MANAGEMENT REPORT
JBS 2017

JBS

NET INCOME GROWS 128.7% IN 2017 AND TOTALS R$ 534.2 MILLION

Very strong full year results with consolidated EBITDA up 18.9% to R$13.4bn.

Company reaping benefits of global footprint and diversified product offering.

Leverage reduction continued, supported by non-core asset sales and strong cash generation prospects for 2018.

Highlights:

- **Adjusted net income*** of R$ 2.1 billion, a strong recovery from prior year;
- **Reported net income** of R$ 534.2 million;
- **Gross Profit** up 11.5% to R$ 23.8 billion;
- **Consolidated EBITDA margin** was 8.2%, up from 6.6% in 2016;
- **Leverage ratio down to 3.38x** from 4.16x in 2016;
- **Full year net revenue** was R$ 163.2 billion, equivalent to **US$51.5 billion**;
- **Operating cash flow** was R$ 5.2 billion and **free cash flow** was R$ 2.8 billion;
- Short-term debt reduced by 25%; at year-end represented just 24% of total borrowings;
- Particularly strong performance by JBS USA Beef, with an EBITDA **up 177.2%;**
- Global growth drivers support a very positive outlook for 2018.

"We are pleased with the excellent results we achieved in 2017," said Gilberto Tomazoni, Global Chief Operating Officer at JBS S.A. "Our performance underscores the success of our strategy to build a resilient, global food business with a diversified product portfolio. We remain well-positioned to benefit from favorable global protein demand trends and expect to continue to produce robust results for our stakeholders. The company's outstanding performance and ability to reduce leverage in a challenging year demonstrate the vitality of our overall business and justify our confidence in the future."

* Adjusted to reflect the net effect of a one-time tax charge (PERT)

"To be the best in all that we do, completely focused on our business, ensuring the best products and services to our customers, a relationship of trust with our suppliers, profitability for our shareholders and the opportunity of a better future for all of our team members." – JBS mission

A MESSAGE FROM THE PRESIDENT

JBS is a company that, since its founding in 1953, has been comprised of people who share the same values and are engaged in the same mission.

We believe that things are achieved through hard work, by people who are passionate about what they do and dedicated to being the best in all that we do.

Over the past 65 years, there has not been a single day that was not a challenging day. Due to the efforts of our 235,000 team members, we have had the capacity to transform challenges into opportunities and overcome any obstacle in front of us.

JBS has qualities that make it unique. First, the value of our people. We have a spectacular team that is dedicated and highly committed, and which, in tough times, always chose the team over the individual. Second, our team is led by experts that are well-recognized by the market, who have the autonomy to lead our different businesses.

In 2017, we ended another year with solid, consistent results that demonstrate our capacity to overcome challenges. The determination and discipline of our team were essential in achieving one of the best operational results in our history. 2017 adjusted net income was R$2.1 billion, while reported net income was R$534.2 million, 128.7% higher than 2016. Our consolidated sales reached R$163.2 billion, with an EBITDA of R$13.4 billion, which represents an increase of 18.9% over the previous year, and an EBITDA margin of 8.2%.

We fulfilled our commitment to reduce leverage, achieving 3.38x (net debt/EBITDA) – the lowest in our sector in Brazil – in addition to recording a total liquidity higher than our short-term debt.

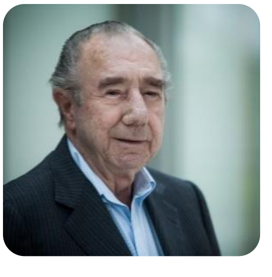
This is the result of JBS's presence in different markets and wide portfolio of products provided to more than 350,000 customers worldwide. Quality and service have always been priorities for our company. We focus each and every day on achieving a standard of excellence in food safety and innovation, while providing the best service to our customers.

If we were able to grow over the past 65 years, it is only due to the trust we have from our suppliers. The commitment to produce what is best is derived from the mutual respect we share with our partners. Working in partnership, we produce products of the highest quality.

We also made important steps to improve transparency in 2017. We aim to establish an industry standard for compliance. To accomplish this, we established a Compliance Department that acts independently, reports directly to the Board of Directors and is led by the newly-appointed Global Head of Compliance. We also implemented the "Always Do it Right" compliance program to consolidate all of our compliance initiatives. To ensure a culture of compliance is deeply-rooted in our company, we provided compliance and ethics training to all leadership and established a new whistleblower hotline, the JBS Ethical Line. In January of this year, Transparency International, an NGO that analyzes anticorruption programs and the level of corporate transparency in the 100 largest Brazilian companies, provided JBS with an 8.1 "high score," versus a national average score for all other companies of 5.7.

We believe that JBS' commitment to sustainability will ensure the Company's future. This is reflected in the progress achieved in projects addressing environmental preservation and in the external recognition of our efforts, including certification from CDP (Carbon Disclosure Project), a global entity dedicated to analyzing climate change processes. Our programs to fight against deforestation and to manage water efficiently are the most developed in the sector. We also created an Animal Well-Being Committee that has the responsibility to establish guidelines to prioritize the proper treatment of the animals under our care.

We ended 2017 stronger and more united. I am very proud of everything that we are building and even more confident in our future. To those who have supported us throughout our history and to those who are a part of it, thank you very much.



José Batista Sobrinho
JBS Global CEO

ABOUT JBS & HIGHLIGHTS FROM 2017

PROFILE

JBS S.A. is a food company with more than 60 years of tradition and a global leader in the processing of animal protein. Present in more than 20 countries, the Company has more than 300,000 customers in more than 150 countries through a diverse portfolio of products and brands.

Headquartered in Brazil, JBS employs around 235,000 people throughout its production platforms and sales offices. The operational structure includes beef, pork, lamb, poultry and hides/leather processing facilities, in addition to feedlots.

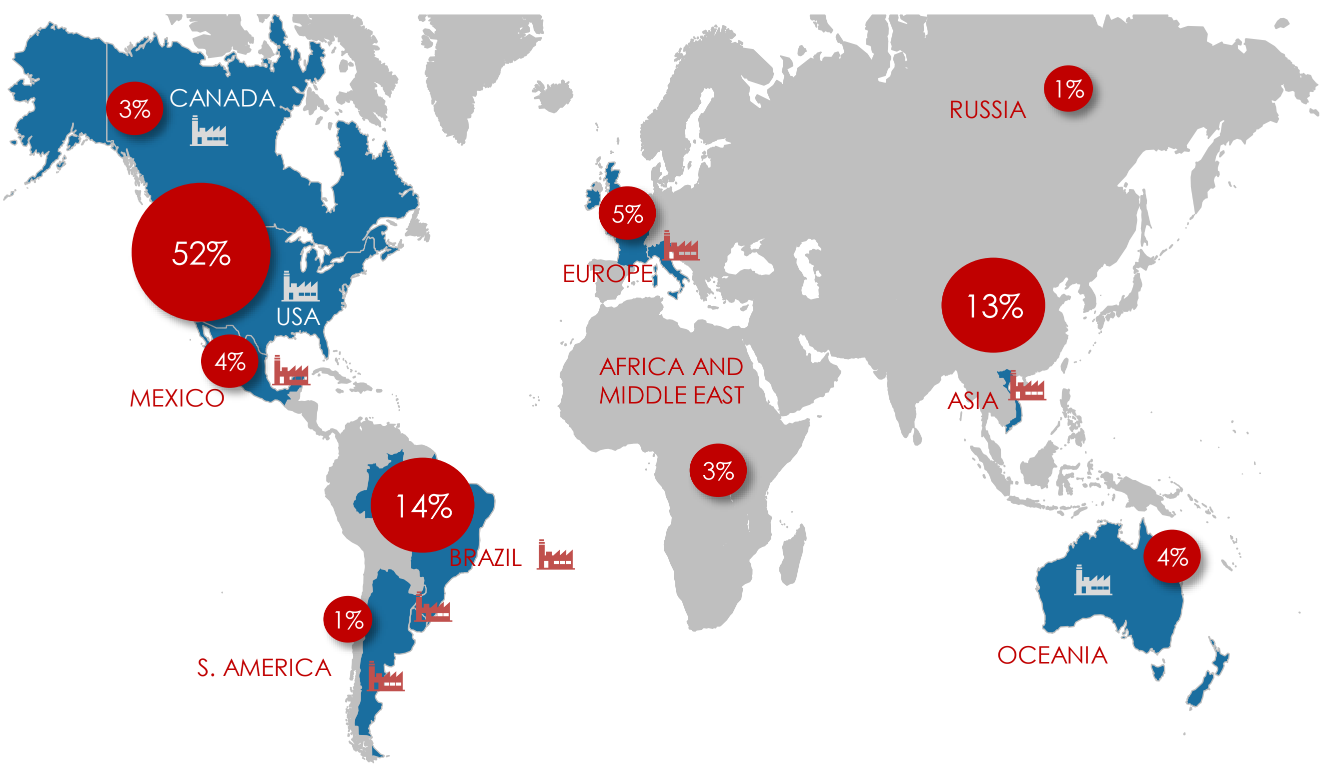
Besides the Food Sector, JBS is present in the segments of Hygiene & Personal Care Products, Collagen, Can Making, Sausage Casings, Biodiesel, Carrier, Waste Management and Recycling.

JBS performs its activities through five business units throughout the World, as follows:

- **JBS Brazil**: beef production and related businesses operations in Brazil, and leather productions in Brazil, Argentina, Uruguay and Thailand.
- **Seara**: poultry and pork processing and production of prepared products in Brazil.
- **JBS USA Beef:** beef, lamb and hides/leather processing, carrier and trading in the US, Australia and Canada.
- **JBS USA Pork:** pork processing and production of prepared products in the US.
- **Pilgrim's Pride:** poultry processing and production of prepared products in the US, Europe and Mexico.

GLOBAL PRODUCTION AND SALES PLATFORM

More than 300 production units and sales offices in more than 20 countries



As % of Total Revenue[1]

Note 1: Revenues by region include domestic sales and imports.

INVESTMENTS AND CORPORATE EVENTS

On June 6, 2017, a JBS announced that its subsidiary JBS Handels GmbH signed an agreement to sell its shareholding interest in other subsidiaries that owned its beef operations in Argentina, Paraguay and Uruguay to entities controlled by Minerva S.A, for a total of US$300 million. This transaction was concluded on July 31st, 2017.

On June 20, 2017, the Company announced that its Board of Directors approved a Divestment Program for the sale of: (i) its 19.43% stake in Vigor Alimentos S.A.; (ii) its 100% stake in Moy Park, and (iii) Five Rivers Cattle Feeding assets and farms.

On July 14, 2017, the first transaction in the context of this Divestment Program was announced: the sale of a feedlot and a farm in Canada for approximately US$40 million.

On July 25, the Company announced it entered, together with its Brazilian operating subsidiaries and global leather division, into Agreements for the Preservation of Credit Lines with certain financial institutions representing 93% of the principal amount of the indebtedness that JBS Brazil had acquired from financial institutions in Brazil and abroad.

The Agreement included, amongst other items, the amortization of indebtedness under this Agreement equivalent to 80% of the proceeds from liquidity events, such as the sale of equity interests, with the exception of the sale of the beef operations in Argentina, Paraguay and Uruguay.

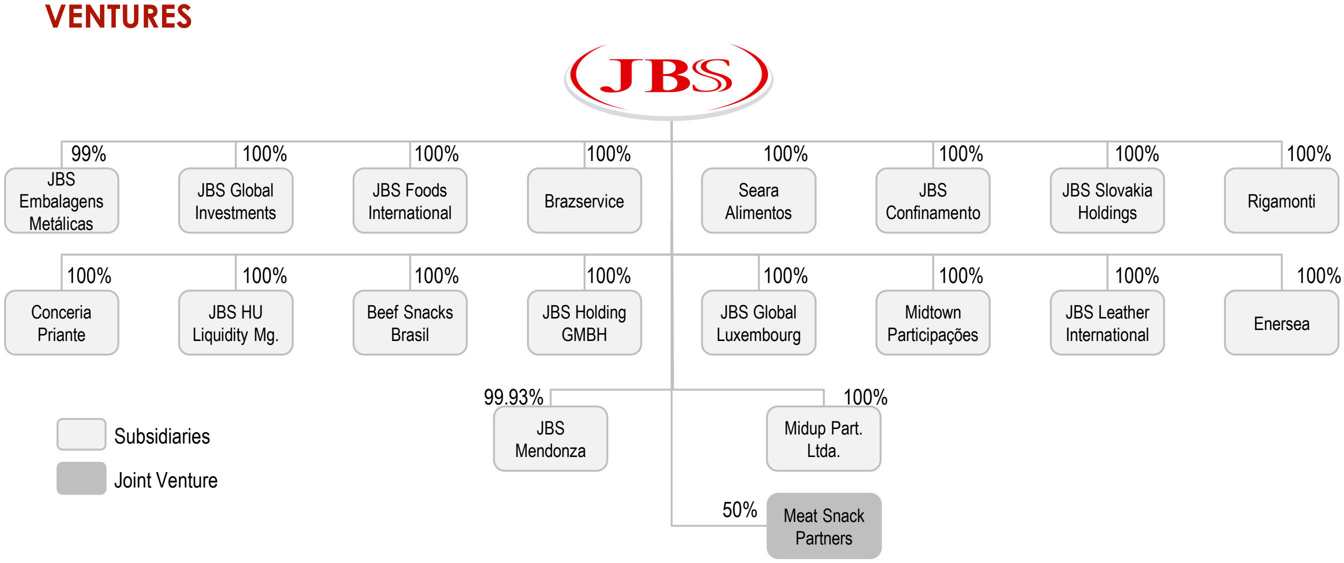
On August 3, 2017, JBS announced the sale of its 19.43% stake in Vigor to the Lala Group for approximately R$1.1 billion. This transaction was concluded on October 26, 2017.

On September 11, 2017, the sale of the totality of JBS' stake in Moy Park to Pilgrim's Pride was announced for an enterprise value of £1 billion and an equity value of £790 million. The transaction was unanimously approved by PPC's Board of Directors Special Committee. Composed only of independent directors representing minority shareholders, the Special Committee was created specifically to analyze, negotiate and approve the acquisition.

Finally, the sale of Five River Cattle Feeding was announced in January 17, 2018 to affiliates of Pinnacle Asset Management for approximately US$200 million, which included the market value of silage and grain inventories.

This transaction was closed on March 16, 2018. With the closing of the sale of Five Rivers U.S., JBS concludes a successful implementation of its Divestment Program, which helped to significantly deleverage and improve the Company's liquidity.

INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES



CORPORATE GOVERNANCE

Through the adoption of best practices in Corporate Governance and constant improvement of such principles, JBS aims to maintain an adequate balance in the allocation of rights, power, obligations and responsibilities amongst its management, Board of Directors and shareholders.

With shares traded in Brazil, on the Novo Mercado of B3 – a listing segment that is a reference in terms of good practices in Corporate Governance – JBS voluntarily commits to issues that go beyond the current legislation.

GOOD PRACTICES IN CORPORATE GOVERNANCE

- Shares traded in Brazil for more than one decade, in the B3 Novo Mercado, a listing segment that is reference in terms of good practices in corporate governance. Thus, JBS voluntarily commits to issues that go beyond the current legislation.
- Capital composed only by Common Shares, which provide equal rights to all shareholders.
- From the totality of issued shares, 35.86% are held by minority shareholders, a higher portion than the 25% required by the B3 Novo Mercado regulation.
- 44% of the Board of Directors members are independent, which is higher than the 20% minimum required by the B3 Novo Mercado regulation.
- No overlapping amongst key positions: the chairman of the Board and of the Executive Management are held by different professionals.
- Tag along rights for all shareholders in case of the sale of a controlling stake in the Company. Thus, the acquirer shall execute a public offer to purchase all remaining shares at the same price paid for the controlling stake.
- Permanent Fiscal Council
- Fixed monthly compensation for all members of the Board of Directors and members of the Company's committees, as well as for members of its Fiscal Council is based on the performance of their respective roles and do not include other direct or indirect benefits nor any type of participation in the Company's results. Compensation for other leading positions is based on key performance indicators, which stimulate sustainable mid and long-term growth as well as the achievement of short term objectives, consequently ensuring business perpetuity. All compensation, which seeks to attract and retain highly qualified professionals, is based on market research and also aims to align executive and shareholder interests.

2017 HIGHLIGHTS

- The Board of Directors - the Company's highest-ranking governance body – ended 2017 with nine members, four of which are independent (44%). Elected for a two-year term, they represent all shareholders and seek, in accordance with their attributions as stated in the Company's Bylaws, to determine primary guidelines and objectives related to the economic, social and environmental aspects of the business.

- Creation of two new committees to support the Board of Directors: Related Parties and Governance. The Related Parties Committee aims to ensure that all Company transactions and those of its subsidiaries and affiliates respect JBS' best interests and are conducted with transparency and ethics, in compliance with current legislation. The Governance Committee has an advisory role and aims to implement the best practices about this theme, based on the highest global standards, while monitoring the fulfillment of these measures. These new committees are additional to the three, non-statutory ones previously created: Sustainability, Audit, and Financial & Risk Management. All committees were restructured throughout the year, which included a full review of their respective internal guidelines and work agenda.

COMPLIANCE

In 2017, JBS fully restructured its Compliance Department. This area of the company is now led by a Global Compliance Director reporting directly to the Board of Directors. As a result, JBS has been strengthening efforts and control procedures and has developed guidelines and policies in line with global best practices.

In JBS' view, compliance ensures business perpetuity and the continuous development of the company. It also represents an important asset which helps to achieve better mid and long-term financial results. This understanding has supported the efforts developed in 2017 and for upcoming years.

COMPLIANCE CULTURE

FAÇA SEMPRE O CERTO
PROGRAMA DE COMPLIANCE JBS

The "Always Do It Right" compliance program brings together several efforts aimed at creating a compliance culture within the company as to prevent and discourage illicit conduct as well as to enable any necessary investigation as to avoid losses and damage to the company's image and reputation.

Communication and dialogue with internal and external audiences thus play a strategic role in the process. As such, the company specially focused on the communicating and disseminating knowledge about the theme and on the policies and procedures to be followed by everyone.

Efforts have also been developed for all leaders so that they disseminate good practices. JBS believes the development of a compliance culture depends on examples, dissemination and beliefs.

Therefore, important efforts have been aimed at the company's leaders so that these professionals may perceive the importance of the subject, know the policies and procedures and multiply this knowledge to their respective teams.

- **"Talk to Compliance" Event –** held between June and August in Brazil, this initiative consisted of informing about the restructuring of the compliance department and explaining its roles and responsibilities. The event reached approximately 600 corporate and 200 operational leaders.

- **Leadership Training –** throughout the year, several meetings were held with leaders from all of the of the company's different business units.

- **Creation of Ethics Committees –** these committees are responsible for monitoring the Always Do It Right compliance program at each business unit, in addition to discussing about investigations received through the company's whistleblower channel.

POLICIES AND PROCEDURES

The review and publication of policies and procedures was one of the top priorities for 2017. This effort was aimed at communicating the evolution of Compliance rules at all units in Brazil and were developed based on market best practices. New implemented policies include:

- Sponsorship Policy
- Product Donation Policy
- Product Donation Procedures
- Related Party Policy
- Consequence Policy
- Accusation Assessment Policy
- Ethics Committee Guidelines

CONTROLS

Procedures for sponsorships and product donations have been improved by the Company. A new document on these subjects has been published, which establishes guidelines and responsibilities for all businesses in Brazil.

The document determines, amongst other items, that every donation must be requested by an entity that contributes to the environment in which it operates and that it must be located in a community where JBS has a relevant number of employees. It also prohibits donations to public entities or agents, thus avoiding a potential situation of any possible advantage, conflict of interest or influence in the decision process of any public or private agent.

Additionally, the company has terminated its business relationship with more than 500 third parties, which were mentioned in the plea bargain agreements signed by executives of the JBS Group.

THIRD PARTY DUE DILIGENCE

As of the 3rd quarter of 2017, the company has improved its third party due diligence process. Throughout the year, more than 280 third party have gone through the new process, out of which approximately 13% were rejected for not being classified within the new requirements adopted by the company.

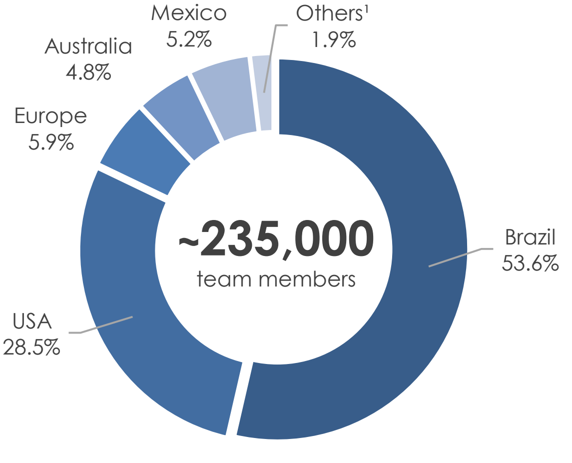
At the end of 2017, a consulting firm was hired to automate this process, aiming to analyze a higher number of third parties. A pilot of this new tool is forecasted for the end of the 1st quarter of 2018.

TRANSPARENCY INTERNATIONAL

JBS has been collaborating with Transparency International (TI), a global non-profit organization, which works in fighting against corruption. Headquartered in Germany, TI prepares reports and performance indicators based on public information from companies around the globe. With this objective, JBS has began contributing with information and interpretation of numbers and data in order to help in the elaboration of an index measuring corruption in Brazil.

HUMAN RESOURCES

At the end of 2017, JBS had approximately 235 thousand team members allocated amongst its global operations as demonstrated below:



HUMAN RESOURCES MANAGEMENT

Human resources is managed independently at each of JBS' business units. Although strategies are decided individually, according to the challenges and characteristics of each business, human resources departments within the company act based on JBS' Culture.

All businesses operate in compliance with labor and human rights legislation of each location. Child labor or degrading working conditions are not admitted in any of the company's business units.

JBS offers competitive remuneration and adopts meritocracy as a way to compensate its team members for specific contribution to its results. Remuneration packages also include benefits such as health and life insurance, according to policies adopted by each of the group's companies.

The right of association to unions or social organizations is respected at all business units.

Additionally, JBS promotes several initiatives that contribute to the development of its team members, such as:

LEADERSHIP DEVELOPMENT

- **Leadership Academy** – aimed at leaders who have been evaluated as outstanding in results and behavior. Developed by JBS Beef Brazil, its objective is to maximize the knowledge and skills of these team members, thus preparing them for the current and future challenges at JBS. Originally developed for team members holding a position at least as a coordinator, the program is now applicable to supervisors. In 2017, it applied to 1,065 participants, divided in 47 groups at Seara.
- **Internal Talents** – this program's main objective is to develop, train and capacitate team members from the company's Brazilian operations who have the potential to become future supervisors. Persons seeking new challenges within the company may discuss it with their leaders and apply. Initially focused on the Beef Business Unit and Seara, in 2016 the program was extended to the Leather Business Unit and to New Businesses. The training process lasts between six and eight months and includes, in addition to the development of leaders, issues related to the technical aspect of the business and routine management. In 2017, 54 team members participated in the program, of which 30 graduated and 24 remained in training. At Seara, the program was originally restricted to operational areas, but has been extended to the commercial and logistics departments.

TECHNICAL IMPROVEMENT

- **Seara University –** creation of a modern distance learning platform available to approximately seven thousand Seara team members in Brazil, including members from the administrative and technical areas, as well as leaders. The platform includes several career paths, approaching themes related to operational and administrative activities.
- **Labor Attorney** – this program was created by the Beef Business Unit Brazil to develop labor attorneys. Aimed at professionals who have graduated for up to 2 years, it consists of a 90-day training program at JBS headquarters in São Paulo. During this period, these young professionals will be trained both in the technical and practical aspects of the area, in addition to receiving behavioral training and an update of all legal subjects. Out of 1,935 applicants in 2017, 13 attorneys graduated from the program and are currently allocated in different regions of the country.
- **Brazil Trainees** – focused on the industrial aspect of the business, this program selects young individuals (graduated in the last two years) to become part of a business unit. The idea is to develop them into becoming future leaders capable of managing processes and teams. The program was revisited in 2017 into a regional approach, thus having the recruitment process done locally by the production units. Developed by the JBS Leather and JBS New Businesses units, this 1-year program has attracted more than 6 thousand candidates, of which 11 were selected.
- **USA Trainees** – develops future leaders through a 12-month rotating program amongst operations in the United States, Canada and Mexico. In addition to stimulating project management, problem solving and team working skills, the program seeks to transmit knowledge and skills in the areas of leadership and process and people management. In 2017, a total of 90 trainees participated in the program, of which 93% were hired. The program has attracted more than 1.5 candidates in the United States and Canada.

In addition to the above mentioned initiatives, in 2017 JBS USA held a total of 136,400 training hours for its management, divided between eight programs: 1) Summit, 2) JBS Way of Leading, 3) People First, 4) Elective Learnings, 5) Leadership Fundamentals, 6) Internal Talent Program , 7) External Trainee program, and 8) the Internship Program.

SUSTAINABILITY

The commitment to provide food in a safe manner, with a focus on quality, involves a series of strategies and initiatives that are developed and applied in several steps across the value chain. Our commitment includes actions regarding the eco-efficiency of our processes and our environmental responsibilities towards constantly improving operational, manufacturing and supply standards for food products, in a way that contributes to the sustainability of JBS businesses.

These strategies and initiatives address the entire value chain, from the origin of the raw material to the disposal of product packaging after consumption. They therefore help to reduce the environmental impact generated by different business units and contribute to the socio-economic development of the communities in which JBS facilities are located, creating value for all stakeholders.

Business units have the autonomy to identify the most relevant sustainability issues and define the action plans that are necessary to address opportunities in their respective operations. Since sustainability is strategic for the global business, JBS has a Sustainability Committee that reports directly to the JBS S.A. Board of Directors. In addition, sustainability is addressed in a way to allow best management practices and synergies to be shared across JBS global. In this way, certain themes were identified as strategic and material to JBS, since they are fundamental to the Company's success and highly relevant for JBS stakeholders.

SUSTAINABILITY IN SOUTH AMERICA

In the South America platform, the Sustainability Department manages the sustainability issues. To identify and implement solutions for each global theme, the South America platform implements its sustainability strategy to mitigate business risk, reduce the environmental footprint, manage the relationship with society, and participate in stakeholder engagement.

- **Business risk management** – the greater risk in Brazil, in terms of sustainability, is related to the purchase of raw material, especially cattle. To manage this issue, JBS has implemented a system that monitors supplier farms through the use of satellite technology, a tool that helps the Company acquire cattle from farms that do not harm the environment and that operate in a compliant way. In addition, the Company works with its hog and poultry grower partners to assist in environmental compliance issues and stimulate the adoption of sustainability best practices, as well as to improve the governance in the process of hiring third parties.
- **Reduction of environmental footprint** – a set of initiatives towards reducing emissions, water consumption and waste generation. In 2017, JBS advanced on this front, prioritizing investments in facilities that presented water risk. As a result of these efforts, the Company was recognized by the global entity CDP (Driving Sustainable Economies) as one of the food industry´s leaders.
- **Relationship with society and stakeholders engagement** – each day, society becomes more demanding regarding the transparency of supply chains. To address this demand, JBS has a robust strategy and differentiated tools to offer high quality products, high standards for animal well-being, sanitary conditions, sustainability and traceability. This approach helps establish trust with clients and consumers, which makes sustainability – together with Compliance and Corporate Governance – a central axis in the management of JBS's image and reputation.

WATER MANAGEMENT

The proper raising and feeding animals, as well as the production of high quality products, requires the availability of water. This input is essential to the production process and the ability to meet the highest sanitary standards, including the proper cleaning and maintenance of equipment and tools. It is, therefore, an important natural resources that impacts all of the material issues across the Company.

Water management in the South American platform is supervised via corporate guidelines and reduction goals that include the adoption of the responsible use of this critical resource, inclusive of the entire water cycle. In 2017, the following advancements were achieved:

- ✓ **Reduced total water consumption** in Beef Brazil, Seara, Leather and New Business by 12%. As a result of more efficient production processes, more than 8.2 trillion liters of water were saved.
- ✓ **Increased the use of recycled water by 2.8%**, in comparison with the previous year, avoiding the capture of 1.7 million liters.
- ✓ **Increased the use of rain water by 34%** , in relation to 2016.

JBS also seeks to engage and influence the value chain by promoting best practices for water use. For example, the company provides an incentive to Seara's contract growers to use cisterns to capture and store rainwater.

CLIMATE CHANGE

JBS works to minimize the environmental impact of its operations through the mitigation of greenhouse gases (GHG). To manage this issue, the Company uses several indicators related to GHG emissions and adopts several initiatives to reduce its environmental footprint, including:

- ✓ reduction of the use of fossil fuels
- ✓ responsible energy consumption
- ✓ increased use of clean energy
- ✓ waste reuse for energy generation
- ✓ efficiency in the treatment of industrial effluents
- ✓ logistics efficiencies in internal and third party fleets
- ✓ deforestation prevention in its supply chain

To effectively manage GHG emissions, accurate measurements are necessary. For this reason, every year, JBS Brazil measures direct emissions (scope 1), indirect energy consumption (scope 2) and indirect emissions (scope 3). This routine provides an understanding of the profile of emissions and allows the company to assess the effectiveness of adopted initiatives.

In 2017, all scopes in Brazil saw reductions in emissions. These results reflect the improvements in effluent treatment at JBS facilities, which take responsibility for the majority of the Company's direct emissions; projects related to energy efficiency; and the reduction of waste sent to landfill. Results were also impacted by the reduction or the suspension of activities in some facilities during the year in Brazil, Argentina, Paraguay and Uruguay.

GREENHOUSE GASES EMISSIONS IN SOUTH AMERICA

Scope	2017	2016	Δ%
1 – tCO_2e	633,995.6	772,704.8	-18%
2 – tCO_2e	214,542.8	230,617.8	-7%
3 – tCO_2e	848,538.41	1,003,322.59	-15%

Since 2009, the company has participated in the annual GHG inventory, which is available on the GHG Protocol Brazil Platform of Public Record and on the CDP Platform. Initially focused only on JBS Brazilian operations, it was expanded in 2012 to include the company's global operations.

The data collected in this inventory drives the strategies to manage sustainability themes and the initiatives that will be adopted throughout the value chain. In 2017, the Company increased engagement with suppliers and producers, and focused on logistic and energy efficiency gains in operations.

ANIMAL WELL-BEING

This theme, also a global sustainability priority for the company, is managed by JBS operations to ensure the five fundamental freedoms:

1. Freedom from fear and stress
2. Freedom from hunger and thirst
3. Freedom from discomfort
4. Freedom from pain and disease; and
5. Freedom to express natural behaviors.

In 2017, JBS invested R$14.7 million in animal well-being efforts, including R$9.7 million in Seara operations and R$5.0 million in JBS Beef Brazil.

SUSTAINABILITY IN NORTH AMERICA

In line with our commitment to product quality, all JBS USA facilities in North America have adopted practices and processes to manage sustainability-related issues. In addition, several initiatives are employed throughout the Company's value chain to effectively engage stakeholders along the sustainability journey.

The North American sustainability platform is aligned with the global sustainability strategy, which aims to continuously improve management practices across all facets of our business and specifically focuses on employee health and safety, animal well-being, water, product integrity and climate change. Although global guidelines to implement regional sustainability strategies exist, each Company manages these issues autonomously in accordance with local challenges and the regulatory environment in each market.

With this objective, JBS USA has developed a specific strategy to manage sustainability-related issues in its operations in the United States and Canada. Since 2015, it monitors more than 30 key performance indicators related to high priority issues in more than 50 plants. Each plant must define objectives to improve its KPI results and prepare a work plan to reach them.

The program has resulted in measurable improvements, which have driven continuously better and more responsible use of resources, meeting expectations from management and other stakeholders.

The projects and initiatives adopted require more than innovation and specialized engineering from the operational and environmental teams. They also require commitment and partnership across teams, which include food safety experts, USDA employees, business analysts and financial managers. Every effort is made to engage and educate teams on the approach they are expected to have towards water conservation and correct usage.

As in South America, all of the water used by JBS USA is mainly extracted from surface and underground sources such as rivers and wells, and through public supplies. All water is treated to ensure the quality levels required by our production process. Public supplies and wells were the biggest water sources in 2017: 80%.

Additionally, in 2017, all teams are focused on decreasing their respective water consumption. Some steps have been taken to optimize water usage throughout the process, such as implementing four large water recycling projects at the Greeley, Colorado, beef production unit. These projects include effluent air flow recycling, gaseous water recycling, para-acetic acid water recycling and the recycling of equipment sterilizers. Following a US$ 1.3 million investment, these mechanisms save 1 million gallons a day at the unit. They have also significantly decreased energy usage.

WATER MANAGEMENT

Water is an essential input for the Company's operations. Used continuously, it ensures compliance the best food safety standards. At some facilities, dramatically reducing water use could jeopardize food safety and quality standards. To effectively balance water use with food safety, JBS USA works closely with local, state and federal agents and authorities to develop joint solutions. All of our production facilities recycle water.

CLIMATE CHANGE

JBS USA addresses climate change as part of its sustainability strategy. The company believes that robust programs will bring measurable change, driving continuous improvements in responsible resource usage, meeting the expectations of both the company's management team and its stakeholders.

As an example, Pilgrim's Moy Park has also made progress reducing fleet emissions. Since 2011, gCO2/km metrics have fallen 16%, generating significant reduction in greenhouse gas emissions.

The Company is a signatory of the Federation House Commitment. It is also a member of the EU Emissions Trade System (ETS) and the Climate Change Agreement Scheme for the industrial and agricultural sectors, reinforcing its commitment to finding solutions for the sector. It also drives employee collaboration via targets that offer financial bonuses for senior operational and sustainability managers. Furthermore, it is involved in external initiatives as a means of influencing public policy in this area, engaging directly with policymakers and industry associations such as the British Poultry Council and Confederation of Business and Industry, among others.

At JBS USA, ten units are using biogas produced by the company's own wastewater treatment systems. For example, the pork processing unit located in Marshalltown, Iowa, Is recovering biogas from an anaerobic treatment to Lake. The Hyrum unit has a biogas collection and usage system that provides around 15% of the natural gas used at its facilities.

JBS Canada adopts regular preventive maintenance to ensure all equipment operates at maximum efficiency. Energy-efficient LED lamps are used in all factory areas and employees are advised to turn off all equipment when not in use. The Company has reduced residual heat in order to decrease natural gas consumption. New technology was deployed to recycle heat and new measures were taken to keep cold air away from the boiler.

A number of projects were implemented at Pilgrim's to switch lamps to an LED system, including the US factories in Lufkin, Sanford, Natchitoches, Marshville, Mt. Pleasant, Sumter, Atenas and Moorefield.

JBS Australia set a target of reducing energy intensity by 10% over a period of five years, which will be included on the business scorecard detailing the business's energy performance goals. However, following new acquisitions in 2015 and 2016, and a new study will be carried out and the target may be adjusted.

SOCIAL COMMITMENTS

Considering its size and the coverage of its operations, in many regions JBS plays an important role in creating direct and indirect jobs. Due to its contribution to the development of these regions, the company's activities have a very high social impact.

In addition, the company contributes to society by way of supporting initiatives aimed at education and development of children and young individuals , professionalization of young individuals and adults, and the capacitation and social inclusion of persons with special needs. Examples of these community initiatives include:

- **Germinare Institute** – JBS is the main sponsor of the Germinare Institute in Brazil, a non-profit, high quality business school for children and adolescents, which operates full time and with no costs to young students with a potential for further development. Its teaching methodology, which has been approved by the Ministry of Education, it's a differential because it complements the traditional curriculum with themes and activities that encourage students to develop an entrepreneurial outlook while teaching them about business management.

Germinare ranks 9th on the city of São Paulo schools ranking and according to the National Middle School Exam (ENEM), which monitors learning achievement amongst students concluding middle school in Brazil. In 2017, the Institute had 485 enrolled students.

- **The Prince's Countryside Fund** – By making donations and supporting this initiative, Moy Park contributes to the social-economic and environmental development of the rural communities in regions where it operates. The Prince's Countryside Fund currently runs more than 120 projects in the United Kingdom that benefit approximately 100 thousand people.

- **Feeding Britain's Future** – This initiative trains young adults looking for employment opportunities in the food industry, which is the UK's biggest employer with over 3.7 million jobs. Created and managed by the IGD Association, the program includes professional training courses and visits to production units.

FINANCIAL PERFORMANCE 2017

ECONOMIC OUTLOOK

O The United Nations' World Economic Situation and Prospects 2017 report estimates a 2.7% growth in the world's GDP in comparison to 2016, a year when GDP grew by 2.2%, the lowest growth rate since 2009.

In Brazil, after a two-year recession period, GDP grew by 1.0% in 2017. Amongst the industries that comprise GDP, the main highlight was agribusiness, which grew by 13% during the year, as a result of a record harvest. In addition, family consumption also grew by 1.0%, positively contributing to the country's economic recovery. On the other hand, government expenditures decreased by 0.6%, pressuring GDP downwards.

According to the USDA, the protein sector improved in 2017, when domestic beef consumption grew by 1.2% in comparison to 2016, exports increased by 3.7% and domestic production was up 1.8%. Considering just fresh beef, growth in exports was even more significant. According to SECEX, beef export revenues in US dollars grew by 17%, while volume was 12% higher than in the prior year.

In poultry, production grew by 2.6%, while domestic consumption and exports increased by 2.5% and 2.9%, respectively. Considering just fresh poultry, SECEX data point to a 8.1% growth in US dollar export revenues, with volumes slightly down by 0.4%. It is important to note that in 2016, average poultry sales prices in the export market fell by 6.4% when compared to 2015, while in 2017, prices grew by 8.7%, thus resulting in higher US dollar revenues for the year.

For 2018, the USDA estimates that beef production and consumption will increase at higher rates than in 2017, with exports posting similar growth. For poultry, production and consumption are expected to advance slightly less than last year, at 2.3% and 1.6%, respectively, with exports increasing by 3.8%.

According to a Bureau of Economic Analysis report, in the United States, JBS' primary market, GDP grew by 2.3% in 2017, compared to an increase of 1.6% in 2016. This mainly reflects positive contributions from personal spending, fixed non-residential investments and exports.

The growth of the US economy has favored domestic food consumption of all three proteins, with higher results in 2017 when compared to 2016. According to the USDA, beef posted the highest growth rate in domestic consumption at 4.4%, followed by poultry and pork, which grew by 1.6% and 1.3%, respectively.

These positive results in domestic consumption were followed by a strong increase in exports during the same period. Beef and pork exports grew significantly by 10.9% and 8.9%, respectively. Poultry exports were up by 2.6%, thus also contributing for the sector's positive results.

For this year, the USDA forecasts that domestic consumption and exports together will grow at a higher rate than production, which should positively drive the industry's profitability in the country.

Source: JBS, IBGE, BEA, UN and SECEX.

2017 AND 4Q17 CONSOLIDATED RESULTS

Net Revenue

In 2017, net revenue totaled R$163,170.0 million, a 4.2% reduction compared with 2016, as a result of the impact of FX variation and the sale of assets as a part of the divestment plan.

In 4Q17, JBS posted a consolidated net revenue of R$42,734.5 million in 4Q17, an increase of 2.7% compared with 4Q16. In the quarter, approximately 76% of JBS global sales came from markets where the company operates and 27% from exports.

EBITDA

In 2017, EBITDA was R$13,181.7 million, an increase of 16.8% in relation to the previous year. EBITDA margin increased from 6.6% in 2016 to 8.2% in 2017.
EBITDA in 4Q17 was R$3,198.3 million, an increase of 2.7% in relation to 4Q16. EBITDA margin remained stable at 7.5%.

R$ Million	4Q17	3Q17	Δ%	4Q16	Δ%	2017	2016	Δ%
Net income for the period (including minority interest)	**(345.1)**	**478.9**	-	**708.1**	-	**1,025.5**	**565.1**	81.5%
Financial income (expense), net	2,075.3	898.5	131.0%	939.8	120.8%	5,595.3	6,311.3	-11.3%
Current and deferred income taxes	82.1	(124.3)	-	250.5	-67.2%	126.3	-274.3	-
Depreciation and amortization	1,154.3	1,127.5	2.4%	1,153.6	0.1%	4,471.7	4,500.6	-0.6%
Equity in subsidiaries	(1.4)	(9.3)	-84.6%	(3.5)	-59.6%	(18.6)	(17.5)	6.4%
Write-off of Mercosul	(272.3)	109.6	-	0.0	-	(162.8)	0.0	-
Results from adhesion to PERT	0.0	1,839.8	-	0.0	-	1,839.8	0.0	-
Goodwill on the acquisition of tax credits	0.0	(76.0)	-	0.0	-	(76.0)	0.0	-
State tax payable installments	388.6	0.0	-	0.0	-	388.6	0.0	-
Other income / expenses	116.9	74.6	56.8%	32.9	255.3%	191.6	56.1	241.3%
Investigation impacts due to the leniency agreement	0.0	0.0	-	31.6	-	34.6	145.6	-76.3%
(=) Adjusted EBITDA	**3,198.3**	**4,319.3**	**-26.0%**	**3,112.9**	**2.7%**	**13,415.9**	**11,286.9**	**18.9%**

Net Financial Results

In 2017, net financial expense was R$5,592.3 million, a R$716.0 million reduction compared with 2016.
JBS recorded net financial expense of R$2,075.3 million in 4Q17. Net results from foreign exchange variation and the fair value of adjustments of derivatives was negative R$1,092.7 million. Interest expense was R$981.0 million, while interest income was R$43.1 million. Taxes, contributions, tariffs and other expenses resulted in an expense of R$44.6 million.

Net Income

In 2017, net income adjusted by the net effect of adherence to the PERT program was R$2,111.4 million, while reported net income totaled R$534.2 million. 2017 EPS was R$0.19.
JBS registered a R$451.7 million loss in the quarter.

Cash Flow Provided by Operating Activities and Free Cash Generation

In 2017, net cash generated by JBS' operating activities was R$5,204.0 million, a 41.9% increase over 2016. Free cash generation (after investments) was R$2,777.6 million in 2017, a 2070% increase over 2016.
In 4Q17, net cash generated by JBS' operating activities was R$1,808.6 million, a 54.9% decrease compared with 4Q16. Free cash generation was R$2,014.9 million in 4Q17, a 30.7% decrease over 4Q16.

Cash Flow Used in Investing Activities

In 2017, total cash flow from investments was R$2,462.0 million, of which 3,112.0 relate to THE acquisition of property, plant and equipment (CAPEX).
In 4Q17, total cash flow from investments was positive R$170.7 million, of which R$831.9 million refers to cash received from the sale of assets in the divestment plan.

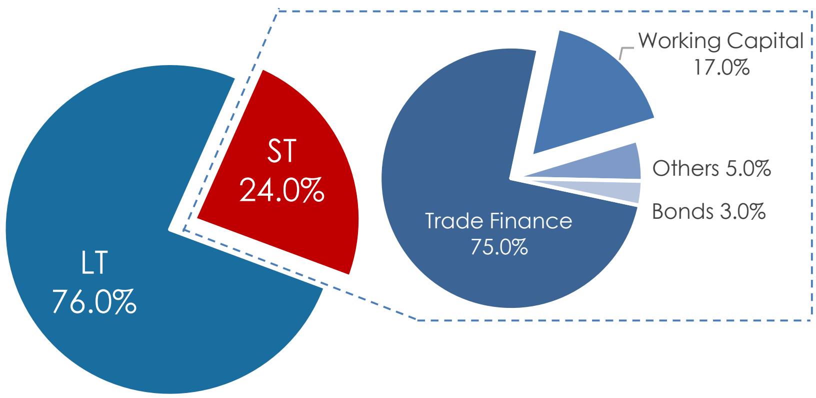
2017 AND 4Q17 CONSOLIDATED RESULTS

Indebtedness

JBS ended 2017 with R$11,741.3 million in cash. In addition, JBS USA has a US$1,051.4 million fully available unencumbered line under revolving credit facilities, equivalent to R$3,478.03 million at the prevailing exchange rate at the end of the year, providing JBS with a total liquidity of R$15,219.3 million, R$1.7 billion higher than short-term debt. Net debt decreased from R$46,904.8 million in 2016 to R$45,283.3 million, even considering a FX impact, which was R$3.26 at the end of 2016 and R$3.31 at the end of 2017. Leverage was down from 4.16x in 2016 to 3.38x in 2017.

R$ Million	12/31/17	12/31/16	Var.%
Gross Debt	**57,024.7**	**56,260.4**	**1.4%**
(+) Short Term Debt	13,526.1	18,148.8	-25.5%
(+) Long Term Debt	43,498.6	38,111.6	14.1%
(-) Cash and Equivalents	11,741.3	9,355.6	25.5%
Net Debt	**45,283.3**	**46,904.8**	**-3.5%**
Leverage	**3.38x**	**4.16x**	

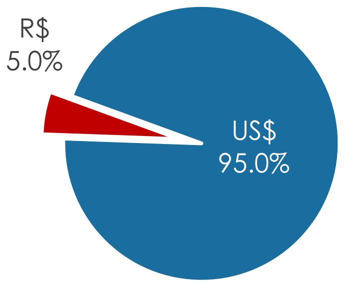
Debt profile Short-Term / Long-Term



Short-term debt in relation to total debt was reduced to 24% in 4Q17, of which 75% is related to export trade financing costs incurred by the JBS Brazilian businesses.

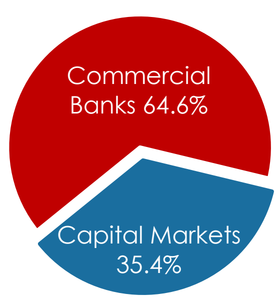
Currency & Cost Breakdown

✓ **9.13% p.a.**

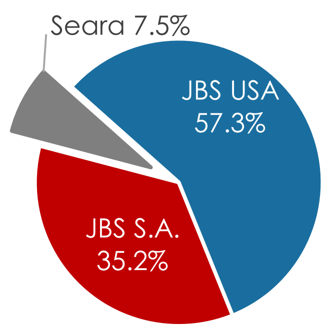


✓ **5.40% p.a.**

Source Breakdown



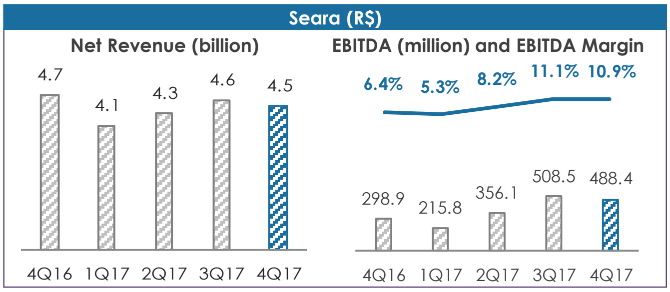
Entity Breakdown



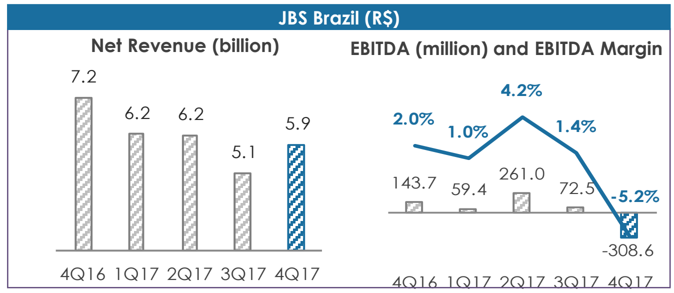
BUSINESS UNITS 2017 AND 4Q17

Million		4Q17	3Q17	Δ%	4Q16	Δ%	2017	2016	Δ%
Net Revenue									
Seara	R$	4,474.6	4,589.7	-2.5%	4,683.5	-4.5%	17,473.1	18,154.6	-3.8%
JBS Brazil	R$	5,918.6	5,131.2	15.3%	7,227.6	-18.1%	23,446.9	28,204.3	-16.9%
JBS USA Beef	US$	5,684.6	5,533.7	2.7%	5,333.0	6.6%	21,663.6	20,560.7	5.4%
JBS USA Pork	US$	1,598.0	1,690.4	-5.5%	1,373.0	16.4%	6,210.6	5,345.8	16.2%
Pilgrim's Pride	US$	2,742.4	2,793.9	-1.8%	2,370.9	15.7%	10,767.9	9,878.6	9.0%
EBITDA									
Seara	R$	488.4	508.5	-4.0%	298.9	63.4%	1,568.7	1,595.3	-1.7%
JBS Brazil	R$	-308.6	72.5	-	143.7	-	84.3	1,701.3	-95.0%
JBS USA Beef	US$	395.9	405.1	-2.3%	387.6	2.1%	1,308.6	472.2	177.2%
JBS USA Pork	US$	186.9	255.8	-26.9%	171.5	9.0%	779.9	612.7	27.3%
Pilgrim's Pride	US$	241.0	463.6	-48.0%	205.4	17.3%	1,388.0	1,029.7	34.8%
EBITDA Margin									
Seara	%	10.9%	11.1%	-0.16 p.p.	6.4%	4.53 p.p.	9.0%	8.8%	0.19 p.p.
JBS Brazil	%	-5.2%	1.4%	-6.63 p.p.	2.0%	-7.20 p.p.	0.4%	6.0%	-5.67 p.p.
JBS USA Beef	%	7.0%	7.3%	-0.36 p.p.	7.3%	-0.30 p.p.	6.0%	2.3%	3.74 p.p.
JBS USA Pork	%	11.7%	15.1%	-3.44 p.p.	12.5%	-0.80 p.p.	12.6%	11.5%	1.10 p.p.
Pilgrim's Pride	%	8.8%	16.6%	-7.80 p.p.	8.7%	0.12 p.p.	12.9%	10.4%	2.47 p.p.

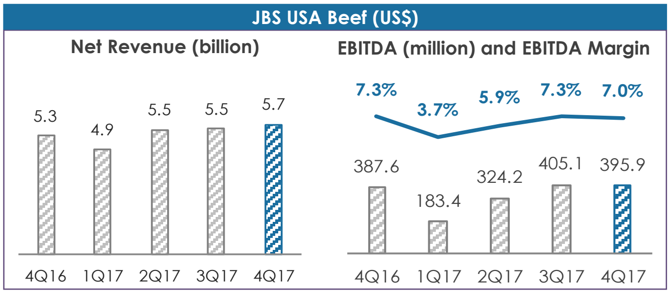
Seara (R$)



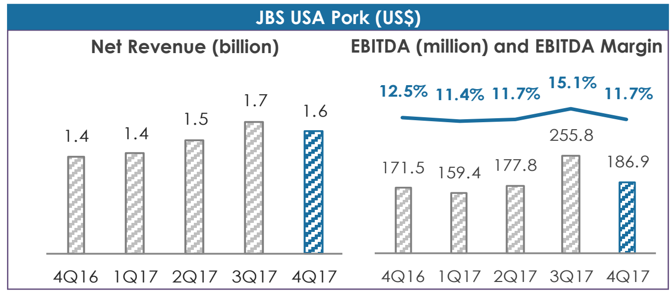
JBS Brazil (R$)



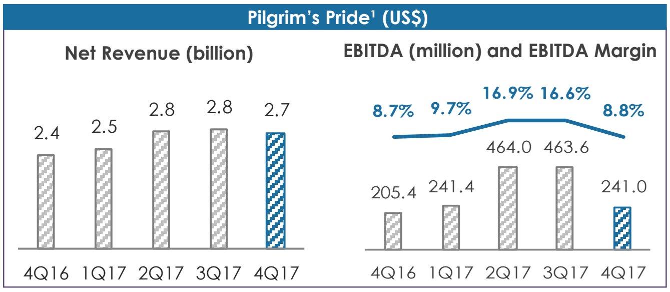
JBS USA Beef (US$)



JBS USA Pork (US$)



Pilgrim's Pride[1] (US$)



Note 1: includes Moy Park results in all quarters.

BUSINESS UNITS 2017 AND 4Q17

Seara

In 4Q17, Seara's net revenue totaled R$4,474.6 million, which represents a 4.5% decrease in relation to 4Q16, mainly due to lower volumes, notably in fresh poultry, both domestically and internationally, and in pork exports, which were impacted by the temporary ban Russia imposed on Brazilian pork. It is important to highlight the positive performance of holiday products, which posted a higher profitability in comparison to the previous year. In 2017, net revenue was R$17,473.1 million, a 3.8% reduction compared to 2016, reflecting lower fresh poultry revenues, partially compensated by fresh pork, which sales increased in both markets.

Throughout the year, Seara continued to consistently execute its strategy, which pillars include a focus on profitability, consumer preference and the expansion of its consumer base, both direct and indirect. In 2017, the indirect distribution channel grew by 28%. Additionally, Seara continued to invest in innovation and in the launch of new products (94 SKUs during last year), and also evolved significantly for the past few years in repurchase rate, which grew from nearly 62% in 2014 to approximately 78% in 2017, and in presence in Brazilian homes, which increased from around 61% in 2014 to 76% in 2017.

Seara EBITDA in 4Q17 was R$488.4 million, 63.4% higher than 4Q16, due to an increase in gross margin, which was favored by lower raw material costs, especially grains. EBITDA margin in the quarter was 10.9%, compared with 6.4% in 4Q16. For the year, Seara presented an EBITDA of R$1,568.7 million, a decrease of 1.7%, with EBITDA margin of 9.0% compared with 8.8% in 2016.

Highlights

R$ Million	4Q17		3Q17		Δ%	4Q16		Δ%	2017		2016		Δ%
	R$	% NR	R$	% NR	QoQ	R$	% NR	YoY	R$	% NR	R$	% NR	YoY
Net Revenue	**4,474.6**	***100.0%***	**4,589.7**	***100.0%***	**-2.5%**	**4,683.5**	***100.0%***	**-4.5%**	**17,473.1**	***100.0%***	**18,154.6**	***100.0%***	**-3.8%**
Cost of Goods Sold	(3,541.8)	*-79.2%*	(3,630.0)	*-79.1%*	-2.4%	(3,981.9)	*-85.0%*	-11.1%	(14,201.0)	*-81.3%*	(14,874.0)	*-81.9%*	-4.5%
Gross Profit	932.7	*20.8%*	959.7	*20.9%*	-2.8%	701.5	*15.0%*	33.0%	3,272.0	*18.7%*	3,280.6	*18.1%*	-0.3%
EBITDA	**488.4**	**10.9%**	**508.5**	**11.1%**	**-4.0%**	**298.9**	**6.4%**	**63.4%**	**1,568.7**	**9.0%**	**1,595.3**	**8.8%**	-1.7%

BUSINESS UNITS 2017 AND 4Q17

JBS Brazil (including Leather and New Businesses)

JBS Brazil 4Q17 net revenue was R$5,918.6 million, a 18.1% reduction over 4Q16. For the year, net revenue totaled R$23,446.9 million, a 16.9% decrease from 2016, reflecting the sale of beef operations in Argentina, Paraguay and Uruguay, as well as the 14.0% reduction in the number of animals processed in Brazil. It is important to highlight that the Company has been increasing capacity utilization, which resulted in a 6.9% increase in the number of animals processes during the quarter compared to the 3Q17.

Despite the lower volumes of animals slaughtered in 2017, the Company has been focusing on developing its distribution in relevant markets and on new sales channels in Brazil, while also entering into strategic partnerships with key customers and improving its portfolio with a more profitable mix, which includes the launching of new products and brands, such as "1953", launched last year in the premium category. These efforts reflected a 6.1% increase in fresh beef sales prices in comparison to 2016.

EBITDA in 4Q17 was R$308.6 million negative, with negative EBITDA margin of 5.2%. For the year, EBITDA totaled R$84.3 million, a 95% reduction when compared to 2016, with an EBITDA margin of 0.4%. Results from this business unit were impacted by the above-mentioned reduction in the number of animals processed, by the maintenance of the Company's operational structure, by a significant deterioration of the leather cycle in 2017, which has been showing signs of recovery in 2018, and by non-recurring expenses.

Highlights[1]

R$ Million	4Q17		3Q17		Δ%	4Q16		Δ%	2017		2016		Δ%
	R$	% NR	R$	% NR	QoQ	R$	% NR	YoY	R$	% NR	R$	% NR	YoY
Net Revenue	**5,918.6**	*100.0%*	**5,131.2**	*100.0%*	15.3%	**7,227.6**	*100.0%*	-18.1%	**23,446.9**	*100.0%*	**28,204.3**	*100.0%*	-16.9%
Cost of Goods Sold	(4,929.2)	*-83.3%*	(4,182.0)	*-81.5%*	17.9%	(5,923.3)	*-82.0%*	-16.8%	(19,445.9)	*-82.9%*	(22,253.2)	*-78.9%*	-12.6%
Gross Profit	989.4	*16.7%*	949.2	*18.5%*	4.2%	1,304.3	*18.0%*	-24.1%	4,001.1	*17.1%*	5,951.2	*21.1%*	-32.8%
EBITDA	**(308.6)**	**-5.2%**	**72.5**	**1.4%**	-	**143.7**	**2.0%**	-	**84.3**	**0.4%**	**1,701.3**	**6.0%**	-95.0%

Note 1: Includes results from Beef operations in Argentina, Paraguay and Uruguay in the previous quarters.

BUSINESS UNITS 2017 AND 4Q17

JBS USA Beef (including Australia and Canada)

JBS USA Beef reported net revenue of US$5.7 billion 4Q17, 6.6% higher than 4Q16 and US$21,663.6 million for FY 2017 , an increase of 5.4% compared with 2016. This performance was achieved, in part, as the result of volume and price increases.

EBITDA in 4Q17 was US$395.9 million, and the EBITDA margin was 7.0%. In FY 2017, EBITDA was US$1,308.6 million, an increase of 177.2%. The EBITDA margin increased from 2.3% in 2016 to 6.0% in 2017.

The strengthening of the North America economy, notably in the Unites States, and the continued reduction in unemployment contributed to an increase in demand in the domestic market and an increase in beef prices in the region. Additionally, the increased availability of cattle, coupled with stable production capacity also contributed to an increase in the industry's margins. It is important to highlight that in 2017, JBS USA exports significantly exceeded those reported in 2016, due to increased volumes and higher margins. In addition to more favorable market conditions, improvements in operational efficiencies and a differentiated strategy of commercial relationships also contributed to the strong performance.

In Australia, the lack of availability of cattle affected the Company's performance. Although performance was positive in 2017, it was below that reported in 2016. On a positive note, Primo Smallgoods, which operates in the increasingly attractive prepared foods segment, produced encouragingly positive results.

Highlights (US GAAP)

US$ Million	4Q17		3Q17		Δ%	4Q16		Δ%	2017		2016		Δ%
	US$	% NR	US$	% NR	QoQ	US$	% NR	YoY	US$	% NR	US$	% NR	YoY
Net Revenue	**5,684.6**	***100.0%***	**5,533.7**	***100.0%***	**2.7%**	**5,333.0**	***100.0%***	**6.6%**	**21,663.6**	***100.0%***	**20,560.7**	***100.0%***	**5.4%**
Cost of Goods Sold	(5,262.8)	*-92.6%*	(5,103.8)	*-92.2%*	3.1%	(4,931.9)	*-92.5%*	6.7%	(20,281.9)	*-93.6%*	(20,063.0)	*-97.6%*	1.1%
Gross Profit	421.8	*7.4%*	429.9	*7.8%*	-1.9%	401.1	*7.5%*	5.2%	1,381.7	*6.4%*	497.7	*2.4%*	177.6%
EBITDA	**395.9**	**7.0%**	**405.1**	**7.3%**	**-2.3%**	**387.6**	**7.3%**	**2.1%**	**1,308.6**	**6.0%**	**472.2**	**2.3%**	177.2%

BUSINESS UNITS 2017 AND 4Q17

JBS USA Pork

JBS USA Pork reported net revenue of US$6 billion in 4Q17, an increase of 16.4% compared with 4Q16. For FY 2017, net revenue totaled US$6.2 billion, 16.2% higher than 2016. The increase was driven by growth in the demand for pork in domestic and international markets, as well as the expansion of the business in the US through the acquisition of Plumrose USA in May 2017.

EBITDA was US$186.9 million in 4Q17, 9.0% higher than 4Q16. The EBITDA margin was 11.7%. In 2017, EBITDA was US$779.9 million and, despite the increase in competitiveness in the domestic market, EBITDA margin increased from 11.5% in 2016 to 12.6% in 2017.

The excellent performance reported by JBS USA Pork, which was also the best result achieved by any US-based pork operation in the United States, is a testament to the effectiveness of the managerial team, their unrelenting focus on operational efficiencies, their decision to diversify into higher value-added products and the strengthening of commercial partnerships with key customers. Performance has also been positively affected by the smooth integration of Plumrose USA, acquired in May 2017, which has enabled JBS to increase its presence in the prepared foods segment.

Highlights (US GAAP)

US$ Million	4Q17		3Q17		Δ%	4Q16		Δ%	2017		2016		Δ%
	US$	% NR	US$	% NR	QoQ	US$	% NR	YoY	US$	% NR	US$	% NR	YoY
Net Revenue	**1,598.0**	***100.0%***	**1,690.4**	***100.0%***	**-5.5%**	**1,373.0**	***100.0%***	**16.4%**	**6,210.6**	***100.0%***	**5,345.8**	***100.0%***	**16.2%**
Cost of Goods Sold	(1,407.2)	*-88.1%*	(1,436.5)	*-85.0%*	-2.0%	(1,197.2)	*-87.2%*	17.5%	(5,421.9)	*-87.3%*	(4,750.1)	*-88.9%*	14.1%
Gross Profit	190.8	*11.9%*	253.9	*15.0%*	-24.8%	175.8	*12.8%*	8.5%	788.7	*12.7%*	595.7	*11.1%*	32.4%
EBITDA	**186.9**	**11.7%**	**255.8**	**15.1%**	**-26.9%**	**171.5**	**12.5%**	**9.0%**	**779.9**	**12.6%**	**612.7**	**11.5%**	**27.3%**

BUSINESS UNITS 2017 AND 4Q17

Pilgrim's Pride Corporation - "PPC"

Pilgrim's Pride recorded net revenue of US$2,742.4 million in 4Q17, a 15.7% increase in relation to 4Q16, in a comparison that includes Moy Park in both quarters. In 2017, net revenue totaled US$10,767.9 million, which corresponds to an increase of 9.0% compared with 2016.

Net revenue from US operations increased by 18% when compared with 4Q16, due to higher prices and synergies from the integration of GNP above expectations. In 2017, revenue grew by 11.6% in the country.

In Mexico, net revenue increased by 8.0% in the quarter, due to higher volumes. In the year, revenue increased by 5.4%

In Europe, net revenue increased by 12.9%, due to higher volumes. In 2017, revenue grew by 2.5%.

EBITDA was US$241.0 million, a 17.3% increase in relation to 4Q16, due to a solid performance of PPC's operations throughout the world, partially offset by higher production costs and logistic challenges from the natural events that occurred in the quarter. EBITDA margin in 4Q17 was 8.8%. In the year, EBITDA was US$1,388 million, with EBITDA margin increasing from 10.4% in 2016 to 12.9% in 2017.

PPC concluded several strategic investments that contributed to its position as a leader in the production of organic poultry. Additionally, its operations are focused on the strengthening of relationships with key costumers, differentiation in its portfolio of brands and products, and on the improvement of its margins profile.

PPC net income was US$134.3 million, which corresponds to an EPS of US$0.54 in the quarter. In the year, net income totaled US$694.6 million, with an EPS of US$2.79.

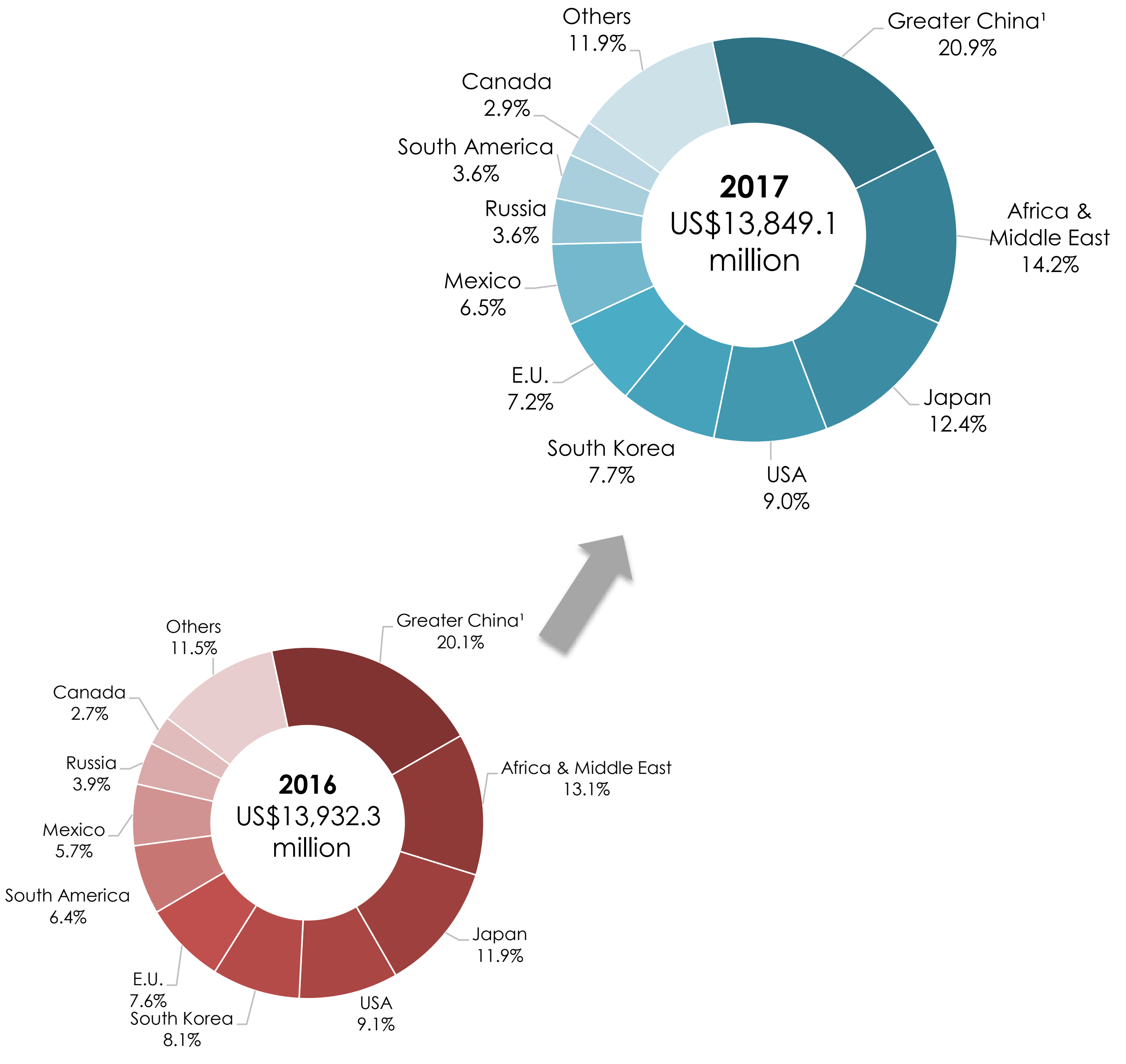
Highlights (US GAAP)[1]

US$ Million	4Q17		3Q17		Δ%	4Q16		Δ%	2017		2016		Δ%
	US$	% NR	US$	% NR	QoQ	US$	% NR	YoY	US$	% NR	US$	% NR	YoY
Net Revenue	**2,742.4**	***100.0%***	**2,793.9**	***100.0%***	**-1.8%**	**2,370.9**	***100.0%***	**15.7%**	**10,767.9**	***100.0%***	**9,878.6**	***100.0%***	**9.0%**
Cost of Goods Sold	(2,480.5)	*-90.5%*	(2,315.3)	*-82.9%*	7.1%	(2,142.0)	*-90.3%*	15.8%	(9,296.2)	*-86.3%*	(8,774.6)	*-88.8%*	5.9%
Gross Profit	261.8	*9.5%*	478.6	*17.1%*	-45.3%	228.9	*9.7%*	14.4%	1,471.6	*13.7%*	1,104.0	*11.2%*	33.3%
EBITDA	**241.0**	**8.8%**	**463.6**	**16.6%**	**-48.0%**	**205.4**	**8.7%**	**17.3%**	**1,388.0**	**12.9%**	**1,029.7**	**10.4%**	**34.8%**

Note 1: Includes results from Moy Park for the full year

TABLES AND CHARTS

Graph I – JBS Consolidated Exports Breakdown in 2016 and 2017



Note 1. Considers China and Hong Kong

Table I – 4Q17 Breakdown of Production Costs by Business Unit (%)

4Q17 (%)	Consolidated	JBS Brazil	Seara	USA Beef	USA Pork	PPC
Raw material (livestock)	76.7%	85.0%	66.3%	84.9%	74.9%	53.2%
Processing (including ingredients and packaging)	11.3%	8.4%	21.8%	5.2%	12.5%	25.4%
Labor Cost	12.0%	6.6%	11.9%	9.9%	12.5%	21.4%

Note 1: Includes results from Moy Park for the full year

DIVIDEND POLICY

The declaration of annual dividends, including dividends in excess of the minimum mandatory dividend, requires approval at the Annual General Shareholders Meeting by a majority vote of the shareholders of JBS and will depend on various factors.

These factors include operational results, financial condition, cash requirements and future prospects of the Company among other factors that the board of directors and shareholders of JBS deem relevant.

The minimum mandatory dividend of JBS is 25% of net income as provided for in the Corporations Act and by the Company's bylaws, based upon the non consolidated financial statements.

There were no dividend payments for 2010 and 2011, since the Company recorded losses in this period.

DIVIDENDS DISTRIBUTION EVOLUTION

Reference year	Total amount (R$ million)	Amount per share (R$)
12/31/2016	89.4	0.0329777380
12/31/2015	1,102.0	0.4054588810
12/31/2014	483.5	0.1673795780
12/31/2013	220.1	0.0767453370
12/31/2012	170.7	0.0595100000
12/31/2009	61.5	0.0243617747
12/31/2008	12.3	0.0087950000
12/31/2007	17.5	0.0122860000

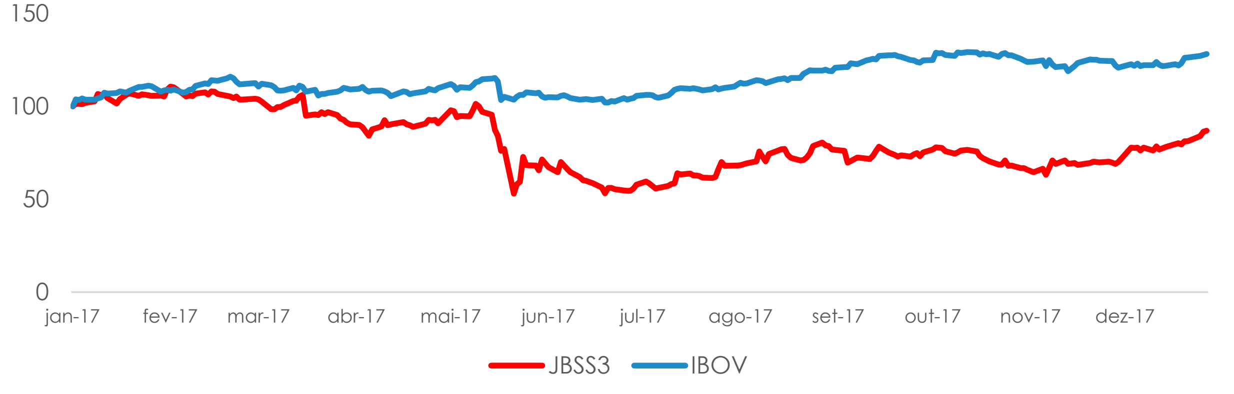
The company has accrued dividends in December 31, 2017 of R$126.9 million to be submitted at the General Meeting of Shareholders, calculated as follows (in R$ million):

December 31, 2017	
Lucro Líquido do Exercício	**534.2**
Reserva legal – (5%)	(26.7)
Base ajustada para cálculo dos dividendos	**507.5**
Dividendos obrigatórios (25%)	126.9
Dividendos declarados	126.9

OTHER RELEVANT INFORMATION

PERFORMANCE OF THE SHARE

JBS share price ended 2017 quoted at R$9.81 in the São Paul Stock Exchange (B3). The Company's market value totaled R$26,769.0 million at the end of the year.



ADHERENCE TO THE ARBITRATION CHAMBER

The Company, its shareholders, directors and members of the Fiscal Council undertake to resolve through arbitration any dispute or controversy that may arise between them related to or resulting from in particular the application, validity, effectiveness, interpretation, violation and effects of the provisions contained in the Contract of the Novo Mercado, the Listing Rules of the Novo Mercado, the Bylaws, the shareholders' agreements filed at the Company's headquarters under Corporate Law, the regulations issued by the National Monetary Council, by the Central Bank of Brazil, by the CVM, by BOVESPA and any other rules applicable to the operation of the capital market in general to the market Arbitration Chamber in accordance with Commitment Clauses and Arbitration Rules, conducted in accordance with the Chamber Regulation.

RELATIONSHIP WITH EXTERNAL AUDIT

BDO RCS Auditores Independentes SS was hired by JBS SA for the provision of external audit services related to audits of financial statements of JBS SA, individual and consolidated.

JBS policy to hire eventual services not related to external audit from the independent auditor is based on principles that preserve the independency of the auditor, such as: (a) the auditor should not audit its own work, (b) the auditor should not exercise managerial functions in its client and (c) the auditor should not promote the interests of its client.

The auditor's payment refers to professional services related to the audit process of consolidated financial statements, quarterly revisions of the Company's financial statements, corporate audits and some temporary revisions of certain subsidiaries, as per request by the appropriate legislation.

Payments related to the audit process refers to services of due diligence traditionally performed by an external auditor in acquisitions and advisory regarding accountancy standards and transactions.

Payments not related to audit process corresponds to, mainly, services provided of compliance with the tax requirements to the Company's subsidiaries out of Brazil.

Aiming to be in compliance with CVM Instruction 381/2003, JBS S.A. informs that BDO RCS Auditores Independentes did not provide any other services unrelated to the audit that represented more than 5% of its total payment regarding audit process during 2017.

JBS S.A.

Financial statements and Independent auditors' report

As of December 31, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT ON THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

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

Opinion

We have audited the individual and consolidated financial statements of JBS S.A. (the "Company"), identified as company and consolidated, respectively, which comprise the individual and consolidated statements of financial position as at December 31, 2017 and the respective individual and consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the corresponding notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for unknown effects of the matters mentioned in the section called "Basis for the qualified opinion," the abovementioned financial statements present fairly, in all material respects, the individual and consolidated financial position of JBS S.A. as at December 31, 2017, as well as the individual and consolidated performance of its operations and cash flows for the year then ended according to Brazilian practices and International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB).

Basis for the qualified opinion

Plea Bargain Agreement, Leniency Deal and Independent Investigation

As described in Note 2 to the individual and consolidated financial statements, in May 2017, some executives and former executives of the Group J&F Investimentos S.A. (J&F), entered into Plea Bargain Agreements with the Attorney General's Office (PGR), later blessed by the Supreme Court of Brazil (STF). The agreements establish, among other things, cooperation with the Federal Public Prosecution Office (MPF) relating to all facts reported to that authority. Also, in June 2017, J&F entered into a Leniency Deal with MPF. On August 24, 2017, MPF 5th Chamber blessed the Leniency Deal entered into and on October 11, 2017 the federal regular judge of the 10th Federal Court of Distrito Federal, on a justification hearing, also approved in court the mentioned deal. The Deal refers to the operations "Cui Bono", "Carne Fraca," "Sepsis" and "Greenfield". On September 6, 2017 the Company joined the Leniency Deal, therefore avoiding the financial impacts of the Deal fully assumed by J&F.

The conduction of an internal investigation on the facts reported in the Plea Bargain Agreements related to the Company is one of the obligations established in the Leniency Deal. The Independent Supervision Committee of the Leniency Deal has, among other functions, the responsibility of approving the service providers conducting the internal investigations at the Company, as well as adjusting the respective work plans. The expert professionals carrying out the investigations and respective work plans are both subject to validation by the Independent Supervision Committee. The expert professionals started the investigation process in September 2017, and they are external and independent from the Company. So far, those professionals have extracted and processed data, including an evaluation of the information of the people signing the representation letter made available to the independent auditor, and we are not aware of any irregular points or that required further analysis.

As mentioned in Note 2.2 to the financial statements, the Cooperation Agreements were analyzed and their effects recorded in the individual and consolidated financial statements and in the comparative financial information.

In addition to the matters previously referred to, we highlight the following issues pending solution, and not fully under control of the Company, whose possible effects may result in significant changes to the individual and consolidated financial statements, as well as to the comparative financial information, including aspects related to insufficient disclosure of certain information in the notes:

- There is complementary information presented by J&F to MPF, established in the Plea Bargain Agreement and in the Leniency Deal, not yet made public;

- The independent investigation required in the Leniency Deal with MPF was started and is monitored by the Independent Supervision Committee;

- An independent investigation in the international operations of the Company is also underway;

- Because of its decision to join the Leniency Deal between J&F and MPF previously mentioned, the Company has no ongoing negotiations of deals with other Federal, State or Municipal authorities or entities, in relation to similar deals with those bodies related to the existence of other responsibilities or obligations not previously assumed, except for the States of Rondônia and Mato Grosso do Sul, already disclosed in the notes to the financial statements.

Therefore, although it is expected that the Company will not have any significant effects to its individual and consolidated financial statements, seeing the limitations referred to above, we are not able to assure, until this date, that no significant effects will exist, including tax ones.

Independent audit of Seara Alimentos Ltda.

Other independent auditors conducted the review of the financial statements of the controlled company Seara Alimentos Ltda., who issued a qualified audit report on March 21, 2018. It mentions a scope limitation and possible unknown effects to the financial statements of the facts relating that controlled company and of the whole context here previously mentioned and reported on the Plea Bargain Agreement and Leniency Deal entered into by J&F and MPF. Consequently, these financial statements and comparative financial information of that controlled company may be subject to changes after the conclusion of the independent investigations, whose effects could not be evaluated until the present date.

We conducted our audit according to Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the section "Auditor's Responsibilities for the Audit of the Individual and Consolidated Financial Statements" of our report. We are independent from the Company and its controlled companies in accordance with the relevant ethical principles established in the Code of Ethics for Professional Accountants and in the professional standards issued by the Brazilian Federal Association of Accountants (CFC), and we have fulfilled our other ethical responsibilities in accordance with those standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis

Restatement of previous financial statements

As at April 6, 2017, we issued an unqualified audit report on the individual and consolidated financial statements of 2016, which are now restated. As described in Note 3.k to the financial statements, the disclosure and amounts corresponding to the financial statements of the year ended December 31, 2016 and beginning balance of January 1, 2016 were amended and restated to reflect the correction of errors stemming from irregularities found in the Company, as well as improvement in disclosure in notes to the statements, aiming comparability and consistency of accounting information. Our opinion does not contain any qualification as for this matter.

Agreements to maintain credit lines

We draw attention to Note 17.a to the financial statements, addressing stabilization agreements entered into with financial institutions and other contractual arrangements with covenants. Non-compliance with such agreements may have a significant impact on the Company's operating activities. This matter does not modify our opinion.

Relevant legal and investigative procedures

We call your attention to Notes 2 and 24 addressing the several administrative, criminal and court proceedings against the Company in the context of the Brazilian Securities and Exchange Commission (CVM). An unfavorable outcome for these proceedings may have impacts on the Company. This matter does not modify our opinion.

Key audit matters

Key audit matters are those that, in our professional judgment, were of most significance in our audit of the financial statements. These matters were addressed in the context of our audit of the individual and consolidated financial statements taken as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Besides the matters described in the section called "Basis for the qualified opinion", we have determined that the following audit points are the main ones to be included in our report:

Evaluation of impairment	Audit response
At least annually, Management evaluates the risk of impairment of assets, based on the method of value in use or discounted cash flow. That requires Management to adopt some assumption based on information generated by its internal reports. It involves significant judgment on the future results of the business, where any adjustment in the assumptions used may generate significant effects. In relation to that, the Company has hired external experts who have issued specific reports on that subject matter. In view of that, we consider this as significant to our audit work.	Our audit procedures included, among other things: ▪ The work of experts to help us in reviewing the recoverability of assets, the assumptions and methodology used by the Company's Management and external experts in the analysis of recoverable value, analysis of history versus budget of previous years, prospective financial information divided into Cash Generating Units considered in projections, sensitivity analyses, integrity of the documentation supporting the preparation of projections, including a comparison with the most recent business plans, reasonability of methods and assumptions used in the analysis and the review of the base used in the determination of the discount rate, and evaluation of the cost of capital for the Company; ▪ Evaluation of the proficiency and independence of the external experts the Company engaged; ▪ Review of the adequacy of the disclosures made in the financial statements. Based on the result of the audit procedures described above, we deem that, except for the unknown effects of the matters mentioned in the section called "Basis for the qualified opinion," the evaluation base and methodology are adequate. However, the future recovery of book value of non-financial assets will depend on the success of renegotiation of financial agreements that are considered significant in the evaluation of the Company's risk. Such fact is mentioned in Note 17.a to the financial statements. The disclosures are adequate in relation to the financial statements taken as a whole.

Revenue recognition	Audit response
The revenue from the sale of the Company's products is recognized when risks and benefits are mostly transferred to the buyer. In view of the diversity of contract provisions, the range of transactions in the domestic and foreign markets, particularities of each place where the Company has operations, significance of amounts and judgment involved at the moment that risks and benefits of products sold are transferred to another party, which may affect the amount recognized in the individual and consolidated financial statements, and the value of investment recorded under the equity method in the individual financial statements, we consider this matter significant to our audit work.	Our audit procedures included, among other things: ▪ Execution of documentation tests, on a sampling basis, to check the existence and booking of revenues within the appropriate periods, evaluation of the moment of recognition of revenue from sales through transfer of the ownership of the Company's product to the customer, considering the documentation supporting the transportation and delivery of the products sold; ▪ Analysis of the Company's internal and external indicators, such as volume of products sold and variation in prices, to identify unusual trends that could indicate material errors in the recognition of revenue; ▪ Evaluation and test of relevant Information Technology systems; ▪ Review the adequacy of the disclosures made in the financial statements. Based on the result of the audit procedures described above, we deem that the recognition of revenue and disclosures made are adequate in the context of the financial statements taken as a whole, in all significant aspects.

Evaluating the recoverability of state and federal tax credits	Audit response
As mentioned in Notes 9 and 23 to the individual and consolidated financial statements, the Company has a balance of recoverable taxes relating State VAT (ICMS), Contribution for the Social Integration Program (PIS), Contribution for Social Security Funding (COFINS) and Income Tax paid by controlled companies abroad. Tax credit is generated in operations due to tax incentives granted to exporters by the tax law and income tax on the profit of controlled companies overseas. The Company's Management evaluates the recoverability of such tax credit seeing that most of it may only be used by means of: offset with other state and federal taxes, payment to suppliers of inputs and equipment, when they have this program implanted, request of approval and refund in kind of the mentioned tax credit from tax authorities. The realization of recoverable taxes is based on a technical study and a purchase and sale projection for future years and expected generation of future taxable income. The Company makes use of accounting and business assumptions in the calculation of the projections referred to above, which include, among others, an estimate of purchases and sales, operating growth rate and expected profit margins. Due to the considerable degree of judgment involved in the determination of those projections, we consider that matter significant in our audit work.	Our audit procedures included, among other things: ▪ Involvement of our tax experts to analyze the alternatives the Company's Management presented to use those recoverable taxes in future payments of Federal and State taxes through request of refund and/or offset; ▪ Evaluation, with the help of our internal experts if the credit arising from income tax paid by controlled companies abroad is appropriate; ▪ Obtaining opinions of external and internal legal counselors on certain tax matters relating the Company's activities; ▪ Reviewing the adequacy of the disclosure made in the financial statements. Based on the result of the above mentioned audit procedures, we deem that, except for unknown effects of the matters mentioned in the section called "Basis for the qualified opinion", the book value of Federal and State future recoverable taxes, as well as, the disclosure made is adequate in the context of the financial statements taken as a whole, in all relevant aspects.

Derivative financial instruments

The Company has recorded balances of revenues and expenses arising from derivative financial instruments referring to several contracts entered into with top tier financial institutions. At least every three months, Management evaluates financial assets and liabilities at fair value, based on information about each operation hired and on the respective market information at the closing dates of the financial statements, whose hierarchy is linked to levels 1 and 2, that is, based on prices quoted on an active market and on other information available of quoted financial instruments, respectively. This requires Management to maintain effective controls over the adoption of some premises, mainly in the evaluation of risks of exposure to currency, credit and interest rates, based on information generated by its internal reports. Therefore, we consider this to be significant to our audit work.

Audit response

Our audit procedures included, among other things:

- Evaluation of conciliation and confirmation controls showing the integrity and accuracy of the records;
- Evaluation of the sufficient and appropriate documentation and monitoring the transactions;
- Evaluation of estimates and evaluation criteria used and measurement of derivative financial instruments;
- Crosschecking of the transactions and whether they are duly incorporated by the Policy of Financial Risk Management and Commodities;
- Evaluation of the appropriate accounting policies and adequate disclosure in notes to the financial statements.

Based on the result of the audit procedures described above, we deem that the book value of receivable (payable) derivatives, as well as the disclosure made are adequate in the context of the financial statements taken as a whole, in all significant aspects.

Contingencies

As stated in CPC 25/IAS 37 – Provisions and Contingent Liabilities and Assets, the Company evaluates the probability of unfavorable outcome from outstanding lawsuits where the company is a party. Such evaluation is supported by the judgment of the Management and evaluation of legal counselors. That takes into account precedents, trial court and higher court decisions, the history of agreements and decisions made, the experience in relation to the subject, as well as other applicable aspects. The risks, according to their different legal natures, are evaluated and rated based on the opinion of the Company's Management and of internal and external lawyers, according to the probability of economic-financial risk for the Company. Those that present expectation of probable losses are accrued for. This topic was considered substantial to our audit due to the relevance of the amounts involved in the lawsuits, the considerable judgment the Management has to apply to determine if a provision should be recognized and if it is reasonable according to their experience and based on their legal counselors.

Audit response

Our audit procedures included, among other things:

- Obtaining confirmation letter replies from the internal and external legal counselors of the Company, as well as discussions with counselors on the most relevant causes and their respective probability of loss rated as probable, possible or remote, crossing reference of that with contingency reports and the amounts recorded and stated in the financial statements;
- Checking of changes in the balance of provision for legal risks in the period, analyzing the modifications in the probability of loss for significant lawsuits and reasonability of those changes;
- Evaluation of the procedures the internal legal department adopted to control and evaluate lawsuits at all levels, and the base of judgment of the estimate of losses and probability adopted in light of the information available and a better understanding, supported by external legal counselors;

- Review of the adequacy of the disclosure made in the financial statements.

Based on the result of the audit procedures referred to above, in our opinion, except for unknown effects of the matters mentioned in the section called “Basis for the qualified opinion,” the book value of the provision for legal risks meets the requirements described in CPC 25/IAS 37, and the disclosure made is adequate in the context of the financial statements taken as a whole.

Significant components on the consolidation process of the financial statements	Audit response
The consolidated financial statements have been prepared according to the Brazilian accounting practices Brazil and IFRS issued by IASB. Other independent auditors audited some significant controlled companies in this process. We consider this matter significant to our audit work due to relevance of the investment of the Company and consolidated.	The audit procedures followed by the group auditors included communication with the component auditors of the controlled companies in order to discuss the identified audit risks, the focus, scope and time of the work. As stated in NBC TA 600 - Special Considerations - Audit of Financial Statements of Groups, we have issued audit instructions and reviewed the working papers discussing the results found. Regarding the identified key audit matters, we have discussed with the component auditors and evaluated their impact on the Company’s financial statements. Based on the result of the audit procedures referred to above, in our opinion, except for unknown effects of the matters mentioned in the section called "Basis for the qualified opinion", as well as reclassification not realized in the statement of income of the Company and Consolidated, which the independent auditor did not deem relevant, the accounting records relating the consolidated financial information and the disclosure are adequate in the context of the financial statements taken as a whole in all material aspects.

Other matters

Value added statement

The individual and consolidated statements of value added, prepared under the responsibility of the Company's management for the year ended December 31, 2017, and presented as supplemental information for IFRS purposes, were submitted to the same audit procedures followed for the audit of the Company's financial statements. In order to form an opinion, we have checked whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether its form and contents meet the criteria established in Accounting Pronouncement CPC 09 - Statement of Value Added. In our opinion, except for unknown effects of the matter mentioned in the section "Basis for the qualified opinion," the statements of value added were properly prepared, in all material respects, in accordance with the criteria established in this Technical Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

Other information accompanying the individual and consolidated financial statements and auditor's report

The Company's management is responsible for the other information that comprises the Management Report.

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

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

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

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with Brazilian accounting practices and with IFRSs, issued by IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance in the Company and in its controlled companies are responsible for overseeing the Company's financial reporting process.

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

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

As part of an audit in accordance with Brazilian standards and ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

São Paulo, March 28, 2018.

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

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

JBS S.A.

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

	Note	Company			Consolidated		
		December 31, 2017	December 31, 2016	January 1, 2016	December 31, 2017	December 31, 2016	January 1, 2016
			Restated	Restated		Restated	Restated
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	4	**2,138,802**	4,712,796	11,257,943	**11,741,308**	9,355,622	18,843,988
Trade accounts receivable	5	**2,302,913**	2,767,655	3,435,691	**9,333,291**	9,589,185	12,119,662
Inventories	6	**1,823,640**	1,673,501	2,128,993	**9,684,878**	9,608,474	11,109,744
Biological assets	7	-	-	-	**2,767,250**	2,673,113	2,873,447
Recoverable taxes	8	**182,885**	698,885	1,409,696	**974,404**	1,677,791	2,874,987
Derivative assets	32	-	-	84,779	**30,760**	38,250	737,891
Assets held for sale	10	-	-	-	**817,705**	-	-
Other current assets		**264,807**	369,246	298,476	**755,948**	977,370	1,250,319
TOTAL CURRENT ASSETS		**6,713,047**	**10,222,083**	**18,615,578**	**36,105,544**	**33,919,805**	**49,810,038**
NON-CURRENT ASSETS							
Biological assets	8	-	-	-	**967,761**	977,040	1,100,353
Recoverable taxes	9	**5,453,216**	2,948,627	789,505	**7,521,141**	4,718,535	1,558,612
Related party receivables	11	**2,040,471**	5,231,553	4,897,835	**897,535**	1,315,526	1,968,043
Investments in associates, subsidiaries and joint ventures	10	**18,562,666**	16,334,231	19,534,850	**64,006**	362,627	354,134
Property, plant and equipment	11	**11,544,181**	11,475,628	11,693,038	**33,563,104**	33,110,891	35,381,110
Deferred income taxes	23	-	-	-	**434,861**	454,117	-
Intangible assets	12	**94,739**	46,494	467,540	**5,512,070**	5,012,095	6,892,534
Goodwill	15	**9,085,970**	9,085,970	9,085,970	**22,488,247**	21,916,694	24,411,441
Other non-current assets		**512,486**	455,627	478,827	**1,141,682**	1,028,433	1,026,702
TOTAL NON-CURRENT ASSETS		**47,293,729**	**45,578,130**	**46,947,565**	**72,590,407**	**68,895,958**	**72,692,929**
TOTAL ASSETS		**54,006,776**	**55,800,213**	**65,563,143**	**108,695,951**	**102,815,763**	**122,502,967**

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

JBS S.A.

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

	Note	Company			Consolidated		
		December 31, 2017	December 31, 2016	January 1, 2016	December 31, 2017	December 31, 2016	January 1, 2016
			Restated	Restated		Restated	Restated
LIABILITIES AND EQUITY							
CURRENT LIABILITIES							
Trade accounts payable	14	**2,029,104**	2,050,265	2,448,362	**9,992,778**	10,716,987	12,421,018
Loans and financing	15	**8,223,197**	12,281,028	14,791,919	**13,526,051**	18,148,818	20,906,613
Accrued income taxes and other taxes	19	**259,803**	165,030	102,665	**1,392,755**	500,930	843,919
Accrued payroll and social charges	18	**572,066**	412,296	387,426	**3,007,816**	2,595,381	2,891,953
Dividends payable	19	**127,463**	90,503	1,103,308	**127,463**	90,503	1,103,308
Other financial liabilities	20	**7,659**	7,659	445,164	**73,156**	161,114	901,916
Derivative liabilities	32	**10**	—	—	**118,684**	133,125	—
Liabilities held for sale	10	—	—	—	**23,305**	—	—
Other current liabilities		**699,211**	684,898	1,026,780	**917,333**	1,001,766	1,068,740
TOTAL CURRENT LIABILITIES		**11,918,513**	**15,691,679**	**20,305,624**	**29,179,341**	**33,348,624**	**40,137,467**
NON-CURRENT LIABILITIES							
Loans and financing	15	**11,834,158**	14,021,384	14,951,523	**43,498,600**	38,111,596	44,976,113
Accrued income taxes and other taxes	19	**667,388**	71,841	117,913	**787,223**	228,752	297,138
Accrued payroll and social charges	18	**1,434,838**	—	—	**1,848,200**	437,218	597,699
Other financial liabilities	20	**24,827**	31,427	37,950	**39,868**	102,145	233,855
Deferred income taxes	21	**1,965,792**	1,870,461	1,831,973	**3,697,195**	3,763,048	4,248,607
Provisions	22	**1,820,007**	1,684,814	1,513,953	**2,888,150**	2,707,646	2,849,953
Other non-current liabilities		**53,641**	54,657	29,929	**616,706**	599,482	795,722
TOTAL NON-CURRENT LIABILITIES		**17,800,651**	**17,734,584**	**18,483,241**	**53,375,942**	**45,949,887**	**53,999,087**
EQUITY	23						
Share capital - common shares		**23,576,206**	23,576,206	23,576,206	**23,576,206**	23,576,206	23,576,206
Capital reserve		**(289,295)**	(1,743,893)	(791,230)	**(289,295)**	(1,743,893)	(791,230)
Other reserves		**67,906**	73,516	81,066	**67,906**	73,516	81,066
Profit reserves		**2,277,205**	3,648,562	3,501,972	**2,277,205**	3,648,562	3,501,972
Accumulated other comprehensive income (loss)		**(1,344,410)**	(3,180,441)	406,264	**(1,344,410)**	(3,180,441)	406,264
Attributable to company shareholders		**24,287,612**	**22,373,950**	**26,774,278**	**24,287,612**	**22,373,950**	**26,774,278**
Attributable to non-controlling interest		—	—	—	**1,853,056**	1,143,302	1,592,135
TOTAL EQUITY		**24,287,612**	**22,373,950**	**26,774,278**	**26,140,668**	**23,517,252**	**28,366,413**
TOTAL LIABILITIES AND EQUITY		**54,006,776**	**55,800,213**	**65,563,143**	**108,695,951**	**102,815,763**	**122,502,967**

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

JBS S.A.

Statements of income (loss) for the years ended December 31, 2017 and 2016
In thousands of Brazilian Reais - R$

	Note	Company 2017	Company 2016 Restated	Consolidated 2017	Consolidated 2016 Restated
NET REVENUE	24	**23,373,308**	**27,725,781**	**163,169,981**	**170,380,526**
Cost of sales	30	**(19,616,009)**	(22,072,243)	**(139,397,749)**	(149,066,700)
GROSS PROFIT		**3,757,299**	**5,653,538**	**23,772,232**	**21,313,826**
General and administrative expenses	30	**(4,707,600)**	(2,180,187)	**(8,216,252)**	(5,006,818)
Selling expenses	30	**(1,932,182)**	(2,680,590)	**(8,861,996)**	(9,849,683)
Other expense		**(157,979)**	(9,645)	**(525,234)**	(65,491)
Other income		**311,212**	15,210	**559,702**	192,797
OPERATING EXPENSE		**(6,486,549)**	**(4,855,212)**	**(17,043,780)**	**(14,729,195)**
OPERATING PROFIT		**(2,729,250)**	**798,326**	**6,728,452**	**6,584,631**
Finance income	25	**2,223,849**	4,559,611	**1,986,857**	4,477,128
Finance expense	25	**(4,555,613)**	(8,045,297)	**(7,582,183)**	(10,788,437)
		(2,331,764)	**(3,485,686)**	**(5,595,326)**	**(6,311,309)**
Share of profit of equity-accounted investees, net of tax	10	**4,979,341**	2,065,708	**18,630**	17,503
PROFIT (LOSS) BEFORE TAXES		**(81,673)**	**(621,652)**	**1,151,756**	**290,825**
Current income taxes	21	**649,610**	943,794	**(1,274,652)**	(286,818)
Deferred income taxes	21	**(33,735)**	(88,579)	**1,148,365**	561,081
		615,875	**855,215**	**(126,287)**	**274,263**
NET INCOME		**534,202**	**233,563**	**1,025,469**	**565,088**
ATTRIBUTABLE TO:					
Company shareholders				**534,202**	233,563
Non-controlling interest				**491,267**	331,525
				1,025,469	**565,088**
Basic earnings per share - common shares (R$)	26	**0.19**	0.09	**0.19**	0.09
Diluted earnings per share - common shares (R$)	26	**0.19**	0.09	**0.19**	0.09

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

JBS S.A.

Statements of comprehensive income for the years ended December 31, 2017 and 2016
In thousands of Brazilian Reais - R$

		Company		Consolidated	
	Reference	2017	2016	2017	2016
			Restated		Restated
Net income	**SCSE**	**534,202**	233,563	**1,025,469**	565,088
Other comprehensive income (loss)					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation adjustments	**SCSE**	**1,836,031**	(3,586,705)	**1,880,106**	(3,844,326)
Total other comprehensive income (loss)		**1,836,031**	**(3,586,705)**	**1,880,106**	**(3,844,326)**
Comprehensive income (loss)		**2,370,233**	**(3,353,142)**	**2,905,575**	**(3,279,238)**
Total comprehensive income (loss) attributable to:					
Company shareholders	**IS**	**2,370,233**	(3,353,142)	**2,370,233**	(3,353,142)
Non-controlling interest	**IS**	-	-	**535,342**	73,904
		2,370,233	**(3,353,142)**	**2,905,575**	**(3,279,238)**

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

JBS S.A.
Statements of changes in equity for the years ended December 31, 2017 and 2016
In thousands of Brazilian Reais - R$

			Capital reserves					Profit reserves			Other comprehensive income					
	Note	Share capital	Premium on issue of shares	Capital transaction (1)	Stock options	Treasury shares (2)	Other reserves	Treasury shares (2)	Legal	Investments statutory	VAE (3)	ATA (4)	Retained earnings (loss)	Total	Non-controlling interest	Total equity
DECEMBER 31, 2015 - Previously disclosed		**23,576,206**	**211,879**	**(141,751)**	**42,213**	**(903,571)**	**81,066**	–	**423,861**	**4,333,076**	**205,576**	**200,688**	–	**28,029,243**	**1,592,135**	**29,621,378**
Adjustments from prior periods		–	–	–	–	–	–	–	–	(1,254,965)	–	–	–	**(1,254,965)**	–	**(1,254,965)**
JANUARY 1, 2016 - Restated		**23,576,206**	**211,879**	**(141,751)**	**42,213**	**(903,571)**	**81,066**	–	**423,861**	**3,078,111**	**205,576**	**200,688**	–	**26,774,278**	**1,592,135**	**28,366,413**
Net income		–	–	–	–	–	–	–	–	–	–	–	233,563	**233,563**	331,525	**565,088**
Comprehensive income (loss)		–	–	–	–	–	–	–	–	–	(8,507)	(3,578,198)	–	**(3,586,705)**	(257,621)	**(3,844,326)**
Total comprehensive income (loss)		–	–	–	–	–	–	–	–	–	**(8,507)**	**(3,578,198)**	**233,563**	**(3,353,142)**	**73,904**	**(3,279,238)**
Purchase of treasury shares	20	–	–	–	–	(821,139)	–	–	–	–	–	–	–	**(821,139)**	–	**(821,139)**
Stock option exercise	20	–	–	–	3,311	–	–	–	–	–	–	–	–	**3,311**	–	**3,311**
Share-based compensation	20	–	–	16,145	122,696	–	–	–	–	–	–	–	–	**138,841**	4,457	**143,298**
Treasury shares used in stock option plan	20	–	–	–	(93,799)	99,200	–	–	–	(5,401)	–	–	–	–	–	–
Realization other reserves	20	–	–	–	–	–	(7,550)	–	–	–	–	–	7,550	–	–	–
Proposed dividends		–	–	–	–	–	–	–	–	–	–	–	(89,352)	**(89,352)**	–	**(89,352)**
Reversal of dividends		–	–	–	–	–	–	–	–	–	–	–	230	**230**	–	**230**
Legal reserve		–	–	–	–	–	–	–	18,800	–	–	–	(18,800)	–	–	–
Investments statutory		–	–	–	–	–	–	–	–	133,191	–	–	(133,191)	–	–	–
PPC share repurchase		–	–	(279,077)	–	–	–	–	–	–	–	–	–	**(279,077)**	(117,051)	**(396,128)**
PPC dividend to non-controlling interest		–	–	–	–	–	–	–	–	–	–	–	–	–	(575,180)	**(575,180)**
PPC capital contribution to subsidiary by non-controlling interest		–	–	–	–	–	–	–	–	–	–	–	–	–	25,310	**25,310**
Purchase of acquired business Scott		–	–	–	–	–	–	–	–	–	–	–	–	–	132,946	**132,946**
Others		–	–	–	–	–	–	–	–	–	–	–	–	–	6,781	**6,781**
DECEMBER 31, 2016 - Restated		**23,576,206**	**211,879**	**(404,683)**	**74,421**	**(1,625,510)**	**73,516**	–	**442,661**	**3,205,901**	**197,069**	**(3,377,510)**	–	**22,373,950**	**1,143,302**	**23,517,252**
Net income		–	–	–	–	–	–	–	–	–	–	–	534,202	**534,202**	491,267	**1,025,469**
Comprehensive income (loss)		–	–	–	–	–	–	–	–	–	(189,046)	2,025,077	–	**1,836,031**	44,075	**1,880,106**
Total comprehensive income (loss)		–	–	–	–	–	–	–	–	–	**(189,046)**	**2,025,077**	**534,202**	**2,370,233**	**535,342**	**2,905,575**
Purchase of treasury shares	20	–	–	–	–	–	–	(255,938)	–	–	–	–	–	**(255,938)**	–	**(255,938)**
Cancellation of treasury shares	20	–	–	–	–	1,539,573	–	–	–	(1,539,573)	–	–	–	–	–	–
Share-based compensation	20	–	–	41,282	78,520	–	–	–	–	–	–	–	–	**119,802**	2,840	**122,642**
Treasury shares used in stock option plan	20	–	–	–	(97,152)	85,937	–	63,056	–	(51,841)	–	–	–	–	–	–
Realization other reserves	20	–	–	–	–	–	(5,610)	–	–	–	–	–	5,610	–	–	–
Proposed dividends		–	–	–	–	–	–	–	–	–	–	–	(126,873)	**(126,873)**	–	**(126,873)**
Legal reserve		–	–	–	–	–	–	–	26,710	–	–	–	(26,710)	–	–	–
Investments statutory		–	–	–	–	–	–	–	–	386,229	–	–	(386,229)	–	–	–
PPC share repurchase		–	–	(32,191)	–	–	–	–	–	–	–	–	–	**(32,191)**	(13,634)	**(45,825)**
Scott dividend to non-controlling interest		–	–	–	–	–	–	–	–	–	–	–	–	–	(8,379)	**(8,379)**
Moy Park change in ownership interests without loss of control	11	–	–	(189,724)	–	–	–	–	–	–	–	–	–	**(189,724)**	189,724	–
Others		–	–	28,353	–	–	–	–	–	–	–	–	–	**28,353**	3,861	**32,214**
DECEMBER 31, 2017		**23,576,206**	**211,879**	**(556,963)**	**55,789**	–	**67,906**	**(192,882)**	**469,371**	**2,000,716**	**8,023**	**(1,352,433)**	–	**24,287,612**	**1,853,056**	**26,140,668**

(1) Refers to changes in the equity of investees arising from PPC's share repurchase and share-based compensation.
(2) The balance was transferred to profit reserves.
(3) Valuation adjustments to equity;
(4) Accumulated translation adjustments and exchange variation in subsidiaries.
(5) In December 31, 2017,it was composed by i. other comprehensive income of R$1.2 billion; and ii. write off of comprehensive income arising from the divestment program (sale of assets) related to JBS Argentina and Vigor in the amount of R$(662,396).

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

JBS S.A.
Statements of cash flows for the years ended December 31, 2017 and 2016
In thousands of Brazilian Reais - R$

	Notes	Company		Consolidated	
		2017	2016	2017	2016
			Restated		Restated
Cash flows from operating activities					
Net income (loss)		**534,202**	**233,563**	**1,025,469**	**565,088**
Adjustments for:					
Depreciation and amortization	7, 12 and 13	**776,207**	696,880	**4,471,669**	4,500,595
Allowance for doubtful accounts	5	**88,210**	4,897	**90,359**	19,197
Share of profit of equity-accounted investees	11	**(4,979,341)**	(2,065,708)	**(18,630)**	(17,503)
(Gain) loss on assets sales		**11,797**	(12,411)	**36,177**	(101,945)
Tax expense	18	**(615,875)**	(855,215)	**126,287**	(274,263)
Finance expense (income), net	22	**2,331,764**	3,485,686	**5,595,326**	6,311,309
Share-based compensation	20	**78,520**	122,696	**120,147**	143,298
Provisions	19	**100,640**	25,308	**233,421**	25,265
Impairment		**(53,200)**	452,578	**(34,680)**	452,578
(Gain) loss with the divestment program	9	**(161,914)**	–	**(162,762)**	–
Special tax regularization program (PERT)		**1,839,808**	–	**1,839,808**	–
State tax installments		**388,589**	–	**388,589**	–
Impacts from the leniency agreement		**34,552**	145,555	**34,552**	145,555
		373,959	**2,233,829**	**13,745,732**	**11,769,174**
Changes in assets and liabilities:					
Trade accounts receivable		**145,610**	(592,009)	**(234,035)**	(225,966)
Inventories		**(150,138)**	455,905	**46,827**	184,650
Recoverable taxes		**264,000**	(554,651)	**31,372**	(1,161,583)
Other current and non-current assets		**123,381**	(44,201)	**(103,720)**	62,670
Biological assets		–	–	**(1,103,837)**	(1,347,654)
Trade accounts payable		**(56,852)**	(328,741)	**(948,219)**	61,752
Tax payable in installments		**(1,200,838)**	(44,952)	**(1,220,797)**	(49,526)
Other current and non-current liabilities		**(143,156)**	(409,115)	**(477,461)**	(483,680)
Changes in operating assets and liabilities		**(1,017,993)**	**(1,517,764)**	**(4,009,870)**	**(2,959,337)**
Interest paid		**(1,518,337)**	(1,850,264)	**(3,910,731)**	(4,118,055)
Interest received	22	**428,317**	1,313,607	**416,275**	518,359
Income taxes paid		–	–	**(1,037,432)**	(1,542,746)
Net cash provided by (used in) operating activities		**(1,734,054)**	**179,408**	**5,203,974**	**3,667,395**
Cash flow from investing activities					
Purchases of property, plant and equipment	12	**(858,278)**	(497,298)	**(3,111,969)**	(3,648,974)
Purchases of intangible assets	13	**(14,344)**	—	**(20,389)**	(142,355)
Proceeds from sale of property, plant and equipment	12	**89,100**	59,774	**232,824**	287,891
Proceeds from sale of intangible assets	13	–	–	**3,448**	–
Additional investments in associates, joint-ventures and subsidiaries	11	**(136,906)**	(483,214)	–	–
Working capital adjustment of acquired company	3	–	–	–	30,165
Acquisitions, net of cash acquired	3	–	–	**(1,848,390)**	(482,538)
Assets held for sale, net of cash		–	–	**(52,898)**	–
Dividends received from associates and joint-ventures	11	**100,214**	989,986	**10,000**	–
Proceeds from the divestment program		**1,750,194**	–	**1,858,253**	–
Proceeds from Moy Park transference to PPC		**3,318,312**	–	–	–
Related party transactions	10	**(178,618)**	(621,590)	**492,837**	403,692
Other		**255**	(37,736)	**9,860**	12,722
Net cash provided by (used in) investing activities		**4,069,929**	**(590,078)**	**(2,426,424)**	**(3,539,397)**
Cash flow from financing activities					
Proceeds from loans and financings		**3,541,694**	14,355,999	**26,348,158**	29,254,938
Payments of loans and financings		**(8,139,891)**	(12,430,427)	**(26,676,790)**	(28,509,382)
Derivatives instruments received/settled	25	**11,370**	(6,087,716)	**95,304**	(5,983,200)
Dividends paid		**(89,339)**	(1,102,158)	**(93,354)**	(1,102,158)
Dividends paid to non-controlling interest		–	–	**(8,389)**	(575,180)
Stock option premium received upon exercise		–	3,311	–	3,311
PPC share repurchase		–	–	**(61,186)**	(396,128)
Proceeds from sale of treasury shares PPC		–	–	–	25,310
Purchase of treasury shares	20	**(255,938)**	(821,139)	**(255,938)**	(821,139)
Others		**4**	–	**17,822**	6,781
Net cash used in financing activities		**(4,932,100)**	**(6,082,130)**	**(634,373)**	**(8,096,847)**
Effect of exchange rate changes on cash and cash equivalents		**22,231**	**(52,347)**	**242,509**	**(1,519,517)**
Net change in cash and cash equivalents		**(2,573,994)**	(6,545,147)	**2,385,686**	(9,488,366)
Cash and cash equivalents beginning of period		**4,712,796**	11,257,943	**9,355,622**	18,843,988
Cash and cash equivalents at the end of period		**2,138,802**	**4,712,796**	**11,741,308**	**9,355,622**

Non-cash transactions:

	Notes	Company 2017	Company 2016	Consolidated 2017	Consolidated 2016
Increase in share capital in subsidiaries' through assumption of credit		**100,649**	–	–	–
Decrease in share capital in subsidiaries' through assumption of credit		–	651,586	–	–
Negative investment transference		**66,308**	(195,004)	–	–
Deferred tax write off offsetting investments		**(72,467)**	–	**(72,467)**	–
Dividends received through settlement of related parties		**(2,936)**	–	–	–
Investments transference to assets held for sale		**(597,684)**	–	–	–
Treasury shares cancellation	25	**1,539,573**	–	**1,539,573**	–
Payments of loans through settlement of related parties		**1,800,240**	869,277	–	–
Tax credit assignment with Flora	11	**25,108**	–	**25,108**	–
Related parties compensation through deferred tax credits acquisition		**754,783**	–	–	–
PERT compensation of debts with tax credits		**1,312,564**	–	**1,460,932**	–
Compensation reversal of recoverable taxes with accrued payroll and social charges	9	**1,659,460**	–	**1,659,460**	–
Moy Park loss of ownership	12	**(189,724)**	–	–	–
Assets addition through capital reduction in subsidiaries		**(68,336)**	–	–	–
Dividends declared but not paid	21	**126,873**	(89,352)	**126,873**	(89,352)
Subsidiary's net assets incorporation		–	23,336	–	–
BR Frango PP&E acquisition through assumption of debt		–	–	**(224,143)**	–

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

JBS S.A.

Economic value added the years ended December 31, 2017 and 2016
In thousands of Brazilian Reais - R$

	Company		Consolidated	
	2017	2016	2017	2016
		Restated		Restated
Revenue				
Sales of goods and services	**23,974,633**	29,079,823	**165,176,474**	173,107,165
Other income	**119,273**	19,006	**194,964**	161,980
Allowance for doubtful accounts	**(88,210)**	(7,196)	**(90,359)**	(19,197)
	24,005,696	**29,091,633**	**165,281,079**	**173,249,948**
Goods				
Cost of services and goods sold	**(17,110,505)**	(19,912,464)	**(102,846,696)**	(112,678,245)
Materials, energy, services from third parties and others	**(3,386,689)**	(3,484,103)	**(25,909,139)**	(25,691,357)
Loss / Recovery of assets	-	(452,578)	-	(452,578)
Others	-	-	-	(28,479)
	(20,497,194)	**(23,849,145)**	**(128,755,835)**	**(138,850,659)**
Gross added value	**3,508,502**	**5,242,488**	**36,525,244**	**34,399,289**
Depreciation and Amortization	**(776,207)**	(696,880)	**(4,471,669)**	(4,500,595)
Net added value generated	**2,732,295**	**4,545,608**	**32,053,575**	**29,898,694**
Net added value by transfer				
Share of profit of equity-accounted investees, net of tax	**4,979,341**	2,065,708	**18,630**	17,503
Financial income	**2,223,849**	4,559,611	**1,986,857**	4,477,128
Others	**61,887**	(15,177)	**(38,345)**	15,588
NET ADDED VALUE TOTAL TO DISTRIBUTION	**9,997,372**	**11,155,750**	**34,020,717**	**34,408,913**
DISTRIBUTION OF ADDED VALUE				
Labor				
Salaries	**1,982,381**	1,962,719	**16,311,770**	16,293,358
Benefits	**240,694**	285,673	**2,850,481**	2,947,854
FGTS (Brazilian Labor Social Charge)	**119,600**	117,462	**263,693**	259,199
	2,342,675	**2,365,854**	**19,425,944**	**19,500,411**
Taxes and contribution				
Federal	**1,459,921**	(849,107)	**2,786,468**	273,619
State	**992,178**	1,237,827	**1,760,570**	1,949,350
Municipal	**17,892**	16,828	**27,671**	41,616
	2,469,991	**405,548**	**4,574,709**	**2,264,585**
Capital Remuneration from third parties				
Interests and exchange variation	**4,491,225**	7,912,423	**7,423,950**	10,509,663
Rents	**149,793**	120,849	**753,916**	732,480
Others	**9,486**	117,516	**816,729**	836,689
	4,650,504	**8,150,788**	**8,994,595**	**12,078,832**
Owned capital remuneration				
Dividends	**(126,873)**	89,352	**(126,873)**	89,352
Net income (loss) attributable to company shareholders	**661,075**	144,208	**661,075**	144,208
Non-controlling interest	-	-	**491,267**	331,525
	534,202	**233,560**	**1,025,469**	**565,085**
ADDED VALUE TOTAL DISTRIBUTED	**9,997,372**	**11,155,750**	**34,020,717**	**34,408,913**

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

(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 it's American Depository Receipts over the counter under the symbol "JBSAY". The Company's registered office is Avenue Marginal Direita do Tietê, 500, Vila Jaguara, São Paulo, Brazil.

The issuance of these consolidated financial statements was authorized by the Board of Directors on March 28th, 2018.

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

The financial statements presented herein include the Company's individual operations in Brazil as well as the activities of its subsidiaries. Below is a summary of the Company's main operating activities by entity and geographic location, as well as ownership percentage as of December 31, 2017 and December 31, 2016.

Company

Description	Activities	Units	State
JBS S.A. (JBS, Company)	- Beef processing: slaughter, cold storage and production of canned and beef by-products. - Leather production, processing and commercialization. - Production and commercialization of steel cans, plastic resin, soap base for production, soap bar, biodiesel, glycerin, fatty acid, collagen and wrapper derived from cattle tripe; management of industrial residue; soybeans purchase and sale, tallow, palm oil, caustic soda, stearin, transportation services, dog biscuits, direct sales to customers of beef and related items by stores named "Mercado da Carne"; production, cogeneration and commercialization of electric power. - Distribution centers and harbors.	80	AC, BA, CE, ES, GO, MG, MS, MT, PA, PE, PR, RJ, RO, RS, SC, SP, TO

Consolidated: Main activities in Brazil

Description	Activities	Units	State	Participation	December 31, 2017	December 31, 2016
Seara Alimentos Ltda. (Seara Alimentos)	- Chicken and pork processing: raising, slaughtering and processing of broiler chickens and hogs; production and commercialization of beef and food products; and production of pet food and concentrates. - Distribution centers and harbors.	55	BA, CE, DF, MG, MS, MT, PE, PR, RJ, RN, RS, SC and SP	Direct	100%	100%
Meat Snacks Partners do Brasil Ltda (Meat Snacks)	- Beef Jerky production.	2	SP	Indirect	50%	50%
Enersea Comercializadora de Energia Ltda. (Enersea)	- Commercialization of eletric power.	2	SC and SP	Direct	99.99%	99.99%
JBS Confinamento Ltda. (JBS Confinamento)	- Cattle fattening services.	6	SP, GO, MS and MT	Direct	100%	100%
Brazservice Wet Leather S.A (Brazservice)	- Production, processing and commercialization of wet blue leather.	1	MT	Direct	100%	100%

Consolidated: Main activities outside of Brazil

Description	Activities	Units	Country	Participation	December 31, 2017	December 31, 2016
JBS USA Holding Lux, S.à.r.l. (JBS USA)	- Beef, pork and lamb processing : slaughter, cold storage, production of by-products; - Chicken processing: raising, slaughtering and processing of broiler chickens, production and commercialization of products derived from processing operations; - Cattle fattening services; - Transportation services.	249	Australia, Canada, Luxembourg, Mexico, Netherlands, United Kingdom and United States of America	Indirect	100%	100%
JBS Global UK, Friboi (JBS Global UK)	- Trading fresh and processed beef, pork, lamb and chicken products for the European market.	1	United Kingdom	Indirect	100%	100%
JBS Toledo NV (Toledo)	- Trading operations for the European market; cooked frozen meat commercialization; logistic operations; warehousing; customization and new products development.	1	Belgium	Indirect	100%	100%
Rigamonti Salumificio SpA (Rigamonti)	- Bresaola production and commercialization.	3	Italy	Direct	100%	100%
Conceria Priante (Priante)	- Semi-finished and finished leather production.	4	Italy	Direct	100%	100%
JBS Leather International (Leather International)	- Wet blue, semi-finished and finished leather production.	18	Argentina, Germany, Hong Kong, Netherlands, Paraguay and Uruguay	Direct	100%	100%
Seara Holding Europe B.V. (Seara Holding)	- Animal protein products trading.	4	Netherlands	Indirect	100%	100%

2 Plea bargain agreement, Leniency agreement and the impacts in the financial statements

As is public knowledge, in May 2017 certain executives and former executives of J&F Investimentos S.A. ("J&F"), the holder of a group of companies that belong to the "J&F Group," took over certain obligations in the Plea Bargain Agreement with the District Attorney General's Office ("PGR"), focusing on meeting the public interest, specially the further development of investigations around illegal events.

In June 2017, J&F entered in a Leniency Agreement ("Agreement") with the Federal Public Prosecutor's Office ("MPF") which was approved by the MPF's 5ª Chamber in August 24, 2017.

In the Agreement, J&F commits on behalf of itself and its subsidiaries to cooperate voluntarily with the Government, carry out internal investigations, and provide proof to ensure the materiality and origin of the actions committed and confessed. J&F has also agreed to reimburse damages and losses from the events related to the Plea bargain Agreement in the amount of R$10,3 billion over the next 25 years. The first R$50.000 will be paid in 5 installments due every six months, beginning in December 2017, with an additional 22 annual installments beginning in December 2020. The Company and its Brazilian subsidiaries entered the Agreement in September 6, 2017.

As a result of its adherence to the Leniency Agreement mentioned above between J&F and MPF in the scope of the national territory (Brazil) for maintaining market transactions and having investments in companies based in other countries, it is only maintaining contact and providing information to the United States Department of Justice (DoJ) regarding the progress of independent investigations being conducted in JBS USA and its relevant subsidiaries. Regarding the other foreign authorities in other countries, the Company and its subsidiaries do not maintain any negotiations. According to JBS USA's financial statements ended December 31, 2017, which are reviewed by independent auditors and which have an audit report dated February 19, 2017 updated with subsequent events until the date of the issuance of this financial statement, there is no mention of other facts or events about the ongoing independent investigations held besides those already described above.

The Company and its subsidiaries are in compliance with the Agreement's guidelines and are implementing a compliance program, consisting of internal policies and procedures related to anticorruption, as well the improvement of the ethical code, implementation of a complaints channel, training staff, investigative procedures, and other disciplinary measures. Such actions and the timeline thereof are aligned with the Agreements. Further information of Governance Measures and the Compliance Program will be described below:

2.1 Independent Internal investigations

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 Agreement. Therefore, J&F hired for the Company and its subsidiaries an independent law firm and forensic specialists ("Legal Advisors"), which during the third quarter of 2017, initiated an independent internal investigation related to the events described above.

Also, according to one of the obligations imposed by the Agreement, an Independent Supervision Committee ("Committee") was created and one its main responsibility was to approve the hiring of the Legal Advisors, who report directly to the Committee, including the scope and plans of the work done.

The independent Internal investigations follow international best practices and are still in progress, but based on the finalized steps, the Company's Management has concluded the impacts on its financial statements, as presented below.

2.2 Accounting impacts

In the annual financial statements as of December 31, 2016 and in the interim financial statements as of March 31, 2017, except by the executives and directors who entered in the plea bargain agreement, the other members of the Company's Management were not aware of the plea bargain agreement and the possible effects on the disclosed financial statements; therefore, there is no mention of the facts in previous financial statements.

The Company's Management identified that certain payments made using funds from JBS, were recognized as expenses in the income statement of each period; and that, except the official donations, were considered as deductible in the income tax (IRPJ) calculation basis and were taxes at zero rate of withholding income taxes (IRRF).

Therefore, the Company's Management determined that all the expenses paid without any evidence of service provided, supplies purchase and donations to political parties should be excluded in the income tax calculation of each period which were considered as deductible, as well any other taxes that such payments are subject to. For these items, withholding income tax effect were also considered, including fines and interest incurred at that period.

As a result from the internal assessments, the Company adjusted the years ended 2012 to 2017 in the amount of R$1,496,960, being segregated i) R$246,137 referring to 2012; ii) R$27,330 referring to 2013; iii) R$775,279 referring to 2014; iv) R$268,107 referring to 2015; v) R$145,555 referring to 2016; vi) R$34,552 referring to 2017, recognized under the caption "Provisions - Tax and social security", as described in footnote 24.

Thus, the financial statements from 2016, as well as the financial statements from the first, second and third quarter of 2017, are being restated due to the relevance of such impacts as described in footnote 3, item k.

2.3 Other investigative and judicial related procedures

The investigative and judicial procedures related to J&F's plea bargain agreement involving the Company, its executives and its subsidiaries are described in footnote 24 - Provisions.

2.4 Governance Measures

The Company continues to develop its program to improve governance policies. Among them, we point out certain measures implemented during the last quarter:

The Board of Directors approved the new structure and composition of the Advisory Committees, minding the Board of Directors composition and the Company's current scenario. The structure approved by the Board of Directors (a) extinguished the Executive Committee; and (b) kept the composition of the other Committees, as follows:

(i) the Audit Committee is composed of Sérgio Roberto Waldrich (Chairman), Paulo Sérgio Dortas and Gilberto Meirelles Xandó Batista, with Marlos Franco de Oliveira as secretary;
(ii) the Sustainability Committee is composed of Norberto Fatio (Chairman), Renato Mauro de Menezes Costa, Renata Bezerra Cavalcanti, Gilberto Tomazoni and Joanita Maestri Karoleski, with Márcio Nappo as secretary;
(iii) the Financial and Risk Management Committee is composed of Wesley Mendonça Batista Filho (Chairman) and Gilberto Meirelles Xandó Batista, and one of the members will be appointed by BNDESPAR according to the Shareholders Agreement, with Rafael Harada as secretary;
(iv) the Governance Committee is composed of Jeremiah O'Callaghan (Chairman) and Verônica Peixoto Coelho, with José Marcelo Martins Proença as secretary; and
(v) the Related Party Committee is composed of Sérgio Roberto Waldrich (Chairman), Paulo Sérgio Dortas and José Gerardo Grossi, with Daniel Pereira de Almeida Araujo as secretary.

Besides all the actions aforementioned, the Board of Directors approved all internal regulations of all Advisory Committees.

The Board of Directors kept the current composition: Jeremiah O'Callaghan (Chairman), José Batista Sobrinho (Vice-Chairman), Wesley Mendonça Batista Filho, Aguinaldo Gomes Ramos Filho, Gilberto Meirelles Xandó Baptista, José Gerardo Grossi, Sérgio Roberto Waldrich, Cledorvino Belini and Roberto Penteado de Camargo Ticoulat, maintaining four independent members, accordingly to the Novo Mercado regulations as defined per art. 16, §3º, of the Bylaws.

2.5 Compliance Program

The Company, following the "Always Do the Right Thing" program launched in July 2017, has developed several Compliance initiatives during the year. The department restructured itself, hired new staff, and now reports directly to the Board of Directors.

In the end of September, all directors in Brazil completed training which contained subjects such as anticorruption, money laundering prevention, anticompetitive practices, conflict of interests, and others. At management level, 300 managers from productive units were trained on the same topics.

Besides the actions aforementioned, third party Due Diligence (reputation analysis), was improved and more than 150 suppliers were subjected to compliance analysis before being registered in the Company's systems. Currently, there is a project ongoing with an advisory firm to review this methodology and automate this analysis, aiming to include a larger group of suppliers that will go through this process.

In December 2017, a complaints channel was launched, named "JBS Ethics Line". The tool was outsourced and works 24 hours per day, 7 days a week, in Portuguese, English and Spanish. Along with the tool's launch, new Ethics Committees were created in each business segment in Brazil, which are responsible for monitoring the compliance program and the results reported by the complaints channel.

3 Basis of preparation

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

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.

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

In order to provide an understanding regarding how our management forms its judgments about future events, including the variables and assumptions underlying the estimates and the sensitivity of those judgments to different variables and conditions.

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

As of December 31, 2017, we have made the acquisitions of Plumrose and GNP, that generated a significant amount of goodwill and intangible assets, with both indefinite and finite lives, as described in Note 4.

According to International Financial Reporting Standards (IFRS) 3 “Business Combinations”, the excess of the acquisition price, the amount of any non-controlling interest in the acquiree (when applicable), and the fair value, at the acquisition date, of any previous equity interest in the acquiree over the fair value of the net identifiable asset acquired at that date is recorded as goodwill. The acquisition price consists of cash paid, the fair value of equity issued and the fair value of contingent consideration. IFRS 3 does not permit that goodwill and intangible assets with indefinite useful lives be amortized however they should be tested at least annually for impairment at December 31.

Management uses judgment to identify tangible and intangible assets and liabilities, valuing such assets and liabilities, and in determining their remaining useful lives. The valuation of these assets and liabilities is based on the assumptions and criteria which include in some cases estimates of future cash flows discounted at the appropriate rates. The use of different assumptions used for valuation purposes, including estimates of future cash flows or discount rates, may result in differences in the estimates of the value of assets acquired and liabilities assumed.

Assets and liabilities are initially recorded at our best estimate of fair value. We generally engage third party valuation firms to assist in valuing the acquired assets and liabilities. When third parties are involved in developing these estimates, management evaluates the appropriateness of the significant inputs and assumptions used in the valuation estimates, which often involves an iterative process with the third party appraisers. We also evaluate the qualifications and reputation of the third party appraisers and assess the reasonableness of the overall fair value measurements through comparison to other acquisitions. Through this process, we obtain sufficient information to ascertain that the valuation methodologies used comply with IFRS 13 “Fair Value Measurement”.

The estimates of the fair value of assets acquired and liabilities assumed are adjusted during the measurement period (which shall not exceed one year, from the date of acquisition), or additional assets and liabilities are recognized to reflect new information relating to the facts and circumstances existing at the acquisition date which, if known, would have affected the amounts recognized on that date. These adjustments are infrequent and have historically not been material.

For impairment testing, assets are grouped together into the group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

CGUs are tested for impairment annually or whenever events and circumstances indicate that the recoverable amount of the CGU is less than its carrying amount. CGU groups containing goodwill are tested for impairment annually and whenever events and circumstances indicate that the recoverable amount may be less than the carrying amount. The recoverable amount is the higher of fair value less cost to sell or value in-use. The Company first estimates the value in-use of the CGUs and if it is lower than the carrying amount, the Company will estimate the fair value less cost to sell. During the years ended December 31, 2017 and 2016, our estimates of the CGU groups’ value in-use exceeded their carrying amounts and therefore estimates of fair value less cost to sell were not determined. Our estimates of value in-use contain uncertainties due to judgment in assumptions, including revenue growth, costs and expenses, capital expenditures, working capital and discount rates as described in Note 15.

b. Biological Assets

Management uses estimates and judgments in determining the fair value of live assets, poultry, hogs and cattle that include to market prices, average lifecycle growth, as well as the laying and reproduction profile. Biological assets are generally carried at cost unless an active market exists. Market prices for cattle and hogs are based on the Company’s knowledge of a limited market for transactions at various points of the consumable and bearer assets’ lifecycle. The fair value from assets already includes all losses related to the breeding process.

c. Deferred and Current Income Taxes

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

A portion of the tax benefit corresponding to the tax losses carried forward may not be recorded as an asset, as Management cannot determine whether realization is probable. Tax losses and negative bases of social contribution in Brazil have no expiration date, however, the annual offset in Brazil is limited to 30% of pretax income. The carryforward periods for other jurisdictions are limited to 10 to 20 years.

We regularly review the deferred tax assets for recoverability and will only recognize if we believe that it is probable that there will be sufficient taxable profit based on historical taxable income, projected future taxable income, and the expected timing of the reversals of existing temporary differences.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. We reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available. Deferred and Current Income taxes are described in Note 23.

d. Provisions

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

We are subject to lawsuits, investigations and other claims related to employment, environmental, product, taxes and other matters. We are required to assess the likelihood of any adverse judgments or outcomes, as well as the amount of probable losses, for these matters.

Provisions are recorded when losses are considered to be probable and the amount can be reliably measured. No provision is recorded if the risk of loss is assessed to be reasonably possible but not probable. Reasonably possible losses are disclosed in the notes to these financial statements. If the risk of loss is assessed as remote, no provision or disclosure is necessary. We discuss our material provisions in Note 24 to our financial statements.

e. Financial Instruments

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

Non-derivative financial assets at fair value through profit or loss: Financial assets are carried at their fair value if they are classified as held for trading or designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair values in accordance with the Company's documented risk management and investment strategy. Financial assets recorded at fair value through profit or loss are measured at fair value and changes in fair value of these assets are recognized as finance income or expense of the period.

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

Liabilities at amortized cost: The Company records debt securities and subordinated debt on the date on which they originated. Financial liabilities are derecognized when its contractual obligations are cancelled or expired.

Derivative financial instruments and hedge activities: In accordance with the Group's risk management policy, the Company purchases or sells financial derivative instruments in order to minimize the risk of loss from exposures to fluctuations in foreign exchange rates, interest rates, commodity prices, and other market variability, which can affect the valuation of current and non-current assets and liabilities, future cash flow and profit.These financial instruments are recognized after the Company becomes a party to the contractual provisions of the instruments. Derivatives are initially measured at fair value and any directly attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes thereafter are recognized in profit or loss. The fair value of derivative instruments is calculated by the Company's treasury department, based on information regarding each contracted transaction and market information on the reporting dates such as interest rates and exchange rates. The fair values of commodity future contracts are calculated based on daily settlements as a result of changes in market prices of future contracts and commodities. The fair value of swap contracts are obtained by calculating independently the present value of the asset and liability legs. The future prices used to calculate the curve of derivative contracts were drawn from the Blomberg database. Cash settlements from derivative transactions are classified in the statement of cash flows and fair value adjustments are presented in the statement of income consistent with the nature of the derivative instrument. The majority of gains and losses for all years presented relate to the Company's prior practice of entering into derivative contracts to protect the Company against devaluation of the Brazilian real, and have been recorded as a component of finance income (expense) as shown in Note 27.

Along with non-derivative financial assets and non-derivative financial liabilities, derivative assets and derivative liabilities are offset and the net amount is presented in the statement of financial position when the Company has a legally enforceable right to offset the amounts and intends to settle them on a net basis or realize the asset and liability simultaneously. If these criteria are not met, the financial instruments are presented on a gross basis in the statement of financial position. Derivative assets and liabilities, by type of contract, are presented in Note 32 in our consolidated financial statements.

f. Foreign currency translation

Functional and representation currency

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

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

Group companies with a different functional currency

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

i. assets and liabilities are translated at the current rate at the date of each closing period;
ii. income and expenses are translated at the monthly average rate; and
iii. all resulting exchange differences are recognized in accumulated other comprehensive income (loss), and are presented in the statement of comprehensive income (loss) as foreign currency translation adjustments with in equity.

g. Individual financial statements

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

h. Consolidated financial statements and investments in associates and joint ventures

The Company consolidates all majority-owned subsidiaries. The Company controls a non-majority owned entity when it is exposed or has the right to variable return resulting with its involvement with the entity and it has the ability to affect those through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date at which control is transferred to the Group. Consolidation is discontinued from the date that control ceases.

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

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

The non-controlling interest represents the portion of consolidated subsidiaries not owned by the Group and is presented in the consolidated financial statements as a part of shareholder's equity, and the net income (loss) attributable to non-controlling interest is presented in the statement of income.

When the Company acquires or disposes of shares of an entity that it already controls, any gains or losses resulting from the difference between the amount paid or received and the carrying amount of the non-controlling interest on a per share basis is kept at shareholder's equity in the caption of "Capital transactions".

i. Present value adjustment in assets and liabilities

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

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

Below, are presented the changes that have been published in new standards and will be mandatory to subsequent periods, starting January 1, 2018. The Company will not early adopt any of these standards.

IFRS 9 - Financial instruments: Replaces existing standards and includes new models for the classification and measurement of financial instruments and expected credit losses for financials and contractual assets, as well as new requirements on hedge accounting; and maintains existing guidelines on the recognition and derecognition of financial instruments.

The Company's Management understands that the new standards will not bring significant impacts on the measurement of its financial assets. Regarding disclosure, the main impacts are in the classification of financial assets and liabilities, and the new standard excludes the category of "Loans and Receivables", in which are classified cash and cash equivalents, trade accounts receivable and credit with related parties.

In regard to trade accounts receivable the Company chose to adopt the standard format of maturities proposed in paragraph B5.5.35 of IFRS 9, grouping its customer relationship portfolios and the impact of the new policy measured by The Company, which didn't presented any changes in the allowance for doubtful accounts calculated.

In addition, a few aspects related to the disclosure of financial instruments in the financial statements should change to reflect the new concepts of IFRS 9.

IFRS 15 - Revenue from Contracts with Customers: Introduces a comprehensive framework to determine if and when revenue is recognized and how it is measured replacing current revenue recognition standards.

The Company's Management has evaluated these changes and concluded that there won't be any impacts to the Company when recognizing its revenue customer contracts, as well as for the measurement and disclosure. The impacts identified are related to the review of internal documents and the creation and/or changes of procedures, in order to ensure that the new contracts with customers be adequately reviewed and recognized with IFRS 15 concepts.

The measurement and recognition of revenues, bonuses, discounts and returns, as well as policies and processes did not change substantially.

IFRS 16 - Leases: Requires the recognition of operating leases in the same standard as financial leases (starting for annual periods beginning on or after January 1, 2019) . The standard will impact the recognition of outstanding operating leasing according to note 18 a. Operating Leases. Until the end of the current period, the Company has not determined which of these commitments will result in the recognition of an asset or a liability to future payments, as well as the impact on its cash flow statement and net income (loss).

IFRIC 22 - Foreign currency transactions and advance consideration: In December 2016, IASB issued IFRIC 22 which refers to the exchange rate that must be used in transactions involving a consideration amount paid or received in advance in a foreign currency. The interpretation clarifies that the date of the transaction is when the non-monetary asset or liability is recognized. IFRIC 22 will be effective in the annual periods beginning on January 1, 2018. The Company does not expect relevant impacts, since these transactions already are in accordance to the standard.

There are no other standards, changes in standards and interpretations which are not in force that the Company expects to have a material impact arising from its application in its financial statements.

k. Restatement of the financial statements

Due to the impacts identified and adjusted as explained in footnote 2, the Company is restating the balances of the year ended December 31, 2016 for comparability purposes, in accordance with CPC 23 and IAS 8 - Accounting policies, changes in accounting estimates and errors.

The impacts of the adjustments are presented below:

(Expressed in thousands of Brazilian reais)

Company

LIABILITIES AND EQUITY	Previously disclosed		Adjustments		Ref.	Restated	
	December 31, 2016	January 1, 2016	December 31, 2016	January 1, 2016		December 31, 2016	January 1, 2016
LIABILITIES - NON-CURRENT	**16,337,209**	**17,228,276**	***1,397,375***	***1,254,965***		**17,734,584**	**18,483,241**
Deferred income taxes	1,935,493	1,893,861	***(65,032)***	***(61,888)***	***(b)***	1,870,461	1,831,973
Provisions	222,407	197,100	***1,462,407***	***1,316,853***	***(a)***	1,684,814	1,513,953
EQUITY							
Profit reserve	5,045,937	4,756,937	***(1,397,375)***	***(1,254,965)***	***(c)***	3,648,562	3,501,972
TOTAL LIABILITIES AND EQUITY	**55,800,213**	**65,563,143**	-	-		**55,800,213**	**65,563,143**

INCOME STATEMENT	Previously disclosed	Adjustments	Ref.	Restated
	December 31, 2016	December 31, 2016		December 31, 2016
General and administrative expenses	(2,034,632)	***(145,555)***	***(a)***	(2,180,187)
Deferred income taxes	(91,723)	***3,144***	***(b)***	(88,579)

CASH FLOW	Previously disclosed	Adjustments	Ref.	Restated
	December 31, 2016	December 31, 2016		December 31, 2016
Net income	375,973	***(142,411)***	***(c)***	233,562
Tax expenses	(852,071)	***(3,144)***	***(b)***	(855,215)
Investigation impacts due to the leniency agreement	-	***145,555***	***(a)***	145,555
Net cash provided by operating activities	**179,408**	-		**179,408**
Related party transactions	247,687	***(869,277)***	***(d)***	(621,590)
Net cash provided by (used in) investing activities	**279,199**	***(869,277)***		**(590,078)**
Payments of loans and financings	(13,299,704)	***869,277***	***(d)***	(12,430,427)
Net cash used in financing activities	**(6,951,407)**	***869,277***		**(6,082,130)**

ECONOMIC VALUE ADDED STATEMENT	Previously disclosed	Adjustments	Ref.	Restated
	December 31, 2016	December 31, 2016		December 31, 2016
Federals	(991,518)	***142,411***	***(c)***	(849,107)
Net income (loss) attributable to company shareholders	286,618	***(142,410)***	***(c)***	144,208
ADDED VALUE TOTAL DISTRIBUTED	**11,155,748**	-		**11,155,748**

Consolidated

LIABILITIES AND EQUITY	Previously disclosed		Adjustments		Ref.	Restated	
	December 31, 2016	January 1, 2016	December 31, 2016	January 1, 2016		December 31, 2016	January 1, 2016
LIABILITIES - NON-CURRENT	**44,552,512**	**52,744,122**	***1,397,375***	***1,254,964***		**45,949,887**	**53,999,087**
Deferred income taxes	3,828,080	4,310,495	***(65,032)***	***(61,888)***	***(b)***	3,763,048	4,248,607
Provisions	1,245,239	1,533,100	***1,462,407***	***1,316,853***	***(a)***	2,707,646	2,849,953
EQUITY							
Profit reserve	5,045,937	4,756,936	***(1,397,375)***	***(1,254,965)***	***(c)***	3,648,562	3,501,971
TOTAL LIABILITIES AND EQUITY	**102,815,763**	**122,502,967**	-	-		**102,815,763**	**122,502,967**

INCOME STATEMENT	Previously disclosed	Adjustments	Ref.	Restated
	December 31, 2016	December 31, 2016		December 31, 2016
General and administrative expenses	(4,861,263)	***(145,555)***	***(a)***	(5,006,818)
Deferred income taxes	557,937	***3,144***	***(b)***	561,081

(Expressed in thousands of Brazilian reais)

CASH FLOW	Previously disclosed	Adjustments	Ref.	Restated
	December 31, 2016	December 31, 2016		December 31, 2016
Net income	707,498	*(142,411)*	*(c)*	565,087
Tax expenses	(271,118)	*(3,144)*	*(b)*	(274,262)
Investigation impacts due to the leniency agreement	-	*145,555.000*	*(a)*	145,555.000
Net cash provided by operating activities	**3,667,395**	-		**3,667,395**

ECONOMIC VALUE ADDED STATEMENT	Previously disclosed	Adjustments	Ref.	Restated
	December 31, 2016	December 31, 2016		December 31, 2016
Federals	131,208	*142,411*	*(c)*	273,619
Net income (loss) attributable to company shareholders	286,619	*(142,411)*	*(c)*	144,208
ADDED VALUE TOTAL DISTRIBUTED	**34,408,915**	-		**34,408,915**

(a) Income tax and withholding income tax accruals, calculated based on expenses paid without service rendering, plus interest and fines from the effective date of payment of such expenses.

(b) Refers to the temporary differences arising from the accounting impacts of income tax and withholding income tax, and the interest incurred.

(c) Refers to the offset entry of the adjustments aforementioned in items (a) and (b).

(d) Payments of loans through settlement of related parties.

Based on the guidance of the Company's legal advisors, the income tax and withholding tax accruals are recognized under the caption "Provisions - Tax and social security" as a contingency provision, classified as a probable loss.

4 Business Combination

The Company applies the acquisition method to account for business combinations with entities not under common control. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the cash or equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from contingent consideration. Generally all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values as of the acquisition date. The group recognizes any non-controlling interest in the acquiree on an acquisition by acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

Goodwill is initially measured as the excess of the consideration transferred and the fair value of any non-controlling interest in the acquiree (when applicable), and the fair value at the acquisition date of any previous equity interest in the acquisition, over the fair value of net assets acquired. When the consideration is less than the fair value of the net assets acquired, the gain is recognized directly in the statement of income of the period as 'Bargain gain'.

The Company, and the acquiring subsidiaries as indicated below, entered into the following business combinations during the year ended December 31, 2017. There were no significant business combinations for the year ended December 31, 2016.

In January, 2017, the Company's indirect subsidiary PPC, acquired 100% 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 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.

The assets acquired and liabilities assumed in the business combinations noted above were have been measured at their fair values at 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	-	79,643
Other assets	449	13,268
Property, plant and equipment	416,467	450,720
Intangible assets	136,252	410,012
ASSETS	**785,119**	**1,108,283**
Trade accounts payable	96,339	80,186
Other liabilities	15,381	42,102
Deferred income taxes	83,283	-
LIABILITIES	**195,003**	**122,288**
Net assets and liabilities	**590,116**	**985,995**
Acquisition price	731,263	1,117,127
Goodwill	**141,147**	**131,132**

(Expressed in thousands of Brazilian reais)

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

	2017	
Company	**Net revenue**	**Net income (loss)**
GNP	1,405,093	99,146
Plumrose	1,042,353	42,198

Pro-forma information:

Net sales and net income for the Company is presented below on a pro-forma basis assuming the acquisitions occurred at the beginning of the year of each acquisition:

	2017	2016
Pro-forma net revenue	517,718	n/a
Pro-forma net income (loss)	(9,376)	n/a

This pro-forma financial information is presented for informational purposes only and does not purport to represent what the Company's results of operations would have been had it completed the acquisition on the date assumed, nor is it necessarily indicative of the results that may be expected in future periods.

Other transactions:

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

Company	Date of acquisition	% of voting interests acquired	Acquisition price [1]	Goodwill	Goodwill deductible for tax
Scott Technology Limited	April 2016	50.1%	124,229	105,294	No

[1] - **Acquisition price:** Acquisitions were paid with cash and cash equivalents.

5 Cash and cash equivalents

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

	Company		Consolidated	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Cash on hand and at banks	**1,074,718**	2,024,404	**5,884,806**	5,608,922
CDB (bank certificates of deposit) and National Treasury Bill (Tesouro Selic)	**1,064,084**	2,688,392	**5,856,502**	3,746,700
	2,138,802	**4,712,796**	**11,741,308**	**9,355,622**

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

Brazilian national treasury bills, also known as Tesouro Selic, are bonds purchased from financial institutions having conditions and characteristics that are similar to CDB's.

6 Trade accounts receivable, net

Trade accounts receivable correspond to amounts owed by customers in the ordinary course of business. If the receivable is due within one year or less the account receivable is classified as a current asset, otherwise the receivable is classified as a non-current asset. Accounts receivable are presented at amortized cost less any impairment. Accounts receivable denominated in currencies other than the entities' functional currency are remeasured using the exchange rate in effect at the end of the reporting period. The age of accounts receivable along with the allowance for doubtful accounts and present value adjustment are as follows at December 31, 2017 and 2016:

	Company		Consolidated	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Current receivables	**2,030,682**	**2,438,141**	**7,705,162**	**8,415,098**
Overdue receivables:				
From 1 to 30 days	**166,265**	167,629	**1,185,345**	791,597
From 31 to 60 days	**22,685**	179,443	**172,242**	270,548
From 61 to 90 days	**57,566**	31,686	**121,615**	97,132
Above 90 days	**219,569**	75,693	**477,294**	267,754
Allowance for doubtful accounts	**(191,163)**	(119,859)	**(324,570)**	(238,084)
Present value adjustment	**(2,691)**	(5,078)	**(3,797)**	(14,860)
	272,231	**329,514**	**1,628,129**	**1,174,087**
	2,302,913	**2,767,655**	**9,333,291**	**9,589,185**

The diversity of the trade accounts receivable portfolio significantly reduces our exposure to credit risk. To further mitigate our risk, parameters have been put in place when credit is provided to customers such as requiring minimum financial ratios, analyzing the operational health of customers, and reviewing references from credit monitoring entities.

(Expressed in thousands of Brazilian reais)

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

	Company		Consolidated	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Initial balance	**(119,859)**	**(114,962)**	**(238,084)**	**(266,733)**
Additions	**(88,210)**	(13,148)	**(126,900)**	(30,985)
Exchange variation	–	–	**(3,183)**	19,459
Write-offs	**16,906**	8,251	**41,880**	40,175
Assets held for sale	–	–	**1,717**	–
Final balance	**(191,163)**	**(119,859)**	**(324,570)**	**(238,084)**

7 Inventories

Inventories are stated at the lower of the average cost of acquisition or production and the net realizable value. The cost of inventory is based on the first-in, first-out principle. In the case of finished products and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Biological assets are transferred into inventory at the point of slaughter based on their carrying amounts, which is either historical cost or market value depending on the Company's accounting policies described in Note 8.

	Company		Consolidated	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Finished products	**1,080,588**	953,077	**5,974,007**	5,741,792
Work in process	**422,025**	379,173	**938,354**	810,131
Raw materials	**171,436**	166,132	**1,136,595**	1,376,927
Warehouse spare parts	**149,591**	175,119	**1,635,922**	1,679,624
	1,823,640	**1,673,501**	**9,684,878**	**9,608,474**

8 Biological assets

The Company's live animals consist of cattle, chickens and hogs and segregated into consumables and bearer assets. Animals for slaughter are designated for "in natura" meat production and/or processed and by-products, and until they reach the appropriate weight for slaughter they are classified as immature. The slaughtering and production processes occur in a very short period of time and, as a consequence, only live animals transferred to slaughter are classified as mature. The animals designated for production (breeder chickens and hogs), are those which are intended to produce other biological assets. Until they reach the age of reproduction they are classified as immature and when they are able to start the reproductive cycle are classified as mature.

Chicken and eggs:

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

Non-current (bearer assets) - are breeder chickens that are set aside for breeding and have an estimated useful life of 68 weeks. The animals in this category are segregated between mature, when they are in the breeding stage and immature when they are under development.

The costs associated breeder chickens are accumulated up to the production stage (immature) and amortized over their productive lives based on an estimate of their capacity to produce eggs (mature). There is no active market for breeder chickens. Amortization of the mature hen is included in cost of sales in the statement of income.

Cattle:

Current (consumable) - are owned cattle in feedlots and grass-fed cattle which remains under development for 90 to 120 days. Cattle are carried at market value due to the existence of active markets. The gain or loss in fair value of cattle is recognized in the statement of income in the period in which it occurs as a reduction of (or increase in) gross revenue.

Hogs and lambs:

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

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

The fair value measurement of biological assets are categorized as 'Level 2' within the fair value hierarchy. Refer to Note 32 for information on fair value hierarchy.

(Expressed in thousands of Brazilian reais)

	Consolidated			
Current biological assets (consumable):	**December 31, 2017**		**December 31, 2016**	
	Amount	**Quantity (thousands)**	**Amount**	**Quantity (thousands)**
Carried at cost:				
Chicken	**1,476,403**	**539,900**	1,418,111	537,603
Hogs	**566,968**	**2,787**	621,229	2,815
	2,043,371	**542,687**	**2,039,340**	**540,418**
Carried at market value:				
Hogs	**689,830**	**2,010**	583,522	1,852
Cattle	**34,049**	**14**	50,251	19
	723,879	**2,024**	**633,773**	**1,871**
Total current:				
Chicken	**1,476,403**	**539,900**	1,418,111	537,603
Hogs	**1,256,798**	**4,797**	1,204,751	4,667
Cattle	**34,049**	**14**	50,251	19
	2,767,250	**544,711**	**2,673,113**	**542,289**

	Consolidated			
Non-current biological assets (bearer assets):	**December 31, 2017**		**December 31, 2016**	
	Amount	**Quantity (thousands)**	**Amount**	**Quantity (thousands)**
Carried at cost:				
Mature chickens (breeding stage), net of amortization	**418,212**	**21,919**	421,583	20,427
Immature chickens (in development)	**399,398**	**15,712**	382,429	15,684
Hogs	**150,151**	**388**	173,028	399
Total non-current:	**967,761**	**38,019**	**977,040**	**36,510**
Total of biological assets:	**3,735,011**	**582,730**	**3,650,153**	**578,799**

Changes in biological assets:	**Current**	**Non-current**
Balance at December 31, 2016	**2,673,113**	**977,040**
Increase by reproduction (born) and cost to reach maturity	21,077,761	1,571,372
Reduction for slaughter, sale or consumption	(24,723,331)	(164,357)
Increase by purchase	2,641,547	480,256
Decrease by death	(7,251)	(23,457)
Fair value adjustments, net	251,294	-
Changes from non-current to current	759,371	(759,371)
Exchange rate variation	48,424	23,273
Amortization	-	(1,170,316)
Effect from acquired companies	46,322	33,321
Balance at December 31, 2017	**2,767,250**	**967,761**

Changes in biological assets:	**Current**	**Non-current**
Balance at December 31, 2015	**2,873,447**	**1,100,353**
Increase by reproduction (born) and cost to reach maturity	23,296,843	1,630,635
Reduction for slaughter, sale or consumption	(26,917,454)	(244,211)
Increase by purchase	2,967,124	646,663
Decrease by death	(33,688)	(17,786)
Fair value adjustments, net	19,528	-
Changes from non-current to current	830,401	(830,401)
Exchange rate variation	(363,088)	(160,272)
Amortization	-	(1,147,941)
Balance at December 31, 2016	**2,673,113**	**977,040**

(Expressed in thousands of Brazilian reais)

9 Recoverable taxes

Recoverable taxes as of December 31, 2017 and 2016 was comprised of the following:

	Company		Consolidated	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Value-added tax on sales and services - ICMS	**971,234**	1,020,792	**2,456,714**	2,462,189
Excise tax - IPI	**12,713**	36,883	**89,832**	113,981
Social contribution on billings - PIS and COFINS	**2,633,753**	1,193,325	**3,546,549**	1,972,962
Withholding income tax - IRRF/IRPJ	**1,952,864**	1,363,354	**2,283,289**	1,722,394
Reintegra	**48,053**	15,557	**79,829**	50,535
Other	**17,484**	17,601	**39,332**	74,265
	5,636,101	**3,647,512**	**8,495,545**	**6,396,326**
Current	**182,885**	698,885	**974,404**	1,677,791
Non-current	**5,453,216**	2,948,627	**7,521,141**	4,718,535
	5,636,101	**3,647,512**	**8,495,545**	**6,396,326**

Value-added tax on sales and services - ICMS: Refers to excess credits derived from purchases of raw materials, packaging and other materials over tax charges due on domestic sales, since exports are not subject to it. The Company expects to recover the total amount of the tax credit, including Brazilian ICMS credits from other states (based on the difference between the statutory rate of tax and the effective rate for ICMS collection in the state of origin) either through the use of the credits to offset tax charges on domestic sales or the credits can be used to pay purchases of fixed assets, packaging, electricity, and other vendors. These excess credits do not expire.

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

Social contribution on billings - PIS and COFINS: Refers to Brazilian federal value added taxes (non-cumulative PIS and COFINS credits) arising from purchases of raw materials, packaging and other materials used in products sold in markets outside of Brazil. Such credits do not expire and can be offset against other federal taxes, such as income taxes, or in cash, administrative or judicial.

Withholding income tax - IRRF/IRPJ: Refers mainly to Brazilian withholding income tax levied on short-term investments, deductions and remaining foreign tax credits and prepayments of income tax and social contribution paid by estimate, which can be offset against income tax payable in each jurisdiction. R$471,912 relates to withholding income taxes and R$1,811,663 relates to prepayment of income taxes in foreign jurisdictions.

Reintegration of the Special Tax Values - Reintegra: Refers to tax incentives for exports which can be reimbursed fully or partially. Tax credit amounts are calculated by multiplying the statutory rate by gross revenue from the export of certain commercial products. These credits do not expire and can be offset against other federal taxes, such as income taxes, or in cash.

Taxes payable in installments: As described in note 19, in order of PERT's adherence the INSS compensation with the approved balance of PIS and COFINS, was reversed so that the INSS balance was included in PERT. This was recognized under the caption Recoverable taxes - PIS and COFINS in the amount of R$1,659,460, as of November 7, 2017.

10 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:

	Assets Five Rivers	Other Assets	Total
Trade accounts receivable	9,451	–	**9,451**
Inventories	173,882	–	**173,882**
Property, plant and equipment	381,449	20,265	**401,714**
Other current and noncurrent assets	232,658	–	**232,658**
Total of assets	**797,440**	**20,265**	**817,705**
Other current and noncurrent liabilities	23,305	–	**23,305**
Total of liabilities	**23,305**	–	**23,305**
Equity	**774,135**	**20,265**	**794,400**

Five Rivers Cattle feeding (Five Rivers) and other 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. JBS USA also committed to sell other assets such as productive units in Alabama - USA, Dublin - Ireland, which are not fit to JBS USA's operations anymore. This operation is recognized under the Beef segment of the Company.

Subsequent event: In January 17, 2018, JBS USA entered into an agreement to sell the totality of Five Rivers Cattle Feeding's feedlot operations in the U.S. ("Five Rivers U.S.") to affiliates of Pinnacle Asset Management, L.P. ("Pinnacle-Arcadia"), for approximately US$200.000, including the market value of silage and grain inventories at closing, and subject to adjustments by working capital variation also at closing ("Transaction"). Coupled with the acquisition of Five Rivers U.S.'s shares, the buyer will sign a long-term contract to supply cattle to JBS in North America. As announced to the market as a Material Fact in March 16, 2018, the sale was concluded.

(Expressed in thousands of Brazilian reais)

11 Related parties transactions

The main balances of assets and liabilities, as well as the transactions resulting in income (loss) for any period, that relate to transactions between related parties or arose from transactions at prices and conditions established between the related parties. Transference of costs includes borrowing costs, interest and management fee, when applicable. The following table includes balances and net effect on income of intercompany financing transactions between the Company and its subsidiaries:

			Statement of financial position accounts		Effect on net income	
COMPANY	**Currency**	**Costs transfer (administrative and funding)**	**December 31, 2017**	**December 31, 2016**	**2017**	**2016**
Direct subsidiaries						
Seara Alimentos [2]	R$	Corresponds to CDI + 1% p.m.	**3,433,716**	3,120,338	**315,749**	520,805
JBS Embalagens Metálicas [2]	R$	Corresponds to CDI + 1% p.m.	**141,011**	145,109	**26,842**	28,023
Conceria Priante [1]	EUR	5.11% p.y.	**117,136**	–	**1,712**	–
Brazservice [2]	R$	Corresponds to CDI + 1% p.m.	**90,622**	79,883	**15,671**	11,724
Midtown Participações [1] [2]	R$	–	**2,092**	–	–	–
Tannery	R$	Corresponds to CDI + 1% p.m.	–	–	–	3,083
JBS Global Investments [1]	US$	–	–	(28,443)	–	–
JBS HU [1]	US$	2.25% p.y.	–	(2,827)	**(64)**	(33)
Enersea [2]	R$	Corresponds to CDI + 1% p.m.	**(361)**	–	**(1,044)**	240
JBS Mendoza [1]	US$		**(723)**	–	–	–
JBS Confinamento [2]	R$	Corresponds to CDI + 1% p.m.	**(5,516)**	128,899	**7,601**	15,928
Beef Snacks do Brasil [2]	R$	–	**(25,348)**	–	–	–
Indirect subsidiaries						
JBS Aves [2]	R$	Corresponds to CDI + 1% p.m.	**950,199**	1,882,114	**268,986**	391,163
Trump Asia [1]	US$	5.11 to 8.375% p.y.	**211,070**	–	**3,283**	–
JBS Leather Uruguai [1]	US$	8.375% p.y.	**67,150**	–	**1,931**	–
Zendaleather México [1]	US$	2.5% p.y.	**22,479**	21,601	**534**	456
Frigorífico Canelones	US$	3.5% p.y.	–	(32,876)	**(274)**	(276)
JBS Handels GmbH [1]	EUR	–	**(581,481)**	(82,245)	**(6,952)**	–
JBS USA Holding Lux [1]	US$	8.375% p.y.	**(2,405,358)**	–	**(63,792)**	–
Other related party						
Flora Higiene e Produtos	R$	Selic	**23,783**	–	**1,163**	–
			2,040,471	**5,231,553**	**571,346**	**971,113**

[1] Conceria Priante, JBS Global Investments, JBS Handels, JBS HU, JBS USA Holding Lux, JBS Mendoza, Midtown Participações, Trump Asia, Zendaleather Mexico e Zendaleather Uruguay - Refers to working capital funding. Settlement in the future shall be through a capital reduction and/or dividends distribution.

[2] Beef Snacks do Brasil, Brazservice, Enersea, JBS Aves, JBS Confinamento, JBS Embalagens Metálicas, Midtown Participações and Seara Alimentos - In May 2017, was implemented the Tax Regularization Special Program ("PERT") which rules allow the use of own credits of direct or indirect subsidiaries, or parent companies and their direct or indirect subsidiaries. In September 2017, the Company received the assignment of the credits from its related parties, which included a 25% discount in the tax amount assigned, in the amount of approximately R$75,000, recognized under the caption "Other operating income". These transactions were approved unanimously by the Related Party Committee.

Additional information among the transactions between related parties are pointed such as the purchase of cattle for slaughter between JBS and it subsidiary JBS Confinamento and the related party JBJ Agropecuária, the purchase of eletric power from the subsidiary Enersea, the purchase of supplies for the industrialization of products from the subsidiary Seara, and the sale of finished products to "trading companies" Toledo, Sampco and Meat Snack Partners, and of leather in different stages to the subsidiary Trump Asia. Such transactions are made at regular price and market conditions in their region because it takes the market prices applied with third parties clients. The number of cattle supplied by JBS Confinamento is irrelevant comparing to the volume demanded by JBS, same as the volume of exported through our tradings products over the volume of its exports.

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.

(Expressed in thousands of Brazilian reais)

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

	Accounts receivable		Accounts payable		Purchases/Services rendered		Sale of products/Services rendered	
COMPANY	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	2017	2016	2017	2016
Direct subsidiaries								
JBS Confinamento	**153**	340	**8,513**	12,518	**90,221**	223,323	**1,178**	6,254
Priante	**22,964**	14,061	–	89	–	–	**46,157**	52,824
Brazservice	**6,852**	1,906	**1,945**	2,447	**75,795**	57,423	**65,968**	87,221
Seara Alimentos	**29,336**	13,972	**18,968**	128,800	**98,052**	286,123	**465,654**	237,336
Enersea	**763**	–	–	49	**135,261**	117,039	**102,276**	49,307
Indirect subsidiaries								
JBS Global UK	**59,192**	33,716	–	–	–	–	**171,144**	248,074
Toledo	**16,821**	23,089	–	–	–	–	**221,098**	250,388
JBS Aves	**941**	1,573	**21,516**	139,727	**32,428**	335,236	**13,010**	69,092
Weddel	**7,642**	3,151	–	–	–	–	**31,051**	41,649
Sampco	**30,071**	57,701	–	–	–	20	**277,273**	394,171
Meat Snacks Partners	**5,970**	2,933	**101**	113	**797**	5,025	**222,969**	291,550
Trump Asia	**22,180**	33,182	**475**	155	**320**	31	**220,271**	331,360
JBS Paraguay	–	514	–	3,326	**50,479**	73,017	**976**	2,445
Zenda	**7,865**	12,071	**513**	380	**1,381**	6,131	**30,572**	46,201
Braslo Produtos de Carnes	–	13,590	–	–	–	–	**121,465**	195,055
JBS USA	**39**	3,391	–	–	**351**	–	**52,762**	6,357
Agrícola Jandelle	**1,341**	1,455	**23,190**	42,674	**31,883**	117,275	**4,063**	16,665
Other related parties								
Vigor	–	203	–	96,194	**25,812**	110,433	**22**	63,099
J&F Floresta Agropecuária	**25**	39	–	4,183	**60,493**	41,623	**30**	412
JBJ Agropecuária	**279**	282	**26,288**	48,015	**370,403**	339,134	**4,589**	3,945
Flora Produtos	**6,627**	6,096	**3**	2	**28**	58	**101,636**	131,312
Dan Vigor Indústria e Com.	–	9,744	–	3,355	**4,525**	3,355	**74,526**	35,071
	219,061	**233,009**	**101,512**	**482,027**	**978,229**	**1,715,246**	**2,228,690**	**2,559,788**

Financial transactions

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 December 31, 2017 and December 31, 2016, the unpaid balance of transferred receivables was R$848,273 and R$765,585 in the Company, and R$1,490,395 and R$1,446,934 in the Consolidated, respectively. During the years ended December 31, 2017 and 2016, JBS incurred financial costs related to this operation in the amount of R$64,772 and R$88,047 in the Company, and R$119,263 and R$155,573 in the Consolidated, respectively, recognized in the consolidated financial statements as financial expenses.

Additionally at December 31, 2017 and December 31, 2016, the Company holds investments with Banco Original, in the amount of R$68,760 and R$62,062 in the Company and R$157,862 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 years period ended December 31, 2017 and 2016, the Company earned interest from these investments in the amount of R$6,039 and R$12,665 in the Company, and R$11,628 and R$16,656 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$22,003 and R$16,873 at December 31, 2017 and December 31, 2016, referring to Seara and Macedo, are bank notes issued by BNDES (Brazilian Development Bank). Outstanding borrowings under these notes bear interest at an average rate of 9.00% at December 31, 2017, which is payable on a monthly basis. The notes are due in 2019 to 2024 and may be pre-paid at any time without penalty.

JBS is the main sponsor of Instituto Germinare, a business school youth-directed, whose goal is to educate future leaders by offering free, high-quality education. During the years ended December 31, 2017 and 2016, JBS made donations in the amounts of R$20,397 and R$5,138 in the Company, respectively, and in the Consolidated, R$20,397 and R$9,938, respectively, recognized in the financial statements as administrative expenses.

Credit with related parties - Consolidated

	December 31, 2017	December 31, 2016
J&F Oklahoma [3]	**873,752**	1,315,526
Flora Produtos de Hig. Limp. S.A. [4]	**23,783**	–
	897,535	**1,315,526**

[3] 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$2.2 billions (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$3.8 billion (US$1.15 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. As demonstrated in footnote 12, JBS Five Rivers sale was concluded in March 16, 2018.

[4] 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

(Expressed in thousands of Brazilian reais)

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.

Commercial transactions - Consolidated

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 years ended December 31, 2017 and 2016, the amounts received under the cattle supply and feeding agreements were R$2.7 billion (US$848 million) and R$2.8 billion (US$856 million) respectively, and amounts paid under the cattle sale and purchase agreements were R$9.8 billion (US$3 million) and R$10.2 billion (US$3.1 million), respectively.

As demonstrated in footnote 12, JBS Five Rivers and JBS Canada operations were part of the Company's divestment program. JBS Canada sale was concluded in October 30, 2017, and JBS Five Rivers sale was concluded in March 16, 2018.

No expense for doubtful accounts or bad debts relating to related-party transactions were recorded during the years ended December 31, 2017 and 2016.

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 year ended ended December 31, 2017 and 2016 is the following:

	2017	2016
Salaries and wages	**11,382**	9,327
Variable cash compensation	**8,500**	12,000
Share-based compensation (*)	**2,500**	2,000
	22,382	**23,327**

(*) Refers to shares granted during the year of 2017;

The Administrative and Control Officer, the Investor Relations Officer and the President of Mercosul operations 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.

12 Investments in associates, subsidiaries and joint ventures

Relevant information for investments in the year ended December 31, 2017:

	Participation	Total assets	Share capital	Equity + Goodwill	Net revenue	Net income (loss)
In subsidiaries:						
JBS Embalagens Metálicas	99.00%	91,279	2	(54,584)	-	4,215
JBS Global Investments	100.00%	-	-	-	-	(6,515)
JBS Confinamento	100.00%	590,984	711,388	572,160	35,532	(9,188)
JBS Slovakia Holdings	100.00%	14	-	15	-	1
Conceria Priante	100.00%	302,160	11,114	6,490	125,108	(16,012)
JBS Holding GMBH	100.00%	621,254	139	583,594	815,144	(24,232)
JBS Global Luxembourg	100.00%	57,164,445	3,660,092	12,472,336	118,462,647	5,522,103
JBS Leather International	100.00%	741,087	68,084	(189,411)	899,981	(93,319)
Brazservice	100.00%	73,404	23,063	(49,034)	139,953	(16,863)
Seara Alimentos	100.00%	20,056,660	4,259,089	4,477,051	17,473,068	(371,185)
Rigamonti	100.00%	194,461	9,051	115,107	393,916	3,786
Enersea	100.00%	1,274	1,275	(87)	374,197	(302)
JBS Mendoza	99.93%	750	141	747	-	607
JBS HU Liquidity Management	100.00%	4,183	53	3,957	-	(518)
Midtown Participações	100.00%	199,415	207,687	180,965	-	(16,793)
Midup Participações	100.00%	18,636	18,969	18,635	-	(334)
Beef Snacks Brasil	100.00%	67,505	40,993	67,327	-	25,301
JBS Foods International	100.00%	349	-	276	-	(69,493)
In joint ventures:						
Meat Snack Partners	50.00%	156,690	23,762	128,012	420,832	36,891

(Expressed in thousands of Brazilian reais)

- **In the Company:**

	December 31, 2016	Addition (disposal)	Exchange rate variation	Changes in the Equity of investees	Proportionate share of income (loss)	December 31, 2017
JBS Embalagens Metálicas	**(58,211)**	-	-	-	4,173	**(54,038)**
JBS Global Investments [1]	**28,443**	(21,228)	(700)	-	(6,515)	-
JBS Confinamento [2]	**469,362**	111,986	-	-	(9,188)	**572,160**
JBS Slovakia Holdings [1]	**21,173**	(20,829)	(295)	(35)	1	**15**
Conceria Priante [8]	**9,453**	12,826	223	-	(16,012)	**6,490**
JBS Holding GMBH	**593,381**	-	86,496	(72,051)	(24,232)	**583,594**
JBS Global Luxembourg [3]	**5,564,272**	863,955	205,541	316,465	5,522,103	**12,472,336**
Vigor Alimentos [4]	**307,065**	(307,249)	-	-	184	-
JBS Leather International	**(86,426)**	-	(4,467)	(5,199)	(93,319)	**(189,411)**
Brazservice	**(32,171)**	-	-	-	(16,863)	**(49,034)**
Seara Alimentos	**4,620,972**	-	-	227,264	(371,185)	**4,477,051**
Meat Snack Partners [1]	**55,562**	(10,000)	1,726	(1,728)	18,446	**64,006**
Granite Holdings [3]	**3,912,517**	(4,232,309)	258,561	4,895	56,336	-
Rigamonti	**95,731**	-	15,590	-	3,786	**115,107**
Enersea	**215**	-	-	-	(302)	**(87)**
JBS Argentina [5]	**309,083**	(273,006)	(9,234)	-	(26,843)	-
JBS Mendoza	**253**	-	(113)	-	607	**747**
JBS HU Liquidity Management [1]	**17,460**	(12,659)	(326)	-	(518)	**3,957**
Midtown Participações [6]	**285,063**	(87,305)	-	-	(16,793)	**180,965**
Midup Participações [7]	-	18,969	-	-	(334)	**18,635**
Beef Snacks Brasil [1]	**44,226**	(2,200)	-	-	25,301	**67,327**
JBS Foods International [2]	**(49,450)**	119,790	(572)	-	(69,492)	**276**
Subtotal	**16,107,973**	**(3,839,259)**	**552,430**	**469,611**	**4,979,341**	**18,270,096**
Accrual for loss on investments (*)	**226,258**					**292,570**
Total	**16,334,231**					**18,562,666**

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

(1) Dividends paid out to the Company.
(2) Capital contribution through assumption of debt.
(3) Granite Holdings (Moy Park parent company) change in ownership interests without loss of control: On September 8, 2017, as announced to the market, the Company entered into an agreement to sell Moy Park to its indirect subsidiary PPC, by approximately GBP792.5 million (R$3.3 billion). The Company received R$931,187 at September 30, 2017, and in December 31, 2017 an amount of R$2.3 billion.
This transaction was set as a common control transaction, thus the difference between the consideration received and Moy Park's book value was recognized as an increase in the investment of the subsidiary JBS Global Lux for R$863,955 million. Also, this transaction resulted in a 21.4% loss of equity interest in Moy Park, in the amount of R$(189,724) million recognized under equity as a capital transaction.
(4) Reclassification to assets held for sale. The sale conclusion was in October 2017.
(5) Refers to a capital increase in the amount of R$17,429 and a reclassification to assets held for sale of (R$290,435). The sale conclusion was in August 2017.
(6) Transference of assets to the Company of R$87,305 through capital reduction,
(7) Spin-off of the direct subsidiary Midtown in the amount of R$18,969 with the transference of property, plant and equipment through capital contribution.
(8) Capital contribution through trade accounts receivable capitalization.

- **In the Consolidated:**

	December 31, 2016	Dividend distribution	Disposal	Changes in the Equity of investees	Proportionate share of income	December 31, 2017
Vigor Alimentos [4]	307,065	-	(307,249)	-	184	-
Meat Snack Partners [1]	55,562	(10,000)	-	(2)	18,446	**64,006**
Total	**362,627**	**(10,000)**	**(307,249)**	**(2)**	**18,630**	**64,006**

a. Divestment program

As announced to he market through a material fact in June 20, 2017, the Company implemented a divestment program, which consisted in the sale of assets to further strengthen the Company's 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 CAD 50,000 (approximately US$40,000). Under terms of the agreement, MCF will continue to supply cattle to the JBS Canada beef processing facility in Brooks. The transaction was completed in October 30, 2017.

In July 31, 2017 the Company, as part of the divestment program, the Company sold its subsidiaries with beef operations in Uruguay (Frigorifico Canelones), Paraguay (JBS Paraguay) and Argentina (JBS Argentina), to the Minerva Group for the amount of US$300,000 (R$992,460), plus a working capital adjustment of approximately US$23,000 (R$71,000). The transaction was concluded in August 2017, and resulted in a loss of R$109,568, which R$452,297 refer to Other comprehensive income (exchange variation loss). The Company recognized this amount under the caption "Other operating expenses".

In August 3, 2017, the Company entered in a agreement to sell the totality of its 19.43% shareholding interest in Vigor Alimentos S.A. ("Vigor") to Lala Group, S.A.B. de C.V. ("LALA Group"), for approximately R$1.1 billion (enterprise value). In October 26, 2017, the Company concluded Vigor's sale and received approximately R$785,858 during the year ended in December 31, 2017, and will receive, starting in 2018, the amount of R$62,009, according to certain events established in the sale and purchase agreement. The amount yet to receive is recognized under the caption "other non-current assets". The transaction generated a gain in the amount of R$330,520 and it was recognized under the caption "Other operating income" in the Company.

(Expressed in thousands of Brazilian reais)

In September 11, 2017, the Company entered in an agreement to sell the totality of its equity interest in Granite Holdings to the subsidiary Pilgrim's Pride Corporation ("PPC"), a indirect subsidiary, by approximately GBP 792,500 (R$3.3 billion). The transaction was unanimously approved by a Special Committee of PPC's Board of Directors.This transaction was recognized as a "Common control transaction", which impacts are aforementioned as reference [3].

The sale of the majority of the assets comprised by the Divestment Program was concluded in 2017 and also unanimously approved by JBS' board of directors, maintaining only the conclusion of Five Rivers assets sale outstanding, as described in footnote 10 - Assets held for sale.

For additional information purposes, the Company accumulated other comprehensive income (basically, exchange variation on investments) recognized in equity related to assets held for sale. The other comprehensive income were part of gain/loss calculation when writing off the investments, and were recognized in the income statement of the period.

	Vigor	Argentina	Total
Accumulated other comprehensive income (loss)	(210,099)	(452,297)	**(662,396)**

Relevant information for investments in the year ended December 31, 2016:

- **In the Company:**

	December 31, 2015	Addition (disposal)	Exchange rate variation	Equity in subsidiaries	Income statement	December 31, 2016
JBS Embalagens Metálicas	**(31,258)**	-	-	-	(26,953)	**(58,211)**
JBS Global Investments	**34,109**	-	(5,640)	-	(26)	**28,443**
JBS Holding Internacional	**577,354**	(484,329)	-	(103,940)	10,915	-
JBS Confinamento	**505,891**	-	-	-	(36,529)	**469,362**
JBS Slovakia Holdings	**47,535**	(17,694)	(8,000)	548	(1,216)	**21,173**
Conceria Priante	**30,490**	-	(4,453)	(4,059)	(12,525)	**9,453**
JBS Holding GMBH [9]	**1,392,027**	(648,473)	(233,139)	12,080	70,886	**593,381**
JBS Global Luxembourg [10]	**5,347,766**	(964,367)	(1,042,237)	(333,180)	2,556,290	**5,564,272**
FG Holding III	**65**	(65)	-	-	-	-
Vigor Alimentos	**312,162**	-	-	-	(5,097)	**307,065**
JBS Leather International	**78,573**	-	(1,066)	(60,262)	(103,671)	**(86,426)**
Brazservice	**(4,054)**	-	-	-	(28,117)	**(32,171)**
Seara Alimentos	**5,337,249**	-	-	(325,129)	(391,148)	**4,620,972**
Tannery	**(18,087)**	22,227	-	(103)	(4,037)	-
Meat Snack Partners	**41,972**	(9,000)	(8,575)	8,565	22,600	**55,562**
Moy Park [11]	**5,477,678**	(47,858)	(1,679,204)	17,162	144,739	**3,912,517**
Rigamonti	**112,857**	-	(22,107)	-	4,981	**95,731**
Enersea	-	1,198	-	-	(983)	**215**
JBS Argentina	-	445,609	(59,795)	(463)	(76,268)	**309,083**
JBS Mendoza	-	66	(41)	(2)	230	**253**
JBS HU Liquidity Management [12]	-	17,693	(100)	-	(133)	**17,460**
Midtown Participações [13]	**239,122**	52,329	-	-	(6,388)	**285,063**
Beef Snacks Brasil [14]	-	43,113	-	-	1,113	**44,226**
JBS Foods International	-	-	3,505	-	(52,955)	**(49,450)**
Subtotal	**19,481,451**	**(1,589,551)**	**(3,060,852)**	**(788,783)**	**2,065,708**	**16,107,973**
Accrual for loss on investments (*)	**53,399**					**226,258**
Total	**19,534,850**					**16,334,231**

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

[9] - JBS Holding GMBH: On September 2016, JBS Holding GMBH distributed dividends to the Company, partially to settle the outstanding balance with the Company in September 30, 2016.
[10] - JBS Global Luxembourg: On September 2016, JBS Global Luxembourg distributed dividends to the Company, through its indirect subsidiary JBS USA Holding Lux S.à.r.l.
[11] - Moy Park: On September 2016, Moy Park distributed dividends to the Company.
[12] - JBS HU Liquidity Management: On September 2016, for corporate structure simplification purposes, the investment from the subsidiary JBS HU was transferred to the Company, which was before held by its holding, JBS Slovakia.
[13] - Midtown Participações: On July 2016, JBS Global Meat was incorporated by its wholly-owned subsidiary (reverse incorporation), Midtown Participações Ltda., for corporate structure simplification purposes.
[14] - Beef Snacks Brasil: On September 2016, for corporate structure simplification purposes the investment from the subsidiary Beef Snacks Brasil, was transferred to the Company, which was before held by its holding, JBS Global Luxembourg.

- **In the Consolidated:**

	December 31, 2015	Distributions	Equity in subsidiaries	Income statement	December 31, 2016
Vigor Alimentos	312,162	-	-	(5,097)	307,065
Meat Snack Partners	41,972	(9,000)	(10)	22,600	55,562
Total	**354,134**	**(9,000)**	**(10)**	**17,503**	**362,627**

(Expressed in thousands of Brazilian reais)

13 Property, plant and equipment

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

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

Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, such that the value of cost less its residual value after the useful life is fully depreciated (except for land and construction in progress).

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

When an asset's or CGU's carrying amount is written down immediately to the recoverable amount when it is higher than its estimated recoverable amount. The recoverable amount is the higher of the estimate of the assets' net selling price and value in use.

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

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

				Net amount	
Company	**Useful life**	**Cost**	**Accumulated depreciation**	**December 31, 2017**	**December 31, 2016 ***
Buildings	**10 to 50 years**	4,073,562	(912,021)	**3,161,541**	3,088,757
Land	-	1,526,572	-	**1,526,572**	1,384,826
Machinery and equipment	**10 to 25 years**	6,397,257	(2,630,688)	**3,766,569**	3,814,323
Facilities	**10 to 20 years**	2,060,090	(594,397)	**1,465,693**	1,353,973
Computer equipment	**3 to 5 years**	261,267	(191,305)	**69,962**	66,333
Vehicles	**5 to 10 years**	533,923	(214,581)	**319,342**	404,214
Construction in progress	-	1,181,445	-	**1,181,445**	1,305,863
Others	**5 to 10 years**	132,924	(79,867)	**53,057**	57,339
		16,167,040	**(4,622,859)**	**11,544,181**	**11,475,628**

				Net amount	
Consolidated	**Useful life**	**Cost**	**Accumulated depreciation**	**December 31, 2017**	**December 31, 2016 ***
Buildings	**5 to 50 years**	16,285,443	(4,408,209)	**11,877,234**	11,104,201
Land	-	4,009,654	-	**4,009,654**	3,943,307
Machinery and equipment	**5 to 25 years**	23,341,230	(11,751,991)	**11,589,239**	10,915,981
Facilities	**5 to 20 years**	3,058,405	(976,717)	**2,081,688**	1,925,053
Computer equipment	**2 to 7 years**	742,957	(440,508)	**302,449**	253,499
Vehicles	**2 to 10 years**	826,411	(419,588)	**406,823**	490,393
Construction in progress	-	2,636,047	-	**2,636,047**	3,754,943
Others	**5 to 15 years**	1,434,297	(774,327)	**659,970**	723,514
		52,334,444	**(18,771,340)**	**33,563,104**	**33,110,891**

* 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.

Changes in property, plant and equipment:

Company	**December 31, 2016 ***	**Additions net of transferences (2)**	**Disposals**	**Depreciation**	**December 31, 2017**
Buildings	3,088,757	192,048	(85)	(119,179)	**3,161,541**
Land	1,384,826	158,097	(16,351)	-	**1,526,572**
Machinery and equipment	3,814,323	363,683	(12,324)	(399,113)	**3,766,569**
Facilities	1,353,973	225,168	(5,649)	(107,799)	**1,465,693**
Computer equipment	66,333	31,402	(550)	(27,223)	**69,962**
Vehicles	404,214	61,388	(64,257)	(82,003)	**319,342**
Construction in progress	1,305,863	(123,011)	(1,407)	-	**1,181,445**
Other	57,339	17,839	(274)	(21,847)	**53,057**
	11,475,628	**926,614**	**(100,897)**	**(757,164)**	**11,544,181**

(Expressed in thousands of Brazilian reais)

Consolidated	December 31, 2016 *	Acquired in business combination [1]	Additions net of transferences [2]	Disposals	Assets held for sale [3]	Depreciation	Exchange rate variation	December 31, 2017
Buildings	11,104,201	273,942	1,280,800	(71,399)	(302,141)	(621,264)	213,095	**11,877,234**
Land	3,943,307	27,621	217,373	(61,855)	(164,536)	–	47,744	**4,009,654**
Machinery and equipment	10,915,981	508,488	2,173,205	(43,979)	(341,239)	(1,827,605)	204,388	**11,589,239**
Facilities	1,925,053	–	341,266	(5,661)	(121)	(179,603)	754	**2,081,688**
Computer equipment	253,499	3,012	154,313	(3,315)	(3,384)	(107,738)	6,062	**302,449**
Vehicles	490,393	10,082	96,631	(65,912)	(11,497)	(115,547)	2,673	**406,823**
Construction in progress	3,754,943	24,158	(1,132,252)	(14,977)	(26,996)	–	31,171	**2,636,047**
Other	723,514	19,884	204,776	(7,712)	(170,470)	(118,590)	8,568	**659,970**
	33,110,891	**867,187**	**3,336,112**	**(274,810)**	**(1,020,384)**	**(2,970,347)**	**514,455**	**33,563,104**

(1) Refers to balances arising from GNP and Plumrose acquisitions.
(2) Additions for each category includes transfer from construction in progress during the period.
(3) 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, in accordance to the divestment plan announced by the Company, as described in footnote 12 - Investments in associates, subsidiaries and joint ventures.

Company	December 31, 2015	Additions net of transferences [2]	Incorporations [4]	Disposals	Depreciation	December 31, 2016
Buildings	3,005,487	163,270	11,597	(2,079)	(111,688)	**3,066,587**
Land	1,266,507	121,601	717	(3,999)	–	**1,384,826**
Machinery and equipment	3,855,647	350,315	4,374	(16,377)	(379,636)	**3,814,323**
Facilities	1,266,555	179,231	294	(2,265)	(89,842)	**1,353,973**
Computer equipment	74,494	17,877	–	(196)	(25,841)	**66,334**
Vehicles	403,246	91,134	120	(22,012)	(68,274)	**404,214**
Construction in progress	1,763,871	(463,994)	5,987	–	–	**1,305,864**
Other	57,231	37,864	173	(435)	(15,326)	**79,507**
	11,693,038	**497,298**	**23,262**	**(47,363)**	**(690,607)**	**11,475,628**

Consolidated	December 31, 2015	Acquired in business combination [5]	Additions net of transferences [6]	Disposals	Business combinations adjustments	Depreciation	Exchange rate variation	December 31, 2016
Buildings	11,751,395	12,647	1,022,885	(21,744)	59,710	(587,662)	(1,231,022)	**11,006,209**
Land	3,774,251	5,797	168,735	(13,903)	118,888	–	(260,051)	**3,793,717**
Machinery and equipment	11,609,603	8,372	2,316,823	(48,344)	81,396	(1,900,627)	(1,044,505)	**11,022,718**
Facilities	1,742,301	–	351,034	(3,684)	–	(155,121)	(17,243)	**1,917,287**
Computer equipment	281,114	749	113,330	(2,851)	(2)	(100,939)	(34,469)	**256,932**
Vehicles	554,466	248	121,223	(42,698)	(41)	(106,547)	(23,630)	**503,021**
Construction in progress	4,681,002	562	(592,897)	(29,370)	–	–	(304,354)	**3,754,943**
Other	986,978	583	147,841	(23,352)	(255)	(144,416)	(111,315)	**856,064**
	35,381,110	**28,958**	**3,648,974**	**(185,946)**	**259,696**	**(2,995,312)**	**(3,026,589)**	**33,110,891**

(4) - On April, 2016, the direct subsidiaries Tannery and JBS Holding Internacional were incorporated by the Company.
(5) - Refers to balances arising from Scott Technology's acquisition.

For the years ended December 31, 2017 and 2016, the amount of capitalized interest added to construction in progress and included in additions was R$52,231 and R$56,207 in the Company, respectively, and in the Consolidated was R$140,099 and R$93,614, respectively.

On December 31, 2017, the Company tested the recoverability of its assets that were identified as having an indicator of impairment using the concept of value in use through discounted cash flow models and it did not recognized any expense.

(Expressed in thousands of Brazilian reais)

14 Intangible assets

Intangible assets are carried at acquisition cost, net of accumulated amortization and impairment, if applicable. Intangible assets are recognized when it is expected that the assets will derive future economic benefits, taking into consideration the intangible assets' economic and technological viability. Intangible assets are primarily comprised of trademarks, customer relationships, water and mineral rights, software and others.

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

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

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

Intangible assets acquired in a business combination are recognized at fair value based on valuation methodologies and techniques and often involve the use of third party valuation firm's expertise in the calculation of discounted estimates of cash flows. Intangible assets at December 31, 2017 and 2016 were composed as follows:

	Company			Consolidated		
		Net amount			Net amount	
	Useful life	December 31, 2017	December 31, 2016	Useful life	December 31, 2017	December 31, 2016
Trademarks	**Indefinite**	**42,560**	23,000	**Indefinite**	**3,059,717**	2,809,178
Trademarks	**Up to 5 years**	**24,800**	–	**2 to 20 years**	**239,093**	55,937
Software	**Up to 5 years**	**27,379**	23,494	**2 to 15 years**	**75,646**	83,915
Water rights	–	–	–	**Indefinite**	**34,906**	108,530
Customer relationships [1]	–	–	–	**4 to 20 years**	**2,082,710**	1,947,753
Other	–	–	–	**2 to 15 years**	**19,998**	6,782
		94,739	**46,494**		**5,512,070**	**5,012,095**

Changes in intangible assets:

Company	December 31, 2016	Additions [2]	Disposals	Amortization	December 31, 2017
Amortizing:					
Trademarks	–	53,200	–	(10,640)	**42,560**
Software	23,494	12,541	(253)	(8,403)	**27,379**
Non-amortizing:					
Trademarks	23,000	1,803	(3)	–	**24,800**
	46,494	**67,544**	**(256)**	**(19,043)**	**94,739**

Consolidated	December 31, 2016	Acquired in business combination [1]	Additions [2]	Business combination adjustment [3]	Assets held for sale [4]	Disposal	Amortization	Exchange rate variation and others	December 31, 2017
Amortizing:									
Trademark	55,937	119,451	53,250	25,081	(2,858)	–	(23,481)	11,713	**239,093**
Software	83,915	–	18,536	–	(626)	(1,142)	(25,219)	182	**75,646**
Customer relationships	1,947,753	353,187	–	–	–	–	(276,956)	58,726	**2,082,710**
Others	6,782	21,172	–	–	–	(83)	(5,350)	(2,523)	**19,998**
Non-amortizing:									
Trademarks	2,809,178	52,454	1,803	8,524	–	(259)	–	188,017	**3,059,717**
Water rights	108,530	–	–	–	(73,735)	–	–	111	**34,906**
	5,012,095	**546,264**	**73,589**	**33,605**	**(77,219)**	**(1,484)**	**(331,006)**	**256,226**	**5,512,070**

[1] Refers to balances arising from GNP and Plumrose acquisitions.
[2] Refers to an impairment reversal in the amount of R$53,200 in trademarks.
[3] Refers to adjustments in the Scott Technology and Granite (Moy Park parent company) acquisitions based upon final fair value assessments.
[4] 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, in accordance to the divestment plan announced by the Company, as described in footnote 12 - Investments in associates, subsidiaries and joint ventures.

Company	December 31, 2015	Additions	Impairment [5]	Amortization	December 31, 2016
Amortizing:					
Software	14,962	14,805	–	(6,273)	**23,494**
Non-amortizing:					
Trademarks	452,578	23,000	(452,578)	–	**23,000**
	467,540	**37,805**	**(452,578)**	**(6,273)**	**46,494**

(Expressed in thousands of Brazilian reais)

Consolidated	December 31, 2015	Acquired in business combination	Additions	Business combination adjustment	Impairment (5)	Disposal	Amortization	Exchange rate variation and others	December 31, 2016
Amortizing:									
Trademark	46,591	29,874	–	–	–	–	(7,228)	(13,300)	**55,937**
Software	87,733	–	32,901	–	–	(914)	(25,091)	(10,714)	**83,915**
Customer relationships	2,657,261	–	–	–	–	–	(323,036)	(386,472)	**1,947,753**
Others	9,075	–	70	–	–	(2,808)	(1,987)	2,432	**6,782**
Non-amortizing:									
Trademarks	3,961,742	–	109,384	(120,288)	(452,578)	–	–	(689,082)	**2,809,178**
Water and mineral rights	130,132	–	–	–	–	–	–	(21,602)	**108,530**
	6,892,534	**29,874**	**142,355**	**(120,288)**	**(452,578)**	**(3,722)**	**(357,342)**	**(1,118,738)**	**5,012,095**

(5) Impairment test:

For the year ended December 31, 2016 the Company decided to discontinue certain brands, therefore the concept of value in use became no longer applicable to these assets resulting in an impairment expense in the amount of R$452,578 for the year ended December 31, 2016, that has been included in general and administrative expense on the consolidated statement of income.

15 Goodwill

Goodwill represents the positive difference between consideration paid to purchase a business and the net fair value of assets and liabilities of the acquired entity. Goodwill is recognized as an asset and included in “Goodwill” in the accompanying consolidated statement of financial position. Goodwill is related to an expectation of future earnings of the acquired subsidiary and synergies after assets and liabilities are consolidated with the Company and cost savings resulting from synergies expected to be achieved upon the integration of the acquired business.

Goodwill is an indefinite lived asset and required to be tested for impairment annually or whenever there is evidence of a decline in fair value. Assets and liabilities are grouped into CGU’s for purposes of impairment testing. Any impairment loss is recognized immediately in the consolidated statement of income (loss) and cannot be reversed.

Upon sale of a business, the goodwill or corresponding portion of goodwill is included in the calculation of profit or loss on disposal.

	Useful life	December 31, 2017	December 31, 2016
Goodwill	**Indefinite**	**22,488,247**	21,916,694

Changes in goodwill:

Balance at December 31, 2016	**21,916,694**
Acquired in business combination (1)	272,279
Disposal	(11,852)
Business combination adjustments (2)	(95,410)
Assets held for sale (3)	(153,567)
Exchange rate variation and others	560,103
Balance at December 31, 2017	**22,488,247**

(1) Refers to balances arising from GNP and Plumrose's acquisitions.
(2) Refers to adjustments in the Scott Technology and Granite (Moy Park parent company) acquisitions based upon final fair value assessments.
(3) 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, in accordance to the divestment plan announced by the Company, as described in footnote 12 - Investments in associates, subsidiaries and joint ventures.

Balance at December 31, 2015	**24,411,441**
Acquired in business combination (4)	105,294
Business combination adjustments (5)	(111,837)
Exchange rate variation and others	(2,488,204)
Balance at December 31, 2016	**21,916,694**

(4) Refers to Scott Technology's acquisition.
(5) Refers to the acquisitions of Tyson Mexico, Cargill and FRS, based upon final fair value assessments. The adjustments consisted of an increase in property, plant and equipment of R$259,696, a decrease in a trademark intangible of R$120,288, an increase in deferred tax liability of R$27,571, which resulted in a decrease to goodwill of R$111,837.

(Expressed in thousands of Brazilian reais)

Impairment test of goodwill

At December 31, 2017, the Company tested the recovery of the goodwill of each within its CGU groups containing goodwill using the concept of value in use through discounted cash flow models. The determination of the value in use involves using assumptions about cash flows, such as rates of revenue growth, costs and expenses, capital expenditures, working capital requirements and discount rates.

Management projects cash flows for a maximum period of 5 years. The terminal value was assigned based on an expected growth rate into perpetuity for the CGU groups. The weighted average rate of the cost of capital (WACC), used as the discount rate was estimated on a post-tax basis based on the historical industry performance relative to each CGU group and external sources of information regarding market risks.

For the purposes of impairment testing CGUs have been aggregated into the following groups representing the lowest level within the Company at which the goodwill is monitored for internal management purposes and that have significant goodwill:

CGU Groups	December 31, 2017	December 31, 2016
Brazil Beef	**9,069,926**	9,069,926
Australia Smallgoods	**1,005,113**	1,136,008
Moy Park	**2,760,016**	2,565,653
USA Pork	**2,297,518**	2,217,831
Seara	**3,533,294**	3,541,676
Others CGUs without significant goodwill	**3,822,380**	3,385,600
Total	**22,488,247**	**21,916,694**

For the years ended December 31, 2017 and 2016 there were no indications that goodwill within any CGU group was impaired.

Brazil Beef

The key assumptions used in the estimation of the value in-use are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from external and internal sources.

In percent	2017	2016
Discount rate	10.8	11.3
Terminal value growth rate	5.1	5.5
Estimated EBITDA growth rate (average for the next 5 years)	46.4	18.0

Estimated EBITDA was projected taking into account past experiences and forecasts as follows:

- Revenue of this CGU group includes sales from beef operations in Brazil. Revenues growth was projected taking into account the availability of livestock, total slaughtering capacity and related utilization of facilities, and price increases/decreases based on estimates of inflation for the domestic market and exchange rate variation for exports.
- Operating costs and expenses were projected taking into account the historical performance of the CGU group and trends in the prices of the primary raw materials, especially cattle. In addition, we considered efficiency improvements related to the integration of acquisitions.
- Capital expenditures were estimated assuming the maintenance of existing infrastructure in order to continue to be operated for an indefinite period.

For the years ended December 31, 2017 and 2016, estimated value in-use exceeded the carrying amount of the CGU group.

Australia Smallgoods

The key assumptions used in the estimation of the value in-use are set out below.

In percent	2017	2016
Discount rate	8.3	10.7
Terminal value growth rate	2.5	2.5
Estimated EBITDA growth rate (average for the next 4 years)	1.0	24.3

Estimated EBITDA was projected taking into account past experiences and forecasts as follows:

- Revenue of this CGU group includes sales from the Smallgoods operations in Australia, consisting of Primo's operations. Revenue growth was projected taking into account the availability of livestock, total slaughtering capacity, the related utilization of facilities and price increases/decreases based on estimated inflation.
- Operating costs and expenses were projected taking into account the historical performance of the CGU group and trends in the prices of the primary raw materials, primarily hogs. In addition, we considered efficiency improvements related to the integration of the acquisition.
- Capital expenditures were estimated assuming the maintenance of existing infrastructure in order to continue operating for an indefinite period.

For the years ended December 31, 2017 and 2016, estimated value in-use exceeded the carrying amount of the CGU group.

(Expressed in thousands of Brazilian reais)

USA Pork

The key assumptions used in the estimation of the value in-use are set out below.

In percent	2017	2016
Discount rate	12.0	12.0
Terminal value growth rate	0.5	0.5
Estimated EBITDA growth rate (average for the next 5 years)	9.7	(2.7)

Estimated EBITDA was projected taking into account past experiences and forecasts as follows:

- Revenue of this CGU group includes sales from pork operations in the U.S., including the Cargill's operations. Revenue growth was projected taking into account the availability of livestock, total slaughtering capacity and related utilization of facilities and price increases/decreases based on estimated inflation.
- Operating costs and expenses were projected taking into account the historical performance of the CGU group and trends in the prices of primary raw materials, especially hogs and grains. In addition, we considered efficiency improvements related to the integration of acquisitions.
- Capital expenditures were estimated assuming the maintenance of existing infrastructure in order to continue to be operated for an indefinite period.

For the years ended December 31, 2017 and 2016, estimated value in-use exceeded the carrying amount of the CGU group.

Seara

The key assumptions used in the estimation of the value in-use are set out below.

In percent	2017	2016
Discount rate	10.9	12.3
Terminal value growth rate	4.0	3.7
Estimated EBITDA growth rate (average for the next 5 years)	14.2	16.2

Estimated EBITDA was projected taking into account past experiences and forecasts as follows:

- Revenue includes sales from pork, chicken and other products in Brazil. Revenue growth was projected taking into account the availability of livestock, total slaughtering capacity the related utilization of facilities and price increases/decreases based on estimated inflation for the domestic market and exchange rate variation for exports.
- Operating costs and expenses were projected taking into account the historical performance of the CGU group and trend in the price of primary raw materials, especially grains. In addition, we considered efficiency improvements related to the integration of acquisitions.
- Capital expenditures were estimated assuming the maintenance of existing infrastructure in order to continue to be operated for an indefinite period.

For the years ended December 31, 2017 and 2016, estimated value in use exceeded the carrying amount of the CGU group.

For this CGU group, management has identified that a reasonably possible change in discount rate could cause the carrying amount to exceed the value in-use amount. An increase in the discount rate of 1,0% and a decrease in the terminal growth rate of 0,5% would cause the recoverable amount of the CGU to be 1,1% below its carrying value.

Moy Park

The key assumptions used in the estimation of the value in-use are set out below.

In percent	2017	2016
Discount rate	8.5	8.7
Terminal value growth rate	3.0	3.0
Estimated EBITDA growth rate (average for the next 5 years)	7.1	8.5

Estimated EBITDA was projected taking into account past experiences and forecasts as follows:

- Revenue of this CGU group includes sales from chicken operations in the United Kingdom, which consists of the operations of Moy Park. Revenue growth was projected taking into account the availability of livestock, total slaughtering capacity the related utilization of facilities and price increases/decreases based on estimated inflation for the domestic market and exchange rate variation for exports.
- Operating costs and expenses were projected taking into account the historical performance of the CGU group and trend in the price of primary raw materials, especially grains. In addition, we considered efficiency improvements related to the integration of acquisitions.
- Capital expenditures were estimated assuming the maintenance of existing infrastructure in order to continue to be operated for an indefinite period.

For the years ended December 31, 2017 and 2016, estimated value in-use exceeded the carrying amount of the CGU group.

(Expressed in thousands of Brazilian reais)

16 Trade accounts payable

Trade accounts payable correspond to the amounts owed to suppliers in the ordinary course of business. If the payment period is equivalent to one year or less, the amount is classified as current liabilities, otherwise the corresponding amount is classified as non-current liabilities. Accounts payable are recognized initially at their fair value and are subsequently measured at amortized cost using the effective interest method. Accounts payable by major type of supplier is as follows at December 31, 2017 and 2016:

	Company		Consolidated	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Commodities	**1,287,063**	1,047,937	**3,943,995**	3,999,387
Materials and services	**566,434**	513,502	**5,827,592**	6,419,832
Finished products	**184,819**	504,315	**239,053**	340,220
Present value adjustment	**(9,212)**	(15,489)	**(17,862)**	(42,452)
	2,029,104	**2,050,265**	**9,992,778**	**10,716,987**

17 Loans and financing

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

	Company							
					Current		Non-current	
Type	Average annual interest rate	Currency	Index on variable rate loans	Payment terms / non-current debt	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Foreign currency								
ACC - Advances on exchange contracts	**4.82%**	**USD**	–	*	**3,687,101**	6,826,491	–	–
Prepayment	**4.46%**	**USD**	**LIBOR**	**2019 - 23**	**3,406,881**	3,967,161	**2,776,910**	4,484,527
144-A	**7.14%**	**USD**	–	**2020 - 24**	**153,432**	150,699	**8,331,310**	8,201,753
Working capital - Euros/US dollars	**2.40%**	**EUR**	**EURIBOR**	**2023**	**18,362**	859	**58,643**	78,898
FINIMP	**2.53%**	**EUR**	**EURIBOR**	*	**600**	526	–	516
					7,266,376	**10,945,736**	**11,166,863**	**12,765,694**
Local currency								
Credit note - export	**9.11%**	**BRL**	**CDI p.y.**	**2019 - 20**	**763,412**	798,823	**467,358**	1,006,938
Working capital - Brazilian Reais	**10.60%**	**BRL**	**CDI p.y. and TJLP**	**2019 - 20**	**116,167**	432,869	**14,205**	14,637
FINAME	**8.45%**	**BRL**	**TJLP**	**2019 - 25**	**45,178**	77,374	**73,130**	146,981
FINEP	**5.67%**	**BRL**	–	**2019 - 25**	**22,005**	21,855	**81,922**	75,146
CDC - Direct credit to consumers	**17.99%**	**BRL**	–	**2020 - 22**	**10,059**	4,371	**30,680**	11,988
					956,821	**1,335,292**	**667,295**	**1,255,690**
					8,223,197	**12,281,028**	**11,834,158**	**14,021,384**

(Expressed in thousands of Brazilian reais)

					Consolidated			
					Current		Non-current	
Type	Average annual interest rate	Currency	Indexer	Payment terms / non-current debt	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Foreign currency								
ACC - Advances on exchange contracts	4.82%	USD	Libor	*	5,055,776	7,753,838	-	-
Prepayment	5.61%	USD	Libor	2019 - 23	5,048,964	5,803,330	3,084,877	4,992,782
144-A	7.14%	USD	-	2020 - 24	153,432	150,699	8,331,310	8,201,753
Credit note – import	4.44%	USD	Libor	*	98,641	98,314	-	-
FINIMP	5.09%	USD and EUR	Libor and Euribor	2019	15,682	10,684	4,658	19,031
Working capital - Euros/US dollars	2.38%	USD e EUR	Libor e Euribor	2023	29,957	859	58,643	78,898
					10,402,452	13,817,724	11,479,488	13,292,464
Local currency								
FINAME	7.90%	BRL	TJLP	2019 - 25	53,599	80,103	96,183	153,610
FINEP	5.54%	BRL	-	2019 - 25	25,971	25,828	86,531	83,706
JBS Mortgage	5.80%	USD	-	2020	622	583	6,123	6,649
Senior Secured Credit Facility JBS Lux	3.12%	USD	Libor	2019	13,808	375	1,933,926	-
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	4.10%	USD	ABR and Libor	2022	107,278	55,929	9,056,728	3,790,428
Term loan Five Rivers 2019	4.07%	USD	Libor	2019	276,456	16,954	-	275,984
Notes 6,25% Moy Park 2021	6.25%	GBP	-	2021	8,022	7,278	1,317,011	1,191,331
Notes 8,25% JBS Lux 2020	8.25%	USD	-	2020	79,600	75,807	2,298,881	2,256,901
Notes 7,25% JBS Lux 2021	7.25%	USD	-	2021	22,984	18,870	3,768,904	3,703,058
Notes 5,875% JBS Lux 2024	5.87%	USD	-	2024	67,212	64,224	2,466,501	2,427,814
Notes 5,75% JBS Lux 2025	5.75%	USD	-	2025	7,608	5,153	2,956,088	2,909,617
Notes 5,75% PPC 2025	5.75%	USD	-	2025	42,005	26,288	2,477,272	1,616,308
Notes 5,875% PPC 2027	5.88%	USD	-	2027	29,798	-	1,962,329	-
PPC term loan	2.61%	USD	ABR e Libor	2022	147,285	636	2,447,920	1,604,572
PPC revolving credit facility	2.84%	USD	Libor	2022	324	-	216,208	-
Marshaltown	2.34%	USD	-	2046	63	52	32,395	31,633
Working capital - Brazilian Reais	10.54%	BRL	CDI e TJLP	2019 - 21	121,667	435,540	22,531	16,384
Working capital - US Dollars	3.83%	USD	Libor	*	112,472	362,725	-	132,808
Working capital - Euros	1.51%	EUR	Euribor	2019 - 23	90,706	176,187	10,648	14,563
Working capital - Argentine pesos	-	-	-	-	-	74,521	-	-
Credit note – export	9.03%	BRL	CDI	2019 - 22	1,603,518	1,368,804	528,520	1,317,098
Credit note – import	3.96%	USD and EUR	Libor and Euribor	*	187,462	315,495	-	-
FCO - Middle West Fund	10.15%	BRL	-	*	1,725	1,865	-	1,708
CDC - Direct credit to consumers	17.99%	BRL	-	2020 - 22	10,059	4,371	30,680	11,988
CCB	9.00%	BRL	UM BNDES	2019 - 24	3,009	10,781	18,994	6,092
ACC - Advances on exchange contracts	3.82%	USD	Libor	*	126	922	-	-
Rural - Credit note	11.11%	BRL	-	*	100,630	1,137,628	-	-
Canadian credit facility & revolving credit facility	3.70%	CAD	CDOR, RBC and Libor	2021	7	-	(533)	244,902
Canadian credit facility - term loan	-	-	-	-	-	2,415	-	30,678
Canadian bank facility	-	-	-	-	-	8,076	-	-
Mexico credit facility	8.34%	MEX$	TIEE	2019	1,813	46	252,424	75,950
Other	2.05%	GBP and EUR	Libor e Euribor	2019	7,770	31,310	32,848	41,864
					3,123,599	4,331,094	32,019,112	24,819,132
					13,526,051	18,148,818	43,498,600	38,111,596

* Balances classified as current which have their maturities between January 1, 2018 and December 31, 2018.

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

As of December 31, 2017 and 2016, the availability under our revolving credit facilities was R$3.3 billion (US$1.0 billion) and R$5.5 billion (US$1.7 billion), respectively.

(Expressed in thousands of Brazilian reais)

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

	December 31, 2017	
Maturity	**Company**	**Consolidated**
2019	618,123	3,336,313
2020	4,368,139	7,003,303
2021	874,216	6,213,806
2022	847,398	11,915,532
Maturities thereafter	5,126,282	15,029,646
	11,834,158	43,498,600

Subsequent event: In February 15, 2018, the subsidiary JBS USA closed its offering of US$900 million aggregate principal amount of 6.75% senior notes due 2028. The proceeds from this offering will be used for general corporate purposes.

a. 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"), entered in an Agreements for the Preservation of Credit Lines (the "Agreements") with certain financial institutions in Brazil and abroad.

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.

In the Agreements, JBS Brazil entered into the following agreements to as security to the Stabilization Agreement: i. Private Instrument for the Fiduciary Assignment of Credit Rights in Guarantee and Other Covenants, for fiduciary assignment of all credit rights derived from internal market operations; ii. Private Instrument for Fiduciary Transfer of Inventory and Biological Asset in Guarantee and Other Covenants, for fiduciary transfer of all inventories and biological assets; and (c) security agreements governed by the laws of the State of New York, the Netherlands, the Cayman Islands, Germany and the United Kingdom to provide security for receivables arising from foreign market transactions, and inventories and biological assets located in those jurisdictions, as applicable.

The Company amortized the first, second and third installments of 2.5% of the principal amount of the debts as set in the Agreements, and other payments of interest incurred under the original agreements. Extraordinarily, it made the settlement of debts when received the funds from the divestment plan.

In the year ended December 31, 2017, the Company's quick ratio was 3,38 x the EBITDA, meeting the Agreements requirements.

Subsequent event: In February 2018, the Company amortized the fourth installment of the Agreement for the Preservation of Credit Lines.

17.1 Guarantees and contractual restrictions ("covenants")

<table>
<tr><th>Type</th><th>Issuer and guarantors</th><th>Covenants / Guarantees</th><th>Events of default</th><th>December 31, 2017</th></tr>
<tr><td>144 - A:
JBS S.A.
Notes 2020</td><td rowspan="3">- JBS S.A.</td><td rowspan="3">Customary negative covenants that may limit the Company's ability and the ability of certain subsidiaries to, among other things:
- incur additional indebtedness unless the net debt/EBITDA ratio is lower than 4.75/1.0.
- create liens;
- sell or dispose of assets;
- enter into certain transactions with affiliates;
- dissolve, consolidate, merge or acquire the business or assets of other entities;
- enter into sale/leaseback transactions;
- undergo changes of control without making an offer to purchase the Notes; and
- declare or pay any dividends or make any distributions related to securities issued by the Company (except for debt instruments convertible or exchangeable for such amounts), if i) it is not in default in relation to the Notes; ii) the Company can incur at least US$1.00 of debt under the terms of the net debt/EBITDA ratio test established in the indenture of the Notes; and iii) the total value to be paid does not exceed US$30 million or a. 50% of the amount of the net income accrued on a cumulative basis during a certain period, taken as one accounting period, (as defined in the indenture), or if the aggregate net income is a loss, minus 100% of the amount of the loss, plus b. 100% of the net cash proceeds received from the issue or sale of its equity interests or other capital contributions subsequent to the issue date of the Notes, plus c. 100% of the fair market value of property other than cash received from the issue or sale of its equity interests or other capital contributions subsequent to the issue date of the Notes.</td><td rowspan="3">The indentures of Notes contain customary events of default [1]. In case any event of default occurs, the trustee or the holders of at least 25% of the notes principal amount at the time may state to pay immediately the principal and accrued interest on the notes.
The notes are unsecured debts.</td><td>3,347,965</td></tr>
<tr><td>144 - A:
JBS S.A.
Notes 2023</td><td>2,616,189</td></tr>
<tr><td>144 - A:
JBS S.A.:
Notes 2024</td><td>2,520,587</td></tr>
</table>

(Expressed in thousands of Brazilian reais)

Senior Secured Credit Facility JBS Lux	- JBS S.A.; - JBS Global Luxembourg S.à r.l.; - Burcher Pty. Limited; - JBS USA Food Company Holdings; - JBS USA Food Company; - JBS Ansembourg Holding S.à r.l.; - JBS Luxembourg S.à r.l.; - JBS USA Holding Lux; - All US subsidiaries of JBS Lux except JBS Five Rivers, JBS Wisconsin Properties LLC and certain other immaterial subsidiaries; and - All material subsidiaries of JBS Australia guarantee JBS Australia borrowings.	- The borrowings are collateralized by a first priority perfected lien and interest in accounts receivable, finished goods and supply inventories. - The facility contains customary representations, warranties and a springing financial covenant that requires a minimum fixed charge coverage ratio of not less than 1.00 to 1.00. This ratio is applicable if borrowing availability causes a covenant trigger period, which only occurs when borrowing availability falls below the greater of 10% of the maximum borrowing amount and US$70 millions. The facility also contains negative covenants that may limit JBS Lux ability and certain of our subsidiaries ability to, among other things: - incur certain additional indebtedness; - create certain liens on property, revenue or assets; - make certain loans or investments; - sell or dispose of certain assets; - pay certain dividends and other restricted payments; - prepay or cancel certain indebtedness; - dissolve, consolidate, merge or acquire the business or assets of other entities; - enter into joint ventures other than certain permitted joint ventures or create certain other subsidiaries; - enter into new lines of business; - enter into certain transactions with affiliates; - agree to restrictions on the ability of the subsidiaries to make dividends; - agree to enter into negative pledges in favor of any other creditor; and - enter into certain sale/leaseback transactions.	The facility also contains customary events of default [1] and it includes failure of any collateral document to create or maintain a priority lien matters. If an event of default happens, the borrowers may, within other options, cease the agreement; state the entire balance to be paid, with accrued interest.	**1,947,734 (availability up to R$3,0 billion (US$900 million))**
Term loan JBS Lux 2022	- JBS S.A.; - JBS Global Luxembourg S.à r.l.; - Burcher PTY Limited; - JBS USA Food Company Holdings; - JBS USA Holding Lux;- JBS USA Food Company; - JBS Ansembourg Holding; S.à r.l - JBS Luxembourg S.à r.l.; and - Each of the U.S. restricted subsidiaries that guarantee the senior secured credit facility (subject to certain exceptions).	- Secured by a perfected first priority security interest in all of JBS Lux and certain of its subsidiaries' fixed assets. The facility also contains negative covenants that may limit JBS Lux ability and certain of our subsidiaries ability to, among other things: - incur certain additional indebtedness; - create certain liens on property, revenue or assets; - make certain loans or investments; - sell or dispose of certain assets; - pay certain dividends and other restricted payments; - prepay or cancel certain indebtedness; - dissolve, consolidate, merge or acquire the business or assets of other entities; - enter into joint ventures other than certain permitted joint ventures or create certain other subsidiaries; - enter into new lines of business; - enter into certain transactions with affiliates; - agree to restrictions on the ability of the subsidiaries to make dividends; - agree to enter into negative pledges in favor of any other creditor; and - enter into certain sale/leaseback transactions.	The facility also contains customary events of default [1], listed under the Amended and Restated Revolving Facility.	**9,164,006**
Notes 8,25% JBS Lux 2020	- JBS S.A.; - JBS Global Lux; - Burcher PTY Limited; - JBS USA Holding Lux; - JBS USA Food Company; - JBS Ansembourg Holding; S.à r.l - JBS Luxembourg S.à r.l.; and - Each of the U.S. restricted subsidiaries that guarantee the senior secured credit facility (subject to certain exceptions).	The Notes contain negative covenants that may limit JBS Lux ability and certain of our subsidiaries ability to, among other things: - incur certain additional indebtedness; - create certain liens; - sell or dispose of certain assets; - pay certain dividends and other restricted payments; - permit restrictions on dividends and other restricted payments to restricted subsidiaries - prepay or cancel certain indebtedness; - enter into certain transactions with affiliates; - enter into certain sale/leaseback transactions; and - undergo changes of control without making an offer to purchase the Notes. The indenture governing the Notes also restricts JBS S.A. from incurring any debt (subject to certain permitted exceptions), unless on the date of such incurrence and the application of the proceeds therefrom, its net debt to EBITDA ratio is less than 4.75 to 1.00. In addition, the indenture restricts JBS S.A.'s ability to make restricted payments and other distributions.	The indenture also contains customary events of default [1] . In case any event of default occurs, the trustee or the holders of at least 25% of the notes principal amount at the time may state to pay immediately the principal and accrued interest on the notes. The notes are unsecured debts.	**2,378,481**
Notes 7,25% JBS Lux 2021				**3,791,888**
Notes 5,875% JBS Lux 2024				**2,533,713**
Notes 5,75% JBS Lux 2025				**2,963,696**
Notes 5,75% PPC 2025	- PPC; - One of PPC's subsidiaries.	The Notes contain negative covenants that may limit PPC's ability and certain of its subsidiaries ability to, among other things: - incur certain additional indebtedness; - create certain liens; - pay certain dividends and other restricted payments; - sell or dispose of certain assets; - enter into certain transactions with affiliates; - consolidate, merge or dissolve substantially all the assets of PPC.	The facility also contains customary events of default [1]. In case any event of default occurs, the trustee or the holders of at least 25% of the notes principal amount at the time may state to pay immediately the principal and accrued interest on the notes. The notes are unsecured debts.	**2,519,277**
Notes 5,875% PPC 2027				**1.992.127**

(Expressed in thousands of Brazilian reais)

<table>
<tr>
<td>PPC term loan</td>
<td rowspan="2">- PPC;
- Certain of PPC's subsidiaries.</td>
<td rowspan="2">- Secured by a first priority lien on i) the accounts receivable and inventories of PPC and its non-Mexico subsidiaries, ii) 100% of the equity interests in PPC's domestic subsidiaries, To-Ricos, Ltd. and To-Ricos Distribution Ltd., and 65% of the equity interests in PPC's direct foreign subsidiaries, iii) substantially all of the personal property and intangibles of the borrowers and guarantors under the U.S. Credit Facility and iv) substantially all of the real estate and fixed assets of PPC and the guarantors.

The facility also contains negative covenants that may limit PPC's ability and certain of its subsidiaries ability to, among other things:
- incur certain additional indebtedness;
- create certain liens;
- pay certain dividends and other restricted payments;
- sell or dispose of certain assets;
- enter into certain transactions with affiliates; and
- consolidate, merge or dissolve substantially all the assets of PPC.

Covenants in the facility also require PPC to use the proceeds it receives from certain asset sales and specified debt or equity issuances and upon the occurrence of other events to repay outstanding borrowings under the facility. The PPC Credit Facility also provides that PPC may not incur capital expenditures in excess of US$500 million in any fiscal year.</td>
<td rowspan="2">The facility also contains customary events of default [(1)].</td>
<td>2,595,205</td>
</tr>
<tr>
<td>PPC revolving credit facility</td>
<td>216,532 (availability up to R$2.5 billion (US$750 million))</td>
</tr>
<tr>
<td>Term loan Five Rivers 2019</td>
<td>- JBS Five Rivers;
- J&F Oklahoma.</td>
<td>- Secured by certain fixed assets, accounts receivable and inventories of JBS Five Rivers and accounts receivables and inventories of J&F Oklahoma;
- The facility contains customary negative covenants that may limit JBS Five Rivers and its restricted subsidiaries' ability to, among other things, incur certain additional indebtedness, enter into certain acquisitions or sell or dispose of certain assets.</td>
<td>The facility also contains customary events of default [(1)] and it includes failure of any collateral document to create or maintain a priority lien.</td>
<td>276,456</td>
</tr>
<tr>
<td>Canadian credit facility - term loan</td>
<td rowspan="2">- JBS USA Holding Lux;
- JBS S.A.</td>
<td rowspan="2">- Collateralized by a first priority lien on JBS Canada's accounts receivable, finished goods, feed, live inventory and supply inventories, machinery equipment and real estate.
- The facility contains a springing financial covenant that requires a minimum fixed charge coverage ratio of not less than 1.00 to 1.00. This ratio is applicable if borrowing availability causes a covenant trigger period, which only occurs when borrowing availability falls below the greater of 10% of the maximum borrowing amount and CAD$10.0 million for 5 consecutive business day.
The Canadian Credit Facility also contains negative covenants that may limit the ability of JBS Canada to, among other things:
- incur certain additional indebtedness;
- create certain liens on property, revenue or assets;
- make certain loans or investments
- sell or dispose of certain assets;
- pay certain dividends and other restricted payments;
- prepay or cancel certain indebtedness;
- dissolve, consolidate, merge or acquire the business or assets of other entities;
- enter into joint ventures other than certain permitted joint ventures or create certain other subsidiaries;
- enter into new lines of business;
- enter into certain transactions with affiliates;
- agree to restrictions on the ability of the subsidiaries to make dividends;
- agree to enter into negative pledges in favor of any other creditor; and
- enter into certain sale/leaseback transactions.</td>
<td rowspan="2">The facility also contains customary events of default [(1)]. If an event of default happens, the borrowers may, within other options, cease the agreement; state the entire balance to be paid, with accrued interest.</td>
<td>-</td>
</tr>
<tr>
<td>Canadian credit facility & revolving credit facility</td>
<td>526 (availability up to R$290 milhões (CAD110 million))</td>
</tr>
<tr>
<td>Notes 6,25% Moy Park 2021</td>
<td>- Moy Park Holdings (Europe) Limited;
- Moy Park (Newco) Limited;
- Moy Park Limited;
- O'Kane Poultry Limited;
- Any significant subsidiary (as defined in the indenture).</td>
<td>Customary negative covenants that may limit Moy Park's ability and the ability of certain subsidiaries to, among other things:
- incur additional indebtedness unless the net debt/EBITDA ratio is lower than 3.5/1.0 and the net senior debt/EBITDA is lower than 3.0/1.0.
- create liens;
- sell or dispose of assets;
- enter into certain transactions with affiliates;
- dissolve, consolidate, merge or acquire the business or assets of other entities;
- enter into sale/leaseback transactions;
- make certain investments;
- undergo changes of control without making an offer to purchase the Notes; and
- declare or pay any dividends or make any distributions related to securities issued by Moy Park.</td>
<td>The Notes indentures contain customary events of default [(1)]. In case any event of default occurs, the trustee or the holders of at least 25% of the notes principal amount at the time may state to pay immediately the principal and accrued interest on the notes.
The notes are unsecured debts.</td>
<td>1,325,033</td>
</tr>
</table>

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

The Company was in compliance with all of its debt covenant restrictions at December 31, 2017.

(Expressed in thousands of Brazilian reais)

18 Operating and Finance leases

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

a. Operating Leases:

In the Company

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

In the Consolidated

JBS USA certain of its subsidiaries have entered into operating lease agreements for warehouses, sales offices and a vehicle maintenance facility in the United States, as well as marketing liaison offices in Asia, distribution centers and warehouses in Australia and two office spaces in Mexico. Additionally, JBS USA leases equipment, over-the-road transportation vehicles and other assets.

Seara Alimentos, through its subsidiary JBS Aves, has operating lease agreements for productive areas in a few states in Brazil.

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

	December 31, 2017	
	Company	Consolidated
For the years ending:		
2018	**17,171**	**469,618**
2019	**17,594**	**395,897**
2020	**18,161**	**302,893**
2021	**18,755**	**260,494**
2022	**19,377**	**220,457**
Maturities thereafter	**24,492**	**365,892**
Total	**115,550**	**2,015,251**

b. Finance Leases:

In the consolidated

JBS USA has lease agreements for its commercial vehicles and machinery and equipment, and Seara has a lease agreement of an building in the state of Minas Gerais, for which the book value recognized on property, plant and equipment is detailed below:

	Useful life	Cost	Accumulated Depreciation	December 31, 2017	December 31, 2016
Lease agreements	10 years	229,749	(83,797)	**145,952**	69,454
Total		**229,749**	**(83,797)**	**145,952**	**69,454**

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

	Consolidated		
	Carrying Value	Future finance charges	Future minimum lease payments
For the years ending:			
2018	**26,119**	**2,788**	**28,907**
2019	**16,411**	**2,350**	**18,761**
2020	**9,692**	**2,128**	**11,820**
2021	**6,143**	**2,161**	**8,304**
2022	**5,790**	**2,451**	**8,241**
Maturities thereafter	**41,246**	**13,828**	**55,074**
Total	**105,401**	**25,706**	**131,107**

(Expressed in thousands of Brazilian reais)

19 Accrued income taxes and other taxes

Accrued income and other taxes are comprised of the following:

	Company		Consolidated	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Accrued income taxes	-	-	**905,484**	74,958
Withholding income taxes	-	-	**638**	19,536
ICMS / VAT / GST tax payable	**21,031**	22,003	**61,075**	72,409
PIS / COFINS tax payable	**58,074**	71,172	**72,973**	80,566
Taxes payable in installments	**798,350**	113,643	**853,988**	190,095
Others	**49,736**	30,053	**285,820**	292,118
	927,191	236,871	**2,179,978**	729,682
Breakdown:				
Current liabilities	**259,803**	165,030	**1,392,755**	500,930
Non-current liabilities	**667,388**	71,841	**787,223**	228,752
	927,191	236,871	**2,179,978**	729,682

Decree 8,426/2015 - PIS/COFINS over financial income: In July 2015, the Company and its subsidiaries filed an injunction to suspend the enforceability of PIS and COFINS debts over financial income. The Decree 8,426/2015 reestablished the levy of PIS and COFINS on financial revenues obtained by companies subject to the PIS and COFINS noncumulative regime, at the rates of 4.65%. As of December 31, 2017 and December 31, 2016, the Company has recorded under Income taxes, payroll, social charges and tax obligation the amount of R$54,154 and R$69,165 in the Company, respectively, and in the Consolidated R$67,539 and R$74,599, respectively, regarding to PIS/COFINS over financial income.

Taxes payables in installments - Adherence to the Special Tax Regularization Program (PERT): The Company, as announced to the market in November 7, 2017, based on the Provisional Measure nº 783 dated May 31, 2017, converted into Law 13,496 of October 24, 2017, regulated by the Normative Ruling nº 1,711 of the Brazilian Federal Revenue (“RFB”) from June 16 2017 and n° 1733 of August 31 2017, and by the Ordinance nº 690 from the Attorney General of the National Treasury (“PGFN”) of June 29 2017, it has adhered to the Special Tax Regularization Program (“PERT”) regarding tax liabilities related to PIS, COFINS and Income Tax/Social Contribution, registered or not registered in the Federal Debt Roster.

The nominal value of the debit included in PERT totals approximately R$4.2 billion, including reductions foreseen in the respective Provisional Measures, of which (i) 20% of the total gross amount will be paid in monthly installments until December 2017, totaling R$1.1 billion; (ii) amounts related to the RFB, totaling R$1.6 billion, will be paid using tax credits from the Company and other companies within the same economic group, which generated discount of R$76 million; and (iii) amounts related to PGFN, totaling R$1.5 billion, will be settled in 145 consecutive monthly installments, starting January 2018. Installment amounts include an 80% reduction in default interest, 50% in default fines and 100% in legal charges and will be adjusted by the SELIC rate.

Considering the net effect between the debits included on PERT, including the reductions and the provisions already established, the Company recorded a negative impact in the net income for the third quarter of R$2.3 billion, in which i) R$1.8 billion as expenses recognized under the caption "Administrative expenses"; ii) R$0.9 billion as expenses in the financial result; and, iii) R$435 million as deferred tax revenue for the constitution of unrecorded tax losses from prior period.

The effects related to PERT were recognized in the nine month period ended on September 30, 2017, since the definition of adhesion and debits to be included had already been taken at that time, and the amounts were already known and measured reliably, Management at September 30, 2017 was only waiting for the conversion of the Provisional Measure into Law, which occurred on October 24, 2017. PERT was recorded and segregated between administrative expenses (principal and fines) and financial result (interest), since these tax discussions were related to prior years and there is no benefit to readers in evaluate its recognition segregate in other lines in the statements of income.

Taxes payable in installments - Infraction fines in the states of Mato Grosso do Sul and Rondônia: In the fourth quarter of the year ended December 31, 2017, the Company received an infraction fine due to irregularities in the calculation of ICMS tax credits, besides the non-compliance with the TAREs - Termo de Ajuste de Regime Especial (Special Regime Adjustment Term) conditions, in the amount of R$441.012 which includes fines and interest. The mentioned infraction fine was recognized in the income statement as of December 31, 2017, under the caption "General and Administrative expenses", in the amount of R$388,589 and R$52,423, respectively.

In the state of Mato Grosso do Sul the net amount of the debits is R$163,936, including the reductions assured in the law, which the amount of R$23,996 was paid in December 2017 and the remaining balance of R$139,940 will be paid in 99 monthly installments starting in January 2018.

In the state of Rondônia the net amount of the debits is R$277,076, including the reductions assured in the law, which will be paid in up to 120 monthly installments starting in January 2018.

20 Accrued payroll and social charges

Accrued payroll and social charges are comprised of the following:

	Company		Consolidated	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Salaries and related social charges	**234,685**	231,813	**1,075,368**	962,353
Bonus and vacation along with related social charges	**186,092**	177,402	**2,051,375**	1,935,581
Taxes payable in installments	**1,580,839**	618	**1,593,079**	27,472
Others	**5,288**	2,463	**136,194**	107,193
	2,006,904	412,296	**4,856,016**	3,032,599
Breakdown:				
Current liabilities	**572,066**	412,296	**3,007,816**	2,595,381
Non-current liabilities	**1,434,838**	-	**1,848,200**	437,218
	2,006,904	412,296	**4,856,016**	3,032,599

Taxes payable in installments: As described in footnote 19, with PERT's adherence, Accrued payroll and social charges increased under the caption taxes payable in installments in the Company in the amount of R$643,554 on short term and of R$1,393,844 on long term, in the total amount of R$2,037,397, and in the Consolidated of R$643,554 on short term and of R$1,393,844 on long term, in the total amount of R$2,037,397, due to PERT's accrual. The balance of taxes payable in installments is already net of the tax credits compensation of R$188,139, since the compensation reflects the essence of the operation and the expected effect in the future cash flow.

(Expressed in thousands of Brazilian reais)

Subsequent event: The Company settled INSS tax of August to December 2017 in the amount of R$169,258 with PIS/COFINS credits. This settlement hasn't been approved by the Internal Revenue Service and in February 2018 the Company adhered a special program to pay this amount in installments, adding fines and interest, in the amount of R$206,571, which 10% were paid and the remaining balance will be paid in 59 installments. With this transaction, PIS/COFINS credits will be classified in the Company's assets.

21 Dividends payable

The Company's bylaws require the payment of dividends equal to at least 25% of the annual net income attributable to company shareholders; and as such the Company records a liability at year-end for the minimum unpaid yearly dividend amount. Dividends payable are recognized as a liability at December 31 of each year.

	December 31, 2017	December 31, 2016
Declared dividends on 2013 - Residual	–	251
Declared dividends on 2014 - Residual	**447**	532
Declared dividends on 2015 - Residual	**131**	368
Declared dividends on 2016 - Residual	**12**	89,352
Declared dividends on 2017	**126,873**	–
	127,463	**90,503**

The residual amount of dividends corresponds to the unpaid dividends due to a lack of updated payment information. This pending information related to some minority shareholders precludes the Company from fully paying the dividends declared. The Company has sent notification to such shareholders to update their payment information so the amount can be paid.

A liability for unpaid dividends will be maintained during the statutory period and classified as short term, since once the shareholder's information is updated, the payment will be made.

The Company has accrued dividends in December 31, 2017 of R$126,873 (R$89,352 in December 31, 2016) according to the calculation presented below

	December 31, 2017	December 31, 2016
Net income attributable to company shareholders for the year	**534,202**	**375,973**
Legal reserve – (5%)	(26,710)	(18,800)
Reversal of dividends - 2012	–	230
Adjusted base for dividends calculation	**507,492**	**357,403**
Mandatory dividends (25%)	126,873	89,352
Declared dividends	**126,873**	**89,352**

22 Other financial liabilities

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

		Current		Non-current	
Company	**Description of the acquisitions**	**December 31, 2017**	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
JBS	- Properties and other industrial complexes.	**7,659**	7,659	**24,827**	31,427
Seara	- Property and other industrial complexes acquisition from Ana Rech.	**4,022**	48,583	–	4,000
	- Assets acquisition from Seara.	**24,886**	41,689	–	28,897
	- Company Agrovêneto.	**1,331**	–	**8,275**	11,614
	- Company Frinal.	–	13,883	–	–
	- Company Sul Valle.	**443**	655	–	–
	- Company Novagro.	–	8,351	**2,193**	2,386
	- Properties from the company Céu Azul.	**84**	84	–	–
	- Properties from the company Rigor.	–	19,148	–	–
	- Properties from the company Tramonto.	**3,324**	3,323	**554**	3,878
	- Industrial complexes from Trindade do Sul.	**15,328**	–	–	–
	- Industrial complexes from Jundiaí.	**16,079**	16,016	**4,019**	19,943
	- Industrial complexes from Mato Castelhano.	–	1,723	–	–
	Total	**73,156**	**161,114**	**39,868**	**102,145**

23 Income taxes

The Company and the subsidiaries located in Brazil are taxed based on their taxable income. The subsidiaries located outside of Brazil use methods established by the respective local jurisdictions. Income taxes have been calculated and recorded considering the applicable statutory tax rates enacted at the balance sheet date.

Current taxes

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

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

Deferred taxes

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

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

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

Brazilian controlled foreign corporation (CFC) rules tax the foreign subsidiaries' pre-tax book income, except for the foreign exchange, at the end of the fiscal year at the statutory rate of 34%. Income tax paid abroad by a foreign subsidiary can be deducted up to the amount of tax payable in Brazil in relation to the foreign income. To the extent provided by law, any excess prepayment of income taxes in foreign jurisdictions over the tax due in Brazil is classified as recoverable withholding income taxes.

(Expressed in thousands of Brazilian reais)

a. Reconciliation of income tax and social contribution expense:

	Company		Consolidated	
	2017	2016 Restated	2017	2016 Restated
Profit (loss) before income taxes (PBT)	**(81,673)**	**(621,652)**	**1,151,756**	**290,825**
Nominal rate	**(34)%**	**(34)%**	**(34)%**	**(34)%**
Expected tax expense	**27,769**	211,362	**(391,597)**	(98,881)
Adjustments to reconcile taxable income:				
Earnings and losses due to equity method	**1,692,976**	702,341	**6,334**	5,951
Domestic production activities deduction	-	-	**156,264**	94,976
Difference on tax rates for foreign subsidiaries	-	-	**423,774**	173,222
Gain arising from foreign subsidiaries	**(534,000)**	103,344	**(534,000)**	103,344
Transfer price adjustment	**(9,548)**	(6,948)	**(9,548)**	(6,948)
Unrecognized tax benefit	**(11,539)**	-	**(104,998)**	(136,779)
Dividends paid abroad	-	-	**(1)**	(131,310)
Withholding income tax - Foreign subsidiaries	-	-	**(11,316)**	(87,995)
Stock option plan	**(26,697)**	(41,716)	**(38,670)**	(41,716)
Non-taxable interest - Foreign subsidiaries	-	-	**178,353**	269,781
Deferred tax prior year booking [(2)]	-	-	**435,963**	-
Dual jurisdiction taxation - Foreign subsidiaries	-	-	**330,110**	251,681
Realization of other comprehensive income due to divestment program	**(225,215)**	-	**(225,215)**	-
Penalties for infringements and/or tax payable in installments	**(182,694)**	(4,223)	**(182,704)**	(6,340)
Deferred tax write-off - Moy Park business combination	**(72,467)**	-	**(72,467)**	-
Other permanent differences	**(42,710)**	(108,945)	**(86,787)**	(114,723)
Current and deferred income tax (expense) benefit	**615,875**	**855,215**	**(126,287)**	**274,263**
Current income tax	**649,610**	943,794	**(1,274,652)**	(286,818)
Deferred income tax	**(33,735)**	(88,579)	**1,148,365**	561,081
	615,875	**855,215**	**(126,287)**	**274,263**
% IT/PBT	**754.07 %**	**137.57 %**	**(10.96)%**	**94.31 %**

	Company		Consolidated	
	2017	2016 Restated	2017	2016 Restated
Adjustments to reconcile taxable income [(1)]				
Goodwill amortization - deferred	-	-	**10,972**	17,306
Prior years loss carryfowards - deferred	-	-	**(553,126)**	(422,458)
Unrecognized tax losses	**(11,539)**	-	**(104,998)**	136,779
Dividends paid abroad	-	-	**1**	131,310
Withholding income tax - Luxembourg restructure	-	-	**11,316**	87,995
Deferred tax prior year booking [(2)]	-	-	**(435,963)**	-
Deferred tax write-off - Moy Park business combination	**72,467**	-	**72,467**	-
Income tax on realization of other reserves	**(2,890)**	(2,656)	**(62,476)**	(61,757)
Current and deferred income tax (expense) benefit - ADJUSTED	**673,913**	**852,559**	**(1,188,094)**	**163,438**
Effective income tax rate	**825.14%**	**137.14%**	**(103.16)%**	**56.20%**

(1) - The Company believes that due to the origin and non-recurrence of specific events certain items should be excluded from the effective tax rate disclosure such as: i) Deferred tax expense arising from goodwill amortization; ii) Income tax on realization of the other reserves (since it is not relate to the net operating income); iii) Deferred tax assets on arising from prior years losses carryforwards (recognized only now that entities reach necessary criteria not observed in the past since on prior periods where such losses were generated, there were no expectation of profitable future profits); iv) current tax over dividends paid abroad (once such expense is unrelated to the Company's business), v) withholding income tax, arising from the corporate restructure in JBS USA; and vi) unrecognized tax losses without expectation of realization from the foreign subsidiaries.

(2) - In order of PERT's adherence, as described in footnote 19, with the possibility of using tax credits, the Company and its subsidiaries registered deferred tax assets from prior years loss carryforwards in the amount of R$435,963.

(Expressed in thousands of Brazilian reais)

b. Composition of deferred income tax and social contribution

	Company			
	December 31, 2017	Income statement	Other adjustments (3)	December 31, 2016
				Restated
Tax losses and negative basis of social contribution	-	20	(136,955)	136,935
Allowance for doubtful accounts	**61,111**	24,307	-	36,804
Provisions for contingencies	**175,077**	34,427	-	140,650
Present value adjustment - Clients	**915**	(812)	-	1,727
Other temporary differences assets	**13,073**	1,990	-	11,083
Goodwill amortization	**(1,916,521)**	-	-	(1,916,521)
Present value adjustment - Suppliers	**(3,132)**	2,134	-	(5,266)
Realization of other reserves / deemed cost	**(272,982)**	-	2,891	(275,873)
Deferred tax write-off - Moy Park business combination	-	(72,468)	72,468	-
Other temporary differences liabilities	**(23,333)**	(23,333)	-	-
Deferred taxes, net	**(1,965,792)**	**(33,735)**	**(61,596)**	**(1,870,461)**

	Consolidated				
	December 31, 2017	Income statement	Exchange variation	Other adjustments (3)	December 31, 2016
					Restated
Tax losses and negative basis of social contribution	**871,991**	553,125	(190)	(1,038,903)	1,357,959
Allowance for doubtful accounts	**72,559**	24,420	202	-	47,937
Provision for contingencies	**335,993**	91,379	474	-	244,140
Present value adjustment - Clients	**1,292**	(3,761)	-	-	5,053
Inventory valuation - Foreign subsidiaries	**130,343**	(50,310)	971	-	179,682
Tax credits - Foreign subsidiaries	**92,433**	(2,856)	1,546	-	93,743
Biological assets - Foreign subsidiaries	**45,939**	(27,847)	327	-	73,459
Insurance accruals - Foreign subsidiaries	-	(65,023)	(234)	-	65,257
Labor accidents accruals - Foreign subsidiaries	**106,879**	(17,188)	1,190	-	122,877
Employee benefit plan - Foreign subsidiaries	**75,489**	(53,421)	362	-	128,548
Accounts payable accruals - Foreign subsidiaries	**300,228**	(54,145)	2,555	-	351,818
Moy Park business restructure	**13,114**	12,874	240	-	-
Other temporary differences assets	**219,650**	(27,650)	2,548	(34,343)	279,095
Goodwill amortization	**(2,033,318)**	(10,971)	-	-	(2,022,347)
Present value adjustment - Suppliers	**(6,073)**	8,360	-	-	(14,433)
Business combination	**(2,310,175)**	661,884	(64,112)	(19,288)	(2,888,659)
Insurance claims accruals - Foreign subsidiaries	**(96,769)**	42,258	(1,540)	-	(137,487)
Inventory valuation - Foreign subsidiaries	**(243,321)**	96,397	(4,002)	-	(335,716)
Realization of other reserves / deemed cost	**(683,930)**	64,899	-	2,890	(751,719)
Deferred tax write-off - Moy Park business combination	-	(72,468)	-	72,468	-
Other temporary differences liabilities	**(154,658)**	(21,592)	(8,446)	(16,482)	(108,138)
Deferred taxes, net	**(3,262,334)**	**1,148,364**	**(68,109)**	**(1,033,658)**	**(3,308,931)**

	Company		Consolidated	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
		Restated		Restated
Deferred income taxes assets	-	-	**434,861**	454,117
Deferred income taxes liabilities	**(1,965,792)**	(1,870,461)	**(3,697,195)**	(3,763,048)
	(1,965,792)	**(1,870,461)**	**(3,262,334)**	**(3,308,931)**

(Expressed in thousands of Brazilian reais)

(3) - The prior year loss carryforward write off refers to PERT's payment, as demonstrated below:

Deferred tax asset from prior year loss carryforward

	Company	Consolidated
Initial balance	**136,956**	**602,940**
Credit with related parties recognition - Assets	1,175,609	420,827
Unrecognized tax credits recognition - Income statement	-	435,963
PERT's payment	(1,312,565)	(1,459,730)
Ending balance	-	-

Unrecognized tax benefit

The Company's unrecognized tax benefits as of December 31, 2017 and 2016 was R$678,860 and R$1,957,636, respectively. These net operating losses were generated primarily in Brazil and do not expire under Brazilian tax regulations. Deferred tax assets will be recorded in relation to the net operating losses in periods when the availability of future taxable profits are probable to realize the deferred tax asset. Provisions for probable losses related to income tax exposures are described in note 24.

24 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					
	December 31, 2017		December 31, 2017		January 1, 2016	
	Quantity	R$	Quantity	R$	Quantity	R$
				Restated		Restated
Labor	**16,692**	**143,954**	16,345	92,485	14,749	74,000
Civil	**1,004**	**22,017**	820	9,945	775	9,916
Tax and Social Security	**1,240**	**1,654,036**	1,285	1,582,384	1,300	1,430,037
Total	**18,936**	**1,820,007**	**18,450**	**1,684,814**	**16,824**	**1,513,953**

	Consolidated					
	December 31, 2017		December 31, 2017		January 1, 2016	
	Quantity	R$	Quantity	R$	Quantity	R$
				Restated		Restated
Labor	**36,437**	**406,434**	34,146	346,546	32,203	408,963
Civil	**3,501**	**362,904**	3,352	275,947	2,920	280,383
Tax and Social Security	**1,922**	**2,118,812**	1,861	2,085,153	1,810	2,160,607
Total	**41,860**	**2,888,150**	**39,359**	**2,707,646**	**36,933**	**2,849,953**

The 2016 balances were restated, as described in footnote 2 - Plea bargain agreement, Leniency agreement and the impacts in the financial statements.

Changes in provisions

	Company			
	December 31, 2016	Additions	Payments	December 31, 2017
	Restated			
Labor	92,485	276,896	(225,427)	**143,954**
Civil	9,945	100,023	(87,951)	**22,017**
Tax and Social Security	1,582,384	87,480	(15,828)	**1,654,036**
Total	**1,684,814**	**464,399**	**(329,206)**	**1,820,007**

	Consolidated					
	December 31, 2015	Additions	Payments	Assets held for sale (1)	Exchange rate variation	December 31, 2017
	Restated					
Labor	346,546	507,704	(442,706)	(4,993)	**(117)**	**406,434**
Civil	275,947	192,802	(105,845)	-	-	**362,904**
Tax and Social Security	2,085,153	186,305	(153,584)	-	**938**	**2,118,812**
Total	**2,707,646**	**886,811**	**(702,135)**	**(4,993)**	**821**	**2,888,150**

(1) 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, in accordance to the divestment plan announced by the Company, as described in footnote 12 - Investments in associates, subsidiaries and joint ventures.

(Expressed in thousands of Brazilian reais)

	Company			
	December 31, 2015	Additions	Payments	December 31, 2016
	Restated			Restated
Labor	74,000	176,981	(158,497)	**92,484**
Civil	9,916	5,887	(5,857)	**9,946**
Tax and Social Security	1,430,037	200,467	(48,120)	**1,582,384**
Total	**1,513,953**	**383,335**	**(212,474)**	**1,684,814**

	Consolidated				
	December 31, 2015	Additions	Payments	Exchange rate variation	December 31, 2016
	Restated				Restated
Labor	408,963	181,933	(241,744)	(2,607)	**346,545**
Civil	280,383	14,034	(17,352)	(1,119)	**275,946**
Tax and Social Security	2,160,607	200,502	(273,932)	(2,023)	**2,085,154**
Total	**2,849,953**	**396,470**	**(533,028)**	**(5,748)**	**2,707,647**

In the Company:

a. Tax and Social Security Proceedings

a1. ICMS - Value Added Tax (Imposto sobre Operações Relativas à Circulação de Mercadorias e sobre a Prestação de Serviços de Transporte Interestadual e Intermunicipal e de Comunicação): The Tax Authority of the State of São Paulo (Secretaria da Fazenda do Estado de São Paulo) filed 259 administrative proceedings (231 administrative proceedings in December 31, 2016) against JBS, under which the Tax Authority challenges the amount of the Company's ICMS tax credits arising from the purchase of cattle and meat transfer by the Company in other Brazilian states. The Tax Authority of the State of São Paulo claims that the tax incentives should be approved by Confaz , and are known as a "Tax War". The Tax Authority of the State of São Paulo does not recognize the Company's ICMS tax credits up to the amount of the ICMS tax guaranteed in such other states. JBS estimates that the claims under these administrative proceedings amount to R$2,144,333 on December 31, 2017 (R$1,902,778 in December 31, 2016). In addition to presenting its defense in such administrative proceedings, the Company has filed legal proceedings seeking the payment of damages from such other states if the Tax Authority of the State of São Paulo prevails in these administrative proceedings. Management believes, based on the advice of its legal counsel, that its arguments will prevail in these procedures, which is the reason why no provision has been made, considering as a remote loss.

a2. Social contributions — Rural Workers' Assistance Fund (FUNRURAL): Social Contributions – On January 2001, JBS filed an injunction to suspend the collectability retention and transfer the Rural Workers' Assistance Fund - NOVO FUNRURAL). This sentence was reformulated by the Federal Regional Court of 3rd region. The Company filed an extraordinary appeal, which was halted on the basis of Article 543-B, § 1 of the Code of Civil Procedure, until the final decision of the Supreme Court on the matter. To avoid the institution to lose the right to require the contribution to the New Funrural, INSS released tax notifications, in a total of 17 infringement notices (21 infringement notices in December 31, 2016), in the amount of R$2,480,564 on December 31, 2017 (R$1,356,488 in December 31, 2016). JBS has presented its defense in those administrative proceedings, informing that it does not collect the amount due to a favorable court ruling, considering that there is no final decision of the writ of mandamus mentioned. This matter was the subject of decisions favorable to the taxpayer, issued by the Supreme Court - STF for companies whose activities are similar to JBS's activity in the trials of Extraordinary Appeals number 363.852/MG and 596.177/RS. Currently, JBS does not make any rebate or payment. If a discount is made for commercial reasons, JBS will deposit it in court and, fulfill a court order. Based on the opinion of legal advisers and based on case law in favor of the Supreme Court in a similar case, management believes that its fundamentals will prevail and no provision was recorded for that contingency. The probability of loss is considered remote.

a3. Other tax and social security procedures: JBS is part in additional 952 tax and social security proceedings (1,033 proceedings in December 31, 2016), which individually are not material. We highlight that the ones with probable loss risk have a provision of an aggregate amount of R$157,076 (R$119,977 In December 31, 2016).

a4. Plea bargain agreement impacts: The Company received in December 2017 an infraction fine referring to the year 2012, based in information provided in the appendixes of the plea bargain agreements, as described in footnote 2 - Plea bargain agreement, Leniency agreement and the impacts in the financial statements.

With the Leniency agreement adherence, the Company decided to implement the integrity program and internal independent investigations, also elaborating internal assessments about the reported events and their impacts in the financial statements, which include the matters from the 2012 infraction fines. The assessments were elaborated to all years impacted which is based on expenses paid without service rendering and supplies purchase, their impacts in withholding taxes and the deductibility of these expenses, plus interest and fines.

Based on the internal assessments, the Company identified in December 31, 2017 (referring to the years of 2012 to 2017) an estimated loss of approximately R$1.496.960 (R$1.462.407 in December 31, 2016), recognized as tax and social security contingencies.

a5. PERT's adherence: As disclosed to the market, and detailed in footnote 19 - Accrued income taxes and other taxes, the Company made an adhesion to PERT in the amount of R$4.1 billion, of which R$2.6 billion was included in the aforementioned possible estimate, and the remainder of the balance was evaluated between probable and remote risk. It is important to note that part of the R$2.6 billion of possible valuation was recorded as INSS payable in the amount of R$2.3 billion (including fines and interest) that had been offset against PIS and COFINS, and was being discussed together with tax authorities.

At the time of PERT's adhesion, the INSS offset with PIS and COFINS was reversed, therefore resulting in no effect on the statements of income. There was no change in the Company's estimate of the risk of loss in these proceedings, however, even such debts being under discussion and with technical arguments of success, the Company decided to join PERT due to the benefits of the program, such as the use of tax credits, discounts and reductions, the extended term for payment, and the cost of the lawsuit (both financial and procedural).

b. Labor Proceedings

As of December 31, 2017 JBS was party to 16,692 labor proceedings, (16,345 labor proceedings in December 31, 2016) involving total claims of R$1.3 billion (R$1 billion in December 31, 2016). Based on the opinion of the Company's legal counsel, JBS has provisioned an aggregate amount of R$143,954 (R$92,485 on December 31, 2016) for losses arising from these proceedings, which includes payroll taxes. Most of these lawsuits were filed by former employees of JBS seeking overtime payments and payments relating to their exposure to health hazards, commuting time, alleged work accidents and recovery time. Among other labor proceedings, there are ongoing proceedings filed by the Labor Ministry (Ministério do Trabalho) related to labor issues.

c. Civil Proceedings

As of December 31, 2017, JBS was party to 1,004 civil proceedings (820 civil proceedings in December 31, 2016). In the opinion of the Management and its legal advisors, the expected loss of R$22,017 (R$9,945 in December 31, 2016), has been accrued.

d. Other proceedings with possible outcome

As of December 31, 2017, JBS had other ongoing tax proceedings, in the amount of R$5.6 billion (R$1.4 billion in December 31, 2016) which refer mainly to Funrural and other civil proceedings in the Company, and in the Consolidated in the amount of R$8.6 billion (R$2.9 billion in December 31, 2016) whose loss potential, according to the evaluation of its legal advisors, is possible, but not probable, for which the Company's management has not set an accrual for possible loss.

e. Legal and investigative relevant procedures

The Company and/or its subsidiaries are investigated in several investigative procedures initiated or relevant outcomes due to events described in footnote 2 - Plea bargain agreement, Leniency agreement and the impacts in the financial statements, as demonstrated below:

e1. Criminal procedures:

In criminal investigations and proceedings, legal entities do not suffer any criminal penalties arising from the events committed by its executives and/or representatives, who are subject to law penalties (including deprivation of liberty), in case of any proof of effective participation in illegal facts involving the Company and/or its subsidiaries.

- Bullish operation (police inquiry) and Criminal Investigative Procedure/RJ: Investigation to determine alledged 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; from this operation, a series of precautionary actions were originated, among others, the search and seizure of documents from the Company or that could have sensitive information to the Company, as well as blocking the assets of the Company's controllers and their relatives, later than following a judicial decision to release all assets that were blocked.

- Weak Flesh operation (police inquiry): Suspicion of improper payments made to federal agents from SIF (Serviço de Inspeção Federal); the criminal investigations and prosecutions examine corruption in several companies which are part of the agricultural/farming segment (cold storage). Regarding the Company, the conduct of employees and former employees are being investigated, who are related to 1 unit in the State of Paraná.

- Lama Asfáltica operation (police inquiry): Suspicion of improper payments made to get tax incentives in the state of Mato Grosso do Sul; this inquiry investigates companies cartelisation who are part of the construction segment, which committed fraud in bidding processes and corruption of public servers. Regarding the Company, the Federal Police declares to have found evidence of improper payments to public servers from the state of Mato Grosso do Sul in exchange of tax incentives granted to the Company in that place.

- Tendão de Aquiles operation (criminal proceeding) in the 6th Federal Criminal Court of São Paulo: Suspicion of insider trading actions and market manipulation the former executives at the time of the events (who are in the condition of defendants in the process), due to transactions carried out to purchase dollars and treasury shares, using privileged information (plea bargain agreements).

e2. 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;

- CPMI (mixed) from the Senate and the Deputy Chamber: The CPI was created to investigate all investments made by BNDES in JBS S.A.

e3. 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.
In July 18, 2017, a judgment of termination of the process was issued without merit resolution, against which an appeal was lodged by the authors.

- Class action - 1001502-51.2017.4.01.3700: Alleged irregularities in financings through loans acquired with the Banco Nacional do Desenvolvimento Econômico e Social - BNDES.
3ª Vara Cível Federal de São Luis do Maranhão
Plaintiff: Aristoteles Duarte Ribeiro
In December 15, 2017, a decision was issued recognizing the prevention of the 9th Federal Court of the Judiciary Section of São Paulo determining the redistribution of the deed.

- Class action - 5007521-26.2017.4.03.6100: Alleged irregularities in granting financial support (financings) and unfair favorings provided by BNDESPar to the economic group.
9ª Vara Cível Federal de São Paulo
Plaintiffs: Walter do Amaral, Paulo Roberto do Amaral and Marcos Rodrigues da Cunha
On December 14, 2017, a judgment of termination of process was issued without merit resolution.

- Class action - 5203744-56.2017.8.09.0051: Question the State Law nº 18.459/14, changed by the State Law nº 18.709/14, that created the Tax Incentive Program for Companies in the Goiás State (REGULARIZA).
3ª Vara da Fazenda Pública Estadual de Goiânia/GO
Plaintiff: Ronaldo Ramos Caiado
An appeal was presented to the authorities, remaining outstanding the Federal Public Prosecutor’s Office opinion.

- **Class action - 1019930-11.2017.4.01.3400**: Alleged irregularities in foreign exchange transactions and purchase of shares using privileged information and financial transactions with BNDES.
14ª Vara Cível Federal do Distrito Federal
Plaintiff: Roberto Casali Júnior

- Class action - 820215-58.2017.8.12.0001: Aims the declaration of nullity of the Special Regime Agreement Agreement (TARES) n. 1028/2014 and 1103/2016, as well as the unavailability of assets of the defendants up to the amount equivalent to the losses suffered by the State.
1ª Vara de Direitos Difusos, Coletivos e Individuais da Comarca de Campo Grande
Plaintiff: Danny Fabricio Cabral Gomes e Soraya Thronicke
In November 17, 2017, a suspensive effect was granted to the Instrument of Appeal to determine the suspension of the blocks carried out. Awaiting a final judgment of the aforementioned offense.

e4. Corporate lawsuits:

- Precautionary court action - 5013681-67.2017.4.03.6100: Preventing the Controlling Shareholder (FB Participações), Banco Original and Banco Original Agronegócio to vote in the Shareholders' Meeting on September 1, 2017, on the measures to be taken by the Company as a result of the illegal actions acknowledged in the plea bargain agreement and Leniency Agreement, in particular on the adoption of the measures inserted in articles 159 and 246 of the law of joint stock companies (Lei das sociedades por ações - Leis

das SA's), as well as, in relation to the indemnity agreement, items "ii 'and" v " Notice of Convocation, due to alleged conflict of interest.
8ª Vara Cível Federal de São Paulo
Plaintiffs: BNDES Participações S.A. (BNDESPAR) and Caixa Econômica Federal
Defendants: JBS S.A., FB Participações S.A., Banco Original S.A. and Banco Original Agronegócio S.A.

- Request for Emergency Guardianship - 085443-97.2017.8.26.0100: To determine the defendants or any of the persons appointed by them to occupy the seats on the general meeting table that refrain from impeding, delaying or in any way disturbing the possibility for shareholders to discuss and resolve on the measure set forth in art. 120 of the law of joint stock companies (Lei das sociedades por ações - Leis das SA's), if it is raised at the general meeting of the JBS, making it possible to vote immediately after the matter is raised; and / or to determine that, in the scope of the votes of art. 120 of the Brazilian Corporate Law and other measures to be discussed in the context of item "ii" of the agenda, the Controllers are strictly prohibited from participating in the deliberations, pursuant to art. 115, paragraph 1, of the law of joint stock companies (Lei das sociedades por ações - Leis das SA's)
2ª Vara de Falências, Recuperações Judiciais e Conflitos Relacionados à Arbitragem da Comarca da Capital do Estado de São Paulo
Author: José Aurélio Val Porto de Sá Júnior.
Defendants: JBS S.A.; Tarek Mohamed Noshy Nasr Mohamed Faraht; José Batista Sobrinho; FB Participações S.A.; Banco Original S.A., Banco Original do Agronegócio S.A.
In August 31, 2017, a judgment of termination of the process was issued without merit resolution, against which an appeal was lodged by the author.

- Lawsuit for the exhibition of documents with urgent request for protection and evidence - 1086689-31.2017.8.26.0100: Access to the settlement certificate of the book of Registered Shares with the names of all shareholders and the number of their shares.
2ª Vara de Falências, Recuperações Judiciais e Conflitos Relacionados à Arbitragem da Comarca da Capital do Estado de São Paulo.
Plaintiffs: José Aurélio Val Porto de Sá Júnior and Associação dos Investidores Minoritários AIDMIN
Defendant: JBS S.A.
In September 13, 2017, a judgment of termination of the process was issued without merit resolution, which an appeal was presented by the plaintiffs against the resolution.

- Arbitration 93/17: Lawsuit for loss and damaged suffered by the Company.
Câmara de Arbitragem do Mercado - CAM BM&F BOVESPA
Plaintiffs: José Aurélio Val Porto de Sá Júnior and Associação dos Investidores Minoritários AIDMIN
Defendants: FB Participações S.A.; Banco Original S.A.; Banco Original do Agronegócio S.A.; J&F Investimentos S.A.; ZMF Participações Ltda.; WWMB Participações Ltda.; JJMB Participações Ltda.; J&F Participações Ltda; Pinheiros Fundo de Investimentos em Participações; Wesley Mendonça Batista; Joesley Mendonça Batista; JBS S.A.

- Arbitration 94/17: Petitioner right to vote in the Shareholder's Meeting of JBS S.A., scheduled for September 1, 2017, which is suspended by court order.
Câmara de Arbitragem do Mercado - CAM BM&F BOVESPA
Plaintiffs: FB Participações S.A., Banco Original S.A. and Banco Original Agronegócio S.A.
Defendants: BNDES Participações S.A. - BNDESPar, Caixa Econômica Federal e JBS S.A.

In addition, there are two Administrative Sanctioning Procedures underway in the CVM, in which members and former members of the Company's management are accused of alleged infractions of the capital market regulation regarding the disclosure of information.

The Company also informs non-sanctioning administrative proceedings in process at the CVM, in which issues related to the Company are analyzed.

On December 8, 2017, a Sanctioning Administrative Procedure 5388/2017 was instituted, in order to ascertain the possible liability of i) Company, for allegedly being a beneficiary of purchases of US dollar derivative contracts using unfair practices, in violation of CVM Instruction No. 8/1979, II, d, from May 5 to 17, 2017; and, ii) subsidiary Seara Alimentos Ltda., for allegedly being a beneficiary of purchases of US dollar derivative contracts using unfair practices, in violation of CVM Instruction 8/1979, II, d, on May 10, 2017 In addition, other related parties of the Company are part of said Administrative Process.

In subsidiary Seara Alimentos:

a. Labor Proceedings

As of December 31, 2017, Seara Alimentos subsidiaries were party to 19,710 labor proceedings (17,755 labor proceedings on December 31, 2016) labor proceedings, involving the total amount of R$1,907,986 (R$1,595,009 on December 31, 2016). Based on the opinion of the Company's legal counsel, an accrual has been made in the amount of R$262,252 (R$247,950 on December 31, 2016) for losses arising from such proceedings, already including payable social charges by the employee and Seara Alimentos. Most of these lawsuits were filed by former employees of Seara Alimentos seeking overtime payments and payments relating to their exposure to health hazards, commuting time, alleged work accidents and recovery time. Among other labor proceedings, there are ongoing proceedings filed by the Labor Ministry (Ministério do Trabalho) related to labor issues.

b. Civil proceedings

As of December 31, 2017, Seara Alimentos subsidiaries were party to 2,490 civil and administrative proceedings (2,529 civil an administrative proceedings on December 31, 2016), involving the total amount of R$1,380,836 (R$623,212 on December 31, 2016). Based on the opinion of the Company's legal counsel, an accrual has been made in the amount of R$340,886 (R$265,664 on December 31, 2016) for losses arising from such proceedings. Most of these lawsuits are related to indemnity for collective moral damage, moral damage for improper protest, repairing damages for poultry partnership or pigs integration, cancellation of industry or trade mark complaints and consumer contracts - product quality.

c. Tax Proceedings

Seara Alimentos and its subsidiaries are party to 632 (525 on December, 31 2016) tax and social security proceedings, in which the individual amount of the contingencies are not relevant. Proceedings with a probable loss risk have contingencies, in the amount of R$458,963 (R$497,098 on December 31, 2016).

d. Plea bargain agreement impacts

After the internal analysis works following the same methodology of the parent company, no impacts were identified in the subsidiary Seara Alimentos.

25 Equity

a. Share capital: Share capital on December 31, 2017 is R$23,576,206, represented by 2,856,857,505 common shares, having no nominal value. The share capital amount is net of R$54,865 capitalized transaction costs related to expenses incurred in 2010 consisting of R$37,477 related to the transaction costs for the Company's Initial Public Offering, and expenses in the amount of R$17,388 regarding the issuance of debentures during 2011. The Company is authorized to increase its capital by an additional 1,375,853,183 common shares. According to statute, the Board of Directors shall determine the number, price, payment term and other conditions of the issuance of shares. The Company may grant options to purchase shares to directors, employees or persons who will provide services, or the directors, employees or person providing the services under its control. The following is the common share activity for the years ended December 31, 2017 and 2016:

b. Capital reserves:

b1. Premium on issue of shares: refers to the difference between the subscription price that the stockholders pay for the shares and their fair value;

(Expressed in thousands of Brazilian reais)

b2. 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 establishes the criteria of granting the options and selecting the employees. The number of grantable shares authorized to be granted under the plan is limited to 2% of the Company's share capital, and also limited to 0.4% of the increase in the Company's share capital per year.

The fair value of employees' services received in exchange for the stock option grants is recognized as an expense with an offset to 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:

Grants					Fair value assumptions			
Program	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 a R$ 7,74	0.00001	1 to 3 years	10,98% a 12,16%	42.16%	7.80	1.05%
Sep-14	200,000	R$ 9,59 a R$ 9,99	0.00001	1 to 5 years	11,05% a 11,25%	42.16%	10.10	1.05%
May-15	1,916,859	R$ 15,36 a R$ 15,58	0.00001	1 to 3 years	13,25% a 13,68%	55.69%	15.66	0.719%
Mar-16	3,350,000	R$11.55	0.00001	Immediate vesting	-	-	11.55	-
Jun-16	3,259,890	R$ 9,20 to R$ 10,05	0.00001	1 to 3 years	12,66% to 13,60%	65.98%	11.12	4.45%
Nov-16	3,350,000	11.27	—	Immediate vesting	-	-	11.27	-
Nov-16	195,000	R$ 9,81 a R$ 10,49	0.0000150	1 to 3 years	11,42% a 11,60%	50.30%	11.27	3.347%
Jan-17	3,700,979	R$11.90	0.0100000	Immediate vesting	-	-	11.90	-
May-17	1,004,722	R$ 11,72 a R$ 11,82	0.000002	1 to 3 years	9,31% a 9,64%	46.15%	11.86	0.447%
May-17	2,315,842	R$ 11,10 a R$ 11,15	1.000000	1 to 3 years	9,31% a 9,64%	46.15%	12.07	0.45%
May-17	35,876	R$11.86	0.000030	Immediate vesting	-	-	11.86	-
Out-17	3,350,000	R$8.39	0.0000003	Immediate vesting	-	-	8.39	-
Total	**27,352,870**							

December 31, 2017				
Program	Grant	Vesting terms	Options outstanding	Remaining contractual life (years)
May-15	01.05.15	1/3 per year with final maturity in May 1, 2018	447,166	0.08
May-16	01.05.16	1/3 per year with final maturity in April 4, 2019	1,109,996	1.08
Jun-16	01.06.16	1/3 per year with final maturity in June 1, 2019	1,978,416	1.08
Nov-16	11.17.16	1/3 per year with first maturity in January 1, 2019 and final maturity in January 1, 2021	195,000	3.08
May-17	01.05.17	1/3 per year with final maturity in May 1, 2020	942,233	2.42
			4,672,811	

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

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

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

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

	December 31, 2017			December 31, 2016		
	Quantity of options	Average exercise price per share		Quantity of option	Average exercise price per share	
Opening balance	**8,355,967**	**R$**	**11.80**	**3,336,737**	**R$**	**12.27**
Granted	10,397,847	R$	11.94	13,327,629	R$	10.48
Exercised	(13,385,915)	R$	10.92	(8,284,498)	R$	10.97
Cancelled	(695,088)	R$	10.79	(23,911)	R$	11.74
Closing balance	**4,672,811**	**R$**	**10.11**	**8,355,957**	**R$**	**11.80**

During the years ended December 31, 2017 and 2016, the expense with options plan totaled R$119,802 e R$138,841 in the Company, respectively, and in the Consolidated in the amount of R$122,642 and R$143,298, respectively. The expenses were recorded in the net income (loss) under the caption "General and administrative expenses", with the respective offset in "Capital Reserves."

(Expressed in thousands of Brazilian reais)

b3. Treasury shares:

Treasury share activity during the years ended December 31, 2017 and 2016 was as follows:

	December 31, 2017	
	Quantity	R$ thousand
Opening balance	**135,261,051**	**1,625,510**
Purchase of treasury shares	25,307,000	255,938
Treasury shares used in stock option plan	(13,385,915)	(148,993)
Cancellation of treasury shares	(128,110,093)	(1,539,573)
Closing balance	**19,072,043**	**192,882**

b4. Capital transaction: see basis of preparation and presentation of financial statements.

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

d. Profit reserves:

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

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

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

f. Non-controlling interest: Material non-controlling interest at December 31, 2017 and 2016 consisted of the 21,4% and 21,5%, respectively, of PPC common stock not owned by JBS USA. JBS USA's voting rights in PPC are limited to 78,6% of the total. PPC is one of the largest chicken producers in the world, with operations in the United States, Mexico and Puerto Rico. The profit allocated to the PPC non-controlling interest during the years ended December 31, 2017 and 2016, was R$501,427 million (US$154,404 million) e R $334,168 million (US$95,747 million), respectively. At December 31, 2017 and 2016, the accumulated non-controlling interest in PPC was R$1.9 billion (US$554,812 million) e R $1.2 billion (US$346,856 million), respectively. Below are the PPC total net sales, net income, cash provided by operations, total assets and total liabilities for the periods indicated

	2017	2016
NET REVENUE	**34,968,720**	27,680,522
NET INCOME	**2,255,651**	1,534,704
Net cash provided by operating activities	**2,602,296**	2,636,722

	December 31, 2016	December 31, 2015
Total assets	**20,670,541**	9,803,790
Total liabilities	**14,532,014**	6,881,495

26 Net revenue

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

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

Revenue by significant category for the years ended December 31, 2017 and 2016 are as follows:

	Company		Consolidated	
	2017	2016	2017	2016
GROSS REVENUE				
Sales of products				
Domestic sales	**16,028,043**	19,105,400	**123,583,051**	128,268,827
Export sales	**8,833,623**	10,992,972	**45,290,376**	48,625,396
	24,861,666	**30,098,372**	**168,873,427**	**176,894,223**
SALES DEDUCTION				
Returns and discounts	**(887,033)**	(1,018,549)	**(3,696,953)**	(3,787,058)
Sales taxes	**(601,325)**	(1,354,042)	**(2,006,493)**	(2,726,639)
	(1,488,358)	**(2,372,591)**	**(5,703,446)**	**(6,513,697)**
NET REVENUE	**23,373,308**	**27,725,781**	**163,169,981**	**170,380,526**

27 Finance income (expense)

Finance income (expense) includes (i) interest payable on borrowings and direct issue costs; (ii) results from the daily settlements of future contracts used to protect assets and liabilities, as well as the fair value adjustments for derivative instruments that are described within note 32, (iii) interest receivable on funds invested which is recognized in profit or loss as it accrues using the effective interest method; and (iv) gains and losses associated with transactions denominated in foreign currencies.

Finance income (expense) consisted of the following for the years ended December 31, 2017 and 2016 are as follows:

	Company		Consolidated	
	2017	2016	2017	2016
Exchange rate variation	**(478,827)**	3,246,004	**(962,374)**	3,958,769
Fair value adjustments on derivatives	**8,696**	(6,169,830)	**28,585**	(6,650,664)
Interest expense	**(2,461,465)**	(1,745,409)	**(4,761,044)**	(3,836,438)
Interest income	**664,202**	1,313,607	**258,012**	518,359
Taxes, contribution, tariff and others	**(64,370)**	(130,058)	**(158,505)**	(301,335)
	(2,331,764)	**(3,485,686)**	**(5,595,326)**	**(6,311,309)**
Finance income	**2,223,849**	4,559,611	**1,986,856**	4,477,128
Finance expense	**(4,555,613)**	(8,045,297)	**(7,582,182)**	(10,788,437)
	(2,331,764)	**(3,485,686)**	**(5,595,326)**	**(6,311,309)**

28 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).

	2017	2016
		Restated
Net income (loss) attributable to shareholders	**534,202**	**303,270**
Weighted average common shares outstanding	**2,856,858**	**2,856,858**
Weighted average - treasury shares	**(28,170)**	**(134,768)**
Weighted average - common shares outstanding (basic)	**2,828,688**	**2,722,090**
Basic earnings (loss) per share - (R$)	**0.19**	**0.11**

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 had only one category of potential common shares that would cause dilution: outstanding options to purchase shares (shares in thousands).

	2017	2016
		Restated
Net income (loss) attributable to shareholders	**534,202**	**233,563**
Weighted average common shares outstanding (basic) - R$	**2,828,688**	2,722,090
Dilutive effect of outstanding stock options	**16,593**	11,071
Weighted average - common shares outstanding (diluted)	**2,845,281**	**2,733,161**
Diluted earnings (loss) per shares - (R$)	**0.19**	**0.09**

For the year ended December 31, 2017, 4,672,811 shares (8.355.957 shares in December 31, 2017) 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, respectively.

29 Operating segments and geographic reporting

Management has defined the reportable segments, based on consolidated product reports analyzed by the Chief Operating Decisions Maker (CODM) to make strategic decisions. The CODM is our Chief Executive Officer (CEO). The reportable segments are Beef, Chicken and Pork.

Geographically, the Company is organized by the United States of America (which includes Australia, Canada and Mexico), South America (Brazil, Argentina, Paraguay and Uruguay) and others (primarily Europe). Management in each geography analyzes its business primarily using product reports (Beef, Chicken and Pork) and reports its results to Group management based on products.

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

The Chicken segment consists of the production and sale of fresh products, chilled as a whole or in pieces, whose operations are located in the United States, Mexico, the United Kingdom and Brazil, and sold to restaurant chains, food processors, distributors, supermarkets, wholesale and other retail distributors, and also export to countries in Europe, Asia and other international markets

The Pork segment operations consist of slaughter facilities, processing, cold storage of pork meat, deliveries of fresh meat and the manufacturing of products and sub-products derived from pork meat. Production facilities are in Brazil and the United States, with sales to the U.S. domestic market as well as foreign markets. The products also include case-ready fresh meat.

(Expressed in thousands of Brazilian reais)

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

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

There are no revenues arising out of transactions with any single customer that represents 5% or more of the total revenues. Net revenue presented below is from external customers.

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

Segments presented by product:

	Net revenue		Operating income (1)		Depreciation	
	2017	2016	2017	2016	2017	2016
Segments						
Beef	**90,671,084**	97,465,177	**2,611,143**	1,344,954	**1,198,298**	1,219,300
Chicken	**41,298,302**	42,225,552	**3,772,818**	2,875,074	**2,389,343**	2,401,824
Pork	**21,374,718**	20,055,286	**2,335,970**	1,935,339	**388,997**	384,685
Others	**9,825,877**	10,634,511	**224,327**	630,961	**495,031**	494,786
Total	**163,169,981**	**170,380,526**	**8,944,258**	**6,786,328**	**4,471,669**	**4,500,595**

Total assets by product:

	December 31, 2017	December 31, 2016
Total assets		
Beef	**42,524,038**	48,364,038
Chicken	**32,668,967**	29,625,745
Pork	**11,690,139**	10,584,684
Others	**21,812,807**	14,241,296
Total	**108,695,951**	**102,815,763**

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

Geographic reporting

	Net revenue		Operating income (1)		Depreciation	
	2017	2016	2017	2016	2017	2016
United States of America	**117,437,396**	115,072,788	**9,080,417**	4,956,866	**2,511,335**	2,456,300
South America	**40,919,995**	46,358,905	**(158,348)**	1,593,028	**1,811,383**	1,703,515
Others	**4,812,590**	8,948,833	**22,189**	236,434	**148,951**	340,780
Total	**163,169,981**	**170,380,526**	**8,944,258**	**6,786,328**	**4,471,669**	**4,500,595**

Total assets by geographic area:

	December 31, 2017	December 31, 2016
Total assets		
United States of America	**55,179,005**	38,581,759
South America	**51,697,100**	58,102,290
Others	**1,819,846**	6,131,714
Total	**108,695,951**	**102,815,763**

(Expressed in thousands of Brazilian reais)

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

	Operating income	
	2017	**2016**
Net income (loss)	**1,025,469**	565,088
Income tax and social contribution - current and deferred	**126,287**	(274,263)
Finance (income) expense, net	**5,595,326**	6,311,309
Share of profit of equity-accounted investees, net of tax	**(18,630)**	(17,503)
Operating profit	**6,728,452**	**6,584,631**
PERT's adherence	**1,838,490**	–
State tax installments	**388,588**	–
Other operating expense/income	**116,937**	56,142
Investigation impacts due to the leniency agreement	**34,552**	145,555
Divestment program	**(162,761)**	–
Net operating profit	**8,944,258**	**6,786,328**

30 Expenses by nature

The Company's policy is to present expenses by function on the consolidated statement of income (loss). Expenses by nature are disclosed below:

	Company		Consolidated	
Classification by nature	**2017**	**2016**	**2017**	**2016**
		Restated		**Restated**
Depreciation and amortization	**(776,207)**	(696,880)	**(4,471,669)**	(4,500,595)
Personnel expense	**(2,342,675)**	(2,365,854)	**(19,425,944)**	(19,500,411)
Raw material use and consumption materials	**(20,497,194)**	(23,396,567)	**(128,755,835)**	(138,398,081)
Impairment	–	(452,578)	–	(452,578)

	Company		Consolidated	
Classification by function	**2017**	**2016**	**2017**	**2016**
		Restated		**Restated**
Cost of sales	**(19,616,009)**	(22,072,243)	**(139,397,749)**	(149,066,700)
Selling expenses	**(1,932,182)**	(2,680,590)	**(8,861,996)**	(9,849,683)
General and administrative expenses	**(4,707,600)**	(2,180,187)	**(8,216,252)**	(5,006,818)

31 Insurance coverage

As of December 31, 2017, JBS S.A. and Seara Alimentos, had as maximum individual limit for coverage was R$150,000. This coverage includes all types of casualties.

Regarding the subsidiary JBS USA, located in the USA, the insurance policy has the same above-mentioned characteristics; however, the maximum indemnification limit for December 31, 2017 was of US$500 million (equivalent to 1,654,000).

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

(Expressed in thousands of Brazilian reais)

32 Risk management and financial instruments

The Company uses the measurement principles described in note 3 at each statement of financial position date in accordance with the guidelines established under IFRS for each classification type of financial assets and liabilities. The Company has not designated any of its derivatives as hedges.

Financial instruments:

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

		Company		Consolidated	
	Notes	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Assets					
Fair value through profit or loss					
Financial investments and national treasury bill	4	**1,064,084**	2,688,392	**5,856,502**	3,746,700
Derivative assets	30	-	-	**30,760**	38,250
Loans and receivables at amortized cost					
Cash at banks	4	**1,074,718**	2,024,404	**5,884,806**	5,608,922
Trade accounts receivable	5	**2,302,913**	2,767,655	**9,333,291**	9,589,185
Related parties receivables	9	**5,059,258**	5,377,944	**897,535**	1,315,526
Total		**9,500,973**	**12,858,395**	**22,002,894**	**20,298,583**
Liabilities					
Liabilities at amortized cost					
Loans and financing	15	**(20,057,355)**	(26,302,412)	**(57,024,651)**	(56,260,414)
Trade accounts payable	14	**(2,029,104)**	(2,050,265)	**(9,992,778)**	(10,716,987)
Debits with related parties	9	**(3,018,787)**	(146,391)	-	-
Other financial liabilities	22	**(32,486)**	(39,086)	**(113,024)**	(263,259)
Fair value through profit or loss					
Derivative liabilities	30	**(10)**	-	**(118,684)**	(133,125)
Total		**(25,137,742)**	**(28,538,154)**	**(67,249,137)**	**(67,373,785)**

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:

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

Level 1 - Quoted prices in active markets (unadjusted) for identical assets or liabilities;
Level 2 - Inputs other than Level 1, in which prices are quoted for similar assets and liabilities, either directly by obtaining prices in active markets or indirectly through valuation techniques that use data from active markets;
Level 3 - Inputs used for fair value calculations which are not derived from an active market. The Company and its subsidiaries do not have any financial instruments that utilize level 3 inputs.

	Company			
	Current assets			
	National treasury bill		Financial investments	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Level 1	**708,406**	34,027	-	-
Level 2	-	-	**355,678**	2,654,365

	Consolidated							
	Current assets						Current liabilities	
	National treasury bill		Financial investments		Derivative assets		Derivatives liabilities	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Level 1	**708,406**	34,027	-	-	-	-	-	-
Level 2	-	-	**5,148,096**	3,712,673	**30,760**	38,250	**(118,684)**	(133,125)

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

The fair value of the Notes under Rule 144-A and Regulation S, are estimated using the closing sale price of these securities informed by a financial newswire on December 31, 2017, considering there is an active market for these financial instruments. The book value of the remaining fixed-rate loans approximates fair value since the interest rate market, the Company's credit quality, and other market factors have not significantly changed since entering into the loans. The book value of variable-rate loans and financings approximates fair value given the interest rates adjust for changes in market conditions and the quality of the Company's credit rating has not substantially changed. For all other financial assets and liabilities, book value approximates fair value due to the short duration of the instruments. The following details the estimated fair value of loans and financings:

(Expressed in thousands of Brazilian reais)

	Company						Consolidated					
	December 31, 2017			December 31, 2016			December 31, 2017			December 31, 2016		
Description	**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	**3,308,000**	**102.37**	**3,386,400**	3,259,100	106.51	3,471,267	**3,308,000**	**102.37**	**3,386,400**	3,259,100	106.51	3,471,267
JBS S.A Notes 2023	**2,563,700**	**95.43**	**2,446,539**	2,525,803	100.97	2,550,303	**2,563,700**	**95.43**	**2,446,539**	2,525,803	100.97	2,550,303
JBS S.A Notes 2024	**2,481,000**	**99.02**	**2,456,686**	2,444,325	105.40	2,576,319	**2,481,000**	**99.02**	**2,456,686**	2,444,325	105.40	2,576,319
JBS Lux Notes 2020	–	–	–	–	–	–	**2,315,600**	**102.30**	**2,368,859**	2,281,370	106.38	2,426,921
JBS Lux Notes 2021	–	–	–	–	–	–	**3,804,200**	**102.50**	**3,899,305**	3,747,965	104.25	3,907,254
JBS Lux Notes 2024	–	–	–	–	–	–	**2,481,000**	**99.75**	**2,474,798**	2,444,325	102.25	2,499,322
JBS Lux Notes 2025	–	–	–	–	–	–	**2,977,200**	**97.00**	**2,887,884**	2,933,190	101.89	2,988,627
PPC Notes 2025	–	–	–	–	–	–	**2,481,000**	**103.25**	**2,561,633**	1,629,550	100.68	1,640,631
PPC Notes 2027	–	–	–	–	–	–	**1,984,800**	**103.18**	**2,047,917**	–	–	–
Moy Park	–	–	–	–	–	–	**1,334,593**	**103.04**	**1,375,165**	1,210,920	105.40	1,276,310
	8,352,700		**8,289,625**	**8,229,228**		**8,597,889**	**25,731,093**		**25,905,186**	**22,476,548**		**23,336,954**

c. Finance income (expense) by category of financial instrument:

	Company		Consolidated	
	2017	**2016**	**2017**	**2016**
Fair value through profit or loss	**82,020**	(6,116,325)	**4,195**	(6,634,423)
Loans and receivables	**262,340**	(319,389)	**(547,147)**	(1,522,616)
Liabilities at amortized cost	**(2,676,124)**	3,080,386	**(5,052,378)**	2,009,695
Other	–	(130,058)	–	(163,965)
Total	**(2,331,764)**	**(3,485,386)**	**(5,595,330)**	**(6,311,309)**

Risk management:

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

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

Below are the risks and operations to which the Company is exposed and a sensitivity analysis for each type of risk, consisting in the presentation of the effects in the finance income (expense), net, when subjected to possible changes, of 25% to 50%, in the relevant variables for each risk. For each probable scenario, the Company utilizes the Value at Risk Methodology (VaR),for the confidence interval (C.I.) of 99% and a horizon of one day.

a. Market Risk:

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

It is the function of the Risk Management Department to ensure that other areas are within the risk exposure limits set by Management to protect against volatility in price, centralize the exposures and apply the Financial and Commodities Risk Management policy.

The Risk Management Department uses proprietary and third party information systems specially developed to control and manage market risk, applying stress scenario and Value at Risk analysis (VaR) to measure Company's net exposure as well as the cash flow risk with the BM&FBovespa and the Chicago Mercantile Exchange.

a.1. Interest rate risk

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

(Expressed in thousands of Brazilian reais)

For informational purposes and in accordance with our Financial and Commodities Risk Management Policy, the notional amounts of assets and liabilities exposed to floating interest rates are presented below:

	Company		Consolidated	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Liabilities and assets exposure to the CDI rate net:				
NCE/ Others	**(1,345,507)**	(2,253,267)	**(2,246,775)**	(3,137,826)
Related parties	**4,609,671**	5,356,343	**-**	-
Financial investments	**355,678**	2,654,365	**1,268,286**	2,801,719
National treasury bill	**708,406**	34,027	**708,406**	34,027
Total	**4,328,248**	**5,791,468**	**(270,083)**	**(302,080)**
Liabilities exposure to the EURIBOR rate:				
Working Capital - Euro	**(77,005)**	(79,757)	**(178,357)**	(282,644)
FINIMP	**(600)**	(1,042)	**(6,376)**	(36,373)
NCI/ Others	**-**	-	**(7,804)**	-
Others	**-**	-	**(6,004)**	-
Total	**(77,605)**	**(80,799)**	**(198,541)**	**(319,017)**
Liabilities exposure to the LIBOR rate:				
Working Capital - USD	**-**	-	**(124,067)**	(349,666)
Pre-payment	**(6,183,791)**	(8,451,688)	**(8,133,841)**	(11,181,990)
NCI/Others	**-**	-	**(278,298)**	-
FINIMP	**-**	-	**(13,964)**	-
ACC - Advances on exchange contracts	**-**	-	**(198)**	-
Others	**-**	-	**(31,724)**	(62,170)
Total	**(6,183,791)**	**(8,451,688)**	**(8,582,092)**	**(11,593,826)**
Liabilities exposure to TJLP rate:				
FINAME	**(118,308)**	(224,355)	**(149,039)**	(232,384)
CDC	**(15,635)**	-	**(29,461)**	(232,384)
Total	**(133,943)**	**(224,355)**	**(178,500)**	**(464,768)**
Liabilities exposure to UMBNDES:				
CCB - BNDES	**-**	-	**(22,003)**	(16,873)
Total	**-**	**-**	**(22,003)**	**(16,873)**

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

Sensitivity analysis:

			Scenario (I) VaR 99% I.C. 1 day			Scenario (II) Interest rate variation - 25%			Scenario (III) Interest rate variation - 50%		
				Effect on income			Effect on income			Effect on income	
Contracts exposure	Risk	Current scenario	Rate	Company	Consolidated	Rate	Company	Consolidated	Rate	Company	Consolidated
CDI	Increase	6.8900%	6.9444%	2,355	(147)	8.6125%	74,554	(4,652)	10.3350%	149,108	(9,304)
Euribor	Increase	(0.1860)%	(0.1860)%	-	-	(0.1395)%	(36)	(92)	(0.0930)%	(72)	(185)
Libor	Increase	2.1070%	2.1073%	(19)	(26)	2.6337%	(32,570)	(45,202)	3.1605%	(65,146)	(90,412)
TJLP	Increase	7.0000%	7.0013%	(2)	(2)	8.7500%	(2,344)	(3,124)	10.5000%	(4,688)	(6,248)
UMBNDES	Increase	0.0646	0.0658	-	(409)	0.0807	-	(5,484)	0.0969	-	(10,990)
				2,334	(584)		39,604	(58,554)		79,202	(117,139)

a.2. Exchange rate risk:

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

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

The carrying amounts of assets and liabilities and other positions exposed to foreign currency risk at December 31, 2017 and 2016 are presented below along with the notional amounts of derivative contracts intended to offset the exposure, in accordance with the Company's Financial and Commodities Risk Management Policy. The exposure is in relation to the Brazilian Reais.

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

	Company		Consolidated	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
OPERATING				
Cash and cash equivalents	**1,032,719**	395,439	**1,614,777**	1,808,879
Trade accounts receivable	**1,545,762**	2,470,015	**3,072,269**	3,767,808
Sales orders	**1,179,665**	1,061,918	**2,867,967**	1,941,230
Trade accounts payable	**(37,854)**	(142,403)	**(77,508)**	(214,131)
Purchase orders	-	-	**(67,668)**	(32,733)
Subtotal	**3,720,292**	**3,784,969**	**7,409,837**	**7,271,053**
FINANCIAL				
Related parties transaction (net)	**(2,572,041)**	(42,545)	**(4,786,741)**	(2,050,335)
Net debt in foreign subsidiaries	**(24,170,798)**	(20,493,716)	**(24,170,798)**	(20,493,716)
Loans and financing	**(18,355,634)**	(23,631,673)	**(22,231,204)**	(26,927,290)
Subtotal	**(45,098,473)**	**(44,167,934)**	**(51,188,743)**	**(49,471,341)**
Total exposure	**(41,378,181)**	**(40,382,965)**	**(43,778,906)**	**(42,200,288)**
DERIVATIVES				
Deliverable Forwards (DF´s)	-	-	**(18,237)**	162,248
Non Deliverable Forwards (NDF´s)	-	-	**2,577**	-
Total derivatives	-	-	**(15,660)**	**162,248**
NET EXPOSURE IN R$	**(41,378,181)**	**(40,382,965)**	**(43,794,566)**	**(42,038,040)**

Sensitivity analysis at December 31, 2017 (exchange rates are Brazilian Reais to US Dollar):

			Scenario (i) VaR 99% I.C. 1 day			Scenario (ii) Interest rate variation - 25%			Scenario (iii) Interest rate variation - 50%		
				Effect on income			Effect on income			Effect on income	
Exposure of R$	Risk	Current exchange rate	Exchange rate	Company	Consolidated	Exchange rate	Company	Consolidated	Exchange rate	Company	Consolidated
Operating	Appreciation	3.3080	3.3682	67,703	134,846	4.1350	930,073	1,852,459	4.9620	1,860,146	3,704,919
Financial	Depreciation	3.3080	3.3682	(380,848)	(491,681)	4.1350	(5,231,919)	(6,754,486)	4.9620	(10,463,838)	(13,508,973)
Derivatives	Appreciation	3.3080	3.3682	-	(285)	4.1350	-	(3,915)	4.9620	-	(7,830)
				(313,145)	(357,120)		(4,301,846)	(4,905,942)		(8,603,692)	(9,811,884)

			Scenario (i) VaR 99% I.C. 1 day			Scenario (ii) Interest rate variation - 25%			Scenario (iii) Interest rate variation - 50%		
				Effect on equity			Effect on equity			Effect on equity	
Exposure of R$	Risk	Current exchange rate	Exchange rate	Company	Consolidated	Exchange rate	Company	Consolidated	Exchange rate	Company	Consolidated
Net debt in foreign subsidiaries	Depreciation	3.3080	3.3682	(439,868)	(439,868)	4.1350	(6,042,700)	(6,042,700)	4.9620	(12,085,399)	(12,085,399)
				(439,868)	(439,868)		(6,042,700)	(6,042,700)		(12,085,399)	(12,085,399)

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 since the debt is denominated in the functional currency of each country, these debt instruments are translated to Brazilian Reais upon consolidation and are therefore affected by Exchange rate variation, which impacts the Company's consolidated leverage ratios.

Derivatives financial instruments breakdown:

			Consolidated		
			December 31, 2017		
Instrument	Risk factor	Nature	Notional (USD)	Notional (R$)	Fair value
Non Deliverable Forwards	American dollar	Long	**779**	**2,577**	**(20)**

			Consolidated					
			December 31, 2017			December 31, 2016		
Instrument	Risk factor	Nature	Notional (USD)	Notional (R$)	Fair value	Notional (USD)	Notional (R$)	Fair value
Deliverable Forwards	American dollar	Short	**(5,513)**	**(18,237)**	**(2,316)**	49,783	162,248	2,933

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

	Company		Consolidated	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
OPERATING				
Trade accounts receivable	**5,496**	4,423	**5,496**	9,960
Sales orders	**20,568**	12,537	**20,568**	12,537
Trade accounts payable	-	-	-	(163)
Subtotal	**26,064**	**16,960**	**26,064**	**22,334**
Total exposure	**26,064**	**16,960**	**26,064**	**22,334**
DERIVATIVES				
Deliverable Forwards (DF´s)	-	-	**6,864**	57,911
Total derivatives	-	-	**6,864**	**57,911**
NET EXPOSURE IN R$	**26,064**	**16,960**	**32,928**	**80,245**

Sensitivity analysis at December 31, 2017 (exchange rates are Brazilian Reais to Canadian Dollar):

			Scenario (i) VaR 99% I.C. 1 day			Scenario (ii) Interest rate variation - 25%			Scenario (iii) Interest rate variation - 50%		
				Effect on income			Effect on income			Effect on income	
Exposure of R$	Risk	Current exchange rate	Exchange rate	Company	Consolidated	Exchange rate	Company	Consolidated	Exchange rate	Company	Consolidated
Operating	Appreciation	2.6344	2.5802	(536)	(536)	1.9758	(6,516)	(6,516)	1.3172	(13,032)	(13,032)
Derivatives	Appreciation	2.6344	2.5802	-	(141)	1.9758	-	(1,716)	1.3172	-	(3,432)
				(536)	**(677)**		**(6,516)**	**(8,232)**		**(13,032)**	**(16,464)**

Derivatives financial instruments breakdown:

			Consolidated					
			December 31, 2017			December 31, 2016		
Instrument	Risk factor	Nature	Notional (CAD)	Notional (R$)	Fair value	Notional (CAD)	Notional (R$)	Fair value
Deliverable Forwards	Canadian dollar	Long	**2,606**	**6,864**	**(409)**	23,873	57,911	531

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

	Company		Consolidated	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
OPERATING				
Cash and cash equivalents	**12,388**	24,716	**38,285**	38,726
Trade accounts receivable	**105,726**	235,103	**227,215**	336,522
Sales orders	**219,001**	188,615	**432,811**	363,405
Trade accounts payable	**(23,919)**	(36,694)	**(65,308)**	(55,700)
Purchase orders	-	-	**(16,056)**	(21,221)
Subtotal	**313,196**	**411,740**	**616,947**	**661,732**
FINANCIAL				
Related parties transaction (net)	**2,275**	(82,245)	**2,275**	(85,664)
Loans and financings	**(77,605)**	-	**(83,444)**	(6,675)
Subtotal	**(75,330)**	**(82,245)**	**(81,169)**	**(92,339)**
Total exposure	**237,866**	**329,495**	**535,778**	**569,393**
DERIVATIVES				
Deliverable Forwards (DF´s)	-	-	**(107,603)**	53,032
Non Deliverable Forwards (NDF´s)	-	-	**(26,811)**	9,360
Total derivatives	-	-	**(134,414)**	**62,392**
NET EXPOSURE IN R$	**237,866**	**329,495**	**401,364**	**631,785**

Sensitivity analysis at December 31, 2017 (exchange rates are Brazilian Reais to Euro):

			Scenario (i) VaR 99% I.C. 1 day			Scenario (ii) Interest rate variation - 25%			Scenario (iii) Interest rate variation - 50%		
				Effect on income			Effect on income			Effect on income	
Exposure of R$	Risk	Current exchange	Exchange rate	Company	Consolidated	Exchange rate	Company	Consolidated	Exchange rate	Company	Consolidated
Operating	Appreciation	3.9693	3.8875	(6,454)	(12,714)	2.977	(78,297)	(154,233)	1.9847	(156,594)	(308,466)
Financial	Depreciation	3.9693	3.8875	1,552	1,673	2.977	18,832	20,292	1.9847	37,664	40,583
Derivatives	Appreciation	3.9693	3.8875	-	2,770	2.977	-	33,603	1.9847	-	67,205
				(4,902)	**(8,271)**		**(59,465)**	**(100,338)**		**(118,930)**	**(200,678)**

Derivatives financial instruments breakdown:

			Consolidated					
			December 31, 2017			December 31, 2016		
Instrument	Risk factor	Nature	Notional (EUR)	Notional (R$)	Fair value	Notional (EUR)	Notional (R$)	Fair value
Deliverable Forwards	Euro	Short	**(27,109)**	**(107,603)**	**275**	15,423	53,032	(2,027)

			Consolidated					
			December 31, 2017			December 31, 2016		
Instrument	Risk factor	Nature	Notional (EUR)	Notional (R$)	Fair value	Notional (EUR)	Notional (R$)	Fair value
Non Deliverable Forwards	Euro	Short	**(6,755)**	**(26,811)**	**(40)**	2,698	9,360	1,187

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

	Company		Consolidated	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
OPERATING				
Cash and cash equivalents	**161**	-	**462**	99
Trade accounts receivable	**56,933**	49,675	**82,550**	69,733
Sales orders	**117,525**	50,429	**117,525**	55,093
Trade accounts payable	-	-	**(33,398)**	(15,821)
Subtotal	**174,619**	**100,104**	**167,139**	**109,104**
Total exposure	**174,619**	**100,104**	**167,139**	**109,104**
DERIVATIVES				
Deliverable Forwards (DF´s)	-	-	**(48,006)**	(46,833)
Non Deliverable Forwards (NDF´s)	-	-	**(101,873)**	(44,477)
Total derivatives	-	-	**(149,879)**	**(91,310)**
NET EXPOSURE IN R$	**174,619**	**100,104**	**17,260**	**17,794**

Sensitivity analysis at December 31, 2017 (exchange rates are Brazilian Reais to British Pound):

			Scenario (i) VaR 99% I.C. 1 day			Scenario (ii) Interest rate variation - 25%			Scenario (iii) Interest rate variation - 50%		
				Effect on income			Effect on income			Effect on income	
Exposure of R$	Risk	Current exchange rate	Exchange rate	Company	Consolidated	Exchange rate	Company	Consolidated	Exchange rate	Company	Consolidated
Operating	Appreciation	4.4714	4.3734	(3,827)	(3,663)	3.3536	(43,653)	(41,783)	2.2357	(87,310)	(83,570)
Derivatives	Depreciation	4.4714	4.3734	-	3,285	3.3536	-	37,468	2.2357	-	74,940
				(3,827)	**(378)**		**(43,653)**	**(4,315)**		**(87,310)**	**(8,630)**

Derivatives financial instruments breakdown:

			Consolidated					
			December 31, 2017			December 31, 2016		
Instrument	Risk factor	Nature	Notional (GBP)	Notional (R$)	Fair value	Notional (GBP)	Notional (R$)	Fair value
Deliverable Forwards	British pound	Short	**(10,736)**	**(48,006)**	**569**	(11,603)	(46,833)	362

			Consolidated					
			December 31, 2017			December 31, 2016		
Instrument	Risk factor	Nature	Notional (GBP)	Notional (R$)	Fair value	Notional (GBP)	Notional (R$)	Fair value
Non Deliverable Forwards	British pound	Short	**(22,783)**	**(101,873)**	**(486)**	(11,019)	(44,477)	–

a.2.4 EXPOSURE in Mexican Peso (amounts in thousands of R$):

	Company		Consolidated	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
OPERATING				
Cash and cash equivalents	–	–	**168,119**	42,724
Trade accounts receivable	–	–	**272,930**	201,582
Trade accounts payable	–	–	**(240,885)**	(145,128)
Biological assets	–	–	**49,243**	122,780
Inventories	–	–	**471,430**	369,755
Recoverable taxes	–	–	**81,602**	101,035
Other non-current assets	–	–	**3,890**	1,115
Other current assets	–	–	**69,276**	6,075
Prepaid expenses	–	–	**4,340**	4,621
Payroll, taxes and social charges current	–	–	**(76,990)**	(62,523)
Payroll, taxes and social charges noncurrent	–	–	**(28,264)**	(23,283)
Subtotal	–	–	**774,691**	**618,753**
FINANCIAL				
Loans and financings	–	–	**(254,233)**	(75,992)
Subtotal	–	–	**(254,233)**	**(75,992)**
Total exposure	–	–	**520,458**	**542,761**
NET EXPOSURE IN R$	–	–	**520,458**	**542,761**

Sensitivity analysis at December 31, 2017 (exchange rates are Brazilian Reais to Mexican Pesos):

			Scenario (i) VaR 99% I.C. 1 day			Scenario (ii) Interest rate variation - 25%			Scenario (iii) Interest rate variation - 50%		
				Effect on income			Effect on income			Effect on income	
Exposure of R$	Risk	Current exchange rate	Exchange rate	Company	Consolidated	Exchange rate	Company	Consolidated	Exchange rate	Company	Consolidated
Operating	Appreciation	0.1681	0.1647	–	(15,669)	0.1261	–	(193,558)	0.0841	–	(387,115)
Financial	Depreciation	0.1681	0.1647	–	5,142	0.1261	–	63,520	0.0841	–	127,041
				–	**(10,527)**		–	**(130,038)**		–	**(260,074)**

In the consolidated, there are exposures of less representativeness whose balance of derivatives assets at December 31, 2017 is R$1,492 and (R$1,662 at December 31, 2016 of derivatives liabilities).

b. Commodity price risk

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

Biological assets are a very important raw material used by the Company. In order to maintain future supply of these materials, the Company participates in forward contracts to anticipate purchases with suppliers. To complement these forward purchases, the Company use derivative instruments to mitigate each specific exposure, most notably futures contracts, to mitigate the impact of price fluctuations - on inventories and sales contracts. The Company takes the historical average amount spent on materials as an indication of the operational value to be protected by firm contracts.

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

Given the nature of its operations, the Company is exposed to volatility in cattle prices, where price fluctuations arise from factors beyond the Company's control, such as climate, cattle supply, transportation costs and agricultural policies among others. Forward purchases of cattle can be negotiated at floating (prices marked at the delivery day current price) or fixed prices. The Company may use future contracts traded at the BM&FBovespa to balance these exposures.

The factors that influence the commodity price risk reduction strategy are the timing of term contracts for cattle purchases considering any negotiated values and terms.

The Company's exposure to cattle price fluctuation as of December 31, 2017 and 2016 are presented below in accordance with the Company's Financial and Commodities Risk Management Policy and are representative of the exposure at each period end.

(Expressed in thousands of Brazilian reais)

EXPOSURE in Commodities (Cattle)	December 31, 2017	December 31, 2016
Firm Contracts of cattle purchase	**26,306**	1,353
Subtotal	**26,306**	**1,353**
DERIVATIVES		
Future contracts	**(23,666)**	-
Subtotal	**(23,666)**	-
NET EXPOSURE	**2,640**	**1,353**

Sensitivity analysis:

			Scenario (i) VaR 99% I.C. 1 day		Scenario (ii) @ Variation - 25%		Scenario (ii) @ Variation - 50%	
				Effect on income		Effect on income		Effect on income
Exposure	Risk	Current price	Price	Company	Price	Company	Price	Company
Operational	Cattle depreciation	146.00	142.82	(573)	109.50	(6,577)	73.00	(13,153)
Derivatives of cattle	Cattle arroba appreciation	146.00	142.82	515	109.50	5,917	73.00	11,833
				(58)		**(660)**		**(1,320)**

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

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

Seara Alimentos, in accordance with its policy of inventory management, started the strategy of managing the risk of grain's price by actively monitoring the Company´s grains needs, including expectations of future consumption, anticipated purchases, combined with future market operations, by hedging with grain futures on BM&F, CME and Over the Counter (OTC), through Non Deliverable Forwards (NDFs), in order reduce price volatility.

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

Management's estimate at the exposure risk to grain's price changes at Seara Alimentos at December 31, 2017 and December 31, 2016 are presented below in accordance with the Financial and Commodities Risk Management Policy and are representative of the exposure incurred during the period.

	Seara Alimentos	
EXPOSURE in Commodities (Grain)	**December 31, 2017**	**December 31, 2016**
OPERATING		
Purchase orders	**61,239**	-
Subtotal	**61,239**	-
DERIVATIVES		
Future contracts	**(3,978)**	**(34,520)**
Subtotal	**(3,978)**	**(34,520)**
NET EXPOSURE	**57,261**	**(34,520)**

Sensitivity analysis:

		Scenario (i) VaR 99% I.C. 1 day		Scenario (ii) Price variation - 25%		Scenario (ii) Price variation - 50%	
			Effect on income		Effect on income		Effect on income
Exposure	Risk	Price	Seara Alimentos	Price	Seara Alimentos	Price	Seara Alimentos
Operational	Depreciation	(2.50)%	(1,531)	(25.00)%	(15,310)	(50.00)%	(30,620)
Derivatives	Appreciation	(2.50)%	99	(25.00)%	995	(50.00)%	1,989
			(1,432)		**(14,315)**		**(28,631)**

Derivatives financial instruments breakdown:

			December 31, 2017			December 31, 2016		
Instrument	**Risk factor**	**Nature**	**Quantity**	**Notional**	**Fair value**	**Quantity**	**Notional**	**Fair value**
Future Contracts BM&F	Commodities	Short	**1,597**	**(3,978)**	**(631)**	5,096	(34,520)	(170)

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

Management believes that quantitative figures regarding the risk exposure of the commodities price changes of the subsidiary JBS USA at December 31, 2017 and December 31, 2016 are accurately presented below in accordance with the Financial and Commodities Risk Management Policy and are representative of exposure incurred during the period.

(Expressed in thousands of Brazilian reais)

EXPOSURE in Commodities	JBS USA December 31, 2017	JBS USA December 31, 2016
OPERATIONAL		
Forwards - commodities	**10,078,159**	8,812,593
Subtotal	**10,078,159**	**8,812,593**
DERIVATIVES		
Deliverable Forwards	**(4,749,990)**	(3,248,775)
Subtotal	**(4,749,990)**	**(3,248,775)**
NET EXPOSURE	**5,328,169**	**5,563,818**

Sensitivity analysis:

		Scenario (i) VaR 99% I.C. 1 day		Scenario (ii) Price variation - 25%		Scenario (ii) Price variation - 50%	
			Effect on income		Effect on income		Effect on income
Exposure	Risk	Price	JBS USA	Price	JBS USA	Price	JBS USA
Operational	Depreciation	(1.85)%	(186,446)	(25.00)%	(2,519,540)	(50.00)%	(5,039,080)
Derivatives	Appreciation	(1.85)%	87,875	(25.00)%	1,187,498	(50.00)%	2,374,995
			(98,571)		**(1,332,042)**		**(2,664,085)**

Derivatives financial instruments breakdown:

			December 31, 2017			December 31, 2016		
Instrument	Risk factor	Nature	Notional (USD)	Notional (R$)	Fair value	Notional (USD)	Notional (R$)	Fair value
Future Contracts BM&F	Commodities (cattle)	Short	**480**	**(23,666)**	**(10)**	-	-	-

			December 31, 2017			December 31, 2016		
Instrument	Risk factor	Nature	Notional (USD)	Notional (R$)	Fair value	Notional (USD)	Notional (R$)	Fair value
Deliverable Forwards	Commodities (cattle)	Short	**(1,435,910)**	**(4,749,990)**	**(86,375)**	(996,832)	(3,248,775)	(99,360)

c. Credit risk

The Company and its subsidiaries are potentially subject to credit risk related to accounts receivable, investments and derivative contracts.

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

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

Category	% Equity	Maximum horizon
AAA	2.00%	5 years
AA	1.00%	3 years
A	0.50%	2 years
BBB	0.25%	1 year

The carrying value of financial assets that represent the most significant exposure to credit risk at the financial statement date were:

	Note	Company December 31, 2017	Company December 31, 2016	Consolidated December 31, 2017	Consolidated December 31, 2016
Assets					
Cash and cash equivalents	4	**2,138,802**	4,712,796	**11,741,308**	9,355,622
Trade accounts receivable	5	**2,302,913**	2,767,655	**9,333,291**	9,589,185
Credits with related parties	9	**5,059,258**	5,377,944	**897,535**	1,315,526
		9,500,973	**12,858,395**	**21,972,134**	**20,260,333**

d. Liquidity risk

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

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

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

(Expressed in thousands of Brazilian reais)

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

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

	Consolidated	
	December 31, 2017	December 31, 2016
Cash and cash equivalents	**11,741,308**	9,355,622
Loans and financings - Current	**(13,526,051)**	(18,148,818)
Quick ratio	**(0.87)**	0.52
Leverage indicator (*)	**3,38 x**	4,1 x

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

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

	Company									
	December 31, 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	2,029,104	–	–	–	2,029,104	2,050,265	–	–	–	2,050,265
Debits w/ related parties	–	–	–	3,018,825	3,018,825	–	–	–	146,391	146,391
Loans and financings	8,223,197	4,986,261	1,721,616	5,126,282	20,057,355	12,281,028	2,255,450	5,090,070	6,675,864	26,302,412
Estimated interest on loans and financing	949,268	1,402,287	724,651	246,329	3,322,535	1,324,128	1,690,250	1,033,864	755,681	4,803,923
Derivatives financing liabilities (assets)	10	–	–	–	10	–	–	–	–	–
Other financial liabilities	7,659	13,200	11,550	77	32,486	7,659	13,200	13,200	5,027	39,086

	Consolidated									
	December 31, 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	9,992,778	–	–	–	9,992,778	10,716,987	–	–	–	10,716,987
Loans and financings	13,526,051	10,339,616	18,129,338	15,029,646	57,024,651	18,148,818	5,303,832	15,496,959	17,310,805	56,260,414
Estimated interest on loans and financing [1]	2,743,687	4,535,767	2,878,624	1,918,143	12,076,221	2,871,135	4,169,362	2,806,562	2,166,602	12,013,661
Derivatives financing liabilities (assets)	118,684	–	–	–	118,684	133,125	–	–	–	133,125
Other financial liabilities	73,156	28,241	11,550	77	113,024	161,114	83,918	13,200	5,027	263,259

[1] Includes interest on all loans and financing outstanding. Payments are estimated for variable rate debt based on effective interest rates at December 31, 2017 and December 31, 2016. Payments in foreign currencies are estimated using the December 31, 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 December 31, 2017 is R$54,389 (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 December 31, 2017 is R$353,625 (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.

* * * * *

(Expressed in thousands of Brazilian reais)

33 Approval of the financial statements

BOARD OF DIRECTORS

Chairman:	Jeremiah O'Callaghan
Vice-Chairman:	José Batista Sobrinho
Board Member:	Aguinaldo Gomes Ramos Filho
Board Member:	Gilberto Meirelles Xandó Baptista
Board Member:	Wesley Mendonça Batista Filho
Independent Board Member:	José Gerardo Grossi
Independent Board Member:	Sérgio Roberto Waldrich
Independent Board Member:	Cledorvino Belini
Independent Board Member:	Roberto Penteado de Camargo Ticoulat

FISCAL COUNCIL REPORT

The Fiscal Council reviewed the annual financial statements of the Company for the year ended December 31, 2017.

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

Based on our review, in the information and clarifications received and considering the Independent Auditors' Review Report, the Fiscal Council was not aware of any additional fact that would lead us to believe that the aforementioned financial statements do not reflect in all material respects the information contained therein, and which are in a position to be disclosed by the Company, except for the effects not known, if any, of the matters mentioned in the section entitled "Basis for qualified opinion" of the Independent Auditors' report, relating to (i) the Collaboration Agreement Award, Leniency Agreement and Independent Investigation and (ii) Independent Audit of Seara Alimentos Ltda.

FISCAL COUNCIL

Chairman:	Adrian Lima da Hora
Council Member:	José Paulo da Silva Filho
Council Member:	Demetrius Nichele Macei
Council Member:	Francisco Vicente Santana Silva Telles

AUDIT COMMITTEE

Chairman:	Sérgio Roberto Waldrich
Committee Member:	Gilberto Meirelles Xandó Baptista
Committee Member:	Paulo Sérgio Dortas

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

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

(i) They reviewed, discussed and agreed with the views expressed in the review report of the independent auditors on the consolidated financial statements for the year ended December 31, 2017, and

(ii) They reviewed, discussed and agreed with the consolidated financial statements for the year ended December 31, 2017.

STATUTORY BOARD

Chief Executive Officer:	José Batista Sobrinho
Administrative and Control Officer:	Eliseo Santiago Perez Fernandez
Investor Relations Officer:	Jeremiah Alphonsus O'Callaghan
Officer:	Wesley Mendonça Batista Filho

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

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