

## JBS ENDS 3Q18 WITH NET REVENUE OF R\$49.4 BILLION AND ADJUSTED EBITDA OF R\$4.4 BILLION

*Free cash flow reached R\$2.3 billion*

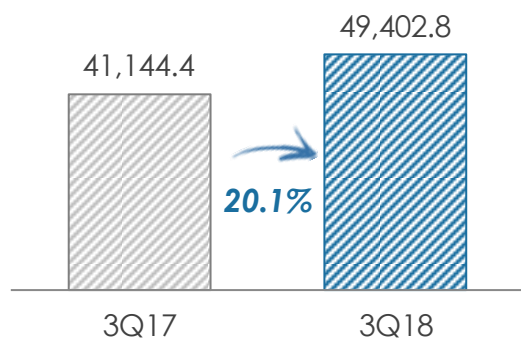
- 👉 In 3Q18, **net revenue** was **R\$49.4 billion**, a 20.1% increase compared with 3Q17
- 👉 **Adjusted EBITDA<sup>1</sup>** was **R\$4.4 billion**, 2.6% higher than 3Q17, the **largest posted by JBS** in a single quarter. **EBITDA margin was 9.0%**
- 👉 **Leverage reduced to 2.99x in US\$ and 3.38x in R\$,** compared to 3.45x in US\$ and 3.42x in R\$ in 3Q17
- 👉 **Adjusted net income<sup>2</sup>** was **R\$2.1 billion** and reported accounting loss was R\$113.5 million
- 👉 **Cash flow from operating activities** was **R\$4.3 billion** and **free cash flow** totaled **R\$2.3 billion**
- 👉 **Total liquidity was R\$20.0 billion**, seven times higher than short-term debt
- 👉 **Short-term debt reduced to 5% of total debt**, from 27% in 3Q17

<sup>1</sup> Adjusted EBITDA excluding impact from adherence to RRP - Funrural.

<sup>2</sup> Adjusted net income excluding non-cash effect of FX variation and adherence to RRP - Funrural.

# 3Q18 Consolidated Results

## NET REVENUE



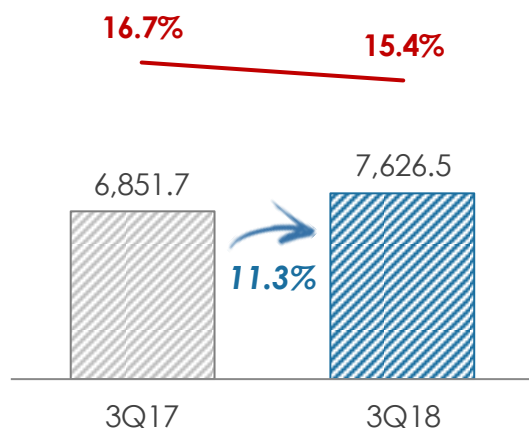
# R\$49.4Bn

An 20.1% increase compared with 3Q17

## GROSS PROFIT

# R\$7.6Bn

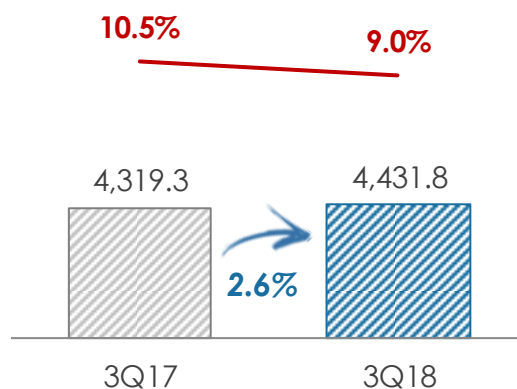
Gross margin in 3Q18 was 15.4%



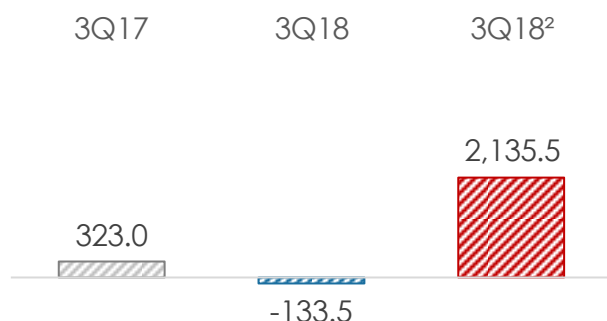
## ADJUSTED EBITDA<sup>1</sup>

# R\$4.4Bn

EBITDA margin was 9.0% in 3Q18



## ADJUSTED NET INCOME (LOSS)<sup>2</sup>



Adjusted net income was

# R\$2.1Bn

Recorded loss was

# R\$133Mn

Note: graphs in millions

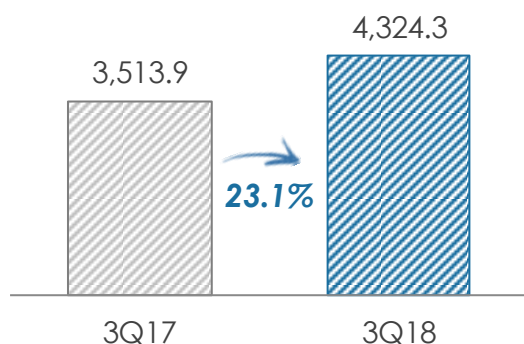
<sup>1</sup> Adjusted EBITDA excluding impact from adherence to RRP - Funrural.

<sup>2</sup> Adjusted net income excluding non-cash effect of FX variation and adherence to RRP - Funrural.

# 3Q18 Consolidated Results

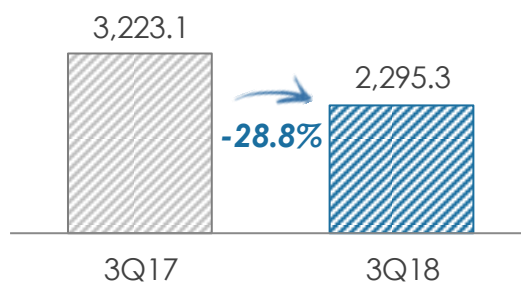
## CASH FLOW FROM OPERATING ACTIVITIES

**R\$4.3Bn**

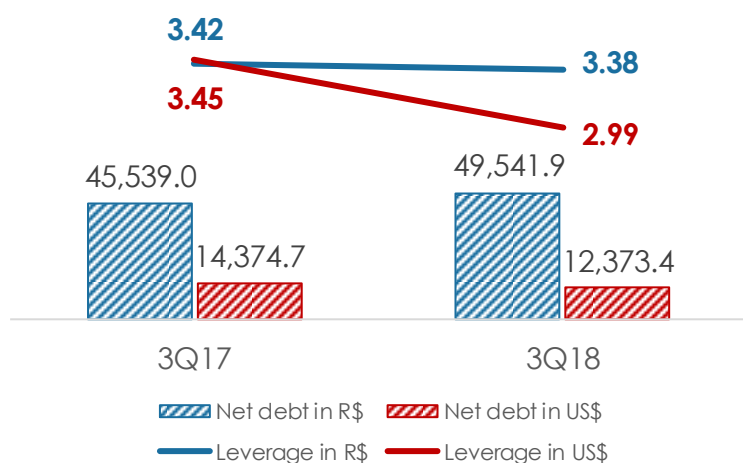


## FREE CASH FLOW

**R\$2.3Bn**



## NET DEBT AND LEVERAGE<sup>1</sup>



Leverage in US\$ at the end of 3Q18 was

**2.99x**

Leverage in R\$ at the end of 3Q18 was

**3.38x**

# 3Q18 Consolidated Results

## JBS Consolidated Income Statement

| R\$ Million                          | 3Q18             |               | 2Q18             |               | Δ%            | 3Q17            |               | Δ%           |
|--------------------------------------|------------------|---------------|------------------|---------------|---------------|-----------------|---------------|--------------|
|                                      | R\$              | % NR          | R\$              | % NR          | 3Q18 vs 2Q18  | R\$             | % NR          | 3Q18 vs 3Q17 |
| <b>Net Revenue</b>                   | <b>49,402.8</b>  | <b>100.0%</b> | <b>45,175.6</b>  | <b>100.0%</b> | <b>9.4%</b>   | <b>41,144.4</b> | <b>100.0%</b> | <b>20.1%</b> |
| Cost of Goods Sold                   | (41,776.3)       | -84.6%        | (38,188.1)       | -84.5%        | 9.4%          | (34,292.7)      | -83.3%        | 21.8%        |
| <b>Gross Profit</b>                  | <b>7,626.5</b>   | <b>15.4%</b>  | <b>6,987.5</b>   | <b>15.5%</b>  | <b>9.1%</b>   | <b>6,851.7</b>  | <b>16.7%</b>  | <b>11.3%</b> |
| Selling Expenses                     | (2,799.5)        | -5.7%         | (2,522.0)        | -5.6%         | 11.0%         | (2,125.8)       | -5.2%         | 31.7%        |
| General and Adm. Expenses            | (4,072.4)        | -8.2%         | (1,516.1)        | -3.4%         | 168.6%        | (3,321.0)       | -8.1%         | 22.6%        |
| Net Financial Income (expense)       | (1,891.2)        | -3.8%         | (4,718.1)        | -10.4%        | -59.9%        | (898.5)         | -2.2%         | 110.5%       |
| Equity in earnings of subsidiaries   | 5.7              | 0.0%          | 9.1              | 0.0%          | -37.9%        | 9.3             | 0.0%          | -38.8%       |
| Other Income (expense)               | 16.6             | 0.0%          | (25.9)           | -0.1%         | -             | (161.2)         | -0.4%         | -            |
| <b>Operating Income</b>              | <b>(1,114.2)</b> | <b>-2.3%</b>  | <b>(1,785.5)</b> | <b>-4.0%</b>  | <b>-37.6%</b> | <b>354.6</b>    | <b>0.9%</b>   | <b>-</b>     |
| Income and social contribution taxes | 1,012.5          | 2.0%          | 958.6            | 2.1%          | 5.6%          | 124.3           | 0.3%          | 714.3%       |
| Minority interest                    | (31.8)           | -0.1%         | (84.2)           | -0.2%         | -62.3%        | (155.8)         | -0.4%         | -79.6%       |
| <b>Net Income (Loss)</b>             | <b>(133.5)</b>   | <b>-0.3%</b>  | <b>(911.1)</b>   | <b>-2.0%</b>  | <b>-85.3%</b> | <b>323.0</b>    | <b>0.8%</b>   | <b>-</b>     |
| <b>Adjusted EBITDA</b>               | <b>4,431.8</b>   | <b>9.0%</b>   | <b>4,237.6</b>   | <b>9.4%</b>   | <b>4.6%</b>   | <b>4,319.3</b>  | <b>10.5%</b>  | <b>2.6%</b>  |
| <b>Earnings per Share</b>            | <b>n.a.</b>      |               | <b>n.a.</b>      |               | <b>-</b>      | <b>0.12</b>     |               | <b>-</b>     |

### Net Revenue

In 3Q18, JBS posted consolidated net revenue of **R\$49,402.8 million**, an increase of 20.1% compared to 3Q17, with a highlight to JBS Brazil and Seara, for which net revenue grew by 37.2% and 8.8%, respectively.

For the quarter, approximately 73% of JBS global sales came from markets where the Company operates and 27% from exports.

# 3Q18 Consolidated Results

## Net Financial Results

For the 3Q18, net financial expenses totaled **R\$1,891.2 million**. Net results from FX variances was an expense of R\$1,042.4 million (non-cash), while the fair value of adjustments of derivatives was a positive R\$211.6 million. Interest expense was R\$1,130.4 million, while interest income was R\$103.5 million. Taxes, contributions, tariffs and others totaled an expense of R\$33.6 million.

## Adjusted EBITDA

In 3Q18, consolidated EBITDA, adjusted by the impact of the adherence to the Rural Tax Regularization Program (Funrural), was **R\$4,431.8 million**, a 2.6% increase over 3Q17. Highlights were JBS Brazil and JBS USA Beef, which posted EBITDA growth of 882.3% and 10.3%, respectively. EBITDA margin was 9.0%.

| R\$ Million  | 3Q18           | 2Q18           | Δ%          | 3Q17           | Δ%          |
|--|----------------|----------------|-------------|----------------|-------------|
| <b>Net income for the period (including minority interest)</b> | <b>(101.7)</b> | <b>(826.9)</b> | -           | <b>478.9</b>   | -           |
| Financial income (expense), net                                | 1,891.2        | 4,718.1        | -59.9%      | 898.5          | 110.5%      |
| Current and deferred income taxes                              | (1,012.5)      | (958.6)        | 5.6%        | (124.3)        | 714.3%      |
| Depreciation and amortization                                  | 1,263.4        | 1,175.9        | 7.4%        | 1,127.5        | 12.0%       |
| Equity in subsidiaries   | (5.7)          | (9.1)          | -37.9%      | (9.3)          | -38.8%      |
| Results from divestment program                                | 6.7            | 0.0            | -           | 109.6          | -93.9%      |
| Tax payable in installments                                    | 2,395.6        | 0.0            | -           | 1,839.8        | 30.2%       |
| Goodwill on the acquisition of tax credits                     | (54.6)         | 0.0            | -           | (76.0)         | -28.1%      |
| Other income / expenses  | 38.7           | 14.9           | 159.2%      | 74.6           | -48.1%      |
| Truckers strike impact   | 0.0            | 112.9          | -           | 0.0            | -           |
| Investigation impacts due to the leniency agreement            | 10.7           | 10.5           | 2.2%        | 0.0            | -           |
| <b>(=) Adjusted EBITDA</b>                                     | <b>4,431.8</b> | <b>4,237.6</b> | <b>4.6%</b> | <b>4,319.3</b> | <b>2.6%</b> |

## Adjusted Net Income (Loss)

Excluding the non-cash effect from FX variances and the adherence to RRP - Funrural, JBS posted an adjusted net income of **R\$2,135.5 million** for the quarter. Reported accounting loss was R\$133.5 million.

## Cash Flow from Operating Activities and Free Cash Flow

In 3Q18, JBS generated **R\$4,324.3 million** in cash from operating activities, a 23.1% increase over 3Q17. Free cash flow was **R\$2,295.3 million**.

## Net cash provided by Investing Activities

In 3Q18, total cash used in investing activities totaled **R\$1,063.8 million**. CAPEX was **R\$758.9 million**.

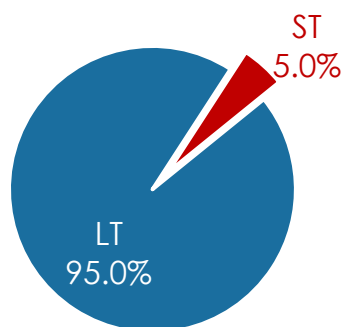
# 3Q18 Consolidated Results

## Indebtedness

JBS ended 3Q18 with **R\$12,093.8 million** in cash. Additionally, JBS USA has a US\$1,977.9 million fully available unencumbered line under revolving credit facilities, equivalent to R\$7,919.3 million at the quarter-end exchange rate, providing JBS with total liquidity of R\$20,013.1 million, R\$17,066.2 million higher than short-term debt. Net debt in BRL was R\$49,541.9 million and leverage reduced to 3.38x in 3Q18 from 3.42x in 3Q17. In US\$, net debt reduced from US\$14,374.7 million to US\$12,373.4 million and leverage decreased to 2.99x, compared to 3.45x in 3Q17.

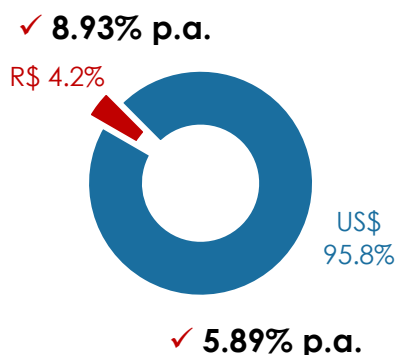
| R\$ Million              | 09/30/18        | 30/09/17        | Var. %      |
|--------------------------|-----------------|-----------------|-------------|
| <b>Gross Debt</b>        | <b>61,635.7</b> | <b>59,636.3</b> | <b>3.4%</b> |
| (+) Short Term Debt      | 2,946.9         | 16,384.3        | -82.0%      |
| (+) Long Term Debt       | 58,688.8        | 43,252.0        | 35.7%       |
| (-) Cash and Equivalents | 12,093.8        | 14,097.3        | -14.2%      |
| <b>Net Debt</b>          | <b>49,541.9</b> | <b>45,539.0</b> | <b>8.8%</b> |
| <b>Leverage</b>          | <b>3.38x</b>    | <b>3.42x</b>    |             |

## Debt profile Short-term/Long-term

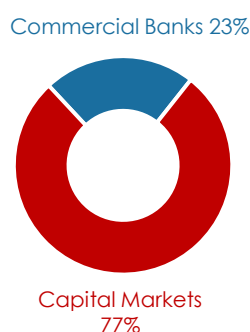


Short-term debt in relation to total debt reduced from 27% in 3Q17 to 5% in 3Q18. Out of total short-term debt, 57% are trade finance credit lines related to exports from JBS' Brazilian businesses.

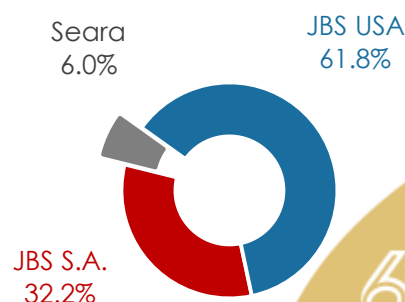
## Currency & Cost Breakdown



## Source Breakdown

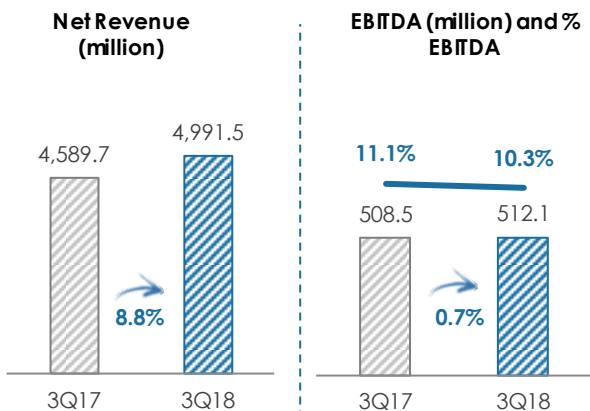


## Entity Breakdown

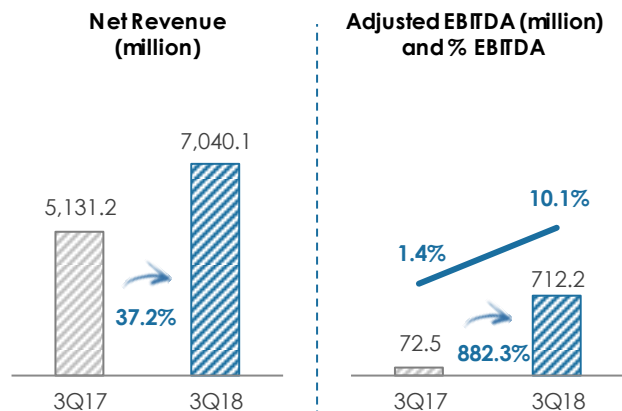


# 3Q18 Business Units

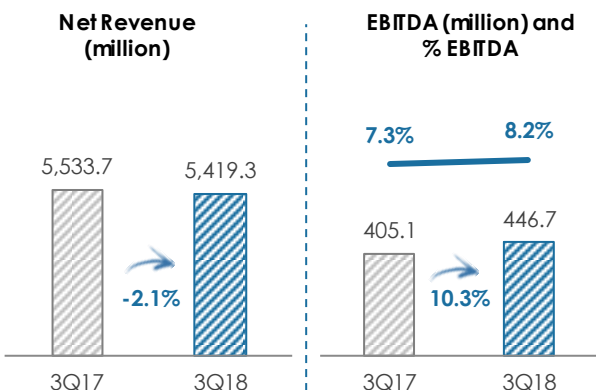
## Seara (R\$)



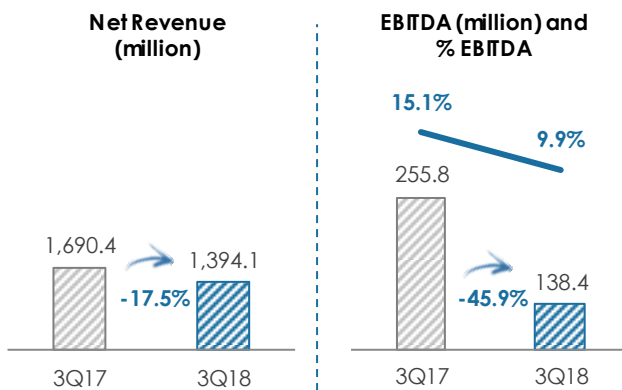
## JBS Brazil (R\$)<sup>1</sup>



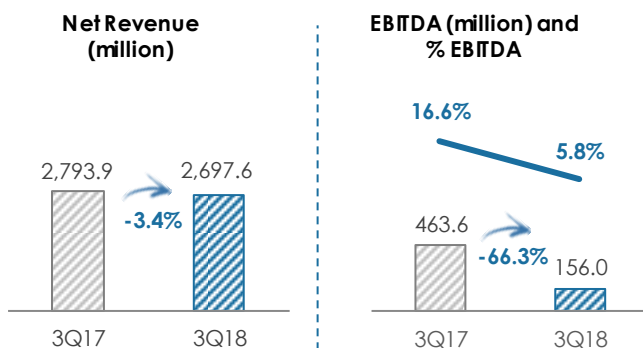
## JBS USA Beef (US\$)



## JBS USA Pork (US\$)



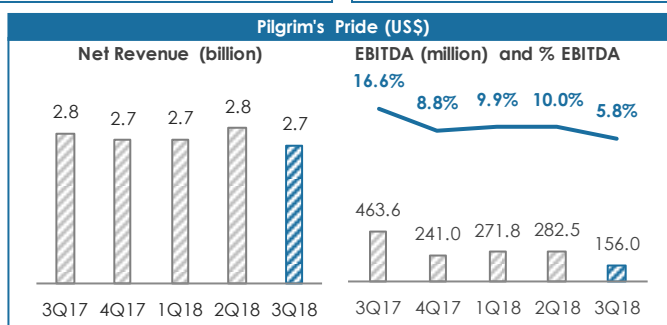
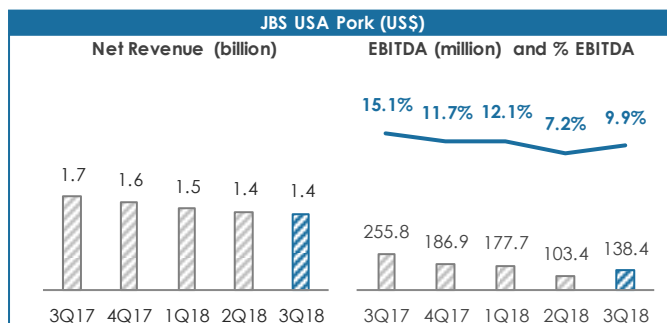
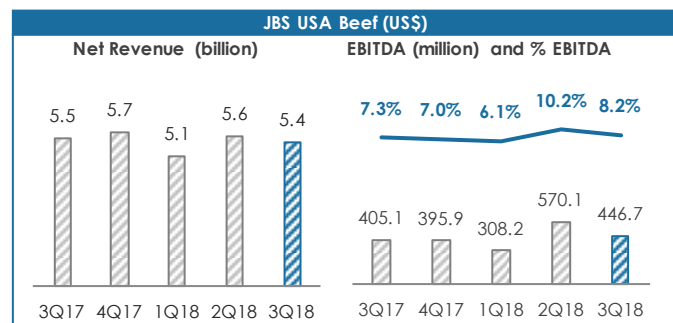
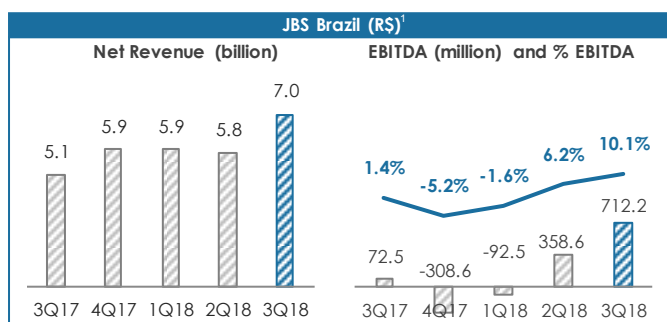
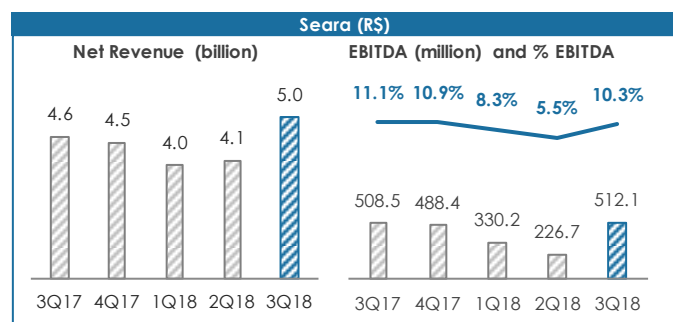
## Pilgrim's Pride (US\$)



<sup>1</sup> Adjusted EBITDA excluding the impact from adherence to RRP - Furrural.

# 3Q18 Business Units

| Million                 |      | 3Q18    | 2Q18    | Δ%         | 3Q17    | Δ%          |
|-------------------------|------|---------|---------|------------|---------|-------------|
| <b>Net Revenue</b>      |      |         |         |            |         |             |
| Seara                   | R\$  | 4,991.5 | 4,088.7 | 22.1%      | 4,589.7 | 8.8%        |
| JBS Brazil              | R\$  | 7,040.1 | 5,815.9 | 21.0%      | 5,131.2 | 37.2%       |
| JBS USA Beef            | US\$ | 5,419.3 | 5,597.5 | -3.2%      | 5,533.7 | -2.1%       |
| JBS USA Pork            | US\$ | 1,394.1 | 1,429.5 | -2.5%      | 1,690.4 | -17.5%      |
| Pilgrim's Pride         | US\$ | 2,697.6 | 2,836.7 | -4.9%      | 2,793.9 | -3.4%       |
| <b>EBITDA</b>           |      |         |         |            |         |             |
| Seara                   | R\$  | 512.1   | 226.7   | 125.9%     | 508.5   | 0.7%        |
| JBS Brazil <sup>1</sup> | R\$  | 712.2   | 358.6   | 98.6%      | 72.5    | 882.3%      |
| JBS USA Beef            | US\$ | 446.7   | 570.1   | -21.6%     | 405.1   | 10.3%       |
| JBS USA Pork            | US\$ | 138.4   | 103.4   | 33.8%      | 255.8   | -45.9%      |
| Pilgrim's Pride         | US\$ | 156.0   | 282.5   | -44.8%     | 463.6   | -66.3%      |
| <b>EBITDA Margin</b>    |      |         |         |            |         |             |
| Seara                   | %    | 10.3%   | 5.5%    | 4.71 p.p.  | 11.1%   | -0.82 p.p.  |
| JBS Brazil <sup>1</sup> | %    | 10.1%   | 6.2%    | 3.95 p.p.  | 1.4%    | 8.70 p.p.   |
| JBS USA Beef            | %    | 8.2%    | 10.2%   | -1.94 p.p. | 7.3%    | 0.92 p.p.   |
| JBS USA Pork            | %    | 9.9%    | 7.2%    | 2.69 p.p.  | 15.1%   | -5.20 p.p.  |
| Pilgrim's Pride         | %    | 5.8%    | 10.0%   | -4.18 p.p. | 16.6%   | -10.81 p.p. |





# 3Q18 Business Units

## Seara

For the 3Q18, Seara posted net revenue of R\$4,991.5 million, an 8.8% increase in relation to 3Q17, mainly as a result of higher sales prices, both domestically and in the export markets. Total volume decreased by 6.7% due to impacts from the truckers strike, which reduced the number of animals available for processing during the period.

In the domestic market, net revenue totaled R\$2,559.6 million, 9.8% higher than the same period of last year. Average sales prices increased by 11.9% in fresh poultry and 8.4% in prepared foods. During the quarter, the company implemented important price adjustments to cover more elevated costs, which resulted higher average sales prices of 15.5% in fresh poultry, 13.4% in pork and 10.9% in prepared foods in comparison to the 2Q18.

In the export market, net revenue totaled R\$2,431.9 million, 7.6% higher than 3Q17. Average sales prices increased by 25.1% in fresh poultry and 21.6% in prepared foods, while declining 11.1% in pork due to the temporary suspension of the Russian market for Brazilian pork. As a result of lower poultry production, volumes were prioritized according to profitability to markets such as Europe, Saudi Arabia, Japan and South Korea.

This quarter's results were significantly impacted by higher grain costs, especially corn and soy bean (44% over the 3Q17). Price increases, including the effect from the higher FX rate, were not sufficient to cover these higher costs, which reduced the period's operating margins. EBITDA totaled R\$512.1 million, with an EBITDA margin of 10.3%, a slight increase over the R\$508.5 million posted for the 3Q17, which had an EBITDA margin of 11.1%.

Seara continues to strongly invest in the development of products and in innovation. Recently, it was awarded in two categories of the FI Innovation Awards, recognized as Latin America's main innovation award for the food industry. The Seara Rotisserie line received 1<sup>st</sup> prize in the Most Innovative Food Product category, while the Seara DaGranja dishes reached 3<sup>rd</sup> place in the same category.

The new Seara 100% Natural line, which includes 100% antibiotic free poultry items, was chosen as one of the most innovative products at SIAL in Paris and was just launched in the Middle East.

## Main Highlights

| R\$ Million            | 3Q18           |               | 2Q18           |               | Δ%            | 3Q17           |               | Δ%          |
|------------------------|----------------|---------------|----------------|---------------|---------------|----------------|---------------|-------------|
|                        | R\$            | % NR          | R\$            | % NR          | QoQ           | R\$            | % NR          | YoY         |
| <b>Net Revenue</b>     | <b>4,991.5</b> | <b>100.0%</b> | <b>4,088.7</b> | <b>100.0%</b> | <b>22.1%</b>  | <b>4,589.7</b> | <b>100.0%</b> | <b>8.8%</b> |
| Cost of Goods Sold     | (4,028.2)      | -80.7%        | (3,561.1)      | -87.1%        | 13.1%         | (3,630.0)      | -79.1%        | 11.0%       |
| Gross Profit           | 963.3          | 19.3%         | 527.6          | 12.9%         | 82.6%         | 959.7          | 20.9%         | 0.4%        |
| <b>EBITDA</b>          | <b>512.1</b>   | <b>10.3%</b>  | <b>113.8</b>   | <b>2.8%</b>   | <b>349.9%</b> | <b>508.5</b>   | <b>11.1%</b>  | <b>0.7%</b> |
| Truckers strike impact | -              | -             | 112.9          | 2.8%          | -             | -              | -             | -           |
| <b>Adjusted EBITDA</b> | <b>-</b>       | <b>-</b>      | <b>226.7</b>   | <b>5.5%</b>   | <b>-</b>      | <b>-</b>       | <b>-</b>      | <b>-</b>    |

# 3Q18 Business Units

## JBS Brazil (including Leather and Related Businesses)

For the quarter, JBS Brazil posted net revenue of R\$7,040.1 million, a 37.2% growth over 3Q17, with a 29.3% increase in the number of processed animals.

In the domestic market, revenue grew by 23.2%, thanks to an increase of 18.1% in volume and 4.4% in sales price. Net revenue for the export market grew by 54.1%, as a result of 30.5% higher volumes and 18.1% higher sales prices, but also being positively impacted by a devaluation of the Brazilian real, which grew from an average rate of R\$3.16 in the 3Q17 to R\$3.96 in the 3Q18.

EBITDA for the quarter totaled R\$712.2 million, a strong 882.3% increase in comparison to the 3Q17, with an EBITDA margin of 10.1% from 1.4% in the same period of last year. EBITDA improvement reflects adequate capacity utilization as well as focus on sales through more profitable channels and brands, coupled with more favorable conditions, both domestically and in the export markets.

### Main Highlights

| R\$ Million        | 3Q18 <sup>1</sup> |               | 2Q18           |               | Δ%           | 3Q17           |               | Δ%            |
|--------------------|-------------------|---------------|----------------|---------------|--------------|----------------|---------------|---------------|
|                    | R\$               | % NR          | R\$            | % NR          | QoQ          | R\$            | % NR          | YoY           |
| <b>Net Revenue</b> | <b>7,040.1</b>    | <b>100.0%</b> | <b>5,815.9</b> | <b>100.0%</b> | <b>21.0%</b> | <b>5,131.2</b> | <b>100.0%</b> | <b>37.2%</b>  |
| Cost of Goods Sold | (5,363.1)         | -76.2%        | (4,525.4)      | -77.8%        | 18.5%        | (4,182.0)      | -81.5%        | 28.2%         |
| Gross Profit       | 1,677.0           | 23.8%         | 1,290.6        | 22.2%         | 29.9%        | 949.2          | 18.5%         | 76.7%         |
| <b>EBITDA</b>      | <b>712.2</b>      | <b>10.1%</b>  | <b>358.6</b>   | <b>6.2%</b>   | <b>98.6%</b> | <b>72.5</b>    | <b>1.4%</b>   | <b>882.3%</b> |

<sup>1</sup> Adjusted EBITDA excluding the impact from adhesion to RRP - Funrural.

# 3Q18 Business Units

## JBS USA Beef (including Australia and Canada)

For the 3Q18, JBS USA Beef posted net revenue of US\$5,419.3 million, 2.1% lower than 3Q17. If sales from the feedlot operations in the US and Canada, which were sold in March, 2018, and October, 2017, are excluded, net revenue grew by 1.2% in comparison to the same period of last year.

In North America, strong economic fundamentals in the domestic markets has boosted beef consumption, while increased production is supportive of favorable demand, both domestically and internationally. A more diversified product mix and strategic partnerships with local and foreign key customers have boosted beef results in the United States and Canada. Export market share has continued to grow with increased profitability as a result of an improved mix of exports.

JBS Australia posted stronger results in comparison to the same period of last year, driven by greater livestock availability and higher fresh beef exports. Geographical proximity to Asia has proven to be a key competitive advantage in supplying increasing demand from the region. Both the fresh beef and prepared foods (Primo Smallgoods) continue to focus on the development of higher value added products and brands.

With an innovative, high quality product offering, high customer service level and focus on operational efficiencies Primo Smallgoods has been able to increase sales and deliver relevant profitability.

EBITDA for the 3Q18 was US\$446.7 million, 10.3% higher than 3Q17, with an EBITDA margin of 8.2%, up from 7.3% in the same period of last year.

### Main Highlights (USGAAP)

| US\$ Million       | 3Q18           |               | 2Q18           |               | Δ%            | 3Q17           |               | Δ%           |
|--------------------|----------------|---------------|----------------|---------------|---------------|----------------|---------------|--------------|
|                    | US\$           | % NR          | US\$           | % NR          | QoQ           | US\$           | % NR          | YoY          |
| <b>Net Revenue</b> | <b>5,419.3</b> | <b>100.0%</b> | <b>5,597.5</b> | <b>100.0%</b> | <b>-3.2%</b>  | <b>5,533.7</b> | <b>100.0%</b> | <b>-2.1%</b> |
| Cost of Goods Sold | (4,937.7)      | -91.1%        | (5,006.9)      | -89.4%        | -1.4%         | (5,103.8)      | -92.2%        | -3.3%        |
| Gross Profit       | 481.6          | 8.9%          | 590.6          | 10.6%         | -18.4%        | 429.9          | 7.8%          | 12.0%        |
| <b>EBITDA</b>      | <b>446.7</b>   | <b>8.2%</b>   | <b>570.1</b>   | <b>10.2%</b>  | <b>-21.6%</b> | <b>405.1</b>   | <b>7.3%</b>   | <b>10.3%</b> |

# 3Q18 Business Units

## JBS USA Pork

JBS USA Pork posted net revenue of US\$1,394.1 million for the quarter, 17.5% lower than 3Q17.

A pork supply increase in the US impacted sales prices domestically. On the other hand, raw material costs also declined, minimizing the impact on margins for the quarter, which were lower than in the same period of last year.

On a year-to-date basis, JBS USA Pork posted increased export volumes, in line with US industry exports. Relevant export markets such as Mexico, Japan and Canada have remained within the same buying levels, while others such as South Korea and Mexico have increased volumes significantly in comparison to the same period of last year.

During the quarter, JBS USA Pork consecutively increased production capacity and sales of higher value added products, strengthening its mix while meeting demand from important customers. Focus on operational excellence and key performance drivers continue to represent a competitive advantage for the business.

Plumrose continues to successfully implement its strategy of increasing production and launching innovative products. For the period, the company again delivered solid operating results in line with previous quarters.

Special attention has been given to the cases of African Swine Fever recently discovered in China and Europe as further spreading of the disease may cause significant changes in international pork sales.

EBITDA for the 3Q18 totaled US\$138.4 million, with an EBITDA margin of 9.9%. In comparison to the 2Q18, EBITDA grew by 33.8%, while EBITDA margin improved by 2.7 percentage points.

## Main Highlights (USGAAP)

| US\$ Million       | 3Q18           |               | 2Q18           |               | Δ%           | 3Q17           |               | Δ%            |
|--------------------|----------------|---------------|----------------|---------------|--------------|----------------|---------------|---------------|
|                    | US\$           | % NR          | US\$           | % NR          | QoQ          | US\$           | % NR          | YoY           |
| <b>Net Revenue</b> | <b>1,394.1</b> | <b>100.0%</b> | <b>1,429.5</b> | <b>100.0%</b> | <b>-2.5%</b> | <b>1,690.4</b> | <b>100.0%</b> | <b>-17.5%</b> |
| Cost of Goods Sold | (1,258.8)      | -90.3%        | (1,323.6)      | -92.6%        | -4.9%        | (1,436.5)      | -85.0%        | -12.4%        |
| Gross Profit       | 135.3          | 9.7%          | 105.9          | 7.4%          | 27.8%        | 253.9          | 15.0%         | -46.7%        |
| <b>EBITDA</b>      | <b>138.4</b>   | <b>9.9%</b>   | <b>103.4</b>   | <b>7.2%</b>   | <b>33.8%</b> | <b>255.8</b>   | <b>15.1%</b>  | <b>-45.9%</b> |

# 3Q18 Business Units

## Pilgrim's Pride Corporation - "PPC"

For the 3Q18, Pilgrim's Pride posted net revenue of US\$2,697.6, a 3.4% decrease in comparison to 3Q17.

Net revenue from US operations decreased by 3.8% in comparison to 3Q17, mainly driven by lower sales prices domestically, partially offset by higher volumes. In Mexico, revenue was down 10.1% as a result of a reduction in sales prices and a negative impact from FX variances. In Europe, net revenue grew by 2.4% thanks to 4.6% higher sales prices, partially offset by lower volumes.

Adjusted EBITDA totaled US\$156 million, a 66.3% decrease in comparison to the 3Q17, with an EBITDA margin of 5.8%. During the period, US operations continued to experience adverse conditions in the commodity business, with lower sales prices, but more balanced sales in the higher value added segment. In Mexico, poultry supply grew more than expected as a reaction to strong prices in the first half and also as a result of outstanding growing conditions, impacting local market prices. In Europe, the integration of Moy Park is tracking better than expectations and PPC is ahead of its US\$50 million synergy target for the next two years.

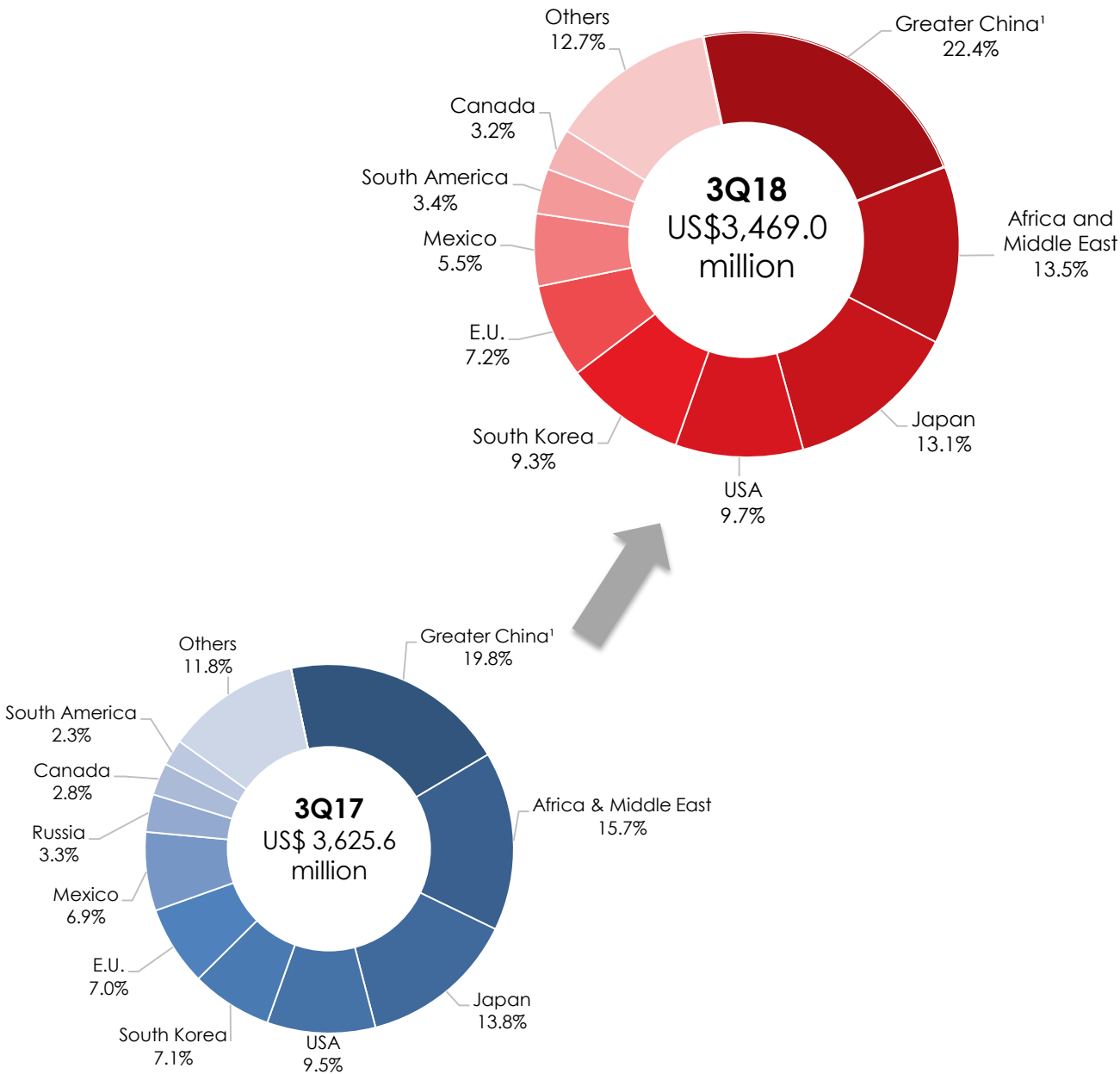
### Main Highlights (USGAAP)

| US\$ Million           | 3Q18           |               | 2Q18           |               | Δ%            | 3Q17           |               | Δ%            |
|------------------------|----------------|---------------|----------------|---------------|---------------|----------------|---------------|---------------|
|                        | US\$           | % NR          | US\$           | % NR          | QoQ           | US\$           | % NR          | YoY           |
| <b>Net Revenue</b>     | <b>2,697.6</b> | <b>100.0%</b> | <b>2,836.7</b> | <b>100.0%</b> | <b>-4.9%</b>  | <b>2,793.9</b> | <b>100.0%</b> | <b>-3.4%</b>  |
| Cost of Goods Sold     | (2,527.9)      | -93.7%        | (2,562.5)      | -90.3%        | -1.4%         | (2,315.3)      | -82.9%        | 9.2%          |
| Gross Profit           | 169.7          | 6.3%          | 274.2          | 9.7%          | -38.1%        | 478.6          | 17.1%         | -64.5%        |
| <b>Adjusted EBITDA</b> | <b>156.0</b>   | <b>5.8%</b>   | <b>282.5</b>   | <b>10.0%</b>  | <b>-44.8%</b> | <b>463.6</b>   | <b>16.6%</b>  | <b>-66.3%</b> |

# 3Q18

## Tables and Charts

**JBS Consolidated Exports Breakdown 3Q18 and 3Q17**



Note 1. Considers China and Hong Kong

**3Q18 Breakdown of Production Costs by Business Unit (%)**

| 3Q18 (%)   | Consolidated | JBS Brazil | Seara | USA Beef | USA Pork | PPC   |
|--|--------------|------------|-------|----------|----------|-------|
| Raw material (livestock)                         | 76.4%        | 86.3%      | 67.6% | 84.0%    | 73.9%    | 54.6% |
| Processing (including ingredients and packaging) | 12.2%        | 7.3%       | 20.3% | 6.8%     | 13.5%    | 25.7% |
| Labor Cost                                       | 11.4%        | 6.4%       | 12.1% | 9.2%     | 12.6%    | 19.6% |

# 3Q18

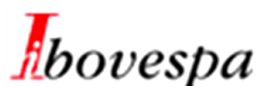
## Tables and Charts

### Business Units Results in IFRS

| Million              |     | 3Q18     | 2Q18     | Δ%         | 3Q17     | Δ%          |
|----------------------|-----|----------|----------|------------|----------|-------------|
| <b>Net Revenue</b>   |     |          |          |            |          |             |
| Seara                | R\$ | 4,991.5  | 4,088.7  | 22.1%      | 4,589.7  | 8.8%        |
| JBS Brazil           | R\$ | 7,040.1  | 5,815.9  | 21.0%      | 5,131.2  | 37.2%       |
| JBS USA Beef         | R\$ | 21,451.6 | 20,182.1 | 6.3%       | 17,508.3 | 22.5%       |
| JBS USA Pork         | R\$ | 5,518.4  | 5,154.2  | 7.1%       | 5,348.4  | 3.2%        |
| Pilgrim's Pride      | R\$ | 10,662.9 | 10,213.5 | 4.4%       | 8,826.4  | 20.8%       |
| Others               | R\$ | 524.4    | 510.4    | 2.8%       | 409.8    | 28.0%       |
| Eliminations         | R\$ | -786.3   | -789.1   | -          | -669.4   | -           |
| <b>EBITDA</b>        |     |          |          |            |          |             |
| Seara                | R\$ | 512.1    | 226.7    | 125.9%     | 508.5    | 0.7%        |
| JBS Brazil           | R\$ | 712.2    | 358.6    | 98.6%      | 72.5     | 882.3%      |
| JBS USA Beef         | R\$ | 1,605.4  | 2,080.6  | -22.8%     | 1,415.9  | 13.4%       |
| JBS USA Pork         | R\$ | 721.7    | 427.6    | 68.8%      | 720.2    | 0.2%        |
| Pilgrim's Pride      | R\$ | 873.2    | 1,143.1  | -23.6%     | 1,633.8  | -46.6%      |
| Others               | R\$ | 7.2      | 1.0      | 622.6%     | -31.6    | -           |
| <b>EBITDA Margin</b> |     |          |          |            |          |             |
| Seara                | %   | 10.3%    | 5.5%     | 4.71 p.p.  | 11.1%    | -0.82 p.p.  |
| JBS Brazil           | %   | 10.1%    | 6.2%     | 3.95 p.p.  | 1.4%     | 8.70 p.p.   |
| JBS USA Beef         | %   | 7.5%     | 10.3%    | -2.83 p.p. | 8.1%     | -0.60 p.p.  |
| JBS USA Pork         | %   | 13.1%    | 8.3%     | 4.78 p.p.  | 13.5%    | -0.39 p.p.  |
| Pilgrim's Pride      | %   | 8.2%     | 11.2%    | -3.00 p.p. | 18.5%    | -10.32 p.p. |
| Others               | %   | 1.4%     | 0.2%     | 1.18 p.p.  | -7.7%    | 9.09 p.p.   |

# Additional Information

## Indexes



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# Disclaimer

*We make statements about future events that are subject to risks and uncertainties. Such statements are based on the beliefs and assumptions of our Management and information to which the Company currently has access. Statements about future events include information about our current intentions, beliefs or expectations, as well as those of the members of the Company's Board of Directors and Officers.*

*Disclaimers with respect to forward-looking statements and information also include information on possible or presumed operating results, as well as statements that are preceded, followed or that include the words "believe," "may," "will," "continue," "expects," "predicts," "intends," "plans," "estimates," or similar expressions.*

*Forward-looking statements and information are not guarantees of performance. They involve risks, uncertainties and assumptions because they refer to future events, depending, therefore, on circumstances that may or may not occur. Future results and shareholder value creation may differ materially from those expressed or implied by the forward-looking statements. Many of the factors that will determine these results and values are beyond our ability to control or predict.*

# 3Q18 - Results

## Assets

In thousands of Brazilian Reals - R\$

|  | Company           |                   | Consolidated       |                    |
|--|-------------------|-------------------|--------------------|--------------------|
|  | 09/30/18          | 12/31/16          | 09/30/18           | 12/31/16           |
| <b>Current Assets</b>                                      |                   |                   |                    |                    |
| Cash and cash equivalents                                  | 1,252,344         | 2,138,802         | 12,093,830         | 11,741,308         |
| Trade accounts receivable                                  | 2,652,790         | 2,302,913         | 9,827,639          | 9,333,291          |
| Inventories  | 2,121,332         | 1,823,640         | 12,096,880         | 9,684,878          |
| Biological assets  | -                 | -                 | 3,269,520          | 2,767,250          |
| Recoverable taxes  | 183,945           | 182,885           | 1,480,315          | 974,404            |
| Derivative assets  | 5,053             | -                 | 89,763             | 30,760             |
| Assets held for sale                                       | -                 | -                 | -                  | 817,705            |
| Other current assets                                       | 203,065           | 264,807           | 997,995            | 755,948            |
| <b>TOTAL CURRENT ASSETS</b>                                | <b>6,418,529</b>  | <b>6,713,047</b>  | <b>39,855,942</b>  | <b>36,105,544</b>  |
| <b>Non-Current Assets</b>                                  |                   |                   |                    |                    |
| Biological assets  | -                 | -                 | 1,183,403          | 967,761            |
| Recoverable taxes  | 6,036,723         | 5,453,216         | 8,287,143          | 7,521,141          |
| Related party receivables                                  | -                 | 2,040,471         | 764,515            | 897,535            |
| Investments in associates, subsidiaries and joint ventures | 24,828,667        | 18,562,666        | 82,883             | 64,006             |
| Property, plant and equipment                              | 11,220,198        | 11,544,181        | 35,514,733         | 33,563,104         |
| Deferref income taxes                                      | 228,492           | -                 | 1,661,351          | 434,861            |
| Intangible assets  | 94,621            | 94,739            | 6,134,477          | 5,512,070          |
| Goodwill   | 9,085,970         | 9,085,970         | 24,293,388         | 22,488,247         |
| Other non-current assets                                   | 587,648           | 512,486           | 1,105,197          | 1,141,682          |
| <b>TOTAL NON-CURRENT ASSETS</b>                            | <b>52,082,319</b> | <b>47,293,729</b> | <b>79,027,090</b>  | <b>72,590,407</b>  |
| <b>TOTAL ASSETS</b>  | <b>58,500,848</b> | <b>54,006,776</b> | <b>118,883,032</b> | <b>108,695,951</b> |

# 3Q18 - Results

## Liabilities

In thousands of Brazilian Reais - R\$

|   | Company           |                   | Consolidated       |                    |
|---|-------------------|-------------------|--------------------|--------------------|
|   | 09/30/18          | 12/31/16          | 09/30/18           | 12/31/16           |
| <b>Current Liabilities</b>                      |                   |                   |                    |                    |
| Trade accounts payable                          | 2,229,266         | 2,029,104         | 12,269,291         | 9,992,778          |
| Loans and financing                             | 1,846,806         | 8,223,197         | 2,946,923          | 13,526,051         |
| Income taxes                                    | -                 | -                 | 305,679            | 905,484            |
| Accrued income taxes and other taxes            | 285,963           | 259,803           | 519,235            | 487,271            |
| Accrued payroll and social charges              | 863,182           | 572,066           | 3,757,774          | 3,007,816          |
| Dividends payable                               | 580               | 127,463           | 580                | 127,463            |
| Other financial liabilities                     | 24,017            | 7,659             | 49,238             | 73,156             |
| Derivative liabilities                          | 122,920           | 10                | 351,306            | 118,684            |
| Liabilities held for sale                       | -                 | -                 | -                  | 23,305             |
| Other current liabilities                       | 890,256           | 699,211           | 1,050,279          | 917,333            |
| <b>TOTAL CURRENT LIABILITIES</b>                | <b>6,262,990</b>  | <b>11,918,513</b> | <b>21,250,305</b>  | <b>29,179,341</b>  |
| <b>Non-Current Liabilities</b>                  |                   |                   |                    |                    |
| Loans and financing                             | 18,016,628        | 11,834,158        | 58,688,813         | 43,498,600         |
| Accrued income taxes and other taxes            | 720,417           | 667,388           | 892,070            | 787,223            |
| Accrued payroll and social charges              | 3,261,974         | 1,434,838         | 3,736,874          | 1,848,200          |
| Other financial liabilities                     | 19,877            | 24,827            | 28,201             | 39,868             |
| Deferred income taxes                           | -                 | 1,965,792         | 1,919,400          | 3,697,195          |
| Provisions                                      | 1,882,895         | 1,820,007         | 2,757,829          | 2,888,150          |
| Debit with related parties for investment       | 1,749,614         | -                 | -                  | -                  |
| Other non-current liabilities                   | 17,289            | 53,641            | 621,297            | 616,706            |
| <b>TOTAL NON-CURRENT LIABILITIES</b>            | <b>25,668,694</b> | <b>17,800,651</b> | <b>68,644,484</b>  | <b>53,375,942</b>  |
| <b>Equity</b>                                   |                   |                   |                    |                    |
| Share capital - common shares                   | 23,576,206        | 23,576,206        | 23,576,206         | 23,576,206         |
| Capital reserve                                 | (279,102)         | (289,295)         | (279,102)          | (289,295)          |
| Other reserves                                  | 63,798            | 67,906            | 63,798             | 67,906             |
| Profit reserves                                 | 2,310,198         | 2,277,205         | 2,310,198          | 2,277,205          |
| Accumulated other comprehensive income (loss)   | 1,432,001         | (1,344,410)       | 1,432,001          | (1,344,410)        |
| Retained earnings                               | (533,937)         | -                 | (533,937)          | -                  |
| <b>Attributable to company shareholders</b>     | <b>26,569,164</b> | <b>24,287,612</b> | <b>26,569,164</b>  | <b>24,287,612</b>  |
| <b>Attributable to non-controlling interest</b> | <b>-</b>          | <b>-</b>          | <b>2,419,079</b>   | <b>1,853,056</b>   |
| <b>EQUITY</b>                                   | <b>26,569,164</b> | <b>24,287,612</b> | <b>28,988,243</b>  | <b>26,140,668</b>  |
| <b>TOTAL LIABILITIES AND EQUITY</b>             | <b>58,500,848</b> | <b>54,006,776</b> | <b>118,883,032</b> | <b>108,695,951</b> |

# 3Q18 - Results

## Income Statements

Statements of income for the three months period ended September 30

In thousands of Brazilian Reals - R\$

|   | Company            |                    | Consolidated       |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | 2018               | 2017               | 2018               | 2017               |
| <b>Net income</b>   | 7,531,483          | 5,406,529          | 49,402,813         | 41,144,396         |
| Cost of sales   | (5,897,560)        | (4,474,343)        | (41,776,290)       | (34,292,691)       |
| <b>GROSS PROFIT</b>                                       | <b>1,633,923</b>   | <b>932,186</b>     | <b>7,626,523</b>   | <b>6,851,705</b>   |
| General and administrative expenses                       | (2,977,163)        | (2,377,630)        | (4,072,355)        | (3,320,952)        |
| Selling expenses  | (511,352)          | (432,186)          | (2,799,452)        | (2,125,789)        |
| Other expenses  | (7,564)            | (154,706)          | (63,823)           | (271,077)          |
| Other income  | 54,621             | -                  | 80,446             | 109,863            |
| <b>OPERATING EXPENSE</b>                                  | <b>(3,441,458)</b> | <b>(2,964,522)</b> | <b>(6,855,184)</b> | <b>(5,607,955)</b> |
| <b>OPERATING PROFIT</b>                                   | <b>(1,807,535)</b> | <b>(2,032,336)</b> | <b>771,339</b>     | <b>1,243,750</b>   |
| Finance income  | 264,370            | 970,641            | 315,125            | 1,125,636          |
| Finance expense   | (1,245,917)        | (1,400,269)        | (2,206,366)        | (2,024,109)        |
|   | <b>(981,547)</b>   | <b>(429,628)</b>   | <b>(1,891,241)</b> | <b>(898,473)</b>   |
| Share of profit of equity-accounted investees, net of tax | 1,626,337          | 2,361,281          | 5,674              | 9,275              |
| <b>PROFIT (LOSS) BEFORE TAXES</b>                         | <b>(1,162,745)</b> | <b>(100,683)</b>   | <b>(1,114,228)</b> | <b>354,552</b>     |
| Current income taxes                                      | 702                | 723                | (163,609)          | (847,765)          |
| Deferred income taxes                                     | 1,028,553          | 423,007            | 1,176,102          | 972,098            |
|   | <b>1,029,255</b>   | <b>423,730</b>     | <b>1,012,493</b>   | <b>124,333</b>     |
| <b>NET INCOME</b>   | <b>(133,490)</b>   | <b>323,047</b>     | <b>(101,735)</b>   | <b>478,885</b>     |
| <b>ATTRIBUTABLE TO:</b>                                   |                    |                    |                    |                    |
| Company shareholders                                      |                    |                    | (133,490)          | 323,047            |
| Non-controlling interest                                  |                    |                    | 31,755             | 155,838            |
|   |                    |                    | <b>(101,735)</b>   | <b>478,885</b>     |
| <b>Basic income per shares - (R\$)</b>                    | <b>(0.05)</b>      | 0.12               | <b>(0.05)</b>      | 0.12               |
| <b>Diluted income per share - (R\$)</b>                   | <b>(0.05)</b>      | 0.12               | <b>(0.05)</b>      | 0.12               |

# 3Q18 - Results

## Statements of cash flows for the three months period ended September 30

| In thousands of Brazilian Reais - R\$                                 | Company            |                    | Consolidated       |                   |
|---|--------------------|--------------------|--------------------|-------------------|
| Cash flow from operating activities                                   | 2018               | 2017               | 2018               | 2017              |
| <b>Net income</b>   | <b>(133,490)</b>   | <b>323,047</b>     | <b>(101,735)</b>   | <b>478,885</b>    |
| Adjustments for:  |                    |                    |                    |                   |
| Depreciation and amortization   | 191,291            | 199,047            | 1,263,379          | 1,127,548         |
| Allowance for doubtful accounts                                       | 8,067              | 6,656              | 7,804              | (7,907)           |
| Share of profit of equity-accounted investees                         | (1,626,337)        | (2,361,281)        | (5,674)            | (9,275)           |
| (Gain) loss on sale of assets   | 1,502              | 12,563             | (1,067)            | 17,878            |
| Taxes expense   | (1,029,255)        | (423,730)          | (1,012,493)        | (124,333)         |
| Finance income (expense), net   | 981,547            | 429,628            | 1,891,241          | 898,473           |
| Share-based compensation  | 9,953              | 9,941              | 40,185             | 14,959            |
| Provisions  | 75,536             | 85,239             | 60,813             | 43,967            |
| Impairment  | -                  | -                  | 1,231              | 4,971             |
| (Gain) loss with the divestment program                               | 6,684              | 142,143            | 6,684              | 109,568           |
| Obsolete inventory accrual  | -                  | -                  | (19,570)           | -                 |
| Special tax regularization program (PERT)                             | 2,341,891          | 1,839,808          | 2,395,551          | 1,839,808         |
| Impacts from the leniency agreement                                   | 10,726             | -                  | 10,726             | -                 |
|   | <b>838,114</b>     | <b>263,061</b>     | <b>4,537,075</b>   | <b>4,394,542</b>  |
| <b>Changes in assets and liabilities:</b>                             |                    |                    |                    |                   |
| Trade accounts receivable   | (330,070)          | (76,335)           | 139,066            | 77,206            |
| Inventories   | (155,018)          | (171,154)          | 87,454             | 19,454            |
| Recoverable taxes   | (148,497)          | 9,157              | (280,491)          | (142,442)         |
| Other current and non-current assets                                  | (13,473)           | (55,777)           | (103,621)          | (196,217)         |
| Biological assets   | -                  | -                  | (452,111)          | (139,678)         |
| Trade accounts payable  | 345,492            | 71,357             | 835,836            | (355,193)         |
| Taxes payable in installments   | (84,021)           | (54,799)           | (84,021)           | (22,097)          |
| Other current and non-current liabilities                             | 14,816             | 120,099            | 337,808            | 138,757           |
| Income tax paid   | -                  | -                  | (692,688)          | (260,430)         |
| <b>Changes in operating assets and liabilities</b>                    | <b>(370,771)</b>   | <b>(157,452)</b>   | <b>(212,768)</b>   | <b>(880,640)</b>  |
| <b>Cash provided by operating activities</b>                          | <b>467,343</b>     | <b>105,609</b>     | <b>4,324,307</b>   | <b>3,513,902</b>  |
| Interest paid   | (428,455)          | (309,651)          | (1,068,740)        | (819,522)         |
| Interest received   | 94,701             | 12,261             | 103,492            | 86,922            |
| <b>Net cash provided by (used in) operating activities</b>            | <b>133,589</b>     | <b>(191,781)</b>   | <b>3,359,059</b>   | <b>2,781,302</b>  |
| <b>Cash flow from investing activities</b>                            |                    |                    |                    |                   |
| Purchases of property, plant and equipment                            | (135,081)          | (225,286)          | (758,913)          | (691,772)         |
| Purchases of intangible assets  | (9,592)            | (3,625)            | (10,177)           | (5,436)           |
| Proceeds from sale of property, plant and equipment                   | 3,842              | 35,759             | 36,133             | 62,079            |
| Additional investments in associates, joint-ventures and subsidiaries | 279                | (491)              | -                  | -                 |
| Acquisitions, net of cash acquired                                    | -                  | -                  | -                  | 16,638            |
| Proceeds from the divestment program                                  | -                  | 964,336            | -                  | 964,336           |
| Proceeds from Moy Park transference to PPC                            | -                  | 931,187            | -                  | -                 |
| Related party transactions  | 1,782,784          | (324,688)          | (330,835)          | 95,273            |
| Dividends received from associates and joint-ventures                 | -                  | 9,723              | -                  | -                 |
| Other   | 469                | 4                  | 13                 | 712               |
| <b>Net cash provided by (used in) investing activities</b>            | <b>1,642,701</b>   | <b>1,386,919</b>   | <b>(1,063,779)</b> | <b>441,830</b>    |
| <b>Cash flow from financing activities</b>                            |                    |                    |                    |                   |
| Proceeds from loans and financings                                    | 991                | 95,831             | 800,599            | 2,766,463         |
| Payments of loans and financings                                      | (2,069,580)        | (1,440,246)        | (5,022,663)        | (2,673,353)       |
| Derivatives instruments received/settled                              | 408,254            | (180,848)          | 461,761            | (168,896)         |
| Dividends paid  | (19)               | -                  | (19)               | -                 |
| Other   | -                  | -                  | 726                | (4,278)           |
| <b>Cash provided by (used in) financing activities</b>                | <b>(1,660,354)</b> | <b>(1,525,263)</b> | <b>(3,759,596)</b> | <b>(80,064)</b>   |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>   | <b>69,167</b>      | <b>(38,364)</b>    | <b>446,072</b>     | <b>(346,202)</b>  |
| Net change in cash and cash equivalents                               | 185,104            | (368,489)          | (1,018,244)        | 2,796,866         |
| Cash and cash equivalents at the beginning of the period              | 1,067,241          | 4,144,835          | 13,112,074         | 11,300,388        |
| <b>Cash and cash equivalents at the end of the period</b>             | <b>1,252,345</b>   | <b>3,776,346</b>   | <b>12,093,830</b>  | <b>14,097,254</b> |



**JBS S.A.**

**Condensed financial statements and Independent auditors'  
report**

As of September 30, 2018 and 2017



| <b>Index</b>  | <b>Page</b>        |
|---|--------------------|
| Independent Auditor's Review Report on the Financial Information                                | <a href="#">3</a>  |
| Statement of financial position - Assets  | <a href="#">7</a>  |
| Statement of financial position - Liabilities and Equity  | <a href="#">8</a>  |
| Statements of income for the nine month period ended September 30, 2018 and 2017                | <a href="#">9</a>  |
| Statements of income for the three month period ended September 30, 2018 and 2017               | <a href="#">10</a> |
| Statement of comprehensive income for the nine month period ended September 30, 2018 and 2017   | <a href="#">11</a> |
| Statement of comprehensive income for three month period ended September 30, 2018 and 2017      | <a href="#">12</a> |
| Statements of changes in equity for the nine month period ended September 30, 2018 and 2017     | <a href="#">13</a> |
| Statements of cash flows for the nine month period ended September 30, 2018 and 2017            | <a href="#">14</a> |
| Economic value added for the nine month period ended September 30, 2018 and 2017                | <a href="#">16</a> |
| Note 1 - Operating activities   | <a href="#">17</a> |
| Note 2 - Plea bargain agreement, Leniency agreement and the impacts in the financial statements | <a href="#">18</a> |
| Note 3 - Elaboration and presentation of financial statements                                   | <a href="#">20</a> |
| Note 4 - Cash and cash equivalents  | <a href="#">21</a> |
| Note 5 - Trade accounts receivable, net   | <a href="#">21</a> |
| Note 6 - Inventories  | <a href="#">21</a> |
| Note 7 - Biological assets  | <a href="#">22</a> |
| Note 8 - Recoverable taxes  | <a href="#">22</a> |
| Note 9 - Related parties transactions   | <a href="#">23</a> |
| Note 10 - Investments in associates, subsidiaries and joint ventures                            | <a href="#">26</a> |
| Note 11 - Property, plant and equipment   | <a href="#">26</a> |
| Note 12 - Intangible assets   | <a href="#">27</a> |
| Note 13 - Goodwill  | <a href="#">27</a> |
| Note 14 - Loans and financing   | <a href="#">28</a> |
| Note 15 - Accrued income and other taxes  | <a href="#">30</a> |
| Note 16 - Accrued payroll and social charges  | <a href="#">31</a> |
| Note 17 - Income taxes - Nominal and effective tax rate reconciliation                          | <a href="#">32</a> |
| Note 18 - Provisions  | <a href="#">34</a> |
| Note 19 - Equity  | <a href="#">35</a> |
| Note 20 - Net revenue   | <a href="#">37</a> |
| Note 21 - Financial income (expense), net   | <a href="#">37</a> |
| Note 22 - Earnings per share  | <a href="#">38</a> |
| Note 23 - Operating segments and geographic reporting   | <a href="#">38</a> |
| Note 24 - Risk management and financial instruments   | <a href="#">40</a> |
| Signatures  | <a href="#">47</a> |

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

# Independent Auditor's Report on Review of the Interim Financial Information

To the  
Shareholders, directors and management of  
**JBS S.A.**  
São Paulo – SP

## Introduction

We have reviewed the individual and consolidated Interim Financial Information of JBS S.A. ("Company" or "JBS"), identified as Parent and Consolidated, respectively, included in the Interim Financial Information Form (ITR) for the quarter ended September 30, 2018, which comprises the balance sheet as at September 30, 2018 and the related statement of profit and loss and statement of comprehensive income (loss) for the three and nine-month periods then ended, and the statement of changes in equity and statement of cash flows for the nine-month period then ended, including the explanatory notes.

The Company's Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with CPC 21 (R1) - Interim Financial Reporting and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of such information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Interim Financial Information (ITR). Our responsibility is to express an opinion on this interim financial information based on our review.

## Scope of review

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



## **Basis for qualified conclusion on the individual and consolidated interim financial information**

### **Plea bargain agreements, leniency agreement and investigations in progress**

As described in Note 2 to the individual and consolidated interim financial information, in May 2017, certain executives and former executives of J&F Investimentos S.A. Group (“J&F”) entered into Plea Bargain Agreements (“Plea Bargain”) with the Attorney General’s Office (“PGR”), subsequently ratified by the Superior Court of Justice (“STF”). In June 2017, J&F entered into a Leniency Agreement (“Agreement”) with the MPF, which was judicially ratified by the 5<sup>th</sup> Federal Prosecution Office Court on August 24, 2017 and by Federal Court of the Federal District on October 11, 2017. Such Agreement is related to the operations codenamed “Cui Bono”, “Carne Fraca”, “Sepsis” and “Greenfield”. On September 06, 2017, the Company and its subsidiaries signed an instrument of adherence to the Leniency Agreement, to protect them against the financial impacts arising from such Agreement, which will be fully assumed by J&F.

Therefore, as determined by the Agreement, in September 2017, an internal investigation led by the Independent Oversight Committee (“Committee” or “CSI”) was initiated, with the assistance of specialized external and independent professionals, of the facts related to the Company and reported under the Bargain Agreement, which, in addition to the operations mentioned in the Agreement above, also includes Operations “Bullish”, “Tendão de Aquiles”, “Lama Asfáltica” and “Porteira Aberta”. To date, partial extractions and processing of the data under analysis were performed.

Additionally, and besides the matters mentioned above, described in said Note 2, we also emphasize the actions described below, which still are under way, therefore, still subject to due diligence and/or conclusion procedures that are not under the Company’s full control, the effects of which, if any, may result in significant changes in this individual and consolidated interim financial information, and in the individual and consolidated interim financial information presented for purposes of comparison, including aspects related to insufficient disclosure of certain information in the explanatory notes:

- Additional information submitted by J&F to the MPF, under the Plea Bargain and Leniency Agreement, has not yet been made publicly known;
- The findings or conclusions from the independent investigation being conducted, as required by the Leniency Agreement with the MPF, and supervised by the CSI, have not yet been presented;
- An independent investigation over the Company’s international operations are under way and no conclusions were presented to date.

Consequently, since the Company had already included in its records and interim financial information for the quarter ended September 30, 2018, and corresponding figures presented for purposes of comparison, the accounting impacts known to date, and, although the Company's Management does not expect new additional significant impacts on this individual and consolidated interim financial information as a result of the conclusion of all diligence procedures and investigations still under way or yet to be completed, and, taking into consideration the aspects mentioned above, we are unable to conclude, to date, that there would not be significant impacts, including on tax aspects, that should be disclosed in the interim financial information referred to above or corresponding comparative figures.

#### **Qualified conclusion on the individual and consolidated interim financial information**

Based on our review, except for the possible effects, if any, of the matters mentioned in the "Basis for qualified conclusion on the individual and consolidated interim financial information" section, nothing has come to our attention that cause us to believe that the individual and consolidated interim financial information included in the quarterly financial information referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34, applicable to the preparation of interim financial information, and presented in conformity with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

#### **Emphasis of Matters**

##### **Credit Line Preservation Agreement**

We draw attention to Note 14.a to the individual and consolidated interim financial information, which discusses the normalization agreement made with financial institutions and other contractual arrangements that require compliance with covenants. Noncompliance with these agreements may result in impacts on the Company's operating activities. Our conclusion is not qualified regarding this matter.

##### **Significant investigation and judicial procedures in progress**

We draw attention to Note 2.2, to the individual and consolidated interim financial information, which refers to several lawsuits filed against the Company at the criminal, administrative and judicial levels and with the Brazilian Securities and Exchange Commission (CVM). An unfavorable outcome to these lawsuits may have impacts on the Company's operations and/ or may require the Company to obtain additional funds to meet significant and unusual expenditures that may be incurred. Our conclusion is not qualified regarding this matter.

#### **Other matters**

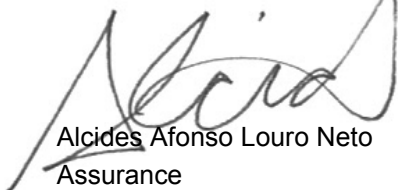
##### **Interim statements of value added**

We have also reviewed the individual and consolidated statements of value added (DVA) for the nine-month period ended September 30, 2018, prepared under the responsibility of the Company's Management, the presentation of which is required by the standards issued by the Brazilian Securities and Exchange Commission (CVM) and considered supplemental information by IFRS, which does not require the presentation of a DVA. These statements were subject to the same review procedures described above and, based on our review, except for the possible effects of the matters mentioned in the "Basis for qualified opinion on the interim and consolidated interim financial information" section, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the individual and consolidated interim financial statements taken as a whole.

**Audit and review of the corresponding figures for the prior year and quarter**

The amounts corresponding to the year ended December 31, 2017, presented for purposes of comparison, were audited by other independent auditors, and their report thereon, dated March 28, 2018, contained modifications and emphasis of matters similar to those included in this report on review. The amounts corresponding to the three and nine-month period ended September 30, 2017, also presented for purposes of comparison, were reviewed by other independent auditors, and their report on review of the interim financial information for the September 30, 2017 was: **(i)** issued on December 22, 2017, containing a disclaimer of conclusion due to the limitations arising from the lack of identification of the accounting impacts resulting from the plea bargain agreements, leniency agreement and investigations in progress as well as the insufficiency of disclosures in explanatory notes and containing emphasis of matters regarding the investigation procedures under way, as well as on the competence of accession the Special Tax Regularization Program ("PERT") and containing emphases related to the agreements to preserve credit lines, relevant investigative and judicial procedures in progress and the restatement of the comparative quarterly interim financial information, and, subsequently, **(ii)** reissued on March 28, 2018, containing modifications and emphasis of matters similar to those included in this review report and regarding the restatement of said quarterly interim financial information.

São Paulo, November 13, 2018



Alcides Afonso Louro Neto  
Assurance

Grant Thornton Auditores Independentes

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

|  | Note | Company            |                   | Consolidated       |                   |
|--|------|--------------------|-------------------|--------------------|-------------------|
|  |      | September 30, 2018 | December 31, 2017 | September 30, 2018 | December 31, 2017 |
| ASSETS   |      |                    |                   |                    |                   |
| CURRENT ASSETS   |      |                    |                   |                    |                   |
| Cash and cash equivalents                                  | 4    | 1,252,344          | 2,138,802         | 12,093,830         | 11,741,308        |
| Trade accounts receivable                                  | 5    | 2,652,790          | 2,302,913         | 9,827,639          | 9,333,291         |
| Inventories  | 6    | 2,121,332          | 1,823,640         | 12,096,880         | 9,684,878         |
| Biological assets  | 7    | -                  | -                 | 3,269,520          | 2,767,250         |
| Recoverable taxes  | 8    | 183,945            | 182,885           | 1,480,315          | 974,404           |
| Derivative assets  | 24   | 5,053              | -                 | 89,763             | 30,760            |
| Assets held for sale                                       |      | -                  | -                 | -                  | 817,705           |
| Other current assets                                       |      | 203,065            | 264,807           | 997,995            | 755,948           |
| TOTAL CURRENT ASSETS                                       |      | 6,418,529          | 6,713,047         | 39,855,942         | 36,105,544        |
| NON-CURRENT ASSETS   |      |                    |                   |                    |                   |
| Biological assets  | 7    | -                  | -                 | 1,183,403          | 967,761           |
| Recoverable taxes  | 8    | 6,036,723          | 5,453,216         | 8,287,143          | 7,521,141         |
| Related party receivables                                  | 9    | -                  | 2,040,471         | 764,515            | 897,535           |
| Investments in associates, subsidiaries and joint ventures | 10   | 24,828,667         | 18,562,666        | 82,883             | 64,006            |
| Property, plant and equipment                              | 11   | 11,220,198         | 11,544,181        | 35,514,733         | 33,563,104        |
| Deferred income taxes                                      | 17   | 228,492            | -                 | 1,661,351          | 434,861           |
| Intangible assets  | 12   | 94,621             | 94,739            | 6,134,477          | 5,512,070         |
| Goodwill   | 13   | 9,085,970          | 9,085,970         | 24,293,388         | 22,488,247        |
| Other non-current assets                                   |      | 587,648            | 512,486           | 1,105,197          | 1,141,682         |
| TOTAL NON-CURRENT ASSETS                                   |      | 52,082,319         | 47,293,729        | 79,027,090         | 72,590,407        |
| TOTAL ASSETS   |      | 58,500,848         | 54,006,776        | 118,883,032        | 108,695,951       |

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

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

|   | Note | Company            |                   | Consolidated       |                   |
|---|------|--------------------|-------------------|--------------------|-------------------|
|   |      | September 30, 2018 | December 31, 2017 | September 30, 2018 | December 31, 2017 |
| LIABILITIES AND EQUITY                        |      |                    |                   |                    |                   |
| CURRENT LIABILITIES                           |      |                    |                   |                    |                   |
| Trade accounts payable                        |      | 2,229,266          | 2,029,104         | 12,269,291         | 9,992,778         |
| Loans and financing                           | 14   | 1,846,806          | 8,223,197         | 2,946,923          | 13,526,051        |
| Income taxes                                  | 15   | -                  | -                 | 305,679            | 905,484           |
| Accrued income taxes and other taxes          | 15   | 285,963            | 259,803           | 519,235            | 487,271           |
| Accrued payroll and social charges            | 16   | 863,182            | 572,066           | 3,757,774          | 3,007,816         |
| Dividends payable                             |      | 580                | 127,463           | 580                | 127,463           |
| Other financial liabilities                   |      | 24,017             | 7,659             | 49,238             | 73,156            |
| Derivative liabilities                        | 24   | 122,920            | 10                | 351,306            | 118,684           |
| Liabilities held for sale                     |      | -                  | -                 | -                  | 23,305            |
| Other current liabilities                     |      | 890,256            | 699,211           | 1,050,279          | 917,333           |
| TOTAL CURRENT LIABILITIES                     |      | 6,262,990          | 11,918,513        | 21,250,305         | 29,179,341        |
| NON-CURRENT LIABILITIES                       |      |                    |                   |                    |                   |
| Loans and financing                           | 14   | 18,016,628         | 11,834,158        | 58,688,813         | 43,498,600        |
| Accrued income taxes and other taxes          | 15   | 720,417            | 667,388           | 892,070            | 787,223           |
| Accrued payroll and social charges            | 16   | 3,261,974          | 1,434,838         | 3,736,874          | 1,848,200         |
| Other financial liabilities                   |      | 19,877             | 24,827            | 28,201             | 39,868            |
| Deferred income taxes                         | 17   | -                  | 1,965,792         | 1,919,400          | 3,697,195         |
| Provisions                                    | 18   | 1,882,895          | 1,820,007         | 2,757,829          | 2,888,150         |
| Related party payables                        | 9    | 1,749,614          | -                 | -                  | -                 |
| Other non-current liabilities                 |      | 17,289             | 53,641            | 621,297            | 616,706           |
| TOTAL NON-CURRENT LIABILITIES                 |      | 25,668,694         | 17,800,651        | 68,644,484         | 53,375,942        |
| EQUITY  |      |                    |                   |                    |                   |
| Share capital - common shares                 | 19   | 23,576,206         | 23,576,206        | 23,576,206         | 23,576,206        |
| Capital reserve                               |      | (279,102)          | (289,295)         | (279,102)          | (289,295)         |
| Other reserves                                |      | 63,798             | 67,906            | 63,798             | 67,906            |
| Profit reserves                               |      | 2,310,198          | 2,277,205         | 2,310,198          | 2,277,205         |
| Accumulated other comprehensive income (loss) |      | 1,432,001          | (1,344,410)       | 1,432,001          | (1,344,410)       |
| Retained earnings                             |      | (533,937)          | -                 | (533,937)          | -                 |
| Attributable to company shareholders          |      | 26,569,164         | 24,287,612        | 26,569,164         | 24,287,612        |
| Attributable to non-controlling interest      |      | -                  | -                 | 2,419,079          | 1,853,056         |
| TOTAL EQUITY                                  |      | 26,569,164         | 24,287,612        | 28,988,243         | 26,140,668        |
| TOTAL LIABILITIES AND EQUITY                  |      | 58,500,848         | 54,006,776        | 118,883,032        | 108,695,951       |

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

**JBS S.A.**
**Statements of income (loss) for the nine month period ended September 30, 2018 and 2017**  
**In thousands of Brazilian Reais - R\$**

|   | Note | Company             |                     | Consolidated         |                      |
|---|------|---------------------|---------------------|----------------------|----------------------|
|   |      | 2018                | 2017                | 2018                 | 2017                 |
| <b>NET REVENUE</b>  | 20   | <b>19,986,436</b>   | <b>17,195,097</b>   | <b>134,361,519</b>   | <b>120,435,503</b>   |
| Cost of sales   |      | <u>(16,328,859)</u> | <u>(14,374,970)</u> | <u>(114,595,392)</u> | <u>(103,003,773)</u> |
| <b>GROSS PROFIT</b>                                       |      | <b>3,657,577</b>    | <b>2,820,127</b>    | <b>19,766,127</b>    | <b>17,431,730</b>    |
| General and administrative expenses                       |      | (4,127,762)         | (3,461,016)         | (6,801,522)          | (5,969,917)          |
| Selling expenses  |      | (1,545,855)         | (1,375,989)         | (7,646,157)          | (6,404,948)          |
| Other expense   |      | (11,663)            | (156,756)           | (206,075)            | (371,815)            |
| Other income  |      | 54,959              | 4,813               | 151,279              | 232,574              |
| <b>OPERATING EXPENSE</b>                                  |      | <b>(5,630,321)</b>  | <b>(4,988,948)</b>  | <b>(14,502,475)</b>  | <b>(12,514,106)</b>  |
| <b>OPERATING PROFIT (LOSS)</b>                            |      | <b>(1,972,744)</b>  | <b>(2,168,821)</b>  | <b>5,263,652</b>     | <b>4,917,624</b>     |
| Finance income  | 21   | 706,014             | 2,073,301           | 586,883              | 1,938,888            |
| Finance expense   | 21   | <u>(4,939,830)</u>  | <u>(3,233,321)</u>  | <u>(8,304,373)</u>   | <u>(5,458,948)</u>   |
|   |      | <u>(4,233,816)</u>  | <u>(1,160,020)</u>  | <u>(7,717,490)</u>   | <u>(3,520,060)</u>   |
| Share of profit of equity-accounted investees, net of tax | 10   | 3,474,232           | 3,631,058           | 21,868               | 17,199               |
| <b>PROFIT (LOSS) BEFORE TAXES</b>                         | 17   | <b>(2,732,328)</b>  | <b>302,217</b>      | <b>(2,431,970)</b>   | <b>1,414,763</b>     |
| Current income taxes                                      | 17   | 2,116               | 2,189               | (1,064,379)          | (1,509,815)          |
| Deferred income taxes                                     | 17   | 2,192,167           | 681,532             | 3,155,909            | 1,465,664            |
|   |      | <u>2,194,283</u>    | <u>683,721</u>      | <u>2,091,530</u>     | <u>(44,151)</u>      |
| <b>NET INCOME (LOSS)</b>                                  |      | <b>(538,045)</b>    | <b>985,938</b>      | <b>(340,440)</b>     | <b>1,370,612</b>     |
| <b>ATTRIBUTABLE TO:</b>                                   |      |                     |                     |                      |                      |
| Company shareholders                                      |      |                     |                     | (538,045)            | 985,938              |
| Non-controlling interest                                  |      |                     |                     | 197,605              | 384,674              |
|   |      |                     |                     | <u>(340,440)</u>     | <u>1,370,612</u>     |
| <b>Basic earnings per share - common shares (R\$)</b>     | 22   | <b>(0.20)</b>       | 0.35                | <b>(0.20)</b>        | 0.35                 |
| <b>Diluted earnings per share - common shares (R\$)</b>   | 22   | <b>(0.20)</b>       | 0.35                | <b>(0.20)</b>        | 0.35                 |

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

**JBS S.A.**
**Statements of income for the three month periods ended September 30, 2018 and 2017**  
**In thousands of Brazilian Reais - R\$**

|   | Note | Company            |                    | Consolidated       |                    |
|---|------|--------------------|--------------------|--------------------|--------------------|
|   |      | 2018               | 2017               | 2018               | 2017               |
| <b>NET REVENUE</b>  | 20   | 7,531,483          | 5,406,529          | 49,402,813         | 41,144,396         |
| Cost of sales   |      | (5,897,560)        | (4,474,343)        | (41,776,290)       | (34,292,691)       |
| <b>GROSS PROFIT</b>                                       |      | <u>1,633,923</u>   | <u>932,186</u>     | <u>7,626,523</u>   | <u>6,851,705</u>   |
| General and administrative expenses                       |      | (2,977,163)        | (2,377,630)        | (4,072,355)        | (3,320,952)        |
| Selling expenses  |      | (511,352)          | (432,186)          | (2,799,452)        | (2,125,789)        |
| Other expense   |      | (7,564)            | (154,706)          | (63,823)           | (271,077)          |
| Other income  |      | 54,621             | -                  | 80,446             | 109,863            |
| <b>OPERATING EXPENSE</b>                                  |      | <u>(3,441,458)</u> | <u>(2,964,522)</u> | <u>(6,855,184)</u> | <u>(5,607,955)</u> |
|   |      | (1,807,535)        | (2,032,336)        | 771,339            | 1,243,750          |
| Finance income  | 21   | 264,370            | 970,641            | 315,125            | 1,125,636          |
| Finance expense   | 21   | (1,245,917)        | (1,400,269)        | (2,206,366)        | (2,024,109)        |
|   |      | <u>(981,547)</u>   | <u>(429,628)</u>   | <u>(1,891,241)</u> | <u>(898,473)</u>   |
| Share of profit of equity-accounted investees, net of tax |      | 1,626,337          | 2,361,281          | 5,674              | 9,275              |
| <b>PROFIT (LOSS) BEFORE TAXES</b>                         | 17   | <u>(1,162,745)</u> | <u>(100,683)</u>   | <u>(1,114,228)</u> | <u>354,552</u>     |
| Current income taxes                                      | 17   | 702                | 723                | (163,609)          | (847,765)          |
| Deferred income taxes                                     | 17   | 1,028,553          | 423,007            | 1,176,102          | 972,098            |
|   |      | <u>1,029,255</u>   | <u>423,730</u>     | <u>1,012,493</u>   | <u>124,333</u>     |
| <b>NET INCOME (LOSS)</b>                                  |      | <u>(133,490)</u>   | <u>323,047</u>     | <u>(101,735)</u>   | <u>478,885</u>     |
| <b>ATTRIBUTABLE TO:</b>                                   |      |                    |                    |                    |                    |
| Company shareholders                                      |      |                    |                    | (133,490)          | 323,047            |
| Non-controlling interest                                  |      |                    |                    | 31,755             | 155,838            |
|   |      |                    |                    | <u>(101,735)</u>   | <u>478,885</u>     |
| <b>Basic income per share - (R\$)</b>                     | 22   | (0.05)             | 0.12               | (0.05)             | 0.12               |
| <b>Diluted income per share - (R\$)</b>                   | 22   | (0.05)             | 0.12               | (0.05)             | 0.12               |

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

JBS S.A.

**Statements of comprehensive income for the nine month period ended September 30, 2018 and 2017**  
**In thousands of Brazilian Reais - R\$**

|  | Reference | Company          |                  | Consolidated     |                  |
|--|-----------|------------------|------------------|------------------|------------------|
|  |           | 2018             | 2017             | 2018             | 2017             |
| Net income (loss)  | IS        | (538,045)        | 985,938          | (340,440)        | 1,370,612        |
| Other comprehensive income (loss)                              |           |                  |                  |                  |                  |
| Items that may be subsequently reclassified to profit or loss: |           |                  |                  |                  |                  |
| Foreign currency translation adjustments                       | SCSE      | 2,776,411        | 1,149,516        | 3,130,528        | 1,128,733        |
| Total comprehensive income (loss)                              |           | <u>2,776,411</u> | <u>1,149,516</u> | <u>3,130,528</u> | <u>1,128,733</u> |
| Other comprehensive income (loss)                              |           | <u>2,238,366</u> | <u>2,135,454</u> | <u>2,790,088</u> | <u>2,499,345</u> |
| Total comprehensive income (loss) attributable to:             |           |                  |                  |                  |                  |
| Company shareholders   | SCSE      | 2,238,366        | 2,135,454        | 2,238,366        | 2,135,454        |
| Non-controlling interest                                       | SCSE      | -                | -                | 551,722          | 363,891          |
|  |           | <u>2,238,366</u> | <u>2,135,454</u> | <u>2,790,088</u> | <u>2,499,345</u> |

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



**JBS S.A.**

**Statement of comprehensive income for the three month periods ended September 30, 2018 and 2017**  
**In thousands of Brazilian Reais - R\$**

|  | Reference | Company        |                | Consolidated   |                |
|--|-----------|----------------|----------------|----------------|----------------|
|  |           | 2018           | 2017           | 2018           | 2017           |
| Net income (loss)  | IS        | (133,490)      | 323,047        | (101,735)      | 478,885        |
| Other comprehensive income (loss)                              |           |                |                |                |                |
| Items that may be subsequently reclassified to profit or loss: |           |                |                |                |                |
| Foreign currency translation adjustments                       | SCSE      | 528,316        | 315,452        | 592,534        | 250,216        |
| Total of comprehensive income (loss)                           |           | <u>528,316</u> | <u>315,452</u> | <u>592,534</u> | <u>250,216</u> |
| Other comprehensive income (loss)                              |           | <u>394,826</u> | <u>638,499</u> | <u>490,799</u> | <u>729,101</u> |
| Total of comprehensive income (loss) attributable to:          |           |                |                |                |                |
| Company shareholders   | IS        | 394,826        | 638,499        | 394,826        | 638,499        |
| Non-controlling interest                                       | IS        | -              | -              | 95,973         | 90,602         |
|  |           | <u>394,826</u> | <u>638,499</u> | <u>490,799</u> | <u>729,101</u> |

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

**JBS S.A.**  
**Statements of changes in equity for the nine month period ended September 30, 2018 and 2017**  
**In thousands of Brazilian Reais - R\$**

| Note   | Capital reserves  |                            |                                    |               |                                |                | Profit reserves                |                |                       | Other comprehensive income |                    | Retained earnings (loss) | Total             | Non-controlling interest | Total equity      |
|--|-------------------|----------------------------|------------------------------------|---------------|--------------------------------|----------------|--------------------------------|----------------|-----------------------|----------------------------|--------------------|--------------------------|-------------------|--------------------------|-------------------|
|  | Share capital     | Premium on issue of shares | Capital transaction <sup>(1)</sup> | Stock options | Treasury shares <sup>(2)</sup> | Other reserves | Treasury shares <sup>(2)</sup> | Legal          | Investments statutory | VAE <sup>(3)</sup>         | ATA <sup>(4)</sup> |                          |                   |                          |                   |
| <b>DECEMBER 31, 2016</b>                                       | <b>23,576,206</b> | <b>211,879</b>             | <b>(404,683)</b>                   | <b>74,421</b> | <b>(1,625,510)</b>             | <b>73,516</b>  | -                              | <b>442,661</b> | <b>3,205,901</b>      | <b>197,069</b>             | <b>(3,377,510)</b> | -                        | <b>22,373,950</b> | <b>1,143,302</b>         | <b>23,517,252</b> |
| Net income   | -                 | -                          | -                                  | -             | -                              | -              | -                              | -              | -                     | -                          | -                  | 985,938                  | <b>985,938</b>    | 384,674                  | <b>1,370,612</b>  |
| Comprehensive income (loss)                                    | -                 | -                          | -                                  | -             | -                              | -              | -                              | -              | -                     | (8,938)                    | 1,158,454          | -                        | <b>1,149,516</b>  | (20,783)                 | <b>1,128,733</b>  |
| <b>Total comprehensive income (loss)</b>                       | -                 | -                          | -                                  | -             | -                              | -              | -                              | -              | -                     | <b>(8,938)</b>             | <b>1,158,454</b>   | <b>985,938</b>           | <b>2,135,454</b>  | <b>363,891</b>           | <b>2,499,345</b>  |
| Purchase of treasury shares                                    | 19                | -                          | -                                  | -             | -                              | -              | (255,938)                      | -              | -                     | -                          | -                  | -                        | (255,938)         | -                        | (255,938)         |
| Cancellation of treasury shares                                | 19                | -                          | -                                  | -             | 1,539,573                      | -              | -                              | -              | (1,539,573)           | -                          | -                  | -                        | -                 | -                        | -                 |
| Share-based compensation                                       | 19                | -                          | -                                  | 38,481        | 40,399                         | -              | -                              | -              | -                     | -                          | -                  | -                        | <b>78,880</b>     | 2,752                    | <b>81,632</b>     |
| Treasury shares used in stock option plan                      | 19                | -                          | -                                  | -             | (40,971)                       | 85,937         | 3,453                          | -              | (48,419)              | -                          | -                  | -                        | -                 | -                        | -                 |
| Realization of other reserves                                  | -                 | -                          | -                                  | -             | -                              | (6,205)        | -                              | -              | -                     | -                          | -                  | 6,205                    | -                 | -                        | -                 |
| Proposed dividends   | -                 | -                          | -                                  | -             | -                              | -              | -                              | -              | -                     | -                          | -                  | 486                      | <b>486</b>        | -                        | <b>486</b>        |
| PPC share repurchase   | -                 | -                          | (33,611)                           | -             | -                              | -              | -                              | -              | -                     | -                          | -                  | -                        | (33,611)          | (27,575)                 | (61,186)          |
| Scott dividend to non-controlling interest                     | -                 | -                          | -                                  | -             | -                              | -              | -                              | -              | -                     | -                          | -                  | -                        | -                 | (3,342)                  | (3,342)           |
| Moy Park change in ownership interests without loss of control | -                 | -                          | (193,655)                          | -             | -                              | -              | -                              | -              | -                     | -                          | -                  | -                        | (193,655)         | 193,655                  | -                 |
| Others   | -                 | -                          | 19,545                             | -             | -                              | -              | -                              | -              | -                     | -                          | -                  | -                        | <b>19,545</b>     | -                        | <b>19,545</b>     |
| <b>SEPTEMBER 30, 2017</b>                                      | <b>23,576,206</b> | <b>211,879</b>             | <b>(573,924)</b>                   | <b>73,849</b> | -                              | <b>67,311</b>  | <b>(252,485)</b>               | <b>442,661</b> | <b>1,617,909</b>      | <b>188,131</b>             | <b>(2,219,056)</b> | <b>992,629</b>           | <b>24,125,110</b> | <b>1,672,683</b>         | <b>25,797,793</b> |
| <b>DECEMBER 31, 2017</b>                                       | <b>23,576,206</b> | <b>211,879</b>             | <b>(556,963)</b>                   | <b>55,789</b> | -                              | <b>67,906</b>  | <b>(192,882)</b>               | <b>469,371</b> | <b>2,000,716</b>      | <b>8,023</b>               | <b>(1,352,433)</b> | -                        | <b>24,287,612</b> | <b>1,853,056</b>         | <b>26,140,668</b> |
| Net income (loss)  | -                 | -                          | -                                  | -             | -                              | -              | -                              | -              | -                     | -                          | -                  | (538,045)                | (538,045)         | 197,605                  | (340,440)         |
| Comprehensive income (loss)                                    | 10                | -                          | -                                  | -             | -                              | -              | -                              | -              | -                     | 27,578                     | 2,748,833          | -                        | <b>2,776,411</b>  | 354,117                  | <b>3,130,528</b>  |
| <b>Total comprehensive income (loss)</b>                       | -                 | -                          | -                                  | -             | -                              | -              | -                              | -              | -                     | <b>27,578</b>              | <b>2,748,833</b>   | <b>(538,045)</b>         | <b>2,238,366</b>  | <b>551,722</b>           | <b>2,790,088</b>  |
| Capital transaction  | -                 | -                          | (9,565)                            | -             | -                              | -              | -                              | -              | -                     | -                          | -                  | -                        | (9,565)           | -                        | (9,565)           |
| Share-based compensation                                       | 19 b2             | -                          | 30,387                             | 22,364        | -                              | -              | -                              | -              | -                     | -                          | -                  | -                        | <b>52,751</b>     | 6,736                    | <b>59,487</b>     |
| Treasury shares used in stock option plan                      | 19 b3             | -                          | -                                  | (32,993)      | -                              | -              | 35,084                         | -              | (2,091)               | -                          | -                  | -                        | -                 | -                        | -                 |
| Realization of other reserves                                  | -                 | -                          | -                                  | -             | -                              | (4,108)        | -                              | -              | -                     | -                          | -                  | 4,108                    | -                 | -                        | -                 |
| Scott dividend to non-controlling interest                     | -                 | -                          | -                                  | -             | -                              | -              | -                              | -              | -                     | -                          | -                  | -                        | -                 | (3,104)                  | (3,104)           |
| Scott Technology issuance of additional shares                 | -                 | -                          | -                                  | -             | -                              | -              | -                              | -              | -                     | -                          | -                  | -                        | -                 | 2,546                    | <b>2,546</b>      |
| Others   | -                 | -                          | -                                  | -             | -                              | -              | -                              | -              | -                     | -                          | -                  | -                        | -                 | 8,123                    | <b>8,123</b>      |
| <b>SEPTEMBER 30, 2018</b>                                      | <b>23,576,206</b> | <b>211,879</b>             | <b>(536,141)</b>                   | <b>45,160</b> | -                              | <b>63,798</b>  | <b>(157,798)</b>               | <b>469,371</b> | <b>1,998,625</b>      | <b>35,601</b>              | <b>1,396,400</b>   | <b>(533,937)</b>         | <b>26,569,164</b> | <b>2,419,079</b>         | <b>28,988,243</b> |

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

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

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

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

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

**JBS S.A.**  
**Statements of cash flows for the nine month period ended September 30, 2018 and 2017**  
**In thousands of Brazilian Reais - R\$**

|  | Notes        | Company            |                    | Consolidated       |                    |
|--|--------------|--------------------|--------------------|--------------------|--------------------|
|  |              | 2018               | 2017               | 2018               | 2017               |
| <b>Cash flows from operating activities</b>                            |              |                    |                    |                    |                    |
| Net income (loss)  |              | (538,045)          | 985,938            | (340,440)          | 1,370,612          |
| <b>Adjustments for:</b>  |              |                    |                    |                    |                    |
| Depreciation and amortization  | 7, 11 and 12 | 582,977            | 581,759            | 3,565,968          | 3,317,385          |
| Allowance for doubtful accounts  | 5            | 134,993            | 14,334             | 153,011            | 12,674             |
| Share of profit of equity-accounted investees                          | 10           | (3,474,232)        | (3,631,058)        | (21,868)           | (17,199)           |
| (Gain) loss on assets sales  |              | 5,264              | 10,573             | 16,101             | 27,217             |
| Tax expense  | 17           | (2,194,283)        | (683,721)          | (2,091,530)        | 44,151             |
| Finance expense (income), net  | 21           | 4,233,816          | 1,160,020          | 7,717,490          | 3,520,060          |
| Share-based compensation   | 19           | 22,364             | 40,399             | 59,487             | 81,633             |
| Provisions   | 18           | 82,940             | 134,673            | (10,881)           | 213,528            |
| Impairment   |              | -                  | (53,200)           | 54,362             | (36,875)           |
| (Gain) loss with the divestment program                                |              | 6,684              | 142,143            | 11,622             | 109,568            |
| Obsolete inventory accrual   |              | -                  | -                  | 18,194             | -                  |
| Tax payable in installments  |              | 2,363,581          | 1,839,808          | 2,417,241          | 1,839,808          |
| Impacts from the leniency agreement                                    | 18           | 30,850             | 34,551             | 30,850             | 34,551             |
|  |              | 1,256,909          | 576,219            | 11,579,607         | 10,517,113         |
| <b>Changes in assets and liabilities:</b>                              |              |                    |                    |                    |                    |
| Trade accounts receivable  |              | (124,452)          | 182,106            | 1,067,362          | (555,539)          |
| Inventories  |              | (297,692)          | (57,866)           | (1,006,153)        | (157,194)          |
| Recoverable taxes  |              | (390,153)          | 46,107             | (644,386)          | (151,675)          |
| Other current and non-current assets                                   |              | (50,835)           | 11,714             | (510,159)          | (238,053)          |
| Biological assets  |              | -                  | -                  | (1,136,069)        | (598,715)          |
| Trade accounts payable   |              | 163,809            | (333,631)          | 846,594            | (1,610,746)        |
| Tax payable in installments  |              | (228,637)          | (78,660)           | (230,022)          | (45,958)           |
| Other current and non-current liabilities                              |              | (20,068)           | (81,615)           | 216,235            | (493,315)          |
| Income taxes paid  |              | -                  | -                  | (2,126,986)        | (823,995)          |
| <b>Changes in operating assets and liabilities</b>                     |              | <b>(948,028)</b>   | <b>(311,845)</b>   | <b>(3,523,584)</b> | <b>(4,675,190)</b> |
| <b>Cash provided by operating activities</b>                           |              | <b>308,881</b>     | <b>264,374</b>     | <b>8,056,023</b>   | <b>5,841,923</b>   |
| Interest paid  |              | (1,083,653)        | (1,053,168)        | (3,379,343)        | (2,797,958)        |
| Interest received  |              | 362,759            | 399,065            | 366,923            | 351,359            |
| <b>Net cash of interest provided by (used in) operating activities</b> |              | <b>(412,013)</b>   | <b>(389,729)</b>   | <b>5,043,603</b>   | <b>3,395,324</b>   |
| <b>Cash flow from investing activities</b>                             |              |                    |                    |                    |                    |
| Purchases of property, plant and equipment                             | 11           | (298,222)          | (655,295)          | (1,808,721)        | (2,327,598)        |
| Purchases of intangible assets   | 12           | (16,296)           | (10,081)           | (22,631)           | (15,211)           |
| Proceeds from sale of property, plant and equipment                    | 11           | 207,256            | 57,830             | 295,218            | 171,384            |
| Additional investments in associates, joint-ventures and subsidiaries  |              | 279                | (17,115)           | -                  | -                  |
| Incorporation of subsidiaries, net of incorporation cash               |              | 2,838              | -                  | -                  | -                  |
| Acquisitions, net of cash acquired                                     |              | -                  | -                  | (45,066)           | (1,848,390)        |
| Assets held for sale, net of cash                                      |              | -                  | -                  | 622,235            | (52,898)           |
| Dividends received from associates and joint-ventures                  | 10           | 6,548              | 88,014             | 3,000              | -                  |
| Proceeds from the divestment program                                   |              | 6,616              | 964,336            | 6,616              | 964,336            |
| Proceeds from Moy Park transference to PPC                             |              | -                  | 931,187            | -                  | -                  |
| Related party transactions   | 9            | 2,506,339          | 1,743,096          | 11,856             | 465,853            |
| Other  |              | 632                | 4                  | 9,259              | 9,860              |
| <b>Cash provided by (used in) investing activities</b>                 |              | <b>2,415,990</b>   | <b>3,101,976</b>   | <b>(928,234)</b>   | <b>(2,632,664)</b> |
| <b>Cash flow from financing activities</b>                             |              |                    |                    |                    |                    |
| Proceeds from loans and financings                                     | 14           | 991                | 3,541,694          | 7,828,069          | 25,280,316         |
| Payments of loans and financings                                       | 14           | (3,394,691)        | (6,851,144)        | (13,876,871)       | (20,880,335)       |
| Derivatives instruments received/settled                               | 24           | 458,435            | 14,863             | 448,187            | 94,782             |
| Dividends paid   |              | (126,883)          | (93,354)           | (126,883)          | (93,354)           |
| Dividends paid to non-controlling interest                             |              | -                  | -                  | (4,518)            | (3,342)            |
| PPC share repurchase   |              | -                  | -                  | -                  | (61,186)           |
| Purchase of treasury shares  |              | -                  | (255,938)          | -                  | (255,938)          |
| Others   |              | -                  | -                  | 12,186             | (9,501)            |
| <b>Cash provided by (used in) financing activities</b>                 |              | <b>(3,062,148)</b> | <b>(3,643,879)</b> | <b>(5,719,830)</b> | <b>4,071,442</b>   |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>    |              |                    |                    |                    |                    |
|  |              | 171,713            | (4,818)            | 1,956,983          | (92,470)           |
| Net change in cash and cash equivalents                                |              | (886,458)          | (936,450)          | 352,522            | 4,741,632          |
| Cash and cash equivalents beginning of period                          |              | 2,138,802          | 4,712,796          | 11,741,308         | 9,355,622          |
| <b>Cash and cash equivalents at the end of period</b>                  |              | <b>1,252,344</b>   | <b>3,776,346</b>   | <b>12,093,830</b>  | <b>14,097,254</b>  |

**Non-cash transactions:**

|  | Notes     | Company          |             | Consolidated   |           |
|--|-----------|------------------|-------------|----------------|-----------|
|  |           | 2018             | 2017        | 2018           | 2017      |
| Increase in share capital in subsidiaries' through assumption of credit            |           | -                | 113,475     | -              | -         |
| Promissory note from Moy Park transference   |           | -                | (2,328,954) | -              | -         |
| Capital contribution in subsidiaries' through property assignment                  | 10 and 11 | <b>78,281</b>    | -           | -              | -         |
| Negative investment transference   | 10        | <b>186,888</b>   | 126,985     | -              | -         |
| Write-off of deferred income tax offsetting investments                            |           | -                | (72,467)    | -              | (72,467)  |
| Investments transference to assets held for sale                                   |           | -                | (597,684)   | -              | (307,249) |
| Dividends received through settlement of related parties                           |           | -                | (2,936)     | -              | -         |
| Treasury shares cancellation   |           | -                | 1,539,573   | -              | 1,539,573 |
| Payments of loans through settlement of related parties                            |           | <b>(375,751)</b> | 841,262     | -              | -         |
| Tax credit assignment with Flora   |           | -                | 25,108      | -              | 25,108    |
| Related parties compensation through deferred tax credits acquisition              |           | -                | 754,783     | -              | -         |
| Compensation of tax debits with deferred tax credits                               |           | <b>369,759</b>   | 1,312,564   | <b>364,063</b> | 1,460,932 |
| Reversal of recoverable taxes compensation with accrued payroll and social charges | 8         | <b>169,258</b>   | 1,659,460   | <b>169,258</b> | 1,659,460 |
| Moy Park loss of ownership   |           | -                | (193,655)   | -              | -         |
| Payment for PPE acquisition  |           | -                | -           | <b>74,218</b>  | -         |
| Incorporation of subsidiaries  | 10        | <b>246,564</b>   | -           | -              | -         |
| Write-off of advances to suppliers for PPE acquisition                             |           | -                | -           | -              | (224,842) |
| Liquidation of subsidiaries  | 10        | <b>(15)</b>      | -           | -              | -         |

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

**JBS S.A.**
**Economic value added the nine month period ended September 30, 2018 and 2017**  
**In thousands of Brazilian Reais - R\$**

|   | Company             |                     | Consolidated         |                     |
|---|---------------------|---------------------|----------------------|---------------------|
|   | 2018                | 2017                | 2018                 | 2017                |
| <b>Revenue</b>  |                     |                     |                      |                     |
| Sales of goods and services                               | 20,481,220          | 17,646,092          | 135,585,592          | 121,928,411         |
| Other income (expense)                                    | (4,959)             | (7,092)             | 2,853                | 75,383              |
| Allowance for doubtful accounts                           | (134,993)           | (14,334)            | (153,011)            | (12,674)            |
|   | <u>20,341,268</u>   | <u>17,624,666</u>   | <u>135,435,434</u>   | <u>121,991,120</u>  |
| <b>Goods</b>  |                     |                     |                      |                     |
| Cost of services and goods sold                           | (14,421,170)        | (12,523,748)        | (83,795,147)         | (76,060,407)        |
| Materials, energy, services from third parties and others | (2,749,490)         | (2,374,996)         | (22,097,930)         | (18,790,706)        |
| Others  | -                   | -                   | (1,098)              | -                   |
|   | <u>(17,170,660)</u> | <u>(14,898,744)</u> | <u>(105,894,175)</u> | <u>(94,851,113)</u> |
| <b>Gross added value</b>                                  | <u>3,170,608</u>    | <u>2,725,922</u>    | <u>29,541,259</u>    | <u>27,140,007</u>   |
| <b>Depreciation and Amortization</b>                      | <u>(582,977)</u>    | <u>(581,759)</u>    | <u>(3,565,968)</u>   | <u>(3,317,385)</u>  |
| <b>Net added value generated</b>                          | <u>2,587,631</u>    | <u>2,144,163</u>    | <u>25,975,291</u>    | <u>23,822,622</u>   |
| <b>Net added value by transfer</b>                        |                     |                     |                      |                     |
| Share of profit of equity-accounted investees, net of tax | 3,474,232           | 3,631,058           | 21,868               | 17,199              |
| Financial income  | 706,014             | 2,073,301           | 586,883              | 1,938,888           |
| Others  | 58,955              | 67,825              | (12,442)             | 76,331              |
| <b>NET ADDED VALUE TOTAL TO DISTRIBUTION</b>              | <u>6,826,832</u>    | <u>7,916,347</u>    | <u>26,571,600</u>    | <u>25,855,040</u>   |
| <b>DISTRIBUTION OF ADDED VALUE</b>                        |                     |                     |                      |                     |
| <b>Labor</b>  |                     |                     |                      |                     |
| Salaries  | 1,384,678           | 1,371,274           | 13,337,848           | 11,813,317          |
| Benefits  | 182,944             | 176,190             | 2,435,252            | 2,118,723           |
| FGTS (Brazilian Labor Social Charge)                      | 97,448              | 88,570              | 207,513              | 195,588             |
|   | <u>1,665,070</u>    | <u>1,636,034</u>    | <u>15,980,613</u>    | <u>14,127,628</u>   |
| <b>Taxes and contribution</b>                             |                     |                     |                      |                     |
| Federal   | 178,832             | 1,315,394           | 823,950              | 2,482,536           |
| State   | 501,050             | 488,509             | 974,436              | 1,064,052           |
| Municipal   | 12,677              | 13,056              | 13,548               | 22,517              |
|   | <u>692,559</u>      | <u>1,816,959</u>    | <u>1,811,934</u>     | <u>3,569,105</u>    |
| <b>Capital Remuneration from third parties</b>            |                     |                     |                      |                     |
| Interests and exchange variation                          | 4,891,541           | 3,197,920           | 8,208,708            | 5,344,967           |
| Rents   | 71,485              | 110,230             | 591,004              | 556,289             |
| Others  | 44,222              | 169,266             | 319,781              | 886,439             |
|   | <u>5,007,248</u>    | <u>3,477,416</u>    | <u>9,119,493</u>     | <u>6,787,695</u>    |
| <b>Owned capital remuneration</b>                         |                     |                     |                      |                     |
| Net income (loss) attributable to company shareholders    | (538,045)           | 985,938             | (538,045)            | 985,938             |
| Non-controlling interest                                  | -                   | -                   | 197,605              | 384,674             |
|   | <u>(538,045)</u>    | <u>985,938</u>      | <u>(340,440)</u>     | <u>1,370,612</u>    |
| <b>ADDED VALUE TOTAL DISTRIBUTED</b>                      | <u>6,826,832</u>    | <u>7,916,347</u>    | <u>26,571,600</u>    | <u>25,855,040</u>   |

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

## JBS S.A.

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

### 1 Operating activities

JBS S.A ("JBS" or the "Company"), is a company listed on the "Novo Mercado" segment of the São Paulo Stock Exchange (B3 - Bolsa de Valores, Mercadorias & Futuros) under the ticker symbol "JBSS3". JBS also trades its American Depositary Receipts over-the-counter under the symbol "JBSAY". The Company's registered office is Avenida Marginal Direita do Tietê, 500, Vila Jaguara, São Paulo, Brazil.

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

The issuance of these interim condensed consolidated financial statements was authorized by the Board of Directors on November 13th, 2018

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

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

**a1.** In July 2018, the Company's Board of Directors approved a new Share Buyback Program for future sale and/or cancellation which aims to maximize value generation to shareholders by efficiently managing its capital structure. The Company may buy back up to 160,405,239 common shares issued by the Company, all nominative, book-entry and without par value, starting from August 9, 2018. The expiration date in connection with the share buyback program is February 09, 2020, totaling eighteen months.

**a2.** In July 2018, JBS Australia entered into an agreement with Rural Funds Management (RFM), an Australian entity that owns and manages a portfolio of agricultural assets. The agreement includes the sale of the cattle hotelling assets owned by JBS Australia to RFM with a related 10 year lease of the assets to JBS Australia. RFM will supply the cattle to be fed and finished in the feedlots which, under the lease agreement, will be operated and managed by JBS Australia. The agreement is expected to be finalized in the fourth quarter of the Company's 2018 fiscal year.

**a3.** In July 2018, the sale of a processing facility from JBS Canada was completed for approximately R\$7,920 (CAD\$2.700). The sale of these assets is part of the divestment program announced by the Company in 2017.

**a4.** In July 2018, a pork processing facility located in the United States of America, in the city of Marshalltown, Iowa was damaged by a tornado. The facility halted production for a period of time but went back operating. The losses recognized during the third quarter are approximately US\$5.6 million (R\$ 22.2 million) and is included in the other expenses line.

**a5.** In July 2018, Pilgrim's Pride Corporation (PPC) entered into a fourth amended and restated credit agreement with CoBank. The new credit agreement provides for a R\$2.9 billion (US\$750,000) revolving credit commitment and a R\$1.9 billion (US\$500,000) term loan commitment. PPC used the proceeds, together with cash on hand, to repay the outstanding loans. Under the new credit agreement, the maturity date of the revolving loan commitment and the term loans was extended from May 6, 2022 to July 20, 2023. The new credit agreement provides the ability to increase the aggregate revolving loan and term loan commitments by up to an additional R\$4 billion (US\$1.25 billion), subject to the satisfaction of certain conditions, including obtaining the lenders' agreement to participate in the increase.

**a6.** In September 2018, the Company anticipated the installments of the Normalization Agreement which are due in 2019 and 2020, in a total amount of R\$2 billion, as described in note 14 - Loans and financing.

#### b. Rural Tax Regularization Program (RRP):

In September 28, 2018, the Company adhered to the Rural Tax Regularization Program (RRP), related to the payment plan of Funrural, as notice to the market from October 1st, 2018.

The amount included in the RRP Program totals approximately R\$2.4 billion, having already deducted authorized penalties and accrued interest. This amount will be paid in accordance with the following schedule: (a) an initial installment of R\$123.7 million without any reduction, in 2 monthly installments which were already paid in October and November of 2018; (b) R\$369.8 million using tax loss carryforwards and negative social contributions on net income, in accordance with the permissions established in the installments rules. The Company used credits from companies which belong to the Group. In addition, this transaction generated a discount in goodwill of R\$55million; and (c) the balance of R\$1.9 billion payable over the next 19 years and 8 months (236 installments). The installment amounts will be updated by the SELIC rate.

Considering the net effect of the RRP Program, the Company incurred in a negative impact of approximately R\$3.5 billion on its net income for the third quarter.

#### c. Subsequent event:

As announced to the market in October 11, 2018, the rating agency Standard and Poor's (S&P) upgraded JBS S.A. and its subsidiary JBS USA Lux S.A. (JBS USA) credit ratings from B+ to BB-, with positive outlook.

As announced to the market in October 17, 2018, the rating agency Moody's upgraded JBS S.A. credit rating from B1 to Ba3, with stable outlook.

## JBS S.A.

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

### 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 5<sup>a</sup> 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, seeking their best interest, protecting themselves to any financial impact which J&F will be fully responsible for, and may the Company undertake any costs related to the ongoing investigations.

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, the Company it is only maintaining contact and providing information to the United States Department of Justice (DoJ) regarding the progress of ongoing independent investigations in JBS USA and its relevant subsidiaries. Regarding the other foreign authorities in other countries, the Company and its subsidiaries do not maintain any negotiation. According to JBS USA's financial statements for the nine month period ended September 30, 2018, which have a quarterly review report dated November 1, 2018 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.

#### 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 ongoing. The Company's Management has concluded, based on internal analytical procedures adopted, the impacts on its financial statements which were disclosed and recognized in its financial statements of the year ended December 31, 2017. There are no impacts or new events identified in these interim condensed financial statements for the nine month period ended September 30, 2018.

#### 2.2 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 below:

##### 2.2.1 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 subjected 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 alleged irregularities in the investments made in JBS by BNDESPar, due to the "findings" mentioned in the TCU's (Tribunal de Contas da União) decision in 2015; 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. Finally, the investigative procedure has already been completed by the Federal Police (final report presented) and the report is under analysis by the MPF.

**- Carne Fraca 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 one unit in the State of Paraná. This investigative procedure is covered by the Leniency Agreement signed by J&F and the MPF (with JBS adherence), based on the reports brought by employees (individuals) under the winning collaborations, given that the investigation has not yet had its conclusion by the Federal Police.

**- Porteira Aberta operation (police inquiry):** Investigation of alleged crimes of corruption within JBS's cold storage unit in Barra do Garças, Mato Grosso, due to suspicions of improper payments made by employees to federal public servants of the Federal Inspection Service (SIF). The facts related to this investigative procedure are related to the issue of the Carne Fraca operation and are being dealt under the leniency agreement signed by J&F, of which the Company is a member and has been collaborating and fulfilling its obligations to the competent authorities. The investigative procedure is still ongoing and the company is cooperating with the investigation.

**- 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. That investigative procedure and the established facts were brought in specific Annexes on the state of Mato Grosso do Sul in collaborations prized of individuals, given that the investigation has yet to be completed by the Federal Police, which is currently grounded also in the reports of the plea bargain collaborations.

**- 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 and information leaking). This case is in the stage of criminal investigation with the witnesses testimonies (prosecution and defense) and production of evidence, without a sentence until the date of the first instance.

##### 2.2.2 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.

5<sup>a</sup> Vara Cível Federal de São Paulo

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

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



## JBS S.A.

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

**- 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 Luís do Maranhão  
Plaintiff: Aristoteles Duarte Ribeiro  
A decision is awaited by the State Court of Maranhão

**- 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  
In December 14, 2017, a sentence of termination of process was issued without merit resolution which an appeal was lodged by the plaintiffs.

**- 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, which created the Tax Incentive Regularization Program for Companies in the Goiás State (REGULARIZA).  
3ª Vara da Fazenda Pública Estadual de Goiânia/GO  
Plaintiff: Ronaldo Ramos Caiado  
In May 16, 2018, a sentence was handed down dismissing the popular action as unfounded. A decision of the Court of Justice of the State of Goiás is pending a review.

**- 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  
The process redistribution to the Federal Court of São Paulo was determined, and a conflict of jurisdiction was submitted to the Superior Court of Justice (STJ), which determined the return of the case to the Federal District Court. It is awaited judgment of opposing appeals of declaration in the face of the decision pronounced by the Superior Court in the referred conflict. A possible appeal or final decision is awaited.

**- 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. In April 25, 2018, the Court of Justice of the State of Mato Grosso do Sul confirmed the effects of the injunction, determining the release of assets with the consequent revocation of the injunction that had been granted by the lower court. It is awaited judgment of the action in first degree.

### 2.2.3 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 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.  
In April 2, 2018, a sentence was rendered dismissing the action, without resolution of merit by the loss of the object of the action. Possible appeal is awaited.

**- 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 ADMIN  
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.

**- Arbitration 110/18:** Lawsuit for loss and damaged suffered by the Company.  
Câmara de Arbitragem do Mercado - CAM BM&F BOVESPA  
Plaintiffs: SPS I Fundo de Investimentos de Ações - Investimento no Exterior (SPS)  
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.

**- CVM - Administrative Sanction Proceeding 19957.005388/2017-11 (5388/2017):** Determine the possible liability of i) the 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, between May 5 and 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.  
Defendants: JBS S / A, Seara Alimentos Ltda., Wesley Mendonça Batista and Eldorado Brasil Celulose S.A.

In addition, there are four 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.

### 2.3 Compliance Program

The Company continues to advance with the "Always Do the Right Thing" compliance program. In May 2018, it launched the new Code of Conduct and Global Ethics, valid in all regions where JBS has operations. The document has two versions, one dedicated to the Company's employees and another dedicated exclusively to third parties, known as the Code of Conduct for Business Partners.

Aiming to educate employees about the guidelines of this new code, the training program was initiated in August with the following strategy: a) face-to-face training, including the Board of Directors and the members of the committees that support the Board; b) online training to all employees who have computer access and c) training by video to employees in operational positions. This strategy aims to reach twenty thousand employees by the end of 2018.

In addition, to meet the increased scope of compliance initiatives, the area's structure continues to grow. Currently, the department has 16 employees. In April, 2018, the Ethics and Compliance Head was hired for JBS USA, who is responsible for replicating all the initiatives underway in Brazil since 2017, making JBS compliance a global program.



## JBS S.A.

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

Another pillar of the compliance program that is receiving investments is reputations due diligence. The Company is in the final phase of implementing a software that automate these analyzes, aiming to mitigate risks of hiring third parties that do not meet the expected standard of conduct.

### 3 Basis of preparation

The interim condensed financial statements (consolidated and individual) were prepared in accordance with IFRS 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), and in accordance with CPC 21 (R1) - Demonstração Intermediária issued by the Brazilian Accounting Pronouncements Committee (Comitê de Pronunciamentos Contábeis - CPC). The information does not meet all disclosure requirements for the presentation of full annual financial statements and thus should be read in conjunction with the consolidated financial statements for the year ended December 31, 2017, prepared in accordance with International Financial Reporting Standards ("IFRS") and the accounting practices adopted in Brazil issued by CPC and approved by the Brazilian Securities Commission (CVM). Therefore these condensed interim financial statements as of September 30, 2018 are not disclosed fully when compared to the financial statements for the year ended December 31, 2017, approved by the Board of Directors on March 28, 2018.

The below accompanying notes are either not presented or not as detailed as the notes to the annual financial statements:

- i. Operating activities
- ii. Business combination
- iii. Biological assets
- iv. Recoverable taxes
- v. Property, plant and equipment
- vi. Intangible
- vii. Goodwill
- viii. Trade accounts payable
- ix. Loans and financing
- x. Operating and finance leases
- xi. Dividends payable
- xii. Other financial liabilities
- xiii. Expenses by nature
- xiv. Risk management and financial instruments

### Functional and representation currency

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

### Pronouncements and interpretations issued recently and adopted by the Company

#### a. IFRS 9/CPC 48 - Financial instruments

As from January 1, 2018, the Company and its subsidiaries adopted IFRS 9 / CPC 48 - Financial Instruments as a basis for recognition, derecognition, classification and measurement of financial instruments. There were also changes in the measuring method for the expectation of loss on financial assets, which is no longer based on historical loss and is carried out based on the analysis of historical data and expectations of future loss.

The Company and its subsidiaries reviewed the methodology of impairment estimative in accordance with IFRS and did not identify significant impacts with the adoption of this standard in relation to the expected loss.

The Company and its subsidiaries apply the simplified approach of IFRS 9 / CPC 48 - Financial Instruments to measure expected credit losses, which uses an allowance for expected losses for all accounts receivable. The changes in the methodology did not represent changes in the net balance of accounts receivable from prior years.

Risks of losses on other financial assets are monitored periodically by the Company and its subsidiaries which have not identified credit risks of these assets as of September 30, 2018.

In addition, the accounting classification nomenclature of the financial instruments was adapted, without any changes in the way these instruments are subsequently remeasured.

Below, are presented the balances of financial instruments presented in the year ended December 31, 2017, with the new classifications:

| Financial instruments     | December 31, 2017 |              | Category              |                 |
|---------------------------|-------------------|--------------|-----------------------|-----------------|
|                           | Company           | Consolidated | IAS 39 / CPC 38       | IFRS 9 / CPC 48 |
| Cash and cash equivalents | 1,074,718         | 5,884,806    | Loans and receivables | Amortized cost  |
| Trade accounts receivable | 2,302,913         | 9,333,291    | Loans and receivables | Amortized cost  |
| Related party receivables | 5,059,259         | 897,535      | Loans and receivables | Amortized cost  |

#### b. IFRS 15/CPC 47 - Revenue from Contracts with Customers

As from January 1, 2018, the Company and its subsidiaries adopted IFRS 15 / CPC 47 - Revenue from contracts with customers. The standard sets the criteria which an entity will need to apply to determine revenue measurement and how and when it is recognized, based on five steps: i) identification of contracts with customers; ii) identification of the performance obligations predicted in the contracts; iii) determination of the price of the transaction; iv) price allocation of the transaction to the performance obligation predicted in the contracts and v) revenue recognition when the performance obligation is met. The changes establish the criteria for the measurement and recording of sales, in a way that was effectively carried out with due presentation, as well as the registration for the amounts that the Company and its subsidiaries are entitled to in the operation, considering eventual estimates of loss.

The Company and its subsidiaries have assessed the new standard, from the form of measurement and revenues recognition, bonuses, discounts and returns, as well as significant policies, processes and individual contracts; and considering the nature of its sales transactions, in which the performance obligations are clear and the transference of control of assets is not complex, the accounting policy used by the Company has not changed significantly.

In addition, the Company and its subsidiaries already adopted the standard to recognize bonuses so that net revenue represents the effective value generated in the operation, based on the conditions established with the customers.

### New standards, amendments and interpretations that are not yet effective



**JBS S.A.**

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

**IFRS 16/CPC 6 - 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 Company's and its subsidiaries assessments on the impacts of the new standard are ongoing jointly by several areas of the Company, identifying the existing lease agreements as well as the environment of internal controls and systems impacted by the adoption of the new 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.

**4 Cash and cash equivalents**

|   | Company            |                   | Consolidated       |                   |
|---|--------------------|-------------------|--------------------|-------------------|
|   | September 30, 2018 | December 31, 2017 | September 30, 2018 | December 31, 2017 |
| Cash on hand and at banks   | 685,793            | 1,074,718         | 6,373,849          | 5,884,806         |
| CDB (bank certificates of deposit) and National Treasury Bill (Tesouro Selic) | 566,551            | 1,064,084         | 5,719,981          | 5,856,502         |
|   | <b>1,252,344</b>   | <b>2,138,802</b>  | <b>12,093,830</b>  | <b>11,741,308</b> |

**5 Trade accounts receivable, net**

|                                 | Company            |                   | Consolidated       |                   |
|---------------------------------|--------------------|-------------------|--------------------|-------------------|
|                                 | September 30, 2018 | December 31, 2017 | September 30, 2018 | December 31, 2017 |
| Current receivables             | 2,292,256          | 2,030,682         | 8,223,240          | 7,705,162         |
| Overdue receivables:            |                    |                   |                    |                   |
| From 1 to 30 days               | 225,594            | 166,265           | 1,120,662          | 1,185,345         |
| From 31 to 60 days              | 26,788             | 22,685            | 165,122            | 172,242           |
| From 61 to 90 days              | 19,694             | 57,566            | 80,128             | 121,615           |
| Above 90 days                   | 311,686            | 219,569           | 589,654            | 477,294           |
| Allowance for doubtful accounts | (219,664)          | (191,163)         | (346,270)          | (324,570)         |
| Present value adjustment        | (3,564)            | (2,691)           | (4,897)            | (3,797)           |
|                                 | <b>360,534</b>     | <b>272,231</b>    | <b>1,604,399</b>   | <b>1,628,129</b>  |
|                                 | <b>2,652,790</b>   | <b>2,302,913</b>  | <b>9,827,639</b>   | <b>9,333,291</b>  |

Below are the changes in the allowance for doubtful accounts:

|                      | Company            |                   | Consolidated       |                   |
|----------------------|--------------------|-------------------|--------------------|-------------------|
|                      | September 30, 2018 | December 31, 2017 | September 30, 2018 | December 31, 2017 |
| Initial balance      | (191,163)          | (119,859)         | (324,570)          | (238,084)         |
| Additions            | (134,993)          | (88,210)          | (153,011)          | (126,900)         |
| Exchange variation   | -                  | -                 | (11,490)           | (3,183)           |
| Write-offs           | 106,492            | 16,906            | 142,801            | 41,880            |
| Assets held for sale | -                  | -                 | -                  | 1,717             |
| Final balance        | <b>(219,664)</b>   | <b>(191,163)</b>  | <b>(346,270)</b>   | <b>(324,570)</b>  |

**6 Inventories**

|                       | Company            |                   | Consolidated       |                   |
|-----------------------|--------------------|-------------------|--------------------|-------------------|
|                       | September 30, 2018 | December 31, 2017 | September 30, 2018 | December 31, 2017 |
| Finished products     | 1,384,107          | 1,080,588         | 7,849,442          | 5,974,007         |
| Work in process       | 349,514            | 422,025           | 1,129,790          | 938,354           |
| Raw materials         | 227,836            | 171,436           | 1,325,021          | 1,136,595         |
| Warehouse spare parts | 159,875            | 149,591           | 1,792,627          | 1,635,922         |
|                       | <b>2,121,332</b>   | <b>1,823,640</b>  | <b>12,096,880</b>  | <b>9,684,878</b>  |

**JBS S.A.**

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

**7 Biological assets**
**Changes in biological assets:**

|  | Current          | Non-current      |
|--|------------------|------------------|
| <b>Balance at December 31, 2017</b>                        | <b>2,767,250</b> | <b>967,761</b>   |
| Increase by reproduction (born) and cost to reach maturity | 20,048,702       | 1,322,096        |
| Reduction for slaughter, sale or consumption               | (20,963,399)     | (146,630)        |
| Increase by purchase                                       | 463,059          | 418,525          |
| Decrease by death  | (10,590)         | (13,394)         |
| Fair value adjustments, net                                | 17,700           | -                |
| Changes from non-current to current                        | 590,740          | (590,740)        |
| Exchange rate variation                                    | 356,058          | 144,688          |
| Amortization   | -                | (918,903)        |
| <b>Balance at September 30, 2018</b>                       | <b>3,269,520</b> | <b>1,183,403</b> |

**8 Recoverable taxes**

|  | Company            |                   | Consolidated       |                   |
|--|--------------------|-------------------|--------------------|-------------------|
|  | September 30, 2018 | December 31, 2017 | September 30, 2018 | December 31, 2017 |
| Value-added tax on sales and services - ICMS     | 1,002,840          | 971,234           | 2,693,276          | 2,456,714         |
| Excise tax - IPI                                 | 79,318             | 12,713            | 158,810            | 89,832            |
| Social contribution on billings - PIS and COFINS | 3,083,729          | 2,633,753         | 4,012,924          | 3,546,549         |
| Withholding income tax - IRRF/IRPJ               | 1,971,066          | 1,952,864         | 2,766,956          | 2,283,289         |
| Reintegra  | 65,695             | 48,053            | 100,213            | 79,829            |
| Other  | 18,020             | 17,484            | 35,279             | 39,332            |
|  | <b>6,220,668</b>   | <b>5,636,101</b>  | <b>9,767,458</b>   | <b>8,495,545</b>  |
| Current  | 183,945            | 182,885           | 1,480,315          | 974,404           |
| Non-current                                      | 6,036,723          | 5,453,216         | 8,287,143          | 7,521,141         |
|  | <b>6,220,668</b>   | <b>5,636,101</b>  | <b>9,767,458</b>   | <b>8,495,545</b>  |

As from August 2018, through law 13.670, the Company started compensating its PIS and Cofins credits with social security debts.

**JBS S.A.**

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

**9 Related parties transactions**

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

| COMPANY                                 | Currency | Costs transfer<br>(administrative and funding) | Statement of financial<br>position accounts |                      | Effect on net income |          |
|---|----------|--|---|----------------------|----------------------|----------|
|   |          |  | September<br>30, 2018                       | December<br>31, 2017 | Q3 2018              | Q3 2017  |
| Direct subsidiaries                     |          |  |   |                      |                      |          |
| Seara Alimentos <sup>(1) (2)</sup>      | R\$      | CDI + 1% p.m.                                  | 1,069,089                                   | 3,433,716            | 319,694              | 210,903  |
| JBS Embalagens Metálicas <sup>(2)</sup> | R\$      | CDI + 1% p.m.                                  | 157,293                                     | 141,011              | 16,335               | 21,611   |
| Conceria Priante <sup>(1)</sup>         | EUR      | 5.11% to 8.375% p.y.                           | 143,563                                     | 117,136              | 5,767                | 377      |
| Brazservice <sup>(2)</sup>              | R\$      | CDI + 1% p.m.                                  | 113,827                                     | 90,622               | 12,001               | 12,338   |
| JBS Confinamento <sup>(2)</sup>         | R\$      | CDI + 1% p.m.                                  | 28,295                                      | (5,516)              | 2,948                | 6,727    |
| Enersea <sup>(1)</sup>                  | R\$      | CDI + 1% p.m.                                  | 547   | (361)                | (792)                | (830)    |
| Midtown Participações <sup>(3)</sup>    | R\$      | -  | -   | 2,092                | -                    | -        |
| JBS HU                                  | US\$     | 2,25% p.y.                                     | -   | -                    | -                    | (64)     |
| Beef Snacks do Brasil <sup>(3)</sup>    | R\$      | -  | -   | (25,348)             | -                    | -        |
| JBS Mendoza <sup>(1)</sup>              | US\$     | -  | (849)                                       | (723)                | -                    | -        |
| Indirect subsidiaries                   |          |  |   |                      |                      |          |
| Trump Asia <sup>(1)</sup>               | US\$     | 5.11% to 8,.75% p.y.                           | 241,837                                     | 211,071              | 9,602                | 636      |
| Zendaleather México <sup>(1)</sup>      | US\$     | 2.5% to 5.11% p.y.                             | 108,421                                     | 22,479               | 2,229                | 397      |
| JBS Leather Uruguai                     | US\$     | 8.375% p.y.                                    | -   | 67,150               | 1,657                | 562      |
| JBS Aves                                | R\$      | CDI + 1% p.m.                                  | -   | 950,199              | 28,288               | 228,495  |
| Frigorífico Canelones                   | US\$     | 3.5% p.y.                                      | -   | -                    | -                    | (274)    |
| JBS Handels GmbH <sup>(1)</sup>         | EUR      | -  | (714,259)                                   | (581,481)            | (13,429)             | (2,934)  |
| JBS USA Holding Lux <sup>(1)</sup>      | US\$     | 5.11% p.y.                                     | (2,682,651)                                 | (2,405,359)          | (87,150)             | (29,901) |
| Other related party                     |          |  |   |                      |                      |          |
| J&F Participações S.A. <sup>(4)</sup>   | R\$      | -  | (214,727)                                   | -                    | -                    | -        |
| Flora Higiene e Produtos                | R\$      | Selic  | -   | 23,783               | 531                  | 759      |
|   |          |  | (1,749,614)                                 | 2,040,471            | 297,681              | 448,802  |

<sup>(1)</sup> Refers to working capital funding. Settlement in the future shall be through a capital contribution, reduction and/or dividends distribution.

<sup>(2)</sup> 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. These transactions were approved unanimously by the Related Party Committee.

<sup>(3)</sup> In April 2018, the subsidiaries Midtown Participações e Beef Snacks do Brasil were incorporated in the Company.

<sup>(4)</sup> In September 2018, the Company adhered to the Rural Regularization Program "PRR" as described in Note 1 - Operating activities, and received the assignment of the credits of its related parties, whose negotiation included a discount of 25% on the amount of the assigned tax credit recorded in Other Operating Income. These transactions were unanimously approved by the Related Party Committee, and will be settled in cash until the end of the year.

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.

**Subsequent event:**

In October 2018, the Company received from its subsidiary Seara Alimentos funds of approximately R\$3.5 billion, to be utilized in the Company's working capital. The balance must be settled through capital reduction and/or dividends distribution. Seara Alimentos' funds were received as export prepayments hired with JBS USA, due in October 2023.

**JBS S.A.**

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

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

| COMPANY                      | Accounts receivable |                   | Accounts payable   |                   | Purchases/Services rendered |                | Sale of products/Services rendered |                  |
|------------------------------|---------------------|-------------------|--------------------|-------------------|-----------------------------|----------------|------------------------------------|------------------|
|                              | September 30, 2018  | December 31, 2017 | September 30, 2018 | December 31, 2017 | 2018                        | 2017           | 2018                               | 2017             |
| <b>Direct subsidiaries</b>   |                     |                   |                    |                   |                             |                |                                    |                  |
| Priante                      | 66,477              | 22,964            | -                  | -                 | -                           | -              | 132,509                            | 20,233           |
| Brazservice                  | 14,944              | 6,852             | 3,857              | 1,945             | 45,884                      | 63,916         | 103,415                            | 53,079           |
| Seara Alimentos              | 34,162              | 29,336            | 12,500             | 18,968            | 41,408                      | 71,830         | 479,141                            | 323,124          |
| JBS Confinamento             | 488                 | 153               | 438                | 8,513             | 19,504                      | 70,074         | 3,380                              | 941              |
| Enersea                      | -                   | 763               | 66                 | -                 | 107,374                     | 101,764        | 84,693                             | 77,014           |
| <b>Indirect subsidiaries</b> |                     |                   |                    |                   |                             |                |                                    |                  |
| JBS Global UK                | 89,708              | 59,192            | -                  | -                 | -                           | -              | 207,098                            | 106,023          |
| Toledo                       | 33,169              | 16,821            | -                  | -                 | -                           | -              | 205,992                            | 157,790          |
| JBS Aves                     | 823                 | 941               | 21,413             | 21,516            | 7,750                       | 27,573         | 7,862                              | 10,809           |
| Weddel                       | 5,670               | 7,642             | -                  | -                 | -                           | -              | 49,532                             | 19,608           |
| Sampco                       | 129,232             | 30,071            | -                  | -                 | -                           | -              | 373,039                            | 193,057          |
| Meat Snacks Partners         | 5,558               | 5,970             | -                  | 101               | 642                         | 136            | 155,760                            | 170,741          |
| Trump Asia                   | 12,769              | 22,180            | -                  | 475               | -                           | 261            | 26,097                             | 210,812          |
| JBS Paraguay                 | -                   | -                 | -                  | -                 | -                           | 50,479         | -                                  | 976              |
| JBS Leather Argentina        | 348                 | 7,865             | -                  | 513               | -                           | 1,381          | 935                                | 27,557           |
| JBS Leather Uruguai          | 10,061              | -                 | 4                  | -                 | 1,155                       | -              | 30,840                             | -                |
| Braslo Produtos de Carnes    | -                   | -                 | -                  | -                 | -                           | -              | -                                  | 121,465          |
| JBS USA                      | -                   | 39                | -                  | -                 | 308                         | 351            | -                                  | 52,762           |
| Agricola Jandelle            | 1,844               | 1,341             | 22,677             | 23,190            | 11,860                      | 27,674         | 7,794                              | 3,109            |
| Swift Beef Company           | -                   | -                 | 2,916              | 1,805             | 10,193                      | 2,342          | -                                  | -                |
| <b>Other related parties</b> |                     |                   |                    |                   |                             |                |                                    |                  |
| Vigor                        | -                   | -                 | -                  | -                 | -                           | 25,812         | -                                  | 22               |
| J&F Floresta Agropecuária    | -                   | 25                | -                  | -                 | 8,930                       | 35,136         | 122                                | 5                |
| JBj Agropecuária             | 891                 | 279               | 19,693             | 26,288            | 273,748                     | 256,460        | 4,848                              | 3,876            |
| Flora Produtos               | 12,269              | 6,627             | 7                  | 3                 | 51                          | 21             | 105,696                            | 72,918           |
| Dan Vigor Indústria e Com.   | -                   | -                 | -                  | -                 | -                           | 4,525          | -                                  | 74,526           |
|                              | <b>418,413</b>      | <b>219,061</b>    | <b>83,571</b>      | <b>103,317</b>    | <b>528,807</b>              | <b>739,735</b> | <b>1,978,753</b>                   | <b>1,700,447</b> |

**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 September 30, 2018 and December 31, 2017, the unpaid balance of transferred receivables was R\$752,547 and R\$848,273 in the Company, and R\$1,343,158 and R\$1,490,395 in the Consolidated, respectively. During the nine month periods ended September 30, 2018 and 2017, JBS incurred financial costs related to this operation in the amount of R\$51,670 and R\$55,265 in the Company, and R\$91,102 and R\$100,914 in the Consolidated, respectively, recognized in the consolidated financial statements as financial expenses.

Additionally at September 30, 2018 and December 31, 2017, the Company holds investments with Banco Original, in the amount of R\$63,728 and R\$68,760 in the Company and R\$144,028 and R\$157,862 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 nine month periods ended September 30, 2018 and 2017, the Company earned interest from these investments in the amount of R\$2,471 and R\$4,839 in the Company, and R\$5,704 and R\$9,255 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\$19,973 and R\$22,003 at September 30, 2018 and December 31, 2017, 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 9.52% at September 30, 2018, 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 nine month periods ended September 30, 2018 and 2017, JBS made donations in the amounts of R\$12,106 and R\$13,458, respectively, recognized in the financial statements as administrative expenses.

**Credit with related parties - Consolidated**

|                             | September 30, 2018 | December 31, 2017 |
|-----------------------------|--------------------|-------------------|
| J&F Oklahoma <sup>(5)</sup> | 979,242            | 873,752           |
| Flora                       | -                  | 23,783            |
| J&F Participações S.A.      | (214,727)          | -                 |
|                             | <b>764,515</b>     | <b>897,535</b>    |

<sup>(5)</sup> This amount represents the result of the use of a credit facility between the indirect subsidiary Moyer Distribution (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\$2.6 billion (US\$675,000). 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. J&F Oklahoma uses this credit facility to purchase cattle.

Further, Moyer Distribution, a JBS USA subsidiary, was the guarantor of a J&F Oklahoma revolving credit facility with financial institutions, such revolving credit facility were terminated with financial institutions on August, 2018.

## JBS S.A.

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

### Commercial transactions - Consolidated

Through August, 2018 JBS Australia was part of two a commercial agreement with J&F Australia being a cattle supply and feeding agreement, and a sale and purchase cattle agreement. Both agreements were terminated in August 22, 2018.

Prior to the sale of JBS Five Rivers and JBS Canada in the divestment program, each was party to a cattle supply and feeding agreement with J&F Oklahoma and J&F Canada similar to the aforementioned. These agreements were terminated on the respective sale dates.

No expense for doubtful accounts or bad debts relating to related-party transactions were recorded during the nine month periods ended September 30, 2018 and 2017.

### 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 nine month periods ended September 30, 2018 and 2017 is the following:

|                              | 2018          | 2017          |
|------------------------------|---------------|---------------|
| Salaries and wages           | 13,326        | 6,648         |
| Variable cash compensation   | 6,375         | 6,375         |
| Share-based compensation (*) | 1,500         | 2,500         |
|                              | <u>21,201</u> | <u>15,523</u> |

(\*) Refers to shares granted during the year of 2018;

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

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

**JBS S.A.**

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

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

|  |                      |                        |                            | Equity                                   |  |                       |
|--|----------------------|------------------------|----------------------------|--|--|-----------------------|
|  | December 31,<br>2017 | Addition<br>(disposal) | Exchange rate<br>variation | Changes in the<br>Equity of<br>investees | Proportionate<br>share of income<br>(loss) | September 30,<br>2018 |
| JBS Embalagens Metálicas                   | (54,038)             | -                      | -                          | -  | (16,347)                                   | (70,385)              |
| JBS Confinamento                           | 572,160              | -                      | -                          | -  | (49,793)                                   | 522,367               |
| JBS Slovakia Holdings <sup>(1)</sup>       | 15                   | (15)                   | -                          | -  | -  | -                     |
| Conceria Priante                           | 6,490                | -                      | 1,141                      | -  | 2,080                                      | 9,711                 |
| JBS Holding GMBH                           | 583,594              | -                      | 102,080                    | -  | 32,767                                     | 718,441               |
| JBS Global Luxembourg                      | 12,472,336           | -                      | 3,100,222                  | (711,101)                                | 4,727,796                                  | 19,589,253            |
| JBS Leather International                  | (189,411)            | -                      | (48,663)                   | (25,758)                                 | (76,035)                                   | (339,867)             |
| Brazservice                                | (49,034)             | -                      | -                          | -  | (19,785)                                   | (68,819)              |
| Seara Alimentos                            | 4,477,051            | -                      | -                          | 334,240                                  | (1,156,062)                                | 3,655,229             |
| Meat Snack Partners <sup>(2)</sup>         | 64,006               | (3,000)                | 15,433                     | (15,425)                                 | 21,869                                     | 82,883                |
| Rigamonti                                  | 115,107              | -                      | 20,430                     | -  | 9,473                                      | 145,010               |
| Enersea                                    | (87)                 | -                      | -                          | -  | (300)                                      | (387)                 |
| JBS Mendoza                                | 747                  | -                      | (481)                      | -  | 528  | 794                   |
| JBS HU Liquidity Management <sup>(3)</sup> | 3,957                | (3,827)                | (46)                       | -  | (84)                                       | -                     |
| Midtown Participações <sup>(4)</sup>       | 180,965              | (178,924)              | -                          | -  | (2,041)                                    | -                     |
| Midup Participações                        | 18,635               | -                      | -                          | -  | (502)                                      | 18,133                |
| Beef Snacks Brasil <sup>(4)</sup>          | 67,327               | (67,640)               | -                          | -  | 313  | -                     |
| JBS Milestone                              | 276                  | -                      | 9                          | -  | (257)                                      | 28                    |
| JBS Asset Management <sup>(5)</sup>        | -                    | 78,281                 | 7,925                      | -  | 612  | 86,818                |
| <b>Subtotal</b>                            | <b>18,270,096</b>    | <b>(175,125)</b>       | <b>3,198,050</b>           | <b>(418,044)</b>                         | <b>3,474,232</b>                           | <b>24,349,209</b>     |
| Accrual for loss on investments (*)        | 292,570              | -                      | -                          | -  | -  | 479,458               |
| <b>Total</b>                               | <b>18,562,666</b>    |                        |                            |  |  | <b>24,828,667</b>     |

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

(<sup>1</sup>) JBS Slovakia: In June 2018, the direct subsidiary JBS Slovakia was liquidated for corporate structure simplification purposes.

(<sup>2</sup>) Meat Snack Partners: In June 2018, the indirect subsidiary Meat Snack Partners do Brasil distributed dividends to the Company.

(<sup>3</sup>) JBS HU: In June 2018, the direct subsidiary JBS HU distributed dividends to the Company, and it was liquidated in September 2018.

(<sup>4</sup>) Midtown and Beef Snacks: In April 2018, these companies were incorporated in the Company for corporate structure simplification purposes.

(<sup>5</sup>) JBS Asset Management: In June 2018, the Company assigned properties to the subsidiary through a capital increase.

**In the Consolidated:**

|                     | December 31,<br>2017 | Distribution of<br>dividends | Changes in the<br>Equity of<br>investees | Proportionate<br>share of income | September 30,<br>2018 |
|---------------------|----------------------|------------------------------|--|----------------------------------|-----------------------|
| Meat Snack Partners | 64,006               | (3,000)                      | 9  | 21,868                           | 82,883                |
| <b>Total</b>        | <b>64,006</b>        | <b>(3,000)</b>               | <b>9</b>                                 | <b>21,868</b>                    | <b>82,883</b>         |

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

| Company                  | December 31,<br>2017 | Additions net of<br>transferences <sup>(1)</sup> | Incorporations <sup>(2)</sup> | Disposals        | Depreciation     | September 30,<br>2018 |
|--------------------------|----------------------|--|-------------------------------|------------------|------------------|-----------------------|
| Buildings                | 3,161,541            | 272,681  | 135,586                       | (4,295)          | (96,475)         | 3,469,038             |
| Land                     | 1,526,572            | 99,404   | 65,422                        | -                | -                | 1,691,398             |
| Machinery and equipment  | 3,766,569            | 178,486  | 16,123                        | (13,530)         | (299,775)        | 3,647,873             |
| Facilities               | 1,465,693            | 103,485  | 18,192                        | (8,512)          | (84,758)         | 1,494,100             |
| Computer equipment       | 69,962               | 18,084   | -                             | (179)            | (21,998)         | 65,869                |
| Vehicles                 | 319,342              | 56,909   | -                             | (86,015)         | (49,116)         | 241,120               |
| Construction in progress | 1,181,445            | (458,580)  | -                             | (178,042)        | -                | 544,823               |
| Other                    | 53,057               | 27,753   | -                             | (228)            | (14,605)         | 65,977                |
|                          | <b>11,544,181</b>    | <b>298,222</b>                                   | <b>235,323</b>                | <b>(290,801)</b> | <b>(566,727)</b> | <b>11,220,198</b>     |



**JBS S.A.**

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

| Consolidated             | December 31, 2017 | Acquisitions <sup>(3)</sup> | Additions net of transferences <sup>(1)</sup> | Disposals        | Depreciation       | Exchange rate variation | September 30, 2018 |
|--------------------------|-------------------|-----------------------------|---|------------------|--------------------|-------------------------|--------------------|
| Buildings                | 11,877,234        | 1,560                       | 499,971                                       | (32,919)         | (522,591)          | 1,105,027               | 12,928,282         |
| Land                     | 4,009,654         | 7                           | 210,361                                       | (25,269)         | -                  | 263,568                 | 4,458,321          |
| Machinery and equipment  | 11,589,239        | 1,383                       | 1,102,196                                     | (40,633)         | (1,440,168)        | 1,068,110               | 12,280,127         |
| Facilities               | 2,081,688         | -                           | 137,310                                       | (9,409)          | (144,121)          | 859                     | 2,066,327          |
| Computer equipment       | 302,449           | 4,680                       | 51,241  | (1,091)          | (94,293)           | 31,583                  | 294,569            |
| Vehicles                 | 406,823           | 821                         | 89,011  | (19,743)         | (73,024)           | 22,256                  | 426,144            |
| Construction in progress | 2,636,047         | -                           | (345,008)                                     | (180,061)        | -                  | 221,591                 | 2,332,569          |
| Other                    | 659,970           | -                           | 63,639  | (2,194)          | (94,220)           | 101,199                 | 728,394            |
|                          | <b>33,563,104</b> | <b>8,451</b>                | <b>1,808,721</b>                              | <b>(311,319)</b> | <b>(2,368,417)</b> | <b>2,814,193</b>        | <b>35,514,733</b>  |

<sup>(1)</sup> Additions for each category includes transfer from construction in progress during the period.

<sup>(2)</sup> In April 2018, the direct subsidiaries Beef Snacks do Brasil and Midtown Participações were incorporated in the Company.

<sup>(3)</sup> Refers to balances arising from Alvey and Transbotics's acquisitions from second quarter of 2018.

For the nine month periods ended September 30, 2018 and 2017, the amount of capitalized interest added to construction in progress and included in additions was R\$22,092 and R\$38,326 in the Company, respectively, and in the Consolidated was R\$58,127 and R\$100,267, 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. For the nine month period ended September 30, 2018, there were no indicates of impairment.

## 12 Intangible assets

### Changes in intangible assets:

| Company                | December 31, 2017 | Additions     | Disposals    | Amortization    | September 30, 2018 |
|------------------------|-------------------|---------------|--------------|-----------------|--------------------|
| <b>Amortizing:</b>     |                   |               |              |                 |                    |
| Trademarks             | 42,560            | 1             | -            | (7,980)         | 34,581             |
| Software               | 27,379            | 16,295        | (164)        | (8,270)         | 35,240             |
| <b>Non-amortizing:</b> |                   |               |              |                 |                    |
| Trademarks             | 24,800            | -             | -            | -               | 24,800             |
|                        | <b>94,739</b>     | <b>16,296</b> | <b>(164)</b> | <b>(16,250)</b> | <b>94,621</b>      |

| Consolidated                     | December 31, 2017 | Acquisitions <sup>(1)</sup> | Additions     | Disposal     | Amortization     | Exchange rate variation and others | September 30, 2018 |
|----------------------------------|-------------------|-----------------------------|---------------|--------------|------------------|------------------------------------|--------------------|
| <b>Amortizing:</b>               |                   |                             |               |              |                  |                                    |                    |
| Trademark                        | 239,093           | 10,942                      | 1             | (40)         | (20,142)         | 36,450                             | 266,304            |
| Software                         | 75,646            | -                           | 22,630        | (195)        | (20,644)         | 2,495                              | 79,932             |
| Customer relationships           | 2,082,710         | -                           | -             | -            | (227,348)        | 340,649                            | 2,196,011          |
| Supplier contract <sup>(2)</sup> | -                 | -                           | 74,218        | -            | (4,327)          | 17,138                             | 87,029             |
| Others                           | 19,998            | -                           | -             | -            | (6,187)          | 3,625                              | 17,436             |
| <b>Non-amortizing:</b>           |                   |                             |               |              |                  |                                    |                    |
| Trademarks                       | 3,059,717         | 2,052                       | -             | -            | -                | 384,472                            | 3,446,241          |
| Water rights                     | 34,906            | -                           | -             | -            | -                | 6,618                              | 41,524             |
|                                  | <b>5,512,070</b>  | <b>12,994</b>               | <b>96,849</b> | <b>(235)</b> | <b>(278,648)</b> | <b>791,447</b>                     | <b>6,134,477</b>   |

<sup>(1)</sup> Refers to balances arising from Alvey and Transbotics's acquisitions from second quarter of 2018.

<sup>(2)</sup> Supplier contract: In conjunction with the sale of JBS Five Rivers, JBS USA entered into a longterm cattle supply agreement with the purchaser of JBS Five Rivers, which was recorded at fair value and is included in intangible assets in the Consolidated Balance Sheet.

## 13 Goodwill

Goodwill is recognized the accounts 'Investments in associates, subsidiaries and joint ventures' in the Company because for the investor, it is part of its investment in the subsidiary's acquisition; and as "Goodwill", in the Consolidated because it refers to expectation of future earnings from the acquired subsidiary, which assets and liabilities are consolidated with the Company's. Therefore, in the Company there is only intangible from incorporations in the amount of R\$9,085,970 and in the Consolidated all goodwill are recognized as intangible.

### Changes in goodwill:

|                                      |                   |
|--------------------------------------|-------------------|
| <b>Balance at December 31, 2017</b>  | <b>22,488,247</b> |
| Acquisitions <sup>(1)</sup>          | 59,104            |
| Disposals                            | (9,011)           |
| Exchange rate variation and others   | 1,755,048         |
| <b>Balance at September 30, 2018</b> | <b>24,293,388</b> |

<sup>(1)</sup> Refers to balances arising from Alvey and Transbotics's acquisitions from second quarter of 2018.



**JBS S.A.**

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

| <b>CGU Groups</b>                        | <b>September 30, 2018</b> | <b>December 31, 2017</b> |
|--|---------------------------|--------------------------|
| Brazil Beef                              | 9,069,926                 | 9,069,926                |
| Australia Smallgoods                     | 1,126,405                 | 1,005,113                |
| Moy Park                                 | 3,219,408                 | 2,760,016                |
| USA Pork                                 | 2,780,845                 | 2,297,518                |
| Seara                                    | 3,533,295                 | 3,533,294                |
| Others CGUs without significant goodwill | 4,563,509                 | 3,822,380                |
| <b>Total</b>                             | <b>24,293,388</b>         | <b>22,488,247</b>        |

CGU groups containing goodwill are tested for impairment annually and for the year ended December 31, 2017 there were no events or circumstances that indicate that the recoverable amount may be less than the carrying amount and no expense was recorded. For the nine month period ended September 30, 2018 there were no events or circumstances that indicate that the recoverable amount may be less than the carrying amount.

**14 Loans and financing**

| Type                                 | Company                      |          |                              |                                  |              |              |              |              |
|--------------------------------------|------------------------------|----------|------------------------------|----------------------------------|--------------|--------------|--------------|--------------|
|                                      | Average annual interest rate | Currency | Index on variable rate loans | Payment terms / non-current debt | Current      |              | Non-current  |              |
|                                      |                              |          |                              |                                  | Sep 30, 2018 | Dec 31, 2017 | Sep 30, 2018 | Dec 31, 2017 |
| Foreign currency                     |                              |          |                              |                                  |              |              |              |              |
| Prepayment                           | 5.51%                        | USD      | LIBOR                        | 2019 - 23                        | 993,908      | 3,406,881    | 4,478,335    | 2,776,910    |
| ACC - Advances on exchange contracts | 5.62%                        | USD      | -                            | 2021                             | 486,606      | 3,687,101    | 2,149,504    | -            |
| JBS S.A Notes 2020                   | 7.75%                        | USD      | -                            | 2020                             | 131,679      | 44,591       | 4,001,513    | 3,303,961    |
| JBS S.A Notes 2023                   | 6.25%                        | USD      | -                            | 2023                             | 27,765       | 64,161       | 3,093,209    | 2,551,732    |
| JBS S.A Notes 2024                   | 7.25%                        | USD      | -                            | 2024                             | 108,568      | 44,680       | 2,998,299    | 2,475,617    |
| Working capital - Euro               | 2.67%                        | EUR      | EURIBOR                      | 2020 - 23                        | 20,860       | 18,362       | 50,450       | 58,643       |
| FINIMP                               |                              | -        | -                            | -                                | -            | 600          | -            | -            |
|                                      |                              |          |                              |                                  | 1,769,386    | 7,266,376    | 16,771,310   | 11,166,863   |
| Local currency                       |                              |          |                              |                                  |              |              |              |              |
| Credit note - export                 | 9.11%                        | BRL      | CDI                          | 2019 - 21                        | 6,259        | 763,412      | 960,310      | 467,358      |
| Working capital - Brazilian Reais    | 7.66%                        | BRL      | CDI e TJLP                   | 2019 - 21                        | 787          | 116,167      | 128,969      | 14,205       |
| FINAME                               | 8.72%                        | BRL      | TJLP                         | 2019 - 25                        | 30,605       | 45,178       | 47,170       | 73,130       |
| FINEP                                | 6.20%                        | BRL      | -                            | 2019 - 25                        | 22,170       | 22,005       | 65,619       | 81,922       |
| CDC - Direct credit to consumers     | 16.70%                       | BRL      | -                            | 2019 - 23                        | 17,599       | 10,059       | 43,250       | 30,680       |
|                                      |                              |          |                              |                                  | 77,420       | 956,821      | 1,245,318    | 667,295      |
|                                      |                              |          |                              |                                  | 1,846,806    | 8,223,197    | 18,016,628   | 11,834,158   |

**JBS S.A.**

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

|  | Consolidated                 |             |                     |                                  |              |              |              |              |
|--|------------------------------|-------------|---------------------|----------------------------------|--------------|--------------|--------------|--------------|
|  | Average annual interest rate | Currency    | Indexer             | Payment terms / non-current debt | Current      |              | Non-current  |              |
| Type   |                              |             |                     |                                  | Sep 30, 2018 | Dec 31, 2017 | Sep 30, 2018 | Dec 31, 2017 |
| Foreign currency                                     |                              |             |                     |                                  |              |              |              |              |
| ACC - Advances on exchange contracts                 | 5.69%                        | USD         | Libor               | 2019 - 21                        | 499,441      | 5,055,776    | 3,233,156    | -            |
| Prepayment   | 6.02%                        | USD         | Libor               | 2019 - 23                        | 1,196,592    | 5,048,964    | 5,616,402    | 3,084,877    |
| JBS S.A Notes 2020                                   | 7.75%                        | USD         | -                   | 2020                             | 131,679      | 44,591       | 4,001,513    | 3,303,961    |
| JBS S.A Notes 2023                                   | 6.25%                        | USD         | -                   | 2023                             | 27,765       | 64,161       | 3,093,209    | 2,551,732    |
| JBS S.A Notes 2024                                   | 7.25%                        | USD         | -                   | 2024                             | 108,568      | 44,680       | 2,998,299    | 2,475,617    |
| Credit note – import                                 | 5.48%                        | USD         | Libor               | 2021                             | -            | 98,641       | 120,402      | -            |
| FINIMP   | 5.64%                        | USD and EUR | Libor and Euribor   | *                                | 5,595        | 15,682       | -            | 4,658        |
| Scott credit facilities                              | 4.82%                        | NZD         | -                   | 2019                             | 1,365        | -            | 7,972        | -            |
| Working capital - Euro/US dollars                    | 2.69%                        | USD and EUR | Libor and Euribor   | 2020 - 23                        | 23,815       | 29,957       | 50,450       | 58,643       |
|  |                              |             |                     |                                  | 1,994,820    | 10,402,452   | 19,121,403   | 11,479,488   |
| Local currency                                       |                              |             |                     |                                  |              |              |              |              |
| FINAME   | 7.96%                        | BRL         | TJLP                | 2019 - 25                        | 38,957       | 53,599       | 64,126       | 96,183       |
| FINEP  | 6.07%                        | BRL         | -                   | 2019 - 25                        | 26,130       | 25,971       | 67,265       | 86,531       |
| JBS Mortgage   | 5.80%                        | USD         | -                   | 2020                             | 793          | 622          | 6,815        | 6,123        |
| Senior Secured Credit Facility JBS Lux               | 5.50%                        | USD         | Libor               | 2019                             | 236          | 13,808       | (2,891)      | 1,933,926    |
| Term loan Five Rivers 2019                           | -                            | -           | -                   | -                                | -            | 276,456      | -            | -            |
| Term loan JBS Lux 2022                               | 4.84%                        | USD         | ABR and Libor       | 2022                             | 152,505      | 107,278      | 12,827,774   | 9,056,728    |
| Notes 6,25% Moy Park 2021                            | -                            | -           | -                   | -                                | -            | 8,022        | -            | 1,317,011    |
| Notes 8,25% JBS Lux 2020                             | -                            | -           | -                   | -                                | -            | 79,600       | -            | 2,298,881    |
| Notes 7,25% JBS Lux 2021                             | 7.25%                        | USD         | -                   | 2021                             | 111,276      | 22,984       | 4,571,012    | 3,768,904    |
| Notes 5,875% JBS Lux 2024                            | 5.88%                        | USD         | -                   | 2024                             | 37,244       | 67,212       | 2,987,426    | 2,466,501    |
| Notes 5,75% JBS Lux 2025                             | 5.75%                        | USD         | -                   | 2025                             | 61,011       | 7,608        | 3,580,511    | 2,956,088    |
| Notes 5,75% PPC 2025                                 | 5.75%                        | USD         | -                   | 2025                             | 10,234       | 42,005       | 3,983,860    | 2,477,272    |
| Notes 5,875% PPC 2027                                | 5.87%                        | USD         | -                   | 2027                             | 100,526      | 29,798       | 3,343,040    | 1,962,329    |
| Notes 6,75% JBS Lux 2028                             | 6.75%                        | USD         | -                   | 2028                             | 31,082       | -            | 3,570,253    | -            |
| PPC term loan  | 3.58%                        | USD         | ABR and Libor       | 2023                             | 89,683       | 147,285      | 1,887,474    | 2,447,920    |
| PPC revolving credit facility                        | -                            | -           | -                   | -                                | -            | 324          | -            | 216,208      |
| Marshalltown   | -                            | -           | -                   | -                                | -            | 63           | -            | 32,395       |
| Working capital - Brazilian Reais                    | 7.85%                        | BRL         | CDI and TJLP        | 2019 - 21                        | 6,050        | 121,667      | 135,875      | 22,531       |
| Working capital - US Dollars                         | 2.91%                        | USD         | Libor               | 2021                             | -            | 112,472      | 179,895      | -            |
| Working capital - Euros                              | 1.41%                        | EUR         | Euribor             | 2023                             | 69,257       | 90,706       | 6,517        | 10,648       |
| Credit note – export                                 | 9.02%                        | BRL         | CDI                 | 2019 - 22                        | 18,848       | 1,603,518    | 1,803,663    | 528,520      |
| Credit note – import                                 | -                            | -           | -                   | -                                | -            | 187,462      | -            | -            |
| FCO - Middle West Fund                               | 10.19%                       | BRL         | -                   | -                                | 329          | 1,725        | -            | -            |
| CDC - Direct credit to consumers                     | 16.70%                       | BRL         | -                   | 2019 - 23                        | 17,599       | 10,059       | 43,250       | 30,680       |
| CCB  | 9.83%                        | BRL         | UM BNDES            | 2019 - 24                        | 3,003        | 3,009        | 16,970       | 18,994       |
| ACC - Advances on exchange contracts                 | 2.91%                        | USD         | Libor               | 2021                             | -            | 126          | 897          | -            |
| Prepayment   | 4.69%                        | USD         | Libor               | 2021                             | -            | -            | 328,581      | -            |
| Rural - Credit note                                  | 7.81%                        | BRL         | -                   | 2019 - 21                        | 160,530      | 100,630      | 165,556      | -            |
| Canadian credit facility & revolving credit facility | 3.95%                        | CAD         | CDOR, RBC and Libor | 2021                             | -            | 7            | (436)        | (533)        |
| Mexico credit facility                               | -                            | -           | -                   | -                                | -            | 1,813        | -            | 252,424      |
| Moy Park revolving credit facility                   | 2.00%                        | GBP         | Libor               | 2023                             | 148          | -            | (2,911)      | -            |
| Scott credit facilities                              | 5.54%                        | USD and EUR | -                   | 2019 - 20                        | 8,969        | -            | 2,863        | -            |
| Other  | 1.48%                        | EUR and GBP | -                   | 2019                             | 7,693        | 7,770        | 25           | 32,848       |
|  |                              |             |                     |                                  | 952,103      | 3,123,599    | 39,567,410   | 32,019,112   |
|  |                              |             |                     |                                  | 2,946,923    | 13,526,051   | 58,688,813   | 43,498,600   |

\* Balances classified as current which have their maturities between October 1, 2018 and September 30, 2019.

**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 September 30, 2018 and 2017, the availability under JBS USA revolving credit facilities was R\$8.0 billion (US\$2.0 billion) and R\$3.3 billion (US\$1 billion), respectively.

**JBS S.A.**

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

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

| Maturity              | September 30, 2018 |                   |
|-----------------------|--------------------|-------------------|
|                       | Company            | Consolidated      |
| 2019                  | 48,406             | 164,333           |
| 2020                  | 4,130,906          | 4,438,787         |
| 2021                  | 6,691,266          | 15,263,510        |
| 2022                  | 1,028,479          | 13,647,020        |
| 2023                  | 3,116,867          | 4,703,623         |
| Maturities thereafter | 3,000,704          | 20,471,540        |
|                       | <b>18,016,628</b>  | <b>58,688,813</b> |

**a. Normalization agreement with financial institutions in Brazil**

According to the debt Normalization Agreement, signed on May 14, 2018, an extension for the maturity of all outstanding debts Principals was determined bilaterally in the date of the agreement with the signatory banks to July 2021, in the amount of R\$12.2 billion. The interest arising from the amount agreed with the banks will be updated and paid according to the interest rate and terms established in the original agreements for each debt line. The agreement also establishes the amortization of approximately 25% of the debt principal starting from January 2019 until the end of the agreement which occurs in July 2021. At the nine month period ended September 30, 2018, all the debt included in the Normalization Agreement is classified as non-current, except the principal installments which will be settled up to twelve months.

The Normalization Agreement provides certain conditions for the replacement and/or extension of any type of debt, ensuring that the reduction of the debt's principal occurs in July 2021 indeed, including the debts related to foreign exchange contracts. Although the ACC (Advances on exchange contracts) and the Rural credit note are debts with a short-term profile (current liabilities), the amount of these debts, which are included in the Normalization Agreement, will also be settled at the end of the agreement. Therefore, these debts will be presented in non-current liabilities in these condensed financial statements.

In September 2018 JBS and Seara anticipated the payment of R\$ 2.0 billion of the Normalization agreement which would expire in 2019 and 2020, of the prepayment lines (PPE), export credit note (NCE) and advance payment of the exchange contract (ACC).

**Subsequent events:**

On October 12, 2018, JBS Lux, JBS Australia, JBS Food Company and JBS Food Canada entered into a revolving credit agreement (the "Revolving Credit Facility") with Royal Bank of Canada, as administrative agent, and the other lender parties thereto. The RBC credit agreement provides for a US\$900 million (R\$3.6 billion) revolving credit commitment with a maturity of October 12, 2023. The Revolving Credit Facility is available in three tranches of US\$650 million (R\$2.6 billion), US\$175 million (R\$700 million) and US\$75 million (R\$300 million) in conditions and price similar to the previous transaction.

On October 18, 2018, JBS Investments 2, a wholly owned subsidiary of the Company, issued US\$ 500 million (R\$2.0 billion) of unsecured Senior Notes due in January 2026. The notes carry a coupon of 7.0%. On October 29, 2018, the Company completed the repurchase of the totality of the principal amount of US\$ 1.0 billion (R\$ 4.0 billion) of the Senior Notes due in 2020, which had a coupon of 7.750% per year, by utilizing the funds from Senior Notes 2026.

Additionally, JBS USA announced a repurchase offer in kind to prepay a total of US\$500 million (R\$2.0 billion) of its notes due in 2021, which have a coupon of 7.250% and a total amount of US\$1.15 billion (R\$4.6 billion). On October 29, 2018, JBS USA concluded the repurchase by utilizing available cash resources of the aggregate principal amount of approximately US\$488 million (R\$1.95 billion) of its Senior Notes due 2021 and a coupon of 7,250% per year, with a principal balance of approximately US\$662 million (R\$2.65 billion).

**14.1 Guarantees and contractual restrictions ("covenants")**

The Company was in compliance with all of its debt covenant restrictions at September 30, 2018.

**15 Accrued income taxes and other taxes**

|                               | Company            |                   | Consolidated       |                   |
|-------------------------------|--------------------|-------------------|--------------------|-------------------|
|                               | September 30, 2018 | December 31, 2017 | September 30, 2018 | December 31, 2017 |
| Accrued income taxes          | -                  | -                 | 305,679            | 905,484           |
| Withholding income taxes      | -                  | -                 | 2,530              | 638               |
| ICMS / VAT / GST tax payable  | 20,566             | 21,031            | 67,450             | 61,075            |
| PIS / COFINS tax payable      | 70,741             | 58,074            | 92,186             | 72,973            |
| Taxes payable in installments | 875,314            | 798,350           | 932,986            | 853,988           |
| Others                        | 39,759             | 49,736            | 316,153            | 285,820           |
|                               | <b>1,006,380</b>   | <b>927,191</b>    | <b>1,716,984</b>   | <b>2,179,978</b>  |
| <b>Breakdown:</b>             |                    |                   |                    |                   |
| Current liabilities           | 285,963            | 259,803           | 824,914            | 1,392,755         |
| Non-current liabilities       | 720,417            | 667,388           | 892,070            | 787,223           |
|                               | <b>1,006,380</b>   | <b>927,191</b>    | <b>1,716,984</b>   | <b>2,179,978</b>  |

**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 September 30, 2018 and December 31, 2017, the Company has recorded under Income taxes, payroll, social charges and tax obligation the amount of R\$65,532 and R\$54,154 in the Company, respectively, and in the Consolidated R\$82,477 and R\$67,539, respectively, regarding to PIS/COFINS over financial income.

**JBS S.A.**

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

**16 Accrued payroll and social charges**

|  | Company            |                   | Consolidated       |                   |
|--|--------------------|-------------------|--------------------|-------------------|
|  | September 30, 2018 | December 31, 2017 | September 30, 2018 | December 31, 2017 |
| Salaries and related social charges                  | 149,292            | 234,685           | 1,162,968          | 1,075,368         |
| Bonus and vacation along with related social charges | 325,264            | 186,092           | 2,392,568          | 2,051,375         |
| Taxes payable in installments                        | 3,645,942          | 1,580,839         | 3,710,924          | 1,593,079         |
| Others   | 4,658              | 5,288             | 228,188            | 136,194           |
|  | <b>4,125,156</b>   | <b>2,006,904</b>  | <b>7,494,648</b>   | <b>4,856,016</b>  |
| <b>Breakdown:</b>                                    |                    |                   |                    |                   |
| Current liabilities                                  | 863,182            | 572,066           | 3,757,774          | 3,007,816         |
| Non-current liabilities                              | 3,261,974          | 1,434,838         | 3,736,874          | 1,848,200         |
|  | <b>4,125,156</b>   | <b>2,006,904</b>  | <b>7,494,648</b>   | <b>4,856,016</b>  |

**Tax payable in installments:** As described in Note 1, upon adherence to the PRR, the item Accrued income taxes and other taxes had an increase in the Taxes payable in installments line, in the Company, of R\$ 203,765 in the current liabilities and R\$ 2,138,126 in the non-current liabilities, totaling R\$ 2,341,891, and R\$ 207,686 in the Consolidated in the current liabilities and R\$ 2,187,865 in the non-current liabilities, totaling R\$ 2,395,551, due to the impact of the installment provision. The balance of taxes payable in installments is already presented net of the compensation of R\$ 369,760 from tax credits, since the compensation reflects the essence of the operation and the expected effect on future cash flow.

**Subsequent event:**

On November 9, 2018, the deadline for taxpayers to join the Refis of the Rural Workers' Assistance Fund (Funrural) was published in the official gazette, extending to December 31, 2018, without changing the rules in force.

**JBS S.A.**

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

**17 Income taxes**
**a. Reconciliation of income tax and social contribution expense:**

|   | <b>Company</b>                                    |                 | <b>Consolidated</b>                               |                    |
|---|---|-----------------|---|--------------------|
|   | <b>Nine month periods ended<br/>September 30,</b> |                 | <b>Nine month periods ended<br/>September 30,</b> |                    |
|   | <b>2018</b>                                       | <b>2017</b>     | <b>2018</b>                                       | <b>2017</b>        |
| <b>Profit (loss) before income taxes (PBT)</b>                      | <b>(2,732,328)</b>                                | <b>302,217</b>  | <b>(2,431,970)</b>                                | <b>1,414,763</b>   |
| <b>Nominal rate</b>   | <b>(34)%</b>                                      | <b>(34)%</b>    | <b>(34)%</b>                                      | <b>(34)%</b>       |
| Expected tax expense  | 928,992   | (102,754)       | 826,870   | (481,019)          |
| <b>Adjustments to reconcile taxable income:</b>                     |   |                 |   |                    |
| Earnings and losses due to equity method                            | 1,181,239   | 1,234,560       | 7,435   | 5,838              |
| Prior years loss carryforwards                                      | -   | -               | 1,439   | -                  |
| Domestic production activities deduction                            | -   | -               | 51,739  | 135,854            |
| Difference on tax rates for foreign subsidiaries                    | -   | -               | 648,419   | 91,615             |
| Unrecognized tax benefit  | 79,611  | -               | 212,159   | (80,193)           |
| Dividends paid abroad   | -   | -               | -   | 17                 |
| Adjustments on financial statements - Foreign subsidiaries          | -   | -               | 16,644  | 38,238             |
| Withholding income tax - Foreign subsidiaries                       | -   | -               | (44,507)  | -                  |
| Stock option plan   | -   | (13,736)        | (1,203)   | (24,549)           |
| Non-taxable interest - Foreign subsidiaries                         | -   | -               | 67,537  | 87,069             |
| Deferred tax prior year booking <sup>(2)</sup>                      | -   | -               | 4,265   | 435,964            |
| Dual jurisdiction taxation - Foreign subsidiaries                   | -   | -               | 273,108   | 165,088            |
| Realization of other comprehensive income                           | (160)   | (153,781)       | (160)   | (153,781)          |
| Penalties for infringements and/or tax payable in installments      | (5,075)   | (177,632)       | (7,183)   | (178,174)          |
| Deferred tax write-off - Moy Park business combination              | -   | (72,467)        | -   | (72,467)           |
| Gain with negative goodwill on credit acquisition                   | 18,567  | -               | 18,567  | -                  |
| Other permanent differences   | (8,891)   | (30,469)        | 16,401  | (13,651)           |
| <b>Current and deferred income tax (expense) benefit</b>            | <b>2,194,283</b>                                  | <b>683,721</b>  | <b>2,091,530</b>                                  | <b>(44,151)</b>    |
| Current income tax  | 2,116   | 2,189           | (1,064,379)                                       | (1,509,815)        |
| Deferred income tax   | 2,192,167   | 681,532         | 3,155,909   | 1,465,664          |
|   | <b>2,194,283</b>                                  | <b>683,721</b>  | <b>2,091,530</b>                                  | <b>(44,151)</b>    |
| <b>% IT/PBT</b>   | <b>80.31 %</b>                                    | <b>226.24 %</b> | <b>86.00 %</b>                                    | <b>(3.12)%</b>     |
|   | <b>Company</b>                                    |                 | <b>Consolidated</b>                               |                    |
|   | <b>Nine month periods ended<br/>September 30,</b> |                 | <b>Nine month periods ended<br/>September 30,</b> |                    |
|   | <b>2018</b>                                       | <b>2017</b>     | <b>2018</b>                                       | <b>2017</b>        |
| <b>Adjustments to reconcile taxable income <sup>(1)</sup></b>       |   |                 |   |                    |
| Goodwill amortization - deferred                                    | -   | -               | 4,412   | 7,503              |
| Prior years loss carryforwards - deferred                           | (2,145,206)                                       | (720,246)       | (3,045,224)                                       | (1,257,550)        |
| Unrecognized tax losses   | (79,611)  | -               | (212,159)   | 80,193             |
| Dividends paid abroad   | -   | -               | -   | (17)               |
| Deferred tax prior year booking <sup>(2)</sup>                      | -   | -               | (4,265)   | (435,963)          |
| Deferred tax write-off - Moy Park business combination              | -   | 72,467          | -   | 72,467             |
| Income tax on realization of other reserves                         | (2,116)   | (2,190)         | (23,383)  | (54,733)           |
| <b>Current and deferred income tax (expense) benefit - ADJUSTED</b> | <b>(32,650)</b>                                   | <b>33,752</b>   | <b>(1,189,236)</b>                                | <b>(1,632,251)</b> |
| <b>Effective income tax rate</b>                                    | <b>(1.19)%</b>                                    | <b>11.17%</b>   | <b>(48.90)%</b>                                   | <b>(115.37)%</b>   |

**JBS S.A.**

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

|  | <b>Company</b>                                     |                  | <b>Consolidated</b>                                |                |
|--|--|------------------|--|----------------|
|  | <b>Three month periods ended<br/>September 30,</b> |                  | <b>Three month periods ended<br/>September 30,</b> |                |
|  | <b>2018</b>  | <b>2017</b>      | <b>2018</b>  | <b>2017</b>    |
| <b>Profit (loss) before income taxes (PBT)</b>                 | <b>(1,162,745)</b>                                 | <b>(100,683)</b> | <b>(1,114,228)</b>                                 | <b>354,552</b> |
| <b>Nominal rate</b>  | <b>(34)%</b>                                       | <b>(34)%</b>     | <b>(34)%</b>                                       | <b>(34)%</b>   |
| Expected tax expense   | 395,333  | 34,232           | 378,838  | (120,548)      |
| <b>Adjustments to reconcile taxable income:</b>                |  |                  |  |                |
| Earnings and losses due to equity method                       | 552,955  | 802,835          | 1,930  | 3,153          |
| Domestic production activities deduction                       | -  | -                | 38,972   | 67,303         |
| Difference on tax rates for foreign subsidiaries               | -  | -                | 251,126  | 35,485         |
| Unrecognized tax benefit                                       | 83,830   | -                | 138,896  | 16,823         |
| Dividends paid abroad  | -  | -                | -  | 23             |
| Adjustments on financial statements - Foreign subsidiaries     | -  | -                | 15,738   | 5,912          |
| Stock option plan  | -  | (3,380)          | (396)  | (4,540)        |
| Non-taxable interest - Foreign subsidiaries                    | -  | -                | 23,043   | 43,004         |
| Deferred tax prior year booking <sup>(2)</sup>                 | -  | -                | 4,265  | 435,963        |
| Dual jurisdiction taxation - Foreign subsidiaries              | -  | -                | 104,968  | 54,425         |
| Realization of other comprehensive income                      | (160)  | (153,781)        | (160)  | (153,781)      |
| Penalties for infringements and/or tax payable in installments | (3,219)  | (177,631)        | (4,007)  | (178,174)      |
| Deferred tax write-off - Moy Park business combination         | -  | (72,467)         | -  | (72,467)       |
| Gain with negative goodwill on credit acquisition              | 18,567   | -                | 18,567   | -              |
| Other permanent differences                                    | (18,051)   | (6,078)          | 40,713   | (8,248)        |
| <b>Current and deferred income tax (expense) benefit</b>       | <b>1,029,255</b>                                   | <b>423,730</b>   | <b>1,012,493</b>                                   | <b>124,333</b> |
| Current income tax   | 702  | 723              | (163,609)  | (847,765)      |
| Deferred income tax  | 1,028,553  | 423,007          | 1,176,102  | 972,098        |
|  | <b>1,029,255</b>                                   | <b>423,730</b>   | <b>1,012,493</b>                                   | <b>124,333</b> |
| <b>% IT/PBT</b>  | <b>88.52 %</b>                                     | <b>420.86 %</b>  | <b>90.87 %</b>                                     | <b>35.07 %</b> |

|   | <b>Company</b>                                     |               | <b>Consolidated</b>                                |                    |
|---|--|---------------|--|--------------------|
|   | <b>Three month periods ended<br/>September 30,</b> |               | <b>Three month periods ended<br/>September 30,</b> |                    |
|   | <b>2018</b>  | <b>2017</b>   | <b>2018</b>  | <b>2017</b>        |
| <b>Adjustments to reconcile taxable income <sup>(1)</sup></b>       |  |               |  |                    |
| Goodwill amortization - deferred                                    | -  | -             | (1,471)  | (2,308)            |
| Prior years loss carryforwards - deferred                           | (1,016,693)  | (477,849)     | (1,213,410)  | (883,656)          |
| Unrecognized tax losses   | (83,830)   | -             | (138,896)  | (16,823)           |
| Dividends paid abroad   | -  | -             | -  | (23)               |
| Deferred tax prior year booking <sup>(2)</sup>                      | -  | -             | (4,265)  | (435,963)          |
| Deferred tax write-off - Moy Park business combination              | -  | 72,467        | -  | 72,467             |
| Income tax on realization of other reserves                         | (702)  | (723)         | (7,038)  | (9,751)            |
| <b>Current and deferred income tax (expense) benefit - ADJUSTED</b> | <b>(71,970)</b>                                    | <b>17,625</b> | <b>(352,585)</b>                                   | <b>(1,151,724)</b> |
| <b>Effective income tax rate</b>                                    | <b>(6.19)%</b>                                     | <b>17.51%</b> | <b>(31.64)%</b>                                    | <b>(324.84)%</b>   |

<sup>(1)</sup> The Company believes that due to the origin and non-recurrence of specific events certain items should be excluded from the effective tax rate disclosure such as: i) Deferred tax 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); ii) Recognition of deferred tax from the current year; iii) Unrecognized deferred tax asset iv) Income tax on realization of the other reserves (since it is not relate to the net operating income).

<sup>(2)</sup> According to Note 1, due to adhesion to the PRR, with the possibility of using tax credits, its subsidiaries recognized positive deferred tax of tax loss and negative basis not constituted in previous years in the amount of R\$4,265 in September 2018.

**JBS S.A.**

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

**b. Composition of deferred income tax and social contribution**

|  | Consolidated       |                  |                   |                    |
|--|--------------------|------------------|-------------------|--------------------|
|  | December 31, 2017  | Income statement | Other adjustments | September 30, 2018 |
| Tax losses and negative basis of social contribution |                    | 2,145,206        | -                 | 2,145,206          |
| Allowance for doubtful accounts                      | 61,111             | 9,658            | -                 | 70,769             |
| Provisions for contingencies                         | 175,077            | 21,382           | -                 | 196,459            |
| Present value adjustment - Trade accounts receivable | 915                | 297              | -                 | 1,212              |
| Share-based payment                                  | -                  | 6,219            | -                 | 6,219              |
| Other temporary differences assets                   | 13,073             | 4,189            | -                 | 17,262             |
| Goodwill amortization                                | (1,916,521)        | -                | -                 | (1,916,521)        |
| Present value adjustment - Trade accounts payable    | (3,132)            | (90)             | -                 | (3,222)            |
| Realization of other reserves / deemed cost          | (272,982)          | -                | 2,116             | (270,866)          |
| Other temporary differences liabilities              | (23,333)           | 5,306            | 1                 | (18,026)           |
| <b>Deferred taxes, net</b>                           | <b>(1,965,792)</b> | <b>2,192,167</b> | <b>2,117</b>      | <b>228,492</b>     |

|  | Consolidated       |                  |                    |                   |                    |
|--|--------------------|------------------|--------------------|-------------------|--------------------|
|  | December 31, 2017  | Income statement | Exchange variation | Other adjustments | September 30, 2018 |
| Tax losses and negative basis of social contribution | 871,991            | 3,045,224        | 64,338             | (2,634)           | 3,978,919          |
| Allowance for doubtful accounts                      | 72,559             | 10,265           | 491                | -                 | 83,315             |
| Provision for contingencies                          | 335,993            | 73,043           | 2,223              | 866               | 412,125            |
| Present value adjustment - Trade accounts receivable | 1,292              | 373              | -                  | -                 | 1,665              |
| Tax credits - Foreign subsidiaries                   | 92,433             | (10,152)         | 19,748             | -                 | 102,029            |
| Biological assets - Foreign subsidiaries             | 45,939             | (24,566)         | 6,754              | -                 | 28,127             |
| Labor accidents accruals - Foreign subsidiaries      | 106,879            | (9,851)          | 23,033             | -                 | 120,061            |
| Employee benefit plan - Foreign subsidiaries         | 75,489             | (1,797)          | 15,961             | -                 | 89,653             |
| Accounts payable accruals - Foreign subsidiaries     | 300,228            | 66,381           | 71,763             | -                 | 438,372            |
| Moy Park business restructure                        | 13,114             | (284)            | 2,771              | -                 | 15,601             |
| Share-based payment                                  | -                  | 6,219            | -                  | -                 | 6,219              |
| Other temporary differences assets                   | 219,650            | 305,759          | 16,464             | 202               | 542,075            |
| Goodwill amortization                                | (2,033,318)        | (4,412)          | -                  | -                 | (2,037,730)        |
| Present value adjustment - Trade accounts payable    | (6,073)            | (1,845)          | -                  | -                 | (7,918)            |
| Business combination                                 | (2,310,175)        | (141,822)        | (367,354)          | 51,835            | (2,767,516)        |
| Insurance claims accruals - Foreign subsidiaries     | (96,769)           | (5,542)          | (20,975)           | -                 | (123,286)          |
| Inventory valuation - Foreign subsidiaries           | (112,978)          | (24,119)         | (14,679)           | -                 | (151,776)          |
| Realization of other reserves / deemed cost          | (683,930)          | 22,016           | -                  | 2,116             | (659,798)          |
| Other temporary differences liabilities              | (154,658)          | (148,981)        | (19,166)           | (5,381)           | (328,186)          |
| <b>Deferred taxes, net</b>                           | <b>(3,262,334)</b> | <b>3,155,909</b> | <b>(198,628)</b>   | <b>47,004</b>     | <b>(258,049)</b>   |

|                                   | Company            |                    | Consolidated       |                    |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                   | September 30, 2018 | December 31, 2017  | September 30, 2018 | December 31, 2017  |
| Deferred income taxes assets      | 228,492            | -                  | 1,661,351          | 434,861            |
| Deferred income taxes liabilities | -                  | (1,965,792)        | (1,919,400)        | (3,697,195)        |
|                                   | <b>228,492</b>     | <b>(1,965,792)</b> | <b>(258,049)</b>   | <b>(3,262,334)</b> |

**18 Provisions**

The Company and its subsidiaries are party to several lawsuits arising in the ordinary course of business for which provisions are recognized based on estimated costs determined by management as follows:

|                         | Company            |                  |                   |                  | Consolidated       |                  |                   |                  |
|-------------------------|--------------------|------------------|-------------------|------------------|--------------------|------------------|-------------------|------------------|
|                         | September 30, 2018 |                  | December 31, 2017 |                  | September 30, 2018 |                  | December 31, 2017 |                  |
|                         | Quantity           | R\$              | Quantity          | R\$              | Quantity           | R\$              | Quantity          | R\$              |
| Labor                   | 14,276             | 207,785          | 16,692            | 143,954          | 31,712             | 459,288          | 36,437            | 406,434          |
| Civil                   | 1,208              | 25,162           | 1,004             | 22,017           | 3,912              | 202,050          | 3,501             | 362,904          |
| Tax and Social Security | 1,290              | 1,649,948        | 1,240             | 1,654,036        | 1,972              | 2,096,491        | 1,922             | 2,118,812        |
| <b>Total</b>            | <b>16,774</b>      | <b>1,882,895</b> | <b>18,936</b>     | <b>1,820,007</b> | <b>37,596</b>      | <b>2,757,829</b> | <b>41,860</b>     | <b>2,888,150</b> |



**JBS S.A.**

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

**Changes in provisions**

|                         | Company           |   |                  |                    |
|-------------------------|-------------------|---|------------------|--------------------|
|                         | December 31, 2017 | Additions, disposals and changes in estimates | Payments         | September 30, 2018 |
| Labor                   | 143,954           | 201,806                                       | (137,975)        | 207,785            |
| Civil                   | 22,017            | 6,047   | (2,902)          | 25,162             |
| Tax and Social Security | 1,654,036         | (2,951)                                       | (1,137)          | 1,649,948          |
| <b>Total</b>            | <b>1,820,007</b>  | <b>204,902</b>                                | <b>(142,014)</b> | <b>1,882,895</b>   |

|                         | Consolidated      |   |                  |                         |                    |
|-------------------------|-------------------|---|------------------|-------------------------|--------------------|
|                         | December 31, 2017 | Additions, disposals and changes in estimates | Payments         | Exchange rate variation | September 30, 2018 |
| Labor                   | 406,434           | 275,248                                       | (222,334)        | (60)                    | 459,288            |
| Civil                   | 362,904           | (146,817)                                     | (14,037)         | -                       | 202,050            |
| Tax and Social Security | 2,118,812         | (17,156)                                      | (4,945)          | (220)                   | 2,096,491          |
| <b>Total</b>            | <b>2,888,150</b>  | <b>111,275</b>                                | <b>(241,316)</b> | <b>(280)</b>            | <b>2,757,829</b>   |

**a. 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.

The adjustment recognized in the year ended December 31, 2017 was update with Selic rate and in the nine month period ended September 30, 2018 was R\$30,850, recognized as tax and social security contingencies

**b. Rural Tax Regularization Program (RRP)**

The Company adhered to the Rural Tax Regularization Program (RRP) in the amount of R\$2.4 billion, and no provision was recorded for this contingency, since the probability of loss was considered as possible.

There was no change in the Company's estimate of risk loss related to these lawsuits, however, even if such debts were under discussion and with technical arguments of success, the Company decided to join the RRP in view of the benefits of the program, such as the use of tax credits, discounts and reductions, term for payment, and the cost of the lawsuit (both financial and procedural time).

The debts referring to the SENAR (Serviço Nacional de Aprendizagem Rural) contribution in the approximate amount of R\$301 million were not included in the RRP, as there is no provision in law, and, for this reason, are still under discussion with possible loss expectation.

**19 Equity**

**a. Share capital:** Share capital on September 30, 2018 is R\$23,576,206, represented by 2,728,747,412 common shares, having no nominal value.

**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;

**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 program's fair value 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 options are granted. The number of stock options that each employee is entitled to was calculated based on the average of the Company's stock price for the three months prior to the grant date. The stock option program has 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.

The fair value of each stock option granted was estimated at the grant date based on the Black-Scholes-Merton pricing model.



**JBS S.A.**

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

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 |
| 2014A        | May -14 | 2,196,051           | R\$ 7.58 to R\$ 7.74     | 0.00001               | 1 to 3 years           | 10,98% to 12,16%        | 42.16%     | 7.80                          | 1.05%          |
| 2014B        | Sept-14 | 200,000             | R\$ 9.59 to R\$ 9.99     | 0.00001               | 1 to 5 years           | 11,05% to 11,25%        | 42.16%     | 10.10                         | 1.05%          |
| 2015A        | May-15  | 1,916,859           | R\$ 15.36 to R\$ 15.58   | 0.00001               | 1 to 3 years           | 13,25% to 13,68%        | 55.69%     | 15.66                         | 0.72%          |
| 2016A        | Mar-16  | 3,350,000           | R\$11.55                 | 0.00001               | Immediate vesting      | -                       | -          | 11.55                         | -              |
| 2016C        | Apr-16  | 2,477,651           | R\$ 9.85 to R\$ 10.75    | 0.00003               | 1 to 3 years           | 13,54% to 13,78%        | 69.19%     | 11.12                         | 4.45%          |
| 2016D        | 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%          |
| 2016E        | Nov-16  | 3,350,000           | R\$11.27                 | 0.0000003             | Immediate vesting      | -                       | -          | 11.27                         | -              |
| 2016F        | Nov-16  | 195,000             | R\$ 9.81 to R\$ 10.49    | 0.000015              | 1 to 3 years           | 11,42% to 11,60%        | 50.30%     | 11.27                         | 3.35%          |
| 2017A        | Jan-17  | 3,700,979           | R\$11.90                 | 0.01000               | Immediate vesting      | -                       | -          | 11.90                         | -              |
| 2017B        | May-17  | 1,004,722           | R\$ 11.72 to R\$ 11.82   | 0.000002              | 1 to 3 years           | 9,31% to 9,64%          | 46.15%     | 11.86                         | 0.45%          |
| 2017B1       | May-17  | 35,876              | R\$11.86                 | 0.00003               | Immediate vesting      | -                       | -          | 11.86                         | -              |
| 2017C        | May-17  | 2,315,842           | R\$ 11.10 to R\$ 11.15   | 1.00000               | 1 to 3 years           | 9,31% to 9,64%          | 46.15%     | 12.07                         | 0.45%          |
| 2017D        | Oct-17  | 3,350,000           | R\$8.39                  | 0.0000003             | Immediate vesting      | -                       | -          | 8.39                          | -              |
| 2018A        | Apr-18  | 317,127             | R\$ 7.50 to R\$ 7.57     | 0.00001               | 1 to 3 years           | 6.22% to 7.07%          | 41.38%     | 7.57                          | 0.53%          |
| 2018B        | May-18  | 264,201             | R\$ 7.50 to R\$ 7.57     | 0.00001               | 1 to 3 years           | 6.25% to 6.99%          | 38.49%     | 7.57                          | 0.54%          |
| 2018C        | May-18  | 771,071             | R\$ 9.66 to R\$ 9.75     | 0.000004              | 1 to 3 years           | 6.25% to 6.99%          | 38.49%     | 9.75                          | 0.54%          |
| 2018D        | May-18  | 1,500,000           | R\$ 9.66 to R\$ 9.75     | 0.000002              | 1 to 3 years           | 6.25% to 6.99%          | 38.49%     | 9.75                          | 0.54%          |
| 2018E        | Jun-18  | 153,846             | R\$ 9.62 to R\$ 9.72     | 0.00002               | 1 to 3 years           | 6.74% to 8.81%          | 41.40%     | 9.75                          | 0.5%           |
| 2018F        | Jul-18  | 35,897              | R\$ 9.63 a R\$ 9.73      | 0.0000800             | 1 to 3 years           | 6,79% to 9,25%          | 47.53%     | 9.75                          | 0.51%          |
| <b>Total</b> |         | <b>30,395,012</b>   |                          |                       |                        |                         |            |                               |                |

\* The program 2016B was cancelled during 2017 and its options were transferred to the 2017C program.

**September 30, 2018**

September 30, 2018

| Program |        | Grant    | Vesting terms                                     | Options outstanding | Remaining contractual life (years) |
|---------|--------|----------|---|---------------------|------------------------------------|
| 2016C   | May-16 | 05.01.16 | 1/3 per year with final maturity in April 1, 2019 | 473,922             | 0.33                               |
| 2016D   | Jun-16 | 06.01.16 | 1/3 per year with final maturity in June 1, 2019  | 659,472             | 0.33                               |
| 2017B   | May-17 | 05.01.17 | 1/3 per year with final maturity in May 1, 2020   | 568,146             | 1.67                               |
| 2018A   | Apr-18 | 04.01.18 | 1/3 per year with final maturity in April 1, 2020 | 211,418             | 2.5                                |
| 2018B   | May-18 | 05.01.18 | 1/3 per year with final maturity in May 1, 2020   | 176,134             | 2.58                               |
| 2018C   | May-18 | 05.01.18 | 1/3 per year with final maturity in May 1, 2020   | 655,174             | 2.58                               |
| 2018D   | May-18 | 05.01.18 | 1/3 per year with final maturity in May 1, 2020   | 1,000,000           | 2.58                               |
| 2018E   | Jun-18 | 06.01.18 | 1/3 per year with final maturity in June 1, 2021  | 153,846             | 2.67                               |
| 2018F   | Jul-18 | 07.01.18 | 1/3 per year with final maturity in July 1, 2021  | 35,897              | 2.75                               |
|         |        |          |   | 3,934,009           |                                    |

**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:

| September 30, 2018       |                     |                                  |              |
|--------------------------|---------------------|----------------------------------|--------------|
|                          | Quantity of options | Average exercise price per share |              |
| <b>Opening balance</b>   | <b>4,672,811</b>    | <b>R\$</b>                       | <b>10.11</b> |
| Granted                  | 3,042,142           | R\$                              | 10.11        |
| Exercised <sup>(1)</sup> | (3,469,078)         | R\$                              | 10.36        |
| Cancelled                | (311,866)           | R\$                              | 9.02         |
| <b>Closing balance</b>   | <b>3,934,009</b>    | <b>R\$</b>                       | <b>10.11</b> |

<sup>(1)</sup> The exercised shares during the nine month period ended September 30, 2018 totaled in the amount of R\$32,993.

During the nine month period ended September 30, 2018, the expense with options plan totaled R\$22,364 in the Company and in the Consolidated in the amount of R\$59,487. The expenses were recorded in the net income (loss) under the caption "General and administrative expenses", with the respective offset in "Capital Reserves."

**JBS S.A.**

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

**b3. Treasury shares:**

Treasury share activity during the nine month period ended September 30, 2018 was as follows:

|   | September 30, 2018 |                |
|---|--------------------|----------------|
|   | Quantity           | R\$ thousand   |
| <b>Opening balance</b>                    | <b>19,072,043</b>  | <b>192,882</b> |
| Treasury shares used in stock option plan | (3,469,078)        | (35,084)       |
| <b>Closing balance</b>                    | <b>15,602,965</b>  | <b>157,798</b> |

**20 Net revenue**

|                          | Company                                |                    | Consolidated                           |                    |
|--------------------------|--|--------------------|--|--------------------|
|                          | Nine month periods ended September 30, |                    | Nine month periods ended September 30, |                    |
|                          | 2018                                   | 2017               | 2018                                   | 2017               |
| <b>GROSS REVENUE</b>     |  |                    |  |                    |
| <b>Sales of products</b> |  |                    |  |                    |
| Domestic sales           | 13,037,421                             | 11,840,559         | 103,647,263                            | 91,152,493         |
| Export sales             | 8,140,383                              | 6,442,100          | 34,773,460                             | 33,524,890         |
|                          | <u>21,177,804</u>                      | <u>18,282,659</u>  | <u>138,420,723</u>                     | <u>124,677,383</u> |
| <b>SALES DEDUCTION</b>   |  |                    |  |                    |
| Returns and discounts    | (696,585)                              | (636,567)          | (2,835,132)                            | (2,748,972)        |
| Sales taxes              | (494,783)                              | (450,995)          | (1,224,072)                            | (1,492,908)        |
|                          | <u>(1,191,368)</u>                     | <u>(1,087,562)</u> | <u>(4,059,204)</u>                     | <u>(4,241,880)</u> |
| <b>NET REVENUE</b>       | <u>19,986,436</u>                      | <u>17,195,097</u>  | <u>134,361,519</u>                     | <u>120,435,503</u> |

|                          | Company                                 |                  | Consolidated                            |                    |
|--------------------------|---|------------------|---|--------------------|
|                          | Three month periods ended September 30, |                  | Three month periods ended September 30, |                    |
|                          | 2018                                    | 2017             | 2018                                    | 2017               |
| <b>GROSS REVENUE</b>     |   |                  |   |                    |
| <b>Sales of products</b> |   |                  |   |                    |
| Domestic sales           | 4,485,953                               | 3,674,357        | 37,128,764                              | 31,074,622         |
| Export sales             | 3,450,469                               | 2,075,648        | 13,731,341                              | 11,471,091         |
|                          | <u>7,936,422</u>                        | <u>5,750,005</u> | <u>50,860,105</u>                       | <u>42,545,713</u>  |
| <b>SALES DEDUCTION</b>   |   |                  |   |                    |
| Returns and discounts    | (223,371)                               | (198,813)        | (1,034,243)                             | (901,187)          |
| Sales taxes              | (181,568)                               | (144,663)        | (423,049)                               | (500,130)          |
|                          | <u>(404,939)</u>                        | <u>(343,476)</u> | <u>(1,457,292)</u>                      | <u>(1,401,317)</u> |
| <b>NET REVENUE</b>       | <u>7,531,483</u>                        | <u>5,406,529</u> | <u>49,402,813</u>                       | <u>41,144,396</u>  |

**21 Finance income (expense)**

|  | Company                                |                    | Consolidated                           |                    |
|--|--|--------------------|--|--------------------|
|  | Nine month periods ended September 30, |                    | Nine month periods ended September 30, |                    |
|  | 2018                                   | 2017               | 2018                                   | 2017               |
| Exchange rate variation                | (3,669,745)                            | 365,308            | (5,090,991)                            | 135,262            |
| Fair value adjustments on derivatives  | 340,579                                | 8,262              | 333,355                                | 23,669             |
| Interest expense                       | (1,221,796)                            | (2,012,296)        | (3,088,169)                            | (3,780,013)        |
| Interest income                        | 365,435                                | 514,087            | 224,214                                | 214,960            |
| Taxes, contribution, tariff and others | (48,289)                               | (35,381)           | (95,899)                               | (113,938)          |
|  | <u>(4,233,816)</u>                     | <u>(1,160,020)</u> | <u>(7,717,490)</u>                     | <u>(3,520,060)</u> |
| Finance income                         | 706,014                                | 2,073,301          | 586,883                                | 1,938,888          |
| Finance expense                        | (4,939,830)                            | (3,233,321)        | (8,304,373)                            | (5,458,948)        |
|  | <u>(4,233,816)</u>                     | <u>(1,160,020)</u> | <u>(7,717,490)</u>                     | <u>(3,520,060)</u> |

**JBS S.A.**

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

|  | Company                                 |                  | Consolidated                            |                  |
|--|---|------------------|---|------------------|
|  | Three month periods ended September 30, |                  | Three month periods ended September 30, |                  |
|  | 2018                                    | 2017             | 2018                                    | 2017             |
| Exchange rate variation                | (741,498)                               | 843,359          | (1,042,364)                             | 1,054,647        |
| Fair value adjustments on derivatives  | 169,670                                 | (196,136)        | 211,633                                 | (182,060)        |
| Interest expense                       | (483,447)                               | (1,186,119)      | (1,130,368)                             | (1,805,895)      |
| Interest income                        | 94,700                                  | 127,283          | 103,492                                 | 70,989           |
| Taxes, contribution, tariff and others | (20,972)                                | (18,015)         | (33,634)                                | (36,154)         |
|  | <u>(981,547)</u>                        | <u>(429,628)</u> | <u>(1,891,241)</u>                      | <u>(898,473)</u> |
| Finance income                         | 264,370                                 | 970,641          | 315,125                                 | 1,125,636        |
| Finance expense                        | (1,245,917)                             | (1,400,269)      | (2,206,366)                             | (2,024,109)      |
|  | <u>(981,547)</u>                        | <u>(429,628)</u> | <u>(1,891,241)</u>                      | <u>(898,473)</u> |

**22 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).

|   | Nine month periods ended September 30, |                  | Three month periods ended September 30, |                  |
|---|--|------------------|---|------------------|
|   | 2018                                   | 2017             | 2018                                    | 2017             |
| <b>Net income (loss) attributable to shareholders</b>       | <b>(538,045)</b>                       | <b>985,938</b>   | <b>(133,490)</b>                        | <b>323,047</b>   |
| Weighted average common shares outstanding                  | 2,728,747                              | 2,856,858        | 2,728,747                               | 2,856,858        |
| Weighted average - treasury shares                          | (16,154)                               | (31,754)         | (15,603)                                | (181,233)        |
| <b>Weighted average - common shares outstanding (basic)</b> | <b>2,712,594</b>                       | <b>2,825,104</b> | <b>2,713,144</b>                        | <b>2,675,625</b> |
| <b>Basic earnings (loss) per share - (R\$)</b>              | <b>(0.20)</b>                          | <b>0.35</b>      | <b>(0.05)</b>                           | <b>0.12</b>      |

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

|   | Nine month periods ended September 30, |                  | Three month periods ended September 30, |                  |
|---|--|------------------|---|------------------|
|   | 2018                                   | 2017             | 2018                                    | 2017             |
| <b>Net income (loss) attributable to shareholders</b>         | <b>(538,045)</b>                       | <b>985,938</b>   | <b>(133,490)</b>                        | <b>323,047</b>   |
| Weighted average common shares outstanding (basic) - R\$      | 2,712,594                              | 2,825,104        | 2,713,144                               | 2,675,625        |
| Dilutive effect of outstanding stock options                  | 3,256                                  | 16,278           | 3,942                                   | 25,815           |
| <b>Weighted average - common shares outstanding (diluted)</b> | <b>2,715,850</b>                       | <b>2,841,382</b> | <b>2,717,087</b>                        | <b>2,701,440</b> |
| <b>Diluted earnings (loss) per shares - (R\$)</b>             | <b>(0.20)</b>                          | <b>0.35</b>      | <b>(0.05)</b>                           | <b>0.12</b>      |

For the nine month period ended September 30, 2018, 3,934,009 shares (4,672,811 shares in December 31, 2017) related to outstanding stock options have been excluded from the calculation of diluted weighted average common shares.

**23 Operating segments and geographic reporting**

The Company's Management established the operating segments based on the reports that are used to make strategic decisions. Starting from 2018, the Company changed its management structure, and the information per segment started to be elaborated considering the following segments: Brazil, Seara, Beef USA, Pork USA, Chicken USA and Others.

**Brazil:** this segment includes all the operating activities from Company and its subsidiaries, mainly represented by slaughter facilities, cold storage and meat processing, fat, feed and production of beef by-products such as leather, collagen and others products produced in Brazil.

**Seara:** this segment includes all the operating activities of Seara and its subsidiaries, mainly represented by chicken and pork processing, production and commercialization of food products.

**Beef USA:** this segment includes JBS USA's operations, including Australia and Canada as well, related to beef processing: slaughter, cold storage, production and others beef by-products, besides cattle fattening services.

**Pork USA:** this segment includes JBS USA's pork and lamb operations, including Plumrose and Australia as well, related to slaughter, cold storage, production and commercialization of food products.

**Chicken USA:** this segment includes PPC's operations, including Moy Park as well, mainly represented by chicken processing, production and commercialization of food products in the United States of America, Mexico, United Kingdom and France.

Due to the volume's substantial percentage of the operating segments above, the others segments and activities in which the Company operates do not have a major share. Those segments are included in "Others". Furthermore, the eliminations between the companies of the group are presented separately.

The accounting policies of the reportable segments are the same as described in these 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.



**JBS S.A.**

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

The segment profitability reviewed by the Statutory Directors 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 are as follows:

**Segments presented by product:**

| Segments                 | Net revenue                            |                    | Operating income <sup>(1)</sup>        |                  | Depreciation                           |                  |
|--------------------------|--|--------------------|--|------------------|--|------------------|
|                          | Nine month periods ended September 30, |                    | Nine month periods ended September 30, |                  | Nine month periods ended September 30, |                  |
|                          | 2018                                   | 2017               | 2018                                   | 2017             | 2018                                   | 2017             |
| Brazil                   | 20,455,044                             | 17,606,004         | 366,846                                | (258,706)        | 588,805                                | 599,257          |
| Seara                    | 22,854,779                             | 19,572,399         | 225,907                                | 336,996          | 730,177                                | 743,352          |
| Beef USA                 | 58,047,747                             | 50,727,999         | 4,198,059                              | 2,302,949        | 511,894                                | 470,097          |
| Pork USA                 | 15,428,730                             | 14,640,590         | 1,354,636                              | 1,639,972        | 238,246                                | 217,629          |
| Chicken USA              | 29,772,755                             | 25,742,481         | 1,635,547                              | 2,937,805        | 1,462,604                              | 1,239,552        |
| Others                   | 2,066,375                              | 3,288,518          | (2,007)                                | (58,783)         | 34,242                                 | 47,498           |
| Intercompany elimination | (14,263,911)                           | (11,142,488)       | -                                      | -                | -                                      | -                |
| <b>Total</b>             | <b>134,361,519</b>                     | <b>120,435,503</b> | <b>7,778,988</b>                       | <b>6,900,233</b> | <b>3,565,968</b>                       | <b>3,317,385</b> |

**Segments presented by product:**

| Segments                 | Net revenue                             |                   | Operating income <sup>(1)</sup>         |                  | Depreciation                            |                  |
|--------------------------|---|-------------------|---|------------------|---|------------------|
|                          | Three month periods ended September 30, |                   | Three month periods ended September 30, |                  | Three month periods ended September 30, |                  |
|                          | 2018                                    | 2017              | 2018                                    | 2017             | 2018                                    | 2017             |
| Brazil                   | 7,714,528                               | 5,550,633         | 514,222                                 | (132,331)        | 192,326                                 | 200,468          |
| Seara                    | 9,107,928                               | 6,871,892         | 267,536                                 | 249,487          | 244,550                                 | 259,003          |
| Beef USA                 | 21,451,620                              | 17,508,332        | 1,424,146                               | 1,267,797        | 181,257                                 | 148,070          |
| Pork USA                 | 5,518,440                               | 5,348,408         | 632,490                                 | 639,997          | 89,210                                  | 80,228           |
| Chicken USA              | 10,662,950                              | 8,826,398         | 330,593                                 | 1,205,256        | 542,588                                 | 428,503          |
| Others                   | 734,605                                 | 557,773           | (607)                                   | (38,484)         | 13,448                                  | 11,276           |
| Intercompany elimination | (5,787,258)                             | (3,519,040)       | -                                       | -                | -                                       | -                |
| <b>Total</b>             | <b>49,402,813</b>                       | <b>41,144,396</b> | <b>3,168,380</b>                        | <b>3,191,722</b> | <b>1,263,379</b>                        | <b>1,127,548</b> |

**Total assets by product:**

|                          | September 30, 2018 | December 31, 2017  |
|--------------------------|--------------------|--------------------|
| <b>Total assets</b>      |                    |                    |
| Brazil                   | 59,332,414         | 56,512,511         |
| Seara                    | 39,034,493         | 30,165,204         |
| Beef USA                 | 21,069,071         | 17,867,772         |
| Pork USA                 | 9,179,590          | 8,156,216          |
| Chicken USA              | 24,961,977         | 21,726,292         |
| Others                   | 96,134,287         | 63,817,377         |
| Intercompany elimination | (130,828,800)      | (89,549,421)       |
| <b>Total</b>             | <b>118,883,032</b> | <b>108,695,951</b> |

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

**Geographic reporting**

|                          | Net revenue                            |                    | Operating income <sup>(1)</sup>        |                  | Depreciation                           |                  |
|--------------------------|--|--------------------|--|------------------|--|------------------|
|                          | Nine month periods ended September 30, |                    | Nine month periods ended September 30, |                  | Nine month periods ended September 30, |                  |
|                          | 2018                                   | 2017               | 2018                                   | 2017             | 2018                                   | 2017             |
| United States of America | 103,251,947                            | 87,758,459         | 7,167,771                              | 6,762,402        | 2,227,390                              | 1,801,995        |
| South America            | 43,699,756                             | 39,101,450         | 606,876                                | 103,228          | 1,327,482                              | 1,370,011        |
| Others                   | 1,673,727                              | 4,718,082          | 4,341                                  | 34,603           | 11,096                                 | 145,379          |
| Intercompany elimination | (14,263,911)                           | (11,142,488)       | -                                      | -                | -                                      | -                |
| <b>Total</b>             | <b>134,361,519</b>                     | <b>120,435,503</b> | <b>7,778,988</b>                       | <b>6,900,233</b> | <b>3,565,968</b>                       | <b>3,317,385</b> |

**JBS S.A.**

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

**Geographic reporting**

|                          | Net revenue                             |                   | Operating income <sup>(1)</sup>         |                  | Depreciation                            |                  |
|--------------------------|---|-------------------|---|------------------|---|------------------|
|                          | Three month periods ended September 30, |                   | Three month periods ended September 30, |                  | Three month periods ended September 30, |                  |
|                          | 2018                                    | 2017              | 2018                                    | 2017             | 2018                                    | 2017             |
| United States of America | 37,635,725                              | 31,683,138        | 2,380,978                               | 3,107,766        | 819,467                                 | 660,613          |
| South America            | 16,943,671                              | 12,549,381        | 784,474                                 | 117,363          | 439,817                                 | 463,631          |
| Others                   | 610,675                                 | 430,917           | 2,928                                   | (33,407)         | 4,095                                   | 3,304            |
| Intercompany elimination | (5,787,258)                             | (3,519,040)       | -                                       | -                | -                                       | -                |
| <b>Total</b>             | <b>49,402,813</b>                       | <b>41,144,396</b> | <b>3,168,380</b>                        | <b>3,191,722</b> | <b>1,263,379</b>                        | <b>1,127,548</b> |

**Total assets by geographic area:**

|                          | September 30, 2018 | December 31, 2017  |
|--------------------------|--------------------|--------------------|
| <b>Total assets</b>      |                    |                    |
| United States of America | 76,401,596         | 63,463,155         |
| South America            | 98,850,596         | 84,281,668         |
| Others                   | 74,459,640         | 50,500,549         |
| Intercompany elimination | (130,828,800)      | (89,549,421)       |
| <b>Total</b>             | <b>118,883,032</b> | <b>108,695,951</b> |

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

|   | Operating income                       |                  |   |                  |
|---|--|------------------|---|------------------|
|   | Nine month periods ended September 30, |                  | Three month periods ended September 30, |                  |
|   | 2018                                   | 2017             | 2018                                    | 2017             |
| Net income (loss)   | (340,440)                              | 1,370,612        | (101,735)                               | 478,885          |
| Income tax and social contribution - current and deferred | (2,091,530)                            | 44,151           | (1,012,493)                             | (124,333)        |
| Finance (income) expense, net                             | 7,717,490                              | 3,520,060        | 1,891,241                               | 898,473          |
| Share of profit of equity-accounted investees, net of tax | (21,868)                               | (17,199)         | (5,674)                                 | (9,275)          |
| <b>Operating profit</b>                                   | <b>5,263,652</b>                       | <b>4,917,624</b> | <b>771,339</b>                          | <b>1,243,750</b> |
| Tax payable in installments                               | 2,417,241                              | 1,839,808        | 2,395,551                               | 1,839,808        |
| Investigation impacts due to the leniency agreement       | 30,850                                 | 34,551           | 10,726                                  | -                |
| Negative goodwill on acquisition of tax credits           | (54,609)                               | (75,985)         | (54,609)                                | (75,985)         |
| Profit on divestment program (*)                          | 6,684                                  | 109,568          | 6,684                                   | 109,568          |
| Other operating expense/income                            | 115,170                                | 74,667           | 38,689                                  | 74,581           |
| <b>Net operating profit</b>                               | <b>7,778,988</b>                       | <b>6,900,233</b> | <b>3,168,380</b>                        | <b>3,191,722</b> |

(\*) Amount refers to the price adjustment in the sale of the shareholding in Vigor Alimentos, whose value of the sale was subject to variations established in clauses of the purchase and sale instrument.

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

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

**JBS S.A.**

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

|  |       | Company             |                     | Consolidated        |                     |
|--|-------|---------------------|---------------------|---------------------|---------------------|
|  | Notes | September 30, 2018  | December 31, 2017   | September 30, 2018  | December 31, 2017   |
| <b>Assets</b>                                  |       |                     |                     |                     |                     |
| <b>Fair value through profit or loss</b>       |       |                     |                     |                     |                     |
| Financial investments                          | 4     | 368,488             | 1,064,084           | 5,521,918           | 5,856,502           |
| National treasury bills                        |       | 198,063             | -                   | 198,063             | -                   |
| Derivative assets                              | 24    | 5,053               | -                   | 89,763              | 30,760              |
| <b>Loans and receivables at amortized cost</b> |       |                     |                     |                     |                     |
| Cash at banks                                  | 4     | 685,793             | 1,074,718           | 6,373,849           | 5,884,806           |
| Trade accounts receivable                      | 5     | 2,652,790           | 2,302,913           | 9,827,639           | 9,333,291           |
| Related parties receivables                    | 9     | 1,862,873           | 5,059,258           | 979,242             | 897,535             |
| <b>Total</b>                                   |       | <b>5,773,060</b>    | <b>9,500,973</b>    | <b>22,990,474</b>   | <b>22,002,894</b>   |
| <b>Liabilities</b>                             |       |                     |                     |                     |                     |
| <b>Liabilities at amortized cost</b>           |       |                     |                     |                     |                     |
| Loans and financing                            | 14    | (19,863,434)        | (20,057,355)        | (61,635,736)        | (57,024,651)        |
| Trade accounts payable                         |       | (2,229,266)         | (2,029,104)         | (12,269,291)        | (9,992,778)         |
| Related party payables                         | 9     | (3,612,487)         | (3,018,787)         | (214,727)           | -                   |
| Other financial liabilities                    |       | (43,894)            | (32,486)            | (77,439)            | (113,024)           |
| <b>Fair value through profit or loss</b>       |       |                     |                     |                     |                     |
| Derivative liabilities                         | 24    | (122,920)           | (10)                | (351,306)           | (118,684)           |
| <b>Total</b>                                   |       | <b>(25,872,000)</b> | <b>(25,137,742)</b> | <b>(74,548,499)</b> | <b>(67,249,137)</b> |

**Fair value through profit or loss:** (i) CDBs are updated at the effective rate, but are very short-term and negotiated with first-tier financial institutions, and their recognition is similar to fair value; (ii) national treasury bill are recognized according to market value.

**Amortized cost:** (i) with the adoption of IFRS 9 / CPC 48, loans and receivables are classified as amortized cost, but without any change in their nature or business model; (ii) the accounts receivable are short-term and net from expected losses.

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

|         | Company                |                   |                       |                   |                    |                   |                         |                   |
|---------|------------------------|-------------------|-----------------------|-------------------|--------------------|-------------------|-------------------------|-------------------|
|         | Current assets         |                   |                       |                   |                    |                   | Current liabilities     |                   |
|         | National treasury bill |                   | Financial investments |                   | Derivative assets  |                   | Derivatives liabilities |                   |
|         | September 30, 2018     | December 31, 2017 | September 30, 2018    | December 31, 2017 | September 30, 2018 | December 31, 2017 | September 30, 2018      | December 31, 2017 |
|         |                        |                   |                       |                   |                    |                   |                         |                   |
| Level 1 | 198,063                | 708,406           | -                     | -                 | -                  | -                 | -                       | -                 |
| Level 2 | -                      | -                 | 368,488               | 355,678           | 5,053              | -                 | (122,920)               | -                 |

|         | Consolidated           |                   |                       |                   |                    |                   |                         |                   |
|---------|------------------------|-------------------|-----------------------|-------------------|--------------------|-------------------|-------------------------|-------------------|
|         | Current assets         |                   |                       |                   |                    |                   | Current liabilities     |                   |
|         | National treasury bill |                   | Financial investments |                   | Derivative assets  |                   | Derivatives liabilities |                   |
|         | September 30, 2018     | December 31, 2017 | September 30, 2018    | December 31, 2017 | September 30, 2018 | December 31, 2017 | September 30, 2018      | December 31, 2017 |
|         |                        |                   |                       |                   |                    |                   |                         |                   |
| Level 1 | 198,063                | 708,406           | -                     | -                 | -                  | -                 | -                       | -                 |
| Level 2 | -                      | -                 | 5,521,918             | 5,148,096         | 89,763             | 30,760            | (351,306)               | (118,684)         |

Book value of financial instruments are similar to fair value, considering the criteria defined for levels 1 and 2 in the fair value hierarchy.

**b. Fair value of assets and liabilities classified as amortized cost:**

Assets and liabilities classified as amortized cost fall within level 2 in the fair value hierarchy. The exception is the Senior Notes that have observable prices in active markets and are therefore considered in the hierarchy of fair value measurement as Level 1.



**JBS S.A.**

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

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

| Description        | Company            |                            |                               |                   |                            |                               | Consolidated       |                            |                               |                   |                            |                               |
|--------------------|--------------------|----------------------------|-------------------------------|-------------------|----------------------------|-------------------------------|--------------------|----------------------------|-------------------------------|-------------------|----------------------------|-------------------------------|
|                    | September 30, 2018 |                            |                               | December 31, 2017 |                            |                               | September 30, 2018 |                            |                               | December 31, 2017 |                            |                               |
|                    | 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 | 4,003,900          | 101.88                     | 4,079,173                     | 3,308,000         | 102.37                     | 3,386,400                     | 4,003,900          | 101.88                     | 4,079,173                     | 3,308,000         | 102.37                     | 3,386,400                     |
| JBS S.A Notes 2023 | 3,103,023          | 99.12                      | 3,075,716                     | 2,563,700         | 95.43                      | 2,446,539                     | 3,103,023          | 99.12                      | 3,075,716                     | 2,563,700         | 95.43                      | 2,446,539                     |
| JBS S.A Notes 2024 | 3,002,925          | 102.31                     | 3,072,293                     | 2,481,000         | 99.02                      | 2,456,686                     | 3,002,925          | 102.31                     | 3,072,293                     | 2,481,000         | 99.02                      | 2,456,686                     |
| JBS Lux Notes 2020 | -                  | -                          | -                             | -                 | -                          | -                             | -                  | -                          | -                             | 2,315,600         | 102.30                     | 2,368,859                     |
| JBS Lux Notes 2021 | -                  | -                          | -                             | -                 | -                          | -                             | 4,604,485          | 102.00                     | 4,696,574                     | 3,804,200         | 102.50                     | 3,899,305                     |
| JBS Lux Notes 2024 | -                  | -                          | -                             | -                 | -                          | -                             | 3,002,925          | 99.50                      | 2,987,760                     | 2,481,000         | 99.75                      | 2,474,798                     |
| JBS Lux Notes 2025 | -                  | -                          | -                             | -                 | -                          | -                             | 3,603,510          | 99.00                      | 3,567,439                     | 2,977,200         | 97.00                      | 2,887,884                     |
| JBS Lux Notes 2028 | -                  | -                          | -                             | -                 | -                          | -                             | 3,603,510          | 100.22                     | 3,611,438                     | -                 | -                          | -                             |
| PPC Notes 2025     | -                  | -                          | -                             | -                 | -                          | -                             | 4,003,900          | 96.63                      | 3,869,129                     | 2,481,000         | 103.25                     | 2,561,633                     |
| PPC Notes 2027     | -                  | -                          | -                             | -                 | -                          | -                             | 3,403,315          | 94.78                      | 3,225,628                     | 1,984,800         | 103.18                     | 2,047,917                     |
| Moy Park           | -                  | -                          | -                             | -                 | -                          | -                             | -                  | -                          | -                             | 1,334,593         | 103.04                     | 1,375,165                     |
|                    | <u>10,109,848</u>  |                            | <u>10,227,182</u>             | <u>8,352,700</u>  |                            | <u>8,289,625</u>              | <u>32,331,493</u>  |                            | <u>32,185,150</u>             | <u>25,731,093</u> |                            | <u>25,905,186</u>             |

**Risk management:**

The Company during the regular course of its operations is exposed to a variety of financial risks that include the effects of changes in market prices, (including foreign exchange, interest rate risk and commodity price risk), credit risk and liquidity risk. Such risks are fully disclosed in the financials statements at December 31, 2017. There were no changes in the nature of these risks in the current period.

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

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

|                                   | Company             |                     | Consolidated        |                     |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                   | September 30, 2018  | December 31, 2017   | September 30, 2018  | December 31, 2017   |
| <b>OPERATING</b>                  |                     |                     |                     |                     |
| Cash and cash equivalents         | 567,679             | 1,032,719           | 2,170,303           | 1,614,777           |
| Trade accounts receivable         | 2,217,403           | 1,545,762           | 3,506,860           | 3,072,269           |
| Sales orders                      | 1,953,106           | 1,179,665           | 3,206,284           | 2,867,967           |
| Trade accounts payable            | (51,741)            | (37,854)            | (132,996)           | (77,508)            |
| Purchase orders                   | -                   | -                   | (88,857)            | (67,668)            |
| <b>Subtotal</b>                   | <u>4,686,447</u>    | <u>3,720,292</u>    | <u>8,661,594</u>    | <u>7,409,837</u>    |
| <b>FINANCIAL</b>                  |                     |                     |                     |                     |
| Related parties transaction (net) | (2,912,812)         | (2,572,041)         | (11,663,464)        | (4,786,741)         |
| Net debt in foreign subsidiaries  | (29,035,194)        | (24,170,798)        | (29,035,194)        | (24,170,798)        |
| Loans and financing               | (18,469,386)        | (18,355,634)        | (20,919,205)        | (22,231,204)        |
| <b>Subtotal</b>                   | <u>(50,417,392)</u> | <u>(45,098,473)</u> | <u>(61,617,863)</u> | <u>(51,188,743)</u> |
| <b>Total exposure</b>             | <u>(45,730,945)</u> | <u>(41,378,181)</u> | <u>(52,956,269)</u> | <u>(43,778,906)</u> |
| <b>DERIVATIVES</b>                |                     |                     |                     |                     |
| Future contracts                  | 406,596             | -                   | 1,296,151           | -                   |
| Deliverable Forwards (DF's)       | -                   | -                   | 357,776             | (18,237)            |
| Non Deliverable Forwards (NDF's)  | 4,804,680           | -                   | 4,810,570           | 2,577               |
| <b>Total derivatives</b>          | <u>5,211,276</u>    | <u>-</u>            | <u>6,464,497</u>    | <u>(15,660)</u>     |
| <b>NET EXPOSURE IN R\$</b>        | <u>(40,519,669)</u> | <u>(41,378,181)</u> | <u>(46,491,772)</u> | <u>(43,794,566)</u> |

**Sensitivity analysis at September 30, 2018 (exchange rates are Brazilian Reais to US Dollar):**

| Exposure of R\$ | Risk         | Current exchange rate | Scenario (i) VaR 99% I.C. 1 day |                  |                  |               | Scenario (ii) Interest rate variation - 25% |                    |               |                    | Scenario (iii) Interest rate variation - 50% |               |                  |              |
|-----------------|--------------|-----------------------|---------------------------------|------------------|------------------|---------------|---|--------------------|---------------|--------------------|--|---------------|------------------|--------------|
|                 |              |                       | Exchange rate                   | Effect on income |                  | Exchange rate | Effect on income                            |                    | Exchange rate | Effect on income   |  | Exchange rate | Effect on income |              |
|                 |              |                       |                                 | Company          | Consolidated     |               | Company                                     | Consolidated       |               | Company            | Consolidated                                 |               | Company          | Consolidated |
| Operating       | Appreciation | 4.0039                | 4.0916                          | 102,639          | 189,699          | 5.0049        | 1,171,618                                   | 2,165,409          | 6.0059        | 2,343,224          | 4,330,797                                    |               |                  |              |
| Financial       | Depreciation | 4.0039                | 4.0916                          | (468,295)        | (713,598)        | 5.0049        | (5,345,576)                                 | (8,145,708)        | 6.0059        | (10,691,099)       | (16,291,334)                                 |               |                  |              |
| Derivatives     | Appreciation | 4.0039                | 4.0916                          | 114,133          | 141,580          | 5.0049        | 1,302,826                                   | 1,616,132          | 6.0059        | 2,605,638          | 3,232,249                                    |               |                  |              |
|                 |              |                       |                                 | <u>(251,523)</u> | <u>(382,319)</u> |               | <u>(2,871,132)</u>                          | <u>(4,364,167)</u> |               | <u>(5,742,237)</u> | <u>(8,728,288)</u>                           |               |                  |              |

**JBS S.A.**

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

| Exposure of R\$                  | Risk         | Current exchange rate | Scenario (i) VaR 99% I.C. 1 day |                  |                  | Scenario (ii) Interest rate variation - 25% |                    |                    | Scenario (iii) Interest rate variation - 50% |                     |                     |
|----------------------------------|--------------|-----------------------|---------------------------------|------------------|------------------|---|--------------------|--------------------|--|---------------------|---------------------|
|                                  |              |                       | Exchange rate                   | Effect on equity |                  | Exchange rate                               | Effect on equity   |                    | Exchange rate                                | Effect on equity    |                     |
|                                  |              |                       |                                 | Company          | Consolidated     |   | Company            | Consolidated       |  | Company             | Consolidated        |
| Net debt in foreign subsidiaries | Depreciation | 4.0039                | 4.0916                          | (635,904)        | (635,904)        | 5.0049                                      | (7,258,835)        | (7,258,835)        | 6.0059                                       | (14,517,597)        | (14,517,597)        |
|                                  |              |                       |                                 | <u>(635,904)</u> | <u>(635,904)</u> |   | <u>(7,258,835)</u> | <u>(7,258,835)</u> |  | <u>(14,517,597)</u> | <u>(14,517,597)</u> |

The Company includes the net debt of foreign subsidiaries in the disclosure of economic hedging exposure. Although these debts do not generate foreign exchange gains or losses 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:**

| September 30, 2018  |                       |                |          |          |            |              |           |            |
|---------------------|-----------------------|----------------|----------|----------|------------|--------------|-----------|------------|
| Instrument          | Risk factor           | Nature         | Company  |          |            | Consolidated |           |            |
|                     |                       |                | Quantity | Notional | Fair value | Quantity     | Notional  | Fair value |
| Future Contracts B3 | American dollar + DDI | Long and Short | 2,031    | 406,596  | 6,571      | 6,474        | 1,296,151 | 45,926     |

| Company                  |                 |        |                    |                |            |                   |                |            |
|--------------------------|-----------------|--------|--------------------|----------------|------------|-------------------|----------------|------------|
| Instrument               | Risk factor     | Nature | September 30, 2018 |                |            | December 31, 2017 |                |            |
|                          |                 |        | Notional (USD)     | Notional (R\$) | Fair value | Notional (USD)    | Notional (R\$) | Fair value |
| Non Deliverable Forwards | American dollar | Long   | 1,200,000          | 4,804,680      | (122,892)  | -                 | -              | -          |

| Consolidated             |                 |        |                    |                |            |                   |                |            |
|--------------------------|-----------------|--------|--------------------|----------------|------------|-------------------|----------------|------------|
| Instrument               | Risk factor     | Nature | September 30, 2018 |                |            | December 31, 2017 |                |            |
|                          |                 |        | Notional (USD)     | Notional (R\$) | Fair value | Notional (USD)    | Notional (R\$) | Fair value |
| Non Deliverable Forwards | American dollar | Long   | 1,201,471          | 4,810,570      | (123,185)  | 779               | 2,577          | (20)       |
| Deliverable Forwards     | American dollar | Long   | 89,357             | 357,776        | 6,038      | (5,513)           | (18,237)       | (2,316)    |

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

|                                   | Company            |                   | Consolidated       |                   |
|-----------------------------------|--------------------|-------------------|--------------------|-------------------|
|                                   | September 30, 2018 | December 31, 2017 | September 30, 2018 | December 31, 2017 |
| <b>OPERATING</b>                  |                    |                   |                    |                   |
| Cash and cash equivalents         | 108,119            | 12,388            | 191,840            | 38,285            |
| Trade accounts receivable         | 209,308            | 105,726           | 367,671            | 227,215           |
| Sales orders                      | 315,334            | 219,001           | 440,136            | 432,811           |
| Trade accounts payable            | (33,823)           | (23,919)          | (94,928)           | (65,308)          |
| Purchase orders                   | -                  | -                 | (43,053)           | (16,056)          |
| <b>Subtotal</b>                   | <b>598,938</b>     | <b>313,196</b>    | <b>861,666</b>     | <b>616,947</b>    |
| <b>FINANCIAL</b>                  |                    |                   |                    |                   |
| Related parties transaction (net) | 8,874              | 2,275             | 8,874              | 2,275             |
| Loans and financings              | (71,310)           | (77,605)          | (73,553)           | (83,444)          |
| <b>Subtotal</b>                   | <b>(62,436)</b>    | <b>(75,330)</b>   | <b>(64,679)</b>    | <b>(81,169)</b>   |
| <b>Total exposure</b>             | <b>536,502</b>     | <b>237,866</b>    | <b>796,987</b>     | <b>535,778</b>    |
| <b>DERIVATIVES</b>                |                    |                   |                    |                   |
| Deliverable Forwards (DF's)       | -                  | -                 | 124,009            | (107,603)         |
| Non Deliverable Forwards (NDF's)  | -                  | -                 | 2,763              | (26,811)          |
| <b>Total derivatives</b>          | <b>-</b>           | <b>-</b>          | <b>126,772</b>     | <b>(134,414)</b>  |
| <b>NET EXPOSURE IN R\$</b>        | <b>536,502</b>     | <b>237,866</b>    | <b>923,759</b>     | <b>401,364</b>    |

**Sensitivity analysis at September 30, 2018 ( exchange rates are Brazilian Reais to Euro):**

| Exposure of R\$ | Risk         | Current exchange rate | Scenario (i) VaR 99% I.C. 1 day |                  |                 | Scenario (ii) Interest rate variation - 25% |                  |                  | Scenario (iii) Interest rate variation - 50% |                  |                  |
|-----------------|--------------|-----------------------|---------------------------------|------------------|-----------------|---|------------------|------------------|--|------------------|------------------|
|                 |              |                       | Exchange rate                   | Effect on income |                 | Exchange rate                               | Effect on income |                  | Exchange rate                                | Effect on income |                  |
|                 |              |                       |                                 | Company          | Consolidated    |   | Company          | Consolidated     |  | Company          | Consolidated     |
| Operating       | Appreciation | 4.6545                | 4.5420                          | (14,476)         | (20,827)        | 3.4909                                      | (149,734)        | (215,416)        | 2.3273                                       | (299,470)        | (430,833)        |
| Financial       | Depreciation | 4.6545                | 4.5420                          | 1,509            | 1,563           | 3.4909                                      | 15,609           | 16,170           | 2.3273                                       | 31,218           | 32,339           |
| Derivatives     | Appreciation | 4.6545                | 4.5420                          | -                | (3,064)         | 3.4909                                      | -                | (31,693)         | 2.3273                                       | -                | (63,386)         |
|                 |              |                       |                                 | <u>(12,967)</u>  | <u>(22,328)</u> |   | <u>(134,125)</u> | <u>(230,939)</u> |  | <u>(268,252)</u> | <u>(461,880)</u> |



**JBS S.A.**

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

**Derivatives financial instruments breakdown:**

| Instrument               | Risk factor | Nature | Consolidated       |                |            |                   |                |            |
|--------------------------|-------------|--------|--------------------|----------------|------------|-------------------|----------------|------------|
|                          |             |        | September 30, 2018 |                |            | December 31, 2017 |                |            |
|                          |             |        | Notional (EUR)     | Notional (R\$) | Fair value | Notional (EUR)    | Notional (R\$) | Fair value |
| Non Deliverable Forwards | Euro        | Short  | 594                | 2,763          | 480        | (6,755)           | (26,811)       | (40)       |
| Deliverable Forwards     | Euro        | Long   | 26,643             | 124,009        | (284)      | (27,109)          | (107,603)      | 275        |

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

|                             | Company            |                   | Consolidated       |                   |
|-----------------------------|--------------------|-------------------|--------------------|-------------------|
|                             | September 30, 2018 | December 31, 2017 | September 30, 2018 | December 31, 2017 |
| <b>OPERATING</b>            |                    |                   |                    |                   |
| Cash and cash equivalents   | -                  | -                 | 436,705            | 168,119           |
| Trade accounts receivable   | -                  | -                 | 333,084            | 272,930           |
| Trade accounts payable      | -                  | -                 | (516,667)          | (240,885)         |
| <b>Subtotal</b>             | -                  | -                 | 253,122            | 200,164           |
| <b>FINANCIAL</b>            |                    |                   |                    |                   |
| Loans and financings        | -                  | -                 | -                  | (254,233)         |
| <b>Subtotal</b>             | -                  | -                 | -                  | (254,233)         |
| <b>Total exposure</b>       | -                  | -                 | 253,122            | (54,069)          |
| <b>DERIVATIVES</b>          |                    |                   |                    |                   |
| Deliverable Forwards (DF's) | -                  | -                 | (293,670)          | -                 |
| <b>Total derivatives</b>    | -                  | -                 | (293,670)          | -                 |
| <b>NET EXPOSURE IN R\$</b>  | -                  | -                 | (40,548)           | (54,069)          |

**Sensitivity analysis at September 30, 2018 ( exchange rates are Brazilian Reais to Mexican Pesos):**

| Exposure of R\$ | Risk         | Current exchange rate | Scenario (i) VaR 99% I.C. 1 day |                  |              |               | Scenario (ii) Interest rate variation - 25% |              |               |                  | Scenario (iii) Interest rate variation - 50% |               |                  |              |
|-----------------|--------------|-----------------------|---------------------------------|------------------|--------------|---------------|---|--------------|---------------|------------------|--|---------------|------------------|--------------|
|                 |              |                       | Exchange rate                   | Effect on income |              | Exchange rate | Effect on income                            |              | Exchange rate | Effect on income |  | Exchange rate | Effect on income |              |
|                 |              |                       |                                 | Company          | Consolidated |               | Company                                     | Consolidated |               | Company          | Consolidated                                 |               | Company          | Consolidated |
| Operating       | Appreciation | 0.2140                | 0.2185                          | -                | 5,311        | 0.2675        | -   | 63,281       | 0.3210        | -                | 126,561                                      |               |                  |              |
| Derivatives     | Depreciation | 0.2140                | 0.2185                          | -                | (6,162)      | 0.2675        | -   | (73,418)     | 0.3210        | -                | (146,835)                                    |               |                  |              |
|                 |              |                       |                                 | -                | (851)        |               | -   | (10,137)     |               | -                | (20,274)                                     |               |                  |              |

**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.

**b1. Position balance in commodities (cattle) contracts**

| EXPOSURE in Commodities (Cattle)  | September 30, 2018 | December 31, 2017 |
|-----------------------------------|--------------------|-------------------|
| Firm Contracts of cattle purchase | 321,974            | 26,306            |
| <b>Subtotal</b>                   | 321,974            | 26,306            |
| <b>DERIVATIVES</b>                |                    |                   |
| Future contracts                  | (181,080)          | (23,666)          |
| <b>Subtotal</b>                   | (181,080)          | (23,666)          |
| <b>NET EXPOSURE</b>               | 140,894            | 2,640             |

**Sensitivity analysis:**

| Exposure              | Risk                       | Current price | Scenario (i) VaR 99% I.C. 1 day |                  |              |        | Scenario (ii) @ Variation - 25% |              |       |                  | Scenario (iii) @ Variation - 50% |       |                  |              |
|-----------------------|----------------------------|---------------|---------------------------------|------------------|--------------|--------|---------------------------------|--------------|-------|------------------|----------------------------------|-------|------------------|--------------|
|                       |                            |               | Price                           | Effect on income |              | Price  | Effect on income                |              | Price | Effect on income |                                  | Price | Effect on income |              |
|                       |                            |               |                                 | Company          | Consolidated |        | Company                         | Consolidated |       | Company          | Consolidated                     |       | Company          | Consolidated |
| Operational           | Cattle arroba depreciation | 151.80        | 149.01                          | (5,921)          |              | 113.85 | (80,493)                        |              | 75.90 | (160,987)        |                                  |       |                  |              |
| Derivatives of cattle | Cattle arroba appreciation | 151.80        | 149.01                          | 3,330            |              | 113.85 | 45,270                          |              | 75.90 | 90,540           |                                  |       |                  |              |
|                       |                            |               |                                 | (2,591)          |              |        | (35,223)                        |              |       | (70,447)         |                                  |       |                  |              |

**Derivatives financial instruments breakdown:**

**JBS S.A.**

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

| Instrument          | Risk factor | Nature | Company            |           |            |                   |          |            |
|---------------------|-------------|--------|--------------------|-----------|------------|-------------------|----------|------------|
|                     |             |        | September 30, 2018 |           |            | December 31, 2017 |          |            |
|                     |             |        | Quantity           | Notional  | Fair value | Quantity          | Notional | Fair value |
| Future Contracts B3 | Commodities | Short  | 3,642              | (181,080) | (1,546)    | 480               | (23,666) | (10)       |

**b2. Position balance in commodities (grain) derivatives financial instruments of Seara Alimentos:**

| EXPOSURE in Commodities (Grain) | Seara Alimentos    |                   |
|---------------------------------|--------------------|-------------------|
|                                 | September 30, 2018 | December 31, 2017 |
| <b>OPERATING</b>                |                    |                   |
| Purchase orders                 | 214,583            | 61,239            |
| <b>Subtotal</b>                 | <b>214,583</b>     | <b>61,239</b>     |
| <b>DERIVATIVES</b>              |                    |                   |
| Future contracts                | 17,833             | (3,978)           |
| <b>Subtotal</b>                 | <b>17,833</b>      | <b>(3,978)</b>    |
| <b>NET EXPOSURE</b>             | <b>232,416</b>     | <b>57,261</b>     |

**Sensitivity analysis:**

| Exposure    | Risk         | Scenario (i) VaR 99% I.C. 1 day |                  | Scenario (ii) Price variation - 25% |                  | Scenario (ii) Price variation - 50% |                  |
|-------------|--------------|---------------------------------|------------------|-------------------------------------|------------------|-------------------------------------|------------------|
|             |              | Price                           | Effect on income | Price                               | Effect on income | Price                               | Effect on income |
|             |              |                                 | Seara Alimentos  |                                     | Seara Alimentos  |                                     | Seara Alimentos  |
| Operational | Depreciation | (2.51)%                         | (5,386)          | (25.00)%                            | (53,646)         | (50.00)%                            | (107,292)        |
| Derivatives | Depreciation | (2.51)%                         | (448)            | (25.00)%                            | (4,458)          | (50.00)%                            | (8,916)          |
|             |              |                                 | <b>(5,834)</b>   |                                     | <b>(58,104)</b>  |                                     | <b>(116,208)</b> |

**Derivatives financial instruments breakdown:**

| Instrument          | Risk factor | Nature | Consolidated       |          |            |                   |          |            |
|---------------------|-------------|--------|--------------------|----------|------------|-------------------|----------|------------|
|                     |             |        | September 30, 2018 |          |            | December 31, 2017 |          |            |
|                     |             |        | Quantity           | Notional | Fair value | Quantity          | Notional | Fair value |
| Future Contracts B3 | Commodities | Long   | 513                | 17,833   | -          | 1,597             | (3,978)  | (631)      |

**b3. Position balance in commodities derivatives financial instruments of JBS USA:**

| EXPOSURE in Commodities | JBS USA            |                    |
|-------------------------|--------------------|--------------------|
|                         | September 30, 2018 | December 31, 2017  |
| <b>OPERATIONAL</b>      |                    |                    |
| Forwards - commodities  | 11,430,990         | 10,078,159         |
| <b>Subtotal</b>         | <b>11,430,990</b>  | <b>10,078,159</b>  |
| <b>DERIVATIVES</b>      |                    |                    |
| Deliverable Forwards    | (4,510,605)        | (4,749,990)        |
| <b>Subtotal</b>         | <b>(4,510,605)</b> | <b>(4,749,990)</b> |
| <b>NET EXPOSURE</b>     | <b>6,920,385</b>   | <b>5,328,169</b>   |

**Sensitivity analysis:**

| Exposure    | Risk         | Scenario (i) VaR 99% I.C. 1 day |                  | Scenario (ii) Price variation - 25% |                    | Scenario (ii) Price variation - 50% |                    |
|-------------|--------------|---------------------------------|------------------|-------------------------------------|--------------------|-------------------------------------|--------------------|
|             |              | Price                           | Effect on income | Price                               | Effect on income   | Price                               | Effect on income   |
|             |              |                                 | JBS USA          |                                     | JBS USA            |                                     | JBS USA            |
| Operational | Depreciation | (1.05)%                         | (119,911)        | (25.00)%                            | (2,857,747)        | (50.00)%                            | (5,715,495)        |
| Derivatives | Appreciation | (1.05)%                         | 47,316           | (25.00)%                            | 1,127,651          | (50.00)%                            | 2,255,303          |
|             |              |                                 | <b>(72,595)</b>  |                                     | <b>(1,730,096)</b> |                                     | <b>(3,460,192)</b> |

**Derivatives financial instruments breakdown:**

| Instrument           | Risk factor | Nature | September 30, 2018 |                |            | December 31, 2017 |                |            |
|----------------------|-------------|--------|--------------------|----------------|------------|-------------------|----------------|------------|
|                      |             |        | Notional (USD)     | Notional (R\$) | Fair value | Notional (USD)    | Notional (R\$) | Fair value |
|                      |             |        |                    |                |            |                   |                |            |
| Deliverable Forwards | Commodities | Short  | (1,126,553)        | (4,510,605)    | (183,287)  | (1,435,910)       | (4,749,990)    | (86,375)   |

**JBS S.A.**

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

**c. Liquidity risk**

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

|  | Company            |                       |                       |                   |            |                   |                       |                       |                   |            |
|--|--------------------|-----------------------|-----------------------|-------------------|------------|-------------------|-----------------------|-----------------------|-------------------|------------|
|  | September 30, 2018 |                       |                       |                   |            | December 31, 2017 |                       |                       |                   |            |
|  | 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                                   | 2,229,266          | -                     | -                     | -                 | 2,229,266  | 2,029,104         | -                     | -                     | -                 | 2,029,104  |
| Related party payables                                   | -                  | -                     | -                     | 3,612,487         | 3,612,487  | -                 | -                     | -                     | 3,018,825         | 3,018,825  |
| Loans and financings                                     | 1,846,806          | 10,864,613            | 4,149,131             | 3,002,884         | 19,863,434 | 8,223,197         | 4,986,261             | 1,721,616             | 5,126,282         | 20,057,355 |
| Estimated interest on loans and financing <sup>(1)</sup> | 1,266,035          | 2,034,330             | 727,044               | 118,732           | 4,146,141  | 949,268           | 1,402,287             | 724,651               | 246,329           | 3,322,535  |
| Derivatives financing liabilities (assets)               | 122,920            | -                     | -                     | -                 | 122,920    | 10                | -                     | -                     | -                 | 10         |
| Other financial liabilities                              | 24,017             | 13,200                | 6,600                 | 77                | 43,894     | 7,659             | 13,200                | 11,550                | 77                | 32,486     |

|  | Consolidated       |                       |                       |                   |            |                   |                       |                       |                   |            |
|--|--------------------|-----------------------|-----------------------|-------------------|------------|-------------------|-----------------------|-----------------------|-------------------|------------|
|  | September 30, 2018 |                       |                       |                   |            | December 31, 2017 |                       |                       |                   |            |
|  | 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                                   | 12,269,291         | -                     | -                     | -                 | 12,269,291 | 9,992,778         | -                     | -                     | -                 | 9,992,778  |
| Loans and financings                                     | 2,946,923          | 18,405,434            | 19,411,997            | 20,871,382        | 63,635,736 | 13,526,051        | 10,339,616            | 18,129,338            | 15,029,646        | 57,024,651 |
| Estimated interest on loans and financing <sup>(1)</sup> | 3,631,753          | 6,623,346             | 3,583,530             | 3,049,293         | 16,887,922 | 2,743,687         | 4,535,767             | 2,878,624             | 1,918,143         | 12,076,221 |
| Derivatives financing liabilities (assets)               | 351,306            | -                     | -                     | -                 | 351,306    | 118,684           | -                     | -                     | -                 | 118,684    |
| Other financial liabilities                              | 49,238             | 21,524                | 6,600                 | 77                | 77,439     | 73,156            | 28,241                | 11,550                | 77                | 113,024    |

<sup>(1)</sup> Includes interest on all loans and financing outstanding. Payments are estimated for variable rate debt based on effective interest rates at September 30, 2018 and December 31, 2017. Payments in foreign currencies are estimated using the September 30, 2018 and December 31, 2017 exchange rates.

The Company has securities pledged as collateral for derivative transactions with the commodities and futures whose balance at September 30, 2018 is R\$198,192 (R\$54,389 at December 31, 2017). 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 September 30, 2018 is R\$392,783 (R\$353,625 at December 31, 2017). This guarantee is larger than its collateral.

Also, the direct subsidiary Seara Alimentos has securities pledged as collateral for derivative transactions with the commodities and futures whose balance at September 30, 2018 is R\$87,411. This guarantee is larger than its collateral.

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

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## JBS S.A.

Notes to the interim condensed financial statements for the nine month period ended September 30, 2018 and 2017  
(Expressed in thousands of Brazilian reais)

### 25 Approval of the financial statements

The issuance of these interim condensed consolidated financial statements was authorized by the Board of Directors on November 13th, 2018.

#### BOARD OF DIRECTORS

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

#### FISCAL COUNCIL REPORT

The Fiscal Council reviewed the interim condensed financial statements of the Company for the nine month period ended September 30, 2018.

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 unqualified opinion" of the Independent Auditors' report, relating to the Collaboration Agreement Award, Leniency Agreement and ongoing investigations.

#### FISCAL COUNCIL

|                        |                           |
|------------------------|---------------------------|
| <b>Chairman:</b>       | Adrian Lima da Hora       |
| <b>Council Member:</b> | José Paulo da Silva Filho |
| <b>Council Member:</b> | Demetrius Nichele Macei   |
| <b>Council Member:</b> | Robert Juenemann          |

#### AUDIT COMMITTEE

|                          |                                   |
|--------------------------|-----------------------------------|
| <b>Chairman:</b>         | Sérgio Roberto Waldrich           |
| <b>Committee Member:</b> | Gilberto Meirelles Xandó Baptista |
| <b>Committee Member:</b> | 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 interim condensed financial statements for the nine month period ended September 30, 2018, and
- (ii) They reviewed, discussed and agreed with the interim condensed financial statements for the nine month period ended September 30, 2018.

#### STATUTORY BOARD

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

|                    |  |
|--------------------|--|
| <b>Accountant:</b> | Aginaldo dos Santos Moreira Jr. (CRC SP: 244207/O-4) |
|--------------------|--|

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