

4Q19 and 2019 Earnings

March 03, 2020



brf

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Opening Remarks

Lorival Luz
Global CEO



2019: Anticipating the Execution of Our Strategy



2019: Results Overview

Margins above historical levels and back to profit



» Gross Margin of 24.1% in 2019, +8.0 p.p. y-o-y

» Adjusted EBITDA of R\$5,317 million (+116% y-o-y) in 2019, with Adjusted EBITDA margin of 15.9% (+7.7 p.p. y-o-y)

» Excluding tax effects, Adjusted EBITDA of R\$4,433 million (+98% y-o-y) in 2019, with Adjusted EBITDA margin of 13.3% (+5.8 p.p. y-o-y)

» Net Income of continued operations of R\$1,213 million in 2019 vs. Loss of R\$2,115 million in 2018¹

» Consistent net leverage reduction (2.50x vs. 5.12x² in 4Q18)

¹ Corporate net income in 2019 of R\$297 million vs. loss of R\$4,466 million in 2018.

² According to adjustments made at that period. Ex-adjustments, net leverage reached 5.97x.

2019: Results Overview

Focus on strategic planning resulting in surpassing goals



» **Culture:** construction of a **high-performance** organization and team – the BRF Essence

» **Management stability:** **Reduction** of the Company's general **turnover in 7%** and **in 50%** at the top management

» **Employees engagement** level **above 90%¹** according to a survey with more than 38 thousand answers

» **Return to the Corporate Sustainability Index**
Sole company in the food sector

ISEB3

» **Innovation:** +120 SKUs launched worldwide

» **Operational and Logistics Excellence:** (i) reduction in losses; (ii) efficiency in the supply chain; (iii) SEO roll-out in progress; (iv) new licensed plants for exports

¹ According to Willis Towers Watson methodology

Initiatives and Investments

New Distribution Center in Londrina (Paraná State)



- » Capacity of 20 thousand tons per month
- » 100 thousand m² total area
- » Capex of R\$80 million
- » Supplying Paraná, Mato Grosso do Sul and São Paulo states
- » Sustainable: solar water heating, mobile electrical equipment and LEED certification

» 1st Brazilian chicken processing plant in Saudi Arabia: nearly US\$120 million in investments

» Resumption of margarine production in Uberlândia: capacity of approximately 120 thousand tons/year

» Digital Transformation taking part in all Company's processes (Industry 4.0, SEO, HR, Compliance, and others)

» BRF HUB: connection to the Startup ecosystem (80 registered and 6 selected startups)

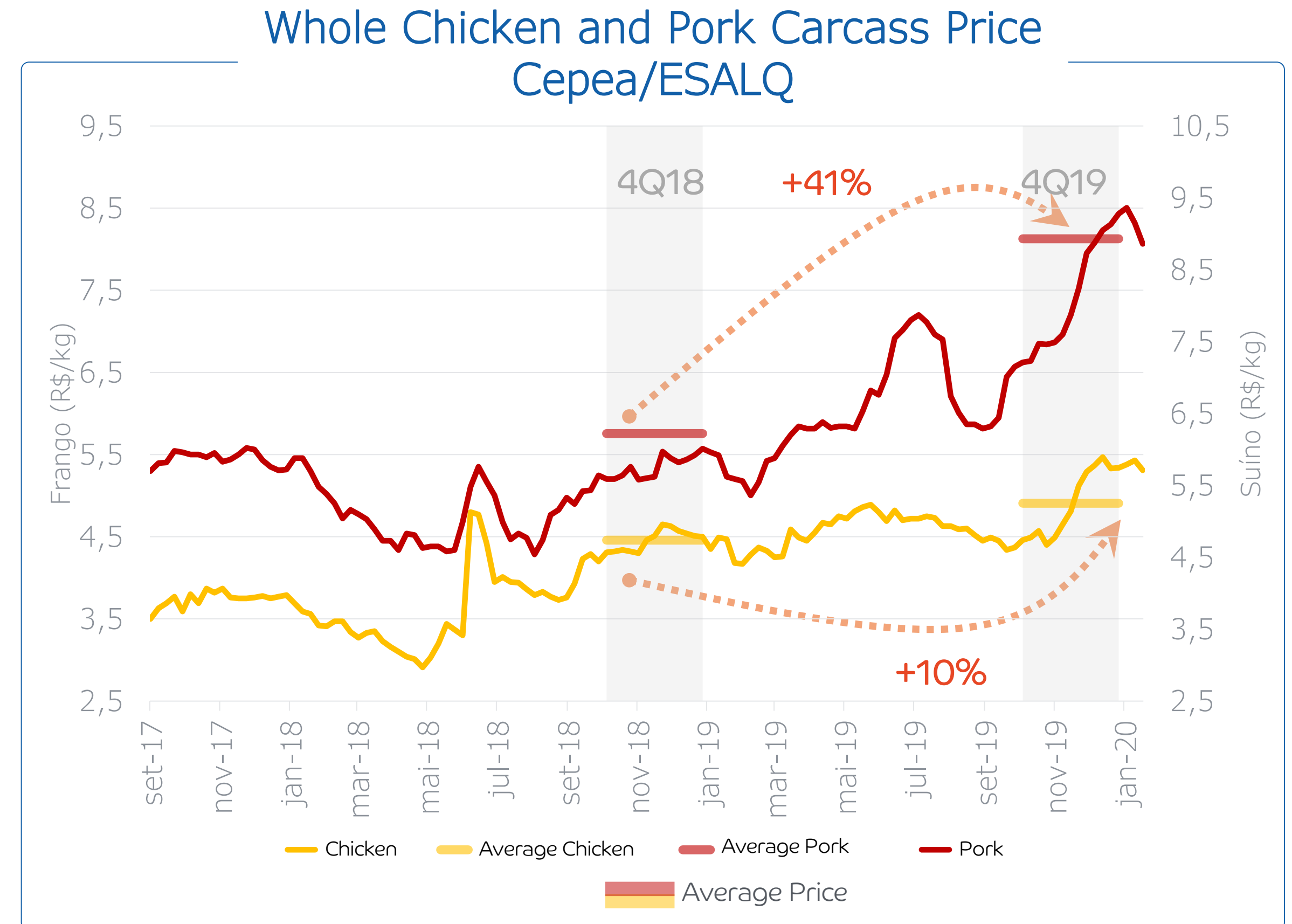
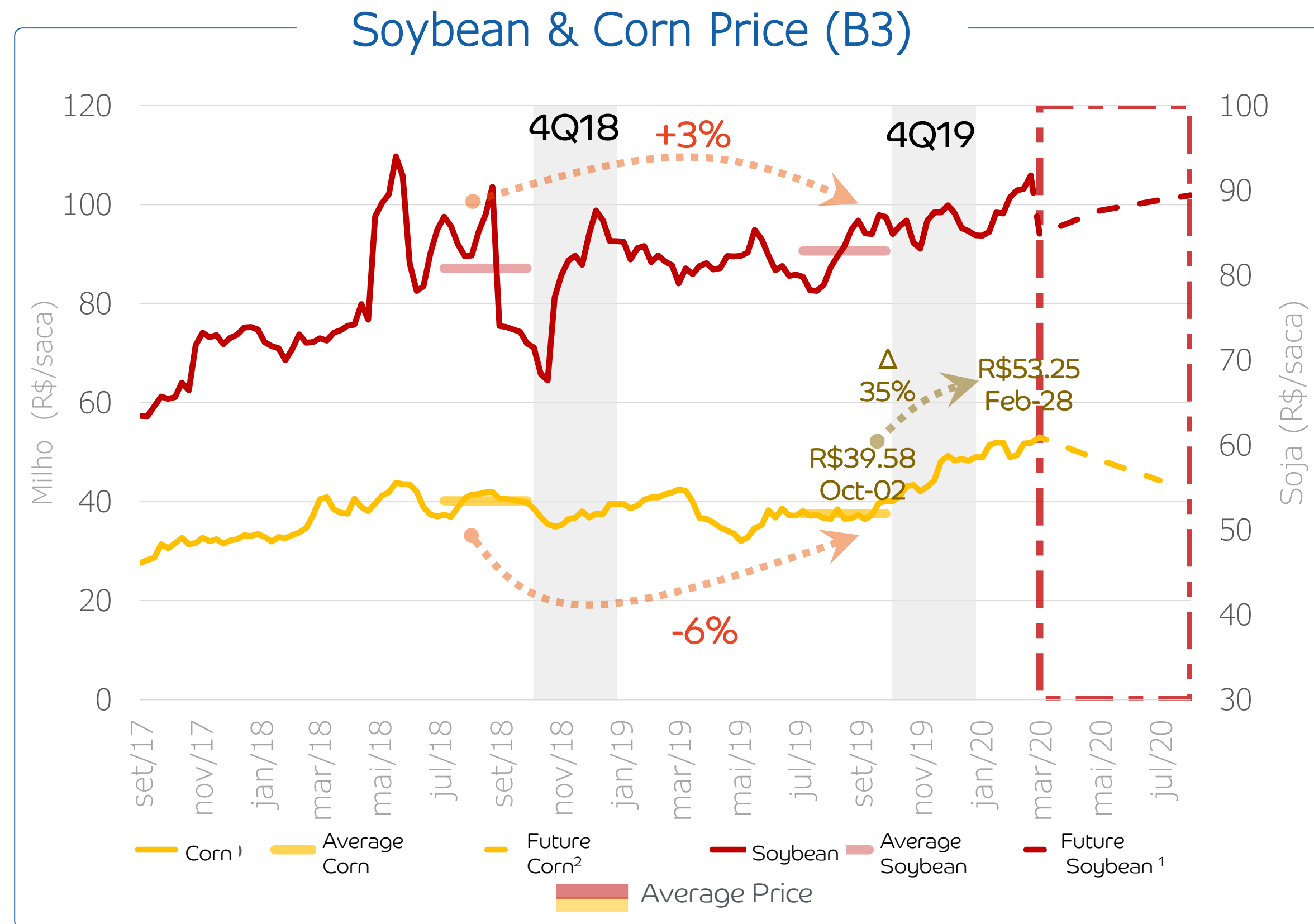


» BRF Innovation Scouts: collaborative Innovation (+1,000 received ideas)



Grains scenario and protein performance

Sensitive changes in market dynamics

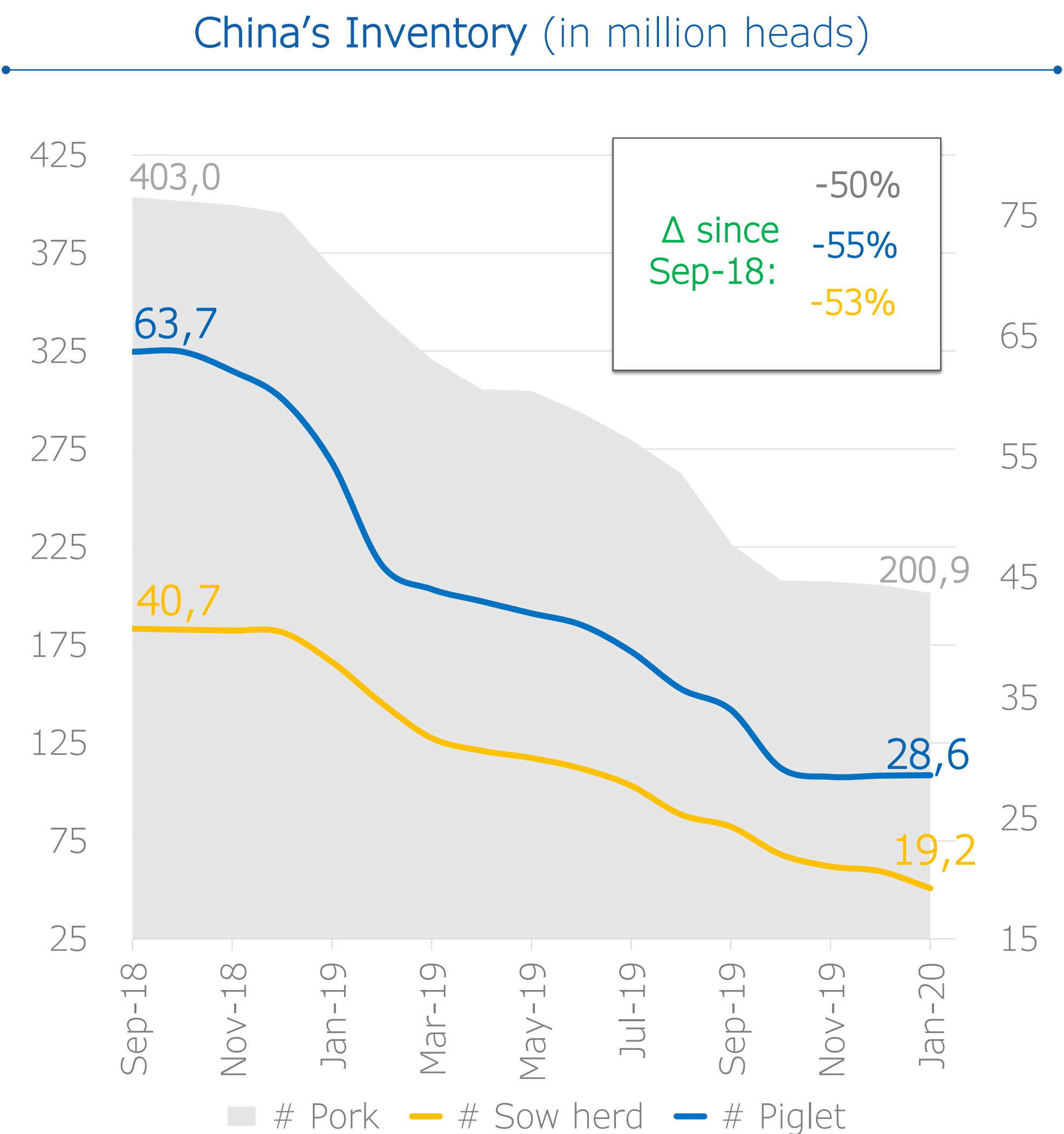


- » **Corn:** carryover inventories at low levels, however with 2020 crop forecast in record levels and lower export levels
- » **Soybean:** Unstable scenario due to China-US trade war and coronavirus

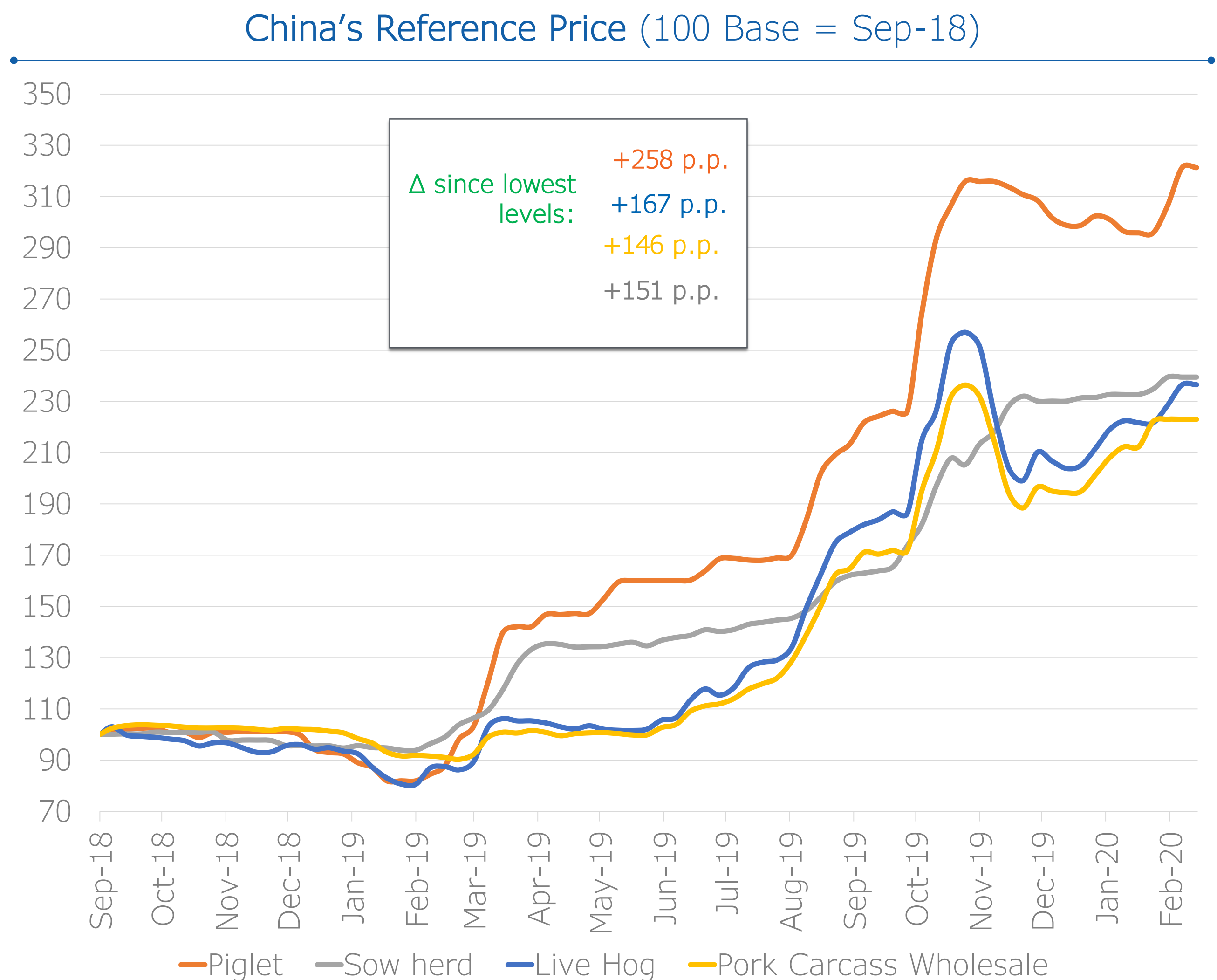
- » Global unbalance between supply/demand boosted prices
- » **African Swine Fever:** supply hit with strong impact on protein prices in international markets

African Swine Fever (ASF) impacts

Reduction in Chinese herd size keeps affecting international pork market prices



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

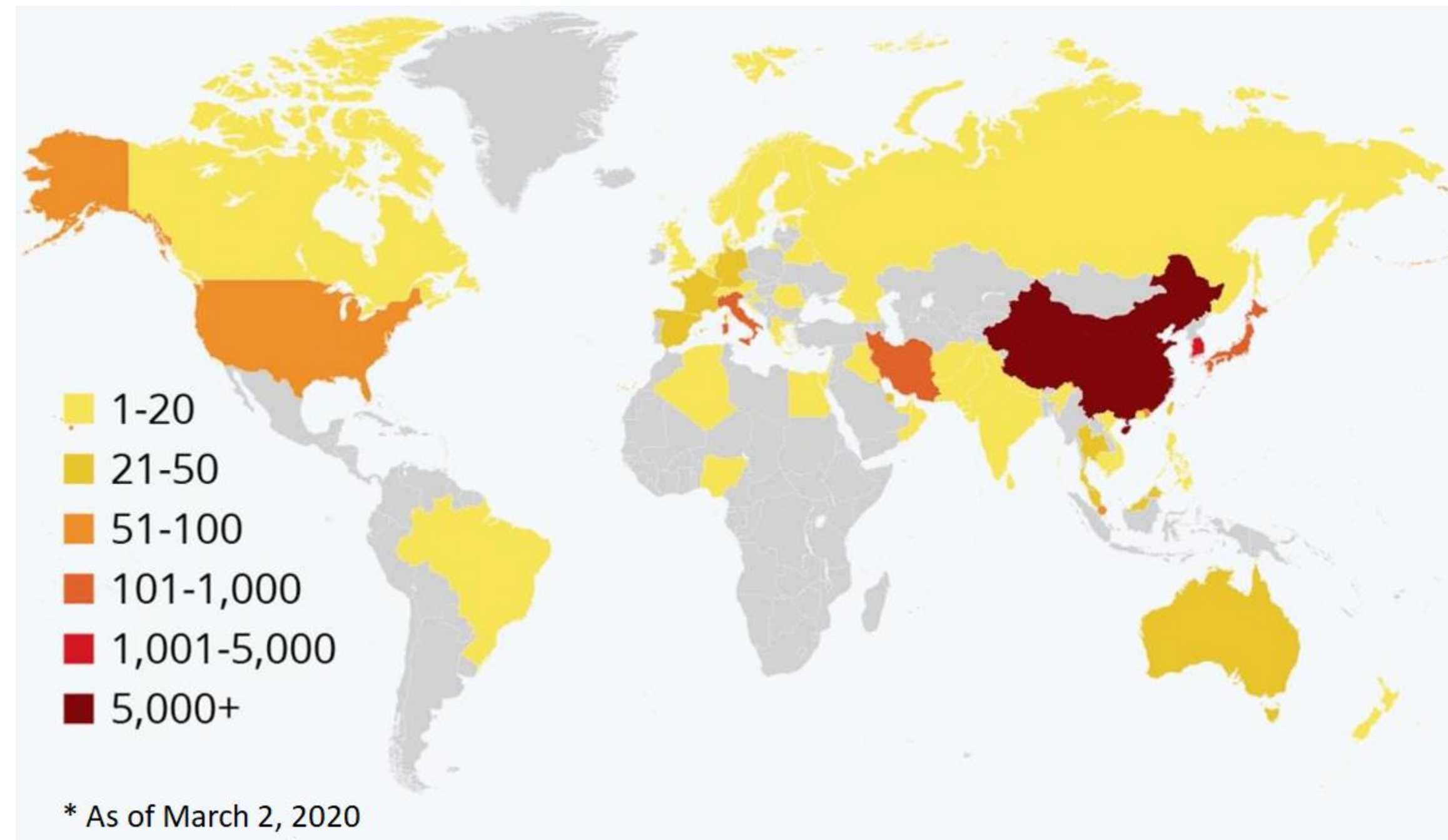


Source: Bloomberg and Boyar (Sow herd)

Coronavirus and Avian Flu

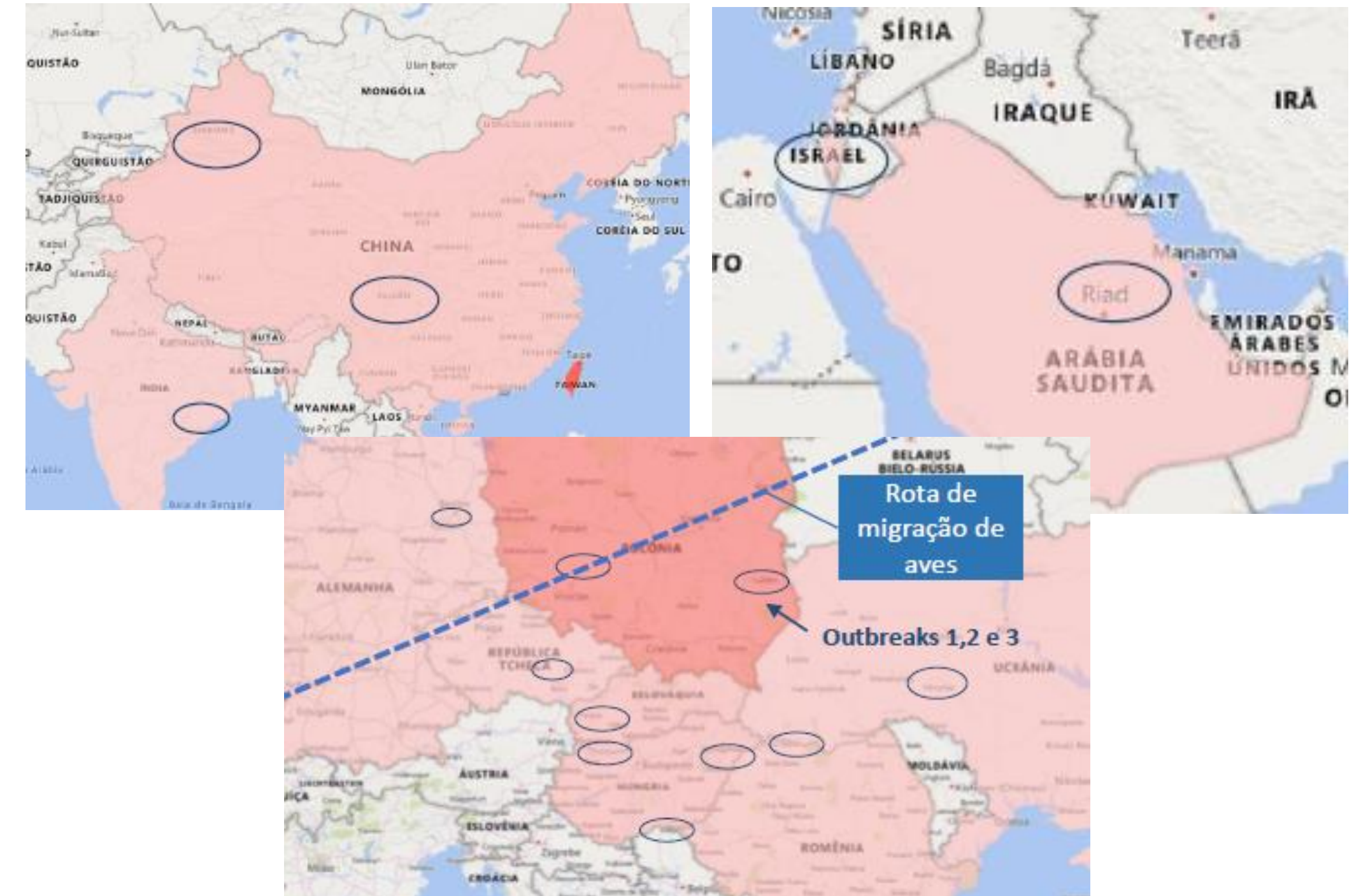
Avian Flu may generate short-term opportunities, while Coronavirus impacts need to be better understood

Coronavirus



- » 90,306 confirmed cases, totaling 3,085 deaths
- » Concentration in China, which represents roughly 20% of the world's GDP, expanding to other continents
- » Logistics effects and changes in global consumption profile, bringing uncertainties and volatility in 2020

Avian Flu



- » More than 100 confirmed cases and approximately 1.5 million slaughtered animals, 51% in Asia, 25% in Middle East and 24% in Europe
- » In Europe, 21 cases in Poland, the largest chicken producer in the region - and Ukraine, which has already been banned from most Gulf markets

China: Demand for protein imports still in positive trend

Consumption (thousand tons)*

	2018	2019	Change 2019/2018
Beef	7,910	9,133	1,223
Chicken	11,595	13,235	1,640
Pork	55,398	42,513	-12,885
Total	74,903	64,881	-10,022

- » Decrease in pork consumption of 12.9 million tons YoY (-23.3%), partially offset by increases in beef (+15.5% YoY) and chicken (+14.1% YoY)

Balance (thousand tons)*

	2018	2019	Change 2019/2018
Production	71,640	59,463	-12,177
Imports	3,095	4,945	1,850
Consumption	74,903	64,881	-10,022

- » Imports do not make up for the production reduction caused by ASF
- » Decrease in total protein consumption (-13,4% y-o-y)
- » Deficit may have been compensated by wild animals consumption – size of this market is unknown
- » Chinese government’s recent ban on wildlife trade may incentivize the consumption of other proteins, potential of which is uncertain

*Source: USDA



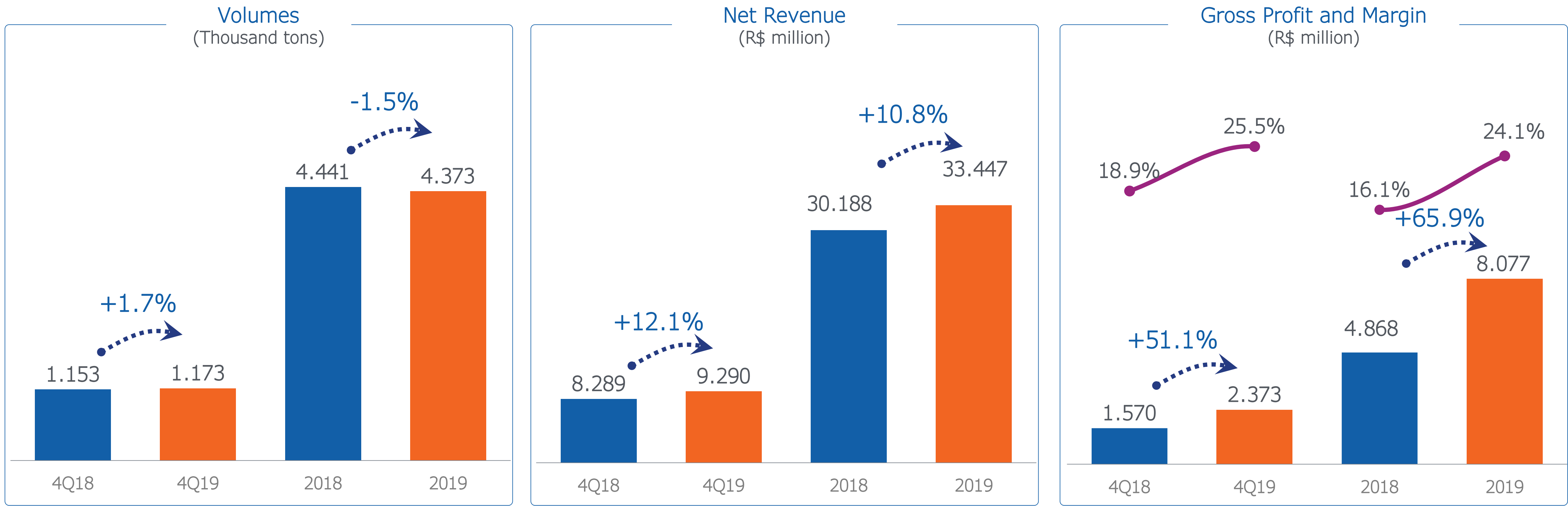
Financial Performance 4Q19 and 2019

Carlos Moura
Chief Financial and
Investor Relations Officer



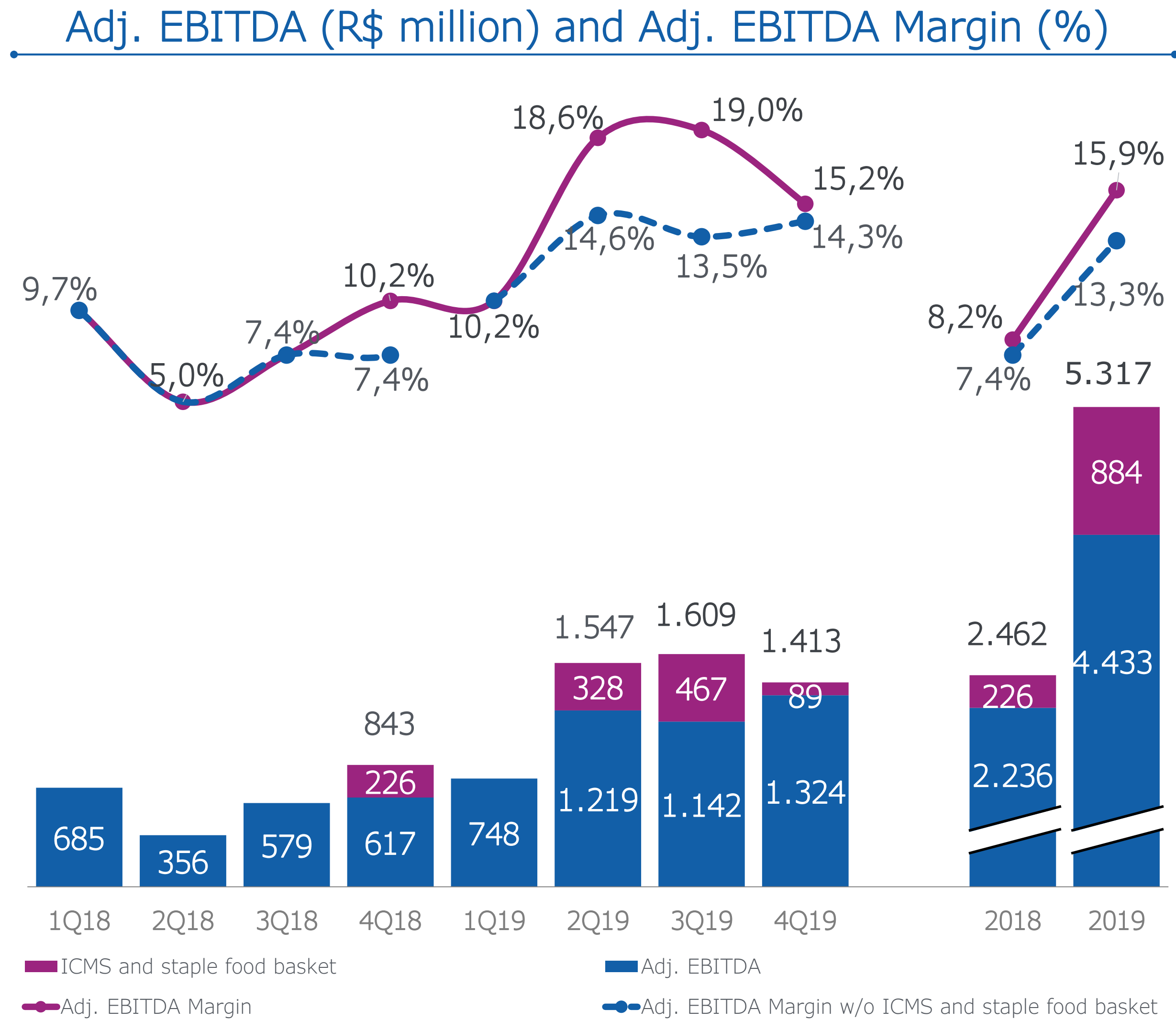
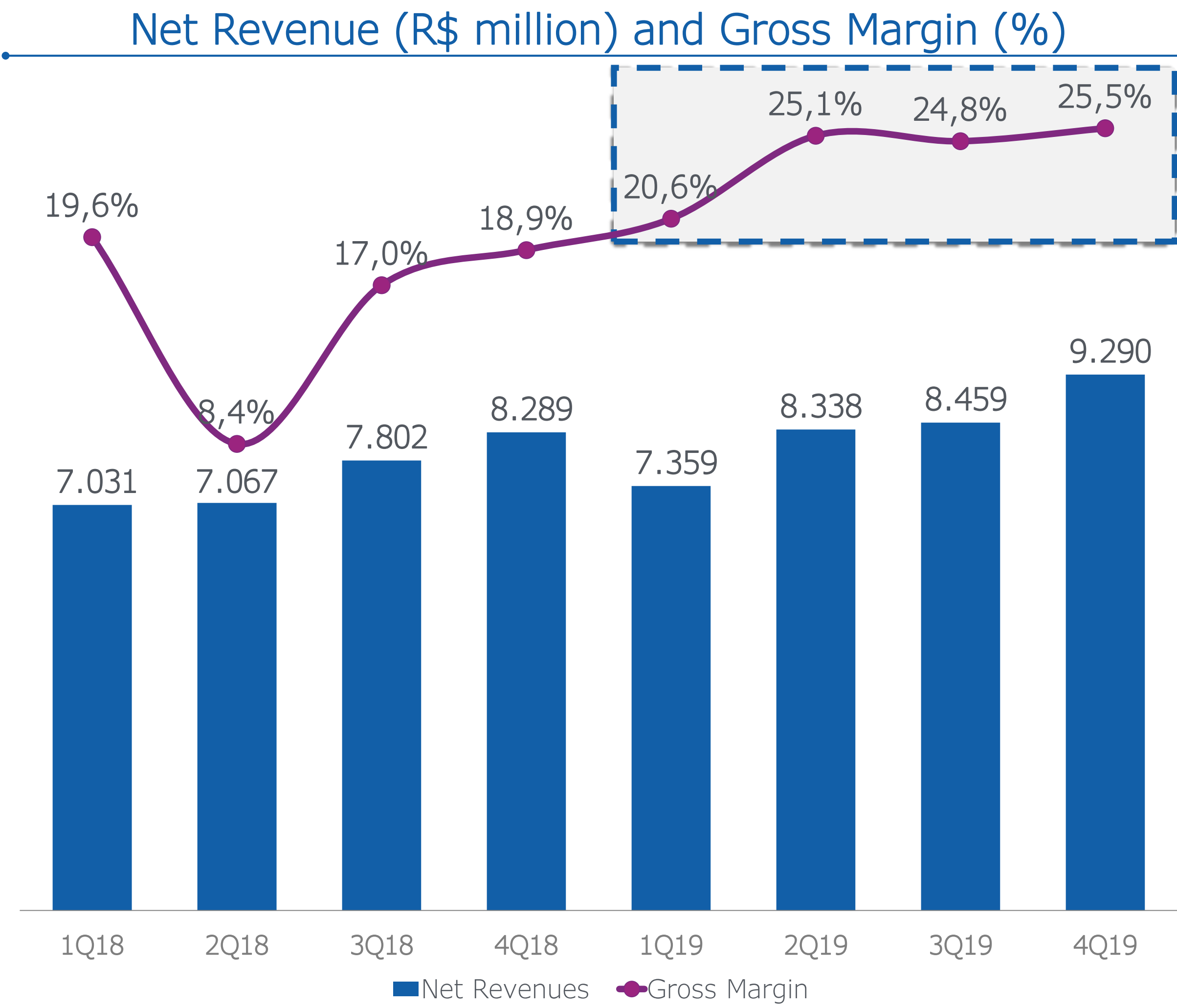
Our performance at a new level

Sustainable price management, better trade execution and mix of channels/regions



On a positive track to recover margins

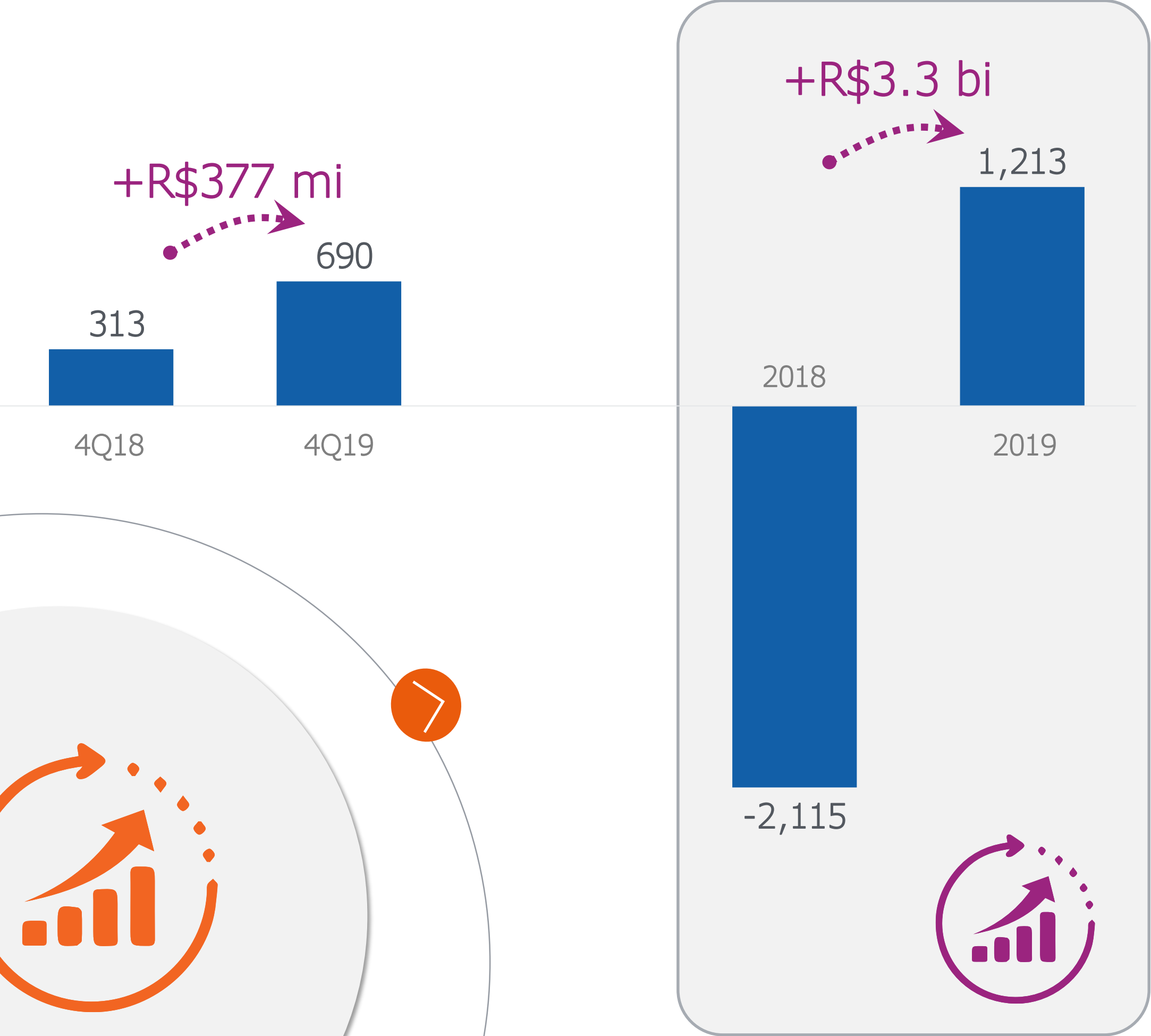
Significant improvement in operational performance



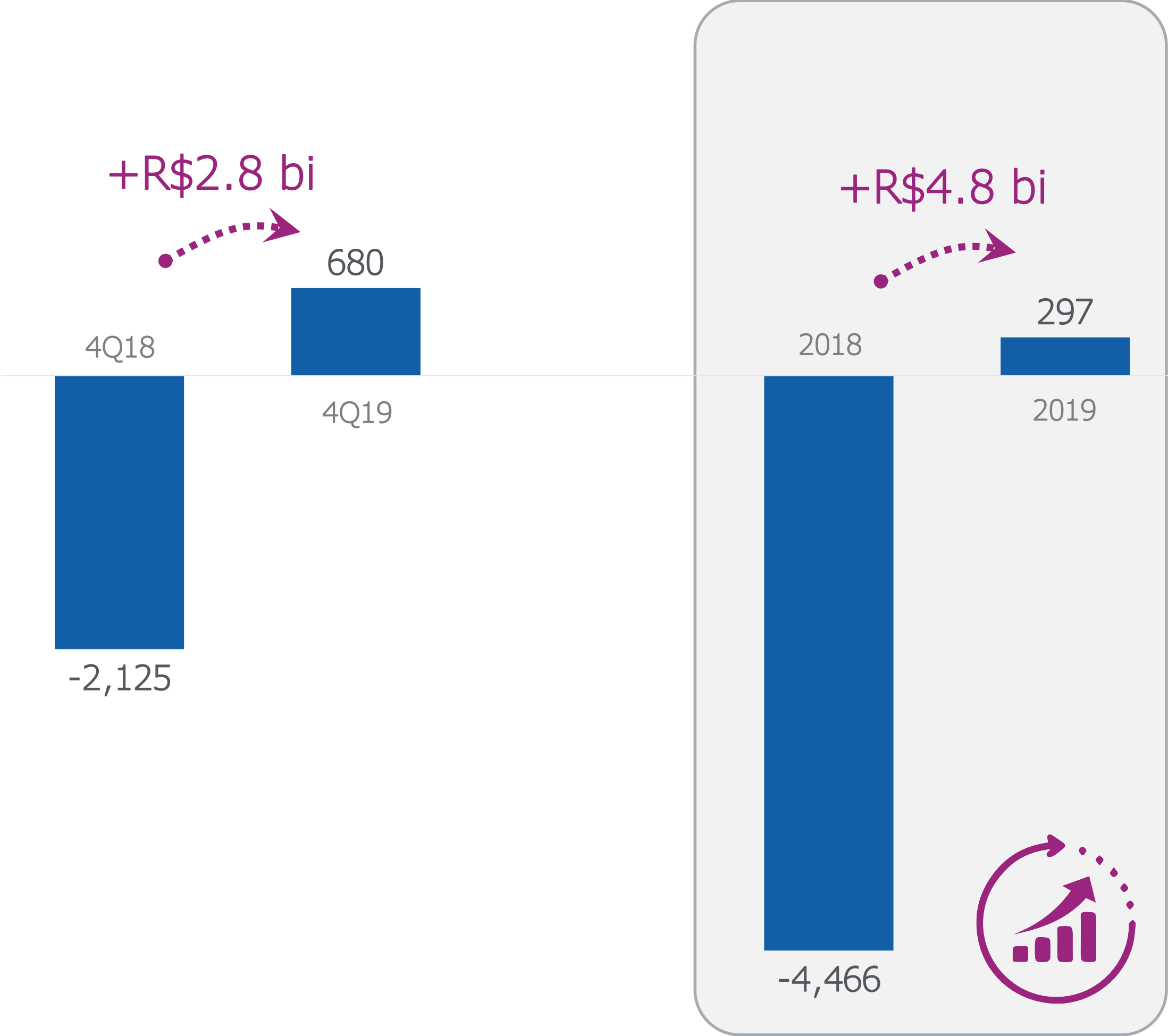
Net Income Resumption

Better operational performance coupled with tax effects boosted profitability

Net Income of Continued Operations (R\$ million)



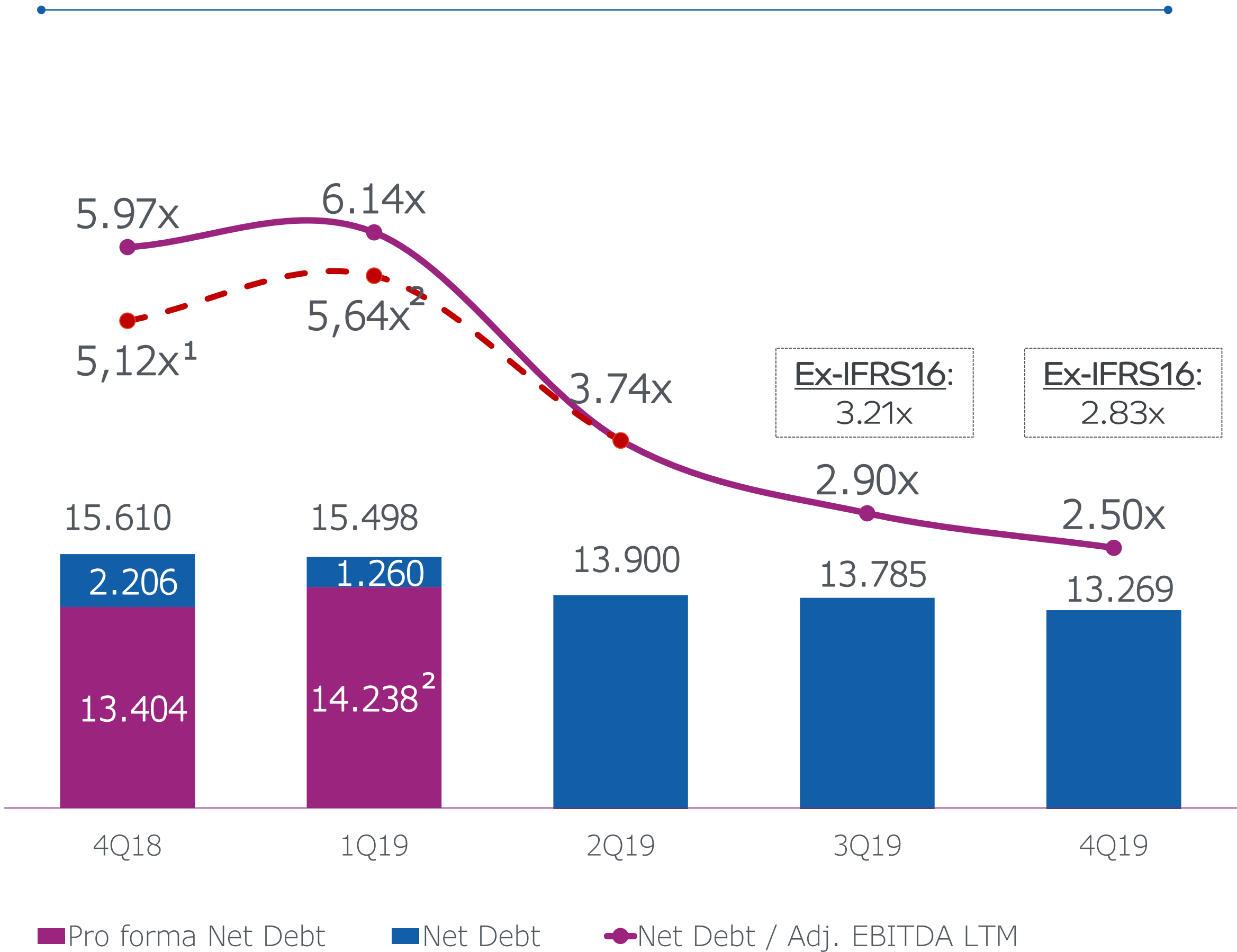
Total Corporate Net Income (R\$ million)



Liability Management

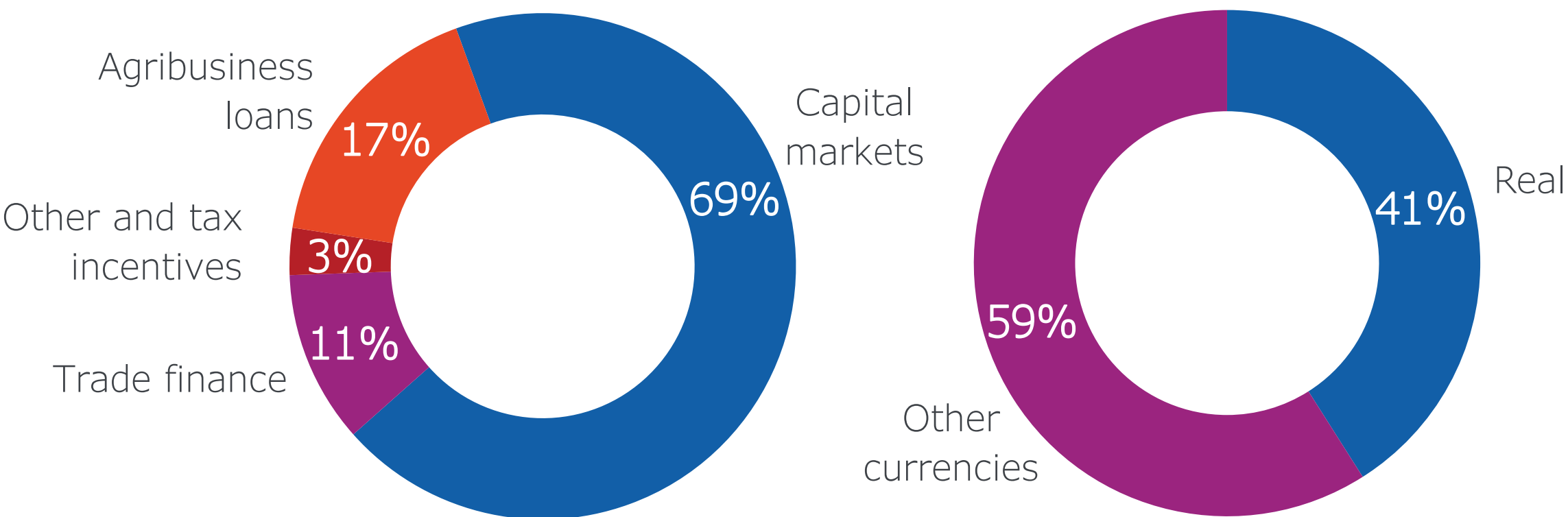
Reduction in net leverage, debt reprofiling and prudential liquidity management

Financial Leverage 4Q19 (R\$ million)

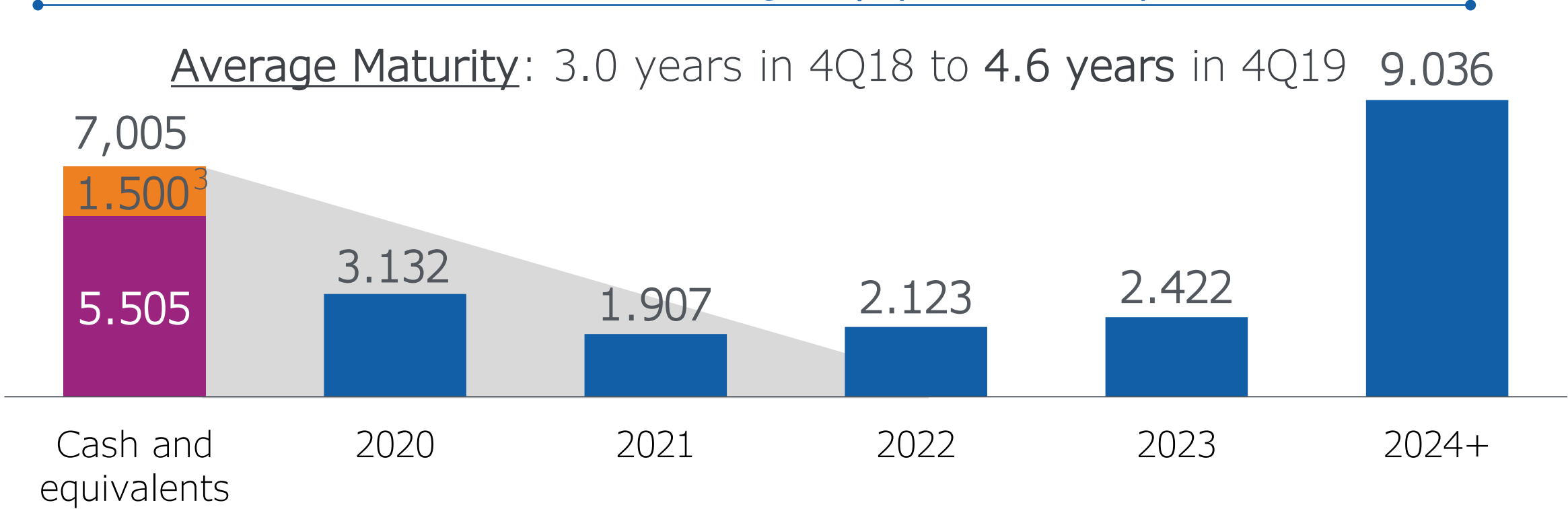


Gross Debt 4Q19 | R\$18,774 million

Gross Debt 4Q18⁴ | R\$22,556 million



Debt Schedule 4Q19 | (R\$ million)



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\$; 2. Including pro forma adjustments from incoming funds remaining from the sale of assets in Argentina, Europe, and Thailand; 3. Revolving credit facility = R\$1,5 billion; 4. Includes continued and discontinued operations

Financial Discipline

Cash generation directed to debt amortization

- 2019 Performance
- » Operating cash flow of **R\$4.7 million**
 - » Total CAPEX of **R\$1,877 million** (including IFRS)
 - » Free cash flow generation of **R\$2.9 billion** (including R\$1.8 billion in divestments)
 - » Prepayment of loans with local banks totaling **R\$2,187 million**, with maturities between January 2020 and August 2021
 - » Average financial cycle was **18.9 days**, an improvement of **9.3 days** vs. 2018
 - » Net leverage guidance¹ for 2020 was reviewed to the range between **2.35x – 2.75x**

¹ According to the Material Fact released on March 3, 2020



Brazil Market Performance

Sidney Manzano
Vice-President



Brazil Segment

Successful strategy of recovering profitability through optimization of the product mix and sales channels



» Better trade execution, logistics efficiency, strict control of inventory levels

» Gross margin of **27.2%** in 4Q19, best level since 1Q16

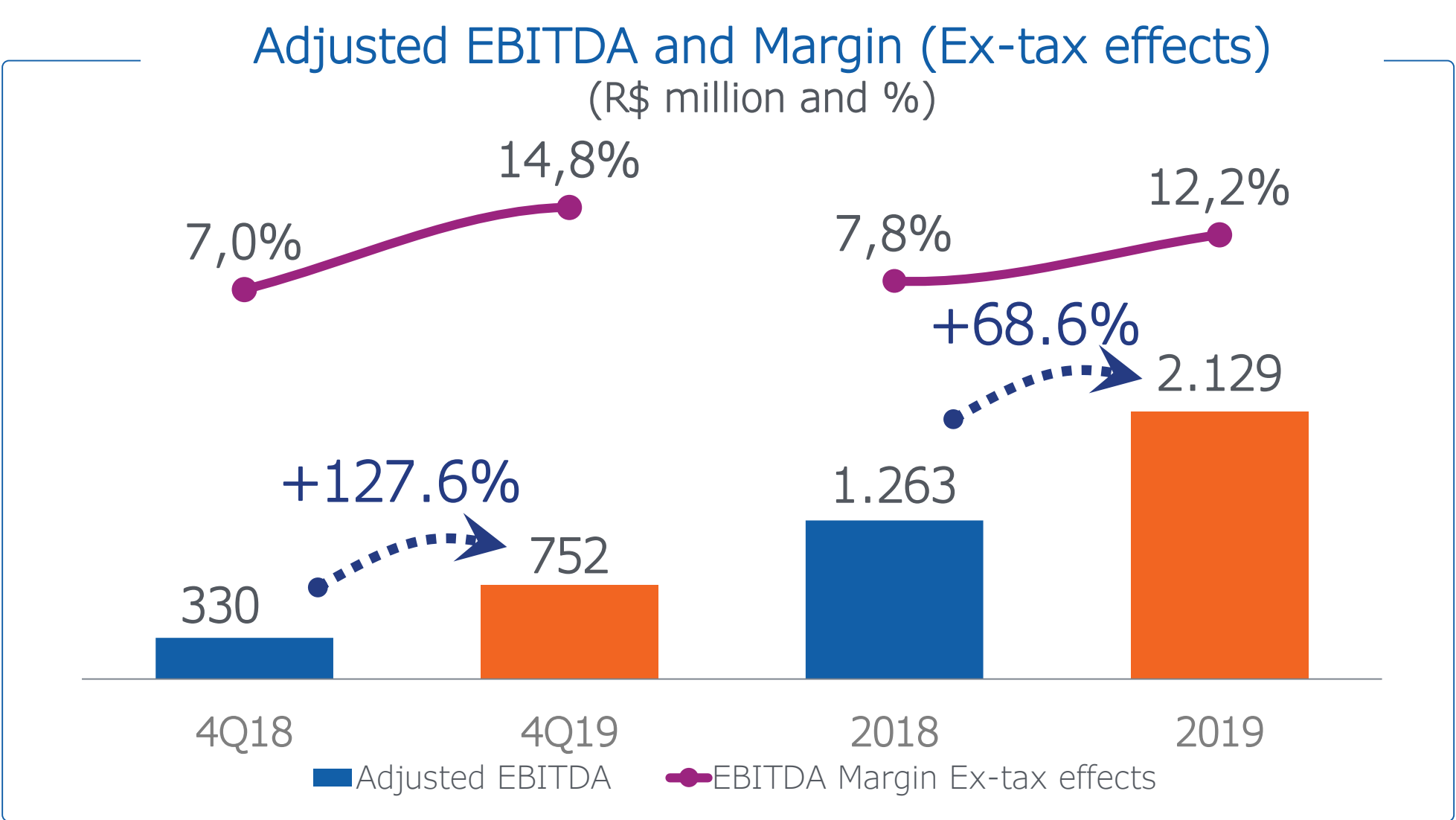
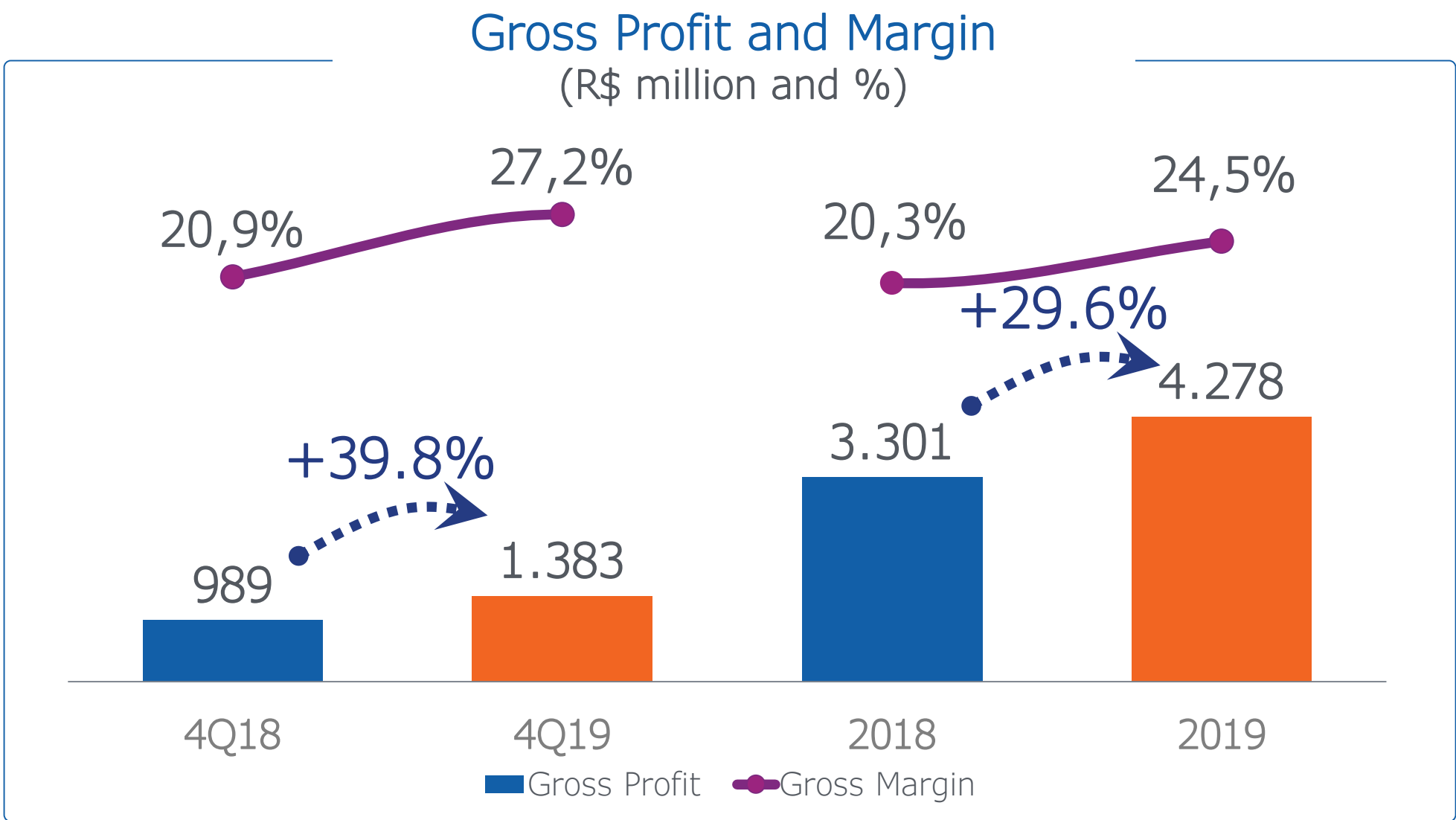
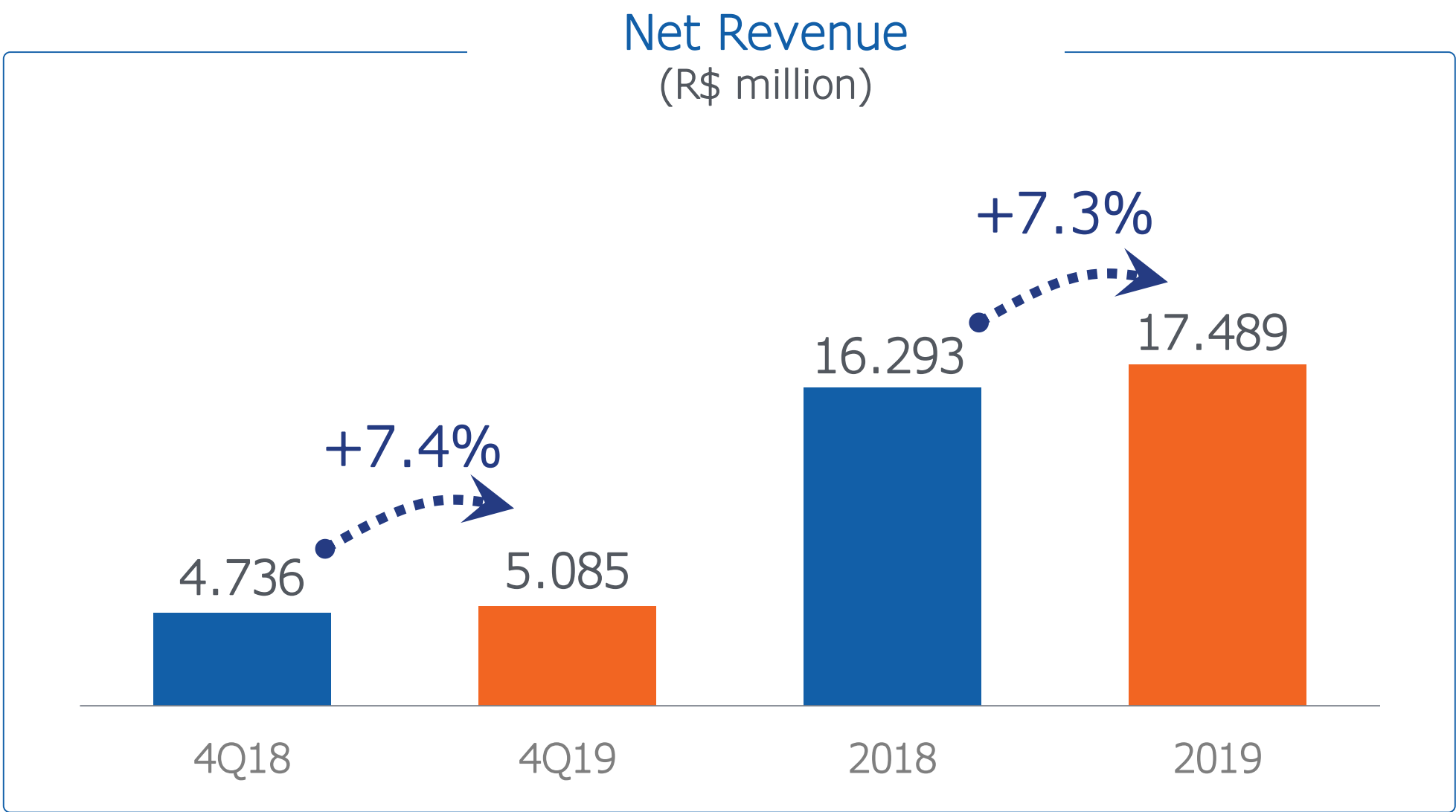
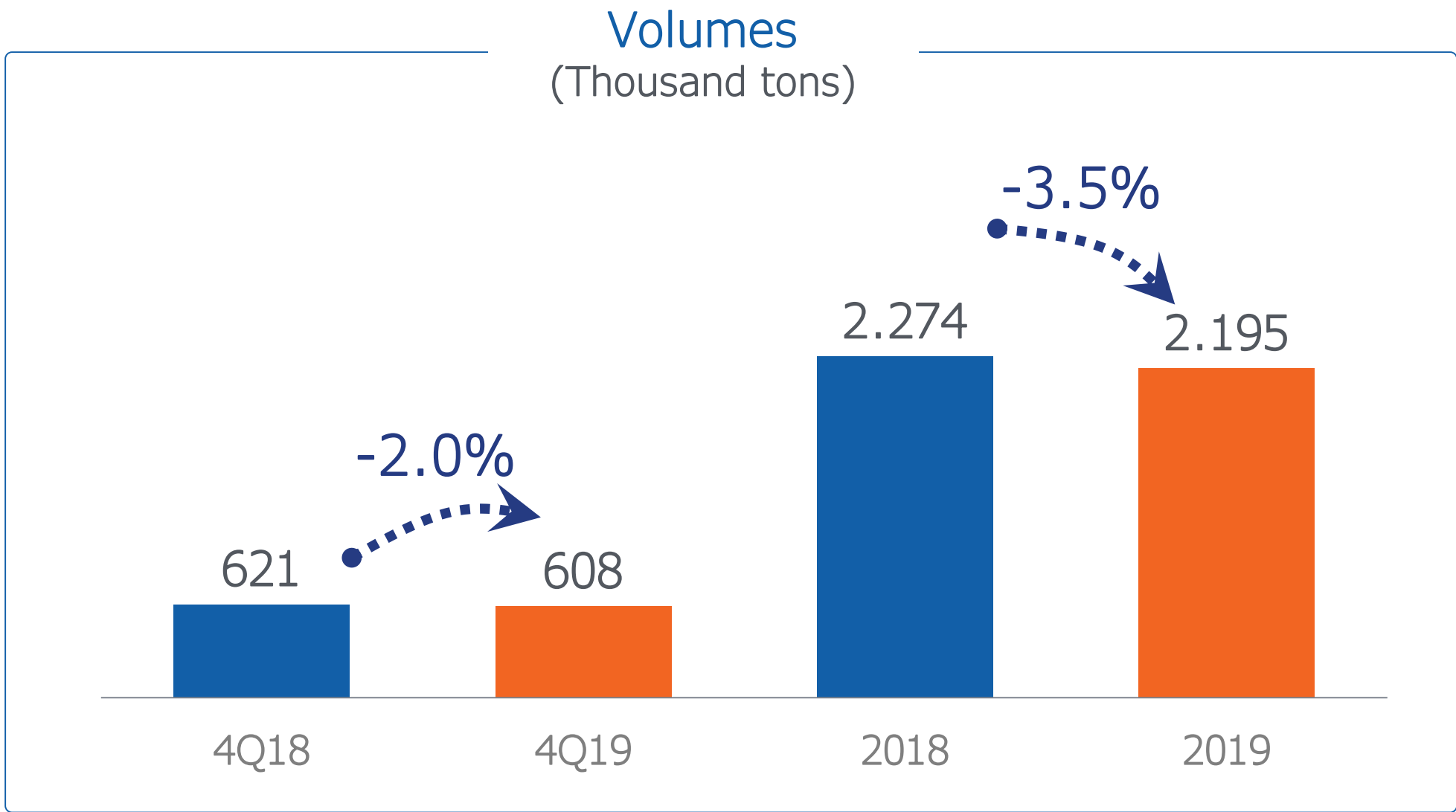
» Average prices increase of **11.2%** y-o-y in Brazil, in line the Company's strategy of increasing profitability

» Continuous **focus on Innovation**: **+90 items** launched in 2019

» Commemorative Campaign: **best performance since 2015**, hitting record sales and active clients

Brazil Segment

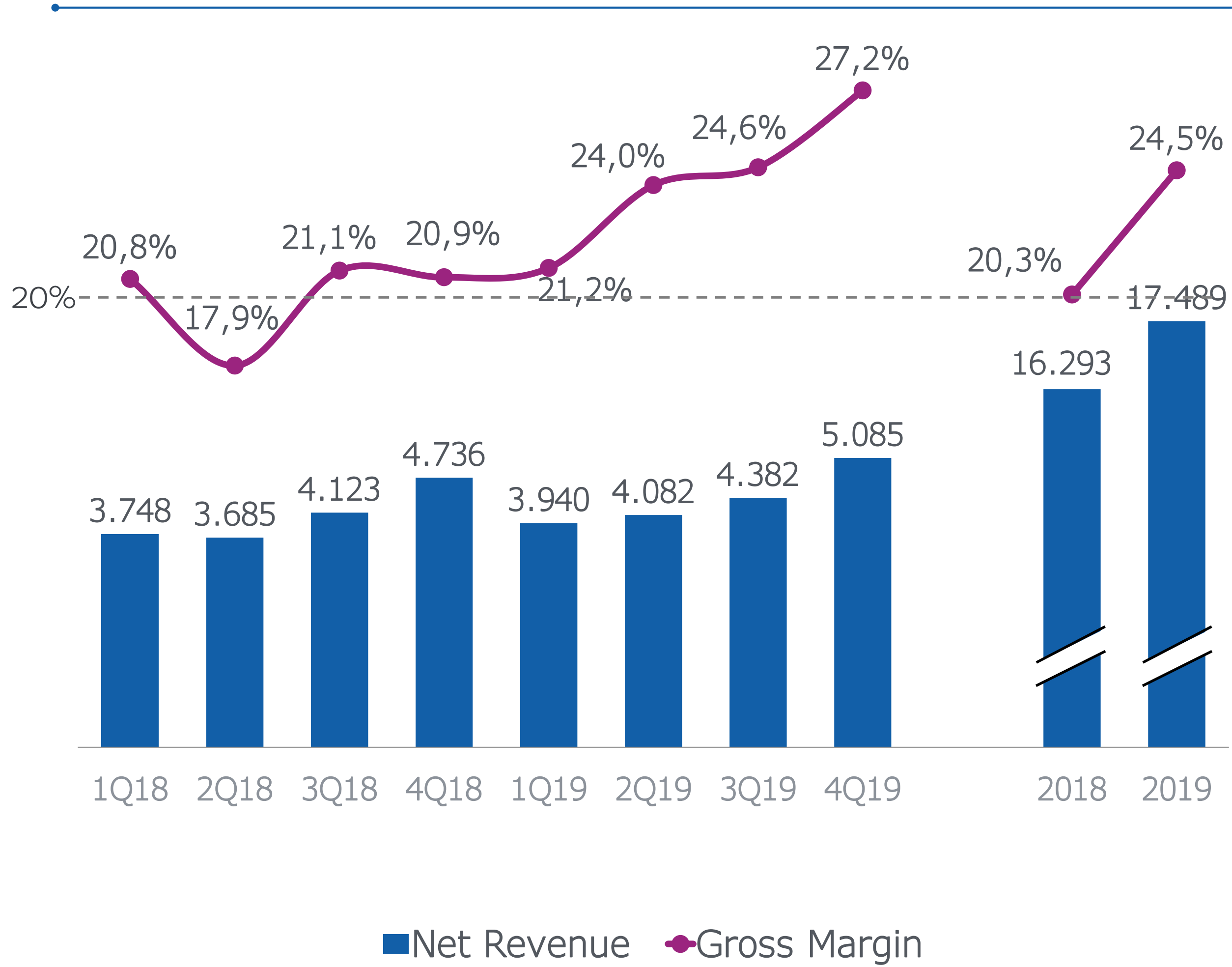
Revenue increase with margin expansion



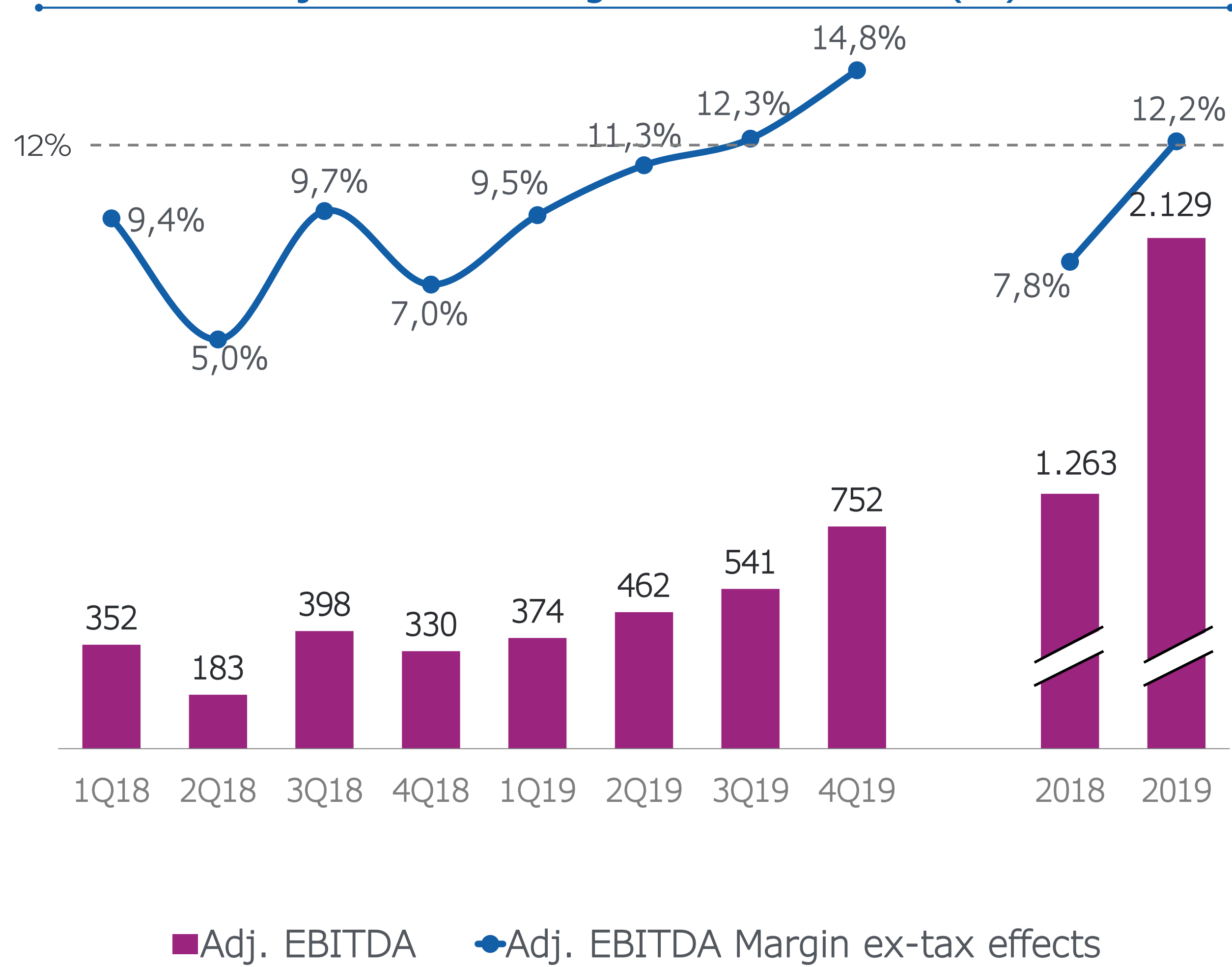
Brazil Segment

Profitability on an upward and sustainable trajectory

Net Revenue (R\$ million)
and Gross Margin (%)

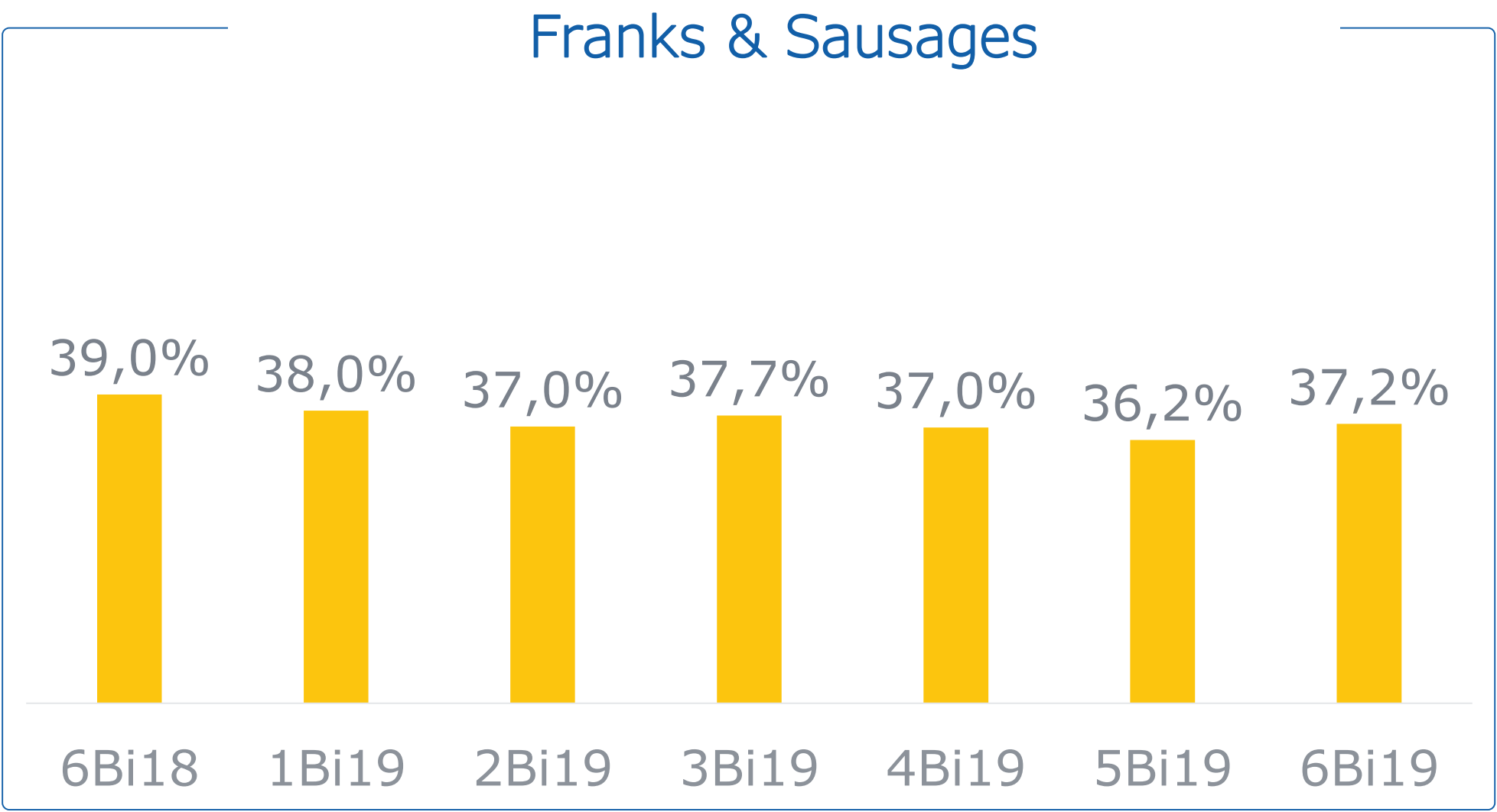
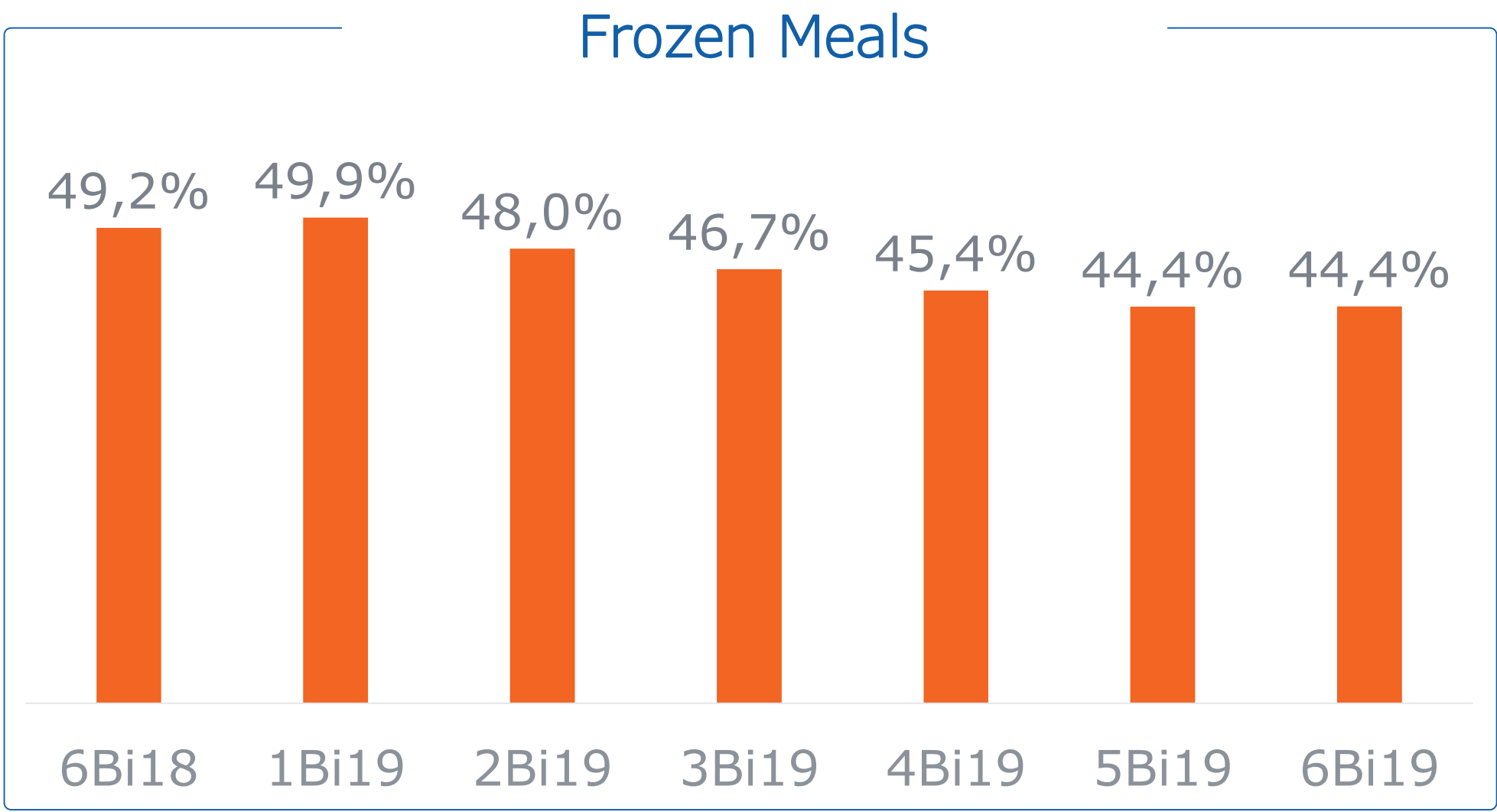
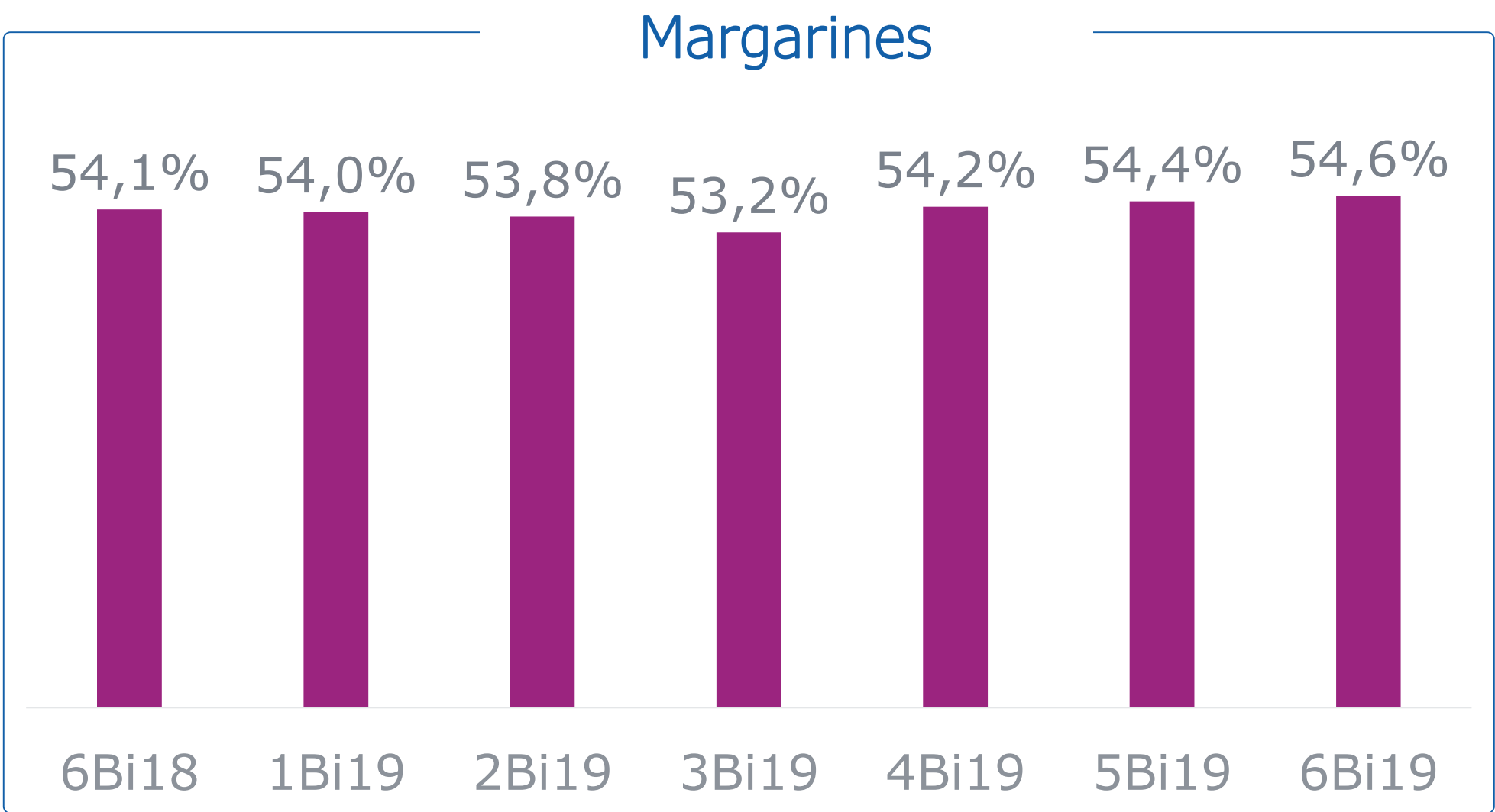
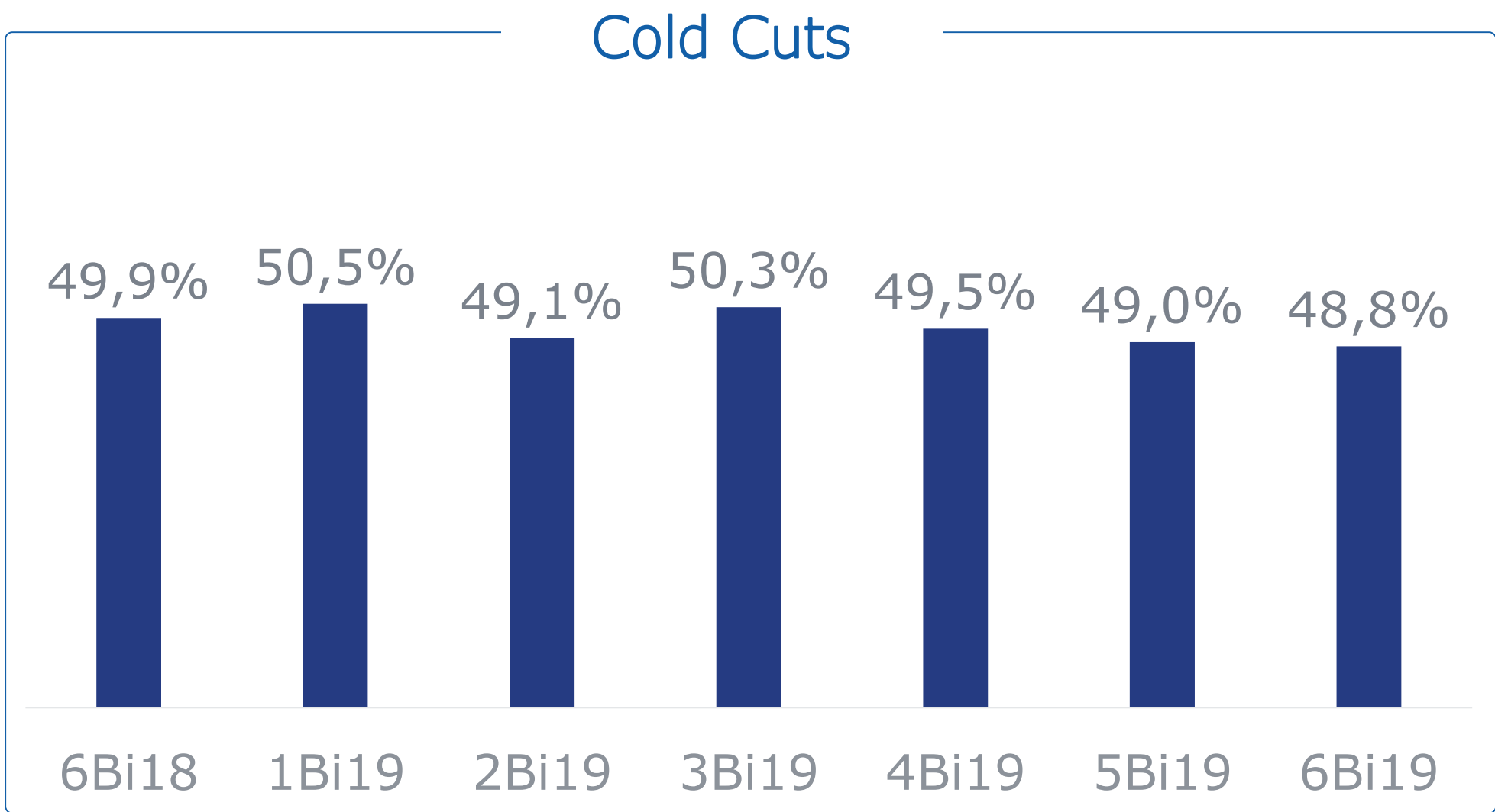


Adj. EBITDA (R\$ million) and
Adj. EBITDA Margin Ex-tax effects (%)



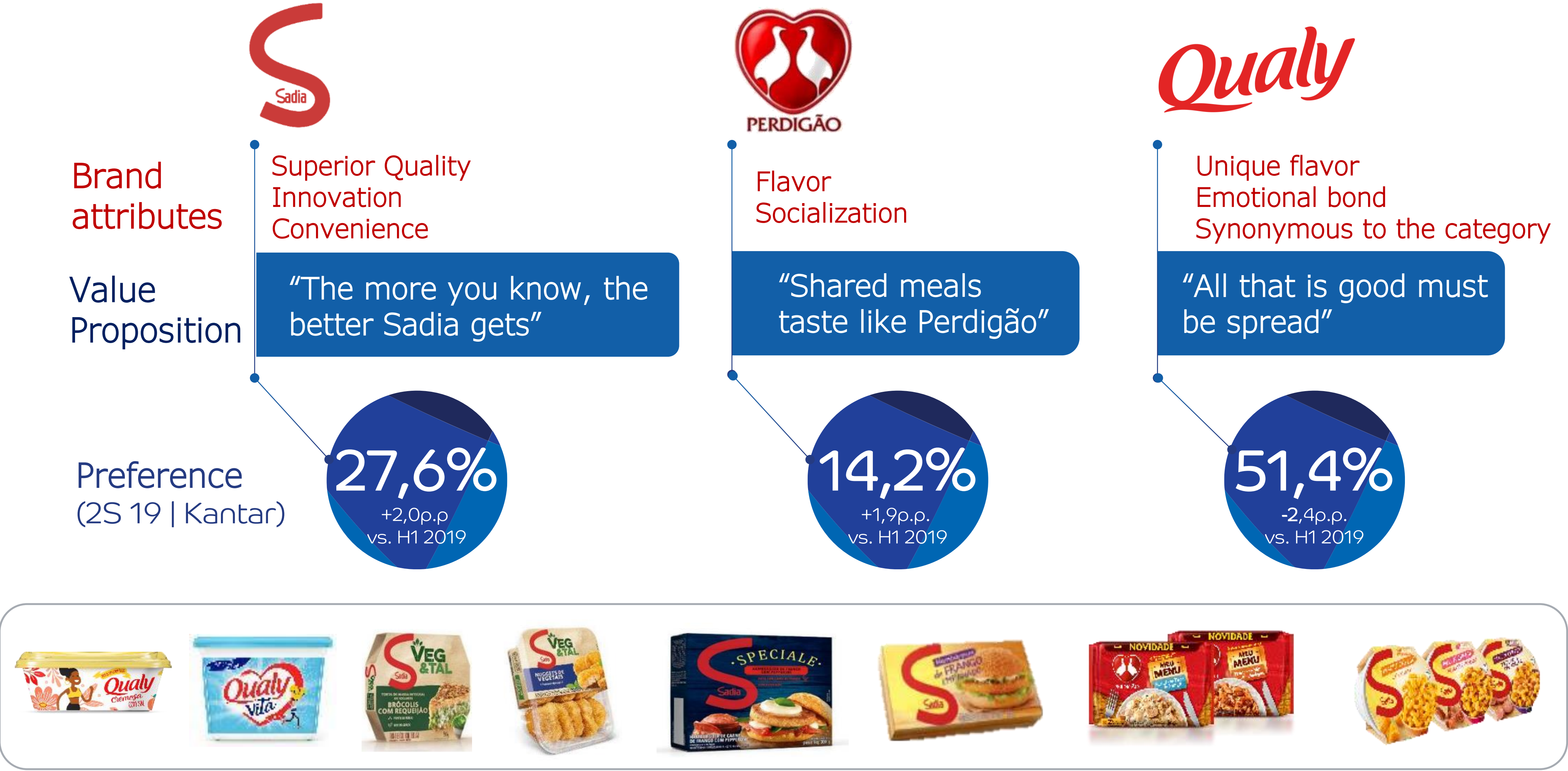
Brazil Segment

Undisputed leadership in all segments – bimonthly readings



Brazil Segment

Consistent investments in brand equity generated a solid preference growth





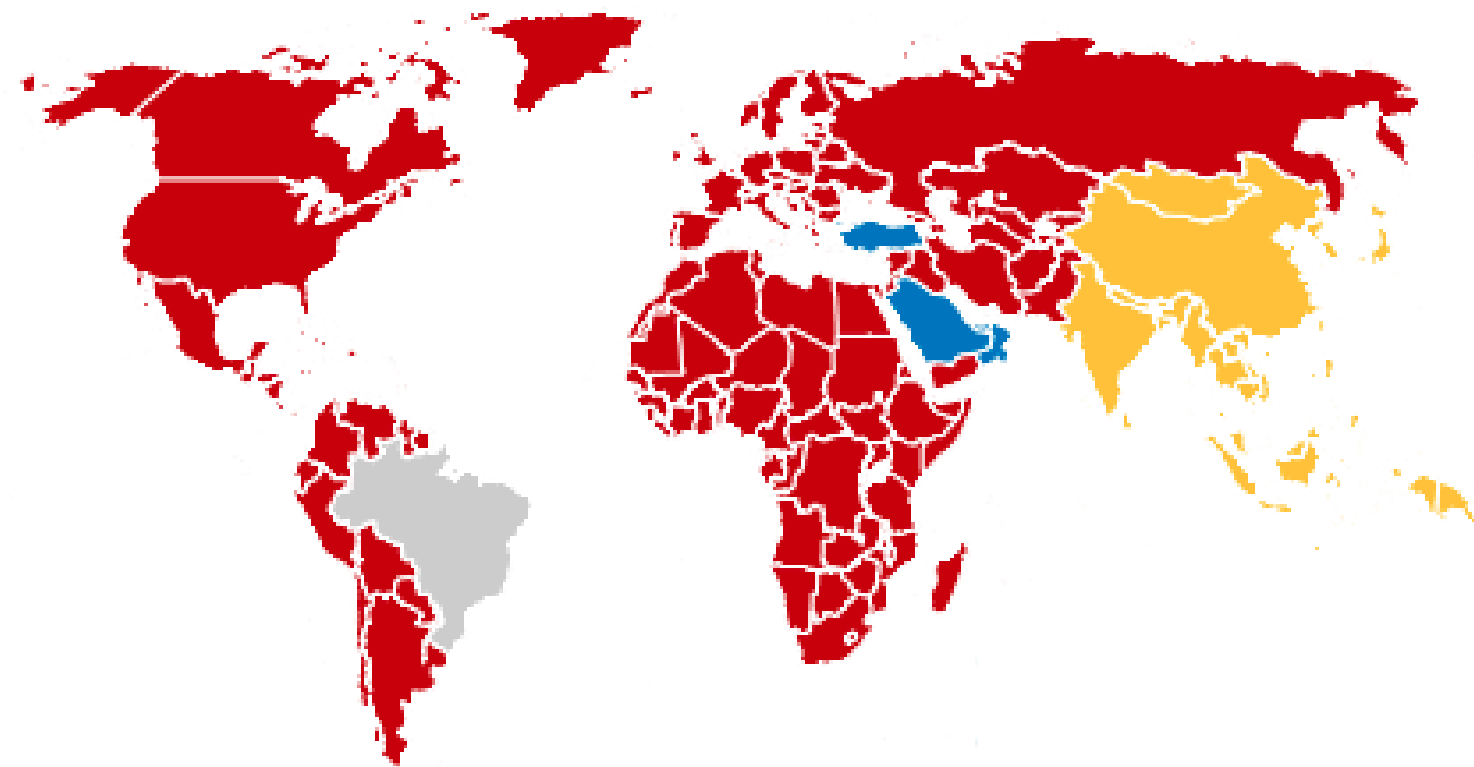
International Markets Performance

Patricio Rohner
Vice-President



International Results (Continued Operations)

Regional diversification and adaptability drove results evolution



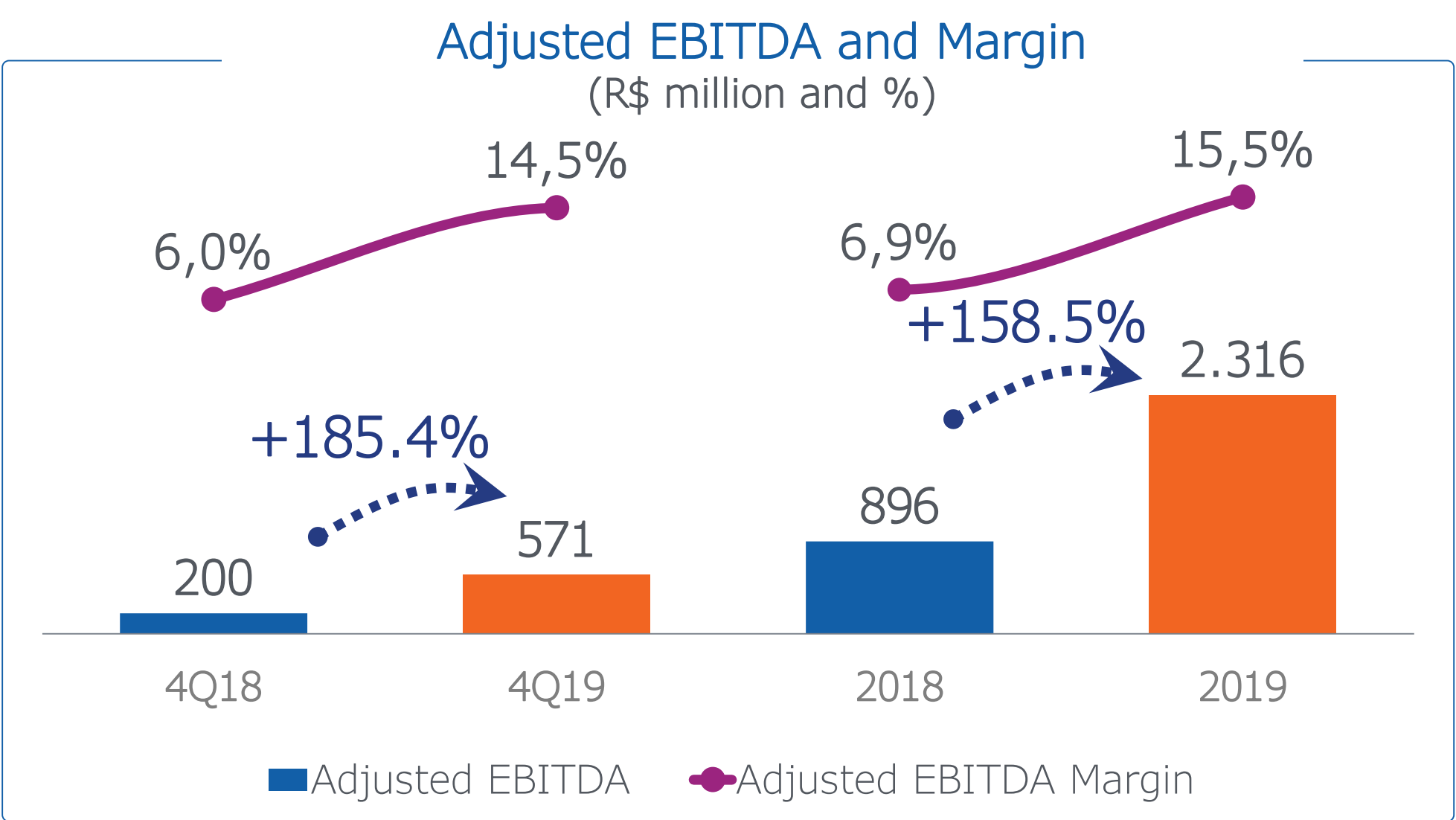
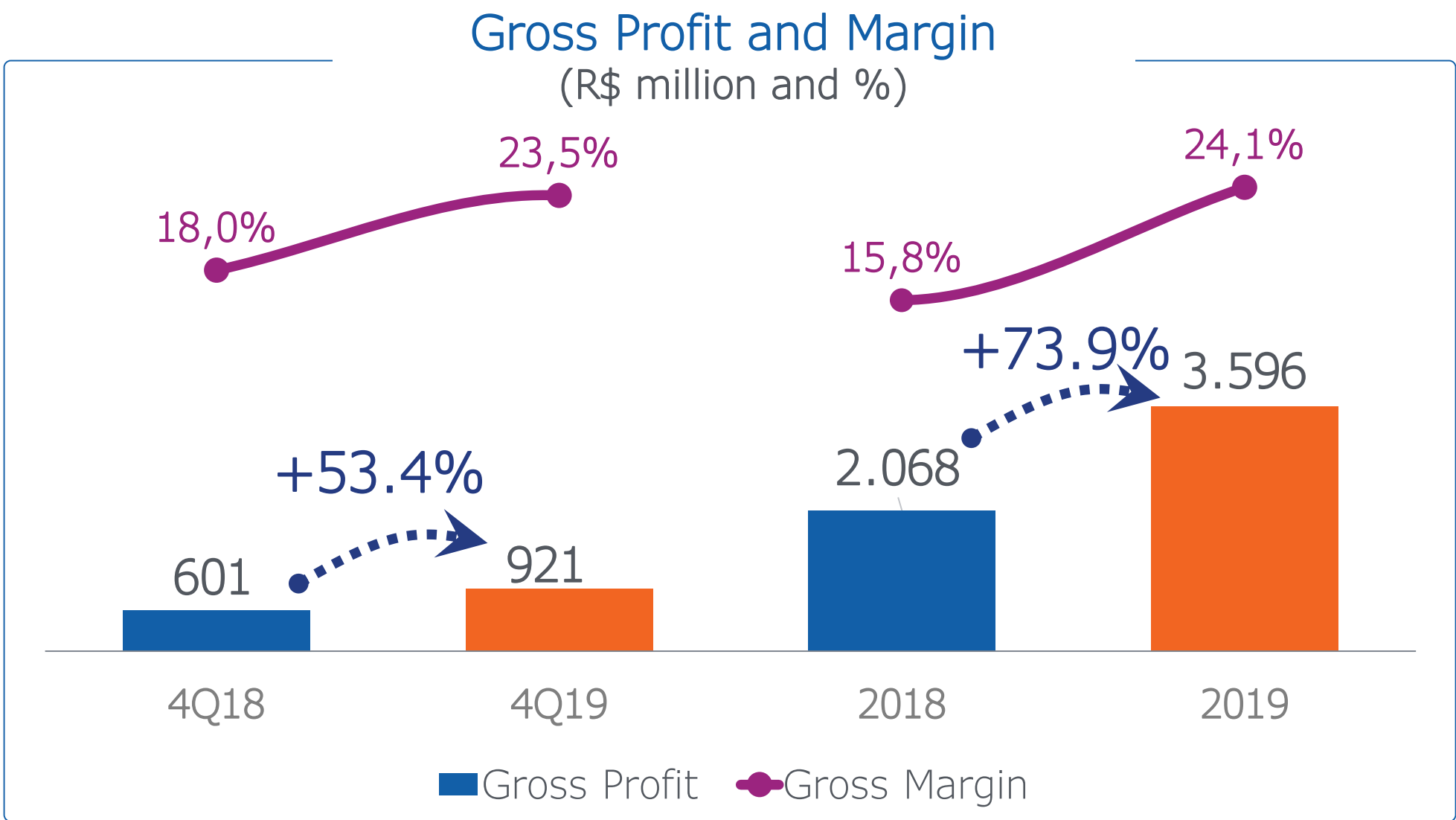
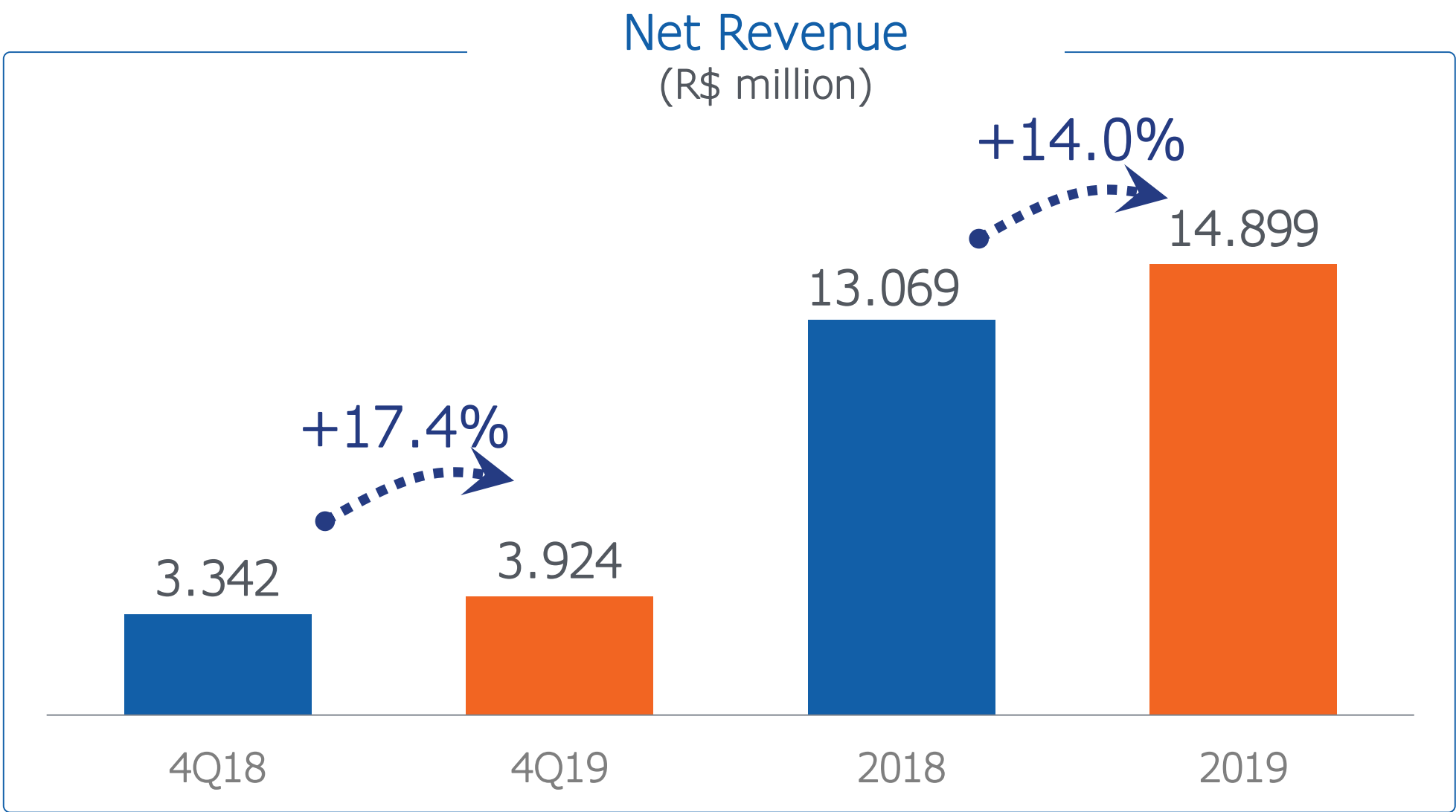
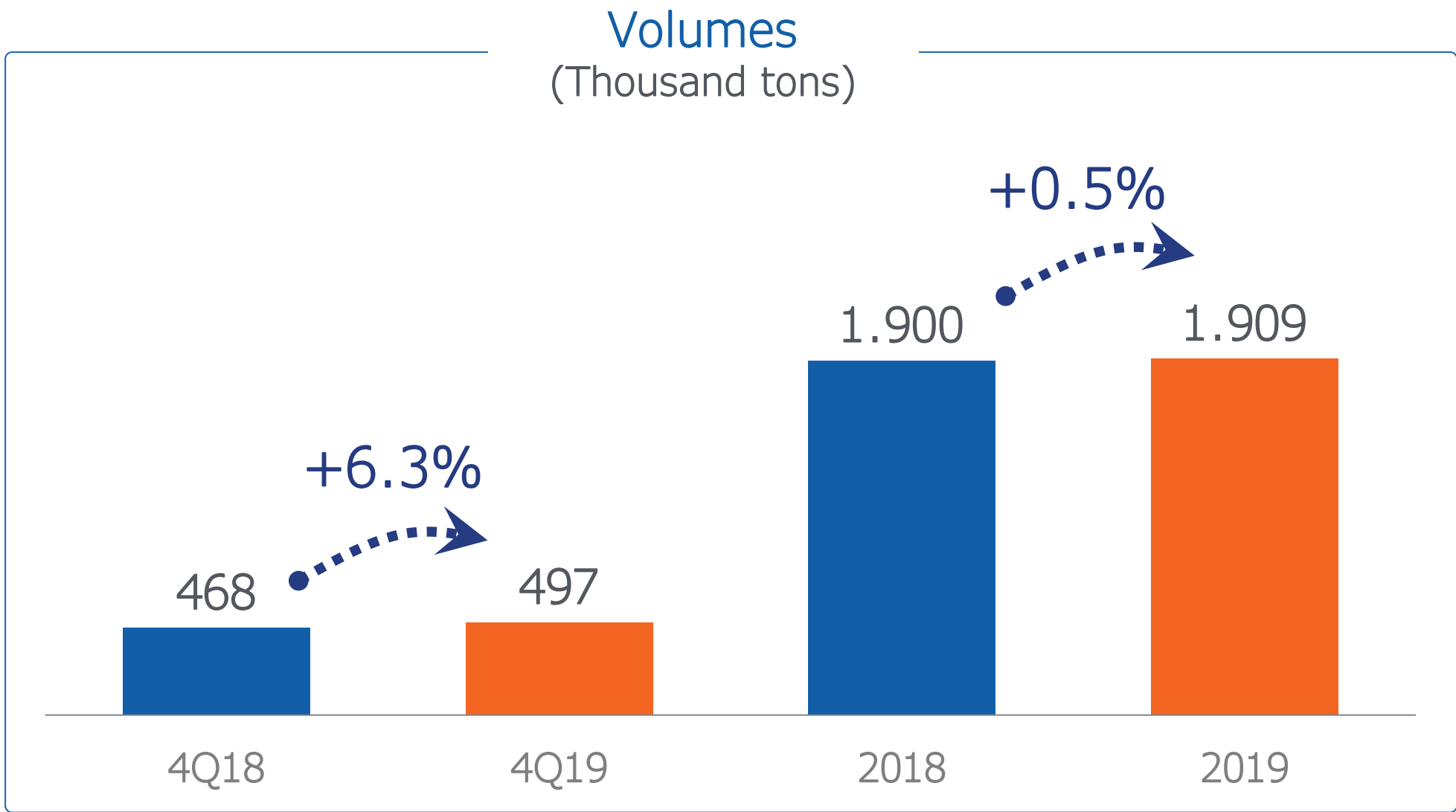
» **25 plants licensed in 2019**, highlighting the plants approved to serve China – Lucas do Rio Verde/MT (poultry and swine), Lajeado/RS (swine) and Campos Novos/SC (piglet)

» **Halal:** A normalization year with margin recovery and important advances in strategic pillars. Challenging short-term in Turkey and Saudi Arabia

» **Other International Markets:** Asian Market boosted by African Swine Fever as of the second half of the year, while we increased our share in Japan, Chile and Mexico markets

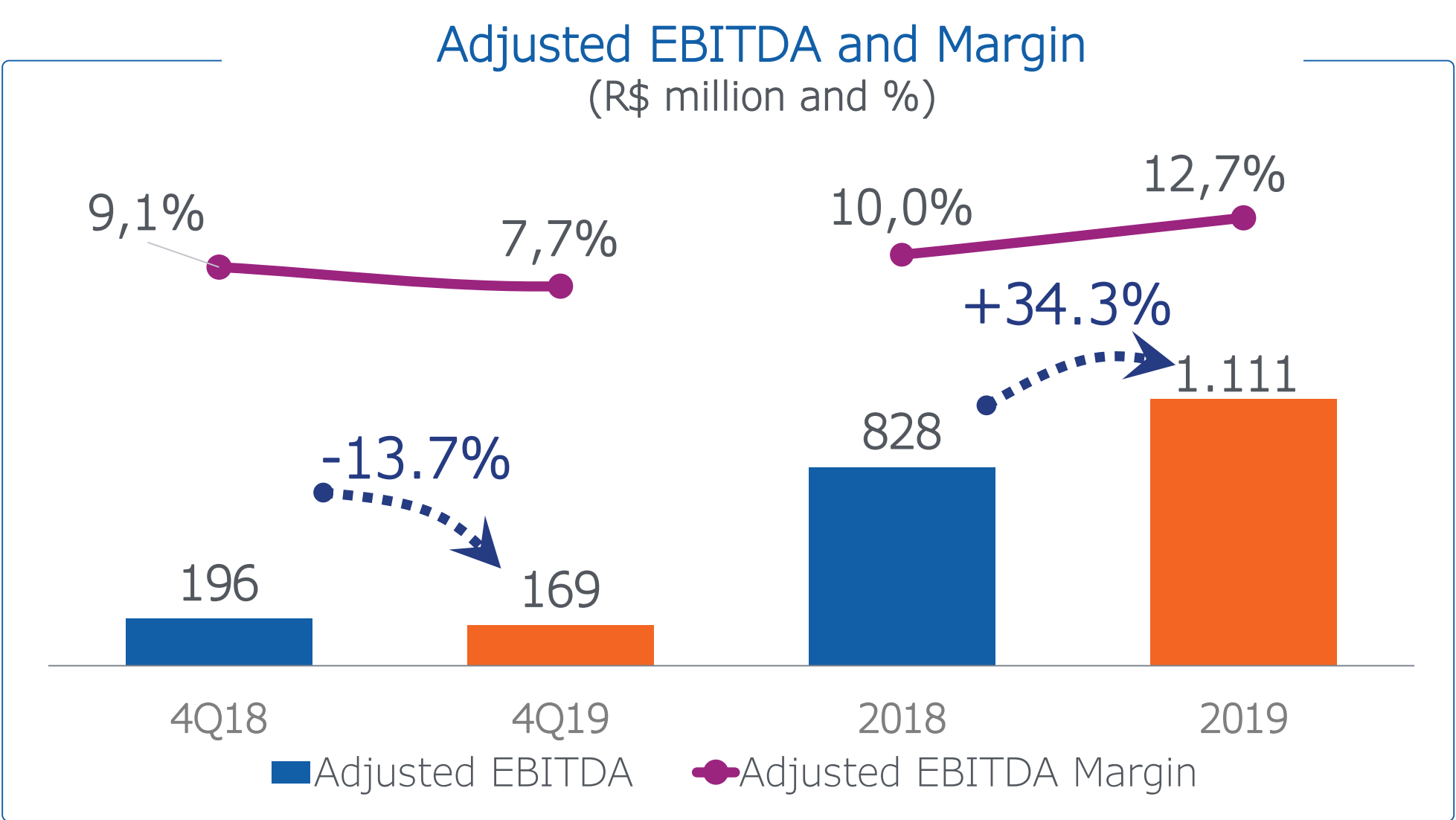
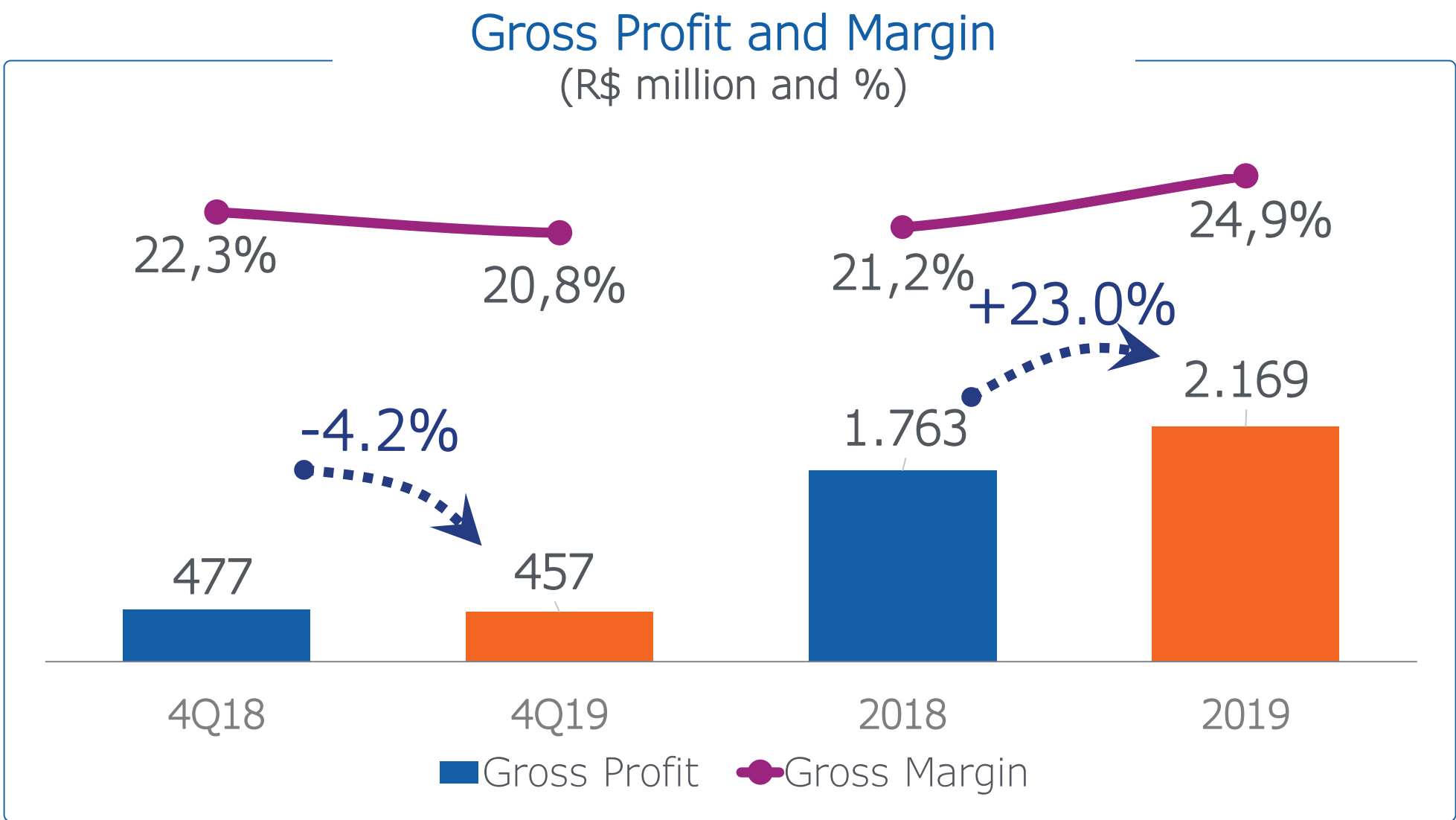
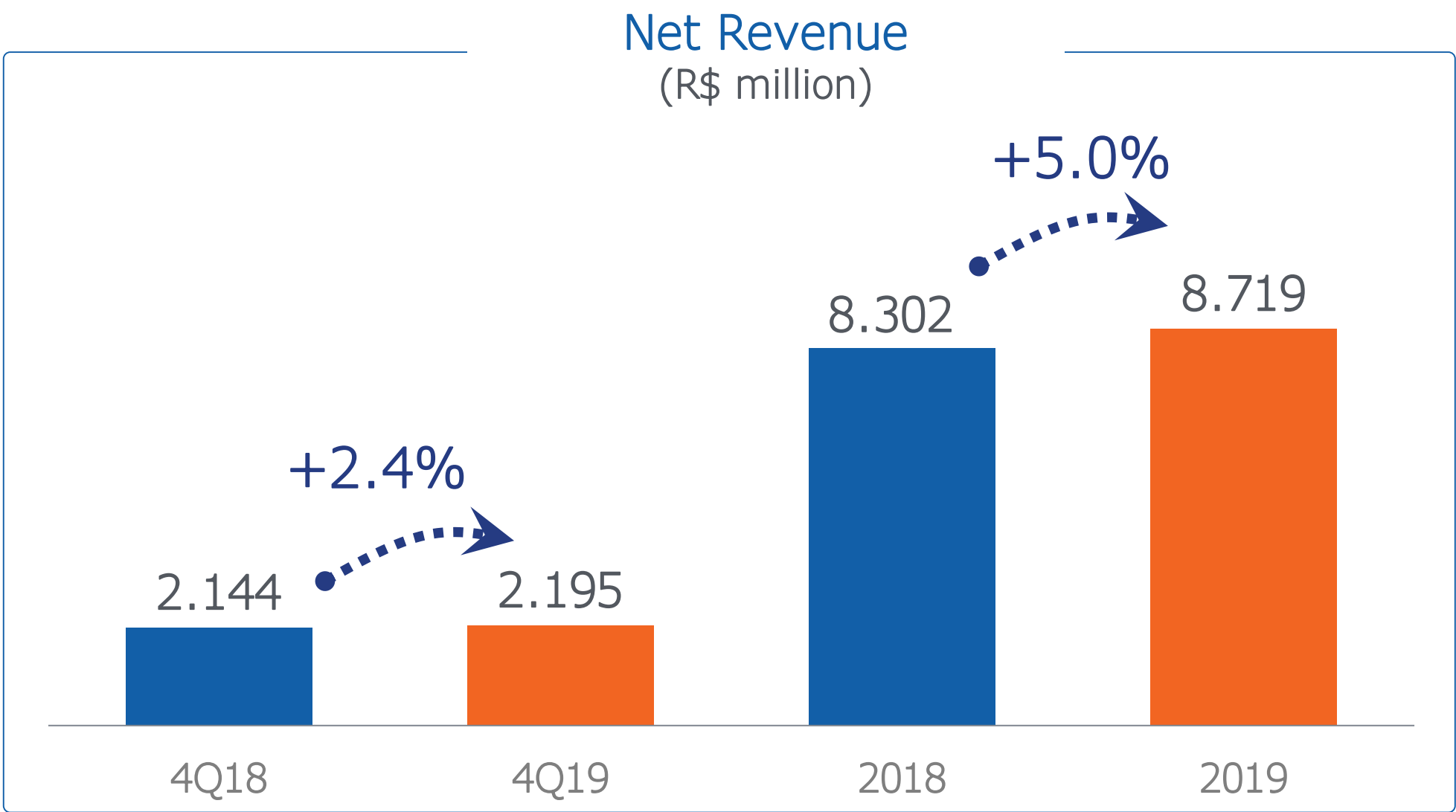
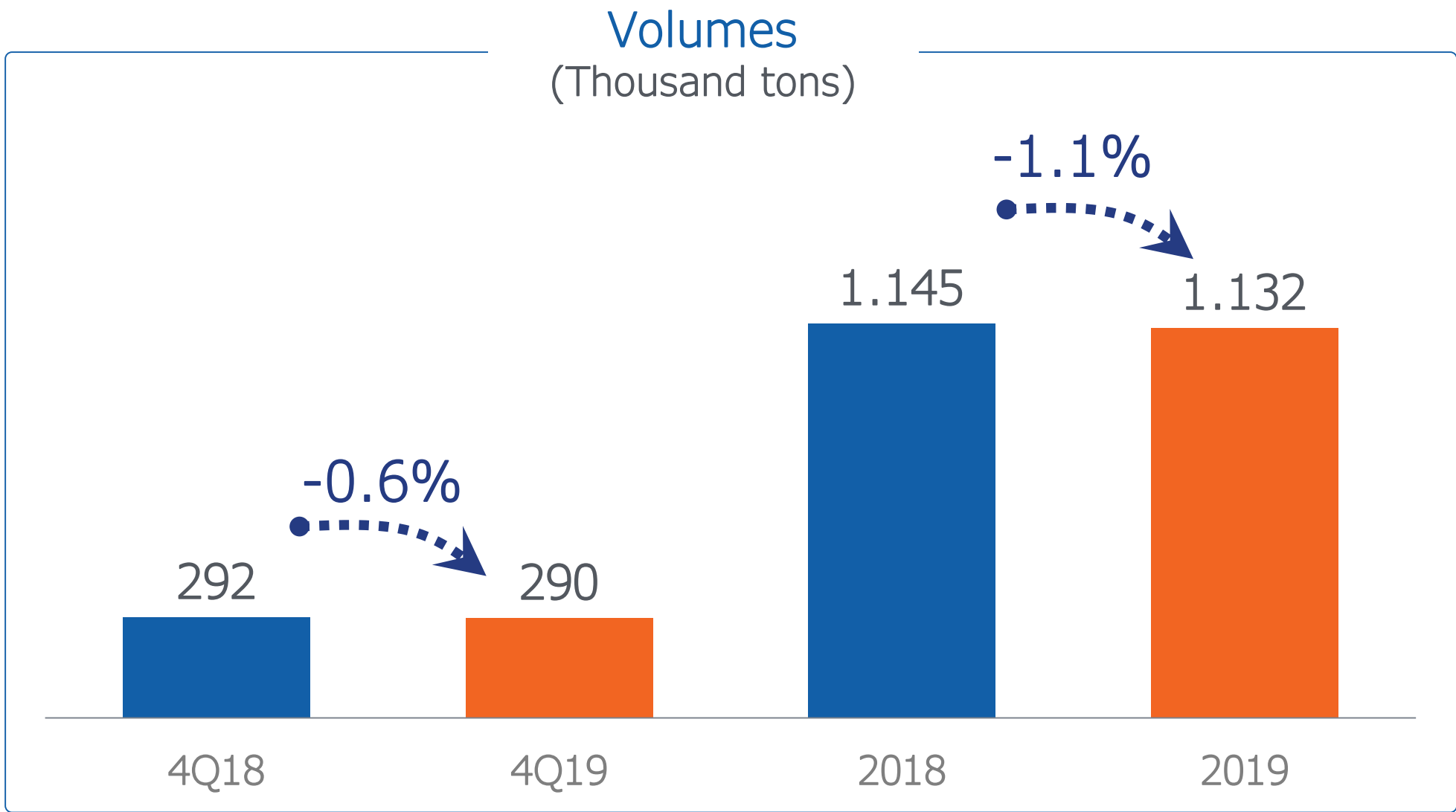
International Segment – Consolidated

Strong EBITDA margin increase, even with seasonality



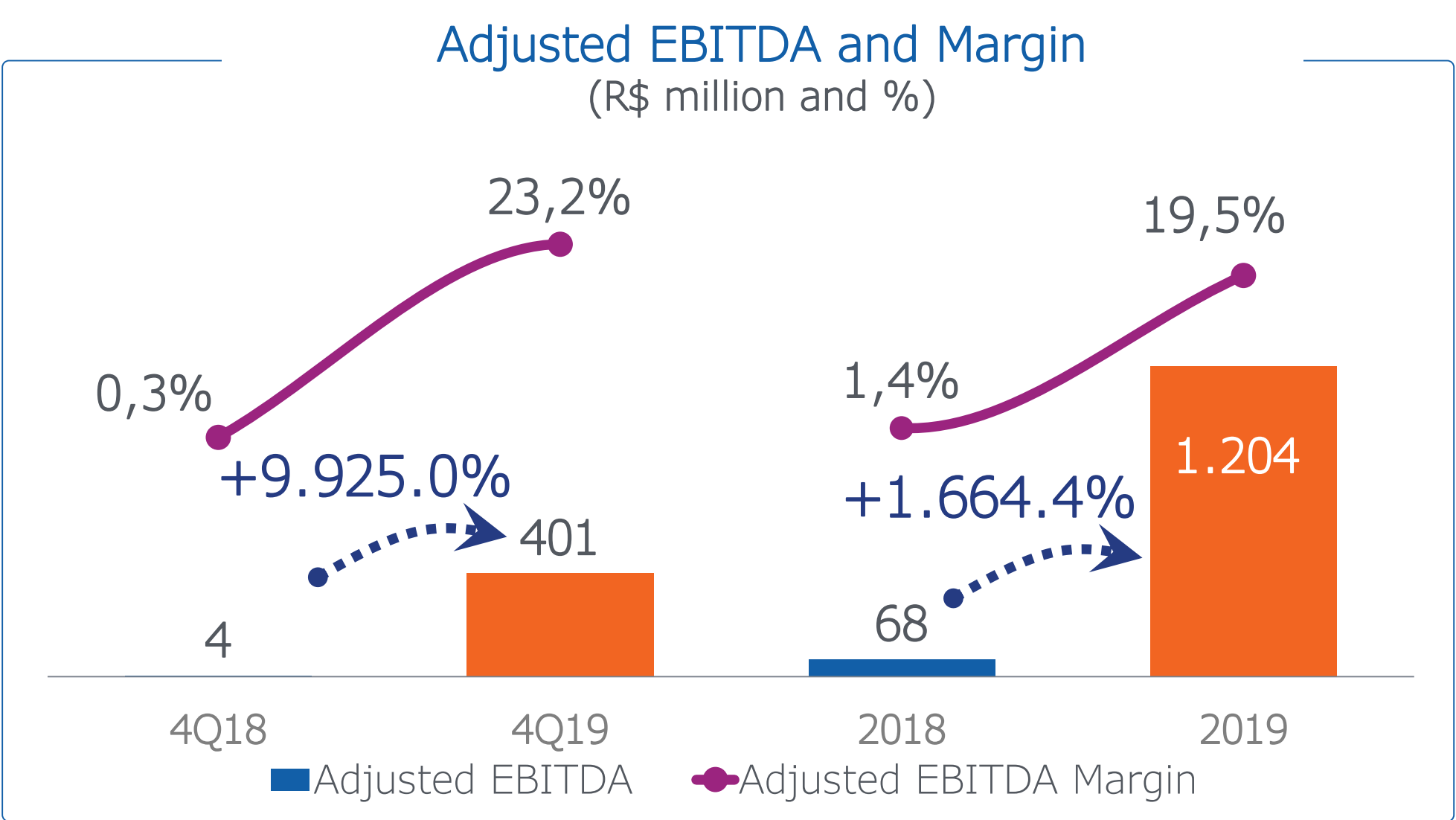
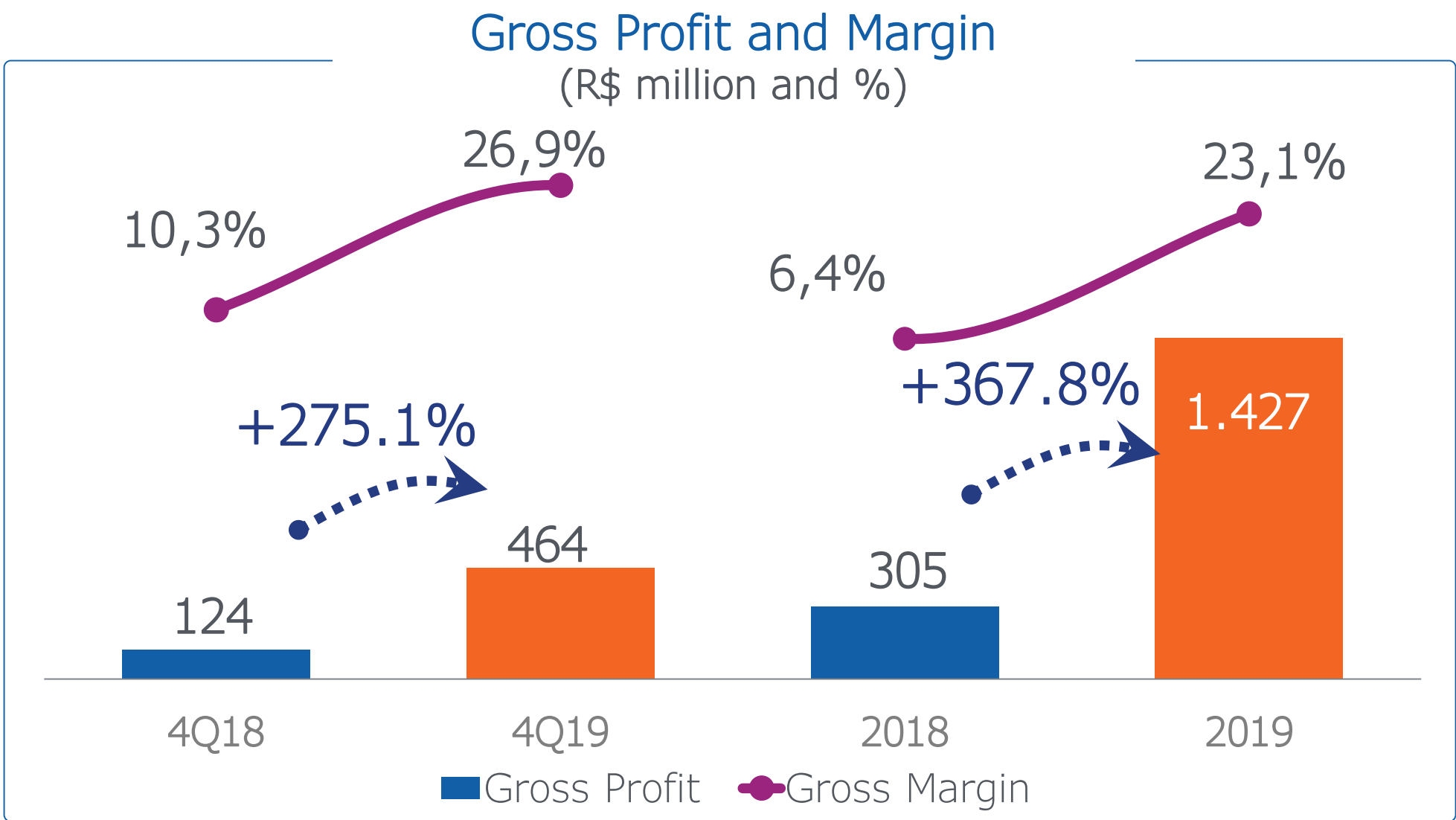
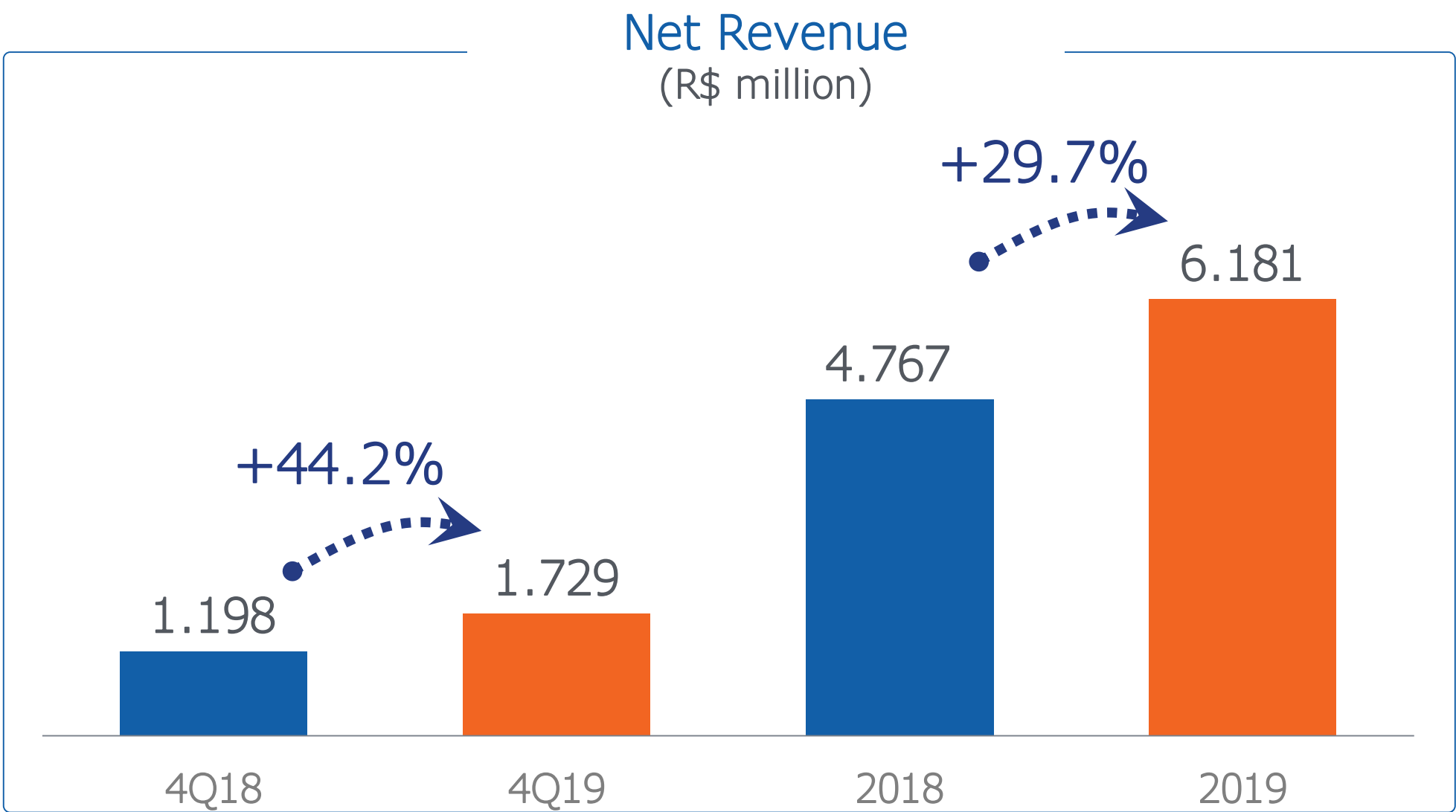
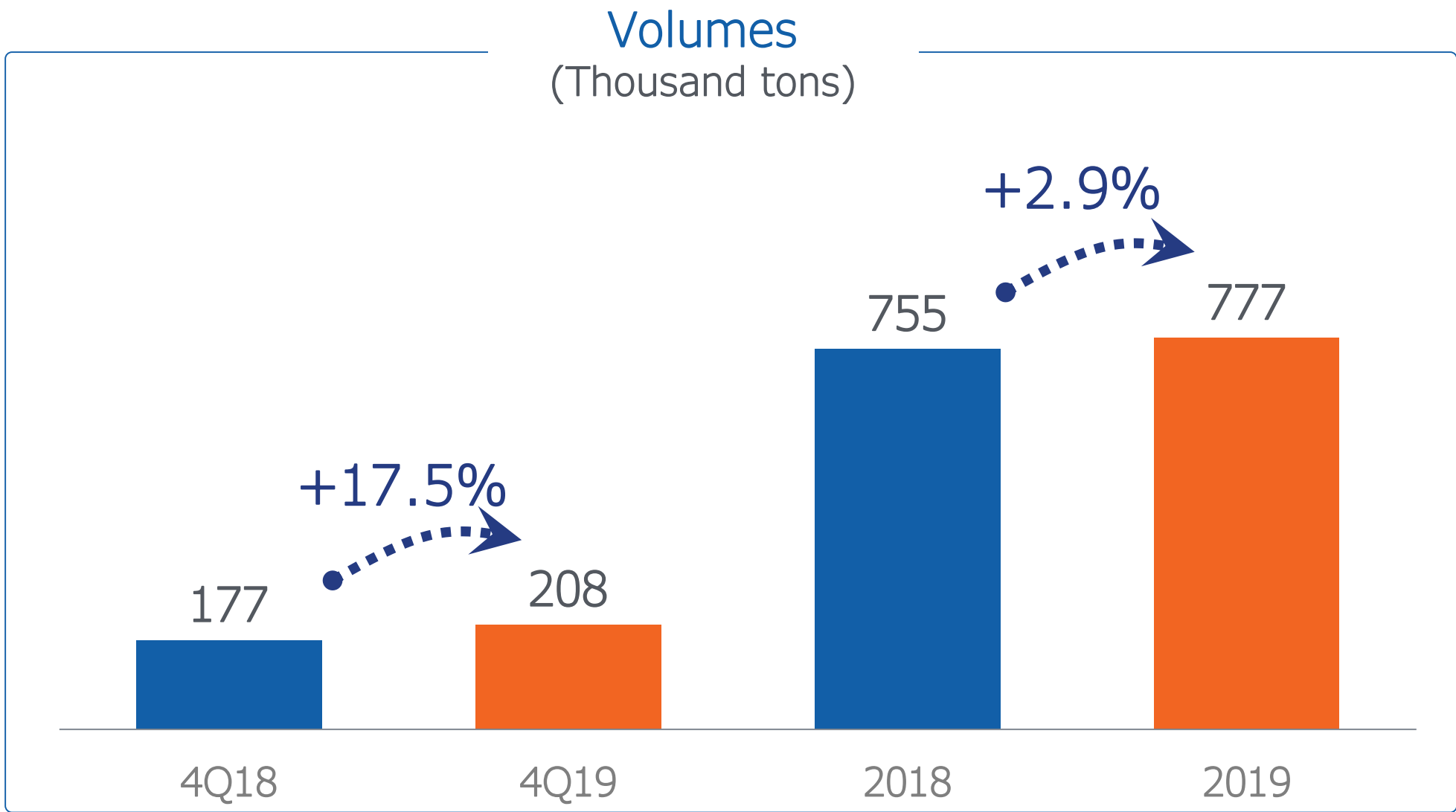
Halal Market

Profitability affected by the challenging scenario in some markets, offset by exchange rate depreciation



Other International Market (Asia, Africa, Americas and Europe)

African Swine Fever impacts in prices and volumes in the region as of the second half of the year





Closing Remarks

Lorival Luz
Global CEO



2019 Recap and 2020 Forecast

2019



Resuming **Profitability**



Financial **balance**



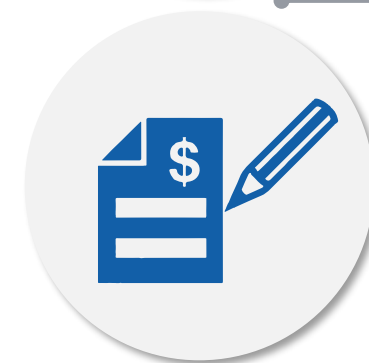
Management **stability**



2020



Culture **strengthening**



Financial **discipline**



Resuming **growth**



Volatility environment:

- Coronavirus
- ASF/Avian Flu
- Commodities
- Climate conditions
- Exchange rate variation

Q&A

**Juntos
somos mais
de 90 mil
pessoas
que cuidam
umas das outras
e de suas
comunidades.**

Somos melhores juntos



Edina Lima de Sousa
VP de Operações
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Sadia



Qualy



Confidence

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