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Identification / Capital Stock Breakdown

Number of shares (Units)	Current Quarter 09.30.16
Paid-in Capital	
Common	812,473,246
Preferred	-
Total	812,473,246
Treasury Shares	
Common	13,497,520
Preferred	-
Total	13,497,520

Identification / Earnings Distribution

Event	Approval	Corporate action	Begin payments	Type os shares	Earning per share
Executive Board Meeting	December 17, 2015	Dividend	February 12, 2016	Common	0.11290
Executive Board Meeting	December 17, 2015	Interest on shareholders' equity	February 12, 2016	Common	0.58446
Executive Board Meeting	February 25, 2016	Dividend	April 01, 2016	Common	0.12175
Executive Board Meeting	June 30, 2016	Interest on shareholders' equity	August 15, 2016	Common	0.64235

Individual FS /Balance Sheet Assets
(in thousands of Brazilian Reais)

Account Code	Account Description	Current Quarter 09.30.16	Previous Year 12.31.15
1	Total Assets	41,129,261	38,019,602
1.01	Current Assets	16,392,672	12,212,817
1.01.01	Cash and Cash Equivalents	1,600,757	845,085
1.01.02	Marketable Securities	385,885	197,807
1.01.02.01	Financial Investments Evaluated at Fair Value	308,207	197,807
1.01.02.01.01	Held for Trading	308,207	197,807
1.01.02.02	Marketable Securities Evaluated at Amortized Cost	77,678	-
1.01.02.02.01	Held to Maturity	77,678	-
1.01.03	Trade Accounts Receivable	7,472,442	5,230,261
1.01.03.01	Trade Accounts Receivable	7,292,491	4,948,745
1.01.03.02	Other Receivables	179,951	281,516
1.01.04	Inventories	3,550,885	2,703,330
1.01.05	Biological Assets	1,550,988	1,322,317
1.01.06	Recoverable Taxes	938,466	1,074,175
1.01.06.01	Current Recoverable Taxes	938,466	1,074,175
1.01.08	Other Current Assets	893,249	839,842
1.01.08.02	Assets of Discontinued Operations	26,376	32,442
1.01.08.02.01	Assets of Discontinued Operations and Held for Sale	26,376	32,442
1.01.08.03	Other	866,873	807,400
1.01.08.03.01	Interest on Shareholders' Equity Receivable	10,155	23,138
1.01.08.03.02	Derivatives	263,649	118,680
1.01.08.03.04	Accounts Receivable from Disposal of Equity Interest	43,992	78,801
1.01.08.03.06	Restricted Cash	124,079	-
1.01.08.03.10	Other	424,998	586,781
1.02	Non-current Assets	24,736,589	25,806,785
1.02.01	Non-current Assets	5,350,339	5,044,128
1.02.01.01	Financial Investments Evaluated at Fair Value	278,400	385,700
1.02.01.01.02	Available for Sale	278,400	385,700
1.02.01.02	Marketable Securities Valued at Amortized Cost	-	70,338
1.02.01.02.01	Held to Maturity	-	70,338
1.02.01.03	Trade Accounts Receivable	174,477	232,223
1.02.01.03.01	Trade Accounts Receivable	9,222	4,133
1.02.01.03.02	Other Receivables	165,255	228,090
1.02.01.05	Biological Assets	835,727	760,267
1.02.01.06	Deferred Taxes	1,145,778	1,248,880
1.02.01.06.01	Deferred Income Tax and Social Contribution	1,145,778	1,248,880
1.02.01.09	Other Non-current Assets	2,915,957	2,346,720
1.02.01.09.03	Judicial Deposits	891,437	725,324
1.02.01.09.04	Recoverable Taxes	1,456,585	942,147
1.02.01.09.06	Accounts Receivable from Disposal of Equity Interest	40,703	74,164
1.02.01.09.07	Restricted Cash	414,161	479,828
1.02.01.09.08	Other	113,071	125,257
1.02.02	Investments	5,179,950	7,210,114
1.02.02.01	Investments	5,179,950	7,210,114
1.02.02.01.01	Equity in Associates	25,510	27,004
1.02.02.01.02	Interest on Wholly-owned Subsidiaries	5,153,333	7,182,003
1.02.02.01.04	Other	1,107	1,107
1.02.03	Property, Plant and Equipment, Net	10,734,751	10,100,986
1.02.03.01	Property, Plant and Equipment in Operation	9,737,925	9,264,458
1.02.03.02	Property, Plant and Equipment Leased	175,267	120,696
1.02.03.03	Property, Plant and Equipment in Progress	821,559	715,832
1.02.04	Intangible	3,471,549	3,451,557
1.02.04.01	Intangible	3,471,549	3,451,557
1.02.04.01.02	Software	151,590	149,938
1.02.04.01.03	Trademarks	1,173,000	1,173,000
1.02.04.01.04	Other	24,925	10,048
1.02.04.01.05	Goodwill	2,096,587	2,096,587
1.02.04.01.06	Software Leased	25,447	21,984

Individual FS /Balance Sheet Liabilities
(in thousands of Brazilian Reais)

Account Code	Account Description	Current Quarter 09.30.16	Previous Year 12.31.15
2	Total Liabilities	41,129,261	38,019,602
2.01	Current Liabilities	13,552,414	10,350,198
2.01.01	Social and Labor Obligations	182,862	104,724
2.01.01.01	Social Obligations	107,924	15,031
2.01.01.02	Labor Obligations	74,938	89,693
2.01.02	Trade Accounts Payable	5,740,601	5,199,319
2.01.02.01	Domestic Suppliers	4,616,013	3,933,753
2.01.02.01.01	Domestic Suppliers	4,183,492	3,248,156
2.01.02.01.02	Supply Chain Finance	432,521	685,597
2.01.02.02	Foreign Suppliers	1,124,588	1,265,566
2.01.02.02.01	Foreign Suppliers	733,984	776,569
2.01.02.02.02	Supply Chain Finance	390,604	488,997
2.01.03	Tax Obligations	284,747	196,780
2.01.03.01	Federal Tax Obligations	38,195	82,999
2.01.03.01.02	Other Federal	38,195	82,999
2.01.03.02	State Tax Obligations	243,775	110,912
2.01.03.03	Municipal Tax Obligations	2,777	2,869
2.01.04	Short Term Debts	3,428,023	2,525,646
2.01.04.01	Short Term Debts	3,428,023	2,525,646
2.01.04.01.01	Local Currency	1,752,406	1,462,046
2.01.04.01.02	Foreign Currency	1,675,617	1,063,600
2.01.05	Other Obligations	3,085,553	1,737,973
2.01.05.01	Advances from related parties	2,123,854	17,492
2.01.05.01.04	Advances from related parties	2,123,854	17,492
2.01.05.02	Other	961,699	1,720,481
2.01.05.02.01	Dividends and Interest on Shareholders' Equity Payable	2,317	518,450
2.01.05.02.04	Derivatives	799,309	619,874
2.01.05.02.05	Management and Employees Profit Sharing	4,780	264,633
2.01.05.02.08	Other Obligations	155,293	317,524
2.01.06	Provisions	830,628	585,756
2.01.06.01	Tax, Social Security, Labor and Civil Risk Provisions	328,484	223,766
2.01.06.01.01	Tax Risk Provisions	121,368	47,923
2.01.06.01.02	Social Security and Labor Risk Provisions	184,630	153,210
2.01.06.01.04	Civil Risk Provisions	22,486	22,633
2.01.06.02	Other Provisons	502,144	361,990
2.01.06.02.04	Vacations & Christmas Bonuses Provisions	434,880	294,726
2.01.06.02.05	Employee Benefits Provisions	67,264	67,264
2.02	Non-current Liabilities	15,190,888	14,152,627
2.02.01	Long-term Debt	12,146,479	11,054,455
2.02.01.01	Long-term Debt	12,146,479	11,054,455
2.02.01.01.01	Local Currency	5,271,352	2,357,579
2.02.01.01.02	Foreign Currency	6,875,127	8,696,876
2.02.02	Other Obligations	1,858,264	1,909,243
2.02.02.01	Liabilities with Related Parties	1,007,703	1,208,007
2.02.02.01.04	Advances from Related Parties and Other Liabilities	1,007,703	1,208,007
2.02.02.02	Other	850,561	701,236
2.02.02.02.06	Other Obligations	850,561	701,236

Individual FS /Balance Sheet Liabilities
(in thousands of Brazilian Reais)

Account Code	Account Description	Current Quarter 09.30.16	Previous Year 12.31.15
2.02.04	Provisions	1,186,145	1,188,929
2.02.04.01	Tax, Social Security, Labor and Civil Risk Provisions	924,912	957,149
2.02.04.01.01	Tax Risk Provisions	141,870	190,908
2.02.04.01.02	Social Security and Labor Risk Provisions	200,048	206,258
2.02.04.01.04	Civil Risk Provision	79,628	43,041
2.02.04.01.05	Contingent Liability	503,366	516,942
2.02.04.02	Other Provisons	261,233	231,780
2.02.04.02.04	Employee Benefits Provisions	261,233	231,780
2.03	Shareholders' Equity	12,385,959	13,516,777
2.03.01	Paid-in Capital	12,460,471	12,460,471
2.03.02	Capital Reserves	(688,516)	(3,940,955)
2.03.02.01	Goodwill on the Shares Issuance	166,192	174,014
2.03.02.04	Granted Options	215,411	160,323
2.03.02.05	Treasury Shares	(723,438)	(3,947,933)
2.03.02.07	Gain on Disposal of Shares	(58,381)	(39,059)
2.03.02.08	Goodwill on Acquisition of Non-Controlling Entities	(47,417)	(47,417)
2.03.02.09	Acquisition of Non-Controlling Entities	(240,883)	(240,883)
2.03.04	Profit Reserves	1,797,837	6,076,775
2.03.04.01	Legal Reserves	540,177	540,177
2.03.04.02	Statutory Reserves	646,601	5,019,408
2.03.04.07	Tax Incentives Reserve	611,059	517,190
2.03.05	Accumulated Earnings	(6,128)	-
2.03.08	Other Comprehensive Income	(1,177,705)	(1,079,514)
2.03.08.01	Derivative Financial Intruments	(541,475)	(1,123,196)
2.03.08.02	Financial Instruments (Available for Sale)	(65,348)	(8,466)
2.03.08.03	Cumulative Translation Adjustments of Foreign Currency	(602,053)	32,277
2.03.08.04	Actuarial Losses	31,171	19,871

Individual FS / Statement of Income
(in thousands of Brazilian Reais)

Account Code	Account Description	Current Quarter 07.01.16 to 09.30.16	Accumulated Current Year 01.01.16 to 09.30.16	Previous Quarter 07.01.15 to 09.30.15	Accumulated Previous Year 01.01.15 to 09.30.15
3.01	Net Sales	7,556,235	21,486,392	6,830,498	19,417,613
3.02	Cost of Goods Sold	(5,756,246)	(16,482,915)	(4,995,621)	(14,338,859)
3.03	Gross Profit	1,799,989	5,003,477	1,834,877	5,078,754
3.04	Operating (Expenses) Income	(1,281,934)	(4,609,295)	208,067	(993,660)
3.04.01	Selling	(952,941)	(2,781,980)	(1,006,434)	(2,886,403)
3.04.02	General and Administrative	(79,094)	(223,213)	(92,957)	(228,779)
3.04.04	Other Operating Income	73,609	143,189	187,918	216,436
3.04.05	Other Operating Expenses	(101,405)	(282,342)	(394,214)	(832,880)
3.04.06	Income from Associates and Joint Ventures	(222,103)	(1,464,949)	1,513,754	2,737,966
3.05	Income Before Financial and Tax Results	518,055	394,182	2,042,944	4,085,094
3.06	Financial Results	(416,004)	(237,152)	(1,590,662)	(2,707,184)
3.06.01	Financial Income	42,195	2,298,748	732,499	1,431,041
3.06.02	Financial Expenses	(458,199)	(2,535,900)	(2,323,161)	(4,138,225)
3.07	Income Before Taxes	102,051	157,030	452,282	1,377,910
3.08	Income and Social Contribution	(83,978)	(69,289)	234,663	135,120
3.08.01	Current	13,811	(230,080)	22,785	26,583
3.08.02	Deferred	(97,789)	160,791	211,878	108,537
3.09	Net Income from Continued Operations	18,073	87,741	686,945	1,513,030
3.10	Net Income from Discontinued Operations	-	-	190,160	183,088
3.10.01	Net Income/Loss of Discontinued Operations, Net	-	-	190,160	183,088
3.11	Net Income	18,073	87,741	877,105	1,696,118
3.99	Earnings per Share - (Brazilian Reais/Share)				
3.99.01	Earnings per Share - Basic				
3.99.01.01	ON	0.02251	0.10928	1.03285	1.99730
3.99.02	Earning per Share - Diluted				
3.99.02.01	ON	0.02251	0.10928	1.03225	1.99613

Individual FS / Statement of Comprehensive Income
(in thousands of Brazilian Reais)

Account Code	Account Description	Current Quarter 07.01.16 to 09.30.16	Accumulated Current Year 01.01.16 to 09.30.16	Previous Quarter 07.01.15 to 09.30.15	Accumulated Previous Year 01.01.15 to 09.30.15
4.01	Net Income	18,073	87,741	877,105	1,696,118
4.02	Other Comprehensive Income	(211,999)	(98,191)	(344,057)	(396,125)
4.02.01	Gains (Losses) in Foreign Currency Translation Adjustments	20,977	(634,330)	412,264	523,532
4.02.02	Unrealized Gains (Losses) in Available for Sale Marketable Securities	12,023	(92,575)	(16,635)	1,588
4.02.03	Taxes on unrealized gains (losses) on investments on available for sale	(4,319)	35,693	518	451
4.02.04	Unrealized gains (losses) on cash flow hedge	(373,864)	876,483	(1,151,012)	(1,440,815)
4.02.05	Taxes on unrealized gains (losses) on cash flow hedge	129,417	(294,762)	389,160	488,497
4.02.06	Actuarial gains (losses) on pension and post-employment plans	5,706	17,121	32,801	46,397
4.02.07	Taxes on realized gains (losses) on pension post-employment plans	(1,939)	(5,821)	(11,153)	(15,775)
4.03	Comprehensive Income	(193,926)	(10,450)	533,048	1,299,993

Individual FS / Statement of Cash Flow
(in thousands of Brazilian Reais)

Account Code	Account Description	Accumulated Current Year 01.01.16 to 09.30.16	Accumulated Previous Year 01.01.15 to 09.30.15
6.01	Net Cash Provided by Operating Activities	306,020	2,400,208
6.01.01	Cash from Operations	1,169,328	3,751,205
6.01.01.01	Net Income for the Period	87,741	1,513,030
6.01.01.03	Depreciation and Amortization	557,573	492,655
6.01.01.04	Depreciation and Depletion of Biological Assets	484,382	405,509
6.01.01.05	Results on Disposals of Property, Plant and Equipments	(8,401)	31,809
6.01.01.07	Deferred Income Tax	(160,791)	(108,537)
6.01.01.08	Provision for Tax, Civil and Labor Risks	221,687	55,766
6.01.01.09	Other Provisions	(41,583)	791,700
6.01.01.10	Interest and Exchange Rate Variations	(1,436,229)	3,307,239
6.01.01.11	Equity Pick-Up	1,464,949	(2,737,966)
6.01.02	Changes in Operating Assets and Liabilities	(863,308)	(1,379,304)
6.01.02.01	Trade Accounts Receivable	(2,321,854)	(937,996)
6.01.02.02	Inventories	(829,567)	(673,018)
6.01.02.03	Trade Accounts Payable	1,047,819	1,210,638
6.01.02.04	Supply Chain Finance	(430,968)	-
6.01.02.05	Payment of Tax, Civil and Labor Risks Provisions	(243,178)	(141,453)
6.01.02.06	Others Rights and Obligations	1,895,601	169,847
6.01.02.07	Investment in Held for Trading Securities	(198,662)	(76,873)
6.01.02.08	Redemption of Held for Trading Securities	118,088	192,674
6.01.02.11	Other Financial Assets and Liabilities	897,196	(666,689)
6.01.02.12	Payment of Interest	(580,730)	(332,199)
6.01.02.14	Interest on Shareholders' Equity Received	11,618	14,834
6.01.02.15	Biological assets - Current	(228,671)	(139,069)
6.01.03	Other	-	28,307
6.01.03.01	Net Cash Provided by Operating Activities from Discontinued Operations	-	28,307
6.02	Net Cash Provided by Investing Activities	(1,895,237)	235,501
6.02.05	Redemptions of Restricted Cash (Investments)	(58,412)	(343,802)
6.02.06	Additions to Property, Plant and Equipment	(1,290,888)	(1,000,147)
6.02.07	Receivable from Disposals of Property, Plant and Equipment	62,624	173,337
6.02.08	Capital increase in subsidiaries	-	(93,824)
6.02.09	Additions to Intangible	(46,392)	(24,469)
6.02.10	Additions to Biological Assets - Non-current	(561,228)	(423,301)
6.02.11	Investments in Associates and Joint Venturies	(941)	(1,296)
6.02.15	Receivable from discontinued operations, net of transferred cash	-	1,977,310
6.02.17	Net Cash Applied in Investing Activities from Discontinued Operations	-	(28,307)
6.03	Net Cash Provided by Financing Activities	2,346,122	(3,230,403)
6.03.01	Proceeds from Debt Issuance	4,997,042	3,877,874
6.03.02	Payment of Debt	(1,449,457)	(3,817,617)
6.03.03	Dividends and Interest on Shareholders' Equity Paid	(663,051)	(889,113)
6.03.06	Treasury Shares Acquisition	(543,258)	(2,491,668)
6.03.07	Treasury Shares Disposal	4,846	90,121
6.04	Exchange Rate Variation on Cash and Cash Equivalents	(1,233)	62,675
6.05	Increase (Decrease) in Cash and Cash Equivalents	755,672	(532,019)
6.05.01	At the Beginning of the Period	845,085	1,979,357
6.05.02	At the End of the Period	1,600,757	1,447,338

Individual FS / Statement of Changes in Shareholders' Equity for the Period from 01/01/2016 to 09/30/2016 (in thousands of Brazilian Reais)

Account Code	Account Description	Capital Stock	Capital Reserves, Granted Options and Treasury Shares	Profit Reserves	Retained Earnings	Other Comprehensive Income	Shareholders' Equity
5.01	Balance at January 1, 2016	12,460,471	(3,940,955)	6,076,775	-	(1,079,514)	13,516,777
5.03	Opening Balance Adjusted	12,460,471	(3,940,955)	6,076,775	-	(1,079,514)	13,516,777
5.04	Share-based Payments	-	3,252,439	(4,372,807)	-	-	(1,120,368)
5.04.03	Options Granted	-	55,088	-	-	-	55,088
5.04.04	Treasury Shares Acquired	-	(543,258)	-	-	-	(543,258)
5.04.05	Treasury Shares Sold	-	6,371	-	-	-	6,371
5.04.06	Dividends	-	-	(98,210)	-	-	(98,210)
5.04.07	Interest on Shareholders' Equity	-	-	(513,215)	-	-	(513,215)
5.04.08	Gain on Disposal of Shares	-	(1,525)	-	-	-	(1,525)
5.04.09	Treasury Shares Canceled	-	3,761,382	(3,761,382)	-	-	-
5.04.10	Valuation of Shares	-	(7,822)	-	-	-	(7,822)
5.04.11	Options Canceled	-	(17,797)	-	-	-	(17,797)
5.05	Total Comprehensive Income	-	-	-	87,741	(98,191)	(10,450)
5.05.01	Net Income for the Period	-	-	-	87,741	-	87,741
5.05.02	Other Comprehensive Income	-	-	-	-	(98,191)	(98,191)
5.05.02.01	Financial Instruments Adjustments	-	-	-	-	876,483	876,483
5.05.02.02	Tax on Financial Instruments Adjustments	-	-	-	-	(294,762)	(294,762)
5.05.02.06	Unrealized Loss in Available for Sale Marketable Securities	-	-	-	-	(92,575)	(92,575)
5.05.02.07	Tax on Unrealized Loss in Available for Sale Marketable Securities	-	-	-	-	35,693	35,693
5.05.02.08	Actuarial Gains on Pension and Post-employment Plans	-	-	-	-	11,300	11,300
5.05.02.09	Cumulative Translation Adjustments of Foreign Currency	-	-	-	-	(634,330)	(634,330)
5.06	Statements of Changes in Shareholders' Equity	-	-	93,869	(93,869)	-	-
5.06.08	Tax Incentives Reserve	-	-	93,869	(93,869)	-	-
5.07	Balance at September 30, 2016	12,460,471	(688,516)	1,797,837	(6,128)	(1,177,705)	12,385,959

Individual FS / Statement of Changes in Shareholders' Equity for the Period from 01/01/2015 to 09/30/2015 (in thousands of Brazilian Reais)

Account Code	Account Description	Capital Stock	Capital Reserves, Granted Options and Treasury Shares	Profit Reserves	Retained Earnings	Other Comprehensive Income	Shareholders' Equity
5.01	Balance at January 1, 2015	12,460,471	(195,428)	3,945,825	-	(620,391)	15,590,477
5.03	Opening Balance Adjusted	12,460,471	(195,428)	3,945,825	-	(620,391)	15,590,477
5.04	Share-based Payments	-	(2,558,515)	-	(425,859)	-	(2,984,374)
5.04.03	Options Granted	-	50,672	-	-	-	50,672
5.04.04	Treasury Shares Acquired	-	(2,491,668)	-	-	-	(2,491,668)
5.04.05	Treasury Shares Sold	-	121,735	-	-	-	121,735
5.04.07	Interest on Shareholders' Equity	-	-	-	(425,859)	-	(425,859)
5.04.08	Gain on Disposal of Shares	-	(31,614)	-	-	-	(31,614)
5.04.10	Valuation of shares	-	111,247	-	-	-	111,247
5.04.12	Acquisition of Non-Controlling Entities	-	(318,887)	-	-	-	(318,887)
5.05	Total Comprehensive Income	-	-	-	1,696,118	(396,125)	1,299,993
5.05.01	Net Income for the Period	-	-	-	1,696,118	-	1,696,118
5.05.02	Other Comprehensive Income	-	-	-	-	(396,125)	(396,125)
5.05.02.01	Financial Instruments Adjustments	-	-	-	-	(1,440,815)	(1,440,815)
5.05.02.02	Tax on Financial Instruments Adjustments	-	-	-	-	488,497	488,497
5.05.02.06	Unrealized Gain in Available for Sale Marketable Securities	-	-	-	-	2,039	2,039
5.05.02.08	Actuarial gains on pension and post-employment plans	-	-	-	-	30,622	30,622
5.05.02.09	Cumulative Translation Adjustments of Foreign Currency	-	-	-	-	523,532	523,532
5.06	Statements of Changes in Shareholders' Equity	-	-	97,819	(97,819)	-	-
5.06.08	Tax Incentives Reserve	-	-	97,819	(97,819)	-	-
5.07	Balance at September 30, 2015	12,460,471	(2,753,943)	4,043,644	1,172,440	(1,016,516)	13,906,096

Individual FS / Statement of Value Added
(in thousands of Brazilian Reais)

Account Code	Account Description	Accumulated Current Year 01.01.16 to 09.30.16	Accumulated Previous Year 01.01.15 to 09.30.15
7.01	Revenues	24,565,726	21,732,629
7.01.01	Sales of Goods, Products and Services	23,556,757	21,465,681
7.01.02	Other Income	(99,843)	(332,021)
7.01.03	Revenue Related to Construction of Own Assets	1,081,831	917,247
7.01.04	(Provision) Reversal for Doubtful Accounts Reversal	26,981	(318,278)
7.02	Raw Material Acquired from Third Parties	(16,107,769)	(13,873,861)
7.02.01	Costs of Products and Goods Sold	(13,016,456)	(11,208,422)
7.02.02	Materials, Energy, Third Parties Services and Other	(3,109,301)	(2,658,576)
7.02.03	Recovery (Loss) of Assets Values	17,988	(6,863)
7.03	Gross Added Value	8,457,957	7,858,768
7.04	Retentions	(1,041,955)	(898,164)
7.04.01	Depreciation, Amortization and Exhaustion	(1,041,955)	(898,164)
7.05	Net Added Value	7,416,002	6,960,604
7.06	Received from Third Parties	835,578	4,169,834
7.06.01	Equity Pick-Up	(1,464,949)	2,737,966
7.06.02	Financial Income	2,298,748	1,431,041
7.06.03	Other	1,779	827
7.07	Added Value to be Distributed	8,251,580	11,130,438
7.08	Distribution of Added Value	8,251,580	11,130,438
7.08.01	Payroll	3,070,940	3,098,692
7.08.01.01	Salaries	2,318,523	2,395,641
7.08.01.02	Benefits	589,861	544,764
7.08.01.03	Government Severance Indemnity Fund for Employees Guarantee Fund for Length of Service - FGTS	162,556	158,287
7.08.02	Taxes, Fees and Contributions	2,389,901	2,199,818
7.08.02.01	Federal	1,158,873	1,024,621
7.08.02.02	State	1,205,394	1,149,912
7.08.02.03	Municipal	25,634	25,285
7.08.03	Capital Remuneration from Third Parties	2,702,998	4,318,898
7.08.03.01	Interests	2,568,424	4,153,816
7.08.03.02	Rents	134,574	165,082
7.08.04	Interest on Own Capital	87,741	1,513,030
7.08.04.01	Interest on Shareholders' Equity	513,215	425,859
7.08.04.02	Dividends	98,210	-
7.08.04.03	Retained Earnings	(523,684)	1,087,171

Consolidated FS / Balance Sheet Assets
(in thousands of Brazilian Reais)

Account Code	Account Description	Current Quarter 09.30.16	Previous Year 12.31.15
1	Total Assets	43,126,498	40,388,014
1.01	Current Assets	19,075,276	19,180,049
1.01.01	Cash and Cash Equivalents	5,773,267	5,362,890
1.01.02	Marketable Securities	792,218	734,711
1.01.02.01	Financial Investments Evaluated at Fair Value	687,874	734,711
1.01.02.01.01	Held for Trading	376,631	375,562
1.01.02.01.02	Available for Sale	311,243	359,149
1.01.02.02	Marketable Securities Evaluated at Amortized Cost	104,344	-
1.01.02.02.01	Held to Maturity	104,344	-
1.01.03	Trade Accounts Receivable	3,143,918	4,180,024
1.01.03.01	Trade Accounts Receivable	2,963,966	3,876,308
1.01.03.02	Other Receivables	179,952	303,716
1.01.04	Inventories	5,378,452	4,032,911
1.01.05	Biological Assets	1,574,257	1,329,861
1.01.06	Recoverable Taxes	1,163,602	1,231,759
1.01.06.01	Current Recoverable Taxes	1,163,602	1,231,759
1.01.08	Other Current Assets	1,249,562	2,307,893
1.01.08.02	Assets of Discontinued Operations	42,058	32,448
1.01.08.02.01	Assets of Discontinued Operations and Held for Sale	42,058	32,448
1.01.08.03	Other	1,207,504	2,275,445
1.01.08.03.01	Interest on Shareholders' Equity Receivable	8,172	21,586
1.01.08.03.02	Derivatives	265,466	129,387
1.01.08.03.04	Accounts Receivable from Disposal of Equity Interest	43,992	78,801
1.01.08.03.06	Restricted Cash	308,815	1,346,274
1.01.08.03.10	Other	581,059	699,397
1.02	Non-current Assets	24,051,222	21,207,965
1.02.01	Non-current Assets	5,627,944	5,095,410
1.02.01.01	Financial Investments Evaluated at Fair Value	278,400	385,700
1.02.01.01.02	Available for Sale	278,400	385,700
1.02.01.02	Marketable Securities Evaluated at Amortized Cost	146,202	70,338
1.02.01.02.01	Held to Maturity	146,202	70,338
1.02.01.03	Trade Accounts Receivable	175,331	234,914
1.02.01.03.01	Trade Accounts Receivable	9,222	4,133
1.02.01.03.02	Other Receivables	166,109	230,781
1.02.01.05	Biological Assets	861,879	761,022
1.02.01.06	Deferred Taxes	1,212,175	1,255,976
1.02.01.06.01	Deferred Income Tax and Social Contribution	1,212,175	1,255,976
1.02.01.09	Other Non-current Assets	2,953,957	2,387,460
1.02.01.09.03	Judicial Deposits	898,072	732,106
1.02.01.09.04	Recoverable Taxes	1,480,698	968,705
1.02.01.09.06	Accounts Receivable from Disposal of Equity Interest	40,703	74,164
1.02.01.09.07	Restricted Cash	414,161	479,828
1.02.01.09.08	Other	120,323	132,657
1.02.02	Investments	84,738	185,892
1.02.02.01	Investments	84,738	185,892
1.02.02.01.01	Equity in Associates	83,372	184,416
1.02.02.01.04	Other	1,366	1,476
1.02.03	Property, Plant and Equipment, Net	11,710,786	10,915,752
1.02.03.01	Property, Plant and Equipment in Operation	10,545,716	10,005,274
1.02.03.02	Property, Plant and Equipment Leased	177,356	120,696
1.02.03.03	Property, Plant and Equipment in Progress	987,714	789,782
1.02.04	Intangible	6,627,754	5,010,911
1.02.04.01	Intangible	6,627,754	5,010,911
1.02.04.01.02	Software	174,875	180,292
1.02.04.01.03	Trademarks	1,313,588	1,372,018
1.02.04.01.04	Other	524,782	658,515
1.02.04.01.05	Goodwill	4,589,062	2,778,102
1.02.04.01.06	Software Leased	25,447	21,984

Consolidated FS / Balance Sheet Liabilities
(in thousands of Brazilian Reais)

Account Code	Account Description	Current Quarter 09.30.16	Previous Year 12.31.15
2	Total Liabilities	43,126,498	40,388,014
2.01	Current Liabilities	13,572,057	11,621,113
2.01.01	Social and Labor Obligations	251,306	159,189
2.01.01.01	Social Obligations	136,878	29,382
2.01.01.02	Labor Obligations	114,428	129,807
2.01.02	Trade Accounts Payable	6,731,766	5,919,587
2.01.02.01	Domestic Suppliers	4,627,366	3,933,757
2.01.02.01.01	Domestic Suppliers	4,194,845	3,248,160
2.01.02.01.02	Supply Chain Finance	432,521	685,597
2.01.02.02	Foreign Suppliers	2,104,400	1,985,830
2.01.02.02.01	Foreign Suppliers	1,713,796	1,496,833
2.01.02.02.02	Supply Chain Finance	390,604	488,997
2.01.03	Tax Obligations	403,027	353,278
2.01.03.01	Federal Tax Obligations	124,460	177,911
2.01.03.01.01	Income Tax and Social Contribution Payable	71,303	80,692
2.01.03.01.02	Other Federal	53,157	97,219
2.01.03.02	State Tax Obligations	275,583	172,497
2.01.03.03	Municipal Tax Obligations	2,984	2,870
2.01.04	Short Term Debts	4,164,277	2,628,179
2.01.04.01	Short Term Debts	4,164,277	2,628,179
2.01.04.01.01	Local Currency	1,752,406	1,462,046
2.01.04.01.02	Foreign Currency	2,411,871	1,166,133
2.01.05	Other Obligations	1,148,578	1,943,481
2.01.05.02	Other	1,148,578	1,943,481
2.01.05.02.01	Dividends and Interest on Shareholders' Equity Payable	2,426	518,450
2.01.05.02.04	Derivatives	828,089	666,602
2.01.05.02.05	Management and Employees Profit Sharing	9,716	296,292
2.01.05.02.08	Other Obligations	308,347	462,137
2.01.06	Provisions	873,103	617,399
2.01.06.01	Tax, Social Security, Labor and Civil Risk Provisions	333,140	231,389
2.01.06.01.01	Tax Risk Provisions	121,617	49,228
2.01.06.01.02	Social Security and Labor Risk Provisions	189,037	159,528
2.01.06.01.04	Civil Risk Provisions	22,486	22,633
2.01.06.02	Other Provisons	539,963	386,010
2.01.06.02.04	Vacations and Christmas Bonuses Provisions	472,699	318,746
2.01.06.02.05	Employee Benefits Provisions	67,264	67,264
2.02	Non-current Liabilities	16,859,681	14,931,048
2.02.01	Long-term Debt	14,445,070	12,551,104
2.02.01.01	Long-term Debt	14,445,070	12,551,104
2.02.01.01.01	Local Currency	5,271,352	2,357,579
2.02.01.01.02	Foreign Currency	9,173,718	10,193,525
2.02.02	Other Obligations	1,020,283	985,384
2.02.02.02	Other	1,020,283	985,384
2.02.02.02.06	Other Obligations	1,020,283	985,384
2.02.03	Deferred Taxes	149,299	188,320
2.02.03.01	Deferred Income Tax and Social Contribution	149,299	188,320

Consolidated FS / Balance Sheet Liabilities
(in thousands of Brazilian Reais)

Account Code	Account Description	Current Quarter 09.30.16	Previous Year 12.31.15
2.02.04	Provisions	1,245,029	1,206,240
2.02.04.01	Tax, Social Security, Labor and Civil Risk Provisions	983,796	974,460
2.02.04.01.01	Tax Risk Provisions	168,486	191,268
2.02.04.01.02	Social Security and Labor Risk Provisions	222,280	217,495
2.02.04.01.04	Civil Risk Provision	85,647	43,068
2.02.04.01.05	Contingent Liabilities	507,383	522,629
2.02.04.02	Other Provisons	261,233	231,780
2.02.04.02.04	Employee Benefits Provisions	261,233	231,780
2.03	Shareholders' Equity	12,694,760	13,835,853
2.03.01	Paid-in Capital	12,460,471	12,460,471
2.03.02	Capital Reserves	(688,516)	(3,940,955)
2.03.02.01	Goodwill on the Shares Issuance	166,192	174,014
2.03.02.04	Granted Options	215,411	160,323
2.03.02.05	Treasury Shares	(723,438)	(3,947,933)
2.03.02.07	Gain on Disposal of Shares	(58,381)	(39,059)
2.03.02.08	Goodwill on Acquisition of Non-Controlling Shareholders	(47,417)	(47,417)
2.03.02.09	Acquisition of Non-Controlling Shareholders	(240,883)	(240,883)
2.03.04	Profit Reserves	1,797,837	6,076,775
2.03.04.01	Legal Reserves	540,177	540,177
2.03.04.02	Statutory Reserves	646,601	5,019,408
2.03.04.07	Tax Incentives Reserve	611,059	517,190
2.03.05	Accumulated Earnings / Loss	(6,128)	-
2.03.08	Other Comprehensive Income	(1,177,705)	(1,079,514)
2.03.08.01	Derivative Financial Instruments	(541,475)	(1,123,196)
2.03.08.02	Financial Instrument (Available for Sale)	(65,348)	(8,466)
2.03.08.03	Cumulative Translation Adjustments of Foreign Currency	(602,053)	32,277
2.03.08.04	Actuarial Losses	31,171	19,871
2.03.09	Non-controlling Interest	308,801	319,076

Consolidated FS / Statement of Income
(in thousands of Brazilian Reais)

Account Code	Account Description	Current Quarter 07.01.16 to 09.30.16	Accumulated Current Year 01.01.16 to 09.30.16	Previous Quarter 07.01.15 to 09.30.15	Accumulated Previous Year 01.01.15 to 09.30.15
3.01	Net Sales	8,507,743	25,142,641	8,280,949	23,241,825
3.02	Cost of Goods Sold	(6,623,395)	(19,309,310)	(5,679,716)	(15,952,313)
3.03	Gross Profit	1,884,348	5,833,331	2,601,233	7,289,512
3.04	Operating (Expenses) Income	(1,415,841)	(4,181,022)	(1,631,980)	(4,621,538)
3.04.01	Selling	(1,254,721)	(3,692,441)	(1,237,400)	(3,475,359)
3.04.02	General and Administrative	(138,058)	(414,118)	(143,464)	(365,881)
3.04.04	Other Operating Income	79,071	214,953	191,018	236,127
3.04.05	Other Operating Expenses	(111,123)	(315,132)	(399,557)	(906,772)
3.04.06	Income from Associates and Joint Ventures	8,990	25,716	(42,577)	(109,653)
3.05	Income Before Financial and Tax Results	468,507	1,652,309	969,253	2,667,974
3.06	Financial Results	(424,742)	(1,532,724)	(524,775)	(1,288,946)
3.06.01	Financial Income	96,016	1,883,465	1,700,229	3,231,611
3.06.02	Financial Expenses	(520,758)	(3,416,189)	(2,225,004)	(4,520,557)
3.07	Income Before Taxes	43,765	119,585	444,478	1,379,028
3.08	Income and Social Contribution	(27,421)	(44,700)	234,743	134,375
3.08.01	Current	19,151	(258,363)	4,686	(5,058)
3.08.02	Deferred	(46,572)	213,663	230,057	139,433
3.09	Net Income from Continued Operations	16,344	74,885	679,221	1,513,403
3.10	Net Income from Discontinued Operations	-	-	190,160	183,088
3.10.01	Net Income/Loss of Discontinued Operations, Net	-	-	190,160	183,088
3.11	Net Income	16,344	74,885	869,381	1,696,491
3.11.01	Attributable to: Controlling Shareholders	18,073	87,741	877,105	1,696,118
3.11.02	Attributable to: Non-controlling Interest	(1,729)	(12,856)	(7,724)	373
3.99	Earnings per share - (Brazilian Reais/Share)				
3.99.01	Earnings per Share - Basic				
3.99.01.01	ON	0.02036	0.09327	1.02376	1.99774
3.99.02	Earning per Share - Diluted				
3.99.02.01	ON	0.02036	0.09327	1.02316	1.99657

Consolidated FS / Statement of Comprehensive Income
(in thousands of Brazilian Reais)

Account Code	Account Description	Current Quarter 07.01.16 to 09.30.16	Accumulated Current Year 01.01.16 to 09.30.16	Previous Quarter 07.01.15 to 09.30.15	Accumulated Previous Year 01.01.15 to 09.30.15
4.01	Net Income	16,344	74,885	869,381	1,696,491
4.02	Other Comprehensive Income	(211,999)	(98,191)	(344,057)	(396,125)
4.02.01	Gains (Losses) in Foreign Currency Translation Adjustments	20,977	(634,330)	412,264	523,532
4.02.02	Unrealized Gains (Losses) in Available for Sale Marketable Securities	12,023	(92,575)	(16,635)	1,588
4.02.03	Taxes on unrealized gains (losses) on investments on available for sale	(4,319)	35,693	518	451
4.02.04	Unrealized gains (losses) on cash flow hedge	(373,864)	876,483	(1,151,012)	(1,440,815)
4.02.05	Taxes on unrealized gains (losses) on cash flow hedge	129,417	(294,762)	389,160	488,497
4.02.06	Actuarial gains (losses) on pension and post-employment plans	5,706	17,121	32,801	46,397
4.02.07	Taxes on realized gains (losses) on pension post-employment plans	(1,939)	(5,821)	(11,153)	(15,775)
4.03	Comprehensive Income	(195,655)	(23,306)	525,324	1,300,366
4.03.01	Attributable to: BRF Shareholders	(193,926)	(10,450)	533,048	1,299,993
4.03.02	Attributable to: Non-Controlling Shareholders	(1,729)	(12,856)	(7,724)	373

Consolidated FS / Statement of Cash Flow
(in thousands of Brazilian Reais)

Account Code	Account Description	Accumulated Current Year 01.01.16 to 09.30.16	Accumulated Previous Year 01.01.15 to 09.30.15
6.01	Net Cash Provided by Operating Activities	1,123,252	3,791,546
6.01.01	Cash from Operations	859,623	5,607,157
6.01.01.01	Net Income for the Period	87,741	1,513,030
6.01.01.02	Non-controlling Interest	(12,856)	373
6.01.01.03	Depreciation and Amortization	687,172	566,178
6.01.01.04	Depreciation and Depletion of Biological Assets	501,973	406,660
6.01.01.05	Results on Disposals of Property, Plant and Equipments	(10,655)	29,226
6.01.01.06	Gain on the Acquisition of Equity Interest	(58,812)	-
6.01.01.07	Deferred Income Tax	(213,663)	(139,433)
6.01.01.08	Provision for Tax, Civil and Labor Risks	221,931	48,670
6.01.01.09	Other Provisions	(15,555)	800,040
6.01.01.10	Interest and Exchange Rate Variations	(301,937)	2,272,760
6.01.01.11	Equity Pick-Up	(25,716)	109,653
6.01.02	Changes in Operating Assets and Liabilities	263,629	(1,818,031)
6.01.02.01	Trade Accounts Receivable	1,360,533	(622,699)
6.01.02.02	Inventories	(1,012,021)	(1,194,965)
6.01.02.03	Trade Accounts Payable	949,900	1,456,211
6.01.02.04	Supply Chain Finance	(351,469)	-
6.01.02.05	Payment of Tax, Civil and Labor Risks Provisions	(243,178)	(141,453)
6.01.02.06	Others Rights and Obligations	(462,322)	(78,127)
6.01.02.07	Investment in Held for Trading Securities	(814,102)	(244,067)
6.01.02.08	Redemption of Held for Trading Securities	809,834	224,859
6.01.02.11	Other Financial Assets and Liabilities	901,887	(640,339)
6.01.02.12	Payment of Interest	(654,159)	(445,246)
6.01.02.13	Payment of Income Tax and Social Contribution	(2,500)	(6,267)
6.01.02.14	Interest on Shareholders' Equity Received	11,618	14,834
6.01.02.15	Biological Assets - Current	(226,526)	(140,772)
6.01.02.16	Interest Received	(3,866)	-
6.01.03	Other	-	2,420
6.01.03.01	Net Cash Provided by Operating Activities from Discontinued Operations	-	2,420
6.02	Net Cash Provided by Investing Activities	(3,782,012)	253,089
6.02.01	Marketable Securities	(172,868)	-
6.02.03	Investment in Available for Sale Securities	-	(1,100)
6.02.04	Redemptions of Available for Sale Securities	-	72,445
6.02.05	Redemptions of Restricted Cash (Investments)	1,103,126	(343,802)
6.02.06	Additions to Property, Plant and Equipment	(1,425,023)	(1,062,409)
6.02.07	Receivable from Disposals of Property, Plant and Equipment	85,066	208,036
6.02.09	Additions to Intangible	(48,351)	(25,585)
6.02.10	Additions to Biological Assets - Non-current	(582,618)	(424,036)
6.02.11	Investments in Associates and Joint Venturies	(941)	(61,178)
6.02.12	Business Combination, net of cash	(2,740,403)	(74,287)
6.02.15	Receivable from discontinued operations, net of transferred cash	-	1,977,310
6.02.17	Net Cash Applied in Investing Activities from Discontinued Operations	-	(12,305)
6.03	Net Cash Provided by Financing Activities	3,479,926	(3,623,606)
6.03.01	Proceeds from Debt Issuance	7,051,554	4,825,522
6.03.02	Payment of Debt	(1,909,790)	(5,158,468)
6.03.03	Dividends and Interest on Shareholders' Equity Paid	(1,123,426)	(889,113)
6.03.04	Cash Excess Retained by the Discontinued Operations	-	(20,038)
6.03.06	Treasury Shares Acquisition	(543,258)	(2,491,668)
6.03.07	Treasury Shares Disposal	4,846	90,121
6.03.10	Net Cash Provided by Financing Activities from Discontinued Operations	-	20,038
6.04	Exchange Rate Variation on Cash and Cash Equivalents	(410,789)	1,296,130
6.05	Decrease (Increase) in Cash and Cash Equivalents	410,377	1,717,159
6.05.01	At the Beginning of the Period	5,362,890	6,006,942
6.05.02	At the End of the Period	5,773,267	7,724,101

Consolidated FS / Statement of Changes in Shareholders' Equity for the Period from 01/01/2016 to 09/30/2016 (in thousands of Brazilian Reais)

Account Code	Account Description	Capital Stock	Capital Reserves, Granted Options and Treasury Shares	Profit Reserves	Retained Earnings	Other Comprehensive Income	Shareholders' Equity	Participation of Non-Controlling Shareholders	Total Shareholders' Equity
5.01	Balance at January 1, 2016	12,460,471	(3,940,955)	6,076,775	-	(1,079,514)	13,516,777	319,076	13,835,853
5.03	Opening Balance Adjusted	12,460,471	(3,940,955)	6,076,775	-	(1,079,514)	13,516,777	319,076	13,835,853
5.04	Share-based Payments	-	3,252,439	(4,372,807)	-	-	(1,120,368)	2,581	(1,117,787)
5.04.03	Options Granted	-	55,088	-	-	-	55,088	-	55,088
5.04.04	Treasury Shares Acquired	-	(543,258)	-	-	-	(543,258)	-	(543,258)
5.04.05	Treasury Shares Sold	-	6,371	-	-	-	6,371	-	6,371
5.04.06	Dividends	-	-	(98,210)	-	-	(98,210)	-	(98,210)
5.04.07	Interest on Shareholders' Equity	-	-	(513,215)	-	-	(513,215)	-	(513,215)
5.04.08	Gain on Disposal of Shares	-	(1,525)	-	-	-	(1,525)	-	(1,525)
5.04.09	Treasury Shares Canceled	-	3,761,382	(3,761,382)	-	-	-	-	-
5.04.10	Valuation of Shares	-	(7,822)	-	-	-	(7,822)	-	(7,822)
5.04.11	Options Canceled	-	(17,797)	-	-	-	(17,797)	-	(17,797)
5.04.13	Participation of Non-Controlling Shareholders'	-	-	-	-	-	-	2,581	2,581
5.05	Total Comprehensive Income	-	-	-	87,741	(98,191)	(10,450)	(12,856)	(23,306)
5.05.01	Net Income for the Period	-	-	-	87,741	-	87,741	(12,856)	74,885
5.05.02	Other Comprehensive Income	-	-	-	-	(98,191)	(98,191)	-	(98,191)
5.05.02.01	Financial Instruments Adjustments	-	-	-	-	876,483	876,483	-	876,483
5.05.02.02	Tax on Financial Instruments Adjustments	-	-	-	-	(294,762)	(294,762)	-	(294,762)
5.05.02.06	Unrealized Loss in Available for Sale Marketable Securities	-	-	-	-	(92,575)	(92,575)	-	(92,575)
5.05.02.07	Tax on Unrealized Loss in Available for Sale Marketable Securities	-	-	-	-	35,693	35,693	-	35,693
5.05.02.08	Actuarial Gains on Pension and Post-employment Plans	-	-	-	-	11,300	11,300	-	11,300
5.05.02.09	Cumulative Translation Adjustments of Foreign Currency	-	-	-	-	(634,330)	(634,330)	-	(634,330)
5.06	Statements of Changes in Shareholders' Equity	-	-	93,869	(93,869)	-	-	-	-
5.06.08	Tax Incentives Reserve	-	-	93,869	(93,869)	-	-	-	-
5.07	Balance at September 30, 2016	12,460,471	(688,516)	1,797,837	(6,128)	(1,177,705)	12,385,959	308,801	12,694,760

Consolidated FS / Statement of Changes in Shareholders' Equity for the Period from 01/01/2015 to 09/30/2015 (in thousands of Brazilian Reais)

Account Code	Account Description	Capital Stock	Capital Reserves, Granted Options and Treasury Shares	Profit Reserves	Retained Earnings	Other Comprehensive Income	Shareholders' Equity	Participation of Non-Controlling Shareholders	Total Shareholders' Equity
5.01	Balance at January 1, 2015	12,460,471	(195,428)	3,945,825	-	(620,391)	15,590,477	99,466	15,689,943
5.03	Opening Balance Adjusted	12,460,471	(195,428)	3,945,825	-	(620,391)	15,590,477	99,466	15,689,943
5.04	Share-based Payments	-	(2,558,515)	-	(425,859)	-	(2,984,374)	227,110	(2,757,264)
5.04.03	Options Granted	-	50,672	-	-	-	50,672	-	50,672
5.04.04	Treasury Shares Acquired	-	(2,491,668)	-	-	-	(2,491,668)	-	(2,491,668)
5.04.05	Treasury Shares Sold	-	121,735	-	-	-	121,735	-	121,735
5.04.07	Interest on Shareholders' Equity	-	-	-	(425,859)	-	(425,859)	-	(425,859)
5.04.08	Gain on Disposal of Shares	-	(31,614)	-	-	-	(31,614)	-	(31,614)
5.04.10	Valuation of shares	-	111,247	-	-	-	111,247	-	111,247
5.04.12	Acquisition of Non-Controlling Entities	-	(318,887)	-	-	-	(318,887)	-	(318,887)
5.04.13	Participation of Non-Controlling Shareholders'	-	-	-	-	-	-	227,110	227,110
5.05	Total Comprehensive Income	-	-	-	1,696,118	(396,125)	1,299,993	373	1,300,366
5.05.01	Net Income for the Period	-	-	-	1,696,118	-	1,696,118	373	1,696,491
5.05.02	Other Comprehensive Income	-	-	-	-	(396,125)	(396,125)	-	(396,125)
5.05.02.01	Financial Instruments Adjustments	-	-	-	-	(1,440,815)	(1,440,815)	-	(1,440,815)
5.05.02.02	Tax on Financial Instruments Adjustments	-	-	-	-	488,497	488,497	-	488,497
5.05.02.06	Unrealized Gain in Available for Sale Marketable Securities	-	-	-	-	2,039	2,039	-	2,039
5.05.02.08	Actuarial gains on pension and post-employment plans	-	-	-	-	30,622	30,622	-	30,622
5.05.02.09	Cumulative Translation Adjustments of Foreign Currency	-	-	-	-	523,532	523,532	-	523,532
5.06	Statements of Changes in Shareholders' Equity	-	-	97,819	(97,819)	-	-	-	-
5.06.08	Tax Incentives Reserve	-	-	97,819	(97,819)	-	-	-	-
5.07	Balance at September 30, 2015	12,460,471	(2,753,943)	4,043,644	1,172,440	(1,016,516)	13,906,096	326,949	14,233,045

Consolidated FS / Statement of Value Added
(in thousands of Brazilian Reais)

Account Code	Account Description	Accumulated Current Year 01.01.16 to 09.30.16	Accumulated Previous Year 01.01.15 to 09.30.15
7.01	Revenues	28,705,969	25,816,534
7.01.01	Sales of Goods, Products and Services	27,488,443	25,523,388
7.01.02	Other Income	(54,842)	(354,056)
7.01.03	Revenue Related to Construction of Own Assets	1,242,252	975,359
7.01.04	(Provision) Reversal for Doubtful Accounts Reversal	30,116	(328,157)
7.02	Raw Material Acquired from Third Parties	(19,344,504)	(15,669,589)
7.02.01	Costs of Products and Goods Sold	(15,469,231)	(12,542,882)
7.02.02	Materials, Energy, Third Parties Services and Other	(3,864,098)	(3,105,523)
7.02.03	Recovery of Assets Values	(11,175)	(21,184)
7.03	Gross Added Value	9,361,465	10,146,945
7.04	Retentions	(1,189,145)	(972,838)
7.04.01	Depreciation, Amortization and Exhaustion	(1,189,145)	(972,838)
7.05	Net Added Value	8,172,320	9,174,107
7.06	Received from Third Parties	1,911,019	3,122,840
7.06.01	Equity Pick-Up	25,716	(109,653)
7.06.02	Financial Income	1,883,465	3,231,611
7.06.03	Other	1,838	882
7.07	Added Value to be Distributed	10,083,339	12,296,947
7.08	Distribution of Added Value	10,083,339	12,296,947
7.08.01	Payroll	3,614,282	3,528,534
7.08.01.01	Salaries	2,779,785	2,764,979
7.08.01.02	Benefits	665,359	602,288
7.08.01.03	Government Severance Indemnity Fund for Employees Guarantee Fund for Length of Service - FGTS	169,138	161,267
7.08.02	Taxes, Fees and Contributions	2,709,916	2,496,315
7.08.02.01	Federal	1,439,904	1,257,751
7.08.02.02	State	1,236,225	1,204,609
7.08.02.03	Municipal	33,787	33,955
7.08.03	Capital Remuneration from Third Parties	3,684,256	4,758,695
7.08.03.01	Interests	3,448,713	4,536,330
7.08.03.02	Rents	235,543	222,365
7.08.04	Interest on Own Capital	74,885	1,513,403
7.08.04.01	Interest on Shareholders' Equity	513,215	425,859
7.08.04.02	Dividends	98,210	-
7.08.04.03	Retained Earnings	(523,684)	1,087,171
7.08.04.04	Non-Controlling Interest	(12,856)	373



MANAGEMENT REPORT ON THE RESULTS

IN THE THIRD QUARTER 2016

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GENERAL INFORMATION

MARKET VALUE

R$44,2 billion
US$13,6 billion

PRICES

BRFS3 R$55,32
BRFS US$17,06

SHARES ISSUED

812.473.246 common shares
13.497.520 treasury shares
Base: September 30, 2016

WEBCAST

Date: October 28, 2016
09:00 a.m. Portuguese
10:30 a.m. English

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SHAREHOLDER LETTER

Dear shareholders,,

In the third quarter of 2016, the business environment was more challenging than we expected, negatively affecting our results in the short term. We noted a gradual improvement in the industry scenario, with the main industry variables evolving positively to the direction we predicted by the end of the second quarter. Despite this, the evolution happened at a slower pace than expected and, additionally, we were negatively impacted by the real appreciation.

In this quarter, the appreciation of the Real offset the positive impact of the gradual recovery of prices in U.S. dollars. Notwithstanding the decline in corn price with Brazil's second corn crop (safrinha), prices remained high and uncorrelated to international prices. As a result, Brazil lost its competitiveness in the global trade at a time when the level of local inventories of important importing countries (such as Saudi Arabia, Japan, and Europe) is high. Moreover, notwithstanding the signs of gradual recovery, the Brazilian macroeconomic scenario remains weak, negatively affecting volumes and the mix of products.

Nonetheless, we believe that this scenario corroborates: (i) our long-term strategy, as the business in which we succeeded to advance in the value chain showed more resilience; (ii) our ability to mitigate the negative effects of the cycle through initiatives to reduce costs and expenses, improving our manufacturing, operating and commercial efficiency; and (iii) our confidence that we will begin 2017 even stronger compared to our competitors. For the next quarters, we believe that the industry scenario will continue to improve due to: (i) the adjustment of the supply of chicken, according to public data regarding production and placement; (ii) the gradual convergence of corn prices towards levels that are close to the export parity; and (iii) the recovery of the Brazilian economy.

Looking to the future, we reaffirm our purpose to "Feed the World" and our strategic direction to GROW through INNOVATION. In Brazil, in addition to consolidating our execution and level of service, innovating will be key to: (i) protect our market positioning; (ii) accelerate our growth and leadership in key categories; and (iii) bet on the growth and expansion of new product categories. In international markets, we see a large growth potential, including the opening of and entry in new markets or advances in the value chain and consolidation of our positioning as a global company.

In line with the global expansion and growth strategy of the Sadia Halal project, we entered into a collaboration agreement with one of the largest business groups in Malaysia. In addition to the access to a market of almost US$2 billion, with a high growth potential, Malaysia can serve as a global trade platform, as it is a party to a number of trade agreements in the region, with a recognized Halal certification standard.

Finally, we reaffirm our confidence that BRF is even more efficient, lean, agile, and well positioned to leverage the benefits of the ongoing improvement in the industry. We remain focused on the execution of our long-term strategy, emphasizing innovation and growth.



Abilio Diniz
Chairman of the
Board of Directors



Pedro Faria
Global Chief
Executive Officer

FINANCIAL HIGHLIGHTS

- Net operating revenues of R$8,508 million, 2.7% higher than in 3Q15;
- Gross profit of R$1,884 million (-27.6% y/y). Gross margin of 22.1%, 9.3 p.p. lower than in 3Q15;
- EBITDA of R$886 million (-32.4% y/y), with an EBITDA margin of 10.4%, 5.4 p.p. lower than in 3Q15;
- Net income of R$18 million (-97.4% y/y) and net margin of 0.2%, 8.1 p.p. lower than in 3Q15;
- CAPEX of R$641 million in the quarter;
- Operating cash flow of R$778 million, after investments;
- As adjusted for the (pro forma) impacts of companies acquired, we had: (i) a financial cycle of 32.8 days, representing an improvement of 6.0 days vs. 3Q15; (ii) net financial leverage of 2.36x EBITDA; and (iii) ROIC (Return on Invested Capital) of 10.3%.

Key Financial Indicators

Results - R$ Million	1Q15	2Q15	3Q15	9M15	1Q16	2Q16	3Q16	9M16	Variation 3Q16/3Q15	Variation 9M16/9M15
Gross Revenues	**8,095**	**9,044**	**9,568**	**26,707**	**9,338**	**9,806**	**9,795**	**28,940**	**2.4%**	**8.4%**
Net Revenues	**7,048**	**7,913**	**8,281**	**23,242**	**8,120**	**8,515**	**8,508**	**25,143**	**2.7%**	**8.2%**
Gross Profit	2,164	2,525	2,601	7,290	2,031	1,918	1,884	5,833	(27.6%)	(20.0%)
Gross Margin (%)	30.7%	31.9%	31.4%	31.4%	25.0%	22.5%	22.1%	23.2%	(9.3) p.p.	(8.2) p.p.
EBIT	641	1,058	969	2,668	655	529	469	1,652	(51.7%)	(38.1%)
EBIT Margin (%)	9.1%	13.4%	11.7%	11.5%	8.1%	6.2%	5.5%	6.6%	(6.2) p.p.	(4.3) p.p.
EBITDA	**951**	**1,380**	**1,309**	**3,640**	**1,025**	**944**	**886**	**2,854**	**(32.4%)**	**(21.6%)**
EBITDA Margin (%)	13.5%	17.4%	15.8%	15.7%	12.6%	11.1%	10.4%	11.4%	(5.4) p.p.	(4.3) p.p.
Net Income	**462**	**364**	**687**	**1,513**	**39**	**31**	**18**	**88**	**(97.4%)**	**(94.2%)**
Net Margin (%)	6.5%	4.6%	8.3%	6.5%	0.5%	0.4%	0.2%	0.3%	(8.1) p.p.	(6.2) p.p.
Earnings per share[1]	**0.54**	**0.43**	**0.83**	**1.82**	**0.05**	**0.04**	**0.02**	**0.11**	**(97.3%)**	**(94.0%)**

[1] Consolidated Earnings per Share (in R$), excluding Treasury Shares.

3RD QUARTER 2016 RESULTS (3Q16)

Strategic Highlights

• Partnership with FFP, a Halal food processing company based in Malaysia. This agreement represents the first step to expand our presence in Malaysia, with products of higher added value.

• Establishment of a subsidiary in Egypt, in order to begin the advances in the value chain.

• Issuance of bonds in the amount of US$500 million in the international market, maturing in 10 years and paying a coupon of 4.35% per year.

• Closing of the operations of the plants in the cities of Jataí and Várzea Grande, in order to adjust the production chain, as a result of the contraction in Brazilian demand.

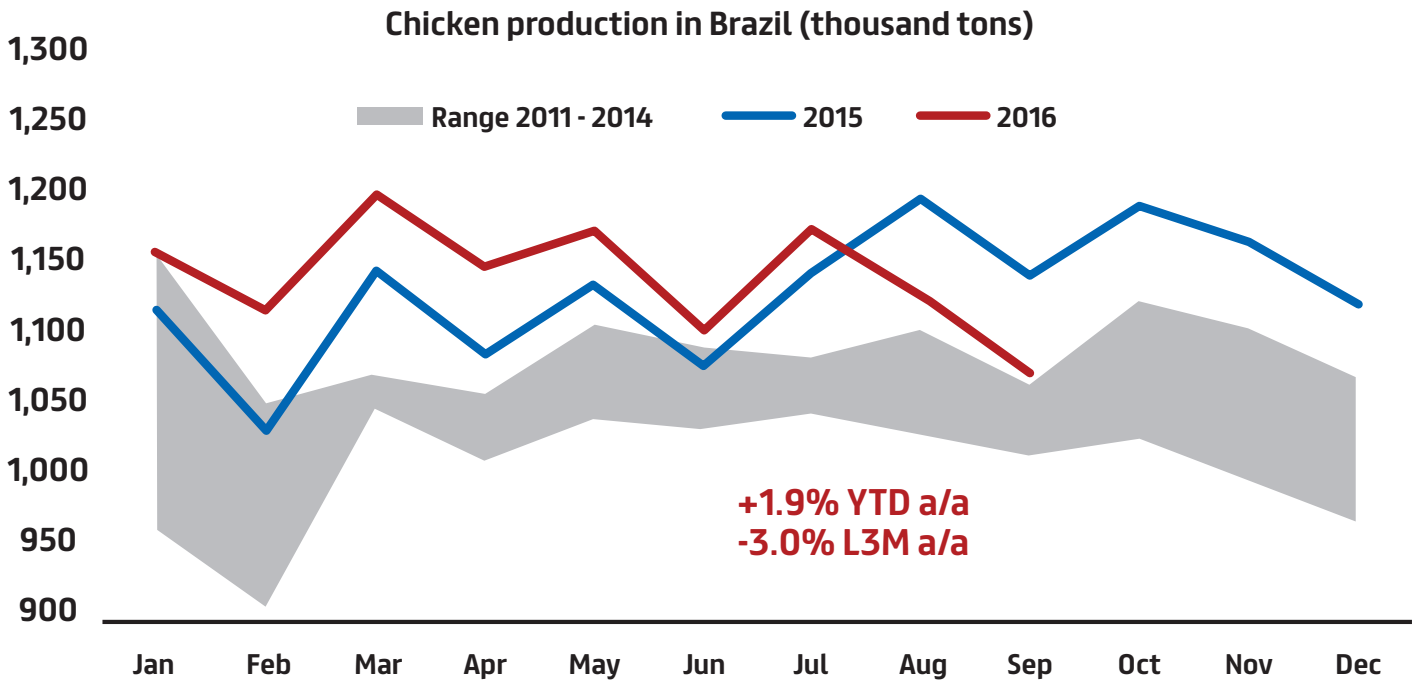
• Execution of an investment agreement in the amount of US$20 million in the IPO of COFCO Meat, in order to increase BRF's presence in China through strategic partnerships.

• After 4 years of suspension, successful relaunching of the Perdigão salami category, increasing BRF's volume by 13.7% in the quarterly comparison.

• Launchings of: (i) Sadia products with 30% less sodium; and (ii) a new category of ready-to-cook meals in partnership with Chef Jamie Oliver.

INDUSTRY SCENARIO AND DYNAMICS

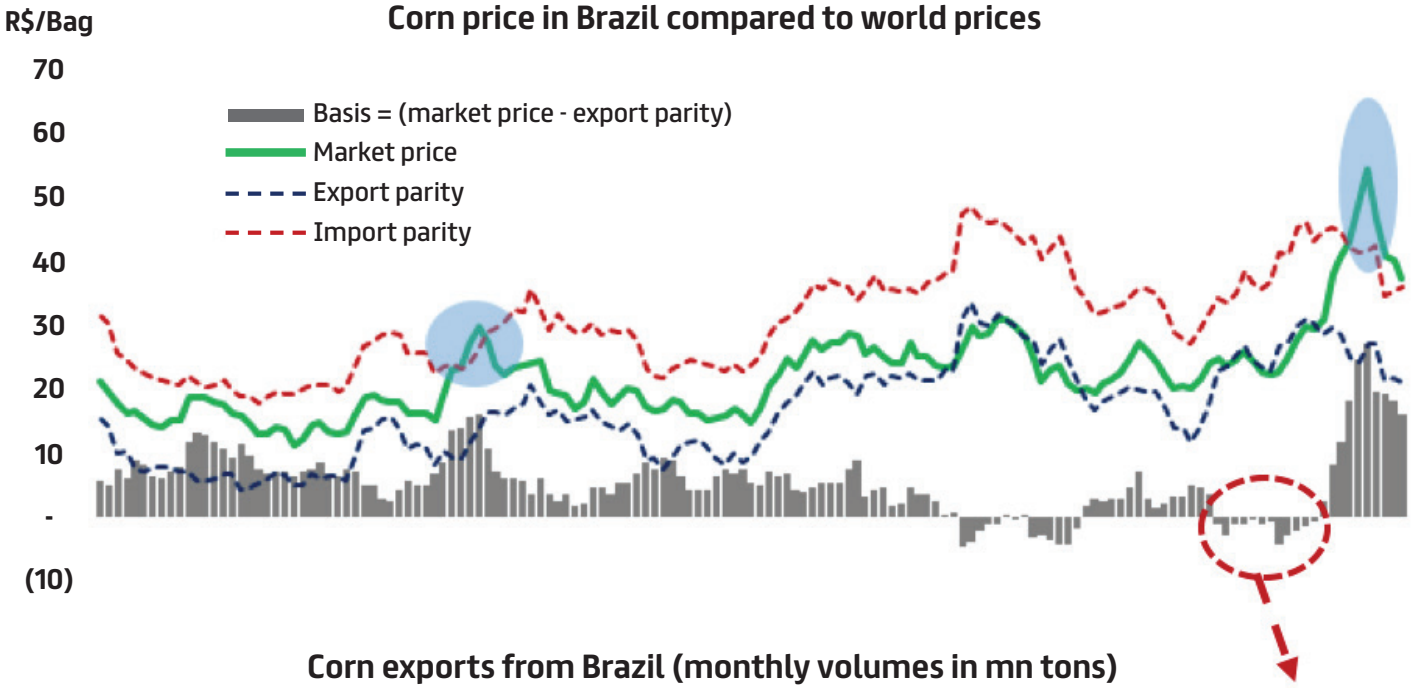
Notwithstanding the gradual recovery, the industry scenario remains adverse and challenging. Corn prices, although lower after Brazil's second corn crop (safrinha), remained uncorrelated to international prices, maintaining Brazil in an unfavorable position in terms of competition in the global trade of chicken. Prices of chicken in U.S. dollars in international markets continued to show a gradual recovery; however, this effect was offset by the appreciation of the Real against the U.S. dollar. Data on Brazilian supply of chicken continue to indicate a production adjustment trend, suggesting that we are in the process of reverting this cycle. The Brazilian Association of Animal Protein (Associação Brasileira de Proteína Animal – ABPA) is expecting an additional decrease in the Brazilian production of chicken for the second semester of 2016.

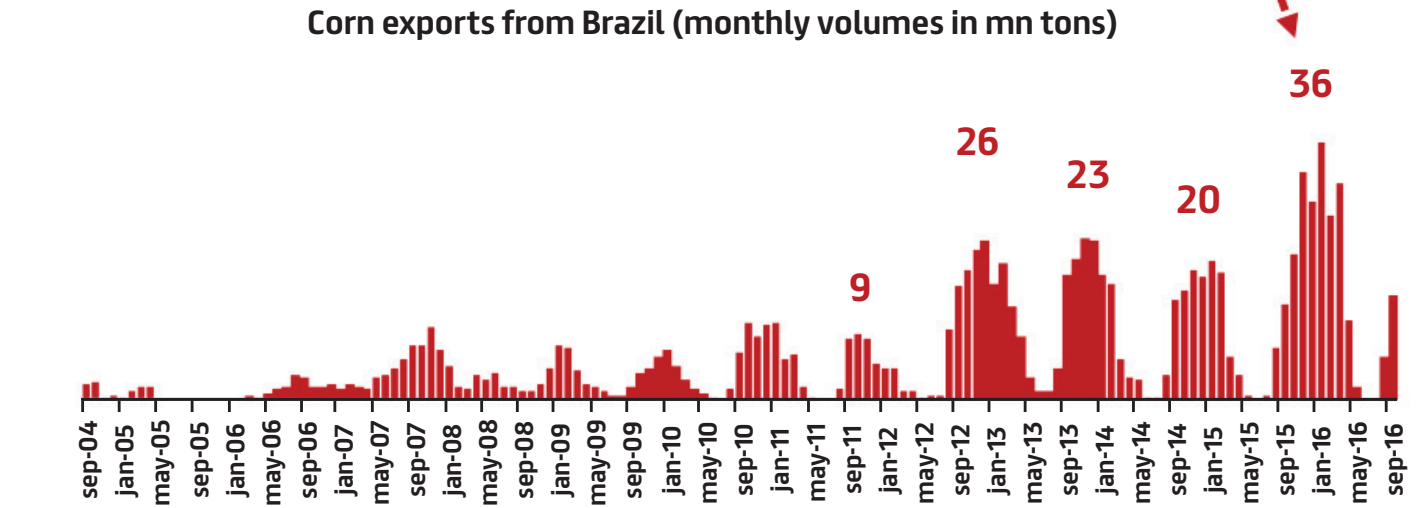


Source: APINCO

In relation to the dynamics of the supply of corn, the strong depreciation of the average exchange rate of the Real against the U.S. dollar in 2015 (+42% vs. 2014) influenced corn producers to increase export commitments by 57% this year compared to the average of the 3 previous years. Additionally, due to climatic factors, there was a crop shortfall on the production of corn of approximately 21 million tons (taking into account the two Brazilian crops), or approximately 24% of the production volume projected for2016. The combination of (i) a heavy early engagement of exports; (ii) a significant decrease in the volume of corn production; and (iii) an increase in the demand for grains due to the high volume of chicken production resulted in a significant imbalance between corn supply and demand in Brazil, a need to import corn, and a significant increase in corn prices in the Brazilian market that was uncorrelated to international prices. This unprecedented combination was so powerful that, for the first time in the last 12 years, the price of corn in Brazil increased above the import parity for many months, as set forth in the chart below.

INDUSTRY SCENARIO AND DYNAMICS





Source: CONAB, CEPEA, CBOT, SECEX

Note: 1 – Taking into account the city of Cascavel as a market price reference;

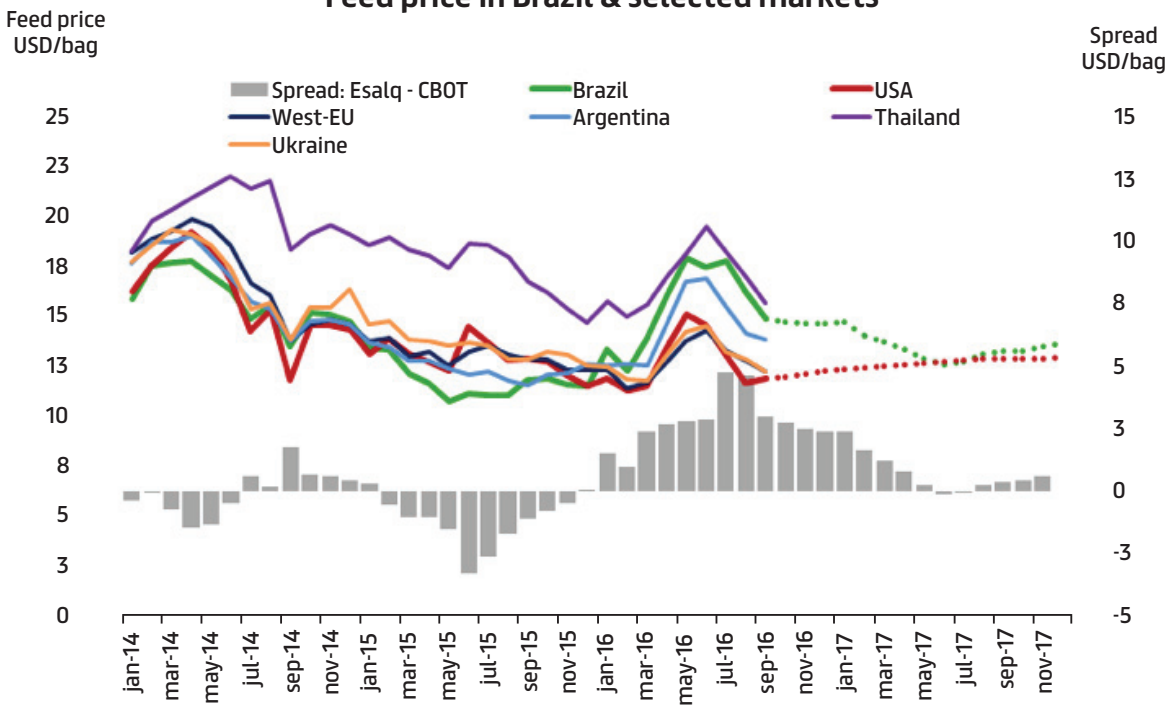
2 – The export parity corresponds to the price at which it makes no difference to producers of corn whether they sell corn in the domestic or international market, calculated as follows: CBOT Price * exchange rate + Premium at the port – FOB-related charges * exchange rate - freight;

3 – The import parity corresponds to the price at which it makes no difference to purchasers of corn whether they buy corn in the domestic or international market, calculated as follows: CBOT Price * exchange rate * import duty + FOB-related charges * exchange rate + freight.

INDUSTRY SCENARIO AND DYNAMICS

Notwithstanding the 31% drop in the price of Brazilian corn since its peak in May, as a result of the harvest of the second corn crop (safrinha), the balancebetween supply and demand remains tight and prices are still significantly above the export parity, which should be the structural level of prices in Brazil at an equilibrium, as Brazil is a corn exporter. These price dynamics maintains Brazil in an unfavorable position in terms of competition (inthe cost of feed) compared to other countries that produce chicken. However, futures prices (BM&F) already indicate a gradual convergence for the next crop in summer and return of prices to normal levels (close to export parity) for the second corn crop (safrinha) of 2017.

Feed price in Brazil & selected markets



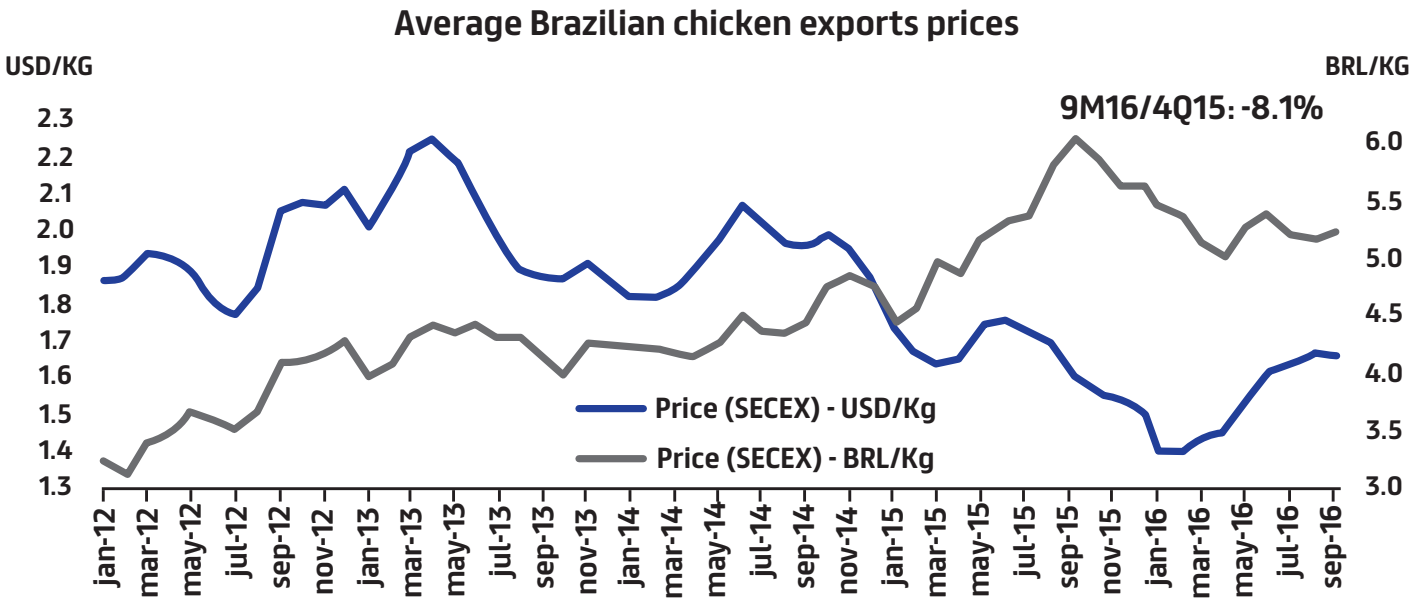
Annual variation (9M16/9M15)	USD	Local currency
Argentina	14.7%	88.4%
Brazil	31.7%	43.1%
USA	-3.9%	-3.9%
Thailand	-7.2%	-3.7%
West-EU	-3.9%	-4.3%
Ukraine	-5.8%	11.3%
Average	3.1%	-18.1%

Quarterly variation (3Q16/2Q16)	USD	Local currency
Argentina	-2.3%	0.1%
Brazil	-8.6%	-7.6%
USA	2.1%	-2.1%
Thailand	-7.6%	-7.5%
West-EU	-4.2%	-4.8%
Ukraine	-4.4%	-5.5%
Average	-4.2%	-3.9%

Source: ESALQ, CBOT, Euronext, Rosario, Thaifeedmill, Bloomberg, BM&F

In parallel to the pressure on costs, the dynamics of international prices is also unfavorable to Brazil due to the exchange rate. Notwithstanding the continuous recovery of prices in U.S. dollars in 2016 (+19%YTD), the appreciation of the average Real (-20% in the same comparison) is cancelling this effect.

INDUSTRY SCENARIO AND DYNAMICS



Source: SECEX

Consequently, Brazil lost its global competitiveness and chicken exports have declined since July. Moreover, we note that regions such as Saudi Arabia, Europe, and Russia have reduced import volumes due to the levels of local inventory, and China/Hong Kong and Southeast Asia have increased import volumes.

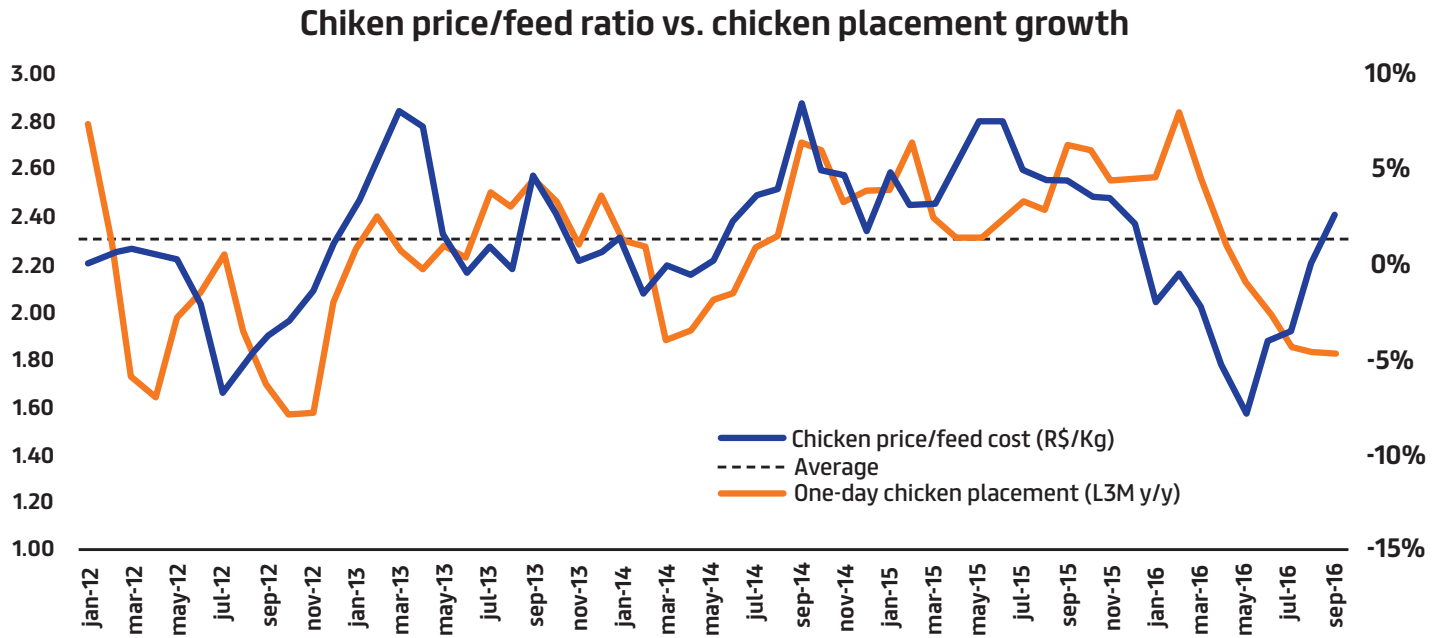
Volume exports - L3M y/y	
Main Exporters	
Brazil	-7.6%
USA	7.5%
EU 28	17.6%
Thailand	7.6%
Turkey	7.5%
Others	-5.1%

Volume imports - L3M y/y			
Main Exporters		**Secondary Importers**	
Japan	0.6%	SE Asia	54.5%
Saudi Arabia	-16.7%	Asia	-17.1%
Middle East	1.2%	Central America	15.3%
EU 28	2.3%	North America	-16.0%
China & HK	61.0%	South America	17.9%
Russia	-23.1%	Europe	-31.2%

Source: Trademap

As a result of the low profitability of Brazilian chicken producers, set forth in the chart below ("Chicken price/Feed cost"), the placement of one-day chick has been continuously declining. According to data from APINCO, the average daily placement of one-day chick in September decreased by 12% compared to the peak in 2015. On its turn, this decrease has already started to result in a decreased production of chicken and a subsequent improvement in the "Chicken price/Feed cost" ratio. Also according to APINCO, the production of chicken decreased by 6% y/y in, both, August and September of 2016.

INDUSTRY SCENARIO AND DYNAMICS



Source: SECEX, JOX, Bloomberg, ABPA, APINCO

Note: Chicken price = 70% domestic price + 30% export price

In summary, the scenario remains challenging, but there is solid evidence of a reversal of the cycle, even though at a slower pace than initially expected. Market indicators point to an improvement in the industry scenario as a result of (i) the recovery of Brazil's competitiveness as a world producer of chicken, with the corn prices returning to normal levels by mid-2017, and (ii) an increased balance in the supply of chicken in Brazil during the next quarters.

3Q16 CONSOLIDATED RESULT

Net Operating Revenues (NOR)

In 3Q16, the consolidated net operating revenues of BRF totaled R$8.5 billion, remaining stable compared to 2Q16. Volumes increased (+3.4% q/q), both in terms of in-natura products (+3.5% q/q), and processed products (+2.3% q/q). However, our average price decreased by 3.4% q/q, negatively affected by the exchange rate variation in the international market (7.5% appreciation of the Real against the U.S. dollar) and a deterioration of the mix of products and channels in Brazil, together with a significant increase in sales at promotional prices due to the shelf life of products in inventory (FIFO effect).

Volumes - thousand tons	1Q15	2Q15	3Q15	9M15	1Q16	2Q16	3Q16	9M16	Variation 3Q16/3Q15	Variation 9M16/9M15
Poultry (In Natura)	462	495	490	1,447	477	501	519	1,497	5.8%	3.4%
Pork and Others (In Natura)	53	70	75	198	85	87	90	262	20.4%	32.5%
Processed foods	499	518	523	1,541	466	504	515	1,485	(1.6%)	(3.6%)
Others Sales	47	36	53	136	69	79	87	235	65.4%	72.7%
Total	**1,061**	**1,120**	**1,141**	**3,322**	**1,097**	**1,171**	**1,211**	**3,480**	**6.1%**	**4.7%**
NOR - R$ Million	**7,048**	**7,913**	**8,281**	**23,242**	**8,120**	**8,515**	**8,508**	**25,143**	**2.7%**	**8.2%**
Average Price (NOR)	6.64	7.07	7.26	7.00	7.40	7.27	7.02	7.23	(3.2%)	3.3%

3Q16 CONSOLIDATED RESULT

Gross Profit

The challenges faced by our industry and the idleness of plants were reflected in our results, and our gross margin declined 0.4p.p. q/q to 22.1% in 3Q16. The idleness generated a total negative impact of R$112 million in the 3Q16 (versus R$164 million in the 1H16 and versus R$50 million in the 3Q15).

Notwithstanding the negative industry impact on our gross margin, we were able to mitigate approximately R$984 million out of a total potential impact of the cycle of R$2.5 billion in the first nine months of the year, i.e., a mitigation of approximately 40%. In relation to grains, in 9M16, we were able to mitigate approximately R$480 million out of a potential impact of R$2 billion at market prices. This is the result of higher efficiency in our purchase and hedge strategy for grains, as well as an improvement in the nutritional formula of animal feed and feed conversion ratio of poultry and swine. Additionally, we were able to mitigate R$504 million of the impact of the decrease in prices in U.S. dollar in the international market (SECEX: -9.2% 9M16/9M15), based on our commercial spread strategy, pricing, and management of the exchange rate variation. We continue focused in improve our management on these issues.

Gross Profit - R$ Million	1Q15	2Q15	3Q15	9M15	1Q16	2Q16	3Q16	9M16	Variation 3Q16/3Q15	Variation 9M16/9M15
Gross Profit	2,164	2,525	2,601	7,290	2,031	1,918	1,884	5,833	(27.6%)	(20.0%)
Gross Margin (%)	30.7%	31.9%	31.4%	31.4%	25.0%	22.5%	22.1%	23.2%	(9.3) p.p.	(8.2) p.p.

Cycle mitigation	1Q15	2Q15	3Q15	9M15	1Q16	2Q16	3Q16	9M16	Variation 3Q16/3Q15	Variation 9M16/9M15
Corn R$/Bag	*24.12*	*23.00*	*24.53*	*23.88*	*37.75*	*47.99*	*41.82*	*42.60*	*70.5%*	*78.4%*
Soybean meal R$/Kg	*1.13*	*1.06*	*1.27*	*1.16*	*1.26*	*1.39*	*1.38*	*1.34*	*8.7%*	*16.0%*
Potential impact at market prices (R$, mn)	-	-	-	-	460	936	610	2,006	-	-
Actual impact for BRF (R$, mn)	-	-	-	-	431	608	487	1,526	-	-
Mitigation on grains impact (R$, mn)	**-**	**-**	**-**	**-**	**(29)**	**(328)**	**(123)**	**(480)**	**-**	**-**
Average price for Brazilian Chicken export (US$/kg)	1.63	1.67	1.63	1.64	1.37	1.49	1.61	1.49	(1.4%)	(9.2%)
Mitigation on international prices impact (R$, mn)	**-**	**-**	**-**	**-**	**70**	**(229)**	**(345)**	**(504)**	**-**	**-**
Total mitigation for BRF (R$, mn)	**-**	**-**	**-**	**-**	**41**	**(557)**	**(468)**	**(984)**	**-**	**-**

Source: BRF; Safras&Mercados, Secex

Note: The market price (corn and soybean meal) is calculated based on the weighted average in the areas of consumption of BRF

3Q16 CONSOLIDATED RESULT

Operating Expenses

In 3Q16, SG&A increased by 1.5% q/q primarily due to: (i) the full integration of recently-acquired companies (AKF, Campo Austral, and Calchaquí); and (ii) an additional expense of R$37 million regarding the Olympic Games. Notwithstanding these additional impacts, our expenses remained under control, primarily due to our Zero-Based Budgeting (ZBB) program, whose initiatives we highlight: (i) improved product distribution routing; (ii) internal policies regarding control of expenses; and (iii) the new freight payment model.

Excluding the impact of the Olympic Games, our SG&A would reach 15.9% as a percentage of NOR, the lowest level since the end of 2014.

Operating Expenses - R$ Million	1Q15	2Q15	3Q15	9M15	1Q16	2Q16	3Q16	9M16	Variation 3Q16/3Q15	Variation 9M16/9M15
Selling Expenses	(1,084)	(1,154)	(1,237)	(3,475)	(1,208)	(1,230)	(1,255)	(3,692)	1.4%	6.2%
% of the NOR	(15.4%)	(14.6%)	(14.9%)	(15.0%)	(14.9%)	(14.4%)	(14.7%)	(14.7%)	0.2 p.p.	0.3 p.p.
General and Administrative Expenses	(108)	(115)	(143)	(366)	(134)	(142)	(138)	(414)	(3.8%)	13.2%
% of the NOR	(1.5%)	(1.5%)	(1.7%)	(1.6%)	(1.6%)	(1.7%)	(1.6%)	(1.6%)	0.1 p.p.	0.0 p.p.
Operating Expenses	**(1,191)**	**(1,269)**	**(1,381)**	**(3,841)**	**(1,341)**	**(1,372)**	**(1,393)**	**(4,107)**	**0.9%**	**6.9%**
% of the NOR	(16.9%)	(16.0%)	(16.7%)	(16.5%)	(16.5%)	(16.1%)	(16.4%)	(16.3%)	0.3 p.p.	0.2 p.p.

Other Operating Results

In 3Q16, the Company's Other Operating Results totaled an expense of R$32 million. Again, an amount that was not significant.

Other Operating Results - R$ Million	1Q15	2Q15	3Q15	9M15	1Q16	2Q16	3Q16	9M16	Variation 3Q16/3Q15	Variation 9M16/9M15
Other Operating Revenues	15	30	191	236	47	89	79	215	(58.6%)	(9.0%)
Other Operating Expenses	(288)	(219)	(400)	(907)	(93)	(111)	(111)	(315)	(72.2%)	(65.2%)
Other Operating Results	(273)	(189)	(209)	(671)	(46)	(22)	(32)	(100)	(84.6%)	(85.1%)
% of the NOR	(3.9%)	(2.4%)	(2.5%)	(2.9%)	(0.6%)	(0.3%)	(0.4%)	(0.4%)	2.1 p.p.	2.5 p.p.

3Q16 CONSOLIDATED RESULT

EBIT

The adverse industry scenario continued to affect our result in 3Q16, primarily due to the exchange rate appreciation, and the contraction in demand as well as the category down trade in Brazil, together with the idleness and FIFO effects. Accordingly, consolidated EBIT totaled R$469 million in 3Q16, and EBIT margin decreased by 0.7 p.p. q/q.

EBIT - R$ Million	1Q15	2Q15	3Q15	9M15	1Q16	2Q16	3Q16	9M16	Variation 3Q16/3Q15	Variation 9M16/9M15
Gross Profit	2,164	2,525	2,601	7,290	2,031	1,918	1,884	5,833	(27.6%)	(20.0%)
Operating Expenses	(1,191)	(1,269)	(1,381)	(3,841)	(1,341)	(1,372)	(1,393)	(4,107)	0.9%	6.9%
Other Operating Results	(273)	(189)	(209)	(671)	(46)	(22)	(32)	(100)	(84.6%)	(85.1%)
Equity Income	(59)	(8)	(43)	(110)	12	5	9	26	-	-
EBIT	641	1,058	969	2,668	655	529	469	1,652	(51.7%)	(38.1%)
EBIT Margin (%)	9.1%	13.4%	11.7%	11.5%	8.1%	6.2%	5.5%	6.6%	(6.2) p.p.	(4.9) p.p.

Financial Result

Financial result is a combination of a number of factors. In order to provide a better understanding, we classified it under the following main categories: (i) net interest on debt/investments; (ii) adjustment to present value of assets and liabilities; (iii) interest on and/or adjustment for inflation of assets/liabilities, taxes, commissions; and (iv) exchange rate variation, among others. In 3Q16, net financial expenses totaled R$425 million, as follows:

(i) Net interest totaled R$371 million, representing an increase of R$77 million compared to R$294 million in 2Q16. This increase is primarily due to: (i) an increase in average net debt of R$657 million and a decrease in cash in Brazil of R$562 million, whose impacts totaled approximately R$35 million; and (ii) the premium paid (difference in relation to the par value) for the Tender Offer of the Bonds (2020 and 2022) conducted in September, totaling R$32 million;

(ii) Adjustment to present value totaled R$106 million compared to R$85 million in 2Q16, primarily due to the increase in purchases and inventories of corn during the second corn crop (safrinha) in the Center-west region of Brazil and due to the implementation of a fortnightly payment policy to suppliers;

(iii) Interest, adjustment for inflation and others totaled R$1 million compared to R$84 million in 2Q16. The two main variations in the quarterly comparison are: (i) no payment of income tax on the interest of the bonds in the amount of R$27 million; and (ii) the positive non-recurring impact of R$43 million from tax credits;

(iv) Exchange rate variation and others totaled a positive impact of R$54 million compared to a negative impact of R$39 million in 2Q16.

R$ Million	1Q15	2Q15	3Q15	9M15	1Q16	2Q16	3Q16	9M16	Variation 3Q16/3Q15	Variation 9M16/9M15
Financial Income	1,877	(345)	1,700	3,232	953	834	96	1,883	(94.4%)	(41.7%)
Financial Expenses	(1,984)	(311)	(2,225)	(4,521)	(1,557)	(1,338)	(521)	(3,416)	(76.6%)	(24.4%)
Net Financial Result	(108)	(657)	(525)	(1,289)	(604)	(504)	(425)	(1,533)	(19.1%)	18.9%

3Q16 CONSOLIDATED RESULT

Net Income

Our net income totaled R$18.1 million, negatively affected by the operating performance in 3Q16.

R$ Million	1Q15	2Q15	3Q15	9M15	1Q16	2Q16	3Q16	9M16	Variation 3Q16/3Q15	Variation 9M16/9M15
Lucro Líquido	462	364	687	1,513	39	31	18	88	(97.4%)	(94.2%)
Margem Líquida (%)	6.5%	4.6%	8.3%	6.5%	0.5%	0.4%	0.2%	0.3%	(8.1) p.p.	(6.2) p.p.
Earnings per share[1]	0.54	0.43	0.83	1.82	0.05	0.04	0.02	0.11	(97.3%)	(94.0%)

EBITDA

EBITDA - R$ Million	1Q15	2Q15	3Q15	9M15	1Q16	2Q16	3Q16	9M16	Variation 3Q16/3Q15	Variation 9M16/9M15
Net Income	462	364	687	1,513	39	31	18	88	(97.4%)	(94.2%)
Income Tax and Social Contribution	72	29	(235)	(134)	9	8	27	45	-	-
Net Financial	108	657	525	1,289	604	504	425	1,533	(19.1%)	18.9%
Depreciation and Amortization	310	330	332	973	372	401	415	1,189	25.0%	22.2%
EBITDA	951	1,380	1,309	3,640	1,025	944	886	2,854	(32.4%)	(21.6%)
EBITDA Margin (%)	13.5%	17.4%	15.8%	15.7%	12.6%	11.1%	10.4%	11.4%	(5.4) p.p.	(4.3) p.p.

PERFORMANCE BY REGION

Results by region 3Q16	Total	Brazil	MENA	Asia	Europe/ Eurasia	LATAM	Africa	Other Segments	Corporate
Volume (Thousand Tons)	1,211	516	233	198	103	68	47	47	-
NOR (R$, Million)	8,508	3,666	1,562	1,288	963	550	191	288	-
Average Price NOR - R$	7.02	7.11	6.69	6.49	9.38	8.11	4.09	6.18	-
Gross Profit (R$, Million)	1,884	953	395	258	95	130	37	17	
Gross Margin (%)	22.1%	26.0%	25.3%	20.0%	9.8%	23.6%	19.3%	5.8%	-
EBIT (R$, Million)	469	221	69	139	-21	39	5	1	15
EBIT Margin (%)	5.5%	6.0%	4.4%	10.8%	-2.2%	7.1%	2.5%	0.5%	-
EBITDA (R$, Million)	886	397	171	184	32	68	16	2	15
EBITDA Margin (%)	10.4%	10.8%	11.0%	14.3%	3.4%	12.4%	8.2%	0.8%	-

PERFORMANCE BY REGION

BRAZIL

The domestic market scenario remains highly challenging. On one hand, competition is more rational; on the other hand, the consumption profile continues to deteriorate. Demand continues to contract, primarily in the categories with higher added value. According to the most recent Nielsen survey (4Bi16), for example, the ready-to-eat meals market contracted again (-4% compared to 3Bi16), even though it had already significantly declined in 3Bi16 (-9% compared to 1Bi16).

Notwithstanding this macroeconomic scenario, we made another price increase in September of 3.5% on average. This increase was conducted on a selective and granular basis in terms of category, channel, and region.

Notwithstanding the contracted demand, NOR from the region increased by 2.8% q/q and totaled R$3,666 million. This increase is due to an increase of 4% q/q in terms of volumes, primarily regarding in-natura products, and the optimization of discount levels in the supermarkets/hypermarkets channel. In relation to processed products: (i) volumes were marginally higher compared to 2Q16; and (ii) we continued to see a larger down trade in categories, with an impact of approximately R$143 million concerning FIFO effect discounts in the quarter (versus R$207 million in 1H16 and versus R$89 million in 3Q15).

We continue to work hard to reduce expenses and, notwithstanding the additional impact of the Olympic Games, we were able to maintain the same expenses as % of NOR of the previous quarter.. Accordingly, EBITDA from the region increased (7.4%) to R$397 million, representing an increase of approximately 0.4 p.p. in margin in the quarterly comparison.

3Q16 also marked the end of the rollout of our new segmentation model and Go-to-Market (GTM) strategy. With this new segmentation, we are improving our service level (according to the indicators of our clients) while we reduce our cost to serve (decrease of 3.4% y/y in variable expenses/kg). The results of the supermarkets/hypermarkets channel are already noticeable and the level of satisfaction of our three main clients on this channel is above 85%. The small retail channel represents a bigger challenge as this channel includes smaller clients who were significantly affected by the economic crisis and credit restriction, as well as the migration of consumers to the cash & carry channel. Although we significantly improved our execution and positioning in the cash & carry channel, which has already been providing positive results, profitability is still below that of the small retail channel.

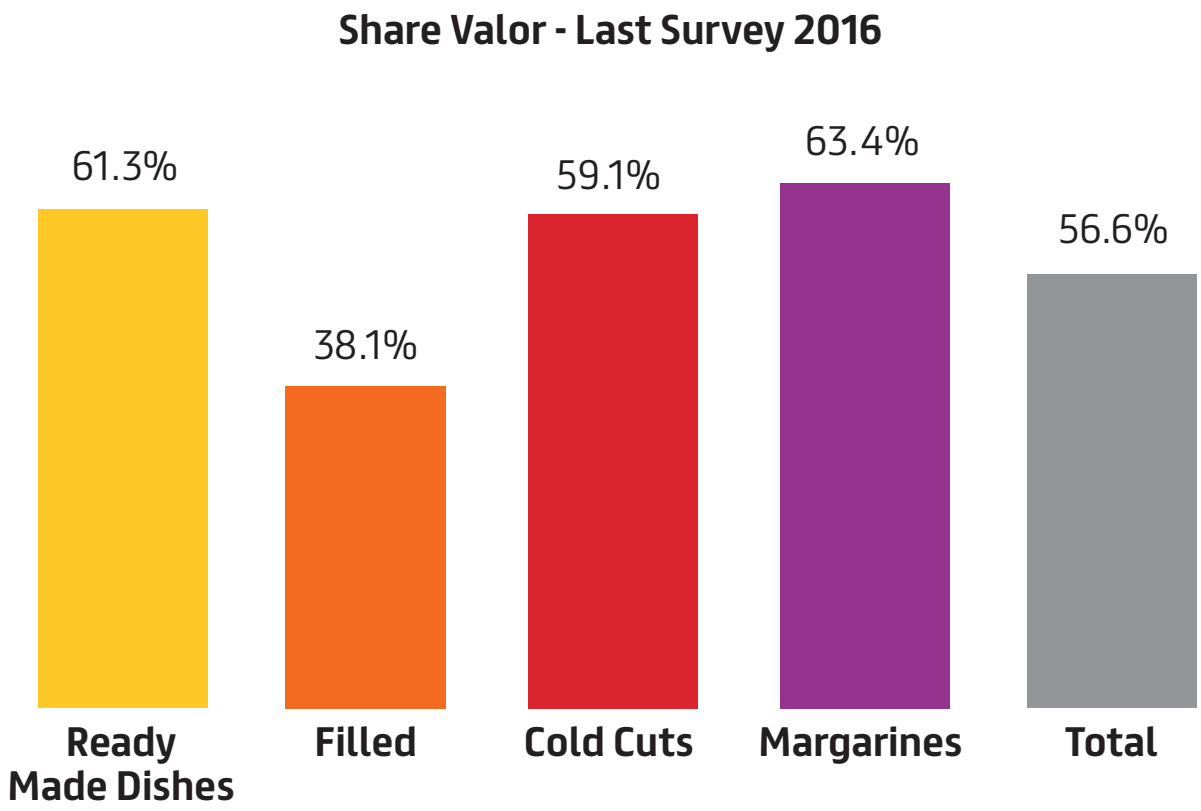
Innovation continues to be one of our major focus, whose role is to protect categories that are more basic and volumetric, in addition to provide growth to more profitable and new categories. In 2016, we launched more than 25 new products, and pace of launchings should accelerate in the next years.

Brazil	1Q15	2Q15	3Q15	9M15	1Q16	2Q16	3Q16	9M16	Variation 3Q16/3Q15	Variation 9M16/9M15
Volume (Thousand Tons)	538	537	554	1,629	484	495	516	1,495	(6.9%)	(8.2%)
Poultry (In Natura)	102	94	94	290	92	76	97	266	3.1%	(8.3%)
Pork and Others (In Natura)	24	27	24	76	24	26	23	74	(5.4%)	(2.5%)
Processed foods	403	421	424	1,248	357	381	382	1,120	(9.9%)	(10.2%)
Others Sales	9	(5)	11	15	11	11	13	35	18.1%	136.4%
Net Operating Revenues (R$, Million)	3.626	3.763	3.740	11.130	3.541	3.566	3.666	10.772	(2.0%)	(3.2%)
Average price (R$/Kg)	6.74	7.01	6.75	6.83	7.31	7.20	7.11	7.20	5.3%	5.4%
Gross Profit (R$, Million)	1,192	1,233	1,131	3,556	1,031	912	953	2,896	(15.7%)	(18.5%)
Gross Margin (%)	32.9%	32.8%	30.2%	31.9%	29.1%	25.6%	26.0%	26.9%	(4.2) p.p.	(5.1) p.p.
EBIT (R$, Million)	355	427	273	1.055	334	202	221	757	(19.1%)	(28.2%)
EBIT Margin (%)	9.8%	11.4%	7.3%	9.5%	9.4%	5.7%	6.0%	7.0%	(1.3) p.p.	(2.5) p.p.
EBITDA (R$, Million)	494	566	412	1,473	485	370	397	1,253	(3.6%)	(15.0%)
EBITDA Margin (%)	13.6%	15.0%	11.0%	13.2%	13.7%	10.4%	10.8%	11.6%	(0.2) p.p.	(1.6) p.p.

PERFORMANCE BY REGION BRAZIL

Market Share

Compared to the last survey from Nielsen, BRF's market share decreased by 0.4 p.p. overall, primarily due to Margarines, in line with the strategy to improve the profitability of this category. Again, we highlight the ready-to-eat meals sub-category, whose market share increased by 1.1 p.p. compared to the last survey.



Source: Nielsen Bimonthly Retail – Margarines and Ready-made Dishes (Jun/Jul survey); Filled and Cold Cuts (Jul/Aug survey)

PERFORMANCE BY REGION MIDDLE EAST/NORTH OF AFRICA (MENA)

NOR from the MENA region totaled R$1,562 million in 3Q16 (-2.4% q/q) due to a decrease of 3.3% in volumes resulting from the seasonality of the Summer/Vacations period. On the other hand, the scenario of prices in U.S. dollars in the region has been gradually improving and, even with an exchange rate appreciation of 7.4%, we were able to increase average prices by 0.9% q/q.

However, increased pressure from SG&A due to higher expenses with marketing and with the expansion of own distribution operations in the region pressured our EBITDA margin to 11% in 3Q16.

In 3Q16, direct distribution operations in the region accounted for 53.5% of total volume (+3 p.p. q/q), representing 85% of the gross profit from the region, and with an average gross margin of 22 p.p. higher compared to the CFR business (direct exports from Brazil).

The Sadia brand continued to innovate in the region. We introduced a new line of breaded products (Zinger), produced in Thailand, reinforcing the synergy of our global network, and the first results were positive. IQF (Individually Quick Frozen) is another important example: it was launched in 2015 and today it is the main chicken cut product in the region. IQF was one of the main responsible for increasing our market share to 58% in this category (last full BRF survey) and, alone, it already represents 23% of the chicken cuts category, with a 15% premium price on the regular line.

Local production continues to be an important growth driver, in which the volume of processed products increased by 60% y/y. We already are the leaders in different segments and regions. The recent acquisition we made in Malaysia adds to the structure and leverages the volume of processed products of the recently-established Sadia Halal.

In terms of market share in the Gulf region, we highlight the transaction in Oman (whose acquisition was completed in 2Q16), which had a significant growth with the Sadia brand (an increase of approximately 11 p.p. compared to the beginning of the year). In the GCC countries, the market share of Sadia products in July was as follows: (i) Griller (in-natura lightweight chicken): 34%; (ii) Chicken cuts: 54%; (iii) Hamburger & Breaded: 19%; and (iv) Chicken franks: 47%.

MENA	1Q15	2Q15	3Q15	9M15	1Q16	2Q16	3Q16	9M16	Variation 3Q16/3Q15	Variation 9M16/9M15
Volume (Thousand Tons)	218	233	233	685	227	241	233	701	0.0%	2.4%
Poultry (In Natura)	203	221	221	645	208	222	214	644	(3.0%)	(0.2%)
Pork and Others (In Natura)	0	1	1	2	1	1	1	2	(2.7%)	23.7%
Processed foods	14	12	11	38	18	19	18	55	59.8%	46.2%
Net Operating Revenues (R$, Million)	1,343	1,579	1,677	4,600	1,584	1,600	1,562	4,745	(6.9%)	3.2%
Average price (R$/Kg)	6.16	6.76	7.19	6.72	6.99	6,63	6.69	6.77	(6.9%)	0.7%
Gross Profit (R$, Million)	397	579	667	1,643	447	405	395	1.248	(40.7%)	(24.1%)
Gross Margin (%)	29.6%	36.7%	39.7%	35.7%	28.2%	25.3%	25.3%	26.3%	(14.4) p.p.	(9.4) p.p.
EBIT (R$, Million)	155	320	356	832	123	137	69	329	(80.6%)	(60.5%)
EBIT Margin (%)	11.6%	20.3%	21.2%	18.1%	7.8%	8.5%	4.4%	6.9%	(16.8) p.p.	(11.2) p.p.
EBITDA (R$, Million)	224	401	454	1.079	214	244	171	628	(62.3%)	(41.8%)
EBITDA Margin (%)	16.7%	25.4%	27.1%	23.5%	13.5%	15.2%	11.0%	13.2%	(16.1) p.p.	(10.2) p.p.
Export Volume of Brazil (CFR)*	114	116	124	354	106	119	108	334	(12.4%)	(5.5%)
% in total volume	52.2%	49.7%	53.1%	51.6%	46.8%	49.5%	46.5%	47.7%	(6.6) p.p.	(4.0) p.p.

*CFR (Cost and freight)

PERFORMANCE BY REGION

ASIA

In Asia, NOR totaled R$1,288 million, representing a change of level in the annual comparison (+68.5% y/y), primarily due to the successful consolidation of BRF Thailand, overcoming the initial expectations, and the expansion of volumes in China (new qualified plants) and Southeast Asia. In the quarterly comparison, we also highlight the increase of 10.2% in volumes due to: (i) an increase of 39% in volumes to China, as a result of the development of new products and the expansion of volumes at qualified plants; (ii) an increase in volumes at BRF Thailand, influenced by the commercial synergies and industrial development; and (iii) the development of new markets, such as Malaysia and Vietnam.

In 3Q16, our EBITDA margin from the region reached 14.3%, representing a decrease of 2.4 p.p. q/q. In spite of the increase in volumes and the gradual recovery of prices in U.S. dollars in some markets, the exchange rate appreciation affected our prices in Reais (-7.4% q/q). It is worth mentioning that the dynamics of prices in Japan remains challenging and was negatively affected by high local inventories. On the other hand, our operating expenses in the region remained stable in the quarterly comparison due to a corporate spending restraint in order to maintain the investments in local presence and distribution and, in line with our strategy to develop a business model in Asia that allows us to get closer to end consumers.

Ásia	1Q15	2Q15	3Q15	9M15	1Q16	2Q16	3Q16	9M16	Variation 3Q16/3Q15	Variation 9M16/9M15
Volume (Thousand Tons)	111	126	108	345	161	180	198	539	83.1%	56.0%
Poultry (In Natura)	100	114	96	310	116	128	138	383	43.9%	23.3%
Pork and Others (In Natura)	9	9	10	28	17	16	18	52	79.4%	81.8%
Processed foods	2	3	2	7	7	9	10	26	340.9%	290.4%
Others Sales	0	0	0	0	20	26	32	78	-	-
Net Operating Revenues (R$, Million)	745	899	764	2,408	1,071	1,261	1,288	3,620	68.5%	50.3%
Average price (R$/Kg)	6.70	7.14	7.06	6.97	6.67	7.01	6.49	6.72	(8.0%)	(3.6%)
Gross Profit (R$, Million)	258	312	246	816	212	280	258	749	4.9%	(8.1%)
Gross Margin (%)	34.7%	34.7%	32.1%	33.9%	19.8%	22.2%	20.0%	20.7%	(12.1) p.p.	(13.2) p.p.
EBIT (R$, Million)	187	232	150	569	109	164	139	412	(7.5%)	(27.5%)
EBIT Margin (%)	25.1%	25.8%	19.6%	23.6%	10.2%	13.0%	10.8%	11.4%	(8.9) p.p.	(12.2) p.p.
EBITDA (R$, Million)	226	273	190	688	155	210	184	549	(3.2%)	(20.2%)
EBITDA Margin (%)	30.3%	30.3%	24.8%	28.6%	14.5%	16.7%	14.3%	15.2%	(10.6) p.p.	(13.4) p.p.
Export Volume of Brazil (CFR)*	111	126	108	345	125	134	149	409	38.3%	18.4%
% in total volume	99.9%	99.9%	99.8%	99.9%	78.0%	74.3%	75.4%	75.8%	(24.4) p.p.	(24.0) p.p.

*CFR (Cost and freight)

PERFORMANCE BY REGION EUROPE/ EURASIA

The scenario in Europe/Eurasia is very challenging, with a significant deterioration of results in 3Q16. Although volumes remained stable in the region in the quarterly comparison, the strong depreciation of the Pound Sterling (-15.2% q/q) and the Ruble (-5.6% q/q) against the Real, related to the exit of the United Kingdom from the European Union and the macroeconomic scenario in Russia, respectively, negatively affected our NOR (-5.5% q/q), reaching R$963 million in 3Q16, and our average price.

In the Europe sub-region, in addition to the impact of the exchange rate, our result was negatively affected by an increased supply by local producers, which are not subject to quota restrictions and are carrying high levels of inventories in the market, pressuring domestic prices and margins. Consequently, our EBITDA margin decreased by 8.0 p.p. q/q.

On the other hand, in the Eurasia sub-region, due to the African swine fever that affected the Russian production, our volumes increased by +2.7% q/q, together with increased prices in Rubles. Accordingly, our EBITDA margin increased by 7.2 p.p. in the quarterly comparison.

Similarly to the MENA region, there are significant differences between direct local distribution operations and direct exports from Brazil. In 3Q16, without taking into account the Eurasia sub-region, the local distribution operations presented gross margins that were 7.3p.p. higher than direct exports operations.

Europe / Eurasia	1Q15	2Q15	3Q15	9M15	1Q16	2Q16	3Q16	9M16	Variation 3Q16/3Q15	Variation 9M16/9M15
Volume (Thousand Tons)	72	88	100	261	93	102	103	298	2.3%	14.1%
Poultry (In Natura)	20	23	29	72	21	28	20	70	(29.8%)	(3.2%)
Pork and Others (In Natura)	10	21	28	58	29	26	27	81	(3.3%)	39.4%
Processed foods	42	45	44	131	44	48	55	147	27.4%	12.3%
Net Operating Revenues (R$, Million)	622	846	1,124	2,592	958	1.019	963	2,940	(14.3%)	13.4%
Average price (R$/Kg)	8.60	9.59	11.21	9.94	10.27	10.02	9.38	9.88	(16.3%)	(0.6%)
Gross Profit (R$, Million)	168	231	326	725	168	141	95	404	(71.0%)	(44.3%)
Gross Margin (%)	27.1%	27.3%	29.0%	28.0%	17.6%	13.8%	9.8%	13.7%	(19.2) p.p.	(14.3) p.p.
EBIT (R$, Million)	82	127	197	406	47	24	(21)	49	(110.6%)	(87.8%)
EBIT Margin (%)	13.1%	15.0%	17.6%	15.7%	4.9%	2.3%	(2.2%)	1.7%	(19.7) p.p.	(14.0) p.p.
EBITDA (R$, Million)	120	165	233	518	96	78	32	206	(86.2%)	(60.2%)
EBITDA Margin (%)	19.3%	19.4%	20.7%	20.0%	10.0%	7.7%	3.4%	7.0%	(17.4) p.p.	(13.0) p.p.
Export Volume of Brazil (CFR)*	43	52	57	152	57	59	55	171	(3.1%)	12.8%
% in total volume	59.0%	58.7%	57.0%	58.2%	61.1%	57.7%	54.0%	57.6%	(0.5) p.p.	(0.5) p.p.

*CFR (Cost and freight)

PERFORMANCE BY REGION

LATIN AMERICA (LATAM)

In the LATAM region, our volume increased by +12.3% q/q with a total NOR of R$550 million (+7.8% q/q), partially offset by lower prices due to the Real appreciation of 11,9% against Argentinian Peso in 3Q16. Our gross margin increased by 4.7 p.p. in the quarterly comparison primarily due to: (i) the consolidation of Campo Austral and Calchaquí (operations were fully integrated in the first quarter); and (ii) the increase in volumes of processed products (+11.5%) in the Southern Cone region, further increasing the share of this category in our portfolio. In 3Q16, we highlight the launching of Sadia nuggets in the Argentinian market, in which we were able to gain more than 15 p.p. of market share, reaching approximately 25% of this segment.

EBITDA from the Latam region totaled R$68 million in 3Q16 (+47.3% q/q) and EBITDA margin increased by 3.4 p.p. q/q to 12.4%. This result was driven by the integration of our acquisitions and an improvement in the mix of products and channels. Excluding the Americas sub-region, which is basically focused on the sale of in-natura products, our EBITDA increased by 63% q/q and EBITDA margin increased by 3.3 p.p., showing that BRF is in the right path by investing in the value chain, with a portfolio of brands and products that is increasingly closer to our end consumer.

LATAM	1Q15	2Q15	3Q15	9M15	1Q16	2Q16	3Q16	9M16	Variation 3Q16/3Q15	Variation 9M16/9M15
Volume (Thousand Tons)	47	53	59	158	49	60	68	178	16.0%	12.2%
Poultry (In Natura)	14	17	20	51	15	18	16	49	(21.2%)	(5.1%)
Pork and Others (In Natura)	6	6	6	18	3	5	9	17	52.8%	(5.8%)
Processed foods	27	29	32	89	32	37	41	109	26.3%	22.9%
Net Operating Revenues (R$, Million)	0	0	0	0	0	1	2	3	-	-
Average price (R$/Kg)	394	457	565	1,416	438	511	550	1.,499	(2.5%)	5.9%
Gross Profit (R$, Million)	8.32	8.70	9.65	8.93	8.87	8.44	8.11	8.43	(16.0%)	(5.6%)
Gross Margin (%)	73	98	131	301	83	96	130	309	(0.6%)	2.7%
EBIT (R$, Million)	18.5%	21.4%	23.1%	21.3%	19.0%	18.8%	23.6%	20.6%	0.5 p.p.	(0.6) p.p.
EBIT Margin (%)	3	8	46	58	17	18	39	74	(15.3%)	28.7%
EBITDA (R$, Million)	0.7%	1.8%	8.2%	4.1%	3.9%	3.5%	7.1%	4.9%	(1.1) p.p.	0.9 p.p.
EBITDA Margin (%)	19	23	64	106	40	46	68	154	6.9%	45.0%
Export Volume of Brazil (CFR)*	4.9%	5.1%	11.3%	7.5%	9.2%	9.0%	12.4%	10.3%	1.1 p.p.	2.8 p.p.
% in total volume	8	11	12	30	12	15	15	43	33.3%	41.2%
Representatividade no volume total (%)	16.6%	20.4%	19.8%	19.2%	24.3%	25.0%	22.7%	24.0%	2.9 p.p.	4.8 p.p.

*CFR (Cost and freight)

PERFORMANCE BY REGION

AFRICA

In 3Q16, Africa delivered an increase in volume of +4.4% q/q, notwithstanding a highly challenging scenario in Angola, its main market, and a difficult macroeconomic and political scenario in many other regions due to the price of oil and other commodities. This increase reflects the efforts to strengthen our commercial relations and expand to other African regions.

Nonetheless, our NOR from Africa totaled R$191 million in 3Q16, representing a decrease of 4.0% q/q due to: (i) the appreciation of the Real; (ii) the loss of competitiveness of Brazil regarding exports of in-natura products; and (iii) higher competitive pressure from the United States and Europe. Our internal efforts to restrain expenses resulted in a significant decrease in operating expenses from the region (-14.6% q/q). Accordingly, our EBITDA margin in 3Q16 was 8.2%.

Finally, 3Q16 also marked a new stage in the development of our business model in the region with: (i) the beginning of a pilot project of distribution to traditional retail and food service channels in Angola; and (ii) the beginning of the execution of our commercial plans in Ghana and in the Democratic Republic of Congo. We also highlight the launching of a new line of canned products, our first movement towards the dry products line, specially developed for the region in order to ensure an extended expiration date (considering the shortage of cold chain) and more visibility and exposure in the retail channel.

Africa	1Q15	2Q15	3Q15	9M15	1Q16	2Q16	3Q16	9M16	Variation 3Q16/3Q15	Variation 9M16/9M15
Volume (Thousand Tons)	35	38	41	113	37	45	47	128	13.7%	13.3%
Poultry (In Natura)	22	24	26	72	23	28	32	83	21.0%	14.5%
Pork and Others (In Natura)	4	6	6	16	6	7	7	19	15.8%	25.5%
Processed foods	9	7	9	26	8	10	8	26	(9.4%)	2.5%
Net Operating Revenues (R$, Million)	156	173	204	533	176	199	191	567	(6.3%)	6.3%
Average price (R$/Kg)	4.50	4.61	4.96	4.70	4.77	4.45	4.09	4.41	(17.6%)	(6.2%)
Gross Profit (R$, Million)	55	58	77	189	48	51	37	135	(52.0%)	(28.4%)
Gross Margin (%)	35.1%	33.3%	37.6%	35.5%	27.1%	25.5%	19.3%	23.9%	(18.3) p.p.	(11.6) p.p.
EBIT (R$, Million)	25	24	36	86	12	16	5	33	(86.8%)	(61.9%)
EBIT Margin (%)	16.2%	14.0%	17.8%	16.1%	7.0%	7.8%	2.5%	5.8%	(15.3) p.p.	(10.3) p.p.
EBITDA (R$, Million)	33	33	47	113	22	26	16	64	(66.3%)	(43.6%)
EBITDA Margin (%)	21.2%	19.3%	22.8%	21.2%	12.5%	13.0%	8.2%	11.2%	(14.6) p.p.	(10.0) p.p.
Export Volume of Brazil (CFR)*	35	38	41	113	37	45	47	128	13.7%	13.3%
% in total volume	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	0.0 p.p.	0.0 p.p.

*CFR (Cost and freight)

OTHER SEGMENTS

We included in "Other Segments" all volumes of BRF's non-core products, such as animal feed, flours, beef, etc., conducted by "Global Desk."

Other Segments	1Q15	2Q15	3Q15	9M15	1Q16	2Q16	3Q16	9M16	Variation 3Q16/3Q15	Variation 9M16/9M15
Volume (Thousand Tons)	40	45	46	130	46	48	47	141	1.6%	7.7%
Poultry (In Natura)	0	2	3	6	1	1	1	3	(75.1%)	(56.0%)
Pork and Others (In Natura)	0	0	0	0	6	6	6	17	N/A	N/A
Processed foods	1	1	1	3	0	0	1	1	(21.0%)	(50.7%)
Others Sales	39	41	42	121	39	41	40	120	(4.7%)	(1.5%)
Net Operating Revenues (R$, Million)	163	195	206	564	353	358	288	1.000	39.9%	77.3%
Average price (R$/Kg)	4.07	4.37	4.49	4.32	7.72	7.44	6.18	7.11	37.7%	64.6%
Gross Profit (R$, Million)	20	15	25	60	42	33	17	92	(33.1%)	55.0%
Gross Margin (%)	12.3%	7.5%	12.1%	10.6%	12.0%	9.2%	5.8%	9.2%	(6.3) p.p.	(1.3) p.p.
EBIT (R$, Million)	13	4	(6)	11	28	17	1	47	(122.6%)	321.0%
EBIT Margin (%)	8.0%	2.2%	(3.0%)	2.0%	8.1%	4.8%	0.5%	4.7%	3.5 p.p.	2.7 p.p.
EBITDA (R$, Million)	13	5	(6)	12	29	18	2	50	(135.2%)	323.0%
EBITDA Margin (%)	8.0%	2.5%	(3.0%)	2.1%	8.3%	5.1%	0.8%	5.0%	3.7 p.p.	2.9 p.p.

Corporate

As mentioned in "Other Operating Results," in this quarter, no significant non-recurring events affected the Company's results.

R$ Million	1Q15	2Q15	3Q15	9M15	1Q16	2Q16	3Q16	9M16	Variation 3Q16/3Q15	Variation 9M16/9M15
Other Operating Results	(112)	(66)	(36)	(214)	(16)	(49)	15	(50)	(142.0%)	(76.9%)
Equity Income	(67)	(20)	(48)	(135)	-	-	-	-	-	-
EBIT	(179)	(86)	(84)	(349)	(16)	(49)	15	(50)	(118.0%)	(85.8%)
EBITDA	(179)	(86)	(84)	(349)	(16)	(49)	15	(50)	(118.0%)	(85.8%)

INVESTMENTS (CAPEX)

Investments made in the quarter totaled R$641 million, of which R$438 million was invested in growth, efficiency, and support; and R$203 million was invested in biological assets.

In the accumulated for the year, we invested R$1,267 million in growth, efficiency, and support and R$571 million in biological assets, totaling R$1.838 million. We also highlight an investment of R$205 million to increase our in fixed assets through leasing agreements, capitalized interest, and intangible assets, among others.

The main projects in the quarter are, among others:

• Innovation and Quality: investments of R$66 million. We highlight the reformulation of the packaging of our products, the partnership project with Chef Jamie Oliver, the launching of new SKUs of ready-to-eat meals and margarines, and the expansion of Salamitos, among others, in addition to all investments for the maintenance and constant improvement of the quality of our products.

• Market Demand: major investments focused on supplying the Middle East with products of higher added value (griller cuts), improving the mix of processed products in Argentina (Hamburgers), and preparing plants to supply the Chinese market.

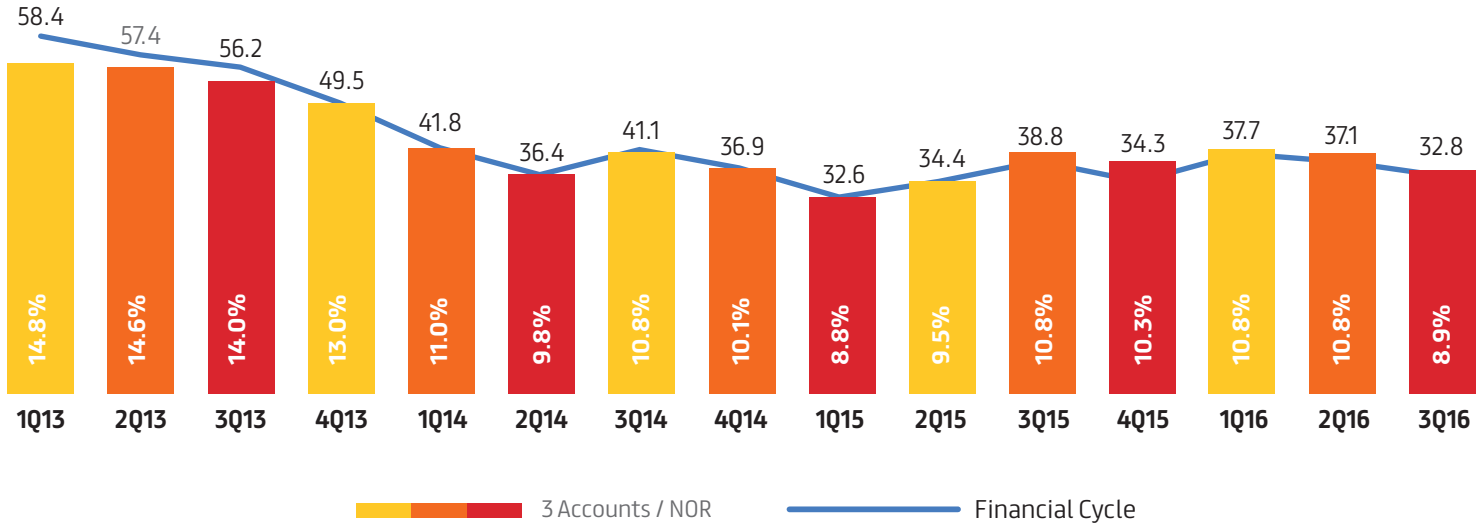
• Operational Footprint: we highlight investments to complete the optimization of the plant in Toledo, in the State of Paraná, and expand the Distribution Center in the city of Vitória do Santo Antão (according to our new logistic footprint).

FINANCIAL CYCLE

The Company's pro-forma financial cycle totaled 32.8 days in 3Q16 vs. 37.1 days in 2Q16 (an improvement of 4.3 days). Compared to 3Q15, the Company's financial cycle improved by 6.0 days.

The decrease in the Company's financial cycle is due to the improvements in accounts payable, as a result of the projects implemented throughout 3Q16 (fortnightly payment policy, for example). This improvement was partially reduced by increases in inventories, which are seasonally affected by the restocking of grains (safrinha) and the increase in the inventory of finished products in Brazil (festive products).

Financial Cycle - (Accounts Receivable + Inventories – Accounts Payable)



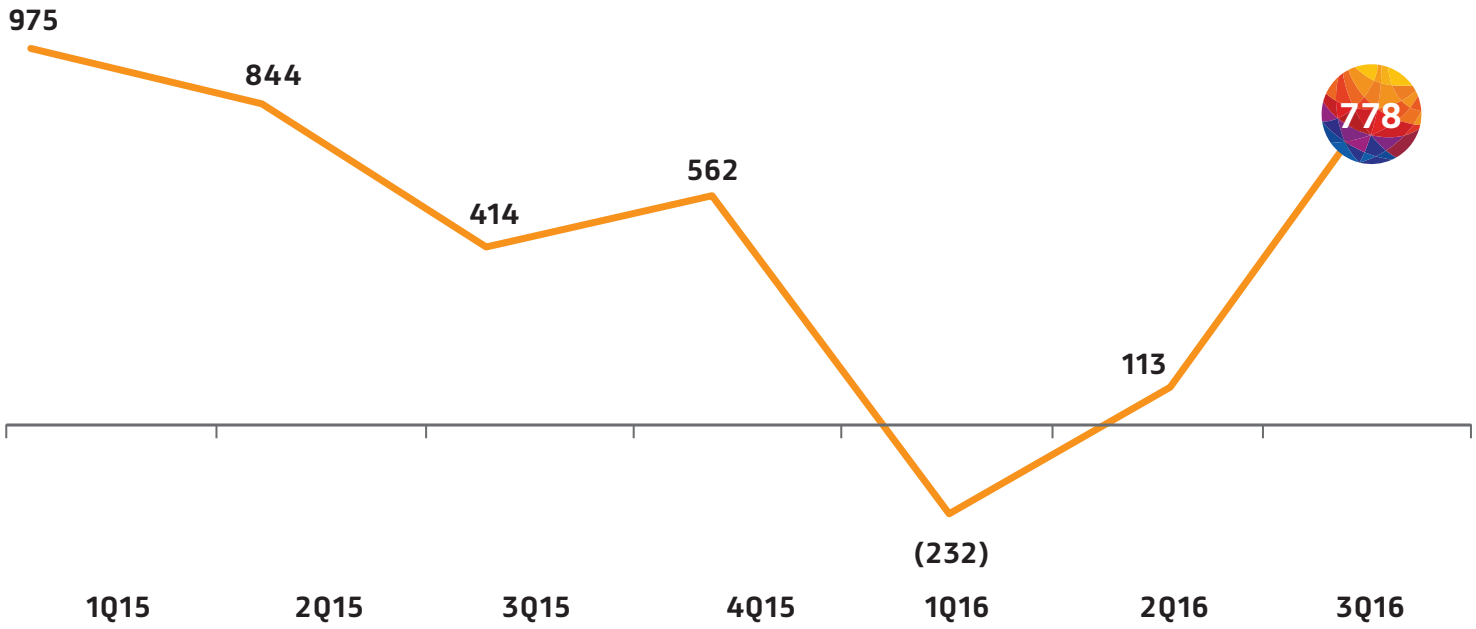
MANAGERIAL FREE CASH FLOW

In order to provide more transparency and quality to the information disclosed, in addition to a better understanding of the Company's results to our investors and stakeholders, as of 2Q16, we have been reporting the managerial view of the Company's Free Cash Flow. The information presented herein is derived from the Quarterly Financial Information.

The generation of operating cash flow totaled R$1,419 million in 3Q16, driven by a positive EBITDA of R$886 million and positive variation in working capital and other balance sheet items. This generation of cash met our Capex requirements in the quarter, which totaled R$641 million. Accordingly, the generation of cash flow after investments totaled R$778 million, showing a strong resilience of the Company's cash generation even during the difficult times we are facing.

The impact of the financial result and exchange rate variations on the cash flow in the quarter totaled an expense of R$763 million. Moreover, the Company paid dividends in the amount of R$460 million in 3Q16 and obtained net variation on debt in the amount of R$1,586 million (issuance of new bonds and buyback of the previous ones).

Evolution of Cash Generation (Operating Cash Flow – Capex) – R$MM



MANAGERIAL FREE CASH FLOW

Managerial Free Cash Flow (R$ million)	1Q15	2Q15	3Q15	9M15	1Q16	2Q16	3Q16	9M16
EBITDA	951	1,380	1,522	3,853	1,025	944	886	2,854
Other cash adjustments	65	66	57	188	49	8	58	114
EBITDA Cash	**1,016**	**1,446**	**1,579**	**4,041**	**1,074**	**951**	**943**	**2,968**
Δ Working Capital & Others	250	(87)	(534)	(371)	(698)	(43)	475	(266)
Δ Accounts Receivable	484	(305)	(473)	(295)	946	(35)	419	1,330
Δ Inventories	(465)	(142)	(689)	(1,296)	(380)	(265)	(582)	(1,227)
Δ Suppliers	380	325	751	1,456	(445)	381	640	577
Others	(149)	35	(123)	(237)	(819)	(124)	(3)	(946)
Cash Flow from Operating Activities	**1,266**	**1,359**	**1,045**	**3,670**	**375**	**908**	**1,419**	**2,702**
Capex	(292)	(515)	(631)	(1,438)	(608)	(795)	(641)	(2,044)
M&A (Aquisition and Receivable from Disposals of Property, Plant and Equipment)	104	(171)	2,101	2,035	(2,088)	(595)	27	(2,656)
Cash Flow from Investing Activities	**(188)**	**(686)**	**1,471**	**597**	**(2.696)**	**(1,390)**	**(614)**	**(4,700)**
Financial Results and FX Variations	(804)	(139)	(1,951)	(2,894)	353	(53)	(763)	(463)
Treasury Shares Acquisition/Disposal	(1,009)	(255)	(1,137)	(2,402)	(179)	(360)	0	(538)
Dividends and Interest on Shareholders' Equity Paid	(463)	-	(426)	(889)	(663)	-	(460)	(1,123)
Debt Variation	1,531	(1,614)	4,211	4,129	2,060	(53)	1,586	3,592
Cash Flow from Financing Activities	**(745)**	**(2,008)**	**697**	**(2,056)**	**1,571**	**(466)**	**363**	**1,467**
Cash Variation	**333**	**(1,335)**	**3,213**	**2,211**	**(749)**	**(948)**	**1,167**	**(531)**
Cash and cash equivalents - initial	6,815	7,148	5.813	6,815	8,509	7,760	6,811	8,509
Cash and cash equivalents - final	7,148	5,813	9,026	9,026	7,760	6,811	7,979	7,979
Total Debt - initial	11,847	13,378	11,764	11,847	15,846	17,905	17,852	15,846
Total Debt - final	13,378	11,764	15,975	15,975	17,905	17,852	19,438	19,438
Net Debt	**6,230**	**5,951**	**6,949**	**6,949**	**10,146**	**11,041**	**11,459**	**11,459**

INDEBTEDNESS

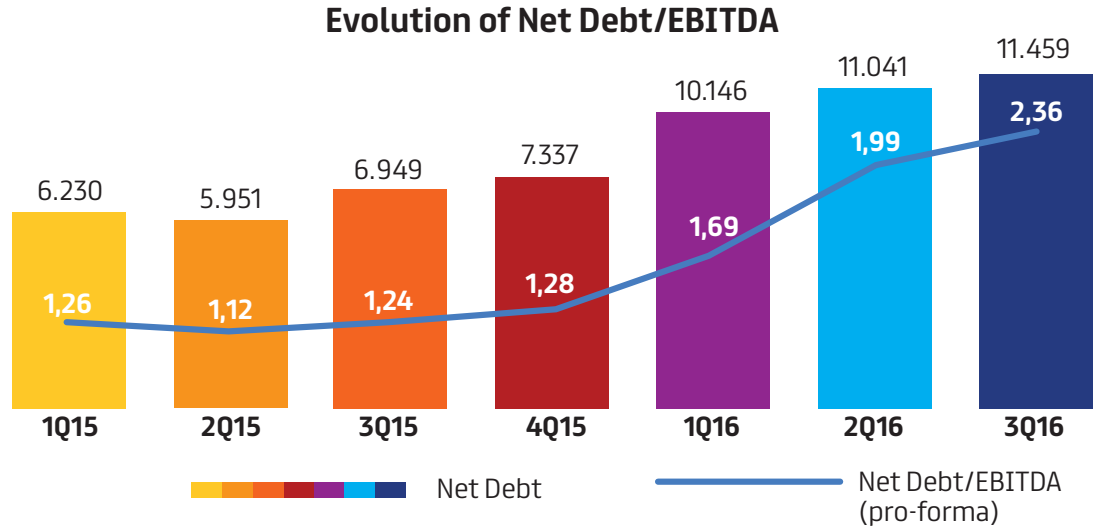
The Company's net debt totaled R$11.5 billion in 3Q16, compared to R$11.0 billion in 2Q16. The quarterly increase of R$418 million was primarily due to the payment of dividends/interest on shareholders' equity in the amount of R$460 million.

Accordingly, the Company's pro-forma net debt/EBITDA ratio (in the past 12 months) was 2.36x in 3Q16, compared to 1.99x in 2Q16. It is worth noting that this ratio takes into account the EBITDA of the past 12 months of the acquired companies.

In 2016, the increase in the Company's net debt is due to M&A transactions, buyback of shares and distribution of dividends. Excluding these factors, the Company's net debt is below the Company's net debt as of December 2015 and the Company's net debt/EBITDA ratio is 1.47x.

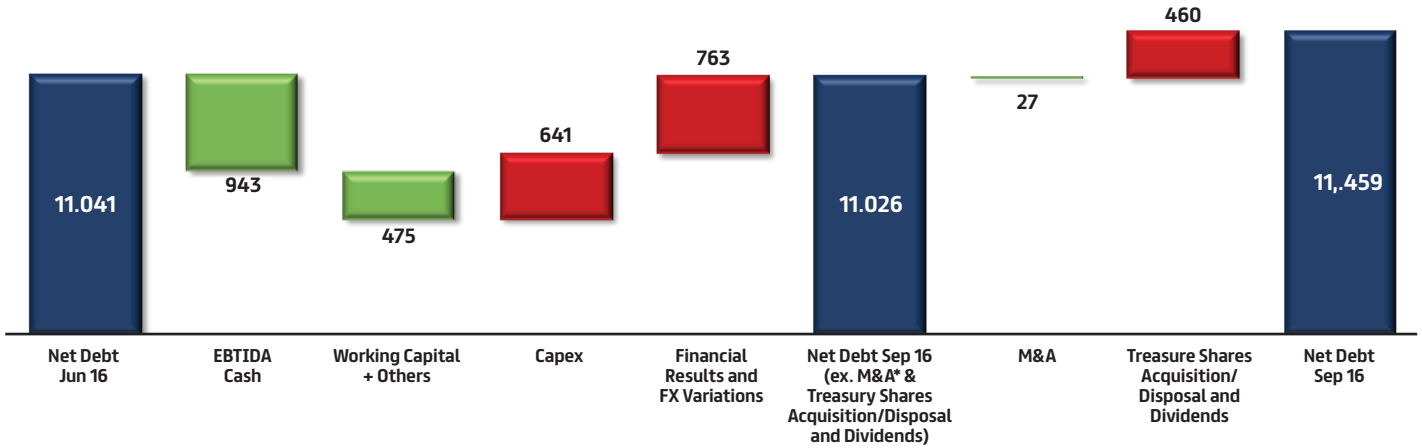
R$ Million	09.30.2016			12.31.2015	
Debt	**Current**	**Non-Current**	**Total**	**Total**	**Δ%**
Local Currency	(1,752)	(5,271)	(7,024)	(3,820)	83.9%
Foreign Currency	(3,240)	(9,174)	(12,414)	(12,026)	3.2%
Gross Debt	**(4,992)**	**(14,445)**	**(19,437)**	**(15,846)**	**22.7%**
Cash Investments					
Local Currency	2,016	693	2,708	1,711	58.3%
Foreign Currency	5,124	146	5,270	6,799	(22.5%)
Total Cash Investments	7,140	839	7,979	8,509	(6.2%)
Net Debt	**2,147**	**(13,606)**	**(11,459)**	**(7,337)**	**56.2%**
Exchange Rate Exposure - US$ Million	-	-	7	(40)	(117.2%)

Total Gross Indebtedness in the amount of R$19,437 million, as set forth above, includes total financial indebtedness, plus other financial liabilities in the amount of R$828 million, according to Note 23 of the ITR as of and for September 30, 2016.

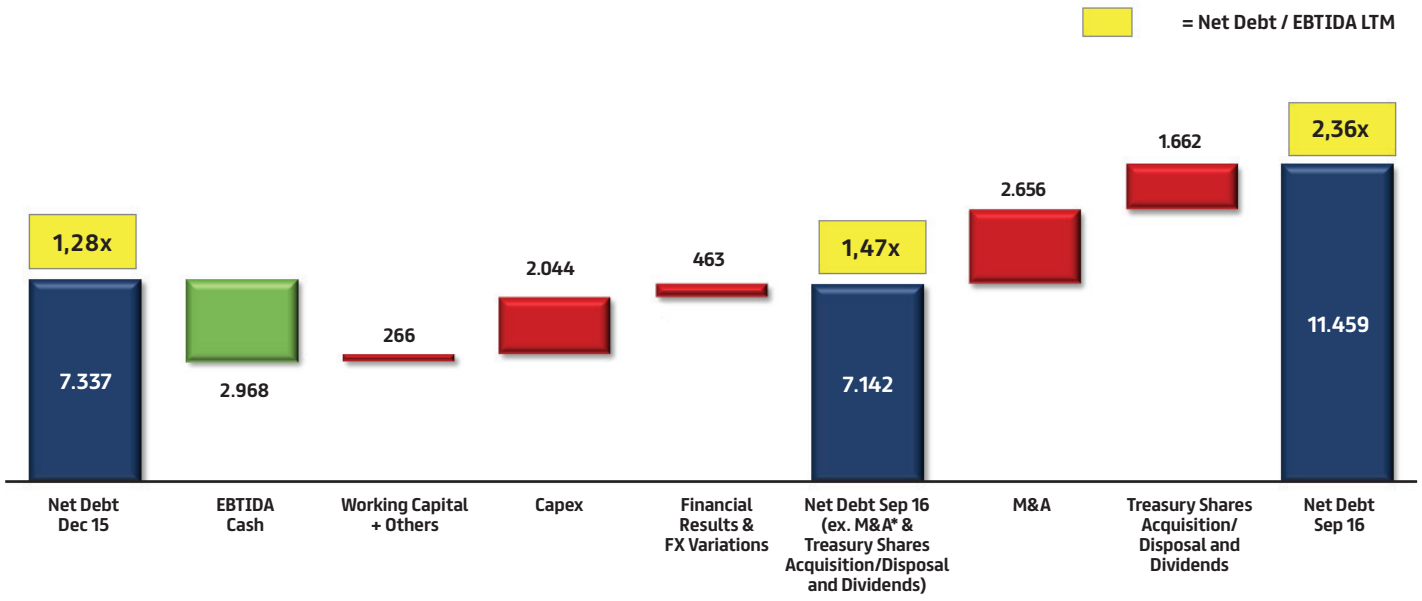


INDEBTEDNESS

Net Debt Quarterly Variation - R$MM



Net Debt Accumulated Variation - 9M2016 – R$MM



Slaughtering and Production

Production	1Q15	2Q15	3Q15	9M15	1Q16	2Q16	3Q16	9M16	Variation 3Q16/3Q15	Variation 9M16/9M15
Poultry Slaughter (Million Heads)	407	421	448	1.276	428	434	430	1,292	(4.1%)	1.2%
Hog Slaughter (Thousand Heads)	2,209	2,287	2,464	6,959	2,414	2,318	2,387	7,120	(3.1%)	2.3%
Cattle Slaughter (Thousand Heads)	38	38	37	113	38	36	38	112	1.5%	(0.8%)
Production (Thousand Tons)	1,090	1,091	1,112	3,293	1,019	1,074	1,098	3,190	(1.3%)	(3.1%)
Meats	978	961	991	2,931	915	953	968	2,836	(2.3%)	(3.2%)
Other Processed Products	112	130	121	362	104	121	129	354	7.2%	(2.3%)
Feed and Premix (Thousand Tons)	2,589	2,622	2,637	7,848	2,551	2,660	2,623	7,833	(0.5%)	(0.2%)

Social Balance and Appreciation of the Human Capital

BRF continuously seeks to capture synergies and efficiencies in its operations. The Company relies on the strategic location of its 35 plants in Brazil; 10 industrial units in Argentina, 2 in Europe (England and Holland), 5 in Thailand, 1 in Malaysia, and 1 in the United Arab Emirates (Abu Dhabi); 20 distribution centers in Brazil and 21 abroad; and 27 offices in international markets, in addition to Transit Shift Points (TSPs), poultry farms and sales branches. The Company currently has approximately 105 thousand employees in the world, focused on the continuous improvement of quality indicators, level of service, and performance of their jobs.

We have been working for the past three years on the values, principles and empowerment of our employees in order to allow them to become activists and multipliers of the Viva BRF culture. In 2016, we took another important step to establish our transformation journey: we launched the #FeedingTheWorld institutional campaign, gathering everything that we accomplished and presenting to the whole world a little of our purpose as a Company.

In parallel, we are beginning to build our vision for the future, which will infuse the Company's goals and targets for the next years. This project, which we call Food Vision, will be the expression of our real intention to transform and our purpose and impact as an organization in the communities in which we operate.

SSMA

The Health, Safety and Environment Management (Saúde, Segurança e Meio Ambiente – SSMA) continues to focus on the reduction of occupational accidents and has been consolidating its performance at each year. In 3Q16, the occupational accidents rate with leave was 0.86 compared to 2.59 in 3Q15, representing a 67% decrease.

Relationship with Independent Auditors

Pursuant to CVM Instruction No. 381, dated January 14, 2003, the Company informs that its policy of engagement of services not related to external audit is based on principles that protect auditor's independence.

Pursuant to CVM Instruction No. 381/03, in the nine-month period ended September 30, 2016, Ernst & Young Auditores Independentes S.S. was engaged to provide services that were not related to external audit (comfort letter for the issuance of Senior Notes and advisory services regarding the identification of the root causes of disruptions in the Distribution Centers and shelves, and recommendation of an action plan to reduce such disruptions), representing approximately 30.4% of the amount of consolidated fees relating to the external audit services provided to BRF and its subsidiaries. Ernst & Young Auditores Independentes S.S. informed us that the provision of such services did not affect its independence and objectivity due to the definition of scope and performed procedures.

Pursuant to CVM Instruction No. 480/09, management, in the meeting held on October 27, 2016, represents that it discussed, reviewed, and agreed with the information expressed in the review report of independent auditors on the financial information for 3Q16.

Disclaimer

The representations included in this report concerning prospective businesses of the Company, projections and results, and the Company's potential growth are mere forecasts based on the expectations of management with regards to the future of the Company. These expectations rely heavily on market changes and the general economic performance of the country, industry, and international market, and are therefore subject to change.

P&L

Financial Statement - R$ Million	3Q16	3Q15	y/y	2Q16	t/t
Net Operating Revenues	**8,508**	**8,281**	**2,7%**	**8,515**	**(0.1%)**
Cost of Sales	(6,623)	(5,680)	16.6%	(6,596)	0.4%
% of the NOR	(77.9%)	(68.6%)	(9.3) p.p.	(77.5%)	(0.4) p.p.
Gross Profit	**1,884**	**2,601**	**(27.6%)**	**1,918**	**(1.8%)**
% of the NOR	22.1%	31.4%	(9.3) p.p.	22.5%	(0.4) p.p.
Operating Expenses	**(1,393)**	**(1,381)**	**0.9%**	**(1,372)**	**1.5%**
% of the NOR	(16.4%)	(16.7%)	0.3 p.p.	(16.1%)	(0.3) p.p.
Selling Expenses	**(1,255)**	**(1,237)**	**1.4%**	**(1,230)**	**2.0%**
% of the NOR	(14.7%)	(14.9%)	0.2 p.p.	(14.4%)	(0.3) p.p.
Fixed	(856)	(807)	6.1%	(798)	7.3%
Variable	(399)	(431)	(7.5%)	(432)	(7.8%)
General and Administrative Expenses	**(138)**	**(143)**	**(3.8%)**	**(142)**	**(3.0%)**
% of the NOR	(1.6%)	(1.7%)	0.1 p.p.	(1.7%)	0.0 p.p.
Honorary of our Administrators	(7)	(6)	11.5%	(7)	(2.4%)
% of the NOR	(0.1%)	(0.1%)	0.0 p.p.	(0.1%)	0.0 p.p.
General and Administrative	(131)	(137)	(4.5%)	(135)	(3.0%)
% of the NOR	(1.5%)	(1.7%)	0,1 p.p.	(1.6%)	0.0 p.p.
Operating Income	**492**	**1,220**	**(59.7%)**	**546**	**(10.0%)**
% of the NOR	5.8%	14.7%	(9.0) p.p.	6.4%	(0.6) p.p.
Other Operating Results	**(32)**	**(209)**	(84.6%)	**(22)**	**47.7%**
Equity Income	**9**	**(43)**	**(121.1%)**	**5**	**96.1%**
EBIT	**469**	**969**	**(51.7%)**	**529**	**(11.4%)**
% of the NOR	5.5%	11.7%	(6.2) p.p.	6.2%	(0.7) p.p.
Net Financial Income	**(425)**	**(525)**	**(19.1%)**	**(504)**	**(15.7%)**
Income before Taxes	**44**	**444**	**(90.2%)**	**25**	**74.5%**
% of the NOR	0.5%	5.4%	(4.9) p.p.	0.3%	0.2 p.p.
Income Tax and Social Contribution	(27)	235	(111.7%)	(8)	244.3%
% of Income before Taxes	(62.7%)	52.8%	(115.5) p.p.	(31.8%)	(30.9) p.p.
Net Income	**18**	**687**	**(97.4%)**	**31**	**(40.9%)**
% of the NOR	**0.2%**	**8.3%**	**(8.1) p.p.**	**0.4%**	**(0.1) p.p.**
EBITDA	**886**	**1,309**	**(32.4%)**	**944**	**(6.1%)**
% of the NOR	**10.4%**	**15.8%**	**(5.4) p.p.**	**11.1%**	**(0.7) p.p.**

BALANÇO PATRIMONIAL

Balance Sheet - R$ Million	09.30.16	09.30.15	12.31.15
Assets			
Current Assets			
Cash and Cash Equivalents	5,773	7,724	5,363
Financial Investments	792	703	735
Accounts Receivable	2,964	3,391	3,876
Recoverable Taxes	1,164	1,113	1,232
Dividends/Interest on shareholders' equity receivable	8	0.42	22
Securities Receivable	180	299	304
Inventories	5,378	4,201	4,033
Biological Assets	1,574	1,271	1,330
Other Financial Assets	265	71	129
Other Receivables	430	327	369
Anticipated expenses	196	235	409
Restricted Cash	309	-	1,346
Non-Current Assets held to sale and discontinued operation	42	108	32
Total Current Assets	**19,075**	**19,444**	**19,180**
Non-Current Assets			
Long-term assets	**5,628**	**4,352**	**5,095**
Cash Investments	425	68	456
Accounts Receivable	9	5	4
Judicial Deposits	898	699	732
Biological Assets	862	720	761
Securities Receivable	166	203	231
Recoverable Taxes	1,481	848	969
Deferred Taxes	1,212	1,129	1,256
Restricted Cash	414	459	480
Other Receivables	161	222	207
Permanent Assets	**18,423**	**16,193**	**16,113**
Investments	85	457	186
Property, Plant and Equipment	11,711	10,702	10,916
Intangible	6,628	5,035	5,011
Total Non-Current Assets	**24,051**	**20,545**	**21,208**
Total Assets	**43,126**	**39,990**	**40,388**

BALANÇO PATRIMONIAL

Balance Sheet - R$ Million	09.30.16	09.30.15	12.31.15
Liabilities and Equity			
Current Liabilities			
Loans and Financing	4,164	2,154	2,628
Suppliers	5,909	5,486	4,745
Supply Chain Risk	823	0	1,175
Payroll and Mandatory Social Charges	724	614	478
Taxes Payable	403	297	353
Dividends/Interest on Shareholders' Equity	2	2	518
Management and Staff Profit Sharing	10	239	296
Other Financial Liabilities	828	1,052	667
Provisions	333	253	231
Employee Pension Plan	67	56	67
Other Liabilities	308	479	462
Liabilities related to non-current assets held for sale and discontinued operations	-	0	-
Total Current Liabilities	**13,572**	**10,633**	**11,621**
Non-Current Liabilities			
Loans and Financing	14,445	12,769	12,551
Suppliers	181	146	155
Taxes and Social Charges Payable	16	39	26
Provision for Tax, Civil and Labor Contingencies	984	930	974
Deferred Taxes	149	143	188
Employee Pension Plan	261	246	232
Other Liabilities	823	850	804
Total Non-Current Liabilities	**16,860**	**15,124**	**14,931**
Total Liabilities	**30,432**	**25,757**	**26,552**
Shareholders' Equity			
Capital Stock	12,460	12,460	12,460
Capital Reserves	35	(79)	6.98
Profit Reserves	1,798	4,044	6,077
Other Related Results	(1,178)	(1,017)	(1,080)
Retained Profits	88	1,696	-
Interest on Shareholders' Equity	-	(426)	-
Transfer Reserves and Tax Incentives	(94)	(98)	-
Treasury Shares	(723)	(2,675)	(3,948)
Non-Controling Shareholders	309	327	319
Total Shareholders' Equity	**12,695**	**14,233**	**13,836**
Total Liabilities and Shareholders' Equity	**43,126**	**39,990**	**40,388**

1. COMPANY'S OPERATIONS

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

- Whole chickens and frozen cuts of chicken, turkey and pork;
- Ham products, bologna, sausages, frankfurters and other smoked products;
- Hamburgers, breaded meat products and meatballs;
- Lasagnas, pizzas, cheese breads, pies and frozen vegetables;
- Margarine, sauces and mayonnaise; and
- Soy meal and refined soy flour, as well as animal feed.

BRF is a public company, listed on the New Market of Brazilian Securities, Commodities & Futures Exchange ("BM&FBOVESPA"), under the ticker BRFS3, and listed on the New York Stock Exchange ("NYSE"), under the ticker BRFS. Its headquarters are located at 475, Rua Jorge Tzachel in the City of Itajaí, State of Santa Catarina.

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

The Company's business model is by means of a vertical and integrated production system, which are distributed through an extensive distribution network, reaching the 5 continents, to meet the supermarkets, retail stores, wholesalers, restaurants and other institutional customers. In addition, our facilities are strategically located near to their raw material suppliers or its main consumption centers.

The Company has as main brands *Sadia, Perdigão, Qualy, Chester®, Perdix* and *Paty* that are highly recognized, especially in Brazil, Argentina and the Middle East.

In 2016, the Company´s activities are organizes into 7 operating segments, due to the importance and growth potential of Africa region, which now has the same autonomy and organizational structure of other regions. Thus, the segments are as follows: Brazil, Latin America ("LATAM"), Europe, Middle East and North of Africa ("MENA"), Asia, Africa and Other Segments (note 5).

Explanatory Notes
(in thousands of Brazilian Reais)

1.1. Interest in subsidiaries

Entity		Main activity	Country	Participation	Accounting method	% equity interest 09.30.16	% equity interest 12.31.15
Avipal Centro-Oeste S.A.	(a)	Industrialization and commercialization of milk	Brazil	Direct	Consolidated	**100.00%**	100.00%
BRF GmbH		Holding	Austria	Direct	Consolidated	**100.00%**	100.00%
Al Khan Foodstuff LLC ("AKF")	(k)	Import, commercialization and distribution of products	Oman	Indirect	Consolidated	**70.00%**	40.00%
Al-Wafi Food Products Factory LLC	(l)	Industrialization and commercialization of products	United Arab Emirates	Indirect	Consolidated	**49.00%**	49.00%
Alimentos Calchaquí Productos 7 S.A.	(i)	Industrialization and commercialization of products	Argentina	Indirect	Consolidated	**95.00%**	-
Badi Ltd.		Holding	United Arab Emirates	Indirect	Consolidated	**100.00%**	100.00%
Al-Wafi Al-Takamol International for Foods Products		Import and commercialization of products	Saudi Arabia	Indirect	Consolidated	**75.00%**	75.00%
BRF Al Yasra Food K.S.C.C. ("BRF AFC")		Import, commercialization and distribution of products	Kuwait	Indirect	Consolidated	**75.00%**	75.00%
BRF Foods GmbH		Industralization, import and commercialization of products	Austria	Indirect	Consolidated	**100.00%**	100.00%
BRF Foods LLC		Import and commercialization of products	Russia	Indirect	Consolidated	**90.00%**	90.00%
BRF France SARL		Marketing and logistics services	France	Indirect	Consolidated	**100.00%**	100.00%
BRF Global Company Nigeria Ltd.		Marketing and logistics services	Nigeria	Indirect	Consolidated	**99.00%**	99.00%
BRF Global Company South Africa Proprietary Ltd.		Import and commercialization of products	South Africa	Indirect	Consolidated	**100.00%**	100.00%
BRF Global Company Nigeria Ltd.		Marketing and logistics services	Nigeria	Indirect	Consolidated	**1.00%**	1.00%
BRF Global GmbH	(b)	Holding and trading	Austria	Indirect	Consolidated	**100.00%**	100.00%
Qualy 5201 B.V.	(b)	Import, commercialization of products and holding	The Netherlands	Indirect	Consolidated	**100.00%**	100.00%
Xamol Consultores Serviços Ltda.		Import and commercialization of products	Portugal	Indirect	Consolidated	**100.00%**	100.00%
BRF Japan KK		Marketing and logistics services	Japan	Indirect	Consolidated	**100.00%**	100.00%
BRF Korea LLC		Marketing and logistics services	Korea	Indirect	Consolidated	**100.00%**	100.00%
BRF Malaysia Sdn Bhd	(j)	Marketing and logistics services	Malaysia	Indireta	Consolidated	**100.00%**	-
BRF Shanghai Management Consulting Co. Ltd.		Advisory and related services	China	Indirect	Consolidated	**100.00%**	100.00%
BRF Shanghai Trading Co. Ltd.		Commercialization and distribution of products	China	Indirect	Consolidated	**100.00%**	100.00%
BRF Singapore PTE Ltd.		Marketing and logistics services	Singapore	Indirect	Consolidated	**100.00%**	100.00%
BRF Germany GmbH		Import and commercialization of products	Germany	Indirect	Consolidated	**100.00%**	100.00%
BRF Holland B.V.		Import and commercialization of products	The Netherlands	Indirect	Consolidated	**100.00%**	100.00%
Alimentos Calchaqui Productos S.A.	(i)	Industrialization and commercialization of products	Argentina	Indirect	Consolidated	**5.00%**	-
BRF B.V.		Industrialization, import and commercialization of products	The Netherlands	Indirect	Consolidated	**100.00%**	100.00%
BRF Hungary LLC		Import and commercialization of products	Hungary	Indirect	Consolidated	**100.00%**	100.00%
BRF Iberia Alimentos SL		Import and commercialization of products	Spain	Indirect	Consolidated	**100.00%**	100.00%
BRF Invicta Ltd.		Import, commercialization and distribution of products	England	Indirect	Consolidated	**62.00%**	62.00%
Invicta Food Products Ltd.		Import and commercialization of products	England	Indirect	Consolidated	**100.00%**	100.00%
BRF Wrexham Ltd.		Industrialization, import and commercialization of products	England	Indirect	Consolidated	**100.00%**	100.00%
Invicta Food Group Ltd.	(b)	Import, commercialization and distribution of products	England	Indirect	Consolidated	**100.00%**	100.00%
Invicta Foods Ltd.		Import, commercialization and distribution of products	England	Indirect	Consolidated	**100.00%**	100.00%
Invicta Foodservice Ltd.		Import, commercialization and distribution of products	England	Indirect	Consolidated	**100.00%**	100.00%
Universal Meats (UK) Ltd.	(b) (e)	Import, Industrialization, commercialization and distribution of products	England	Indirect	Consolidated	**100.00%**	-
BRF Italia SPA		Import and commercialization of products	Italy	Indirect	Consolidated	**67.00%**	67.00%
Compañía Paraguaya Comercial S.A.	(f)	Import and commercialization of products	Paraguay	Indirect	Consolidated	**99.00%**	-
Eclipse Holding Cooperatief U.A.	(h)	Holding	The Netherlands	Indirect	Consolidated	**50.00%**	-
Buenos Aires Fortune S.A.	(h)	Holding	Argentina	Indirect	Consolidated	**5.00%**	-
Cabaña San Nestor S.A.	(h)	Rearing and fattening of porks	Argentina	Indirect	Consolidated	**43.33%**	-
Eporpan S.A.	(h)	Rearing and fattening of porks	Argentina	Indirect	Consolidated	**13.32%**	-
Campo Austral S.A.	(h)	Industrialization and commercialization of products	Argentina	Indirect	Consolidated	**65.50%**	-
Degesa Argentina S.A.	(h)	Rearing and fattening of porks	Argentina	Indirect	Consolidated	**4.99%**	-
Itega S.A.	(h)	Holding	Argentina	Indirect	Consolidated	**96.00%**	-
Porcinos Cordobeses S.A.	(h)	Rearing and fattening of porks	Argentina	Indirect	Consolidated	**51.04%**	-
Eclipse Latam Holdings	(h)	Holding	Spain	Indirect	Consolidated	**100.00%**	-
Buenos Aires Fortune S.A.	(h)	Holding	Argentina	Indirect	Consolidated	**95.00%**	-
Cabaña San Nestor S.A.	(h)	Rearing and fattening of porks	Argentina	Indirect	Consolidated	**2.76%**	-
Campo Austral S.A.	(h)	Industrialization and commercialization of products	Argentina	Indirect	Consolidated	**34.50%**	-
Degesa Argentina S.A.	(h)	Rearing and fattening of porks	Argentina	Indirect	Consolidated	**95.01%**	-
Eporpan S.A.	(h)	Rearing and fattening of porks	Argentina	Indirect	Consolidated	**51.07%**	-
Hibridos Argentinos S.A.	(h)	Rearing and fattening of porks	Argentina	Indirect	Consolidated	**95.00%**	-
Indústria Frigorífico Expork S.A.	(h)	Slaughtering	Argentina	Indirect	Consolidated	**78.52%**	-
Itega S.A.	(h)	Holding	Argentina	Indirect	Consolidated	**4.00%**	-
Porcinos Cordobeses S.A.	(h)	Rearing and fattening of porks	Argentina	Indirect	Consolidated	**14.34%**	-
Porcinos Cordobeses S.A.	(h)	Rearing and fattening of porks	Argentina	Indirect	Consolidated	**5.88%**	-
Eporpan S.A.	(h)	Rearing and fattening of porks	Argentina	Indirect	Consolidated	**35.61%**	-
Cabaña San Nestor S.A.	(h)	Rearing and fattening of porks	Argentina	Indirect	Consolidated	**53.91%**	-
Hibridos Argentinos S.A.	(h)	Rearing and fattening of porks	Argentina	Indirect	Consolidated	**5.00%**	-
Porcinos Cordobeses S.A.	(h)	Rearing and fattening of porks	Argentina	Indirect	Consolidated	**28.74%**	-
Indústria Frigorífico Expork S.A.	(h)	Slaughtering	Argentina	Indirect	Consolidated	**21.48%**	-
Federal Foods LLC	(c)	Import, commercialization and distribution of products	United Arab Emirates	Indirect	Consolidated	**49.00%**	49.00%
Federal Foods Omã	(a)	Import, commercialization and distribution of products	Oman	Indirect	Consolidated	**49.00%**	49.00%
Federal Foods Qatar		Import, commercialization and distribution of products	Qatar	Indirect	Consolidated	**49.00%**	49.00%
Golden Foods Poultry Limited	(d)	Holding	Thailand	Indirect	Consolidated	**48.52%**	-
Golden Poultry Siam Limited	(d)	Holding	Thailand	Indirect	Consolidated	**51.84%**	-
Golden Poultry Siam Limited	(d)	Holding	Thailand	Indirect	Consolidated	**48.16%**	-
BRF Thailand Limited	(d)	Import, Industrialization, commercialization and distribution of products	Thailand	Indirect	Consolidated	**100.00%**	-
BRF Feed Thailand Limited	(d)	Import, Industrialization, commercialization and distribution of products	Thailand	Indirect	Consolidated	**100.00%**	-
Golden Foods Sales (Europe) Limited	(d)	Holding e trading	England	Indirect	Consolidated	**100.00%**	-
Golden Quality Foods Europe BV	(d)	Import, commercialization and distribution of products	Thailand	Indirect	Consolidated	**100.00%**	-
Golden Quality Foods Netherlands BV	(d)	Import, commercialization and distribution of products	Thailand	Indirect	Consolidated	**100.00%**	-
Golden Foods Siam Europe Limited	(b) (d)	Import, commercialization and distribution of products	England	Indirect	Consolidated	**100.00%**	-

Explanatory Notes
(in thousands of Brazilian Reais)

Entity		Main activity	Country	Participation	Accounting method	% equity interest 09.30.16	12.31.15
Perdigão Europe Lda.		Import and commercialization of products	Portugal	Indirect	Consolidated	**100.00%**	100.00%
Perdigão International Ltd.		Import and commercialization of products	Cayman Island	Indirect	Consolidated	**100.00%**	100.00%
BFF International Ltd.		Financial fundraising	Cayman Island	Indirect	Consolidated	**100.00%**	100.00%
Highline International	(a)	Financial fundraising	Cayman Island	Indirect	Consolidated	**100.00%**	100.00%
Sadia Chile S.A.		Import and commercialization of products	Chile	Indirect	Consolidated	**40.00%**	40.00%
Sadia Foods GmbH	(a)	Import and commercialization of products	Germany	Indirect	Consolidated	**100.00%**	100.00%
BRF Foods LLC		Import and commercialization of products	Russia	Indirect	Consolidated	**10.00%**	10.00%
SATS BRF Food PTE Ltd.		Import, industrialization, commercialization and distribution of products	Singapore	Joint venture	Equity pick-up	**49.00%**	49.00%
Gazania Investments Three Hundred and Thirty Three (Pty) Ltd	(o)	Import and commercialization of products	Namibia	Indirect	Consolidated	**100.00%**	-
Wellax Food Logistics C.P.A.S.U. Lda.		Import and commercialization of products	Portugal	Indirect	Consolidated	**100.00%**	100.00%
SALEM Beteiligungsverwaltung Siebenundsiebzigste.	(n)	Import and commercialization of products	Austria	Direct	Consolidated	**100.00%**	-
Establecimiento Levino Zaccardi y Cia. S.A.	(a)	Industrialization and commercializations of dairy products	Argentina	Direct	Consolidated	**98.26%**	98.26%
K&S Alimentos S.A.	(g)	Industrialization and commercialization of products	Brazil	Direct	Consolidated	**100.00%**	49.00%
PP-BIO Administração de bem próprio S.A.		Management of assets	Brazil	Affiliate	Equity pick-up	**33.33%**	33.33%
PSA Laboratório Veterinário Ltda.		Veterinary activities	Brazil	Direct	Consolidated	**99.99%**	99.99%
Sino dos Alpes Alimentos Ltda.	(a)	Industrialization and commercialization of products	Brazil	Indirect	Consolidated	**99.99%**	99.99%
SHB Comércio e Indústria de Alimentos S.A.	(m)	Industrialization and commercialization of products	Brazil	Indirect	Consolidated	**1.00%**	0.00%
PR-SAD Administração de bem próprio S.A.		Management of assets	Brazil	Affiliate	Equity pick-up	**33.33%**	33.33%
Quickfood S.A.		Industrialization and commercialization of products	Argentina	Direct	Consolidated	**90.05%**	90.05%
Sadia Alimentos S.A.		Holding	Argentina	Direct	Consolidated	**43.10%**	43.10%
Avex S.A.		Industrialization and commercialization of products	Argentina	Indirect	Consolidated	**33.98%**	33.98%
Sadia International Ltd.		Import and commercialization of products	Cayman Island	Direct	Consolidated	**100.00%**	100.00%
Sadia Chile S.A.		Import and commercialization of products	Chile	Indirect	Consolidated	**60.00%**	60.00%
Sadia Uruguay S.A.		Import and commercialization of products	Uruguay	Indirect	Consolidated	**5.10%**	5.10%
Avex S.A.		Industrialization and commercialization of products	Argentina	Indirect	Consolidated	**66.02%**	66.02%
Compañía Paraguaya Comercial S.A.	(f)	Import and commercialization of products	Paraguay	Indirect	Consolidated	**1.00%**	-
Sadia Alimentos S.A.		Holding	Argentina	Indirect	Consolidated	**56.90%**	56.90%
Sadia Overseas Ltd.		Financial fundraising	Cayman Island	Direct	Consolidated	**100.00%**	100.00%
Sadia Uruguay S.A.		Import and commercialization of products	Uruguay	Direct	Consolidated	**94.90%**	94.90%
SHB Comércio e Indústria de Alimentos S.A.	(m)	Industrialization and commercialization of products	Brazil	Direct	Consolidated	**99.00%**	-
UP Alimentos Ltda.		Industrialization and commercialization of products	Brazil	Affiliate	Equity pick-up	**50.00%**	50.00%
Vip S.A. Emp. Part. Imobiliárias		Commercialization of ow ned real state	Brazil	Direct	Consolidated	**100.00%**	100.00%
Establecimiento Levino Zaccardi y Cia. S.A.	(a)	Industrialization and commercialization of dairy products	Argentina	Indirect	Consolidated	**1.74%**	1.74%
PSA Laboratório Veterinário Ltda.		Veterinary activities	Brazil	Indirect	Consolidated	**0.01%**	0.01%
Sino dos Alpes Alimentos Ltda.	(a)	Industrialization and commercialization of products	Brazil	Indirect	Consolidated	**0.01%**	0.01%

(a) Dormant subsidiaries.

(b) The wholly-owned subsidiary BRF Global GmbH operates as a trading in the European market and owns 101 wholly-owned subsidiaries in Madeira, Portugal, with an investment of R$6,799 as of September 30, 2016 (R$4,046 as of December 31, 2015) and a direct subsidiary in Den Bosch, The Netherlands, denominated Qualy 20 with an investment of R$6,233 as of September 30, 2016 (R$8,162 as of December 31, 2015). The wholly-owned subsidiary Qualy 5201 B.V. owns 212 subsidiaries in Den Bosh, The Netherlands being the amount of this investment of R$27,136 as of September 30, 2016 (R$22,258 as of December 31, 2015). The indirect subsidiary Invicta Food Group Ltd. owns 120 direct subsidiaries in Ashford, England, with an investment of R$119,006 as of September 30, 2016 (R$161,197 as of December 31, 2015). The indirect subsidiary Universal Meats (UK) Ltd. owns 99 direct subsidiaries in Ashford, England with an investment of R$38,908 as of September 30, 2016. The indirect subsidiary Golden Foods Siam Europe Ltd. (GFE) owns 32 direct subsidiaries in Ashford, England with an investment of R$113,189 as of September 30, 2016. The purpose of those 2 subsidiaries is to operate in the European market to increase the Company's market share, which is regulated by a system of poultry and turkey meat import quotas.

(c) The Company owns 49% of equity interest with rights for 60% of the dividends, permitted by the Federal Law 8/1984, which is effective in the United Arab Emirates. According to the shareholder's agreement, the Company holds 100% of the economic interest.

(d) On January 26, 2016 acquisition of 48.52% of equity interest in Golden Foods Poultry Limited and 48.16% of equity interest in Golden Poultry Siam Limited. The company, according to the shareholder's agreement, owns substantial part of the economic rights of such entities. In addition, on January 26, 2016, acquisition of 100% of equity interest in Golden Foods Sales (Europe) Limited and Golden Foods Siam Europe Limited.

(e) On February 01, 2016, acquisition of 100% of equity interest in Universal Meats (UK) Ltd.

(f) On February 25, 2016, acquisition of 100% of equity interest in Compañía Paraguaya Comercial S.A.

(g) On March, 18, 2016, the Company acquired the remaining equity interest and thus holds 100% of equity interest in K&S Alimentos S.A.

(h) On April 13, 2016, acquisition of 50% of equity interest in Eclipse Holding Cöoperatief UA and its subsidiaries.

(i) On May 10, 2016, acquisition of 100% of equity interest in Alimentos Calchaquí Productos 7 S.A..

(j) On June 10, 2016, establishment of BRF Malaysia Snd Bhd with 100% of equity interest.

(k) On June 20, 2016, acquisition of 30% of equity interest, becoming the holder of 70% of equity interest with rights for 99% of the dividends, permitted by the Federal Law, which is effective in the Sultanate of Oman. According to the shareholder's agreement, the Company holds 100% of the economic interest.

(l) The Company owns 49% of equity interest with rights for 90% of the dividends, permitted by the Federal Law 8/1984, which is effective in the United Arab Emirates. According to the shareholder's agreement, the Company holds 100% of the economic interest.

(m) On September 01, 2016, establishment of SHB Comércio e Indústria de Alimentos S.A.

(n) On September 02, 2016, acquisition of 100% of equity interest in SALEM Beteiligungsverwaltung Siebenundsiebzigste.

(o) On September 22, 2016, acquisition of 100% of equity interest in Gazania Investments Three Hundred and Thirty Three (Pty) Ltd.

1.2. Seasonality

In Brazil and LATAM operating segments, in months of November and December of each year, the Company is impacted by seasonality due Christmas and New Year Celebrations, being the best-selling products in this period: turkey, Chester, ham and pork loins.

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

2. MANAGEMENT'S STATEMENT AND BASIS OF PREPARATION AND PRESENTATION OF QUARTELY FINANCIAL STATEMENTS

The Company's individual and consolidated quarterly financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretation issued by the International Financial Reporting Interpretations Committee ("IFRIC"), implemented in Brazil through Brazilian Accounting Pronouncements Committee ("CPC") and its technical interpretations ("ICPC") and guidelines ("OCPC"), approved by the Brazilian Securities Exchange Commission ("CVM").

The Company's individual and consolidated quarterly financial statements are expressed in millions of Brazilian Reais ("R$"), as well as the amounts of other currencies disclosed, when applicable, were also expressed in thousands.

The preparation of the Company's individual and consolidated quarterly financial statements requires Management to make judgments, use estimates and adopt assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as the disclosures of contingent liabilities as of the reporting date. However, the uncertainty inherent to these judgments, assumptions and estimates could

result in material adjustments to the carrying amounts of the affected assets and liabilities in future periods.

The Company reviews its judgments, estimates and assumptions on a quarterly basis.

The individual and consolidated financial statements were prepared on the historical cost except for the following relevant items recognized in the balance sheet:

(i) derivative and non-derivative financial instruments measured at fair value;

(ii) available for sale financial assets at fair value;

(iii) marketable securities classified as cash and cash equivalents measured at fair value;

(iv) share-based payments and employee benefits at fair value, and

(v) biological assets at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The quarterly financial information have been prepared according to CVM Deliberation Nº 673/11, which establishes the minimum content of interim financial statement and the principles for measurement and recognition of a full or condensed set of financial statements for an interim period.

The interim financial statements, in this case denominated as quarterly financial information, aim to provide updated information based on the last annual financial statements disclosed. Therefore, the quarterly financial information focus on new activities, events and circumstances and do not duplicate the information previously disclosed, except in the case where Management judged that the maintenance of the information was relevant.

The current quarterly financial information was consistently prepared based on the accounting policies and estimates calculation methodology adopted in the preparation of the annual financial statements for the year ended December 31, 2015 (note 3).

There were no changes on such policies and estimates calculation methodology. As allowed by CVM Deliberation Nº 673/11, Management decided not to disclose again the details of the accounting policies adopted by the Company. Hence, the quarterly financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2015, in order to allow the users of this financial information to further understand the Company's capacity of profit and future cash flows generation as well as its financial conditions and liquidity.

The exchange rates in Brazilian Reais that are effective at the balance sheet dates are as follows:

Exchange rate at the balance sheet date	**09.30.16**	12.31.15
U.S. Dollar (US$ or USD)	**3.2462**	3.9048
Euro (€ or EUR)	**3.6484**	4.2504
Pound Sterling (£ or GBP)	**4.2249**	5.7881
Argentine Peso ($ or ARS)	**0.2131**	0.3017
Omani Riyal (OMR)	**8.4405**	10.1529
Dirham (AED)	**0.8839**	1.0631
Saudi Riyal (SAR)	**0.8654**	1.0406
Bath (THB)	**0.0939**	0.1083
Qatar Riyal (QAR)	**0.8914**	1.0725
Kwanza (AOA)	**0.0197**	0.0290

Average rates	**09.30.16**	09.30.15
U.S. Dollar (US$ or USD)	**3.5557**	3.1612
Euro (€ or EUR)	**3.9661**	3.5219
Pound Sterling (£ or GBP)	**4.9652**	4.8474
Argentine Peso ($ or ARS)	**0.2453**	0.3520
Omani Riyal (OMR)	**9.2425**	8.2127
Dirham (AED)	**0.9682**	0.8607
Saudi Riyal (SAR)	**0.9482**	0.8428
Bath (THB)	**0.1008**	0.0935
Qatar Riyal (QAR)	**0.9766**	0.8683
Kwanza (AOA)	**0.0220**	0.0276

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

4.1. Overview

In the normal course of its business, the Company is exposed to credit, liquidity and market risks, which are actively managed in conformity to the Financial Risk and Strategic Documents Management Policy (“Risk Policy”) and internal guidelines subject to such policy. The policy and guidelines, as well as the monitoring process, evaluation and approval processes of risk management were disclosed in detail in the financial statements for the year ended December 31, 2015 (note 4) and there were no changes in the nine-month period ended September 30, 2016.

a. Credit risk management

The Company is subject to the credit risk related to trade accounts receivable, financial investments and derivative contracts.

Credit risk associated with trade accounts receivable is actively managed by dedicated team, through specific systems. Furthermore, it should be noted the diversification of the customer portfolio and the concession of credit to customers with good financial and

operational conditions. The Company does not usually require collateral for sales to customer, and it has contracted credit insurance policy for specific markets.

Credit risk associated with financial investments and derivative contracts is mitigated by the Company's policy of working with prime institutions.

On September 30, 2016, the Company had financial investments over R$100,000 at the following financial institutions: Banco Bradesco, Banco do Brasil, Banco Itaú, Banco Nacional de Angola, Banco Santander, Caixa Econômica Federal and Deutsche Bank.

The Company also held derivative contracts with the following financial institutions: Banco BNP, Banco Bradesco, Banco do Brasil, Banco HSBC, Banco Itaú, Banco Santander, Banco Votorantim, Citibank, Deutsche Bank, Ing Bank, Merrill Lynch and Rabobank.

b. Liquidity risk management

Liquidity risk management aims to reduce the impacts caused by events that may affect the Company's cash flow. Thus, the Company utilizes the following metrics:

- Cash Flow at Risk ("CFaR"), which aims to statistically estimates the cash flows for the next twelve months and the Company's liquidity exposure. The Company determined that the minimum cash available should be equivalent mainly to the average monthly billing and EBITDA for the last twelve-month period; and

- Value at Risk ("VaR") is used for derivative transactions that require payments of periodic adjustments. Currently, the Company holds only BM&FBOVESPA operations with daily adjustments and in order to monitor them, such methodology is utilized, which statistically measures potential maximum adjustments to be paid at intervals of 1 to 21 days.

The Company maintains its leverage levels in order to avoid any impact to its ability to settle commitments and obligations. As a guideline, the majority of the debt should be in long term. On September 30, 2016, the long-term debt portion accounted for 77.6% (82.7% as of December 31, 2015) of the total outstanding debt with an average term greater than 5 years.

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

	Parent company							
	09.30.16							
	Book value	Cash flow contracted	Up to 3 months	2017	2018	2019	2020	After 5 years
Non derivative financial liabilities								
Loans and financing	8,853,961	10,978,362	1,356,950	3,071,423	2,524,602	3,505,928	509,297	10,162
BRF bonds	6,720,541	8,655,379	120,569	291,304	771,929	252,554	252,554	6,966,469
Trade accounts payable	4,917,476	4,917,476	4,917,476	-	-	-	-	-
Supply chain finance	823,125	823,125	823,125	-	-	-	-	-
Financial lease	211,000	315,255	20,155	63,649	49,510	40,329	23,961	117,651
Operational lease	-	719,696	212,397	286,221	105,836	52,431	19,910	42,901
Derivative financial liabilities								
Financial instruments designated as cash flow hedge								
Interest rate and exchange rate derivatives	171,606	143,359	(4,816)	935	147,240	-	-	-
Currency derivatives (NDF)	560	(791)	225	(1,016)	-	-	-	-
Currency derivatives (options)	58,601	(47,631)	(37,131)	(10,500)	-	-	-	-
Commodities derivatives (NDF)	7	-	-	-	-	-	-	-
Financial instruments not designated as cash flow hedge								
Currency derivatives (NDF)	317	17,585	17,585	-	-	-	-	-
Interest rate and exchange rate derivatives	564,287	624,249	380,008	244,241	-	-	-	-
Commodities derivatives (NDF)	3,931	3,931	3,931	-	-	-	-	-

	Consolidated							
	09.30.16							
	Book value	Cash flow contracted	Up to 3 months	2017	2018	2019	2020	After 5 years
Non derivative financial liabilities								
Loans and financing	9,492,069	11,607,276	1,584,860	3,141,917	2,855,112	3,505,928	509,297	10,162
BRF bonds	6,720,541	8,655,379	120,569	291,304	771,929	252,554	252,554	6,966,469
BFF bonds	280,796	350,422	-	20,264	20,264	20,264	289,630	-
Sadia bonds	374,849	391,207	12,583	378,624	-	-	-	-
BRF GMBH bonds	1,580,487	2,329,149	-	70,605	70,605	70,605	70,605	2,046,729
Quickfood bonds	160,605	140,054	7,596	29,186	36,227	16,698	37,716	12,631
Trade accounts payable	5,908,641	5,908,641	5,908,641	-	-	-	-	-
Supply chain finance	823,125	823,125	823,125	-	-	-	-	-
Financial lease	212,375	317,609	20,544	64,560	50,564	40,329	23,961	117,651
Operational lease	-	728,204	214,316	288,213	107,306	53,997	19,910	44,462
Derivative financial liabilities								
Financial instruments designated as cash flow hedge								
Interest rate and exchange rate derivatives	199,417	172,968	(4,816)	13,739	163,644	401	-	-
Currency derivatives (NDF)	560	(791)	225	(1,016)	-	-	-	-
Deliverable forwards contracts	358	358	358	-	-	-	-	-
Currency derivatives (options)	58,601	(47,631)	(37,131)	(10,500)	-	-	-	-
Commodities derivatives (NDF)	7	-	-	-	-	-	-	-
Financial instruments not designated as cash flow hedge								
Currency derivatives (NDF)	919	18,989	18,989	-	-	-	-	-
Interest rate and exchange rate derivatives	564,287	624,249	380,008	244,241	-	-	-	-
Commodities derivatives (NDF)	3,931	3,931	3,931	-	-	-	-	-
Deliverable forwards contracts	9	9	9	-	-	-	-	-

c. Interest rate risk management

Interest rate risk is the one the Company incurs in economic losses resulting from changes in these rates, which could affect its assets and liabilities.

The Company's Risk Policy does not restrict exposure to different interest rates, neither establishes limits for fixed or floating rates. However, the Company continually monitors the market interest rates, in order to evaluate any need to enter into hedging transaction

to protect from the exposure to fluctuation of such rates and manage the mismatch between its financial investments and debts. In these transactions the Company enters into contracts that exchange floating rate for fixed rate or vice-versa. Such transactions were designated by the Company as cash flow hedge.

The Company's indebtedness is essentially tied to the London Interbank Offered rate ("LIBOR"), fixed coupon ("R$ and USD"), Long Term Interest Rate ("TJLP") and Monetary Unit of the Bank National Economic and Social Development ("UMBNDES") rates. In case of adverse changes in the market that result in LIBOR, TJLP and UMBNDES rise, the cost of the floating indebtedness rises and on the other hand, the cost of the fixed indebtedness decreases in relative terms.

With regards to the Company's marketable securities, the main index is the Interbank Deposit Certificate ("CDI") for investments in the domestic market and fixed coupon ("USD") for investments in the foreign market.

d. Foreign exchange risk management

Foreign exchange risk is the one related to variations of foreign exchange rates that may cause the Company to incur unexpected losses, leading to a reduction of assets or an increase in liabilities.

The Risk Policy is intended to protect the Company's results from these variations, in order to:

- Protect operating revenues and costs that are related to transactions arising from commercial activities, such as estimated exports and purchases of raw materials, utilizing hedging instruments, that is, to protect its future cash flow denominated in foreign currency; and

- Manage assets and liabilities denominated in foreign currencies in order to protect the balance sheet of the Company, through the use of over-the counter and futures transactions.

The Company's consolidated financial statements are mainly impacted by the following currencies: U.S. Dollar, Euro, Iene, Pound Sterling, Baht and Argentine Peso.

Assets and liabilities denominated in foreign currency are as follows:

	Consolidated	
	09.30.16	12.31.15
	Total exposure	
Cash and cash equivalents and marketable securities	**4,820,018**	5,322,907
Trade accounts receivable	**2,160,174**	2,146,020
Accounts receivable from subsidiaries (unconsolidated)	**122,039**	250,766
Restricted cash	**184,736**	1,346,274
Future dollar agreements	**438,237**	741,912
Dollar purchase agreement (Regular Hedge)	**649,240**	-
Inventories	**(327)**	246
Exchange rate contracts (Swap)	**2,025,449**	968,780
Loans and financing	**(11,585,589)**	(11,359,658)
Bonds designated as cash flow hedge	**973,860**	1,171,440
Export prepayments designated as cash flow hedge	**973,860**	1,171,440
Trade accounts payable	**(1,713,796)**	(1,496,833)
Supply chain finance	**(390,604)**	(488,997)
Other assets and liabilities, net	**1,134,462**	(232,146)
	(208,241)	(457,849)
Foreign exchange exposure (in US$)	**(64,149)**	(117,253)
Foreign exchange exposure impacting the statement of income (in US$)	**6,822**	(39,776)
Foreign exchange exposure included in other comprehensive income (in US$)	**(70,971)**	(77,477)
Foreign exchange exposure (in US$)	**(64,149)**	(117,253)

The Company's net foreign exchange exposure as of September 30, 2016 is within the limit set by the Company's Risk Policy.

e. Commodity price risk management

In the normal course of its operations, the Company purchases commodities, mainly corn, soymeal, oil and live hogs, which are some of the individual components of production cost.

Corn, soymeal and oil prices are subject to volatility resulting from weather conditions, crop yield, transportation and storage costs, government's agricultural policy, foreign exchange rates and the prices of these commodities on the international market, among others factors. The prices of hogs acquired from third parties are subject to market conditions and are influenced by internal availability and levels of demand in the international market, among other aspects.

The Risk Policy establishes limits for hedging the corn and soymeal purchase flow, aiming to reduce the impact resulting from a price increase of these raw materials, and may utilize derivative instruments or inventory management for this purpose. Currently, the management of inventory levels is used as a hedging instrument. Since June 2015, the company began using derivative financial instruments as hedge for variations in corn purchase prices.

f. Capital management

The Company's definition of the adequate capital structure is essentially associated with (i) cash strength as a tolerance factor to liquidity volatility, (ii) financial leverage and (iii) maximization of the opportunity cost of capital.

The cash and liquidity strategy takes into consideration the historical scenarios of volatility of results as well as simulations of sectorial and systemic crises and is based on permitting the resilience in scenarios of restricted access to capital.

Financial leverage aims the balance between the different sources of funding and their conditions of allocation in order to maximize the opportunity cost to BRF in its business expansion initiatives. Moreover, the objective of maintaining the investment grade disciplines the weighting of using own and third party capital.

The Company monitors levels of debt and net debt, which are shown below:

				Consolidated
			09.30.16	12.31.15
	Current	Non-current	Total	Total
Foreign currency debt	**(2,411,871)**	**(9,173,718)**	**(11,585,589)**	(11,359,658)
Local currency debt	**(1,752,406)**	**(5,271,352)**	**(7,023,758)**	(3,819,625)
Other financial liabilities	**(828,089)**	**-**	**(828,089)**	(666,602)
Gross debt	**(4,992,366)**	**(14,445,070)**	**(19,437,436)**	(15,845,885)
Marketable securities and cash and cash equivalents	**6,565,485**	**424,602**	**6,990,087**	6,553,639
Other financial assets	**265,466**	**-**	**265,466**	129,387
Restricted cash	**308,815**	**414,161**	**722,976**	1,826,102
Net debt	**2,147,400**	**(13,606,307)**	**(11,458,907)**	(7,336,757)

4.2. Derivative and non-derivative financial instruments designated as hedge accounting

As established by CVM Deliberation Nº 604/09, the Company applies hedge accounting to its derivative instruments classified as cash flow hedge, in accordance with the Risk Policy. The cash flow hedge consists of hedging the exposure to variations of the cash flow and firm commitment which is attributable to a particular risk associated with a recognized asset or liability, or a highly probable transaction that could affect profit and loss. The firm commitment hedge is a protection against fluctuations of a specific type of risk associated to a firm agreement to exchange a determined quantity for a determined price in a specific date, or in future determined dates.

The Risk Policy has also the purpose of determining parameters of use of financial instruments, including derivatives, which are designed to protect the operating and financial assets and liabilities, which are exposed to the variations of foreign exchange rates, the fluctuation of the interest rates and changes to the commodity prices.

The Company, within its hedge accounting strategy, utilizes the following financial instruments:

- Currency non-deliverable forwards – NDF;
- Commodities non-deliverable forwards – NDF;
- Interest rate and currency swap;
- Fixed exchange rate;
- Options;
- Export prepayments – PPEs; and
- Senior unsecured notes – Bonds.

4.2.1 Breakdown of the balances of derivative financial instruments

The positions of outstanding derivative financial instruments are follows:

				Parent company and Consolidated		
				09.30.16		12.31.15
Instrument	Hedge object	Reference currency (notional)	Reference value (notional)	Fair value (1)	Reference value (notional)	Fair value (1)
Financial instruments designated as hedge accounting						
NDF - Dollar sale	Currency	US$	**69,252**	**5,517**	44,000	(17,858)
NDF - Euro sale	Currency	EUR	**171,000**	**10,963**	31,800	(5,457)
NDF - Pound Sterling sale	Currency	GBP	**33,000**	**5,732**	11,000	(1,566)
NDF - Iene sale	Currency	JPY	**-**	**-**	6,799,981	(39,569)
Currency swap - US$	Currency	BRL	**250,000**	**(154,457)**	250,000	(248,456)
Interest rate swap - US$	Interest	US$	**200,000**	**(17,149)**	200,000	(31,829)
Fixed exchange rate - US$	Currency	US$	**-**	**-**	201,000	(33,765)
Options - US$	Currency	US$	**1,460,000**	**175,879**	1,227,000	(124,469)
Options - Euro	Currency	EUR	**145,000**	**4,307**	31,000	3,500
Options - JPY	Currency	JPY	**1,540,000**	**816**	-	-
NDF - Corn purchase	Commodities	Ton/US$	**30,000**	**(7)**	633,565	(11,729)
Total in Parent company				**31,601**		(511,198)
Interest rate swap - US$	Interest	US$	**200,000**	**(27,811)**	200,000	(46,365)
Fixed exchange rate - US$	Currency	US$	**25,796**	**14**	-	-
Fixed exchange rate - Euro	Currency	EUR	**6,215**	**(164)**	-	-
Fixed exchange rate - Pound Sterling	Currency	GBP	**8,599**	**1,572**	-	-
Total Consolidated				**5,212**		(557,563)
Financial instruments not designated as hedge accounting						
NDF - Iene sale	Currency	JPY	**-**	**-**	6,451,363	(1,152)
NDF - Purchase of US$	Currency	US$	**200,000**	**(317)**	50,000	(2,350)
Currency swap - US$	Currency	US$	**608,619**	**(551,456)**	250,000	(977)
Currency swap - Euro	Currency	EUR	**13,750**	**(12,831)**	-	-
Interest rate - R$	Interest	BRL	**50,000**	**382**	50,000	(2,341)
NDF - Corn purchase	Commodities	Ton/US$	**640,030**	**(3,387)**	54,780	2,183
Future - BM&FBOVESPA	Currency	US$	**135,000**	**335**	190,000	14,641
Future - BM&FBOVESPA	Commodities	Ton/US$	**783**	**13**	-	-
Total in Parent company				**(567,261)**		10,004
NDF - Purchase of Euro	Currency	EUR	**50,000**	**(602)**	150,000	1,294
NDF - Pound Sterling sale	Currency	GBP	**-**	**-**	20,000	1,066
NDF - Argentine Peso sale	Currency	US$	**-**	**-**	10,000	7,984
Fixed exchange rate - US$	Currency	US$	**6,462**	**28**	-	-
Total Consolidated				**(567,835)**		20,348
Total in Parent company				**(535,660)**		(501,194)
Total Consolidated				**(562,623)**		(537,215)

(1) The market value determination method used by the Company consists of calculating the future value based on the contracted conditions and determining the present value based on market curves, obtained from the database of Bloomberg and BM&FBOVESPA.

a. Non-deliverable forwards – NDF

i. Currency non-deliverable forwards - NDF

The position of the currency non-deliverable forward – NDF, by maturity, as well as the weighted average exchange rates and the fair value, are presented as follows:

	Parent company and Consolidated								
									09.30.16
PUT			R$ x US$			R$ x EUR			R$ x GBP
Maturities	Notional (US$)	Average rate	Fair value	Notional (EUR)	Average rate	Fair value	Notional (GBP)	Average rate	Fair value
Financial instruments designated as cash flow hedge									
October 2016	25,000	3.3367	2,228	10,000	3.6259	(524)	6,000	4.3823	934
November 2016	20,000	3.4023	2,066	10,000	3.8631	1,544	6,000	4.4548	1,063
December 2016	20,000	3.3960	1,258	26,000	3.7968	1,306	3,000	4.5483	705
January 2017	-	-	-	15,000	3.8620	1,060	3,000	4.5423	528
February 2017	-	-	-	20,000	3.8905	1,401	3,000	4.5750	504
March 2017	-	-	-	20,000	3.9213	1,355	3,000	4.6160	509
April 2017	-	-	-	20,000	3.9614	1,379	3,000	4.6500	489
May 2017	-	-	-	20,000	4.0105	1,494	3,000	4.6900	511
June 2017	4,252	3.4852	(35)	20,000	4.0361	1,458	3,000	4.7235	489
July 2017	-	-	-	10,000	4.0447	490	-	-	-
	69,252	**3.3819**	**5,517**	**171,000**	**3.9087**	**10,963**	**33,000**	**4.5472**	**5,732**

CALL			US$ x R$			US$ x EUR
Maturities	Notional (US$)	Average rate	Fair value	Notional (EUR)	Average rate	Fair value
Financial instruments not designated as cash flow hedge						
December 2016	200,000	3.3341	(317)	50,000	1.1309	(602)
	200,000	**3.3341**	**(317)**	**50,000**	**1.1309**	**(602)**

ii. Commodities non-deliverable forwards - NDF

The position of the commodities non-deliverable forwards – NFD, by maturity, as well as weighted average exchange rates and fair value, are presented as follows:

	Parent company and Consolidated		
			09.30.16
Call	Quantity	Average rate	Fair
Maturities	Ton	US$/Ton	value
Designated as hedge accounting			
June 2017	30,000	141.75	(7)
	30,000	**141.75**	**(7)**

Call	Quantity	Average rate	Fair
Maturities	Ton	US$/Ton	value
Not designated as hedge accounting			
November 2016	259,873	131.04	(1,296)
December 2016	380,157	134.72	(2,091)
	640,030	**133.23**	**(3,387)**

b. Interest rate and currency swaps

The position of interest rate and currency swaps is presented as follows:

Explanatory Notes
(in thousands of Brazilian Reais)

				Parent company		Consolidated	
						09.30.16	
Instrument	Maturity	Assets (Hedged object)	Liabilities (Protected risk)	Notional	Fair value	Notional	Fair value
Financial instruments designated as cash flow hedge							
Interest rate	01.22.18	LIBOR 6M + 2.82% p.a.	5.86% p.a.	100,000	(6,086)	100,000	(6,086)
Interest rate	06.18.18	LIBOR 3M + 2.60% p.a.	5.47% p.a.	100,000	(11,063)	100,000	(11,063)
Interest rate	02.01.19	LIBOR 6M + 2.70% p.a.	5.90% p.a.	-	-	100,000	(13,971)
Interest rate	02.01.19	LIBOR 6M + 2.70% p.a.	5.88% p.a.	-	-	100,000	(13,840)
					(17,149)		(44,960)
Currency swap	05.22.18	R$ + 7.75%	US$ + 1.60%	250,000	(154,457)	250,000	(154,457)
					(171,606)		(199,417)
Financial instruments not designated as cash flow hedge							
Interest rate - Bond	05.22.18	R$ (Fixed rate of 7.75% p.a.)	68.84% CDI	50,000	382	50,000	382
Currency swap	10.28.16	US$ + 1,76 % p.a	86,60% CDI	100,000	(96,220)	100,000	(96,220)
Currency swap	11.23.16	US$ + 2,37 % p.a	91,00% CDI	50,000	(57,561)	50,000	(57,561)
Currency swap	12.02.16	US$ + L3M + 0,90 % p.a	85,95% CDI	50,000	(28,802)	50,000	(28,802)
Currency swap	12.16.16	US$ + L3M + 1,10 % p.a	88,95% CDI	50,000	(35,306)	50,000	(35,306)
Currency swap	12.23.16	US$ + 2,41 % p.a	90,50% CDI	50,000	(47,355)	50,000	(47,355)
Currency swap	12.29.16	US$ + 2,43% p.a.	90,80% CDI	50,000	(51,454)	50,000	(51,454)
Currency swap	02.16.17	US$ + 2,30% p.a.	92,80% CDI	50,000	(50,369)	50,000	(50,369)
Currency swap	03.03.17	US$ + 2,70% p.a.	94,35% CDI	14,000	(8,390)	14,000	(8,390)
Currency swap	05.22.17	US$	72,20% CDI	35,625	(32,951)	35,625	(32,951)
Currency swap	05.22.17	US$	73,76% CDI	19,750	(18,531)	19,750	(18,531)
Currency swap	05.24.17	US$	70,75% CDI	120,512	(107,284)	120,512	(107,284)
Currency swap	06.06.17	US$	73,00% CDI	10,156	(9,340)	10,156	(9,340)
Currency swap	07.28.17	US$	72,30% CDI	8,576	(7,893)	8,576	(7,893)
					(551,456)		(551,456)
Currency swap	06.05.17	EURO	83,03% CDI	13,750	(12,831)	13,750	(12,831)
					(12,831)		(12,831)
					(563,905)		(563,905)

c. Fixed exchange rate

The position of fixed exchange rate designated as cash flow hedge is presented as follows:

									09.30.16
			R$ x US$			THB x US$			THB x EUR
Maturities	Notional US$	Average US$	Fair value	Notional US$	Average US$	Fair value	Notional EUR	Average EUR	Fair value
Designated as hedge accounting									
October 2016	-	-	-	-	-	-	688	55.1886	656
December 2016	3,081	35.2039	132	1,332	39.1700	14	-	-	-
July 2017	366	35.1220	10	2,749	38.9909	(110)	5,055	46.6833	624
August 2017	16,738	34.8163	(43)	503	39.2000	(12)	2,577	46.5100	268
September 2017	4,519	34.7149	(59)	1,631	39.1651	(56)	279	46.3600	24
October 2017	1,092	34.6060	(26)	-	-	-	-	-	-
	25,796	**34.8403**	**14**	**6,215**	**39.0919**	**(164)**	**8,599**	**47.3014**	**1,572**

			09.30.16
			THB x US$
Maturities	Notional US$	Average US$	Fair value
Not designated as hedge accounting			
November 2016	5,210	34.6630	37
December 2016	722	34.8300	(6)
March -2017	530	34.8450	(3)
	6,462	**34.6966**	**28**

d. Options

The Company designates as a cash flow hedge only the variation in the intrinsic value of its options, recognizing the time value of the premium in the financial result. If the hedge is not effective and the option is not exercised due to devaluation of the Brazilian Real, the losses related to the options will be recognized as financial expenses in the statement of income.

The Company has designated transactions involving options denominated collar which is a purchase of a put option ("PUT") and a sale of a call option ("CALL").

When the market price of any of the options is not available in an active market, the fair value is based on an option pricing model (Black-Scholes or Binomial).

				Parent company and Consolidated
				09.30.16
				R$ x US$
Type	Maturities	Notional (US$)	Average US$	Fair value
Financial instruments designated as cash flow hedge				
Collar - Call (Sale)	October 2016	(189,000)	4.0808	(327)
Collar - Put (Purchase)	October 2016	189,000	3.5640	60,105
Collar - Call (Sale)	November 2016	(199,000)	4.0660	(2,250)
Collar - Put (Purchase)	November 2016	199,000	3.4583	46,162
Collar - Call (Sale)	December 2016	(145,000)	4.2332	(1,343)
Collar - Put (Purchase)	December 2016	145,000	3.5200	39,691
Collar - Call (Sale)	January 2017	(90,000)	3.8477	(2,236)
Collar - Put (Purchase)	January 2017	90,000	3.2878	8,364
Collar - Call (Sale)	February 2017	(119,000)	3.8560	(4,368)
Collar - Put (Purchase)	February 2017	119,000	3.2374	8,974
Collar - Call (Sale)	March -2017	(149,000)	3.8692	(7,041)
Collar - Put (Purchase)	March -2017	149,000	3.2246	10,809
Collar - Call (Sale)	April 2017	(80,000)	3.9950	(3,566)
Collar - Put (Purchase)	April 2017	80,000	3.2450	6,593
Collar - Call (Sale)	May 2017	(90,000)	4.0323	(4,668)
Collar - Put (Purchase)	May 2017	90,000	3.2447	7,667
Collar - Call (Sale)	June 2017	(95,000)	4.1084	(5,519)
Collar - Put (Purchase)	June 2017	95,000	3.2432	8,050
Collar - Call (Sale)	July 2017	(135,000)	4.1023	(9,002)
Collar - Put (Purchase)	July 2017	135,000	3.2104	10,037
				166,132
Put (Purchase)	October 2016	30,000	3.2700	1,533
Put (Purchase)	November 2016	30,000	3.2833	2,067
Put (Purchase)	January 2017	30,000	3.1800	1,429
Put (Purchase)	February 2017	14,000	3.1700	678
Put (Purchase)	March -2017	15,000	3.1900	902
Put (Purchase)	April 2017	20,000	3.1600	1,112
Put (Purchase)	May 2017	15,000	3.1900	1,012
Put (Purchase)	June 2017	15,000	3.1900	1,014
				9,747
				175,879

			Parent company and Consolidated	
			09.30.16	
			R$ x EUR	
Type	Maturities	Notional (EUR)	Average EUR	Fair value
Financial instruments designated as cash flow hedge				
Collar - Call (Sale)	October 2016	(30,000)	3.7984	(599)
Collar - Put (Purchase)	October 2016	30,000	3.5833	647
Collar - Call (Sale)	November 2016	(10,000)	4.0200	(263)
Collar - Put (Purchase)	November 2016	10,000	3.6700	817
Collar - Call (Sale)	December 2016	(20,000)	4.3168	(547)
Collar - Put (Purchase)	December 2016	20,000	3.7400	2,467
Collar - Call (Sale)	January 2017	(10,000)	4.3005	(441)
Collar - Put (Purchase)	January 2017	10,000	3.6000	623
Collar - Call (Sale)	February 2017	(20,000)	4.3315	(1,090)
Collar - Put (Purchase)	February 2017	20,000	3.5900	1,244
Collar - Call (Sale)	March -2017	(10,000)	4.4815	(564)
Collar - Put (Purchase)	March -2017	10,000	3.6200	751
Collar - Call (Sale)	April 2017	(10,000)	4.5800	(566)
Collar - Put (Purchase)	April 2017	10,000	3.6200	760
Collar - Call (Sale)	May 2017	(10,000)	4.7060	(643)
Collar - Put (Purchase)	May 2017	10,000	3.6200	736
				3,332
Put (Purchase)	October 2016	10,000	3.5100	62
Put (Purchase)	November 2016	10,000	3.6300	479
Put (Purchase)	December 2016	5,000	3.6750	434
		25,000		**975**

			Parent company and Consolidated	
			09.30.16	
			R$ x JPY	
Type	Maturities	Notional (JPY)	Average JPY	Fair value
Financial instruments designated as cash flow hedge				
Put (Purchase)	October 2016	1,540,000	0.0326	816
		1,540,000		**816**

4.2.2 Breakdown of the balances of non-derivative financial instruments

The position of non-derivative financial instruments is presented as follows:

			Parent company and Consolidated			
			09.30.16		12.31.15	
Hedge Instrument	Hedge object	Reference currency (notional)	Value (notional)	Fair value (1)	Value (notional)	Fair value (1)
Financial instruments designated as cash flow hedge						
Export prepayment - PPEs	**Exchange**	**USD**	**300,000**	**973,860**	300,000	1,171,440
Senior unsecured notes - Bonds	**Exchange**	**USD**	**300,000**	**973,860**	300,000	1,171,440
			600,000	**1,947,720**	600,000	2,342,880

(1) Notional converted by Ptax rate in effect at year-end.

a. Export prepayments – PPEs

The position of PPEs is presented as follows:

			Parent company and Consolidated		
					09.30.16
Hedge Instrument	Type of risk hedged	Maturities	Notional (US$)	Average rate	Fair value
Export prepayment - PPE	US$ (E.R.)	02.2017 to 02.2019	300,000	1.7796	973,860

b. Senior unsecured notes – Bonds

The position of bonds designated as cash flow hedges is presented as follows:

			Parent company and Consolidated		
					09.30.16
Hedge Instrument	Type of risk hedged	Maturities	Notional (US$)	Average rate	Fair value
BRF SA BRFSBZ5	US$ (E.R.)	06.2022	150,000	2.0213	486,930
BRF SA BRFSBZ3	US$ (E.R.)	05.2023	150,000	2.0387	486,930
			300,000	2.0300	973,860

4.3. Gains and losses of derivative and non-derivative financial instruments

The unrealized gains and losses of derivative and non-derivative financial instruments designated as cash flow hedges are recorded as a component of other comprehensive income, as set forth below:

	Shareholders' Equity			
	Parent company		Consolidated	
	09.30.16	12.31.15	09.30.16	12.31.15
Derivatives designated as cash flow hedges				
Foreign exchange risks	**36,650**	(420,649)	**38,072**	(420,649)
Interest risks	**(16,204)**	(27,725)	**(42,369)**	(66,597)
Commodity risks	**2,357**	3,604	**2,357**	3,604
	22,803	(444,770)	**(1,940)**	(483,642)
Non derivatives designated as cash flow hedges				
Foreign exchange risks	**(804,840)**	(1,200,000)	**(804,840)**	(1,200,000)
Gross losses	**(782,037)**	(1,644,770)	**(806,780)**	(1,683,642)
Deferred taxes on losses	**265,893**	560,446	**265,609**	560,446
OCI recognized by subsidiaries	**(25,027)**	(38,872)	**-**	-
Losses, net of taxes	**(541,171)**	(1,123,196)	**(541,171)**	(1,123,196)
Change in gross losses	**862,733**	(1,015,188)	**876,862**	(1,020,832)
Income taxes on financial instruments adjustments	**(294,553)**	346,388	**(294,837)**	346,388
OCI recognized by subsidiaries	**13,845**	(5,644)	**-**	-
Impact in other comprehensive income	**582,025**	(674,444)	**582,025**	(674,444)

On September 30, 2016, the realized transactions with derivative and non-derivative financial instruments designated as cash flow hedge resulted in a gain of R$520,509 (loss of R$348,936 as of September 30, 2015), composed by a net gain amounting to R$503,755 (loss of R$337,320 as of September 30, 2015) recorded as gross revenues and a net gain of R$16,754 (loss of R$11,616 as of September 30, 2015) recorded in the financial result.

4.4. Breakdown of financial instruments by category – except derivatives

	Parent company 09.30.16					
	Loans and receivables	Available for sale	Trading securities	Held to maturity	Financial liabilities	Total
Assets						
Amortized cost						
Marketable securities	-	-	-	**77,678**	-	**77,678**
Restricted cash	-	-	-	**538,240**	-	**538,240**
Trade accounts receivable	**7,301,713**	-	-	-	-	**7,301,713**
Other credits	**345,206**	-	-	-	-	**345,206**
Other receivables	**84,695**	-	-	-	-	**84,695**
Fair value						
Marketable securities	-	**278,400**	**308,207**	-	-	**586,607**
Liabilities						
Amortized cost						
Trade accounts payable	-	-	-	-	**(4,917,476)**	**(4,917,476)**
Supply chain finance	-	-	-	-	**(823,125)**	**(823,125)**
Loans and financing						
Local currency	-	-	-	-	**(7,023,758)**	**(7,023,758)**
Foreign currency	-	-	-	-	**(8,550,744)**	**(8,550,744)**
Capital lease payable	-	-	-	-	**(211,000)**	**(211,000)**
	7,731,614	**278,400**	**308,207**	**615,918**	**(21,526,103)**	**(12,591,964)**

	Parent company 12.31.15					
	Loans and receivables	Available for sale	Trading securities	Held to maturity	Financial liabilities	Total
Assets						
Amortized cost						
Marketable securities	-	-	-	70,338	-	70,338
Restricted cash	-	-	-	479,828	-	479,828
Trade accounts receivable	4,952,878	-	-	-	-	4,952,878
Other credits	509,606	-	-	-	-	509,606
Other receivables	152,965	-	-	-	-	152,965
Fair value						
Marketable securities	-	385,700	197,807	-	-	583,507
Liabilities						
Amortized cost						
Trade accounts payable	-	-	-	-	(4,024,725)	(4,024,725)
Supply chain finance	-	-	-	-	(1,174,594)	(1,174,594)
Loans and financing						
Local currency	-	-	-	-	(3,819,625)	(3,819,625)
Foreign currency	-	-	-	-	(9,760,476)	(9,760,476)
Capital lease payable	-	-	-	-	(186,618)	(186,618)
	5,615,449	385,700	197,807	550,166	(18,966,038)	(12,216,916)

	Consolidated					
	09.30.16					
	Loans and receivables	Available for sale	Trading securities	Held to maturity	Financial liabilities	Total
Assets						
Amortized cost						
Marketable securities	-	-	-	250,546	-	250,546
Restricted cash	-	-	184,736	538,240	-	722,976
Trade accounts receivable	2,973,188	-	-	-	-	2,973,188
Other credits	346,061	-	-	-	-	346,061
Other receivables	84,695	-	-	-	-	84,695
Fair value						
Marketable securities	-	589,643	376,631	-	-	966,274
Liabilities						
Amortized cost						
Trade accounts payable	-	-	-	-	(5,908,641)	(5,908,641)
Supply chain finance	-	-	-	-	(823,125)	(823,125)
Loans and financing						
Local currency	-	-	-	-	(7,023,758)	(7,023,758)
Foreign currency	-	-	-	-	(11,585,589)	(11,585,589)
Capital lease payable	-	-	-	-	(212,375)	(212,375)
	3,403,944	589,643	561,367	788,786	(25,553,488)	(20,209,748)

	Consolidated					
	12.31.15					
	Loans and receivables	Available for sale	Trading securities	Held to maturity	Financial liabilities	Total
Assets						
Amortized cost						
Marketable securities	-	-	-	70,338	-	70,338
Restricted cash	-	-	-	1,826,102	-	1,826,102
Trade accounts receivable	3,880,441	-	-	-	-	3,880,441
Other credits	534,497	-	-	-	-	534,497
Other receivables	152,965	-	-	-	-	152,965
Fair value						
Marketable securities	-	744,849	375,562	-	-	1,120,411
Liabilities						
Amortized cost						
Trade accounts payable	-	-	-	-	(4,744,993)	(4,744,993)
Supply chain finance	-	-	-	-	(1,174,594)	(1,174,594)
Loans and financing						
Local currency	-	-	-	-	(3,819,625)	(3,819,625)
Foreign currency	-	-	-	-	(11,359,658)	(11,359,658)
Capital lease payable	-	-	-	-	(186,618)	(186,618)
	4,567,903	744,849	375,562	1,896,440	(21,285,488)	(13,700,734)

4.5. Determination of the fair value of financial instruments

The Company discloses its financial assets and liabilities at fair value, based on the appropriate accounting standards, which refer to concepts of valuation and disclosure requirements.

Particularly related to the disclosure, the Company applies the hierarchy requirements set out in CVM Deliberation 699/12, which involves the following aspects:

- The fair value is the price that an asset could be exchanged and a liability could be settled, between knowledgeable willing parties in an arm's length transaction; and

- Hierarchy on 3 levels for measurement of the fair value, according to observable inputs for the valuation of an asset or liability on the date of its measurement.

The fair value measurement is based on 3 levels of hierarchy which considers observable and non-observable inputs. Observable inputs reflect market data obtained from independent sources, while non-observable inputs reflect the Company's valuation methodology. These 2 types of inputs create the hierarchy of fair value set forth below:

- Level 1 – Prices quoted (unadjusted) for identical instruments in active markets. Investments in Credit linked notes, Brazilian foreign debt securities, Financial Treasury Bills ("LFT") and stocks are classified at Level 1 of the fair value hierarchy.

- Level 2 – Prices quoted in active markets for similar instruments, prices quoted for identical or similar instruments in non-active markets and evaluation models for which inputs are observable. Investments in Bank Deposit Certificates ("CDB") are classified at Level 2, since the determination of fair value is based on the price quotation of similar financial instruments in non-active markets. Readily observable market inputs are used, such as interest rate forecasts, volatility factors and foreign currency rates.

- Level 3 – Instruments whose significant inputs are non-observable.

The table below presents the overall classification of financial assets and liabilities according to the valuation hierarchy. During the nine-month period ended September 30, 2016, there were no changes between the 3 levels of hierarchy.

	Parent company			
	09.30.16			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets				
Stocks	**278,400**	**-**	**-**	**278,400**
Held for trading				
Bank deposit certificates	**-**	**46,922**	**-**	**46,922**
Financial treasury bills	**261,285**	**-**	**-**	**261,285**
Other financial assets				
Derivatives designated as hedge accounting	**-**	**262,375**	**-**	**262,375**
Derivatives not designated as hedge accounting	**-**	**1,274**	**-**	**1,274**
	539,685	**310,571**	**-**	**850,256**
Liabilities				
Financial liabilities				
Other financial liabilities				
Derivatives designated as hedge accounting	**-**	**(230,774)**	**-**	**(230,774)**
Derivatives not designated as hedge accounting	**-**	**(568,535)**	**-**	**(568,535)**
	-	**(799,309)**	**-**	**(799,309)**

Explanatory Notes
(in thousands of Brazilian Reais)

	Parent company			
	12.31.15			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets				
Stocks	385,700	-	-	385,700
Held for trading				
Bank deposit certificates	-	42,545	-	42,545
Financial treasury bills	155,262	-	-	155,262
Other financial assets				
Derivatives designated as hedge accounting	-	98,406	-	98,406
Derivatives not designated as hedge accounting	-	20,274	-	20,274
	540,962	161,225	-	702,187
Liabilities				
Financial liabilities				
Other financial liabilities				
Derivatives designated as hedge accounting	-	(609,604)	-	(609,604)
Derivatives not designated as hedge accounting	-	(10,270)	-	(10,270)
	-	(619,874)	-	(619,874)

	Consolidated			
	09.30.16			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets				
Available for sale				
Credit linked notes	**255,486**	**-**	**-**	**255,486**
Brazilian foreign debt securities	**55,757**	**-**	**-**	**55,757**
Stocks	**278,400**	**-**	**-**	**278,400**
Held for trading				
Bank deposit certificates	**-**	**46,922**	**-**	**46,922**
Financial treasury bills	**261,285**	**-**	**-**	**261,285**
Investment funds	**68,424**	**-**	**-**	**68,424**
Other financial assets				
Derivatives designed as hedge accounting	**-**	**264,155**	**-**	**264,155**
Derivatives not designated as hedge accounting	**-**	**1,311**	**-**	**1,311**
	919,352	**312,388**	**-**	**1,231,740**
Liabilities				
Financial liabilities				
Other financial liabilities				
Derivatives designed as hedge accounting	**-**	**(258,943)**	**-**	**(258,943)**
Derivatives not designated as hedge accounting	**-**	**(569,146)**	**-**	**(569,146)**
	-	**(828,089)**	**-**	**(828,089)**

	Consolidated			
	12.31.15			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets				
Available for sale				
Credit linked notes	293,282	-	-	293,282
Brazilian foreign debt securities	65,867	-	-	65,867
Stocks	385,700	-	-	385,700
Held for trading				
Bank deposit certificates	-	42,545	-	42,545
Financial treasury bills	155,262	-	-	155,262
Investment funds	177,755	-	-	177,755
Other financial assets				
Derivatives designed as hedge accounting	-	98,406	-	98,406
Derivatives not designated as hedge accounting	-	30,981	-	30,981
	1,077,866	171,932	-	1,249,798
Liabilities				
Financial liabilities				
Other financial liabilities				
Derivatives designed as hedge accounting	-	(655,969)	-	(655,969)
Derivatives not designated as hedge accounting	-	(10,633)	-	(10,633)
	-	(666,602)	-	(666,602)

4.6. Comparison between book value and fair value of financial instruments

Except for the items presented below, the book value of all other financial instruments approximate fair value. The fair value of financial instruments presented below was based on prices observed in active markets, level 1 of the hierarchy for fair value measurement.

		Parent company and Consolidated			
		09.30.16		12.31.15	
	Maturity	Book value	Fair value	Book value	Fair value
BRF bonds					
BRF SA BRFSBZ5	2022	**(365,955)**	**(419,649)**	(656,068)	(695,203)
BRF SA BRFSBZ4	2024	**(2,442,437)**	**(2,558,936)**	(2,906,435)	(2,718,636)
BRF SA BRFSBZ3	2023	**(1,575,066)**	**(1,641,105)**	(1,881,569)	(1,781,229)
BRF SA BRFSBZ7	2018	**(512,481)**	**(481,651)**	(502,061)	(427,016)
BRF SA BRFSBZ2	2022	**(1,824,602)**	**(1,890,879)**	(2,139,463)	(1,990,770)
Parent company		**(6,720,541)**	**(6,992,220)**	(8,085,596)	(7,612,854)
BFF bonds					
Sadia Overseas BRFSBZ7	2020	**(280,796)**	**(303,113)**	(475,299)	(499,662)
Sadia bonds					
Sadia Overseas BRFSBZ6	2017	**(374,849)**	**(385,265)**	(443,332)	(461,999)
Bonds BRF Gmbh					
BRF SA BRFSBZ4	2026	**(1,580,487)**	**(1,590,679)**	-	-
Quickfood bonds					
Quickfood	2016	**(160,605)**	**(160,605)**	(285,709)	(285,709)
Consolidated		**(9,117,278)**	**(9,431,882)**	(9,289,936)	(8,860,224)

4.7. Table of sensitivity analysis

In preparation of the sensitivity analysis, Management considered the derivative financial instruments used to mitigate the currency risk and commodities as relevant risks and could impact the Company's results. The Management believes that fluctuations in interest rates do not significantly affect its financial results, since have opted for fixing through derivative financial instruments (interest rate swap), a considerable part of its post fixed debt.

The table below presents the possible impacts of derivative and non-derivative financial instruments considering scenarios of appreciation and depreciation of the main traded currencies by the Company with respect to its functional currency (Brazilian Real) and changes in corn prices on the Chicago Board of Trade ("CBOT"). The amount of exports utilized corresponds to notional value of derivative financial instruments entered into in order to hedge highly probable transaction.

Quantitative and qualitative information used in preparing these analyzes are based on the position for the period ended September 30, 2016. Future results to be measured may differ significantly from those estimates amounts, if the reality becomes different from the assumptions used.

		3.2462	2.9216	2.4347	4.0578	4.8693
Parity - Brazilian Reais x U.S. Dollar		**Current**	**Scenario I**	**Scenario II**	**Scenario III**	**Scenario IV**
Transaction/Instrument	**Risk**	**Scenario**	**10% appreciation**	**25% appreciation**	**25% devaluation**	**50% devaluation**
Financial instruments designated as hedge accouting						
Non-deliverable forward	Devaluation of R$	9,397	31,877	65,598	(46,805)	(103,006)
Options - currencies	Devaluation of R$	130,603	604,548	1,315,466	36,047	1,083,758
Export prepayments	Devaluation of R$	(439,980)	(342,594)	(196,515)	(683,445)	(926,910)
Bonds	Devaluation of R$	(364,860)	(267,474)	(121,395)	(608,325)	(851,790)
Swaps	Devaluation of R$	(150,192)	(110,173)	(50,144)	(250,240)	(350,288)
Exports	Appreciation of R$	(42,226)	(560,293)	(1,337,394)	162,635	(774,771)
Financial instruments not designated as hedge accouting						
NDF - Purchase	Appreciation of R$	(17,585)	(82,509)	(179,895)	144,725	307,035
Dollar Future sales - BM&FBovespa	Devaluation of R$	-	43,824	109,559	(109,559)	(219,119)
Net effect		**(874,843)**	**(682,794)**	**(394,720)**	**(1,354,967)**	**(1,835,091)**
Shareholders' equity		(955,032)	(720,241)	(368,054)	(1,542,010)	(2,128,988)
Statement of income		80,189	37,447	(26,666)	187,043	293,897

		3.6484	3.2836	2.7363	4.5605	5.4726
Parity - Brazilian Reais x Euro		**Current**	**Scenario I**	**Scenario II**	**Scenario III**	**Scenario IV**
Transaction/Instrument	**Risk**	**Scenario**	**10% appreciation**	**25% appreciation**	**25% devaluation**	**50% devaluation**
Financial instruments designated as hedge accouting						
Non-deliverable forward	Devaluation of R$	44,504	106,892	200,473	(111,465)	(267,434)
Currency options	Devaluation of R$	-	49,059	128,412	39,462	148,914
Exports	Appreciation of R$	(44,504)	(155,951)	(328,885)	72,003	118,520
Financial instruments not designated as hedge accouting						
Non-deliverable forward	Devaluation of R$	(1,136)	(19,378)	(46,741)	44,469	90,074
Net effect		**(1,136)**	**(19,378)**	**(46,741)**	**44,469**	**90,074**
Statement of income		(1,136)	(19,378)	(46,741)	44,469	90,074

		4.2249	3.8024	3.1687	5.2811	6.3374
Parity - Brazilian Reais x GBP		**Current**	**Scenario I**	**Scenario II**	**Scenario III**	**Scenario IV**
Transaction/Instrument	**Risk**	**Scenario**	**10% appreciation**	**25% appreciation**	**25% devaluation**	**50% devaluation**
Non-deliverable forward	Devaluation of R$	10,636	24,578	45,491	(24,220)	(59,075)
Exports	Appreciation of R$	(10,636)	(24,578)	(45,491)	24,220	59,075
Net effect		-	-	-	-	-

		145.70	131.13	109.27	182.12	218.55
Price parity CBOT - US$/Ton		**Current**	**Scenario I**	**Scenario II**	**Scenario III**	**Scenario IV**
Transaction/Instrument	**Risk**	**Scenario**	**Decrease 10%**	**Decrease 25%**	**Increase 25%**	**Increase 50%**
Designated as hedge accounting						
Non-deliverable forward	Increase in the price of corn	(385)	(12,770)	(10,642)	(17,736)	(21,283)
Not designated as hedge accounting						
NDF - Corn purchase	Increase in the price of corn	(25,922)	4,350	49,756	(101,599)	(177,277)
Net effect		**(26,307)**	**(8,420)**	**39,114**	**(119,335)**	**(198,560)**
Shareholders' equity		(385)	(12,770)	(10,642)	(17,736)	(21,283)
Statement of income		(25,922)	4,350	49,756	(101,599)	(177,277)

5. SEGMENT INFORMATION

The operating segments are reported consistently with the management reports provided to the Chief Decision Maker ("CDM") for assessing the performance of each segment and allocating resources.

As disclosed in note 1, in order to reflect the management structure changes the segment information of 2016 and 2015 were prepared considering the 7 observable segments, as follows: Brazil, Latin America ("LATAM"), Europe, Middle East and North of Africa ("MENA"), Africa, Asia and Other Segments, which primarily observe our geographical structure. The information for the period ended September 30, 2015 was prepared in order to be comparable to the information as of September 30, 2016, according to the new segments of the Company.

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

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

Other segments includes sale of in-natura beef cuts, agricultural products and animal feed.

The net sales for each operating segment are presented below:

Explanatory Notes
(in thousands of Brazilian Reais)

	Consolidated	
Net sales	**09.30.16**	09.30.15
Brazil		
In-natura	**2,256,052**	2,212,779
Poultry	**1,727,895**	1,646,980
Pork and other	**528,157**	565,799
Processed	**8,442,866**	8,885,523
Other sales	**72,944**	31,448
	10,771,862	11,129,750
Europe		
In-natura	**1,268,819**	1,224,161
Poultry	**657,891**	607,132
Pork and other	**610,928**	617,029
Processed	**1,671,123**	1,367,697
	2,939,942	2,591,858
MENA		
In-natura	**4,277,378**	4,321,879
Poultry	**4,245,536**	4,297,944
Other	**31,842**	23,935
Processed	**468,001**	277,995
Other sales	**2**	46
	4,745,381	4,599,920
Africa		
In-natura	**458,768**	431,415
Poultry	**377,463**	350,296
Pork and other	**81,305**	81,119
Processed	**107,887**	101,597
	566,655	533,012
Asia		
In-natura	**3,104,725**	2,352,963
Poultry	**2,695,417**	2,115,233
Pork and other	**409,308**	237,730
Processed	**365,889**	54,819
Other sales	**149,393**	-
	3,620,007	2,407,782
LATAM		
In-natura	**473,096**	524,199
Poultry	**362,097**	315,666
Pork and other	**110,999**	208,533
Processed	**1,006,289**	852,778
Other sales	**19,634**	38,768
	1,499,019	1,415,745
Other segments	**999,775**	563,758
	25,142,641	23,241,825

The operating income for each operating segment is presented below:

Explanatory Notes
(in thousands of Brazilian Reais)

	Consolidated	
	09.30.16	09.30.15
Brazil	**757,320**	1,055,170
Europe	**49,453**	406,034
MENA	**328,633**	831,662
Africa	**32,711**	85,896
Asia	**412,401**	569,155
LATAM	**74,173**	57,626
Other segments	**47,150**	11,199
Sub total	**1,701,841**	3,016,742
Corporate	**(49,532)**	(348,768)
	1,652,309	2,667,974

The Corporate line presented above refers to extraordinary events not attributable to the operating segments, which are recognized as other operating income (expense). The main events of 2016 are related to losses with tax contingencies. For the nine-month period ended September 30, 2015, the main events were: R$181,811 allowance for doubtful accounts, R$134,641 of equity pick-up of Minerva, R$41,657 of losses with the strike led by truck drivers and R$86,469 recovery of tax contingencies.

No customer was individually or in aggregate responsible for more than 5% of net sales for the nine-month period ended September 30, 2016 and 2015.

The goodwill and intangible assets with indefinite useful life (trademarks) arising from business combination were allocated to the reportable operating segments, considering the nature of the products manufactured in each segment (cash-generating unit), as presented below:

	Consolidated					
	Goodwill		Trademarks		Total	
	09.30.16	12.31.15	**09.30.16**	12.31.15	**09.30.16**	12.31.15
Brazil	**1,151,498**	1,151,498	**982,478**	982,478	**2,133,976**	2,133,976
Europe	**679,758**	481,658	**20,140**	20,149	**699,898**	501,807
MENA	**1,391,941**	834,368	**170,407**	170,407	**1,562,348**	1,004,775
Asia	**768,406**	78,270	**-**	-	**768,406**	78,270
LATAM	**597,459**	232,308	**140,563**	198,984	**738,022**	431,292
	4,589,062	2,778,102	**1,313,588**	1,372,018	**5,902,650**	4,150,120

Information referring to the total assets by operating segments is not being disclosed, as it is not included in the set of information made available to the CDM, which take investment decisions and determine allocation of assets on a consolidated basis.

6. BUSINESS COMBINATION AND ACQUISITION OF ENTITIES INTEREST

6.1 Business combination

6.1.1. Acquisition of the frozen distribution business of Qatar National Import and Export Co. (“QNIE”)

On January 01, 2016, BRF announced to the market that it has signed an agreement with QNIE for the acquisition of a part of QNIE’s frozen distribution business in the State of Qatar, which is one of BRF products distributor in Qatar for more than 40 years. The transaction totaled US$146,162 (equivalent to R$589,075), paid in cash.

The transaction consisted in the acquisition of certain assets from QNIE by Federal Foods Qatar Ltd., which is an indirectly subsidiary controlled by BRF. The acquired assets comprises mainly the client relationship, finished goods, non-compete agreement and logistics and supply agreements, which constitute the acquisition of the frozen distribution business in the State of Qatar.

The total of acquired net assets before the purchase price allocation totaled US$6,162 (equivalent to R$24,833), being recorded a preliminary goodwill in the amount of R$564,242. In order to comply with the requirements of CVM Deliberation Nº 665/11, BRF will prepare a fair value report of the acquired assets and assumed liabilities in order to allocate the purchase price. Management expects to complete this report in 2016, when the final purchase price allocation will be determined as well as its accounting impacts.

6.1.2. Business combination with Golden Foods Siam (“GFS”)

On January 26, 2016, BRF announced to the market that, through its fully-owned subsidiary BRF Gmbh, concluded the acquisition of the control of GFS (“transaction”). The transaction comprised the acquisition of 100% of equity interest in Golden Foods Sales Ltd. and Golden Foods Siam Europa, both located in the United Kingdom, 48.52% of equity interest in Golden Foods Poultry Ltd. and 73.31% of indirect equity interest in Golden Poultry Siam Ltd., both located in Thailand.

GFS is one of the production poultry Market leader in Thailand, with an integrated operation and present in more than 15 global markets.

The transaction totaled US$348,705 (equivalent to R$1,428,540), which should be further adjusted according to certain conditions set out in the agreement (note 16). On April 2016, according of conditions of the contract, the purchase price was adjusted, resulting in an additional payment of USD10,801 (equivalent to R$38,266), paid in cash.

The total of the acquired net assets before the purchase price allocation (equal to the direct interest acquired) in order to determine the preliminary goodwill is demonstrated below:

Acquired net assets	387,449
Purchase price	1,466,806
Preliminary goodwill	**1,079,357**

6.1.3. Business combination with Universal Meats ("Universal")

On February 02, 2016, BRF announced to the market that, through its controlled subsidiary BRF Invicta Limited ("BRF Invicta"), concluded the acquisition of 100% of interest of Universal, and as such, started to control the entity.

Universal is a food distributor in the United Kingdom with focus in the food service segment.

The transaction totaled GBP31,812 (equivalent to R$182,284), which should be further adjusted according to certain conditions set out in the agreement.

Additionally, BRF Invicta recorded a provision of GBP6,600 (equivalent to R$37,818) as contingent consideration, which corresponds to the payment of annual non-cumulative instalments due on February 2017, 2018 and 2019, depending on the business operating performance of the acquired entity in the calculation periods.

The total of the acquired net assets before the purchase price allocation in order to determine the preliminary goodwill is demonstrated below:

Acquired net assets	126,378
Purchase price	220,102
Preliminary goodwill	**93,724**

6.1.4. Business combination with Eclipse Holding Cöoperatief UA. ("Eclipse")

On December 01, 2015, BRF signed a binding offer with Pampa Agribusiness Fund L.P. and Pampa Agribusiness Follow-on Fund L.P. for the acquisition of the total shares issued by Eclipse ("transaction"), a Dutch entity that controls Campo Austral, a group of companies with commercial operations fully integrated in the Argentinian pork's market, including the cold market.

On April 14, 2016, the conditions precedent were fulfilled, and BRF concluded the first step of the transaction, acquiring 50% of equity interest in the amount of US$39,747 (equivalent to R$139,614), paid in cash. On July 2016, according of conditions of the contract, the purchase price was adjusted, resulting in a reduction payment of USD3,233 (equivalent to R$10,785).

A preliminary goodwill of R$121,536 was determined in the transaction.

In order to comply with the requirements of CVM Deliberation Nº 665/11, BRF will prepare a fair value report of the acquired assets and assumed liabilities in order to allocate the purchase price.

6.1.5. Business combination with Alimentos Calchaquí Productos 7 S.A. (“Calchaquí”)

On March 22, 2016, BRF signed, through its controlled subsidiaries BRF GmbH and BRF Holland B.V., an agreement for the acquisition of the total shares issued by Calchaquí (“transaction”), a traditional Argentine a Company, which is leader in the region´s cold cuts market, and owner of leading brands such as *Calchaquí* and *Bocatti*.

On May 10, 2016, the condition precedent were fulfilled and the transaction was concluded for US$104,700 (equivalent to R$364,112), which should be further adjusted according to certain conditions set out in the agreement. From the total amount of the transaction, US$100,512 (equivalent to R$349,547) was paid in cash, and USD4,188 was transferred to an escrow account which will be released to the seller if certain conditions set out in the agreement are fulfilled.

A preliminary goodwill of R$359,697 was determined in the transaction.

In order to comply with the requirements of CVM Deliberation Nº 665/11, BRF will prepare a fair value report of the acquired assets and assumed liabilities in order to allocate the purchase price. Management expects to complete this report in 2016, when the final purchase price allocation will be determined as well as its accounting impacts.

6.1.6. Step acquisition – Al Khan Foodstuff LLC (“AKF”)

On July 03, 14, BRF acquired 40% of equity interest of AKF, classifying the investment as a joint venture.

On June 20, 2016, the Company acquired 30% of equity interest and concluded the acquisition of the control of AKF, becoming the beneficiary of 99% of its economic interest. The acquisition of the additional 59% of economic interest in AKF totaled US$32,584 (equivalent to R$110,271).
AKF is a distributor of frozen food in the Sultanate of Oman. The acquisition of AKF is in line with the strategic plan to globalize the Company, accessing local markets, strengthening BRF's brands, distributing and expanding its product portfolio around the globe.

Such transaction, in compliance with CVM Deliberation Nº 665/11, which was approved the technical pronouncement CPC 15 (R1), in their paragraphs 41 and 42, was accounted

for as step acquisition. Thus, the carrying amount of the investment prior to this acquisition on June 20, 2016 was measured at fair value generating a gain of R$58,812 recorded as other operating income (note 33).

The goodwill of R$147,478 registered in the purchase consists mainly of synergies and economies of scale by combining the operations of BRF and AKF. It is not expected that the goodwill recognized is deductible for income tax. The goodwill was allocated to the segment MENA.

The fair value of assets acquired and liabilities assumed to determining the price paid on the step acquisition of AKF is demonstrated below.

	Fair value recognized on acquisition date
Cash and cash equivalents	14,874
Trade accounts receivable, net	71,500
Inventories	40,837
Property, plant and equipment, net	1,138
Intangible	50,052
Software	188
Customer relationship	49,864
Other assets	2,358
	180,759
Short-term debt	64,709
Trade accounts payable	13,207
Payroll and related charges	1,104
Tax payable	2,735
Deferred taxes	12,466
Other liabilities	6,888
	101,109
Net asset	**79,650**
Fair value of consideration	**227,128**
Goodwill	**147,478**

The fair value of the consideration paid was determined as follows:

Cash - considerations paid for acquiring the control	110,271
Carrying amount of former equity interest of 40%	58,045
Gain generated by the remeasurement of the former equity interest (40%) at fair value	58,812
Fair value of consideration paid at the acquisition date	**227,128**

AKF contributed with net revenues of R$86,434 and net profit of R$868 from the acquisition date to 09.30.16 in the consolidate balances. If the acquisition had occurred at the beginning of year 2016, the consolidated net revenues for this year would be increased by R$198,179 and the consolidated net profit of year would be increased by R$1,382.

6.2 Acquisition of Entities Interest

6.2.1 Acquistion of interest in the joint venture with Mondelez Lacta and Mondelez Brasil (togheter "Mondelez")

On March 18, 2016, BRF announced to the market that it has renewed its agreement for the joint venture with Mondelez, after the satisfaction of all the conditions precedent, such as: (i) Mondelez will be the entity responsible for producing the Philadelphia cream cheese, (ii) BRF will continue to distribute and sell the Philadelphia cream cheese and (iii) BRF will be the only shareholder of K&S Alimentos S.A, for which it has paid in cash R$10,728, generating a goodwill in the amount of R$1,466, which was recognized in other results due to the absence of future profitability expectation.

7. CASH AND CASH EQUIVALENTS

	Average rate	Parent company		Consolidated	
	(p.a.)	**09.30.16**	12.31.15	**09.30.16**	12.31.15
Cash and bank accounts					
U.S. Dollar	-	**19,531**	33,523	**1,726,617**	665,550
Brazilian Reais	-	**65,986**	65,212	**66,224**	65,302
Euro	-	**132,672**	76,681	**532,659**	556,440
Other currencies	-	**18,170**	11,615	**404,925**	330,855
		236,359	187,031	**2,730,425**	1,618,147
Cash equivalents					
In Brazilian Reais					
Investment funds	15.46%	**17,984**	14,553	**17,984**	14,553
Savings account	5.65%	**1,741**	10,990	**1,741**	10,990
Bank deposit certificates	14.16%	**1,331,761**	449,716	**1,419,835**	486,042
		1,351,486	475,259	**1,439,560**	511,585
In U.S. Dollar					
Term deposit	1.71%	**-**	172,899	**1,417,623**	2,785,926
Overnight	0.10%	**12,912**	9,896	**154,599**	430,492
Other currencies					
Term deposit	5.30%	**-**	-	**31,060**	16,740
		12,912	182,795	**1,603,282**	3,233,158
		1,600,757	845,085	**5,773,267**	5,362,890

8. MARKETABLE SECURITIES

	WATM [1]	Currency	Average interest rate (p.a.)	Parent company		Consolidated	
				09.30.16	12.31.15	**09.30.16**	12.31.15
Available for sale							
Credit linked note [a]	3.63	US$	3.98%	**-**	-	**255,486**	293,282
Brazilian foreign debt securities [b]	1.59	US$	2.98%	**-**	-	**55,757**	65,867
Stocks [c]	-	R$	-	**278,400**	385,700	**278,400**	385,700
				278,400	385,700	**589,643**	744,849
Held for trading							
Bank deposit certificates ("CDB") [d]	4.66	R$	13.96%	**46,922**	42,545	**46,922**	42,545
Financial treasury bills [e]	3.88	R$	14.15%	**261,285**	155,262	**261,285**	155,262
Investment funds [f]	1.00	ARS	18.35%	**-**	-	**68,424**	177,755
				308,207	197,807	**376,631**	375,562
Held to maturity							
Sovereign bonds and others [e]	1.03	US$ e R$	6.23% to 14.15%	**77,678**	70,338	**250,546**	70,338
				664,285	653,845	**1,216,820**	1,190,749
Current				**385,885**	197,807	**792,218**	734,711
Non-current [2]				**278,400**	456,038	**424,602**	456,038

(1) Weighted average maturity in years.
(2) Maturity within up to July 26, 2018.

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

(b) Brazilian foreign debt securities are denominated in U.S. Dollars and remunerated at floating or fixed rate.

(c) The stock balance comprises the market value of 29,000,000 stocks from Minerva (BEEF3).

(d) Bank Deposit Certificate ("CDB") investments are denominated in Brazilian Reais and remunerated at rates varying from 98% to 102.1% of the Interbank Deposit Certificate ("CDI").

(e) Comprises for Financial Treasury Bills ("LFT") are remunerated at the rate of the Special System for Settlement and Custody ("SELIC") and securities of the Angolan government, denominated in US dollars.

(f) The fund in foreign currency is basically represented of public and private securities.

There were no changes in the characteristics of the marketable securities disclosed above as compared to the information disclosed in the financial statements for the year ended December 31, 2015 (note 8).

The unrealized loss from the change in fair value of the available for sale securities, recorded in other comprehensive income, corresponds to an accumulated loss of R$65,348 net of income tax of R$33,706 as of September 30, 2016 (loss of R$8,466 net of income tax of R$1,987 as of December 31, 2015).

Additionally, on September 30, 2016, of the total of marketable securities, R$105,878 (R$99,264 as of December 31, 2015) were pledged as collateral (without restriction for use) for operations with future contracts denominated in U.S. Dollars and future contracts of corn, traded on the Futures and Commodities Exchange ("BM&FBOVESPA").

The Company has also restricted cash of R$538,240 in the parent company and R$722,976 in the consolidated on September 30, 2016 (R$479,828 in the parent company and R$1,826,102 in the consolidated on December 31, 2015) (note16).

The Company conducted an analysis of sensitivity to foreign exchange rate (note 4.7).

9. TRADE ACCOUNTS RECEIVABLE, NET AND NOTES RECEIVABLE

	Parent company		Consolidated	
	09.30.16	12.31.15	**09.30.16**	12.31.15
Trade accounts receivable, net				
Domestic customers	**1,111,142**	1,925,827	**1,111,142**	1,925,827
Domestic related parties	**4,189**	3,015	**4,189**	3,015
Foreign customers	**393,158**	419,153	**2,160,174**	2,146,020
Foreign related parties	**6,187,261**	3,030,221	**122,039**	250,766
	7,695,750	5,378,216	**3,397,544**	4,325,628
(-) Adjustment to present value	**(8,912)**	(13,232)	**(11,946)**	(13,232)
(-) Allowance for doubtful accounts	**(385,125)**	(412,106)	**(412,410)**	(431,955)
	7,301,713	4,952,878	**2,973,188**	3,880,441
Current	**7,292,491**	4,948,745	**2,963,966**	3,876,308
Non-current	**9,222**	4,133	**9,222**	4,133
Credit notes	**378,203**	544,951	**379,058**	569,842
(-) Adjustment to present value	**(789)**	(2,982)	**(789)**	(2,982)
(-) Allowance for doubtful accounts	**(32,208)**	(32,363)	**(32,208)**	(32,363)
	345,206	509,606	**346,061**	534,497
Current	**179,951**	281,516	**179,952**	303,716
Non-current [(1)]	**165,255**	228,090	**166,109**	230,781

(1) Weighted average maturity of 3.27 years.

Of the foreign related parties balance recorded in the parent company, R$2,196,297 were transferred in the Certificate of Agribusiness Receivables operation (“CRA”), being R$1,000,000 of the 1st issue occurred on September 29, 2015 an R$1,096,297 of the 2nd issue as disclosed in note 20.1.

On September 30, 2016, notes receivable are comprised mainly by receivables from the (i) sale of Ana Rech assets to JBS, of R$64,709 and (ii) disposal of various other assets and farms, R$260,473.

The trade accounts receivable from related parties refers to transactions carried out with associates UP!, in the domestic market and with joint venture SATS BRF in the foreign market.

The rollforward of allowance for doubtful accounts is presented below:

	Parent company		Consolidated	
	09.30.16	12.31.15	**09.30.16**	12.31.15
Beginning balance	**(412,106)**	(98,551)	**(431,955)**	(107,781)
Additions	**(103,432)**	(274,281)	**(149,932)**	(301,441)
Business combination [1]	**-**	-	**(10,571)**	-
Reversals	**58,402**	57,618	**102,156**	65,753
Write-offs	**21,048**	30,858	**21,057**	30,901
Exchange rate variation	**50,963**	(127,750)	**56,835**	(119,387)
Ending balance	**(385,125)**	(412,106)	**(412,410)**	(431,955)

(1) Balance arising from the business combination with Al Khan Foodstuff LLC ("AKF"), Alimentos Calchaquí Productos 7 S.A., Eclipse Holding Cöoperatief UA, Federal Foods Qatar and GFS Group.

The aging of trade accounts receivable is as follows:

	Parent company		Consolidated	
	09.30.16	12.31.15	**09.30.16**	12.31.15
Current	**7,273,592**	4,902,657	**2,625,075**	3,483,359
Overdue				
01 to 60 days	**29,896**	56,088	**276,958**	343,216
61 to 90 days	**6,244**	7,927	**52,388**	30,301
91 to 120 days	**3,420**	3,414	**31,094**	37,723
121 to 180 days	**14,942**	1,922	**13,129**	7,027
181 to 360 days	**24,049**	61,653	**48,627**	70,845
More than 361 days	**343,607**	344,555	**350,273**	353,157
(-) Adjustment to present value	**(8,912)**	(13,232)	**(11,946)**	(13,232)
(-) Allowance for doubtful accounts	**(385,125)**	(412,106)	**(412,410)**	(431,955)
	7,301,713	4,952,878	**2,973,188**	3,880,441

10. INVENTORIES

	Parent company		Consolidated	
	09.30.16	12.31.15	**09.30.16**	12.31.15
Finished goods	**1,766,382**	1,437,670	**3,374,523**	2,601,130
Work in process	**161,499**	141,780	**190,036**	157,807
Raw materials	**1,076,913**	568,957	**1,174,837**	620,734
Packaging materials	**59,657**	54,605	**85,681**	83,567
Secondary materials	**241,659**	304,750	**277,138**	341,687
Warehouse	**141,417**	129,902	**196,761**	173,113
Imports in transit	**126,908**	143,757	**156,031**	154,769
Advances to suppliers	**52,800**	8,709	**52,800**	8,709
Other	**8,627**	14,751	**8,942**	14,751
(-) Provision for adjustment to realizable value	**(10,963)**	(1,596)	**(51,964)**	(19,959)
(-) Provision for deterioration	**(23,349)**	(49,480)	**(33,274)**	(49,618)
(-) Provision for obsolescense	**(7,654)**	(8,878)	**(7,696)**	(12,182)
(-) Adjustment to present value	**(43,011)**	(32,888)	**(45,363)**	(32,888)
	3,550,885	2,703,330	**5,378,452**	4,032,911

The write-offs of products sold from inventories to cost of sales during the nine-month period ended on September 30, 2016 totaled R$16,482,915 in the parent company and

R$19,309,310 in the consolidated (R$14,338,859 in the parent company and R$15,952,313 in the consolidated as of September 30, 2015). Such amounts include the additions and reversals of inventory provisions presented in the table below:

	Parent company			
	Provision for adjustment to realizable value	Provision for deterioration	Provision for obsolescence	Total
				09.30.16
Beginning balance	**(1,596)**	**(49,480)**	**(8,878)**	**(59,954)**
Additions	(12,631)	(8,269)	(911)	**(21,811)**
Reversals	3,264	-	-	**3,264**
Write-offs	-	34,400	2,135	**36,535**
Ending balance	**(10,963)**	**(23,349)**	**(7,654)**	**(41,966)**

	Consolidated			
	Provision for adjustment to realizable value	Provision for deterioration	Provision for obsolescence	Total
				09.30.16
Beginning balance	**(19,959)**	**(49,618)**	**(12,182)**	**(81,759)**
Additions	(60,858)	(18,468)	(952)	**(80,278)**
Reversals	17,189	-	-	**17,189**
Write-offs	-	35,407	3,262	**38,669**
Exchange rate variation	11,664	(595)	2,176	**13,245**
Ending balance	**(51,964)**	**(33,274)**	**(7,696)**	**(92,934)**

On September 30, 2016 and 2015, there were no inventory items pledged as collateral for rural credit operations.

11. BIOLOGICAL ASSETS

The current and non-current balances of biological assets are presented below:

	Parent company		Consolidated	
	09.30.16	12.31.15	**09.30.16**	12.31.15
Live animals	**1,550,988**	1,322,317	**1,574,257**	1,329,861
Total current	**1,550,988**	1,322,317	**1,574,257**	1,329,861
Live animals	**602,074**	530,114	**628,226**	530,869
Forests	**233,653**	230,153	**233,653**	230,153
Total non-current	**835,727**	760,267	**861,879**	761,022
	2,386,715	2,082,584	**2,436,136**	2,090,883

Live animals are represented for poultry and pork and separated into consumable and for production. There were no changes in classification of nature of biological assets as compared to the information disclosed in the financial statements for the year ended

December 31, 2015 (note 11).

The rollforward of biological assets for the period is presented below:

	Parent company						
	Current			Non-current			
	Live animals		Total	Live animals		Forests	Total
	Poultry	Pork		Poultry	Pork		
			09.30.16				09.30.16
Beginning balance	**587,918**	**734,399**	**1,322,317**	**294,175**	**235,939**	**230,153**	**760,267**
Acquisition/Transfer	185,047	1,227,665	**1,412,712**	25,606	134,948	28,349 [2]	**188,903**
Fair value variation [1]	1,196,743	97,518	**1,294,261**	69,222	(50,563)	-	**18,659**
Harvest	-	-	**-**	-	-	(23,835)	**(23,835)**
Write-off	-	-	**-**	-	-	(756)	**(756)**
Transfer between current and non-current	56,951	50,302	**107,253**	(56,951)	(50,302)	-	**(107,253)**
Transfer of the held for sale	-	-	**-**	-	-	(258)	**(258)**
Transfer to inventories	(1,325,156)	(1,260,399)	**(2,585,555)**	-	-	-	**-**
Ending balance	**701,503**	**849,485**	**1,550,988**	**332,052**	**270,022**	**233,653**	**835,727**

	Consolidated						
	Current			Non-current			
	Live animals		Total	Live animals		Forests	Total
	Poultry	Pork		Poultry	Pork		
			09.30.16				09.30.16
Beginning balance	**595,462**	**734,399**	**1,329,861**	**294,930**	**235,939**	**230,153**	**761,022**
Acquisition/Transfer	185,861	1,227,665	**1,413,526**	33,414	134,948	28,349 [2]	**196,711**
Business combination [3]	-	17,870	**17,870**	24,008	5,780	-	**29,788**
Fair value variation [1]	1,223,204	95,635	**1,318,839**	65,275	(50,625)	-	**14,650**
Harvest	-	-	**-**	-	-	(23,835)	**(23,835)**
Write-off	-	-	**-**	-	-	(756)	**(756)**
Transfer between current and non-current	56,951	50,302	**107,253**	(56,951)	(50,302)	-	**(107,253)**
Transfer to sale	-	-	**-**	(3,112)	-	-	**(3,112)**
Transfer of the held for sale	-	-	**-**	-	-	(258)	**(258)**
Transfer to inventories	(1,348,015)	(1,260,399)	**(2,608,414)**	-	-	-	**-**
Exchange rate variation	(2,971)	(1,707)	**(4,678)**	(4,483)	(595)	-	**(5,078)**
Ending balance	**710,492**	**863,765**	**1,574,257**	**353,081**	**275,145**	**233,653**	**861,879**

(1) The fair value variance of biological assets includes depreciation of breeding stock in the amount of R$484,382 (R$543,605 as of December 31, 2015) in the parent company and R$501,973 (R$545,033 as of December 31, 2015) in the consolidated.

(2) Transfer from property, plant and equipment of R$28,349 in the parent company and consolidated.

(3) Balance arising from the business combination with Eclipse Holding Cöoperatief UA (pork) and GFS Group (poultry).

The quantities and balances per category of live animals are presented below:

	Parent company			
	09.30.16		12.31.15	
	Quantity (thousand of heads)	Value	Quantity (thousand of heads)	Value
Consumable biological assets				
Immature poultry	**175,542**	**701,503**	177,488	587,918
Immature pork	**3,762**	**849,485**	3,545	734,399
Total current	**179,304**	**1,550,988**	181,033	1,322,317
Production biological assets				
Immature poultry	**6,543**	**123,395**	6,618	108,209
Mature poultry	**10,380**	**208,657**	11,382	185,966
Immature pork	**180**	**56,824**	184	51,188
Mature pork	**398**	**213,198**	385	184,751
Total non-current	**17,501**	**602,074**	18,569	530,114
	196,805	**2,153,062**	199,602	1,852,431

	Consolidated			
	09.30.16		12.31.15	
	Quantity (thousand of heads)	Value	Quantity (thousand of heads)	Value
Consumable biological assets				
Immature poultry	**178,135**	**710,492**	179,990	595,462
Immature pork	**3,762**	**863,765**	3,545	734,399
Total current	**181,897**	**1,574,257**	183,535	1,329,861
Production biological assets				
Immature poultry	**6,851**	**132,023**	6,658	108,837
Mature poultry	**10,888**	**221,058**	11,418	186,093
Immature pork	**182**	**57,473**	184	51,188
Mature pork	**406**	**217,672**	385	184,751
Total non-current	**18,327**	**628,226**	18,645	530,869
	200,224	**2,202,483**	202,180	1,860,730

12. RECOVERABLE TAXES

	Parent company		Consolidated	
	09.30.16	12.31.15	09.30.16	12.31.15
State ICMS ("VAT")	**1,454,676**	1,119,761	**1,566,517**	1,219,662
PIS and COFINS ("Federal Taxes to Social Fund Programs")	**380,216**	397,785	**386,622**	397,841
Income and social contribution tax (IR/CS)	**215,243**	359,787	**293,855**	416,562
IPI ("Federal VAT")	**199,303**	60,137	**199,308**	60,137
INSS ("Brazilian Social Security")	**272,100**	146,162	**272,146**	146,234
Other	**58,065**	97,296	**115,440**	131,471
(-) Provision for losses	**(184,552)**	(164,606)	**(189,588)**	(171,443)
	2,395,051	2,016,322	**2,644,300**	2,200,464
Current	**938,466**	1,074,175	**1,163,602**	1,231,759
Non-current	**1,456,585**	942,147	**1,480,698**	968,705

The rollforward of the provision for losses is presented below:

	Parent company					
	State ICMS ("VAT")	PIS and COFINS ("Federal Taxes to Social Fund Programs")	Income and social contribution tax	IPI ("Federal VAT")	Other	Total
						09.30.16
Beginning balance	**(113,892)**	**(25,074)**	**(8,985)**	**(14,740)**	**(1,915)**	**(164,606)**
Additions	(25,654)	-	-	-	(74)	**(25,728)**
Write-offs	4,851	893	-	-	38	**5,782**
Ending balance	**(134,695)**	**(24,181)**	**(8,985)**	**(14,740)**	**(1,951)**	**(184,552)**

	Consolidated					
	State ICMS ("VAT")	PIS and COFINS ("Federal Taxes to Social Fund Programs")	Income and social contribution tax	IPI ("Federal VAT")	Other	Total
						09.30.16
Beginning balance	**(113,893)**	**(25,074)**	**(9,029)**	**(14,740)**	**(8,707)**	**(171,443)**
Additions	(25,654)	(177)	-	-	(264)	**(26,095)**
Write-offs	4,851	893	-	-	240	**5,984**
Exchange rate variation	-	-	-	-	1,966	**1,966**
Ending balance	**(134,696)**	**(24,358)**	**(9,029)**	**(14,740)**	**(6,765)**	**(189,588)**

13. DISCONTINUED OPERATIONS

13.1. Discontinued operations

On July 01, 2015, BRF concluded with Lactalis (“buyer”), the disposal of its manufacturing facilities of dairy segment, being such segment classified as discontinued until the date of transaction conclusion.

The statements of income and cash flows from discontinued operations that represent the dairy segment performance of dairy segment in the period of nine-months ended September 30, 2015 are disclosed as follows:

STATEMENTS OF INCOME

	Parent company	Consolidated
	09.30.15	09.30.15
Net sales	983,535	1,122,764
Cost of sales	(786,821)	(905,752)
Gross profit	196,714	217,012
Operating income (expenses)		
Selling	(160,261)	(188,199)
General and administrative	(9,191)	(13,477)
Other operating expenses, net	(11,071)	(20,682)
Equity in income of associates	(19,465)	(1,876)
Loss before financial results	(3,274)	(7,222)
Financial expenses	-	(292)
Financial income	-	10
Loss before taxes	(3,274)	(7,504)
Income and social contribution taxes	(3,798)	(8,507)
Deferred income tax	-	8,939
Loss from discontinued operations	(7,072)	(7,072)
Gain from discontinued operations	190,160	190,160
Net profit from discontinued operations	183,088	183,088

STATEMENTS OF CASH FLOWS

	Parent company	Consolidated
	09.30.15	09.30.15
Net profit from discontinued operations	183,088	183,088
Adjustments to reconcile net income to net cash provided by discontinued operations		
Depreciation and amortization	76	4,035
Equity pick-up	19,465	1,876
Deferred income tax	-	(8,939)
Gain from discontinued operations	(190,160)	(190,160)
Changes in operating assets and liabilities:	-	-
Trade accounts receivable	-	81,622
Inventories	-	(67,504)
Trade accounts payable	-	(54,600)
Other rights and obligations	15,838	53,002
Net cash provided by discontinued operating activities	28,307	2,420
Investing activities from discontinued operations		
Capital increase in subsidiaries	(20,038)	-
Additions to property, plant and equipment	(8,269)	(12,305)
Net cash used investing activities from discontinued operations	(28,307)	(12,305)
Proceeds from debt issuance	-	10,038
Advance for future capital increase		10,000
Net cash (used in) provided by financing activities from discontinued operations	-	20,038
Net increase in cash and cash equivalents	-	**10,153**
Net cash provided by discontinued operations	-	**10,153**

14. INCOME AND SOCIAL CONTRIBUTION TAXES

14.1. Deferred income and social contribution taxes

	Parent company		Consolidated	
	09.30.16	12.31.15	**09.30.16**	12.31.15
Assets				
Tax loss carryforwards (corporate income tax)	**937,090**	1,008,022	**1,022,656**	1,077,653
Negative calculation basis (social contribution tax)	**370,502**	399,886	**370,576**	400,092
Temporary differences				
Provisions for tax, civil and labor risks	**244,374**	216,564	**247,857**	220,047
Suspended collection taxes	**21,530**	62,954	**21,530**	62,954
Allowance for doubtful accounts	**101,101**	112,251	**101,971**	113,120
Provision for property, plant and equipment losses	**11,562**	5,546	**11,562**	5,546
Provision for losses on tax credits	**59,100**	52,260	**59,710**	52,803
Provision for other obligations	**52,914**	91,834	**55,080**	93,744
Employees' profit sharing	**1,625**	87,254	**1,625**	87,254
Provision for inventory losses	**13,995**	19,985	**13,995**	19,985
Employees' benefits plan	**111,689**	101,675	**111,689**	101,675
Business combination - Sadia [1]	**359,563**	451,222	**359,563**	451,222
Unrealized losses on derivatives financial instruments	**238,090**	105,359	**238,090**	105,359
Unrealized losses on inventories	**-**	-	**11,988**	19,266
Provision for losses - notes receivables	**12,526**	11,321	**12,526**	11,321
Estimated annual effective tax rate - CPC 21	**273,679**	-	**273,679**	-
Other temporary differences	**95,355**	77,280	**127,203**	85,110
	2,904,695	2,803,413	**3,041,300**	2,907,151
Liabilities				
Temporary differences				
Business combination - Sadia [1]	**(707,168)**	(719,374)	**(707,168)**	(719,374)
Business combination - other companies [2]	**-**	-	**(60,315)**	(40,854)
Unrealized gains on derivatives	**(57,205)**	(28,035)	**(57,205)**	(28,035)
Difference between tax basis and accounting basis of goodwill amortization	**(242,408)**	(206,770)	**(242,408)**	(206,770)
Difference between tax depreciation rate and accounting depreciation rate (useful life)	**(675,860)**	(601,040)	**(675,860)**	(601,040)
Other temporary differences	**(76,276)**	686	**(86,169)**	(55,102)
	(1,758,917)	(1,554,533)	**(1,829,125)**	(1,651,175)
Total net deferred tax assets	**1,145,778**	1,248,880	**1,212,175**	1,255,976
Business combination - Dánica and Avex	**-**	-	**(7,542)**	(12,474)
Business combination - AFC	**-**	-	**(35,330)**	(45,164)
Business combination - AKF	**-**	-	**(12,515)**	(5,870)
Business combination - Federal Foods	**-**	-	**(7,773)**	(10,228)
Business combination - Invicta	**-**	-	**(30,749)**	(50,067)
Other - exchange rate variation	**-**	-	**(55,390)**	(64,517)
	-	-	**(149,299)**	(188,320)
Total deferred tax	**1,145,778**	1,248,880	**1,062,876**	1,067,656

(1) The deferred tax asset on the business combination with Sadia is mainly computed on the difference between the accounting and tax basis of goodwill determined in the purchase price allocation. Deferred tax liabilities on business combinations Sadia are substantially represented by the fair value of property, plant and equipment, trademarks and contingent liabilities.

(2) Deferred tax liabilities related to the business combinations with Quickfood (trademarks, customer relationship, Fair value of property, plant and equipment) and AFC (customer relationship).

The rollforward of deferred tax is set forth below:

	Parent company		Consolidated	
	09.30.16	12.31.15	**09.30.16**	12.31.15
Beginning balance	**1,248,880**	751,932	**1,067,656**	623,831
Deferred income and social contribution taxes recognized in the statement of income	**160,791**	372,283	**213,663**	406,587
Deferred income and social contribution taxes - write-off dairy segment	**-**	(200,617)	**-**	(200,617)
Deferred income and social contribution taxes recognized in other comprehensive income	**(263,893)**	327,387	**(265,186)**	328,090
Business combination	**-**	-	**(6,683)**	(39,240)
Exchange rate variation over deferred income and social contribution taxes related to business combination	**-**	-	**40,886**	(30,266)
Other	**-**	(2,105)	**12,540**	(20,729)
Ending balance	**1,145,778**	1,248,880	**1,062,876**	1,067,656

Certain subsidiaries of the Company have tax loss carryforwards and negative basis of social contribution of R$16,325 and R$16,142, respectively, (R$16,365 and R$16,181 as of December 31, 2015), for which no deferred tax asset was recorded. If there was an expectation that such tax credits would be realized the amount to be recognized in the balance sheet would be R$5,534 (R$5,547 as of December 31, 2015).

14.2. Estimated time of realization

Deferred tax arising from temporary differences that will be realized as they are settled or realized. The period of the settlement or realization of such differences would not be properly estimated and is subject to several factors that are not under control of Management.

When assessing the likelihood of the realization of deferred tax assets on income tax loss carryforward and negative calculation bases of social contribution tax, Management considers the Company's budget, strategic plan and projected taxable income. Based on this estimate, Management believes that it is probable that the deferred tax will be realized, as shown below:

	Parent company	Consolidated
2016	**89,610**	**95,134**
2017	**239,385**	**256,335**
2018	**314,579**	**332,229**
2019	**363,148**	**381,245**
2020 onwards	**300,870**	**328,289**
	1,307,592	**1,393,232**

14.3. Income and social contribution taxes reconciliation

	Parent company		Consolidated	
	09.30.16	09.30.15	**09.30.16**	09.30.15
Income before taxes from continued operations	**157,030**	1,377,910	**119,585**	1,379,028
Nominal tax rate	**34%**	34%	**34%**	34%
Expected tax expense at nominal tax rate	**(53,390)**	(468,489)	**(40,659)**	(468,870)
Reconciling itens				
Equity interest in income of subsidiaries, associates and joint venture	**(312,649)**	485,543	**8,743**	(37,920)
Exchange rate variation on foreign investments	**(185,434)**	445,949	**(201,072)**	492,154
Difference of tax rates on results of foreign subsidiaries	**-**	-	**(291,674)**	482,285
Interest on shareholders' equity	**174,493**	144,792	**174,493**	144,792
Penalties	**(3,693)**	(3,151)	**(3,693)**	(3,156)
Investment grant	**31,916**	33,259	**31,916**	33,259
Estimated annual effective tax rate - CPC 21	**273,679**	(421,713)	**273,679**	(421,713)
Other permanent differences	**5,789**	(81,070)	**3,567**	(86,456)
	(69,289)	135,120	**(44,700)**	134,375
Current income tax	**(230,080)**	26,583	**(258,363)**	(5,058)
Deferred income tax	**160,791**	108,537	**213,663**	139,433

The taxable income, current and deferred income tax from foreign subsidiaries is presented below:

	Consolidated	
	09.30.16	09.30.15
Taxable income (loss) from foreign subsidiaries	**(1,003,972)**	1,598,881
Current income tax credit (expense) from foreign subsidiaries	**(25,908)**	(29,978)
Deferred income tax from foreign subsidiaries	**47,042**	5,967

The Company has determined that the earnings recorded by the holdings of its wholly-owned subsidiaries located abroad will not be redistributed.

Such resources will be used for investments in the subsidiaries, and thus no deferred income tax was recognized. The total of undistributed earnings corresponds to R$3,416,303 as of September 30, 2016 (R$4,949,957 as of December 31, 2015).

Brazilian income taxes are subject to review for a 5-year period, during which the tax authorities might audit and assess the Company for additional taxes and penalties. Subsidiaries located abroad are taxed in their respective jurisdictions, according to local regulations.

15. JUDICIAL DEPOSITS

The rollforward of the judicial deposits is presented below:

	Parent company			
	Tax	Labor	Civil, commercial and other	Total
				09.30.16
Beginning balance	**376,660**	**304,942**	**43,722**	**725,324**
Additions	82,086	118,531	4,987	**205,604**
Reversals	(4,248)	(12,379)	(3,949)	**(20,576)**
Write-offs	(738)	(68,328)	(5,452)	**(74,518)**
Price index update	29,392	23,429	2,782	**55,603**
Ending balance	**483,152**	**366,195**	**42,090**	**891,437**

	Consolidated			
	Tax	Labor	Civil, commercial and other	Total
				09.30.16
Beginning balance	**376,667**	**311,319**	**44,120**	**732,106**
Additions	82,090	120,390	4,987	**207,467**
Business combination [1]	152	8	-	**160**
Reversals	(4,707)	(12,379)	(3,949)	**(21,035)**
Write-offs	(738)	(68,328)	(5,452)	**(74,518)**
Price index update	29,824	23,430	2,782	**56,036**
Exchange rate variation	(16)	(2,128)	-	**(2,144)**
Ending balance	**483,272**	**372,312**	**42,488**	**898,072**

(1) Balance arising from the business combination with Eclipse Holding Cöopertief UA.

16. RESTRITED CASH

	Maturity [1]	Currency	Average interest rate (p.a.)	Parent company		Consolidated	
				09.30.16	12.31.15	09.30.16	12.31.15
Bank deposit certificates [2]	0.73	R$	13.96%	**372,238**	337,041	**372,238**	337,041
National treasury certificates [3]	3.55	R$	22.68%	**166,002**	142,787	**166,002**	142,787
Bank deposit [4]	-	US$	-	**-**	-	**184,736**	1,346,274
				538,240	479,828	**722,976**	1,826,102
Current				**124,079**	-	**308,815**	1,346,274
Non-current				**414,161**	479,828	**414,161**	479,828

(1) Weighted average maturity in years.
(2) Deposit which was pledged as collateral in the disposal of the dairy segment to Groupe Lactalis (“Parmalat”).
(3) The national treasury certificates, which mature on 2020, are pledged as collateral for the loan obtained through the Special Program Asset Restructuring (“PESA”) (note 20).
(4) Deposit related to the business combination with Alimentos Calchaquí Productos 7 S.A. and Eclipse Holding Cöoperatief UA (note 6) and other operations in the international market.

17. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

17.1. Investments breakdown

	Parent company		Consolidated	
	09.30.16	12.31.15	**09.30.16**	12.31.15
Investment in subsidiaries and associates	**4,976,582**	6,918,123	**77,464**	102,465
Goodwill Quickfood	**202,261**	290,884	**-**	-
Goodwill SATS BRF	**-**	-	**5,908**	6,838
Goodwill AKF	**-**	-	**-**	75,113
	5,178,843	7,209,007	**83,372**	184,416
Other investments	**1,107**	1,107	**1,366**	1,476
	5,179,950	7,210,114	**84,738**	185,892

17.2. Summary of financial information of associates

	Avipal Centro Oeste S.A.	BRF GmbH	Establec. Levino Zaccardi	K&S Alimentos S.A [1]	PSA Labor. Veter. Ltda.	Quickfood S.A.	Sadia Alimentos S.A.	Sadia International Ltd.	Sadia Uruguay S.A.	Sadia Overseas S.A.	VIP S.A. Empr. e Particip. Imob.
	09.30.16	09.30.16	09.30.16	09.30.16	09.30.16	09.30.16	09.30.16	09.30.16	09.30.16	09.30.16	09.30.16
Current assets	-	2,157,975	478	29,729	3,830	297,996	13,166	1,839	21,120	1,336	57,041
Non-current assets	-	4,725,323	1	6,743	2,708	189,237	111,905	231,745	187,352	297,920	568
Current liabilities	-	(414,690)	(306)	(771)	(562)	(445,511)	(16,498)	(1,679)	(7,635)	(374,849)	(1,578)
Non-current liabilities	-	(2,089,124)	(36)	-	-	(120,365)	(7,941)	-	-	-	(23)
Shareholders' equity	-	(4,379,484)	(137)	(35,701)	(5,976)	78,643	(100,632)	(231,905)	(200,837)	75,593	(56,008)
Net revenues	-	7,739	-	-	-	904,326	2,946	-	26,812	-	-
Net income (loss)	(38)	(858,401)	27	2,232	412	(77,638)	(12,570)	16,970	(20,724)	(5,089)	3,246
	12.31.15	12.31.15	12.31.15	12.31.15	12.31.15	12.31.15	12.31.15	12.31.15	12.31.15	12.31.15	12.31.15
Current assets	38	1,983,779	694	-	3,627	376,754	15,566	1,761	22,563	16,754	53,216
Non-current assets	-	4,985,251	105	-	2,497	215,704	171,536	264,059	295,004	341,238	1,090
Current liabilities	-	(24,150)	(614)	-	(560)	(358,517)	(15,790)	(2,182)	(9,503)	(3,027)	(1,518)
Non-current liabilities	-	(736,469)	(22)	-	-	(248,232)	(12,928)	-	-	(440,306)	(25)
Shareholders' equity	(38)	(6,208,411)	(163)	-	(5,564)	14,291	(158,384)	(263,638)	(308,064)	85,341	(52,763)
Net revenues	-	15,514	-	-	-	1,326,887	66	-	35,658	-	-
Net income (loss)	-	2,094,392	(1,107)	-	550	(43,418)	(15,230)	5,956	85,345	(19,819)	5,907

[1] On March 18, 2016, the Company acquired control and total shares, being treated as wholly-owned subsidiary from this date.

Explanatory Notes
(in thousands of Brazilian Reais)

17.3. Rollforward of the interest in subsidiaries and associates – Parent company

	Subsidiaries											Associates					
	Avipal Centro Oeste S.A.	BRF GmbH	Establec. Levino Zaccardi	K&S Alimentos S.A.[1]	PSA Labor. Veter. Ltda	Quickfood S.A.	Sadia Alimentos S.A.	Sadia International Ltd.	Sadia Uruguay S.A.	Sadia Overseas S.A.	VIP S.A. Empr. e Particip. Imob	K&S Alimentos S.A.[1]	PP-BIO Adm. Bem próprio S.A.	PR-SAD Adm. Bem próprio S.A.	UP! Alimentos Ltda	Total 09.30.16	Total 12.31.15
a) Capital share as of September 30, 2016																	
% of share	100.00%	100.00%	98.26%	100.00%	99.99%	90.05%	43.10%	100.00%	94.90%	100.00%	100.00%	0.00%	33.33%	33.33%	50.00%		
Total number of shares and membership interests	6,963,854	1	100	27,664,086	5,463,850	36,469,606	594,576,682	900	2,444,753,091	50,000	14,249,459	-	-	-	1,000		
Number of shares and membership interest held	6,963,854	1	98	27,664,086	5,463,849	32,841,224	256,253,695	900	2,319,989,778	50,000	14,249,459	-	-	-	500		
b) Information as of September 30, 2016																	
Capital stock	5,972	6,922	1,420	27,664	5,564	28,117	257,336	2,922	262,582	3	40,061	-	-	-	1		
Shareholders' equity	-	4,379,484	137	35,701	5,976	(78,643)	100,632	231,905	200,837	(75,593)	56,008	-	-	-	38,953		
Fair value adjustments of assets and liabilities acquired	-	-	-	-	-	84,316	-	-	-	-	-	-	-	-	-		
Goodwill based on expectation of future profitability	-	-	-	-	-	117,945	-	-	-	-	-	-	-	-	-		
Income (loss) for the period	(38)	(858,401)	27	2,232	412	(77,638)	(12,570)	16,970	(20,724)	(5,089)	3,246	4,687	-	-	38,952		
c) Balance of investments as of September 30, 2016																	
Beginning balance	38	6,208,415	160	-	5,561	290,884	68,203	263,637	292,344	-	52,761	21,911	1,664	3,428	1	**7,209,007**	3,998,880
Equity pick-up	(38)	(858,401)	27	2,232	412	(69,913)	(5,417)	16,970	(19,666)	(5,089)	3,246	2,297	-	-	19,476	**(913,864)**	1,994,569
Unrealized profit in inventory	-	-	-	-	-	(2,159)	55	-	-	-	-	-	-	-	-	**(2,104)**	8,644
Exchange rate variation on goodwill in the acquisiton of non-controlling entities	-	3,953	-	-	-	-	-	-	-	-	-	-	-	-	-	**3,953**	(5,016)
Exchange rate variation on goodwill	-	-	-	-	-	(85,036)	-	-	-	-	-	-	-	-	-	**(85,036)**	(14,087)
Goodwill	-	-	-	-	-	(3,587)	-	-	-	-	-	-	-	-	-	**(3,587)**	(7,206)
Exchange rate variation on foreign investments	-	(456,193)	-	-	-	-	-	(48,248)	(55,790)	14,837	-	-	-	-	-	**(545,394)**	1,099,891
Other comprehensive income	-	(511,615)	(52)	-	-	13,909	(19,470)	(457)	(26,299)	-	-	-	-	-	-	**(543,984)**	220,588
Increase / decrease in capital	-	-	-	-	-	-	-	-	-	-	-	-	224	717	-	**941**	620,138
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	(259,101)
Appreciation in exchange of shares	-	1,234	-	-	-	-	-	-	-	-	-	-	-	-	-	**1,234**	111,247
Dividends and interests on shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	(67,197)
Write-off of investment	-	-	-	24,208	-	-	-	-	-	-	-	(24,208)	-	-	-	**-**	-
Loss of ownership interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	(2,696)
Write-off of investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	(247,282)
Acquisition of equity interest	-	-	-	9,262	-	-	-	-	-	-	-	-	-	-	-	**9,262**	-
Impairment losses for investments	-	-	-	-	-	58,163	-	-	-	(9,748)	-	-	-	-	-	**48,415**	56,623
Transfer to held for sale and discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	(298,988)
	-	**4,387,393**	**135**	**35,702**	**5,973**	**202,261**	**43,371**	**231,902**	**190,589**	**-**	**56,007**	**-**	**1,888**	**4,145**	**19,477**	**5,178,843**	**7,209,007**

(1) On March 18, 2016, the Company acquired control and total shares, being treated as wholly-owned subsidiary from this date.

The losses related to exchange rate variation on the investments in foreign subsidiaries, whose functional currency is Brazilian Reais, totaled R$591,388 on September 30, 2016 (gain of R$1,447,511 as of September 30, 2015) and were recognized as financial income.

On September 30, 2016, these subsidiaries, associates and joint ventures do not have any significant restriction to transfer dividends or repay their loans or advances to the Company.

17.4. Summary of financial information of associates

		K&S[1]	Minerva	Nutrifont		PP-BIO		PR-SAD		UP!		Total
	09.30.16	12.31.15	12.31.15	12.31.15	**09.30.16**	12.31.15	**09.30.16**	12.31.15	**09.30.16**	12.31.15	**09.30.16**	12.31.15
Current assets	**-**	54,679	-	-	**-**	-	**-**	-	**91,439**	79,250		
Non-current assets	**-**	13,211	-	-	**5,664**	4,992	**12,438**	10,284	**208**	217		
Current liabilities	**-**	(22,293)	-	-	**-**	-	**-**	-	**(52,694)**	(79,466)		
Non-current liabilities	**-**	(882)	-	-	**-**	-	**-**	-	**-**	-		
Shareholder's equity	**-**	44,715	-	-	**5,664**	4,992	**12,438**	10,284	**38,953**	1		
% of participation	**0.00%**	49.00%	15.11%	50.00%	**33.33%**	33.33%	**33.33%**	33.33%	**50.00%**	50.00%		
Book value of investment	**-**	21,911	-	-	**1,888**	1,664	**4,145**	3,428	**19,477**	1	**25,510**	27,004
Dividends declared	**-**	1,365	-	-	**-**	-	**-**	-	**-**	25,994	**-**	27,359

		K&S[1]	Minerva	Nutrifont		PP-BIO		PR-SAD		UP!		
	09.30.16	09.30.15	09.30.15	09.30.15	**09.30.16**	09.30.15	**09.30.16**	09.30.15	**09.30.16**	09.30.15		
Net revenues	**24,843**	92,336	4,049,469	-	**-**	-	**-**	-	**145,012**	138,046		
Net income (loss)	**4,687**	12,031	(834,077)	(2,603)	**-**	-	**-**	-	**38,952**	35,586		
Equity pick-up	**2,297**	5,896	(133,428)	(1,301)	**-**	-	**-**	-	**19,476**	17,793	**21,773**	(111,040)

[1] On March 18, 2016, the Company acquired control and total shares, being treated as wholly-owned subsidiary from this date.

17.5. Summary of financial information of joint venture

	AKF [1]		SATS BRF		Total	
	09.30.16	12.31.15	**09.30.16**	12.31.15	**09.30.16**	12.31.15
Assets						
Current	**-**	138,208	**193,683**	253,452		
Cash and cash equivalents	**-**	27,549	**65,310**	84,148		
Prepaid expenses	**-**	1,642	**926**	386		
Other current assets	**-**	109,017	**127,447**	168,918		
Non-current	**-**	9,122	**10,345**	14,414		
Liabilities						
Current	**-**	(105,290)	**(97,999)**	(145,547)		
Trade accounts payable	**-**	(4,514)	**(65,788)**	(126,931)		
Tax payable	**-**	(5,989)	**-**	-		
Other current liabilities	**-**	(94,787)	**(32,211)**	(18,616)		
Non-current	**-**	(3,228)	**-**	-		
Deferred taxes	**-**	(3,228)	**-**	-		
Shareholder's equity	**-**	38,812	**106,029**	122,319		
% of equity interest	**0.00%**	40.00%	**49.00%**	49.00%		
Book value of investment	**-**	15,525	**51,954**	59,936	**51,954**	75,461

	AKF		SATS BRF		Total	
	09.30.16	09.30.15	**09.30.16**	09.30.15	**09.30.16**	09.30.15
Net sales	**223,634**	266,956	**495,102**	197,390		
Depreciation and amortization	**(657)**	(939)	**(1,190)**	(145)		
Financial expense	**-**	(454)	**(1,860)**	(23)		
Income (loss) before taxes	**9,024**	10,533	**678**	(5,945)		
Net income (loss)	**9,024**	10,533	**678**	(5,945)		
% of equity interest	**40.00%**	40.00%	**49.00%**	49.00%		
Equity pick-up	**3,610**	4,213	**332**	**(2,913)**	**3,942**	1,300

[1] On June 20, 2016, the Company acquired control, being treated as indirect subsidiary and consequently consolidated.

18. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment rollforward is presented below:

		Parent company					
	Weighted average depreciation rate (p.a.)	12.31.15	Additions	Disposals	Reversals	Transfers [1]	09.30.16
Cost							
Land	-	593,601	436	(10,887)	-	(8,753)	**574,397**
Buildings and improvements	-	5,084,454	15,753	(20,244)	-	129,572	**5,209,535**
Machinery and equipment	-	6,534,819	102,366	(98,355)	-	612,998	**7,151,828**
Facilities	-	1,699,013	963	(5,399)	-	171,984	**1,866,561**
Furniture	-	112,947	196	(5,893)	-	7,910	**115,160**
Vehicles	-	16,801	-	(1,269)	-	(1,700)	**13,832**
Construction in progress	-	715,832	1,081,831	-	-	(976,104)	**821,559**
Advances to suppliers	-	4,156	39,873	-	-	(33,006)	**11,023**
		14,761,623	**1,241,418**	**(142,047)**	**-**	**(97,099)**	**15,763,895**
Depreciation							
Buildings and improvements	3.04%	(1,477,380)	(109,882)	5,794	-	6,038	**(1,575,430)**
Machinery and equipment	5.91%	(2,576,709)	(301,207)	81,981	-	(137)	**(2,796,072)**
Facilities	3.72%	(530,384)	(55,908)	3,265	-	(39)	**(583,066)**
Furniture	7.94%	(47,185)	(6,747)	4,953	-	(13)	**(48,992)**
Vehicles	19.94%	(9,200)	(558)	885	-	2,901	**(5,972)**
		(4,640,858)	**(474,302)**	**96,878**	**-**	**8,750**	**(5,009,532)**
Provision for losses		**(19,779)**	**(599)**	**-**	**766**	**-**	**(19,612)**
		10,100,986	**766,517**	**(45,169)**	**766**	**(88,349)**	**10,734,751**

(1) Refers to the transfer of R$47,495 to intangible assets, R$28,349 to biological assets (forests) and R$12,505 to assets held for sale.

Explanatory Notes
(in thousands of Brazilian Reais)

		Consolidated							
	Weighted average depreciation rate (p.a.)	12.31.15	Additions	Business combinations [2]	Disposals	Reversals	Transfers [1]	Exchange rate variation	09.30.16
Cost									
Land	-	584,721	447	33,150	(10,992)	-	(8,753)	(11,283)	**587,290**
Buildings and improvements	-	5,437,937	17,897	164,359	(20,276)	-	143,606	(88,657)	**5,654,866**
Machinery and equipment	-	7,027,145	110,691	290,430	(98,931)	-	602,940	(151,479)	**7,780,796**
Facilities	-	1,854,467	1,157	53,154	(5,405)	-	174,560	(33,667)	**2,044,266**
Furniture	-	137,869	2,539	11,918	(6,242)	-	7,187	(5,164)	**148,107**
Vehicles	-	20,317	52	10,635	(2,698)	-	2,368	(943)	**29,731**
Construction in progress	-	789,782	1,242,252	4,693	-	-	(1,006,717)	(42,296)	**987,714**
Advances to suppliers	-	18,760	40,531	238	-	-	(33,006)	136	**26,659**
		15,870,998	**1,415,566**	**568,577**	**(144,544)**	**-**	**(117,815)**	**(333,353)**	**17,259,429**
Depreciation									
Buildings and improvements	3.04%	(1,525,943)	(122,841)	(75,952)	5,814	-	6,344	24,997	**(1,687,581)**
Machinery and equipment	5.88%	(2,786,003)	(341,644)	(155,499)	82,624	-	506	70,376	**(3,129,640)**
Facilities	3.78%	(549,890)	(62,436)	(29,316)	3,271	-	(60)	8,816	**(629,615)**
Furniture	7.96%	(64,652)	(8,844)	(8,258)	5,292	-	199	7,765	**(68,498)**
Vehicles	20.05%	(8,979)	(2,024)	(8,620)	2,143	-	2,903	880	**(13,697)**
		(4,935,467)	**(537,789)**	**(277,645)**	**99,144**	**-**	**9,892**	**112,834**	**(5,529,031)**
Provision for losses		**(19,779)**	**(599)**	**-**	**-**	**766**	**-**	**-**	**(19,612)**
		10,915,752	**877,178**	**290,932**	**(45,400)**	**766**	**(107,923)**	**(220,519)**	**11,710,786**

(1) Refers to the transfer of R$51,307 to intangible assets, R$28,349 to biological assets (forests) and R$28,267 to assets held to sale.

(2) Balance arising from business combination with AKF, Alimentos Calchaquí Productos 7 S.A., Eclipse Holding Cöoperatief UA, GFS Group, K&S and Universal Meats (UK).

The Company has fully depreciated items that are still operating, which are set forth below:

	Parent company		Consolidated	
	09.30.16	12.31.15	**09.30.16**	12.31.15
Cost				
Buildings and improvements	**114,312**	166,614	**120,396**	169,995
Machinery and equipment	**628,138**	704,822	**658,581**	752,458
Facilities	**70,898**	96,273	**73,927**	102,017
Furniture	**14,612**	15,994	**19,595**	19,338
Vehicles	**3,799**	3,500	**4,478**	4,166
Others	**49,133**	56,185	**49,133**	56,185
	880,892	1,043,388	**926,110**	1,104,159

During the nine-month period ended September 30, 2016, the Company capitalized interest in the amount of R$32,524 in the parent company and in the consolidated (R$15,591 in the parent company and R$15,773 in the consolidated in September 30, 2015). The weighted average interest rate utilized to determine the capitalized amount was 6.78% p.a. in the parent company and in the consolidated (5.62% p.a. in the parent company and 5.76% p.a. in the consolidated in September 30, 2015).

On September 30, 2016, except for the built to suit agreement mentioned in note 24.2, the Company had no commitments assumed related to acquisition or construction of property, plant and equipment items.

The property, plant and equipment items that are pledged as collateral for various transactions are presented below:

		Parent company and Consolidated	
		09.30.16	12.31.15
	Type of collateral	**Book value of the collateral**	Book value of the collateral
Land	Financial/Tax	**270,868**	217,427
Buildings and improvements	Financial/Tax	**1,637,775**	1,522,478
Machinery and equipment	Financial/Labor/Tax/Civil	**2,521,617**	1,774,781
Facilities	Financial/Tax	**731,426**	493,103
Furniture	Financial/Tax	**24,829**	27,004
Vehicles	Financial/Tax	**1,561**	2,306
Others	Financial/Tax	**84,897**	70,083
		5,272,973	4,107,182

19. INTANGIBLES

The intangible assets rollforward is set forth below:

		Parent company				
	Weighted average amortization rate (p.a.)	12.31.15	Additions	Disposals	Transfers	09.30.16
Cost						
Non-compete agreement	-	-	17,734	(277)	-	**17,457**
Goodwill	-	2,096,587	-	-	-	**2,096,587**
Ava	-	49,368	-	-	-	**49,368**
Eleva Alimentos	-	808,140	-	-	-	**808,140**
Incubatório Paraíso	-	656	-	-	-	**656**
Paraíso Agroindustrial	-	16,751	-	-	-	**16,751**
Perdigão Mato Grosso	-	7,636	-	-	-	**7,636**
Sadia	-	1,214,036	-	-	-	**1,214,036**
Outgrowers relationship	-	14,197	505	-	-	**14,702**
Trademarks	-	1,173,000	-	-	-	**1,173,000**
Patents	-	3,720	2,380	-	-	**6,100**
Software	-	404,673	35,032	(28,473)	47,723	**458,955**
		3,692,177	**55,651**	**(28,750)**	**47,723**	**3,766,801**
Amortization						
Non-compete agreement	42.34%	-	(3,493)	277	-	**(3,216)**
Outgrowers relationship	12.50%	(5,777)	(1,412)	-	-	**(7,189)**
Patents	17.87%	(2,092)	(837)	-	-	**(2,929)**
Software	20.00%	(232,751)	(77,529)	28,590	(228)	**(281,918)**
		(240,620)	**(83,271)**	**28,867**	**(228)**	**(295,252)**
		3,451,557	**(27,620)**	**117**	**47,495**	**3,471,549**

Explanatory Notes
(in thousands of Brazilian Reais)

								Consolidated
	Weighted average amortization rate (p.a.)	12.31.15	Additions	Disposals	Business combination [1]	Transfers	Exchange rate variation	09.30.16
Cost								
Non-compete agreement	-	15,738	17,734	(277)	-	-	(4,621)	**28,574**
Goodwill	-	2,778,102	-	-	2,358,166	10,977	(558,183)	**4,589,062**
AKF	-	-	-	-	136,502	10,977	1,829	**149,308**
Alimentos Calchaquí	-	-	-	-	359,697	-	(41,722)	**317,975**
Ava	-	49,368	-	-	-	-	-	**49,368**
Avex	-	27,550	-	-	-	-	(8,092)	**19,458**
BRF AFC	-	196,063	-	-	-	-	(31,987)	**164,076**
BRF Invicta	-	170,776	-	-	-	-	(46,123)	**124,653**
Dánica	-	7,013	-	-	-	-	(2,060)	**4,953**
Eclipse Holding Cooperatief	-	-	-	-	121,536	-	(15,170)	**106,366**
Eleva Alimentos	-	808,140	-	-	-	-	-	**808,140**
Federal Foods	-	84,419	-	-	-	-	(14,230)	**70,189**
GFS Group	-	-	-	-	1,079,357	-	(212,755)	**866,602**
GQFE - Golden Quality Foods Europe	-	-	-	-	3,108	-	(554)	**2,554**
Incubatório Paraíso	-	656	-	-	-	-	-	**656**
Invicta Food Group	-	925	-	-	-	-	(250)	**675**
Paraíso Agroindustrial	-	16,751	-	-	-	-	-	**16,751**
Perdigão Mato Grosso	-	7,636	-	-	-	-	-	**7,636**
Plusfood	-	27,786	-	-	-	-	(3,940)	**23,846**
Quickfood	-	166,983	-	-	-	-	(49,038)	**117,945**
Sadia	-	1,214,036	-	-	-	-	-	**1,214,036**
Qatar National Import and Export Co	-	-	-	-	564,242	-	(109,760)	**454,482**
Universal Meats Ltd.	-	-	-	-	93,724	-	(24,331)	**69,393**
Import quotas	-	62,233	-	-	-	-	(16,808)	**45,425**
Outgrowers relationship	-	14,197	505	-	-	-	-	**14,702**
Trademarks	-	1,372,018	-	-	20	-	(58,450)	**1,313,588**
Patents	-	4,870	2,380	-	568	-	(153)	**7,665**
Customer relationship	-	620,853	-	-	-	52,379	(136,489)	**536,743**
Supplier relationship	-	9,670	-	(6,510)	-	-	(1,168)	**1,992**
Software	-	462,760	36,991	(28,649)	5,708	50,570	(14,138)	**513,242**
		5,340,441	**57,610**	**(35,436)**	**2,364,462**	**113,926**	**(790,010)**	**7,050,993**
Amortization								
Non-compete agreement	30.07%	(786)	(5,413)	277	-	-	483	**(5,439)**
Import quotas	9.76%	-	(20,090)	-	-	-	3,056	**(17,034)**
Outgrowers relationship	12.50%	(5,777)	(1,412)	-	-	-	-	**(7,189)**
Patents	24.44%	(3,025)	(865)	-	(588)	-	120	**(4,358)**
Customer relationship	7.71%	(49,788)	(36,442)	-	-	(2,727)	14,650	**(74,307)**
Supplier relationship	42.00%	(9,670)	-	6,510	-	-	1,168	**(1,992)**
Software	20.00%	(260,484)	(84,186)	28,564	(3,164)	(503)	6,853	**(312,920)**
		(329,530)	**(148,408)**	**35,351**	**(3,752)**	**(3,230)**	**26,330**	**(423,239)**
		5,010,911	**(90,798)**	**(85)**	**2,360,710**	**110,696**	**(763,680)**	**6,627,754**

(1) Balance arising from business combination with Alimentos Calchaquí Productos 7 S.A., Eclipse Holding Cöoperatief UA, Federal Foods Qatar, GFS Group and Universal Meats (UK) Ltd.

For the nine-month period ended September 30, 2015, Management did not identify and event that could indicate an impairment of such assets.

20. LOANS AND FINANCING

				Parent company					
	Charges (p.a.)	Weighted average interest rate (p.a.)	WAMT [1]	Current	Non-current	09.30.16	Current	Non-current	12.31.15
Local currency									
Working capital	8.80% (7.24% on 12.31.15)	8.80% (7.24% on 12.31.15)	0.7	**1,232,769**	**-**	**1,232,769**	1,169,635	-	1,169,635
Certificate of agribusiness receivables	96.70% of CDI (96.90% of CDI on 12.31.15)	13.66% (13.67% on 12.31.15)	2.3	**94,043**	**1,986,953**	**2,080,996**	33,078	992,165	1,025,243
Development bank credit lines	Fixed rate / Selic / TJLP + 0.76% (Fixed rate/Selic / TJLP + 1.00% on 12.31.15)	5.38% (4.57% on 12.31.15)	1.3	**359,762**	**583,925**	**943,687**	217,426	508,928	726,354
Bonds	7.75% (7.75% on 12.31.15)	7.75% (7.75% on 12.31.15)	1.7	**13,908**	**498,573**	**512,481**	4,140	497,921	502,061
Export credit facility	14.18% (0.00% on 12.31.15)	14.18% (0.00% on 12.31.15)	2.5	**11,721**	**1,850,000**	**1,861,721**	-	-	-
Special program asset restructuring	Fixed rate / IGPM + 4.90% (Fixed rate / IGPM + 4.90% on 12.31.15)	15.57% (15.44% on 12.31.15)	3.5	**2,626**	**247,194**	**249,820**	3,315	231,488	234,803
Other secured debts	8.50% (8.14% on 12.31.15)	8.50% (8.14% on 12.31.15)	2.3	**32,339**	**104,707**	**137,046**	32,580	127,077	159,657
Fiscal incentives	2.40% (2.40% on 12.31.15)	2.40% (2.40% on 12.31.15)	0.3	**5,238**	**-**	**5,238**	1,872	-	1,872
				1,752,406	**5,271,352**	**7,023,758**	1,462,046	2,357,579	3,819,625
Foreign currency									
Bonds	4.03% (4.08% on 12.31.15) + e.r. US$ and EUR	4.03% (4.08% on 12.31.15) + e.r. US$ and EUR	6.8	**88,063**	**6,119,997**	**6,208,060**	61,808	7,521,727	7,583,535
Export credit facility	LIBOR + 1.67% (LIBOR + 2.05% on 12.31.15) + e.r. US$	3.14% (2.79% on 12.31.15) + e.r. US$	0.9	**1,039,589**	**750,793**	**1,790,382**	598,109	1,163,574	1,761,683
Advances for foreign exchange rate contracts	2.00% (1.76% + e.r. US$) + e.r. US$	2.00% (1.76% + e.r. US$) + e.r. US$	0.2	**540,175**	**-**	**540,175**	391,053	-	391,053
Development bank credit lines	UMBNDES + 2.19% (UMBNDES + 2.26% on 12.31.15) + e.r. US$ and other currencies	6.33% (6.34% on 12.31.15) + e.r. US$ and other currencies	0.9	**7,790**	**4,337**	**12,127**	12,630	11,575	24,205
				1,675,617	**6,875,127**	**8,550,744**	1,063,600	8,696,876	9,760,476
				3,428,023	**12,146,479**	**15,574,502**	2,525,646	11,054,455	13,580,101

[1] Weighted average maturity in years.

Explanatory Notes
(in thousands of Brazilian Reais)

				Consolidated					
	Charges (p.a.)	Weighted average interest rate (p.a.)	WAMT [1]	Current	Non-current	09.30.16	Current	Non-current	12.31.15
Local currency									
Working capital	8.80% (7.24% on 12.31.15)	8.80% (7.24% on 12.31.15)	0.7	**1,232,769**	**-**	**1,232,769**	1,169,635	-	1,169,635
Certificate of agribusiness receivables	96.70% of CDI (96.90% of CDI on 12.31.15)	13.66% (13.67% on 12.31.15)	2.3	**94,043**	**1,986,953**	**2,080,996**	33,078	992,165	1,025,243
Development bank credit lines	Fixed rate / Selic / TJLP + 0.76% (Fixed rate/Selic / TJLP + 1.00% on 12.31.15)	5.38% (4.57% on 12.31.15)	1.3	**359,762**	**583,925**	**943,687**	217,426	508,928	726,354
Bonds	7.75% (7.75% on 12.31.15)	7.75% (7.75% on 12.31.15)	1.7	**13,908**	**498,573**	**512,481**	4,140	497,921	502,061
Export credit facility	14.18% (0.00% on 12.31.15)	14.18% (0.00% on 12.31.15)	2.5	**11,721**	**1,850,000**	**1,861,721**	-	-	-
Special program asset restructuring	Fixed rate / IGPM + 4.90% (Fixed rate / IGPM + 4.90% on 12.31.15)	15.57% (15.44% on 12.31.15)	3.5	**2,626**	**247,194**	**249,820**	3,315	231,488	234,803
Other secured debts	8.50% (8.14% on 12.31.15)	8.50% (8.14% on 12.31.15)	2.3	**32,339**	**104,707**	**137,046**	32,580	127,077	159,657
Fiscal incentives	2.40% (2.40% on 12.31.15)	2.40% (2.40% on 12.31.15)	0.3	**5,238**	**-**	**5,238**	1,872	-	1,872
				1,752,406	**5,271,352**	**7,023,758**	1,462,046	2,357,579	3,819,625
Foreign currency									
Bonds	4.76% (5.23% on 12.31.15) + e.r. US$, EUR and ARS	4.76% (5.23% on 12.31.15) + e.r. US$, EUR and ARS	6.6	**511,361**	**8,093,436**	**8,604,797**	159,445	8,628,430	8,787,875
Export credit facility	LIBOR + 1.81% (LIBOR + 2.15% on 12.31.15) + e.r. US$	3.19% (2.85% on 12.31.15) + e.r. US$	1.1	**1,040,147**	**1,075,105**	**2,115,252**	598,811	1,553,520	2,152,331
Advances for foreign exchange rate contracts	2.00% (1.76% on 12.31.15) + e.r. US$	2.00% (1.76% on 12.31.15) + e.r. US$	0.2	**540,175**	**-**	**540,175**	391,053	-	391,053
Development bank credit lines	UMBNDES + 2.19% (UMBNDES + 2.26% on 12.31.15) + e.r. US$ and other currencies	6.33% (6.34% on 12.31.15) + e.r. US$ and other currencies	0.9	**7,790**	**4,337**	**12,127**	12,630	11,575	24,205
Other secured debts	15.02% (15.09% on 12.31.15) + e.r. ARS	15.02% (15.09% on 12.31.15) + e.r. ARS	0.1	**819**	**-**	**819**	3,535	-	3,535
Working capital	19.37% (22.00% on 12.31.15) + e.r. US$ and ARS / 2.48% + e.r (OMR/THB)	19.37% (22.00% on 12.31.15) + e.r. US$ and ARS / 2.48% + e.r (OMR/THB)	0.5	**311,579**	**840**	**312,419**	659	-	659
				2,411,871	**9,173,718**	**11,585,589**	1,166,133	10,193,525	11,359,658
				4,164,277	**14,445,070**	**18,609,347**	2,628,179	12,551,104	15,179,283

[1] Weighted average maturity in years.

The main characteristics of loan and financing agreements entered into by the Company were disclosed in note 20 of financial statements for the year ended December 31, 2015.

20.1. Senior Notes BRF 2026

On September 22, 2016, BRF through its wholly-owned subsidiary BRF GmbH concluded a Senior Notes of 10 (ten) years, in the total amount of US$500,000, which will mature on September 29, 2026, issued with a coupon (interest) of 4.35% p.a. (yield to maturity 4.625%), payable semi-annually beginning as from March 29, 2017.

20.2. Tender Offer

On September 14, 2016, the Company concluded a Tender Offer, in amount of US$86,391 (equivalent to R$280,442), segregated into (i) US$32,183 (equivalent to R$104,472) of the BFF Notes 2020 and (ii) US$54,208 (equivalent to R$175,970) of the Senior Notes BRF 2022.

In the execution of Tender Offer, BRF paid a premium in the amount of US$9,795 (equivalent to R$31,797) to the existing bondholders, which was recorded as financial expenses.

20.3. Loans and financing maturity schedule

The maturity schedule of the loans and financing is as follows:

	Parent company	Consolidated
	09.30.16	**09.30.16**
2016	**1,535,094**	**2,183,016**
2017	**2,070,541**	**2,159,715**
2018	**2,363,310**	**2,723,848**
2019	**3,162,220**	**3,178,918**
2020 onwards	**6,443,337**	**8,363,850**
	15,574,502	**18,609,347**

20.4. Guarantees

	Parent company		Consolidated	
	09.30.16	12.31.15	**09.30.16**	12.31.15
Total of loans and financing	**15,574,502**	13,580,101	**18,609,347**	15,179,283
Mortgage guarantees	**1,098,093**	911,996	**1,098,093**	911,996
Related to FINEM-BNDES	**824,810**	583,411	**824,810**	583,411
Related to FNE-BNB	**137,046**	159,564	**137,046**	159,564
Related to tax incentives and other	**136,237**	169,021	**136,237**	169,021

The Company is the guarantor of a loan obtained by Instituto Sadia de Sustentabilidade from the Bank National Economic and Social Development ("BNDES"). The loan was obtained with the purpose of allowing the implementation of biodigesters in the farms of the outgrowers which take part in the Company´s integration system, targeting the reduction of the emission of Greenhouse Gases. The value of these guarantees on September 30, 2016 totaled R$31,090 (R$39,098 as of December 31, 2015).

The Company is the guarantor of loans related to a special program, which aimed the local development of outgrowers in the central region of Brazil. The proceeds of such loans are utilized by the outgrowers to improve farm conditions and will be paid by them in 10 years, taking as collateral the land and equipment acquired by the outgrowers through this program. The guarantee totaled R$160,612 as of September 30, 2016 (R$208,774 as of December 31, 2015).

On September 30, 2016, the Company contracted bank guarantees in the amount of R$1,900,740 (R$2,086,589 as of December 31, 2015). These bank guarantees were offered mainly in litigations involving the Company´s use of tax credits. These guarantees have an average cost of 0.90% p.a. (0.91% p.a. as of December 31, 2015).

20.5. Commitments

In the normal course of the business, the Company enters into agreements with third parties which are mainly related to the purchases of raw materials, such as corn and soymeal, where the agreed prices can be fixed or to be fixed. The Company enters into other agreements, such as electricity, packaging supplies and manufacturing activities. The amounts of these agreements at the date of these financial statements are set forth below:

	Parent company	Consolidated
	09.30.16	09.30.16
2016	**4,182,125**	**4,184,373**
2017	**2,076,753**	**2,080,877**
2018	**388,658**	**390,870**
2019	**324,768**	**326,329**
2020 onwards	**519,389**	**519,910**
	7,491,693	**7,502,359**

21. TRADE ACCOUNTS PAYABLE

	Parent company		Consolidated	
	09.30.16	12.31.15	**09.30.16**	12.31.15
Domestic suppliers				
Third parties	**4,202,929**	3,263,197	**4,218,842**	3,263,201
Related parties	**29,365**	23,375	**29,368**	23,375
	4,232,294	3,286,572	**4,248,210**	3,286,576
Foreign suppliers				
Third parties	**730,616**	774,106	**1,713,796**	1,496,833
Related parties	**3,368**	2,463	**-**	-
	733,984	776,569	**1,713,796**	1,496,833
(-) Adjustment to present value	**(48,802)**	(38,416)	**(53,365)**	(38,416)
	4,917,476	4,024,725	**5,908,641**	4,744,993

During the nine-month period ended on September 30, 2016, the average payment term to suppliers is 84 days.

Of the suppliers balance as of September 30, 2016, R$1,220,447 in the parent company and consolidated (R$1,070,583 in the parent company and consolidated as of December 31, 2015) corresponds to the supply chain finance transactions on which there were no changes in the payment terms and prices negotiated with the suppliers.

The information on accounts payable involving related parties is presented in note 30. The trade accounts payable to related parties refer to transactions with associates UP! in the domestic market.

22. SUPPLY CHAIN FINANCE

	Parent Company and Consolidated	
	09.30.16	12.31.15
National suppliers	432,521	685,597
Foreign suppliers	390,604	488,997
	823,125	1,174,594

The Company entered into supply chain finance transactions with first-class financial institutions in order to extend the payment period in purchases of raw material, machinery and equipment, and other inputs with internal and external market suppliers. As such, these transactions are presented in the operational cash flows for the period ended September 30, 2016.

On September 30, 2016, the discount rates applied to these transactions in the domestic market were set between 1.17% to 1.36% p.m. (1.10% to 1.34% p.m. on December 31,

2015) and foreign market were set between 1.73% to 2.90% p.a. (1.50% to 2.51% p.a. on December 31, 2015).

23. OTHER FINANCIAL ASSETS AND LIABILITIES

	Parent company		Consolidated	
	09.30.16	12.31.15	**09.30.16**	12.31.15
Derivatives designated as cash flow hedges				
Assets				
Non-deliverable forward (NDF)	**22,772**	2,253	**22,772**	2,253
Currency option contracts	**239,603**	96,153	**239,603**	96,153
Deliverable forwards contracts	**-**	-	**1,780**	-
	262,375	98,406	**264,155**	98,406
Liabilities				
Non-deliverable forward of currency (NDF)	**(560)**	(66,703)	**(560)**	(66,703)
Currency option contracts	**(58,601)**	(217,122)	**(58,601)**	(217,122)
Deliverable forwards contracts	**-**	(33,765)	**(358)**	(33,765)
Commodities (corn) non-deliverable forward (NDF)	**(7)**	(11,729)	**(7)**	(11,729)
Exchange rate contracts currency (Swap)	**(171,606)**	(280,285)	**(199,417)**	(326,650)
	(230,774)	(609,604)	**(258,943)**	(655,969)
Non derivatives designated as cash flow hedges				
Assets				
Non-deliverable forward of currency (NDF)	**-**	-	**-**	10,707
Non-deliverable forward of commodities (NDF)	**544**	2,183	**544**	2,183
Deliverable forwards contracts	**-**	-	**37**	-
Exchange rate contracts currency (Swap)	**382**	3,450	**382**	3,450
Dollar future contracts - BM&FBOVESPA	**335**	14,641	**335**	14,641
Corn future contracts - BM&FBOVESPA	**13**	-	**13**	-
	1,274	20,274	**1,311**	30,981
Liabilities				
Non-deliverable forward of currency (NDF)	**(317)**	(3,502)	**(919)**	(3,865)
Non-deliverable forward of corn (NDF)	**(3,931)**	-	**(3,931)**	-
Deliverable forwards contracts	**-**	-	**(9)**	-
Exchange rate contracts currency (Swap)	**(564,287)**	(6,768)	**(564,287)**	(6,768)
	(568,535)	(10,270)	**(569,146)**	(10,633)
Current assets	**263,649**	118,680	**265,466**	129,387
Current liabilities	**(799,309)**	(619,874)	**(828,089)**	(666,602)

The collateral given in the transactions presented above are disclosed in note 8.

24. LEASES

The Company is lessee in several contracts, which are classified as operating or finance leases.

24.1. Operating lease

The minimum future payments of non-cancellable operating lease are presented below:

	Parent company	Consolidated
	09.30.16	**09.30.16**
2016	**212,397**	**214,316**
2017	**286,221**	**288,213**
2018	**105,836**	**107,306**
2019	**52,431**	**53,997**
2020 onwards	**62,811**	**64,372**
	719,696	**728,204**

The payments of operating lease agreements recognized as expense in the nine-month period ended September 30, 2016 amounted to R$134,574 in the parent company and R$235,543 in the consolidated (R$165,082 in the parent company and R$222,365 in the consolidated as of September 30, 2015).

24.2. Finance lease

The Company enters into finance leases mainly for the acquisitions of machinery, equipment, vehicles, software and buildings, as presented below:

		Parent company		Consolidated	
	Weighted average interest rate (p.a.) [1]	**09.30.16**	12.31.15	**09.30.16**	12.31.15
Cost					
Machinery and equipment		**104,295**	29,160	**112,179**	37,096
Software		**78,692**	72,972	**78,692**	72,972
Vehicles		**-**	-	**552**	-
Buildings		**141,732**	128,938	**141,811**	128,938
		324,719	231,070	**333,234**	239,006
Accumulated depreciation					
Machinery and equipment	39.33%	**(29,763)**	(5,311)	**(35,894)**	(13,247)
Software	52.38%	**(53,245)**	(50,988)	**(53,245)**	(50,988)
Vehicles	20.00%	**-**	-	**(253)**	-
Buildings	7.41%	**(40,997)**	(32,091)	**(41,039)**	(32,091)
		(124,005)	(88,390)	**(130,431)**	(96,326)
		200,714	142,680	**202,803**	142,680

(1) The period of depreciation of leased assets corresponds to the lowest between the term of the contract and the useful life of the asset, as determined by CVM Deliberation Nº 645/10.

The minimum future payments required for these finance leases are demonstrated as follows, and were recorded as current and non-current liabilities:

	Parent company		
	09.30.16		
	Present value of minimum payments	Interest	Minimum future payments
2016	14,486	5,669	20,155
2017	44,049	19,600	63,649
2018	33,434	16,076	49,510
2019	26,900	13,429	40,329
2020 onwards	92,131	49,481	141,612
	211,000	**104,255**	**315,255**

	Consolidated		
	09.30.16		
	Present value of minimum payments	Interest	Minimum future payments
2016	14,710	5,834	20,544
2017	44,557	20,003	64,560
2018	34,077	16,487	50,564
2019	26,900	13,429	40,329
2020 onwards	92,131	49,481	141,612
	212,375	**105,234**	**317,609**

The contract terms for both modalities, with respect to renewal, adjustment and purchase option, are according to market practices. In addition, there are no clauses of contingent payments or restrictions on dividends distribution, payments of interest on shareholders' equity or obtaining debt.

The Company entered into a "built to suit" agreement for the construction of a real state which will be build by third parties. The agreement term will be 15 years from the signing date as well as the charge of rent expenses. If the Company defaults on its obligations, it will be subject to fines and/or acceleration of rent outstanding installments falling due, according to the term of such contract.

The estimated schedule of future payments related to this agreement is set forth below:

	Parent company and Consolidated
	09.30.16
2017	**7,886**
2018	**8,359**
2019	**8,861**
2020	**9,393**
2021 onwards	**149,062**
	183,561

25. SHARE BASED PAYMENT

The rules of the stock options plan granted to executives were disclosed in the financial statements for the year ended December 31, 2015 (note 24) and are unchanged for this period.

According to the ordinary meeting of the Board of Directors held on April 28, 2016 and May 31, 2016, were approved the granting of 8,724,733 and 3,351,220 shares, respectively.

The breakdown of the outstanding granted options is presented as follows:

	Date		Quantity		Grant [1]	Price of converted share [1]	
Grant date	Beginning of the year	End of the year	Options granted	Outstanding options	Fair value of the option	Granting date	Updated IPCA
Plan I							
05.02.12	05.01.13	05.01.17	3,708,071	316,991	7.82	34.95	47.74
05.02.13	05.01.14	05.01.18	3,490,201	748,612	11.88	46.86	60.11
04.04.14	04.03.15	04.03.19	1,552,564	674,494	12.56	44.48	54.04
05.02.14	05.01.15	05.01.19	1,610,450	906,663	14.11	47.98	57.91
12.18.14	12.17.15	12.17.19	5,702,714	4,655,355	14.58	63.49	74.65
			16,064,000	7,302,115			
Plan II							
04.26.16	04.30.17	04.30.21	8,724,733	8,724,733	9.21	56.00	57.18
05.31.16	05.31.17	05.31.20	3,351,220	3,270,100	10.97	46.68	47.29
			12,075,953	11,994,833			
			28,139,953	**19,296,948**			

[1] Values expressed in Brazilian Reais

The rollforward of the outstanding granted options for the nine-month period ended September 30, 2016 is presented as follows:

	Consolidated
Outstanding options as of December 31, 2015	**17,360,870**
Issued - grant of 2016	
April 2016	8,724,733
May 2016	3,351,220
Exercised:	
Grant of 2012	(14,207)
Grant of 2011	(96,874)
Cancelled:	
Grant of 2016	(81,120)
Grant of 2015	(8,757,223)
Grant of 2014	(1,054,614)
Grant of 2013	(73,721)
Grant of 2011	(62,116)
Outstanding options as of September 30, 2016	**19,296,948**

The weighted average exercise prices of the outstanding options related to service conditions is R$59.60 (fifty-nine Brazilian Reais and sixty cents) and the weighted average of the remaining contractual term is 46 months.

The Company records as capital reserve in shareholders' equity the fair value of the options in the amount of R$215,411 (R$160,323 as of December 31, 2015). During the nine-month period ended September 30, 2016 the amount recognized as expense was R$55,088 (R$50,672 as of September 30, 2015).

During the nine-month period ended September 30, 2016 the Company's executives exercised 111,081 shares, with an average price of R$43.62 (forty-three Brazilian Reais and sixty-two cents), totaling R$4,846. In order to comply with this commitment, the Company utilized treasury shares with an acquisition cost of R$57.35 (fifty-seven Brazilian Reais and thirty-five cents), totaling R$6,371, recording a loss of R$1,525 as capital reserve.

The fair value of the granted stock options related to service condition was measured using the Black-Scholes pricing model, as disclosed in the annual financial statements for the year ended December 31, 2015 (note 24). There is no change in the methodology adopted during the nine-month period ended September 30, 2016.

26. PENSION AND OTHER POST-EMPLOYMENT PLANS

The Company offers pension and other post-employment plans to the employees. The characteristics of such benefits were disclosed in the annual financial statements for the year ended December 31, 2015 (note 25) and have not been changed during this period.

The actuarial liabilities and the related effects in the statement of income are presented below:

	Parent company and Consolidated	
	Liabilities	
	09.30.16	12.31.15
Medical assistance	**141,728**	130,028
F.G.T.S. Penalty [1]	**116,356**	105,139
Award for length of service	**45,716**	41,462
Other	**24,697**	22,415
	328,497	299,044
Current	**67,264**	67,264
Non-current	**261,233**	231,780

(1) FGTS – Government Severance Indemnity Fund for Employees

The Company estimated costs for the year 2016, according to an appraisal report prepared in 2015 by an actuarial expert and recorded in statement of income for the period in counterpart to comprehensive income an expense of R$17,121 (expense of R$20,396

on September 30, 2015), related to supplementary post-employment plans. Regarding other benefits to employees, the Company recorded in statement of income for the period in counterpart to liabilities an expense of R$30,486 (R$31,761 on September 30, 2015).

27. PROVISION FOR TAX, CIVIL AND LABOR RISKS

The Company and its subsidiaries are involved in certain legal proceedings arising from the normal course of business, which include civil, administrative, tax, social security and labor claims.

The Company classifies the risk of unfavorable decisions in the legal proceedings as "probable", "possible" or "remote". The provisions recorded relating to such proceedings is determined by the Company's Management based on legal advice and reasonably reflect the estimated probable losses.

The Company's management believes that its provision for tax, civil and labor risks, accounted for according to CVM Deliberation No. 594/09 is sufficient to cover estimated losses related to its legal proceedings, as presented below:

27.1. Contingencies for probable losses

The rollforward of the provisions for tax, civil and labor risks is summarized below:

					Parent company
	Tax	Labor	Civil, commercial and other	Contingent liabilities	Total
					09.30.16
Beginning balance	**238,831**	**359,468**	**65,674**	**516,942**	**1,180,915**
Additions	16,465	338,913	57,542	-	**412,920**
Reversals	(9,949)	(160,069)	(7,639)	(13,576)	**(191,233)**
Payments	(3,746)	(200,791)	(38,641)	-	**(243,178)**
Exchange rate variation	21,637	47,157	25,178	-	**93,972**
Ending balance	**263,238**	**384,678**	**102,114**	**503,366**	**1,253,396**
Current					**328,484**
Non-current					**924,912**

	Consolidated				
	Tax	Labor	Civil, commercial and other	Contingent liabilities	Total
					09.30.16
Beginning balance	**240,496**	**377,023**	**65,701**	**522,629**	**1,205,849**
Additions	17,580	346,153	59,695	-	**423,428**
Business combination [1]	28,667	17,814	4,549	-	**51,030**
Reversals	(11,291)	(168,992)	(7,638)	(13,576)	**(201,497)**
Payments	(3,746)	(200,791)	(38,641)	-	**(243,178)**
Price index update	21,637	47,157	25,180	-	**93,974**
Exchange rate variation	(3,240)	(7,047)	(713)	(1,670)	**(12,670)**
Ending balance	**290,103**	**411,317**	**108,133**	**507,383**	**1,316,936**
Current					**333,140**
Non-current					**983,796**

(1) Balance arising from business combination with Alimentos Calchaquí Productos 7 S.A. and Eclipse Holding Cöoperatief UA.

27.2. Contingencies classified as a risk of possible loss

The Company is involved in other tax, civil, labor and social security contingencies, for which losses have been assessed as possible by management with the support from legal counsel and therefore no provision was recorded. On September 30, 2016, the total amount of the possible contingencies was R$13,369,096 (R$11,707,258 as of December 31, 2015, from which R$507,383 (R$522,629 as of December 31, 2015) were recorded at the estimated fair value resulting from business combinations with Sadia, Avex and Dánica as determined by paragraph 23 of CVM Deliberation No. 665/11, disclosed in the table of item 24.1. The main natures of these contingencies were properly disclosed in the annual statements for the year ended December 31, 2015 (note 26.2).

28. SHAREHOLDERS' EQUITY

28.1. Capital stock

On September 30, 2016, the capital subscribed and paid by the Company is R$12,553,418, which is composed of 812,473,246 book-entry shares of common stock without par value. The value of the capital stock is net of the public offering expenses of R$92,947.

28.2. Breakdown of capital stock

	Consolidated	
	09.30.16	12.31.15
Common shares	**812,473,246**	872,473,246
Treasury shares	**(13,497,520)**	(62,501,001)
Outstanding shares	**798,975,726**	809,972,245

28.3. Rollforward of outstanding shares

	Consolidated	
	Quantity of outstanding of shares	
	09.30.16	12.31.15
Shares at the beggining of the period	**809,972,245**	867,284,349
Purchase of treasury shares	**(11,107,600)**	(59,247,400)
Sale of treasury shares	**111,081**	1,935,296
Shares at the end of the period	**798,975,726**	809,972,245

28.4. Treasury shares

The Company has 13,497,520 shares in treasury, with an average cost of R$53.60 (fifty-three Brazilian Reais and sixty cents) per share, with a market value corresponding to R$746,683.

During the nine-month period ended September 30, 2016, as authorized by the Board of Directors, the Company acquired 11,107,600 shares of its own shares at a cost of R$543,258, with the objective of maintaining treasury shares to comply with the provisions of stock option plans, both approved by special meetings of Board of Directors held on November 09, 2015 and February 26, 2016.

29. EARNINGS PER SHARE

	Parent company	
	09.30.16	09.30.15
Basic numerator		
Net profit for the period attributable to controlling shareholders	**87,741**	1,696,118
Basic denominator		
Common shares	**812,473,246**	872,473,246
Weighted average number of outstanding shares - basic (except treasury shares)	**802,877,832**	849,205,914
Net earnings per share basic - R$	**0.10928**	1.99730
Diluted numerator		
Net profit for the period attributable to controlling shareholders	**87,741**	1,696,118
Diluted denominator		
Weighted average number of outstanding shares - basic (except treasury shares)	**802,877,832**	849,205,914
Number of potential shares (stock options)	**17,046**	496,884
Weighted average number of outstanding shares - diluted	**802,894,878**	849,702,798
Net earnings per share diluted - R$	**0.10928**	1.99613

Explanatory Notes
(in thousands of Brazilian Reais)

	Parent company	
Continued operations	**09.30.16**	09.30.15
Basic numerator		
Net profit for the period from continued operations attributable to controlling shareholders	**87,741**	1,513,030
Basic denominator		
Common shares	**812,473,246**	872,473,246
Weighted average number of outstanding shares - basic (except treasury shares)	**802,877,832**	849,205,914
Net earnings per share basic - R$	**0.10928**	1.78170
Diluted numerator		
Net profit for the period from continued operations attributable to controlling shareholders	**87,741**	1,513,030
Diluted denominator		
Weighted average number of outstanding shares - basic (except treasury shares)	**802,877,832**	849,205,914
Number of potential shares (stock options)	**17,046**	496,884
Weighted average number of outstanding shares - diluted	**802,894,878**	849,702,798
Net earnings per share diluted - R$	**0.10928**	1.78066

	Parent company	
Discontinued operations	**09.30.16**	09.30.15
Basic numerator		
Net profit for the period from discontinued operations attributable to controlling shareholders	**-**	183,088
Basic denominator		
Common shares	**812,473,246**	872,473,246
Weighted average number of outstanding shares - basic (except treasury shares)	**802,877,832**	849,205,914
Net earnings per share basic - R$	**-**	0.21560
Diluted numerator		
Net profit for the period from discontinued operations attributable to controlling shareholders	**-**	183,088
Diluted denominator		
Weighted average number of outstanding shares - basic (except treasury shares)	**802,877,832**	849,205,914
Number of potential shares (stock options)	**17,046**	496,884
Weighted average number of outstanding shares - diluted	**802,894,878**	849,702,798
Net earnings per share diluted - R$	**-**	0.21547

On September 30, 2016, from the total of 19,296,948 stock options outstanding (8,727,904 as of September 30, 2015) granted to executives of the Company, 18,979,957 options (5,544,014 as of September 30, 2015) were not considered in the calculation of the diluted earnings per share due to the fact that the exercise price until the vesting period was higher than the average market price of the common shares during the period, so that they did not cause any dilution effect.

30. RELATED PARTIES – PARENT COMPANY

As part of the Company's operations, rights and obligations arise between related parties, resulting from transactions of purchase and sale of products, loans based on prices and conditions agreed upon by the parties.

All the relationships between the company and its subsidiaries were disclosed irrespective of the existence or not of transactions between these parties.

All the transactions and balances among the companies were eliminated in the consolidation and refer to commercial and/or financial transactions.

Explanatory Notes
(in thousands of Brazilian Reais)

30.1. Transactions and balances

The balance of the transactions with the related parties are as follow:

	Accounts receivable		Dividends and interest on the shareholders' equity receivable		Loan contracts		Trade accounts payable		Other rights		Other obligations	
	09.30.16	12.31.15	**09.30.16**	12.31.15	**09.30.16**	12.31.15	**09.30.16**	12.31.15	**09.30.16**	12.31.15	**09.30.16**	12.31.15
AKF	**-**	-	**-**	-	**-**	-	**(291)**	-	**-**	-	**-**	-
Al-Wafi Food Products Factory LLC	**-**	-	**-**	-	**-**	-	**-**	-	**31**	89	**(286)**	-
Avex S.A.	**40,887**	19,485	**-**	-	**-**	-	**-**	(134)	**25,468**	25,468	**-**	-
Avipal Centro Oeste S.A.	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	(38)
BFF International Ltd.	**-**	-	**-**	-	**-**	-	**-**	-	**1,770**	2,129	**-**	-
BRF Al Yasra	**-**	-	**-**	-	**-**	-	**-**	-	**163**	-	**-**	-
BRF Foods LLC	**-**	-	**-**	-	**-**	-	**-**	-	**322**	487	**-**	-
BRF Foods GmbH	**153,527**	119,280	**-**	-	**-**	-	**(51)**	-	**233**	418	**-**	-
BRF Global GmbH	**5,850,350**	2,780,457	**-**	-	**-**	-	**(2,729)**	(1,596)	**-**	-	**(2,107,621)** [1]	-
BRF GmbH	**-**	-	**-**	-	**-**	-	**(14)**	(16)	**-**	-	**(1,171)**	(1,471)
Federal Foods	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(72)**	-
Highline International Ltd.	**-**	-	**-**	-	**(5,920)**	(7,121)	**-**	-	**-**	-	**-**	-
K&S Alimentos S.A.	**-**	-	**-**	1,365	**-**	-	**-**	(8,148)	**-**	2,954	**-**	(29)
Perdigão International Ltd.	**-**	-	**-**	-	**(27,924)**	(29,446)	**-**	-	**300**	4,551	**(988,134)** [1]	(1,186,841) [1]
PSA Laboratório Veterinário Ltda.	**-**	-	**550**	550	**-**	-	**-**	-	**-**	-	**-**	-
Quickfood S.A.	**85,154**	47,446	**-**	-	**-**	-	**(171)**	(717)	**-**	-	**(391)**	(553)
Sadia Alimentos S.A.	**14,548**	12,366	**-**	-	**-**	-	**(112)**	-	**-**	-	**-**	-
Sadia Chile S.A.	**37,265**	42,467	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Sadia Uruguay S.A.	**5,530**	8,720	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
UP! Alimentos Ltda.	**4,189**	645	**8,202**	19,820	**-**	-	**(29,365)**	(15,227)	**4,033**	3,757	**(38)**	-
VIP S.A. Empreendimentos e Partic. Imob.	**-**	-	**1,403**	1,403	**-**	-	**-**	-	**-**	-	**-**	-
Wellax Foods Logistics C.P.A.S.U. Lda.	**-**	-	**-**	-	**-**	-	**-**	-	**371**	344	**-**	-
Corall Consultoria LTDA.	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Hortigil Hortifruti S.A.	**-**	2,370	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Instituto de Desenvolvimento Gerencial S.A.	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(660)**	(2,088)
Edavila Consultoria Empresarial Eireli	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(40)**	-
Total	**6,191,450**	3,033,236	**10,155**	23,138	**(33,844)**	(36,567)	**(32,733)**	(25,838)	**32,691**	40,197	**(3,098,413)**	(1,191,020)

[1] The amount corresponds to advances for future export pre-payment.

Explanatory Notes
(in thousands of Brazilian Reais)

	Revenue		Financial results, net		Purchases	
	09.30.16	09.30.15	**09.30.16**	09.30.15	**09.30.16**	09.30.15
Al-Wafi Foods	**71,842**	10,976	**-**	-	**-**	-
Avex S.A.	**33,831**	7,715	**-**	-	**-**	-
BRF Foods GmbH	**17,960**	63,057	**-**	-	**(61)**	-
BRF Global GmbH	**8,678,283**	7,255,983	**(14,038)**	(451)	**-**	-
K&S Alimentos Ltda.	**-**	-	**-**	-	**-**	(102,077)
Perdigão International Ltd.	**-**	-	**(46,836)**	(41,440)	**-**	-
Quickfood S.A.	**37,709**	20,615	**-**	-	**(1,286)**	(3,820)
Sadia Alimentos S.A.	**2,770**	-	**-**	-	**-**	-
Sadia Chile S.A.	**111,754**	73,784	**-**	-	**-**	-
Sadia Uruguay S.A.	**11,145**	13,715	**-**	-	**-**	-
UP! Alimentos Ltda.	**12,366**	10,329	**-**	-	**(148,435)**	(142,213)
Corall Consultoria LTDA. (1)	**-**	-	**-**	-	**(994)**	-
Hortigil Hortifruti S.A. (2)	**3,467**	10,425	**-**	-	**-**	-
Instituto de Desenvolvimento Gerencial S.A. (1)	**-**	-	**-**	-	**(4,942)**	(6,914)
Edavila Consultoria Empresarial Eireli (1)	**-**	-	**-**	-	**(200)**	-
Total	**8,981,127**	7,466,599	**(60,874)**	(41,891)	**(155,918)**	(255,024)

(1) Entities on which BRF has no equity interest, but have relationship with the Board of Directors. Corall Consultoria Ltda, provided organizational development consulting service. Instituto de Desenvolvimento Gerencial S.A. provided advisory services related to strategic management and organizational restructure. Edavila Consultoria Empresarial Eireli provided consulting service related international marketing and innovation.

(2) Since April 8, 2016, the entity is no longer considered related party, as the Board Member has ended is relationship with Hortigil Hortifruti S.A.

All companies disclosed in note 1.1 are controlled by BRF, except for UP! Alimentos, PP-BIO, PR-SAD, AKF and SATS BRF, which are associates or joint venture.

The Company also recorded a liability in the amount of R$6,735 (R$8,470 as of December 31, 2015) related to the fair value of the guarantees offered to BNDES concerning a loan made by the Instituto Sadia de Sustentabilidade.

Due to the acquisition of biodigesters from Instituto Sadia de Sustentabilidade, the Company has recorded a payable to this entity of R$24,355 included in other liabilities as of September 30, 2016 (R$30,628 as of December 31, 2015).

The Company entered into loan agreements with its subsidiaries. Below is a summary of the balances and rates charged for the transactions at the balance sheet date:

Explanatory Notes
(in thousands of Brazilian Reais)

Counterparty				
Creditor	Debtor	Currency	Balance 09.30.16	Interest rate (p.a.)
Campo Austral S.A.	Degesa Argentina S.A.	ARS	5,455,896	20.0%
Campo Austral S.A.	Eporpam S.A.	ARS	4,154,602	20.0%
Campo Austral S.A.	Hibridos Argentinos S.A.	ARS	2,299,009	20.0%
Campo Austral S.A.	Cabaña San Nestor S.A.	ARS	1,799,008	20.0%
Campo Austral S.A.	Buenos Aires Fortune S.A.	ARS	1,056,025	20.0%
Campo Austral S.A.	Porcinos Cordobeneses	ARS	722,645	20.0%
BRF GmbH	Federal Foods Qatar	US$	529,058	2.5%
Sadia Overseas Ltd.	BRF Global GmbH	US$	297,920	7.0%
Eclipse Holding Cooperatief	Eclipse LATAM Holdings	EUR	271,275	20.0%
Hibridos Argentinos S.A.	Eporpam S.A.	ARS	256,494	20.0%
BRF GmbH	BRF Foods GmbH	US$	247,186	1.2%
BRF Global GmbH	BFF International Ltd.	US$	241,480	1.5%
Sadia International Ltd.	Wellax Food Logistics	US$	184,635	1.5%
Industria Frigorífica Expork S.A.	Degesa Argentina S.A.	ARS	180,316	20.0%
Hibridos Argentinos S.A.	Porcinos Cordobeses S.A.	ARS	165,840	20.0%
BRF GmbH	BRF Invicta	GBP	155,087	3.0%
Hibridos Argentinos S.A.	Cabaña San Nestor S.A.	ARS	129,638	20.0%
Campo Austral S.A.	Itega S.A.	ARS	89,996	20.0%
BRF GmbH	BRF Holland B.V.	EUR	84,667	3.0%
Industria Frigorífica Expork S.A.	Eporpam S.A.	ARS	74,920	20.0%
Degesa Argentina S.A.	Cabaña San Nestor S.A.	ARS	70,941	20.0%
Industria Frigorífica Expork S.A.	Cabaña San Nestor S.A.	ARS	67,301	20.0%
BRF GmbH	BRF Foods LLC	US$	63,083	2.5%
Degesa Argentina S.A.	Eporpam S.A.	ARS	51,124	20.0%
Industria Frigorífica Expork S.A.	Hibridos Argentinos S.A.	ARS	44,444	20.0%
BRF Holland B.V.	BRF B.V. (NL)	EUR	43,444	3.0%
Industria Frigorífica Expork S.A.	Porcinos Cordobeses S.A.	ARS	39,365	20.0%
Industria Frigorífica Expork S.A.	Campo Austral S.A.	ARS	29,809	20.0%
Perdigão International Ltd.	BRF S.A	US$	27,923	0.8%
BRF Holland B.V.	BRF GmbH	EUR	14,968	1.5%
Hibridos Argentinos S.A.	Buenos Aires Fortune	ARS	10,159	20.0%
BRF GmbH	AL Wafi	US$	9,591	1.2%
Degesa Argentina S.A.	Itega	ARS	8,749	20.0%
Perdigão International Ltd.	BRF Foods LLC	US$	3,967	1.0%
BRF GmbH	BRF Foods LLC	US$	3,446	2.5%
BRF GmbH	BRF Singapore	SGD	3,190	1.5%
BRF Holland B.V.	BRF Wrexam	GBP	2,364	3.0%
Wellax Food Logistics	BRF Foods LLC	US$	2,004	7.0%
BRF Holland B.V.	BRF Iberia	EUR	1,684	3.0%
Porcinos Cordobeneses	Cabaña San Nestor S.A.	ARS	1,658	20.0%
Degesa Argentina S.A.	Buenos Aires Fortune	ARS	1,270	20.0%
Degesa Argentina S.A.	Porcinos Cordobeneses	ARS	1,167	20.0%
Eporpam S.A.	Porcinos Cordobeneses	ARS	663	20.0%

30.2. Other Related Parties

The Company has leased properties owned by FAF. For the nine-month period ended September 30, 2016, the total amount paid as rent was R$10,914 (R$6,558 as of September 30, 2015). The rent value was set based on market conditions.

30.3. Granted guarantees

All granted guarantees on behalf of related parties are disclosed in note 20.4.

30.4. Management compensation

The management key personnel include the directors and officers, members of the Board of Directors and the head of internal audit. As of September 30, 2016, there were 23 professionals (27 professionals as of December 31, 2015).

The total compensation and benefits paid to these professionals are demonstrated below:

	Consolidated	
	09.30.16	09.30.15
Salary and profit sharing	**20,843**	37,222
Short term benefits [1]	**368**	492
Private pension	**567**	497
Post-employment benefits	**138**	138
Termination benefits	**2,610**	22,460
Share based payment	**12,137**	9,361
	36,663	70,170

(1) Comprises: Medical assistance, educational expenses and others.

31. NET SALES

	Parent company		Consolidated	
	09.30.16	09.30.15	**09.30.16**	09.30.15
Gross sales				
Brazil	**13,467,818**	13,768,893	**13,467,612**	13,779,386
Europe	**2,151,582**	1,790,576	**3,139,006**	2,757,923
MENA	**4,196,550**	3,482,904	**5,229,002**	4,926,744
Africa	**596,361**	434,044	**573,733**	545,844
Asia	**2,747,180**	1,809,287	**3,676,729**	2,483,233
LATAM	**478,151**	268,046	**1,772,437**	1,599,449
Other segments	**742,720**	638,370	**1,081,022**	614,554
	24,380,362	22,192,120	**28,939,541**	26,707,133
Sales deductions				
Brazil	**(2,695,785)**	(2,649,386)	**(2,695,750)**	(2,649,636)
Europe	**(31,598)**	(30,280)	**(199,064)**	(166,065)
MENA	**(36,613)**	(20,517)	**(483,621)**	(326,824)
Africa	**(5,046)**	(3,034)	**(7,078)**	(12,832)
Asia	**(49,341)**	(15,697)	**(56,722)**	(75,451)
LATAM	**(3,219)**	(2,085)	**(273,418)**	(183,704)
Other segments	**(72,368)**	(53,508)	**(81,247)**	(50,796)
	(2,893,970)	(2,774,507)	**(3,796,900)**	(3,465,308)
Net sales				
Brazil	**10,772,033**	11,119,507	**10,771,862**	11,129,750
Europe	**2,119,984**	1,760,296	**2,939,942**	2,591,858
MENA	**4,159,937**	3,462,387	**4,745,381**	4,599,920
Africa	**591,315**	431,010	**566,655**	533,012
Asia	**2,697,839**	1,793,590	**3,620,007**	2,407,782
LATAM	**474,932**	265,961	**1,499,019**	1,415,745
Other segments	**670,352**	584,862	**999,775**	563,758
	21,486,392	19,417,613	**25,142,641**	23,241,825

32. RESEARCH AND DEVELOPMENT COSTS

Consist of expenditures on internal research and development of new products which are recognized when incurred. The expenditures amounted to R$35,671 for the nine-month period ended September 30, 2016 (R$49,548 as of September 30, 2015).

33. OTHER OPERATING INCOME (EXPENSES), NET

	Parent company		Consolidated	
	09.30.16	09.30.15	**09.30.16**	09.30.15
Income				
Recovery of expenses [1]	**87,039**	79,835	**89,685**	92,030
Gain on business combination [2]	**-**	-	**58,812**	-
Provision reversal	**14,777**	105,670	**15,182**	105,670
Net income from the disposal of property, plant and equipment	**8,401**	-	**10,655**	-
Scrap sales	**8,227**	9,001	**10,448**	9,376
Other	**24,745**	21,930	**30,171**	29,051
	143,189	216,436	**214,953**	236,127
Expenses				
Idleness costs [3]	**(56,907)**	(44,333)	**(74,495)**	(69,717)
Provision for civil, labor and tax risks	**(55,216)**	(29,571)	**(52,630)**	(30,874)
Other employees benefits	**(46,575)**	(52,155)	**(47,607)**	(52,155)
Stock options plan	**(37,291)**	(50,672)	**(37,291)**	(50,672)
Insurance claims costs	**(23,270)**	(28,576)	**(23,553)**	(28,593)
Employees profit sharing	**(4,780)**	(211,393)	**(12,611)**	(243,118)
Discontinued operations	**(10,823)**	(5,527)	**(10,844)**	(5,527)
Allowance for doubtful accounts	**(3,736)**	(195,219)	**(3,724)**	(195,243)
Management profit sharing	**(3,529)**	(23,184)	**(3,529)**	(23,679)
Net loss on the disposals of property, plant and equipment	**-**	(31,809)	**-**	(29,226)
Restructuring charges	**-**	(69,580)	**-**	(81,261)
Other	**(40,215)**	(90,861)	**(48,848)**	(96,707)
	(282,342)	(832,880)	**(315,132)**	(906,772)
	(139,153)	(616,444)	**(100,179)**	(670,645)

(1) The expenses recorded in the nine-month period ended September 30, 2016 refer mainly to extemporaneous credit in the amount of R$57,941.

(2) Gain on the remeasurement of the carrying amount of investment in AKF (note 6.1).

(3) Idleness cost includes depreciation charge R$14,775 (R$14,169 for the nine-month period ended September 30, 2015) in the parent company and R$15,694 (R$14,576 for the nine-month period ended September 30, 2015) in the consolidated.

34. FINANCIAL INCOME (EXPENSES), NET

	Parent company		Consolidated	
	09.30.16	09.30.15	**09.30.16**	09.30.15
Financial income				
Exchange rate variation on loans and financing	**1,345,341**	-	**1,343,361**	-
Interest on assets	**271,105**	171,814	**275,120**	171,228
Interest on cash and cash equivalents	**114,461**	105,868	**167,195**	137,348
Interests on financial assets classified as				
Held to maturity	**64,889**	30,806	**64,889**	31,940
Held for trading	**26,010**	23,565	**32,900**	29,685
Available for sale	**-**	-	**-**	6,537
Exchange rate variation on liabilities	**476,942**	-	**-**	-
Exchange rate variation on other assets	**-**	1,007,130	**-**	1,053,997
Gains from derivative transactions, net	**-**	25,107	**-**	82,617
Exchange rate variation of foreign on net assets	**-**	-	**-**	1,447,511
Exchange rate variation on marketable securities	**-**	62,684	**-**	265,912
Others	**-**	4,067	**-**	4,836
	2,298,748	1,431,041	**1,883,465**	3,231,611
Financial expenses				
Losses on derivative transactions, net	**(937,921)**	-	**(921,157)**	-
Interest on loans and financing	**(751,110)**	(420,520)	**(879,691)**	(544,079)
Exchange rate variation of foreign on net assets [(1)]	**-**	-	**(591,388)**	-
Adjustment to present value	**(249,666)**	(168,790)	**(265,510)**	(167,344)
Interest on liabilities	**(193,908)**	(96,784)	**(200,481)**	(100,209)
Exchange rate variation on assets	**(131,630)**	-	**(189,317)**	-
Financial expenses on accounts payable	**(80,344)**	(31,371)	**(80,344)**	(31,371)
Exchange rate variation on marketable securities	**(1,175)**	-	**(54,703)**	-
Premium paid for the repurchase of bonds	**(18,477)**	(246,208)	**(31,797)**	(310,322)
Exchange rate variation on other liabilities	**-**	(716,918)	**(21,079)**	(906,313)
Exchange rate variation on loans and financing	**-**	(2,254,337)	**-**	(2,254,351)
Interest expenses on loans to related parties	**(60,874)**	(41,853)	**-**	-
Others	**(110,795)**	(161,444)	**(180,722)**	(206,568)
	(2,535,900)	(4,138,225)	**(3,416,189)**	(4,520,557)
	(237,152)	(2,707,184)	**(1,532,724)**	(1,288,946)

[(1)] Refers to gains and losses on translation of assets and liabilities reported by the Company's subsidiaries whose functional currency is Real.

35. STATEMENT OF INCOME BY NATURE

The Company has chosen to disclose its statement of income by function and thus presents below the details by nature:

	Parent company		Consolidated	
	09.30.16	09.30.15	**09.30.16**	09.30.15
Costs of sales				
Costs of goods	**11,606,138**	9,750,627	**13,909,160**	10,907,535
Depreciation	**888,654**	773,257	**958,462**	801,654
Amortization	**2,858**	2,594	**4,438**	3,221
Salaries and employees benefits	**2,505,030**	2,262,439	**2,766,177**	2,486,828
Others	**1,480,235**	1,549,942	**1,671,073**	1,753,075
	16,482,915	14,338,859	**19,309,310**	15,952,313
Sales expenses				
Depreciation	**45,348**	40,506	**48,458**	42,311
Amortization	**5,576**	4,450	**11,345**	8,866
Salaries and employees benefits	**641,000**	639,400	**869,651**	799,782
Indirect and direct logistics expenses	**1,242,850**	1,409,686	**1,595,142**	1,611,275
Others	**847,206**	792,361	**1,167,845**	1,013,125
	2,781,980	2,886,403	**3,692,441**	3,475,359
Administrative expenses				
Depreciation	**9,907**	6,451	**15,633**	15,126
Amortization	**74,837**	56,737	**135,115**	87,084
Salaries and employees benefits	**86,621**	151,809	**194,946**	218,053
Fees	**21,689**	19,167	**21,811**	19,357
Others	**30,159**	(5,385)	**46,613**	26,261
	223,213	228,779	**414,118**	365,881
Other operating expenses [(1)]				
Depreciation	**14,775**	14,169	**15,694**	14,576
Others	**267,567**	818,711	**299,438**	892,196
	282,342	832,880	**315,132**	906,772

(1) The details of other operating expenses are disclosed in note 33.

36. NEW ACCOUNTING STANDARDS AND PRONOUNCEMENTS RECENTLY ADOPTED AND NOT YET ADOPTED

During the nine-month period ended September 30, 2016, the Company has not been required to adopted new accounting standards and pronouncements. Therefore, it is necessary to read this interim financial statement in conjunction with the financial statements for the year ended December 31, 2015 in order to obtain the details of recently adopted or not yet adopted accounting pronouncements.

37. SUBSEQUENT EVENTS

37.1. Business combination – FFM Further Processing SDN BHD ("FFP")

On October 04, 2016, BRF announced to the market that, through its wholly-owned subsidiary BRF Foods GmbH, entered into an agreement with FFM Berhad for the acquisition of 70% equity interest of FFP, which will be consolidated in the Company's financial statements. BRF Foods GmbH will have control of FFP by means of the conditions established by signed shareholder's agreement between the parties.

FFM Berhad is a subsidiary of PPB Group Berhad, a Malaysian conglomerate operating in various business segments in Southeast Asia, including grains, agribusiness and consumer products.

The total of the transaction was MYR62,760 (equivalent of R$48,997), paid in cash. This amount should be further adjusted according to certain conditions set out in the agreement.

37.2. Investment agreement – COFCO Meat Holdings Limited ("COFCO Meat")

On October 17, 2016, BRF announced to the market that, through its wholly-owned subsidiary BRF GmbH, entered into an investment agreement with COFCO Meat, through to which BRF GmbH has agreed to subscribe for such number of shares in COFCO Meat which may be purchased with an aggregate amount of US$20,000, pursuant to the proposed global offering and listing of COFCO Meat in the Main Board of the Stock Exchange of Hong Kong Limited. The listing is expected to take place on November 01, 2016.

COFCO Meat is a rapidly growing pork company in China with a vertically integrated business model operating across the entire industry value chain. As of October 9, 2016, COFCO Meat had 47 hog farms, 2 slaughtering facilities and 2 processed meat plants strategically located across China.

Additionally, BRF GmbH, COFCO Meat and COFCO Corporation ("COFCO") have entered into a non-binding term sheet, pursuant to which the parties undertook to, on a best endeavors basis, actively pursue plans that will enhance the strategic cooperation between COFCO Meat, COFCO and BRF GmbH including the exchange of best practices in managing and operating entire industry value chains, of best practices in compliance of Chinese laws and regulations and investigation of opportunities for collaboration.

This transaction is in line with BRF's strategic plan for globalizing the Company, accessing local markets, strengthening BRF's trademarks, distribution and expansion of its product portfolio around the globe.

37.3. Business combination with Eclipse Holding Cooperatief UA ("Eclipse) – conclusion of the transaction

As disclosed in note 6.1.4, on April, 14, 2016, the amount of US$34,500 was deposited in an escrow account, which was released to the seller on September 27, 2016 as payment of the 2nd step of the transaction, when BRF acquired the remaining part of the equity interest.

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on October 27, 2016.

BOARD OF DIRECTORS

Chairman (Independent)	Abilio dos Santos Diniz
Vice-Chairman (Independent)	Renato Proença Lopes
Independent Member	Henri Phelippe Reichstul
Board Member	José Carlos Reis de Magalhães Neto
Independent Member	Luiz Fernando Furlan
Independent Member	Manoel Cordeiro Silva Filho
Board Member	Aldemir Bendini
Independent Member	Walter Fontana Filho
Board Member	Vicente Falconi Campos

FISCAL COUNCIL

Independent Member	Attilio Guaspari
Board Members	Marcus Vinicius Dias Severini
Independent Member	Reginaldo Ferreira Alexandre

AUDIT COMITTÊE (1)

Independent Member	Walter Fontana Filho
External Member and Financial Specialist	Fernando Maida Dall Acqua
Independent Member	Renato Proença Lopes

BOARD OF EXECUTIVE OFFICERS

Chief Executive Officer Global	Pedro de Andrade Faria
Vice President of Finance, and Investor Relations	José Alexandre Carneiro Borges
Vice President of Quality and Management	Rodrigo Reghini Vieira
Vice President de Supply Chain	Hélio Rubens Mendes dos Santos Júnior
Vice President of Legal and Corporate Relationships	José Roberto Pernomian Rodrigues
Vice President of People	Artur Paranhos Tacla
Vice President of Business (General Manager Brazil – Sales and Marketing)	Rafael Ivanisk Oliveira
Vice President of Business (General Manager Brazil – Planning and Distribution)	Leonardo Almeida Byrro

(1) On September 07, 2016, at an Extraordinary Meeting of Board of Directors, it was decided for the suspension of Sergio Rosa as a member by the Audit Committee, is only function performed in the Company, in response to judicial order issued under of denominated “Operação Greenfield”.

Marcos Roberto Badollato	Joloir Nieblas Cavichini
Controller	Accountant – CRC 1SP257406/O-5

BREAKDOWN OF THE CAPITAL BY OWNER (NOT REVIEWED)

The shareholding position of the largest shareholders, management, members of the Board of Directors and Audit Committee of the Company is presented below:

	09.30.16		12.31.15	
Shareholders	**Quantity**	**%**	Quantity	%
Major shareholders				
Tarpon	**96,304,685**	**11.85**	91,529,085	10.49
Fundação Petrobras de Seguridade Social - Petros [(1)]	**92,761,499**	**11.42**	94,549,299	10.84
Caixa de Previd. dos Func. Do Banco do Brasil [(1)]	**86,558,752**	**10.65**	87,573,052	10.04
Management				
Board of Directors	**37,388,939**	**4.60**	35,818,939	4.11
Executives	**50,252**	**0.01**	73,297	0.01
Treasury shares	**13,497,520**	**1.66**	62,501,001	7.16
Other	**485,911,599**	**59.81**	500,428,573	57.35
	812,473,246	**100.00**	872,473,246	100.00

(1) The pension funds are controlled by employees that participate in the respective companies.

The shareholding position of the controlling shareholders that belong to the voting agreement and/or holders of more than 5% of the voting stock are presented below:

	09.30.16		12.31.15	
Shareholders	**Quantity**	**%**	Quantity	%
Tarpon	**96,304,685**	**11.85**	91,529,085	10.49
Fundação Petrobras de Seguridade Social - Petros [(1)]	**92,761,499**	**11.42**	94,549,299	10.84
Caixa de Previd. dos Func. Do Banco do Brasil [(1)]	**86,558,752**	**10.65**	87,573,052	10.04
	275,624,936	**33.92**	273,651,436	31.37
Other	**536,848,310**	**66.08**	598,821,810	68.63
	812,473,246	**100.00**	872,473,246	100.00

(1) The pension funds are controlled by employees that participate in the respective companies.

The Company is bound to arbitration in the Market Arbitration Chamber, as established by the arbitration clause in the by-laws.

Independent auditor's report on review of quarterly financial information

The Shareholders and Officers
BRF S.A.
Itajaí - SC

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of BRF S.A. ("Company"), contained in the Quarterly Information Form (ITR) for the quarter ended September 30, 2016, which comprise the balance sheet as at September 30, 2016 and the related statements of income and comprehensive income for the three and nine-months periods then ended, and statements of changes in equity and cash flows for the nine months period then ended, including other explanatory information.

Management is responsible for the preparation of individual and consolidated interim financial information in accordance with Accounting Pronouncement CPC 21 (R1) - Demonstração Intermediária and International Accounting Standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of this information in a manner consistent with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Information Form (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of the review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 Revisão de Informações Intermediárias Executada pelo Auditor da Entidade) and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity). A review of interim financial information consists of making inquiries, primarily of persons responsible for 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 Brazilian and International Standards on Auditing 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 interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the quarterly information referred to above is not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34, applicable to the preparation of quarterly financial information (ITR), consistently with the rules issued by the CVM.

Other matters

Statements of value added

We have also reviewed the individual and consolidated statements of value added for the nine-month period ended September 30, 2016, prepared under the responsibility of the Company's management, the presentation of which in the interim financial information is required by the rules issued by the CVM applicable to the preparation of Quarterly Financial Information (ITR), and considered as supplementary information under IFRS – International Financial Reporting Standards, which does not require the presentation of the statement of value added. These statements have been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, in a manner consistent with the overall individual and consolidated interim financial information.

São Paulo, October 27, 2016.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/F-6

Antonio Humberto Barros dos Santos
Accountant CRC-1SP161745/O-3

OPINION OF THE AUDIT COMMITTEE

The Audit Committee of BRF S.A., in fulfilling its statutory and legal duties, reviewed:

(i) the quarterly financial information (parent company and consolidated) for the nine-month period ended on September 30, 2016;

(ii) the Management Report; and

(iii) opinion report issued by Ernst & Young Auditores Independentes S.S.

Based on the documents reviewed and on the explanations provided, the members of the Audit Committee, undersigned, issued an opinion for the approval of the financial information identified above.

São Paulo, October 27, 2016.

Walter Fontana Filho
Independent Member

Fernando Maida Dall Acqua
External Member and Financial Specialist

Renato Proença Lopes
Independent Member

STATEMENT OF EXECUTIVE BOARD ON THE QUARTELY FINANCIAL INFORMATION AND INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

In compliance with the dispositions of sections V and VI of article 25 of CVM Instruction No. 480/09, the executive board of BRF S.A., states:

(i) reviewed, discussed and agreed with the Company's quarterly financial information for the nine-month period ended on September 30, 2016, and

(ii) reviewed, discussed and agreed with conclusions expressed in the review report issued by Ernst & Young Auditores Independentes S.S. for the Company's quarterly financial information for the nine-month period ended on September 30, 2016.

São Paulo, October 27, 2016.

Pedro de Andrade Faria
Chief Executive Officer Global

José Alexandre Carneiro Borges
Vice President of Finance and Investor Relations

Rodrigo Reghini Vieira
Vice President of Quality and Management

Hélio Rubens Mendes dos Santos Junior
Vice President of Supply Chain

José Roberto Pernomian Rodrigues
Vice President of Legal and Corporate Relationships

Artur Paranhos Tacla
Vice President of People

Leonardo Almeida Byrro
Vice President of Business (General Manager Brazil – Planning and Distribution)

Rafael Ivanisk Oliveira
Vice President of Business (General Manager Brazil – Sales and Marketing)