

1Q19 Earnings

May 10, 2019

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Initial Remarks

Pedro Parente
Global CEO

Summary of Results – 1Q19

- » Increase in both Net Revenues and **Profitability**

- » **Gross margin increase** for the third consecutive quarter, even considering grain costs inertia

- » **Reduction of frozen raw material inventories**, from ~140 to ~45 thousand ton, reducing pressures from future sale needs, logistics complexity and general expenses

- » **High demand for protein** and favorable costs leads to a positive outlook for the industry

Results begin to reflect the adjustments initiated in the 2Q18, in line with goals disclosed in the strategic planning

Breakdown of Results – 1Q19

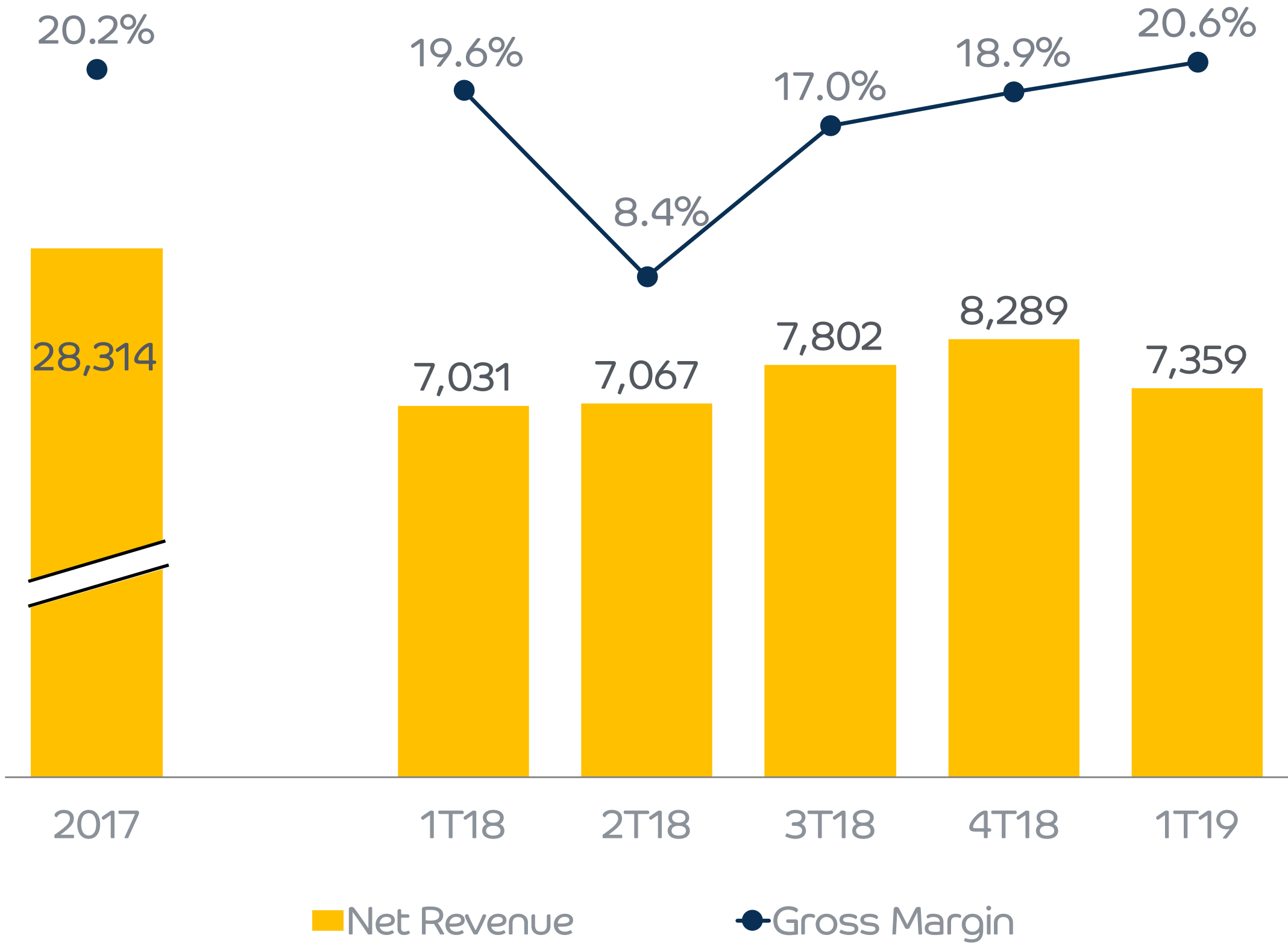
Profitability in recovery path and lower impacts from non-recurring events

Results - R\$ Million	1Q19	1Q18	Chg. y/y	4Q18	Chg. y/y
Volume (Thousand Tons)	1,006	1,085	(7.3%)	1,153	(12.8%)
Net Revenues	7,359	7,031	4.7%	8,289	(11.2%)
Gross Profit	1,517	1,379	10.0%	1,570	(3.4%)
<i>Gross Margin (%)</i>	<i>20.6%</i>	<i>19.6%</i>	<i>1.0 p.p.</i>	<i>18.9%</i>	<i>1.7 p.p.</i>
EBIT	158	259	(39.0%)	281	(43.7%)
<i>EBIT Margin (%)</i>	<i>2.1%</i>	<i>3.7%</i>	<i>(1.5) p.p.</i>	<i>3.4%</i>	<i>(1.2) p.p.</i>
Adjusted EBITDA	748*	685	9.3%	843	(11.2%)
<i>Adjusted EBITDA Margin (%)</i>	<i>10.2%</i>	<i>9.7%</i>	<i>0.4 p.p.</i>	<i>10.2%</i>	<i>(0.0) p.p.</i>
Net Income (Loss) - Continued operations	(113)	(133)	(14.7%)	313	(136.2%)
<i>Net Margin (%)</i>	<i>(1.5%)</i>	<i>(1.9%)</i>	<i>0.4 p.p.</i>	<i>3.8%</i>	<i>(5.3) p.p.</i>
Net Income (Loss) - Total consolidated	(1,012)	(62)	n.m.	(2,125)	(52.4%)

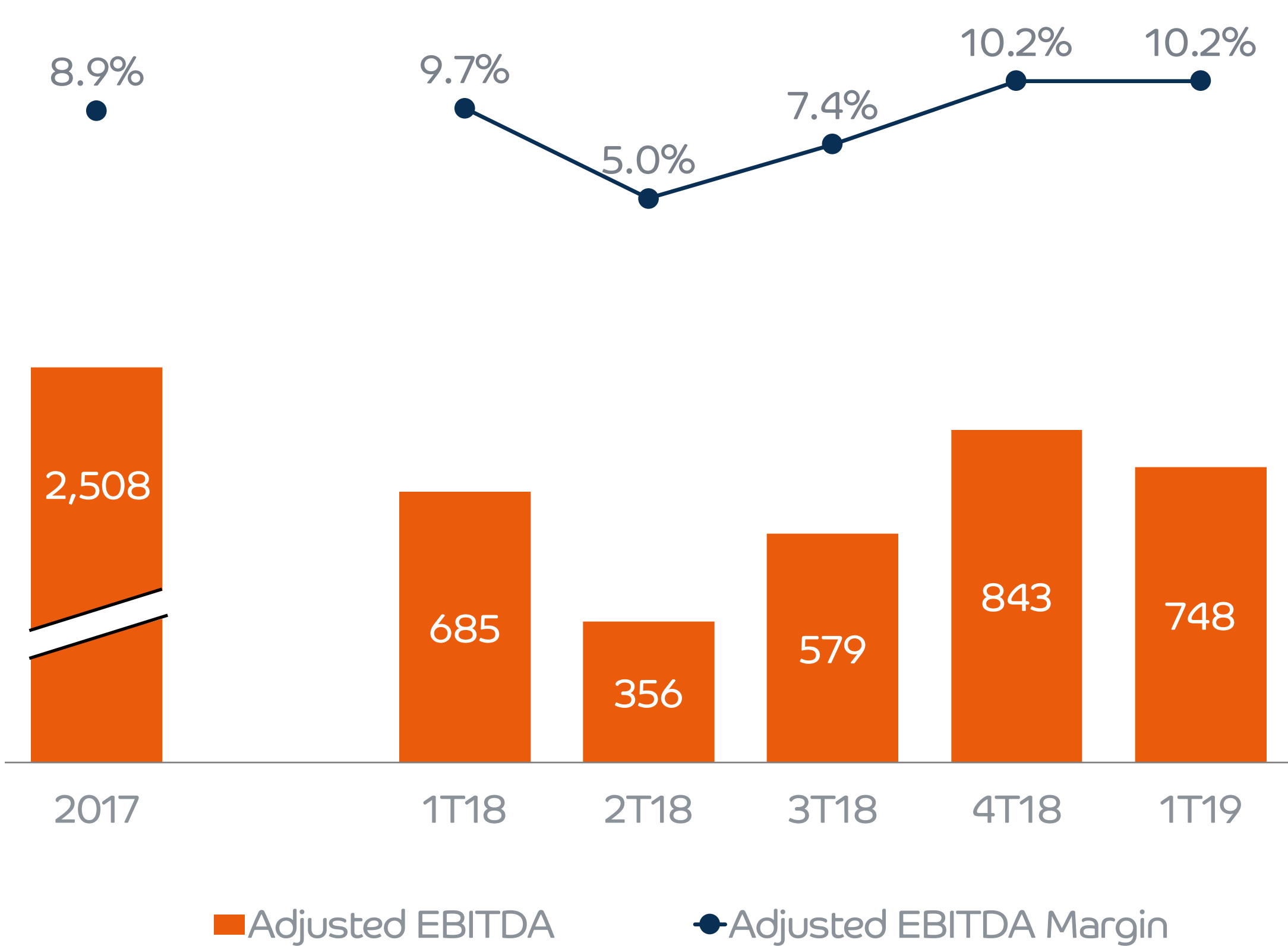
Summary of Results – 1Q19

Execution of strategic plan as a key fact to improvement in operational performance

Gross Margin



Adjusted EBITDA Margin

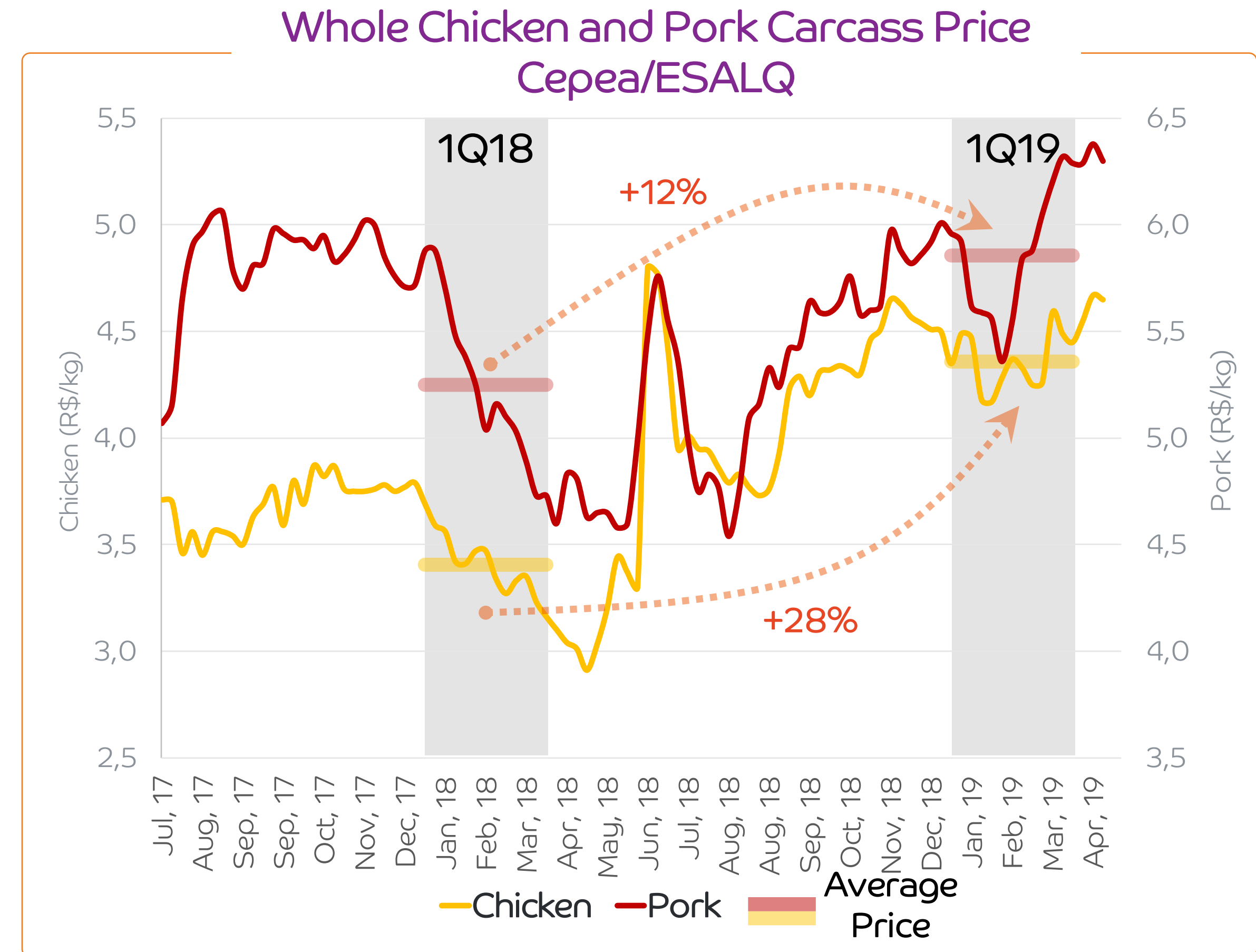
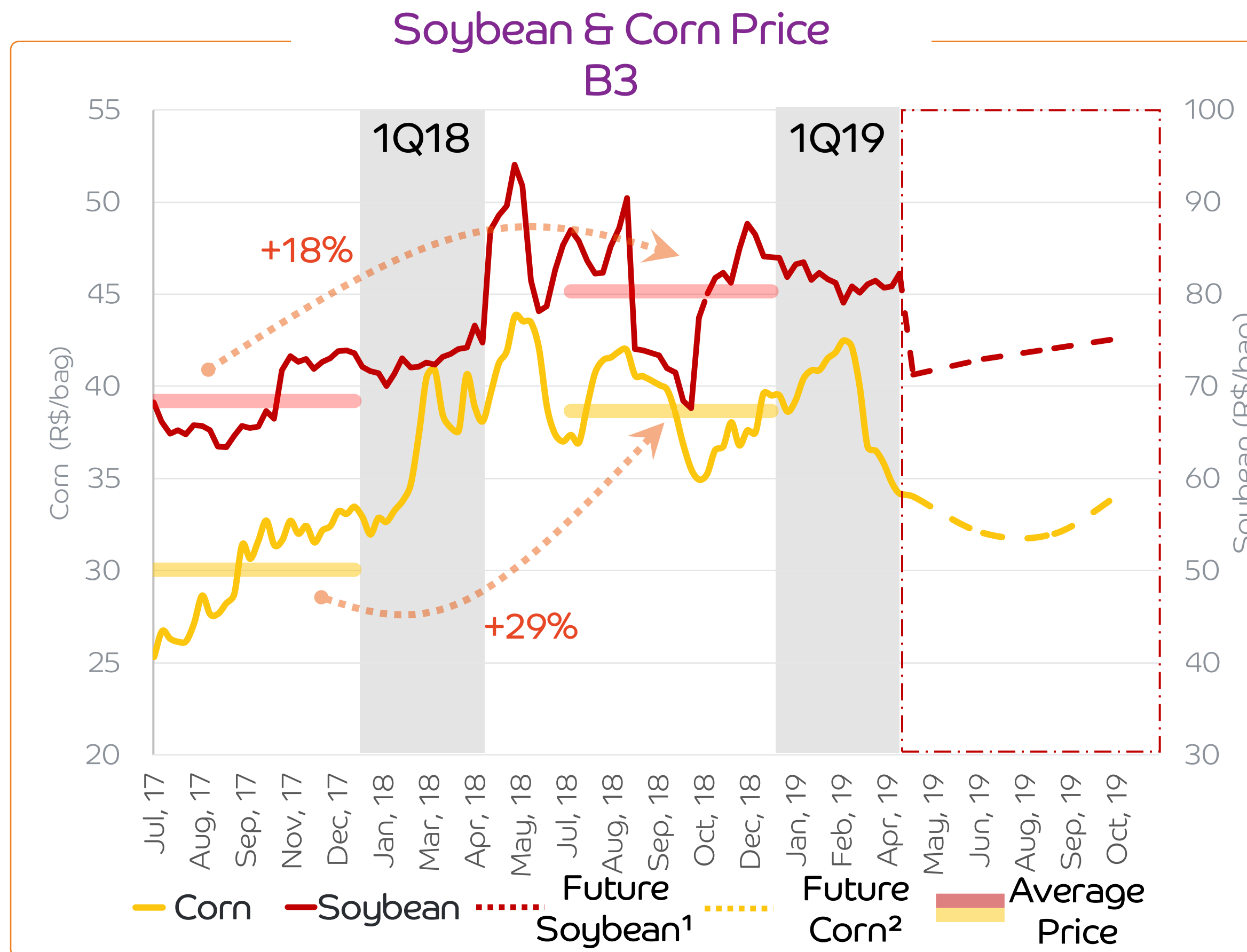


Industry Overview

Lorival Luz
Global COO / CFO

Grains & proteins prices

Grain price inflation pushed 1Q19 costs, however prices already show signs of moderating; proteins are presenting a constructive outlook



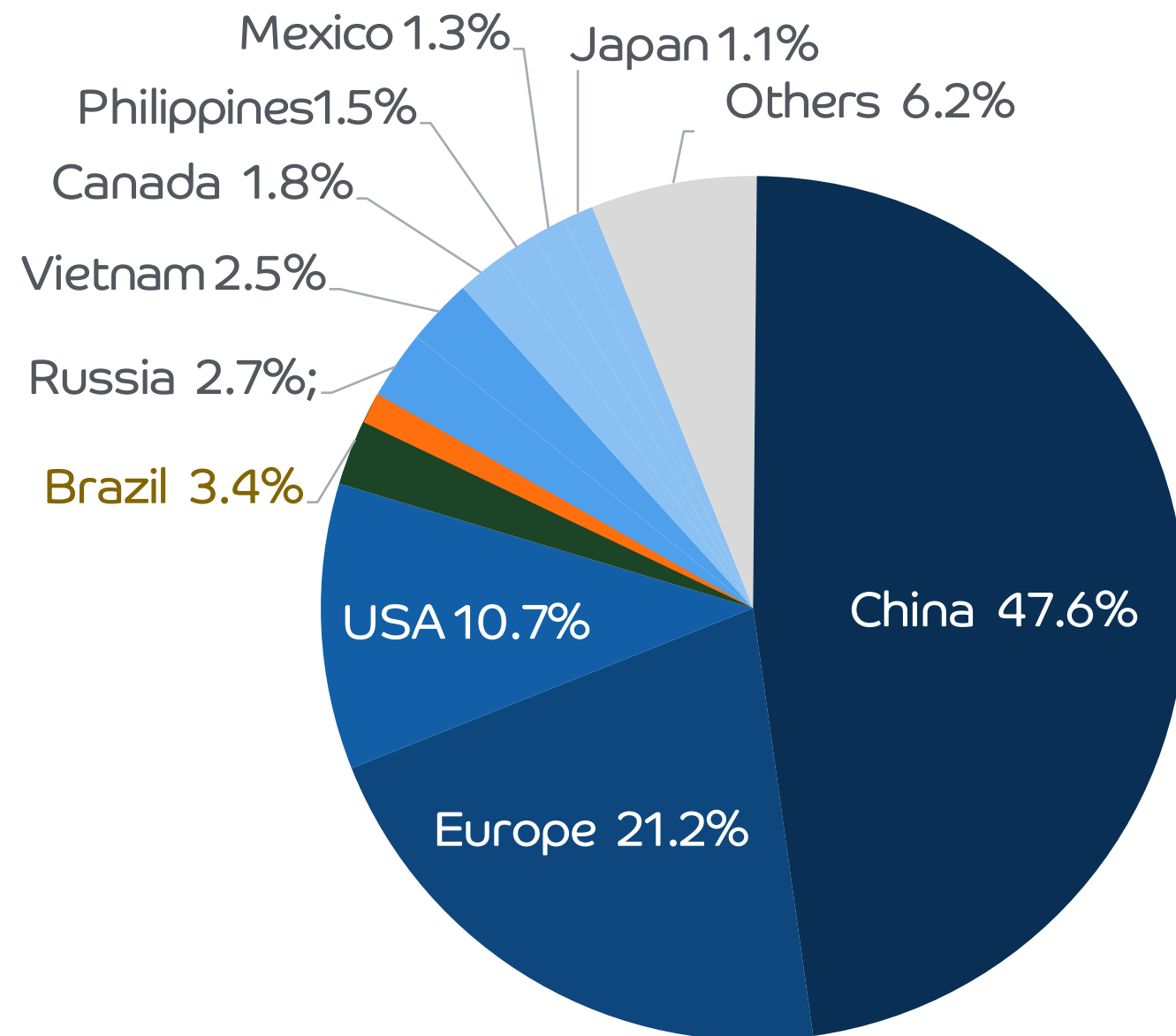
- » Grain prices are already cooling, presenting a more stable scenario
- » Climate favoring good performance in 2018/19 crop year

- » Better balance between supply/demand in local and external markets have been favorable to protein prices

China: roughly half of the world pork production and consumption

Pork: the world's most consumed protein

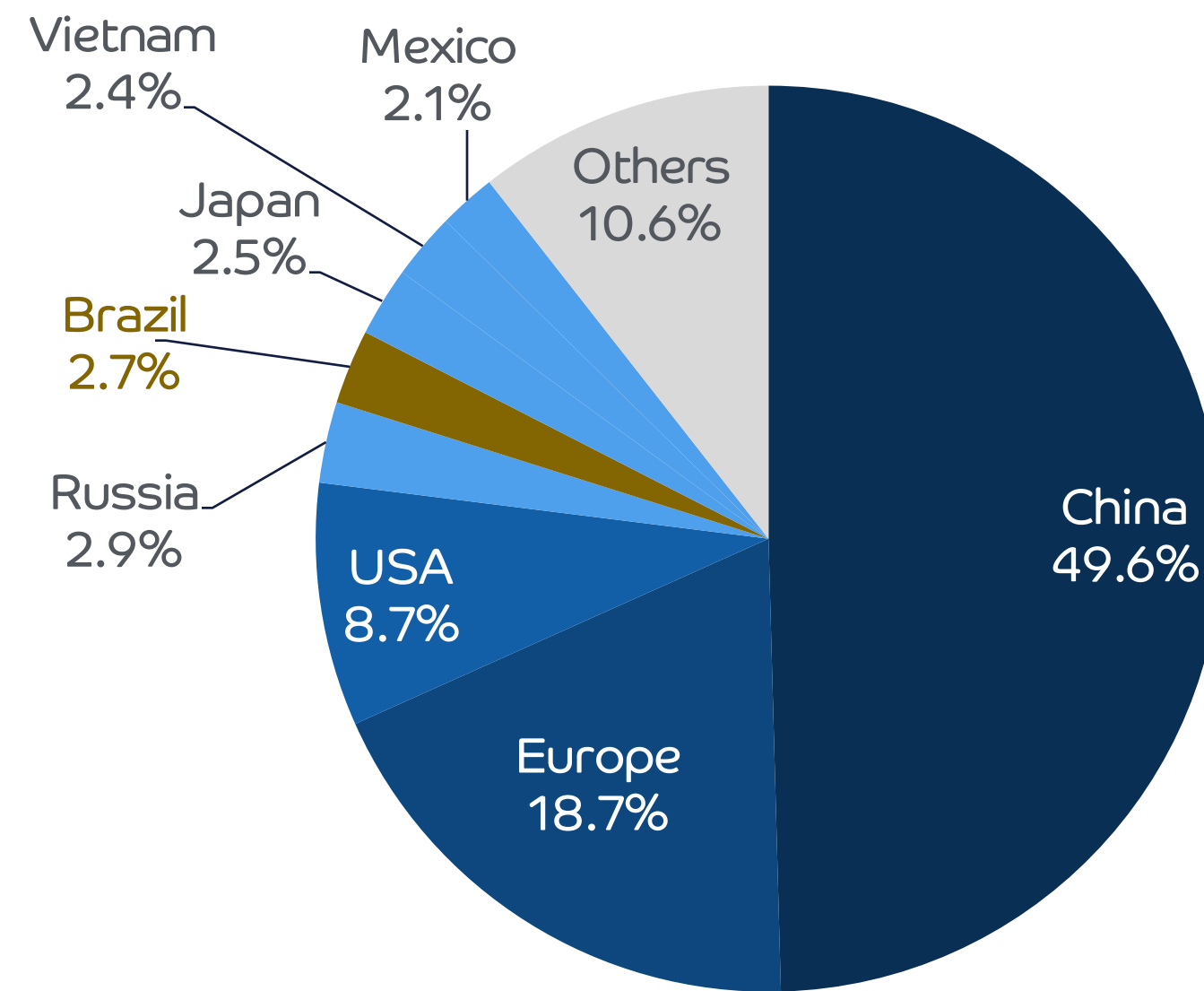
Global pork **production** (2018)



Global Production (2018)

- Pork: 113 million ton
- Poultry: 96 million ton
- Meat: 62 million ton

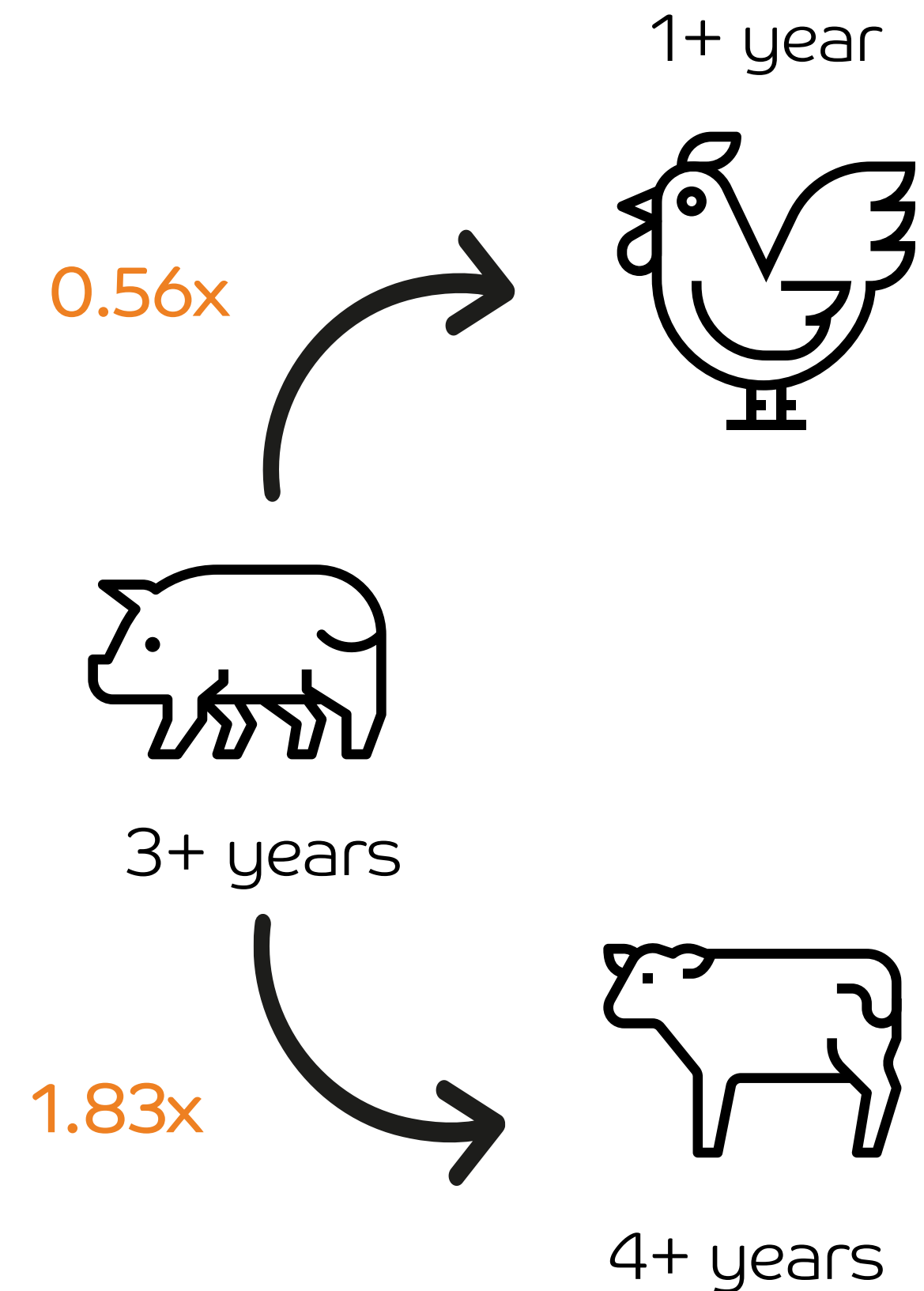
Global pork **consumption** (2018)




Global Trade (2018)

- Pork: 8 million ton
- Poultry: 9 million ton
- Meat: 9 million ton

Complete Production Cycle and **Price** **Relativity - USA Wholesale**



Source: USDA; Average 2008-18 US\$/lb: 258,7 cattle / 141,6 pork / 79,0 poultry; Cycle: including grandparents and breeders



Operating and Financial Performance 1Q19

Lorival Luz
COO Global / CFO

BRF Consolidated Result – 1Q19

Profitability recovery, mainly in Brazil Segment and Halal market

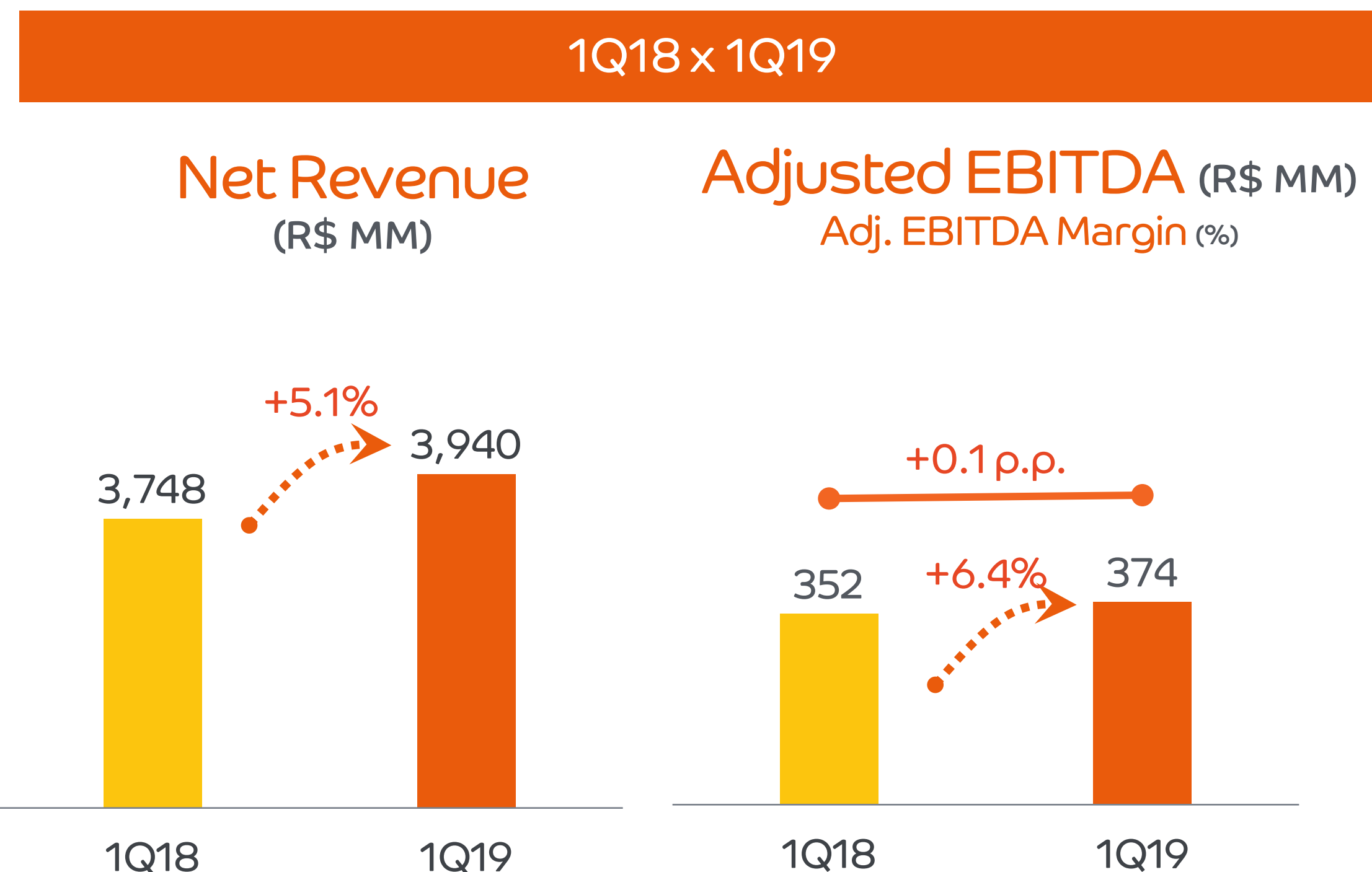
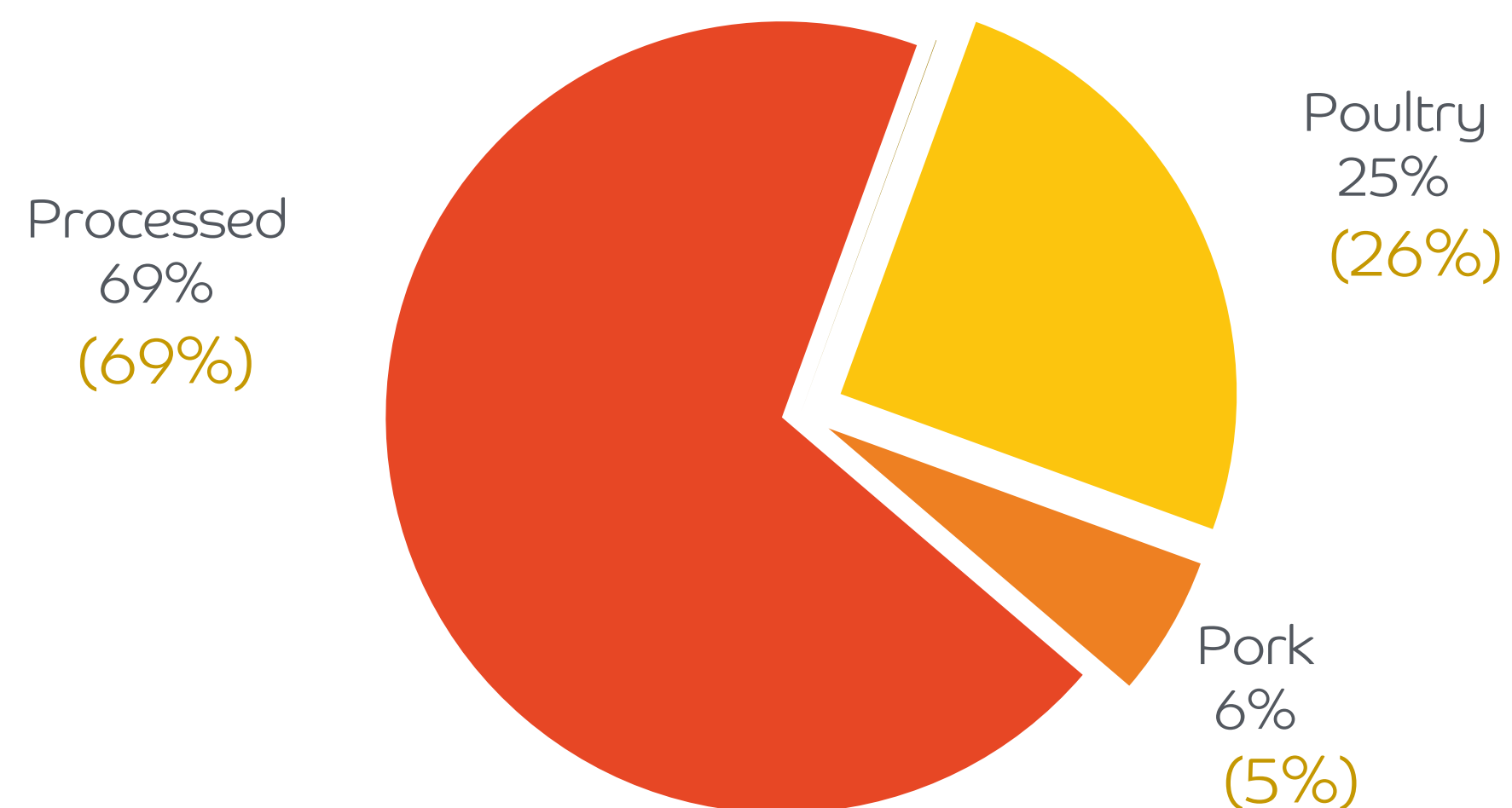
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» **Profitability recovery:** (i) the normalized level of frozen raw materials inventories, (ii) adequacy in direct investments for retailers, (iii) advertisement campaigns intensification, and (iv) expansion in the processed food category at Halal market

Brazil Segment

Revenue increase supported by better commercial execution

Volume 1Q19 | 508 thousand t
(Volume 1Q18 | 545 thousand t)



- » The normalized level of frozen raw material inventories
- » Adjustments in retailers approach – direct investments adequacy
- » Advertisement campaigns focused on brand presence increment
- » Average sale price: **+12.9%**
 - » Processed: **+10.0%**
 - » In natura: **+25.3%** (poultry); and **+6.0%** (pork)

International Segment (Halal & Other markets)

Better commercial management and higher share of processed foods

Volume 1Q19 | 429 thousand t

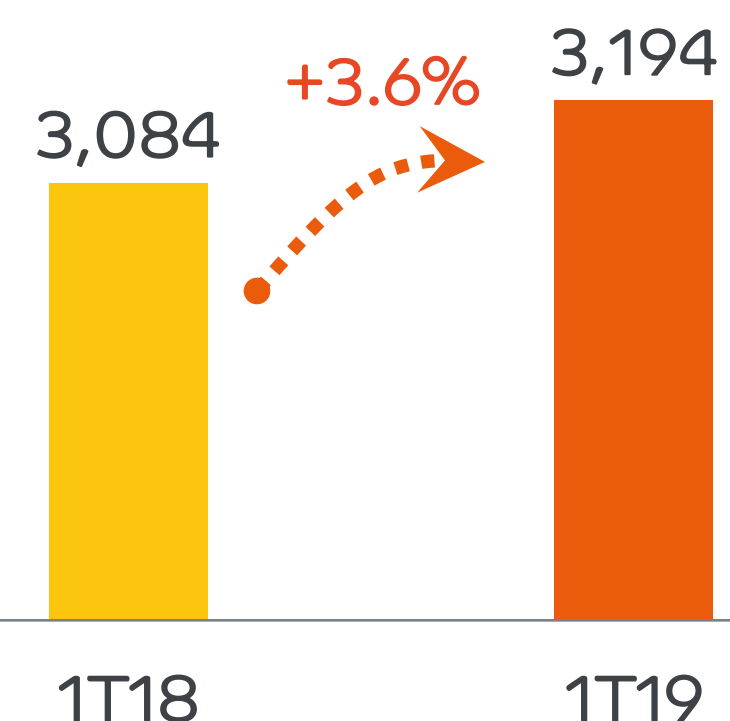
(Volume 1Q18 | 475 thousand t)



1Q18 x 1Q19

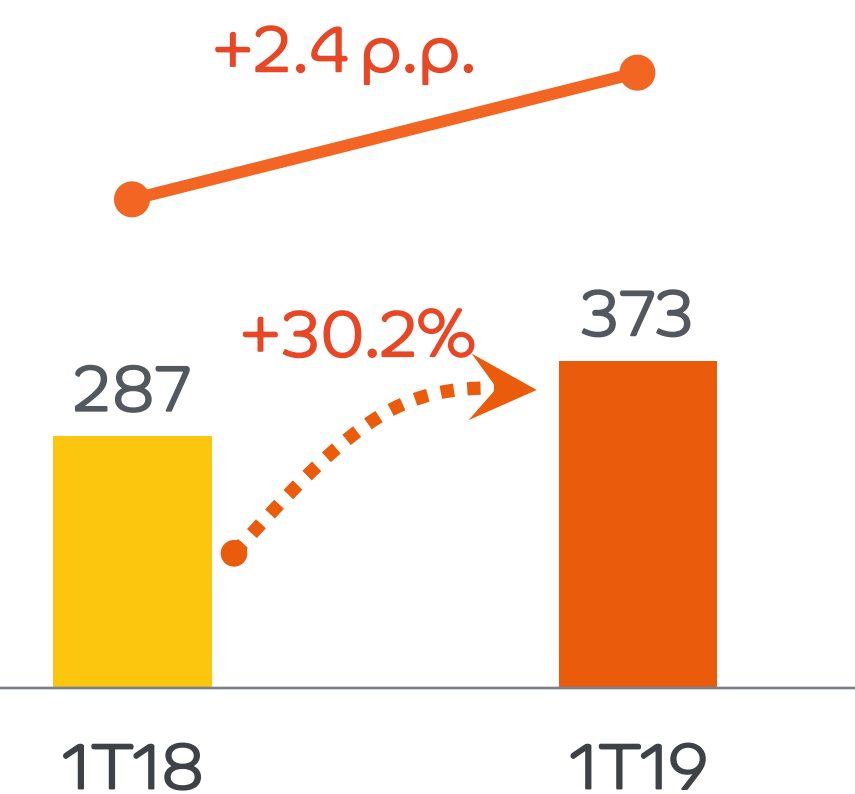
Net Revenue

(R\$ MM)



Adjusted EBITDA (R\$ MM)

Adj. EBITDA Margin (%)



- » Processed Foods at the core of the strategy to drive profitability: 2p.p. gain in market share
- » Lower shipped volumes:
 - » **Saudi Arabia restrictions impacted the volume shipped to the region in 1Q19, partially offset by other markets**
 - » Change in the concession form of the International Sanitary Certificate in the port of Itajaí-SC, leading to shipment delays in March

Free Cash Flow

Positive operating cash flow: +149% y/y

Million BRL	1Q18	4Q18	1Q19	1Q19 Pro forma ¹
Cash Flow from Operating Activities	217	1,067	512	512
CAPEX	(470)	(406)	(315)	(315)
M&A and Sale of Assets	20	213	440	1,700
Leasing IFRS16	-	-	(107)	(107)
Cash Flow from Investments	(450)	(193)	18	1,277
Cash Flow from Operations (+ / -) Capex	(233)	874	530	1,789
Cash Flow from Financing Activities	(5)	(920)	(277)	(277)
Free Cash Flow	(238)	(46)	253	1,512

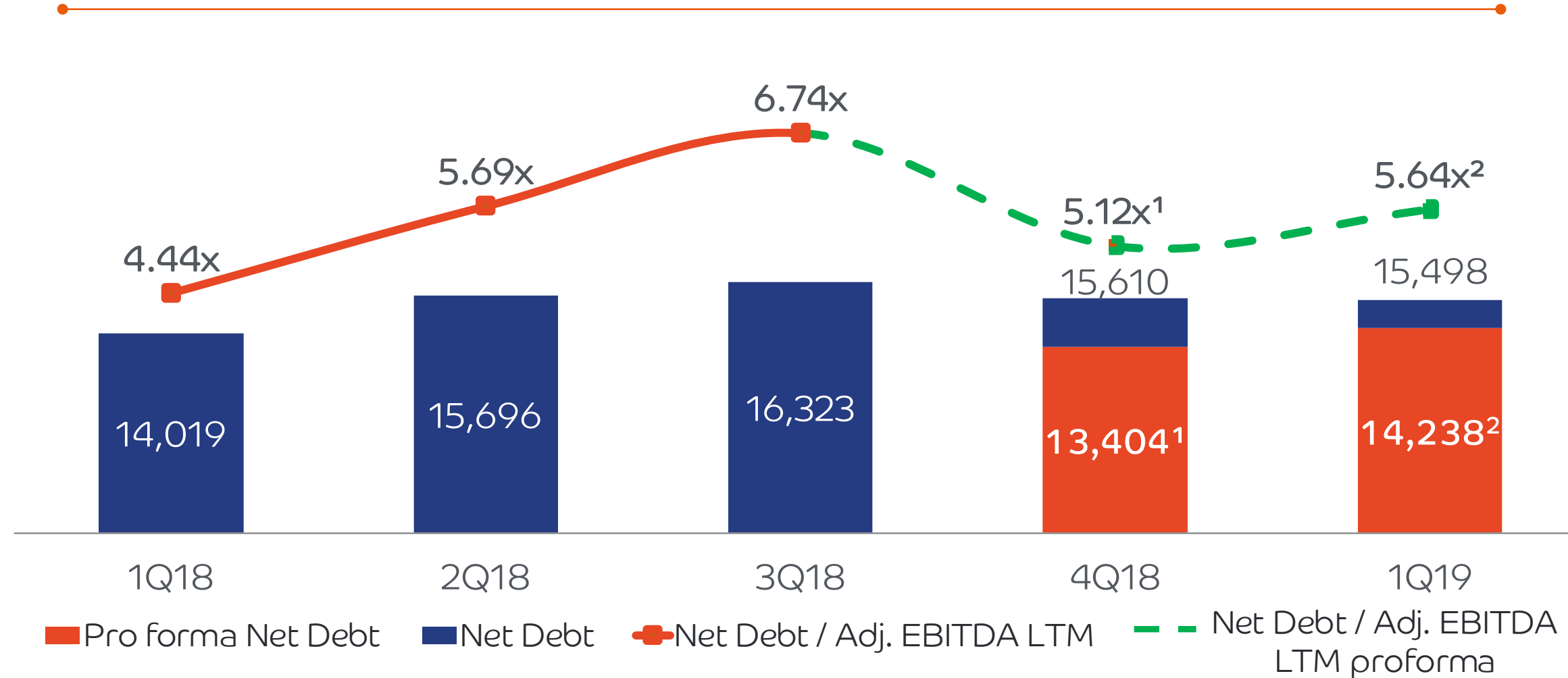
- » Pro forma Operating cash generation¹ of R\$512 million in 1Q19, mainly driven by lower average term of Clients receivables
- » Cash Flow from Operating Activities + Capex pro forma¹ of R\$1,789 million in 1Q19, including Asset Sales
- » Positive Free Cash Flow will be fully used in debt reduction

¹ Including the sale of assets in Europe and Thailand (R\$1,163 million) and the amount yet to be received related to the sale of assets in Argentina (R\$96 million)

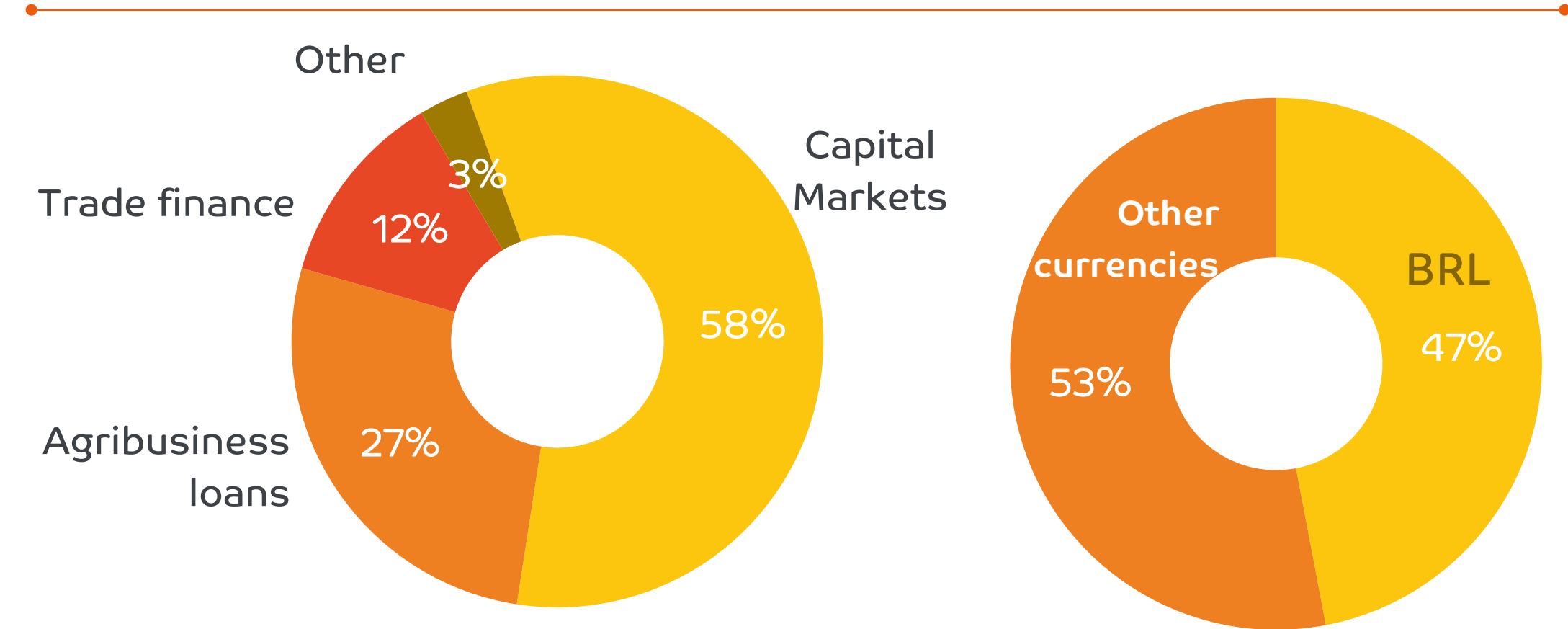
Indebtedness & Leverage

Focus on extending debt profile and reducing average cost

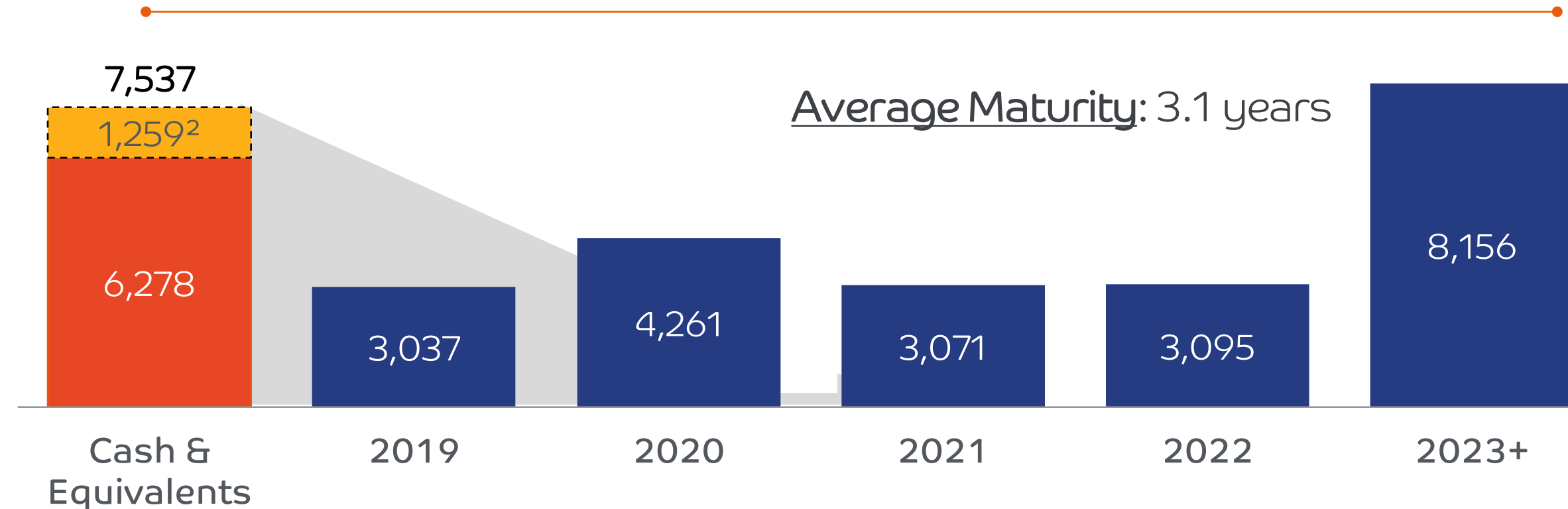
Financial Leverage 1Q19 (R\$ million)



Gross Debt 1Q19 | R\$21.8 billion



Debt Timeline 1Q19 | (R\$ MM)



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.

Q&A

Sadia



Quality



ساديا
Sadia

Confidence

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