The Management of Marfrig Global Foods ("Marfrig" or "Company") presents the Management Report and Financial Statements, accompanied by the reports of the Audit Board and Independent Auditors, for the fiscal year ended December 31, 2018.

1. MESSAGE FROM MANAGEMENT

The year 2018 marked the shift in Marfrig's strategic direction towards beef protein and higher value products, and its attainment of a low-leverage capital structure.

In June, we acquired a controlling interest in U.S.-based National Beef, the fourth largest and most efficient beef producer in the United States, which has transformed Marfrig into the world's second largest beef producer in terms of capacity.

Consistent with our commitment to financial discipline, in November, we divested the subsidiary Keystone Foods, a company engaged primarily in chicken processing.

We carried out a carve-out of Keystone's beef patty business in North Baltimore, Ohio, which is one of the largest beef patty plants in the U.S. and a leading supplier to the foodservice channel.

Focusing on higher value-added products, we announced, in December, the decision to acquire a controlling interest in QuickFood, a leading producer of beef-based food in Argentina and the owner of Paty, a leading brand in the local beef patty market.

Also in December, we announced in Brazil the acquisition of a further processing plant in Várzea Grande, in Mato Grosso, which includes the production of hamburgers, meatballs and kibbeh, from BRF, with which we entered a long-term supply agreement of beef patty among others. These assets will complement the product portfolio of the South America Operation.

These strategic movements consolidated Marfrig's position in the Americas with a diversified production platform in North and South America and the capacity to serve the world's leading and most profitable consumer markets.

The conclusion of these strategic transactions also helped to improve significantly Marfrig's capital structure, which reached a leverage ratio of 2.39x by year-end, one of the lowest levels in the sector.

In the beef industry, the United States is the world's largest beef consumer market. According to the USDA, estimated demand in 2018 was approximately 12 million tons CWE (carcass weight equivalent) and with record profitability for the industry, driven by strong domestic and international demand. Despite being one of the world's major importers, the country also exports high-quality beef to premium markets such as Japan and South Korea. In 2018, Japan was the world's third-largest beef importer. National Beef, which is part of Marfrig's operations in North America, is the leading exporter of chilled beef from the U.S. to the Japanese market.

And, for 2019, the industry outlook remain positive. With cattle supply adequate to the available capacity in the industry, the sector's profitability in the United States should remain positive.

Meanwhile, South America has been consolidating its position as a key supply platform to meet the world's growing demand for beef protein. In 2018, beef exports from Brazil, Argentina and Uruguay amounted to approximately 2.2 million tons (according to Abiec, Inac and Argentine ministry of agriculture).

For 2019, the prospects for stronger domestic demand and an economic recovery in Brazil, the opening of new markets, such as Japan to Uruguay and the United States to Argentina, and the possibility of new authorizations by China regarding the region, should sustain margins at high levels.

Marfrig's strategy for 2019 will be based on five pillars: financial solidity, operating excellence, products and clients,

corporate governance and sustainability, while constantly seeking to create sustainable value for its shareholders.

Acknowledgements

The year 2018 was yet another one of overcoming challenges and delivering results. I'm extremely grateful to all Marfrig employees for their continuous commitment throughout the year.

To our Clients, Suppliers, the Financial Markets and Shareholders, thank you once again for your trust and partnership. We will continue to strive for service excellence and to keeping Marfrig one of the world's leading beef companies.

Company's long-term strategy will remain focused on sustainable growth, supported by a solid capital structure and the consistent generation of profits and free cash flow.

I wish all of us an excellent 2019, and am certain that we are working hard for Marfrig to grow stronger with each passing year!

Marcos Antonio Molina dos Santos
Chairman of the Board

2018 was marked by Marfrig's strategic redirection to focus on beef and higher value-added products, and by the optimization of its capital structure.

The strategic moves also led to a change in Marfrig's operational structure, which now is represented by two operations, North America and South America.

For 2019, we will continue to concentrate our efforts on maximizing the value of both operations by pursuing the most profitable channels and higher value-added products and by capturing operational efficiency gains, all without abandoning our nonnegotiable commitment to financial discipline and sustainability.

I am grateful to all those who have supported the company and its strategy.

José Eduardo de Oliveira Miron
Chief Executive Officer

2. MARFRIG GLOBAL FOODS

Marfrig Global Foods is a Brazilian multinational corporation with a broad international footprint and is the world's second-largest beef company in capacity. Its business comprises 36 production units, distribution centers and offices located in South America, North America, Europe and Asia. Its activities include the production, processing, further processing, sale and distribution of foods made from animal proteins, primarily beef, as well as a variety of other food products, such as frozen vegetables, lamb, fish, sauces and desserts.

With around 30,000 employees, Marfrig operates in the foodservice, retail and wholesale channels offering innovative, safe and healthy solutions. It has a diversified and comprehensive portfolio of products that can be found in major restaurant and supermarket chains and that every day reach the tables of millions of consumers in some 100 countries. Its business structure comprises two operations with global reach:

North America Operation: fourth largest beef processor and the industry's most profitable and efficient company in the country. The Company has two primary processing plants with capacity of 12,000 head/day, which corresponds to over 3 million head/year, or roughly 13% of U.S. primary processing capacity. Its products are sold domestically in the retail, wholesale and foodservice channels, and exported to various markets. It is also is the U.S.' leading exporter of chilled beef, with a focus on the Japanese and South Korean markets. The business also includes the sale of ancillary/complementary products and of subproducts from the process, tannery and logistics operations and direct online sales to consumers.

With a high value-added portfolio, the operation offers products with superior specifications and the highest quality, as well as widely recognized brands.

The Company's North America Operation also has a production capacity of 106,000 tons of beef patties per year, with the highlight the Ohio plant, which, as one of the biggest and most technologically advances beef patty plants in the United States, is dedicated to the foodservice channel and can produce fresh and frozen beef patties.

South America Operation: one of the region's leading beef producers, with primary processing capacity of over 21,000 head/day, Marfrig is recognized for the quality of its products in both local and international markets, and is one of the main exporters in South America. The Company is the second largest beef processor in Brazil, with primary processing capacity of 16,000 animals/day and capacity to produce 69,000 tons of beef patties per year. Focusing on the retail and foodservice channel in the local market, its clients include major restaurant and steakhouse chains. In Uruguay, it is the industry's largest company and and is distinguished by the production and commercialization of organic beef, especially for export. In Argentina, in addition to having two primary processing plants, the company is the leading producer and seller of beef patties and owns one of the region's most valuable and recognized brands. In Chile, Marfrig is the country's leading beef importer and has a lamb primary processing plant in the Patagonia region.

In addition to the traditional brands that enjoy ample recognition for their excellence and quality, the operation has a broad range of processed and high value-added food products.

3. PERFORMANCE

Industry Overview

North America

In general, market conditions were very favorable for U.S. beef producers. Cattle supply increased while demand in both the domestic and international markets remained very strong. Beef producers were able to operate at high utilization rates, which resulted in record margins for the sector.

Slaughtering reached 25.4 million head (USDA F.I. Steer Heifer), an increase of 372,000 head or 1.4% from 2017. The high supply influenced the average cattle price reference (USDA KS Steer), which stood at US$116.8/cwt, down 3.7% from the average price of US$121.1/cwt in the prior year.

The lower cattle cost combined with the higher average sales price supported an expansion in the industry's margin, which registered a 5.2% increase in Cutout Ratio (average beef price divided by average cattle cost) on the prior year, from 1.71x in 2017 to 1.80x to 2018.

South America

The year 2018 brought numerous challenges to the beef sector in Brazil. The effects from the high unemployment rate, the truck drivers' strike in the second quarter, political uncertainties in the third quarter due to the election

cycle and the sharp depreciation in the Brazilian real against the U.S. dollar during the year have demanded from the industry a huge capacity to manage risks.

Slaughtering in 2018 reached 24.2 million head, up 4.6% from 23.2 million head in 2017. In the same direction, the average cattle cost for the year, measured by the ESALQ index, stood at R$144.5/@, representing a 4.4% increase from the average cost of R$138.3/@ in the prior year.

Fresh beef exports, meanwhile, stood at 1.35 million tons, 11.9% higher than the total volume shipped in 2017 (source ABIEC). Revenues in the year came to US$5.4 billion, 7.3% higher than in the year prior, while the average price in U.S. dollar fell 4.1%.

The significant increase in exports confirmed Brazil's position as a world leader, with the highlight China, which accounted for 44% of all Brazilian exports.

Russia maintained, since December 2017, its decision to suspend Brazilian beef and pork imports, but in November 2018, it resumed imports for a reduced number of authorized plants, which should translate into an important option for Brazilian beef exports in 2019.

Brazil's foodservice industry, one of the markets served by the Company, is expected to generate sales to consumers of over R$450 billion in 2019, growing 3.3% on 2018, and around R$180 billion in purchases of ingredients and raw materials, according to projections from a specialized consulting firm (Food Consulting). These figures place Brazil fourth worldwide in Foodservice.

In 2018, Uruguay registered its fifth straight year of growth in processing volume, to 2.34 million head, a positive variation of 0.2% comparade 2017, according to the INAC. Meanwhile, the average cattle cost (US$3.40/kg) increased 9.6% from 2017 (US$3.13/kg), bucking the downward trend seen since 2012. Exports grew in volume and revenue by 8% and 6%, respectively, led by sales to China, which accounted for 45% of the total exported in the year, become one of the three main export destinations together with the European Union and NAFTA.

In terms of spreads (sales price – cattle cost), Uruguay's export market in 2018 suffered a 386 bps margin contraction from 2017, mainly due to the higher cattle cost.

Among South America's largest countries, Argentina recorded the highest percentage growth in processing volume in 2018, according to the Ministry of Agriculture, with 13.4 million head slaughtered, representing growth of 7% on 2017. The weaker local currency and higher production volume supported export growth of 78% in 2018. Export volumes amounted to 557,000 tons, or 18.1% of total production in Argentina, the highest percentage since 2006.

3.1. Consolidated Results | proforma

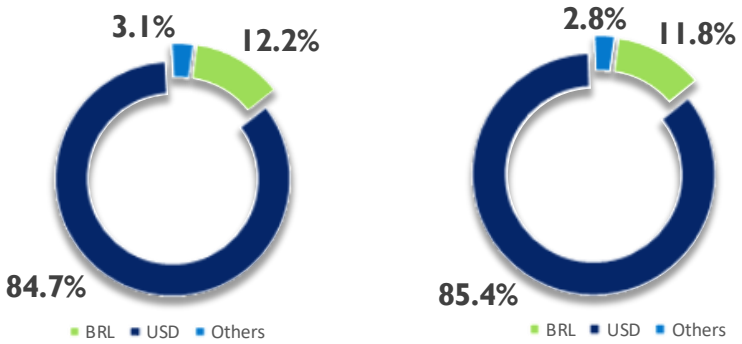
- **Net Revenue**

Marfrig Global Food's consolidated net revenue, on a proforma basis, amounted to R$41.4 billion in 2018, growing by 19.8% or R$6.8 billion on the prior year. The main factors were (i) the 14.5% depreciation in the Brazilian real against the U.S. dollar, which generated a gain of R$4.5 billion; (ii) sales volume growth, which supported revenue growth of R$3.2 billion; which offset (iii) the negative impact of R$878 million from the lower average price.

Primary processing amounted to 7 million head, up 8.3% from 2017, driven by the higher supply of cattle at both operations.

Marfrig is a highly internationalized company, therefore, a large share of its revenue is generated in currencies other than the Brazilian real. In 2018, net revenue denominated in foreign currency accounted for 85% of total revenue.

Revenue by currency (%)



North America Operation

Net revenue from the North America Operation came to US$7.8 billion, up 2.1% from 2017, explained by solid demand and higher sales volume, which primarily reflects the higher supply of animals in the country (positive cattle cycle). Higher sales volume contributed US$113 million to revenue growth.

Around 90% of the operation's revenue was generated by the beef processing operation. The remaining balance was related to the operations involving portioned cuts, processed products, leather, logistics and direct online sales to consumers.

The sales price, which followed market dynamics, had a positive effect of R$45 million on revenue, with the USDA price reference for sales of primary cuts (cutout prices) increasing 1.7% and the average sales price of subproducts (drop prices) decreasing 17.5%.

In Brazilian real, net revenue was R$28.7 billion, up 17.3%, reflecting the average depreciation in the Brazilian real against the U.S. dollar in the comparison period.

South America Operation

In 2018, the South America operation posted net revenue of R$12.8 billion, advancing 26% on the prior year. This performance is explained (i) by the 22% growth in sales volume, which had a positive impact of R$2.8 billion; which offset (ii) the negative impact of R$1.0 billion from the lower average price. The effect from Brazilian real depreciation contributed with a positive variation of R$847 million.

The growth in sales volume, which was achieved despite the truck drivers' strike as well as the unscheduled shutdown at the Mineiros plant in the last quarter of the year, reflects Marfrig's strategy to expand the production capacity of its Brazilian operations to take advantage of the better cattle cycle in the country, as well as the higher cattle supply in Argentina. In Uruguay, the highlight was the market share gain compared to 2017, reaching 22% of total slaughter volume in the country. The continued good performance of Chile also made a positive contribution to this growth.

In the Brazilian operation, the highlight was the 29% growth in sales volume to the domestic market. In the foodservice and small-retailer channels, as well as in large and small supermarket chains, the operation posted double-digit growth. The average sales price, which followed the market trend, decreased 10%, reflecting the higher supply and more intense competition among proteins in a still-recovering economy.

In 2018, export revenue, which grew 39%, accounted for 52% of the total net revenue of the South America operation. Export growth was driven by the higher slaughter volume in Brazil, which partially offset the 5% decrease in the sales price, which followed the market trend, and by the higher share of the sales mix directed to lower value-

added countries, reflecting the ramp-up period for the certification for export of the reopened plants in Brazil during 2017 and 2018.

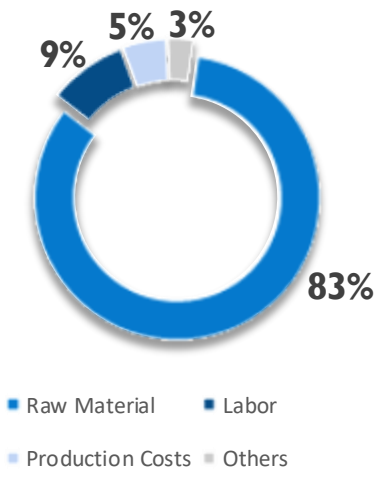
In Uruguay, highlights included the 13% growth in export volume and the better destination mix, with a higher share of shipments to China, which supported a 7% increase in average price.

In Argentina, the ongoing process to rebuild the cattle herd, which grew by around 1.1%, production growth and local-currency depreciation supported a recovery in export profitability, which improved the industry's competitiveness. Marfrig exports from Argentina grew 70% in 2018.

In Chile, with its dynamic economy, which expanded 4.0%, Marfrig continued its organic growth, which supported sales volume increase of 9%, with new categories added to the portfolio, expansion in national distribution and growth registered in all channels.

- **Cost of Goods Sold (COGS)**

In 2018, COGS amounted to R$36 billion, 18.4% higher than in 2017. This growth is explained by (i) the higher production cost in the Brazilian operation due to the reopening of capacities; (ii) the increase in total slaughtering; and (iii) the higher cattle cost in the South American operations; which were partially offset by (iv) the lower cattle cost in the United States. The 14.5% average appreciation in the USD generated a negative impact of R$24 million.



In the United States, the USDA KS Steer[1] price reference averaged US$117/cwt[2], or US$4.22/kg, decreasing 3.7% from 2017, reflecting the higher cattle supply in the U.S. market.

In Brazil, the ESALQ São Paulo reference price for fed cattle averaged R$144.48/arroba (US$2.52/kg) in 2018, up 4.4% from the same period of 2017.

In Uruguay, the INAC price reference increased 8.6% compared to 2017, while the average price was US$3.40/kg (INAC data). The increase is explained by the lower supply of fed cattle and the adverse weather factors in the region, as well as the continued solid global demand.

In Argentina, the cattle price reference stood at US$2.47/kg (Ministry of Agriculture data), down 22% from a year earlier, which benefitted from the depreciation in the Argentinean peso against the U.S. dollar and from the 8% growth in production volume.

- **Gross Profit and Gross Margin**

Gross profit amounted to R$4.9 billion, advancing 31.4% on 2017. Gross margin stood at 11.9%, expanding 110 bps on the prior year, mainly reflecting the solid performance of the North America Operation. Throughout 2018, beef demand and cattle supply remained strong in the United States, which supported favorable conditions for the industry's profitability.

[1] "USDA KS Steer": cattle price reference in the U.S. state of Kansas.

[2] A "hundredweight," or Cwt, is a weight-measuring unit used in certain commodity contracts. In North America, a hundredweight equals 100 pounds.

- **Selling, General and Administrative Expenses**

SG&A expenses amounted to R$2,345 million, increasing 29.5% from 2017, mainly explained by effects from the translation into Brazilian real of amounts in the international units, sales volume growth at both operations and higher amortization expenses. SG&A expenses as a ratio of net revenue (SG&A/NOR) stood at 5.7% and 5.2% in 2018 and 2017, respectively.

In 2018, selling expenses were R$1.9 billion, up R$422 million from the prior year. The increase is basically explained by (i) the depreciation in the Brazilian real against the U.S. dollar; (ii) the increase in commercial and logistics expenses due to the higher sales volume; and (iii) the higher marketing and advertising expenses.

General and administrative expenses came to R$489 million, 30% or R$112 million higher than in 2017, reflecting the average depreciation in the Brazilian real against the U.S. dollar and the higher amortization of intangible assets arising from the purchase price allocation process resulting from the National Beef acquisition.

- **Adjusted EBITDA and Adjusted EBITDA Margin (Proforma)**

In 2018, Marfrig posted record consolidated adjusted EBITDA of R$3.4 billion, up 35.2% on the prior year. In 2017, adjusted EBITDA margin was 8.2%, expanding 100 bps from 7.2% margin in 2017. The main factors driving this performance were (i) the record results in the North America Operation, reflecting the industry's positive moment in the United States; (ii) the higher profitability of the Southern Cone units, positively influenced by the industry's recovery in Argentina and the market share gains in Uruguay; and (iii) the weaker Brazilian real; which offset the exogenous effects that adversely affected the operation in Brazil, namely the truck drivers' strike and the incident with the Mineiros plant in the last quarter of the year.

3.2. Financial Result | Continuing Operation

The net financial result in 2018 was an expense of R$2.3 billion, compared to an expense of R$1.9 billion in 2017.

Excluding the effects from exchange variation, the net financial expense was an expense of R$1.9 billion, up 14% on the prior year. The highlights were (i) the negative effect from the depreciation in the Brazilian real against the U.S. dollar on the translation of interest expenses paid in the period; and (ii) the one-off increase in interest expenses and costs related to the bridge loan for the acquisition of National Beef, in the amount of R$190 million.

RESULTADO FINANCEIRO	2018	2017	Chg.	
			R$	%
Net Interest Provisioned	(857)	(684)	(173)	25%
Market Transactions Net Result	(5)	(5)	0	-8%
Other Financial Revenues and Expenses	(875)	(1,003)	128	-13%
Bridge Loan Interest and Expenses	(190)	-	(190)	-
FINANCIAL RESULT EX-EXCHANGE VAR.	**(1,927)**	**(1,693)**	**(234)**	**14%**
Exchange Variation	(383)	(196)	(186)	95%
NET FINANCIAL RESULT	**(2,309)**	**(1,889)**	**(420)**	**22%**

3.3. Net Income | Continuing and Discontinued Operation

In 2018, Marfrig posted net income of R$1.4 billion, a significant improvement from 2017. This performance is explained by the record result in the North America Operation and by the positive impact from the divestment of Keystone in 4Q18.

3.4. Cash Flow | Continuing Operation

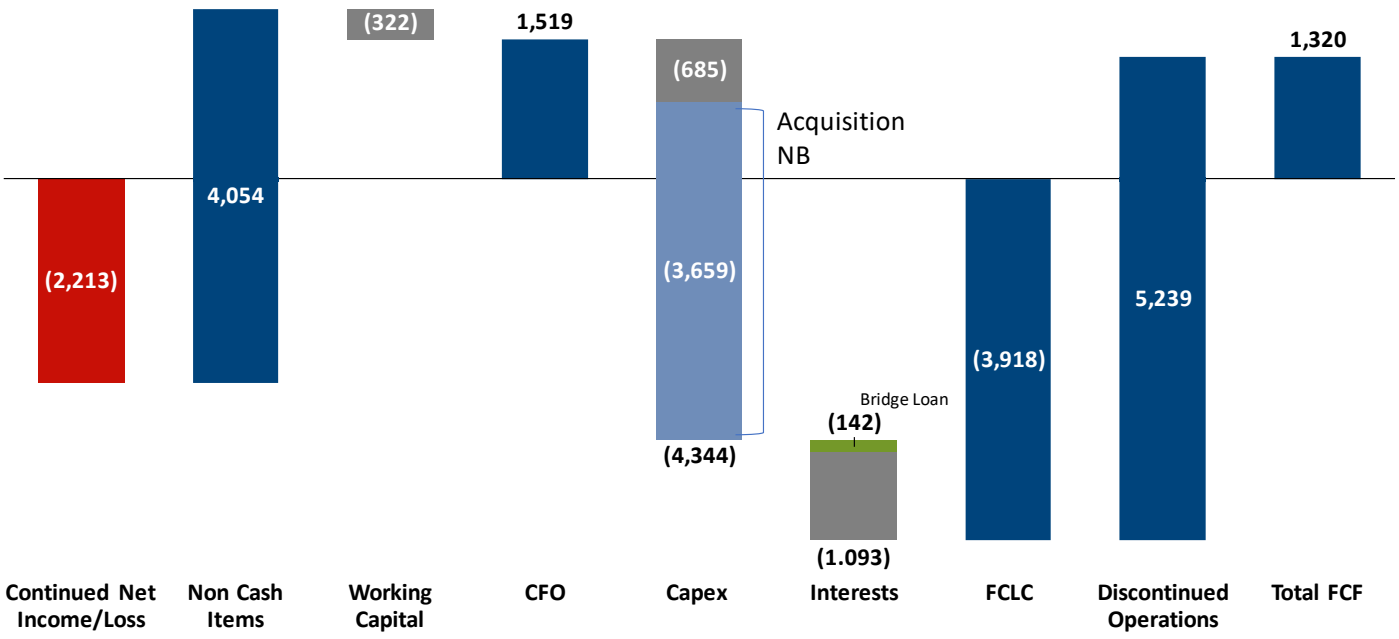
In 2018, the Company's operating cash flow ("OCF") was positive by R$1.5 billion. This result reflects the Company's successful strategy to focus on beef protein and higher value-added products.

Investments in the year amounted to R$4,344 million. The highlights were the acquisition of a controlling interest in National Beef (77% of the total); the remaining expenditures with the reopening of industrial facilities in the Brazilian beef operation; and the ongoing investments to improve and expand production capacity at both operations.

Meanwhile, interest expenses amounted to R$1,093 million, influenced by the one-off expense of R$142 million related to the bridge loan for acquiring the controlling interest in National Beef.

The combination of these factors together with the free cash flow from the discontinued operation led to a positive free cash flow of R$1,320 million in the year.

Free Cash Flow 2018 (R$ million)



3.5. Capital Structure, Liquidity and Rating

Because a large portion of Marfrig's debt is denominated in U.S. dollar (debt denominated in USD or currencies other than the BRL ended the quarter at roughly 98.6% of total debt), the variations discussed in this section are based on the amounts in U.S. dollar.

Debt

Net debt in U.S. dollar closed the year at US$2.1 billion, down 42% or US$1.5 billion from 2017 (on a proforma basis with National Beef and Keystone) due to the divestment of Keystone. In Brazilian real, net debt stood at R$8.0 billion.

On the same basis, consolidated gross debt stood at US$3.9 billion, down US$995 million or 20% from 2017.

The balance of cash and marketable securities stood at US$1.9 billion, increasing by US$506 million from the prior year. This improvement was driven by the "excess" cash from the funds received following the conclusion of the Keystone divestment and payment of the bridge loan for acquiring the controlling interest in National Beef.

Leverage

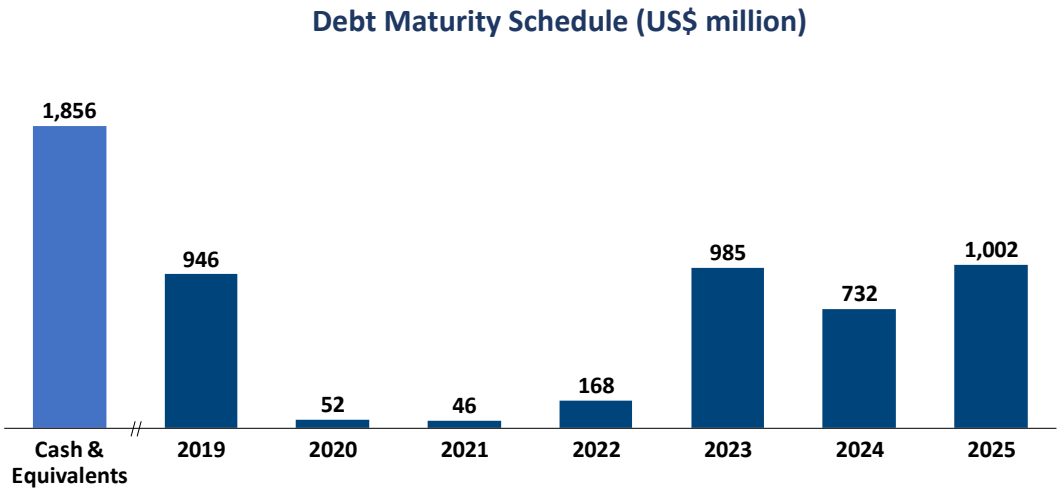
Leverage measured by the ratio of net debt to Adjusted EBITDA LTM (last 12 months) from continuing operations stood at 2.39x at the end of 2018, a decrease of around 1.1x from the end of the prior year, when it stood at 3.50x.

This improvement reflects Marfrig's commitment to deleverage. In accordance with its long-term strategic plan "Focus to Win," the target was to reach 2.50x by the end of 2018.

In U.S. dollar, financial leverage measured by the ratio of net debt to Adjusted EBITDA LTM stood at 2.30x.

Debt Maturity Schedule (US$ million)

At December 31, 2018, the duration of outstanding debt was 4.03 years (in line with 2017), with only 24.1% of debt maturing in the short term. At the end of the year, the average cost of the Company's debt was 7.0% p.a., representing deterioration of 60 bps from 6.4% p.a. in 2017.



Financial Indicators

	2018	2017
Net Debt / EBITDA LTM adjusted	2.39	3.50
Avg. Cost of Debt (p.a.)	7.0%	6.4%
Duration (anos)	4.03	3.81

	2018	2017
Short Term	24.1%	14.9%
Long Term	75.9%	85.1%
Debt in R$ (%)	1.4%	2.1%
Debt in other currencies (%)	98.6%	97.9%

Credit Risk Rating – Global Scale

In April 2018, Marfrig announced its strategic shift towards growing in the beef market and higher value-added products. The strategic initiatives implemented to support this vision were the acquisition of a controlling interest in National Beef and the divestment of Keystone.

The credit rating agencies monitored the Company's strategic initiatives over the year and updated their risk ratings.

In this context, S&P revised upward Marfrig's credit rating to "BB-" from "B+" with a stable outlook, while Fitch and Moody's maintained their ratings and outlooks unchanged from 2017.

Agency	Brazilian Scale	Global Scale	Outlook
S&P	brAA+	BB-	Stable
FitchRatings	A bra	BB-	Stable
Moody's	-	B2	Stable

3.6. Investments

Capital expenditures amounted to R$4,344 million in 2018. This result was mainly influenced by the acquisition of a controlling interest in National Beef, for R$3,659 million. Of the remaining balance, 51% was allocated to asset maintenance and 49% with reopening capacity and growth projects, such as the expansion of the processed product portfolio in Brazil, the expansion of warehousing space in Dodge City, KS, and the expansion of consumer ready products in Moultrie, GA, in North America. Another highlight is the effect from exchange variation on the translation of amounts from the international units into BRL, the Company's functional currency.

(R$ million)	2018
	R$
Growth Projects	334
Maintenance	351
TOTAL	**685**
Investment (Acquisition NB)	3,659
Total with Acquisition	**4,344**

4. GUIDANCE

In October 2013, the Company announced its long-term strategic plan "Focus to Win," which set targets for 2018.

Guidance	2018	2018 Continuous Op.
Marfrig		
Net Revenue (R$ billion) (*)	7.5% - 9.5% **CAGR 13-18**	**9.5%** **R$29,715**
Margin Adj. EBITDA	8.5% - 9.5%	**8.8%**
Total Free Cash Flow (R$ million) (**)	R$ 650 - 850	**R$1,320**

(*) Based on revenue in 2013 and on estimated CAGR 13-18, revenue estimated for 2018 would be in the range of R$27 to 30 billion.

(**) Amount considers the investment for the acquisition of National Beef and includes the effects from the Keystone divestment.

All targets were met and the results were in line with the guidance announced.

At the time, the Company revealed its aspiration to reach a financial leverage ratio (by end-2018) of 2.5x (Net Debt/EBITDA LTM).

Marfrig closed the year with a leverage ratio of 2.39x, effecting fulfilling the commitment it undertook in 2013.

5. CORPORATE GOVERNANCE

Marfrig Global Foods S.A. has a business management model that complies with the rules of the Securities and Exchange Commission of Brazil (CVM), the Novo Mercado Regulations of the São Paulo Stock Exchange (B3) and the recommendations of the Brazilian Code of Corporate Governance Best Practices of the Brazilian Corporate Governance Institute (IBGC). Business conduct is based on transparency in the reporting of information to its various stakeholders (shareholders, investors, clients, consumers, suppliers, employees and society) and adopts corporate governance practices that exceed legal recommendations and obligations.

In addition to a Board of Directors and a permanent Audit Board, the Corporation has three Advisory Committees to its Board of Directors, whose main function is ensuring that its activities are conducted to protect and increase the value of its assets and to optimize return on investment in the long term. These are the Audit Committee, Financial & Risk Management Committee, and Compensation, Corporate Governance & Human Resources Committee.

Other instruments and policies supporting Marfrig's corporate governance activities include:

- **Code of Ethics:** establishes the ethical foundation for compliance and strengthens governance by defining the values, principles and practices that guide good corporate conduct, in line with best practices and legal requirements.
- **Anticorruption Manual:** based on Brazilian anticorruption legislation, the manual informs how the Company's integrity policies translate into processes and practical procedures to be followed.
- **Whistleblowing Channel:** called HELPLINE, the channel is made available to all employees, clients, suppliers, service providers, investors, government officials and partners to receive reports on any activity in violation of the Company's standards and policies as well as of governing law, in particular Brazil's Federal Law 12,846/13, which combats corruption.
- **Securities Trading Policy:** establishes the rules and procedures to be adopted by the Company and its related persons regarding trading in securities issued by it, assuring to all stakeholders that ethical conduct is adopted by those with access to material information.
- **Disclosure Policy:** establishes the practices for the disclosure and use of information to be observed by the Controlling Shareholder, Managers and members of the Audit Board, as well as by anyone who, due to their position, function or duties at the Company, may come to acquire knowledge of a Material Act or Fact of the Corporation, in accordance with CVM Instruction 358 of January 3, 2002 and with CVM Instruction 369 of June 11, 2002. The Company's material facts are published on the news portal of Valor Econômico (http://www.valor.com.br/valor-ri), on its Investor Relations website, and on the Regular and Special Information (IPE) system of the Securities and Exchange Commission of Brazil (CVM).
- **Dividend Policy:** When proposed by the Corporation, shareholder compensation is paid in the form of dividends and/or interest on equity based on the limits set by law and by the Corporation's Bylaws.
- **Related Party Policy:** ensures transparency for shareholders, investors and the market and promotes fair treatment of suppliers and clients, in line with corporate governance best practices adopted by the market.
- **Market Risk Management Policy:** defines (i) the risk limits acceptable to the Company; (ii) the parameters for negotiating the products to hedge Marfrig's exposures; (iii) the responsibilities and approval powers for contracting hedge instruments; (iv) the methodology for monitoring, communicating and informing the agents involved in market risk management.
- **Compliance Program:** the Compliance Program aims to strengthen Marfrig's commitment to ethics and transparency, as well as to avoid, detect and address any deviation or breach. After engaging KPMG (2017) to

diagnose the maturity of the Company's Compliance Program, January 2018 marked the conclusion of the activities in step 1 of the work (Diagnosis), whose scope encompassed understanding the Compliance culture and governance. Step 2 (implementation), which began in February 2018, encompasses the implementation of the improvements gaps identified in the previous step (diagnosis). The numerous initiatives underway in this implementation step include reviewing the Compliance program and policies, introducing new policies, reviewing the Compliance risk matrix, establishing a training a communication plan, preparing development indicators (KRIs and KPIs) for Compliance and third-party risk management.

Submission to Market Arbitration Chamber

The Company, its shareholders, Managers and Audit Board members undertake to resolve, through arbitration at the Market Arbitration Chamber, any and all disputes or controversies that arise between them related to or arising from, in particular, the application, validity, effectiveness, interpretation, violation (and its effects) of the provisions of Brazilian Corporation Law, the Company's Bylaws, the rules issued by the National Monetary Council, by the Central Bank of Brazil and by the Securities and Exchange Commission of Brazil and the other rules applicable to the capital markets in general, as well as those in the Novo Mercado Regulations, the Arbitration Regulations, the Sanctions Regulations and the Novo Mercado Listing Agreement.

Relationship with the independent auditors

Pursuant to CVM Instruction 381/2003, which refers to the rendering of services by our independent auditors, Grant Thornton Brasil, we hereby declare that the total fees related to services other than those associated with the independent audit did not represent more than 5% of the total fees paid to the group of auditors by Marfrig Global Foods S.A. and its subsidiaries, and none of the work affected the independence of the auditors.

6. CAPITAL MARKETS and INVESTOR RELATIONS

Marfrig stock, which trades on the Novo Mercado segment of the São Paulo Stock Exchange (B3) under the ticker MRFG3, ended 2018 quoted at R$5.42 per share, down 26% from the end of 2017. Meanwhile, financial trading volume grew 60%, from an average of R$13.9 million to R$22.2 million per day, reflecting the Company's strategic transactions and better stock performance. The Bovespa Index (Ibovespa) ended 2018 at 87,887 points, for a gain of 15% in the year. Despite the outflow of foreign investors, which surpassed R$11 billion in the year, average trading volume in the index increased 22.6% from 2017, fueled by demand for the component stocks from local funds. The Ibovespa posted a noteworthy performance compared to other emerging and even developed countries.

Among the portfolio of the Ibovespa valid from September to December 2018, Marfrig ranked 62nd in terms of liquidity and had a weighting of 0.18% in the index.

Marfrig's ADRs traded on the over-the-counter market (MRRTY) ended the year quoted at US$1.42 per share, down 28% from 2018. In the same period, the S&P 500 Index on the New York Stock Exchange (NYSE) declined by 7% to 2,506 points.

7. SUSTAINABILITY

7.1 SOCIAL AND ENVIRONMENTAL PERFORMANCE

Sustainability is a key strategic pillar of Marfrig Global Foods.

Marfrig's commitment to sustainability is expressed in its business strategies, in the partnerships and commitments

it undertakes with renowned social and environmental organizations and in its actions to promote animal welfare.

At the industry forefront in sustainable production and preserving biodiversity, Marfrig not only undertook, but continues to uphold and strengthen its various public commitments in partnership with major organizations. The highlights in 2018 include:

Environment

- **Amazon Biome Pact:** Marfrig reaffirmed its commitment (not to source animals from deforested areas and/or areas that violate indigenous land rights and/or Conservation Units, with the company subjected to annual audits by independent audit companies to verify compliance with the requirements of the agreement) and proposed new advances in the context of the commitment signed in 2009. Marfrig continued to uphold its commitment even after the NGO Greenpeace left the Public Commitment on Amazon Cattle Ranching in 2017.

  According to the audit report published in the second half of 2018 by the international consulting firm DNV-GL, Marfrig remains in conformity with the commitment for the fourth consecutive year. Marfrig also is the only company with georeferenced maps for 100% of its suppliers in the Amazon Biome.
- **Rainforest Alliance Certified:** after launching, in 2015, in partnership with European clients, the first Rainforest Alliance certified beef patty, which will serve retail chains in Europe with beef produced in accordance with the highest environmental, social, economic, animal welfare and production management standards, in 2016, Brazilian consumers also were able to buy products with this seal. We currently have 4 units certified to manufacture products using the Rainforest seal: Bataguassu, Mato Grosso do Sul; Promissão, São Paulo; Pampeano, Rio Grande do Sul; and Tangará da Serra, Mato Grosso.

  Rainforest Alliance Certified™
- **CDP Forest:** Marfrig Global Foods was recognized in Latin America by the Forest Program of the Carbon Disclosure Program (CDP), which addresses climate change, the environment and water resources in the value chain. The recognition is for the company's efforts to reduce deforestation in the value chain, i.e., reducing Scope 3 carbon emissions.
- **Tacuarembó Unit:** In Uruguay, a wind farm at the Tacuarembó meatpacking plant for internal generation was concluded and put into operation. The power generated will supply on average around 30% of the plant's needs, with a focus on sustainable and cleaner production.
- **Alianza del Pastizal:** in partnership with Marfrig, Alianza del Pastizal created a product seal to help consumers to identify and select quality meats produced in a way that helps to protect the native grasslands of the South American Pampas. To earn the seal, the properties of the NGO's members undergo an evaluation and certification in accordance with the guidelines established by the Pastizal Meat Certification Board (CCCP). The evaluation also includes a verification of Omega 3 levels. The seal is aligned with Marfrig's strategy to offer superior-quality products to the market.

  Alianza del PASTIZAL
  Para conservar la biodiversidad
- **The Nature Conservancy (TNC):** since 2013, Marfrig maintains a partnership with the NGO The Nature Conservancy (TNC), one of the world's largest environmental organizations, and Walmart, the world's leading retailer, to promote sustainable cattle production in the southeastern Pará state. These efforts contribute to the preservation of the Amazon Biome and encourage the adoption of good social and environmental practices. Since then, the Company has, through partnerships, provided technical support to producers in both environmental and animal welfare aspects, through the project "Sustainable Meat: From the Field to the Table." Since 2016, meat sourced from participating properties have been launched in the consumer market.

The project was highlighted in TNC's global annual report, which is distributed to thousands of representatives from companies, foundations, governments and other NGOs around the world.

Suppliers

Engagement / Participation for improving the global protein chain: Marfrig continues to support around the world the development of protein sustainability standards through engagement/participation with:

- **Global Roundtable for Sustainable Beef (GRSB):** the Global Roundtable for Sustainable Beef (GRSB) is formed by producers, producers' associations, retail and processing sectors, retail companies, civil society organizations and roundtables in Canada, Colombia and the United States, as well as the European roundtable. Its key principles include the conscientious use of natural resources, efficiency and innovation in cattle raising, respect for human rights and of communities involved in the cattle, food and health productive chains and animal welfare.
- **Brazilian Roundtable for Sustainable Beef (GTPS):** the Working Group for Sustainable Cattle Raising is formed by representatives from all links in the cattle value chain, from producers and processors to research centers and universities. Its main objective is to discuss and formulate the principles, standards and common practices to be adopted by the industry, with the aim of developing sustainable, socially just, environmentally correct and economically viable ranching; Marfrig Global Foods has been a member of the GTPS since 2009 and a member of the Group's Board of Directors since 2012. The actions conducted by the GTPS and other partners including developing the Sustainable Livestock Indicators Guide, which engages all links in the cattle production chain.
- **Tropical Forest Alliance (TFA 2020):** TFA is a global alliance created in 2012 by the Consumer Goods Forum, which brings together leading executives from numerous consumer goods manufactures and the U.S. government. Based on the commitment shared by nations participating in the Rio+20 international convention on the environment, the alliance's goal is to achieve zero net deforestation in productions chains for beef, palm oil, soy, paper and pulp by 2020. Marfrig is a member of the institution's Executive Commitment, the alliance's decision-making body.
- **National Pact to Eradicate Slave Labor Institute (InPACTO):** Since 2014, Marfrig Global Foods has been a member of the National Pact to Eradicate Slave Labor Institute (InPACTO), which comprises companies, civil society organizations and workers' associations with the goal of bringing the Brazilian civil society organizations and the private sector together to prevent and eradicate slave labor in production chains. Marfrig Global Foods is at the forefront of the fight against slave labor in the country. Already in 2005, the Company signed the Pact with the same name that gave rise to the institute. The aim is to strengthen and expand the initiative. Members must agree to undertake ten commitments to combat slave labor or conditions analogous to slavery in its businesses and the production chain. The initiative also aims to encourage initiatives to reintroduce vulnerable workers into the job market through professional qualification.

Highlights in the year also include the strategic partnership with the Brazilian Agricultural Research Corporation (Embrapa). The goal of this new strategic partnership is to promote the adoption of more sustainable cattle production practices with a view to creating more value in the chain. The initiative encourages the Carbon-Neutral Beef (CNB) and Low-Carbon Beef (LCB) production concepts developed by Embrapa to certify beef produced in systems that neutralize or reduce the methane gas emitted by the animals. The partnership represents an advance in the industry's value chain and reinforces its commitment to sustainable production systems.

7.2 SOCIAL RESPONSIBILITY

Grounded in the principles of social responsibility, the units of Marfrig Global Foods develop important programs

to support local communities. Some examples follow:

Marfrig Institute:

Created in 2011, Marfrig Institute "Fazer e Ser Feliz" is a non-profit organization that serves children in situations of social vulnerability and provides a series of physical and intellectual development programs, through sports and leisure activities, fostering citizenship and respect for the environment.

Social Campaigns

- Toy and Food Drives;
- Pink October: awareness campaign focusing on the importance of the prevention and early diagnosis of breast cancer;
- Blue November: awareness campaign focusing on the prevention and diagnosis of prostate cancer;
- Anti-Drug Campaign;
- Campaign Against Discrimination;
- Awareness Campaign on Yellow Fever, Zika, Chikungunya and dengue and, at some units, vaccination;
- Campaigns on STDs and the distribution of condoms during the Carnival season;
- Combating water waste and promoting conscientious water consumption;
- Get-together on Children's Day for employees and their families to strengthen the bond between families and the company;
- Combating slave labor;
- Campaign on World No Tobacco Day to warn about avoidable smoking-related illnesses and death;
- Financial and/or food donations to institutions supporting social causes. Some examples follow:
    - ✓ Financial donations: Children with Disabilities Assistance Association (AACD);
    - ✓ Food donations: Hospital do Amor (around 10 tons of meat per month);
    - ✓ Donations to local non-profit groups in communities near the National Beef plants (Wounded Warrior Project, TAPS Honor Gala, Special Olympics, homeless shelters, food drives, schools, etc.);
    - ✓ First-aid campaigns (National Night Out, National Fire Safety, Drug Awareness Education)
- Donations of trees to be planted in different parts of the city;
- Donation of unused paper destined for recycling to Hospital de Pediatría Garrahan (Argentina);
- Donation of cattle organs to schools for practical anatomy classes.

8. PEOPLE MANAGEMENT

The business performance of Marfrig Global Foods is the product of the efforts of its 30,000 employees located in the various countries where it operates. Accordingly, the Company strives to support its professionals in their career development through good practices in attracting, retaining and developing talent, while also encouraging diversity in the workplace.

Number of Employees

	2018	2017
North America Opertation	8,122	8,160
South American Opertation	21,987	21,019
Holding	58	58
Total Members	**30,167**	**29,237**

In South America Operation: in 2018, we reopened Pontes e Lacerda plant in Mato Grosso state, which has been in operation since June with approximately 600 employees. In the second half of the year, we started operations at three more Distribution Centers in Recife, Curitiba and Esteio, and also inaugurated the first Marfrig meat concept store, Casa Montana, in Itupeva, São Paulo.

In North America Operation, we promoted individual growth and opportunities through on-the-job, external training and leadership development programs. We have a strong culture of internal promotions to offer growth opportunities to all employees. That also generates a greater sense of stability and improves retention among our employees.

The workforce in North America is diversified, with over 15 nationalities, and we work to respect and accommodate the wide variety of cultures that meet daily to work in our facilities. We also form partnerships with local educational institutions to offer opportunities so that employees have access to English as a second language classes and offer on-site training for employees who want to become more skilled in the language.

9. OUTLOOK

According to the latest report by the International Monetary Fund (IMF), global economic activity should continue to expand, at a rate of 3.5% in 2019, albeit at a pace slower than 2018 (3.7%).

In the United States, GDP growth is estimated at 2.5%, reflecting the dampening of global growth and the uncertainties arising from tensions between the U.S. and its trading partners.

Regarding China, data shows that the economy is adjusting to a lower growth rate and GDP is expected to remain at around 6%.

In Brazil, the expectation is that the gradual recovery trend continues, with moderate growth in the range of 2%-3%. This scenario is based on the premise that the Federal Government is able to approve the Social Security reform in 2019.

Despite the global economic outlook, the scenario for the beef industry is positive.

In Brazil, we expect domestic consumption to maintain its recovery trend. Compounding this scenario is the continuous foreign demand growth, which could be further strengthened by (i) the reopening of markets currently closed to Brazil, such as the United States; and (ii) new authorizations, such as China. The Brazilian Association of Beef Exporters (ABIEC) estimates that exports will reach 1.8 million tons or US$7.2 billion in revenue in 2019, for an increase of 10.7% and 11%, respectively.

In Argentina, we expect beef production to remain stable and that the depreciation in the Argentine peso against the U.S. dollar continues to favor sales to foreign markets.

In Uruguay, production is expected to decline due to the lower cattle supply for primary processing, which should pressure the industry's margins. On the other hand, we expect that gaining access to premium consumer markets will mitigate said effect.

As for the industry in the U.S., the outlook is for the market to remain favorable, with cattle supply in line with the available processing capacity. According to USDA data, production is projected to grow at around 4%. Demand should also remain strong.

In Asia and Oceania, in turn, China's steadily growing demand and lower supply in Australia, due to the adverse weather conditions in the country (drought), are expected to pressure beef prices higher in the region.

The risk factors to this scenario are associated with a sharper slowdown in world economic growth and stronger depreciations in the currencies of emerging nations, which could lead to contraction in household consumption. Specifically, with regard to the protein industry, disease remains a key risk factor for the business.

Marfrig's strategy will be guided by the generation of sustainable value, and based on five pillars:

- **Financial Strength:** with free cash flow, net income and distribution of dividends;
- **Operational excellence:** complementarity and integration among operations, management, performance and food safety;
- **Sustainability:** Social and Environmental Responsibility, Partnerships with Producers and Organizations, and Animal Welfare;
- **Products and Clients:** higher-value added products, leveraging sales and the portfolio and increasing brand value; and lastly
- **Corporate Governance:** with best practices, greater transparency and constant enhancement of the Compliance system.

APPENDIX | Continuing operation

RECONCILIATION OF ADJUSTED EBITDA (R$ million)	2018	2017
Net Profit / Loss	**(2,213)**	**(991)**
(+) Provision for income and social contribution taxes	(398)	(474)
(+) Non-controlling Interest	724	0
(+) Net Exchange Variation	383	196
(+) Net Financial Charges	1,926	1,693
(+) Depreciation & Amortization	653	244
(+) Equity Income	(0)	(0)
EBITDA	**1,075**	**668**
(+) Other Operacional Revenues/Expenses	1,525	122
Adj. EBITDA	**2,601**	**791**

APPENDIX | Proforma Base

RECONCILIATION OF ADJUSTED EBITDA (R$ million)	2018	2017
Net Profit / Loss	**(1,843)**	**339**
(+) Provision for income and social contribution taxes	(376)	(474)
(+) Non-controlling Interest	912	0
(+) Net Exchange Variation	382	196
(+) Net Financial Charges	1,987	1,694
(+) Depreciation & Amortization	805	569
(+) Equity Income	(0)	(0)
EBITDA	**1,867**	**2,324**
(+) Other Operacional Revenues/Expenses	1,511	176
Adj. EBITDA	**3,378**	**2,500**

Marfrig Global Foods S.A.

Independent auditor's report on individual and consolidated financial statements (DFP)

As of December 31, 2018

CONTENTS

Independent Auditors Report on the Separate and Consolidated Financial Statements 03

Financial Statements

Balance sheet 11
Statement of Income 13
Statement of Changes in Equity 14
Statement of Cash Flows 15
Statement of Added Value 16
Statement of Comprehensive Income 17

1. Operations 18
2. Presentation and preparation of the separate and consolidated financial statements 18
3. Summary of significant accounting practices 20

Assets

4. Cash and cash equivalents 30
5. Marketable securities 30
6. Trade accounts receivable – domestic and foreign customers 32
7. Inventories of products and merchandise 33
8. Biological assets 33
9. Recoverable taxes 35
10. Notes receivable 36
11. Deferred income and social contribution taxes 36
12. Investments 38
13. Property, plant and equipment 41
14. Intangible assets 43

Liabilities and Equity

15. Trade payables 44
16. Supply chain finance 45
17. Taxes payable 45
18. Loans, financing and debentures 46
19. Lease payable 49
20. Notes payable 52
21. Tax, labor and civil contingencies 53
22. Shareholders' Equity 56

Profit or Loss

23. Net sales revenue 57
24. Costs and expenses by nature 58
25. Net financial result 58
26. Earnings (loss) per share 59

Financial Instruments

27. Financial instruments and risk management – consolidated 59

Taxes on income

28. Income and social contribution taxes 67

Other information

29. Segment reporting 68
30. Insurance coverage 69
31. Result from discontinued operations 69
32. Related parties 71
33. Management compensation 72
34. Additional information of the statement of cash flows 77
35. Events after the reporting period 77

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

Independent auditor's report on the individual and consolidated financial statements

Grant Thornton Auditores Independentes
Av. Eng. Luís Carlos Berrini, 105 | suite 12
Berrini One Tower | Itaim Bibi
São Paulo | SP | Brazil
T +55 11 3886.5100
www.grantthornton.com.br

To the
Management and Shareholders of
Marfrig Global Foods S.A.
São Paulo – SP

Opinion

We have audited the individual and consolidated financial statements of Marfrig Global Foods S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2018 and the respective statements of income, of comprehensive income, of changes in equity and of cash flows for the year then ended, and the corresponding explanatory notes, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Marfrig Global Foods S.A. as at December 31, 2018 and its individual and consolidated financial performance and individual and consolidated cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements set forth in the Code of Ethics for Professional Accountants and the professional standards issued by the Federal Accounting Council and we have fulfilled other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters ("KAM") are those matters that, in our judgment, were of most significance in our audit of the financial statements in the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements taken as a whole and in forming our opinion on such individual and consolidated financial statements and, therefore, we do not provide a separate opinion on these matters.

1. Revenue recognition (Note 3.1.1)

Reason why the matter was considered a KAM

The Company's and its subsidiaries' revenues are subject to different operational structures, using a registration and data capture process considered complex (since they take into account decentralized controls), which may generate differences in practices and possible distortions upon revenue recognition. Additionally, the Company's and its subsidiaries' revenue recognition process involves using different billing systems in multiple locations due to the capillarity of their businesses, which process large volumes of data, with a combination of different products sold and prices in several countries. As a result, after our analysis of all significant risks of the current year, we again considered the matter relevant and, therefore, critical to our audit.

How the matter was addressed in the audit of the financial statements

Our audit procedures included, among others:

- Understand the key internal controls related to the revenue recognition process and the evaluation of the significant Information Technology systems used by the Company and its subsidiaries;
- Test revenues from sales of products (domestic and foreign markets) on a sampling basis, in order to: **(i)** analyze the commercial invoices supporting product sales; **(ii)** analyze financial settlements by these customers; **(iii)** understand and test manual entries posted to revenue accounting records, when material; **(iv)** analyze commercial invoices issued in related-party transactions and their elimination in the consolidation process; **(v)** analyze shipments and transfers of goods to the customers, and **(vi)** match inventories written off to the respective revenue recognized;
- Perform confirmation procedures for certain outstanding invoices selected on a sample basis, and evaluated the revenue recognition criteria and the criteria for recognizing an estimate for losses on doubtful debts;
- Evaluate the assumptions used by Management and, also, if the revenue recognition and disclosure policies adopted by the Company and its subsidiaries are in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS).

Based on our audit approach and the procedures performed, we understand that the criteria and assumptions adopted by the Company and its subsidiaries to record and disclose operating revenue are appropriate in the context of the individual and consolidated financial statements taken as a whole.

2. Valuation of impairment of assets, including intangible assets with indefinite useful live (goodwill) – Note 14

Reason why the matter was considered a KAM

The Company recorded goodwill based on expected future profitability (goodwill) arising from acquisitions of investments carried out in recent years (whose recoverability is based on the expected generation of future profits), subject to significant valuations and judgments in determining its recoverability. Based on judgments and assumptions, the Company makes looking-forward estimates to evaluate the likelihood of future profitability generation to realize such asset as well as establish the assumptions and estimates that determine such likelihood. By definition, the resulting accounting estimates will hardly be identical to the respective actual results (due to uncertainties and the high level of judgment inherent in determining these assumptions and estimates). Therefore, estimates and assumptions involve a significant risk and may require a material adjustment to the carrying amounts of the assets in the individual and consolidated financial statements at the date of the respective evaluations. For this reason, we again considered the matter relevant and, therefore, critical to our audit.

How the matter was addressed in the audit of the financial statements

Our audit procedures included, among others:

- Evaluate and obtain an understanding of the processes, operationg controls and cash flow projections considered in the impairment tests;
- Involve our corporate finance specialists in the valuation of financial and economic projections, review of mathematical calculations, analysis and understanding of the assumptions and methodology used to calculate and compare information to market expectations, and comparison of information to expectations from previous years and other historical information;
- Challenge the assumptions calculated by Management, such as interest and economic growth rates, to determine whether the assumptions were adequate, conservative or unrealistic based on economic data and market inputs;
- Evaluate the disclosures made by the Company in the individual and consolidated financial statements.

Based on our audit approach and the procedures performed, we understand that the amounts recorded and the criteria and assumptions adopted and disclosed in the financial statements to assess impairment of assets, including intangible assets the indefinite useful life, are appropriate in the context of the individual and consolidated financial statements taken as a whole.

3. Realization of federal and state credit taxes (Notes 9 and 11)

Reason why the matter was considered a KAM

The Company and its subsidiaries have federal and state tax credits recorded in the individual and consolidated financial statements, in addition to deferred income tax and social contribution assets arising from tax loss carryforwards and temporarily non-deductible and/or taxable differences, which are subject to significant evaluations and judgments in the determination of their recoverability. The accumulation of tax credits in the exporting fridge industry is inherent to the business, due to the tax incentives granted by Brazilian legislation to exporters.

Management evaluates the risk of impairment of these assets when the probability of using these tax credits is remote, considering the following legal alternatives: **(i)** offset against other state and federal taxes, under the prevailing tax legislation; **(ii)** payments to suppliers; **(iii)** acquisition of equipment, inputs and consumables by means of negotiation with suppliers; **(iv)** request for approval and refund, in kind, of said tax credits. Regarding the deferred income tax asset, based on judgment and assumptions, the Company makes looking-forward estimates to evaluate the likelihood of future taxable income to realize such asset as well as establish the assumptions and estimates that determine such likelihood. By definition, the resulting accounting estimates will hardly be identical to the respective actual results (due to uncertainties and the high level of judgment inherent in determining these assumptions and estimates). Therefore, estimates and assumptions involve a significant risk and may require a material adjustment to the carrying amounts of the assets in the individual and consolidated financial statements at the date of the respective evaluations. For this reason, we again considered the matter relevant and, therefore, critical to our audit.

How the matter was addressed in the audit of the financial statements

Our audit procedures included, among others:

- Analyze the existence of disallowance of any tax credits taken during the year;
- Obtain a confirmation letter from the Company's attorneys for the ongoing requests for tax credit refunding;
- Analyze, on a sampling basis, acquisitions of inputs, equipment and payments from suppliers during the year;
- Analyze, on a sampling basis, the federal and state tax credits offset against tax debts of the same nature and evaluate requests for refund filed during the year;
- Evaluate and gain an understanding of the processes, operating controls and cash flow projections considered in the impairment tests and involve our corporate finance specialists in the valuation of financial and economic projections, review of mathematical calculations, analysis and understanding of the assumptions and methodology used to calculate and compare information to market expectations, and comparison of information to expectations from previous years and other historical information;
- Challenge the assumptions calculated by Management, such as interest and economic growth rates, to determine whether the assumptions were adequate, conservative or unrealistic based on economic data and market inputs;
- Evaluate the disclosures made by the Company in the individual and consolidated financial statements.

Based on our audit approach and the procedures performed, we understand that the amounts recorded and criteria and assumptions adopted and disclosed in the financial statements are appropriate in the context of the individual and consolidated financial statements taken as a whole.

4. Evaluation of the judgment and estimate to record provisions for labor, tax and civil risks (Note 21)

Reason why the matter was considered a KAM
The Company and its investees are parties to tax, labor and civil lawsuits arising from the normal course of their activities. Due to the complexity of the laws and regulations (mainly in Brazil) and the materiality of the ongoing lawsuits (in addition to the high degree of judgment required in the interpretation of laws and regulations, in the evaluation and estimates for the measurement of provisions for contingent liabilities, impact on the individual and consolidated financial statements and in the amount of the investment accounted for under the equity method in the individual financial statements). For this reason, we again considered the matter relevant and, therefore, critical to our audit.

How the matter was addressed in the audit of the financial statements
Our audit procedures included, among others:

- Evaluate the framework of internal controls relating to the identification, evaluation, measurement and disclosure of contingent labor, tax and civil risks as well as those relating to compliance with laws and regulations;
- Evaluate, on a test basis, the sufficiency of the provisions recognized by analyzing the criteria and assumptions used to measure the provision for contingent liabilities considering historical data and information, the assessment of the Company's internal and external legal advisors and their investees (obtained by means of confirmation procedures), in addition to the involvement of our tax, labor and social security specialists to the extent we deemed necessary to complete the respective analyses;
- For lawsuits for which there is uncertainty in relation to the outcome of certain matters that have long been discussed at the judicial levels, we obtained the opinion of the Company’s legal advisors to confirm the likelihood of an unfavorable outcome;
- Evaluate the disclosures made by the Company in the individual and consolidated financial statements.

Based on the audit approach and the procedures performed, we understand that the criteria and assumptions adopted by the Company to record and disclose the estimates relating to provisions for risks were appropriate in the context of the individual and consolidated financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2018, prepared under the responsibility of the Company's management and presented as supplemental information for IFRS purposes, have been subject to auditing procedures which were performed together with the audit of the Company's financial statements. In forming our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 – Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material respects, according to the criteria defined in said Technical Pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

Information other than the individual and consolidated financial statements and auditor's report thereon

The Company's management is responsible for this other information that is included in the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in Management Report, we are required to report this fact. We have nothing to report in this regard.

Responsibility of management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of these individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements, unless Management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative to avoid doing so.

Those charged with the Company's and its subsidiaries' governance are those responsible for overseeing the financial reporting process.

Auditor's responsibility for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition, we:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve override of internal control, collusion, forgery, intentional omissions or misrepresentations.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit and, consequently, for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements, including those regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements for the current year and are, therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, February 27, 2019

Jefferson Coelho Diniz

Grant Thornton Auditores Independentes

MARFRIG GLOBAL FOODS S.A.

Balance Sheet - Assets
At December 31, 2018 and 2017

(In thousands of Brazilian reais – R$)

		Parent Company		Consolidated	
	Note	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Current Assets					
Cash and cash equivalents	4	157,799	159,400	2,459,202	1,213,572
Marketable securities	5	1,619,387	1,127,685	4,732,504	3,188,781
Trade accounts receivable - domestic	6	41,090	220,287	1,068,553	600,556
Trade accounts receivable - foreign	6	353,059	319,394	175,287	324,442
Inventories of goods and merchandise	7	494,907	799,938	1,822,280	1,759,871
Biological assets	8	-	-	16,570	119,621
Recoverable taxes	9	963,809	1,908,721	1,144,888	2,089,129
Prepaid expenses		3,907	12,165	53,833	111,913
Notes receivable	10	226,438	166,384	118,307	24,108
Advances to suppliers		38,592	26,639	58,628	50,012
Assets held or sale		-	96,942	-	161,860
Other receivables		26,700	47,966	112,905	94,783
		3,925,688	**4,885,521**	**11,762,957**	**9,738,648**
Non-Current Assets					
Court deposits		41,473	65,669	47,526	72,922
Notes receivable	10	460,176	359,249	220	93,899
Deferred income and social contribution taxes	11	778,212	2,080,202	999,844	2,227,316
Recoverable taxes	9	1,752,685	1,752,685	1,780,342	1,763,641
Other receivables		9,149	10,402	82,567	50,968
		3,041,695	**4,268,207**	**2,910,499**	**4,208,746**
Investments	12	11,292,664	5,950,899	42,545	21,064
Property, plant and equipment	13	2,871,484	2,709,413	5,231,216	4,435,194
Biological assets	8	-	-	-	54,758
Intangible assets	14	344,300	361,690	6,557,055	2,843,389
		14,508,448	**9,022,002**	**11,830,816**	**7,354,405**
		17,550,143	**13,290,209**	**14,741,315**	**11,563,151**
Total Assets		**21,475,831**	**18,175,730**	**26,504,272**	**21,301,799**

The Management notes are an integral part of the separate and consolidated financial statements.

MARFRIG GLOBAL FOODS S.A.

Balance Sheet - Liabilities and Equity
At December 31, 2018 and 2017

(In thousands of Brazilian reais – R$)

		Parent Company		Consolidated	
	Note	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Current liabilities					
Trade accounts payable	15	936,578	893,440	2,148,983	2,159,031
Supply chain financing	16	182,635	195,041	182,635	195,041
Accrued payroll and related charges		106,734	66,601	564,391	251,071
Taxes payable	17	238,230	223,598	345,438	312,131
Loans, financing and debentures	18	1,973,511	710,404	3,665,455	1,846,164
Notes payable	20	183,205	124,388	185,522	165,550
Lease payable	19	2,545	2,545	3,209	11,963
Advances from customers		829,722	614,443	1,093,168	795,783
Liabilities related to held-for-sale assets		-	5,590	-	82,232
Other payables		91,347	100,733	457,589	202,203
		4,544,507	**2,936,783**	**8,646,390**	**6,021,169**
Non-current liabilities					
Loans, financing and debentures	18	226,304	674,880	11,567,895	10,581,034
Taxes payable	17	832,406	946,860	833,591	948,442
Deferred income and social contribution taxes	11	-	-	118,911	251,088
Provisions for contingencies	21	293,593	83,203	301,667	88,828
Lease payable	19	1,578	2,936	2,102	19,819
Notes payable	20	14,903,979	11,138,536	301,945	378,085
Advances from clients		-	-	387,480	330,800
Other payables		-	-	332,734	47,824
		16,257,860	**12,846,415**	**13,846,325**	**12,645,920**
Equity					
Share Capital	22.1	7,427,677	7,427,677	7,427,677	7,427,677
Capital reserves, granted options and treasury shares		47,614	59,552	47,614	59,552
Profit reserves		51,824	51,824	51,824	51,824
Other comprehensive income	22.3	(3,535,777)	(425,222)	(3,535,777)	(425,222)
Accumulated losses		(3,317,874)	(4,721,299)	(3,317,874)	(4,721,299)
Controlling shareholders' equity		**673,464**	**2,392,532**	**673,464**	**2,392,532**
Non-controlling interest		-	-	3,338,093	242,178
Total equity		**673,464**	**2,392,532**	**4,011,557**	**2,634,710**
Total liabilities and shareholders' equity		**21,475,831**	**18,175,730**	**26,504,272**	**21,301,799**

The Management notes are an integral part of the separate and consolidated financial statements.

MARFRIG GLOBAL FOODS S.A.

Statement of income
Years ended December 31, 2018 and 2017

(In thousands of Brazilian reais, except earnings (losses) per share

	Note	Parent Company		Consolidated	
		Full Year 2018	Reclassified Full Year 2017	Full Year 2018	Reclassified Full Year 2017
Net sales revenue	23	9,461,129	7,599,730	29,715,176	10,127,696
Cost of products and goods sold	24	(8,452,396)	(6,571,558)	(25,872,891)	(8,759,998)
Gross profit		**1,008,733**	**1,028,172**	**3,842,285**	**1,367,698**
Operating income (expenses)		(1,867,681)	(923,280)	(3,420,204)	(943,302)
Selling expenses	24	(677,918)	(468,637)	(1,474,953)	(587,673)
General and administrative expenses	24	(143,181)	(141,474)	(419,923)	(233,415)
Equity in earnings (losses) of subsidiaries	12	437,178	(209,849)	-	-
Other operating income (expenses)	21.3.1/9.4	(1,483,760)	(103,320)	(1,525,328)	(122,214)
Net income (loss) before net financial income (loses)		**(858,948)**	**104,892**	**422,081**	**424,396**
Financial income (expenses)	25	(1,921,083)	(1,621,475)	(2,308,966)	(1,888,975)
Financial income		159,160	165,840	447,251	233,452
Exchange gain		1,045,336	1,041,700	1,544,458	1,324,202
Financial expenses		(1,849,029)	(1,599,520)	(2,373,680)	(1,926,088)
Exchange Loss		(1,276,550)	(1,229,495)	(1,926,995)	(1,520,541)
Net income (loss) before taxes		**(2,780,031)**	**(1,516,583)**	**(1,886,885)**	**(1,464,579)**
Income and Social Contribution taxes		**567,131**	**525,856**	**397,536**	**473,949**
Current and deferred income tax	28	417,008	449,523	243,801	397,755
Current and deferred social contribution	28	150,123	76,333	153,735	76,194
Net income (loss) in the year from continuing operations		**(2,212,900)**	**(990,727)**	**(1,489,349)**	**(990,630)**
Net income (loss) in the year from discontinued operations	31	3,608,160	507,255	3,643,319	545,393
Net income (loss) in the year before interest		**1,395,260**	**(483,472)**	**2,153,970**	**(445,237)**
Attributable to:					
Controlling interest – continuing operations		(2,212,900)	(990,727)	(2,212,900)	(990,727)
Controlling interest – discontinued operations		3,608,160	507,255	3,608,160	507,255
Controlling interest - Total		**1,395,260**	**(483,472)**	**1,395,260**	**(483,472)**
Non-controlling interest - continuing operations		-	-	723,551	97
Non-controlling interest - discontinued operations		-	-	35,159	38,138
Total non-controlling interest		**-**	**-**	**758,710**	**38,235**
		1,395,260	**(483,472)**	**2,153,970**	**(445,237)**
Basic and diluted losses per common share - continuing operations	26	(3.5630)	(1.5954)	(3.5630)	(1.5954)
Basic and diluted earnings (losses) per share - common - discontinued operations	26	5.8096	0.8169	5.8096	0.8169
Basic and diluted (losses) earnings per share - Common - Total	26	**2.2466**	**(0.7785)**	**2.2466**	**(0.7785)**

The Management notes are an integral part of the separate and consolidated financial statements.

MARFRIG GLOBAL FOODS S.A.

Statement of changes in shareholders' equity
Years ended December 31, 2018 and 2017

(In thousands of Brazilian reais – R$)

	Share Capital	Capital reserves, granted options and treasury shares	Profit Reserves	Other comprehensive income	Retained Earnings/ (Accumulated Losses)	Total	Total non-controlling interest	Total shareholders' equity
At December 31, 2016	**5,278,127**	**64,730**	**51,824**	**(241,972)**	**(4,246,093)**	**906,616**	**194,186**	**1,100,802**
Capital increase	2,149,550	-	-	-	-	2,149,550	-	2,149,550
Cumulative translation adjustment and asset valuation adjustment	-	-	-	(183,250)	8,266	(174,984)	9,757	(165,227)
Write-off (acquisition) of treasury shares	-	(1,760)	-	-	-	(1,760)	-	(1,760)
Goodwill stock option	-	(3,418)	-	-	-	(3,418)	-	(3,418)
Net income (loss) in the year	-	-	-	-	(483,472)	(483,472)	38,235	(445,237)
At December 31, 2017	**7,427,677**	**59,552**	**51,824**	**(425,222)**	**(4,721,299)**	**2,392,532**	**242,178**	**2,634,710**

	Share Capital	Capital reserves, granted options and treasury shares	Profit Reserves	Other comprehensive income	Retained Earnings/ (Accumulated Losses)	Total	Total non-controlling interest	Total shareholders' equity
At December 31, 2017	**7,427,677**	**59,552**	**51,824**	**(425,222)**	**(4,721,299)**	**2,392,532**	**242,178**	**2,634,710**
Cumulative translation adjustment and asset valuation adjustment	-	-	-	(3,110,555)	8,165	(3,102,390)	774,580	(2,327,810)
Write-off (acquisition) of treasury shares	-	(9,872)	-	-	-	(9,872)	-	(9,872)
Goodwill stock option	-	(2,066)	-	-	-	(2,066)	-	(2,066)
Addition of non-controlling interest from business combination	-	-	-	-	-	-	1,562,625	1,562,625
Net income (loss) in the year	-	-	-	-	1,395,260	1,395,260	758,710	2,153,970
At December 31, 2018	**7,427,677**	**47,614**	**51,824**	**(3,535,777)**	**(3,317,874)**	**673,464**	**3,338,093**	**4,011,557**

The Management notes are an integral part of the separate and consolidated financial statements.

MARFRIG GLOBAL FOODS S.A.

Statement of cash flows
Years ended December 31, 2018 and 2017

(In thousands of Brazilian reais – R$)

	Note	Parent Company		Consolidated	
		Full Year 2018	Reclassified Full Year 2017	Full Year 2018	Reclassified Full Year 2017
Loss in the year from continuing operations		(2,212,900)	(990,727)	(2,212,900)	(990,727)
Items not affecting cash		**1,124,530**	**873,523**	**4,054,429**	**1,485,062**
Depreciation and amortization		244,784	220,488	653,165	243,944
Non-controlling interest		-	-	723,551	97
Provision for contingencies		210,390	6,212	210,594	5,779
Deferred taxes and tax liabilities		30,613	17,248	105,790	69,286
Equity in earnings (losses) of subsidiaries		(437,178)	209,849	-	-
Exchange variation on financing		83,051	15,263	91,510	10,915
Exchange variation on other assets and liabilities		148,164	172,532	252,046	185,424
Interest expenses on financial debt		32,054	49,209	1,093,295	710,333
Interest expenses on financial leasing		748	925	748	925
Interest expenses on debentures		86,308	106,723	-	21,126
Cost with issue of financial operations		3,151	5,076	203,239	161,995
Leasing adjustment to present value		409	(370)	409	(370)
Estimated non-realization of inventories		(8,562)	2,000	(8,244)	1,797
Estimated losses with doubtful accounts		(2,778)	5,671	(6,973)	7,976
Estimated losses with non-realization of recoverable taxes		727,433	53,653	727,433	53,653
Derecognition of fixed asset		5,943	9,044	7,866	12,182
Equity changes		**1,291,153**	**482,050**	**(322,776)**	**(274,069)**
Trade accounts receivable		(204,819)	(219,169)	(80,071)	(216,107)
Current inventory and biological assets		113,593	(283,645)	74,341	(397,183)
Court deposits		24,195	(1,584)	25,524	(7,898)
Accrued payroll and related charges		40,133	4,295	159,138	(2,355)
Trade payables and supplier chain financing		(336,733)	180,569	(229,725)	250,156
Current and deferred taxes		(356,293)	(821,155)	(289,400)	(861,464)
Notes receivable and payable		2,015,044	1,526,090	(7,320)	831,474
Other assets and liabilities		(3,967)	96,649	24,737	129,308
Cash flow provided by operating activities		**202,783**	**364,846**	**1,518,753**	**220,266**
Investing activities					
Investments		-	(17,672)	11	-
Acquisition of subsidiary, net of cash		-	-	(3,658,909)	-
Investments in fixed and non-current biological assets		(387,039)	(420,391)	(676,628)	(438,829)
Investments in intangible assets		(8,369)	(15,816)	(8,569)	(17,395)
Cash flow from investing activities		**(395,408)**	**(453,879)**	**(4,344,095)**	**(456,224)**
Financing activities					
Interest settled debentures / Bonds		(86,308)	(364,356)	(809,881)	(910,928)
Loans and financing		660,739	(404,957)	1,487,944	34,549
Loans granted		2,095,074	1,157,764	10,288,191	4,180,647
Loans settled		(1,434,335)	(1,562,721)	(8,800,247)	(4,146,098)
Leasing payable		(2,515)	1,455	(2,923)	1,117
Leasing granted		1,579	7,862	2,005	7,862
Leasing settled		(4,094)	(6,407)	(4,928)	(6,745)
Mandatory deed convertible into shares		-	(83,271)	-	(83,271)
Treasury shares		(9,872)	(1,760)	(9,872)	(1,760)
Dividends received		15,121	10,906	-	-
Dividends (subsidiaries) paid to non-controlling shareholders		-	-	(461,173)	-
Cash flow from (used in) financing activities	34	**577,165**	**(841,983)**	**204,095**	**(960,293)**
Exchange variation on cash and equivalents		49,732	7,851	742,815	45,544
Discontinued operations net of cash	31	55,829	298,057	4,667,785	274,417
Cash flow in the year		**490,101**	**(625,108)**	**2,789,353**	**(876,290)**
Cash and cash equivalents					
Balance at end of period		1,777,186	1,287,085	7,191,706	4,402,352
Balance at start of period		1,287,085	1,912,193	4,402,353	5,278,642
Change in the year		**490,101**	**(625,108)**	**2,789,353**	**(876,290)**

The Management notes are an integral part of the separate and consolidated financial statements.

MARFRIG GLOBAL FOODS S.A.

Statement of added value
Years ended December 31, 2018 and 2017

(In thousands of Brazilian reais – R$)

	Parent Company		Consolidated	
	Full Year 2018	Reclassified Full Year 2017	Full Year 2018	Reclassified Full Year 2017
Revenue	10,174,978	8,116,495	30,429,638	10,622,316
Sales of goods and services	10,158,178	8,117,094	30,413,051	10,635,578
Other revenues	14,021	5,072	13,143	(5,204)
Losses with doubtful accounts	2,779	(5,671)	3,444	(8,058)
Inputs purchased from other firms (including taxes - ICMS, IPI, PIS and Cofins)	8,473,427	6,346,776	24,770,957	8,365,666
Cost of goods sold and services rendered	6,603,954	5,073,298	21,421,039	6,864,641
Material, energy, outsourced services and other	1,869,473	1,273,478	3,349,918	1,501,025
Gross value added	1,701,551	1,769,719	5,658,681	2,256,650
Depreciation and amortization	244,784	220,488	653,165	243,944
Net value created by company	**1,456,767**	**1,549,231**	**5,005,516**	**2,012,706**
Value added received through transfer	**5,503,847**	**1,473,643**	**17,544,127**	**4,068,469**
Equity In Earnings (Losses) of Subsidiaries	437,178	(209,849)	-	-
Financial income and exchange rate gains	1,204,496	1,207,540	1,991,709	1,557,654
Other (including Discontinued Operations)	3,862,173	475,952	15,552,418	2,510,815
Total value added to be distributed	**6,960,614**	**3,022,874**	**22,549,643**	**6,081,175**
Value added distribution	**6,960,614**	**3,022,874**	**22,549,643**	**6,081,175**
Employees	**736,974**	**545,609**	**2,489,589**	**901,102**
Direct compensation	594,037	442,528	2,334,719	786,443
Benefits	107,182	74,065	116,413	82,590
FGTS (severance pay fund)	35,755	29,016	38,457	32,069
Taxes payable	**(92,683)**	**60,944**	**65,743**	**106,874**
Federal	(404,344)	(394,397)	(236,360)	(336,952)
State	306,108	451,501	296,498	439,923
Municipal	5,553	3,840	5,605	3,903
Value distributed to providers of capital	**4,921,063**	**2,899,793**	**17,840,341**	**5,518,436**
Interest	3,125,579	2,829,015	4,300,675	3,446,629
Rentals	43,689	39,474	119,330	41,332
Other (including Discontinued Operations)	1,751,795	31,304	13,420,336	2,030,475
Value distributed to shareholders	**1,395,260**	**(483,472)**	**2,153,970**	**(445,237)**
Net loss from operations in the year	1,395,260	(483,472)	1,395,260	(483,472)
Non-controlling interest			758,710	38,235

The Management notes are an integral part of the separate and consolidated financial statements.

MARFRIG GLOBAL FOODS S.A.

Statement of comprehensive income
Years ended December 31, 2018 and 2017

(In thousands of Brazilian reais – R$)

	Parent Company		Consolidated	
	Full Year 2018	Reclassified Full Year 2017	Full Year 2018	Reclassified Full Year 2017
Net income (loss) in the year	1,395,260	(483,472)	2,153,970	(445,237)
Exchange variation on net investments and balance sheet translation	(3,102,390)	(174,984)	(3,102,390)	(174,984)
	(3,102,390)	(174,984)	(3,102,390)	(174,984)
Total comprehensive income (loss) for the year	**(1,707,130)**	**(658,456)**	**(948,420)**	**(620,221)**
Attributable to:				
Controlling interest – continuing operations	(5,315,290)	(1,165,711)	(5,315,290)	(1,165,711)
Controlling interest – discontinued operations	3,608,160	507,255	3,608,160	507,255
Controlling interest - Total	**(1,707,130)**	**(658,456)**	**(1,707,130)**	**(658,456)**
Non-controlling interest - continuing operations	-	-	723,551	97
Non-controlling interest - discontinued operations	-	-	35,159	38,138
Total non-controlling interest	**-**	**-**	**758,710**	**38,235**

The Management notes are an integral part of the separate and consolidated financial statements.

1. Operations

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

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

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

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

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

The Management of the Corporation approved the issue of these separate and consolidated financial statements on February 27, 2019, and warrants that, based on its judgment, all material information is substantiated and corresponds to that used in its management activities.

2.1. Statement of compliance (with IFRS and CFC accounting standards)

Consolidated financial statements

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

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

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

Parent company financial statements

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

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

2.2. Basis of presentation

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

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

The preparation of parent company and consolidated financial statements in accordance with IFRS and NBCs requires Management to make certain accounting estimates. The areas involving considerable judgment or use of estimates for the parent company and consolidated financial statements are stated in note 3.1.3.

2.3. Foreign currency translation

Functional and reporting currency

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

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

Transactions and balances

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

Group companies

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

i. Asset and liability balances are translated using the exchange rate in effect at the date of the consolidated financial statements;

ii. Statement of operation accounts are translated using the monthly average exchange rate; and

iii. All differences arising from the foreign currency translation are recognized in shareholders' equity and in consolidated comprehensive income (loss) under "Cumulative translation adjustments."

3. Summary of significant accounting practices

3.1. Significant accounting practices

The significant accounting practices adopted to prepare these financial statements are as follows:

3.1.1 Results of operations

Results of operations are recorded on the accrual basis.

- **Revenue**

Revenue from sales of products is recognized in accordance with NBC TG 47 (IFRS 15) – Revenue from contracts with customers, adopted by the Group as of January 1, 2018, establishing a model of five steps to determine the measurement of revenue and how it will be recognized. Therefore, the Group recognizes revenue when the products are delivered and duly accepted by its clients, upon which the risks and benefits related to ownership are transferred. The property of risks and benefits is transferred when the products are shipped with the corresponding sales invoice, taking into account the incoterms. These conditions are met when the goods are transferred to the buyer, complying with main freights modalities used by the Corporation.

Revenue is shown net of taxes on returns, rebates and discounts and the consolidated financial statements are also net of intercompany sales eliminations and unrealized profits on inventories. The Corporation did not identify any relevant impacts with regard to the practices previously used for its separate and consolidated financial statements as of December 31, 2017.

- **Financial revenue and expenses**

Revenue comprises gains on changes in the value of financial assets and liabilities measured at fair value through profit or loss, as well as interest income obtained with the effective interest method.

They include interest income on invested amounts (including financial assets/liabilities measured at fair value through other comprehensive income), gains on the disposal of financial assets and changes in the fair value of financial assets measured at fair value through profit or loss. Interest income is recognized in the statement of operations using the effective interest method.

Financial expenses basically comprise interest on loans. Loan costs directly attributable to acquisition, construction or manufacture of a qualified asset and are capitalized jointly with the investment.

3.1.2 Segment reporting

The information by operating segment is based on internal reporting to the chief operating decision maker, according to NBC TG 22/R2 (CVM Resolution 582/09) – Information by segment. The chief operating decision makers are the chief executive officer, the chief financial officer and the chief executive of each division (South America and North America).

This Management identified the two main reportable segments that are strategically organized according to the divisions, as per note 29.

3.1.3 Accounting estimates

The preparation of the parent company and consolidated financial statements in accordance with Brazilian accounting practices and IFRS requires Management to make estimates and assumptions that, in its best judgment, affect the reported amounts of assets and liabilities. These estimates and assumptions include, when applicable, the determination of the residual value of property, plant and equipment, allowance for estimated doubtful accounts, estimated inventory losses, deferred Income and Social Contribution tax assets and provisions for tax, labor and civil contingencies. Transaction settlement involving those estimates may result in values different from estimates, due to the inherent inaccuracy of the process. The Corporation and its subsidiaries review estimates and assumptions at least quarterly.

The issues requiring Corporation's estimates are as follows:

- Useful life of property, plant and equipment and intangible assets with finite useful lives;
- Measurement of the fair value of biological assets;
- Impairment of taxes;
- Loss on impairment of intangible assets with undefined life, including goodwill;
- Measurement of items arising from business combinations at fair value;
- Fair value of financial instruments and derivatives;
- Estimated loss on doubtful accounts;
- Estimated loss with inventory obsolescence;
- Deferred Income and Social Contribution tax assets;
- Provisions (legal, tax, labor and civil proceedings);
- Stock option plan;

3.1.4 Financial instruments

Financial instruments include financial investments, debt and equity instruments, accounts receivable and other receivables, cash and cash equivalents, loans and financing, as well as accounts payable and other debts.

Financial instruments were recognized in accordance with NBC TG 48 (IFRS 9) – Financial instruments, which was adopted by the Company on January 1, 2018, as per CVM Decision 763/16.

The initial recognition of these financial assets and liabilities occurs when the Company becomes part of contractual provisions of the instruments and are recognized at their fair value plus, for instruments that are not recognized at fair value through profit or loss, any directly attributable transaction costs.

After the initial recognition, the Company classifies financial assets as subsequently measured at:

- **Amortized cost:** when the financial assets are held for the purpose of receiving contractual cash flows and the contractual terms of these assets must originate, exclusively, cash flows arising from payment of principal and interest on the amount of principal outstanding.

▪ **Fair value through other comprehensive income (FVOCI):** when financial assets are held both for the purpose of receiving contractual cash flows and for the sale of such financial assets. In addition, contractual terms must originate exclusively cash flows from the payment of principal and interest on the amount of principal outstanding.

▪ **Fair value through profit or loss (FVPL):** when financial assets are not measured at the amortized costs, fair value through other comprehensive income or designated as such upon initial adoption. Financial instruments designated are for measurement at their fair value through profit or loss when the Corporation manages and takes decisions to purchase or sell those investments, based on their fair value and in accordance with the strategy to invest and manage the Company's documented risk. After initial recognition, after initial recognition, transaction costs that are attributable to the acquisition of the investment are recognized in the statement of operations when incurred, along with their fluctuations in fair value. The Corporation's instruments recorded in this category are described in note 27.7.

The classification of the financial assets is based both on the Corporation's business financial asset management model and on their cash flow characteristics.

Similarly, the Corporation classifies financial assets and liabilities as subsequently measured at their amortized cost or at fair value through profit or loss. Financial liabilities measured at amortized cost use the effective interest method, adjusted for any reductions in the settlement value.

▪ **Derivative financial instruments and hedge accounting**

Derivative financial instruments designed in hedge operations are initially recognized at their fair value on the date of the derivative contract, and subsequently revaluated also at fair value. Derivatives are presented as financial assets when the fair value of the instrument is positive and as financial liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives during the year are recorded directly in the income statement, except for the effective portion of hedge accounting, which is recognized directly in shareholders' equity as other comprehensive income. The amounts booked under other comprehensive income are immediately transferred to the income statement when the transaction underlying the hedge affects profit or loss.

3.1.5 Foreign currency

Management defined the Brazilian real as the functional currency of the Corporation and its companies in Brazil, according to the provisions of NBC TG 02/R3 (CVM Resolution 640/10) – effects on changes in foreign exchange rates and translation of financial statements.

The functional currency of foreign companies is the legal tender of the country in which they operate, except for companies located in the Netherlands and in Uruguay, whose functional currency is the US dollar. Translations into the reporting currency are also in accordance with NBC TG 02/R3 (CVM Resolution 640/10) – effects on changes in foreign exchange rates and translation of financial statements.

Foreign currency transactions, i.e., all transactions not made in the functional currency, are translated using the exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the closing exchange rate. Non-monetary assets and liabilities acquired or entered into in foreign currency are translated using the exchange rates on the transaction dates or the dates at which they are stated at fair value when fair value is used. Exchange rate variation gains or losses on monetary and non-monetary assets and liabilities are recognized in the statement of income.

3.1.6 Current and non-current assets

- **Cash and cash equivalents**

Consist of cash, banks and short-term highly liquid financial investments that are readily converted to known amounts of cash and that are subject to an insignificant risk of changes in value.

- **Marketable Securities**

These include virtually all investments of the following types: Time deposit, Interest-bearing deposit and Repurchase agreements. These investments may be readily redeemed and have an insignificant risk of change in value.

- **Trade accounts receivable**

Trade accounts receivable are recorded at the fair value and when applicable, discounted to present value, according to NBC TG 12 (CVM Resolution 564/08) – Present value adjustment.

The estimated loss with doubtful accounts is set up in an amount deemed sufficient by Management to cover possible losses on the realization of receivables, calculated on an individual basis and considering in its assumptions the concept of expected credit losses, as introduced by NBC TG 48 (IFRS 9) – Financial instruments.

- **Inventories**

Inventories are stated at the average acquisition or production cost, adjusted at net realizable value, if lower than the average cost.

- **Investments**

Corporation's investments in subsidiaries and affiliates are accounted for using the equity method in the parent company financial statements.

- **Property, plant and equipment**

Property, plant and equipment are stated at acquisition or construction cost, less depreciation calculated using the straight-line method at the rates mentioned in note 13 and take into consideration the estimated useful lives of assets and property lease terms with respect to leasehold improvements.

Finance charges on financing agreements incurred when property, plant and equipment items are being built are capitalized until the asset begins its operations.

Other expenditures are capitalized only if the economic benefits associated with the property, plant and equipment item increase. Another type of cost is recognized as an expense when incurred.

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

- **Lease**

Finance lease

Certain lease agreements transfer substantially all risks and benefits of ownership of an asset to the Corporation. These agreements are finance leases and are initially recognized as property, plant and equipment with an offsetting entry to liabilities at the lowest of present or fair values, according to NBC TG 06/R2 (CVM Resolution 645/10) – commercial leasing operations.

The Corporation's finance lease operations are described in note 19.1.

Operating lease

Certain agreements are classified as operating leases when its substance does not meet the finance lease requirements. Payments of these agreements are recognized as expenses in the statement of operations on a straight-line basis over the period the agreements are effective and the asset is used.

The Corporation's operating lease transactions are described in note 19.2.

- **Intangible assets**

Intangible assets consist of assets acquired from third parties, including through business combinations, and those generated internally by the Corporation. They are stated at acquisition or formation cost, less amortization calculated using the straight-line method, and based on the recovery estimated periods.

Intangible assets with indefinite useful lives and goodwill resulting from expected future profitability are not amortized and are tested annually for impairment.

The goodwill represents the excess of total consideration paid over the difference between the fair value of acquired assets and liabilities assumed on the takeover date of the acquired company.

Goodwill is capitalized as an intangible asset and any impairment is recognized in the statement of operations. Whenever the fair value of the acquired assets and assumed liabilities exceeds total consideration paid, the full difference will be recognized in the consolidated comprehensive loss on the acquisition date.

The Corporation's intangible assets are described in note 14.

3.1.7 Biological assets

According to NBC TG 29/R2 (CVM Resolution 596/09) - biological assets and agricultural products, agricultural activity is the management of the biological transformation of assets (living animals and/or plants) for sale, into agricultural products or into additional biological assets. The Corporation classifies living cattle and poultry as biological assets.

The Corporation recognizes biological assets when it controls these assets as a result of past events and it is probable that future economic benefits will flow to the Corporation and the fair value of the asset can be reliably measured.

Under NBC TG 29/R2 (CVM Resolution 596/09) – biological assets and agricultural products, biological assets should be measured on initial recognition and at the end of each reporting period at fair value less costs to sell, unless fair value cannot be reliably measured.

The Corporation values cattle at its fair value based on market prices, while poultry is valued at the acquisition cost since there is no market for poultry.

3.1.8 Impairment

Impairment tests on goodwill and other intangible assets with indefinite economic useful life are annually conducted at the end of the year. Other non-financial assets, such as property, plant and equipment and intangible assets are submitted to impairment tests whenever events or changes in circumstances indicate that its book value may not be recoverable. Once the book value of an asset exceeds its recoverable value (i.e., the highest between the use and fair value minus selling costs), a loss is recognized to bring the book value to its recoverable value.

When it is not possible to estimate the impairment of an individual asset, the impairment test is conducted in its cash generating unit (CGU): the smallest group of assets to which the asset belongs and for which there are cash flows separately identifiable. The Corporation adopts as CGU for assessing the recoverable value of an asset, its segmentation by business unit.

Goodwill recorded in the initial recording of an acquisition is allocated to each BU of the group that expects to benefit from combination synergies that originated the goodwill, for purposes of impairment testing.

Impairment losses are included in the statement of operations. An impairment loss recorded as goodwill is not reversed.

3.1.9 Current and non-current liabilities

Current and non-current liabilities are stated at known or estimated amounts, plus the related charges, exchange rate gains (losses) and/or monetary changes incurred through the balance sheet date, when applicable.

3.1.10 Provisions

Provisions are recorded in case of probable exit of future economic benefits resulting from past events and these can be safely estimated.

3.1.11 Share-based compensation plan

The effects of the share-based compensation plan are calculated at fair value and recognized in the balance sheet and the statement of operations as contract conditions are met and as commented in note 33.5.

3.1.12 Income and Social Contribution taxes

Current and deferred Income Tax and Social Contribution for the fiscal year are calculated based on the rate of 15% plus an additional 10% on the taxable income that exceeds R$240 annually for income tax and an additional 9% on the taxable income for social contribution on net income, and considering the offsetting of tax losses and social contribution tax loss carryforwards limited to 30% of annual taxable income. Tax losses and social contribution tax loss carryforwards are not subject to time barring.

Deferred income tax is recognized through the future estimated effect of temporary differences and tax losses and social contribution tax loss carryforwards, which are recorded in compliance with tax laws and with NBC TG 32/R4 (CVM Instruction 371/02 and CVM Resolution 599/09) – income taxes. A deferred income tax liability is recognized for all temporary tax differences, while deferred income tax assets are recognized only to the extent that it is likely that taxable income exists against which the temporary difference may be used. Deferred tax assets and liabilities are classified as long-term. Income tax related to items recognized directly under shareholders' equity in the current fiscal year or previous fiscal year are recognized directly in the same account.

Deferred income tax and social contribution are calculated based on income tax losses, social contribution tax loss carryforwards and the corresponding temporary differences between the tax calculation bases on assets and liabilities and the carrying amounts on the financial statements. The rates of these taxes, currently applicable to the calculation of these deferred credits, are 25% for income tax and 9% for social contribution.

Deferred tax assets and liabilities are offset when the legally enforceable right to offset current tax assets and liabilities exists and the deferred tax assets and liabilities relate to income taxes levied by the same taxing authority on the following cases:

3.1.13 Dividends and Interest on Equity

Management's proposal for distribution of dividends and interest on equity within the mandatory minimum dividend amount is recorded as current liabilities since it is considered a legal obligation set forth in the bylaws. The amount that exceeds mandatory minimum dividend, which is declared by Management before the end of the reporting period and has not yet been approved by the shareholders, is recorded as proposed additional dividend in shareholders' equity.

3.1.14 Earnings per share

Basic

Basic earnings/losses per share is calculated by dividing the earnings or losses attributable to the Corporation's controlling and non-controlling shareholders by the weighted average number of common shares outstanding during the period, pursuant to NBC TG 41/R2 (CVM Resolution 636/10) – earnings/losses per share, excluding the common shares held as treasury shares.

Diluted

Diluted earnings/losses per share is calculated by dividing the earnings/losses attributed to the Corporation's common shareholders by the weighted average number of common shares, which would be issued in the conversion of all diluted potential common shares into common shares. The effect of dilution of earnings (loss) per share does not generate significant difference between basic and diluted earnings (loss). The dilution percentage is shown in note 26.

3.1.15 Share issuance expenses

In accordance with NBC TG 08 (CVM Resolution 649/10) – transaction costs and premium on issue of securities, transaction costs incurred with the raising of funds through the issuance of equity securities should be separately recorded in a valuation allowance which reduces shareholders' equity, less possible tax effects.

3.1.16 Treasury shares

Treasury shares are Corporation shares acquired by the Corporation itself and kept in the treasury with the specific purpose of carrying out the Corporation's stock option plan, as per note 22.2.2. Treasury shares are recorded in a separate account, and, for the purpose of balance sheet presentation, are deducted from the Income Reserve, whose balance was used in such operation.

3.1.17 Business combination

Business combinations are recognized using the acquisition method. Cost of an acquisition is the sum of the consideration transferred, measured at fair value on the acquisition date, and any non-controlling interest in the acquiree. For each business combination, the acquirer should measure the non-controlling interest in the acquiree at the fair value or based on the acquirer's share in fair value of the acquiree's identifiable net assets. Costs that are directly attributable to the acquisition should be recorded as an expense when incurred.

In a business acquisition, Management assesses the assets acquired and the liabilities assumed with the objective of classifying and allocating them according to contractual provisions, economic circumstances and relevant conditions on the acquisition date.

Goodwill is initially measured as the excess of the consideration transferred in the business combination over the fair value of the net assets acquired (identifiable assets and liabilities assumed, net). If the consideration is less than the fair value of the net assets acquired, the difference should be recognized as a gain in the statement of operations.

3.1.18 Consolidation

Accounting practices are uniformly applied to all consolidated companies and are consistent with those applied in previous years.

Description of the main consolidation procedures:

- Elimination of the balances of intercompany assets and liabilities;
- Elimination of ownership interest, reserves and retained earnings of subsidiaries;
- Elimination of the balances of intercompany revenues and expenses and unrealized profits resulting from intercompany transactions.

3.1.19 Discontinued operations and assets held for sale

An operation is classified as discontinued operation when it is sold or it complies with criteria for classification as held-for-sale, if it occurs first. When an operation is classified as a discontinued operation, the statements of income and cash flows are presented as if the operation was discontinued since the beginning of comparative year, for which reason the note "reclassified" was included in the statements as at December 31, 2017.

These assets are measured by the lower between the book value and the fair value less selling expenses.

Once they are classified as held-for-sale, intangible and fixed assets can no longer be amortized or depreciated.

The result from discontinued operations is presented as a single amount in the statement of income, and includes the total result after these operations' Income Tax and Social Contribution less any impairment loss, and is presented in notes 31.

3.1.20 Statement of value added

The Corporation prepared the parent company and consolidated statement of value added in accordance with NBC TG 09 (CVM Resolution 557/08) – statement of value added, which is an integral part of the financial statements under applicable Brazilian accounting standards to publicly-held companies, while it represents additional information for IFRS standards.

3.1.21 Accounting in hyperinflationary economies.

The Argentinean National Institute of Statistics and Census ("INDEC") published data for the wholesale price index for May 2018, which has been published consistently in Argentina and used only for monitoring the country's inflation. The publication shows that cumulative inflation in the last three years surpassed 100%. As a result of this and other factors, as described in NBC TG 42 – Accounting in hyperinflationary economies (CVM Resolution 805/18), the Corporation concluded that Argentina classifies as a hyperinflationary economic environment. Due to it, non-monetary items such as profit or loss for the period were restated by the variation in the inflation index between the

initial recognition period and the reporting period, with the aim of registering the balance sheet of subsidiaries at current value.

Since the hyperinflationary economy was identified only for the subsidiaries in Argentina, and the parent company is not located in a hyperinflationary economy, the Corporation did not restate prior balances, as required under NBC TG 02/R3 (CVM Resolution 640/10) – Effect from changes in exchange rates and translation of financial statements. Inflation adjustment corresponding to the period since initial recognition through December 31, 2017 was recorded as a corresponding entry to other comprehensive income under shareholders' equity, producing an effect of R$41,648, while the inflation adjustment related to fiscal year 2018 was recorded as a corresponding entry to financial result in amount of R$38,982.

The translation of the balances of subsidiaries located in a hyperinflationary economy into the reporting currency was made at the exchange rate in force at the end of the month, for balance sheet and income statement items.

The Corporation used the Consumer Price Index ("IPC") to adjust for inflation the balances for the period between January 1, 2017 and the current period. The cumulative variations used in fiscal years 2017 and 2018 were 24,79 % and 47,65 %, respectively.

3.2. New standards and interpretations

New standards and amendments of standards issued by the Federal Accounting Board effective as of fiscal year 2019 did not have significant impacts on the separate and consolidated financial statements. The Corporation describes the main points of review required by the new standards as follows:

NBC TG 06 (IFRS 16) – Leases – In mid-January 2016, IASB approved this standard, which is applicable for annual periods starting on or after January 1, 2019, and which basically provides that all lease contracts, whether operating or financial, must be accounted for by recognizing the underlying assets and liabilities.

The Corporation plans to adopt IFRS 16 as of January 1, 2019, using the modified retrospective approach. Therefore, the cumulative effect from the adoption will be recognized as an adjustment to the opening balance of retained earnings as of January 1, 2019, without any restatement of comparative information. Furthermore, it will apply the practical expedient for defining the lease contract in the transition, i.e. it will opt to adopt the standard for contracts that previously were identified as leases in accordance with NBC TG 06/R2. Therefore, the Corporation will not apply the standard to contracts that previously were identified as contracts that contain lease agreements under NBC TG 06/R2.

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

The Corporation assessed the potential impact of the initial adoption on the separate and consolidated financial statements as follows. The actual impacts from adoption of the standard as of January 1, 2019 could change since the new accounting policies are subject to change until the Corporation presents its first separate and consolidated financial statements that include the date of initial adoption.

Based on the information currently available, the Corporation estimates impacts of R$412,789 thousand on assets and liabilities on January 1, 2019. The Corporation expects the adoption of NBC TG 06 (R2) / IFRS 16 not to affect its capacity to comply with contractual agreements.

3.3. Consolidated financial statements

The consolidated financial statements include the accounts of the Corporation and its subsidiaries, as per the table showing the equity interests of the Corporation in note 12.1 – Direct investments of the parent company.

Summary of the equity interests held by the Corporation by business segment:

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

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

3.4. Reclassification in the statements of income and cash flows in the period ended December 31, 2017

In compliance with NBC TG 31/R4 and for comparison purposes, the Corporation and its subsidiaries restated their statements of income, of cash flows, of comprehensive income and notes to the financial statements for the period ended December 31, 2017. These reclassifications do not affect the financial position of the company.

Note 31 – Results from discontinued operations presents details of the reclassified amounts for comparison purposes.

4. Cash and cash equivalents

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

- Cash on hand;
- Demand deposits.

	Parent		Consolidated	
	12/31/18	**12/31/17**	**12/31/18**	**12/31/17**
Cash and banks	128,007	147,285	973,391	954,327
Cash equivalents	29,792	12,115	1,485,811	259,245
	157,799	**159,400**	**2,459,202**	**1,213,572**

	Parent		Consolidated	
	12/31/18	**12/31/17**	**12/31/18**	**12/31/17**
Cash and banks:				
Brazilian real	45,985	80,266	48,448	81,981
US dollar	110,721	79,128	2,364,495	565,447
Chinese Yuan	-	-	-	358,078
Other	1,093	6	46,259	208,066
	157,799	**159,400**	**2,459,202**	**1,213,572**

5. Marketable Securities

	Parent		Consolidated	
	12/31/18	**12/31/17**	**12/31/18**	**12/31/17**
Marketable securities	1,619,387	1,127,685	4,732,504	3,188,781
	1,619,387	**1,127,685**	**4,732,504**	**3,188,781**

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

				Parent	
	PMPV [1]	Currency	Average interest rate p.a.%	12/31/18	12/31/17
Bank deposit certificates - CDB [2]	-	BRL	6.14%	878,236	210,685
Repurchase and reverse repurchase agreements	-	BRL	3.15%	88,108	171,199
Fixed income bond	-	BRL	5.69%	12,914	21,073
Time Deposit [2]	0.18	USD	2.98%	622,277	704,828
FIDC [2]	1.52	BRL	10.12%	17,852	19,900
Total				1,619,387	1,127,685
Total current				**1,619,387**	**1,127,685**

				Consolidated	
	PMPV [1]	Currency	Average interest rate p.a.%	12/31/18	12/31/17
Bank deposit certificates - CDB [2]	-	BRL	6.14%	878,236	210,686
Repurchase and reverse repurchase agreements	-	BRL	3.15%	88,108	171,199
Time Deposit [2]	2.43	USD	2.03%	3,735,394	2,765,471
Time Deposit [2]	-	Peso	-	-	390
FIDC [2]	1.52	BRL	10.12%	17,852	19,900
Fixed income bonds	-	BRL	5.69%	12,914	21,135
Total				4,732,504	3,188,781
Total current				**4,732,504**	**3,188,781**

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

The Corporation maintains the following types of financial investments:

5.1 Bank Certificate of Deposit (CDB)

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

5.2 Repurchase and reverse repurchase agreements

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

5.3 Time Deposit

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

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

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

5.5 Fixed Income Bonds

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

6. Trade accounts receivable – domestic and foreign customers

	Parent		Consolidated	
	12/31/18	12/31/17	12/31/18	12/31/17
Trade accounts receivable - domestic	41,090	220,287	1,068,553	600,556
Trade accounts receivable - foreign	353,059	319,394	175,287	324,442
	394,149	**539,681**	**1,243,840**	**924,998**
Amounts not yet due	358,233	479,148	738,028	712,306
Amounts overdue				
From 1 to 30 days	10,742	36,676	424,898	169,888
From 31 to 60 days	527	22,563	36,033	35,970
From 61 to 90 days	24,647	1,294	44,881	6,834
More than 90 days	22,334	25,112	38,082	35,129
(-) Estimated losses with doubtful accounts	(22,334)	(25,112)	(38,082)	(35,129)
	394,149	**539,681**	**1,243,840**	**924,998**

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

Changes in estimated losses for credit risks are as follows:

	Parent	Consolidated
Balance on December 31, 2017	**(25,112)**	**(35,129)**
Estimate accrued	(6,558)	(8,158)
Realization of estimates	9,336	16,245
Return of asset held for sale	-	(3,434)
Exchange rate variation	-	-
Acquisition through business combination	-	(10,309)
Reclassification - held-for-sale	-	2,703
Balance on December 31, 2018	**(22,334)**	**(38,082)**

A receivables-backed investment fund (Fundo de Investimento de Direitos Creditórios - FIDC) was created in June 2014 to sell a portion of the receivables from the installment sale in the domestic market, up to the limit of R$160 million (principal), of which R$16 million consists of mezzanine subordinated shares. On December 31, 2018, there was R$118,999 of bills traded with the fund MRFG.

In March 2017, the Corporation's wholly-owned subsidiary Weston Importers Ltd. structured a program to sell non-recourse receivables with a prime financial institution in Europe. The program's main objective is to convert into cash the term sales involving exports originated by the South America Operation. The securitization program may sell, on a rotating basis, up to US$100 million over a contractual period of 3 years. Under the program, the Corporation receives up to 100% of the total balance of eligible receivables sold, in accordance with the program's rules and limited to the contractual capacity. As of December 31, 2018, US$100 million (R$387.5 million) had been negotiated under the program.

7. Inventories of products and merchandise

In the period ended December 31, 2018 and fiscal year ended December 31, 2017, inventories of finished products were carried at average purchase and/or production cost, as explained below:

	Parent		Consolidated	
	12/31/18	12/31/17	31/12/18	31/12/17
Finished products	457,011	784,195	1,454,071	1,413,550
Raw materials	-	-	166,250	206,713
Packaging and storeroom supplies	61,900	48,309	227,780	174,744
(-) Estimated losses	(24,004)	(32,566)	(25,821)	(35,136)
	494,907	**799,938**	**1,822,280**	**1,759,871**

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

	Parent	Consolidated
Balance on December 31, 2017	**(32,566)**	**(35,136)**
Recognition of estimates	(11,000)	(11,765)
Realization of estimates	19,562	20,009
Translation gains (losses)	-	(44)
Acquisition through business combination	-	(1,400)
Return of asset held for sale	-	(19)
Reclassification - held-for-sale	-	2,534
Balance on December 31, 2018	**(24,004)**	**(25,821)**

8. Biological Assets

	Consolidated	
Current	**12/31/18**	**12/31/17**
Biological assets - cattle	16,570	5,818
Biological assets - poultry	-	113,803
Total current biological assets	**16,570**	**119,621**
Non-current		
Biological assets - poultry	-	54,758
Total non-current biological assets	**-**	**54,758**
Total biological assets	**16,570**	**174,379**

The Corporation's current biological assets are composed of live animals segregated among the categories: poultry and cattle. Animals classified in this group are those intended for slaughtering for production of fresh meat and/or processed products in the next 12 months.

Due to the short formation period of poultry, as well as not having a quotation to poultry and pigs market, the Corporation evaluated these biological assets and identified no material adjustments in relation to acquisition cost. In this case, the Corporation believes that the fair value of biological assets is substantially represented by the formation cost, given the short life cycle of the animals.

With respect to Beef cattle, these are animals kept in feedlots for fattening and slaughter. The balance presented in this item is available for use over the next 12 months.

The Corporation valuated these animals at fair value, based on the "Mark to Market - MtM" concept, considering the market prices of the "arroba"[1] of cattle, and recognized the effects of these valuations directly in the statement of operations. The Corporation's non-current biological assets are composed of live poultry, classified as breeding stock and intended for reproduction. These assets are amortized on a straight-line basis over the useful life of the animals. Poultry for reproduction have an average useful life of up to 60 weeks.

The changes in biological assets are as follows:

Current biological assets:

	Consolidated
Balance on December 31, 2017	119,621
Increase due to purchases	34,985
(-) Write-off for slaughter	(460,475)
Costs of input for fattening	461,179
(-) Decrease due to sales	(16,865)
Net increase (decrease) due to births (deaths)	(576)
Change in fair value less estimated sale expenses	9,600
Translation gains (losses)	12,380
Divestment	(143,279)
Balance on December 31, 2018	**16,570**

Non-current biological assets:

	Consolidated
Balance on December 31, 2017	54,758
Increase due to purchases	13,405
(-) Write-off for primary processing	(1,399)
Cost of input for fattening	13,298
Amortization	(22,686)
Translation gains (losses)	5,691
Reclassification - held for sale	(63,067)
Balance on December 31, 2018	**-**

9. Recoverable taxes

	Parent		Consolidated	
	12/31/18	12/31/17	12/31/18	12/31/17
ICMS (State VAT)	406,929	555,863	439,415	586,687
PIS and Cofins (taxes on sales) credits	3,398,488	3,120,058	3,473,509	3,216,823
IRPF / IRPJ and CSLL (taxes on income) recoverable	386,870	734,492	420,219	753,275
Other	16,078	15,431	85,652	62,117
(-) Estimated losses from non-realization	(1,491,871)	(764,438)	(1,493,565)	(766,132)
	2,716,494	**3,661,406**	**2,925,230**	**3,852,770**
Current assets	**963,809**	**1,908,721**	**1,144,888**	**2,089,129**
Non-current assets	**1,752,685**	**1,752,685**	**1,780,342**	**1,763,641**

9.1 ICMS (State VAT)

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

9.2 PIS and COFINS taxes

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

9.3 IRRF / IRPJ and CSLL recoverable

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

9.4 Estimated losses from non-realization of tax credits

The estimated losses for non-realization of tax credits were calculated based on the best estimate of realization of the Corporation's recoverable taxes balances, in which main credits are mainly from PIS/COFINS. The Corporation revised its estimates for the realization of accumulated credits, taking into consideration, among other factors: i) the change in legislation in August 2018 to enable the offsetting of social security liabilities with other credits from the taxpayer; and ii) the Corporation's current strategic plan, which seeks to create sustainable value and to optimize its results in the shortest period possible. As a result, Management reassessed its projects, limiting them to a period of five years. Therefore, the Corporation recognized an additional reserve for credits recorded up to 2013 in the amount of R$727,433.

In the period ended December 31, 2018, the changes in this item were as follows:

	Parent	Consolidated
Balance at December 3, 2017	**(764,438)**	**(766,132)**
Accrual of estimates	(727,433)	(727,433)
Balance at December 3, 2018	**(1,491,871)**	**(1,493,565)**

10. Notes receivable

	Parent		Consolidated	
	12/31/18	**12/31/17**	**12/31/18**	**12/31/17**
Related-party transactions [(a)]	671,864	505,611	-	-
Joint Venture	-	-	-	78,211
Market transactions receivable [(b)]	-	18,012	102,975	33,506
Other notes receivable	14,750	2,010	15,552	6,290
Total	**686,614**	**525,633**	**118,527**	**118,007**
Current assets	**226,438**	**166,384**	**118,307**	**24,108**
Non-current assets	**460,176**	**359,249**	**220**	**93,899**

(a) The amount presented at the Parent Company refers mostly to balances resulting from transactions with its subsidiaries, as described in note 32 Related parties;

(b) In the note 27, we break down financial instrument operations practiced by the Corporation. The Corporation and its subsidiaries are subject to market risks related to foreign exchange variations, interest rates fluctuations and commodities prices variations. These represent the amount of mark-t-market adjustment of derivatives receivable.

11. Deferred Income and Social Contribution Taxes

	Parent		Consolidated	
	12/31/18	**12/31/17**	**12/31/18**	**12/31/17**
Income tax	556,481	1,515,237	769,461	1,657,318
Social contribution tax	221,731	564,965	230,383	569,998
Deferred tax assets	**778,212**	**2,080,202**	**999,844**	**2,227,316**
Income tax	-	-	(118,911)	(251,088)
Deferred tax liabilities	-	-	(118,911)	(251,088)
Total deferred tax	**778,212**	**2,080,202**	**880,933**	**1,976,228**

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

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

the taxable income, based on the assumptions and conditions established in the Corporation's business model.

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

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

Note that the projections were based on the assumptions for net income and historical data on the Corporation's profitability, taking into account the diverse economic scenarios of each market where the Corporation operates, due to its global and diversified presence in the Americas (approximately 81.3% of revenue came from international units, and most of them are located in economically stable countries).

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

Initially, in October 2013, the Corporation presented to the market its strategic five-year plan called "Focus to Win," which consisted of specific targets for key financial indicators through 2018. This plan was concluded successfully and its foundations were maintained as the essence of the Corporation's operation strategy, which now has new guidelines focusing on beef protein to become a simpler, more focused company that creates sustainable value.

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

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

Year	Parent	Consolidated
2019	63,433	106,301
2020	124,995	169,037
2021	161,663	207,154
2022	173,349	215,178
2023	254,772	302,174
	778,212	**999,844**

The following table presents the reconciliation of deferred taxes in the year ended December 31, 2018:

	Parent		Consolidated	
ASSETS	**12/31/18**	**12/31/17**	**12/31/18**	**12/31/17**
Income tax losses [1]	1,241,957	1,749,186	1,468,878	1,749,186
Social contribution tax loss carryforwards	460,971	637,626	475,873	637,626
Temporary differences	1,337,913	383,801	1,350,515	530,915
Total assets	**3,040,841**	**2,770,613**	**3,295,266**	**2,917,727**
LIABILITIES				
Temporary differences	(2,262,629)	(690,411)	(2,414,333)	(690,411)
Total liabilities	**(2,262,629)**	**(690,411)**	**(2,414,333)**	**(690,411)**
Total deferred taxes	778,212	2,080,202	880,933	2,227,316

[1] Amount of R$589 million related to PRR, as described in Note 21.3.1

12. Investments

	Parent		Consolidated	
	12/31/18	**12/31/17**	**12/31/18**	**12/31/17**
Interest in subsidiaries	10,738,033	4,940,413	-	-
Goodwill derived from business combinations	554,621	1,010,476	-	-
Other investments	10	10	42,545	21,064
	11,292,664	**5,950,899**	**42,545**	**21,064**

12.1 Direct investments by the parent company

Investments in Subsidiaries on December 31, 2018:

	Marfrig Chile S.A.	Inaler S.A.	Frigorífico Tacuarembó S.A.	Masplen Ltd	Prestcott International S.A.	Estab. Colonia S.A.	Marfrig Overseas Ltd	Marfrig Argentina S.A.	MFG Com. de Energia Ltda	Marfrig Holdings (Europe) BV	Marfrig Peru S.A.C.	Marfrig Beef (UK) Limited	Marfrig Beef International Limited	Abilun S.A.	Total
1) Interest															
Shares / Units of interest	9,950	66,247,320	163,442,679	5,050	79,638,916	80,647,477	1	1,220,225,248	149,985	426,842	4,988	2,001	2,001	400,000	
% Interest	99.50	100.00	99.95	100.00	100.00	100.00	100.00	99.95	99.99	100.00	99.76	100.00	100.00	100.00	
Country	Chile	Uruguai	Uruguai	Ilha Jersey	Uruguai	Uruguai	Ilhas Cayman	Argentina	Brasil	Holanda	Peru	Reino Unido	Reino Unido	Uruguai	
2) Information															
Share Capital	64,955	5,685	24,772	14,304	11,323	101,718	-	125,629	-	1,805,328	6	1,098,925	551,487	48	
Equity	165,835	2,082	147,877	(31,057)	81,405	3,487	(673,455)	(144,575)	(2,848)	3,299,951	(571)	2,179,486	5,725,870	(1,176)	
Net Income (Loss) from Continuing Operations	11,450	(14,355)	40,521	(23,942)	(6,237)	(23,890)	(197,047)	120,363	77	(49,096)	(15)	163,049	413,644	(677)	
Net Income (Loss) from Discontinued Operations	-	-	-	-	-	-	-	(7,680)	-	-	-	1,324,536	3,673,714	-	
Equity according to % interest (1)	164,998	2,083	147,242	(43,561)	81,405	3,278	(673,455)	(144,673)	(2,847)	3,299,951	(569)	2,179,486	5,725,870	(1,175)	
Total assets	302,176	159,944	378,919	470,602	345,510	303,772	3,709,419	168,730	9,972	12,838,224	94	11,840,031	11,799,943	50,836	
Total liabilities	136,337	157,862	231,042	501,659	264,105	300,285	4,382,874	313,304	12,820	9,538,273	665	9,660,545	2,802,612	54,761	
Interest from non-controlling shareholders - continuing operations	833	-	74	-	-	-	-	(71)	-	-	(1)	-	3,340,009	(2,749)	
Interest from non-controlling shareholders - discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net Revenue	649,994	570,189	968,091	470,581	378,915	680,532	-	499,561	49,909	-	-	5,418,926	17,069,974	64,404	
Interest - net income (loss) - continuing operations	11,393	(14,355)	40,501	(23,942)	(6,237)	(23,890)	(197,047)	120,303	77	(49,096)	(15)	163,049	413,645	(677)	
Interest - net income (loss) - discontinued operations	-	-	-	-	-	-	-	(7,676)	-	-	-	1,324,536	3,673,714	-	
Goodwill	-	83,643	125,346	37,263	48,371	259,998	-	-	-	-	-	-	-	-	
3) Changes															
Opening balance at 12/31/2017	**139,403**	**13,397**	**164,346**	**(17,056)**	**90,132**	**23,602**	**(396,870)**	**-**	**(2,924)**	**2,867,581**	**(480)**	**604,544**	**1,454,738**	**-**	**4,940,413**
Dividends	-	-	(76,116)	-	(16,259)	-	-	-	-	-	-	(14,837)	(40,992)	-	(148,204)
Equity in earnings (losses) of subsidiaries	11,385	(14,355)	40,281	(26,450)	(6,237)	(24,061)	(197,047)	126,679	77	(49,096)	(15)	163,049	413,645	(677)	437,178
Equity in earnings (losses) of discontinued operations	-	-	-	-	-	-	-	(7,676)	-	-	-	1,324,536	3,673,714	-	4,990,574
Return of assets held for sale (2)	-	-	-	-	-	-	-	(135,241)	-	-	-	-	-	-	(135,241)
Other comprehensive income	14,210	3,041	18,731	(55)	13,769	3,737	(79,538)	(128,434)	-	481,466	(74)	102,194	224,765	(499)	653,313
Closing balance at 12/31/2018	**164,998**	**2,083**	**147,242**	**(43,561)**	**81,405**	**3,278**	**(673,455)**	**(144,672)**	**(2,847)**	**3,299,951**	**(569)**	**2,179,486**	**5,725,870**	**(1,176)**	**10,738,033**

(1) The balance corresponds to the Corporation's interest in its subsidiaries, adjusted by any unrealized profits at the time of consolidation.
(2) The balance corresponds to the amounts of the business Marfrig Argentina S.A., reclassified as a Continuing operation.

12.2 Business Combination

Acquisition of National Beef Packing Company, LLC

On June 5, 2018, the Corporation, through its subsidiary NBM US Holdings Inc., entered into an agreement with Jefferies Financial Group Inc. ("Jefferies") and other shareholders, the parent company of National Beef Packing Company, LLC ("National Beef"), to acquire 51% of the total and voting capital of National Beef Packing Company, LLC ("National Beef").

The acquisition of National Beef represented a new strategic direction for the Corporation, with a focus on the beef industry, in which it is now the world's second-largest company in terms of installed capacity. The strategic shift is aligned with Marfrig's objective, which is to create a simple, focused company that creates value sustainably.

With the acquisition, National Beef is now supervised by a Board of Directors formed by nine members (five of whom nominated by the Company, two by Jefferies, one by USPB and one by the CEO of National Beef). Each member is entitled to one vote on the Board, whose decisions will be taken by a majority vote of those present (which must include at minimum the presence of one Director nominated by Jefferies).

Jefferies, as a relevant minority shareholder, enjoys certain rights involving certain matters of National Beef. These rights are fairly common and, in general, are aligned with market practices to protect the non-controlling shareholders of the company. However, none of these rights has materiality or scope that exceeds the rights of the Corporation as the majority controlling shareholder of the business.

One of these rights, which serves primarily to protect their non-controlling investment, is the right of these shareholders to sell ("Put Option"), as of January 2023, up to one-third of their interest in National Beef to the Company each year. The exercise price of this option will be calculated based on the fair value at the time of the exercise of the option, considering the specific clauses of the current shareholders' agreement governing the appreciation of the investment and the execution of such option. When the option is exercised and the fair value agreement is executed, the Company will be required to pay the fair value within six months as from receipt of the notification of the exercise of the put option, and the non-controlling member will be required to transfer the corresponding interest to the Company upon the payment. The put option will be accelerated and become fully exercisable in the event of the transfer of control of Marfrig Global Foods S.A., and said term of 5 years may be anticipated in the event that Mr. Marcos Antonio Molina dos Santos steps down as a member of the Board of Directors of Marfrig Global Foods S.A.

The Corporation did not recognize the liability related to the put option, given its belief that the sellers had an opportunity to sell their full interest in the business, but did not do so (and currently do not intend on doing so), considering also that, for over a decade now, USPB has been a raw material supplier to National Beef (with no indication that it would want to cancel the business agreement). Furthermore, the Corporation believes that the permanence of its non-controlling shareholders is absolutely consistent with the strategic design of the partner structure of National Beef. The Management of the Corporation concluded that any recognition of the liability would lead readers of the financial statements to believe that the Corporation already had acquired 100% of the shares in National Beef and/or that the non-controlling shareholders already had opted to exercise their option to sell their remaining non-controlling interest, which, given the understanding and belief of Management with regard to the facts and business circumstances, would not fairly represent the actual situation that should be reported with regard to such transaction.

In August 2018, the final adjustment of the acquisition price of National Beef was made, in accordance with contractual clauses, which resulted in an additional payment of US$533 thousand, due to the final verification of certain equity items. The amount was duly incorporated into the acquisition price of the controlling interest in said company.

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

	R$
Current assets	1,728,839
Fixed assets	1,635,361
Intangible	5,117,252
Other non-current assets	84,489
Current liabilities	(910,051)
Non-current liabilities	(1,561,786)
Total identifiable net assets at fair value	**6,094,104**
Non-controlling interest	(2,986,114)
Goodwill arising on acquisition	570,679
Purchase consideration transferred	**3,678,669**

The interest of non-controlling shareholders was measured at the proportional interest of assets and liabilities recognized in the acquired company, in accordance with NBC TG 15/R4 (CVM Resolution 665/11).

The goodwill paid in the amount of R$570,679 corresponds to the amount of future economic benefits from the synergies arising from the acquisition and the value attributed to the skill and technical talent of the workforce of the acquired company, which cannot be recognized separately.

The acquisition costs of R$7,771 were recognized in the statement of income as other operating income (expenses).

13. Property, plant and equipment

The following tables show the weighted average annual depreciation rate determined using the straight-line method and based on the economic useful life of the assets and their balances:

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

	Parent Company				
Description	Land, Constructions and Buildings	Machinery, equipment, furniture and fixtures	Construction in progress	Other property, plant and equipment	Total
Avg. annual depreciation rates	**3.98%**	**13.65%**	**-**	**10.20%**	
Acquisition cost	2,700,444	739,722	46,855	275,321	3,762,342
Accumulated depreciation	(541,001)	(393,408)	-	(118,520)	(1,052,929)
Net balance on 12/31/2017	**2,159,443**	**346,314**	**46,855**	**156,801**	**2,709,413**
Additions	24,003	77,266	271,067	14,703	387,039
Write-offs	-	(850)	-	(5,048)	(5,898)
Transfers	233,445	2,284	(276,441)	40,712	-
Reclassification	-	-	(5,273)	-	(5,273)
Depreciation in the period	(105,686)	(77,526)	-	(30,585)	(213,797)
Net balance on 12/31/2018	**2,311,205**	**347,488**	**36,208**	**176,583**	**2,871,484**
Acquisition cost	2,957,893	818,370	36,208	322,831	4,135,302
Accumulated depreciation	(646,688)	(470,882)	-	(146,248)	(1,263,818)
Net balance at the end of the period	**2,311,205**	**347,488**	**36,208**	**176,583**	**2,871,484**

Changes in property, plant and equipment (Consolidated):

	Consolidated				
Description	Land, Constructions and Buildings	Machinery, equipment, furniture and fixtures	Construction in progress	Other property, plant and equipment	Total
Avg. annual depreciation rates	**3.83%**	**11.15%**	**-**	**10.27%**	
Acquisition cost	3,976,588	1,986,551	285,736	546,019	6,794,894
Accumulated depreciation	(907,635)	(1,105,496)	-	(346,569)	(2,359,700)
Net balance on 12/31/2017	**3,068,953**	**881,055**	**285,736**	**199,450**	**4,435,194**
Additions	32,809	123,386	503,524	16,909	676,628
Acquisition through business combination	567,409	704,980	290,260	84,760	1,647,409
Write-offs	(436)	(2,307)	(1)	(5,077)	(7,821)
Transfers	368,658	193,608	(594,171)	31,905	-
Reclassification	880	(58)	(4,712)	3	(3,887)
Divestment	(647,827)	(385,312)	(210,608)	(33,580)	(1,277,327)
Return of asset held for sale	22,523	3,231	4,861	74	30,689
Translation gains (losses)	43,121	33,946	14,826	(138)	91,755
Adjustment for hyperinflation	15,262	2,657	1,984	19	19,922
Depreciation in the year	(133,627)	(208,149)	-	(39,570)	(381,346)
Net balance on 12/31/2018	**3,337,725**	**1,347,037**	**291,699**	**254,755**	**5,231,216**
Acquisition cost	4,385,446	3,005,049	291,699	479,111	8,161,305
Accumulated depreciation	(1,047,721)	(1,658,012)	-	(224,356)	(2,930,089)
Net balance at the end of the period	**3,337,725**	**1,347,037**	**291,699**	**254,755**	**5,231,216**

According to NBC TG 06/R2 (CVM Resolution 645/10) – lease operations, the assets acquired by the Corporation under a finance lease started to be recorded as property, plant and equipment, including their respective depreciation, as mentioned above, with an offsetting entry to lease payable, shown in note 19.

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

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

During the period ended December 31, 2018, the book values of the Corporation's assets were not greater than the amounts which could be obtained by use or sale.

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

	Parent/Consolidated		Consolidated
	12/31/2018		12/31/2018
Description	Temporarily idle property, plant and equipment	Property, plant and equipment fully depreciated and still in operation	Property, plant and equipment not in operation and not classified as held for sale
Land, constructions and buildings	142,868	772	-
Machinery, equipment , furniture and fixtures	32,680	166,612	18
Other property, plant and equipment	83,730	38,852	193
	259,278	**206,236**	**211**

14. Intangible assets

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

		Parent		Consolidated	
	Amortization rate	12/31/18	12/31/17	12/31/18	12/31/17
Goodwill	-	-	-	1,247,908	1,051,378
Trademark and patents	4.89%	22,883	22,883	1,115,363	298,636
Software and Licenses	17.35%	35,189	33,410	39,983	59,338
Client relationship	10.00%	-	-	1,924,704	1,125,458
Right of use	5.50%	43,478	46,390	43,478	46,390
Sales channels	5.50%	242,750	259,007	242,750	259,007
Supplier relationship	6.67%	-	-	1,942,869	-
Other intangible assets	-	-	-	-	3,182
		344,300	**361,690**	**6,557,055**	**2,843,389**

Goodwill from the acquisition of businesses by September 30, 2008 (last acquisition previous to transition date as of January 1, 2009, referring to complete adoption of the International Financial Reporting Standards (IFRS)) was calculated based on the accounting standards previous to NBC TG 15/R4 (CVM Resolution 665/11) - business combination. According to "IFRS Optional Exemptions," the Corporation decided to adopt IFRS in all business acquisitions as from September 30, 2008. These goodwill amounts were based on expected future profitability, and supported by valuation reports from experts. The trademarks acquired from third parties, prior to December 31, 2009, were measured at the paid amount, while trademarks and list of clients acquired as part of business combination after September 30, 2008 were calculated at fair value pursuant to NBC TG 15/R4 (CVM Resolution 665/11) – business combination.

According to NBC TG 01/R4 (CVM Resolution 639/10) – asset impairment, the impairment test of goodwill and intangible assets with indefinite useful lives is conducted annually, and other intangible assets with finite useful lives are tested whenever there is evidence of non-realization of those items. Intangible assets represented by patents and a list of clients are amortized at their respective useful lives, if applicable. Certain intangible assets of the Corporation have undefined useful lives, according to the experts' valuation, and are annually tested for impairment.

Such analysis comprised projecting the profitability and future cash of the Corporation's business units, which are discounted to present value to identify the degree of recoverability of the asset.

Discounted cash flows to assess asset impairment were prepared for a period of at most 5 years, strictly in line with the applicable accounting standard. These cash flows are in line with the Corporation's strategic plan and growth projections based on past information and market projections prepared by non-governmental agencies and entities. The calculation of the discount rates of these cash flows adopted adequate methods and were duly discussed and validated by the Management of the Corporation.

In the year ended December 31, 2018, the Corporation did not identify any indications of asset recorded in its books at an amount higher than that recoverable through use or sale.

14.1 Changes in intangible assets

Changes in the intangible assets accounts for the year ended December 31, 2018 are as follows:

Parent Company

	Balance on December 31, 2017	Acquisition / Write-off	Reclassification	Amortization	Balance on December 31, 2018
Sales channels	259,007		-	(16,257)	242,750
Rights of use	46,391		-	(2,913)	43,478
Software and licenses	33,409	8,324	5,273	(11,817)	35,189
Trademarks and patents	22,883		-	-	22,883
Total	**361,690**	**8,324**	**5,273**	**(30,987)**	**344,300**

Consolidated

	Balance on December 31, 2017	Acquisition/ Write-off	Exchange variation	Acquisition through business combination	Reclassification	Amortization	Divestment	Adjustment for Hyperinflation	Balance on December 31, 2018
Goodwill	1,051,378	-	123,213	2,639,501	(1,939,223)	(83,375)	(543,586)	-	1,247,908
Sales channel	259,007	-	-	-	-	(16,257)	-	-	242,750
Rights of use	46,390	-	-	-	-	(2,912)	-	-	43,478
Software and Licenses	59,337	8,524	526	-	5,273	(12,711)	(20,966)	-	39,983
Trademarks and patents	298,636	-	10,095	436,328	661,549	(18,020)	(273,295)	69	1,115,362
Client relationship	1,125,458	-	24,388	994,877	973,632	(68,193)	(1,125,458)	-	1,924,704
Supplier relationship	-	-	44,268	1,666,831	302,122	(70,351)	-	-	1,942,870
Other intangible assets	3,183	-	(1)	-	-	-	(3,182)	-	-
Total	**2,843,389**	**8,524**	**202,489**	**5,737,537**	**3,353**	**(271,819)**	**(1,966,487)**	**69**	**6,557,055**

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

15. Trade payables

	Parent		Consolidated	
	12/31/18	**12/31/17**	**12/31/18**	**12/31/17**
Third parties	884,731	741,097	2,112,618	2,025,224
Related parties [1]	51,847	152,343	36,365	133,807
	936,578	**893,440**	**2,148,983**	**2,159,031**

(1) Most of trade and other accounts payable include balances from transactions with its Subsidiaries and other related parties, as described in Note 32 – Related parties.

16. Supply chain finance

	Parent		Consolidated	
	12/31/18	12/31/17	12/31/18	12/31/17
Supply chain finance	182,635	195,041	182,635	195,041
	182,635	**195,041**	**182,635**	**195,041**

The Corporation entered into structured supply chain financing operations to extend raw material purchase terms with certain suppliers. The balance of these operations on December 31, 2018 was R$182.6 million at an average rate of 0.76% p.m. On December 31, 2017, these operations amounted to R$195 million at an average rate of 0.98% p.m.

17. Taxes payable

	Parent		Consolidated	
	12/31/18	12/31/17	12/31/18	12/31/17
Income and Social contribution taxes payable	54,274	52,762	139,531	109,375
Special tax debt installment plans	917,919	1,023,418	919,059	1,024,603
Other taxes, fees and contributions payable	98,443	94,278	120,439	126,595
	1,070,636	**1,170,458**	**1,179,029**	**1,260,573**
Current liabilities	238,230	223,598	345,438	312,131
Non-current liabilities	832,406	946,860	833,591	948,442

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

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

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

Changes in special installment payment plans are as follows:

	Parent		Consolidated	
	12/31/18	12/31/17	12/31/18	12/31/17
Opening balance	1,023,418	753,197	1,024,603	754,382
(+) Adhesion to the installment payment program	5,252	605,013	5,252	605,259
(-) Exclusion of installment payment program	-	(27,606)	-	(27,606)
(-) Offsetting of fine and interest using tax losses and tax loss carryforwards	-	(22,635)	-	(22,635)
(-) Inflation adjustment interest	44,742	60,221	44,792	60,311
(-) Payments made / tax credits	(155,493)	(344,772)	(155,588)	(345,108)
Debt balance	917,919	1,023,418	919,059	1,024,603
Current liabilities	139,787	129,320	139,865	129,399
Non-current liabilities	778,132	894,098	779,194	895,204

18. Loans, financing and debentures

Parent					
Credit facility	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance on 12/31/18	Balance on 12/31/17
Local currency					
FINAME/FINEP	TJLP + Fixed Rate	5.50%	2.04	25	37
NCE/Working Capital	Fixed Rate + %CDI	8.40%	2.16	203,496	243,651
Debentures/Interest on debentures				610,292	610,232
Total local currency		**8.40%**		**813,813**	**853,920**
Foreign currency:					
NCE/Prepayment (US$) / ACC (US$)	Fixed Rate+ FX	6.17%	0.47	1,386,002	531,364
Total foreign currency		**6.17%**		**1,386,002**	**531,364**
Total loans, financing and debentures		**6.46%**		**2,199,815**	**1,385,284**
Current liabilities				1,973,511	710,404
Non-current liabilities				226,304	674,880

Consolidated					
Credit facility	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance on 12/31/18	Balance on 12/31/17
Local currency					
FINAME/FINEP	TJLP + Fixed Rate	4.01%	1.14	6,942	12,881
NCE/Working capital	Fixed Rate+%CDI	8.40%	2.16	203,496	243,651
Total local currency		**8.26%**		**210,438**	**256,532**
Foreign currency					
Prepayment/NCE / ACC (US$)	Fixed Rate + FX	6.17%	0.47	1,386,003	531,364
Bonds (US$)	Fixed Rate + FX	7.26%	4.50	12,829,328	8,582,051
Bank loan (US$)	Fixed Rate + FX	4.00%	2.50	291,757	1,726,173
Revolving credit facility	Fixed Rate + Libor	4.04%	3.55	515,824	1,331,078
Total foreign currency		**6.99%**		**15,022,912**	**12,170,666**
Total Loans, financing and debentures		**7.00%**		**15,233,350**	**12,427,198**
Current liabilities				3,665,455	1,846,164
Non-current liabilities				11,567,895	10,581,034

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

	Parent		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
2018	-	710,464	-	1,846,165
2019	1,973,511	674,807	3,665,463	2,344,274
2020	176,443	12	201,361	1,251,204
2021	49,861	1	178,344	95,601
2022	-	-	650,475	1,231,983
2023	-	-	3,815,450	3,220,541
2024	-	-	2,838,455	2,437,430
2025 to 2029	-	-	3,883,802	-
Total	**2,199,815**	**1,385,284**	**15,233,350**	**12,427,198**

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

18.1 Senior Notes - BONDS

There were no changes in the types of loan and financing of the Corporation for the period ended December 31, 2018.

The main capital raising operation – Senior Notes – BONDS - from previous fiscal years, are described in Note 20 to the Financial Statements for the year ended December 31, 2017 and the period ended December 31, 2018 are described below:

The tenth operation was concluded in January 2018 through the subsidiary Cledinor S.A., and consisted of 10-year Senior Notes issue in Uruguay in the amount of US$60 million. The issue was allocated to local investors in the country. Due in January 2028, the bonds were placed with an interest rate of 5.82% p.a. and rated "BBB+" by the credit rating agency FixScr Uruguay (affiliated with Fitch Ratings). The transaction was guaranteed the Corporation's subsidiaries in Uruguay: Frigorífico Tacuarembó S.A. Inaler S.A. and Establecimientos Colonia S.A. The proceeds will be used to optimize the Corporation's capital structure and to finance future investments in its operations in Uruguay.

The eleventh operation was concluded in January 2018 and comprised the issue by MARB BondCo PLC of US$1 billion in Senior Notes, with a coupon of 6.875% p.a. and semiannual interest payments and maturity of the principal in 7 years (January 2025), which were assigned foreign currency risk ratings of B+ by S&P and BB- by Fitch Ratings. This operation was guaranteed by Marfrig Global Foods S.A., Marfrig Overseas Limited and Marfrig Holdings (Europe) B.V. with the proceeds used to reduce the debt cost and lengthen the debt profile.

In January 2018, the Company repurchased around US$277.1 million, or 58.01%, of the principal of the outstanding Notes of the Third Issue and approximately US$151.9 million, or 23.00%, of the principal of the outstanding Notes of the Seventh Issue.

In May 2018, the Corporation fully settled the principal of the outstanding Senior Notes from the Third Issue, in the aggregate amount of US$88.6 million, plus the respective interest of US$3.7 million, representing an aggregate amount of US$92.3 million.

18.2 Guarantees for loans and financing:

	Parent		Consolidated	
	12/31/18	12/31/17	12/31/18	12/31/17
Balance of financing	**2,199,815**	**1,385,284**	**15,233,350**	**12,427,198**
Guarantees:				
Trade notes	-	20,483	-	20,483
Bank guarantee	155,870	231,801	155,870	231,801
Surety	440,051	223,005	475,320	329,218
Leased asset	25	37	25	37
Export document	-	-	65,943	81,053
Facilities	-	-	707,314	15,663
Marketable securities	-	1,962	3,490	1,962
Mortgage	-	-	5,972	2,581,339
No guarantees	1,603,869	907,996	13,819,416	9,165,642

18.3 Covenants

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

Due to the contractual provisions (carve-out) that allow the exclusion of foreign exchange variation effects from the calculation of leverage ratio (net debt/EBITDA LTM), the Corporation clarifies that based on this methodology, the current leverage ratio (net debt/EBITDA LTM) stood at 0.78.

The leverage ratio is calculated as follows:

	12/31/18
Consolidated gross debt	15,233,350
(-) Consolidated cash and cash equivalents	7,191,706
Consolidated net debt	8,041,644
EBITDA in the period ended december 31, 2018*	6,943,395
EBITDA ratio	1.16
Consolidated net debt	8,041,644
(-) Effect from exchange variation (carve-out)	2,625,884
Consolidated adjusted net debt	5,415,760
Leverage ratio	0.78

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

The Corporation did not identify any breach of its covenants as of December 31, 2018 and December 31, 2017.

19. Lease payable

The Corporation is a lessee in various agreements, classified as operating or finance leases.

19.1 Finance lease

According to NBC TG 06/R2 (CVM Resolution 645/10) – commercial leasing, finance lease operations are now recognized under the Corporation's current and non-current liabilities, with an offsetting entry of the leased asset recorded in property, plant and equipment, according to note 13, while financial leasing operations are guaranteed by the leased assets themselves:

	Parent					
Credit facility	**Charges (% p.a.)**	**Weighted average interest rate (p.a.)**	**Weighted average maturity (years)**	**Balance on 12/31/18**	**Future payments**	**Balance on 12/31/17**
Domestic currency						
Finance lease of vehicles	Rate	7.32%	1.30	96	89	138
Finance lease of IT equipment	Rate	13.39%	0.70	1,266	1,201	982
Finance lease of software license	Rate	12.87%	1.60	3,984	3,781	6,395
Interest payable				(948)	-	(1,351)
APV financial lease				(275)	-	(683)
Total domestic currency				**4,123**	**5,071**	**5,481**
Total Parent Company				**4,123**	**5,071**	**5,481**
Current liabilities				**2,545**		**2,545**
Non-current liabilities				**1,578**		**2,936**

	Consolidated					
Credit facility	**Charges (% p.a.)**	**Weighted average interest rate (p.a.)**	**Weighted average maturity (years)**	**Balance on 12/31/18**	**Future payments**	**Balance on 12/31/17**
Domestic currency						
Finance lease of vehicles	Rate	7.32%	1.30	96	89	138
Finance lease of IT equipment	Rate	13.39%	0.70	1,266	1,201	982
Finance lease of software license	Rate	12.87%	1.60	3,984	3,781	6,395
Interest payable				(948)	-	(1,351)
APV of financial lease				(275)	-	(683)
Total domestic currency				**4,123**	**5,071**	**5,481**
Foreign currency						
Finance lease of vehicles	Rate	6.00%	2.12	698	791	-
Finance lease of machinery and equipment	Rate	3.00%	1.88	479	497	27,543
Finance lease of IT equipment	Rate	6.00%	0.43	11	11	-
Interest payable				-	-	(1,242)
Total foreign currency				**1,188**	**1,299**	**26,301**
Total Consolidated				**5,311**	**6,370**	**31,782**
Current liabilities				**3,209**		**11,963**
Non-current liabilities				**2,102**		**19,819**

According to NBC TG 12 (CVM Resolution 564/08) – present value adjustment, finance lease payable was discounted to present value.

Lease contracts fall due as follows:

	Parent		Consolidated	
	12/31/18	12/31/17	12/31/18	12/31/17
Domestic currency				
Up to one year	2,545	2,545	2,545	2,545
From one to five years	1,578	2,936	1,578	2,936
Total domestic currency	**4,123**	**5,481**	**4,123**	**5,481**
Foreign currency				
Up to one year	-	-	663	9,418
From one to five years	-	-	525	16,883
Total foreign currency	**-**	**-**	**1,188**	**26,301**
Total	**4,123**	**5,481**	**5,311**	**31,782**

The schedule for future payments of the finance lease is as follows:

	Parent		Consolidated	
	12/31/18	12/31/17	12/31/18	12/31/17
Domestic currency				
Up to one year	3,196	3,178	3,196	3,178
From one to five years	1,875	3,654	1,875	3,654
Total domestic currency	**5,071**	**6,832**	**5,071**	**6,832**
Foreign currency				
Up to one year	-	-	729	10,146
From one to five years	-	-	570	17,400
Total foreign currency	**-**	**-**	**1,299**	**27,546**
Total	**5,071**	**6,832**	**6,370**	**34,378**

19.2 Operating lease

Operating lease as at December 31, 2018 is as follows:

Parent						
Financial institution	Leased asset	Start date	Weighted average interest rate (p.a)	Weighted average maturity (years)	Total amount leased	Expense at 12/31/18
	Local currency					
LEONI EMPREEND IMOBIL	Meatpacking plant	1/1/14	IGP-M year	1.00	2,520	566
BRASIL FOOD SERV. GROUP .SA BFG	Meatpacking plant	10/1/14	IGP-M year	0.92	70,848	15,179
URUPA IND E COM DE ALIM LTDA	Meatpacking plant	10/1/15	IGP-M year	1.75	19,800	4,438
TOTAL S/A	Meatpacking plant	7/1/16	IGP-M year	3.17	105,860	6,321
ARANTES ALIMENTOS LTDA	Meatpacking plant	01/01/18	IGP-M year	3.83	25,731	5,324
	Total local currency				**224,759**	**31,828**
	Total Parent Company				**224,759**	**31,828**

Consolidated						
Financial institution	Leased asset	Start date	Weighted average interest rate (p.a)	Weighted average maturity (years)	Total amount leased	Expense at 12/31/18
	Local currency					
LEONI EMPREENDIMENTOS IMOB.	Meatpacking plant	1/1/14	IGP-M year	1.00	2,520	566
BRASIL FOOD SERV. GROUP .SA BFG	Meatpacking plant	10/1/14	IGP-M year	0.92	70,848	15,179
URUPA IND E COM DE ALIM LTDA	Meatpacking plant	10/1/15	IGP-M year	1.75	19,800	4,438
TOTAL S/A	Meatpacking plant	7/1/16	IGP-M year	3.17	105,860	6,321
ARANTES ALIMENTOS LTDA	Meatpacking plant	1/1/18	IGP-M ano	3.83	25,731	5,324
	Total local currency				**224,759**	**31,828**
	Foreign currency					
Bank of America	Aircraft	11/4/10	Fixed rate	1.00	66,941	3,597
Bank of America	Machinery and equipment	8/1/17	Fixed rate	5.05	101,013	7,904
Bank of America	Vehicles	4/1/15	Fixed rate	0.22	65,575	8,722
Sundry leasers	Land and buildings	12/31/18	Fixed rate	5.74	33,112	1,685
Sundry leasers	Machinery and equipment	5/1/18	Fixed rate	5.00	93,941	7,919
Sundry leasers	Vehicles	12/21/18	Fixed rate	3.22	226,478	25,309
Sundry leasers	IT equipment	12/31/18	-	1.03	21,537	1,597
	Total foreign currency				**608,597**	**56,733**
	Total Consolidated				**833,356**	**88,561**

The balance of the operating lease payable falls due as follows:

	Parent	Consolidated
	12/31/18 (at present value)	12/31/18 (at present value)
Domestic currency		
Up to one year	25,296	25,296
From one to five years	21,330	21,330
Total domestic currency	**46,626**	**46,626**
Foreign currency		
Up to one year	-	79,549
From one to five years	-	162,977
Over 5 years	-	3,054
Total foreign currency	**-**	**245,580**
Total	**46,626**	**292,206**

The operating leases the Corporation enters into have no restrictions or contingencies, follow market practices and include, in some cases, price adjustment clauses during their effective term.

The value of the leased assets is calculated at total definitive cost, which includes costs of transportation, taxes and documentation. Finance lease obligations are calculated on the total definitive cost, by applying a predefined percentage for each agreement.

In the event of termination, the lessor will have the option of cumulatively: (i) unilaterally cancelling all rights arising from the lease agreement; (ii) claiming the return of the leased goods; and (iii) accelerating the maturity of the lease agreement. In that case, the lessee undertakes to pay unsettled debts, including installments overdue and falling due, besides possible outstanding expenses, taxes and charges, plus a fine of 10% on the debt balance. The lessee, without prejudice to the lessor, may file a claim for damages.

In relation to the renewal option, the lessee should previously communicate their intention to renew the lease agreement, otherwise the renewal is automatic, the conditions of which should be agreed upon between the parties. In the event the parties do not reach an agreement, the lessee should opt for purchasing the goods at market value or returning them.

20. Notes payable

	Parent		Consolidated	
	12/31/18	12/31/17	12/31/18	12/31/17
Notes payable for investments in Brazil (a)	378,744	430,772	378,743	430,772
Notes payable - Sponsorships (b)	98,906	48,526	101,224	95,075
Market transactions payable (c)	14,602,034	10,765,838	-	-
Other	7,500	17,788	7,500	17,788
	15,087,184	**11,262,924**	**487,467**	**543,635**
Current liabilities	183,205	124,388	185,522	165,550
Non-current liabilities	14,903,979	11,138,536	301,945	378,085

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

(b) In note 27, we break down financial instrument operations practiced by the Corporation. The Corporation and its subsidiaries are subject to market risks related to foreign exchange variations, interest rates fluctuations and commodities price variations. These represent the amount of mark-t-market adjustment of derivatives payable.

(c) The amount refers to loans with subsidiaries. A breakdown of the balance can be found in Note 32 Related-party transactions.

21. Tax, labor and civil contingencies

21.1 Provisions

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

	Parent		Consolidated	
	12/31/18	12/31/17	12/31/18	12/31/17
Labor and social security	50,345	48,033	58,358	53,439
Tax	169,021	1,759	169,021	1,759
Civil	74,227	33,411	74,288	33,630
	293,593	83,203	301,667	88,828

The following table shows the changes in provisions in the year ended December 31, 2018:

	Parent				Consolidated			
	Labor and social security	Tax	Civil	Total	Labor and social security	Tax	Civil	Total
Balance on December 31, 2017	48,033	1,759	33,411	83,203	53,439	1,759	33,630	88,828
Addition do provision	2,312	167,262	40,816	210,390	4,059	167,262	40,827	212,148
Realization of provision	-	-	-	-	(1,385)	-	(169)	(1,554)
Return of liabilities held for sale	-	-	-	-	4,050	-	-	4,050
Translation gains (losses)	-	-	-	-	(1,805)	-	-	(1,805)
Balance on December 31, 2018	50,345	169,021	74,227	293,593	58,358	169,021	74,288	301,667

21.1.1 Labor and social security

As at December 31, 2018, the Corporation and its subsidiaries are parties to various labor claims. Based on the Corporation's and its subsidiaries' payment history, a provision of R$58,358 was set up. In the opinion of the Management and legal counsel, this provision is sufficient to face probable losses. Most of the labor claims filed against the Corporation and its subsidiaries refer to matters usually questioned in this industry, such as dismissal for just cause, preparation time, breaks for personnel who work in refrigerated environments, commuting time and ergonomic risk, among others. The Management of the Corporation believes no individual labor claim is relevant.

21.1.2 Tax

Based on the opinion of its legal advisors, the Corporation revised its estimate for unmaterialized tax risks in view of certain processes and legal discussions involving the Administrative Council of Tax Appeals (CARF), in addition to decisions on matters under dispute. Management reassessed the reserve in the total amount of R$169,021, with the main discussions including the exclusion of ICMS tax from the calculation base of PIS/COFINS, disallowance compensation of estimated IR/CS, income tax and social contribution lack of addition of profits abroad, GILRAT and ICMS proof of exports. The Corporation believes that it its entitled to the potential impacts in the event that such risks materialize.

21.1.3 Civil

Based on the opinion of legal advisors, the Management recognized on December 31, 2018 a provision for the number of shares considered to be of probable risk, totaling R$74,288. The civil suits of the Corporation and its subsidiaries involve disputes typically related to business agreements and indemnities. The provisioned amount is substantially composed of the early termination of the agreement for sponsorship of the Brazilian National Football Teams entered into with the Brazilian Football Confederation (CBF), and reflects the adjustment of the existing risk for inflation.

21.2 Contingent liabilities

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

	Parent		Consolidated	
	12/31/18	12/31/17	12/31/18	12/31/17
Labor and social security	134,826	143,121	137,957	144,175
Tax	1,099,723	1,416,277	1,102,005	1,419,122
Civil	2,294	935	2,294	935
	1,236,843	**1,560,333**	**1,242,256**	**1,564,232**

21.2.1 Labor and social security

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

21.2.2 Tax

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

a) Federal Taxes and Contributions

As at December 31, 2018, the Corporation was a party to administrative proceedings and court claims filed by the Federal Government at the total historical value of R$340,219, claiming:

(i) No increase in taxable income and IRPJ/CSLL base for profits earned abroad in calendar year 2009, disallowance of goodwill amortization and non-subjection to tax of interest from loan agreements in force with subsidiaries abroad, in the historical amount of R$83,910. Administrative defenses were submitted.

(ii) Disallowance of amounts deducted from the calculation base of income and social contribution taxes for the years 2007, 2008 and 2011 in the historical amount of R$37,450;

(iii) The Corporation and its subsidiaries have federal tax debits, whose collection suits are individually immaterial, totaling R$218,859.

b) State VAT – ICMS

On December 31, 2018, the Corporation had administrative proceedings, and court claims in the historical amount of R$761,066, claiming the following:

(i) The most significant proceedings regarding ICMS were filed by the Finance Department of the State of São Paulo claiming amounts related to deemed credit taken on transfer invoices of goods sent by the branches located in the states of Mato Grosso do Sul and Goiás to the branches in the State of São Paulo, that is, a "Tax War". The assessed amounts correspond to the difference between the amount separately identified in the goods receiving documents at the distribution center and that paid to the State of origin. The total historical amount claimed in these proceedings is R$594,249;

(ii) Tax Deficiency Notices discussing the collection of ICMS taxes in the state of Goiás related to the disallowance of ICMS tax credits due to noncompliance with accessory obligations, error in the basis for calculation of the value due in ICMS taxes, failure to return credits granted after goods were returned, failure to return ICMS credits on the acquisition of inputs/goods proportionally to disbursements, failure to substantiate exports of goods abroad, which amount to a historical amount of R$64,054;

(iii) The Corporation and its subsidiary Pampeano are parties to administrative proceedings and legal suits, whose collection suits are individually immaterial, totaling R$102,763.

c) Taxes on Services of Any Nature (ISSQN)

On December 31, 2018, the Corporation had tax deficiency notices issued by the municipalities of Santo André in São Paulo and of Mineiros in Goiás claiming the payment of ISSQN related to the alleged retention and nonpayment of the respective tax credit levied on the provision of services received, in the historical amount of R$720.

21.2.3 Civil

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

21.3 Additional information on contingent liabilities

21.3.1 Special Rural Tax Amnesty Program ("PRR")

On May 31, 2018, the Corporation adhered to the Special Rural Tax Amnesty Program ("PRR"), which consolidated tax liabilities related to Funrural in the approximate amount of R$1.1 billion. The amounts registered under the program were suspended for the purposes of obligations with the federal government due to lawsuits until then in favor of the Corporation. And, under the rules established by the program, the final impact on "other non-operating expenses" was R$616 million. The liabilities were paid, mostly, using credits from tax losses, producing a cash impact of R$26 million, in the second quarter of 2018.

The Company understands that such liabilities should be borne by the rural producers and will seek reimbursement of the amount paid.

22. Shareholders' equity

22.1 Share capital

Subscribed and paid-in share capital as at December 31, 2018 and December 31, 2017 totals R$7,427,677 and is represented by 621,279,822 common shares without par value. On the same date, 232,483,665 shares, or 37.42% of the capital was held by the controlling shareholder: Marcos Antonio Molina dos Santos, Marcia Aparecida Pascoal Marçal dos Santos and MMS Participações Ltda. (company controlled by Marcos and Marcia, each holding a 50% ownership interest). On the same date, the free float was 386,050,005 shares (of which 209,648,427 shares are held by BNDES Participações S.A.), representing 62.14% of the Share Capital of the Corporation, in addition to 2,138,475 shares in treasury and 607,677 shares held by its Board of Directors and Executive Board, jointly representing 0.44% of the Capital.

22.2 Income reserves

22.2.1 Legal reserve

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

On December 31, 2018, the Corporation did not recognize legal reserve given that it completely offset the net income for the year with accumulated losses. Accordingly, the balance as of December 31, 2018 remained at R$44,476, the same as at December 31, 2017.

22.2.2 Treasury shares

On December 31, 2018, Corporation held two million, one hundred thirty-eight thousand, four hundred and seventy-five (2,138,475) common shares in treasury, which were booked at the amount of R$11,644, which corresponds to an average cost of five reais and forty-five centavos (R$5.45) per share.

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

	Held in Treasury	
	Number of Shares	Value (R$ '000)
Balance as at December 31, 2017	**290,739**	**1,772**
(+) Acquisition - Repurchase program	2,639,400	14,613
(-) Disposal - Stock options	(791,664)	(4,741)
Balance as at December 31, 2018	**2,138,475**	**11,644**

Share buyback program

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

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

22.3 Other comprehensive income

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

22.4 Shareholder compensation

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

23. Net sales revenue

	Parent		Consolidated	
				Reclassified
	12/31/18	12/31/17	12/31/18	12/31/17
Revenue from sales of products				
Domestic sales	5,468,102	4,721,501	21,076,556	5,756,314
Foreign sales	4,690,076	3,395,593	9,336,495	4,879,264
	10,158,178	**8,117,094**	**30,413,051**	**10,635,578**
Deductions from gross sales				
Taxes on sales	(295,878)	(195,682)	(278,998)	(186,495)
Returns and discounts	(401,171)	(321,682)	(418,877)	(321,387)
	(697,049)	**(517,364)**	**(697,875)**	**(507,882)**
Net sales	**9,461,129**	**7,599,730**	**29,715,176**	**10,127,696**

24. Costs and expenses by nature

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

	Parent		Consolidated	
	12/31/18	Reclassified 12/31/17	12/31/18	Reclassified 12/31/17
Cost of sales				
Inventory costs	7,567,913	5,831,094	23,108,367	7,692,660
Depreciation	197,573	179,212	360,377	200,737
Amortization	11,818	9,412	112,278	9,560
Employee salaries and benefits	675,092	551,840	2,291,869	857,041
	8,452,396	**6,571,558**	**25,872,891**	**8,759,998**
Administrative expenses				
Depreciation	15,853	12,350	19,709	13,183
Amortization	19,169	19,169	159,540	19,718
Employee salaries and benefits	37,589	35,508	220,941	104,137
Other	70,570	74,447	19,733	96,377
	143,181	**141,474**	**419,923**	**233,415**
Selling expenses				
Depreciation	371	343	1,261	745
Employee salaries and benefits	50,975	38,274	97,404	57,523
Freight	366,656	327,570	387,553	353,916
Other	259,916	102,450	988,735	175,489
	677,918	**468,637**	**1,474,953**	**587,673**

25. Net financial result

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

	Parent		Consolidated	
	12/31/18	Reclassified 12/31/17	12/31/18	Reclassified 12/31/17
Financial income				
Market transactions	102,158	94,539	276,233	137,555
Interest received, earnings from marketable securities	53,877	67,454	123,362	91,822
Translation adjustments, discounts, interests and other	3,125	3,847	47,656	4,075
Total financial income	**159,160**	**165,840**	**447,251**	**233,452**
Exchange rate gains	**1,045,336**	**1,041,700**	**1,544,458**	**1,324,202**
Financial expense				
Provisioned interest, debentures and leasing with financial institutions	(938,991)	(719,341)	(1,115,283)	(775,795)
Market transactions	(185,685)	(70,291)	(281,071)	(142,822)
Bank expenses, amortiz. cost on debt, commissions, financial discounts, other	(724,353)	(809,888)	(977,326)	(1,007,471)
Total financial expense	**(1,849,029)**	**(1,599,520)**	**(2,373,680)**	**(1,926,088)**
Exchange rate losses	**(1,276,550)**	**(1,229,495)**	**(1,926,995)**	**(1,520,541)**
Net financial result	**(1,921,083)**	**(1,621,475)**	**(2,308,966)**	**(1,888,975)**

26. Earnings (loss) per share

The following table shows the calculation of earnings (loss) per share for the fiscal periods ended December 31, 2018 and 2017 (in thousands, unless otherwise stated):

	12/31/18	Reclassified 12/31/17
Profit (loss) attributable to shareholders from continuing operations	(2,212,900)	(990,727)
Profit (loss) attributable to shareholders from discontinued operations	3,608,160	507,255
Profit (loss) attributable to shareholders from the Corporation	1,395,260	(483,472)
Weighted average number of shares in the period (units)	621,279,822	621,279,822
Weighted average number of shares held in treasury (units)	(208,026)	(291,558)
Weighted average number of outstanding common shares (units)	621,071,796	620,988,264
Basic and Diluted Earnings (Losses) (in R$) from continuing operations	(3.5630)	(1.5954)
Basic and Diluted Earnings (Losses) (in R$) from discontinued operations	5.8096	0.8169
Earnings or losses attributable to shareholders of the Company	2.2466	(0.7785)

27. Financial instruments - risk management - consolidated

27.1 Overview

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

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

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

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

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

27.2 Credit risk management

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

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

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

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

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

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

Values subject to credit risk:

	Parent		Consolidated	
	12/31/18	12/31/17	12/31/18	12/31/17
Cash and cash equivalents	157,799	159,400	2,459,202	1,213,572
Marketable securities	1,619,387	1,127,685	4,732,504	3,188,781
Receivables from Brazilian clients	41,090	220,287	1,120,413	600,556
Receivables from foreign clients	353,059	319,394	123,427	324,442
Other receivables	35,849	58,368	195,472	145,751
Total	**2,207,184**	**1,885,134**	**8,631,018**	**5,473,102**

27.3 Liquidity risk management

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

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

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

	Parent		Consolidated	
	12/31/18	12/31/17	12/31/18	12/31/17
Short-term cash, cash equivalents and marketable securities	1,777,186	1,287,085	7,191,706	4,402,353
Short-term loans and financings	1,973,511	710,404	3,665,455	1,846,164
Modified liquidity ratio	**0.90**	**1.81**	**1.96**	**2.38**

27.4 Market risk management

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

27.4.1 Interest rate risk

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

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

The Corporation entered into non-speculative swap contracts to minimize the effects of exchange rates fluctuations on the settlement of its loans and financing, as follows:

					Consolidated			
							12/31/18	12/31/17
Instrument	Register	Receivable	Payable	Maturity	Notional US$	Notional BRL	MTM	MTM
Interest Rate Swap	CETIP	BRL	USD	2019	174,793	677,288	(98,906)	4,172
Interest Rate Swap	OTC	USD	BRL	2019	174,793	677,288	98,906	(4,172)
Interest Rate Swap	CETIP	CDI	USD	2018	-	-	-	(35,218)
					349,586	**1,354,576**	**-**	**(35,218)**

27.4.2 Commodity price risk

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

The derivative financial instruments used to hedge against commodity price risks on December 31, 2018, which are not designated for hedge accounting, are as follows:

				Consolidated				
Instrument	Hedge object	Register	Maturity	Receivable	Payable	Notional(USD)	Notional(R$)	MTM(R$)
Futures	Fed cattle	BM&F	2019	BRL	BRL	(91)	(353)	(1)
Futures	Fed cattle	CME	2019	USD	USD	697	2,700	(14)
						606	**2,347**	**(15)**

27.4.3 Exchange rate risk

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

Given that approximately 83.9% of the Corporation's revenues are denominated in currencies other than the Brazilian real, the Corporation has a natural *hedge* against the maturities of future obligations in foreign currency.

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

Assets and liabilities in foreign currency are presented as follows:

	Parent		
Exposure			**Effects of exchange rate gains (losses)**
Description	**12/31/18**	**12/31/17**	**2018**
Operating			
Trade accounts receivable	353,059	319,394	(137,415)
Imports payable	(40,307)	(42,656)	(29,353)
Other	-	-	(28,521)
Subtotal	**312,752**	**276,738**	**(195,289)**
Financial			
Loans and financing	(1,386,002)	(531,364)	(83,051)
Notes payable and receivable	204,643	(3,162)	(2,607)
Balance of banks and marketable securities (*)	734,090	783,962	49,733
Subtotal	**(447,269)**	**249,436**	**(35,925)**
Total	**(134,517)**	**526,174**	**(231,214)**
Exchange rate gains			1,045,336
Exchange rate losses			(1,276,550)
Exchange rate gains (losses), net			(231,214)

	Consolidated		
Exposure			**Effects of exchange rate gains (losses)**
Description	**12/31/18**	**12/31/17**	**2018**
Operating			
Trade accounts receivable	123,427	324,442	(216,085)
Imports payable	(129,144)	(162,878)	(21,771)
Other	(53,082)	(75,546)	(22,237)
Subtotal	**(58,799)**	**86,018**	**(260,093)**
Financial			
Loans and financing	(15,022,912)	(12,170,666)	(91,510)
Notes payable and receivable	196,852	32,594	(3,299)
Balance of banks and marketable securities (*)	1,430,217	855,534	(27,635)
Subtotal	**(13,395,843)**	**(11,282,538)**	**(122,444)**
Total	**(13,454,642)**	**(11,196,520)**	**(382,537)**
Exchange rate gains			1,544,458
Exchange rate losses			(1,926,995)
Exchange rate gains (losses), net			(382,537)

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

Over the course of 2018, the Corporation contracted Non-Deliverable Forwards (NDFs) and futures contracts, all of them non-speculative in nature, to minimize the effects of the foreign exchange variation on its overseas subsidiaries, as per the breakdown below, the results of which are accounted for under the items "Exchange Rate Gains" and "Exchange Rate Losses".

			Consolidated					
Instrument	**Hedge object**	**register**	**Maturity**	**Receivable**	**Payable**	**Notional(USD)**	**Notional(R$)**	**MTM(R$)**
Operations designated for Hedge Accounting								
NDF	FX rate	OTC	2019	USD	EUR	5,014	19,430	(91)
NDF	FX rate	OTC	2019	USD	GBP	12,182	47,203	1,053
						17,196	**66,633**	**962**
Operations not designated for Hedge Accounting								
NDF	FX rate	OTC	2019	USD	CLP	6,130	23,753	804
						6,130	**23,753**	**804**

27.5 Hedge Accounting

The Marfrig group adopted hedge accounting policies for financial instruments exposed to fluctuations. As a result, the variations in fair value of derivatives designated as hedge are recognized directly in shareholders' equity, under "other comprehensive income". The amounts booked under other comprehensive income are immediately transferred to the income statement when the transaction underlying the hedge affects profit or loss.

The Corporation documents, at the start of the operation, the relation between the hedge instruments and the underlying hedged items, as well as the objectives of the risk management and the strategy to carry out various hedge operations. The documentation for hedge accounting operations evidences control of the effectiveness and the operation, and includes:

- Hedged item;
- Financial instrument;
- Strategy for managing the risk to be hedged;
- Effectiveness of the hedge instrument, reliably measured;
- Evaluation of the hedge on an ongoing basis throughout the duration of the contract.

The Corporation also documents its assessment, both at the start of the hedge as well as periodically, that the derivatives used in the hedge operations are highly effective in offsetting the variations in the fair value of the underlying hedge items. Therefore, all instruments designated as hedge accounting are effective, highly probable and neutralize the exposure to variations in the cash flow that could affect results.

The effectiveness of the operations is periodically controlled in a reliable and documented manner throughout the duration of the contract, through statistical correlation between the fair value or cash flows of the hedged position and the hedging instrument, or by comparing previous changes in the fair value or cash flows of the hedged position attributable to the hedged risk with previous changes in the fair value or in the cash flows of the hedging instrument.

				Consolidated			
							Gain / Loss
Instrument	Asset (Hedged Item)	Liability (Risk Exposure)	Maturity	Notional USD	Notional BRL	Balance (MTM) R$	Result
NDF	USD	EUR	2019	5,014	19,430	(91)	(91)
NDF	USD	GBP	2019	12,182	47,203	1,053	1,053
						962	**962**

27.6 Sensitivity Analysis

Management considers the most relevant risks that could affect the Corporation's results to be: volatility in exchange rates and in commodity prices. Today, fluctuations in the interest rates of financial instruments pegged to derivatives do not affect significantly the Corporation's results, since they are remunerated at fixed rates.

To provide information on the behavior of the market risks to which the Corporation and its Subsidiaries were exposed at December 31, 2018, three scenarios are considered: one scenario of 10% appreciation and two scenarios of deterioration of 25% and 50% of the risk variable considered, denominated Scenario I, Scenario II and Scenario III, respectively.

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

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

Consolidated					
Parity - US$ x EUR		**Scenario**	**Scenario I**	**Scenario II**	**Scenario III**
Instrument	**Risk**	**Current**	**Appreciation 10%**	**Depreciation 25%**	**Depreciation 50%**
Designated for hedge accounting					
NDF	Depreciation of EUR	**19,430**	**350**	**(5,838)**	**(17,145)**
Parity - US$ x GBP		**Scenario**	**Scenario I**	**Scenario II**	**Scenario III**
Instrument	**Risk**	**Current**	**Appreciation 10%**	**Depreciation 25%**	**Depreciation 50%**
Designated for hedge accounting					
NDF	Depreciation of GBP	**47,203**	**5,207**	**(6,262)**	**(60,327)**
Parity - CLP x US$		**Scenario**	**Scenario I**	**Scenario II**	**Scenario III**
Instrument	**Risk**	**Current**	**Appreciation 10%**	**Depreciation 25%**	**Depreciation 50%**
Not designated for hedge accounting					
NDF	Depreciation of US$	**23,753**	**2,458**	**(6,146)**	**(12,291)**
Parity - Quote USDA - Gado		**Scenario**	**Scenario I**	**Scenario II**	**Scenario III**
Instrument	**Risk**	**Current**	**Appreciation 10%**	**Depreciation 25%**	**Depreciation 50%**
Not designated for hedge accounting					
Futures	Increase in fed cattle price	**2,700**	**20,209**	**(50,572)**	**(101,129)**
Parity - Quote BM&F		**Scenario**	**Scenario I**	**Scenario II**	**Scenario III**
Instrument	**Risk**	**Current**	**Appreciation 10%**	**Depreciation 25%**	**Depreciation 50%**
Not designated for hedge accounting					
Futures	Decrease in fed cattle price	**(353)**	**35**	**(89)**	**(177)**

27.7 Financial instruments by category

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

Parent				
Financial assets	**Amortized cost**		**Fair value through profit or loss**	
	12/31/18	**12/31/17**	**12/31/18**	**12/31/17**
Cash and cash equivalents	157,799	159,400	-	-
Marketable Securities	1,619,387	1,127,685	-	-
Trade accounts receivable	394,149	539,681	-	-
Notes receivable - derivatives	-	-	-	18,012
Related parties	671,864	-	-	-
Joint Venture	-	505,611	-	-
Total financial assets	**2,843,199**	**2,332,377**	**-**	**18,012**
Financial liabilities	**Amortized cost**		**Fair value through profit or loss**	
	31/12/18	**31/12/17**	**31/12/18**	**31/12/17**
Trade accounts payable and supply chain finance	1,119,213	1,088,481	-	-
Loans, financing and debentures	2,199,815	1,385,284	-	-
Finance lease	4,123	5,481	-	-
Notes payable - derivatives	-	-	98,906	48,526
Notes payable - investments Brazil	378,744	430,772	-	-
Related parties	14,602,034	10,765,838	-	-
Total financial liabilities	**18,303,929**	**13,675,856**	**98,906**	**48,526**

	Consolidated			
Financial assets				
	Amortized cost		Fair value through profit or loss	
	12/31/18	**12/31/17**	**12/31/18**	**12/31/17**
Cash and cash equivalents	2,459,202	1,213,572	-	-
Marketable Securities	4,732,504	3,188,781	-	-
Trade accounts receivable	1,243,840	924,998	-	-
Notes receivable - derivatives	-	-	102,975	33,506
Joint Venture	-	78,211	-	-
Total financial assets	**8,435,546**	**5,405,562**	**102,975**	**33,506**

Financial liabilities				
	Custo amortizado		Valor justo por meio do resultado	
	31/12/18	**31/12/17**	**31/12/18**	**31/12/17**
Trade accounts payable and supply chain finance	2,331,618	2,354,072	-	-
Loans, financing and debentures	15,233,350	12,427,198	-	-
Finance lease	5,311	31,782	-	-
Notes payable - derivatives	-	-	101,224	95,075
Notes payable - investments Brazil	378,743	430,772	-	-
Total financial liabilities	**17,949,022**	**15,243,824**	**101,224**	**95,075**

Details of the accounting policies and methods used (including criteria for recognition, measurement bases and criteria for recognition of gains and losses) for each class of financial instruments and equity are presented in note 3.1.4.

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

	Parent		Consolidated	
	12/31/18	**12/31/17**	**12/31/18**	**12/31/17**
Notes receivable - derivatives (note 10)	-	18,012	102,975	33,506
Notes payable - derivatives (note 22)	(98,906)	(48,526)	(101,224)	(95,075)
Total, net	**(98,906)**	**(30,514)**	**1,751**	**(61,569)**

In the period ended December 31, 2018, the consolidated net financial loss of R$4,838 was recorded from market transactions, of which R$281,071 corresponded to expenses and R$276,233 to income.

27.8 Fair value of financial instruments

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

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

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

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

	Parent	Consolidated	
	Level 2	Level 1	Level 2
Current assets			
Marketable securities	1,619,387	-	4,352,995
Notes receivable - derivatives	-	3,016	99,959
Non-current liabilities			
Notes payable - derivatives	(98,906)	(2,227)	(98,997)
Total	**1,520,481**	**789**	**4,353,957**

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

28. Income and social contribution taxes

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

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

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

	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Net loss before taxes	(2,780,031)	(1,516,583)	(1,886,885)	(1,464,579)
Temporary / permanent additions and exclusions	**12/31/2018**	**12/31/2017**	**12/31/2018**	**12/31/2017**
Income tax losses	(486,579)	187,688	(454,246)	209,149
Social contribution tax loss carryforwards	(197,306)	69,166	(208,407)	59,701
Other additions	872,244	744,511	813,463	734,687
Other exclusions	378,772	(475,509)	246,726	(529,588)
Total	**567,131**	**525,856**	**397,536**	**473,949**
Total current taxes	**1,394,257**	**265,937**	**1,302,969**	**238,529**
Total deferred taxes	**(827,126)**	**259,919**	**(905,433)**	**235,420**
Effective tax rate	20%	35%	21%	32%

29. Segment reporting

The Corporation established an integrated and geographically diversified business model, which consists of production units located in strategic places, combined with a broad distribution network with access to the world's main channels and consumer markets. Marfrig currently operates 55 processing units, distribution centers and offices in Brazil and in 13 other countries in South America, North America, Europe, Oceania and Asia.

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

The ownership, equity and financial positions of the Corporation was restructured with the acquisition of a controlling interest in National Beef, which represented an important step in Marfrig's strategy, helping improve the Corporation's capital structure, which is line with the goal of sharply reducing its financial leverage. The transaction is consistent with the strategic planning and was confirmed by the conclusion of the sale of Keystone Foods, bringing the Corporation's leverage ratio to satisfactory levels, as presented in Note 18.3.

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

	Keystone		Beef		Corporate		Total	
	12/31/18	12/31/17	12/31/18	12/31/17	12/31/18	12/31/17	12/31/18	12/31/17
Non-current assets	-	2,896,509	10,870,820	8,541,095	3,870,495	125,547	**14,741,315**	**11,563,151**

	Beef		Corporate		Total	
	12/31/18	12/31/17	12/31/18	12/31/17	12/31/18	12/31/17
Net revenue	29,715,176	10,127,696	-	-	**29,715,176**	**10,127,696**
Operating income [(1)]	700,301	457,689	(278,220)	(33,293)	**422,081**	**424,396**
Depreciation and amortization	508,177	243,944	144,988	-	**653,165**	**243,944**

(1) Operating income is reconciled with consolidated net income, as follows:

	12/31/18	12/31/17
Net income (loss)	(2,212,900)	(990,727)
Current and deferred income and social contribution taxes	(397,536)	(473,949)
Net financial result	2,308,966	1,888,975
Other income (loss)	723,551	97
Operating income	**422,081**	**424,396**

30. Insurance coverage

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

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

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

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

	Parent		Consolidated	
Description	12/31/18	12/31/17	12/31/18	12/31/17
Buildings and meatpacking plants	2,898,972	2,729,566	5,970,861	4,417,874
Inventories	446,972	325,266	956,777	422,170
Third-party warehouse	212,553	25,953	258,424	20,300
Vehicles	22,005	29,644	37,739	34,167
Transportation of goods	68,032	58,080	148,065	104,939
Officers' guarantees	193,740	165,400	217,003	247,703
Civil liability	25,500	20,000	640,578	234,048
Aircraft	224,006	1,047,280	611,486	852,483
Other	329,481	601,308	332,033	468,998
	4,421,261	5,002,497	9,172,966	6,802,682

31. Result from discontinued operations

▪ Divestment of the Keystone Foods business

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

On November 30, 2018, the Corporation concluded the transaction for sale of the Keystone Foods business to Tyson Foods, Inc. The transaction was worth R$2.4 billion, although the amount effectively received, as of the reporting date, by Marfrig, after contractual adjustments, such as the exclusion of Keystone Food's net debt, was US$1.4 billion, as follows:

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

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

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

- **Discontinued operations**

As described in transactions for divestment of the Keystone Foods business, the result from discontinued operations and cash flow for the periods ended December 31, 2018 and 2017 are summarized as follows:

Net Revenue	9,427,415	8,877,652
Cost of Goods Sold	(8,746,462)	(8,005,349)
Gross Profit	680,953	872,303
Operating and financial income (expenses)	4,818,520	(236,456)
Net operating income (loss)	5,499,473	635,847
Income and social contribution taxes	(1,856,154)	(90,454)
Net income from discontinued operations	**3,643,319**	**545,393**
Non-controlling interest	(35,159)	(38,138)
Net income (loss) from discontinued operations	**3,608,160**	**507,255**

Cash flow from discontinued operations

	Consolidated	
	12/31/2018	**12/31/2017**
Net income (loss) for the year	3,608,160	507,253
Non-cash items	(3,553,070)	264,187
From changes in equity	573,744	(1,051,255)
Used in investing activities	4,732,842	(325,160)
Used in financing activities	390,181	893,442
Exchange variation on cash and equivalents	70,353	(11,138)
Casn flow from discontinued operations	**5,822,210**	**277,329**
Cash from operations	(1,154,425)	(2,912)
Discontinued operations, net of cash	**4,667,785**	**274,417**

32. Related-party transactions with the Parent Company

32.1. Related parties to the Parent Company

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

	Parent							
	Outstanding Balance				Recognized as profit or loss			
	Accounts receivable		Accounts payable		Income		Expenses	
	12/31/18	12/31/17	12/31/18	12/31/17	12/31/18	12/31/17	12/31/18	12/31/17
Prestcott International S.A.	1,211	-	6,648	8,685	-	-	6,667	10,141
Establecimientos Colonia S.A.	6,824	19,375	2,329	4,581	47,865	22,504	10,751	10,264
Frigorífico Tacuarembó S.A.	3,338	102	35,139	25,169	13,951	-	15,698	14,583
Inaler S.A.	1,001	-	3,204	4,900	-	-	11,045	9,086
Marfrig Argentina S.A	258,765	232,182	3,657	5,590	-	-	10,383	8,796
Marfrig Chile S.A.	31,435	9,799	71	1,035	397,157	326,423	2,086	509
Marfrig Holdings (Europe) BV	100	46	9,480,517	7,668,594	-	-	-	-
Marfrig Overseas Ltd.	15	12	721,723	576,214	-	-	-	-
MFG Comercializadora de Energia Ltda	12,070	7,931	-	-	-	-	37,111	33,842
Masplen Ltd	398,278	409,822	47	20	172,744	195,913	-	-
Marfrig Beef (UK) Limited	313,428	334,909	4,364,655	2,494,520	3,345,530	1,765,015	-	-
Marfrig Beef International Limited	6,849	3,860	-	1,184	6,286	998	-	-
Acionistas controladores	5	2	-	-	37	8	-	-
Pessoal chave da administração	4	6	-	-	28	16	839	488
Outras partes relacionadas	3	23,055	35,891	133,279	35	10	272,008	231,538
	1,033,326	**1,041,101**	**14,653,881**	**10,923,771**	**3,983,633**	**2,310,887**	**366,588**	**319,247**

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

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

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

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

32.2. Consolidated related parties

	Consolidated							
	Outstanding balance				Recognized as profit or loss			
	Reclassified							
	Accounts receivable		Accounts payable		Income		Expenses	
	12/31/18	12/31/17	12/31/18	12/31/17	12/31/18	12/31/17	12/31/18	12/31/17
Controlling shareholders	5	2	-	-	37	8	-	-
Key management personnel	3	6	429	528	33	25	839	488
Other related parties	3	23,056	35,936	133,279	35	10	272,008	231,538
Joint venture	-	78,211	-	-	-	-	-	-
	11	**101,275**	**36,365**	**133,807**	**105**	**43**	**272,847**	**232,026**

32.3. Controlling shareholders

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

32.4. Other related parties

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

32.5. Joint Ventures

The indirect subsidiary Keystone Foods Holding Limited has 1 joint venture, which is recognized through the equity method of accounting.

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

	% Interest	Country	Total assets	Total liabilities	Net income (loss) in the period
COFCO-Keystone Supply Chain	45.00%	China	125,133	61,341	(282)
Total			125,133	61,341	(282)

33. Management compensation

The compensation policy is designed to establish the criteria, responsibilities and directions for the short- and long-term compensation program of Marfrig Group's Management (Bonus and Stock Option).

The purpose of this policy is to motivate the Corporation's executive officers to grow and develop to achieve maximum performance, in line with the business objectives, through a short- and long-term reward payout.

The Compensation, Corporate Governance and Human Resources Committee is the advisory body to the Board of Directors in assessing management compensation. The committee is composed solely of members of the Corporation's Board of Directors and one of them is the Committee Coordinator.

The parameters used to determine Management's compensation are based on market practices.

33.1 Board of directors

The Board of Directors' compensation consists of a fixed and variable portion.

Fixed portion – An annual amount is set for each member and paid on a monthly basis.

Variable portion – Short-term bonus or stock option-based payment.

The composition of director compensation is based on a market survey of major companies in the food industry and Brazilian public corporations with operations abroad, which is used to formulate the base compensation to be validated by the Compensation, Corporate Governance and Human Resources Committee of Marfrig Global Foods. In 2018, there was no payment of variable compensation to the Board of Directors.

33.2 Officers appointed as per Bylaws

The Board of Executive Officers' compensation consists of a fixed and variable portion.

Fixed portion – An annual amount is set for each member and paid on a monthly basis.

Variable portion – Consists of short-term (bonus) and long-term (stock option) compensation. In general, the goals set by the Corporation for Management evaluation refer to economic objectives and individual goals.

The gain on the Stock Option Plan is tied to the appreciation of the market price of the share, i.e. the value added to the Corporation by the performance of the individual and the Management as a whole will reflect on the gain on the stock option plan. At the same time the employees' interests are aligned with the Corporation's interests in the long term.

The exercise price of the stock options related to share-based compensation under "Specific Programs" is the average of the last 20 trading sessions prior to the first business day of March of each year and the grant price with a 50% discount starting with the grants in 2010.

The vesting period follows these criteria:

- 25% after 12 months of the grant;
- 25% after 24 months of the grant;
- 25% after 36 months of the grant;
- 25% after 48 months of the grant.

The officers' compensation is determined through market research with the major companies in the food industry and Brazilian public corporations with operations abroad, whereby measurement criteria are established according to the significance of the position within the organization. The macro policies are approved by the Compensation, Corporate Governance and Human Resources Committee.

33.3 Audit Board

The Corporation's Audit Board was set up after approval at the Annual Shareholders' Meeting held on April 30, 2010. In the by-laws amended by the Special Shareholders' Meeting held on March 11, 2011, the Audit Board became a permanent body.

The Audit Board's is fixed on an annual basis and paid on a monthly basis. There is no variable portion.

33.4 Consolidated compensation

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

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

	12/31/18	12/31/17
Consolidated Management compensation	30,844	22,595
Total	**30,844**	**22,595**

33.5 Stock option plan

in the period ended December 31, 2018, 791,664 shares were transferred to the Management of the Corporation under the stock option plans. The changes in options exercised throughout the year are shown in the tables below:

Total options exercised by month

	Number of shares exercised	Average Market Price[1] (R$ per share)
January/18	3,608	6.91
February/18	29,472	6.30
March/18	35,650	5.86
April/18	147,995	7.61
May/18	192,544	7.96
June/18	74,131	8.13
July/18	26,478	8.16
August/18	128,672	6.88
September/18	146,342	5.35
October/18	6,401	5.84
November/18	371	6.31
December/18	-	5.79
Options exercised - 2018	791,664	

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

Consolidated Changes	2018	2017
(Options)		
Opening balance	**2,009,227**	**2,683,082**
Options granted	2,017,344	505,888
Options exercised	(791,664)	(977,542)
Options canceled and expired	(153,080)	(202,201)
Closing balance	**3,081,827**	**2,009,227**

The expected dilution of ownership interest of current shareholders, when stock options are exercised at the vesting date, up to the limit of shares held in the treasury for this purpose, is 0.50% of all shares at December 31, 2018, as detailed in the table below:

Percentage of Dilution					
	ESP IX LP 14-15 Plan	ESP X LP 15-16 Plan	ESP XI LP 16-17 Plan	ESP XII LP 17-18 Plan	Total
Granting date	6/24/2015	11/7/2016	12/20/2017	9/25/2018	
Unexercised agreements	278,384	485,040	334,561	1,983,842	3,081,827
Treasury stock					(2,138,475)
Total shares except treasury stock					619,141,347
Percentage of dilution	**0.04%**	**0.08%**	**0.05%**	**0.32%**	**0.50%**

The Corporation recognized expenses relating to granting of plans in effect for the period ended December 31, 2018, as detailed in the table below:

Effects from the exercise of options (R$ '000)	2018	2017
Amount received from sale of shares - Exercised options	2,068.5	2,544.7
(-) Cost of treasury shares disposed of	(4,741.3)	(5,962.5)
Effect on disposal of shares	**(2,672.8)**	**(3,417.8)**

Due to the exercise of stock options, the Corporation incurred costs with the sale of treasury shares of R$4,741. At December 31, 2018, the book value of treasury shares was recorded under the Corporation's shareholders' equity in the amount of R$11,644 (R$1,772 at December 31, 2017).

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

- **Standard deviation:** 39.60%. Volatility is measured taking into consideration the daily prices of the Corporation's shares traded on the Brazilian stock exchange (B3) under the ticker MRFG3, from July 1, 2018 to December 31, 2018;

- **Risk-free interest rate:** 6.98% p.a. The Corporation uses as risk-free interest rate the Long-Term Interest Rate (TJLP) annualized on calculation date and available on the federal revenue service website: receitafederal-idg.receita.fazenda.gov.br/orientacao/tributaria/pagamentos-e-parcelamentos/taxa-de-juros-de-longo-prazo-tjlp.

The fair value of options as of December 31, 2018 ranged between a minimum of R$2.10 and a maximum of R$3.12 per share for SPECIAL plans.

Changes to the stock option programs are presented below:

Options Exercised/Canceled in Previous Periods				**8,933,012**	**6,270,197**			**6,923,785**	**2,009,227**	
ESP VIII LP 13-14	4/30/2014	3/3/2018	9/2/2018	624,910	624,910	186,025	17,834	421,051	0	R$ 1.9470
ESP IX LP 14-15	6/24/2015	3/3/2017	9/2/2017	395,316	395,316	1,406	0	393,910	0	R$ 2.3720
ESP IX LP 14-15	6/24/2015	3/3/2018	9/2/2018	395,316	395,316	257,103	24,205	114,008	0	R$ 2.3720
ESP IX LP 14-15	6/24/2015	3/3/2019	9/2/2019	395,069	32,874	0	2,794	113,891	278,384	R$ 2.3720
ESP X LP 15-16	11/7/2016	3/3/2017	9/2/2017	306,410	306,410	2,202	0	304,208	0	R$ 3.0281
ESP X LP 15-16	11/7/2016	3/3/2018	9/2/2018	306,410	306,410	218,260	31,679	56,471	0	R$ 3.0281
ESP X LP 15-16	11/7/2016	3/3/2019	9/2/2019	306,410	29,668	0	7,349	56,471	242,590	R$ 3.0281
ESP X LP 15-16	11/7/2016	3/3/2020	9/2/2020	306,219	29,658	0	7,341	56,428	242,450	R$ 3.0281
ESP XI LP 16-17	12/20/2017	3/3/2018	9/2/2018	126,517	126,517	104,564	17,764	4,075	114	R$ 3.3592
ESP XI LP 16-17	12/20/2017	3/3/2019	9/2/2019	126,517	7,368	7,368	3,539	4,075	111,535	R$ 3.3592
ESP XI LP 16-17	12/20/2017	3/3/2020	9/2/2020	126,517	7,368	7,368	3,539	4,075	111,535	R$ 3.3592
ESP XI LP 16-17	12/20/2017	3/3/2021	9/2/2021	126,337	7,368	7,368	3,534	4,058	111,377	R$ 3.3592
ESP XII LP 17-18	9/25/2018	3/3/2019	9/2/2019	504,385	0	0	8,378	0	496,007	R$ 3.1789
ESP XII LP 17-18	9/25/2018	3/3/2020	9/2/2020	504,385	0	0	8,378	0	496,007	R$ 3.1789
ESP XII LP 17-18	9/25/2018	3/3/2021	9/2/2021	504,385	0	0	8,378	0	496,007	R$ 3.1789
ESP XII LP 17-18	9/25/2018	3/3/2022	9/2/2022	504,189	0	0	8,368	0	495,821	R$ 3.1789
Total em	**12/31/2018**			**10,950,356**	**7,660,247**	**791,664**	**153,080**	**6,923,785**	**3,081,827**	

Plans	Granting Date	Market value of unvested options at the end of the period (R$ '000)	Market value of outstanding vested options at the end of the period (R$ '000)	Effects in the result of the period in case of recognition (R$ '000)
ESP VIII LP 13-14	4/30/2014	n/a	n/a	0.0
		0.0	**0.0**	**0.0**
ESP IX LP 14-15	6/24/2015	n/a	n/a	0.0
ESP IX LP 14-15	6/24/2015	n/a	n/a	0.0
ESP IX LP 14-15	6/24/2015	867.4	0.0	822.7
		867.4	**0.0**	**822.7**
ESP X LP 15-16	11/7/2016	n/a	n/a	0.0
ESP X LP 15-16	11/7/2016	n/a	n/a	0.0
ESP X LP 15-16	11/7/2016	598.6	0.0	557.8
ESP X LP 15-16	11/7/2016	657.4	0.0	557.4
		1,256.0	**0.0**	**1,115.2**
ESP XI LP 16-17	12/20/2017	0.2	0.2	0.2
ESP XI LP 16-17	12/20/2017	238.8	0.0	219.5
ESP XI LP 16-17	12/20/2017	272.1	0.0	219.5
ESP XI LP 16-17	12/20/2017	304.1	0.0	219.2
		815.2	**0.2**	**658.4**
ESP XII LP 17-18	9/25/2018	1,150.1	0.0	1,065.6
ESP XII LP 17-18	9/25/2018	1,282.7	0.0	1,065.6
ESP XII LP 17-18	9/25/2018	1,416.0	0.0	1,065.6
ESP XII LP 17-18	9/25/2018	1,533.4	0.0	1,065.2
		5,382.1	**0.0**	**4,262.2**
Total em	**12/31/2018**	**8,320.8**	**0.2**	**6,858.5**

34. Additional information of the cash flow statements

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

	Parent								
			Non-cash changes						
Description	Balance on 12/31/2017	Cash flow	Held-for-sale liabilities (1)	Dividendes (3)	Non-cash dividends	Other changes (2)	Exchange rate fluctuation	Changes in fair value	Balance on 12/31/2018
Dividends received	-	15,121	55,830	(148,204)	77,253	-	-	-	-
Loans, financing and debentures	1,385,284	574,431	-	-	-	35,536	83,052	121,512	2,199,815
Lease payable	5,481	(2,515)	-	-	-	-	-	1,157	4,123
Treasury shares	(13,462)	(9,872)	-	-	-	-	-	-	(23,334)
	1,377,303	**577,165**	**55,830**	**(148,204)**	**77,253**	**35,536**	**83,052**	**122,669**	**2,180,604**

	Consolidated							
			Non-cash changes					
Description	Balance on 12/31/2017	Cash flow	Liabilities held for sale (1)	Buisiness Combination	Other changes (2)	Exchange rate fluctuation	Changes in fair value	Balance on 12/31/2018
Dividends (Subsidiaries) paid to non-controlling shareholders	-	(461,173)	-	-	461,173	-	-	-
Loans, financing and debentures	12,427,198	678,063	(2,753,291)	1,468,617	35,537	2,147,105	1,230,121	15,233,350
Lease payable	31,782	(2,923)	(26,109)	1,324	-	80	1,157	5,311
Mandatory convertible deed	-	-	-	-	-	-	-	-
Treasury shares	(13,462)	(9,872)	-	-	-	-	-	(23,334)
	12,445,518	**204,095**	**(2,779,400)**	**1,469,941**	**496,710**	**2,147,185**	**1,231,278**	**15,215,327**

(1) Changes arising from the application of NBC TG 31 (R4) – Non-current assets held for sale and discontinued operations;
(2) Settlement of derivatives pegged to financing and other changes.
(3) Dividends distributed from subsidiaries, in accordance with Note 12.2 – Changes in investments.

35. Events after the reporting period

Uruguay and Japan agreement: fresh beef exports

On February 8, 2019, a sanitary agreement was entered into between Uruguay and Japan that authorized exports of fresh beef between the two countries. The Corporation, which is Uruguay's largest beef producer, had all of its plants accredited. According to the USDA, Japan was the world's third-largest beef importer in 2018.

National Beef, which is part of the Corporation's operations in North America, already is the leading exporter of chilled beef from the United Stated to the Japanese market. With these new authorizations, Marfrig also will be able to serve clients from its operations in Uruguay, drawing on its structure, knowledge and seasoned sales team, with offices in Chicago and Tokyo.

Acquisition of assets in Várzea Grande

On January 24, 2019, the Corporation, consistent with the notices to the market of December 7, 2018 and January 3, 2019, announced the conclusion of the process to take over the operation of Várzea Grande in the state of Mato Grosso and the start of the supply partnership with BRF S.A. for R$100 million.

Várzea Grande is responsible for the production of beef patties, meatballs, kibbeh and other products, and is aligned with Marfrig's strategic focus on growing in higher-value products. The agreement also will

enable the Corporation to resume its supply of products, such as beef patties, to global foodservice companies installed in Brazil.

The Corporation also informed that it entered into with Minerva S.A. ("Minerva") an Asset Swap Agreement ("Swap") whereby it receives the primary processing plant that is part of the Várzea Grande complex in exchange for the assignment to Minerva of the Paranatinga Plant, also located in Mato Grosso, and other compensatory assets.

Quickfood Acquisition

On January 3, 2019, the Corporation concluded the acquisition of 91.89% of the total and voting capital of QuickFood S.A. ("Quickfood"), for US$ 54.9 million.

Quickfood, a corporation headquartered in Argentina, has been listed on the Buenos Aires Stock Exchange (Code: "PATY") since 2002 and is Argentina's leading producer of beef products. The company operates 3 plants in San Jorge, Baradero and Arroyo Seco, with primary processing capacity of 620 head/day and further processing capacity of around 6,000 tons/month of beef patties, hot dogs, cold cuts and frozen vegetables.

For Marfrig, the transaction strengthens its portfolio of value added products and is aligned with its strategic growth plan, and also includes potential synergies and economies of scale for the operations in Argentina.

* * *

Statement of Executive Officers on the Financial Statements

Statement of Executive Officers on the Financial Statements

In compliance with the provisions of CVM Instruction 480, the Board of Executive Officers declares that it has discussed, reviewed and agreed to the financial statements related to the fiscal year ended December 31, 2018.

Sao Paulo, February 27, 2019.

Executive Officers:

José Eduardo de Oliveira Miron
Chief Executive Officer

Marco Antonio Spada
Chief Administrative and Financial and IR

Heraldo Geres
Chief Legal Officer

Fabio Taiate Cunha Vasconcellos
Chief Planning and Management Officer

Tang David
Executive Officer

Rodrigo Marçal Filho
Executive Officer

Statement of Executive Officers on the Independent Auditors Report

Statement of Executive Officers on the Independent Auditors Report

In compliance with the provisions of CVM Instruction 480, the Board of Executive Officers declares that it has discussed, reviewed and agreed with the opinions expressed in the Independent Auditors Report on the financial statements related to the fiscal year ended December 31, 2018.

Sao Paulo, February 27, 2019.

Executive Officers:

José Eduardo de Oliveira Miron
Chief Executive Officer

Marco Antonio Spada
Chief Administrative and Financial and IR

Heraldo Geres
Chief Legal Officer

Fabio Taiate Cunha Vasconcellos
Chief Planning and Management Officer

Tang David
Executive Officer

Rodrigo Marçal Filho
Executive Officer

MARFRIG GLOBAL FOODS S.A.
Corporate Taxpayer ID (CNPJ/MF): 03.853.896/0001-40
State Registry (NIRE): 35.300.341.031
Publicly Held Company

FISCAL COUNCIL REPORT

The Fiscal Council examined the financial statements and corresponding notes, the Annual Management Report and the Independent Auditors Report for the fiscal year ended December 31, 2018. During the year, the Fiscal Council monitored the Company's reporting tasks through interviews and requests for clarification on the understanding of material accounting, balance sheet and management issues for the Company, during sessions with representatives from Company management about: **a)** the disinvestment operations (Keystone Foods) and the control acquisition of the American company National Beef; **b)** the reporting work of the Compliance Department; **c)** transactions with related parties; **d)** examined notices to shareholders, including quarterly bulletins with the presence of Independent Auditors; **e)** the implanted monitoring risks; **f)** the topic of data security and systems implementation; and **g)** the assumptions and calculations related to the impairment tests of assets and the realization of deferred tax credits. **CONCLUSION:** Based on these examinations and evidence, and considering the report issued by Grant Thornton Auditores Independentes, the Fiscal Council members are of the opinion that the financial statements and the corresponding notes, as well as the Annual Management Report relating to the fiscal year ended December 31, 2018, are fairly stated and are fit for deliberation by Shareholders of the Company at the Annual Shareholders Meeting.

São Paulo, February 27, 2019.

Axel Erhard Brod
President

Eduardo Augusto Rocha Pocetti
Member

Carlos Roberto de Albuquerque Sá
Member

MARFRIG GLOBAL FOODS S.A.
Taxpayer ID (CNPJ/MF): 03.853.896/0001-40
State Registry (NIRE): 35.300.341.031
Publicly Held Company

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON FEBRUARY 27, 2019 REPORT OF THE AUDIT COMMITTEE

Date, time and place: On February 27, 2019, at the registered office of Marfrig Global Foods S.A. ("Company") located at Avenida Queiroz Filho, nº 1560, Bloco 5, Torre Sabiá, 3º Andar, Sala 301, CEP 05319-000, City of São Paulo, State of São Paulo. **Call Notice and Attendance:** The requirement to publish a call notice was waived in view of the attendance of all members of the Audit Committee, namely Messrs. Marcelo Maia de Azevedo Correa (Coordinator), Antonio dos Santos Maciel Neto e Marcia Aparecida Pascoal Marçal dos Santos. **Presiding: Chairman:** Marcelo Maia de Azevedo Correa; **Secretary:** Heraldo Geres. **Agenda:** Examine the Financial Statements for the fiscal year ended December 31, 2018. **Unanimous decisions:** The members of the Audit Committee examined the Management Report and the Financial Statements, accompanied by the Notes to the Financial Statements, for the fiscal year ended December 31, 2018 and, based on the opinion of Grant Thornton Independent Auditors, **CONSIDER** that these documents present the conditions for them to be submitted to the shareholders at the Annual Meeting for their consideration. **Closure and Drawing Up:** There being no further business to address, these minutes were drawn up, read, approved and signed by all present.

São Paulo, February 27, 2019

Presiding:

Marcelo Maia de Azevedo Correa Chairman	**Heraldo Geres** Secretary

Members of the Audit Committee:

Marcelo Maia de Azevedo Correa	**Antonio dos Santos Maciel Neto**

Marcia Aparecida Pascoal Marçal dos Santos