

2Q19 Earnings

August 9, 2019

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protein and related markets; (iv) increasing competition from new entrants to the Brazilian and international markets; (v) ability to keep up with rapid changes in the regulatory and technological environments; (vi) ability to maintain an ongoing process for introducing competitive new products and services while maintaining the competitiveness of existing ones; (vii) ability to attract customers in domestic and foreign jurisdictions. Other factors that could materially affect results can be found in BRF’s Reference Form and in the annual report on Form 20-F, as filed with the U.S. Securities and Exchange Commission, particularly under the “Risk Factors” session.

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OPENING REMARKS

LORIVAL LUZ
GLOBAL CEO

Ongoing Profitability Recovery

2Q19 results reflect adjustments initiated in 2Q18 and the execution of our Strategic Plan

» **Net Revenue up 18% y-o-y** and **Volumes up 0,7% y-o-y**

» Ongoing increase of **gross margin, reaching 25.1% in 2Q19**

» Adjusted EBITDA of ~R\$1.5 billion and Adjusted EBITDA margin of 18,6%

» Excluding tax-related events¹, **Adjusted EBITDA would be ~R\$1.2 billion with Adjusted EBITDA margin of 14,6%**

» **2Q19 net income of R\$191 million**

Ongoing Profitability Recovery

2Q19 results reflect adjustments initiated in 2Q18 and the execution of our Strategic Plan

» **Free cash generation of ~R\$1.4 billion**, including funds from divestments

» **Strong cash position of R\$7 billion**

» Drop in **net leverage to 3.74x**

» **Revision of net leverage (Net Debt / Adjusted EBITDA LTM) guidance¹ to:**

- **~3.15x at the end of 2019**
- **~2.65x at the end of 2020**

¹ According to Material Fact released on August 9, 2019.

Disciplined execution of the Strategic Plan

Strengthening of competences to maximize future results

» **23% y-o-y** evolution **in marketing investments**

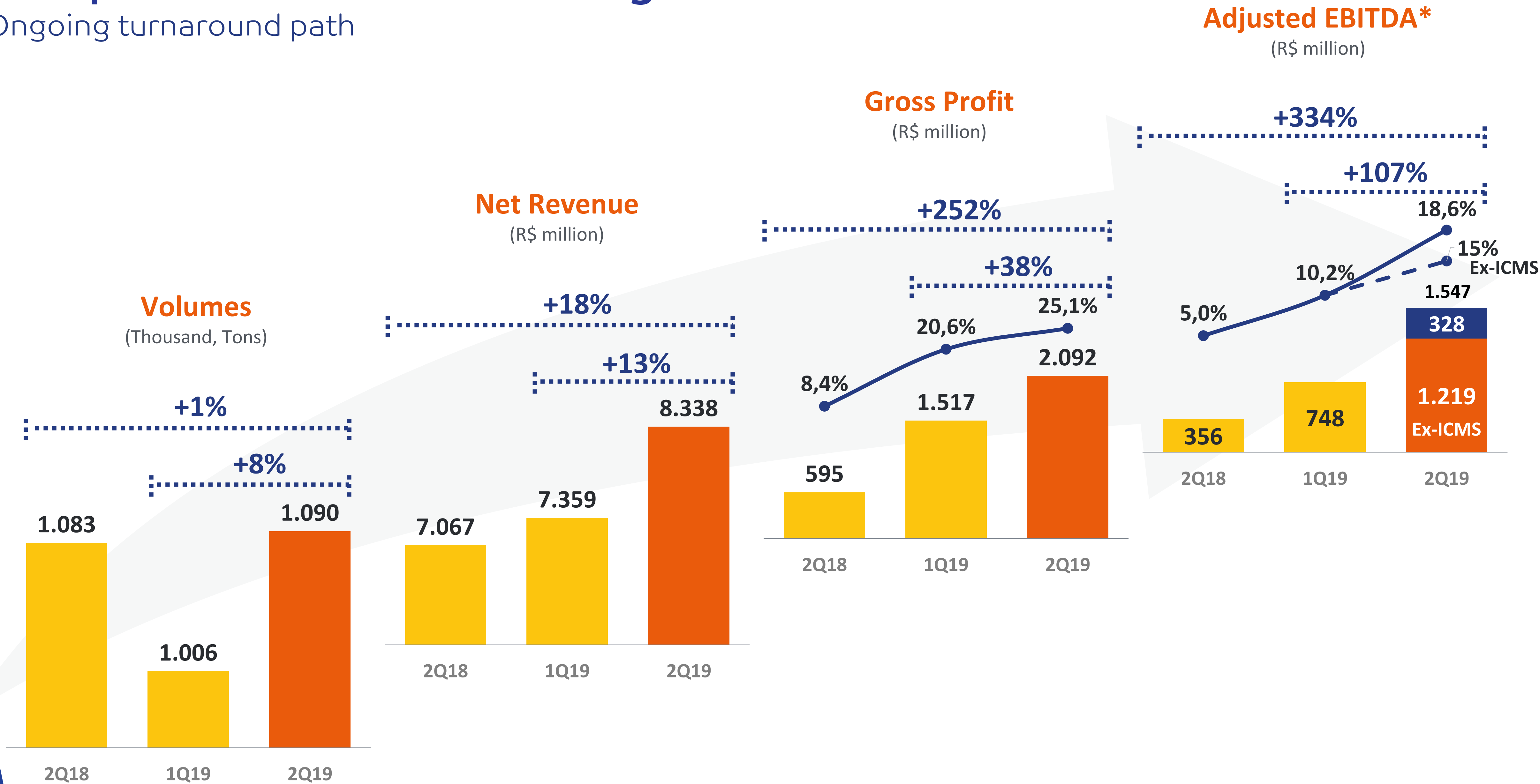
» Product launches including Mini Sausages Perdigão, Qualy Vita, Breaded Chicken Burger, among others, **using innovation as growth leverage**

» Intensifying **engagement and culture activities**, strengthening **commitments to Safety, Quality, and Integrity**

» Accelerating programs of **new talent development and succession (Fast Track)** to fulfill key positions in our business

Discipline execution of Strategic Plan

Ongoing turnaround path

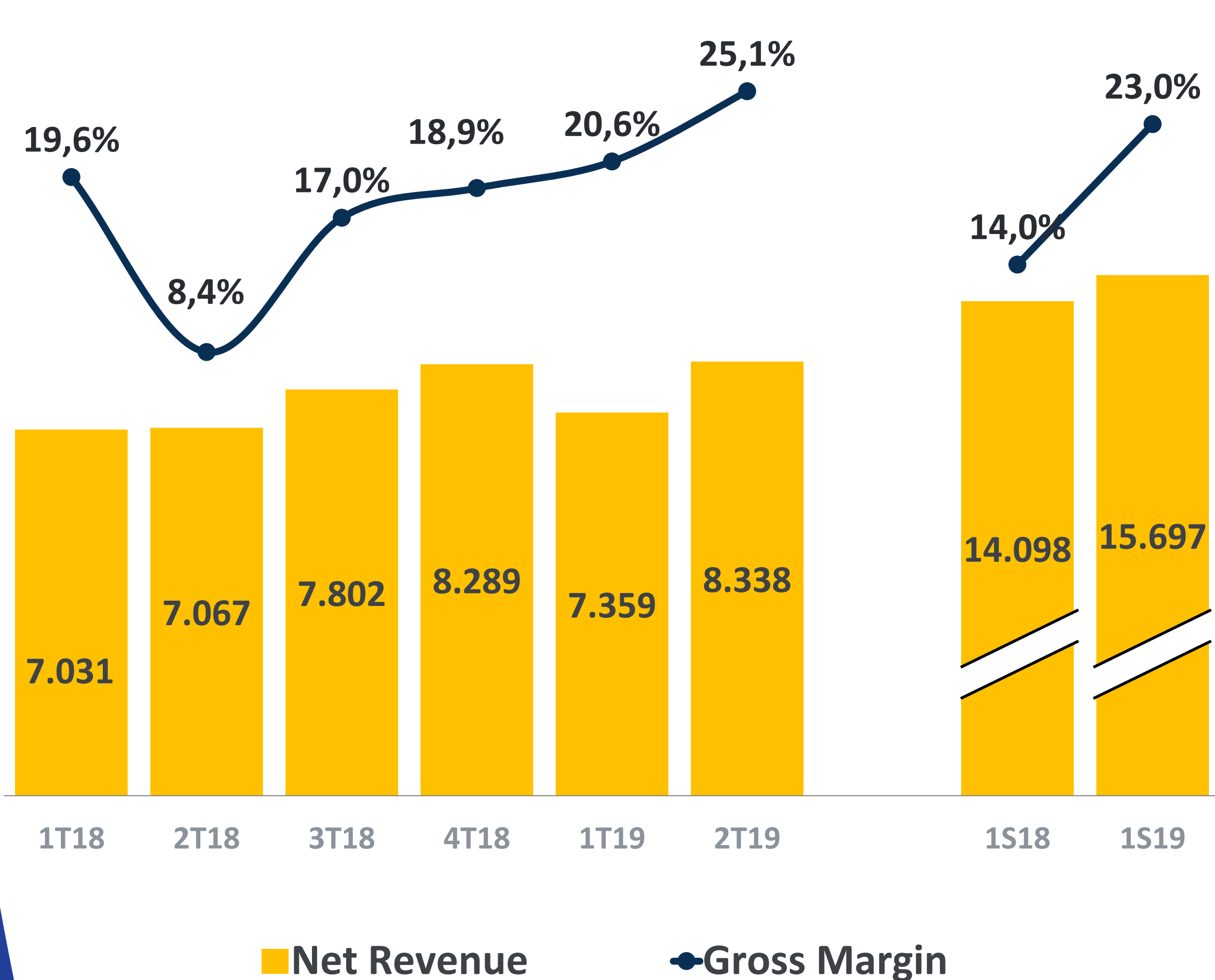


*Includes net effect of R\$328 million due to the payment of ICMS for staple basket products provision and the excluding ICMS from PIS/COFINS calculation basis

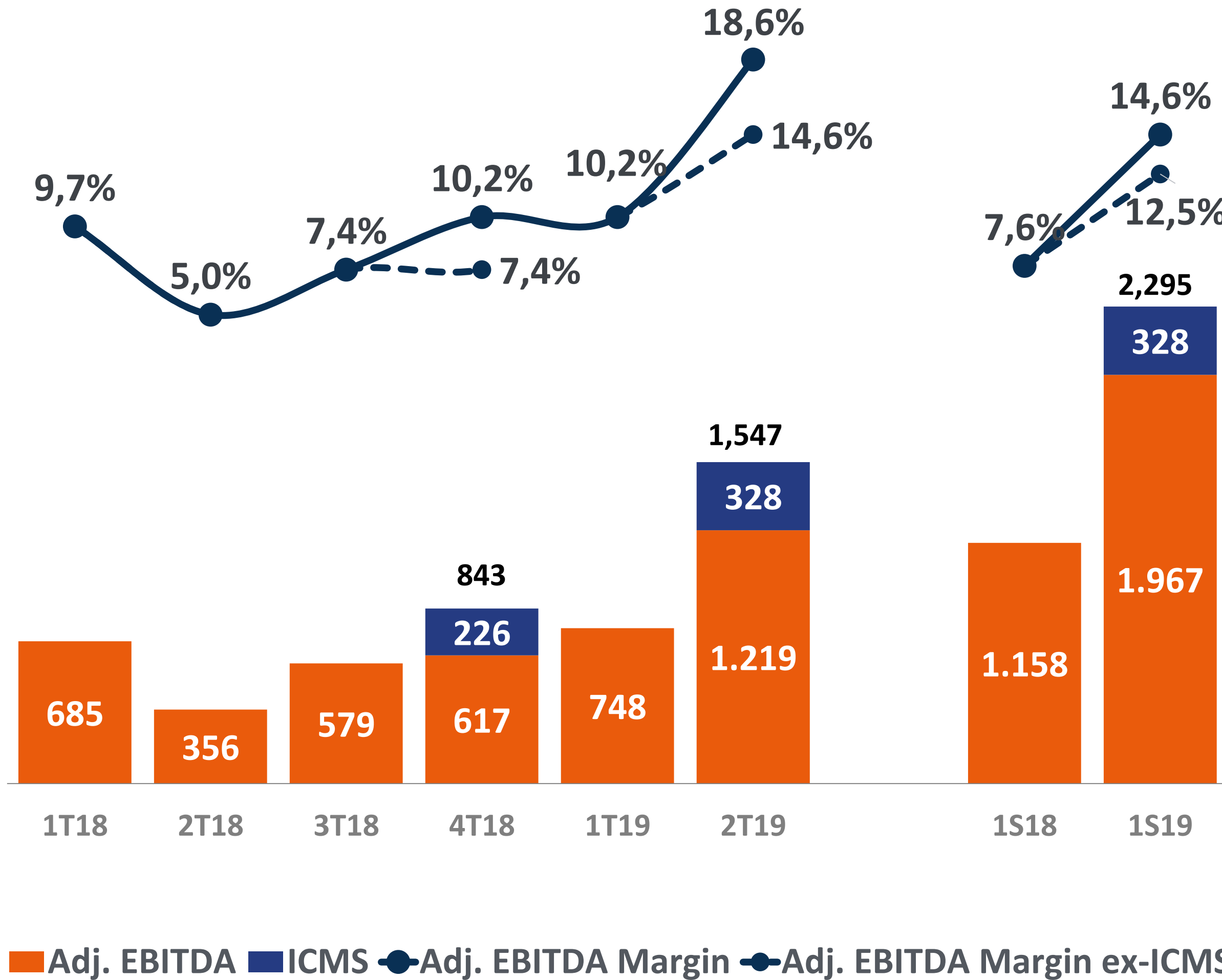
On a positive track to recover margins

BRF Management Model was key to improving operating performance

Gross Margin



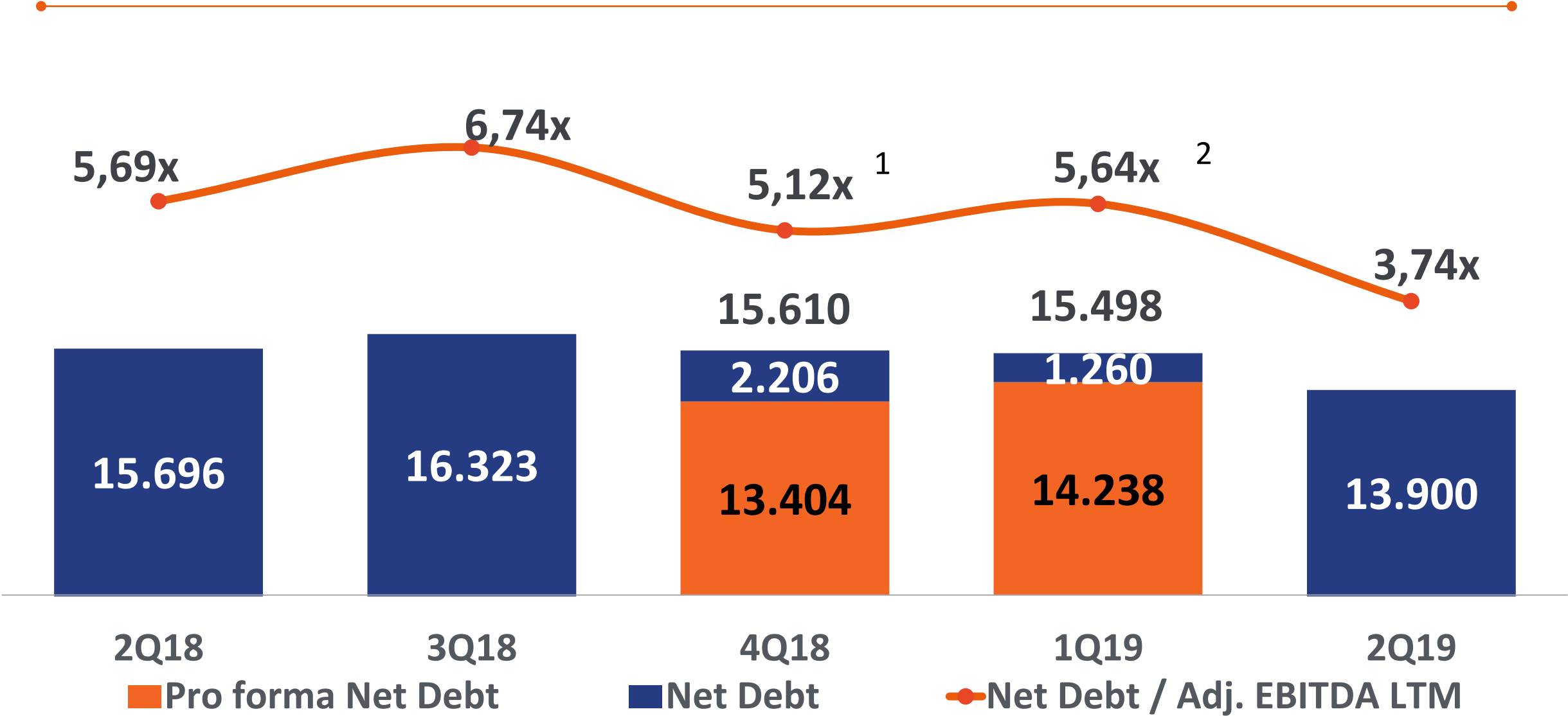
Adjusted EBITDA Margin



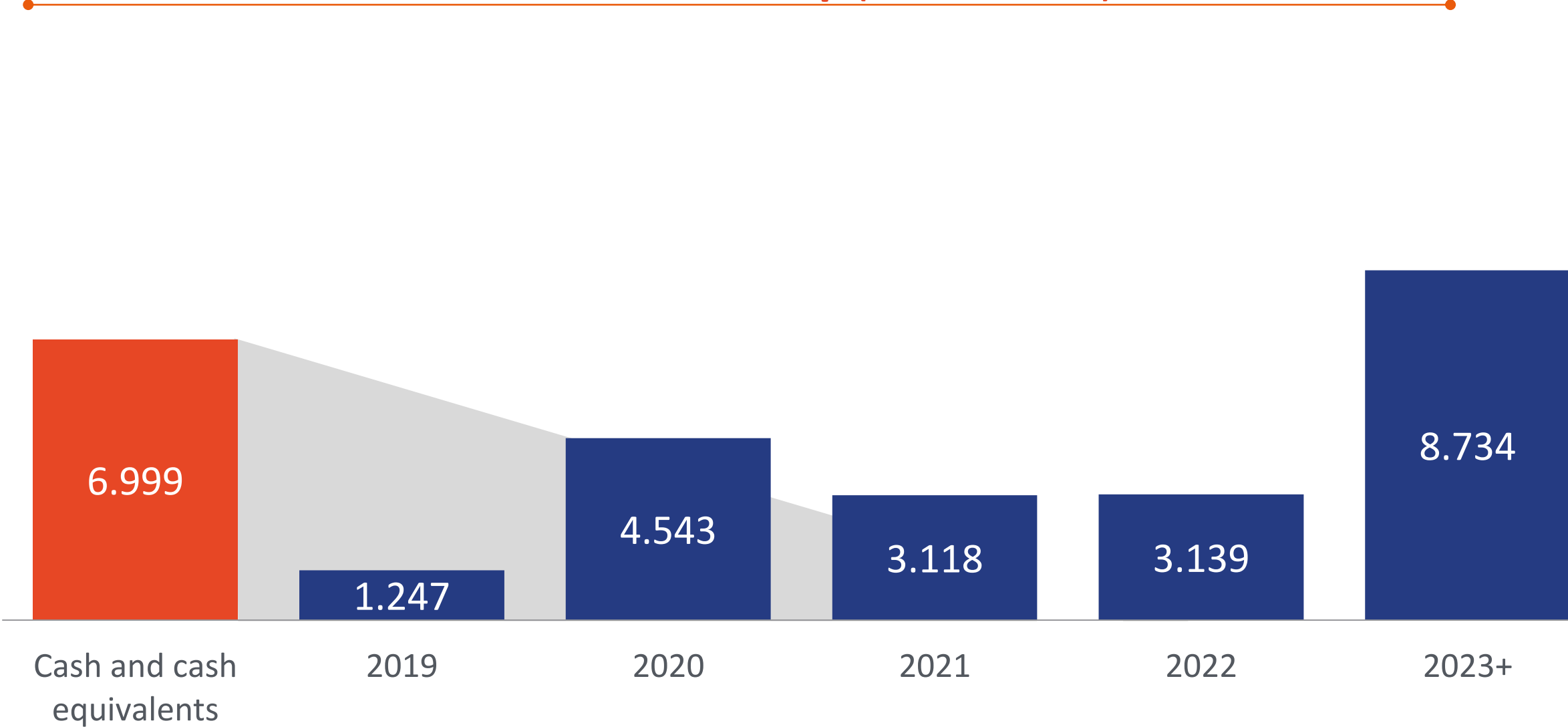
Leverage & Debt Profile

Financial deleveraging while maintaining a strong cash position

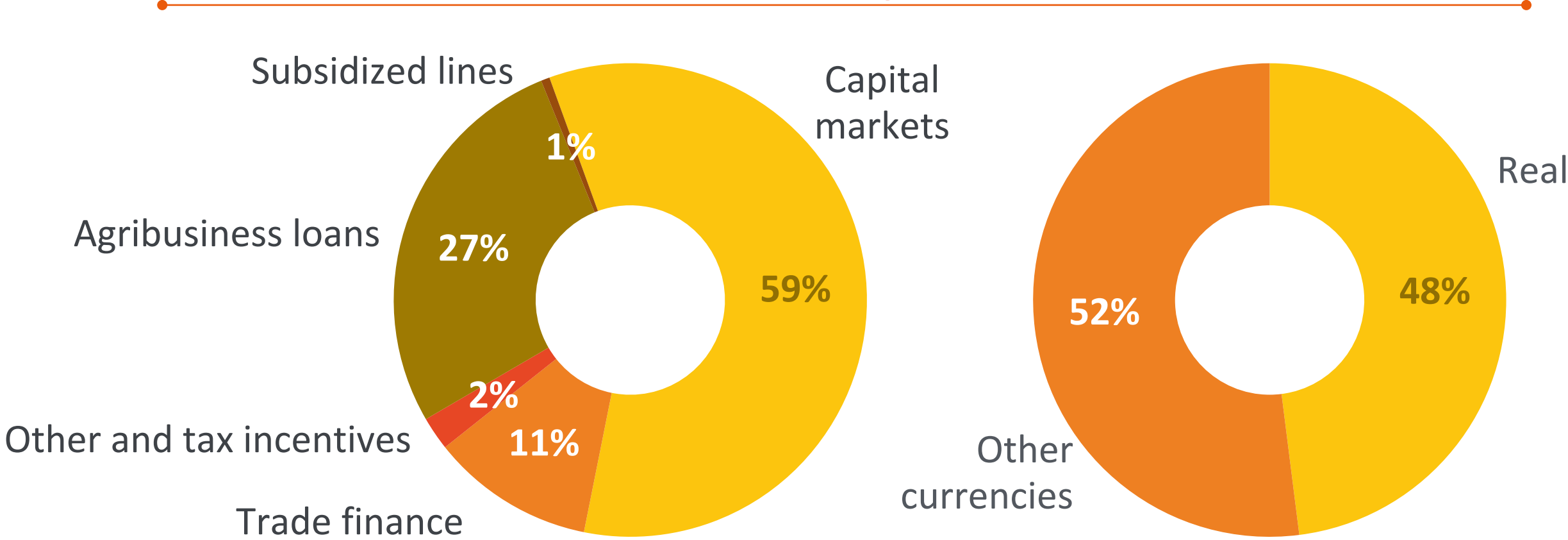
Financial Leverage 2Q19 (R\$ million)



Debt Schedule 2Q19 | (R\$ million)



Gross Debt 2Q19 | R\$20.9 billion



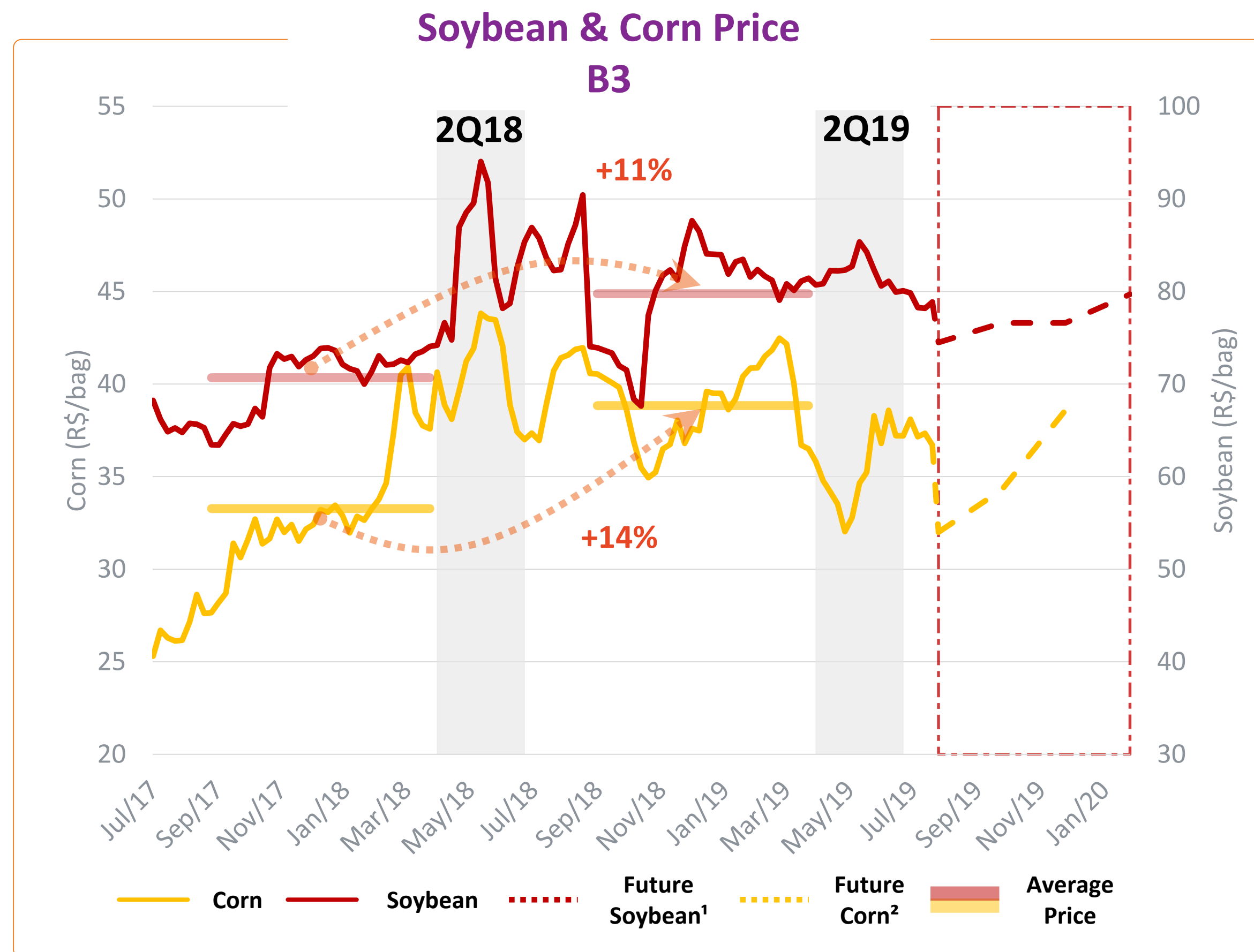
¹ Including pro forma adjustments from incoming funds related to the sale of assets in Argentina, Europe, and Thailand, the non-transferred portion to FIDC and FX=R\$3.80/US\$. Taking into consideration the accounting numbers, leverage is 5.97x.

² Including pro forma adjustments from incoming funds remaining from the sale of assets in Argentina, Europe, and Thailand. Taking into consideration the accounting numbers, leverage is 6.14x.

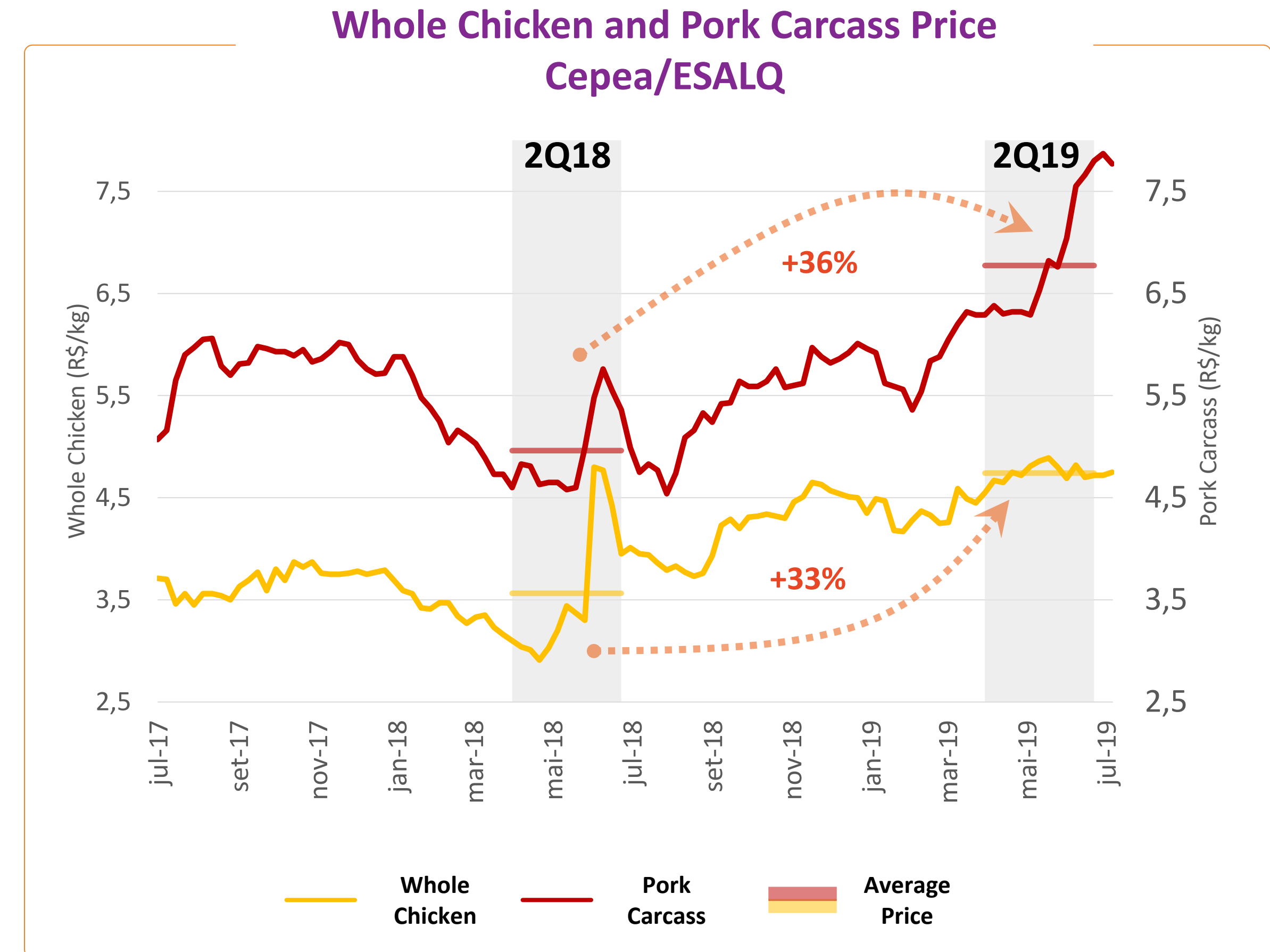
INDUSTRY OVERVIEW

Grains & Proteins Prices

Grain price inflation already showing downturn signs, benefiting outlook for 1H19



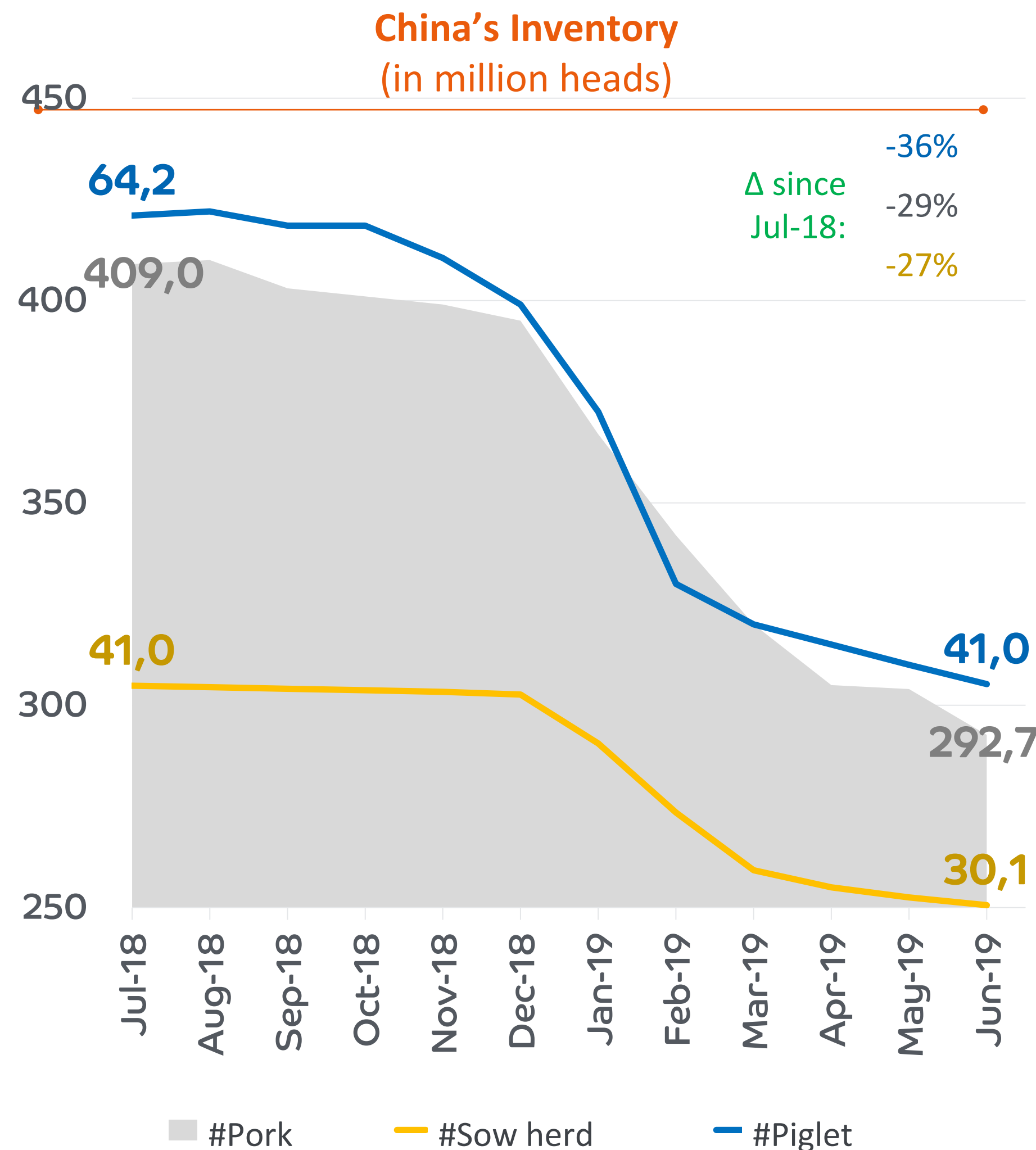
- » Slowdown scenario in **grain prices** in 1S19, favoring costs in 2S19
- » **Favorable 2018/19 crop in Brazil and Argentina**
- » **Delays in corn crop in U.S.** caused short term volatility



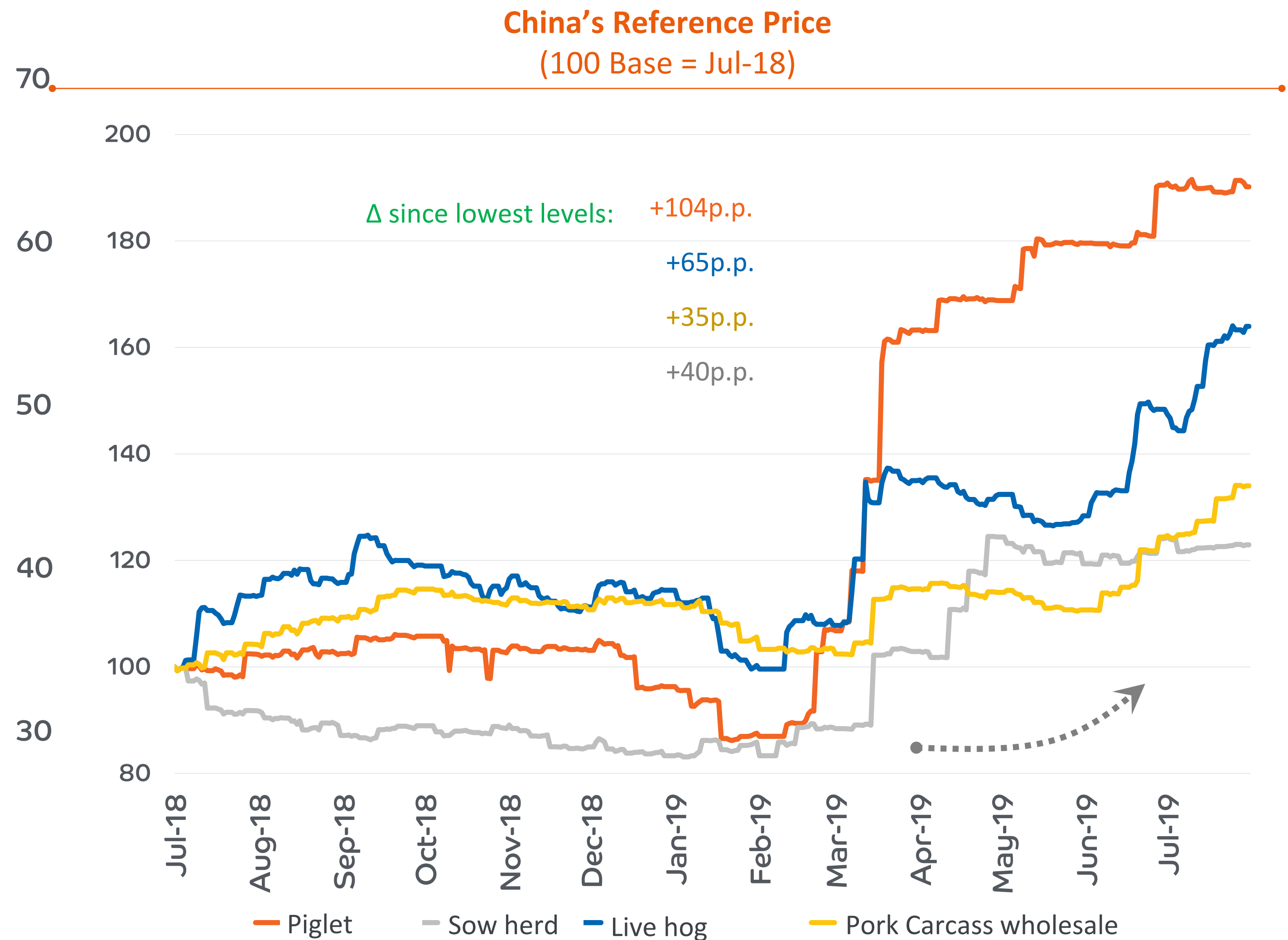
- » **Better balance between supply/demand and adequate inventories** in local markets benefitted protein prices
- » **African Swine Fever impacts** suggests adjustments in outlook for protein market

African Swine Fever (ASF) impacts

Herd size reduction affecting pork prices in international markets



Source: Ministry of Agriculture of the People's Republic of China (MOA)

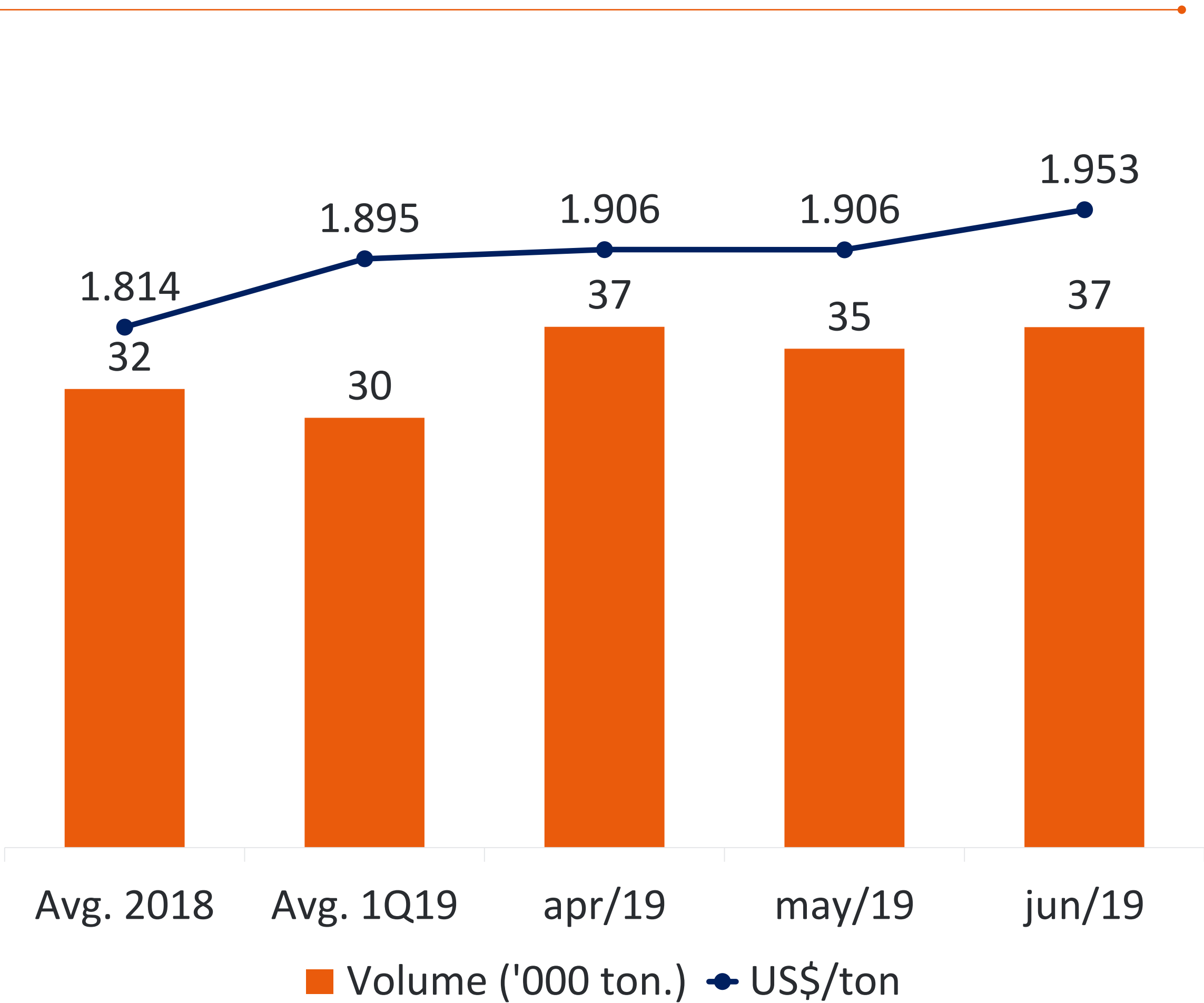


Source: Bloomberg

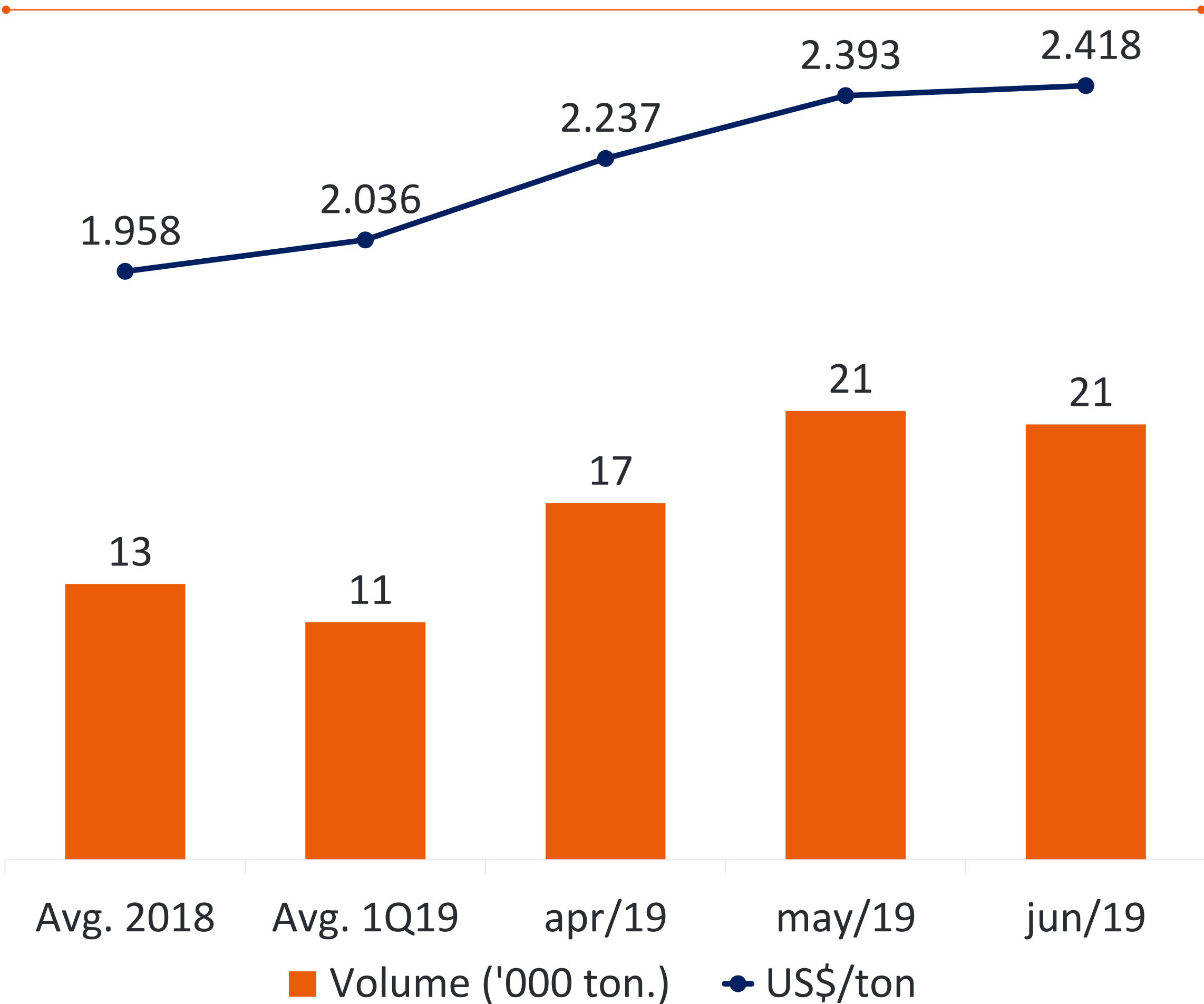
Exports to Asia

Volume and price evolution to Japan and China

Chicken Exports to Japan
(‘000 tons & USD/Ton)



Pork Exports to China
(‘000 tons & USD/Ton)





OPERATING AND FINANCIAL PERFORMANCE 2Q19

SIDNEY MANZARO

VICE-PRESIDENT
BRAZIL MARKET

Brazil Segment

Profitable growth, aligned to the strategic planning

» **Net Revenue** up **+10,8% y-o-y**

» Ongoing increase in **gross margin, reaching 24% in 2Q19**, due to price gains, mix and operating efficiency

» **Adjusted EBITDA ex-ICMS effects of R\$462 million and 11.3% margin**, up **+153% y-o-y**

» Evolution in **marketing investments**; advertising Campaigns for **Sadia, Perdigão** and **Qualy Vita brands, aligned to the strategic planning**

Brazil Segment

Operating and Commercial Execution on improving track

» Growth in the **mix of higher added value products**; focus on **cold cuts and margarines** categories

» Expansion in the **mix of higher added value channel**; focus on small retailers and food service

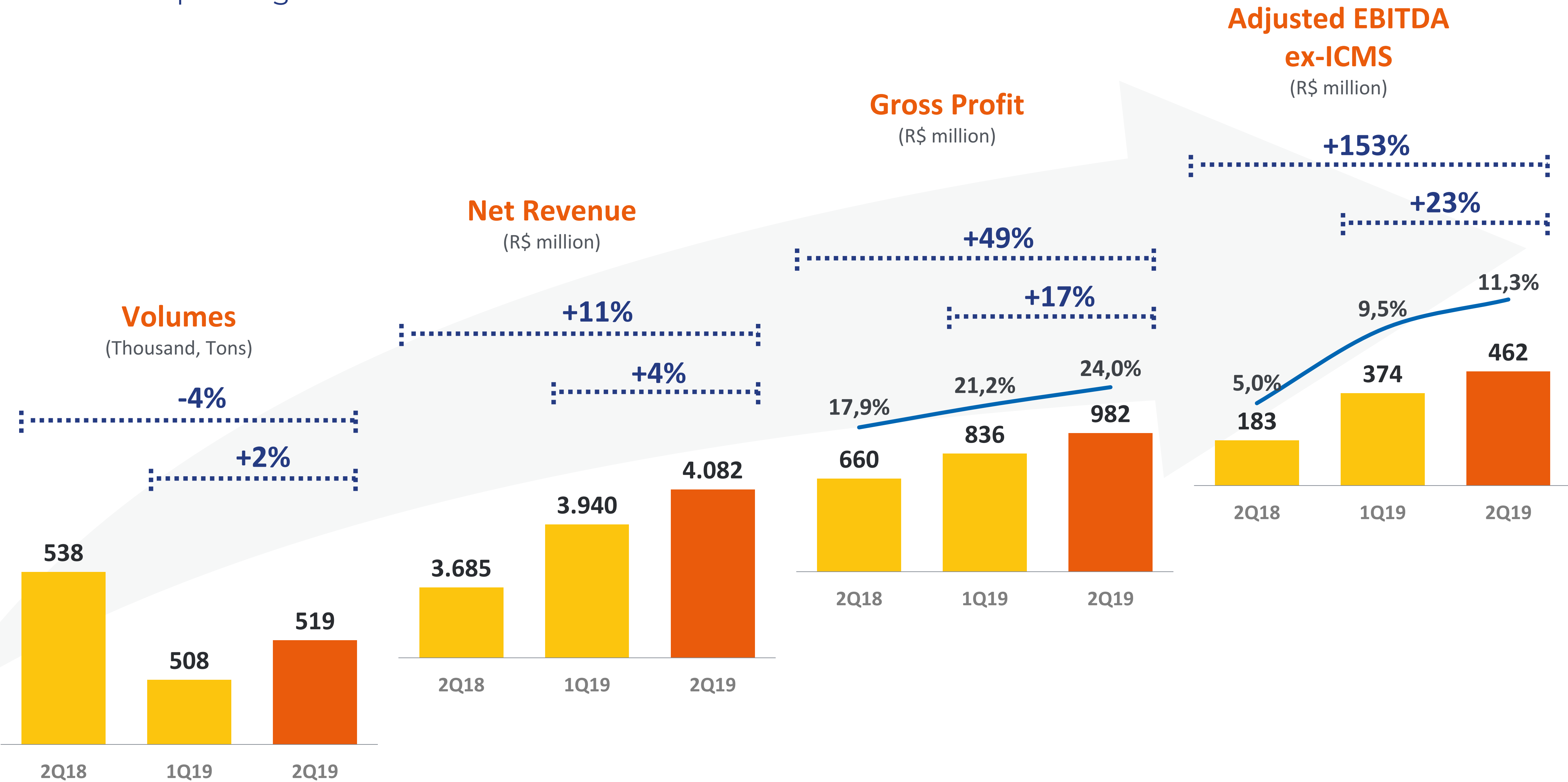
» Increased operational efficiency in **logistics and service level improvement (OTIF)**

» Launch of **+Excellence Program** to increase **productivity gains in sales and logistics**

» Higher employee **engagement**

Brazil Segment

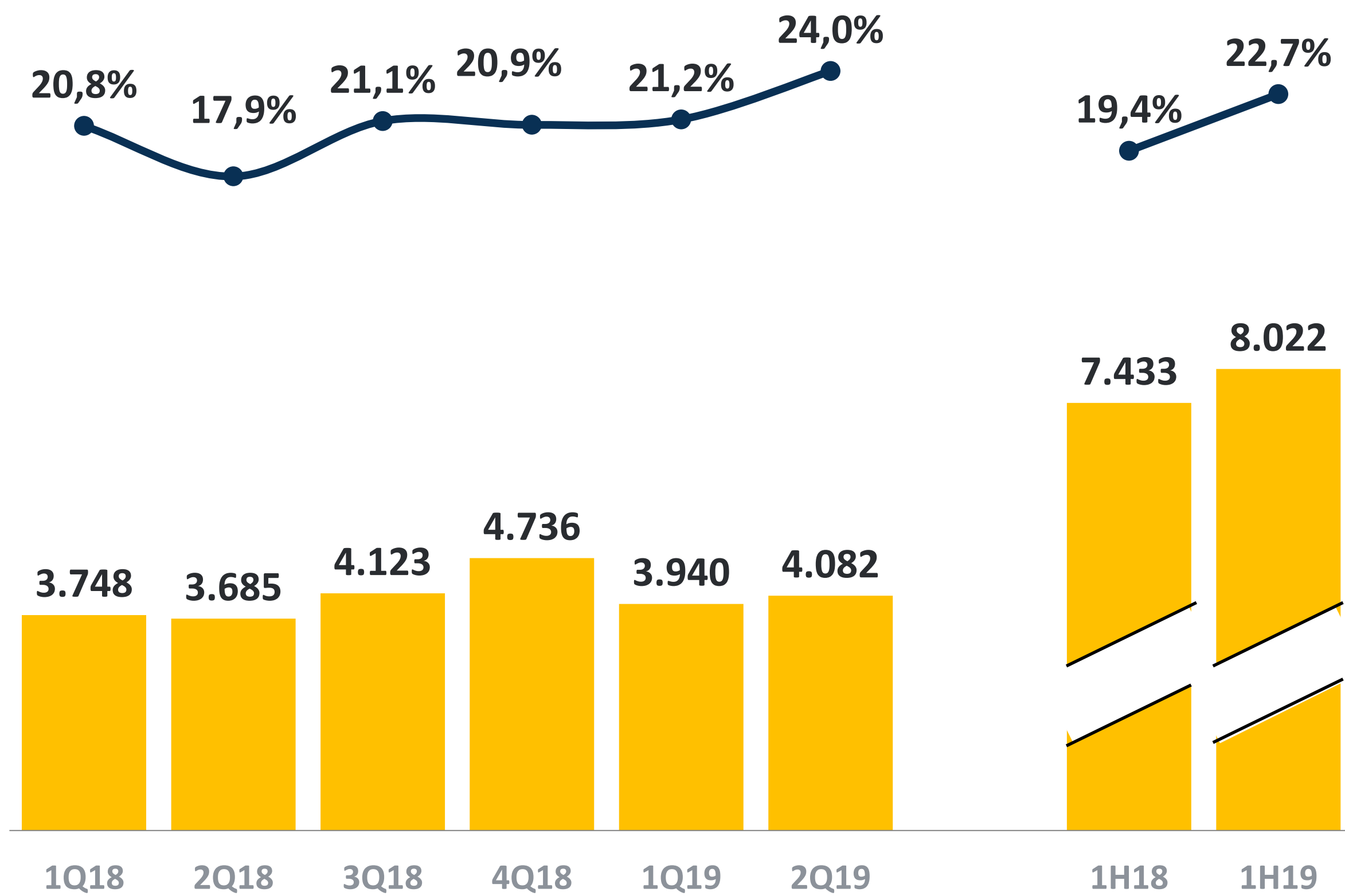
Consistent improving results



Brazil Segment

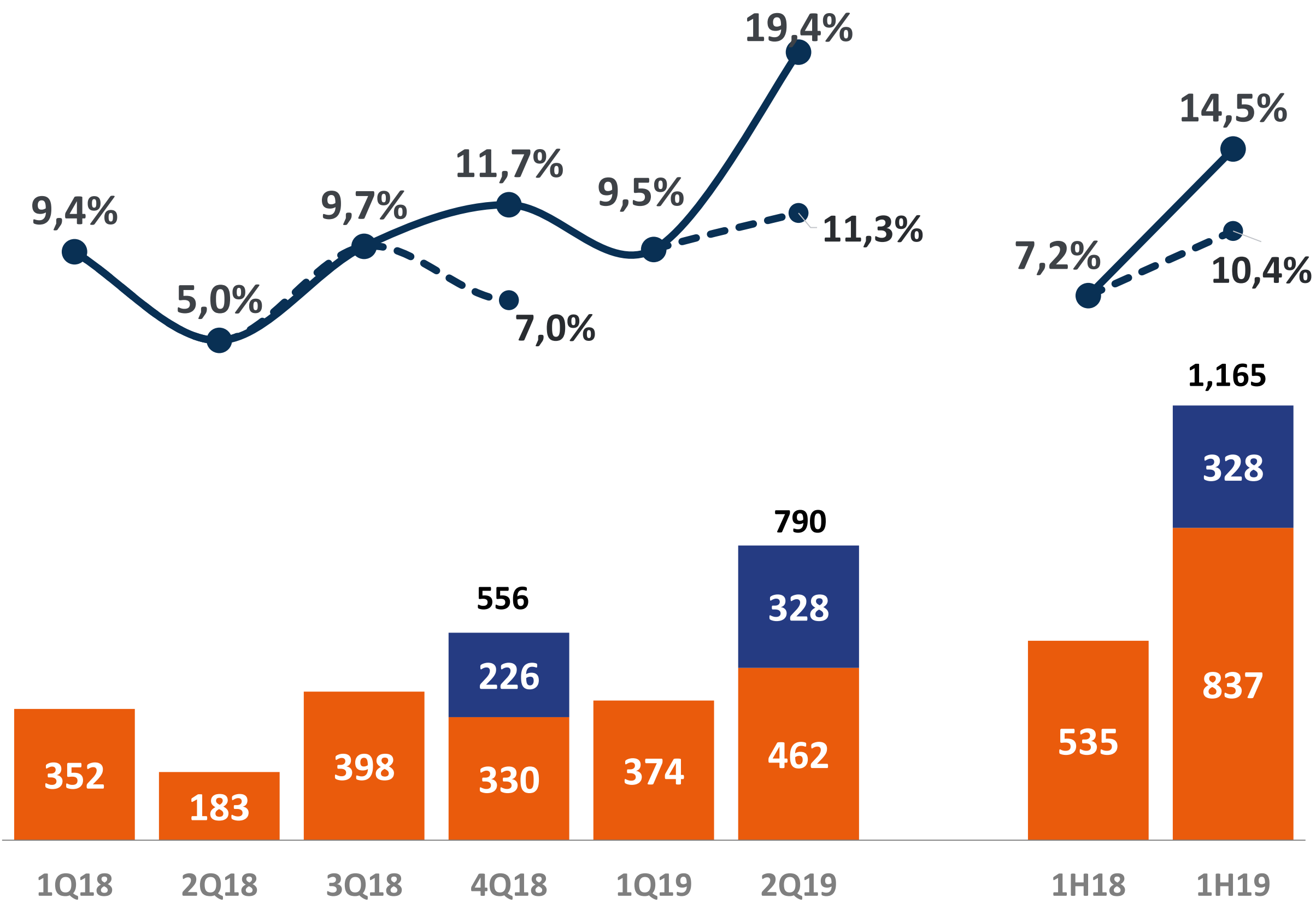
Ongoing profitability increase

Gross Margin



Net Revenue Gross Margin

Adjusted EBITDA Margin



Adj. EBITDA ICMS Adj. EBITDA Margin Adj. EBITDA Margin ex-ICMS



OPERATING AND FINANCIAL PERFORMANCE 2Q19

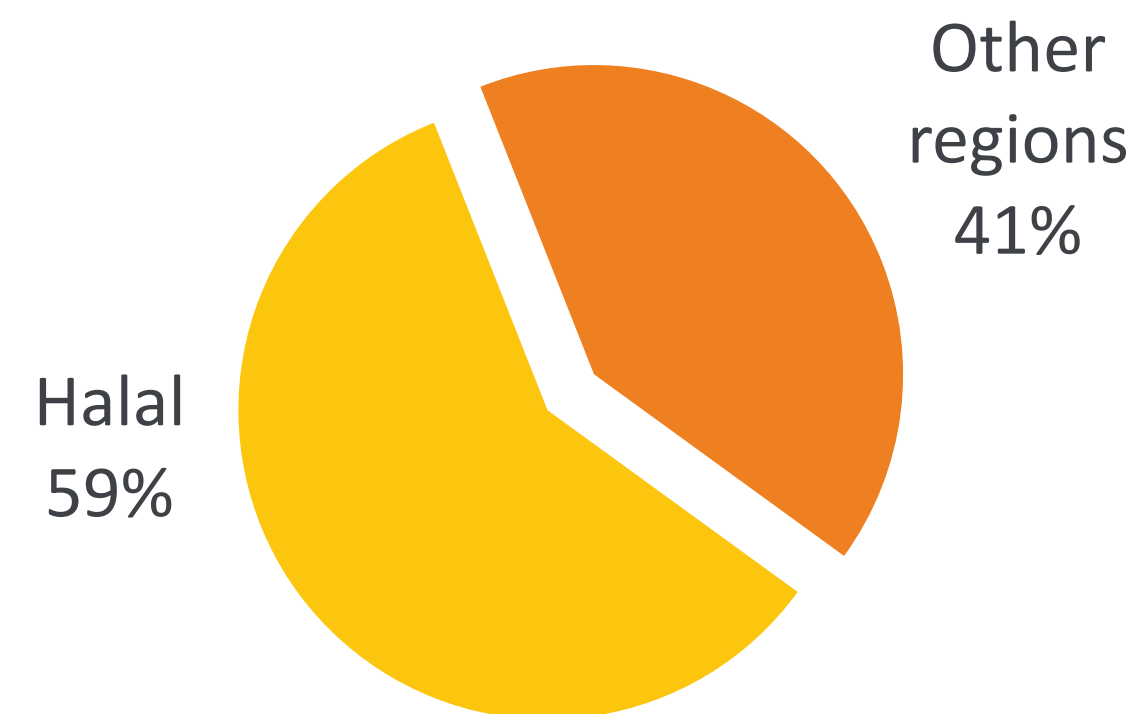
PATRICIO ROHNER

VICE-PRESIDENT
INTERNATIONAL MARKET

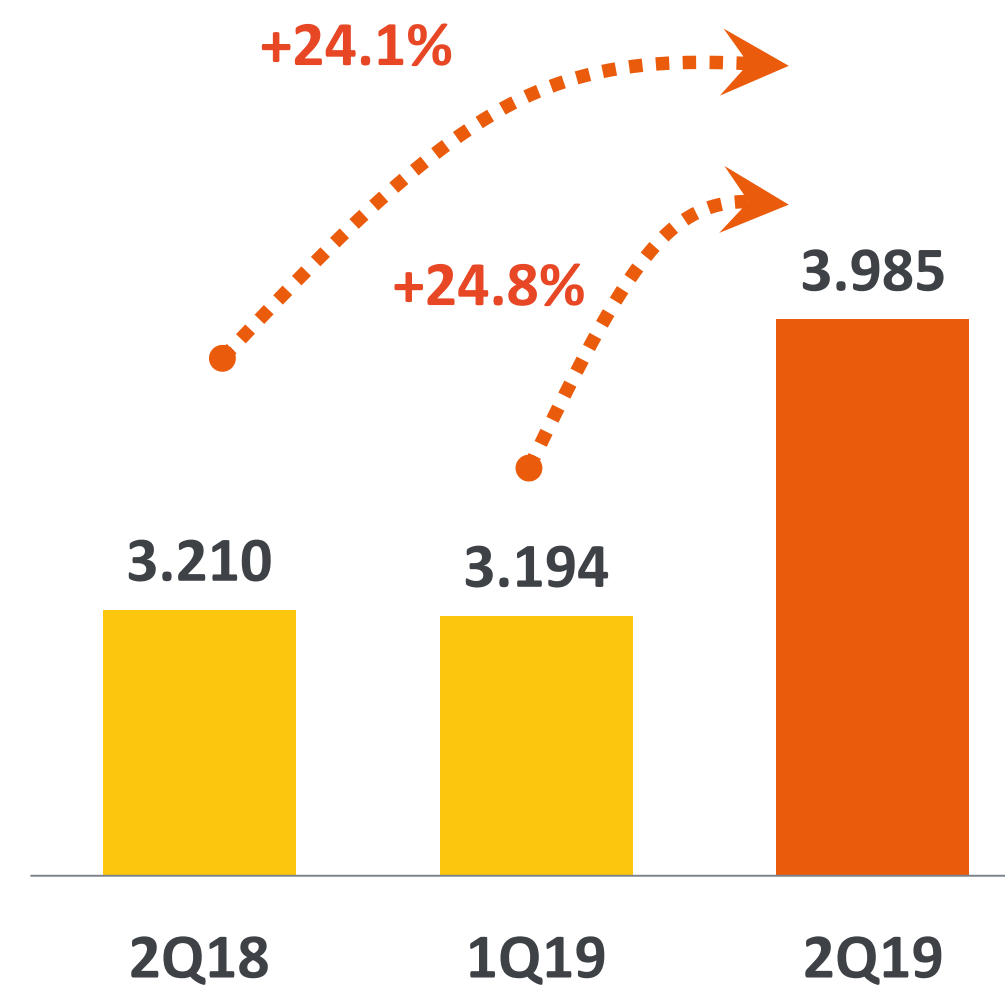
International Segment - Consolidated

Profitable growth facilitated by focus and value-adding products

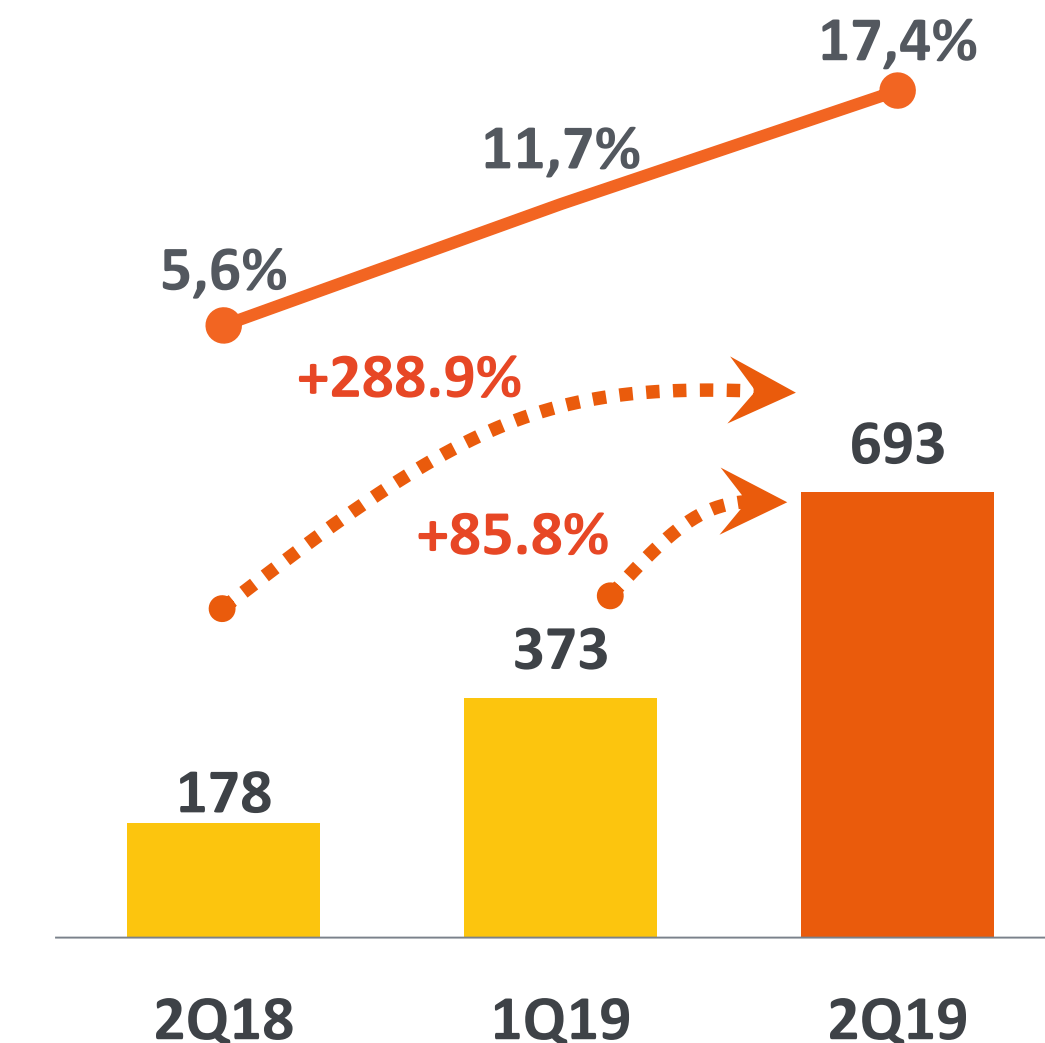
Volume 2Q19 | 505 Thousand Tons
(Volume 2Q18 | 483 thousand tons)



Net Revenue
(R\$ MM)



Adjusted EBITDA (R\$ MM)
Adj. EBITDA Margin (%)



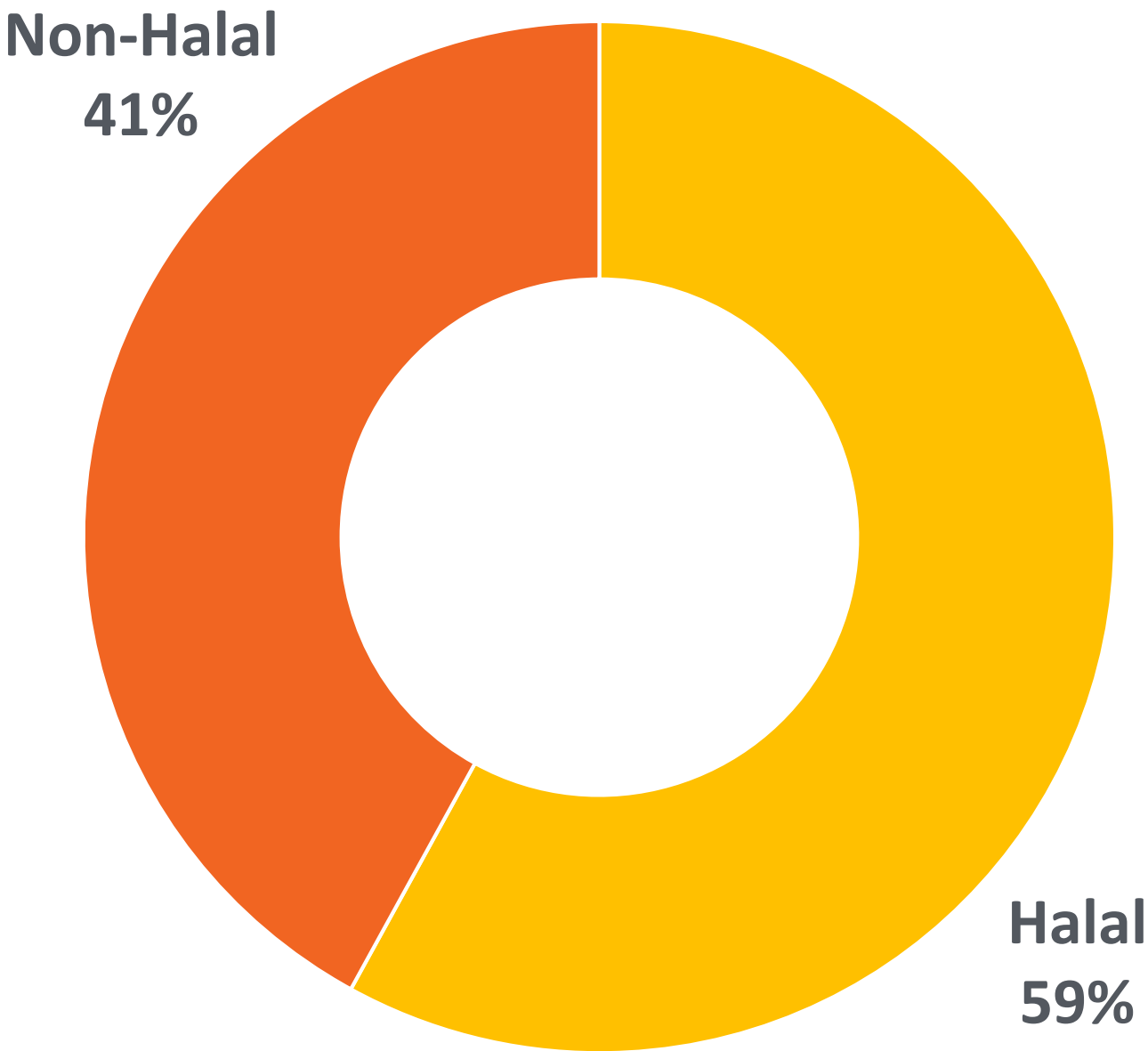
- » **Halal Market:** solidifying profitable growth via expansion of processed category, prices in Saudi Arabia, and summer in Turkey
- » **Other International Markets:** growth in net revenue and profitability mainly in Japan, South Korea, Mexico and Africa

International Segment – Consolidated

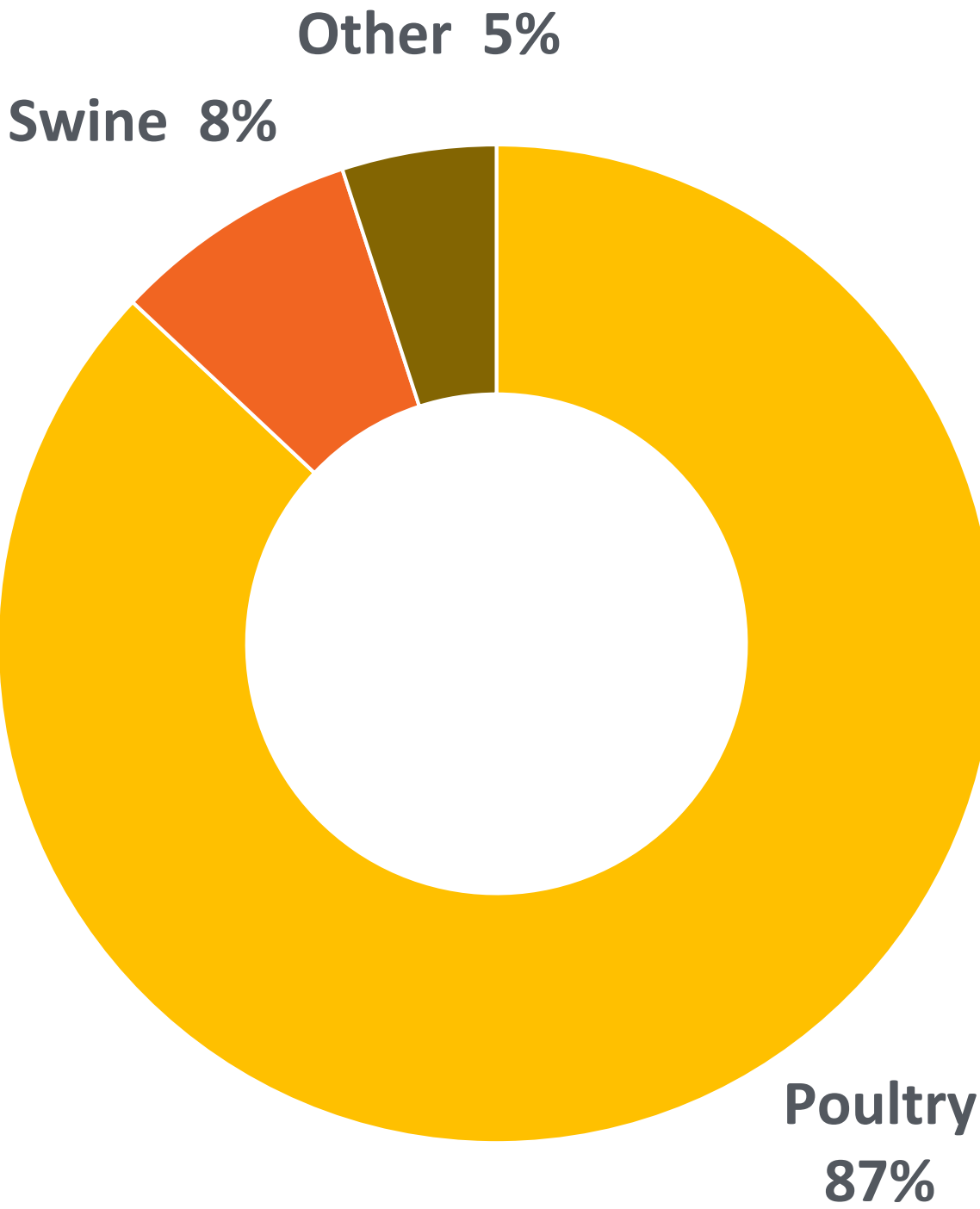
Sales breakdown

Volume 2Q19 | 505 Thousand Tons
(Volume 2Q18 | 483 Thousand Tons)

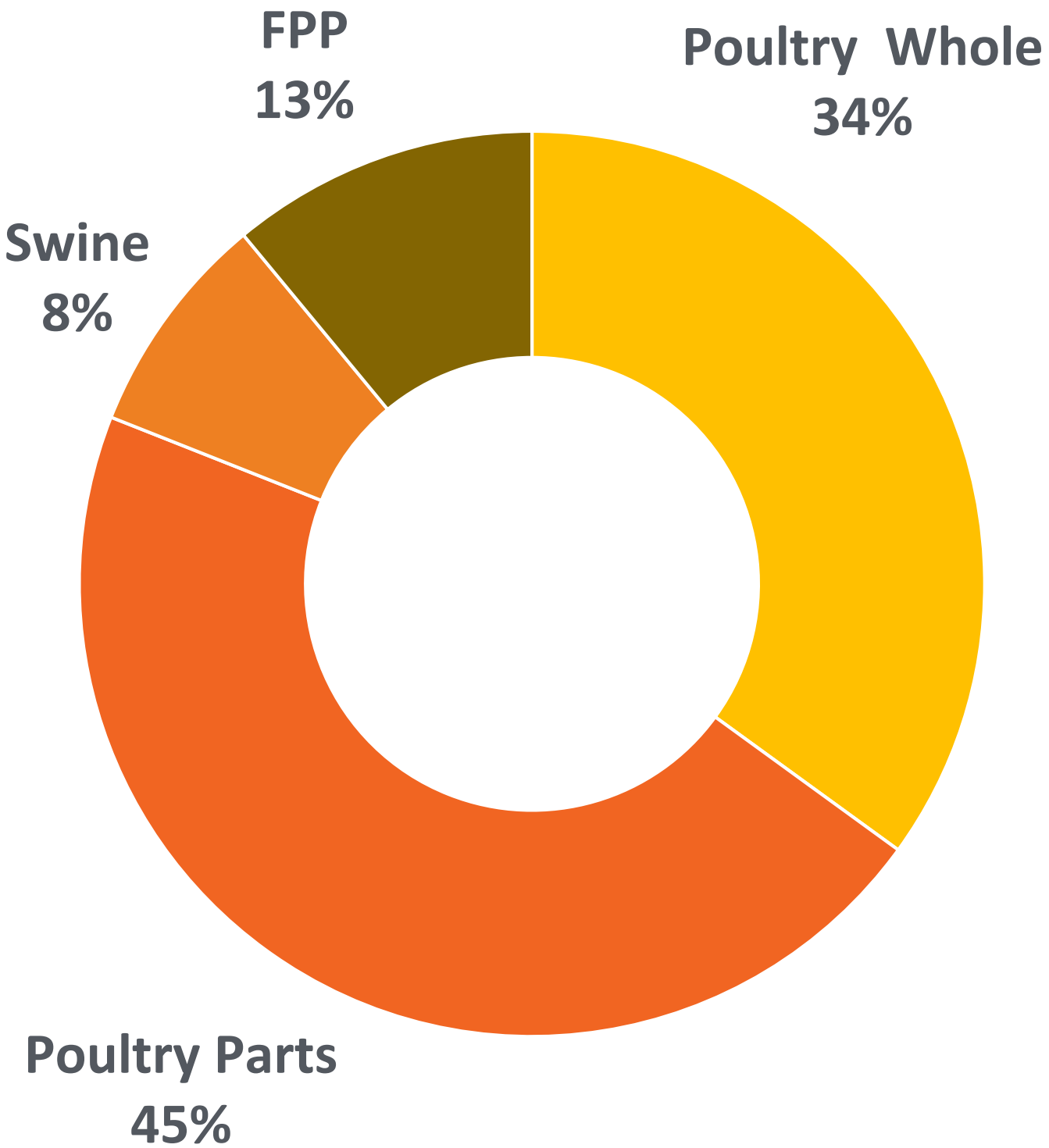
Per Geography



Per Protein



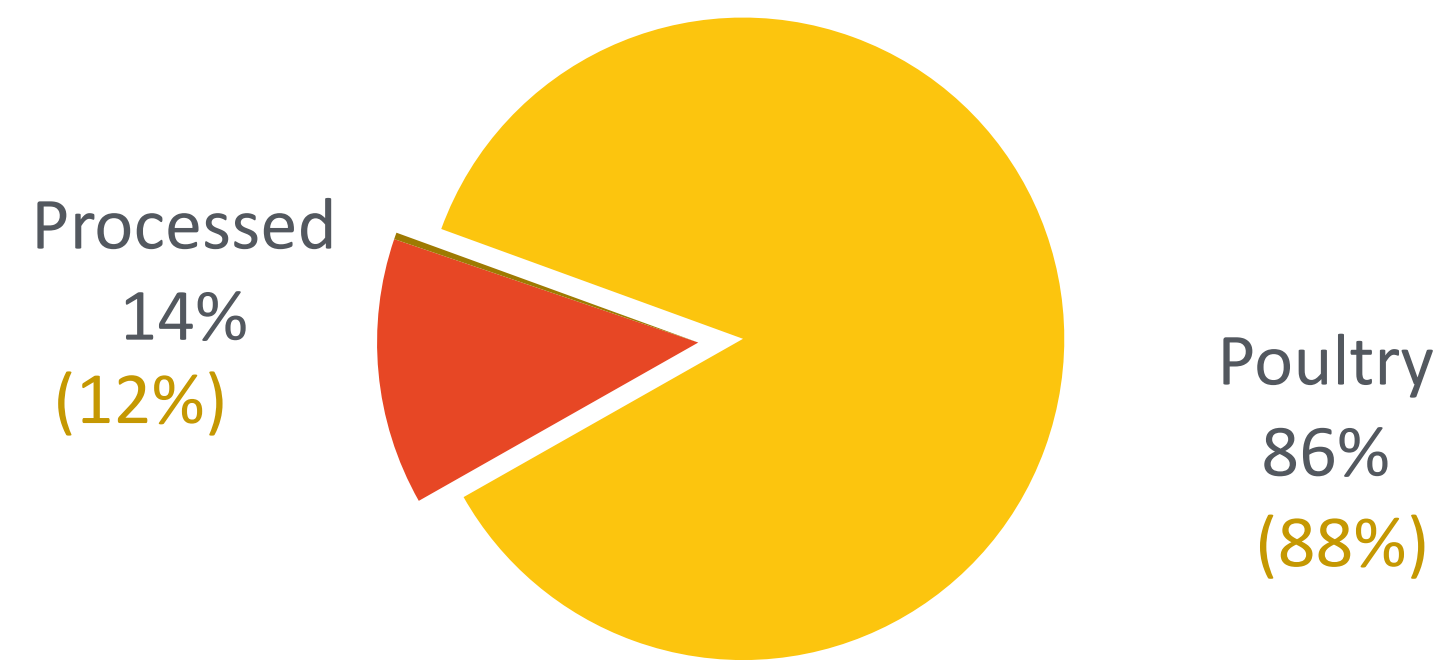
Per Product



Halal Market

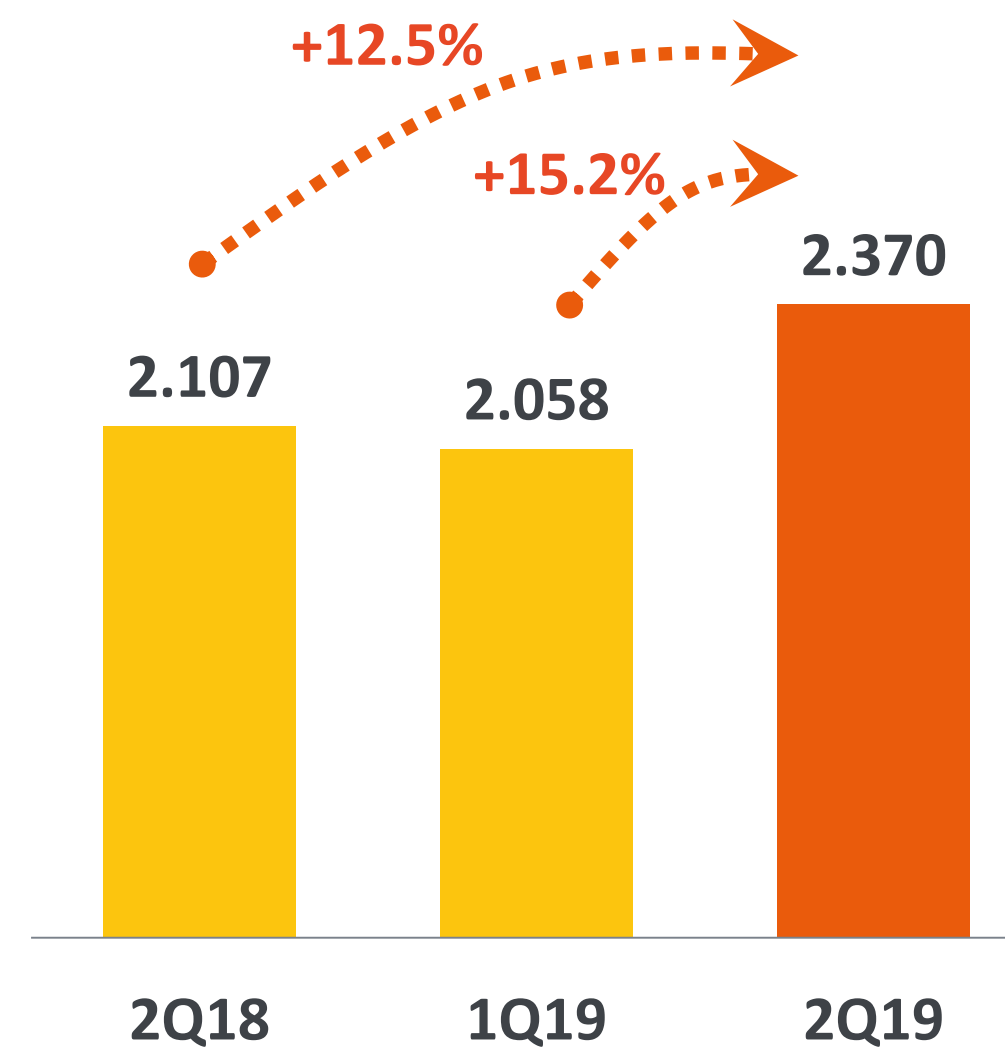
Recovery of our full capacity to serve key markets such as Saudi Arabia coupled with better mix of channels and countries

Volume 2Q19 | 298 Thousand Tons
(Volume 2Q18 | 295 Thousand Ton)



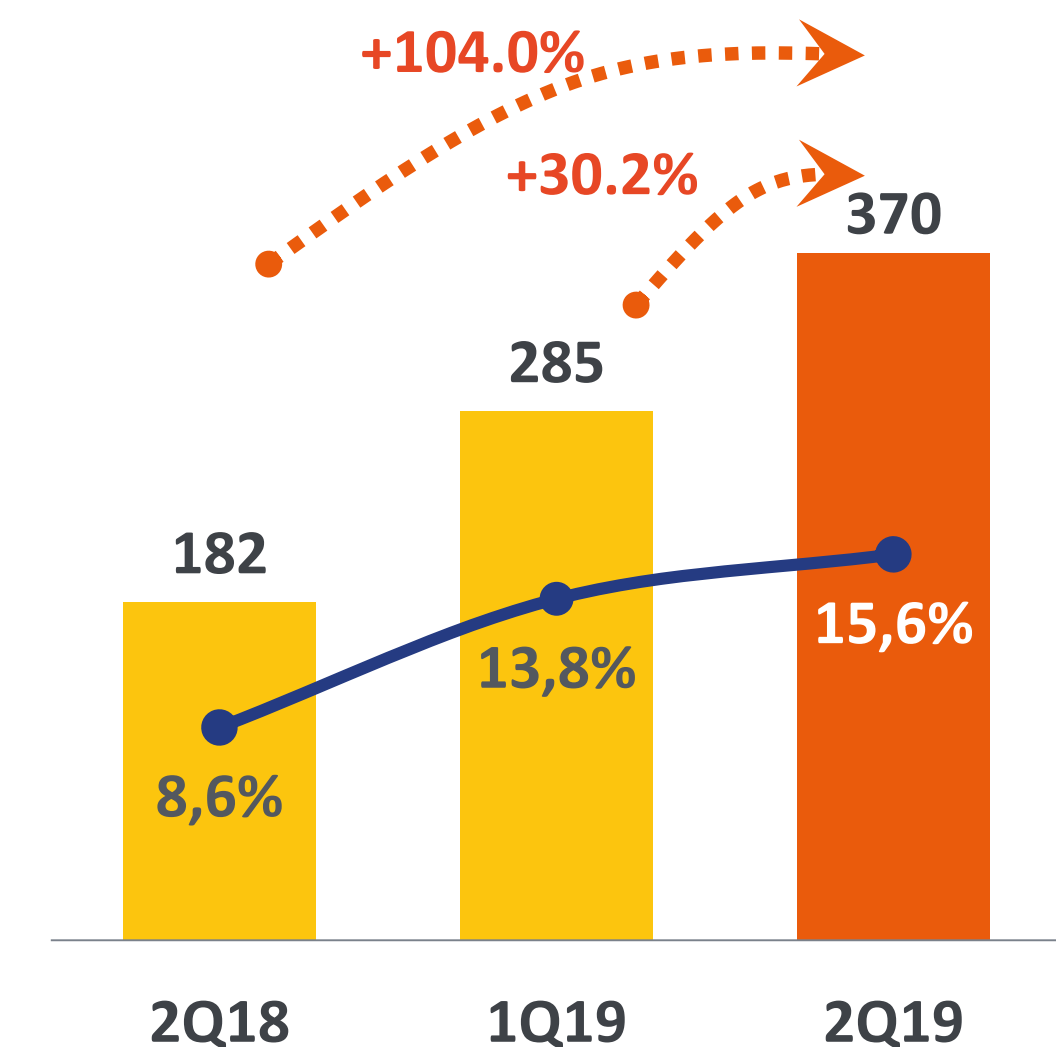
Net Revenue

(R\$ MM)



Adjusted EBITDA (R\$ MM)

Adj. EBITDA Margin (%)

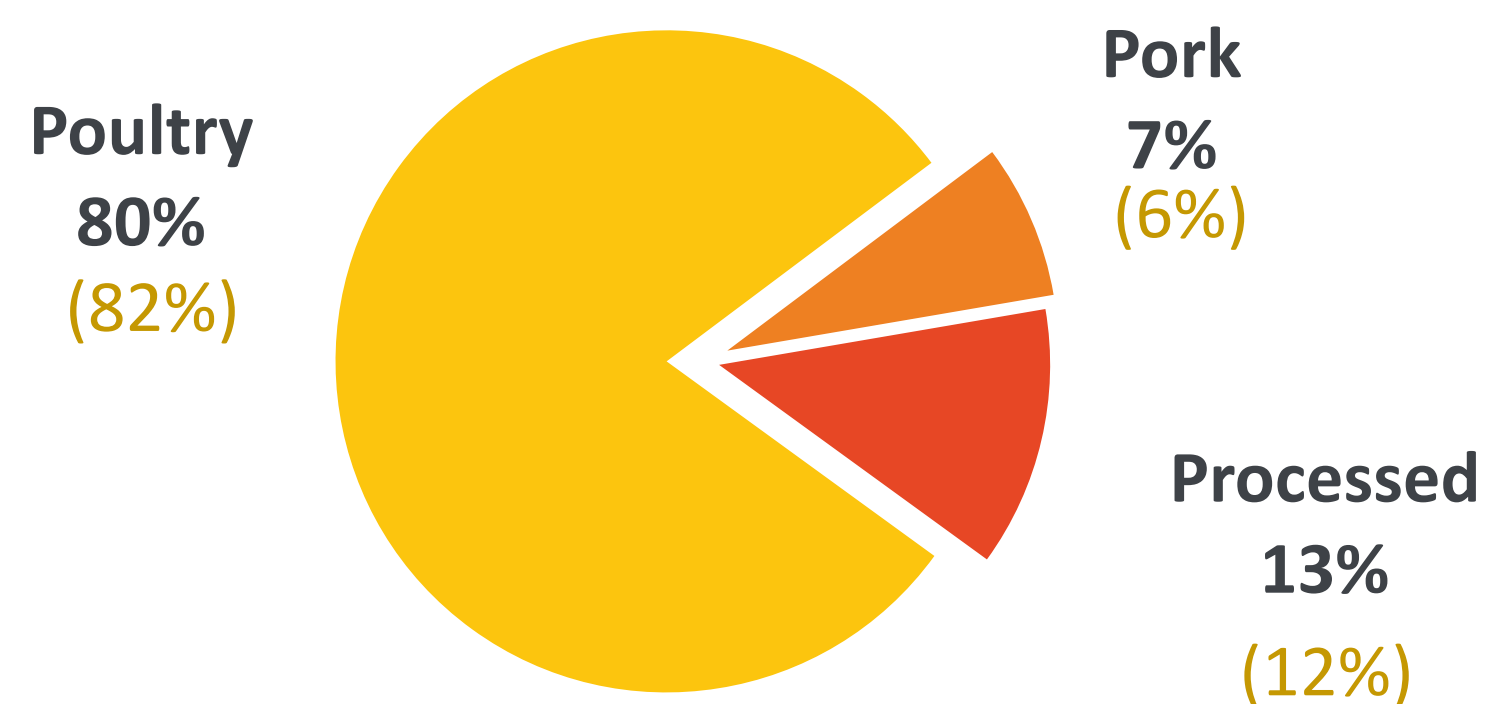


- » Average sale price: **+11.6%**
- » **Better mix** of channels, products, and countries
- » **Share gains** on processed products

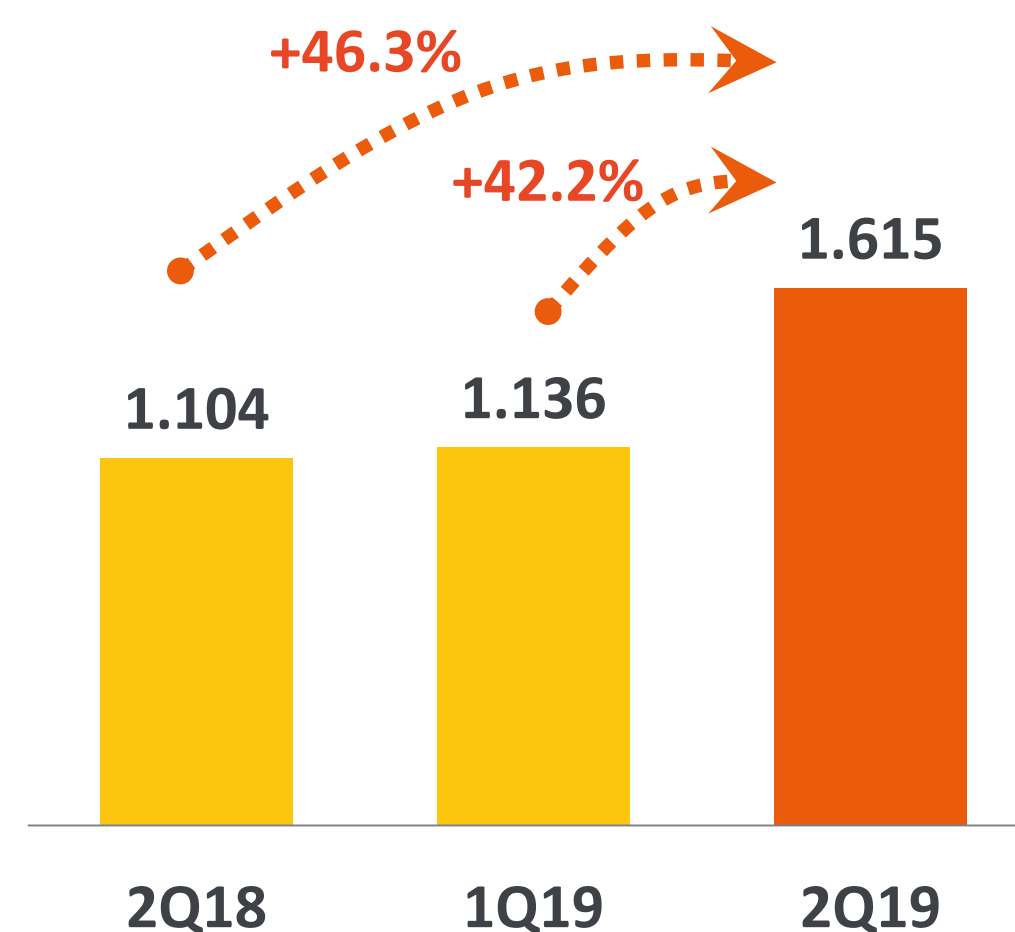
International Segment (Non-Halal)

Higher profitability impacted by a significant increase in prices due to ASF as well as a well-executed business strategy

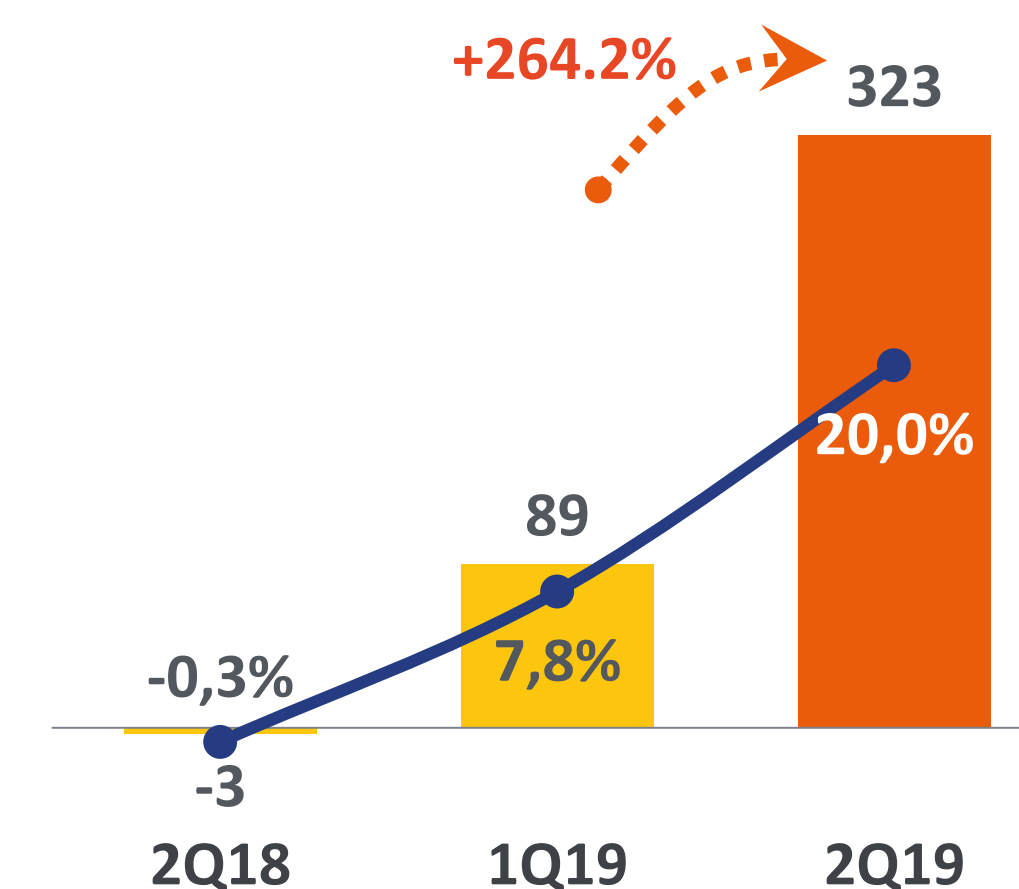
Volume 2Q19 | 207 Thousand Tons
(Volume 2Q18 | 188 Thousand Tons)



Net Revenue
(R\$ MM)



Adjusted EBITDA (R\$ MM)
Adj. EBITDA Margin (%)



- » Average sale price: **+33.2%**
- » Higher shipped volumes: **+9.9%**
- » **Gross Margin in Asian Market: 12.6% (+1.3 p.p.)**
- » Positive commercial performance in **Africa** and **Americas** – especially **Mexico** and **Chile**
- » **African Swine Fever** impacted prices in Asia at the end of 2Q19



Q&A

Sadia



Quality



ساديا
Sadia

Confidence



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