

Marfrig reports 2Q19 net income of R\$86.5 million

São Paulo, August 14, 2019 – Marfrig Global Foods S.A. – Marfrig (B3 Novo Mercado: MRFG3 and Level 1 ADR: MRRTY) announces today its results for the second quarter of 2019 (2Q19). Except where stated otherwise, the following operating and financial information is presented in nominal Brazilian real, in accordance with International Financial Reporting Standards (IFRS), and should be read together with the income statement and notes to the financial statements for the period ended June 30, 2019 filed at the Securities and Exchange Commission of Brazil (CVM).

To improve comparisons, the results herein are identified as “proforma,” i.e., including 100% of the results of National Beef, Quickfood and Iowa Premium in 2Q18.

Results described as “Continuing Operation” consider only the results of National Beef as of its acquisition, i.e. as of June 2018, the results of the Ohio beef patty business as of the sale of Keystone, i.e., as of December 2018, the results of Quickfood as of January 2019, the results of Várzea Grande as of April 2019 and, lastly, the results of Iowa as of its approval in June 2019.

HIGHLIGHTS

▪ Financial

- Net income was R\$86.5 million in 2Q19, compared to a net loss of R\$582 million in 2Q18;
- Consolidated Net Revenue was R\$12.2 billion in 2Q19, growing 9.8% from 2Q18;
- Adjusted EBITDA (“Adj. EBITDA”) was R\$1.1 billion with margin of 9.1%, increasing 13.3% and 30 bps from 2Q18;
- Operating Cash Flow was R\$876 million and Free Cash Flow¹ was R\$408 million.

▪ Investments

The acquisition of Iowa Premium was concluded in June, adding 1,100 head/day to the primary processing capacity of our operation in North America, which now stands at 13,100 head/day. With an acquisition price of around US\$150 million, the transaction will strengthen our portfolio of higher value products, consistent with our strategic growth plan.

▪ Liability Management

We successfully concluded another Liability Management exercise to reduce the cost of our debt by raising US\$ 1 billion in bonds due in 2026 with coupon of 7% p.a., combined with repurchasing part of the 2021 and 2023 bonds with coupons of 11.25% and 8.0% p.a., respectively.

▪ Sustainability

In June, for the seventh straight year, our compliance with the Public Commitment on Amazon Cattle Ranching was confirmed by the independent international consulting firm DNV-GL, which specializes in business and environmental risk assessment.

¹ Cash Flow before M&A and payment of dividends to third parties.

Events After the Reporting Period:

- **Commitment to sustainable value creation**

In July, we raised US\$500 million through the issue of Sustainable Transition Bonds maturing in 2029 with coupon of 6.625% p.a. In a pioneering move, Marfrig became the first Brazilian company to issue these kinds of bonds in the country. The proceeds from the issue must be used exclusively to purchase cattle from the Amazon biome from producers that comply with specific environmental, social and economic criteria.

Moreover, this was the first 10-year bond issued by the Company and was placed with the lowest interest coupon ever. With over 60% allocated to dedicated funds, i.e., which invest exclusively in sustainability-related bonds, the issue represents the market's recognition of the Company's sustainable actions and financial discipline.

- **Plant-based products**

In August, we announced an agreement with U.S.-based Archer Daniels Midland Company (ADM) to jointly develop plant-based products. ADM operates an advanced research and development structure, using natural ingredients and technological solutions, with the benefits of producing locally, to anticipate industry trends. It will be responsible for supplying the raw material for the process, while Marfrig will be responsible for producing, marketing and distributing the products to food service and retail clients.

The production of plant-based burgers in Brazil, for example, will be launched at Marfrig's unit in Várzea Grande, Mato Grosso. The first plant-based burgers will reach the Brazilian market by the end of this year and later reach retail channels. Under a contract with Burger King, sales will start already in the third quarter.

SUMMARY

MACROECONOMIC SCENARIO

The **United States** continued to post solid economic results and excellent data for job creation, purchasing power and wage growth, demonstrating that the country is currently the main driver of global growth. At end-May, the U.S. government announced GDP growth for 1Q19 of 3.1% at an annualized rate, and despite another strong quarter of economic growth. Despite the trade war with China, the U.S. economy shows no signs of slowing, with projected GDP growth for 2019 of 2.4%, according to the IMF.

Meanwhile, **Brazilian** GDP should contract slightly in 2Q19. Consensus estimates compiled by the Brazilian Central Bank in its *Market Readout* indicating economic contraction of 0.13% in the period from April to June, after also contracting in 1Q19 (-0.2%). The same consensus estimates call for Brazil GDP growth of 0.81% in 2019.

Given the performance of the Brazilian economy, the IMF revised its GDP growth forecast for all of South America in its latest report, released in early August, to 1.1% in 2019, down from 2.5% in its April report.

INDUSTRY SCENARIO

In the **United States**, although USDA data showed that primary processing grew by 1.6% (6.8 million head in 2Q19 vs. 6.7 million in 2Q18), carcass yield declined (lower average weight of animals), reflecting the wetter and longer than usual winter.

In **Brazil**, primary processing volume in 2Q19 stood at 5.8 million head, 1.5% lower than in the same period of 2018 and 2.2% lower than in 1Q19 (source: Ministry of Agriculture). The quarter was adversely affected by the 10-day suspension of exports to China due to an atypical case of bovine spongiform encephalopathy (BSE) in the state of Mato Grosso. The ESALQ price reference for cattle was R\$153.3, virtually stable in relation to 1Q19, although 8.9% higher than in 2Q18, a period that was affected by the truck drivers' strike.

In **Uruguay**, data from Inac show an increase of 7.4% in total primary processing compared to 2Q18, although the number of 584,000 head is 5.7% lower than in 1Q19. The high cattle cost in the country led companies to reduce their primary processing volumes.

Argentina, according to the Ministry of Agriculture, processed 3.3 million animals, which is in line with 2Q18 and 5.9% more than in 2Q19, supported primarily by the local currency depreciation, strong demand from China, and resumption of exports to the United States.

MARFRIG SCENARIO

In this scenario, Marfrig's results in 2Q19 improved compared to 2Q18, reinforcing our positive outlook for 2019. Consolidated net revenue was R\$12.2 billion, increasing 9.8% from 2Q18. Gross income also grew on the same period last year, to R\$1.5 billion, with gross margin of 12.4%.

Consolidated Adj. EBITDA was R\$1,111 million, advancing 13.3% on the same period last year. Adj. EBITDA margin stood at 9.1%, expanding 30 bps from a year earlier. Financial leverage measured by the ratio of net debt to Adj. EBITDA in the last 12 months stood at 2.65x, improving 0.11x from the prior quarter.

MARFRIG

PRODUCTION

In the second quarter of 2019, the Company concluded the acquisition of Iowa Premium, which is based in Tama, Iowa and has primary processing capacity of 1,100 head/day. Iowa Premium works exclusively with superior-quality animals (Black Angus) and specializes in USDA Choice and Prime grade beef.

With the incorporation of this transaction into the portfolio of the North America Operation, Marfrig now has total primary processing capacity of roughly 33,000 head/day, as follows:

Country	Beef Primary Processing Units	Effective Processing Capacity (head/day)
USA	3	13,100
BRAZIL	14	14,800
URUGUAY	4	3,700
ARGENTINA	2	1,200
Total	23	32,800

Marfrig also is one of the world's leading beef patty producers, with a production platform in all countries where it maintains primary processing units. The Company has 12 further processed food units producing hamburgers, canned beef, kibbeh, meatballs, sauces and other products, in line with its strategy to focus on higher-value products.

Country	Beef Primary Processing Units	Effective Processing Capacity (head/day)
USA	5	106,000
BRAZIL	3	69,000
URUGUAY	1	18,000
ARGENTINA	3	39,000
Total	12	232,000

Marfrig also has 10 distribution centers and sales offices in South America, Europe and Asia.

In Chile, Marfrig is the country's leading beef importer and distributor.

In Uruguay and Chile, Marfrig also has lamb primary processing lines with capacity of 6,500 head/day.

OPERATIONS:

NORTH AMERICA OPERATION

The **fourth-largest beef processor** in the United States and the **industry's most profitable and efficient company in the country**, the operation has three primary processing plants with **capacity of 13,100 head/day**, which corresponds to over 3.3 million head/year, or roughly **14% of U.S. primary processing capacity**. Its products are sold domestically in the retail, wholesale and food service channels, as well as exported to various markets. Marfrig is the **leading U.S. exporter** of chilled beef, with a focus on the **Japanese and South Korean markets**. The operation also has annual production capacity of **106,000 tons of beef patties**, markets complementary products and subproducts, has **tannery and logistics operations and sells products online** directly to consumers.

REVENUE AND VOLUME

NORTH AMERICA OPERATION		2Q19	2Q18	Chg.	
Tons (thousand)				Tons	%
Total Volume		485	473	12	2.6%
Domestic		415	404	11	2.7%
Exports		70	69	1	1.1%
US \$ Million		0	0	US\$	%
Net Revenue		2,247	2,200	47	2.1%
Domestic		1,957	1,901	55	2.9%
Exports		290	299	(10)	-3.2%
COGS		(1,958)	(1,911)	(47)	2.5%
Gross profit		289	290	(1)	-0.2%
Gross Margin (%)		12.9%	13.2%		- 30 bps

Consolidated net revenue from the North America Operation was US\$2.246 billion in 2Q19, advancing 2.1% on 2Q18. In Brazilian real, consolidated net revenue was R\$8.794 billion, this increase was 10.2%.

Net revenue from domestic sales, which advanced 2.9% on the same period last year, was the main driver of the Operation's growth. The increase is explained by the increase in domestic prices and volumes fueled by stronger demand for beef protein, and the expansion of the Moultrie unit, which enabled higher sales to an important supermarket chain.

GROSS INCOME & GROSS MARGIN

In 2Q19, gross income from the North America Operation was US\$288.1 million (vs. US\$290 million in 2Q18). This quarter, carcass yield was affected by weather conditions in key cattle supplier regions, which offset the increase in the cutout ratio² (average beef price divided by average cattle cost) to 1.86 in 2Q19, compared to 1.85 in 2Q18.

Gross margin in the quarter was 12.8%, down from 13.2% in 2Q18.

² Source: USDA - USDA KS Steer \$ cwt / USDA Comp Cutout \$ cwt

In Brazilian real, gross income was R\$1,124.9 million, representing approximately 74% of the Company's consolidated gross income.

SOUTH AMERICA OPERATION

One of the region's leading beef producers, with primary processing capacity of roughly 20,000 head/day, Marfrig, as a key exporter, is recognized for the quality of its products in both local and international markets. It also is the company with the **most plants (9) in South America authorized to export to China**. Marfrig is the second largest beef processor in **Brazil, with primary processing capacity of 14,800 head/day and capacity to produce 69,000 tons of beef patties per year**. Focusing on the retail and foodservice channels in the local market, its clients include major restaurant and steakhouse chains. **In Uruguay, it is the industry's largest company** and the only one to produce and sell **organic beef**, especially for export. **In Argentina**, in addition to having two primary processing plants, the Company is **the leading producer and seller of beef patties** and owns two of the region's most valuable and recognized brands (Paty and Vienissima!). **In Chile**, Marfrig is **the leading beef importer** and has a lamb primary processing plant in the Patagonia region.

Marfrig is the South American company with the most plants (9) authorized to export beef to China. In the quarter, with approximately 46% of the total export revenue of Argentina and 62% of Uruguay came from sales to the Asian country. In Brazil, which is limited to authorization on a by-plant basis, approximately 31% of exports are shipped to China.

REVENUE AND VOLUME

SOUTH AMERICA OPERATION		2Q19	2Q18	Chg.	
Tons (thousand)				Tons	%
Total Volume		348	355	(7)	-1.9%
Domestic		238	260	(23)	-8.6%
Exports		110	95	15	15.7%
R\$ million				R\$	%
Net Revenue		3,448	3,169	279	8.8%
Domestic		1,652	1,648	4	0.3%
Exports		1,795	1,520	275	18.1%
COGS		(3,052)	(2,764)	(288)	10.4%
Gross profit		394	388	6	1.5%
Gross Margin (%)		11.4%	12.3%		- 80 bps

Consolidated net revenue from the South America Operation was R\$3.448 billion in 2Q19, 8.8% higher than in 2Q18, which is explained mainly: (i) by the growth in export sales volume, led by stronger demand from China and the Middle East; and (ii) by the positive effect from the exchange rate (the average U.S. dollar exchange rate in 2Q19 was 8.7% higher than in the same period of 2018) on exports.

GROSS INCOME & GROSS MARGIN

In 2Q19, gross income from the South America operation was R\$395 million, down 2.3% from 2Q18, due to the lower sales volume.

Gross margin stood at 11.4% in 2Q19, down 80 bps from 2Q18, explained by the higher cattle cost in Brazil and Uruguay. In Brazil, cattle price was pressured by exchange variation and stronger demand from the export market. In Uruguay, cattle cost is explained by a historically low inventory level, due to exports of live cattle and growing Chinese demand.

A highlight was the continued recovery of the operation in Argentina, especially Quickfood, following the operational improvements and adjustments made to the business.

CONSOLIDATED RESULTS

CONSOLIDATED RESULTS	2Q19	2Q18	Chg.	
Tons (thousand)			Tons	%
Total Volume	833	828	5	0.5%
Domestic	653	664	(11)	-1.7%
Exports	180	164	16	9.6%
R\$ Million			R\$	%
Net Revenue	12,241	11,147	1,094	9.8%
COGS	(10,722)	(9,703)	(1,019)	10.5%
Gross profit	1,519	1,445	75	5.2%
Gross Margin - (%)	12.4%	13.0%		- 60 bps
SG&A	(717)	(636)	(80)	12.6%
Commercial expenses	(502)	(456)	(46)	10.1%
Administratives expenses	(215)	(181)	(34)	18.9%
(+) Depreciation & Amortization	308	172	136	78.9%
Adj. EBITDA	1,111	980	130	13.3%
Adj. EBITDA Margin - %	9.1%	8.8%		30 bps

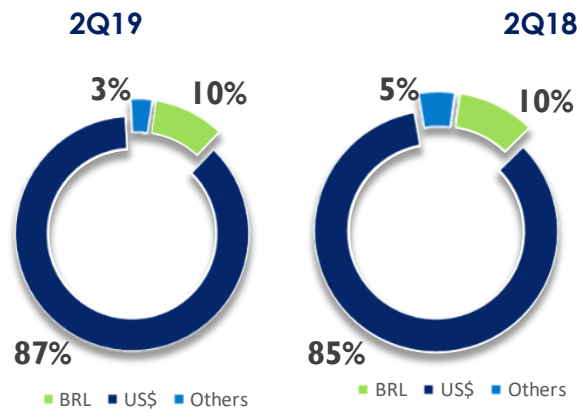
* Depreciation and amortization expenses allocated to Cost (COGS) stood at R\$233 million in 2Q19 and R\$160 million in 2Q18 (proforma basis). Meanwhile, depreciation and amortization expenses allocated to Selling, General and Administrative (SG&A) expenses stood at R\$75 million in 2Q19 and R\$13 million in 2Q18 (proforma basis). The increase in depreciation and amortization expenses is mainly linked to the recognition of the opening balance sheet of National Beef as of 4Q18, as well as the adoption of IFRS 16. For more details on the breakdown of costs and expenses, see Note 23 of the Quarterly Information (ITR) for 2Q19.

CONSOLIDATED NET REVENUE

Marfrig's Net Revenue in 2Q19 was R\$12.2 billion, up 9.8% from 2Q18. The improvement is mainly explained by the higher revenue from the North America Operation and by the higher export revenue in the South America Operation, both of which benefited from the 8.7% Brazilian real depreciation against the U.S. dollar.

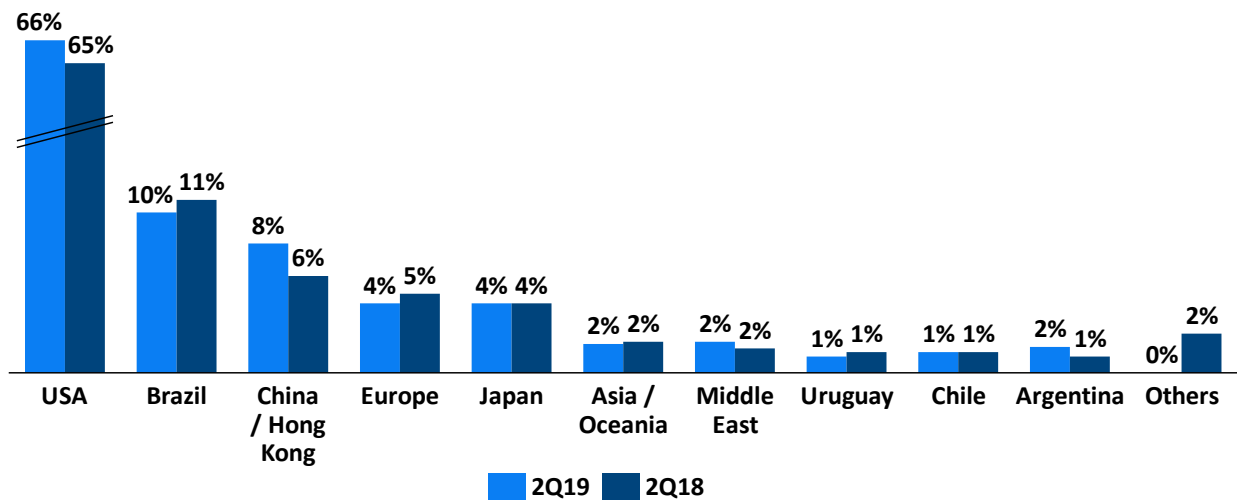
In 2Q19, net revenue denominated in foreign currency continued to account for 90% of total revenue.

Revenue by currency (%)



Consumer Markets (% of Consolidated Net Revenue)

Sales were highly concentrated in excellent and promising markets. The United States accounted for 66% of our sales and Brazil for around 10%. China, Japan and Europe came next, accounting for 8%, 4% and 4%, respectively.



COST OF GOODS SOLD (“COGS”)

In 2Q19, Marfrig’s cost of goods sold was R\$10,722 million, up 10.5% from the year-ago period, mainly explained by (i) the higher cattle cost:

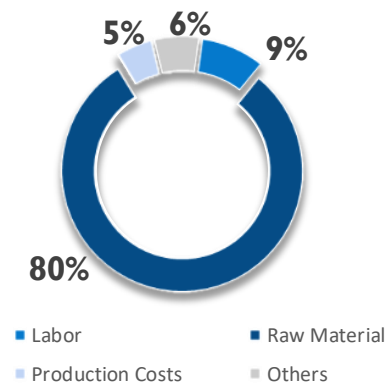
In the United States, the USDA KS Steer³ price reference averaged US\$118/cwt⁴, up 1.8% from 2Q18.

In Brazil, the ESALQ São Paulo price reference for fed cattle averaged R\$153.3/arroba (US\$2.61/kg) in 2Q19, up 8.9% from the same period of 2018, reflecting the pressure from exchange variation and higher export demand.

In Uruguay, the INAC price reference increased 6.8% compared to 2Q18, with an average price of US\$3.68 (INAC data). The increase is explained by lower cattle stocks in recent years, due to exports of live cattle and growing Chinese demand.

In Argentina, the cattle price reference stood at US\$1.43/kg (MAG data – Argentina), down 7.1% compared to the same period of 2018, which maintains Argentina as the country with one of the world’s lowest cattle costs.

(ii) by the average Brazilian real depreciation between periods, of 8.7%, which had an impact on the quarter of R\$363 million; and (iii) the increase in depreciation and amortization expenses, mainly linked to the recognition of the opening balance sheet of National Beef as of 4Q18.



SELLING, GENERAL & ADMINISTRATIVE EXPENSES

Selling, general & administrative (SG&A) expenses amounted to R\$717 million. SG&A expenses as a ratio of net revenue (SG&A/NOR) in the quarter stood at 5.9%, compared to 5.7% in 2Q18.

Selling expenses in the quarter were R\$502 million, corresponding to 4.1% of Net Revenue and in line with the same period last year. In nominal terms, the increase is explained mainly by the effects on the translation of amounts from the international units into local currency, due to the higher export volume at the South America Operation.

General and Administrative Expenses reached R\$215 million. Excluding the impact of R\$62 million from the recognition in the opening balance sheet of National Beef as of 4Q18, G&A expenses were R\$153 million, corresponding to 1.25% of net revenue, compared to 1.62% in 2Q18.

³ “USDA KS Steer”: cattle price reference in the U.S. state of Kansas.

⁴ A “hundredweight,” or Cwt, is a weight-measuring unit used in certain commodity contracts. In North America, a hundredweight equals 100 pounds.

ADJ. EBITDA

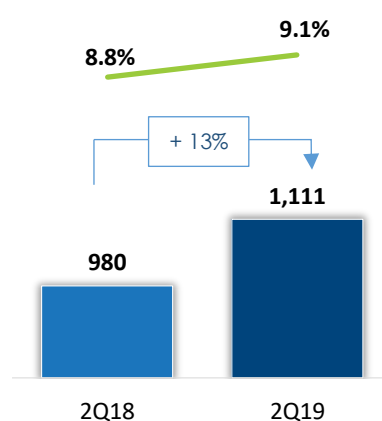
Adj. EBITDA margin was 9.1%, expanding 30 bps from 2Q18.

Marfrig posted Adj. EBITDA of R\$1,110.7 million, representing growth of 13.3% compared to 2Q18. EBITDA growth is explained by the effects from the weaker real and the translation of results from the North America Operation, coupled with the continued good economic performance.

in South America, the main factor was the 18.1% growth in net revenue from exports, influenced by the Brazilian real depreciation, the new global scenario for proteins and stronger demand, especially from China. Another highlight was the turnaround of the operation in Argentina.

Adj. EBITDA & Margin

(R\$ million)



FINANCIAL RESULT

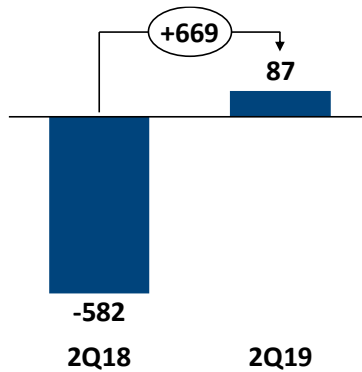
FINANCIAL RESULT	2Q19	1Q19	Chg.	
			R\$	%
Net Interest Provisioned	(242)	(224)	(18)	8%
Market Transactions Net Result	0	2	(2)	-88%
Other Financial Revenues and Expenses	(147)	(184)	37	-20%
FINANCIAL RESULT EX-EXCHANGE VAR.	(389)	(406)	17	-4%
Exchange Variation	(15)	26	(40)	-157%
NET FINANCIAL RESULT	(404)	(380)	(23)	6%

Note: the effects from currency translation on liabilities contracted by subsidiaries abroad, whose functional currency differs from that of the parent company, are recorded under shareholders' equity.

The net financial result in 2Q19 was R\$404 million. Excluding exchange variation, the net financial result was R\$ 389 million, down 4% from 1Q19, driven by the continued improvements in the management of working capital and liabilities.

NET INCOME (LOSS) (Continuing Operation)

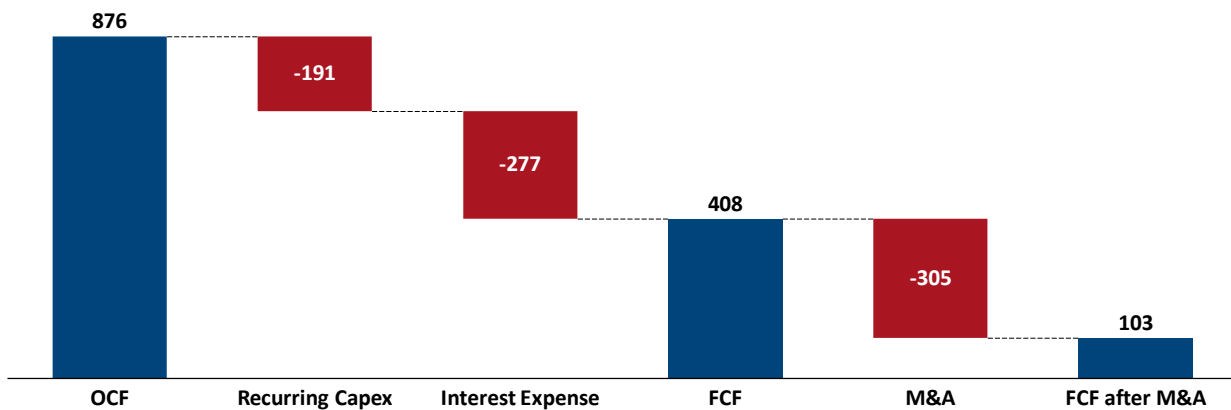
(R\$ million)



The net financial result was positive for the third consecutive quarter, amounting to R\$ 86.5 million in 2Q19, compared to a net loss of R\$582 million in 2Q18.

CASH FLOW (Continuing Operation)

(R\$ million)



Marfrig's operating cash flow (OCF) was positive R\$876 million.

In 2Q19, recurring capex amounted to R\$191 million.

Interest expenses came to R\$277 million, impacted this quarter by the additional cost from the issue carried out in May.

As a result, free operating cash generation was R\$407 million, compared to free operating cash burn of R\$1,134 million in 1Q19.

This cash generation was used in the distribution of dividends to third parties and in investing activities.

Investing activities in the acquisition of new assets amounted to R\$305 million in the quarter, as described in the item below.

In addition, the following payments of dividends to third parties by National Beef were made in the quarter:

- US\$22 million related to the results of 1Q19
- US\$24 million related to the results of 2Q19
- US\$28 million related to the cash surplus of 2018
- US\$77 million as special dividends for the acquisition of Iowa Premium

In all, the dividend payments to third parties amounted to US\$151 million, or R\$589 million.

CAPITAL EXPENDITURE AND INVESTMENTS

Marfrig **invested** R\$305 million, of which R\$280 million was allocated to the payment of Marfrig's interest in the acquisition of Iowa Premium and R\$25 million to payment of the second, and last, installment related to the Várzea Grande primary processing plant.

Recurring capex was R\$191 million allocated to projects for maintaining its assets and operational improvements.

DEBT

Because a large portion of Marfrig's debt is denominated in U.S. dollar (debt denominated in USD or currencies other than the BRL ended the quarter at roughly 98.7% of total debt), the variations discussed in this section are based on the amounts in U.S. dollar.

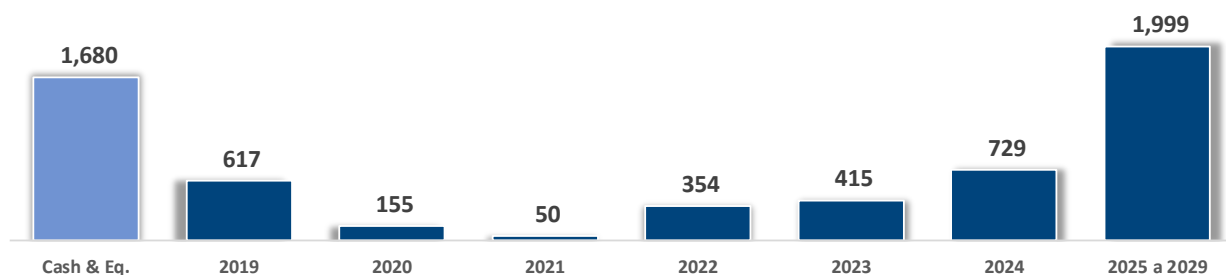
At June 30, 2019, the balance of gross debt stood at US\$4,319 million and the balance of cash and marketable securities stood at US\$ 1,680 million.

Marfrig's net debt was US\$ 2,639 million, up 6% from the previous quarter, which is mainly explained by the payment of dividends to third parties and the investment in the acquisition of Iowa Premium, partially offset by free cash flow.

In Brazilian real, net debt stood at R\$10,113 million.

In May, the Company raised US\$1 billion with a coupon of 7% p.a. and maturity in 2026 to roll over our 2021 and 2023 bonds with coupons of 11.25% and 8.0% p.a., respectively.

Debt Maturity Schedule
(US\$ million)



Average Cost (% p.a.) 6.73%	Average Term (years) 4.49
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Financial leverage, calculated by the ratio of net debt to proforma Adj. EBITDA LTM (last 12 months), was 2.65x in Brazilian real, down 0.11x in relation to 1Q19. In U.S. dollar, the leverage ratio was 2.69x.

Net Debt / LTM Adj. EBITDA in BRL 2.65x	Net Debt / LTM Adj. EBITDA in USD 2.69x
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Note: The calculation of the leverage ratio for complying with the financial covenants of bank and capital market funding transactions, which establish a limit of 4.75x, includes provisions that allow for excluding exchange-variation effects. Accordingly, the ratio for this purpose ended 2Q19 at 1.04x (for more information, see Note 17.3 to the financial statements).

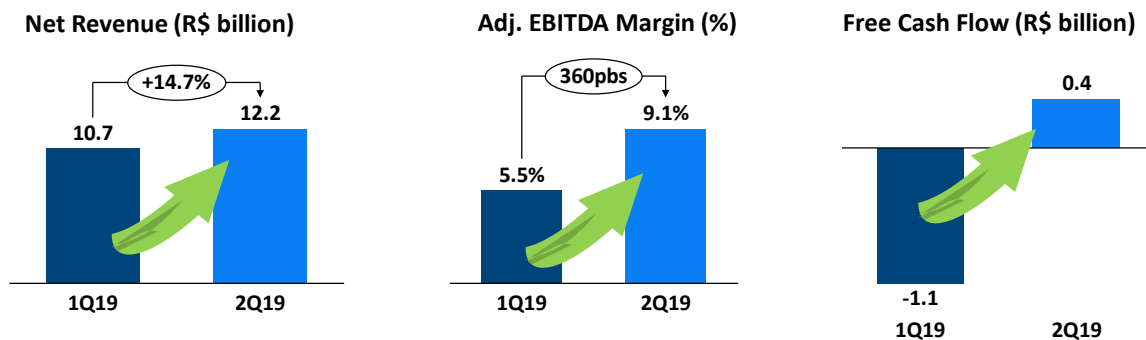
GUIDANCE

In view of the results of the first six months of 2019 and the positive trend for the next six months, we reaffirm our guidance given in the first quarter:

GUIDANCE 2019	Range	
	from	to:
Consolidated Net Revenue	R\$ 47 billion	R\$ 49 billion
Adj. EBITDA Margin	8.7%	9.5%
Free Cash Flow ¹	R\$ 1 billion	R\$ 1.5 billion

The guidance is based on an exchange rate of R\$3.90/US\$1.00.

Actual results:



SUSTAINABILITY

On the sustainability front, which is a strategic pillar of the Company, in June, for the seventh straight year, the independent international consulting firm DNV-GL, which

specializes in business and environmental risk assessment, attested to Marfrig's compliance with the Public Commitment on Amazon Cattle Ranching.

The audit assessed the animal purchases made from Jan 1. To Dec. 31, 2018. For the seventh straight year, Marfrig was certified in compliance with the commitment first undertaken in 2009. DNV-GL verified that Marfrig's cattle procurement team, aligned with the Sustainable Cattle Farming team, systematically has knowledge of all instructions of the social and environmental procedures for cattle purchasing and that it maintains across its units a system that automatically identifies and prevents any attempt to purchase cattle from producers that violate the commitment, i.e. (i) that appear on the Ibama list and/or the slave labor list, (ii) that have engaged in new deforestation activities since 2009, and (iii) that encroach on indigenous lands and/or conservation units. Additionally, it was attested that Marfrig conducts geospatial analysis of the properties located in the biome, which allows it to cross information and identify whether the properties operate in deforestation areas, conservation units and/or indigenous lands.

As previously mentioned as a subsequent event, we also issued Sustainable Transition Bonds, whose proceeds will be used to source cattle in the Amazon Biome region from suppliers that strictly comply with certain social and environmental criteria. The US\$500 million bonds will have coupon of 6.625% p.a. and be due in 2029.

The Company informs that its Annual Sustainability Report is available on its website at: <http://ir.marfrig.com.br/en/financial-information/annual-reports>

CLOSING REMARKS

Marfrig's strategy will continue to be guided by the generation of sustainable value, based on five pillars, for which we highlight key achievements:

- **Financial Solidity:**
 - 3rd straight quarter of profitability;
 - Significant improvement in cash flow;
 - Low leverage.
- **Operational Excellence:**
 - Optimization of sales teams across operations;
 - Turnaround of Argentina assets – Quickfood;
 - Restructuring of the Várzea Grande Complex, with expansion in primary processing capacity and higher utilization of the processed foods plant.
- **Products and Clients:**
 - Launch of plant-based burger line;
 - Supply agreement with Burger King.
- **Sustainability:**
 - DNV-GL seal for the seventh straight year without qualifications in audit of cattle purchases;
 - Brazil's first issue of sustainable bonds;

- Partnership with Embrapa.
- **Corporate Governance:**
 - Revision and approval of new corporate governance policies;
 - Creation of Sustainability Committee.

Marfrig is optimistic on the outlook for the next six months and will continue to make its best efforts to deliver the targets set for 2019.

UPCOMING EVENTS

Earnings Conference Call

Date: August 15, 2019

Portuguese

1 p.m. (Brasília)

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DISCLAIMER

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The data contained herein were obtained from various external sources and the Corporation has not verified said data through any independent source. Therefore, the Corporation makes no warranties as to the accuracy or completeness of such data, which involve risks and uncertainties and are subject to change based on various factors.

This material includes forward-looking statements. Such statements do not constitute historical fact and reflect the beliefs and expectations of the Corporation's management. The words "anticipate," "hope," "expect," "estimate," "intend," "project," "plan," "predict," "aim" and other similar expressions are used to identify such statements.

Although the Corporation believes that the expectations and assumptions reflected by these forward-looking statements are reasonable and based on the information currently available to its management, it cannot guarantee results or future events. Such forward-looking statements should be considered with caution, since actual results may differ materially from those expressed or implied by such statements. Securities are prohibited from being offered or sold in the United States unless they are registered or exempt from registration in accordance with the U.S. Securities Act of 1933, as amended ("Securities Act"). Any future offering of securities must be made exclusively through an offering memorandum. This document does not constitute an offer, invitation or solicitation to subscribe or acquire any securities, and no part of this presentation nor any information or statement contained herein should be used as the basis for or considered in connection with any contract or commitment of any nature. Any decision to buy securities in any offering conducted by the Corporation should be based solely on the information contained in the offering documents, which may be published or distributed opportunistically in connection with any security offering conducted by the Corporation, depending on the case.

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APPENDIX I
Proforma Income Statement
(R\$ million)

	2Q19 (a)		2Q18 (b)		(a/b) Chg.	
	R\$	%NOR	R\$	%NOR	R\$	%
Net Revenues	12,241	100.0%	11,147	100.0%	1,094	9.8%
COGS	(10,722)	-87.6%	(9,703)	-87.0%	(1,019)	10.5%
Gross Profit	1,519	12.4%	1,445	13.0%	75	5.2%
SG&A	(717)	-5.9%	(636)	-5.7%	(80)	12.6%
Commercial	(502)	-4.1%	(456)	-4.1%	(46)	10.1%
Administratives	(215)	-1.8%	(181)	-1.6%	(34)	18.9%
Adj. EBITDA	1,111	9.1%	980	8.8%	130	13.3%
Others revenues/expenses	(27)	-0.2%	(645)	-5.8%	619	-95.9%
EBITDA	1,084	8.9%	335	3.0%	749	223.5%
P&L - US\$ x BRL	R\$ 3.92		R\$ 3.61		0.31	8.7%
BS - US\$ x BRL	R\$ 3.83		R\$ 3.86		-0.02	-0.6%

APPENDIX II

Income Statement and EBITDA Reconciliation | Continuing Operation
(R\$ million)

	2Q19 (a)		2Q18 (b)		(a/b) Chg.	
	R\$	%NOR	R\$	%NOR	R\$	%
Net Revenues	11,719	100.0%	5,115	100.0%	6,604	129.1%
COGS	(10,239)	-87.4%	(4,360)	-85.2%	(5,878)	134.8%
Gross Profit	1,481	12.6%	755	14.8%	726	96.2%
SG&A	(704)	-6.0%	(393)	-7.7%	(312)	79.4%
Commercial	(496)	-4.2%	(262)	-5.1%	(235)	89.8%
Administratives	(208)	-1.8%	(131)	-2.6%	(77)	58.7%
Adj. EBITDA	1,082	9.2%	461	9.0%	621	134.6%
Others revenues/expenses	(26)	-0.2%	(646)	-12.6%	620	-96.0%
EBITDA	1,057	9.0%	(185)	-3.6%	1,241	-672.7%
Equity Account	0	0.0%	0	0.0%	0	144.6%
D&A	(306)	-2.6%	(99)	-1.9%	(207)	208.0%
EBIT	751	6.4%	(284)	-5.5%	1,035	-364.5%
Financial Results	(404)	-3.4%	(517)	-10.1%	114	-22.0%
Financial revenues/expenses	(389)	-3.3%	(442)	-8.7%	53	-12.1%
Exchange rate variation	(15)	-0.1%	(75)	-1.5%	60	-80.6%
EBT	347	3.0%	(801)	-15.7%	1,148	-143.3%
Taxes	53	0.5%	367	7.2%	(314)	-85.5%
Continued Operation - Net Profit	400	3.4%	(434)	-8.5%	835	-192.2%
Discontinued Operation - Net Profit	-	0.0%	45	0.9%	(45)	-100.0%
Total Net Profit	400	3.4%	(390)	-7.6%	790	-202.7%
Minority Stake	(314)	-2.7%	(148)	-2.9%	(166)	111.9%
Continued Operation - Net Profit	87	0.7%	(582)	-11.4%	669	-114.9%
Discontinued Operation - Net Profit	-	0.0%	45	0.9%	(45)	-100.0%
Total Net Profit	87	0.7%	(538)	-10.5%	624	-116.1%
P&L - US\$ x BRL	R\$ 3.92		R\$ 3.18		-R\$ 3.92	
BS - US\$ x BRL	R\$ 3.83		R\$ 3.31		-R\$ 3.83	

RECONCILIATION OF ADJUSTED EBITDA (R\$ million)	2Q19	2Q18
Net Profit / Loss	87	(582)
(+) Provision for income and social contribution	(53)	(367)
(+) Non-controlling Interest	314	148
(+) Net Exchange Variation	15	75
(+) Net Financial Charges	389	442
(+) Depreciation & Amortization	306	99
(+) Equity Income	(0)	(0)
EBITDA	1,057	(185)
(+) Other Operacional Revenues/Expenses	26	646
Adj. EBITDA	1,082	461

APPENDIX III
Cash Flow | Continuing Operation
(R\$ million)

Continued Free Cash Flow	2Q19	1Q19
Net Income/Loss	87	4
(+/-) Non cash items	758	411
(+/-) Account Receivable	(225)	70
(+/-) Inventories	(39)	(393)
(+/-) Suppliers	193	(175)
(+/-) Others	102	(629)
(=) Operational Cash Flow	876	(712)
(-) Total Capex and Investments	(497)	(441)
(-) Interest expenses	(277)	(247)
Cash Flow Before Third Party Dividends	103	(1,400)

EXHIBIT IV
Balance Sheet
(R\$ '000)

ASSETS	2Q19	4Q18	LIABILITIES	2Q19	4Q18
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and Marketable Securities	6,437,813	7,191,706	Trade accounts payable	2,342,039	2,148,983
Trade accounts receivable	1,677,160	1,243,840	Supply chain finance	177,100	182,635
Inventories of goods and merchandise	2,381,786	1,822,280	Accrued payroll and related charges	430,409	564,391
Biological assets	23,606	16,570	Taxes payable	433,733	345,438
Recoverable taxes	1,290,239	1,144,888	Loans and financing	2,899,372	3,665,455
Prepaid expenses	50,092	53,833	Notes payable	94,649	185,522
Notes receivable	25,609	118,307	Lease payable	113,758	3,209
Advances to suppliers	89,244	58,628	Advances from customers	1,236,794	1,093,168
Other receivables	300,437	112,905	Other payables	466,313	457,589
	12,275,986	11,762,957		8,194,167	8,646,390
NON CURRENT ASSETS			NON CURRENT LIABILITIES		
Court deposits	51,605	47,526	Loans and financing	13,651,020	11,567,895
Notes receivable	100	220	Taxes payable	802,161	833,591
Deferred income and social contribution taxes	1,365,845	999,844	Deferred income and social contribution taxes	183,731	118,911
Recoverable taxes	1,787,477	1,780,342	Provisions for contingencies	358,580	301,667
Other receivables	143,109	82,567	Lease payable	397,876	2,102
	3,348,136	2,910,499	Notes payable	265,099	301,945
Investments	43,444	42,545	Advances from customers	383,220	387,480
Property, plant and equipment	6,301,747	5,231,216	Other	184,853	332,734
Intangible assets	6,660,671	6,557,055		16,226,540	13,846,325
	13,005,862	11,830,816			
			CONTROLLING SHAREHOLDER'S EQUITY		
			Share Capital	7,427,677	7,427,677
			Capital reserve	47,861	47,614
			Profit reserves	51,824	51,824
			Other comprehensive income	(3,463,368)	(3,535,777)
			Accumulated losses	(3,223,660)	(3,317,874)
			Controlling Shareholder's Equity	840,334	673,464
			Non-controlling interest	3,368,943	3,338,093
			Total Controlling Shareholder's Equity	4,209,277	4,011,557
TOTAL ASSETS	28,629,984	26,504,272	TOTAL LIABILITIES	28,629,984	26,504,272



Marfrig Global Foods S.A.

Separate and Consolidated Interim Financial
Statements (ITR)

On June 30, 2019

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(Free translation from the original in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail)

Report on the review of quarterly information

Grant Thornton
Auditores Independentes

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To the Board of directors and shareholders of
Marfrig Global Foods S.A.
São Paulo – SP

Introduction

We have reviewed the accompanying individual and consolidated interim accounting information of Marfrig Global Foods S.A. (“the Company”), comprised in the Quarterly Information Form (QIF) for the quarter ended June 30, 2019, comprising the balance sheet as of June 30, 2019 and the respective statements of income and comprehensive income for the periods of three and six months then ended, and the changes in shareholders’ equity and cash flows for the period of six months then ended, including the footnotes.

Management is responsible for the preparation of the individual interim financial information in accordance with the NBC TG 21 – Interim Financial Information and the consolidated interim financial information in accordance with NBC TG 21 and the international standard IAS 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB), such as for the presentation of these information in accordance with the standards issued by the Brazilian Securities Commission, applicable to the preparation of Quarterly Information (QIF). Our responsibility is to express a conclusion on this interim accounting information based on our review.

Review scope

We conducted our review in accordance with the Brazilian and International standards on reviews of interim 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 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 audit 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 on the individual interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the individual interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with NBC TG 21 applicable to the preparation of Quarterly Information (QIF), and presented in accordance with the standards issued by the Brazilian Securities Commission.

Conclusion on the consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with NBC TG 21 and IAS 34 applicable to the preparation of Quarterly Information (QIF), and presented in accordance with the standards issued by the Brazilian Securities Commission.

Other matters

Statements of value added

The quarterly information referred to above includes the individual and consolidated statements of value added for the period of six-months ended June 30, 2019, prepared under the responsibility of the Company's management, and presented as supplementary information for the purposes of IAS 34. This statements were submitted to the same review procedures in conjunction with the review of the Company's interim financial information, in the order to conclude they are reconciliated to the interim financial information and to the accounting records, as applicable, and whether the structure and content are in accordance with the criteria established on the NBC TG 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that the accompanying statements of value added were not prepared, in all material respects, in accordance with the individual and consolidated interim financial information taken as a whole.

São Paulo, August 14, 2019



Jefferson Coelho Diniz
Assurance Partner

Grant Thornton Auditores Independentes

MARFRIG GLOBAL FOODS S.A.

Balance Sheet - Assets As of June 30, 2019 and December 31, 2018

(In thousands of Brazilian reais - R\$)

	Note	Parent Company		Consolidated	
		6/30/2019	12/31/2018	6/30/2019	12/31/2018
Current Assets					
Cash and cash equivalents	4	123,731	157,799	1,223,954	2,459,202
Marketable securities	5	2,212,885	1,619,387	5,213,859	4,732,504
Trade accounts receivable - domestic	6	83,105	41,090	1,360,545	1,068,553
Trade accounts receivable - foreign	6	327,862	353,059	316,615	175,287
Inventories of goods and merchandise	7	613,585	494,907	2,381,786	1,822,280
Biological assets		-	-	23,606	16,570
Recoverable taxes	8	1,020,288	963,809	1,290,239	1,144,888
Prepaid expenses		11,091	3,907	50,092	53,833
Notes receivable	9	242,000	226,438	25,609	118,307
Advances to suppliers		59,123	38,592	89,244	58,628
Other receivables		139,497	26,700	300,437	112,905
		4,833,167	3,925,688	12,275,986	11,762,957
Non-Current Assets					
Court deposits		45,623	41,473	51,605	47,526
Notes receivable	9	471,785	460,176	100	220
Deferred income and social contribution taxes	10	1,136,891	778,212	1,365,845	999,844
Recoverable taxes	8	1,752,685	1,752,685	1,787,477	1,780,342
Other receivables		8,850	9,149	143,109	82,567
		3,415,834	3,041,695	3,348,136	2,910,499
Investments	11	11,138,362	11,292,664	43,444	42,545
Property, plant and equipment	12	3,163,906	2,871,484	6,301,747	5,231,216
Intangible assets	13	332,083	344,300	6,660,671	6,557,055
		14,634,351	14,508,448	13,005,862	11,830,816
		18,050,185	17,550,143	16,353,998	14,741,315
Total Assets		22,883,352	21,475,831	28,629,984	26,504,272

The management notes are an integral part of the interim individual and consolidated financial statements.

MARFRIG GLOBAL FOODS S.A.

Balance Sheet - Liabilities and Equity As of June 30, 2019 and December 31, 2018

(In thousands of Brazilian reais - R\$)

	Note	Parent Company		Consolidated	
		6/30/2019	12/31/2018	6/30/2019	12/31/2018
Current liabilities					
Trade accounts payable	14	964,721	936,578	2,342,039	2,148,983
Supply chain financing	15	177,100	182,635	177,100	182,635
Accrued payroll and related charges		131,871	106,734	430,409	564,391
Taxes payable	16	236,887	238,230	433,733	345,438
Loans, financing and debentures	17	2,529,570	1,973,511	2,899,372	3,665,455
Notes payable	19	88,812	183,205	94,649	185,522
Lease payable	18	24,383	2,545	113,758	3,209
Advances from customers		1,022,530	829,722	1,236,794	1,093,168
Other payables		56,438	91,347	466,313	457,589
		5,232,312	4,544,507	8,194,167	8,646,390
Non-current liabilities					
Loans, financing and debentures	17	149,063	226,304	13,651,020	11,567,895
Taxes payable	16	786,593	832,406	802,161	833,591
Deferred income and social contribution taxes	10	-	-	183,731	118,911
Provisions for contingencies	20	293,593	293,593	358,580	301,667
Lease payable	18	115,321	1,578	397,876	2,102
Notes payable	19	15,466,136	14,903,979	265,099	301,945
Advances from clients		-	-	383,220	387,480
Other payables		-	-	184,853	332,734
		16,810,706	16,257,860	16,226,540	13,846,325
Equity					
Share Capital	21.1	7,427,677	7,427,677	7,427,677	7,427,677
Capital reserves, granted options and treasury shares		47,861	47,614	47,861	47,614
Profit reserves		51,824	51,824	51,824	51,824
Other comprehensive income	21.3	(3,463,368)	(3,535,777)	(3,463,368)	(3,535,777)
Accumulated losses		(3,223,660)	(3,317,874)	(3,223,660)	(3,317,874)
		840,334	673,464	840,334	673,464
Non-controlling interest		-	-	3,368,943	3,338,093
Total equity		840,334	673,464	4,209,277	4,011,557
Total liabilities and shareholders' equity		22,883,352	21,475,831	28,629,984	26,504,272

The management notes are an integral part of the interim individual and consolidated financial statements.

MARFRIG GLOBAL FOODS S.A.

Statement of income Periods ended June 30, 2019 and 2018

(In thousands of Brazilian reais - R\$, except earnings per share)

	Note	Parent Company				Consolidated			
		2 Quarter 2019	YTD 2019	2 Quarter 2018	YTD 2018	2 Quarter 2019	YTD 2019	2 Quarter 2018	YTD 2018
Net sales revenue	22	2,212,991	4,140,325	2,130,178	4,367,467	11,719,125	21,798,810	5,114,997	8,178,483
Cost of products and goods sold	23	(2,026,384)	(3,812,917)	(1,895,229)	(3,895,736)	(10,238,548)	(19,390,758)	(4,360,411)	(7,050,625)
Gross profit		186,607	327,408	234,949	471,731	1,480,577	2,408,052	754,586	1,127,858
Operating income (expenses)		146,109	186,459	(768,661)	(1,004,784)	(729,919)	(1,295,130)	(1,038,428)	(1,319,269)
Selling expenses	23	(150,244)	(316,185)	(149,840)	(306,706)	(496,358)	(963,323)	(261,552)	(450,754)
General and administrative expenses	23	(54,678)	(105,181)	(99,638)	(149,311)	(207,974)	(383,755)	(131,079)	(194,475)
Equity in earnings (losses) of subsidiaries	11	376,754	671,954	110,319	100,054	-	-	-	-
Other operating income (expenses)		(25,723)	(64,129)	(629,502)	(648,821)	(25,587)	51,948	(645,797)	(674,040)
Net income (loss) before net financial income (losses)		332,716	513,867	(533,712)	(533,053)	750,658	1,112,922	(283,842)	(191,411)
Financial income (expenses)	24	(421,923)	(781,722)	(450,157)	(826,933)	(403,742)	(784,010)	(517,478)	(988,511)
Financial income		21,378	49,916	15,622	42,057	126,861	186,761	121,288	174,789
Exchange gain		135,556	454,496	270,177	470,717	227,673	648,134	366,604	661,463
Financial expenses		(438,308)	(836,258)	(495,124)	(857,149)	(516,033)	(981,830)	(563,780)	(1,036,867)
Exchange Loss		(140,549)	(449,876)	(240,832)	(482,558)	(242,243)	(637,075)	(441,590)	(787,896)
Net income (loss) before taxes		(89,207)	(267,855)	(983,869)	(1,359,986)	346,916	328,912	(801,320)	(1,179,922)
Income and Social Contribution taxes		175,709	358,679	401,584	530,352	53,381	213,460	367,112	498,413
Current and deferred income tax	27	130,017	262,945	294,681	389,363	7,569	117,636	261,597	359,856
Current and deferred social contribution	27	45,692	95,734	106,903	140,989	45,812	95,824	105,515	138,557
Net income (loss) in the period from continuing operations		86,502	90,824	(582,285)	(829,634)	400,297	542,372	(434,208)	(681,509)
Net income (loss) in the period from discontinued operations	30	-	-	44,618	89,280	-	-	51,632	97,976
Net income (loss) in the period before interest		86,502	90,824	(537,667)	(740,354)	400,297	542,372	(382,576)	(583,533)
Attributable to:									
Controlling interest – continuing operations		86,502	90,824	(582,285)	(829,634)	86,502	90,824	(582,285)	(829,634)
Controlling interest – discontinued operations		-	-	44,618	89,280	-	-	44,618	89,280
Controlling interest - Total		86,502	90,824	(537,667)	(740,354)	86,502	90,824	(537,667)	(740,354)
Non-controlling interest - continuing operations		-	-	-	-	313,795	451,548	148,077	148,125
Non-controlling interest - discontinued operations		-	-	-	-	-	-	7,014	8,696
Total non-controlling interest		-	-	-	-	313,795	451,548	155,091	156,821
Net income (loss) in the period from continuing operations		86,502	90,824	(537,667)	(740,354)	400,297	542,372	(382,576)	(583,533)
Basic and diluted earnings (losses) per share - common - continuing operations	25	0.1397	0.1467	(0.9825)	(1.4000)	0.1397	0.1467	(0.9825)	(1.4000)
Basic and diluted earnings (losses) per share - common - discontinued operations	25	-	-	0.0753	0.1507	-	-	0.0753	0.1507
Basic and diluted earnings (losses) per share - Common - Total	25	0.1397	0.1467	(0.9072)	(1.2493)	0.1397	0.1467	(0.9072)	(1.2493)

The management notes are an integral part of the interim individual and consolidated financial statements.

MARFRIG GLOBAL FOODS S.A.

Statement of changes in shareholders' equity Periods ended June 30, 2019 and 2018

(In thousands of Brazilian reais - R\$)

	Share Capital	Capital reserves, granted options and treasury shares	Profit reserves	Other comprehensive income	Retained earnings/ (Accumulated losses)	Total	Total non- controlling interest	Total shareholders' equity
At December 31, 2017	7,427,677	59,552	51,824	(425,222)	(4,721,299)	2,392,532	242,178	2,634,710
Cumulative translation adjustment and asset valuation adjustment	-	-	-	(1,018,916)	4,098	(1,014,818)	1,137,121	122,303
Acquisition of treasury shares	-	(578)	-	-	-	(578)	-	(578)
Reclassification Held for Sale	-	-	-	-	-	-	275,817	275,817
Goodwill stock option	-	(1,296)	-	-	-	(1,296)	-	(1,296)
Net income (loss) in the period	-	-	-	-	(740,354)	(740,354)	156,821	(583,533)
At June 30, 2018	7,427,677	57,678	51,824	(1,444,138)	(5,457,555)	635,486	1,811,937	2,447,423
	Capital social	Reservas de capital, opções outorgadas e ações em tesouraria	Reservas de Lucros	Outros resultados abrangentes	Lucros (Prejuízos) acumulados	Total	Total da participação de não controladores	Total do Patrimônio Líquido
At December 31, 2018	7,427,677	47,614	51,824	(3,535,777)	(3,317,874)	673,464	3,338,093	4,011,557
Cumulative translation adjustment and asset valuation adjustment	-	-	-	72,409	3,390	75,799	(420,698)	(344,899)
Acquisition/ Write-off of treasury shares	-	2,330	-	-	-	2,330	-	2,330
Goodwill stock option	-	(2,083)	-	-	-	(2,083)	-	(2,083)
Net income (loss) in the period	-	-	-	-	90,824	90,824	451,548	542,372
At June 30, 2019	7,427,677	47,861	51,824	(3,463,368)	(3,223,660)	840,334	3,368,943	4,209,277

The management notes are an integral part of the interim individual and consolidated financial statements.

MARFRIG GLOBAL FOODS S.A.

Statement of cash flows Periods ended June 30, 2019 and 2018

(In thousands of Brazilian reais - R\$)

	Note	Parent Company		Consolidated	
		YTD 2019	Reclassified YTD 2018	YTD 2019	Reclassified YTD 2018
Net income (loss) in the period from continuing operations		90,824	(829,634)	90,824	(829,634)
Items not affecting cash		(836,489)	220,209	1,168,723	1,119,714
Depreciation and amortization		179,069	120,287	592,650	160,584
Non-controlling interest		-	-	451,548	148,125
Provision for contingencies		-	-	(13,982)	1,224
Deferred taxes and tax liabilities		(358,679)	67,392	(325,142)	64,636
Equity in earnings (losses) of subsidiaries		(671,954)	(100,054)	-	-
Exchange variation on financing		(67,460)	98,924	(72,469)	103,681
Exchange variation on other assets and liabilities		62,839	(87,083)	61,410	22,752
Interest expenses on financial debt		18,526	15,095	523,662	458,348
Interest expenses on financial leasing		5,303	373	11,457	373
Interest expenses on debentures		5,368	42,800	-	-
Cost with issue of financial operations		2,390	1,219	155,789	97,894
Leasing adjustment to present value		74	198	68	198
Expected loss from non-realization of inventories		(13,140)	6,000	(14,189)	6,041
Expected losses from doubtful accounts		346	(5,056)	1,942	(5,474)
Expected losses from non-realization of recoverable taxes		-	58,722	-	58,722
Other casg effects		829	1,392	(204,021)	2,610
Equity changes		374,171	1,464,613	(1,095,077)	(475,163)
Trade accounts receivable		107,742	259,416	(154,925)	181,811
Current inventory and biological assets		(105,537)	(176,404)	(431,295)	(252,493)
Court deposits		(4,149)	23,058	(4,103)	23,723
Accrued payroll and related charges		25,137	62,465	(230,881)	107,514
Trade payables and supplier chain financing		14,947	(232,276)	18,021	(374,248)
Current and deferred taxes		(103,636)	(75,708)	(83,128)	(39,966)
Notes receivable and payable		596,340	1,654,075	(392)	(39,960)
Other assets and liabilities		(156,673)	(50,013)	(208,374)	(81,544)
Cash flow provided by (used in) operating activities		(371,494)	855,188	164,470	(185,083)
Investing activities					
Investments		-	-	(14)	-
Acquisition of subsidiary, net of cash		-	-	(428,216)	(3,656,869)
Investments in fixed and non-current biological assets		(310,427)	(223,527)	(505,829)	(263,147)
Investments in intangible assets		(3,894)	(5,578)	(4,191)	(5,712)
Cash flow used in investing activities		(314,321)	(229,105)	(938,250)	(3,925,728)
Financing activities					
Interest settled debentures / Bonds		(45,665)	(43,512)	(491,377)	(334,636)
Debentures / Bonds		(570,000)	-	-	-
Loans and financing		1,135,659	(54,302)	1,323,896	5,219,930
Loans granted		2,344,812	691,222	8,120,530	7,855,471
Loans settled		(1,209,153)	(745,524)	(6,796,634)	(2,635,541)
Leasing payable		(15,580)	(473)	(4,046)	(700)
Leasing granted		1,745	1,579	32,916	1,579
Leasing settled		(17,325)	(2,052)	(36,962)	(2,279)
Treasury shares		2,330	(578)	2,330	(578)
Acquisition of non-controlling interest		-	-	(15,971)	-
Dividends received		746,181	15,121	-	-
Dividends (subsidiaries) paid to non-controlling shareholders		-	-	(588,609)	(77,696)
Cash flow provided by (used in) financing activities	33	1,252,925	(83,744)	226,223	4,806,320
Exchange variation on cash and equivalents		(7,680)	78,510	(156,972)	760,569
Discontinued operations net of cash	30	-	55,829	(49,364)	(198,546)
Cash flow in the period		559,430	676,678	(753,893)	1,257,532
Cash and cash equivalents					
Balance at end of period		2,336,616	1,963,763	6,437,813	5,659,885
Balance at start of period		1,777,186	1,287,085	7,191,706	4,402,353
Change in the period		559,430	676,678	(753,893)	1,257,532

The management notes are an integral part of the interim individual and consolidated financial statements.

MARFRIG GLOBAL FOODS S.A.

Statement of added value Periods ended June 30, 2019 and 2018

(In thousands of Brazilian reais - R\$)

	Parent Company		Consolidated	
	YTD 2019	YTD 2018	YTD 2019	YTD 2018
Revenue	4,438,927	4,691,016	22,308,241	8,492,555
Sales of goods and services	4,444,252	4,673,817	22,207,781	8,475,690
Other revenues	(4,978)	12,143	102,148	11,084
Losses with doubtful accounts	(347)	5,056	(1,688)	5,781
Inputs purchased from other firms (including taxes - ICMS, IPI, PIS and Cofins)	3,780,248	4,509,679	18,514,056	7,441,781
Cost of goods sold and services rendered	3,097,198	3,016,524	15,517,778	5,522,173
Material, energy, outsourced services and other	683,050	1,493,155	2,996,278	1,919,608
Gross value added	658,679	181,337	3,794,185	1,050,774
Depreciation and amortization	179,069	120,287	592,650	160,584
Net value created by company	479,610	61,050	3,201,535	890,190
Value added received through transfer	1,117,216	702,108	775,744	1,888,700
Equity In Earnings (Losses) of Subsidiaries	671,954	100,054	-	-
Financial income and exchange rate gains	504,412	512,774	834,895	836,252
Other	(59,150)	89,280	(59,151)	1,052,448
Total value added to be distributed	1,596,826	763,158	3,977,279	2,778,890
Value added distribution	1,596,826	763,158	3,977,279	2,778,890
Employees	352,504	378,686	1,762,685	758,113
Direct compensation	275,707	310,481	1,679,510	684,253
Benefits	59,299	50,618	64,368	54,903
FGTS (severance pay fund)	17,498	17,587	18,807	18,957
Taxes payable	(140,698)	(236,004)	22,384	(217,503)
Federal	(281,564)	(421,410)	(156,120)	(403,873)
State	138,793	182,991	176,393	183,929
Municipal	2,073	2,415	2,111	2,441
Value distributed to providers of capital	1,294,196	1,360,830	1,649,838	2,821,813
Interest	1,286,134	1,339,707	1,618,905	1,824,763
Rentals	8,062	21,123	74,465	31,423
Other	-	-	(43,532)	965,627
Value distributed to shareholders	90,824	(740,354)	542,372	(583,533)
Net income (loss) from operations in the period	90,824	(740,354)	90,824	(740,354)
Non-controlling interest			451,548	156,821

The management notes are an integral part of the interim individual and consolidated financial statements.

MARFRIG GLOBAL FOODS S.A.

Statement of comprehensive income Periods ended June 30, 2019 and 2018

(In thousands of Brazilian reais - R\$)

	Parent Company				Consolidated			
	2 Quarter 2019	YTD 2019	2 Quarter 2018	YTD 2018	2 Quarter 2019	YTD 2019	2 Quarter 2018	YTD 2018
Net income (loss) in the period	86,502	90,824	(537,667)	(740,354)	400,297	542,372	(382,576)	(583,533)
Exchange variation on net investments and balance sheet translation	36,399	75,799	(1,008,543)	(1,014,818)	36,399	75,799	(1,008,543)	(1,014,818)
	36,399	75,799	(1,008,543)	(1,014,818)	36,399	75,799	(1,008,543)	(1,014,818)
Total comprehensive income (loss) for the period	122,901	166,623	(1,546,210)	(1,755,172)	436,696	618,171	(1,391,119)	(1,598,351)
Attributable to:								
Controlling interest – continuing operations	122,901	166,623	(1,590,828)	(1,844,452)	122,901	166,623	(1,590,828)	(1,844,452)
Controlling interest – discontinued operations	-	-	44,618	89,280	-	-	44,618	89,280
Controlling interest - Total	122,901	166,623	(1,546,210)	(1,755,172)	122,901	166,623	(1,546,210)	(1,755,172)
Non-controlling interest - continuing operations	-	-	-	-	313,795	451,548	148,077	148,125
Non-controlling interest - discontinued operations	-	-	-	-	-	-	7,014	8,696
Total non-controlling interest	-	-	-	-	313,795	451,548	155,091	156,821

The management notes are an integral part of the interim individual and consolidated financial statements.

1. Operations

Marfrig Global Foods S.A. is a multinational corporation operating in the food industry, in the food service, retail and convenience, industrial and export channels in Brazil and around the world. It has a diversified and comprehensive portfolio of products and its operations are founded on its commitment to excellence and quality, which has assured its products presence in the world's largest restaurant chains and supermarkets, as well as homes in nearly 100 countries. The Corporation's activities include the production, processing, further processing, sale and distribution of animal-based proteins (beef, lamb and fish). The Corporation is domiciled in Brazil and headquartered in the city of São Paulo.

The Corporation is a publicly held corporation with its shares listed on the Novo Mercado listing segment of the Brazilian Stock Exchange B3 S.A. – Brasil, Bolsa, Balcão (“B3”) under the stock symbol MRFG3.

Because it is listed on the Novo Mercado special corporate governance segment of B3, the Corporation is subject to arbitration under the Market Arbitration Chamber, pursuant to the arbitration clause in its by-laws.

The Corporation's stock is also a component of the main performance indicators of Brazil's Capital Markets, such as the Bovespa Index (Ibovespa, the most important indicator of the average performance of Brazilian stocks). Marfrig stock is also a component of the stock indexes of the Brazilian Stock Exchange: Broad Brazil Index BM&FBOVESPA (IbrA); Brazil 100 Index (IBrX 100); Consumption Sector Index (ICON); Corporate Governance Trade Index (IGCT); Special Corporate Governance Stock Index (IGC); Novo Mercado Corporate Governance Index (IGC-NM); Industrial Sector Index (INDX); Special Tag-Along Stock Index (ITAG); Small Cap Index (SMLL).

2. Presentation and preparation of the parent company and consolidated interim financial statements

The Management of the Corporation approved the issue of these separate and consolidated interim financial statements on August 14, 2019, and warrants that, based on its judgment, all material information is substantiated and corresponds to that used in its management activities.

2.1. Statement of compliance

Consolidated interim financial statements

The Corporation's consolidated interim financial statements were prepared and are presented in accordance with accounting practices adopted in Brazil and with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The separate interim financial statements of the parent company were prepared in accordance with the accounting practices adopted in Brazil and are disclosed jointly with the consolidated interim financial statements.

The accounting practices adopted in Brazil include those provided for in Brazilian Corporations Law, the Brazilian Accounting Standards (NBCs) and resolutions and instructions issued by the Securities and Exchange Commission of Brazil (CVM).

The parent company and consolidated Statement of Added Value (DVA) is required under Brazilian Corporation Law and the accounting practices adopted in Brazil applicable to public companies. IFRS standards do not require said statement. As a result, under IFRS, this statement is being presented as supplementary information, without prejudice to the complete set of interim financial statements.

Parent company interim financial statements

The parent company interim financial statements were prepared based on the accounting practices adopted in Brazil and resolutions issued by CFC, observing the accounting guidelines based on Brazilian Corporation Law (Federal Law 6,404/76), which include the provisions introduced, amended and revoked by Law 11,638 of December 28, 2007, Law 11,941 of May 27, 2009 (former Provisional Presidential Decree 449 of December 3, 2008) and Law 12,973 of May 13, 2014.

There is no difference between the shareholders' equity and consolidated income (loss) and the parent company's shareholders' equity and income (loss) disclosed in the parent company interim financial statements. Thus, the consolidated/parent company interim financial statements are being presented in the same document.

2.2. Basis of presentation

The parent company and consolidated interim financial statements are denominated in Brazilian real (R\$), which is the reporting currency, and all amounts are rounded to thousands of Brazilian real, unless otherwise stated.

The consolidated interim financial statements were prepared on the historical cost basis, unless otherwise stated. Certain assets and financial instruments may be stated at fair value.

The preparation of parent company and consolidated interim financial statements in accordance with IFRS and NBCs requires Management to make certain accounting estimates. The areas involving considerable judgment or use of estimates for the parent company and consolidated interim financial statements are stated in note 3.1.

2.3. Foreign currency translation

Functional and reporting currency

The interim financial statements of each consolidated subsidiary and those used as a basis for accounting for investments under the equity method are prepared using the functional currency of each entity.

Under NBC TG 02/R3 (CVM Resolution 640/10) – effect of changes in exchange rates and translation of financial statements, functional currency is the currency of the primary economic environment in which the entity operates. To define the functional currency of each subsidiary, Management considered which currency significantly influences the sale price of their goods and services and the currency in which most of their production input costs are paid or incurred. The consolidated interim financial statements are expressed in Brazilian real (R\$), which is the functional and reporting currency of Marfrig Global Foods S.A.

Transactions and balances

Foreign currency transactions are translated into the functional currency of the Corporation using the exchange rate at the transaction date. Gains and losses resulting from the difference between the monetary asset and liability balance translation at the end of the period or year and the translation of the transaction balances are recognized in the income statement. Non-monetary assets and liabilities in foreign currency measured at fair value are translated at the exchange rate on the date on which their fair value is determined and the differences resulting from such translation will be recognized under other comprehensive income on the closing date of each period or fiscal year.

Group companies

The results of operations and the financial position of all consolidated subsidiaries and investments accounted for under the equity method, whose functional currency differs from the reporting currency, are translated from the reporting currency, as follows:

- i. Asset and liability balances are translated using the exchange rate in effect at the date of the consolidated interim financial statements;
- ii. Statement of operation accounts are translated using the monthly average exchange rate; and
- iii. All differences arising from the foreign currency translation are recognized in shareholders' equity and in consolidated comprehensive income (loss) under "Cumulative translation adjustments."

3. Summary of significant accounting practices

3.1. Significant accounting practices

The quarterly financial statements were prepared in accordance with NBC TG 21/R3 (CVM Resolution 673/11) – Interim financial statements, which sets forth the minimum interim accounting information to be reported and the principles of recognition and measurement for complete or condensed interim financial statements. Thus, the quarterly information presented here was prepared based on the accounting policies and estimate calculation methods used while preparing the annual financial statements for the fiscal year ended December 31, 2018. There has been no change in said policies and estimate calculation methods.

As allowed by NBC TG 21/R3 (CVM Resolution 673/11), and based on the recommendations contained in Official Letter CVM/SNC/SEP/No. 003/2011, management chose to not report once again the details presented in Note 3. "Summary of significant accounting practices", in order to avoid repeating the information already disclosed in its latest annual financial statements. As a result, users must read these quarterly financial statements together with the annual financial statements for the fiscal year ended December 31, 2018, to have a better understanding.

3.2. New standards and interpretations

New standards and amendments of standards issued by the Federal Accounting Board effective as of fiscal year 2019. The Corporation describes the main points of review required by the new standards as follows:

NBC TG 06/R3 (IFRS 16) – Leases

As of January 1, 2019, the Corporation adopted NBC TG 06/R3 (IFRS 16) - Leases using the modified retrospective approach. This approach does not impact the Company's equity on the date of initial adoption, as the amount of right-of-use assets equals the amount of lease liabilities adjusted to present value. Furthermore, it allows the Corporation to apply the practical expedient for defining the lease contract in the transition, i.e. the Corporation opted to adopt the standard for contracts that previously were identified as leases in accordance with NBC TG 06/R2. Therefore, the Corporation will not apply the standard to contracts that previously were identified as contracts that contain lease agreements under NBC TG 06/R2.

**Notes to the separate (Parent Company) and consolidated financial statements
for the periods ended June 30, 2019 and 2018**

(In thousands of Brazilian reais, except where otherwise indicated)

The Corporation opted to use the exemptions proposed by the standard for lease agreements with terms ending 12 months as from initial adoption and for lease agreements whose underlying assets are of low value.

The impact from initial adoption on the separate and consolidated financial statements for right-of-use assets and lease liabilities was, respectively, R\$145,784 and R\$458,859. In the profit or loss for the period, the net impact was positive at R\$3,478 and R\$9,595, respectively, on the Parent Company and Consolidated statements. Shareholders' equity was not impacted upon initial adoption as the Corporation opted for the simplified retrospective approach model.

As of January 1, 2019, the previous balance recorded under leased property, plant and equipment (financial lease) was reclassified to right-of-use assets and the corresponding lease liabilities were incorporated under lease payables, as described in Notes 12 and 18.

ITG 22 (CVM Resolution 804/2018) – Uncertainty over income tax treatments

ITG 22 clarifies how to apply the requirements for recognition and measurement of NBC TG 32/R4 (IAS 12) – Income taxes, when there is uncertainty over income tax treatments. The Corporation must recognize and measure its current or deferred assets or liabilities by applying the requirements under NBC TG 32/R4 based on taxable income (tax loss), tax loss carryforwards, unused tax losses, unused tax credits and tax rates by applying such Interpretation. The interpretation was approved on December 21, 2018 and came into force on January 1, 2019.

The Management of the Corporation believes that there were no impacts stemming from the interpretation, as all procedures adopted for calculation and payment of income taxes are supported by the applicable legislation and precedents in administrative proceedings and courts of law.

3.3. Consolidated interim financial statements

The consolidated interim financial statements include the accounts of the Corporation and its subsidiaries, as per the table showing the equity interests of the Corporation in note 11.1 – Direct investments of the parent company.

Summary of the equity interests held by the Corporation by business segment include in the consolidated interim financial statements as of June 30, 2019:

MARFRIG GLOBAL FOODS S.A.

Notes to the separate (Parent Company) and consolidated financial statements for the periods ended June 30, 2019 and 2018

(In thousands of Brazilian reais, except where otherwise indicated)

Equity interests

Parent Company	Core Activity
Marfrig Global Foods S.A.	Processing and marketing of product (formed by cattle slaughter facilities in operation, which are also used in beef processing, for lamb primary processing, for producing home and personal care products, and for producing animal feed, located in the States of São Paulo, Mato Grosso, Mato Grosso do Sul, Para, Rondônia, Goiás and Rio Grande do Sul, in addition to Distribution Centers in the States of São Paulo, Rio de Janeiro, Pernambuco e Paraná, which are also used for beef processing).
Subsidiaries	Core Activity
Masplen Ltd	Holding company
Pampeano Alimentos S.A.	Producer of canned meat and other processed products
Marfrig Overseas Ltd	Specific Purpose Entity - SPEs
MFG Comercializadora de Energia Ltda	Energy trading and associated services
Marfrig Argentina S.A.	Processing and marketing of products
Frigorífico Tacuarembó S.A.	Processing and marketing of products
Inaler S.A.	Processing and marketing of products
Marfrig Chile S.A.	Processing and marketing of products
Frigorífico Patagônia S.A.	Processing and marketing of products
Abilun S.A.	Holding company
Dicasold	Marketing and distribution of products
Prestcott International S.A.	Holding company
Cledinor S.A.	Processing and marketing of products: beef and lamb
Establecimientos Colonia S.A.	Processing and marketing of products
Weston Importers Ltd	Trading company
Marb Bondco PLC	Holding company whose purpose is to raise funds
Marfrig Peru S.A.C.	Marketing of products
Marfrig Holdings (Europe) B.V	Holding company whose purpose is to obtain funding
Marfrig Beef (UK) Ltd.	Holding company
Marfrig Beef International Ltd.	Holding company
Marfrig NBM Holdings Ltd.	Holding company
MFG Holdings SAU	Holding company
Quickfood S.A.	Processing and marketing of products
NBM US Holdings, Inc.	Holding company
National Beef Packing Company, LLC	Processing and marketing of products
MF Foods USA LLC.	Marketing of products
Iowa Premium, LLC	Processing and marketing of products
Ohio Beef USA LLC	Processing and marketing of products

The interim financial statements of subsidiaries located abroad were originally prepared in domestic currency, according to the applicable laws of each country where the companies are located. They were converted into the accounting practices issued by the International Accounting Standards Board (IASB) at their relating functional currencies. Later, those financial statements were translated into Brazilian Reais, using the exchange rate prevailing on the balance sheet date.

3.4. Reclassification in the cash flows in the period ended June 30, 2018

For a better understanding of the individual and consolidated financial statements, the Corporation and its subsidiaries restated their statements of cash flows for the period ended June 30, 2018.

MARFRIG GLOBAL FOODS S.A.

Notes to the separate (Parent Company) and consolidated financial statements for the periods ended June 30, 2019 and 2018

(In thousands of Brazilian reais, except where otherwise indicated)

4. Cash and cash equivalents

The Corporation adopts the policy of presenting the following items within the cash and cash equivalents group:

- Cash on hand;
- Demand deposits.

	Parent		Consolidated	
	6/30/19	12/31/18	6/30/19	12/31/18
Cash and banks	103,737	128,007	1,051,630	973,391
Cash equivalents	19,994	29,792	172,324	1,485,811
	123,731	157,799	1,223,954	2,459,202

	Company		Consolidated	
	6/30/19	12/31/18	6/30/19	12/31/18
Cash and banks:				
Brazilian real	85,308	45,985	86,994	48,448
US dollar	27,116	110,721	1,031,608	2,364,495
Other	11,307	1,093	105,352	46,259
	123,731	157,799	1,223,954	2,459,202

5. Marketable Securities

	Parent		Consolidated	
	6/30/19	12/31/18	6/30/19	12/31/18
Marketable securities	2,212,885	1,619,387	5,213,859	4,732,504
	2,212,885	1,619,387	5,213,859	4,732,504

The Corporation's financial investments by type are as follows:

	PMPV ⁽¹⁾	Currency	Average interest rate p.a. %	Parent	
				6/30/19	12/31/18
Bank deposit certificates - CDB ⁽²⁾	-	Real	6.14%	707,359	878,236
Repurchase and reverse repurchase agreements	-	Real	3.15%	653,091	88,108
Fixed income bond	-	Real	5.51%	13,318	12,914
Time Deposit ⁽²⁾	0.38	Dolar	2.78%	820,405	622,277
FIDC ⁽²⁾	1.02	Real	10.12%	18,712	17,852
Total				2,212,885	1,619,387
Total current				2,212,885	1,619,387

MARFRIG GLOBAL FOODS S.A.

Notes to the separate (Parent Company) and consolidated financial statements for the periods ended June 30, 2019 and 2018

(In thousands of Brazilian reais, except where otherwise indicated)

	PMPV ⁽¹⁾	Currency	Average interest rate p.a.%	Consolidated	
				6/30/19	12/31/18
Bank deposit certificates - CDB ⁽²⁾	-	BRL	6.14%	707,359	878,236
Repurchase and reverse repurchase agreements	-	BRL	3.15%	653,091	88,108
Time Deposit ⁽²⁾	2.31	USD	2.56%	3,821,038	3,735,394
FIDC ⁽²⁾	1.02	BRL	10.12%	18,712	17,852
Fixed income bonds	-	BRL	5.50%	13,659	12,914
Total				5,213,859	4,732,504
Total current				5,213,859	4,732,504

⁽¹⁾ Weighted average maturity in years.

⁽²⁾ Transactions have daily liquidity and can be redeemed at any time. Said maturity is the maturity of the operation.

The Corporation maintains the following types of financial investments:

5.1. Bank Certificate of Deposit (CDB)

Bank certificates of deposit are investments made at financial institutions at variable rates and yield on average 96% to 100% of the variation in the Interbank Deposit Rate (CDI).

5.2. Repurchase and reverse repurchase agreements

Transactions based on outstanding daily cash denominated in Brazilian real that bear interest pegged to the Interbank Deposit Rate (CDI). This operation has immediate liquidity, for it can be early redeemed without yield loss.

5.3. Time Deposit

Fixed-rate investments issued by financial institutions on international markets.

5.4. FIDC – *Fundos de Investimentos em Direitos Creditórios* (Receivables Backed Investment Funds)

These are shares of an investment fund that invests in receivables rights.

5.5. Fixed Income Bonds

These are investments in fixed income securities issued by top tier financial institutions at fixed rates.

6. Trade accounts receivable – domestic and foreign customers

	Parent		Consolidated	
	6/30/19	12/31/18	6/30/19	12/31/18
Trade accounts receivable - domestic	83,105	41,090	1,360,545	1,068,553
Trade accounts receivable - foreign	327,862	353,059	316,615	175,287
	410,967	394,149	1,677,160	1,243,840
Amounts not yet due	377,598	358,233	1,200,526	738,028
Amounts overdue				
From 1 to 30 days	28,255	10,742	370,033	424,898
From 31 to 60 days	3,482	527	42,893	36,033
From 61 to 90 days	1,632	24,647	63,708	44,881
More than 90 days	22,680	22,334	39,771	38,082
(-) Expected losses with doubtful accounts	(22,680)	(22,334)	(39,771)	(38,082)
	410,967	394,149	1,677,160	1,243,840

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The expected loss with doubtful accounts was set up in an amount deemed sufficient by Management to cover possible losses on the realization of its receivables, adopting the criteria of provisioning for the full amount of receivables overdue more than 90 days. The Corporation does not have a history of relevant problems with collection, which reinforces the reasonable reserves estimated by the Company.

Changes in expected losses for credit risks are as follows:

	Parent	Consolidated
Balance on December 31, 2018	(22,334)	(38,082)
Estimated accrued	(2,250)	(3,908)
Realization of estimates	1,904	1,966
Exchange rate variation	-	253
Balance on June 30, 2019	(22,680)	(39,771)

A receivables-backed investment fund (Fundo de Investimento de Direitos Creditórios - FIDC) was created in June 2014 to sell a portion of the receivables from the installment sale in the domestic market, up to the limit of R\$160 million (principal), of which R\$16 million consists of mezzanine subordinated shares. On June 30, 2019, there was R\$134,511 of bills traded with the fund MRFG.

In March 2017, the Corporation's wholly-owned subsidiary Weston Importers Ltd. structured a program to sell non-recourse receivables with a prime financial institution in Europe. The program's main objective is to convert into cash the term sales involving exports originated by the South America Operation. The securitization program may sell, on a rotating basis, up to US\$100 million over a contractual period of 3 years. Under the program, the Corporation receives up to 100% of the total balance of eligible receivables sold, in accordance with the program's rules and limited to the contractual capacity. As of June 30, 2019, US\$100 million (R\$383.2 million) had been negotiated under the program.

7. Inventories of products and merchandise

In the period ended June 30, 2019 and fiscal year ended December 31, 2018, inventories of finished products were carried at average purchase and/or production cost, as explained below:

	Parent		Consolidated	
	6/30/19	12/31/18	6/30/19	12/31/18
Finished products	559,096	457,011	1,948,909	1,454,071
Raw materials	-	-	176,382	166,250
Packaging and storeroom supplies	65,353	61,900	270,461	227,780
(-) Expected losses	(10,864)	(24,004)	(13,966)	(25,821)
	613,585	494,907	2,381,786	1,822,280

The Corporation grounds its estimates on historical losses, as follows:

	Parent	Consolidated
Balance on December 31, 2018	(24,004)	(25,821)
Recognition of estimates	(2,798)	(5,450)
Realization of estimates	15,938	19,639
Translation gains (losses)	-	436
Acquisition through business combination	-	(2,770)
Balance on June 30, 2019	(10,864)	(13,966)

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8. Recoverable taxes

	Parent		Consolidated	
	6/30/19	12/31/18	6/30/19	12/31/18
ICMS (State VAT)	415,345	406,929	433,424	439,415
PIS and Cofins (taxes on sales) credits	3,444,663	3,398,488	3,520,959	3,473,509
IRPF / IRPJ and CSLL (taxes on income) recoverable	388,744	386,870	503,536	420,219
Other	16,092	16,078	120,192	85,652
(-) Expected losses from non-realization	(1,491,871)	(1,491,871)	(1,500,395)	(1,493,565)
	<u>2,772,973</u>	<u>2,716,494</u>	<u>3,077,716</u>	<u>2,925,230</u>
Current assets	1,020,288	963,809	1,290,239	1,144,888
Non-current assets	1,752,685	1,752,685	1,787,477	1,780,342

8.1. ICMS (State VAT)

The balance of recoverable ICMS derives from credits taken for ICMS paid on the acquisition of raw, packaging and other materials and inputs, in amounts higher than the debts generated from domestic sales, since foreign market sales are free from this tax. The Corporation has been seeking ways to optimize these balances by offsetting debits under a non-cumulative regime for the domestic market, or through transfers to third parties.

8.2. PIS and COFINS taxes

Pursuant to Federal Laws 10.637/02 and 10.833/03, this line item consists of noncumulative PIS and COFINS credits on the acquisition of raw, packaging, and other materials used in the goods sold in foreign markets. The Corporation has been successful in realizing these credits, supported mainly by the change in legislation in August 2018, which began permitting the offsetting of social security liabilities with other credits from the taxpayer. With this new procedure, the Corporation now consumes the PIS/COFINS credits generated by exports, the main activity responsible for the credits accumulated.

8.3. IRRF / IRPJ and CSLL recoverable

Refers to the amounts of withholding of income tax at source on services rendered to related companies located abroad and financial investments, prepayments of income and social contribution taxes, calculated based on estimation, suspense account balance sheet and taxation based on annual taxable income and Income Tax Paid Abroad on net income made available in Brazil, payable via offsetting of income and social contribution taxes calculated on profit for future periods, as well as offsetting of other federal taxes owed and managed by the Federal Revenue Service of Brazil (SRF).

8.4. Expected losses from non-realization of tax credits

The expected losses from non-realization of tax credits were calculated based on the best estimate of realization of the Corporation's recoverable taxes balances, in which main credits are mainly from PIS/COFINS.

In the period ended June 30, 2019, the changes in this item were as follows:

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	<u>Parent</u>	<u>Consolidated</u>
Balance at December 31, 2018	<u>(1,491,871)</u>	<u>(1,493,565)</u>
Translation gains (losses)	-	732
Acquisition through business combination	-	(7,562)
Balance at June 30, 2018	<u>(1,491,871)</u>	<u>(1,500,395)</u>

9. Notes receivable

	<u>Parent</u>		<u>Consolidated</u>	
	<u>6/30/19</u>	<u>12/31/18</u>	<u>6/30/19</u>	<u>12/31/18</u>
Related-party transactions ^(a)	709,059	671,864	-	-
Market transactions receivable ^(b)	584	-	7,002	102,975
Other notes receivable	4,142	14,750	18,707	15,552
Total	<u>713,785</u>	<u>686,614</u>	<u>25,709</u>	<u>118,527</u>
Current assets	242,000	226,438	25,609	118,307
Non-current assets	471,785	460,176	100	220

(a) The amount presented at the Parent Company refers mostly to balances resulting from transactions with its subsidiaries, as described in note 31 Related parties;

(b) In the note 26, we break down financial instrument operations practiced by the Corporation. The Corporation and its subsidiaries are subject to market risks related to foreign exchange variations, interest rates fluctuations and commodities prices variations. These represent the amount of mark-t-market adjustment of derivatives receivable.

10. Deferred Income and Social Contribution Taxes

	<u>Parent</u>		<u>Consolidated</u>	
	<u>6/30/19</u>	<u>12/31/18</u>	<u>6/30/19</u>	<u>12/31/18</u>
Income tax	819,426	556,481	1,039,592	769,461
Social contribution tax	317,465	221,731	326,253	230,383
Deferred tax assets	<u>1,136,891</u>	<u>778,212</u>	<u>1,365,845</u>	<u>999,844</u>
Income tax	-	-	(183,731)	(118,911)
Deferred tax liabilities	<u>-</u>	<u>-</u>	<u>(183,731)</u>	<u>(118,911)</u>
Total deferred taxes	<u>1,136,891</u>	<u>778,212</u>	<u>1,182,114</u>	<u>880,933</u>

Deferred income and social contribution tax assets and liabilities are offset when there is a legal right to offset tax liabilities using tax credits and provided they are related to the same tax authority and legal person.

Credits from deferred tax assets on tax losses and social contribution tax loss carryforwards from previous years are limited to 30% and are booked to the extent that it is probably that the future taxable income will be available for use when the effective payment is made and/or said additions/exclusions of temporary differences are realized, when these will become deductible/taxable for the calculation of the taxable income, based on the assumptions and conditions established in the Corporation's business model.

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The carrying amount of the deferred tax asset is revised periodically and projections, limited to five years, are revised annually, and if there are relevant factors that modify the projections, they are revised during the Corporation's fiscal year.

The estimates for assessing the probability of the occurrence or not of future profits for the offsetting of tax credits described above are based on the judgments and assumptions incorporated into the projections. By definition, the resulting accounting estimates rarely are equal to the corresponding actual results (due to uncertainties and the high level of judgment applicable to determining such assumptions and estimates). Therefore, such estimates and assumptions represent significant risk, with the probability of requiring a significant adjustment to the carrying amounts of the assets in the individual and consolidated interim financial statements at the time of the respective assessments.

Note that the projections were based on the assumptions for net income and historical data on the Corporation's profitability, taking into account the diverse economic scenarios of each market where the Corporation operates, due to its global and diversified presence in the Americas (approximately 87.6% of revenue came from international units, and most of them are located in economically stable countries).

The technical feasibility studies that support the recoverability of the deferred tax liability, which were prepared by the Management and approved by the Board of Directors, took into consideration the end of the operational restructuring process started in 2013 and concluded in 2018, whereby the Corporation adjusted its capital structure and debt level through a sequence of strategic initiatives.

In 2018, the Corporation successfully carried out two relevant strategic transactions: the acquisition of a controlling interest in National Beef and the conclusion of the sale of Keystone Foods, bringing its capital structure and financial indicators to levels within its long-term targets and becoming a reference in the industry. As of 2019, the new strategic drivers became creating a simpler business focused on beef, improving the footprint of its operations and the synergies among them and capturing the financial benefits of a capital structure that is better aligned with its business model.

Based on the above, note that expected realization of "Deferred Tax Assets," based on a technical feasibility study as per CVM Instruction 371 of June 27, 2002 is as follows:

Year	Parent	Consolidated
2019	63,433	106,301
2020	124,995	169,037
2021	161,663	207,154
2022	173,349	215,178
2023	613,451	668,175
	1,136,891	1,365,845

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The following table presents the reconciliation of deferred taxes in the period ended June 30, 2019:

	Parent		Consolidated	
	6/30/19	12/31/18	6/30/19	12/31/18
ASSETS				
Income tax losses	1,465,447	1,241,957	1,693,164	1,464,872
Social contribution tax loss carryforwards	542,502	460,971	557,490	475,874
Temporary differences	(767,921)	(819,242)	(770,817)	(824,362)
Total assets	1,240,028	883,686	1,479,837	1,116,384
LIABILITIES				
Temporary differences	(103,137)	(105,474)	(297,723)	(235,451)
Total liabilities	(103,137)	(105,474)	(297,723)	(235,451)
Deferred tax assets, net	1,136,891	778,212	1,182,114	880,933

11. Investments

	Parent		Consolidated	
	6/30/19	12/31/18	6/30/19	12/31/18
Interest in subsidiaries	10,590,131	10,738,033	-	-
Goodwill derived from business combinations	548,221	554,621	-	-
Other investments	10	10	43,444	42,545
	11,138,362	11,292,664	43,444	42,545

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11.1 Direct investments by the parent company

Investments in Subsidiaries on June 30, 2019:

	Marfrig Chile S.A.	Inaler S.A.	Frigorifico Tacuarembó S.A.	Masplén Ltd	Prestcott International S.A.	Estab. Colonia S.A.	Marfrig Overseas Ltd	Marfrig Argentina S.A.	MFG Com. de Energia Ltda	Marfrig Holdings (Europe) BV	Marfrig Peru S.A.C.	Marfrig Beef (UK) Limited	Marfrig Beef International Limited	Abilon S.A.	MFG SAU	Total
1) Interest																
Shares / Units of interest	9,950	66,247,320	163,442,679	5,050	79,638,916	80,647,477	1	1,220,225,248	149,985	426,842	4,988	2,001	2,001	400,000	100,000	100,000
% Interest	99.50	100.00	99.95	100.00	100.00	100.00	100.00	99.95	100.00	100.00	99.76	100.00	100.00	100.00	100.00	100.00
Country	Chile	Uruguay	Uruguay	Ilha Jersey	Uruguay	Uruguay	Ilhas Cayman	Argentina	Brasil	Holanda	Peru	Reino Unido	Reino Unido	Uruguay	Argentina	
2) Information																
Share Capital	64,955	5,622	24,500	14,146	11,198	100,600	-	110,368	-	1,785,480	6	1,086,843	545,424	43	-	-
Equity	178,191	2,834	159,352	(32,194)	77,085	3,814	(769,423)	(120,569)	(2,356)	3,251,296	(573)	2,154,501	5,602,750	(2,162)	99,110	-
Net Income (Loss) from Continuing Operations	13,077	800	13,209	(1,145)	(3,255)	332	(103,672)	63,703	491	(11,933)	(2)	166,336	402,800	(770)	129,251	-
Equity according to % interest ⁽¹⁾	177,300	2,834	159,272	(32,194)	77,085	3,814	(769,423)	(120,509)	(2,356)	3,251,296	(571)	2,154,501	5,602,750	(2,162)	99,110	-
Total assets	321,660	185,017	436,952	472,490	417,019	286,954	3,619,826	245,180	10,986	12,533,901	96	15,524,771	16,334,410	39,200	751,756	-
Total liabilities	143,464	182,183	277,601	504,684	339,934	283,140	4,389,249	365,750	13,342	9,282,605	669	13,370,270	7,406,553	45,005	647,932	-
Interest from non-controlling shareholders - continuing operations	5	-	-	-	-	-	-	(2)	-	-	-	-	3,325,107	(3,644)	4,715	-
Net Revenue	331,609	272,076	559,576	223,235	200,476	390,090	-	259,536	27,351	-	-	2,331,942	15,419,272	65,160	509,239	-
Interest - net income (loss) - continuing operations ⁽¹⁾	13,011	800	13,203	(1,145)	(3,255)	332	(103,672)	63,671	491	(11,933)	(2)	166,336	402,800	(770)	129,251	-
Goodwill	-	82,652	123,875	36,825	47,814	257,055	-	-	-	-	-	-	-	-	-	-
3) Changes																
Opening balance at 12/31/2018	164,998	2,083	147,242	(43,561)	81,405	3,278	(673,455)	(144,672)	(2,847)	3,299,951	(569)	2,179,486	5,725,870	(1,176)	-	10,738,033
Dividends	-	-	-	-	-	-	-	-	-	-	-	(197,738)	(548,443)	-	-	(746,181)
Equity in earnings (losses) of subsidiaries	12,751	800	13,342	1,673	(3,255)	406	(103,672)	63,744	491	(11,933)	(2)	166,328	402,800	(770)	129,251	671,954
Other comprehensive income	(717)	(49)	(1,733)	8	(1,065)	(5)	7,704	(39,677)	-	(36,721)	-	6,416	22,523	(217)	(30,142)	(73,675)
Closing balance at 6/30/2019	177,032	2,834	158,851	(41,880)	77,085	3,679	(769,423)	(120,605)	(2,356)	3,251,297	(571)	2,154,492	5,602,750	(2,163)	99,109	10,590,131

⁽¹⁾ The balance corresponds to the Corporation's interest in its subsidiaries, adjusted by any unrealized profits at the time of consolidation.

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11.2 Business Combination

11.2.1 Quickfood S.A.

On January 3, 2019, the Corporation, through its subsidiary MFG Holding S.A.U, entered into an agreement with BRF S.A. (“BRF”), whereby it acquired 532,041,681 shares representing 91.89% of the total and voting capital of Quickfood S.A. (“Quickfood”), a company headquartered in Argentina.

Quickfood has been traded on the Buenos Aires Stock Exchange since 2002 under the ticker “PATY” and is Argentina’s leading producer of beef products. The company operates 3 plants in San Jorge, Baradero and Arroyo Seco, with primary processing capacity of 620 head/day and further processing capacity of around 6,000 tons/month of beef patties, hot dogs, cold cuts and frozen vegetables.

For the Corporation, a leading global beef producer, the transaction strengthens its portfolio of value-added products and is aligned with its strategic growth plan. The transaction also includes potential synergies and economies of scale with Marfrig’s operations in the country.

As a result of acquisition of Quickfood, the Corporation carried out a public tender offer for shares representing 8.11% of the capital of Quickfood traded on the Buenos Aires Stock Exchange (BCBA), in accordance with governing law. The offer was concluded on May 8, 2019, which changed the interest held from 91.89% to 98.5%.

The Corporation measured the assets acquired and the liabilities assumed at fair value on the acquisition date, as follows:

	<u>R\$</u>
Current assets	302,181
Property, plant and equipment	263,920
Intangible assets	101,464
Other non-current assets	49,992
Current liabilities	(374,704)
Non-current liabilities	(46,654)
Total identified assets, net of fair value	296,199
Non-controlling interest	(24,024)
Bargain purchase	(89,382)
Total consideration transferred	182,793

The acquisition costs of R\$990 were recognized in the statement of income as administrative expenses.

11.2.1 Iowa Premium, LLC

On June 10, 2019, the Corporation, through its subsidiary NBM US Holdings, LLC, jointly with Jefferies Financial Group, Inc (through its subsidiary JIAC LLC), U.S. Premium Beef, LLC, TMK Holdings, LLC and NBPCo Holdings, LLC, entered into an agreement with Sysco Holdings, LLC (“Sysco”), for the acquisition of 100.00% of the voting and total capital of Iowa Premium, LLC (“Iowa”), which subsequently was paid in as capital in National Beef Packing Company, LLC (“National Beef”).

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Iowa Premium is a U.S.-based company with primary processing capacity of 1,100 head/day and net revenue of US\$644 million in 2018. It operates exclusively with superior-quality animals (Black Angus) and specializes in USDA Choice and Prime grade beef.

The transaction is fully aligned with the strategy of National Beef, expanding its capacity to serve markets seeking high quality beef, and represents an opportunity to capture synergies and economies of scale in its operation. It also demonstrates the strength of the long-term partnership among Marfrig, Jefferies, USPB, TMK and NBPCo, as well as the commitment of all shareholders to National Beef.

Furthermore, as a result of the transaction, a supply agreement was signed with Sysco for five years.

The study of the final allocation of the surplus price of acquisition will be conducted within one year as from the acquisition, in accordance with NBC TG 15 (R4) – Business combination (CVM Resolution 665/11), and the Management of the Company does not expect significant impacts on the result from the conclusion of this allocation. The Company measured preliminarily the assets acquired and the liabilities assumed at their historical fair value, as follows:

	<u>R\$</u>
Current assets	175,166
Property, plant and equipment	192,940
Intangible assets	202,587
Other non-current assets	563
Current liabilities	<u>(61,926)</u>
Total identified assets, net of fair value	509,330
Goodwill paid for expected future profitability	<u>85,241</u>
Total consideration transferred	594,571
Consideration transferred by the Company's subsidiary	303,231
Consideration transferred by other non-controlling shareholders	291,340

The acquisition costs, in an amount equivalent to R\$12,734, were recognized in the income state as administrative expenses.

12. Property, plant and equipment

The following tables show the weighted average annual depreciation rate determined using the straight-line method and based on the economic useful life of the assets and their balances. With the adoption of IFRS 16, assets related to leases are now recognized as right-of-use assets under property, plant and equipment. Therefore, the following tables present separately:

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Changes in property, plant and equipment (Parent Company):

Parent							
Description	Property, plant and equipment				Right-of-use		Total
	Land, Constructions and Buildings	Machinery, equipment, furniture and fixtures	Construction in progress	Other	Plants	Other	
Avg. annual depreciation rates	3.96%	13.65%	-	13.40%	18.00%	19.99%	
Acquisition cost	2,957,893	818,370	36,208	322,831	-	-	4,135,302
Accumulated depreciation	(646,688)	(470,882)	-	(146,248)	-	-	(1,263,818)
Net balance on 12/31/2018	2,311,205	347,488	36,208	176,583	-	-	2,871,484
Additions	311,412	123,466	101,664	23,278	145,784	1,267	706,871
Write-offs	(214,839)	(21,764)	(3,129)	(11,759)	-	-	(251,491)
Transfers	(50,788)	1,619	(97,195)	145,474	-	890	-
Depreciation in the year	(73,079)	(53,606)	-	(23,516)	(12,455)	(302)	(162,958)
Net balance on 6/30/2019	2,283,911	397,203	37,548	310,060	133,329	1,855	3,163,906
Acquisition cost	2,917,266	902,976	37,548	445,602	145,784	7,655	4,456,831
Accumulated depreciation	(633,355)	(505,773)	-	(135,542)	(12,455)	(5,800)	(1,292,925)
Net balance at the end of the period	2,283,911	397,203	37,548	310,060	133,329	1,855	3,163,906

Changes in property, plant and equipment (Consolidated):

Consolidated							
Description	Property, plant and equipment				Right-of-use		Total
	Land, Constructions and Buildings	Machinery, equipment, furniture and fixtures	Construction in progress	Other	Plants	equipment and Other	
Avg. annual depreciation rates	3.83%	11.77%	-	12.15%	14.84%	12.80%	29.18%
Acquisition cost	4,385,446	3,005,049	291,699	479,111	-	-	8,161,305
Accumulated depreciation	(1,047,721)	(1,658,012)	-	(224,356)	-	-	(2,930,089)
Net balance on 12/31/2018	3,337,725	1,347,037	291,699	254,755	-	-	5,231,216
Additions	320,841	130,255	280,110	23,868	197,978	298,447	1,253,612
Acquisition through business combination	190,020	221,973	12,182	28,397	1,723	-	456,778
Write-offs	(214,913)	(23,883)	(3,129)	(11,905)	-	-	(253,830)
Transfers	(11,150)	169,387	(307,474)	148,347	-	-	890
Reclassification	-	(199)	-	-	-	-	(199)
Translation gains (losses)	(33,963)	(24,584)	16,082	25,129	(118)	(1,765)	(49)
Depreciation in the year	(99,352)	(183,413)	-	(31,064)	(18,035)	(33,265)	(1,433)
Net balance on 6/30/2019	3,489,208	1,636,573	289,470	437,527	181,548	263,417	6,301,747
Acquisition cost	4,546,621	3,441,207	289,470	654,424	199,510	299,619	9,441,250
Accumulated depreciation	(1,057,413)	(1,804,634)	-	(216,897)	(17,962)	(36,202)	(3,139,503)
Net balance at the end of the period	3,489,208	1,636,573	289,470	437,527	181,548	263,417	6,301,747

On the first semester of 2019, the Corporation entered into an agreement with BRF S.A. for the acquisition of the Várzea Grande asset complex in the state of Mato Grosso. It also entered into an asset swap agreement with Minerva Foods, acquiring the processing plant that is part of the Várzea Grande Complex. In consideration, the Corporation granted Minerva Foods the Paratinga plant, which also is located in the state of Mato Grosso.

Pursuant to NBC TG 01/R4 (CVM Resolution 639/10) – asset impairment, an asset is tested for impairment on an annual basis. The asset's value must be estimated only if there is any indication of impairment.

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If any indication of impairment is found, recoverability analysis comprises projecting the profitability and future cash of the Corporation's business units, which are discounted to present value to identify the degree of recoverability of the asset.

During the period ended June 30, 2019, the book values of the Corporation's assets were not greater than the amounts which could be obtained by use or sale.

The Corporation and its subsidiaries recorded property, plant and equipment that are fully depreciated and still in operation, as well as temporarily idle items, as follows:

Description	Parent/Consolidated	
	6/30/19	
	Temporarily idle property, plant and equipment	Property, plant and equipment fully depreciated and still in operation
Land, constructions and buildings	143,024	772
Machinery, equipment, furniture and fixtures	31,997	172,607
Other property, plant and equipment	51,129	54,901
	<u>226,150</u>	<u>228,280</u>

13. Intangible assets

The Corporation has the subgroup intangible assets, composed of non-current assets, presented pursuant to NBC TG 04/R4 (CVM Resolution 644/10) – intangible assets, as shown in the summary below:

	Amortization rate	Parent		Consolidated	
		6/30/19	12/31/18	6/30/19	12/31/18
Goodwill	-	-	-	1,319,712	1,247,908
Trademark and patents	4.90%	22,884	22,883	1,256,400	1,115,363
Software and licenses	18.29%	32,556	35,189	37,736	39,983
Client relationship	7.65%	-	-	1,910,053	1,924,704
Right of use	5.50%	42,022	43,478	42,022	43,478
Sales channels	5.50%	234,621	242,750	234,621	242,750
Supplier relationship	6.67%	-	-	1,846,571	1,942,869
Other intangible assets	5.00%	-	-	13,556	-
		<u>332,083</u>	<u>344,300</u>	<u>6,660,671</u>	<u>6,557,055</u>

In the period ended June 30, 2019, there were no significant changes. As a result, the Management chose not to present once again the details in this Note to avoid repetitions of previously reported information. Therefore, users must read this quarterly information together with Note 15 to the financial statements for the fiscal year ended December 31, 2018.

13.1 Changes in intangible assets

Changes in the intangible assets accounts for the period ended June 30, 2019 are as follows:

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Parent Company

	Balance on December 31, 2018	Acquisition / Write- off	Amortization	Balance on June 30, 2019
Sales channels	242,750	-	(8,129)	234,621
Rights of use	43,478	-	(1,456)	42,022
Software and licenses	35,188	3,894	(6,526)	32,556
Trademarks and patents	22,884	-	-	22,884
Total	344,300	3,894	(16,111)	332,083

Consolidated

	Balance on December 31, 2018	Acquisition/ Write-off	Exchange variation	Acquisition through business combination	Amortization	Balance on June 30, 2019
Goodwill	1,247,908	-	(13,438)	85,242	-	1,319,712
Sales channel	242,750	-	-	-	(8,129)	234,621
Rights of use	43,478	-	(1)	-	(1,455)	42,022
Software and Licenses	39,983	4,902	(51)	-	(7,098)	37,736
Trademarks and patents	1,115,362	8	(7,623)	188,470	(39,817)	1,256,400
Client relationship	1,924,704	-	(21,543)	101,294	(94,402)	1,910,053
Supplier relationship	1,942,870	-	(21,112)	-	(75,187)	1,846,571
Other intangible assets	-	-	(1,874)	15,430	-	13,556
Total	6,557,055	4,910	(65,642)	390,436	(226,088)	6,660,671

The goodwill generated from acquisitions of ownership interests abroad is expressed in the business unit's functional currency and is translated at the closing rate, in accordance with NBC TG 02/R3 (CVM Resolution 540/10) – effects of changes in exchange rates and translation of accounting statements.

14. Trade payables

	Parent		Consolidated	
	6/30/19	12/31/18	6/30/19	12/31/18
Third parties	865,409	884,731	2,247,990	2,112,618
Related parties ⁽¹⁾	99,312	51,847	94,049	36,365
	964,721	936,578	2,342,039	2,148,983

(1) Most of trade and other accounts payable include balances from transactions with its Subsidiaries and other related parties, as described in Note 31 – Related parties.

15. Supply chain finance

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	Parent		Consolidated	
	6/30/19	12/31/18	6/30/19	12/31/18
Supply chain finance	177,100	182,635	177,100	182,635
	177,100	182,635	177,100	182,635

The Corporation entered into structured supply chain financing operations to extend raw material purchase terms with certain suppliers. The balance of these operations on June 30, 2019 was R\$186.4 million at an average rate of 0.79% p.m. On December 31, 2018, these operations amounted to R\$182.6 million at an average rate of 0.76% p.m.

16. Taxes payable

	Parent		Consolidated	
	6/30/19	12/31/18	6/30/19	12/31/18
Income and Social contribution taxes payable	55,178	54,274	234,355	139,531
Special tax debt installment plans	873,501	917,919	874,616	919,059
Other taxes, fees and contributions payable	94,801	98,443	126,923	120,439
	1,023,480	1,070,636	1,235,894	1,179,029
Current liabilities	236,887	238,230	433,733	345,438
Non-current liabilities	786,593	832,406	802,161	833,591

Special Tax Debt Installment Payment Plan – Laws 11,941/09, 12,865/2013, 12,996/2014, PRT MP 766/2017, PERT Law 13,496/2017, amended by MP 807/2017 and TA 120 of the state of Mato Grosso do Sul

On June 30, 2017, the Corporation signed a term for spontaneous submission of debits offset using credits under homologation with the State of Mato Grosso do Sul in TA 120, in the amount of R\$85,991, to be paid in 48 monthly installments.

On September 29, 2017 and November 14, 2017, based on Law 13,496/2017, as amended by Decree 807 of October 31, 2017, which governs the payment in installments of liabilities owed to the Federal Revenue Service (SRF), the Office of the General Counsel for the National Treasury (PGFN) and the National Social Security Institute (INSS), the Corporation adhered to the Special Tax Amnesty Program (“PERT”) for its federal tax liabilities in litigation with the aforementioned authorities. This led to the adherence to the program in an amount of R\$1,259.7 million, of which R\$550.0 million by migrating liabilities registered in Refis COPA/PRT and R\$710.0 million related to liabilities due from January 2014 to April 2017. Of the total consolidated in the program, 20% (equivalent to R\$251.9 million) was paid by December 2017, with a reduction in the outstanding liabilities due to discounts applied under PERT in the amount of R\$318.2 million and the use of income tax losses and social contribution tax loss carryforwards in the amount of R\$200.0 million, with the remaining outstanding liabilities of R\$489.6 million being paid in 145 installments of R\$3.4 million, starting January 2018.

Changes in special installment payment plans are as follows:

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	Parent		Consolidated	
	6/30/19	12/31/18	6/30/19	12/31/18
Opening balance	917,919	1,023,418	919,059	1,024,603
(+) Adhesion to the installment payment program	-	5,252	-	5,252
(-) Inflation adjustment interest	20,018	44,742	20,042	44,792
(-) Payments made / tax credits	(64,436)	(155,493)	(64,485)	(155,588)
Debt balance	<u>873,501</u>	<u>917,919</u>	<u>874,616</u>	<u>919,059</u>
Current liabilities	142,087	139,787	142,166	139,865
Non-current liabilities	731,414	778,132	732,450	779,194

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17. Loans, financing and debentures

Parent					
Credit facility	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	6/30/19	12/31/18
Local currency					
FINAME/FINEP	TJLP + Fixed Rate	5.50%	1.55	19	25
NCE/Working Capital	Fixed Rate + %CDI	8.40%	1.67	203,918	203,496
Debentures/Interest on debentures				-	610,292
Total local currency		8.40%		203,937	813,813
Foreign currency:					
NCE/Prepayment (US\$) / ACC (US\$)	Fixed Rate+ FX	6.23%	0.39	2,474,696	1,386,002
Total foreign currency		6.23%		2,474,696	1,386,002
Total loans, financing and debentures		6.40%		2,678,633	2,199,815
Current liabilities				2,529,570	1,973,511
Non-current liabilities				149,063	226,304
Consolidated					
Credit facility	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	6/30/19	12/31/18
Local currency					
FINAME/FINEP	TJLP + Fixed Rate	4.01%	0.64	3,970	6,942
NCE/Working capital	Fixed Rate+%CDI	8.40%	1.67	203,918	203,496
Total local currency		8.32%		207,888	210,438
Foreign currency					
Prepayment/NCE / ACC (US\$)	Fixed Rate + FX	6.23%	0.39	2,474,696	1,386,003
Bonds (US\$)	Fixed Rate + FX	7.09%	5.58	12,321,694	12,829,328
Bank loan (US\$)	Fixed Rate + FX	5.19%	2.20	401,706	291,757
Revolving credit facility	Fixed Rate + Libor	4.23%	2.94	1,144,408	515,824
Total foreign currency		6.71%		16,342,504	15,022,912
Total loans, financing and debentures		6.73%		16,550,392	15,233,350
Current liabilities				2,899,372	3,665,455
Non-current liabilities				13,651,020	11,567,895

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Loans, financing, debentures and interest on debentures fall due as follows:

	Parent		Consolidated	
	6/30/19	12/31/18	6/30/19	12/31/18
2019	2,020,463	1,973,511	2,363,806	3,665,463
2020	558,693	176,443	592,646	201,361
2021	99,477	49,861	191,576	178,344
2022	-	-	1,355,105	650,475
2023	-	-	1,590,270	3,815,450
2024	-	-	2,795,249	2,838,455
2025 to 2029	-	-	7,661,740	3,883,802
Total	2,678,633	2,199,815	16,550,392	15,233,350

The main type of loans and financings contracted by the Corporation is described as follows:

17.1. Senior Notes - BONDS

There were no changes in the types of loan and financing of the Corporation for the period ended June 30, 2019.

The main capital raising operation – Senior Notes – BONDS - from previous fiscal years, are described in Note 20 to the Financial Statements for the year ended December 31, 2018, with the transactions in the period ended June 30, 2019 are described below:

The 12th operation, which was concluded in May 2019, involved the issue by NBM US Holdings, Inc. of US\$1 billion in Senior Notes, with interest coupon of 7.000% p.a. and semiannual interest payments, with the principal due in 7 years (May 2026), which was assigned foreign-currency credit-risk ratings of ‘BB-’ by Standard & Poor’s (“S&P”) and ‘BB-’ by Fitch Ratings. This operation was guaranteed by Marfrig Global Foods S.A., Marb Bondco PLC, Marfrig Overseas Limited and Marfrig Holdings (Europe) B.V. and the proceeds were allocated to reducing the debt cost and lengthen the debt maturity profile.

In May 2019, the Company repurchased around US\$5.6 million, or 20.43% of the outstanding Notes of the 5th Issue and the principal of approximately US\$553.7 million, or 55.37%, of the outstanding Notes of the 7th Issue.

In June 2019, the Corporation settled the seventh operation issued by Marfrig Holdings (Europe) B.V.

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17.2. Guarantees for loans and financing:

	Parent		Consolidated	
	6/30/19	12/31/2018	6/30/19	12/31/2018
Balance of financing	2,678,633	2,199,815	16,550,392	15,233,350
Guarantees:				
Bank guarantee	-	155,870	-	155,870
Surety	486,937	440,051	519,740	475,320
Leased asset	19	25	19	25
Export document	-	-	61,763	65,943
Facilities	-	-	1,415,580	707,314
Marketable securities	-	-	30,681	3,490
Mortgage	-	-	39,919	5,972
No guarantees	2,191,677	1,603,869	14,482,690	13,819,416

17.3. Covenants

The Corporation is party to some loan and financing contracts that contain clauses requiring the maintenance of specific limits of consolidated debt, through covenants. These covenants set the limit of 4.75 for the ratio of Net Debt to EBITDA in the last 12 months. Failure to comply therewith could lead creditors to request the early maturity of the Corporation's debt.

Due to the contractual provisions (carve-out) that allow the exclusion of foreign exchange variation effects from the calculation of leverage ratio (net debt/EBITDA LTM), the Corporation clarifies that based on this methodology, the current leverage ratio (net debt/EBITDA LTM) stood at 1.04.

The leverage ratio is calculated as follows:

	6/30/19
Consolidated gross debt	16,550,392
(-) Consolidated cash and cash equivalents	6,437,813
Consolidated net debt	10,112,579
LTM EBITDA in the period ended June 30, 2019*	8,515,244
EBITDA ratio	1.19
Consolidated net debt	10,112,579
(-) Effect from exchange variation (carve-out)	1,239,191
Consolidated adjusted net debt	8,873,388
Leverage ratio	1.04

*EBITDA (LTM) is presented on a pro forma basis, including the operations/companies acquired, considering the results of the last 12 months

The Corporation did not identify any breach of its covenants as of June 30, 2019 and December 31, 2018.

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18. Lease payable

With the adoption of IFRS 16 as of January 1, 2019, the Company now also recognizes the liabilities arising from leases, previously recorded as operating leases. Measurement of lease liabilities is composed of the present value of installments and costs associated with the lease agreement.

The following table presents the breakdown of lease payables:

Lease	Parent			
	Weighted average interest rate (p.a.)	Weighted average maturity (years)	6/30/19	12/31/18
Plants, facilities and buildings	7.00%	6.5	169,678	-
Software license	13.24%	1.3	3,011	3,984
Other	12.47%	1.3	1,837	1,362
Interest to incur			(34,822)	(1,223)
Total			139,704	4,123
Current liabilities			24,383	2,545
Non-current liabilities			115,321	1,578

Lease	Consolidated			
	Weighted average interest rate (p.a.)	Weighted average maturity (years)	6/30/19	12/31/18
Plants, facilities and buildings	6.38%	5.9	220,469	-
Software license	13.24%	1.2	3,011	3,984
Other	4.23%	4.2	323,001	2,550
Interest to incur			(34,847)	(1,223)
Total			511,634	5,311
Current liabilities			113,758	3,209
Non-current liabilities			397,876	2,102

Financial charges are recognized as financial expenses and recognized based on the real discount rate, according to the remaining period of the agreement.

The following table presents the changes in lease payables:

	12/31/2018	Initial adoption	Acquisitions	Financial expense	Payments	Translation gains (losses)	Translation adjustments	6/30/19
Parent	4,123	145,784	1,745	5,377	(17,325)	-	-	139,704
Consolidated	5,311	458,859	75,251	11,525	(36,962)	-	(2,350)	511,634

The following table presents the maturity schedule of lease agreements:

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	Parent		Consolidated	
	6/30/19	12/31/18	6/30/19	12/31/18
Up to 1 year	24,383	2,545	113,758	3,208
From 1 to 5 years	104,354	1,578	375,460	2,103
More than 5 years	10,967	-	22,416	-
Total	<u>139,704</u>	<u>4,123</u>	<u>511,634</u>	<u>5,311</u>

19. Notes payable

	Parent		Consolidated	
	6/30/19	12/31/18	6/30/19	12/31/18
Notes payable for investments in Brazil (a)	343,285	378,744	343,285	378,743
Market transactions payable (b)	2,593	98,906	8,430	101,224
Related parties (c)	15,201,037	14,602,034	-	-
Other	8,033	7,500	8,033	7,500
	<u>15,554,948</u>	<u>15,087,184</u>	<u>359,748</u>	<u>487,467</u>
Current liabilities	88,812	183,205	94,649	185,522
Non-current liabilities	15,466,136	14,903,979	265,099	301,945

(a) The amount refers primarily to the balance of the acquisition of all shares in Mercomar Empreendimentos e Participações Ltda., acquired in May 2015, with final maturity scheduled for March 2024;

(b) In note 26, we break down financial instrument operations practiced by the Corporation. The Corporation and its subsidiaries are subject to market risks related to foreign exchange variations, interest rates fluctuations and commodities price variations. These represent the amount of mark-t-market adjustment of derivatives payable.

(c) The amount refers to loans with subsidiaries. A breakdown of the balance can be found in Note 31 Related-party transactions.

20. Provisions for contingencies

20.1 Provisions

The Corporation and its subsidiaries are involved in several civil, tax and labor proceedings, in the ordinary course of business, for which provisions based on legal counsel's estimates have been set up. The principal information about these proceedings is presented below:

	Parent		Consolidated	
	6/30/19	12/31/18	6/30/19	12/31/18
Labor and social security	50,345	50,345	88,851	58,358
Tax	169,021	169,021	188,432	169,021
Civil	74,227	74,227	81,297	74,288
	<u>293,593</u>	<u>293,593</u>	<u>358,580</u>	<u>301,667</u>

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The following table shows the changes in provisions in the period ended June 30, 2019:

	Parent				Consolidated			
	Labor and social security	Tax	Civil	Total	Labor and social security	Tax	Civil	Total
Balance on December 31, 2018	50,345	169,021	74,227	293,593	58,358	169,021	74,288	301,667
Addition do provision	-	-	-	-	20,007	1,926	3,794	25,727
Realization of provision	-	-	-	-	(38,685)	(1,024)	-	(39,709)
Translation gains (losses)	-	-	-	-	(5,797)	(1,993)	(506)	(8,296)
Acquisition through business combination	-	-	-	-	54,968	20,502	3,721	79,191
Balance on June 30, 2019	50,345	169,021	74,227	293,593	88,851	188,432	81,297	358,580

20.1.1 Labor and social security

As at June 30, 2019, the Corporation and its subsidiaries are parties to various labor claims. Based on the Corporation's and its subsidiaries' payment history, a provision of R\$88,851 was set up. In the opinion of the Management and legal counsel, this provision is sufficient to face probable losses. Most of the labor claims filed against the Corporation and its subsidiaries refer to matters usually questioned in this industry, such as dismissal for just cause, preparation time, breaks for personnel who work in refrigerated environments, commuting time and ergonomic risk, among others. The Management of the Corporation believes no individual labor claim is relevant.

20.1.2 Tax

Based on the opinion of its legal advisors, the Corporation revised its estimate for unmaterialized tax risks in view of certain processes and legal discussions involving the Administrative Council of Tax Appeals (CARF), in addition to decisions on matters under dispute. Management reassessed the reserve in the total amount of R\$188,432, with the main discussions including the exclusion of ICMS tax from the calculation base of PIS/COFINS, disallowance compensation of estimated IR/CS, income tax and social contribution lack of addition of profits abroad, GILRAT and ICMS proof of exports. The Corporation believes that it is entitled to the potential impacts in the event that such risks materialize.

20.1.3 Civil

Based on the opinion of legal advisors, the Management recognized on June 30, 2019 a provision for the number of shares considered to be of probable risk, totaling R\$81,297. The civil suits of the Corporation and its subsidiaries involve disputes typically related to business agreements and indemnities. The provisioned amount is substantially composed of the early termination of the agreement for sponsorship of the Brazilian National Football Teams entered into with the Brazilian Football Confederation (CBF), and reflects the adjustment of the existing risk for inflation.

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20.2 Contingent liabilities

Contingent liabilities, which are not recorded in the books of account, according to prevailing legislation, are shown below:

	Parent		Consolidated	
	6/30/19	12/31/18	6/30/19	12/31/18
Labor and social security	87,025	134,826	90,978	137,957
Tax	1,078,764	1,099,723	1,078,764	1,102,005
Civil	3,184	2,294	3,184	2,294
	1,168,973	1,236,843	1,172,926	1,242,256

20.2.1 Labor and social security

The labor and social security lawsuits in which the Corporation and its subsidiaries are parties typically involve issues usually claimed in the segment, such as dismissal without cause, preparation time, breaks for persons working in refrigerated environments, overtime, ergonomic hazards and others, which are individually insignificant.

20.2.2 Tax

The main tax matters discussed at court that in the opinion of the Management and legal counsel are rated as possible losses for the Corporation and its subsidiaries is presented below.

a) Federal Taxes and Contributions

As at June 30, 2019, the Corporation was a party to administrative proceedings and court claims filed by the Federal Government at the total historical value of R\$368,657, claiming:

- (i) No increase in taxable income and IRPJ/CSLL base for profits earned abroad in calendar year 2009, disallowance of goodwill amortization and non-subjection to tax of interest from loan agreements in force with subsidiaries abroad, in the historical amount of R\$83,910. Administrative defenses were submitted.
- (ii) Disallowance of amounts deducted from the calculation base of income and social contribution taxes for the years 2007, 2008 and 2011 in the historical amount of R\$37,450;
- (iii) The Corporation and its subsidiaries have federal tax debits, whose collection suits are individually immaterial, totaling R\$247,297.

b) State VAT – ICMS

On June 30, 2019, the Corporation had administrative proceedings, and court claims in the historical amount of R\$709,453, claiming the following:

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- (i) The most significant proceedings regarding ICMS were filed by the Finance Department of the State of São Paulo claiming amounts related to deemed credit taken on transfer invoices of goods sent by the branches located in the states of Mato Grosso do Sul and Goiás to the branches in the State of São Paulo, that is, a "Tax War". The assessed amounts correspond to the difference between the amount separately identified in the goods receiving documents at the distribution center and that paid to the State of origin. The total historical amount claimed in these proceedings is R\$550,249;
- (ii) Tax Deficiency Notices discussing the collection of ICMS taxes in the state of Goiás related to the disallowance of ICMS tax credits due to noncompliance with accessory obligations, error in the basis for calculation of the value due in ICMS taxes, failure to return credits granted after goods were returned, failure to return ICMS credits on the acquisition of inputs/goods proportionally to disbursements, failure to substantiate exports of goods abroad, which amount to a historical amount of R\$68,099;
- (iii) The Corporation and its subsidiary Pampeano are parties to administrative proceedings and legal suits, whose collection suits are individually immaterial, totaling R\$91,105.

c) Taxes on Services of Any Nature (ISSQN)

On June 30, 2019, the Corporation had tax deficiency notice issued by the municipality of Mineiros in Goiás claiming the payment of ISSQN related to the alleged retention and nonpayment of the respective tax credit levied on the provision of services received, in the historical amount of R\$654.

20.2.3 Civil

The civil suits of the Corporation and its subsidiaries involve disputes typically related to business agreements and indemnities, which are not individually relevant.

20.2.4 Additional information

Sale of the Keystone business

The Corporation is disputing the price adjustment and negotiation practices adopted by the buyer in the agreement for the sale of the business unit Keystone Foods and filed a civil lawsuit with the U.S. courts against the acquirer.

National Beef business

The Ranchers Cattlemen Action Legal Fund United Stockgrowers of America filed a class action in the United States of America, claiming that our subsidiary National Beef has, since January 2015 and jointly with other companies, engaged in practices to control cattle prices. The Corporation is assessing the topic and will present its defense in a timely manner.

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21. Shareholders' equity

21.1 Share capital

Subscribed and paid-in share capital as at June 30, 2019 and December 31, 2018 totals R\$7,427,677 and is represented by 621,279,822 common shares without par value. On the same date, 228,825,499 shares, or 36.83% of the capital was held by the controlling shareholder: Marcos Antonio Molina dos Santos, Marcia Aparecida Pascoal Marçal dos Santos and MMS Participações Ltda. (company controlled by Marcos and Marcia, each holding a 50% ownership interest). On the same date, the free float was 390,213,356 shares (of these, 209,648,427 shares are held by BNDES Participações S.A.), representing 62.81% of the Share Capital of the Corporation, in addition to 1,689,860 shares in treasury and 551,107 shares held by its Board of Directors and Executive Board, jointly representing 0.36% of the Capital.

21.2 Income reserves

21.2.1 Legal reserve

It is 5% (five per cent) of the Corporation's net income, as defined in its by-laws and current legislation.

On June 30, 2019, the Corporation did not recognize legal reserve given that the profit for the period was fully offset by the net loss. Accordingly, the balance as of June 30, 2019 remained at R\$44,476, the same as at December 31, 2018.

21.2.2 Treasury shares

On June 30, 2019, Corporation held one million, six hundred eighty-nine thousand and eight hundred sixty (1,689,860) common shares in treasury, which were booked at the amount of R\$9,314, which corresponds to an average cost of five reais and fifty-one centavos (R\$5.51) per share.

Changes in treasury shares in the period are shown in the table below:

	Held in Treasury	
	Number of shares	Value (R\$ '000)
Balance as at December 31, 2018	2,138,475	11,644
(+) Acquisition - Repurchase program	250,000	1,520
(-) Disposal - Stock options	(698,615)	(3,850)
Balance as at June 30, 2019	1,689,860	9,314

Share buyback program

Shares repurchased were held in treasury for exercise of stock options by the beneficiaries of the Corporation's Stock Option Plan and/or subsequent cancellation or sale.

On September 14, 2018, the Corporation's Board of Directors approved the use of the available capital reserve to acquire shares. The buyback program includes the acquisition of up to 12,000,000 registered, book-entry common shares without par value, limited to three percent (3%) of the Corporation's outstanding shares. The maximum period for effecting the purchase transactions is eighteen (18) months, starting on September 14, 2018 and ending on March 13, 2020.

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21.3 Other comprehensive income

This account recognizes, before being recorded in the statement of operations, translation gains (losses) resulting from the translation of interim financial statements of subsidiaries abroad, whose functional currency differs from that of the Corporation, the corresponding entries of increases or decreases in the amount attributed to asset and liability items arising from their adjustment to market price on investments in subsidiaries directly and indirectly held by the Corporation. Such accumulated effect will be transferred to the statement of operations for the year as gain or loss only upon the disposal or write-off of the investment. This account also recognized the effects from the adoption of deemed cost and currency differences in the translation of transactions abroad.

21.4 Shareholder compensation

When proposed by the Corporation, shareholder compensation is paid in the form of dividends and/or interest on equity based on the limits set by law and by the Corporation's Bylaws.

22. Net sales revenue

	Parent		Consolidated	
	6/30/19	6/30/18	6/30/19	6/30/18
Revenue from sales of products				
Domestic sales	2,711,774	2,554,585	16,949,428	5,004,878
Foreign sales	1,732,478	2,119,232	5,258,353	3,470,812
	<u>4,444,252</u>	<u>4,673,817</u>	<u>22,207,781</u>	<u>8,475,690</u>
Deductions from gross sales				
Taxes on sales	(171,061)	(134,039)	(182,177)	(118,806)
Returns and discounts	(132,866)	(172,311)	(226,794)	(178,401)
	<u>(303,927)</u>	<u>(306,350)</u>	<u>(408,971)</u>	<u>(297,207)</u>
Net sales	<u>4,140,325</u>	<u>4,367,467</u>	<u>21,798,810</u>	<u>8,178,483</u>

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23. Costs and expenses by nature

The Corporation has decided to present the statements of income by function. The breakdown by nature is below:

	Parent		Consolidated	
	6/30/19	6/30/18	6/30/19	6/30/18
Cost of sales				
Inventory costs	3,324,085	3,452,591	17,326,571	6,226,825
Depreciation and Amortization	161,355	102,375	445,134	141,373
Employee salaries and benefits	327,477	340,770	1,619,053	682,427
	3,812,917	3,895,736	19,390,758	7,050,625
Administrative expenses				
Depreciation and Amortization	17,495	17,684	141,584	18,558
Employee salaries and benefits	43,882	89,922	143,858	115,867
Other	43,804	41,705	98,313	60,050
	105,181	149,311	383,755	194,475
Selling expenses				
Depreciation and Amortization	219	228	5,932	653
Employee salaries and benefits	27,738	24,875	78,132	38,038
Freight	196,122	202,663	693,739	287,208
Other	92,106	78,940	185,520	124,855
	316,185	306,706	963,323	450,754

24. Net financial result

The Corporation's net financial income (expenses) is as follows:

	Parent		Consolidated	
	6/30/19	6/30/18	6/30/19	6/30/18
Financial income				
Market transactions	13,117	16,416	14,433	122,079
Interest received, earnings from marketable securities	36,313	23,644	85,440	47,813
Translation adjustments, discounts, interests and other	486	1,997	86,888	4,897
Total financial income	49,916	42,057	186,761	174,789
Exchange rate gains	454,496	470,717	648,134	661,463
Financial expense				
Interest, debentures and lease with financial institutions	(489,637)	(425,435)	(551,161)	(463,504)
Market transactions	-	(105,388)	(12,147)	(129,208)
Bank expenses, amortiz. cost on debt, commissions, financial discou	(346,621)	(326,326)	(418,522)	(444,155)
Total financial expense	(836,258)	(857,149)	(981,830)	(1,036,867)
Exchange rate losses	(449,876)	(482,558)	(637,075)	(787,896)
Net financial result	(781,722)	(826,933)	(784,010)	(988,511)

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25. Earnings (loss) per share

The following table shows the calculation of earnings (loss) per share for the fiscal periods ended June 30, 2019 and 2018 (in thousands, unless otherwise stated):

	<u>6/30/19</u>	<u>6/30/18</u>
Profit (loss) attributable to shareholders from continuing operations	90,824	(829,634)
Profit (loss) attributable to shareholders from discontinued operations	-	89,280
Profit (loss) attributable to shareholders from the Corporation	90,824	(740,354)
Weighted average number of shares in the period (units)	621,279,822	593,035,591
Weighted average number of shares held in treasury (units)	(1,986,585)	(446,768)
Weighted average number of outstanding common shares (units)	<u>619,293,237</u>	<u>592,588,823</u>
Basic and Diluted Earnings (Losses) (in R\$) from continuing operations	<u>0.1467</u>	<u>(1.4000)</u>
Basic and Diluted Earnings (Losses) (in R\$) from discontinued operations	<u>-</u>	<u>0.1507</u>
Earnings or losses attributable to shareholders of the Company	<u>0.1467</u>	<u>(1.2494)</u>

26. Financial instruments - risk management**26.1. Overview**

The Corporation and its subsidiaries are exposed to market risks related to exchange rate gains (losses), interest rate and commodities price fluctuations of a nature considered normal to their business. In order to minimize these risks, the Corporation has policies and procedures to minimize these exposures and may use hedging instruments, as long as previously approved by the Board of Directors.

Among the Corporation's guidelines we highlight: Monitoring levels of exposure to each market risk; measuring these risks; setting limits for making decisions and using hedging mechanisms, always aiming at minimizing the foreign exchange exposure of its debts, cash flows and interest rates.

The Corporation shall be represented exclusively by its Officers and Attorney-in-Fact, observing the limitations provided in the Bylaws, and subject to approval of the Board of Directors for acts and transactions in amounts exceeding such limit.

The Corporation only enters into transactions with derivatives or similar instruments that offer a maximum protection against: foreign currencies, interest rates and commodity prices, and also adopts a conservative policy of not entering into transactions that could affect its financial position. The Corporation does not enter into leveraged transactions with derivatives or similar instruments

The Corporation also has a sound financial policy, maintaining a high level of cash balance, cash equivalents and short-term financial investments. At the same time, the maturity of the Corporation's long-term indebtedness is such way that it is not concentrated in any single year.

26.2. Credit risk management

The Corporation and its subsidiaries are subject to credit risk. Credit risk deals with group's financial losses if a client or counterpart in a financial instrument fails to comply with contractual obligations, which arise from most receivables.

The Corporation and its subsidiaries limit their exposure by analyzing credit and managing client's portfolio, seeking to minimize the economic exposure to a certain client and/or market that may represent significant losses.

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The Global Credit Risk Policy determines the guideline for financial credit risk management based on the following:

- Limit of counterparty's credit risk concentration to 15% of total current assets;
- Investments in solid and prime financial institutions, based on their financial rating;
- Balance between assets and liabilities.

Conducted evaluations are based on information flows and follow-up of the volume of purchases in the market. The internal controls cover the assignment of credit limits.

The maximum exposure to credit risk for the Corporation and its subsidiaries are the trade accounts receivable shown in note 6, where the value of the effective risk of possible losses is presented as provision for credit risk is also shown.

Values subject to credit risk:

	Parent		Consolidated	
	6/30/19	12/31/18	6/30/19	12/31/18
Cash and cash equivalents	123,731	157,799	1,223,954	2,459,202
Marketable securities	2,212,885	1,619,387	5,213,859	4,732,504
Receivables from Brazilian clients	83,105	41,090	1,360,545	1,068,553
Receivables from foreign clients	327,862	353,059	316,615	175,287
Other receivables	148,347	35,849	443,546	195,472
Total	2,895,930	2,207,184	8,558,519	8,631,018

26.3. Liquidity risk management

Liquidity risk arises from the Corporation's and its subsidiaries' working capital management and the amortization of the principal and finance charges of debt instruments. This is the risk that the Corporation and its subsidiaries will find to settle its falling due payables.

The Corporation and its subsidiaries manage their capital based on parameters to optimize the shareholding structure focused on liquidity and leverage metrics that enable a return to shareholders over the medium term, consistent with the risks assumed in the transaction.

The main indicator for monitoring is the modified immediate liquidity ratio, which is the ratio between cash and cash equivalents and current indebtedness (short term).

	Parent		Consolidated	
	6/30/19	12/31/18	6/30/19	12/31/18
Short-term cash, cash equivalents and marketable securities	2,336,616	1,777,186	6,437,813	7,191,706
Short-term loans and financings	2,529,570	1,973,511	2,899,372	3,665,455
Modified liquidity ratio	0.92	0.90	2.22	1.96

26.4. Market risk management

The Corporation is exposed to market risks arising from commodity prices, interest rates and exchange rates. For each risk, the Corporation conducts a continuous management and sensitivity studies presented in this note.

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26.4.1 INTEREST rate risk

Interest rate risk refers to the Corporation's risk of incurring economic losses due to negative changes in interest rates. This exposure basically refers to changes in market interest rates which affect the Corporation's assets and liabilities indexed to the TJLP (long-term interest rate), LIBOR (London Interbank Offered Rate) or CDI (interbank deposit rate).

In order to reduce debt service costs, the Corporation and its subsidiaries continually monitor market interest rates to assess the need to enter into new derivative contracts to hedge its operations against the risk of fluctuations of these rates.

The Corporation currently does not have financial instruments pegged to derivatives related to interest rates, as its debt is substantially pegged to fixed interest rates.

26.4.2 Commodity price risk

In its activities, the Corporation purchases its main commodity, cattle, which is the largest individual components of its production costs and is subject to certain variables. The price of cattle acquired from third parties is directly related to market conditions, and is influenced by domestic availability and foreign market demand. To reduce the impact of risks on commodity prices, the Corporation holds cattle in feedlots and trades derivative financial instruments in the futures market, as well as other operations.

The derivative financial instruments used to hedge against commodity price risks on June 30, 2019, which are not designated for hedge accounting, are as follows:

Consolidated								
Instrument	Hedge object	Register	Maturity	Receivable	Payable	Notional(USD)	Notional(R\$)	MTM(R\$)
Futures	Fed cattle	BM&F	2019	BRL	BRL	(9,524)	(36,496)	(67)
Futures	Fed cattle	CME	2019	USD	USD	5,197	19,915	(104)
						<u>(4,327)</u>	<u>(16,581)</u>	<u>(171)</u>

26.4.3 Exchange rate risk

Exchange rate risk consists of the risk of foreign exchange fluctuations leading the Corporation and its subsidiaries to incur losses and causing a reduction in the values of assets or an increase in the values of liabilities. The Corporation's main current exchange rate exposure relates to the US dollar fluctuation against the Brazilian real.

Given that approximately 89.1% of the Corporation's revenues are denominated in currencies other than the Brazilian real, the Corporation has a natural *hedge* against the maturities of future obligations in foreign currency.

The Corporation also has a sound financial policy, maintaining a high level of cash balance and short-term financial investments with solid financial institutions.

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Assets and liabilities in foreign currency are presented as follows:

Parent			
Exposure			Effects of translation gains (losses) 2019
Description	6/30/19	12/31/18	
Operating			
Trade accounts receivable	327,862	353,059	(88,237)
Imports payable	(42,387)	(40,307)	33,204
Subtotal	285,475	312,752	(55,033)
Financial			
Loans and financing	(2,474,696)	(1,386,002)	67,460
Notes payable and receivable	230,188	204,643	(127)
Balance of banks and marketable securities (*)	858,828	734,090	(7,680)
Subtotal	(1,385,680)	(447,269)	59,653
Total	(1,100,205)	(134,517)	4,620
Translation gains			454,496
Translation losses			(449,876)
Translation gains (losses), net			4,620

(*) Refers only to banks and marketable securities that generated translation gains (losses).

Consolidated			
Description	6/30/19	12/31/18	Effects of translation gains (losses) 2019
Operating			
Trade accounts receivable	316,615	123,427	(97,484)
Imports payable	(185,299)	(129,144)	36,704
Other	(19,618)	(53,082)	4,558
Subtotal	111,698	(58,799)	(56,222)
Financial			
Loans and financing	(16,342,504)	(15,022,912)	72,469
Notes payable and receivable	222,770	196,852	(1,194)
Balance of banks and marketable securities (*)	1,014,328	1,430,217	(3,994)
Subtotal	(15,105,406)	(13,395,843)	67,281
Total	(14,993,708)	(13,454,642)	11,059
Translation gains			648,134
Translation losses			(637,075)
Translation gains (losses), net			11,059

(*) Refers only to banks and marketable securities that generated translation gains (losses).

Over the course of 2019, the Corporation contracted Non-Deliverable Forwards (NDFs) and futures contracts, all of them non-speculative in nature, to minimize the effects of the foreign exchange variation on its overseas subsidiaries, as per the breakdown below, the results of which are accounted for under the items "Exchange Rate Gains" and "Exchange Rate Losses".

Consolidated								
Instrument	Hedge object	Register	Maturity	Receivable	Payable	Notional(USD)	Notional(R\$)	MTM(R\$)
NDF	FX rate	OTC	2019	USD	GBP	5,174	19,829	414
NDF	FX rate	OTC	2020	USD	GBP	421	1,614	44
NDF	FX rate	OTC	2019	USD	CLP	8,025	30,753	227
NDF	FX rate	OTC	2019	BRL	USD	298,684	1,144,617	(1,942)
						312,304	1,196,813	(1,257)

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26.5 Sensitivity Analysis

The Management considers that the most relevant risks that could affect the Corporation's results are the volatility of exchange rates and of commodity prices. Today, fluctuations in interest rates do not affect significantly the Corporation's results, since its debt is remunerated at fixed rates.

To provide information about the behavior of market risks that the Corporation and its subsidiaries were exposed to as at June 30, 2019, three scenarios are considered one of 10% appreciation and two more scenarios with deterioration of 25% and 50% of the risk variable taken into account, denominated as Scenario I, Scenario II and Scenario III, respectively.

The following scenarios are in accordance with CVM Instruction 475 of December 17, 2008 and present the possible impacts from derivative financial instruments, considering appreciation and depreciation scenarios of the risk factors listed. The amounts presented correspond to the impact of the Mark to Market (MTM) value of the derivative financial instruments contracted for hedge purposes.

The information used in preparing these analyses was detailed in the items above. Future results to be measured could differ significantly from the estimated values if actual conditions differ from the assumptions adopted. Positive values indicate gains and negative ones indicate losses. The following table, in thousands of Brazilian reais, presents the sensitivity scenarios:

Consolidated					
Parity - US\$ x GBP		Current Scenario	Scenario I Increase of 10%	Scenario II Decrease of 25%	Scenario III Decrease of 50%
Instrument	Risk				
NDF	Appreciation of US\$	458	(1,190)	4,300	8,222
Parity - CLP x US\$		Current Scenario	Scenario I Increase of 10%	Scenario II Decrease of 25%	Scenario III Decrease of 50%
Instrument	Risco				
NDF	Depreciation of US\$	227	3,052	(7,630)	(15,261)
Parity - BRL x US\$		Current Scenario	Scenario I Increase of 10%	Scenario II Decrease of 25%	Scenario III Decrease of 50%
Instrument	Risco				
NDF	Depreciation of US\$	(1,942)	51,965	(133,965)	(266,772)
Parity - USDA Price - Cattle BRL/US\$		Current Scenario	Scenario I Increase of 10%	Scenario II Decrease of 25%	Scenario III Decrease of 50%
Instrument	Risco				
Futures	Decrease in fed cattle price	(67)	3,590	(9,208)	(18,348)
Futures	Decrease in fed cattle price	(104)	1,887	(5,083)	(10,062)
		(171)	5,477	(14,291)	(28,410)

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26.6 Financial instruments by category

The Corporation's financial assets and liabilities are classified as below:

Financial assets	Parent			
	Amortized cost		Fair value through profit or loss	
	6/30/19	12/31/18	6/30/19	12/31/18
Cash and cash equivalents	123,731	157,799	-	-
Marketable securities	2,212,885	1,619,387	-	-
Trade accounts receivable	410,967	394,149	-	-
Notes receivable - derivatives	-	-	584	-
Related parties	709,059	671,864	-	-
Total financial assets	3,456,642	2,843,199	584	-

Financial liabilities	Parent			
	Amortized cost		Fair value through profit or loss	
	6/30/19	12/31/18	6/30/19	12/31/18
Trade accounts payable and supply chain finance	1,141,821	1,119,213	-	-
Loans, financing and debentures	2,678,633	2,199,815	-	-
Finance lease	139,704	4,123	-	-
Notes payable - derivatives	-	-	2,593	98,906
Notes payable - investments Brazil	343,285	378,744	-	-
Related parties	15,201,037	14,602,034	-	-
Total financial liabilities	19,504,480	18,303,929	2,593	98,906

Financial assets	Consolidated			
	Amortized cost		Fair value through profit or loss	
	6/30/19	12/31/18	6/30/19	12/31/18
Cash and cash equivalents	1,223,954	2,459,202	-	-
Marketable securities	5,213,859	4,732,504	-	-
Trade accounts receivable	1,677,160	1,243,840	-	-
Notes receivable - derivatives	-	-	7,002	102,975
Total financial assets	8,114,973	8,435,546	7,002	102,975

Financial liabilities	Consolidated			
	Amortized cost		Fair value through profit or loss	
	6/30/19	12/31/18	6/30/19	12/31/18
Trade accounts payable and supply chain finance	2,519,139	2,331,618	-	-
Loans, financing and debentures	16,550,392	15,233,350	-	-
Finance lease	511,634	5,311	-	-
Notes payable - derivatives	-	-	8,430	101,224
Notes payable - investments Brazil	343,285	378,743	-	-
Total financial liabilities	19,924,450	17,949,022	8,430	101,224

Details of the accounting policies and methods used (including criteria for recognition, measurement bases and criteria for recognition of gains and losses) for each class of financial instruments and equity are presented in note 3.1.

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Assets and liabilities presented on the balance sheet under “notes receivable” and “notes payable” regarding derivative transactions, which are intended for equity hedging, are shown below:

	Parent		Consolidated	
	6/30/19	12/31/18	6/30/19	12/31/18
Notes receivable - derivatives (note 9)	584	-	7,002	102,975
Notes payable - derivatives (note 19)	(2,593)	(98,906)	(8,430)	(101,224)
Total, net	(2,009)	(98,906)	(1,428)	1,751

In the period ended June 30, 2019, the consolidated net financial gain was R\$13.1 million at the parent company and R\$2.2 million at the consolidated, of which R\$13.1 million and R\$14.4 million corresponded to income at the Parent Company and Consolidated respectively, and R\$12.1 million to expenses in the Consolidated.

26.7 Fair value of financial instruments

The method used by the Corporation to determine market value consists in calculating the future value based on contracted conditions and determining the present value based on market curves obtain from Bloomberg’s database, except for futures market derivatives whose fair values are calculated based on the on daily adjustments of variations in market prices of commodities and futures acting as consideration.

According to IFRS 7, the Corporation and its subsidiaries classify the measurement of fair value according to hierarchical levels which reflect the importance of indices used in such measurement, as follows:

- **Level 1:** Prices quoted in (non-adjusted) active market for identical assets and liabilities;
- **Level 2:** Other available information, except those of Level 1, where quoted prices relate to similar assets and liabilities, whether directly, by obtaining prices in active markets, or indirectly, such as evaluation techniques using active market data.
- **Level 3:** Indices used for the calculation do not derive from an active market. The Corporation and its subsidiaries do not have instruments at this measurement level.

Currently, the fair value of all the financial instruments of the Marfrig Group is reliably measured and hence these are classified as level 1 and 2, as shown below:

	Parent		Consolidated	
	Level 1	Level 2	Level 1	Level 2
Current assets				
Marketable securities	-	2,212,885	-	5,213,859
Notes receivable - derivatives	584	-	6,544	458
Non-current liabilities				
Notes payable - derivatives	(2,593)	-	(8,430)	-
Total	(2,009)	2,212,885	(1,886)	5,214,317

Management understands that the results obtained with derivative transactions are in line with the risk management strategy adopted by the Corporation and its subsidiaries.

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27. Income and social contribution taxes

Income and Social Contribution Taxes were calculated according to prevailing legislation and Federal Law 12,973/2014.

Income and Social Contribution Tax calculations and returns, when required, are open to review by tax authorities for varying statutory years in relation to the payment or filing date.

Below are the calculation and reconciliation of income and social contribution taxes in the income statements for the period:

	Parent		Consolidated	
	6/30/19	6/30/18	6/30/19	6/30/18
Net income (loss) before taxes	(267,855)	(1,359,986)	328,912	(1,179,922)
Non-controlling interest on profit or loss before taxes	-	-	453,991	148,401
Net loss before taxes - adjusted	(267,855)	(1,359,986)	(125,079)	(1,328,323)
Income and social contribution taxes - Nominal rate (34%)	91,071	462,395	42,527	451,630
Adjustments to determine the effective tax rate:				
Taxation on profit of companies abroad	36,198	35,732	132,821	35,732
Effect from differences in tax rate of companies abroad	-	-	(22,952)	(5,885)
Equity income (loss)	228,464	34,018	-	-
Other additions/exclusions	2,946	(1,793)	61,064	16,936
Total	358,679	530,352	213,460	498,413
Total current taxes	-	-	(108,925)	(26,594)
Total deferred taxes	358,679	530,352	322,385	525,007
	358,679	530,352	213,460	498,413
Effective tax rate (*)	134%	39%	171%	38%

(*) The difference between the nominal rate and the effective rate is substantially affected by the equity income (loss) on the Parent Company and the taxation on profit of companies abroad on the Consolidated.

28. Segment reporting

The Corporation established an integrated and geographically diversified business model, which consists of production units located in strategic places, combined with a broad distribution network with access to the world's main channels and consumer markets.

Currently, Marfrig operates 23 cattle processing plant in Brazil, Argentina, Uruguay and the United States, as well as a lamb processing plant in Chile. For processed products, such as beef patties, canned beef, plant-based products, etc., the Corporation has over 12 plants located in the same countries in which it has cattle processing plants.

The Corporation believes that continuous improvement in its internal processes will enable it to further enhance efficiency and cut costs, which, coupled with a result-driven management that is committed to profitable growth, will drive profitability and cash generation.

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Furthermore, to better evaluate and analyze the operating performance of its two main operating segments, the Corporation presents a new structure formed by a corporate headquarter and non-operating entities, referred to as *Corporate*. This new structure is in conformity with NBC TG 22/R2 – Reporting by segment.

	Net Revenue		Operating Income		Non-current assets	
	6/30/19	6/30/18	6/30/19	6/30/18	6/30/19	6/30/18
North America	15,364,058	-	1,113,662	-	6,435,672	3,778,174
South America	6,434,752	8,178,483	164,317	(93,834)	8,088,358	7,092,646
Corporate	-	-	(165,057)	(97,577)	1,829,968	3,870,495
Total	<u>21,798,810</u>	<u>8,178,483</u>	<u>1,112,922</u>	<u>(191,411)</u>	<u>16,353,998</u>	<u>14,741,315</u>

29. Insurance coverage

The Corporation's policy is to insure its property, plant and equipment and inventories subject to risk, at amounts deemed sufficient to cover possible losses, taking into consideration the nature of its activities and the insurance advisors' opinion.

Based on the maximum risk weighting, the Corporation does not have a policy of maintaining insurance policies to protect against lost profits, given the broad geographic distribution of its plants and the fact that its operations can be reorganized in the event that any need arises.

The risk assumptions adopted, given their nature, are not part of the scope of an audit of financial statements and, accordingly, were not reviewed by the Corporation's independent auditors.

Below is a summary of the amounts insured by the Corporation:

Description	Parent		Consolidated	
	6/30/19	12/31/18	6/30/19	12/31/18
Buildings and meatpacking plants	2,898,972	2,898,972	5,939,334	5,970,861
Inventories	446,972	446,972	952,551	956,777
Third-party warehouse	212,553	212,553	253,939	258,424
Vehicles	20,805	22,005	36,302	37,739
Transportation of goods	114,966	68,032	193,806	148,065
Officers' guarantees	27,000	193,740	50,020	217,003
Civil liability	191,610	25,500	796,460	640,578
Aircraft	15,689	224,006	398,909	611,486
Other	149,988	329,481	153,125	332,033
	<u>4,078,555</u>	<u>4,421,261</u>	<u>8,774,446</u>	<u>9,172,966</u>

30. Result from discontinued operations

▪ Divestment of the Keystone Foods business

On March 29, 2018, the Board of Directors decided to dispose of the assets of the Keystone Foods business unit and authorized the Corporation's management to make all efforts to comply with the decision.

On November 30, 2018, the Corporation concluded the transaction for sale of the Keystone Foods business to Tyson Foods, Inc. ("Tyson"). The transaction was worth R\$2.4 billion, although the amount

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Notes to the separate (Parent Company) and consolidated financial statements for the periods ended June 30, 2019 and 2018 (In thousands of Brazilian reais, except where otherwise indicated)

effectively received, as of the reporting date, by Marfrig, after contractual adjustments, such as the exclusion of Keystone Food's net debt, was US\$1.4 billion, as follows:

	R\$ '000
Sales price	9,088,080
(-) Sales price adjustment (*)	(5,007,802)
(-) Expenses with legal counsels and independent consultants	(57,681)
(=) Adjusted sales price	4,022,597
(+) Write-off of assets and other comprehensive income	1,197,409
(=) Income (loss) from the sale before taxes	5,220,006
(-) Income and social contribution taxes	(1,774,802)
(=) Profit (loss) from the operation	3,445,204

(*) A adjustment to sales price are materially due to the exclusion of the net debt of the traded companies, non-controlling interest, working capital and others, in accordance with the sale agreement.

Gains and losses in the current year related to the divested business were recorded under "Net income (loss) in the year from discontinued operations," and the gains and losses in the comparison year were reclassified pursuant to NBC TG 31/R4 (CVM Resolution 598/09) – Non-current assets held for sale and discontinued operations.

• Discontinued operations

As described in transactions for divestment of the Keystone Foods business, the result from discontinued operations and cash flow for the periods ended June 30, 2019 and 2018 are summarized as follows:

Result from discontinued operations

	Consolidated	
	6/30/19	6/30/18
Net Revenue	-	4,795,364
Cost of Goods Sold	-	(4,435,169)
Gross Profit	-	360,195
Operating and financial income (expenses)	-	(195,455)
Net operating income (loss)	-	164,740
Income and social contribution taxes	-	(66,764)
Net income from discontinued operations	-	97,976
Non-controlling interest	-	(8,696)
Net income (loss) from discontinued operations	-	89,280

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Notes to the separate (Parent Company) and consolidated financial statements for the periods ended June 30, 2019 and 2018 (In thousands of Brazilian reais, except where otherwise indicated)

Cash flow from discontinued operations

	Consolidated	
	6/30/19	6/30/18
Net income (loss) for the year	-	89,280
Non-cash items	-	179,477
From changes in equity	(49,364)	(203,373)
Used in investing activities	-	(190,227)
Used in financing activities	-	404,968
Exchange variation on cash and equivalents	-	44,651
Cash flow from discontinued operations	(49,364)	324,776
Cash from operations		(523,322)
Cash flow from discontinued operations, net of cash	(49,364)	(198,546)

31. Related-party transactions with the Parent Company

31.1. Related parties to the Parent Company

The following tables, except for transactions with controlling shareholders, show the transactions between the Corporation and its wholly owned subsidiaries:

	Parent							
	Outstanding Balance				Recognized as profit or loss			
	Amounts receivable		Amounts payable		Income		Expenses	
	6/30/19	12/31/18	6/30/19	12/31/18	6/30/19	6/30/18	6/30/19	6/30/18
Prestcott International S.A.	-	1,211	544	6,648	-	-	1,492	3,531
Establecimientos Colonia S.A.	601	6,824	620	2,329	5,833	34,781	6,587	3,556
Frigorífico Tacuarembó S.A.	1,831	3,338	21,420	35,139	2,157	555	7,072	5,516
Inaler S.A.	-	1,001	253	3,204	-	-	3,125	5,236
Marfrig Argentina S.A.	290,709	258,765	1,476	3,657	-	-	5,678	3,795
Marfrig Chile S.A.	52,402	31,435	314	71	176,567	170,385	4,795	2,086
Marfrig Holdings (Europe) BV	99	100	9,629,098	9,480,517	-	-	-	-
Marfrig Overseas Ltd.	14	15	736,733	721,723	-	-	-	-
MFG Comercializadora de Energia Ltda	13,109	12,070	-	-	-	-	21,981	18,264
Masplen Ltd	398,420	398,278	170	47	103,698	84,473	400	-
Marfrig Beef UK Limited	225,733	313,428	4,815,765	4,364,655	1,166,178	1,424,343	-	-
Marfrig Beef International Limited	30,320	6,849	-	-	-	2,393	-	-
MFG Holdings SAU	9,464	-	-	-	16,108	-	-	-
Controlling shareholders	1	5	6,794	-	10	12	-	-
Key management personnel	-	4	215	-	55	10	1,695	678
Other related parties	4	3	93,742	35,891	20	10	67,054	76,278
	1,022,707	1,033,326	15,307,144	14,653,881	1,470,626	1,716,962	119,879	118,940

The nature of related-party transactions between Marfrig Group companies is represented by commercial transactions (purchases and sales) and sending of cash for payment of such transactions, as well as for working capital.

Intercompany transactions (instruments receivable and payable) in Brazil (parent company and subsidiaries) are managed by checking accounts held between the companies based on the centralized cash system managed by the parent company. For loan transactions with subsidiaries abroad, the loan rate is 3% plus 6-month LIBOR (London Interbank Offered Rate).

MARFRIG GLOBAL FOODS S.A.

Notes to the separate (Parent Company) and consolidated financial statements for the periods ended June 30, 2019 and 2018 (In thousands of Brazilian reais, except where otherwise indicated)

Purchases and sales of products are made at market values. No guarantees or estimated losses with doubtful accounts are required. These transactions involve purchase and sale of fresh meat and cattle, poultry and lamb processed products.

Transactions between subsidiaries do not have an impact on consolidated interim financial statements, given that they are eliminated in consolidation.

31.2. Consolidated related parties

	Consolidated							
	Outstanding balance				Recognized as profit or loss			
	Accounts receivable		Accounts payable		Income		Expenses	
	6/30/19	12/31/18	6/30/19	12/31/18	6/30/19	6/30/18	6/30/19	6/30/18
Controlling shareholders	1	5	6,794	-	10	12	-	-
Key management personnel	-	3	307	429	58	12	1,695	678
Other related parties	4	3	93,742	35,936	20	10	67,054	76,278
	<u>5</u>	<u>11</u>	<u>100,843</u>	<u>36,365</u>	<u>88</u>	<u>34</u>	<u>68,749</u>	<u>76,956</u>

31.3. Controlling shareholders

A suretyship agreement was entered into with the controlling shareholder, MMS Participações Ltda., under which said shareholder guarantees certain obligations of the Corporation. These transactions were conducted on an arm's length basis and in accordance with internal guidelines formally established by the Corporation.

31.4. Other related parties

The controlling shareholders own membership interests in other entities that have businesses with Marfrig Group. The aggregate amount of transactions is represented in the table above under "other related parties." Most of transactions refer primarily to sale of animals for slaughter and to associated logistics services. These transactions are carried out on an arm's length basis, in accordance with internal guidelines formally established by the Corporation that are periodically verified by the Corporation management to attest their compliance with market conditions.

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31.5. Joint Ventures

The indirect subsidiary Beef Holdings Limited has 1 joint venture, which is recognized through the equity method of accounting.

The following table summarizes the main financial information on unconsolidated joint ventures in the interim financial statements, in accordance with NBC TG 18(R3) – Investments in associates, subsidiaries and joint ventures.

	<u>% Interest</u>	<u>Country</u>	<u>Total assets</u>	<u>Total liabilities</u>	<u>Net income (loss) in the period</u>
COFCO-Keystone Supply Chain	45.00%	China	114,693	114,917	(1)
Total			<u>114,693</u>	<u>114,917</u>	<u>(1)</u>

32. Management compensation

As permitted under NBC TG 21/R3 (CVM Resolution 673/11) and based on the recommendations in Official Letter CVM/SNC/SEP/Nº 003/2011, the Management chose not to present once again the details in its Notes of Management Compensation and sub-items (Board of Directors, Statutory Officers, Audit Board, Stock Option Plan) so as to prevent the repetition of information already reported in the financial statements for the fiscal year ended December 31, 2018, to provide a better understanding to users.

32.1 Consolidated compensation

Management and Board members compensation is made up of the compensation of eight members of the Board of Directors (the other two opted for not receiving compensation as board members, one of whom is also a member of the Statutory Board of Executive Officers and receives compensation from that body), six members of the Audit Board (there of whom are alternate members) and five officers appointed as per the Corporation’s by-laws.

The added value of the compensation received by the Corporation’s Management and Board members for their services is defined through market practices, with the participation of the Compensation, Corporate Governance and Human Resources Committee, made up exclusively of members of the Board of Directors of the Corporation, one of whom acts as Coordinator of the Committee:

	<u>6/30/19</u>	<u>6/30/18</u>
Consolidated Management compensation	12,908	20,532
Total	<u>12,908</u>	<u>20,532</u>

32.2 Stock option plan

In the period ended June 30, 2019, a total of 698,615 shares were transferred to the Management of the Corporation under the stock option plans. The changes in options exercised throughout the year are shown in the tables below:

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Notes to the separate (Parent Company) and consolidated financial statements
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Total options exercised by month		
	Number of shares exercised	Average Market Price ¹ (R\$ per share)
January/19	114	5.77
February/19	-	5.80
March/19	98,210	5.87
April/19	155,318	6.82
May/19	290,010	6.81
June/19	154,963	6.57
Options exercised - 2019	698,615	

¹ Average monthly quote disclosed by B3 S.A. - Brasil, Bolsa e Balcão, related to Marfrig's common shares, traded under ticker MRFG3.

Consolidated Changes	2019	2018
(Options)		
Opening balance	3,081,827	2,009,227
Options granted	-	2,017,344
Options exercised	(698,615)	(791,664)
Options canceled and expired	-	(153,080)
Closing balance	2,383,212	3,081,827

The expected dilution of ownership interest of current shareholders, when stock options are exercised at the vesting date, up to the limit of shares held in the treasury for this purpose, is 0.38% of all shares at June 30, 2019, as detailed in the table below:

Percentage of Dilution					
	ESP IX LP 14-15 Plan	ESP X LP 15-16 Plan	ESP XI LP 16-17 Plan	ESP XII LP 17-18 Plan	Total
Granting date	6/24/2015	11/07/2016	12/20/2017	9/25/2018	
Unexercised agreements	120,413	330,891	259,196	1,672,712	2,383,212
Treasury stock					(1,689,860)
Total shares except treasury stock					619,589,962
Percentage of dilution	0.02%	0.05%	0.04%	0.27%	0.38%

MARFRIG GLOBAL FOODS S.A.

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The Corporation recognized expenses relating to granting of plans in effect for the period ended June 30, 2019, as detailed in the table below:

Effects from the exercise of options (R\$ '000)	2019	2018
Amount received from sale of shares - Exercised options	2,083.7	2,068.5
(-) Cost of treasury shares disposed of	(3,850.6)	(4,741.3)
Effect on disposal of shares	(1,766.9)	(2,672.8)

Due to the exercise of stock options, the Corporation incurred costs with the sale of treasury shares of R\$3,851. At June 30, 2019, the book value of treasury shares was recorded under the Corporation's shareholders' equity in the amount of R\$9,314 (R\$11,644 at December 31, 2018).

The fair value of the options was measured on an indirect basis, according to the Black-Scholes pricing method, based on the following assumptions:

- **Standard deviation:** 44.79%. Volatility is measured taking into consideration the daily prices of the Corporation's shares traded on the Brazilian stock exchange (B3) under the ticker MRFG3, from January 1, 2019 to June 30, 2019;
- **Risk-free interest rate:** 6.26% p.a. The Corporation uses as risk-free interest rate the Long-Term Interest Rate (TJLP) annualized on calculation date and available on the federal revenue service website: receita.federal-idade.receita.fazenda.gov.br/orientacao/tributaria/pagamentos-e-parcelamentos/taxa-de-juros-de-longo-prazo-tjlp.

The fair value of options as of June 30, 2019 ranged between a minimum of R\$2.93 and a maximum of R\$3.92 per share for SPECIAL plans.

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for the periods ended June 30, 2019 and 2018
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Changes to the stock option programs are presented below:

Plans	Granting Date	Performance (vesting) period	Option expiration date	Options granted	Vested options	Options exercised in the period	Options cancelled and/or expired in the period	Options exercised and/or cancelled in prior periods	Unexercised agreements	Option exercise price
Options Exercised/Canceled in Previous Periods				10,950,356	7,660,247			6,923,785	3,081,827	
ESP IX LP 14-15	6/24/2015	3/3/2019	9/2/2019	395,069	395,069	157,971	0	116,685	120,413	R\$ 2.3720
ESP X LP 15-16	11/7/2016	3/3/2019	9/2/2019	306,410	306,410	154,149	0	63,820	88,441	R\$ 3.0281
ESP X LP 15-16	11/7/2016	3/3/2020	9/2/2020	306,219	29,658	0	0	63,769	242,450	R\$ 3.0281
ESP XI LP 16-17	12/20/2017	3/3/2018	9/2/2018	126,517	126,517	114	0	126,403	0	R\$ 3.3592
ESP XI LP 16-17	12/20/2017	3/3/2019	9/2/2019	126,517	126,517	75,251	0	14,982	36,284	R\$ 3.3592
ESP XI LP 16-17	12/20/2017	3/3/2020	9/2/2020	126,517	7,368	0	0	14,982	111,535	R\$ 3.3592
ESP XI LP 16-17	12/20/2017	3/3/2021	9/2/2021	126,337	7,368	0	0	14,960	111,377	R\$ 3.3592
ESP XII LP 17-18	9/25/2018	3/3/2019	9/2/2019	504,385	504,385	311,130	0	8,378	184,877	R\$ 3.1789
ESP XII LP 17-18	9/25/2018	3/3/2020	9/2/2020	504,385	0	0	0	8,378	496,007	R\$ 3.1789
ESP XII LP 17-18	9/25/2018	3/3/2021	9/2/2021	504,385	0	0	0	8,378	496,007	R\$ 3.1789
ESP XII LP 17-18	9/25/2018	3/3/2022	9/2/2022	504,189	0	0	0	8,368	495,821	R\$ 3.1789
Total on	6/30/2019			10,950,356	8,922,718	698,615	0	7,868,529	2,383,212	

Plans	Granting Date	Market value of unvested options at the end of the period (R\$ '000)	Market value of outstanding vested options at the end of the period (R\$ '000)	Effects in the result of the period in case of recognition (R\$ '000)
ESP IX LP 14-15	6/24/2015	471.8	471.8	378.1
		471.8	471.8	378.1
ESP X LP 15-16	11/7/2016	288.5	288.5	219.7
ESP X LP 15-16	11/7/2016	823.7	0.0	602.2
		1,112.2	288.5	821.8
ESP XI LP 16-17	12/20/2017	n/a	n/a	0.0
ESP XI LP 16-17	12/20/2017	106.3	106.3	78.1
ESP XI LP 16-17	12/20/2017	344.9	0.0	240.1
ESP XI LP 16-17	12/20/2017	377.2	0.0	239.7
		828.5	106.3	557.9
ESP XII LP 17-18	9/25/2018	575.2	575.2	431.3
ESP XII LP 17-18	9/25/2018	1,615.9	0.0	1,157.2
ESP XII LP 17-18	9/25/2018	1,747.9	0.0	1,157.2
ESP XII LP 17-18	9/25/2018	1,872.7	0.0	1,156.7
		5,811.7	575.2	3,902.3
Total on	6/30/2019	8,224.2	1,441.8	5,660.2

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33. Additional information of the cash flow statements

In compliance with NBC TG 03/R3 – Statement of Cash Flows, the following table presents the changes in liabilities from financing activities arising from cash and non-cash flows:

Description	Parent					Balance on 6/30/19
	Balance on 12/31/18		Non-cash changes			
	Cash flow	Adoption IFRS 16	Exchange rate fluctuation	Changes in fair value		
Loans, financing and debentures	2,199,815	519,994	-	(67,460)	26,284	2,678,633
Lease payable	4,123	(15,580)	145,784	-	5,377	139,704
Capital reserves, options granted and treasury shares	47,614	2,330	-	-	(2,083)	47,861
	<u>2,251,552</u>	<u>506,744</u>	<u>145,784</u>	<u>(67,460)</u>	<u>29,578</u>	<u>2,866,198</u>

Description	Consolidated					Balance on 6/30/19	
	Balance on 12/31/18		Non-cash changes				
	Cash flow	Business combination	Adoption IFRS 16	Exchange rate fluctuation	Changes in fair value		
Loans, financing and debentures	15,233,350	832,519	85,458	-	(280,386)	679,451	16,550,392
Lease payable	5,311	(4,046)	-	501,298	(2,454)	11,525	511,634
Capital reserves, options granted and treasury shares	47,614	2,330	-	-	-	(2,083)	47,861
	<u>15,286,275</u>	<u>830,803</u>	<u>85,458</u>	<u>501,298</u>	<u>(282,840)</u>	<u>688,893</u>	<u>17,109,887</u>

34. Events after the reporting period

Agreement for production and marketing of vegetable protein products in Brazil

On August 06, 2019, the company has entered into an exclusive agreement with U.S. giant Archer Daniels Midland Company (ADM) for the production and distribution of plant-based protein products in Brazil.

The agreement between Marfrig and ADM establishes the companies will work jointly on the development of plant-based products. The U.S. company will be responsible for producing and supplying the plant-based raw materials used in the process. Meanwhile, Marfrig will produce, distribute and sell the products in the food service and retail channels.

Production of plant-based burgers in Brazil will be launched at Marfrig’s unit in Várzea Grande, Mato Grosso. The plant-based raw materials will be shipped directly from ADM’s plant to Marfrig’s plant.

The first plant-based burgers to be produced under the partnership between Marfrig and ADM will reach the Brazilian market by the end of this year and later also will be exported. In this first phase of the launch, products will be supplied to food service clients. Later, the vegetable hamburger will be sold in retail channels. Marfrig will launch a specific brand for its plant-based products.

Sustainable Transition Bond

On July 30, 2019, the Corporation informed that its subsidiary NBM US Holdings, Inc. (“Issuer”) concluded on said date an offer of senior notes in the international market (“Sustainable Transition Bond”), in the aggregate amount of US\$500 million. Demand for the issue exceeded the amount offered by three times, primarily from investors in Europe, the United States and Asia.

MARFRIG GLOBAL FOODS S.A.

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The Sustainable Transition Bond due in 2029 was issued with an interest coupon of 6.625% p.a. and was assigned foreign-currency credit-risk ratings of “BB-” by Standard & Poor's and of “BB-” by Fitch Ratings.

The transaction is guaranteed by Marfrig Global Foods S.A., MARB BondCo PLC, Marfrig Holdings (Europe) B.V. and Marfrig Overseas Limited.

The proceeds will be invested in the sourcing of cattle from the Amazon biome, specifically from the states of Mato Grosso, Pará and Rondônia, that meet specific criteria for controlling deforestation, the non-use of indigenous lands and the eradication of forced and child labor through increased control of cattle traceability, drawing on the innovations developed by the Corporation.

End of negotiations between Marfrig and BRF S.A.

On July 11, 2019, the Corporation informed the end of negotiations for the combination of all its operations with those of BRF S.A. The end of negotiations was motivated by the fact that the managements of Marfrig and BRF S.A. had not reached an agreement with regard to the governance of the entity resulting from the potential implementation of the Operation.

The Corporation reaffirms that the end referred to above will not affect any commercial partnerships existing between the Corporation and BRF S.A.

Upgrade of credit risk rating

On July 4, 2019, the Corporation informed that the risk rating agency Moody's upgraded its credit rating from 'B2' to 'B1', with a stable outlook, based on the improvement in its leverage profile after concluding the acquisition of control of National Beef formalizing the divestment of Keystone Foods, in addition to the strategy to focus more on value-added products and to the better performance of the North America operation.

The agency also affirmed that the new credit rating considers the evolution observed in the Corporation's corporate governance practices. “Marfrig revised its Code of Ethics and Conduct and its Anticorruption Policy, implementing new governance policies, including clear formal financial policies on liquidity risk (limit concentration of short-term debt maturities and cash) and leverage targets.”

* * *

Statement of Executive Officers on the Financial Statements

Statement of Executive Officers on the Financial Statements

In compliance with the provisions of CVM Instruction 480, the Board of Executive Officers declares that it has discussed, reviewed and agreed to the financial statements related to the second quarter of 2019 fiscal year.

Sao Paulo, August 14, 2019.

Executive Officers:

José Eduardo de Oliveira Miron
Chief Executive Officer

Marco Antonio Spada
Chief Administrative and Financial and IR

Heraldo Geres
Chief Legal Officer

Fabio Taiate Cunha Vasconcellos
Chief Planning and Management Officer

Tang David
Executive Officer

Rodrigo Marçal Filho
Executive Officer

Statement of Executive Officers on the Independent Auditors Report

Statement of Executive Officers on the Independent Auditors Report

In compliance with the provisions of CVM Instruction 480, the Board of Executive Officers declares that it has discussed, reviewed and agreed with the opinions expressed in the Independent Auditors Report on the financial statements related to the second quarter of 2019 fiscal year.

Sao Paulo, August 14, 2019.

Executive Officers:

José Eduardo de Oliveira Miron
Chief Executive Officer

Marco Antonio Spada
Chief Administrative and Financial and IR

Heraldo Geres
Chief Legal Officer

Fabio Taiate Cunha Vasconcellos
Chief Planning and Management Officer

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