

## **Keystone reports EBITDA of US\$69 million**

### **Division sets new record for quarterly EBITDA**

**São Paulo, August 14, 2017** – Marfrig Global Foods S.A. – Marfrig (BM&FBOVESPA Novo Mercado: MRFG3 and Level 1 ADR: MRRTY) announces today its results for the second quarter of 2017 (2Q17). Except where stated otherwise, the following operating and financial information is presented in nominal Brazilian real, in accordance with International Financial Reporting Standards (IFRS), and should be read together with the income statement and notes to the financial statements for the period ended June 30, 2017 filed at the Securities and Exchange Commission of Brazil (CVM).

## **HIGHLIGHTS**

- Marfrig, reflecting the positive cattle cycle, announced adjustments to its production base in Brazil.
- Net Revenue<sup>1</sup> came to R\$4.3 billion in 2Q17.
- Consolidated Adjusted EBITDA was R\$391 million, with margin of 9.1%.
- Keystone reported Adjusted EBITDA of US\$69 million, a historical record. The EBITDA margin was 9.8%.
- The Beef division posted Adjusted EBITDA of R\$170 million, with margin of 8.2%.
- In May 2017, Marfrig announced the redemption of the outstanding balance of its 2020 bonds, of US\$204 million, at an interest rate of 9.5% p.a.

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<sup>1</sup> In the first quarter of 2017, Marfrig's Management opted to sell the meatpacking unit in Villa Mercedes, located in San Luis Province, Argentina. The results for 2016 and 2017 from this operation are presented in the line "Profit or loss from discontinued operations." The assets and liabilities of this company are presented in the lines "Held-for-sale assets" and "Liabilities related to held-for-sale assets," respectively.

## SUMMARY

The political scenario in Brazil and uncertainty regarding the approval of the labor and pension reforms marked the second quarter of 2017.

The animal protein industry was still affected by the ramifications of Weak Flesh Operation and was caught by the unexpected decision by the United States to suspend temporarily Brazilian imports of fresh beef from Brazil.

The challenging scenario, however, also brought new opportunities. The already expected positive cycle in Brazil was accentuated by the higher supply of finished cattle. In early July, Marfrig announced its decision to adjust the production capacity of the Brazilian operations of its Beef Division by reopening two meatpacking units and expanding production at existing units. The actions are expected to increase Marfrig's production in Brazil by around 25% as of the second half of 2017. This decision is aligned with the Company's strategy of sustainable growth.

In the case of the global economy, a preliminary estimate showed that global GDP expanded by 3.1% annually in the second quarter, reflecting improvement in both mature and emerging markets.

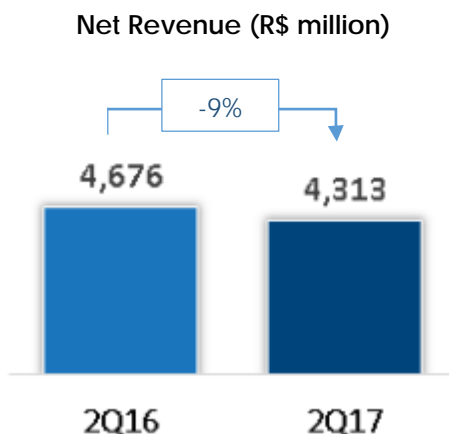
The United States, despite the political uncertainty, grew at an annual pace of 2.6% in the second quarter. Meanwhile, China continued to post sustainable growth, with GDP growth of 6.9%.

In this context, Marfrig reported adjusted EBITDA ("Adj. EBITDA") of R\$391 million in 2Q17. The Keystone Division, leveraged by the successful strategy of its ongoing Key Accounts Program and by the solid performance of the foodservice channel, reported record Adj. EBITDA of US\$69 million (or R\$221 million). The Beef Division, continuing to reflect the challenging environment for the beef industry, posted Adj. EBITDA of R\$170 million and margin of 8,2%, in alignment with the 2Q16 and a 150bps improvement in comparison to 1Q17.

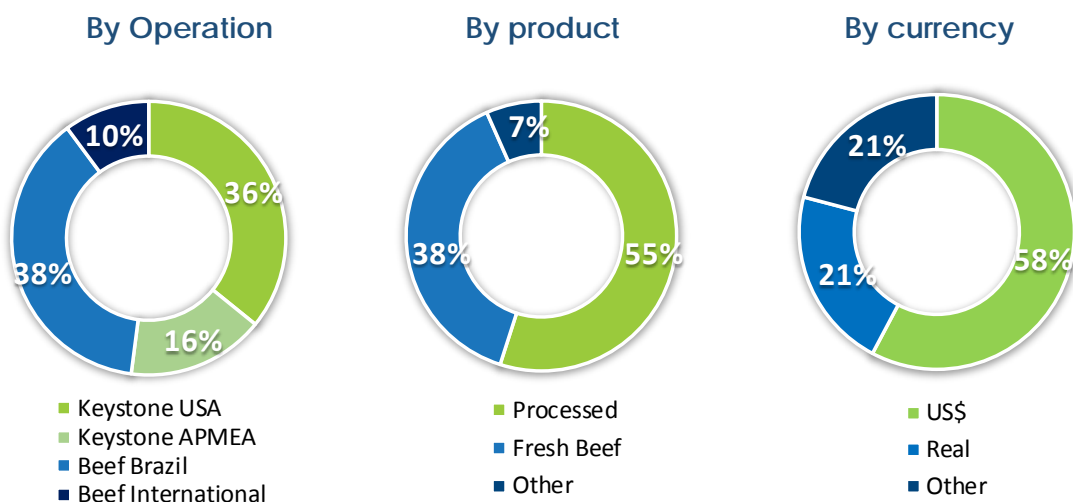
In its Liability Management process, the Company announced, in early May, the redemption of the outstanding balance of US\$204 million in 2020 bonds.

## Net Revenue

Marfrig's consolidated net revenue in 2Q17 amounted to R\$4.3 billion. The good performance of the Keystone division was offset by effects from the 9% appreciation in the Brazilian real against the U.S. dollar on the translation of revenue from the international operations and from Brazilian exports, as well as by the performance of the Beef Division.



## Revenue Breakdown 2Q17



Marfrig is a global company, with a large part of its revenue generated in currencies other than the Brazilian real:

- **62%** of net revenue came from the **international operations** (Keystone USA and APMEA, and Beef International);
- **79%** of sales was linked to currencies **other than the Brazilian real**.

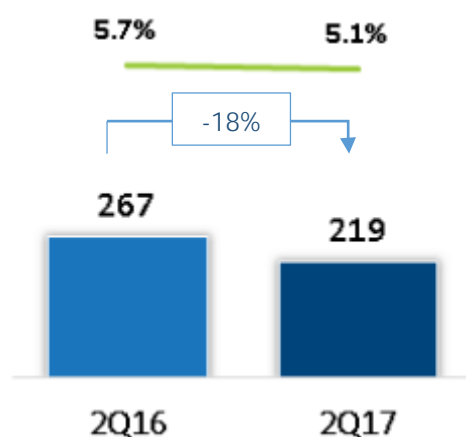
### Gross Profit & Gross Margin

Consolidated gross profit in 2Q17 was R\$496 million, down 14% year-over-year, reflecting the stronger Brazilian real and the performance of the Beef Division, which were partially offset by the results of the Keystone Division. Gross margin came to 11.5%, 80 bps lower than in 2Q16.

### Selling, General and Administrative Expenses

Selling, General and Administrative Expenses in 2Q17 came to R\$219 million, improving R\$48 million from the same period last year, explained by the effect from exchange variation on the translation of expenses from international units into Brazilian real and the lower SG&A expenses recorded by the Beef Division. As a ratio of net revenue (SG&A/NOR), SG&A expenses stood at 5.1%, down 60 bps from a year earlier.

SG&A Expenses and SG&A/NOR (R\$ million and %)

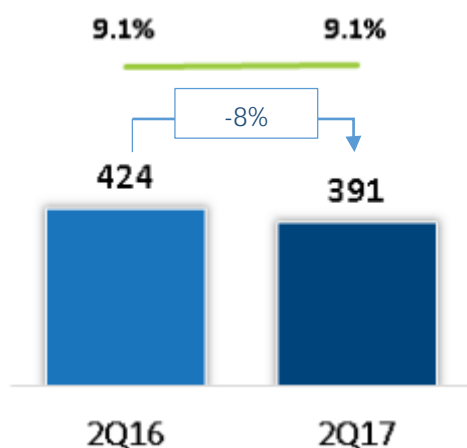


### Adjusted EBITDA and Adjusted EBITDA Margin

Adj. EBITDA in 2Q17 was R\$391 million, with Adjusted EBITDA margin of 9.1%, in line with 2Q16.

The solid result of the Keystone Division, which set a new quarterly record and accounted for 57% of the Company's consolidated EBITDA, was partially offset by the result of the Beef Division, which continued to be affected by atypical factors weighing on the performance of Brazil's beef industry.

Adjusted EBITDA and Adjusted EBITDA Margin (R\$ million and %)



## Financial Result

The net financial result in 2Q17 was an expense of R\$488 million, down 5% from the expense of R\$515 million in 1Q17.

The financial result, excluding the effects from currency translation, was an expense of R\$416 million, R\$86 million or 17% down from 1Q17. The main factors were (i) the lower expenses incurred in the previous quarter from the Liability Management process and working capital from operations; and (ii) the end of interest payments on the debentures (which still affected January 2017).

	2Q17	1Q17	Chg.	
	R\$	R\$	R\$	%
<b>FINANCIALS REVENUES</b>	<b>53.5</b>	<b>82.3</b>	<b>(28.8)</b>	<b>-35.0%</b>
Interest income, income from market able securities	29.0	37.0	(8.1)	-
Market transactions	22.8	43.7	(20.9)	-
Other revenues	1.8	1.6	0.2	-
<b>FINANCIALS EXPENSES</b>	<b>(469.4)</b>	<b>(584.0)</b>	<b>114.6</b>	<b>-19.6%</b>
Interests provisioned, debentures and lease	(204.0)	(217.0)	12.9	-
Market transactions	(33.7)	(37.1)	3.3	-
Bank fees, commissions, finance. disc. and other	(231.6)	(330.0)	98.4	-
<b>FINANCIAL RESULT EX-EXCHANGE VAR.</b>	<b>(415.9)</b>	<b>(501.7)</b>	<b>85.8</b>	<b>-17.1%</b>
Exchange Variation	(71.9)	(13.7)	(58.2)	-
<b>NET FINANCIAL RESULT</b>	<b>(487.8)</b>	<b>(515.5)</b>	<b>27.6</b>	<b>-5.4%</b>

**Note:** the exchange variation on debt contracted by subsidiaries abroad, whose functional currency differs from that of the parent company, is recorded under shareholders' equity.

## Net Income (Loss)

For comparison purposes and due to the asset divestment process, the following analysis considers only the net result from continuing operations.

On this basis, the Company posted a Loss Before Tax of R\$296 million in 2Q17 and a Loss After Tax of R\$156 million, an improvement of R\$44 million year-over-year.

## Debt

As a large portion of Marfrig's debt is denominated in U.S. dollar (BRL-denominated debt ended 2Q17 at 2.6% of total debt), the variations discussed in this section are based on the amounts in U.S. dollar.

On June 30, 2017, Marfrig held gross debt of US\$3,683 million, a reduction of US\$ 55 million in comparison to the previous quarter.

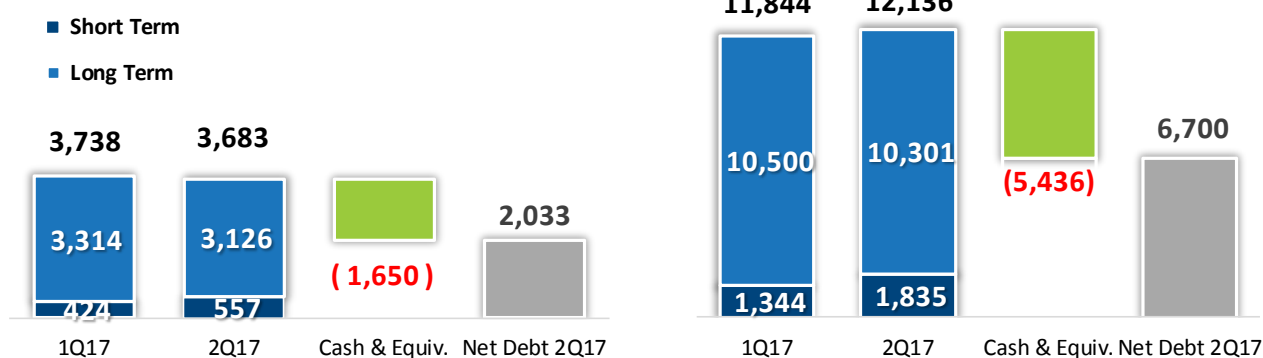
The balance of cash and marketable securities stood at US\$1,650 million, US\$151 million down in relation to 1Q17.

As a consequence, Company's net debt ended 2Q17 at US\$2,033 million, 5% up from the end of the previous quarter, reflecting the cash flow consumption and the bond's interest payment concentration in the quarter.

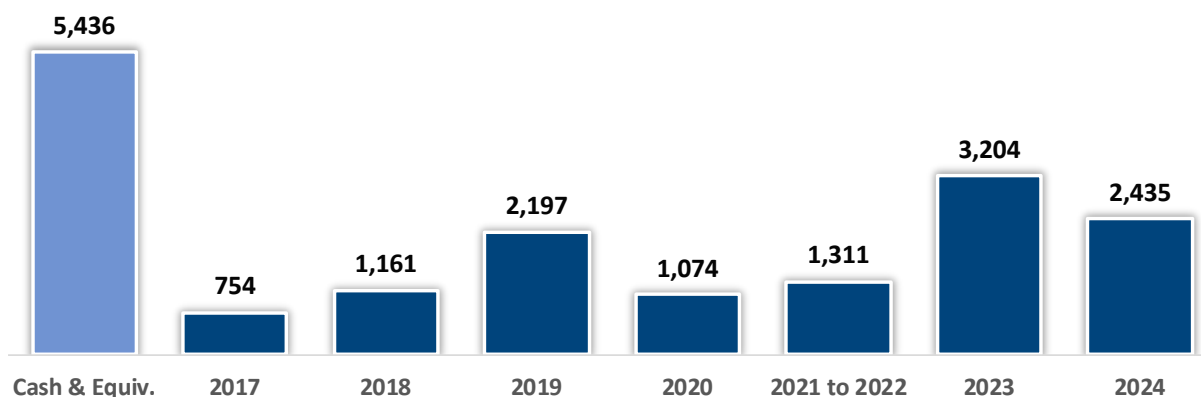
On June 30, 2017, the average debt term was 4.44 years, and only 15% of the total debt was maturing in the short term, while the average debt cost was 6.47% p.a., compared to 6.97% in 1Q17. The lowest average cost reflected the ongoing Liability Management process, which included the redemption of the outstanding balance of its 2020 bonds and the borrowing of more competitive credit lines.

### Debt in US\$ million

### Debt in R\$ million



### Debt Maturity Schedule (R\$ million)



### 2Q17 Indicators

Avg. Cost (% p.a.)	Avg. Term (years)	Current Liquidity	Net Debt / Total Assets	Net Debt / Adj. LTM EBITDA*
<b>6.47%</b>	<b>4.44</b>	<b>1.66x</b>	<b>0.32x</b>	<b>4.55x</b>

\*Adjusted EBITDA from continuing operations in the last 12 months.

The leverage ratio, measured by the net debt to the LTM Adjusted EBITDA from continuing operations, ended 2Q17 at 4.55x, an increase in comparison to the 1Q17, reflecting the 2% lower EBITDA in the last 12 months, the effect of the exchange variation between the end of periods and the higher net debt, as mentioned above.

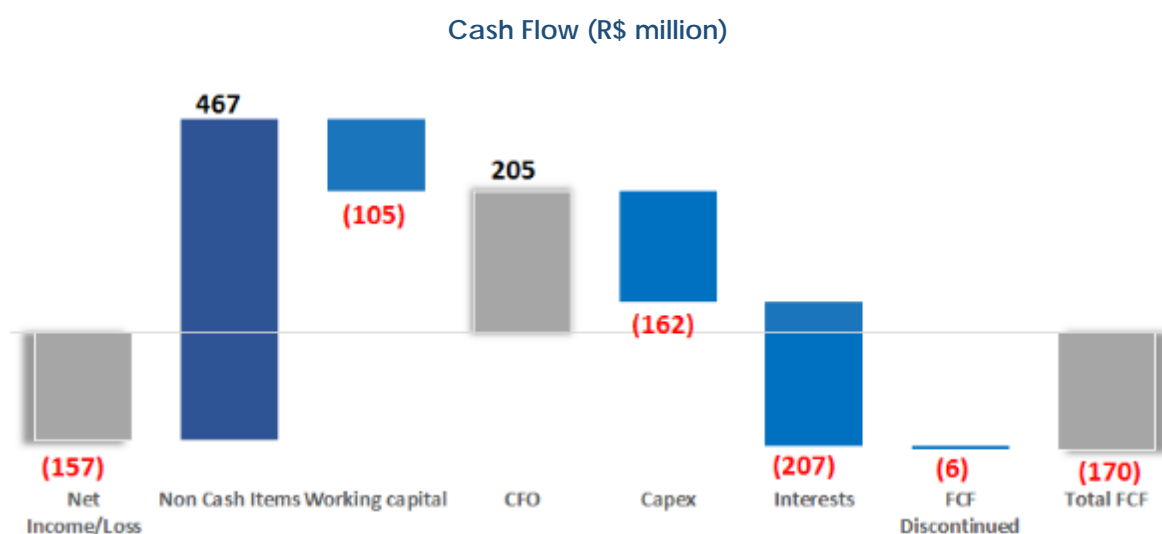
The calculation of the leverage ratio of bank and capital market funding transactions includes provisions that allow for excluding exchange-variation effects. Accordingly, the ratio for this purpose ended 2Q17 at 4.56x (for more information, see Note 35.6 to the financial statements).

## Cash Flow

Marfrig's operating cash flow in 2Q17 was positive R\$205 million (R\$80 million on 1Q17), reflecting Keystone's solid results and the improvement in margins from the Beef division. This number includes the negative impact of R\$105 million in working capital, explained by (i) the build in inventories at the Beef Division, as a consequence of the higher slaughtering volumes; (ii) the increase of the accounts receivables increase in both divisions due to the higher activity levels, especially in Keystone, due to the growth arising from the promotional activities in the foodservice channel; and (iii) the tax obligations payments in Brazil as well as income tax from the international operations.

The Company remained committed to its capital expenditure, investing R\$162 million in the quarter (R\$ 134 million in 1Q17). The highlight were the disbursements related to the organic growth projects in our Thailand and Malaysia operations, with the objective of serving the international market growing demand for higher value products from those countries.

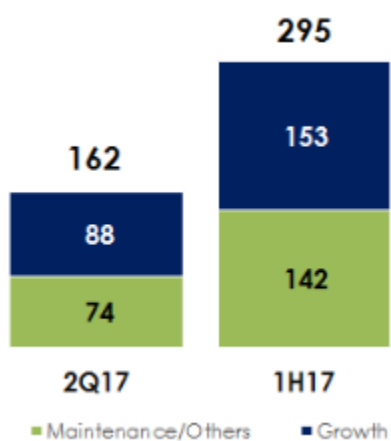
The total interest expenses was R\$207 million in 2Q17 (R\$ 213 million in 1Q17) and, as a result, the Company's free cash flow in the quarter was negative in R\$ 170 million.



## Capital Expenditure

Marfrig's capital expenditure amounted to R\$162 million in the quarter. Year-to-date the investments totalized R\$295 million. The main uses included investments in capacity and efficiency at Keystone.

Consolidated Investments (R\$ million)





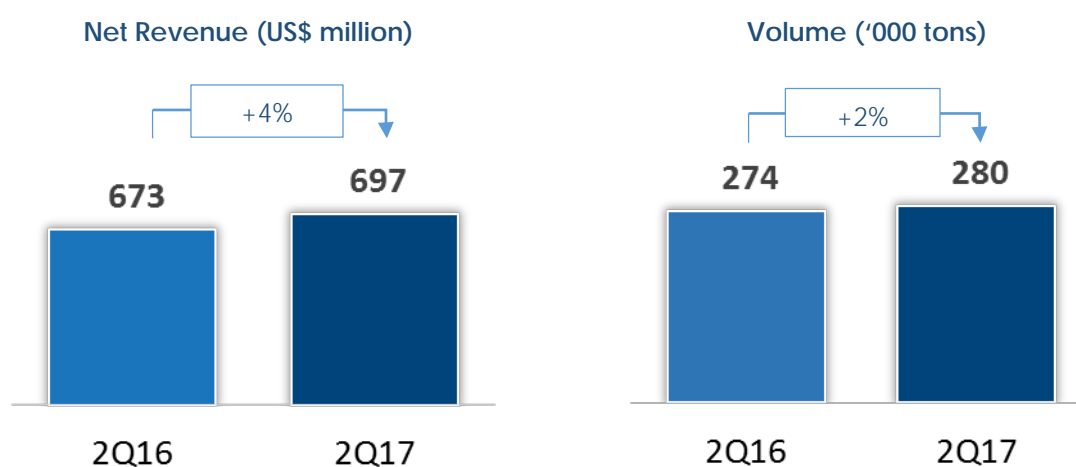
## KEYSTONE

Keystone experienced another excellent quarter setting a new record for quarterly Adjusted EBITDA of US\$69 million. The strong performance is the result of our ongoing strategy of increasing value-added business with existing customers and establishing new customer relationships as a part of our ongoing Key Accounts Program. APMEA saw strong growth both in domestic markets as well as export-oriented demand fulfilled through regional production facilities. In order to meet the increasing capacity demands of our customers, we continued capital expenditure on strategic projects in the US and APMEA as part of our Strategy 2021 initiative.

### Net Revenue and Sales Volume

Keystone net revenue reached US\$697 million in 2Q17, which is up 4% from the same quarter of 2016. In Brazilian real, net revenue was R\$2.2 billion.

This growth was driven by (i) an 8% increase in value-added volume in APMEA led by Thailand, Malaysia and Korea; (ii) a net increase in value-added volume in the US led by a 5% increase in the foodservice channel which was partially offset by a modest decrease in the retail & convenience and industrial channels; and (iii) continued favorable pricing for dark meat by-product exports out of the U.S..



### Gross Profit & Gross Margin

In 2Q17, gross profit reached US\$70 million representing a gross margin of 10%, an increase of 4% and 10bps, respectively, year-over-year (2Q16 gross profit was US\$67 million and margin 9.9%). In Brazilian real, gross profit amounted to R\$224 million, 4% lower than in 2Q16 due to effects from exchange variation on the translation of U.S. dollar amounts to Brazilian real.

### Selling, General and Administrative Expenses

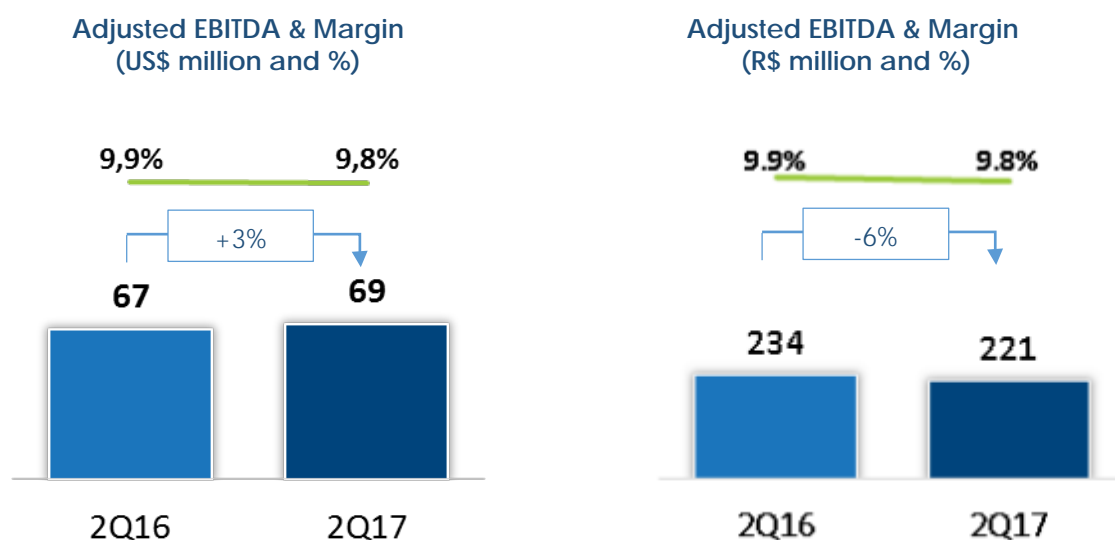
In 2Q17, SG&A expenses reached US\$18 million. As a ratio of NOR, SG&A stood at 2.5%, which is within the historical range.

## Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA amounted to US\$69 million in 2Q17, up 3% from 2Q16, a new record for Keystone. The Adjusted EBITDA margin was 9.8% for the quarter.

This improvement in Adjusted EBITDA was driven by (i) volume expansion as part of ongoing success with promotional activities and new product introductions in APMEA; (ii) strong export-oriented demand in markets served by our production facilities in Thailand; (iii) an ongoing favorable sales mix with continued contribution from high value products including NAE products in the US; and (iv) more efficient utilization of our production capacity toward higher value products.

Considering the impact from exchange variation, Keystone's Adjusted EBITDA was R\$221 million in 2Q17, down 5% from 2Q16.



## BEEF

The challenging start to the quarter, with April still affected by the Weak Flesh Operation. On the other hand, the expectation for a recovery in cattle supply not only materialized, but was leveraged by a series of events benefitting Brazil's protein industry. As a result, Beef division posted sequential growth in slaughtering volume, with industrial capacity utilization rates in Brazil reaching more than 90% by June.

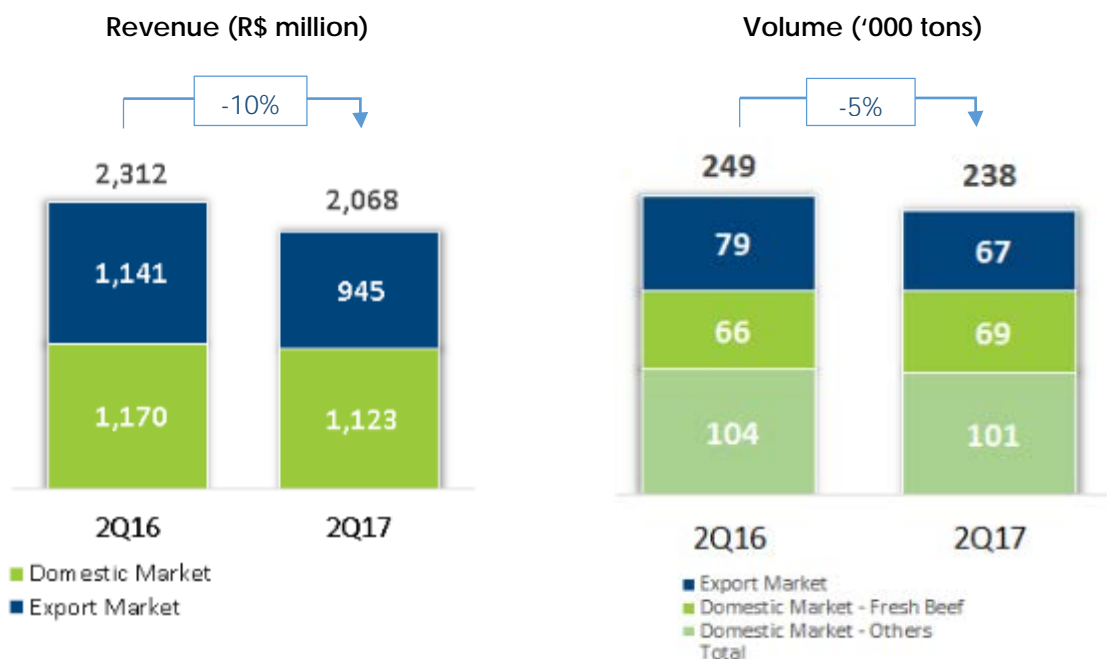
In regards to the 2Q16, the slaughtering volume of Beef division was 4% up, reflecting the higher cattle availability in both Brazil and Uruguay.

As with volumes, margins improved gradually over the quarter and peaked in late-June. In Brazil, this evolution can be seen in the export spreads that expanded in relation to 2Q16. The 14% drop in the average fed cattle price (ESALQ index) and higher international prices offset the 9% appreciation in the Brazilian real. In Uruguay, cattle prices and sale prices remained stable (INAC base).

### Net Revenue

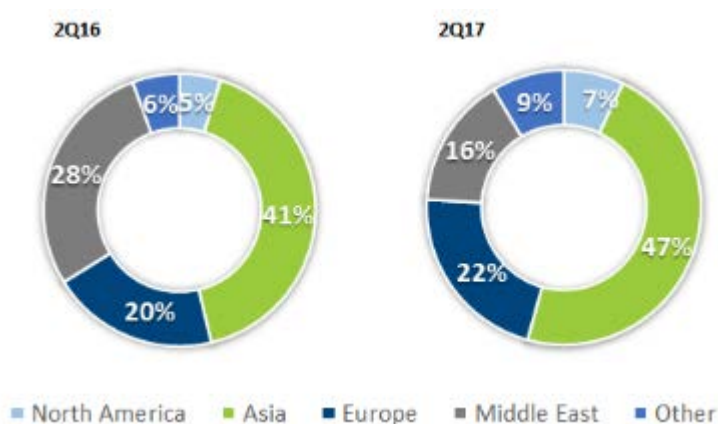
Net revenue from the Beef Division was R\$2.1 billion in the quarter, down 10% from 2Q16, influenced by (i) the 9% Brazilian real appreciation; (ii) the decline in production volume, especially of byproducts; partially offset by (iii) the increase in international prices (in U.S. dollars).

Even with the challenging economic environment, the fresh beef sales volumes in domestic market went up in 4%, and was able to compensate the impacts from Weak Flesh Operation on exports at the beginning of the quarter.



In regards to the export market, the highlight was the Marfrig's good positioning to capture the growing demand in countries like China, Hong Kong and Europe, destinations that, together, represented almost 70% from exports revenues, an increase of 8% in comparison to the previous year.

### Beef Exports (% of Volume)



### Gross Profit & Gross Margin- lacking explanations of cost

Gross profit in 2Q17 was R\$271 million, down R\$68 million year-over-year. Gross margin stood at 13.1% in the period, down 160 bps from 2Q16.

### Selling, General and Administrative Expenses

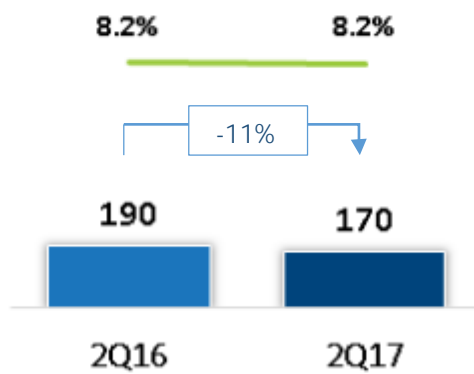
SG&A expenses were R\$162 million in 2Q17, down R\$43 million. As a ratio of NOR, SG&A expenses stood at 7.8%, improving 100 bps from 2Q16. This result is explained by (i) the initiative to streamline as well as actions to increase productivity, part as a result from the new structure recently announced; (ii) better contractual terms in international freight; and (iii) the effects from exchange variation on expenses from the international operations.

### Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA amounted R\$170 million in 2Q17, down from R\$190 million in 2Q16. EBITDA Margin stood at 8.2%, in line with the same quarter last year.

Besides the adjusted EBITDA drop, explained by the stronger Brazilian as well as the sales volumes decrease, the Beef division was able to keep the same levels of margins as in 2Q16, sustained by the sequential evolution in spreads throughout the quarter and the relevant improvements in Sales, General and Administrative expenses.

Adjusted EBITDA and Adjusted EBITDA Margin (R\$ million and %)



## OUTLOOK AND CLOSING REMARKS

After reviewing its estimates, the IMF kept its forecast for world GDP growth in 2017 unchanged at 3.5% in its latest report, for July.

In the United States, despite the downward revision in the GDP growth forecast to 2.1% p.a. (from 2.3% previously), reflecting growing consensus that any fiscal stimulus would be weaker and take longer than initially expected – the expectation is for consumer spending to remain strong, with unemployment at its lowest rate in nearly a decade.

In China, the continuation of expansionist economic policy led to an upward revision in the GDP growth forecast to 6.7% p.a., from 6.6% p.a. previously.

In the case of Brazil, GDP was revised upward to 0.3% p.a. from 0.2% p.a., reflecting the expectation of a gradual, albeit slow, recovery.

This positive context for international trade and for per-capita income continue to have a positive influence on animal protein consumption around the world.

For the beef industry, expectations for a favorable moment in the cattle cycle remain intact. In the United States, expectations continue to call for growing production and stronger domestic demand. In Australia, the current phase of the cattle cycle should continue to limit the country's presence in the global market. In China, growing demand should continue to drive beef imports. The trade agreement between the United States and China underscores the level of demand from that region.

The outlook for Brazil's beef industry is positive. After a cycle of rebuilding the cattle herd, the higher supply of finished cattle and the current macroeconomic scenario should keep margins at healthy levels.

In the international chicken industry, most markets have been performing well, supported by a combination of solid demand and favorable grain prices.

In the long term, higher growth rates are expected for animal-protein products in value-added channels, such as the global fast food industry (CAGR 2016-2021 of 5.3%), especially in Asia, whose market should reach the size of the U.S. market in 2021.

The risk factors to this scenario are still associated with a slowdown in world economic growth and sharper depreciations in the currencies of emerging countries, which could lead to lower consumer spending. Specifically in relation to the protein industry, disease remains the main risk factor for the business.

Marfrig remains focused on creating value for its shareholders and on its commitment to strengthening its business through sustainable growth:

1. Operational improvements, productivity and margin expansion.
2. Diversifying the client base and organic growth projects at the Keystone Division.
3. Capturing market share gains in value-added channels in the Beef Division.
4. Accelerating growth in the Asian market by expanding Keystone's operations in the food service channel and growing exports from the Beef Division.
5. Financial discipline, with a permanent focus on deleveraging and increasing free cash flow.

## UPCOMING EVENTS

### Earnings Conference Call

**Date: August 15, 2017**

#### **Portuguese**

**2:30 p.m. (Brasília)**  
1:30 p.m. (US EST)  
6:30 p.m. (London)

Dial-in: Brazil: + 55 (11) 3193-1001  
or 2820-4001

Code: Marfrig

#### **English**

1:00 p.m. (Brasília)  
**12:00 p.m. (US EST)**  
5:00 p.m. (London)

Dial-in: Other countries: + 1 (786) 924-  
6977

Code: Marfrig

Live audio webcast with slide presentation.  
Replay available for download: [www.marfrig.com.br/ri](http://www.marfrig.com.br/ri)

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## APPENDIX I Income Statement

### Consolidated Quarterly (R\$ million)

	2Q17 (a)		2Q16 (b)		1Q17 (c)		(a/b) Chg.		(a/c) Chg.	
	R\$	%NOR	R\$	%NOR	R\$	%NOR	R\$	%	R\$	%
<b>Net Revenues</b>	<b>4,313.0</b>	<b>100.0%</b>	<b>4,675.7</b>	<b>100.0%</b>	<b>4,136.2</b>	<b>100.0%</b>	<b>(362.7)</b>	<b>-7.8%</b>	<b>176.8</b>	<b>4.3%</b>
COGS	(3,817.1)	-88.5%	(4,101.7)	-87.7%	(3,675.7)	-88.9%	284.5	-6.9%	(141.4)	3.8%
<b>Gross Profit</b>	<b>495.8</b>	<b>11.5%</b>	<b>574.0</b>	<b>12.3%</b>	<b>460.4</b>	<b>11.1%</b>	<b>(78.2)</b>	<b>-13.6%</b>	<b>35.4</b>	<b>7.7%</b>
<b>SG&amp;A</b>	<b>(218.7)</b>	<b>-5.1%</b>	<b>(266.7)</b>	<b>-5.7%</b>	<b>(236.9)</b>	<b>-5.7%</b>	<b>48.0</b>	<b>-18.0%</b>	<b>18.3</b>	<b>-7.7%</b>
Commercial	(115.1)	-2.7%	(150.4)	-3.2%	(139.1)	-3.4%	35.3	-23.5%	24.0	-17.3%
Administratives	(103.6)	-2.4%	(116.2)	-2.5%	(97.8)	-2.4%	12.6	-10.9%	(5.8)	5.9%
<b>Adj. EBTIDA*</b>	<b>391.0</b>	<b>9.1%</b>	<b>423.6</b>	<b>9.1%</b>	<b>333.7</b>	<b>8.1%</b>	<b>(32.5)</b>	<b>-7.7%</b>	<b>57.3</b>	<b>17.2%</b>
Others revenues/expenses	(72.1)	-1.7%	(31.6)	-0.7%	(37.7)	-0.9%	(40.5)	128.3%	(34.4)	91.2%
<b>EBITDA</b>	<b>318.9</b>	<b>7.4%</b>	<b>392.0</b>	<b>8.4%</b>	<b>296.0</b>	<b>7.2%</b>	<b>(73.0)</b>	<b>-18.6%</b>	<b>23.0</b>	<b>7.8%</b>
Equity Account	(0.8)	0.0%	(1.2)	0.0%	1.7	0.0%	0.4	-34.9%	(2.5)	-144.6%
D&A	(113.9)	-2.6%	(116.2)	-2.5%	(110.2)	-2.7%	2.3	-2.0%	(3.7)	3.4%
<b>EBIT</b>	<b>204.3</b>	<b>4.7%</b>	<b>274.6</b>	<b>5.9%</b>	<b>187.5</b>	<b>4.5%</b>	<b>(70.3)</b>	<b>-25.6%</b>	<b>16.8</b>	<b>8.9%</b>
<b>Financial Results</b>	<b>(487.8)</b>	<b>-11.3%</b>	<b>(513.5)</b>	<b>-11.0%</b>	<b>(515.5)</b>	<b>-12.5%</b>	<b>25.7</b>	<b>-5.0%</b>	<b>27.6</b>	<b>-5.4%</b>
<b>Financial revenues/expenses</b>	<b>(415.9)</b>	<b>-9.6%</b>	<b>(512.7)</b>	<b>-11.0%</b>	<b>(501.7)</b>	<b>-12.1%</b>	<b>96.8</b>	<b>-18.9%</b>	<b>85.8</b>	<b>-17.1%</b>
<b>Exchange rate variation</b>	<b>(71.9)</b>	<b>-1.7%</b>	<b>(0.8)</b>	<b>0.0%</b>	<b>(13.7)</b>	<b>-0.3%</b>	<b>(71.1)</b>	<b>8410.9%</b>	<b>(58.2)</b>	<b>423.5%</b>
<b>Minority Stake</b>	<b>(12.3)</b>	<b>-0.3%</b>	<b>(12.3)</b>	<b>-0.3%</b>	<b>(11.8)</b>	<b>-0.3%</b>	<b>(0.1)</b>	<b>0.5%</b>	<b>(0.5)</b>	<b>4.3%</b>
<b>EBT</b>	<b>(295.9)</b>	<b>-6.9%</b>	<b>(251.3)</b>	<b>-5.4%</b>	<b>(339.8)</b>	<b>-8.2%</b>	<b>(44.6)</b>	<b>17.8%</b>	<b>43.9</b>	<b>-12.9%</b>
<b>Taxes</b>	<b>139.0</b>	<b>3.2%</b>	<b>50.7</b>	<b>1.1%</b>	<b>101.8</b>	<b>2.5%</b>	<b>88.3</b>	<b>174.1%</b>	<b>37.2</b>	<b>36.5%</b>
<b>Controller Shareholder Net Profit</b>	<b>(156.9)</b>	<b>-3.6%</b>	<b>(200.5)</b>	<b>-4.3%</b>	<b>(237.9)</b>	<b>-5.8%</b>	<b>43.7</b>	<b>-21.8%</b>	<b>81.1</b>	<b>-34.1%</b>
<b>Discontinued Ops. + Capital Gain</b>	<b>(10.2)</b>	<b>-0.2%</b>	<b>68.6</b>	<b>1.5%</b>	<b>4.7</b>	<b>0.1%</b>	<b>(78.8)</b>	<b>-114.8%</b>	<b>(14.9)</b>	<b>-315.5%</b>
<b>Controller Shareholder Net Profit</b>	<b>(167.0)</b>	<b>-3.9%</b>	<b>(131.9)</b>	<b>-2.8%</b>	<b>(233.2)</b>	<b>-5.6%</b>	<b>(35.1)</b>	<b>26.6%</b>	<b>66.2</b>	<b>-28.4%</b>
<b>P&amp;L - USD x BRL</b>	<b>R\$ 3.21</b>		<b>R\$ 3.51</b>		<b>R\$ 3.14</b>		<b>-0.30</b>	<b>-8.4%</b>	<b>0.07</b>	<b>2.3%</b>
<b>BS - USD x BRL</b>	<b>R\$ 3.31</b>		<b>R\$ 3.21</b>		<b>R\$ 3.17</b>		<b>0.10</b>	<b>3.1%</b>	<b>0.14</b>	<b>4.4%</b>
<b>P&amp;L - BRL x USD</b>	<b>R\$ 0.31</b>		<b>R\$ 0.28</b>		<b>R\$ 0.32</b>		<b>0.03</b>	<b>9.2%</b>	<b>-0.01</b>	<b>-2.2%</b>

(\*) Excludes the effects from other operating income/expenses.

Note: "Others revenues/expenses" considers the one-off effect, in the second quarter of 2017, of the Company's decision to sign an agreement for tax debts installments payment program (for more information, see note 19 of the Financial Statements of June 30, 2017).

## APPENDIX I Income Statement

### Consolidated Year-to-Date (R\$ million)

	1H17 (a)		1H16 (b)		(a/b) Chg.	
	R\$	%NOR	R\$	%NOR	R\$	%
<b>Net Revenues</b>	<b>8,449.1</b>	<b>100.0%</b>	<b>9,582.1</b>	<b>100.0%</b>	<b>(1,133.0)</b>	<b>-11.8%</b>
COGS	(7,492.9)	-88.7%	(8,432.4)	-88.0%	939.5	-11.1%
<b>Gross Profit</b>	<b>956.2</b>	<b>11.3%</b>	<b>1,149.7</b>	<b>12.0%</b>	<b>(193.4)</b>	<b>-16.8%</b>
<b>SG&amp;A</b>	<b>(455.6)</b>	<b>-5.4%</b>	<b>(522.3)</b>	<b>-5.5%</b>	<b>66.6</b>	<b>-12.8%</b>
Commercial	(254.2)	-3.0%	(295.4)	-3.1%	41.2	-14.0%
Administratives	(201.4)	-2.4%	(226.8)	-2.4%	25.4	-11.2%
<b>Adj. EBTIDA*</b>	<b>724.7</b>	<b>8.6%</b>	<b>866.6</b>	<b>9.0%</b>	<b>(141.9)</b>	<b>-16.4%</b>
Others revenues/expenses	(109.8)	-1.3%	(50.5)	-0.5%	(59.2)	117.2%
<b>EBITDA</b>	<b>614.9</b>	<b>7.3%</b>	<b>816.1</b>	<b>8.5%</b>	<b>(201.2)</b>	<b>-24.6%</b>
Equity Account	1.0	0.0%	(3.2)	0.0%	4.1	-130.2%
D&A	(224.1)	-2.7%	(239.2)	-2.5%	15.1	-6.3%
<b>EBIT</b>	<b>391.8</b>	<b>4.6%</b>	<b>573.7</b>	<b>6.0%</b>	<b>(181.9)</b>	<b>-31.7%</b>
<b>Financial Results</b>	<b>(1,003.3)</b>	<b>-11.9%</b>	<b>(936.7)</b>	<b>-9.8%</b>	<b>(66.6)</b>	<b>7.1%</b>
<b>Financial revenues/expenses</b>	<b>(917.6)</b>	<b>-10.9%</b>	<b>(972.7)</b>	<b>-10.2%</b>	<b>55.1</b>	<b>-5.7%</b>
<b>Exchange rate variation</b>	<b>(85.7)</b>	<b>-1.0%</b>	<b>36.0</b>	<b>0.4%</b>	<b>(121.6)</b>	<b>-338.1%</b>
<b>Minority Stake</b>	<b>(24.2)</b>	<b>-0.3%</b>	<b>(26.1)</b>	<b>-0.3%</b>	<b>2.0</b>	<b>-7.5%</b>
<b>EBT</b>	<b>(635.7)</b>	<b>-7.5%</b>	<b>(389.2)</b>	<b>-4.1%</b>	<b>(246.5)</b>	<b>63.3%</b>
<b>Taxes</b>	<b>240.9</b>	<b>2.9%</b>	<b>86.7</b>	<b>0.9%</b>	<b>154.1</b>	<b>177.7%</b>
<b>Controller Shareholder Net Profit</b>	<b>(394.8)</b>	<b>-4.7%</b>	<b>(302.4)</b>	<b>-3.2%</b>	<b>(92.4)</b>	<b>30.5%</b>
<b>Discontinued Ops. + Capital Gain</b>	<b>(5.5)</b>	<b>-0.1%</b>	<b>64.3</b>	<b>0.7%</b>	<b>(69.8)</b>	<b>-108.5%</b>
<b>Controller Shareholder Net Profit</b>	<b>(400.3)</b>	<b>-4.7%</b>	<b>(238.1)</b>	<b>-2.5%</b>	<b>(162.1)</b>	<b>68.1%</b>
<b>P&amp;L - USD x BRL</b>	<b>R\$ 2.70</b>		<b>R\$ 3.49</b>		<b>-0.79</b>	<b>-22.7%</b>
<b>BS - USD x BRL</b>	<b>R\$ 3.31</b>		<b>R\$ 3.26</b>		<b>0.05</b>	<b>1.5%</b>

## APPENDIX II

### EBITDA Calculation - Quarterly (R\$ million)

RECONCILIATION OF ADJUSTED EBITDA (R\$ million)	2Q17	2Q16	1Q17
<b>Net Profit / Loss</b>	<b>(156.9)</b>	<b>(200.5)</b>	<b>(237.9)</b>
(+) Provision for income and social contribution taxes	(139.0)	(50.7)	(101.8)
(+) Non-controlling Interest	12.3	12.3	11.8
(+) Net Exchange Variation	71.9	0.8	13.7
(+) Net Financial Charges	415.9	512.7	501.7
(+) Depreciation & Amortization	113.9	116.2	110.2
(+) Equity Income	0.8	1.2	(1.7)
<b>EBITDA</b>	<b>318.9</b>	<b>392.0</b>	<b>296.0</b>
(+) Other Operacional Revenues/Expenses	72.1	31.6	37.7
<b>Adj. EBITDA</b>	<b>391.0</b>	<b>423.6</b>	<b>333.7</b>

### EBITDA Calculation – Year to Date (R\$ million)

RECONCILIATION OF ADJUSTED EBITDA (R\$ million)	1H17	1H16
<b>Net Profit / Loss</b>	<b>(394.8)</b>	<b>(302.4)</b>
(+) Provision for income and social contribution taxes	(240.9)	(86.7)
(+) Non-controlling Interest	24.2	26.1
(+) Net Exchange Variation	85.7	(36.0)
(+) Net Financial Charges	917.6	972.7
(+) Depreciation & Amortization	224.1	239.2
(+) Equity Income	(1.0)	3.2
<b>EBITDA</b>	<b>614.9</b>	<b>816.1</b>
(+) Other Operacional Revenues/Expenses	109.8	50.5
<b>Adj. EBITDA</b>	<b>724.7</b>	<b>866.6</b>

## APPENDIX III Income Statement – Keystone

### Quarterly (US\$ million)

	2Q17 (a)		2Q16 (b)		1Q17 (c)		(a/b) Chg.		(a/c) Chg.	
	\$	%NOR	\$	%NOR	\$	%NOR	\$	%	\$	%
<b>Net Revenues</b>	<b>697.1</b>	<b>100.0%</b>	<b>673.0</b>	<b>100.0%</b>	<b>667.2</b>	<b>100.0%</b>	<b>24.1</b>	<b>3.6%</b>	<b>29.9</b>	<b>4.5%</b>
COGS	(627.5)	-90.0%	(606.2)	-90.1%	(603.7)	-90.5%	(21.3)	3.5%	(23.8)	3.9%
<b>Gross Profit</b>	<b>69.6</b>	<b>10.0%</b>	<b>66.8</b>	<b>9.9%</b>	<b>63.5</b>	<b>9.5%</b>	<b>2.8</b>	<b>4.2%</b>	<b>6.1</b>	<b>9.6%</b>
<b>SG&amp;A</b>	<b>(17.7)</b>	<b>-2.5%</b>	<b>(17.6)</b>	<b>-2.6%</b>	<b>(17.5)</b>	<b>-2.6%</b>	<b>(0.1)</b>	<b>0.6%</b>	<b>(0.2)</b>	<b>1.1%</b>
Commercial	(1.7)	-0.2%	(1.7)	-0.2%	(1.7)	-0.2%	(0.0)	2.3%	(0.1)	3.1%
Administratives	(16.0)	-2.3%	(15.9)	-2.4%	(15.8)	-2.4%	(0.1)	0.4%	(0.1)	0.9%
<b>Adj. EBITDA*</b>	<b>68.6</b>	<b>9.8%</b>	<b>66.5</b>	<b>9.9%</b>	<b>62.5</b>	<b>9.4%</b>	<b>2.1</b>	<b>3.2%</b>	<b>6.2</b>	<b>9.8%</b>
Others revenues/expenses	(0.9)	-0.1%	0.0	0.0%	0.0	0.0%	(0.9)	-	(0.9)	n/a
<b>EBITDA</b>	<b>67.7</b>	<b>9.7%</b>	<b>66.5</b>	<b>9.9%</b>	<b>62.5</b>	<b>9.4%</b>	<b>1.2</b>	<b>1.8%</b>	<b>5.2</b>	<b>8.4%</b>
<b>P&amp;L - USD x BRL</b>	<b>R\$ 3.21</b>		<b>R\$ 3.51</b>		<b>R\$ 3.14</b>		<b>-0.30</b>	<b>-8.4%</b>	<b>0.07</b>	<b>2.3%</b>

(\*) Excludes the effects from other operating income/expenses.

### Quarterly (R\$ million)

	2Q17 (a)		2Q16 (b)		1Q17 (c)		(a/b) Chg.		(a/c) Chg.	
	R\$	%NOR	R\$	%NOR	R\$	%NOR	R\$	%	R\$	%
<b>Net Revenues</b>	<b>2,244.9</b>	<b>100.0%</b>	<b>2,364.1</b>	<b>100.0%</b>	<b>2,095.7</b>	<b>100.0%</b>	<b>(119.3)</b>	<b>-5.0%</b>	<b>149.1</b>	<b>7.1%</b>
COGS	(2,020.4)	-90.0%	(2,129.3)	-90.1%	(1,896.3)	-90.5%	108.9	-5.1%	(124.1)	6.5%
<b>Gross Profit</b>	<b>224.4</b>	<b>10.0%</b>	<b>234.8</b>	<b>9.9%</b>	<b>199.4</b>	<b>9.5%</b>	<b>(10.4)</b>	<b>-4.4%</b>	<b>25.0</b>	<b>12.5%</b>
<b>SG&amp;A</b>	<b>(56.7)</b>	<b>-2.5%</b>	<b>(61.8)</b>	<b>-2.6%</b>	<b>(55.0)</b>	<b>-2.6%</b>	<b>5.1</b>	<b>-8.2%</b>	<b>(1.8)</b>	<b>3.3%</b>
Commercial	(5.5)	-0.2%	(5.9)	-0.2%	(5.2)	-0.2%	0.4	-6.6%	(0.3)	5.4%
Administratives	(51.2)	-2.3%	(55.9)	-2.4%	(49.7)	-2.4%	4.7	-8.4%	(1.5)	3.0%
<b>Adj. EBITDA*</b>	<b>221.4</b>	<b>9.8%</b>	<b>233.8</b>	<b>9.9%</b>	<b>196.1</b>	<b>9.4%</b>	<b>(12.4)</b>	<b>-5.3%</b>	<b>25.3</b>	<b>12.9%</b>
Others revenues/expenses	(3.1)	-0.1%	0.0	0.0%	0.0	0.0%	(3.1)	n/a	(3.1)	n/a
<b>EBITDA</b>	<b>218.3</b>	<b>9.7%</b>	<b>233.8</b>	<b>9.9%</b>	<b>196.1</b>	<b>9.4%</b>	<b>(15.4)</b>	<b>-6.6%</b>	<b>22.2</b>	<b>11.3%</b>
<b>P&amp;L - USD x BRL</b>	<b>R\$ 3.21</b>		<b>R\$ 3.51</b>		<b>R\$ 3.14</b>		<b>-0.30</b>	<b>-8.4%</b>	<b>0.07</b>	<b>2.3%</b>

(\*) Excludes the effects from other operating income/expenses.

**APPENDIX III**  
**Income Statement – Keystone**

**Year to Date**  
**(US\$ million)**

	1H17 (a)		1H16 (b)		(a/b) Chg.	
	\$	%NOR	\$	%NOR	\$	%
<b>Net Revenues</b>	<b>1,364.3</b>	<b>100.0%</b>	<b>1,296.3</b>	<b>100.0%</b>	<b>68.0</b>	<b>5.2%</b>
COGS	(1,231.2)	-90.2%	(1,173.6)	-90.5%	(57.6)	4.9%
<b>Gross Profit</b>	<b>133.1</b>	<b>9.8%</b>	<b>122.7</b>	<b>9.5%</b>	<b>10.4</b>	<b>8.5%</b>
<b>SG&amp;A</b>	<b>(35.2)</b>	<b>-2.6%</b>	<b>(33.9)</b>	<b>-2.6%</b>	<b>(1.3)</b>	<b>3.8%</b>
Commercial	(3.4)	-0.2%	(3.4)	-0.3%	0.0	-0.7%
Administratives	(31.8)	-2.3%	(30.5)	-2.4%	(1.3)	4.3%
<b>Adj. EBITDA*</b>	<b>131.1</b>	<b>9.6%</b>	<b>123.4</b>	<b>9.5%</b>	<b>7.7</b>	<b>6.3%</b>
Others revenues/expenses	(0.9)	-0.1%	0.0	0.0%	(0.9)	n/a
<b>EBITDA</b>	<b>130.2</b>	<b>9.5%</b>	<b>123.4</b>	<b>9.5%</b>	<b>6.8</b>	<b>5.5%</b>

**Year to Date**  
**(R\$ million)**

	1H17 (a)		1H16 (b)		(a/b) Chg.	
	R\$	%NOR	R\$	%NOR	R\$	%
<b>Net Revenues</b>	<b>4,340.6</b>	<b>100.0%</b>	<b>4,801.8</b>	<b>100.0%</b>	<b>(461.3)</b>	<b>-9.6%</b>
COGS	(3,916.8)	-90.2%	(4,349.3)	-90.5%	432.5	-9.9%
<b>Gross Profit</b>	<b>423.8</b>	<b>9.8%</b>	<b>452.6</b>	<b>9.5%</b>	<b>(28.8)</b>	<b>-6.4%</b>
<b>SG&amp;A</b>	<b>(111.7)</b>	<b>-2.6%</b>	<b>(125.6)</b>	<b>-2.6%</b>	<b>13.9</b>	<b>-11.1%</b>
Commercial	(10.8)	-0.2%	(12.7)	-0.3%	1.9	-15.2%
Administratives	(100.9)	-2.3%	(112.9)	-2.4%	12.0	-10.6%
<b>Adj. EBITDA*</b>	<b>417.6</b>	<b>9.6%</b>	<b>455.3</b>	<b>9.5%</b>	<b>(37.8)</b>	<b>-8.3%</b>
Others revenues/expenses	(3.1)	-0.1%	0.0	0.0%	(3.1)	n/a
<b>EBITDA</b>	<b>414.5</b>	<b>9.5%</b>	<b>455.3</b>	<b>9.5%</b>	<b>(40.8)</b>	<b>-9.0%</b>

## APPENDIX IV

### Operating Indicators – KEYSTONE

Volume (000 Tons)	2Q17 (a)	2Q16 (b)	1Q17 (c)	(a/b) Chg.	(a/c) Chg.	1H17 (a)	1H16 (b)	(a/b) Chg.
USA	225.6	223.2	227.2	1.1%	-0.7%	452.8	441.4	2.6%
ASIA	54.7	50.6	51.2	7.9%	6.8%	105.9	96.9	9.3%
<b>TOTAL KEYSTONE</b>	<b>280.3</b>	<b>273.8</b>	<b>278.4</b>	<b>2.4%</b>	<b>0.7%</b>	<b>558.7</b>	<b>538.3</b>	<b>3.8%</b>

Revenues (US\$ Million)	2Q17 (a)	2Q16 (b)	1Q17 (c)	(a/b) Chg.	(a/c) Chg.	1H17 (a)	1H16 (b)	(a/b) Chg.
USA	479.9	479.5	470.5	0.1%	2.0%	950.4	923.0	3.0%
ASIA	217.2	193.5	196.7	12.2%	10.4%	413.9	373.4	10.9%
<b>TOTAL KEYSTONE</b>	<b>697.1</b>	<b>673.0</b>	<b>667.2</b>	<b>3.6%</b>	<b>4.5%</b>	<b>1,364.3</b>	<b>1,296.3</b>	<b>5.2%</b>

Average Price (US\$/Kg)	2Q17 (a)	2Q16 (b)	1Q17 (c)	(a/b) Chg.	(a/c) Chg.	1H17 (a)	1H16 (b)	(a/b) Chg.
USA	2.13	2.15	2.07	-1.0%	2.7%	2.10	2.09	0.4%
ASIA	3.97	3.82	3.84	3.9%	3.4%	3.91	3.85	1.4%
<b>TOTAL KEYSTONE</b>	<b>2.49</b>	<b>2.46</b>	<b>2.40</b>	<b>1.2%</b>	<b>3.8%</b>	<b>2.44</b>	<b>2.41</b>	<b>1.4%</b>

Revenues (R\$ Million)	2Q17 (a)	2Q16 (b)	1Q17 (c)	(a/b) Chg.	(a/c) Chg.	1H17 (a)	1H16 (b)	(a/b) Chg.
USA	1,545.5	1,684.7	1,477.6	-8.3%	4.6%	3,023.0	3,419.3	-11.6%
ASIA	699.4	679.5	618.1	2.9%	13.1%	1,317.5	1,382.5	-4.7%
<b>TOTAL KEYSTONE</b>	<b>2,244.9</b>	<b>2,364.1</b>	<b>2,095.7</b>	<b>-5.0%</b>	<b>7.1%</b>	<b>4,340.6</b>	<b>4,801.8</b>	<b>-9.6%</b>

Average Price (R\$/Kg)	2Q17 (a)	2Q16 (b)	1Q17 (c)	(a/b) Chg.	(a/c) Chg.	1H17 (a)	1H16 (b)	(a/b) Chg.
USA	6.85	7.55	6.50	-9.3%	5.3%	6.68	7.75	-13.8%
ASIA	12.79	13.42	12.07	-4.7%	6.0%	12.44	14.27	-12.8%
<b>TOTAL KEYSTONE</b>	<b>8.01</b>	<b>8.64</b>	<b>7.53</b>	<b>-7.2%</b>	<b>6.4%</b>	<b>7.77</b>	<b>8.92</b>	<b>-12.9%</b>

## APPENDIX V Income Statement – BEEF

### Quarterly (R\$ million)

	2Q17 (a)		2Q16 (b)		1Q17 (c)		(a/b) Chg.		(a/c) Chg.	
	R\$	%NOR	R\$	%NOR	R\$	%NOR	R\$	%	R\$	%
<b>Net Revenues</b>	<b>2,068.1</b>	<b>100.0%</b>	<b>2,311.5</b>	<b>100.0%</b>	<b>2,040.5</b>	<b>100.0%</b>	<b>(243.4)</b>	<b>-10.5%</b>	<b>27.6</b>	<b>1.4%</b>
COGS	(1,796.7)	-86.9%	(1,972.4)	-85.3%	(1,779.4)	-87.2%	175.7	-8.9%	(17.3)	1.0%
<b>Gross Profit</b>	<b>271.4</b>	<b>13.1%</b>	<b>339.2</b>	<b>14.7%</b>	<b>261.0</b>	<b>12.8%</b>	<b>(67.8)</b>	<b>-20.0%</b>	<b>10.4</b>	<b>4.0%</b>
<b>SG&amp;A</b>	<b>(161.9)</b>	<b>-7.8%</b>	<b>(204.8)</b>	<b>-8.9%</b>	<b>(182.0)</b>	<b>-8.9%</b>	<b>42.9</b>	<b>-20.9%</b>	<b>20.1</b>	<b>-11.0%</b>
Commercial	(109.6)	-5.3%	(144.5)	-6.3%	(133.9)	-6.6%	34.9	-24.2%	24.3	-18.2%
Administratives	(52.4)	-2.5%	(60.3)	-2.6%	(48.1)	-2.4%	8.0	-13.2%	(4.3)	8.9%
<b>Adj. EBITDA*</b>	<b>169.6</b>	<b>8.2%</b>	<b>189.8</b>	<b>8.2%</b>	<b>137.5</b>	<b>6.7%</b>	<b>(20.1)</b>	<b>-10.6%</b>	<b>32.1</b>	<b>23.3%</b>
Others revenues/expenses	(69.0)	-3.3%	(31.6)	-1.4%	(37.7)	-1.8%	(37.4)	118.5%	(31.3)	83.0%
<b>EBITDA</b>	<b>100.6</b>	<b>4.9%</b>	<b>158.2</b>	<b>6.8%</b>	<b>99.8</b>	<b>4.9%</b>	<b>(57.6)</b>	<b>-36.4%</b>	<b>0.8</b>	<b>0.8%</b>
<b>P&amp;L - USD x BRL</b>	<b>R\$ 3.21</b>		<b>R\$ 3.51</b>		<b>R\$ 3.14</b>		<b>-0.30</b>	<b>-8.4%</b>	<b>0.07</b>	<b>2.3%</b>

(\*) Excludes the effects from other operating income/expenses.

### Year to Date (R\$ million)

	1H17 (a)		1H16 (b)		(a/b) Chg.	
	R\$	%NOR	R\$	%NOR	R\$	%
<b>Net Revenues</b>	<b>4,108.6</b>	<b>100.0%</b>	<b>4,780.3</b>	<b>100.0%</b>	<b>(671.7)</b>	<b>-14.1%</b>
COGS	(3,576.1)	-87.0%	(4,083.1)	-85.4%	507.0	-12.4%
<b>Gross Profit</b>	<b>532.4</b>	<b>13.0%</b>	<b>697.1</b>	<b>14.6%</b>	<b>(164.7)</b>	<b>-23.6%</b>
<b>SG&amp;A</b>	<b>(343.9)</b>	<b>-8.4%</b>	<b>(396.7)</b>	<b>-8.3%</b>	<b>52.7</b>	<b>-13.3%</b>
Commercial	(243.4)	-5.9%	(282.8)	-5.9%	39.3	-13.9%
Administratives	(100.5)	-2.4%	(113.9)	-2.4%	13.4	-11.8%
<b>Adj. EBITDA*</b>	<b>307.1</b>	<b>7.5%</b>	<b>411.3</b>	<b>8.6%</b>	<b>(104.2)</b>	<b>-25.3%</b>
Others revenues/expenses	(106.7)	-2.6%	(50.5)	-1.1%	(56.2)	111.1%
<b>EBITDA</b>	<b>200.4</b>	<b>4.9%</b>	<b>360.8</b>	<b>7.5%</b>	<b>(160.3)</b>	<b>-44.4%</b>



## APPENDIX VI

### Operating Indicators – BEEF

Volume (000 Tons)	2Q17 (a)	2Q16 (b)	1Q17 (c)	(a/b) Chg.	(a/c) Chg.	1H17 (a)	1H16 (a)	(a/b) Chg.
<b>Fresh Beef</b>	<b>122.1</b>	<b>127.3</b>	<b>118.3</b>	<b>-4.1%</b>	<b>3.2%</b>	<b>240.3</b>	<b>247.3</b>	<b>-2.8%</b>
Local Market	69.0	66.3	60.7	4.2%	13.7%	129.8	122.0	6.4%
Export Market	53.0	61.0	57.5	-13.1%	-7.8%	110.6	125.3	-11.8%
<b>Further Processed</b>	<b>7.4</b>	<b>13.2</b>	<b>8.1</b>	<b>-43.7%</b>	<b>-8.0%</b>	<b>15.5</b>	<b>26.2</b>	<b>-41.0%</b>
<b>Other</b>	<b>108.0</b>	<b>109.1</b>	<b>102.3</b>	<b>-0.9%</b>	<b>5.6%</b>	<b>210.3</b>	<b>215.9</b>	<b>-2.6%</b>
<b>TOTAL BEEF</b>	<b>237.5</b>	<b>249.5</b>	<b>228.6</b>	<b>-4.8%</b>	<b>3.9%</b>	<b>466.2</b>	<b>489.4</b>	<b>-4.7%</b>

Revenues (R\$ Millions)	2Q17 (a)	2Q16 (b)	1Q17 (c)	(a/b) Chg.	(a/c) Chg.	1H17 (a)	1H16 (a)	(a/b) Chg.
<b>Fresh Beef</b>	<b>1,639.2</b>	<b>1,752.6</b>	<b>1,610.8</b>	<b>-6.5%</b>	<b>1.8%</b>	<b>3,250.0</b>	<b>3,652.4</b>	<b>-11.0%</b>
Local Market	820.8	795.6	765.1	3.2%	7.3%	1,585.9	1,538.3	3.1%
Export Market	818.4	956.9	845.7	-14.5%	-3.2%	1,664.1	2,114.1	-21.3%
<b>Further Processed</b>	<b>143.6</b>	<b>251.9</b>	<b>158.1</b>	<b>-43.0%</b>	<b>-9.2%</b>	<b>301.7</b>	<b>495.1</b>	<b>-39.1%</b>
<b>Other</b>	<b>285.3</b>	<b>307.1</b>	<b>271.5</b>	<b>-7.1%</b>	<b>5.1%</b>	<b>556.8</b>	<b>632.7</b>	<b>-12.0%</b>
<b>TOTAL BEEF</b>	<b>2,068.1</b>	<b>2,311.5</b>	<b>2,040.5</b>	<b>-10.5%</b>	<b>1.4%</b>	<b>4,108.6</b>	<b>4,780.2</b>	<b>-14.1%</b>

Average Price (R\$/Kg)	2Q17 (a)	2Q16 (b)	1Q17 (c)	(a/b) Chg.	(a/c) Chg.	1H17 (a)	1H16 (a)	(a/b) Chg.
<b>Fresh Beef</b>	<b>13.43</b>	<b>13.77</b>	<b>13.62</b>	<b>-2.5%</b>	<b>-1.4%</b>	<b>13.52</b>	<b>14.77</b>	<b>-8.5%</b>
Local Market	11.89	12.01	12.60	-1.0%	-5.6%	12.22	12.61	-3.1%
Export Market	15.43	15.68	14.70	-1.6%	5.0%	15.05	16.87	-10.8%
Export Market (US\$)	4.67	4.61	4.48	1.5%	4.4%			
<b>Further Processed</b>	<b>19.4</b>	<b>19.1</b>	<b>19.6</b>	<b>1.3%</b>	<b>-1.3%</b>	<b>19.5</b>	<b>18.9</b>	<b>3.2%</b>
<b>Other</b>	<b>2.64</b>	<b>2.82</b>	<b>2.65</b>	<b>-6.2%</b>	<b>-0.5%</b>	<b>2.65</b>	<b>2.93</b>	<b>-9.7%</b>
<b>TOTAL BEEF</b>	<b>8.71</b>	<b>9.26</b>	<b>8.92</b>	<b>-6.0%</b>	<b>-2.4%</b>	<b>8.81</b>	<b>9.77</b>	<b>-9.8%</b>

**APPENDIX VII**  
**Balance Sheet**  
**(R\$ '000)**

ASSETS	2Q 17	4Q 16	LIABILITIES	2Q 17	4Q 16
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Cash and cash equivalents	3,939,249	3,291,705	Trade accounts payable	1,784,971	1,853,426
Marketable securities	1,496,695	1,986,936	Supply chain finance	122,378	149,331
Trade accounts receivable - domestic	423,944	396,887	Accrued payroll and related charges	380,457	346,837
Trade accounts receivable - foreign	228,676	393,581	Taxes payable	278,847	175,801
Inventories of goods and merchandise	1,334,944	1,257,616	Loans and financing	1,834,751	1,198,039
Biological assets	118,315	112,454	Notes payable	373,090	372,607
Recoverable taxes	1,225,850	1,240,328	Lease payable	10,277	11,936
Prepaid expenses	128,836	132,242	Interest on debentures	0	256,563
Notes receivable	313,029	353,548	Advances from customers	748,283	695,046
Advances to suppliers	38,542	23,988	Mandatory deed convertible into shares	0	2,147,392
Held-for-sale assets	210,892	0	Liabilities related to held-for-sale assets	81,086	0
Other receivables	60,444	113,893	Other payables	130,108	175,991
	<b>9,519,416</b>	<b>9,303,178</b>		<b>5,744,248</b>	<b>7,382,969</b>
<b>NON CURRENT ASSETS</b>			<b>NON CURRENT LIABILITIES</b>		
Marketable securities	786	851	Loans and financing	10,301,454	9,695,799
Court deposits	51,594	65,427	Taxes payable	778,001	723,435
Notes receivable	81,895	96,768	Deferred income and social contribution	286,673	269,616
Deferred income and social contribution	2,376,042	2,135,395	Provisions for contingencies	86,836	87,739
Recoverable taxes	1,694,256	1,723,660	Lease payable	21,870	26,560
Other receivables	46,060	41,493	Debentures payable	0	0
	<b>4,250,633</b>	<b>4,063,594</b>	Notes payable	427,661	488,261
Investments	20,449	16,268	Advances from customers	330,820	375,448
Property, plant and equipment	4,117,816	4,009,397	Other	112,218	108,174
Biological assets	52,206	51,236		<b>12,345,533</b>	<b>11,775,032</b>
Intangible assets	2,836,696	2,815,130			
	<b>7,027,167</b>	<b>6,892,031</b>	Non-controlling interest	<b>224,175</b>	<b>194,186</b>
			<b>CONTROLLING SHAREHOLDER'S EQUITY</b>		
			Share Capital	7,319,467	5,169,917
			Capital reserve	184,642	184,642
			Profit reserves	35,430	40,122
			Other comprehensive income	-289,150	-241,972
			Equity amounts related to held-for-sale	-124,910	0
			Accumulated losses	-4,642,219	-4,246,093
				<b>2,483,260</b>	<b>906,616</b>
<b>TOTAL ASSETS</b>	<b>20,797,216</b>	<b>20,258,803</b>	<b>TOTAL LIABILITIES</b>	<b>20,797,216</b>	<b>20,258,803</b>

**APPENDIX VIII**  
**Cash Flow**  
**(R\$ million)**

	1Q17	2Q17	1H17
Net Income/Loss	(237.9)	(156.9)	(394.8)
(+/-) Non cash items	328.5	467.2	795.7
(+/-) Account Receivable	256.4	(172.7)	83.8
(+/-) Inventories	(1.4)	(82.7)	(84.1)
(+/-) Suppliers	(318.1)	205.1	(113.0)
(+/-) Other	52.0	(55.2)	(3.2)
(=) Operational Cash Flow	79.5	204.8	284.3
(-) Capex	(133.7)	(161.7)	(295.4)
(-) Interest expenses	(213.2)	(206.8)	(420.0)
<b>Continued Free Cash Flow</b>	<b>(267.3)</b>	<b>(163.7)</b>	<b>(431.1)</b>
<b>Discontinued Free Cash Flow</b>	<b>13.9</b>	<b>(6.0)</b>	<b>7.9</b>
<b>Total Free Cash Flow</b>	<b>(253.4)</b>	<b>(169.8)</b>	<b>(423.2)</b>