



**JBS S.A.**

**Condensed financial statements**

As of June 30, 2017 and 2016



<b>Index</b>	<b>Page</b>
Statement of financial position - Assets	3
Statement of financial position - Liabilities	4
Statements of income for the six month period ended June 30, 2017 and 2016	5
Statements of income for the three month period ended June 30, 2017 and 2016	6
Statement of comprehensive income for the six month period ended June 30, 2017 and 2016	7
Statement of comprehensive income for three month period ended June 30, 2017 and 2016	8
Statements of changes in equity for the six month period ended June 30, 2017 and 2016	9
Statements of cash flows for the six month period ended June 30, 2017 and 2016	10
Economic value added for the six month period ended June 30, 2017 and 2016	12
Note 1 - Operating activities	13
Note 2 - Elaboration and presentation of financial statements	15
Note 3 - Business Combination	15
Note 4 - Cash and cash equivalents	16
Note 5 - Trade accounts receivable, net	16
Note 6 - Inventories	17
Note 7 - Biological assets	17
Note 8 - Recoverable taxes	17
Note 9 - Assets held for sale	18
Note 10 - Related parties transactions	19
Note 11 - Investments in associates, subsidiaries and joint ventures	22
Note 12 - Property, plant and equipment	23
Note 13 - Intangible assets	23
Note 14 - Goodwill	24
Note 15 - Loans and financing	24
Note 16 - Income taxes	26
Note 17 - Provisions	27
Note 18 - Equity	28
Note 19 - Net revenue	29
Note 20 - Financial income (expense), net	30
Note 21 - Earnings per share	30
Note 22 - Operating segments	31
Note 23 - Risk management and financial instruments	32



**JBS S.A.**

**Statements of financial position  
In thousands of Brazilian Reais - R\$**

	Note	Company		Consolidated	
		June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	4	4,144,835	4,712,796	11,300,388	9,355,622
Trade accounts receivable	5	2,320,877	2,767,655	9,782,700	9,589,185
Inventories	6	1,560,213	1,673,501	10,044,983	9,608,474
Biological assets	7	-	-	2,670,640	2,673,113
Recoverable taxes	8	297,585	698,885	1,165,010	1,677,791
Derivative assets	23	15,367	-	52,657	38,250
Assets held for sale	9	597,683	-	2,394,285	-
Other current assets		300,829	369,246	812,816	977,370
<b>TOTAL CURRENT ASSETS</b>		<b>9,237,389</b>	<b>10,222,083</b>	<b>38,223,479</b>	<b>33,919,805</b>
<b>NON-CURRENT ASSETS</b>					
Biological assets	7	-	-	1,018,212	977,040
Recoverable taxes	8	3,259,387	2,948,627	5,052,539	4,718,535
Related party receivables	10	2,192,522	5,231,553	1,004,114	1,315,526
Investments in associates, subsidiaries and joint ventures	11	17,995,466	16,334,231	63,302	362,627
Property, plant and equipment	12	11,511,181	11,475,628	33,668,930	33,110,891
Deferred income taxes		-	-	701,949	454,117
Intangible assets	13	97,815	46,494	5,586,896	5,012,095
Goodwill	14	9,085,970	9,085,970	22,412,320	21,916,694
Other non-current assets		453,890	455,627	1,069,965	1,028,433
<b>TOTAL NON-CURRENT ASSETS</b>		<b>44,596,231</b>	<b>45,578,130</b>	<b>70,578,227</b>	<b>68,895,958</b>
<b>TOTAL ASSETS</b>		<b>53,833,620</b>	<b>55,800,213</b>	<b>108,801,706</b>	<b>102,815,763</b>

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

**JBS S.A.**
**Statements of financial position  
In thousands of Brazilian Reais - R\$**

	Note	Company		Consolidated	
		June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
<b>LIABILITIES AND EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Trade accounts payable		1,659,506	2,050,265	9,630,491	10,716,987
Loans and financing	15	10,486,053	12,281,028	18,252,842	18,148,818
Accrued income taxes and other taxes		145,723	165,030	444,629	500,930
Accrued payroll and social charges		392,125	412,296	2,517,102	2,595,381
Dividends payable		1,119	90,503	1,119	90,503
Other financial liabilities		7,659	7,659	126,830	161,114
Derivative liabilities	23	-	-	139,523	133,125
Liabilities related to assets held for sale	9	-	-	599,168	-
Other current liabilities		653,429	684,898	712,065	1,001,766
<b>TOTAL CURRENT LIABILITIES</b>		<b>13,345,614</b>	<b>15,691,679</b>	<b>32,423,769</b>	<b>33,348,624</b>
<b>NON-CURRENT LIABILITIES</b>					
Loans and financing	15	13,338,312	14,021,384	43,423,239	38,111,596
Accrued income taxes and other taxes		48,708	71,841	200,690	228,752
Accrued payroll and social charges		-	-	449,382	437,218
Other financial liabilities		28,127	31,427	59,221	102,145
Deferred income taxes		1,640,809	1,935,493	3,738,092	3,828,080
Provisions	17	271,840	222,407	1,382,581	1,245,239
Other non-current liabilities		47,392	54,657	623,833	599,482
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>15,375,188</b>	<b>16,337,209</b>	<b>49,877,038</b>	<b>44,552,512</b>
<b>EQUITY</b>					
Share capital - common shares	18	23,576,206	23,576,206	23,576,206	23,576,206
Capital reserve		(127,969)	(1,743,893)	(127,969)	(1,743,893)
Other reserves		69,458	73,516	69,458	73,516
Profit reserves		3,205,307	5,045,937	3,205,307	5,045,937
Accumulated other comprehensive income (loss)		(1,717,115)	(3,180,441)	(1,717,115)	(3,180,441)
Accumulated other comprehensive income (loss) related to assets held for sale	9	(629,262)	-	(629,262)	-
Retained earnings		736,193	-	736,193	-
<b>Attributable to company shareholders</b>		<b>25,112,818</b>	<b>23,771,325</b>	<b>25,112,818</b>	<b>23,771,325</b>
<b>Attributable to non-controlling interest</b>		<b>-</b>	<b>-</b>	<b>1,388,081</b>	<b>1,143,302</b>
<b>TOTAL EQUITY</b>		<b>25,112,818</b>	<b>23,771,325</b>	<b>26,500,899</b>	<b>24,914,627</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>53,833,620</b>	<b>55,800,213</b>	<b>108,801,706</b>	<b>102,815,763</b>

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

**JBS S.A.**
**Statements of income (loss) for the six month period ended June 30, 2017 and 2016**  
**In thousands of Brazilian Reais - R\$**

	Note	Company		Consolidated	
		2017	2016	2017	2016
<b>NET REVENUE</b>	19	<b>11,788,568</b>	<b>13,862,633</b>	<b>79,291,107</b>	<b>87,583,793</b>
Cost of sales		<u>(9,900,627)</u>	<u>(10,686,326)</u>	<u>(68,711,082)</u>	<u>(77,550,791)</u>
<b>GROSS PROFIT</b>		<b>1,887,941</b>	<b>3,176,307</b>	<b>10,580,025</b>	<b>10,033,002</b>
General and administrative expenses		<u>(1,048,835)</u>	<u>(851,200)</u>	<u>(2,614,416)</u>	<u>(2,262,084)</u>
Selling expense		<u>(943,803)</u>	<u>(1,527,306)</u>	<u>(4,279,159)</u>	<u>(5,176,417)</u>
Other expense		<u>(2,050)</u>	<u>(962)</u>	<u>(100,738)</u>	<u>(7,392)</u>
Other income		<u>4,813</u>	<u>11,599</u>	<u>122,711</u>	<u>123,959</u>
<b>OPERATING EXPENSE</b>		<b>(1,989,875)</b>	<b>(2,367,869)</b>	<b>(6,871,602)</b>	<b>(7,321,934)</b>
<b>OPERATING PROFIT</b>		<b>(101,934)</b>	<b>808,438</b>	<b>3,708,423</b>	<b>2,711,068</b>
Finance income	20	<u>1,102,660</u>	<u>4,375,947</u>	<u>813,253</u>	<u>4,755,085</u>
Finance expense	20	<u>(1,833,052)</u>	<u>(7,088,047)</u>	<u>(3,434,838)</u>	<u>(8,747,975)</u>
		<u>(730,392)</u>	<u>(2,712,100)</u>	<u>(2,621,585)</u>	<u>(3,992,890)</u>
Share of profit of equity-accounted investees, net of tax	11	<u>1,269,777</u>	<u>166,548</u>	<u>7,924</u>	<u>5,644</u>
<b>PROFIT (LOSS) BEFORE TAXES</b>		<b>437,451</b>	<b>(1,737,114)</b>	<b>1,094,762</b>	<b>(1,276,178)</b>
Current income taxes	16	<u>1,466</u>	<u>1,143</u>	<u>(662,050)</u>	<u>(447,509)</u>
Deferred income taxes	16	<u>293,218</u>	<u>530,970</u>	<u>528,259</u>	<u>736,812</u>
		<u>294,684</u>	<u>532,113</u>	<u>(133,791)</u>	<u>289,303</u>
<b>NET INCOME (LOSS)</b>		<b>732,135</b>	<b>(1,205,001)</b>	<b>960,971</b>	<b>(986,875)</b>
<b>ATTRIBUTABLE TO:</b>					
Company shareholders				<u>732,135</u>	<u>(1,205,001)</u>
Non-controlling interest				<u>228,836</u>	<u>218,126</u>
				<u>960,971</u>	<u>(986,875)</u>
<b>Basic earnings per share - common shares (R\$)</b>	21	<b>0.26</b>	<b>(0.43)</b>	<b>0.26</b>	<b>(0.43)</b>
<b>Diluted earnings per share - common shares (R\$)</b>	21	<b>0.26</b>	<b>(0.43)</b>	<b>0.26</b>	<b>(0.43)</b>

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

**JBS S.A.**
**Statements of income for the three month period ended June 30, 2017 and 2016**  
**In thousands of Brazilian Reais - R\$**

	Note	Company		Consolidated	
		2017	2016	2017	2016
<b>NET REVENUE</b>	19	<b>5,758,184</b>	<b>7,022,875</b>	<b>41,674,755</b>	<b>43,671,854</b>
Cost of sales		(4,724,697)	(5,587,563)	(35,515,702)	(38,402,643)
<b>GROSS PROFIT</b>		<b>1,033,487</b>	<b>1,435,312</b>	<b>6,159,053</b>	<b>5,269,211</b>
General and administrative expenses		(530,978)	(407,736)	(1,325,204)	(1,034,471)
Selling expenses		(464,605)	(780,542)	(2,209,693)	(2,497,924)
Other expenses		(2,050)	(342)	(92,964)	(3,189)
Other income		3,312	9,500	92,989	15,053
<b>OPERATING EXPENSE</b>		<b>(994,321)</b>	<b>(1,179,120)</b>	<b>(3,534,872)</b>	<b>(3,520,531)</b>
<b>OPERATING PROFIT</b>		<b>39,166</b>	<b>256,192</b>	<b>2,624,181</b>	<b>1,748,680</b>
Finance income	20	342,625	2,358,173	287,748	2,655,070
Finance expense	20	(1,418,999)	(1,172,323)	(2,498,569)	(1,882,685)
		<u>(1,076,374)</u>	<u>1,185,850</u>	<u>(2,210,821)</u>	<u>772,385</u>
Share of profit of equity-accounted investees, net of tax		960,184	668,280	6,109	5,349
<b>PROFIT (LOSS) BEFORE TAXES</b>		<b>(77,024)</b>	<b>2,110,322</b>	<b>419,469</b>	<b>2,526,414</b>
Current income taxes	16	735	677	(529,903)	(374,651)
Deferred income taxes	16	386,133	(574,838)	585,229	(493,994)
		<u>386,868</u>	<u>(574,161)</u>	<u>55,326</u>	<u>(868,645)</u>
<b>NET INCOME</b>		<b>309,844</b>	<b>1,536,161</b>	<b>474,795</b>	<b>1,657,769</b>
<b>ATTRIBUTABLE TO:</b>					
Company shareholders				309,844	1,536,161
Non-controlling interest				164,951	121,608
				<u>474,795</u>	<u>1,657,769</u>
<b>Basic earnings per share - common shares (R\$)</b>	21	<b>0.12</b>	0.55	<b>0.12</b>	0.55
<b>Diluted earnings per share - common shares (R\$)</b>	21	<b>0.12</b>	0.55	<b>0.12</b>	0.55

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

JBS S.A.

Statements of comprehensive income for the six month period ended June 30, 2017 and 2016  
In thousands of Brazilian Reais - R\$

	Reference	Company		Consolidated	
		2017	2016	2017	2016
Net income (loss)	IS	732,135	(1,205,001)	960,971	(986,875)
<b>Other comprehensive income (loss)</b>					
<b>Items that may be subsequently reclassified to profit or loss:</b>					
Foreign currency translation adjustments	SCSE	834,064	(2,991,852)	878,517	(3,270,878)
<b>Total other comprehensive income (loss)</b>		<b>834,064</b>	<b>(2,991,852)</b>	<b>878,517</b>	<b>(3,270,878)</b>
<b>Comprehensive income (loss)</b>		<b>1,566,199</b>	<b>(4,196,853)</b>	<b>1,839,488</b>	<b>(4,257,753)</b>
<b>Total comprehensive income (loss) attributable to:</b>					
Company shareholders	SCSE	1,566,199	(4,196,853)	1,566,199	(4,196,853)
Non-controlling interest	SCSE	-	-	273,289	(60,900)
		<b>1,566,199</b>	<b>(4,196,853)</b>	<b>1,839,488</b>	<b>(4,257,753)</b>

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

JBS S.A.

Statement of comprehensive income for the three month period ended June 30, 2017 and 2016  
In thousands of Brazilian Reais - R\$

	Reference	Company		Consolidated	
		2017	2016	2017	2016
Net income	SCSE	309,844	1,536,161	474,795	1,657,769
<b>Other comprehensive income (loss)</b>					
<b>Items that may be subsequently reclassified to profit or loss:</b>					
Foreign currency translation adjustments	SCSE	764,431	(1,874,434)	834,936	(2,000,545)
<b>Total of comprehensive income (loss)</b>		<b>764,431</b>	<b>(1,874,434)</b>	<b>834,936</b>	<b>(2,000,545)</b>
<b>Comprehensive income (loss)</b>		<b>1,074,275</b>	<b>(338,273)</b>	<b>1,309,731</b>	<b>(342,776)</b>
<b>Total of comprehensive income (loss) attributable to:</b>					
Company shareholders	IS	1,074,275	(338,273)	1,074,275	(338,273)
Non-controlling interest	IS	-	-	235,456	(4,503)
		<b>1,074,275</b>	<b>(338,273)</b>	<b>1,309,731</b>	<b>(342,776)</b>

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





**JBS S.A.**

**Statements of changes in equity for the six month period ended June 30, 2017 and 2016**  
**In thousands of Brazilian Reals - R\$**

Note	Capital reserves					Other reserves	Profit reserves			Other comprehensive income		Retained earnings (loss)	Total	Non-controlling interest	Total equity
	Share capital	Premium on issue of shares	Capital transaction <sup>(1)</sup>	Stock options	Treasury shares <sup>(2)</sup>		Treasury shares <sup>(2)</sup>	Legal	Investments statutory	VAE <sup>(3)</sup>	ATA <sup>(4)</sup>				
<b>DECEMBER 31, 2015</b>	<b>23,576,206</b>	<b>211,879</b>	<b>(141,751)</b>	<b>42,213</b>	<b>(903,571)</b>	<b>81,066</b>	-	<b>423,861</b>	<b>4,333,076</b>	<b>205,576</b>	<b>200,688</b>	-	<b>28,029,243</b>	<b>1,592,135</b>	<b>29,621,378</b>
Net income (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)
<b>Total comprehensive income (loss)</b>	-	-	-	-	-	-	-	-	-	<b>(10,238)</b>	<b>(2,981,614)</b>	<b>(1,205,001)</b>	<b>(4,196,853)</b>	<b>(60,900)</b>	<b>(4,257,753)</b>
Purchase of treasury shares	18	-	-	-	(821,139)	-	-	-	-	-	-	-	(821,139)	-	(821,139)
Stock option exercise	18	-	-	3,311	-	-	-	-	-	-	-	-	3,311	-	3,311
Share-based compensation	18	-	-	52,334	-	-	-	-	-	-	-	-	52,334	1,610	53,944
Treasury shares used in stock option plan	18	-	-	(53,222)	55,677	-	-	-	(2,455)	-	-	-	-	-	-
Realization other reserves	18	-	-	-	-	(2,973)	-	-	-	-	-	2,973	-	-	-
Reversal of dividends	-	-	-	-	-	-	-	-	-	-	-	230	230	-	230
PPC share repurchase	-	-	(9,421)	-	-	-	-	-	-	-	-	-	(9,421)	(16,105)	(25,526)
PPC dividend to non-controlling interest	19	-	-	-	-	-	-	-	-	-	-	-	-	(570,140)	(570,140)
Purchase of acquired business Scott	-	-	-	-	-	-	-	-	-	-	-	-	-	132,946	132,946
Others	-	-	3,944	-	-	-	-	-	-	-	-	-	3,944	-	3,944
<b>JUNE 30, 2016</b>	<b>23,576,206</b>	<b>211,879</b>	<b>(147,228)</b>	<b>44,636</b>	<b>(1,669,033)</b>	<b>78,093</b>	-	<b>423,861</b>	<b>4,330,621</b>	<b>195,338</b>	<b>(2,780,926)</b>	<b>(1,201,798)</b>	<b>23,061,649</b>	<b>1,079,546</b>	<b>24,141,195</b>
<b>DECEMBER 31, 2016</b>	<b>23,576,206</b>	<b>211,879</b>	<b>(404,683)</b>	<b>74,421</b>	<b>(1,625,510)</b>	<b>73,516</b>	-	<b>442,661</b>	<b>4,603,276</b>	<b>197,069</b>	<b>(3,377,510)</b>	-	<b>23,771,325</b>	<b>1,143,302</b>	<b>24,914,627</b>
Net income	-	-	-	-	-	-	-	-	-	-	-	732,135	732,135	228,836	960,971
Comprehensive income (loss)	-	-	-	-	-	-	-	-	-	(20,771)	854,835	-	834,064	44,453	878,517
<b>Total comprehensive income (loss)</b>	-	-	-	-	-	-	-	-	-	<b>(20,771)</b>	<b>854,835</b>	<b>732,135</b>	<b>1,566,199</b>	<b>273,289</b>	<b>1,839,488</b>
Purchase of treasury shares	18	-	-	-	-	-	(255,938)	-	-	-	-	-	(255,938)	-	(255,938)
Cancellation of treasury shares	18	-	-	-	1,539,573	-	-	-	(1,539,573)	-	-	-	-	-	-
Share-based compensation	18	-	33,810	30,458	-	-	-	-	-	-	-	-	64,268	2,407	66,675
Treasury shares used in stock option plan	18	-	-	(40,818)	85,937	-	3,298	-	(48,417)	-	-	-	-	-	-
Realization other reserves	18	-	-	-	-	(4,058)	-	-	-	-	-	4,058	-	-	-
PPC share repurchase	-	-	(33,611)	-	-	-	-	-	-	-	-	-	(33,611)	(27,575)	(61,186)
Scott dividend to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,342)	(3,342)
Others	-	-	575	-	-	-	-	-	-	-	-	-	575	-	575
<b>JUNE 30, 2017</b>	<b>23,576,206</b>	<b>211,879</b>	<b>(403,909)</b>	<b>64,061</b>	-	<b>69,458</b>	<b>(252,640)</b>	<b>442,661</b>	<b>3,015,286</b>	<b>176,298</b>	<b>(2,522,675)</b>	<b>736,193</b>	<b>25,112,818</b>	<b>1,388,081</b>	<b>26,500,899</b>

<sup>(1)</sup> Refers to changes in the equity of investees arising from PPC's share repurchase and share-based compensation.

<sup>(2)</sup> The balance was transferred to profit reserves.

<sup>(3)</sup> Valuation adjustments to equity;

<sup>(4)</sup> Accumulated translation adjustments and exchange variation in subsidiaries.

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



**JBS S.A.**  
**Statements of cash flows for the six month period ended June 30, 2017 and 2016**  
**In thousands of Brazilian Reais - R\$**

	Notes	Company		Consolidated	
		2017	2016	2017	2016
<b>Cash flows from operating activities</b>					
Net income (loss)		732,135	(1,205,001)	960,971	(986,875)
<b>Adjustments for:</b>					
Depreciation and amortization	7, 12 and 13	382,712	342,454	2,189,837	2,285,879
Allowance for doubtful accounts	5	7,678	7,286	20,581	23,010
Share of profit of equity-accounted investees	11	(1,269,777)	(166,548)	(7,924)	(5,644)
(Gain) loss on assets sales		(1,990)	(10,293)	9,339	(89,025)
Tax expense	16	(294,684)	(532,113)	133,791	(289,303)
Finance expense (income), net	20	730,392	2,712,100	2,621,585	3,992,890
Share-based compensation	18	30,458	52,334	66,675	53,944
Provisions	17	49,434	11,875	169,561	5,863
Impairment		(53,200)	-	(41,846)	-
		<b>313,158</b>	<b>1,212,094</b>	<b>6,122,570</b>	<b>4,990,739</b>
<b>Changes in assets and liabilities:</b>					
Trade accounts receivable		258,441	(234,733)	(632,745)	511,437
Inventories		113,288	110,529	(176,648)	(407,661)
Recoverable taxes		36,950	(155,935)	(9,233)	(1,112,589)
Other current and non-current assets		67,491	(116,968)	(41,836)	(298,585)
Biological assets		-	-	(459,037)	(858,530)
Trade accounts payable		(404,988)	(606,209)	(1,255,553)	(1,104,305)
Other current and non-current liabilities		(225,576)	(380,031)	(655,933)	(748,937)
<b>Changes in operating assets and liabilities</b>		<b>(154,394)</b>	<b>(1,383,347)</b>	<b>(3,230,985)</b>	<b>(4,019,170)</b>
Interest paid		(743,517)	(947,359)	(1,978,436)	(1,942,743)
Interest received	20	386,804	683,015	264,437	394,737
Income taxes paid		-	-	(563,565)	(1,214,785)
<b>Net cash provided by (used in) operating activities</b>		<b>(197,949)</b>	<b>(435,597)</b>	<b>614,021</b>	<b>(1,791,222)</b>
<b>Cash flow from investing activities</b>					
Purchases of property, plant and equipment	12	(430,010)	(106,438)	(1,635,826)	(1,602,027)
Purchases of intangible assets	13	(6,456)	-	(9,775)	(104,700)
Proceeds from sale of property, plant and equipment	12	22,071	27,013	109,305	148,361
Assets held for sale, net of cash		-	-	(52,898)	-
Additional investments in associates, joint-ventures and subsidiaries	11	(16,624)	-	-	-
Working capital adjustment of acquired company	3	-	-	-	30,165
Acquisitions, net of cash acquired	3	-	(299,775)	(1,865,028)	(332,538)
Dividends received from associates and joint-ventures	11	78,291	-	-	-
Related party transactions	10	2,067,784	402,066	370,580	141,100
Other		-	(9,041)	9,148	(52,556)
<b>Net cash provided by (used in) investing activities</b>		<b>1,715,056</b>	<b>13,825</b>	<b>(3,074,494)</b>	<b>(1,772,195)</b>
<b>Cash flow from financing activities</b>					
Proceeds from loans and financings		3,445,863	9,649,204	22,513,853	20,373,643
Payments of loans and financings		(5,410,898)	(7,403,758)	(18,206,982)	(17,714,717)
Derivatives instruments received/settled	23	195,711	(6,050,804)	263,678	(6,012,518)
Dividends paid		(93,354)	(1,101,783)	(93,354)	(1,101,783)
Dividends paid to non-controlling interest		-	-	(3,342)	(570,140)
PPC share repurchase		-	-	(61,186)	-
Purchase of treasury shares	18	(255,938)	(821,139)	(255,938)	(821,139)
Others		-	3,311	(5,223)	(2,166)
<b>Net cash provided by (used in) financing activities</b>		<b>(2,118,616)</b>	<b>(5,724,969)</b>	<b>4,151,506</b>	<b>(5,848,820)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>33,548</b>	<b>-</b>	<b>253,733</b>	<b>(960,687)</b>
Net change in cash and cash equivalents		(567,961)	(6,146,741)	1,944,766	(10,372,924)
Cash and cash equivalents beginning of period		4,712,796	11,257,943	9,355,622	18,843,988
<b>Cash and cash equivalents at the end of period</b>		<b>4,144,835</b>	<b>5,111,202</b>	<b>11,300,388</b>	<b>8,471,064</b>

**Non-cash transactions:**

	Notes	Company		Consolidated	
		2017	2016	2017	2016
Increase in share capital in subsidiaries' through assumption of credit	11	113,475	-	-	-
Negative investment transference		102,495	-	-	-
Investments transference to assets held for sale		597,683	-	-	-
Prepayments for PPE acquisition		-	-	(224,842)	-
Treasury shares cancellation	18	1,539,573	-	1,539,573	-
Payments of loans through settlement of related parties		841,262	-	-	-
Tax credit assignment with Flora	10	25,108	-	25,108	-

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

**JBS S.A.**
**Economic value added for the six month period ended June 30, 2017 and 2016  
In thousands of Brazilian Reais - R\$**

	Company		Consolidated	
	2017	2016	2017	2016
<b>Revenue</b>				
Sales of goods and services	12,094,900	14,534,419	80,283,885	88,897,732
Other income	5,045	13,879	67,653	118,284
Allowance for doubtful accounts	(7,678)	(7,286)	(20,581)	(23,010)
	<b>12,092,267</b>	<b>14,541,012</b>	<b>80,330,957</b>	<b>88,993,006</b>
<b>Goods</b>				
Cost of services and goods sold	(8,667,570)	(8,896,163)	(50,937,564)	(58,105,567)
Materials, energy, services from third parties and others	(1,585,246)	(2,340,840)	(12,409,428)	(13,700,212)
	<b>(10,252,816)</b>	<b>(11,237,003)</b>	<b>(63,346,992)</b>	<b>(71,805,779)</b>
<b>Gross added value</b>	<b>1,839,451</b>	<b>3,304,009</b>	<b>16,983,965</b>	<b>17,187,227</b>
<b>Depreciation and Amortization</b>	<b>(382,712)</b>	<b>(342,454)</b>	<b>(2,189,837)</b>	<b>(2,285,879)</b>
<b>Net added value generated</b>	<b>1,456,739</b>	<b>2,961,555</b>	<b>14,794,128</b>	<b>14,901,348</b>
<b>Net added value by transfer</b>				
Share of profit of equity-accounted investees, net of tax	1,269,777	166,548	7,924	5,644
Financial income	1,102,660	7,656,343	813,253	7,856,931
Others	(7,394)	(4,878)	20,961	13,124
<b>NET ADDED VALUE TOTAL TO DISTRIBUTION</b>	<b>3,821,782</b>	<b>10,779,568</b>	<b>15,636,266</b>	<b>22,777,047</b>
<b>DISTRIBUTION OF ADDED VALUE</b>				
<b>Labor</b>				
Salaries	910,597	1,248,701	7,725,625	8,550,540
Benefits	117,052	87,934	1,391,644	1,498,198
FGTS (Brazilian Labor Social Charge)	56,866	49,467	126,287	120,114
	<b>1,084,515</b>	<b>1,386,102</b>	<b>9,243,556</b>	<b>10,168,852</b>
<b>Taxes and contribution</b>				
Federal	(214,589)	(418,006)	490,833	148,903
State	295,026	590,242	685,252	907,001
Municipal	10,121	8,673	19,320	20,713
	<b>90,558</b>	<b>180,909</b>	<b>1,195,405</b>	<b>1,076,617</b>
<b>Capital Remuneration from third parties</b>				
Interests and exchange variation	1,815,665	10,279,655	3,357,535	11,694,110
Rents	82,462	60,558	383,283	371,586
Others	16,447	77,345	495,516	452,757
	<b>1,914,574</b>	<b>10,417,558</b>	<b>4,236,334</b>	<b>12,518,453</b>
<b>Owned capital remuneration</b>				
Net income (loss) attributable to company shareholders	732,135	(1,205,001)	732,135	(1,205,001)
Non-controlling interest	-	-	228,836	218,126
	<b>732,135</b>	<b>(1,205,001)</b>	<b>960,971</b>	<b>(986,875)</b>
<b>ADDED VALUE TOTAL DISTRIBUTED</b>	<b>3,821,782</b>	<b>10,779,568</b>	<b>15,636,266</b>	<b>22,777,047</b>

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

## JBS S.A.

Notes to the quarterly interim condensed financial statements for the six month period ended June 30, 2017 and 2016  
(Expressed in thousands of Brazilian reais)

### 1 Operating activities

JBS S.A. ("JBS" or the "Company"), is a company listed on the "Novo Mercado" segment of the São Paulo Stock Exchange (B3 - *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's registered office is Avenida Marginal Direita do Tietê, 500, Vila Jaguara, São Paulo, Brazil.

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

The interim condensed financial statements presented herein include the Company's individual operations in Brazil as well as the activities of its subsidiaries.

#### a. Main operational events that occurred during the period:

##### Plumrose acquisition

In March 2017, the Company's indirect subsidiary JBS USA Lux S.A., entered into a Share Purchase Agreement with Danish Crown A/S (Danish Crown), which established the terms and conditions for the acquisition of Plumrose USA (Plumrose) in USA. The operation was approved by the Boards of Directors of Danish Crown and JBS. This acquisition was concluded in May 1, 2017.

#### b. General information about the Company and recent media reports

As of public knowledge, in May 2017 certain executives and former executives from the Company and its parent company, J&F Investimentos (J&F), entered into plea bargain agreements with the District Attorney General's Office (PGR), later approved by the Federal Supreme Court (STF). The agreements anticipate the payment, by these executives, of penalties in the total amount of R\$225 million, as well as cooperation with the Federal Public Prosecutor's Office (MPF), about all facts reported to that authority, among other obligations. Also, in June 2017, J&F entered in a Leniency Agreement with MPF, which is still waiting for approval by the 5<sup>th</sup> Chamber of Coordination and Review of the Federal Public Prosecutor's Office, which entire content remains under legal secrecy. This agreement describes the payment of R\$10,3 billion over 25 years, to be paid exclusively by J&F, without any financial obligation to JBS S.A. or other companies from the group. In regard of the Company, the leniency agreement entered by J&F focuses mainly on investigated facts in the scope of operations Greenfield, Sépsis, Cui Bono and Weak Flesh and other attachments included in the cooperation agreement, which investigate operations with BNDES specially. As soon as the agreement is approved by the MPF's 5<sup>th</sup> Chamber, the Company will have access to the Agreement and will take the necessary actions to join and ratifying the Leniency Agreement. Conducting an internal investigation related to the facts presented in the plea bargain agreement involving the Company is one of the obligations set in the Leniency Agreement. In order to perform the internal investigation, which must be according to international standards, the Company will hire skilled external and independent advisors. The Leniency Agreement independent supervision committee will have, among others, the purpose of approving the services provider that will perform the internal investigation at JBS, as well adjusting work plans to the investigation. Both services provider and work plan are subject to MPF's approval before starting the field work.

In the annual financial statements as of December 31, 2016, and in the most recent financial statements as of March 31, 2017, except for the executives and directors who entered in the plea bargain agreement, the other members of the Company, were not aware of the plea bargain agreement and the possible effects in the disclosed financial statements, therefore there is no mention of the facts in the disclosed financial statements.

Considering the recent events, the Company was not able to measure and disclose, in the financial statements as for the six month period ended June 30, 2017, the impacts that the allegations and facts which are subject of the plea bargain agreement may cause in the financial statement, which issuance will depend on: (i) further enhancement of the facts and investigations in the Company, to be handled by advisors specially hired for this purpose; (ii) assessment and improvement of procedures policies and internal controls; (iii) development of responsibilities of the Compliance and Governance departments; and (iv) possible adjustments in the financial statements.

The disclosure of unaudited condensed financial statements as of June 30, 2017 intends to provide to investors and to the public access to the Company's most recent financial information, as well to demonstrate to the market with clarity, since the audit work is not yet concluded.

JBS USA, a Company's subsidiary, which represents approximately 70% of the net revenue as of June 30, 2017, obtained an unqualified opinion issued by KPMG USA in August 3, 2017.

In order of the current status and circumstances, is not possible to determine with reasonable certainty the possible impacts in the financial statements and for that reason, there is no record of any provisions or liabilities of any nature related to the facts described above in the plea bargain agreement or other investigations arising from these matters in the financial statements which are available.

#### c. Legal and investigative relevant procedures

The Company or its principal executive are investigated in several investigative procedures initiated or relevant outcomes in the quarter:

##### c.1 Criminal procedures:

- **Greenfield operation (investigative procedure):** Rash management in the Pension Funds (Petros and Funcef), investments to create Eldorado Brasil Celulose;
- **Sepsis operation (investigative procedure):** Alleged irregularities in the management of Investment Funds with resources of the FI - FGTS (Fundo de Garantia por Tempo de Serviço);
- **Cui Bono operation (investigative procedure):** Suspicion of favoring the release of credits from Caixa Econômica Federal to several companies, among them J&F, which is involved in three specific credit operations;
- **Bullish operation (police inquiry) and Criminal Investigative Procedure/RJ:** Investigation to determine alleged irregularities in the investments made in JBS by BNDESPar, due to the "findings" mentioned in the TCU's (Tribunal de Contas da União) decision in 2015;
- **Weak Flesh operation (police inquiry):** Suspicion of bribing federal agents from SIF (Serviço de Inspeção Federal);
- **Lama Asfáltica operation (police inquiry):** Suspicion of bribing to get tax incentives in the state of Mato Grosso do Sul;
- **Tendão de Aquiles operation (police inquiry):** Suspicion of insider trading in certain purchases of US dollars and stocks, having access to privileged information (plea bargain agreements and leaking information).

##### c.2 Administrative procedures:

- **Administrative inquiry CVM nº 19957.005388/2017-11:** Pursuance and enhancement of the initiated assessments in the scope of the administrative process nº 19957.004545/2017-71, opened on 5/19/2017, to analyze JBS S.A.'s performance in the future contracts of US dollars.
- **Administrative inquiry CVM nº 19957.005390/2017-90:** Pursuance and enhancement of the initiated assessments in the scope of the administrative process to analyze JBS S.A.'s negotiations of shares related to the share purchase program approved in 2/08/2017.

## JBS S.A.

Notes to the quarterly interim condensed financial statements for the six month period ended June 30, 2017 and 2016  
(Expressed in thousands of Brazilian reais)

### c.3 Parliamentary Inquiry Commission (CPI):

- **Senate CPI - Social Security:** Suited to investigate the social security accounting, clarifying accurately income and expenses of the system, as well misappropriation of funds.

- **MS (Mato Grosso do Sul) Legislative Assembly CPI - Tax irregularities from the state of MS:** The CPI was created to investigate the report made by JBS executives to assess irregularities involving improper tax benefits given by the state of Mato Grosso do Sul.

### c.4 Class actions:

- **Class action - 5007526-48.2017.4.03.6100:** Alleged irregularity in foreign exchange operations and purchase of treasury shares using insider information and financial operations with BNDES.

5ª Vara Cível Federal de São Paulo

Plaintiffs: Hugo Fizler Chaves Neto and Cristiane Sousa da Silva.

### d. Divestment program

It is on progress the Company's divestment program, announced to the market through a material fact in June 20, 2017 with sale of assets to further strengthen its financial position.

In July 14, 2017, the Company through its indirect subsidiary, JBS Food Canada Inc. (JBS Canada), entered in an agreement to sell its cattle hotelling operations and an adjacent farm, located in Brooks (Alberta), Canada, to MCF Holdings (MCF) for the amount of 50 million Canadian dollars (approximately US\$40 million). Under terms of the agreement, MCF will continue to supply cattle to the JBS Canada beef processing facility in Brooks. Completion of the transaction is subject to regulatory review and approval.

In July 31, 2017 the Company, as part of the divestment program, the Company sold its subsidiaries with beef operations in Uruguay, Paraguay and Argentina, to the Minerva Group for the amount of US\$300 million (subject to adjustments in the acquisition price).

In August 3, 2017, the Company entered in a agreement to divest the totality of its 19.43% shareholding interest in Vigor Alimentos S.A. ("Vigor") to Lala Group, S.A.B. de C.V. ("Grupo LALA"), for approximately R\$1.112 million (enterprise value). It is estimated that JBS will receive approximately R\$780 million (equity value) after closing the transactions, subject to adjustments foreseen under the contract.

The Company has no intention of divest any other investments at this moment, other than those previously announced to the market.

### e. Agreements for the Preservation of Credit Lines

As announced to the market in July 25, 2017, the Company together with its Brazilian operating subsidiaries and global leather division ("JBS Brazil"), has entered into Agreements for the Preservation of Credit Lines (the "Agreements") with certain financial institutions in Brazil and abroad, which represents 93% of the principal amount of indebtedness that JBS Brazil has acquired, showing the confidence the financial institutions hold with the Company.

The Company does not anticipate any increase in financial expenses, since the Agreements foreseen the maintenance of the contracts' original terms. One of the Agreements involves a group of Brazilian and foreign public and private financial institutions, which purpose is to stabilize JBS Brazil indebtedness for a period of 12 (twelve) months (the "Stabilization Period").

During the Stabilization Period, JBS Brazil will pay in full the interest incurred under the terms of the original contracts, as well as four installments of 2.5% of the principal amount of the indebtedness in question, with the first one to take place upon initiation of the agreement and the remaining in 90, 180 and 270 days, respectively. Simultaneously with negotiations with various creditor financial institutions with respect to the Stabilization Period, JBS Brazil has also entered into an agreement with the Itaú Unibanco Group that provides for the renegotiation of indebtedness in the approximate amount of R\$1.2 billion, such that 40% of the total indebtedness will be paid as originally contracted and the remaining 60% will be renewed, under their original conditions, for 12 months from the originally stipulated maturities.

### f. Governance Measures

The Company is working on its program to improve corporate governance policies, as announced during the last quarter. Among them, we point out:

- Mr. Tarek Farahat was elected as Chairman of the Board of Directors;
- Mr. Gilberto Xando was elected to participate in the Board of Directors;
- Mr. Marcelo Proença was appointed as Global Head of Compliance;
- Hiring White & Case LLP to assist in the Compliance project development of the Company;
- Creation of the Governance Committee, with Mr. Tarek Farahat as Chairman;
- Hiring a high rated law firm to advise the Company, its Management, its fiscal council members, members of all committees and key-personnel in the Company;
- Recommendation to the Company's Board of Directors regarding the Company's position in New Market Reform proposal;
- Change made in the reporting flow in the Company's Risk Management department, replacing the Chief Executive Officer for the Company's Financial and Risk Management Committee, as final decision maker;
- Approval to hire an advisory firm, skilled and independent, to assess all work and controls of the Company's Risk Management department;
- Recommendation from the Board of Directors to suspend the acquisition of treasury shares by the Company, to keep cash;
- Definition of new members to the Related Party Committee, Audit Committee, Financial Committee, Risk Management Committee and Sustainability Committee;
- Creation of the Executive Committee to advise the Board of Directors and Executive Board;
- Approval of the work plan for the Compliance program named "Always Do the Right Thing", presented by the Global Head of Compliance;
- Call notice for the Annual Extraordinary Shareholders' Meeting, to be held in September 1, 2017 according to the notice released in the Company's Investors Relation website.

### g. Compliance Program

As announced to the market in June 14, 2017, Mr. Marcelo Proença was appointed as Global Head of Compliance reporting directly to the Board of Directors. He has 27 years of experience, being a lawyer, received his Masters and Doctoral degrees from the Faculty of Law at the University of São Paulo where he currently teaches commercial law. He is also a professor at FGV Law courses in the Getúlio Vargas Foundation and has published eight books.

Announced in a material fact in June 28, 2017, the Company announced the approval of the Compliance program named "Always Do the Right Thing", to ensure that JBS implements the best global compliance program in the industry in order to restore the trust of its stakeholders.



## JBS S.A.

Notes to the quarterly interim condensed financial statements for the six month period ended June 30, 2017 and 2016  
(Expressed in thousands of Brazilian reais)

### 2 Basis of preparation

The interim condensed financial statements (consolidated and individual) have been prepared in accordance with IAS 34 - Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). The information does not meet all disclosure requirements for the presentation of full annual financial statements and thus should be read in conjunction with the consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended December 31, 2016. To avoid duplication of disclosures which are included in the annual financial statements, the following notes were not subject to full filling:

- i. Operating activities (Note 1)
- ii. Business combination (Note 3)
- iii. Property, plant and equipment (Note 11)
- iv. Intangible assets (Note 12)
- v. Goodwill (Note 13)
- vi. Trade accounts payable (Note 14)
- vii. Loans and financing (Note 15)
- viii. Operating and finance leases (Note 16)
- ix. Accrued income and other taxes (Note 17)
- x. Accrued payroll and social charges (Note 18)
- xi. Dividends payable (Note 19)
- xii. Other financial liabilities (Note 20)
- xiii. Expense by nature (Note 28)
- xiv. Risk management and financial instruments (Note 30)

#### Changes in the format of financial statements

The Company's financial statements are presented in accordance with the technical guidance OCPC 07, which addresses the basic requirements for elaboration and disclosure that should be observed when disclosing the financial accounting reports, especially those contained in the accompanying notes. In summary, it suggests a disclosure in light of the relevance of the information, considering qualitative, quantitative characteristics and risks for the entity.

The presentation of our financial condition and results of operation 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 fair value and value in-use of long-lived assets, allowance for doubtful accounts, inventories, deferred income taxes, provisions for tax, civil, and labor liabilities, determining the fair value of financial instruments (assets and liabilities) and other similar estimates. The settlement of a transaction involving these estimates may result in values that are different from those estimated. 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.

There were no significant changes in the accounting policies, judgments and estimates of the interim condensed consolidated financial statements for the six month period ended June 30, 2017, as well as in the calculation methods used in relation to those presented in the financial statements for the year ended December 31, 2016.

#### Functional and representation currency

These interim condensed consolidated and individual financial statements are presented in Brazilian Reais (R\$), which is the Company's presentation and functional currency. All financial information is presented in thousands of Reais, except when otherwise indicated.

#### Restatement of previously issued financial statements:

The Board of Directors has concluded to restate the six month period ended June 30, 2016 for correction of its presentation related to financial transactions with related parties in the statements of cash flow, in accordance with CPC 23/IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

The Company emphasizes that these restatements have no effect on its previously reported net income or earnings per share.

CASH FLOW	June 30, 2016					
	Previously published		Adjustments		Restated	
	Company	Consolidated	Company	Consolidated	Company	Consolidated
Related party transactions	402,066	141,100	(402,066)	(141,100)	-	-
<b>Operating activities</b>	<b>(33,531)</b>	<b>(1,650,122)</b>	<b>(402,066)</b>	<b>(141,100)</b>	<b>(435,597)</b>	<b>(1,791,222)</b>
Related party transactions	-	-	402,066	141,100	402,066	141,100
<b>Investing activities</b>	<b>(388,241)</b>	<b>(1,913,295)</b>	<b>402,066</b>	<b>141,100</b>	<b>13,825</b>	<b>(1,772,195)</b>

### 3 Business Combination

In January, 2017, the Company's indirect subsidiary PPC, acquired 100.0% of the membership interest of JFC, LLC and its subsidiaries (together, "GNP") for a cash purchase of R\$1.1 billion (US\$357 million), subject to customary working capital adjustments. GNP is a vertically integrated poultry business based in the state of Minnesota, United States of America. The acquired business has a production capacity of 2.1 million birds per five-day work week in its three plants and further strengthens the Company's strategic position in the U.S chicken market. The goodwill generated in this business acquisition is eligible to be deducted for tax purposes in the United States of America.

In March, 2017, the Company's indirect subsidiary, JBS USA Lux S.A entered into an agreement to acquire Plumrose USA ("Plumrose") from Danish Crown A/S for a cash purchase price of R\$731,263 million (US\$230 million) subject to customary working capital adjustments. Plumrose is a US-based bacon, ham and deli meat business that provides branded, cooked and prepared foods. Plumrose operates five prepared foods facilities and two distribution centers offering branded, prepared foods directly to consumers. The acquisition expands the Company's presence in the prepared foods and branded product categories and it was closed in May 1, 2017. The goodwill generated in this business acquisition is not eligible to be deducted for tax purposes in the United States of America.

**JBS S.A.**

Notes to the quarterly interim condensed financial statements for the six month period ended June 30, 2017 and 2016  
(Expressed in thousands of Brazilian reais)

The assets acquired and liabilities assumed in the significant business combinations noted above were measured at their fair values as set forth below:

FAIR VALUE	Plumrose	GNP
Cash and cash equivalents	22	31
Trade accounts receivable	88,081	57,703
Inventories	143,848	96,906
Biological assets	-	79,641
Other assets	451	13,268
Property, plant and equipment	428,291	450,720
Intangible assets	147,126	385,309
<b>ASSETS</b>	<b>807,819</b>	<b>1,083,578</b>
Trade accounts payable	91,023	80,186
Loans and financing	19	-
Other liabilities	15,381	42,102
Deferred income taxes	100,695	-
<b>LIABILITIES</b>	<b>207,118</b>	<b>122,288</b>
<b>Net assets and liabilities</b>	<b>600,701</b>	<b>961,290</b>
Acquisition price <sup>(1)</sup>	731,263	1,117,127
<b>Goodwill</b>	<b>130,562</b>	<b>155,837</b>

<sup>(1)</sup> The GNP and Plumrose acquisition prices include a R\$7.9 million (US\$2.5 million) and R\$8.9 million (US\$2.7 million) adjustment, respectively, referred to receivable from the seller for additional working capital adjustments.

The individual net revenue and net income from the acquisition date through each period end for all business combinations are presented below:

Company	2017	
	Net revenue	Net income (loss)
GNP	676,898	47,086
Plumrose	246,299	(1,360)

**4 Cash and cash equivalents**

	Company		Consolidated	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Cash on hand and at banks	1,520,020	2,024,404	5,955,370	5,608,922
CDB (bank certificates of deposit) and National Treasury Bill (Tesouro Selic)	2,624,815	2,688,392	5,345,018	3,746,700
	<b>4,144,835</b>	<b>4,712,796</b>	<b>11,300,388</b>	<b>9,355,622</b>

**5 Trade accounts receivable**

	Company		Consolidated	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Current receivables	2,123,608	2,438,141	8,446,659	8,415,098
Overdue receivables:				
From 1 to 30 days	201,173	167,629	1,150,269	791,597
From 31 to 60 days	15,800	179,443	106,081	270,548
From 61 to 90 days	3,637	31,686	60,938	97,132
Above 90 days	101,289	75,693	274,714	267,754
Allowance for doubtful accounts	(119,859)	(119,859)	(248,819)	(238,084)
Present value adjustment	(4,771)	(5,078)	(7,142)	(14,860)
	<b>197,269</b>	<b>329,514</b>	<b>1,336,041</b>	<b>1,174,087</b>
	<b>2,320,877</b>	<b>2,767,655</b>	<b>9,782,700</b>	<b>9,589,185</b>



**JBS S.A.**

Notes to the quarterly interim condensed financial statements for the six month period ended June 30, 2017 and 2016  
(Expressed in thousands of Brazilian reais)

**6 Inventories**

	Company		Consolidated	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Finished products	875,844	953,077	6,130,894	5,741,792
Work in process	372,207	379,173	908,056	810,131
Raw materials	130,657	166,132	1,338,206	1,376,927
Warehouse spare parts	181,505	175,119	1,667,827	1,679,624
	<b>1,560,213</b>	<b>1,673,501</b>	<b>10,044,983</b>	<b>9,608,474</b>

**7 Biological assets**

Changes in biological assets:	Consolidated	
	Current	Non-current
<b>Balance at December 31, 2016</b>	<b>2,673,113</b>	<b>977,040</b>
Increase by reproduction (born) and cost to reach maturity	10,642,919	794,896
Reduction for slaughter, sale or consumption	(12,436,336)	(79,160)
Increase by purchase	1,276,933	248,933
Decrease by death	(3,867)	(11,769)
Fair value adjustments, net	26,488	-
Changes from non-current to current	391,764	(391,764)
Exchange rate variation	53,306	20,541
Amortization	-	(573,826)
Effect from acquired companies	46,320	33,321
<b>Balance at June 30, 2017</b>	<b>2,670,640</b>	<b>1,018,212</b>

**8 Recoverable taxes**

	Company		Consolidated	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Value-added tax on sales and services - ICMS/IVA/VAT/GST	984,063	1,020,792	2,436,900	2,462,189
Excise tax - IPI	10,783	36,883	87,923	113,981
Social contribution on billings - PIS and COFINS	1,210,806	1,193,325	2,022,935	1,972,962
Withholding income tax - IRRF/IRPJ	1,306,565	1,363,354	1,572,599	1,722,394
Reintegra	27,488	15,557	57,441	50,535
Other	17,267	17,601	39,751	74,265
	<b>3,556,972</b>	<b>3,647,512</b>	<b>6,217,549</b>	<b>6,396,326</b>
Current	297,585	698,885	1,165,010	1,677,791
Non-current	3,259,387	2,948,627	5,052,539	4,718,535
	<b>3,556,972</b>	<b>3,647,512</b>	<b>6,217,549</b>	<b>6,396,326</b>

**JBS S.A.**

Notes to the quarterly interim condensed financial statements for the six month period ended June 30, 2017 and 2016  
(Expressed in thousands of Brazilian reais)

**9 Assets held for sale**

An operation is classified as an asset held for sale when the following criteria is met: i) the asset must be available for immediate sale in its current condition; ii) the asset sale must be highly probable to happen; and iii) the appropriate management level must be committed to the plan of assets sale. These assets are measured by the lower amount between the book value and the fair value less selling expenses.

The breakdown per company of the assets held for sale balance is demonstrated below:

	JBS Argentina	Vigor	JBS Paraguay	Canelones	Five Rivers and JBS Canada assets	Total
Cash and cash equivalents	28,868	-	11,358	12,672	-	52,898
Trade accounts receivable	175,918	-	183,884	37,705	-	397,507
Inventories	109,814	-	28,747	33,160,000	17,084	188,805
Property, plant and equipment	179,487	-	286,915	103,612	486,855	1,056,869
Other current and noncurrent assets	102,374	307,249	46,736	15,494	226,353	698,206
<b>Total of assets</b>	<b>596,461</b>	<b>307,249</b>	<b>557,640,000</b>	<b>202,643</b>	<b>730,292</b>	<b>2,394,285</b>
Trade accounts payable	133,343	-	61,223	25,628	-	220,194
Loans and financing short and long term	125,884	-	143,027	27,282	-	296,193
Other current and noncurrent liabilities	46,799	-	18,432	17,551	-	82,782
<b>Total of liabilities</b>	<b>306,026</b>	<b>-</b>	<b>222,682</b>	<b>70,461</b>	<b>-</b>	<b>599,169</b>
<b>Equity</b>	<b>290,435</b>	<b>307,249</b>	<b>334,958</b>	<b>132,182</b>	<b>730,292</b>	<b>1,795,116</b>

Assets held for sale in the Company refers to the sum of the equity (cost is lower than the market value) of direct investments. In the Company it refers to JBS Argentina and Vigor, and in the Consolidated is segregated between assets and liabilities.

For additional information purposes, the Company and its subsidiaries have accumulated other comprehensive income (basically, exchange variation on investments) recognized in equity related to assets held for sale. As soon as the control is ceased in these investments, by the Company or the same economic Group, the other comprehensive income will be part of gain/loss calculation when writing off the investments, and are recognized in the income statement of the period.

	JBS Argentina	Vigor	JBS Paraguay	Canelones	Total
Accumulated other comprehensive income (loss) related to assets held for sale (expense)	(452,323)	(210,099)	23,777	9,383	(629,262)

**Argentina, Paraguay and Uruguay beef operations.**

The Company directly and through its subsidiary JBS Handels GmbH, entered in an agreement to sell its shareholding interest of JBS Argentina S.A. (JBS Argentina), JBS Paraguay S.A. (JBS Paraguay) and Frigorífico Canelones S.A. (Canelones), in the amount of US\$300 million (R\$992,460), subject to customary working capital adjustments. These operations are part of the beef segment.

In July 2017, the Brazilian antitrust authorities (CADE) issued its approval without any restriction regarding the assets negotiations described above, since the negotiation is still in progress, the Company expects that the acquisitions are concluded in the next twelve months.

**Vigor Alimentos S.A.**

The Company's management has committed to sell its shareholding interest of 19.43% in Vigor Alimentos S.A. (Vigor), and is currently seeking buyers and is waiting for the conclusion of this transaction in the next twelve months. The income (loss) from this transaction is under the caption "Other segments".

**Subsequent event:** In August 3, 2017, the Company entered in an agreement to divest the totality of its 19.43% shareholding interest in Vigor Alimentos S.A. to Grupo Lala, S.A.B. de C.V. ("Grupo LALA"), for approximately R\$1,112 million. The transaction was approved by the Board of Directors of JBS and is subject to the usual regulatory approvals and further adjustments.

**Five Rivers Cattle feeding (Five Rivers) and JBS Canada assets sale.**

The Company through its subsidiary JBS USA Holding Lux, committed to a plan to sell assets from Five Rivers, which include inventories, property, plant and equipment and water rights. Since Five Rivers assets have goodwill allocated, this goodwill has been reallocated as part of assets held for sale. The conclusion of this operation is expected within the next twelve months.

The Company through its subsidiary JBS Canadá, also entered in a agreement to sell its cattle hotelling assets and a adjacent farm, located in Brooks (Alberta), Canada in the amount of 50 million Canadian dollars (R\$127,425).

Both operations are part of the Company's beef segment.

The Company recognized a loss of R\$11,360 under the caption "Other expenses", related to these assets.

**Moy Park**

Additionally, as released in a notice to the market issued June 20, 2017, the Company announced the sale of its shareholding interest in Moy Park. The divestment program is still in progress and in an early stage, without meeting the requirements to be classified as an asset held for sale.

**JBS S.A.**

Notes to the quarterly interim condensed financial statements for the six month period ended June 30, 2017 and 2016  
(Expressed in thousands of Brazilian reais)

**10 Related parties transactions**

The following table includes balances and net effect on income of intercompany financing transactions between the Company and its subsidiaries:

COMPANY	Currency	Maturity	Costs transfer (administrative and funding)	Statement of financial position accounts		Effect on net income	
				June 30, 2017	December 31, 2016	2017	2016
<b>Direct subsidiaries</b>							
Seara Alimentos <sup>(1)</sup>	R\$	01/01/2018	Corresponds to CDI + 1% p.m.	<b>1,177,724</b>	3,120,338	<b>146,818</b>	176,204
JBS Embalagens Metálicas	R\$	01/01/2018	Corresponds to CDI + 1% p.m.	<b>159,787</b>	145,109	<b>14,678</b>	13,128
Brazservice	R\$	01/01/2018	Corresponds to CDI + 1% p.m.	<b>91,584</b>	79,883	<b>8,500</b>	3,118
JBS Confinamento	R\$	01/01/2018	Corresponds to CDI + 1% p.m.	<b>16,871</b>	128,899	<b>5,952</b>	6,151
Midtown Participações <sup>(2)</sup>	R\$	-	-	<b>3,773</b>	-	-	-
Enersea	R\$	01/01/2018	Corresponds to CDI + 1% p.m.	<b>1,160</b>	-	<b>(577)</b>	90
Tannery	R\$	09/01/2016	Corresponds to CDI + 1% p.m.	-	-	-	3,083
JBS Global Investments <sup>(2)</sup>	US\$	03/13/2019	-	-	(28,443)	-	-
JBS Mendoza	US\$	-	-	<b>(1,489)</b>	-	-	-
JBS HU	US\$	02/28/2018	2,25% p.y.	<b>(2,937)</b>	(2,827)	<b>(64)</b>	-
<b>Indirect subsidiaries</b>							
JBS Aves	R\$	01/01/2018	Corresponds to CDI + 1% p.m.	<b>1,491,409</b>	1,882,114	<b>162,576</b>	201,646
Zenda	US\$	09/11/2017	2,5% p.y.	<b>22,201</b>	21,601	<b>264</b>	218
Frigorífico Canelones <sup>(3)</sup>	US\$	05/08/2017	3,5% p.y.	-	(32,876)	<b>(274)</b>	-
JBS Handels GmbH <sup>(2)(3)</sup>	EUR	-	-	<b>(124,254)</b>	(82,245)	<b>(293)</b>	-
JBS USA Holding Lux <sup>(2)</sup>	US\$	05/17/2018	8,375% p.y.	<b>(668,415)</b>	-	<b>(4,748)</b>	-
<b>Other related party</b>							
Flora Higiene e Produtos <sup>(4)</sup>	R\$	12/31/2023	Selic	<b>25,108</b>	-	<b>335</b>	-
				<b>2,192,522</b>	<b>5,231,553</b>	<b>333,167</b>	<b>403,638</b>

<sup>(1)</sup> Seara Alimentos - Decrease is due to settlement in cash. Seara entered into a credit facility agreement with JBS USA Lux. This transaction is eliminated in the consolidation.

<sup>(2)</sup> Midtown Participações, JBS Handels GmbH and JBS USA Holding Lux - Refers to working capital funding. Settlement in the future shall be through a capital reduction and/or dividends distribution.

<sup>(3)</sup> Frigorífico Canelones - Decrease is due to the transference of the remaining balance to JBS Handels GmbH through capital reduction; Settlement in the future shall be through a capital reduction and/or dividends distribution.

<sup>(4)</sup> Flora Higiene e Produtos - The Company was legally questioning the monetary restatement of IPI (Excise tax) credits recognized in 2005. Given the legal acknowledgment of the right to restate it, in 2017 the Company was summoned by the Internal Revenue Service - IRS - to compensate tax credits with certain debts, which among these debts (listed by the IRS), were included debts of 2007 from Flora Higiene e Produtos (related party), that had already been paid in installments. The correlation in between JBS and Flora debts made by IRS was due to the spin-off occurred in 2007, which originated the company Flora Produtos de Higiene e Limpeza S/A; and in case of a spin-off, the companies are responsible for the debts which occurred up to the date of the spin-off. Therefore, considering that the credits would be withheld if the Company did not agree with the compensation, the Company entered in a tax credit assignment agreement with Flora, which must be settled until 2023 and updated by the Selic rate, having the same payment flow as an tax payment in installments.

The disclosure of significant related parties transactions is in accordance with the criteria established by the Management of presenting individually transactions amounts equal or higher than 2% of the total of these transactions (Sale of products, purchases, accounts receivable and accounts payable). This analysis is performed for each related party. If any related party has not meet this criteria in the past and in the current period they do, the comparative balance will be disclosed.

**JBS S.A.**

Notes to the quarterly interim condensed financial statements for the six month period ended June 30, 2017 and 2016  
(Expressed in thousands of Brazilian reais)

COMPANY	Accounts receivable		Accounts payable		Purchases/Services rendered		Sale of products/Services rendered	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016	2017	2016	2017	2016
<b>Direct subsidiaries</b>								
JBS Confinamento	37	340	18,187	12,518	51,127	66,229	223	3,137
Priante	13,749	14,061	-	89	-	-	16,997	20,538
Brazservice	6,375	1,906	1,532	2,447	33,363	27,060	38,017	39,725
Seara Alimentos	15,384	13,972	13,531	128,800	53,648	68,177	156,155	120,363
Enersea	-	-	1	49	64,343	49,286	47,329	26,273
<b>Indirect subsidiaries</b>								
JBS Global UK	31,726	33,716	-	-	-	-	73,124	134,954
Toledo	29,562	23,089	-	-	-	-	101,190	144,897
JBS Aves	1,772	1,573	21,210	139,727	25,015	175,165	7,272	35,689
Weddel	4,522	3,151	-	-	-	-	15,421	29,466
Sampco	51,547	57,701	-	-	-	20	148,756	199,727
Meat Snacks Partners	13,175	2,933	-	113	88	4,080	109,950	148,489
Trump Asia	107,548	33,182	-	155	249	31	171,659	180,620
JBS Paraguay	236	514	3,007	3,326	50,479	41,137	976	959
Zenda	8,382	12,071	-	380	1,381	5,752	15,982	28,532
Braslo Produtos de Carnes	2,558	13,590	-	-	-	-	121,465	87,165
JBS USA	27,705	3,391	-	-	5	-	52,762	197
Agrícola Jandelle	1,352	1,455	22,540	42,674	25,415	35,303	1,859	11,279
JBS Handels GmbH	-	-	18,942	-	-	-	-	-
<b>Other related parties</b>								
Vigor	313	203	25,383	96,194	25,798	52,944	18	44,097
J&F Floresta Agropecuária	1	39	4,806	4,183	14,667	4,435	4	289
JBj Agropecuária	595	282	15,735	48,015	131,343	45,721	2,180	2,116
Flora Produtos	7,259	6,096	3	2	12	43	47,077	80,578
Dan Vigor Indústria e Com.	8,331	9,744	4,525	3,355	4,525	-	49,804	-
	<b>332,129</b>	<b>233,009</b>	<b>149,402</b>	<b>482,027</b>	<b>481,458</b>	<b>575,383</b>	<b>1,178,220</b>	<b>1,339,090</b>

**Financial transactions recognized in the Company**

The Company and a few of its subsidiaries entered into an agreement in which Banco Original (Related party) acquires trade accounts receivables held against certain of the Company's customers in the domestic and foreign markets. The assignments are done at market value through a permanent transfer to Banco Original of the risks and benefits of all trade accounts receivable. At June 30, 2017 and December 31, 2016, the unpaid balance of transferred receivables was R\$482,413 and R\$765,585 in the Company, and R\$849,713 and R\$1,446,934 in the Consolidated, respectively. During the six month period ended June 30, 2017 and 2016, JBS incurred financial costs related to this operation in the amount of R\$40,620 and R\$40,632 in the Company, and R\$71,926 and R\$69,169 in the Consolidated, respectively, recognized in the consolidated financial statements as financial expenses.

Additionally at June 30, 2017 and December 31, 2016, the Company holds investments with Banco Original, in the amount of R\$81,649 and R\$62,062 in the Company and R\$148,132 and R\$134,290 in the Consolidated, recognized under the caption "Cash and cash equivalents", respectively. These cash investments, bank certificates of deposit - CDB and equivalents, have similar earnings to CDI (Depósito Interbancário). For the six month period ended June 30, 2017 and 2016, the Company earned interest from these investments in the amount of R\$3,558 and R\$5,438 in the Company, and R\$6,502 and R\$7,490 in the Consolidated, recognized in the consolidated financial statements under the caption "Finance income", respectively.

Included in loans and financings in the amount of R\$23,291 at June 30, 2017, referring to the subsidiary BR Frango, are bank notes issued by BNDES (Brazilian Development Bank). Outstanding borrowings under these notes bear interest at an average rate of 9.00% at June 30, 2017, which is payable on a monthly basis. The notes are due in 2017 and 2019 and may be pre-paid at any time without penalty. The bank notes issued as of December 31, 2016 in the amount of R\$16,873, referring to the subsidiaries Seara Alimentos and Macedo, were settled.

**Receivables from related parties consist of the following**

	June 30, 2017	December 31, 2016
J&F Oklahoma <sup>(1)</sup>	979,006	1,315,526
Flora <sup>(2)</sup>	25,108	-
	<b>1,004,114</b>	<b>1,315,526</b>

<sup>(1)</sup> This amount represents 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 R\$2 billion (US\$675 million) from JBS Five Rivers for the purchase of cattle to be kept in the JBS Five Rivers feed yards 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 repayment of principal and the credit facility matures December 31, 2019.

Further, 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 R\$5 billion (US\$1.4 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 US\$250 million. Additionally, in the case of a J&F Oklahoma default under the revolving credit facility, and where 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 R\$827 million (US\$250 million) of the secured loans. No consideration was received for this guarantee and the fair value is insignificant.

<sup>(2)</sup> Tax credit assignment agreement described above.

## JBS S.A.

Notes to the quarterly interim condensed financial statements for the six month period ended June 30, 2017 and 2016  
(Expressed in thousands of Brazilian reais)

### Commercial transactions

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 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. Under the agreements, J&F has agreed to maintain sufficient cattle on JBS-owned feedlots so they remain 75% full in the U.S., 80% full in Australia and 75% full in Canada. Risk of loss of the cattle remains with J&F;
- b. sale 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 lasting from 2009 through 2019, ii) JBS Australia commitment of at least 200,000 animals/year, with a term lasting from 2011 through 2019, and iii) JBS Canada commitment of at least 50,000 animals/year, with a term lasting from 2013 through 2019. The cattle sale and purchase agreements also contain provisions to share in gains and losses incurred by J&F on its sale of cattle to JBS; and;
- c. incentive agreement whereby J&F Oklahoma pays JBS Five Rivers an annual amount based upon J&F Oklahoma's financial performance arising from the sale of cattle fed and finished by JBS Five Rivers.

During the six month period ended June 30, 2017 and 2016, the amounts received under the cattle supply and feeding agreements were R\$1.3 billion (US\$412.1 million) and R\$1.7 billion (US\$463.7 million) respectively, and amounts paid under the cattle sale and purchase agreements were R\$5 billion (US\$1.5 million) and R\$6 billion (US\$1.6 million), respectively.

No expense for doubtful accounts or bad debts relating to related-party transactions were recorded during the six month period ended June 30, 2017 and 2016.

**Subsequent event:** On July 2017, the Company received US\$100 million (R\$331 million) from JBS USA as working capital, and changed the interest from the loan agreement to 5.1%.

### Remuneration of key management

The Company's key management is comprised of its Executive Officers. The aggregate amount of compensation received by the Company's key management during the six month period ended June 30, 2017 and 2016 is the following:

	2017	2016
Salaries and wages	4,532	4,443
Variable cash compensation	2,125	3,000
Share-based compensation (*)	2,500	2,000
	<b>9,157</b>	<b>9,443</b>

(\*) Refers to shares granted during the year of 2016;

The Institutional Relations Executive Officer, Administrative and Control Director and Investor Relations Director are parties to the Brazilian employment contract regime referred to as 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 or Management Board are not party to any employment contract or any other contracts for additional business benefits such as post-employment benefits or other long-term benefits, termination of work that does not conform to those requested by the CLT.

**JBS S.A.**

Notes to the quarterly interim condensed financial statements for the six month period ended June 30, 2017 and 2016  
(Expressed in thousands of Brazilian reais)

**11 Investments in associates, subsidiaries and joint ventures**
**In the Company:**

	December 31, 2016	Addition (disposal)	Exchange rate variation	Changes in the Equity of investees	Proportionate share of income (loss)	June 30, 2017
JBS Embalagens Metálicas	(58,211)	-	-	-	(14,286)	(72,497)
JBS Global Investments <sup>(1)</sup>	28,443	(21,228)	(700)	-	(6,515)	-
JBS Confinamento <sup>(2)</sup>	469,362	111,986	-	-	(14,296)	567,052
JBS Slovakia Holdings <sup>(1)</sup>	21,173	(20,829)	(296)	(35)	1	14
Conceria Priante	9,453	-	333	-	(6,760)	3,026
JBS Holding GMBH	593,381	-	57,795	(39,244)	(2,828)	609,104
JBS Global Luxembourg <sup>(1)</sup>	5,564,272	(36,234)	169,684	250,219	2,059,745	8,007,686
Vigor Alimentos <sup>(4)</sup>	307,065	(307,249)	-	-	184	-
JBS Leather International	(86,426)	-	(2,286)	(1,039)	(25,302)	(115,053)
Brazservice	(32,171)	-	-	-	(10,221)	(42,392)
Seara Alimentos	4,620,972	-	-	139,221	(690,377)	4,069,816
Meat Snack Partners	55,562	-	1,168	(1,168)	7,740	63,302
Granite Holdings <sup>(3)</sup>	3,912,517	-	258,561	4,895	56,336	4,232,309
Rigamonti	95,731	-	9,922	-	5,741	111,394
Enersea	215	-	-	-	(55)	160
JBS Argentina <sup>(5)</sup>	309,083	(273,006)	(9,234)	-	(26,843)	-
JBS Mendoza	253	-	(20)	-	505	738
JBS HU Liquidity Management	17,460	-	257	-	(223)	17,494
Midtown Participações	285,063	-	-	-	(15,272)	269,791
Beef Snacks Brasil	44,226	-	-	-	(646)	43,580
JBS Foods International	(49,450)	-	(2,512)	-	(46,850)	(98,812)
<b>Subtotal</b>	<b>16,107,973</b>	<b>(546,560)</b>	<b>482,672</b>	<b>352,849</b>	<b>1,269,778</b>	<b>17,666,712</b>
Accrual for loss on investments (*)	226,258	-	-	-	-	328,754
<b>Total</b>	<b>16,334,231</b>					<b>17,995,466</b>

<sup>(1)</sup> Transfer of the negative investments for other current liabilities.

<sup>(1)</sup> Dividends paid out to the Company.

<sup>(2)</sup> Capital contribution through assumption of debt.

<sup>(3)</sup> The subsidiary Moy Park Lux S.à.r.l. changed its company name to Granite Holdings S.à.r.l.

<sup>(4)</sup> Reclassification to assets held for sale.

<sup>(5)</sup> Refers to a capital increase in the amount of R\$17.429 and a reclassification to assets held for sale of (R\$290.435).

**In the Consolidated:**

	December 31, 2016	Disposal	Changes in the Equity of investees	Proportionate share of income	June 30, 2017
Vigor Alimentos <sup>(4)</sup>	307,065	(307,249)	-	184	-
Meat Snack Partners	55,562	-	-	7,740	63,302
<b>Total</b>	<b>362,627</b>	<b>(307,249)</b>		<b>7,924</b>	<b>63,302</b>



**JBS S.A.**

Notes to the quarterly interim condensed financial statements for the six month period ended June 30, 2017 and 2016  
(Expressed in thousands of Brazilian reais)

**12 Property, plant and equipment**
**Changes in property, plant and equipment:**

Company	December 31, 2016 *	Additions net of transferences <sup>(2)</sup>	Disposals	Depreciation	June 30, 2017
Buildings	3,088,757	131,513	-	(58,687)	3,161,583
Land	1,384,826	51,496	-	-	1,436,322
Machinery and equipment	3,814,323	146,432	(467)	(194,797)	3,765,491
Facilities	1,353,973	123,967	(865)	(50,671)	1,426,404
Computer equipment	66,333	25,304	(39)	(13,742)	77,856
Vehicles	404,214	38,181	(18,531)	(45,892)	377,972
Construction in progress	1,305,863	(97,629)	(83)	-	1,208,151
Other	57,339	10,746	(96)	(10,587)	57,402
	<b>11,475,628</b>	<b>430,010</b>	<b>(20,081)</b>	<b>(374,376)</b>	<b>11,511,181</b>

Consolidated	December 31, 2016 *	Acquired in business combination <sup>(1)</sup>	Additions net of transferences <sup>(2)</sup>	Disposals	Assets held for sale <sup>(3)</sup>	Depreciation	Exchange rate variation	June 30, 2017
Buildings	11,104,201	267,446	603,964	(60,396)	(295,593)	(294,825)	156,057	11,480,854
Land	3,943,307	27,621	68,357	(32,099)	(151,874)	-	34,400	3,889,712
Machinery and equipment	10,915,981	513,819	916,232	(4,315)	(336,503)	(902,170)	156,747	11,259,791
Facilities	1,925,053	-	156,907	(163)	(121)	(87,534)	1,182	1,995,324
Computer equipment	253,499	7,055	51,305	(241)	(3,359)	(50,567)	4,479	262,171
Vehicles	490,393	10,082	53,218	(20,667)	(11,497)	(62,932)	2,056	460,653
Construction in progress	3,754,943	26,461	(43,029)	(6,906)	(27,041)	-	36,916	3,741,344
Other	723,514	26,527	53,714	(3,658)	(169,950)	(57,957)	6,891	579,081
	<b>33,110,891</b>	<b>879,011</b>	<b>1,860,668</b>	<b>(128,445)</b>	<b>(995,938)</b>	<b>(1,455,985)</b>	<b>398,728</b>	<b>33,668,930</b>

\* The Company reassessed its allocation between property, plant and equipment lines, and due to the low significance of the balances, decided to adjust the initial balance of December 31, 2016.

<sup>(1)</sup> Refers to balances arising from GNP and Plumrose acquisitions.

<sup>(2)</sup> Additions for each category includes transfer from construction in progress during the period.

<sup>(3)</sup> Refers to balances from the subsidiaries JBS Argentina, JBS Paraguay, Frigorífico Canelones, JBS Five Rivers and JBS Food Canada Inc classified as assets held for sale.

For the six month period ended June 30, 2017 the amount of capitalized interest added to construction in progress and included in additions was R\$25,455 in the Company and in the Consolidated was R\$63,653.

**13 Intangible assets**
**Changes in intangible assets:**

Company	December 31, 2016	Additions <sup>(2)</sup>	Amortization	June 30, 2017
<b>Amortizing:</b>				
Trademarks	-	53,200	(6,379)	46,821
Software	23,494	4,654	(1,957)	26,191
<b>Non-amortizing:</b>				
Trademarks	23,000	1,803	-	24,803
	<b>46,494</b>	<b>59,657</b>	<b>(8,336)</b>	<b>97,815</b>

Consolidated	December 31, 2016	Acquired in business combination <sup>(1)</sup>	Additions <sup>(2)</sup>	Business combination adjustment <sup>(3)</sup>	Assets held for sale <sup>(4)</sup>	Disposal	Amortization	Exchange rate variation and others	June 30, 2017
<b>Amortizing:</b>									
Trademark	55,937	119,451	53,209	25,081	(2,858)	-	(9,404)	10,234	251,650
Software	83,915	-	7,963	-	(626)	(944)	(12,412)	159	78,055
Customer relationships	1,947,753	346,075	-	-	-	-	(136,822)	51,804	2,208,810
Others	6,782	19,253	-	-	-	(13)	(1,388)	544	25,178
<b>Non-amortizing:</b>									
Trademarks	2,809,178	47,656	1,803	8,524	-	(256)	-	121,637	2,988,542
Water rights	108,530	-	-	-	(73,735)	-	-	(134)	34,661
	<b>5,012,095</b>	<b>532,435</b>	<b>62,975</b>	<b>33,605</b>	<b>(77,219)</b>	<b>(1,213)</b>	<b>(160,026)</b>	<b>184,244</b>	<b>5,586,896</b>

<sup>(1)</sup> Refers to balances arising from GNP and Plumrose acquisitions.

**JBS S.A.**

Notes to the quarterly interim condensed financial statements for the six month period ended June 30, 2017 and 2016  
(Expressed in thousands of Brazilian reais)

<sup>(2)</sup> Refers to an impairment reversal in the amount of R\$53.200 in trademarks.

<sup>(3)</sup> Refers to adjustments in the Scott Technology's acquisitions based upon final fair value assessments. These adjustments are comprised of changes in fair value of property, plant and equipment, goodwill and deferred tax liability. Due to materiality, these adjustments have not been retrospectively applied.

<sup>(4)</sup> Refers to balances from the subsidiaries JBS Argentina, JBS Paraguay, Frigorífico Canelones, JBS Five Rivers and JBS Food Canada Inc. classified as assets held for sale.

**14 Goodwill**
**Changes in goodwill:**

<b>Balance as of December 31, 2016</b>	<b>21,916,694</b>
Acquired in business combination <sup>(1)</sup>	286,399
Disposal	(8,657)
Business combination adjustments <sup>(2)</sup>	(23,136)
Assets held for sale <sup>(3)</sup>	(153,567)
Exchange rate variation and others	394,587
<b>Balance as of June 30, 2017</b>	<b>22,412,320</b>

<sup>(1)</sup> - Refers to balances arising from GNP and Plumrose acquisitions.

<sup>(2)</sup> - Refers to adjustments in the Scott Technology's acquisitions based upon final fair value assessments. These adjustments are comprised of changes in fair value of trademarks, goodwill and deferred tax liability. Due to materiality, these adjustments have not been retrospectively applied.

<sup>(3)</sup> Refers to balances from the subsidiaries JBS Argentina, JBS Paraguay, Frigorífico Canelones, JBS Five Rivers and JBS Food Canada Inc classified as assets held for sale, according to the divestment program the Company announced.

<b>CGU Groups</b>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Brazil Beef	9,069,926	9,069,926
Australia Smallgoods	1,253,520	1,136,008
Moy Park	2,732,760	2,565,653
USA Pork	2,297,654	2,217,831
Seara	3,533,294	3,541,676
Other CGUs without significant goodwill	3,525,166	3,385,600
<b>Total</b>	<b>22,412,320</b>	<b>21,916,694</b>

CGU groups containing goodwill are tested for impairment annually. For the six month period ended June 30, 2017 there were no events or circumstances that indicate that the recoverable amount may be less than the carrying amount.

**15 Loans and financing**

Type	Average annual interest rate	Currency	Index on variable rate loans	Maturities-non-current debt	Company			
					Current		Non-current	
					Jun 30, 2017	Dec 31, 2016	Jun 30, 2017	Dec 31, 2016
<b>Foreign currency</b>								
ACC - Advances on exchange contracts	4.75%	USD	-	*	5,141,888	6,826,491	-	-
Prepayment	4.31%	USD	LIBOR	2018 - 23	4,229,230	3,967,161	3,937,112	4,484,527
144-A	7.14%	USD	-	2020 - 24	153,352	150,699	8,328,773	8,201,753
Working capital - Euros	2.40%	EUR	EURIBOR 6M	2023	17,547	859	63,099	78,898
FINIMP	2.53%	EUR	EURIBOR 6M	2018	573	526	283	516
					<b>9,542,590</b>	<b>10,945,736</b>	<b>12,329,267</b>	<b>12,765,694</b>
<b>Local currency</b>								
Credit note - export	12.20%	BRL	CDI p.y.	2018 - 20	733,095	798,823	782,225	1,006,938
Working capital - Brazilian Reais	11.79%	BRL	CDI p.y. and TJLP	2018 - 20	121,370	432,869	15,635	14,637
FINAME	7.83%	BRL	TJLP	2018 - 25	61,569	77,374	106,907	146,981
FINEP	5.55%	BRL	-	2018 - 25	21,979	21,855	92,536	75,146
CDC - Direct credit to consumers	19.46%	BRL	-	2018 - 22	5,450	4,371	11,742	11,988
					<b>943,463</b>	<b>1,335,292</b>	<b>1,009,045</b>	<b>1,255,690</b>
					<b>10,486,053</b>	<b>12,281,028</b>	<b>13,338,312</b>	<b>14,021,384</b>



**JBS S.A.**

 Notes to the quarterly interim condensed financial statements for the six month period ended June 30, 2017 and 2016  
 (Expressed in thousands of Brazilian reais)

Type	Average annual interest rate	Currency	Indexer	Payment terms / non-current debt	Consolidated			
					Current		Non-current	
					Jun 30, 2017	Dec 31, 2016	Jun 30, 2017	Dec 31, 2016
<b>Foreign currency</b>								
ACC - Advances on exchange contracts	4.75%	USD	-	*	6,905,623	7,753,838	-	-
Prepayment	5.17%	USD	Libor	2018 - 23	6,143,929	5,803,330	4,692,967	4,992,782
144-A	7.14%	USD	-	2020 - 24	153,352	150,699	8,328,773	8,201,753
Credit note – import	4.08%	USD	Libor	*	99,769	98,314	-	-
FINIMP	4.63%	USD and EUR	Libor and Euribor	2018 - 19	15,560	10,684	12,167	19,031
Working capital - Euros	2.40%	EUR	Euribor	2023	17,547	859	63,099	78,898
					<u>13,335,780</u>	<u>13,817,724</u>	<u>13,097,006</u>	<u>13,292,464</u>
<b>Local currency</b>								
FINAME	7.48%	BRL	TJLP	2018 - 25	69,959	80,103	134,047	153,610
FINEP	5.42%	BRL	-	2018 - 25	25,947	25,828	99,121	83,706
JBS Mortgage	5.80%	USD	-	2020	609	583	6,441	6,649
Senior Secured Credit Facility JBS Lux	4.40%	USD	Libor	2019	6,418	375	2,397,833	-
Term loan JBS Lux 2018	-	-	-	-	-	3,891	-	1,321,490
Term loan JBS Lux 2020	-	-	-	-	-	18,437	-	1,551,996
Term loan JBS Lux 2022	5.80%	USD	ABR and Libor	2022	126,826	55,929	9,122,772	3,790,428
Term loan Five Rivers 2019	5.50%	USD	Libor	2019	289,157	16,954	-	275,984
Notes 6,25% Moy Park 2021	6.25%	GBP	-	2021	7,752	7,278	1,271,290	1,191,331
Notes 8,25% JBS Lux 2020	8.25%	USD	-	2020	76,949	75,807	2,294,882	2,256,901
Notes 7,25% JBS Lux 2021	7.25%	USD	-	2021	19,154	18,870	3,763,891	3,703,058
Notes 5,875% JBS Lux 2024	5.88%	USD	-	2024	65,191	64,224	2,465,499	2,427,814
Notes 5,75% JBS Lux 2025	5.75%	USD	-	2025	5,230	5,153	2,954,835	2,909,617
Notes 5,75% PPC 2025	5.75%	USD	-	2025	26,684	26,288	1,641,459	1,616,308
PPC Term loan	4.75%	USD	Libor	2020	138,160	636	2,514,232	1,604,572
PPC revolving credit facility	4.56%	USD	Libor	2020	1,327	-	213,468	-
Marshalltown	2.34%	USD	-	2018	53	52	32,321	31,633
Working capital - Brazilian Reais	11.42%	BRL	CDI, TJLP and TR	2018 - 21	130,871	435,540	22,303	16,384
Working capital - US Dollars	3.64%	USD	Libor	*	309,653	362,725	-	132,808
Working capital - Euros	2.67%	EUR	Euribor	2019 - 23	195,619	176,187	15,905	14,563
Working capital - Argentine pesos	-	-	-	-	-	74,521	-	-
Credit note – export	12.05%	BRL	CDI	2018 - 20	1,388,959	1,368,804	1,065,550	1,317,098
Credit note – import	3.81%	USD and EUR	Libor and Euribor	*	279,101	315,495	-	-
FCO - Middle West Fund	10.14%	BRL	-	2018	1,858	1,865	787	1,708
CDC - Direct credit to consumers	19.46%	BRL	-	2018 - 22	5,450	4,371	11,742	11,988
CCB	9.00%	BRL	-	2018 - 19	2,990	10,781	20,301	6,092
ACC - Advances on exchange contracts	3.54%	USD	Libor	*	2,240	922	-	-
Rural - Credit note	10.80%	BRL	-	*	1,170,349	1,137,628	-	-
ANZ credit facility	2.60%	AUD	-	*	125,156	-	-	-
Canadian credit facility & revolving credit facility	3.20%	CAD	CDOR, RBC and Libor	2018	185,272	-	-	244,902
Canadian credit facility - term loan	3.65%	CAD	-	2018	33,059	2,415	-	30,678
Canadian bank facility	-	CAD	-	*	-	8,076	-	-
Andrews Meat secured facility	2.80%	AUD	BBSY	*	32,635	-	-	-
Mexico credit facility	8.10%	MEX\$	TIEE	2019	1,552	46	275,666	75,950
Other	2.36%	GBP and EUR	Euribor and Libor	2019	192,882	31,310	1,888	41,864
					<u>4,917,062</u>	<u>4,331,094</u>	<u>30,326,233</u>	<u>24,819,132</u>
					<u>18,252,842</u>	<u>18,148,818</u>	<u>43,423,239</u>	<u>38,111,596</u>

\* Balances classified as current which have their maturities between July 1, 2017 and June 30, 2018.



**JBS S.A.**

Notes to the quarterly interim condensed financial statements for the six month period ended June 30, 2017 and 2016  
(Expressed in thousands of Brazilian reais)

	Company		Consolidated	
	For the three month period ended June 30,		For the three month period ended June 30,	
	2017	2016	2017	2016
<b>Profit (loss) before income taxes (PBT)</b>	<b>(77,024)</b>	<b>2,110,322</b>	<b>419,469</b>	<b>2,526,414</b>
<b>Nominal rate</b>	<b>(34)%</b>	<b>(34)%</b>	<b>(34)%</b>	<b>(34)%</b>
Expected tax expense	26,188	(717,509)	(142,619)	(858,981)
<b>Adjustments to reconcile taxable income:</b>				
Earnings and losses due to equity method	326,463	227,215	2,077	1,819
Domestic production activities deduction	-	-	36,341	(14,021)
Foreign rate differential	-	-	31,548	(2,120)
Unrecognized tax benefit	-	-	(56,316)	(40,621)
Dividends paid abroad	-	-	(6)	(149,353)
Adjustments on financial statements - foreign subsidiaries	-	-	63,706	39,929
Stock option plan	(1,853)	(3,569)	(3,013)	(3,569)
Non-taxable interest - Foreign subsidiaries	-	-	(37,701)	168,521
Dual jurisdiction income - foreign subsidiaries	-	-	55,279	9,337
Other permanent differences	36,070	(80,298)	106,030	(19,586)
<b>Current and deferred income tax (expense) benefit</b>	<b>386,868</b>	<b>(574,161)</b>	<b>55,326</b>	<b>(868,645)</b>
Current income tax	735	677	(529,903)	(374,651)
Deferred income tax	386,133	(574,838)	585,229	(493,994)
	<b>386,868</b>	<b>(574,161)</b>	<b>55,326</b>	<b>(868,645)</b>
<b>% IT/PBT</b>	<b>(502.27)%</b>	<b>(27.21)%</b>	<b>13.19 %</b>	<b>(34.38)%</b>

  

	Company		Consolidated	
	For the three month period ended June 30,		For the three month period ended June 30,	
	2017	2016	2017	2016
<b>Adjustments to reconcile taxable income <sup>(1)</sup></b>				
Goodwill amortization - deferred	(102,000)	-	(94,619)	24,209
Prior years loss carryforwards - deferred tax asset	(274,293)	(597,995)	(475,832)	(513,445)
Unrecognized deferred tax benefit	-	-	56,316	40,621
Dividends paid abroad - current	-	-	6	149,353
Income tax on realization of other reserves	(735)	(677)	(37,082)	(677)
<b>Current and deferred income tax (expense) benefit - ADJUSTED</b>	<b>9,840</b>	<b>(1,172,833)</b>	<b>(495,885)</b>	<b>(1,168,584)</b>
<b>Effective income tax rate</b>	<b>(12.78)%</b>	<b>(55.58)%</b>	<b>(118.22)%</b>	<b>(46.25)%</b>

<sup>(1)</sup> - 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) losses carryforwards from the current period; iii) income tax on realization of the other reserves (since it is not relate to the net operating income); iv) 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); and v) current tax over dividends paid abroad (once such expense is unrelated to our business);

**17 Provisions**

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 determined by management as follows:

	Company				Consolidated			
	June 30, 2017		December 31, 2016		June 30, 2017		December 31, 2016	
	Quantity	R\$	Quantity	R\$	Quantity	R\$	Quantity	R\$
Labor	14,662	117,372	16,345	92,484	32,880	408,209	33,966	346,545
Civil	818	11,495	820	9,946	3,754	304,526	3,340	275,946
Tax and Social Security	1,209	142,973	1,285	119,977	1,828	669,846	1,854	622,748
<b>Total</b>	<b>16,689</b>	<b>271,840</b>	<b>18,450</b>	<b>222,407</b>	<b>38,462</b>	<b>1,382,581</b>	<b>39,160</b>	<b>1,245,239</b>

**Changes in provisions**

	Company			June 30, 2017
	December 31, 2016	Additions	Payments or changes in estimates	
Labor	92,484	144,671	(119,783)	117,372
Civil	9,946	2,690	(1,141)	11,495
Tax and Social Security	119,977	33,343	(10,347)	142,973
<b>Total</b>	<b>222,407</b>	<b>180,704</b>	<b>(131,271)</b>	<b>271,840</b>

**JBS S.A.**

Notes to the quarterly interim condensed financial statements for the six month period ended June 30, 2017 and 2016  
(Expressed in thousands of Brazilian reais)

	Consolidated					June 30, 2017
	December 31, 2016	Additions	Payments or changes in estimates	Assets held for sale <sup>(1)</sup>	Exchange rate variation	
Labor	346,545	259,940	(193,245)	(4,993)	(38)	408,209
Civil	275,946	37,286	(8,706)	-	-	304,526
Tax and Social Security	622,748	66,204	(19,959)	-	853	669,846
<b>Total</b>	<b>1,245,239</b>	<b>363,430</b>	<b>(221,910)</b>	<b>(4,993)</b>	<b>815</b>	<b>1,382,581</b>

<sup>(1)</sup> Refers to balances from the subsidiaries JBS Argentina, JBS Paraguay, Frigorífico Canelones, JBS Five Rivers and JBS Food Canada.

**18 Equity**

a. **Share capital:** There were no changes on the balances at June 30, 2017.

b. **Share-based compensation:**

The Company has a stock option plan settled in 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 determines the criteria of granting the options and selecting the employees. The number of grantable shares authorized 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 in the statement of income with a corresponding entry in capital reserves. 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:

Program	Grants				Fair value assumptions			
	Quantity of options	Fair value of the option	Exercise price in R\$	Expected exercise term	Risk free interest rate	Volatility	Share price on the grant date	Dividend Yield
May-14	2,196,051	R\$ 7.58 to R\$ 7.74	0.00001	1 to 3 years	10.98% to 12.16%	42.16%	7.80	1.05%
Sep-14	200,000	R\$ 9.59 to R\$ 9.99	0.00001	1 to 5 years	11.05% to 11.25%	42.16%	10.10	1.05%
May-15	1,916,859	R\$ 15.36 to R\$ 15.58	0.00001	1 to 3 years	13.25% to 13.68%	55.69%	15.66	0.72%
Mar-16	3,350,000	R\$ 11.55	0.00001	Immediate vesting	-	-	12.12	-
Apr-16	695,088	R\$ 5.46 to R\$ 5.63	1.00000	1 to 3 years	13.81% to 13.90%	60.81%	10.79	4.45%
Apr-16	2,477,651	R\$ 9.85 to R\$ 10.75	0.00003	1 to 3 years	13.54% to 13.78%	69.19%	11.12	4.45%
Jun-16	3,259,890	R\$ 9.20 to R\$ 10.05	0.000005	1 to 3 years	12.66% to 13.60%	65.98%	11.12	4.45%
Nov-16	3,350,000	R\$ 11.27	0.0000003	Immediate vesting	-	-	11.27	-
Nov-16	195,000	R\$ 9.81 to R\$ 10.49	0.000015	1 to 3 years	11.42% to 11.60%	50.30%	11.27	3.35%
Jan-17	3,700,979	R\$11.90	0.010000	Immediate vesting	-	-	11.90	-
May-17	1,004,722	R\$ 11.72 to R\$ 11.82	0.000002	1 to 3 years	9.31% to 9.64%	46.15%	11.86	0.45%
May-17	1,620,754	R\$ 11.10 to R\$ 11.15	1.000000	1 a 3 years	9.31% to 9.64%	46.15%	12.07	0.45%
<b>Total</b>	<b>23,966,994</b>							

**June 30, 2017**

Program	Grant	Vesting terms	Options outstanding	Remaining contractual life (years)
Sep-14	01.09.14	1/5 per year with final maturity in Sep 1, 2019	120,000	2.25
May-15	01.05.15	1/3 per year with final maturity in May 1, 2018	466,310	0.58
Apr-16	01.04.16	1/3 per year with first maturity in April 1, 2022 and final maturity in April 1, 2024	695,088	6.58
Apr-16	01.04.16	1/3 per year with final maturity in April 1, 2019	1,176,194	1.58
Jun-16	01.06.16	1/3 per year with final maturity in June 1, 2019	1,978,416	1.58
Nov-16	01.11.16	1/3 per year with first maturity in January 1, 2019 and final maturity in January 1, 2021	195,000	3.58
May-17	05.01.17	1/3 per year with final maturity in May 1, 2020	968,846	2.92
May-17	05.01.17	1/3 per year with final maturity in May 1, 2020	1,620,754	2.92
			<b>7,220,608</b>	

**Risk free interest rate:** The Company uses as a risk free interest rate the projection obtained from the Interpolation of the fixed x floating interest rate swap (B3'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.

**JBS S.A.**

Notes to the quarterly interim condensed financial statements for the six month period ended June 30, 2017 and 2016  
(Expressed in thousands of Brazilian reais)

The outstanding options changes and average exercise price per share are demonstrated, as follows:

	June 30, 2017	
	Quantity of options	Average exercise price per share
<b>Opening balance</b>	<b>8,355,957</b>	<b>R\$ 11.80</b>
Granted	6,326,455	R\$ 11.94
Exercised	(7,461,804)	R\$ 11.86
<b>Closing balance</b>	<b>7,220,608</b>	<b>R\$ 10.11</b>

During the six month period ended June 30, 2017 and 2016 the expense with options plan totaled R\$66,675 and R\$53,944, respectively, recorded in the results under the caption "General and administrative expenses", with the respective offset in "Capital Reserves".

**c. Treasury shares:**

	June 30, 2017	
	Quantity	R\$ thousand
<b>Opening balance</b>	<b>135,261,051</b>	<b>1,625,510</b>
Purchase of treasury shares	39,732,500	255,938
Treasury shares used in stock option plan	(7,461,814)	(89,235)
Cancellation of treasury shares	(128,110,093)	(1,539,573)
<b>Closing balance</b>	<b>39,421,644</b>	<b>252,640</b>

**19 Net revenue**

	Company		Consolidated	
	For the six month period ended June 30,		For the six month period ended June 30,	
	2017	2016	2017	2016
<b>GROSS REVENUE</b>				
<b>Sales of products</b>				
Domestic sales	8,166,202	9,209,801	60,077,871	65,623,467
Foreign sales	4,366,452	5,874,801	22,053,799	25,195,757
	<b>12,532,654</b>	<b>15,084,602</b>	<b>82,131,670</b>	<b>90,819,224</b>
<b>SALES DEDUCTION</b>				
Returns and discounts	(437,754)	(550,183)	(1,847,785)	(1,921,492)
Sales taxes	(306,332)	(671,786)	(992,778)	(1,313,939)
	<b>(744,086)</b>	<b>(1,221,969)</b>	<b>(2,840,563)</b>	<b>(3,235,431)</b>
<b>NET REVENUE</b>	<b>11,788,568</b>	<b>13,862,633</b>	<b>79,291,107</b>	<b>87,583,793</b>

	Company		Consolidated	
	For the three month period ended June 30,		For the three month period ended June 30,	
	2016	2015	2016	2015
<b>GROSS REVENUE</b>				
<b>Sales of products</b>				
Domestic sales	3,865,558	4,803,040	31,327,013	32,746,872
Export sales	2,278,948	2,815,524	11,833,011	12,453,655
	<b>6,144,506</b>	<b>7,618,564</b>	<b>43,160,024</b>	<b>45,200,527</b>
<b>SALES DEDUCTION</b>				
Returns and discounts	(217,762)	(253,429)	(974,963)	(883,957)
Sales taxes	(168,560)	(342,260)	(510,306)	(644,716)
	<b>(386,322)</b>	<b>(595,689)</b>	<b>(1,485,269)</b>	<b>(1,528,673)</b>
<b>NET REVENUE</b>	<b>5,758,184</b>	<b>7,022,875</b>	<b>41,674,755</b>	<b>43,671,854</b>

**JBS S.A.**

Notes to the quarterly interim condensed financial statements for the six month period ended June 30, 2017 and 2016  
(Expressed in thousands of Brazilian reais)

**20 Finance income (expense)**

	Company		Consolidated	
	For the six month period ended June 30,		For the six month period ended June 30,	
	2017	2016	2017	2016
Exchange rate variation	(478,051)	3,692,932	(919,385)	4,360,348
Fair value adjustments on derivatives	204,398	(6,132,918)	205,729	(6,633,367)
Interest expense	(826,177)	(866,700)	(1,974,118)	(1,949,270)
Interest income	386,804	683,015	143,971	394,737
Taxes, contribution, tariff and others	(17,366)	(88,429)	(77,782)	(165,338)
	<b>(730,392)</b>	<b>(2,712,100)</b>	<b>(2,621,585)</b>	<b>(3,992,890)</b>
Finance income	1,102,660	4,375,947	813,253	4,755,085
Finance expense	(1,833,052)	(7,088,047)	(3,434,838)	(8,747,975)
	<b>(730,392)</b>	<b>(2,712,100)</b>	<b>(2,621,585)</b>	<b>(3,992,890)</b>

  

	Company		Consolidated	
	For the three month period ended June 30,		For the three month period ended June 30,	
	2017	2016	2017	2016
Exchange rate variation	(983,419)	2,041,932	(1,371,722)	2,506,373
Fair value adjustments on derivatives	210,488	(679,701)	216,945	(810,306)
Interest expense	(426,159)	(425,322)	(1,064,848)	(948,810)
Interest income	132,137	316,241	70,803	148,697
Taxes, contribution, tariff and others	(9,421)	(67,300)	(61,999)	(123,569)
	<b>(1,076,374)</b>	<b>1,185,850</b>	<b>(2,210,821)</b>	<b>772,385</b>
Finance income	342,625	2,358,173	287,748	2,655,070
Finance expense	(1,418,999)	(1,172,323)	(2,498,569)	(1,882,685)
	<b>(1,076,374)</b>	<b>1,185,850</b>	<b>(2,210,821)</b>	<b>772,385</b>

**21 Earnings per share**

**Basic:** Earnings (loss) per share is calculated by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period, excluding common shares purchased and held as treasury shares (shares in thousands).

	For the six month period ended June 30,		For the three month period ended June 30,	
	2017	2016	2017	2016
<b>Net income (loss) attributable to shareholders</b>	<b>732,135</b>	<b>(1,205,001)</b>	<b>309,844</b>	<b>1,536,161</b>
Weighted average common shares outstanding	2,856,858	2,944,426	2,856,858	2,944,426
Weighted average - treasury shares	(41,008)	(130,014)	(164,980)	(138,883)
<b>Weighted average - common shares outstanding (basic)</b>	<b>2,815,850</b>	<b>2,814,412</b>	<b>2,691,878</b>	<b>2,805,543</b>
<b>Basic earnings (loss) per share - (R\$)</b>	<b>0.26</b>	<b>(0.43)</b>	<b>0.12</b>	<b>0.55</b>

**Diluted:** Diluted earnings (loss) per share is calculated by dividing net income (loss) of the period attributable to common shareholders by the weighted average number of common shares outstanding during the period, adjusted for the effects of all potential common shares that are dilutive and adjusted for treasury shares held. From May 2015, the Company has only one category of potential common shares that would cause dilution: outstanding options to purchase shares (shares in thousands).

	For the six month period ended June 30,		For the three month period ended June 30,	
	2017	2016	2017	2016
<b>Net income (loss) attributable to shareholders</b>	<b>732,135</b>	<b>(1,205,001)</b>	<b>309,844</b>	<b>1,536,161</b>
Weighted average common shares outstanding (basic)	2,815,850	2,814,412	2,691,878	2,805,543
Dilutive effect of conversion of outstanding stock options	15,648	7,522	23,132	11,926
<b>Weighted average - common shares outstanding (diluted)</b>	<b>2,831,498</b>	<b>2,821,934</b>	<b>2,715,010</b>	<b>2,817,469</b>
<b>Diluted earnings (loss) per shares - (R\$)</b>	<b>0.26</b>	<b>(0.43)</b>	<b>0.12</b>	<b>0.55</b>

For the six month period ended June 30, 2017, 7,220,608 shares related to outstanding stock options have been excluded from the calculation of diluted weighted average common shares outstanding as the effect would be anti-dilutive.



**JBS S.A.**

 Notes to the quarterly interim condensed financial statements for the six month period ended June 30, 2017 and 2016  
 (Expressed in thousands of Brazilian reais)

**22 Operating segments and geographic reporting**
**Segments presented by product:**

Segments	Net revenue		Operating income <sup>(1)</sup>		Depreciation	
	For the six month period ended June 30,		For the six month period ended June 30,		For the six month period ended June 30,	
	2017	2016	2017	2016	2017	2016
Beef	44,584,564	49,480,095	879,826	(510,125)	597,612	608,818
Chicken	19,914,822	22,384,073	1,707,467	1,853,338	1,147,324	1,237,872
Pork	10,097,743	10,277,849	1,028,121	751,074	186,618	192,435
Others	4,693,978	5,441,776	93,095	649,436	258,283	246,754
<b>Total</b>	<b>79,291,107</b>	<b>87,583,793</b>	<b>3,708,509</b>	<b>2,743,723</b>	<b>2,189,837</b>	<b>2,285,879</b>

**Segments presented by product modality:**

Segments	Net revenue		Operating income <sup>(1)</sup>		Depreciation	
	For the three month period ended June 30,		For the three month period ended June 30,		For the three month period ended June 30,	
	2017	2016	2017	2016	2017	2016
Beef	23,475,865	24,942,869	788,841	154,343	306,338	300,318
Chicken	10,520,248	10,939,540	1,222,298	905,913	593,040	607,110
Pork	5,334,826	5,119,835	567,257	465,841	101,568	90,283
Others	2,343,816	2,669,610	45,824	246,288	132,672	122,313
<b>Total</b>	<b>41,674,755</b>	<b>43,671,854</b>	<b>2,624,220</b>	<b>1,772,385</b>	<b>1,133,618</b>	<b>1,120,024</b>

**Total assets by product:**

	June 30, 2017	December 31, 2016
<b>Total assets</b>		
Beef	46,738,213	48,364,038
Chicken	32,627,356	29,625,745
Pork	11,290,249	10,584,684
Others	18,145,888	14,241,296
<b>Total</b>	<b>108,801,706</b>	<b>102,815,763</b>

Below is net revenue, operating income and depreciation and amortization based on geography, presented for supplemental information.

**Geographic reporting**

	Net revenue		Operating income <sup>(1)</sup>		Depreciation	
	For the six month period ended June 30,		For the six month period ended June 30,		For the six month period ended June 30,	
	2017	2016	2017	2016	2017	2016
United States of America	54,560,119	59,531,837	3,654,636	1,176,292	1,141,382	1,312,813
South America	20,805,888	23,080,906	(14,135)	1,397,169	906,380	782,925
Others	3,925,100	4,971,050	68,008	170,262	142,075	190,141
<b>Total</b>	<b>79,291,107</b>	<b>87,583,793</b>	<b>3,708,509</b>	<b>2,743,723</b>	<b>2,189,837</b>	<b>2,285,879</b>

**Segments presented by geographic area:**

Segments	Net revenue		Operating income <sup>(1)</sup>		Depreciation	
	For the three month period ended June 30,		For the three month period ended June 30,		For the three month period ended June 30,	
	2017	2016	2017	2016	2017	2016
United States of America	29,102,063	29,442,013	2,435,836	1,232,580	598,912	635,053
South America	10,509,272	11,810,925	155,163	444,188	461,905	394,978
Others	2,063,420	2,418,916	33,221	95,617	72,801	89,993
<b>Total</b>	<b>41,674,755</b>	<b>43,671,854</b>	<b>2,624,220</b>	<b>1,772,385</b>	<b>1,133,618</b>	<b>1,120,024</b>

**Total assets by geographic area:**

	June 30, 2017	December 31, 2016
<b>Total assets</b>		
United States of America	46,954,247	38,581,759
South America	54,533,095	58,102,290
Others	7,314,364	6,131,714
<b>Total</b>	<b>108,801,706</b>	<b>102,815,763</b>



**JBS S.A.**

Notes to the quarterly interim condensed financial statements for the six month period ended June 30, 2017 and 2016  
(Expressed in thousands of Brazilian reais)

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

	Operating income		Operating income	
	For the six month period ended June 30,		For the three month period ended June 30,	
	2017	2016	2017	2016
Net income (loss)	960,971	(986,875)	474,796	1,657,769
Income tax and social contribution - current and deferred	133,791	(289,303)	(55,326)	868,645
Finance (income) expense, net	2,621,585	3,992,890	2,210,821	(772,385)
Share of profit of equity-accounted investees, net of tax	(7,924)	(5,644)	(6,109)	(5,349)
<b>Operating profit</b>	<b>3,708,423</b>	<b>2,711,068</b>	<b>2,624,182</b>	<b>1,748,680</b>
Restructuring, reorganization and other expenses	86	32,655	38	23,705
<b>Net operating profit</b>	<b>3,708,509</b>	<b>2,743,723</b>	<b>2,624,220</b>	<b>1,772,385</b>

**23 Risk management and financial instruments**
**Financial instruments:**

Financial instruments are recognized in the condensed consolidated financial statements as follows:

Notes	Company		Consolidated		
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016	
<b>Assets</b>					
<b>Fair value through profit or loss</b>					
Financial investments and national treasury bill	4	2,624,815	2,688,392	5,345,018	3,746,700
Derivative assets	23	15,367	-	52,657	38,250
<b>Loans and receivables at amortized cost</b>					
Cash at banks	4	1,520,020	2,024,404	5,955,370	5,608,922
Trade accounts receivable	5	2,320,877	2,767,655	9,782,700	9,589,185
Related parties receivables	10	2,989,617	5,377,944	1,004,114	1,315,526
<b>Total</b>		<b>9,470,696</b>	<b>12,858,395</b>	<b>22,139,859</b>	<b>20,298,583</b>
<b>Liabilities</b>					
<b>Liabilities at amortized cost</b>					
Loans and financing	15	(23,824,365)	(26,302,412)	(61,676,081)	(56,260,414)
Trade accounts payable		(1,659,506)	(2,050,265)	(9,630,491)	(10,716,987)
Debits with related parties	10	(797,095)	(146,391)	-	-
Other financial liabilities		(35,786)	(39,086)	(186,051)	(263,259)
<b>Fair value through profit or loss</b>					
Derivative liabilities	23	-	-	(139,523)	(133,125)
<b>Total</b>		<b>(26,316,752)</b>	<b>(28,538,154)</b>	<b>(71,632,146)</b>	<b>(67,373,785)</b>

During this period there has been no reclassification between categories shown in the table above.

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

	Company							
	Current assets							
	National treasury bill		Financial investments		Derivative assets			
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016		
Level 1	-	34,027	-	-	-	-		
Level 2	-	-	2,624,815	2,654,365	15,367	-		
<b>Consolidated</b>								
	Current assets				Current liabilities			
	National treasury bill		Financial investments		Derivatives liabilities			
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016		
	Level 1	-	34,027	-	-	-	-	
Level 2	-	-	5,345,018	3,712,673	52,657	38,250	(139,523)	(133,125)



**JBS S.A.**

Notes to the quarterly interim condensed financial statements for the six month period ended June 30, 2017 and 2016  
(Expressed in thousands of Brazilian reais)

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

Description	Company						Consolidated					
	June 30, 2017			December 31, 2016			June 30, 2017			December 31, 2016		
	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 2020	3,308,200	95.42	3,156,684	3,259,100	106.51	3,471,267	3,308,200	95.42	3,156,684	3,259,100	106.51	3,471,267
JBS S.A Notes 2023	2,563,855	87.15	2,234,400	2,525,803	100.97	2,550,303	2,563,855	87.15	2,234,400	2,525,803	100.97	2,550,303
JBS S.A Notes 2024	2,481,150	89.06	2,209,712	2,444,325	105.40	2,576,319	2,481,150	89.06	2,209,712	2,444,325	105.40	2,576,319
JBS Lux Notes 2020	-	-	-	-	-	-	2,315,740	93.76	2,171,238	2,281,370	106.38	2,426,921
JBS Lux Notes 2021	-	-	-	-	-	-	3,804,430	99.25	3,775,897	3,747,965	104.25	3,907,254
JBS Lux Notes 2024	-	-	-	-	-	-	2,481,150	93.50	2,319,875	2,444,325	102.25	2,499,322
JBS Lux Notes 2025	-	-	-	-	-	-	2,977,380	95.00	2,828,511	2,933,190	101.89	2,988,627
PPC Notes 2025	-	-	-	-	-	-	1,654,100	100.80	1,667,333	1,629,550	100.68	1,640,631
Moy Park	-	-	-	-	-	-	1,289,790	103.21	1,331,192	1,210,920	105.40	1,276,310
	<u>8,353,205</u>		<u>7,600,796</u>	<u>8,229,228</u>		<u>8,597,889</u>	<u>22,875,795</u>		<u>21,694,842</u>	<u>22,476,548</u>		<u>23,336,954</u>

**Risk management:**

The Company during the regular course of its operations is exposed to a variety of financial risks that include the effects of changes in market prices, (including foreign exchange, interest rate risk and commodity price risk), credit risk and liquidity risk. Such risks are fully disclosed in the financials statements at December 31, 2016. There were no changes in the nature of these risks in the current period.

Below is presented the risks related to fluctuation of US Dollars (US\$), Euro (€) and Mexican Pesos (MXN), given the relevance of these currencies in the Company's operations, and the analysis of stress scenarios and Value at Risk (VaR) to measure the total exposure as well as the cash flow risk with the BM&FBovespa and the Chicago Mercantile Exchange.

**EXPOSURE to the US Dollar (amounts in thousands of R\$):**

	Company		Consolidated	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
<b>OPERATING</b>				
Cash and cash equivalents	421,382	395,439	1,032,231	1,808,879
Trade accounts receivable	1,631,583	2,470,015	2,684,095	3,767,808
Sales orders	1,099,687	1,061,918	3,247,063	1,941,230
Trade accounts payable	(126,827)	(142,403)	(221,163)	(214,131)
Purchase orders	-	-	(44,574)	(32,733)
<b>Subtotal</b>	<u>3,025,825</u>	<u>3,784,969</u>	<u>6,697,652</u>	<u>7,271,053</u>
<b>FINANCIAL</b>				
Related parties transaction (net)	(683,109)	(42,545)	(3,220,637)	(2,050,335)
Net debt in foreign subsidiaries	(23,413,769)	(20,493,716)	(23,413,769)	(20,493,716)
Loans and financing	(21,790,356)	(23,631,673)	(26,134,667)	(26,927,290)
<b>Subtotal</b>	<u>(45,887,234)</u>	<u>(44,167,934)</u>	<u>(52,769,073)</u>	<u>(49,471,341)</u>
<b>Total exposure</b>	<u>(42,861,409)</u>	<u>(40,382,965)</u>	<u>(46,071,421)</u>	<u>(42,200,288)</u>
<b>DERIVATIVES</b>				
Future contracts	-	-	21,625	-
Non Deliverable Forwards (NDF's)	-	-	142,186	162,248
Deliverable Forwards (DF's)	3,308,200	-	3,307,469	-
<b>Total derivatives</b>	<u>3,308,200</u>	<u>-</u>	<u>3,471,280</u>	<u>162,248</u>
<b>NET EXPOSURE IN R\$</b>	<u>(39,553,209)</u>	<u>(40,382,965)</u>	<u>(42,600,141)</u>	<u>(42,038,040)</u>

**Sensitivity analysis at June 30, 2017 (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	3.3082	3.3822	67,684	149,817	4.1353	756,502	1,674,514	4.9623	1,512,913	3,348,826			
Financial	Depreciation	3.3082	3.3822	(502,701)	(656,639)	4.1353	(5,618,706)	(7,339,270)	4.9623	(11,236,733)	(14,677,652)			
Derivatives	Appreciation	3.3082	3.3822	74,000	77,648	4.1353	827,100	867,872	4.9623	1,654,100	1,735,640			
				<u>(361,017)</u>	<u>(429,174)</u>		<u>(4,035,104)</u>	<u>(4,796,884)</u>		<u>(8,069,720)</u>	<u>(9,593,186)</u>			

**JBS S.A.**

Notes to the quarterly interim condensed financial statements for the six month period ended June 30, 2017 and 2016  
(Expressed in thousands of Brazilian reais)

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	3,3082	3.3822	(523,735)	(523,735)	4,1353	(5,853,796)	(5,853,796)	4,9623	(11,706,885)	(11,706,885)
				<u>(523,735)</u>	<u>(523,735)</u>		<u>(5,853,796)</u>	<u>(5,853,796)</u>		<u>(11,706,885)</u>	<u>(11,706,885)</u>

The Company includes the net debt of foreign subsidiaries in the disclosure of economic hedging exposure. Although these debts do not generate foreign exchange gains or losses because the debt is denominated in the functional currency of each country, these debt instruments are translated to Brazilian Reais in consolidation and are therefore affected by exchange rate variation, which impacts the Company's consolidated leverage ratios.

**Derivatives financial instruments breakdown:**

Instrument	Risk factor	Nature	Consolidated			Consolidated		
			June 30, 2017			December 31, 2016		
			Quantity	Notional	Fair value	Quantity	Notional	Fair value
Future Contracts BM&F	American dollar	Long	130	21,625	13	-	-	-

Instrument	Risk factor	Nature	Company			Consolidated		
			June 30, 2017			June 30, 2017		
			Notional (USD)	Notional (R\$)	Fair value	Notional (USD)	Notional (R\$)	Fair value
Non Deliverable Forwards	American dollar	Long	1,000,000	3,308,200	15,363	999,785	3,307,469	15,329

Instrument	Risk factor	Nature	Consolidated			Consolidated		
			June 30, 2017			December 31, 2016		
			Notional (USD)	Notional (R\$)	Fair value	Notional (USD)	Notional (R\$)	Fair value
Deliverable Forwards	American dollar	Long	42,980	142,186	(1,115)	49,783	162,248	2,933

**EXPOSURE in EURO (amounts in thousands of R\$):**

	Company		Consolidated	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
	<b>OPERATING</b>			
Cash and cash equivalents	60,458	24,716	77,941	38,726
Trade accounts receivable	135,763	235,103	232,957	336,522
Sales orders	195,639	188,615	437,836	363,405
Trade accounts payable	(38,783)	(36,694)	(60,228)	(55,700)
Purchase orders	-	-	(17,115)	(21,221)
<b>Subtotal</b>	<b>353,077</b>	<b>411,740</b>	<b>671,391</b>	<b>661,732</b>
<b>FINANCIAL</b>				
Related parties transaction (net)	(90,296)	(82,245)	(90,232)	(85,664)
Loans and financings	(81,502)	-	(88,826)	(6,675)
<b>Subtotal</b>	<b>(171,798)</b>	<b>(82,245)</b>	<b>(179,058)</b>	<b>(92,339)</b>
<b>Total exposure</b>	<b>181,279</b>	<b>329,495</b>	<b>492,333</b>	<b>569,393</b>
<b>DERIVATIVES</b>				
Deliverable Forwards (DF's)	-	-	50,682	53,032
Non Deliverable Forwards (NDF's)	-	-	56,940	9,360
<b>Total derivatives</b>	-	-	<b>107,622</b>	<b>62,392</b>
<b>NET EXPOSURE IN R\$</b>	<b>181,279</b>	<b>329,495</b>	<b>599,955</b>	<b>631,785</b>

**Sensitivity analysis at June 30, 2017 ( 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	3.7750	3.6838	(8,530)	(16,220)	2.8313	(88,265)	(167,839)	1.8875	(176,539)	(335,696)
Financial	Depreciation	3.7750	3.6838	4,150	4,326	2.8313	42,947	44,762	1.8875	85,899	89,529
Derivatives	Appreciation	3.7750	3.6838	-	(2,600)	2.8313	-	(26,904)	1.8875	-	(53,811)
				<u>(4,380)</u>	<u>(14,494)</u>		<u>(45,318)</u>	<u>(149,981)</u>		<u>(90,640)</u>	<u>(299,978)</u>

**JBS S.A.**

Notes to the quarterly interim condensed financial statements for the six month period ended June 30, 2017 and 2016  
(Expressed in thousands of Brazilian reais)

**Derivatives financial instruments breakdown:**

Instrument	Risk factor	Nature	Consolidated					
			June 30, 2017			December 31, 2016		
			Notional (EUR)	Notional (R\$)	Fair value	Notional (EUR)	Notional (R\$)	Fair value
Deliverable Forwards	Euro	Long	13,426	50,682	(1,535)	15,423	53,032	(2,027)

Instrument	Risk factor	Nature	Consolidated					
			June 30, 2017			December 31, 2016		
			Notional (EUR)	Notional (R\$)	Fair value	Notional (EUR)	Notional (R\$)	Fair value
Non Deliverable Forwards	Euro	Short	14,920	56,940	1,337	2,698	9,360	1,187

**EXPOSURE in MXN - Mexican Pesos (amounts in thousands of R\$):**

	Company		Consolidated	
	30.06.17	31.12.16	30.06.17	31.12.16
<b>OPERATING</b>				
Cash and cash equivalents	-	-	385,035	42,724
Trade accounts receivable	-	-	281,306	201,582
Trade accounts payable	-	-	(431,809)	(145,128)
Biological assets	-	-	51,886	122,780
Inventories	-	-	388,029	369,755
Recoverable taxes	-	-	111,192	101,035
Other non-current assets	-	-	3,920	1,115
Other current assets	-	-	71,847	6,075
Prepaid expenses	-	-	6,004	4,621
Payroll, taxes and social charges current	-	-	(66,670)	(62,523)
Payroll, taxes and social charges noncurrent	-	-	(17,054)	(23,283)
<b>Subtotal</b>	-	-	<b>783,686</b>	<b>618,753</b>
<b>FINANCIAL</b>				
Loans and financings	-	-	(277,217)	(75,992)
<b>Subtotal</b>	-	-	<b>(277,217)</b>	<b>(75,992)</b>
<b>Total exposure</b>	-	-	<b>506,469</b>	<b>542,761</b>
<b>DERIVATIVES</b>				
Deliverable Forwards (DF's)	-	-	(51,003)	-
<b>Total derivatives</b>	-	-	<b>(51,003)</b>	-
<b>NET EXPOSURE IN R\$</b>	-	-	<b>455,466</b>	<b>542,761</b>

**Sensitivity analysis at June 30, 2017 ( exchange rates are Brazilian Reais to Mexican Pesos):**

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	0.1830	0.1783	-	(20,127)	0.1373	-	(195,707)	0.0915	-	(391,843)			
Financial	Depreciation	0.1830	0.1783	-	7,120	0.1373	-	69,229	0.0915	-	138,609			
Derivatives	Depreciation	0.1830	0.1783	-	1,310	0.1373	-	12,737	0.0915	-	25,502			
				-	(11,697)		-	(113,741)		-	(227,732)			

Instrument	Risk factor	Nature	Consolidated					
			June 30, 2017			December 31, 2016		
			Notional (MXN)	Notional (R\$)	Fair value	Notional (MXN)	Notional (R\$)	Fair value
Deliverable Forwards	Mexican Peso	Short	(278,702)	(51,003)	(615)	-	-	-

**a. Commodity price risk**

The Risk Management Department is responsible for mapping the exposures to commodity prices of the Company and proposing strategies to the Risk Management Committee in order to mitigate such exposures. There were no significant changes to the Company's exposure in Commodity price risk in the current period in relation to December 31, 2016.

**JBS S.A.**

Notes to the quarterly interim condensed financial statements for the six month period ended June 30, 2017 and 2016  
(Expressed in thousands of Brazilian reais)

**b. Liquidity risk**

The table below shows the contractual obligation amounts from financial liabilities of the Company and its subsidiaries according to their maturities:

	Company									
	June 30, 2017					December 31, 2016				
	Less than 1 year	Between 1 and 3 years	Between 4 and 5 years	More than 5 years	Total	Less than 1 year	Between 1 and 3 years	Between 4 and 5 years	More than 5 years	Total
Trade accounts payable	1,659,506	-	-	-	1,659,506	2,050,265	-	-	-	2,050,265
Debits w/ related parties	-	-	-	797,095	797,095	-	-	-	146,391	146,391
Loans and financings	10,486,053	1,264,454	5,356,118	6,717,740	23,824,365	12,281,028	2,255,450	5,090,070	6,675,864	26,302,412
Estimated interest on loans and financing <sup>(1)</sup>	1,116,988	1,615,236	921,713	446,186	4,100,123	1,324,128	1,690,250	1,033,864	755,681	4,803,923
Other financial liabilities	7,659	13,200	13,200	1,727	35,786	7,659	13,200	13,200	5,027	39,086
	Consolidated									
	June 30, 2017					December 31, 2016				
	Less than 1 year	Between 1 and 3 years	Between 4 and 5 years	More than 5 years	Total	Less than 1 year	Between 1 and 3 years	Between 4 and 5 years	More than 5 years	Total
Trade accounts payable	9,630,491	-	-	-	9,630,491	10,716,987	-	-	-	10,716,987
Loans and financings	18,252,842	5,246,934	13,297,168	24,879,137	61,676,081	18,148,818	5,303,832	15,496,959	17,310,805	56,260,414
Estimated interest on loans and financing <sup>(1)</sup>	3,140,579	5,068,073	3,351,773	1,813,757	13,374,182	2,871,135	4,169,362	2,806,562	2,166,602	12,013,661
Derivatives financing liabilities	139,523	-	-	-	139,523	133,125	-	-	-	133,125
Other financial liabilities	126,830	44,294	13,200	1,727	186,051	161,114	83,918	13,200	5,027	263,259

<sup>(1)</sup> Includes interest on all loans and financing outstanding. Payments are estimated for variable rate debt based on effective interest rates at June 30, 2017 and December 31, 2016. Payments in foreign currencies are estimated using the June 30, 2017 and December 31, 2016 exchange rates.

The Company has securities pledged as collateral for derivative transactions with the commodities and futures whose balance at June 30, 2017 is R\$52,101 (R\$33,630 at December 31, 2016). 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, 2017 is R\$561,071 (R\$254,862 at December 31, 2016). This guarantee is larger than its collateral.

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.

\*\*\*\*\*