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Identification / Capital Stock Breakdown

Number of shares (Units)	Current Quarter 06.30.16
Paid-in Capital	
Common	812,473,246
Preferred	-
Total	812,473,246
Treasury Shares	
Common	13,505,317
Preferred	-
Total	13,505,317

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 06.30.16	Previous Year 12.31.15
1	Total Assets	39,952,393	38,019,602
1.01	Current Assets	15,380,530	12,212,817
1.01.01	Cash and Cash Equivalents	1,927,035	845,085
1.01.02	Marketable Securities	297,884	197,807
1.01.02.01	Financial Investments Evaluated at Fair Value	297,884	197,807
1.01.02.01.01	Held for Trading	297,884	197,807
1.01.03	Trade Accounts Receivable	6,107,643	5,230,261
1.01.03.01	Trade Accounts Receivable	5,981,071	4,948,745
1.01.03.02	Other Receivables	126,572	281,516
1.01.04	Inventories	3,051,837	2,703,330
1.01.05	Biological Assets	1,617,440	1,322,317
1.01.06	Recoverable Taxes	1,027,035	1,074,175
1.01.06.01	Current Recoverable Taxes	1,027,035	1,074,175
1.01.08	Other Current Assets	1,351,656	839,842
1.01.08.02	Assets of Discontinued Operations	22,741	32,442
1.01.08.02.01	Assets of Discontinued Operations and Held for Sale	22,741	32,442
1.01.08.03	Other	1,328,915	807,400
1.01.08.03.01	Interest on Shareholders' Equity Receivable	10,155	23,138
1.01.08.03.02	Derivatives	519,816	118,680
1.01.08.03.04	Accounts Receivable from Disposal of Equity Interest	81,177	78,801
1.01.08.03.05	Other	659,767	586,781
1.01.08.03.06	Restricted Cash	58,000	-
1.02	Non-current Assets	24,571,863	25,806,785
1.02.01	Non-current Assets	5,169,386	5,044,128
1.02.01.01	Financial Investments Evaluated at Fair Value	265,640	385,700
1.02.01.01.02	Available for Sale	265,640	385,700
1.02.01.02	Marketable Securities Valued at Amortized Cost	75,071	70,338
1.02.01.02.01	Held to Maturity	75,071	70,338
1.02.01.03	Trade Accounts Receivable	202,616	232,223
1.02.01.03.01	Trade Accounts Receivable	14,885	4,133
1.02.01.03.02	Other Receivables	187,731	228,090
1.02.01.05	Biological Assets	817,664	760,267
1.02.01.06	Deferred Taxes	1,120,702	1,248,880
1.02.01.06.01	Deferred Income Tax and Social Contribution	1,120,702	1,248,880
1.02.01.09	Other Non-current Assets	2,687,693	2,346,720
1.02.01.09.03	Judicial Deposits	822,342	725,324
1.02.01.09.04	Recoverable Taxes	1,228,602	942,147
1.02.01.09.06	Accounts Receivable from Disposal of Equity Interest	52,177	74,164
1.02.01.09.07	Restricted Cash	459,898	479,828
1.02.01.09.08	Other	124,674	125,257
1.02.02	Investments	5,358,665	7,210,114
1.02.02.01	Investments	5,358,665	7,210,114
1.02.02.01.01	Equity in Associates	18,085	27,004
1.02.02.01.02	Interest on Wholly-owned Subsidiaries	5,339,473	7,182,003
1.02.02.01.04	Other	1,107	1,107
1.02.03	Property, Plant and Equipment, Net	10,571,346	10,100,986
1.02.03.01	Property, Plant and Equipment in Operation	9,624,127	9,264,458
1.02.03.02	Property, Plant and Equipment Leased	127,275	120,696
1.02.03.03	Property, Plant and Equipment in Progress	819,944	715,832
1.02.04	Intangible	3,472,466	3,451,557
1.02.04.01	Intangible	3,472,466	3,451,557
1.02.04.01.02	Software	147,334	149,938
1.02.04.01.03	Trademarks	1,173,000	1,173,000
1.02.04.01.04	Other	19,791	10,048
1.02.04.01.05	Goodwill	2,096,587	2,096,587
1.02.04.01.06	Software Leased	35,754	21,984

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

Account Code	Account Description	Current Quarter 06.30.16	Previous Year 12.31.15
2	Total Liabilities	39,952,393	38,019,602
2.01	Current Liabilities	12,015,357	10,350,198
2.01.01	Social and Labor Obligations	183,971	104,724
2.01.01.01	Social Obligations	107,474	15,031
2.01.01.02	Labor Obligations	76,497	89,693
2.01.02	Trade Accounts Payable	5,215,739	5,199,319
2.01.02.01	Domestic Suppliers	4,105,258	3,933,753
2.01.02.01.01	Domestic Suppliers	3,779,951	3,248,156
2.01.02.01.02	Supply Chain Finance	325,307	685,597
2.01.02.02	Foreign Suppliers	1,110,481	1,265,566
2.01.02.02.01	Foreign Suppliers	692,162	776,569
2.01.02.02.02	Supply Chain Finance	418,319	488,997
2.01.03	Tax Obligations	418,217	196,780
2.01.03.01	Federal Tax Obligations	186,754	82,999
2.01.03.01.01	Income and Social Contribution Payable	81,738	-
2.01.03.01.02	Other Federal	105,016	82,999
2.01.03.02	State Tax Obligations	228,578	110,912
2.01.03.03	Municipal Tax Obligations	2,885	2,869
2.01.04	Short Term Debts	3,069,834	2,525,646
2.01.04.01	Short Term Debts	3,069,834	2,525,646
2.01.04.01.01	Local Currency	1,549,513	1,462,046
2.01.04.01.02	Foreign Currency	1,520,321	1,063,600
2.01.05	Other Obligations	2,403,983	1,737,973
2.01.05.01	Advances from related parties	929,342	17,492
2.01.05.01.04	Advances from related parties	929,342	17,492
2.01.05.02	Other	1,474,641	1,720,481
2.01.05.02.01	Dividends and Interest on Shareholders' Equity Payable	438,535	518,450
2.01.05.02.04	Derivatives	852,858	619,874
2.01.05.02.05	Management and Employees Profit Sharing	6,827	264,633
2.01.05.02.08	Other Obligations	176,421	317,524
2.01.06	Provisions	723,613	585,756
2.01.06.01	Tax, Social Security, Labor and Civil Risk Provisions	270,063	223,766
2.01.06.01.01	Tax Risk Provisions	84,084	47,923
2.01.06.01.02	Social Security and Labor Risk Provisions	160,430	153,210
2.01.06.01.04	Civil Risk Provisions	25,549	22,633
2.01.06.02	Other Provisons	453,550	361,990
2.01.06.02.04	Vacations & Christmas Bonuses Provisions	386,286	294,726
2.01.06.02.05	Employee Benefits Provisions	67,264	67,264
2.02	Non-current Liabilities	15,378,320	14,152,627
2.02.01	Long-term Debt	12,380,085	11,054,455
2.02.01.01	Long-term Debt	12,380,085	11,054,455
2.02.01.01.01	Local Currency	5,365,421	2,357,579
2.02.01.01.02	Foreign Currency	7,014,664	8,696,876
2.02.02	Other Obligations	1,764,789	1,909,243
2.02.02.01	Liabilities with Related Parties	995,361	1,208,007
2.02.02.01.04	Advances from Related Parties and Other Liabilities	995,361	1,208,007
2.02.02.02	Other	769,428	701,236
2.02.02.02.06	Other Obligations	769,428	701,236

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

Account Code	Account Description	Current Quarter 06.30.16	Previous Year 12.31.15
2.02.04	Provisions	1,233,446	1,188,929
2.02.04.01	Tax, Social Security, Labor and Civil Risk Provisions	982,031	957,149
2.02.04.01.01	Tax Risk Provisions	161,151	190,908
2.02.04.01.02	Social Security and Labor Risk Provisions	248,400	206,258
2.02.04.01.04	Civil Risk Provision	55,538	43,041
2.02.04.01.05	Contingent Liability	516,942	516,942
2.02.04.02	Other Provisons	251,415	231,780
2.02.04.02.04	Employee Benefits Provisions	251,415	231,780
2.03	Shareholders' Equity	12,558,716	13,516,777
2.03.01	Paid-in Capital	12,460,471	12,460,471
2.03.02	Capital Reserves	(709,685)	(3,940,955)
2.03.02.01	Goodwill on the Shares Issuance	166,192	174,014
2.03.02.04	Granted Options	194,613	160,323
2.03.02.05	Treasury Shares	(723,856)	(3,947,933)
2.03.02.07	Gain on Disposal of Shares	(58,334)	(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	1,754,636	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	567,858	517,190
2.03.05	Accumulated Earnings	19,000	-
2.03.08	Other Comprehensive Income	(965,706)	(1,079,514)
2.03.08.01	Derivative Financial Intruments	(297,028)	(1,123,196)
2.03.08.02	Financial Instruments (Available for Sale)	(73,052)	(8,466)
2.03.08.03	Cumulative Translation Adjustments of Foreign Currency	(623,030)	32,277
2.03.08.04	Actuarial Losses	27,404	19,871

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

Account Code	Account Description	Current Quarter 04.01.16 to 06.30.16	Accumulated Current Year 01.01.16 to 06.30.16	Previous Quarter 04.01.15 to 06.30.15	Accumulated Previous Year 01.01.15 to 06.30.15
3.01	Net Sales	7,315,165	13,930,157	6,734,237	12,587,115
3.02	Cost of Goods Sold	(5,564,824)	(10,726,669)	(4,915,562)	(9,343,238)
3.03	Gross Profit	1,750,341	3,203,488	1,818,675	3,243,877
3.04	Operating (Expenses) Income	(2,018,502)	(3,327,361)	(933,119)	(1,201,727)
3.04.01	Selling	(916,176)	(1,829,039)	(958,906)	(1,879,969)
3.04.02	General and Administrative	(75,306)	(144,119)	(67,862)	(135,822)
3.04.04	Other Operating Income	25,680	69,580	14,596	28,518
3.04.05	Other Operating Expenses	(103,254)	(180,937)	(193,227)	(438,666)
3.04.06	Income from Associates and Joint Ventures	(949,446)	(1,242,846)	272,280	1,224,212
3.05	Income Before Financial and Tax Results	(268,161)	(123,873)	885,556	2,042,150
3.06	Financial Results	285,022	178,852	(473,325)	(1,116,522)
3.06.01	Financial Income	1,257,385	2,256,553	(135,533)	698,542
3.06.02	Financial Expenses	(972,363)	(2,077,701)	(337,792)	(1,815,064)
3.07	Income Before Taxes	16,861	54,979	412,231	925,628
3.08	Income and Social Contribution	13,745	14,689	(47,773)	(99,543)
3.08.01	Current	(151,429)	(243,891)	2,779	3,798
3.08.02	Deferred	165,174	258,580	(50,552)	(103,341)
3.09	Net Income from Continued Operations	30,606	69,668	364,458	826,085
3.10	Net Income from Discontinued Operations	-	-	(10,051)	(7,072)
3.10.01	Net Income/Loss of Discontinued Operations, Net	-	-	(10,051)	(7,072)
3.11	Net Income	30,606	69,668	354,407	819,013
3.99	Earnings per Share - (Brazilian Reais/Share)				
3.99.01	Earnings per Share - Basic				
3.99.01.01	ON	0.03803	0.08656	0.41557	0.96036
3.99.02	Earning per Share - Diluted				
3.99.02.01	ON	0.03803	0.08656	0.41525	0.95961

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

Account Code	Account Description	Current Quarter 04.01.16 to 06.30.16	Accumulated Current Year 01.01.16 to 06.30.16	Previous Quarter 04.01.15 to 06.30.15	Accumulated Previous Year 01.01.15 to 06.30.15
4.01	Net Income	30,606	69,668	354,407	819,013
4.02	Other Comprehensive Income	(92,738)	113,808	191,100	(52,068)
4.02.01	Gains (Losses) in Foreign Currency Translation Adjustments	(360,601)	(655,307)	(39,490)	111,268
4.02.02	Unrealized Gains (Losses) in Available for Sale Marketable Securities	(55,715)	(104,598)	1,699	18,223
4.02.03	Taxes on unrealized gains (losses) on investments on available for sale	21,016	40,012	(102)	(67)
4.02.04	Unrealized gains (losses) on cash flow hedge	451,813	1,250,347	334,712	(289,803)
4.02.05	Taxes on unrealized gains (losses) on cash flow hedge	(153,015)	(424,179)	(110,206)	99,337
4.02.06	Actuarial gains (losses) on pension and post-employment plans	5,705	11,415	6,798	13,596
4.02.07	Taxes on realized gains (losses) on pension post-employment plans	(1,941)	(3,882)	(2,311)	(4,622)
4.03	Comprehensive Income	(62,132)	183,476	545,507	766,945

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

Account Code	Account Description	Accumulated Current Year 01.01.16 to 06.30.16	Accumulated Previous Year 01.01.15 to 06.30.15
6.01	Net Cash Provided by Operating Activities	(161,843)	2,521,590
6.01.01	Cash from Operations	(75,587)	1,836,045
6.01.01.01	Net Income for the Period	69,668	826,085
6.01.01.03	Depreciation and Amortization	365,749	327,916
6.01.01.04	Depreciation and Depletion of Biological Assets	307,361	265,601
6.01.01.05	Results on Disposals of Property, Plant and Equipments	9,885	16,840
6.01.01.07	Deferred Income Tax	(258,580)	103,341
6.01.01.08	Provision for Tax, Civil and Labor Risks	133,971	46,837
6.01.01.09	Other Provisions	(36,263)	193,608
6.01.01.10	Interest and Exchange Rate Variations	(1,910,224)	1,280,029
6.01.01.11	Equity Pick-Up	1,242,846	(1,224,212)
6.01.02	Changes in Operating Assets and Liabilities	(86,256)	657,238
6.01.02.01	Trade Accounts Receivable	(1,007,083)	1,168,798
6.01.02.02	Inventories	(347,892)	(19,268)
6.01.02.03	Trade Accounts Payable	474,462	387,228
6.01.02.04	Supply Chain Finance	(430,968)	-
6.01.02.05	Payment of Tax, Civil and Labor Risks Provisions	(129,136)	(81,394)
6.01.02.06	Others Rights and Obligations	1,058,244	9,968
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	163,466
6.01.02.11	Other Financial Assets and Liabilities	1,074,411	(509,573)
6.01.02.12	Payment of Interest	(414,215)	(286,240)
6.01.02.14	Interest on Shareholders' Equity Received	11,618	14,834
6.01.02.15	Biological assets - Current	(295,123)	(113,708)
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	(1,240,810)	(912,271)
6.02.05	Redemptions of Restricted Cash (Investments)	(38,070)	(11,934)
6.02.06	Additions to Property, Plant and Equipment	(845,005)	(537,543)
6.02.07	Receivable from Disposals of Property, Plant and Equipment	57,224	60,996
6.02.08	Capital increase in subsidiaries	-	(93,825)
6.02.09	Additions to Intangible	(48,155)	(24,258)
6.02.10	Additions to Biological Assets - Non-current	(366,174)	(276,531)
6.02.11	Investments in Associates and Joint Venturies	(630)	(869)
6.02.17	Net Cash Applied in Investing Activities from Discontinued Operations	-	(28,307)
6.03	Net Cash Provided by Financing Activities	2,485,843	(2,728,986)
6.03.01	Proceeds from Debt Issuance	4,752,040	2,448,788
6.03.02	Payment of Debt	(1,064,363)	(3,449,588)
6.03.03	Dividends and Interest on Shareholders' Equity Paid	(663,051)	(463,254)
6.03.06	Treasury Shares Acquisition	(543,258)	(1,292,293)
6.03.07	Treasury Shares Disposal	4,475	27,361
6.04	Exchange Rate Variation on Cash and Cash Equivalents	(1,240)	13,103
6.05	Increase (Decrease) in Cash and Cash Equivalents	1,081,950	(1,106,564)
6.05.01	At the Beginning of the Period	845,085	1,979,357
6.05.02	At the End of the Period	1,927,035	872,793

Individual FS / Statement of Changes in Shareholders' Equity for the Period from 01/01/2016 to 06/30/2016 (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	-	3,231,270	(4,372,807)	-	-	(1,141,537)
5.04.03	Options Granted	-	34,290	-	-	-	34,290
5.04.04	Treasury Shares Acquired	-	(543,258)	-	-	-	(543,258)
5.04.05	Treasury Shares Sold	-	5,953	-	-	-	5,953
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	-	(1,478)	-	-	-	(1,478)
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	-	-	-	69,668	113,808	183,476
5.05.01	Net Income for the Period	-	-	-	69,668	-	69,668
5.05.02	Other Comprehensive Income	-	-	-	-	113,808	113,808
5.05.02.01	Financial Instruments Adjustments	-	-	-	-	1,250,347	1,250,347
5.05.02.02	Tax on Financial Instruments Adjustments	-	-	-	-	(424,179)	(424,179)
5.05.02.06	Unrealized Loss in Available for Sale Marketable Securities	-	-	-	-	(104,598)	(104,598)
5.05.02.07	Tax on Unrealized Loss in Available for Sale Marketable Securities	-	-	-	-	40,012	40,012
5.05.02.08	Actuarial Gains on Pension and Post-employment Plans	-	-	-	-	7,533	7,533
5.05.02.09	Cumulative Translation Adjustments of Foreign Currency	-	-	-	-	(655,307)	(655,307)
5.06	Statements of Changes in Shareholders' Equity	-	-	50,668	(50,668)	-	-
5.06.08	Tax Incentives Reserve	-	-	50,668	(50,668)	-	-
5.07	Balance at June 30, 2016	12,460,471	(709,685)	1,754,636	19,000	(965,706)	12,558,716

Individual FS / Statement of Changes in Shareholders' Equity for the Period from 01/01/2015 to 06/30/2015 (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	-	(1,403,152)	-	(425,859)	-	(1,829,011)
5.04.03	Options Granted	-	9,633	-	-	-	9,633
5.04.04	Treasury Shares Acquired	-	(1,292,293)	-	-	-	(1,292,293)
5.04.05	Treasury Shares Sold	-	40,096	-	-	-	40,096
5.04.07	Interest on Shareholders' Equity	-	-	-	(425,859)	-	(425,859)
5.04.08	Gain on Disposal of Shares	-	(12,735)	-	-	-	(12,735)
5.04.10	Valuation of Shares	-	111,248	-	-	-	111,248
5.04.12	Acquisition of Non-Controlling Entities	-	(259,101)	-	-	-	(259,101)
5.05	Total Comprehensive Income	-	-	-	819,013	(52,068)	766,945
5.05.01	Net Income for the Period	-	-	-	819,013	-	819,013
5.05.02	Other Comprehensive Income	-	-	-	-	(52,068)	(52,068)
5.05.02.01	Financial Instruments Adjustments	-	-	-	-	(289,803)	(289,803)
5.05.02.02	Tax on Financial Instruments Adjustments	-	-	-	-	99,337	99,337
5.05.02.06	Unrealized Gain in Available for Sale Marketable Securities	-	-	-	-	18,223	18,223
5.05.02.07	Tax on Unrealized Gain in Available for Sale Marketable Securities	-	-	-	-	(67)	(67)
5.05.02.08	Actuarial Gains on Pension and Post-employment Plans	-	-	-	-	8,974	8,974
5.05.02.09	Cumulative Translation Adjustments of Foreign Currency	-	-	-	-	111,268	111,268
5.06	Statements of Changes in Shareholders' Equity	-	-	54,087	(54,087)	-	-
5.06.08	Tax Incentives Reserve	-	-	54,087	(54,087)	-	-
5.07	Balance at June 30, 2015	12,460,471	(1,598,580)	3,999,912	339,067	(672,459)	14,528,411

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

Account Code	Account Description	Accumulated Current Year 01.01.16 to 06.30.16	Accumulated Previous Year 01.01.15 to 06.30.15
7.01	Revenues	15,923,344	14,108,028
7.01.01	Sales of Goods, Products and Services	15,263,207	13,927,733
7.01.02	Other Income	(92,990)	(244,237)
7.01.03	Revenue Related to Construction of Own Assets	717,132	482,770
7.01.04	(Provision) Reversal for Doubtful Accounts Reversal	35,995	(58,238)
7.02	Raw Material Acquired from Third Parties	(10,531,094)	(9,081,731)
7.02.01	Costs of Products and Goods Sold	(8,476,491)	(7,340,441)
7.02.02	Materials, Energy, Third Parties Services and Other	(2,055,218)	(1,747,341)
7.02.03	Recovery (Loss) of Assets Values	615	6,051
7.03	Gross Added Value	5,392,250	5,026,297
7.04	Retentions	(673,110)	(593,517)
7.04.01	Depreciation, Amortization and Exhaustion	(673,110)	(593,517)
7.05	Net Added Value	4,719,140	4,432,780
7.06	Received from Third Parties	1,014,259	1,923,360
7.06.01	Equity Pick-Up	(1,242,846)	1,224,212
7.06.02	Financial Income	2,256,553	698,542
7.06.03	Other	552	606
7.07	Added Value to be Distributed	5,733,399	6,356,140
7.08	Distribution of Added Value	5,733,399	6,356,140
7.08.01	Payroll	1,981,788	1,951,083
7.08.01.01	Salaries	1,496,931	1,508,836
7.08.01.02	Benefits	377,551	341,059
7.08.01.03	Government Severance Indemnity Fund for Employees Guarantee Fund for Length of Service - FGTS	107,306	101,188
7.08.02	Taxes, Fees and Contributions	1,484,325	1,637,307
7.08.02.01	Federal	703,365	875,402
7.08.02.02	State	763,757	747,068
7.08.02.03	Municipal	17,203	14,837
7.08.03	Capital Remuneration from Third Parties	2,197,618	1,941,665
7.08.03.01	Interests	2,096,583	1,824,472
7.08.03.02	Rents	101,035	117,193
7.08.04	Interest on Own Capital	69,668	826,085
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	(541,757)	400,226

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

Account Code	Account Description	Current Quarter 06.30.16	Previous Year 12.31.15
1	Total Assets	41,554,896	40,388,014
1.01	Current Assets	18,053,246	19,180,049
1.01.01	Cash and Cash Equivalents	4,630,909	5,362,890
1.01.02	Marketable Securities	671,814	734,711
1.01.02.01	Financial Investments Evaluated at Fair Value	671,814	734,711
1.01.02.01.01	Held for Trading	363,402	375,562
1.01.02.01.02	Available for Sale	308,412	359,149
1.01.03	Trade Accounts Receivable	3,513,898	4,180,024
1.01.03.01	Trade Accounts Receivable	3,377,761	3,876,308
1.01.03.02	Other Receivables	136,137	303,716
1.01.04	Inventories	4,724,899	4,032,911
1.01.05	Biological Assets	1,646,538	1,329,861
1.01.06	Recoverable Taxes	1,237,580	1,231,759
1.01.06.01	Current Recoverable Taxes	1,237,580	1,231,759
1.01.08	Other Current Assets	1,627,608	2,307,893
1.01.08.02	Assets of Discontinued Operations	36,760	32,448
1.01.08.02.01	Assets of Discontinued Operations and Held for Sale	36,760	32,448
1.01.08.03	Other	1,590,848	2,275,445
1.01.08.03.01	Interest on Shareholders' Equity Receivable	8,152	21,586
1.01.08.03.02	Derivatives	525,763	129,387
1.01.08.03.04	Accounts Receivable from Disposal of Equity Interest	81,177	78,801
1.01.08.03.05	Other	793,576	699,397
1.01.08.03.06	Restricted Cash	182,180	1,346,274
1.02	Non-current Assets	23,501,650	21,207,965
1.02.01	Non-current Assets	5,272,313	5,095,410
1.02.01.01	Financial Investments Evaluated at Fair Value	265,640	385,700
1.02.01.01.02	Available for Sale	265,640	385,700
1.02.01.02	Marketable Securities Evaluated at Amortized Cost	75,071	70,338
1.02.01.02.01	Held to Maturity	75,071	70,338
1.02.01.03	Trade Accounts Receivable	206,610	234,914
1.02.01.03.01	Trade Accounts Receivable	14,885	4,133
1.02.01.03.02	Other Receivables	191,725	230,781
1.02.01.05	Biological Assets	843,975	761,022
1.02.01.06	Deferred Taxes	1,160,625	1,255,976
1.02.01.06.01	Deferred Income Tax and Social Contribution	1,160,625	1,255,976
1.02.01.09	Other Non-current Assets	2,720,392	2,387,460
1.02.01.09.03	Judicial Deposits	829,024	732,106
1.02.01.09.04	Recoverable Taxes	1,252,774	968,705
1.02.01.09.06	Accounts Receivable from Disposal of Equity Interest	52,177	74,164
1.02.01.09.07	Restricted Cash	459,898	479,828
1.02.01.09.08	Other	126,519	132,657
1.02.02	Investments	75,361	185,892
1.02.02.01	Investments	75,361	185,892
1.02.02.01.01	Equity in Associates	73,989	184,416
1.02.02.01.04	Other	1,372	1,476
1.02.03	Property, Plant and Equipment, Net	11,526,050	10,915,752
1.02.03.01	Property, Plant and Equipment in Operation	10,419,863	10,005,274
1.02.03.02	Property, Plant and Equipment Leased	129,393	120,696
1.02.03.03	Property, Plant and Equipment in Progress	976,794	789,782
1.02.04	Intangible	6,627,926	5,010,911
1.02.04.01	Intangible	6,627,926	5,010,911
1.02.04.01.02	Software	172,257	180,292
1.02.04.01.03	Trademarks	1,314,695	1,372,018
1.02.04.01.04	Other	503,731	658,515
1.02.04.01.05	Goodwill	4,601,489	2,778,102
1.02.04.01.06	Software Leased	35,754	21,984

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

Account Code	Account Description	Current Quarter 06.30.16	Previous Year 12.31.15
2	Total Liabilities	41,554,896	40,388,014
2.01	Current Liabilities	13,035,368	11,621,113
2.01.01	Social and Labor Obligations	255,245	159,189
2.01.01.01	Social Obligations	140,705	29,382
2.01.01.02	Labor Obligations	114,540	129,807
2.01.02	Trade Accounts Payable	6,090,270	5,919,587
2.01.02.01	Domestic Suppliers	4,105,341	3,933,757
2.01.02.01.01	Domestic Suppliers	3,780,034	3,248,160
2.01.02.01.02	Supply Chain Finance	325,307	685,597
2.01.02.02	Foreign Suppliers	1,984,929	1,985,830
2.01.02.02.01	Foreign Suppliers	1,566,610	1,496,833
2.01.02.02.02	Supply Chain Finance	418,319	488,997
2.01.03	Tax Obligations	535,080	353,278
2.01.03.01	Federal Tax Obligations	264,371	177,911
2.01.03.01.01	Income Tax and Social Contribution Payable	142,393	80,692
2.01.03.01.02	Other Federal	121,978	97,219
2.01.03.02	State Tax Obligations	267,709	172,497
2.01.03.03	Municipal Tax Obligations	3,000	2,870
2.01.04	Short Term Debts	3,748,265	2,628,179
2.01.04.01	Short Term Debts	3,748,265	2,628,179
2.01.04.01.01	Local Currency	1,549,513	1,462,046
2.01.04.01.02	Foreign Currency	2,198,752	1,166,133
2.01.05	Other Obligations	1,647,978	1,943,481
2.01.05.02	Other	1,647,978	1,943,481
2.01.05.02.01	Dividends and Interest on Shareholders' Equity Payable	438,763	518,450
2.01.05.02.04	Derivatives	892,201	666,602
2.01.05.02.05	Management and Employees Profit Sharing	10,025	296,292
2.01.05.02.08	Other Obligations	306,989	462,137
2.01.06	Provisions	758,530	617,399
2.01.06.01	Tax, Social Security, Labor and Civil Risk Provisions	274,756	231,389
2.01.06.01.01	Tax Risk Provisions	84,335	49,228
2.01.06.01.02	Social Security and Labor Risk Provisions	164,872	159,528
2.01.06.01.04	Civil Risk Provisions	25,549	22,633
2.01.06.02	Other Provisons	483,774	386,010
2.01.06.02.04	Vacations and Christmas Bonuses Provisions	416,510	318,746
2.01.06.02.05	Employee Benefits Provisions	67,264	67,264
2.02	Non-current Liabilities	15,658,276	14,931,048
2.02.01	Long-term Debt	13,211,572	12,551,104
2.02.01.01	Long-term Debt	13,211,572	12,551,104
2.02.01.01.01	Local Currency	5,365,421	2,357,579
2.02.01.01.02	Foreign Currency	7,846,151	10,193,525
2.02.02	Other Obligations	971,650	985,384
2.02.02.02	Other	971,650	985,384
2.02.02.02.06	Other Obligations	971,650	985,384
2.02.03	Deferred Taxes	176,141	188,320
2.02.03.01	Deferred Income Tax and Social Contribution	176,141	188,320
2.02.04	Provisions	1,298,913	1,206,240
2.02.04.01	Tax, Social Security, Labor and Civil Risk Provisions	1,047,498	974,460
2.02.04.01.01	Tax Risk Provisions	191,456	191,268
2.02.04.01.02	Social Security and Labor Risk Provisions	272,754	217,495
2.02.04.01.04	Civil Risk Provision	62,298	43,068
2.02.04.01.05	Contingent Liabilities	520,990	522,629
2.02.04.02	Other Provisons	251,415	231,780
2.02.04.02.04	Employee Benefits Provisions	251,415	231,780

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

Account Code	Account Description	Current Quarter 06.30.16	Previous Year 12.31.15
2.03	Shareholders' Equity	12,861,252	13,835,853
2.03.01	Paid-in Capital	12,460,471	12,460,471
2.03.02	Capital Reserves	(709,685)	(3,940,955)
2.03.02.01	Goodwill on the Shares Issuance	166,192	174,014
2.03.02.04	Granted Options	194,613	160,323
2.03.02.05	Treasury Shares	(723,856)	(3,947,933)
2.03.02.07	Gain on Disposal of Shares	(58,334)	(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	1,754,636	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	567,858	517,190
2.03.05	Accumulated Earnings / Loss	19,000	-
2.03.08	Other Comprehensive Income	(965,706)	(1,079,514)
2.03.08.01	Derivative Financial Instruments	(297,028)	(1,123,196)
2.03.08.02	Financial Instrument (Available for Sale)	(73,052)	(8,466)
2.03.08.03	Cumulative Translation Adjustments of Foreign Currency	(623,030)	32,277
2.03.08.04	Actuarial Losses	27,404	19,871
2.03.09	Non-controlling Interest	302,536	319,076

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

Account Code	Account Description	Current Quarter 04.01.16 to 06.30.16	Accumulated Current Year 01.01.16 to 06.30.16	Previous Quarter 04.01.15 to 06.30.15	Accumulated Previous Year 01.01.15 to 06.30.15
3.01	Net Sales	8,514,568	16,634,898	7,912,531	14,960,876
3.02	Cost of Goods Sold	(6,596,310)	(12,685,915)	(5,387,933)	(10,272,597)
3.03	Gross Profit	1,918,258	3,948,983	2,524,598	4,688,279
3.04	Operating (Expenses) Income	(1,389,484)	(2,765,181)	(1,466,783)	(2,989,558)
3.04.01	Selling	(1,230,100)	(2,437,720)	(1,154,360)	(2,237,959)
3.04.02	General and Administrative	(142,265)	(276,060)	(114,876)	(222,417)
3.04.04	Other Operating Income	89,331	135,882	30,101	45,109
3.04.05	Other Operating Expenses	(111,035)	(204,009)	(219,216)	(507,215)
3.04.06	Income from Associates and Joint Ventures	4,585	16,726	(8,432)	(67,076)
3.05	Income Before Financial and Tax Results	528,774	1,183,802	1,057,815	1,698,721
3.06	Financial Results	(503,692)	(1,107,982)	(656,626)	(764,171)
3.06.01	Financial Income	834,378	1,787,449	(345,295)	1,531,382
3.06.02	Financial Expenses	(1,338,070)	(2,895,431)	(311,331)	(2,295,553)
3.07	Income Before Taxes	25,082	75,820	401,189	934,550
3.08	Income and Social Contribution	(7,964)	(17,279)	(28,682)	(100,368)
3.08.01	Current	(168,037)	(277,514)	661	(9,744)
3.08.02	Deferred	160,073	260,235	(29,343)	(90,624)
3.09	Net Income from Continued Operations	17,118	58,541	372,507	834,182
3.10	Net Income from Discontinued Operations	-	-	(10,051)	(7,072)
3.10.01	Net Income/Loss of Discontinued Operations, Net	-	-	(10,051)	(7,072)
3.11	Net Income	17,118	58,541	362,456	827,110
3.11.01	Attributable to: Controlling Shareholders	30,606	69,668	354,407	819,013
3.11.02	Attributable to: Non-controlling Interest	(13,488)	(11,127)	8,049	8,097
3.99	Earnings per share - (Brazilian Reais/Share)				
3.99.01	Earnings per Share - Basic				
3.99.01.01	ON	0.02127	0.07274	0.42501	0.96985
3.99.02	Earning per Share - Diluted				
3.99.02.01	ON	0.02127	0.07273	0.42468	0.96909

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

Account Code	Account Description	Current Quarter 04.01.16 to 06.30.16	Accumulated Current Year 01.01.16 to 06.30.16	Previous Quarter 04.01.15 to 06.30.15	Accumulated Previous Year 01.01.15 to 06.30.15
4.01	Net Income	17,118	58,541	362,456	827,110
4.02	Other Comprehensive Income	(92,738)	113,808	191,100	(52,068)
4.02.01	Gains (Losses) in Foreign Currency Translation Adjustments	(360,601)	(655,307)	(39,490)	111,268
4.02.02	Unrealized Gains (Losses) in Available for Sale Marketable Securities	(55,715)	(104,598)	1,699	18,223
4.02.03	Taxes on unrealized gains (losses) on investments on available for sale	21,016	40,012	(102)	(67)
4.02.04	Unrealized gains (losses) on cash flow hedge	451,813	1,250,347	334,712	(289,803)
4.02.05	Taxes on unrealized gains (losses) on cash flow hedge	(153,015)	(424,179)	(110,206)	99,337
4.02.06	Actuarial gains (losses) on pension and post-employment plans	5,705	11,415	6,798	13,596
4.02.07	Taxes on realized gains (losses) on pension post-employment plans	(1,941)	(3,882)	(2,311)	(4,622)
4.03	Comprehensive Income	(75,620)	172,349	553,556	775,042
4.03.01	Attributable to: BRF Shareholders	(62,132)	183,476	545,507	766,945
4.03.02	Attributable to: Non-Controlling Shareholders	(13,488)	(11,127)	8,049	8,097

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

Account Code	Account Description	Accumulated Current Year 01.01.16 to 06.30.16	Accumulated Previous Year 01.01.15 to 06.30.15
6.01	Net Cash Provided by Operating Activities	(36,393)	2,249,160
6.01.01	Cash from Operations	(157,936)	3,039,965
6.01.01.01	Net Income for the Period	69,668	826,085
6.01.01.02	Non-controlling Interest	(11,127)	8,097
6.01.01.03	Depreciation and Amortization	455,021	374,853
6.01.01.04	Depreciation and Depletion of Biological Assets	318,737	265,601
6.01.01.05	Results on Disposals of Property, Plant and Equipments	8,413	15,399
6.01.01.06	Gain on the Acquisition of Equity Interest	(58,812)	-
6.01.01.07	Deferred Income Tax	(260,235)	90,624
6.01.01.08	Provision for Tax, Civil and Labor Risks	134,602	40,786
6.01.01.09	Other Provisions	(28,254)	230,912
6.01.01.10	Interest and Exchange Rate Variations	(769,223)	1,120,532
6.01.01.11	Equity Pick-Up	(16,726)	67,076
6.01.02	Changes in Operating Assets and Liabilities	121,543	(783,072)
6.01.02.01	Trade Accounts Receivable	947,681	112,321
6.01.02.02	Inventories	(355,414)	(495,109)
6.01.02.03	Trade Accounts Payable	316,669	705,055
6.01.02.04	Supply Chain Finance	(430,968)	-
6.01.02.05	Payment of Tax, Civil and Labor Risks Provisions	(129,136)	(81,394)
6.01.02.06	Others Rights and Obligations	(542,304)	(35,197)
6.01.02.07	Investment in Held for Trading Securities	(611,720)	(154,384)
6.01.02.08	Redemption of Held for Trading Securities	610,902	163,467
6.01.02.11	Other Financial Assets and Liabilities	1,079,563	(523,729)
6.01.02.12	Payment of Interest	(470,895)	(369,409)
6.01.02.13	Payment of Income Tax and Social Contribution	(2,073)	(3,917)
6.01.02.14	Interest on Shareholders' Equity Received	11,618	14,834
6.01.02.15	Biological Assets - Current	(298,807)	(115,610)
6.01.02.16	Interest Received	(3,573)	-
6.01.03	Other	-	(7,733)
6.01.03.01	Net Cash Provided by Operating Activities from Discontinued Operations	-	2,420
6.01.03.02	Cash and Cash Equivalents from Discontinued Operations	-	(10,153)
6.02	Net Cash Provided by Investing Activities	(2,851,492)	(885,586)
6.02.03	Investment in Available for Sale Securities	-	(1,100)
6.02.04	Redemptions of Available for Sale Securities	-	72,742
6.02.05	Redemptions of Restricted Cash (Investments)	1,184,024	(11,934)
6.02.06	Additions to Property, Plant and Equipment	(922,465)	(579,359)
6.02.07	Receivable from Disposals of Property, Plant and Equipment	79,666	82,348
6.02.09	Additions to Intangible	(50,031)	(24,411)
6.02.10	Additions to Biological Assets - Non-current	(380,083)	(276,531)
6.02.11	Investments in Associates and Joint Venturies	(630)	(60,749)
6.02.12	Business Combination, net of cash	(2,761,973)	(74,287)
6.02.17	Net Cash Applied in Investing Activities from Discontinued Operations	-	(12,305)
6.03	Net Cash Provided by Financing Activities	2,555,753	(3,188,082)
6.03.01	Proceeds from Debt Issuance	5,019,228	3,197,716
6.03.02	Payment of Debt	(1,261,641)	(4,657,612)
6.03.03	Dividends and Interest on Shareholders' Equity Paid	(663,051)	(463,254)
6.03.06	Treasury Shares Acquisition	(543,258)	(1,292,293)
6.03.07	Treasury Shares Disposal	4,475	27,361
6.04	Exchange Rate Variation on Cash and Cash Equivalents	(399,849)	452,655
6.05	Decrease (Increase) in Cash and Cash Equivalents	(731,981)	(1,371,853)
6.05.01	At the Beginning of the Period	5,362,890	6,006,942
6.05.02	At the End of the Period	4,630,909	4,635,089

Consolidated FS / Statement of Changes in Shareholders' Equity for the Period from 01/01/2016 to 06/30/2016 (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	-	3,231,270	(4,372,807)	-	-	(1,141,537)	(5,413)	(1,146,950)
5.04.03	Options Granted	-	34,290	-	-	-	34,290	-	34,290
5.04.04	Treasury Shares Acquired	-	(543,258)	-	-	-	(543,258)	-	(543,258)
5.04.05	Treasury Shares Sold	-	5,953	-	-	-	5,953	-	5,953
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	-	(1,478)	-	-	-	(1,478)	-	(1,478)
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'	-	-	-	-	-	-	(5,413)	(5,413)
5.05	Total Comprehensive Income	-	-	-	69,668	113,808	183,476	(11,127)	172,349
5.05.01	Net Income for the Period	-	-	-	69,668	-	69,668	(11,127)	58,541
5.05.02	Other Comprehensive Income	-	-	-	-	113,808	113,808	-	113,808
5.05.02.01	Financial Instruments Adjustments	-	-	-	-	1,250,347	1,250,347	-	1,250,347
5.05.02.02	Tax on Financial Instruments Adjustments	-	-	-	-	(424,179)	(424,179)	-	(424,179)
5.05.02.06	Unrealized Loss in Available for Sale Marketable Securities	-	-	-	-	(104,598)	(104,598)	-	(104,598)
5.05.02.07	Tax on Unrealized Loss in Available for Sale Marketable Securities	-	-	-	-	40,012	40,012	-	40,012
5.05.02.08	Actuarial Gains on Pension and Post-employment Plans	-	-	-	-	7,533	7,533	-	7,533
5.05.02.09	Cumulative Translation Adjustments of Foreign Currency	-	-	-	-	(655,307)	(655,307)	-	(655,307)
5.06	Statements of Changes in Shareholders' Equity	-	-	50,668	(50,668)	-	-	-	-
5.06.08	Tax Incentives Reserve	-	-	50,668	(50,668)	-	-	-	-
5.07	Balance at June 30, 2016	12,460,471	(709,685)	1,754,636	19,000	(965,706)	12,558,716	302,536	12,861,252

Consolidated FS / Statement of Changes in Shareholders' Equity for the Period from 01/01/2015 to 06/30/2015 (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	-	(1,403,152)	-	(425,859)	-	(1,829,011)	161,281	(1,667,730)
5.04.03	Options Granted	-	9,633	-	-	-	9,633	-	9,633
5.04.04	Treasury Shares Acquired	-	(1,292,293)	-	-	-	(1,292,293)	-	(1,292,293)
5.04.05	Treasury Shares Sold	-	40,096	-	-	-	40,096	-	40,096
5.04.07	Interest on Shareholders' Equity	-	-	-	(425,859)	-	(425,859)	-	(425,859)
5.04.08	Gain on Disposal of Shares	-	(12,735)	-	-	-	(12,735)	-	(12,735)
5.04.10	Valuation of Shares	-	111,248	-	-	-	111,248	-	111,248
5.04.12	Acquisition of Non-Controlling Entities	-	(259,101)	-	-	-	(259,101)	-	(259,101)
5.04.13	Participation of Non-Controlling Shareholders'	-	-	-	-	-	-	161,281	161,281
5.05	Total Comprehensive Income	-	-	-	819,013	(52,068)	766,945	8,097	775,042
5.05.01	Net Income for the Period	-	-	-	819,013	-	819,013	8,097	827,110
5.05.02	Other Comprehensive Income	-	-	-	-	(52,068)	(52,068)	-	(52,068)
5.05.02.01	Financial Instruments Adjustments	-	-	-	-	(289,803)	(289,803)	-	(289,803)
5.05.02.02	Tax on Financial Instruments Adjustments	-	-	-	-	99,337	99,337	-	99,337
5.05.02.06	Unrealized Gain in Available for Sale Marketable Securities	-	-	-	-	18,223	18,223	-	18,223
5.05.02.07	Tax on Unrealized Gain in Available for Sale Marketable Securities	-	-	-	-	(67)	(67)	-	(67)
5.05.02.08	Actuarial Gains on Pension and Post-employment Plans	-	-	-	-	8,974	8,974	-	8,974
5.05.02.09	Cumulative Translation Adjustments of Foreign Currency	-	-	-	-	111,268	111,268	-	111,268
5.06	Statements of Changes in Shareholders' Equity	-	-	54,087	(54,087)	-	-	-	-
5.06.08	Tax Incentives Reserve	-	-	54,087	(54,087)	-	-	-	-
5.07	Balance at June 30, 2015	12,460,471	(1,598,580)	3,999,912	339,067	(672,459)	14,528,411	268,844	14,797,255

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

Account Code	Account Description	Accumulated Current Year 01.01.16 to 06.30.16	Accumulated Previous Year 01.01.15 to 06.30.15
7.01	Revenues	18,995,955	16,641,627
7.01.01	Sales of Goods, Products and Services	18,153,527	16,449,234
7.01.02	Other Income	(45,935)	(265,317)
7.01.03	Revenue Related to Construction of Own Assets	848,647	524,093
7.01.04	(Provision) Reversal for Doubtful Accounts Reversal	39,716	(66,383)
7.02	Raw Material Acquired from Third Parties	(12,787,087)	(10,139,816)
7.02.01	Costs of Products and Goods Sold	(10,191,445)	(8,113,028)
7.02.02	Materials, Energy, Third Parties Services and Other	(2,587,521)	(2,024,057)
7.02.03	Recovery of Assets Values	(8,121)	(2,731)
7.03	Gross Added Value	6,208,868	6,501,811
7.04	Retentions	(773,758)	(640,454)
7.04.01	Depreciation, Amortization and Exhaustion	(773,758)	(640,454)
7.05	Net Added Value	5,435,110	5,861,357
7.06	Received from Third Parties	1,804,791	1,464,967
7.06.01	Equity Pick-Up	16,726	(67,076)
7.06.02	Financial Income	1,787,449	1,531,382
7.06.03	Other	616	661
7.07	Added Value to be Distributed	7,239,901	7,326,324
7.08	Distribution of Added Value	7,239,901	7,326,324
7.08.01	Payroll	2,349,614	2,210,388
7.08.01.01	Salaries	1,810,074	1,734,228
7.08.01.02	Benefits	430,102	373,754
7.08.01.03	Government Severance Indemnity Fund for Employees Guarantee Fund for Length of Service - FGTS	109,438	102,406
7.08.02	Taxes, Fees and Contributions	1,748,946	1,823,403
7.08.02.01	Federal	942,210	1,023,969
7.08.02.02	State	784,722	779,562
7.08.02.03	Municipal	22,014	19,872
7.08.03	Capital Remuneration from Third Parties	3,082,800	2,458,351
7.08.03.01	Interests	2,914,313	2,305,115
7.08.03.02	Rents	168,487	153,236
7.08.04	Interest on Own Capital	58,541	834,182
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	(541,757)	400,226
7.08.04.04	Non-Controlling Interest	(11,127)	8,097



MANAGEMENT REPORT ON THE RESULTS

IN THE SECOND QUARTER 2016

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GENERAL INFORMATION

MARKET VALUE

R$35,6 bilhões
US$11,0 bilhões

PRICES

BRFS3 R$44,56
BRFS US$13,75

SHARES ISSUED

812.473.246 common shares
13.505.317 treasury shares
Base: June 30, 2016

WEBCAST

Date: July 29, 2016
9:00 a.m. Portuguese
10:30 a.m. English

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SHAREHOLDER LETTER

Dear shareholders,

In the second quarter of 2016, we continued with our strategic plan of growing internationally and turning BRF into a global food Company. We concluded the acquisitions of Campo Austral and Calchaquí (both in Argentina) and increased our equity interest in AKF (distribution Company in Oman) from 40% to 100%. In June, we approved the establishment of a subsidiary ("Sadia Halal"), which will hold the assets related to production, distribution, and sale of food targeting Muslim markets. The main purpose of this movement is to provide more independence and focus to BRF's businesses targeting such markets. Accordingly, our international volumes maintained their accelerated growth, increasing by 17% in the annual comparison. This growth was recorded in all regions, especially in Asia and Europe.

In 1Q16, we highlight the challenging scenario experienced by our industry in Brazil. This adverse scenario worsened in 2Q16, as production and supply of chicken continued to grow, corn prices reached record levels, the exchange rate strongly appreciated, and the Brazilian economic scenario continued to slowdown.

Nevertheless, our performance in 2Q16 reinforces the confidence in our long-term strategy. The businesses in which we succeeded to advance in the value chain (brand, distribution or portfolio) continued to show more resilience. We remain strongly focused on the search for operational efficiency in both execution of sales and operations, mitigating a portion of the cycle's negative impact on our results.

Changes in relevant indicators of our industry show that we went through the worst part of this cycle in 2Q16. Although still growing compared to the same period in 2015, placement of chicks has shown a continuous drop in the past months and, as such, the supply of chicken tends to decrease. At the same time, corn prices are declining as a result of Brazil's second corn crop (safrinha). Finally, we noted that nearly all international markets are increasing prices in U.S. dollars. Therefore, we are confident that our industry and our results will present a gradual recovery as of 3Q16.

The outcome of structural changes over the past few years is worth noting, primarily in the global market, which continues to grow. In this worst part of the cycle, our EBITDA margin was 13.2% in these markets. In past cycles, these margins were marginally positive or even negative in quarters facing a more challenging scenario.

In the domestic market, the macroeconomic scenario led to a decrease in demand, primarily in the higher value-added categories. This scenario aggravated volume challenges because we had to implement a new round of price increases. We point out that we will continue to make the required price adjustments in order to protect margins in the Brazilian market.

We are confident in our innovation strategy, which will be stronger in coming months. In addition to the success of Salamitos, we teamed up with chef Jamie Oliver to launch a new product category, strengthening our strategy of offering healthier products and getting closer to end consumers.

Finally, we remain focused on our financial management and the implementation of a long-term strategy. Our operating cash generation funded our investments and acquisitions. We raised funds in the Brazilian capital markets in the amount of R$1 billion, at 96.5% of the CDI rate. In 2Q16, S&P and Fitch confirmed our BBB rating, three notches above the sovereign risk rating.



Abilio Diniz
Chairman of the
Board of Directors



Pedro Faria
Global Chief
Executive Officer

FINANCIAL HIGHLIGHTS

- Net operating revenues of R$8,515 million, 7.6% higher than in 2Q15;
- Gross profit of R$1,918 million (-24.0% y/y). Gross margin of 22.5%, 9.4 p.p. lower than in 2Q15;
- EBITDA of R$944 million (-31.6% y/y), with an EBITDA margin of 11.1%, 6.3 p.p. lower than in 2Q15;
- Net income of R$31 million (-91.6% y/y) and net margin of 0.4%, 4.2 p.p. lower than in 2Q15;
- CAPEX of R$795 million in the quarter;
- As adjusted for the (pro forma) impacts of companies acquired in the quarter, we had: (1) a financial cycle of 37.1 days, representing a decrease of 0.6 day compared to 2Q15; (2) free cash flow (FCF) of R$908 million; (3) net financial leverage of 1.99x EBITDA; and (iv) ROIC (Return on Invested Capital) of 12.2%.

Key Financial Indicators

Results - R$ Million	1Q15	2Q15	1H15	1Q16	2Q16	1H16	Variation 2Q16/2Q15	Variation 1H6/1H15
Gross Revenues	8,095	9,044	17,139	9,338	9,806	19,144	8.4%	11.7%
Net Revenues	7,048	7,913	14,961	8,120	8,515	16,635	7.6%	11.2%
Gross Profit	2,164	2,525	4,688	2,031	1,918	3,949	(24.0%)	(15.8%)
Gross Margin (%)	30.7%	31.9%	31.3%	25.0%	22.5%	23.7%	(9.4) p.p.	(7.6) p.p.
EBIT	641	1,058	1,699	655	529	1,184	(50.0%)	(30.3%)
EBIT Margin (%)	9.1%	13.4%	11.4%	8.1%	6.2%	7.1%	(7.2) p.p.	(4.3) p.p.
EBITDA	951	1,380	2,331	1,025	944	1,969	(31.6%)	(15.5%)
EBITDA Margin (%)	13.5%	17.4%	15.6%	12.6%	11.1%	11.8%	(6.3) p.p.	(3.8) p.p.
Net Income	462	364	826	39	31	70	(91.6%)	(91.6%)
Net Margin (%)	6.5%	4.6%	5.5%	0.5%	0.4%	0.4%	(4.2) p.p.	(5.1) p.p.
Earnings per share[1]	0.54	0.43	0.97	0.05	0.04	0.09	(91.1%)	(91.1%)

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

2ND QUARTER 2016 RESULTS (2Q16)

Strategic Highlights

April

• We concluded the acquisition of Campo Austral, an integrated swine Company in Argentina, for an adjusted amount of US$75.5 million.

• We increased our equity interest in AKF, a distribution Company in Oman, from 40% to 100%, for the total amount of US$32.6 million.

• We completed the issuance of Agribusiness Receivables Certificate (Certificados de Recebíveis do Agronegócio – CRA) in the amount of R$1 billion at an interest rate of 96.5% of the CDI rate, maturing in three years.

May

• We completed the acquisition of Calchaquí, a reference Company in the cold cuts market in Argentina, for the amount of US$104.7 million.

• We maintained BRF's ratings at "BBB" (global score), as rated by S&P and Fitch, confirming our investment grade, three notches above the Brazilian sovereign risk rating.

June

• We approved the establishment of subsidiary "Sadia Halal," which will hold the assets related to production, distribution, and sale of food targeting Muslim markets. The main purpose of this strategy is to provide more independence and focus to BRF's businesses targeting such markets.

• We approved the payment of interest on equity in the gross amount of R$0.6423 per outstanding share.

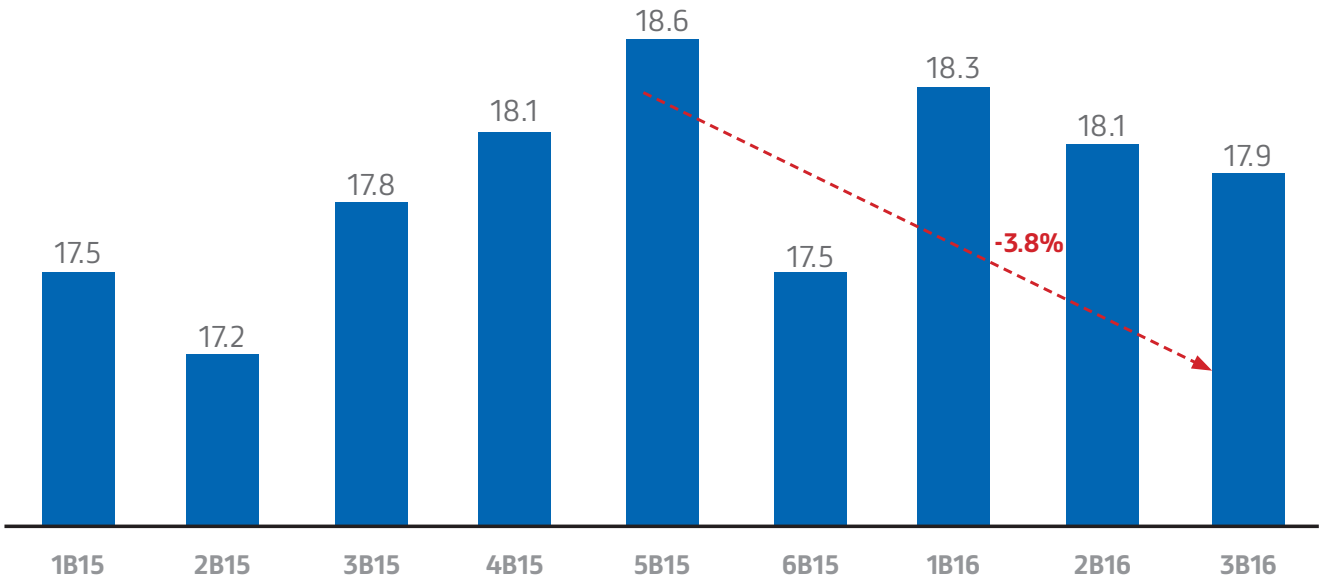
• In 2Q16, according to its buyback program initiated in February, BRF purchased 7,778,900 common shares for the average price per share of R$46.83 (approximately R$364 million). Accordingly, on June 30, 2016, the Company increased to 13,505,317 the total treasury shares.

INDUSTRY SCENARIO AND DYNAMICS

The 2Q16 results continued to be affected by a very challenging industry dynamics, characterized by: (i) excess chicken supply; (ii) pressure from the cost of grains; and (iii) a downturn in the Brazilian economic scenario. However, it seems that the worst part of this cycle occurred in the second quarter and, accordingly, we expect a gradual recovery as of 3Q16.

According to data from the Brazilian Association of Producers of Broilers (Associação Brasileira de Produtores de Pintos de Corte – APINCO), the production of chicken continues to show record levels and, in the twelve-month period ended June 2016, it was 7.6% above the average of the past four years. However, data regarding the placement of chicks has been indicating a slowdown, with a decrease in reported figures for the past consecutive months (June was the first month of the year recording a drop compared to the same period in 2015). This points to a reversal in trend and, as a result, a drop in the future chicken supply, which in turn, may lead to better prices. The Brazilian Association of Animal Protein (Associação Brasileira de Proteína Animal – ABPA) expects an additional drop in the production of chicken in Brazil for the second quarter.

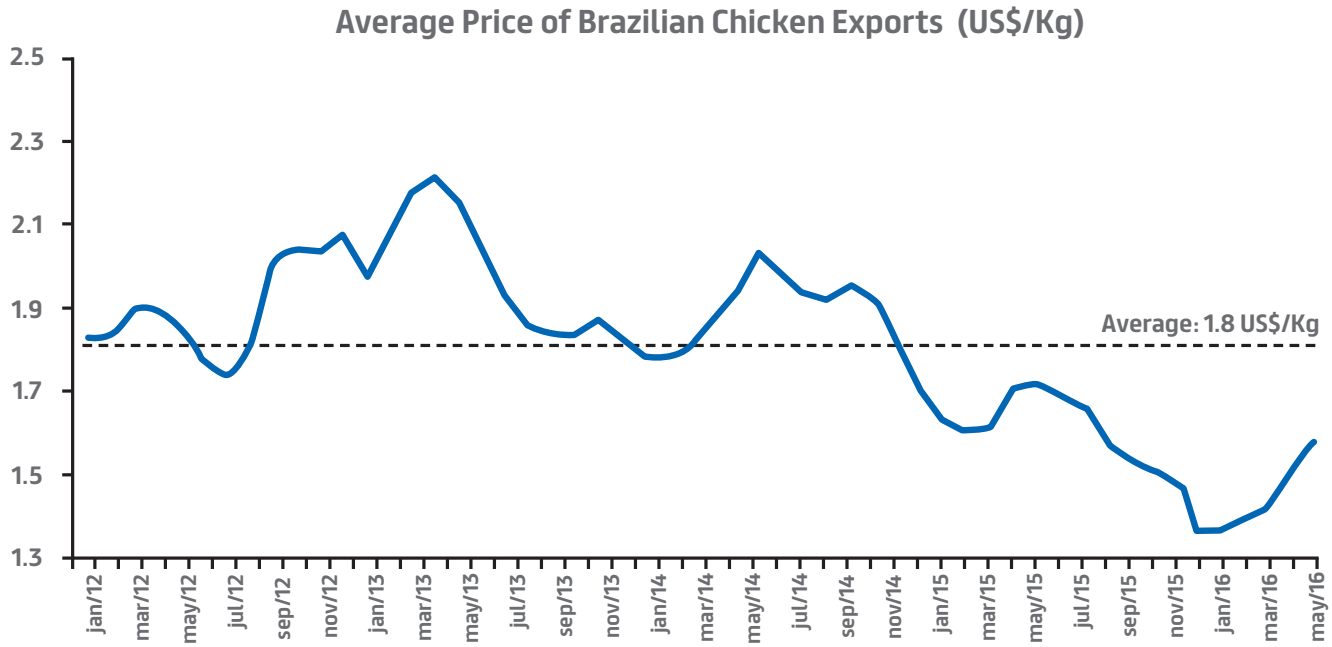
Placement of broiler chicks per day (bimonthly average - in millions)



Source: APINCO

INDUSTRY SCENARIO AND DYNAMICS

In addition to a trend of decreased supply, international prices have been recovering throughout 2Q16 (+9.3% q/q). For the fifth consecutive month, prices in U.S. dollars are increasing, representing an aggregate increase of approximately 16% over the beginning of the year.

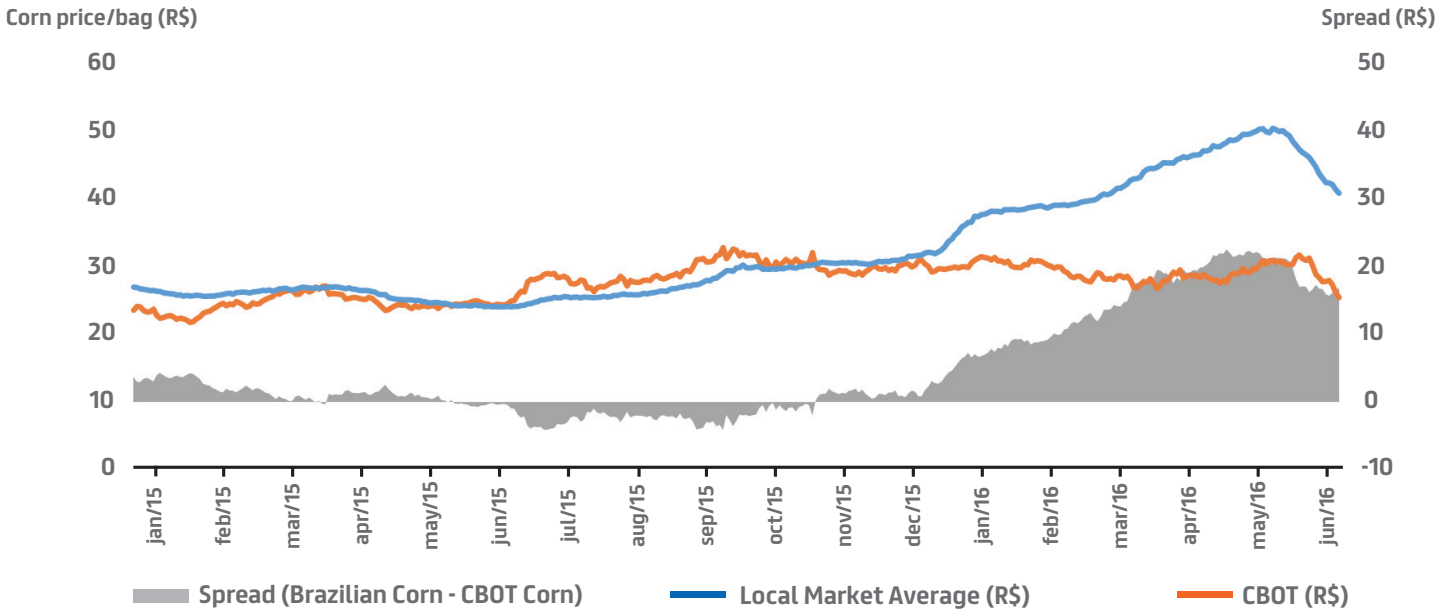


Source: SECEX

INDUSTRY SCENARIO AND DYNAMICS

Average corn prices significantly increased throughout the second quarter (+109% 2Q16 vs. 2Q15; +25% 2Q16 vs. 1Q16) by mid-June due to a lack of supply of grains in Brazil. Accordingly, the historical correlation between price of corn in Reais in the Brazilian market and in the global market (chart below) continued to deteriorate. However, the beginning of the harvest of Brazil's second corn crop (safrinha) and a better global expectation of corn production caused a decrease in prices as of mid-June. The announced drop in the Brazilian corn crop is preventing a more significant price decrease. However, corn price have decreased by approximately 21% compared to its peak price.

Price of Corn in Brazil vs. CBOT



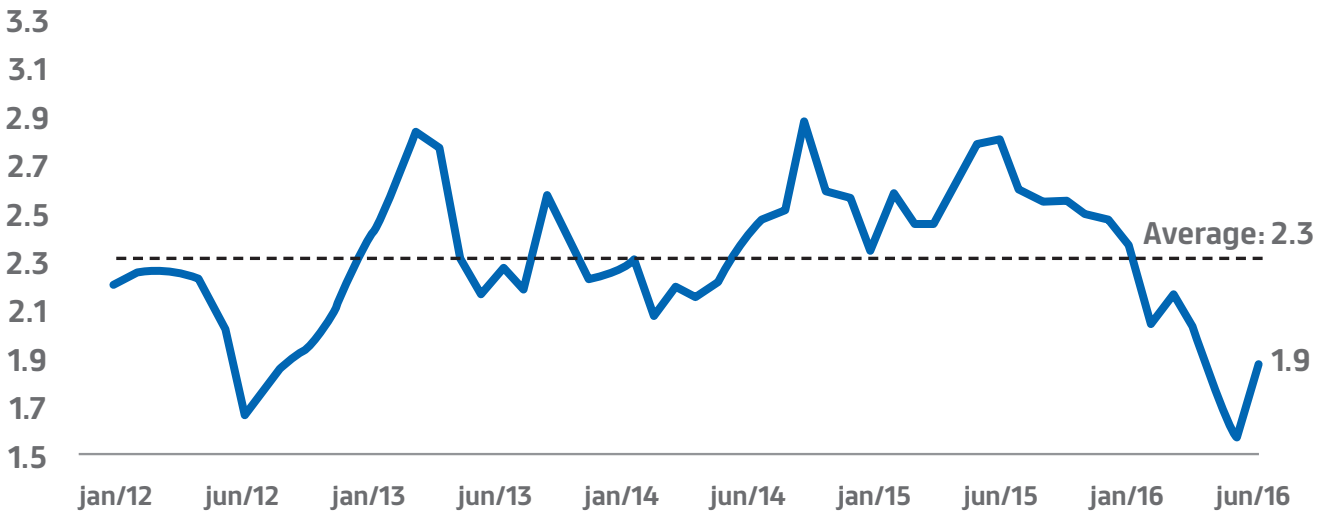
Source: ESALQ, Bloomberg

Note: Units taken into account for average Corn prices: Cascavel, Chapecó, Mogiana, North of Paraná, Passo Fundo, Ponta Grossa, Recife, Rio Verde, Sorocabana, Sorriso, Southwest of Paraná, and Triângulo Mineiro region.

INDUSTRY SCENARIO AND DYNAMICS

As a result of this change in scenario, Brazilian chicken producers are beginning to recover their profitability. An indicator that monitors this trend is the correlation "Chicken Price/Cost of Animal Feed," as depicted in the chart below. Data from June 2016 shows an increase of 19.4% vs. May 2016, the lowest historical correlation in the past four years. This change in trend should also positively contribute to gradual recovery of the industry as of 3Q16.

Chicken Price/Cost of Animal Feed (R$/Kg)



Source: SECEX, JOX, Bloomberg, ABPA

In this challenging scenario, we remain focused on identifying efficiencies in business' variables that are under our control and remain confident in the execution of initiatives in place to deliver a good result in 2016, without losing track of long-term strategic goals targeting sustainable growth.

2Q16 CONSOLIDATED RESULT

Net Operating Revenues (NOR)

In 2Q16, the consolidated net operating revenues of BRF totaled R$8.5 billion (+7.6 % y/y), driven by higher average prices (+2.8% y/y) and volumes (+4.6% y/y). The increase in volumes was due to international operations, representing an increase of 16.8% in the annual comparison. Both organic (+6.2%) and inorganic growth (+10.6%) contributed to the increase in volumes. It is also worth noting the increase in the volume of pork and others, which grew 24.2% y/y mainly due to Russia and Asia.

Volumes - Thousand Tons	1Q15	2Q15	1H15	1Q16	2Q16	1H16	Variation 2Q16/2Q15	Variation 1H6/1H15
Poultry (In Natura)	462	495	957	477	501	978	1.2%	2.2%
Pork and Others (In Natura)	53	70	123	85	87	172	24.2%	39.9%
Processed foods	499	518	1,017	466	504	970	(2.8%)	(4.6%)
Others Sales	47	36	84	69	79	148	119.8%	77.4%
Total	**1,061**	**1,120**	**2,181**	**1,097**	**1,171**	**2,268**	**4.6%**	**4.0%**
NOR - R$ Million	**7,048**	**7,913**	**14,961**	**8,120**	**8,515**	**16,635**	**7.6%**	**11.2%**
Average Price (NOR)	6.64	7.07	6.86	7.40	7.27	7.33	2.8%	6.9%

Gross Profit

The challenges faced by our industry were reflected in our results, and our gross margin reached 22.5% in 2Q16, representing a decrease of 9.4 p.p. y/y.

In 1H16, the market price of corn and soybean meal increased by 83% and 20% y/y, respectively (see table below). Assuming BRF's grains consumption volume, the negative impact of such increases would have totaled approximately R$1.4 billion on the gross profit in 6M16 vs. 6M15, R$936 million only in 2Q16, holding all else constant. However, we were able to significantly mitigate such potential impact by: (i) improving the feed conversion ratio of poultry and swine by 3% and 1.5%, respectively; (ii) improving the nutritional formula of animal feed; (iii) using a more efficient strategy for the purchase of grains; and (iv) using hedge strategies, among others.

The effective impact of the increase in the cost of grains for BRF during 6M16 was approximately R$1 billion, i.e., about R$357 million lower than the impact if considering market price fluctuations. In 2Q16, the impact totaled R$608 million, representing a mitigation of the impact of market prices of about R$328 million. Notwithstanding an impact of approximately R$1 billion in 6M16, our gross profit decreased by R$739 million compared to the same period in 2015.

Gross Profit - R$ Million	1Q15	2Q15	1H15	1Q16	2Q16	1H16	Variation 2Q16/2Q15	Variation 1H6/1H15
Gross Profit	2,164	2,525	4,688	2,031	1,918	3,949	(24.0%)	(15.8%)
Gross Margin (%)	30.7%	31.9%	31.3%	25.0%	22.5%	23.7%	(9.4) p.p.	(7.6) p.p.

2Q16 CONSOLIDATED RESULT

R$ Million	1Q15	2Q15	1H15	1Q16	2Q16	1H16	Variation 2Q16/2Q15	Variation 1H6/1H15
Corn R$/Bag	24.12	23.00	23.55	37.75	47.99	43.02	108.7%	82.6%
Soybean meal R$/Kg	1.13	1.06	1.10	1.26	1.39	1.32	30.1%	20.5%
Potential impact (market price)				460	936	1,396		
Actual impact				431	608	1,039		
Mitigation on grains impact				(29)	(328)	(357)		

Source: BRF; Safras&Mercados
Notes: Market price is calculated based on the weighted average in the areas of consumption of BRF

Operating Expenses

In 2Q16, SG&A increased by 8.1% y/y primarily due to (i) the integration of recently-acquired companies, (ii) the impact of exchange rate fluctuations, and (iii) inflation. On the other hand, our Zero-Based Budgeting (ZBB) program, helped to mitigate such impacts through initiatives such as a better planning of the distribution of products, rationalization of distribution centers, and optimization of the vehicles fleet, among others. Accordingly, we maintained our operating expenses within historical levels and under control. Excluding our recent acquisitions, our SG&A increased by 4.5% y/y in 2Q16, a growth significantly low if we consider exchange rate fluctuations or inflation in Brazil.

Operating Expenses - R$ Million	1Q15	2Q15	1H15	1Q16	2Q16	1H16	Variation 2Q16/2Q15	Variation 1H6/1H15
Selling Expenses	(1,084)	(1,154)	(2,238)	(1,208)	(1,230)	(2,438)	6.6%	8.9%
% of the NOR	(15.4%)	(14.6%)	(15.0%)	(14.9%)	(14.4%)	(14.7%)	0.1 p.p.	0.3 p.p.
General and Administrative Expenses	(108)	(115)	(222)	(134)	(142)	(276)	23.8%	24.1%
% of the NOR	(1.5%)	(1.5%)	(1.5%)	(1.6%)	(1.7%)	(1.7%)	(0.2) p.p.	(0.2) p.p.
Operating Expenses	**(1,191)**	**(1,269)**	**(2,460)**	**(1,341)**	**(1,372)**	**(2,714)**	**8.1%**	**10.3%**
% of the NOR	(16.9%)	(16.0%)	(16.4%)	(16.5%)	(16.1%)	(16.3%)	(0.1) p.p.	0.1 p.p.

Other Operating Results

In 2Q16, the Company's Other Operating Results totaled an expense of R$22 million.

It is worth noting that, in 2Q15, the Company's non-recurring expenses totaled R$73 million, primarily due to the impacts of restructuring expenses, and tax provisions.

Other Operating Results - R$ Million	1Q15	2Q15	1H15	1Q16	2Q16	1H16	Variation 2Q16/2Q15	Variation 1H6/1H15
Other Operating Revenues	15	30	45	47	89	136	196.8%	201.2%
Other Operating Expenses	(288)	(219)	(507)	(93)	(111)	(204)	(49.3%)	(59.8%)
Other Operating Results	(273)	(189)	(462)	(46)	(22)	(68)	(88.5%)	(85.3%)
% of the NOR	(3.9%)	(2.4%)	(3.1%)	(0.6%)	(0.3%)	(0.4%)	2.1 p.p.	2.7 p.p.

2Q16 CONSOLIDATED RESULT

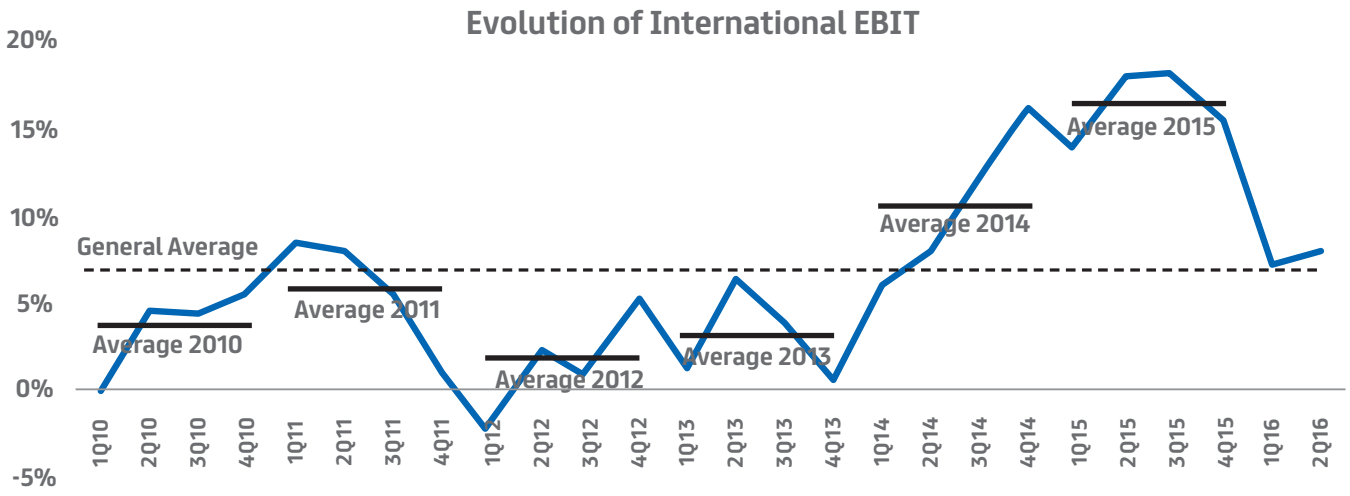
EBIT

We believe 2Q16 was the most challenging part of this cycle and we expect a gradual recovery of our industry going forward. Nonetheless, in 2Q16, our margin was much higher compared to past cycles, even higher than the historical average of global markets.

EBIT - R$ Million	1Q15	2Q15	1H15	1Q16	2Q16	1H16	Variation 2Q16/2Q15	Variation 1H6/1H15
Gross Profit	2,164	2,525	4,688	2,031	1,918	3,949	(24.0%)	(15.8%)
Operating Expenses	(1,191)	(1,269)	(2,460)	(1,341)	(1,372)	(2,714)	8.1%	10.3%
Other Operating Results	(273)	(189)	(462)	(46)	(22)	(68)	(88.5%)	(85.3%)
Equity Income	(59)	(8)	(67)	12	5	17	(154.4%)	(124.9%)
EBIT	**641**	**1,058**	**1,699**	**655**	**529**	**1,184**	**(50.0%)**	**(30.3%)**
EBIT Margin (%)	**9.1%**	**13.4%**	**11.4%**	**8.1%**	**6.2%**	**7.1%**	**(7.2) p.p.**	**(4.2) p.p.**

The macroeconomic scenario in Brazil remained challenging. According to Nielsen, the market volume for the main processed food categories decreased by 2.1% compared to Nielsen's last survey. This contraction of demand, in addition to price increases, pressured domestic volumes in the quarter, negatively affecting our margin.

Accordingly, consolidated EBIT totaled R$529 million in 2Q16 (-50% y/y), primarily due to the decrease in the gross profit (-24.0% y/y).



2Q16 CONSOLIDATED RESULT

Financial Result

Financial result is a combination of a number of factors that may be classified under the following main categories: (i) net interest on debt/investments; (ii) adjustment to present value of assets and liabilities; (iii) interest and/or adjustment for inflation of assets/liabilities, taxes, commissions; and (iv) exchange rate variation, among others. In 2Q16, net financial expenses totaled R$504 million.

(i) Net interest totaled R$294 million, representing an increase of 13% compared to R$260 million in 1Q16. This increase is primarily due to an 8.8% increase in net debt (R$895 million);

(ii) Adjustment to present value totaled R$85 million compared to R$75 million in 1Q16, reflecting the business structure and terms applied to clients/suppliers;

(iii) Interest, adjustment for inflation and others, totaled R$84 million compared to R$67 million in 1Q16, affected by the amount of income tax paid on interest payments of bonds (R$27 million in 2Q16);

(iv) Exchange rate variation and others totaled R$39 million compared to R$202 million in 1Q16. We reaffirm that our hedging strategy seeks to neutralize the impacts of exchange rate fluctuations. Our results in 2Q16 are due to the high level of foreign trade and international transactions in different currencies (on average, approximately US$3 billion in assets and liabilities in foreign currency) and high exchange rate volatility. This hedging process is not perfect and we may have occasional mismatches over time (within the same month or quarter) that generate exchange rate impacts.

R$ Million	1Q15	2Q15	1H15	1Q16	2Q16	1H16	Variation 2Q16/2Q15	Variation 1H6/1H15
Financial Income	1,877	(345)	1,531	953	834	1,787	N/A	16.7%
Financial Expenses	(1,984)	(311)	(2,296)	(1,557)	(1,338)	(2,895)	329.8%	26.1%
Net Financial Result	(108)	(657)	(764)	(604)	(504)	(1,108)	(23.3%)	45.0%

Net Income

Our net income totaled R$30.6 million (-91.6% y/y). Our net income was negatively affected by our operating performance in the quarter.

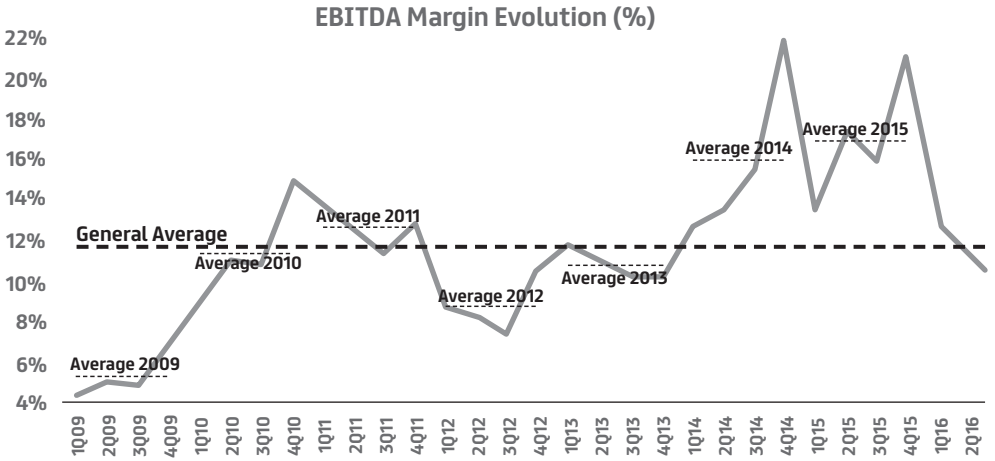
R$ Million	1Q15	2Q15	1H15	1Q16	2Q16	1H16	Variation 2Q16/2Q15	Variation 1H6/1H15
Net Income	462	364	826	39	31	70	(91.6%)	(91.6%)
Net Margin (%)	6.5%	4.6%	5.5%	0.5%	0.4%	0.4%	(4.2) p.p.	(5.1) p.p.
Earnings per share[1]	0.54	0.43	0.97	0.05	0.04	0.09	(91.1%)	(91.1%)

2Q16 CONSOLIDATED RESULT

EBITDA

In 2Q16, the Company's Consolidated EBITDA totaled R$944 million (-31.0 % y/y) and EBITDA margin was 11.1% (-6.4 p.p. y/y). Despite a more challenging moment in the chicken cycle compared to 1Q16, the Company's EBITDA margin is 2.3 p.p. above the average for 2012 and 5.8 p.p. above the average for 2009, periods when the industry also faced a challenging scenario.

EBITDA - R$ Million	1Q15	2Q15	1H15	1Q16	2Q16	1H16	Variation 2Q16/2Q15	Variation 1H6/1H15
Net Income	462	364	826	39	31	70	(91.6%)	(91.6%)
Income Tax and Social Contribution	72	29	100	9	8	17	(72.2%)	(82.8%)
Net Financial	108	657	764	604	504	1,108	(23.3%)	45.0%
Depreciation and Amortization	310	330	640	372	401	774	21.6%	20.8%
EBITDA	**951**	**1,380**	**2,331**	**1,025**	**944**	**1,969**	**(31.6%)**	**(15.5%)**
EBITDA Margin (%)	**13.5%**	**17.4%**	**15.6%**	**12.6%**	**11.1%**	**11.8%**	**(6.4) p.p.**	**(3.7) p.p.**



Source: BRF

Note: EBITDA margin from 2009 to 2011 includes dairy operations. EBITDA margin from 2012 onwards refers only to continued operations.

PERFORMANCE BY REGION

Results by region 2Q16	Total	Brazil	MENA	Asia	Europe/ Eurasia	LATAM	Africa	Other Segments	Corporate
Volume (Thousand Tons)	1,171	495	241	180	102	60	45	48	-
NOR (R$, Million)	8,515	3,566	1,600	1,261	1,019	511	199	358	-
Average Price NOR - R$	7.27	7.20	6.63	7.01	10.02	8.55	4.45	7.44	-
Gross Profit (R$, Million)	1,918	912	405	280	141	96	51	33	
Gross Margin (%)	22.5%	25.6%	25.3%	22.2%	13.8%	18.8%	25.5%	9.2%	-
EBIT (R$, Million)	529	202	137	164	24	18	16	17	(49)
EBIT Margin (%)	6.2%	5.7%	8.5%	13.0%	2.3%	3.5%	7.8%	4.8%	-
EBITDA (R$, Million)	944	370	244	210	78	46	26	18	(49)
EBITDA Margin (%)	11.1%	10.4%	15.2%	16.7%	7.7%	9.0%	13.0%	5.1%	-

PERFORMANCE BY REGION

BRAZIL

The domestic market scenario was even more challenging in 2Q16 and, unlike 1Q16, demand decreased especially in the categories with higher added value. According to Nielsen, the ready-to-eat meals market decreased by approximately 9% y/y in terms of volume, for example.

A decrease in demand, together with an additional price increase of approximately 7% in the end of May, pressured the volumes of the Company (-7.8% y/y) and caused a decrease of 5.3% y/y in NOR.

Our average price also decreased due to a down trade in the processed products category, which reduced volumes in categories with higher prices, such as frozen food. In addition, there was a shift towards channels with lower prices, such as the Wholesale channel (which increased by 28% q/q). Consequently, price increases were not enough to offset the strong pressure on costs, resulting in a 7.2 p.p. decrease in gross margin y/y. Accordingly, new adjustments may be required to be made in 2H16.

We continue with our strategy to improve operational efficiency, and expenses in the region decreased by approximately 6% y/y. Nonetheless, this saving was not enough to offset the decrease in gross profit, resulting in a 4.7 p.p. decrease in EBITDA margin y/y.

Brazil	1Q15	2Q15	1H15	1Q16	2Q16	1H16	Variation 2Q16/2Q15	Variation 1H6/1H15
Volume (Thousand Tons)	538	537	1,075	484	495	980	(7.8%)	(8.9%)
Poultry (In Natura)	102	94	196	92	76	169	(18.4%)	(13.7%)
Pork and Others (In Natura)	24	27	51	24	26	51	(4.3%)	(1.1%)
Processed foods	403	421	824	357	381	738	(9.5%)	(10.4%)
Others Sales	9	(5)	4	11	11	22	N/A	479.2%
Net Operating Revenues (R$, Million)	3,626	3,763	7,389	3,541	3,566	7,106	(5.3%)	(3.8%)
Average price (R$/Kg)	6.74	7.01	6.87	7.31	7.20	7.25	2.8%	5.5%
Gross Profit (R$, Million)	1,192	1,233	2,425	1,031	912	1,943	(26.0%)	(19.9%)
Gross Margin (%)	32.9%	32.8%	32.8%	29.1%	25.6%	27.3%	(7.2) p.p.	(5.5) p.p.
EBIT (R$, Million)	355	427	782	334	202	536	(52.7%)	(31.4%)
EBIT Margin (%)	9.8%	11.4%	10.6%	9.4%	5.7%	7.5%	(5.7) p.p.	(3.0) p.p.
EBITDA (R$, Million)	494	566	1,061	485	370	855	(34.7%)	(19.4%)
EBITDA Margin (%)	13.6%	15.0%	14.4%	13.7%	10.4%	12.0%	(4.7) p.p.	(2.3) p.p.

Innovation

New products launched in 1Q16 were hugely successful. On one side, we launched Salamitos, which granted our entry in a new category ("snacks") and exceeded all sales expectations. The production of this line had already been expanded by approximately 30% in May.

Another important bet was the launching of a line of ready-to-eat meals under Sadia and Perdigão brands, that resulted in an increase in BRF's market share by nearly 4 p.p. in the ready-to-eat meals category (Nielsen: Apr/May vs. Feb/Mar), notwithstanding a scenario of market contraction.

Launchings will be reinforced in 3Q16, when we will launch: (i) the new line of Perdigão franks and steaks with additional nutrients; (ii) the new line of ready-to-cook dishes, signed by international chef Jamie Oliver, introducing a new market category ("ready-to-cook"); and (iii) the new Qualy QMix, including vitamin B, selenium, and Omega 3 in its nutritional formula. All lines reinforce the Company's strategy to offer healthier products and increase the involvement of consumers with food. Jamie Oliver is an international activist, focused on projects that foster healthier eating habits and animal welfare. Innovation will continue to be an important road for growth in the region.

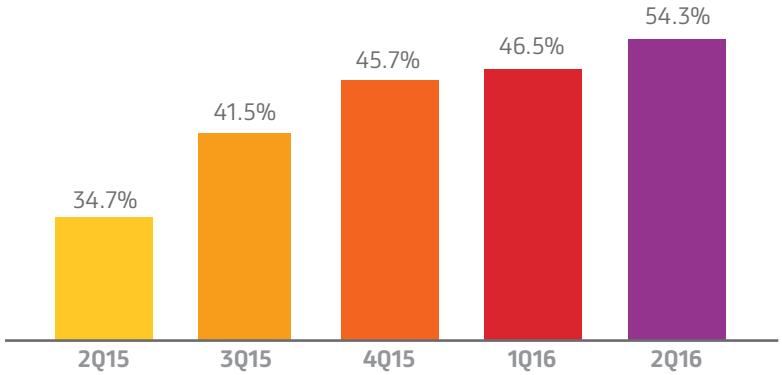
PERFORMANCE BY REGION
BRAZIL

Sales Team

2Q16 marked the beginning of the rollout of our Go-to-Market strategy, which will be implemented in stages in the period between April and September, beginning in São Paulo. The main focus is a new segmentation in the client base, improving the level of service and reducing service costs. The initial results of the implementation in São Paulo are encouraging, both in terms of efficiency and productivity.

We continue to significantly improve our commercial basic execution, increasing the percentage of active clients in our base by over 9 p.p. (y/y). Moreover, the sales success rate (% of sales/visits) of the team continues to grow every quarter, and reached 54.3% in 2Q16, with a historical record in June (57%).

Sales Success Rate (% of sales/visits)

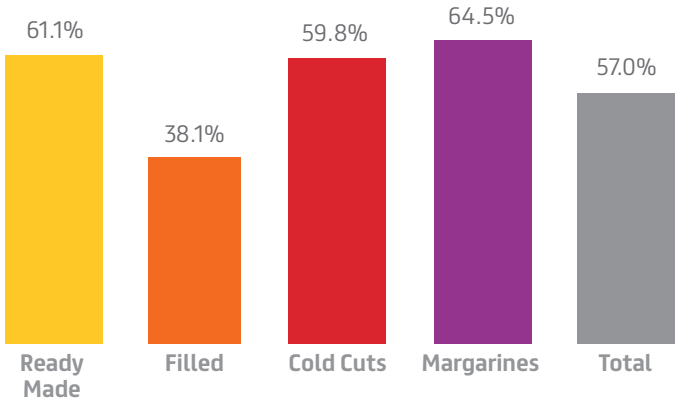


Note: The Sale Success rate started to be monitored only as of 2Q15, for which reason we do not show historical results from previous periods.

Market Share

Compared to the last survey from Nielsen, BRF's market share decreased in all categories. This result was expected due to price increases implemented in the period between January and May. We highlight the increase of 2.2 p.p. in BRF's market share for lasagnas and ready-to-eat meals sub-categories.

Share Valor - Last Survey 2016



Source: Nielsen Bimonthly Retail – Margarines and Ready-made Dishes (Apr/May survey); Sausages and Cold Cuts (May/Jun survey)

PERFORMANCE BY REGION

MENA (MIDDLE EAST/ NORTH OF AFRICA)

NOR from the MENA region totaled R$1,600 million in 2Q16 (+1.3% y/y) due to an increase in volumes (+3.4% y/y), even though average prices in Reais were lower (-2.0% y/y). Once again, we highlight the accelerated increase in the volume of processed products (+56.2% y/y), in line with BRF's strategy to develop this category in the region. The arrival of new lines of processed products from Thailand in the end of 3Q16, together with marketing investments made in the region, will increase our portfolio even further and help to keep this pace of growth.

In parallel, costs continued to increase significantly, primarily due to the increase in the price of grains, resulting in a decrease of 11.3 p.p. y/y in gross margin for the region. The ZBB efforts to reduce expenses were able to mitigate a portion of the pressure from costs when compared to the previous quarter, but they were not enough to offset annual pressure. Accordingly, even though EBITDA margin increased by 1.7 p.p. compared to 1Q16, EBITDA margin decreased by 10 p.p. compared to the same period in the previous year.

The volume of direct exports from Brazil increased in 2Q16 due to higher sales to Egypt and because of the Ramadan period, while the volume of own distribution operations remained stable between quarters. Profitability from direct exports from Brazil remained under pressure as a result of the chicken oversupply and grains higher costs. In 2Q16, own distribution operations accounted for 85% of the gross profit from the region, resulting in an average gross margin that was 27 p.p. higher compared to the average gross margin from direct exports from Brazil.

The market share of Sadia in the Gulf region continues to grow in important categories. In May: (i) Griller (in-natura chicken) decreased by 2 p.p. (remaining at 37%); (ii) In-natura chicken cuts remained with a market share of 54%; (iii) Cold cuts increased by 4 p.p. (reaching 46%); and (iv) Hamburger increased by 4 p.p. (reaching 19%). These movements in market share are in line with the Company's strategy to reduce exposure to Griller products, and increase the market share of products of higher added value. Outside the Gulf region, we remain operating consistent and gaining share in Egypt, Libya, Yemen, and Jordan.

MENA	1Q15	2Q15	1H15	1Q16	2Q16	1H16	Variation 2Q16/2Q15	Variation 1H6/1H15
Volume (Thousand Tons)	218	233	452	227	241	468	3.4%	3.6%
Poultry (In Natura)	203	221	424	208	222	430	0.5%	1.3%
Pork and Others (In Natura)	0	1	1	1	1	1	5.8%	39.8%
Processed foods	14	12	26	18	19	37	56.2%	40.3%
Net Operating Revenues (R$, Million)	1,343	1,579	2,922	1,584	1,600	3,184	1.3%	8.9%
Average price (R$/Kg)	6.16	6.76	6.47	6.99	6.63	6.80	(2.0%)	5.1%
Gross Profit (R$, Million)	397	579	977	447	405	852	(30.0%)	(12.7%)
Gross Margin (%)	29.6%	36.7%	33.4%	28.2%	25.3%	26.8%	(11.3) p.p.	(6.6) p.p.
EBIT (R$, Million)	155	320	476	123	137	260	(57.4%)	(45.4%)
EBIT Margin (%)	11.6%	20.3%	16.3%	7.8%	8.5%	8.2%	(11.7) p.p.	(8.1) p.p.
EBITDA (R$, Million)	224	401	624	214	244	457	(39.2%)	(26.8%)
EBITDA Margin (%)	16.7%	25.4%	21.4%	13.5%	15.2%	14.4%	(10.1) p.p.	(7.0) p.p.
Export Volume of Brazil (CFR)*	114	116	230	106	119	226	3.0%	(1.8%)
% in total volume	52.2%	49.7%	50.9%	46.8%	49.5%	48.2%	(0.2) p.p.	(2.7) p.p.

*CFR (Cost and Freight)

PERFORMANCE BY REGION
ASIA

In Asia, NOR totaled R$1,261 million (+40.3% y/y and +17.7% q/q) in 2Q16. This increase was due to: (i) an increase in volumes (+42.9% y/y; 12.0% q/q) as a result of the full consolidation of the operations of GFS (BRF Thailand) in the quarterly results, as well as additional export volumes from the new plants qualified for China; and (ii) the increase in prices in Reais (+5.1% q/q), influenced by the price recovery in Japan, an improvement in the mix of products sent to China, Hong Kong, and Southeast Asia, and the increase of China's share in total volumes in Asia (prices in China are above average in the region).

In the annual comparison, margins were pressured by the industry cycle and an increase in the price of grains. On the other hand, in the quarterly comparison, the price recovery and the increase in volumes offset the adverse scenario of pressure on costs, resulting in a 2.4 p.p. increase in gross margin in 2Q16. Moreover, in 2Q16, we channeled internal efforts to optimize expenses in the region in order to mitigate the impacts of cost increases. As a result, the EBIT margin in Asia increased by 2.8 p.p. q/q, reaching 13.0%, and EBITDA margin was 16.7%.

We remain focused on our growth strategy in the region. Since March 2016, we have already added more than 10 thousand tons from the new plants qualified for China. In 2Q16, we also completed the integration of GFS (BRF Thailand), which has already improved operations and will bring synergies for the result of the region in coming quarters. Among the benefits expected from this acquisition, we highlight complementary product portfolios, which will strengthen BRF's presence, primarily in the United Kingdom, Japan, and Middle East.

Asia	1Q15	2Q15	1H15	1Q16	2Q16	1H16	Variation 2Q16/2Q15	Variation 1H6/1H15
Volume (Thousand Tons)	111	126	237	161	180	341	42.9%	43.6%
Poultry (In Natura)	100	114	214	116	128	244	12.4%	14.1%
Pork and Others (In Natura)	9	9	18	17	16	34	75.5%	83.1%
Processed foods	2	3	5	7	9	17	262.9%	266.4%
Others Sales	0	0	0	20	26	46	-	-
Net Operating Revenues (R$, Million)	745	899	1,643	1,071	1,261	2,332	40.3%	41.9%
Average price (R$/Kg)	6.70	7.14	6.93	6.67	7.01	6.85	(1.8%)	(1.2%)
Gross Profit (R$, Million)	258	312	570	212	280	492	(10.2%)	(13.8%)
Gross Margin (%)	34.7%	34.7%	34.7%	19.8%	22.2%	21.1%	(12.5) p.p.	(13.6) p.p.
EBIT (R$, Million)	187	232	419	109	164	273	(29.3%)	(34.7%)
EBIT Margin (%)	25.1%	25.8%	25.5%	10.2%	13.0%	11.7%	(12.8) p.p.	(13.8) p.p.
EBITDA (R$, Million)	226	273	498	155	210	365	(22.9%)	(26.7%)
EBITDA Margin (%)	30.3%	30.3%	30.3%	14.5%	16.7%	15.7%	(13.7) p.p.	(14.7) p.p.
Export Volume of Brazil (CFR)*	111	126	237	125	134	259	6.3%	9.3%
% in total volume	99.9%	99.9%	99.9%	78.0%	74.3%	76.1%	(25.6) p.p.	(23.8) p.p.

*CFR (Cost and Freight)

PERFORMANCE BY REGION EUROPA/ EURASIA

In 2Q16, NOR from Europe totaled R$1,019 million, +20% y/y, due to an increase in volumes (+15.3% y/y) and average prices in Reais (+4.5% y/y). We highlight the increase in volumes in the Europe sub-region (+12.5%), positively affected by the consolidation of Universal.

On the other hand, our gross margin from the region decreased by 13.5 p.p. compared to 2Q15, reflecting: (i) an increased pressure on costs; (ii) a poorer mix of products; and (iii) a challenging scenario in Eurasia (to where we basically export in-natura pork from Brazil). An increased offer of pork in Russia (main country in the Eurasia sub-region), tied to the local macroeconomic scenario, significantly pressured prices in U.S. dollars (-26% y/y). Excluding Eurasia, gross margin decreased by approximately 10 p.p. compared to 2Q15.

Increased pressure from the costs of grains, tied to the deterioration of results from Eurasia, resulted in a decrease of approximately 52.5% y/y in EBITDA from the region, with a 11.8 p.p. decrease in margin. Excluding Eurasia, EBITDA margin was approximately 9%.

Similarly to the MENA region, there are significant differences between local direct distribution operations and direct exports from Brazil. In 2Q16, excluding the Eurasia sub-region, the difference between both operations was of approximately 14 p.p., which once again shows the resilience of the strategy.

Europe/Eurasia	1Q15	2Q15	1H15	1Q16	2Q16	1H16	Variation 2Q16/2Q15	Variation 1H6/1H15
Volume (Thousand Tons)	72	88	161	93	102	195	15.3%	21.4%
Poultry (In Natura)	20	23	43	21	28	49	24.0%	14.9%
Pork and Others (In Natura)	10	21	31	29	26	55	24.5%	78.0%
Processed foods	42	45	87	44	48	91	6.6%	4.7%
Net Operating Revenues (R$, Million)	622	846	1,468	958	1,019	1,977	20.5%	34.7%
Average price (R$/Kg)	8.60	9.59	9.14	10.27	10.02	10.14	4.5%	10.9%
Gross Profit (R$, Million)	168	231	399	168	141	309	(39.0%)	(22.6%)
Gross Margin (%)	27.1%	27.3%	27.2%	17.6%	13.8%	15.6%	(13.5) p.p.	(11.6)p.p.
EBIT (R$, Million)	82	127	209	47	24	70	(81.4%)	(66.3%)
EBIT Margin (%)	13.1%	15.0%	14.2%	4.9%	2.3%	3.6%	(12.7) p.p.	(10.7) p.p.
EBITDA (R$, Million)	120	165	285	96	78	174	(52.5%)	(39.0%)
EBITDA Margin (%)	19.3%	19.4%	19.4%	10.0%	7.7%	8.8%	(11.8) p.p.	(10.6) p.p.
Export Volume of Brazil (CFR)*	43	52	94	57	59	116	13.4%	22.5%
% in total volume	59.0%	58.7%	58.8%	61.1%	57.7%	59.4%	0.6 p.p.	0.6 p.p.

*CFR (Cost and Freight)

PERFORMANCE BY REGION

LATIN AMERICA (LATAM)

In the LATAM region, NOR totaled R$511 million (+11.7% y/y) in 2Q16, positively affected by increased volumes (+14.8% y/y), primarily due to: (i) the partial consolidation in the quarter of the operations of Campo Austral and Calchaquí; (ii) an increase in volumes of processed products (+12.6%) in the Southern Cone region, especially in Argentina; and (iii) increase in volumes (+37.2% y/y) in the Americas region, especially in Mexico and the Caribbean. However, the increase in NOR was not enough to offset the increase in costs related to the commodities cycle and, as a result, our gross margin decreased by 2.5 p.p. y/y.

On the other hand, EBITDA from the Latam region totaled R$46 million in 2Q16 (+98.2% y/y), and EBITDA margin increased by 4.0 p.p. y/y. The performance of EBITDA was driven by the partial integration of Calchaquí and Campo Austral, improvements in execution of sales, stricter control of expenses (SG&A increased less than net revenue), and dilution of fixed expenses. Excluding acquisitions, EBITDA totaled R$36 million in 2Q16, representing an increase of 55% y/y.

LATAM	1Q15	2Q15	1H15	1Q16	2Q16	1H16	Variation 2Q16/2Q15	Variation 1H6/1H15
Volume (Thousand Tons)	47	53	100	49	60	109	13.5%	9.2%
Poultry (In Natura)	14	17	31	15	18	33	3.6%	5.2%
Pork and Others (In Natura)	6	6	12	3	5	8	(13.7%)	(34.5%)
Processed foods	27	29	56	32	37	68	25.1%	20.9%
Net Operating Revenues (R$, Million)	394	457	851	438	511	949	11.7%	11.5%
Average price (R$/Kg)	8.32	8.70	8.52	8.87	8.55	8.70	(1.6%)	2.1%
Gross Profit (R$, Million)	73	98	171	83	96	179	(1.6%)	5.1%
Gross Margin (%)	18.5%	21.4%	20.0%	19.0%	18.8%	18.9%	(2.5) p.p.	(1.1) p.p.
EBIT (R$, Million)	3	8	11	17	18	35	112.1%	210.6%
EBIT Margin (%)	0.7%	1.8%	1.3%	3.9%	3.5%	3.7%	1.7 p.p.	2.4 p.p.
EBITDA (R$, Million)	19	23	43	40	46	86	98.2%	101.7%
EBITDA Margin (%)	4.9%	5.1%	5.0%	9.2%	9.0%	9.1%	4.0 p.p.	4.1 p.p.
Export Volume of Brazil (CFR)*	8	11	19	12	15	27	41.2%	46.1%
% in total volume	16.6%	20.4%	18.8%	24.3%	25.3%	24.9%	6.1 p.p.	6.1 p.p.

*CFR (Cost and Freight)

PERFORMANCE BY REGION

AFRICA

The 2Q16 effectively marks the beginning of a new phase for BRF in sub-Saharan Africa, with a management team based in and exclusively focused on the continent. In addition to the issues mentioned above, which affect all markets in general (moment in the cycle, price of commodities, and exchange rate appreciation), we continue to face specific macroeconomic challenges in the region, primarily due to the price of oil (the economic foundation of many countries).

Notwithstanding all these challenges, 2Q16 closed on a very positive note, with an increase in volumes of 19.3% compared to the previous year and 21.4% compared to 1Q16. In 2Q16, NOR from the region totaled R$199 million (+15.3% y/y), with an average price of R$4.45/Kg (-3.4% y/y). Considering the impact of the exchange rate and the increase in costs, gross margin was 25.5% (-7.8 p.p. y/y) and EBITDA margin decreased to 13% (-6.3 p.p. y/y).

We are focused on the development of new markets, increase in volumes, and improvement of the mix of products in existing markets. The strategy for the region remains in line with the global strategy, and we continue to review opportunities to make advances in the value chain and develop distinguished and branded products.

Africa	1Q15	2Q15	1H15	1Q16	2Q16	1H16	Variation 2Q16/2Q15	Variation 1H6/1H15
Volume (Thousand Tons)	35	38	72	37	45	82	19.3%	13.1%
Poultry (In Natura)	22	24	46	23	28	51	14.8%	10.9%
Pork and Others (In Natura)	4	6	9	6	7	12	17.5%	31.7%
Processed foods	9	7	17	8	10	18	35.5%	8.9%
Net Operating Revenues (R$, Million)	156	173	329	176	199	375	15.3%	14.2%
Average price (R$/Kg)	4.50	4.61	4.55	4.77	4.45	4.60	(3.4%)	0.9%
Gross Profit (R$, Million)	55	58	112	48	51	98	(11.7%)	(12.3%)
Gross Margin (%)	35.1%	33.3%	34.1%	27.1%	25.5%	26.2%	(7.8) p.p.	(7.9) p.p.
EBIT (R$, Million)	25	24	49	12	16	28	(35.4%)	(43.6%)
EBIT Margin (%)	16.2%	14.0%	15.1%	7.0%	7.8%	7.4%	(6.2) p.p.	(7.6) p.p.
EBITDA (R$, Million)	33	33	66	22	26	48	(22.6%)	(27.8%)
EBITDA Margin (%)	21.2%	19.3%	20.2%	12.5%	13.0%	12.8%	(6.3) p.p.	(7.4) p.p.
Export Volume of Brazil (CFR)*	35	38	72	37	45	82	19.3%	13.1%
% in total volume	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, cattle, etc., conducted by "Global Desk."

Other Segments	1Q15	2Q15	1H15	1Q16	2Q16	1H16	Variation 2Q16/2Q15	Variation 1H6/1H15
Volume (Thousand Tons)	40	45	85	46	48	94	8.0%	11.1%
Poultry (In Natura)	0	2	3	1	1	2	(68.1%)	(31.3%)
Pork and Others (In Natura)	0	0	0	6	6	11	N/A	N/A
Processed foods	1	1	2	0	0	1	(67.8%)	(60.9%)
Others Sales	39	41	80	39	41	80	0.4%	0.1%
Net Operating Revenues (R$, Million)	163	195	358	353	358	711	83.8%	98.9%
Average price (R$/Kg)	4.07	4.37	4.23	7.72	7.44	7.58	70.2%	79.1%
Gross Profit (R$, Million)	20	15	35	42	33	76	127.0%	118.4%
Gross Margin (%)	12.3%	7.5%	9.7%	12.0%	9.2%	10.6%	1.8 p.p.	0.9 p.p.
EBIT (R$, Million)	13	4	17	28	17	46	299.1%	163.5%
EBIT Margin (%)	8.0%	2.2%	4.9%	8.1%	4.8%	6.4%	2.6 p.p.	1.6 p.p.
EBITDA (R$, Million)	13	5	18	29	18	47	274.4%	165.1%
EBITDA Margin (%)	8.0%	2.5%	5.0%	8.3%	5.1%	6.7%	2.6 p.p.	1.7 p.p.

Corporate

In order to improve the visibility of the operating results of each region, BRF now reports items that are not directly related to the regions as corporate adjustments, which include non-recurring income and expenses and equity income not attributed to businesses. In previous reports, these amounts were allocated to the results of the regions, which generated distortions in the understanding of the operating performance of each region.

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

R$ - Million	1Q15	2Q15	1H15	1Q16	2Q16	1H16	Variation 2Q16/2Q15	Variation 1H6/1H15
Other Operating Results	(112)	(66)	(178)	(16)	(49)	(65)	(26.4%)	(63.7%)
Equity Income	(67)	(20)	(86)	-	-	-	N/A	N/A
EBIT	(179)	(86)	(265)	(16)	(49)	(65)	(43.4%)	(75.5%)
EBITDA	(179)	(86)	(265)	(16)	(49)	(65)	(43.4%)	(75.5%)

INVESTMENTS (CAPEX)

Investments made in the quarter totaled R$795 million; of which R$454 million was invested in growth, efficiency, and support; R$208 million was invested in biological assets; and R$133 million was invested in leasing and others.

The main projects in the quarter are, among others:

• Operational Footprint: last investments in the optimization and expansion of our plant in Rio Cuarto, Argentina; Lucas do Rio Verde, in the State of Mato Grosso; and Toledo, in the State of Paraná. In addition to the industrial footprint, we also invested in the logistic footprint, aiming at rationalizing our distribution centers and transitpoints. In this sense, we highlight the investment made to expand our Distribution Center in Vitória do Santo Antão, State of Pernambuco.

• Market Demand: in 2Q16, we accelerated the completion of projects to meet the demand in the Middle East with products of higher added value (griller cuts), and expanded the portfolio of cooked products in Europe and processed products in Brazil.

• Innovation and Quality: investments in these two categories reached approximately R$50 million in 2Q16. 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.

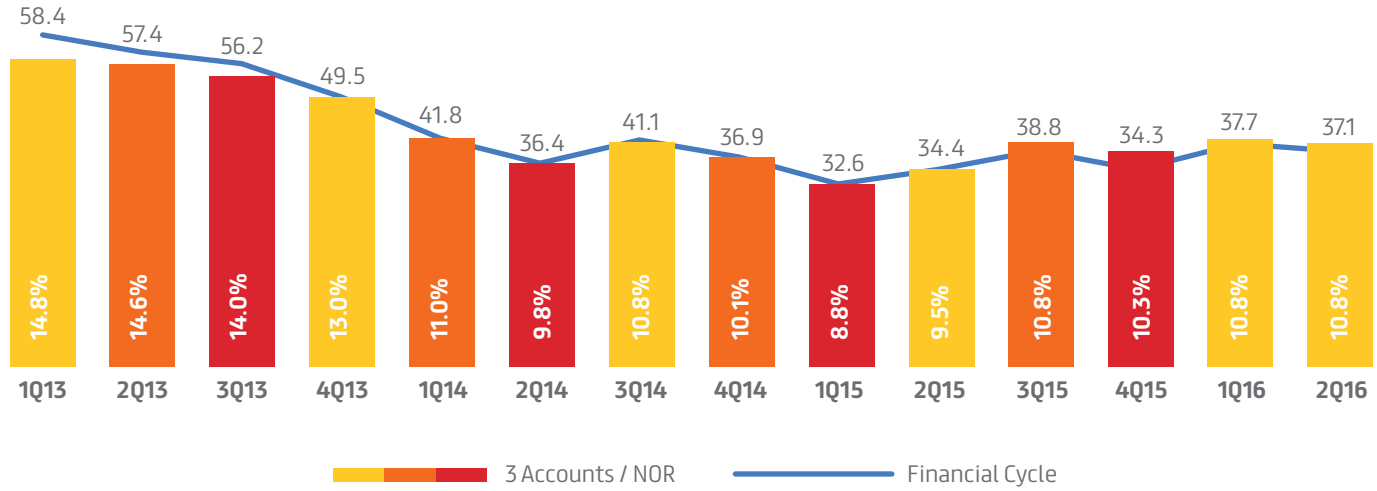
• Efficiency and Support: we continue to invest in automation, not only to achieve financial return, but also to reduce factory turnover and improve the well-being of employees. We also continue to make investments in support, as required to maintain our businesses.

FINANCIAL CYCLE

The Company's financial cycle decreased from 37.7 days in 1Q16 to 37.1 days in 2Q16 (an improvement of 0.6 day). Compared to 2Q15, the Company's financial cycle increased by 2.7 days. It is worth noting that part of this increase between years is due to the consolidation of the acquired companies (Qatar, GFS, Universal, Campo Austral, Calchaquí, and AKF), considering that their financial cycle is bigger that BRF's average financial cycle.

Moreover, as disclosed in previous quarters, our strategy to advance in the value chain, more recently with the acquisition of distribution companies in the Middle East and the United Kingdom, structurally increases our inventories and accounts receivable.

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



MANAGERIAL FREE CASH FLOW

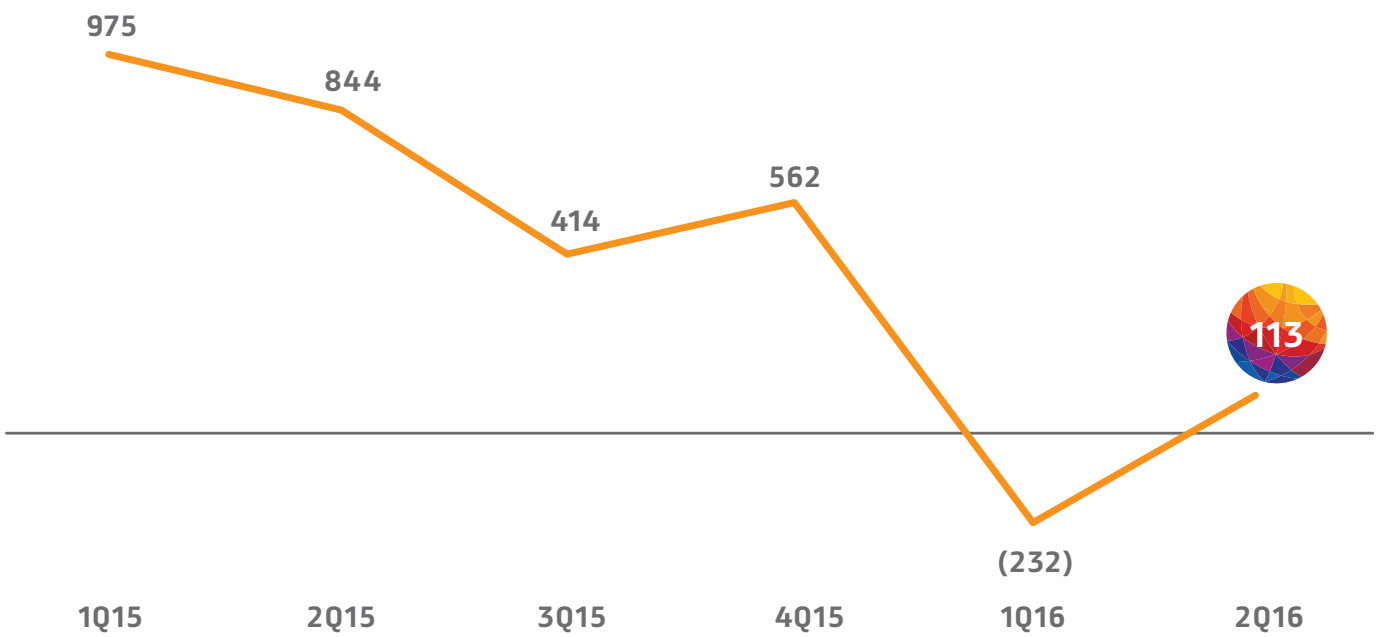
In order to provide more transparency and quality to the information disclosed, in addition to a better understanding of the Company's results to our investors and stakeholders, as of 2Q16, we will report the managerial view of the Company's Free Cash Flow. The information presented herein is derived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

The generation of operating cash flow totaled R$908 million, driven by a positive EBITDA of R$944 million and a small variation in working capital and other balance sheet items (excluding the effect of the consolidation of acquisitions). This generation was more than enough to meet Capex requirements in the quarter, which totaled R$795 million. Accordingly, the generation of cash flow after investments totaled R$113 million, showing the resilience of the Company's cash generation at different moments in the market.

This generation of cash allows us to benefit from opportunities to conduct acquisitions that add value, provide synergies, and bring us closer to our long-term vision. In 2Q16, acquisitions totaled R$599 million. Net of the sale of assets and other items, acquisitions totaled R$595 million.

In 2Q16, financial result totaled an expense of R$504 million. Adding non-cash exchange rate variations, appropriated interest, and payments we amount to a total financial expense of R$895 million in 2Q16. The negative impact of this amount on net debt was only R$53 million, considering that even though the exchange rate variation of the net debt does not imply a disbursement, it affects indebtedness in Reais. Moreover, the Company bought back shares in the net amount of R$360 million in 2Q16.

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



MANAGERIAL FREE CASH FLOW

Managerial Free Cash Flow (R$ million)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16
EBITDA	951	1,380	1,522	1,885	1,025	944
Tax Credits/Reversal of provision for contingencies	17	24	8	50	53	82
Other cash adjustments	49	42	49	(125)	(4)	(74)
EBITDA Cash	**1,016**	**1,446**	**1,579**	**1,810**	**1,074**	**951**
Δ Working Capital	399	(122)	(411)	(1)	121	81
Δ Accounts Receivable	484	(305)	(473)	(494)	946	(35)
Δ Invetories	(465)	(142)	(689)	52	(380)	(265)
Δ Suppliers	380	325	751	442	(445)	381
Others	(149)	35	(123)	(547)	(819)	(124)
Cash Flow from Operating Activities	**1,266**	**1,359**	**1,045**	**1,263**	**375**	**908**
Capex	(292)	(515)	(631)	(701)	(608)	(795)
M&A (Aquisition and Receivable from Disposals of Property, Plant and Equipment)	104	(171)	2,101	(148)	(2,088)	(595)
Cash Flow from Investing Activities	**(188)**	**(686)**	**1,471**	**(848)**	**(2,696)**	**(1,390)**
Financial Results and FX Variations	228	(603)	706	(528)	(374)	(895)
Treasury Shares Acquisition/Disposal	(1,009)	(255)	(1,137)	(1,282)	(179)	(360)
Dividends and Interest on Shareholders' Equity Paid	(463)	0	(426)	0	(663)	0
Borrowings/Payments	(504)	(956)	1,127	592	2,866	892
Cash Flow from Financing Activities	**(1,749)**	**(1,814)**	**271**	**(1,218)**	**1,650**	**(363)**
Exchange Rate Variation on Cash and Cash Equivalents	1,004	(193)	427	287	(80)	(103)
Cash Variation	**333**	**(1,335)**	**3,213**	**(517)**	**(749)**	**(948)**
Cash and cash equivalents at beginning of year*	6,815	7,148	5,813	9,026	8,509	7,760
Cash and cash equivalents at end of year*	7,148	5,813	9,026	8,509	7,760	6,811
Total Debt at beginning of year	11,847	13,378	11,764	15,975	15,846	17,905
Total Debt at end of year	13,378	11,764	15,975	15,846	17,905	17,852
Total Debt at beginning of year	(504)	(956)	1,127	592	2,866	892
Total Debt at end of year	2,035	(658)	3,084	(721)	(806)	(945)
Net Debt	**6,230**	**5,951**	**6,949**	**7,337**	**10,146**	**11,041**

*This balance includes: Cash and Cash Equivalents, Financial Investments, Other Financial Assets, and Restricted Cash.

INDEBTEDNESS

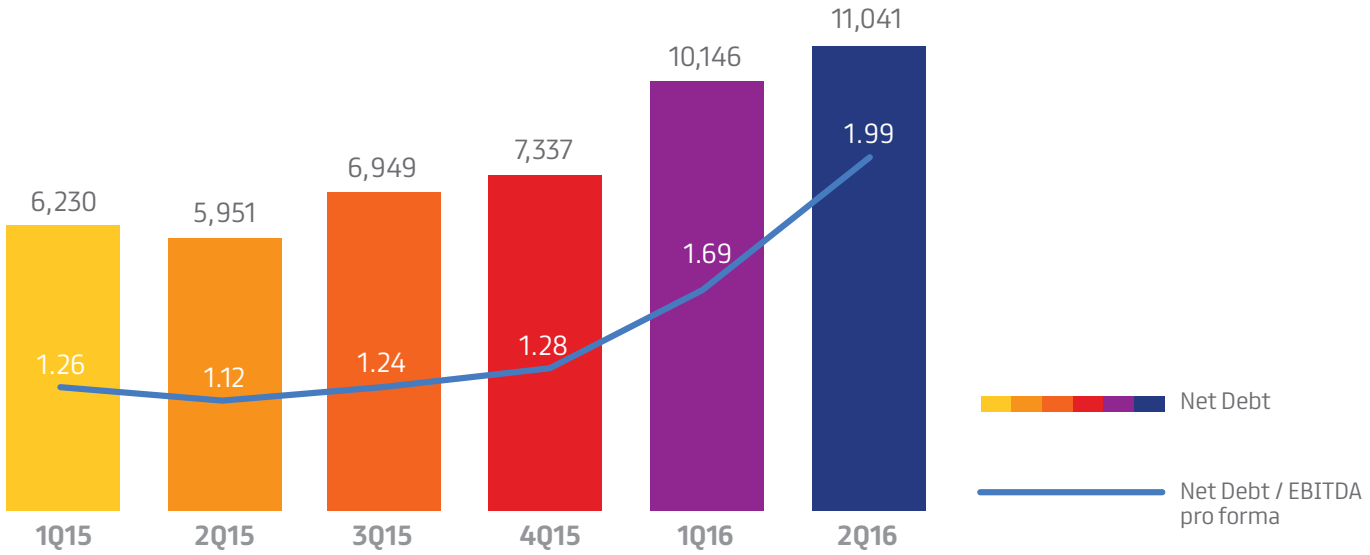
The Company's net debt totaled R$11.0 billion in 2Q16, compared to R$10.1 billion in 1Q16, primarily due to the payment of acquisitions that we made in the period, in the total amount of R$599 million (Calchaquí: R$349 million, Campo Austral: R$140 million, and AKF: R$110 million), in addition to the share buyback program, in the total amount of R$360 million. Accordingly, the Company's pro-forma net debt/EBITDA ratio (in the past 12 months) was 1.99x in 2Q16, compared to 1.69x in 1Q16. It is worth noting that this ratio takes into account the EBITDA of the past 12 months of the acquired companies.

R$ Million	06.30.2016			12.31.2015	Δ%
Debt	**Current**	**Non-Current**	**Total**	**Total**	
Local Currency	(1,550)	(5,365)	(6,915)	(3,820)	81.0%
Foreign Currency	(3,091)	(7,846)	(10,937)	(12,026)	(9.1%)
Gross Debt	**(4,640)**	**(13,212)**	**(17,852)**	**(15,846)**	**12.7%**
Cash Investments					
Local Currency	2,469	801	3,270	1,711	91.2%
Foreign Currency	3,541	0	3,541	6,799	(47.9%)
Total Cash Investments	6,011	801	6,811	8,509	(20.0%)
Net Debt	**1,370**	**(12,411)**	**(11,041)**	**(7,337)**	**50.5%**
Exchange Rate Exposure - US$ Million	-	-	(202)	(40)	409.1%

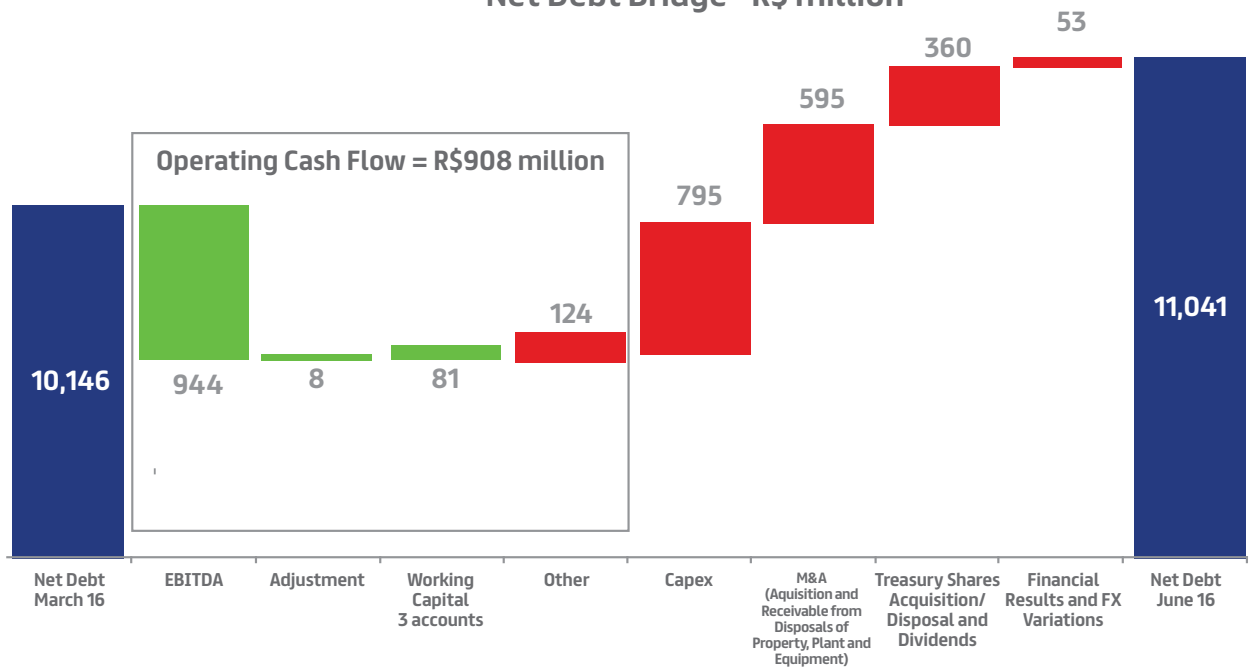
Total gross indebtedness of R$17,852 million, as set forth above, includes total financial indebtedness, plus other financial liabilities, in the amount of R$892 million, according to Note 23 of the ITR for the quarter ended June 30, 2016.

INDEBTEDNESS

Net Debt / EBITDA



Net Debt Bridge - R$ million



The column "Financial Results and FX Variations" in the graph is the sum of the line "Financial Results and FX Variations" of managerial cash flow with the effects of exchange rate variations and other non-cash affecting net debt ("Exchange Rate Variation on Cash and Cash Equivalents").

Slaughtering and Production

Production	1Q15	2Q15	1H15	1Q16	2Q16	1H16	Variation 2Q16/2Q15	Variation 1H6/1H15
Poultry Slaughter (Million Heads)	407	421	828	428	434	862	(2.9%)	(4.0%)
Hog Slaughter (Thousand Heads)	2,209	2,287	4,495	2,414	2,318	4,733	(1.4%)	(5.0%)
Cattle Slaughter (Thousand Heads)	38	38	76	38	36	75	3.5%	2.0%
Production (Thousand Tons)	1,090	1,091	2,181	1,019	1,074	2,092	1.6%	4.2%
Meats	978	961	1,940	915	953	1,868	0.9%	3.9%
Other Processed Products	112	130	241	104	121	225	7.4%	7.5%
Feed and Premix (Thousand Tons)	2,589	2,622	5,211	2,551	2,660	5,211	(1.4%)	0.0%

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, and 1 in the United Arab Emirates (Abu Dhabi); 20 distribution centers in Brazil and 21 abroad; and 25 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.

The Viva BRF culture continues to be a great symbol of belonging and engagement for our employees, especially through the FoodLovers movement. It strengthens the identity of each of our employees, turning them into activists not only of our values, but also of our pleasure in producing food.

Moreover, we are preparing for the Viva BRF Week 2016, a large event inspired by innovation culture in all its different aspects. Accordingly, the Company will give voice and freedom to all employees to express, through different talents, innovation within BRF.

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 6M16, the occupational accidents rate with leave was 0.82 compared to 2.24 in 6M15, representing a 63% 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 six-month period ended June 30, 2016, Ernst & Young Auditores Independentes S.S. was not engaged to provide services that were not related to external audit.

Pursuant to CVM Instruction No. 480/09, management, in the meeting held on July 28, 2016, represents that it discussed, reviewed, and agreed with the information expressed in the review report of independent auditors on the financial information for 2Q16.

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.

DRE

Financial Statement - R$ Million	2Q16	2Q15	y/y	1Q16	q/q
Net Operating Revenues	**8,515**	**7,913**	**7.6%**	**8,120**	**4.9%**
Cost of Sales	(6,596)	(5,388)	22.4%	(6,090)	8.3%
% of the NOR	(77.5%)	(68.1%)	(9.4) p.p.	(75.0%)	(2.5) p.p.
Gross Profit	**1,918**	**2,525**	**(24.0%)**	**2,031**	**(5.5%)**
% of the NOR	22.5%	31.9%	(9.4) p.p.	25.0%	(2.5) p.p.
Operating Expenses	**(1,372)**	**(1,269)**	**8.1%**	**(1,341)**	**2.3%**
% of the NOR	(16.1%)	(16.0%)	(0.1) p.p.	(16.5%)	0.4 p.p.
Selling Expenses	**(1,230)**	**(1,154)**	**6.6%**	**(1,208)**	**1.9%**
% of the NOR	(14.4%)	(14.6%)	0.1 p.p.	(14.9%)	0.4 p.p.
Fixed	(798)	(751)	6.2%	(769)	3.8%
Variable	(432)	(403)	7.2%	(439)	(1.5%)
General and Administrative Expenses	**(142)**	**(115)**	**23.8%**	**(134)**	**6.3%**
% of the NOR	(1.7%)	(1.5%)	(0.2) p.p.	(1.6%)	(0.0) p.p.
Honorary of our Administrators	(7)	(6)	11.4%	(8)	(0.1) p.p.
% of the NOR	(0.1%)	(0.1%)	0.0 p.p.	(0.1%)	0.0 p.p.
General and Administrative	(135)	(108)	24.6%	(126)	7.2%
% of the NOR	(1.6%)	(1.4%)	(0.2) p.p.	(1.6%)	(0.0) p.p.
Operating Income	**546**	**1,255**	**(56.5%)**	**689**	**(20.8%)**
% of the NOR	6.4%	15.9%	(9.5) p.p.	8.5%	(2.1) p.p.
Other Operating Results	**(22)**	**(189)**	(88.5%)	**(46)**	**(53.2%)**
Equity Income	**5**	**(8)**	**(154.4%)**	**12**	**(62.2%)**
EBIT	**529**	**1,058**	**(50.0%)**	**655**	**(19.3%)**
% of the NOR	6.2%	13.4%	(7.2) p.p.	8.1%	(1.9) p.p.
Net Financial Income	**(504)**	**(657)**	**(23.3%)**	**(604)**	**(16.6%)**
Income before Taxes	**25**	**401**	**(93.7%)**	**51**	**(50.6%)**
% of the NOR	0.3%	5.1%	(4.8) p.p.	0.6%	(0.3) p.p.
Income Tax and Social Contribution	(8)	(29)	(72.2%)	(9)	(14.5%)
% of Income before Taxes	(31.8%)	(7.1%)	(24.6) p.p.	(18.4%)	(13.4) p.p.
Net Income	**31**	**364**	**(91.6%)**	**39**	**(21.6%)**
% of the NOR	**0.4%**	**4.6%**	**(4.2) p.p.**	**0.5%**	**(0.1) p.p.**
EBITDA	**944**	**1,380**	**(31.6%)**	**1,025**	**(7.9%)**
% of the NOR	**11.1%**	**17.4%**	**(6.4) p.p.**	**12.6%**	**(1.5) p.p.**

BALANCE SHEET

Balance Sheet - R$ Million	06.30.16	06.30.15	12.31.15
Assets			
Current Assets			
Cash and Cash Equivalents	4,631	4,635	5,363
Financial Investments	672	589	735
Accounts Receivable	3,378	2,915	3,876
Recoverable Taxes	1,238	1,082	1,232
Dividends/Interest on shareholders' equity receivable	8	-	22
Securities Receivable	136	224	304
Inventories	4,725	3,520	4,033
Biological Assets	1,647	1,246	1,330
Other Financial Assets	526	397	129
Other Receivables	556	277	369
Anticipated expenses	319	264	409
Restricted Cash	182	-	1,346
Non-Current Assets held to sale and discontinued operation	37	2,028	32
Total Current Assets	**18,053**	**17,176**	**19,180**
Non-Current Assets			
Long-term assets	**5,272**	**3,566**	**5,095**
Cash Investments	341	66	456
Accounts Receivable	15	7	4
Judicial Deposits	829	670	732
Biological Assets	844	707	761
Securities Receivable	192	229	231
Recoverable Taxes	1,253	756	969
Deferred Taxes	1,161	754	1,256
Restricted Cash	460	127	480
Other Receivables	179	250	207
Permanent Assets	**18,229**	**15,441**	**16,113**
Investments	75	447	186
Property, Plant and Equipment	11,526	10,261	10,916
Intangible	6,628	4,734	5,011
Total Non-Current Assets	**23,502**	**19,007**	**21,208**
Total Assets	**41,555**	**36,184**	**40,388**

BALANCE SHEET

Balance Sheet - R$ Million	06.30.16	06.30.15	12.31.15
Liabilities and Equity			
Current Liabilities			
Loans and Financing	3,748	2,081	2,628
Suppliers	5,347	4,277	4,745
Supply Chain Risk	744	455	1,175
Payroll and Mandatory Social Charges	672	544	478
Taxes Payable	535	306	353
Dividends/Interest on Shareholders' Equity	439	387	518
Management and Staff Profit Sharing	10	163	296
Other Financial Liabilities	892	409	667
Provisions	275	240	231
Employee Pension Plan	67	56	67
Other Liabilities	307	287	462
Liabilities related to non-current assets held for sale and discontinued operations	-	527	-
Total Current Liabilities	**13,035**	**9,731**	**11,621**
Non-Current Liabilities			
Loans and Financing	13,212	9,274	12,551
Suppliers	182	148	155
Taxes and Social Charges Payable	26	31	26
Provision for Tax, Civil and Labor Contingencies	1,047	962	974
Deferred Taxes	176	115	188
Employee Pension Plan	251	267	232
Other Liabilities	763	858	804
Total Non-Current Liabilities	**15,658**	**11,656**	**14,931**
Total Liabilities	**28,694**	**21,386**	**26,552**
Shareholders' Equity			
Capital Stock	12,460	12,460	12,460
Capital Reserves	14	(42)	7
Profit Reserves	1,755	4,000	6,077
Other Related Results	(966)	(672)	(1,080)
Retained Profits	70	819	-
Interest on Shareholders' Equity	-	(426)	-
Transfer Reserves and Tax Incentives	(51)	(54)	-
Treasury Shares	(724)	(1,557)	(3,948)
Non-Controling Shareholders	303	269	319
Total Shareholders' Equity	**12,861**	**14,797**	**13,836**
Total Liabilities and Shareholders' Equity	**41,555**	**36,184**	**40,388**

1. COMPANY'S OPERATIONS

BRF S.A. ("BRF") and its consolidated subsidiaries (collectively the "Company") it is a multinational Brazilian company, owns a comprehensive and diverse portfolio of products, which globally acts as 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.

Since 2016, Company´s activities were 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 have presented 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 06.30.16	% 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 Cöoperatief U.A.	(h)	Holding	Argentina	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	Argentina	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 Frigorifico 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 Frigorifico 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	Thailand	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	Thailand	Indirect	Consolidated	**100.00%**	-
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%
Wellax Food Logistics C.P.A.S.U. Lda.		Import and commercialization of products	Portugal	Indirect	Consolidated	**100.00%**	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	Affiliate	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%
PR-SAD Administração de bem próprio S.A.		Management of assets	Brazil	Affiliate	Equity pick-up	**33.33%**	33.33%

Explanatory Notes
(in thousands of Brazilian Reais)

Entity		Main activity	Country	Participation	Accounting method	% equity interest 06.30.16	% equity interest 12.31.15
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%
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 started to operate as a trading in the European market as from May 1, 2013. In addition, it owns 101 direct subsidiaries in Madeira, Portugal, with an investment of R$8,070 as of March 31, 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$7,987 as of March 31, 2016 (R$8,162 as of December 31, 2015). The wholly-owned subsidiary Qualy 5201 B.V. owns 212 subsidiaries in The Netherlands being the amount of this investment of R$26,864 as of March 31, 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$141,705 as of March 31, 2016 (R$161,197 as of December 31, 2015). The indirect subsidiary Universal Meats (UK) Ltd. owns 99 direct subsidiaries in Ashford, England. The indirect subsidiary Golden Foods Siam Europe Ltd. (GFE) owns 32 direct subsidiaries in London, England. The purpose of these 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 and according to the shareholder's agreement, as well as 100% of the economic rights resulting in the consolidation of this wholly owned subsidiary.

(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 and according to the shareholder's agreement, as well as 100% of the economic rights resulting in the consolidation of this wholly owned subsidiary.

(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 and according to the shareholder's agreement, as well as 100% of the economic rights resulting in the consolidation of this wholly owned subsidiary.

1.2. 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 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) (note 6.1.3).

1.3. Business combination with Alimentos Calchaquí Productos 7 S.A. ("Calchaquí")

On March 22, 2016, BRF signed, through its wholly owned subsidiaries BRF GmbH and BRF Holland B.V., an agreement for the acquisition of the total shares issued by Calchaquí ("transaction"), a traditional Argentine entity, reference in the region´s cold cuts market, and owner of leading brands such as Calchaquí and Bocatti.

The transaction was concluded in the amount of US$104,700 (equivalent to R$364,112) (note 6.1.2).

1.4. Shares purchase agreement with Globosuínos Agropecuária S.A. ("Globosuínos")

On April 08, 2016, BRF announced to the Market that it has signed an agreement for the acquisition of the total shares of a limited company to be constituted by Globosuínos ("transaction"), which, on the transaction closing date, will hold certain assets currently held by Globosuínos.

Subject to the satisfaction of the conditions precedent set forth in the agreement, which includes the approval from the Administrative Council for Economic Defense – CADE, the parties will execute the documents providing for the acquisition in the total amount of R$20,200.

1.5. Step acquisition – Eclipse Holding Cöoperatief UA S.A. ("Eclipse")

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 (note 6.1.1).

1.6. Seasonality

In Brazil and LATAM operating segments, in November and December, 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 items which are measured at fair value:

(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 was 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, aims to provide updated information based on the last annual financial statements disclosed. Therefore, the quarterly financial information focused 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 of any nature related to 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	06.30.16	12.31.15
U.S. Dollar (US$ or USD)	**3.2098**	3.9048
Euro (€ or EUR)	**3.5414**	4.2504
Pound Sterling (£ or GBP)	**4.2511**	5.7881
Argentine Peso ($ or ARS)	**0.2148**	0.3017
Omani Riyal (OMR)	**8.3371**	10.1529
Dirham (AED)	**0.8740**	1.0631
Saudi Riyal (SAR)	**0.8564**	1.0406
Bath (THB)	**0.0913**	0.1083
Qatar Riyal (QAR)	**0.8815**	1.0725
Kwanza (AOA)	**0.0195**	0.0290

Average rates	06.30.16	06.30.15
U.S. Dollar (US$ or USD)	**3.7099**	2.9678
Euro (€ or EUR)	**4.1371**	3.3084
Pound Sterling (£ or GBP)	**5.3162**	4.5241
Argentine Peso ($ or ARS)	**0.2593**	0.3364
Omani Riyal (OMR)	**9.6437**	7.7097
Dirham (AED)	**1.0102**	0.8080
Saudi Riyal (SAR)	**0.9894**	0.7912
Bath (THB)	**0.1046**	0.0901
Qatar Riyal (QAR)	**1.0190**	0.8152
Kwanza (AOA)	**0.0231**	0.0274

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 six-month period ended June 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 June 30, 2016, the Company had financial investments over R$100,000 at the following financial institutions: Banco BNP, Banco Bradesco, Banco do Brasil, Banco Itaú, Banco Santander, Caixa Econômica Federal, Deutsche Bank and Standard Chartered.

The Company also held derivative contracts with the following financial institutions: Banco BNP, Banco Bradesco, Banco do Brasil, Banco HSBC, Banco Itaú, Banco Safra, Banco Santander, Banco Votorantim, Citibank, Deutsche Bank, Ing Bank, Merrill Lynch, Morgan Stanley 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&F 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 June 30, 2016, the long term debt portion accounted for 77.9% (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							
	06.30.16							
	Book value	Cash flow contracted	Up to 6 months	2017	2018	2019	2020	After 5 years
Non derivative financial liabilities								
Loans and financing	8,733,711	16,152,086	2,401,697	4,465,514	3,046,421	5,643,871	574,259	20,324
BRF bonds	6,716,208	11,828,692	176,686	415,817	1,377,067	338,317	338,317	9,182,488
Trade accounts payable	4,472,113	4,472,113	4,472,113	-	-	-	-	-
Supply chain finance	743,626	743,626	743,626	-	-	-	-	-
Financial lease	189,331	291,944	37,494	52,193	40,963	33,599	18,669	109,026
Operational lease	-	389,717	168,439	141,574	43,382	12,328	5,770	18,224
Derivative financial liabilities								
Financial instruments designated as cash flow hedge								
Interest rate and exchange rate derivatives	178,750	188,851	(2,226)	4,258	186,819	-	-	-
Currency derivatives (options)	35,026	19,102	19,102	-	-	-	-	-
Commodities derivatives (NDF)	3,035	74,756	74,756	-	-	-	-	-
Financial instruments not designated as cash flow hedge								
Currency derivatives (NDF)	35,381	33,920	33,920	-	-	-	-	-
Currency derivatives (Future)	2,542	2,542	2,542	-	-	-	-	-
Interest rate and exchange rate derivatives	594,861	493,949	323,267	170,502	180	-	-	-
Commodities derivatives (Future)	3,263	3,263	3,263	-	-	-	-	-

	Consolidated							
	06.30.16							
	Book value	Cash flow contracted	Up to 6 months	2017	2018	2019	2020	After 5 years
Non derivative financial liabilities								
Loans and financing	9,311,598	16,862,147	2,543,936	4,605,155	3,474,602	5,643,871	574,259	20,324
BRF bonds	6,716,208	11,828,692	176,686	415,817	1,377,067	338,317	338,317	9,182,488
BFF bonds	392,559	642,352	18,051	36,101	36,101	36,101	515,998	-
Sadia bonds	364,425	507,333	16,318	491,015	-	-	-	-
Quickfood bonds	175,047	151,041	24,842	37,019	27,413	18,954	42,813	-
Trade accounts payable	5,346,644	5,346,644	5,346,644	-	-	-	-	-
Supply chain finance	743,626	743,626	743,626	-	-	-	-	-
Financial lease	190,805	294,475	38,156	53,065	41,960	33,599	18,669	109,026
Operational lease	-	404,467	172,904	145,484	46,031	14,478	5,770	19,800
Derivative financial liabilities								
Financial instruments designated as cash flow hedge								
Interest rate and exchange rate derivatives	217,810	233,864	6,045	20,801	206,096	922	-	-
Deliverable forwards contracts	80	80	80	-	-	-	-	-
Currency derivatives (options)	35,026	19,102	19,102	-	-	-	-	-
Commodities derivatives (NDF)	3,035	74,756	74,756	-	-	-	-	-
Financial instruments not designated as cash flow hedge								
Currency derivatives (NDF)	35,584	30,899	30,899	-	-	-	-	-
Currency derivatives (Future)	2,542	2,542	2,542	-	-	-	-	-
Interest rate and exchange rate derivatives	594,861	493,949	323,267	170,502	180	-	-	-
Commodities derivatives (Future)	3,263	3,263	3,263	-	-	-	-	-

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, inorder 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	
	06.30.16	12.31.15
	Total exposure	
Cash and cash equivalents and marketable securities	**3,015,506**	5,322,907
Trade accounts receivable	**2,114,942**	2,146,020
Accounts receivable from subsidiaries (unconsolidated)	**110,250**	250,766
Restricted cash	**124,180**	1,346,274
Future dollar agreements	**272,833**	741,912
Dollar purchase agreement (Regular Hedge)	**642,960**	-
Inventories	**-**	246
Exchange rate contracts (Swap)	**2,426,720**	968,780
Loans and financing	**(10,044,903)**	(11,359,658)
Bonds designated as cash flow hedge	**962,940**	1,171,440
Export prepayments designated as cash flow hedge	**962,940**	1,171,440
Trade accounts payable	**(1,566,610)**	(1,496,833)
Supply chain finance	**(418,319)**	(488,997)
Other assets and liabilities, net	**165,626**	(232,146)
	(1,230,935)	(457,849)
Foreign exchange exposure (in US$) liabilities	**(383,493)**	(117,253)
Foreign exchange exposure impacting the statement of income (in US$) liabilities	**(202,439)**	(39,776)
Foreign exchange exposure included in other comprehensive income (in US$) liabiities	**(181,054)**	(77,477)
Foreign exchange exposure (in US$) liabilities	**(383,493)**	(117,253)

The Company's net foreign exchange exposure as of June 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			
			06.30.16	12.31.15
	Current	Non-current	Total	Total
Foreign currency debt	**(2,198,752)**	**(7,846,151)**	**(10,044,903)**	(11,359,658)
Local currency debt	**(1,549,513)**	**(5,365,421)**	**(6,914,934)**	(3,819,625)
Other financial liabilities	**(892,201)**	**-**	**(892,201)**	(666,602)
Gross debt	**(4,640,466)**	**(13,211,572)**	**(17,852,038)**	(15,845,885)
Marketable securities and cash and cash equivalents	**5,302,723**	**340,711**	**5,643,434**	6,553,639
Other financial assets	**525,763**	**-**	**525,763**	129,387
Restricted cash	**182,180**	**459,898**	**642,078**	1,826,102
Net debt	**1,370,200**	**(12,410,963)**	**(11,040,763)**	(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		
				06.30.16		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$	-	-	44,000	(17,858)
NDF - Euro sale	Currency	EUR	33,000	10,856	31,800	(5,457)
NDF - Pound Sterling sale	Currency	GBP	-	-	11,000	(1,566)
NDF - Iene sale	Currency	JPY	-	-	6,799,981	(39,569)
Currency swap - US$	Currency	BRL	250,000	(154,445)	250,000	(248,456)
Interest rate swap - US$	Interest	US$	200,000	(24,305)	200,000	(31,829)
Fixed exchange rate - US$	Currency	US$	76,000	69,969	201,000	(33,765)
Options (Collar) - US$	Currency	US$	932,000	356,669	1,227,000	(124,469)
Options (Collar) - Euro	Currency	EUR	67,000	25,135	31,000	3,500
NDF - Corn purchase	Commodities	Ton/US$	123,172	(1,376)	633,565	(11,729)
Total in Parent company				282,503		(511,198)
Interest rate swap - US$	Interest	US$	200,000	(39,060)	200,000	(46,365)
Fixed exchange rate - US$	Currency	US$	10,397	(32)	-	-
Fixed exchange rate - Euro	Currency	EUR	3,308	63	-	-
Fixed exchange rate - Pound Sterling	Currency	GBP	7,592	3,265	-	-
Total Consolidated				246,739		(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	(35,381)	50,000	(2,350)
Currency swap - US$	Currency	US$	650,548	(567,191)	250,000	(977)
Currency swap - Euro	Currency	EUR	27,500	(27,536)	-	-
Interest rate - R$	Interest	BRL	50,000	(134)	50,000	(2,341)
NDF - Corn purchase	Commodities	Ton/US$	309,574	20,502	54,780	2,183
Future - BM&FBovespa	Currency	US$	85,000	(2,542)	190,000	14,641
Future - BM&FBovespa	Commodities	Ton/US$	215	(3,263)	-	-
Total in Parent company				(615,545)		10,004
NDF - Purchase of Euro	Currency	EUR	50,000	(203)	150,000	1,294
NDF - Pound Sterling sale	Currency	GBP	15,000	2,434	20,000	1,066
NDF - Argentine Peso sale	Currency	US$	5,000	137	10,000	7,984
Total Consolidated				(613,177)		20,348
Total in Parent company				(333,042)		(501,194)
Total Consolidated				(366,438)		(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		
			06.30.16
PUT			R$ x EUR
Maturities	Notional (EUR)	Average rate	Fair value
Financial instruments designated as cash flow hedge			
July 2016	13,000	4.0851	6,622
August 2016	20,000	3.8348	4,234
	33,000	**3.9334**	**10,856**

PUT			US$ x GBP			ARS x US$
Maturities	Notional (GBP)	Average rate	Fair value	Notional (US$)	Average rate	Fair value
Financial instruments not designated as cash flow hedge						
August 2016	-	-	-	5,000	14.2000	137
September 2016	15,000	1.3753	2,434	-	-	-
	15,000	**1.3753**	**2,434**	**5,000**	**14.2000**	**137**

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						
September 2016	200,000	3.4808	(35,381)	50,000	1.1119	(203)
	200,000	**3.4808**	**(35,381)**	**50,000**	**1.1119**	**(203)**

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		
			06.30.16
Call	Quantity	Average rate	Fair
Maturities	Ton	US$/Ton	value
Designated as hedge accounting			
August 2016	59,172	157.44	20
September 2016	17,000	150.15	(218)
October 2016	42,000	153.71	(1,018)
November 2016	5,000	156.13	(160)
	123,172	**155.11**	**(1,376)**

PUT Maturities	Quantity Ton	Average rate US$/Ton	Fair value
Not designated as hedge accounting			
August 2016	239,574	168.44	18,874
September 2016	70,000	153.40	1,628
	309,574	**165.04**	**20,502**

b. Interest rate and currency swaps

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

				Parent company		Consolidated	
						06.30.16	
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**	**(10,745)**	**100,000**	**(10,745)**
Interest rate	06.18.18	LIBOR 3M + 2.60% p.a.	5.47% p.a.	**100,000**	**(13,560)**	**100,000**	**(13,560)**
Interest rate	02.01.19	LIBOR 6M + 2.70% p.a.	5.90% p.a.	**-**	**-**	**100,000**	**(19,612)**
Interest rate	02.01.19	LIBOR 6M + 2.70% p.a.	5.88% p.a.	**-**	**-**	**100,000**	**(19,448)**
					(24,305)		**(63,365)**
Currency swap	05.22.18	R$ + 7.75%	US$ + 1.60%	**250,000**	**(154,445)**	**250,000**	**(154,445)**
					(178,750)		**(217,810)**
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**	**(134)**	**50,000**	**(134)**
Currency swap	10.28.16	US$ + 1,76 % p.a	86,60% CDI	**100,000**	**(112,848)**	**100,000**	**(112,848)**
Currency swap	11.23.16	US$ + 2,37 % p.a	91,00% CDI	**50,000**	**(53,212)**	**50,000**	**(53,212)**
Currency swap	12.02.16	US$ + L3M + 0,90 % p.a	85,95% CDI	**50,000**	**(33,575)**	**50,000**	**(33,575)**
Currency swap	12.16.16	US$ + L3M + 1,10 % p.a	88,95% CDI	**50,000**	**(33,748)**	**50,000**	**(33,748)**
Currency swap	12.23.16	US$ + 2,41 % p.a	90,50% CDI	**50,000**	**(43,411)**	**50,000**	**(43,411)**
Currency swap	12.29.16	US$ + 2,43% p.a.	90,80% CDI	**50,000**	**(47,389)**	**50,000**	**(47,389)**
Currency swap	02.16.17	US$ + 2,30% p.a.	92,80% CDI	**50,000**	**(46,452)**	**50,000**	**(46,452)**
Currency swap	03.03.17	US$ + 2,70% p.a.	94,35% CDI	**14,000**	**(7,493)**	**14,000**	**(7,493)**
Currency swap	05.22.17	US$	72,20% CDI	**54,438**	**(42,921)**	**54,438**	**(42,921)**
Currency swap	05.22.17	US$	73,76% CDI	**29,625**	**(24,233)**	**29,625**	**(24,233)**
Currency swap	05.24.17	US$	70,75% CDI	**124,388**	**(97,657)**	**124,388**	**(97,657)**
Currency swap	06.06.17	US$	73,00% CDI	**15,234**	**(12,334)**	**15,234**	**(12,334)**
Currency swap	07.28.17	US$	72,30% CDI	**12,863**	**(11,918)**	**12,863**	**(11,918)**
					(567,191)		**(567,191)**
Currency swap	06.05.17	EURO	83,03% CDI	**27,500**	**(27,536)**	**27,500**	**(27,536)**
					(27,536)		**(27,536)**
					(594,861)		**(594,861)**

c. Fixed exchange rate

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

												06.30.16
			R$ x US$			THB x US$			THB x EUR			THB x GBP
Maturities	Notional US$	Average US$	Fair value	Notional US$	Average US$	Fair value	Notional EUR	Average EUR	Fair value	Notional GBP	Average GBP	Fair value
Designated as hedge accounting												
July 2016	19,000	4.1867	18,252	-	-	-	-	-	-	-	-	-
August 2016	57,000	4.1688	51,717	-	-	-	-	-	-	-	-	-
October 2016	-	-	-	-	-	-	-	-	-	2,310	55.1328	1,631
December 2016	-	-	-	10,280	35.3088	(30)	-	-	-	4,486	51.0185	1,438
March 2017	-	-	-	107	35.2027	(2)	1,528	39.2700	(44)	796	50.3800	196
April 2017	-	-	-	-	-	-	1,780	40.3100	107	-	-	-
	76,000	**4.1733**	**69,969**	**10,387**	**35.3077**	**(32)**	**3,308**	**39.8296**	**63**	**7,592**	**52.2034**	**3,265**

			03.31.16
			THB x US$
Maturities	Notional US$	Average US$	Fair value
Not designated as hedge accounting			
June 2016	10	35.3350	-
	10	**35.3350**	**-**

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	
			06.30.16	
			R$ x US$	
Type	Maturities	Notional (US$)	Average US$	Fair value
Financial instruments designated as cash flow hedge				
Collar - Call (Sale)	July 2016	(229,000)	4.0636	(36)
Collar - Put (Purchase)	July 2016	229,000	3.6547	97,118
Collar - Call (Sale)	August 2016	(209,000)	4.0701	(891)
Collar - Put (Purchase)	August 2016	209,000	3.6143	75,881
Collar - Call (Sale)	September 2016	(199,000)	4.2014	(4,413)
Collar - Put (Purchase)	September 2016	199,000	3.6355	71,352
Collar - Call (Sale)	October 2016	(115,000)	4.4232	(910)
Collar - Put (Purchase)	October 2016	115,000	3.7383	49,995
Collar - Call (Sale)	November 2016	(95,000)	4.5422	(1,115)
Collar - Put (Purchase)	November 2016	95,000	3.7116	37,517
Collar - Call (Sale)	December 2016	(65,000)	4.7255	(888)
Collar - Put (Purchase)	December 2016	65,000	3.8154	30,774
Collar - Call (Sale)	January 2017	(10,000)	3.7680	(681)
Collar - Put (Purchase)	January 2017	10,000	3.4400	1,863
Collar - Call (Sale)	February 2017	(10,000)	3.8650	(695)
Collar - Put (Purchase)	February 2017	10,000	3.4350	1,798
				356,669

			Parent company and Consolidated	
			06.30.16	
			R$ x EUR	
Type	Maturities	Notional (EUR)	Average EUR	Fair value
Financial instruments designated as cash flow hedge				
Collar - Call (Sale)	July 2016	(37,000)	4.3804	(1)
Collar - Put (Purchase)	July 2016	37,000	4.0108	15,641
Collar - Call (Sale)	August 2016	(20,000)	4.4100	(15)
Collar - Put (Purchase)	August 2016	20,000	4.0000	7,763
Collar - Call (Sale)	January 2017	(10,000)	4.5350	(452)
Collar - Put (Purchase)	January 2017	10,000	3.8600	2,199
				25,135

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			
			06.30.16		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	962,940	300,000	1,171,440
Senior unsecured notes - Bonds	Exchange	USD	300,000	962,940	300,000	1,171,440
			600,000	1,925,880	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		
					06.30.16
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	962,940

b. Senior unsecured notes – Bonds

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

			Parent company and Consolidated		
					06.30.16
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	481,470
BRF SA BRFSBZ3	US$ (E.R.)	05.2023	150,000	2.0387	481,470
			300,000	2.0300	962,940

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	
	06.30.16	12.31.15	06.30.16	12.31.15
Derivatives designated as cash flow hedges				
Foreign exchange risks	**388,332**	(420,649)	**391,629**	(420,649)
Interest risks	**(21,375)**	(27,725)	**(54,882)**	(66,597)
Commodity risks	**13,838**	3,604	**13,838**	3,604
	380,795	(444,770)	**350,585**	(483,642)
Non derivatives designated as cash flow hedges				
Foreign exchange risks	**(783,000)**	(1,200,000)	**(783,000)**	(1,200,000)
Gross losses	**(402,205)**	(1,644,770)	**(432,415)**	(1,683,642)
Deferred taxes on losses	**136,750**	560,446	**136,091**	560,446
OCI recognized by subsidiaries	**(30,869)**	(38,872)	**-**	-
Losses, net of taxes	**(296,324)**	(1,123,196)	**(296,324)**	(1,123,196)
Change in gross losses	**1,242,565**	(1,015,188)	**1,251,227**	(1,020,832)
Income taxes on financial instruments adjustments	**(423,696)**	346,388	**(424,355)**	346,388
OCI recognized by subsidiaries	**8,003**	(5,644)	**-**	-
Impact in other comprehensive income	**826,872**	(674,444)	**826,872**	(674,444)

On June 30, 2016, the realized transactions with derivative and non-derivative financial instruments designated as cash flow hedge resulted in a gain of R$168,933 (loss of R$155,576 as of June 30, 2015), composed by a net gain amounting to R$158,890 (loss of R$139,024 as of June 30, 2015) recorded as gross revenues and a net gain of R$10,043 (loss of R$16,552 as of June 30, 2015) recorded in the financial result.

4.4. Breakdown of financial instruments by category – except derivatives

	Parent company					
	06.30.16					
	Loans and receivables	Available for sale	Trading securities	Held to maturity	Financial liabilities	Total
Assets						
Amortized cost						
Marketable securities	**-**	**-**	**-**	**75,071**	**-**	**75,071**
Restricted cash	**-**	**-**	**-**	**517,898**	**-**	**517,898**
Trade accounts receivable	**5,995,956**	**-**	**-**	**-**	**-**	**5,995,956**
Other credits	**314,303**	**-**	**-**	**-**	**-**	**314,303**
Other receivables	**133,354**	**-**	**-**	**-**	**-**	**133,354**
Fair value						
Marketable securities	**-**	**265,640**	**297,884**	**-**	**-**	**563,524**
Liabilities						
Amortized cost						
Trade accounts payable	**-**	**-**	**-**	**-**	**(4,472,113)**	**(4,472,113)**
Supply chain finance	**-**	**-**	**-**	**-**	**(743,626)**	**(743,626)**
Loans and financing						
Local currency	**-**	**-**	**-**	**-**	**(6,914,934)**	**(6,914,934)**
Foreign currency	**-**	**-**	**-**	**-**	**(8,534,985)**	**(8,534,985)**
Capital lease payable	**-**	**-**	**-**	**-**	**(189,331)**	**(189,331)**
	6,443,613	**265,640**	**297,884**	**592,969**	**(20,854,989)**	**(13,254,883)**

Explanatory Notes
(in thousands of Brazilian Reais)

	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					
						06.30.16
	Loans and receivables	**Available for sale**	**Trading securities**	**Held to maturity**	**Financial liabilities**	**Total**
Assets						
Amortized cost						
Marketable securities	**-**	**-**	**-**	**75,071**	**-**	**75,071**
Restricted cash	**-**	**-**	**124,180**	**517,898**	**-**	**642,078**
Trade accounts receivable	**3,392,646**	**-**	**-**	**-**	**-**	**3,392,646**
Other credits	**327,862**	**-**	**-**	**-**	**-**	**327,862**
Other receivables	**133,354**	**-**	**-**	**-**	**-**	**133,354**
Fair value						
Marketable securities	**-**	**574,052**	**363,402**	**-**	**-**	**937,454**
Liabilities						
Amortized cost						
Trade accounts payable	**-**	**-**	**-**	**-**	**(5,346,644)**	**(5,346,644)**
Supply chain finance	**-**	**-**	**-**	**-**	**(743,626)**	**(743,626)**
Loans and financing						
Local currency	**-**	**-**	**-**	**-**	**(6,914,934)**	**(6,914,934)**
Foreign currency	**-**	**-**	**-**	**-**	**(10,044,903)**	**(10,044,903)**
Capital lease payable	**-**	**-**	**-**	**-**	**(190,805)**	**(190,805)**
	3,853,862	**574,052**	**487,582**	**592,969**	**(23,240,912)**	**(17,732,447)**

	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 three 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 six-month period ended June 30, 2016, there were no changes between the 3 levels of hierarchy.

	Parent company			
	06.30.16			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets				
Stocks	**265,640**	**-**	**-**	**265,640**
Held for trading				
Bank deposit certificates	**-**	**45,368**	**-**	**45,368**
Financial treasury bills	**252,516**	**-**	**-**	**252,516**
Other financial assets				
Derivatives designated as hedge accounting	**-**	**499,314**	**-**	**499,314**
Derivatives not designated as hedge accounting	**-**	**20,502**	**-**	**20,502**
	518,156	**565,184**	**-**	**1,083,340**
Liabilities				
Financial liabilities				
Other financial liabilities				
Derivatives designated as hedge accounting	**-**	**(216,811)**	**-**	**(216,811)**
Derivatives not designated as hedge accounting	**-**	**(636,047)**	**-**	**(636,047)**
	-	**(852,858)**	**-**	**(852,858)**

	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			
	06.30.16			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets				
Available for sale				
Credit linked notes	**252,073**	**-**	**-**	**252,073**
Brazilian foreign debt securities	**56,339**	**-**	**-**	**56,339**
Stocks	**265,640**	**-**	**-**	**265,640**
Held for trading				
Bank deposit certificates	**-**	**45,368**	**-**	**45,368**
Financial treasury bills	**252,516**	**-**	**-**	**252,516**
Investment funds	**65,518**	**-**	**-**	**65,518**
Other financial assets				
Derivatives designed as hedge accounting	**-**	**502,690**	**-**	**502,690**
Derivatives not designated as hedge accounting	**-**	**23,073**	**-**	**23,073**
	892,086	**571,131**	**-**	**1,463,217**
Liabilities				
Financial liabilities				
Other financial liabilities				
Derivatives designed as hedge accounting	**-**	**(255,951)**	**-**	**(255,951)**
Derivatives not designated as hedge accounting	**-**	**(636,250)**	**-**	**(636,250)**
	-	**(892,201)**	**-**	**(892,201)**

	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			
		06.30.16		12.31.15	
	Maturity	Book value	Fair value	Book value	Fair value
BRF bonds					
BRF SA BRFSBZ5	2022	**(535,429)**	**(595,249)**	(656,068)	(695,203)
BRF SA BRFSBZ4	2024	**(2,384,737)**	**(2,436,277)**	(2,906,435)	(2,718,636)
BRF SA BRFSBZ3	2023	**(1,537,935)**	**(1,576,002)**	(1,881,569)	(1,781,229)
BRF SA BRFSBZ7	2018	**(502,495)**	**(459,988)**	(502,061)	(427,016)
BRF SA BRFSBZ2	2022	**(1,755,612)**	**(1,750,121)**	(2,139,463)	(1,990,770)
Parent company		**(6,716,208)**	**(6,817,637)**	(8,085,596)	(7,612,854)
BFF bonds					
Sadia Overseas BRFSBZ7	2020	**(392,559)**	**(431,854)**	(475,299)	(499,662)
Sadia bonds					
Sadia Overseas BRFSBZ6	2017	**(364,425)**	**(374,139)**	(443,332)	(461,999)
Quickfood bonds					
Quickfood	2016	**(175,047)**	**(175,047)**	(285,709)	(285,709)
Consolidated		**(7,648,239)**	**(7,798,677)**	(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 June 30, 2016. Future results to be measured may differ significantly from those estimates amounts, if the reality becomes different from the assumptions used.

Explanatory Notes
(in thousands of Brazilian Reais)

Parity - Brazilian Reais x U.S. Dollar		3.2098	2.8888	2.4074	4.0123	4.8147
Transaction/Instrument	Risk	Current Scenario	Scenario I 10% appreciation	Scenario II 25% appreciation	Scenario III 25% devaluation	Scenario IV 50% devaluation
Financial instruments designated as hedge accouting						
Fixed exchange rate	Devaluation of R$	73,223	97,617	134,209	12,237	(48,750)
Options - currencies	Devaluation of R$	423,486	722,640	1,171,370	-	546,337
Export prepayments	Devaluation of R$	(429,060)	(332,766)	(188,325)	(669,795)	(910,530)
Bonds	Devaluation of R$	(353,940)	(257,646)	(113,205)	(594,675)	(835,410)
Swaps	Devaluation of R$	(145,705)	(106,134)	(46,779)	(244,631)	(343,557)
Exports	Appreciation of R$	(437,117)	(774,039)	(1,279,423)	80,791	(371,123)
Financial instruments not designated as hedge accouting						
NDF - Purchase	Appreciation of R$	(54,195)	(118,391)	(214,685)	106,295	266,785
Dollar Future sales - BM&FBovespa	Devaluation of R$	-	27,283	68,208	(68,208)	(136,417)
Net effect		**(923,308)**	**(741,436)**	**(468,630)**	**(1,377,986)**	**(1,832,665)**
Shareholders' equity		(928,705)	(696,546)	(348,309)	(1,509,101)	(2,089,497)
Statement of income		5,397	(44,890)	(120,321)	131,115	256,832

Parity - Brazilian Reais x Euro		3.5414	3.1873	2.6561	4.4268	5.3121
Transaction/Instrument	Risk	Current Scenario	Scenario I 10% appreciation	Scenario II 25% appreciation	Scenario III 25% devaluation	Scenario IV 50% devaluation
Financial instruments designated as hedge accouting						
Non-deliverable forward	Devaluation of R$	12,936	24,622	42,152	(16,281)	(45,497)
Currency options	Devaluation of R$	29,726	53,454	89,045	967	60,286
Exports	Appreciation of R$	(42,662)	(78,076)	(131,197)	15,314	(14,789)
Financial instruments not designated as hedge accouting						
Non-deliverable forward	Devaluation of R$	(1,380)	(19,087)	(45,647)	42,887	87,154
Net effect		**(1,380)**	**(19,087)**	**(45,647)**	**42,887**	**87,154**
Shareholders' equity		-	-	-	-	-
Statement of income		(1,380)	(19,087)	(45,647)	42,887	87,154

Parity - Brazilian Reais x GBP		4.2511	3.8260	3.1883	5.3139	6.3767
Transaction/Instrument	Risk	Current Scenario	Scenario I 10% appreciation	Scenario II 25% appreciation	Scenario III 25% devaluation	Scenario IV 50% devaluation
Financial instruments not designated as hedge accouting						
Non-deliverable forward and Deliverable forward (hedge accouting)	Devaluation of R$	(2,448)	(8,825)	(18,390)	13,493	29,435
Net effect		**(2,448)**	**(8,825)**	**(18,390)**	**13,493**	**29,435**
Statement of income		(2,448)	(8,825)	(18,390)	13,493	29,435

Price parity CBOT - US$/Ton		145.70	131.13	109.27	182.12	218.55
Transaction/Instrument	Risk	Current Scenario	Scenario I Decrease 10%	Scenario II Decrease 25%	Scenario III Increase 25%	Scenario IV Increase 50%
Designated as hedge accounting						
Non-deliverable forward	Increase in the price of corn	(2,183)	(5,933)	(11,557)	7,190	16,563
Not designated as hedge accounting						
NDF - Corn purchase	Increase in the price of corn	19,216	33,693	55,410	(16,978)	(53,172)
Net effect		**17,033**	**27,760**	**43,853**	**(9,788)**	**(36,609)**
Shareholders' equity		(2,183)	(5,933)	(11,557)	7,190	16,563
Statement of income		19,216	33,693	55,410	(16,978)	(53,172)

5. SEGMENT INFORMATION

The operating segments are reported consistently with the management reports provided to the main makers of strategic and operational decisions 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 seven 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 June 30, 2015 was prepared in order to be comparable to the information as of June 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	**06.30.16**	06.30.15
Brazil		
In-natura	**1,475,155**	1,480,327
Poultry	**1,112,266**	1,087,699
Pork and other	**362,889**	392,628
Processed	**5,585,176**	5,898,598
Other sales	**46,024**	10,477
	7,106,355	7,389,402
Europe		
In-natura	**902,730**	617,132
Poultry	**521,302**	293,849
Pork and other	**381,428**	323,283
Processed	**1,074,546**	851,224
	1,977,276	1,468,356
MENA		
In-natura	**2,865,468**	2,736,065
Poultry	**2,845,322**	2,721,833
Pork and other	**20,146**	14,232
Processed	**318,274**	186,335
Other sales	**2**	47
	3,183,744	2,922,447
Africa		
In-natura	**297,368**	263,897
Poultry	**241,911**	214,981
Pork and other	**55,457**	48,916
Processed	**77,944**	64,823
	375,312	328,720
Asia		
In-natura	**2,005,289**	1,604,924
Poultry	**1,734,689**	1,449,379
Pork and other	**270,600**	155,545
Processed	**243,694**	38,387
Other sales	**83,229**	-
	2,332,212	1,643,311
LATAM		
In-natura	**317,459**	302,714
Poultry	**261,650**	175,654
Pork and other	**55,809**	127,060
Processed	**623,119**	521,000
Other sales	**7,947**	27,255
	948,525	850,969
Other segments	**711,474**	357,671
	16,634,898	14,960,876

Explanatory Notes
(in thousands of Brazilian Reais)

The operating income for each operating segment is presented below:

	Consolidated	
	06.30.16	06.30.15
Brazil	**536,330**	781,863
Europe	**70,425**	208,771
MENA	**259,732**	475,586
Africa	**27,904**	49,480
Asia	**273,449**	418,962
LATAM	**34,891**	11,233
Other segments	**45,757**	17,363
Sub total	**1,248,488**	1,963,258
Corporate	(64,686)	(264,537)
	1,183,802	1,698,721

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 period ended in June 30, 2015 the main events were: R$86,467 of equity pick-up of Minerva, R$83,632 of tax contingencies losses and R$41,657 of losses with the strike led by truck drivers.

No customer was individually or in aggregate responsible for more than 5% of net sales for the year ended June 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	
	06.30.16	12.31.15	**06.30.16**	12.31.15	**06.30.16**	12.31.15
Brazil	**1,151,498**	1,151,498	**982,478**	982,478	**2,133,976**	2,133,976
Europe	**681,285**	481,658	**20,140**	20,149	**701,425**	501,807
MENA	**1,405,846**	834,368	**170,407**	170,407	**1,576,253**	1,004,775
Asia	**749,947**	78,270	**-**	-	**749,947**	78,270
LATAM	**612,913**	232,308	**141,670**	198,984	**754,583**	431,292
	4,601,489	2,778,102	**1,314,695**	1,372,018	**5,916,184**	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 Company's Management, which take investment decisions and determine allocation of assets on a consolidated basis.

6. BUSINESS COMBINATION

6.1. Business combination

6.1.1. 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. The amount should be further adjusted according to certain conditions set out in the agreement.

On the same date, the amount of US$34,500 was deposited in an escrow account, which will be released to the seller in the second step of the transaction, when BRF will acquire the remaining part of the equity interest, limited to conclude until December 29, 2016.

A preliminary goodwill of R$143,106 was identified in the transaction.

In order to attend the requirements of CVM Deliberation 665/11, BRF will prepare a fair value report of the acquired assets and assumed liabilities in order to allocate the purchase price.

6.1.2. 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 entity, reference 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 in the amount of 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$345,966 was identified in the transaction.

In order to attend the requirements of CVM Deliberation 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.

6.1.3. 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 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)

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 was measured at fair value generating a gain of R$58,812 recorded as other operating income.

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

Cash - consideration 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**
Acquired net assets	**56,079**
Preliminary goodwill	171,049

In order to attend the requirements of CVM Deliberation 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.

7. CASH AND CASH EQUIVALENTS

	Average rate (p.a.)	Parent company 06.30.16	Parent company 12.31.15	Consolidated 06.30.16	Consolidated 12.31.15
Cash and bank accounts					
U.S. Dollar	-	**3,412**	33,523	**592,628**	665,550
Brazilian Reais	-	**85,373**	65,212	**95,297**	65,302
Euro	-	**22,964**	76,681	**386,508**	556,440
Other currencies	-	**5,640**	11,615	**343,593**	330,855
		117,389	187,031	**1,418,026**	1,618,147
Cash equivalents					
In Brazilian Reais					
Investment funds	13.93%	**18,052**	14,553	**18,052**	14,553
Savings account	5.65%	**2,606**	10,990	**2,606**	10,990
Bank deposit certificates	14.18%	**1,788,572**	449,716	**1,873,378**	486,042
		1,809,230	475,259	**1,894,036**	511,585
In U.S. Dollar					
Term deposit	1.51%	**-**	172,899	**1,083,301**	2,785,926
Overnight	0.16%	**416**	9,896	**196,169**	430,492
Other currencies					
Term deposit	5.30%	**-**	-	**39,377**	16,740
		416	182,795	**1,318,847**	3,233,158
		1,927,035	845,085	**4,630,909**	5,362,890

8. MARKETABLE SECURITIES

	WATM (1)	Currency	Average interest rate (p.a.)	Parent company 06.30.16	Parent company 12.31.15	Consolidated 06.30.16	Consolidated 12.31.15
Available for sale							
Credit linked note (a)	3.89	US$	3.98%	**-**	-	**252,073**	293,282
Brazilian foreign debt securities (b)	1.84	US$	2.98%	**-**	-	**56,339**	65,867
Stocks (f)	-	R$	-	**265,640**	385,700	**265,640**	385,700
				265,640	385,700	**574,052**	744,849
Held for trading							
Bank deposit certificates ("CDB") (d)	4.91	R$	13.96%	**45,368**	42,545	**45,368**	42,545
Financial treasury bills (e)	4.13	R$	14.15%	**252,516**	155,262	**252,516**	155,262
Investment funds (c)	1.00	ARS	19.00%	**-**	-	**65,518**	177,755
				297,884	197,807	**363,402**	375,562
Held to maturity							
Financial treasury bills (e)	1.31	R$	14.15%	**75,071**	70,338	**75,071**	70,338
				638,595	653,845	**1,012,525**	1,190,749
Current				**297,884**	197,807	**671,814**	734,711
Non-current				**340,711**	456,038	**340,711**	456,038

(1) Weighted average maturity in years.
(2) Maturity within up to September 07, 2017.

(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 pre and post-fixed rates.

(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 100% of the Interbank Deposit Certificate ("CDI").

(e) Financial Treasury Bills ("LFT") are remunerated at the rate of the Special System for Settlement and Custody ("SELIC").

(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$73,052 net of income tax of R$38,025 as of June 30, 2016 (loss of R$8,466 net of income tax of R$1,987 as of December 31, 2015).

Additionally, on June 30, 2016, of the total of marketable securities, R$61,534 (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$517,898 in the parent company and R$642,078 in the consolidated on June 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	
	06.30.16	12.31.15	**06.30.16**	12.31.15
Trade accounts receivable, net				
Domestic customers	**1,581,165**	1,925,827	**1,581,165**	1,925,827
Domestic related parties	**1,666**	3,015	**1,666**	3,015
Foreign customers	**355,440**	419,153	**2,114,942**	2,146,020
Foreign related parties	**4,443,369**	3,030,221	**110,250**	250,766
	6,381,640	5,378,216	**3,808,023**	4,325,628
(-) Adjustment to present value	**(9,573)**	(13,232)	**(9,573)**	(13,232)
(-) Allowance for doubtful accounts	**(376,111)**	(412,106)	**(405,804)**	(431,955)
	5,995,956	4,952,878	**3,392,646**	3,880,441
Current	**5,981,071**	4,948,745	**3,377,761**	3,876,308
Non-current	**14,885**	4,133	**14,885**	4,133
Credit notes	**346,516**	544,951	**360,075**	569,842
(-) Adjustment to present value	**(314)**	(2,982)	**(314)**	(2,982)
(-) Allowance for doubtful accounts	**(31,899)**	(32,363)	**(31,899)**	(32,363)
	314,303	509,606	**327,862**	534,497
Current	**126,572**	281,516	**136,137**	303,716
Non-current [(1)]	**187,731**	228,090	**191,725**	230,781

(1) Weighted average maturity of 3.18 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$1,096,267 of the second issue as disclosed in note 20.1.

On June 30, 2016, notes receivable are comprised mainly by receivables from the (i) sale of Ana Rech assets to JBS, of R$76,882 and (ii) disposal of various other assets and farms, R$231,466.

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	
	06.30.16	12.31.15	**06.30.16**	12.31.15
Beginning balance	**412,106**	98,551	**431,955**	107,781
Additions	**61,884**	274,281	**92,816**	301,441
Business combination [1]	**-**	-	**13,565**	-
Reversals	**(30,085)**	(57,618)	**(59,813)**	(65,753)
Write-offs	**(14,646)**	(30,858)	**(14,646)**	(30,901)
Exchange rate variation	**(53,148)**	127,750	**(58,073)**	119,387
Ending balance	**376,111**	412,106	**405,804**	431,955

[1] Balance arising from the business combination with Eclipse Holding Cöoperatief UA and GFS Group.

The aging of trade accounts receivable is as follows:

	Parent company		Consolidated	
	06.30.16	12.31.15	**06.30.16**	12.31.15
Current	**5,976,074**	4,902,657	**3,063,552**	3,483,359
Overdue				
01 to 60 days	**24,158**	56,088	**316,447**	343,216
61 to 90 days	**4,799**	7,927	**25,248**	30,301
91 to 120 days	**7,356**	3,414	**6,135**	37,723
121 to 180 days	**17,718**	1,922	**20,053**	7,027
181 to 360 days	**13,845**	61,653	**22,943**	70,845
More than 361 days	**337,690**	344,555	**353,645**	353,157
(-) Adjustment to present value	**(9,573)**	(13,232)	**(9,573)**	(13,232)
(-) Allowance for doubtful accounts	**(376,111)**	(412,106)	**(405,804)**	(431,955)
	5,995,956	4,952,878	**3,392,646**	3,880,441

10. INVENTORIES

	Parent company		Consolidated	
	06.30.16	12.31.15	**06.30.16**	12.31.15
Finished goods	**1,721,612**	1,437,670	**3,162,081**	2,601,130
Work in process	**172,679**	141,780	**200,962**	157,807
Raw materials	**722,319**	568,957	**817,542**	620,734
Packaging materials	**54,361**	54,605	**79,851**	83,567
Secondary materials	**250,700**	304,750	**288,858**	341,687
Spare parts	**143,337**	129,902	**186,911**	173,113
Imports in transit	**81,399**	143,757	**108,675**	154,769
Other	**4,163**	14,751	**9,293**	14,751
(-) Provision for adjustment to realizable value	**(21,241)**	(1,596)	**(47,408)**	(19,959)
(-) Provision for deterioration	**(30,350)**	(49,480)	**(34,498)**	(49,618)
(-) Provision for obsolescense	**(7,748)**	(8,878)	**(7,974)**	(12,182)
(-) Adjustment to present value	**(39,394)**	(32,888)	**(39,394)**	(32,888)
	3,051,837	2,703,330	**4,724,899**	4,032,911

The write-offs of products sold from inventories to cost of sales during the six months ended on June 30, 2016 totaled R$10,726,669 in the parent company and R$12,685,915 in the consolidated (R$9,343,238 in the parent company and R$10,272,597 in the consolidated as of June 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
				06.30.16
Beginning balance	**(1,596)**	**(49,480)**	**(8,878)**	**(59,954)**
Additions	(19,815)	(12,711)	(740)	**(33,266)**
Reversals	170	-	-	**170**
Write-offs	-	31,841	1,870	**33,711**
Ending balance	**(21,241)**	**(30,350)**	**(7,748)**	**(59,339)**

	Consolidated			
	Provision for adjustment to realizable value	Provision for deterioration	Provision for obsolescence	Total
				06.30.16
Beginning balance	**(19,959)**	**(49,618)**	**(12,182)**	**(81,759)**
Additions	(39,496)	(14,909)	(967)	**(55,372)**
Reversals	10,471	-	-	**10,471**
Write-offs	-	33,640	2,998	**36,638**
Exchange rate variation	1,576	(3,611)	2,177	**142**
Ending balance	**(47,408)**	**(34,498)**	**(7,974)**	**(89,880)**

On June 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	
	06.30.16	12.31.15	**06.30.16**	12.31.15
Live animals	**1,617,440**	1,322,317	**1,646,538**	1,329,861
Total current	**1,617,440**	1,322,317	**1,646,538**	1,329,861
Live animals	**582,498**	530,114	**608,809**	530,869
Forests	**235,166**	230,153	**235,166**	230,153
Total non-current	**817,664**	760,267	**843,975**	761,022
	2,435,104	2,082,584	**2,490,513**	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).

Explanatory Notes
(in thousands of Brazilian Reais)

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

	Parent company						
	Current			Non-current			
	Live animals			Live animals		Forests	Total
	Poultry	Pork	Total	Poultry	Pork		
			06.30.16				06.30.16
Beginning balance	**587,918**	**734,399**	**1,322,317**	**294,175**	**235,939**	**230,153**	**760,267**
Acquisition	120,965	788,146	**909,111**	18,191	89,031	20,254 [2]	**127,476**
Fair value variation [1]	856,993	105,884	**962,877**	40,435	(30,898)	-	**9,537**
Harvest	-	-	**-**	-	-	(15,152)	**(15,152)**
Write-off	-	-	**-**	-	-	(89)	**(89)**
Transfer between current and non-current	31,606	32,769	**64,375**	(31,606)	(32,769)	-	**(64,375)**
Transfer to inventories	(850,215)	(791,025)	**(1,641,240)**	-	-	-	**-**
Ending balance	**747,267**	**870,173**	**1,617,440**	**321,195**	**261,303**	**235,166**	**817,664**

	Consolidated						
	Current			Non-current			
	Live animals			Live animals		Forests	Total
	Poultry	Pork	Total	Poultry	Pork		
			06.30.16				06.30.16
Beginning balance	**595,462**	**734,399**	**1,329,861**	**294,930**	**235,939**	**230,153**	**761,022**
Acquisition	121,027	788,146	**909,173**	22,557	89,031	20,254 [2]	**131,842**
Business combination [3]	-	17,870	**17,870**	24,008	5,780	-	**29,788**
Fair value variation [1]	877,104	105,203	**982,307**	38,632	(30,928)	-	**7,704**
Harvest	-	-	**-**	-	-	(15,152)	**(15,152)**
Write-off	-	-	**-**	-	-	(89)	**(89)**
Transfer between current and non-current	31,606	32,769	**64,375**	(31,606)	(32,769)	-	**(64,375)**
Transfer to sale	-	-	**-**	(2,129)	-	-	**(2,129)**
Transfer to inventories	(864,180)	(791,025)	**(1,655,205)**	-	-	-	**-**
Exchange variation	(2,906)	1,063	**(1,843)**	(4,980)	344	-	**(4,636)**
Ending balance	**758,113**	**888,425**	**1,646,538**	**341,412**	**267,397**	**235,166**	**843,975**

[1] The fair value variance of biological assets includes depreciation of breeding stock in the amount of R$307,361 (R$543,605 as of December 31, 2015) in the parent company and R$318,737 (R$545,033 as of December 31, 2015) in the consolidated.

[2] Transfer from property, plant and equipment of R$20,254 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			
	06.30.16		12.31.15	
	Quantity (thousand of heads)	Value	Quantity (thousand of heads)	Value
Consumable biological assets				
Immature poultry	**183,529**	**747,267**	177,488	587,918
Immature pork	**3,644**	**870,173**	3,545	734,399
Total current	**187,173**	**1,617,440**	181,033	1,322,317
Production biological assets				
Immature poultry	**6,559**	**115,758**	6,618	108,209
Mature poultry	**11,299**	**205,437**	11,382	185,966
Immature pork	**179**	**57,694**	184	51,188
Mature pork	**395**	**203,609**	385	184,751
Total non-current	**18,432**	**582,498**	18,569	530,114
	205,605	**2,199,938**	199,602	1,852,431

	Consolidated			
	06.30.16		12.31.15	
	Quantity (thousand of heads)	Value	Quantity (thousand of heads)	Value
Consumable biological assets				
Immature poultry	**186,376**	**758,113**	179,990	595,462
Immature pork	**3,739**	**888,425**	3,545	734,399
Total current	**190,115**	**1,646,538**	183,535	1,329,861
Production biological assets				
Immature poultry	**6,793**	**123,672**	6,658	108,837
Mature poultry	**11,810**	**217,740**	11,418	186,093
Immature pork	**181**	**58,587**	184	51,188
Mature pork	**403**	**208,810**	385	184,751
Total non-current	**19,187**	**608,809**	18,645	530,869
	209,302	**2,255,347**	202,180	1,860,730

12. RECOVERABLE TAXES

	Parent company		Consolidated	
	06.30.16	12.31.15	06.30.16	12.31.15
State ICMS ("VAT")	**1,366,128**	1,119,761	**1,469,969**	1,219,662
PIS and COFINS ("Federal Taxes to Social Fund Programs")	**348,849**	397,785	**355,591**	397,841
Income and social contribution tax (IR/CS)	**342,455**	359,787	**414,609**	416,562
IPI ("Federal VAT")	**59,478**	60,137	**59,483**	60,137
INSS ("Brazilian Social Security")	**258,320**	146,162	**258,396**	146,234
Other	**58,711**	97,296	**115,684**	131,471
(-) Provision for losses	**(178,304)**	(164,606)	**(183,378)**	(171,443)
	2,255,637	2,016,322	**2,490,354**	2,200,464
Current	**1,027,035**	1,074,175	**1,237,580**	1,231,759
Non-current	**1,228,602**	942,147	**1,252,774**	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
						06.30.16
Beginning balance	**(113,892)**	**(25,074)**	**(8,985)**	**(14,740)**	**(1,915)**	**(164,606)**
Additions	(19,408)	-	-	-	(35)	**(19,443)**
Write-offs	4,851	893	-	-	1	**5,745**
Ending balance	**(128,449)**	**(24,181)**	**(8,985)**	**(14,740)**	**(1,949)**	**(178,304)**

	Consolidated					
	State ICMS ("VAT")	PIS and COFINS ("Federal Taxes to Social Fund Programs")	Income and social contribution tax	IPI ("Federal VAT")	Other	Total
						06.30.16
Beginning balance	**(113,893)**	**(25,074)**	**(9,029)**	**(14,740)**	**(8,707)**	**(171,443)**
Additions	(19,408)	(177)	-	-	(224)	**(19,809)**
Write-offs	4,851	893	-	-	202	**5,946**
Exchange rate variation	-	-	-	-	1,928	**1,928**
Ending balance	**(128,450)**	**(24,358)**	**(9,029)**	**(14,740)**	**(6,801)**	**(183,378)**

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 six-months ended June 30, 2015 are disclosed as follows:

STATEMENTS OF INCOME

	Parent company	Consolidated
	06.30.15	06.30.15
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)
Income from Associates and Joint Ventures	(19,465)	(1,876)
Income (Loss) Before Financial Results	(3,274)	(7,222)
Financial Expenses	-	(292)
Financial Income	-	10
Income (Loss) Before Taxes	(3,274)	(7,504)
Income and Social Contribution Taxes	(3,798)	(8,507)
Deferred Income Tax	-	8,939
Net income (Loss) from Discontinued Operations	(7,072)	(7,072)

Explanatory Notes
(in thousands of Brazilian Reais)

STATEMENTS OF CASH FLOWS

	Parent company	Consolidated
	06.30.15	06.30.15
Net profit from discontinued operations	(7,072)	(7,072)
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)
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	
	06.30.16	12.31.15	**06.30.16**	12.31.15
Assets				
Tax loss carryforwards (corporate income tax)	**932,898**	1,008,022	**1,007,437**	1,077,653
Negative calculation basis (social contribution tax)	**368,846**	399,886	**368,969**	400,092
Temporary differences				
Provisions for tax, civil and labor risks	**240,721**	216,564	**244,204**	220,047
Suspended collection taxes	**20,952**	62,954	**20,952**	62,954
Allowance for doubtful accounts	**99,135**	112,251	**100,004**	113,120
Provision for property, plant and equipment losses	**6,643**	5,546	**6,643**	5,546
Provision for tax credits	**56,969**	52,260	**57,579**	52,803
Provision for other obligations	**60,690**	91,834	**62,910**	93,744
Employees' profit sharing	**2,321**	87,254	**2,321**	87,254
Provision for inventory losses	**20,227**	19,985	**20,227**	19,985
Employees' benefits plan	**108,351**	101,675	**108,351**	101,675
Business combination - Sadia [1]	**390,116**	451,222	**390,116**	451,222
Unrealized losses on derivatives financial instruments	**221,631**	105,359	**221,631**	105,359
Provision for losses - other debtors	**11,837**	11,321	**11,837**	11,321
Estimated annual effective tax rate - CPC 21	**258,429**	-	**258,429**	-
Other temporary differences	**80,133**	77,280	**97,509**	85,110
	2,879,899	2,803,413	**2,979,119**	2,887,885
Liabilities				
Temporary differences				
Business combination - Sadia [1]	**(710,196)**	(719,374)	**(710,196)**	(719,374)
Business combination - other companies [2]	**-**	-	**(50,816)**	(21,588)
Unrealized gains on derivatives	**(5,305)**	(28,035)	**(5,305)**	(28,035)
Difference between tax basis and accounting basis of goodwill amortization	**(230,528)**	(206,770)	**(230,528)**	(206,770)
Difference between tax depreciation rate and accounting depreciation rate (useful life)	**(651,068)**	(601,040)	**(651,068)**	(601,040)
Other temporary differences	**(162,100)**	686	**(170,581)**	(55,102)
	(1,759,197)	(1,554,533)	**(1,818,494)**	(1,631,909)
Total net deferred tax assets	**1,120,702**	1,248,880	**1,160,625**	1,255,976
Business combination - Dánica and Avex	**-**	-	**(8,029)**	(12,474)
Business combination - AFC	**-**	-	**(35,709)**	(45,164)
Business combination - AKF	**-**	-	**(4,609)**	(5,870)
Business combination - Federal Foods	**-**	-	**(7,926)**	(10,228)
Business combination - Invicta	**-**	-	**(32,883)**	(50,067)
Other - exchange variation	**-**	-	**(86,985)**	(64,517)
	-	-	**(176,141)**	(188,320)
Total deferred tax	**1,120,702**	1,248,880	**984,484**	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 asset related to the business combinations with Quickfood (Trademarks, Customer relationship, Fixed assets reevaluation) and AFC (Customer relationship).

The rollforward of deferred tax is set forth below:

	Parent company		Consolidated	
	06.30.16	12.31.15	**06.30.16**	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	**258,580**	372,283	**260,235**	406,587
Deferred income and social contribution taxes - write-off dairy business	**-**	(200,617)	**-**	(200,617)
Deferred income and social contribution taxes recognized in other comprehensive income	**(386,758)**	327,387	**(388,049)**	328,090
Business combination	**-**	-	**(4,736)**	(39,240)
Exchange variation over deferred income and social contribution taxes related to business combination	**-**	-	**41,038**	(30,266)
Other	**-**	(2,105)	**8,340**	(20,729)
Ending balance	**1,120,702**	1,248,880	**984,484**	1,067,656

Certain subsidiaries of the Company have tax loss carryforwards and negative basis of social contribution of R$16,352 and R$16,169, 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$5,543 (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 tied 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	**155,995**	**160,513**
2017	**221,438**	**236,136**
2018	**294,633**	**310,135**
2019	**342,229**	**358,016**
2020 onwards	**287,449**	**311,606**
	1,301,744	**1,376,406**

14.3. Income and social contribution taxes reconciliation

	Parent company		Consolidated	
	06.30.16	06.30.15	**06.30.16**	06.30.15
Income before taxes from continued operations	**54,979**	925,628	**75,820**	934,550
Nominal tax rate	**34%**	34%	**34%**	34%
Expected tax expense at nominal tax rate	**(18,693)**	(314,714)	**(25,779)**	(317,747)
Reconciling itens:				
Equity interest in income of subsidiaries, associates and joint venture	**(219,769)**	328,741	**5,687**	(24,081)
Exchange rate variation on foreign investments	**(202,799)**	88,076	**(215,638)**	119,561
Difference of tax rates on results of foreign subsidiaries	**-**	-	**(235,274)**	324,480
Interest on shareholders' equity	**174,493**	144,792	**174,493**	144,792
Penalties	**(1,528)**	(2,212)	**(1,528)**	(2,217)
Investment grant	**17,227**	18,389	**17,227**	18,389
Estimated annual effective tax rate - CPC 21	**258,429**	(349,596)	**258,429**	(349,596)
Other permanent differences	**7,329**	(13,019)	**5,104**	(13,949)
	14,689	(99,543)	**(17,279)**	(100,368)
Current income tax	**(243,891)**	3,798	**(277,514)**	(9,744)
Deferred income tax	**258,580**	(103,341)	**260,235**	(90,624)

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

	Consolidated	
	06.30.16	06.30.15
Taxable income (loss) from foreign subsidiaries	**(680,336)**	1,038,675
Current income tax credit (expense) from foreign subsidiaries	**(32,012)**	(12,603)
Deferred income tax from foreign subsidiaries	**1,004**	91

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$3,561,426 as of June 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	Civil, commercial and Labor	other	Total
				06.30.16
Beginning balance	**376,660**	**304,942**	**43,722**	**725,324**
Additions	26,333	67,445	3,642	**97,420**
Reversals	(404)	(7,293)	(3,934)	**(11,631)**
Write-offs	-	(26,806)	(2,770)	**(29,576)**
Price index update	19,921	18,678	2,206	**40,805**
Ending balance	**422,510**	**356,966**	**42,866**	**822,342**

	Consolidated			
	Tax	Civil, commercial and Labor	other	Total
				06.30.16
Beginning balance	**376,667**	**311,319**	**44,120**	**732,106**
Additions	26,333	69,229	3,642	**99,204**
Business combination [1]	124	36	-	**160**
Reversals	(808)	(7,293)	(2,770)	**(10,871)**
Write-offs	-	(26,806)	(3,935)	**(30,741)**
Price index update	20,343	18,679	2,206	**41,228**
Exchange rate variation	-	(2,062)	-	**(2,062)**
Ending balance	**422,659**	**363,102**	**43,263**	**829,024**

(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	
				06.30.16	12.31.15	06.30.16	12.31.15
Bank deposit certificates [2]	0.99	R$	13.96%	**359,737**	337,041	**359,737**	337,041
National treasury certificates [3]	3.72	R$	24.22%	**158,161**	142,787	**158,161**	142,787
Bank deposit [4]	-	US$	-	**-**	-	**124,180**	1,346,274
				517,898	479,828	**642,078**	1,826,102
Current				**58,000**	-	**182,180**	1,346,274
Non-current				**459,898**	479,828	**459,898**	479,828

(1) Weighted average maturity in years.
(2) Deposit with maturity in 2017, 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).

17. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

17.1. Investments breakdown

	Parent company		Consolidated	
	06.30.16	12.31.15	**06.30.16**	12.31.15
Investment in subsidiaries and associates	**5,152,608**	6,918,123	**68,089**	102,465
Goodwill Quickfood	**204,950**	290,884	**-**	-
Goodwill SATS BRF	**-**	-	**5,900**	6,838
Goodwill AKF	**-**	-	**-**	75,113
	5,357,558	7,209,007	**73,989**	184,416
Other investments	**1,107**	1,107	**1,372**	1,476
	5,358,665	7,210,114	**75,361**	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.
	06.30.16	**06.30.16**	**06.30.16**	**06.30.16**	**06.30.16**	**06.30.16**	**06.30.16**	**06.30.16**	**06.30.16**	**06.30.16**	**06.30.16**
Current assets	**-**	**540,025**	**492**	**29,192**	**3,760**	**239,871**	**12,111**	**1,831**	**17,545**	**1,321**	**55,638**
Non-current assets	**-**	**4,948,744**	**1**	**6,758**	**2,634**	**170,907**	**117,100**	**232,577**	**198,345**	**289,852**	**797**
Current liabilities	**-**	**(393,503)**	**(324)**	**(773)**	**(563)**	**(338,804)**	**(15,252)**	**(1,827)**	**(5,101)**	**(364,425)**	**(1,630)**
Non-current liabilities	**-**	**(541,721)**	**(36)**	**-**	**-**	**(135,146)**	**(8,365)**	**-**	**-**	**-**	**(26)**
Shareholders' equity	**-**	**(4,553,545)**	**(133)**	**(35,177)**	**(5,831)**	**63,172**	**(105,594)**	**(232,581)**	**(210,789)**	**73,252**	**(54,779)**
Net revenues	**-**	**4,451**	**-**	**-**	**-**	**623,416**	**1,087**	**-**	**17,831**	**-**	**-**
Net income (loss)	**(38)**	**(607,790)**	**22**	**1,708**	**267**	**(64,396)**	**(8,358)**	**20,098**	**(11,102)**	**(3,578)**	**2,017**
	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 06.30.16	Total 12.31.15
a) Capital share as of June 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 June 30, 2016																	
Capital stock	5,972	6,719	1,420	27,664	5,564	28,117	257,336	2,889	262,582	3	40,061	-	-	-	1		
Shareholders' equity	-	4,553,545	133	35,177	5,831	(63,172)	105,594	232,581	210,789	(73,252)	54,779	-	-	-	24,725		
Fair value adjustments of assets and liabilities acquired	-	-	-	-	-	86,064	-	-	-	-	-	-	-	-	-		
Goodwill based on expectation of future profitability	-	-	-	-	-	118,886	-	-	-	-	-	-	-	-	-		
Income (loss) for the period	(38)	(607,790)	22	1,708	267	(64,396)	(8,358)	20,098	(11,102)	(3,578)	2,017	4,687	-	-	24,724		
c) Balance of investments as of June 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)	(607,790)	22	1,708	267	(57,989)	(3,602)	20,098	(10,535)	(3,578)	2,017	2,297	-	-	12,362	**(644,761)**	1,994,569
Unrealized profit in inventory	-	-	-	-	-	853	38	-	-	-	-	-	-	-	-	**891**	8,644
Exchange rate variation on goodwill in the acquisiton of non-controlling entities	-	3,474	-	-	-	-	-	-	-	-	-	-	-	-	-	**3,474**	(5,016)
Exchange rate variation on goodwill	-	-	-	-	-	(83,426)	-	-	-	-	-	-	-	-	-	**(83,426)**	(14,087)
Goodwill	-	-	-	-	-	(2,508)	-	-	-	-	-	-	-	-	-	**(2,508)**	(7,206)
Exchange rate variation on foreign investments	-	(505,402)	-	-	-	-	-	(50,943)	(55,790)	15,667	-	-	-	-	-	**(596,468)**	1,099,891
Other comprehensive income	-	(539,434)	(51)	-	-	13,203	(19,141)	(211)	(25,986)	-	(1)	-	-	-	-	**(571,621)**	220,588
Increase / decrease in capital	-	-	-	-	-	-	-	-	-	-	-	-	150	480	-	**630**	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	-	-	-	-	-	43,933	-	-	-	(12,089)	-	-	-	-	-	**31,844**	56,623
Transfer to held for sale and discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	(298,988)
	-	**4,560,497**	**131**	**35,178**	**5,828**	**204,950**	**45,498**	**232,581**	**200,033**	**-**	**54,777**	**-**	**1,814**	**3,908**	**12,363**	**5,357,558**	**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$634,228 on June 30, 2016 (gain of R$351,647 as of June 30, 2015) and were recognized as financial income.

On June 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
	06.30.16	12.31.15	12.31.15	12.31.15	**06.30.16**	12.31.15	**06.30.16**	12.31.15	**06.30.16**	12.31.15	**06.30.16**	12.31.15
Current assets	**-**	54,679	-	-	**-**	-	**-**	-	**74,376**	79,250		
Non-current assets	**-**	13,211	-	-	**5,442**	4,992	**11,724**	10,284	**195**	217		
Current liabilities	**-**	(22,293)	-	-	**-**	-	**-**	-	**(49,846)**	(79,466)		
Non-current liabilities	**-**	(882)	-	-	**-**	-	**-**	-	**-**	-		
Shareholder's equity	**-**	44,715	-	-	**5,442**	4,992	**11,724**	10,284	**24,725**	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	-	-	**1,814**	1,664	**3,908**	3,428	**12,363**	1		
Transfer to held for sale	**-**	-	-	-	**-**	-	**-**	-	**-**	-		
Book value of investment	**-**	21,911	-	-	**1,814**	1,664	**3,908**	3,428	**12,363**	1	**18,085**	27,004
Dividends declared	**-**	1,365	-	-	**-**	-	**-**	-	**-**	25,994	**-**	27,359

		K&S[1]	Minerva	Nutrifont		PP-BIO		PR-SAD		UP!
	06.30.16	06.30.15	06.30.15	06.30.15	**06.30.16**	06.30.15	**06.30.16**	06.30.15	**06.30.16**	06.30.15
Net revenues	**24,843**	63,655	2,572,183	-	**-**	-	**-**	-	**93,065**	92,804
Net income (loss)	**4,687**	10,310	(530,797)	-	**-**	-	**-**	-	**24,724**	22,959
Equity pick-up	**2,297**	5,050	(86,467)	(1,301)	**-**	-	**-**	-	**12,362**	11,480
Transfer to held for sale	**-**	-	-	1,301	**-**	-	**-**	-	**-**	-
Equity pick-up	**2,297**	5,050	(86,467)	-	**-**	-	**-**	-	**12,362**	11,480

[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	
	06.30.16	12.31.15	**06.30.16**	12.31.15	**06.30.16**	12.31.15
Assets						
Current	**-**	138,208	**184,573**	253,452		
Cash and cash equivalents	**-**	27,549	**42,566**	84,148		
Prepaid expenses	**-**	1,642	**2,053**	386		
Other current assets	**-**	109,017	**139,954**	168,918		
Non-current	**-**	9,122	**11,269**	14,414		
Liabilities						
Current	**-**	(105,290)	**(93,794)**	(145,547)		
Trade accounts payable	**-**	(4,514)	**(60,540)**	(126,931)		
Tax payable	**-**	(5,989)	**-**	-		
Other current liabilities	**-**	(94,787)	**(33,254)**	(18,616)		
Non-current	**-**	(3,228)	**-**	-		
Deferred taxes	**-**	(3,228)	**-**	-		
Shareholder's equity	**-**	38,812	**102,048**	122,319		
% of equity interest	**0.00%**	40.00%	**49.00%**	49.00%		
Book value of investment	**-**	15,525	**50,004**	59,936	**50,004**	75,461

	AKF		SATS BRF		Total	
	06.30.16	06.30.15	**06.30.16**	06.30.15	**06.30.16**	06.30.15
Net sales	**223,634**	148,512	**343,783**	-		
Depreciation and amortization	**(657)**	(730)	**(863)**	-		
Financial expense	**-**	(301)	**(855)**	-		
Income before taxes	**9,024**	7,156	**(3,148)**	-		
Net income (loss)	**9,024**	7,156	**(3,148)**	-		
% of equity interest	**40.00%**	40.00%	**49.00%**	0.00%		
Equity pick-up	**3,610**	2,862	**(1,543)**	**-**	**2,067**	2,862

[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]	06.30.16
Cost							
Land	-	593,601	12	(27)	-	(3,806)	**589,780**
Buildings and improvements	-	5,084,454	15,743	(4,867)	-	85,608	**5,180,938**
Machinery and equipment	-	6,534,819	82,920	(50,713)	-	372,436	**6,939,462**
Facilities	-	1,699,013	192	(1,980)	-	119,832	**1,817,057**
Furniture	-	112,947	153	(1,090)	-	5,387	**117,397**
Vehicles	-	16,801	-	(884)	-	(2,660)	**13,257**
Construction in progress	-	715,832	717,132	-	-	(613,020)	**819,944**
Advances to suppliers	-	4,156	28,897	-	-	(20,093)	**12,960**
		14,761,623	**845,049**	**(59,561)**	**-**	**(56,316)**	**15,490,795**
Depreciation							
Buildings and improvements	3.04%	(1,477,380)	(72,925)	1,134	-	6,043	**(1,543,128)**
Machinery and equipment	5.89%	(2,576,709)	(196,422)	41,934	-	(2,094)	**(2,733,291)**
Facilities	3.73%	(530,384)	(36,742)	1,293	-	(357)	**(566,190)**
Furniture	7.96%	(47,185)	(4,530)	889	-	24	**(50,802)**
Vehicles	19.94%	(9,200)	(391)	602	-	2,546	**(6,443)**
		(4,640,858)	**(311,010)**	**45,852**	**-**	**6,162**	**(4,899,854)**
Provision for losses		**(19,779)**	**-**	**-**	**184**	**-**	**(19,595)**
		10,100,986	**534,039**	**(13,709)**	**184**	**(50,154)**	**10,571,346**

(1) Refers to the transfer of R$27,374 to intangible assets, R$20,254 to biological assets (forests) and R$2,526 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	06.30.16
Cost									
Land	-	584,721	23	33,150	(129)	-	(3,806)	(11,668)	**602,291**
Buildings and improvements	-	5,437,937	17,515	164,359	(4,868)	-	85,609	(92,315)	**5,608,237**
Machinery and equipment	-	7,027,145	87,928	290,430	(49,950)	-	359,400	(159,553)	**7,555,400**
Facilities	-	1,854,467	338	53,154	(1,982)	-	121,705	(34,420)	**1,993,262**
Furniture	-	137,869	2,033	11,918	(1,341)	-	4,470	(4,525)	**150,424**
Vehicles	-	20,317	28	10,635	(1,970)	-	252	(816)	**28,446**
Construction in progress	-	789,782	848,647	4,693	-	-	(624,343)	(41,985)	**976,794**
Advances to suppliers	-	18,760	28,745	238	-	-	(20,093)	(656)	**26,994**
		15,870,998	**985,257**	**568,577**	**(60,240)**	**-**	**(76,806)**	**(345,938)**	**16,941,848**
Depreciation									
Buildings and improvements	3.04%	(1,525,943)	(82,054)	(75,952)	1,136	-	6,331	26,871	**(1,649,611)**
Machinery and equipment	5.86%	(2,786,003)	(223,401)	(155,499)	42,667	-	(1,316)	72,602	**(3,050,950)**
Facilities	3.79%	(549,890)	(41,047)	(29,316)	1,295	-	(357)	7,553	**(611,762)**
Furniture	7.97%	(64,652)	(5,855)	(8,258)	1,151	-	238	7,700	**(69,676)**
Vehicles	20.06%	(8,979)	(1,353)	(8,620)	1,514	-	2,540	694	**(14,204)**
		(4,935,467)	**(353,710)**	**(277,645)**	**47,763**	**-**	**7,436**	**115,420**	**(5,396,203)**
Provision for losses		**(19,779)**	**-**	**-**	**-**	**184**	**-**	**-**	**(19,595)**
		10,915,752	**631,547**	**290,932**	**(12,477)**	**184**	**(69,370)**	**(230,518)**	**11,526,050**

(1) Refers to the transfer of R$87,812 to intangible assets, R$20,254 to biological assets (forests) and R$17,048 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	
	06.30.16	12.31.15	**06.30.16**	12.31.15
Cost				
Buildings and improvements	**114,138**	166,614	**119,301**	169,995
Machinery and equipment	**630,904**	704,822	**665,048**	752,458
Facilities	**69,111**	96,273	**72,750**	102,017
Furniture	**15,418**	15,994	**21,207**	19,338
Vehicles	**4,011**	3,500	**4,756**	4,166
Others	**52,253**	56,185	**52,253**	56,185
	885,835	1,043,388	**935,315**	1,104,159

During the six-month period ended June 30, 2016, the Company capitalized interest in the amount of R$18,882 in the parent company and in the consolidated (R$9,408 in the parent company and R$9,562 in the consolidated in June 30, 2015). The weighted average interest rate utilized to determine the capitalized amount was 5.82% p.a. in the parent company and 5.86% in the consolidated (5.86% p.a. in the parent company and 6.06% p.a. in the consolidated in June 30, 2015).

On June 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	
		06.30.16	12.31.15
	Type of collateral	**Book value of the collateral**	Book value of the collateral
Land	Financial/Tax	**280,686**	217,427
Buildings and improvements	Financial/Tax	**1,727,823**	1,522,478
Machinery and equipment	Financial/Labor/Tax/Civil	**2,527,075**	1,774,781
Facilities	Financial/Tax	**762,577**	493,103
Furniture	Financial/Tax	**26,443**	27,004
Vehicles	Financial/Tax	**834**	2,306
Others	Financial/Tax	**83,486**	70,083
		5,408,924	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	06.30.16
Cost						
Non-compete agreement	-	-	10,382	(277)	-	**10,105**
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	506	-	-	**14,703**
Trademarks	-	1,173,000	-	-	-	**1,173,000**
Patents	-	3,720	2,250	-	-	**5,970**
Software	-	404,673	35,017	(28,471)	27,514	**438,733**
		3,692,177	**48,155**	**(28,748)**	**27,514**	**3,739,098**
Amortization						
Non-compete agreement	42.34%	-	(1,890)	277	-	**(1,613)**
Outgrowers relationship	12.50%	(5,777)	(932)	-	-	**(6,709)**
Patents	17.82%	(2,092)	(573)	-	-	**(2,665)**
Software	20.00%	(232,751)	(51,344)	28,590	(140)	**(255,645)**
		(240,620)	**(54,739)**	**28,867**	**(140)**	**(266,632)**
		3,451,557	**(6,584)**	**119**	**27,374**	**3,472,466**

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	06.30.16
Cost								
Non-compete agreement	-	15,738	10,382	(277)	-	-	(4,532)	**21,311**
Goodwill	-	2,778,102	-	-	2,358,148	42,404	(577,165)	**4,601,489**
AKF	-	-	-	-	128,645	42,404	-	**171,049**
Alimentos Calchaquí	-	-	-	-	345,966	-	(35,663)	**310,303**
Ava	-	49,368	-	-	-	-	-	**49,368**
Avex	-	27,550	-	-	-	-	(7,936)	**19,614**
BRF AFC	-	196,063	-	-	-	-	(33,990)	**162,073**
BRF Invicta	-	170,776	-	-	-	-	(45,348)	**125,428**
Dánica	-	7,013	-	-	-	-	(2,020)	**4,993**
Eclipse Holding Cooperatief	-	-	-	-	143,106	-	(14,751)	**128,355**
Eleva Alimentos	-	808,140	-	-	-	-	-	**808,140**
Federal Foods	-	84,419	-	-	-	-	(15,016)	**69,403**
GFS Group	-	-	-	-	1,079,357	-	(230,121)	**849,236**
GQFE - Golden Quality Foods Europe	-	-	-	-	3,108	-	(629)	**2,479**
Incubatório Paraíso	-	656	-	-	-	-	-	**656**
Invicta Food Group	-	925	-	-	-	-	(246)	**679**
Paraíso Agroindustrial	-	16,751	-	-	-	-	-	**16,751**
Perdigão Mato Grosso	-	7,636	-	-	-	-	-	**7,636**
Plusfood	-	27,786	-	-	-	-	(4,640)	**23,146**
Quickfood	-	166,983	-	-	-	-	(48,097)	**118,886**
Sadia	-	1,214,036	-	-	-	-	-	**1,214,036**
Qatar National Import and Export Co	-	-	-	-	564,242	-	(114,807)	**449,435**
Universal Meats Ltd.	-	-	-	-	93,724	-	(23,901)	**69,823**
Import quotas	-	62,233	-	-	-	-	(16,526)	**45,707**
Outgrowers relationship	-	14,197	506	-	-	-	-	**14,703**
Trademarks	-	1,372,018	-	-	-	-	(57,323)	**1,314,695**
Patents	-	4,870	2,250	-	-	2	(62)	**7,060**
Customer relationship	-	620,853	-	-	-	18,437	(136,830)	**502,460**
Supplier relationship	-	9,670	-	(6,510)	-	-	(1,168)	**1,992**
Software	-	462,760	36,893	(28,635)	5,708	30,111	(14,648)	**492,189**
		5,340,441	**50,031**	**(35,422)**	**2,363,856**	**90,954**	**(808,254)**	**7,001,606**
Amortization								
Non-compete agreement	30.07%	(786)	(3,244)	277	-	-	458	**(3,295)**
Import quotas	9.76%	-	(14,360)	-	-	-	2,934	**(11,426)**
Outgrowers relationship	12.50%	(5,777)	(932)	-	-	-	-	**(6,709)**
Patents	18.16%	(3,025)	(766)	-	-	-	54	**(3,737)**
Customer relationship	7.71%	(49,788)	(25,322)	-	-	(2,727)	15,494	**(62,343)**
Supplier relationship	42.00%	(9,670)	-	6,510	-	-	1,168	**(1,992)**
Software	20.00%	(260,484)	(55,712)	28,562	(3,164)	(415)	7,035	**(284,178)**
		(329,530)	**(100,336)**	**35,349**	**(3,164)**	**(3,142)**	**27,143**	**(373,680)**
		5,010,911	**(50,305)**	**(73)**	**2,360,692**	**87,812**	**(781,111)**	**6,627,926**

(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).

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

Explanatory Notes
(in thousands of Brazilian Reais)

20. LOANS AND FINANCING

				Parent company					
	Charges (p.a.)	Weighted average interest rate (p.a.)	WAMT [1]	Current	Non-current	06.30.16	Current	Non-current	12.31.15
Local currency									
Working capital	8.75% (7.24% on 12.31.15)	8.75% (7.24% on 12.31.15)	0.8	**1,109,571**	**-**	**1,109,571**	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)	2.6	**15,814**	**1,985,504**	**2,001,318**	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)	5.35% (4.57% on 12.31.15)	1.5	**306,937**	**677,114**	**984,051**	217,426	508,928	726,354
Bonds	7.75% (7.75% on 12.31.15)	7.75% (7.75% on 12.31.15)	1.9	**4,140**	**498,354**	**502,494**	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)	2.7	**64,384**	**1,850,000**	**1,914,384**	-	-	-
Special program asset restructuring	Fixed rate / IGPM + 4.90% (Fixed rate / IGPM + 4.90% on 12.31.15)	17.11% (15.44% on 12.31.15)	3.7	**1,784**	**242,286**	**244,070**	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)	2.4	**32,376**	**112,163**	**144,539**	32,580	127,077	159,657
Fiscal incentives	2.40% (2.40% on 12.31.15)	2.40% (2.40% on 12.31.15)	0.1	**14,507**	**-**	**14,507**	1,872	-	1,872
				1,549,513	**5,365,421**	**6,914,934**	1,462,046	2,357,579	3,819,625
Foreign currency									
Bonds	4.08% (4.08% on 12.31.15) + e.r. US$ and EUR	4.08% (4.08% on 12.31.15) + e.r. US$ and EUR	7.0	**26,548**	**6,187,166**	**6,213,714**	61,808	7,521,727	7,583,535
Export credit facility	LIBOR + 1.68% (LIBOR + 2.05% on 12.31.15) + e.r. US$	2.93% (2.79% on 12.31.15) + e.r. US$	1.2	**952,868**	**822,140**	**1,775,008**	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$) + e.r. US$	0.5	**531,421**	**-**	**531,421**	391,053	-	391,053
Development bank credit lines	UMBNDES + 2.20% (UMBNDES + 2.26% on 12.31.15) + e.r. US$ and other currencies	6.30% (6.34% on 12.31.15) + e.r. US$ and other currencies	1.0	**9,484**	**5,358**	**14,842**	12,630	11,575	24,205
				1,520,321	**7,014,664**	**8,534,985**	1,063,600	8,696,876	9,760,476
				3,069,834	**12,380,085**	**15,449,919**	2,525,646	11,054,455	13,580,101

[1] Weighted average maturity in years.

Explanatory Notes
(in thousands of Brazilian Reais)

	Charges (p.a.)	Weighted average interest rate (p.a.)	WAMT [1]	Consolidated 06.30.16 Current	Non-current	06.30.16	12.31.15 Current	Non-current	12.31.15
Local currency									
Working capital	8.75% (7.24% on 12.31.15)	8.75% (7.24% on 12.31.15)	0.8	**1,109,571**	**-**	**1,109,571**	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)	2.6	**15,814**	**1,985,504**	**2,001,318**	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)	5.35% (4.57% on 12.31.15)	1.5	**306,937**	**677,114**	**984,051**	217,426	508,928	726,354
Bonds	7.75% (7.75% on 12.31.15)	7.75% (7.75% on 12.31.15)	1.9	**4,140**	**498,354**	**502,494**	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)	2.7	**64,384**	**1,850,000**	**1,914,384**	-	-	-
Special program asset restructuring	Fixed rate / IGPM + 4.90% (Fixed rate / IGPM + 4.90% on 12.31.15)	17.11% (15.44% on 12.31.15)	3.7	**1,784**	**242,286**	**244,070**	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)	2.4	**32,376**	**112,163**	**144,539**	32,580	127,077	159,657
Fiscal incentives	2.40% (2.40% on 12.31.15)	2.40% (2.40% on 12.31.15)	0.1	**14,507**	**-**	**14,507**	1,872	-	1,872
				1,549,513	**5,365,421**	**6,914,934**	1,462,046	2,357,579	3,819,625
Foreign currency									
Bonds	5.11% (5.23% on 12.31.15) + e.r. US$, EUR and ARS	5.11% (5.23% on 12.31.15) + e.r. US$, EUR and ARS	6.4	**447,721**	**6,698,024**	**7,145,745**	159,445	8,628,430	8,787,875
Export credit facility	LIBOR + 1.82% (LIBOR + 2.15% on 12.31.15) + e.r. US$	2.98% (2.85% on 12.31.15) + e.r. US$	1.3	**953,447**	**1,142,769**	**2,096,216**	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$	0.5	**531,421**	**-**	**531,421**	391,053	-	391,053
Development bank credit lines	UMBNDES + 2.20% (UMBNDES + 2.26% on 12.31.15) + e.r. US$ and other currencies	6.30% (6.34% on 12.31.15) + e.r. US$ and other currencies	1.0	**9,484**	**5,358**	**14,842**	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	0.4	**818**	**-**	**818**	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	**255,861**	**-**	**255,861**	659	-	659
				2,198,752	**7,846,151**	**10,044,903**	1,166,133	10,193,525	11,359,658
				3,748,265	**13,211,572**	**16,959,837**	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. Certificates of Agrobusiness Receivables ("CRA")

On April 20, 2016 BRF concluded the CRA issuance related to the public distribution of the 1st series of 9rd Issue by Octante Securitizadora S.A. ("Securitization Company"), in the amount of R$1,000,000 net of interest, which will mature on April 19, 2019, and were issued with a coupon of 96.90% p.a. of the DI rate, payable every each 9 months. The CRA's arise and were assigned and/or promised to the Securitization Company.

20.2. Loans and financing maturity schedule

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

	Parent company	Consolidated
	06.30.16	**06.30.16**
2016	**1,661,886**	**1,894,084**
2017	**1,767,568**	**2,225,857**
2018	**2,350,160**	**2,698,202**
2019	**3,160,881**	**3,179,835**
2020 onwards	**6,509,424**	**6,961,859**
	15,449,919	**16,959,837**

20.3. Guarantees

	Parent company		Consolidated	
	06.30.16	12.31.15	**06.30.16**	12.31.15
Total of loans and financing	**15,449,919**	13,580,101	**16,959,837**	15,179,283
Mortgage guarantees	**1,157,941**	911,996	**1,157,941**	911,996
Related to FINEM-BNDES	**855,629**	583,411	**855,629**	583,411
Related to FNE-BNB	**144,540**	159,564	**144,540**	159,564
Related to tax incentives and other	**157,772**	169,021	**157,772**	169,021

The Company is the guarantor of a loan obtained by Instituto Sadia de Sustentabilidade from the 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 June 30, 2016 totaled R$33,776 (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$167,992 as of June 30, 2016 (R$208,774 as of December 31, 2015).

On June 30, 2016, the Company contracted bank guarantees in the amount of R$1,987,319 (R$2,086,589 as of December 31, 2015). The variation occurred in this period is related to bank guarantees offered mainly in litigations involving the Company´s use of tax credits. These guarantees have an average cost of 0.89% p.a. (0.91% p.a. as of December 31, 2015).

20.4. 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 and Consolidated
	06.30.16
2016	**4,931,964**
2017	**1,745,704**
2018	**305,325**
2019	**294,520**
2020 onwards	**510,100**
	7,787,613

21. TRADE ACCOUNTS PAYABLE

	Parent company		Consolidated	
	06.30.16	12.31.15	**06.30.16**	12.31.15
Domestic suppliers				
Third parties	**3,813,490**	3,263,197	**3,813,573**	3,263,201
Related parties	**11,125**	23,375	**11,125**	23,375
	3,824,615	3,286,572	**3,824,698**	3,286,576
Foreign suppliers				
Third parties	**685,822**	774,106	**1,566,610**	1,496,833
Related parties	**6,340**	2,463	**-**	-
	692,162	776,569	**1,566,610**	1,496,833
(-) Adjustment to present value	**(44,664)**	(38,416)	**(44,664)**	(38,416)
	4,472,113	4,024,725	**5,346,644**	4,744,993

During the six-month period ended on June 30, 2016, the average payment term to suppliers is 78 days.

Of the suppliers balance as of June 30, 2016, R$1,220,778 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	
	06.30.16	12.31.15
National suppliers	325,307	685,597
Foreign suppliers	418,319	488,997
	743,626	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 June 30, 2016.

On June 30, 2016, the discount rates applied to these transactions in the domestic market were set between 1.15% to 1.36% p.m. (1.10% to 1.34% p.m. on December 31, 2015) and foreign market were set between 1.57% to 2.56% p.a. (1.50% to 2.51% p.a. on December 31, 2015).

23. OTHER FINANCIAL ASSETS AND LIABILITIES

	Parent company		Consolidated	
	06.30.16	12.31.15	**06.30.16**	12.31.15
Derivatives designated as cash flow hedges				
Assets				
Non-deliverable forward (NDF)	**10,856**	2,253	**10,856**	2,253
Commodities (soy meal) non-deliverable forward (NDF)	**1,659**	-	**1,659**	-
Currency option contracts	**416,830**	96,153	**416,830**	96,153
Deliverable forwards contracts	**69,969**	-	**73,345**	-
	499,314	98,406	**502,690**	98,406
Liabilities				
Non-deliverable forward of currency (NDF)	**-**	(66,703)	**-**	(66,703)
Commodities (soy meal) non-deliverable forward (NDF)	**(852)**	-	**(852)**	-
Currency option contracts	**(35,026)**	(217,122)	**(35,026)**	(217,122)
Deliverable forwards contracts	**-**	(33,765)	**(80)**	(33,765)
Commodities (corn) non-deliverable forward (NDF)	**(2,183)**	(11,729)	**(2,183)**	(11,729)
Exchange rate contracts currency (Swap)	**(178,750)**	(280,285)	**(217,810)**	(326,650)
	(216,811)	(609,604)	**(255,951)**	(655,969)
Non derivatives designated as cash flow hedges				
Assets				
Non-deliverable forward of currency (NDF)	**-**	-	**2,571**	10,707
Non-deliverable forward of commodities (NDF)	**20,502**	2,183	**20,502**	2,183
Exchange rate contracts currency (Swap)	**-**	3,450	**-**	3,450
Dollar future contracts - BM&FBovespa	**-**	14,641	**-**	14,641
	20,502	20,274	**23,073**	30,981
Liabilities				
Non-deliverable forward of currency (NDF)	**(35,381)**	(3,502)	**(35,584)**	(3,865)
Exchange rate contracts currency (Swap)	**(594,861)**	(6,768)	**(594,861)**	(6,768)
Dollar future contracts - BM&FBovespa	**(2,542)**	-	**(2,542)**	-
Corn / soy meal future contratcs - BM&FBovespa	**(3,263)**	-	**(3,263)**	-
	(636,047)	(10,270)	**(636,250)**	(10,633)
Current assets	**519,816**	118,680	**525,763**	129,387
Current liabilities	**(852,858)**	(619,874)	**(892,201)**	(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
	06.30.16	**06.30.16**
2016	**168,439**	**172,904**
2017	**141,574**	**145,484**
2018	**43,382**	**46,031**
2019	**12,328**	**14,478**
2020 onwards	**23,994**	**25,570**
	389,717	**404,467**

The payments of operating lease agreements recognized as expense in the six-month period ended June 30, 2016 amounted to R$101,035 in the parent company and R$168,487 in the consolidated (R$117,193 in the parent company and R$153,236 in the consolidated as of June 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]	**06.30.16**	12.31.15	**06.30.16**	12.31.15
Cost					
Machinery and equipment		**27,780**	29,160	**35,654**	37,096
Software		**78,692**	72,972	**78,692**	72,972
Vehicles		**-**	-	**556**	-
Buildings		**141,732**	128,938	**141,811**	128,938
		248,204	231,070	**256,713**	239,006
Accumulated depreciation					
Machinery and equipment	13.84%	**(4,229)**	(5,311)	**(10,357)**	(13,247)
Software	52.38%	**(42,938)**	(50,988)	**(42,938)**	(50,988)
Vehicles	20.00%	**-**	-	**(225)**	-
Buildings	7.41%	**(38,008)**	(32,091)	**(38,046)**	(32,091)
		(85,175)	(88,390)	**(91,566)**	(96,326)
		163,029	142,680	**165,147**	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		
	06.30.16		
	Present value of minimum payments	Interest	Minimum future payments
2016	27,714	9,780	37,494
2017	34,857	17,336	52,193
2018	26,137	14,826	40,963
2019	21,003	12,596	33,599
2020 onwards	79,620	48,075	127,695
	189,331	**102,613**	**291,944**

	Consolidated		
	06.30.16		
	Present value of minimum payments	Interest	Minimum future payments
2016	28,097	10,059	38,156
2017	35,349	17,716	53,065
2018	26,736	15,224	41,960
2019	21,003	12,596	33,599
2020 onwards	79,620	48,075	127,695
	190,805	**103,670**	**294,475**

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 also has commitments regarding financial leases, related to a "built to suit" agreement for the construction of office facilities 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 each contract.

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

	Parent company and Consolidated
	06.30.16
2016	**7,886**
2017	**8,359**
2018	**8,861**
2019	**9,393**
2020 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							
05.02.11	05.01.12	05.01.16	2,463,525	-	11.36	30.85	43.72
05.02.12	05.01.13	05.01.17	3,708,071	324,788	7.82	34.95	47.12
05.02.13	05.01.14	05.01.18	3,490,201	769,668	11.88	46.86	59.33
04.04.14	04.03.15	04.03.19	1,552,564	710,525	12.56	44.48	53.34
05.02.14	05.01.15	05.01.19	1,610,450	930,383	14.11	47.98	57.16
12.18.14	12.17.15	12.17.19	5,702,714	4,741,515	14.58	63.49	73.68
			18,527,525	7,476,879			
Plan II							
10.01.15	10.01.16	10.01.21	37,570	27,410	20.64	70.09	74.98
04.26.16	04.30.17	04.30.21	8,724,733	8,724,733	9.21	56.00	56.44
05.31.16	05.31.17	05.31.20	3,351,220	3,351,220	10.97	46.68	46.68
			12,113,523	12,103,363			
			30,641,048	**19,580,242**			

[1] Values expressed in Brazilian Reais

The rollforward of the outstanding granted options for the six-month period ended June 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	(6,410)
Grant of 2011	(96,874)
Cancelled:	
Grant of 2015	(8,729,813)
Grant of 2014	(908,703)
Grant of 2013	(52,665)
Grant of 2011	(62,116)
Outstanding options as of June 30, 2016	**19,580,242**

The weighted average exercise prices of the outstanding options related to service conditions is R$58.84 (fifty-eight Brazilian Reais and eighty-four cents), and the weighted average of the remaining contractual term is 49 months.

The Company records as capital reserve in shareholders' equity the fair value of the options in the amount of R$194,613 (R$160,323 as of December 31, 2015). During the six-month period ended June 30, 2016 the amount recognized as expense was R$34,290 (R$9,633 as of June 30, 2015).

During the six-month period ended June 30, 2016 the Company's executives exercised 103,284 shares, with an average price of R$43.33 (forty-three Brazilian Reais and thirty-three cents), totaling R$4,475. In order to comply with this commitment, the Company utilized treasury shares with an acquisition cost of R$57.64 (fifty-seven Brazilian Reais and sixty-four cents), totaling R$5,953, recording a loss of R$1,478 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 six-month period ended June 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	
	06.30.16	12.31.15
Medical assistance	**137,828**	130,028
F.G.T.S. Penalty [1]	**112,617**	105,139
Award for length of service	**44,298**	41,462
Other	**23,936**	22,415
	318,679	299,044
Current	**67,264**	67,264
Non-current	**251,415**	231,780

(1) FGTS – Government Severance Indemnity Fund for Employees

The Company based its estimated costs for the year 2016, according to an appraisal report prepared in 2015 by an actuarial expert, recorded in statement of income for the period in counterpart to comprehensive income an expense of R$11,415 (expense of R$13,596 on June 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$19,635 (R$9,488 on June 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	Civil, commercial and Labor	other	Contingent liabilities	Total
					06.30.16
Beginning balance	**238,831**	**359,468**	**65,674**	**516,942**	**1,180,915**
Additions	6,263	162,562	37,787	-	**206,612**
Reversals	(7,870)	(59,190)	(5,581)	-	**(72,641)**
Payments	(2,555)	(94,136)	(32,445)	-	**(129,136)**
Exchange rate variation	10,566	40,126	15,652	-	**66,344**
Ending balance	**245,235**	**408,830**	**81,087**	**516,942**	**1,252,094**
Current					**270,063**
Non-current					**982,031**

	Consolidated				
	Tax	Civil, commercial and Labor	other	Contingent liabilities	Total
					06.30.16
Beginning balance	**240,496**	**377,023**	**65,701**	**522,629**	**1,205,849**
Additions	6,543	169,034	39,939	-	**215,516**
Business combination [1]	28,667	17,814	4,549	-	**51,030**
Reversals	(9,213)	(66,120)	(5,581)	-	**(80,914)**
Payments	(2,555)	(94,136)	(32,445)	-	**(129,136)**
Price index update	10,566	40,126	15,654	-	**66,346**
Exchange rate variation	1,287	(6,115)	30	(1,639)	**(6,437)**
Ending balance	**275,791**	**437,626**	**87,847**	**520,990**	**1,322,254**
Current					**274,756**
Non-current					**1,047,498**

(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 June 30, 2016 the total amount of the possible contingencies was R$12,829,685 (R$11,707,258 as of December 31, 2015, from which R$520,990 (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 June 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.

On February 25, 2016 the Board of Directors approved the cancellation of 60,000,000 (sixty million) common shares held in treasury by the Company, without any reduction in the capital stock. On April 07, 2016 the cancellation was ratified in the Shareholders Ordinary Meeting.

The Company is authorized to increase the capital stock, irrespective of amendment to the bylaws, up to the limit of 1,000,000,000 common shares, in book-entry form without par value.

28.2. Interest on shareholders' equity and dividends

On February 12, 2016 the payment of R$473,398 was made related to the interest on shareholders' equity and R$91,443 related to dividends approved by the Management on December 17, 2015 and ratified in the Shareholders Ordinary Meeting on April 7, 2016.

On February 25, 2016, the Board of Directors approved the payment of R$98,210 as complimentary dividends for the year ended December 31, 2015, settled on April 01, 2016.

On June 30, 2016, the Board of Directors approved the payment of R$513,215, related to interest on shareholder's equity settled on August 15, 2016.

28.3. Breakdown of capital stock

	Consolidated	
	06.30.16	12.31.15
Common shares	**812,473,246**	872,473,246
Treasury shares	**(13,505,317)**	(62,501,001)
Outstanding shares	**798,967,929**	809,972,245

28.4. Rollforward of outstanding shares

	Consolidated	
	Quantity of outstanding of shares	
	06.30.16	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	**103,284**	1,935,296
Shares at the end of the period	**798,967,929**	809,972,245

28.5. Treasury shares

The Company has 13,505,317 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$609,495.

On February 26, 2016, in a special meeting of Board of Directors was approved a "Repurchase Program" of the Company's share, in the amount of R$20,000,000 (twenty million) shares.

During the six-month period ended June 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	
	06.30.16	06.30.15
Basic numerator		
Net profit for the period attributable to controlling shareholders	**69,668**	819,013
Basic denominator		
Common shares	**812,473,246**	872,473,246
Weighted average number of outstanding shares - basic (except treasury shares)	**804,853,116**	852,819,886
Net earnings per share basic - R$	**0.08656**	0.96036
Diluted numerator		
Net profit for the period attributable to controlling shareholders	**69,668**	819,013
Diluted denominator		
Weighted average number of outstanding shares - basic (except treasury shares)	**804,853,116**	852,819,886
Number of potential shares (stock options)	**14,180**	667,292
Weighted average number of outstanding shares - diluted	**804,867,296**	853,487,178
Net earnings per share diluted - R$	**0.08656**	0.95961

Explanatory Notes
(in thousands of Brazilian Reais)

	Parent company	
Continued operations	**06.30.16**	06.30.15
Basic numerator		
Net profit for the period from continued operations attributable to controlling shareholders	**69,668**	826,085
Basic denominator		
Common shares	**812,473,246**	872,473,246
Weighted average number of outstanding shares - basic (except treasury shares)	**804,853,116**	852,819,886
Net earnings per share basic - R$	**0.08656**	0.96865
Diluted numerator		
Net profit for the period from continued operations attributable to controlling shareholders	**69,668**	826,085
Diluted denominator		
Weighted average number of outstanding shares - basic (except treasury shares)	**804,853,116**	852,819,886
Number of potential shares (stock options)	**14,180**	667,292
Weighted average number of outstanding shares - diluted	**804,867,296**	853,487,178
Net earnings per share diluted - R$	**0.08656**	0.96789

	Parent company	
Discontinued operations	**06.30.16**	06.30.15
Basic numerator		
Net profit for the period from discontinued operations attributable to controlling shareholders	**-**	(7,072)
Basic denominator		
Common shares	**812,473,246**	872,473,246
Weighted average number of outstanding shares - basic (except treasury shares)	**804,853,116**	852,819,886
Net earnings per share basic - R$	**-**	(0.00829)
Diluted numerator		
Net profit for the period from discontinued operations attributable to controlling shareholders	**-**	(7,072)
Diluted denominator		
Weighted average number of outstanding shares - basic (except treasury shares)	**804,853,116**	852,819,886
Number of potential shares (stock options)	**14,180**	667,292
Weighted average number of outstanding shares - diluted	**804,867,296**	853,487,178
Net earnings per share diluted - R$	**-**	(0.00829)

On June 30, 2016, from the total of 19,580,242 stock options outstanding (10,295,963 as

of June 30, 2015) granted to executives of the Company, 19,255,454 options (5,702,714 as of June 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 agreed on normal conditions of market for similar transactions, based on contracts.

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.

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	
	06.30.16	12.31.15	**06.30.16**	12.31.15	**06.30.16**	12.31.15	**06.30.16**	12.31.15	**06.30.16**	12.31.15	**06.30.16**	12.31.15
Al-Wafi Food Products Factory LLC	**-**	-	**-**	-	**-**	-	**-**	-	**394**	89	**(264)**	-
Avex S.A.	**30,667**	19,485	**-**	-	**-**	-	**-**	(134)	**25,468**	25,468	**-**	-
Avipal Centro Oeste S.A.	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(38)**	(38)
BFF International Ltd.	**-**	-	**-**	-	**-**	-	**-**	-	**1,750**	2,129	**-**	-
BRF Al Yasra	**-**	-	**-**	-	**-**	-	**-**	-	**162**	-	**-**	-
BRF Foods LLC	**-**	-	**-**	-	**-**	-	**-**	-	**302**	487	**-**	-
BRF Foods GmbH	**111,343**	119,280	**-**	-	**-**	-	**(39)**	-	**233**	418	**-**	-
BRF Global GmbH	**4,181,470**	2,780,457	**-**	-	**-**	-	**(6,178)**	(1,596)	**-**	-	**(913,040)** [1]	-
BRF GmbH	**-**	-	**-**	-	**-**	-	**(13)**	(16)	**-**	-	**(1,172)**	(1,471)
Federal Foods	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(82)**	-
Highline International Ltd.	**-**	-	**-**	-	**(5,854)**	(7,121)	**-**	-	**-**	-	**-**	-
K&S Alimentos S.A.	**-**	-	**-**	1,365	**-**	-	**-**	(8,148)	**-**	2,954	**-**	(29)
Perdigão International Ltd.	**-**	-	**-**	-	**(26,567)**	(29,446)	**-**	-	**382**	4,551	**(975,892)**	(1,186,841) [1]
PSA Laboratório Veterinário Ltda.	**-**	-	**550**	550	**-**	-	**-**	-	**-**	-	**-**	-
Quickfood S.A.	**67,784**	47,446	**-**	-	**-**	-	**-**	(717)	**-**	-	**(394)**	(553)
Sadia Alimentos S.A.	**14,172**	12,366	**-**	-	**-**	-	**(110)**	-	**-**	-	**-**	-
Sadia Chile S.A.	**33,798**	42,467	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Sadia Uruguay S.A.	**4,135**	8,720	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
UP! Alimentos Ltda.	**1,666**	645	**8,202**	19,820	**-**	-	**(11,125)**	(15,227)	**4,556**	3,757	**(1,400)**	-
VIP S.A. Empreendimentos e Partic. Imob.	**-**	-	**1,403**	1,403	**-**	-	**-**	-	**49**	-	**-**	-
Wellax Foods Logistics C.P.A.S.U. Lda.	**-**	-	**-**	-	**-**	-	**-**	-	**368**	344	**-**	-
Corall Consultoria LTDA.	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(58)**	-
Hortigil Hortifruti S.A.	**-**	2,370	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Instituto de Desenvolvimento Gerencial S.A.	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(268)**	(2,088)
Total	**4,445,035**	3,033,236	**10,155**	23,138	**(32,421)**	(36,567)	**(17,465)**	(25,838)	**33,664**	40,197	**(1,892,608)**	(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	
	06.30.16	06.30.15	**06.30.16**	06.30.15	**06.30.16**	06.30.15
Al-Wafi Foods	**42,155**	10,976	**-**	-	**-**	-
Avex S.A.	**21,061**	2,202	**-**	-	**-**	-
BRF Foods GmbH	**6,642**	20,118	**-**	-	**-**	-
BRF Global GmbH	**5,666,363**	4,557,616	**(4,452)**	(4)	**(61)**	-
K&S Alimentos Ltda.	**-**	-	**-**	-	**-**	(68,936)
Perdigão International Ltd.	**-**	-	**(32,441)**	(25,784)	**-**	-
Quickfood S.A.	**19,672**	14,173	**-**	-	**(766)**	(2,937)
Sadia Alimentos S.A.	**1,806**	-	**-**	-	**-**	-
Sadia Chile S.A.	**74,181**	43,558	**-**	-	**-**	-
Sadia Uruguay S.A.	**6,613**	8,814	**-**	-	**-**	-
UP! Alimentos Ltda.	**6,779**	7,587	**-**	-	**(95,180)**	(95,753)
Corall Consultoria LTDA. (1)	**-**	-	**-**	-	**(874)**	-
Hortigil Hortifruti S.A. (2)	**3,467**	7,228	**-**	-	**-**	-
Instituto de Desenvolvimento Gerencial S.A. (1)	**-**	-	**-**	-	**(3,849)**	(3,644)
Total	**5,848,739**	4,672,272	**(36,893)**	(25,788)	**(100,730)**	(171,270)

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

(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$7,317 (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$26,458 included in other liabilities as of June 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			Balance	Interest rate
Creditor	Debtor	Currency	06.30.16	(p.a.)
Campo Austral S.A.	Degesa Argentina S.A.	ARS	4,510,249	20.0%
Campo Austral S.A.	Buenos Aires Fortune S.A.	ARS	1,136,346	20.0%
Campo Austral S.A.	Cabaña San Nestor S.A.	ARS	766,043	20.0%
BRF GmbH	Federal Foods Qatar	US$	519,845	2.5%
Campo Austral S.A.	Eporpam S.A.	ARS	366,317	20.0%
Sadia Overseas Ltd.	BRF Global GmbH	US$	289,852	7.0%
Hibridos Argentinos S.A.	Eporpam S.A.	ARS	284,906	20.0%
BRF Global GmbH	BFF International Ltd.	US$	228,268	1.5%
Hibridos Argentinos S.A.	Cabaña San Nestor S.A.	ARS	222,482	20.0%
Industria Frigorífica Expork S.A.	Degesa Argentina S.A.	ARS	200,918	20.0%
BRF GmbH	BRF Foods GmbH	US$	192,448	1.2%
Hibridos Argentinos S.A.	Porcinos Cordobeses S.A.	ARS	184,788	20.0%
Sadia International Ltd.	Wellax Food Logistics	US$	181,902	1.5%
Campo Austral S.A.	Hibridos Argentinos S.A.	ARS	175,191	20.0%
BRF GmbH	BRF Invicta	GBP	154,905	3.0%
Degesa Argentina S.A.	Cabaña San Nestor S.A.	ARS	130,172	20.0%
Perdigão International Ltd.	BRF Global GmbH	US$	121,370	0.9%
Campo Austral S.A.	Itega S.A.	ARS	93,961	20.0%
Industria Frigorífica Expork S.A.	Eporpam S.A.	ARS	83,480	20.0%
BRF GmbH	BRF Holland B.V.	EUR	81,674	3.0%
Industria Frigorífica Expork S.A.	Cabaña San Nestor S.A.	ARS	74,991	20.0%
BRF GmbH	BRF Foods LLC	US$	62,037	2.5%
Degesa Argentina S.A.	Eporpam S.A.	ARS	56,906	20.0%
Industria Frigorífica Expork S.A.	Hibridos Argentinos S.A.	ARS	49,522	20.0%
Industria Frigorífica Expork S.A.	Porcinos Cordobeses S.A.	ARS	43,862	20.0%
BRF Holland B.V.	BRF B.V. (NL)	EUR	41,897	3.0%
Industria Frigorífica Expork S.A.	Campo Austral S.A.	ARS	33,216	20.0%
Perdigão International Ltd.	BRF S.A	US$	26,567	0.8%
BRF Holland B.V.	BRF GmbH	EUR	14,476	1.5%
BRF GmbH	AL Wafi	US$	9,454	1.2%
BRF GmbH	BRF Singapore	SGD	4,830	1.5%
Perdigão International Ltd.	BRF Foods LLC	US$	3,912	1.0%
BRF Holland B.V.	BRF Wrexam	GBP	2,366	3.0%
BRF GmbH	BRF Foods LLC	US$	2,270	1.6%
Wellax Food Logistics	BRF Foods LLC	US$	1,953	7.0%
BRF Holland B.V.	BRF Iberia	EUR	1,623	3.0%

30.2. Other Related Parties

The Company has leased properties owned by FAF. For the six-month period ended June 30, 2016, the total amount paid as rent was R$7,276 (R$3,574 as of June 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 20.3.

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 June 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	
	06.30.16	06.30.15
Salary and profit sharing	**14,166**	20,520
Short term benefits [(1)]	**275**	434
Private pension	**360**	338
Post-employment benefits	**92**	92
Termination benefits	**1,909**	21,497
Share based payment	**7,460**	5,527
	24,262	48,408

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

31. NET SALES

	Parent company		Consolidated	
	06.30.16	06.30.15	**06.30.16**	06.30.15
Gross sales				
Brazil	**8,835,271**	9,072,465	**8,835,065**	9,082,953
Europe	**1,325,599**	1,070,338	**2,119,010**	1,574,638
MENA	**2,701,016**	2,195,769	**3,534,575**	3,137,346
Africa	**368,111**	257,232	**378,888**	340,399
Asia	**1,750,467**	1,187,841	**2,374,618**	1,662,190
LATAM	**298,676**	160,917	**1,132,819**	952,587
Other segments	**531,029**	412,696	**769,225**	388,880
	15,810,169	14,357,258	**19,144,200**	17,138,993
Sales deductions				
Brazil	**(1,728,743)**	(1,693,058)	**(1,728,710)**	(1,693,551)
Europe	**(20,683)**	(17,168)	**(141,734)**	(106,282)
MENA	**(28,883)**	(12,561)	**(350,831)**	(214,899)
Africa	**(4,246)**	(1,981)	**(3,576)**	(11,679)
Asia	**(43,926)**	(10,344)	**(42,406)**	(18,879)
LATAM	**(1,709)**	(1,107)	**(184,294)**	(101,618)
Other segments	**(51,822)**	(33,924)	**(57,751)**	(31,209)
	(1,880,012)	(1,770,143)	**(2,509,302)**	(2,178,117)
Net sales				
Brazil	**7,106,528**	7,379,407	**7,106,355**	7,389,402
Europe	**1,304,916**	1,053,170	**1,977,276**	1,468,356
MENA	**2,672,133**	2,183,208	**3,183,744**	2,922,447
Africa	**363,865**	255,251	**375,312**	328,720
Asia	**1,706,541**	1,177,497	**2,332,212**	1,643,311
LATAM	**296,967**	159,810	**948,525**	850,969
Other segments	**479,207**	378,772	**711,474**	357,671
	13,930,157	12,587,115	**16,634,898**	14,960,876

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$23,216 for the six-month period ended June 30, 2016 (R$34,260 as of June 30, 2015).

33. OTHER OPERATING INCOME (EXPENSES), NET

	Parent company		Consolidated	
	06.30.16	06.30.15	**06.30.16**	06.30.15
Income				
Gain on business combination [1]	**-**	-	**58,812**	-
Recovery of expenses [2]	**31,619**	6,303	**34,278**	18,305
Provision reversal	**14,006**	-	**14,411**	-
Other	**23,955**	22,215	**28,381**	26,804
	69,580	28,518	**135,882**	45,109
Expenses				
Provision for civil, labor and tax risks	**(50,745)**	(23,942)	**(48,147)**	(25,150)
Other employees benefits	**(31,050)**	(34,770)	**(31,686)**	(34,770)
Idleness costs [3]	**(17,386)**	(39,147)	**(30,622)**	(56,274)
Insurance claims costs	**(17,022)**	(22,980)	**(16,959)**	(22,973)
Stock options plan	**(16,493)**	(9,634)	**(16,493)**	(9,634)
Employees profit sharing	**(6,872)**	(141,657)	**(9,042)**	(172,096)
Net loss on the disposals of property, plant and equipment	**(9,885)**	(16,840)	**(8,413)**	(15,399)
Management profit sharing	**(3,529)**	(15,225)	**(3,529)**	(15,720)
Allowance for doubtful accounts	**(1,860)**	-	**(1,854)**	-
Restructuring charges	**-**	(48,510)	**-**	(57,852)
Other	**(26,095)**	(85,961)	**(37,264)**	(97,347)
	(180,937)	(438,666)	**(204,009)**	(507,215)
	(111,357)	(410,148)	**(68,127)**	(462,106)

(1) Gain from investment revaluation of the AKF (note 6.1.3) due to the appreciation of the entity's shares, as a result of the new management model implemented after the BRF entering the business.

(2) The expenses recorded in the six-month period ended June 30, 2016 refer mainly to extemporaneous credit in the amount of R$19,479.

(3) Idleness cost includes depreciation charge R$6,939 (R$11,116 for the six-month period ended June 30, 2015) in the parent company and R$7,554 (R$11,523 for the six-month period ended June 30, 2015) in the consolidated.

34. FINANCIAL INCOME (EXPENSES), NET

	Parent company		Consolidated	
	06.30.16	06.30.15	**06.30.16**	06.30.15
Financial income				
Exchange rate variation on loans and financing	**1,454,940**	-	**1,453,310**	-
Interest on assets	**156,945**	135,504	**160,602**	139,293
Interest on cash and cash equivalents	**70,812**	57,016	**109,020**	71,364
Interests on financial assets classified as				
Held to maturity	**41,940**	15,620	**41,940**	15,620
Held for trading	**15,687**	16,824	**22,577**	16,824
Available for sale	**-**	-	**-**	6,537
Exchange rate variation on liabilities	**516,229**	-	**-**	-
Exchange rate variation on other assets	**-**	322,285	**-**	515,538
Gains from derivative transactions, net	**-**	125,694	**-**	173,705
Financial income on accounts payable	**-**	6,628	**-**	6,628
Exchange rate variation of foreign on net assets	**-**	-	**-**	351,647
Exchange rate variation on marketable securities	**-**	13,112	**-**	228,368
Others	**-**	5,859	**-**	5,858
	2,256,553	698,542	**1,787,449**	1,531,382
Financial expenses				
Losses on derivative transactions, net	**(1,009,654)**	-	**(996,217)**	-
Exchange rate variation of foreign on net assets [1]	**-**	-	**(634,228)**	-
Interest on loans and financing	**(458,972)**	(286,493)	**(546,582)**	(371,136)
Adjustment to present value	**(159,894)**	(99,126)	**(159,715)**	(98,282)
Interest on liabilities	**(119,167)**	(77,542)	**(124,369)**	(79,736)
Exchange rate variation on other liabilities	**-**	(225,385)	**(98,448)**	(549,740)
Exchange rate variation on assets	**(135,262)**	-	**(96,104)**	-
Financial expenses on accounts payable	**(79,592)**	-	**(79,592)**	-
Exchange rate variation on marketable securities	**(1,185)**	-	**(34,942)**	-
Exchange rate variation on loans and financing	**-**	(767,509)	**-**	(767,523)
Premium paid for the repurchase of bonds (Tender Offer)	**-**	(246,208)	**-**	(310,322)
Interest expenses on loans to related parties	**(36,893)**	(25,748)	**-**	-
Others	**(77,082)**	(87,053)	**(125,234)**	(118,814)
	(2,077,701)	(1,815,064)	**(2,895,431)**	(2,295,553)
	178,852	(1,116,522)	**(1,107,982)**	(764,171)

[1] Refers to investments in subsidiaries whose functional currency is Brazilian 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	
	06.30.16	06.30.15	**06.30.16**	06.30.15
Costs of sales				
Costs of goods	**7,510,940**	6,353,342	**9,129,293**	6,939,827
Depreciation	**576,424**	517,898	**622,805**	534,556
Amortization	**1,869**	1,722	**2,963**	1,957
Salaries and employees benefits	**1,616,892**	1,437,562	**1,796,068**	1,561,181
Others	**1,020,544**	1,032,714	**1,134,786**	1,235,076
	10,726,669	9,343,238	**12,685,915**	10,272,597
Sales expenses				
Depreciation	**28,691**	28,675	**30,797**	29,812
Amortization	**3,831**	2,941	**7,860**	5,790
Salaries and employees benefits	**422,008**	416,077	**578,294**	512,176
Indirect and direct logistics expenses	**845,427**	950,625	**1,088,561**	1,073,976
Others	**529,082**	481,651	**732,208**	616,205
	1,829,039	1,879,969	**2,437,720**	2,237,959
Administrative expenses				
Depreciation	**6,317**	4,244	**10,524**	11,049
Amortization	**49,039**	38,037	**91,255**	57,290
Salaries and employees benefits	**57,837**	98,280	**128,498**	139,304
Fees	**14,783**	12,993	**14,850**	13,114
Others	**16,143**	(17,732)	**30,933**	1,660
	144,119	135,822	**276,060**	222,417
Other operating expenses [(1)]				
Depreciation	**6,939**	11,116	**7,554**	11,523
Others	**173,998**	427,550	**196,455**	495,692
	180,937	438,666	**204,009**	507,215

(1) The composition of other operating expenses is disclosed in note 33.

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

During the six-month period ended June 30, 2016, the Company has not been required to adopted new accounting standards and pronouncements, though it's 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 detail of recently adopted standards or not yet adopted.

37. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on April 28, 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

Comittee Coordinator	Sérgio Ricardo Silva Rosa
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
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

Marcos Roberto Badollato
Controller

Joloir Nieblas Cavichini
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:

	06.30.16		12.31.15	
Shareholders	**Quantity**	**%**	Quantity	%
Major shareholders				
Tarpon	**97,032,185**	**11.94**	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)]	**86,551,052**	**10.65**	87,573,052	10.04
Management				
Board of Directors	**37,403,939**	**4.60**	35,818,939	4.11
Executives	**60,370**	**0.01**	73,297	0.01
Treasury shares	**13,505,317**	**1.66**	62,501,001	7.16
Other	**485,158,884**	**59.72**	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:

	06.30.16		12.31.15	
Shareholders	**Quantity**	**%**	Quantity	%
Tarpon	**97,032,185**	**11.94**	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)]	**86,551,052**	**10.65**	87,573,052	10.04
	276,344,736	**34.01**	273,651,436	31.37
Other	**536,128,510**	**65.99**	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 June 30, 2016, which comprise the balance sheet as at June 30, 2016 and the related statements of income and comprehensive income for the three and six months periods then ended, and statements of changes in equity and cash flows for the six 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 six-month period ended June 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, April 28, 2015.

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 six-month period ended on June 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, July 28, 2016.

Sergio Ricardo Silva Rosa
Committee Coordinator

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 six-month period ended on June 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 six-month period ended on June 30, 2016.

São Paulo, July 28, 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)