

Marfrig Global Foods S.A.

Separate and Consolidated Interim Financial Statements (ITR)

On September 30, 2018

CONTENTS

Independent Auditors Report on the Separate and Consolidated Interim Financial Statements 03

Financial Statements

Balance sheet 05
Statement of Income 06
Statement of Changes in Equity 07
Statement of Cash Flows 08
Statement of Added Value 09
Statement of Comprehensive Income 10

1. Operations 11
2. Presentation and preparation of the parent company and consolidated interim financial information 11
3. Summary of significant accounting practices 13

Assets

4. Cash and cash equivalents 16
5. Marketable securities 16
6. Trade accounts receivable – domestic and foreign customers 18
7. Inventories of products and merchandise 19
8. Biological assets 19
9. Recoverable taxes 20
10. Notes receivable 21
11. Assets and Liabilities Held for Sale 22
12. Deferred income and social contribution taxes - Assets 23
13. Investments 24
14. Property, plant and equipment 29
15. Intangible assets 31

Liabilities and Equity

16. Trade payables 32
17. Supply chain finance 33
18. Accrued payroll and related charges 33
19. Taxes payable 33
20. Loans, financing and debentures 34
21. Lease payable 37
22. Notes payable 41
23. Tax, labor and civil contingencies 42
24. Deferred income and social contribution taxes - Liabilities 45
25. Shareholders' Equity 46

Profit or Loss

26. Net sales revenue 48
27. Costs and expenses by nature 49
28. Net financial result 50
29. Earnings (loss) per share 50

Financial Instruments

30. Financial instruments - derivatives and risk management – consolidated 50

Taxes on income

31. Income and social contribution taxes 61

Other information

32. Segment reporting 62
33. Insurance coverage 63
34. Result from discontinued operations 63
35. Related parties 64
36. Management compensation 66
37. Additional information of the statement of cash flows 70
38. Events after the reporting period 70

Independent auditor review report on Quarterly Information Form (QIF)

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

We have reviewed the accompanying individual and consolidated interim financial information of Marfrig Global Foods S.A. ("the Company"), comprised in the Quarterly Information Form (QIF) for the quarter ended September 30, 2018, comprising the balance sheet as of September 30, 2018 and the respective statements of income and comprehensive income for the periods of three and nine months then ended, and the changes in shareholders' equity and cash flows for the period of nine months then ended, including the footnotes.

Management is responsible for the preparation of the individual interim financial information in accordance with the Technical Pronouncement CPC 21 (R1) – Interim Financial Information, and the consolidated interim financial information in accordance with CPC 21 (R1) and the international standard IAS 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB), such as for the presentation of these information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of Quarterly Information (QIF). Our responsibility is to express a conclusion on this interim financial information based on our review.

Review scope

We conducted our review in accordance with the Brazilian and International standards on reviews of interim information (NBC TR 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively).
A review of interim information consists of making inquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures.
A review is substantially less in scope than an audit conducted in accordance with the audit standards and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the individual interim financial information included in the Quarterly Information (ITR) referred to above has not been prepared, in all material respects, in accordance with CPC 21 (R1) applicable to the preparation of Quarterly Information (QIF), and presented in accordance with the standards issued by the Brazilian Securities Commission (CVM).

Conclusion on the consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information included in the Quarterly Information (QIF) referred to above has not been prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of Quarterly Information (QIF), and presented in accordance with the standards issued by the Brazilian Securities Commission (CVM).

Other matters

Statements of value added

We have also reviewed the individual and consolidated statements of value added (DVA) related to the nine month period ended September 30, 2018, prepared under the responsibility of the Company's management, which presentation in the interim information is required in accordance with standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Quarterly Information (QIF), and is considered as a supplementary information under IFRS, which do not require the presentation of DVA. These statements were subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that it has not been prepared, in all material respects, in accordance with the individual and consolidated interim financial information taken as a whole.

São Paulo, November 5, 2018



Jefferson Coelho Diniz
CT CRC 1SP-277.007/O-8

Grant Thornton Auditores Independentes
CRC 2SP-025.583/O-1

MARFRIG GLOBAL FOODS S.A.

Balance Sheets
As of September 30, 2018 and December 31, 2017

(In thousands of Brazilian reais - R$)

Assets

	Note	Parent		Consolidated	
		9/30/2018	12/31/2017	9/30/2018	12/31/2017
Current Assets					
Cash and cash equivalents	4	176,222	159,400	1,268,561	1,213,572
Marketable securities	5	1,447,533	1,127,685	4,365,574	3,188,781
Trade accounts receivable - domestic	6	42,532	220,287	1,128,839	600,556
Trade accounts receivable - foreign	6	550,793	319,394	310,833	324,442
Inventories of goods and merchandise	7	931,708	799,938	2,305,300	1,759,871
Biological assets	8	-	-	14,619	119,621
Recoverable taxes	9	1,966,221	1,908,721	2,151,295	2,089,129
Prepaid expenses		5,874	12,165	48,178	111,913
Notes receivable	10	198,688	166,384	136,094	24,108
Advances to suppliers		50,588	26,639	70,535	50,012
Assets held or sale	11	679,431	96,942	6,572,836	161,860
Other receivables		193,545	47,966	279,095	94,783
		6,243,135	**4,885,521**	**18,651,759**	**9,738,648**
Non-Current Assets					
Court deposits		47,479	65,669	54,206	72,922
Notes receivable	10	490,938	359,249	284	93,899
Deferred income and social contribution taxes	12	2,185,887	2,080,202	2,407,993	2,227,316
Recoverable taxes	9	1,752,685	1,752,685	1,782,453	1,763,641
Other receivables		7,998	10,402	74,649	50,968
		4,484,987	**4,268,207**	**4,319,585**	**4,208,746**
Investments	13	5,915,030	4,940,423	14,310	21,064
Property, plant and equipment	14	2,851,983	2,709,413	5,076,718	4,435,194
Biological assets	8	-	-	-	54,758
Intangible assets	15	919,109	1,372,166	5,396,218	2,843,389
		9,686,122	**9,022,002**	**10,487,246**	**7,354,405**
		14,171,109	**13,290,209**	**14,806,831**	**11,563,151**
Total Assets		**20,414,244**	**18,175,730**	**33,458,590**	**21,301,799**

Liabilities and Shareholders' Equity

	Note	Parent		Consolidated	
		9/30/2018	12/31/2017	9/30/2018	12/31/2017
Current liabilities					
Trade accounts payable	16	695,723	893,440	1,676,861	2,159,031
Supply chain financing	17	179,216	195,041	179,216	195,041
Accrued payroll and related charges	18	147,908	66,601	611,461	251,071
Taxes payable	19	238,272	223,598	308,665	312,131
Loans, financing and debentures	20	1,705,519	710,404	7,048,302	1,846,164
Notes payable	22	214,952	124,388	220,934	165,550
Lease payable	21	2,608	2,545	3,308	11,963
Advances from customers		656,651	614,443	1,001,024	795,783
Liabilities related to held-for-sale assets	11	1,370	5,590	5,777,466	82,232
Other payables		75,947	100,733	211,818	202,203
		3,918,166	**2,936,783**	**17,039,055**	**6,021,169**
Non-current liabilities					
Loans, financing and debentures	20	148,826	674,880	12,289,649	10,581,034
Taxes payable	19	853,364	946,860	854,597	948,442
Provisions for contingencies	23	83,203	83,203	92,366	88,828
Lease payable	21	2,184	2,936	2,656	19,819
Notes payable	22	15,203,304	11,138,536	321,118	378,085
Advances from clients		-	-	400,390	330,800
Other payables		-	-	91,403	47,824
		16,290,881	**12,846,415**	**14,168,646**	**12,645,920**
Equity					
Share Capital	25.1	7,427,677	7,427,677	7,427,677	7,427,677
(-) Share issue expenses		(108,210)	(108,210)	(108,210)	(108,210)
Capital reserve		179,177	181,224	179,177	181,224
Issue of common shares		179,335	181,382	179,335	181,382
Acquisition of shares in subsidiaries		(158)	(158)	(158)	(158)
Profit reserves		34,466	38,362	34,466	38,362
Legal reserve	25.2.1	44,476	44,476	44,476	44,476
Retained earnings		7,348	7,348	7,348	7,348
Treasury shares	25.2.2	(5,668)	(1,772)	(5,668)	(1,772)
Treasury shares canceled		(11,690)	(11,690)	(11,690)	(11,690)
Other comprehensive income		(1,791,956)	(425,222)	(1,791,956)	(425,222)
Asset valuation adjustment		(5,126,348)	(2,037,640)	(5,126,348)	(2,037,640)
Cumulative translation adjustment		2,954,529	1,753,876	2,954,529	1,753,876
Equity amounts related to assets held for sale		379,863	(141,458)	379,863	(141,458)
Accumulated losses		(5,535,957)	(4,721,299)	(5,535,957)	(4,721,299)
Controlling shareholders' equity		205,197	2,392,532	205,197	2,392,532
Non-controlling interest		-	-	1,745,407	242,178
Non-controlling interest in held-for-sale assets		-	-	300,285	-
		205,197	**2,392,532**	**2,250,889**	**2,634,710**
Total liabilities and shareholders' equity		**20,414,244**	**18,175,730**	**33,458,590**	**21,301,799**

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

MARFRIG GLOBAL FOODS S.A.

Statement of income
As of September 30, 2018 and 2017

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

		Parent				Consolidated			
	Note	3rd Quarter 2018	YTD 2018	Reclassified 3rd Quarter 2017	Reclassified YTD 2017	3rd Quarter 2018	YTD 2018	Reclassified 3rd Quarter 2017	Reclassified YTD 2017
Net sales revenue	26	2,707,732	7,075,199	2,039,879	5,148,982	11,088,910	19,267,393	2,687,043	7,021,119
Cost of products and goods sold	27	(2,410,060)	(6,305,796)	(1,719,633)	(4,448,983)	(9,573,210)	(16,623,835)	(2,298,555)	(6,100,924)
Gross profit		**297,672**	**769,403**	**320,246**	**699,999**	**1,515,700**	**2,643,558**	**388,488**	**920,195**
Operating income (expenses)		(26,537)	(1,031,321)	(214,336)	(722,670)	(633,892)	(1,953,161)	(233,670)	(716,147)
Selling expenses	27	(190,699)	(497,405)	(120,749)	(315,885)	(518,950)	(969,704)	(149,549)	(404,011)
General and administrative expenses	27	20,838	(128,473)	(41,139)	(115,209)	(89,427)	(283,902)	(62,485)	(184,031)
Equity in earnings (losses) of subsidiaries	13	158,907	258,961	(31,163)	(178,002)	-	-	-	-
Other operating income (expenses)	23.3.1	(15,583)	(664,404)	(21,285)	(113,574)	(25,515)	(699,555)	(21,636)	(128,105)
Net income (loss) before net financial income (loses)		**271,135**	**(261,918)**	**105,910**	**(22,671)**	**881,808**	**690,397**	**154,818**	**204,048**
Financial income (expenses)	28	(573,582)	(1,400,515)	(359,357)	(1,162,365)	(713,687)	(1,702,198)	(418,671)	(1,410,794)
Financial income		44,649	86,706	59,888	145,108	102,239	277,028	63,382	188,102
Exchange gain		328,640	799,357	115,109	900,092	471,435	1,132,898	207,346	1,120,308
Financial expenses		(516,669)	(1,373,818)	(362,083)	(1,176,315)	(674,672)	(1,711,539)	(446,443)	(1,482,448)
Exchange Loss		(430,202)	(912,760)	(172,271)	(1,031,250)	(612,689)	(1,400,585)	(242,956)	(1,236,756)
Net income (loss) before taxes		**(302,447)**	**(1,662,433)**	**(253,447)**	**(1,185,036)**	**168,121**	**(1,011,801)**	**(263,853)**	**(1,206,746)**
Income and Social Contribution taxes		**176,168**	**706,520**	**78,029**	**405,903**	**86,019**	**584,432**	**88,450**	**427,687**
Current and deferred income tax	31	128,900	518,263	57,374	298,458	34,449	394,305	67,403	319,149
Current and deferred social contribution	31	47,268	188,257	20,655	107,445	51,570	190,127	21,047	108,538
Net income (loss) in the period from continuing operations		**(126,279)**	**(955,913)**	**(175,418)**	**(779,133)**	**254,140**	**(427,369)**	**(175,403)**	**(779,059)**
Net income (loss) in the period from discontinued operations	34	45,840	135,120	113,732	317,194	59,456	157,432	123,207	350,766
Net income (loss) in the period before interest		**(80,439)**	**(820,793)**	**(61,686)**	**(461,939)**	**313,596**	**(269,937)**	**(52,196)**	**(428,293)**
Attributable to:									
Controlling interest – continuing operations		(126,279)	(955,913)	(175,418)	(779,133)	(126,279)	(955,913)	(175,418)	(779,133)
Controlling interest – discontinued operations		45,840	135,120	113,732	317,194	45,840	135,120	113,732	317,194
Controlling interest - Total		**(80,439)**	**(820,793)**	**(61,686)**	**(461,939)**	**(80,439)**	**(820,793)**	**(61,686)**	**(461,939)**
Non-controlling interest - continuing operations		-	-	-	-	380,419	528,544	15	74
Non-controlling interest - discontinued operations		-	-	-	-	13,616	22,312	9,475	33,572
Total non-controlling interest		**-**	**-**	**-**	**-**	**394,035**	**550,856**	**9,490**	**33,646**
		(80,439)	**(820,793)**	**(61,686)**	**(461,939)**	**313,596**	**(269,937)**	**(52,196)**	**(428,293)**
Basic and diluted losses per common share - continuing operations	29	(0.2144)	(1.6144)	(0.2959)	(1.3146)	(0.2144)	(1.6144)	(0.2959)	(1.3146)
Basic losses (earnings) per share - common - discontinued operations	29	0.0773	0.2280	0.1919	0.5352	0.0773	0.2280	0.1919	0.5352
Total basic and diluted losses per common share	29	**(0.1371)**	**(1.3864)**	**(0.1040)**	**(0.7794)**	**(0.1371)**	**(1.3864)**	**(0.1040)**	**(0.7794)**

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

MARFRIG GLOBAL FOODS S.A.

Statement of changes in shareholders' equity
As of September 30, 2018 and 2017

(In thousands of Brazilian reais - R$)

				Profit reserves				Other comprehensive income							
	Share Capital	Share issue expenses	Capital reserve	Legal reserve	Profit retention	Treasury shares	Treasury snares cancelled	Equity valuation adjustment	Cumulative translation adjustments	Equity amounts related to held-for-sale assets	Accumulated losses	Total controlling interest	Total non-controlling interest	Total non-controlling interest in held-for-sale assets	Total shareholders' equity
At December 31, 2016	**5,279,127**	**(108,210)**	**184,642**	**44,476**	**7,348**	**(12)**	**(11,690)**	**(2,054,151)**	**1,812,179**	**-**	**(4,246,093)**	**906,616**	**194,186**	**-**	**1,100,802**
Capital increase	2,149,550	-	-	-	-	-	-	-	-	-	-	2,149,550	-	-	2,149,550
Exchange variation on investments, net	-	-	-	-	-	-	-	367,875	-	(200,844)	-	167,031	205	-	167,236
Exchange variation - balance sheet translation	-	-	-	-	-	-	-	-	(232,625)	62,260	-	(170,365)	-	-	(170,365)
Realization of Deemed Cost	-	-	-	-	-	-	-	(6,201)	-	-	6,201	-	-	-	-
Write-off (acquisition) of treasury shares	-	-	-	-	-	(1,939)	-	-	-	-	-	(1,939)	-	-	(1,939)
Net income (loss) in the period	-	-	-	-	-	-	-	-	-	-	(461,939)	(461,939)	33,646	-	(428,293)
At September 30, 2017	**7,427,677**	**(108,210)**	**184,642**	**44,476**	**7,348**	**(1,951)**	**(11,690)**	**(1,692,477)**	**1,579,554**	**(138,584)**	**(4,701,831)**	**2,588,954**	**228,037**	**-**	**2,816,991**

				Profit reserves				Other comprehensive income							
	Share Capital	Share issue expenses	Capital reserve	Legal reserve	Profit retention	Treasury shares	Treasury snares cancelled	Equity valuation adjustment	Cumulative translation adjustments	Equity amounts related to held-for-sale assets	Accumulated losses	Total controlling interest	Total non-controlling interest	Total non-controlling interest in held-for-sale assets	Total shareholders' equity
At December 31, 2017	**7,427,677**	**(108,210)**	**181,224**	**44,476**	**7,348**	**(1,772)**	**(11,690)**	**(2,037,640)**	**1,753,876**	**(141,458)**	**(4,721,299)**	**2,392,532**	**242,178**	**-**	**2,634,710**
Exchange variation on investments, net	-	-	-	-	-	-	-	(2,813,936)	-	371,891	-	(2,442,045)	974,685	-	(1,467,360)
Exchange variation - balance sheet translation	-	-	-	-	-	-	-	-	1,200,653	3,787	-	1,204,440	-	-	1,204,440
Realization of Deemed Cost	-	-	-	-	-	-	-	(6,135)	-	-	6,135	-	-	-	-
Reclassification to held for sale	-	-	-	-	-	-	-	(268,637)	-	145,643	-	(122,994)	-	277,973	154,979
Write-off (acquisition) of treasury shares	-	-	-	-	-	(3,896)	-	-	-	-	-	(3,896)	-	-	(3,896)
Goodwill - Stock Option	-	-	(2,047)	-	-	-	-	-	-	-	-	(2,047)	-	-	(2,047)
Net income (loss) in the period	-	-	-	-	-	-	-	-	-	-	(820,793)	(820,793)	528,544	22,312	(269,937)
At September 30, 2018	**7,427,677**	**(108,210)**	**179,177**	**44,476**	**7,348**	**(5,668)**	**(11,690)**	**(5,126,348)**	**2,954,529**	**379,863**	**(5,535,957)**	**205,197**	**1,745,407**	**300,285**	**2,250,889**

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

MARFRIG GLOBAL FOODS S.A.

Statement of cash flows
As of September 30, 2018 and 2017

(In thousands of Brazilian reais - R$)

	Note	Parent		Consolidated	
		YTD 2018	Reclassified YTD 2017	YTD 2018	Reclassified YTD 2017
Net loss in the period from continuing operations		(955,913)	(779,133)	(955,913)	(779,133)
Items not affecting cash		**115,694**	**613,024**	**2,138,061**	**986,381**
Depreciation and amortization		182,596	162,989	333,527	180,357
Non-controlling interest		-	-	528,544	74
Provision for contingencies		-	1,968	1,411	2,744
Deferred taxes and tax liabilities		(108,776)	(60,380)	(29,235)	(80,801)
Equity in earnings (losses) of subsidiaries		(258,961)	178,002	-	-
Exchange variation on financing		118,703	(4,777)	124,494	(6,804)
Exchange variation on other assets and liabilities		(5,299)	135,935	143,194	123,252
Interest expenses on financial debt		21,714	41,954	793,995	540,065
Interest expenses on financial leasing		581	741	581	741
Interest expenses on debentures		64,611	85,371	-	21,126
Cost with issue of financial operations		2,167	4,264	141,481	136,539
Leasing adjustment to present value		328	(668)	328	(668)
Estimated non-realization of inventories		9,000	(1,000)	9,318	(1,221)
Estimated losses with doubtful accounts		(3,304)	3,923	(3,557)	3,802
Estimated losses with non-realization of recoverable taxes		88,722	60,018	88,722	60,018
Derecognition of fixed asset		3,612	4,684	5,258	7,157
Equity changes		**1,144,558**	**734,258**	**(563,077)**	**301,012**
Trade accounts receivable		(37,128)	(196,431)	164,188	(75,629)
Current inventory and biological assets		(140,770)	(188,045)	(230,793)	(199,575)
Court deposits		18,190	4,193	18,831	3,429
Accrued payroll and related charges		81,307	94,181	197,326	86,531
Trade payables and supplier chain financing		(251,966)	(26,870)	(372,975)	(2,827)
Current and deferred taxes		(215,487)	(318,067)	(194,394)	(351,596)
Notes receivable and payable		1,852,760	1,312,664	(60,235)	794,031
Other assets and liabilities		(162,348)	52,633	(85,025)	46,648
Cash flow provided by operating activities		**304,339**	**568,149**	**619,071**	**508,260**
Investing activities					
Investments		-	(17,672)	-	-
Acquisition of subsidiary, net of cash		-	-	(3,658,909)	-
Investments in fixed and non-current biological assets		(305,436)	(286,547)	(457,680)	(299,497)
Investments in intangible assets		(6,745)	(10,633)	(6,906)	(12,202)
Cash flow from investing activities		**(312,181)**	**(314,852)**	**(4,123,495)**	**(311,699)**
Financing activities					
Interest settled debentures / Bonds		(86,308)	(364,356)	(583,191)	(675,129)
Loans and financing		312,636	(478,551)	4,963,631	(75,360)
Loans granted		1,478,045	670,682	9,283,260	3,423,114
Loans settled		(1,165,409)	(1,149,233)	(4,319,629)	(3,498,474)
Leasing payable		(1,599)	2,467	(2,054)	2,218
Leasing granted		1,579	7,862	1,721	7,862
Leasing settled		(3,178)	(5,395)	(3,775)	(5,644)
Mandatory deed convertible into shares		-	(83,271)	-	(83,271)
Treasury shares		(3,896)	(1,939)	(3,896)	(1,939)
Dividends received		15,121	10,906	-	-
Dividends (subsidiaries) paid to non-controlling shareholders		-	-	(307,781)	-
Cash flow from (used in) financing activities	37	**235,954**	**(914,744)**	**4,066,709**	**(833,481)**
Exchange variation on cash and equivalents		52,729	(21,656)	870,477	(95,196)
Discontinued operations net of cash	36	55,829	83,505	(200,980)	(22,219)
Cash flow in the period		**336,670**	**(599,598)**	**1,231,782**	**(754,335)**
Cash and cash equivalents					
Balance at end of period		1,623,755	1,312,595	5,634,135	4,524,307
Balance at start of period		1,287,085	1,912,193	4,402,353	5,278,642
Changes in the period		**336,670**	**(599,598)**	**1,231,782**	**(754,335)**

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

MARFRIG GLOBAL FOODS S.A.

Statement of added value
As of September 30, 2018 and 2017

(In thousands of Brazilian reais - R$)

	Parent		Consolidated	
	YTD 2018	Reclassified YTD 2017	YTD 2018	Reclassified YTD 2017
Revenue	7,593,940	5,471,941	19,770,865	7,327,825
Sales of goods and services	7,577,107	5,471,271	19,755,333	7,335,927
Other revenues	13,529	4,593	11,893	(4,487)
Losses with doubtful accounts	3,304	(3,923)	3,639	(3,615)
Inputs purchased from other firms (including taxes - ICMS, IPI, PIS and Cofins)	6,942,874	4,301,602	16,641,036	5,828,279
Cost of goods sold and services rendered	4,970,152	3,495,476	13,588,108	4,849,998
Material, energy, outsourced services and other	1,972,722	806,126	3,052,928	978,281
Gross value added	651,066	1,170,339	3,129,829	1,499,546
Depreciation and amortization	182,596	162,989	333,527	180,357
Net value created by company	**468,470**	**1,007,350**	**2,796,302**	**1,319,189**
Value added received through transfer	**1,280,143**	**1,161,108**	**3,104,512**	**3,523,740**
Equity In Earnings (Losses) of Subsidiaries	258,961	(178,002)	-	-
Financial income and exchange rate gains	886,063	1,045,200	1,409,926	1,308,410
Other (including Discontinued Operations)	135,119	293,910	1,694,586	2,215,330
Total value added to be distributed	**1,748,613**	**2,168,458**	**5,900,814**	**4,842,929**
Value added distribution	**1,748,613**	**2,168,458**	**5,900,814**	**4,842,929**
Employees	**559,913**	**379,572**	**1,636,723**	**643,530**
Direct compensation	453,440	308,615	1,521,649	564,017
Benefits	79,608	50,548	86,195	56,730
FGTS (severance pay fund)	26,865	20,409	28,879	22,783
Taxes payable	**(308,926)**	**(11,049)**	**(203,454)**	**(36,859)**
Federal	(558,212)	(318,632)	(441,627)	(324,839)
State	245,925	304,703	234,771	285,049
Municipal	3,361	2,880	3,402	2,931
Value distributed to providers of capital	**2,318,419**	**2,261,874**	**4,737,482**	**4,664,551**
Interest	2,286,578	2,207,565	3,112,124	2,719,204
Rentals	31,841	31,024	75,296	32,410
Other (including Discontinued Operations)	-	23,285	1,550,062	1,912,937
Value distributed to shareholders	**(820,793)**	**(461,939)**	**(269,937)**	**(428,293)**
Net loss in the period from operations	(820,793)	(461,939)	(820,793)	(461,939)
Non-controlling interest			550,856	33,646

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

MARFRIG GLOBAL FOODS S.A.

Statement of comprehensive income
As of September 30, 2018 and 2017

(In thousands of Brazilian reais - R$)

	Parent				Consolidated			
	3rd Quarter 2018	YTD 2018	Reclassified 3rd Quarter 2017	Reclassified YTD 2017	3rd Quarter 2018	YTD 2018	Reclassified 3rd Quarter 2017	Reclassified YTD 2017
Net income (loss) in the period	(80,439)	(820,793)	(61,686)	(461,939)	313,596	(269,937)	(52,196)	(428,293)
Exchange variation on net investments	(2,640,545)	(2,442,045)	(43,767)	167,031	(2,640,545)	(2,442,045)	(43,767)	167,031
Exchange variation on balance sheet translation	1,140,578	1,204,440	64,428	(170,365)	1,140,578	1,204,440	64,428	(170,365)
	(1,499,967)	(1,237,605)	20,661	(3,334)	(1,499,967)	(1,237,605)	20,661	(3,334)
Total comprehensive income (loss) for the period	**(1,580,406)**	**(2,058,398)**	**(41,025)**	**(465,273)**	**(1,186,371)**	**(1,507,542)**	**(31,535)**	**(431,627)**
Attributable to:								
Controlling interest – continuing operations	(1,626,246)	(2,193,518)	(154,757)	(782,467)	(1,626,246)	(2,193,518)	(154,757)	(782,467)
Controlling interest – discontinued operations	45,840	135,120	113,732	317,194	45,840	135,120	113,732	317,194
Controlling interest - Total	**(1,580,406)**	**(2,058,398)**	**(41,025)**	**(465,273)**	**(1,580,406)**	**(2,058,398)**	**(41,025)**	**(465,273)**
Non-controlling interest - continuing operations	-	-	-	-	380,419	528,544	15	74
Non-controlling interest - discontinued operations	-	-	-	-	13,616	22,312	9,475	33,572
Total non-controlling interest	**-**	**-**	**-**	**-**	**394,035**	**550,856**	**9,490**	**33,646**

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

1. Operations

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

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

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

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

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

The Management of the Corporation approved the issue of these parent company and consolidated financial statements on November 5, 2018, 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 interim financial statements

The Corporation's interim 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 interim financial statements.

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

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

Parent company financial statements

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

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

2.2. Basis of presentation

The parent company and interim 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 interim 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 information in accordance with IFRS and NBCs requires Management to make certain accounting estimates. The areas involving considerable judgment or use of estimates for the parent company and consolidated interim financial information are stated in note 3.1.3 of the financial statements for the fiscal year ended December 31, 2017.

2.3. Foreign currency translation

Functional and reporting currency

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

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

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

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

3. Summary of significant accounting practices

3.1. Significant accounting practices

The quarterly information was prepared in accordance with NBC TG 21 / R3 (CVM Resolution 673/11 – Interim Financial Reporting), which sets forth the minimum interim accounting information to be reported and the principles of recognition and measurement for complete or condensed interim statements. Thus, the quarterly information presented here was prepared based on the accounting policies and estimate calculation methods used while preparing the annual financial statements for the fiscal year ended December 31, 2017. There has been no change in said policies and estimate calculation methods.

As allowed by NBC TG 21 / R3 (CVM Resolution 673/11), and based on the recommendations contained in Official Letter CVM/SNC/SEP/No. 003/2011, management chose to not report once again the details presented in Note 3. "Summary of significant accounting practices," in order to avoid repeating the information already disclosed in its latest annual financial statements. Hence, users must read this quarterly information together with the interim financial statements for the fiscal year ended December 31, 2017, to have a better understanding.

3.1.1 New NBC standards and interpretations

Standards issued and amended by the Brazilian Federal Accounting Council that come into force for the fiscal year starting in 2018 had no material impact on the Corporation's interim separate and consolidated financial statements. The Corporation describes the main impacts of the review of the following new standards:

NBC TG 47 (IFRS 15) – Revenue from Contracts with Customers – provides a five-step model for measuring revenue and for determining when and how it will be recognized. The Corporation assessed the potential impacts of IFRS 15, based on its current operations, and considers that revenue is recognized when products are delivered and duly accepted by its customers and when the risks and benefits related to ownership are transferred. After conducting such assessment, the Corporation did not identify any relevant impacts with regard to the practices currently used for its separate and consolidated financial statements (Adopted as of January 1, 2018).

NBC TG 48 (IFRS 9) – Financial instruments – This standard addresses the classification, measurement and recognition of financial assets and liabilities. The main changes include (i) the new criteria for classifying financial assets divided into three main categories: measurement at fair value through profit or loss, fair value through other comprehensive income (loss) and amortized cost; and (ii) the new model for impairment of financial assets. The Corporation conducted assessments by examining

the business model adopted to manage its financial assets in accordance with the classifications established under IAS 39/CPC 38.

Accordingly, the Corporation evaluates at fair value through profit or loss all financial assets previously classified as held-for-trading. For financial assets measured at their amortized costs, such as trade accounts receivable and others, the assessment considered the contractual characteristics of cash flows and the assessment of Solely Payments of Principal and Interest (SPPI).

IFRS 9 also requires the Corporation to record any expected loan losses from all of its financial assets measured at their amortized cost and at their fair value through other comprehensive income, based on 12 months or throughout their entire lives, when applicable, in accordance with the characteristics of the financial assets. For this assessment, the Corporation segregated financial assets based on their characteristics of risks and operational particularities. The Corporation assessed the potential implications and did not identify any relevant impacts with regard to the practices currently used for its separate and consolidated financial statements (Adopted as of January 1, 2018).

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

3.2. Interim consolidated financial statements

The interim consolidated financial statements include information on the Corporation and its subsidiaries, in accordance with the chart of ownership interests in Note 13.1 – Direct investments of the parent company.

The following table provides a summary of main direct and indirect equity interests that comprise the interim consolidated financial statements as of September 30, 2018:

Equity interests

Parent Company	Core Activity
Marfrig Global Foods S.A.	Processing and marketing of product (formed by cattle slaughter facilities in operation, which are also used in beef processing, for slaughtering lamb, 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, Goias and Rio Grande do Sul, in addition to Distribution Centers in the States of São Paulo, Rio de Janeiro , Pernambuco and Parana, 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
Abilun S.A	Holding company
Dicasold	Marketing and distribution of food 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
Keystone Foods (UK) Ltd	Holding company
Keystone Foods International Ltd	Holding company
Keystone Foods Global Holdings Ltd.	Holding company
NBM US Holdings, Inc.	Holding company
National Beef Packing Company, LLC	Processing and marketing of products

Discontinued Operation

Subsidiaries	Core Activity
Keystone Foods Holdings Ltd.	Holding company
Mckey Luxembourg Holdings S.a.r.l	Holding of the companies Keystone with operations focused on Asia and Australia
MFG (USA) Holdings Inc	Holding of the companies Keystone with operations focused on the USA
	(Keystone companies jointly are composed of poultry slaughter plants and further processing plants)

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

3.3. Reclassification in the statements of income and cash flows in the period ended September 30, 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 year ended September 30, 2017. These reclassifications do not affect the financial position of the company.

Note 11 – Assets and liabilities held for sale and Note 34 – 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	
	9/30/18	**12/31/17**	**9/30/18**	**12/31/17**
Cash and banks	171,601	147,285	680,827	954,327
Cash equivalents	4,621	12,115	587,734	259,245
	176,222	**159,400**	**1,268,561**	**1,213,572**

	Parent		Consolidated	
	9/30/18	**12/31/17**	**9/30/18**	**12/31/17**
Cash and banks:				
Brazilian real	45,158	80,266	47,079	81,981
US dollar	121,369	79,128	1,171,255	565,447
Chinese Yuan	-	-	-	358,078
Other	9,695	6	50,227	208,066
	176,222	**159,400**	**1,268,561**	**1,213,572**

5. Marketable Securities

	Parent		Consolidated	
	9/30/18	**12/31/17**	**9/30/18**	**12/31/17**
Marketable securities	1,447,533	1,127,685	4,365,574	3,188,781
	1,447,533	**1,127,685**	**4,365,574**	**3,188,781**

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

				Parent	
	PMPV [1]	Currency	Average interest rate p.a.%	9/30/18	12/31/17
Bank deposit certificates - CDB [2]	-	BRL	6.13%	640,293	210,685
Repurchase and reverse repurchase agreements	-	BRL	3.74%	56,530	171,199
Fixed income bond	-	BRL	6.83%	12,810	21,073
Time Deposit [2]	0.30	USD	2.91%	720,467	704,828
FIDC (2)	1.78	BRL	10.11%	17,433	19,900
Total				1,447,533	1,127,685
Total current				**1,447,533**	**1,127,685**

	PMPV [1]	Currency	Average interest rate p.a.%	Consolidated 9/30/18	Consolidated 12/31/17
Bank deposit certificates - CDB [2]	-	BRL	6.13%	640,293	210,686
Repurchase and reverse repurchase agreements	-	BRL	3.74%	56,530	171,199
Time Deposit [2]	2.74	USD	1.88%	3,638,508	2,765,471
Time Deposit [2]	-	Peso	-	-	390
FIDC [2]	1.78	BRL	10.11%	17,433	19,900
Fixed income bonds	-	BRL	6.83%	12,810	21,135
Total				4,365,574	3,188,781
Total current				**4,365,574**	**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 which are pegged to the variation of 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	
	9/30/18	12/31/17	9/30/18	12/31/17
Trade accounts receivable - domestic	42,532	220,287	1,128,839	600,556
Trade accounts receivable - foreign	550,793	319,394	310,833	324,442
	593,325	**539,681**	**1,439,672**	**924,998**
Amounts not yet due	531,582	479,148	1,004,338	712,306
Amounts overdue				
From 1 to 30 days	28,173	36,676	347,193	169,888
From 31 to 60 days	5,379	22,563	32,775	35,970
From 61 to 90 days	28,191	1,294	55,366	6,834
More than 90 days	21,808	25,112	42,335	35,129
(-) Estimated losses with doubtful accounts	(21,808)	(25,112)	(42,335)	(35,129)
	593,325	**539,681**	**1,439,672**	**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, and the Accounts Receivable Department rates each customer upon acceptance and credit granting.

Changes in estimated losses for credit risks are as follows:

	Parent	Consolidated
Balance on December 31, 2017	**(25,112)**	**(35,129)**
Estimate accrued	(4,984)	(5,879)
Estimate reversed	8,288	10,435
Reversal for divestment	-	(3,434)
Exchange rate variation	-	(722)
Acquisition through business combination	-	(10,309)
Reclassification - held-for-sale	-	2,703
Balance on September 30, 2018	**(21,808)**	**(42,335)**

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 September 30, 2018, there was R$143,021 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 in South America. 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 September 30, 2018, US$100 million (R$400 million) had been negotiated under the program.

7. Inventories of products and merchandise

In the period ended September 30, 2018 and fiscal year ended December 31, 2017, inventories of finished products were carried at average purchase and/or production cost, as shown below:

	Parent		Consolidated	
	9/30/18	12/31/17	9/30/18	12/31/17
Finished products	911,733	784,195	1,978,407	1,413,550
Raw materials	-	-	149,766	206,713
Packaging and storeroom supplies	61,541	48,309	220,564	174,744
(-) Estimated losses	(41,566)	(32,566)	(43,437)	(35,136)
	931,708	**799,938**	**2,305,300**	**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	(9,000)	(9,411)
Realization of estimates	-	93
Translation gains (losses)	-	(98)
Acquisition through business combination	-	(1,400)
Reversal due to divestment	-	(19)
Reclassification - held-for-sale	-	2,534
Balance on September 30, 2018	**(41,566)**	**(43,437)**

8. Biological Assets

	Consolidated	
Current	**9/30/18**	**12/31/17**
Biological assets - cattle	14,619	5,818
Biological assets - poultry	-	113,803
Total current biological assets	**14,619**	**119,621**
Non-current		
Biological assets - poultry	-	54,758
Total non-current biological assets	**-**	**54,758**
Total biological assets	**14,619**	**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	22,645
(-) Write-off for slaughter	(453,124)
Costs of input for fattening	461,179
(-) Decrease due to sales	(9,963)
Net increase (decrease) due to births (deaths)	(496)
Change in fair value less estimated sale expenses (*)	5,844
Translation gains (losses)	12,192
Reclassification - held for sale	(143,279)
Balance on September 30, 2018	**14,619**

*** Only applicable to cattle**

Non-current biological assets:

	Consolidated
Balance on December 31, 2017	54,758
Increase due to purchases	13,405
(-) Write-off for slaughter	(1,399)
Costs of input for fattening	13,298
Amortization	(22,686)
Translation gains (losses)	5,691
Reclassification - held for sale	(63,067)
Balance on September 30, 2018	-

9. Recoverable taxes

	Parent		Consolidated	
	9/30/18	12/31/17	9/30/18	12/31/17
ICMS (State VAT)	463,315	555,863	495,121	586,687
PIS and Cofins (taxes on sales) credits	3,349,116	3,120,058	3,422,532	3,216,823
IRPF / IRPJ and CSLL (taxes on income) recoverable	743,567	734,492	780,191	753,275
Other	16,068	15,431	90,758	62,117
(-) Estimated losses from non-realization	(853,160)	(764,438)	(854,854)	(766,132)
	3,718,906	**3,661,406**	**3,933,748**	**3,852,770**
Current assets	**1,966,221**	**1,908,721**	**2,151,295**	**2,089,129**
Non-current assets	**1,752,685**	**1,752,685**	**1,782,453**	**1,763,641**

[1] Arroba = A unit of weight equivalent to 15 Kg.

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 its efforts to optimize these tax credits, although its export model in Brazil allows the continuous generation of credits. Furthermore, with its adherence to the Special Tax Payment Program (PERT), the Corporation settles its tax liabilities and opens the way for using its tax credits by guaranteeing and approving them with the Federal Revenue Service.

9.3 IRRF / IRPJ and CSLL recoverable

These refer to withholding income tax on services provided to companies abroad and financial investments, prepayment of Income Tax and Social Contribution, calculated under the estimate regime, suspension balance and taxation based on annual Taxable Income and Income Tax paid Abroad on profits made available in Brazil, realizable through compensation with income tax and social contribution calculated on profit from upcoming fiscal years. As well as compensation using other federal taxes due and managed by the Brazilian Federal Revenue Service (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.

In the period ended September 30, 2018, the changes in this item were as follows:

	Parent	Consolidated
Balance at December 31, 2017	**(764,438)**	**(766,132)**
Accrual of estimates	(88,722)	(88,722)
Balance at September 30, 2018	**(853,160)**	**(854,854)**

10. Notes receivable

	Parent		Consolidated	
	9/30/18	12/31/17	9/30/18	12/31/17
Related-party transactions [(a)]	689,341	505,611	-	-
Joint Venture [(D)]	-	-	-	78,211
Market transactions receivable [(C)]	-	18,012	135,372	33,506
Other notes receivable	285	2,010	1,006	6,290
Total	**689,626**	**525,633**	**136,378**	**118,007**
Current assets	**198,688**	**166,384**	**136,094**	**24,108**
Non-current assets	**490,938**	**359,249**	**284**	**93,899**

(a) The amount presented under Parent refers predominantly to balances from transactions with subsidiaries, as described in Note 35 Related-party transactions;
(b) The amount presented on December 31, 2017 refers to receivables related to 2 joint ventures of the indirect subsidiary Mckey Luxembourg Holdings S.a.r.l, which are not consolidated in the financial statements in accordance with NBC TG 18/R3 – Investments in associates, subsidiaries and joint ventures;
(c) Note 30 presents details on the Corporation's transactions with financial instruments. The Company and its subsidiaries are subject to market risks related to fluctuations in exchange rates, interest rates and commodity prices. These amounts represent the aggregate amount of the mark-to-market adjustment of derivatives receivable.

11. Assets and liabilities held for sale

The Management Committee decided to hold for sale all assets of the Keystone business unit, and authorized the management of the Corporation to carry out all efforts to comply with said decision.

On August 17, 2018, the Board of Directors approved the sale of Keystone to Tyson Foods, Inc., for US$2.4 billion, which will be carried out through the subsidiary of the Corporation, Keystone Foods Holdings Limited, with the transaction excluding the beef patty plant located in Ohio, which will continue to be owned by Marfrig. The transaction was approved on October 15, 2018 by BNDESPAR, as determined in the shareholders' agreement.

In accordance with CVM Resolution 598/09 (NBC TG 31/R4 – Non-current assets held for sale and discontinued operations), the units' assets and liabilities were recorded under Assets and Liabilities Held for Sale, and additionally the statement of income and of cash flows are presented as discontinued operation, as detailed in Note 34. Also, in conformity with NBC TG 31/R4, the Corporation informs that fixed and intangible assets were measured at their fair value as described in Notes 14 and 15, respectively, and that this impact is reflected in the same line.

The business Marfrig Argentina S.A., which previously was recognized, measured and presented in the financial statements as "held-for-sale non-current assets," in accordance with CPC TG 31/R4 (IFRS 5), was reclassified and presented in this interim financial statements as "Continuing operation" in the statements of income, of comprehensive income and of cash flows for the periods ended September 30, 2018 and 2017.

Such decisions are based on the strategic plan to deleverage the Company.

On September 30, 2018, held-for-sale assets and liabilities were as follows:

	Parent		Consolidated	
Assets	**9/30/2018**	**12/31/2017**	**9/30/2018**	**12/31/2017**
Cash and cash equivalents	-	-	679,282	2,912
Domestic and foreign trade accounts receivable	-	-	380,633	29,029
Fixed and biological assets	-	-	1,964,297	5,052
Intangible assets	654,813	-	2,353,058	64
Other assets	24,618	96,942	1,195,566	124,803
Total assets held for sale	**679,431**	**96,942**	**6,572,836**	**161,860**

	Parent		Consolidated	
Liabilities	**9/30/2018**	**12/31/2017**	**9/30/2018**	**12/31/2017**
Trade accounts payable	-	5.590	1.100.095	48.280
Loans and financing	-	-	3.898.155	5.306
Other liabilities	1.370	-	779.216	28.646
Total liabilities	**1.370**	**5.590**	**5.777.466**	**82.232**
Equity				
Amounts related to held-for-sale assets	379.863	(141.458)	379.863	(141.458)
	379.863	**(141.458)**	**379.863**	**(141.458)**
Non-controlling interest	-	-	300.285	-
Total liabilities and equity held for sale	**381.233**	**(135.868)**	**6.457.614**	**(59.226)**

12. Deferred income and social contribution taxes - assets

	Parent		Consolidated	
	9/30/18	**12/31/17**	**9/30/18**	**12/31/17**
Income tax	1,591,710	1,515,237	1,806,877	1,657,318
Social contribution tax	594,177	564,965	601,116	569,998
Non-current assets	**2,185,887**	**2,080,202**	**2,407,993**	**2,227,316**

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.

Deferred tax assets on tax losses and social contribution tax loss carryforwards from previous years is 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 ten 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 profitability in each segment, taking into account the diverse economic scenarios of each market where the Corporation operates, due to its global and diversified presence (approximately 62% of revenue came from international units, and most of them are located in economically stable countries).

The assumptions are described in Note 12 to the financial statements for the fiscal year ended December 31, 2017, and there were no changes for 2018.

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
2018	213,705	232,514
2019	98,827	118,113
2020	126,508	146,229
2021	155,604	173,044
2022	181,299	198,908
2023 to 2028	1,409,944	1,539,185
	2,185,887	**2,407,993**

The following table presents the reconciliation of deferred taxes in the year ended September 30, 2018:

	Parent		Consolidated	
ASSETS	**9/30/2018**	**12/31/2017**	**9/30/2018**	**12/31/2017**
Income tax losses [(1)]	2,365,348	1,749,186	2,585,865	1,749,186
Social contribution tax loss carryforwards	865,156	637,626	877,435	637,626
Temporary differences	379,213	333,039	391,449	333,039
Provision for tax, civil and labor risks	28,289	28,289	30,481	28,289
Other provisions	33,043	15,731	33,288	15,731
Estimated losses with doubtful accounts	7,398	6,742	7,476	6,742
Translation on Loan	445,958	-	445,968	-
Other	-	-	2,789	147,114
Total assets	**4,124,405**	**2,770,613**	**4,374,751**	**2,917,727**
LIABILITIES				
Temporary differences	(6,337)	-	(43,985)	-
Other provisions	(15,617)	-	(105,757)	-
Estimated losses with doubtful accounts	(2,268)	-	(2,283)	-
Translation on Loan	(1,807,421)	(568,121)	(1,807,448)	(568,121)
Realization of revaluation reserve	(18,169)	(19,232)	(18,564)	(19,232)
Realization of deemed cost	(88,706)	(91,866)	(98,919)	(91,866)
Reclassifications	-	(11,192)	(6,269)	(11,192)
Total liabilities	**(1,938,518)**	**(690,411)**	**(2,083,225)**	**(690,411)**
Total deferred taxes	2,185,887	2,080,202	2,291,526	2,227,316

[(1)] Amount of R$589 million related to PRR, as described in Note 23.3.1

13. Investments

	Parent		Consolidated	
	9/30/18	**12/31/17**	**9/30/18**	**12/31/17**
Interest in subsidiaries	5,915,020	4,940,413	-	-
Other investments	10	10	14,310	21,064
	5,915,030	**4,940,423**	**14,310**	**21,064**

13.1 Direct investments by the parent company

Investments in Subsidiaries on September 30, 2018:

	No. of units of interest/shares	Ownership percentage in voting capital	Country	Share capital	Equity	Net income (loss) for the period	Net income in the period from discontinued operation	Equity according to % interest (1)
Marfrig Chile S.A.	9,950	99.50	Chile	70,755	177,193	11,302	-	176,302
Inaler S.A.	66,247,320	100.00	Uruguay	5,874	7,135	(9,666)	-	7,136
Frigorífico Tacuarembó S.A.	163,442,679	99.95	Uruguay	25,597	144,460	32,526	-	143,544
Masplen Ltd	5,050	100.00	Jersey Island	14,780	(18,636)	(11,510)	-	(32,777)
Prestcott International S.A.	79,638,916	100.00	Uruguay	11,700	91,096	366	-	91,095
Establecimientos Colonia S.A.	80,647,477	100.00	Uruguay	105,107	4,601	(23,060)	-	4,471
Marfrig Overseas Ltd	1	100.00	Cayman Islands	-	(641,158)	(144,947)	-	(641,157)
Marfrig Argentina S.A.	1,220,225,248	99.95	Argentina	120,379	(178,086)	81,389	(3,832)	(178,119)
MFG Comercializadora de Energia Ltda	149,985	99.99	Brazil	-	(2,533)	392	-	(2,532)
Marfrig Holdings(Europe) BV	426,842	100.00	Netherlands	1,865,477	3,411,975	(47,147)	-	3,411,975
Marfrig Peru S.A.C.	4,988	99.76	Peru	6	(589)	(9)	-	(587)
Keystone Foods (UK) Limited	2,001	100.00	UK	1,135,538	872,468	116,183	36,822	872,467
Keystone Foods International Limited	2,001	100.00	UK	569,861	2,065,309	259,583	102,128	2,065,307
Abilun S.A.	400,000	100.00	Uruguay	48	(2,105)	(1,461)	-	(2,105)
Total				**3,925,122**	**5,931,130**	**263,941**	**135,118**	**5,915,020**

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

The following table presents a summary of the financial information of the subsidiaries on September 30, 2018:

	Total assets	Total liabilities	Non-controlling interest	Non-controlling interest - held for sale	Net Revenue	Group equity in earnings / losses(1)	Group equity in earnings / losses (1) - Discontinued operations
Marfrig Chile S.A.	325,776	148,578	891	-	494,363	11,245	-
Inaler S.A.	166,228	159,093	-	-	409,660	(9,666)	-
Frigorífico Tacuarembó S.A.	380,271	235,812	72	-	683,462	32,510	-
Masplen Ltd	437,927	456,563	-	-	338,857	(11,510)	-
Prestcott International S.A.	384,497	293,401	-	-	372,821	366	-
Establecimientos Colonia S.A.	272,268	267,667	-	-	475,604	(23,060)	-
Marfrig Overseas Ltd	3,447,960	4,089,119	-	-	-	(144,947)	-
Marfrig Argentina S.A.	161,253	339,341	(91)	-	382,767	81,348	(3,830)
MFG Comercializadora de Energia Ltda	8,107	10,640	-	-	37,516	392	-
Marfrig Holdings(Europe) BV	13,059,064	9,647,089	-	-	-	(47,147)	-
Marfrig Peru S.A.C.	99	689	(1)	-	-	(9)	-
Keystone Foods (UK) Limited	10,739,198	9,866,730	-	-	4,080,476	116,183	36,822
Keystone Foods International Limited	16,103,620	11,861,021	1,745,048	300,285	9,755,197	259,584	102,128
Abilun S.A.	42,454	45,069	(511)		28,470	(1,461)	-
Total	**45,528,722**	**37,420,812**	**1,745,408**	**300,285**	**17,059,193**	**263,828**	**135,120**

(1) The balance corresponds to the Corporation's ownership interest in its subsidiaries.

13.2 Breakdown of investments (parent)

Effect of reverse equity interest in the equity accounts of subsidiaries.

	Balance on December 31, 2017	Asset valuation adjustment	Dividends	Equity in earnings (losses) (1)	Discontinued Operation	Balance sheet translation effect	Reversal due to asset divestment (2)	Balance on September 30, 2018
Marfrig Chile S.A.	139,403	6,110	-	11,239	-	19,550	-	176,302
Inaler S.A.	13,397	-	-	(9,666)	-	3,405	-	7,136
Frigorifico Tacuarembó S.A.	164,346	3	(76,116)	32,008	-	23,303	-	143,544
Masplen Ltd	(17,056)	(190)	-	(15,655)	-	124	-	(32,777)
Prestcott International S.A.	90,132	34	(16,259)	366	-	16,822	-	91,095
Establecimientos Colonia S.A.	23,602	-	-	(23,152)	-	4,021	-	4,471
Marfrig Overseas Ltd	(396,870)	(8,503)	-	(144,947)	-	(90,837)	-	(641,157)
Marfrig Argentina S.A.	-	(200,304)	-	81,227	(3,830)	80,029	(135,241)	(178,119)
MFG Comercializadora de Energia Ltda	(2,924)	-	-	392	-	-	-	(2,532)
Marfrig Holdings(Europe) BV	2,867,581	(2,316)	-	(47,147)	-	593,857	-	3,411,975
Marfrig Peru S.A.C.	(480)	15,265	-	(9)	-	(15,363)	-	(587)
Keystone Foods (UK) Limited	604,544	(15,753)	(14,837)	116,183	36,822	145,508	-	872,467
Keystone Foods International Limited	1,454,738	(63,115)	(40,992)	259,583	102,128	352,965	-	2,065,307
Abilun S.A.	-	(687)	-	(1,461)	-	43	-	(2,105)
Total	4,940,413	(269,456)	(148,204)	258,961	135,120	1,133,427	(135,241)	5,915,020

(1) The balance corresponds to the Corporation's ownership 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 Continuing operation.

13.3 Business combinations

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"), formerly know as Leucadia National Corporation, 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 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 the 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 Company 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 case Mr. Marcos Antonio Molina dos Santos ceases to be 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. Therefore, the Management of the Corporation believes that the put option clause in the purchase agreement of National Beef serves merely to observe the protection of the rights of non-controlling shareholders (for which reason the Company does not recognize such liability). 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. Therefore, the Management opted not to recognize the liability corresponding to the put option involving the non-

controlling interest, considering such action appropriated in the context of the financial statements taken as a whole.

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$583 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 study of the final allocation of the acquisition price will be conducted within one year as from the acquisition, in accordance with NBC TG 15 (R4) – Business combination (CVM Resolution 665/11). The Corporation conducted a preliminary measurement of the assets acquired and the liabilities assumed at their historical amounts, as follows:

	US$	R$
Acquisition price	974,406	3,711,016
Acquisition price adjustment	583	2,041
Adjusted acquisition price	**974,989**	**3,713,057**
Historical value of net assets acquired	392,662	1,495,447
Acquisition price's premium over the historical value classified preliminarily as goodwill	582,327	2,217,610

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

14. 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	**3.97%**	**13.73%**	**-**	**11.08%**	
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	18,413	56,963	216,839	13,221	305,436
Write-offs	-	(809)	-	(2,757)	(3,566)
Transfers	171,821	(10)	(171,821)	10	-
Depreciation in the period	(78,034)	(58,186)	-	(23,080)	(159,300)
Net balance on 9/30/2018	**2,271,643**	**344,272**	**91,873**	**144,195**	**2,851,983**
Acquisition cost	2,890,678	795,814	91,873	282,938	4,061,303
Accumulated depreciation	(619,035)	(451,542)	-	(138,743)	(1,209,320)
Net balance at the end of the period	**2,271,643**	**344,272**	**91,873**	**144,195**	**2,851,983**

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	**3.82%**	**11.68%**	**-**	**11.05%**	
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	24,551	100,595	317,346	15,188	457,680
Acquisition through business combination	561,367	620,821	287,475	71,934	1,541,597
Write-offs	(437)	(1,988)	(1)	(2,787)	(5,213)
Transfers	246,493	77,560	(307,504)	(16,549)	-
Reclassification	-	(468)	-	-	(468)
Held-for-sale assets	(647,827)	(385,312)	(210,608)	(33,580)	(1,277,327)
Reversal due to divestment	2,279	784	1,914	74	5,051
Translation gains (losses)	77,706	64,348	28,484	2,135	172,673
Depreciation in the year	(95,189)	(129,589)	-	(27,691)	(252,469)
Net balance on 9/30/2018	**3,237,896**	**1,227,806**	**402,842**	**208,174**	**5,076,718**
Acquisition cost	4,191,352	2,843,856	402,842	422,902	7,860,952
Accumulated depreciation	(953,456)	(1,616,050)	-	(214,728)	(2,784,234)
Net balance at the end of the year	**3,237,896**	**1,227,806**	**402,842**	**208,174**	**5,076,718**

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 21.

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 year ended September 30, 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
	9/30/2018		9/30/2018
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	753	-
Machinery, equipment , furniture and fixtures	32,680	137,194	32
Other property, plant and equipment	83,730	22,169	339
	259,278	**160,116**	**371**

15. 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	Useful life	9/30/18	12/31/17	9/30/18	12/31/17
Goodwill	-	-	574,015	1,010,476	5,043,880	1,051,378
Trademark and patents	0.01%	0.01	22,883	22,883	25,578	298,636
Software and Licenses	13.86%	3.73	31,191	33,410	35,740	59,338
Client relationship	-	Indefinite	-	-	-	1,112,808
Client relationship	-	-	-	-	-	12,650
Right of use	5.50%	18.18	44,206	46,390	44,206	46,390
Sales channels	5.50%	18.18	246,814	259,007	246,814	259,007
Other intangible assets	-	-	-	-	-	3,182
			919,109	**1,372,166**	**5,396,218**	**2,843,389**

In the period ended September 30, 2018, there were no significant changes, except for the reclassification of assets from indirect subsidiaries that are classified as held for sale and the goodwill from the business combination. As a result, the Management chose not to present once again the details in this Note to avoid

repetitions of previously reported information. Therefore, users must read this quarterly information together with Note 15 to the financial statements for the fiscal year ended December 31, 2017.

15.1 Changes in intangible assets

Changes in the intangible assets accounts for the year ended September 30, 2018 are as follows:

Parent Company

	Balance on December 31, 2017	Acquisition / Write-off	Exchange Variation	Held-for-sale assets	Amortization	Balance on September 30, 2018
Inaler S.A. - Goodwill	70,457	-	16,188	-	-	86,645
Frigorifico Tacuarembó S.A. - Goodwill	105,776	-	24,027	-	-	129,803
Masplen Ltd - Goodwill	31,436	-	7,154	-	-	38,590
Prescott International S.A. -Goodwill	40,959	-	9,101	-	-	50,060
Establecimientos Colonia S.A - Goodwill	220,845	-	48,071	-	-	268,916
Keystone International -Goodwill	541,002	-	2,584	(543,586)	-	-
Sales channels	259,008	-	-	-	(12,193)	246,815
Rights of use	46,389	-	-	-	(2,185)	44,204
Software and systems	33,411	6,700	-	-	(8,918)	31,193
Trademarks and patents	22,883	-	-	-	-	22,883
Total	**1,372,166**	**6,700**	**107,125**	**(543,586)**	**(23,296)**	**919,109**

Consolidated

	Balance on December 31, 2017	Acquisition/ Write-off	Exchange variation	Acquisition through business combination (1)	Reclassification	Amortization	Held-for-sale assets	Balance on September 30, 2018
Goodwill	1,051,378	-	296,341	4,296,578	281	(57,112)	(543,586)	5,043,880
Sales channel	259,007	-	-	-	-	(12,193)	-	246,814
Rights of use	46,390	-	-	-	-	(2,184)	-	44,206
Software and Licenses	59,337	6,861	813	-	-	(9,563)	(21,708)	35,740
Trademarks and patents	298,636	-	243	-	-	(6)	(273,295)	25,578
Client relationship	12,650	-	-	-	-	-	(12,650)	-
Client relationship	1,112,808	-	-	-	-	-	(1,112,808)	-
Other intangible assets	3,183	-	(1)	-	-	-	(3,182)	-
Total	**2,843,389**	**6,861**	**297,396**	**4,296,578**	**281**	**(81,058)**	**(1,967,229)**	**5,396,218**

(1) These include the amounts of goodwill from the acquisition of National Beef, of R$2,217,610, as per Note 13.3, and other intangible assets of the acquired amount.

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.

16. Trade payables

	Parent		Consolidated	
	9/30/18	**12/31/17**	**9/30/18**	**12/31/17**
Third parties	633,063	741,097	1,631,683	2,025,224
Related parties [(1)]	62,660	152,343	45,178	133,807
	695,723	**893,440**	**1,676,861**	**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 35 Related-party transactions.

17. Supply chain finance

	Parent		Consolidated	
	9/30/18	12/31/17	9/30/18	12/31/17
Supply chain finance	179,216	195,041	179,216	195,041
	179,216	**195,041**	**179,216**	**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 September 30, 2018 was R$179.2 million at an average rate of 0.79% p.m. On December 31, 2017, these operations amounted to R$195 million at an average rate of 0.98% p.m.

18. Accrued payroll and related charges

	Parent		Consolidated	
	9/30/18	12/31/17	9/30/18	12/31/17
INSS (social security contribution) payable	17,398	16,834	18,764	17,582
Salaries and payroll obligations	125,825	44,400	587,285	132,558
Other social charges and benefits payable	4,685	5,367	5,412	100,931
	147,908	**66,601**	**611,461**	**251,071**

19. Taxes payable

	Parent		Consolidated	
	9/30/18	12/31/17	9/30/18	12/31/17
Income and Social contribution taxes payable	53,746	52,762	102,992	109,375
Special tax debt installment plans	938,070	1,023,418	939,223	1,024,603
Other taxes, fees and contributions payable	99,820	94,278	121,047	126,595
	1,091,636	**1,170,458**	**1,163,262**	**1,260,573**
Current liabilities	238,272	223,598	308,665	312,131
Non-current liabilities	853,364	946,860	854,597	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 September 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, since January 2018.

Changes in special installment payment plans are as follows:

	Parent		Consolidated	
	9/30/18	12/31/17	9/30/18	12/31/17
Opening balance	1,023,418	753,197	1,024,603	754,382
(+) Adhesion to the installment payment program	3,647	605,013	3,647	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	34,470	60,221	34,510	60,311
(-) Payments made/tax credits	(123,465)	(344,772)	(123,537)	(345,108)
Debt balance	938,070	1,023,418	939,223	1,024,603
Current liabilities	138,452	129,320	138,531	129,399
Non-current liabilities	799,618	894,098	800,692	895,204

20. Loans, financing and debentures

		Parent			
Credit facility	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance on 9/30/18	Balance on 12/31/17
Local currency					
FINAME/FINEP	TJLP + Fixed Rate	5.50%	2.30	28	37
NCE/Working Capital	Fixed Rate+%CDI	8.39%	2.41	199,253	243,651
Debentures/Interest on debentures				588,580	610,232
Total local currency		**8.39%**		**787,861**	**853,920**
Foreign currency:					
NCE/Prepayment (US$) / ACC (US$)	Fixed Rate+ FX	6.14%	0.48	1,066,484	531,364
Total foreign currency		**6.14%**		**1,066,484**	**531,364**
Total loans, financing and debentures		**6.49%**		**1,854,345**	**1,385,284**
Current liabilities				1,705,519	710,404
Non-current liabilities				148,826	674,880

		Consolidated			
Credit facility	**Charges (% p.a.)**	**Weighted average interest rate (p.a.)**	**Weighted average maturity (years)**	**Balance on 9/30/18**	**Balance on 12/31/17**
Local currency					
FINAME/FINEP	TJLP + Fixed Rate	4.00%	1.40	8,425	12,881
NCE/Working capital	Fixed Rate+%CDI	8.39%	2.41	199,253	243,651
Total local currency		**8.21%**		**207,678**	**256,532**
Foreign currency					
Prepayment/NCE / ACC (US$)	Fixed Rate + FX	6.14%	0.48	1,066,484	531,364
Bonds (US$)	Fixed Rate + FX	7.26%	4.74	13,286,274	8,582,051
Bank loan (US$)	Fixed Rate + FX	7.21%	1.09	4,225,091	1,693,014
Revolving credit facility	Fixed Rate + Libor	3.89%	3.69	512,088	1,331,078
PAE (US$)	Fixed Rate + FX	3.25%	0.44	40,336	33,159
Total foreign currency		**7.09%**		**19,130,273**	**12,170,666**
Total loans and financing		**7.10%**		**19,337,951**	**12,427,198**
Current liabilities				7,048,302	1,846,164
Non-current liabilities				12,289,649	10,581,034

Loans and financing fall due and pay interest as follows:

	Parent		Consolidated	
	9/30/18	**12/31/17**	**9/30/18**	**12/31/17**
2018	187,017	710,464	369,460	1,846,165
2019	1,518,502	674,807	6,687,942	2,344,274
2020	98,965	12	124,663	1,251,204
2021	49,861	1	182,139	95,601
2022	-	-	1,028,071	1,231,983
2023	-	-	3,936,245	3,220,541
2024	-	-	2,984,230	2,437,430
2025 to 2029	-	-	4,025,201	-
Total	**1,854,345**	**1,385,284**	**19,337,951**	**12,427,198**

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

20.1. Senior Notes – BONDS

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

20.2. Guarantees for loans and financing:

	Parent		Consolidated	
	9/30/18	12/31/17	9/30/18	12/31/17
Balance of financing	**1,854,345**	**1,385,284**	**19,337,951**	**12,427,198**
Guarantees:				
Trade notes	-	20,483	-	20,483
Bank guarantee	201,576	231,801	201,576	231,801
Surety	201,282	223,005	220,881	329,218
Leased asset	28	37	28	37
Export document	-	-	69,028	81,053
Facilities	-	-	17,555	15,663
Marketable securities	-	1,962	3,604	1,962
Mortgage	-	-	12,643	2,581,339
Shares [1]	-	-	3,590,874	-
No guarantees	1,451,459	907,996	15,221,762	9,165,642

[1] Shares given as collateral refer to the subsidiary Keystone Foods Global Holdings Limited.

20.3. 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 3.20.

The leverage ratio is calculated as follows:

	9/30/18
Consolidated gross debt	19,337,951
(-) Consolidated cash and cash equivalents	5,634,135
Consolidated net debt	13,703,816
LTM EBITDA in the year ended September 30, 2018*	3,236,011
EBITDA ratio	4.23
Consolidated net debt	13,703,816
(-) Effect from exchange variation (carve-out)	3,349,776
Consolidated adjusted net debt	10,354,040
Leverage ratio	3.20

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

The Corporation did not identify any breach of its covenants as of September 30, 2018 and December 31, 2017.

21. Lease payable

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

21.1. 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 14, 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 9/30/18**	**Future payments**	**Balance on 12/31/17**
Domestic currency						
Finance lease of vehicles	Rate	7.32%	1.50	107	98	138
Finance lease of IT equipment	Rate	13.39%	0.90	1,537	1,452	982
Finance lease of software license	Rate	12.87%	1.80	4,618	4,356	6,395
Interest payable				(1,115)	-	(1,351)
APV financial lease				(355)	-	(683)
Total domestic currency				**4,792**	**5,906**	**5,481**
Total Parent Company				**4,792**	**5,906**	**5,481**
Current liabilities				**2,608**		**2,545**
Non-current liabilities				**2,184**		**2,936**

	Consolidated					
Credit facility	**Charges (% p.a.)**	**Weighted average interest rate (p.a.)**	**Weighted average maturity (years)**	**Balance on 9/30/18**	**Future payments**	**Balance on 12/31/17**
Domestic currency						
Finance lease of vehicles	Rate	7.32%	1.50	107	98	138
Finance lease of IT equipment	Rate	13.39%	0.90	1,536	1,452	982
Finance lease of software license	Rate	12.87%	1.80	4,618	4,356	6,395
Interest payable				(1,115)	-	(1,351)
APV of financial lease				(355)	-	(683)
Total domestic currency				**4,791**	**5,906**	**5,481**
Foreign currency						
Finance lease of vehicles	Rate	5.00%	3.21	526	587	-
Finance lease of machinery and equipment	Rate	3.00%	3.97	619	666	27,543
Finance lease of IT Equipment	Rate	6.00%	5.49	28	30	-
Financial interest payable				-	-	(1,242)
Total foreign currency				**1,173**	**1,283**	**26,301**
Total Consolidated				**5,964**	**7,189**	**31,782**
Current liabilities				**3,308**		**11,963**
Non-current liabilities				**2,656**		**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	
	9/30/18	12/31/17	9/30/18	12/31/17
Domestic currency				
Up to one year	2,608	2,545	2,607	2,545
From one to five years	2,184	2,936	2,184	2,936
Total domestic currency	**4,792**	**5,481**	**4,791**	**5,481**
Foreign currency				
Up to one year	-	-	701	9,418
From one to five years	-	-	472	16,883
Total foreign currency	**-**	**-**	**1,173**	**26,301**
Total	**4,792**	**5,481**	**5,964**	**31,782**

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

	Parent		Consolidated	
	9/30/18	12/31/17	9/30/18	12/31/17
Domestic currency				
Up to one year	3,284	3,178	3,284	3,178
From one to five years	2,622	3,654	2,622	3,654
Total domestic currency	**5,906**	**6,832**	**5,906**	**6,832**
Foreign currency				
Up to one year	-	-	790	10,146
From one to five years	-	-	493	17,400
Total foreign currency	**-**	**-**	**1,283**	**27,546**
Total	**5,906**	**6,832**	**7,189**	**34,378**

21.2. Operating lease

Operating lease as at September 30, 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 9/30/18**
	Local currency					
LEONI EMPREEND IMOBIL	Meatpacking plant	1/1/14	IGP-M year	1.25	2,520	424
BRASIL FOOD SERV. GROUP .SA BFG	Meatpacking plant	10/1/14	IGP-M year	1.17	70,848	11,375
URUPA IND E COM DE ALIM LTDA	Meatpacking plant	10/1/15	IGP-M year	2.00	19,800	3,304
TOTAL S/A	Meatpacking plant	7/1/16	IGP-M year	3.50	105,860	5,919
	Total local currency				**199,028**	**21,022**
	Total Parent Company				**199,028**	**21,022**

Consolidated						
Financial institution	**Leased asset**	**Start date**	**Weighted average interest rate (p.a)**	**Weighted average maturity (years)**	**Total amount leased**	**Expense at 9/30/18**
	Local currency					
LEONI EMPREENDIMENTOS IMOB.	Meatpacking plant	1/1/14	IGP-M year	1.25	2,520	424
BRASIL FOOD SERV. GROUP .SA BFG	Meatpacking plant	10/1/14	IGP-M year	1.17	70,848	11,375
URUPA IND E COM DE ALIM LTDA	Meatpacking plant	10/1/15	IGP-M year	2.00	19,800	3,304
TOTAL S/A	Meatpacking plant	7/1/16	IGP-M year	3.50	105,860	5,919
	Total local currency				**199,028**	**21,022**
	Foreign currency					
Bank of America	Aircraft	11/4/10	Fixed rate	1.25	69,171	2,026
Bank of America	Machinery and equipment	8/1/17	Fixed rate	5.29	104,378	4,472
Bank of America	Vehicles	4/1/15	Fixed rate	0.40	67,759	5,081
Various lessors	Land and buildings	4/1/17	Fixed rate	-	-	959
Various lessors	Machinery and equipment	5/1/18	Fixed rate	5.16	97,070	4,461
Various lessors	Vehicles	9/30/18	Fixed rate	3.04	202,149	13,426
Various lessors	IT equipment	7/1/17	Fixed rate	1.28	22,058	904
	Total foreign currency				**562,585**	**31,329**
	Total Consolidated				**761,613**	**52,351**

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

	Parent	**Consolidated**
	9/30/18 (at present value)	**9/30/18 (at present value)**
Domestic currency		
Up to one year	22,185	22,185
From one to five years	13,878	13,878
Total domestic currency	**36,063**	**36,063**
Foreign currency		
Up to one year	-	81,266
From one to five years	-	155,446
Over 5 years	-	3,039
Total foreign currency	**-**	**239,751**
Total	**36,063**	**275,814**

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.

In the period ended September 30, 2018, there were no significant changes, except for the reclassification of assets from indirect subsidiaries that are classified as held for sale. As a result, the Management chose not to present once again the details in this Note to avoid repetitions of previously reported information. Therefore, users must read this quarterly information together with Note 21.2 to the financial statements for the fiscal year ended December 31, 2017.

22. Notes payable

	Parent		Consolidated	
	9/30/18	12/31/17	9/30/18	12/31/17
Notes payable for investments in Brazil (a)	396,675	430,772	396,675	430,772
Market transactions payable (b)	130,396	48,526	132,440	95,075
Notes payable - Related parties (c)	14,882,185	10,765,838	-	-
Other	9,000	17,788	12,937	17,788
	15,418,256	**11,262,924**	**542,052**	**543,635**
Current liabilities	214,952	124,388	220,934	165,550
Non-current liabilities	15,203,304	11,138,536	321,118	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 the note 30, 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-to-market adjustment of derivatives payable.

(c) The amount refers to intercompany loans with subsidiaries, with a detailed breakdown of the balance presented in Note 35 – Related parties.

23. Tax, labor and civil contingencies

23.1 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	
	9/30/18	12/31/17	9/30/18	12/31/17
Labor and social security	48,033	48,033	57,135	53,439
Tax	1,759	1,759	1,759	1,759
Civil	33,411	33,411	33,472	33,630
	83,203	83,203	92,366	88,828

The following table shows the changes in provisions in the year ended September 30, 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 of provision	-	-	-	-	1,569	-	11	1,580
Reversal of provision	-	-	-	-	-	-	(169)	(169)
Reversal - Held for Sale [1]	-	-	-	-	4,050	-	-	4,050
Translation gain (loss)	-	-	-	-	(1,923)	-	-	(1,923)
Balance on September 30, 2018	48,033	1,759	33,411	83,203	57,135	1,759	33,472	92,366

(1) Refers to the reclassification of the subsidiary Marfrig Argentina S.A. as a continuing operation.

23.1.1. Labor and social security

As at September 30, 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$57,135 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.

23.1.2. Tax

Based on the opinion of its legal advisors, the Company does not have any tax claim with probable likelihood of loss. The management estimates the amount of R$1,759 as reserve for immaterial tax risks, and believes that such amount is sufficient to cover any impacts, in case such risks materialize.

23.1.3. Civil

Based on the opinion of legal advisors, the Management recognized on September 30, 2018 a provision for the amount of actions considered to be of probable risk, totaling R$33,472. The civil suits of the Corporation and its subsidiaries involve disputes typically related to business agreements and indemnities. The early terminations include the agreement for sponsorship of the Brazilian National Football Teams entered into with the Brazilian Football Confederation (CBF).

23.2 Contingent liabilities

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

	Parent		Consolidated	
	9/30/18	12/31/17	9/30/18	12/31/17
Labor and social security	164,365	143,121	167,497	144,175
Tax	1,390,580	1,416,277	1,392,860	1,419,122
Civil	5,999	935	5,999	935
	1,560,944	**1,560,333**	**1,566,356**	**1,564,232**

23.2.1 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.

23.2.2 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 September 30, 2018, the Corporation was a party to administrative proceedings and court claims filed by the Federal Government at the total historical value of R$559,317, claiming:

(i) Offsetting of IRPJ, CSLL and IE with the deduction of ICMS from PIS and COFINS tax bases. This last lawsuit refers to a refund request at the historical value of R$68,552, for which a provision was not accrued, given that according to the opinion of the legal counsel, they are considered only possible losses. The Corporation has filed administrative defenses that are pending final judgments and allege non-enforceability due to miscalculation of their tax bases, and that inspectors estimated the amounts according to assumptions;

(ii) No increase in taxable income and IRPJ/CSLL base for profits earned abroad in calendar years 2008 and 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$159,283. Administrative defenses were submitted.

(iii) 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;

(iv) The Corporation has Tax Deficiency Notices amounting to R$68,045, related to the requirement to pay a fine of 50% for alleged lack of payment of Social Contribution and Income Tax on the calculation base of the monthly estimate. The notice was due to the fact that the Federal Revenue Service ignored the rectifying the Statement of Federal Tax Liabilities and Claims (DCTFs) submitted by the company by the legal deadline.;

(v) The Company received a Tax Deficiency Notice in the amount of R$5,916, for the collection of an isolated fine at the percentage of 50%, due to the non-approval of DCOMP, the liability that is the object of said DCOMP was the object of a final order, which in turn is the object of an appeal in an administrative proceeding, seeking its reversal and consequently the recognition of the entire credit;

(vi) The Company and its subsidiaries have federal tax debits, whose collection suits are individually immaterial, totaling R$220,071.

b) State VAT – ICMS

On September 30, 2018, the Corporation had administrative proceedings, and court claims in the historical amount of R$832,823, 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$594,248;

(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$130,471;

(iii) The Corporation and its subsidiary Pampeano are parties to administrative proceedings and legal suits, whose collection suits are individually immaterial, totaling R$108,104.

c) Taxes on Services of Any Nature (ISSQN)

On September 30, 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.

23.2.3 Civil

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

23.3 Additional information on contingent liabilities

23.3.1 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 settled using primarily credits from tax losses, which generated a cash effect of R$26 million, which was recorded in 2Q18.

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

24. Deferred Income and Social Contribution Taxes – Liabilities

	Consolidated	
	9/30/18	12/31/17
Income tax	116,467	251,088
	116,467	**251,088**

Deferred income tax liabilities refer to the taxes calculated on temporary differences, as well as translation gains and losses recognized as deferred tax liabilities resulting from the translation of balances into foreign currencies other than the Corporation's functional currency, which are recorded at the foreign subsidiaries and settled in future fiscal years.

Other highlights include the tax reform approved and sanctioned in December 2017 in the United States, whose key aspect was cutting the corporate income tax rate from 35% to 21%. The tax cut not only benefits the cash flow from operations based in the country, but also has the potential to encourage new investments, create new jobs and drive domestic demand.

As an initial impact of this Reform, a non-cash benefit was recorded already in fiscal year 2017 at the Keystone Division, resulting in an adjustment to deferred income tax liability of approximately US$ 27 million.

Below are the changes in deferred taxes in the period ended September 30, 2018:

Description	Consolidated IRPJ
Balance on December 31, 2017	**251,088**
Accrual	13,492
Deferred taxes on temporary differences	88,061
Reversal of deferred taxes on temporary differences	5,885
Reclassification - held for sale	(238,630)
Other	(3,085)
Translation gain or loss	(344)
Balance on September 30, 2018	**116,467**

25. Shareholders' equity

25.1 Share capital

Subscribed and paid-in share capital as at September 30, 2018 and December 31, 2017 totaled R$7,427,677 and was represented by 621,279,822 common shares without par value. On the same date, 237,004,663 shares, or 38.15% 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 383,142,060 shares, representing 61.67% of the Share Capital of the Corporation, in addition to 675,847 shares in treasury and 457,252 shares held by its Board of Directors and Executive Board, jointly representing 0.18% of the Capital.

25.2 Income reserves

25.2.1 Legal reserve

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

In the periods ended September 30, 2018 and December 31, 2017, the Corporation did not recognize legal reserve given that it recorded loss. Accordingly, the balance as of September 30, 2018 remained at R$44,476.

25.2.2 Treasury shares

On September 30, 2018, Corporation held six hundred seventy-five thousand, eight hundred forty-seven (675,847) common shares in treasury, which were booked at the amount of R$5,668, which corresponds to an average cost of five reais and thirty-four centavos (R$5.34) 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	1,555,000	8,601
(-) Disposal - Stock options	(784,892)	(4,705)
Balance as at September 30, 2018	**1,060,847**	**5,668**
(-) Shares acquired and currently undergoing transfer of ownership	(385,000)	
Total Treasury Shares	**675,847**	

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 issued by the Corporation, within the maximum limit of three percent (3%) of the 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.

25.3 Other comprehensive income

25.3.1 Asset and liability valuation adjustment

This account recognizes, before being recorded in the statement of operations, 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.

25.3.2 Cumulative translation adjustment

This account records exchange rate gains (losses) resulting from the translation of the foreign subsidiaries' interim financial statements. The investee's functional currency is different from that of the Corporation.

25.3.3 Amounts under Shareholders' Equity related to assets held for sale

In compliance NBC TG 31/R4 (CVM Resolution 598/09) – Non-Current Assets Held for Sale and Discontinued Operation, the Corporation segregated from the balance of other comprehensive income recorded in its shareholders' equity the amounts related to assets held for sale.

25.4 Dividends payable

The Corporation's mandatory dividend is at least 25% of the adjusted net income determined in the Corporation's financial statements, pursuant to Brazilian Corporate Law and the Corporation's by-laws. The annual statement of dividends, including their payment, in addition to mandatory minimum dividends, are approved at an Annual Shareholders' Meeting by majority voting of Marfrig's shareholders and will depend on various factors. Among these factors are the Corporation's operating results, financial conditions, cash needs, future prospects and others which Marfrig's Board of Directors and shareholders deem relevant.

At a meeting held on March 27, 2018, in view of the net loss recorded in the period, the Board of Directors submitted to the Annual Shareholders' Meeting the proposal for distribution of dividends for 2017.

25.5 Interest on equity capital

The Corporation did not recognize interest on shareholders' equity for the periods ended September 30, 2018 and December 31, 2017.

25.6 Non-controlling interest

Refers to the interest of non-controlling shareholders in the Corporation's equity.

26. Net sales revenue

	Parent		Consolidated	
	9/30/18	9/30/17	9/30/18	Reclassified 9/30/17
Revenue from sales of products				
Domestic sales	4,006,259	3,211,190	13,078,452	3,967,539
Foreign sales	3,570,848	2,260,081	6,676,881	3,368,389
	7,577,107	**5,471,271**	**19,755,333**	**7,335,928**
Deductions from gross sales				
Taxes on sales	(215,718)	(131,907)	(196,584)	(125,747)
Returns and discounts	(286,190)	(190,382)	(291,356)	(189,062)
	(501,908)	**(322,289)**	**(487,940)**	**(314,809)**
Net sales	**7,075,199**	**5,148,982**	**19,267,393**	**7,021,119**

27. 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	
	9/30/18	Reclassified 9/30/17	9/30/18	Reclassified 9/30/17
Cost of sales				
Inventory costs	5,636,202	3,925,923	14,819,029	5,335,975
Depreciation	146,845	132,786	238,547	148,772
Amortization	8,919	6,687	66,121	6,797
Employee salaries and benefits	513,830	383,587	1,500,138	609,380
	6,305,796	**4,448,983**	**16,623,835**	**6,100,924**
Administrative expenses				
Depreciation	12,157	8,880	12,966	9,469
Amortization	14,377	14,377	14,938	14,757
Employee salaries and benefits	42,292	35,328	158,239	86,603
Other	59,647	56,624	97,759	73,202
	128,473	**115,209**	**283,902**	**184,031**
Selling expenses				
Depreciation	298	259	955	561
Employee salaries and benefits	37,742	27,374	67,408	41,547
Freight	266,468	223,048	281,419	241,775
Other	192,897	65,204	619,922	120,128
	497,405	**315,885**	**969,704**	**404,011**

28. Net financial result

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

	Parent		Consolidated	
	9/30/18	Reclassified 9/30/17	9/30/18	Reclassified 9/30/17
Financial income				
Market transactions	44,396	84,640	195,478	107,392
Interest received, earnings from marketable securities	39,460	57,215	75,564	77,324
Discounts, other	2,850	3,253	5,986	3,386
Total financial income	**86,706**	**145,108**	**277,028**	**188,102**
Exchange rate gains	**799,357**	**900,092**	**1,132,898**	**1,120,308**
Financial expense				
Provisioned interest, debentures and leasing with financial institutions	(683,717)	(526,694)	(796,737)	(599,626)
Market transactions	(160,236)	(32,645)	(206,570)	(101,098)
Bank expenses, commissions, fees, financial discounts, other	(529,865)	(616,976)	(708,232)	(781,724)
Total financial expense	**(1,373,818)**	**(1,176,315)**	**(1,711,539)**	**(1,482,448)**
Exchange rate losses	**(912,760)**	**(1,031,250)**	**(1,400,585)**	**(1,236,756)**
Net financial result	**(1,400,515)**	**(1,162,365)**	**(1,702,198)**	**(1,410,794)**

29. Earnings (loss) per share

The following table shows the calculation of earnings (loss) per share for the periods ended September 30, 2018 and 2017 (in thousands, unless otherwise stated):

	9/30/18	Reclassified 9/30/17
Profit (loss) attributable to shareholders from continuing operations	(955,913)	(779,133)
Profit (loss) attributable to shareholders from discontinued operations	135,120	317,194
Profit (loss) attributable to shareholders from the Corporation	(820,793)	(461,939)
Weighted average number of shares in the period (units)	593,035,591	593,035,591
Weighted average number of shares held in treasury (units)	(418,226)	(341,051)
Weighted average number of outstanding common shares (units)	592,617,365	592,694,540
Basic and Diluted Earnings (Losses) (in R$) from continuing operations	(1.6130)	(1.3146)
Basic and Diluted Earnings (Losses) (in R$) from discontinued operations	0.2280	0.5352
Earnings or losses attributable to shareholders of the Company	(1.3850)	(0.7794)

30. Financial instruments and risk management - consolidated

30.1. 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, within the limits established in its Bylaws, and Board approval will be required for any acts and transactions in amounts exceeding such limits.

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.

30.2. Financial instruments by category

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

	Parent			
Financial assets	**Amortized Cost**		**Held for trading**	
	9/30/18	**12/31/17**	**9/30/18**	**12/31/17**
Cash and cash equivalents	171,601	147,285	4,621	12,115
Marketable Securities	-	-	1,447,533	1,127,685
Trade accounts receivable	593,325	539,681	-	-
Notes receivable - derivatives	-	-	-	18,012
Related parties	689,341	505,611	-	-
Total financial assets	**1,454,267**	**1,192,577**	**1,452,154**	**1,157,812**

Financial liabilities	**Amortized Cost**		**Held for trading**	
	9/30/18	**12/31/17**	**9/30/18**	**12/31/17**
Trade accounts payable and supply chain finance	874,939	1,088,481	-	-
Loans, financing and debentures	1,854,345	1,385,284	-	-
Finance lease	4,791	5,481	-	-
Notes payable - derivatives	-	-	130,396	48,526
Notes payable - investments Brazil	396,675	430,772	-	-
Related parties	14,882,185	10,765,838	-	-
Total financial liabilities	**18,012,935**	**13,675,856**	**130,396**	**48,526**

	Consolidated			
Financial assets			**Held for**	
	Amortized cost		**trading**	
	9/30/18	**12/31/17**	**9/30/18**	**12/31/17**
Cash and cash equivalents	680,827	954,327	587,734	259,245
Marketable Securities	-	-	4,365,574	3,188,781
Trade accounts receivable	1,439,672	924,998	-	-
Notes receivable - derivatives	-	-	135,372	33,506
Related parties	-	-	-	-
Joint Venture	-	78,211	-	-
Total financial assets	**2,120,499**	**1,957,536**	**5,088,680**	**3,481,532**

Financial liabilities			**Held for**	
	Amortized cost		**trading**	
	9/30/18	**12/31/17**	**9/30/18**	**12/31/17**
Trade accounts payable and supply chain finance	1,856,077	2,354,072	-	-
Loans, financing and debentures	19,337,951	12,427,198	-	-
Finance lease	5,964	31,782	-	-
Notes payable - derivatives	-	-	132,440	95,075
Notes payable - investments Brazil	396,675	430,772	-	-
Total financial liabilities	**21,596,667**	**15,243,824**	**132,440**	**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 3.1.1.

30.3. Comparison of market value and respective fair values

Market values for the financial instruments are shown below:

	Consolidated			
	9/30/18		**12/31/17**	
	Book value	**Market value**	**Book value**	**Market value**
Cash and cash equivalents	1,268,561	1,268,561	1,213,572	1,213,572
Marketable Securities	4,365,574	4,365,574	3,188,781	3,188,781
Trade accounts receivable	1,439,672	1,439,672	924,998	924,998
Notes receivable - derivatives	135,372	135,372	33,506	33,506
Trade accounts payable and supply chain finance	1,856,077	1,856,077	2,354,072	2,354,072
Loans and financing	19,337,951	19,337,951	12,427,198	12,427,198
Finance lease	5,964	5,964	31,782	31,782
Payables - derivatives	132,440	132,440	95,075	95,075

The fair value of financial instruments is similar to the book value and largely reflects the values that would be obtained if they were traded in the market.

30.4. Breakdown of Derivative Financial Instruments

The breakdown of Marfrig Group's derivative financial instruments follows:

				Consolidated				
Instrument	**Hedged Item**	**Exchange**	**Maturity**	**Long**	**Short**	**Notional USD**	**Notional R$**	**MTM R$**
Transactions designated as Hedge Accounting								
NDF	Exchange Rate	OTC	2018	USD	GBP	3,633	14,548	74
NDF	Exchange Rate	OTC	2018	USD	EUR	914	3,658	62
NDF	Exchange Rate	OTC	2019	USD	GBP	6,216	24,886	654
Transactions not designated as Hedge Accounting								
Swap	Interest Rate	CETIP	2019	BRL	USD	174,793	699,854	(130,154)
Swap	Interest Rate	OTC	2019	USD	BRL	174,793	699,854	130,154
						360,349	**1,442,800**	**790**
NDF	Exchange Rate	OTC	2018	BRL	USD	3,000	12,012	(17)
NDF	Exchange Rate	OTC	2018	USD	CLP	9,001	36,039	1,877
						12,001	**48,051**	**1,860**
Futures	Fed cattle	BM&F	2018	BRL	BRL	(8,794)	(35,212)	(226)
Futures	Fed cattle	CME	2018	USD	USD	5,884	23,557	492
Futures	Fed cattle	CME	2019	USD	USD	3,451	13,819	16
						541	**2,164**	**282**
						372,891	**1,493,015**	**2,932**

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

	Consolidated	
	9/30/18	**12/31/17**
Notes receivable - derivatives (note 10)	135,372	33,506
Notes payable - derivatives (note 22)	(132,440)	(95,075)
Total, net	**2,932**	**(61,569)**

In the period ended September 30, 2018, a consolidated net financial loss of R$11,092 was recorded from market transactions, of which R$206,570 corresponded to expenses and R$195,478 to income.

30.4.1 Derivative financial instruments subject to Hedge Accounting

As of 2013, 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	GBP	2018	3,633	14,548	74	74
NDF	USD	EUR	2018	914	3,658	62	62
NDF	USD	GBP	2019	6,216	24,886	654	654
						790	**790**

30.5. Market risk

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.

30.5.1 Interest rate risk management

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 risk of exposure to interest rate for the Corporation and its subsidiaries as at September 30, 2018 and December 31, 2017 is as follows:

	Consolidated	
	9/30/18	**12/31/17**
Exposure to CDI rate:		
NCE / Working capital	199,253	243,651
(-) CDB-DI (R$)	(640,293)	(210,686)
Subtotal	**(441,040)**	**32,965**
Exposure to LIBOR rate:		
NCE/ACC/Prepayment (US$)	-	531,364
Revolving credit facility (US$)	512,088	1,331,078
Subtotal	**512,088**	**1,862,442**
Exposure to TJLP rate:		
FINAME / FINEP	8,425	12,881
Subtotal	**8,425**	**12,881**
Total	**79,473**	**1,908,288**

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 below:

Consolidated							
						9/30/18	**12/31/17**
Instrument	**Register**	**Receivable**	**Payable**	**Notional US$**	**Notional BRL**	**MTM**	**MTM**
Interest Rate Swap	CETIP	BRL	USD	174,793	699,854	(130,154)	4,172
Interest Rate Swap	OTC	USD	BRL	174,793	699,854	130,154	(4,172)
Interest Rate Swap	CETIP	CDI	USD	-	-	-	(35,218)
				349,586	**1,399,708**	**-**	**(35,218)**

Consolidated							
							9/30/18
Instrument	**Register**	**Maturity**	**Receivable**	**Payable**	**Notional US$**	**Notional BRL**	**MTM**
Interest Rate Swap	CETIP	2017	BRL	USD	174,793	699,854	(130,154)
Interest Rate Swap	OTC	2017	USD	BRL	174,793	699,854	130,154
					349,586	**1,399,708**	**-**

30.5.1.1 Interest rate risk sensitivity Analysis

To provide information about the behavior of market risks that the Corporation and its subsidiaries are exposed to as at September 30, 2018, three scenarios are considered and the probable scenario is the fair value as at September 30, 2018 and two more scenarios with deterioration of 25% and 50% of the risk variable taken into account, denominated as Possible and Remote, respectively.

Sensitivity scenarios for interest rate risk are below:

Stress scenario - Swap Int Rate - Consolidated

Probable Scenario		Possible Scenario		Remote Scenario	
MTM	**Result**	**MTM**	**Result**	**MTM**	**Result**
282	282	353	353	423	423

Stress scenario - Swap Int Rate - Cattle

Probable Scenario		Possible Scenario		Remote Scenario	
MTM	**Result**	**MTM**	**Result**	**MTM**	**Result**
282	282	353	353	423	423

30.5.2 Exchange rate risk management

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 81.9% 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.

Outstanding foreign currency and derivatives position

Assets and liabilities in foreign currency are presented as follows:

	Parent		
Exposure			**Effects of exchange rate gains (losses)**
Description	**9/30/18**	**12/31/17**	**2018**
Operating			
Trade accounts receivable	550,793	319,394	6,802
ACE (advance on export contracts)	-	-	(35,796)
Imports payable	(40,918)	(42,656)	(17,972)
Subtotal	**509,875**	**276,738**	**(46,966)**
Financial			
Loans and financing	(1,066,484)	(531,364)	(118,703)
Notes payable and receivable	191,181	(3,162)	(463)
Balance of banks and marketable securities (*)	851,531	783,962	52,729
Subtotal	**(23,772)**	**249,436**	**(66,437)**
Total	**486,103**	**526,174**	**(113,403)**
Exchange rate gains			799,357
Exchange rate losses			(912,760)
Exchange rate gains (losses), net			**(113,403)**

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

	Consolidated		
Exposure			**Effects of exchange rate gains (losses)**
Description	**9/30/18**	**12/31/17**	**2018**
Operating			
Trade accounts receivable	310,833	324,442	(54,880)
ACE (advance on export contracts)	-	-	(35,796)
Imports payable	(144,803)	(162,878)	(8,388)
Other	(72,878)	(75,546)	8,221
Subtotal	**93,152**	**86,018**	**(90,843)**
Financial			
Loans and financing	(19,130,273)	(12,170,666)	(124,494)
Notes payable and receivable	183,017	32,594	(1,918)
Balance of banks and marketable securities (*)	1,567,673	855,534	(50,417)
Other	-	-	(15)
Subtotal	**(17,379,583)**	**(11,282,538)**	**(176,844)**
Total	**(17,286,431)**	**(11,196,520)**	**(267,687)**
Exchange rate gains			1,132,898
Exchange rate losses			(1,400,585)
Exchange rate gains (losses), net			(267,687)

(*) 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 shown in note 30.5.1, the results of which are accounted for under the items "Exchange Rate Gains" and "Exchange Rate Losses."

30.5.2.1 Exchange rate risk sensitivity Analysis

To provide information about the behavior of market risks that the Corporation and its subsidiaries were exposed to as at September 30, 2018, three scenarios are considered and the probable scenario is the fair value as at September 30, 2018 and two more scenarios with deterioration of 25% and 50% of the risk variable taken into account, denominated as Possible and Remote, respectively.

The market future curve of September 30, 2018 was applied for currencies, with notional value of R$/US$ 4.0039.

As for exchange rate risk, following are the sensitivity scenarios:

Stress Scenario - balance sheet exposure to foreign exchange

9/30/2018	Probable scenario	Possible scenario	Remote scenario
Parent	(113,403)	121,526	243,052
Subsidiaries	(154,284)	(4,443,134)	(8,886,267)
	(267,687)	**(4,321,608)**	**(8,643,215)**

30.6. Liquidity risk

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).

	Consolidated	
	9/30/18	12/31/17
Short-term cash, cash equivalents and marketable securities	5,634,135	4,402,353
Short-term loans and financings	7,048,302	1,846,164
Modified liquidity ratio	0.80	2.38

30.7. Credit risk

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	
	9/30/18	12/31/17	9/30/18	12/31/17
Cash and cash equivalents	176,222	159,400	1,268,561	1,213,572
Marketable securities	1,447,533	1,127,685	4,365,574	3,188,781
Receivables from Brazilian clients	42,532	220,287	1,128,839	600,556
Receivables from foreign clients	550,793	319,394	310,833	324,442
Other receivables	201,543	58,368	353,744	145,751
Total	**2,418,623**	**1,885,134**	**7,427,551**	**5,473,102**

30.8. 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:

	Consolidated	
	Level 1	Level 2
Current assets		
Marketable securities - held for trading	-	4,365,574
Notes receivable - derivatives	4,429	130,943
Non-current liabilities		
Notes payable - derivatives	(2,286)	(130,154)
Total	**2,143**	**4,366,363**

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

31. 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:

	Parent		Consolidated	
	9/30/2018	9/30/2017	9/30/2018	9/30/2017
Net loss before taxes	(1,662,433)	(1,185,036)	(1,011,801)	(1,206,746)
Temporary/ Permanent Additions	**9/30/2018**	**9/30/2017**	**9/30/2018**	**9/30/2017**
Social contribution tax loss carryforwards	359,288	113,260	360,849	114,872
Tax losses	982,556	314,612	1,005,680	338,763
Sundry provisions	19,673	17,072	20,060	17,360
Estimated losses with doubtful accounts	657	4,372	657	4,635
Translation gain (loss) on Loans	445,958	276,109	445,964	276,114
Temporary differences	46,173	33,134	51,340	36,888
Use PRT/PRR	600,834	181,243	595,437	181,243
Other Additions	11,193	-	(10,215)	(8,311)
Temporary/ Permanent Exclusions				
Social contribution tax loss carryforwards	(152,410)	(67,636)	(162,501)	(73,893)
Tax losses	(345,744)	(175,063)	(347,119)	(175,568)
Sundry provisions	(13,753)	(2,813)	(101,923)	(2,878)
Estimated losses with doubtful accounts	(2,268)	(3,099)	(2,281)	(3,390)
Translation effect Loans	(1,239,300)	(270,453)	(1,239,324)	(270,453)
Temporary differences	(6,337)	(14,199)	(13,784)	2,015
Other exclusions	-	(636)	(18,408)	(9,710)
Total	**706,520**	**405,903**	**584,432**	**427,687**
Total current taxes	**-**	**-**	**(40,379)**	**(17,774)**
Total deferred taxes	**706,520**	**405,903**	**624,811**	**445,461**
Effective Rate	42%	34%	58%	35%

32. 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, which also includes the decision to sell Keystone Foods.

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	
	9/30/18	12/31/17	9/30/18	12/31/17	9/30/18	12/31/17	9/30/18	12/31/17
Non-current assets	-	2,896,509	12,318,515	8,541,095	2,488,316	125,547	**14,806,831**	**11,563,151**

	Beef		Corporate		Total	
	9/30/18	9/30/17	9/30/18	9/30/17	9/30/18	9/30/17
Net revenue	19,267,393	7,021,119	-	-	**19,267,393**	**7,021,119**
Operating income [1]	805,158	253,469	(114,761)	(49,421)	**690,397**	**204,048**
Depreciation and amortization	333,527	180,357	-	-	**333,527**	**180,357**

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

	9/30/18	9/30/17
Net income (loss)	(955,913)	(779,133)
Current and deferred income and social contribution taxes	(584,432)	(427,687)
Net financial result	1,702,198	1,410,794
Other income (loss)	528,544	74
Operating income	**690,397**	**204,048**

33. 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	9/30/18	12/31/17	9/30/18	12/31/17
Buildings and meatpacking plants	2,741,661	2,729,566	5,896,956	4,417,874
Inventories	396,639	325,266	914,495	422,170
Third-party warehouse	207,179	25,953	254,602	20,300
Vehicles	22,544	29,644	38,576	34,167
Transportation of goods	70,298	58,080	138,135	104,939
Officers' guarantees	200,195	165,400	224,233	247,703
Civil liability	25,500	20,000	654,351	234,048
Aircraft	227,569	1,047,280	627,959	852,483
Other	501,385	601,308	503,064	468,998
	4,392,970	5,002,497	9,252,371	6,802,682

34. Result from discontinued operations

- **Divestment of Keystone Foods**

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.

- **Discontinued operation**

As described in transactions for divestment of the Keystone business, the result from discontinued operations and cash flow for the periods ended September 30, 2018 and 2017 are summarized as follows:

Result from discontinued operations

	Consolidated	
	9/30/2018	**9/30/2017**
Net Revenue	7,679,557	6,577,516
Cost of Goods Sold	(7,101,305)	(5,905,226)
Gross Profit	578,252	672,290
Operating and financial income (expenses)	(325,939)	(160,984)
Net operating income (loss)	252,313	511,306
Income and social contribution taxes	(94,881)	(160,540)
Net income from discontinued operations	**157,432**	**350,766**
Non-controlling interest	(22,312)	(33,572)
Net income (loss) from discontinued operations	**135,120**	**317,194**

Cash flow from discontinued operations

	Consolidated	
	9/30/2018	**9/30/2017**
Net income (loss) for the year	135,120	317,194
Non-cash items	290,568	275,448
From changes in equity	(40,842)	(1,019,052)
Used in investing activities	(394,674)	(204,391)
Used in financing activities	362,711	649,920
Exchange variation on cash and equivalents	47,380	(30,340)
Cash flow from discontinued operations	**400,263**	**(11,221)**
Cash from operations	(601,243)	(10,998)
Cash flow from discontinued operations, net of cash	**(200,980)**	**(22,219)**

35. Related-party transactions

35.1. Related-party transactions with 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	
	9/30/18	12/31/17	9/30/18	12/31/17	9/30/18	9/30/17	9/30/18	9/30/17
Prestcott International S.A.	939	-	7,531	8,685	-	-	6,235	7,666
Establecimientos Colonia S.A.	1,097	19,375	3,082	4,581	40,896	9,447	6,502	8,078
Frigorífico Tacuarembó S.A.	6,629	102	32,154	25,169	9,536	-	10,892	9,802
Inaler S.A.	775	-	4,609	4,900	-	-	7,948	5,942
Marfrig Argentina S.A	278,631	232,182	4,834	5,590	-	-	6,149	6,272
Marfrig Chile S.A.	1,656	9,799	362	1,035	308,567	237,214	2,086	509
Marfrig Holdings (Europe) BV	103	46	9,692,097	7,668,594	-	-	-	-
Marfrig Overseas Ltd.	15	12	733,563	576,214	-	-	-	-
MFG Comercializadora de Energia Ltda	10,449	7,931	-	-	-	-	27,716	24,363
Masplen Ltd	401,501	409,822	1,196	20	129,003	141,186	-	-
Keystone Foods UK Limited	391,443	334,909	4,420,658	2,494,520	2,491,783	1,031,544	-	-
Keystone Foods International Limited	38,172	3,860	1,370	1,184	4,130	707	-	-
Controlling shareholders	-	2	-	-	23	-	-	-
Key management personnel	3	6	-	-	20	-	678	488
Other related parties	28,000	23,055	44,759	133,279	23	-	172,937	115,353
	1,159,413	**1,041,101**	**14,946,215**	**10,923,771**	**2,983,981**	**1,420,098**	**241,143**	**178,473**

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.

35.2. Consolidated related parties

	Consolidated							
	Outstanding balance				Recognized as profit or loss			
	Accounts receivable		Accounts payable		Income		Expenses	
	9/30/18	12/31/17	9/30/18	12/31/17	9/30/18	9/30/17	9/30/18	9/30/17
Controlling shareholders	-	2	-	-	23	-	-	-
Key management personnel	3	6	419	528	25	6	678	488
Other related parties	28,000	23,056	44,759	133,279	23	-	172,937	115,352
Joint venture	-	78,211	-	-	-	-	-	-
	28,003	**101,275**	**45,178**	**133,807**	**71**	**6**	**173,615**	**115,840**

35.3. Controlling shareholders

Suretyship agreements were 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.

35.4. 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.

35.5. Joint Ventures

The indirect subsidiary Mckey Luxembourg Holdings S.a.r.l, currently classified as held-for-sale asset, is part of 2 Joint Ventures, which are recognized through the equity method of accounting.

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 are presented in the financial statements for the fiscal year ended December 31, 2017.

36. Management compensation

As permitted under NBC TG 21/R3 (CVM Resolution 673/11) and based on the recommendations in Official Letter CVM/SNC/SEP/Nº 003/2011, the Management chose not to present once again the details in its Notes of Management Compensation and sub-items (Board of Directors, Statutory Officers, Audit Board, Stock Option Plan) so as to prevent the repetition of information already reported in the financial statements for the fiscal year ended December 31, 2017, to provide a better understanding to users.

36.1 Consolidated compensation

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

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

	9/30/18	9/30/17
Consolidated Management compensation	23,939	12,105
Total	**23,939**	**12,105**

36.2 Stock option plan

During the period ended September 30, 2018, 784,892 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
Options exercised - 2018	784,892	

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

Consolidated Changes	9/30/2018	2017
(Options)		
Opening balance	**2,009,227**	**2,683,082**
Options granted	2,017,344	505,888
Options exercised	(784,892)	(977,542)
Options canceled and expired	(91,482)	(202,201)
Closing balance	**3,150,197**	**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 0.51% of all shares at September 30, 2018, as detailed in the table below:

Percentage of Dilution

	ESP VIII LP 13-14 Plan	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	4/30/2014	6/24/2015	11/7/2016	12/20/2017	9/25/2018	
Unexercised agreements	995	283,161	502,188	346,509	2,017,344	**3,150,197**
Treasury stock						**(675,847)**
Total shares except treasury stock						**620,897,483**
Percentage of dilution	**0.00%**	**0.05%**	**0.08%**	**0.06%**	**0.32%**	**0.51%**

The Corporation recognized expenses relating to granting of plans in effect for the period ended September 30, 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	2,049.9	2,544.7
(-) Cost of treasury shares disposed of	(4,705.1)	(5,962.5)
Effect on disposal of shares	**(2,655.2)**	**(3,417.8)**

Due to the exercise of stock options, the Corporation incurred costs with the sale of treasury shares of R$4,705. At September 30, 2018, the book value of treasury shares was recorded under the Corporation's shareholders' equity in the amount of R$5,668 (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:** 52.48%. 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 April 1, 2018 to September 30, 2018;

- **Risk-free interest rate:** 6.56% 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 September 30, 2018 ranged between a minimum of R$1.94 and a maximum of R$3.35 per share for SPECIAL plans.

Changes to the stock option programs are presented below:

Plans	Granting Date	Performance (vesting) period	Option expiration date	Options granted	Vested options	Options exercised in the period	Options cancelled and/or expired in the period	Options exercised and/or cancelled in prior periods	Unexercised agreements	Option exercise price
Options Exercised/Canceled in Previous Periods				**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	185,030	17,834	421,051	995	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	255,120	24,205	114,008	1,983	R$ 2.3720
ESP IX LP 14-15	6/24/2015	3/3/2019	9/2/2019	395,069	32,874	0	0	113,891	281,178	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	215,802	31,679	56,471	2,458	R$ 3.0281
ESP X LP 15-16	11/7/2016	3/3/2019	9/2/2019	306,410	29,668	0	0	56,471	249,939	R$ 3.0281
ESP X LP 15-16	11/7/2016	3/3/2020	9/2/2020	306,219	29,658	0	0	56,428	249,791	R$ 3.0281
ESP XI LP 16-17	12/20/2017	3/3/2018	9/2/2018	126,517	126,517	103,228	17,764	4,075	1,450	R$ 3.3592
ESP XI LP 16-17	12/20/2017	3/3/2019	9/2/2019	126,517	7,368	7,368	0	4,075	115,074	R$ 3.3592
ESP XI LP 16-17	12/20/2017	3/3/2020	9/2/2020	126,517	7,368	7,368	0	4,075	115,074	R$ 3.3592
ESP XI LP 16-17	12/20/2017	3/3/2021	9/2/2021	126,337	7,368	7,368	0	4,058	114,911	R$ 3.3592
ESP XII LP 17-18	9/25/2018	3/3/2019	9/2/2019	504,385	0	0	0	0	504,385	R$ 3.1789
ESP XII LP 17-18	9/25/2018	3/3/2020	9/2/2020	504,385	0	0	0	0	504,385	R$ 3.1789
ESP XII LP 17-18	9/25/2018	3/3/2021	9/2/2021	504,385	0	0	0	0	504,385	R$ 3.1789
ESP XII LP 17-18	9/25/2018	3/3/2022	9/2/2022	504,189	0	0	0	0	504,189	R$ 3.1789
Total on	**9/30/2018**			**10,950,356**	**7,660,247**	**784,892**	**91,482**	**6,923,785**	**3,150,197**	

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	3.3	3.3	3.4
		3.3	**3.3**	**3.4**
ESP IX LP 14-15	6/24/2015	n/a	n/a	0.0
ESP IX LP 14-15	6/24/2015	5.8	5.8	5.9
ESP IX LP 14-15	6/24/2015	842.3	0.0	835.2
		848.1	**5.8**	**841.1**
ESP X LP 15-16	11/7/2016	n/a	n/a	0.0
ESP X LP 15-16	11/7/2016	5.6	5.6	5.7
ESP X LP 15-16	11/7/2016	594.2	0.0	578.4
ESP X LP 15-16	11/7/2016	679.5	0.0	578.1
		1,279.3	**5.6**	**1,162.2**
ESP XI LP 16-17	12/20/2017	2.8	2.8	2.9
ESP XI LP 16-17	12/20/2017	239.6	0.0	228.2
ESP XI LP 16-17	12/20/2017	287.3	0.0	228.2
ESP XI LP 16-17	12/20/2017	325.3	0.0	227.9
		855.0	**2.8**	**687.2**
ESP XII LP 17-18	9/25/2018	1,130.4	0.0	1,091.2
ESP XII LP 17-18	9/25/2018	1,319.7	0.0	1,091.2
ESP XII LP 17-18	9/25/2018	1,478.1	0.0	1,091.2
ESP XII LP 17-18	9/25/2018	1,609.2	0.0	1,090.8
		5,537.4	**0.0**	**4,364.4**
Total on	**9/30/2018**	**8,523.1**	**17.5**	**7,058.2**

37. 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						Balance on
Description	Balance on 12/31/2017	Cash flow	Liabilities held for sale (1)	Dividends (3)	Non-cash dividends	Other Changes (2)	Exchange rate fluctuation	Changes in fair value	9/30/2018
Dividends received	-	15,121	55,830	(148,204)	77,253	-	-	-	-
Loans, financing and debentures	1,385,284	226,328	-	-	-	35,537	118,704	88,492	1,854,345
Lease payable	5,481	(1,599)	-	-	-	-	-	910	4,792
Treasury shares	(13,462)	(3,896)	-	-	-	-	-	-	(17,358)
	1,377,303	**235,954**	**55,830**	**(148,204)**	**77,253**	**35,537**	**118,704**	**89,402**	**1,841,779**

	Consolidated							
	Balance on		Non-cash changes					Balance on
Description	12/31/2017	Cash flow	Liabilities held for sale (1)	Business Combination	Other changes(2)	Exchange rate fluctuation	Changes in fair value	9/30/2018
Dividends (Subsidiaries) paid to non-controlling shareholders	-	(307,781)	-	-	307,781	-	-	-
Loans, financing and debentures	12,427,198	4,380,440	(2,753,291)	1,465,837	35,537	2,846,801	935,429	19,337,951
Lease payable	31,782	(2,054)	(26,109)	1,324	-	111	910	5,964
Treasury shares	(13,462)	(3,896)	-	-	-	-	-	(17,358)
	12,445,518	**4,066,709**	**(2,779,400)**	**1,467,161**	**343,318**	**2,846,912**	**936,339**	**19,326,557**

(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 13.2 – Changes in investments.

38. Events after the reporting period

Keystone Sale Transaction

On October 8, 15 and 22, 2018, and November 05, 2018 the Corporation obtained approvals from the United States of America antitrust authority, from BNDESPAR, from the antitrust authority in Japan and from the antitrust authority in China, respectively, to proceed with the conclusion of the transaction for the sale of Keystone Foods. The last approval required to consummate the Transaction, from the antitrust authorities South Korea, is still pending.

Fire on Mineiros Plant

On October 15, 2018 the activities of the Mineiros' primary processing plant in the state of Goiás were temporarily paralyzed due to an incident in part of the plant, caused by a fire of medium proportion.

The Mineiros plant, which accounts for about 4.5% of Company's total slaughtering capacity, was not operating because of the holiday and therefore, there was no employees affected by the incident. The Company has insurance coverage and is adopting all measures required to address the situation, and is currently determining the causes and extension of the damages..

* * *

Marfrig reaches revenue and EBITDA records and resumes positive cash generation, with free cash flow of R$271 million in the quarter

São Paulo, November 5, 2018 *– Marfrig Global Foods S.A. – Marfrig (B3 Novo Mercado: MRFG3 and Level 1 ADR: MRRTY) announces today its results for the third quarter of 2018 (3Q18). Except where stated otherwise, the following operating and financial information is presented in nominal Brazilian real, in accordance with International Financial Reporting Standards (IFRS), and should be read together with the income statement and notes to the financial statements for the period ended September 30, 2018 filed at the Securities and Exchange Commission of Brazil (CVM).*

HIGHLIGHTS

With the conclusion of the acquisition of the controlling interest of National Beef in June 2018, Marfrig's consolidated results, as of 3Q18, includes the full impact of this business, which is now recorded as part of the Company's North America operation. For comparison purposes, results for 2017 and YTD 2018 will be presented and identified as "proforma," i.e., including 100% of the results of National Beef, except where stated otherwise.

- On August 20, Marfrig announced the sale of Keystone Foods ("Transaction") for US$2.4 billion, excluding the operation located in North Baltimore, Ohio, USA. The decision to maintain this business – beef patties production, which serves exclusively the foodservice channel, is aligned with the Company's strategic direction.

- The Transaction has already been approved by the antitrust authorities in the United States, Japan and China and by the BNDESPar. The approval of the South Korean antitrust authority, for its completion, remain in progress.

- Operating cash flow in the quarter improved significantly, to R$804 million. Free cash flow was positive by R$271 million.

- Record net revenue was R$11 billion in the quarter, 21% higher than proforma net revenue in 3Q17.

- In 3Q18, Adjusted EBITDA ("Adj EBITDA") was a record and reached R$1,080 million, with margin of 9.7%.

- On a proforma basis and including the proceeds from the sale of Keystone, leverage measured by the ratio of adjusted net debt to Adj EBITDA of the last 12 months stood at 2.57x.

EXECUTIVE SUMMARY

The stronger U.S. dollar and increased protectionism started to affect global trade dynamics in the third quarter. While the U.S. economy remained robust, China, the euro zone and emerging markets registered slower economic growth.

In the beef industry, the global scenario remained positive.

In the United States, the cattle availability combined with stronger domestic and international demand has been supporting better margins. According to the USDA, the cutout ratio (average beef price divided by average cattle cost) stood at 1.85, increasing 3% from 3Q17.

In Brazil, cattle slaughtering was 6.3 million head, representing increases of 4.3% from 3Q17 and 8.0% from 2Q18 (source: Ministry of Agriculture). The depreciation in the Brazilian real against the U.S. dollar and the normalization of activities after the truck drivers' strike in the second quarter supported stronger exports in 3Q18, which totaled 426 thousand tons, up 25% and 98% compared to 3Q17 and 2Q18, respectively. Despite signs of improvement in consumption, margins in the domestic market remained under pressure in face of the uncertain political and economic environment.

In Uruguay, the adverse weather conditions and still-firm global demand supported the upward trend in the average cattle cost, which stood at US$3.54/kg (source: Inac) in the quarter, 9% and 3% higher than in 3Q17 and 2Q18, respectively. In 3Q18, primary processing in the country stood at 558,000 head, increasing by around 7% from the same quarter of 2017.

In this scenario of challenges and opportunities, Marfrig once again report a solid performance.

Net revenue was a record of R$11 billion in 3Q18, increasing 21% from 3Q17. The Company reached a record Adjusted EBITDA of R$1,080 million, an increase of 23% on the third quarter last year (proforma basis), with margin of 9.7%.

In 3Q18, operating cash flow was R$804 million. This strong result corroborates Marfrig's strategic decision to focus on beef, supported by its diversified operating platform in the Americas. Consolidated free cash flow was R$271 million positive.

On a proforma basis, including the proceeds from the sale of Keystone, leverage measured by the ratio of adjusted net debt to Adj EBITDA in the last 12 months was 2.57x, improving 163 bps from the prior quarter, when the ratio stood at 4.20x. The new level reflects Marfrig's commitment to improving its capital structure in the long term.

Note that Marfrig is still undergoing a period of transition.

On August 20, the Company announced the divestment of Keystone for an enterprise value of US$2.4 billion. Deducting from this amount the interest held by noncontrolling shareholders[1], Marfrig's net proceeds, which will be used to reduce its gross debt, is US$2.2 billion.

[1] Non-controlling shareholders – Keystone joint ventures in Asia.

As informed, the Transaction is subject to the fulfillment of customary conditions precedent for transactions of this nature, including approval by the applicable antitrust authorities. Marfrig announced the deal's approval by the antitrust authorities in the United States, Japan and China, as well as by BNDESPAR. The approvals by the antitrust authority in South Korea is still in progress, and the Transaction is expected to be concluded in 2018.

Note that the Transaction did not include the operation in North Baltimore[2], Ohio. With production capacity of 91,000 tons of beef patties (fresh and frozen) and annual sales of US$300 million, it is one of the largest plants in the USA and serves the foodservice channel exclusively. The decision to maintain the operation is aligned with Marfrig's strategic focus on beef protein and higher-value products.

During this transition phase, the highlight was the visit, in late-September, of Senior Management of the North America operation to some production units in South America. As part of the process to ensure operating excellence and the exchange of best practices among both businesses, a "Map of Opportunities" was created focusing on the production and sales areas.

For each opportunity analyzed, the Company identified those responsible in each operation and the actions required to capture them. Some examples follow:

- Expanding and creating value for the North America portfolio with Uruguayan organic beef;
- Leverage sales in the US PET market via US commercial team;
- Integration of the commercial export structure of industrialized products from Brazil to the existing commercial structure in the USA;
- Using the North American operation platform and sales expertise in Asia for South American product sales;
- Operational benchmarking between operations in South America and North America, among other.

[2] North Baltimore operation – carve out still ongoing and therefore included in the data of Keystone Foods, which is classified as discontinued operation.

MARFRIG after strategic projects

With the redirection of its strategic focus to beef, Marfrig is now the world's 2nd largest beef producer in terms of slaughtering capacity. With a diversified production platform spanning the Americas, the Company currently serves the world's most important and most profitable consumer markets.

Country	Beef Primary Processing Units	Effective Processing Capacity (/day)	Further Processing Units
USA	2	12,000	4
BRAZIL	15	16,000	2
URUGUAY	4	3,700	1
ARGENTINA	1	800	-

In addition to 22 primary processing units in operation, Marfrig has 7 exclusive further processing units and 8 distribution centers, as well as sales offices in South America, North America and Asia.

In Chile, the Company is the country's leading beef importer. Locally, the Company has lamb primary processing capacity of 605,000 head/year. Marfrig also has two lines for slaughtering lamb in Uruguay.



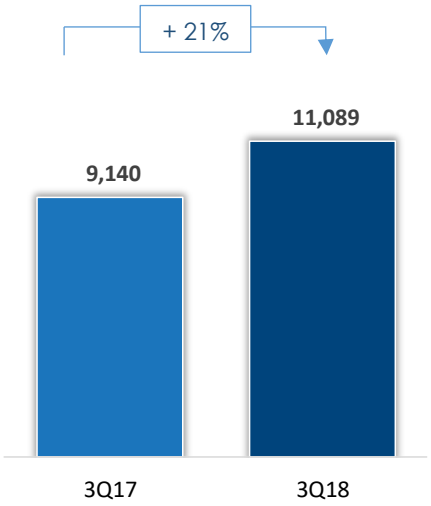
In this new context, and during the transition phase, Marfrig has decided to revisit its model for reporting its business activities. The Company will report its revenue in two regions:

- **North America:** responsible for primary processing and the deboning (primal cuts and portioning) of products from beef originating from the United States. The products are sold internally through the retail, wholesale and food service channels as well as exported to various markets. The business also includes the sale of ancillary/complementary products and subproducts from the process, the tannery and logistics operations and direct online sales to consumers.
- **South America:** responsible for the primary processing and deboning (primal and portioned cuts) of beef cattle from Brazil, Uruguay and Argentina; and to produce further processed products, such as canned meat, beef jerky, sauces, sachets and more. The products are sold internally through retail, wholesale and food service channels as well as exported to various markets. The business also includes sales of ancillary/complementary products and subproducts from the process and the distribution and sale of products in Chile.

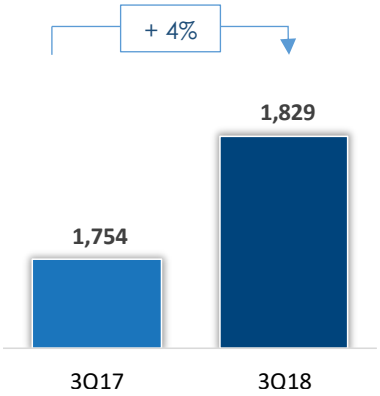
NET REVENUE

Net Revenue in 3Q18 was R$11 billion, up 21% from 3Q17 (proforma basis). This increase is explained by (i) depreciation in the Brazilian real against the U.S. dollar, which generated a gain of R$2,045 million; (ii) the higher sales volume of the operation in South America, with a positive variation of R$857 million; which offset (iii) the lower average sales price with negative variation of R$377 million and (iv) the effect of the lower number of weeks in the North American operation, with a negative impact of R$576 million.

Revenue (R$ million)



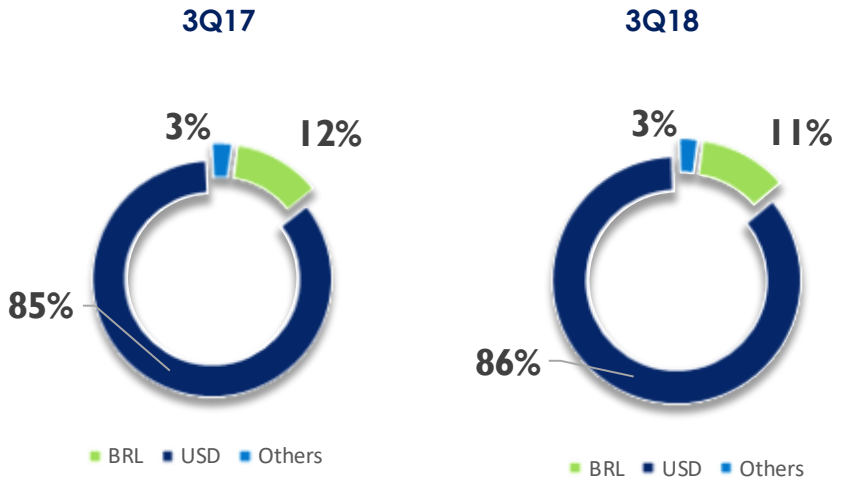
Primary Processing ('000 head)



Beef primary processing came to 1,829 thousand head, growing 4% compared to 3Q17, positively influenced by the higher volume in the South America operation.

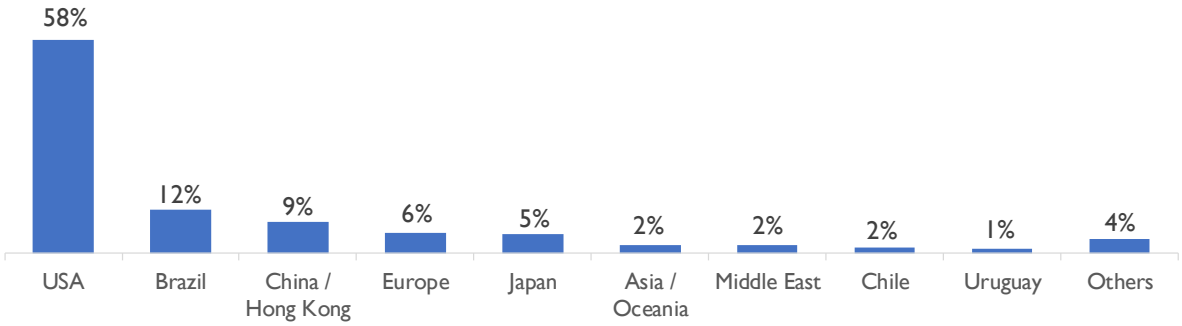
Marfrig is a highly internationalized company, and a large portion of its sales is pegged to currencies other than the Brazilian real. In 3Q18, net revenue denominated in foreign currency accounted for 89% of total revenue.

Revenue by currency (%) – R$ million



The highlight is the new sales profile of Marfrig, which supplies to key consumer markets around the world.

Consumer Markets (% of Consolidated Net Revenue) – R$ million



Revenue by region

	3Q17	3Q18	Δ
North America (US$ million)	*2,039*	*1,881*	*- 8%*
North America (R$ milhões)	6.453	7.469	+ 16%
South America (R$ million)	2,687	3,620	+ 35%
Total Revenue (R$ milhões)	**9,140**	**11,089**	**+ 21%**

North America

Net revenue from the North America operation was US$1.9 billion, a decrease compared to 3Q17, mainly due to the lower cattle kill.

The decrease of roughly 8% in cattle slaughtering, which led to a decrease of US$146 million in net revenue, is explained by the lower number of weeks in 3Q18 (13 weeks) compared to the same period of last year (14 weeks).

In Brazilian real, net revenue was R$7,469 million, up 16%, reflecting the average depreciation in the Brazilian real against the U.S. dollar in the comparison period.

South America

In 3Q18, net revenue from the South America business was R$3.6 billion, advancing 35% on the prior-year period, explained by (i) sales volume growth of 23%, generating a positive effect of R$971 million; which offset (ii) the lower average sales price, which produced a negative effect of R$441 million. The effect from Brazilian real depreciation contributed R$403 million.

The higher sales volume in South America reflects the strategy adopted by Marfrig, which expanded its slaughter in Brazil from mid-2017 through 2018, in anticipation of stronger global demand for beef. The continued good performance of the operations in Chile and the better performance of the operations in Argentina, even with country's recent difficulties, also contributed positively to this growth.

The Brazilian operation registered sales volume growth in both domestic and export markets.

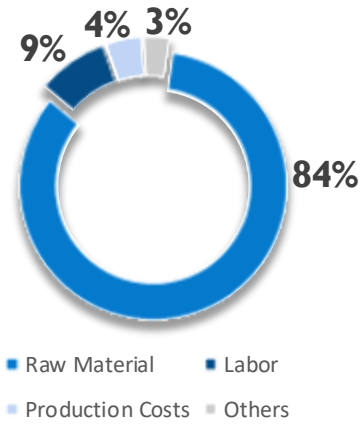
In the domestic market, in light of the more challenging political and economic scenario, which has affected consumer confidence level, Marfrig presented a solid performance, with sales volume growth of 25%. The highlight was the double-digit growth in both the foodservice & small retail channel and in the retail channel (large and small supermarket chains). The higher supply in the local market and the competition among proteins, however, led the average sales price to decline by 4.6% compared to 3Q17.

In the case of exports from Brazil, sales volume grew 49% on the same period last year. The expansion was supported by the higher primary processing and the normalization of operations following the truck drivers' strike, which affected performance in 2Q18. The average price in U.S. dollar followed the market's downward trend and also was affected by the sales mix, therefore decreasing 15% compared to 3Q17. This mix impact is explained by the share increase of volumes sold to countries from the so-called "general list" compared to more premium markets, which require specific certifications, which the Company is still in the process of obtaining. One such example is China, which should send a new mission soon to certify more plants in Brazil.

Also noteworthy is the continued solid performance delivered by Chile and Argentina, as well as the higher fed cattle slaughtering in Uruguay compared to 3Q17, leading Marfrig's share in the country (from 21% to 22%).

COST of GOODS SOLD ("COGS")

In 3Q18, Marfrig's cost of goods sold was R$9,573 million, up 19% from the year-ago period. The higher sales volume and increase in cattle cost in the South American operations partially offset the lower cattle costs in North America. The 25% average appreciation in the U.S. dollar between the periods generated a loss of R$1,525 million.



In the United States, the USDA KS Steer[3] price reference averaged US$111/cwt[4], decreasing 1.5% from 3Q17 and 5.4% from 2Q18, reflecting the higher cattle supply in the U.S. market.

In Brazil, the ESALQ São Paulo reference price for fed cattle averaged R$145/arroba in 3Q18, up 8.6% from the same period of 2017, when prices were influenced by exogenous events to the industry. Compared to the prior quarter, the average cattle price increased 4.8%, explained by the off-season period.

In Uruguay, the INAC price reference increased 9% compared to 3Q17, averaging US$3.54/kg. The increase is explained by the adverse weather conditions in the region

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

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

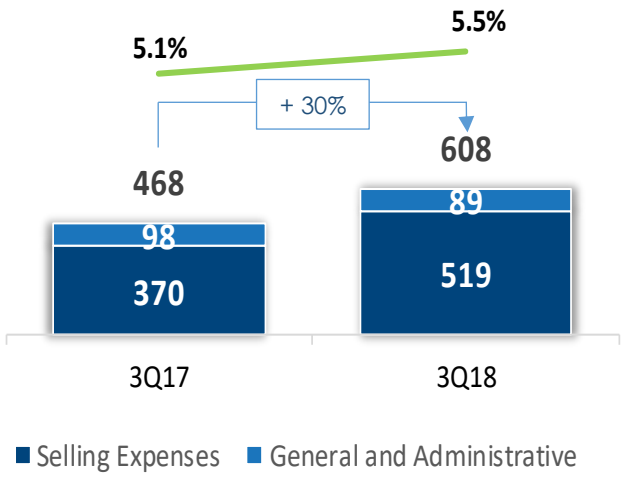
and by the continued strong global demand. Compared to the prior quarter, the average price increased 3%.

In Argentina, the cattle price reference stood at US$2.36/kg, down 30% compared to 3Q17, which benefitted from the depreciation in the Argentinean peso against the U.S. dollar.

SELLING, GENERAL & ADMINISTRATIVE EXPENSES

Selling, general and administrative (SG&A) expenses were R$608 million, which is explained by the effects from the translation into Brazilian real of amounts from the international operations, and by the higher sales volume at the Brazilian operation. As a ratio of net revenue (SG&A/NOR), SG&A expenses stood at 5.5%, increasing 40 bps from 3Q17.

SG&A Expenses (R$ million) and SG&A/NOR (%)



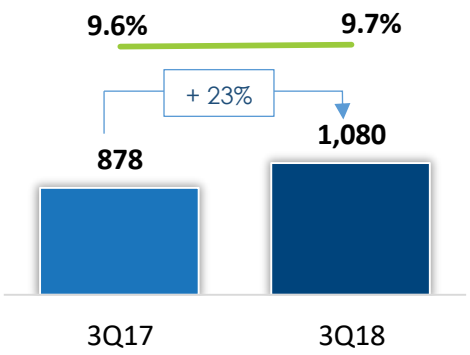
Selling expenses amounted to R$519 million, increasing 40% from 3Q17, pressured by the higher sales volume following the expansion in operational capacity in Brazil. The highlights were (i) the higher logistics expenses, influenced by export volume growth in the Brazilian operation; and (ii) the effect from the Brazilian real depreciation on the translation of amounts from the international units into the currency.

General and Administrative expenses were R$89 million, down 9% on the year-ago period.

Adjusted EBITDA

Marfrig reached and Adj EBITDA record of R$1,080 million, growing 23% compared to 3Q17 (proforma basis). Adj EBITDA margin stood at 9.7%. This performance is explained by the positive cycle of cattle in North America and the depreciation of the real effect on the dollar.

Adj. EBITDA and Adj. EBITDA Margin (R$ million and %)



FINANCIAL RESULT | Continuing Operation

The net financial result in 3Q18 was an expense of R$714 million. Excluding the effect from exchange variation, the financial result was an expense of R$572 million, or 29% higher than in 2Q18, explained by (i) the increase of R$38 million in financial expenses from working capital operations due to the higher sales volume; and (ii) by the non-recurring expenses with interest and other items, related to the bridge loan structuring for the acquisition of the controlling interest in National Beef, in the amount of R$90 million.

FINANCIAL RESULT	3Q18	2Q18	Chg.	
			R$	%
Net Interest Provisioned	(235)	(216)	(19)	9%
Market Transactions Net Result	(4)	(4)	0	-3%
Other Financial Revenues and Expenses	(244)	(200)	(44)	22%
Bridge Loan Interest and Expenses*	(90)	(22)	(68)	-
FINANCIAL RESULT EX-EXCHANGE VAR.	**(572)**	**(442)**	**(130)**	**29%**
Exchange Variation	(141)	(75)	(66)	88%
NET FINANCIAL RESULT	**(714)**	**(517)**	**(196)**	**38%**

***** Bridge loan expenses started to affect Marfrig's results as of June 2018, after the disbursement for acquiring the controlling interest in National Beef.

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

NET INCOME (LOSS) | Continuing Operations

In 3Q18, the net loss from continuing operations was R$126 million. This result was influenced by the negative effect from the average depreciation in the Brazilian real of roughly 10% in the quarter on interest and debt and by the non-recurring expenses of the bridge loan, which will be eliminated once the Company receives the proceeds from the Keystone divestment.

DEBT | Continuing Operation

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 98.9% of total debt), the variations discussed in this section are based on the amounts in U.S. dollar.

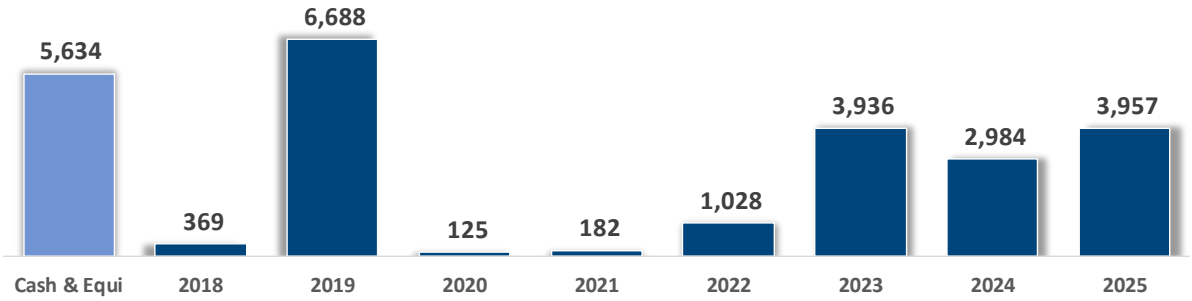
At September 30, the Company's gross debt stood at US$4,830 million, down 1% from the end of the prior quarter. In Brazilian real, gross debt was R$19,338 million, influenced by the Brazilian real depreciation[5] of 3.8% in the period.

The balance of cash and marketable securities stood at US$1,407 million, decreasing 4% from 2Q18. In Brazilian real, the cash balance was R$5,634 million.

Accordingly, Marfrig's continuing net debt ended the quarter at US$3,423 million, stable compared to 2T18. In Brazilian real, net debt stood at R$13,704 million.

Debt Maturity Schedule | Continuing Operation

(R$ million)



Average Cost (% p.a.)	Average Term (years)	Current liquidity
7.10%	3.65	1.09

Debt and Leverage | Continuing Operation and Keystone

For the purpose of calculating leverage, and to facilitate comparison with previous quarters, in this segment we will return to Keystone's debt, which since 1Q18 has been classified as available-for-sale assets.

At September 30, the Company's proforma gross debt stood at US$5,803 million, the balance of cash and marketable securities stood at US$1,577 million and, consequently, net debt ended the quarter at US$4,227 million.

In Brazilian real, proforma gross debt was R$23,236 million, the balance of cash and marketable securities was R$6,313 million and, therefore, net debt was R$16,923 million.

[5] On September 30, 2018, the closing exchange rate of the BRL against the USD was R$4.004/R$ 1.00.

Considering the proceeds from the sale of Keystone of US$2.2 billion, adjusted net debt in the quarter was US$2,071 million, down 49% compared to 2Q18. In Brazilian real, adjusted net debt was R$8,291 million.

Financial leverage, calculated as the ratio of adjusted net debt (post Keystone sale) and proforma[6] Adj EBITDA LTM (last 12 months) of R$3,225 million was 2.57x. When measured in U.S. dollars this ratio was 2.30x.

Adjusted net debt / Adj EBITDA LTM (BRL)	Adjusted net debt / Adj EBITDA LTM (USD)
2.57x	2.30x

Note: the calculation of the leverage ratio for the purpose of complying with the financial covenants of bank and capital market funding transactions, whose limit is 4.75x, includes provisions that allow for excluding exchange-variation effects. Accordingly, the ratio for this purpose ended 3Q18 at 3.20x (for more information, see Note 20.3 to the financial statements).

CASH FLOW

Marfrig's operating cash flow was positive R$804 million, mainly due to the strong performance of EBITDA, as already explained (positive cattle cycle and volume) and lower working capital needs in the quarter.

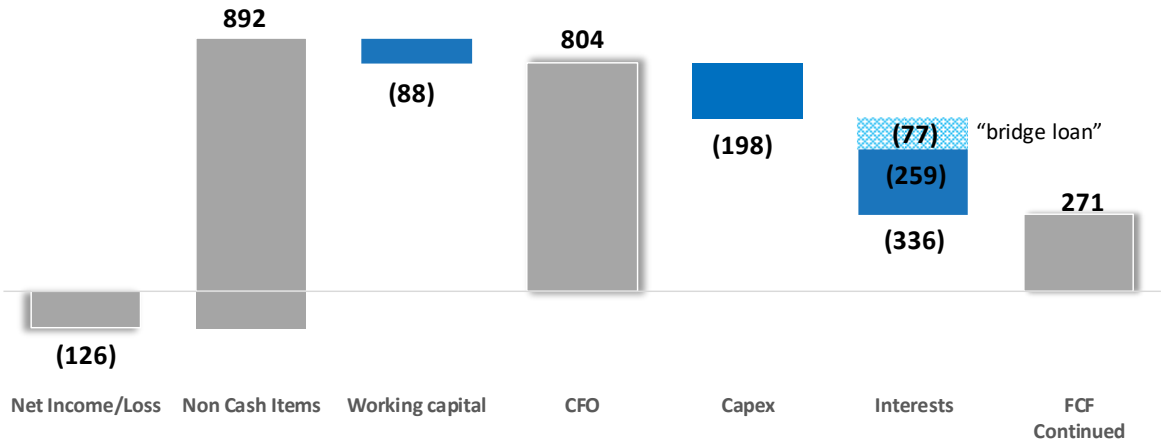
In 3Q18, investments amounted to R$198 million, equally divided between the regions of North and South America.

Interest expenses amounted to R$336 million. Note that this amount includes R$77 million related to the non-recurring interest and expenses with the bridge loan to acquire the controlling interest in National Beef, which will be settled upon receipt of the proceeds from the sale of Keystone.

Consequently, Marfrig recorded consolidated free cash flow of R$271 million positive in the quarter.

[6] Includes proforma data from the North America operation and excludes the result from Keystone.

Cash Flow (R$ million)



INVESTMENTS (CAPEX)

Marfrig's capital expenditure amounted to R$198 million in 3Q18, 55% of which allocated to the maintenance of assets and 45% to growth projects. As an example, we have the expansion of the portfolio of industrialized products in South America; expanding the storage space in Dodge City, KS and expansion portioned capacity in Moultrie, GA, in North America.

(R$ Million)	3Q18	9M18
	R$	R$
Investments	-	3,659
Investments in Fixed Assets	195	458
Investments in Intangigle Assets	3	7
TOTAL	198	4,123

OUTLOOK & CLOSING REMARKS

In its October report, the International Monetary Fund (IMF) reduced its forecast for world economic growth from 3.9% to 3.7% in 2018, citing the growing tension between the United States and its trade partners.

In the specific case of the United States and China, the institution maintained its growth forecasts of 2.9% and 6.6%, respectively, for 2018. However, for 2019, the IMF expects deceleration of 0.2 percentage points in both countries, due to the recently announced trade measures, which include duties on US$200 million in imports from China.

In the U.S. beef industry, despite the positive cattle cycle, the short-term expectation is for a gradual decrease in profitability, reflecting the seasonal narrowing of margins in the period. For the medium term, the continued moderate expansion in the herd

and in demand should sustain industry margins. The point of concern is related to the country's weather conditions (drought) and the consequent increase in the slaughtering of cows above the initial expectation.

In emerging markets and developing economies, a steeper decline was observed in the growth prospects of countries such as Argentina, Brazil, Mexico, Iran and Turkey.

Regarding the industry in Brazil, the higher supply of animals (positive phase of the cattle cycle) and the weaker Brazilian real against the U.S. dollar have made the country more competitive globally. For the year, the expectation is for export volume to grow 5% compared to 2017 (source: Rabobank). In the domestic market, despite the challenging political and economic scenario, a gradual increase in beef consumption is expected in relation to the levels recorded during the recent recession.

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 is guided by the generation of sustainable value. The five main pillars are:

Financial Strength: with free cash flow, net income and distribution of dividends;

Operating Excellence: synergic integration among units, management, performance and food safety;

Sustainability: Social and Environmental Responsibility, Partnerships with Producers and Organizations, and Animal Welfare;

Products and Clients: higher-value 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.

UPCOMING EVENTS

Earnings Conference Call

Date: November 6, 2018

Portuguese	**English**
9 a.m. (Brasília)	11 a.m. (Brasília)
6 a.m. (US EST)	**8 a.m. (US EST)**
11 a.m. (London)	2 p.m. (London)
Dial in Brazil: + 55 (11) 3193-1001 or 2820-4001	Dial in Other countries: + 1 (646) 828-8246
Code: Marfrig	Code: Marfrig

Live audio webcast with slide presentation.
Replay available for download: www.marfrig.com.br/ri

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APPENDIX LIST

APPENDIX I:	Income Statement | Continuing Operation	18
APPENDIX II:	EBITDA Calculation | Continuing Operation	20
APPENDIX III:	Income Statement | Proforma	21
APPENDIX IV:	Balance Sheet	22
APPENDIX V	Cash Flow | Continuing Operation	23

APPENDIX I

Income Statement

Consolidated Quarterly | Continuing Operation

(R$ million)

	3Q18 (a)		3Q17 (b)		2Q18 (c)		(a/b) Chg.		(a/c) Chg.	
	R$	%NOR	R$	%NOR	R$	%NOR	R$	%	R$	%
Net Revenues	**11,089**	**100%**	**2,687**	**100%**	**5,115**	**100%**	**8,402**	**313%**	**5,974**	**117%**
COGS	(9,573)	-86%	(2,299)	-86%	(4,360)	-85%	(7,275)	316%	(5,213)	120%
Gross Profit	**1,516**	**14%**	**388**	**14%**	**755**	**15%**	**1,127**	**290%**	**761**	**101%**
SG&A	**(608)**	**-5%**	**(212)**	**-8%**	**(393)**	**-8%**	**(396)**	**187%**	**(216)**	**55%**
Commercial	(519)	-5%	(150)	-6%	(262)	-5%	(369)	247%	(257)	98%
Administratives	(89)	-1%	(62)	-2%	(131)	-3%	(27)	43%	42	-32%
Adj. EBTIDA*	**1,080**	**10%**	**238**	**9%**	**461**	**9%**	**842**	**354%**	**619**	**134%**
Others revenues/expenses	(26)	0%	(22)	-1%	(646)	-13%	(4)	18%	620	-96%
EBITDA	**1,055**	**10%**	**216**	**8%**	**(185)**	**-4%**	**838**	**388%**	**1,239**	**-672%**
Equity Account	0	0%	0	0%	-	0%	(0)	-100%	0	0%
D&A	(173)	-2%	(62)	-2%	(99)	-2%	(111)	181%	(74)	74%
EBIT	**882**	**8%**	**155**	**6%**	**(284)**	**-6%**	**727**	**470%**	**1,166**	**-411%**
Financial Results	**(714)**	**-6%**	**(419)**	**-16%**	**(517)**	**-10%**	**(295)**	**70%**	**(196)**	**38%**
Financial revenues/expenses	**(572)**	**-5%**	**(383)**	**-14%**	**(442)**	**-9%**	**(189)**	**49%**	**(130)**	**29%**
Exchange rate variation	**(141)**	**-1%**	**(36)**	**-1%**	**(75)**	**-1%**	**(106)**	**297%**	**(66)**	**88%**
Minority Stake	**(380)**	**-3%**	**(0)**	**0%**	**(148)**	**-3%**	**(380)**	**-**	**(232)**	**157%**
EBT	**(212)**	**-2%**	**(264)**	**-10%**	**(949)**	**-19%**	**52**	**-20%**	**737**	**-78%**
Taxes	**86**	**1%**	**88**	**3%**	**367**	**7%**	**(2)**	**-3%**	**(281)**	**-77%**
Continued Op. - Controller Shareholder Net	**(126)**	**-1%**	**(175)**	**-7%**	**(582)**	**-11%**	**49**	**-28%**	**456**	**-78%**
Descontinued Ops. + Capital Gain	**46**	**0%**	**114**	**4%**	**45**	**1%**	**(68)**	**-60%**	**1**	**3%**
Controller Shareholder Net Profit	**(80)**	**-1%**	**(62)**	**-2%**	**(538)**	**-11%**	**(19)**	**30%**	**457**	**-85%**
P&L - USD x BRL	**R$ 3.96**		**R$ 3.16**		**R$ 3.61**		**0.79**	**25.1%**	**0.35**	**9.8%**
BS - USD x BRL	**R$ 4.00**		**R$ 3.17**		**R$ 3.86**		**0.84**	**26.4%**	**0.15**	**3.8%**

(*) Excludes the effects from other operating income/expenses.

APPENDIX I

Income Statement

Consolidated Quarterly | Continuing Operation

(R$ million)

	9M18 (a)		9M17 (b)		(a/b) Chg.	
	R$	%NOR	R$	%NOR	R$	%
Net Revenues	**19,267**	**100%**	**7,021**	**100%**	**12,246**	**174%**
COGS	(16,624)	-86%	(6,101)	-87%	(10,523)	172%
Gross Profit	**2,644**	**14%**	**920**	**13%**	**1,723**	**187%**
SG&A	**(1,254)**	**-7%**	**(588)**	**-8%**	**(666)**	**113%**
Commercial	(970)	-5%	(404)	-6%	(566)	140%
Administratives	(284)	-1%	(184)	-3%	(100)	54%
Adj. EBTIDA*	**1,723**	**9%**	**512**	**7%**	**1,211**	**236%**
Others revenues/expenses	(700)	-4%	(128)	-2%	(571)	446%
EBITDA	**1,024**	**5%**	**384**	**5%**	**640**	**166%**
Equity Account	0	0%	0	0%	(0)	-100%
D&A	(334)	-2%	(180)	-3%	(153)	85%
EBIT	**690**	**4%**	**204**	**3%**	**486**	**238%**
Financial Results	**(1,702)**	**-9%**	**(1,411)**	**-20%**	**(291)**	**21%**
Financial revenues/expenses	**(1,435)**	**-7%**	**(1,294)**	**-18%**	**(140)**	**11%**
Exchange rate variation	**(268)**	**-1%**	**(116)**	**-2%**	**(151)**	**130%**
Minority Stake	**(529)**	**-3%**	**(0)**	**0%**	**(528)**	**-**
EBT	**(1,540)**	**-8%**	**(1,207)**	**-17%**	**(333)**	**28%**
Taxes	**584**	**3%**	**428**	**6%**	**157**	**37%**
Continued Op. - Controller Shareholder Net	**(956)**	**-5%**	**(779)**	**-11%**	**(177)**	**23%**
Descontinued Ops. + Capital Gain	**135**	**1%**	**317**	**5%**	**(182)**	**-57%**
Controller Shareholder Net Profit	**(821)**	**-4%**	**(462)**	**-7%**	**(359)**	**78%**
P&L - USD x BRL	**R$ 3.60**		**R$ 3.17**		**0.43**	**13.5%**
BS - USD x BRL	**R$ 4.00**		**R$ 3.17**		**0.84**	**26.4%**

(*) Excludes the effects from other operating income/expenses.

APPENDIX II

EBITDA Calculation | Continuing Operation

Quarterly

(R$ million)

RECONCILIATION OF ADJUSTED EBITDA (R$ million)	3Q18	3Q17	2Q18
Net Profit / Loss	**(126)**	**(175)**	**(582)**
(+) Provision for income and social contribution taxes	(86)	(88)	(367)
(+) Non-controlling Interest	380	0	148
(+) Net Exchange Variation	141	36	75
(+) Net Financial Charges	572	383	442
(+) Depreciation & Amortization	173	62	99
EBITDA*	**1.055**	**216**	**(185)**
(+) Other Operacional Revenues/Expenses	26	22	646
Adj. EBITDA	**1.080**	**238**	**461**

(*) Excludes the effects from other operating income/expenses.

Year to date

(R$ million)

RECONCILIATION OF ADJUSTED EBITDA (R$ million)	9M18	9M17
Net Profit / Loss	**(956)**	**(779)**
(+) Provision for income and social contribution taxes	(498)	(428)
(+) Non-controlling Interest	148	0
(+) Net Exchange Variation	126	116
(+) Net Financial Charges	862	1,294
(+) Depreciation & Amortization	161	180
(+) Equity Income	-	(0)
EBITDA*	**(31)**	**384**
(+) Other Operacional Revenues/Expenses	674	128
Adj. EBITDA	**643**	**512**

(*) Excludes the effects from other operating income/expenses.

APPENDIX III

Income Statement | Proforma

(R$ million)

	3Q18 (a)		3Q17 (b)		2Q18 (c)		(a/b) Chg.		(a/c) Chg.	
	R$	%NOR	R$	%NOR	R$	%NOR	R$	%	R$	%
Net Revenues	**11,089**	**100%**	**9,140**	**100%**	**9,944**	**100%**	**1,949**	**21%**	**1,144**	**12%**
COGS	(9,573)	-86%	(7,938)	-87%	(8,598)	-86%	(1,635)	21%	(975)	11%
Gross Profit	**1,516**	**14%**	**1,202**	**13%**	**1,346**	**14%**	**314**	**26%**	**170**	**13%**
SG&A	**(608)**	**-5%**	**(468)**	**-5%**	**(593)**	**-6%**	**(140)**	**30%**	**(15)**	**3%**
Commercial	(519)	-5%	(370)	-4%	(434)	-4%	(149)	40%	(85)	20%
Administratives	(89)	-1%	(98)	-1%	(159)	-2%	8	-9%	70	-44%
Adj. EBTIDA*	**1,080**	**10%**	**878**	**10%**	**918**	**9%**	**202**	**23%**	**162**	**18%**
Others revenues/expenses	(26)	0%	(20)	0%	(643)	-6%	(5)	26%	617	-96%
EBITDA	**1,055**	**10%**	**858**	**9%**	**275**	**3%**	**197**	**23%**	**779**	**283%**
Equity Account	0	0%	0	0%	0	0%	(0)	-100%	0	151%
D&A	(173)	-2%	(145)	-2%	(165)	-2%	(28)	19%	(8)	5%
EBIT	**882**	**8%**	**713**	**8%**	**110**	**1%**	**169**	**24%**	**771**	**698%**
Financial Results	**(714)**	**-6%**	**(419)**	**-5%**	**(513)**	**-5%**	**(295)**	**70%**	**(201)**	**39%**
Financial revenues/expenses	**(572)**	**-5%**	**(383)**	**-4%**	**(438)**	**-4%**	**(189)**	**49%**	**(134)**	**31%**
Exchange rate variation	**(141)**	**-1%**	**(36)**	**0%**	**(75)**	**-1%**	**(106)**	**297%**	**(66)**	**88%**
Minority Stake	**(380)**	**-3%**	**(0)**	**0%**	**(148)**	**-1%**	**(380)**	**-**	**(232)**	**157%**
EBT	**(212)**	**-2%**	**295**	**3%**	**(551)**	**-6%**	**(507)**	**-172%**	**338**	**-61%**
Taxes	**86**	**1%**	**88**	**1%**	**368**	**4%**	**(2)**	**-3%**	**(282)**	**-77%**
Continued Op. - Controller Shareholder Net	**(126)**	**-1%**	**383**	**4%**	**(183)**	**-2%**	**(509)**	**-133%**	**56**	**-31%**
Descontinued Ops. + Capital Gain	**46**	**0%**	**114**	**1%**	**45**	**0%**	**(68)**	**-60%**	**1**	**3%**
Controller Shareholder Net Profit	**(80)**	**-1%**	**497**	**5%**	**(138)**	**-1%**	**(577)**	**-116%**	**58**	**-42%**
P&L - USD x BRL	**R$ 3.96**		**R$ 3.16**		**R$ 3.61**		**0.79**	**25.1%**	**0.35**	**9.8%**
BS - USD x BRL	**R$ 4.00**		**R$ 3.17**		**R$ 3.86**		**0.84**	**26.4%**	**0.15**	**3.8%**

Consolidated YTD – Proforma Quarterly

(R$ million)

	9M18 (a)		9M17 (b)		(a/b) Chg.	
	R$	%NOR	R$	%NOR	R$	%
Net Revenues	**29,882**	**100%**	**24,396**	**100%**	**5,487**	**22%**
COGS	(26,184)	-88%	(21,784)	-89%	(4,399)	20%
Gross Profit	**3,699**	**12%**	**2,611**	**11%**	**1,088**	**42%**
SG&A	**(1,698)**	**-6%**	**(1,286)**	**-5%**	**(413)**	**32%**
Commercial	(1,351)	-5%	(1,001)	-4%	(350)	35%
Administratives	(348)	-1%	(285)	-1%	(63)	22%
Adj. EBTIDA*	**2,483**	**8%**	**1,738**	**7%**	**745**	**43%**
Others revenues/expenses	(685)	-2%	(116)	0%	(569)	489%
EBITDA	**1,797**	**6%**	**1,621**	**7%**	**176**	**11%**
Equity Account	0	0%	0	0%	(0)	-100%
D&A	(482)	-2%	(412)	-2%	(70)	17%
EBIT	**1,315**	**4%**	**1,209**	**5%**	**106**	**9%**
Financial Results	**(1,698)**	**-6%**	**(1,411)**	**-6%**	**(287)**	**20%**
Financial revenues/expenses	**(1,430)**	**-5%**	**(1,294)**	**-5%**	**(136)**	**10%**
Exchange rate variation	**(268)**	**-1%**	**(116)**	**0%**	**(151)**	**130%**
Minority Stake	**(529)**	**-2%**	**(0)**	**0%**	**(528)**	**-**
EBT	**(911)**	**-3%**	**(202)**	**-1%**	**(709)**	**351%**
Taxes	**585**	**2%**	**428**	**2%**	**157**	**37%**
Continued Op. - Controller Shareholder Ne	**(326)**	**-1%**	**226**	**1%**	**(552)**	**-244%**
Descontinued Ops. + Capital Gain	**135**	**0%**	**317**	**1%**	**(182)**	**-57%**
Controller Shareholder Net Profit	**(191)**	**-1%**	**543**	**2%**	**(734)**	**-135%**
P&L - USD x BRL	**R$ 3.60**		**R$ 3.17**		**0.43**	**13.5%**
BS - USD x BRL	**R$ 4.00**		**R$ 3.17**		**0.84**	**26.4%**

The information herein designated as "proforma" is not part of the financial statements/ financial information required by the practices adopted in Brazil, IFRS and CVM and was not revised by the independent auditors.

APPENDIX IV
Balance Sheet
(R$ '000)

ASSETS	3Q18	4Q17
CURRENT ASSETS		
Cash and Marketable Securities	5.634.135	4.402.353
Trade accounts receivable	1.439.672	924.998
Inventories of goods and merchandise	2.305.300	1.759.871
Biological assets	14.619	119.621
Recoverable taxes	2.151.295	2.089.129
Prepaid expenses	48.178	111.913
Notes receivable	136.094	24.108
Advances to suppliers	70.535	50.012
Held-for-sale assets	6.572.836	161.860
Other receivables	279.095	94.783
	18.651.759	**9.738.648**
NON CURRENT ASSETS		
Court deposits	54.206	72.922
Notes receivable	284	93.899
Deferred income and social contributic	2.407.993	2.227.316
Recoverable taxes	1.782.453	1.763.641
Other receivables	74.649	50.968
	4.319.585	**4.208.746**
Investments	14.310	21.064
Property, plant and equipment	5.076.718	4.435.194
Biological assets	0	54.758
Intangible assets	5.396.218	2.843.389
	10.487.246	**7.354.405**
TOTAL ASSETS	**33.458.590**	**21.301.799**

LIABILITIES	3Q18	4Q17
CURRENT LIABILITIES		
Trade accounts payable	1.676.861	2.159.031
Supply chain finance	179.216	195.041
Accrued payroll and related charges	611.461	251.071
Taxes payable	308.665	312.131
Loans and financing	7.048.302	1.846.164
Notes payable	220.934	165.550
Lease payable	3.308	11.963
Advances from customers	1.001.024	795.783
Liabilities related to held-for-sale assets	5.777.466	82.232
Other payables	211.818	202.203
	17.039.055	**6.021.169**
NON CURRENT LIABILITIES		
Loans and financing	12.289.649	10.581.034
Taxes payable	854.597	948.442
Deferred income and social contribution	116.467	251.088
Provisions for contingencies	92.366	88.828
Lease payable	2.656	19.819
Notes payable	321.118	378.085
Advances from customers	400.390	330.800
Other	91.403	47.824
	14.168.646	**12.645.920**
Non-controlling interest	**2.045.692**	**242.178**
CONTROLLING SHAREHOLDER´S EQUITY		
Share Capital	7.319.467	7.319.467
Capital reserve	179.177	181.224
Profit reserves	34.466	38.362
Other comprehensive income	(1.791.956)	(425.222)
Accumulated losses	(5.535.957)	(4.721.299)
	205.197	**2.392.532**
TOTAL LIABILITIES	**33.458.590**	**21.301.799**

APPENDIX V
Cash Flow

(R$ million)

Continued Free Cash Flow	3Q18	2Q18	9M18
Net Income/Loss	(126)	(582)	(956)
(+/-) Non cash items	1,018	847	2,138
(+/-) Account Receivable	(18)	99	164
(+/-) Inventories	22	(317)	(231)
(+/-) Suppliers	1	(192)	(373)
(+/-) Others	(93)	(10)	(123)
(=) Operational Cash Flow	804	(155)	619
(-) Total Capex	(198)	(3,813)	(4,123)
(-) Investments in Fixed Assest	(198)	(156)	(465)
(-) Capex		(3,657)	(3,659)
(-) Interest expenses	(336)	(255)	(794)
Continued Free Cash Flow	**271**	**(568)**	**(639)**
Continued Free Cash Flow with the Acquisition	**271**	**(4,223)**	**(4,298)**