



# 2Q18 Earnings Release



## JBS ends 2Q18 with net revenue of R\$45.2 billion and adjusted EBITDA of R\$4.2 billion

*Free cash flow reached R\$1.9 billion*

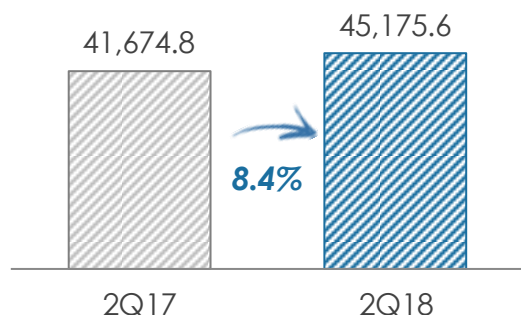
- 👉 In 2Q18, **net revenue** was **R\$45.2 billion**, an increase of 8.4% compared with 2Q17
- 👉 **Gross profit** totaled **R\$7.0 billion**, a 13.5% growth, **with gross margin increasing to 15.5% from 14.8%**
- 👉 **Adjusted EBITDA<sup>1</sup>** was **R\$4.2 billion**, 12.8% higher than 2Q17, with **EBITDA margin growing to 9.4% from 9.1%**
- 👉 **Leverage reduced to 2.98x in US\$ and 3.47x in R\$,** compared to 4.07x in US\$ and 4.16x in R\$ in 2Q17
- 👉 Adjusted net income<sup>2</sup> was **R\$3.0 billion** and reported accounting loss was R\$911.1 million
- 👉 **Total liquidity was R\$20.3 billion**, five times higher than short-term debt
- 👉 **Short-term debt reduced to 7% of total debt,** compared to 30% in 2Q17

<sup>1</sup> Adjusted EBITDA excluding the R\$112.9 million impact from the truckers strike in Brazil at Seara.

<sup>2</sup> Adjusted net income excluding the non-cash effect of FX variation.

# 2Q18 Consolidated Results

## NET REVENUE



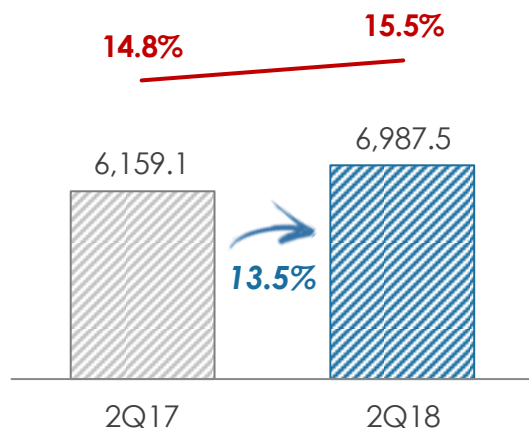
# R\$45.2Bn

An 8.4% increase compared with 2Q17

## GROSS PROFIT

# R\$7.0Bn

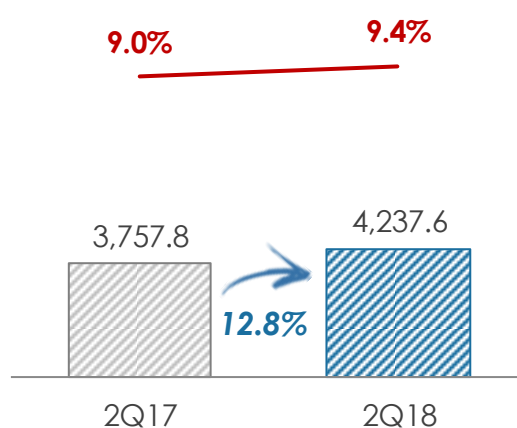
Increase in gross margin from 14.8% in 2Q17 to 15.5% in 2Q18



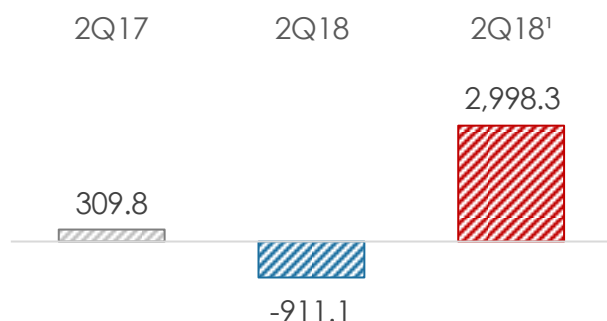
## ADJUSTED EBITDA<sup>1</sup>

# R\$4.2Bn

EBITDA margin increased from 9.0% in 2Q17 to 9.4% in 2Q18



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



Adjusted net income was

# R\$3.0Bn

Recorded loss was

# R\$911Mn

Note: graphs in millions

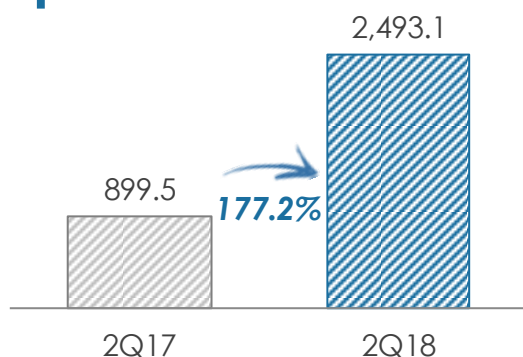
<sup>1</sup> Adjusted EBITDA excluding the R\$112.9 million impact from the truckers strike in Brazil at Seara.

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# 2Q18 Consolidated Results

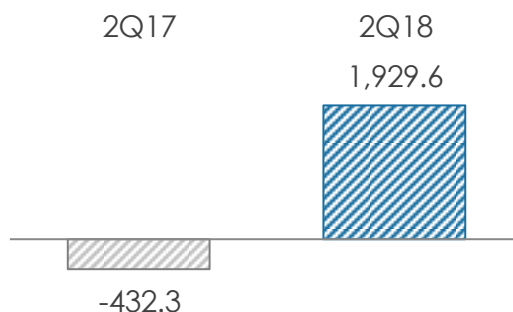
## CASH FLOW FROM OPERATING ACTIVITIES

**R\$2.5Bn**

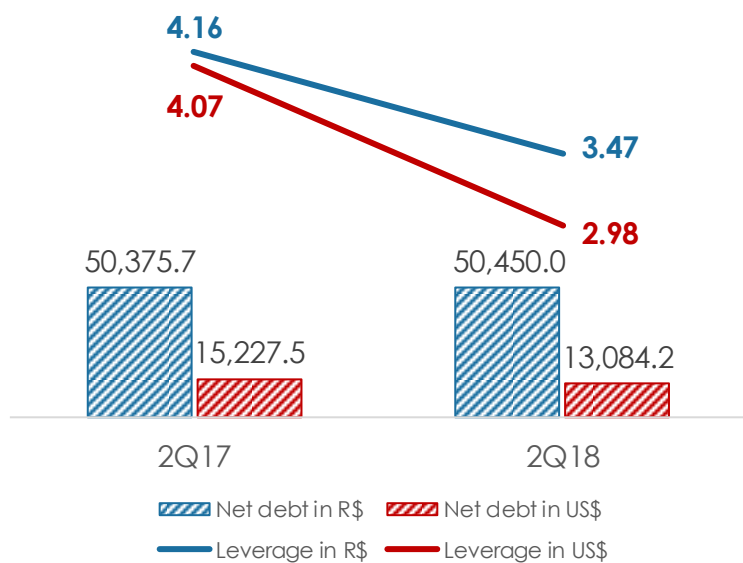


## FREE CASH FLOW

**R\$1.9Bn**



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



Leverage in US\$ at the end of 2Q18 was

**2.98x**

Leverage in R\$ at the end of 2Q18 was

**3.47x**

Note: graphs in millions

<sup>1</sup> Leverage considers adjusted EBITDA excluding the R\$112.9 million impact from the truckers strike in Brazil at Seara.

# 2Q18 Consolidated Results

## JBS Consolidated Income Statement

R\$ Million	2Q18		1Q18		Δ%	2Q17		Δ%
	R\$ MM	% ROL	R\$ MM	% ROL	2Q18 vs 1Q18	R\$ MM	% ROL	2Q18 vs 2Q17
<b>Net Revenue</b>	<b>45,175.6</b>	<b>100.0%</b>	<b>39,783.2</b>	<b>100.0%</b>	<b>13.6%</b>	<b>41,674.8</b>	<b>100.0%</b>	<b>8.4%</b>
Cost of Goods Sold	(38,188.1)	-84.5%	(34,631.0)	-87.0%	10.3%	(35,515.7)	-85.2%	7.5%
<b>Gross Profit</b>	<b>6,987.5</b>	<b>15.5%</b>	<b>5,152.1</b>	<b>13.0%</b>	<b>35.6%</b>	<b>6,159.1</b>	<b>14.8%</b>	<b>13.5%</b>
Selling Expenses	(2,522.0)	-5.6%	(2,324.7)	-5.8%	8.5%	(2,209.7)	-5.3%	14.1%
General and Adm. Expenses	(1,516.1)	-3.4%	(1,213.1)	-3.0%	25.0%	(1,325.2)	-3.2%	14.4%
Net Financial Income (expense)	(4,718.1)	-10.4%	(1,108.1)	-2.8%	325.8%	(2,210.8)	-5.3%	113.4%
Equity in earnings of subsidiaries	9.1	0.0%	7.1	0.0%	29.7%	6.1	0.0%	49.7%
Other Income (expense)	(25.9)	-0.1%	(45.5)	-0.1%	-43.1%	0.0	0.0%	-
<b>Operating Income</b>	<b>(1,785.5)</b>	<b>-4.0%</b>	<b>467.8</b>	<b>1.2%</b>	<b>-</b>	<b>419.5</b>	<b>1.0%</b>	<b>-</b>
Income and social contribution taxes	958.6	2.1%	120.4	0.3%	696.2%	55.3	0.1%	1632.7%
Minority interest	(84.2)	-0.2%	(81.7)	-0.2%	3.1%	(165.0)	-0.4%	-49.0%
<b>Net Income (Loss)</b>	<b>(911.1)</b>	<b>-2.0%</b>	<b>506.5</b>	<b>1.3%</b>	<b>-</b>	<b>309.8</b>	<b>0.7%</b>	<b>-</b>
<b>Adjusted EBITDA</b>	<b>4,237.6</b>	<b>9.4%</b>	<b>2,788.5</b>	<b>7.0%</b>	<b>52.0%</b>	<b>3,757.8</b>	<b>9.0%</b>	<b>12.8%</b>
<b>Earnings per Share</b>	<b>n.a.</b>		<b>0.18</b>		<b>-</b>	<b>0.12</b>		<b>-</b>

### Net Revenue

In 2Q18, JBS posted consolidated net revenue of **R\$45,175.6 million**, an increase of 8.4% in relation to 2Q17.

For the quarter, approximately 75% of JBS global sales came from markets where the Company operates and 25% from exports.

# 2Q18 Consolidated Results

## Net Financial Results

For the 2Q18, net financial expenses totaled **R\$4,718.1 million**. Net results from FX variances was an expense of R\$3,909.3 million (non-cash), while the fair value of adjustments of derivatives was a positive R\$151 million. Interest expense was R\$1,003.8 million, while interest income was R\$64.3 million. Taxes, contributions, tariffs and others totaled an expense of R\$20.3 million.

## Adjusted EBITDA

In 2Q18, consolidated EBITDA, adjusted by the R\$112.9 million impact at Seara regarding truckers strike in Brazil, was **R\$4,237.6 million**, a 12.8% increase over 2Q17. Highlights were JBS USA Beef and JBS Brazil, which posted EBITDA growth of 75.8% and 37.4%, respectively. EBITDA margin grew to 9.4% in 2Q18 from 9.1% in 2Q17.

R\$ Million	2Q18	1Q18	Δ%	2Q17	Δ%
<b>Net income for the period (including minority interest)</b>	<b>(826.9)</b>	<b>588.2</b>	-	<b>474.8</b>	-
Financial income (expense), net	4,718.1	1,108.1	325.8%	2,210.8	113.4%
Current and deferred income taxes	(958.6)	(120.4)	696.2%	(55.3)	1632.7%
Depreciation and amortization	1,175.9	1,126.7	4.4%	1,133.6	3.7%
Equity in subsidiaries	(9.1)	(7.1)	29.7%	(6.1)	49.7%
Tax payable installments	0.0	21.7	-	0.0	-
Other income / expenses	14.9	61.6	-75.8%	0.0	-
Truckers strike impact	112.9	0.0	-	0.0	-
Investigation impacts due to the leniency agreement	10.5	9.6	9.0%	0.0	-
<b>(=) Adjusted EBITDA</b>	<b>4,237.6</b>	<b>2,788.5</b>	<b>52.0%</b>	<b>3,757.8</b>	<b>12.8%</b>

## Adjusted Net Income (Loss)

Excluding the non-cash effect from FX variances, in 2Q18 JBS posted an adjusted net income of **R\$2,998.3 million**.

Reported accounting loss was R\$911.1 million.

## Cash Flow from Operating Activities and Free Cash Flow

In 2Q18, JBS generated **R\$2,493.1 million** in cash from operating activities, a 177.2% increase over 2Q17. Free cash flow was **R\$1,929.6 million**, reverting the negative result of same quarter of last year.

## Net cash provided by investing activities

In 2Q18, total cash used in investing activities was **R\$563.5 million**. CAPEX reduced from R\$848.2 million in 2Q17 to **R\$608.3 million** in 2Q18.

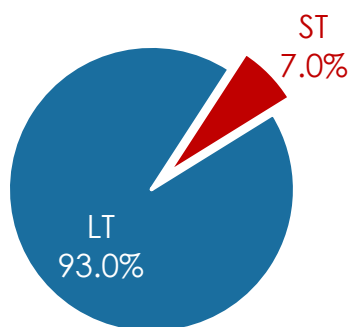
# 2Q18 Consolidated Results

## Indebtedness

JBS ended 2Q18 with R\$13,112.1 million in cash. Additionally, JBS USA has a US\$1,856.5 million fully available unencumbered line under revolving credit facilities, equivalent to R\$7,158.3 million at the quarter-end exchange rate, providing JBS with total liquidity of R\$20,270.4 million, R\$16,025.8 million higher than short-term debt. Net debt remained stable in R\$50,450.0 million and leverage reduced to 3.47x in 2Q18 from 4.16x in 2Q17. In US\$, net debt reduced by US\$2,143.3 million and leverage decreased to 2.98x, compared to 4.07x in 2Q17.

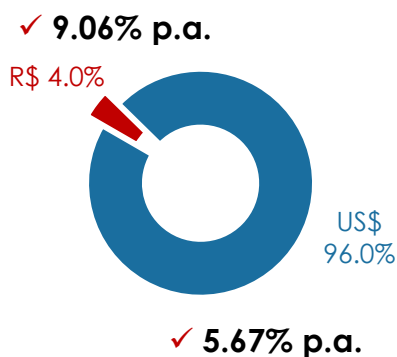
R\$ Million	06/30/18	30/06/17	Var.%
<b>Gross Debt</b>	<b>63,562.1</b>	<b>61,676.1</b>	<b>3.1%</b>
(+) Short Term Debt	4,244.6	18,252.8	-76.7%
(+) Long Term Debt	59,317.5	43,423.2	36.6%
(-) Cash and Equivalents	13,112.1	11,300.4	16.0%
<b>Net Debt</b>	<b>50,450.0</b>	<b>50,375.7</b>	<b>0.1%</b>
Leverage	<b>3.50x</b>	<b>4.16x</b>	

## Debt profile Short-term/Long-term

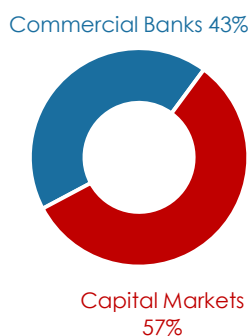


Short-term debt in relation to total debt reduced from 30% in 1Q17 to 7% in 2Q18, due to the normalization agreement signed between JBS and financial institutions and to bank debt amortization. Out of the total short-term debt, 74.2% are trade finance credit lines related to exports from JBS' Brazilian businesses.

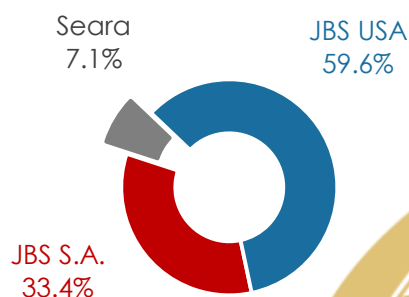
## Currency & Cost Breakdown



## Source Breakdown



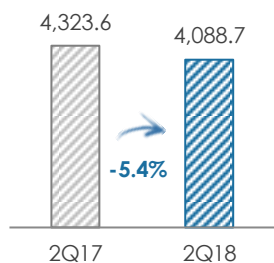
## Entity Breakdown



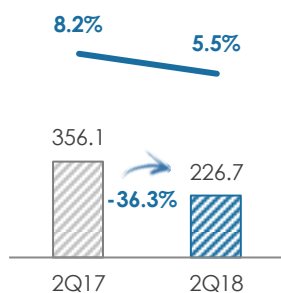
# 2Q18 Business Units

## Seara (R\$)<sup>1</sup>

Net Revenue  
(million)

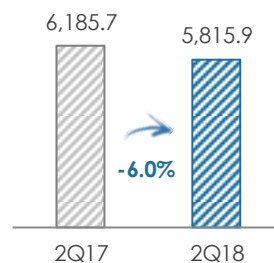


Adjusted EBITDA (million)  
and % EBITDA

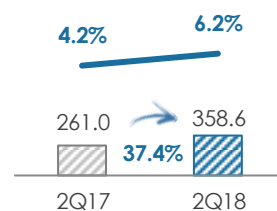


## JBS Brazil (R\$)

Net Revenue  
(million)

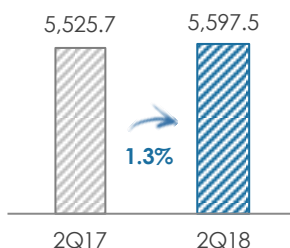


EBITDA (million) and  
% EBITDA

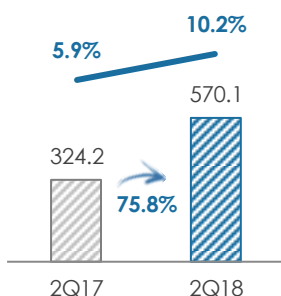


## JBS USA Beef (US\$)

Net Revenue  
(million)

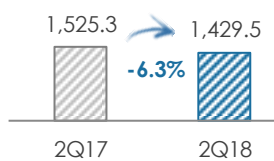


EBITDA (million) and  
% EBITDA

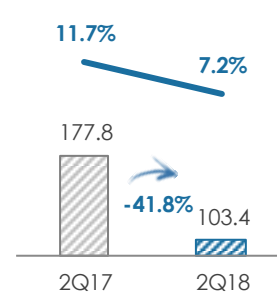


## JBS USA Pork (US\$)

Net Revenue  
(million)

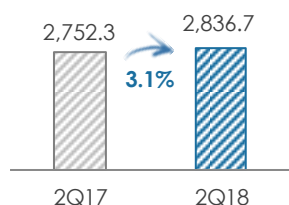


EBITDA (million) and  
% EBITDA

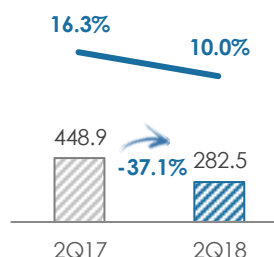


## Pilgrim's Pride (US\$)<sup>2</sup>

Net Revenue  
(million)



Adjusted EBITDA (million)  
and % EBITDA



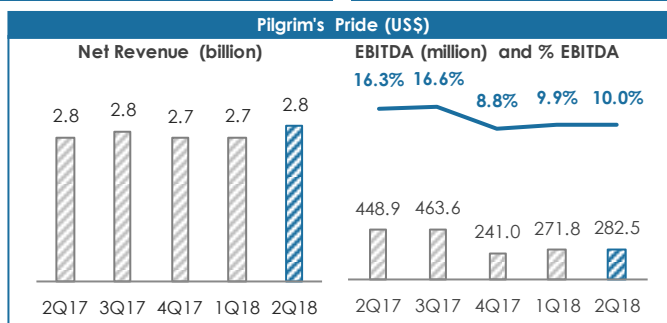
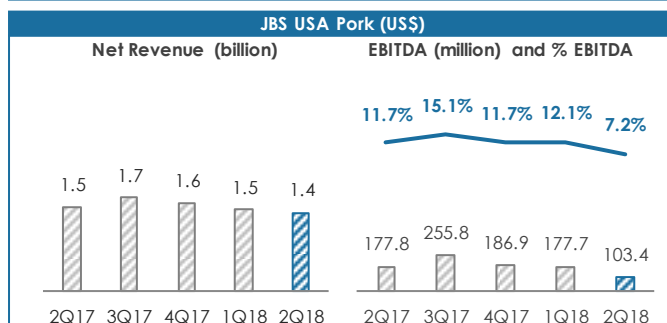
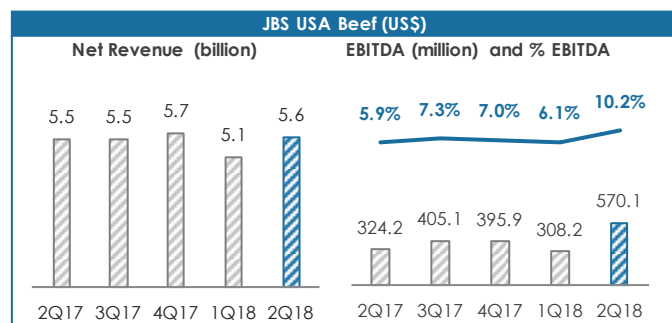
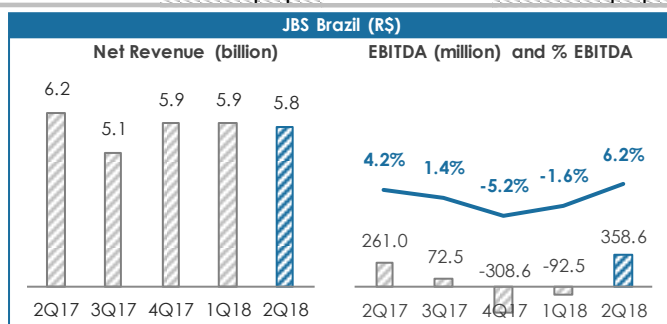
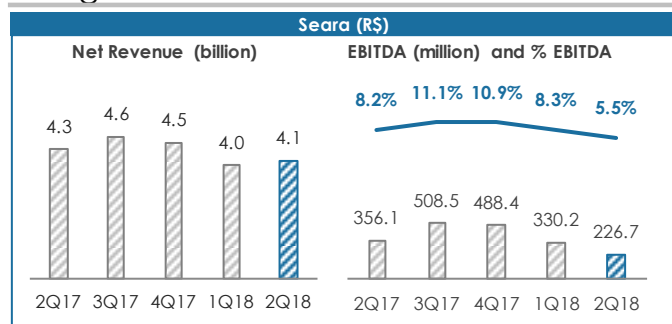
<sup>1</sup> Adjusted EBITDA excluding the R\$112.9 million impact from the truckers strike in Brazil at Seara.

<sup>2</sup> Adjusted EBITDA in accordance with PPC reported earnings release.



# 2Q18 Business Units

Million		2Q18	1Q18	Δ%	2Q17	Δ%
<b>Net Revenue</b>						
Seara	R\$	4,088.7	3,974.5	2.9%	4,323.6	-5.4%
JBS Brazil	R\$	5,815.9	5,919.9	-1.8%	6,185.7	-6.0%
JBS USA Beef	US\$	5,597.5	5,060.2	10.6%	5,525.7	1.3%
JBS USA Pork	US\$	1,429.5	1,466.2	-2.5%	1,525.3	-6.3%
Pilgrim's Pride	US\$	2,836.7	2,746.7	3.3%	2,752.3	3.1%
<b>EBITDA</b>						
Seara <sup>1</sup>	R\$	226.7	330.2	-31.3%	356.1	-36.3%
JBS Brazil	R\$	358.6	-92.5	-	261.0	37.4%
JBS USA Beef	US\$	570.1	308.2	85.0%	324.2	75.8%
JBS USA Pork	US\$	103.4	177.7	-41.8%	177.8	-41.8%
Pilgrim's Pride <sup>2</sup>	US\$	282.5	271.8	3.9%	448.9	-37.1%
<b>EBITDA Margin</b>						
Seara <sup>1</sup>	%	5.5%	8.3%	-2.76 p.p.	8.2%	-2.69 p.p.
JBS Brazil	%	6.2%	-1.6%	7.73 p.p.	4.2%	1.95 p.p.
JBS USA Beef	%	10.2%	6.1%	4.09 p.p.	5.9%	4.32 p.p.
JBS USA Pork	%	7.2%	12.1%	-4.89 p.p.	11.7%	-4.42 p.p.
Pilgrim's Pride <sup>2</sup>	%	10.0%	9.9%	0.06 p.p.	16.3%	-6.35 p.p.



<sup>1</sup> Adjusted EBITDA excluding the R\$112.9 million impact from the truckers strike in Brazil at Seara.

<sup>2</sup> Adjusted EBITDA in accordance with PPC reported earnings release.

# 2Q18 Business Units

## Seara

For the quarter, net revenue for Seara totaled R\$4,088.7 million, 5.4 % below 2Q17. Total volume fell by 10.6% due to lower exports (-19.2%), which were mainly impacted by the truckers strike, resulting in lower shipments, as well as by the temporary suspension of the Russian market for Brazilian pork.

In the domestic market, volumes were less impacted by the strike and fell slightly by 1.7%. In prepared foods, prices decreased by 2.4% as a reflex of the strike on product mix for the quarter. Fresh poultry average sales prices decreased by 4.3% as a consequence of higher industry supply, due to increased production volumes and lower Brazilian exports. In the export market, average sales prices increased by 12.6% in comparison to the 2Q17.

In spite of the intense efforts throughout the chain to minimize operational impacts, the truckers strike generated a loss of R\$112.9 million (approximately 280bps on EBITDA) during the quarter, which consists mainly of disposals, lower animal productivity, as well as higher industrial and logistics costs. Results for the 2Q18 results were also strongly impacted by higher grain costs, mainly corn and soybean. A portion of these cost increases was passed on to sales prices, especially in June. On the other hand, the average US dollar exchange rate was 12.5% higher than the 2Q17 and helped to minimize the impacts of more elevated costs. It is expected that corn prices remain at higher levels, mainly as a result of a smaller harvest in Brazil, signaling a need for additional sales price adjustments.

As a result of the factors described above, and adjusted for the impact of the truckers strike, adjusted EBITDA for the quarter totaled R\$226.7 million, representing a 5.5% margin, compared to R\$356.1 million for the 2Q17, with a margin of 8.2%.

## Main Highlights

R\$ Million	2Q18		1Q18		Δ%	2Q17		Δ%
	R\$	% NR	R\$	% NR	QoQ	R\$	% NR	YoY
<b>Net Revenue</b>	<b>4,088.7</b>	<b>100.0%</b>	<b>3,974.5</b>	<b>100.0%</b>	<b>2.9%</b>	<b>4,323.6</b>	<b>100.0%</b>	<b>-5.4%</b>
Cost of Goods Sold	(3,561.1)	-87.1%	(3,389.6)	-85.3%	5.1%	(3,550.1)	-82.1%	0.3%
Gross Profit	527.6	12.9%	584.9	14.7%	-9.8%	773.5	17.9%	-31.8%
<b>EBITDA</b>	<b>113.8</b>	<b>2.8%</b>	<b>330.2</b>	<b>8.3%</b>	<b>-65.5%</b>	<b>356.1</b>	<b>8.2%</b>	<b>-68.0%</b>
Truckers strike impact	112.9	2.8%	-	-	-	-	-	-
<b>Adjusted EBTIDA</b>	<b>226.7</b>	<b>5.5%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# 2Q18 Business Units

## JBS Brazil (including Leather and Related Business)

JBS Brazil posted net revenue of R\$5,815.9 in 2Q18, a 6.0% decrease in relation to 2Q17, mainly due to the sale of JBS beef operations in Argentina, Paraguay and Uruguay in June, 2017.

Excluding results from the assets sold, JBS Brazil net revenue increased by 7.0%, with a 17.5% growth in the number of processed animals when compared to 2Q17. This quarter's highlight was fresh beef, which grew by 12.8% in revenue, due to 16.4% higher volumes domestically. Export results were even greater, with a 33.7% growth in revenue, 17.1% higher volumes and 14.2% higher sales prices, the latter being positively impacted by the real devaluation.

For the quarter, EBITDA was R\$358.6 million, a 37.4% increase over 2Q17, reverting the negative result posted in 1Q18. EBITDA recovery is mainly due to better spreads in the domestic market, a positive performance in exports, and by an improved profitability in the product mix sold, as a result of strategic partnerships with key customers in both markets (domestic and international) and a more diversified portfolio of products and brands. JBS Brazil's EBITDA Margin in 2Q18 was 6.2%.

### Main Highlights

R\$ Million	2Q18		1Q18		Δ%	2Q17		Δ%
	R\$	% NR	R\$	% NR	QoQ	R\$	% NR	YoY
<b>Net Revenue</b>	<b>5,815.9</b>	<b>100.0%</b>	<b>5,919.9</b>	<b>100.0%</b>	<b>-1.8%</b>	<b>6,185.7</b>	<b>100.0%</b>	<b>-6.0%</b>
Cost of Goods Sold	(4,525.4)	-77.8%	(5,147.8)	-87.0%	-12.1%	(5,058.7)	-81.8%	-10.5%
Gross Profit	1,290.6	22.2%	772.1	13.0%	67.1%	1,127.0	18.2%	14.5%
<b>EBITDA</b>	<b>358.6</b>	<b>6.2%</b>	<b>(92.5)</b>	<b>-1.6%</b>	<b>-</b>	<b>261.0</b>	<b>4.2%</b>	<b>37.4%</b>

# 2Q18 Business Units

## JBS USA Beef (including Australia and Canada)

In 2Q18, JBS USA Beef posted net revenue of US\$5,597.5 million, 1.3% higher than 2Q17.

In the United States, beef demand has remained strong, due to solid economic fundamentals and supportive retail and foodservice channels, which have been highlighting beef in their promotional efforts. Additionally, according to USDA data, fresh beef exports from the US remained in a growth trend and increased by 26.8% in revenue when compared with 2Q17. Canada followed similar dynamics and also posted improvements in the beef sector. This favorable environment, coupled with the Company's initiatives to diversify its product portfolio and focus on partnerships with strategic customers, have enabled JBS operations in North America to increase volumes in both markets, domestic and international.

In Australia, a greater supply of cattle in relation to 2Q17, coupled with the Company's focus on operational efficiencies and a diversified portfolio, with higher value added beef products as well as products from Primo Smallgoods, contributed to a significant improvement in the region.

EBITDA in 2Q18 was US\$570.1 million, 75.8% higher than 2Q17, with an EBITDA margin increasing from 5.9% to 10.2%.

## Main Highlights (USGAAP)

US\$ Million	2Q18		1Q18		Δ%	2Q17		Δ%
	US\$	% NR	R\$	% NR	QoQ	US\$	% NR	YoY
<b>Net Revenue</b>	<b>5,597.5</b>	<b>100.0%</b>	<b>5,060.2</b>	<b>100.0%</b>	<b>10.6%</b>	<b>5,525.7</b>	<b>100.0%</b>	<b>1.3%</b>
Cost of Goods Sold	(5,006.9)	-89.4%	(4,740.4)	-93.7%	5.6%	(5,189.6)	-93.9%	-3.5%
Gross Profit	590.6	10.6%	319.8	6.3%	84.7%	336.1	6.1%	75.7%
<b>EBITDA</b>	<b>570.1</b>	<b>10.2%</b>	<b>308.2</b>	<b>6.1%</b>	<b>85.0%</b>	<b>324.2</b>	<b>5.9%</b>	<b>75.8%</b>

# 2Q18 Business Units

## JBS USA Pork

For the quarter, JBS USA Pork posted net revenue of US\$1,429.5 million, a 6.3% reduction in comparison to 2Q17.

An increase in domestic pork supply contributed to a reduction in sales prices, resulting in 4.6% higher volumes with lower prices.

In the export market, in spite of tariffs imposed on US pork by China and Mexico, industry revenues grew by 3.9% when compared with 2Q17, according to USDA data. JBS posted higher export volumes with stable prices.

It is important to mention that lower pork prices domestically have a positive impact on Plumrose, which mainly uses pork as raw material. This factor, coupled with the Company's strategy to continuously increase its portfolio of higher value added products as a result of partnerships with key customers, contributed for an impressive improvement at Plumrose when compared with 1Q18.

EBITDA in 2Q18 was US\$103.4 million, a 41.8% decrease in relation to 2Q17, with an EBITDA margin of 7.2%.

## Main Highlights (USGAAP)

US\$ Million	2Q18		1Q18		Δ%	2Q17		Δ%
	US\$	% NR	R\$	% NR	QoQ	US\$	% NR	YoY
<b>Net Revenue</b>	<b>1,429.5</b>	<b>100.0%</b>	<b>1,466.2</b>	<b>100.0%</b>	<b>-2.5%</b>	<b>1,525.3</b>	<b>100.0%</b>	<b>-6.3%</b>
Cost of Goods Sold	(1,323.6)	-92.6%	(1,287.4)	-87.8%	2.8%	(1,346.3)	-88.3%	-1.7%
Gross Profit	105.9	7.4%	178.8	12.2%	-40.8%	179.0	11.7%	-40.9%
<b>EBITDA</b>	<b>103.4</b>	<b>7.2%</b>	<b>177.7</b>	<b>12.1%</b>	<b>-41.8%</b>	<b>177.8</b>	<b>11.7%</b>	<b>-41.8%</b>

# 2Q18 Business Units

## Pilgrim's Pride Corporation - "PPC"

Pilgrim's Pride net revenue in 2Q18 totaled US\$2,836.7 million, a 3.1% increase in relation to 2Q17, including Moy Park results in both quarters.

Revenue from US operations grew by 0.9% in comparison with 2Q17, mainly due to higher sales volumes. In Mexico, revenue increased by 1.3% also due to higher volumes, partially offset by a negative effect of FX translation in the consolidation of Mexican operations results into PPC. In Europe, there was growth in volumes and sales prices and a positive effect from FX translation.

For the quarter, adjusted EBITDA was US\$282.5 million, a 37.1% reduction over 2Q17, with an EBITDA margin of 10.0%. In the US, adverse market conditions in commodities were partially offset by a positive performance in other business segments. Mexican operations posted a robust EBITDA margin of 19.6% for the period, with the higher value added product segment growing at a double digit rate and generating strong results under both premium Pilgrim's and Del Dia brands. In Europe, PPC has been improving results, with significant share gain at key customers.

The investments made over the past few years, including recent acquisitions, coupled with operational improvements and the strength of its small bird and case-ready businesses helped to offset some of the impacts from commodity markets and contribute to the evolution of its portfolio, supporting PPC's vision to become the best and most respected company in the industry.

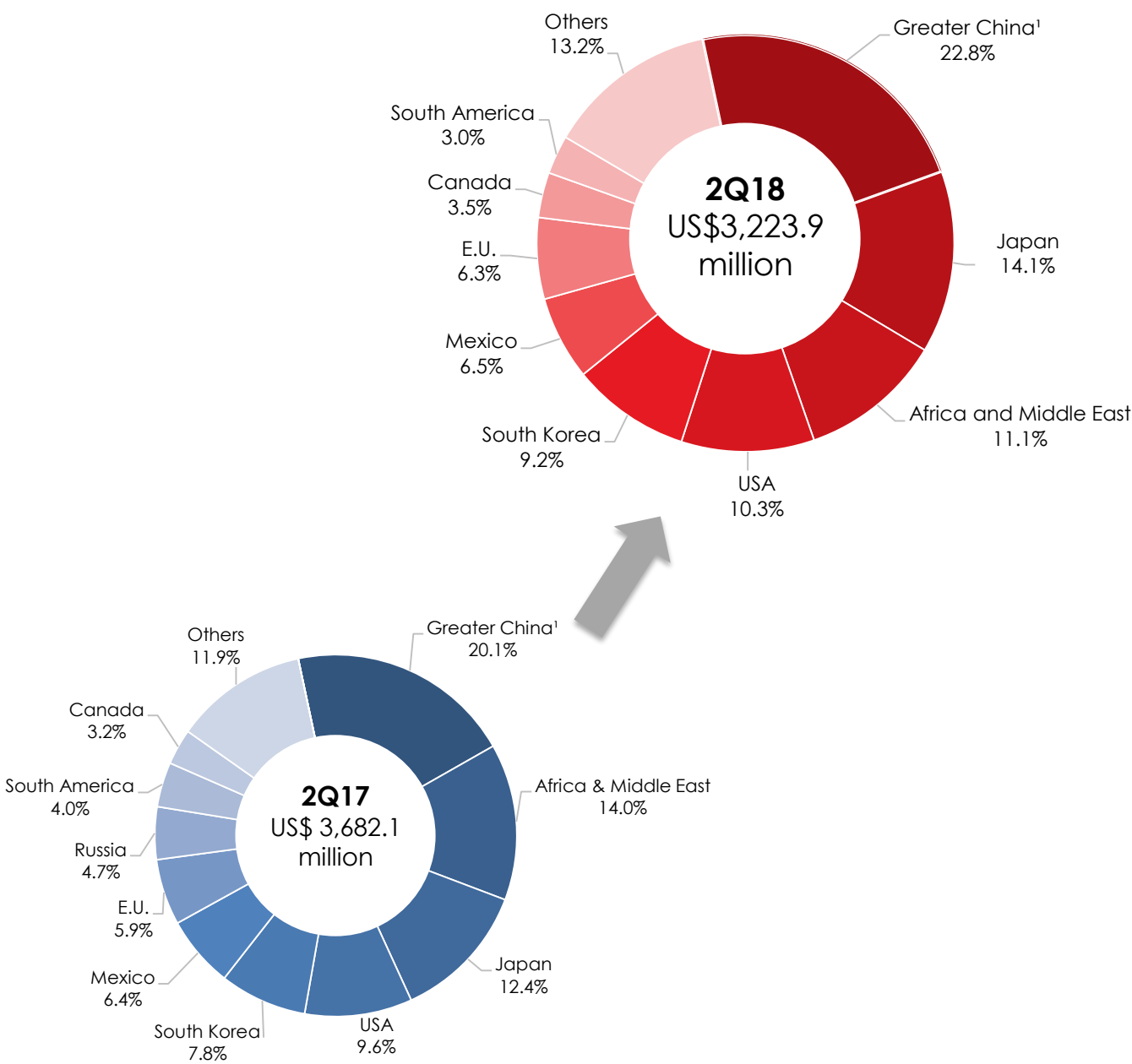
## Main Highlights (USGAAP)

US\$ Million	2Q18		1Q18		Δ%	2Q17		Δ%
	US\$	% NR	US\$	% NR	QoQ	US\$	% NR	YoY
<b>Net Revenue</b>	<b>2,836.7</b>	<b>100.0%</b>	<b>2,746.7</b>	<b>100.0%</b>	<b>3.3%</b>	<b>2,752.3</b>	<b>100.0%</b>	<b>3.1%</b>
Cost of Goods Sold	(2,562.5)	-90.3%	(2,459.0)	-89.5%	4.2%	(2,277.5)	-82.7%	12.5%
Gross Profit	274.2	9.7%	287.7	10.5%	-4.7%	474.8	17.3%	-42.2%
<b>Adjusted EBITDA<sup>1</sup></b>	<b>282.5</b>	<b>10.0%</b>	<b>271.8</b>	<b>9.9%</b>	<b>3.9%</b>	<b>448.9</b>	<b>16.3%</b>	<b>-37.1%</b>

# 2Q18

## Tables and Charts

### JBS Consolidated Exports Breakdown 2Q18 and 2Q17



Note 1. Considers China and Hong Kong

### 2Q18 Breakdown of Production Costs by Business Unit (%)

2Q18 (%)	Consolidated	JBS Brazil	Seara	USA Beef	USA Pork	PPC
Raw material (livestock)	77.1%	84.7%	66.5%	84.4%	76.8%	57.6%
Processing (including ingredients and packaging)	12.0%	8.0%	20.9%	6.6%	12.1%	24.8%
Labor Cost	11.0%	7.3%	12.7%	9.0%	11.2%	17.6%

# 2Q18

## Tables and Charts

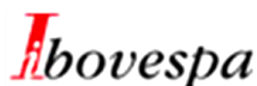
### Business Units Results in IFRS

Million		2Q18	1Q18	Δ%	2Q17	Δ%
<b>Net Revenue</b>						
Seara	R\$	4,088.7	3,974.5	2.9%	4,323.6	-5.4%
JBS Brazil	R\$	5,815.9	5,919.9	-1.8%	6,185.7	-6.0%
JBS USA Beef	R\$	20,182.1	16,414.0	23.0%	17,757.8	13.7%
JBS USA Pork	R\$	5,154.2	4,756.1	8.4%	4,902.0	5.1%
Pilgrim's Pride	R\$	10,213.5	8,896.3	14.8%	8,833.8	15.6%
Others	R\$	510.4	414.2	23.2%	453.4	12.6%
Eliminations	R\$	-789.1	-592.0	-	-781.4	-
<b>EBITDA</b>						
Seara <sup>1</sup>	R\$	226.7	330.2	-31.3%	356.1	-36.3%
JBS Brazil	R\$	358.6	-92.5	-	261.0	37.4%
JBS USA Beef	R\$	2,080.6	1,023.9	103.2%	925.3	124.9%
JBS USA Pork	R\$	427.6	443.6	-3.6%	609.6	-29.9%
Pilgrim's Pride	R\$	1,143.1	1,081.8	5.7%	1,630.7	-29.9%
Others	R\$	1.0	1.4	-29.4%	-24.7	-
<b>EBITDA Margin</b>						
Seara <sup>1</sup>	%	5.5%	8.3%	-2.76 p.p.	8.2%	-2.69 p.p.
JBS Brazil	%	6.2%	-1.6%	7.73 p.p.	4.2%	1.95 p.p.
JBS USA Beef	%	10.3%	6.2%	4.07 p.p.	5.2%	5.10 p.p.
JBS USA Pork	%	8.3%	9.3%	-1.03 p.p.	12.4%	-4.14 p.p.
Pilgrim's Pride	%	11.2%	12.2%	-0.97 p.p.	18.5%	-7.27 p.p.
Others	%	0.2%	0.3%	-0.15 p.p.	-5.5%	5.65 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.*

# 2Q18 - Results

In thousands of Brazilian Reais - R\$	Company		Consolidated	
Current Assets	6/30/2018	12/31/2017	6/30/2018	12/31/2017
Cash and cash equivalents	1,067,241	2,138,802	13,112,074	11,741,308
Trade accounts receivable	2,246,283	2,302,913	9,617,431	9,333,291
Inventories	1,966,314	1,823,640	11,883,844	9,684,878
Biological assets	-	-	3,093,440	2,767,250
Recoverable taxes	122,885	182,885	1,004,948	974,404
Derivative assets	120,718	-	340,042	30,760
Assets held for sale	-	-	-	817,705
Other current assets	212,001	264,807	850,042	755,948
<b>TOTAL CURRENT ASSETS</b>	<b>5,735,442</b>	<b>6,713,047</b>	<b>39,901,821</b>	<b>36,105,544</b>
Non-Current Assets	6/30/2018	12/31/2017	6/30/2018	12/31/2017
Biological Assets	-	-	1,113,459	967,761
Recoverable taxes	5,949,286	5,453,216	8,097,837	7,521,141
Related party receivables	517,667	2,040,471	707,575	897,535
Investments in associates, subsidiaries and joint ventures	22,610,203	18,562,666	77,213	64,006
Property, plant and equipment	11,276,049	11,544,181	35,057,791	33,563,104
Deferred Income Taxes	-	-	1,212,933	434,861
Intangible assets	90,732	94,739	6,074,197	5,512,070
Goodwill	9,085,970	9,085,970	23,965,245	22,488,247
Other non-current assets	565,239	512,486	1,119,083	1,141,682
<b>TOTAL NON-CURRENT ASSETS</b>	<b>50,095,146</b>	<b>47,293,729</b>	<b>77,425,333</b>	<b>72,590,407</b>
<b>TOTAL ASSETS</b>	<b>55,830,588</b>	<b>54,006,776</b>	<b>117,327,154</b>	<b>108,695,951</b>

# 2Q18 - Results

In thousands of Brazilian Reals - R\$

Current Liabilities	Company		Consolidated	
	6/30/2018	12/31/2017	6/30/2018	12/31/2017
Trade accounts payable	1,874,609	2,029,104	11,093,841	9,992,778
Loans and financing	2,731,683	8,223,197	4,244,573	13,526,051
Accrued income taxes and other taxes	283,168	259,803	944,218	1,392,755
Accrued payroll and social charges	604,057	572,066	3,062,369	3,007,816
Dividends payable	600	127,463	600	127,463
Other financial liabilities	24,017	7,659	54,002	73,156
Derivative liabilities	-	10	198,188	118,684
Liabilities held for sale	-	-	-	23,305
Other current liabilities	821,558	699,211	1,138,192	917,333
<b>TOTAL CURRENT LIABILITIES</b>	<b>6,339,692</b>	<b>11,918,513</b>	<b>20,735,983</b>	<b>29,179,341</b>

Non-Current Liabilities	6/30/2018	12/31/2017	6/30/2018	12/31/2017
Loans and financing	18,472,236	11,834,158	59,317,531	43,498,600
Accrued income taxes and other taxes	627,319	667,388	757,830	787,223
Accrued payroll and social charges	1,541,786	1,434,838	1,988,987	1,848,200
Other financial liabilities	21,527	24,827	31,334	39,868
Deferred income taxes	800,763	1,965,792	2,598,194	3,697,195
Provisions	1,847,535	1,820,007	2,767,875	2,888,150
Other non-current liabilities	19,480	53,641	657,275	616,706
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>23,330,646</b>	<b>17,800,651</b>	<b>68,119,026</b>	<b>53,375,942</b>

Equity	43,281	43,100	43,281	43,100
Share capital - common shares	23,576,206	23,576,206	23,576,206	23,576,206
Capital reserve	(293,190)	(289,295)	(293,190)	(289,295)
Other reserves	65,161	67,906	65,161	67,906
Profit reserves	2,310,198	2,277,205	2,310,198	2,277,205
Accumulated other comprehensive income (loss)	903,685	(1,344,410)	903,685	(1,344,410)
Retained earnings	(401,810)	-	(401,810)	-
<b>Attributable to company shareholders</b>	<b>26,160,250</b>	<b>24,287,612</b>	<b>26,160,250</b>	<b>24,287,612</b>
<b>Attributable to non-controlling interest</b>	<b>-</b>	<b>-</b>	<b>2,311,895</b>	<b>1,853,056</b>
<b>EQUITY</b>	<b>26,160,250</b>	<b>24,287,612</b>	<b>28,472,145</b>	<b>26,140,668</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>55,830,588</b>	<b>54,006,776</b>	<b>117,327,154</b>	<b>108,695,951</b>

# 2Q18 - Results

Statements of income for the three months period ended June 30

In thousands of Brazilian Reais - R\$

	Company		Consolidated	
	2018	2017	2018	2017
<b>Net income</b>	6,192,992	5,758,184	45,175,555	41,674,755
Cost of sales	(4,921,614)	(4,724,697)	(38,188,090)	(35,515,702)
<b>GROSS PROFIT</b>	<b>1,271,378</b>	<b>1,033,487</b>	<b>6,987,465</b>	<b>6,159,053</b>
General and administrative expenses	(617,172)	(530,978)	(1,516,106)	(1,325,202)
Selling expenses	(494,480)	(464,605)	(2,522,018)	(2,209,693)
Other expenses	(161)	(2,050)	(63,432)	(92,964)
Other income	338	3,312	37,534	92,989
<b>OPERATING EXPENSE</b>	<b>(1,111,475)</b>	<b>(994,321)</b>	<b>(4,064,022)</b>	<b>(3,534,870)</b>
<b>OPERATING PROFIT</b>	<b>159,903</b>	<b>39,166</b>	<b>2,923,443</b>	<b>2,624,183</b>
Finance income	291,293	342,625	215,331	287,748
Finance expense	(3,250,633)	(1,418,999)	(4,933,449)	(2,498,571)
	<b>(2,959,340)</b>	<b>(1,076,374)</b>	<b>(4,718,118)</b>	<b>(2,210,823)</b>
Share of profit of equity-accounted investees, net of tax	925,360	960,184	9,144	6,109
<b>PROFIT (LOSS) BEFORE TAXES</b>	<b>(1,874,077)</b>	<b>(77,024)</b>	<b>(1,785,531)</b>	<b>419,469</b>
Current income taxes	710	735	(591,678)	(529,903)
Deferred income taxes	962,290	386,133	1,550,316	585,229
	<b>963,000</b>	<b>386,868</b>	<b>958,638</b>	<b>55,326</b>
<b>NET INCOME</b>	<b>(911,077)</b>	<b>309,844</b>	<b>(826,893)</b>	<b>474,795</b>
<b>ATTRIBUTABLE TO:</b>				
Company shareholders				
Non-controlling interest				
<b>Basic income per shares - (R\$)</b>	<b>(0.34)</b>	0.12	<b>(0.34)</b>	0.12
<b>Diluted income per share - (R\$)</b>	<b>(0.34)</b>	0.12	<b>(0.34)</b>	0.12

# 2Q18 - Results

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

In thousands of Brazilian Reals - R\$

June 30

	Company		Consolidated	
Cash flow from operating activities	2018	2017	2018	2017
<b>Net income</b>	<b>(911,077)</b>	<b>309,843</b>	<b>(826,893)</b>	<b>474,797</b>
Adjustments for:				
Depreciation and amortization	194,333	203,416	1,175,850	1,133,618
Allowance for doubtful accounts	68,356	2,587	85,702	11,733
Share of profit of equity-accounted investees	(925,359)	(960,184)	(9,145)	(6,109)
(Gain) loss on sale of assets	(179)	(579)	12,314	3,740
Taxes expense	(962,999)	(386,868)	(958,639)	(55,326)
Finance income (expense), net	2,959,340	1,076,374	4,718,118	2,210,821
Share-based compensation	8,764	5,451	11,364	12,075
Provisions	21,985	35,118	66,897	127,116
Impairment	-	53,200	368	(41,846)
Mercosul sale	-	-	-	-
Special tax regularization program (PERT)	-	-	-	-
Impacts due to the leniency agreement	10,494	-	10,494	-
	<b>463,658</b>	<b>338,358</b>	<b>4,286,430</b>	<b>3,870,619</b>
<b>Changes in assets and liabilities:</b>				
Trade accounts receivable	454,154	474,271	654,773	(1,677,049)
Inventories	(114,965)	340,800	(339,085)	622,402
Recoverable taxes	(164,141)	46,640	(220,870)	(10,715)
Other current and non-current assets	(24,616)	40,962	41,321	89,649
Biological assets	-	-	(426,180)	(201,531)
Trade accounts payable	(133,538)	108,834	434,065	(281,767)
Taxes payable in installments	(80,129)	-	(79,782)	-
Other current and non-current liabilities	(6,903)	(185,666)	130,462	(104,049)
<b>Changes in operating assets and liabilities</b>	<b>(70,140)</b>	<b>825,841</b>	<b>194,704</b>	<b>(1,563,060)</b>
Interest paid	(439,306)	(398,408)	(1,204,489)	(1,171,823)
Interest received	128,969	132,137	129,208	191,269
Income tax paid	-	-	(913,703)	(427,548)
<b>Net cash provided by (used in) operating activities</b>	<b>83,180</b>	<b>897,928</b>	<b>2,492,150</b>	<b>899,457</b>
<b>Cash flow from investing activities</b>				
Purchases of property, plant and equipment	(85,237)	(272,516)	(608,314)	(848,187)
Purchases of intangible assets	(3,705)	(3,019)	(3,907)	(4,363)
Proceeds from sale of property, plant and equipment	24,686	10,409	49,581	86,670
Additional investments in associates, joint-ventures and subsidiaries	-	(16,624)	-	-
Acquisitions, net of cash acquired	2,838	-	(45,066)	(739,940)
Proceeds from sale of Mercosul operation	-	-	-	-
Proceeds from Moy Park transference to PPC	-	-	-	-
Related party transactions	663,280	14,646	32,031	217,118
Dividends received from associates and joint-ventures	6,548	-	3,000	-
Other	163	-	9,174	9,856
<b>Net cash provided by (used in) investing activities</b>	<b>608,571</b>	<b>(267,104)</b>	<b>(563,501)</b>	<b>(1,278,846)</b>
<b>Cash flow from financing activities</b>				
Proceeds from loans and financings	-	1,546,511	2,170,210	6,478,526
Payments of loans and financings	(655,774)	(2,509,946)	(3,150,876)	(5,603,836)
Derivatives instruments received/settled	34,323	195,711	(7,272)	199,493
Dividends paid	(126,864)	(89,339)	(126,864)	(93,354)
Other	-	-	2,610	(5,214)
<b>Cash provided by (used in) financing activities</b>	<b>(748,314)</b>	<b>(857,063)</b>	<b>(1,112,192)</b>	<b>975,615</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>100,498</b>	<b>45,584</b>	<b>1,464,589</b>	<b>287,392</b>
Net change in cash and cash equivalents	43,935	(1,491,535)	2,278,927	556,080
Cash and cash equivalents at the beginning of the period	1,023,305	5,636,370	10,833,147	10,744,308
<b>Cash and cash equivalents at the end of the period</b>	<b>1,067,241</b>	<b>4,144,835</b>	<b>13,112,074</b>	<b>11,300,388</b>



**JBS S.A.**

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

As of June 30, 2018 and 2017



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(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

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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 June 30, 2018, which comprises the balance sheet as at June 30, 2018 and the related statement of profit and loss and statement of comprehensive income (loss) for the three and six-month periods then ended, and the statement of changes in equity and statement of cash flows for the six-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, at a discovery hearing, by the 10<sup>th</sup> 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 June 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 Agreements**

We draw attention to Note 1.c to the individual and consolidated interim financial information, which discusses the stabilization agreements 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 and 18.b, respectively, 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), as well as the developments of the discussion on the subrogation of the contribution to Funrural. 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

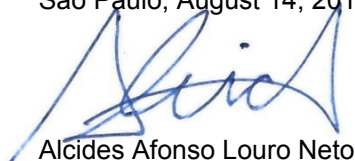
### **Interim statements of value added**

We have also reviewed the individual and consolidated statements of value added (DVA) for the six-month period ended June 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-month period ended June 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 June 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 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, August 14, 2018



Alcides Afonso Louro Neto

Grant Thornton Auditores Independentes

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

		Company		Consolidated	
	Note	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	4	1,067,241	2,138,802	13,112,074	11,741,308
Trade accounts receivable	5	2,246,283	2,302,913	9,617,431	9,333,291
Inventories	6	1,966,314	1,823,640	11,883,844	9,684,878
Biological assets	7	-	-	3,093,440	2,767,250
Recoverable taxes	8	122,885	182,885	1,004,948	974,404
Derivative assets	24	120,718	-	340,042	30,760
Assets held for sale		-	-	-	817,705
Other current assets		212,001	264,807	850,042	755,948
TOTAL CURRENT ASSETS		5,735,442	6,713,047	39,901,821	36,105,544
NON-CURRENT ASSETS					
Biological assets	7	-	-	1,113,459	967,761
Recoverable taxes	8	5,949,286	5,453,216	8,097,837	7,521,141
Related party receivables	9	517,667	2,040,471	707,575	897,535
Investments in associates, subsidiaries and joint ventures	10	22,610,203	18,562,666	77,213	64,006
Property, plant and equipment	11	11,276,049	11,544,181	35,057,791	33,563,104
Deferred income taxes	17	-	-	1,212,933	434,861
Intangible assets	12	90,732	94,739	6,074,197	5,512,070
Goodwill	13	9,085,970	9,085,970	23,965,245	22,488,247
Other non-current assets		565,239	512,486	1,119,083	1,141,682
TOTAL NON-CURRENT ASSETS		50,095,146	47,293,729	77,425,333	72,590,407
TOTAL ASSETS		55,830,588	54,006,776	117,327,154	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\$**

		Company		Consolidated	
	Note	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Trade accounts payable		1,874,609	2,029,104	11,093,841	9,992,778
Loans and financing	14	2,731,683	8,223,197	4,244,573	13,526,051
Income taxes	15	-	-	450,354	905,484
Accrued income taxes and other taxes	15	283,168	259,803	493,864	487,271
Accrued payroll and social charges	16	604,057	572,066	3,062,369	3,007,816
Dividends payable		600	127,463	600	127,463
Other financial liabilities		24,017	7,659	54,002	73,156
Derivative liabilities	24	-	10	198,188	118,684
Liabilities held for sale		-	-	-	23,305
Other current liabilities		821,558	699,211	1,138,192	917,333
TOTAL CURRENT LIABILITIES		6,339,692	11,918,513	20,735,983	29,179,341
NON-CURRENT LIABILITIES					
Loans and financing	14	18,472,236	11,834,158	59,317,531	43,498,600
Accrued income taxes and other taxes	15	627,319	667,388	757,830	787,223
Accrued payroll and social charges	16	1,541,786	1,434,838	1,988,987	1,848,200
Other financial liabilities		21,527	24,827	31,334	39,868
Deferred income taxes	17	800,763	1,965,792	2,598,194	3,697,195
Provisions	18	1,847,535	1,820,007	2,767,875	2,888,150
Other non-current liabilities		19,480	53,641	657,275	616,706
TOTAL NON-CURRENT LIABILITIES		23,330,646	17,800,651	68,119,026	53,375,942
EQUITY					
Share capital - common shares	19	23,576,206	23,576,206	23,576,206	23,576,206
Capital reserve		(293,190)	(289,295)	(293,190)	(289,295)
Other reserves		65,161	67,906	65,161	67,906
Profit reserves		2,310,198	2,277,205	2,310,198	2,277,205
Accumulated other comprehensive income (loss)		903,685	(1,344,410)	903,685	(1,344,410)
Retained earnings		(401,810)	-	(401,810)	-
Attributable to company shareholders		26,160,250	24,287,612	26,160,250	24,287,612
Attributable to non-controlling interest		-	-	2,311,895	1,853,056
TOTAL EQUITY		26,160,250	24,287,612	28,472,145	26,140,668
TOTAL LIABILITIES AND EQUITY		55,830,588	54,006,776	117,327,154	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 six month period ended June 30, 2018 and 2017**  
**In thousands of Brazilian Reais - R\$**

	Note	Company		Consolidated	
		2018	2017	2018	2017
<b>NET REVENUE</b>	20	<b>12,454,953</b>	<b>11,788,568</b>	<b>84,958,706</b>	<b>79,291,107</b>
Cost of sales		(10,431,299)	(9,900,627)	(72,819,102)	(68,711,082)
<b>GROSS PROFIT</b>		<b>2,023,654</b>	<b>1,887,941</b>	<b>12,139,604</b>	<b>10,580,025</b>
General and administrative expenses		(1,150,599)	(1,083,386)	(2,729,167)	(2,648,967)
Selling expenses		(1,034,503)	(943,803)	(4,846,705)	(4,279,159)
Other expense		(4,100)	(2,050)	(142,252)	(100,738)
Other income		338	4,813	70,833	122,712
<b>OPERATING EXPENSE</b>		<b>(2,188,864)</b>	<b>(2,024,426)</b>	<b>(7,647,291)</b>	<b>(6,906,152)</b>
<b>OPERATING PROFIT (LOSS)</b>		<b>(165,210)</b>	<b>(136,485)</b>	<b>4,492,313</b>	<b>3,673,873</b>
Finance income	21	441,644	1,102,660	271,758	813,253
Finance expense	21	(3,693,913)	(1,833,052)	(6,098,007)	(3,434,840)
		<u>(3,252,269)</u>	<u>(730,392)</u>	<u>(5,826,249)</u>	<u>(2,621,587)</u>
Share of profit of equity-accounted investees, net of tax	10	1,847,895	1,269,777	16,194	7,924
<b>PROFIT (LOSS) BEFORE TAXES</b>	17	<b>(1,569,584)</b>	<b>402,900</b>	<b>(1,317,742)</b>	<b>1,060,210</b>
Current income taxes	17	1,415	1,466	(900,770)	(662,050)
Deferred income taxes	17	1,163,614	258,525	1,979,807	493,567
		<u>1,165,029</u>	<u>259,991</u>	<u>1,079,037</u>	<u>(168,483)</u>
<b>NET INCOME (LOSS)</b>		<b>(404,555)</b>	<b>662,891</b>	<b>(238,705)</b>	<b>891,727</b>
<b>ATTRIBUTABLE TO:</b>					
Company shareholders				(404,555)	662,891
Non-controlling interest				165,850	228,836
				<u>(238,705)</u>	<u>891,727</u>
<b>Basic earnings per share - common shares (R\$)</b>	22	<b>(0.15)</b>	0.24	<b>(0.15)</b>	0.24
<b>Diluted earnings per share - common shares (R\$)</b>	22	<b>(0.15)</b>	0.24	<b>(0.15)</b>	0.24

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 June 30, 2018 and 2017**  
**In thousands of Brazilian Reais - R\$**

	Note	Company		Consolidated	
		2018	2017	2018	2017
<b>NET REVENUE</b>	20	<b>6,192,992</b>	<b>5,758,184</b>	<b>45,175,555</b>	<b>41,674,755</b>
Cost of sales		<u>(4,921,614)</u>	<u>(4,724,697)</u>	<u>(38,188,090)</u>	<u>(35,515,702)</u>
<b>GROSS PROFIT</b>		<b>1,271,378</b>	<b>1,033,487</b>	<b>6,987,465</b>	<b>6,159,053</b>
General and administrative expenses		(617,172)	(530,978)	(1,516,106)	(1,325,202)
Selling expenses		(494,480)	(464,605)	(2,522,018)	(2,209,693)
Other expense		(161)	(2,050)	(63,432)	(92,964)
Other income		338	3,312	37,534	92,989
<b>OPERATING EXPENSE</b>		<b>(1,111,475)</b>	<b>(994,321)</b>	<b>(4,064,022)</b>	<b>(3,534,870)</b>
		<b>159,903</b>	<b>39,166</b>	<b>2,923,443</b>	<b>2,624,183</b>
Finance income	21	291,293	342,625	215,331	287,748
Finance expense	21	<u>(3,250,633)</u>	<u>(1,418,999)</u>	<u>(4,933,449)</u>	<u>(2,498,571)</u>
		<b>(2,959,340)</b>	<b>(1,076,374)</b>	<b>(4,718,118)</b>	<b>(2,210,823)</b>
Share of profit of equity-accounted investees, net of tax	10	925,360	960,184	9,144	6,109
<b>PROFIT (LOSS) BEFORE TAXES</b>	17	<b>(1,874,077)</b>	<b>(77,024)</b>	<b>(1,785,531)</b>	<b>419,469</b>
Current income taxes	17	710	735	(591,678)	(529,903)
Deferred income taxes	17	<u>962,290</u>	<u>386,133</u>	<u>1,550,316</u>	<u>585,229</u>
		<b>963,000</b>	<b>386,868</b>	<b>958,638</b>	<b>55,326</b>
<b>NET INCOME (LOSS)</b>		<b>(911,077)</b>	<b>309,844</b>	<b>(826,893)</b>	<b>474,795</b>
<b>ATTRIBUTABLE TO:</b>					
Company shareholders				(911,077)	309,844
Non-controlling interest				<u>84,184</u>	<u>164,951</u>
				<b>(826,893)</b>	<b>474,795</b>
<b>Basic income per share - (R\$)</b>	22	<b>(0.34)</b>	0.12	<b>(0.34)</b>	0.12
<b>Diluted income per share - (R\$)</b>	22	<b>(0.34)</b>	0.12	<b>(0.34)</b>	0.12

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



JBS S.A.

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

	Reference	Company		Consolidated	
		2018	2017	2018	2017
Net income (loss)	IS	(404,555)	662,891	(238,705)	891,727
Other comprehensive income (loss)					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation adjustments	SCSE	2,248,095	834,064	2,537,994	878,517
Total comprehensive income (loss)		<u>2,248,095</u>	<u>834,064</u>	<u>2,537,994</u>	<u>878,517</u>
Other comprehensive income (loss)		<u>1,843,540</u>	<u>1,496,955</u>	<u>2,299,289</u>	<u>1,770,244</u>
Total comprehensive income (loss) attributable to:					
Company shareholders	SCSE	1,843,540	1,496,955	1,843,540	1,496,955
Non-controlling interest	SCSE	-	-	455,749	273,289
		<u>1,843,540</u>	<u>1,496,955</u>	<u>2,299,289</u>	<u>1,770,244</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 June 30, 2018 and 2017**  
**In thousands of Brazilian Reais - R\$**

	Reference	Company		Consolidated	
		2018	2017	2018	2017
Net income (loss)	IS	(911,077)	309,844	(826,893)	474,795
Other comprehensive income (loss)					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation adjustments	SCSE	2,039,270	764,431	2,273,879	834,936
Total of comprehensive income (loss)		<u>2,039,270</u>	<u>764,431</u>	<u>2,273,879</u>	<u>834,936</u>
Other comprehensive income (loss)		<u>1,128,193</u>	<u>1,074,275</u>	<u>1,446,986</u>	<u>1,309,731</u>
Total of comprehensive income (loss) attributable to:					
Company shareholders	IS	1,128,193	1,074,275	1,128,193	1,074,275
Non-controlling interest	IS	-	-	318,793	235,456
		<u>1,128,193</u>	<u>1,074,275</u>	<u>1,446,986</u>	<u>1,309,731</u>

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

**JBS S.A.**  
**Statements of changes in equity for the six month period ended June 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>-</b>	<b>442,661</b>	<b>3,205,901</b>	<b>197,069</b>	<b>(3,377,510)</b>	<b>-</b>	<b>22,373,950</b>	<b>1,143,302</b>	<b>23,517,252</b>
Net income	-	-	-	-	-	-	-	-	-	-	-	662,891	662,891	228,836	891,727
Comprehensive income (loss)	-	-	-	-	-	-	-	-	-	(20,771)	854,835	-	834,064	44,453	878,517
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20,771)</b>	<b>854,835</b>	<b>662,891</b>	<b>1,496,955</b>	<b>273,289</b>	<b>1,770,244</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	-	-	33,809	30,458	-	-	-	-	-	-	-	64,267	2,407	66,674
Treasury shares used in stock option plan	19	-	-	-	(40,818)	85,937	3,298	-	(48,417)	-	-	-	-	-	-
Realization of other reserves	-	-	-	-	-	(4,058)	-	-	-	-	-	4,058	-	-	-
PPC share repurchase	-	-	(33,611)	-	-	-	-	-	-	-	-	-	(33,611)	(27,575)	(61,186)
Scott dividend to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,342)	(3,342)
Others	-	-	576	-	-	-	-	-	-	-	-	-	576	-	576
<b>JUNE 30, 2017</b>	<b>23,576,206</b>	<b>211,879</b>	<b>(403,909)</b>	<b>64,061</b>	<b>-</b>	<b>69,458</b>	<b>(252,640)</b>	<b>442,661</b>	<b>1,617,911</b>	<b>176,298</b>	<b>(2,522,675)</b>	<b>666,949</b>	<b>23,646,199</b>	<b>1,388,081</b>	<b>25,034,280</b>
<b>DECEMBER 31, 2017</b>	<b>23,576,206</b>	<b>211,879</b>	<b>(556,963)</b>	<b>55,789</b>	<b>-</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>-</b>	<b>24,287,612</b>	<b>1,853,056</b>	<b>26,140,668</b>
Net income (loss)	-	-	-	-	-	-	-	-	-	-	-	(404,555)	(404,555)	165,850	(238,705)
Comprehensive income (loss)	10	-	-	-	-	-	-	-	-	25,221	2,222,874	-	2,248,095	289,899	2,537,994
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,221</b>	<b>2,222,874</b>	<b>(404,555)</b>	<b>1,843,540</b>	<b>455,749</b>	<b>2,299,289</b>
Share-based compensation	19 b2	-	-	17,957	12,411	-	-	-	-	-	-	-	30,368	3,647	34,015
Treasury shares used in stock option plan	19 b3	-	-	-	(32,993)	-	35,084	-	(2,091)	-	-	-	-	-	-
Realization of other reserves	-	-	-	-	-	(2,745)	-	-	-	-	-	2,745	-	-	-
Scott dividend to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(557)	(557)
Others	-	-	(1,270)	-	-	-	-	-	-	-	-	-	(1,270)	-	(1,270)
<b>JUNE 30, 2018</b>	<b>23,576,206</b>	<b>211,879</b>	<b>(540,276)</b>	<b>35,207</b>	<b>-</b>	<b>65,161</b>	<b>(157,798)</b>	<b>469,371</b>	<b>1,998,625</b>	<b>33,244</b>	<b>870,441</b>	<b>(401,810)</b>	<b>26,160,250</b>	<b>2,311,895</b>	<b>28,472,145</b>

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

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

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

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

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

**JBS S.A.**  
**Statements of cash flows for the six month period ended June 30, 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)		(404,555)	662,891	(238,705)	891,727
<b>Adjustments for:</b>					
Depreciation and amortization	7, 11 and 12	391,686	382,712	2,302,589	2,189,837
Allowance for doubtful accounts	5	126,926	7,678	145,207	20,581
Share of profit of equity-accounted investees	10	(1,847,895)	(1,269,777)	(16,194)	(7,924)
(Gain) loss on assets sales		3,762	(1,990)	17,168	9,339
Tax expense	17	(1,165,028)	(259,991)	(1,079,037)	168,483
Finance expense (income), net	21	3,252,269	730,392	5,826,249	2,621,587
Share-based compensation	19	12,411	30,458	19,302	66,674
Provisions	18	7,404	49,434	(71,694)	169,561
Impairment		-	(53,200)	53,131	(41,846)
(Gain) loss with the divestment program		-	-	4,938	-
Obsolete inventory accrual		-	-	37,764	-
Tax payable in installments		21,690	-	21,690	-
Impacts from the leniency agreement	18	20,124	34,551	20,124	34,551
		418,794	313,158	7,042,532	6,122,570
<b>Changes in assets and liabilities:</b>					
Trade accounts receivable		205,615	258,441	928,296	(632,745)
Inventories		(142,674)	113,288	(1,093,607)	(176,648)
Recoverable taxes		(241,656)	36,950	(363,895)	(9,233)
Other current and non-current assets		(37,362)	67,491	(406,538)	(41,836)
Biological assets		-	-	(683,958)	(459,037)
Trade accounts payable		(181,683)	(404,988)	10,758	(1,255,553)
Tax payable in installments		(144,616)	(23,861)	(146,001)	(23,861)
Other current and non-current liabilities		(34,881)	(201,715)	(121,573)	(632,072)
Income taxes paid		-	-	(1,434,298)	(563,565)
<b>Changes in operating assets and liabilities</b>		(577,257)	(154,394)	(3,310,816)	(3,794,550)
<b>Cash provided by (used in) operating activities</b>		(158,463)	158,764	3,731,716	2,328,020
Interest paid		(655,198)	(743,517)	(2,310,603)	(1,978,436)
Interest received		268,058	386,804	263,431	264,437
<b>Net cash of interest provided by (used in) operating activities</b>		(545,603)	(197,949)	1,684,544	614,021
<b>Cash flow from investing activities</b>					
Purchases of property, plant and equipment	11	(163,141)	(430,010)	(1,049,808)	(1,635,826)
Purchases of intangible assets	12	(6,704)	(6,456)	(12,454)	(9,775)
Proceeds from sale of property, plant and equipment	11	203,414	22,071	259,085	109,305
Proceeds from sale of intangible assets	12	163	-	9,246	9,148
Additional investments in associates, joint-ventures and subsidiaries		-	(16,624)	-	-
Acquisitions, net of cash acquired		-	-	(45,066)	(1,865,028)
Incorporations, net of cash	10	2,838	-	-	-
Assets held for sale, net of cash		-	-	622,235	(52,898)
Dividends received from associates and joint-ventures	10	6,548	78,291	3,000	-
Proceeds from the divestment program		6,616	-	6,616	-
Related party transactions	9	723,555	2,067,784	342,691	370,580
<b>Cash provided by (used in) investing activities</b>		773,289	1,715,056	135,545	(3,074,494)
<b>Cash flow from financing activities</b>					
Proceeds from loans and financings	14	-	3,445,863	7,027,470	22,513,853
Payments of loans and financings	14	(1,325,111)	(5,410,898)	(8,854,208)	(18,206,982)
Derivatives instruments received/settled	24	50,181	195,711	(13,574)	263,678
Dividends paid		(126,863)	(93,354)	(126,863)	(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		-	-	11,459	(5,223)
<b>Cash provided by (used in) financing activities</b>		(1,401,793)	(2,118,616)	(1,960,234)	4,151,506
<b>Effect of exchange rate changes on cash and cash equivalents</b>					
		102,546	33,548	1,510,911	253,733
Net change in cash and cash equivalents		(1,071,561)	(567,961)	1,370,766	1,944,766
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>		1,067,241	4,144,835	13,112,074	11,300,388

**Non-cash transactions:**

	Notes	Company		Consolidated	
		2018	2017	2018	2017
Increase in share capital in subsidiaries' through assumption of credit		-	113,475	-	-
Capital contribution in subsidiaries' through property assignment	10 and 11	<b>78,281</b>	-	<b>78,281</b>	-
Negative investment transference	10	<b>126,464</b>	102,495	-	-
Investments transference to assets held for sale		-	597,683	-	-
Treasury shares cancellation		-	1,539,573	-	1,539,573
Payments of loans through settlement of related parties		<b>(375,751)</b>	841,262	-	-
Reversal of the tax credit assignment with Flora		-	25,108	-	25,108
Compensation reversal of recoverable taxes with accrued payroll and social charges	8	<b>169,258</b>	-	<b>169,258</b>	-
Incorporation of subsidiaries	10	<b>246,564</b>	-	-	-
Payment 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 six month period ended June 30, 2018 and 2017**  
**In thousands of Brazilian Reais - R\$**

	Company		Consolidated	
	2018	2017	2018	2017
<b>Revenue</b>				
Sales of goods and services	12,768,168	12,094,900	85,759,729	80,283,885
Other income (expense)	(3,652)	5,045	4,950	67,653
Allowance for doubtful accounts	(126,926)	(7,678)	(145,207)	(20,581)
	<b>12,637,590</b>	<b>12,092,267</b>	<b>85,619,472</b>	<b>80,330,957</b>
<b>Goods</b>				
Cost of services and goods sold	(9,150,290)	(8,667,570)	(53,357,473)	(50,937,564)
Materials, energy, services from third parties and others	(1,785,058)	(1,585,246)	(13,905,120)	(12,409,428)
	<b>(10,935,348)</b>	<b>(10,252,816)</b>	<b>(67,262,593)</b>	<b>(63,346,992)</b>
<b>Gross added value</b>	<b>1,702,242</b>	<b>1,839,451</b>	<b>18,356,879</b>	<b>16,983,965</b>
<b>Depreciation and Amortization</b>	<b>(391,686)</b>	<b>(382,712)</b>	<b>(2,302,589)</b>	<b>(2,189,837)</b>
<b>Net added value generated</b>	<b>1,310,556</b>	<b>1,456,739</b>	<b>16,054,290</b>	<b>14,794,128</b>
<b>Net added value by transfer</b>				
Share of profit of equity-accounted investees, net of tax	1,847,895	1,269,777	16,194	7,924
Financial income	441,644	1,102,660	271,758	813,253
Others	2,316	(7,394)	(42,598)	20,961
<b>NET ADDED VALUE TOTAL TO DISTRIBUTION</b>	<b>3,602,411</b>	<b>3,821,782</b>	<b>16,299,644</b>	<b>15,636,266</b>
<b>DISTRIBUTION OF ADDED VALUE</b>				
<b>Labor</b>				
Salaries	910,147	910,597	8,364,250	7,725,625
Benefits	120,556	117,052	1,580,419	1,391,644
FGTS (Brazilian Labor Social Charge)	63,957	56,866	136,794	126,287
	<b>1,094,660</b>	<b>1,084,515</b>	<b>10,081,463</b>	<b>9,243,556</b>
<b>Taxes and contribution</b>				
Federal	(1,159,706)	(145,345)	(784,545)	560,077
State	331,792	295,026	652,693	685,252
Municipal	8,448	10,121	8,996	19,320
	<b>(819,466)</b>	<b>159,802</b>	<b>(122,856)</b>	<b>1,264,649</b>
<b>Capital Remuneration from third parties</b>				
Interests and exchange variation	3,666,595	1,815,665	6,035,674	3,357,535
Rents	46,721	82,462	370,212	383,283
Others	18,456	16,447	173,856	495,516
	<b>3,731,772</b>	<b>1,914,574</b>	<b>6,579,742</b>	<b>4,236,334</b>
<b>Owned capital remuneration</b>				
Net income (loss) attributable to company shareholders	(404,555)	662,891	(404,555)	662,891
Non-controlling interest	-	-	165,850	228,836
	<b>(404,555)</b>	<b>662,891</b>	<b>(238,705)</b>	<b>891,727</b>
<b>ADDED VALUE TOTAL DISTRIBUTED</b>	<b>3,602,411</b>	<b>3,821,782</b>	<b>16,299,644</b>	<b>15,636,266</b>

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 six month period ended June 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 Depository Receipts over-the-counter under the symbol "JBSAY". The Company's registered office is Avenida Marginal Direita do Tietê, 500, Vila Jaguara, São Paulo, Brazil.

The issuance of these interim condensed consolidated financial statements was authorized by the Board of Directors on August 14th, 2018.

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

The 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. Alvey Group acquisition

In April 2018, through its indirect subsidiary Scott Technology, the Company acquired 100% of Alvey Group (Alvey) for an aggregate purchase price of R\$46,445 (US\$13,400), subject to customary working capital adjustments. Alvey specializes in fully integrated automation and robotic systems designed to increase efficiency in production facilities where the handling of secondary packaging, semi-finished or finished goods is involved. The goodwill generated in this business acquisition in the amount of R\$39,656 (US\$11,441) is not eligible to be deducted for tax purposes in the United States of America. This acquisition was not disclosed in the business combination footnote due to its immateriality.

##### a2. Transbotics acquisition

In June 2018, through its indirect subsidiary Scott Technology, the Company acquired 100% of Transbotics Corporation ("Transbotics") for an aggregate purchase price of R\$12,870 (US\$3,400), subject to customary working capital adjustments. Transbotics provides design, installation and support of automatic guided vehicles and carts to provide material handling solutions for production and warehouse facilities. The goodwill generated in this business acquisition in the amount of R\$19,173 (US\$5,065) is eligible to be deducted for tax purposes in the United States of America. This acquisition was not disclosed in the business combination footnote due to its immateriality.

##### a3. JBS USA Term loan B offering

As announced to the market in June 2018, the indirect subsidiary JBS USA concluded an additional offering to the Term Loan B already issued by JBS USA, in an aggregate principal amount of R\$1.9 billion (US\$500,000), with a coupon of LIBOR + 2.5% due October 2022. JBS USA opted to increase the initial amount from US\$450,000 to US\$500,000 and was able to obtain an interest rate 25 basis points lower than originally indicated at launch due to a demand over 2.5 times greater than the indicated initial amount. Net proceeds from the offering will be used for debt amortization in the United States and usual cash flow purposes.

#### b. JBS S.A. Rating upgrade

As announced to the market in May 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 B+, with positive outlook. Also in May 2018, the rating agency Moody's upgraded JBS S.A. from B1 to B3 and its subsidiary JBS USA Lux S.A. from B1 B2, both ratings with stable outlook. This recognition, coming from one of the leading rating agencies in the world, supports the good economic and financial momentum of JBS and confirms the positive perception of the market.

#### c. Normalization agreement with financial institutions in Brazil

As announced to the market in May 2018, the Company has entered into a Normalization Agreement, together with its Brazilian operating subsidiaries and global leather division, related to credit lines with certain financial institutions representing 78% (seventy-eight percent) of the principal amount of the indebtedness that these companies currently hold with financial institutions in Brazil and abroad. This agreement continues the Agreement for the Preservation of Credit Lines, entered by the Company in July 25, 2017.

The terms of the Normalization Agreement ensure the maintenance of credit lines totaling approximately R\$12.2 billion for a period of 36 months as of July, 2018, and includes approximately a 25% amortization of the principal payable between January, 2019, and the expiry of the Normalization Agreement in July, 2021.

#### d. Subsequent event:

**d1.** 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.

**d2.** 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, to supply JBS Australia's plants with grainfed cattle. The agreement includes the sale of the cattle holding 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 second half of the Company's 2018 fiscal year.

**d3.** 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.

**d4.** 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 impacts of the facility's shutdown and financial impacts will be calculated during the third quarter.

**d5.** 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.



## JBS S.A.

Notes to the interim condensed financial statements for the six month period ended June 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 six month period ended June 30, 2018, which have a quarterly review report dated August 3, 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 six month period ended June 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.

- **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.

- **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.

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

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

##### 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 judgment of termination of the process was issued without merit resolution, against which an appeal was lodged by the plaintiffs.

- **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.

3<sup>a</sup> Vara Cível Federal de São Luis do Maranhão

Plaintiff: Aristoteles Duarte Ribeiro

In December 15, 2017, a decision was issued recognizing the prevention of the 9th Federal Court of the Judiciary Section of São Paulo determining the redistribution of the deed.



## JBS S.A.

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

**- 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 judgment 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 judgment 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.

**- Class action - 820215-58.2017.8.12.0001:** Aims the declaration of nullity of the Special Regime 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.

**- Request for Emergency Guardianship - 085443-97.2017.8.26.0100:** To determine the defendants or any of the persons appointed by them to occupy the seats on the shareholders meeting that refrain from preventing, delaying or in any way, disturb the possibility for shareholders to discuss and resolve the measure set forth in art. 120 of the law of joint stock companies (Lei das sociedades por ações - Leis das SA's), in case is raised at the JBS's shareholders meeting, making it possible to vote immediately after the matter is raised; and / or to determine that, in the scope of the votes of art. 120 of the Brazilian Corporate Law and other measures to be discussed in the context of item "ii" of the agenda, the Controllers are strictly prohibited from participating in the deliberations, pursuant to art. 115, paragraph 1, of the law of joint stock companies (Lei das sociedades por ações - Leis das SA's).

2ª Vara de Falências, Recuperações Judiciais e Conflitos Relacionados à Arbitragem da Comarca da Capital do Estado de São Paulo

Plaintiffs: José Aurélio Val Porto de Sá Júnior

Defendants: JBS S.A.; Tarek Mohamed Noshay Nasr Mohamed Faraht; José Batista Sobrinho; FB Participações S.A.; Banco Original S.A., Banco Original do Agronegócio S.A.

In August 31, 2017, a judgment of termination of the process was issued without merit resolution, against which an appeal was lodged by the author. In April 13, 2018, the Court approved the application for cancellation of the appeal made by the Plaintiffs, with the closing of the case.

**- Lawsuit for the exhibition of documents with urgent request for protection and evidence - 1086689-31.2017.8.26.0100:** Access to the settlement certificate of the book of Registered Shares with the names of all shareholders and the number of their shares.

2ª Vara de Falências, Recuperações Judiciais e Conflitos Relacionados à Arbitragem da Comarca da Capital do Estado de São Paulo.

Plaintiffs: José Aurélio Val Porto de Sá Júnior and Associação dos Investidores Minoritários ADMIN

Defendant: JBS S.A.

In September 13, 2017, a judgment of termination of the process was issued without merit resolution, which an appeal was presented by the plaintiffs against the resolution. In May 16, 2018, the Court approved the request to waive the appeal made by the Plaintiffs, with the closing of the case.

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

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

## JBS S.A.

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

### 2.3 Compliance Program

The Company is moving forward the compliance program "Always Do the Right Thing". During the first quarter of 2018, several leaderships were trained in person, including the Board of Directors and the Fiscal Council. Over than a thousand employees were trained in person for subjects such as anticorruption, money laundering prevention, anticompetitive practices, conflict of interests, and others. The Company is currently developing some contents for online courses aiming to reach a higher number of employees and in the future, third party employees.

In March 2018, the Board of Directors approved a new Global Ethical Conduct Manual. The manual will be unique for all different regions where the Company has operations and it will be available as of May 1<sup>st</sup>. A wide communication campaign involving leaderships from several countries is being prepared for this launch besides a mandatory training program about its content to all employees which is being developed.

Additionally, the department is still expanding. Currently in Brazil, the department has ten employees and a few extra positions are in their final hiring process. It was also concluded the hiring process of the Head of Ethic and Compliance in JBS USA, who will start in the end of April. The goal of this new position is to accelerate the implementation of all compliance initiatives in other countries where the Company has operations.

### 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 June 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. To avoid duplication of disclosures which are included in the annual financial statements, the following notes were not subject to full filling:

- i. Operating activities
- 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 haven't identified credit risks of these assets as of March 31, 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

## JBS S.A.

Notes to the interim condensed financial statements for the six month period ended June 30, 2018 and 2017  
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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 and have not identified any material impacts on their condensed interim financial statements, considering the nature of their sales transactions, where the performance obligations are clear and the transfer of control of the assets is not complex which ownership and benefits are transferred to the beneficiary.

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

**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	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Cash on hand and at banks	573,253	1,074,718	8,052,242	5,884,806
CDB (bank certificates of deposit) and National Treasury Bill (Tesouro Selic)	493,988	1,064,084	5,059,832	5,856,502
	<u>1,067,241</u>	<u>2,138,802</u>	<u>13,112,074</u>	<u>11,741,308</u>

## 5 Trade accounts receivable, net

	Company		Consolidated	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Current receivables	1,907,816	2,030,682	7,963,726	7,705,162
Overdue receivables:				
From 1 to 30 days	201,801	166,265	1,209,739	1,185,345
From 31 to 60 days	98,725	22,685	230,796	172,242
From 61 to 90 days	69,383	57,566	119,187	121,615
Above 90 days	225,474	219,569	484,579	477,294
Allowance for doubtful accounts	(253,472)	(191,163)	(386,057)	(324,570)
Present value adjustment	(3,444)	(2,691)	(4,539)	(3,797)
	<u>338,467</u>	<u>272,231</u>	<u>1,653,705</u>	<u>1,628,129</u>
	<u>2,246,283</u>	<u>2,302,913</u>	<u>9,617,431</u>	<u>9,333,291</u>

Below are the changes in the allowance for doubtful accounts:

	Company		Consolidated	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Initial balance	(191,163)	(119,859)	(324,570)	(238,084)
Additions	(126,926)	(88,210)	(145,207)	(126,900)
Exchange variation	-	-	(8,634)	(3,183)
Write-offs	64,617	16,906	92,354	41,880
Assets held for sale	-	-	-	1,717
Final balance	<u>(253,472)</u>	<u>(191,163)</u>	<u>(386,057)</u>	<u>(324,570)</u>

## 6 Inventories

	Company		Consolidated	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Finished products	1,283,583	1,080,588	7,797,935	5,974,007
Work in process	350,318	422,025	1,072,666	938,354
Raw materials	178,589	171,436	1,235,040	1,136,595
Warehouse spare parts	153,824	149,591	1,778,203	1,635,922
	<u>1,966,314</u>	<u>1,823,640</u>	<u>11,883,844</u>	<u>9,684,878</u>

**JBS S.A.**

Notes to the interim condensed financial statements for the six month period ended June 30, 2018 and 2017  
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**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	12,768,828	857,716
Reduction for slaughter, sale or consumption	(13,251,226)	(93,729)
Increase by purchase	302,149	256,518
Decrease by death	(6,287)	(7,933)
Fair value adjustments, net	(142,078)	-
Changes from non-current to current	389,301	(389,301)
Exchange rate variation	265,503	112,275
Amortization	-	(589,848)
<b>Balance at June 30, 2018</b>	<b>3,093,440</b>	<b>1,113,459</b>

**8 Recoverable taxes**

	Company		Consolidated	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Value-added tax on sales and services - ICMS	995,461	971,234	2,585,192	2,456,714
Excise tax - IPI	77,088	12,713	156,088	89,832
Social contribution on billings - PIS and COFINS <sup>(1)</sup>	2,961,962	2,633,753	3,891,290	3,546,549
Withholding income tax - IRRF/IRPJ	1,954,894	1,952,864	2,328,814	2,283,289
Reintegra	65,031	48,053	97,145	79,829
Other	17,735	17,484	44,256	39,332
	<b>6,072,171</b>	<b>5,636,101</b>	<b>9,102,785</b>	<b>8,495,545</b>
Current	122,885	182,885	1,004,948	974,404
Non-current	5,949,286	5,453,216	8,097,837	7,521,141
	<b>6,072,171</b>	<b>5,636,101</b>	<b>9,102,785</b>	<b>8,495,545</b>

<sup>(1)</sup> In the Company, the increase of R\$328,209 under the caption of PIS and COFINS is related to the reversal of compensations previously done offset with INSS payable in the amount of R\$221,209; R\$44,204 related to tax credits that were not recognized properly (créditos extemporâneos) arising from freight services, goods and services, etc. and R\$62,796 related from tax credits and debits arising from transactions incurred in the quarter.

**JBS S.A.**

Notes to the interim condensed financial statements for the six month period ended June 30, 2018 and 2017  
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**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 (administrative and funding)	Statement of financial position accounts		Effect on net income	
			June 30, 2018	December 31, 2017	Q2 2018	Q2 2017
Direct subsidiaries						
Seara Alimentos <sup>(2)</sup>	R\$	CDI + 1% p.m.	3,071,661	3,433,716	244,098	146,818
JBS Embalagens Metálicas <sup>(2)</sup>	R\$	CDI + 1% p.m.	151,569	141,011	10,613	14,678
Conceria Priante <sup>(1)</sup>	EUR	5.11% to 8.375% p.y.	136,878	117,136	3,698	-
Brazservice <sup>(2)</sup>	R\$	CDI + 1% p.m.	110,072	90,622	7,629	8,500
JBS Confinamento <sup>(2)</sup>	R\$	CDI + 1% p.m.	7,583	(5,516)	1,646	5,952
Enersea <sup>(1)</sup>	R\$	CDI + 1% p.m.	765	(361)	(521)	(577)
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\$	-	(830)	(723)	-	-
Indirect subsidiaries						
Trump Asia <sup>(1)</sup>	US\$	5,11 to 8,375% p.y.	222,157	211,071	6,248	-
Zendeleather México <sup>(1)</sup>	US\$	2.5% to 5.11% p.y.	103,257	22,479	1,042	-
JBS Leather Uruguai	US\$	8,375% p.y.	-	67,150	1,657	-
JBS Aves	R\$	CDI + 1% p.m.	-	950,199	28,288	162,576
JBS Leather Argentina	US\$	-	-	-	-	264
Frigorífico Canelones	US\$	3,5% p.y.	-	-	-	(274)
JBS Handels GmbH <sup>(1)</sup>	EUR	-	(683,644)	(581,481)	(8,495)	(293)
JBS USA Holding Lux <sup>(1)</sup>	US\$	8,375% p.y.	(2,601,801)	(2,405,359)	(52,270)	(4,748)
Other related party						
Flora Higiene e Produtos	R\$	Selic	-	23,783	531	335
			517,667	2,040,471	244,164	333,167

<sup>(1)</sup> Refers to working capital funding. Settlement in the future shall be through a capital 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, which included a 25% discount in the tax amount assigned, in the amount of approximately R\$75,000, recognized under the caption "Other operating income". These transactions were approved unanimously by the Related Party Committee.

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

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



**JBS S.A.**

Notes to the interim condensed financial statements for the six month period ended June 30, 2018 and 2017  
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Following, are demonstrated all commercial transactions between related parties recognized in the individual financial statement:

COMPANY	Accounts receivable		Accounts payable		Purchases/Services rendered		Sale of products/Services rendered	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	Q2 2018	Q2 2017	Q2 2018	Q2 2017
<b>Direct subsidiaries</b>								
Priante	58,191	22,964	-	-	-	-	84,284	16,997
Brazservice	14,752	6,852	6,613	1,945	31,514	33,363	68,550	38,017
Seara Alimentos	39,590	29,336	9,938	18,968	29,919	53,648	312,455	156,155
JBS Confinamento	646	153	2,564	8,513	19,504	51,127	1,742	223
Enersea	10	763	-	-	70,865	64,343	55,808	47,329
<b>Indirect subsidiaries</b>								
JBS Global UK	29,892	59,192	-	-	-	-	105,072	73,124
Toledo	24,331	16,821	-	-	-	-	137,715	101,190
JBS Aves	1,143	941	21,258	21,516	4,904	25,015	5,553	7,272
Weddel	8,139	7,642	-	-	-	-	29,644	15,421
Sampco	55,327	30,071	-	-	-	-	211,339	148,756
Meat Snacks Partners	9,488	5,970	-	101	430	88	107,985	109,950
Trump Asia	9,531	22,180	-	475	-	249	14,232	171,659
JBS Paraguay	-	-	-	-	-	50,479	-	976
JBS Leather Argentina	483	7,865	-	513	-	1,381	242	15,982
JBS Leather Uruguai	17,357	-	-	-	1,151	-	24,548	-
Braslo Produtos de Carnes	-	-	-	-	-	-	-	121,465
JBS USA	-	39	26	-	199	5	-	52,762
Agrícola Jandelle	1,341	1,341	22,958	23,190	8,161	25,415	4,584	1,859
Swift Beef Company	-	-	145	1,805	7,731	2,331	-	-
<b>Other related parties</b>								
Vigor	-	-	-	-	-	25,798	-	18
J&F Floresta Agropecuária	106	25	411	-	2,270	14,667	122	4
JBj Agropecuária	1,033	279	26,342	26,288	143,765	131,343	2,586	2,180
Flora Produtos	12,942	6,627	4	3	39	12	64,605	47,077
Dan Vigor Indústria e Com.	-	-	-	-	-	4,525	-	49,804
	<b>284,302</b>	<b>219,061</b>	<b>90,259</b>	<b>103,317</b>	<b>320,452</b>	<b>483,789</b>	<b>1,231,066</b>	<b>1,178,220</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 June 30, 2018 and December 31, 2017, the unpaid balance of transferred receivables was R\$743,341 and R\$848,273 in the Company, and R\$1,303,453 and R\$1,490,395 in the Consolidated, respectively. During the six month periods ended June 30, 2018 and 2017, JBS incurred financial costs related to this operation in the amount of R\$33,027 and R\$40,620 in the Company, and R\$57,557 and R\$71,926 in the Consolidated, respectively, recognized in the consolidated financial statements as financial expenses.

Additionally at June 30, 2018 and December 31, 2017, the Company holds investments with Banco Original, in the amount of R\$62,473 and R\$68,760 in the Company and R\$136,758 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 six month periods ended June 30, 2018 and 2017, the Company earned interest from these investments in the amount of R\$1,644 and R\$3,558 in the Company, and R\$3,788 and R\$6,502 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\$20,659 and R\$22,003 at June 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 June 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 six month periods ended June 30, 2018 and 2017, JBS made donations in the amounts of R\$8,252 and R\$10,089, respectively, recognized in the financial statements as administrative expenses.

**Credit with related parties - Consolidated**

	June 30, 2018	December 31, 2017
J&F Oklahoma <sup>(3)</sup>	707,575	873,752
Flora Produtos de Hig. Limp. S.A.	-	23,783
	<b>707,575</b>	<b>897,535</b>

<sup>(3)</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 is the guarantor of a J&F Oklahoma revolving credit facility with financial institutions. The J&F Oklahoma credit line has total availability of R\$4.4 billion (US\$1.15 billion) and is guaranteed by the accounts receivable and inventories of J&F Oklahoma. Additionally, in the case of a J&F Oklahoma default under the revolving credit facility, and where the event of default is not covered by J&F Oklahoma's collateral or a guarantee by J&F Oklahoma's parent, Moyer Distribution will be responsible for up to R\$963,950 (US\$250,000) of the secured loans.

## JBS S.A.

Notes to the interim condensed financial statements for the six month period ended June 30, 2018 and 2017  
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### Commercial transactions - Consolidated

JBS Australia is part to a commercial agreement with J&F Australia as described below:

- a. Cattle supply and feeding agreement: where JBS provides cattle fattening services to J&F and J&F pays JBS for the medicinal and feeding costs, including a daily yardage charge in line with market terms. Under the agreement, J&F has agreed to maintain sufficient cattle on JBS-owned feedlots so they remain 80% full at least. Risk of loss of the cattle remains with J&F;
- b. Sale and purchase cattle agreement, whereby JBS is required to purchase from J&F a certain volume of animals per year. JBS Australia must purchase at least 200,000 animals/ year, with a term lasting from 2011 through 2019. The cattle sale and purchase agreement also contain provisions to share in gains and losses incurred by J&F on its sale of cattle to JBS.

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. The terms of these agreements were:

- i. Cattle purchase and sale agreements which required JBS to purchase from J&F a certain volume of animals per year. The minimum purchase commitments under these agreements were: i) JBS USA commitment of at least 800,000 animals/year, with a term from 2009 to 2019 and ii) JBS Canada commitment of approximately 38,000 animals/year with a term from 2013 to 2019.
- ii. These agreements were terminated on the respective sale dates and new agreements were made to replace them, determining that JBS USA and JBS Canada purchase the remaining cattle until the agreement's maturity dates. The agreements will terminate once all cattle have been delivered.

During the six month periods ended June 30, 2018 and 2017, the amounts received under the cattle supply and feeding agreements were R\$710,709 (US\$197,114) and R\$1.3 billion (US\$412,095) respectively, and amounts paid under the cattle sale and purchase agreements were R\$5.2 billion (US\$1.5 billion) and R\$4.7 billion (US\$1.4 billion), respectively.

No expense for doubtful accounts or bad debts relating to related-party transactions were recorded during the six month periods ended June 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 six month periods ended June 30, 2018 and 2017 is the following:

	2018	2017
Salaries and wages	9,014	4,532
Variable cash compensation	4,250	4,250
Share-based compensation (*)	1,500	2,500
	<b>14,764</b>	<b>11,282</b>

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

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

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

**JBS S.A.**

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

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

	December 31, 2017	Addition (disposal)	Exchange rate variation	Changes in the Equity of investees	Proportionate share of income (loss)	June 30, 2018
JBS Embalagens Metálicas	(54,038)	-	-	-	(10,634)	(64,672)
JBS Confinamento	572,160	-	-	-	(14,917)	557,243
JBS Slovakia Holdings <sup>(1)</sup>	15	(15)	-	-	-	-
Conceria Priante	6,490	-	849	-	1,021	8,360
JBS Holding GMBH	583,594	-	78,923	-	23,951	686,468
JBS Global Luxembourg	12,472,336	-	2,412,902	(489,945)	2,973,628	17,368,921
JBS Leather International	(189,411)	-	(37,158)	(16,998)	(47,371)	(290,938)
Brazservice	(49,034)	-	-	-	(14,037)	(63,071)
Seara Alimentos	4,477,051	-	-	278,770	(1,082,214)	3,673,607
Meat Snack Partners <sup>(2)</sup>	64,006	(3,000)	12,404	(12,392)	16,195	77,213
Rigamonti	115,107	-	15,821	-	4,659	135,587
Enersea	(87)	-	-	-	(266)	(353)
JBS Mendoza	747	-	(220)	-	263	790
JBS HU Liquidity Management <sup>(3)</sup>	3,957	(3,548)	331	-	(98)	642
Midtown Participações <sup>(4)</sup>	180,965	(178,924)	-	-	(2,041)	-
Midup Participações	18,635	-	-	-	(335)	18,300
Beef Snacks Brasil <sup>(4)</sup>	67,327	(67,640)	-	-	313	-
JBS Milestone	276	-	7	-	(222)	61
JBS Asset Management <sup>(5)</sup>	-	78,281	4,730	-	-	83,011
<b>Subtotal</b>	<b>18,270,096</b>	<b>(174,846)</b>	<b>2,488,589</b>	<b>(240,565)</b>	<b>1,847,895</b>	<b>22,191,169</b>
Accrual for loss on investments <sup>(*)</sup>	292,570	-	-	-	-	419,034
<b>Total</b>	<b>18,562,666</b>					<b>22,610,203</b>

<sup>(\*)</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, for anticipation of funds due to its liquidation.

<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, 2017	Distribution of dividends	Changes in the Equity of investees	Proportionate share of income	June 30, 2018
Meat Snack Partners	64,006	(3,000)	13	16,194	77,213
<b>Total</b>	<b>64,006</b>	<b>(3,000)</b>	<b>13</b>	<b>16,194</b>	<b>77,213</b>

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

Company	December 31, 2017	Additions net of transferences <sup>(1)</sup>	Incorporations <sup>(2)</sup>	Disposals	Depreciation	June 30, 2018
Buildings	3,161,541	205,059	135,586	(3,719)	(63,945)	3,434,522
Land	1,526,572	63	65,422	-	-	1,592,057
Machinery and equipment	3,766,569	103,142	16,123	(11,353)	(202,514)	3,671,967
Facilities	1,465,693	57,135	18,192	(8,479)	(57,500)	1,475,041
Computer equipment	69,962	12,782	-	(131)	(14,646)	67,967
Vehicles	319,342	48,513	-	(83,557)	(32,668)	251,630
Construction in progress	1,181,445	(288,534)	-	(178,042)	-	714,869
Other	53,057	24,981	-	(176)	(9,866)	67,996
	<b>11,544,181</b>	<b>163,141</b>	<b>235,323</b>	<b>(285,457)</b>	<b>(381,139)</b>	<b>11,276,049</b>



**JBS S.A.**

Notes to the interim condensed financial statements for the six month period ended June 30, 2018 and 2017  
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Consolidated	December 31, 2017	Acquisitions <sup>(3)</sup>	Additions net of transferences <sup>(1)</sup>	Disposals	Depreciation	Exchange rate variation	June 30, 2018
Buildings	11,877,234	1,560	333,276	(25,722)	(336,656)	883,674	12,733,366
Land	4,009,654	7	110,995	(15,673)	-	210,711	4,315,694
Machinery and equipment	11,589,239	1,383	749,739	(31,887)	(935,142)	853,209	12,226,541
Facilities	2,081,688	-	85,402	(9,328)	(97,114)	902	2,061,550
Computer equipment	302,449	4,680	26,289	(1,016)	(57,737)	24,385	299,050
Vehicles	406,823	821	147,069	(90,791)	(46,498)	16,376	433,800
Construction in progress	2,636,047	-	(379,939)	(178,481)	-	174,874	2,252,501
Other	659,970	-	55,258	(1,636)	(60,181)	81,878	735,289
	<b>33,563,104</b>	<b>8,451</b>	<b>1,128,089</b>	<b>(354,534)</b>	<b>(1,533,328)</b>	<b>2,246,009</b>	<b>35,057,791</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, as described in footnote 1 - Operating activities.

For the six month periods ended June 30, 2018 and 2017, the amount of capitalized interest added to construction in progress and included in additions was R\$14,852 and R\$25,455 in the Company, respectively, and in the Consolidated was R\$40,305 and R\$63,653, 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 six month period ended June 30, 2018, there were no indicates of impairment.

## 12 Intangible assets

### Changes in intangible assets:

Company	December 31, 2017	Additions	Disposals	Amortization	June 30, 2018
<b>Amortizing:</b>					
Trademarks	42,560	-	-	(5,320)	37,240
Software	27,379	6,704	(164)	(5,227)	28,692
<b>Non-amortizing:</b>					
Trademarks	24,800	-	-	-	24,800
	<b>94,739</b>	<b>6,704</b>	<b>(164)</b>	<b>(10,547)</b>	<b>90,732</b>

Consolidated	December 31, 2017	Acquisitions <sup>(1)</sup>	Additions	Disposal	Amortization	Exchange rate variation and others	June 30, 2018
<b>Amortizing:</b>							
Trademark	239,093	10,904	-	(40)	(12,914)	29,381	266,424
Software	75,646	-	12,466	(195)	(13,646)	1,993	76,264
Customer relationships	2,082,710	-	-	-	(146,844)	271,210	2,207,076
Non-compete contract	17,023	-	74,218	-	(5,840)	16,204	101,605
Others	2,975	-	-	-	(169)	575	3,381
<b>Non-amortizing:</b>							
Trademarks	3,059,717	364	-	-	-	319,158	3,379,239
Water rights	34,906	-	-	-	-	5,302	40,208
	<b>5,512,070</b>	<b>11,268</b>	<b>86,684</b>	<b>(235)</b>	<b>(179,413)</b>	<b>643,823</b>	<b>6,074,197</b>

<sup>(1)</sup> Refers to balances arising from Alvey and Transbotics's acquisitions, as described in footnote 1 - Operating activities.

## 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>	58,828
Disposals	(9,011)
Exchange rate variation and others	1,427,181
<b>Balance at June 30, 2018</b>	<b>23,965,245</b>

<sup>(1)</sup> Refers to balances arising from Alvey and Transbotics's acquisitions, as described in footnote 1 - Operating activities.

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<b>CGU Groups</b>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Brazil Beef	9,069,926	9,069,926
Australia Smallgoods	1,112,001	1,005,113
Moy Park	3,142,542	2,760,016
USA Pork	2,677,984	2,297,518
Seara	3,533,295	3,533,294
Others CGUs without significant goodwill	4,429,497	3,822,380
<b>Total</b>	<b>23,965,245</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 six month period ended June 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	
					June 30, 2018	Dec 31, 2017	June 30, 2018	Dec 31, 2017
Foreign currency								
Prepayment	4.97%	USD	LIBOR	2019 - 23	1,469,075	3,406,881	5,061,757	2,776,910
ACC - Advances on exchange contracts	4.78%	USD	-	2021	947,156	3,687,101	2,339,831	-
144-A	7.14%	USD	-	2020 - 24	179,429	153,432	9,717,547	8,331,310
Working capital - Euro	2.40%	EUR	EURIBOR	2023	20,727	18,362	58,231	58,643
FINIMP	2.53%	EUR	EURIBOR	*	341	600	-	-
					<u>2,616,728</u>	<u>7,266,376</u>	<u>17,177,366</u>	<u>11,166,863</u>
Local currency								
Credit note - export	7.74%	BRL	CDI p.y.	2019 - 20	35,768	763,412	995,660	467,358
Working capital - Brazilian Reais	7.71%	BRL	CDI p.y. e TJLP	2019 - 20	5,334	116,167	123,689	14,205
FINAME	8.68%	BRL	TJLP	2019 - 25	36,620	45,178	55,199	73,130
FINEP	6.12%	BRL	-	2019 - 25	21,459	22,005	71,759	81,922
CDC - Direct credit to consumers	17.06%	BRL	-	2020 - 23	15,774	10,059	48,563	30,680
					<u>114,955</u>	<u>956,821</u>	<u>1,294,870</u>	<u>667,295</u>
					<u>2,731,683</u>	<u>8,223,197</u>	<u>18,472,236</u>	<u>11,834,158</u>

**JBS S.A.**

Notes to the interim condensed financial statements for the six month period ended June 30, 2018 and 2017  
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	Consolidated							
Type	Average annual interest rate	Currency	Indexer	Payment terms / non-current debt	Current		Non-current	
					Jun 30, 2018	Dec 31, 2017	Jun 30, 2018	Dec 31, 2017
Foreign currency								
ACC - Advances on exchange contracts	4.78%	USD	Libor	2019 - 21	1,229,924	5,055,776	3,615,182	-
Prepayment	5.89%	USD	Libor	2019 - 23	1,851,693	5,048,964	6,499,668	3,084,877
144-A	7.14%	USD	-	2020 - 24	179,429	153,432	9,717,547	8,331,310
Credit note – import	4.89%	USD	Libor	2021	-	98,641	115,597	-
FINIMP	5.95%	USD and EUR	Libor and Euribor	*	14,501	15,682	-	4,658
Working capital - Euros/US dollars/Pound sterling	2.39%	USD, EUR and GBP	Libor, Euribor and GBPLibor	2023	36,497	29,957	58,231	58,643
					3,312,044	10,402,452	20,006,225	11,479,488
Local currency								
FINAME	8.02%	BRL	TJLP	2019 - 25	45,002	53,599	74,177	96,183
FINEP	5.98%	BRL	-	2019 - 25	25,421	25,971	74,393	86,531
JBS Mortgage	5.80%	USD	-	2020	752	622	6,755	6,123
Senior Secured Credit Facility JBS Lux	5.51%	USD	Libor	-	181	13,808	-	1,933,926
Term loan Five Rivers 2019	-	-	-	-	-	276,456	-	-
Term loan JBS Lux 2022	4.83%	USD	ABR and Libor	2019-22	148,040	107,278	12,379,929	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	27,685	22,984	4,398,967	3,768,904
Notes 5,875% JBS Lux 2024	5.87%	USD	-	2024	78,813	67,212	2,876,265	2,466,501
Notes 5,75% JBS Lux 2025	5.75%	USD	-	2025	9,424	7,608	3,447,255	2,956,088
Notes 5,75% PPC 2025	5.75%	USD	-	2025	65,896	42,005	3,835,761	2,477,272
Notes 5,875% PPC 2027	5.88%	USD	-	2027	49,211	29,798	3,217,779	1,962,329
Notes 6,75% JBS Lux 2028	6.75%	-	-	2028	89,142	-	3,437,288	-
PPC term loan	3.59%	USD	ABR and Libor	2022	176,788	147,285	2,753,666	2,447,920
PPC revolving credit facility	-	-	-	-	-	324	-	216,208
Moy Park revolving credit facility	1.75%	GBP	Libor	2023	73	-	149,196	-
Marshalltown	-	-	-	-	-	63	-	32,395
Working capital - Brazilian Reais	7.86%	BRL	CDI and TJLP	2019 - 21	10,568	121,667	130,930	22,531
Working capital - US Dollars/Pound sterling	4.60%	USD and GBP	Libor	2021	3,155	112,472	150,376	-
Working capital - Euros	1.46%	EUR	Euribor	2019 - 23	88,927	90,706	9,164	10,648
Credit note – export	8.21%	BRL	CDI	2019 - 22	68,787	1,603,518	1,827,652	528,520
Credit note – import	3.75%	EUR	Euribor	*	2,364	187,462	-	-
FCO - Middle West Fund	10.16%	BRL	-	*	793	1,725	-	-
CDC - Direct credit to consumers	17.06%	BRL	-	2020 - 23	15,774	10,059	48,563	30,680
CCB	9.52%	BRL	UM BNDES	2019 - 24	3,010	3,009	17,649	18,994
ACC - Advances on exchange contracts	4.69%	USD	Libor	2021	-	126	1,279	-
Prepayment	4.69%	USD	Libor	2021	-	-	315,131	-
Rural - Credit note	8.50%	BRL	Libor	2019 - 21	13,679	100,630	159,258	-
Canadian credit facility & revolving credit facility	4.00%	CAD	CDOR, RBC and Libor	2021	-	7	(451)	(533)
Mexico credit facility	-	-	-	-	-	1,813	-	252,424
Other	6.99%	EUR and GBP	-	2019	9,044	7,770	324	32,848
					932,529	3,123,599	39,311,306	32,019,112
					4,244,573	13,526,051	59,317,531	43,498,600

\* Balances classified as current which have their maturities between July 1, 2018 and June 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 June 30, 2018 and 2017, the availability under JBS USA revolving credit facilities was R\$7.2 billion (US\$1.8 billion) and R\$3.3 billion (US\$1 billion), respectively.

**JBS S.A.**

Notes to the interim condensed financial statements for the six month period ended June 30, 2018 and 2017  
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The non-current portion of the principal payment schedule of loans and financing is as follows:

Maturity	June 30, 2018	
	Company	Consolidated
2019	380,501	747,658
2020	4,773,592	5,567,695
2021	6,420,471	14,675,128
2022	993,770	15,448,329
2023	3,008,035	3,162,806
Maturities thereafter	2,895,867	19,715,915
	<b>18,472,236</b>	<b>59,317,531</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 six month period ended June 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.

The presentation of the debt amount included in the Normalization Agreement is in accordance with CPC 26.73 (IAS 1.73) and with the CPC Basic Conceptual Framework (R1) (The Conceptual Framework for Financial Reporting - IASB - BV 2011 Blue Book).

In the Company, the amount of debt reclassified to noncurrent totaled in R\$5.3 billion and in the Consolidated totaled in R\$9.3 billion.

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

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

**15 Accrued income taxes and other taxes**

	Company		Consolidated	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Accrued income taxes	-	-	450,354	905,484
Withholding income taxes	-	-	1,203	638
ICMS / VAT / GST tax payable	23,461	21,031	68,632	61,075
PIS / COFINS tax payable	67,695	58,074	85,737	72,973
Taxes payable in installments	779,665	798,350	833,447	853,988
Others	39,666	49,736	262,675	285,820
	<b>910,487</b>	<b>927,191</b>	<b>1,702,048</b>	<b>2,179,978</b>
<b>Breakdown:</b>				
Current liabilities	283,168	259,803	944,218	1,392,755
Non-current liabilities	627,319	667,388	757,830	787,223
	<b>910,487</b>	<b>927,191</b>	<b>1,702,048</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 June 30, 2018 and December 31, 2017, the Company has recorded under Income taxes, payroll, social charges and tax obligation the amount of R\$62,809 and R\$54,154 in the Company, respectively, and in the Consolidated R\$78,659 and R\$67,539, respectively, regarding to PIS/COFINS over financial income.

**16 Accrued payroll and social charges**

	Company		Consolidated	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Salaries and related social charges	135,534	234,685	988,948	1,075,368
Bonus and vacation along with related social charges	280,221	186,092	2,127,083	2,051,375
Taxes payable in installments	1,727,012	1,580,839	1,738,752	1,593,079
Others	3,076	5,288	196,573	136,194
	<b>2,145,843</b>	<b>2,006,904</b>	<b>5,051,356</b>	<b>4,856,016</b>
<b>Breakdown:</b>				
Current liabilities	604,057	572,066	3,062,369	3,007,816
Non-current liabilities	1,541,786	1,434,838	1,988,987	1,848,200
	<b>2,145,843</b>	<b>2,006,904</b>	<b>5,051,356</b>	<b>4,856,016</b>

**JBS S.A.**

Notes to the interim condensed financial statements for the six month period ended June 30, 2018 and 2017  
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**17 Income taxes**
**a. Reconciliation of income tax and social contribution expense:**

	<b>Company</b>		<b>Consolidated</b>	
	<b>Six month periods ended June 30,</b>		<b>Six month periods ended June 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Profit (loss) before income taxes (PBT)</b>	<b>(1,569,584)</b>	<b>402,900</b>	<b>(1,317,742)</b>	<b>1,060,210</b>
<b>Nominal rate</b>	<b>(34)%</b>	<b>(34)%</b>	<b>(34)%</b>	<b>(34)%</b>
Expected tax expense	533,659	(136,986)	448,032	(360,471)
<b>Adjustments to reconcile taxable income:</b>				
Earnings and losses due to equity method	628,284	431,724	5,506	2,685
Prior years loss carryforwards	-	-	1,440	-
Domestic production activities deduction	-	-	12,767	68,550
Difference on tax rates for foreign subsidiaries	-	-	397,299	56,129
Unrecognized tax benefit	-	-	77,483	(97,016)
Dividends paid abroad	-	-	-	(6)
Adjustments on financial statements - Foreign subsidiaries	-	-	905	32,326
Withholding income tax - Foreign subsidiaries	-	-	(44,507)	-
Stock option plan	(4,219)	(10,356)	(5,026)	(20,009)
Non-taxable interest - Foreign subsidiaries	-	-	44,494	44,065
Dual jurisdiction taxation - Foreign subsidiaries	-	-	168,140	110,663
Penalties for infringements and/or tax payable in installments	(1,856)	(3,398)	(3,176)	(878)
Other permanent differences	9,161	(20,993)	(24,320)	(4,521)
<b>Current and deferred income tax (expense) benefit</b>	<b>1,165,029</b>	<b>259,991</b>	<b>1,079,037</b>	<b>(168,483)</b>
Current income tax	1,415	1,466	(900,770)	(662,050)
Deferred income tax	1,163,614	258,525	1,979,807	493,567
	<b>1,165,029</b>	<b>259,991</b>	<b>1,079,037</b>	<b>(168,483)</b>
<b>% IT/PBT</b>	<b>74.23 %</b>	<b>64.53 %</b>	<b>81.89 %</b>	<b>(15.89)%</b>

	<b>Company</b>		<b>Consolidated</b>	
	<b>Six month periods ended June 30,</b>		<b>Six month periods ended June 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	-	-	2,941	9,811
Prior years loss carryforwards - deferred	(1,128,513)	(242,397)	(1,831,814)	(373,894)
Unrecognized tax losses	-	-	(78,923)	97,016
Dividends paid abroad	-	-	-	6
Income tax on realization of other reserves	(1,415)	(1,466)	(16,345)	(44,982)
<b>Current and deferred income tax (expense) benefit - ADJUSTED</b>	<b>35,101</b>	<b>16,128</b>	<b>(845,104)</b>	<b>(480,526)</b>
<b>Effective income tax rate</b>	<b>2.24%</b>	<b>4.00%</b>	<b>(64.13)%</b>	<b>(45.32)%</b>

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Notes to the interim condensed financial statements for the six month period ended June 30, 2018 and 2017  
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	Company		Consolidated	
	Three month periods ended June 30,		Three month periods ended June 30,	
	2018	2017	2018	2017
<b>Profit (loss) before income taxes (PBT)</b>	<b>(1,874,078)</b>	<b>(77,024)</b>	<b>(1,785,532)</b>	<b>419,469</b>
<b>Nominal rate</b>	<b>(34)%</b>	<b>(34)%</b>	<b>(34)%</b>	<b>(34)%</b>
Expected tax expense	637,187	26,188	607,081	(142,619)
<b>Adjustments to reconcile taxable income:</b>				
Earnings and losses due to equity method	314,622	326,463	3,109	2,077
Domestic production activities deduction	-	-	7,265	36,341
Difference on tax rates for foreign subsidiaries	-	-	272,187	31,548
Unrecognized tax benefit	-	-	39,109	(56,316)
Dividends paid abroad	-	-	-	(6)
Adjustments on financial statements - Foreign subsidiaries	-	-	8,726	63,706
Withholding income tax - Foreign subsidiaries	-	-	(44,507)	-
Stock option plan	(2,980)	(1,853)	(3,376)	(3,013)
Non-taxable interest - Foreign subsidiaries	-	-	(2,174)	(37,701)
Dual jurisdiction taxation - Foreign subsidiaries	-	-	89,160	55,279
Penalties for infringements and/or tax payable in installments	(93)	(2,891)	(761)	(437)
Other permanent differences	14,264	38,961	(17,181)	106,467
<b>Current and deferred income tax (expense) benefit</b>	<b>963,000</b>	<b>386,868</b>	<b>958,638</b>	<b>55,326</b>
Current income tax	710	735	(591,678)	(529,903)
Deferred income tax	962,290	386,133	1,550,316	585,229
	<b>963,000</b>	<b>386,868</b>	<b>958,638</b>	<b>55,326</b>
<b>% IT/PBT</b>	<b>51.39 %</b>	<b>502.27 %</b>	<b>53.69 %</b>	<b>13.19 %</b>

	Company		Consolidated	
	Three month periods ended June 30,		Three month periods ended June 30,	
	2018	2017	2018	2017
<b>Adjustments to reconcile taxable income <sup>(1)</sup></b>				
Goodwill amortization - deferred	-	(102,000)	2,941	(94,619)
Prior years loss carryforwards - deferred	(947,318)	(274,293)	(1,516,484)	(475,832)
Unrecognized tax losses	-	-	(39,109)	56,316
Dividends paid abroad	-	-	-	6
Income tax on realization of other reserves	(709)	(735)	(9,431)	(37,082)
<b>Current and deferred income tax (expense) benefit - ADJUSTED</b>	<b>14,973</b>	<b>9,840</b>	<b>(603,445)</b>	<b>(495,885)</b>
<b>Effective income tax rate</b>	<b>0.80%</b>	<b>12.78%</b>	<b>(33.80)%</b>	<b>(118.22)%</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).

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Notes to the interim condensed financial statements for the six month period ended June 30, 2018 and 2017  
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**b. Composition of deferred income tax and social contribution**

	Consolidated			
	December 31, 2017	Income statement	Other adjustments	June 30, 2018
Tax losses and negative basis of social contribution	-	1,128,513	-	1,128,513
Allowance for doubtful accounts	61,111	21,168	-	82,279
Provisions for contingencies	175,077	9,359	-	184,436
Present value adjustment - Trade accounts receivable	915	256	-	1,171
Other temporary differences assets	13,073	1,612	-	14,685
Goodwill amortization	(1,916,521)	-	-	(1,916,521)
Present value adjustment - Trade accounts payable	(3,132)	456	-	(2,676)
Realization of other reserves / deemed cost	(272,982)	-	1,415	(271,567)
Other temporary differences liabilities	(23,333)	2,250	-	(21,083)
<b>Deferred taxes, net</b>	<b>(1,965,792)</b>	<b>1,163,614</b>	<b>1,415</b>	<b>(800,763)</b>

	Consolidated				
	December 31, 2017	Income statement	Exchange variation	Other adjustments	June 30, 2018
Tax losses and negative basis of social contribution	871,991	1,831,814	50,433	3,062	2,757,300
Allowance for doubtful accounts	72,559	20,791	385	-	93,735
Provision for contingencies	335,993	41,431	1,752	-	379,176
Present value adjustment - Trade accounts receivable	1,292	251	-	-	1,543
Tax credits - Foreign subsidiaries	92,433	3,452	15,623	-	111,508
Biological assets - Foreign subsidiaries	45,939	(18,044)	5,546	-	33,441
Labor accidents accruals - Foreign subsidiaries	106,879	4,660	18,217	-	129,756
Employee benefit plan - Foreign subsidiaries	75,489	1,228	12,567	-	89,284
Accounts payable accruals - Foreign subsidiaries	300,228	46,829	56,055	-	403,112
Moy Park business restructure	13,114	194	2,184	-	15,492
Other temporary differences assets	219,650	20,141	10,094	-	249,885
Goodwill amortization	(2,033,318)	(2,941)	-	-	(2,036,259)
Present value adjustment - Trade accounts payable	(6,073)	(953)	-	-	(7,026)
Business combination	(2,310,175)	(41,001)	(286,225)	51,835	(2,585,566)
Insurance claims accruals - Foreign subsidiaries	(96,769)	(3,512)	(16,468)	-	(116,749)
Inventory valuation - Foreign subsidiaries	(112,978)	16,626	(10,122)	-	(106,474)
Realization of other reserves / deemed cost	(683,930)	14,979	-	1,415	(667,536)
Other temporary differences liabilities	(154,658)	43,862	(13,693)	(5,394)	(129,883)
<b>Deferred taxes, net</b>	<b>(3,262,334)</b>	<b>1,979,807</b>	<b>(153,652)</b>	<b>50,918</b>	<b>(1,385,261)</b>

	Company		Consolidated	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Deferred income taxes assets	-	-	1,212,933	434,861
Deferred income taxes liabilities	(800,763)	(1,965,792)	(2,598,194)	(3,697,195)
	<b>(800,763)</b>	<b>(1,965,792)</b>	<b>(1,385,261)</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			
	June 30, 2018		December 31, 2017		June 30, 2018		December 31, 2017	
	Quantity	R\$	Quantity	R\$	Quantity	R\$	Quantity	R\$
Labor	15,482	184,391	16,692	143,954	33,772	444,916	36,437	406,434
Civil	1,112	23,662	1,004	22,017	3,644	186,217	3,501	362,904
Tax and Social Security	1,291	1,639,482	1,240	1,654,036	1,993	2,136,742	1,922	2,118,812
<b>Total</b>	<b>17,885</b>	<b>1,847,535</b>	<b>18,936</b>	<b>1,820,007</b>	<b>39,409</b>	<b>2,767,875</b>	<b>41,860</b>	<b>2,888,150</b>



## JBS S.A.

Notes to the interim condensed financial statements for the six month period ended June 30, 2018 and 2017  
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### Changes in provisions

	Company			
	December 31, 2017	Additions, disposals and changes in estimates	Payments	June 30, 2018
Labor	143,954	129,749	(89,312)	184,391
Civil	22,017	2,513	(868)	23,662
Tax and Social Security	1,654,036	(13,622)	(932)	1,639,482
<b>Total</b>	<b>1,820,007</b>	<b>118,640</b>	<b>(91,112)</b>	<b>1,847,535</b>

	Consolidated			
	December 31, 2017	Additions, disposals and changes in estimates	Payments	June 30, 2018
Labor	406,434	187,113	(148,592)	444,916
Civil	362,904	(168,585)	(8,102)	186,217
Tax and Social Security	2,118,812	21,207	(2,761)	2,136,742
<b>Total</b>	<b>2,888,150</b>	<b>39,735</b>	<b>(159,455)</b>	<b>2,767,875</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 six month period ended June 30, 2018 was R\$20,124, recognized as tax and social security contingencies

**b. Social contributions — Subrogation of the Rural Workers' Assistance Fund (FUNRURAL):** As disclosed in the financial statements of the year ended December 31, 2017, on January 2001, JBS filed an injunction to suspend the collectability retention and transfer the Rural Workers' Assistance Fund - NOVO FUNRURAL). A favorable sentence was deliberated, which discharged the Company to the withholding and payment of the referred contribution. This sentence was reformulated by the Federal Regional Court of 3rd region. The Company filed an extraordinary appeal, which was halted on the basis of Article 543-B, § 1 of the Code of Civil Procedure, until the final decision of the Supreme Court - STF on the matter. To avoid the institution to lose the right to require the contribution to the New Funrural, INSS released tax notifications, in a total of 17 infringement notices, in the amount of R\$2.5 billion, net of interest, fines and benefits for the possible adherence in the program, on June 30, 2018. JBS has presented its defense in those administrative proceedings informing that it does not collect the amount due to a favorable court ruling, considering that there is no final decision of the writ of mandamus mentioned. This matter was the subject of decisions favorable to the taxpayers, issued by the STF for companies whose activities are similar to JBS's activity in the trials of Extraordinary Appeals number 363.852/MG and 596.177/RS. In March 30, 2017, the STF recognized the constitutionality of Funrural in the trial of the Extraordinary Appeal n° 718.874/RS, not reaching the subrogation matter whose unconstitutionality had already been declared by the STF in the Extraordinary Appeal 363.852 (art. 30, IV, 8.212/91) with general repercussion recognized by a majority of votes. Since the action was proposed by a rural producer, the decision did not consider the validity or otherwise of the subrogation of the contribution by the acquirer. Based on the opinion of legal advisers and based on case law in favor of the STF in a similar cases, Management believes that its fundamentals will prevail and no accrual was recorded for that contingency. The probability of loss is considered possible.

**c. Rural Tax Regularization Program (PRR):** In January 10, 2018, Law No. 13.606 was published, establishing the Rural Tax Regularization Program (PRR), providing payment for Funrural's debts - either by rural producers or by acquiring companies - with a reduction of 100% percent) on interest, fines and charges of such debts. The adhesion period for said program was initially until April 30, 2018, and was extended to October 30, 2018, through Law 13.630/2018. Although the Company understands, as described above, that the likelihood of loss in the proceeding is possible, the Company has not yet concluded the economic and financial assessment of the feasibility of adherence of the referred program.

## 19 Equity

- a. Share capital:** Share capital on June 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.



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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	317,126	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%
<b>Total</b>		<b>30,359,114</b>							

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

**June 30, 2018**

June 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	0.58
2016D	Jun-16	06.01.16	1/3 per year with final maturity in June 1, 2019	659,472	0.58
2017B	May-17	05.01.17	1/3 per year with final maturity in May 1, 2020	568,146	1.92
2018A	Apr-18	04.01.18	1/3 per year with final maturity in April 1, 2020	211,418	2.75
2018B	May-18	05.01.18	1/3 per year with final maturity in May 1, 2020	176,134	2.83
2018C	May-18	05.01.18	1/3 per year with final maturity in May 1, 2020	706,456	2.83
2018D	May-18	05.01.18	1/3 per year with final maturity in May 1, 2020	1,000,000	2.83
2018E	Jun-18	06.01.18	1/3 per year with final maturity in June 1, 2021	153,846	2.92
				3,949,394	

**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:

June 30, 2018			
		Quantity of options	Average exercise price per share
<b>Opening balance</b>		<b>4,672,811</b>	<b>R\$ 10.11</b>
Granted		3,006,244	R\$ 8.88
Exercised <sup>(1)</sup>		(3,469,078)	R\$ 10.36
Cancelled		(260,583)	R\$ 11.42
<b>Closing balance</b>		<b>3,949,394</b>	<b>R\$ 10.11</b>

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

During the six month period ended June 30, 2018, the expense with options plan totaled R\$30,368 in the Company and in the Consolidated in the amount of R\$34,015. The expenses were recorded in the net income (loss) under the caption "General and administrative expenses", with the respective offset in "Capital Reserves."

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**b3. Treasury shares:**

Treasury share activity during the six month period ended June 30, 2018 was as follows:

	June 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	
	Six month periods ended June 30,		Six month periods ended June 30,	
	2018	2017	2018	2017
<b>GROSS REVENUE</b>				
<b>Sales of products</b>				
Domestic sales	8,551,468	8,166,202	66,518,499	60,077,871
Export sales	4,689,914	4,366,452	21,042,119	22,053,799
	<b>13,241,382</b>	<b>12,532,654</b>	<b>87,560,618</b>	<b>82,131,670</b>
<b>SALES DEDUCTION</b>				
Returns and discounts	(473,214)	(437,754)	(1,800,889)	(1,847,785)
Sales taxes	(313,215)	(306,332)	(801,023)	(992,778)
	<b>(786,429)</b>	<b>(744,086)</b>	<b>(2,601,912)</b>	<b>(2,840,563)</b>
<b>NET REVENUE</b>	<b>12,454,953</b>	<b>11,788,568</b>	<b>84,958,706</b>	<b>79,291,107</b>

	Company		Consolidated	
	Three month periods ended June 30,		Three month periods ended June 30,	
	2018	2017	2018	2017
<b>GROSS REVENUE</b>				
<b>Sales of products</b>				
Domestic sales	4,166,765	3,865,558	34,888,930	31,327,013
Export sales	2,426,814	2,278,948	11,624,187	11,833,011
	<b>6,593,579</b>	<b>6,144,506</b>	<b>46,513,117</b>	<b>43,160,024</b>
<b>SALES DEDUCTION</b>				
Returns and discounts	(245,536)	(217,762)	(930,286)	(974,963)
Sales taxes	(155,051)	(168,560)	(407,276)	(510,306)
	<b>(400,587)</b>	<b>(386,322)</b>	<b>(1,337,562)</b>	<b>(1,485,269)</b>
<b>NET REVENUE</b>	<b>6,192,992</b>	<b>5,758,184</b>	<b>45,175,555</b>	<b>41,674,755</b>

**21 Finance income (expense)**

	Company		Consolidated	
	Six month periods ended June 30,		Six month periods ended June 30,	
	2018	2017	2018	2017
Exchange rate variation	(2,928,247)	(478,051)	(4,048,631)	(919,385)
Fair value adjustments on derivatives	170,909	204,398	121,722	205,729
Interest expense	(738,349)	(826,177)	(1,957,801)	(1,974,118)
Interest income	270,735	386,804	120,722	143,971
Taxes, contribution, tariff and others	(27,317)	(17,366)	(62,261)	(77,784)
	<b>(3,252,269)</b>	<b>(730,392)</b>	<b>(5,826,249)</b>	<b>(2,621,587)</b>
Finance income	441,644	1,102,660	271,758	813,253
Finance expense	(3,693,913)	(1,833,052)	(6,098,007)	(3,434,840)
	<b>(3,252,269)</b>	<b>(730,392)</b>	<b>(5,826,249)</b>	<b>(2,621,587)</b>

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	Company		Consolidated	
	Three month periods ended June 30,		Three month periods ended June 30,	
	2018	2017	2018	2017
Exchange rate variation	(2,856,999)	(983,419)	(3,909,333)	(1,371,722)
Fair value adjustments on derivatives	155,229	210,488	151,036	216,945
Interest expense	(382,243)	(426,159)	(1,003,821)	(1,064,848)
Interest income	136,064	132,137	64,295	70,803
Taxes, contribution, tariff and others	(11,391)	(9,421)	(20,295)	(62,001)
	<u>(2,959,340)</u>	<u>(1,076,374)</u>	<u>(4,718,118)</u>	<u>(2,210,823)</u>
Finance income	291,293	342,625	215,331	287,748
Finance expense	(3,250,633)	(1,418,999)	(4,933,449)	(2,498,571)
	<u>(2,959,340)</u>	<u>(1,076,374)</u>	<u>(4,718,118)</u>	<u>(2,210,823)</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).

	Six month periods ended June 30,		Three month periods ended June 30,	
	2018	2017	2018	2017
<b>Net income (loss) attributable to shareholders</b>	<b>(404,555)</b>	<b>662,891</b>	<b>(911,077)</b>	<b>309,844</b>
Weighted average common shares outstanding	2,728,747	2,856,858	2,728,747	2,856,858
Weighted average - treasury shares	(19,072)	(41,008)	(19,072)	(164,980)
<b>Weighted average - common shares outstanding (basic)</b>	<b>2,709,675</b>	<b>2,815,850</b>	<b>2,709,675</b>	<b>2,691,878</b>
<b>Basic earnings (loss) per share - (R\$)</b>	<b>(0.15)</b>	<b>0.24</b>	<b>(0.34)</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).

	Six month periods ended June 30,		Three month periods ended June 30,	
	2018	2017	2018	2017
<b>Net income (loss) attributable to shareholders</b>	<b>(404,555)</b>	<b>662,891</b>	<b>(911,077)</b>	<b>309,844</b>
Weighted average common shares outstanding (basic) - R\$	2,709,675	2,815,850	2,709,675	2,691,878
Dilutive effect of outstanding stock options	25,052	15,648	26,064	(164,980)
<b>Weighted average - common shares outstanding (diluted)</b>	<b>2,734,727</b>	<b>2,831,498</b>	<b>2,735,739</b>	<b>2,526,898</b>
<b>Diluted earnings (loss) per shares - (R\$)</b>	<b>(0.15)</b>	<b>0.24</b>	<b>(0.34)</b>	<b>0.12</b>

For the six month period ended June 30, 2018, 3,949,394 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.



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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	
	Six month periods ended June 30,		Six month periods ended June 30,		Six month periods ended June 30,	
	2018	2017	2018	2017	2018	2017
Brazil	12,740,516	12,055,371	(147,376)	(126,375)	396,479	398,789
Seara	13,746,851	12,700,507	(41,629)	87,509	485,627	484,349
Beef USA	36,596,127	33,219,667	2,773,913	1,035,152	330,637	322,027
Pork USA	9,910,290	9,292,182	722,146	999,975	149,036	137,401
Chicken USA	19,109,805	16,916,083	1,304,954	1,732,548	920,016	811,049
Others	1,331,770	2,730,745	(1,400)	(20,299)	20,794	36,222
Intercompany elimination	(8,476,653)	(7,623,448)	-	-	-	-
<b>Total</b>	<b>84,958,706</b>	<b>79,291,107</b>	<b>4,610,608</b>	<b>3,708,510</b>	<b>2,302,589</b>	<b>2,189,837</b>

**Segments presented by product:**

Segments	Net revenue		Operating income <sup>(1)</sup>		Depreciation	
	Three month periods ended June 30,		Three month periods ended June 30,		Three month periods ended June 30,	
	2018	2017	2018	2017	2018	2017
Brazil	6,337,774	5,899,116	153,983	32,585	196,053	207,221
Seara	7,239,832	6,518,843	(125,887)	113,196	239,714	242,871
Beef USA	20,182,080	17,757,753	1,915,137	761,643	165,470	163,615
Pork USA	5,154,183	4,901,978	349,037	533,102	78,562	76,495
Chicken USA	10,213,458	8,986,876	658,019	1,205,646	485,123	425,029
Others	714,119	1,472,023	(1,428)	(21,950)	10,928	18,387
Intercompany elimination	(4,665,891)	(3,861,834)	-	-	-	-
<b>Total</b>	<b>45,175,555</b>	<b>41,674,755</b>	<b>2,948,861</b>	<b>2,624,222</b>	<b>1,175,850</b>	<b>1,133,618</b>

**Total assets by product:**

	June 30, 2018	December 31, 2017
<b>Total assets</b>		
Brazil	55,027,638	56,512,511
Seara	36,724,663	30,165,204
Beef USA	21,399,940	17,867,772
Pork USA	9,028,511	8,156,216
Chicken USA	25,483,301	21,726,292
Others	84,489,029	63,817,377
Intercompany elimination	(114,825,928)	(89,549,421)
<b>Total</b>	<b>117,327,154</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	
	Six month periods ended June 30,		Six month periods ended June 30,		Six month periods ended June 30,	
	2018	2017	2018	2017	2018	2017
United States of America	65,616,222	56,075,321	4,786,793	3,654,636	1,407,923	1,141,382
South America	26,756,085	26,552,069	(177,598)	(14,135)	887,665	906,380
Others	1,063,052	4,287,165	1,413	68,009	7,001	142,075
Intercompany elimination	(8,476,653)	(7,623,448)	-	-	-	-
<b>Total</b>	<b>84,958,706</b>	<b>79,291,107</b>	<b>4,610,608</b>	<b>3,708,510</b>	<b>2,302,589</b>	<b>2,189,837</b>

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**Geographic reporting**

	Net revenue		Operating income <sup>(1)</sup>		Depreciation	
	Three month periods ended June 30,		Three month periods ended June 30,		Three month periods ended June 30,	
	2018	2017	2018	2017	2018	2017
United States of America	35,549,722	29,883,650	2,915,086	2,435,836	733,533	598,912
South America	13,719,232	13,408,573	33,754	155,163	438,639	461,905
Others	572,492	2,244,366	21	33,223	3,678	72,801
Intercompany elimination	(4,665,891)	(3,861,834)	-	-	-	-
<b>Total</b>	<b>45,175,555</b>	<b>41,674,755</b>	<b>2,948,861</b>	<b>2,624,222</b>	<b>1,175,850</b>	<b>1,133,618</b>

**Total assets by geographic area:**

	June 30, 2018	December 31, 2017
<b>Total assets</b>		
United States of America	72,743,823	63,463,155
South America	92,227,241	84,281,668
Others	67,182,018	50,500,549
Intercompany elimination	(114,825,928)	(89,549,421)
<b>Total</b>	<b>117,327,154</b>	<b>108,695,951</b>

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

	Operating income			
	Six month periods ended June 30,		Three month periods ended June 30,	
	2018	2017	2018	2017
Net income (loss)	(238,705)	891,727	(826,893)	474,795
Income tax and social contribution - current and deferred	(1,079,037)	168,483	(958,638)	(55,326)
Finance (income) expense, net	5,826,249	2,621,587	4,718,118	2,210,823
Share of profit of equity-accounted investees, net of tax	(16,194)	(7,924)	(9,144)	(6,109)
<b>Operating profit</b>	<b>4,492,313</b>	<b>3,673,873</b>	<b>2,923,443</b>	<b>2,624,183</b>
Tax payable in installments	21,690	-	-	-
Investigation impacts due to the leniency agreement	20,124	34,552	10,494	-
Other operating expense/income	76,481	85	14,924	39
<b>Net operating profit</b>	<b>4,610,608</b>	<b>3,708,510</b>	<b>2,948,861</b>	<b>2,624,222</b>

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

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

	Notes	Company		Consolidated	
		June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
<b>Assets</b>					
<b>Fair value through profit or loss</b>					
Financial investments and national treasury bill	4	493,988	1,064,084	5,059,832	5,856,502
Derivative assets	24	120,718	-	340,042	30,760
<b>Loans and receivables at amortized cost</b>					
Cash at banks	4	573,253	1,074,718	8,052,242	5,884,806
Trade accounts receivable	5	2,246,283	2,302,913	9,617,431	9,333,291
Related parties receivables	9	3,803,942	5,059,258	707,575	897,535
<b>Total</b>		<b>7,238,184</b>	<b>9,500,973</b>	<b>23,777,122</b>	<b>22,002,894</b>
<b>Liabilities</b>					
<b>Liabilities at amortized cost</b>					
Loans and financing	14	(21,203,919)	(20,057,355)	(63,562,104)	(57,024,651)
Trade accounts payable		(1,874,609)	(2,029,104)	(11,093,841)	(9,992,778)
Related party payables	9	(3,286,275)	(3,018,787)	-	-
Other financial liabilities		(45,544)	(32,486)	(85,336)	(113,024)
<b>Fair value through profit or loss</b>					
Derivative liabilities	24	-	(10)	(198,188)	(118,684)
<b>Total</b>		<b>(26,410,347)</b>	<b>(25,137,742)</b>	<b>(74,939,469)</b>	<b>(67,249,137)</b>

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

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

	Company					
	Current assets					
	National treasury bill		Financial investments		Derivative assets	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Level 1	130,230	708,406	-	-	-	-
Level 2	-	-	363,758	355,678	120,718	-

	Consolidated							
	Current assets						Current liabilities	
	National treasury bill		Financial investments		Derivative assets		Derivatives liabilities	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Level 1	130,230	708,406	-	-	-	-	-	-
Level 2	-	-	4,929,602	5,148,096	340,042	30,760	(198,188)	(118,684)

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

Description	Company						Consolidated					
	June 30, 2018			December 31, 2017			June 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	3,855,800	102.00	3,932,916	3,308,000	102.37	3,386,400	3,855,800	102.00	3,932,916	3,308,000	102.37	3,386,400
JBS S.A Notes 2023	2,988,245	93.75	2,801,480	2,563,700	95.43	2,446,539	2,988,245	93.75	2,801,480	2,563,700	95.43	2,446,539
JBS S.A Notes 2024	2,891,850	96.93	2,803,070	2,481,000	99.02	2,456,686	2,891,850	96.93	2,803,070	2,481,000	99.02	2,456,686
JBS Lux Notes 2020	-	-	-	-	-	-	-	-	-	2,315,600	102.30	2,368,859
JBS Lux Notes 2021	-	-	-	-	-	-	4,434,170	101.16	4,485,606	3,804,200	102.50	3,899,305
JBS Lux Notes 2024	-	-	-	-	-	-	2,891,850	96.25	2,783,406	2,481,000	99.75	2,474,798
JBS Lux Notes 2025	-	-	-	-	-	-	3,470,220	93.78	3,254,372	2,977,200	97.00	2,887,884
JBS Lux Notes 2028	-	-	-	-	-	-	3,470,220	94.47	3,278,317	-	-	-
PPC Notes 2025	-	-	-	-	-	-	3,855,800	96.00	3,701,568	2,481,000	103.25	2,561,633
PPC Notes 2027	-	-	-	-	-	-	3,277,430	93.14	3,052,598	1,984,800	103.18	2,047,917
Moy Park	-	-	-	-	-	-	355,227	102.84	365,315	1,334,593	103.04	1,375,165
	<u>9,735,895</u>		<u>9,537,466</u>	<u>8,352,700</u>		<u>8,289,625</u>	<u>31,490,812</u>		<u>30,458,648</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.



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

	Company		Consolidated	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
<b>OPERATING</b>				
Cash and cash equivalents	401,204	1,032,719	1,535,387	1,614,777
Trade accounts receivable	1,801,064	1,545,762	3,058,046	3,072,269
Sales orders	1,427,860	1,179,665	2,467,302	2,867,967
Trade accounts payable	(55,382)	(37,854)	(141,182)	(77,508)
Purchase orders	-	-	(94,038)	(67,668)
<b>Subtotal</b>	<b>3,574,746</b>	<b>3,720,292</b>	<b>6,825,515</b>	<b>7,409,837</b>
<b>FINANCIAL</b>				
Related parties transaction (net)	(2,830,550)	(2,572,041)	(7,856,668)	(4,786,741)
Net debt in foreign subsidiaries	(26,858,354)	(24,170,798)	(26,858,354)	(24,170,798)
Loans and financing	(19,714,795)	(18,355,634)	(23,103,019)	(22,231,204)
<b>Subtotal</b>	<b>(49,403,699)</b>	<b>(45,098,473)</b>	<b>(57,818,041)</b>	<b>(51,188,743)</b>
<b>Total exposure</b>	<b>(45,828,953)</b>	<b>(41,378,181)</b>	<b>(50,992,526)</b>	<b>(43,778,906)</b>
<b>DERIVATIVES</b>				
Future contracts	744,362	-	1,776,710	-
Deliverable Forwards (DF's)	-	-	153,962	(18,237)
Non Deliverable Forwards (NDF's)	3,277,430	-	3,269,691	2,577
<b>Total derivatives</b>	<b>4,021,792</b>	<b>-</b>	<b>5,200,363</b>	<b>(15,660)</b>
<b>NET EXPOSURE IN R\$</b>	<b>(41,807,161)</b>	<b>(41,378,181)</b>	<b>(45,792,163)</b>	<b>(43,794,566)</b>

**Sensitivity analysis at June 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	3.8558	3.9288	67,679	129,224	4.8198	893,733	1,706,467	5.7837	1,787,373	3,412,758			
Financial	Depreciation	3.8558	3.9288	(426,840)	(586,145)	4.8198	(5,636,629)	(7,740,323)	5.7837	(11,272,673)	(15,479,844)			
Derivatives	Appreciation	3.8558	3.9288	76,143	98,456	4.8198	1,005,500	1,300,158	5.7837	2,010,896	2,600,182			
				<b>(283,018)</b>	<b>(358,465)</b>		<b>(3,737,396)</b>	<b>(4,733,698)</b>		<b>(7,474,404)</b>	<b>(9,466,904)</b>			

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		Exchange rate	Effect on equity	
				Company	Consolidated		Company	Consolidated		Company	Consolidated		Company	Consolidated
Net debt in foreign subsidiaries	Depreciation	3.8558	3.9288	(508,496)	(508,496)	4.8198	(6,714,937)	(6,714,937)	5.7837	(13,429,177)	(13,429,177)			
				<b>(508,496)</b>	<b>(508,496)</b>		<b>(6,714,937)</b>	<b>(6,714,937)</b>		<b>(13,429,177)</b>	<b>(13,429,177)</b>			

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:**

June 30, 2018								
Instrument	Risk factor	Nature	Company			Consolidated		
			Quantity	Notional	Fair value	Quantity	Notional	Fair value
Future Contracts B3	American dollar	Long	3,850	742,242	(3,737)	9,205	1,774,589	47,000
Future Contracts B3	DDI	Long	11	2,121	7,221	11	2,121	7,221

Company								
Instrument	Risk factor	Nature	June 30, 2018			December 31, 2017		
			Notional (USD)	Notional (R\$)	Fair value	Notional (USD)	Notional (R\$)	Fair value
Non Deliverable Forwards	American dollar	Long	850,000	3,277,430	115,382	-	-	-

**JBS S.A.**

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

Instrument	Risk factor	Nature	Consolidated					
			June 30, 2018			December 31, 2017		
			Notional (USD)	Notional (R\$)	Fair value	Notional (USD)	Notional (R\$)	Fair value
Non Deliverable Forwards	American dollar	Long	847,993	3,269,691	114,969	779	2,577	(20)
Deliverable Forwards	American dollar	Long	39,930	153,962	7,681	(5,513)	(18,237)	(2,316)

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

	Company		Consolidated	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
<b>OPERATING</b>				
Cash and cash equivalents	143,545	12,388	184,918	38,285
Trade accounts receivable	152,964	105,726	316,341	227,215
Sales orders	317,418	219,001	736,586	432,811
Trade accounts payable	(42,302)	(23,919)	(110,627)	(65,308)
Purchase orders	-	-	(20,243)	(16,056)
<b>Subtotal</b>	<b>571,625</b>	<b>313,196</b>	<b>1,106,975</b>	<b>616,947</b>
<b>FINANCIAL</b>				
Related parties transaction (net)	6,567	2,275	7,909	2,275
Loans and financings	(79,300)	(77,605)	(83,668)	(83,444)
<b>Subtotal</b>	<b>(72,733)</b>	<b>(75,330)</b>	<b>(75,759)</b>	<b>(81,169)</b>
<b>Total exposure</b>	<b>498,892</b>	<b>237,866</b>	<b>1,031,216</b>	<b>535,778</b>
<b>DERIVATIVES</b>				
Deliverable Forwards (DF's)	-	-	48,518	(107,603)
Non Deliverable Forwards (NDF's)	-	-	(1,438)	(26,811)
<b>Total derivatives</b>	<b>-</b>	<b>-</b>	<b>47,080</b>	<b>(134,414)</b>
<b>NET EXPOSURE IN R\$</b>	<b>498,892</b>	<b>237,866</b>	<b>1,078,296</b>	<b>401,364</b>

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

Exposure of R\$	Risk	Current exchange	Scenario (i) VaR 99% I.C. 1 day				Scenario (ii) Interest rate variation - 25%			Scenario (iii) Interest rate variation - 50%		
			Exchange rate	Effect on income		Exchange rate	Effect on income		Exchange rate	Effect on income		Exchange rate
				Company	Consolidated		Company	Consolidated		Company	Consolidated	
Operating	Appreciation	4.5032	4.4083	(12,046)	(23,328)	3.3774	(142,906)	(276,744)	2.2516	(285,813)	(553,488)	
Financial	Depreciation	4.5032	4.4083	1,533	1,597	3.3774	18,183	18,940	2.2516	36,366	37,879	
Derivatives	Appreciation	4.5032	4.4083	-	(992)	3.3774	-	(11,770)	2.2516	-	(23,540)	
				<b>(10,513)</b>	<b>(22,723)</b>		<b>(124,723)</b>	<b>(269,574)</b>		<b>(249,447)</b>	<b>(539,149)</b>	

**Derivatives financial instruments breakdown:**

Instrument	Risk factor	Nature	Consolidated					
			June 30, 2018			December 31, 2017		
			Notional (EUR)	Notional (R\$)	Fair value	Notional (EUR)	Notional (R\$)	Fair value
Non Deliverable Forwards	Euro	Short	(319)	(1,438)	1,045	(6,755)	(26,811)	(40)
Deliverable Forwards	Euro	Long	10,774	48,518	1,319	(27,109)	(107,603)	275

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

	Company		Consolidated	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
<b>OPERATING</b>				
Cash and cash equivalents	-	-	321,292	168,119
Trade accounts receivable	-	-	329,729	272,930
Trade accounts payable	-	-	(394,992)	(240,885)
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>256,029</b>	<b>200,164</b>
<b>FINANCIAL</b>				
Loans and financings	-	-	-	(254,233)
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(254,233)</b>
<b>Total exposure</b>	<b>-</b>	<b>-</b>	<b>256,029</b>	<b>(54,069)</b>
<b>NET EXPOSURE IN R\$</b>	<b>-</b>	<b>-</b>	<b>256,029</b>	<b>(54,069)</b>



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

**Sensitivity analysis at June 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	
				Company	Consolidated		Company	Consolidated		Company	Consolidated
Financial	Appreciation	0.1962	0.1925	-	(4,828)	0.1472	-	(63,942)	0.0981	-	(128,014)
				-	(4,828)		-	(63,942)		-	(128,014)

**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.

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

EXPOSURE in Commodities (Cattle)	June 30, 2018	December 31, 2017
Firm Contracts of cattle purchase	330,330	26,306
<b>Subtotal</b>	<b>330,330</b>	<b>26,306</b>
<b>DERIVATIVES</b>		
Future contracts	(192,470)	(23,666)
<b>Subtotal</b>	<b>(192,470)</b>	<b>(23,666)</b>
<b>NET EXPOSURE</b>	<b>137,860</b>	<b>2,640</b>

**Sensitivity analysis:**

Exposure	Risk	Current price	Price	Scenario (i) VaR 99% I.C. 1 day	Scenario (ii) @ Variation - 25%	Scenario (ii) @ Variation - 50%
				Effect on income	Effect on income	Effect on income
				Company	Company	Company
Operational	Cattle arroba depreciation	139.40	136.72	(6,351)	104.55 (82,583)	69.70 (165,165)
Derivatives of cattle	Cattle arroba appreciation	139.40	136.72	3,700	104.55 48,117	69.70 96,235
				<u>(2,651)</u>	<u>(34,466)</u>	<u>(68,930)</u>

**Derivatives financial instruments breakdown:**

Instrument	Risk factor	Nature	Company					
			June 30, 2018			December 31, 2017		
			Quantity	Notional	Fair value	Quantity	Notional	Fair value
Future Contracts B3	Commodities	Short	3,915	(192,470)	1,852	480	(23,666)	(10)

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

EXPOSURE in Commodities (Grain)	Seara Alimentos	
	June 30, 2018	December 31, 2017
<b>OPERATING</b>		
Purchase orders	389,825	61,239
<b>Subtotal</b>	<b>389,825</b>	<b>61,239</b>
<b>DERIVATIVES</b>		
Future contracts	431,959	(3,978)
<b>Subtotal</b>	<b>431,959</b>	<b>(3,978)</b>
<b>NET EXPOSURE</b>	<b>821,784</b>	<b>57,261</b>

**Sensitivity analysis:**

Exposure	Risk	Price	Scenario (i) VaR 99% I.C. 1 day	Scenario (ii) Price variation - 25%	Scenario (ii) Price variation - 50%
			Effect on income	Effect on income	Effect on income
			Seara Alimentos	Seara Alimentos	Seara Alimentos
Operational	Depreciation	(2.55)%	(9,941)	(25.00)% (97,456)	(50.00)% (194,913)
Derivatives	Appreciation	(2.55)%	(11,015)	(25.00)% (107,990)	(50.00)% (215,980)
			<u>(20,956)</u>	<u>(205,446)</u>	<u>(410,893)</u>

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Notes to the interim condensed financial statements for the six month period ended June 30, 2018 and 2017  
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**Derivatives financial instruments breakdown:**

Instrument	Risk factor	Nature	Consolidated					
			June 30, 2018			December 31, 2017		
			Quantity	Notional	Fair value	Quantity	Notional	Fair value
Future Contracts B3	Commodities	Long	5,565	431,959	(125)	1,597	(3,978)	(631)

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

EXPOSURE in Commodities	JBS USA	
	June 30, 2018	December 31, 2017
<b>OPERATIONAL</b>		
Forwards - commodities	10,754,412	10,078,159
<b>Subtotal</b>	<b>10,754,412</b>	<b>10,078,159</b>
<b>DERIVATIVES</b>		
Deliverable Forwards	(3,203,638)	(4,749,990)
<b>Subtotal</b>	<b>(3,203,638)</b>	<b>(4,749,990)</b>
<b>NET EXPOSURE</b>	<b>7,550,774</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	(0.93)%	(100,016)	(25.00)%	(2,688,603)	(50.00)%	(5,377,206)
Derivatives	Appreciation	(0.93)%	29,794	(25.00)%	800,909	(50.00)%	1,601,819
			<b>(70,222)</b>		<b>(1,887,694)</b>		<b>(3,775,387)</b>

**Derivatives financial instruments breakdown:**

Instrument	Risk factor	Nature	June 30, 2018			December 31, 2017		
			Notional (USD)	Notional (R\$)	Fair value	Notional (USD)	Notional (R\$)	Fair value
Deliverable Forwards	Commodities	Short	(830,862)	(3,203,638)	(41,461)	(1,435,910)	(4,749,990)	(86,375)

**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									
	June 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	1,874,609	-	-	-	1,874,609	2,029,104	-	-	-	2,029,104
Related party payables	-	-	-	3,286,275	3,286,275	-	-	-	3,018,825	3,018,825
Loans and financings	2,731,683	5,711,646	9,855,069	2,905,521	21,203,919	8,223,197	4,986,261	1,721,616	5,126,282	20,057,355
Estimated interest on loans and financing <sup>(1)</sup>	1,194,668	2,029,187	754,674	161,750	4,140,279	949,268	1,402,287	724,651	246,329	3,322,535
Derivatives financing liabilities (assets)	-	-	-	-	-	10	-	-	-	10
Other financial liabilities	24,017	13,200	8,250	77	45,544	7,659	13,200	11,550	77	32,486

	Consolidated									
	June 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	11,093,841	-	-	-	11,093,841	9,992,778	-	-	-	9,992,778
Loans and financings	4,244,573	20,990,481	18,611,135	19,715,915	63,562,104	13,526,051	10,339,616	18,129,338	15,029,646	57,024,651
Estimated interest on loans and financing <sup>(1)</sup>	3,518,705	6,508,975	3,636,478	3,296,913	16,961,071	2,743,687	4,535,767	2,878,624	1,918,143	12,076,221
Derivatives financing liabilities (assets)	198,188	-	-	-	198,188	118,684	-	-	-	118,684
Other financial liabilities	54,002	23,007	8,250	77	85,336	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 December 31, 2018 and December 31, 2017. Payments in foreign currencies are estimated using the June 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 June 30, 2018 is R\$130,308 (R\$54,389 at December 31, 2017). This guarantee is superior to the need presented for these operations.

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

The indirect subsidiary JBS USA and its subsidiaries, has securities pledged as collateral for derivative transactions with the commodities and futures whose balance at June 30, 2018 is R\$229,035 (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 June 30, 2018 is R\$171,625. This guarantee is larger than its collateral.

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

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

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## JBS S.A.

Notes to the interim condensed financial statements for the six month period ended June 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 August 14th, 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 six month period ended June 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 (i) 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 six month period ended June 30, 2018, and
- (ii) They reviewed, discussed and agreed with the interim condensed financial statements for the six month period ended June 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>	Agnaldo dos Santos Moreira Jr. (CRC SP: 244207/O-4)
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