



JBS S.A.

Financial statements and Independent auditors' report

As of June 30, 2016 and 2015



(Convenience translation into English from the original previously issued in Portuguese)

INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM FINANCIAL INFORMATION

To the Shareholders, Board of Directors and Management of
JBS S.A.
São Paulo - SP

Introduction

We have reviewed the individual and consolidated interim financial information of **JBS S.A. ("Company")** contained within the Quarterly Financial Information - ITR, identified as Company and Consolidated, respectively, for the quarter ended on June 30, 2016, which comprise the individual and consolidated statement of financial position on June 30, 2016 and the related individual and consolidated statements of income and comprehensive income for the three and six-month period then ended, and individual and consolidated statements of changes in equity and cash flows for the six-month period then ended, as well as a summary of the significant accounting practices and other notes.

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

Scope of the review

We conducted our review in accordance with Brazilian and International Standard on Review of interim financial information (NBC TR 2410 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 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 International Standards on Auditing and consequently does not enable us to obtain assurance that 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 and consolidated interim financial information

Based on our review, we are not aware of any fact that causes us to believe that the individual and consolidated interim financial information included in the Quarterly Financial information - ITR referred to above were not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to Quarterly Financial Information - ITR and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

Emphasis

Restatement of the individual and consolidated interim financial information related for the quarter ended on June 30, 2015

We draw attention to Note 2 to the individual and consolidated interim financial information, which describe the restatement of the comparative individual and consolidated interim statements of comprehensive income and cash flows of the Company related for the six-month period ended on June 30, 2015, due to the correction of errors and review of certain accounting practices related to the issues described in Note 2. Our conclusion is not qualified in respect of this matter.

Other issues

Interim statements of added value

We have also reviewed the individual and consolidated interim statement of added value for the six-month period ended June 30, 2016, prepared under the responsibility of the Company's management, whose disclosure in the interim financial information is required in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Financial Information - ITR and considered as supplemental information by the International Financial Accounting Standards (IFRS), which do not require the disclosure of the Statement of Added Value. This statement was submitted to the same review procedures previously described and based on our review, we are not aware of any fact that would lead us to believe that they have not been fairly stated, in all material respects, in relation to the individual and consolidated interim financial information taken as a whole.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, August 10, 2016.



BDO RCS Auditores Independentes SS
CRC 2SP 013846/O-1


Paulo Sérgio Tufani
Accountant CRC 1SP 124504/O-9



JBS S.A.

Statement of financial position
In thousands of Brazilian Reais - R\$

	Note	Company		Consolidated	
		June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	4	5,111,202	11,257,943	8,471,064	18,843,988
Trade accounts receivable	5	2,450,050	3,435,691	9,156,740	12,119,662
Inventories	6	2,018,877	2,128,993	10,205,661	11,109,744
Biological assets	7	-	-	2,764,475	2,873,447
Recoverable taxes	8	1,577,914	1,409,696	3,715,767	2,874,987
Derivative assets	28	2,665	84,779	117,042	737,891
Other current assets		369,271	298,476	1,114,036	1,250,319
TOTAL CURRENT ASSETS		11,529,979	18,615,578	35,544,785	49,810,038
NON-CURRENT ASSETS					
Biological assets	7	-	-	981,498	1,100,353
Recoverable taxes	8	780,111	789,505	1,659,621	1,558,612
Related parties receivables	9	4,834,996	4,897,835	1,503,137	1,968,043
Investments in associate, subsidiaries and joint ventures	10	16,729,738	19,534,850	359,766	354,134
Property, plant and equipment	11	11,466,106	11,693,038	32,660,898	35,381,110
Intangible assets	12	474,109	467,540	5,787,858	6,892,534
Goodwill	12	9,085,970	9,085,970	22,022,496	24,411,441
Other non-current assets		525,709	478,827	1,067,012	1,026,702
TOTAL NON-CURRENT ASSETS		43,896,739	46,947,565	66,042,286	72,692,929
TOTAL ASSETS		55,426,718	65,563,143	101,587,071	122,502,967

The accompanying notes are an integral part of these quarterly interim financial statements.

JBS S.A.

Statement of financial position
In thousands of Brazilian Reais - R\$

	Note	Company		Consolidated	
		June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Trade accounts payable	13	1,771,536	2,448,362	9,715,404	12,421,018
Loans and financing	14	13,002,271	14,791,919	18,443,229	20,906,613
Accrued income taxes and other taxes	16	140,219	102,665	414,484	843,919
Payroll and social charges	16	388,777	387,426	2,365,176	2,891,953
Dividends payable	17	1,525	1,103,308	1,525	1,103,308
Other financial liabilities	18	159,257	445,164	434,673	901,916
Other current liabilities		700,127	1,026,780	806,572	1,068,740
TOTAL CURRENT LIABILITIES		16,163,712	20,305,624	32,181,063	40,137,467
NON-CURRENT LIABILITIES					
Loans and financing	14	14,492,802	14,951,523	39,205,535	44,976,113
Accrued income taxes and other taxes	16	94,880	117,913	257,136	297,138
Payroll and social charges	16	-	-	533,538	597,699
Other financial liabilities	18	34,727	37,950	188,071	233,855
Deferred income taxes	19	1,309,218	1,893,861	3,193,228	4,310,495
Provisions	20	208,975	197,100	1,254,219	1,533,100
Other non-current liabilities		60,755	29,929	633,086	795,722
TOTAL NON-CURRENT LIABILITIES		16,201,357	17,228,276	45,264,813	52,744,122
EQUITY					
Share capital - common shares	21	23,576,206	23,576,206	23,576,206	23,576,206
Capital reserve		(1,559,746)	(791,230)	(1,559,746)	(791,230)
Other reserves		78,093	81,066	78,093	81,066
Profit reserves		4,754,482	4,756,937	4,754,482	4,756,937
Other comprehensive income		(2,585,588)	406,264	(2,585,588)	406,264
Accumulated loss		(1,201,798)	-	(1,201,798)	-
Attributable to controlling interest		23,061,649	28,029,243	23,061,649	28,029,243
Attributable to non-controlling interest		-	-	1,079,546	1,592,135
TOTAL EQUITY		23,061,649	28,029,243	24,141,195	29,621,378
TOTAL LIABILITIES AND EQUITY		55,426,718	65,563,143	101,587,071	122,502,967

The accompanying notes are an integral part of these quarterly interim financial statements.

JBS S.A.
Statements of income (loss) for the six months period ended June 30, 2016 and 2015
In thousands of Brazilian Reais - R\$

	Note	Company		Consolidated	
		2016	2015	2016	2015
		Reissued		Reissued	
NET REVENUE	22	13,862,633	13,785,220	87,583,793	72,724,353
Cost of sales		(10,686,326)	(11,186,945)	(77,550,791)	(62,073,773)
GROSS PROFIT		3,176,307	2,598,275	10,033,002	10,650,580
General and administrative expense		(851,200)	(722,843)	(2,262,084)	(1,785,861)
Selling expense		(1,527,306)	(1,456,367)	(5,176,417)	(4,160,913)
Other income (expenses)		10,637	(7,525)	116,567	(2,076)
OPERATING EXPENSE		(2,367,869)	(2,186,735)	(7,321,934)	(5,948,850)
OPERATING PROFIT		808,438	411,540	2,711,068	4,701,730
Finance income	23	4,375,947	2,469,287	4,755,085	2,978,364
Finance expense	23	(7,088,047)	(4,080,058)	(8,747,975)	(5,194,954)
		(2,712,100)	(1,610,771)	(3,992,890)	(2,216,590)
Share of profit of equity-accounted investees, net of tax	10	166,548	2,258,036	5,644	31,795
PROFIT (LOSS) BEFORE TAXES		(1,737,114)	1,058,805	(1,276,178)	2,516,935
Current income taxes	19	1,143	1,146	(447,509)	(1,507,428)
Deferred income taxes	19	530,970	413,899	736,812	770,810
		532,113	415,045	289,303	(736,618)
NET INCOME (LOSS)		(1,205,001)	1,473,850	(986,875)	1,780,317
ATTRIBUTABLE TO:					
Controlling interest				(1,205,001)	1,473,850
Non-controlling interest				218,126	306,467
				(986,875)	1,780,317
Basic income (loss) per share - (R\$)	24	(0.43)	0.51	(0.43)	0.51
Diluted income (loss) per share - (R\$)	24	(0.43)	0.51	(0.43)	0.51

The accompanying notes are an integral part of these quarterly interim financial statements.

JBS S.A.

Statements of income for the three months period ended June 30, 2016 and 2015
In thousands of Brazilian Reais - R\$

	Note	Company		Consolidated	
		2016	2015	2016	2015
			Reissued		Reissued
NET REVENUE	22	7,022,875	7,112,741	43,671,854	38,905,361
Cost of sales		(5,587,563)	(5,786,132)	(38,402,643)	(33,032,622)
GROSS PROFIT		1,435,312	1,326,609	5,269,211	5,872,739
General and administrative expenses		(407,736)	(373,326)	(1,034,471)	(942,571)
Selling expenses		(780,542)	(751,890)	(2,497,924)	(2,205,697)
Other income (expenses), net		9,158	(3,570)	11,864	(4,162)
OPERATING EXPENSE		(1,179,120)	(1,128,786)	(3,520,531)	(3,152,430)
OPERATING PROFIT		256,192	197,823	1,748,680	2,720,309
Finance income	23	2,358,173	579,377	2,655,070	627,013
Finance expense	23	(1,172,323)	(2,288,101)	(1,882,685)	(2,927,465)
		1,185,850	(1,708,724)	772,385	(2,300,452)
Share of profit of equity-accounted investees, net of tax		668,280	1,057,444	5,349	7,665
PROFIT (LOSS) BEFORE TAXES		2,110,322	(453,457)	2,526,414	427,522
Current income taxes	19	677	583	(374,651)	(667,274)
Deferred income taxes	19	(574,838)	533,005	(493,994)	491,984
		(574,161)	533,588	(868,645)	(175,290)
NET INCOME		1,536,161	80,131	1,657,769	252,232
ATTRIBUTABLE TO:					
Controlling interest				1,536,161	80,131
Non-controlling interest				121,608	172,101
				1,657,769	252,232
Basic income per share - (R\$)	24	0.55	0.03	0.55	0.03
Diluted income per share - (R\$)	24	0.55	0.03	0.55	0.03

The accompanying notes are an integral part of the quarterly interim financial statements.

JBS S.A.

Statements of comprehensive income for six months period ended June 30, 2016 and 2015
In thousands of Brazilian Reais - R\$

	Reference	Company		Consolidated	
		2016	2015	2016	2015
			Reissued		Reissued
Net income (loss)	SCSE	(1,205,001)	1,473,850	(986,875)	1,780,317
Other comprehensive income (loss)					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation adjustments	SCSE	(2,991,852)	998,175	(3,270,878)	1,388,352
Total other comprehensive income (loss)		<u>(2,991,852)</u>	<u>998,175</u>	<u>(3,270,878)</u>	<u>1,388,352</u>
Comprehensive income (loss)		<u>(4,196,853)</u>	<u>2,472,025</u>	<u>(4,257,753)</u>	<u>3,168,669</u>
Total of other comprehensive income (loss) attributable to:					
Controlling interest		(4,196,853)	2,472,025	(4,196,853)	2,472,025
Non-controlling interest		-	-	(60,900)	696,644
		<u>(4,196,853)</u>	<u>2,472,025</u>	<u>(4,257,753)</u>	<u>3,168,669</u>

The accompanying notes are an integral part of these quarterly interim financial statements.

JBS S.A.

Statement of comprehensive income for the three months period ended June 30, 2016 and 2015
In thousands of Brazilian Reais - R\$

	Reference	Company		Consolidated	
		2016	2015	2016	2015
			Reissued		Reissued
Net income	SCSE	1,536,161	80,131	1,657,769	252,232
Other comprehensive income (loss)					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation adjustments	SCSE	(1,874,434)	(272,748)	(2,000,545)	(308,839)
Total of comprehensive income (loss)		(1,874,434)	(272,748)	(2,000,545)	(308,839)
Comprehensive income (loss)		(338,273)	(192,617)	(342,776)	(56,607)
Total of comprehensive income (loss) attributable to:					
Controlling interest	IS	(338,273)	(192,617)	(338,273)	(192,617)
Non-controlling interest	IS	-	-	(4,503)	136,010
		(338,273)	(192,617)	(342,776)	(56,607)

The accompanying notes are an integral part of the quarterly interim financial statements.



JBS S.A.
Statements of changes in equity for the six months period ended June 30, 2016 and 2015
In thousands of Brazilian Reals - R\$

Note	Reissued													Total equity
	Share capital	Capital reserves				Other reserves	Profit reserves		Other comprehensive income		Retained earnings (loss)	Total	Non-controlling interest	
		Premium on issue of shares	Capital transaction	Stocks option	Treasury shares		Legal	Investments statutory	VAE ⁽¹⁾	ATA ⁽²⁾				
DECEMBER 31, 2014	21,506,247	212,793	90,338	-	(451,700)	87,877	191,855	4,069,960	101,658	(1,074,700)	-	24,734,328	1,768,702	26,503,030
Net income	-	-	-	-	-	-	-	-	-	-	1,473,850	1,473,850	306,467	1,780,317
Comprehensive income	-	-	-	-	-	-	-	-	115,679	882,496	-	998,175	390,177	1,388,352
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	115,679	882,496	1,473,850	2,472,025	696,644	3,168,669
Acquisition of non-controlling interest without a change in control	21	-	26,670	-	-	-	-	-	-	-	-	26,670	-	26,670
Purchase of treasury shares	21	-	-	-	(31,986)	-	-	-	-	-	-	(31,986)	-	(31,986)
Stock option exercise	21	-	-	3,646	-	-	-	-	-	-	-	3,646	-	3,646
Share-based compensation	21	-	-	14,225	-	-	-	-	-	-	-	14,225	10,361	24,586
Realization other reserves	21	-	-	-	-	(2,004)	-	-	-	-	2,004	-	-	-
Capitalization of reserve	21	2,069,959	-	-	-	-	-	(2,069,959)	-	-	-	-	-	-
Pilgrim's Pride dividend to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(1,235,158)	(1,235,158)
JUNE 30, 2015	23,576,206	212,793	117,008	17,871	(483,686)	85,873	191,855	2,000,001	217,337	(192,204)	1,475,854	27,048,296	1,240,549	28,288,845
DECEMBER 31, 2015	23,576,206	211,879	(141,751)	42,213	(903,571)	81,066	423,861	4,333,076	205,576	200,688	-	28,029,243	1,592,135	29,621,378
Loss	-	-	-	-	-	-	-	-	-	-	(1,205,001)	(1,205,001)	218,126	(986,875)
Comprehensive income (loss)	-	-	-	-	-	-	-	-	(10,238)	(2,981,614)	-	(2,991,852)	(279,026)	(3,270,878)
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	(10,238)	(2,981,614)	(1,205,001)	(4,196,853)	(60,900)	(4,257,753)
Capital transaction	21	-	(5,477)	-	-	-	-	-	-	-	-	(5,477)	-	(5,477)
Purchase of treasury shares	21	-	-	-	(821,139)	-	-	-	-	-	-	(821,139)	-	(821,139)
Stock option exercise	21	-	-	3,311	-	-	-	-	-	-	-	3,311	-	3,311
Share-based compensation	21	-	-	52,334	-	-	-	-	-	-	-	52,334	1,610	53,944
Treasury stock incentive	21	-	-	(53,222)	55,677	-	-	(2,455)	-	-	-	-	-	-
Realization other reserves	21	-	-	-	-	(2,973)	-	-	-	-	2,973	-	-	-
Prescribed dividends	17	-	-	-	-	-	-	-	-	-	230	230	-	230
Pilgrim's Pride share repurchase	-	-	-	-	-	-	-	-	-	-	-	-	(16,105)	(16,105)
Purchase of acquired business - Scott	3	-	-	-	-	-	-	-	-	-	-	-	132,946	132,946
Pilgrim's Pride dividend to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(570,140)	(570,140)
JUNE 30, 2016	23,576,206	211,879	(147,228)	44,636	(1,669,033)	78,093	423,861	4,330,621	195,338	(2,780,926)	(1,201,798)	23,061,649	1,079,546	24,141,195

⁽¹⁾ Valuation adjustments to equity;

⁽²⁾ Accumulated translation adjustments and exchange variation in subsidiaries.

The accompanying notes are an integral part of these quarterly interim financial statements.



JBS S.A.
Statements of cash flows for the six months period ended June 30, 2016 and 2015
In thousands of Brazilian Reals - R\$

	Notes	Company		Consolidated	
		2016	2015	2016	2015
			Reissued		Reissued
Cash flows from operating activities					
Net income (loss)		(1,205,001)	1,473,850	(986,875)	1,780,317
Adjustments for:					
Depreciation and amortization	7, 11,12	342,454	329,147	2,285,879	1,615,606
Allowance for doubtful accounts	5	7,286	-	23,010	6,455
Share of profit of equity-accounted investees	10	(166,548)	(2,258,036)	(5,644)	(31,795)
(Gain) loss on assets sales		(10,293)	7,524	(89,025)	6,510
Tax expenses	19	(532,113)	(415,045)	(289,303)	736,618
Finance income (expense), net	23	2,712,100	1,610,771	3,992,890	2,216,590
Share-based compensation	21	52,334	14,225	53,944	24,586
Provisions	20	11,875	8,717	5,863	10,509
		1,212,094	771,153	4,990,739	6,365,396
Changes in assets and liabilities:					
Trade accounts receivable		(234,733)	(188,204)	511,437	(32,814)
Inventories		110,529	441,470	(407,661)	(123,942)
Recoverable taxes		(155,935)	(75,496)	(1,112,589)	(122,643)
Other current and non-current assets		(116,968)	(28,580)	(298,585)	(340,799)
Related parties receivable		402,066	1,391,748	141,100	(204,269)
Biological assets		-	-	(858,530)	(504,756)
Trade accounts payable		(606,209)	(438,107)	(1,104,305)	(414,293)
Other current and non-current liabilities		(380,031)	81,554	(748,937)	951,424
Changes in operating assets and liabilities		(981,281)	1,184,385	(3,878,070)	(792,092)
Interest paid		(947,359)	(1,003,809)	(1,942,743)	(1,514,037)
Interest received		683,015	395,927	394,737	495,012
Income tax paid		-	-	(1,214,785)	(1,690,646)
Net cash provided by (used in) operating activities		(33,531)	1,347,656	(1,650,122)	2,863,633
Cash flow from investing activities					
Purchases of property, plant and equipment	11	(106,438)	(627,818)	(1,602,027)	(1,659,994)
Sale of property, plant and equipment	11	27,013	11,576	148,361	71,817
Increase in investments in associates, joint-ventures and subsidiaries	10	(299,775)	(11,901)	-	-
Working capital adjustment of acquired company	3	-	-	30,165	-
Acquisitions, net of cash acquired	3	-	-	(332,538)	(5,040,696)
Other		(9,041)	(9,575)	(157,256)	-
Net cash used in investing activities		(388,241)	(637,718)	(1,913,295)	(6,628,873)
Cash flow from financing activities					
Proceeds from loans and financings	14	9,649,204	7,265,665	20,373,643	21,254,471
Payments of loans and financings	14	(7,403,758)	(10,086,885)	(17,714,717)	(18,902,591)
Derivatives settled in cash		(6,050,804)	2,440,646	(6,012,518)	1,407,929
Dividends paid	17	(1,101,783)	(482,732)	(1,101,783)	(482,732)
Dividends paid to non-controlling interest	17	-	-	(570,140)	(1,235,158)
Purchase of treasury shares	21	(821,139)	(31,986)	(821,139)	(31,986)
Others		3,311	3,646	(2,166)	28,912
Net cash provided by (used in) financing activities		(5,724,969)	(891,646)	(5,848,820)	2,038,845
Effect of exchange rate changes on cash and cash equivalents					
		-	-	(960,687)	723,680
Net change in cash and cash equivalents		(6,146,741)	(181,708)	(10,372,924)	(1,002,715)
Cash and cash equivalents beginning of period		11,257,943	9,503,923	18,843,988	14,910,427
Cash and cash equivalents at the end of period		5,111,202	9,322,215	8,471,064	13,907,712

The accompanying notes are an integral part of these quarterly interim financial statements.

JBS S.A.
Economic value added for the six months period ended June 30, 2016 and 2015
In thousands of Brazilian Reais - R\$

	Company		Consolidated	
	2016	2015	2016	2015
Revenue				
Sales of goods and services	14,534,419	14,458,063	88,897,732	73,910,341
Other net income (expenses)	13,879	(2,862)	118,284	(179)
Allowance for doubtful accounts	(7,286)	-	(23,010)	(6,455)
	14,541,012	14,455,201	88,993,006	73,903,707
Goods				
Cost of services and goods sold	(8,896,163)	(9,431,004)	(58,105,567)	(47,257,061)
Materials, energy, services from third parties and others	(2,340,840)	(1,864,543)	(13,700,212)	(11,124,350)
	(11,237,003)	(11,295,547)	(71,805,779)	(58,381,411)
Gross added value	3,304,009	3,159,654	17,187,227	15,522,296
Depreciation and Amortization	(342,454)	(329,147)	(2,285,879)	(1,615,606)
Net added value generated	2,961,555	2,830,507	14,901,348	13,906,690
Net added value by transfer				
Equity in earnings of subsidiaries	166,548	2,258,036	5,644	31,795
Financial income	7,656,343	3,501,586	7,856,931	3,893,883
Others	(4,878)	(14,566)	13,124	(66,202)
NET ADDED VALUE TOTAL TO DISTRIBUTION	10,779,568	8,575,563	22,777,047	17,766,166
DISTRIBUTION OF ADDED VALUE				
Labor				
Salaries	1,248,701	1,200,960	8,550,540	5,916,331
Benefits	87,934	80,213	1,498,198	1,107,507
FGTS (Brazilian Labor Social Charge)	49,467	48,806	120,114	117,006
	1,386,102	1,329,979	10,168,852	7,140,844
Taxes and contribution				
Federal	(418,006)	(178,501)	148,903	1,196,580
State	590,242	794,342	907,001	1,093,139
Municipal	8,673	8,128	20,713	10,471
	180,909	623,969	1,076,617	2,300,190
Capital Remuneration from third parties				
Interests and exchange variation	10,279,655	5,060,717	11,694,110	6,028,973
Rents	60,558	47,268	371,586	249,628
Others	77,345	39,780	452,757	266,214
	10,417,558	5,147,765	12,518,453	6,544,815
Owned capital remuneration				
Net income (loss) attributable to controlling interest	(1,205,001)	1,473,850	(1,205,001)	1,473,850
Non-controlling interest	-	-	218,126	306,467
	(1,205,001)	1,473,850	(986,875)	1,780,317
ADDED VALUE TOTAL DISTRIBUTED	10,779,568	8,575,563	22,777,047	17,766,166

The accompanying notes are an integral part of these quarterly interim financial statements.

JBS S.A.

Notes to the quarterly interim financial statements for the six months period ended June 30, 2016 and 2015
(Expressed in thousands of Brazilian reais)

1 Operating activities

JBS S.A. ("JBS" or the "Company"), based in the state of São Paulo, Brazil, is a company listed on the "Novo Mercado" segment of the São Paulo Stock Exchange (BM&FBOVESPA S.A. - *Bolsa de Valores, Mercadorias & Futuros*) under the ticker symbol "JBSS3". JBS also trades its American Depository Receipts over the counter under the symbol "JBSAY".

The Company and its subsidiaries ("Company" or "Consolidated") is the world's largest company in processing animal protein.

The financial statements presented herein include the Company's individual operations in Brazil as well as the activities of its subsidiaries. Below is a summary of the Company's main operating activities by entity and geographic location, as well as ownership percentage as of June 30, 2016 and December 31, 2015.

Company

Description	Activities	Units	State
JBS	<ul style="list-style-type: none"> - Beef processing: slaughter, cold storage, industrialization and production of canned and beef and derivatives of beef. - Leather industrialization, processing and commercialization. - Production and commercialization of steel cans, plastic resin, soap base mass for production, soap bar, biodiesel, glycerin, olein, fatty acid, collagen and wrapper derived from cattle tripe; management of industrial residue; purchase and sale of soybeans, tallow, palm oil, caustic soda, stearin, own transportation operations, pet food industrialization service, direct sales to customers of beef and related items by stores named "Mercado da Carne"; production, cogeneration and commercialization of electric power. - Distribution centers and harbors. 	86	AC, AM, BA, CE, ES, GO, MA, MG, MS, MT, PA, PE, PR, RJ, RO, RS, SC, SP, TO

Consolidated: Main activities in Brazil

Description	Activities	Units	State	Participation	Ownership (2016 and 2015)
Seara Alimentos Ltda. (Seara Alimentos)	<ul style="list-style-type: none"> - Chicken and pork processing: raising, slaughtering and processing of broiler chickens and hogs; industrialization and commercialization of beef and food products; and production of pet food and concentrates. - Distribution centers and harbors. 	51	BA, CE, DF, MG, MS, MT, PE, PR, RJ, RN, RS, SC and SP	Direct	100%
Meat Snacks Partners do Brasil Ltda (Meat Snacks)	<ul style="list-style-type: none"> - Beef Jerky production. 	2	SP	Indirect	50%
Enersea Comercializadora de Energia Ltda. (Enersea)	<ul style="list-style-type: none"> - Commercialization of electric power. 	2	SC and SP	Direct	99.99%
JBS Confinamento Ltda. (JBS Confinamento)	<ul style="list-style-type: none"> - Providing services of fattening cattle. 	5	SP, GO, MS, MT	Direct	100%
Brazservice Wet Leather S.A (Brazservice)	<ul style="list-style-type: none"> - Industrialization, processing and commercialization of wet blue leather. 	1	MT	Direct	100%

Consolidated: Main activities outside of Brazil

Description	Activities	Units	Country	Participation	Ownership (2016 and 2015)
JBS USA Holding Lux, S.à.r.l. (JBS USA)	<ul style="list-style-type: none"> - Beef, pork and lamb processing : slaughter, cold storage, industrialization and by-products derived; - Chicken processing: raising, slaughter, industrialization and commercialization of products derived from its processing operations; - Fattening cattle services; - Transportation services. 	221	Australia, Canada, Luxembourg, Mexico and United States of America	Indirect	100%
JBS Argentina S.A. (JBS Argentina)	<ul style="list-style-type: none"> - Beef processing; and industrialization of canned goods, fat, pet foods and beef products. 	6	Argentina	Indirect	100%
JBS Global UK, Friboi (JBS Global UK)	<ul style="list-style-type: none"> - Meat "in natura" trading and processing for sale throughout the European Union. 	1	United Kingdom	Indirect	100%
JBS Toledo NV (Toledo)	<ul style="list-style-type: none"> - Trading operations for the european market; cooked frozen meat commercialization; logistic operations; warehousing; customization and new products development. 	1	Belgium	Indirect	100%
JBS Paraguay S.A (JBS Paraguay)	<ul style="list-style-type: none"> - Beef processing. 	2	Paraguay	Indirect	100%
Frigorífico Canelones S.A (Canelones)	<ul style="list-style-type: none"> - Beef processing. 	1	Uruguay	Indirect	100%
Rigamonti Salumificio SpA (Rigamonti)	<ul style="list-style-type: none"> - Bresaola production and sale. 	3	Italy	Direct	100%
Conceria Priante (Priante)	<ul style="list-style-type: none"> - Semi finished and finished leather industrialization and commercialization. 	4	Italy	Direct	100%
JBS Leather International (Leather International)	<ul style="list-style-type: none"> - Wet blue, semi-finished and finished leather industrialization and commercialization. 	11	Argentina, British Virgin Islands, Germany, Hong Kong, Netherlands, Paraguay and Uruguay	Direct	100%

JBS S.A.

Notes to the quarterly interim financial statements for the six months period ended June 30, 2016 and 2015
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Description	Activities	Units	Country	Participation	Ownership (2016 and 2015)
Seara Holding Europe B.V. (Seara Holding)	- Animal protein products trading.	4	Netherlands	Indirect	100%
Moy Park Holdings (Europe) Limited (Moy Park)	- Production of fresh, high quality locally farmed poultry and convenience food products.	14	United Kingdom, France, Netherlands, Republic of Ireland.	Direct	100%

2 Basis of preparation

The interim financial statements were prepared in accordance with accounting practices adopted in Brazil, in compliance with the law of joint stock companies (Lei das sociedades por ações - Leis das SA's), pronouncements, interpretations and orientations issued by the Brazilian Accounting Pronouncements Committee (Comitê de Pronunciamentos Contábeis) - CPC and requirements of the Brazilian Securities Commission - CVM and with the International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB). The accounting practices adopted in Brazil require the disclosure of the Economic Value Added (Demonstração do Valor Adicionado - DVA), individual and consolidated, while the IFRS rules do not require its disclosure. As a consequence, due to IFRS rules, DVA is disclosed as supplementary information, without any loss to these financial statements. The Company individual financial statements are identified as "Company" and the consolidated financial statements are identified as "Consolidated".

Reissuance of Statements of Income, Statements of Comprehensive income and Statements of Cash Flow for the six and three months period ended June 30, 2016.

The management of has assessed its accounting policies as well as the presentation and accounting for certain transactions in the financial statements and has concluded that it was necessary to restate previously Statements of Income, Statements of Comprehensive income and Statements of Cash Flow for the six and three months period ended June 30, 2016 for the correction of errors and certain other reclassifications in accordance with CPC 23/IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, as follows:

1. Correcting the foreign currency translation (other comprehensive income) relating to goodwill arising in certain business combinations for goodwill that should have been denominated in the functional currency of a subsidiary;
2. Correcting the presentation of items in the statements of cash flows, including cash flows related to interest, acquisitions of assets and businesses, derivatives, taxes, sales of investment securities, and share-based payments;
3. Correcting the presentation of non-controlling interest in the statements of cash flow;
4. Correcting the presentation of finance income and expense on the statements of income;
5. Adding certain additional disclosures required by IFRS.

The Company emphasizes that these restatements have no effect on its previously reported net income or earnings per share. No statement of changes in equity has been presented, as the only adjustments are related to comprehensive income, which has been disclosed on its specific table above.

Company:

INCOME STATEMENT	Six months period ended June 30, 2016			Three months period ended June 30, 2016		
	Previously published	Adjustments	Reissued	Previously published	Adjustments	Reissued
Finance income (expense), net	(1,610,771)	1,610,771	-	(1,708,724)	1,708,724	-
Finance income	-	2,469,287	2,469,287	-	579,377	579,377
Finance expense	-	(4,080,058)	(4,080,058)	-	(2,288,101)	(2,288,101)

COMPREHENSIVE INCOME	Six months period ended June 30, 2016			Three months period ended June 30, 2016		
	Previously published	Adjustments	Reissued	Previously published	Adjustments	Reissued
Foreign currency translation adjustments	918,296	79,879	998,175	(253,880)	(18,868)	(272,748)
Total of comprehensive income	2,392,146	79,879	2,472,025	(173,749)	(18,868)	(192,617)

CASH FLOWS	Six months period ended June 30, 2016		
	Previously published	Adjustments	Reissued
Taxes expenses	(413,899)	(1,146)	(415,045)
Finance income (expense), net	3,771,607	(2,160,836)	1,610,771
Share-based compensation	-	14,225	14,225
Other current and non-current liabilities	463,323	(381,769)	81,554
Interest paid	-	(1,003,809)	(1,003,809)
Interest received	-	395,927	395,927
Operating activities	4,485,064	(3,137,408)	1,347,656
Additions to property, plant and equipment and intangible assets	(625,817)	(2,001)	(627,818)
Sale of property, plant and equipment	-	11,576	11,576
Others	-	(9,575)	(9,575)
Investing activities	(637,718)	-	(637,718)
Proceeds from loans and financings	(10,782,243)	695,358	(10,086,885)
Derivatives settled in cash	-	2,440,646	2,440,646
Financing activities	(4,029,054)	3,137,408	(891,646)

JBS S.A.

Notes to the quarterly interim financial statements for the six months period ended June 30, 2016 and 2015
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Consolidated:

INCOME STATEMENT	Six months period ended June 30, 2016			Three months period ended June 30, 2016		
	Previously published	Adjustments	Reissued	Previously published	Adjustments	Reissued
Finance income (expense), net	(2,216,590)	2,216,590	-	(2,300,452)	2,300,452	-
Finance income	-	2,978,364	2,978,364	-	627,013	627,013
Finance expense	-	(5,194,954)	(5,194,954)	-	(2,927,465)	(2,927,465)

COMPREHENSIVE INCOME	Six months period ended June 30, 2016			Three months period ended June 30, 2016		
	Previously published	Adjustments	Reissued	Previously published	Adjustments	Reissued
Foreign currency translation adjustments	918,296	470,056	1,388,352	(253,880)	(54,959)	(308,839)
Total of comprehensive income	2,698,613	470,056	3,168,669	(1,648)	(54,959)	(56,607)

CASH FLOWS	Six months period ended June 30, 2016		
	Previously published	Adjustments	Reissued
Net income attributable to controlling interest	1,473,850	306,467	1,780,317
Taxes expenses	(770,810)	1,507,428	736,618
Finance income (expense), net	4,635,181	(2,418,591)	2,216,590
Share-based compensation	-	24,586	24,586
Other current and non-current liabilities	(286,699)	1,238,123	951,424
Interest paid	-	(1,514,037)	(1,514,037)
Interest received	-	495,012	495,012
Income tax paid	-	(1,690,646)	(1,690,646)
Operating activities	5,213,029	(2,349,396)	2,863,633
Additions to property, plant and equipment and intangible assets	(1,703,409)	43,415	(1,659,994)
Sale of property, plant and equipment	-	71,817	71,817
Acquisitions, net of cash acquired	(4,997,545)	(43,151)	(5,040,696)
Others	-	-	-
Investing activities	(6,700,954)	72,081	(6,628,873)
Proceeds from loans and financings	(19,856,855)	954,264	(18,902,591)
Derivatives settled in cash	-	1,407,929	1,407,929
Dividends paid	(1,633,012)	1,150,280	(482,732)
Dividends paid to non-controlling interest	-	(1,235,158)	(1,235,158)
Financing activities	(238,470)	2,277,315	2,038,845

The presentation of our financial condition and results of operation in accordance with IFRS, as issued by the IASB, requires that certain judgments and estimates be made regarding the effects of matters that are inherently uncertain and that impact the carrying value of assets and liabilities. Significant assets and liabilities that are subject to these estimates include the useful life of the property, plant and equipment, estimated recovery value of long-lived assets, allowance for doubtful accounts, inventories, deferred income tax, provision for tax, civil, and labor liabilities, determining the fair value of financial instruments (assets and liabilities) and other similar estimates regarding the selection of interest rates, and valuation of derivative financial instruments. The settlement of a transaction involving these estimates may result in values that are different from those estimated, due to the possible lack of precision inherent to the process. Certain of our accounting policies require higher degrees of judgment than others in their application. Actual results may differ from those estimated depending upon the variables, assumptions or conditions used by management.

Significant accounting policies related to property plant and equipment, inventory, revenue recognition, reportable segments and borrowings are described within the primary footnotes related thereto.

In order to provide an understanding regarding how our management forms its judgments about future events, including the variables and assumptions underlying the estimates and the sensitivity of those judgments to different variables and conditions, certain of our critical accounting policies are discussed below:

a. Accounting for business combinations and impairment of goodwill and intangible assets

We have made acquisitions that generated a significant amount of goodwill and other intangible assets, with both indefinite and finite lives. According to International Financial Reporting Standards (IFRS) 3 "Business Combinations", the excess of the consideration paid, the amount of any non-controlling interests in the acquiree (when applicable), and the fair value, at the acquisition date, of any previous equity interest in the acquiree over the fair value of the net identifiable asset acquired at that date is recorded as goodwill. The acquisition price consists of cash paid, the fair value of equity issued and the fair value of contingent consideration. IFRS 3 does not permit that goodwill and intangible assets with indefinite useful lives be amortized but they should be tested at least annually for impairment. Management uses judgment to identify tangible and intangible assets and liabilities, valuing such assets and liabilities, and in determining their remaining useful lives. We generally engage third party valuation firms to assist in valuing the acquired assets and liabilities. The valuation of these assets and liabilities is based on the assumptions and criteria which include in some cases estimates of future cash flows discounted at the appropriate rates. The use of different assumptions used for valuation purposes, including estimates of future cash flows or discount rates, may result in different estimates of value of assets acquired and liabilities assumed.

Assets are tested for impairment annually and whenever events and circumstances indicate that the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those items. Our impairment analysis contains uncertainties due to judgment in assumptions, including revenue growth, costs and expenses, capital expenditures, working capital and discount rates. We do not believe there is a reasonable likelihood there will be a material change in the estimates or assumptions used to calculate impairments of assets, however, if actual results are not consistent with our estimates and assumptions used to calculate estimated future cash flows, we may be exposed to impairment losses that could be material.

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Notes to the quarterly interim financial statements for the six months period ended June 30, 2016 and 2015
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b. Biological Assets

Management use estimates and judgments in determining the fair value of live assets, related to market prices, average lifecycle growth and laying and reproduction profile. Market prices are based on the group's knowledge of a limited market transactions at various points of the consumable and bearer assets' lifecycle.

c. Deferred and Current Income Taxes

We recognize deferred tax effects of tax loss carry forwards and temporary differences between the financial statement carrying amounts and the tax basis of our assets and liabilities. We estimate our income taxes based on regulations in the various jurisdictions where we conduct business. This requires us to estimate our actual current tax exposure and to assess temporary differences that result from different treatment of certain items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which we record on our statement of financial position.

A portion of the tax benefit corresponding to the tax losses carried forward was not recorded as an asset, as management cannot determine whether realization is probable. Tax losses and negative bases of social contribution in Brazil have no expiration date. However, the annual offset is limited to 30% of pretax income. We regularly review the deferred tax assets for recoverability and will only recognize if we believe that it is probable that there will be sufficient taxable profit based on historical taxable income, projected future taxable income, and the expected timing of the reversals of existing temporary differences. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. We reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

d. Provisions for Contingencies

The preparation of our financial statements requires our management to make estimates and assumptions regarding contingencies which affect the valuation of assets and liabilities at the date of the financial statements and the revenues and expenses during the reported period. In particular, given the uncertain nature of Brazilian tax legislation, the assessment of potential tax liabilities requires significant management judgment.

We are subject to lawsuits, investigations and other claims related to employment, environmental, product, taxing authorities and other matters. We are required to assess the likelihood of any adverse judgments or outcomes, as well as potential ranges of probable losses, to these matters. Provisions for contingencies are recorded when losses are considered to be probable and the amount can be reliably measured. No provision is recorded if the risk of loss for a contingency is assessed to be reasonably possible but not probable, but reasonably possible losses are disclosed in the notes to our financial statements. If the risk of loss for a contingency is assessed as remote, no provision or disclosure is necessary.

e. Financial Instruments

Financial instruments are recorded only as of the date we become a party to the relevant instrument. The financial asset or liability is initially recorded by its fair value, plus any costs of the transaction that are directly attributable to the acquisition or issue of the financial assets or liability. The subsequent measuring of financial instruments occurs as of each reporting date in accordance with the rules set forth depending on the nature of the relevant financial assets and liabilities, which are classified as follows: (1) fair value through profit or loss; (2) loans and receivables; (3) liabilities at amortized cost; and (4) derivative financial instruments. We have not designated any of our derivative as cash flow hedges and therefore all fair value adjustments have been recorded in profit and loss for all periods presented.

f. Foreign currency translation**Functional and representation currency**

The functional currency of a company is the local currency within the primary economic environment in which it operates. These consolidated financial statements are presented in Brazilian Reals (R\$), which is the Company's presentation and functional currency. All financial information is presented in thousands of reais, except when otherwise indicated.

Transactions in foreign currencies other than a Company's functional currency are initially measured in the respective functional currencies of each entity using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are remeasured at the closing exchange rate on the statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income, under the caption "Finance income" or "Finance expense".

Group companies with a different Functional currency

The financial statements of the subsidiaries located abroad are prepared using each subsidiary's respective functional currency. The results and financial position of all entities with a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

- i. assets and liabilities are translated at the current rate at the date of each closing period;
- ii. income and expenses are translated at the average rate;
- iii. all resulting exchange differences are recognized in Accumulated Other Comprehensive Income, and are presented in the statement of comprehensive income in foreign currency translation adjustments and in the equity

g. Individual financial statements

The individual quarterly interim financial statements presents the evaluation of investments in associates, subsidiaries and joint ventures by the equity method. In order to reach the same income statement and equity attributable to controlling interest in the individual and consolidated financial statements, the same adjustments of accounting practice upon the adoption of IFRS and CPCs, were done on both financial statements. The carrying value of these investments includes the breakdown of acquisition costs and goodwill.

h. Consolidated financial statements

The Company fully consolidates all controlled subsidiaries. The Company controls an entity when it is exposed or has the right to variable return with its involvement with the entity and it has the capacity of interfering in these returns due to power exercised over the entity. Subsidiaries are fully consolidated from the date on which the control is transferred to the group. The consolidation is discontinued from the date that control ceases.

Investments in associates and joint venture ("joint ventures") are recorded by the equity method. Associate is an entity over which the Company has significant influence, but does not exercise control. Joint ventures are all entities over which the Company shares control with one or more parties.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with policies adopted by the Group. Intercompany transactions, balances, income and expenses transactions between group companies are eliminated.

The non-controlling interest is presented in the financial statements as part of the shareholder's equity, as well as the net income (loss) attributable to them in the income statement.

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When the Company acquires more shares or other equity instruments of an entity that it already controls, gain and losses arising from acquisition of shares, or other equity instruments, of a controlled entity, are kept at shareholder's equity in the caption of "Capital transactions".

i. Present value adjustment in assets and liabilities

When relevant assets and liabilities are adjusted to present value, considering the following assumptions for the calculation: i) the amount to be discounted; ii) the dates of realization and settlement; and iii) the discount rate.

j. New standards, amendments and interpretations that are not yet effective

The following new standards have been issued by IASB but are not effective for 2015.

IFRS 9: "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities and introduces new rules for hedge accounting. The effective date is January 1, 2018. The Company is assessing the impacts on the adoption of IFRS 9 and has not determined the transition method that will be used.

IFRS 15: "Revenue from Contracts with Customers", replaces IAS 11, "Construction Contracts", IAS 18, "Revenue" and related interpretations and introduces the principles to be applied by an entity to measure and recognize revenue. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognize transitional adjustments in retained earnings on the date of initial application (January 1, 2017), without restating the comparative period. Companies will only need to apply the new rules to contracts that are not completed as of the date of initial application. The effective date is January 1, 2018. The Company is assessing the impacts on the adoption of IFRS 15 and has not determined the transition method that will be used.

IFRS 16: "Leases": This standard supersedes the existing standard on leasing, IAS 17 – Leases, and related interpretations, and establishes the principles for the recognition, measurement, presentation and disclosure on leasing for both parties to a contract, in other words, clients (lessee) and suppliers (lessor). Lessees are required to recognize a leasing liability reflecting future payments of the leasing and a "right to use an asset" for almost all leases contracts, excepting some short-term leases and contracts of assets of a small amount. For lessors the accounting treatment remains almost unchanged, with the classification of leases in operational or financial leases, and the accounting of these two kinds of lease contracts in different manners. The standard comes into effect on January 1, 2019. A company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15 "Revenue from Contracts with Customers". The Group is assessing the impacts of the adoption of IFRS 16 and has not defined the transition method that will be used.]

There are no other rules, amendments and interpretations that are not in force in which the Company expects to have a relevant impact arising from its application on its quarterly interim financial statements.

3 Business Combination

The Company applies the acquisition method to account for business combinations with entities not under common control. The consideration transferred in a business combination is measured at fair value, which is calculated by adding the fair values of assets transferred, liabilities incurred on the acquisition date to the previous owners of the acquired shares issued in exchange for control of the acquired. Acquisition costs are expensed as incurred.

The excess between i) the consideration transferred; ii) the amount of any non-controlling interest in the acquiree (when applicable); and iii) the fair value at the acquisition date, of any previous equity interest in the acquiree, over the fair value of net assets acquired is recognized as goodwill. When the sum of the three items above is less than the fair value of the net assets amount acquired, the gain is recognized directly in the income statement of the period as 'Bargain gain'.

The estimated fair values of assets acquired and liabilities assumed are adjusted during the measurement period (which shall not exceed one year, from the date of acquisition), or additional assets and liabilities are recognized to reflect new information relating to facts and circumstances existing at the acquisition date which, if known, would have affected the amounts recognized on that date. The Company, and the acquiring subsidiaries as indicated, entered into the following business combinations during the year ending December 31, 2015. There were no significant business combinations for the six months period ended on June 30, 2016.

Acquired company	Acquirer	Participation (%) acquired	Description of the business	Goodwill tax deductible	Date of acquisition
AMSE02 Holding Ltda. (Big Frango)	JBS Aves	100%	- Vertically integrated in poultry business based in Rolândia, Brazil; - Production capacity of 11,400 thousands birds per month in its plant; - Big Frango's acquisition further strengthens Seara Alimentos' strategic position in the Brazilian chicken market.	No ⁽¹⁾	February 2015
Australian Consolidated Food Holdings Pty. Limited (Primo)	JBS Australia	100%	- Leader producer of ham, bacon and small goods in Australia and New Zealand; - Primo's acquisition allows JBS Australia to expand its pork operations as well as growth into the consumer ready, value-added markets.	No	March 2015
Provemex Holding LLC (Tyson Mexico)	Pilgrim's Pride Corporation	100%	- Vertically integrated poultry business based in Gomez Palacio, Durango, Mexico; - It has a production capacity of three million birds per week in its three plants and employs more than 4,500 people in its plants, offices and seven distribution centers; - Tyson Mexico's acquisition further strengthens the PPC's strategic position in the Mexico chicken market.	No	June 2015
Moy Park Holdings Europe Ltd. (Moy Park)	JBS S.A.	100%	- Leader in high value added categories and a reference in the development and innovation of food products; - Its customer base includes the main retailers and foodservice chains in UK and Continental Europe; - Moy Park's acquisition makes JBS one of the largest poultry processor in the UK	No	September 2015
Cargill Inc.'s U.S. pork business (Cargill)	Swift Pork	100%	- Acquisition of two meat processing plants, five feed mills and four hog farms; - Cargill's acquisition strengthens Swift Pork's strategic position in the U.S. pork market as well as enables expansion into hog production.	Yes	October 2015
FRS S/A Agroavícola Industrial (FRS)	JBS Aves	100%	- Vertically integrated in poultry business based in Porto Alegre, Brazil; - It has a production capacity of 12,000 tons per month in its plants; - FRS's acquisition further strengthens Seara's strategic position in the Brazilian chicken market.	No ⁽¹⁾	December 2015

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The assets acquired and liabilities assumed in those business combinations have been measured at their fair values at as set forth below:

FAIR VALUE	Acquisitions in 2015					
	Big Frango	Primo	Tyson Mexico	Cargill Inc	Moy Park ⁽³⁾	FRS
Cash and cash equivalents	18,746	15,168	17,173	-	732,196	636
Trade accounts receivable	76,402	356,662	74,999	310,456	373,530	-
Inventories	32,077	365,959	103,944	271,365	490,479	1,078
Biological assets	42,483	-	107,437	637,558	311,434	-
Other assets	143,906	51,674	11,340	6,566	375,842	53,151
Property, plant and equipment	227,802	1,048,631	489,441	1,036,000	1,449,205	495,155
Intangible	156,318	551,696	81,943	911,618	2,164,568	221,333
ASSETS	697,734	2,389,790	886,277	3,173,563	5,897,254	771,353
Trade accounts payable	148,286	364,088	66,861	256,101	1,128,709	41,476
Loans and financings	553,345	-	-	-	1,877,720	-
Other liabilities	282,568	133,010	29,962	81,862	1,110,133	838,359
Current and deferred taxes	89,353	4,556	99,119	-	-	206,291
Non-controlling interest	-	-	-	-	(4,480)	-
LIABILITIES	1,073,552	501,654	195,942	337,963	4,112,082	1,086,126
Net assets and liabilities	(375,818)	1,888,136	690,335	2,835,600	1,785,172	(314,773)
Acquisition price ⁽²⁾	30,000	3,834,603	1,176,093	5,494,446	5,602,378	436,898
Goodwill	405,818	1,946,467	485,758	2,658,846	3,817,206	751,671

Other transactions:

As set forth below, the Company completed others non material acquisitions. The excess of the purchase price over the fair values of the net tangible assets and identifiable intangible assets was recorded as goodwill.

Company	Date of acquisition	% of voting interests acquired	Acquisition price ⁽²⁾	Goodwill	Goodwill deductible for tax
Conceria Priante S.p.A	March 2015	100%	39,529	16,509	Yes
Knox International Trading Co Pty Limited	June 2015	100%	7,810	18,579	No
Seara Norte Alimentos Ltda.	December 2015	100%	71,987	26,606	No ⁽¹⁾
Scott Technology Limited	April 2016	50.1%	124,229	104,773	No
			243,555	166,467	

⁽¹⁾ - **Criteria for goodwill deductibility in Brazil:** All goodwill generated in these business combinations in Brazil are eligible for tax deductibility, but they become effectively tax deductible after a merger in between parent company and acquired company occurs. Therefore, to become a tax benefit the merger process is mandatory.

⁽²⁾ - **Acquisition price:** Acquisitions were paid in a certain period of time using assets from the company, such as cash and cash equivalents.

⁽³⁾ - **Moy Park:** Moy Park's acquisition purchase price, after the earn-out agreement, includes the fair value of contingent consideration of R\$150,000.

4 Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks and financial investments with original maturities of three months or less. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an immaterial risk of changes in fair value. Cash and cash equivalents consisted of the following:

	Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Cash and banks	1,518,330	6,244,789	4,148,802	10,776,155
CDB (bank certificates of deposit)	3,552,559	1,584,422	4,281,949	4,285,299
Money market funds	-	-	-	353,802
National treasury bill - Tesouro Selic	40,313	3,428,732	40,313	3,428,732
	5,111,202	11,257,943	8,471,064	18,843,988

The bank certificates of deposit – CDB are held at high quality financial institutions and earn interest based on floating rates that approximate the overnight interbank lending rate (Certificado de Depósito Interbancário).

National treasury bill – also known as Tesouro Selic. These are purchased bonds with financial institutions having conditions and characteristics that are similar to the CDB's.

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5 Trade accounts receivable, net

Trade accounts receivable correspond to amounts owed by customers in the ordinary course of business. If the receivable is due within one year or less, the account receivable is classified as a current asset. Accounts receivable are presented at amortized cost, less any impairment. Accounts receivable denominated in currencies other than the entities' functional currency are remeasured using the current exchange rate at the end of the reporting period. The age of accounts receivable along with the allowance for doubtful accounts and present value adjustment are as follows at June 30, 2016 and December 31, 2015:

	Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Current receivables	2,334,557	3,107,119	8,201,183	9,950,459
Overdue receivables:				
From 1 to 30 days	105,894	248,610	739,168	1,475,312
From 31 to 60 days	29,475	105,701	99,342	456,220
From 61 to 90 days	17,200	50,348	62,105	192,307
Above 90 days	93,689	54,230	343,954	355,789
Allowance for doubtful accounts	(122,248)	(114,962)	(267,787)	(266,733)
Present value adjustment	(8,517)	(15,355)	(21,225)	(43,692)
	115,493	328,572	955,557	2,169,203
	2,450,050	3,435,691	9,156,740	12,119,662

The allowance for doubtful accounts is estimated based on an analysis of the age of the receivable balances. An allowance is recorded for long standing and overdue receivables, considering the probability of loss based on historical experience. The resulting bad debt expense is recognized in the statement of income within "Selling Expenses". Below are the changes in the allowance for doubtful accounts:

	Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Initial balance	(114,962)	(88,585)	(266,733)	(192,367)
Additions	(7,304)	(26,377)	(32,214)	(60,989)
Exchange variation	-	-	18,243	(16,888)
Write-offs	18	-	12,917	3,511
Final balance	(122,248)	(114,962)	(267,787)	(266,733)

6 Inventories

Inventories are stated at the lower of the average cost of acquisition or production, and the net realizable value.

	Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Finished products	1,283,948	1,365,859	6,503,167	6,786,778
Work in process	424,039	416,961	925,782	1,079,250
Raw materials	146,684	197,684	1,171,800	1,449,727
Warehouse spare parts	164,206	148,489	1,604,912	1,793,989
	2,018,877	2,128,993	10,205,661	11,109,744

7 Biological assets
Chicken and eggs:

Current (consumable) - Refers to broiler chickens that will be slaughtered in the maturing period. Broiler chickens remain in development for a period of 30 to 48 days to eventually produce fresh meat and / or industrialized products. Due to the broilers short development period, it is not possible to measure fair value reliably and therefore broilers are accounted for at acquisition costs plus the costs incurred during development which generally consists of feed and grower costs.

Non current (bearer assets) - Refers to layer and breeder chickens that are set aside for breeding and have an estimated useful life of 68 weeks. The animals in this category are segregated between mature when they are in the breeding stage and immature when they are under development. The costs associated with layer and breeder chickens are accumulated up to the production stage and amortized over their productive lives based on an estimate of their capacity to produce new assets (eggs). There is no active market for layer and breeder chickens. Amortization of the mature animals is included in cost of sales in the statement of income.

Cattle:

Current (consumable) - Refers to cattle in feedlots (intensive), cattle in pastures (extensive) which remains under development for 90 to 120 days.

Cattle are carried at market value due to the existence of active markets. The gain or loss in fair value of biological assets is recognized in the statement of income in the period in which it occurs as a reduction of (or increase in) gross revenue.

Hogs and lambs:

Current (consumable) - Refers to hogs and lambs that will be slaughtered in the maturing period. Hogs and lambs remain in development for a period of 170 to 175 days for to eventually produce fresh meat and / or industrialized products. The fair value of these hog biological assets in Brazil is approximated by its acquisition cost plus costs incurred during the maturing period. In the U.S., there exists an active market for consumable hogs and therefore these hog biological assets are carried at market value less costs to finish.

Non-current (bearer assets) - Refers to hogs that are intended for breeding which have an estimate useful life of 28 months. The costs associated with breeder hogs are accumulated up to the production stage and amortized over their productive lives based on an estimate of their capacity to produce new assets (hogs). There is no active market for breeder hogs. Amortization of the breeder hog is included in cost of sales in the statement of income.



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Current biological assets (consumable):	Consolidated			
	June 30, 2016		December 31, 2015	
	Amount	Quantity (thousands)	Amount	Quantity (thousands)
Carried at cost:				
Chicken	1,580,273	544,052	1,639,042	548,226
Hogs	634,657	2,685	530,848	2,542
Lambs	-	-	23,628	29
	2,214,930	546,737	2,193,518	550,797
Carried at market value:				
Hogs	461,804	1,844	612,351	1,802
Cattle	87,741	34	67,578	22
	549,545	1,878	679,929	1,824
Total current:				
Chicken	1,580,273	544,052	1,639,042	548,226
Hogs	1,096,461	4,529	1,143,199	4,344
Cattle	87,741	34	67,578	22
Lambs	-	-	23,628	29
	2,764,475	548,615	2,873,447	552,621

Non-current biological assets (bearer assets):	Consolidated			
	June 30, 2016		December 31, 2015	
	Amount	Quantity (thousands)	Amount	Quantity (thousands)
Carried at cost:				
Mature chicken (breeding stage), net of amortization	407,183	20,304	401,555	19,057
Immature chicken (in development)	403,126	15,712	510,077	16,499
Hogs	171,189	389	188,721	369
Total non-current:	981,498	36,405	1,100,353	35,925
Total of biological assets:	3,745,973	585,020	3,973,800	588,546

Changes in biological assets:	Current	Non-current
	Balance at December 31, 2015	2,873,447
Increase by reproduction (born) and costs to mature	12,128,965	824,267
Reduction for slaughter, sale or consumption	(13,966,603)	(132,916)
Increase by purchase	1,789,935	346,006
Fair value adjustments	(89,241)	-
Changes from non-current to current	400,074	(400,074)
Decrease by death	(12,988)	(12,730)
Exchange rate variation	(359,114)	(159,273)
Amortization	-	(584,135)
Balance at June 30, 2016	2,764,475	981,498

8 Recoverable taxes

Recoverable taxes as of June 30, 2016 and December 31, 2015 was comprised of the following:

	Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Value-added tax on sales and services (ICMS)	971,145	935,612	2,372,818	2,212,951
Excise tax - IPI	35,351	35,401	112,309	111,932
Social contribution on billings - PIS and COFINS	878,300	891,230	1,511,886	1,517,128
Withholding income tax - IRRF/IRPJ	440,833	303,182	1,267,478	456,788
Reintegra	15,256	20,045	44,634	49,002
Other	17,140	13,731	66,263	85,798
	2,358,025	2,199,201	5,375,388	4,433,599
Current	1,577,914	1,409,696	3,715,767	2,874,987
Non-current	780,111	789,505	1,659,621	1,558,612
	2,358,025	2,199,201	5,375,388	4,433,599

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Value-added tax on sales and services (ICMS): Refers to excess credits derived from purchases of raw materials, packaging and other materials over tax charges due on domestic sales. The Company carries a substantial balance of ICMS recoverable taxes in Brazil since exports are not subject to the tax. The Company expects to recover the total amount of the tax credit, including Brazilian ICMS credits from other states (based on the difference between the statutory rate for tax bookkeeping and the effective rate for ICMS collection in the state of origin). These excess credits do not expire.

Excise tax – IPI: Refers to value added taxes incurred upon the industrialization of foreign and domestic goods in Brazil. The rates may differ according to the type of product, volume or selling price. These credits do not expire and can be used to pay other federal taxes or reimbursed in cash.

Social contribution on billings - PIS and COFINS: Refers to value added taxes (non-cumulative PIS and COFINS credits) arising from purchases of raw materials, packaging and other materials used in products sold in markets outside of Brazil. Such taxes are recovered through domestic sales in Brazil (as export sales are exempt from such taxes) and can be offset against other federal taxes. These social contribution on billings excess credits do not expire.

Withholding income tax - IRRF/IRPJ: Refers mainly to Brazilian withholding income tax levied on short-term investments, deductions and remaining foreign tax credits and prepayments of income tax and social contribution paid by estimate, which can be offset against income tax payable in each jurisdiction.

Reintegration of the Special Tax Values - Reintegra: Refers to tax incentives for exporting activities. Tax credit amounts are calculated by multiplying the statutory rate by gross revenue from the export of certain industrial products. The tax credit is refundable and therefore the Company expects to recover such tax credits in cash.

9 Related parties transactions

The main balances of assets and liabilities, as well as the transactions resulting in income (loss) for any period, that relate to transactions between related parties or arose from transactions at prices and conditions established between the related parties. Transference of costs includes borrowing costs, interest and management fee, when applicable. Below is presented the current balance of such transactions:

COMPANY	Currency	Maturity	Costs transfer (administrative and funding)	Statement of financial position accounts		Effect on net income	
				June 30, 2016	December 31, 2015	2016	2015
Direct subsidiaries							
JBS Confinamento	R\$	01/01/2018	Corresponds to CDI + 1% p.m.	106,639	68,491	6,151	4,302
JBS Embalagens Metálicas	R\$	01/01/2018	Corresponds to CDI + 1% p.m.	130,215	116,895	13,128	9,518
Brazservice	R\$	01/01/2018	Corresponds to CDI + 1% p.m.	44,669	19,443	3,118	1,931
Tannery	R\$	09/01/2016	Corresponds to CDI + 1% p.m.	-	41,824	3,083	2,993
JBS Global Investments	US\$	03/13/2017	-	(6,507)	677,439	-	-
Seara Alimentos	R\$	01/01/2018	Corresponds to CDI + 1% p.m.	2,329,778	1,380,125	176,204	1,801
JBS Holding GMBH	EUR	-	-	184,279	435,291	-	-
JBS Global Meat	R\$	-	-	52,328	52,328	-	-
Enersea	R\$	01/01/2018	Corresponds to CDI + 1% p.m.	(260)	-	90	-
Indirect subsidiaries							
JBS Aves	R\$	01/01/2018	Corresponds to CDI + 1% p.m.	2,057,009	2,181,770	201,646	83,883
Zenda	US\$	-	-	21,555	25,897	218	-
Itaholb	EUR	-	-	(84,709)	(101,668)	-	-
JBS USA	US\$	3/25/2016	Corresponds to Libor + 2.5% to 3% p.y.	-	-	-	(1,599)
				4,834,996	4,897,835	403,638	102,829

Subsequent event: On July 2016, the loan agreement with the subsidiary JBS Global Meat was capitalized in the respective.

Additional information among the transactions between related parties are pointed such as the purchase of cattle for slaughter between JBS and its subsidiary JBS Confinamento and the sale of finished products to "trading companies" JBS Global (UK), Toledo, and Sampco and of leather in different stages to the subsidiaries Trump Asia and Priante. Such transactions are made at regular price and market conditions in their region because it takes the market prices applied with third parties clients. The number of cattle supplied by JBS Confinamento is irrelevant comparing to the volume demanded by JBS, same as the volume of exported through our tradings products over the volume of its exports.

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Following, are demonstrated all commercial transactions between related parties recognized in the individual financial statement:

COMPANY	Accounts receivable		Accounts payable		Purchases		Sale of products	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015	2016	2015	2016	2015
Direct subsidiaries								
JBS Confinamento	566	380	12,561	26,753	66,229	73,048	3,137	3,275
Priante	2,883	34,889	337	76	-	-	20,538	84,654
Brazservice	6,864	426	1,556	2,603	27,060	46,626	39,725	33,146
Tannery	-	130	-	7	150	34,064	-	30,384
Seara Alimentos	15,633	13,651	19,626	273,125	68,177	45,327	120,363	85,681
Enersea	-	-	-	-	49,286	-	26,273	-
Rigamonti	-	-	-	11	-	-	-	514
JBS Argentina	-	-	-	-	6,531	7,405	-	-
Indirect subsidiaries								
JBS Global UK	35,678	63,036	-	41	-	-	134,954	128,122
Australia Meat	-	-	672	297	5,542	26,166	-	-
Toledo	19,566	75,832	-	-	-	-	144,897	117,094
JBS Aves	2,188	1,727	123,512	359,017	175,165	236,860	35,689	31,135
Weddel	5,736	8,378	-	-	-	-	29,466	4,337
Sampco	66,322	54,435	-	-	20	-	199,727	233,942
JBS Leather Europe	-	-	-	2	-	-	-	-
Meat Snacks Partners	19,821	2,443	805	251	4,080	1,692	148,489	97,586
Frigorífico Canelones	-	-	-	-	2,554	5,647	-	-
Trump Asia	73,184	74,602	246	-	31	84	180,620	123,427
JBS Paraguay	351	291	4,623	2,384	41,137	50,850	959	85
Zenda	4,902	6,013	2,175	1,145	5,752	750	28,532	15,076
Braslo Produtos de Carnes	11,308	10,761	-	-	-	33	87,165	86,375
Excelsior	7	13	-	-	-	-	33	36
JBS Chile	-	148	-	-	-	-	1,735	-
Seara Norte	157	-	-	-	-	-	951	-
JBS USA	110	-	-	-	-	-	197	-
Agrícola Jandelle	5,769	264	11,390	-	35,303	-	11,279	-
Avebom	-	23	2,729	87,441	-	-	-	-
Macedo	1,346	1,053	1,077	6,499	4,264	-	6,451	-
Sul Valle	-	4	-	24,908	-	-	4	-
JBS Leather Paraguay	128	-	1,958	-	3,360	1,882	245	153
Other related parties								
Vigor	8,625	7,499	128,868	293,857	52,944	85,684	44,097	33,396
J&F Floresta Agropecuária	288	6	1,281	5,354	4,435	38	289	349
JBj Agropecuária	537	97	10,368	1,968	45,721	1,107	2,116	764
Flora Produtos	11,238	6,565	20	7	43	162	80,578	22,051
Flora Distribuidora	265	18,562	39	51	286	277	1,412	79,449
Itambé	319	287	2	-	-	131,355	1,427	3,253
Eldorado Celulose	6,886	13,171	2,542	985	2,619	25,403	1,605	33,897
	300,677	394,686	326,387	1,086,782	600,689	774,460	1,352,953	1,248,181

The Company and its subsidiaries entered with Banco Original (Related party), an agreement in which Banco Original acquires credits held against certain clients in the domestic market. The assignments are done at marked value through a permanent transference to Banco Original of risks and benefits of all receivables. On June 30, 2016, the Company and its subsidiaries had transferred receivables which the outstanding amount totalized R\$660,803. During the six months period ended June 30, 2016, the Company and its subsidiaries incurred in financial costs related to this operation in the amount of R\$40,632, recognized in the financial statements as financial expenses.

No allowance for doubtful accounts or bad debts expenses relating to related-party transactions were recorded for the six months period ended June 30, 2016 and year ended December 31, 2015.

Consolidated - Credits with related parties

The total amount of receivables from related parties, in the consolidated were R\$1,503,137 on June 30, 2016 (R\$1,968,043 on December 31, 2015) and are the result of the use of a credit facility between the indirect subsidiary JBS Five Rivers (subsidiary of JBS USA) and J&F Oklahoma (subsidiary of J&F Investimentos S.A., which is not consolidated in the Company). The credit facility provides J&F Oklahoma with the ability to borrow up to US\$675 million from JBS Five Rivers for the purchase cattle to be kept in the JBS Five Rivers feed yards where they are fattened until ready for slaughter. Outstanding borrowings under this credit facility bear interest at 3.4%, which is payable on a quarterly basis, or at the time of any payment of principal.

Furthermore, JBS Five Rivers, JBS Australia and JBS Canada are party to commercial agreements with J&F Oklahoma, J&F Australia and J&F Canada, respectively, as follows:

a. cattle supply and feeding agreement: where JBS takes provides cattle fattening services to J&F and J&F pays JBS for the medicinal and feeding costs, including a daily yardage charge in line with market terms; and

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b. sales and purchase cattle agreement whereby JBS is required to purchase from J&F a certain volume of animals per year. The minimum purchase commitments under those agreements are: i) JBS USA commitment of at least 800,000 animals/year, with a term from 2009 to 2019, ii) JBS Australia commitment of at least 200,000 animals year, with a term from 2011 to 2019, and iii) JBS Canada commitment of at least 50,000 animals/year, with a term from 2013 to 2019.

Finally, JBS Five Rivers is the guarantor of a J&F Oklahoma revolving credit facility with financial institutions. The J&F Oklahoma credit line has total availability of USD1.4 billion and is guaranteed by the accounts receivable and inventories of J&F Oklahoma and also, by certain fixed assets, accounts receivable and inventories of JBS Five Rivers up to a value of USD250 million. Additionally, in the case of a J&F Oklahoma default under the revolving credit facility and the event of default is not covered by J&F Oklahoma's collateral or a guarantee by J&F Oklahoma's parent, JBS Five Rivers will be responsible for up to USD250 million of the secured loans. The guarantee has not been recorded on our condensed consolidated statement of financial position as the fair value is deemed insignificant.

Remuneration of key management

Company's management includes the Executive Board and the Board of Directors. The aggregate amount of compensation received by the members of Company's management for the services provided in their respective areas of business for the six months period ended June 30, 2016 and 2015 is the following:

	2016	2015
Salaries and wages	2,299	4,412
Variable cash compensation	3,000	2,500
Stock based compensation	2,000	2,500
	7,299	9,412

The Institutional Relations Executive Officer, Administrative and Control Director and Investor Relations Director are parties to the Brazilian employment contract regime called CLT (which is the Consolidation of Labor Laws), which follows all the legal prerogatives of payments and benefits.

Except for those described above, the other members of the Executive Board, and Management Board are not party to any employment contract or any other contracts for additional business benefits such as postemployment benefits or other long-term benefits, termination of work that does not conform to those requested by the CLT.

10 Investments in associate, subsidiaries and joint ventures
Relevant information for investments in the six months period ended June 30, 2016:

	Participation	Total assets	Share capital	Equity + Goodwill	Net revenue	Net income (loss)
In subsidiaries:						
JBS Embalagens Metálicas	99.00%	91,360	2	(44,073)	-	(12,499)
JBS Global Investments	100.00%	28,013	255,179	28,012	-	(28)
JBS Confinamento	100.00%	649,321	599,401	495,481	26,832	(10,410)
JBS Slovakia Holdings	100.00%	39,264	8,060	38,937	-	(505)
Conceria Priante	100.00%	298,475	13,599	17,396	76,544	(9,354)
JBS Holding GMBH	100.00%	2,622,472	124	1,187,952	683,031	38,599
JBS Global Luxembourg	100.00%	35,894,722	3,551,440	4,581,612	60,163,327	55,226
JBS Global Meat	100.00%	288,254	245,959	235,927	-	(3,195)
JBS Leather International	100.00%	1,083,213	69,147	26,811	566,670	(28,094)
Brazservice	100.00%	62,159	23,063	(17,946)	29,235	(13,892)
Seara Alimentos	100.00%	19,618,538	4,259,089	5,154,450	8,891,395	77,701
Moy Park	100.00%	4,354,036	11,793	4,098,130	3,786,436	76,760
Rigamonti	100.00%	164,367	8,076	95,387	196,411	1,583
Enersea	99.99%	777	1,275	747	136,138	(451)
JBS Argentina	99.71%	553,070	399,698	379,033	368,165	(17,537)
JBS Mendoza	99.93%	1,220	389	13	-	(54)
In associates:						
Vigor Alimentos	19.43%	4,268,785	1,347,636	1,591,962	2,408,905	(14,644)
In joint ventures:						
Meat Snack Partners	50.00%	145,146	23,762	201,540	123,435	11,339

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In the Company:

	Reissued			Equity in subsidiaries		June 30, 2016
	December 31, 2015	Addition (disposal)	Exchange rate variation	Equity in subsidiaries	Income statement	
JBS Embalagens Metálicas	(31,258)	-	-	-	(12,374)	(43,632)
JBS Global Investments	34,109	-	(6,069)	-	(28)	28,012
JBS Holding Internacional	577,354	(484,329)	-	(103,940)	10,915	-
JBS Confinamento	505,891	-	-	-	(10,410)	495,481
JBS Slovakia Holdings	47,535	-	(7,743)	(350)	(505)	38,937
Conceria Priante	30,490	-	(3,740)	-	(9,354)	17,396
JBS Holding GMBH	1,392,027	-	(235,142)	(7,532)	38,599	1,187,952
JBS Global Luxembourg	5,347,766	1,602	(970,525)	147,543	55,226	4,581,612
FG Holding III	65	(65)	-	-	-	-
JBS Global Meat	239,122	-	-	-	(3,195)	235,927
Vigor Alimentos	312,162	-	-	-	(2,846)	309,316
JBS Leather International	78,573	-	(9,513)	(14,155)	(28,094)	26,811
Brazservice	(4,054)	-	-	-	(13,892)	(17,946)
Seara Alimentos	5,337,249	-	-	(260,500)	77,701	5,154,450
Tannery	(18,087)	22,227	-	(103)	(4,037)	-
Meat Snack Partners	41,972	-	(9,005)	8,993	8,490	50,450
Moy Park	5,477,678	-	(1,471,666)	15,358	76,760	4,098,130
Rigamonti	112,857	-	(19,053)	-	1,583	95,387
Enersea	-	1,198	-	-	(451)	747
JBS Argentina ⁽²⁾	-	445,609	(50,168)	(21)	(17,486)	377,934
JBS Mendoza ⁽²⁾	-	65	2	-	(54)	13
Subtotal	19,481,451	(13,693)	(2,782,622)	(214,707)	166,548	16,636,977
Accrual for loss on investments (*)	53,399	-	-	-	-	92,761
Total	19,534,850					16,729,738

⁽¹⁾ Transfer of the negative investments for other current liabilities.

In the Consolidated:

	Equity in subsidiaries			June 30, 2016
	December 31, 2015	Equity in subsidiaries	Income statement	
Vigor Alimentos	312,162	-	(2,846)	309,316
Meat Snack Partners	41,972	(12)	8,490	50,450
Total	354,134	(12)	5,644	359,766

⁽¹⁾ - FG Holding III, JBS Holding Internacional e Tannery: On April 2016, the incorporation of these companies occurred through the Company, for corporate structure simplification purposes.

⁽²⁾ - JBS Argentina e JBS Mendoza: Due to corporate structure simplification purposes, the investment transference of the subsidiaries JBS Argentina and JBS Mendoza was done, held before by its wholly owned directly holding, already incorporated, JBS Holding Internacional.

11 Property, plant and equipment, net

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditures that are directly attributable to the purchase price of the items and the costs attributable to bringing the asset to its working condition for its intended use. When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with these costs will flow to the Group and they can be measured reliably. The carrying amount of the replaced items or parts are deducted. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, such that the value of cost less its residual value after the useful life is fully depreciated (except for land and construction in progress). Land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to the recoverable amount when it is higher than its estimated recoverable amount. The recoverable amount is the higher of the estimate of the assets' net selling price and value in use. There were no impairments recorded during the years ended June 30, 2016 and December 31, 2015.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within the statement of income.

The Company's construction in progress relates to investments for expansion, modernization and adaptation of plants for the purposes of increasing productivity and obtaining new certifications required by the market. When these assets are completed and placed in service, they are transferred to property, plant and equipment and begin depreciating.

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Company	Useful life	Cost	Accumulated depreciation	Net amount	
				June 30, 2016	December 31, 2015
Buildings	10 to 50 years	3,793,843	(736,207)	3,057,636	3,005,487
Land	-	1,382,624	-	1,382,624	1,266,507
Machinery and equipment	10 to 25 years	5,873,942	(2,063,212)	3,810,730	3,855,647
Facilities	10 to 20 years	1,697,242	(443,777)	1,253,465	1,266,555
Computer equipment	3 to 5 years	223,655	(151,984)	71,671	74,494
Vehicles	5 to 10 years	598,183	(202,427)	395,756	403,246
Construction in progress	-	1,428,290	-	1,428,290	1,763,871
Others	5 to 10 years	115,447	(49,513)	65,934	57,231
		15,113,226	(3,647,120)	11,466,106	11,693,038

Consolidated	Useful life	Cost	Accumulated depreciation	Net amount	
				June 30, 2016	December 31, 2015
Buildings	5 to 50 years	14,505,900	(3,637,670)	10,868,230	11,751,395
Land	-	3,656,651	-	3,656,651	3,774,251
Machinery and equipment	5 to 25 years	20,854,637	(9,995,472)	10,859,165	11,609,603
Facilities	5 to 20 years	2,572,166	(812,798)	1,759,368	1,742,301
Computer equipment	2 to 7 years	624,719	(383,586)	241,133	281,114
Vehicles	2 to 10 years	976,488	(465,699)	510,789	554,466
Construction in progress	-	3,879,170	-	3,879,170	4,681,002
Others	5 to 15 years	1,562,698	(676,306)	886,392	986,978
		48,632,429	(15,971,531)	32,660,898	35,381,110

Changes in property, plant and equipment:

Company	December 31, 2015	Additions net of transferences	Incorporations ⁽¹⁾	Disposals	Depreciation	June 30, 2016
Buildings	3,005,487	95,561	11,597	-	(55,009)	3,057,636
Land	1,266,507	119,400	717	(4,000)	-	1,382,624
Machinery and equipment	3,855,647	142,760	4,374	(2,863)	(189,188)	3,810,730
Facilities	1,266,555	30,645	315	-	(44,050)	1,253,465
Computer equipment	74,494	9,509	(21)	(99)	(12,212)	71,671
Vehicles	403,246	36,112	120	(9,469)	(34,253)	395,756
Construction in progress	1,763,871	(341,568)	5,987	-	-	1,428,290
Other	57,231	14,019	173	(289)	(5,200)	65,934
	11,693,038	106,438	23,262	(16,720)	(339,912)	11,466,106

⁽¹⁾ - On April, 2016, the direct subsidiaries Tannery and JBS Holding Internacional were incorporated by the Company.

Consolidated	December 31, 2015	Acquired in business combination ⁽²⁾	Additions net of transferences ⁽³⁾	Disposals	Business combinations adjustments	Depreciation	Exchange rate variation	June 30, 2016
Buildings	11,751,395	12,647	585,495	(5,155)	-	(294,888)	(1,181,264)	10,868,230
Land	3,774,251	5,797	148,954	(5,973)	-	-	(266,378)	3,656,651
Machinery and equipment	11,609,603	8,372	1,093,164	(24,349)	159,433	(997,548)	(989,510)	10,859,165
Facilities	1,742,301	-	107,151	(1,127)	-	(75,413)	(13,544)	1,759,368
Computer equipment	281,114	749	36,293	(1,169)	-	(48,366)	(27,488)	241,133
Vehicles	554,466	248	49,595	(14,769)	-	(54,328)	(24,423)	510,789
Construction in progress	4,681,002	562	(489,802)	-	-	-	(312,592)	3,879,170
Other	986,978	583	71,177	(6,794)	-	(73,107)	(92,445)	886,392
	35,381,110	28,958	1,602,027	(59,336)	159,433	(1,543,650)	(2,907,644)	32,660,898

⁽²⁾ - Refers to balances arising from Scott Technology's acquisition.

⁽³⁾ - Additions for each category includes transfer from construction in progress during the period.

Interest capitalization - Borrowing costs

The financial charges of obtained loans, that are directly or indirectly attributable to the acquisition or construction of assets, are capitalized as part of the cost of these assets. Borrowing costs that are not directly related to the assets are capitalized based on the average funding rate on the balance of construction in progress. These costs are amortized over the estimated useful lives of the related assets and are presented as follows:

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	Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Construction in progress	1,300,605	1,662,418	3,588,691	4,488,157
(+) capitalized borrowing costs	127,685	101,453	290,479	192,845
	1,428,290	1,763,871	3,879,170	4,681,002

12 Intangible assets and Goodwill
Intangibles

Intangible assets are carried at acquisition cost, net of accumulated amortization and impairment, if applicable. The intangible assets are recognized when there is an expectation of future economic benefits, considering the intangible assets' economic and technological viability. Intangible assets are primarily comprised of trademarks, water and mineral rights, software and others.

The intangible assets that have finite useful lives are amortized over the period of effective use or based on a method that reflects the consumption of its economic benefits. Intangible assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

The carrying value of indefinite-lived intangible assets, which relate to trademarks, are reviewed at least annually for impairment or more frequently if events or changes in circumstances indicate assets may be impaired. If impairment exists, a loss would be recorded to write down the indefinite-lived assets to their recoverable amount.

Management deemed that certain trademarks are indefinite life intangible assets due to verifiable history and expected use of the asset by the Company. The trademarks acquired have no legal, regulatory or contractual limits linked, and do not depend on the useful life of any asset or group of assets as they existed independently for a substantial time prior to the acquisitions, and they are not related to sectors subject to technological obsolescence or other forms of deterioration in value.

Intangible assets acquired in a business combination are recognized at fair value based on valuation methodologies and techniques and often involve the use of third party valuation firm's expertise in the calculation of discounted estimates of cash flows. Intangible assets at June 30, 2016 and December 31, 2015 were composed as follows:

	Company			Consolidated		
	Useful life	Net amount		Useful life	Net amount	
		June 30, 2016	December 31, 2015		June 30, 2016	December 31, 2015
Trademarks	Indefinite	452,578	452,578	Indefinite	3,428,694	3,961,742
Trademarks	-	-	-	2 to 20 years	34,279	46,591
Software	Up to 5 years	21,531	14,962	2 to 5 years	84,084	87,733
Water and mineral rights	-	-	-	Up to 17 years	108,303	131,581
Client portfolio	-	-	-	4 to 20 years	2,122,484	2,657,261
Other	-	-	-	2 to 15 years	10,014	7,626
		474,109	467,540		5,787,858	6,892,534

Goodwill

Goodwill represents the positive difference between the amounts paid or payable to purchase a business and the net fair value of assets and liabilities of the acquired entity. Goodwill is recognized as an asset and included in "Goodwill" in the accompanying condensed consolidated statement of financial position. Goodwill is related to an expectation of future earnings of the acquired subsidiary after assets and liabilities are consolidated with the Company.

Goodwill is required to be tested for impairment annually or whenever there is evidence of a decline in fair value. Assets and liabilities are grouped into cash generating units for purposes of impairment testing. Any impairment loss is recognized immediately in the statement of income and cannot be reversed later. Upon sale of a business, the goodwill or corresponding portion of goodwill is included in the calculation of profit or loss on disposal.

Changes in intangible assets and goodwill:

Company	December 31, 2015	Additions	Amortization	June 30, 2016
Amortizing:				
Software	14,962	9,110	(2,541)	21,531
Non-amortizing:				
Goodwill	9,085,970	-	-	9,085,970
Trademarks	452,578	-	-	452,578
	9,553,510	9,110	(2,541)	9,560,079

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Consolidated	December 31, 2015	Acquired in business combination ⁽¹⁾	Additions	Business combination	Disposal	Amortization	Exchange rate variation and others	June 30, 2016
Amortizing:								
Trademark	46,591	4,162	-	-	-	(4,759)	(11,715)	34,279
Software	87,733	-	18,199	-	(48)	(11,400)	(10,400)	84,084
Water and mineral rights	131,581	-	-	-	-	(72)	(23,206)	108,303
Trademarks	2,657,261	-	-	-	-	(135,541)	(399,236)	2,122,484
Others	7,626	-	91	-	(70)	(174)	2,541	10,014
Non-amortizing:								
Goodwill	24,411,441	104,773	-	(127,400)	-	-	(2,366,318)	22,022,496
Trademarks	3,961,742	-	86,410	-	-	-	(619,458)	3,428,694
	31,303,975	108,935	104,700	(127,400)	(118)	(151,946)	(3,427,792)	27,810,354

⁽¹⁾ - Refers to balances arising from Scott Technology's acquisition.

Impairment test of goodwill

At December 31, 2015, the Company tested the recovery of the goodwill of each of its CGU groups containing goodwill using the concept of value in use through discounted cash flow models.

For the purposes of impairment testing CGUs have been aggregated into the following groups that have significant goodwill:

CGU Groups	June 30, 2016	December 31, 2015
Brazil Beef	9,069,926	9,069,926
Australia Smallgoods	1,873,740	2,216,380
Moy Park	2,702,122	3,679,084
USA Pork	2,187,398	2,692,774
Seara	3,526,234	3,523,507
Others CGUs without significant goodwill	2,663,076	3,229,770
Total	22,022,496	24,411,441

For the year ended December 31, 2015, estimated value in use exceeded the carrying amount of each CGU group. For the six-month period ended June 30, 2016 there were no indications that goodwill within any CGU group was impaired.

13 Trade accounts payable

Trade accounts payable correspond to the amounts owed to suppliers in the ordinary course of business. If the payment period is equivalent to one year or less, suppliers are classified as current liabilities, otherwise the corresponding amount is classified as non-current liabilities. Accounts payable are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable by major type of supplier is as follows at June 30, 2016 and December 31, 2015:

	Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Commodities	921,127	865,266	3,404,773	4,437,468
Materials and services	449,951	406,334	6,039,410	7,508,795
Finished products	414,558	1,200,174	309,828	523,789
Present value adjustment	(14,100)	(23,412)	(38,607)	(49,034)
	1,771,536	2,448,362	9,715,404	12,421,018

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14 Loans and financing

Loans and financings are initially recognized at fair value upon receipt of the proceeds, net of transaction costs, when applicable. Subsequent to the initial recording of loans and financings, charges, interests and monetary and exchange rate variation incurred that become contractually due are included in the balance, until the end of each period. Below is a chart showing the Company's loans and financing instruments by foreign and local currency. Local currency indicates loans denominated in the functional currency of the borrower. Current amounts include accrued but unpaid interest at year-end. Premiums, discounts and transaction costs are amortized to finance expense using the effective interest method.

Type	Average annual interest rate	Currency	Indexer	Payment terms / non-current debt	Company			
					Current		Non-current	
					Jun 30, 2016	Dec 31, 2015	Jun 30, 2016	Dec 31, 2015
Foreign currency								
ACC - Advances on exchange contracts	3.52%	USD	.	.	7,231,698	9,117,554	-	-
Prepayment	3.70%	USD	Libor	2017 - 23	3,236,143	2,319,206	4,792,689	2,883,897
144-A	7.42%	USD	.	2020 - 24	949,857	1,304,101	8,074,228	9,826,060
Credit note – export	-	81,413	-	-
FINIMP	2.95%	EUR	Euribor	2018	276	13	797	1,275
Working capital - Euros	2.70%	EUR	Euribor	2023	977	1,162	88,697	98,604
					11,418,951	12,823,449	12,956,411	12,809,836
Local currency								
FINAME	6.96%	BRL	TJLP	2017 - 25	84,130	78,109	187,565	209,943
FINEP	7.71%	.	.	2017 - 21	14,529	7,563	60,511	68,285
Working capital line of credit - Brazilian Reais	16.66%	.	.	.	697,417	841,708	34,865	327,882
Credit note - export	16.54%	.	.	.	784,525	1,038,976	1,248,401	1,533,382
CDC - Direct credit to consumers	1.80%	.	.	.	2,719	2,114	5,049	2,195
					1,583,320	1,968,470	1,536,391	2,141,687
					13,002,271	14,791,919	14,492,802	14,951,523

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Type	Average annual interest rate	Currency	Indexer	Payment terms / non-current debt	Consolidated			
					Current		Non-current	
					Jun 30, 2016	Dec 31, 2015	Jun 30, 2016	Dec 31, 2015
Foreign currency								
ACC - Advances on exchange contracts	3.50%	USD	.	*	8,099,846	10,022,326	-	-
Prepayment	4.15%	USD	Libor	2017 - 23	5,055,876	4,628,813	5,577,887	4,161,312
144-A	7.42%	USD	.	2020 - 24	949,857	1,304,101	8,074,228	9,826,060
Credit note – import	2.77%	USD	Libor	*	94,722	196,007	-	-
Credit note – export	-	.	.	.	-	81,413	-	-
FINIMP	4.61%	USD/EUR	Libor and Euribor	2017 - 19	3,279	151	26,298	14,278
Working capital - Euros	2.70%	EUR	Euribor	2023	977	1,162	88,697	98,604
					14,204,557	16,233,973	13,767,110	14,100,254
Local currency								
FINAME	6.94%	BRL	TJLP	2017 - 25	90,721	90,056	194,786	217,962
FINEP	7.11%	BRL	.	2017 - 21	18,503	11,542	71,046	80,796
JBS Mortgage	5.80%	USD	.	2020	555	660	6,840	8,665
Senior Secured Credit Facility JBS Lux	3.80%	USD	Libor	2019	1,274	2,038	-	-
Term loan JBS Lux 2018	3.80%	USD	ABR and Libor	2018	8,345	10,152	1,298,351	1,573,908
Term loan JBS Lux 2020	3.80%	USD	ABR and Libor	2020	28,111	34,073	1,534,894	1,874,995
Term loan JBS Lux 2022	4.00%	USD	ABR and Libor	2022	68,401	40,872	3,748,045	4,579,561
Term loan Five Rivers 2019	3.00%	USD	Libor	2019	16,707	20,313	279,654	349,749
Notes 6,25% Moy Park 2021	6.25%	GBP	.	2021	7,665	10,436	1,252,361	1,701,973
Notes 8,25% JBS Lux 2020	8.25%	USD	.	2020	75,177	92,079	2,218,864	2,694,562
Notes 7,25% JBS Lux 2021	7.25%	USD	.	2021	19,329	24,417	3,642,102	4,424,697
Notes 5,875% JBS Lux 2024	5.88%	USD	.	2024	63,644	77,905	2,389,991	2,906,151
Notes 5,75% JBS Lux 2025	5.75%	USD	.	2025	5,537	7,298	2,864,239	3,482,758
Notes 5,75% PPC 2025	5.75%	USD	.	2025	26,147	32,121	1,591,069	1,934,614
PPC Term loan	1.70%	USD	Libor	2020	915	1,050	1,604,900	1,912,138
PPC revolving credit facility USA	-	USD	Libor	2020	411	-	137,091	-
Plainwell Bond	-	-	.	2015 - 16	-	8,391	-	24,042
Marshalltown	2.34%	USD	.	2018	-	66	31,161	37,709
Working capital line of credit - Brazilian Reais	16.61%	BRL	CDI, TJLP and TR	2017 - 21	699,757	848,404	36,663	330,900
Working capital - US Dollars	4.05%	USD	Libor	2017 - 20	571,611	417,684	135,213	131,787
Working capital - Euros	2.19%	EUR	Euribor	2022	166,312	233,887	7,895	8,431
Working capital - Argentine pesos	19.09%	ARS	.	*	26,591	2,837	-	-
Credit note – import	16.55%	BRL	CDI	2017 - 20	1,262,510	1,597,890	1,868,259	2,299,818
Credit note – export	3.25%	USD	Euribor	*	277,395	351,746	-	-
FCO - Middle West Fund	10.14%	BRL	.	2017 - 18	1,871	1,879	2,628	3,548
CDC - Direct credit to consumers	1.80%	BRL	.	2020 - 21	2,719	2,114	5,049	2,195
CCB - BNDES	4.79%	BRL	UM BNDES	2017 - 19	18,042	22,679	8,889	18,912
ACC - Advances on exchange contracts	3.56%	USD	.	*	3,547	1,308	-	-
Rural - Credit note	8.75%	BRL	.	*	599,342	509,288	-	-
ANZ credit facility	2.80%	AUD	.	*	76,656	-	-	-
Canadian credit facility & revolving credit facility	4.30%	CAD e USD	CDOR, RBC and Libor	2018	180	472	217,608	230,426
Canadian credit facility - term loan	3.65%	CAD	.	2018	2,436	2,745	32,698	38,810
Canadian bank facility	3.50%	CAD	.	2018	13,183	13,058	-	-
Andrews Meat secured facility	3.10%	AUD	BBSY	*	34,813	34,073	-	-
Mexico credit facility	5.00%	MEX\$	TIEE	2017	106	112,447	254,371	-
Others	-	GBP	.	2017 - 2019	50,159	56,660	3,758	6,752
					4,238,672	4,672,640	25,438,425	30,875,859
					18,443,229	20,906,613	39,205,535	44,976,113

* Balances classified as current which have their maturities between June 30, 2016 and May 31, 2017.

Average annual interest rate: Refers to the weighted average nominal cost of interest at base date. The loans and financings are fixed by a fixed rate or indexed to rates: CDI, TJLP, UMBNDES, LIBOR and EURIBOR, among others.

As of June 30, 2016 and December 31, 2015, the availability under our revolving credit facilities was US\$1.475 billion and US\$1.645 billion, respectively. The Company believes it was in compliance with all of its restrictive covenants at June 30, 2016.

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The non current portion of the payment schedule of loans and financing is as follows:

Maturity	Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
2017	1,380,646	3,023,937	2,301,745	4,308,593
2018	1,765,250	1,431,417	4,206,649	4,275,200
2019	411,115	349,249	835,066	856,773
2020	4,013,502	4,065,598	9,547,860	10,578,552
2021	655,897	16,942	5,590,159	6,191,477
Maturities thereafter 2021	6,266,392	6,064,380	16,724,056	18,765,518
	14,492,802	14,951,523	39,205,535	44,976,113

14.1 Guarantees and contractual restrictions ("covenants")

Type	Guarantors	Covenants / Guarantees	Customary events	June 30, 2016
114 - A: JBS S.A. Notes 2016	- JBS Ansembourg Holding; - JBS Luxembourg; - JBS USA Food Company Holdings; - JBS USA Food Company; - Any significant subsidiary (as defined in the indenture).	Customary negative covenants that may limit the Company's ability and the ability of certain subsidiaries to, among other things: - incur additional indebtedness unless the net debt/EBITDA ratio is lower than 4.75/1.0.		412,743
144 - A: Bertin Notes 2016	- JBS Ansembourg Holding; - JBS Luxembourg; - JBS USA Food Company Holdings; - JBS USA Food Company; - Any significant subsidiary (as defined in the indenture).	- create liens; - sell or dispose of assets; - enter into certain transactions with affiliates; - dissolve, consolidate, merge or acquire the business or assets of other entities; - enter into sale/leaseback transactions; - undergo changes of control without making an offer to purchase the Notes; and - declare or pay any dividends or make any distributions related to securities issued by the Company (except for debt instruments convertible or exchangeable for such amounts), if i) it is not in default in relation to the Notes; ii) the Company can incur at least US\$1.00 of debt under the terms of the net debt/EBITDA ratio test established in the indenture of the Notes; and iii) the total value to be paid does not exceed US\$30 millions or a. 50% of the amount of the net income accrued on a cumulative basis during a certain period, taken as one accounting period, (as defined in the indenture), or if the aggregate net income is a loss, minus 100% of the amount of the loss, plus b. 100% of the net cash proceeds received from the issue or sale of its equity interests or other capital contributions subsequent to the issue date of the Notes, plus c. 100% of the fair market value of property other than cash received from the issue or sale of its equity interests or other capital contributions subsequent to the issue date of the Notes.	The indentures of Notes contain customary events of default ⁽¹⁾ . In case any event of default occurs, the trustee or the holders of at least 25% of the notes principal amount at the time may state to pay immediately the principal and accrued interest on the notes. The notes are unsecured debts.	385,596
144 - A: JBS S.A. Notes 2020				3,246,975
144 - A: JBS S.A. Notes 2023	- JBS S.A.			2,535,034
144 - A: JBS S.A.: Notes 2024				2,443,737
Senior Secured Credit Facility JBS Lux	- JBS S.A.; - JBS USA Holding Lux; - All US subsidiaries of JBS Lux except JBS Five Rivers and certain other immaterial subsidiaries; - All material subsidiaries of JBS Australia guarantee JBS Australia borrowings.	- The borrowings are collateralized by a first priority perfected lien and interest in accounts receivable, finished goods and supply inventories. - The facility contains customary representations, warranties and a springing financial covenant that requires a minimum fixed charge coverage ratio of not less than 1.00 to 1.00. This ratio is applicable if borrowing availability causes a covenant trigger period, which only occurs when borrowing availability falls below the greater of 10% of the maximum borrowing amount and US\$70 millions. The facility also contains negative covenants that may limit JBS Lux ability and certain of our subsidiaries ability to, among other things: - incur certain additional indebtedness; - create certain liens on property, revenue or assets; - make certain loans or investments; - sell or dispose of certain assets; - pay certain dividends and other restricted payments; - prepay or cancel certain indebtedness; - dissolve, consolidate, merge or acquire the business or assets of other entities; - enter into joint ventures other than certain permitted joint ventures or create certain other subsidiaries; - enter into new lines of business; - enter into certain transactions with affiliates; - agree to restrictions on the ability of the subsidiaries to make dividends; - agree to enter into negative pledges in favor of any other creditor; and - enter into certain sale/leaseback transactions.	The facility also contains customary events of default ⁽¹⁾ and it includes failure of any collateral document to create or maintain a priority lien matters. If an event of default happens, the borrowers may, within other options, cease the agreement, state the entire balance to be paid, with accrued interest.	1,274

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Term loan JBS Lux 2018		- Secured by a perfected first priority security interest in all of JBS Lux and certain of its subsidiaries' fixed assets. The facility also contains negative covenants that may limit JBS Lux ability and certain of our subsidiaries ability to, among other things: - incur certain additional indebtedness; - create certain liens on property, revenue or assets; - make certain loans or investments; - sell or dispose of certain assets; - pay certain dividends and other restricted payments; - prepay or cancel certain indebtedness; - dissolve, consolidate, merge or acquire the business or assets of other entities; - enter into joint ventures other than certain permitted joint ventures or create certain other subsidiaries; - enter into new lines of business; - enter into certain transactions with affiliates; - agree to restrictions on the ability of the subsidiaries to make dividends; - agree to enter into negative pledges in favor of any other creditor; and - enter into certain sale/leaseback transactions.		1,306,696
Term loan JBS Lux 2020	- JBS S.A.; - JBS USA Holding Lux; - JBS Global Lux; - Burcher PTY Limited; - Certain subsidiaries that guarantee the Amended and Restated Revolving Facility (with certain exceptions).		The facility also contains customary events of default ⁽¹⁾ , listed under the Amended and Restated Revolving Facility.	1,563,005
Term loan JBS Lux 2022				3,816,446
Notes 8,25% JBS Lux 2020		The Notes contain negative covenants that may limit JBS Lux ability and certain of our subsidiaries ability to, among other things: - incur certain additional indebtedness; - create certain liens; - sell or dispose of certain assets; - pay certain dividends and other restricted payments; - permit restrictions on dividends and other restricted payments to restricted subsidiaries - prepay or cancel certain indebtedness; - enter into certain transactions with affiliates; - enter into certain sale/leaseback transactions; and - undergo changes of control without making an offer to purchase the Notes.		2,294,041
Notes 7,25% JBS Lux 2021	- JBS S.A.; - JBS USA Holding Lux; - JBS Global Lux; - Burcher Pty. Ltd; - Each of the subsidiaries that guarantee the Amended and Restated Revolving Facility (subject to certain exceptions).		The indenture also contains customary events of default ⁽¹⁾ . In case any event of default occurs, the trustee or the holders of at least 25% of the notes principal amount at the time may state to pay immediately the principal and accrued interest on the notes. The notes are unsecured debts.	3,661,431
Notes 5,875% JBS Lux 2024		- prepay or cancel certain indebtedness; - enter into certain transactions with affiliates; - enter into certain sale/leaseback transactions; and - undergo changes of control without making an offer to purchase the Notes.		2,453,635
Notes 5,75% JBS Lux 2025		The indenture governing the Notes also restricts JBS S.A. from incurring any debt (subject to certain permitted exceptions), unless on the date of such incurrence and the application of the proceeds therefrom, its net debt to EBITDA ratio is less than 4.75 to 1.00. In addition, the indenture restricts JBS S.A.'s ability to make restricted payments and other distributions.		2,869,776
Notes 5,75% PPC 2025	- One of PPC's subsidiaries.	The Notes contain negative covenants that may limit PPC ability and certain of our subsidiaries ability to, among other things: - incur certain additional indebtedness; - create certain liens; - pay certain dividends and other restricted payments; - sell or dispose of certain assets; - enter into certain transactions with affiliates; - consolidate, merge or dissolve substantial all the assets of PPC.	The facility also contains customary events of default ⁽¹⁾ . In case any event of default occurs, the trustee or the holders of at least 25% of the notes principal amount at the time may state to pay immediately the principal and accrued interest on the notes. The notes are unsecured debts.	1,617,216
PPC Term loan	- Certain of PPC's subsidiaries.	- Secured by a first priority lien on i) the accounts receivable and inventories of PPC and its non-Mexico subsidiaries, ii) 100% of the equity interests in PPC's domestic subsidiaries, To-Ricos, Ltd. and To-Ricos Distribution Ltd., and 65% of the equity interests in PPC's direct foreign subsidiaries, iii) substantially all of the personal property and intangibles of the borrowers and guarantors under the U.S. Credit Facility and iv) substantially all of the real estate and fixed assets of PPC and the guarantors. The facility also contains negative covenants that may limit PPC ability and certain of its subsidiaries ability to, among other things: - incur certain additional indebtedness; - create certain liens; - pay certain dividends and other restricted payments; - sell or dispose of certain assets; - enter into certain transactions with affiliates; and - consolidate, merge or dissolve substantial all the assets of PPC. Covenants in the facility also require PPC to use the proceeds it receives from certain asset sales and specified debt or equity issuances and upon the occurrence of other events to repay outstanding borrowings under the facility. The U.S. Credit Facility also provides that we may not incur capital expenditures in excess of US\$500 million in any fiscal year.	The facility also contains customary events of default ⁽¹⁾ .	1,605,815

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Term loan Five Rivers 2019	<ul style="list-style-type: none"> - JBS Five Rivers; - J&F Oklahoma. 	<ul style="list-style-type: none"> - Secured by certain fixed assets, accounts receivable and inventories of JBS Five Rivers and accounts receivables and inventories of J&F Oklahoma; - The facility contains customary negative covenants that may limit JBS Five Rivers and its restricted subsidiaries' ability to, among other things, incur certain additional indebtedness, enter into certain acquisitions or sell or dispose of certain assets. 	<p>The facility also contains customary events of default ⁽¹⁾ and it includes failure of any collateral document to create or maintain a priority lien, certain events related to the Employee Retirement Income Security Act of 1974 and failure to comply with the terms of the Executive Succession Plan of J&F Oklahoma Holdings.</p>	296,361
Canadian credit facility & revolving credit facility	<ul style="list-style-type: none"> - JBS USA Holding Lux; - JBS S.A. 	<ul style="list-style-type: none"> - Collateralized by a first priority lien on JBS Canada's accounts receivable, finished goods, feed, live inventory and supply inventories, machinery equipment and real estate. - The facility contains a springing financial covenant that requires a minimum fixed charge coverage ratio of not less than 1.00 to 1.00. This ratio is applicable if borrowing availability causes a covenant trigger period, which only occurs when borrowing availability falls below the greater of 10% of the maximum borrowing amount and CAD\$10.0 million. <p>The Canadian Credit Facility also contains negative covenants that may limit the ability of JBS Canada to, among other things:</p> <ul style="list-style-type: none"> - incur certain additional indebtedness; - create certain liens on property, revenue or assets; - make certain loans or investments - sell or dispose of certain assets; - pay certain dividends and other restricted payments; - prepay or cancel certain indebtedness; - dissolve, consolidate, merge or acquire the business or assets of other entities; - enter into joint ventures other than certain permitted joint ventures or create certain other subsidiaries; - enter into new lines of business; - enter into certain transactions with affiliates; - agree to restrictions on the ability of the subsidiaries to make dividends; - agree to enter into negative pledges in favor of any other creditor; and - enter into certain sale/leaseback transactions. 	<p>The facility also contains customary events of default ⁽¹⁾. If an event of default happens, the borrowers may, within other options, cease the agreement, state the entire balance to be paid, with accrued interest.</p>	217,788
Notes 6,25% Moy Park 2021	<ul style="list-style-type: none"> - Moy Park (Newco) Limited; - Moy Park Limited; - O'Kane Poultry Limited; - Any significant subsidiary (as defined in the indenture). 	<p>Customary negative covenants that may limit the Moy Park's ability and the ability of certain subsidiaries to, among other things:</p> <ul style="list-style-type: none"> - incur additional indebtedness unless the net debt/EBITDA ratio is lower than 3.5/1.0 and the net senior debt/EBITDA is lower than 3.0/1.0. - create liens; - sell or dispose of assets; - enter into certain transactions with affiliates; - dissolve, consolidate, merge or acquire the business or assets of other entities; - enter into sale/leaseback transactions; - make certain investments; - undergo changes of control without making an offer to purchase the Notes; and - declare or pay any dividends or make any distributions related to securities issued by Moy Park, if (i) it is not in default in relation to the Notes; (ii) Moy Park can incur at least GBP1.00 of debt under the terms of the net debt/EBITDA ratio test and the net senior debt/EBITDA ratio test established in the indenture of the Notes; and (iii) the total value to be paid does not exceed a. 50% of the amount of the net income accrued on a cumulative basis during the period from the issue date, taken as one accounting period, or if the aggregate net income is a loss, minus 100% of the amount of the loss, plus b. 100% of the net cash proceeds received from the issue or sale of its equity interests or other capital contributions subsequent to the issue date of the Notes, plus 100% of the fair market value of property other than cash received from the issue or sale of its equity interests or other capital contributions subsequent to the issue date of the Notes, plus c. the amount of certain guarantee unconditionally released in full if such guarantee was previously treated as restricted payment, plus the amount of an investment made in a person that becomes a restricted subsidiary, plus d. the amount by which indebtedness is reduced upon the conversion or exchange of any such indebtedness for share capital, plus e. the amount equal to the net reduction of investments made by the Moy Park or any restricted subsidiary in any person. 	<p>The indentures of Notes contain customary events of default ⁽¹⁾. In case any event of default occurs, the trustee or the holders of at least 25% of the notes principal amount at the time may state to pay immediately the principal and accrued interest on the notes.</p> <p>The notes are unsecured debts.</p>	1,260,026

⁽¹⁾ - Customary events of default includes failure to perform or observe terms, covenants or other agreements in the facility, defaults on other indebtedness if the effect is to permit acceleration, failure to make a payment on other indebtedness waived or extended within the applicable grace period, entry of unsatisfied judgments or orders against the issuer or its subsidiaries and certain events related to bankruptcy and insolvency matters.

15 Operating and Finance leases

Leases in which the Company assumes substantially all the risks and benefits of ownership are classified as finance leases. Finance leases are considered a financed purchase. Under a finance lease, fixed assets are recognized at the lease inception along with a financial liability. If there is no significant transfer of the risks and inherent benefits of the property under a lease agreement, the lease is classified as an operating lease and the total minimum lease payments are recognized on a straight-line basis over the lease term.

a. Operating Leases:
In the Company

The Company has operating leases agreements for industrial complexes, tanneries and distribution centers based in the states of Bahia, Goiás, Maranhão, Mato Grosso, Mato Grosso do Sul, Pará, Rio de Janeiro e São Paulo.

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In the Consolidated

JBS USA has operating lease agreements for warehouses, commercial offices, vehicles and equipment, off-road transportation vehicles and other assets. Also, Seara Alimentos, through its subsidiary JBS Aves, has operating lease agreements for productive areas in a few states in Brazil.

The future minimum payments of non-cancellable operational leases of with terms exceeding one year are as follows:

	<u>Company</u>	<u>Consolidated</u>
For the years ending:		
2016	14,901	249,078
2017	18,729	291,374
2018	14,048	234,986
2019	14,016	319,337
Thereafter 2020	55,591	257,415
Total	<u>117,285</u>	<u>1,352,190</u>

b. Finance Leases:
In the consolidated

JBS USA has finance lease agreements for its wastewater treatment facilities in Kentucky and Texas. Moy Park has lease agreements for its commercial vehicles and machinery and equipment, for which the book value recognized on property, plant and equipment is detailed below:

	<u>Useful Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Wastewater treatment facility	7 years	119,077	(45,842)	73,235	96,089
Vehicles/Machinery and equipment	10 years	178,593	(95,480)	83,113	130,168
Total		<u>297,670</u>	<u>(141,322)</u>	<u>156,348</u>	<u>226,257</u>

The future minimum payments of non-cancellable finance leases with terms exceeding one year are as follows:

	<u>Consolidated</u>		
	<u>Carrying Value</u>	<u>Future finance charges</u>	<u>Future minimum lease payments</u>
For the years ending in:			
2016	5,874	247	6,121
2017	31,673	260	31,933
2018	22,632	1,133	23,765
2019	15,417	1,195	16,612
Thereafter 2020	49,454	816	50,270
Total	<u>125,050</u>	<u>3,651</u>	<u>128,701</u>

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16 Accrued income taxes and other taxes and Payroll and social charges

	Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Accrued income taxes and other taxes				
Accrued income taxes	-	-	61,068	477,601
Taxes in installments	137,228	159,213	214,762	233,206
Others	97,871	61,365	395,790	430,250
	<u>235,099</u>	<u>220,578</u>	<u>671,620</u>	<u>1,141,057</u>
Breakdown:				
Current liabilities	140,219	102,665	414,484	843,919
Non-current liabilities	94,880	117,913	257,136	297,138
	<u>235,099</u>	<u>220,578</u>	<u>671,620</u>	<u>1,141,057</u>
Payroll and social charges				
Salaries and related social charges	130,153	210,880	837,139	1,130,720
Payroll accruals and related social charges	253,755	165,738	1,952,253	2,198,232
Others	4,869	10,808	109,322	160,700
	<u>388,777</u>	<u>387,426</u>	<u>2,898,714</u>	<u>3,489,652</u>
Breakdown:				
Current liabilities	388,777	387,426	2,365,176	2,891,953
Non-current liabilities	-	-	533,538	597,699
	<u>388,777</u>	<u>387,426</u>	<u>2,898,714</u>	<u>3,489,652</u>

Decree 8,426/2015 - PIS/COFINS over financial income: In July 2015, the Company and its subsidiaries filed an injunction to suspend the enforceability of PIS and COFINS debts over financial income. The Decree 8,426/2015 reestablished the levy of PIS and COFINS on financial revenues obtained by companies subject to the PIS and COFINS non-cumulative regime, at the rates of 4.65%. The Company has recorded under Income taxes, payroll, social charges and tax obligation the amount of R\$45,083 in the Company and R\$49,457 on the consolidated regarding to PIS/COFINS over financial income.

17 Dividends payable

The bylaws of the Company require dividends of not less than 25% of the annual net income attributable to controlling interest; therefore, the Company records a liability at year-end for the minimum dividend amount that has not yet been paid during the year up to the limit of the mandatory minimum dividend. Dividend payables are recognized as liabilities at the time dividends are approved by the Board of Directors of the Company.

	June 30, 2016	December 31, 2015
Declared dividends on 2012 - Residual	-	230
Declared dividends on 2013 - Residual	251	251
Declared dividends on 2014 - Residual	545	800
Declared dividends on 2015	728	1,102,027
	<u>1,524</u>	<u>1,103,308</u>

The subsidiary Pilgrim's Pride Corporation – PPC paid dividends to stockholders of US\$1.5 billion and US\$700 millions on February 17, 2015 and May 18, 2016, respectively, of which were paid to non-controlling interest approximately US\$371 millions and US\$162 millions, due to the Company's ownership's percentage of 75% in the subsidiary.

The residual amount of dividends corresponds to the unpaid dividends due to lack of updated bank information. This pending information related to some minority shareholders precludes the Company from fully paying the dividends declared. The Company has sent notification to such shareholders to update their information so the amount would be paid. The liability will be maintained during the statutory period in the short term, since once the shareholder's information is updated, the payment is automatic.

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18 Other financial liabilities

Other financial liabilities includes contingent consideration related to the purchase of Moy Park and seller financed payables on the purchase of assets.

Company	Description of the acquisitions	Current		Non-current		
		June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015	
JBS	- Properties and other industrial complexes.	9,257	15,164	34,727	37,950	
	- Company Moy Park.	150,000	430,000	-	-	
Seara	- Property and other industrial complexes Ana Rech.	48,881	49,041	27,999	52,000	
	- Assets from Seara.	35,623	37,185	55,931	74,164	
	- Slaughtering pigs and processed products plant in Carambei-PR.	-	87,384	-	-	
	- Company Agrovêneto.	-	-	12,247	29,342	
	- Company Frinal.	12,997	-	-	12,178	
	- Company Avebom.	-	-	11,453	11,453	
	- Company Sul Valle.	1,047	4,000	-	-	
	- Company Novagro.	8,200	7,807	10,542	10,036	
	- Properties from the company Céu Azul.	84	85	-	-	
	- Company Seara Alimentos Norte Ltda.	14,036	27,250	6,732	6,732	
	- Properties from the company Agrodanieli.	-	59,500	-	-	
	- Properties from the company Rigor.	135,090	180,000	-	-	
	- Properties from the company Gallus.	1,800	4,500	-	-	
	- Acquisition of Jundiá plant.	15,811	-	27,669	-	
	- Acquisition of Mato Castellano plant.	1,847	-	771	-	
	Total		434,673	901,916	188,071	233,855

19 Income taxes
Current taxes

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxes

Deferred income tax is provided in full, using the asset and liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be released; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are presented net in the statement of financial position when there is a legally enforceable right to offset current tax assets against liabilities, and when they are related to income taxes levied by the same taxation authority on the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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a. Reconciliation of income tax and social contribution expense:

	Company		Consolidated	
	For the six months period ended June 30,		For the six months period ended June 30,	
	2016	2015	2016	2015
Profit (loss) before income taxes (PBT)	(1,737,114)	1,058,805	(1,276,178)	2,516,935
Nominal rate	(34)%	(34)%	(34)%	(34)%
Expected tax expense	590,619	(359,994)	433,901	(855,758)
Adjustments to reconcile taxable income:				
Earnings and losses due to equity method	56,626	767,732	1,919	10,810
Prior year losses carryforwards	-	-	-	304,260
Domestic production activities deduction - USA	-	-	3,636	67,467
Difference on tax rates for foreign subsidiaries	-	-	(45,257)	44,249
Dividends paid abroad	-	-	(149,353)	(250,685)
Stock option plan	(17,794)	(4,837)	(17,794)	(4,837)
Others permanent differences	(97,338)	12,144	62,251	(52,124)
Current and deferred income tax (expense) benefit	532,113	415,045	289,303	(736,618)
Current income tax	1,143	1,146	(447,509)	(1,507,428)
Deferred income tax	530,970	413,899	736,812	770,810
	532,113	415,045	289,303	(736,618)
% IT/PBT	30.63 %	39.20 %	22.67 %	(29.27)%

	Company		Consolidated	
	For the six months period ended June 30,		For the six months period ended June 30,	
	2016	2015	2016	2015
Adjustments to reconcile taxable income ⁽¹⁾:				
Goodwill amortization - deferred	-	131,020	56,064	131,593
Prior years loss carryforwards - deferred	-	-	-	(304,260)
Dividends paid abroad - current	-	-	-	250,685
Income tax on realization of other reserves	(1,143)	-	(1,143)	-
Current and deferred income tax (expense) benefit - ADJUSTED	530,970	546,065	344,224	(658,600)
Effective income tax rate	30.57%	51.57%	26.97%	(26.17)%

	Company		Consolidated	
	For the three months period ended June 30,		For the three months period ended June 30,	
	2016	2015	2016	2015
Profit (loss) before income taxes (PBT)	2,110,322	(453,457)	2,526,414	427,522
Nominal rate	(34)%	(34)%	(34)%	(34)%
Expected tax expense	(717,509)	154,175	(858,981)	(145,357)
Adjustments to reconcile taxable income:				
Earnings and losses due to equity method	227,215	359,531	1,819	2,606
Domestic production activities deduction - USA	-	-	(14,021)	18,593
Difference on tax rates for foreign subsidiaries	-	-	(2,120)	13,145
Dividends paid abroad	-	-	(149,353)	-
Stock option plan	(3,569)	(4,837)	(3,569)	(4,837)
Others permanent differences	(80,298)	24,719	157,580	(59,440)
Current and deferred income tax (expense) benefit	(574,161)	533,588	(868,645)	(175,290)
Current income tax	677	583	(374,651)	(667,274)
Deferred income tax	(574,838)	533,005	(493,994)	491,984
	(574,161)	533,588	(868,645)	(175,290)
% IT/PBT	(27.21)%	(117.67)%	(34.38)%	(41.00)%

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	Company		Consolidated	
	For the three months period ended June 30,		For the three months period ended June 30,	
	2016	2015	2016	2015
Adjustments to reconcile taxable income ⁽¹⁾:				
Goodwill amortization - deferred	-	-	24,209	-
Income tax on realization of other reserves	(677)	-	(677)	-
Current and deferred income tax (expense) benefit - ADJUSTED	(574,161)	533,588	(844,436)	(175,290)
Effective income tax rate	(27.21)%	(117.67)%	(33.42)%	(41.00)%

⁽¹⁾ - The Company believes that due to the origin and non-recurrence of specific events certain items should be excluded from the effective tax rate disclosure such as: i) Deferred tax expense arising from goodwill amortization; ii) Income tax on realization of the other reserves (since it is not relate to the net operating income); and iii) Deferred tax assets on arising from prior years losses carryforwards (recognized only now that entities reach necessary criteria not observed in the past since on prior periods where such losses were generated, there were no expectation of profitable future profits).

b. Composition of deferred income tax and social contribution

	Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
ASSETS	886,805	375,305	2,610,518	2,029,759
Tax losses and negative basis of social contribution	760,772	251,623	1,589,064	952,655
Provision for contingencies	71,051	67,014	195,987	274,569
Allowance for doubtful accounts	36,826	34,357	49,965	42,874
Tax credit carryforwards	-	-	30,349	78,647
Other temporary differences	18,156	22,311	745,153	681,014
LIABILITIES	2,196,023	2,269,166	5,803,746	6,340,254
Goodwill amortization	1,916,521	1,916,521	2,071,503	2,009,562
Business combinations	-	-	2,683,896	2,918,094
Market inventory valuation for absorption	-	-	184,493	197,099
Realization of other reserves / deemed cost	277,432	278,528	787,322	943,615
Other temporary differences	2,070	74,117	76,532	271,884
Total, net	1,309,218	1,893,861	3,193,228	4,310,495

	Company	Consolidated
Current amount on December 31, 2015	(1,893,861)	(4,310,495)
Gain or loss of deferred income taxes	530,970	736,812
Foreign exchange rate	-	339,644
Others	53,673	40,811
Current amount on June 30, 2016	(1,309,218)	(3,193,228)

Unrecognized tax benefit

The Company's unrecognized tax benefits as of June 30, 2016 and December 31, 2015 are R\$672.218 and R\$602.012, respectively, of which the recognition of approximately R\$246.480 and R\$217.417, at June 30, 2016 and December 31, 2015, would affect the annual effective tax rate.

20 Provisions

Provisions are recognized when losses are probable and the amounts can be reliably estimated. Contingent liabilities determined to be possible but not probable are disclosed in these notes but not accrued and contingent liabilities classified as remote are neither accrued nor required to be disclosed. The Company and its subsidiaries are party to several lawsuits arising in the ordinary course of business for which provisions are recognized based on estimated costs. The main information related to these procedures on June 30, 2016 are as follows:

	Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Labor	80,998	74,000	364,942	408,963
Civil	11,133	9,916	265,278	280,383
Tax and Social Security	116,844	113,184	623,999	843,754
Total	208,975	197,100	1,254,219	1,533,100

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Changes in provisions

	Company			
	December 31, 2015	Additions	Payments	June 30, 2016
Labor	74,000	6,998		80,998
Civil	9,916	1,217		11,133
Tax and Social Security	113,184	3,660		116,844
Total	197,100	11,875		208,975

	Consolidated				
	December 31, 2015	Additions	Payments	Exchange rate variation	June 30, 2016
Labor	408,963	8,704	(50,773)	(1,952)	364,942
Civil	280,383	2,519	(17,098)	(526)	265,278
Tax and Social Security	843,754	3,671	(221,619)	(1,807)	623,999
Total	1,533,100	14,894	(289,490)	(4,285)	1,254,219

In the Company:
Tax and Social Security Proceedings

a. ICMS - Value Added Tax (Imposto sobre Operações Relativas à Circulação de Mercadorias e sobre a Prestação de Serviços de Transporte Interestadual e Intermunicipal e de Comunicação): The Tax Authority of the State of São Paulo (Secretaria da Fazenda do Estado de São Paulo) filed 229 administrative proceedings against JBS, under which the Tax Authority challenges the amount of the Company's ICMS tax credits arising from the purchase of cattle and meat transfer by the Company in other Brazilian states. The Tax Authority of the State of São Paulo claims that the tax incentives should be approved by Confaz, and are known as a "Tax War". The Tax Authority of the State of São Paulo does not recognize the Company's ICMS tax credits up to the amount of the ICMS tax guaranteed in such other states. JBS estimates that the claims under these administrative proceedings amount to R\$1,902,017 on June 30, 2016. In addition to presenting its defense in such administrative proceedings, the Company has filed legal proceedings seeking the payment of damages from such other states if the Tax Authority of the State of São Paulo prevails in these administrative proceedings. Management believes, based on the advice of its legal counsel, that its arguments will prevail in these procedures, which is the reason why no provision has been made, considering as a remote loss.

b. Social contributions — Rural Workers' Assistance Fund (FUNRURAL): Social Contributions – On January 2001, JBS filed an injunction to suspend the collectability retention and transfer the Rural Workers' Assistance Fund - NOVO FUNRURAL). This sentence was reformulated by the Federal Regional Court of 3rd region. The Company filed an extraordinary appeal, which was halted on the basis of Article 543-B, § 1 of the Code of Civil Procedure, until the final decision of the Supreme Court on the matter. To avoid the institution to lose the right to require the contribution to the New Funrural, INSS released tax notifications, in a total of 21 infringement notices, in the amount of R\$1,356,488. JBS has presented its defense in those administrative proceedings, informing that it does not collect the amount due to a favorable court ruling, considering that there is no final decision of the writ of mandamus mentioned. This matter was the subject of decisions favorable to the taxpayer, issued by the Supreme Court - STF for companies whose activities are similar to JBS's activity in the trials of Extraordinary Appeals number 363.852/MG and 596.177/RS. Currently, JBS does not make any rebate or payment. If a discount is made for commercial reasons, JBS will deposit it in court and, fulfill a court order. Based on the opinion of legal advisers and based on case law in favor of the Supreme Court in a similar case, management believes that its fundamentals will prevail and no provision was recorded for that contingency. The probability of loss is considered remote.

c. Other tax and social security procedures: JBS is part in additional 1,135 tax and social security proceedings, which individually are not material. We highlight that the ones with probable loss risk have a provision of an aggregate amount of R\$116,844 on June 30, 2016.

Labor Proceedings

As of June 30, 2016 JBS was part to 17,625 labor proceedings, involving total claims of R\$2,391,342. Based on the opinion of the Company's external legal counsel, JBS has provisioned an aggregate amount of R\$80,998 for losses arising from these proceedings, which includes payroll taxes. Most of these lawsuits were filed by former employees of JBS seeking overtime payments and payments relating to their exposure to health hazards, commuting time, alleged work accidents and recovery time. Among other labor proceedings, there are ongoing proceedings filed by the Labor Ministry (Ministério do Trabalho) related to labor issues.

Civil Proceedings

On June 30, 2016, JBS was part of 756 civil proceedings. In the opinion of the Management and its legal advisers, the expected loss of R\$11,133, has been accrued.

Other proceedings

On June 30, 2016, JBS had other ongoing tax proceedings, on the approximately amount of R\$435,123, whose materialization, according to the evaluation of legal advisers, it is possible to loss, but not probable, for which the Company's management does not consider necessary to set an accrual for possible loss.

In subsidiary Seara Alimentos:
Labor Proceedings

As of June 30, 2016, Seara Alimentos subsidiaries were part of 20,187 labor proceedings, involving the total amount of R\$1,802,551. Based on the opinion of the Company's external legal counsel, an accrual in the amount of R\$278,756 for losses arising from such proceedings, already including payable social charges by the employee and Seara Alimentos. Most of these lawsuits are related to actions that deal with seeking damages for occupational disease, physical and esthetical damage, seeking overtime payments, payments relating to their exposure to health hazards, commuting time, interval for thermal recovery, seeking damages by accidents and exchanging uniform.

Civil proceedings

As of June 30, 2016, Seara Alimentos subsidiaries were part of 2,337 civil and administrative proceedings, involving the total amount of R\$600,902. Based on the opinion of the Company's external legal counsel, the company's management provisioned an aggregate amount of R\$253,809 for losses arising from such proceedings. Most of these lawsuits are related to indemnity for group moral damage, moral damage for improper protest, repairing damages for poultry partnership or pigs integration, cancellation of industry or trade mark complaints and consumer contracts - product quality.

Tax Proceedings

Seara Alimentos and its subsidiaries are part of 485 tax and social security proceedings, in which the individual contingencies are not relevant for its context. We highlight that the ones with probable loss risk have contingencies, in the amount of R\$501,409 on June 30, 2016.

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21 Equity

a. Share capital: Share capital on June 30, 2016 is R\$23,576,206, represented by 2,856,857,505 ordinary shares, without nominal value. Share capital is net of R\$54,865 capitalized transaction costs, which are expenses from 2010 in the amount of R\$37,477 related transaction costs for securing resources to Initial Public Offering, and expenses in the amount of R\$17,388 related to the debentures issuance for the period of 2011. The Company is authorized to increase its capital by an additional 1,375,853,183 ordinary nominative shares. According with the social statute the Board of Directors shall determine the number, price, payment term and other conditions of the issuance of shares. The Company may grant options to purchase shares to directors, employees or persons who will provide services, or the directors, employees or person providing services companies under its control, excluding the preemptive rights of shareholders in issuing and exercise of stock options.

b. Capital reserves:

b1. Share premium reserve: refers to the difference between the subscription price that the stockholders pay for the shares and their fair value;

b2. Negotiation Premiums with trading options of "JBSS3":

The Company trade selling put option of "JBSS3", according to the Board of Director's approval, in accordance among other guidelines that i. the maturity of the Put option must not exceed six months from the trade date, and ii. the premium received by selling Put options on JBSS3 should be allocated as collateral on BM&F Bovespa. The Company is also authorized the execution of other operations with shares and options referenced on JBSS3, exclusively for protecting the position of open options or to unwind them. The Company recognizes the premium received (when the sale of the stock option) as a liability, recognized in other current liabilities, on the options maturity date may occur one of the following circumstances:

i. when the put option is exercised ("JBSS3" stock price is below the strike price of the option) the Company has the obligation to purchase shares at the strike price minus the premium received at the trade date. The shares are then held in treasury;

ii. when the put option is not exercised ("JBSS3" stock price is above the strike price of the option), the put option value is zero and the premium is recognized on a capital reserve account.

Below is the summary of the operations with maturity for the six months period ended June 30, 2016:

Date	Number of option	Class and type of shares	Maturity of options	Premiums received	Mark-to-Market
11/25/15	1,000,000	JBSSN43	02/15/16	550	550
11/25/15	500,000	JBSSN43	02/15/16	300	300
11/25/15	500,000	JBSSN43	02/15/16	305	305
11/26/15	1,000,000	JBSSN43	02/15/16	720	720
11/30/15	400,000	JBSSN43	02/15/16	284	284
11/30/15	1,600,000	JBSSN43	02/15/16	1,152	1,152
Total kept in capital reserve:					3,311

b2. Share-based compensation:

The Company has in place a stock option plan, which is settled with shares. The Company grants stock options to employees as an incentive intended to create a sense of ownership and personal involvement with the development and financial success of JBS. Executive officers, directors and general managers are eligible to receive stock options under the plan. The Company's Chairman establishes the criteria of granting the options and selecting the employees. The number of shares authorized to be granted under the plan is limited to 2% of the Company's share capital, and also limited to 0.4% of the increase in the Company's share capital per year.

The fair value of employees' services received in exchange for the stock option grants is recognized as an expense with the offset to capital reserve. The total amount of expense is recognized during the period in which the right to exercise the stock option is acquired, which generally occurs when the option vests, and is equal to the grant date fair value of the underlying options granted. The number of stock options that each employee is entitled was calculated based on the average of the Company's stock price for the three months prior to the grant date. The stock option may only be exercised upon satisfaction of the service condition, and have the maximum term of ten years varying in accordance with each individual agreement. All options must be exercised by physical delivery of the shares of common stock.

At the reporting date, the Company reviews its estimates of the number of options, which will be exercised (not forfeited), and recognizes any impact from the change in estimate in the statement of income, with a corresponding adjustment to capital reserves within stockholders' equity. The fair value of each stock option granted was estimated at the grant date based on the Black-Scholes-Merton pricing model. The primary assumptions considered in the model were:

Grants						Fair value assumptions			
Year	Quantity of options	Fair value of the option	Exercise price in R\$	Vesting term	Outstanding options at June 30, 2016	Risk free interest rate	Volatility	Share price on the grant date	Dividend Yield
2014	2,396,051	R\$ 7.58 to R\$ 9.99	0.00001	3 to 5 years	781,157	10.98% to 12.16%	42.16%	R\$ 7.8 to R\$ 10.10	1.05%
2015	1,916,859	R\$ 15.36 to R\$ 15.58	0.00001	3 years	1,223,202	13.25% to 13.68%	55.69%	R\$ 15.66	0.72%
2016	9,782,629	R\$ 5.46 to R\$ 11.12	0.00001 to 7.50	3 years	6,432,629	12.66% to 14.16%	60.81% to 76.49%	R\$ 10.32 to R\$ 11.12	4.45%

Risk free interest rate: The Company uses as a risk free interest rate the projection obtained from Interpolation of fixed x floating interest rate swap (BM&F's index Pre x DI).

Volatility: The Company estimated the volatility of its own shares by calculating historical volatility over the expected term.

Dividends yield: The dividend yield was estimated based on the payment expectation of dividends per share for the next 12 months divided by the share price.

During the six months period ended June 30, 2016 and 2015 the expense with options plan totally R\$52,334 and R\$14,225, respectively, recorded in the result under the caption "General and administrative expenses", with the respective offsetting in "Capital Reserve".

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b4. Treasury stocks:

Below is presented the changes on treasury shares:

	Quantity	R\$ thousand
Balance as of December 31, 2015	63,950,500	903,571
Purchase of treasury stocks	79,555,300	821,139
Treasury stocks incentive	(4,623,214)	(55,677)
Balance as of June 30, 2016	138,882,586	1,669,033

b5. Capital transaction: see basis of preparation and presentation of financial statements.

c. Other reserves: Refers to revaluations on fixed assets prior to CPC/IFRS adoption. Other reserves are transferred to retained earnings in proportion with the realization of revalued assets through depreciation, disposal and retirement.

d. Profit reserves:

Legal reserve: Credited annually with 5% of the profit of the year.

Investments statutory: Consists of the remaining balance of the net income after the computation of legal reserve and dividend distribution. The purpose of this reserve is to provide funds to investment in assets.

e. Other comprehensive income (loss): Composed by valuation adjustments to equity reflex from the subsidiaries and accumulated translation adjustments referred to exchange rate variation in the translation of the subsidiaries' financial statements.

22 Net revenue

Revenue is recognized when the risks and inherent benefits are transferred to the customer or when the probability that the economic benefits will be received by the Company can be measured reliably. Revenue is measured at the fair value of the payment received or receivable for sale of products and services in the Company's normal course of business. The Company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised at the point that the risks and rewards of the inventory have passed to the customer, which is either at the point of dispatch or on delivery of the products. This varies from customer to customer according to the terms of sale. In the income statement, revenue is presented net of taxes associated with the sales, returns, rebates and discounts.

Revenue by significant category for the six-month period ending June 30, 2016 and 2015 are as follows:

	Company		Consolidated	
	For the six months period ended June 30,		For the six months period ended June 30,	
	2016	2015	2016	2015
GROSS REVENUE				
Sales of products				
Domestic sales	9,209,801	9,626,807	65,623,467	53,220,414
Export sales	5,874,801	5,460,259	25,195,757	22,356,607
	15,084,602	15,087,066	90,819,224	75,577,021
SALES DEDUCTION				
Returns and discounts	(550,183)	(629,003)	(1,921,492)	(1,666,680)
Sales taxes	(671,786)	(672,843)	(1,313,939)	(1,185,988)
	(1,221,969)	(1,301,846)	(3,235,431)	(2,852,668)
NET REVENUE	13,862,633	13,785,220	87,583,793	72,724,353
	Company		Consolidated	
	For the three months period ended June 30,		For the three months period ended June 30,	
	2016	2015	2016	2015
GROSS REVENUE				
Sales of products				
Domestic sales	4,803,040	4,794,427	32,746,872	28,196,416
Export sales	2,815,524	2,968,041	12,453,655	12,199,248
	7,618,564	7,762,468	45,200,527	40,395,664
SALES DEDUCTION				
Returns and discounts	(253,429)	(321,136)	(883,957)	(901,150)
Sales taxes	(342,260)	(328,591)	(644,716)	(589,153)
	(595,689)	(649,727)	(1,528,673)	(1,490,303)
NET REVENUE	7,022,875	7,112,741	43,671,854	38,905,361

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23 Finance income (expense)

Finance income (expense) includes (i) interest payable on borrowings and direct issue costs; (ii) results from the daily settlements of future contracts used to protect assets and liabilities, as well as the fair value adjustments for derivative instruments that are described under within note 31, (iii) finance income comprising interest receivable on funds invested which is recognized in profit or loss as it accrues using the effective interest method; and (iv) gains and losses associated with transactions denominated in foreign currencies.

Finance income (expense) consisted of the following for the six-month period ending June 30, 2016 and 2015 are as follows:

	Company		Consolidated	
	For the six months period ended June 30,		For the six months period ended June 30,	
	2016	2015	2016	2015
Exchange rate variation	3,692,932	(3,027,414)	4,360,348	(3,395,582)
Fair value adjustments on derivatives	(6,132,918)	2,073,360	(6,633,367)	2,483,352
Interest expense	(866,700)	(1,001,005)	(1,949,270)	(1,701,242)
Interest income	683,015	395,927	394,737	495,012
Taxes, contribution, tariff and others	(88,429)	(51,639)	(165,338)	(98,130)
	<u>(2,712,100)</u>	<u>(1,610,771)</u>	<u>(3,992,890)</u>	<u>(2,216,590)</u>
Finance income	4,375,947	2,469,287	4,755,085	2,978,364
Finance expense	(7,088,047)	(4,080,058)	(8,747,975)	(5,194,954)
	<u>(2,712,100)</u>	<u>(1,610,771)</u>	<u>(3,992,890)</u>	<u>(2,216,590)</u>

	Company		Consolidated	
	For the three months period ended June 30,		For the three months period ended June 30,	
	2016	2015	2016	2015
Exchange rate variation	2,041,932	357,610	2,506,373	361,401
Fair value adjustment on derivatives	(679,701)	(1,773,736)	(810,306)	(2,005,621)
Interest expense	(425,322)	(492,175)	(948,810)	(875,665)
Interest income	316,241	221,767	148,697	265,612
Taxes, contribution, tariff and others	(67,300)	(22,190)	(123,569)	(46,179)
	<u>1,185,850</u>	<u>(1,708,724)</u>	<u>772,385</u>	<u>(2,300,452)</u>
Finance income	2,358,173	579,377	2,655,070	627,013
Finance expense	(1,172,323)	(2,288,101)	(1,882,685)	(2,927,465)
	<u>1,185,850</u>	<u>(1,708,724)</u>	<u>772,385</u>	<u>(2,300,452)</u>

24 Earnings per share

Basic: is calculated by dividing net income attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, excluding common shares purchased and held as treasury shares.

	For the six months period ended June 30,		For the three months period ended June 30,	
	2016	2015	2016	2015
Net income (loss) attributable to shareholders	<u>(1,205,001)</u>	<u>1,473,850</u>	<u>1,536,161</u>	<u>80,131</u>
Weighted average of the shares in the period	2,944,426	2,944,253	2,944,426	2,944,407
Weighted average of the shares in the treasury	(130,014)	(56,341)	(138,883)	(57,309)
Weighted average of shares circulating	<u>2,814,412</u>	<u>2,887,912</u>	<u>2,805,543</u>	<u>2,887,098</u>
Basic earnings (loss) per share - (R\$)	<u>(0.43)</u>	<u>0.51</u>	<u>0.55</u>	<u>0.03</u>

Diluted: is calculated by dividing net income of the period attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for the effects of all dilutive potential common shares, adjusted for own shares held. From May 2015, the Company has only one category of potential common shares that would cause dilution: the option of purchasing stocks.

	For the six months period ended June 30,		For the three months period ended June 30,	
	2016	2015	2016	2015
Net income (loss) attributable to shareholders	<u>(1,205,001)</u>	<u>1,473,850</u>	<u>1,536,161</u>	<u>80,131</u>
Weighted average number of ordinary shares (basic) - R\$	2,814,412	2,887,912	2,805,543	2,887,098
Effect of negotiation premium with stock options	7,522	3,075	11,926	4,353
Weighted average number of ordinary shares (diluted)	<u>2,821,934</u>	<u>2,890,987</u>	<u>2,817,469</u>	<u>2,891,451</u>
Diluted earnings (loss) per shares - (R\$)	<u>(0.43)</u>	<u>0.51</u>	<u>0.55</u>	<u>0.03</u>

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25 Operating segments

Management has defined the reportable segments, based on the reports used to make strategic decisions, analyzed by the Chief of Operating Decisions (CODM) that is our Chief Executive Officer (CEO), which are segmented based on product and geography.

The modalities of commercialized products include Beef, Chicken, Pork and Others. Geographically, Management considers the operational performance of its business in the USA (including Australia, Canada and Mexico), South America (Brazil, Argentina, Paraguay and Uruguay) and others.

The Beef segment operates slaughter facilities, cold storage and meat processing operations for the production of beef preservatives, fat, feed and derivate products having locations in Brazil, United States of America, Canada, Australia, Argentina, Uruguay, Paraguay, as well as in United States of America, Australia, Canada and Mexico.

The Chicken segment is represented by "in natura" products, refrigerated as a whole or in pieces, whose productive units are located in United States of America, Mexico, United Kingdom, European Union and Brazil, and sold to restaurant chains, food processors, distributors, supermarkets, wholesale and other retail distributors, and also exported to Eastern Europe (including Russia), the Eastern Hemisphere (including China) and other international markets.

The Pork segment operations consist of slaughter facilities, processing, cold storage of pork meat, delivers "in natura" meat and manufacture of products and sub-products of the same origin. It operates in Brazil and the United States, addressing the U.S. domestic market as well as foreign markets. The products also include specific industrial standards cuts and refrigerated products.

Due to the significant percentage of business being derived from the above-mentioned reportable segments, the remaining segments and activities in which the Company acts are not significant and are presented as "Others". In addition, all operations between segments are eliminated.

The accounting policies of the operational segments are the same as described in these financial statements. The Company evaluates its performance per segment, which according to the accounting policies, are disclosed with the breakdown of net revenue, depreciation and net operating income.

There are no revenues arising out of transactions with any single customer that represents 10% or more of the total revenues. Net revenue presented below is from external customers.

The measure of segment profitability reviewed by our chief operating decision maker is net operating income, which does not include finance income (expense), share of profit or loss of equity accounted investees or income taxes. The Company manages its loans and financings and income taxes at the corporate level and not by segment. The information per businesses operational segment, analyzed by the CODM, are as follows:

Segments presented by product modality:

Segments	Net revenue		Net operating income ⁽¹⁾		Depreciation	
	For the six months period ended June 30,		For the six months period ended June 30,		For the six months period ended June 30,	
	2016	2015	2016	2015	2016	2015
Beef	49,480,095	45,478,943	(510,125)	1,069,205	608,818	515,850
Chicken	22,384,073	17,602,089	1,853,338	2,880,796	1,237,872	844,266
Pork	10,277,849	5,201,820	751,074	515,342	192,435	84,454
Others	5,441,776	4,441,501	649,436	253,956	246,754	171,036
Total	87,583,793	72,724,353	2,743,723	4,719,299	2,285,879	1,615,606

Segments	Net revenue		Net operating income ⁽¹⁾		Depreciation	
	For the three months period ended June 30,		For the three months period ended June 30,		For the three months period ended June 30,	
	2016	2015	2016	2015	2016	2015
Beef	24,942,869	24,542,286	154,343	822,876	300,318	268,925
Chicken	10,939,540	9,286,583	905,913	1,649,543	607,110	440,027
Pork	5,119,835	2,779,592	465,841	270,795	90,283	43,089
Others	2,669,610	2,296,900	246,288	(5,319)	122,313	87,175
Total	43,671,854	38,905,361	1,772,385	2,737,895	1,120,024	839,216

Total assets by product modality:

	June 30, 2016	December 31, 2015
Total assets		
Beef	51,506,675	66,132,131
Chicken	26,549,810	30,391,861
Pork	9,667,800	13,647,227
Others	13,862,786	12,331,748
Total	101,587,071	122,502,967

Segments presented by geographic area:

Segments	Net revenue		Net operating income ⁽¹⁾		Depreciation	
	For the six months period ended June 30,		For the six months period ended June 30,		For the six months period ended June 30,	
	2016	2015	2016	2015	2016	2015
United States of America	59,531,837	49,282,518	1,176,292	3,330,619	1,312,813	899,527
South America	23,080,906	22,321,716	1,397,169	1,448,243	782,925	710,366
Others	4,971,050	1,120,119	170,262	(59,563)	190,141	5,713
Total	87,583,793	72,724,353	2,743,723	4,719,299	2,285,879	1,615,606



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Segments	Net revenue		Net operating income ⁽¹⁾		Depreciation	
	For the three months period ended June 30,		For the three months period ended June 30,		For the three months period ended June 30,	
	2016	2015	2016	2015	2016	2015
United States of America	29,442,013	26,645,035	1,232,580	1,962,551	635,053	477,390
South America	11,810,925	11,664,950	444,188	807,435	394,978	358,762
Others	2,418,916	595,376	95,617	(32,091)	89,993	3,064
Total	43,671,854	38,905,361	1,772,385	2,737,895	1,120,024	839,216

Total assets by geographic area:

	June 30, 2016	December 31, 2015
Total assets		
United States of America	35,254,621	45,812,569
South America	59,848,393	68,234,984
Others	6,484,057	8,455,414
Total	101,587,071	122,502,967

⁽¹⁾ - The net operating income is reconciled with the consolidated net income, as follows below:

	Net operating income		Net operating income	
	For the six months period ended June 30,		For the three months period ended June 30,	
	2016	2015	2016	2015
Net income (loss)	(986,875)	1,780,317	1,657,769	252,232
Income tax and social contribution - current and deferred	(289,303)	736,618	868,645	175,290
Finance income (expense)	3,992,890	2,216,590	(772,385)	2,300,452
Equity in earnings in subsidiaries, associate and joint ventures	(5,644)	(31,795)	(5,349)	(7,665)
Restructuring, reorganization and other expenses	32,655	17,569	23,705	17,586
	2,743,723	4,719,299	1,772,385	2,737,895

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26 Expenses by nature

The Company's policy is to disclose expenses by function and certain expenses by nature as required by IFRS.

Classification by nature	Company				Consolidated			
	For the six months period ended June 30,		For the three months period ended June 30,		For the six months period ended June 30,		For the three months period ended June 30,	
	2016	2015	2016	2015	2016	2015	2016	2015
Depreciation and amortization	(342,454)	(329,147)	(173,836)	(158,959)	(2,285,879)	(1,615,606)	(1,120,024)	(839,216)
Personnel expense	(1,386,102)	(1,329,979)	(704,023)	(694,099)	(10,168,852)	(7,140,844)	(4,995,431)	(3,688,526)
Raw material use and consumption materials	(11,237,003)	(11,295,547)	(5,853,000)	(5,847,490)	(71,805,779)	(58,381,411)	(35,517,272)	(31,064,099)

Classification by function	Company				Consolidated			
	For the six months period ended June 30,		For the three months period ended June 30,		For the six months period ended June 30,		For the three months period ended June 30,	
	2016	2015	2016	2015	2016	2015	2016	2015
Cost of sales	(10,686,326)	(11,186,945)	(5,587,563)	(5,786,132)	(77,550,791)	(62,073,773)	(38,402,643)	(33,032,622)
Selling expenses	(1,527,306)	(1,456,367)	(780,542)	(751,890)	(5,176,417)	(4,160,913)	(2,497,924)	(2,205,697)
General and administrative expenses	(851,200)	(722,843)	(407,736)	(373,326)	(2,262,084)	(1,785,861)	(1,034,471)	(942,571)

27 Insurance coverage

As of June 30, 2016, in the Company, the maximum individual limit for coverage was R\$150,000. This coverage includes all types of casualties.

Regarding the subsidiary JBS Argentina, located in the Republic of Argentina, the insurance policy has the same above-mentioned characteristics; however, the maximum indemnification limit for June 30, 2016 was of US\$30 million (equivalent to R\$96,294).

Regarding the subsidiary JBS USA, located in the USA, the insurance policy has the same above-mentioned characteristics; however, the maximum indemnification limit for June 30, 2016 was of US\$500 million (equivalent to R\$1,604,900).

Regarding the subsidiary Seara Alimentos, located in Brazil, the insurance policy has the same above-mentioned characteristics; however, the maximum indemnification limit for June 30, 2016 was of R\$150,000.

Regarding the subsidiary Moy Park, located in the United Kingdom, the insurance policy has the same above-mentioned characteristics; however, the maximum indemnification limit for June 30, 2016 was of GBP275 million (equivalent to R\$1,169,053).

The assumptions of risk taken, by their nature, are not part of the scope of an audit, therefore, were not audited by independent auditors.

28 Risk management and financial instruments

The Company uses the measurement principles presented below at each statement of financial position date in accordance with the guidelines established under IFRS for each classification type of financial assets and liabilities. The Company has not designated any of its derivatives as hedges.

Financial assets at fair value through profit or loss: Financial assets are carried at their fair value if they are classified as held for trading or designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the company manages such investments and makes purchase and sale decisions based on their fair values in accordance with the Company's documented risk management and investment strategy. The fair value of derivatives are calculated based on daily settlements as a result of changes in market prices of futures and commodities. The fair value of the swap is estimated by its present value, obtained by discounting future cash flows of its assets and liabilities legs. For exchange traded derivatives like futures, as mentioned earlier, the fair value are based on daily settlements, and for OTC (over the counter) derivatives, the fair value must be estimated. For instance, for a NDF (non deliverable forward), the calculation of fair value requires the future value of the underlying asset and a yield curve and to get these data, the Company's Risk Management Department uses a Bloomberg database. Financial assets recorded at fair value through profit or loss are measured at fair value and changes in fair value of these assets are recognized as finance income or expense of the period.

Loans granted and receivables: Loans granted and receivables are financial assets with fixed or estimated payment amounts that are not quoted in an active market. Such assets are initially recognized at fair value plus any relevant transaction costs. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, decreased by any loss on the impairment.

Held to maturity: In the case when the Company intends and is able to hold bonds to maturity, then such financial assets are classified as held to maturity. Investments held to maturity are initially recognized at fair value plus any directly attributable transaction costs. After initial recognition, investments held to maturity are measured at amortized cost using the effective interest method, decreased by any loss on the impairment. The Company has no financial instruments in this category.

Liabilities at amortized costs: The Company recognizes debt securities and subordinated debt on the date on which they originated. All other financial liabilities (including liabilities designated at fair value recorded in income) are initially recognized on the trade date on which the Company becomes a party to the contractual provisions of the instrument. The Company writes-off a financial liability when its contractual obligations are canceled or expired.

Derivative financial instruments and hedge activities: Based on a risk management policy of the JBS Group, the Company and its subsidiaries, contract financial derivatives instruments in order to minimize the risk of losses due to the exposure to fluctuation in exchange rates, interest rates, commodities prices, and others, which can affect the valuation of current and non current assets and liabilities, future cash flow and profit. These financial instruments are recognized after the Company and its subsidiaries become a party to the contractual provisions at the instruments. The fair value of derivative instruments is calculated by the treasury department, based on information of each contracted transaction and market information on the reporting dates such as interest rates and exchange rates.

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Financial instruments:

All operations with financial instruments are recognized in the interim financial statements of the Company, according to the charts below:

	Notes	Company		Consolidated	
		June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Assets					
Fair value through profit or loss					
CDB and national treasury bill	4	3,592,872	5,013,154	4,322,262	8,067,833
Derivatives assets		2,665	84,779	117,042	737,891
Loans and receivables at amortized cost					
Cash at banks	4	1,518,330	6,244,789	4,148,802	10,776,155
Trade accounts receivable, net	5	2,450,050	3,435,691	9,156,740	12,119,662
Credits with related parties	9	4,926,472	4,999,503	1,503,137	1,968,043
Total		12,490,389	19,777,916	19,247,983	33,669,584
Liabilities					
Liabilities at amortized cost					
Loans and financing	14	(27,495,073)	(29,743,442)	(57,648,764)	(65,882,726)
Trade accounts payable	13	(1,771,536)	(2,448,362)	(9,715,404)	(12,421,018)
Debits with related parties	9	(91,476)	(101,668)	-	-
Other financial liabilities	18	(43,984)	(53,114)	(472,744)	(705,771)
Fair value through profit or loss					
Contingent consideration - Payables on the acquisitions of facilities	18	(150,000)	(430,000)	(150,000)	(430,000)
Total		(29,552,069)	(32,776,586)	(67,986,912)	(79,439,515)

During this period there has been no reclassification between categories, fair value through profit or loss, loans and receivables and liabilities at amortized cost, shown in the table above.

a. Fair value of assets and liabilities through profit or loss:

The Company and its subsidiaries determine fair value measurements in accordance with the hierarchical levels that reflect the significance of the inputs used in the measurement, according to the following levels:

Level 1 - Quoted prices in active markets (unadjusted) for identical assets or liabilities;

Level 2 - Inputs other than Level 1, in which prices are quoted for similar assets and liabilities, either directly by obtaining prices in active markets or indirectly through valuation techniques that use data from active markets;

Level 3 - Inputs used for fair value calculations are not derived from an active market. The Company and its subsidiaries do not have any financial instruments that utilize level 3 inputs.

	Company							
	Current assets						Current liabilities	
	National treasury bill		CDB		Derivative assets		Moy Park contingent liability	
	June 30, 2016	Dec 31, 2015	June 30, 2016	Dec 31, 2015	June 30, 2016	Dec 31, 2015	June 30, 2016	Dec 31, 2015
Level 1	40,313	3,428,732	-	-	-	-	-	-
Level 2	-	-	3,552,559	1,584,422	2,665	84,779	(150,000)	(430,000)
Level 3	-	-	-	-	-	-	-	-
	Consolidated							
	Current assets						Current liabilities	
	National treasury bill		CDB		Derivative assets		Moy Park contingent liability	
	June 30, 2016	Dec 31, 2015	June 30, 2016	Dec 31, 2015	June 30, 2016	Dec 31, 2015	June 30, 2016	Dec 31, 2015
Level 1	40,313	3,782,534	-	-	-	-	-	-
Level 2	-	-	4,281,949	4,285,299	117,042	737,891	(150,000)	(430,000)
Level 3	-	-	-	-	-	-	-	-

b. Fair value of assets and liabilities carried at amortized cost:

The fair value of the Notes under Rule 144-A and Regulation S, are estimated using the closing sale price of these securities informed by a financial newswire in June 30, 2016 and December 31, 2015, considering there is an active market for these financial instruments. The book value of the remaining fixed-rate loans approximates fair value since the interest rate market, the Company's credit quality, and other market factors have not significantly changed since entering into the loans. The book value of variable-rate loans and financings approximates fair value given the interest rates adjust for changes in market conditions and the quality of the Company's credit rating has not substantially changed. For all other financial assets and liabilities, book value approximates fair value due to the short duration of the instruments. Following, are the details of the estimated fair value of loans and financings:

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Description	Company						Consolidated					
	June 30, 2016			December 31, 2015			June 30, 2016			December 31, 2015		
	Principal	Price (% of the Principal)	Market Value of the Principal	Principal	Price (% of the Principal)	Market Value of the Principal	Principal	Price (% of the Principal)	Market Value of the Principal	Principal	Price (% of the Principal)	Market Value of the Principal
JBS S.A. Notes 2016	396,394	101.02	400,437	513,583	103.00	528,990	396,394	101.02	400,437	513,583	103.00	528,990
Bertin Notes 2016	376,542	102.38	385,504	572,951	104.00	595,869	376,542	102.38	385,504	572,951	104.00	595,869
JBS S.A Notes 2020	3,209,800	105.99	3,402,067	3,904,800	97.00	3,787,656	3,209,800	105.99	3,402,067	3,904,800	97.00	3,787,656
JBS S.A Notes 2023	2,487,595	98.00	2,437,843	3,026,220	88.00	2,663,074	2,487,595	98.00	2,437,843	3,026,220	88.00	2,663,074
JBS S.A. Notes 2024	2,407,350	103.29	2,486,552	2,928,600	91.63	2,683,476	2,407,350	103.29	2,486,552	2,928,600	91.63	2,683,476
JBS Lux Notes 2020	-	-	-	-	-	-	2,246,860	104.75	2,353,586	2,733,360	100.00	2,733,360
JBS Lux Notes 2021	-	-	-	-	-	-	3,691,270	103.70	3,827,847	4,490,520	98.35	4,416,426
JBS Lux Notes 2024	-	-	-	-	-	-	2,407,350	99.50	2,395,313	2,928,600	89.50	2,621,097
JBS Lux Notes 2025	-	-	-	-	-	-	2,888,820	94.25	2,722,713	3,514,320	86.50	3,039,887
PPC Notes 2025	-	-	-	-	-	-	1,604,900	100.50	1,612,925	1,952,400	97.75	1,908,471
Moy Park	-	-	-	-	-	-	1,275,330	100.53	1,282,089	1,736,430	102.40	1,778,104
	8,877,681		9,112,403	10,946,154		10,259,065	22,992,211		23,306,876	28,301,784		26,756,410

Finance income (expense) by category of financial instrument:

	Company		Consolidated	
	2016	2015	2016	2015
Fair value through profit or loss	(6,056,686)	2,327,808	(6,461,524)	2,950,635
Loans and receivables	(868,582)	260,076	(1,102,744)	285,197
Liabilities at amortized cost	4,301,597	(4,147,017)	3,736,718	(5,354,293)
Other	(88,429)	(51,638)	(165,340)	(98,129)
Total	(2,712,100)	(1,610,771)	(3,992,890)	(2,216,590)

Risk management:

JBS and its subsidiaries during the regular course of their operations is exposed to market, credit and liquidity risks. Those exposures are managed by the Risk Management Department, following directives from the Financial and Commodities Risk Management Policy defined by the Risk Management Committee and approved by the Board of Directors.

The Risk Management Department is responsible for mapping all the risk factors that may bring adverse financial results for the Company and proposing strategies to mitigate those risks. Their proposals are submitted to the Risk Management Committee for submission to the Board of Directors, who supervises the implementation of new solutions, noting limitations of scope and guidelines of the Financial and Commodities Risk Management Policy.

Below are the risks and operations to which the Company is exposed and a sensitivity analysis for each type of risk, consisting in the presentation of the effects in the finance income (expense), net, when subjected to possible changes, of 25% to 50%, in the relevant variables for each risk. For each probable scenario, the Company considers appropriate the use of the Value at Risk analysis Methodology (VaR), for the confidence interval (I.C.) of 99% and a horizon of one day. These scenarios include immediate hypothetical shocks, without taking in consideration the effects related to the interest rate. Additionally, for risk presentation in sensitive analysis the appreciation and the depreciation is always the Company's functional currency.

a. Market Risk:

The exposure to market risk is continuously monitored, especially the risk factors related to foreign exchange, interest rates and commodity prices, which directly affect the value of financial assets and liabilities, future cash flow and net investments in foreign subsidiaries. In these cases, JBS and its subsidiaries may use financial hedge instruments, including derivatives, given the approval by the Board of Directors.

It is the function of the Risk Management Department to ensure that other areas of operations from JBS are within the exposure limits set by Management, as well as they are financially protected against price fluctuations, centralizing the exposures and applying the Financial and Commodities Risk Management policy.

The Risk Management Department uses proprietary and third party information systems specially developed to control and manage market risk, applying stress scenario and Value at Risk analysis (VaR) to measure the net exposure as well as the cash flow risk with the stock exchange.

a.1. Interest rate risk

Interest rate risk is related to potentially adverse results that JBS and its subsidiaries may realize from changes in interest rates, which may be caused by economic crisis, sovereign monetary policy alterations, or market movements. The Company has limited assets and primarily liabilities exposed to interest rates like the CDI (Certificado de Depósito Interbancário - Interbank Deposit Certificate), TJLP (Taxa de Juros de Longo Prazo - Long Term Interest Rate), UMBNDES (Unidade Monetária do BNDES - BNDES Monetary Unit), LIBOR (London Interbank Offer Rate) and EURIBOR (Euro Interbank Offer Rate), among others. The Company's Financial and Commodities Risk Management Policy does not define the proportion between float and fixed exposures, but the Risk Management Department monitors market conditions and may propose to the Risk Management Committee strategies to rebalance the exposure.

The Board understands that quantitative figures regarding the exposure to interest rate risks of the Company at June 30, 2016 and December 31, 2015 are presented below in accordance with the Financial and Commodities Risk Management Policy and are representative of the exposure incurred during the period.

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	Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Liabilities and assets exposure to the CDI rate net:				
NCE / Compror / Others	(2,765,208)	(3,741,948)	(3,863,051)	(5,067,298)
Related parties	4,668,050	3,808,548	-	-
CDB-DI	3,552,559	1,584,422	3,675,060	1,976,791
National treasury bill	40,313	3,428,732	40,313	3,428,732
Total	5,495,714	5,079,754	(147,678)	338,225
Liabilities exposure to the EURIBOR rate:				
Working Capital - Euro	(89,674)	(99,766)	(208,438)	(99,766)
Finimp	(1,073)	-	(45,397)	-
Total	(90,747)	(99,766)	(253,835)	(99,766)
Liabilities exposure to the LIBOR rate:				
Working Capital - USD	-	-	(551,645)	(208,817)
Pre-payment	(8,028,832)	(5,203,103)	(10,978,078)	(9,633,688)
Others	-	-	(25,255)	(4,683)
Total	(8,028,832)	(5,203,103)	(11,554,978)	(9,847,188)
Liabilities exposure to TJLP rate:				
FINAME	(271,695)	(288,052)	(284,567)	(306,529)
Total	(271,695)	(288,052)	(284,567)	(306,529)
Liabilities exposure to UMBNDES:				
CCB - BNDES	-	-	(26,931)	(41,591)
Total	-	-	(26,931)	(41,591)

Management believes that the exposure to interest rate fluctuations does not have a relevant effect on the Company's results and does not use derivatives financial instruments to manage this risk, except the specific situations that may arise.

Sensitivity analysis:

Contracts exposure	Risk	Current scenario	Scenario (I) VaR 99% I.C. 1 day			Scenario (II) Interest rate variation - 25%			Scenario (III) Interest rate variation - 50%		
			Rate	Effect on income		Rate	Effect on income		Rate	Effect on income	
				Company	Consolidated		Company	Consolidated		Company	Consolidated
CDI	Increase	14.1300%	14.2254%	5,243	(141)	17.6625%	194,136	(5,217)	21.1950%	388,272	(10,433)
Euribor	Increase	(0.0510)%	(0.0510)%	-	-	(0.0383)%	(12)	(32)	(0.0255)%	(23)	(65)
Libor	Increase	1.2303%	1.2306%	(24)	(35)	1.5378%	(24,689)	(35,532)	1.8454%	(49,385)	(71,075)
TJLP	Increase	7.5000%	7.5020%	(5)	(6)	9.3750%	(5,094)	(5,336)	11.2500%	(10,189)	(10,671)
UMBNDES	Increase	0.0634	0.0653	-	(838)	0.0792	-	(6,733)	0.0950	-	(13,466)
				5,214	(1,020)		164,341	(52,850)		328,675	(105,710)

a.2. Exchange rate risk:

Exchange rate risk is related to potentially adverse results that the Company may realize from fluctuations in foreign currency exchange rates that may be caused by economic crisis, sovereign monetary policy alterations, or market movements. The Company has assets and liabilities exposed to foreign exchange rate, however the Company's Financial and Commodities Risk Management Policy states that the Company cannot simply net these exposures, since other issues should be considered such as maturities mismatches.

The Risk Management Department applies hedging instruments previously approved by the Board of Directors to protect financial assets and liabilities and future cash flow from commercial activities and net investments in foreign operations. The Board of Directors has approved the use of future contracts, NDFs (non deliverable forwards), options and swaps that may be applied to hedge loans, investments, flows from interest payments, export estimate, acquisition of raw material, and other transactions, whenever they are quoted in currencies different than the Company's functional currency. The primary exposures to exchange rate risk are in US Dollars (US\$), Canadian Dollars (C\$), Euro (€) and the British Pound (£). In the consolidated, the Company discloses as a combined way its exposure in relation on each indexer based on the functional currency of the country, highlighting the operations of JBS USA's subsidiaries indexed to the US Dollars (US\$), in Australia, which the functional currency is Australian Dollar (AUD), exposures in Japanese Yen (JPY) and New Zealand Dollars (NZD), of less representativeness.

The Board understands that quantitative figures regarding the foreign currency exposure risk of the Company at June 30, 2016 and December 31, 2015 are presented below, in accordance with the Financial and Commodities Risk Management Policy. However, it should be mentioned that during the period there were representative movement due to hedging operations at the exchange as a result of financial and commercial operations. It should also be mentioned that continuing the reduction of derivatives position with the partial non-renovation of contracts due March 31, 2016, as reported on financial statement of March 31, 2016, the Company keep on reducing its derivatives position during April 2016, noting the Company's new directives, in accordance with the Financial and Commodities Risk Management Policy.

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a.2.1 EXPOSURE to the US Dollar (amounts in thousands of R\$):

	Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
OPERATING				
Cash and cash equivalents	1,353,602	2,918,919	1,873,843	3,589,259
Trade accounts receivable	1,812,361	1,746,646	2,679,994	3,107,239
Sales orders	804,658	882,509	1,901,784	2,650,165
Trade accounts payable	(106,394)	(132,874)	(165,775)	(223,876)
Purchase orders	-	-	(71,556)	(469,607)
Subtotal	3,864,227	5,415,200	6,218,290	8,653,180
FINANCIAL				
Related parties transaction (net)	15,048	703,336	(150,995)	81,055
Net debt in foreign subsidiaries	(21,429,931)	(23,325,674)	(21,429,931)	(23,325,674)
Loans and financing	(24,285,688)	(25,533,519)	(27,686,160)	(29,668,891)
Subtotal	(45,700,571)	(48,155,857)	(49,267,086)	(52,913,510)
Total exposure	(41,836,344)	(42,740,657)	(43,048,796)	(44,260,330)
DERIVATIVES				
Future contracts	-	22,441,081	-	23,557,854
Non Deliverable Forwards (NDF's)	-	21,777,070	475,090	23,668,231
Foreign Currency Swap (Assets)	-	-	813,690	1,601,944
Foreign Currency Swap (Liabilities)	-	-	(706,568)	(1,180,226)
Total derivatives	-	44,218,151	582,212	47,647,803
NET EXPOSURE IN R\$	(41,836,344)	1,477,494	(42,466,584)	3,387,473

Sensitivity analysis at June 30, 2016 (exchange rates are Brazilian Reais to US Dollar):

Exposure of R\$	Risk	Current exchange rate	Scenario (i) VaR 99% I.C. 1 day				Scenario (ii) Interest rate variation - 25%			Scenario (iii) Interest rate variation - 50%		
			Exchange rate	Effect on income		Exchange rate	Effect on income		Exchange rate	Effect on income		
				Company	Consolidated		Company	Consolidated		Company	Consolidated	
Operating	Appreciation	3.2098	3.3033	88,842	157,415	4.0123	762,526	1,351,078	4.8147	1,524,956	2,701,987	
Financial	Depreciation	3.2098	3.3033	(706,993)	(810,884)	4.0123	(6,068,038)	(6,959,722)	4.8147	(12,135,320)	(13,918,577)	
Derivatives	Appreciation	3.2098	3.3033	-	16,960	4.0123	-	145,562	4.8147	-	291,106	
				(618,151)	(636,509)		(5,305,512)	(5,463,082)		(10,610,364)	(10,925,484)	

Exposure of R\$	Risk	Current exchange rate	Scenario (i) VaR 99% I.C. 1 day				Scenario (ii) Interest rate variation - 25%			Scenario (iii) Interest rate variation - 50%		
			Exchange rate	Effect on equity		Exchange rate	Effect on equity		Exchange rate	Effect on equity		
				Company	Consolidated		Company	Consolidated		Company	Consolidated	
Net debt in foreign subsidiaries	Depreciation	3.2098	3.3033	(600,523)	(600,523)	4.0123	(5,154,225)	(5,154,225)	4.8147	(10,307,808)	(10,307,808)	
				(600,523)	(600,523)		(5,154,225)	(5,154,225)		(10,307,808)	(10,307,808)	

For hedging purposes, the Company includes in its exposure the net debt of foreign subsidiaries. Although these debts do not generate foreign exchange exposure in the Company's result (for being abroad and in the functional currency of each country), these debts in the consolidation are affected by exchange effects, impacting the Company's equity as exchange variation of investments, influencing the consolidated debt of the Company, and consequently the leverage indicators.

Derivatives financial instruments breakdown:

Instrument	Risk factor	Nature	Company					
			June 30, 2016			December 31, 2015		
			Quantity	Notional	Fair value	Quantity	Notional	Fair value
Future Contracts BM&F	American dollar	-	-	-	340	35,015	6,836,329	-
	DDI	-	-	-	-	79,926	15,604,752	-
Instrument	Risk factor	Nature	Consolidated					
			June 30, 2016			December 31, 2015		
			Quantity	Notional	Fair value	Quantity	Notional	Fair value
Future Contracts BM&F	American dollar	-	-	-	340	40,735	7,953,102	37,540
	DDI	-	-	-	-	79,926	15,604,752	-

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			Company					
			June 30, 2016			December 31, 2015		
Instrument	Risk factor	Nature	Notional (USD)	Notional (R\$)	Fair value	Notional (USD)	Notional (R\$)	Fair value
Non Deliverable Forwards	American dollar	-	-	-	-	5,577,000	21,777,070	91,169

			Consolidated					
			June 30, 2016			December 31, 2015		
Instrument	Risk factor	Nature	Notional (USD)	Notional (R\$)	Fair value	Notional (USD)	Notional (R\$)	Fair value
Non Deliverable Forwards	American dollar	Long	266,713	856,095	(20,674)	6,061,317	23,668,231	63,184
Non Deliverable Forwards	American dollar	Short	(118,700)	(381,005)	20,426	-	-	-

			Consolidated									
			June 30, 2016			December 31, 2015						
Instrument	Initial date	Expiry date	Notional (USD)	Notional (R\$)	Fair value (assets) R\$	Fair value (liabilities) R\$	Fair value	Notional (USD)	Notional (R\$)	Fair value (assets) R\$	Fair value (liabilities) R\$	Fair value
Swap	05.20.14	10.29.18	-	-	-	-	-	50,000	195,240	204,885	(124,727)	80,158
	11.27.13	10.23.18	-	-	-	-	-	100,000	390,480	306,317	(190,483)	115,834
	04.10.14	10.15.18	149,800	480,828	380,399	(272,849)	107,550	149,800	584,939	560,064	(333,910)	226,154
	09.08.15	09.08.16	135,000	433,323	433,291	(433,719)	(428)	135,000	527,148	530,678	(531,106)	(428)

a.2.2 EXPOSURE to C\$ (Canadian Dollar) (amounts in thousands of R\$):

		Company		Consolidated	
		June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
OPERATING					
Cash and cash equivalents		734	571	1,177	14,515
Trade accounts receivable		5,384	3,424	17,999	32,124
Sales orders		7,520	-	7,520	-
Trade accounts payable		-	-	(180)	(566)
Total exposure		13,638	3,995	26,516	46,073
DERIVATIVES					
Future contracts		-	(5,071)	-	(5,071)
Non Deliverable Forwards (NDF's)		-	-	(26,612)	(54,058)
Total derivatives		-	(5,071)	(26,612)	(59,129)
NET EXPOSURE IN R\$		13,638	(1,076)	(96)	(13,056)

Sensitivity analysis at June 30, 2016 (exchange rates are Brazilian Reais to Canadian Dollar):

		Scenario (i) VaR 99% I.C. 1 day				Scenario (ii) Interest rate variation - 25%				Scenario (iii) Interest rate variation - 50%			
		Current exchange rate	Exchange rate	Effect on income		Exchange rate	Effect on income		Exchange rate	Effect on income			
Exposure of R\$	Risk			Company	Consolidated		Company	Consolidated		Company	Consolidated		
Operating	Appreciation	2.4670	2.5347	374	728	3.0838	3,410	6,630	3.7005	6,819	13,258		
Derivatives	Depreciation	2.4670	2.5347	-	(730)	3.0838	-	(6,654)	3.7005	-	(13,306)		
				374	(2)		3,410	(24)		6,819	(48)		

Derivatives financial instruments breakdown:

			Company					
			June 30, 2016			December 31, 2015		
Instrument	Risk factor	Nature	Quantity	Notional	Fair value	Quantity	Notional	Fair value
Future Contracts BM&F	Canadian dollar	-	-	-	-	30	(5,071)	-

			Consolidated					
			June 30, 2016			December 31, 2015		
Instrument	Risk factor	Nature	Quantity	Notional	Fair value	Quantity	Notional	Fair value
Future Contracts BM&F	Canadian dollar	-	-	-	-	30	(5,071)	-

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Instrument	Risk factor	Nature	Consolidated					
			June 30, 2016			December 31, 2015		
			Notional (CAD)	Notional (R\$)	Fair value	Notional (CAD)	Notional (R\$)	Fair value
Non Deliverable Forwards	Canadian dollar	Short	(10,787)	(26,612)	83	(19,189)	(54,057)	1,281

a.2.3 EXPOSURE in € (EURO) (amounts in thousands of R\$):

	Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
OPERATING				
Cash and cash equivalents	14,318	48,686	33,798	56,509
Trade accounts receivable	77,811	129,828	186,176	412,257
Sales orders	57,325	-	281,258	345,473
Trade accounts payable	(46,133)	(128,288)	(65,467)	(138,741)
Purchase orders	-	-	(31,706)	(20,419)
Subtotal	103,321	50,226	404,059	655,079
FINANCIAL				
Related parties transaction (net)	99,570	333,623	130,590	333,623
Loans and financings	-	-	(6,796)	-
Subtotal	99,570	333,623	123,794	333,623
Total exposure	202,891	383,849	527,853	988,702
DERIVATIVES				
Future contracts	-	(61,631)	-	(660,937)
Non Deliverable Forwards (NDF's)	-	-	46,255	50,274
Total derivatives	-	(61,631)	46,255	(610,663)
NET EXPOSURE IN R\$	202,891	322,218	574,108	378,039

Sensitivity analysis at June 30, 2016 (exchange rates are Brazilian Reais to Euro):

Exposure of R\$	Risk	Current exchange	Scenario (i) VaR 99% I.C. 1 day		Scenario (ii) Interest rate variation - 25%		Scenario (iii) Interest rate variation - 50%				
			Exchange rate	Effect on income		Exchange rate	Effect on income		Exchange rate	Effect on income	
				Company	Consolidated		Company	Consolidated		Company	Consolidated
Operating	Appreciation	3.5414	3.4324	(3,180)	(12,436)	2.6561	(25,829)	(101,009)	1.7707	(51,661)	(202,030)
Financial	Appreciation	3.5414	3.4324	(3,065)	(3,810)	2.6561	(24,891)	(30,947)	1.7707	(49,785)	(61,897)
Derivatives	Appreciation	3.5414	3.4324	-	(1,424)	2.6561	-	(11,563)	1.7707	-	(23,128)
				(6,245)	(17,670)		(50,720)	(143,519)		(101,446)	(287,055)

Derivatives financial instruments breakdown:

Instrument	Risk factor	Nature	Company					
			June 30, 2016			December 31, 2015		
			Quantity	Notional	Fair value	Quantity	Notional	Fair value
Future Contracts BM&F	Euro	-	-	-	-	290	(61,631)	-

Instrument	Risk factor	Nature	Consolidated					
			June 30, 2016			December 31, 2015		
			Quantity	Notional	Fair value	Quantity	Notional	Fair value
Future Contracts BM&F	Euro	-	-	-	-	3,110	(660,937)	(10,552)

Instrument	Risk factor	Nature	Consolidated					
			June 30, 2016			December 31, 2015		
			Notional (EUR)	Notional (R\$)	Fair value	Notional (EUR)	Notional (R\$)	Fair value
Non Deliverable Forwards	Euro	Long	24,093	85,323	(2,186)	11,828	50,274	55
Non Deliverable Forwards	Euro	Short	(11,033)	(39,068)	(4,022)	-	-	-

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a.2.4 EXPOSURE in £ (British Pound) (amounts in thousands of R\$):

	Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
OPERATING				
Cash and cash equivalents	-	-	892	-
Trade accounts receivable	38,987	51,546	67,562	75,998
Sales orders	71,511	-	78,700	4,821
Trade accounts payable	-	(41)	(12,330)	(41)
Total exposure	110,498	51,505	134,824	80,778
DERIVATIVES				
Future contracts	-	(38,491)	-	(38,491)
Non Deliverable Forwards (NDF's)	-	-	(62,873)	(50,001)
Total derivatives	-	(38,491)	(62,873)	(88,492)
NET EXPOSURE IN R\$	110,498	13,014	71,951	(7,714)

Sensitivity analysis at June 30, 2016 (exchange rates are Brazilian Reais to British Pound):

Exposure of R\$	Risk	Current exchange rate	Scenario (i) VaR 99% I.C. 1 day		Scenario (ii) Interest rate variation - 25%		Scenario (iii) Interest rate variation - 50%				
			Exchange rate	Effect on income		Exchange rate	Effect on income		Exchange rate	Effect on income	
				Company	Consolidated		Company	Consolidated		Company	Consolidated
Operating	Appreciation	4.2511	4.1186	(3,444)	(4,202)	3.1883	(27,625)	(33,707)	2.1256	(55,248)	(67,410)
Derivatives	Depreciation	4.2511	4.1186	-	1,960	3.1883	-	15,719	2.1256	-	31,436
				(3,444)	(2,242)		(27,625)	(17,988)		(55,248)	(35,974)

Derivatives financial instruments breakdown:

			Company					
Instrument	Risk factor	Nature	June 30, 2016			December 31, 2015		
			Quantity	Notional	Fair value	Quantity	Notional	Fair value
Future Contracts BM&F	British pound	-	-	-	-	190	(38,491)	-
			Consolidated					
Instrument	Risk factor	Nature	June 30, 2016			December 31, 2015		
			Quantity	Notional	Fair value	Quantity	Notional	Fair value
Future Contracts BM&F	British pound	-	-	-	-	190	(38,491)	-
			Consolidated					
Instrument	Risk factor	Nature	June 30, 2016			December 31, 2015		
			Notional (GBP)	Notional (R\$)	Fair value	Notional (GBP)	Notional (R\$)	Fair value
Non Deliverable Forwards	British pound	Short	(14,790)	(62,873)	1,130	(8,639)	(50,003)	(238)

a.2.5 EXPOSURE in ¥ (Japanese Yen) (amounts in thousands of R\$):

	Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
OPERATING				
Cash and cash equivalents	-	-	2,526	5,650
Trade accounts receivable	-	-	17,121	23,472
Sales orders	-	-	2,800	1,354
Total exposure	-	-	22,447	30,476
DERIVATIVES				
Non Deliverable Forwards (NDF's)	-	-	(85,268)	(85,226)
Total derivatives	-	-	(85,268)	(85,226)
NET EXPOSURE IN R\$	-	-	(62,821)	(54,750)

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Sensitivity analysis at June 30, 2016 (exchange rates are Brazilian Reais to Japanese Yen):

Exposure of R\$	Risk	Current exchange rate	Scenario (i) VaR 99% I.C. 1 day		Scenario (ii) Interest rate variation - 25%		Scenario (iii) Interest rate variation - 50%				
			Exchange rate	Effect on income		Exchange rate	Effect on income		Exchange rate	Effect on income	
				Company	Consolidated		Company	Consolidated		Company	Consolidated
Operating	Appreciation	0.0312	0.0324	-	863	0.039	-	5,612	0.0468	-	11,224
Derivatives	Depreciation	0.0312	0.0324	-	(3,280)	0.039	-	(21,317)	0.0468	-	(42,634)
				-	(2,417)		-	(15,705)		-	(31,410)

Derivatives financial instruments breakdown:

Instrument	Risk factor	Nature	Consolidated					
			June 30, 2016			December 31, 2015		
			Notional (JPY)	Notional (R\$)	Fair value	Notional (JPY)	Notional (R\$)	Fair value
Non Deliverable Forwards	Japanese Yen	Short	(2,730,334)	(85,268)	398	(2,628,004)	(85,226)	(230)

a.2.6 EXPOSURE in NZD (New Zealand Dollar) (amounts in thousand of R\$):

	Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
OPERATING				
Cash and cash equivalents	-	-	668	6,423
Trade accounts receivable	-	-	918	4,983
Trade accounts payable	-	-	(3)	(394)
Total exposure	-	-	1,583	11,012
DERIVATIVES				
Non Deliverable Forwards (NDF's)	-	-	(7,118)	(7,540)
Total derivatives	-	-	(7,118)	(7,540)
NET EXPOSURE IN R\$	-	-	(5,535)	3,472

Sensitivity analysis at June 30, 2016 (exchange rates are Brazilian Reais to New Zealand Dollar):

Exposure of R\$	Risk	Current exchange rate	Scenario (i) VaR 99% I.C. 1 day		Scenario (ii) Interest rate variation - 25%		Scenario (iii) Interest rate variation - 50%				
			Exchange rate	Effect on income		Exchange rate	Effect on income		Exchange rate	Effect on income	
				Company	Consolidated		Company	Consolidated		Company	Consolidated
Operating	Appreciation	2.2867	2.3558	-	48	2.8584	-	396	3.4301	-	792
Derivatives	Depreciation	2.2867	2.3558	-	(215)	2.8584	-	(1,780)	3.4301	-	(3,559)
				-	(167)		-	(1,384)		-	(2,767)

Derivatives financial instruments breakdown:

Instrument	Risk factor	Nature	Consolidated					
			June 30, 2016			December 31, 2015		
			Notional (NZD)	Notional (R\$)	Fair value	Notional (NZD)	Notional (R\$)	Fair value
Non Deliverable Forwards	New Zealand dollar	Short	(3,113)	(7,118)	(42)	(2,822)	(7,541)	(1,109)

a.2.7 EXPOSURE in CHF (Swiss Franc) (amounts in thousand of R\$):

	Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
OPERATING				
Trade accounts payable	(7,351)	-	(7,351)	-
TOTAL EXPOSURE IN R\$	(7,351)	-	(7,351)	-

Sensitivity analysis at June 30, 2016 (exchange rates are Brazilian Reais to Swiss Franc):

Exposure of R\$	Risk	Current exchange rate	Scenario (i) VaR 99% I.C. 1 day		Scenario (ii) Interest rate variation - 25%		Scenario (iii) Interest rate variation - 50%				
			Exchange rate	Effect on income		Exchange rate	Effect on income		Exchange rate	Effect on income	
				Company	Consolidated		Company	Consolidated		Company	Consolidated
Operating	Depreciation	3.2793	3.3857	(239)	(239)	4.0991	(1,838)	(1,838)	4.919	(3,676)	(3,676)
				(239)	(239)		(1,838)	(1,838)		(3,676)	(3,676)

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a.2.8 EXPOSURE in AUD (Australian Dollar) (amounts in thousand of R\$):

	Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
OPERATING				
Cash and cash equivalents	-	-	4,346	-
Trade accounts receivable	-	-	34,996	-
Sales orders	2,777	-	2,777	-
Trade accounts payable	-	-	(5,540)	-
Subtotal	2,777	-	36,579	-
FINANCIAL				
Loans and financings	-	-	(5,945)	-
Subtotal	-	-	(5,945)	-
Total exposure	2,777	-	30,634	-
DERIVATIVES				
Non Deliverable Forwards (NDF's)	-	-	(24,196)	-
Total derivatives	-	-	(24,196)	-
NET EXPOSURE IN R\$	2,777	-	6,438	-

Sensitivity analysis at June 30, 2016 (exchange rates are Brazilian Reais to Australian Dollar) :

Exposure of R\$	Risk	Current exchange rate	Scenario (i) VaR 99% I.C. 1 day		Scenario (ii) Interest rate variation - 25%		Scenario (iii) Interest rate variation - 50%				
			Exchange rate	Effect on income		Exchange rate	Effect on income		Exchange rate	Effect on income	
				Company	Consolidated		Company	Consolidated		Company	Consolidated
Operating	Appreciation	2.3855	2.3168	(80)	(1,053)	1.7891	(694)	(9,145)	1.1928	(1,388)	(18,289)
Financial	Depreciation	2.3855	2.3168	-	171	1.7891	-	1,486	1.1928	-	2,972
Derivatives	Depreciation	2.3855	2.3168	-	697	1.7891	-	6,049	1.1928	-	12,097
				(80)	(185)		(694)	(1,610)		(1,388)	(3,220)

Derivatives financial instruments breakdown:

Instrument	Risk factor	Nature	Consolidated					
			June 30, 2016			December 31, 2015		
			Notional (AUD)	Notional (R\$)	Fair value	Notional (AUD)	Notional (R\$)	Fair value
Non Deliverable Forwards	Australian Dollar	Short	(10,581)	(24,196)	(67)	-	-	-

b. Commodity price risk

The Company operates globally in different aspects related to the Agribusiness (the entire livestock protein chain, biodiesel, among others) and during the regular course of its operations brings is exposed to price fluctuations in feeder cattle, live cattle, lean hogs, corn, soybean, and energy, especially in the American, Australian and Brazilian markets. Commodity markets are characterized by volatility arising from external factors like climate, supply levels, transportation costs, agricultural policies, storage costs, among others. The Risk Management Department is responsible for mapping the exposures to commodity prices of the Company and its subsidiaries and proposing strategies to the Risk Management Committee, in order to mitigate such exposures.

A very important type of the raw materials used by the Company and its subsidiaries are biological assets. In order to maintain future supply of these materials the Company contracts anticipated purchases from suppliers. To complement this purchases, ensuring minimum price and volume to the materials purchased for a planning horizon pre-defined by the Risk Management Committee and approved by the Board of Directors, as well as aiming at mitigating price oscillations risks on inventories and sales contracts, the Company and its subsidiaries use hedging instruments specific for each exposure, most notably futures contracts. The Company deems appropriate to take the historical average amount spent with materials as a indication of operational value to be protected by firm contracts.

b.1. Position balance in commodities (cattle) contracts

The field of activity of the Company is exposed to volatility in cattle prices, which changes arise from factors beyond the Company's control, such as climate, the supply volume, transportation costs, agricultural policies and others. The Company, in accordance with its policy of stock management, maintains its strategy of risk management, based on physical control, which includes anticipated purchases, combined with future market operations, and reducing the daily position of anticipated purchases contracts for future delivery through future contracts of cattle on BM&F, aimed at bringing the position to zero and ensuring the market price.

The parameters for reducing the cattle purchase risk are based on the physical position of term contracts of cattle purchase considering negotiated values and terms. The internal controls used for coverage and risk management are made through spreadsheets and monitoring of operations performed and calculation of VAR for 1 day, with a confidence interval of 99%.

The Company understands that quantitative figures regarding the exposure risk on the cattle's arroba price changes of the Company at June 30, 2016 and December 31, 2015 are presented below in accordance with the Financial and Commodities Risk Management Policy and are representative of the exposure incurred during the period.

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EXPOSURE in Commodities (Cattle)	June 30, 2016	December 31, 2015
Firm Contracts of cattle purchase	566,565	48,068
Subtotal	566,565	48,068
DERIVATIVES		
Future contracts	(300,719)	(11,912)
Subtotal	(300,719)	(11,912)
NET EXPOSURE	265,846	36,156

Sensitivity analysis:

Exposure	Risk	Current price	Scenario (i) VaR 99% I.C. 1 day		Scenario (ii) @ Variation - 25%		Scenario (ii) @ Variation - 50%	
			Price	Effect on income	Price	Effect on income	Price	Effect on income
				Company		Company		Company
Operational	Cattle arroba depreciation	159.20	157.50	(6,066)	119.40	(141,641)	79.60	(283,283)
Derivatives of cattle	Cattle arroba appreciation	159.20	157.50	3,219	119.40	75,180	79.60	150,360
				(2,847)		(66,461)		(132,923)

The exposure operating risk in firm contracts of cattle purchase is the rise of cattle arroba price, thereby, it is calculated the risk of market price appreciation of the cattle market price.

Derivatives financial instruments breakdown:

Instrument	Risk factor	Nature	June 30, 2016			December 31, 2015		
			Quantity	Notional	Fair value	Quantity	Notional	Fair value
Future Contracts BM&F	Cattle	Short	5,675	(300,719)	2,304	241	(11,912)	(9)

b.2. Position balance in commodities (corn) derivatives financial instruments of Seara Alimentos:

Seara Alimentos is exposed to price volatility of corn, which changes based on factors beyond the management's control, such as climate, the supply volume, transportation costs, agricultural policies and others.

Seara Alimentos, in accordance with its policy of inventory management, started the strategy of risk management of corn's price based on physical control, including expectations of future consumption, anticipated purchases, combined with future market operations, by hedging with corn futures on BM&F, CME and Over the Counter (OTC), through Non Deliverable Forwards (NDFs), in order to fixed prices.

The internal controls used for coverage and risk management are made through spreadsheets and monitoring of operations performed and calculation of VAR for 1 day, with a confidence interval of 99%.

Management understands that quantitative figures regarding the exposure risk on the corn's sacks price changes of Seara Alimentos at June 30, 2016 and December 31, 2015 are presented below in accordance with the Financial and Commodities Risk Management Policy and are representative of the exposure incurred during the period.

EXPOSURE in Commodities (Corn)	JBS Foods	
	June 30, 2016	December 31, 2015
OPERATING		
Purchase orders	880,233	469,607
Subtotal	880,233	469,607
DERIVATIVES		
Non Deliverable Forwards (NDF's)	8,043	-
Subtotal	8,043	-
NET EXPOSURE	888,276	469,607

Sensitivity analysis:

Exposure	Risk	Current price	Scenario (i) VaR 99% I.C. 1 day		Scenario (ii) Price variation - 25%		Scenario (ii) Price variation - 50%	
			Price	Effect on income	Price	Effect on income	Price	Effect on income
				Seara Alimentos		Seara Alimentos		Seara Alimentos
Operational	Depreciation of corn price	41.28	40.30	(20,897)	30.96	(220,058)	20.64	(440,117)
Derivatives	Depreciation of corn price	41.28	40.30	(191)	30.96	(2,011)	20.64	(4,022)
				(21,088)		(222,069)		(444,139)

Derivatives financial instruments breakdown:

Instrument	Risk factor	Nature	June 30, 2016			December 31, 2015		
			Quantity	Notional	Fair value	Quantity	Notional	Fair value
Future Contracts BM&F	Corn	Long	450	8,043	(85)	-	-	-

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b.3. Position balance in commodities derivatives financial instruments of JBS USA:

Management believes that quantitative figures regarding the risk exposure of the commodities price changes of the subsidiary JBS USA at June 30, 2016 and December 31, 2015 are accurately presented below in accordance with the Financial and Commodities Risk Management Policy and are representative of exposure incurred during the period.

EXPOSURE in Commodities	JBS USA	
	June 30, 2016	December 31, 2015
OPERATIONAL		
Forwards - commodities	7,233,323	5,294,296
Subtotal	7,233,323	5,294,296
DERIVATIVES		
Future and option commodity contracts	(399,585)	9,692,155
Subtotal	(399,585)	9,692,155
NET EXPOSURE	6,833,738	14,986,451

Sensitivity analysis:

Exposure	Risk	Scenario (i) VaR 99% I.C. 1 day		Scenario (ii) Price variation - 25%		Scenario (ii) Price variation - 50%	
		Price	Effect on income JBS USA	Price	Effect on income JBS USA	Price	Effect on income JBS USA
Operating	Commodities price depreciation	(1.05)%	(75,950)	(25.00)%	(1,808,331)	(50.00)%	(3,616,662)
Derivatives	Commodities price appreciation	(1.05)%	4,196	(25.00)%	99,896	(50.00)%	199,793
			(71,754)		(1,708,435)		(3,416,869)

Derivatives financial instruments breakdown:

Instrument	Risk factor	Nature	June 30, 2016			December 31, 2015		
			Notional (USD)	Notional (R\$)	Fair value	Notional (USD)	Notional (R\$)	Fair value
Non Deliverable Forwards	Commodities	Short	(124,489)	(399,585)	12,294	2,482,113	9,692,155	232,632

c. Credit risk

The Company and its subsidiaries are potentially subject to credit risk related to accounts receivable, investments and hedging contracts. In the case of trade accounts receivable, the Financial and Commodities Risk Management Policy understands that the diversity of the portfolio contributes significantly to reduce the credit risk, but parameters have been put in place when credit is provided to customers such as required minimum financial ratios and operational health of the customers, as well as references to credit monitoring entities.

In the counter party of a financial position is a financial institution (investments and hedging contracts), the Company employs exposure limits set by the Risk Management Committee, based on risk ratings (ratings) of specialized international agencies.

Amounts invested in private bonds (notably bank certificates of deposit) and accumulated fair values receivables in hedging transactions contracted with banks must comply with the following table limits such that the total volume does not exceed a specified percentage of the equity of the financial institution (% Equity). In conjunction, the maturity of the application should be no longer than the maximum horizon.

Category	% Equity	Maximum horizon
AAA	2%	5 years
AA	1%	3 years
A	0.5%	2 years
BBB	0.25%	1 year

Observations:

- If there are different ratings for the same financial institution, the Company uses the most conservative rating;
- The head office ratings will be assumed in the case of unrated subsidiaries;
- Financial institutions without rating are not eligible;
- In the absence of rating in the national scale, use the global rating scale;
- If the Company holds debt and investments with particular counterparty, the net value of the transactions should be considered;
- Exceptions can occur if previously approved by the Risk Management Committee .

Besides private bonds, the Company can also invest funds in the following Brazilian federal national Treasury bill: LFT, LTN, NTN-F and NTN-B. For these cases there is no pre-established limits. It is also permitted to invest in fixed income funds of low risk that have policy of investment applications in assets directly related to the basic interest rate (SELIC).

The book value of financial assets that represent the maximum exposure to credit risk at the financial statement date was:

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Notes to the quarterly interim financial statements for the six months period ended June 30, 2016 and 2015
(Expressed in thousands of Brazilian reais)

	Note	Company		Consolidated	
		June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Assets					
Cash and cash equivalents	4	5,111,202	11,257,943	8,471,064	18,843,988
Trade accounts receivable	5	2,450,050	3,435,691	9,156,740	12,119,662
Credits with related parties	9	4,926,472	4,999,503	1,503,137	1,968,043
		<u>12,487,724</u>	<u>19,693,137</u>	<u>19,130,941</u>	<u>32,931,693</u>

d. Liquidity risk

Liquidity risk arises from the management of the Company's working capital and amortization of financing costs and principal of the debt instruments. It is the risk that the Company is unable to meet its financial obligations as they become due.

The Company manages its capital by focusing on liquidity and leverage metrics that enable a return to shareholders over the medium term, consistent with the risks assumed in the transaction.

The Company manages its mainly through evaluating its acid test ratio, which is computed as cash plus financial investments divided by short-term debt. Liquidity is maintained by managing the overall leverage of the Company to monitoring the ratio of net debt to "EBITDA" at levels considered to be manageable for continuity of operations.

Based on the analysis of these indicators, management of working capital has been defined to include the natural leverage of the Company at levels equal to or less than the leverage ratio that the Company would like to achieve.

The index of liquidity and leverage at the consolidated are shown below:

	Consolidated	
	June 30, 2016	December 31, 2015
Cash and cash equivalents	8,471,064	18,843,988
Loans and financings - Current	(18,443,229)	(20,906,613)
Acid test ratio	0.46	0.9
Leverage indicator (*)	4,1x	3,1x

(*) To calculate leverage indicator the Company used dollar and euro correction rates of the last day of the year (closing rate). This criteria is intended to equalize net debt and EBITDA at the same exchange rate.

The table below shows the fair value of financial liabilities of the Company and its subsidiaries according to their maturities:

	Company									
	June 30, 2016					December 31, 2015				
	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years	Total	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years	Total
Trade accounts payable	1,771,536	-	-	-	1,771,536	2,448,362	-	-	-	2,448,362
Debits w/ related parties	-	-	-	91,476	91,476	-	-	-	101,668	101,668
Loans and financings	13,002,271	3,145,896	5,080,514	6,266,392	27,495,073	14,791,919	4,455,354	4,414,847	6,081,322	29,743,442
Derivatives financing liabilities (assets)	(2,665)	-	-	-	(2,665)	(84,779)	-	-	-	(84,779)
Other financial liabilities	159,257	13,200	19,800	1,727	193,984	445,164	-	-	37,950	483,114
	Consolidated									
	June 30, 2016					December 31, 2015				
	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years	Total	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years	Total
Trade accounts payable	9,715,404	-	-	-	9,715,404	12,421,018	-	-	-	12,421,018
Loans and financings	18,443,229	6,508,394	15,973,085	16,724,056	57,648,764	20,906,613	8,583,793	11,435,325	24,956,995	65,882,726
Derivatives financing liabilities (assets)	(9,492)	(107,550)	-	-	(117,042)	(315,745)	-	(422,146)	-	(737,891)
Other financial liabilities	434,673	146,129	40,215	1,727	622,744	901,916	129,194	66,711	37,950	1,135,771

The Company has securities pledged as collateral for derivative transactions with the commodities and futures whose balance at June 30, 2016 is R\$21,023 (R\$3,444,021 at December 31, 2015). This guarantee is superior to the need presented for these operations.

The indirect subsidiary JBS USA and its subsidiaries, has securities pledged as collateral for derivative transactions with the commodities and futures whose balance at June 30, 2016 is R\$146,046 (R\$265,917 at December 31, 2015). This guarantee is superior to the need presented for these operations.

Other guarantees considered relevant are described in detail in the note for Loans and financings.

The Company and its subsidiaries have no guarantees received from third parties deemed relevant.

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Notes to the quarterly interim financial statements for the six months period ended June 30, 2016 and 2015
(Expressed in thousands of Brazilian reais)

29 Approval of the interim financial statements

The approval of these quarterly interim financial statements was given at the Board of Directors' meeting held on August 10th, 2016.

BOARD OF DIRECTORS

Chairman:	Joesley Mendonça Batista
Vice-Chairman:	Wesley Mendonça Batista
Board Member:	José Batista Sobrinho
Board Member:	Humberto Junqueira de Farias
Board Member:	João Carlos Ferraz
Board Member:	Tarek Mohamed Noshy Nasr Mohamed Farah
Independent Board Member:	Sérgio Roberto Waldrich
Independent Board Member:	Marcio Percival Alves Pinto

FISCAL COUNCIL REPORT

The Fiscal Council reviewed the quarterly interim financial statements of the Company for the six months period ended June 30, 2016.

Our review included: a. analysis of the quarterly financial statements prepared by the Company; b. monitoring of the review done by the external independent auditors through questions and discussions; and c. questions about relevant actions and transactions made by the Management of the Company.

Based on our review, according to the information and explanations received, and considering the Independent Auditors Review, the Fiscal Council is not aware of any fact that would lead to believe that the quarterly financial statements above mentioned do not reflect at all relevant aspects of the information contained therein and are in condition to be disclosed by the Company, wherein do not have any qualified opinion or comments.

FISCAL COUNCIL

Chairman:	Florisvaldo Caetano de Oliveira
Council Member:	José Paulo da Silva Filho
Council Member:	Demetrius Nichele Macei
Council Member:	Francisco Vicente Santana Silva Telles

AUDIT COMMITTEE

Chairman:	Humberto Junqueira de Farias
Committee Member:	Silvio Roberto Reis de Menezes Júnior
Committee Member:	Paulo Sérgio Dortas

STATEMENT OF OFFICERS ON THE QUARTERLY INTERIM FINANCIAL STATEMENTS AND ON THE INDEPENDENT AUDITORS REVIEW REPORT

The Company's Officers declare for the purposes of Article 25, paragraph 1, item V and VI of CVM Instruction No. 480 of December 7, 2009, that:

- (i) They reviewed, discussed and agreed with the views expressed in the review report of the independent auditors on the quarterly interim financial statements for the six months period ended June 30, 2016, and
- (ii) They reviewed, discussed and agreed with the quarterly interim financial statements for the six months period ended June 30, 2016.

EXECUTIVE BOARD

Chief Executive Officer:	Wesley Mendonça Batista
Administrative and Control Officer:	Eliseo Santiago Perez Fernandez
Investor Relations Officer:	Jeremiah Alphonsus O'Callaghan
Institutional Relations Executive Officer:	Francisco de Assis e Silva

Accountant: Agnaldo dos Santos Moreira Jr. (CRC SP: 244207/O-4)

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