profitability or pricing mechanism in Brazil, but the question you used to ask me half a year ago is how can you become a leader, how can you remain a leader, is it sustainable, how can you be sure this is not a sand castle, so now we're learning to see both dimensions.

Sometimes, we play with price transfer and sometimes we hold it. Well, hold it now, let's see who rules the market today. So now these are the two dimensions that you asked me half a year ago.

Q - Ricardo Saraiva

Good morning. My question is about brand image. There was this slide you showed, Sadia's image and then next to it, you had peer 1, I don't know if I recall precisely what was on the slide, but Sadia's brand preference was 34, Food Peer 1, 32, and I don't remember the other numbers but they were very similar. So my question is, do you have this progress measurement of brand image, it would be interesting to see it?

A - Flavia Faugeres {BIO 17666968 <GO>}

Yes, the answer is yes.

Q - Ricardo Saraiva

Okay, the second question is what about Peer 2?

A - Flavia Faugeres {BIO 17666968 <GO>}

Peer 1 invested a lot in advertising recently, right, because it's very close. Peer 2, don't delude itself, it's from the food market. The bottom Peer from level two, I think these are the ones you have in mind. Peer 2 is a huge brand that your children used a lot. Peer 4 is another from other categories. None of the peers that I have in mind are on the first level. The peers that you see more visibly are still on level 2. We still have a lot of money to be spent, many brands to be built, many benefits and many children to use our products so we can get there. But we have a monthly tracking, by the way, and we're doing fine, thank you.

A - Ricardo Saraiva

Can I just say something, there are two questions here otherwise you're going to have a backlog. But Luca from Goldman Sachs (01:49:20) wants to know how about price positioning, lower price positioning of Perdigão and how can you give support to the fourth quarter considering the consumption environment?

A - Pedro de Andrade Faria {BIO 15115819 <GO>}

I would like to say that in reality, the problems we have with Perdigão brand is quite the opposite. We are challenged to have a right position of Perdigão brand because the equity is very high. So if you look at the points of sale in Brazil, in several cases, you will see the price of Perdigão ham pretty close to Sadia ham price. In reality, that are two messages for us. One is very positive. Perdigão equity level is stronger and the other is not so positive but Flávia is working on it. It is, well, considering our productivity metrics, we want to have the right price at the point-of-sale. Answering local question in the fourth quarter, we have an ability to support and sustain volumes and grow in the fourth quarter for Christmas products. Am I answering the questions properly?

Q - Ricardo Saraiva

Hi, I'm Flavio from Itaú BBA Credit Section (01:50:37). My question is to Augusto, financial aspect. If you look at the company's earnings, particularly in September, it's changed, pressure is very significant year-on-year. When I look at the first, margins, we can see excellence. Actually my question is about financial expenses and the impact on leverage, net debt over EBITDA. Do you think this might increase the net debt over EBITDA of the company and what about exports, any significant reduction that might generate any kind of friction? For instance this year, there will be higher leverage due to financial expenses vis-à-vis exchange rates. Is my assumption correct? Or exchange variants naturally has an impact?

A - Augusto Ribeiro {BIO 18485971 <GO>}

Your question is very timely. The company is basically neutral with an offset impact. There is an impact on debt, impact on investments, (01:51:50) debt overseas that's why there is an impact on debt. But for financial expenses, exchange variance has some constraints

due to my neutral balance sheet position. Long dollar, we are exporters, the profitability maintained in the market and they are very helpful. So, we don't see a significant impact, of course there is an impact, but not so big on financial expenses, particularly because we have a neutral balance sheet vis-à-vis exchange variance.

That's an important point, we are opening the season to disclose results in Brazil and let us see the impact of exchange variance on several companies. Our hedge policy has been very consistent. The balance sheet is nearly neutral. Most of our cash is denominated in dollars, maintaining our ability for (01:52:44) and acquisition. And at the same time, the balance between or on exchange rate, considering gains in exports and the impact on costs, over the years it tends to go low and try to offset.

Q - Gabriel Vaz de Lima {BIO 16224058 <GO>}

Good morning, everyone, I'm Gabriel from Bradesco. I have two questions. My first question is - well, first of all, I would like to better understand the strategic change, the commercial change you made in the third quarter. I want to understand it was mostly driven by macroeconomic factors or more related to competition, that's my first question.

Second question, Pedro, you focus on the consolidated margins, am I right to assume that because you have a very favorable movement in foreign markets you're trying to clear adjust the domestic market accelerating marketing, for instance, and then you have a lot of margin or a pent-up factor of margin in the domestic market and few things get different in the foreign scenario.

A - Pedro de Andrade Faria {BIO 15115819 <GO>}

Thank you for your question. This boils down to the company's strategy. You guys sit and consider this to be a windfall, a cycle that was very positive to us, which allowed us to fund adjustments in the Brazilian market faster than we would chose at first. At the same time, maybe addressing the second question, like we said before, profitability for amateurs in Brazil, historically speaking, were more under our control due to our leadership, but I don't believe the margins that we have today internationally are cyclic or ready to go down substantially.

If we consider everything we tried to show today, there was a structural change in my international operation profile. Argentina today is a driver for growth just as Latin America is and it is not connected in the international poultry cycle and the same goes for the Middle East, it is isolated, and the same goes for our movement in Asia.

I will give the floor to Flávia, so she can answer your first question but before that we all have these forces at the same time to be more dynamic. So we do have a competition move and we also have a more challenging economic scenario. In my opinion, and I would also like to listen to Flávia's opinion, the reason why we have this more aggressive behavior is mostly related to something that we told analysts before, it is the re-introduction of Perdigão.

The market will be unbalanced, the sooner you come to a new balance the better for us and even better to our competitors and to the industry as a whole. So the other topics macroeconomics and competition are secondary to our decision to be in our position. A third driver is what Flávia said, it is the quick fast track process of productivity gain in Brazil, which will allow us to be more sustainable when once we need a higher profitability level.

FINAL

A - Flavia Faugeres {BIO 17666968 <GO>}

I think he said it all, but just one point, I think you touched upon the most interesting point that has taken place in Brazil. When Pedro became the Global CEO, and I was in charge of Brazil, the burning question at that time was how are we going to transform Brazil because Brazil accounts for 50% of the business. And we all know that BRF has a lot of room to improve in Brazil, there is no doubt about it.

So, yes, we do have foreign factors, but very little because we were getting ourselves prepared for Perdigão's return. We were really trying to focus on our commercial operations, recruiting talents, dreamers, people who are willing to make the change, who want to become leader and will behave as such as innovators and we also have a lot of in-house talents. People who are leaders and who like being leaders, so we have to work on the pride of being Brazilian, of working in Brazil, we talk a lot about transparency, doing the right thing, having a sustainable company and we will, so go for it. So that is part of the transformation process. I don't know to what extent it is clear to you but it all boils down to our culture and our Brazilian operation and that's what we're betting on. So it's not only a matter of first quarter or second quarter that's something for future years, this is our mode of operation and we will be the leader of the market of foods in Brazil.

Q - Ricardo Saraiva

Good morning, William from Quest (01:58:12). Could you elaborate more on the grain scenario for the next quarter considering that we - well, should we expect to see a cost increase as there is a high exchange rate and consider you're not having short-term price transfer, should we expect to see more margin conversions? And what about the market share because you did not disclose this in the release, so what about your market share now?

A - Pedro de Andrade Faria {BIO 15115819 <GO>}

Can I just make a correction before we - before Flávia talks about the market share? We did not make a decision to stop disclosing the market share, we simply believed the information on market share is not adequate right now since Nielsen decided not to read or did not have the ability to read Perdigão's factors and it made no sense. So we expect in the future that we keep on disclosing the market share very transparently, but just because the reading does not translate the actual market condition.

As to grains, our grain parameter is a translation effect of the dollar. Actually, grain price in dollars at the right behavior and could even work again on our volumes and that was disclosed in our inventory data.

As to Brazil, which buy themselves in real, we're going to have a price pressure and like Flávia said, she is working on the mix. And in the fourth quarter, we had a very significant effect, which are Christmas products. In reality, this helps us to build the margin again. So you are right, but it also takes a mix initiative, which is quite important for the fourth quarter.

A - Flavia Faugeres {BIO 17666968 <GO>}

Let me add one thing. It's very easy for me to transfer market share. It's good that it's important that you understand data. Data say - Nielsen has not read Perdigão's numbers, so they see a market going by flat, which makes no sense because the leader has grown 11%. And it shows as if we have lost market share in these categories in the last quarter. So with the market share data, we also disclosed a letter from the CEO from Nielsen explaining that mistake and that is going to be corrected after October, so let's not make a mistake here.

I am working on this - on this area for many years, so we are going to have a hard time reading that market share because of this (02:01:04) effect, because Nielsen has not read Perdigão and that's data and the coverage that I have mentioned. Having said that, we will always be sending you market share that's what we believe in.

A - Pedro de Andrade Faria {BIO 15115819 <GO>}

Well, so all we have to answer other questions that are coming up to me, Alexander from Morgan Stanley asks us to talk about the drop in volumes in the Asian market if that was related to an operating issue in the plant. And how I see the pricing direction in the Asian market as well.

Thank you for your question. What has happened was a set of matters that have impacted our shipments to the Asian market. On the one side, (02:01:56) port, a important one in the last quarter has been impacted by the increase in volume in real. Therefore, the port did not work well for a few days. Also there was a concerning scenario at the end of last quarter, third quarter, which was the federal police strike in the ports, so there was an impact in the shipments as well that has impacted more Asia and why more Asia than other markets it's important to say. We have the conscious decision of operating the Asian market in the just-in-time, we have no inventory in the chain, we have a long time contracts with Japanese and other markets. So they were first of few to get the hit and the main impact in terms of volume came due to operating problem which was the suspension of Rio Verde plant.

It was announced in the newspapers, it is still suspended especially for China, it is already enabled for all other markets, which proves the work that we have done there to overcome the problem we had in the plant. And we expect that in the next year, we are able to resume shipments to China.

The price scenario in Asia, which is a BRF price scenario, not Asia, it's much more benign than what I expected to be because we have long-term contracts with Japan that allows us to have a lot of confidence. We had a (02:03:24) strategy of changing our mix in Hong

FINAL

Bloomberg Transcript

Kong, which in the third quarter had a volume that were historically higher. And on the other hand, we increased other right shipments to China. So, today I still see profitability levels in Asia that might be the highest that I have in my export basket in Brazil, except for very specific operating issues that I mentioned.

Q - Vincenzo Paternostro {BIO 17670256 <GO>}

Good morning, everyone, Vincenzo from Credit Suisse. My question is about M&A strategy especially out of Brazil. You have a very healthy balance sheet and a clear strategy of growing or replicating the Brazilian model in out of the country operations as you have well done in the Middle East. I would like to understand if it is reasonable to expect acquisitions out of Brazil, of course, and if those acquisitions will keep on being smaller ones considering the size of the company or if we should expect larger acquisitions from now on?

A - Pedro de Andrade Faria {BIO 15115819 <GO>}

We will answer your question and then Augusto might add anything if he wishes. The strategy of acquisitions we have been having and I believe the Middle East that's where we started, you might see a good speed of those acquisitions. They are adding to our business model and allowing us to have those three redistribution pillars working, consistency, distribution and brand, to be placed in the different regions in the world. So I foresee the same path that we had in the Middle East and even more expedited manner in Latin America.

We chose to do that in Argentina that's where we see an operation, the management and the team doing a very strong work. Of course, when we did that in Argentina, the whole markets of the Southern Cone ended up having the same impact. We should expect that an accelerated movement and we do have targets there for smaller acquisitions, as I mentioned, and also possibilities for major acquisitions that could be relevant considering that pace. And also what I would like to add that we very quickly can see a macro consolidation process of our industry. We have strong forces - relevant forces and I could even say that from 3 years to 5 years we might have three to five global players and we intend to be one of them, we could foresee for the next 3 years to 5 years more aggressive moments in terms of BRF composition.

A - Augusto Ribeiro {BIO 18485971 <GO>}

I'd like to add and say that within our M&A strategy the fact that we now have the investment grade is very important. So we are aware of our ability to manage and we know how big we are. So, now we are doing a little bit of that bridge and understanding why Viva BRF is so important to us. I have people that are enabled and I see people integrating those small acquisitions, this is the starting ground for other acquisitions.

A - Pedro de Andrade Faria {BIO 15115819 <GO>}

Yes, what Augusto said is very relevant and it does deserve an acknowledgement. I think we are creating in the company an ability to integrate acquisitions because if you come from the financial market as I do, just signing the check is the first step and I believe we have been developing a business integration track record that is very sound of everything

FINAL

Bloomberg Transcript

that we have done almost seven acquisitions and they are happening in a very smooth manner. Like Augusto said, I like to think that I'm preparing a whole army of people ready to operate abroad and this is what we need to be able to dream even higher.

I have another question that I have received. I will try to address all the questions and to conclude my backlog. I have Alex from Citi. This was the first one, I'm sorry I have not replied before, and he asks, in Europe, what can I say about the trend on the price per kilo, the price increase per kilo that was an increase of price in dollars. And a question to Flávia and when should we expect a return for marketing and trade marketing investments? And how much do you expect to be the sales percentage and also the percentage of investment in trading and marketing?

On Europe, this is basically a mixed effect, we have exported better products, better cuts and we have a very positive scenario for Turkey - for the Turkey market. In Europe, we have also a strategy to localize our distribution. We have invested in England and that is allowing us to capture margins that were held back. And we also have Russia representing good volumes. Therefore, Europe's basket is growing in dollars. About - now Flávia will address the other question.

A - Flavia Faugeres {BIO 17666968 <GO>}

I think it is interesting that everyone tries to model the ROIC of marketing. And I will see who will be able to do that, but I could say that we will be strongly investing in marketing and trade marketing next year, but you also have enrolled with my boss, we will have a growth in net sales for next year. So this is the clearest way of saying that we have to deliver in Brazil the investment that we're making here.

Q - Ricardo Saraiva

Good morning, I am Geoberto (02:10:05). I am an APIMEC associate. And I like to ask you a question. If this is not the right question, if this is inconvenient, please feel free not to address it and you if you have already addressed it during the presentation, I am sorry. But there is a national survey out in these last few days about cancer, and relating cancer to the consumption of certain products. How are you analyzing that issue, how do you trying to face it? And Flávia said that he is going to activate communication, right. So how would that pass the - how are you going to deal with this subject?

A - Pedro de Andrade Faria {BIO 15115819 <GO>}

That is a very good question, it needs to be addressed, we had not addressed that before, but in the press conference, we touched on it. The report was out this week, it's very recent. This is a report that in itself supports - it's supported by 800 studies to come to that conclusion and the author of the report from the World Health Organization states in a paragraph that his study has to be considered with a certain relativity. And it says that if you want to relate it, a very serious disease that you have today with established habit of consumption of the population that will sell newspapers and magazines. And so the author of the study really sees the statistics increase of the risk of consuming certain foods, but he says increase is on top of a very low risk base of having the disease,

considering also that you have to associate that to an uncontrolled diet of industrial products.

So at least that what we were able to grasp from the report, but it's interesting here is that this could be a wake-up call to the industry so that we could have a different positioning and I think that's wonderful. BRF, Sadia and Perdigão are founded in a basic principle and our founder was proud to bring the food they produced to their own homes. So we do have a very well defined institutional strategy. It meets our desire to have real food, real protein, less additives when we are not able to have them. And also allowing flavor and that emotional comfort that food provides.

Food is not only functional, it's also emotional. The World Health Organization says that you have to fulfill everything, your body, your mind and your soul. So this is very important that's a significant message and if we are already in the path of real food, we really just have to drive our efforts even further on that path.

Q - Ricardo Saraiva

I have only one more question. About the foreign market and I like to say international markets because we are a global company, I would like to know how you see the progress of the protein market in terms of demand, price and grain costs?

A - Pedro de Andrade Faria {BIO 15115819 <GO>}

Obviously, no one has a crystal ball, but we have integrated in our assumptions for next year a benign scenario for grains. Of course, it's priced in dollars, we had to translate that into reais, we have to check how the FX is going to behave in Brazil. We have a demand scenario benign, the beef price is still very high. We see in the world, a growth in the supply happens in Brazil around 5% in United States as well, but we also foresee a more benign scenario in terms of price, more than everyone else has seen, because several markets are being opened, we are going into Malaysia, this was important in the third quarter, we are working on Mexico and then we end up changing the access (02:15:04) and the protein market for BRF we are leaders, has still a good and positive scenario for the next year.

Q - Ricardo Saraiva

Good morning, I am (02:15:17), also an APIMEC associate. My question probably is for Mr. Rodrigo about people. We all know that the chicken cut, the poultry cut is heavy labor. So I would like to know how the troops' morale is and if this is good how you can do it?

A - Rodrigo Reghini Vieira {BIO 18232980 <GO>}

Thank you very much, Jose (02:15:48). Because I was asked the question, so really is my day. So, the troops' morale is very good and we measure that engagement by statistics. Of course, they are very representative in our base and 85% of them have the right relationship to some area of the plant.

In addition to that, we have a long-term and a short-term plan to automate functions. The functions that have no reason to be in the long-term. So some activities have been developing themselves because of the industry's speed and some demanding activities. So in our industrial development dream, yes, we want to eliminate some process that we will no longer be as feasible in the future, but in the moment, we're at a very balanced position, we are able to dialog with technology, with the investment, time and also with the happiness of our employees.

Q - Ricardo Saraiva

I am (02:17:05) from Bradesco (02:17:07) and I would like to follow-up this question. Can you give us some indicators of productivity and of depot in our foreign operations? And another question for Pedro. Can you tell us a little bit about Argentinean growth perspective and other markets growth as well?

A - Augusto Ribeiro {BIO 18485971 <GO>}

The single operation that can be compared abroad, we have one plant in Abu Dhabi that has productivity in a similar level to Brazil just with one year of operation in almost all positions. In some specific lines, we have a positive deviation and they drive it even higher. Of course, we have to consider that as a new plant and a different technology. So I would say that Abu Dhabi after one year of operation is at the same level of Brazil trending to bring up the productivity level in the short-term, 10% to 15% higher in Abu Dhabi, we'll see that soon.

In Latin America, it's the other way around, we are doing expansions and the capacity expansion that Pedro mentioned also comes with updating to changing machinery processes that we are bringing from Brazil. So Argentina has lower productivity than us in terms of ton per month, 25%, 30%, we probably will be able to recover that in an year and a half, transferring know-how and updating the processes that Brazil already has. So I think this is the scenario in these three places. In Europe, we have a specific plant and we should not consider it in terms of comparison.

Q - Ricardo Saraiva

Can you give us an idea of what you expect?

A - Augusto Ribeiro {BIO 18485971 <GO>}

Well, I'll give you my personal opinion. Not that this is - really reflects the strategy of the company, but I'm very optimistic in terms of 10 years of Brazil and Latin America, basically because, the money to finance adventures is over and countries will have to work harder than in the past and despite of that political scenario that we see.

So, in Argentina, I see a business environment because of the entrepreneurs or the politicians themselves or how we are being received there. And this is a society that is already organizing itself in a reform may be leaving - believing in a different economic positioning. So I get optimistic because of that. We have no growth comparison. Their economy is in recession technically, but we foresee a weak competition because of a process that we have seen in Argentina that will allow us to bring new capital, new

people, new resources and then to become leaders and I believe that this movement will go forward, if we consider the long-term view that should really be the base for our strategy.

I believe Latin America is a great bet, it is a little bit on the wrong way you might think, but when you read studies and the indicators, you might find that you should be more cautious, but I think that Brazil, this is a moment to accelerate to position ourselves as a company that will allow us when everything changes to be well-positioned differently than if we were not in such a scenario in Brazil today. That's how we should see Argentina, Paraguay, Uruguay and Brazil, and so on.

Q - Ricardo Saraiva

I'm Selfo from Orca (02:21:17) I wanted a specific follow-up here. And it's about Latin America, Pedro, to understand the impact of TPP in this plan, the plan to go to Mexico to use that as a base, really what is the impact of that in terms of Latin America?

And for Flávia, I know that do not want to increase SKUs, but right after that UN study, another study came out showing that pepper is very good to your health. So, I'm wondering if that will have an impact on your SKUs?

A - Pedro de Andrade Faria {BIO 15115819 <GO>}

Okay, thank you, Selfo (02:22:00) TPP is something that we do have to consider in our business strategy because this seems to be one of the key issues or the key points for Obama's administration and Brazil has to wake up and adopt a different agenda there by letter of agreement. But what does that represent, does that represent for BRF, we do have to do advancements for Latin America and also we have to accelerate our Asian Southeast driver where we are going to have a privileged position.

United States representing a menace to our business because of TPP, I believe - I do not believe that or I believe that in much less because even with TPP, Americans do not have a poultry export, they have a domestic market that drives them to do some type of products the way Asians want. So with that, we will have the driver to grow and to allocate our products out of Brazil and you want to talk about the pepper?

A - Flavia Faugeres {BIO 17666968 <GO>}

Do not worry, because it has not been cleared yet. One of the focus that we have is to create that premium market of food in Brazil. So, we would do one product with pepper, you will pay 30% more, and I will recommend two things, go out and eat Royale Ham, this is the best by far in Brazil. Yes, you have it on your table, but that one is for free, I want you to buy one and also buy our Parma Ham, it's out here as well, you can eat here, but I want you to go out and buy in a grocery store and you appreciate it because you deserve it.

A - Pedro de Andrade Faria {BIO 15115819 <GO>}

I don't know if we have more time?

Q - Fernando F. Ferreira {BIO 2389113 <GO>}

I am Fernando Ferreira from Merrill Lynch. A quick follow-up on the domestic margin considering the price scenario market share, what can we expect for the fourth quarter because fourth quarter of last year was almost 19% of margin in the domestic market and that level of margin has jumped. We know that this is not the strongest quarter, but it is not very clear for me between holding back prices, higher costs, seasonality. What can we expect for the fourth quarter?

A - Pedro de Andrade Faria {BIO 15115819 <GO>}

Flávia will add to that, but I think we tried to be clear as possible, we are not forcing a process, a structured process for price rebuild in the quarter. Any margin movement that we might find will be thanks to a mix composition and to other initiatives we have. So we are not considering in the fourth quarter that price rebuilding due to a price increase.

A - Unverified Participant

I think we are almost running out of time and we know that after we conclude the meeting, you will still be talking for a while. So now, then I will end the meeting. I think it was very productive, it was really a class. And I would like to thank you all very much for your participation. I think the members of the company were very active today it is very gratifying to see that here and to see that with us. Thank you all for being with us. Please do not forget that evaluation questionnaire.

A - Pedro de Andrade Faria {BIO 15115819 <GO>}

Yes, thank you very much this was an important session for us. We wanted to show you that this is a company that finds itself in a transformation process whether in the business model, whether in its DNA in a way it sees people and culture and talent. We have a team here that is prepared and that it shows you that driving force of the company is on the right path and now we are able to dream about a representative model of international approach leveraging our brands and our ability to meet the demands of the market.

We have some questions about the third quarter, about what has been seen as a weaker result in Brazil also with the backdrop of the record results of the company internationally. And I would like to conclude by saying that all of that is thanks to the way we face our challenges and we believe we are on the right track making difficult decisions and sometimes it's very hard to make them because we have to fight for the results quarter on quarter, but we are very sound in what we are doing and we trust in our strategies. Thank you very much.

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing,

performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.

FINAL

Bloomberg Transcript