



BRF S.A.

(Incorporated in the Federative Republic of Brazil)

U.S.\$750,000,000

4.875% Senior Notes due 2030

We are offering U.S.\$750,000,000 aggregate principal amount of 4.875% senior notes due 2030 (the “notes”). The notes will bear interest at the rate of 4.875% per year and will mature on January 24, 2030. Interest on the notes will be payable semi-annually in arrears on January 24 and July 24 of each year, beginning on January 24, 2020.

We may redeem the notes, in whole or in part, at any time prior to October 24, 2029 at a redemption price based on a “make-whole” amount plus accrued and unpaid interest. On or after October 24, 2029, we may redeem the notes, in whole or in part, at any time, at 100% of their principal amount plus accrued and unpaid interest. We may also redeem the notes, in whole but not in part, at 100% of their principal amount plus accrued and unpaid interest in the event of specified events relating to applicable tax laws. See “Description of Notes—Redemption.”

The notes will be our senior unsecured obligations and will rank equally with all of our existing and future senior and unsecured indebtedness, and will be structurally subordinated to all existing and future liabilities (including trade payables) of our subsidiaries.

For a more detailed description of the notes, see “Description of the Notes” beginning on page 43.

See “Risk Factors” beginning on page 17 for a discussion of certain risks that you should consider in connection with an investment in the notes.

Issue Price: 99.007% plus accrued interest, if any, from September 24, 2019.

The notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any other jurisdiction. The notes may not be sold within the United States except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the Securities Act (“Rule 144A”) and may not be offered or sold outside the United States except to certain non-U.S. persons (as defined in Regulation S under the Securities Act (“Regulation S”)) in offshore transactions in reliance on Regulation S. Prospective purchasers that are qualified institutional buyers are hereby notified that sellers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfer of the notes, see “Transfer Restrictions.”

There is currently no market for the notes. We will apply to list the notes on the official list of the Luxembourg Stock Exchange for trading on the Euro MTF Market. This offering memorandum will constitute a prospectus for the purposes of Luxembourg law dated July 16, 2019 on prospectuses for securities.

Delivery of the notes is expected to be made on or about September 24, 2019 to investors in book-entry form through The Depository Trust Company (“DTC”) and its direct and indirect participants, including Clearstream Banking, *société anonyme* (“Clearstream”) and Euroclear Bank S.A./N.V. (“Euroclear”), as operator of the Euroclear System. The notes are being offered in the European Economic Area pursuant to an exemption from prospectus requirements under Regulation (EU) 2017/1129 and the implementing measures in any Member State of the European economic Area which has implemented the Prospectus Regulation (together, the “Prospectus Regulation”). This offering memorandum has not been approved by a competent authority within the meaning of the Prospectus Regulation.

Our LEI (legal entity identifier) code is 254900MTXR9LUVQFU480.

Joint Book-Running Managers

BB Securities

Bradesco BBI

BTG Pactual

Citigroup

Itaú BBA

Santander

The date of this offering memorandum is September 30, 2019.

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You should rely only on the information contained in this confidential offering memorandum. Neither we nor the initial purchasers have authorized anyone to provide you with different information. Neither we nor the initial purchasers are making an offer of the notes in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum, regardless of the time of delivery of this offering memorandum or any sale of the notes.

Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to “BRF S.A.,” “BRF,” the “Issuer,” the “company,” “we,” “our,” “ours,” “us” or similar terms are to BRF S.A. (formerly known as BRF – Brasil Foods S.A.), the issuer of the notes, and its consolidated subsidiaries and jointly controlled companies.

This offering memorandum has been prepared by us for use in connection with the offering of the notes described in this offering memorandum. BB Securities Limited, Banco Bradesco BBI S.A., Banco BTG Pactual S.A.—Cayman Branch, Citigroup Global Markets Inc., Itau BBA USA Securities, Inc. and Santander Investment Securities Inc. will act as initial purchasers with respect to the offering of the notes. We are offering to sell, and are seeking offers to buy, the notes only in jurisdictions where offers and sales are permitted. This offering memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any notes by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation. Neither the delivery of this offering memorandum nor any sale made under it implies that there has been no change in our affairs or that the information in this offering memorandum is correct as of any date after the date of this offering memorandum.

You must (1) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this offering memorandum and the purchase, offer or sale of the notes, and (2) obtain any required consent, approval or permission for the purchase, offer or sale by you of the notes under the laws and

regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither we nor the initial purchasers or their agents have any responsibility therefor.

You acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum;
- you have not relied on the initial purchasers or their agents or any person affiliated with the initial purchasers or their agents in connection with your investigation of the accuracy of such information or your investment decision; and
- no person has been authorized to give any information or to make any representation concerning us or the notes other than those as set forth in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us, the initial purchasers or their agents.

The initial purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past or future. We have furnished the information contained in this offering memorandum.

None of the U.S. Securities and Exchange Commission (the “SEC”), any state securities commission or any other regulatory authority, has approved or disapproved the notes, nor has any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

The notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. See “Plan of Distribution” and “Transfer Restrictions.”

The notes have not been, and will not be, registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*, or the “CVM”). The notes may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or distribution under Brazilian laws and regulations.

The Luxembourg Stock Exchange takes no responsibility for the contents of this offering memorandum, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering memorandum.

We confirm that, after having made all reasonable inquiries, the information contained in this offering memorandum with regards to us is true and accurate in all material respects and that there are no omissions of any other facts from this offering memorandum which, by their absence herefrom, make this offering memorandum misleading in any material respect. We accept responsibility accordingly for the information contained in this offering memorandum. All information obtained by us from third parties and included in this offering memorandum has been accurately reproduced by us and, as far as we are aware and are able to ascertain, no facts have been omitted that would render such information inaccurate or misleading. See “Presentation of Financial and Other Information—Market and Other Information” for a list of the third party sources from which we have obtained such information.

In making an investment decision, prospective investors must rely on their own examination of the company and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this offering memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the notes under applicable legal investment or similar laws or regulations.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

This offering memorandum has been prepared on the basis that any offer of the notes in any Member State of the European Economic Area which has implemented the Prospectus Regulation (each, a “Relevant Member State”) will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the notes. The expression “Prospectus Regulation” means Regulation (EU) 2017/1129 and the implementing measures in the Relevant Member State. Accordingly, any person making or intending to make an offer in that Relevant Member State of the notes which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for us or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, in each case, in relation to such offer. Neither we nor the initial purchasers have authorized, nor do we or they authorize, the making of any offer of the notes in circumstances in which an obligation arises for us or the initial purchasers to publish a prospectus for such offer.

The notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the European Economic Area. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”), or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the notes or otherwise making them available to retail investors in the European Economic Area has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the European Economic Area may be unlawful under the PRIIPs Regulation.

Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the notes has led to the conclusion that: (i) the target market for the notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the notes (a “distributor”) should take into consideration the manufacturers’ target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This offering memorandum does not constitute an offer of securities to the public in the United Kingdom, and is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Regulation (“Qualified Investors”) that are also (1) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (2) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). Any person who is not a relevant person should not act or rely on this offering memorandum or any of its contents. Persons into whose possession the offering memorandum may come are required by us and the initial purchasers to inform themselves about and to observe such restrictions.

NOTICE TO PROSPECTIVE INVESTORS WITHIN SINGAPORE

This offering memorandum has not been and will not be registered as a prospectus with the monetary authority of Singapore (the “MAS”), and the notes are being offered in Singapore pursuant to exemptions invoked under Section 274 and/or Section 275 of the Securities And Futures Act (Chapter 289) of Singapore (the “SFA”). Accordingly, each of the initial purchasers has represented and agreed that it will not offer or sell the notes nor make the notes the subject of an invitation for subscription or purchase, nor will it circulate or distribute this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes, whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor (as defined in the SFA) under section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) under section 275(1) and/or any person under section 275(1A) of the SFA, and in accordance with the

conditions specified in section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Singapore Securities and Futures Act Product Classification—Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the SFA, we have determined, and hereby notify all relevant persons (as defined in Section 309A of the SFA) that the notes are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04- N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

NOTICE TO PROSPECTIVE INVESTORS WITHIN BRAZIL

THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED WITH THE CVM. THE NOTES MAY NOT BE OFFERED OR SOLD IN BRAZIL, EXCEPT IN CIRCUMSTANCES THAT DO NOT CONSTITUTE A PUBLIC OFFERING OR UNAUTHORIZED DISTRIBUTION UNDER BRAZILIAN LAWS AND REGULATIONS. THE NOTES ARE NOT BEING OFFERED INTO BRAZIL. DOCUMENTS RELATING TO THE OFFERING OF THE NOTES, AS WELL AS INFORMATION CONTAINED THEREIN, MAY NOT BE SUPPLIED TO THE PUBLIC IN BRAZIL, NOR BE USED IN CONNECTION WITH ANY OFFER FOR SUBSCRIPTION OR SALE OF THE NOTES TO THE GENERAL PUBLIC IN BRAZIL.

INCORPORATION BY REFERENCE

We are incorporating by reference into this offering memorandum our annual report on Form 20-F for the year ended December 31, 2018, which we filed with the SEC on April 30, 2019 (SEC File No. 001-15148) (our “2018 Form 20-F”), including the following sections:

- the information under the caption “Introduction” of our 2018 Form 20-F;
- the information contained in “Item 3: Key Information” of our 2018 Form 20-F, with the exception of financial data as of and for the years ended December 31, 2014, 2015 and 2016;
- the information contained in “Item 4: Information on the Company” of our 2018 Form 20-F, with the exception of financial data as of and for the year ended December 31, 2016;
- the information contained in “Item 5: Operating and Financial Review and Prospects” of our 2018 Form 20-F, with the exception of financial data as of and for the year ended December 31, 2016;
- the information contained in “Item 6: Directors, Senior Management and Employees” of our 2018 Form 20-F;
- the information contained in “Item 7: Major Shareholders and Related Party Transactions” of our 2018 Form 20-F;
- the information contained in “Item 8: Financial Information” of our 2018 Form 20-F, with the exception of financial data as of and for the year ended December 31, 2016;
- the information contained in “Item 11: Quantitative and Qualitative Disclosures About Market Risk” of our 2018 Form 20-F; and
- the audited consolidated financial statements of BRF S.A. and its subsidiaries, including the reports of the independent registered public accounting firm, contained in our 2018 Form 20-F, with the exception of such financial statements, including the reports of the independent registered public accounting firm, as of and for the year ended December 31, 2016.

The information below can be found in the indicated sections of our 2018 Form 20-F:

<u>Information</u>	<u>Section in our 2018 Form 20-F</u>
Our date of incorporation and length of life	Item 4. Information on the Company—A. History and Development of the Company of our 2018 Form 20-F Exhibit 1.01 (Amended and Restated Bylaws I – Name, Registered Office, Duration and Purpose), Article Four, of our 2018 Form 20-F
Legislation under which we operate and our legal form	Exhibit 1.01 (Amended and Restated Bylaws I – Name, Registered Office, Duration and Purpose), Article One, of our 2018 Form 20-F
Description of our subsidiaries	Item 4. Information on the Company—C. Organizational Structure of our 2018 Form 20-F Exhibit 8.01 (Subsidiaries of the Registrant) of our 2018 Form 20-F

References in this offering memorandum to the incorporation by reference of our 2018 Form 20-F mean the incorporation by reference of the above mentioned sections of our 2018 Form 20-F, and that such sections of our 2018 Form 20-F are considered part of this offering memorandum.

The information in our 2018 Form 20-F is an important part of this offering memorandum. Our 2018 Form 20-F contains important information about our company and our results of operations and financial condition.

Any statement contained in our 2018 Form 20-F will be deemed to be modified or superseded for purposes of this offering memorandum to the extent that a statement contained herein modifies or supersedes that statement.

You should read “Available Information” for information on how to obtain our 2018 Form 20-F and other information relating to our company.

AVAILABLE INFORMATION

We are a reporting company under Section 13 or Section 15(d) of the U.S. Securities and Exchange Act of 1934, as amended (the “Exchange Act”), and file periodic reports with the SEC. However, if at any time we cease to be a reporting company under Section 13 or Section 15(d) of the Exchange Act, or are not exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, we will be required to furnish to any holder of a note which is a “restricted security” (within the meaning of Rule 144 under the Securities Act) or to any prospective purchaser thereof designated by such a holder, upon the request of such a holder or prospective purchaser, in connection with a transfer or proposed transfer of any such note pursuant to Rule 144A under the Securities Act or otherwise, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Our 2018 Form 20-F and our other periodic reports filed with or furnished to the SEC, including any interim financial reports, are available free of charge from the SEC at its website (www.sec.gov) or from our website (www.brf-br.com). Other than as set forth under “Incorporation by Reference,” information on these websites is not incorporated by reference into this offering memorandum.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references in this offering memorandum to the “*real*,” “*reais*” or “R\$” are to the Brazilian *real*, the official currency of Brazil. All references to “U.S. dollars,” “dollars” or “U.S.\$” are to U.S. dollars. All references to “euros” or “€” are to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time. All references to “Singapore dollars” or “S\$” are to Singapore dollars.

The exchange rate for *reais* into U.S. dollars based on the selling rate as reported by the Central Bank of Brazil (*Banco Central do Brasil*, or the “Central Bank”) was R\$3.8322 to U.S.\$1.00 at June 30, 2019, R\$3.8748 to U.S.\$1.00 at December 31, 2018 and R\$3.3080 to U.S.\$1.00 at December 31, 2017. As a result of fluctuations in the *real*/U.S. dollar exchange rate, the selling rate at June 30, 2019 or any other date may not be indicative of current or future exchange rates. As of September 24, 2019, the selling rate published by the Central Bank was R\$4.1721 per U.S.\$1.00.

Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the selling rate as reported by the Central Bank at June 30, 2019. These translations should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at that or at any other rate or as of that or any other date.

We maintain our books and records in *reais*.

Our audited consolidated financial statements as of and for the years ended December 31, 2018 and 2017, included in our 2018 Form 20-F and incorporated by reference in this offering memorandum (our “audited consolidated financial statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

Our unaudited condensed consolidated interim financial information as of June 30, 2019 and for the six months ended June 30, 2019 and 2018, included in this offering memorandum (our “unaudited condensed consolidated interim financial information”) have been prepared in accordance with IAS 34—Interim Financial Reporting.

Some percentages and amounts included in this offering memorandum have been rounded for ease of presentation. As a result, figures shown as totals in certain tables may not be arithmetic aggregations of the figures that precede them.

Non-GAAP Financial Measures

This offering memorandum includes earnings before interest, taxes and depreciation and amortization (“EBITDA”), Adjusted EBITDA, Net Debt, Net Debt / Last Twelve Months (“LTM”) Adjusted EBITDA and Adjusted EBITDA Margin, which are not financial measures computed under IFRS. These non-GAAP financial measures are used by our management for decision-making purposes and to assess our financial and operating performance. We also believe that the disclosure of our EBITDA, Adjusted EBITDA, Net Debt, Net Debt / LTM Adjusted EBITDA and Adjusted EBITDA Margin provides useful supplemental information to investors and financial analysts in their review of our operating performance. Potential investors should not rely on information not defined under IFRS as a substitute for the IFRS measures of earnings, cash flows or net profit (loss) in making an investment decision. The presentations of EBITDA, Adjusted EBITDA, Net Debt, Net Debt / LTM Adjusted EBITDA and Adjusted EBITDA Margin included in this offering memorandum may not be comparable to those of other companies. For our definitions of EBITDA, Adjusted EBITDA and Net Debt and reconciliations of income (loss) from continuing operations to EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin, see “Summary—Summary Financial and Other Information.”

Market and Other Information

Industry and market data included in this offering memorandum are based on industry publications, government publications, reports by market research firms or other published sources. Some industry and market data are also based on our estimates, which are derived from internal analyses as well as third-party sources, including WattAgNet, the Brazilian Secretary of Foreign Trade (*Secretaria de Comércio Exterior*, or “SECEX”), the U.S.

Department of Agriculture (the “USDA”), The Nielsen Company (US), LLC (“Nielsen”), the Brazilian Association of Supermarkets (*Associação Brasileira de Supermercados*, or “ABRAS”) and Trademap. Although we believe these sources are reliable, we have not independently verified the information and cannot assure you of its accuracy or completeness. Data regarding our industry and markets is intended to provide general guidance but is inherently imprecise. In addition, although we believe these estimates were reasonably derived, you should not place undue reliance on estimates, as they are inherently uncertain.

Trademarks

Unless the context otherwise requires, all brand names included in this offering memorandum are registered trademarks of our company.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements, including within the meaning of the Securities Act or the Exchange Act.

Statements that are predictive in nature, that depend upon or refer to future events or conditions or that include words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “estimates” and similar expressions are forward-looking statements. Although we believe that these forward-looking statements are based upon reasonable assumptions, these statements are subject to several risks, known and unknown, and uncertainties and are made in light of information currently available to us.

Our forward-looking statements are subject to risks and uncertainties, including as a result of the following factors:

- health risks related to the food industry, including in connection with ongoing investigations and legal proceedings;
- more stringent trade barriers in key export markets and increased regulation of food safety and security;
- the risk of outbreak of animal diseases;
- risks related to climate change;
- the risk of any shortage or lack of water or other raw materials necessary for our business;
- compliance with various laws and regulations;
- risks related to new product innovation;
- the implementation of the principal operating strategies of our company, including through divestitures, acquisitions or joint ventures;
- general economic, political and business conditions in the markets in which we do business, both in Brazil and abroad;
- the cyclical and volatility of raw materials and selling prices, including as a result of ongoing global trade disputes;
- strong international and domestic competition;
- risks related to labor relations;
- the protection of our intellectual property;
- the potential unavailability of transportation and logistics services;
- the risk that our insurance policies may not cover certain of our costs;
- our ability to recruit and retain qualified professionals;
- the risk of cybersecurity breaches;
- risks related to our indebtedness;
- risks related to the Brazilian economy and to Brazilian politics;

- interest rate fluctuations, inflation and exchange rate movements of the *real* in relation to the U.S. dollar and other currencies;
- the direction and future operation of our company;
- our company's financial condition or results of operations; and
- the risk factors identified or discussed under "Risk Factors" in this offering memorandum and in "Item 3. Key Information—D. Risk Factors" in our 2018 Form 20-F, which is incorporated by reference into this offering memorandum.

Because they involve risks and uncertainties, forward-looking statements are not guarantees of future performance, and our actual results or other developments may differ materially from the expectations expressed in the forward-looking statements. With respect to forward-looking statements that relate to future financial results and other projections, actual results will be different due to the inherent uncertainty of estimates, forecasts and projections. Because of these uncertainties, potential investors should not rely on these forward-looking statements.

Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events. In light of such limitations, you should not make any investment decision on the basis of the forward-looking statements contained herein.

SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

BRF is incorporated under the laws of Brazil. All, or substantially all, of its directors and officers reside outside the United States. Substantially all of the assets of BRF are located outside of the United States. As a result, it may not be possible (or it may be difficult) for you to effect service of process upon us or these other persons within the United States or to enforce judgments obtained in United States courts against us or them, including those predicated upon the civil liability provisions of the federal securities laws of the United States.

In the terms and conditions of the notes, BRF will (1) agree that the courts of the State of New York and the federal courts of the United States, in each case sitting in the Borough of Manhattan, The City of New York, will have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with the notes and, for such purposes, irrevocably submit to the jurisdiction of such courts and (2) name an agent for service of process in the Borough of Manhattan, The City of New York.

We have been advised by Machado, Meyer, Sendacz e Opice Advogados, our Brazilian counsel, that a judgment of a United States court for the payment of money, including for civil liabilities predicated upon the federal securities laws of the United States, may be enforced in Brazil, subject to certain requirements described below. Such counsel has advised that a judgment against BRF, its directors and officers thereof, or certain advisors named herein obtained in the United States would be enforceable in Brazil without retrial or re-examination of the merits of the original action including, without limitation, any final judgment for payment of a sum certain of money rendered by any such court, provided that such judgment has been previously recognized by the Superior Court of Justice (*Superior Tribunal de Justiça*, or “STJ”). That recognition will be available only if the U.S. judgment:

- is issued by a court of competent jurisdiction;
- was preceded by proper service of process is made on the parties, in accordance with Brazilian law, if made in Brazil, or after sufficient evidence of the parties’ absence has been given, as established pursuant to applicable law;
- is effective in the country where it was issued and it complies with all formalities necessary for its recognition as an enforcement instrument under the laws of the jurisdiction where it was issued;
- is final and therefore not subject to appeal;
- does not violate a final and unappealable decision issued by a Brazilian court;
- does not violate Brazilian public policy, national sovereignty or good morals or human dignity;
- does not violate the exclusive jurisdiction of Brazilian courts; and
- has been duly authenticated by a competent Brazilian consulate, or has been apostilled in accordance with the Convention Abolishing the Requirement of Legalisation for Foreign Public Documents dated as of October 5, 1961, if the place of issuance is a contracting state to such convention, and is accompanied by a sworn translation into Portuguese (*tradução pública juramentada*) except if such procedure was exempted by an international treaty to which Brazil is a signatory.

Furthermore, Brazilian law admits the exequatur of interlocutory decisions via letter rogatory. It is possible to confirm a final and unappealable judicial decision, as well as a non-judicial decision that would have a jurisdictional nature under the Brazilian law. The foreign decision may be partially confirmed.

The recognition process may be time-consuming and may also give rise to difficulties in enforcing the foreign judgment in Brazil. Accordingly, we cannot assure you that recognition would be obtained, that the recognition process would be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment, including for violation of the securities laws of countries other than Brazil, including the federal securities laws of the United States.

We have been further advised by our Brazilian counsel that (1) original actions may be brought in connection with this offering memorandum predicated solely on the federal securities laws of the United States in Brazilian courts and that, subject to applicable law, Brazilian courts may enforce liabilities in such actions against BRF or its directors and officers thereof and certain advisors named herein, provided that provisions of the federal securities laws of the United States do not contravene Brazilian public policy, good morals, national sovereignty or equitable principles and provided further that Brazilian courts can assert jurisdiction over such actions; and (2) the ability of a creditor to satisfy a judgment by attaching certain assets of BRF or the other persons named above is limited by provisions of Brazilian law, given that assets are located in Brazil.

In addition, a plaintiff (whether Brazilian or non-Brazilian) who resides or is outside Brazil during the course of the litigation in Brazil and who does not own real estate property in Brazil must provide a bond to guarantee the payment of the defendant's legal fees and court expenses in connection with court procedures for the collection of payments under the notes. This bond must have a value sufficient to satisfy the payment of court fees and defendant attorney's fees, as determined by the Brazilian judge, except in such instances involving (i) enforcement of foreign judgments that have been duly recognized by the STJ; (ii) collection of claims based on instruments that may be enforced in Brazil without review of merit (*título executivo extrajudicial*), which does not include the notes, (iii) counterclaims (*reconvenção*); or (iv) when this bond was exempted by an international treaty to which by Brazil is a signatory. Notwithstanding the foregoing, we cannot assure you that recognition of any judgment will be obtained, that the process described above can be conducted in a timely manner, or that Brazilian courts will enforce a judgment for violation of the federal securities laws of the United States with respect to the notes.

We have also been advised by our Brazilian counsel that, if the notes or the indenture were to be declared void by a court applying the laws of the State of New York, a judgment obtained outside Brazil seeking to enforce the obligations of BRF under the notes may not be recognized by the Superior Tribunal of Justice in Brazil.

SUMMARY

This summary highlights information presented in greater detail elsewhere in this offering memorandum. This summary is not complete and does not contain all the information you should consider before investing in the notes. You should carefully read this entire offering memorandum before investing, including our 2018 Form 20-F incorporated by reference in this offering memorandum (copies of which may be obtained as indicated under “Available Information”), “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements.

Our Company

We are one of the largest producers of fresh and frozen protein foods in the world in terms of production capacity, according to WattAgNet, with a portfolio of approximately four thousand stock keeping units (“SKUs”). We are committed to operating our business and delivering products to our global customer base in line with our core values: quality, safety and integrity. Our processed products include marinated and frozen chicken, *Chester*® rooster and turkey meats, specialty meats, frozen processed meats, frozen prepared entrees, portioned products and sliced products. We also sell margarine, sweet specialties, sandwiches and animal feed. We are the holder of brands such as *Sadia*, *Perdigão*, *Qualy*, *Perdix*, *Confidence* and *Hilal*. For the year ended December 31, 2018, BRF was responsible for 15.0% of the world’s poultry trade, based on USDA export data.

Our portfolio strategy is focused on creating new, convenient, practical and healthy products for our consumers based on their preferences. We seek to achieve that goal through strong innovation to provide us with increasing value-added items that will differentiate us from our competitors and strengthen our brands.

With 32 industrial facilities in Brazil, as of December 31, 2018, we have among our main assets a distribution network that enables our products to reach Brazilian consumers through more than 530,000 monthly deliveries and 47 distribution centers, 20 of which are in Brazil.

In the international market, BRF has a leading brand, *Sadia*, in various categories in Middle Eastern countries. We maintain 27 distribution centers outside of Brazil serving customers in more than 150 countries on five continents. We have one industrial facility in Abu Dhabi, one in Malaysia and three in Turkey.

We have been a public company since 1980. Our shares have been listed on the *Novo Mercado* of the São Paulo Stock Exchange (B3 S.A. – *Brasil, Bolsa, Balcão*) since 2006, and American Depositary Shares representing our common shares are traded on the New York Stock Exchange (ADR level III).

A breakdown of our products is as follows, which are sold both in Brazil and to our international customers:

- ***Meat Products***, consisting of *in natura* meat, which we define as frozen whole and cut chicken, frozen pork and frozen beef cuts;
- ***Processed Food Products***, including the following:
 - marinated, frozen, whole and cut chicken, roosters (sold under the *Chester*® brand) and turkey;
 - specialty meats, such as sausages, ham products, bologna, frankfurters, salami, bacon and other smoked products; and
 - frozen processed meats, such as hamburgers, steaks, breaded meat products, kibbeh and meatballs;
- ***Other Processed Products***, including the following:
 - margarine; and
 - frozen prepared entrees, such as lasagna and pizzas, as well as other frozen foods; and

- **Other**, consisting of soy meal, refined soy flour and animal feed.

In Brazil, we operate 32 industrial facilities, each of which may process more than one product, being thirty-two meat processing plants, three margarine processing plants, three pasta processing plants, one dessert processing plant and three soybean crushing plants. All of the industrial facilities are near our raw material suppliers or main consumer centers. We have an advanced logistics system in our domestic market, with 20 distribution centers, six of which are owned by us and 14 of which are leased from third parties, all of which serve supermarkets, retail stores, wholesale stores, restaurants and other clients.

In our international and halal markets, we operate five industrial facilities for meat processing. Additionally, after giving effect to the divestitures made in connection with our financial and operational restructuring plan, which occurred during the six months ended June 30, 2019, we continue to operate 27 distribution centers located in Asia, South America and the Middle East as well as commercial offices on four continents.

Our Industry

We manage our business to target both the Brazilian market and export markets.

Brazilian Market

As a Brazilian company, with a significant portion of our operations in Brazil, we are acutely affected by local economic conditions. Because of our significant operations in Brazil, fluctuations in Brazilian demand for our products affect our production levels and revenues.

Real gross domestic product (“GDP”) in Brazil increased at an average annual rate of 2.4% from 2004 through 2018, decreased at a rate of 0.2% for the three months ended March 31, 2019 and increased at a rate of 0.2% for the six months ended June 30, 2019. For two consecutive years, in 2015 and in 2016, Brazil’s GDP decreased by 3.5%, after increasing 0.5% in 2014. Reacting to this weak economic scenario, the Monetary Policy Committee (“COPOM”) lowered the Special System for Settlement and Custody (*Sistema Especial de Liquidação e de Custódia*, or the “SELIC”) interest rate, which is the short-term benchmark interest rate. Overall, the long-term trend remains downward, from 17.8% as of December 31, 2004 to 6.5% as of June 30, 2019. For the year ended December 31, 2018, the Extended National Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*, or the “IPCA”) published by the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*) increased by 3.75%. The IPCA increased by 2.42% for the six months ended June 30, 2019.

The unemployment rate and consumer confidence levels also have an impact on consumption levels in Brazil. The average unemployment rate for October, November and December of 2018 was 11.7%, a decrease of 0.1 percentage point as compared to 11.8% in the same period of 2017. The average unemployment rate for June 2019 was 12%, an increase of 0.3 percentage points as compared to December 31, 2018. The Consumer Confidence Index for August 2019 was 89.2%, 5.3 percentage points above that in August 2018, and for December 2018 was 93.8%, 7.4 percentage points above that in December 2017.

According to the Brazilian Association of Supermarkets (*Associação Brasileira de Supermercados*, or “ABRAS”) in December 2018, supermarket sales in real terms (adjusted using the IPCA), increased 3.9% compared to December 2017, and such sales increased 3.89% in June 2019 compared to June 2018. In 2018 and the six months ended June 30, 2019, supermarket sales increased by 2.07% and 2.64%, respectively, in real terms as compared to 2017 and the six months ended June 30, 2018, respectively.

Export Markets

The information set forth in this “Export Markets” subsection is derived from SECEX and relates to Brazilian exports as a whole and not only to exports of our company.

Brazilian chicken exports increased by 7.5% in the six months ended June 30, 2019 compared to the corresponding period in 2018 in terms of volume. Pork exports registered an increase of 24.6% in volume sold in the six months ended June 30, 2019 compared to the corresponding period in 2018. Beef exports recorded an increase of 17.7% in volume in the six months ended June 30, 2019 compared to the corresponding period in 2018.

Brazilian chicken exports in the six months ended June 30, 2019 totaled 1,926 thousand tons of sales, representing R\$12.0 billion in net sales (equivalent to U.S.\$3.1 billion). China was the main destination for these exports (13.8%), followed by Saudi Arabia (12.3%), Japan (10.6%) and the United Arab Emirates (9.5%).

The volume of pork exports in the six months ended June 30, 2019 totaled 342 thousand tons, representing R\$2.7 billion in net sales (equivalent to U.S.\$697 million). The leading importers, China, Hong Kong and Russia represented 28.3%, 22.5% and 6.8%, respectively, of total exports from Brazil.

Beef shipments in the six months ended June 30, 2019 totaled 741 thousand tons, with sales representing R\$11.1 billion in net sales (equivalent to U.S.\$2.9 billion). The increase in volume was driven by higher exports sent to China and Hong Kong, which imported 19.8% and 16.1% of Brazilian beef exports, respectively.

Competitive Strengths

We believe our major competitive strengths are as follows:

- **Leadership in the Brazilian Food Market with Strong Brands and a Global Presence.** We are one of the largest producers of fresh and frozen protein foods in the world in terms of production capacity with a size and scale that allows us to compete both inside and outside of Brazil with established and valuable brands. According to Nielsen, in Brazil, in 2018, our market share was 50.0% of the cold cuts market, 49.4% of the frozen food market, 54.2% of the margarine market and 39.3% of the sausage and franks market. In addition, we are one of the largest food companies in the world in terms of market capitalization. We believe our leading position allows us to leverage market opportunities by expanding our business, increasing our offer of value-added products and improving our initiatives in our targeted export markets. Our own and licensed brands such as *Sadia*, *Perdigão*, *Perdix*, *Qualy*, *Confidence*, *Hilal* and *Banvit* are highly recognized in a number of countries, such as Brazil, Saudi Arabia and Turkey, and we are expanding our presence with local brands in key markets. Our *Sadia* and *Perdigão* brands were included among the “Most Valuable Brands” in Brazil in 2019 by WPP and Kantar and among the five Most Preferred Masterbrands in Brazil by IPSOS.
- **Extensive Distribution Network.** We believe we are one of the few companies with an established distribution network that can deliver frozen and chilled products in practically any region of Brazil. In 2018, we had more than 530,000 monthly deliveries to customers in Brazil. Through our distribution centers in Brazil and in other countries, we served more than 200,000 customers from 150 countries in 2018. We have a strong presence in the Middle East including approximately 7,000 employees, exclusively dedicated to serve the Muslim market, with an operational structure including equity interests we have acquired in distribution companies such as Al Khan Foodstuff LLC (“AKF”), the leader in the distribution of frozen and chilled food in the Sultanate of Oman, and Federal Foods Limited (“Federal Foods”), the leader in the distribution of food in the United Arab Emirates. In addition, we also operate through Al Wafi in Saudi Arabia. Lastly, we also joined the Turkish market through the acquisition in 2017 of Banvit Bandirma Vitamili Yem Sanayii A.S. (“Banvit”), one of the largest poultry producers in the country and owner of some of the most recognized brands in the country. Our established distribution capabilities and logistical experience allow us to expand our national and international business, leading to higher sales volume and a greater coverage of our line of products.
- **Low Cost Products in a Growing Global Market.** We believe we have a competitive advantage over producers in some of our export markets due to our lower production costs and gains of efficiency in animal production in Brazil and in the industry overall in Turkey and the United Arab Emirates. We have also achieved a scale of production, including five industrial units outside of Brazil, and quality that allows us to compete effectively with the main producers in Brazil and other countries. We set up a series of programs aimed at maintaining and improving our cost effectiveness, including programs to optimize our supply chain by integrating demand, production, inventory management and customer service. We have a highly integrated production chain, spanning from the purchasing of grains, production of feedstock, delivery of animal feed to our integrated partners, slaughtering, processing, sales and distribution of products to our final consumers. Our Shared Service Center (*CSC - Centro de*

Serviços Compartilhados, or “CSC”) centralizes our administrative and corporate activities, while our Zero-Base Budget and Zero-Based Cost programs (*OBZ – Orçamento Base Zero* and *CBZ – Custo Base Zero*) are directed at enhancing the efficiency of cost and expense management.

- ***Strategic and Diversified Geographic Locations.*** Our slaughterhouses are strategically located in different regions of Brazil (South, Southeast and Midwest). This allows us to offset the risks from potential restrictions on exports that may occur in particular regions of the country due to sanitary concerns. The geographical diversity of our 20 distribution centers in 14 Brazilian states also allows us to optimize our logistics network and increase our outreach in Brazil. In addition, we opened our first processed food plant in the Middle East in Abu Dhabi, United Arab Emirates in 2014. In May 2017, we concluded the acquisition of Banvit, one of the largest poultry producers in Turkey, through TBQ Foods GmbH, a joint venture formed with the Qatar Investment Authority. The redefinition of key markets, focusing on Brazil, the Muslim world and Asia, reinforces our competitive differentiation through the flexible, robust chain that is able to serve countries quickly and efficiently, adapting the portfolio and the production model according to local needs. Our focus on strategically located local operations allows for rapid and efficient access to targeted markets and increases our ability to adapt products to local demands.
- ***Emphasis on Quality, Safety and Portfolio Diversity.*** We are committed to food safety and quality in all of our operations to meet the specifications of our clients, prevent contamination and reduce the risks of epidemics of animal illnesses. All of our portfolio is evaluated in terms of quality and health safety, which ranges from the treatment of poultry and pigs in the production chain to the production, distribution and sale processes. We have a diversified variety of products that give us the flexibility to direct our production according to the market demand and the seasonality of our products. To support this continuous innovation of our product portfolio, we have been continuously investing in our R&D facility in Jundiaí, in the State of São Paulo.
- ***Reinforced Governance with Experienced Management.*** Our management endeavors to accentuate best practices in our operations and corporate governance standards. After a series of enhancements, our leadership structure includes experienced advisors with long-term vision for the industry and an executive team with 10 vice presidents, distributed among corporate areas, markets and operations specialties. Our executive team is specialized by geographic region (Brazil and international markets), by operational areas (Integrated Planning & Logistics, Quality, R&D and Sustainability, and Operations & Procurement) and through corporate assignments (HR & IT, Finance & Investor Relations, Strategy, Management & Innovation and Institutional Affairs, Legal & Compliance).

Business Strategy

Our general strategy consists of using our competitive advantage as a low-cost producer of food in large scale to increase the return on invested capital and continue to grow sustainably in the coming years. We intend to continue to strengthen our global distribution network and client base in our target markets, providing a portfolio of diversified, innovative products directed at those markets and supported by strong international and local brands, while being guided by our commitment to safety, integrity and quality. The main elements in our strategy are the following:

- ***Maintaining a Strong and Strategic Business Plan.*** We intend to become a global house of brands offering the best products and solutions to our customers and end consumers putting together our global and regional capabilities. We aim to defend our leadership, and pursue additional growth opportunities, in our key markets. We will continue to invest time and resources to improve our sustainable chain into new supply models that will enhance our competitive advantages and put BRF ahead of the competition, by focusing on those products that we believe have the most strategic importance. Likewise, we will leverage and capitalize on our other key capabilities (sales and logistics, innovation, quality and people) to support this strategy. Furthermore, we are remodeling and improving our corporate culture that is strong, aligned to the organization and the decision-making process of value creation, and establish a performance culture in the company that is strengthened by

meritocracy. This new corporate culture will reinforce our commitment to attract, develop and retain talent, a key element for the company's sustainable development.

- ***Focusing on Financial Discipline.*** We are focused on maintaining our return on invested capital above the cost of capital, increasing our gross margin and EBITDA, and maintaining an optimal leverage. Since 2018, we have engaged in a restructuring plan focused on reducing leverage and directing business to areas with greater growth potential, where we believe BRF has a competitive advantage. Pursuant to that plan, we divested from our operations in Argentina, Europe and Thailand, improved our working capital (mainly through inventories of frozen raw material) and securitized certain receivables. As a result, we reinforced our cash position and improved our net debt to Adjusted EBITDA ratio. In addition, we seek to improve our debt profile by using substantially all of the proceeds from this offering to repay certain of our outstanding debt, which may include all or a portion of our outstanding 5.875% Senior Notes due 2022, 2.750% Senior Notes due 2022, 3.95% Senior Notes due 2023 and 4.75% Senior Notes due 2024 and the outstanding 7.250% Senior Notes due 2020 issued by our subsidiary BFF International Limited ("BFF"). We believe that the completion of this offering will give us further financial flexibility by (i) extending the average term and reducing the average cost of our indebtedness and (ii) allowing us to develop working capital initiatives that will permit us to improve our operational performance, such as by engaging in negotiations with key suppliers and customers seeking more favorable terms and conditions. See "Use of Proceeds." For our definitions of EBITDA and Adjusted EBITDA and reconciliations of income (loss) from continuing operations to EBITDA and Adjusted EBITDA, see "—Summary Financial and Other Information."
- ***Increasing our Domestic and International Client Base.*** We intend to continue strengthening our Brazilian and international client base by continuing to offer high quality products and services. We intend to focus on efficiency to increase our competitiveness on the global stage, delivering high quality services to our clients and raising distribution and logistics in our key markets to a central position in our business. We believe there are also opportunities to expand penetration in the Brazilian market by increasing our client base and raising the productivity of our sales force. For the six months ended June 30, 2019, sales in Brazil represented 52.8% of our total net sales while sales outside of Brazil (excluding the Other segment) represented 47.2%, and for the year ended December 31, 2018, sales in Brazil represented 53.9% of our total net sales while sales outside of Brazil represented 46.1%.
- ***Refocusing our Core Business according to Consumer and Market Preferences.*** We are focused on delivering innovative products that our clients regard as being value-added. We intend to refocus our most important categories of products, as well as increase our market penetration, through a more granular view (by category, channel, region, brands and consumer/consumption segments). We are planning to align our strategy, processes and people to the needs of our clients by creating an integrated medium-term plan for our value chain that is strong, flexible and focused on value creation. Lastly, we intend to promote a pricing model aimed at providing a more rational pricing scheme.
- ***Focusing on Key Global Categories of Higher Value-Added Food Products.*** The merger between Perdigão S.A. and Sadia S.A. in 2009 brought a great variety of processed products to our portfolio and created the largest exporters of poultry products in the world according to Trademap. Since then, we have been expanding our portfolio in Brazil through new product launches, such as new lines of ready-to-eat meals and a new line of margarine enriched with vitamins and Omega3 (Qualy Qmix). Outside Brazil, we have been making selective acquisitions of companies and brands since 2011. We intend to continue to diversify our product lines and to move downstream in the distribution segment, increasing our presence at points of sale and removing intermediaries in the value chain. In line with this strategy, we intend to provide products that deliver to our consumers greater practicality, such as the *Fácil* and *Soltíssimo* lines, and healthiness, like *Sadia's* new lines of cold cuts with 30% less sodium. Additionally, in 2014, we inaugurated a plant in Abu Dhabi, United Arab Emirates, to service our customers in the gulf region with processed products.
- ***Pursuing Leadership in Low Costs.*** We continue to enhance our cost structure in order to maintain competitive costs and increase the efficiency of our operations while maintaining our commitment with quality and food safety. In Brazil, we are seeking to increase growth in certain categories of our

products; to consolidate our leadership and profitability in products of greater added value; to transform food service into a strategic platform, to increase customer productivity with pricing technologies and performance measures; to improve efficiencies in transport, warehousing and logistics networks; and to make innovation as the core of our business. Outside of Brazil, we are seeking to build upon our position as the largest exporter to the Gulf Cooperation Council countries and to improve our leadership in the Turkish and Saudi Arabian markets; to migrate to products with higher added value; and to expand our operations and increase our presence in Asia.

Recent Developments

Tender Offers

On September 11, 2019, we launched cash tender offers (1) for any and all of the (i) 5.875% Senior Notes due 2022 (the “2022 Notes”) issued by us (the “2022 Notes Tender Offer”), (ii) 2.750% Senior Notes due 2022 (the “Euro Notes”) issued by us (the “Euro Notes Tender Offer”) and (iii) 3.95% Senior Notes due 2023 (the “2023 Notes”) issued by us (the “2023 Notes Tender Offer”) and (2) for up to an aggregate amount of total consideration not to exceed U.S.\$650.0 million less the cash amount, in U.S. dollars, that BRF is required to spend to purchase the 2022 Notes, the Euro Notes and the 2023 Notes validly tendered and accepted for purchase pursuant to the foregoing cash tender offers of the 4.75% Senior Notes due 2024 (the “2024 Notes”) issued by us (the “2024 Notes Tender Offer”). All references in this offering memorandum to the “Existing Notes” are to the 2022 Notes, the Euro Notes, the 2023 Notes and the 2024 Notes. All references in this offering memorandum to the “Tender Offers” are to the 2022 Notes Tender Offer, the Euro Notes Tender Offer, the 2023 Notes Tender Offer and the 2024 Notes Tender Offer. As of June 30, 2019, U.S.\$118.7 million aggregate principal amount of the 2022 Notes was outstanding, €500.0 million aggregate principal amount of the Euro Notes was outstanding, U.S.\$500.0 million aggregate principal amount of the 2023 Notes was outstanding, and U.S.\$750.0 million aggregate principal amount of the 2024 Notes was outstanding. Our obligation to accept and pay for Existing Notes in the Tender Offers is subject to the satisfaction, or waiver by us, of certain terms and conditions.

On September 18, 2019 at 8:30 a.m. (New York City time), the expiration date for the 2022 Notes Tender Offer, the Euro Notes Tender Offer and the 2023 Notes Tender Offer, according to information received from D.F. King & Co., Inc., the information and tender agent for the Tender Offers, (i) U.S.\$9,350,000, or approximately 7.88% of the principal amount outstanding, of the 2022 Notes was validly tendered, and not validly withdrawn, (ii) €175,219,000, or approximately 35.04% of the principal amount outstanding, of the Euro Notes was validly tendered, and not validly withdrawn and (iii) U.S.\$154,011,000, or approximately 30.80% of the principal amount outstanding, of the 2023 Notes was validly tendered, and not validly withdrawn. We have accepted such Existing Notes for purchase on the settlement date for these Tender Offers, which is expected to be September 25, 2019.

On September 24, 2019 at 5:00 p.m. (New York City time), the early tender date for the 2024 Notes Tender Offer, according to information received from D.F. King & Co., Inc., the information and tender agent for the Tender Offers, U.S.\$230,957,000, or approximately 30.79% of the principal amount outstanding, of the 2024 Notes was validly tendered, and not validly withdrawn. We have accepted such Existing Notes for purchase on the settlement date for this 2024 Notes Tender Offer, which is expected to be September 26, 2019.

The 2024 Notes Tender Offer will expire at 11:59 p.m. (New York City time) on October 8, 2019, unless extended or earlier terminated by us.

This offering memorandum is not an offer to purchase, or the solicitation of an offer to sell, the Existing Notes. The Tender Offers are being made by, and on the terms and conditions set forth in, the Offer to Purchase of BRF dated September 11, 2019.

Nomination of New Chief Financial and Investor Relations Officer

On August 13, 2019, our board of directors nominated Mr. Carlos Alberto Bezerra de Moura as our Chief Financial and Investor Relations Officer. Our current Global Chief Executive Officer, Mr. Lorival Nogueira Luz Júnior, has served as our Interim Chief Financial and Investor Relations Officer since April 25, 2019. Mr. Moura assumed this role on September 16, 2019. From May 2011 to September 2019, Mr. Moura served as the CFO of Companhia Brasileira de Metalurgia e Mineração. From November 2009 to May 2011, he served as the Corporate Vice-President and CFO of Diagnósticos da América S.A. From December 2001 to November 2009, Mr. Moura was a partner of Itaú Unibanco Holding Financeira. He previously worked at Banco Bozano, Simonsen and Deloitte Touche Tohmatsu. Mr. Moura graduated with a Bachelors in Accounting from Universidade Federal do Rio de Janeiro. He also holds a post-graduation degree on Financial Administration from Fundação Getúlio Vargas do Rio de Janeiro and a MBA on Managerial Administration from Fundação Dom Cabral with additional studies at Kellogg School of Management.

Completion of the Sale of Shares of Certain Subsidiaries in Europe and Thailand

On June 3, 2019, we completed the sale of 100% of our shares of certain subsidiaries located in Europe and Thailand and engaged in food processing and poultry slaughtering to Tyson International Holding Co. The final value of the transaction totaled U.S.\$377.0 million (equivalent to R\$1,467.0 million). This sale forms a part of the operating and financial restructuring plan announced by us in June 2018.

Completion of the Sale of Shares of a Subsidiary in Singapore

On September 5, 2019, we completed the sale of 49% of the shares of SATS BRF Food PTE, a company located in Singapore and engaged in food processing and Singaporean and regional distribution, to SATS Food Services PTE. The final value of the transaction totaled S\$17.0 million (equivalent to R\$50.2 million as of September 5, 2019). This sale forms a part of the operating and financial restructuring plan announced by us in June 2018.

Certain Member States of the European Union Have Considered Imposing Trade Barriers and Other Import Restrictions on Brazil

According to reports in the media, certain member states of the European Union have considered imposing an import restriction on Brazilian poultry, pork and beef, as a reaction to an alleged failure by Brazil to fulfill its environmental commitments. However, we do not believe that any such restriction on Brazil would materially adversely affect us as the European Union currently bans the import and sale of products from certain of our production facilities. In addition, some clothing brand companies are reported to have cancelled orders of leather from Brazilian suppliers. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—We have recently been subject to significant investigations relating to, among other things, food safety and quality control” and “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—More stringent trade barriers in key export markets may negatively affect our results of operations” in our 2018 Form 20-F.

Two Additional Production Plants Authorized to Export to China

On September 9, 2019, according to communication from the General Administration of Customs of the People’s Republic of China (GACC) to the Brazilian Ministry of Agriculture, Livestock and Food Supply (*Ministério da Agricultura, Pecuária e Abastecimento*, or “MAPA”), China authorized exports from an additional 25 Brazilian production plants, including two of our plants (one of poultry production and one of pork production) in the city of Lucas do Rio Verde in the state of Mato Grosso. As a result of this authorization, we have a total of nine plants (seven of poultry production and two of pork production) authorized to export to China.

Our principal executive offices are located at Av. das Nações Unidas, 8501 – 1st Floor, Pinheiros, 05425-070, São Paulo, SP, Brazil, and our telephone number at this address is +55-11-2322-5000/5355/5048. Our internet address is www.brf-br.com/ir. The information contained on, or accessible through, our website is not incorporated by reference into this offering memorandum, and the inclusion of our website address in this offering memorandum is an inactive textual reference.

The Offering

The following summary of the terms and conditions of the notes highlights information presented in greater detail elsewhere in this offering memorandum, including under “Description of the Notes.” The following summary does not contain all the information you should consider before investing in the notes.

Issuer	BRF S.A.
Notes Offered	U.S.\$750.0 million aggregate principal amount of 4.875% senior notes due 2030.
Issue Price.....	4.875%, plus accrued interest, if any, from September 24, 2019.
Issue Date	September 24, 2019.
Maturity Date	The notes will mature on January 24, 2030.
Interest.....	The notes will bear interest at 4.875% per year, and will be payable semi-annually on January 24 and July 24 of each year, beginning on January 24, 2020. There will be a short first coupon for the period from and including September 24, 2019 to, but excluding, January 24, 2020.
Ranking	<p>The notes will:</p> <ul style="list-style-type: none">• be senior unsecured obligations of the Issuer;• be effectively junior in right of payment to any secured indebtedness of the Issuer to the extent of the value of the assets securing such indebtedness;• rank equally in right of payment with all of the Issuer’s existing and future unsecured unsubordinated indebtedness; and• be structurally subordinated to all of the existing and future liabilities (including trade payables) of the Issuer’s subsidiaries. <p>As of June 30, 2019,</p> <ul style="list-style-type: none">• we had consolidated total short-term debt and long-term debt of R\$20,781.0 million (U.S.\$5,422.7 million), of which BRF had R\$18,342.1 million (U.S.\$4,786.3 million) of indebtedness as primary obligor (and not as guarantor);• the Issuer (at the parent company level and excluding its subsidiaries) had total short-term debt and long-term debt, of which (1) R\$139.1 million (U.S.\$36.3 million) was secured indebtedness to which the notes will be effectively subordinated; and (2)

R\$18,203.1 million (U.S.\$4,750.0 million) was unsecured indebtedness, which will rank equally in right of payment with the notes; and

- our subsidiaries had R\$2,438.9 million (U.S.\$636.4 million) of total short-term debt and long-term debt (excluding trade payables and intercompany liabilities), all of which will be structurally senior to the notes (including liabilities guaranteed by the Issuer).

Optional Redemption.....

We may redeem the notes, in whole or in part, at any time, or from time to time, prior to October 24, 2029 (the date that is three months prior to the scheduled maturity of the notes, the “Par Call Date”), at a redemption price based on a “make-whole” premium, plus accrued and unpaid interest and additional amounts, if any, to the redemption date; provided that no less than U.S.\$150.0 million in aggregate principal amount of the notes must remain outstanding immediately following any partial redemption. See “Description of the Notes—Redemption—Optional redemption—Make-whole redemption.”

Beginning on the Par Call Date, we may redeem the notes, in whole or in part, at any time or from time to time, at a price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest and additional amounts, if any, to the redemption date. See “Description of the Notes—Redemption—Optional Redemption—Redemption at par.”

Tax Redemption

We may redeem the notes, in whole but not in part, at 100% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the redemption date, upon the occurrence of specified events relating to applicable tax law. See “Description of the Notes—Redemption—Redemption for tax reasons.”

Additional Amounts

The Issuer will pay additional amounts in respect of any payments of interest or principal so that the amount you receive under the notes, after applicable withholding tax, if any, will equal the amount that you would have received if no withholding tax had been applicable, subject to certain exceptions as described under “Description of the Notes—Additional Amounts.”

Covenants

The indenture governing the notes will contain covenants that limit future actions to be taken, or transactions to be entered into, by us and our subsidiaries. The indenture will limit our and our subsidiaries’ ability to, among other things:

	<ul style="list-style-type: none"> • create certain liens; • enter into certain sale and leaseback transactions; and • merge, consolidate or sell substantially all of our assets. <p>However, these covenants are subject to significant exceptions. See “Description of the Notes—Covenants.”</p>
Events of Default.....	The indenture will set forth the events of default applicable to the notes, including an event of default triggered by cross-acceleration of other debt in an amount of U.S.\$150.0 million or more.
Further Issuances.....	We may from time to time, without notice to or consent of the holders of the notes, create and issue an unlimited principal amount of additional notes of the notes offered hereby, provided that if the additional notes are not fungible with the notes offered hereby for United States federal income tax purposes, the additional notes will have a separate CUSIP number.
Use of Proceeds.....	We expect the net proceeds from the sale of the notes to be approximately U.S.\$738.5 million after deducting estimated fees and expenses of the offering. We intend to use substantially all of the net proceeds of this offering to repay certain of our outstanding debt, which may include all or a portion of our outstanding 2022 Notes, Euro Notes, 2023 Notes and 2024 Notes and the outstanding 7.250% Senior Notes due 2020 issued by BFF, with the remainder used for general corporate purposes. See “Use of Proceeds.”
Form and Denomination.....	The notes will be issued in the form of global notes in fully registered form without interest coupons. The global notes will be exchangeable or transferable, as the case may be, for definitive certificated notes in fully registered form without interest coupons only in limited circumstances. The notes will be issued in registered form in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. See “Description of the Notes—Principal, Maturity and Interest” and “Form of the Notes.”
Settlement.....	The notes will be delivered in book-entry form through the facilities of DTC for the accounts of its direct and indirect participants, including Euroclear and Clearstream, and will settle in DTC’s Same-Day Finds Settlement System.
Transfer Restrictions	The notes have not been, and will not be, registered under the Securities Act and are subject to

	limitations on transfer, as described under “Transfer Restrictions.”
Listing of the Notes	<p>We will apply to list the notes on the official list of the Luxembourg Stock Exchange for trading on the Euro MTF Market.</p> <p>If the listing of the notes on the Luxembourg Stock Exchange for trading on the Euro MTF Market would require us to publish financial information either more regularly than we otherwise would be required to, or according to accounting principles which are different from the accounting principles which we would otherwise use to prepare our published financial information, we may delist the notes and, at our option, seek an alternative admission to listing, trading and/or quotation for the notes by another listing authority, stock exchange and/or quotation system.</p>
Governing Law	The indenture and the notes will be governed by, and construed in accordance with, the laws of the State of New York.
Trustee, Registrar, Transfer Agent and Paying Agent...	The Bank of New York Mellon.
Luxembourg Listing Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch.
Risk Factors	You should carefully consider all of the information contained in this offering memorandum prior to investing in the notes. In particular, we urge you to carefully consider the information set forth under “Risk Factors,” as well as other information set forth or incorporated by reference in this offering memorandum.
LEI	The LEI (legal entity identifier) code of BRF is 254900MTXR9LUVQFU480.

Summary Financial and Other Information

The following summary financial information as of and for the years ended December 31, 2018 and 2017 is derived from our audited consolidated financial statements and should be read in conjunction with our audited consolidated financial statements included in our 2018 Form 20-F, which are incorporated by reference in this offering memorandum. The summary financial information as of June 30, 2019 and for the six months ended June 30, 2019 and 2018 is derived from our unaudited condensed consolidated interim financial information and should be read in conjunction with our unaudited condensed consolidated interim financial information included in this offering memorandum. Our audited consolidated financial statements incorporated by reference in this offering memorandum have been prepared in accordance with IFRS, as issued by IASB. Our unaudited condensed consolidated interim financial information, which are included in this offering memorandum, have been prepared in accordance with IAS 34—Interim Financial Reporting. The results for the six months ended June 30, 2019 are not necessarily indicative of the results to be expected for the entire year ending December 31, 2019 or any other period.

The summary financial information should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Presentation of Financial and Other Information.”

	Six Months Ended June 30,			Year Ended December 31,		
	2019 ⁽¹⁾ <i>(in millions of U.S.\$)</i>	2019 <i>(in millions of reais)</i>	2018	2018 ⁽¹⁾ <i>(in millions of U.S.\$)</i>	2018 <i>(in millions of reais)</i>	2017
Summary Statement of Income Information:						
Net sales	4,096.2	15,697.3	14,097.4	7,877.6	30,188.4	28,314.1
Cost of sales.....	(3,154.5)	(12,088.5)	(12,123.6)	(6,607.4)	(25,320.7)	(22,601.2)
Gross profit	941.7	3,608.7	1,973.8	1,270.2	4,867.7	5,712.9
Operating income (expenses):						
Selling expenses	(624.2)	(2,392.1)	(2,138.5)	(1,177.8)	(4,513.6)	(4,208.7)
General and administrative expenses ...	(72.4)	(277.4)	(234.2)	(143.8)	(551.1)	(462.5)
Impairment loss on trade and other receivables	(1.0)	(3.8)	(25.6)	(12.1)	(46.3)	(67.5)
Other operating income (expenses).....	40.1	153.8	(53.0)	5.0	19.3	(333.4)
Income (loss) from associates and joint ventures	(0.3)	(1.0)	8.9	4.6	17.7	22.4
Operating income	284.0	1,088.2	(468.8)	(53.8)	(206.3)	663.2
Financial expenses.....	(462.8)	(1,773.4)	(2,180.0)	(1,015.4)	(3,891.1)	(3,445.5)
Financial income.....	184.2	705.8	938.0	430.5	1,649.6	1,563.7
Income (loss) before taxes	5.4	20.7	(1,710.8)	(638.7)	(2,447.8)	(1,218.6)
Current income and social contribution tax expense	(22.7)	(86.8)	(65.3)	(1.8)	(6.8)	41.2
Deferred income and social contribution tax expense	37.6	143.9	208.4	88.7	340.1	210.6
Income (loss) from continued operations	20.3	77.7	(1,567.7)	(551.8)	(2,114.5)	(966.8)
Income (loss) from discontinued operations	(199.7)	(765.1)	39.2	(613.7)	(2,351.7)	(132.1)
Loss	(179.4)	(687.4)	(1,528.5)	(1,165.4)	(4,466.2)	(1,098.9)
Attributable to:						
Controlling shareholders.....	(177.0)	(678.1)	(1,552.8)	(1,160.7)	(4,448.1)	(1,125.6)
Non-controlling interest.....	(2.4)	(9.3)	24.3	(4.7)	(18.1)	26.7
	(179.4)	(687.4)	(1,528.5)	(1,165.4)	(4,466.2)	(1,098.9)

(1) Translated for convenience only using the selling rate as reported by the Central Bank for *reais* into U.S. dollars at June 30, 2019 of R\$3.8322 = U.S.\$1.00.

	As of June 30,		As of December 31,		
	2019 ⁽¹⁾	2019	2018 ⁽¹⁾	2018	2017
	(in millions of U.S.\$)	(in millions of reais)	(in millions of U.S.\$)	(in millions of reais)	
Summary Statement of Financial Position Information:					
Cash and cash equivalents	1,366.3	5,236.1	1,270.7	4,869.6	6,010.8
Marketable securities	152.7	585.1	132.3	507.0	228.4
Trade accounts receivable, net	642.1	2,460.8	679.7	2,604.9	3,919.0
Notes receivable	27.1	103.8	30.0	115.1	113.1
Inventories	1,052.9	4,035.0	1,011.8	3,877.3	4,948.2
Biological assets	406.2	1,556.5	394.8	1,513.1	1,510.5
Other current assets	677.1	2,594.9	1,446.7	5,543.9	2,455.4
Total current assets	4,324.4	16,572.1	4,966.1	19,030.9	19,185.4
Marketable securities	52.5	201.0	75.8	290.6	568.8
Trade accounts receivable, net and notes receivable	2.0	7.7	22.3	87.0	122.7
Biological assets	278.2	1,066.0	276.9	1,061.3	903.7
Other non-current assets	1,799.8	6,897.0	1,591.8	6,100.2	4,991.5
Investments	2.6	9.8	22.4	86.0	68.2
Property, plant and equipment, net	3,250.4	12,456.3	2,791.3	10,697.0	12,190.6
Intangible assets	1,292.0	4,951.2	1,309.8	5,019.4	7,197.6
Total non-current assets	6,677.4	25,589.1	6,093.5	23,351.5	26,043.1
Total assets	11,001.8	42,161.2	11,059.5	42,382.4	45,228.5
Short-term debt	1,242.4	4,761.0	1,186.6	4,547.4	5,031.4
Trade accounts payable and supply chain finance	1,686.0	6,460.9	1,680.0	6,438.2	7,160.7
Other current liabilities	847.5	3,248.0	914.1	3,503.0	2,682.3
Total current liabilities	3,775.9	14,469.9	3,780.8	14,488.6	14,874.4
Long-term debt	4,180.4	16,020.0	4,597.4	17,618.1	15,413.0
Other non-current liabilities	1,102.9	4,226.4	716.0	2,743.9	3,228.3
Total non-current liabilities	5,283.2	20,246.4	5,313.4	20,362.0	18,641.3
Capital	3,251.5	12,460.5	3,251.5	12,460.5	12,460.5
Capital reserves	55.2	211.4	30.1	115.3	115.1
Income reserves	—	—	—	—	101.4
Accumulated losses	(1,299.6)	(4,980.2)	(1,116.6)	(4,279.0)	—
Treasury shares	(13.2)	(50.7)	(14.8)	(56.7)	(71.5)
Accumulated other comprehensive loss	(113.2)	(433.9)	(332.8)	(1,275.5)	(1,405.2)
Equity attributable to interest of controlling shareholders	1,880.7	7,207.1	1,817.4	6,964.6	11,200.3
Equity attributable to non-controlling interest	62.1	237.8	148.0	567.2	512.5
Total shareholders' equity	1,942.7	7,444.9	1,965.4	7,531.8	11,712.8
Total liabilities and shareholders' equity	11,001.8	42,161.2	11,059.5	42,382.4	45,228.5

(1) Translated for convenience only using the selling rate as reported by the Central Bank for *reais* into U.S. dollars at June 30, 2019 of R\$3.8322 = U.S.\$1.00.

	As of and for the Six Months Ended June 30,			As of and for the Year Ended December 31,		
	2019 ⁽¹⁾	2019	2018	2018 ⁽¹⁾	2018	2017
	(in millions of U.S.\$)	(in millions of reais)		(in millions of U.S.\$)	(in millions of reais)	
Other Financial information:						
Net Debt ⁽²⁾	3,627.1	13,899.8	15,696.3	4,094.1	15,689.3	13,309.6
Adjusted EBITDA ⁽³⁾	598.8	2,294.9	1,041.0	642.5	2,462.3	2,508.2
LTM Adjusted EBITDA ⁽³⁾⁽⁵⁾	969.7	3,716.2	2,332.0	642.5	2,462.3	2,508.2
Net Debt / LTM Adjusted EBITDA ⁽²⁾⁽³⁾⁽⁵⁾	3.7x	3.7x	6.7x	6.4x	6.4x	5.3x
Adjusted EBITDA Margin ⁽⁴⁾	14.6%	14.6%	7.4%	8.2%	8.2%	8.9%

- (1) Translated for convenience only using the selling rate as reported by the Central Bank for *reais* into U.S. dollars at June 30, 2019 of R\$3.8322 = U.S.\$1.00.
- (2) We define Net Debt as current and non-current debt plus derivative financial liabilities minus cash and cash equivalents (including restricted cash) and current and non-current marketable securities minus derivative financial assets. Net Debt is a supplemental measure of our financial condition and used in making certain management decisions. It is not a prescribed measure under IFRS. However, our presentation of Net Debt is not meant to suggest that all of our cash, cash equivalents and marketable securities are available to service our debt, particularly as a portion of our cash, cash equivalents and marketable securities are necessary to provide working capital in connection with our business and certain of our cash constitutes restricted cash, as described in the notes to the table below.
- (3) We calculate EBITDA in accordance with CVM Instruction No. 527, which is equal to income (loss) from continuing operations *plus* current and deferred income taxes *plus* financial expenses, net *plus* depreciation, amortization and depletion of our biological assets. We calculate Adjusted EBITDA as EBITDA as further adjusted for non-controlling interest, impact of *Carne Fraca* Operation and *Trapaça* Operation, costs related to business disposals, fair value of forests (biological asset), tax recoveries, transaction/instrument designated as hedge accounting, restructuring costs and losses incurred in connection with a truckers' strike, all of which are detailed below. We use Adjusted EBITDA as a supplemental measure of our financial performance as well as of our ability to generate cash from operations. We also use Adjusted EBITDA in making certain management decisions. EBITDA and Adjusted EBITDA are not prescribed measures under IFRS and should not be considered as a substitute for net profit or loss, cash flow from operations or the basis for dividend distribution or other measures of operating performance or liquidity determined in accordance with IFRS. The use of Adjusted EBITDA has material limitations, including, among others, the following:
- Adjusted EBITDA adds back financial expenses, including interest expense. However, because we borrow money to finance some of our operations and capital expenditures, interest is a necessary and ongoing part of our costs.
 - Adjusted EBITDA adds back current and deferred income tax expense, but the payment of these taxes is a necessary and ongoing cost of our operations.
 - Adjusted EBITDA adds back depreciation, amortization and depletion, but because we use property, plant and equipment, intangibles and biological assets to generate revenues in our operations, depreciation, amortization and depletion are necessary and ongoing components of our costs.
 - Adjusted EBITDA as calculated by us may not be comparable to similarly titled measures of other companies.
- (4) Represents Adjusted EBITDA divided by net sales.
- (5) We calculate LTM Adjusted EBITDA as Adjusted EBITDA for the year ended December 31, 2018 plus Adjusted EBITDA for the six months ended June 30, 2019 minus Adjusted EBITDA for the six months ended June 30, 2018.

The following table sets forth our Net Debt at the dates indicated:

	As of June 30,		As of December 31,		
	2019 ^(a)	2019	2018 ^(a)	2018	2017
	(in millions of U.S.\$)	(in millions of reais)	(in millions of U.S.\$)	(in millions of reais)	
Current and non-current foreign currency debt	2,740.9	10,503.6	3,010.9	11,538.3	11,101.3
(+) Current and non-current local currency debt.....	2,668.8	10,227.5	2,773.1	10,627.1	9,343.0
(+) Derivative financial instruments - Liabilities	30.7	117.8	61.3	235.0	299.5
(-) Cash and cash equivalents and current and non-current marketable securities	1,571.5	6,022.2	1,478.8	5,667.2	6,808.1
(-) Derivative financial instruments - Assets	40.8	156.3	47.6	182.3	90.5
(-) Current and non-current restricted cash	214.1	820.6	224.8	861.6	535.6
Net Debt	3,627.1	13,899.8	4,094.1	15,689.3	13,309.6

- (a) Translated for convenience only using the selling rate as reported by the Central Bank for *reais* into U.S. dollars at June 30, 2019 of R\$3.8322 = U.S.\$1.00.

The following table reconciles EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin to our consolidated income from continuing operations.

	For the six months ended June 30,			For the last twelve months ended June 30,	For the year ended December 31,		
	2019 ^(a)	2019	2018	2019 ⁽ⁱ⁾	2018 ^(a)	2018	2017
	(in millions of U.S.\$)	(in millions of reais)		(in millions of reais)	(in millions of U.S.\$)	(in millions of reais)	
Income (loss) from continuing operations.....	20.3	77.7	(1,567.7)	(469.2)	(551.8)	(2,114.5)	(966.8)
(+) Current and deferred income taxes ^(b)	(14.9)	(57.1)	(143.1)	(247.3)	(87.0)	(333.3)	(251.8)
(+) Financial expenses, net ^(c)	278.6	1,067.6	(1,242.0)	2,067.0	584.9	2,241.5	1,881.8
(+) Depreciation, amortization and depletion...	298.0	1,142.0	866.9	2,022.3	455.9	1,747.2	1,632.4
EBITDA	582.0	2,230.2	398.1	3,373.0	402.0	1,540.9	2,295.6
Non-controlling interest ^(d)	(0.5)	(1.9)	(34.5)	31.6	(0.3)	(1.0)	(17.5)
Impact of <i>Carne Fraca/Trapaça</i> operation ^(e) ...	11.1	42.5	300.3	235.1	128.6	492.9	363.4
Costs related to business disposals.....	(1.0)	(3.6)	27.8	25.5	15.0	57.0	36.7
Fair value of forests (biological asset)	—	—	(13.1)	(93.5)	(27.8)	(106.7)	(7.4)
Impairment	4.1	15.6	—	72.1	14.7	56.5	—
Tax recoveries ^(f)	(1.1)	(4.3)	(40.2)	(16.2)	(13.6)	(52.1)	(218.1)
Transaction/instrument designated as hedge accounting ^(g)	—	—	183.6	—	47.9	183.6	55.5
Restructuring costs ^(h)	4.3	16.4	143.9	78.6	53.8	206.1	—
Losses incurred in connection with truckers strike ⁽ⁱ⁾	—	—	75.1	10.0	22.2	85.1	—
Adjusted EBITDA	598.8	2,294.9	1,041.0	3,716.2	642.5	2,462.3	2,508.2
Net Sales	4,096.2	15,697.3	14,097.4	31,788.3	7,877.6	30,188.4	28,314.1
Adjusted EBITDA Margin	14.6%	14.6%	7.4%	11.7%	8.2%	8.2%	8.9%

(a) Translated for convenience only using the selling rate as reported by the Central Bank for *reais* into U.S. dollars at June 30, 2019 of R\$3.8322 = U.S.\$1.00.

(b) Includes current and deferred income tax.

(c) Includes financial expenses and financial income.

(d) The amount corresponding to the non-controlling interest was excluded from the net profit of the entities in which they hold equity interest.

(e) Impacts of *Carne Fraca/Trapaça* Operations: (i) Amounts directly attributable to these operations, including expenses with media and attorney's fees, freight and storage expenses and losses related to product returns; and (ii) Realizable value of inventories: Certain finished products that could not be exported as planned were used as raw material in production. Accordingly, the cost of these products has been adjusted to their realizable value.

(f) Tax recoveries include gains from favorable decisions in lawsuits seeking credits as well as changes in certain tax positions adopted by Management. We highlight the recognition of a tax premium credit related to the tax on industrialized products (IPI) in 2017.

(g) Effects regarding hedge accounting from debts in exports (designated when contracted). The company recorded impacts in 2017 and 2018 and will observe, as the case may be, in coming years, according to the maturity of the designated debts, impacts that will be reported in Gross Revenue.

(h) Refers to expenses incurred in connection with our organizational restructuring that took place in 2018.

(i) Refers to losses incurred in connection with a strike of trucker's in 2018 that affected the distribution of raw materials to us and the distribution of products to our customers.

(j) LTM figures correspond to the six months ended June 30, 2019 figures plus the twelve months ended December 31, 2018 figures minus the six months ended June 30, 2018 figures.

	As of and for the Six Months Ended June 30,		As of and for the Year Ended December 31,	
	2019	2018	2018	2017
Operating Information:				
Poultry slaughtered (million heads).....	791.5	777.5	1,539.5	1,628.1
Pork/beef slaughtered (thousand heads)	4,721.3	4,739.8	9,546.6	9,914.9
Total production of meat and other processed food products (thousand tons)	1,863.6	1,952.0	3,894.4	4,381.9
Employees ⁽¹⁾	84,347	109,814	105,256	108,234

(1) The number of employees includes permanent and temporary employees.

RISK FACTORS

Prospective purchasers of notes should carefully consider the risks described below and should also read and consider the risk factors set forth in our 2018 Form 20-F, which is incorporated by reference in this offering memorandum, as well as the other information in this offering memorandum, before deciding to purchase any notes. Our business, results of operations, financial condition or prospects could be negatively affected if any of these risks occurs, and, as a result, the trading price of the notes could decline and you could lose all or part of your investment.

Risks Relating to Our Indebtedness

We have substantial indebtedness, and our leverage could negatively affect our ability to refinance our indebtedness and grow our business.

As of June 30, 2019, our total consolidated debt (comprised of short-term and long-term debt) was R\$20,781.0 million (U.S.\$5,422.7 million).

Our substantial indebtedness could have major consequences for us, including:

- requiring that a substantial portion of our cash flows from operations be used for the payment of principal and interest on our debt, reducing the funds available for our operations, capital expenditures or other capital needs;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate because our available cash flow after paying principal and interest on our debt might not be sufficient to make the capital and other expenditures necessary to address these changes;
- increasing our vulnerability to general adverse economic and industry conditions because, during periods in which we experience lower earnings and cash flows, we would be required to devote a proportionally greater amount of our cash flows to paying principal and interest on debt;
- limiting our ability to obtain additional financing in the future to fund working capital, capital expenditures, acquisitions and general corporate requirements;
- increasing our expenditures due to depreciations of the Brazilian real, which can lead to an increased amount of capital needed to service indebtedness that are denominated in U.S. dollars;
- making it difficult for us to refinance our indebtedness or to refinance such indebtedness on terms favorable to us, including with respect to existing accounts receivable securitizations;
- placing us at a competitive disadvantage compared to competitors that are relatively less leveraged and that may be better positioned to withstand economic downturns; and
- exposing our current and future borrowings made at floating interest rates to increases in interest rates.

Our cost of funding is affected by our credit ratings and any risks may have an adverse effect on our credit ratings and our cost of funds. Any downgrade in our credit rating, would likely increase our cost of funding and adversely affect our results of operations.

Credit ratings affect the cost and other terms upon which we are able to obtain funding. Rating agencies regularly evaluate us and their ratings of our long-term debt are based on a number of factors, including our financial strength, conditions that generally affect the meat processing industry and the economic environment in which we operate.

In view of our current credit metrics and according to the policies and guidelines set by rating agencies in order to evaluate a company's creditworthiness, as well as other factors, our credit rating has been recently downgraded, and we are currently rated below "investment grade" by all of the rating agencies that rate us.

We cannot assure you that those rating agencies that have a negative outlook with respect to us will revise such outlooks upward. Our failure to maintain favorable ratings and outlooks would likely increase our cost of funding and adversely affect our results of operations.

We have substantial debt that matures in each of the next several years.

As of June 30, 2019, we had R\$4,761.0 million of debt that matures in the next 12 months, R\$1,029.1 million of debt that matures between July and December 2020, R\$3,117.8 million of debt that matures in 2021, R\$3,138.8 million of debt that matures in 2022 and R\$8,734.4 million of debt that matures in 2023 and thereafter.

A substantial portion of our outstanding debt is denominated in foreign currencies, primarily U.S. dollars. As of June 30, 2019, we had R\$10,503.6 million of foreign currency debt, including R\$992.1 million of short-term foreign currency debt. Our U.S. dollar-denominated debt must be serviced by funds generated from sales by our subsidiaries, the majority of which are not denominated in U.S. dollars. Consequently, when we do not generate sufficient U.S. dollar revenues to cover that debt service, we must use revenues generated in *reais* or other currencies to service our U.S. dollar-denominated debt. Depreciation in the value of the real or any of the other currencies of the countries in which we operate, compared to the U.S. dollar, could adversely affect our ability to service our debt. Foreign currency hedge agreements may not be effective in covering these currency-related risks.

Any future uncertainty in the stock and credit markets could also negatively impact our ability to access additional short-term and long-term financing, which could negatively impact our liquidity and financial condition. If, in coming years:

- the pressures on credit return as a result of disruptions in the global stock and credit markets;
- our operating results worsen significantly;
- we are unable to complete any necessary divestitures of non-core assets and our cash flow or capital resources prove inadequate; or
- we are unable to refinance any of our debt that becomes due,

we could face liquidity problems and may not be able to pay our outstanding debt when due, which could have a material adverse effect on our consolidated business and financial condition.

The terms of our indebtedness impose significant restrictions on us.

The instruments governing our existing indebtedness impose significant restrictions on us, and the instruments governing any indebtedness we may incur in the future may also impose the same or additional restrictions on us. The existing restrictions limit, and any future restrictions may limit, directly or indirectly, our ability, among other things, to undertake the following actions:

- borrow money;
- make investments;
- sell assets, including capital stock of subsidiaries;
- guarantee indebtedness;
- enter into agreements that restrict dividends or other distributions from certain subsidiaries;

- enter into transactions with affiliates;
- create or assume liens; and
- engage in mergers or consolidations.

Although the covenants to which we are currently subject have exceptions and qualifications, the breach of any of these covenants could result in a payment default under the terms of other existing debt obligations. Upon the occurrence of such an event of default, all amounts outstanding under the applicable debt instruments and the debt issued under other debt instruments containing cross-default or cross-acceleration provisions, together with accrued and unpaid interest, if any, might become or be declared immediately due and payable. If such indebtedness were to be accelerated, we may have insufficient funds to repay in full any such indebtedness. In addition, in connection with the entry into new financings or amendments to existing financing arrangements, our subsidiaries' financial and operational flexibility may be further reduced as a result of the imposition of covenants that are more restrictive, the requirements for additional security, and other terms.

Risks Relating to the Notes

Developments and the perception of risks in other countries, especially emerging markets, may adversely affect the market price of securities issued by us, including the notes.

The market for securities issued by Brazilian companies is influenced, to varying degrees, by economic and market conditions in other emerging markets. Although economic conditions are different in each country, the reaction of investors to developments in one country may cause the capital markets in other countries to fluctuate. Developments or adverse economic conditions in other emerging markets have at times resulted in significant outflows of funds from, and declines in, the amount of foreign currency invested in Brazil. In addition, economic and political crises in Latin America or other emerging markets may significantly affect perceptions of the risk inherent in investing in the region, including Brazil.

The Brazilian economy, as well as the market for securities issued by Brazilian companies, is also affected, to a varying degree, by international economic and market conditions generally, especially economic and market conditions in the United States. Share prices on the São Paulo Stock Exchange, for example, have historically been sensitive to fluctuations in U.S. interest rates as well as movements of the major U.S. stock indexes.

Developments in other countries and securities markets could adversely affect the market value of the notes and could also make it more difficult for us to access the capital markets and finance our operations in the future on acceptable terms or at all.

Payments on the notes will be junior to the Issuer's secured debt obligations and effectively junior to debt obligations of the Issuer's subsidiaries.

The notes will constitute the Issuer's senior unsecured obligations. The notes will rank equal in right of payment with all of the Issuer's existing and future senior unsecured indebtedness. However, the notes will be effectively subordinated to the Issuer's secured debt to the extent of the assets and property securing such debt and other debt preferred by law. Payment on the notes will also be structurally subordinated to the payment of secured and unsecured debt and other creditors of BRF's subsidiaries.

As of June 30, 2019, we had total consolidated debt of R\$20,781.0 million (U.S.\$5,422.7 million), of which R\$20,642.0 million (U.S.\$5,386.5 million) was unsecured debt and R\$139.1 million (U.S.\$36.3 million) was secured debt. Any right of the holders of the notes to participate in our assets and the assets of our subsidiaries upon any liquidation or reorganization of BRF will be subject to the prior claims of our secured creditors and the creditors of our subsidiaries. The indenture relating to the notes includes a limitation on our ability and that of our subsidiaries subject to the covenants under the indenture to create or suffer to exist liens, although this limitation is subject to certain significant exceptions.

We conduct a portion of our business operations through subsidiaries that will not guarantee the notes. The ability of these subsidiaries to make dividend payments to us will be affected by, among other factors, the

obligations of these entities to their creditors, requirements of the Brazilian Corporations Law and other applicable law, and restrictions contained in agreements entered into by or relating to these entities. As of June 30, 2019, our subsidiaries had total aggregate indebtedness of R\$2,438.9 million (U.S.\$636.4 million), excluding trade payables and intercompany liabilities.

The Issuer's obligations under the notes are subordinated to certain statutory preferences.

Under Brazilian law, the Issuer's obligations under the notes are subordinated to certain statutory preferences. In the event of a liquidation, bankruptcy or judicial reorganization of BRF, such statutory preferences, including post-petition claims, claims for salaries, wages, social security, taxes and court fees and expenses and claims secured by collateral, among others, will have preference over any other claims, including claims by any investor in respect of the notes. In such a scenario, enforcement of the notes may be jeopardized, and noteholders may lose some or all of their investment.

We cannot assure you that the credit ratings for the notes will not be lowered, suspended or withdrawn by the rating agencies.

The credit ratings of the notes may change after issuance. Such ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. An explanation of the significance of such ratings may be obtained from the rating agencies. We cannot assure you that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price and marketability of the notes.

Payments under the notes are subject to our obtaining certain governmental authorizations.

The issuance of the notes is subject to registration with the Central Bank, including (1) registration of the principal financial terms under the relevant Declaratory Registry of Financial Operations (*Registro Declaratório de Operações Financeiras*, or "ROF") on the Information System of the Central Bank, which will be obtained prior to the issuance of the notes and (2) registration of the schedule of payments of the notes, which may only occur after the entry of the proceeds from the sale of the notes into Brazil. In addition, further authorization from the Central Bank will be required to enable us to remit payments abroad in foreign currency under the notes other than scheduled payments of principal, interest, costs and expenses contemplated by the relevant ROF. We cannot assure you that we would be able to obtain such further Central Bank authorization on a timely basis or at all if required.

Restrictions on the movement of currency out of Brazil may impair the ability of holders of the notes to receive interest and other payments on the notes.

The Brazilian government may impose temporary restrictions on the conversion of Brazilian currency into foreign currencies and on the remittance to foreign investors of proceeds of their investments in Brazil. Brazilian law permits the government to impose these restrictions whenever there is a serious imbalance in Brazil's balance of payments or there are reasons to foresee a serious imbalance.

The Brazilian government imposed remittance restrictions for approximately six months in 1990. Similar restrictions, if imposed in the future, would impair or prevent the conversion of interest or principal payments on the notes from *reais* into U.S. dollars and the remittance of U.S. dollars abroad to holders of the notes. The Brazilian government may take similar measures in the future.

Judgments of Brazilian courts enforcing our obligations under the notes would be payable only in reais.

If proceedings are brought in the courts of Brazil seeking to enforce our obligations under the notes, we would not be required to discharge such obligations in a currency other than *reais*. Any judgment obtained against BRF in Brazilian courts in respect of any payment obligations under the notes will be expressed in the *real* equivalent of the U.S. dollar amount of such sum at the exchange rate in effect (1) on the date of actual payment, (2) on the date on which such judgment is rendered or (3) on the date on which collection or enforcement proceedings are commenced.

We cannot assure you that this amount in *reais* will afford you full compensation of the amount invested in the notes.

We cannot assure you that a judgment of a United States court for liabilities under U.S. securities laws would be enforceable in Brazil or that an original action can be brought in Brazil against us for liabilities under U.S. securities laws.

We are incorporated under the laws of Brazil and substantially all of our assets are located in Brazil. In addition, all or substantially all of our directors and officers and certain advisors named herein reside in Brazil. As a result, it may not be possible for investors to effect service of process within the United States upon us or our respective directors, officers and advisors or to enforce against us or them in U.S. courts any judgments predicated upon the civil liability provisions of the U.S. federal securities laws. We cannot assure you that confirmation of any judgment will be obtained, that the proceeding can be conducted in a timely manner, or that Brazilian courts will enforce a judgment for violation of the federal securities laws of the United States.

We cannot assure you that an active trading market for the notes will develop.

The notes constitute a new issue of securities. Although we will apply to list the notes on the official list of the Luxembourg Stock Exchange for trading on the Euro MTF Market, we cannot provide you with any assurances regarding the future development of a market for the notes, the ability of holders of the notes to sell their notes, or the price at which such holders may be able to sell their notes. If such a market were to develop, the notes could trade at prices that may be higher or lower than the initial offering price depending on many factors, including prevailing interest rates, our results of operations and financial condition, political and economic developments in and affecting Brazil and the market for similar securities. The initial purchasers have advised our company that they currently intend to make a market in the notes. However, the initial purchasers are not obligated to do so, and any market-making with respect to the notes may be discontinued at any time without notice. See “Service of Process and Enforcement of Judgments.”

The notes are subject to transfer restrictions.

The notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Such exemptions include offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act and in accordance with any applicable securities laws of any other jurisdiction and sales to qualified institutional buyers as defined under Rule 144A under the Securities Act. For a discussion of certain restrictions on resale and transfer, see “Transfer Restrictions.”

We may redeem the notes prior to maturity.

The notes are redeemable at our option in the event of certain changes in applicable taxes or for any other reason. We may choose to redeem the notes at times when prevailing interest rates may be relatively low. Accordingly, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the notes.

Brazilian bankruptcy laws may be less favorable to you than U.S. bankruptcy and insolvency laws.

If we are unable to pay our indebtedness, including our obligations under the notes, then we may become subject to bankruptcy proceedings in Brazil. Brazilian bankruptcy laws are significantly different from, and may be less favorable to creditors than, those of the United States. In addition, any judgment obtained against us in Brazilian courts in respect of any payment obligations under the notes would be expressed in the *real* equivalent of the U.S. dollar amount of such sum at the exchange rate in effect (1) on the date of actual payment, (2) on the date on which such judgment is rendered or (3) on the date on which collection or enforcement proceedings are commenced. Consequently, in the event of our bankruptcy, all of our debt obligations that are denominated in foreign currency, including the notes, will be converted into *reais* at the prevailing exchange rate on the date of declaration of our bankruptcy by the court. We can provide no assurance that this exchange rate and the outcome of any bankruptcy proceedings will afford you full compensation for the amount of the notes.

USE OF PROCEEDS

We expect the net proceeds from the sale of the notes to be approximately U.S.\$738.5 million after deducting estimated fees and expenses of the offering. We intend to use substantially all of the net proceeds of this offering to repay certain of our outstanding debt, which may include all or a portion of our outstanding 2022 Notes, Euro Notes, 2023 Notes and 2024 Notes and the outstanding 7.250% Senior Notes due 2020 issued by BFF, with the remainder used for general corporate purposes.

Affiliates of certain of the initial purchasers may hold an interest in the indebtedness being repurchased with the proceeds of this offering (*i.e.*, the Existing Notes that are the subject of the concurrent Tender Offers). Because the affiliates of such initial purchasers may receive a portion of the proceeds from this offering (in excess of any underwriting discount), such initial purchasers may be deemed to have a “conflict of interest” with us.

CAPITALIZATION

The following table sets forth our consolidated debt, total shareholders' equity and capitalization as of June 30, 2019 derived or calculated from our unaudited condensed consolidated interim financial information included in this offering memorandum:

- on an actual historical basis; and
- as adjusted to give effect to (i) the issuance of the notes in this offering and the receipt of U.S.\$738.5 million in net proceeds therefrom after deduction of commissions and estimated expenses we must pay in connection with this offering (R\$2,830.1 million, using an exchange rate of R\$3.8322 per U.S.\$1.00, as reported by the Central Bank at June 30, 2019), and (ii) the use of net proceeds therefrom.

You should read this table in conjunction with “Presentation of Financial and Other Information,” “Selected Financial Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” as well as with our audited consolidated financial statements and unaudited condensed consolidated interim financial information included in this offering memorandum.

	As of June 30, 2019			
	Actual		As Adjusted ⁽¹⁾	
	<i>(in millions of U.S.\$)⁽²⁾</i>	<i>(in millions of reais)</i>	<i>(in millions of U.S.\$)⁽²⁾</i>	<i>(in millions of reais)</i>
Short-term debt (including current portion of long-term debt):				
Real-denominated debt:				
Total real-denominated debt.....	983.5	3,768.9	983.5	3,768.9
Foreign currency-denominated debt:				
Total short-term debt (in U.S.\$).....	258.9	992.1	170.3	652.5
Long-term debt:				
Real-denominated debt:				
Total real-denominated debt.....	1,698.4	6,508.6	1,698.4	6,508.6
Foreign currency-denominated debt:				
Total long-term debt (in U.S.\$).....	2,482.0	9,511.4	2,570.6	9,851.0
Total debt	5,422.7	20,781.0	5,422.7	20,781.0
Total shareholders' equity.....	1,942.7	7,444.9	1,942.7	7,444.9
Total capitalization (short-term and long-term debt plus total shareholders' equity).....	7,365.5	28,225.9	7,365.5	28,225.9

- (1) The “As Adjusted” columns reflect (i) the receipt of U.S.\$738.5 million (R\$2,830.1 million) in net proceeds, corresponding to the issuance of U.S.\$750.0 million (R\$2,847.2 million) in aggregate principal amount of notes offered hereby (less estimated transaction costs of U.S.\$11.5 million (R\$44.1 million)), and (ii) the use of all such net proceeds in the amount of U.S.\$738.5 million (R\$2,830.1 million) to repay (x) all of the U.S.\$88.6 million (R\$339.6 million) outstanding foreign currency-denominated short-term debt aggregate principal amount of 7.250% Senior Notes due 2020 issued by BFF, and (y) foreign currency-denominated long-term debt of U.S.\$649.9 million (R\$2,490.5 million), including without limitation a portion of the 2022 Notes, Euro Notes, 2023 Notes and 2024 Notes, in each case, as described in the “Use of Proceeds” and “Summary—Recent Developments—Tender Offers.”
- (2) Translated for convenience only using the selling rate as reported by the Central Bank for reais into U.S. dollars at June 30, 2019 of R\$3.8322 to U.S.\$1.00.

SELECTED FINANCIAL INFORMATION

The following selected financial information as of and for the years ended December 31, 2018 and 2017 is derived from our audited consolidated financial statements and should be read in conjunction with our audited consolidated financial statements included in our 2018 Form 20-F, which are incorporated by reference in this offering memorandum. The following selected financial information as of June 30, 2019 and for the six months ended June 30, 2019 and 2018 is derived from our unaudited condensed consolidated interim financial information and should be read in conjunction with our unaudited condensed consolidated interim financial information included in this offering memorandum. Our audited consolidated financial statements incorporated by reference in this offering memorandum have been prepared in accordance with IFRS, as issued by IASB. Our unaudited condensed consolidated interim financial information included in this offering memorandum have been prepared in accordance with IAS 34—Interim Financial Reporting. The results for the six months ended June 30, 2019 are not necessarily indicative of the results to be expected for the entire year ending December 31, 2019 or any other period.

The summary financial information should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Presentation of Financial and Other Information.”

	Six Months Ended June 30,			Year Ended December 31,		
	2019 ⁽¹⁾ <i>(in millions of U.S.\$)</i>	2019 <i>(in millions of reais)</i>	2018	2018 ⁽¹⁾ <i>(in millions of U.S.\$)</i>	2018 <i>(in millions of reais)</i>	2017
Summary Statement of Income Information:						
Net sales	4,096.2	15,697.3	14,097.4	7,877.6	30,188.4	28,314.1
Cost of sales	(3,154.5)	(12,088.5)	(12,123.6)	(6,607.4)	(25,320.7)	(22,601.2)
Gross profit	941.7	3,608.7	1,973.8	1,270.2	4,867.7	5,712.9
Operating income (expenses):						
Selling expenses	(624.2)	(2,392.1)	(2,138.5)	(1,177.8)	(4,513.6)	(4,208.7)
General and administrative expenses	(72.4)	(277.4)	(234.2)	(143.8)	(551.1)	(462.5)
Impairment loss on trade and other receivables	(1.0)	(3.8)	(25.6)	(12.1)	(46.3)	(67.5)
Other operating income (expenses)	40.1	153.8	(53.0)	5.0	19.3	(333.4)
Income (loss) from associates and joint ventures	(0.3)	(1.0)	(8.9)	4.6	17.7	22.4
Operating income	284.0	1,088.2	(468.8)	(53.8)	(206.3)	663.2
Financial expenses	(462.8)	(1,773.4)	(2,180.0)	(1,015.4)	(3,891.1)	(3,445.5)
Financial income	184.2	705.8	938.0	430.5	1,649.6	1,563.7
Income (loss) before taxes	5.4	20.7	(1,710.8)	(638.7)	(2,447.8)	(1,218.6)
Current income and social contribution tax expense	(22.7)	(86.8)	(65.3)	(1.8)	(6.8)	41.2
Deferred income and social contribution tax expense	37.6	143.9	208.4	88.7	340.1	210.6
Income (loss) from continued operations	20.3	77.7	(1,567.7)	(551.8)	(2,114.5)	(966.8)
Income (loss) from discontinued operations	(199.7)	(765.1)	39.2	(613.7)	(2,351.7)	(132.1)
Loss	(179.4)	(687.4)	(1,528.5)	(1,165.4)	(4,466.2)	(1,098.9)
Attributable to:						
Controlling shareholders	(177.0)	(678.1)	(1,552.8)	(1,160.7)	(4,448.1)	(1,125.6)
Non-controlling interest	(2.4)	(9.3)	24.3	(4.7)	(18.1)	26.7
	(179.4)	(687.4)	(1,528.5)	(1,165.4)	(4,466.2)	(1,098.9)

(1) Translated for convenience only using the selling rate as reported by the Central Bank for *reais* into U.S. dollars at June 30, 2019 of R\$3.8322 = U.S.\$1.00.

	As of June 30,		As of December 31,		
	2019 ⁽¹⁾	2019	2018 ⁽¹⁾	2018	2017
	(in millions of U.S.\$)	(in millions of reais)	(in millions of U.S.\$)	(in millions of reais)	
Summary Statement of Financial Position Information:					
Cash and cash equivalents	1,366.3	5,236.1	1,270.7	4,869.6	6,010.8
Marketable securities	152.7	585.1	132.3	507.0	228.4
Trade accounts receivable, net	642.1	2,460.8	679.7	2,604.9	3,919.0
Notes receivable	27.1	103.8	30.0	115.1	113.1
Inventories	1,052.9	4,035.0	1,011.8	3,877.3	4,948.2
Biological assets	406.2	1,556.5	394.8	1,513.1	1,510.5
Other current assets	677.1	2,594.9	1,446.7	5,543.9	2,455.4
Total current assets	4,324.4	16,572.1	4,966.1	19,030.9	19,185.4
Marketable securities	52.5	201.0	75.8	290.6	568.8
Trade accounts receivable, net and notes receivable	2.0	7.7	22.3	87.0	122.7
Biological assets	278.2	1,066.0	276.9	1,061.3	903.7
Other non-current assets	1,799.8	6,897.0	1,591.8	6,100.2	4,991.5
Investments	2.6	9.8	22.4	86.0	68.2
Property, plant and equipment, net	3,250.4	12,456.3	2,791.3	10,697.0	12,190.6
Intangible assets	1,292.0	4,951.2	1,309.8	5,019.4	7,197.6
Total non-current assets	6,677.4	25,589.1	6,093.5	23,351.5	26,043.1
Total assets	11,001.8	42,161.2	11,059.5	42,382.4	45,228.5
Short-term debt	1,242.4	4,761.0	1,186.6	4,547.4	5,031.4
Trade accounts payable and supply chain finance	1,686.0	6,460.9	1,680.0	6,438.2	7,160.7
Other current liabilities	847.5	3,248.0	914.1	3,503.0	2,682.3
Total current liabilities	3,775.9	14,469.9	3,780.8	14,488.6	14,874.4
Long-term debt	4,180.4	16,020.0	4,597.4	17,618.1	15,413.0
Other non-current liabilities	1,102.9	4,226.4	716.0	2,743.9	3,228.3
Total non-current liabilities	5,283.2	20,246.4	5,313.4	20,362.0	18,641.3
Capital	3,251.5	12,460.5	3,251.5	12,460.5	12,460.5
Capital reserves	55.2	211.4	30.1	115.3	115.1
Income reserves	—	—	—	—	101.4
Accumulated losses	(1,299.6)	(4,980.2)	(1,116.6)	(4,279.0)	—
Treasury shares	(13.2)	(50.7)	(14.8)	(56.7)	(71.5)
Accumulated other comprehensive loss	(113.2)	(433.9)	(332.8)	(1,275.5)	(1,405.2)
Equity attributable to interest of controlling shareholders	1,880.7	7,207.1	1,817.4	6,964.6	11,200.3
Equity attributable to non-controlling interest	62.1	237.8	148.0	567.2	512.5
Total shareholders' equity	1,942.7	7,444.9	1,965.4	7,531.8	11,712.8
Total liabilities and shareholders' equity	11,001.8	42,161.2	11,059.5	42,382.4	45,228.5

(1) Translated for convenience only using the selling rate as reported by the Central Bank for *reais* into U.S. dollars at June 30, 2019 of R\$3.8322 = U.S.\$1.00.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements, our unaudited condensed consolidated interim financial information and the information presented under "Presentation of Financial and Other Information," "Summary—Summary Financial and Other Information" and "Selected Financial Information." This discussion and analysis should also be read in conjunction with "Item 5: Operating and Financial Review and Prospects" in our 2018 Form 20-F incorporated by reference in this offering memorandum.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including those set forth in "Risk Factors" and "Forward-Looking Statements."

Results of Operations

Segments and Product Lines

We report our results according to the following segments:

- **Brazil**, which includes our sales within Brazil of the product categories described below;
- **International**, which includes our sales outside of Brazil of the product categories described below (and has absorbed the halal and international segments disclosed in our audited consolidated financial statements for the year ended December 31, 2018); and
- **Other**, which includes our worldwide sales of the product categories described below.

Within the Brazil and International segments, we report net sales in the following product categories:

- **Meat products**, consisting of *in natura* meat, which we define as frozen whole and cut chickens, frozen pork and frozen beef cuts;
- **Processed Food Products**, including the following:
 - marinated frozen, whole and cut chicken, roosters (sold under the Chester® brand) and turkey;
 - specialty meats, such as sausages, ham products, bologna, frankfurters, salami, bacon and other smoked products; and
 - frozen processed meats, such as hamburgers, steaks, breaded meat products, *kibbeh* and meatballs;
- **Other processed products**, including the following:
 - frozen prepared entrees, such as lasagna and pizzas, as well as other frozen foods; and
 - margarine; and
- **Other**, consisting of soy meal and refined soy flour, as well as animal feed.

Within the Other segment, we report net sales in the following categories:

- **Ingredients**, consisting of animal nutrition ingredients, human nutrition, plant nutrition (fertilizers), and health care (health and wellness); and
- **Other**, consisting of agricultural products.

In the six months ended June 30, 2019, we generated 46.1% of our net sales from *in natura* poultry, 6.4% from *in natura* pork and *in natura* beef, 43.5% from processed and other processed meat products and 4.0% from other sales. No single customer or economic group represented more than 5.0% of our total net sales in the six months ended June 30, 2019.

In our Brazil segment, which accounted for 51.1% of our net sales in the six months ended June 30, 2019, we operate under brand names such as *Sadia*, *Perdigão*, *Chester*, *Miss Daisy* and *Qualy*, which are among the most recognized brands in Brazil. In our International segment, which accounted for 45.7% of our total net sales in the six months ended June 30, 2019, the leading brands were *Perdix*, *Sadia*, *Hilal* and *Confidence*. Our Other segment accounted for 3.2% of our total net sales in the six months ended June 30, 2019.

We export to more than 150 countries, primarily to distributors, the institutional market (which includes restaurants and food service chains) and food processing companies. In the six months ended June 30, 2019, our direct exports (denominated CFR, Cost and Freight) accounted for 26.8% of our volume, of which 37.1% was to the halal market and 62.7% was to other international markets such as Asia, Africa, the Americas and Europe.

Results of Operations as a Percentage of Net Sales for the Six Months Ended June 30, 2019 Compared to the Six Months Ended June 30, 2018

The following table sets forth the components of our results of operations as a percentage of net sales for the six months ended June 30, 2019 and 2018.

	Six Months Ended June 30,			
	2019		2018	
	<i>(in millions of reais)</i>	(%)	<i>(in millions of reais)</i>	(%)
Net sales	15,697.3	100.0	14,097.4	100.0
Cost of sales.....	(12,088.5)	(77.0)	(12,123.6)	(86.0)
Gross profit	3,608.7	23.0	1,973.8	14.0
Operating expenses:				
Selling expenses	(2,392.1)	(15.2)	(2,138.5)	(15.2)
General and administrative expenses	(277.4)	(1.8)	(234.2)	(1.7)
Impairment loss on trade and other receivables	(3.8)	—	(25.6)	(0.2)
Other operating income (expenses), net.....	153.8	1.0	(53.0)	(0.4)
Income (loss) from associates and joint ventures.....	(1.0)	—	8.9	0.1
Operating income.....	1,088.2	6.9	(468.8)	(3.3)
Financial expenses.....	(1,773.4)	(11.3)	(2,180.0)	(15.5)
Financial income.....	705.8	4.5	938.0	6.7
Income before taxes	20.7	0.1	(1,710.8)	(12.1)
Current income and social contribution tax expense.....	(86.8)	(0.6)	(65.3)	(0.5)
Deferred income and social contribution tax expense.....	143.9	0.9	208.4	1.5
Income (loss) from continuing operations.....	77.7	0.5	(1,567.7)	(11.1)
Income (loss) from discontinued operations	(765.1)	(4.9)	39.2	0.3
Loss.....	(687.4)	(4.4)	(1,528.5)	(10.8)
Attributable to:				
Controlling shareholders.....	(678.1)	(4.3)	(1,552.8)	(11.0)
Non-controlling interest.....	(9.3)	(0.1)	24.3	0.2

Presentation of Operating Segments and Net Sales Information

Since January 1, 2019, as a result of the sale of our operations in Argentina, Europe and Thailand, we have restated our 2018 segments and reported the following three operating segments: (1) Brazil, (2) International, and (3) Other, which primarily reflect our geographical structure. The Brazil and International segments include sales through all of our distribution channels and operations, subdivided according to the nature of the following products: (i) poultry (whole poultry and *in natura* cuts), (ii) pork and others (*in natura* cuts); (iii) processed foods (processed foods, frozen and processed products derived from poultry, pork and beef, margarine, vegetables and soybean-based products); and (iv) other sales (soy flour for food service). The Other segment is divided into the following business units: (i) Ingredients (animal health ingredients, human nutrition, plant nutrition (fertilizers) and health care (health and wellness)) and (ii) Other Sales (agricultural products). See note 5 to our unaudited condensed consolidated interim financial information for a breakdown of net sales by segment and product line and for a breakdown of intangible assets by each reportable segment.

We report net sales after deducting taxes on gross sales and discounts and returns. Our total sales deductions can be broken down as follows:

- *ICMS Taxes* – ICMS is a state value-added tax on our gross sales in the Brazilian market at a rate that varies by state and product sold. Our average ICMS tax rate for the six months ended June 30, 2019 was 9.21%. However, exports are not subject to these taxes.
- *PIS and COFINS Taxes* – The PIS and the COFINS taxes are federal social contribution taxes levied on gross revenues from the Brazilian market at the rates of 1.65% for PIS and 7.6% for COFINS for the six months ended June 30, 2019. However, (1) exports are not subject to these taxes, (2) we currently benefit from a reduction of the tax rate to zero with respect to our *in natura* pork, poultry and beef cuts and (3) our financial revenues are subject to PIS and COFINS at tax rates of 0.65% and 4.0%, respectively. For more information, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Brazil—Changes in tax laws or changes in their interpretation may increase our tax burden and, as a result, negatively affect our profitability” in our 2018 Form 20-F; and
- *Discounts, Returns and Other Deductions* – Discounts, returns and other deductions are unconditional discounts granted to customers, product returns and other deductions from gross sales.

Most of our deductions from gross sales are attributable to the ICMS, PIS and COFINS taxes. As a result, our deductions from gross sales in the domestic market, which are subject to these taxes, are significantly greater than our deductions from gross sales in our export markets.

The table below sets forth our gross sales and deductions for the six months ended June 30, 2019 and 2018:

	Six Months Ended June 30,		Change
	2019	Restated 2018	
	<i>(in millions of reais)</i>		<i>(%)</i>
Gross sales			
Brazil.....	9,951.9	9,371.1	6.2%
International	7,745.6	6,723.8	15.2%
Other	555.0	423.1	31.2%
Total	18,252.5	16,518.0	10.5%
Sales deduction			
Brazil.....	(1,929.8)	(1,938.2)	(0.4)%
International	(566.2)	(429.4)	31.9%
Other	(59.2)	(53.0)	11.7%
Total	(2,555.3)	(2,420.6)	5.6%
Net sales			
Brazil.....	8,022.2	7,432.9	7.9%
International	7,179.4	6,294.4	14.1%
Other	495.7	370.1	33.9%
Total	15,697.3	14,097.4	11.3%

Six Months Ended June 30, 2019 Compared to the Six Months Ended June 30, 2018

The following provides a comparison of our results of operations for the six months ended June 30, 2019 against our results of operations for the six months ended June 30, 2018, based on our unaudited condensed consolidated interim financial information.

Net Sales

Our net sales increased R\$1,599.9 million, or 11.3%, to R\$15,697.3 million in the six months ended June 30, 2019 from R\$14,097.4 million in the corresponding period in 2018, primarily due to higher prices across all regions, especially in the international market.

Brazil Segment

Net sales from our Brazil segment increased R\$589.3 million, or 7.9%, to R\$8,022.2 million in the six months ended June 30, 2019 from R\$7,432.9 million in the corresponding period in 2018, primarily due to our +Excellence program, a program aimed at leveraging the results of our Brazil segment through structuring indicators and processes that simplify and guarantee more efficient operations, which resulted in better commercial execution and increases in average selling prices.

The following table provides a breakdown of our volumes and net sales for our Brazil segment.

	Volume Six Months Ended June 30,			Net Sales Six Months Ended June 30,		
	2019	2018	Change	2019	Restated 2018	Change
	<i>(in thousands of tons)</i>			<i>(in millions of reais)</i>		
			(%)			(%)
Poultry.....	248.9	271.8	(8.4%)	1,794.3	1,511.3	18.7%
Pork and others	58.0	57.2	1.5%	445.5	390.8	14.0%
Total in natura meat	306.9	329.0	(6.7%)	2,239.8	1,902.0	17.8%
Processed foods.....	720.0	754.7	(4.6%)	5,775.1	5,521.2	4.6%
Other sales.....	0.2	0.3	(28.0%)	7.2	9.6	(25.0%)
Total.....	1,027.1	1,083.9	(5.2%)	8,022.2	7,432.9	7.9%

The following table sets forth our average selling prices in our Brazil segment.

	Average Selling Prices Six Months Ended June,		
	2019	2018	Change
	<i>(in reais per kg)</i>		
			(%)
Brazil.....	9.7	8.6	12.1%

International Segment

Our net sales for our International segment increased R\$885.0 million, or 14.1%, to R\$7,179.4 million in the six months ended June 30, 2019 from R\$6,294.4 million in the corresponding period in 2018, primarily due to price increases in Saudi Arabia as a result of the suspension of exports to that country from plants across Brazil, volume growth with an improved mix of channels and countries, price increases in Turkey following a scenario of price control, our increased market share for processed food and higher volumes caused by the impacts of the African swine fever outbreak in several countries.

The following table provides a breakdown of our volumes and net sales for our International segment.

	Volume Six Months Ended June 30,			Net Sales Six Months Ended June 30,		
	2019	2018	Change	2019	Restated 2018	Change
	<i>(in thousands of tons)</i>			<i>(in millions of reais)</i>		
			(%)			(%)
Poultry.....	742.7	777.9	(4.5%)	5,449.1	4,851.9	12.3%
Pork and Others.....	69.6	66.9	4.1%	560.6	449.6	24.7%
Total in natura meat	812.3	844.8	(3.8%)	6,009.7	5,301.5	13.4%
Processed foods.....	121.2	113.2	7.1%	1,049.0	844.6	24.2%
Other sales.....	0.2	—	566.7%	120.7	148.3	(18.6%)
Total.....	933.8	957.9	(2.5%)	7,179.4	6,294.4	14.1%

The following table provides a further breakdown of the volume and net sales of the International segment into the halal market and other international market.

	Six Months Ended June 30,	
	2019	2018
	<i>(in millions of reais, except where indicated)</i>	
International		
Volume (in thousands of tons)		
Halal	567.7	572.8
Other.....	366.1	385.1
Total.....	933.8	957.9
Net sales		
Halal	4,427.9	3,947.3
Other.....	2,751.5	2,347.1
Total.....	7,179.4	6,294.4

The following table sets forth our average selling prices for our International segment.

	Average Selling Prices Six Months Ended June,		
	2019	2018	Change
	<i>(in reais per kg)</i>		
			<i>(%)</i>
International	8.3	7.0	18.2%

Other Segment

Our consolidated net sales for our Other segment increased R\$125.6 million, or 33.9%, to R\$495.7 million in the six months ended June 30, 2019 from R\$370.1 million in the corresponding period in 2018, primarily due to a lesser amount of perishable products subject to price markdowns, which positively impacted prices and sales performance of our ingredients.

The following table provides a breakdown of our volumes and net sales for our Other segment.

	Volume Six Months Ended June 30,			Net Sales Six Months Ended June 30,		
	2019	2018	Change	2019	2018	Change
	<i>(in thousands of tons)</i>			<i>(in millions of reais)</i>		
			<i>(%)</i>			<i>(%)</i>
Ingredients	98.1	82.7	18.6%	249.5	206.8	20.7%
Other sales	37.1	43.3	(14.4%)	246.3	163.3	50.8%
Total.....	135.2	126.1	7.3%	495.7	370.1	33.9%

The following table sets forth our average selling prices for our Other segment.

	Average Selling Prices Six Months Ended June,		
	2019	2018	Change
	<i>(in reais per kg)</i>		
			<i>(%)</i>
Other Segments	3.7	2.9	24.9%

Cost of Sales

Cost of sales totaled R\$12,088.5 million in the six months ended June 30, 2019, a decrease of 0.3% compared to R\$12,123.6 million in the corresponding period in 2018. The cost of sales for the six months ended June 30, 2018 were negatively impacted mainly by the truck drivers' strike and corporate restructuring, which did not impact the cost of sales for the six months ended June 30, 2019. However, the decrease in cost of sales was partially offset by higher average grain prices during the production period.

Gross Profit

Our gross profit increased 82.8% in the six months ended June 30, 2019, to R\$3,608.7 million from R\$1,973.8 million in the corresponding period in 2018, with a gross margin of 23.0% in the six months ended June 30, 2019 compared to 14.0% in the corresponding period in 2018. This increase was driven primarily by an improvement in our results in both Brazil and the International segments.

The following table provides a breakdown of our gross profit for our Brazil, International and Other segments with a further breakdown of the International segment into the halal market and other international market.

	Six Months Ended June 30,	
	2019	2018
	<i>(in millions of reais, except where indicated)</i>	
Brazil		
Gross Profit	1,818.0	1,441.0
International		
Gross Profit		
Halal	1,205.4	721.6
Other.....	505.0	165.5
Total.....	1,710.4	887.1
Other		
Gross Profit	80.4	(354.3)

Operating Expenses

Our operating expenses increased 11.5% in the six months ended June 30, 2019, to R\$2,673.3 million from R\$2,398.2 million in the corresponding period in 2018. As a percentage of net sales, operating expenses remained stable at 17.0% in the six months ended June 30, 2019 and in the corresponding period in 2018.

Selling Expenses

Our selling expenses increased 10.7% to R\$2,395.9 million in the six months ended June 30, 2019 from R\$2,164.2 million in the corresponding period in 2018, as a result of higher freight expenses in the international segment due to foreign exchange depreciation.

General and Administrative Expenses

Our general and administrative expenses increased 18.4% to R\$277.4 million in the six months ended June 30, 2019 from R\$234.2 million in the corresponding period in 2018, as a result of inflation in Brazil, investments in marketing to reinforce our brands and labor expenses relating to employee terminations.

Impairment Loss on Trade and Other Receivables

Our impairment loss on trade and other receivables decreased 85.16% to R\$3.8 million in the six months ended June 30, 2019 from R\$25.6 million in the corresponding period in 2018, as a result of lower trade accounts receivable in the Brazil and International segments.

Other Operating Income, Net

Other operating income, net, was R\$153.8 million in the six months ended June 30, 2019 as compared to other operating expenses, net of R\$53.0 million in the corresponding period in 2018, as a result of (i) a provision in the second quarter of 2019 for probable losses in the amount of R\$358.9 million due to a tax liability arising from a final court decision that disallowed our use of ICMS tax credits generated from the acquisition of certain staple foods (*cesta básica*) and (ii) a gain of R\$696.1 million related to a final court decision that allowed us to exclude ICMS from the PIS and COFINS calculation basis.

Loss from Associates and Joint Ventures, Net

Loss from associates and joint ventures, net was R\$1.0 million in the six months ended June 30, 2019 as compared to income from associates and joint ventures, net of R\$8.9 million in the corresponding period in 2018, as a result of the shutdown of the operations of our subsidiary UP Alimentos Ltda.

Operating Income (Expenses)

As a result of the foregoing, our operating income before financial expenses was R\$1,088.2 million in the six months ended June 30, 2019 as compared to operating expenses before financial expenses of R\$468.8 million in the corresponding period in 2018.

The table below sets forth our operating income (expenses) on a segment basis:

	Operating Income (Expenses) by Segment		
	2019	Restated 2018	Change
	<i>(in millions of reais)</i>		<i>(%)</i>
Brazil	556.9	99.8	458.0%
International.....	551.1	(59.9)	N/A
Other.....	40.5	55.5	(27.0%)
Ingredients	55.1	49.4	11.5%
Other sales	(14.6)	6.1	N/A
Subtotal.....	1,148.6	95.3	1,105.2%
Corporate ⁽¹⁾	(60.4)	(564.1)	(89.3%)
Total	1,088.2	(468.8)	N/A

(1) The significant variation in Corporate in 2018 is attributed to incurred expenses in the period, such as those in connection with the *Carne Fraca* Operation and provisions.

Financial Income (Expenses), Net

Net financial expenses amounted to R\$1,067.6 million in the six months ended June 30, 2019, a decrease of 14.0% from R\$1,242.0 million in the corresponding period in 2018. This decrease in net financial expenses is mainly a result of the positive exchange rate variation over assets and liabilities denominated in foreign currency in the period.

Income (Loss) Before Taxes

As a result of the foregoing, our income (loss) before taxes amounted to income of R\$20.7 million in the six months ended June 30, 2019, as compared to a loss of R\$1,710.8 million in the corresponding period in 2018.

Income Tax and Social Contribution

In the six months ended June 30, 2019, income tax and social contribution amounted to income of R\$57.1 million, compared to income of R\$143.1 million in the corresponding period in 2018. Our effective tax rate in the six months ended June 30, 2019 was 276.5% compared to an effective tax rate of negative 8.4% in the corresponding period in 2018. This variation was mainly attributable to higher taxable income recorded for the six months ended June 30, 2019.

Income (Loss) from Continued Operations

Income from continued operations amounted to R\$77.7 million in the six months ended June 30, 2019, an increase of R\$1,645.4 million from loss from continued operations of R\$1,567.7 million in the corresponding period in 2018,

reflecting our operational improvement across all segments, lower net financial expenses and the impacts related to ICMS in the six months ended June 30, 2019 as mentioned above.

Income (Loss) from Discontinued Operations

Loss from discontinued operations amounted to R\$765.2 million in the six months ended June 30, 2019, a decrease of R\$804.3 million from profit from discontinued operations of R\$39.2 million in the corresponding period in 2018, mainly due to a one-time write-off in the amount of R\$862.8 million mainly related to a cumulative translation adjustment and hyperinflation.

Loss

As a result of the above, our loss decreased to R\$687.4 million in the six months ended June 30, 2019 from R\$1,528.5 million of loss in the corresponding period in 2018.

Liquidity and Capital Resources

As of June 30, 2019, we held R\$5,236.1 million in cash and cash equivalents. Of that amount, R\$3,615.2 million, or 69.0%, was held in jurisdictions outside Brazil. We regularly review the amount of cash and cash equivalents held outside of Brazil to determine the amounts necessary to fund the current operations of our foreign subsidiaries and their growth initiatives as well as amounts needed to service our Brazilian indebtedness and related obligations. If these amounts are moved out of these jurisdictions or repatriated to Brazil, we may be subject to Brazilian tax upon repatriation.

Our main cash requirements are the servicing of our debt, capital expenditures relating to expansion programs and acquisitions, and the payment of dividends and interest on shareholders' equity. Our primary cash sources have been cash flows from operating activities, loans and other financings, offerings of our common shares and sales of marketable securities. Although we have substantial debt that will mature in coming years (see "Risk Factors—Risks Relating to Our Indebtedness—We have substantial debt that matures in each of the next several years"), we believe that our current cash and cash equivalents, along with our cash flows from operating activities and plans for the extension of the maturity of a portion of our current indebtedness (for instance, with the use of proceeds from this offering) will be sufficient to cover our working capital needs and the service of our indebtedness in the ordinary course of our business.

Cash Flows

	Six Months Ended June 30,	
	2019	Restated 2018
	<i>(in millions of R\$)</i>	
Net cash provided by consolidated operating activities	605.1	327.7
Net cash provided by (used) in consolidated investing activities	1,178.9	(1,035.0)
Net cash provided by (used in) consolidated financing activities.....	(1,615.4)	356.2
Effect of exchange rate variation on cash and cash equivalents	31.5	88.1
Net increase (decrease) in cash and cash equivalents.....	<u>200.1</u>	<u>(263.0)</u>

Cash Flows Provided by Operating Activities

We recorded net cash flows provided by continued operating activities of R\$714.3 million in the six months ended June 30, 2019, compared to cash flows provided by continued operating activities of R\$643.3 million in the corresponding period in 2018, an increase of R\$71.0 million. The increase in net cash flows provided by continued operating activities is mainly due to cash provided by the decrease in accounts receivable of R\$348.7 million and cash used in the increase in inventories of R\$218.9 million in the six months ended June 30, 2019, compared to cash provided by the decrease in accounts receivable of R\$171.4 million and cash used in the increase in inventories of R\$331.5 million in the corresponding period in 2018. We recorded net cash flows used in discontinued operating activities of R\$109.2 million in the six months ended June 30, 2019, compared to cash flows used in discontinued operating activities of R\$315.6 million in the corresponding period in 2018. The decrease in net cash used in

operating activities from discontinued operations is mainly due to the sale of Argentinian operations that occurred in the first quarter of 2019 and the decision of the European Union on May 14, 2018 to remove 12 of our production facilities in Brazil from the list that permits the import of animal products by countries in the European Union. These events resulted in net cash flows provided by consolidated operating activities (continued and discontinued) of R\$605.1 million in the six months ended June 30, 2019, compared to net cash flows provided by consolidated operating activities (continued and discontinued) of R\$327.7 million in the corresponding period in 2018.

Cash Flows Provided by (Used in) Investing Activities

We recorded net cash flows provided by continued investing activities of R\$1,237.6 million in the six months ended June 30, 2019, compared to cash flows used in continued investing activities of R\$996.3 million in the corresponding period in 2018, an increase of R\$2,233.9 million. The increase in net cash provided by continued investing activities is mainly due to the cash received from the sale of investments and property, plant and equipment of R\$1,789.8 in the six months ended June 30, 2019, compared to a net cash received of R\$38.1 million in the corresponding period in 2018. We recorded net cash flows used in discontinued investing activities of R\$58.7 million in the six months ended June 30, 2019, compared to cash flows used in discontinued investing activities of R\$38.7 million in the corresponding period in 2018, resulting in net cash flows provided by consolidated investing activities (continued and discontinued) of R\$1,178.9 million in the six months ended June 30, 2019, compared to net cash flows used in consolidated investing activities (continued and discontinued) of R\$1,035.0 million in the corresponding period in 2018.

Cash Flows Provided by (Used in) Financing Activities

We recorded net cash flows used in continued financing activities of R\$1,617.0 million in the six months ended June 30, 2019, compared to cash flows provided by continued financing activities of R\$171.0 million in the corresponding period in 2018, a decrease of R\$1,788.0 million. The decrease in net cash provided by continued financing activities is mainly due to the repayment of debt of R\$3,121.4 million in the six months ended June 30, 2019, compared to R\$1,964.2 million in the corresponding period in 2018. We recorded net cash flows provided by discontinued financing activities of R\$1.6 million in the six months ended June 30, 2019, compared to cash flows provided by discontinued financing activities of R\$185.2 million in the corresponding period in 2018, resulting in net cash flows used in consolidated financing activities (continued and discontinued) of R\$1,615.4 million in the six months ended June 30, 2019, compared to net cash flows provided by consolidated financing activities (continued and discontinued) of R\$356.2 million in the corresponding period in 2018.

Debt

We use the net proceeds of our indebtedness primarily for capital expenditures, working capital and purchases of raw materials. The following table sets forth our net indebtedness (according to the type of debt and currency) net of cash, cash equivalents, marketable securities, restricted cash and derivative financial instruments for the periods indicated.

	<u>As of June 30, 2019</u>	<u>As of December 31, 2018</u>
	<i>(in millions of reais, except where indicated)</i>	
Total debt	(20,781.0)	(22,165.4)
Derivative financial instruments, net	38.5	(52.7)
Cash, cash equivalents and marketable securities and restricted cash	6,842.7	6,528.8
Local currency	(10,277.5)	(10,627.1)
Foreign currency	(10,503.6)	(11,538.3)
Net Debt⁽¹⁾	(13,899.8)	(15,689.3)
Exchange rate exposure (in millions of U.S.\$) ⁽²⁾	(2,747.3)	(3,594.7)

(1) We define Net Debt as total debt plus derivative financial instruments, net minus cash and cash equivalents (including marketable securities and restricted cash). Net Debt is a supplemental measure of our financial condition and used in making certain management decisions. It is not a prescribed measure under IFRS. See “Summary—Summary Financial and Other Information” for a reconciliation of Net Debt to the most directly comparable IFRS measure.

(2) See note 3.3 to our unaudited condensed consolidated interim financial information.

The table below provides a further breakdown of our indebtedness by type of debt.

	<u>Short-Term Debt</u>	<u>Long-Term Debt</u>	<u>Debt as of June 30,</u>	<u>Debt as of December</u>
	<u>As of June 30, 2019</u>		<u>2019</u>	<u>31, 2018</u>
	<i>(in millions of reais)</i>			
Development bank credit lines.....	132.0	—	132.0	264.5
Export credit facilities.....	310.1	1,280.0	1,590.1	1,625.3
Working capital facilities.....	2,889.6	2,999.1	5,888.7	5,863.0
PESA loan facility.....	278.2	—	278.2	273.4
Agribusiness Receivables Certificate.....	151.6	1,484.3	1,636.0	2,597.5
Debentures.....	0.3	745.1	745.4	—
Other.....	7.1	—	7.1	3.3
Total local currency.....	3,768.9	6,508.6	10,277.5	10,627.1
Export credit facilities.....	98.6	285.2	383.8	1,383.2
Bonds.....	394.0	9,209.7	9,603.7	9,746.4
Advances on foreign exchange rate contracts.....	314.4	—	314.4	214.2
Working capital facilities.....	185.1	16.5	201.7	194.5
Total foreign currency.....	992.1	9,511.4	10,503.6	11,538.3
Total.....	4,761.0	16,020.0	20,781.0	22,165.4

The maturity schedule of our indebtedness is as follows:

	<u>As of June 30, 2019</u>
	<i>(in millions of reais)</i>
Current (July 1, 2019 through June 30, 2020).....	4,761.0
Noncurrent	
2020 (July 1 through December 31).....	1,029.1
2021.....	3,117.8
2022.....	3,138.8
2023.....	3,329.7
2024 onwards.....	5,404.7
Total.....	20,781.0

Our principal debt instruments as of June 30, 2019 are described below. For more information on these facilities, including information on average interest rates and weighted average maturities, see our unaudited condensed consolidated interim financial information for the six months ended June 30, 2019 and see note 19.8 to our audited consolidated financial statements for the year ended December 31, 2018 included in our 2018 Form 20-F incorporated by reference into this offering memorandum.

Local Currency Debt

Development Bank Credit Lines

BNDES FINEM Facilities. We have a number of outstanding obligations with BNDES, including loans under its FINEM program in the amount of R\$111.8 million as of June 30, 2019. The loans from BNDES were entered into to finance purchases of machinery and equipment and construction, improvement or expansion of our production facilities. Principal and interest on the loans are generally payable monthly, with remaining maturity dates varying from 2019 through 2020. The principal amount of the loans is denominated in *reais*, the majority of which bears interest at the TJLP rate plus a margin. These loans are included under “Development bank credit lines” in the table above.

FINEP Financing. We obtained certain financing from the Brazilian Financing Agent for Studies and Projects (*Financiadora de Estudos e Projetos*, or “FINEP”), a public financing company under the Brazilian Ministry of Science, Technology and Innovation, with maturity in November 2019. The outstanding debt under this financing was R\$20.2 million as of June 30, 2019. We obtained FINEP credit lines with reduced rates for projects relating to research, development and innovation. These loans are included under “Development bank credit lines—Local currency” in the table above.

Export Credit Facilities

Export Credit Notes. We have export credit notes in local currency, totaling R\$1,590.1 million as of June 30, 2019. These notes bear interest at floating rates (CDI), with maturity in 2023. These credit lines are included under “Export credit facilities” in the table above.

Working Capital Facilities

Rural Credit Financing. We have short-term rural credit loans in the amount of R\$5,888.7 million as of June 30, 2019 with several commercial banks under a Brazilian federal government program that offers favorable interest rates of 7.96% per year, as an incentive to invest in rural activities, with maturity dates from 2019 through 2021. We generally use the proceeds of these loans for working capital. These credit lines are included under “Working capital facilities” in the table above.

PESA Loan Facility

PESA. We have a loan facility obtained through the Special Sanitation Program for Agroindustrial Assets (*Programa Especial de Saneamento de Ativos*, or “PESA”) for an outstanding amount of R\$278.2 million as of June 30, 2019, subject to the variation of the IGP-M plus interest of 4.9% per year, secured by endorsements and pledges of public debt securities, with maturity in 2020.

Agribusiness Receivables Certificate

Agribusiness Receivables Certificate (“CRA”). On April 19, 2016, BRF concluded the CRA issuance related to the public distribution of the 1st series of the 9th issuance by the Securitization Company, in the amount of R\$1.0 billion net of interest, which were issued with a coupon of 96.50% of the CDI rate, payable every nine months. The CRA is related to our exports contracted with BRF Global GmbH and were transferred and/or pledged to the Securitization Company. The CRA was repaid on April 19, 2019.

On December 16, 2016, BRF concluded the CRA issuance related to the public offer of distribution of the 1st and 2nd Series of the 1st Issue of Vert Companhia Securitizadora, in the amount of R\$1.5 billion, net of interest. The CRAs of the 1st Series were issued at a cost of 96.00% p.a. of the CDI rate, with the principal maturing in a single installment on December 16, 2020 and interest paid every eight months. The 2nd Series CRAs were issued at a cost of 5.8970% p.a. restated by the variation of the IPCA, with the principal maturing in a single installment on December 18, 2023 and interest paid every 16 or 18 months. As of June 30, 2019, the balance of this transaction totaled R\$1,636.0 million. This transaction comprises “Agribusiness Receivables Certificate” in the table above.

Debentures

On July 1, 2019, BRF completed a public offering in Brazil of non-convertible unsecured debentures in the aggregate amount of R\$750.0 million. R\$70.0 million aggregate principal amount of which bear interest based on a rate of CDI plus a spread of 0.8% per year and mature in 2022, R\$411.7 million aggregate principal amount of which bear interest based on the IPCA rate plus a spread of 5.5% per year and mature in 2026 and R\$268.3 million aggregate principal amount of which bear interest based on the CDI rate plus a spread of 1.45% per year and mature in 2026.

Other

State Tax Incentive Financing Programs. We also had R\$7.1 million outstanding as of June 30, 2019 under credit facilities offered by the State of Goiás under tax incentive programs to promote investments in such state. Under these programs, we are granted credit proportional to the payment of ICMS tax generated by investments in the construction or expansion of manufacturing facilities in that state. The credit facilities have a 20-year term from 2019 and fixed or variable interest rates based on the IGP-M plus a margin. This credit line is included under “Other” in the table above.

Investment Fund in Credit Rights Receivables. On December 18, 2018, we established an investment fund in credit rights receivables (*Fundo de Investimento em Direitos Creditórios*, or “FIDC”). We assign to the FIDC, and

its sole objective is to acquire, from time to time, our receivables generated from commercial transactions between us and our customers in Brazil. The FIDC is a closed-ended fund and its quotas shall be repaid within five years. As of June 30, 2019, the FIDC held receivables in the amount of R\$597.9 million.

Credit Facilities. In July 2018, we refinanced certain of our outstanding credit facilities with maturity dates in 2019 and 2023 with Banco Bradesco and Banco do Brasil, respectively, and we also made additional borrowings under such facilities in the amount of R\$4.3 billion.

Foreign Currency Debt

Export Credit Facilities

Export Prepayment Facilities. We had an aggregate outstanding amount of R\$383.8 million as of June 30, 2019 under our export credit facilities. The indebtedness under these facilities is denominated in U.S. dollars, with maturity dates between 2020 and 2024. Interest under these facilities accrues interest at LIBOR plus a spread. Under this facility, we receive a loan from one or more lenders secured by the accounts receivable relating to exports of our products to specific customers. These facilities are generally guaranteed by BRF S.A. The covenants under these agreements include limitations on liens and mergers. These credit lines are included under “Export credit facilities” in the table above.

Bonds

BFF 2020 Notes. On January 28, 2010, BFF issued senior notes in the amount of U.S.\$750 million (the “BFF 2020 Notes”). The BFF 2020 Notes are guaranteed by BRF, bear interest at a rate of 7.250% per year and mature on January 28, 2020. On June 20, 2013, U.S.\$120.7 million of the BFF 2020 Notes were replaced by BRF 2023 Notes (as defined below) and, on May 15, 2014, U.S.\$409.6 million of the BFF 2020 Notes were repurchased with part of the proceeds from the issuance of the BRF 2024 Notes (defined below). On May 28, 2015, we completed a tender offer for U.S.\$101.4 million of the BFF 2020 Notes, such that the balance of outstanding BFF 2020 Notes on June 30, 2015 was U.S.\$118.3 million. On September 21, 2016, we completed a repurchase offer for the BFF 2020 Notes in the amount of U.S.\$32.2 million, and premium was paid in the transaction, net of interest, in the amount of U.S.\$4.1 million. The premium paid to holders of the BRF 2020 Notes was recorded as a financial expense. As of June 30, 2019, the outstanding principal amount of the BRF 2020 Notes was U.S.\$88.6 million (equivalent to R\$339.6 million).

BRF 2022 Notes. On June 6, 2012, we issued senior notes in an aggregate amount of U.S.\$500.0 million (the “BRF 2022 Notes”). The BRF 2022 Notes bear interest at a rate of 5.875% per year and mature on June 6, 2022. Later the same month, we issued an additional U.S.\$250.0 million of BRF 2022 Notes. On May 28, 2015, we completed a tender offer for U.S.\$577.1 million of the BRF 2022 Notes, such that the remaining balance of the BRF 2022 Notes on June 30, 2015 was U.S.\$172.9 million. On September 21, 2016, we completed a repurchase offer for the BRF 2022 Notes in the amount of U.S.\$54.2 million, and premium was paid in the transaction, net of interest, in the amount of U.S.\$5.7 million. The premium paid to holders of the BRF 2022 Notes was recorded as financial expense. As of June 30, 2019, the outstanding principal amount of the BRF 2022 Notes was U.S.\$116.9 million (equivalent to R\$447.9 million).

BRF 2023 Notes. On May 15, 2013, we issued senior notes in an aggregate amount of U.S.\$500.0 million (the “BRF 2023 Notes”). The BRF 2023 Notes bear interest at a rate of 3.95% per year and mature on May 22, 2023. As of June 30, 2019, the outstanding principal amount of the BRF 2023 Notes was U.S.\$489.0 million (equivalent to R\$1,874.0 million).

BRF 2024 Notes. On May 15, 2014, we issued senior notes in an aggregate amount of U.S.\$750 million (the “BRF 2024 Notes”). The BRF 2024 Notes bear interest at a rate of 4.75% per year and mature on May 22, 2024. Of the proceeds from the offering, U.S.\$470.6 million was used for a tender offer to buy back a portion of the Sadia Overseas Bonds 2017, which have already been repaid in full, and the BRF 2020 Notes in a tender offer. We made a payment of U.S.\$86.4 million (equivalent to R\$198.6 million) in the tender offer to the holders of the BRF 2024 Notes, which was recorded as an interest expense. As of June 30, 2019, the outstanding principal amount of the BRF 2024 Notes was U.S.\$748.7 million (equivalent to R\$2,869.0 million).

BRF 2022 Euro Notes. On May 29, 2015, we issued senior notes in the amount of €500.0 million (the “BRF 2022 Euro Notes”). The BRF 2022 Euro Notes bear interest at a rate of 2.750% and mature on May 3, 2022. As of June 30, 2019, the aggregate outstanding principal amount of the BRF 2022 Euro Notes was €499.1 million (equivalent to R\$2,175.5 million).

BRF 2026 Notes. On September 29, 2016, we, through our wholly-owned subsidiary BRF GmbH, issued senior notes in the aggregate amount of U.S.\$500.0 million (the “BRF 2026 Notes”). The BRF 2026 Notes bear interest at a rate of 4.35% per year and mature on September 29, 2026. As of June 30, 2019, the outstanding principal amount of the BRF 2026 Notes was U.S.\$495.2 million (equivalent to R\$1,897.7 million).

Advances on Foreign Exchange Rate Contracts

Advances on Foreign Exchange Rate Contracts. In November 2018 and February 2019, we had advances on foreign exchange contracts to fund through exports at a fixed interest rate with maturity in November and December 2019. As of June 30, 2019, the outstanding amount was R\$314.4 million. These loans are included under “Advances on foreign exchange rate contracts” in the table above.

Working Capital Facilities

Working Capital in Foreign Currency. These are funds obtained from financial institutions, mainly used for working capital and short-term import financing operations of subsidiaries principally located in Turkey in the amount of R\$201.7 million. This funding is denominated in Turkish lira, with maturities between 2019 and 2021. These credit lines are included under “Working capital facilities” in the table above.

Derivatives

We entered into foreign currency exchange derivatives under which we had a fair value of R\$83.5 million and commodity derivatives under which we had a fair value of negative R\$44.9 million, in each case as of June 30, 2019. The counterparties include several Brazilian financial institutions and involve interest rate swaps and the purchase and sale of non-deliverable forwards of currencies and commodities. The derivatives mature in 2020. These derivatives are recorded in our statement of financial position as derivative financial instruments.

Covenants and Covenant Compliance

Several of the instruments governing our indebtedness contain limitations on liens, and some of the instruments governing our indebtedness contain other covenants, such as limitations on mergers and sales of assets, and transactions with affiliates. As of June 30, 2019, we were in compliance with the covenants contained in our debt instruments.

Our debt instruments include customary events of default. The instruments governing a substantial portion of our indebtedness contain cross-default or cross-acceleration clauses, such that the occurrence of an event of default under one of those instruments could trigger an event of default under other indebtedness or enable a creditor under another debt instrument to accelerate that indebtedness.

UPDATES TO LEGAL PROCEEDINGS

The following information supplements and updates the descriptions set forth under “Item 8: Financial Information—A. Consolidated Statements and Other Financial Information— Legal Proceedings” in our 2018 Form 20-F. For information about the risks related to items discussed in this section, see “Item 3. Key Information—D. Risk Factors” in our 2018 Form 20-F and the notes to our latest interim condensed consolidated financial information included herein.

Legal Proceedings

We are involved in certain legal proceedings arising from the regular course of business, which include civil, administrative, tax, social insurance and labor lawsuits.

We classify the risk of adverse decisions in the legal suits as “remote,” “possible” or “probable.” We record provisions for probable losses in our financial statements in connection with these proceedings in an amount determined by our management on the basis of legal advice. We disclose the aggregate amounts of these proceedings that we have judged possible or probable, to the extent those amounts can be reasonably estimated, and we record provisions only for losses that we consider probable. However, the amounts involved in certain of the proceedings are substantial, and the losses to us could, therefore, be significantly higher than the amounts for which we have recorded provisions, if any. Even for the amounts recorded as provisions for probable losses, a judgment against us would have an effect on our cash flow if we are required to pay those amounts. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Unfavorable outcomes in legal proceedings may reduce our liquidity and negatively affect us” in our 2018 Form 20-F.

Tax Proceedings

We are engaged in several tax proceedings with Brazilian tax authorities for which we have recorded provisions for probable losses. As of June 30, 2019, our provisions for probable losses from such tax proceedings amounted to R\$986.9 million, compared to R\$230.1 million as of December 31, 2018. The increase in our provisions resulted from a final unfavorable ruling issued by the Supreme Court of Brazil in June 2019 concerning ICMS on sales of staple foods (*cesta básica*).

Labor Proceedings

As of June 30, 2019, we were involved in over 15,623 labor claims in the total amount of R\$810.1 million (amount includes risks deemed “remote,” “possible” and “probable”), compared to R\$863.6 million as of December 31, 2018. As of June 30, 2019, our provisions for “probable” losses from these labor claims amounted to R\$485.8 million, compared to R\$468.5 million on December 31, 2018.

Civil, Environmental, Regulatory, Commercial and Other Proceedings

As of June 30, 2019, we were defendants in over 3,895 civil, environmental, regulatory, commercial and other proceedings amounting to total claims of R\$2.3 billion (amount includes risks deemed “remote,” “possible” and “probable”). As of June 30, 2019, our provisions for “probable” losses from such proceedings amounted to R\$295.8 million, compared to R\$282.0 million on December 31, 2018.

Investigations Involving BRF

We are subject to two external investigations, which we refer to as “*Carne Fraca* Operation” beginning in 2017 and “*Trapaça* Operation” beginning in 2018, as detailed below. Our Audit and Integrity Committee is conducting independent investigations, along with the Independent Investigation Committee, composed of external members and with external legal advisors in Brazil and abroad with respect to the allegations involving our employees and former employees in the scope of the aforementioned operations and other ongoing investigations.

The main impacts observed as result of the referred operations were recorded in other operating expenses in the amount of R\$42.3 million for the six months ended June 30, 2019 (R\$43.7 million for the six months ended June 30,

2018), of which R\$31.2 million for the six months ended on June 30, 2019 (R\$30.9 million for the six months ended June 30, 2018) were mainly expenses related to legal advisors and consultants.

The independent investigations create, in addition to the impacts already recorded, uncertainties about the outcome of these operations which may result in penalties, fines and normative sanctions, right restrictions and other forms of liabilities, for which we are not able to make a reliable estimate of the potential losses.

The outcomes may result in payments of substantial amounts beyond the impacts already assessed or paid, which may cause a material adverse effect on our financial position, results and cash flows in the future. See also “Item 3.—D. Risk Factors—Risks Relating to Our Business and Industry—Health risks related to our business and the food industry could adversely affect our ability to sell our products—We have been recently subject to significant investigations relating to, among other things, food safety and quality control” in our 2018 Form 20-F.

Carne Fraca Operation

Brazilian authorities are investigating Brazil’s meat processing industry in the so-called “*Carne Fraca Operation*.” The investigation involves a number of companies in the Brazilian industry and, among other things, includes allegations relating to food safety, quality control and misconduct related to improper offers and/or promises to government inspectors.

On March 17, 2017, we learned of a decision issued by a federal judge of the state of Paraná authorizing the search and seizure of information and documents from us, and the detention of certain individuals in the context of the *Carne Fraca Operation*. Two of our employees were detained (both of whom have been released) and three others were identified for questioning (of which only two were questioned).

In addition, our Mineiros plant was temporarily suspended by MAPA on March 17, 2017, so that MAPA could conduct an additional audit on its production process. After conducting an audit, MAPA authorized the Mineiros plant to resume operations as of April 8, 2017. The Mineiros plant reopened on April 10, 2017 and resumed its operations on April 11, 2017.

On April 15, 2017, the Brazilian Federal Police issued a report on the investigation and recommended charges against three of our employees. On April 20, 2017, based on the Brazilian Federal Police investigation, Brazilian federal prosecutors filed charges against two of our employees (one of our regional manufacturing officers and one of our corporate affairs managers). One such employee was acquitted of all charges on September 28, 2018, while the other employee was convicted on only one charge. The Brazilian federal prosecutors have filed an appeal, which is pending judgment by the court.

In June 2018, we learned of an administrative proceeding commenced by the Comptroller General of the Union (*Controladoria-Geral da União*, or “CGU”), which is primarily related to alleged irregularities in the relationship between our employees and government inspectors from MAPA at our plants located in: Rio Verde (State of Goiás), Mineiros (State of Goiás), Uberlândia (State of Minas Gerais) and at the Paranaguá Harbor (State of Paraná). This administrative proceeding remains pending.

On January 22, 2018, the Attorney General’s Office of the Third District of the State of Goiás filed a complaint against the industrial manager of our Mineiros plant at the time of the events subject to investigation in the *Carne Fraca Operation*, who is a current member of our corporate engineering team, and the former head of quality control at our Mineiros plant, who was dismissed on August 16, 2016. Both of them were charged for allegedly committing crimes against consumers, as provided in article 7, item II of Law 8,137/90. According to the Attorney General’s Office of the Third District of the State of Goiás, laboratory tests (dripping tests) have detected excessive levels of water absorbed by the chicken products collected by authorities at our Mineiros plant. The Attorney General’s Office of the Third District of the State of Goiás alleges we produced chicken products with higher quantities of water than the limits permitted by MAPA, with potential damages to customers, considering they would potentially be acquiring chicken meat products with a weight lower than that indicated on the packaging, since part of the weight of the frozen chicken would consist merely of water contained therein. The complaint does not contain any allegations of corruption.

We informed certain regulators and governmental entities of the *Carne Fraca* Operation, including the SEC and the U.S. Department of Justice. We are cooperating with the authorities.

Our Statutory Audit and Integrity Committee initiated an investigation with respect to the allegations involving our employees in the *Carne Fraca* Operation, CGU proceedings, and related conduct with the assistance of outside counsel. Following this initial investigation, the Statutory Audit and Integrity Committee started a new internal investigation to address the allegations related to the *Trapaça* Operation, as described below. The internal investigations remain ongoing with the assistance of outside counsel. The effects of the *Carne Fraca* Operation had operational consequences for us, as we incurred expenses in the amount of R\$157.5 million recorded in the other operating expenses, such as media and communication expenses, law firms, freight, storage, provision for losses in inventories, among others in the amount of R\$80.3 million and inventory losses, arising from closed external markets and/or the block of imports of our products by certain countries in reaction to the *Carne Fraca* Operation in the amount of R\$77.2 million, recorded in the first half of 2017.

The outcome of the *Carne Fraca* Operation may result in penalties, fines and sanctions from governmental authorities or other forms of liabilities which may have a material adverse impact on our reputation, brands, results of operations, financial position and cash flows. Currently, the losses related to this matter are not possible to be estimated, and, as a result, no provision has been recorded.

Trapaça Operation

On March 5, 2018, we learned of a decision issued by a federal judge of the 1st Federal Court of Ponta Grossa in the State of Paraná, which authorized the search and seizure of information and documents from us and certain current and former employees and the temporary detention of certain individuals. In what media reports have identified as the “*Trapaça Operation*,” 11 of our current and former employees were temporarily detained for questioning, including former Chief Executive Officer Pedro Faria and former Vice President for Global Operations Helio Rubens. All such current and former employees have been released from custody, but all such current employees were placed on leaves of absence. A number of our other employees and former employees were identified for questioning. The primary allegations in the *Trapaça* Operation involve alleged misconduct relating to quality violations, improper use of feed components and falsification of tests at certain of our manufacturing plants and accredited labs.

As a result of the *Trapaça* Operation, on March 5, 2018, we received notice from MAPA that it immediately suspended exports from our Rio Verde/GO, Carambei/PR and Mineiros/GO plants to 13 countries with specific sanitary requirements related to Salmonella spp. As a precautionary measure, MAPA also suspended exports from 10 of our other plants to the European Union on March 15, 2018. This precautionary suspension was lifted on April 18, 2018 by MAPA. On May 14, 2018, the European Union released its decision to remove 12 of our production facilities in Brazil from the list that permits imports of animal products by the countries in the European Union. The European Union generally has stricter requirements related to salmonella levels and other food safety standards compared to Brazil and the international markets in which we operate. Given the ban of imports from our production facilities, we are no longer able to sell our products from such embargoed production plants in the European Union and, therefore, our results of operations may be further adversely affected if we are not able to direct excess production capacity resulting from such suspension to other markets at similar prices or margins.

On October 15, 2018, the Brazilian Federal Police issued the final report on the investigation of the *Trapaça* Operation accusing forty-three people, among which twenty-three are our employees or former employees, including former Chief Executive Officer Pedro Faria, former chairman of the board of directors Abilio Diniz, and three former vice presidents. All such current employees are placed on leaves of absence. Allegations against these senior employees generally focused on communications relating to alleged dioxin contamination. Since then, the police investigation has been under review by the Brazilian Federal Prosecutor responsible for the case to determine whether or not to present criminal charges. Parts of the documents and information related to the *Trapaça* Operation are subject to confidentiality provisions and, therefore, are not publicly available.

We informed certain regulators and governmental entities of the *Trapaça* Operation, including the SEC and the U.S. Department of Justice. We are cooperating with the authorities. Our Statutory Audit and Integrity Committee has initiated an investigation with respect to the allegations and related conduct involving our employees in the

Trapaça Operation. The investigation involves outside counsel and is still in progress. The effects of the *Trapaça* Operation already had operational consequences for us, as we incurred expenses in the amount of R\$78.9 million for the year ended December 31, 2018 with respect communication, legal and other expenses.

The outcome of the *Trapaça* Operation may result in penalties, fines and sanctions from governmental authorities or other forms of liabilities which may have a material adverse impact on our reputation, brands, results of operations, financial position and cash flows. Currently, the losses related to this matter are not possible to be estimated, and, as a result, no provision has been recorded.

U.S. Class Action

On March 12, 2018, a shareholder class action lawsuit was filed in the U.S. Federal District Court in the Southern District of New York alleging, among other things, that we and certain of our officers and/or directors engaged in securities fraud or other unlawful business practices related to the regulatory issues described above. On July 2, 2018, the Court appointed the City of Birmingham Retirement and Relief System lead plaintiff in the action. On August 31, 2018, the Lead Plaintiff filed an amended class action complaint. On December 5, 2018, the Lead Plaintiff filed a second amended complaint. On May 10, 2019, the Lead Plaintiff filed a third amended complaint. The third amended complaint seeks to represent all persons and entities who purchased or otherwise acquired our ADRs during the period from April 4, 2013 through and including March 2, 2018, alleging, among other things, that we and certain of our officers and/or directors engaged in securities fraud or other unlawful business practices related to the regulatory issues in connection with the *Carne Fraca* Operation and *Trapaça* Operation. On June 24, 2019, defendants served to date, including us, filed their motions to dismiss and, on September 9, 2019, briefing on these motions was concluded. Such motions will now be considered by the court. Because this lawsuit is in its early stage, the possible loss or range of losses, if any, arising from this litigation cannot be estimated. While we believe that the claims against us are without merit and will continue to defend against the litigation vigorously, in the event that this litigation is decided against us, or we enter into an agreement to settle, there can be no assurance that an unfavorable outcome would not have a material impact on us.

Other

According to reports in the Brazilian media, Antonio Palocci, the former Finance Minister of Brazil, alleged that we donated R\$3.6 million to the Workers' Party (*Partido dos Trabalhadores* or "PT") in exchange for governmental support with respect to the approval of the merger of Sadia and Perdigão by the Brazilian antitrust authority ("CADE"). Our historical political donations are part of the public record and were duly registered with the Superior Electoral Court in accordance with applicable law at that time.

We are willing to cooperate with the relevant authorities to clarify the facts.

DESCRIPTION OF THE NOTES

BRF S.A. (the “Issuer”), a *companhia aberta* (corporation) organized under the laws of the Federative Republic of Brazil (“Brazil”), will issue U.S.\$750,000,000 aggregate principal amount of 4.875% senior notes due 2030 (the “notes”) under an indenture to be dated as of September 24, 2019 (the “indenture”), between the Issuer and The Bank of New York Mellon, as trustee (the “trustee”), registrar, paying agent and transfer agent.

The following is a summary of the material provisions of the indenture. It does not include all of the provisions of the indenture. You are urged to read the indenture because it, and not this summary, defines your rights. The terms of the notes include those stated in the indenture. You can obtain a copy of the indenture in the manner described under “Available Information” in this offering memorandum. You can find definitions of certain capitalized terms used in this section of this offering memorandum under “Certain Definitions.”

Until the notes have been paid, the Issuer will maintain a paying agent, a registrar and a transfer agent in New York City. The trustee will initially act as paying agent, registrar and transfer agent for the notes. You may present notes for registration of transfer and exchange at the offices of the registrar, which initially will be the trustee’s corporate trust office in New York City. No service fee will be charged for any registration of transfer or exchange or redemption of notes, but the Issuer may require payment in certain circumstances of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith. At its option, the Issuer may pay interest, Additional Amounts, if any, and principal (and premium, if any) on notes not issued in the form of global notes at the trustee’s principal corporate trust office in New York City or by check mailed to the registered address of each holder.

Brief Description of the Notes

The notes

The notes will:

- be senior unsecured obligations of the Issuer;
- initially be issued in an aggregate principal amount of U.S.\$750,000,000;
- bear interest at an annual rate of 4.875%;
- mature at 100% of their principal amount on January 24, 2030, unless previously redeemed;
- be issued in fully registered form without coupons, in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof;
- rank equally in right of payment with all existing and future senior unsecured Indebtedness of the Issuer (other than obligations preferred by statute or by operation of law);
- rank senior in right of payment to all existing and future Indebtedness that is subordinated to the notes; and
- be structurally subordinated to all of the existing and future liabilities (including trade payables) of the Issuer’s subsidiaries.

As of June 30, 2019, the Issuer (at the parent company level and excluding its subsidiaries) had total short-term debt and long-term debt of R\$18,342.1 million (U.S.\$4,786.3 million). Of the Issuer’s total short-term debt and long-term debt (at the parent company level and excluding its subsidiaries), the Issuer had (1) R\$139.1 million (U.S.\$36.3 million) of secured indebtedness to which the notes will be effectively subordinated and (2) R\$18,203.1 million (U.S.\$4,750.0 million) of unsecured indebtedness, which will rank equally in right of payment with the notes; and the Issuer’s Subsidiaries had R\$2,438.9 million (U.S.\$636.4 million) of total short-term debt and long-term debt (excluding trade payables and intercompany liabilities), all of which will be structurally senior to the

notes. As of June 30, 2019, the investments in the Issuer's Subsidiaries amounted to R\$4,481.3 million, representing 10.6% of the Issuer's consolidated total assets and 60.2% of its consolidated shareholders' equity.

Although the indenture will limit the incurrence of Liens on the assets of the Issuer and its Subsidiaries, these limitations are subject to significant exceptions. In addition, the indenture does not impose any limitation on the incurrence of Indebtedness, the making of investments or restricted payments, including the payment of dividends or distributions in respect of Share Capital, by the Issuer or any of its Subsidiaries.

The Issuer's Subsidiaries will be subject to the restrictive covenants of the indenture. However, under Brazilian law, holders will not have any claim against the Issuer or its Subsidiaries and, in the event of a bankruptcy, liquidation or reorganization of any such Subsidiaries, such Subsidiaries will pay creditors holding their debt and their trade creditors before they will be able to distribute any of their assets to the Issuer.

Principal, Maturity and Interest

The Issuer will issue the notes in fully registered form without coupons, in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. The notes will be unlimited in aggregate principal amount and will be issued in an initial aggregate principal amount of U.S.\$750,000,000.

The notes will mature on January 24, 2030 (the "Stated Maturity Date"). On that date, the Issuer will pay the registered holders of the notes the principal amount thereof in U.S. dollars.

Interest on the notes will accrue from September 24, 2019 at the rate of 4.875% per annum and will be due and payable semi-annually in arrears in immediately available funds on each January 24 and July 24, beginning on January 24, 2020 to the Persons who are registered holders at the close of business on each January 10 and July 10 immediately preceding the applicable Interest Payment Date (whether or not a Business Day). There will be a short first coupon for the period from and including September 24, 2019 to, but excluding, January 24, 2020. Interest on the notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the Issue Date. The Issuer will pay interest on overdue principal at 1.00% per annum in excess of the above rate and will pay interest on overdue installments of interest at such higher rate, in each case to the extent permitted by applicable law. Interest on the notes will be payable in U.S. dollars.

Interest on the notes will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Additional Notes

The Issuer may from time to time and without the consent of holders of the notes issue additional notes ("Additional Notes"). The notes and any Additional Notes issued in respect thereof will be substantially identical other than the issue price, issuance dates and the initial interest payment date therefor. Unless the context otherwise requires, for all purposes of the indenture and this "Description of the Notes," references to the notes include any Additional Notes that may be issued. If any Additional Notes are not fungible with the notes for U.S. federal income tax purposes, such Additional Notes will have a different CUSIP number or numbers and will be represented by a different global note or notes.

Redemption

Optional redemption

Make-whole redemption

Prior to October 24, 2029 (three months prior to the maturity date of the notes, the "Par Call Date"), the Issuer may redeem the notes, at any time and from time to time, in whole or in part, at the Issuer's option at a redemption price equal to the greater of (1) 100% of principal amount thereof, and (2) the sum of the present values of the Remaining Payments, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points, plus accrued and unpaid interest thereon and Additional Amounts, if any, to the redemption date. Any redemption of notes by the Issuer pursuant to this paragraph will be subject to either (1) there being at least U.S.\$150.0 million in aggregate principal amount of notes

(including any Additional Notes) outstanding after such redemption or (2) the Issuer redeeming all the then outstanding principal amount of the notes.

No such redemption shall be effective unless and until the trustee receives the amount payable upon redemption as set forth above.

Any notice of optional redemption will be made not less than 30 days or more than 60 days before the redemption date. All notices will be given in accordance with the provision set out under “—Notices” below.

If less than all of the notes are to be redeemed at any time, the trustee will select notes for redemption on a pro rata basis, by lot or by such method as the trustee deems fair and appropriate; *provided, however*, that the selection of notes held in global form shall be in accordance with the applicable procedures of the depository. If the notes are to be redeemed in part only, the notice of redemption will state the principal amount of the notes that is to be redeemed. A new note in principal amount equal to the unredeemed portion of the original note will be issued in the name of the holder of the note upon cancellation of the original note. Unless the Issuer defaults in payment of the redemption price, on and after the redemption date interest will cease to accrue on the notes or portions thereof called for redemption.

Redemption at par

On or after the Par Call Date, the Issuer may redeem the notes, at any time and from time to time, in whole or in part, at the Issuer’s option, at a redemption price equal to 100% of the outstanding principal amount of the notes to be redeemed, plus accrued and unpaid interest thereon and additional amounts, if any, to the redemption date.

Redemption for tax reasons

The Issuer may redeem the notes, in whole but not in part, upon notice of not less than 30 nor more than 60 days, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest (subject to the right of holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date) and Additional Amounts, if any, to the redemption date, if as a result of:

- (1) any amendment to, or change in, the laws or treaties (or any regulations or rulings promulgated thereunder) of a Taxing Jurisdiction (as defined under “—Additional Amounts” below); or
- (2) any amendment to or change in an official interpretation or application regarding such laws, treaties, regulations or rulings (including a determination by a court of competent jurisdiction),

which amendment or change becomes effective on or after the Issue Date, (i) the Issuer has become or would become obligated to pay, on the next date on which any amount would be payable with respect to the notes, any Additional Amounts in excess of those attributable to a Brazilian withholding tax rate of 15%, or 25% in the case of a “Non-Resident Holder” of the notes resident or domiciled in a “low tax jurisdiction” (each, as defined and described under “Taxation—Brazilian Taxation”), determined without regard to any interest, fees, penalties or other additions to tax and (ii) the Issuer determines in good faith that such obligation cannot be avoided by the use of reasonable measures available to the Issuer (including, without limitation, by changing the jurisdiction from which or through which payment is made, to the extent such change would be a reasonable measure in light of the circumstances); *provided that*:

- (a) no such notice of redemption may be given earlier than 60 days prior to the earliest date on which the Issuer would be obligated to pay such Additional Amounts were a payment in respect of the notes then due and payable, and
- (b) at the time such notice is given, such obligation to pay such Additional Amounts remains in effect.

No such redemption shall be effective unless and until the trustee receives the amount payable upon redemption as set forth above.

Immediately prior to the delivery of any notice of redemption to the holders pursuant to this provision, the Issuer will deliver to the trustee:

- (i) an Officers' Certificate (A) stating that the Issuer is entitled to effect such redemption, (B) setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem have occurred, and (C) stating that all governmental approvals, if any, necessary to effect such redemption have been obtained and are in full force and effect; and
- (ii) an Opinion of Counsel in the relevant Taxing Jurisdiction (as such term is defined under “—Additional Amounts” below) to the effect that (A) the Issuer has or will become obligated to pay such Additional Amounts as a result of such amendment or change and (B) all governmental approvals, if any, necessary to effect such redemption have been obtained and are in full force and effect.

Any notice of redemption pursuant to this provision will be irrevocable.

The foregoing provisions will apply mutatis mutandis to the laws and official interpretations or applications of any jurisdiction in which any successor permitted under “Covenants—Merger, consolidation and sale of assets” or Substituted Issuer (as described under “—Substitution of the Issuer”) is organized, but only with respect to events arising after the date of succession or substitution.

No mandatory redemption or sinking fund

The Issuer is not required to make any mandatory redemption or sinking fund payments with respect to the notes.

Open market purchases

The Issuer or any of its Affiliates may at any time and from time to time purchase notes in the open market or otherwise. Any such repurchased notes will not be resold other than in compliance with applicable requirements or exemptions under the relevant securities laws.

Additional Amounts

All payments made by the Issuer under, or with respect to, the notes will be made free and clear of, and without withholding or deduction for or on account of, any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and other liabilities related thereto) (collectively, “Taxes”) imposed or levied by or on behalf of Brazil or any other jurisdiction in which the Issuer is organized or is a resident for tax purposes or within or through which payment is made or any political subdivision or taxing authority or agency thereof or therein (each, a “Taxing Jurisdiction”) unless the Issuer is required to withhold or deduct Taxes by law or by the official interpretation or administration thereof.

If the Issuer is so required to withhold or deduct any amount for, or on account of, such Taxes from any payment made under or with respect to the notes, the Issuer will pay such additional amounts (“Additional Amounts”) as may be necessary so that the net amount received by each holder or beneficial owner (including Additional Amounts) after such withholding or deduction will not be less than the amount such holder or beneficial owner would have received if such Taxes had not been required to be withheld or deducted; *provided, however*, that the foregoing obligation to pay Additional Amounts does not apply to:

- (1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant holder or beneficial owner (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant holder or beneficial owner, if the relevant holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the relevant Taxing Jurisdiction (other than the mere receipt of such payment or the ownership or holding of or the execution, delivery, registration or enforcement of such note);
- (2) any estate, inheritance, gift, sales, excise, transfer, personal property tax or similar Taxes;
- (3) any Taxes payable otherwise than by deduction or withholding from payments of principal of, premium, if any, or interest on, such note;

- (4) any Taxes that would not have been so imposed but for the presentation of such notes (where presentation is required) for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever is later, except to the extent that the holder or beneficial owner thereof would have been entitled to Additional Amounts had the notes been presented for payment on any date during such 30-day period;
- (5) any Taxes that would not have been so imposed if the holder or beneficial owner of the note had made a declaration of non-residence or any other claim or filing for exemption to which it is entitled (*provided* that (a) such declaration of non-residence or other claim or filing for exemption is required by the applicable law, regulations or administrative practice of the Taxing Jurisdiction as a precondition to exemption from the requirement to deduct or withhold all or part of such Taxes and (b) at least 30 days prior to the first payment date with respect to which such declaration of non-residence or other claim or filing for exemption is required under the applicable law, regulations or administrative practice of the Taxing Jurisdiction, the relevant holder or beneficial owner at that time has been notified by the Issuer or any other person through whom payment may be made, that a declaration of non-residence or other claim or filing for exemption is required to be made);
- (6) any Taxes imposed on a payment to a holder of a note that is a fiduciary or partnership or any Person other than the sole beneficial owner of such payment or note, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner of such payment or note would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the actual holder of such note;
- (7) any Taxes imposed in connection with a note presented for payment by or on behalf of a holder or beneficial owner who would have been able to avoid such Taxes by presenting the relevant note to another paying agent in a member state of the European Union if the holder is a resident of the European Union for tax purposes; or
- (8) any Taxes imposed pursuant to Sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (the "Code"), any current or future regulations or official interpretations thereof, any similar law or regulation adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any agreements entered into pursuant to Section 1471(b)(1) of the Code (collectively, "FATCA").

The foregoing provisions will survive any termination or discharge of the indenture and will apply *mutatis mutandis* to any Taxing Jurisdiction with respect to any successor Person to the Issuer. The Issuer will (i) make such withholding or deduction of applicable Taxes and (ii) remit the full amount deducted or withheld to the relevant Taxing Jurisdiction in accordance with applicable law. The Issuer will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Taxing Jurisdiction imposing such Taxes and will furnish such certified copies to the trustee within 30 days after the date the payment of any Taxes so deducted or so withheld is due pursuant to applicable law or, if such tax receipts are not reasonably available, furnish such other documentation that provides reasonable evidence of such payment.

At least 30 days prior to each date on which any payment under or with respect to the notes is due and payable (unless such obligation to pay Additional Amounts arises shortly before or after the 30th day prior to such date, in which case it shall be promptly thereafter), if the Issuer will be obligated to pay Additional Amounts with respect to such payment, the Issuer will deliver to the trustee an Officers' Certificate, among other things, stating that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the trustee to pay such Additional Amounts to holders of notes on the payment date. Each such Officers' Certificate shall be relied upon until receipt of a further Officers' Certificate addressing such matters.

The Issuer will pay any present or future stamp, transfer, court or documentary taxes, or any other excise or property taxes, charges or similar levies or Taxes which arise in any jurisdiction from the initial execution, delivery or registration of the notes, the indenture or any other document or instrument in relation thereto or the enforcement of the notes following the occurrence and during the continuance of any Default, excluding all such Taxes, charges or similar levies imposed by any jurisdiction other than a Taxing Jurisdiction unless resulting from, or required to be

paid in connection with, the enforcement of the indenture, the notes or any other document or instrument in relation thereto following the occurrence and during the continuance of any Default with respect to the notes, and the Issuer will agree to indemnify the holders and beneficial owners of the notes and the trustee for any such Taxes, charges or similar levies paid by such holders or beneficial owners or the trustee.

Whenever in this offering memorandum, the indenture or the notes there is any reference to the payment of principal, premium, if any, or interest, or any other amount payable under or with respect to the notes by the Issuer, such reference will be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Covenants

The following covenants will, so long as any of the notes remains outstanding, apply to the Issuer and its Subsidiaries.

Limitation on Liens

The Issuer will not, and will not cause or permit any of its Subsidiaries to, directly or indirectly, create, incur, assume or permit or suffer to exist any Lien, other than a Permitted Lien, of any kind against or upon any Property or assets of the Issuer or any of its Subsidiaries whether owned on the Issue Date or acquired after the Issue Date, or any proceeds therefrom, or assign or otherwise convey any right to receive income or profits therefrom unless it has made or will make effective provision whereby (a) the notes will be secured by such Lien equally and ratably with (or prior to, in the event such Indebtedness is subordinated in right of payment to the notes) all other Indebtedness of the Issuer or any of its Subsidiaries secured by such Lien and (b) if such Lien secures obligations subordinated to the notes in right of payment, such Lien will be subordinated to a Lien securing the notes in the same Property as that securing such Lien to the same extent as such subordinated obligations are subordinated to the notes. Any Lien created for the benefit of the holders of the notes pursuant to the preceding sentence will provide by its terms that such Lien will be automatically and unconditionally released and discharged upon release and discharge of the initial Lien.

Limitation on sale and leaseback transactions

The Issuer will not, and will not permit any of its Subsidiaries to, enter into any sale and leaseback transaction; *provided, however*, that the Issuer or any of its Subsidiaries may enter into a sale and leaseback transaction if:

- (1) the Issuer or such Subsidiary, as applicable, could have incurred a Lien to secure such Indebtedness pursuant to the covenant described above under “—Limitation on Liens”; and
- (2) the gross cash proceeds and/or Fair Market Value of any Property received in connection with such sale and leaseback transaction are at least equal to the Fair Market Value of the Property that is the subject of such transaction.

Merger, consolidation and sale of assets

The Issuer will not, in a single transaction or series of related transactions, consolidate or merge with or into any Person, or sell, assign, transfer, lease, convey or otherwise dispose of (or cause or permit any Subsidiary of the Issuer to sell, assign, transfer, lease, convey or otherwise dispose of) all or substantially all of the assets of the Issuer (determined on a consolidated basis) whether as an entirety or substantially as an entirety to any Person unless:

- (1) either the Issuer will be the surviving or continuing corporation or the Person (if other than the Issuer) formed by such consolidation or into which the Issuer is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Issuer, and of the Issuer’s Subsidiaries, substantially as an entirety (the “Surviving Entity”):
 - (a) will be a Person organized and validly existing under the laws of Brazil, the United States of America, any state thereof or the District of Columbia, or any other country that is a member country of the European Union or of the Organisation for Economic Co-operation and Development (OECD) on the date of the indenture; and

- (b) will expressly assume, by supplemental indenture (in form and substance reasonably satisfactory to the trustee), executed and delivered to the trustee, the due and punctual performance of every Obligation and covenant of the notes and the indenture on the part of the Issuer to be performed or observed thereunder (including the payment of Additional Amounts, subject to the same exceptions as set forth under “—Additional Amounts”);
- (2) immediately after giving effect to such transaction and the assumption contemplated by clause (1)(b) above (including, without limitation, giving effect to any Indebtedness and Acquired Indebtedness incurred or anticipated to be incurred and any Lien granted in connection with or in respect of the transaction), no Default or Event of Default will have occurred or be continuing;
- (3) the Issuer or the Surviving Entity will have delivered to the trustee an Officers’ Certificate and an Opinion of Counsel, each stating that such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture complies with the applicable provisions of the indenture and that all conditions precedent in the indenture relating to such transaction and the execution of such supplemental indenture (if applicable) have been satisfied; and
- (4) the Issuer or the Surviving Entity agrees to indemnify each holder and beneficial owner of the notes against any tax, assessment or governmental charge thereafter imposed on such holder or beneficial owner of the notes solely as a consequence of such consolidation, merger, sale, assignment, transfer, lease, conveyance, or other disposition with respect to the payment of principal of, or interest on, the notes.

For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more Subsidiaries of the Issuer, the Share Capital of which constitutes all or substantially all of the properties and assets of the Issuer, will be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The indenture will provide that upon any consolidation, combination or merger or any transfer of all or substantially all of the assets of the Issuer in accordance with the foregoing, in which the Issuer is not the surviving or the continuing corporation, the successor Person formed by such consolidation or into which the Issuer is merged or to which such conveyance, lease or transfer is made will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the indenture and the notes with the same effect as if such surviving entity had been named as such. Upon such substitution, the Issuer will be released from its obligations under the indenture and the notes.

Notwithstanding anything to the contrary in the foregoing, so long as no event or condition that, with the giving of notice, the lapse of time or failure to satisfy certain specified conditions, or any combination thereof, would constitute an Event of Default under the indenture or the notes or an Event of Default will have occurred and be continuing at the time of such proposed transaction or would result therefrom, any merger or consolidation of the Issuer with or into an Affiliate organized solely for the purpose of reincorporating the Issuer in another jurisdiction need only comply with clauses (1), (3) and (4) of the first paragraph of this covenant.

Reports to holders

The Issuer will provide or make available to the trustee the following reports (and will also provide the trustee with electronic versions or, in lieu thereof, sufficient copies of the following reports referred to in clauses (1) through (5) below for distribution, at the Issuer’s expense, to all holders of the notes):

- (1) within 120 days following the end of each fiscal year of the Issuer after the Issue Date (the Issuer’s fiscal year ends each year on December 31), English language versions of the audited annual financial statements (including the notes thereto) that the Issuer or its Subsidiaries file with CVM, prepared in accordance with GAAP and presented in the English language or, if the Issuer is no longer required to file such financial statements, financial statements meeting the requirements of CVM on the Issue Date and accompanied by an opinion of internationally recognized independent public accountants selected

by the Issuer, which opinion shall be in accordance with generally accepted auditing standards in Brazil;

- (2) within 60 days following the end of the first three fiscal quarters in each fiscal year of the Issuer beginning with the quarter ending after the Issue Date, all quarterly financial statements (including the notes thereto) that the Issuer or its Subsidiaries file with CVM, prepared in accordance with GAAP and presented in the English language and accompanied by a “special review” (*revisão especial*) report of internationally recognized independent public accountants selected by the Issuer or, if the Issuer is no longer required to file such financial statements, financial statements meeting the requirements of the CVM on the Issue Date;
- (3) without duplication, English language versions or summaries of such other reports or notices as may be filed or submitted by (and promptly after filing or submission by) the Issuer with (a) the CVM, (b) the Luxembourg Stock Exchange or any other stock exchange on which the notes may be listed or (c) the SEC (in each case, to the extent that any such report or notice is generally available to its security holders or the public in Brazil or elsewhere and, in the case of clause (c), is filed or submitted pursuant to Rule 12g3-2(b) under, or Section 13 or 15(d) of, the Exchange Act);
- (4) simultaneously with the delivery of the audited annual financial statements referred to in clause (1) above, an Officers’ Certificate from the Issuer stating whether a Default or Event of Default exists on the date of such certificate and, if a Default or Event of Default exists, setting forth the details thereof and the action which the Issuer is taking or proposes to take with respect thereto; and
- (5) for so long as the notes are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will furnish to any holder or to any prospective purchaser designated by such holder, upon request of such holder, any financial and other information (to the extent not otherwise provided pursuant as set forth above) described in Rule 144A(d)(4) under the Securities Act with respect to the Issuer and its Subsidiaries to the extent required in order to permit such holder to comply with Rule 144A with respect to any resale of its notes unless, during that time, the Issuer is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or is exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act and no such information about the Issuer is otherwise required pursuant to Rule 144A.

As an alternative to providing the trustee and the holders of the notes with the information described above, the Issuer may post copies of such information on a website maintained by or on behalf of the Issuer or provide substantially comparable public availability of such information. Delivery to the trustee and the holders of notice as provided under “—Notices” of the availability of the information described above on a website maintained by or on behalf of the Issuer will constitute delivery of such information to the holders for purposes of the “—Reports to holders” covenant. The trustee shall not be required to monitor or confirm, on a continuing basis or otherwise, the Issuer’s or any other Person’s compliance with the covenants described herein or to verify that the reports described in the preceding paragraph are being provided on the aforementioned website. Delivery of the above reports (other than paragraph (4) above) to the trustee is for informational purposes only, and the trustee’s receipt of such reports will not constitute actual or constructive notice of any information contained therein or determinable from information contained therein, including the Issuer’s compliance with any of its covenants in the indenture (as to which the trustee is entitled to rely exclusively on Officers’ Certificates).

See “Available Information” for information to obtain, free of charge, copies of our SEC filings.

U.S. Dollar Equivalent

For purposes of determining compliance with any covenant in the indenture that is limited or otherwise refers to a specified amount of U.S. dollars, the amount of any item denominated in a currency other than U.S. dollars will be the U.S. Dollar Equivalent of such item.

Additional covenants

The indenture will contain affirmative covenants with respect to, among other things, the following matters: (1) payment of principal and interest, (2) payment of taxes and other claims, (3) maintenance of properties, (4) maintenance of corporate existence and (5) maintenance of insurance.

Substitution of the Issuer

The Issuer may, without the consent of any holder of the notes, be replaced and substituted by any direct or indirect Subsidiary of the Issuer as principal debtor in respect of the indenture and the notes (in that capacity, the “Substituted Issuer”); *provided* that the following conditions are satisfied:

- (1) such documents will be executed by the Substituted Issuer, the Issuer and the trustee as may be necessary to give full effect to the substitution, including a supplemental indenture under which the Substituted Issuer assumes all of the Issuer’s obligations under the indenture and the notes (the “Issuer Substitution Documents”); and pursuant to which the Substituted Issuer shall undertake in favor of each holder, the trustee and the agents to be bound by the terms and conditions of the notes and the provisions of the indenture as fully as if the Substituted Issuer had been named in the notes and the indenture as the principal debtor in respect of the indenture and the notes in place of the Issuer (or any previous substitute) and pursuant to which the Issuer shall unconditionally and irrevocably guarantee (the “Guarantee”) in favor of the trustee and each holder the payment of all sums payable by the Substituted Issuer as such principal debtor on the same terms *mutatis mutandis* as the indenture and the notes, and the covenants and events of default shall apply to the Substituted Issuer in respect of the indenture and the notes as if no such substitution had occurred, it being the intent that the rights of the trustee and the holders in respect of the indenture and the notes shall be unaffected by such substitution;
- (2) if the Substituted Issuer is organized in a jurisdiction other than Brazil, the Issuer Substitution Documents will contain covenants (1) to ensure that each holder of the notes has the benefit of a covenant in terms corresponding to the obligations of the Issuer in respect of the payment of Additional Amounts (but replacing references to Brazil with references to such other jurisdiction); and (2) to indemnify the trustee, each paying agent and each holder and beneficial owner of the notes against all taxes or duties (other than taxes or duties imposed pursuant to FATCA) (x) which are imposed by the jurisdiction in which the Substituted Issuer is organized (including any political subdivision or taxing authority thereof) and arise by reason of a law or regulation in effect or contemplated on the effective date of the substitution, to the extent such taxes or duties are incurred or levied against the trustee, any paying agent or such holder or beneficial owner of the notes as a result of the substitution and would not have been so incurred or levied had the substitution not been made or (y) which are imposed on the trustee, any paying agent or such holder or beneficial owner of the notes by any country (including any political subdivision or taxing authority thereof) in which the trustee, any paying agent or such holder or beneficial owner of the notes resides or is subject to tax on a net-income basis and which would not have been so imposed had the substitution not been made; *provided* that, the trustee, any paying agent or any holder or beneficial owner making a claim with respect to such tax indemnity shall provide the Substituted Issuer with notice of such claim, along with supporting documentation, within 30 days of the announcement of the substitution of the Issuer;
- (3) the Issuer shall have delivered, or procured the delivery, to the trustee of a legal opinion from a firm of lawyers in the country of incorporation of the Substituted Issuer, to the effect that the Issuer Substitution Documents constitute legal, valid and binding obligations of the Substituted Issuer;
- (4) the Issuer shall have delivered, or procured the delivery, to the trustee of a legal opinion from a firm of Brazilian lawyers acting for the Issuer to the effect that the Issuer Substitution Documents (including the Guarantee) constitute legal, valid and binding obligations of the Issuer;

- (5) the Issuer shall have delivered, or procured the delivery, to the trustee of a legal opinion from a leading firm of New York lawyers to the effect that the Issuer Substitution Documents constitute legal, valid and binding obligations of the parties thereto under New York law;
- (6) the Substituted Issuer shall have appointed a process agent in the Borough of Manhattan, the City of New York to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the notes or the Issuer Substitution Documents;
- (7) there will be no outstanding Event of Default in respect of the notes; and
- (8) the substitution will comply with all applicable requirements under the laws of Brazil.

Upon the execution of the Issuer Substitution Documents as referred to in paragraph (1) above, the Substituted Issuer shall be deemed to be named in the indenture and the notes as the principal debtor in place of the Issuer (or of any previous substitute under these provisions) and the notes and the indenture shall thereupon be deemed to be amended to give effect to the substitution.

Except as set forth above, the execution of the Issuer Substitution Documents shall operate to release the Issuer (or such previous substitute as aforesaid) from all its obligations, other than the Guarantee, in respect of the notes and the indenture, including its obligation to indemnify the trustee and agents under the indenture (except (i) to the extent that any claim giving rise to such indemnity obligation arises prior to the execution of the Issuer Substitution Documents and (ii) as provided by the Guarantee).

The Issuer Substitution Documents shall be deposited with and held by the trustee for so long as any note remains outstanding and for so long as any claim made against the Substituted Issuer or the Issuer by any holder in relation to the notes or the Issuer Substitution Documents shall not have been finally adjudicated, settled or discharged.

Not later than 10 Business Days after the execution of the Issuer Substitution Documents, the Substituted Issuer shall give notice thereof to the holders as provided under “—Notices.”

Holders are urged to consult their tax advisors regarding any potential adverse tax consequences that may result from a substitution of the Issuer.

Events of Default

The following events will be “Events of Default” under the indenture:

- (1) any failure to pay the principal of or premium, if any, on any notes, when such principal or premium becomes due and payable, at maturity, upon redemption or otherwise;
- (2) any failure to pay interest and Additional Amounts, if any, on any notes or any other amount (other than principal for the notes) when the same becomes due and payable, and the default continues for a period of 30 days;
- (3) any failure to comply with “—Merger, consolidation and sale of assets”;
- (4) a default in the observance or performance of any other covenant or agreement contained in the indenture (other than the payment of the principal of or premium, if any, or interest and Additional Amounts, if any, on any note), which default continues for a period of 60 days after the Issuer receives written notice specifying the default (and demanding that such default be remedied) from the trustee or the holders of at least 25% of the principal amount of the notes then outstanding (with a copy to the trustee if given by the holder);
- (5) any failure to pay at final maturity (giving effect to any applicable grace periods and any extensions thereof) the principal amount of any Indebtedness of the Issuer or any of its Subsidiaries, or the

acceleration of the final stated maturity of any such Indebtedness if the aggregate principal amount of such Indebtedness, together with the principal amount of any other such Indebtedness in default for failure to pay principal at final maturity or which has been accelerated, aggregates U.S.\$150.0 million or more at any time;

- (6) one or more judgments in an aggregate amount in excess of U.S.\$150.0 million shall have been rendered against the Issuer or any of its Subsidiaries (other than any judgment as to which a reputable and solvent third-party insurer has accepted full coverage) and such judgments remain undischarged, unpaid or unstayed for a period of 60 days after such judgment or judgments become final and non-appealable;
- (7) the Issuer or any Significant Subsidiary shall (a) apply for or consent to the appointment of a receiver, trustee, liquidator or similar official for all or any substantial part of the Property of the Issuer or such Significant Subsidiary, (b) make a general assignment for the benefit of the creditors of the Issuer or such Significant Subsidiary, (c) be adjudicated bankrupt (*decretação de falência*) or insolvent, (d) file a voluntary petition in bankruptcy or a petition seeking judicial reorganization (*pedido de recuperação judicial*), seeking extrajudicial reorganization (*pedido de recuperação extrajudicial*), or seeking to take advantage of any applicable insolvency law, (e) file any answer admitting the allegations of a petition filed against the Issuer or such Significant Subsidiary in any bankruptcy, reorganization or insolvency proceeding, or (f) take any corporate action for the purpose of effecting any of the foregoing under Brazilian Law No. 11,101/05 or any other applicable law;
- (8) without its application, approval or consent, a proceeding shall be instituted in any court of competent jurisdiction, seeking in respect of the Issuer or any Significant Subsidiary adjudication in bankruptcy (*decretação de falência*), dissolution, winding-up, liquidation, a composition, arrangement with creditors, readjustment of debt, the appointment of a trustee, receiver, administrator, liquidator or similar official for the Issuer or such Significant Subsidiary or other like relief under any applicable bankruptcy or insolvency law; and either (a) such proceeding shall not be actively contested by the Issuer or such Significant Subsidiary in good faith, or (b) such proceedings shall continue undismissed for any period of 90 consecutive days, or (c) any conclusive order, judgment or decree shall be entered by any court of competent jurisdiction to effect any of the foregoing;
- (9) the Issuer or any Significant Subsidiary shall cease or threaten to cease to carry out its business except (i) in the case of a Significant Subsidiary, a winding-up, dissolution or liquidation for the purpose of and followed by a consolidation, merger, conveyance or transfer whereby the undertaking, business and assets of such Significant Subsidiary are transferred to or otherwise vested in the Issuer or any of its Subsidiaries or Affiliates, or the terms of which shall have been approved by a resolution of a meeting of the holders or (ii) a voluntary winding-up, dissolution or liquidation of a Significant Subsidiary where there are surplus assets in such Significant Subsidiary attributable to the Issuer or any other Significant Subsidiary, and such surplus assets are distributed to the Issuer or such other Significant Subsidiary, as applicable;
- (10) the Issuer or any Significant Subsidiary shall convene a meeting for the purpose of proposing, or otherwise propose or enter into, any composition or arrangement with its creditors or any group or class thereof, or anything analogous to, or, having a substantially similar effect to, any of the events specified in this paragraph (10) or in paragraph (7), (8) or (9) above shall occur in any jurisdiction;
- (11) any event occurs that under the laws of Brazil or any political subdivision thereof has substantially the same effect as any of the events referred to in any of paragraphs (7), (8), (9) or (10); or
- (12) any of the notes, the indenture or any part thereof, shall cease to be in full force and effect or is declared to be null and void and unenforceable or inadmissible in evidence in the courts of Brazil, or is found to be invalid, or it becomes unlawful for the Issuer to perform any obligation thereunder, or the Issuer shall contest the enforceability of or deny its obligations under the indenture or the notes (other than by reason of release in accordance with the terms of the indenture).

If an Event of Default (other than an Event of Default specified in clauses (7), (8), (9), (10) or (11) above) occurs and is continuing and has not been waived, the trustee or the holders of at least 25% in principal amount of outstanding notes may declare the principal of and premium, if any, accrued interest and Additional Amounts, if any, on all the notes to be due and payable by notice in writing to the Issuer and the trustee (if given by the holders) specifying the Event of Default and that it is a “notice of acceleration” (the “Acceleration Notice”), and the same shall become immediately due and payable. All amounts due and payable shall be paid in an amount in U.S. dollars.

If an Event of Default specified in clause (7), (8), (9), (10) or (11) above occurs and is continuing, then all unpaid principal of, and premium, if any, and accrued and unpaid interest and Additional Amounts, if any, on all of the outstanding notes shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder.

The indenture will provide that, at any time after a declaration of acceleration with respect to the notes as described in the preceding paragraphs, the holders of a majority in principal amount of the outstanding notes may rescind and cancel such declaration and its consequences:

- (a) if the rescission would not conflict with any judgment or decree;
- (b) if all existing Events of Default have been cured or waived except nonpayment of principal, premium, if any, interest or Additional Amounts, if any, that has become due solely because of the acceleration;
- (c) if the Issuer has paid or deposited with the trustee (to the extent the payment of such interest is lawful) interest on overdue installments of interest and overdue principal and premium, if any, and Additional Amounts, if any, which has become due otherwise than by such declaration of acceleration; and
- (d) if the Issuer has paid or deposited with the trustee compensation acceptable to the trustee and reimbursed the documented expenses, disbursements and advances of the trustee, its agents, and counsel under the indenture.

No such rescission will affect any subsequent Default or impair any right consequent thereto.

The holders of a majority in principal amount of the outstanding notes may waive any existing Default or Event of Default under the indenture, and its consequences, except a Default in the payment of the principal of or premium, if any, interest or Additional Amounts, if any, on any notes or a Default with respect to any provision, the modification of which requires the unanimous consent of the holders of the outstanding notes.

Holders may not enforce the indenture or the notes except as provided in the indenture. The trustee is under no obligation to exercise any of its rights or powers under the indenture at the request, order or direction of any of the holders, unless such holders have offered to the trustee an indemnity acceptable to the trustee. Subject to the provisions of the indenture and applicable law, the holders of a majority in aggregate principal amount of the then outstanding notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee.

The Issuer will be required, concurrently with issuance of the audited annual financial statements of the Issuer, to furnish to the trustee at its principal corporate trust office in New York City annual statements as to the performance of their respective obligations under the indenture and as to any default in such performance. Under the indenture, the Issuer will be required to provide an Officers’ Certificate to the trustee at the trustee’s principal corporate trust office in New York City promptly upon (and in any case within ten days of) any Officer obtaining knowledge of any Default or Event of Default provided that such Officers’ Certificate shall be provided at least annually, whether or not such Officers know of any Default or Event of Default that has occurred and, if applicable, describe such Default or Event of Default and the status thereof.

If a Default or an Event of Default occurs and is continuing, and a responsible officer of the trustee has received written notice thereof, the trustee shall notify each holder as provided herein under “—Notices” of the Default or Event of Default within five days after receiving written notice thereof; *provided* that except in the case of a Default or an Event of Default in payment of principal of, or premium, if any, or interest on any notes, the trustee may

withhold the notice to the holders if a committee of its trust officers in good faith determines that withholding the notice is in the interests of the holders.

No Personal Liability of Directors, Officers, Employees and Shareholders

No past, present or future director, officer, employee, incorporator, or shareholder of the Issuer, as such, will have any liability for any obligations of the Issuer under the notes or the indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder by accepting a note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the notes. The waiver may not be effective to waive liabilities under the U.S. federal securities laws or under Brazilian corporate law. It is the view of the SEC that such a waiver is against public policy.

Legal Defeasance and Covenant Defeasance

The Issuer may, at its option and at any time, elect to have its obligations discharged with respect to the outstanding notes (“legal defeasance”). Legal defeasance means that the Issuer will be deemed to have paid and discharged the entire Indebtedness represented by the outstanding notes, except for:

- (1) the rights of holders to receive payments in respect of the principal of and premium, if any, interest and Additional Amounts, if any, on the notes when such payments are due;
- (2) the Issuer’s obligations with respect to the notes concerning issuing temporary notes, registration of notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payments;
- (3) the rights, powers, trust, duties, immunities and indemnities of the trustee and agents and the obligations of the Issuer in connection therewith; and
- (4) the legal defeasance provisions of the indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer released with respect to certain covenants that are described in the indenture (“covenant defeasance”) and thereafter any omission to comply with such obligations will not constitute a Default or Event of Default with respect to the notes. In the event covenant defeasance occurs, certain events (not including nonpayment, bankruptcy, receivership, reorganization and insolvency events with respect to the Issuer) described under “Events of Default” will no longer constitute an Event of Default with respect to the notes.

In order to exercise either legal defeasance or covenant defeasance:

- (a) the Issuer must irrevocably deposit with the trustee, in trust, for the benefit of the holders cash in U.S. dollars, non-callable U.S. government obligations, or a combination thereof, in such amounts and at such times as will be sufficient, in the written opinion of a nationally recognized firm of independent public accountants delivered to the trustee, to pay the principal of, premium, if any, interest and Additional Amounts, if any, on the notes on the stated date for payment thereof or on the applicable redemption date, as the case may be;
- (b) in the case of legal defeasance, the Issuer will have delivered to the trustee an Opinion of Counsel in the United States confirming that:
 - (i) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling; or
 - (ii) since the date of the indenture, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel will confirm that, the holders and beneficial owners of the notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such legal defeasance and will be

subject to U.S. federal income tax in the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance had not occurred;

- (c) in the case of covenant defeasance, the Issuer will have delivered to the trustee an Opinion of Counsel in the United States confirming that the holders and beneficial owners of the notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such covenant defeasance and will be subject to U.S. federal income tax in the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred;
- (d) no Default or Event of Default will have occurred and be continuing on the date of such deposit pursuant to clause (a) of this paragraph;
- (e) such legal defeasance or covenant defeasance will not result in a breach of, or constitute a default under, any material agreement or instrument (other than the indenture) to which the Issuer or any of its Subsidiaries is a party or by which the Issuer or any of its Subsidiaries is bound;
- (f) the trustee will have received an Officers' Certificate of the Issuer stating that the deposit was not made with the intent of preferring the holders over any other creditors of the Issuer or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Issuer; and
- (g) the trustee will have received an Officers' Certificate of the Issuer and an Opinion of Counsel, each stating that all conditions precedent provided for or relating to the legal defeasance or the covenant defeasance, as the case may be, have been complied with.

Satisfaction and Discharge

The indenture and the notes will be discharged and will cease to be of further effect (except as to surviving the rights, powers, trust, duties, immunities and indemnities of the trustee and agents and the obligations of the Issuer in connection therewith or registration of transfer or exchange of the notes, in each case, as expressly provided for in the indenture) as to all outstanding notes when:

- (1) either:
 - (a) all the notes theretofore authenticated and delivered (except lost, stolen or destroyed notes which have been replaced or paid and notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust) have been delivered to the trustee for cancellation; or
 - (b) all notes not theretofore delivered to the trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their stated maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the trustee, and the Issuer has irrevocably deposited or caused to be deposited with the trustee funds in an amount sufficient to pay and discharge the entire Indebtedness on the notes not theretofore delivered to the trustee for cancellation, for principal of, premium, if any, interest and Additional Amounts, if any, on the notes to the date of deposit (if amounts are then due and payable) or to the redemption date or Stated Maturity Date, together with irrevocable instructions from the Issuer directing the trustee to apply such funds to the payment thereof at maturity or redemption, as the case may be;
- (2) the Issuer has paid all other sums payable by each under the indenture; and
- (3) the trustee will have received an Officers' Certificate of the Issuer and an Opinion of Counsel stating that all conditions precedent under the indenture relating to the satisfaction and discharge of the indenture have been complied with.

Modification of the Indenture

From time to time, the Issuer and the trustee, without the consent of the holders, may amend, modify or supplement the indenture and/or the notes:

- (1) to cure any ambiguity, defect or inconsistency contained therein;
- (2) to provide for uncertificated notes in addition to or in place of certificated notes;
- (3) to provide for the assumption of the Issuer's obligations under the indenture and the notes in accordance with the covenant described under "Covenants—Merger, consolidation and sale of assets";
- (4) to provide for the assumption of the Issuer's obligations under the indenture and the notes, in accordance with the covenants described under "—Substitution of the Issuer";
- (5) to allow any Subsidiary or any other Person to guarantee the notes;
- (6) to provide for the issuance of Additional Notes in accordance with the indenture;
- (7) to evidence the replacement of the trustee as provided for under the indenture;
- (8) if necessary, in connection with any addition or release of any security permitted under the indenture;
- (9) to conform the text of the indenture or the notes to any provision of this "Description of the Notes" section to the extent that such provision in this section was intended to be a verbatim recitation of a provision of the indenture or the notes;
- (10) to surrender any right conferred upon the Issuer;
- (11) to comply with any requirements of the SEC in connection with any qualification of the indenture under the U.S. Trust Indenture Act of 1939, as amended; or
- (12) to make any other change that would provide any additional rights or benefits to the holders or that does not materially and adversely affect the rights of any such holder or beneficial owner under the indenture or the notes.

Other amendments of, modifications to and supplements to the indenture and the notes may be made with the consent of the holders of a majority in principal amount of the then outstanding notes, issued under the indenture, except that, without the consent of each holder affected thereby, no amendment may:

- (a) reduce the percentage of the principal amount of the notes, whose holders must consent to an amendment, supplement or waiver of any provision of the indenture or the notes;
- (b) reduce the rate of or change or have the effect of changing the time for payment of interest, including defaulted interest, or Additional Amounts, if any, on any notes;
- (c) reduce the principal of or change or have the effect of changing the fixed maturity of any notes, or change the date on which any notes may be subject to redemption or reduce the redemption price therefor;
- (d) change the currency in which amounts due in respect of the notes are payable;
- (e) make any change in provisions of the indenture (i) protecting the contractual right of each holder expressly set forth in the indenture to receive payment of principal of, premium, if any, interest and Additional Amounts, if any, on such note on or after the due date thereof, (ii) protecting the contractual right of each holder expressly set forth in the indenture to bring suit to enforce such payment, or (iii)

permitting holders of a majority in outstanding principal amount of notes to waive Defaults or Events of Default;

- (f) subordinate the notes in right of payment to any other Indebtedness of the Issuer or otherwise affect the ranking of the notes in a manner adverse to the holders;
- (g) release any security interest that may have been granted in favor of the holders of the notes other than pursuant to the terms of such security interest;
- (h) amend or modify the provisions described under “—Additional Amounts” or reduce the price payable pursuant to a redemption made pursuant to “—Redemption—Redemption for tax reasons”; or
- (i) make any change in the preceding amendment and waiver provisions.

The consent of the holders will not be necessary under the indenture to approve the particular form of any proposed amendment. It will be sufficient if such consent approves the substance of the proposed amendment. After an amendment to the indenture pursuant to the preceding paragraph becomes effective, the Issuer will be required to give notice to the holders as provided under “—Notices,” briefly describing such amendment. Any failure to give such notice to all holders, or any defect therein, will not impair or affect the validity of such amendment.

In addition, under certain circumstances the holders of a majority in principal amount of the notes outstanding may waive compliance with certain covenants and provisions of the indenture. See “—Events of Default.”

Meetings of Holders

The indenture will contain provisions for convening meetings of holders to consider matters affecting their interest. A meeting of the holders of the notes may be called by the trustee, the Issuer or any Affiliate of the Issuer or holders of at least 10% in aggregate principal amount of the outstanding notes. The indenture will provide that notes owned by the Issuer or its Affiliates will be deemed not outstanding for, among other purposes, consenting to any modification.

The quorum at any meeting called to adopt a resolution will be persons holding or representing a majority in aggregate outstanding principal amount of the notes, and at any adjourned meetings will be persons holding or representing 25% in aggregate principal amount of such outstanding notes. Any instrument given by or on behalf of any holder in connection with any consent to or vote for any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent holders of such note. Any modifications, amendments or waivers to the indenture or to the terms and conditions of the notes will be conclusive and binding on all holders, whether or not they have given such consent or were present at any meeting.

Currency Indemnity

U.S. dollars are the sole currency of account and payment for all sums payable by the Issuer under the notes and the indenture. Any amount received or recovered in a currency other than U.S. dollars in respect of the notes or the indenture (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Subsidiary or otherwise) by the trustee or any holder in respect of any sum expressed to be due to it from the Issuer will constitute a discharge of the Issuer only to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under the notes or the indenture, the Issuer will indemnify the recipient against the cost of making any such purchase; and if the amount of U.S. dollars so purchased is greater than the sum originally due to such recipient, such recipient, if a holder, will, by accepting a note, and, if the trustee, by executing the indenture, be deemed to have agreed to repay such excess. For purposes of this indemnity, it will be sufficient for the recipient to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had the actual purchase of U.S. dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of U.S. dollars on such date had not been practicable, on the first date on which

it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above).

The above indemnity, to the extent permitted by law:

- constitutes a separate and independent obligation from the other obligations of the Issuer;
- will give rise to a separate and independent cause of action;
- will apply irrespective of any waiver or indulgence granted by the trustee or any holder; and
- will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any note or any other judgment or order.

Governing Law

The indenture and the notes will be governed by, and construed in accordance with, the laws of the State of New York.

Consent to Jurisdiction and Service of Process; Sovereign Immunity

The Issuer will irrevocably submit to the non-exclusive jurisdiction of the courts of the State of New York and the federal courts of the United States, in each case sitting in the Borough of Manhattan, the City of New York for purposes of any suit, action or proceeding instituted in connection with the indenture or the notes. The Issuer will appoint Cogency Global Inc., 10 E. 40th Street, 10th Floor, New York, NY 10016, as its authorized agent to accept service of process in any such suit, action or proceeding. Such appointment will be irrevocable so long as any of the notes remains outstanding or until the irrevocable appointment of a successor agent. In addition to the foregoing, the holders of notes may serve legal process in any other manner permitted by applicable law. The above provisions do not limit the right of any holder or the trustee to bring any action or proceeding against the Issuer or its Properties in other jurisdictions where jurisdiction is independently established.

To the extent that the Issuer has or hereafter may acquire or have attributed to it any sovereign or other immunity under any law, the Issuer agrees to waive, to the fullest extent permitted by law, such immunity in respect of any claims or actions regarding its obligations under the notes or the indenture.

The Trustee

The Bank of New York Mellon will be the trustee under the indenture. The address of the trustee's corporate trust office is 240 Greenwich Street, Floor 7 East, New York, New York 10286, Attention: Global Corporate Trust — Global Americas. Except during the continuance of an Event of Default, the trustee will be required to perform only such duties as are specifically set forth in the indenture. During the existence of an Event of Default, the trustee will exercise such of the rights and powers vested in it under the indenture and use the same degree of care and skill in its exercise as a prudent person would exercise under the circumstances in the conduct of such person's own affairs. The Issuer will indemnify the trustee against any and all loss, liability or expense, including attorneys' fees and expenses incurred by it without gross negligence or willful misconduct on its part arising out of and in connection with its duties under the indenture.

The indenture will contain certain limitations on the rights of the trustee, should it become a creditor of the Issuer, to obtain payments of claims in certain cases or to realize on certain property received in respect of any such claim as security or otherwise. The trustee will be permitted to engage in other transactions; *provided* that if the trustee acquires certain conflicting interests, it must eliminate such conflict or resign.

Luxembourg Listing

Following the issuance of the notes, the Issuer will use its commercially reasonable efforts to obtain listing of the notes on the official list of the Luxembourg Stock Exchange for trading on the Euro MTF Market. If the European Union's directive (2003/0045(COD), the "Transparency Directive") would require the Issuer to publish financial information either more regularly than the Issuer would otherwise be required to or according to

accounting principles which are different from the accounting principles which the Issuer would otherwise use to prepare our published financial information, the Issuer may delist the notes and, at the option of the Issuer, seek an alternative admission to listing, trading and/or quotation for the notes by another listing authority, stock exchange and/or quotation system outside the European Union. In such event, the Issuer will give notice of the identity of such other listing authority, stock exchange and/or quotation system to the holders of the notes as described under “—Notices.”

Paying Agents, Registrar and Transfer Agents

The trustee will initially act as paying agent for the notes, and registrar and transfer agent for the notes in New York. The address of the trustee is set forth on the inside back cover page of this offering memorandum.

The Issuer may at any time appoint additional or other registrars, paying agents and/or transfer agents and/or terminate the appointment thereof; *provided, however*, that (i) for as long as the notes are outstanding, the Issuer will maintain a registrar, paying agent and transfer agent in New York City; and (ii) if, and for so long as the notes are listed on the official list of the Luxembourg Stock Exchange for trading on the Euro MTF Market and the rules of the Euro MTF Market so require, the Issuer will appoint a paying agent.

The Issuer may change any paying agent, registrar or transfer agent without prior notice to holders of the notes. The Issuer will promptly provide notice of the termination or appointment of any paying agent, registrar or transfer agent, or of any change in the office of any paying agent, registrar or transfer agent as described under “—Notices.”

Transfer

Holders may present notes for registration of transfer and exchange at the offices of the registrar, which initially will be the trustee’s principal corporate trust office. No service fee will be charged for any registration of transfer or exchange or redemption of notes, but the Issuer may require payment in certain circumstances of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

Notices

All notices will be deemed to have been given upon the mailing by first class mail, postage prepaid, of such notices to holders at their registered addresses as recorded in the notes register not later than the latest date, and not earlier than the earliest date, prescribed in the notes for the giving of such notice or if a note is held in global form, all notices to the holders shall be given to the depositary in accordance with its applicable procedures. Any requirement of notice hereunder may be waived by the Person entitled to such notice before or after such notice is required to be given, and such waivers will be filed with the trustee. Notwithstanding any other provision in the indenture or the notes, where the indenture provides for notice of any event to any holder of an interest in a global note (whether by mail or otherwise), such notice shall be sufficiently given if given to the depositary for such note (or its designee), according to the applicable procedures of such depositary, if any, prescribed for the giving of such notice.

If, and for so long as, the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market, and the rules of the Euro MTF Market so require, the Issuer will also give notices to holders by publication in a daily newspaper of general circulation in Luxembourg. The Issuer expects that newspaper will be the *Luxemburger Wort*. If publication in Luxembourg is impracticable, the Issuer will make the publication in a widely circulated newspaper in London or elsewhere in Western Europe. The Issuer expects that newspaper to be, but it need not be, the Financial Times. The term “daily newspaper” means a newspaper that is published on each day, other than a Saturday, Sunday or holiday, in Luxembourg or, when applicable, elsewhere in Western Europe. All notices to holders may also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). If the Issuer is unable to give notice as described in this paragraph because the publication of any newspaper or the website of the Luxembourg Stock Exchange is suspended or it is otherwise impractical for the Issuer to publish the notice, then the Issuer, or the trustee, will give holders notice in another form. That alternate form of notice will be deemed to be sufficient notice to holders of the notes. Neither the failure to give any notice to a particular holder, nor any defect in a notice given to a particular holder will affect the sufficiency of any notice given to another holder.

Prescription

Claims against the Issuer for the payment of principal, premium, if any, interest or Additional Amounts, if any, in respect of the notes will be prescribed unless made within six years of the due date for payment of such principal, premium, if any, interest or Additional Amounts.

Certain Definitions

The following is a summary of certain of the defined terms to be used in the indenture. Reference is made to the indenture for the full definition of all such terms, as well as any other terms used herein for which no definition is provided.

“*Acquired Indebtedness*” means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Subsidiary of the Issuer or at the time it merges or consolidates with or into the Issuer or any of its Subsidiaries or assumed in connection with the acquisition of assets from such Person and in each case not incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Subsidiary of the Issuer or such acquisition, merger or consolidation and which Indebtedness is without recourse to the Issuer or any of its Subsidiaries or to any of their respective properties or assets other than the Person or the assets to which such Indebtedness related prior to the time such Person became a Subsidiary of the Issuer or the time of such acquisition, merger or consolidation.

“*Affiliate*” means, with respect to any specified Person, (a) any other Person which, directly or indirectly, is in control of, is controlled by or is under common control with such specified Person or (b) any other person who is a director or executive officer (i) of such specified Person, (ii) of any Subsidiary of such specified Person or (iii) of any Person described in clause (a) above. For purposes of this definition, “control” of a Person means the power, direct or indirect, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise, and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“*Board of Directors*” means, as to any Person, the board of directors (*conselho de administração*) or similar governing body of such Person or any duly authorized committee thereof.

“*Board Resolution*” means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the trustee.

“*Business Day*” means a Saturday, a Sunday or a day on which commercial banks and foreign exchange markets are authorized or required by law to close in New York, New York, São Paulo, Brazil or Luxembourg. If a payment date is not a Business Day at the place of payment, payment may be made on the next succeeding Business Day, and no interest will accrue for the intervening period.

“*Capitalized Lease Obligation*” means, as to any Person, the obligations of such Person under any lease that is required to be classified and accounted for as capital lease obligations on a balance sheet prepared in accordance with GAAP and, for purposes of this definition, the amount of such obligations at any date will be the capitalized amount of such obligations at such date, determined in accordance with GAAP.

“*Commodity Agreement*” means any hedging agreement or other similar agreement or arrangement designed to protect the Issuer or any of its Subsidiaries against fluctuations in commodity prices (excluding contracts for the purchase or sale of goods in the ordinary course of business).

“*Common Stock*” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common shares, whether outstanding on the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common shares.

“*Comparable Treasury Issue*” means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the Par Call Date that

would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the Par Call Date.

“*Comparable Treasury Price*” means, with respect to any redemption date, (i) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“*Consolidated Net Worth*” means, with respect to any Person, the consolidated stockholders’ equity of the Person, determined on a consolidated basis in accordance with GAAP, less (without duplication) amounts attributable to Disqualified Share Capital of such Person.

“*Currency Agreement*” means any foreign exchange contract, currency swap agreement, currency option or other similar agreement or arrangement designed to protect the Issuer or any of its Subsidiaries against fluctuations in currency values.

“*Default*” means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

“*Disqualified Share Capital*” means that portion of any Share Capital which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof on or prior to 91 days after the final maturity date of the notes for cash or is convertible into or exchangeable for debt securities of the Issuer or any of its Subsidiaries at any time prior to such anniversary.

“*Exchange Act*” means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

“*Fair Market Value*” means, with respect to any asset or Property, the price which could be negotiated in an arm’s length, free market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction. Fair Market Value will be determined by the Board of Directors of the Issuer acting in good faith and will be evidenced by a Board Resolution of the Board of Directors of the Issuer delivered to the trustee; *provided, however*, that with respect to any price less than U.S.\$25.0 million only the good faith determination by the Issuer’s senior management will be required.

“*GAAP*” means (i) International Financial Reporting Standards, (ii) accounting practices generally accepted in the United States or (iii) accounting practices prescribed by Brazilian Corporation Law, the rules and regulations issued by the CVM and the accounting standards issued by the Brazilian Institute of Independent Accountants (*Instituto dos Auditores Independentes do Brasil*), in each case as in effect from time to time, in the Issuer’s discretion.

“*holder*” means the Person in whose name a note is registered on the registrar’s books.

“*Indebtedness*” means with respect to any Person, without duplication:

- (1) all Obligations of such Person for borrowed money;
- (2) all Obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all Capitalized Lease Obligations of such Person;
- (4) all Obligations of such Person issued or assumed as the deferred purchase price of Property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable and other accrued liabilities arising in the ordinary course of business that are not overdue by 120 days or more or are being contested in good faith by appropriate proceedings promptly

instituted and diligently conducted and any deferred purchase price represented by earn-outs consistent with the Issuer's past practice);

- (5) all Obligations for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction, whether or not then due;
- (6) guarantees and other contingent obligations in respect of Indebtedness referred to in clauses (1) through (5) above and clause (8) below;
- (7) all Obligations of any other Person of the type referred to in clauses (1) through (6) above that are secured by any Lien on any Property or asset of such Person, the amount of any such Obligation being deemed to be the lesser of the Fair Market Value of the Property or asset securing such Obligation or the amount of such Obligation;
- (8) to the extent not otherwise included in this definition, net obligations of all Interest Swap Obligations and all Obligations under Currency Agreements and Commodity Agreements (the amount of any obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such person at such time); and
- (9) all Disqualified Share Capital issued by such Person with the amount of Indebtedness represented by such Disqualified Share Capital being equal to the greater of its voluntary or involuntary liquidation preference and its "*maximum fixed repurchase price*," but excluding accrued dividends, if any. Notwithstanding the foregoing, Indebtedness will not include any Share Capital other than Disqualified Share Capital. For purposes hereof, the "*maximum fixed repurchase price*" of any Disqualified Share Capital which does not have a fixed repurchase price will be calculated in accordance with the terms of such Disqualified Share Capital as if such Disqualified Share Capital were purchased on any date on which Indebtedness shall be required to be determined pursuant to the indenture, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Share Capital, such Fair Market Value shall be determined reasonably and in good faith by the Board of Directors of the Issuer of such Disqualified Share Capital.

"*Independent Investment Banker*" means one of the Reference Treasury Dealers appointed by the Issuer.

"*Interest Payment Date*" means the stated maturity of an installment of interest on the notes on January 24 and July 24 of each year, beginning on January 24, 2020.

"*Interest Swap Obligations*" means the obligations of any Person pursuant to any arrangement with any other Person, whereby, directly or indirectly, such Person is entitled to receive from time to time periodic payments calculated by applying either a floating or a fixed rate of interest on a stated notional amount in exchange for periodic payments made by such other Person calculated by applying a fixed or a floating rate of interest on the same notional amount and will include, without limitation, interest rate swaps, caps, floors, collars and similar agreements.

"*Issue Date*" means September 24, 2019 (being the original issuance date of the notes).

"*Lien*" means any lien, mortgage, deed of trust, pledge, security interest, charge or encumbrance of any kind (including any conditional sale, repurchase or other title retention agreement, any lease in the nature thereof and any agreement to give any security interest).

"*Obligation*" means all payment obligations, whether or not contingent, for principal, premium, interest, additional amounts, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"*Officer*" means the Chief Executive Officer, the President, the Chief Financial Officer or any other officer of the Issuer, duly appointed at a meeting of its Board of Directors or relevant governing body.

"*Officers' Certificate*" means a certificate signed in the name of the Issuer by two Officers of the Issuer, at least one of whom shall be the principal financial officer of the Issuer, and delivered to the trustee.

“*Opinion of Counsel*” means a written opinion of counsel, who may be an employee of or counsel to the Issuer, reasonably acceptable to the trustee.

“*Permitted Liens*” means the following types of Liens:

- (1) Liens for taxes, assessments or governmental charges or claims either (a) not delinquent or (b) contested in good faith by appropriate proceedings and as to which the Issuer or any of its Subsidiaries will have set aside on its books such reserves as may be required pursuant to GAAP;
- (2) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen and other Liens imposed by law or pursuant to customary reservations or retentions of title incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith, if such reserve or other appropriate provision, if any, as will be required by GAAP will have been made in respect thereof;
- (3) Liens incurred or deposits made in the ordinary course of business in connection with workers’ compensation, unemployment insurance and other types of social security, including any Lien securing letters of credit issued in the ordinary course of business consistent with past practice in connection therewith, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);
- (4) any judgment Lien not giving rise to an Event of Default;
- (5) easements, rights-of-way, defects, zoning restrictions and other similar charges or encumbrances in respect of real Property not interfering in any material respect with the ordinary course of the business of the Issuer or any of its Subsidiaries;
- (6) any interest or title of a lessor under any Capitalized Lease Obligation; *provided* that such Liens do not extend to any Property or assets which is not leased Property subject to such Capitalized Lease Obligation;
- (7) Liens securing Purchase Money Indebtedness; *provided, however*, that (a) the Indebtedness will not exceed (but may be less than) the cost (*i.e.*, purchase price) of the Property or assets acquired, together, in the case of real Property, with the cost of the construction thereof and improvements thereto, and will not be secured by a Lien on any Property or assets of the Issuer or any of its Subsidiaries other than such Property or assets so acquired or constructed and improvements thereto and (b) the Lien securing such Indebtedness will be created within 180 days of such acquisition or construction or, in the case of a Refinancing of any Purchase Money Indebtedness, within 180 days of such Refinancing; and *provided, further*, that, to the extent that the property or asset acquired is Share Capital, the Lien also may encumber other property or assets of the Person so acquired;
- (8) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person’s obligations in respect of bankers’ acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;
- (9) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other Property relating to such letters of credit and products and proceeds thereof;
- (10) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Issuer or any of its Subsidiaries, including rights of offset and set-off;
- (11) Liens securing Interest Swap Obligations which Interest Swap Obligations relate to Indebtedness that is otherwise permitted under the indenture;
- (12) Liens securing Indebtedness under Currency Agreements and Commodity Agreements that are permitted under the indenture;

- (13) Liens securing Acquired Indebtedness; *provided* that:
- (a) such Liens secured such Acquired Indebtedness at the time of and prior to the incurrence of such Acquired Indebtedness by the Issuer or any of its Subsidiaries and were not granted in connection with, or in anticipation of, the incurrence of such Acquired Indebtedness by the Issuer or any of its Subsidiaries; and
 - (b) such Liens do not extend to or cover any Property or assets of the Issuer or of any of its Subsidiaries other than the Property or assets that secured the Acquired Indebtedness prior to the time such Indebtedness became Acquired Indebtedness of the Issuer or any of its Subsidiaries and are no more favorable to the lienholders than those securing the Acquired Indebtedness prior to the incurrence of such Acquired Indebtedness by the Issuer or any of its Subsidiaries;
- (14) Liens existing as of the Issue Date, and any extension, renewal or replacement thereof; *provided, however,* that the total amount of Indebtedness so secured, if applicable, is not increased;
- (15) Liens securing the notes and all other monetary obligations under the indenture and the notes;
- (16) Liens securing Indebtedness which is incurred to Refinance any Indebtedness which has been secured by a Lien permitted under this covenant; *provided, however,* that such Liens: (i) are no less favorable to the holders of the notes and are not more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being Refinanced; and (ii) do not extend to or cover any Property or assets of the Issuer or any of its Subsidiaries not securing the Indebtedness so Refinanced;
- (17) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;
- (18) Liens on assets that are the subject of a sale and leaseback transaction permitted by the provisions of the indenture;
- (19) any rights of set-off of any person with respect to any deposit account of the Issuer or any of its Subsidiaries arising in the ordinary course of business and not constituting a financing transaction;
- (20) any Liens granted by the Issuer or any of its Subsidiaries to secure borrowings from, directly or indirectly, (a) *Banco Nacional de Desenvolvimento Econômico e Social* — BNDES or any other Brazilian governmental development bank or credit agency, (b) any international or multilateral development bank, government-sponsored agency, export-import bank or official export-import credit insurer, or (c) Banco do Brasil S.A. or its affiliates under the *Fundo do Centro-Oeste* incentive program of the Brazilian federal government;
- (21) any liens on the inventory of the Issuer or any of its Subsidiaries securing the obligations of the Issuer and/or any of its Subsidiaries in the ordinary course of business under the Crédito Rural financing program of the Brazilian government;
- (22) any Liens on the receivables of the Issuer or any of its Subsidiaries securing the obligations of such Person under any lines of credit or working capital facility; *provided* that the aggregate amount of receivables securing Indebtedness shall not exceed 80% of the Issuer's aggregate outstanding receivables from time to time;
- (23) Liens on carbon credits or certificates of emission reductions or Liens securing clean development mechanisms projects; and
- (24) Liens incurred by the Issuer or any of its Subsidiaries with respect to obligations that do not exceed, at the time of incurrence, 12.5% of the Consolidated Net Worth of the Issuer at any one time outstanding.

“*Person*” means an individual, partnership, corporation, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof, or any other legal entity.

“*Preferred Stock*” means, with respect to any Person, any Share Capital of such Person that has preferential rights to any other Share Capital of such Person with respect to dividends or redemptions or upon liquidation.

“*Property*” means, with respect to any Person, any interest of such Person in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including Share Capital in, and other securities of, any other Person. For purposes of any calculation required pursuant to the indenture, the value of any property will be its Fair Market Value.

“*Purchase Money Indebtedness*” means Indebtedness of the Issuer and its Subsidiaries incurred for the purpose of financing all or any part of the purchase price, or the cost of installation, construction or improvement, of Property or equipment; *provided* that the aggregate principal amount of such Indebtedness does not exceed the lesser of the Fair Market Value of such Property or such purchase price or cost.

“*Reference Treasury Dealer Quotations*” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30 p.m. (New York City time) on the third Business Day preceding such redemption date.

“*Reference Treasury Dealer*” means Citigroup Global Markets Inc. and primary U.S. government securities dealers in New York City (a “Primary Treasury Dealer”) designated by each of BB Securities Limited, Banco Bradesco BBI S.A., Banco BTG Pactual S.A.—Cayman Branch, Itau BBA USA Securities, Inc. and Santander Investment Securities Inc., or their respective affiliates which are primary United States government securities dealers, and not less than two other leading primary United States government securities dealers in New York City reasonably designated by the Issuer; *provided, however*, that, if any of the foregoing ceases to be a Primary Treasury Dealer, the Issuer will substitute therefor another Primary Treasury Dealer.

“*Refinance*” means, in respect of any security or Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue a security or Indebtedness in exchange or replacement for, such security or Indebtedness in whole or in part. “*Refinanced*” and “*Refinancing*” will have correlative meanings.

“*Remaining Payments*” means, with respect to the notes to be redeemed, the remaining payments of the principal thereof and interest thereon that would be due after the related redemption date as if the notes were redeemed on the Par Call Date; *provided, however*, that, if the redemption date is not an interest payment date with respect to such notes, the amount of the next succeeding scheduled interest payment thereon will be reduced by the amount of interest accrued thereon to the redemption date.

“*R\$*” means the *real*, being the lawful currency of Brazil.

“*SEC*” means the U.S. Securities and Exchange Commission.

“*Securities Act*” means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

“*Share Capital*” means:

- (1) with respect to any Person that is a corporation, any and all shares, interests, participations or other equivalents (however designated and whether or not voting) of corporate stock, including each class of Common Stock and Preferred Stock of such Person;
- (2) with respect to any Person that is not a corporation, any and all partnership, membership or other equity interests of such Person; and
- (3) any warrants, rights or options to purchase any of the instruments or interests referred to in clause (1) or (2) above.

“*Significant Subsidiary*” means any Subsidiary of the Issuer which, at the time of determination, either (1) had assets which, as of the date of the Issuer’s most recent quarterly consolidated statement of financial position,

constituted at least 10% of the Issuer's total assets on a consolidated basis as of such date, or (2) had revenues for the 12-month period ending on the date of the Issuer's most recent quarterly consolidated statement of income which constituted at least 10% of the Issuer's total revenues on a consolidated basis for such period.

"Subsidiary" means, with respect to any Person, (1) any corporation of which the outstanding Share Capital having at least a majority of the votes entitled to be cast in the election of directors under ordinary circumstances will at the time be owned, directly or indirectly, by such Person, or (2) any other Person of which at least a majority of the voting interest under ordinary circumstances is at the time, directly or indirectly, owned by such Person.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"U.S. dollar" or *"U.S.\$"* means the U.S. dollar, being the lawful currency of the United States of America.

"U.S. Dollar Equivalent" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time of determination thereof, the amount of U.S. dollars obtained by translating such other currency involved in such computation into U.S. dollars at the spot rate for the purchase of U.S. dollars with the applicable other currency as published in U.S. dollars on the date that is two Business Days prior to the date of such determination. Notwithstanding any other provision of the indenture, no specified amount of U.S. dollars will be deemed to be exceeded due solely to the result of fluctuations in the exchange rates of currencies.

FORM OF THE NOTES

The notes sold in offshore transactions in reliance on Regulation S will be represented by a permanent global note or notes in fully registered form without interest coupons (the “Regulation S Global Note”) and will be registered in the name of a nominee of DTC and deposited with a custodian for DTC. Notes sold in reliance on Rule 144A will be represented by a permanent global note or notes in fully registered form without interest coupons (the “Restricted Global Note” and, together with the Regulation S Global Note, the “global notes”) and will be deposited with a custodian for DTC and registered in the name of a nominee of DTC.

The notes will be subject to certain restrictions on transfer as described under “Transfer Restrictions.” On or prior to the 40th day after the later of the commencement of this offering and the closing date of this offering, a beneficial interest in the Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Restricted Global Note only upon receipt by the trustee of a written certification from the transferor (in the form provided in the indenture) to the effect that such transfer is being made to a person whom the transferor reasonably believes to be a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction (a “Restricted Global Note Certificate”). After such 40th day, this certification requirement will no longer apply to such transfers. Beneficial interests in the Restricted Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note, whether before, on or after such 40th day, only upon receipt by the trustee of a written certification from the transferor (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144A under the Securities Act (a “Regulation S Global Note Certificate”). Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in the other global note will, upon transfer, cease to be an interest in such global note and become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other global note for as long as it remains an interest.

Except in the limited circumstances described under “— Global Notes,” owners of the beneficial interests in global notes will not be entitled to receive physical delivery of individual definitive notes. The notes are not issuable in bearer form.

Global Notes

Upon the issuance of the Regulation S Global Note and the Restricted Global Note, DTC will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such global note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the initial purchasers. Ownership of beneficial interests in a global note will be limited to persons who have accounts with DTC (“DTC Participants”) or persons who hold interests through DTC Participants. Ownership of beneficial interests in the global notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of persons other than DTC Participants).

So long as DTC, or its nominee, is the registered owner or holder of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such global note for all purposes under the indenture and the notes. Unless DTC notifies us that it is unwilling or unable to continue as depositary for a global note, or ceases to be a “clearing agency” registered under the Exchange Act, or any of the notes becomes immediately due and payable in accordance with “Description of the Notes—Events of Default,” owners of beneficial interests in a global note will not be entitled to have any portions of such global note registered in their names, will not receive or be entitled to receive physical delivery of notes in individual definitive form and will not be considered the owners or holders of the global note (or any notes represented thereby) under the indenture or the notes. In addition, no beneficial owner of an interest in a global note will be able to transfer that interest except in accordance with DTC’s applicable procedures (in addition to those under the indenture referred to herein and, if applicable, those of Euroclear and Clearstream).

Investors may hold interests in the Regulation S Global Note through Euroclear or Clearstream, if they are participants in such systems. Euroclear and Clearstream will hold interests in the Regulation S Global Note on behalf of their account holders through customers’ securities accounts in their respective names on the books of their

respective depositories, which, in turn, will hold such interests in the Regulation S Global Note in customers' securities accounts in the depositories' named on the books of DTC. Investors may hold their interests in the Restricted Global Note directly through DTC, if they are DTC Participants, or indirectly through organizations which are DTC Participants.

Payments of the principal of and interest on global notes will be made to DTC or its nominee as the registered owner thereof. None of us, the initial purchasers, the trustee, the paying agents, the transfer agents, the registrar or any of their respective agents will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

We anticipate that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a global note representing any notes held by its nominee, will immediately credit DTC Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global note as shown on the records of DTC or its nominee. We also expect that payments by DTC Participants to owners of beneficial interests in such global note held through such DTC Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC Participants.

Transfers between DTC Participants will be effected in accordance with DTC's procedures, and will be settled in same-day funds. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in a global note to such persons may be limited. Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a global note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical individual definitive certificate in respect of such interest.

Transfers between accountholders in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures. Subject to compliance with the transfer restrictions available to the notes described above, cross-market transfers between DTC Participants, on the one hand, and directly or indirectly through Euroclear or Clearstream account holders, on the other hand, will be effected at DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depository; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the Regulation S Global Note in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Euroclear and Clearstream account holders may not deliver instructions directly to the depositories for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream account holder purchasing an interest in a global note from a DTC Participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, as the case may be) immediately following the DTC settlement date and such credit of any transactions in interests in a global note settled during such processing day will be reported to the relevant Euroclear or Clearstream account holder on such day. Cash received in Euroclear or Clearstream as a result of sales of interests in a global note by or through a Euroclear or Clearstream account holder to a DTC Participant will be received for value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account as of the business day following settlement in DTC.

DTC has advised that it will take any action permitted to be taken by a holder of the notes (including the presentation of notes for exchange as described below) only at the direction of one or more DTC Participants to whose accounts with DTC interests in the global notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such DTC Participant or DTC Participants has or have or have given such direction. However, in the limited circumstances described below, DTC will exchange the global notes for individual definitive notes (in the case of notes represented by the Restricted Global Note, bearing a restrictive legend), which will be distributed to its participants. Holders of indirect interests in the global notes through DTC Participants have no direct rights to enforce such interests while the notes are in global form.

The giving of notices and other communications by DTC to DTC Participants, by DTC Participants to persons who hold accounts with them and by such persons to holders of beneficial interests in a global note will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

DTC has advised as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the Uniform Commercial Code and a “Clearing Agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for DTC Participants and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include security brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (“indirect participants”).

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the Regulation S Global Note and in the Restricted Global Note among participants and accountholders of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither we nor the trustee or any of its agents will have any responsibility for the performance of DTC, Euroclear or Clearstream or their respective participants, indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

Individual Definitive Notes

If (1) DTC or any successor to DTC is at any time unwilling or unable to continue as a depositary and a successor depositary is not appointed by us within 90 days or (2) any of the notes has become immediately due and payable in accordance with “Description of the Notes—Events of Default,” we will issue individual definitive notes in registered form in exchange for the Regulation S Global Note and the Restricted Global Note, as the case may be. Upon receipt of such notice from DTC or the trustee, as the case may be, we will use our best efforts to make arrangements with DTC for the exchange of interests in the global notes for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the trustee in sufficient quantities and authenticated by the trustee for delivery to the holders. Persons exchanging interests in a global note for individual definitive notes will be required to provide the registrar with (a) written instruction and other information required by us and the registrar to complete, execute and deliver such individual definitive notes and (b) in the case of an exchange of an interest in a Restricted Global Note, certification that such interest is not being transferred or is being transferred only in compliance with Rule 144A under the Securities Act. In all cases, individual definitive notes delivered in exchange for any global note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by DTC.

In the case of individual definitive notes issued in exchange for the Restricted Global Note, such individual definitive notes will bear, and be subject to, the legend described under “Transfer Restrictions” (unless we determine otherwise in accordance with applicable law). The holder of a restricted individual definitive note may transfer such note, subject to the compliance with the provisions of such legend, as provided in “Description of the Notes.” Upon the transfer, exchange or replacement of notes bearing the legend, or upon specific request for removal of the legend on a note, we will deliver only notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to us such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by us that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. Before any individual definitive note may be transferred to a person who takes delivery in the form of an interest in any global note, the transferor will be required to provide the trustee with a Restricted Global Note Certificate or a Regulation S Global Note Certificate, as the case may be.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear, Clearstream or DTC.

TAXATION

The following discussion summarizes certain Brazilian and U.S. federal income tax considerations that may be relevant to you if you invest in the notes. This summary is based on laws, regulations, rulings and decisions now in effect in Brazil and the United States, any of which may change at any time and are subject to differing interpretation. Any change could affect the continued accuracy of this summary. Changes in the Brazilian tax regulations may only apply in relation to the future.

This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your tax advisors about the tax consequences of holding the notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local and other tax laws.

Brazilian Taxation

The following discussion is a general description of certain Brazilian tax aspects of the notes applicable to a holder of the notes who is an individual, entity, trust or organization that is not resident or domiciled in Brazil for purposes of Brazilian taxation (“Non-Resident Holder”) and does not purport to be a comprehensive description of all the tax aspects of the notes. Therefore, each Non-Resident Holder should consult its own tax advisor concerning the Brazilian tax consequences in connection with the notes.

This summary does not address any tax issues that may affect solely the Issuer, such as the deductibility of expenses.

Payments on the Notes made by the Issuer

Interest, fees, commissions (including any original issue discount and any redemption premium) and any other income payable by a Brazilian obligor to an individual, entity, trust or organization domiciled outside Brazil in respect of debt obligations derived from the issuance by a Brazilian issuer of international debt securities previously registered with the Central Bank, such as the notes, is subject to income tax withheld at source. The rate of withholding tax is generally 15%, unless a lower rate is provided for in an applicable tax treaty between Brazil and the other country where the beneficiary is domiciled. Income tax withheld at source may be tax creditable in the country where the recipient is domiciled, in accordance with the applicable tax regulations of such country.

According to Normative Ruling No. 1,455 of March 6, 2014 (“Normative Ruling No. 1,455/2014”), in the event that the beneficiary of such payments is domiciled in a low tax jurisdiction, such payments of interest, fees, commissions (including any original issue discount and any redemption premium) and other income in respect of debt obligations resulting from the issuance by a Brazilian issuer of international debt securities previously registered with the Central Bank, including commercial paper, are also subject to withholding with respect to Brazilian income tax at the general rate of 15%. There is a risk, however, that the tax authorities may modify current laws or apply the rate of 25% to beneficiaries domiciled in low tax jurisdictions. A low tax jurisdiction is deemed to be a jurisdiction which does not impose any tax on income or which imposes such tax at a maximum effective rate lower than 20% (or 17%, provided that the requirements set forth in Normative Ruling No. 1,530 dated December 19, 2014 are met), or where the laws impose restrictions on the disclosure of ownership composition or securities ownership or do not allow for the identification of the effective beneficiary of the income attributed to non-residents.

Discussion of Low or Nil Tax Jurisdictions

On June 24, 2008, Law No. 11,727 was enacted with effect from January 1, 2009, establishing that a jurisdiction or country where local legislation imposes restrictions on disclosing the shareholding composition or the ownership of an investment is also considered a low tax jurisdiction. Law No. 11,727 also changed the scope of new transactions that would be subject to Brazilian transfer pricing rules, with the creation of the concept of a privileged tax regime. Pursuant to Law No. 11,727, a jurisdiction will be considered a privileged tax regime if it (i) does not tax income or taxes it at a maximum rate lower than 20% (or 17%, provided that the requirements set forth by Normative Ruling No. 1,530 dated December 19, 2014 are met); (ii) grants tax advantages to a non-resident entity or individual (a) without the need to carry out a substantial economic activity in the country or territory or (b) conditioned upon the non-exercise of a substantial economic activity in the country or territory; (iii) does not tax

proceeds generated abroad or taxes them at a maximum rate lower than 20% (or 17%, provided that the requirements set forth by Normative Ruling No. 1,530 dated December 19, 2014 are met); or (iv) restricts the ownership disclosure of assets and ownership rights or restricts disclosure about economic transactions carried out. In addition, on June 7, 2010, the Brazilian tax authorities enacted Normative Ruling No. 1,037, as amended, listing (i) the countries and jurisdictions considered low tax jurisdictions, and (ii) the privileged tax regimes. Although the interpretation of the current Brazilian tax legislation could lead to the conclusion that such concept of “privileged tax regime” shall be solely applied for purposes of the observance of transfer pricing and thin capitalization rules, it is still not clear whether this “privileged tax regime” concept will also be applied to interest payments made to Non-Resident Holders in respect of the notes, under the scenario reviewed above.

Another income tax rate may be provided for in an applicable tax treaty between Brazil and the country of residence of the Non-Resident Holder.

Gains on the Notes

According to Law No. 10,833/03, of December 30, 2003, gains assessed on the sale or other disposal of assets located in Brazil may be subject to tax in Brazil, regardless of whether the sale or disposal is made by a Non-Resident Holder to a resident or person domiciled in Brazil or to another non-resident. Based on the fact that the notes are issued abroad and, therefore, may not fall within the definition of assets located in Brazil for purposes of Law No. 10,833/03, we believe that gains on the sale or other disposal of the notes made outside Brazil by a Non-Resident Holder, other than a branch or a subsidiary of a Brazilian resident, would not be subject to Brazilian taxes. However, considering the general and unclear scope of Law No. 10,833/03 and the absence of judicial court rulings in respect thereto, it is unpredictable whether such understanding will ultimately prevail in the courts of Brazil.

If this understanding does not prevail, gains realized by a Non-Resident Holder from the sale or disposition of the notes may be subject to income tax in Brazil at progressive rates from 15% to 22.5% (or a flat rate of 25% in the event the beneficiary is located in a low tax jurisdiction). Law No. 13,259 of March 17, 2016 increased the income tax rates applicable to gains derived by Brazilian individuals up to 22.5%. Under Law No. 13,259/16, the income tax rates applicable to Brazilian individuals' capital gains would be: (i) 15% for the part of the gain that does not exceed R\$5 million, (ii) 17.5% for the part of the gain that exceeds R\$5 million but does not exceed R\$10 million, (iii) 20% for the part of the gain that exceeds R\$10 million but does not exceed R\$30 million and (iv) 22.5% for the part of the gain that exceeds R\$30 million. On August 25, 2017, the Brazilian Internal Revenue Service Office issued the Normative Ruling No. 1,732 stating that capital gains on the disposal of permanent assets in Brazil by non-resident investors in locations not deemed as low tax jurisdictions should be subject to such progressive income tax rates in Brazil, the same as the rates applicable to Brazilian individuals, as herein described.

It should be noted that a tax treaty between Brazil and the country of residence of the Non-Resident Holder may modify the application of domestic rules on taxation of capital gains and result in the imposition of different tax rates.

Other Tax Considerations

Brazilian law imposes a Tax on Foreign Exchange Transactions (*Imposto sobre Operações de Câmbio*), or IOF/Exchange, on the conversion of Brazilian *reais* into foreign currency and on the conversion of foreign currency into Brazilian *reais*, including foreign exchange transactions in connection with payments made by the Issuer to Non-Resident Holders.

According to Decree No. 6.306 of December 14, 2007, the IOF/Exchange is currently zero for exchange transactions in connection with cross-border financings or loans with an average term of more than 180 days. If the redemption of the notes occurs within an average term of 180 days or less, the IOF/Exchange will be levied at a 6% rate plus applicable fines and interest.

In any case, the Brazilian federal government may increase the current IOF/Exchange rate at any time, up to a maximum rate of 25%. Any such new rate would only apply to future foreign exchange transactions.

Stamp, Transfer and Other Similar Taxes

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the notes outside Brazil, nor any inheritance, gift or succession tax applicable to the ownership, transfer or disposition of the notes, except for gift and inheritance taxes imposed by some Brazilian states on gifts and bequests by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such states.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of notes. Prospective purchasers of notes should consult their own tax advisors concerning the tax consequences of their particular situations.

United States Federal Income Taxation

The following is a summary of certain United States federal income tax consequences of the purchase, ownership and disposition of notes as of the date hereof. Except where noted, this summary deals only with notes that are held as capital assets by a U.S. holder (as defined below) who acquires the notes upon original issuance at their initial offering price.

A “U.S. holder” means a person that is for United States federal income tax purposes a beneficial owner of the notes and any of the following:

- an individual citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the “Code”), and regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income tax consequences different from those summarized below. This summary does not address all aspects of United States federal income taxes and does not address the effects of the Medicare contribution tax on net investment income or non-U.S., state, or local or other tax considerations that may be relevant to you in light of your personal circumstances. In addition, it does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws. For example, this summary does not address:

- tax consequences to beneficial owners who may be subject to special tax treatment, such as dealers in securities, traders in securities that elect to use the mark-to-market method of accounting for their securities, financial institutions, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities for United States federal income tax purposes, tax-exempt entities or insurance companies;
- tax consequences to persons holding the notes as part of a hedging, integrated, constructive sale or conversion transaction or a straddle;
- tax consequences to beneficial owners of the notes whose “functional currency” is not the United States dollar;

- tax consequences attributable to persons being required to accelerate the recognition of any item of gross income with respect to the notes as a result of such income being recognized on an applicable financial statement, or
- alternative minimum tax consequences, if any.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) holds the notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding the notes, you should consult your tax advisors.

If you are considering the purchase of notes, you should consult your own tax advisors concerning the particular United States federal income tax consequences to you of the purchase, ownership and disposition of the notes, as well as the consequences to you arising under other United States federal tax laws and the laws of any other taxing jurisdiction.

Payments of Interest

Stated interest on a note (including any Brazilian tax withheld) will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for United States federal income tax purposes.

In addition to stated interest on the notes, you will be required to include in income any Additional Amounts (as described under “Description of the Notes—Additional Amounts”) paid in respect of any Brazilian tax withheld. You may be entitled to deduct or credit any such withholding tax, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of your foreign taxes for a particular tax year). Interest income (including any Additional Amounts) on a note generally will be considered foreign-source income and, for purposes of the United States foreign tax credit, generally will be considered passive category income. You will generally be denied a foreign tax credit for foreign taxes imposed with respect to the notes where you do not meet a minimum holding period requirement during which you are not protected from risk of loss. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit in your particular circumstances.

Sale, Exchange and Retirement of Notes

Upon the sale, exchange, retirement or other taxable disposition of a note, you will recognize gain or loss equal to the difference between the amount you realize thereon (less an amount equal to any accrued interest, which will be taxable as interest income to the extent not previously included in income) and your adjusted tax basis in the note. Your adjusted tax basis in a note will, in general, be your cost for that note. Any gain or loss you recognize will generally be capital gain or loss and will generally be long-term gain or loss if at the time of the sale, exchange, retirement or other disposition the note has been held for more than one year. Long-term capital gains of non-corporate U.S. holders are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss you recognize will generally be treated as United States-source gain or loss. Consequently, you may not be able to claim a credit for any Brazilian tax imposed upon a disposition of a note unless that credit can be applied (subject to applicable limitations) against the United States federal income tax due on other income treated as derived from foreign sources. Alternatively, you may deduct any Brazilian tax imposed upon a disposition of a note, provided that you do not elect to claim a foreign tax credit for any foreign income taxes paid or accrued in the taxable year.

Substitution of the Issuer

The Issuer may, subject to certain conditions, be replaced and substituted by any direct or indirect subsidiary of the Issuer as principal debtor in respect of the notes (the “Substituted Issuer”) (see “Description of the Notes—Substitution of the Issuer”). This substitution would generally be treated for United States federal income tax purposes as a deemed taxable exchange of the notes for new notes issued by the Substituted Issuer and thus may result in certain adverse tax consequences to you. In addition, if the Substituted Issuer is organized in a jurisdiction other than Brazil, the Substituted Issuer or the guarantor, if any, will have an obligation to indemnify each holder and beneficial owner of the notes against certain taxes or duties which may be incurred or levied against such holder

or beneficial owner as a result of any substitution and which would not have been so incurred or levied had such substitution not been made. You should consult your own tax advisors regarding any potential adverse tax consequences to you that may result from a substitution of the Issuer.

Backup Withholding and Information Reporting

Payments of interest and proceeds from the sale or other disposition of a note that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) you are an exempt recipient or (ii) in the case of backup withholding, you provide a correct taxpayer identification number and certify that you are not subject to backup withholding.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability, provided the required information is timely furnished to the Internal Revenue Service.

TRANSFER RESTRICTIONS

The notes are subject to restrictions on transfer as summarized below. By purchasing notes, you will be deemed to have made the following acknowledgements, representations to and agreements with the Issuer and the initial purchasers:

(1) You acknowledge that:

- the notes have not been registered under the Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; and
- unless so registered, the notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.

(2) You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that either:

- you are a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and are purchasing notes for your own account or for the account of another qualified institutional buyer, and you are aware that the initial purchasers are selling the notes to you in reliance on Rule 144A; or
- you are not a U.S. person (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing notes in an offshore transaction in accordance with Regulation S.

(3) You acknowledge that neither the Issuer nor the initial purchasers nor any person representing the Issuer or the initial purchasers has made any representation to you with respect to the Issuer or the offering of the notes, other than the information contained or incorporated by reference in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the notes. You agree that you have had access to such financial and other information concerning the Issuer and the notes as you have deemed necessary in connection with your decision to purchase notes, including an opportunity to ask questions of and request information from the Issuer.

(4) You represent that you are purchasing notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the notes in violation of the Securities Act, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the notes pursuant to Rule 144A or any other available exemption from registration under the Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing notes, and each subsequent holder of the notes by its acceptance of the notes will agree, that until the end of the Resale Restriction Period (as defined below), the notes may be offered, sold or otherwise transferred only:

- (a) to the Issuer;
- (b) under a registration statement that has been declared effective under the Securities Act;
- (c) for so long as the notes are eligible for resale under Rule 144A, to a person the seller reasonably believes is a qualified institutional buyer that is purchasing for its own account or for the account of another qualified institutional buyer and to whom notice is given that the transfer is being made in reliance on Rule 144A;
- (d) through offers and sales that occur outside the United States in reliance upon Regulation S; or

(e) under any other available exemption from the registration requirements of the Securities Act.

You also acknowledge that:

- the above restrictions on resale will apply from the closing date until the date that is determined by the Issuer (in the case of Rule 144A notes) or 40 days (in the case of Regulation S notes) after the later of (1) the closing date and (2) the last date that the Issuer or any of its affiliates was the owner of the notes or any predecessor of the notes (the “Resale Restriction Period”), and will not apply after the applicable resale restriction period ends;
- if a holder of notes proposes to resell or transfer notes under clause (e) above before the applicable resale restriction period ends, the seller must deliver to the Issuer and the trustee a letter from the purchaser in the form set forth in the indenture which must provide, among other things, that the purchaser is an institutional accredited investor that is acquiring the notes not for distribution in violation of the Securities Act;
- the Issuer and the trustee reserve the right to require in connection with any offer, sale or other transfer of notes under clause (e) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Issuer; and
- each note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER THIS SECURITY, PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) THAT IS [IN THE CASE OF RULE 144A NOTES: SUCH DATE AS MAY BE DETERMINED BY THE ISSUER] [IN THE CASE OF REGULATION S NOTES: 40 DAYS OR SUCH LATER DATE AS MAY BE DETERMINED BY THE ISSUER] AFTER THE LATER OF (1) THE ORIGINAL ISSUE DATE HEREOF AND (2) THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY), ONLY (A) TO THE ISSUER, (B) UNDER A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER AND TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) THROUGH OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN RELIANCE UPON REGULATION S OR (E) UNDER ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER’S AND THE TRUSTEE’S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR OTHER TRANSFER PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, A CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO THE ISSUER.

The resale restriction period may be extended, in our discretion, in the event of one or more issuances of additional notes, as described under “Description of the Notes—Additional Notes.” The above legend may be removed at our direction after the resale restriction period (including any such extension thereof).

(5) You acknowledge that the Issuer, the initial purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of notes is no longer accurate, you will promptly notify the Issuer and the initial purchasers. If you are purchasing any notes as a fiduciary or agent for

one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

PLAN OF DISTRIBUTION

Subject to the terms and conditions in the purchase agreement among the Issuer and the initial purchasers, the Issuer has agreed to sell to the initial purchasers, and each of the initial purchasers has severally agreed to purchase from the Issuer the principal amount of notes set forth opposite its name in the table below.

Initial Purchasers	Principal Amount of Notes
BB Securities Limited	U.S.\$ 125,000,000
Banco Bradesco BBI S.A.	125,000,000
Banco BTG Pactual S.A.—Cayman Branch.....	125,000,000
Citigroup Global Markets Inc.	125,000,000
Itau BBA USA Securities, Inc.	125,000,000
Santander Investment Securities Inc.....	125,000,000
Total	U.S.\$ 750,000,000

BB Securities Limited is not a broker-dealer registered with the SEC, and therefore may not make sales of any notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that BB Securities Limited intends to effect sales of the notes in the United States, it will do so only through Banco do Brasil Securities LLC or one or more U.S. registered broker dealers, or otherwise as permitted by applicable U.S. law. BB Securities Asia Pte. Ltd. may be involved in the sales of the notes in Asia.

Bradesco Securities Inc. will act as agent of Banco Bradesco BBI S.A. for sales of the notes in the United States. Banco Bradesco BBI S.A. is not a broker-dealer registered with the SEC, and therefore may not make sales of any notes in the United States to U.S. persons. Banco Bradesco BBI S.A. and Bradesco Securities Inc. are affiliates of Banco Bradesco S.A.

Banco BTG Pactual S.A.—Cayman Branch is not a broker-dealer registered with the SEC, and therefore may not make sales of any notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that Banco BTG Pactual S.A.—Cayman Branch intends to effect sales of the notes in the United States, it will do so only through BTG Pactual US Capital, LLC or one or more U.S. registered broker-dealers, or otherwise as permitted by applicable U.S. law.

The obligations of the initial purchasers under the purchase agreement, including their agreement to purchase notes from the Issuer, are several and not joint. The purchase agreement provides that the initial purchasers will purchase all the notes if any of them are purchased.

The initial purchasers initially propose to offer the notes for resale at the issue price that appears on the cover of this offering memorandum. After the initial offering, the initial purchasers may change the offering price and any other selling terms. The initial purchasers may offer and sell notes through certain of their affiliates.

In the purchase agreement, the Issuer has agreed, among other things, that:

- it will not offer or sell any of its debt securities (other than the notes) for a period of 30 days after the date of this offering memorandum without the prior consent of the initial purchasers; and
- it will indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, or contribute to payments that the initial purchasers may be required to make in respect of those liabilities.

The notes have not been registered under the Securities Act or the securities laws of any other jurisdiction. In the purchase agreement, each initial purchaser has agreed that:

- the notes may not be offered or sold within the United States or to U.S. persons except pursuant to an exemption from the registration requirements of the Securities Act or in transactions not subject to those registration requirements; and

- during the initial distribution of the notes, it will offer or sell notes only to qualified institutional buyers in compliance with Rule 144A and outside the United States in compliance with Regulation S.

In addition, until 40 days following the commencement of this offering, an offer or sale of notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act.

The notes are a new issue of securities, and they are subject to certain restrictions on resale and transfer as described under “Transfer Restrictions.” We will apply to list the notes on the Luxembourg Stock Exchange for trading on the Euro MTF Market. The Issuer does not intend to apply for the notes to be listed on any securities exchange or to arrange for the notes to be quoted on any quotation system other than the Euro MTF Market. The initial purchasers have advised the Issuer that they intend to make a market in the notes, but they are not obligated to do so. The initial purchasers may discontinue any market making in the notes at any time in their sole discretion. Accordingly, the Issuer cannot assure you that a liquid trading market will develop for the notes, that you will be able to sell your notes at a particular time or that the prices that you receive when you sell will be favorable.

You should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of securities.

In connection with the offering of the notes, the initial purchasers may engage in over-allotment, stabilizing transactions and syndicate covering transactions. Over-allotment involves sales in excess of the offering size, which creates a short position for the initial purchasers. Stabilizing transactions involve bids to purchase the notes in the open market for the purpose of pegging, fixing or maintaining the price of the notes. Syndicate covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may cause the price of the notes to be higher than it would otherwise be in the absence of those transactions. If the initial purchasers engage in stabilizing or syndicate covering transactions, they may discontinue them at any time.

The initial purchasers and/or their affiliates may enter into derivative and/or structured transactions with clients, at their request, in connection with the notes and the initial purchasers and/or their affiliates may also purchase some of the notes to hedge their risk exposure in connection with such transactions. Also, the initial purchasers and/or their affiliates may acquire the notes for their own proprietary accounts. Such acquisitions may have an effect on demand for and the price of the notes.

We expect that delivery of the notes will be made against payment therefor on or about September 24, 2019, which will be the third business day following the date hereof (this settlement cycle being referred to as “T+3”). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to the trade expressly agree otherwise. Accordingly, purchasers who wish to trade the notes prior to the delivery of the notes hereunder may be required, by virtue of the fact that the notes initially will settle in T+3, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement.

Relationships with Initial Purchasers

Certain of the initial purchasers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, BRF and/or its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of BRF or its affiliates. If any of the initial purchasers or their affiliates has a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain of those initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of

the notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Affiliates of certain of the initial purchasers may hold an interest in the indebtedness being repurchased with the proceeds of this offering (*i.e.*, the Existing Notes that are the subject of the concurrent Tender Offers). Because the affiliates of such initial purchasers may receive a portion of the proceeds from this offering (in excess of any underwriting discount), such initial purchasers may be deemed to have a “conflict of interest” with us.

BB Securities Limited, Banco Bradesco BBI S.A., Banco BTG Pactual S.A.—Cayman Branch, Citigroup Global Markets Inc., Itau BBA USA Securities, Inc. and Santander Investment Securities Inc. will be acting as dealer managers for the Tender Offers.

Selling Restrictions

No action has been taken in any jurisdiction by the Issuer or the initial purchasers that would permit a public offering of the notes offered hereby in any jurisdiction where action for that purpose is required. The notes offered hereby may not be offered or sold, directly or indirectly, nor may this offering memorandum or any other offering material or advertisements in connection with the offer and sale of the notes be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of such jurisdiction. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the notes and the distribution of this offering memorandum. This offering memorandum does not constitute an offer to purchase or a solicitation of an offer to sell any of the notes offered hereby in any jurisdiction in which such an offer or a solicitation is unlawful.

Brazil

Each initial purchaser has advised that it has not offered or sold, and will not offer or sell any notes in Brazil. The notes have not been, and will not be, registered with the CVM. Any public offering, sale, marketing effort or distribution of the notes in Brazil, as defined under Brazilian laws and regulations, requires prior registration under Law No. 6,385, of December 7, 1976, as amended, and Instruction No. 400, issued by the CVM on December 29, 2003, as amended. Documents relating to an offering of the notes by this offering memorandum, as well as information contained in those documents, may not be distributed to the public in Brazil, nor be used in connection with any offer for subscription or sale of the notes to the public in Brazil. The notes may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or distribution under Brazilian laws and regulations.

Prohibition of Sales to EEA Retail Investors

Each initial purchaser has advised that it has not offered, sold or otherwise made available to and will not offer, sell or otherwise make available any notes to any retail investor in the European Economic Area. For these purposes (a) a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation; and (b) the expression an “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes.

United Kingdom

Each initial purchaser has advised us that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom Financial Services and Markets Act of 2000 (“FSMA”) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not, or would not, apply to us; and

- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any notes in, from or otherwise involving the United Kingdom.

Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Switzerland

The notes may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (the "SIX") or on any other stock exchange or regulated trading facility in Switzerland. This offering memorandum has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the notes or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Hong Kong

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Japan

The notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, as amended (the "FIEL"), and, accordingly, the notes may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore and the notes are offered pursuant to exemptions under Section 274 and Section 275 of the Securities and Futures Act, Chapter 289 of Singapore (“Securities and Futures Act”). Accordingly, each of the initial purchasers has represented and agreed that this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes will not be circulated or distributed, nor will the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act) pursuant to Section 274 of the Securities and Futures Act, (ii) to a relevant person (as defined in Section 275(2) of the Securities and Futures Act) pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the Securities and Futures Act and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the securities or securities-based derivatives contracts (each as defined in Section 2(1) of the Securities and Futures Act) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the Securities and Futures Act except:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the Securities and Futures Act; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to any term as defined in the Securities and Futures Act or any provision in the Securities and Futures Act is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

LEGAL MATTERS

The validity of the notes offered and sold in this offering will be passed upon for us, with respect to New York law by Simpson Thacher & Bartlett LLP, São Paulo, Brazil, and with respect to Brazilian law by Machado, Meyer, Sendacz e Opice Advogados, São Paulo, Brazil. The validity of the notes offered and sold in this offering will be passed upon for the initial purchasers, with respect to New York law by Davis Polk & Wardwell LLP, São Paulo, Brazil, and with respect to Brazilian law by Pinheiro Guimarães, São Paulo, Brazil.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements of BRF S.A. as of December 31, 2018 and 2017 and for each of the years in the two-year period ended December 31, 2018, appearing in our 2018 Form 20-F incorporated by reference in this offering memorandum, and the effectiveness of internal control over financial reporting as of December 31, 2018 have been audited by KPMG Auditores Independentes, independent registered public accounting firm, as stated in their report incorporated herein by reference.

With respect to the unaudited condensed consolidated interim financial information of BRF S.A. for the period ended June 30, 2019 included herein, KPMG Auditores Independentes, independent accountants, has reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report included herein, states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. KPMG's report also includes an "Emphasis of matters" paragraph stating that the independent auditor draw attention to the explanatory notes 1.2 and 1.3 to the interim condensed consolidated financial information stating that it is not possible to determine the potential financial and non-financial impacts on the Company resulting from the investigations involving the Company and, consequently, to record additional potential losses which could have a material adverse effect on the Company's financial position, results of operation and cash flow in the future. KPMG's report remains unmodified in respect of this matter.

KPMG Auditores Independentes's principal executive offices are located at São Paulo, Brazil.

LISTING AND GENERAL INFORMATION

- (1) The notes have been accepted for clearance and settlement through DTC. The CUSIP numbers, ISINs and Common Codes for the notes are as follows:

	Restricted Global Note	Regulation S Global Note
CUSIP Number	10552T AG2	P1905C JX9
ISIN	US10552TAG22	USP1905CJX94
Common Code	205715860	205715967

- (2) BRF publishes its consolidated financial statements on an annual and quarterly basis. Copies of our latest audited consolidated financial statements and unaudited condensed consolidated interim financial information, as well as our other SEC filings, may be obtained free of charge from the SEC at its website (www.sec.gov) or from our website (www.brf-br.com). Copies of our bylaws, the indenture (including the form of the notes) and this offering memorandum will be available free of charge at the offices of the Luxembourg listing agent.
- (3) Our current bylaws (*Estatuto Social*) are filed as Exhibit 1.01 to our Form 20-F for the year ended December 31, 2018.
- (4) Except as disclosed in this offering memorandum, there has been no material adverse change in our financial position or prospects since June 30, 2019, the date of the latest unaudited condensed consolidated interim financial information included in this offering memorandum.
- (5) Except as disclosed in this offering memorandum, we are not involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of this offering, nor so far as we are aware is any such litigation or arbitration pending or threatened.
- (6) We will apply to list the notes on the Luxembourg Stock Exchange for trading on the Euro MTF Market.
- (7) The issuance of the notes was authorized by the board of directors of BRF on September 19, 2019.
- (8) The LEI (legal entity identifier) code of BRF is 254900MTXR9LUVQFU480.
- (9) The business address of the members of BRF's board of directors is Av. das Nações Unidas, 8501 – 1st Floor, Pinheiros, 05425-070, São Paulo, SP, Brazil.

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

To the Board of Directors and Shareholders of

BRF S.A.

Itajaí - SC

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of BRF S.A. ("Company") as at June 30, 2019, the related condensed consolidated statements of income and comprehensive income for the three and six-month period then ended and changes in equity and cash flows for the six-month period then ended and the notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial information in accordance with IAS 34, "Interim Financial Reporting", issued by the International Accounting Standards Board - IASB. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the Brazilian and International standards on review engagements of interim financial information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the auditing standards and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at and for the three and six-month period ended June 30, 2019 is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting".

Emphasis of matter

We draw attention to explanatory notes 1.2 and 1.3 to the condensed consolidated interim financial information, which describe the investigations involving the Company in the context of the Brazilian Federal Police operations named "Carne Fraca" and "Trapaça", as well as their current and potential developments, such as the Responsibility Administrative Process ("PAR - Processo Administrativo de Responsabilização") issued by the Brazilian Office of the Comptroller General ("CGU - Controladoria Geral da União") in light of Law 12,846/2013 ("Anti-corruption Law") and the class action in the United States of America. In the current stage of the investigations and actions, it is not possible to determine the potential financial and non-financial impacts on the Company resulting from them and of their potential developments and, consequently, to record potential losses which could have a material adverse effect on the Company's financial position, results of operations and cash flows in the future. Our conclusion is unmodified in respect of this matter.

São Paulo, August 8, 2019

KPMG Auditores Independentes
CRC 2SP014428/O-6

Guilherme Nunes
Accountant CRC 1SP195631/O-1

BRF S.A.
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2019 and December 31, 2018
(Amounts expressed in thousands of Brazilian Reais)

ASSETS	Note	06.30.19	12.31.18
CURRENT ASSETS			
Cash and cash equivalents	6	5,236,091	4,869,562
Marketable securities	7	585,060	507,035
Trade accounts receivable, net	8	2,460,769	2,604,928
Notes receivable	8	103,807	115,113
Interest on shareholders' equity receivable		-	7,304
Inventories	9	4,035,048	3,877,294
Biological assets	10	1,556,471	1,513,133
Recoverable taxes	11	630,472	560,389
Income and social contribution tax recoverable	11	436,540	506,483
Derivative financial instruments	22	156,289	182,339
Restricted cash	15	594,438	277,321
Other current assets		656,410	683,694
		16,451,395	15,704,595
Assets held for sale	12	120,701	3,326,305
Total current assets		16,572,096	19,030,900
NON-CURRENT ASSETS			
Marketable securities	7	201,017	290,625
Trade accounts receivable, net	8	7,729	7,963
Notes receivable	8	74,216	88,959
Recoverable taxes	11	4,049,137	3,142,547
Income and social contribution tax recoverable	11	7,909	7,246
Deferred income and social contribution taxes	13	1,697,407	1,519,652
Judicial deposits	14	746,900	669,098
Biological assets	10	1,066,043	1,061,314
Restricted cash	15	226,115	584,300
Other non-current assets		95,363	177,372
Investments	16	9,781	86,005
Property, plant and equipment, net	17	12,456,302	10,696,998
Intangible assets	18	4,951,165	5,019,398
Total non-current assets		25,589,084	23,351,477
TOTAL ASSETS		42,161,180	42,382,377

See accompanying notes to the condensed consolidated interim financial information.

BRF S.A.
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2019 and December 31, 2018
(Amounts expressed in thousands of Brazilian Reais)

LIABILITIES	Note	06.30.19	12.31.18
CURRENT LIABILITIES			
Short-term debt	19	4,761,008	4,547,389
Trade accounts payable	20	5,405,765	5,476,722
Supply chain finance	21	586,180	885,783
Lease payable	23	468,992	75,712
Payroll and related charges		663,868	555,016
Tax payable		435,868	402,971
Interest on shareholders' equity		441	6,247
Employee and management profit sharing		90,420	63,653
Derivative financial instruments	22	117,753	235,035
Provision for tax, civil and labor risks	26	1,317,604	495,584
Pension and other post-employment plans	25	94,687	94,728
Other current liabilities		527,325	518,271
		14,469,911	13,357,111
Liabilities directly associated with the assets held for sale	12	-	1,131,529
Total current liabilities		14,469,911	14,488,640
NON-CURRENT LIABILITIES			
Long-term debt	19	16,020,031	17,618,055
Trade accounts payable	20	12,028	12,803
Lease payable	23	1,912,682	167,041
Tax payable		157,563	162,239
Provision for tax, civil and labor risks	26	787,196	854,667
Deferred income and social contribution taxes	13	86,561	65,774
Employee benefits plans	25	400,715	373,423
Other non-current liabilities		869,607	1,107,958
Total non-current liabilities		20,246,383	20,361,960
EQUITY			
	27		
Capital		12,460,471	12,460,471
Capital reserves		211,397	115,354
Accumulated Losses		(4,980,233)	(4,279,003)
Treasury shares		(50,695)	(56,676)
Accumulated other comprehensive loss		(433,875)	(1,275,519)
Equity attributable to interest of controlling shareholders		7,207,065	6,964,627
Equity attributable to non-controlling interest		237,821	567,150
Total equity		7,444,886	7,531,777
TOTAL LIABILITIES AND EQUITY		42,161,180	42,382,377

See accompanying notes to the condensed consolidated interim financial information.

BRF S.A.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
Six and three-month periods ended June 30, 2019 and 2018
(Amounts expressed in thousands of Brazilian Reals, except earnings per share and share data)

	Note	Current Quarter 04.01.19 to 06.30.19	Cumulative Current Year 01.01.19 to 06.30.19	Restated Previous Quarter 04.01.18 to 06.30.18	Restated Cumulative Previous Year 01.01.18 to 06.30.18
CONTINUED OPERATIONS					
NET SALES	30	8,338,009	15,697,259	7,066,675	14,097,373
Cost of sales	34	<u>(6,246,360)</u>	<u>(12,088,540)</u>	<u>(6,471,652)</u>	<u>(12,123,619)</u>
GROSS PROFIT		2,091,649	3,608,719	595,023	1,973,754
OPERATING INCOME (EXPENSES)					
Selling expenses	34	(1,256,777)	(2,392,072)	(1,124,887)	(2,138,524)
General and administrative expenses	34	(136,157)	(277,386)	(125,463)	(234,248)
Impairment loss on trade and other receivables	34	1,709	(3,798)	(11,287)	(25,624)
Other operating income	32	727,280	762,741	43,297	113,610
Other operating expenses	32	(496,803)	(608,940)	(108,075)	(166,606)
Income (loss) from associates and joint ventures	16	(860)	(1,025)	3,347	8,863
INCOME (LOSS) BEFORE FINANCIAL RESULTS AND INCOME TAXES		<u>930,041</u>	<u>1,088,239</u>	<u>(728,045)</u>	<u>(468,775)</u>
Financial expenses	33	(1,288,233)	(1,773,392)	(1,753,996)	(2,180,021)
Financial income	33	<u>668,911</u>	<u>705,805</u>	<u>998,398</u>	<u>938,004</u>
INCOME (LOSS) BEFORE TAXES FROM CONTINUED OPERATIONS		310,719	20,652	(1,483,643)	(1,710,792)
Current income taxes	13	(62,738)	(86,838)	(43,658)	(65,294)
Deferred income taxes	13	<u>(56,958)</u>	<u>143,931</u>	<u>92,498</u>	<u>208,427</u>
INCOME (LOSS) FROM CONTINUED OPERATIONS		<u>191,023</u>	<u>77,745</u>	<u>(1,434,803)</u>	<u>(1,567,659)</u>
DISCONTINUED OPERATIONS					
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	12	<u>133,931</u>	<u>(765,122)</u>	<u>(31,468)</u>	<u>39,205</u>
INCOME (LOSS) FOR THE PERIOD		<u>324,954</u>	<u>(687,377)</u>	<u>(1,466,271)</u>	<u>(1,528,454)</u>
Net Income (Loss) From Continued Operation Attributable to					
Controlling shareholders		187,894	75,831	(1,450,298)	(1,602,154)
Non-controlling interest		<u>3,129</u>	<u>1,914</u>	<u>15,495</u>	<u>34,495</u>
		<u>191,023</u>	<u>77,745</u>	<u>(1,434,803)</u>	<u>(1,567,659)</u>
Net Income (Loss) From Discontinued Operation Attributable to					
Controlling shareholders		134,931	(753,941)	(28,862)	49,333
Non-controlling interest		<u>(1,000)</u>	<u>(11,181)</u>	<u>(2,606)</u>	<u>(10,128)</u>
		<u>133,931</u>	<u>(765,122)</u>	<u>(31,468)</u>	<u>39,205</u>
INCOME (LOSSES) PER SHARE FROM CONTINUED OPERATIONS					
Weighted average shares outstanding - basic		811,440,470	811,428,248	811,284,062	811,211,404
Income (losses) per share - basic	28	<u>0.23156</u>	<u>0.09345</u>	<u>(1.78766)</u>	<u>(1.97501)</u>
Weighted average shares outstanding - diluted		811,440,470	811,428,248	811,284,062	811,211,404
Income (losses) per share - diluted	28	<u>0.23156</u>	<u>0.09345</u>	<u>(1.78766)</u>	<u>(1.97501)</u>
INCOME (LOSSES) PER SHARE FROM DISCONTINUED OPERATIONS					
Weighted average shares outstanding - basic		811,440,470	811,428,248	811,284,062	811,211,404
Income (losses) per share - basic	28	<u>0.16629</u>	<u>(0.92915)</u>	<u>(0.03558)</u>	<u>0.06081</u>
Weighted average shares outstanding - diluted		811,440,470	811,428,248	811,284,062	811,211,404
Income (losses) per share - diluted	28	<u>0.16629</u>	<u>(0.92915)</u>	<u>(0.03558)</u>	<u>0.06081</u>

See accompanying notes to the condensed consolidated interim financial information.

BRF S.A.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Six and three-month periods ended June 30, 2019 and 2018
(Amounts expressed in thousands of Brazilian Reais)

	Note	Current Quarter 04.01.19 to 06.30.19	Cumulative Current Year 01.01.19 to 06.30.19	Quar
Income (Loss)		324,954	(687,377)	
Other comprehensive income (loss)				
Gains (losses) in foreign currency translation adjustments		(80,629)	617,836	
Gains (losses) on marketable securities at FVTOCI	7	9,663	95,133	
Taxes on unrealized gains (losses) on marketable securities at FVTOCI	7	(12,310)	(36,371)	
Unrealized gains (losses) on cash flow hedge	4	122,804	143,477	
Taxes on unrealized gains (losses) on cash flow hedge	4	(41,759)	(48,193)	
Net other comprehensive income, to be reclassified to the statement of income in subsequent periods		(2,231)	771,882	
Actuarial gains on pension and post-employment plans	25	6,691	8,646	
Taxes on realized gains on pension and post-employment plans	25	(2,318)	(3,690)	
Net other comprehensive income, with no impact into subsequent statement of income		4,373	4,956	
Total comprehensive income (loss), net		327,096	89,461	
Attributable to				
Controlling shareholders		356,323	140,414	
Non-controlling interest		(29,227)	(50,953)	
		327,096	89,461	

See accompanying notes to the condensed consolidated interim financial information.

BRF S.A.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Six-month periods ended June 30, 2019
(Amounts expressed in thousands of Brazilian Reais, except Dividend – Interest on own equity per share data)

	Attributed to controlling shareholders							
	Capital reserves			Other comprehensive income (loss)				
	Paid-in capital	Capital reserve	Treasury shares	Accumulated foreign currency translation adjustments	Marketable securities at FVTOCI	Gain (losses) on cash flow hedge	Actuarial losses	Retained earnings (losses)
BALANCE AT JANUARY 1, 2019	12,460,471	115,354	(56,676)	(752,815)	(98,451)	(396,165)	(28,088)	(4,279,003)
Comprehensive income (loss)								
Gains (losses) on foreign currency translation adjustments	-	-	-	659,167	-	-	-	-
Unrealized gains on marketable securities at FVTOCI	-	-	-	-	81,882	-	-	-
Unrealized gains in cash flow hedge	-	-	-	-	-	95,284	-	-
Actuarial gains (losses) on pension and post-employment plans	-	-	-	-	-	-	5,311	-
Realized loss in marketable securities at FVTOCI	-	-	-	-	-	-	-	(23,120)
Loss for the period	-	-	-	-	-	-	-	(678,110)
SUB-TOTAL COMPREHENSIVE INCOME (LOSS)				659,167	81,882	95,284	5,311	(701,230)
Appropriation of income (loss)								
Dividends	-	-	-	-	-	-	-	-
Share-based payments	-	11,691	5,981	-	-	-	-	-
Acquisition/sale of non-controlling interests	-	84,352	-	-	-	-	-	-
BALANCES AT JUNE 30, 2019	12,460,471	211,397	(50,695)	(93,648)	(16,569)	(300,881)	(22,777)	(4,980,233)

See accompanying notes to the condensed consolidated interim financial information.

BRF S.A.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Six-month periods ended June 30, 2018
(Amounts expressed in thousands of Brazilian Reais, except Dividend – Interest on own equity per share data)

	Attributed to controlling shareholders								
	Capital reserves			Income reserve	Other comprehensive income (loss)				Retained earnings (losses)
	Paid-in capital	Capital reserve	Treasury shares	Legal reserve	Acumulated foreign currency translation adjustments	Marketable securities at FVTOCI	Gain (losses) on cash flow hedge	Actuarial gains	
BALANCE AT JANUARY 1, 2018	12,460,471	115,097	(71,483)	101,367	(766,959)	(56,258)	(572,152)	(9,872)	
Adoption of IFRS 9	-	-	-	-	-	-	-	-	(15,69)
Comprehensive income (loss)									
Gains (losses) on foreign currency translation adjustments	-	-	-	-	(146,484)	-	-	-	-
Unrealized losses on marketable securities at FVTOCI	-	-	-	-	-	(38,885)	-	-	-
Unrealized losses in cash flow hedge	-	-	-	-	-	-	(216,689)	-	-
Actuarial gains on pension and post-employment plans	-	-	-	-	-	-	-	6,835	-
Realized loss in marketable securities at FVTOCI	-	-	-	-	-	-	-	-	(63,97)
Loss for the period	-	-	-	-	-	-	-	-	(1,552,82)
SUB-TOTAL COMPREHENSIVE INCOME (LOSS)					(146,484)	(38,885)	(216,689)	6,835	(1,616,79)
Appropriation of income (loss)									
Share-based payments	-	(7,921)	6,264	-	-	-	-	-	-
Treasury shares sold	-	-	4,460	-	-	-	-	-	-
BALANCES AT JUNE 30, 2018	12,460,471	107,176	(60,759)	101,367	(913,443)	(95,143)	(788,841)	(3,037)	(1,632,49)

See accompanying notes to the condensed consolidated interim financial information.

BRF S.A.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Six-month periods ended June 30, 2019 and 2018
(Amounts expressed in thousands of Brazilian Reais)

STATEMENTS OF CASH FLOWS

	Cumulative Current Year 01.01.19 to 06.30.19	Restated Cumulative Previous Year 01.01.18 to 06.30.18
OPERATING ACTIVITIES		
Income (loss) from continuing operations	77,745	(1,567,659)
Adjustments to reconcile loss to net cash		
Depreciation and amortization	745,932	468,359
Depreciation and depletion of biological assets	396,053	397,603
Result on disposals of Property, Plant and Equipments	(18,248)	22,731
Gains in tax lawsuit	(687,371)	-
Provision for losses in inventories	89,553	245,935
Provision for tax, civil and labor risks	505,675	102,124
Income from associates and joint ventures	1,025	(8,863)
Financial results, net	1,067,587	1,242,017
Deferred income tax	(143,931)	(208,427)
Others	167,099	111,829
Cash flow provided by operating activities before working capital	2,201,119	805,649
Trade accounts receivable	348,735	171,421
Inventories	(218,889)	(331,494)
Biological assets - current assets	(49,177)	(13,943)
Trade accounts payable	(381,973)	(531,637)
Supply chain finance	(299,575)	109,531
Cash provided by operating activities	1,600,240	209,527
Investment measured at FVPL	(92,911)	-
Redemption measured at FVPL	20,244	13,429
Interest received	108,632	91,326
Interest on shareholders' equity received	15,551	10,910
Payment of tax, civil and labor risks provisions	(173,762)	(168,049)
Interest paid	(557,228)	(548,054)
Payment of income tax and social contribution	(68)	(296)
Others operating assets and liabilities	(206,415)	1,034,547
Net cash provided by operating activities	714,283	643,340
Net cash used in operating activities from discontinued operations	(109,234)	(315,686)
Net cash provided by operating activities	605,049	327,654
INVESTING ACTIVITIES		
Investments in securities at amortized cost	(15,362)	(35,476)
Redemptions of securities at amortized cost	95,638	-
Redemptions of securities at FVTOCI	131,997	140,886
Redemption (investments) in restricted cash	30,522	(380,193)
Additions to property, plant and equipment	(178,085)	(299,271)
Additions to biological assets - non-current assets	(391,839)	(446,107)
Receivable from disposals of Property, Plant and Equipment and Investment	1,789,751	38,109
Additions to intangible assets	(43,283)	(13,675)
Other	(183,672)	-
Sale (acquisition) of participation in joint ventures and associated entities	1,971	(589)
Net cash provided (used in) investing activities	1,237,638	(996,316)
Net cash provided (used in) investing activities from discontinued operations	(58,782)	(38,708)
Net cash provided (used in) investing activities	1,178,856	(1,035,024)
FINANCING ACTIVITIES		
Proceeds from debt issuance	1,783,550	2,184,803
Repayment of debt	(3,121,428)	(1,964,219)
Lease	(279,086)	(49,567)
Net cash provided (used in) financing activities	(1,616,964)	171,017
Net cash provided (used in) financing activities from discontinued operations	1,567	185,231
Net cash provided (used in) financing activities	(1,615,397)	356,248
EXCHANGE RATE VARIATION ON CASH AND CASH EQUIVALENTS	31,572	88,079
Net increase (decrease) in cash and cash equivalents	200,080	(263,043)
At the beginning of the period	5,036,011	6,010,829
At the end of the period	5,236,091	5,747,786

See accompanying notes to the condensed consolidated interim financial information.

1. COMPANY'S OPERATIONS

BRF S.A. ("BRF") and its subsidiaries (collectively the "Company") is a multinational Brazilian Company, which owns a comprehensive and diverse portfolio of products and it is one of the world's largest producers of food. With focus on raising, producing and slaughtering poultry and pork for processing, production and sale of fresh meat, processed products, pasta, frozen vegetables and soybean by-products.

BRF is a corporation, listed on the Novo Mercado of B3 ("Brasil, Bolsa, Balcão"), under the ticker BRFS3, and listed on the New York Stock Exchange ("NYSE"), under the ticker BRFS. Its headquarters are located at 475 Jorge Tzachel street, in the City of Itajaí, State of Santa Catarina.

The Company holds as main brands Sadia, Perdigão, Qualy, Chester®, Kidelli, Perdix and Banvit, that are highly recognized, mainly in Brazil, Turkey and Middle Eastern countries.

In continuity with the operational and financial restructuring of the Company, the sale of the operations in Argentina, Europe and Thailand were concluded and as already disclosed in the previous quarter, there was a change in the management structure (note 5). Thus, the numbers of 2018 were restated.

BRF S.A.
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(Amounts expressed in thousands of Brazilian Reais, unless otherwise stated)

1.1. Equity interest

Entity	Main activity	Country	Participation	Accounting method	% equity interest	
					06.30.19	12.31.18
BRF Energia S.A.	Commercialization of electric energy	Brazil	Direct	Consolidated	100.00%	100.00%
BRF GmbH	Holding	Austria	Direct	Consolidated	100.00%	100.00%
BRF Foods LLC	Import and commercialization of products	Russia	Indirect	Consolidated	99.90%	99.90%
BRF France SARL	(1) Marketing and logistics services	France	Indirect	Consolidated	-	100.00%
BRF Global Company Nigeria Ltd.	Marketing and logistics services	Nigeria	Indirect	Consolidated	99.00%	99.00%
BRF Global Company South Africa Proprietary Ltd.	Import and commercialization of products	South Africa	Indirect	Consolidated	100.00%	100.00%
BRF Global Company Nigeria Ltd.	Marketing and logistics services	Nigeria	Indirect	Consolidated	1.00%	1.00%
BRF Global GmbH	(b) Holding and trading	Austria	Indirect	Consolidated	100.00%	100.00%
BRF Foods LLC	Import and commercialization of products	Russia	Indirect	Consolidated	0.10%	0.10%
Qualy 5201 B.V.	(b) (f) Import, commercialization of products and holding	The Netherlands	Direct	Consolidated	-	100.00%
Xamol Consultores Serviços Ltda.	(f) Import and commercialization of products	Portugal	Indirect	Consolidated	-	100.00%
SPE Khan GmbH	(g) (f) Holding and trading	Austria	Indirect	Consolidated	-	-
BRF Japan KK	Marketing and logistics services	Japan	Direct	Consolidated	100.00%	100.00%
BRF Korea LLC	Marketing and logistics services	Korea	Indirect	Consolidated	100.00%	100.00%
BRF Shanghai Management Consulting Co. Ltd.	Advisory and related services	China	Indirect	Consolidated	100.00%	100.00%
BRF Shanghai Trading Co. Ltd.	Commercialization and distribution of products	China	Indirect	Consolidated	100.00%	100.00%
BRF Singapore PTE Ltd.	Marketing and logistics services	Singapore	Indirect	Consolidated	100.00%	100.00%
BRF Germany GmbH	(f) Import and commercialization of products	Germany	Indirect	Consolidated	-	100.00%
BRF Holland B.V.	(f) Import and commercialization of products	The Netherlands	Indirect	Consolidated	-	100.00%
Campo Austral S.A.	(e) Industrialization and commercialization of products	Argentina	Indirect	Consolidated	-	2.66%
Eclipse Holding Cöoperatief U.A.	(e) Holding	The Netherlands	Indirect	Consolidated	-	0.01%
BRF B.V.	(f) Industrialization, import and commercialization of products	The Netherlands	Indirect	Consolidated	-	100.00%
ProudFood Lda	Import and commercialization of products	Angola	Indirect	Consolidated	10.00%	10.00%
BRF Hungary LLC	Import and commercialization of products	Hungary	Indirect	Consolidated	100.00%	100.00%
BRF Iberia Alimentos SL	(f) Import and commercialization of products	Spain	Indirect	Consolidated	-	100.00%
BRF Invicta Ltd.	(g) (f) Import, commercialization and distribution of products	England	Indirect	Consolidated	-	69.16%
Invicta Food Products Ltd.	(f) Import and commercialization of products	England	Indirect	Consolidated	-	100.00%
BRF Wrexham Ltd.	(f) Industrialization, import and commercialization of products	England	Indirect	Consolidated	-	100.00%
Invicta Food Group Ltd.	(b) (f) Import, commercialization and distribution of products	England	Indirect	Consolidated	-	100.00%
Invicta Foods Ltd.	(f) Import, commercialization and distribution of products	England	Indirect	Consolidated	-	100.00%
Invicta Foodservice Ltd.	(f) Import, commercialization and distribution of products	England	Indirect	Consolidated	-	100.00%
Universal Meats (UK) Ltd.	(b) (f) Import, industrialization, commercialization and distribution of products	England	Indirect	Consolidated	-	100.00%
BRF Italia SPA	(f) Import and commercialization of products	Italy	Indirect	Consolidated	-	67.00%
Compañia Paraguaya Comercial S.A.	(a) Import and commercialization of products	Paraguay	Indirect	Consolidated	99.00%	99.00%
Campo Austral S.A.	(f) Industrialization and commercialization of products	Argentina	Indirect	Consolidated	-	50.48%
Itega S.A.	(e) Holding	Argentina	Indirect	Consolidated	-	96.00%
Eclipse Holding Cöoperatief U.A.	Holding	The Netherlands	Indirect	Consolidated	99.99%	99.99%
Buenos Aires Fortune S.A.	Holding	Argentina	Indirect	Consolidated	5.00%	5.00%
Campo Austral S.A.	(f) (f) Industrialization and commercialization of products	Argentina	Indirect	Consolidated	-	8.44%
Eclipse Latam Holdings	Holding	Spain	Indirect	Consolidated	100.00%	100.00%
Buenos Aires Fortune S.A.	Holding	Argentina	Indirect	Consolidated	95.00%	95.00%
Campo Austral S.A.	(f) Industrialization and commercialization of products	Argentina	Indirect	Consolidated	-	6.53%
Campo Austral S.A.	(f) Industrialization and commercialization of products	Argentina	Indirect	Consolidated	-	31.89%
Itega S.A.	(e) Holding	Argentina	Indirect	Consolidated	-	4.00%
Golden Foods Poultry Limited	(f) Holding	Thailand	Indirect	Consolidated	-	48.52%
Golden Poultry Siam Limited	(f) Holding	Thailand	Indirect	Consolidated	-	51.84%
Golden Poultry Siam Limited	(f) Holding	Thailand	Indirect	Consolidated	-	48.16%
BRF Thailand Limited	(f) Import, industrialization, commercialization and distribution of products	Thailand	Indirect	Consolidated	-	100.00%
BRF Feed Thailand Limited	(f) Import, industrialization, commercialization and distribution of products	Thailand	Indirect	Consolidated	-	100.00%
Golden Foods Sales (Europe) Limited	(f) Holding and trading	England	Indirect	Consolidated	-	100.00%
Golden Quality Foods Europe BV	(f) Import, commercialization and distribution of products	The Netherlands	Indirect	Consolidated	-	100.00%
Golden Quality Foods Netherlands BV	(f) Import, commercialization and distribution of products	The Netherlands	Indirect	Consolidated	-	100.00%
Golden Foods Siam Europe Limited	(b) (f) Import, commercialization and distribution of products	England	Indirect	Consolidated	-	100.00%
Golden Quality Poultry (UK) Ltd	(f) Import, commercialization and distribution of products	England	Indirect	Consolidated	-	100.00%
Perdigão Europe Lda.	Import and export of products	Portugal	Indirect	Consolidated	100.00%	100.00%
Perdigão International Ltd.	Import and export of products	Cayman Island	Indirect	Consolidated	100.00%	100.00%
BFF International Ltd.	Financial fundraising	Cayman Island	Indirect	Consolidated	100.00%	100.00%
Highline International	(a) Financial fundraising	Cayman Island	Indirect	Consolidated	100.00%	100.00%
Sadia Overseas Ltd.	Financial fundraising	Cayman Island	Indirect	Consolidated	98.00%	98.00%
ProudFood Lda	Import and commercialization of products	Angola	Indirect	Consolidated	90.00%	90.00%
Sadia Chile S.A.	Import and commercialization of products	Chile	Indirect	Consolidated	40.00%	40.00%
SATS BRF Food PTE Ltd.	Import, industrialization, commercialization and distribution of products	Singapore	Joint venture	Equity method	49.00%	49.00%
BRF Global Namibia	(a) Import and commercialization of products	Namibia	Indirect	Consolidated	100.00%	100.00%
Wellax Food Logistics C.P.A.S.U. Lda.	Import and commercialization of products	Portugal	Indirect	Consolidated	100.00%	100.00%
BRF Luxembourg Sarl	Holding	Luxemburgo	Direct	Consolidated	100.00%	100.00%
BRF Austria GmbH	Holding	Austria	Indirect	Consolidated	100.00%	100.00%
One Foods Holdings Ltd	Holding	United Arab Emirates	Indirect	Consolidated	100.00%	100.00%
Al-Wafi Food Products Factory LLC	Industrialization and commercialization of products	United Arab Emirates	Indirect	Consolidated	49.00%	49.00%
Badi Ltd.	Holding	United Arab Emirates	Indirect	Consolidated	100.00%	100.00%
Al-Wafi Al-Takamol International for Foods Products	Import and commercialization of products	Saudi Arabia	Indirect	Consolidated	75.00%	75.00%
BRF Al Yasra Food K.S.C.C. ("BRF AFC")	Import, commercialization and distribution of products	Kuwait	Indirect	Consolidated	49.00%	49.00%
BRF Foods GmbH	Industrialization, import and commercialization of products	Austria	Indirect	Consolidated	100.00%	100.00%
Al Khan Foodstuffs LLC ("AKF")	Import, commercialization and distribution of products	Oman	Indirect	Consolidated	70.00%	70.00%
FFM Further Processing Sdn. Bhd.	Industrialization, import and commercialization of products	Malaysia	Indirect	Consolidated	70.00%	70.00%
FFQ GmbH	Industrialization, import and commercialization of products	Austria	Indirect	Consolidated	100.00%	100.00%
TBQ Foods GmbH	Holding	Austria	Indirect	Consolidated	60.00%	60.00%
Banvit Bandirma Vitamini	Industrialization and commercialization of products	Turkey	Indirect	Consolidated	91.71%	91.71%
Banvit Enerji ve Elektrik Üretim Ltd. Sti.	Commercialization of electric energy	Turkey	Indirect	Consolidated	100.00%	100.00%
Banvit Foods SRL	Industrialization of grains and animal feed	Romania	Indirect	Consolidated	0.01%	0.01%
Nutrinvestments BV	Holding	The Netherlands	Indirect	Consolidated	100.00%	100.00%
Banvit ME FZE	Marketing and logistics services	United Arab Emirates	Indirect	Consolidated	100.00%	100.00%
Banvit Foods SRL	Industrialization of grains and animal feed	Romania	Indirect	Consolidated	99.99%	99.99%
One Foods Malaysia SDN. BHD.	Marketing and logistics services	Malaysia	Indirect	Consolidated	100.00%	100.00%
Federal Foods LLC	Import, commercialization and distribution of products	United Arab Emirates	Indirect	Consolidated	49.00%	49.00%
Federal Foods Qatar	Import, commercialization and distribution of products	Qatar	Indirect	Consolidated	49.00%	49.00%
BRF Hong Kong LLC	Import, commercialization and distribution of products	Hong Kong	Indirect	Consolidated	100.00%	100.00%

BRF S.A.
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Entity	Main activity	Country	Participation	Accounting method	% equity interest	06.30.19	12.31.18
Eclipse Holding Cöoperatief U.A.	(e) Holding	The Netherlands	Indirect	Consolidated	0.01%	-	-
Establecimiento Levino Zaccardi y Cia. S.A.	(a) Industrialization and commercialization of dairy products	Argentina	Direct	Consolidated	99.94%	99.94%	
BRF Pet S.A.	Industrialization, commercialization and distribution of feed and nutrients for animals	Brazil	Direct	Consolidated	100.00%	100.00%	
PP-BIO Administração de bem próprio S.A.	Management of assets	Brazil	Affiliate	Equity method	33.33%	66.66%	
PSA Laboratório Veterinário Ltda.	Veterinary activities	Brazil	Direct	Consolidated	99.99%	99.99%	
Sino dos Alpes Alimentos Ltda.	(a) Industrialization and commercialization of products	Brazil	Indirect	Consolidated	99.99%	99.99%	
Quickfood S.A.	(c) Industrialization and commercialization of products	Argentina	Direct	Consolidated	-	91.21%	
Sadia Alimentos S.A.	Holding	Argentina	Direct	Consolidated	43.10%	43.10%	
Avex S.A.	(d) (g) Industrialization and commercialization of products	Argentina	Indirect	Consolidated	-	33.98%	
Sadia International Ltd.	Import and commercialization of products	Cayman Island	Direct	Consolidated	100.00%	100.00%	
Sadia Chile S.A.	Import and commercialization of products	Chile	Indirect	Consolidated	60.00%	60.00%	
Sadia Uruguay S.A.	Import and commercialization of products	Uruguay	Indirect	Consolidated	5.10%	5.10%	
Avex S.A.	(d) (g) Industrialization and commercialization of products	Argentina	Indirect	Consolidated	-	66.02%	
Compañía Paraguaya Comercial S.A.	(a) Import and commercialization of products	Paraguay	Indirect	Consolidated	1.00%	1.00%	
Sadia Alimentos S.A.	Holding	Argentina	Indirect	Consolidated	56.90%	56.90%	
Sadia Overseas Ltd.	Financial fundraising	Cayman Island	Direct	Consolidated	2.00%	2.00%	
Sadia Uruguay S.A.	Import and commercialization of products	Uruguay	Direct	Consolidated	94.90%	94.90%	
UP Alimentos Ltda.	Industrialization and commercialization of products	Brazil	Affiliate	Equity method	50.00%	50.00%	
Vip S.A. Empreendimentos e Participações Imobiliárias	Commercialization of owned real state	Brazil	Direct	Consolidated	100.00%	100.00%	
Establecimiento Levino Zaccardi y Cia. S.A.	(a) Industrialization and commercialization of dairy products	Argentina	Indirect	Consolidated	0.06%	0.06%	
PSA Laboratório Veterinário Ltda.	Veterinary activities	Brazil	Indirect	Consolidated	0.01%	0.01%	
Sino dos Alpes Alimentos Ltda.	(a) Industrialization and commercialization of products	Brazil	Indirect	Consolidated	0.01%	0.01%	

- (a) Dormant subsidiaries. The Company is evaluating the liquidation of these subsidiaries.
- (b) The wholly-owned subsidiary BRF Global GmbH operates as a trading for the International market and owned until June 02, 2019, 62 direct subsidiaries in Madeira Island, Portugal, with an investment of R\$4,133 (R\$4,913 as of December 31, 2018) and a direct subsidiary in Den Bosch, The Netherlands, denominated Qualy 20 with an investment of R\$7,299 (R\$7,360 as of December 31, 2018). The wholly-owned subsidiary Qualy 5201 B.V. owns 133 subsidiaries in The Netherlands being the amount of this investment until disposal date of R\$19,467 (R\$20,725 as of December 31, 2018). The indirect subsidiary Invicta Food Group Ltd. owns 120 direct subsidiaries in Ashford, England, with an investment until disposal date of R\$44,837 (R\$44,805 as of December 31, 2018). The indirect subsidiary Universal Meats (UK) Ltd owns 99 direct subsidiaries in Ashford, England with an investment until disposal date of R\$41,112 (R\$45,052 as of December 31, 2018). The indirect subsidiary Golden Foods Siam Europe Ltd (GFE) owns 32 subsidiaries in Ashford, England with an investment until disposal date of R\$(157) (R\$44 as of December 31, 2018). The purpose of these subsidiaries was to operate in the European market to increase the Company's share in this market, which is regulated by a system of poultry and turkey meat import quotas.
- On March 15, 2019, mergers were realized in the direct subsidiaries of BRF Global GmbH in Madeira Island, and the 101 existing subsidiaries were merged into 62 companies. On the same date, mergers were realized in the Qualy 5201 B.V. subsidiaries in Den Bosch, and the 212 existing subsidiaries were merged into 133 companies.
- (c) On January 02, 2019, the Company sold its equity stake in Quickfood S.A.
- (d) On January 03, 2019, Sadia Alimentos S.A. sold all held shares of Avex S.A. to BRF S.A. and Sadia Uruguay sold 61.02% of Avex S.A. to BRF S.A., holding a 5% interest.
- (e) On January 14, 2019, BRF Holland B.V. sold its participation in Eclipse Holding Cöoperatief U.A. to BRF S.A.
- (f) On January 14, 2019, BRF Holland B.V sold its participation in Campo Austral S.A. to Eclipse Holding Cöoperatief U.A.
- (g) On February 04, 2019, BRF S.A. and Sadia Uruguay S.A. sold their equity stake in Avex S.A.
- (h) On March 11, 2019, Eclipse Latam Holdings sold its equity stake in Itega S.A.
- (i) On March 11, 2019, BRF GmbH, Eclipse Latam Holdings, Eclipse Holding Cöoperatief U.A. and Buenos Aires Fortune S.A. sold all their equity stake in Campo Austral S.A.
- (j) On April 1st, 2019, SPE Khan GmbH was incorporated with the purpose of contributing the assets and liabilities from BRF Global GMBH to be later sold to Tyson International Holding Co.
- (k) On May 31, 2019, BRF GmbH acquired the minority stake in BRF Invicta Ltd. by equivalent to R\$217,393 (GBP 43,716). The goodwill arising from this transaction was recorded as capital reserve, in the amount equivalent to R\$99,327 (GBP19,974).
- (l) On June 03, 2019, the companies were sold to Tyson International Holding Co. as part of Europe and Thailand operations (note 12).

1.2. Investigations involving BRF

The Company has been subject to two external investigations, designated “Carne Fraca Operation” in 2017 and “Trapaça Operation” in 2018, as detailed below. The Company’s Audit and Integrity Committee is conducting independent investigations, along with the Independent Investigation Committee, composed of external members and with external legal advisors in Brazil and abroad with respect to the allegations involving BRF employees and former employees in the scope of the aforementioned operations and other ongoing investigations.

For the six-month period ended on June 30, 2019, the main impacts observed as result of the referred operations were recorded in other operating expenses in the amount of R\$42,320 (R\$43,737 on June 30, 2018) and for three months ended on June 30, 2019, the referred impacts amounted R\$31,207 (R\$30,918 on three months ended June 30, 2018) mostly related to expenditures with lawyers, legal advisors and consultants.

The outcome of these operations may result in penalties, fines and normative sanctions, right restrictions and other forms of liabilities, for which the Company is not able to make a reliable estimate of the potential losses due to the uncertainties involved.

The outcomes may result in payments of substantial amounts, which may cause a material adverse effect on the Company’s financial position, results and cash flows in the future.

1.2.1. Carne Fraca Operation

On March 17, 2017, BRF became aware of a decision issued by a judge of the 14th Federal Court of Curitiba - Paraná, authorizing the search and seizure of information and documents, and the detention of certain individuals in the context of the Carne Fraca Operation. Two BRF employees were detained (subsequently released) and three were identified for questioning.

In April 2017, the Brazilian Federal Police and the Brazilian federal prosecutors filed charges against BRF employees, which were accepted by the judge responsible for the process, and its main allegations in this phase involve misconduct related to improper offers and/or promises to government inspectors.

On June 04, 2018, the Company was informed about the establishment of a responsibility administrative process (“PAR”) by the Office of the Comptroller General (“CGU”), under the Law N^o 12,846/2013 (“Anti-corruption Law”), which aims to verify eventual administrative responsibilities related to the facts object of the criminal lawsuit N^o 5016879-04.2017.4.04.7000, (“Criminal Lawsuit”) in progress under the 14th Federal Court of the subsection of Curitiba/PR, as a consequence of the Carne Fraca Operation.

BRF has informed certain regulators and governmental entities, including the U.S.

Securities and Exchange Commission and the U.S. Department of Justice about the Carne Fraca Operation and is cooperating with the authorities.

On September 28, 2018, the sentence of the Criminal Lawsuit in first instance was published, discharging one of the BRF employees and convicting the other one for six months of detention with the possibility of substitution for a right-restricting penalty. The Brazilian federal prosecutors presented appeal to the first instance decision. The appeal is being analyzed by the Federal Regional Court of the 4th region.

1.2.2. Trapaça Operation

On March 5, 2018, the Company learned of a decision issued by a judge of the 1st Federal Court of Ponta Grossa/PR, authorizing the search and seizure of information and documents due to allegations involving misconduct relating to quality violations, improper use of feed components and falsification of tests at certain BRF manufacturing plants and accredited labs. Such operation was denominated as Trapaça Operation. Still on March 5, 2018, BRF received notice from the Ministry of Agriculture, Livestock and Food Supply (“MAPA”) immediately suspending exports from its Rio Verde/GO, Carambeí/PR and Mineiros/GO plants to 12 countries that require specific sanitary requirements for the control of the bacteria group Salmonella spp and Salmonella pullorum.

On May 14, 2018, the Company received the formal notice that 12 plants located in Brazil were removed from the list that permits imports of animal origin products by the European Union’s countries. The measure came into force as of May 16, 2018 and affects only the plants located in Brazil and which have export licenses to the European Union, not affecting the supply to other markets or other BRF plants located outside Brazil and that export to the European market.

On October 15, 2018, the Federal Police Department submitted to the 1st Federal Criminal Court of the Judicial Branch of Ponta Grossa – PR the final report of its investigation in connection to the Trapaça Operation. The police inquiry indicted 43 people, including former key executives of the Company.

1.2.3. Governance enhancement

The Company, in the light of the facts related to the investigations of the authorities collaborates to the complete clarification of the facts. In this sense, the Company has decided to retire temporarily, independently of the results of the investigations, all employees mentioned in the Federal Police’s final report of the Trapaça Operation until all facts are fully clarified.

BRF interacts in a wide and transparent way with the authorities, with the objective of collaborating with the full elucidation of the facts. Simultaneously, it will proceed with the internal investigations led by the Independent Investigation Committee and by the Audit

and Integrity Committee to clarify all the facts identified or that may be identified in the future.

The Company believes that this cooperation process with the authorities strengthens and consolidates its governance through ongoing actions to ensure the highest levels of safety standards, integrity and quality, as well as greater autonomy to its Compliance Department.

Among the actions implemented, are: (i) strengthening in the risk management, specially compliance, (ii) strengthening of the Compliance, Internal Audit and Internal Controls departments, (iii) issuance of new policies and procedures specifically related to the anticorruption law, (iv) reputational verification of business partners, (v) revision of the process of internal investigation, (vi) expansion of the independent reporting channel, (vii) review of transactional controls, and (viii) new consequence policy for misconduct.

1.3. U.S. Class Action

On March 12, 2018, a proposed shareholder class action lawsuit was filed against the Company and certain current and former administrators in the U.S. Federal District Court in the city of New York, in name of ADRs' buyers between April 04, 2013 and March 02, 2018. The class action claims the infringement of United States federal securities laws related to allegations, among others, in the *Carne Fraca* and *Trapaça* Operations. On July 2, 2018, the referred Court appointed the City of Birmingham Retirement and Relief System as lead plaintiff in the action. On May 10, 2019, the third amendment complaint was filed. On June 24, 2019 all the defendants mentioned until the present date, including the Company, have registered a motion to dismiss. According to the briefing schedule approved by the court, the lead plaintiff must protocol any opposition until August 08, 2019, and any response from the defendants is due on September 09, 2019.

An unfavorable outcome of the class action may have a material impact for the Company. However, since this lawsuit is in its early stages, it is not possible to make a reasonable estimate of eventual losses.

1.4. Seasonality

In the Brazil operating segment, during the months of November and December of each year, the Company is impacted by seasonality due to Christmas and New Year's Celebrations, being the best-selling products in this period: turkey, Chester®, ham and pork cuts.

In the International operating segment, seasonality is due to Ramadan, which is the holy month of the Muslim Calendar. The start of Ramadan depends on the beginning of the moon cycle and therefore can vary each year.

2. MANAGEMENT'S STATEMENT, BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL INFORMATION

The condensed consolidated interim financial information are prepared and presented in accordance with the IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB).

The condensed consolidated interim financial information are expressed in thousands of Brazilian Reais (“R\$”) and the disclosures of amounts in other currencies, when applicable, were also expressed in thousands, unless otherwise stated.

The preparation of financial information requires Management to make judgments, use estimates and adopt assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as the disclosures of contingent liabilities. However, the uncertainty inherent to these judgments, assumptions and estimates could result in material adjustments to the carrying amount of certain assets and liabilities in future periods.

The Company reviews its judgments, estimates and assumptions on a quarterly basis as disclosed in the financial statements for the year ended December 31, 2018 (note 3.26).

The financial information were prepared based on the recoverable historical cost, except for the following material items recognized in the statement of financial position:

- i. derivative financial instruments and non-derivative financial instruments measured at fair value;
- ii. share-based payments and employee benefits measured at fair value;
- iii. biological assets measured at fair value less cost to sell; and
- iv. assets held for sale measured at the lower of historical cost or fair value less costs to sell.

The Company's Management notes that the financial information were prepared under the going concern assumption.

In addition, all the relevant information was disclosed in the explanatory notes, in order to clarify and complement the accounting basis used in the preparation of the financial information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial information aim to provide updated information based on the last annual financial statements disclosed. Therefore, the quarterly financial information focus on new activities, events and circumstances and do not duplicate the information previously disclosed, except when Management judges that the maintenance of the information is relevant.

The quarterly financial information was prepared based on the accounting policies and estimates calculation methodologies adopted in the preparation of the annual financial statements for the year ended December 31, 2018 (note 3).

There were no changes on such policies and estimates calculation methodologies, except for those related to the adoption of IFRS 16, which regulates Leases, IFRIC 23, which regulates Uncertainty over Income Tax Treatments and effective tax rate estimation, set forth below. As allowed by IAS 34, Management decided not to disclose again the details of the accounting policies adopted by the Company. Hence, the quarterly financial information should be read along with the annual financial statements for the year ended December 31, 2018, in order to allow the users to further understand the Company's financial conditions and liquidity, as well as its capacity to generate profits and cash flows.

The income tax expense is recognized at an amount determined by multiplying the profit (loss) before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognized in full in the interim period. As such, the effective tax rate in the condensed interim financial information may differ from management's estimate of the effective tax rate for the annual financial statements.

3.1 IFRS 16 – Lease

On January 01, 2019, the Company adopted the IFRS 16 and chose for the modified retrospective approach without restatement of the comparative information. Therefore, all balances related to the fiscal year ended on December 31, 2018 (note 23.1), are presented according to the assumptions in the accounting policies previously in force IAS 17 which ruled that the leasing operations in which the risks and rewards of ownership were substantially transferred to the Company were classified as finance leases. If the significant risks and rewards of ownership were not transferred, lease transactions were classified as operating leases.

In the transition process, the Company chose not to use the practical expedient that permits not to reassess if an agreement is or contains a lease. Consequently, the new lease definitions contained in the IFRS 16 were applied to all agreements in force at the transaction date. An agreement is or contains a lease if the agreement transfers the right to control the use of an identified asset for a certain period in exchange for consideration, for which it is necessary to evaluate if:

- the agreement involves the use of an identified asset, which can be explicit or implicit, and can be physically distinct or represents substantially all the capacity of a physically distinct asset. If the supplier has the right to substitute the asset, so the asset is not identified;
- the Company has the right to obtain substantially all the economic benefits of the use of the asset during the agreement period; and
- the Company has the right to direct the use of the asset. The Company has the right to decide changing how and for which purpose the asset is used, if:
 - has the right to operate the asset, or
 - designed the asset, so that it predetermines how and for which purpose it will be used.

At the commencement date, the Company recognizes a right-of-use asset and a lease liability, that represents the obligation to make payments related to the lease's underlying asset.

The right-of-use asset is initially measured at cost, which comprises the amount of the initial lease liability, any payments made at or before the commencement date, any initial direct costs incurred and an estimate of the costs for dismantling, removing or restoring the asset, or restoring the site on which it is located, less any incentive received.

The right-of-use asset is subsequently depreciated using the linear method from the commencement date until the end of the right-of-use's useful life or the lease's expiration. The renewal and early termination options of the agreements are individually analyzed considering the type of asset as well as its relevance to the Company's productive process. The estimated useful life of right-of-use asset is determined in the same basis of the Company's own assets. Additionally, the right-of-use asset is periodically tested for impairment in accordance IAS 36 and adjusted for remeasurement of the lease liability.

The lease liability is initially measured at the present value of the future lease payments using the incremental borrowing rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there are changes (i) in the future payments as a result of a change in an index or rate (ii) in the estimate of the amount expected to be payable under the residual value guarantee or (iii) in the assessment of the exercise of a purchase, extension or termination option.

When the lease liability is remeasured, the carrying amount of the corresponding right-of-use asset is adjusted. If the carrying amount of the right-of-use asset has already been reduced to zero, then the remaining adjustment is recognized in profit or loss.

As a result of the IFRS 16 adoption, on January 01, 2019 a right-of-use asset and lease liability in the amount of R\$2,357,151 was recognized. Such agreements were accounted for previously as operating leases for the year ended December 31, 2018 (note 23.1).

The Company has used the following practical expedients for the transition to the new accounting requirements for leases:

- not recognizing low-value and short-term right-of-use assets and lease liabilities without purchase option. The payments associated with these agreements are recognized in profit or loss on a linear basis during the agreement period.
- use of a single discount rate to each portfolio of leases with reasonably similar characteristics. The weighted average incremental borrowing rate, measured at January 01, 2019 applicable to each portfolio of leases was of 7.92%.

Additionally, agreements with indefinite terms were considered ineligible due to the impossibility to determine the enforceable period.

3.2 IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, the Company shall recognize and measure its current or deferred tax asset or liability applying the requirements of IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this interpretation. The interpretation is valid from January 1, 2019.

The Company has analyzed relevant tax decisions of superior courts and whether they conflict anyhow with the positions adopted by the Company. For already known uncertain tax positions, the Company has reviewed corresponding legal opinions and jurisprudence and has not identified any impact that should be disclosed or recorded. The Company has concluded that it is not probable that the tax authorities do not accept the positions adopted.

3.3. Exchange rates

The exchange rates in Brazilian Reais that are effective at the base date are as follows:

	Exchange rate at the statement of financial position date		Average rates	
	06.30.19	12.31.18	06.30.19	06.30.18
Thailand Bath (THB)	0.1249	0.1198	0.1217	0.1079
Kwait Dinar (KWD)	12.6434	12.7755	12.6666	11.3936
United Arab Emirates Dirham (AED)	1.0434	1.0550	1.0468	0.9325
Singapore Dollar (SGD)	2.8317	2.8464	2.8290	2.5808
U.S. Dollar (US\$ or USD)	3.8322	3.8748	3.8447	3.4247
Vietnamese Dong (VND)	0.0002	0.0002	0.0002	0.0002
Hong Kong dollar (HKD)	0.4907	0.4948	0.4902	0.4369
Euro (€ or EUR)	4.3587	4.4390	4.3429	4.1414
Forint Hungary (HUF)	0.0135	0.0138	0.0136	0.0132
Yen (JPY)	0.0355	0.0353	0.0350	0.0315
Romanian leu (RON)	0.9223	0.9527	0.9162	0.8902
Pound Sterling (£ or GBP)	4.8684	4.9617	4.9736	4.7102
Turkish Lira (TRY)	0.6616	0.7331	0.6844	0.8377
Argentinian Peso (\$) or ARS)	0.0904	0.1029	0.0930	0.1599
Chilean Peso (CLP)	0.0057	0.0056	0.0057	0.0056
Uruguayan Peso (UYU)	0.1087	0.1199	0.1138	0.1171
South African Rand (ZAR)	0.2709	0.2699	0.2707	0.2783
Renminbi Yuan China (CNY)	0.5582	0.5636	0.5666	0.5379
Saudi Riyal (SAR)	1.0219	1.0330	1.0252	0.9132
Qatar Riyal (QAR)	1.0476	1.0643	1.0551	0.9408
Omani Riyal (OMR)	9.9589	10.0696	9.9915	8.8974
Ringgit Malaysia (MYR)	0.9279	0.9382	0.9335	0.8702
Russian Rouble (RUB)	0.0607	0.0556	0.0590	0.0576
Won South Korea (KRW)	0.0033	0.0035	0.0034	0.0032

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

4.1. Overview

In the ordinary course of business, the Company is exposed to credit, liquidity and market risks, which are actively managed in compliance with the Financial Risk Management Policy (“Risk Policy”) and strategic documents and internal guidelines subject to such policy.

The Risk Policy is under the management of the Board of Executive Officers through the Risk Management Committee and the Financial Risk Management department, with clear and defined roles and responsibilities, as follows:

- The Board of Directors is responsible for the supervision and approval of the Risk Policy, as well as for defining the acceptable tolerance limits for the

Company to the different risks identified on behalf of its shareholders. The current risk policy has been approved and is valid until November 26, 2019;

- The Financial Risk Management Committee, formally set and subordinated to the Executive Board, is in charge of the execution of the Risk Policy, which comprises the supervision of the risk management process, planning and verification of the impacts of the decisions implemented, as well as the evaluation and approval of hedging strategies and monitoring the exposure levels to ensure compliance with the Risk Policy; and
- The Risk Management Department has the key role in monitoring, evaluating and reporting the financial risks taken by the Company.

The Risk Policy prohibits entering into any leveraged derivative transaction and determines that any individual hedge operation (notional amount) must not exceed 2.5% of the Company's shareholders' equity, except if approved by the Board of Directors.

4.2. Credit risk management

The Company is exposed to credit risk related to the financial assets held: trade and non-trade accounts receivable, marketable securities, derivative instruments and cash and equivalents.

i. Accounts receivable credit risk

Credit risk associated with trade accounts receivable is actively managed through specific systems and is supported by internal policies for credit analysis. The significant level of diversification and geographical dispersion of the customer portfolio significantly reduces the risk, however, the Company chooses to complement the risk management by contracting insurance policies for specific markets. The impairment of these financial assets is carried out based on expected credit losses.

ii. Counterparty credit risk

Credit risk associated with marketable securities, cash and cash equivalents and derivative instruments in general is directed to counterparties with Investment Grade ratings. The maintenance of assets with counterparty risk lower than Investment Grade is constantly assessed according to credit ratings and the Company's portfolio concentration, aligned with the applicable impairment requisites.

On June 30, 2019, the Company had financial investments over R\$100,000 at the following financial institutions: Banco Bradesco, Banco BIC, Banco BTG Pactual, Banco do Brasil, Banco Itaú, Banco Safra, Banco Santander, Citibank, HSBC and J.P. Morgan Chase Bank.

The Company also held derivative contracts with the following financial institutions: Banco Bradesco, Banco Itaú, Banco Votorantim, Bank of America Merrill Lynch, Citibank, ING Bank, Morgan Stanley e Rabobank.

4.3. Capital management and liquidity risk

The Company is exposed to liquidity risk as far as it needs cash or other financial assets to settle its obligations in the respective terms. The Company's cash and liquidity strategy takes into consideration historical volatility scenarios of results as well as simulations of sectorial and systemic crisis. It is grounded on allowing resilience in scenarios of capital restriction.

BRF's ideal capital structure definition is essentially associated with (i) cash strength as tolerance factor to liquidity shocks, contemplating an analysis of minimum cash, (ii) net debt and (iii) maximization of the opportunity cost of capital.

The Company is constantly seeking to diversify sources of financing in order to reduce the concentration of its credit exposure, as well as monitoring the financial and capital markets in search of opportunities to improve its net debt with the objective of optimizing the relation of cost of capital and average amortization term of its liabilities.

As guideline, the gross debt must be concentrated in the long term. On June 30, 2019, the long term gross debt represented 76.7% (78.7% as of December 31, 2018) of the total gross indebtedness, which has an average term higher than three years.

The Company monitors the net debt and indebtedness as set forth below:

	06.30.19			12.31.18
	Current	Non-current	Total	Total
Foreign currency debt	(992,119)	(9,511,432)	(10,503,551)	(11,538,304)
Local currency debt	(3,768,889)	(6,508,599)	(10,277,488)	(10,627,140)
Derivative financial liabilities	(117,753)	-	(117,753)	(235,035)
Gross debt	(4,878,761)	(16,020,031)	(20,898,792)	(22,400,479)
Marketable securities and cash and cash equivalents	5,821,151	201,017	6,022,168	5,667,222
Derivative financial assets	156,289	-	156,289	182,339
Restricted cash	594,438	226,115	820,553	861,621
Net debt	1,693,117	(15,592,899)	(13,899,782)	(15,689,297)

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The table below summarizes the significant commitments and contractual obligations that may impact the Company's liquidity:

	06.30.19							
	Book value	Contractual cash flow	Up to 6 months	2020	2021	2022	2023 onwards	
Non derivative financial liabilities								
Loans and financing	11,177,353	13,202,243	1,567,040	4,555,494	3,751,310	806,108	1,717,233	805,058
BRF bonds	7,366,441	8,669,635	119,462	298,856	298,856	2,919,585	2,090,465	2,942,411
BFF bonds	339,587	353,874	11,961	341,913	-	-	-	-
BRF GmbH bonds	1,897,658	2,541,226	41,675	83,350	83,350	83,350	83,350	2,166,151
Trade accounts payable	5,417,793	5,465,145	5,465,145	-	-	-	-	-
Supply chain finance	586,180	586,180	586,180	-	-	-	-	-
Lease payables	2,380,940	2,977,691	307,694	481,577	429,973	380,291	363,174	1,014,984
Derivative financial liabilities								
Financial instruments designated as cash flow hedge								
Currency derivatives (NDF)	2,399	(391)	(53)	(338)	-	-	-	-
Commodities derivatives - Corn (NDF)	56,060	56,060	32,702	23,358	-	-	-	-
Commodities derivatives - Soybean meal (NDF)	630	630	630	-	-	-	-	-
Commodities derivatives - Soybean (NDF)	2,501	2,501	2,501	-	-	-	-	-
Currency derivatives (options)	45,808	-	-	-	-	-	-	-
Financial instruments not designated as cash flow hedge								
Currency derivatives (NDF)	7,469	34,903	34,903	-	-	-	-	-
Commodities derivatives (Future)	2,886	-	-	-	-	-	-	-

4.4. Market risk management

a. Interest rate risk

The interest rate risk may cause economic losses to the Company resulting from volatility in interest rates that affect its assets and liabilities.

The Company's Risk Policy does not restrict exposure to different interest rates, neither establishes limits for fixed or floating rates. However, the Company continually monitors the market interest rates in order to evaluate any need to enter into hedging transactions to protect from the fluctuation of such rates and manage the mismatch between its financial investments and debts.

The Company's indebtedness is essentially linked to the London Interbank Offered Rate ("LIBOR"), fixed coupon ("R\$ and USD"), Interbank Deposit Certificate ("CDI") and Broad Consumer Price Index ("IPCA"). In situations of adverse market changes that result in an increase in LIBOR, CDI and IPCA, the cost of floating-rate debt rises and on the other hand, the cost of fixed-rate debt decreases in relative terms.

Regarding the marketable securities, the Company holds mainly instruments indexed by the CDI for investments in Brazil and fixed coupon in USD for investments in the foreign market.

b. Foreign exchange risk

Foreign exchange risk is the one that may cause unexpected losses to the Company resulting from volatility of the FX rates, reducing its assets and revenues or increasing its liabilities and costs. The Company's exposure is managed in two dimensions: statement of financial position exposure and operating income exposure.

i. Statement of financial position exposure

The Risk Policy regarding statement of financial position exposure has the objective to balance assets and liabilities denominated in foreign currencies, hedging the Company's statement of financial position by using natural hedges, over-the-counter derivatives and exchange traded futures.

The Company's consolidated financial information are mainly impacted by variations in the following currencies: Kuwait Dinar, United Arab Emirates Dirhan, U.S. Dollar, Euro, Yen, Turkish Lira, Saudi Arabian Riyal, Qatari Riyal and Russian Ruble, Thai Baht, Pound Sterling, Argentinean Peso. The last three have lower relevance during 2019, aligned with the discontinuation of the Argentina, Europe and Thailand Operations.

Assets and liabilities denominated in foreign currency which exchange variations are recognized in the income statement are as follows, summarized in Brazilian Reais:

	<u>06.30.19</u>	<u>12.31.18</u>
Cash and cash equivalents	375,476	127,266
Trade accounts receivable	1,196,750	65,820
Trade accounts payable	(569,104)	(861,341)
Loans and financing	(7,128,599)	(7,347,953)
Hedge	2,212,785	5,209,168
Investments, net	4,341,802	2,571,870
Other assets and liabilities, net	(1,282)	376
Exposure in result	<u>427,828</u>	<u>(234,794)</u>

The investments, net line item is comprised of natural hedges derived from assets and liabilities of foreign subsidiaries with Brazilian Reais as functional currency.

The net P&L exposure is mainly composed of the following currencies:

Net P&L Exposure	<u>06.30.19</u>		<u>12.31.18</u>	
	<u>in thousands</u>	<u>Equivalent in thousands of R\$</u>	<u>in thousands</u>	<u>Equivalent in thousands of R\$</u>
Argentinian Peso	(135,922)	(12,282)	1,812,808	186,538
Euros	(30,275)	(131,959)	(87,725)	(389,412)
Pound Sterling	590	2,873	(14,373)	(71,314)
Yen	3,862,181	137,262	114,574	4,041
Rubles	34,694	2,107	1,649,338	91,720
Turkish Liras	(377,530)	(249,774)	(475,568)	(348,639)
U.S. Dollars	177,340	679,601	75,429	292,272
Total		<u>427,828</u>		<u>(234,794)</u>

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The derivative financial instruments used to hedge the foreign currency statement of financial position exposure on June 30, 2019 are not designated as hedge accounting and are set forth below:

								06.30.19
Derivative instruments not designated	Asset	Liability	Maturity	Notional		Average Rate	Fair value (R\$)	
Non-deliverable forward	USD	BRL	3rd Qtr. 2019	85,000	USD	3.8755	(556)	
Non-deliverable forward	EUR	BRL	3rd Qtr. 2019	230,000	EUR	4.4473	(3,533)	
Futures - B3	USD	BRL	3rd Qtr. 2019	80,750	USD	3.8478	252	
Currency swap	USD + 4.67% p.a.	109.00% CDI	4th Qtr. 2019	55,000	USD	-	1,009	
Non-deliverable forward	EUR	USD	3rd Qtr. 2019	200,000	EUR	1.1470	(1,139)	
Non-deliverable forward	EUR	RUB	3rd Qtr. 2019	20,105	EUR	74.6100	(2,241)	
Collar	TRY	USD	3rd Qtr. 2019	50,000	USD	6.2020	(1,146)	
							(7,354)	

ii. Operating income exposure

The Risk Policy regarding operating income exposure has the objective to hedge revenues and costs denominated in foreign currencies. The Company is supported by internal models to measure and monitor these risks, and uses financial instruments for hedging, designating the relations as cash flow hedges.

The derivative and non-derivative financial instruments designated as cash flow hedges for FX operating exposure on June 30, 2019 are set forth below:

								06.30.19
Cash flow hedge - Derivative instruments	Hedged object	Asset	Liability	Maturity	Notional		Average Rate	Fair value (R\$)
Non-deliverable forward	USD Exports	BRL	USD	3rd Qtr. 2019	190,000	USD	3.9661	22,106
Non-deliverable forward	USD Exports	BRL	USD	4th Qtr. 2019	10,000	USD	3.9360	580
Non-deliverable forward	USD Cost	BRL	USD	3rd Qtr. 2019	2,543	USD	4.0170	401
Non-deliverable forward	USD Cost	BRL	USD	4th Qtr. 2019	75,301	USD	3.9323	3,366
Non-deliverable forward	USD Cost	BRL	USD	1st Qtr. 2020	54,796	USD	4.0246	4,760
Non-deliverable forward	USD Cost	BRL	USD	2nd Qtr. 2020	10,970	USD	4.0063	710
Non-deliverable forward	USD Cost	BRL	USD	3rd Qtr. 2020	3,355	USD	4.0627	251
Non-deliverable forward	USD Cost	BRL	USD	4th Qtr. 2020	1,266	USD	4.0032	(19)
Non-deliverable forward	EUR Exports	BRL	EUR	3rd Qtr. 2019	20,000	EUR	4.4959	1,982
Collar	USD Exports	BRL	USD	3rd Qtr. 2019	295,000	USD	3.9978	29,597
Collar	USD Exports	BRL	USD	4th Qtr. 2019	250,000	USD	3.9879	18,495
Collar	USD Exports	BRL	USD	1st Qtr. 2020	100,000	USD	3.9915	4,198
Collar	USD Exports	BRL	USD	2nd Qtr. 2020	65,000	USD	4.0385	3,351
Collar	EUR Exports	BRL	EUR	3rd Qtr. 2019	10,000	EUR	4.5783	1,033
							90,811	

								06.30.19
Cash flow hedge - Non-derivative instruments	Hedged object	Asset	Liability	Maturity	Notional		Average Rate	Fair value (R\$) (1)
Bond BRF SA BRFSBZ5	USD Exports	-	USD	06.2022	118,662	USD	2.0213	(556,297)
Bond BRF SA BRFSBZ3	USD Exports	-	USD	05.2023	150,000	USD	2.0387	(574,830)
							(1,131,127)	

(1) Notional amount converted by the Ptax rate at the end of the period or partial revocation dates. This amount represents the total that may impact the Company's shareholders' equity.

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c. Commodities price risk

In the ordinary course of business, the Company purchases commodities, mainly corn, soybean, soybean meal and soybean oil, individual components of the production costs.

Corn and soy prices are subject to volatility resulting from weather conditions, harvest productivity, transport and warehouse costs, government agricultural policies, FX rates and international market prices, among other factors.

The Risk Policy establishes coverage limits to the flow of purchases of corn and soy with the purpose of reducing the impact due to a price increase of these raw materials. The hedge may be reached using derivatives or by inventory management.

The financial instruments designated as cash flow hedges and fair value hedges for the commodities price exposure on June 30, 2019 are set forth below:

							06.30.19
Cash flow hedge - Derivative instruments	Hedged object	Index	Maturity	Quantity	Average rate (US\$/Ton)	Fair value (R\$)	
Non-deliverable forward - buy	Soybean meal purchase - floating price	Soybean meal - CBOT	3rd Qtr. 2019	21,001 ton	127.54	(620)	
Non-deliverable forward - buy	Soybean meal purchase - floating price	Soybean meal - CBOT	4th Qtr. 2019	21,972 ton	124.20	785	
Non-deliverable forward - buy	Soybean meal purchase - floating price	Soybean meal - CBOT	1st Qtr. 2020	23,950 ton	122.15	1,693	
Non-deliverable forward - buy	Soybean meal purchase - floating price	Soybean meal - CBOT	2nd Qtr. 2020	19,958 ton	122.94	1,410	
Non-deliverable forward - buy	Soybean purchase - floating price	Soybean - CBOT	3rd Qtr. 2019	9,999 ton	343.46	(426)	
Non-deliverable forward - buy	Corn purchase - floating price	Corn - CBOT	3rd Qtr. 2019	120,008 ton	177.10	(4,547)	
Non-deliverable forward - buy	Corn purchase - floating price	Corn - CBOT	4th Qtr. 2019	314,848 ton	173.06	(3,841)	
Non-deliverable forward - buy	Corn purchase - floating price	Corn - CBOT	1st Qtr. 2020	249,821 ton	178.06	(4,821)	
Non-deliverable forward - buy	Corn purchase - floating price	Corn - CBOT	2nd Qtr. 2020	119,894 ton	183.32	(4,006)	
						(14,373)	

							06.30.19
Fair value hedge - Derivative instruments	Hedged object	Index	Maturity	Quantity	Average rate (US\$/Ton)	Fair value (R\$)	
Non-deliverable forward - sell	Soybean purchase - fixed price	Soybean - CBOT	3rd Qtr. 2019	7,906 ton	321.61	(398)	
Non-deliverable forward - sell	Soybean purchase - fixed price	Soybean - CBOT	4th Qtr. 2019	62,813 ton	336.28	(868)	
Non-deliverable forward - sell	Corn purchase - fixed price	Corn - CBOT	4th Qtr. 2019	354,981 ton	156.15	(18,664)	
Non-deliverable forward - sell	Corn purchase - fixed price	Corn - CBOT	1st Qtr. 2020	195,500 ton	166.29	(5,046)	
Non-deliverable forward - sell	Corn purchase - fixed price	Corn - CBOT	2nd Qtr. 2020	199,412 ton	166.87	(6,364)	
Non-deliverable forward - sell	Corn purchase - fixed price	Corn - CBOT	3rd Qtr. 2020	20,842 ton	160.68	(286)	
Non-deliverable forward - sell	Corn purchase - fixed price	Corn - CBOT	4th Qtr. 2020	7,684 ton	164.72	31	
						(31,595)	

							06.30.19
Derivative instruments not designated	Hedged object	Index	Maturity	Quantity	Average rate (US\$/Ton)	Fair value (R\$)	
Non-deliverable forward - buy	Soybean meal purchase - floating price	Soybean meal - CBOT	2nd Qtr. 2020	14,969 ton	123.79	1,047	
						1,047	

d. Stock price risk

On August 16, 2017, the Company sold shares held in treasury and entered into a Total Return Swap instrument in equivalent amount, with maturity on February 05, 2019 and no possibility of renewal. By this instrument, the Company had the right to receive or pay the variation on the stock price (BRFS3) in exchange for the payment of interest indexed to

CDI. On June 30, 2019, the only stock price risks existing in the Company are related to the investments in shares of Cofco and Minerva, as demonstrated in note 7.

4.5. Hedge accounting

4.5.1. Designated relations

The Company applies hedge accounting rules for derivative and non-derivative financial instruments that qualify as cash flow hedges and fair value hedges, in accordance with the Risk Policy determinations. The hedge index, which represents the proportion of the object hedged by the instrument, is determined for each relation according to dynamic of the risks of the object and of the instrument.

The Company formally designates its hedge accounting relations in compliance with IFRS 09 and the Risk Policy. The hedge accounting relations used by the company as of June 30, 2019 and their effects are described below:

i. Cash flow hedge accounting – exports in foreign currencies

The future exports in foreign currencies are highly probable and qualify as hedged object since the Company expects to keep its sales in foreign currencies for future periods, based on sales already committed and historical exports.

The derivative and non-derivative financial instruments used for hedging (detailed in note 4.4.b.ii) have a direct economic relation with the objects risk, since both are transactions in the same currency. The main source of ineffectiveness in this relation is the possible mismatch between the instruments maturity dates and the sales dates. However, this mismatch is limited within the month of designation and it is not expected to compromise the hedge relation.

ii. Cash flow hedge – commodities

The future commodities purchases are highly probable and qualify as hedge object as far as these inputs are essential for the productive process of the Company. The exposure consists of purchases already committed and of historical purchase volumes.

The derivative instruments used as hedge (detailed in note 4.4.c) have a strong economic relation with the objects risk, since the purchase prices negotiated with the suppliers are indexed to the same prices used as coverage. The main source of ineffectiveness is the seasonality, which in atypical situations may delay or anticipate the orders. It is not expected that this ineffectiveness may compromise the hedge relation.

iii. Fair value hedge – commodities

The Company has agreements with suppliers for future purchases at fixed prices. These agreements are firm commitments, which the company designates as fair value hedge objects.

The derivative instruments used as hedge (detailed in note 4.4.c) have a strong economic relation with the objects risk, since the purchase prices negotiated with the suppliers are indexed to the same prices used as coverage. There are no identified sources of ineffectiveness that may compromise the hedge relation.

4.5.2. Gains and losses with hedge accounting instruments

The gains and losses with the instruments designated as cash flow hedge, while unrealized, are registered as a component of other comprehensive income. For hedging instruments designated in fair value hedge relations, the unrealized gains and losses are recorded in inventories, item in which the object will be registered at initial recognition.

	06.30.19					Total
	Cash flow hedge			Fair value hedge		
	Interest	Foreign exchange		Commodities	Commodities	
Derivatives	Derivatives	Non-derivatives	Derivatives	Derivatives		
Fair value on 12.31.18	(82)	21,483	(1,271,732)	(9,144)	17,920	(1,241,555)
Settlement	34	(34,853)	123,962	9,341	(15,640)	82,844
Inventories	-	-	-	4,079	(60,838)	(56,759)
Other comprehensive income	3	57,856	78,078	7,885	-	143,822
Operating result - income	-	45,047	-	-	-	45,047
Operating result - cost	-	-	-	(26,534)	26,963	429
Financial result	45	1,278	(61,435)	-	-	(60,112)
Fair value on 06.30.18	-	90,811	(1,131,127)	(14,373)	(31,595)	(1,086,284)

4.6. Sensitivity analysis

The Management understands that the most relevant risks that may affect the Company's results are: volatility of commodities prices and foreign exchange rates. Currently the fluctuation of the interest rates does not affect significantly the Company's results since Management has chosen to keep at fixed rates a considerable portion of its debts.

The scenarios below present the possible impacts of the financial instruments considering situations of increase and decrease in the selected risk factors. The amounts of exports used correspond to the notional amount of the financial instruments designated for hedge accounting.

The information used in the preparation of the analysis are based on the position as of June 30, 2019, which has been described in the items above. The future results may

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diverge significantly of the estimated values if the reality presents different than the considered premises. Positive values indicate gains and negative values indicate losses.

Parity - R\$ x USD		3.8322	3.4490	2.8742	4.7903	5.7483
Transaction/Instrument	Risk	Current Scenario	Scenario I 10% appreciation	Scenario II 25% appreciation	Scenario III 25% devaluation	Scenario IV 50% devaluation
Designated as hedge accounting						
Non-deliverable forward	Devaluation of R\$	47,930	181,380	381,553	(285,692)	(619,315)
Options - currencies	Devaluation of R\$	65,007	329,204	737,334	(503,071)	(1,183,286)
Bonds	Devaluation of R\$	(483,910)	(380,953)	(226,518)	(741,302)	(998,693)
Exports (object)	Appreciation of R\$	392,423	(51,376)	(728,906)	1,409,502	2,538,719
Cost (object)	Appreciation of R\$	(21,450)	(78,255)	(163,463)	120,563	262,575
Not designated as hedge accounting						
NDF - Purchase	Appreciation of R\$	(3,681)	(36,254)	(85,115)	77,754	159,188
Future purchase - B3	Appreciation of R\$	(2,726)	(69,502)	(169,666)	164,214	331,154
Net effect		(6,407)	(105,756)	(254,781)	241,968	490,342

Parity - R\$ x EUR		4.3587	3.9228	3.2690	5.4484	6.5381
Transaction/Instrument	Risk	Current Scenario	Scenario I 10% appreciation	Scenario II 25% appreciation	Scenario III 25% devaluation	Scenario IV 50% devaluation
Designated as hedge accounting						
Non-deliverable forward	Devaluation of R\$	2,744	11,461	24,538	(19,050)	(40,843)
Currency options	Devaluation of R\$	1,213	5,572	12,110	(7,719)	(18,616)
Exports (object)	Appreciation of R\$	(3,957)	(17,033)	(36,648)	26,769	59,459
Not designated as hedge accounting						
NDF - Purchase EUR x US\$	Appreciation of EUR	(7,392)	(94,567)	(225,330)	210,545	428,482
NDF - Purchase EUR x RUB	Appreciation of EUR	(3,442)	(12,206)	(25,352)	18,469	40,379
NDF - Purchase	Appreciation of R\$	(20,371)	(120,621)	(270,996)	230,254	480,880
Net effect		(31,205)	(227,394)	(521,678)	459,268	949,741

Price parity CBOT - Corn - US\$/Ton		171.48	154.33	128.61	214.35	257.22
Transaction/Instrument	Risk	Current Scenario	Scenario I Decrease 10%	Scenario II Decrease 25%	Scenario III Increase 25%	Scenario IV Increase 50%
Designated as hedge accounting						
Non-deliverable forward - Corn sale	Increase in the price of corn	(29,332)	21,823	98,554	(157,218)	(285,103)
Non-deliverable forward - Corn purchase	Decrease in the price of corn	(16,218)	(69,091)	(148,400)	115,964	248,146
Cost (object)	Increase in the price of corn	45,550	47,268	49,846	41,254	36,957
Net effect		-	-	-	-	-

Price parity CBOT - Soybean meal - US\$/Ton		127.66	114.89	95.74	159.57	191.48
Transaction/Instrument	Risk	Current Scenario	Scenario I Decrease 10%	Scenario II Decrease 25%	Scenario III Increase 25%	Scenario IV Increase 50%
Designated as hedge accounting						
Non-deliverable forward - Soybean meal purchase	Decrease in the price of soybean meal	1,167	(3,083)	(9,459)	11,793	22,418
Cost (object)	Increase in the price of soybean meal	(1,167)	3,083	9,459	(11,793)	(22,418)
Not designated as hedge accounting						
Non-deliverable forward - Soybean meal purchase	Decrease in the price of soybean meal	222	(511)	(1,609)	2,052	3,883
Net effect		222	(511)	(1,609)	2,052	3,883

Price parity CBOT - Soybean - US\$/Ton		338.45	304.60	253.83	423.06	507.67
Transaction/Instrument	Risk	Current Scenario	Scenario I Decrease 10%	Scenario II Decrease 25%	Scenario III Increase 25%	Scenario IV Increase 50%
Designated as hedge accounting						
NDF - Soybean sale	Increase in the price of soybean	(1,032)	8,141	21,899	(23,962)	(46,893)
NDF - Soybean purchase	Decrease in the price of soybean	(192)	(1,489)	(3,434)	3,050	6,292
Cost (object)	Increase in the price of soybean	1,224	(6,652)	(18,465)	20,912	40,601
Net effect		-	-	-	-	-

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4.7. Financial instruments by category

	06.30.19				
	Amortized cost	Fair value through other comprehensive income		Fair value through profit and loss	Total
		Equity instruments	Debt instruments		
Assets					
Cash and bank	1,307,860	-	-	-	1,307,860
Cash equivalents	-	-	-	3,928,231	3,928,231
Marketable securities	237,146	126,739	17,753	404,439	786,077
Restricted cash	481,380	339,173	-	-	820,553
Trade accounts receivable	2,147,895	-	-	320,603	2,468,498
Other credits	178,023	-	-	-	178,023
Derivatives not designated	-	-	-	3,001	3,001
Derivatives designated as hedge accounting (1)	-	-	-	153,288	153,288
Liabilities					
Trade accounts payable	(5,417,793)	-	-	-	(5,417,793)
Supply chain finance	(586,180)	-	-	-	(586,180)
Loans and financing	(20,781,039)	-	-	-	(20,781,039)
Derivatives not designated	-	-	-	(10,355)	(10,355)
Derivatives designated as hedge accounting (1)	-	-	-	(107,398)	(107,398)
	<u>(22,432,708)</u>	<u>465,912</u>	<u>17,753</u>	<u>4,691,809</u>	<u>(17,257,234)</u>

(1) All derivatives are measured at fair value. Those designated as hedge accounting have their gains and losses also affecting other comprehensive income and inventories.

	12.31.18				
	Amortized cost	Fair value through other comprehensive income		Fair value through profit and loss	Total
		Equity instruments	Debt instruments		
Assets					
Cash and bank	722,838	-	-	-	722,838
Cash equivalents	-	-	-	4,146,724	4,146,724
Marketable securities	331,395	139,469	16,398	310,398	797,660
Restricted cash	861,621	-	-	-	861,621
Trade accounts receivable	2,409,667	-	-	203,224	2,612,891
Other credits	204,072	-	-	-	204,072
Derivatives not designated	-	-	-	41,387	41,387
Derivatives designated as hedge accounting (1)	-	-	-	140,952	140,952
Liabilities					
Trade accounts payable	(5,732,278)	-	-	-	(5,732,278)
Supply chain finance	(885,783)	-	-	-	(885,783)
Loans and financing	(22,165,444)	-	-	-	(22,165,444)
Derivatives not designated	-	-	-	(124,261)	(124,261)
Derivatives designated as hedge accounting (1)	-	-	-	(110,774)	(110,774)
	<u>(24,253,912)</u>	<u>139,469</u>	<u>16,398</u>	<u>4,607,650</u>	<u>(19,490,395)</u>

(1) All derivatives are measured at fair value. Those designated as hedge accounting have their gains and losses also affecting other comprehensive income and inventories.

4.8. Fair value of the financial instruments

According to IFRS 13 the fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Depending on the inputs used for measurement, the financial instruments at fair value may be classified into 3 hierarchy levels:

- Level 1 – Uses prices quoted (unadjusted) for identical instruments in active markets. In this category are classified investments in stocks, credit linked notes, savings accounts, overnights, term deposits, Financial Treasury Bills (“LFT”) and investment funds;
- Level 2 – Uses prices quoted in active markets for similar instruments, prices quoted for identical or similar instruments in non-active markets and evaluation models for which inputs are observable. In this level are classified the investments in Bank Deposit Certificates (“CDB”) and derivatives, which are measured by well-known pricing models: discounted cash flows and Black-Scholes. The observable inputs are interest rates and curves, volatility factors and foreign exchange rates; and
- Level 3 – Instruments whose significant inputs are non-observable. The Company does not have financial instruments in this classification.

The table below presents the overall classification of financial instruments measured at fair value by measurement hierarchy. For the period ended on June 30, 2019, there were no changes between the 3 levels of hierarchy.

	06.30.19			12.31.18		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial Assets						
Fair value through other comprehensive income						
Credit linked notes	17,753	-	17,753	16,398	-	16,398
Stocks	126,739	-	126,739	139,469	-	139,469
Fair value through profit and loss						
Savings account and overnight	1,253,236	-	1,253,236	401,145	-	401,145
Term deposits	1,164,890	-	1,164,890	21,150	-	21,150
Bank deposit certificates	-	1,506,350	1,506,350	-	3,720,708	3,720,708
Financial treasury bills	386,151	-	386,151	295,699	-	295,699
Investment funds	22,043	-	22,043	3,721	-	3,721
Derivatives	-	156,289	156,289	-	182,339	182,339
Financial Liabilities						
Fair value through profit and loss						
Derivatives	-	(117,753)	(117,753)	-	(235,035)	(235,035)
	<u>2,970,812</u>	<u>1,544,886</u>	<u>4,515,698</u>	<u>877,582</u>	<u>3,668,012</u>	<u>4,545,594</u>

Except for the items set forth below, the book value of all other financial instruments approximates their fair value. The fair value of financial instruments set forth below is based in prices observed in active markets, level 1 of the fair value hierarchy.

	Maturity	06.30.19		12.31.18	
		Book value	Fair value	Book value	Fair value
BRF bonds					
BRF SA BRFSBZ5	2022	(447,937)	(470,434)	(451,542)	(456,190)
BRF SA BRFSBZ4	2024	(2,869,005)	(2,898,925)	(2,898,940)	(2,695,884)
BRF SA BRFSBZ3	2023	(1,873,955)	(1,896,307)	(1,888,811)	(1,754,586)
BRF SA BRFSBZ2	2022	(2,175,544)	(2,243,572)	(2,248,510)	(2,189,975)
BFF bonds					
Sadia Overseas BRFSBZ7	2020	(339,587)	(346,324)	(342,958)	(349,241)
Bonds BRF GmbH					
BRF SA BRFSBZ4	2026	(1,897,658)	(1,868,091)	(1,915,685)	(1,702,211)
		(9,603,686)	(9,723,653)	(9,746,446)	(9,148,087)

5. SEGMENT INFORMATION

The operating segments are reported consistently with the management reports provided to the main decision makers for assessing the performance of each segment and allocation of resources.

With the sale of the Argentina, Europe and Thailand Operations and changes in the management, the Company has modified its operating segments in relation to December 31, 2018 primarily observing the Company's business regions, being: (i) Brazil; (ii) International, which concentrates all the Company's operations abroad and has included the Halal and International segments; and (iii) Other Segments. Segment information related to prior periods have been reclassified for comparability.

These segments include sales of all distribution channels and operations subdivided according to the nature of the products, their characteristics are described below:

- Poultry: production and sale of whole poultry and in-natura cuts.
- Pork and other: production and sale of in-natura cuts.
- Processed: production and sale of processed food, frozen and processed products derived from poultry, pork and beef, margarine, vegetables and soybean-based products.
- Other sales: sale of flour for food service and others.

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Other segments are divided into:

- Ingredients: commercialization and development of animal nutrition ingredients, human nutrition, plant nutrition (fertilizers) and health care (health and wellness).
- Other segments: commercialization of agricultural products.

The net sales for each reportable operating segment is set forth below:

Net sales	April to June	January to	Restated	Restated
	2019	June 2019	April to June 2018	January to June 2018
Brazil				
In-natura	1,140,672	2,239,820	932,485	1,902,025
Poultry	908,900	1,794,305	740,586	1,511,274
Pork and other	231,772	445,515	191,899	390,751
Processed	2,937,848	5,775,094	2,747,639	5,521,208
Other sales	3,176	7,249	4,784	9,641
	<u>4,081,696</u>	<u>8,022,163</u>	<u>3,684,908</u>	<u>7,432,874</u>
International				
In-natura	3,373,477	6,009,675	2,709,004	5,301,528
Poultry	3,040,066	5,449,083	2,509,379	4,851,928
Pork and other	333,411	560,592	199,625	449,600
Processed	547,066	1,048,979	422,911	844,585
Other sales	64,955	120,715	78,462	148,285
	<u>3,985,498</u>	<u>7,179,369</u>	<u>3,210,377</u>	<u>6,294,398</u>
Other segments				
Ingredients	128,684	249,452	98,790	206,755
Other sales	142,131	246,275	72,600	163,346
	<u>270,815</u>	<u>495,727</u>	<u>171,390</u>	<u>370,101</u>
	<u>8,338,009</u>	<u>15,697,259</u>	<u>7,066,675</u>	<u>14,097,373</u>

The operating income for each reportable operating segment is set forth below:

	April to June	January to	Restated	Restated
	2019	June 2019	April to June 2018	January to June 2018
Brazil	490,326	556,933	(56,012)	99,802
International	425,668	551,134	(159,789)	(59,935)
Other segments	40,555	40,531	20,560	55,449
Ingredients	30,503	55,123	20,800	49,394
Other sales	10,052	(14,592)	(240)	6,055
Sub total	<u>956,549</u>	<u>1,148,598</u>	<u>(195,241)</u>	<u>95,316</u>
Corporate	(26,508)	(60,359)	(532,804)	(564,091)
	<u>930,041</u>	<u>1,088,239</u>	<u>(728,045)</u>	<u>(468,775)</u>

The items presented above as Corporate refers to relevant events not attributable to the normal course of business and not attributable to the operating segments. For the six-month period ended June 30, 2019, the main events were R\$42,320 related to Trapaça Operation (R\$300,346 in the same period of the previous year) (note 1.2.2), and R\$16,431

related to the operational restructuring plan. For the three-month ended June 30, 2019, the main event was R\$31,207 related to Trapaça Operation (R\$117,694 in the same period of the previous year).

No customer individually or in aggregate (economic group) accounted for more than 5% of net sales for the six-month period ended June 30, 2019 and 2018.

The goodwill arising from business combinations and the intangible assets with indefinite useful life (trademarks) were allocated to the reportable operating segments, which correspond to the cash-generating units of the Company, considering economic benefits generated by such assets. The allocation of these intangible assets is presented below:

	Goodwill		Trademarks		Total	
	06.30.19	12.31.18	06.30.19	12.31.18	06.30.19	12.31.18
Brazil	1,151,498	1,151,498	982,478	982,478	2,133,976	2,133,976
International	1,517,783	1,543,467	335,809	353,684	1,853,592	1,897,151
	2,669,281	2,694,965	1,318,287	1,336,162	3,987,568	4,031,127

Information related to total assets by reportable segment is not disclosed, as it is not included in the set of information made available to the Company's administration, which makes investment decisions and determine allocation of assets on a consolidated basis.

6. CASH AND CASH EQUIVALENTS

	Average rate (p.a.)	06.30.19	12.31.18
Cash and bank accounts			
U.S. Dollar	-	640,057	118,895
Brazilian Reais	-	110,798	97,376
Euro	-	83,584	52,779
Other currencies	-	473,421	453,788
		1,307,860	722,838
Cash equivalents			
In Brazilian Reais			
Investment funds	2.28%	3,755	3,721
Savings account	2.56%	7	49
Bank deposit certificates	5.53%	1,506,350	3,720,708
		1,510,112	3,724,478
In U.S. Dollar			
Term deposit	2.91%	1,113,676	-
Overnight	2.34%	1,253,229	401,096
Other currencies			
Term deposit	2.47%	51,214	21,150
		2,418,119	422,246
		5,236,091	4,869,562

7. MARKETABLE SECURITIES

	WATM (1)	Currency	Average interest rate (p.a.)	06.30.19	12.31.18
Fair value through other comprehensive income					
Credit linked note (a)	0.59	US\$	3.85%	17,753	16,398
Stocks (b)	-	R\$ and HKD	-	126,739	139,469
				<u>144,492</u>	<u>155,867</u>
Fair value through profit and loss					
Financial treasury bills (c)	3.91	R\$	6.40%	386,151	295,699
Investment funds - FIDC (d)	4.46	R\$	-	15,192	14,699
Investment funds	0.08	ARS	-	3,096	-
				<u>404,439</u>	<u>310,398</u>
Amortized cost					
Sovereign bonds and others (c)	3.84	AOA	3.82%	237,146	331,395
				<u>786,077</u>	<u>797,660</u>
Current				585,060	507,035
Non-current (2)				201,017	290,625

(1) Weighted average maturity in years.

(2) Maximum maturity is September 01, 2025.

(a) The credit linked note is a structured operation with a first-class financial institution that bears periodic interest (LIBOR + spread) and corresponds to a credit note that contemplates the Company's risk.

(b) Is composed as set forth below:

Entities	Ticker	Quantity of shares		Share value		Total	
		06.30.19	12.31.18	06.30.19	12.31.18	06.30.19	12.31.18
Minerva	BEEF3	8,344,900	15,204,100	7.95	4.99	66,342	75,868
Cofco Meat	1610	47,361,000	77,583,000	HKD2,60 / R\$1,28	HKD1,45 / R\$0,72	HKD123.139 / R\$60.397	HKD112.495 / R\$55.686
Eletrobras	ELET6	-	275,039	-	28.17	-	7,748
Engie Brasil	EGIE3	-	5,055	-	33.02	-	167

(c) Comprised of Financial Treasury Bills ("LFT") remunerated at the rate of the Special System for Settlement and Custody ("SELIC") and Angola sovereign bonds securities, denominated in Kwanzas.

(d) Investment in junior quotas of the credit rights investment fund ("FIDC BRF"), as described in note 8.

The unrealized loss on marketable securities measured at fair value through other comprehensive income, recorded under Shareholders' Equity, corresponds to the accumulated amount of R\$16,569 net of income tax of R\$7,396 (loss of R\$98,451 net of income tax of R\$43,757 as of December 31, 2018). The balance of expected credit losses in marketable securities measured at amortized cost on June 30, 2019 is R\$2,776 (R\$9,014 as of December 31, 2018).

Additionally, on June 30, 2019, R\$83,479 (R\$288,010 as of December 31, 2018) of total marketable securities were pledged as collateral, without restrictions for use, for operations with future contracts denominated in U.S. Dollars, traded on the B3 S.A. – Brasil, Bolsa, Balcão (“B3”).

8. TRADE ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE, NET

	06.30.19	12.31.18
Trade accounts receivable		
Domestic customers	748,804	1,098,750
Foreign customers	2,143,379	1,973,981
Foreign related parties	57,586	59,284
	2,949,769	3,132,015
(-) Adjustment to present value	(9,380)	(10,276)
(-) Expected credit losses	(471,891)	(508,848)
	2,468,498	2,612,891
Current	2,460,769	2,604,928
Non-current	7,729	7,963
Notes receivable	209,398	235,376
(-) Adjustment to present value	(1,964)	(344)
(-) Expected credit losses	(29,411)	(30,960)
	178,023	204,072
Current	103,807	115,113
Non-current (1)	74,216	88,959

(1) Weighted average maturity of 2.90 years.

The Company assigns credits to the FIDC BRF, which has the exclusive objective of acquiring credit rights arising from commercial transactions between the Company and its customers in Brazil. On June 30, 2019 the amount outstanding and transferred to FIDC BRF was R\$597,889 (R\$643,675 at December 31, 2018).

Part of the balance with foreign related parties is tied to the Agribusiness Receivable Certificate (“CRA”) operation, as disclosed in the financial statements for the year ended December 31, 2018 (note 19).

On June 30, 2019 notes receivable are comprised mainly of receivables from the sale of

farms and several other assets in an amount of R\$156,647 (R\$189,132 as of December 31, 2018).

The trade accounts receivable from related parties are disclosed in note 29. The consolidated balance refers to transactions with the joint venture SATS BRF, in the foreign market.

The rollforward of the allowance for expected credit losses is set forth below:

	<u>06.30.19</u>	<u>12.31.18</u>
Beginning balance	(508,848)	(467,555)
Initial adoption IFRS 9	-	(12,612)
Transfer - held for sale	-	8,991
Provision	(3,798)	(46,357)
Write-offs	37,149	49,445
Exchange rate variation	3,606	(40,760)
Ending balance	<u>(471,891)</u>	<u>(508,848)</u>

The aging of trade accounts receivable is as follows:

	<u>06.30.19</u>	<u>12.31.18</u>
Not overdue	2,180,435	2,451,597
Overdue		
01 to 60 days	154,344	133,002
61 to 90 days	6,513	25,435
91 to 120 days	8,581	10,575
121 to 180 days	20,142	27,029
181 to 360 days	98,358	36,783
More than 360 days	481,396	447,594
(-) Adjustment to present value	(9,380)	(10,276)
(-) Expected credit losses	(471,891)	(508,848)
	<u>2,468,498</u>	<u>2,612,891</u>

9. INVENTORIES

	<u>06.30.19</u>	<u>12.31.18</u>
Finished goods	2,614,117	2,200,763
Work in progress	143,596	140,466
Raw materials	617,374	847,494
Packaging materials	69,554	73,755
Secondary materials	327,119	337,969
Warehouse	188,464	196,228
Imports in transit	108,577	103,954
Other	4,452	9,979
(-) Adjustment to present value	(38,205)	(33,314)
	<u>4,035,048</u>	<u>3,877,294</u>

The cost of sales attributed to products sold during the six-month period ended June 30,

2019 totaled R\$12,088,540 (R\$12,123,619 in the same period of the previous year), and during the three-month period ended June 30, 2019 totaled R\$6,246,360 (R\$6,471,652 in the same period of the previous year). The cost of sales includes the additions and reversals of inventory provisions, set forth in the table below:

	Provision for adjustment to realizable value	Provision for deterioration	Provision for obsolescence	Total
				06.30.19
Beginning balance	(65,490)	(60,586)	(12,029)	(138,105)
Additions	(55,845)	(98,006)	(3,689)	(157,540)
Reversals	67,987	-	-	67,987
Write-offs	38,118	76,852	2,192	117,162
Exchange rate variation	(246)	199	148	101
Ending balance	(15,476)	(81,541)	(13,378)	(110,395)

On June 30, 2019 and December 31, 2018, there were no inventory items pledged as collateral.

10. BIOLOGICAL ASSETS

The balance of biological assets segregated into current and non-current are set forth below:

	06.30.19	12.31.18
Live animals	1,556,471	1,513,133
Total current	1,556,471	1,513,133
Live animals	696,766	698,421
Forests	369,277	362,893
Total non-current	1,066,043	1,061,314
	2,622,514	2,574,447

Live animals are composed of poultry and pork and are separated into consumable and for production. There were no changes in the nature of the classification of biological assets as compared to the information disclosed in the financial statements for the year ended December 31, 2018 (note 10).

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The rollforward of biological assets for the period is set forth below:

	Live animals		Current	Live
	Poultry	Pork	Total	Poultry
			06.30.19	
Beginning balance	582,853	930,280	1,513,133	381,236
Additions/Transfer	51,014	954,693	1,005,707	42,347
Changes in fair value (1)	755,247	52,945	808,192	(18,170)
Harvest	-	-	-	-
Write-off	-	-	-	-
Transfer between current and non-current	26,669	39,088	65,757	(26,669)
Transfer between held for sale	-	-	-	-
Transfer to inventories	(793,577)	(1,036,902)	(1,830,479)	-
Exchange variation	(5,839)	-	(5,839)	(6,094)
Ending balance	616,367	940,104	1,556,471	372,650

(1) The fair value variation of biological assets includes depreciation of breeding stock and depletion of forests in the amount of (1,036,902) thousand of Brazilian Reais (ended December 31, 2018).

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The quantities and balances per live animal assets are set forth below:

	<u>06.30.19</u>		<u>12.31.18</u>	
	Quantity (thousand of heads)	Value	Quantity (thousand of heads)	Value
Consumable biological assets				
Immature poultry	186,795	616,367	188,248	582,853
Immature pork	3,891	940,104	4,011	930,280
Total current	190,686	1,556,471	192,259	1,513,133
Production biological assets				
Immature poultry	6,650	131,137	6,538	134,425
Mature poultry	11,649	241,513	11,958	246,811
Immature pork	198	73,684	203	74,071
Mature pork	448	250,432	439	243,114
Total non-current	18,945	696,766	19,138	698,421
	209,631	2,253,237	211,397	2,211,554

The Company has forests pledged as collateral for loans and tax/civil contingencies in the amount of R\$55,222 (R\$66,345 as of December 31, 2018).

11. RECOVERABLE TAXES AND INCOME TAX AND SOCIAL CONTRIBUTION

Recoverable taxes	06.30.19	12.31.18
ICMS ("State VAT")	1,629,695	1,632,110
PIS and COFINS ("Federal Taxes to Social Fund Programs")	1,976,532	946,399
IPI ("Federal VAT")	832,013	836,676
INSS ("Brazilian Social Security")	317,844	307,897
Other	95,739	155,779
(-) Provision for losses	(172,214)	(175,925)
	4,679,609	3,702,936
Current	630,472	560,389
Non-current	4,049,137	3,142,547
Recoverable income tax and social contribution		
Income and social contribution tax (IR/CS)	453,478	522,758
(-) Provision for losses	(9,029)	(9,029)
	444,449	513,729
Current	436,540	506,483
Non-current	7,909	7,246

On June 06, 2019, there was a final court decision recognizing the Company's right to exclude ICMS from the PIS and COFINS calculation base. The amount of R\$1,062,013 of PIS/COFINS credit has been recognized as recoverable taxes, of which R\$696,127 is related to the principal and has been recorded under other operating income, and R\$365,886 is related to interest and monetary correction, recorded under financial income.

The rollforward of the provision for losses is set forth below:

	ICMS ("State VAT")	PIS and COFINS ("Federal Taxes to Social Fund Programs")	Income and social contribution tax	IPI ("Federal VAT")	Other	Total
Beginning balance	(140,970)	(17,418)	(9,029)	(13,562)	(3,975)	(184,954)
Additions	(18,629)	-	-	-	(1,134)	(19,763)
Write-offs	13,725	-	-	9,744	1	23,470
Exchange rate variation	-	-	-	-	4	4
Ending balance	(145,874)	(17,418)	(9,029)	(3,818)	(5,104)	(181,243)

12. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

Following the finance and operating restructuring plan disclosed in the financial statements of 2018, during the six-month period ended June 30, 2019 the sale of the operations in Argentina, Europe and Thailand, as well the plant in Várzea Grande-MT were concluded. The details of the operations are demonstrated below:

On January 02, 2019, the sale of the shares representing 91.89% of the former subsidiary Quickfood S.A. was completed. On this date, Marfrig Global Foods S.A. ("Marfrig") paid the amount equivalent to R\$211,835 (US\$54,891) to BRF S.A.

On January 23, 2019, the sale of the properties and equipment in Várzea Grande-MT to Marfrig was concluded for R\$100,000, from which R\$81,500 were collected, net of associated costs. On April 01, 2019, all the precedent conditions were overcome and Marfrig started to fully operate the plant.

On February 4, 2019, the sale of Avex S.A. was completed and the equivalent to R\$82,736 (US\$22,500) was received in cash and the equivalent to R\$86,990 (US\$22,324) will be settled by the payment of liabilities of Avex S.A. with BRF during 2019.

On February 28, 2019, the former subsidiary Campo Austral S.A. concluded the sale of its plant located in the city of Florencio Varela, in Argentina, and all the related assets and liabilities, including the "Bocatti" and "Calchaquí" trademarks to BOGS S.A. for the equivalent to R\$95,036 (US\$26,753), collected on March 2019.

On March 11, 2019, the Company concluded the sale of 100% of the shares issued by Campo Austral S.A., including the plants in San Andrés de Giles and Pilar, and the trademark "Campo Austral" to the Argentinian company La Piamontesa de Averaldo Giacosa y Compañía S.A. for the equivalent to R\$29,359 (US\$7,619), from which US\$3,619 were paid in cash and US\$4,000 will be paid during the three subsequent months.

On June 03, 2019, the Company concluded the sale of 100% of the shares held in certain companies located in Europe and Thailand to Tyson International Holding Co. for the equivalent to R\$1,466,950 (US\$377,043), fully received in the same date.

On April 2019, the Board has approved the sale of the participation in the joint venture SATS BRF Food PTE Ltd. ("SATS"). Over the second quarter of 2019 the Company has progressed in the negotiations, so the investment was reclassified to assets held for sale on June 30, 2019. When reclassifying to assets held for sale, the investment began to be measured at the lower of the book value previously recorded and the fair value net of selling expenses. In the six-month period ended June 30, 2019, this measurement led to an impairment of SATS investment in the amount of R\$15,640 recorded under the continued operations.

The balances of the assets reclassified to assets held for sale and liabilities directly associated with assets held for sale are reflected below.

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STATEMENT OF FINANCIAL POSITION

	06.30.19	12.31.18			
	Total	Operations from Argentina	Operation from Europe and Thailand	Others	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	-	31,683	134,766	-	166,449
Marketable securities	-	68,686	-	-	68,686
Trade accounts receivable, net	-	244,654	333,187	-	577,841
Inventories	-	254,142	645,241	-	899,383
Biological assets	-	19,246	-	-	19,246
Recoverable taxes	-	59,721	48,738	-	108,459
Assets held for sale	-	4	401	-	405
Other current assets	-	18,087	6,264	-	24,351
Total current assets	-	696,223	1,168,597	-	1,864,820
NON-CURRENT ASSETS					
Trade accounts receivable, net	-	571	-	-	571
Deferred income and social contribution taxes	-	-	7,967	-	7,967
Biological assets	-	11,586	20,122	-	31,708
Recoverable taxes	-	4,788	-	-	4,788
Other non-current assets	-	7,299	473	-	7,772
Investments	48,139	20	-	-	20
Property, plant and equipment, net	72,562	329,590	327,224	169,798	826,612
Intangible assets	-	318,706	263,341	-	582,047
Total non-current assets	120,701	672,560	619,127	169,798	1,461,485
TOTAL ASSETS	120,701	1,368,783	1,787,724	169,798	3,326,305
LIABILITIES					
CURRENT LIABILITIES					
Short-term debt	-	88,395	-	-	88,395
Trade accounts payable	-	270,796	155,068	-	425,864
Payroll and related charges	-	42,152	42,662	-	84,814
Liabilities with related parties	-	197	-	-	197
Employee and management profit sharing	-	2,973	3,005	-	5,978
Tax payable	-	13,600	24,831	-	38,431
Other current liabilities	-	51,125	95,219	-	146,344
Total current liabilities	-	469,238	320,785	-	790,023
NON-CURRENT LIABILITIES					
Long-term debt	-	67,378	-	-	67,378
Deferred income and social contribution taxes	-	142,013	26,161	-	168,174
Provision for tax, civil and labor risks	-	70,571	366	-	70,937
Other non-current liabilities	-	22	34,995	-	35,017
Total non-current liabilities	-	279,984	61,522	-	341,506
TOTAL LIABILITIES AND EQUITY	-	749,222	382,307	-	1,131,529
Assets and liabilities held for sale	120,701	619,561	1,405,417	169,798	2,194,776

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During the period ended June 30, 2019, the Company incurred losses related to the sale of the Argentina operations in the amount of R\$862,818 and gain related to the sales of Europe and Thailand in the amount of R\$145,396 from discontinued operations, mainly due to the reclassification of the cumulative translation adjustments of these operations.

During the six-month period ended June 30, 2019, the Argentina, Europe and Thailand operations were discontinued operations before conclusion of the sale of the shares held. The statement of income (loss) and cash flow of these operations are as follows:

STATEMENTS OF INCOME (LOSS) - DISCONTINUED OPERATIONS

	Operations from Argentina				Operation from Europe and Thailand				From 04.01.19 to 06.30.19
	From 04.01.19 to 06.30.19	From 01.01.19 to 06.30.19	From 04.01.18 to 06.30.18	From 01.01.18 to 06.30.18	From 04.01.19 to 06.30.19	From 01.01.19 to 06.30.19	From 04.01.18 to 06.30.18	From 01.01.18 to 06.30.18	
NET SALES	-	80.843	357.978	802.306	463.802	1.090.409	642.567	1.316.036	463.802
Cost of sales	(172)	(95.223)	(357.865)	(766.875)	(428.753)	(978.318)	(609.439)	(1.175.947)	(428.925)
GROSS PROFIT	(172)	(14.380)	113	35.431	35.049	112.091	33.128	140.089	34.877
OPERATING INCOME (EXPENSES)									
Selling expenses	-	(11.389)	(39.679)	(81.336)	(8.413)	(38.321)	(53.972)	(107.302)	(8.413)
General and administrative expenses	-	(5.106)	(9.626)	(15.801)	(14.633)	(33.883)	(20.061)	(37.382)	(14.633)
Impairment loss on trade and other receivables	-	-	3.211	(2.343)	(4.380)	(4.129)	(2.123)	(4.172)	(4.380)
Other operating expenses, net	(8.793)	(26.563)	(1.363)	6.958	(22.133)	(26.075)	15.744	16.181	(30.926)
Income from associates and joint ventures	-	-	-	-	(21)	(21)	-	-	(21)
INCOME (LOSS) BEFORE FINANCIAL RESULTS AND INCOME TAXES	(8.965)	(57.438)	(47.344)	(57.091)	(14.531)	9.662	(27.284)	7.414	(23.496)
Financial expenses	-	(20.982)	58.784	65.857	9.558	(8.800)	31.599	55.845	9.558
Financial income	-	8.284	18.165	28.514	(11.403)	(10.134)	2.863	1.573	(11.403)
INCOME (LOSS) BEFORE TAXES	(8.965)	(70.136)	29.605	37.280	(16.376)	(9.272)	7.178	64.832	(25.341)
Current income taxes	-	-	(6)	(10)	(1.838)	(3.846)	(4.092)	(12.571)	(1.838)
Deferred income taxes	-	100.380	(65.863)	(54.719)	15.714	16.503	1.710	4.393	15.714
NET INCOME (LOSS)	(8.965)	30.244	(36.264)	(17.449)	(2.500)	3.385	4.796	56.654	(11.465)
Gain (loss) on sale of investments and realization of other comprehensive income	-	(862.818)	-	-	145.396	64.067	-	-	145.396
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	(8.965)	(832.574)	(36.264)	(17.449)	142.896	67.452	4.796	56.654	133.931
Net Income (Loss) From Discontinued Operation Attributable to									
Controlling shareholders	(8.965)	(832.574)	(36.872)	(17.953)	143.896	78.633	8.010	67.286	134.931
Non-controlling interest	-	-	608	504	(1.000)	(11.181)	(3.214)	(10.632)	(1.000)

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STATEMENTS OF CASH FLOWS - DISCONTINUED OPERATIONS

	January to June 2019	January to June 2018
OPERATING ACTIVITIES FROM DISCONTINUED OPERATIONS		
Income (loss)	(765,122)	39,205
Adjustments to reconcile loss to generated cash		
Depreciation and amortization	3,776	98,887
Depreciation and depletion of biological assets	9,700	12,515
Result on disposals of property, plant and equipments	5,598	(17,251)
Provision for tax, civil and labor risks	(493)	(61,680)
Income from associates and joint ventures	21	-
Gain (loss) on disposal of discontinued operations	717,422	-
Provision for losses in inventories	(7,294)	-
Impairment	81,329	-
Financial results, net	31,631	(151,790)
Deferred income tax	(116,883)	50,326
Others	32,821	(5,494)
Cash flow provided by operating activities before working capital	(7,494)	(35,282)
Trade accounts receivable	(133,233)	88,661
Inventories	59,135	(33,889)
Current biological assets	55	3,698
Trade accounts payable	50,947	(157,174)
Supply chain finance	(28)	(374)
Cash (used in) generated by operating activities	(30,618)	(134,360)
Financial Investments at FVPL	(6,472)	(142,719)
Redemption of Financial Investments at FVPL	29,097	111,924
Interest paid	-	(13,288)
Other assets and liabilities	(101,241)	(137,243)
Net cash (used in) provided by operating activities from discontinued operations	(109,234)	(315,686)
INVESTING ACTIVITIES FROM DISCONTINUED OPERATIONS		
Additions to property, plant and equipment	(14,350)	(22,725)
Additions to non-current biological assets	(11,911)	(15,937)
Additions to intangible assets	-	(46)
Proceeds from disposals of property, plant and equipment and investment	(32,521)	-
Net cash used in investing activities from discontinued operations	(58,782)	(38,708)
FINANCING ACTIVITIES FROM DISCONTINUING OPERATIONS		
Proceeds from debt issuance	10,122	606,367
Repayment of debt	(8,555)	(421,136)
Net cash (used in) provided by financing activities from discontinued operations	1,567	185,231
Net increase (decrease) in cash and cash equivalents	(166,449)	(169,163)
At the beginning of the period	166,449	488,185
At the end of the period	-	319,022

13. INCOME AND SOCIAL CONTRIBUTION TAXES

13.1. Deferred income and social contribution taxes

	<u>06.30.19</u>	<u>12.31.18</u>
Assets		
Tax loss carryforwards (corporate income tax)	1,809,781	1,723,991
Negative calculation basis (social contribution tax)	689,502	652,418
Temporary differences - Assets		
Provisions for tax, civil and labor risks	554,035	322,987
Suspended collection taxes	27,279	22,945
Expected credit losses	122,452	126,627
Provision for property, plant and equipment losses	1,671	37,110
Provision for losses on tax credits	59,921	62,670
Provision for other obligations	92,494	106,869
Provision for inventory losses	32,789	39,508
Employees' benefits plan	144,639	137,484
Unrealized losses on derivatives financial instruments	-	30,494
Unrealized losses on inventories	4,343	2,359
Expected credit losses - notes receivables	2,619	6,859
Business combination - Sadia (1)	23,481	84,587
Other temporary differences	106,011	135,847
	<u>3,671,017</u>	<u>3,492,755</u>
Temporary differences - Liabilities		
Unrealized fair value gains	(62,636)	(101,400)
Difference between tax basis and accounting basis of goodwill amortization	(319,023)	(318,454)
Difference between tax depreciation rate and accounting depreciation rate (useful life)	(778,803)	(754,094)
Estimated annual effective tax rate - IAS 34	(4,837)	-
Business combination - Sadia (1)	(776,275)	(724,015)
Business combination - AKF	(18,087)	(19,152)
Business combination - other companies	(183)	(20,421)
Other - exchange rate variation	(68,945)	(60,752)
Other temporary differences	(31,382)	(40,589)
	<u>(2,060,171)</u>	<u>(2,038,877)</u>
Total deferred tax	<u>1,610,846</u>	<u>1,453,878</u>
Total Assets	<u>1,697,407</u>	<u>1,519,652</u>
Total Liabilities	<u>(86,561)</u>	<u>(65,774)</u>
	<u>1,610,846</u>	<u>1,453,878</u>

- (1) The deferred tax asset on the business combination with Sadia is computed on the difference between the goodwill tax basis and the goodwill accounting basis, based on the purchase price allocation date. Deferred tax liability on business combination with Sadia is substantially represented by the fair value of property, plant and equipment, trademarks and contingent liabilities.

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The roll-forward of deferred tax assets is set forth below:

	06.30.19
Beginning balance	1,453,878
Deferred income and social contribution taxes recognized in the statement of income	143,931
Deferred income and social contribution taxes recognized in other comprehensive income	(88,339)
Deferred income and social contribution taxes related to discontinued operations	116,883
Other	(15,507)
Ending balance	1,610,846

13.2. Estimated period of realization

Deferred tax assets arising from temporary differences will be realized as these differences are settled. The period of settlement or realization of such differences is uncertain and is tied to several factors that are not under the control of the Management.

When assessing the realization of deferred tax assets on income tax loss carryforward and negative calculation basis of social contribution tax, Management considers the Company's budget and strategic plans, adjusted by the main fiscal additions and exclusions, which were approved by the Company's Board of Directors and Fiscal Council. Based on this estimate, Management believes that it is probable that the deferred tax will be realized, as set forth below:

2020	28,314
2021	130,486
2022	180,220
2023	282,240
2024 to 2026	1,001,174
2027 onwards	876,849
	2,499,283

13.3. Income and social contribution taxes reconciliation

	April to June 2019	January to June 2019	Restated April to June 2018	Restated January to June 2018
Income (loss) before income and social contribution taxes - continued operations	310,719	20,652	(1,483,643)	(1,710,792)
Nominal tax rate	34%	34%	34%	34%
Credit (expense) at nominal rate	(105,644)	(7,022)	504,439	581,669
Reconciling items				
Income from associates and joint ventures	(292)	(348)	(76,336)	(82,233)
Exchange rate variation on foreign investments	(12,343)	(16,343)	130,657	138,429
Difference of tax rates on results of foreign subsidiaries	22,161	89,257	198,512	285,644
Deferred tax assets not recognized (1)	26,427	(27,909)	(800,261)	(800,261)
Stock options	(5,767)	(6,296)	(1,565)	(1,406)
Investment grant	30,689	30,689	17,890	28,271
Estimated annual effective tax rate - IAS 34	(201,796)	(4,837)	62,304	(11,581)
Reversal of provision without deferred constituted	109,251	(21,139)	-	-
Other permanent differences	17,618	21,041	13,200	4,601
	(119,696)	57,093	48,840	143,133
Current income tax	(62,738)	(86,838)	(43,658)	(65,294)
Deferred income tax	(56,958)	143,931	92,498	208,427

(1) Amount referring to the non-recognition of deferred tax on tax loss and negative basis in the amount of R\$82,085.

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The taxable income and income taxes of the foreign subsidiaries are set forth below:

	April to June 2019	January to June 2019	Restated April to June 2018	Restated January to June 2018
Taxable income from foreign subsidiaries	(747,446)	(1,741,377)	481,370	775,156
Current income tax from foreign subsidiaries	(62,714)	(86,793)	(43,646)	(65,201)
Deferred income tax from foreign subsidiaries	(5,129)	(449)	27,157	29,012

The Company's Management has determined that the earnings of the holdings of its wholly-owned subsidiaries abroad will not be redistributed. Such resources will be used for investments in the subsidiaries, and thus no deferred income tax was recognized. The total of undistributed earnings corresponds to R\$2,032,058 as of June 30, 2019 (R\$3,401,418 as of December 31, 2018).

Brazilian income taxes declarations are subject to review by the authorities for a five-year period after the delivery. The Company may be subject to additional taxes, interest and penalties resulting from these reviews. Subsidiaries located abroad are taxed in their respective jurisdictions, according to local regulations.

14. JUDICIAL DEPOSITS

The rollforward of the judicial deposits is set forth below:

	Tax	Labor	Civil, commercial and other	Total
Beginning balance	288,377	351,648	29,073	669,098
Additions	61,641	95,294	2,309	159,244
Reversals	(6,198)	(17,646)	(40)	(23,884)
Write-offs	(290)	(67,372)	(2,985)	(70,647)
Price index update	5,058	7,446	583	13,087
Exchange rate variation	-	2	-	2
Ending balance	348,588	369,372	28,940	746,900

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15. RESTRICTED CASH

	Maturity (1)	Currency	Average interest rate (p.a.)	06.30.19	12.31.18
Bank deposit certificates (2)	1.97	R\$	6.38%	362,674	504,480
National treasury certificates (3)	0.67	R\$	18.53%	253,368	233,692
Bank deposit (4)	-	US\$	-	-	21,037
Time Deposit (5)	0.97	US\$	3.61%	204,511	102,412
				820,553	861,621
Current				594,438	277,321
Non-current				226,115	584,300

(1) Weighted average maturity in years.

(2) Deposit pledged as collateral in the disposal of the dairy segment to the Groupe Lactalis ("Parmalat") with maturity in 2021 and in the sale of Gale with maturity in 2020.

(3) Certificates with maturity in 2020 pledged as collateral for the loan obtained through the Special Program Asset Restructuring ("PESA") (note 19).

(4) Deposit linked to operations in the international market.

(5) Time Deposit linked to operations of Credit Export Notes (NCE).

16. INVESTMENTS

16.1. Investments breakdown

	06.30.19	12.31.18
Investment in associates and affiliates	2,229	70,546
Goodwill SATS BRF	-	7,059
	2,229	77,605
Other investments	7,552	8,400
	9,781	86,005

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16.2. Summarized financial information of controlled entities with non-controlling interest

	BRF AFC		Banvit Bandirma Vitaminli		AKF-AI Khan Foodstuff LLC		Al-Wafi Al-Takamol Food Prod.	
	06.30.19	12.31.18	06.30.19	12.31.18	06.30.19	12.31.18	06.30.19	12.31.18
Current assets	289,965	287,795	755,011	677,748	168,897	156,716	896,399	726,997
Non-current assets	6,963	489	425,594	452,267	4,078	2,121	26,600	3,200
Current liabilities	38,740	63,353	559,045	518,087	107,234	94,268	805,103	585,825
Non-current liabilities	6,047	2,725	51,907	68,683	2,995	2,314	17,341	13,830
Shareholders' equity	252,141	222,206	569,653	543,245	62,746	62,255	100,555	130,542
% of share	75%	75%	92%	92%	99%	99%	75%	75%
Dividends declared to non-controlling shareholders	-	(7,286)	-	-	-	(78)	-	(5,253)
	BRF AFC		Banvit Bandirma Vitaminli		AKF-AI Khan Foodstuff LLC		Al-Wafi Al-Takamol Food Prod.	
	06.30.19	06.30.18	06.30.19	06.30.18	06.30.19	06.30.18	06.30.19	06.30.18
Net Revenue	301,472	246,320	1,203,612	1,111,283	201,274	175,827	902,766	844,919
Income (Loss), net	32,454	4,225	67,416	37,086	996	(3,974)	(29,299)	138,565

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17. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment rollforward is set forth below:

	Weighted average depreciation rate (p.a.)	12.31.18	Initial adoption IFRS 16	Additions	Disposals	T
Cost						
Land	-	536,878	23,453	1,985	(790)	
Buildings and improvements	-	7,446,230	2,238,471	14,465	(49,088)	
Machinery and equipment	-	8,272,920	1,101	11,909	(124,132)	
Facilities	-	144,315	-	263	(55)	
Furniture and fixtures	-	159,902	-	299	(5,961)	
Vehicles	-	17,402	94,065	6,017	(4,075)	
Construction in progress	-	409,696	-	159,210	-	
Advances to suppliers	-	13,425	-	2,903	-	
		17,000,768	2,357,090	197,051	(184,101)	
Depreciation						
Land (2)	22.30%	-	-	(2,592)	-	
Buildings and improvements	6.91%	(2,578,932)	-	(335,803)	10,529	
Machinery and equipment	6.59%	(3,620,421)	-	(262,005)	112,337	
Facilities	5.00%	(23,256)	-	(3,025)	33	
Furniture	6.67%	(71,062)	-	(5,130)	3,526	
Vehicles	33.77%	(10,099)	-	(20,526)	661	
		(6,303,770)	-	(629,081)	127,086	
		10,696,998	2,357,090	(432,030)	(57,015)	

(1) Refers to the transfer of R\$47.567 to intangible assets, R\$17,537 to biological assets R\$598 to assets held for sale.

(2) Land depreciation refers to right-of-use assets. The amount of depreciation of R\$2,173 was recognized in the formation cost of forest upon its exhaustion (note 23.1).

The Company has fixed assets fully depreciated that are still operating. The composition of these items is set forth below:

	<u>06.30.19</u>	<u>12.31.18</u>
Cost		
Buildings and improvements	142,309	151,830
Machinery and equipment	656,706	692,079
Facilities	82,001	85,564
Furniture and fixtures	22,513	27,285
Vehicles	6,220	5,346
	<u>909,749</u>	<u>962,104</u>

During the six-month period ended June 30, 2019, the Company capitalized interests in the amount of R\$10,543 (R\$9,312 as of June 30, 2018) and during the three-month period ended June 30, 2019, R\$5,219 (R\$4,420 as of June 30, 2018). The weighted average interest rate used to determine the capitalized amount was 2.32% p.a. (15.77% p.a. as of June 30, 2018).

The property, plant and equipment items that are pledged as collateral for transactions of different natures are set forth below:

		<u>06.30.19</u>	<u>12.31.18</u>
	<u>Type of collateral</u>	<u>Book value of the collateral</u>	<u>Book value of the collateral</u>
Land	Financial/Tax	207,009	239,039
Buildings and improvements	Financial/Tax	1,527,066	1,800,115
Machinery and equipment	Financial/Labor/Tax/Civil	1,553,418	1,877,369
Furniture and fixtures	Financial/Tax	13,894	18,624
Vehicles	Financial/Tax	424	550
		<u>3,301,811</u>	<u>3,935,697</u>

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18. INTANGIBLE ASSETS

The intangible assets rollforward is set forth below:

	Weighted average amortization rate (p.a.)	12.31.18	Initial adoption IFRS 16	Additions	Disposals	Transfers	Exchange rate variation	06.30.19
Cost								
Non-compete agreement	-	90,012	-	5,705	-	-	(413)	95,304
Goodwill	-	2,694,967	-	-	-	-	(25,686)	2,669,281
AKF	-	153,945	-	-	-	-	(1,693)	152,252
Ava	-	49,368	-	-	-	-	-	49,368
Banvit Bandirma Vitaminli	-	162,293	-	-	-	-	(15,827)	146,466
BRF AFC	-	153,507	-	-	-	-	(1,587)	151,920
Eleva Alimentos	-	696,629	-	-	-	-	-	696,629
Federal Foods LLC	-	74,788	-	-	-	-	(822)	73,966
Federal Foods Qatar L.L.C	-	366,779	-	-	-	-	(5,757)	361,022
Incubatório Paraíso	-	656	-	-	-	-	-	656
Paraíso Agroindustrial	-	16,751	-	-	-	-	-	16,751
Perdigão Mato Grosso	-	7,636	-	-	-	-	-	7,636
Sadia	-	1,012,615	-	-	-	-	-	1,012,615
Outgrowers relationship	-	15,022	-	-	-	-	-	15,022
Intangible in progress	-	-	-	33,506	-	(15,098)	-	18,408
Trademarks	-	1,336,162	-	-	-	-	(17,875)	1,318,287
Patents	-	6,066	-	-	-	-	(1)	6,065
Customer relationship	-	896,039	-	-	-	-	(40,141)	855,898
Software	-	491,830	61	44,445	(50,241)	62,646	(1,419)	547,322
		<u>5,530,098</u>	<u>61</u>	<u>83,656</u>	<u>(50,241)</u>	<u>47,548</u>	<u>(85,535)</u>	<u>5,525,587</u>
Amortization								
Non-compete agreement	34.02%	(45,802)	-	(15,282)	-	-	186	(60,898)
Outgrowers relationship	13.18%	(11,552)	-	(820)	(2)	-	-	(12,374)
Patents	19.89%	(5,149)	-	(241)	-	-	(2)	(5,392)
Customer relationship	6.67%	(172,450)	-	(32,844)	-	-	5,880	(199,414)
Software	29.17%	(275,747)	-	(71,428)	50,241	17	573	(296,344)
		<u>(510,700)</u>	<u>-</u>	<u>(120,615)</u>	<u>50,239</u>	<u>17</u>	<u>6,637</u>	<u>(574,422)</u>
		<u>5,019,398</u>	<u>61</u>	<u>(36,959)</u>	<u>(2)</u>	<u>47,565</u>	<u>(78,898)</u>	<u>4,951,165</u>

During the six-month period ended June 30, 2019, Management did not identify any event that could indicate an impairment of such assets.

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19. LOANS AND FINANCING

	Charges (p.a.)	Weighted average interest rate (p.a.)	WAMT (1)	Current	Non-current	06.30.19	Borrowing	Amortization	Interest paid	Interest accrued
Local currency										
Working capital	Pre-fixed / CDI	7.96% (7.78% on 12.31.18)	1.4	2,889,637	2,999,086	5,888,723	797,281	(874,001)	(127,356)	229,215
Certificate of agribusiness receivables	CDI / IPCA	8.41% (6.08% on 12.31.18)	3.0	151,620	1,484,339	1,635,959	-	(999,904)	(45,554)	83,131
Development bank credit lines	Pre-fixed / Selic / TJLP	6.21% (6.16% on 12.31.18)	0.7	132,006	-	132,006	-	(135,338)	(4,742)	7,130
Debentures	CDI / IPCA	9.06%	6.5	263	745,132	745,395	745,065	-	-	1,513
Export credit facility	CDI	9.04% (9.02% on 12.31.18)	3.9	310,082	1,280,042	1,590,124	-	(37,044)	(72,003)	73,177
Special program asset restructuring	IGPM	11.43% (12.45% on 12.31.18)	0.7	278,208	-	278,208	-	-	(6,100)	10,100
Fiscal incentives	Pre-fixed	2.40% (2.40% on 12.31.18)	0.1	7,073	-	7,073	32,997	(29,258)	(231)	2,910
				<u>3,768,889</u>	<u>6,508,599</u>	<u>10,277,488</u>	<u>1,575,343</u>	<u>(2,075,545)</u>	<u>(255,986)</u>	<u>406,055</u>
Foreign currency										
Bonds	Pre-Fixed + e.r. US\$ and BJR	4.22% (4.07% on 12.31.18)	4.5	393,999	9,209,687	9,603,686	-	-	(268,622)	241,000
Export credit facility	LIBOR + e.r. US\$	5.54% (2.47% on 12.31.18)	3.7	98,610	285,205	383,815	-	(948,647)	(19,662)	14,100
Advances for foreign exchange rate contracts	Pre-Fixed + e.r. US\$	4.74% (4.67% on 12.31.18)	0.4	314,391	-	314,391	92,750	-	-	6,100
Working capital	Pre-Fixed + e.r. TRY	23.15% (21.91% on 12.31.18)	0.8	185,119	16,540	201,659	115,457	(97,236)	(12,958)	21,100
				<u>992,119</u>	<u>9,511,432</u>	<u>10,503,551</u>	<u>208,207</u>	<u>(1,045,883)</u>	<u>(301,242)</u>	<u>284,300</u>
				<u>4,761,008</u>	<u>16,020,031</u>	<u>20,781,039</u>	<u>1,783,550</u>	<u>(3,121,428)</u>	<u>(557,228)</u>	<u>690,355</u>

(1) Weighted average maturity in years.

The main characteristics of loan and financing agreements entered into by the Company were disclosed in note 19 of financial statements for the year ended December 31, 2018.

On June 30, 2019, the Company did not have financial covenants clauses related to its loan agreements.

19.1. Debentures

On April 30, 2019, 750,000 Debentures were subscribed with a par value of R\$1,000.00 (one thousand Reais), totaling the amount of R\$750,000 in 3 series, as set forth below. The Debentures are simple, non-convertible and unsecured, with restricted effort placement. Costs of R\$4,868 were incurred for the issuance, which will be recognized in statement of income over the term of the operations, based on the effective interest method.

							<u>06.30.19</u>
Operation	Series	Issue date	Maturity	Rate	Notional	Updated Value	
Debenture - 1st Issue	1st Series	06.27.19	04.30.22	100% CDI + 0,80%	70,000	69,577	
Debenture - 1st Issue	3rd Series	06.27.19	04.30.26	IPCA + 5,50%	268,268	266,618	
Debenture - 1st Issue	4th Series	06.27.19	04.30.26	100% CDI + 1,45%	411,732	409,200	
					<u>750,000</u>	<u>745,395</u>	

19.2. Loans and financing maturity schedule

The maturity schedule of the loans and financing balances is as follows:

	<u>06.30.19</u>
Current	4,761,008
Non-current	16,020,031
2020	1,029,127
2021	3,117,759
2022	3,138,764
2023	3,329,682
2024 onwards	5,404,699
	<u>20,781,039</u>

19.3. Guarantees

	<u>06.30.19</u>	12.31.18
Total of loans and financing	20,781,039	22,165,444
Mortgage guarantees	139,079	267,862
Related to FINEM-BNDES	132,006	217,620
Related to tax incentives and other	7,073	50,242

The Company is the guarantor of a loan obtained by the Instituto Sadia de Sustentabilidade with BNDES. The loan was obtained with the purpose of allowing the

implementation of biodigesters in the farms of the outgrowers which take part in the Company's integration system, targeting the reduction of the emission of Greenhouse Gases. The value of these guarantees on June 30, 2019 totaled R\$4,816 (R\$5,956 as of December 31, 2018) (see note 28.1).

The Company is the guarantor of loans related to a special program, which aimed the local development of outgrowers in the central region of Brazil. The proceeds of such loans are utilized by the outgrowers to improve farm conditions and will be paid by them in 10 years, taking as collateral the land and equipment acquired by the outgrowers through this program. The value of these guarantees on June 30, 2019 totaled R\$19,672 (R\$29,794 as of December 31, 2018).

On June 30, 2019, the Company contracted bank guarantees in the amount of R\$813,952 (R\$783,952 as of December 31, 2018) and offered mainly in litigations involving the Company's use of tax credits. These guarantees have an average cost of 1.59% p.a. (1.57% p.a. as of December 31, 2018).

19.4. Commitments

In the normal course of the business, the Company enters into agreements with third parties for the purchase of raw material, mainly corn and soymeal. The agreed prices in these agreements can be fixed or variable. The Company also enters into other agreements, such as electricity supply, packaging supplies, construction of buildings and others for the supply of its manufacturing activities. The firm commitments schedule is set forth below:

	<u>06.30.19</u>
2019	4,573,941
2020	791,186
2021	368,099
2022	266,701
2023	199,316
2024 onwards	731,327
	<u>6,930,570</u>

20. TRADE ACCOUNTS PAYABLE

	<u>06.30.19</u>	<u>Restated (1) 12.31.18</u>
Domestic suppliers		
Third parties	4,419,864	4,458,077
Foreign suppliers		
Third parties	1,045,281	1,079,438
(-) Adjustment to present value	<u>(47,352)</u>	<u>(47,990)</u>
	<u>5,417,793</u>	<u>5,489,525</u>
Current	5,405,765	5,476,722
Non-current	12,028	12,803

(1) The restatement refers to the separation of the balance of leases, disclosed in the note 23.

For the period ended June 30, 2019, the days payable outstanding is of 93 days (94 days on December 31, 2018).

On the suppliers balance as of June 30, 2019, R\$1,155,406 (R\$1,301,304 as of December 31, 2018) corresponds to the supply chain finance transactions in which there were no changes in the payment terms and prices negotiated with the suppliers.

21. SUPPLY CHAIN FINANCE

	<u>06.30.19</u>	<u>12.31.18</u>
Supply chain finance - Domestic suppliers	451,118	715,335
Supply chain finance - Foreign suppliers	135,062	170,448
	<u>586,180</u>	<u>885,783</u>

The Company has partnerships with several financial institutions that allow the suppliers to anticipate their receivables. The suppliers have the freedom to choose whether to participate and if so, with which institution. The anticipation allows the suppliers to better manage their cash flow needs. This flexibility allows the Company to intensify its commercial relations with the network of suppliers by potentially leveraging benefits such as preference for supply in case of restricted supply, better price conditions and/or more flexible payment terms, among others.

The Company has not identified any material change in the existing commercial conditions with its suppliers. Thus, these operations are presented in the cash flow of operating activities.

On June 30, 2019, the discount rates applied to the supply chain finance transactions agreed between our suppliers and the financial institutions in the internal market were set between 0.51% to 0.76% p.m. (0.52% to 0.75% p.m. on December 31, 2018). On June 30, 2019, the discount rates applied to the supply chain finance transactions agreed

between our suppliers and the financial institutions in the external market were set between 0.35% to 0.47% p.m. (0.31% to 0.50% p.m. on December 31, 2018).

22. DERIVATIVE FINANCIAL INSTRUMENTS

	<u>06.30.19</u>	<u>12.31.18</u>
Derivatives designated as hedge accounting		
Assets		
Currency non-deliverable forward (NDF)	36,536	16,765
Currency option contracts	102,482	101,426
Corn non-deliverable forward (NDF)	8,516	22,169
Corn future contracts - B3	-	1
Soybean non-deliverable forward (NDF)	809	591
Commodities (soybean meal) non-deliverable forward (NDF)	4,945	-
	153,288	140,952
Liabilities		
Currency Non-deliverable forward (NDF)	(2,399)	(20,928)
Currency option contracts	(45,808)	(75,779)
Corn non-deliverable forward (NDF)	(56,060)	(3,586)
Corn future contracts - B3	-	(59)
Commodities (soybean) non-deliverable forward (NDF)	(2,501)	(3,311)
Commodities (soybean meal) non-deliverable forward (NDF)	(630)	(2,672)
Commodities (soybean oil) non-deliverable forward (NDF)	-	(4,357)
Index / currency swap	-	(82)
	(107,398)	(110,774)
Derivatives not designated as hedge accounting		
Assets		
Currency non-deliverable forward (NDF)	-	2,411
Currency future contracts - B3	252	-
Currency option contracts	1,740	2,575
Index / stocks / currency swap	1,009	36,401
	3,001	41,387
Liabilities		
Currency non-deliverable forward (NDF)	(7,469)	(12,366)
Currency future contracts - B3	-	(9,367)
Currency option contracts	(2,886)	(3,374)
Index / stocks / currency swap	-	(99,154)
	(10,355)	(124,261)
Current assets	156,289	182,339
Current liabilities	(117,753)	(235,035)

The collaterals given in the transactions set forth above are disclosed in note 7.

23. LEASES

The Company is lessee in several lease agreements for forest lands, offices, distribution centers, integrated producers, vehicles, among others. Some contracts have a renewal option for an additional period at the end of the contract, established by contractual amendments. Automatic renewals or renewals for undetermined periods are not allowed.

The contract clauses mentioned, with respect to renewal, readjustment and purchase option, are according to market practices. In addition, there are no clauses of contingent payments or restrictions on dividends distribution, payments of interest on shareholders' equity or obtaining debt.

23.1 Right-of-use assets

	Weighted average depreciation rate (p.a.)	Initial adoption		Additions	Disposals	Exchange rate variation	Transfers	06.30.19
		12.31.18	IFRS 16					
Cost								
Land	-	-	23,453	-	-	(95)	(200)	23,158
Buildings	-	214,171	2,238,471	10,452	(36,979)	(2,956)	21,106	2,444,265
Machinery and equipment	-	129,589	1,101	2,560	(9,412)	(12)	(6,414)	117,412
Facilities	-	14,492	-	-	-	-	(14,492)	-
Vehicles	-	-	94,065	5,954	(3,903)	(1,947)	-	94,169
Software	-	68,424	61	3	(50,160)	-	44,377	62,705
		426,676	2,357,151	18,969	(100,454)	(5,010)	44,377	2,741,709
Depreciation								
Land	22.30%	-	-	(2,591)	-	14	-	(2,577)
Buildings	17.94%	(74,527)	-	(219,238)	1,271	365	(10,013)	(302,142)
Machinery and equipment	37.39%	(75,422)	-	(22,412)	6,516	1	8,288	(83,029)
Facilities	-	(1,725)	-	-	-	-	1,725	-
Vehicles	40.93%	-	-	(20,071)	534	297	-	(19,240)
Software	72.81%	(57,486)	-	(22,826)	50,160	-	-	(30,152)
		(209,160)	-	(287,138)	58,481	677	-	(437,140)
		217,516	2,357,151	(268,169)	(41,973)	(4,333)	44,377	2,304,569

23.2 Lease liabilities

Local currency	WAMT (1)	Current		06.30.19	Initial adoption		Additions	Payments	Interest paid	Interest accrued	Disposals	Exchange rate variation	Current		12.31.18
		Non-current			IFRS 16								Non-current		
Land	5.5	6,379	17,117	23,496	23,453	-	(1,000)	(250)	1,380	-	(87)	-	-	-	
Buildings	4.7	358,054	1,848,858	2,206,912	2,238,470	10,452	(213,735)	(42,764)	86,480	(36,414)	(2,589)	27,553	139,459	167,012	
Machinery and equipment	1.8	38,359	6,644	45,003	1,101	2,560	(22,261)	(8,241)	8,241	(2,921)	(10)	39,477	27,057	66,534	
Vehicles	2.3	36,077	39,739	75,816	94,065	5,954	(19,098)	(3,605)	3,605	(3,434)	(1,671)	-	-	-	
Software	0.5	29,704	9	29,713	62	44,380	(22,992)	(3)	3	-	-	8,263	-	8,263	
		468,573	1,912,367	2,380,940	2,357,151	63,346	(279,086)	(54,863)	99,709	(42,769)	(4,357)	75,293	166,516	241,809	

(1) Weighted average maturity in years.

23.3 Lease liabilities maturity schedule

The minimum future payments required for these finance leases are segregated as follows, and were recorded in current and non-current liabilities:

	06.30.19
	Present value of minimum payments
2019	301,886
2020	446,235
2021	369,179
2022	302,559
2023	267,736
2024 onwards	693,345
	2,380,940

23.4 Amounts recognized in the statement of income for the period

Below are the amounts recognized in the statement of income for items exempt from IFRS 16 recognition: low value assets, short-term leases and leases with variable payments.

	April to June 2019	January to June 2019
Variable payments not included in the lease liabilities	1,221	5,331
Expenses related to short-term assets	43,187	95,180
Expenses related to low-value assets (1)	2,554	3,034
	46,962	103,545

(1) Excluded expenses related to short-term assets.

23.5 Sale-leaseback transactions

In the last years the Company has carried out Sale-leaseback transactions. On December 23, 2016, the Distribution Center located in the municipality of Embu das Artes was classified as operating lease. On December 01, 2018 the Distribution Center located in the municipality of Vitória de Santo Antão and the property located in the municipality of Duque de Caxias were also subject to Sale-leaseback operations, both classified as operating leases. In all cases, the respective rental expenses were recognized in the income statement as incurred. With the adoption of IFRS 16, the right-of-use assets were recognized as of 01.01.19, as well as the lease liability related to each contract.

24. SHARE-BASED PAYMENT

The rules for the stock options and restricted shares plans granted to executives were disclosed in the financial statements for the year ended December 31, 2018 (note 24) and are unchanged for this period.

The breakdown of the outstanding granted stock options is set forth as follows:

Grant date	Date		Quantity		Grant (1)	Strike price (1)	
	Beggining of exercise	End of the exercise	Options granted	Outstanding options	Fair value of the option	Granting date	Updated IPCA
Plan I							
12.18.14	12.17.15	12.17.19	5,702,714	1,221,736	14.58	63.49	82.20
			<u>5,702,714</u>	<u>1,221,736</u>			
Plan II							
04.26.16	04.30.17	12.30.22	8,724,733	1,750,000	9.21	56.00	62.95
05.31.16	05.31.17	12.30.22	3,351,220	1,175,170	10.97	46.68	52.08
03.30.17	03.30.18	12.29.23	863,528	193,045	9.45	38.43	41.57
			<u>12,939,481</u>	<u>3,118,215</u>			
			<u>18,642,195</u>	<u>4,339,951</u>			

(1) Amounts expressed in Brazilian Reais.

The breakdown of the outstanding granted restricted shares is set forth as follows:

Grant	Date		Quantity		Grant (1)
	Vesting period	Shares granted	Outstanding shares	Fair value of the shares	
Restricted shares plan					
08.31.17	08.31.19	716,846	197,583	41.85	
04.26.18	04.26.20	276,000	-	22.29	
06.14.18	06.14.20	270,000	172,125	20.00	
10.01.18	10.01.20	2,311,394	2,119,505	21.44	
		<u>3,574,240</u>	<u>2,489,213</u>		

(1) Amounts expressed in Brazilian Reais.

The rollforward of the granted options and shares in the six-month period ended June 30, 2019, is presented as follows:

Outstanding options/shares as of december 31, 2018	9,048,405
Exercised:	
Restricted shares	(111,378)
Forfeiture:	
Grant of 2018 (Restricted shares)	(237,609)
Grant of 2017 (Restricted shares)	(52,751)
Grant of 2016	(776,930)
Grant of 2014	(633,017)
Grant of 2014	(407,556)
Outstanding options/shares as of june 30, 2019	<u>6,829,164</u>

The weighted average exercise price of the outstanding options conditioned to services is R\$64,48 (sixty-four Brazilian Reais and forty-eight cents), and the weighted average of the remaining vesting period is 33 months.

The Company has registered as capital reserve, under shareholders' equity, the fair value of the options in the amount of R\$273,997 (R\$262,306 as of December 31, 2018). In the statement of income for the six-month period ended June 30, 2019 the amount recognized as expense was R\$11,691 (R\$7,929 as of June 30, 2018) and R\$1,351 of expense for the three-month period ended June 30, 2019 (R\$7,452 as of June 30, 2018).

25. EMPLOYEES BENEFITS PLANS

The Company offers pension and other post-employment plans to the employees. The characteristics of such benefits were disclosed in the annual financial statements for the year ended December 31, 2018 (note 25) and have not been changed during this period.

The actuarial liabilities are presented below:

	Liabilities	
	06.30.19	12.31.18
Medical assistance	155,798	149,046
F.G.T.S. Penalty (1)	176,744	167,588
Award for length of service	58,604	55,134
Other	104,256	96,383
	495,402	468,151
Current	94,687	94,728
Non-current	400,715	373,423

(1) FGTS – Government Severance Indemnity Fund for Employees

The Company estimated costs for the year of 2019 according to an appraisal report prepared in 2018 by an actuarial expert and recorded in the statement of income for the six-month period ended June 30, 2019 against comprehensive income an expense of R\$8,646 (R\$10,976 as of June 30, 2018) and R\$6,691 for three-months period ended June 30, 2019 (R\$5,456 as of June 30, 2018).

26. PROVISION FOR TAX, CIVIL, LABOR AND OTHER RISKS

The Company and its subsidiaries are involved in certain legal matters arising in the normal course of business, which include civil, commercial and other processes (including environmental and regulatory proceedings), tax, social security and labor risks.

The Company classifies the risk of unfavorable decisions in the legal proceedings as "probable", "possible" or "remote" and records provisions for losses classified as "probable", as determined by the Company's Management based on legal advices, which reasonably reflect the estimated probable losses. Contingencies classified as with

"possible" loss are disclosed based on reasonable estimates.

The Company's management believes that, based on the elements existing at the base date of these financial information, its provision for tax, civil, commercial and other, as well as for labor risks is sufficient to cover estimated losses related to its legal proceedings, as set forth below.

26.1. Contingencies with probable losses

The rollforward of the provisions for tax, civil, commercial and other, and labor risks is summarized below:

	Tax	Labor	Civil, commercial and other	Contingent liabilities	Total
					06.30.19
Beginning balance	230,149	468,513	281,958	369,631	1,350,251
Additions	378,725	192,425	23,535	124	594,809
Reversals	(11,160)	(71,402)	(16,870)	(33,530)	(132,962)
Payments	(12,280)	(151,340)	(10,142)	-	(173,762)
Price index update	401,507	47,824	17,537	-	466,868
Exchange rate variation	1	(180)	(225)	-	(404)
Ending balance	986,942	485,840	295,793	336,225	2,104,800
Current					1,317,604
Non-current					787,196

In the second quarter of 2019, the judgment of the embargoes of the General Repercussion in the Federal Supreme Court that discusses the ICMS ("State VAT") credit of products that composes the basic food basket was finalized. This appeal intended to obtain the modulation of the effects of the negative decision from 2015. As a result of this judgment, the modulation request was dismissed. New declaration embargoes were opposed, requiring the modulation of the effects for the period prior to 2005. Notwithstanding, the Company, together with its lawyers, understands that the outlook now is of probable loss. Therefore, a liability of R\$749,177 was recognized, of which R\$358,935 is related to the principal amount and was recorded under other operating expenses and R\$390,242 of interest and monetary corrections were recorded under financial expenses.

26.1.1 Investigation by the Turkish Competition Board

The Turkish Competition Board ("TCB") executed an investigation to determine whether the undertakings engaged in the industry of chicken meat production including Banvit, an indirect subsidiary of BRF, violated the Turkish Competition Laws by controlling domestic price levels and volumes, and controlling supply in the Aegean region during the period between November 2013 and July 2017.

TCB announced a decision on this investigation, in which it imposed an administrative

fine of equivalent to R\$21,395 (TRY 30,518), which can be reduced by 25% in case of anticipated payment.

The Company does not expect to incur in material losses, as it has an insurance policy and contractual provisions in the share purchase agreement.

26.2. Contingencies with possible losses

The Company is involved in other tax, civil, labor and social security contingencies, for which losses have been assessed as possible by management with the support from legal counsel and therefore no provision has been recorded. On June 30, 2019, the total amount of the possible contingencies was R\$13,086,691 (R\$13,965,789 as of December 31, 2018), of which R\$336,225 (R\$369,631 as of December 31, 2018) were recorded at fair value as a result of the business combination with Sadia, according to the requirements of paragraph 23 of IFRS 3, set forth in the table above. The main natures of these contingencies were disclosed in the annual statements for the year ended December 31, 2018 (note 26.2).

27. EQUITY

27.1. Capital stock

On June 30, 2019, the capital subscribed and paid of the Company was R\$12,553,418, which is composed of 812,473,246 common book-entry shares with no par value. The value of the capital stock is net of the public offering expenses of R\$92,947.

The Company is authorized to increase the capital stock, irrespective of amendment to the bylaws, up to the limit of 1,000,000,000 common book-entry shares with no par value.

27.2. Breakdown of capital stock by nature

	<u>06.30.19</u>	12.31.18
Common shares	812,473,246	812,473,246
Treasury shares	(945,846)	(1,057,224)
Outstanding shares	<u>811,527,400</u>	<u>811,416,022</u>

27.3. Rollforward of outstanding shares

	<u>Quantity of outstanding of shares</u>	
	<u>06.30.19</u>	12.31.18
Shares at the beginning of the period	811,416,022	811,139,545
Delivery of restricted shares	111,378	276,477
Shares at the end of the period	<u>811,527,400</u>	<u>811,416,022</u>

27.3.1 Treasury shares

The Company has 945,846 shares held in treasury, with an average cost of R\$53.60 (fifty-three Brazilian Reais and sixty cents) per share, and a market value of R\$27,921.

	Quantity of outstanding of shares	
	06.30.19	12.31.18
Shares at the beginning of the period	1,057,224	1,333,701
Delivery of restricted shares	(111,378)	(276,477)
Shares at the end of the period	945,846	1,057,224

28. EARNINGS (LOSS) PER SHARE

	April to June 2019	January to June 2019	April to June 2018	January to June 2018
Continued operations				
Basic numerator				
Net (loss) for the period attributable to controlling shareholders	187,894	75,831	(1,450,298)	(1,602,154)
Basic denominator				
Common shares	812,473,246	812,473,246	812,473,246	812,473,246
Weighted average number of outstanding shares - basic (except treasury shares)	811,440,470	811,428,248	811,284,062	811,211,404
Net (loss) per share basic - R\$	0.23156	0.09345	(1.78766)	(1.97501)
Diluted numerator				
Net (loss) for the period attributable to controlling shareholders	187,894	75,831	(1,450,298)	(1,602,154)
Diluted denominator				
Weighted average number of outstanding shares - basic (except treasury shares)	811,440,470	811,428,248	811,284,062	811,211,404
Weighted average number of outstanding shares - diluted	811,440,470	811,428,248	811,284,062	811,211,404
Net (loss) per share diluted - R\$	0.23156	0.09345	(1.78766)	(1.97501)

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Discontinued operations	April to June 2019	January to June 2019	April to June 2018	January to June 2018
Basic numerator				
Net (loss) for the period attributable to controlling shareholders	134,931	(753,941)	(28,862)	49,333
Basic denominator				
Common shares	812,473,246	812,473,246	812,473,246	812,473,246
Weighted average number of outstanding shares - basic (except treasury shares)	<u>811,440,070</u>	<u>811,428,248</u>	<u>811,284,062</u>	<u>811,211,404</u>
Net (loss) per share basic - R\$	<u>0.16629</u>	<u>(0.92915)</u>	<u>(0.03558)</u>	<u>0.06081</u>
Diluted numerator				
Net (loss) for the period attributable to controlling shareholders	134,931	(753,941)	(28,862)	49,333
Diluted denominator				
Weighted average number of outstanding shares - basic (except treasury shares)	<u>811,440,070</u>	<u>811,428,248</u>	<u>811,284,062</u>	<u>811,211,404</u>
Weighted average number of outstanding shares - diluted	<u>811,440,070</u>	<u>811,428,248</u>	<u>811,284,062</u>	<u>811,211,404</u>
Net (loss) per share diluted - R\$	<u>0.16629</u>	<u>(0.92915)</u>	<u>(0.03558)</u>	<u>0.06081</u>
Continued and discontinued operations	April to June 2019	January to June 2019	Restated April to June 2018	Restated January to June 2018
Basic numerator				
Net (loss) for the period attributable to controlling shareholders	322,825	(678,110)	(1,479,160)	(1,552,821)
Basic denominator				
Common shares	812,473,246	812,473,246	812,473,246	812,473,246
Weighted average number of outstanding shares - basic (except treasury shares)	<u>811,440,470</u>	<u>811,428,248</u>	<u>811,284,062</u>	<u>811,211,404</u>
Net (loss) per share basic - R\$	<u>0.39784</u>	<u>(0.83570)</u>	<u>(1.82323)</u>	<u>(1.91420)</u>
Diluted numerator				
Net (loss) for the period attributable to controlling shareholders	322,825	(678,110)	(1,479,160)	(1,552,821)
Diluted denominator				
Weighted average number of outstanding shares - basic (except treasury shares)	<u>811,440,470</u>	<u>811,428,248</u>	<u>811,284,062</u>	<u>811,211,404</u>
Weighted average number of outstanding shares - diluted	<u>811,440,470</u>	<u>811,428,248</u>	<u>811,284,062</u>	<u>811,211,404</u>
Net (loss) per share diluted - R\$	<u>0.39784</u>	<u>(0.83570)</u>	<u>(1.82323)</u>	<u>(1.91420)</u>

The diluted result is calculated considering the number of potential shares (stock options), however, because the share price at June 30, 2019 is lower than the strike price, the options do not have a dilutive effect.

29. RELATED PARTIES

As part of the Company's operations, rights and obligations arise between related parties, resulting from transactions of purchase and sale of products, loans agreed based on agreements, contracted on market or commutative conditions.

All the transactions and balances between the Company and its subsidiaries were eliminated in the consolidation and refer to commercial and/or financial transactions.

All Companies set forth in note 1.1, which describes the relationship with BRF as well as the nature of the operations of each entity, are controlled by BRF, except for UP!Alimentos, PP-BIO and SATS BRF which are associates or joint ventures.

The Company recorded a liability in the amount of R\$1,043 (R\$1,290 as of December 31, 2018) related to the fair value of the guarantees offered to BNDES concerning a loan made by Instituto Sadia de Sustentabilidade.

Due to the acquisition of biodigesters from Instituto Sadia de Sustentabilidade, as of June 30, 2019 the Company recorded a payable to this entity of R\$3,773 included in other liabilities (R\$4,666 as of December 31, 2018).

The Company enters into loan agreements with its subsidiaries in order to comply with its cash management strategy. Below a summary of the balances and rates charged for the transactions at the statement of financial position date are demonstrated:

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Counterparty		Currency	06.30.19		12.31.18		
			Balance	Interest rate (p.a.)	Balance	Interest rate (p.a.)	
Creditor	Debtor						
BRF Foods Gmbh	BRF Global GmbH	US\$	839,119	4.7%	520,551		2.0%
BRF GMBH	BRF Global GmbH	US\$	692,987	3.3%	1,438,778		3.3%
BRF GMBH	Federal Foods Qatar	US\$	525,700	4.5%	520,679		4.5%
Sadia International Ltd.	Wellax Food Logistics	US\$	225,311	4.5%	223,299		4.5%
Perdigão International Ltd.	BRF Global GmbH	US\$	206,779	3.4%	205,768		3.4%
BRF GMBH	BRF Global GmbH	EUR	160,158	2.0%	161,535		2.0%
BRF GMBH	Perdigão International Ltd.	US\$	89,047	3.9%	88,354		3.9%
BRF GMBH	BRF Foods LLC	US\$	83,130	2.5%	83,224		2.5%
BRF GMBH	Eclipse Holding Cooperatief	US\$	26,141	4.5%	25,863		4.5%
Wellax Food Logistics	BRF GMBH	US\$	20,990	3.9%	20,826		3.9%
BRF GMBH	BFF International	US\$	16,080	4.6%	15,907		1.2%
BRF GMBH	BRF Hong Kong	US\$	12,575	4.5%	12,454		4.5%
BRF GMBH	Sadia International Ltd.	US\$	6,159	5.2%	6,081		5.2%
Perdigão International Ltd.	BRF Foods LLC	US\$	4,811	1.0%	4,841		1.0%
Wellax Food Logistics	BRF Foods LLC	US\$	2,739	7.0%	2,702		7.0%
BRF GMBH	BRF Austria GmbH	US\$	965	4.0%	957		4.0%
BRF Invicta Food	BRF Invicta	GBP	-	-	118,443		1.8%
Qualy B. V.	BRF Holland B.V.	EUR	-	-	12,567		0.6%
BRF Holland B.V.	BRF BV	EUR	-	-	15,158		0.0%
BRF Foods Gmbh	One Foods Holdings	US\$	-	-	12,092		2.7%
Invicta Food Product	BRF Wrexham	GBP	-	-	3,399		1.8%
Golden Quality Foods Netherlands	BRF Holland B.V.	EUR	-	-	4,218		0.6%
Campo Austral S.A.	Buenos Aires Fortune S.A.	ARS	-	-	669		20.0%
Invicta Foods Limited	Invicta Food Group Limited	GBP	-	-	451		1.0%
Eclipse Holding Cooperatief	Eclipse LATAM Holdings	EUR	-	-	333		20.0%
Avex S.A.	Buenos Aires Fortune S.A.	ARS	-	-	286		20.0%
Golden Quality Foods Netherlands	BRF Holland B.V.	EUR	-	-	53		0.6%
Campo Austral S.A.	Itega	ARS	-	-	27		20.0%

29.1. Other Related Parties

The Company leased properties owned by BRF Previdência. For the six-month period ended June 30, 2019, the total amount paid as rent was R\$8,462 (R\$8,462 for the six-month period ended June 30, 2018), and for the three-month period ended June 30, 2019, the total amount paid was R\$4,231 (R\$4,231 for the three-month period ended June 30, 2018). The rent value was set based on market conditions.

29.2. Granted guarantees

All granted guarantees on behalf of related parties were disclosed in note 19.3.

29.3. Management remuneration

Key management personnel include board members, statutory directors and the head of

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internal audit.

The total remuneration and benefits expense with these professionals are set forth below:

	April to June 2019	January to June 2019	April to June 2018	January to June 2018
Salary and profit sharing	12,752	22,722	13,346	24,865
Short term benefits (1)	114	131	16	20
Private pension	180	302	112	234
Post-employment benefits	-	47	55	78
Termination benefits	3,484	8,169	2,422	5,444
Share-based payment	2,155	3,983	1,749	3,672
	<u>18,685</u>	<u>35,354</u>	<u>17,700</u>	<u>34,313</u>

(1) Comprises: Medical assistance, educational expenses and others.

In addition, the executive officers who are also an integral part of the key management personnel received among remuneration and benefits the total amount of R\$23,051 for the six-month period ended June 30, 2019 (R\$20,521 for the six-month period ended June 30, 2018) and R\$9,230 for the three-month period ended June 30, 2019 (R\$10,156 for the three-month period ended June 30, 2018).

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30. NET SALES

	April to June 2019	January to June 2019	Restated April to June 2018	Restated January to June 2018
Gross sales				
Brazil	5,069,823	9,951,942	4,645,520	9,371,054
International	4,289,643	7,745,612	3,444,258	6,723,829
Other segments	305,893	554,970	202,559	423,121
	<u>9,665,359</u>	<u>18,252,524</u>	<u>8,292,337</u>	<u>16,518,004</u>
Sales deductions				
Brazil	(988,127)	(1,929,779)	(960,612)	(1,938,180)
International	(304,145)	(566,243)	(233,881)	(429,431)
Other segments	(35,078)	(59,243)	(31,169)	(53,020)
	<u>(1,327,350)</u>	<u>(2,555,265)</u>	<u>(1,225,662)</u>	<u>(2,420,631)</u>
Net sales				
Brazil	4,081,696	8,022,163	3,684,908	7,432,874
International	3,985,498	7,179,369	3,210,377	6,294,398
Other segments	270,815	495,727	171,390	370,101
	<u>8,338,009</u>	<u>15,697,259</u>	<u>7,066,675</u>	<u>14,097,373</u>

31. RESEARCH AND DEVELOPMENT COSTS

Consists of expenditures on internal research and development of new products which are recognized in the statement of income when incurred. The expenditures amounted to R\$31,516 for the six-month period ended June 30, 2019 (R\$27,059 for the six-month period ended June 30, 2018) and R\$16,851 for the three-month period ended June 30, 2019 (R\$11,319 for the three-month period ended June 30, 2018).

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32. OTHER OPERATING INCOME (EXPENSES), NET

	April to June 2019	January to June 2019	Restated April to June 2018	Restated January to June 2018
Income				
Recovery of expenses (1)	695,814	704,811	24,572	38,772
Gain on the disposal of property, plant and equipment	9,128	18,248	-	-
Provision reversal	357	14,085	4,388	12,262
Scrap sales	3,221	6,837	3,737	6,972
Rewards and short-term incentive	-	-	-	37,814
Other	18,760	18,760	10,600	17,790
	<u>727,280</u>	<u>762,741</u>	<u>43,297</u>	<u>113,610</u>
Expenses				
Provision for civil and tax risks (2)	(356,210)	(363,918)	(10,744)	(1,530)
Rewards and short-term incentive	(52,843)	(110,455)	390	-
Expenses arising from Trapaça Operation	(31,207)	(42,320)	(30,918)	(43,737)
Demobilization expenses	(10,949)	(21,932)	(1,545)	(5,956)
Other employees benefits	(9,918)	(17,374)	(7,405)	(15,383)
Insurance claims costs	(2,193)	(14,977)	(1,638)	(7,917)
Net loss on the disposals of investments	(2,354)	(2,354)	-	-
Costs on business disposed	-	-	-	(27,848)
Restructuring	-	-	(24,038)	(24,038)
Net loss from the disposals of property, plant and equipment	-	-	(25,223)	(22,731)
Other	(31,129)	(35,610)	(6,954)	(17,466)
	<u>(496,803)</u>	<u>(608,940)</u>	<u>(108,075)</u>	<u>(166,606)</u>
	<u>230,477</u>	<u>153,801</u>	<u>(64,778)</u>	<u>(52,996)</u>

- (1) Includes the effects of the final decision related to the exclusion of ICMS from the PIS and COFINS calculation base, as described in note 11.
- (2) Includes the effects of the tax contingency on ICMS credit in the basic food basket products, as described in note 26.

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33. FINANCIAL INCOME (EXPENSES), NET

	April to June 2019	January to June 2019	Restated April to June 2018	Restated January to June 2018
Financial income				
Interest on assets (1)	413,444	439,498	33,863	170,641
Interest on cash and cash equivalents	33,356	66,827	32,370	73,665
Exchange rate variation on other assets	-	61,449	335,029	192,493
Exchange rate variation on other liabilities	80,492	58,404	-	-
Interests on financial assets classified as				
Amortized cost	22,364	44,225	31,130	53,105
Fair value through profit and loss	5,352	9,856	2,430	5,572
Fair value through other comprehensive income	152	323	152	298
Exchange rate variation on marketable securities	-	12,650	29,039	24,532
Exchange rate variation on loans and financing	112,026	6,551	-	-
Impairment on marketable securities	1,725	6,022	-	-
Exchange rate variation on net assets of foreign subsidiaries	-	-	394,029	417,698
Gain on derivative transactions, net	-	-	140,356	-
	<u>668,911</u>	<u>705,805</u>	<u>998,398</u>	<u>938,004</u>
Financial expenses				
Interest on loans and financing	(340,960)	(674,560)	(304,775)	(594,411)
Interest on liabilities (2)	(508,608)	(562,126)	(40,787)	(67,439)
Loss on derivative transactions, net	(92,826)	(159,583)	-	(16,683)
Adjustment to present value	(76,634)	(145,141)	(66,189)	(137,914)
Exchange rate variation on net assets of foreign subsidiaries	(39,529)	(50,982)	-	-
Loss on grains price variation	(1,924)	(5,534)	(38,713)	(97,597)
Exchange rate variation on other assets	(88,428)	-	-	-
Exchange rate variation on marketable securities	(15,790)	-	-	-
Exchange rate variation on loans and financing	-	-	(991,233)	(1,041,253)
Exchange rate variation on other liabilities	-	-	(202,660)	(28,693)
Others	(123,534)	(175,466)	(109,639)	(196,031)
	<u>(1,288,233)</u>	<u>(1,773,392)</u>	<u>(1,753,996)</u>	<u>(2,180,021)</u>
	<u>(619,322)</u>	<u>(1,067,587)</u>	<u>(755,598)</u>	<u>(1,242,017)</u>

- (1) Includes the financial effects of the final decision related to the exclusion of ICMS from the PIS and COFINS calculation base, as described in note 11.
- (2) Includes the financial effects of the tax contingency on ICMS credit in the basic food basket products, as described in note 26.

34. STATEMENT OF INCOME BY NATURE

The Company has chosen to disclose its statement of income by function and thus presents below the details by nature:

	April to June 2019	January to June 2019	Restated April to June 2018	Restated January to June 2018
Costs of sales				
Raw materials and consumables	4,298,158	8,224,665	4,811,065	8,600,766
Depreciation	448,822	893,489	359,532	691,520
Amortization	33,630	62,820	20,208	39,283
Salaries and employees benefits	910,021	1,785,418	940,765	1,862,641
Others	555,729	1,122,148	340,082	929,409
	<u>6,246,360</u>	<u>12,088,540</u>	<u>6,471,652</u>	<u>12,123,619</u>
Sales expenses				
Depreciation	45,376	89,795	17,403	34,509
Amortization	22,990	43,325	16,561	32,262
Salaries and employees benefits	319,209	631,950	292,052	573,498
Indirect and direct logistics expenses	534,801	1,033,221	555,570	1,079,884
Marketing	198,023	337,448	156,500	248,012
Others	136,378	256,333	86,801	170,359
	<u>1,256,777</u>	<u>2,392,072</u>	<u>1,124,887</u>	<u>2,138,524</u>
Administrative expenses				
Depreciation	6,203	12,305	10,229	20,947
Amortization	7,011	15,438	15,300	28,437
Salaries and employees benefits	72,505	142,882	65,925	117,512
Fees	7,954	14,215	9,354	16,638
Others	42,484	92,546	24,655	50,714
	<u>136,157</u>	<u>277,386</u>	<u>125,463</u>	<u>234,248</u>
Impairment Loss on Trade and Other Receivables				
Impairment Loss on Trade and Other Receivables	(1,709)	3,798	11,287	25,624
	<u>(1,709)</u>	<u>3,798</u>	<u>11,287</u>	<u>25,624</u>
Other operating expenses (1)				
Depreciation	13,341	24,813	9,890	19,004
Others	483,462	584,127	98,185	147,602
	<u>496,803</u>	<u>608,940</u>	<u>108,075</u>	<u>166,606</u>

(1) The composition of other operating expenses is disclosed in note 32.

35. TRANSACTIONS THAT DO NOT INVOLVE CASH OR CASH EQUIVALENTS

The following transactions did not involve cash or cash equivalents during the period ended June 30, 2019:

- (i) Capitalized loan interest: in the six-month period ended June 30, 2019 amounted to R\$10,543 (R\$9,312 in the six-month period ended June 30, 2018) and in the three-

month period ended June 30, 2019 amounted to R\$5,219 (R\$4,420 in the same period of the previous year); and

- (ii) Addition of lease by right-of-use assets and respective lease liability: in the six-month period ended June 30, 2019, amounted to R\$2,422,669 (R\$40,692 in the six-month period ended June 30, 2018) and in the three-month period ended June 30, 2019, amounted to R\$17,541 (R\$7,486 in the same period of the previous year);

36. APPROVAL OF THE CONSOLIDATED FINANCIAL INFORMATION

The condensed consolidated financial information were approved and their issuance authorized by the Board of Directors on August 08, 2019.

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