Lorsinal Uruguay Abattoir

Valuation Report

SUNDIRO - LAVP

June 2016

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Montevideo, June 2016

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Sundiro Holding Co. LTD. - LATAM Value Partners

Present

Montevideo, 29th June 2016

The objective of the present report is to expose the results of the **company valuation process** held for LORSINAL S.A., Abattoir in Uruguay, considering company's financial information, management statements and actual macroeconomic information.

In order to determine the value of the company, professional practices of major acceptance in the matter where considered, being trading and transaction multiples, based on market information, and Discounted Cash Flow model (DCF).

Within the market approach two methods were used: Comparable Trading Analysis, and Acquisition Comparable Analysis. Strengths and weaknesses of each of these methodologies are exposed in the report.

The DCF methodology considers future cash flows of the company, regarding operating and financial situation for the next ten years at its present value, at a discount rate that reflects the risk involved in the market and this particular business.

There is not a unique value for a firm, so we express the results of our analysis within a **range of probable values for LORSINAL S.A.**

Acc. Virginia André Carriquiry
Partner

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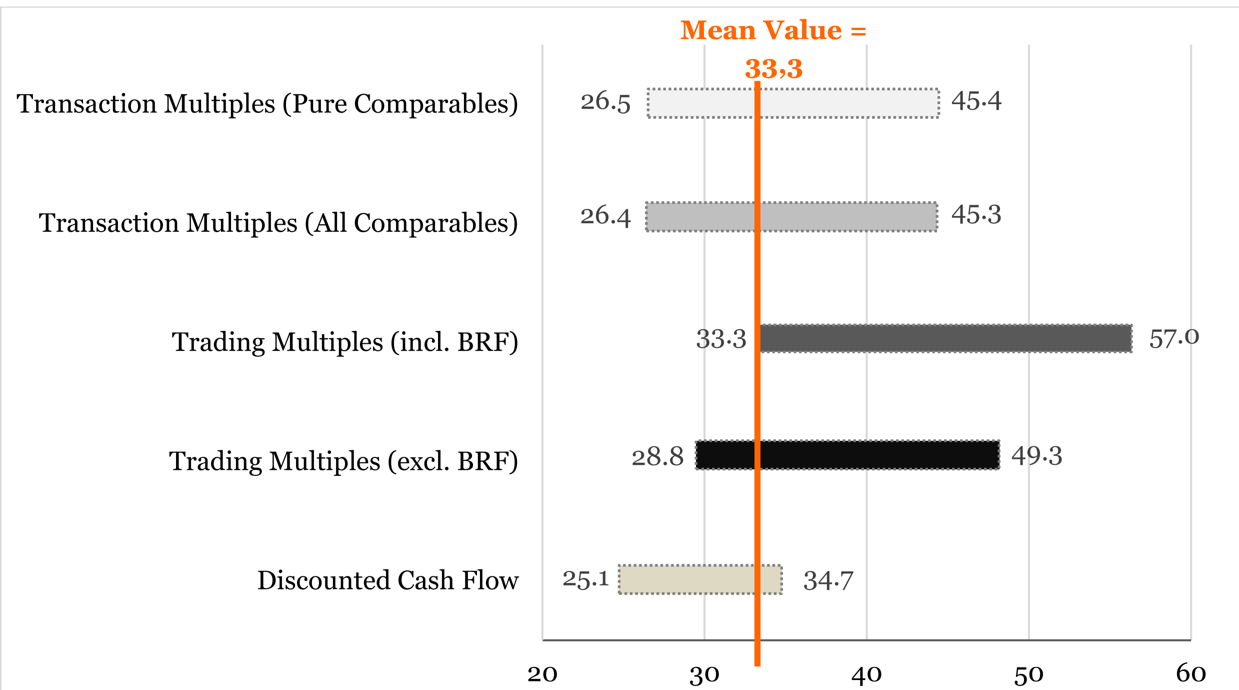
Contents

1. Executive Summary

- Sundiro Holding Co. LTD. ("SUNDIRO") and LatAm Value Partners Ltd. ("LAVP") have come together with the objective of acquiring 100% of the equity capital of Frigorifico Lorsinal S.A., owned by Mr. Roberto Perez.
- This report presents the valuation assessment resulting in the estimated Enterprise Value of Lorsinal´ Beefpacking operations.
- The valuation was based on the use of two techniques, the "market approach" relying on trading multiples of public companies and transaction multiples and the Discount Cash Flow model.
- While the estimated EV ranged from US$ 25 MM up to US$ 57 MM, the Mean value resulted in US$ 33.3 MM.

Estimated Lorsinal´ Enterprise Value



2. Valuation Assessment

Valuation Methodology

We have decided to use two different analytic techniques to value Lorsinal: the market approach through trading and transaction multiples and the Discounted Cash Flow model (DCF). Each method has its strengths and weaknesses and a combination of both provided insights to us, not obtainable from a single technique.

On the other hand, the "market approach" invokes the law of one price, according to which identical assets must have identical prices. In practice, we estimated the value of Lorsinal by observing prices paid for similar companies. Within the market approach we used two methods: (a) Comparable Trading Analysis (allows for relative comparisons between similar companies); and (b) Acquisition Comparable Analysis (allows for relative comparisons between similar transactions).

We believe the market approach has several strengths. It is very objective, since *the market* and not the buyer and seller´s views of the future, is the one driving the estimated value. Therefore, it embodies market consensus about discount rates and growth rates, allowing for direct comparison to true and actual market evidence.

One of the main weaknesses of the market approach is that it may be difficult to find comparable companies or transactions. However, we believe that we were able to identify a set of publicly-traded firms and pure comparable transactions that resemble closely Lorsinal´s operations, business and economic environment.

Within the market approach we decided to use the Enterprise Value/EBITDA multiple because of the following reasons:

- Gives a more consistent treatment of leverage; where companies with different leverages will have different P/E multiples, even though they will have same business risks and growth trendlines.

- While through accounting net earnings multiples can be easily manipulated, EBITDA Multiples limit discretion.

The underlying concept behind the use of the DCF model is that Lorsinal will create a stream of future benefits (cash flows) for SUNDIRO and LAVP, with its value simply being the present value of the projected future stream, considering a discount rate according to the industry.

The key strength of the DCF approach was that it forced us to explicitly forecast the operating and financial nature of the upcoming 10 years, by means of which we carefully analyzed a wide array of issues critical to Lorsinal´s internal and external environments. On the

downside, the forecast is set on a myriad of assumptions, where relatively small variations in some assumptions may change significantly the value stream.
Assumptions implied in forecasted cash flows were defined by SUNDIRO and LAVP, considering their knowledge of the company under analysis, the industry and the economic environment.

Market Approach: Trading Multiples

We found a set of three public companies (Marfrig Global Foods, Minerva S.A. and JBS S.A.) that meet three key "comparable factors" that were identified as critical for comparability purposes: (a) The firms should operate in the Meat Protein sector with a defined focus on beef; (b) Operations should be mainly in South America, and (c) should hold a diversified worldwide customer base.

A fourth company (BRF –Brazilian Foods) was also included as a comparable firm since, although it is not focused on beef, it still meet the three factors, and most importantly resembles the downstream operating model of the target once integrated into SUNDIRO's worldwide operations.

Name	Stock Exchange	Description	Geographic Scope
Marfrig Global Foods	SAO PAULO	Engaged in the processing and distribution of meat. The Company's activities are divided into 2 operating segments: Marfrig Beef and Keystone. The Marfrig Beef segment is responsible for the slaughter, manufacture, distribution, import, export and marketing of beef and lamb meat. The Keystone division focuses on producing and developing multi-protein foods to serve global restaurant chains, including McDonald's, Subway, ConAgra Foods, Campbell's Soup, KFC, Taco Bell, Wendy's, Heinz, and Burger King, among others. It retails meat under a range of brand names, such as Pampeano, La Morocha, Montana, Hamby, Bernina, Bassi, GJ, Angus, South Lamb, as well as Tacuarembo.	Key operations in Brazil, Uruguay, and Argentina.
Minerva SA	SAO PAULO	Engaged in the slaughtering of livestock and processing of meat, the sale of chilled, frozen and processed meats, and the exporting of live cattle. The Company's industrial facilities have a daily slaughtering capacity of approximately 17,330 head of cattle and daily beef deboning capacity equivalent to over 20,320 head of cattle. The Company operates approximately 17 slaughter and deboning plants, one processing unit and over 13 distribution centers.	Key operations in Brazil, Uruguay, Paraguay and Colombia.

JBS SA	SAO PAULO	Processes and sells beef, lamb, and poultry products in Brazil and internationally. The company offers ready-to-eat meal, super chilled, cooked meat, individually quick frozen products, portioned cuts for school meals, industrial kitchens, butchers, supermarkets, restaurants, hotels, distributors, and consumer markets under the Swift and Friboi brands. It also provides various food products, including ready meals, margarines and patés, super chilled and breaded products, and fresh products, as well as ham, salami, mortadella, sausages, and other processed meat products under the Seara, Fiesta, Doriana, Rezende, LeBon, Frangosul, and other brands. In addition, the company produces and sells leather for automotive, furniture, footwear, and leather goods industries. Further, it manufactures and supplies casing materials for the processed meat industry to make items, such as salami, sausages, and hot dogs; produces biodiesel based on animal fat; offers bovine collagen,	Key operations in Brazil, Uruguay, Paraguay and USA and Australia.
BRF S.A	SAO PAULO	Focuses on the production and sale of poultry, pork and processed foods. The Company produces fresh and frozen protein foods, with a portfolio of over four thousand stock keeping units. It sells margarine, sweet specialties, sandwiches, mayonnaise and animal feed. The Company holds brands, such as Sadia, Perdigao, Qualy, Chester, Perdix and Patty. In the domestic market, it operates approximately 35 meat processing plants, three margarine processing plants, three pasta processing plants, one dessert processing plant and three soybean crushing plants. It is involved in the production and sale of whole poultry and in-natura cuts. It is involved in the production and sale of frozen and processed products derived from poultry, pork and beef and other processed foods, such as margarine and vegetable and soybean-based products.	Key operation in Brazil and Argentina.

Name	Market Cap*	P/E Ratio*
Marfrig Global Foods	912.30 MM	NA
Minerva SA	711.25 MM	NA
JBS SA	7.04bn	5,42
BRF S.A	10.86bn	15,69

** May 2016*

Based on the trading multiples of the selected companies we estimated the range EV value of Lorsinal creating 6 different scenarios:

(I) Using the 2008-2015 EV/EBITDA average of Minerva, Marfrig and JBS (excluding BRF) and combining that with Lorsinal´s 3-year (I.1), 5-year (I.2) and 8-year (I.3) EBITDA average.

(II) Using the 2008-2015 EV/EBITDA average of Minerva, Marfrig, JBS and BRF and combing that into Lorsinal´s 3-year (II.4), 5-year (II.5) and 8-year (II.6) EBITDA average.

Valuation Multiple (EV/EBITDA) of selected Publicly-traded companies

	Minerva	Marfrig	JBS	BRF
2008	6.20x	11.04x	17.86x	
2009	9.09x	8.52x	11.79x	14.15x
2010	8.45x	10.11x	16.36x	23.36x
2011	7.48x	7.04x	8.62x	12.95x
2012	7.07x	7.06x	10.89x	13.77x
2013	6.97x	9.29x	8.13x	17.46x
2014	6.74x	8.70x	7.40x	15.27x
2015	7.45x	8.68x	6.66x	13.94x
2008-2015 average	**7.43x**	**8.81x**	**10.96x**	**15.84x**

Estimated Lorsinal´ EV based on Trading Multiples

	Trading Multiple average		**I. Lorsinal EV: Excluding BRF** *million dollars*			**II. Lorsinal EV: Including BRF** *million dollars*		
	Excluding BRF	**Including BRF**	**3-yr [I.1]**	**5-yr [I.2]**	**8-yr [I.3]**	**3-yr [II.4]**	**5-yr [II.5]**	**8-yr [II.6]**
2008	11,70x		37,1	36,8	63,7			
2009	9,80x	10,89x	31,1	30,8	53,3	34,6	34,24	59,23
2010	11,64x	14,57x	36,9	36,6	63,3	46,2	45,81	79,26
2011	7,71x	9,02x	24,5	24,2	42,0	28,6	28,36	49,07
2012	8,34x	9,70x	26,5	26,2	45,4	30,8	30,50	52,76
2013	8,13x	10,46x	25,8	25,6	44,2	33,2	32,89	56,90
2014	7,61x	9,53x	24,2	23,9	41,4	30,2	29,96	51,83
2015	7,60x	9,18x	24,1	23,9	41,3	29,1	28,87	49,95
2008-15 average	**9,07x**	**10,48x**	**28,78**	**28,51**	**49,32**	**33,26**	**32,95**	**57,00**

Market Approach: Comparable Transactions

We complemented the trading multiples valuation with the assessment of comparable transactions. We screened the market place identifying 7 transactions that fulfill three key factors needed to meet the "comparability" definition: (a) Should operate in the Meat Protein sector (b) the Americas should the geographical location of the target´s operations, and (c) the transaction had to occur within a 10-year timeframe to trail as much as possible the current economic and supply-demand conditions. We then refined down the list to a group of 4 transactions that meet the "pure comparability" definition whereby the main business line of the target has to be "beef".

Date	Target	Country	Acquirer	Business Line	EV/EBITDA
set-13	Carrasco	UY	Minerva	Beef	5.3x
may-13	Smithfield	US	H. Shineway	Pork	9.2x
mar-11	Pulsa	UY	Minerva	Beef	4.8x
set-09	Seara	BR	Marfrig	Pork, poultry,	7.0x
set-09	Bertin	BR	JBS	Beef	12.3x
may-09	Sadia	BR	Perdigao	Pork & Poultry	8.9x
nov-07	Quickfood	AR	Marfrig	Beef	11.0x

Company Name	Description
Carrasco	At the time of the purchase, Frigorífico Carrasco was a local family- owned corporation based in Uruguay. The firm owns a processing and cattle slaughter (~1000 head/day) plant in Montevideo, and has prominent brands in the domestic and international markets. 2013 Revenue was approximately $140 million, with the domestic market accounting for one third of total sales. The main export markets were the EU, China, Israel and NAFTA countries, among others.
Smithfield	At the time of the sale, Smithfield was a publicly-traded US Corporation with +US$ 13 Bn in Revenues. It is a hog producer and pork processor marketing fresh and packaged meats products domestically and across the world. The Company conducts operations through 4 segments: Fresh Pork, Packaged Meats, Hog Production and International. The first 3 segments are US-based operations. The International group comprises its meat processing and distribution operations in Poland, Romania and the UK, interests in meat processing operations in Western Europe and Mexico, hog production in Poland and Romania, and interests in hog production operations in Mexico.
PULSA	At the time of the acquisition, PULSA was owned by a Brazilian entrepreneur (Mr. Correa). The facility was a 1000-head/day abattoir in the Province of Cerro Largo (Uruguay). The company has long track record on producing high quality beef from grass-fed Angus and Hereford cattle, targeting both the domestic and international customer base. It also has some value-added programs such as Organic beef mainly targeting the US market.
SEARA	At the time of the transaction Seara Alimentos Ltda was owned by US Cargill Corporation and was one of Brazil's largest meat processors producing frozen, refrigerated, pre-cooked, and processed chicken and pork for the worldwide retail and wholesale food and foodservice markets. Its products include whole chickens, chicken cuts, sausage, pork smoked ham, cold cuts, salami, hot dogs, and frozen entrees. The company also operates a port terminal that has refrigerated-meat warehousing capacity.
Bertin	At the time of the sale, Bertin was a leading Brazilian cattle slaughterer and exporter with operating units in Brazil, Uruguay, Paraguay and China, and exporting to more than 110 countries. Its production capacity was 16,450 head of cattle a day. Its products included raw and processed beef, leather, cleaning products, personal protective equipment, and dog toys. Established in 1977, Bertin operates 38 production units and employs 28,000 people, selling under several nationwide well-known brands — Bertin, Vigor, Leco and Danúbio.
Sadia	At the time of the purchase the firm was one of Brazil's largest pork, poultry, and beef processors supplying +70,000 domestic and 200 export customers. It produced more than 1.3 million tons of protein-based offerings, including processed foods (frankfurters and sausages), as well as frozen convenience foods (such as hamburger patties, pizzas, and ready-to-eat meals). The company's other products include frozen desserts, pasta, and margarine.
Quickfood	Argentina-based company engaged in the food processing sector, specialized in the manufacture and commercialization of beef and pork products under the Paty, PatyViena, Faty and ICB brand names, among others. Its product portfolio includes hamburgers, Frankfurter sausages, cold cuts and frozen vegetables. The Company supplies mainly supermarkets, retailers and fast-food restaurants.

Based on the transaction multiples of the selected companies we estimated the range EV value of Lorsinal creating again 6 different scenarios:

(I) Using the average EV/EBITDA multiple of the 7 "comparable firms" and combining it with Lorsinal´s 3-year (I.1), 5-year (I.2) and 8-year (I.3) EBITDA average.

(II) Using the average EV/EBITDA multiple of only the 4 "pure comparable transactions" and combing that with Lorsinal´s 3-year (II.4), 5-year (II.5) and 8-year (II.6) EBITDA average.

Estimated Lorsinal´ EV based on all Comparable transactions

	Transaction Multiple	**I. Lorsinal EV** *million dollars*		
Target [all companies]	**[EV/EBITDA]**	**3-yr [I.1]**	**5-yr [I.2]**	**8-yr [I.3]**
Carrasco	5.30x	16.8	16.7	28.8
Smithfield	9.17x	29.1	28.8	49.9
PULSA	4.80x	15.2	15.1	26.1
Seara	7.00x	22.2	22.0	38.1
Bertin	12.30x	39.0	38.7	66.9
Sadia	8.90x	28.2	28.0	48.4
Quickfood	11.00x	34.9	34.6	59.8
Average	**8.35x**	**26.5**	**26.26**	**45.44**

Estimated Lorsinal´ EV based only on Pure Comparable transactions

	Transaction Multiple	**II. Lorsinal EV** *million dollars*		
Target [Beef companies]	**[EV/EBITDA]**	**3-yr [II.4]**	**5-yr [II.5]**	**8-yr [II.6]**
Carrasco	5,3x	16,8	16,7	28,8
PULSA	4,8x	15,2	15,1	26,1
Bertin	12,3x	39,0	38,7	66,9
Quickfood	11,0x	34,9	34,6	59,8
Average	**8,35x**	**26,50**	**26,26**	**45,43**

Discounted Cash Flow Model

In order to determine Lorsinal's value by the DCF methodology, free cash flows should be forecasted, considering assumptions described below.
These future benefits, and the residual value, discounted by the required rate of return for investors (cost of equity) results on the company's value.

FREE CAPITAL CASH FLOW DISCOUNTED BY THE REQUIRED RATE OF RETURN FOR INVESTORS (Cost of Equity) + **RESIDUAL VALUE** → **FIRM MARKET VALUE**

Relatively small variations in assumptions to be described below may change significantly the value stream. Regarding this fact, three different scenarios are considered in order to provide a range of possible values for Lorsinal by this methodology. The assumptions and P&L presented below correspond to the Base scenario, although in order to provide the range referred above a Pessimistic and an Optimistic scenario is considered.

- **Business plan assumptions** (*Base scenario*)***:***

Parameter	**Comments**
Revenue drivers	
Production levels: Daily Slaughter	+ The current base 2015 number corresponding to 234 head/day (60% operating level*) is forecasted to increase to a maximum of 425 head/day in a 3-year period taking the operating level to 85%. + The phase-out increase in slaughter levels considers the need to slowly expand the cattle supplies while strengthening the brand of the new owners. + The annual projected slaughter will be scaled from 61,000 up to 110,500 on that same period, expanding Lorsinal´s slaughter share from 3 to 5%.
Sale Prices	+ Lorsinal´s will continue to supply more than 30 countries worldwide including the Uruguayan and Chinese markets. + Since the average price is decomposed in more than 300 items to be supply to +30 markets (~900 possible price combinations), we understand it is factually impossible to predict the supply/demand forces driving those prices across the globe.

Parameter	Comments
	+ Therefore, the current base 2015/16 mean price is adjusted following the projected USCPI index.
USA CPI Index	+ We use Deloitte´s projections at 1.5% for 2017 and 2% from 2018 and onwards.
Costs & Expenses	
Steer-to-Cow slaughter share	+ 75% steers and 25% [based on 2011-2015 average]
Liveweight Prices	+ Starting point is set at US$ 1.82 and 1.54 /kg liveweight for steers and cows, respectively. + Since projecting cattle prices it not a realistic exercise we set them to track gross margin target levels.
Slaughter Liveweight	+ 520 kgs-steer and 458 kgs-cow [based on 2011-2015 average].
Dressing yields	+ 54%-steer and 49%-cow [based on 2011-2015 average].
Labor	+ The current base 2015 number corresponding to 278 variable labor force is adjusted as a function of slaughter to 505 employees in 2019. Fixed labor head count is 107 in 2015 and remains at that level. + Salaries are paid in pesos and adjusted by local Salary Index (IMS) projections made by Deloitte. Cost in pesos is translated into US$ by FX projections that assume an average annual 8% devaluation during the period under consideration.
Working Capital	
Receivables, Payables and Inventory	+ Days sales outstanding are set at 30 days, Payables at 39 days and Inventory (measured in COGS days) at 30 days.
Operating working capital levels	+ Operating working capital results in 6% of the annual revenue, growing from US$ 5.7 MM up to US$ 9.6 MM. + Interest rate on short-term working capital lines is set at 4.75%.

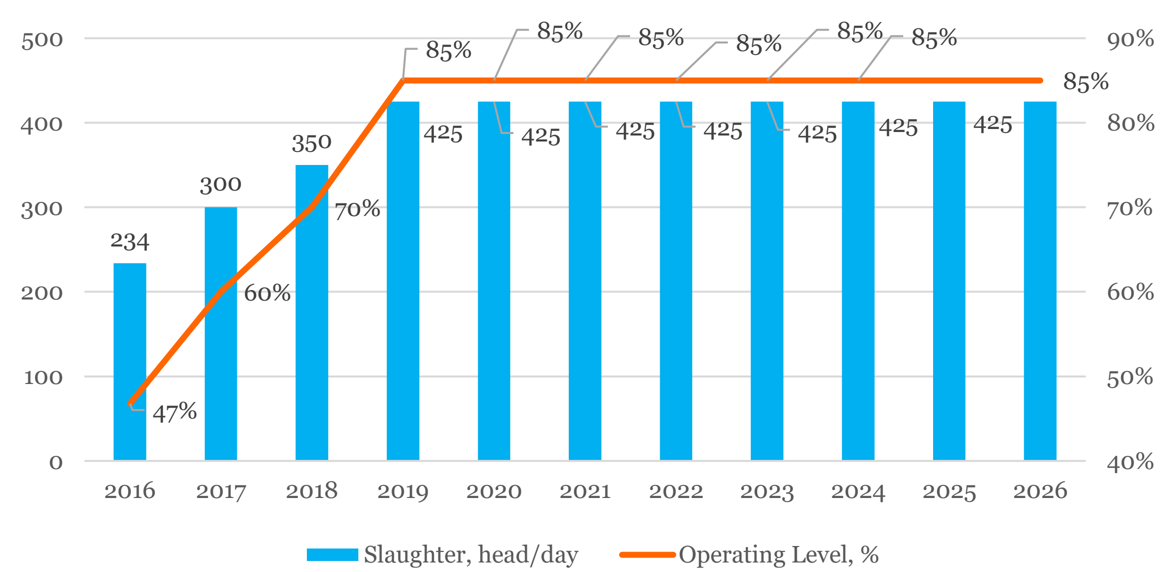
* *Operating level = Actual Slaughter/Slaughter capacity*

- **Business plan Projections:**

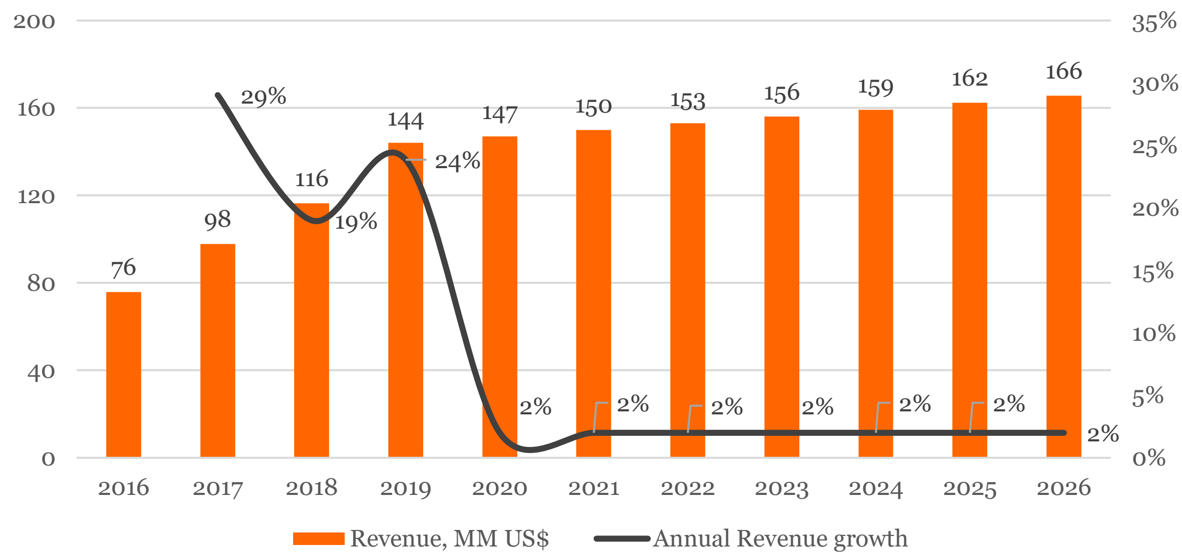
<u>Projected P&L</u> (*Base scenario*)

	set-17	set-18	set-19	set-20	set-21	set-22	set-23	set-24	set-25
Revenues	97,8	116,4	144,1	147,0	150,0	153,0	156,0	159,1	162,3
Costs									
Livestock	74,1	89,2	111,4	113,9	116,4	119,0	122,0	124,5	126,9
Comission	0,4	0,5	0,6	0,6	0,6	0,6	0,6	0,6	0,6
Freight	1,2	1,3	1,6	1,6	1,6	1,6	1,6	1,6	1,6
Total livestock, % Revenue	77,3%	78,2%	78,9%	79,0%	79,1%	79,2%	79,6%	79,6%	79,6%
Labor	7,4	7,9	9,0	8,9	8,9	8,9	9,0	9,2	9,4
Production Costs	4,5	5,4	6,7	6,8	6,9	7,1	7,2	7,4	7,5
Commercial.	2,2	2,6	3,2	3,3	3,3	3,4	3,5	3,5	3,6
Others	2,0	2,4	3,0	3,0	3,1	3,2	3,2	3,3	3,4
Total Costs	91,7	109,2	135,5	138,1	140,9	143,7	147,1	150,1	153,1
EBITDA	**6,1**	**7,1**	**8,7**	**8,9**	**9,0**	**9,2**	**8,9**	**9,1**	**9,3**
EBITDA Margin	6,2%	6,1%	6,0%	6,1%	6,0%	6,0%	5,7%	5,7%	5,7%
Depreciation	0,65	0,86	0,86	0,86	0,86	0,86	0,86	0,86	0,86
EBIT	5,44	6,28	7,82	8,09	8,18	8,36	8,04	8,23	8,42
Interests	0,87	0,78	0,65	0,41	0,42	0,43	0,44	0,45	0,45
PBT	4,57	5,50	7,16	7,68	7,76	7,93	7,61	7,78	7,96
Taxes	1,14	1,38	1,79	1,92	1,94	1,98	1,90	1,95	1,99
Tax rebate									
Net Income	**3,43**	**4,13**	**5,37**	**5,76**	**5,82**	**5,95**	**5,70**	**5,84**	**5,97**
Net Income, %	3,5%	3,5%	3,7%	3,9%	3,9%	3,9%	3,7%	3,7%	3,7%

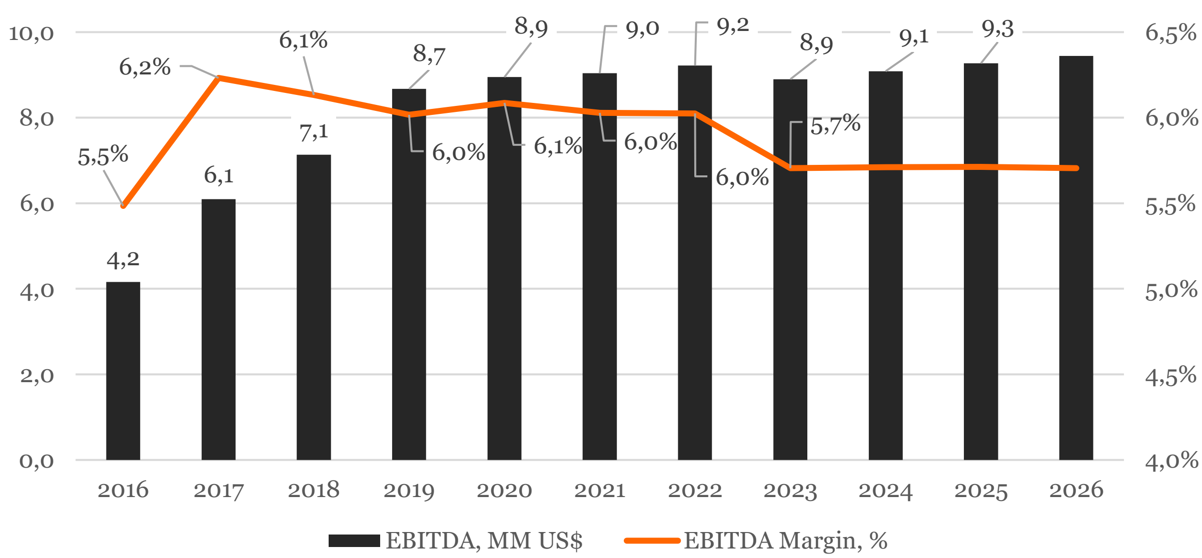
Slaughter and operating level forecast



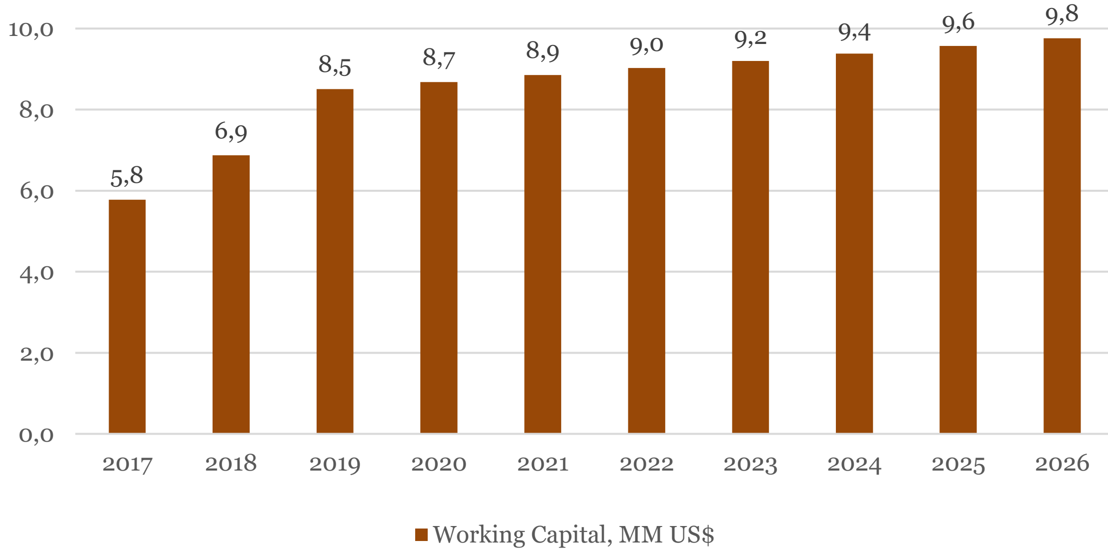
Revenue forecast



EBITDA Forecast



Operating Working Capital



- **Discount Rate:**

The discount rate is determined applying the Capital Asset Pricing Model (CAPM), adapted to Emerging Markets, where:

$\mathbf{K_e = r_f + \beta_L * (R_m - r_f) + IP}$

$\mathbf{r_f}$ **=** Expected Risk Free return (US Treasury 10Y)
$\mathbf{\beta_L}$ **=** Unlevered Beta (Specific Risk of the Project: Sector of activity, operative leverage) – *Aswath Damodaran*
$\mathbf{R_m}$ **=** Return of the market
$\mathbf{(R_m - r_f)}$ **=** Risk premium of market assets
IP = Ibbotson Premium (captures the resulting high correlation between the returns in case of SME_s due to high transaction costs, illiquidity and limited information)

Considering Lorsinal, the Discount rate is calculated below.

LORSINAL	Average (5 first years)	2016	2017	2018	2019	2020	Rest (for Residual Value)
Expected Risk Free return (Rf)	2,69%	1,74%	2,24%	2,74%	3,24%	3,50%	**4,50%**
Beta Food processing	0,74	0,74	0,74	0,74	0,74	0,74	0,74
Greater Growth Volatility	0,30	0,30	0,30	0,30	0,30	0,30	**0,30**
Adjusted Beta	1,04	1,04	1,04	1,04	1,04	1,04	**1,04**
Market Return	4,9%	3,91%	4,41%	4,91%	5,41%	5,67%	**6,7%**
Uruguayan higher risk Premium	1,4%	0,5%	1,0%	1,5%	2,0%	2,0%	**2,50%**
Adjusted Market Return (Rm)	6,3%	4,4%	5,4%	6,4%	7,4%	7,7%	**9,2%**
Liquidity Premium (IP)	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	**1,0%**
Long Term Premium (IP)	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	**2,0%**
Discount Rate	**7,4%**	**5,5%**	**6,5%**	**7,6%**	**8,6%**	**8,8%**	**12,4%**

- **Terminal Value:**

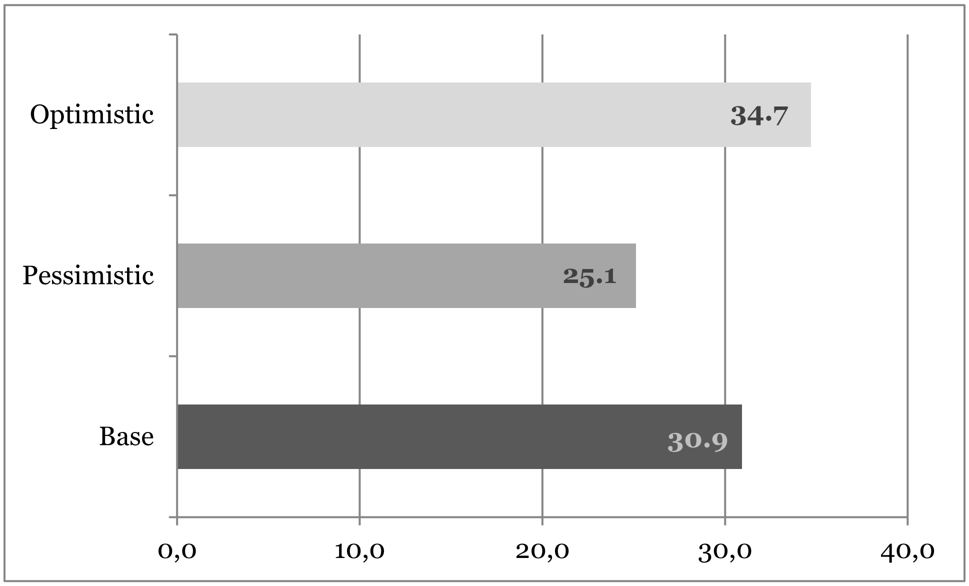
Perpetuity is calculated by considering the discount rate defined above, and a business annual growth rate of 2%.

- **Lorsinal's EV:**

As follows, three scenarios were defined in order to provide a range of probable EV for Lorsinal. Assumptions exposed above are to be considered in all scenarios, except for the Daily Slaughter that varies as exposed below.

Parameter	**Comments**
Production levels: Daily Slaughter	+ Base scenario: Slaughter levels are smoothly increased from 234 head/day in 2015/16 up to 300 head/day (2017), 350 head/day (2018) and 425 head/day onwards. + Pessimistic scenario: Slaughter levels are increased from 234 head/day in 2015/16 to 250 head/day (2017), 300 head/day (2018), 350 head/day (2019), 400 head/day onwards. + Optimistic scenario: Slaughter levels are rapidly scaled from 234 head/day in 2015/16 to 350 head/day (2017), 375 head/day (2018), 400 head/day (2019), 425 head/day (2020) and 450 head/day onwards.

Estimated Lorsinal´ Enterprise Value by DCF methodology



3. Appendix A: Lorsinal Beefpacking Operations

Summary Highlights

- Lorsinal´s plant is strategically located within a 250-km radius of two of the largest cattle producing regions of the country, and only 30 km from the main ocean export gateway.

- The plant was fully repurposed and upgraded in 2002, previously it was a cold-cuts facility.

- Lorsinal is a top financial performer relative to industry peers.

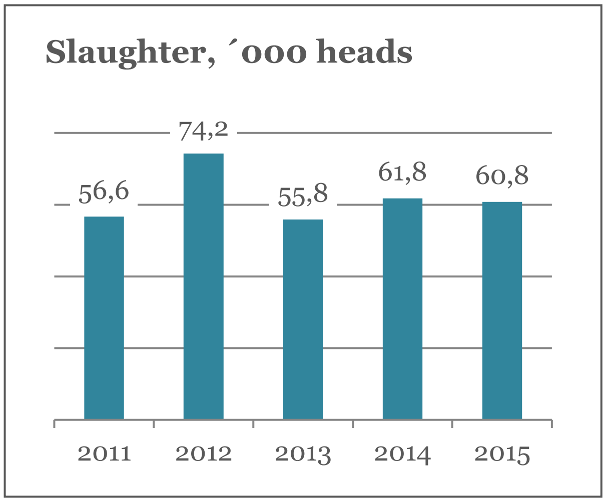
- The facility holds abundant frozen storage capacity (2,980 tons) and carton freezer.

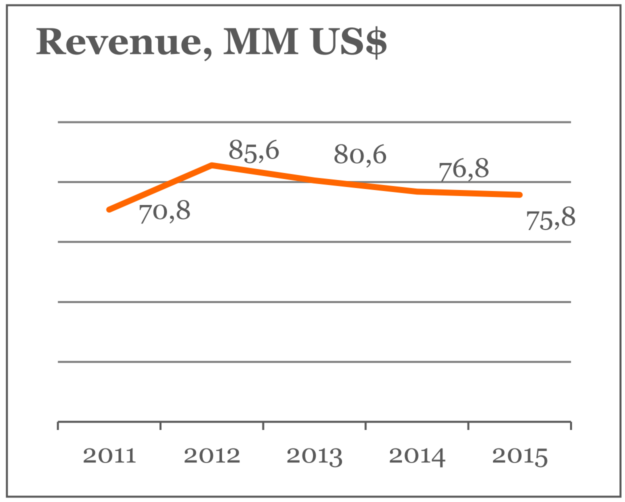
- Lorsinal has been fully focused on targeting the export markets being approved to export to all key markets such as China, HK, EU, South Korea, Russia, the African Continent, USA, Mexico, Canada, Israel, all Central & South American nations, being Japan the only market pending to gain access.

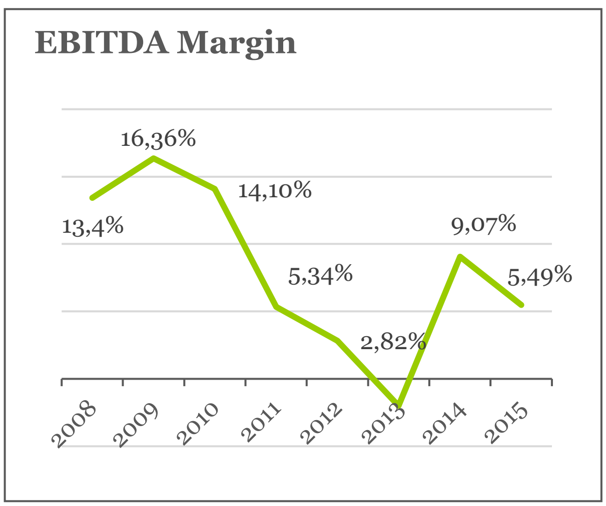
	Profile
Production	
Species	Cattle
Total Area	31 hectares
Built Area, m2	11,151
Slaughter Capacity, daily (heads)	500
Slaughter capacity, Heads/hour	60 cattle
Deboning capacity (Q/hr)	125
Ageing Capacity	500
Ageing Chambers and total carcass capacity	4 chambers holding 1,000 carcasses
Frozen tunnels capacity (tons/day)	100 tons (carton freezer)
Final product capacity (tons)	2,980
Quality Assurance programs	SSOP'S, GMP, HACCP, PCNCU

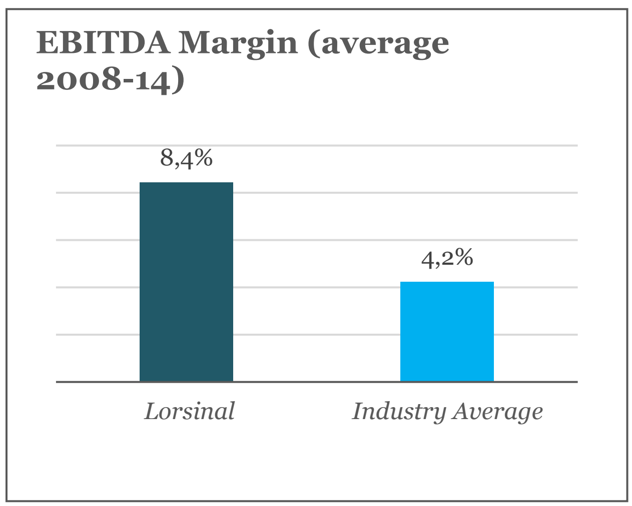
	Profile
Commercial & Personnel	
Cattle Direct Sourcing, %	58%
% Steers / total Slaughter	75%

Export, % of total sales	83%
Export markets (fresh beef)	All destinations except Japan
Tariff Rate Quotas (type and volume)	281 tons Hilton (2015/16) and 851 tons (USA)
Value added	portion-controlled line (under
Branding	Lorsinal SA-EcoMeat
N° of Employees	385









Corporate and Shareholding Structure (Pre-Acquisition)

Lorsinal was incorporated as a Uruguayan corporation with bearer shares, entitling each holder to one vote; with 100% of the shares belonging to 1 Uruguayan citizen, Mr. Perez Paternoster.

Business Strategy

The Company sells its products in different export countrires and the domestic market. In the last 5 years, exports and domestic sales accounted for an average of 85% and 15% of the sales revenue, respectively.

Its business drive is to provide greater value to its customers by offering products with higher quality than the average local industry, a variety of cuts, better packaging and a superior service. Therefore, the Company places special emphasis in the quality and type of animals slaughtered to produce its products, as well as in customer service relationships.

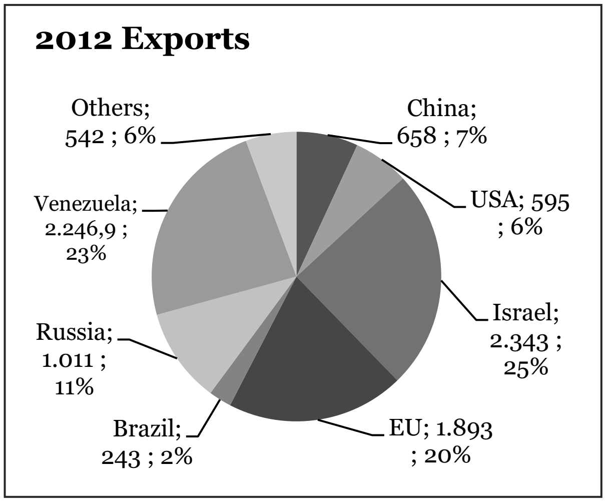
The Company offers a variety of beef products, which include all types of cuts, and that may be classified in 5 major categories: (i) Fine cuts, (ii) Boneless forequarter cuts, (iii) Boneless hindquarter cuts, (iv) Offal, (v) Beef byproducts (hides, tallow and bones).

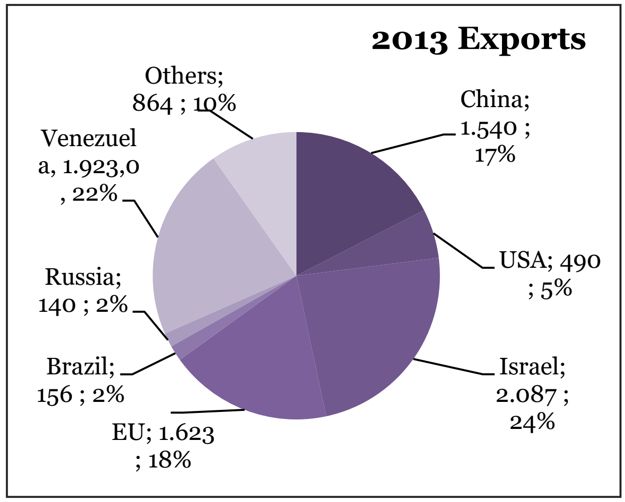
Marketing and Sales

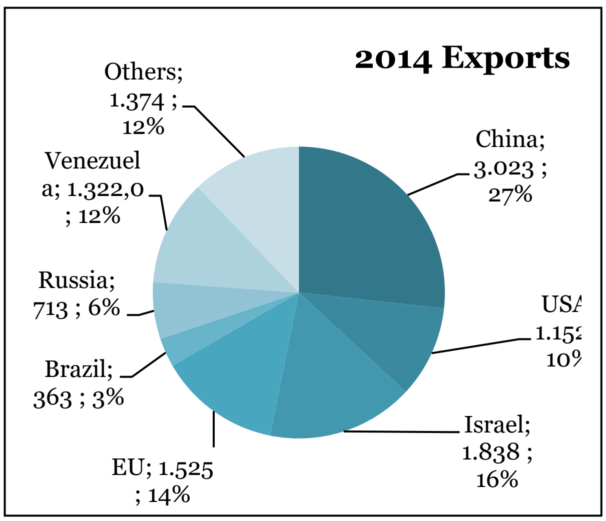
a. International Markets

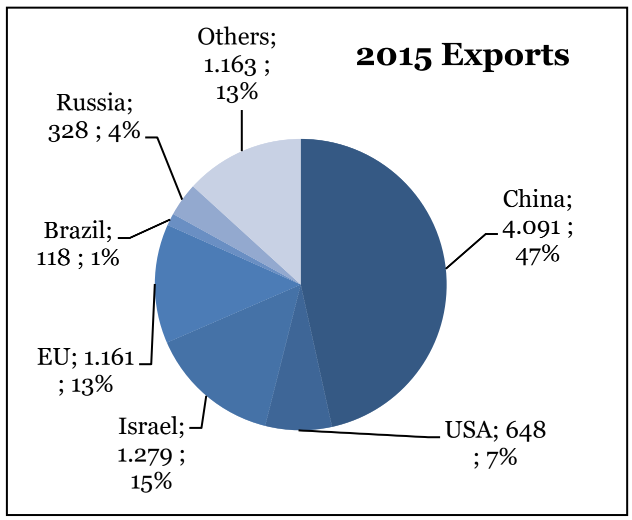
The Company exports its products through wholesalers and brokers to different countries. The most important export destinations are China, the European Union, the United States, Brazil, Venezuela, and Israel. While Russia has been the main destination in terms of exported volumes for many years, the European Union has been the primary source of exports revenue due to higher prices for the Hilton and 481 quotas. In the last 3 years, China has become a prominent destination, sourcing bone-in frozen rib plate, offal and byproducts, and it is particularly paying higher prices for offal than other markets. The Company has been assigned a quota of about 851 tons to USA and 281 tons of Hilton quota for 2015 year, as well as exporting high quality 481 quota to the European Union (481 quota allows to sell 17 cuts unlike Hilton quota, which only allows 3 cuts). The 481 quota is allocated to European importers for the purchase of high quality cuts from only 6 countries in the world: Uruguay, Australia, New Zealand, USA, Canada, and very recently Argentina. In 2012, importers were allocated 45,975 tons of 481 quota beef, since 2013 the quota has remained at 48,200 tons. The high quality quota is basically a quota of feedlot-finished animals, which must meet certainl production requirements. In 2010, Lorsinal invested and obtained authorization to export Kosher beef-cuts to Israel. Currently, when the Company slaughters to export to Israel, processes and cuts are certified by an intermediate Kosher certification in order to gain access to a wider market. The season for this market is from April to September.

Breakdown of Export Destinations by volume









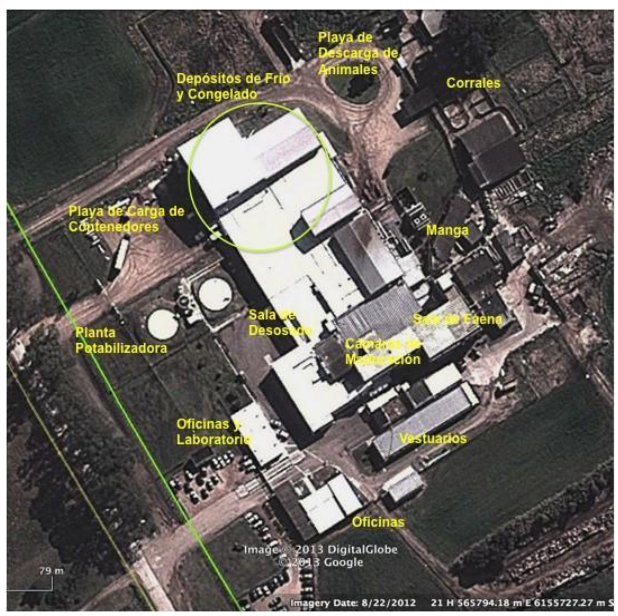
b. Domestic Market

Sales in the domestic market are carried out mainly through supermarket chains or other distributors. The Company's main customers are 2 of the largest national retail chains as well as several distributors that reach the capital city and the rest of the Provinces. The Company uses the brand name Lorsinal S.A.-Eco Meat in the local market.

Production Facility: Assets description

a. Location

The Company operates a plant in the province of Montevideo, located 22 kilometers from Montevideo's ocean port. The structure was originally built in 1982 and has a total floor area of 11,155 square meters on a plot of 31 hectares. It has excellent access routes, both from the countryside and the port, which are fundamental for the company's export activity. Lorsinal has consistently invested in the plant, making it one of the most modern plants in the country as of today. It has cutting-edge chilling equipment and has recently inaugurated an automatic storage facility. The floor is made of waterproof, non-slip concrete. It has automatic doors, and the entire lighting is electrical. The plant has been approved and certified by national authorities (MGAP – Ministry of Livestock, Agriculture and Fisheries and DINAMA, National Environmental Agency). The plant has sanitary filters in all entrances (Slaughter, manufacture, plant). In 2010, among other investments, Lorsinal expanded the deboning room and the storage for packaging materials, and also developed a Kosher salting chamber to enter the Israeli market. In 2013, Lorsinal inaugurated an automatic frozen meat storage facility, with capacity for 1,280 tons, and a Kosher-salting chamber for red offal. In the present, a portioning room for high-quality cuts was recently built. Moreover, the company has just completed a set of investments deployed to enhance environmental security as well as improving animal welfare, totalizing + US$ 2.5 MM.



b. Deboning and Slaughtering Capacity

Since the beginning of its operations, Lorsinal has continuously invested in its plant, having today a daily slaughtering capacity of 500 heads of cattle in a single shift of 8 hours, and a daily deboning capacity of 500 heads in two shifts of 8 hours.

Slaughtering Capacity	Shift / # of hours per shift	Deboning Capacity	Shift / # of hours per shift	Area (m2)
500	1/8-9	500	2/8-2009	11,155

Considering that the company normally operates 5 days a week, its slaughter capacity amounts to 130,000 heads a year. This capacity is considerably higher than the present slaughtering levels of 61,000 animals, which would enable increasing slaughtering and deboning significantly without the need of expanding its facilities (during high seasons, idle capacity is less). If necessary, the Company could expand its deboning capacity without a significant investment.

c. Animal Reception and Storage Capacity

The following table briefly describes the facilities for animal reception and storage of products in process and finished:

Area	**Capacity**
Animal Reception	20 pens with a capacity for 605 animals
	1 Scale
Meat storage	8 chilling chambers with the following capacities:
	a. 4 chambers with capacity for 1,000 carcasses submitted for ageing b. 1 chamber with capacity for 80 carcasses to supply the domestic market c. 1 chamber with capacity for 448 quarters, plus 80 boneless quarters d. 3 chambers with capacity for 730 carcasses to be used during the deboning process *(Pulmón)*
Offal Storage	1 chilling chamber with capacity for 10.5 tons
	1 static freezing tunnel with capacity for 10.5 tons
	1 Kosher offal salting chamber
Storage of Finished Products	1 continuous freezing tunnel (carton-freezer) with capacity for 100 tons per day, and a total capacity for 235 tons.
	2 static freezing/chilling tunnels with capacity for 50 tons each.
	2 frozen storage facilities with capacity for 1,700 tons
	1 chilling storage facility with capacity for 100 tons
	1 new frozen storage facility (brand new) with Storax shelf system, and capacity for 1,280 tons Freezing tunnels serve multiple purposes, as they are also used for chilling.

d. Energy

The plant uses electric energy from UTE's distribution network for all its equipment and lights. Cold is generated by electrical compressor systems with ammonia gas, which have sufficient capacity to supply the whole slaughterhouse, chilling chambers, freezing tunnels, chilling and frozen storage facilities, and a continuous freezing tunnel. Finally, steam and hot water are generated by means of a high-efficiency wood boiler, which covers the entire slaughterhouse demand. Wood is the most affordable source of energy in Uruguay due to is vastly developed and sustainable Eucalyptus-Pines forestry industry.

e. *Water Supply and Treatment*

Lorsinal draws surface water from quarries for the production process, and then makes it drinkable in its water treatment plant (with a treatment capacity of 50,000 liters/hour) and stores it in its own tanks. The approximate water consumption is 500 cubic meters per day. Cleaning of water tanks is done monthly. In case of cleaning or repair of the water treatment plant, there are two entry lines from OSE (National Water Supply and Monitoring System) with a pumping capacity of 25,000 liters/hour.

f. *Wastewater Treatment*

The Company treats wastewater from the manufacturing process (water, rumen, etc.) in several pools, first decanting solid waste with a decanter, with fittings and settlers, then odors are eliminated and the organic load is reduced oxygenating water to meet current water control standards (microbiological and physicochemical controls are performed). Finally, treated and cleaned water is channeled into Las Piedras creek. This entire system has been upgraded and approved by DINAMA.

During the 1st semester of 2015, US$ 0,9 MM were invested in the upgrading of the sewage water treatment including ponds, power engines, pumps, transformers, lightening and roads.

g. *Sanitary Authorizations*

The Company's plant is certified under the HACCP standards and has sanitary authorization to export all of its products to the most demanding markets (EU, USA and Korea). Some of these products include chilled and frozen meat, offal and vacuum-wrapped cooked meat. The company is also authorized to export ovine meat and hamburgers to Russia. Furthermore, it has also been approved to export to the Israeli market. When the company slaughters for Israel, processes and cuts are certified with an intermediate Kosher certification, in order to gain access to a wider market.

Materials and Supplies

a. *Cattle*

Lorsinal purchases 58% of the cattle through 64 local brokers, 20% directly from large cattle producers, and 20% from the owners own feedlot. Furthermore, 40% of purchases are based on live weight of the animal, while the remaining 60% are based on carcass weight.

Lorsinal deals with more than 100 producers, from whom it purchases cattle directly and 90% of these purchases are concentrated in 33 firms.

The company does not directly own a feedlot, but its shareholder owns a feedlot facility with a one-time capacity to feed 4,500 animals, located in Joanicó, 40 kilometers from Montevideo. Lorsinal purchases animals for slaughter from that feedlot at market value.

b. Transport

The slaughterhouse pays for the transport of the animals. The Company works with 4 transport companies that provide their services. Transport of packed meat to the port is outsourced to external freight companies (freight companies are different from cattle transport companies). The company uses only refrigerated containers.

Production

a. Manufacturing process

The manufacturing process involves several stages. Cattle arrive to the plant at night and remain in the pens until the following morning. During the morning, cattle are weighted, receive electrical shocks and enter the slaughtering process. Once cattle have been slaughtered, hides are removed and carcasses are divided in two sides and hung in the hooks. Then, they are washed and weighted to determine the “carcass weight” price to be paid to the producers, and they are labeled with the animal’s information. Next, sides move through a corridor that enables drying before they are stationed for 36 hours in a cold tunnel for beef aging.

Once aged, sides are separated depending on the product planning. Sides to be sold in the domestic market are processed and then go to a storage chamber within the plant until the products are picked up by the distributors or delivered to the supermarkets in trucks owned by Lorsinal (to Tienda Inglesa and Macro Mercado). Sides to be processed go to the deboning sector. Before entering that process, they are divided in quarters, as some of them are sold in the domestic market (bone-in cuts). During the deboning process, employees manufacture the different cuts placing them in a conveyor belt that takes them to the packaging and labeling sectors. The different cuts are packaged, labeled, vacuum-wrapped, and packed in different cuts – fore cuts and hind cuts – according to their final destination (local market, export, bone- in and boneless cuts, offal). Next, fore cuts go through a metal detector and fat meter in order to ensure product quality. Boxes are then sealed and go through a scanner to be classified according to their destination. Boxes with frozen cuts are stored in the frozen products chamber, recently built by the Company, and boxes with chilled cuts are stored in Lorsinal’s chilling chambers, from where they will depart to their final destination, either the local market or the port for shipment and export.

b. Quality Control

The Company uses international control standards (according to HACCP production standards). Moreover, all activities carried out in the plant are monitored by the MGAP (Uruguay National Ag Service), which supervises all stages, from the arrival of cattle to the plant to the exit of products for the local market and for export. Lorsinal also has its own internal quality control area and a laboratory to perform routine controls, and carries out certain mandatory analyses in the national laboratory "Laboratorio Instituto Rubino".

Management and Employees

a. *Employees*

The company has a total of 385 employees. Prior to being hired, employees undergo a compulsory medical checkup and are required to present medical certificates of fitness to perform their jobs. Additionally, Lorsinal conducts annual health checks for all staff. The number of employees of the Company and their distribution according to their function is as follows:

Operations	Administration	Controllers	Storage	Maintenance	Total
278	21	16	11	59	385

In terms of staff turnover, approximately 80% of the operative staff has remained in the Company for more than one year, whereas the remaining 20% has high turnover levels. Every six months, the Company offers its employees training on products as well as quality and hygiene in manufacturing.

Historical Financial Overview and Performance

Income Statement

US$ MM	sep-08	sep-09	sep-10	sep-11	sep-12	sep-13	sep-14	sep-15
Revenues	**68,7**	**60,6**	**61,5**	**70,8**	**85,6**	**80,5**	**76,8**	**75,8**
Export Sales	58,5	52,1	52,9	59,8	72,1	65,3	60,2	60,2
Domestic Sales	5,8	6,0	4,7	6,9	7,7	10,1	10,9	10,6
Subproducts	4,4	2,4	3,9	4,1	5,8	5,2	5,7	5,0
Cost of Goods Sold	**(51,1)**	**(45,9)**	**(44,2)**	**(58,1)**	**(77,9)**	**(77,2)**	**(65,4)**	**(67,0)**
Gross Profit	**17,6**	**14,7**	**17,3**	**12,7**	**7,7**	**3,4**	**11,4**	**8,7**
Gross Margin		*24,2%*	*28,1%*	*18,0%*	*9,0%*	*4,2%*	*14,9%*	*11,5%*
SG&A	(8,8)	(5,2)	(9,0)	(9,3)	(5,8)	(5,6)	(5,1)	(5,2)
Operating Profit	**8,8**	**9,5**	**8,3**	**3,4**	**2,0**	**(2,2)**	**6,4**	**3,5**
Operating Margin	*12,8%*	*15,7%*	*13,6%*	*4,8%*	*2,3%*	*-2,7%*	*8,3%*	*4,6%*
Finan. Expenses, others	0,8	(0,5)	0,7	(0,0)	0,1	0,2	0,3	0,3
Earning before taxes	**9,6**	**9,0**	**9,0**	**3,4**	**2,0**	**(1,9)**	**6,7**	**3,2**

Taxes	(2,6)	(2,0)	(1,8)	0,0	(0,4)	0,5	(1,5)	(1,4)
Net Income	**7,1**	**7,1**	**7,2**	**3,4**	**1,6**	**(1,4)**	**5,2**	**1,79**
Net Margin	*10,3%*	*11,7%*	*11,7%*	*4,9%*	*1,9%*	*-1,7%*	*6,7%*	*2,3%*
EBITDA	**9,2**	**9,9**	**8,7**	**3,8**	**2,4**	**(1,6)**	**7,0**	**4,1**
EBITDA Margin	*13,4%*	*16,4%*	*14,1%*	*5,3%*	*2,8%*	*-2,0%*	*9,1%*	*5,5%*

Balance Sheet

US$ MM -Sept 30	sep-08	sep-09	sep-10	sep-11	sep-12	sep-13	sep-14	sep-15
Operating Cash	4,7	8,7	5,0	1,9	2,3	3,4	7,5	4,3
Short- term Investments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Accounts Receivable	6,6	3,9	3,0	7,7	7,4	4,5	5,3	5,5
Fiscal Credits	2,0	4,7	3,2	4,5	4,7	4,4	2,0	2,6
Inventory	8,4	7,4	10,6	6,7	13,4	10,1	8,5	8,0
Other Current Assets	0,1	0,8	1,3	1,8	2,5	0,7	1,2	0,3
Current Assets	**21,8**	**25,5**	**23,2**	**22,6**	**30,3**	**23,0**	**24,5**	**20,7**
Gross PPE	5,9	4,2	4,6	6,3	7,6	8,7	9,1	10,4
Accumulated Depreciation	-0,6	-1,0	-1,1	-1,5	-1,9	-2,5	-2,9	-3,5
Net PPE	5,3	3,2	3,5	4,9	5,7	6,3	6,2	6,8
Diferred Taxes		0,4						
Intangibles								
Other non current Assets	0,0	0,1	0,4	0,8	0,6	1,2	0,9	0,09
Non current Assets	**5,4**	**3,8**	**3,9**	**5,6**	**6,3**	**7,4**	**7,0**	**6,9**
Total Assets	**27,2**	**29,3**	**27,1**	**28,2**	**36,6**	**30,5**	**31,6**	**27,7**
ST Necessary to Finance								
Bank Debt	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Trade Finance Debt	1,3	0,0	0,0	1,6	4,1	4,6	1,0	5,8
Accounts Payable	2,7	3,6	2,5	0,8	6,3	3,4	4,5	5,2
Tax Payable	3,0	3,9	0,5	0,2	0,2	0,5	0,2	0,0
Provisions	0,7	0,0	0,9	1,2	0,2	0,1	0,0	0,04
Other Current Liabilities	0,2	3,1	6,4	4,2	4,0	1,6	1,7	1,9
Current Liabilities	**7,9**	**10,6**	**10,3**	**8,0**	**14,8**	**10,1**	**7,4**	**13,0**
Bank Debt	0	0	0	0	0	0	0	0
Trade Finance Debt	0	0	0	0	0	0	0	0
Accounts Payable	0	0	0	0	0	0	0	0
Other non current liabilities	0	0	0	0	0	0	0	0
Non current Liabilities	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**
Total Liabilities	**7,9**	**10,6**	**10,3**	**8,0**	**14,8**	**10,1**	**7,4**	**13,0**
Capital Stock & paid in capital	1,5	1,1	1,1	1,1	1,1	1,1	1,1	1,1
Adjustments	2,6	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Reserves	1,9	1,3	1,3	1,5	1,5	1,5	1,5	1,5
Retaines Earnings	6,3	9,2	7,2	14,2	17,6	19,1	16,4	10,2
Net Income	7,1	7,1	7,2	3,4	1,6	-1,4	5,2	1,8
Net Worth	**19,3**	**18,7**	**16,8**	**20,2**	**21,8**	**20,4**	**24,1**	**14,7**
Liabilities & Net Worth	**27,2**	**29,3**	**27,1**	**28,2**	**36,6**	**30,5**	**31,6**	**27,7**

4. Appendix B: Investment Destination, Uruguay

General Framework

Uruguay is a country in the southeastern part of South America. It is home to 3.43 million people, of which 1.8 million live in the capital city of Montevideo and its surroundings. An estimated 88% of the population is of European descent. GDP per capita is approximately US$15,000 and the country has lower poverty rate (**9.7%** of population) and less social inequality measures (gini index of 42) than other Latin American countries.

Location in Latin America

With 176,214 km2 of continental land and 142,199 km2 of jurisdictional water and small river islands, Uruguay is the second smallest country in South America (after Suriname). The landscape features mostly rolling plains and low hill ranges with fertile coastal lowland. A dense fluvial network covers the country, consisting of four river basins, or deltas. Uruguay has 660 km of coastline.

Uruguay has a climate that is relatively mild and fairly uniform nationwide, but the absence of mountains, which act as weather barriers, sometimes make it vulnerable to high winds and rapid changes in weather as fronts or storms sweep across the country. Seasonal variations are pronounced, but extreme temperatures are rare. As would be expected with its abundance of water, high humidity and fog are common. The mean annual precipitation is generally greater than 40 inches (1,000 mm), decreasing with distance from the seacoast, and is relatively evenly distributed throughout the year. The average temperature for the midwinter month of July varies from 12 °C (54 °F) at Salto in the northern interior to 9 °C (48 °F) at Montevideo in the south. The midsummer month of January varies from a warm average of 26 °C (79 °F) at Salto to 22 °C (72 °F) at Montevideo.

Uruguay Economic Environment

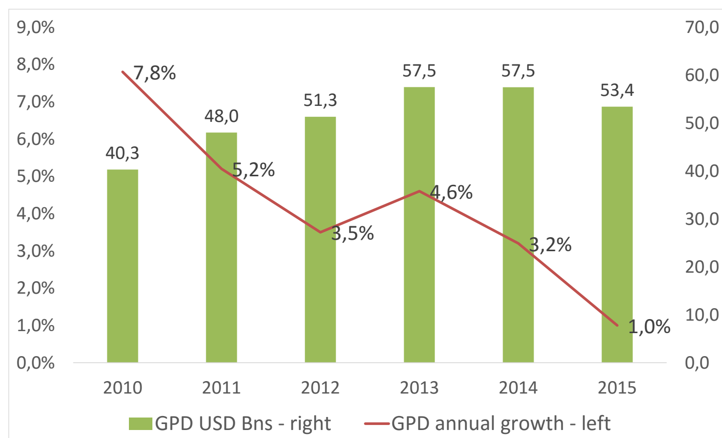
Uruguay's economy is characterized by an export-oriented agricultural sector, a well-educated work force, and high levels of social spending, with service sector accounting for 50% of GDP. While Agricultural and Livestock related industries represent only 10% of GDP, it is the largest source of exports (48% of the total). In 2015, exports amounted to approximately US$9 billion, while imports reached US$8,5 billion. Uruguay's largest trading partners are China (23% of exports and 18% of imports), following by Brazil (14%/15%) and United States (7%).

Summary Economic Indicators

	2012	2013	2014	2015*
Population (MM)	3,42	3,43	3,42	3,43
GDP (US$/capita)	$14.792	$16.421	$16.199	$15.414
Inflation (CPI yoy)	8,1%	8,6%	8,9%	9,4%
Trade Balance (% GDP)	-5,8%	-4,3%	-4,0%	0,1%
Fiscal Balance (% of GDP)	-3,0%	-2,6%	-3,4%	-3,6%
Current account (% of GDP)	-5,2%	-5,1%	-4,6%	-3,6%
Public debt (% of GDP)	42,6%	40,1%	40,7%	43,5%
Exports (% of GDP)	26,0%	23,7%	23,6%	17,0%

Source: EIU, Global Insight
**UruguayXXI.gub.uy, BCU*

Uruguay GDP Evolution



The increase in domestic demand and disposable income, as well as the recent US dollar appreciation has been slowly pushing the inflation up. However, the government policy has been aimed at smoothing that upward trend by means of selling US dollars as well as establishing voluntary price control programs with the retail sector. Inflationary pressures will begin to ease as a result of the expected slowdown in domestic demand and policymaking ensuring monetary and fiscal instruments working in synchrony.

While the fiscal deficit increased to 3.5% of GDP in 2015, the Public Debt has increased as a percentage of GDP to 43,5% from 40,7% previous year due to government fiscal deficit, among others.

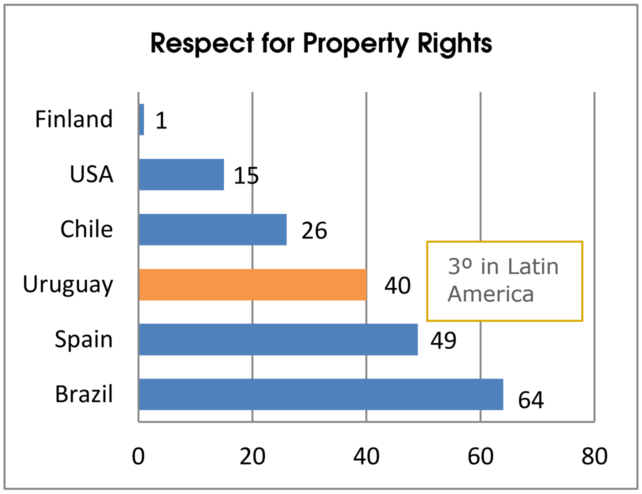
The country has a strong foreign exchange position, with central bank reserves increasing from US$ 7.85 billion in 2010 up to **US$15,6** billion last year.

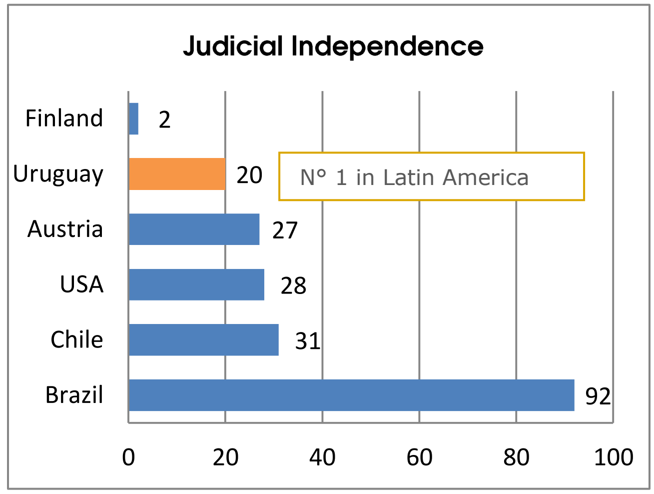
Foreign Direct Investment in Uruguay

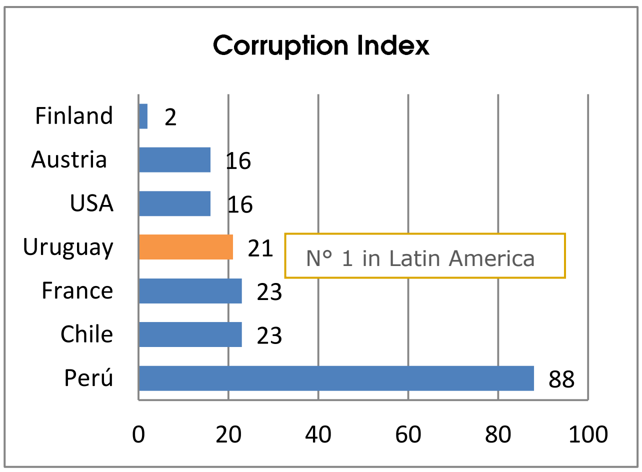
Uruguay is an investment-grade rated economy and one of the most politically stable and pro-business countries in the region. The country consistently ranks at levels comparable to the US and above those of other Latin American countries in surveys conducted by the World Economic Forum and Transparency International, covering: rule of law, corruption and institutional strength. In addition, Uruguay is one of the top five jurisdictions globally in terms of freedom of capital flows.

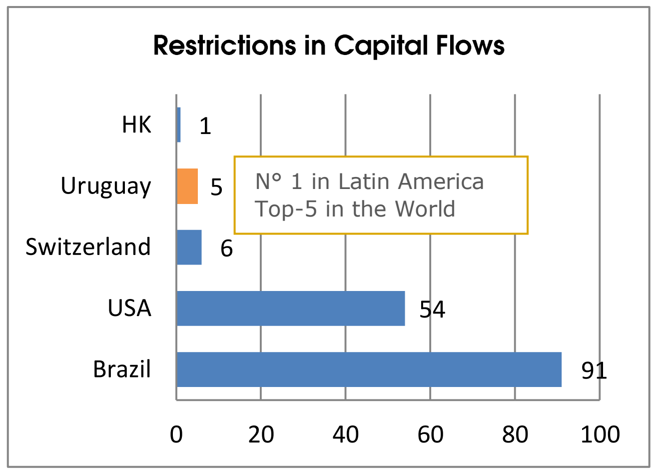
Socially and politically, Uruguay ranks at the top of the Latin American nations, even outperforming many of the most developed countries. The respect for property rights as well as the efficiency of the legal system has been of paramount importance for the Uruguayan government.

Investment Criteria, Country Rankings









Source: World Economic Forum; Transparency International, International Property Rights Index

Uruguay has long favored a prime investment climate for international investors. Sound macroeconomic policies and a predictable legal system have resulted in an Investment Grade classification.

	Moody´s	S&P	Fitch
Uruguay	**Baa2**	**BBB**	**BBB-**
Chile	Aa3	AA-	A+
Brazil	Ba2	BB	BB
Argentina	B3	B-	B

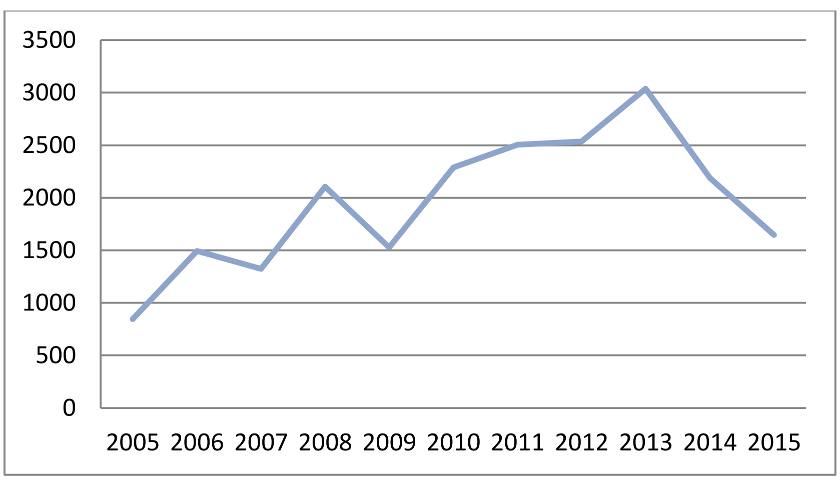
Uruguay encourages FDI along the following guiding principles:

National Interest Categorization	Investments in the national territory are declared to be of "national interest"
Non-Discrimination	Equal treatment to domestic and foreign investors
Absence of Special Registration Requirements	There are no mandatory permits for foreign investors
Fair Treatment	The Government commits to granting fair treatment to investments, without unjustified prejudicial or discriminatory measures;
Free Capital Flows	The Government guarantees the transfer of capital and profits abroad in freely-exchangeable currency – no restrictions towards imports or capital repatriation

As a consequence of the aforementioned factors Uruguayan FDI grew 8x in the 2001-2014 period, reaching in 2013 and 2014 an all-time record of US$3.0 billion and US$2.2 billion, respectively. In 2015 the FDI decreases a 27% in comparison with the previous year.

Because of the high rate of foreign investment, total factor productivity in Uruguay has grown by 3% annually since 2005. During this period, the rate of innovation has been most prevalent in the agricultural, renewable energies, forestry and logistics sectors of the economy.

Uruguayan FDI, Billion US$



Source: Central Bank of Uruguay (BCU).

Tax framework

Investment in Uruguay, both national and foreign, is declared of national interest by law. Thus, foreign investors are granted the same incentives as local investors and there is no tax discrimination or restrictions for transferring profits abroad.

Corporate income tax (IRAE) in Uruguay is 25%. The Tax Reform Law expanded the framework of automatic investment exemptions, granting IRAE exemptions of up to 40% according to the type of investment (if revenues under USD 1,1MM approximately). Furthermore, there are several exempt income and expenditure calculated for one and a half of its actual amount. These include, but are not limited to, training personnel in priority areas, improving working conditions and environment, research projects and scientific and technological development, technicians' fees for assistance in priority areas or certification under international quality standards.

Apart from the automatic income tax exemption, Uruguay has a wide range of incentives adjusted to different types of productive activities, from industrial to commercial and service activities performed within the country. Arrangements provided for by the Investment Law, duty free zones, free port and free airport structures, public-private partnership agreements, industrial parks and temporary admission are some of the main incentive arrangements available in the country. Furthermore, in Uruguay several sectors enjoy specific incentive structures including, but not limited to, external financial intermediation, afforestation, graphic industry, maritime and air navigation, software, vehicles or auto parts, biofuels, communication and housing industry.

Investment Promotion Framework

The investment promotion system is provided for by Law No. 16,906, whereby the promotion and protection of investments made by national and foreign investors in the national territory are declared of national interest. The Law is actually regulated by Decree No. 002/012.

The Law on Investments provides for the granting of the following benefits, when some objectives are accomplished:

- Exemption of Wealth Tax (IP) regarding personal property directly intended for any productive cycle and equipment for electronic data processing.

- Exemption of Value Added Tax (VAT) and exemption of Excise Tax (IMESI), corresponding to imports and refund of VAT included in purchases of goods intended for any productive cycle and equipment for electronic data processing.

In the particular case of IRAE exemption, the granting of this benefit is subject to the score obtained in the matrix of objectives and indicators created by COMAP, based on the information provided by the investor. Tax exception can reach up to 100% of the amount actually invested in the assets detailed in the project. This amount cannot exceed 60% of that payable in each period included in the promotional declaration.

Temporary Admission, Free Port and Warehousing

Under the temporary admissions system, goods can enter the country free of import duties, as long as these goods are involved in the manufacturing and are in contact with the end-product to be exported. The range of goods subject to temporary admission includes: raw materials, parts, spares, engines, packages and packaging materials, matrixes, molds and models, half-finished and intermediate products, agricultural products and inputs for the production process.

Pursuant to Law 16,246 of May 1992, the movement of goods in Uruguayan ports and port terminals that are suitable to receive overseas ships is free and not subject to authorizations or government approvals. Goods shall be exempt from import duties, related taxes, and the Net Worth Tax (under some conditions), while they remain in the port customs area. Furthermore, port services are not subject to VAT.

Tax Free Zones

Tax free zones are regulated by Law 15,921, and government decrees 454/88, 57/993 and 209/94. Uruguay has established 13 tax free zones that are in most cases privately held. Large investments like UPM's pulp mill in Fray Bentos, or the WTC site in Montevideo have received tax free zone status. There is a government-owned tax free zone in Nueva Palmira that contains a port terminal and grain silos.

The establishment of new tax free zones must be preapproved by a committee formed by representatives of the Corporacion Nacional para el Desarrollo and the Ministry of Finance. The tax benefits are not extended to the company managing the tax free zone, only to its users. The managing company must develop and upkeep common infrastructure and pay a fee to the government. In exchange, the company collects dues from tax zone free users.

Tax free zone user applicants must present a business plan to the Ministry of Finance. Eligible projects must exceed US$10mm of investment, employ at least 75% of Uruguayan nationals, and export at least 95% of the products or offshoring services rendered (e.g. call centers).

The following benefits apply to users of tax free zones:

Exemption from income tax, asset tax, VAT and all existing and future taxes, other than social security payable by local employees:

Products or inputs that enter or leave the tax free zone are not subject to taxation

Exemption from taxes on dividend payments abroad, unless the foreign company has to pay a tax on its home country on dividends received from Uruguay

Products manufactured inside tax free zones are not subject to minimum local component requirements or other regulations.

Politics in Uruguay

Uruguay is a democratic republic organized under a presidential system. The president is directly elected by the national electorate for a term of 5 years, and may not be reelected consecutively. If no presidential candidate receives an absolute majority of 51 percent of the vote, there is a runoff election between the top 2 candidates. The country is organized into 19 regional departments or states, each headed by an elected governor.

The government of Uruguay operates under three independent branches: Executive, Legislative and Judicial. The Executive Branch is held in the hands of the President and his cabinet of Ministers. The Legislative Branch rests with the parliament, which is composed of the senate (31 members) and the chamber of representatives (99 members).The Judicial Branch is headed by the Supreme Court of Justice. Each of the above branches is autonomous as regards the duties entrusted to them by the Constitution.

All of Uruguay's major political parties support economic reforms and free trade. There are 3 main political parties /coalitions. There are no dominant parties and the three coalitions have run the country at least once since 1990. Consensus among political parties is high. As a result, public trust in institutions and government branches remains significantly stronger than in other countries in the region. A summary description of each party is presented below:

Colorado Party: has traditionally represented the urban areas and the working class. In the 1990s, this party increased its support for smaller government and less state control.

The National Party (or "Blanco"): is the main party of rural voters, and is generally regarded as the most conservative of the nation's parties and a staunch supporter of free enterprise.

Encuentro Progresista-Frente Amplio ("EP-FA"): is a leftist coalition that supports limited free trade and private enterprise, but favors the implementation of an income tax as a means to redistribute wealth and increase social spending.

Tabaré Vazquez, from the EP-FA party won the 2015 presidential election and took office as President on 1st March 2015. The EP-FA party has ruled the country since 2004, and although a leftist coalition, its economic policy has become a bastion of pragmatic economic policies that favor business and foreign investments.

5. Appendix C: The Supply-Demand Landscape of the Global Beef Industry

Although the global beef industry has not been alien to those factors driving the global commodity price downward trend, there is a set of strong underlying elements shaping sound prospects for the entire beef value chain.

On the demand side, population growth, higher disposable income, urbanization, changes in lifestyles are expanding beef demand. Also changes in consumer patterns with beef dishes becoming more and more common in the diets of the emerging market homes, retail stores and the entire foodservice segment.

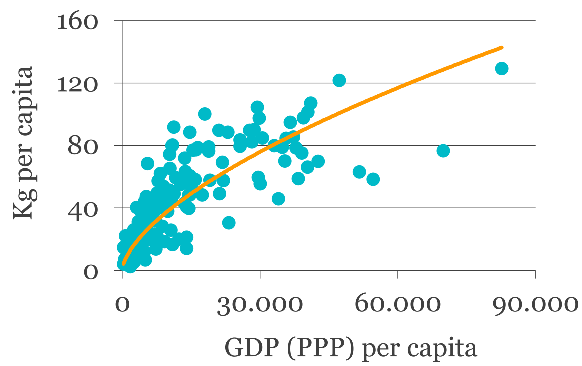
According to FAO (2013), while consumption of all types of meat is forecasted to increase, beef is the only category expected to show accelerated growth for the 2013-22 decade.

Global Meat Consumption Change (%)

	2003-12	2013-22	% Change
Beef	**0.2%**	**0.5%**	**150%**
Pork	0.7%	0.4%	-43%
Poultry	2.5%	0.9%	-64%
Sheep	1.0%	0.3%	-70%

Source: FAO, 2013

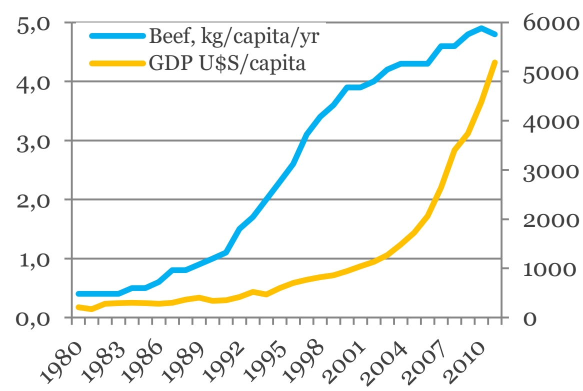
Per Capita Meat demand and Economic growth



Source: LAVP analysis based on FAO and World Bank

The expansion of meat demand and specifically beef consumption has been driven by the economic growth of the Emerging Economies. As the purchasing power improves, consumers shift their diet decreasing consumption of cereal-based dishes while increasing meat consumption. In this respect the case of China is probably one of the most outstanding.

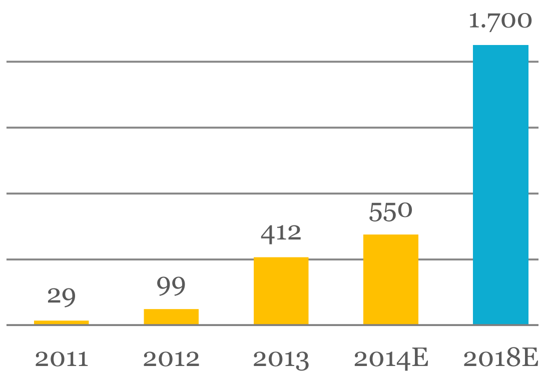
China: Economic growth as driver for beef demand



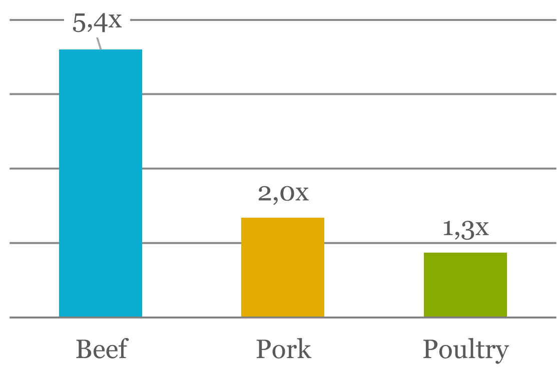
Source: FAO, World Bank & OECD

Chinese beef demand is expected to grow from 7 million tons in 2014 to 8.5 million tons in 2018. Rabobank expects imports to continue to grow at 10-15% per year (Rabobank report, 2014).

China Surge in Beef Imports (000's mt)



Change in Retail Price (2000-2014)

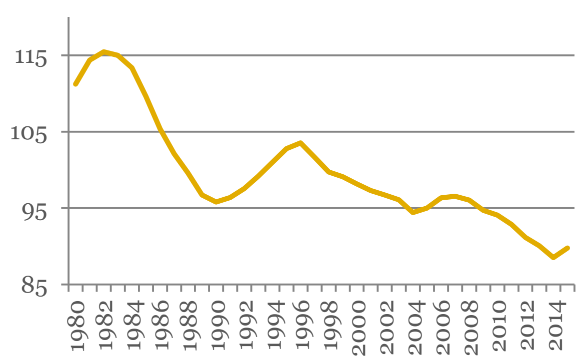


On the supply side, in the medium and long-term world expansion in cattle and feedstuff production depends on two fundamentals drivers, more available land and productivity growth. A significant part of the developed world such as European Union, Japan, South Korea, among others, face strong land and water availability challenges. Moreover, the uninterrupted growth in the Asian population is and will continue to constraint the potential to expand cattle and feedstuff production.

In the short-to-medium term, world demand is expected to faced tight supplies from many of the key world players (US, Australia and EU), which together account for more than 35% of world beef production.

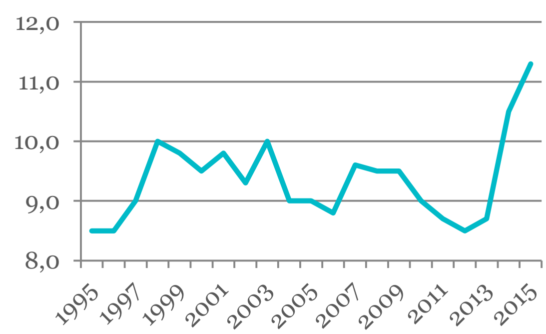
The US, 2nd largest beef producer in the world, and currently showing the lowest inventory levels since 1960, has just began a herd rebuilding process that will further tight world beef supplies.

US Cattle Inventories, MM heads



Source: USDA, 2014

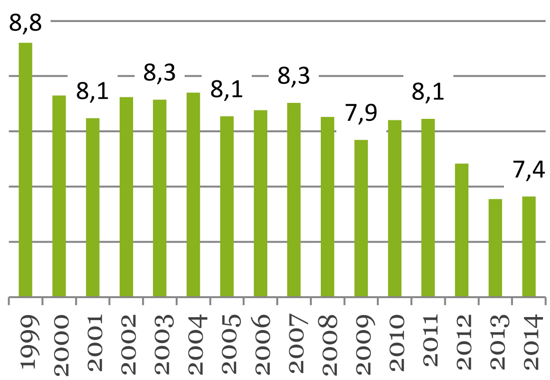
Australia Cattle slaughter and live exports, MM heads



Source: MLA, ABARE, 2015

Due to prevailing droughts and market dynamics, Australia has shown record slaughter and live exports since 1979 that has pushed cattle inventory numbers to the lowest in 15 years, which will severely constraint beef supplies in the upcoming 3-4 years.

EU Beef production, ´000 tons cwe



Source: FAO, 2014

Finally, the European Union, the 3rd largest world cattle producer, has shown an uninterrupted decrease in production for the last 25 years. The drivers of this trend - insufficient land availability, strict environmental regulations, and high labor costs – are expected to continue and even intensify in the future.

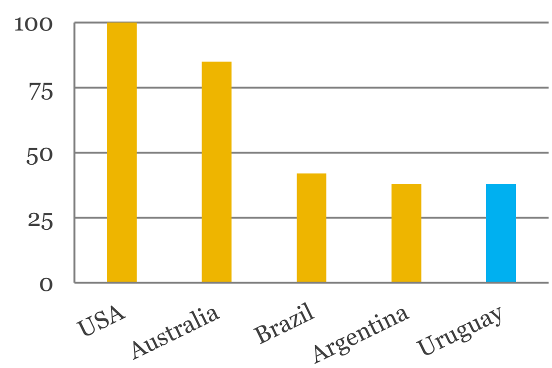
6. Appendix D: The Fundamentals of the Uruguay Beef Industry

The Uruguayan cattle and beef industry developed long before the country was even established as a nation, becoming one of the main drivers of economic and social development during the last 100 years.

A century of development and growth allowed the cattle industry to be at the forefront of industry productivity driven by the adoption of well adapted British breeds, genetic improvements, high yield pastoral species, grazing management, as well as modern industrial processes.

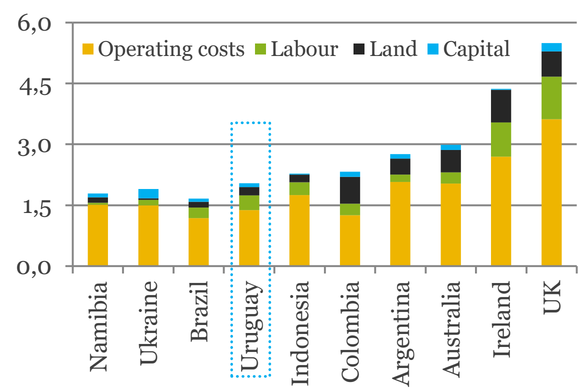
As a consequence, cattle industry has become one of the most cost competitive globally, further supported by the country's temperate climate allowing for year-round grazing systems. Uruguay also benefits from lower transportation costs due to a very compact cattle raising area, a flat landscape, and a well-developed truck transportation network.

Production Cost Comparison –index



Source: Beef Farming systems across the world; Debiltz & Parton

Finishing systems: average long-run cost of production, US$ / liveweight kg*



Source: AgriBenchmark * Average 2011-2013

Due to the fundamental importance of exports to the country's economic growth, the beef industry has diligently worked to achieve its current prime sanitary status. Uruguay's herd sanitary status, comparable to that of the US and Australia, grants access to every market in the world with the exception of Japan, which is currently being negotiated.

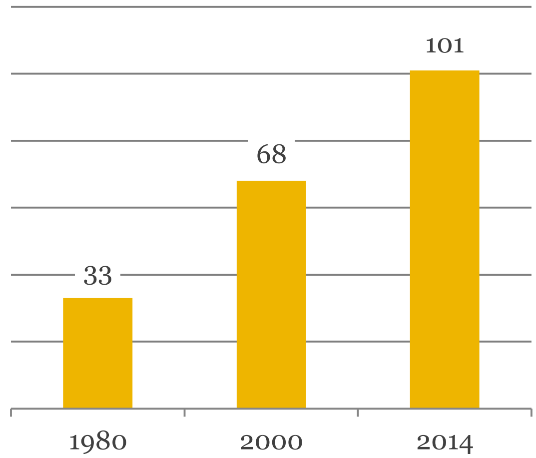
Because of its pasture-based feeding technologies and the country's long prohibition against the use of animal byproducts on feed, Uruguay holds the highest BSE status (negligible BSE-risk status) according to the World Animal Health Organization (OIE).

The aforementioned results in the fact that Uruguay currently exports to more than 101 countries, a diversification strategy that has proved successful to maximize carcass value.

Market Access	
Mercosur	Yes
NAFTA	Yes
EU	Yes
Russia	Yes
Africa	Yes
China/Hong Kong	Yes
South Korea	Yes
Japan	*Negotiation undeway**

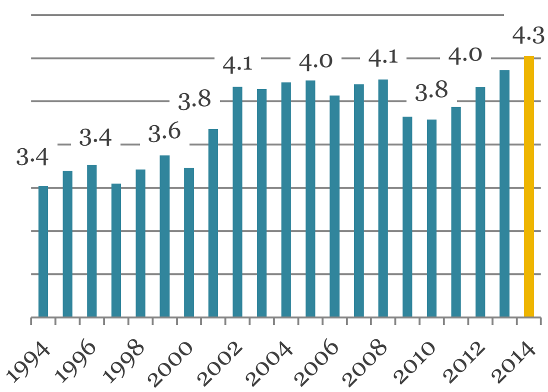
Source: INAC

Number of export destinations (2014)



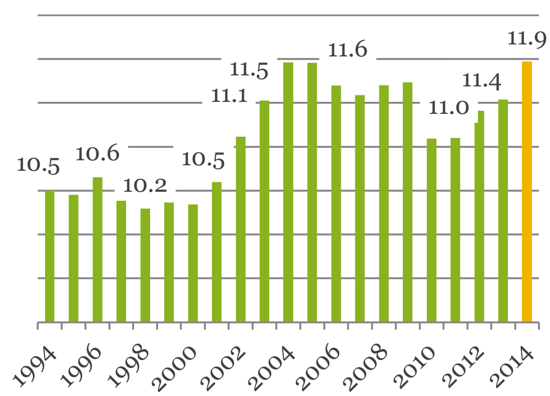
Driven by the strong world beef demand and the transformation of Uruguay's agricultural sector, the cattle industry is undergoing profound changes. Uruguay currently holds the largest total cattle and breeding stocks since available records exist.

Total Breeding stocks, MM heads



Source: Dicose

Total Cattle stocks, MM heads



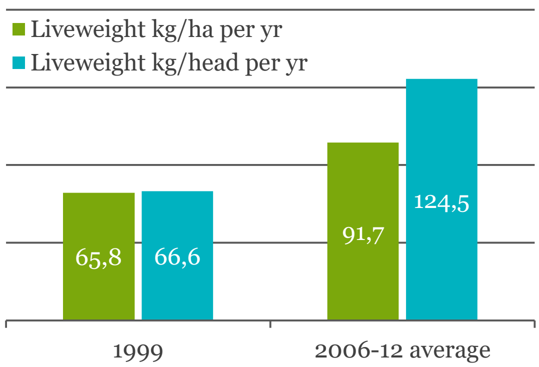
Source: Dicose

The high profitability of lands used for crop production set during the last decade a "large opportunity cost" for cattle ranching that ignited a technological change within beef production systems.

The calving rate has consistently increased since the mid-1990s, While between 1995-2005 it averaged at 61%, since then the average has been in the 66-68% range.

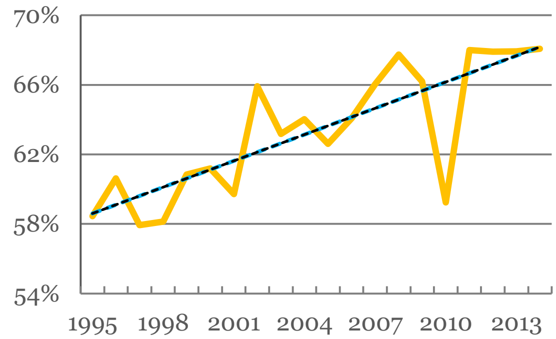
That large opportunity cost also drove a widespread adoption of animal management technologies that has both increased cattle stocking rates (+40%) and animal growth rates (+ 87%).

Cattle Productivity



Source: Dicose; Variabilidad regional de la productividad ganadera, OPYPA (Bevejillo)

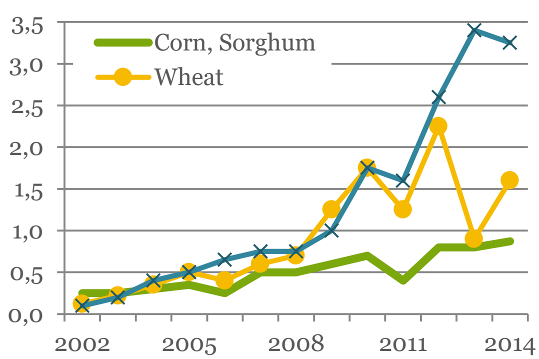
Reproductive Performance, Calving rate



Source: Dicose

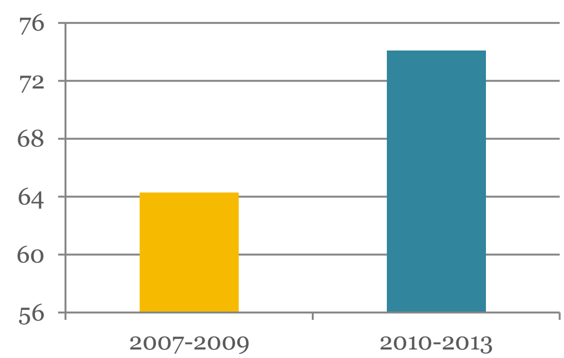
Finally, the dramatic expansion on grain production has created an abundant supply of feedstuffs strengthening the economics of supplementation in cow-calf and finishing operations.

Grain Production, MM tons



Source: Diea

Cattle Ration usage, kg per head / year



Source: Anuario Opypa 2013, 2014