Grant Thornton

Marfrig Global Foods S.A.

Review Report on Quarterly Information Form (ITR)

As of June 30, 2017

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Independent Auditor Review Report on Quarterly Information Form (ITR)

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To the Board of Directors and Shareholders of
Marfrig Global Foods S.A.
São Paulo – SP

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Marfrig Global Foods S.A. ("the Company"), comprised in the Quarterly Information Form - ITR for the quarter ended June 30, 2017, comprising the balance sheet and the respective statements of income and comprehensive income for the periods of three and six months then ended, and statements of changes in shareholders' equity and cash flows for the period of six months then ended, including the footnotes.

Management is responsible for the preparation of the individual interim financial information in accordance with the Technical Pronouncement CPC 21(R1) - Interim Financial Information, and the consolidated interim financial information in accordance with CPC 21(R1) and the international standard IAS 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board - IASB, such as for the presentation of these information in accordance with the standards issued by the Brazilian Securities Commission - CVM, applicable to the preparation of Quarterly Information - ITR. Our responsibility is to express a conclusion on this interim financial information based on our review.

Review scope

We conducted our review in accordance with the Brazilian and International standards on reviews of interim 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 information consists of making inquiries, primarily of persons responsible for the 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 audit standards 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.

Conclusion on the individual interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the individual interim financial information included in the Quarterly Information - ITR referred to above has not been prepared, in all material respects, in accordance with CPC 21(R1) applicable to the preparation of Quarterly Information - ITR, and presented in accordance with the standards issued by the Brazilian Securities Commission - CVM.

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Conclusion on the consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information included in the Quarterly Information - ITR referred to above has not been prepared, in all material respects, in accordance with CPC 21(R1) and IAS 34, as issued by IASB applicable to the preparation of Quarterly Information - ITR, and presented in accordance with the standards issued by the Brazilian Securities Commission - CVM.

Emphasis

Investigations in progress

As mentioned in Note 25.3.2, the Company is being investigated by the Federal Police and Federal Public Ministry ("Operation Acrônimo" and "Operation Cui Bono") regarding the alleged payment of undue advantages to public agents. The Company's Management, through its compliance area, is contributing to the investigations with the Federal Public Ministry and other Federal Public Authorities and, so far, there has been no indictment and/or denunciation by the respective authorities. Our review opinion has no qualification with regard to this matter.

Other matters

Statements of value added

We have also reviewed the individual and consolidated statements of value added (DVA), related to the period of six months ended June 30, 2017, prepared under the responsibility of the Company's management, which presentation in the interim information is required in accordance with standards issued by the Brazilian Securities Commission - CVM applicable to the preparation of Quarterly Information - ITR, and is considered as a supplementary information under IFRS, which do not require the presentation of DVA. These statements were subject to the same review procedures described above, and based on our review, nothing has come to our attention that causes us to believe that it has not been prepared, in all material respects, in accordance with the individual and consolidated interim financial information taken as a whole.

Audit and review of amounts corresponding to comparative fiscal year and period

The corresponding amounts on individual and consolidated balance sheets related to fiscal year ended December 31, 2016 and the statements of income and comprehensive income for the periods of three and six months ended June 30, 2016, of changes in shareholders' equity, of cash flows and value added related to the period of six months ended June 30, 2016, presented for comparison purposes, were previoulsy audited and reviewed, respectively, by other independent auditor, which issued reports without qualification on February 10, 2017 and August 10, 2016.

São Paulo, August 14, 2017.

Octavio Zampirollo Neto
CT CRC 1SP-289.095/O-3

Jefferson Coelho Diniz
CT CRC 1SP-277.007/O-8

Grant Thornton Auditores Independentes
CRC 2SP-025.583/O-1

MARFRIG GLOBAL FOODS S.A.

Balance Sheets
As of June 30, 2017 and December 31, 2016

(In thousands of Brazilian reais - R$)

Assets

	Note	Parent Company 6/30/2017	Parent Company 12/31/2016	Consolidated 6/30/2017	Consolidated 12/31/2016
Current Assets					
Cash and cash equivalents	4	272,927	396,281	3,939,249	3,291,705
Marketable securities	5	1,211,542	1,515,911	1,496,695	1,986,936
Trade accounts receivable - domestic	6	123,521	149,013	423,944	396,887
Trade accounts receivable - foreign	6	131,677	326,458	228,676	393,581
Inventories of goods and merchandise	7	522,177	518,292	1,334,944	1,257,616
Biological assets	8	-	-	118,315	112,454
Recoverable taxes	9	1,059,475	1,075,882	1,225,850	1,240,328
Prepaid expenses		11,718	8,005	128,836	132,242
Notes receivable	10	236,535	267,479	313,029	353,548
Advances to suppliers		21,071	9,184	38,542	23,988
Assets held or sale	11	139,670	-	210,892	-
Other receivables		17,932	15,979	60,444	113,893
		3,748,245	**4,282,484**	**9,519,416**	**9,303,178**
Non-Current Assets					
Marketable securities	5	-	-	786	851
Court deposits		50,046	64,085	51,594	65,427
Notes receivable	10	298,423	537,282	81,895	96,768
Deferred income and social contribution taxes	12	2,227,185	1,944,363	2,376,042	2,135,395
Recoverable taxes	9	1,682,928	1,684,696	1,694,256	1,723,660
Other receivables		11,709	10,279	46,060	41,493
		4,270,291	**4,240,705**	**4,250,633**	**4,063,594**
Investments	13	4,930,910	4,728,591	20,449	16,268
Property, plant and equipment	14	2,499,533	2,487,214	4,117,816	4,009,397
Biological assets	8	-	-	52,206	51,236
Intangible assets	15	1,375,873	1,372,346	2,836,696	2,815,130
		8,806,316	**8,588,151**	**7,027,167**	**6,892,031**
		13,076,607	**12,828,856**	**11,277,800**	**10,955,625**
Total Assets		**16,824,852**	**17,111,340**	**20,797,216**	**20,258,803**

Liabilities and Shareholders' Equity

	Note	Parent Company 6/30/2017	Parent Company 12/31/2016	Consolidated 6/30/2017	Consolidated 12/31/2016
Current liabilities					
Trade accounts payable	16	700,832	739,179	1,784,971	1,853,426
Supply chain financing	17	122,378	149,331	122,378	149,331
Accrued payroll and related charges	18	218,762	137,126	380,457	346,837
Taxes payable	19	139,637	91,855	278,847	175,801
Loans and financing	20	631,560	823,017	1,834,751	1,198,039
Notes payable	23	329,733	306,056	373,090	372,607
Lease payable	22	850	2,808	10,277	11,936
Interest on debentures	21	39,525	297,870	-	256,563
Advances from customers		614,728	590,470	748,283	695,046
Mandatory deed convertible into shares	24	-	2,147,392	-	2,147,392
Liabilities related to held-for-sale assets	11	4,482	-	81,086	-
Other payables		19,428	47,667	130,108	175,991
		2,821,915	**5,332,771**	**5,744,248**	**7,382,969**
Non-current liabilities					
Loans and financing	20	72,309	258,959	10,301,454	9,695,799
Taxes payable	19	776,886	722,203	778,001	723,435
Deferred income and social contribution taxes	26	-	-	286,673	269,616
Provisions for contingencies	25	79,462	76,991	86,836	87,739
Lease payable	22	334	664	21,870	26,560
Debentures payable	21	569,965	569,935	-	-
Notes payable	23	10,020,721	9,243,201	427,661	488,261
Advances from clients		-	-	330,820	375,448
Other		-	-	112,218	108,174
		11,519,677	**10,871,953**	**12,345,533**	**11,775,032**
Equity					
Share Capital	27.1	7,427,677	5,278,127	7,427,677	5,278,127
(-) Share issue expenses	27.1	(108,210)	(108,210)	(108,210)	(108,210)
Capital reserve		184,642	184,642	184,642	184,642
Issue of common shares		184,800	184,800	184,800	184,800
Acquisition of shares in subsidiaries		(158)	(158)	(158)	(158)
Profit reserves		35,430	40,122	35,430	40,122
Legal reserve	27.2.1	44,476	44,476	44,476	44,476
Retained earnings		7,348	7,348	7,348	7,348
Treasury shares	27.2.2	(4,704)	(12)	(4,704)	(12)
Treasury shares canceled	27.2.2	(11,690)	(11,690)	(11,690)	(11,690)
Other comprehensive income	27.3	(414,060)	(241,972)	(414,060)	(241,972)
Asset valuation adjustment	27.3.1	(2,033,211)	(2,054,151)	(2,033,211)	(2,054,151)
Cumulative translation adjustment	27.3.2	1,744,061	1,812,179	1,744,061	1,812,179
Equity amounts related to assets held for sale	27.3.3	(124,910)	-	(124,910)	-
Accumulated losses		(4,642,219)	(4,246,093)	(4,642,219)	(4,246,093)
Controlling shareholders' equity		2,483,260	906,616	2,483,260	906,616
Non-controlling interest	27.6	-	-	224,175	194,186
		2,483,260	**906,616**	**2,707,435**	**1,100,802**
Total liabilities and shareholders' equity		**16,824,852**	**17,111,340**	**20,797,216**	**20,258,803**

The Management notes are an integral part of the parent company and interim separate and consolidated financial information

MARFRIG GLOBAL FOODS S.A.

Statement of income
Periods ended June 30, 2017 and 2016

(In thousands of Brazilian reais - R$)

		Parent Company				Consolidated			
	Note	2nd Quarter 2017	YTD 2017	Reclassified 2nd Quarter 2016	Reclassified YTD 2016	2nd Quarter 2017	YTD 2017	Reclassified 2nd Quarter 2016	Reclassified YTD 2016
Net sales revenue	28	1,554,135	3,109,103	1,409,159	2,856,134	4,312,956	8,449,120	4,675,669	9,582,077
Cost of products and goods sold	29	(1,359,518)	(2,729,350)	(1,176,916)	(2,390,902)	(3,817,146)	(7,492,884)	(4,101,692)	(8,432,393)
Gross profit		**194,617**	**379,753**	**232,243**	**465,232**	**495,810**	**956,236**	**573,977**	**1,149,684**
Operating income (expenses)		(146,456)	(299,413)	(209,754)	(392,348)	(291,542)	(564,455)	(299,422)	(575,992)
Selling expenses	29	(85,697)	(195,136)	(86,370)	(168,830)	(115,083)	(254,202)	(150,407)	(295,443)
General and administrative expenses	29	(31,679)	(58,479)	(24,976)	(44,544)	(103,603)	(201,432)	(116,249)	(226,821)
Equity in earnings (losses) of subsidiaries	13	30,515	46,491	(70,364)	(129,977)	(774)	960	(1,188)	(3,181)
Other operating income (expenses)		(59,595)	(92,289)	(28,044)	(48,997)	(72,082)	(109,781)	(31,578)	(50,547)
Net income (loss) before net financial income (loses)		**48,161**	**80,340**	**22,489**	**72,884**	**204,268**	**391,781**	**274,555**	**573,692**
Financial income (expenses)	30	(399,663)	(803,007)	(274,605)	(465,936)	(487,830)	(1,003,297)	(513,543)	(936,735)
Financial income		24,198	85,221	112,781	257,550	53,478	135,758	124,590	285,387
Exchange gain		347,870	784,983	542,525	1,004,800	364,521	859,812	678,059	1,257,693
Financial expenses		(375,989)	(814,232)	(401,777)	(827,517)	(469,388)	(1,053,395)	(637,289)	(1,258,095)
Exchange Loss		(395,742)	(858,979)	(528,134)	(900,769)	(436,441)	(945,472)	(678,903)	(1,221,720)
Loss before tax effects		**(351,502)**	**(722,667)**	**(252,116)**	**(393,052)**	**(283,562)**	**(611,516)**	**(238,988)**	**(363,043)**
Income and Social Contribution taxes		**194,647**	**327,874**	**51,588**	**90,611**	**139,040**	**240,883**	**50,732**	**86,735**
Current and deferred income tax	36	143,123	241,084	38,809	68,456	87,378	153,392	25,221	42,894
Current and deferred social contribution	36	51,524	86,790	12,779	22,155	51,662	87,491	25,511	43,841
Net income (loss) in the period from continuing operations		**(156,855)**	**(394,793)**	**(200,528)**	**(302,441)**	**(144,522)**	**(370,633)**	**(188,256)**	**(276,308)**
Net income (loss) in the period from discontinued operations	38	(10,187)	(5,459)	68,593	64,322	(10,194)	(5,463)	68,630	64,361
Net income (loss) in the period before interest		**(167,042)**	**(400,252)**	**(131,935)**	**(238,119)**	**(154,716)**	**(376,096)**	**(119,626)**	**(211,947)**
Attributable to:									
Controlling interest – continuing operations		(156,855)	(394,793)	(200,528)	(302,441)	(156,855)	(394,793)	(200,528)	(302,441)
Controlling interest – discontinued operations		(10,187)	(5,459)	68,593	64,322	(10,187)	(5,459)	68,593	64,322
Controlling interest - Total		**(167,042)**	**(400,252)**	**(131,935)**	**(238,119)**	**(167,042)**	**(400,252)**	**(131,935)**	**(238,119)**
Non-controlling interest - continuing operations		-	-	-	-	12,333	24,160	12,272	26,133
Non-controlling interest - discontinued operations		-	-	-	-	(7)	(4)	37	39
Total non-controlling interest		**-**	**-**	**-**	**-**	**12,326**	**24,156**	**12,309**	**26,172**
		(167,042)	**(400,252)**	**(131,935)**	**(238,119)**	**(154,716)**	**(376,096)**	**(119,626)**	**(211,947)**
Basic and diluted losses per common share - continuing operations	32	(0.2819)	(0.6754)	(0.2533)	(0.4572)	(0.2647)	(0.6662)	(0.3850)	(0.5807)
Basic losses (earnings) per share - common - discontinued operations	32	-	-	-	-	(0.0172)	(0.0092)	0.1317	0.1235
Total basic and diluted losses per common share	32	**(0.2819)**	**(0.6754)**	**(0.2533)**	**(0.4572)**	**(0.2819)**	**(0.6754)**	**(0.2533)**	**(0.4572)**

The Management notes are an integral part of the parent company and interim separate and consolidated financial information.

MARFRIG GLOBAL FOODS S.A.

Statement of changes in shareholders' equity
Periods ended June 30, 2017 and 2016

(In thousands of Brazilian reais - R$)

	Attributable to controlling shareholders														
				Profit reserves				Other comprehensive income							
	Share Capital	Share issue expenses	Capital reserve	Legal reserve	Profit retention	Treasury shares	Treasury shares cancelled	Equity valuation adjustment	Cumulative translation adjustments	Equity amounts related to held-for-sale assets	Accumulated losses	**Total**	**Total controlling interest**	Total non-controlling interest	Total shareholders' equity
At December 31 2015	**5,276,678**	**(108,210)**	**184,642**	**44,476**	**7,348**	**(554)**	**(11,690)**	**(3,913,161)**	**2,830,019**	**(90,887)**	**(3,575,403)**	**643,258**	**643,258**	**200,374**	**843,632**
Capital increase	853	-	-	-	-	-	-	-	-	-	-	853	853	-	853
Exchange variation on investments, net	-	-	-	-	-	-	-	2,044,875	-	102,852	-	2,147,727	2,147,727	(44,860)	2,102,867
Exchange variation - balance sheet translation	-	-	-	-	-	-	-	-	(1,007,700)	(11,965)	-	(1,019,665)	(1,019,665)	-	(1,019,665)
Realization of Deemed Cost	-	-	-	-	-	-	-	(4,256)	-	-	4,256	-	-	-	-
Interest rate risk hedging operations	-	-	-	-	-	-	-	396	-	-	-	396	396	-	396
Write-off (acquisition) of treasury shares	-	-	-	-	-	542	-	-	-	-	-	542	542	-	542
Net income (loss) in the period	-	-	-	-	-	-	-	-	-	-	(238,119)	(238,119)	(238,119)	26,172	(211,947)
At June 30, 2016	**5,277,531**	**(108,210)**	**184,642**	**44,476**	**7,348**	**(12)**	**(11,690)**	**(1,872,146)**	**1,822,319**	**-**	**(3,809,266)**	**1,534,992**	**1,534,992**	**181,686**	**1,716,678**

	Attributable to controlling shareholders														
				Profit reserves				Other comprehensive income							
	Share Capital	Share issue expenses	Capital reserve	Legal reserve	Profit retention	Treasury shares	Treasury shares cancelled	Equity valuation adjustment	Cumulative translation adjustments	Equity amounts related to held-for-sale assets	Accumulated losses	**Total**	Total controlling interest	Total non-controlling interest	Total shareholders' equity
At December 31, 2016	**5,278,127**	**(108,210)**	**184,642**	**44,476**	**7,348**	**(12)**	**(11,690)**	**(2,054,151)**	**1,812,179**	**-**	**(4,246,093)**	**906,616**	**906,616**	**194,186**	**1,100,802**
Capital increase	2,149,550	-	-	-	-	-	-	-	-	-	-	2,149,550	2,149,550	-	2,149,550
Exchange variation on investments, net	-	-	-	-	-	-	-	25,066	-	(178,513)	-	(153,447)	(153,447)	5,833	(147,614)
Exchange variation - balance sheet translation	-	-	-	-	-	-	-	-	(68,118)	53,603	-	(14,515)	(14,515)	-	(14,515)
Realization of Deemed Cost	-	-	-	-	-	-	-	(4,126)	-	-	4,126	-	-	-	-
Write-off (acquisition) of treasury shares	-	-	-	-	-	(4,692)	-	-	-	-	-	(4,692)	(4,692)	-	(4,692)
Net income (loss) in the period	-	-	-	-	-	-	-	-	-	-	(400,252)	(400,252)	(400,252)	24,156	(376,096)
At June 30, 2017	**7,427,677**	**(108,210)**	**184,642**	**44,476**	**7,348**	**(4,704)**	**(11,690)**	**(2,033,211)**	**1,744,061**	**(124,910)**	**(4,642,219)**	**2,483,260**	**2,483,260**	**224,175**	**2,707,435**

The Management notes are an integral part of the parent company and interim separate and consolidated financial information.

MARFRIG GLOBAL FOODS S.A.

Statements of cash flows
Periods ended June 30, 2017 and 2016

(In thousands of Brazilian reais - R$)

	Note	Parent Company		Consolidated	
		YTD 2017	Reclassified YTD 2016	YTD 2017	Reclassified YTD 2016
Net loss in the period from continuing operations		(394,793)	(302,441)	(394,793)	(302,441)
Items not affecting cash		**165,606**	**308,449**	**795,676**	**845,072**
Depreciation		93,553	65,177	171,027	185,676
Amortization		13,746	13,034	53,083	53,538
Non-controlling interest		-	-	24,160	26,133
Provision for contingencies		2,471	50,000	3,199	50,000
Deferred taxes and tax liabilities		(140,960)	(90,610)	(147,888)	(156,007)
Equity in earnings (losses) of subsidiaries		(46,491)	129,977	(960)	3,181
Exchange variation on financing		5,319	(125,500)	(13,219)	(125,001)
Exchange variation on other assets and liabilities		68,677	21,469	98,879	89,028
Interest expenses on financial debt		33,045	53,961	398,870	458,270
Interest expenses on financial leasing		551	614	1,078	1,338
Interest expenses on debentures		63,573	177,291	21,126	134,493
Cost with issue of financial operations		3,562	11,777	114,106	121,728
Leasing adjustment to present value		155	484	155	484
Estimated non-realization of inventories		(4,000)	(1,000)	(4,959)	(1,324)
Estimated losses with doubtful accounts		7,752	1,579	8,093	1,687
Estimated losses with non-realization of recoverable taxes		60,018	-	60,018	-
Derecognition of fixed asset		4,635	196	8,908	1,848
Equity changes		**702,497**	**1,001,172**	**(116,551)**	**179,647**
Trade accounts receivable		173,373	324,486	83,761	35,474
Current inventory and biological assets		115	54,533	(84,107)	175,412
Court deposits		14,039	(6,978)	13,440	(9,782)
Accrued payroll and related charges		81,636	33,111	50,229	(12,049)
Trade payables and supplier chain financing		(88,274)	41,794	(112,962)	107,080
Current and deferred taxes		(81,240)	50,196	(41,069)	(16,533)
Notes receivable and payable		554,913	503,704	(136,421)	(178,255)
Other assets and liabilities		47,935	326	110,578	78,300
Cash flow provided by operating activities		**473,310**	**1,007,180**	**284,332**	**722,278**
Investing activities					
Investments		-	(31,202)	(2,789)	(30,640)
Investments in fixed and non-current biological assets		(107,748)	(45,181)	(285,060)	(131,475)
Investments in intangible assets		(4,625)	(4,175)	(7,552)	(4,850)
Cash flow from investing activities		**(112,373)**	**(80,558)**	**(295,401)**	**(166,965)**
Financing activities					
Dividends received		38,182	-	-	-
Interest settled debentures / Bonds		(321,918)	(301,086)	(277,749)	(608,591)
Loans and financing		(448,549)	135,439	478,406	887,194
Loans granted		404,555	1,234,392	4,310,409	5,179,832
Loans settled		(853,104)	(1,098,953)	(3,832,003)	(4,292,638)
Leasing payable		(2,992)	(3,791)	(7,936)	(9,840)
Leasing granted		128	-	128	734
Leasing settled		(3,120)	(3,791)	(8,064)	(10,574)
Mandatory deed convertible into shares		(83,271)	(7,589)	(83,271)	(7,589)
Treasury shares		(4,692)	542	(4,692)	542
Capital increase		-	853	-	853
Cash flow from (used in) financing activities	39	**(823,240)**	**(175,632)**	**104,758**	**262,569**
Exchange variation on cash and equivalents		4,682	(97,374)	70,170	(590,084)
Exchange variation on cash and equivalents - discontinued		-	-	-	-
Discontinued operations net of cash	38	29,898	(13,151)	(6,556)	(36,854)
Cash flow in the period		**(427,723)**	**640,465**	**157,303**	**190,944**
Cash and cash equivalents					
Balance at end of period		1,484,469	2,518,604	5,435,944	5,195,154
Balance at start of period		1,912,192	1,878,139	5,278,641	5,004,210
Changes in the period		**(427,723)**	**640,465**	**157,303**	**190,944**

The Management notes are an integral part of the parent company and interim separate and consolidated financial information.

MARFRIG GLOBAL FOODS S.A.

Statement of added value
Periods ended June 30, 2017 and 2016

(In thousands of Brazilian reais - R$)

	Parent Company		Consolidated	
	YTD 2017	Reclassified YTD 2016	YTD 2017	Reclassified YTD 2016
Revenue	3,296,222	3,011,831	8,623,563	9,804,613
Sales of goods and services	3,300,858	3,013,410	8,635,457	9,796,160
Other revenues	3,116	-	(3,632)	9,078
Losses with doubtful accounts	(7,752)	(1,579)	(8,262)	(625)
Inputs purchased from other firms (including taxes - ICMS, IPI, PIS and Cofins)	2,646,193	2,170,089	6,749,014	7,551,648
Cost of goods sold and services rendered	2,164,327	1,864,530	5,494,338	6,252,387
Material, energy, outsourced services and other	481,866	305,559	1,254,676	1,299,227
Loss / Recovery of assets	-	-	-	34
Gross value added	650,029	841,742	1,874,549	2,252,965
Depreciation and amortization	107,299	78,211	224,110	239,214
Net value created by company	**542,730**	**763,531**	**1,650,439**	**2,013,751**
Value added received through transfer	**911,236**	**1,048,843**	**1,084,487**	**1,608,060**
Equity In Earnings (Losses) of Subsidiaries	46,491	(129,977)	960	(3,181)
Financial income and exchange rate gains	870,204	1,262,350	995,570	1,543,080
Other (including Discontinued Operations)	(5,459)	(83,530)	87,957	68,161
Total value added to be distributed	**1,453,966**	**1,812,374**	**2,734,926**	**3,621,811**
Value added distribution	**1,453,966**	**1,812,374**	**2,734,926**	**3,621,811**
Employees	**248,963**	**228,659**	**993,678**	**1,117,704**
Direct compensation	204,192	185,548	824,369	921,793
Benefits	32,484	28,984	155,287	177,334
FGTS (severance pay fund)	12,287	14,127	14,022	18,577
Taxes payable	**(90,122)**	**27,123**	**(10,556)**	**73,155**
Federal	(271,255)	(80,555)	(181,894)	(86,822)
State	178,933	107,570	169,089	159,478
Municipal	2,200	108	2,249	499
Value distributed to providers of capital	**1,695,377**	**1,794,711**	**2,127,900**	**2,642,899**
Interest	1,673,211	1,728,286	1,998,867	2,479,815
Rentals	22,166	21,046	34,288	34,858
Other (including Discontinued Operations)	-	45,379	94,745	128,226
Value distributed to shareholders	**(400,252)**	**(238,119)**	**(376,096)**	**(211,947)**
Net loss in the period from operations	(400,252)	(238,119)	(400,252)	(238,119)
Non-controlling interest			24,156	26,172

The Management notes are an integral part of the parent company and interim separate and consolidated financial information.

MARFRIG GLOBAL FOODS S.A.

Statement of comprehensive income
Periods ended June 30, 2017 and 2016

(In thousands of Brazilian reais - R$)

	Parent Company				Consolidated			
	2nd Quarter 2017	YTD 2017	Reclassified 2nd Quarter 2016	Reclassified YTD 2016	2nd Quarter 2017	YTD 2017	Reclassified 2nd Quarter 2016	Reclassified YTD 2016
Net income (loss) in the period	(167,042)	(400,252)	(131,935)	(238,119)	(154,716)	(376,096)	(119,626)	(211,947)
Exchange variation on net investments	(364,244)	(153,447)	1,366,814	2,147,727	(364,244)	(153,447)	1,366,814	2,147,727
Exchange variation on balance sheet translation	220,277	(14,515)	(526,354)	(1,019,665)	220,277	(14,515)	(526,354)	(1,019,665)
	(143,967)	(167,962)	840,460	1,128,062	(143,967)	(167,962)	840,460	1,128,062
Total comprehensive income (loss) for the period	**(311,009)**	**(568,214)**	**708,525**	**889,943**	**(298,683)**	**(544,058)**	**720,834**	**916,115**
Attributable to:								
Controlling interest – continuing operations	(300,822)	(562,755)	639,932	825,621	(300,822)	(562,755)	639,932	825,621
Controlling interest – discontinued operations	(10,187)	(5,459)	68,593	64,322	(10,187)	(5,459)	68,593	64,322
Marfrig Global Foods - Total controlling interest	**(311,009)**	**(568,214)**	**708,525**	**889,943**	**(311,009)**	**(568,214)**	**708,525**	**889,943**
Non-controlling interest - continuing operations	-	-	-	-	12,333	24,160	12,272	26,133
Non-controlling interest - discontinued operations	-	-	-	-	(7)	(4)	37	39
Total non-controlling interest	**-**	**-**	**-**	**-**	**12,326**	**24,156**	**12,309**	**26,172**

The Management notes are an integral part of the parent company and interim separate and consolidated financial information.

1. Operations

Marfrig Global Foods S.A. is a multinational company operating in the food industry, in the food service, retail, industrial and export channels in Brazil and around the world. It has a diversified and comprehensive portfolio of products and its operations are founded on its commitment to excellence and quality, which has assured its products presence in the world's largest restaurant chains and supermarkets, as well as homes in nearly 100 countries. The Corporation's activities include the production, processing, further processing, sale and distribution of animal-based proteins (poultry, beef, lamb, pork and fish) and a variety of other food products, such as breaded products, ready-to-eat meals, frozen vegetables and desserts, among others.

Marfrig Global Foods S.A. was incorporated on June 6, 2000 and became a corporation on March 26, 2007. The Corporation was registered with the Brazilian Securities and Exchange Commission (CVM) under No. 20.788 on June 18, 2007 and carried out its initial public offering (IPO) on June 29, 2007. Its shares were listed on the Novo Mercado listing segment of the BM&FBovespa S.A. - Securities, Commodities and Futures Exchange (Brazilian Stock Exchange) under the stock symbol MRFG3. On January 22, 2014, the Annual and Extraordinary Shareholders' Meeting held at the Corporation's headquarters amended Article 1 of the Corporation's Bylaws, altering the Corporation's name to Marfrig Global Foods (formerly Marfrig Alimentos S.A.).

On June 30, 2017, its subscribed and paid-in Share Capital was represented by 621,279,822 common shares, of which 212,990,046, or 34.28% was controlled by the controlling shareholder MMS Participações Ltda. (controlled by Marcos Antonio Molina dos Santos and Marcia Aparecida Pascoal Marçal dos Santos, each holding a 50% ownership interest). On the same date, the free float was 407,112,976 shares, representing 65.53% of the Share Capital of the Corporation, which held 769,646 shares in treasury, while its Board of Directors and Executive Board held 407,154 shares, representing 0.07% of the Capital.

Because it is listed on the Novo Mercado special corporate governance segment of the Brazilian Stock Exchange, the Corporation is subject to arbitration under the Market Arbitration Chamber, pursuant to the arbitration clause in its by-laws.

The Corporation's stock is also a component of the main performance indicators of Brazil's Capital Markets, such as the Bovespa Index (Ibovespa, the most important indicator of the average performance of Brazilian stocks). Marfrig stock is also a component of the stock indexes of the Brazilian Stock Exchange: Broad Brazil Index (IBRA); Brazil Index (IBrX); Consumption Sector Index (ICON); Corporate Governance Trade Index (IGCT); Special Corporate Governance Stock Index (IGCX); Novo Mercado Corporate Governance Index (IGNM); Industrial Sector Index (INDX); Special Tag-Along Stock Index (ITAG); BM&FBovespa Value Index (IVBX); Small Cap Index (SMLL).

The Corporation established an integrated and geographically diversified business model, which consists of production units located in strategic places, combined with a broad distribution network with access to the world's main channels and consumer markets. Marfrig currently operates 48 processing units, distribution centers and offices in Brazil and in 11 other countries in South America, North America, Europe, Oceania and Asia.

The Corporation believes that continuous improvement in its internal processes will enable it to further enhance efficiency and cut costs, which, coupled with a result-driven management that is committed to profitable growth, will drive profitability and cash generation.

The Corporation's ownership structure, financial and equity position should be considered within the context of the integrated activities of the following segments, which are organized as used by the Management to take decisions, each with their own structures and segmented into:

- *Beef* – The Beef business unit is a pioneer in the sale and promotion of beef, with the focus on serving the domestic market in Brazil, especially the food service industry, as well as the export market, with clients from all over the world. The Beef business unit is renowned in many countries for the quality of its premium products, having taken advantage of the favorable scenario in Brazil's cattle industry and foreign exchange to strengthen its position in international markets.

  Its international operations in South America are concentrated in exporting premium Beef cuts and leveraging its strategic geographic position in Uruguay, which ensures this business unit access to the world's main consumer markets.

- *Keystone* - The Keystone business unit is a supplier of food made from animal protein to major global restaurant chains, with strong presence in the United States and Asia. Committed to innovation and the highest food safety and quality standards, it combines vast expertise in the food industry with a strong focus on clients to offer a complete mix of fresh and frozen products.

Summary of the equity interests held by the Corporation by business segment:

Equity interests

BEEF

Parent Company	Core Activity
Marfrig Global Foods S.A.	Processing and marketing of product (formed by cattle slaughter facilities in operation, which are also used in beef processing, for slaughtering lamb, for producing home and personal care products, and for producing animal feed, located in the States of São Paulo, Mato Grosso, Mato Grosso do Sul, Para, Rondônia, Goias and Rio Grande do Sul, in addition to Distribution Centers in the States of São Paulo, Rio de Janeiro e Parana, which are also used for beef processing).
Subsidiaries	**Core Activity**
Masplen Ltd	Holding company
Pampeano Alimentos S.A.	Producer of canned meat and other processed products
Marfrig Overseas Ltd	Specific Purpose Entity - SPEs
MF Foods USA Inc.	Marketing of products
MFG Comercializadora de Energia Ltda	Energy trading and associated services
Frigorífico Tacuarembó S.A.	Processing and marketing of products
Inaler S.A.	Processing and marketing of products
Marfrig Chile S.A.	Processing and marketing of products
Frigorífico Patagônia S.A.	Processing and marketing of products (lamb meatpacker in from December to May and fish, clam and king crab processing in other months)
Prestcott International S.A.	Holding company
Cledinor S.A.	Processing and marketing of products: beef and lamb
Establecimientos Colonia S.A.	Processing and marketing of products
Weston Importers Ltd	Trading company
Marb Bondco PLC	Holding company whose purpose is to raise funds
Marfrig Peru S.A.C.	Marketing of poultry, beef, fish and seafood
Marfrig Holdings (Europe) B.V	Holding company whose purpose is to obtain funding

KEYSTONE

Keystone Foods (UK) Ltd	Holding
Keystone Foods International Ltd	Holding
Keystone Foods Global Holdings Ltd	Holding
Mckey Luxembourg Holdings S.a.r.l	Holding of the companies Keystone with operations focused on Asia
MFG (USA) Holdings Inc	Holding of the companies Keystone with operations focused on the USA (Keystone companies jointly are composed of 4 poultry slaughter plants 13 further processing plants)

Discontinued Operation

Subsidiaries	Core Activity
BEEF	
MFG Agropecuária Ltda	Agriculture and cattle raising (composed of 6 feedlot units)
Marfrig Argentina S.A.	Manufacturing and sale of products

2. Presentation and preparation of the parent company and consolidated interim financial information

2.1. Statement of compliance (with IFRS and CFC accounting standards)

Consolidated financial statements

The Corporation's consolidated financial information was prepared and is presented in accordance with accounting practices adopted in Brazil and with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The separate financial information of the parent company was prepared in accordance with the accounting practices adopted in Brazil and is disclosed jointly with the consolidated financial statements.

The accounting practices adopted in Brazil include those provided for in Brazilian corporations law, the Brazilian Accounting Standards (NBCs) and resolutions and instructions issued by the Securities and Exchange Commission of Brazil (CVM).

The parent company and consolidated Statement of Added Value (DVA) is required under Brazilian corporations law and the accounting practices adopted in Brazil applicable to public Companies. IFRS standards do not require said statement. As a result, under IFRS, this statement is being presented as supplementary information, without prejudice to the complete set of financial statements.

Parent company financial information

The parent company financial information was prepared based on the accounting practices adopted in Brazil and resolutions issued by CFC, observing the accounting guidelines based on Brazilian Corporation Law (Federal Law 6,404/76), which include the provisions introduced, amended and revoked by Law 11,638 of December 28, 2007 and Law 11,941 of May 27, 2009 (former Provisional Presidential Decree 449 of December 3, 2008) and 12.973 de May 13, 2014.

There is no difference between the Group's shareholders' equity and consolidated income (loss) and the parent company's shareholders' equity and income (loss) disclosed in the parent company financial information. Thus, the Group's consolidated/parent company financial information is being presented in the same document.

The Management of the Corporation approved the issue of these parent company and consolidated financial statements on August 14, 2017, and warrants that, based on its judgment, all material information is substantiated and corresponds to that used in its management activities.

2.2. Basis of presentation

The parent company and consolidated financial information is denominated in Brazilian real (R$), which is the reporting currency, and all amounts are rounded to thousands of Brazilian real, unless otherwise stated.

The consolidated financial statements were prepared on the historical cost basis, unless otherwise stated, such as certain assets and financial instruments, which may be stated at fair value.

The preparation of parent company and consolidated financial information in accordance with IFRS and NBCs requires Management to make certain accounting estimates. The areas involving considerable judgment or use of estimates for the parent company and consolidated interim financial information are stated in note 3.1.3 of the financial statements for the fiscal year ended December 31, 2016.

2.3. Foreign currency translation

Functional and reporting currency

The financial statements of each consolidated subsidiary and those used as a basis for accounting for investments under the equity method are prepared using the functional currency of each entity.

Under NBC TG 02/R2 (CVM Resolution 640/10) – effect of changes in exchange rates and translation of financial statements), functional currency is the currency of the primary economic environment in which the entity operates. To define the functional currency of each subsidiary, Management considered which currency significantly influences the sale price of their goods and services and the currency in which most of their production input costs are paid or incurred. The consolidated financial information is expressed in Brazilian real (R$), which is the functional and reporting currency of Marfrig Global Foods S.A.

Transactions and balances

Foreign currency transactions are translated into the functional currency of the Corporation using the exchange rate at the transaction date. Gains and losses resulting from the difference between the monetary asset and liability balance translation at the end of the period or fiscal year and the translation of the transaction balances are recognized in the income statement. Non-monetary assets and liabilities in foreign currency measured at fair value are translated at the exchange rate on the date on which their fair value is determined and the differences resulting from such translation will be recognized under other comprehensive income on the closing date of each period or fiscal year.

Group companies

The results of operations and the financial position of all consolidated subsidiaries and investments accounted for under the equity method, whose functional currency differs from the reporting currency, are translated from the reporting currency, as follows:

i. Asset and liability balances are translated using the exchange rate in effect at the date of the consolidated interim financial information;

ii. Statement of operation accounts are translated using the monthly average exchange rate; and

iii. All differences arising from the foreign currency translation are recognized in shareholders' equity and in consolidated comprehensive income (loss) under "Cumulative translation adjustments."

3. Summary of significant accounting practices

3.1. Significant accounting practices

The quarterly information was prepared in accordance with NBC TG 21 / R3 (CVM Resolution 673/11 – Interim Financial Reporting), which sets forth the minimum interim accounting information to be reported and the principles of recognition and measurement for complete or condensed interim statements. Thus, the quarterly information presented here was prepared based on the accounting policies and estimate calculation methods used while preparing the annual financial statements for the fiscal year ended December 31, 2016. There has been no change in said policies and estimate calculation methods.

As allowed by NBC TG 21 / R3 (CVM Resolution 673/11), and based on the recommendations contained in Official Letter CVM/SNC/SEP/No. 003/2011, management chose to not report once again the details presented in Note 3. "Summary of significant accounting practices," in order to avoid repeating the information already disclosed in its latest annual financial statements. Hence, users must read this quarterly information together with the annual financial statements for the fiscal year ended December 31, 2016, to have a better understanding.

3.1.1 New NBC standards and interpretations

Standards issued and amended by the Brazilian Federal Accounting Council that come into force for the fiscal year starting in 2017 had no material impact on the Corporation's financial statements.

The Company describes the impacts on its Financial Statements of the review of the following new standards:

NBC TG 32(R3) – Income taxes – There was no significant impact on the Corporation's interim financial information.

NBC TG 03 (R3) – Cash Flows – To comply with the new reporting requirement, the Corporation is presenting a reconciliation of the opening and closing balances of liabilities with changes arising from financing activities, as shown in Note 39 – Additional information to cash flow statements.

3.2. Reclassification in the statements of income and cash flows in the period ended June 30, 2016

In compliance with NBC TG 31/R3 and for comparison purposes, the Corporation and its subsidiaries restated their statements of income, of cash flows, of comprehensive income and notes to the financial statements for the period ended June 30, 2016.

Note 38 – Results from discontinued operations presents details of the reclassified amounts for comparison purposes.

4. Cash and cash equivalents

The Corporation adopts the policy of presenting the following items within the cash and cash equivalents group:

- Cash on hand;
- Demand deposits.

	Parent		Consolidated	
	6/30/17	12/31/16	6/30/17	12/31/16
Cash and banks	260,520	390,293	1,679,266	3,283,625
Cash equivalents	12,407	5,988	2,259,983	8,080
	272,927	396,281	3,939,249	3,291,705

	Parent		Consolidated	
	6/30/17	12/31/16	6/30/17	12/31/16
Cash and banks:				
Brazilian real	112,613	81,151	116,985	82,200
US dollar	159,341	290,584	3,323,968	2,670,410
Euro	971	24,546	5,925	103,429
Pound sterling	2	-	5,647	4,739
Malaysian ringgit	-	-	1,367	20,147
Chinese Yuan	-	-	328,799	249,275
Australian dollar	-	-	41,808	30,134
Thai Baht (Thailand)	-	-	47,283	57,928
South Korean Won	-	-	39,163	35,271
Honk Kong dollar	-	-	4,477	6,645
Uruguayan peso	-	-	18,460	19,897
Chilean peso	-	-	5,367	5,006
Argentine peso	-	-	-	6,541
Other	-	-	-	83
	272,927	396,281	3,939,249	3,291,705

5. Marketable Securities

	Parent		Consolidated	
	6/30/17	12/31/16	6/30/17	12/31/16
Marketable securities	1,211,542	1,515,911	1,497,481	1,987,787
	1,211,542	1,515,911	1,497,481	1,987,787

The Corporation's financial investments by type are as follows:

				Parent	
	PMPV [1]	Currency	Average interest rate p.a.%	6/30/17	12/31/16
Held-for-trading:					
Bank deposit certificates - CDB [2]	-	BRL	9.74%	332,734	256,703
Repurchase and reverse repurchase agreements	-	BRL	9.77%	352,171	317,142
Interest-bearing deposit	-	USD	-	-	805,674
Fixed income bond	-	BRL	10.03%	13,861	20,897
Time Deposit [2]	0.40	USD	2.90%	493,976	-
Credit-linked note - CLN [2]	-	USD	-	-	98,000
FIDC (2)	3.04	BRL	13.99%	18,800	17,495
Total				1,211,542	1,515,911
Total current				1,211,542	1,515,911

				Consolidated	
	PMPV [1]	Currency	Average interest rate p.a.%	6/30/17	12/31/16
Held-for-trading:					
Bank deposit certificates - CDB [2]	-	BRL	9.72%	333,520	257,489
Repurchase and reverse repurchase agreements	-	BRL	9.77%	352,171	317,142
Repurchase and reverse repurchase agreements	-	Peso	-	-	2,270
Repurchase and reverse repurchase agreements	-	USD	-	-	7,434
Interest-bearing deposits	-	BRL	-	-	124
Interest-bearing deposits	-	USD	-	-	805,674
Time Deposit [2]	0.25	USD	2.23%	779,053	-
Credit-linked note - CLN [2]	-	USD	-	-	195,969
FIDC [2]	3.04	BRL	13.99%	18,800	17,494
Fixed income bonds	-	BRL	10.03%	13,937	20,897
Fixed income bonds [2]	-	USD	-	-	363,294
Total				1,497,481	1,987,787
Total current				1,496,695	1,986,936
Total non-current				786	851

(1) Weighted average maturity in years.
(2) Transactions have daily liquidity and can be redeemed at any time. Said maturity is the maturity of the operation.

The Corporation maintains the following types of financial investments:

5.1. Bank Certificate of Deposit (CDB)

Bank certificates of deposit are investments made at prime financial institutions at variable rates and yield on average 96% to 100% of the variation in the Interbank Deposit Rate (CDI).

5.2. Repurchase and reverse repurchase agreements

Transactions based on outstanding daily cash denominated in Brazilian real, U.S. dollars and Argentinean pesos that bear interest which ranges from 95% to 102% of the Interbank Deposit Rate (CDI). This operation has immediate liquidity, for it can be early redeemed without yield loss.

5.3. Interest-bearing deposits

The investments of this type are made in Brazilian real and U.S. dollar and bear interest at fixed rates and measured by the amortized cost.

5.4. Time Deposit

Fixed-rate investments issued by top tier financial institutions on international markets.

5.5. Credit Linked Note (CLN)

The Credit Linked Notes (CLN) comprise a financial instrument exclusively used to generate resources among the Group's companies and correspond to a credit note used to mitigate the Corporation's credit risk, as presented in note 20.2.

The resources applied in these instruments derive from funds raised in the international capital markets issued by Marfrig Group's foreign subsidiaries, which due to cash management and liquidity strategy are maintained at the issuing foreign subsidiaries. In the period ended June 30, 2017, this instrument had been settled.

5.6. FIDC – Fundos de Investimentos em Direitos Creditórios (Receivables Backed Investment Funds)

These are shares of an investment fund that invests in receivables rights.

5.7. Fixed Income Bonds

These are investments in fixed income securities issued by top tier financial institutions at fixed rates.

6. Trade accounts receivable – domestic and foreign customers

	Parent		Consolidated	
	6/30/17	12/31/16	6/30/17	12/31/16
Trade accounts receivable - domestic	123,521	149,013	423,944	396,887
Trade accounts receivable - foreign	131,677	326,458	228,676	393,581
	255,198	475,471	652,620	790,468
Amounts not yet due	241,045	398,224	493,631	415,359
Amounts overdue				
From 1 to 30 days	11,602	44,543	121,773	242,890
From 31 to 60 days	2,278	28,778	30,379	99,045
From 61 to 90 days	273	3,926	6,837	33,174
More than 90 days	27,193	19,441	35,068	29,368
(-) Estimated losses with doubtful accounts	(27,193)	(19,441)	(35,068)	(29,368)
	255,198	475,471	652,620	790,468

The estimated loss with doubtful accounts was set up in an amount deemed sufficient by Management to cover possible losses on the realization of receivables.

Aiming to achieve the best estimate possible, concerning the realization of such credits, and therefore duly set up an allowance for estimated losses with doubtful accounts as at June 30, 2017, the Corporation's Management analyzed particular aspects about its customers, such as business activity, general credit situation, the market's economic situation and notes due for more than 90 days and whose settlement is not considered as possible.

The Corporation does not have a history of relevant problems with collection, and the Accounts Receivable Department rates each customer upon acceptance and credit granting.

Changes in estimated losses for credit risks are as follows:

	Parent	Consolidated
Balance on December 31, 2016	(19,441)	(29,368)
Estimate accrued	(21,529)	(22,695)
Estimate reversed	13,777	14,614
Exchange rate variation	-	(39)
Reclassification - held-for-sale	-	2,420
Balance on June 30, 2017	(27,193)	(35,068)

A receivables backed investment fund (Fundo de Investimento de Direitos Creditórios - FIDC) was created in June 2014 to sell a portion of the receivables from the installment sale in the domestic market, up to the limit of R$160 million (principal), of which R$16 million consists of mezzanine subordinated shares. On June 30, 2017, there was R$81,891 of bills traded with the fund MRFG.

In December 2016, the Corporation's wholly-owned subsidiary Keystone Foods Intermediate LLC structured a program to sell non-recourse receivables with a prime financial institution in the United States. The program's main objective is to convert into cash the term sales originated in the United States market. The securitization program has the purpose of trading up to US$60 million and is structured based on a three-year contract. Under the program, the Corporation receives up to 90% of the total balance of eligible receivables sold, in accordance with the rules of the program and limited to the contractual capacity. As of June 30, 2017, US$52.9 million (R$175.0 million) had been sold under the program. As of December 31, 2016, US$53.6 million (R$174.4 million) had been sold under the program.

In March 2017, the Corporation's wholly-owned subsidiary Weston Importers Ltd. structured a program to sell non-recourse receivables with a prime financial institution in Europe. The program's main objective is to convert into cash the term sales involving exports originated by the Beef business unit. The securitization program may sell, on a rotating basis, up to US$100 million over a contractual period of 3 years. Under the program, the Corporation receives up to 100% of the total balance of eligible receivables sold, in accordance with the program's rules and limited to the contractual capacity. As of June 30, 2017, US$34.9 million (R$115.4 million) had been negotiated under the program.

For sales paid in installments, the Corporation uses working capital financing lines available in financial markets.

7. Inventories of products and merchandise

In the period ended June 30, 2017 and in the fiscal year ended December 31, 2016, inventories of finished products were carried at average purchase and/or production cost, as explained in note 3.1.6 to the financial statements for the fiscal year ended December 31, 2016:

	Parent		Consolidated	
	6/30/17	12/31/16	6/30/17	12/31/16
Finished products	515,806	514,254	1,026,993	962,775
Raw materials	-	-	192,561	206,992
Packaging material and storeroom supplies	32,937	34,604	144,167	121,544
(-) Estimated losses	(26,566)	(30,566)	(28,777)	(33,695)
	522,177	518,292	1,334,944	1,257,616

The Corporation grounds its estimates on historical losses, as follows:

	Parent	Consolidated
Balance on December 31, 2016	(30,566)	(33,695)
Reversal of estimates	10,000	11,813
Recognition of estimates	(6,000)	(6,854)
Translation gains (losses)	-	(62)
Reclassification - held-for-sale	-	21
Balance on June 30, 2017	(26,566)	(28,777)

8. Biological assets

	Consolidated	
Current	6/30/17	12/31/16
Biological assets - cattle	600	2,382
Biological assets - poultry	117,715	110,072
Total current biological assets	118,315	112,454
Non-current		
Biological assets - poultry	52,206	51,236
Total non-current biological assets	52,206	51,236
Total biological assets	170,521	163,690

The Corporation's current biological assets are composed of live animals segregated among the categories: poultry and cattle. Animals classified in this group are those intended for slaughtering for production of fresh meat and/or processed products in the next 12 months.

Due to the short formation period of poultry, as well as not having a quotation to poultry and pigs market, the Corporation evaluated these biological assets and identified no material adjustments in relation to acquisition cost. In this case, the Corporation believes that the fair value of biological assets is substantially represented by the formation cost, given the short life cycle of the animals.

With respect to Beef cattle, these are animals kept in feedlots for fattening and slaughter. The balance presented in this item is available for use over the next 12 months.

The Corporation valuated these animals at fair value, based on the "Mark to Market - MtM" concept, considering the market prices of the "arroba"[1] of cattle, and recognized the effects of these valuations directly in the statement of operations. The Corporation's non-current biological assets are composed of live poultry, classified as breeding stock and intended for reproduction. These assets are amortized

[1] Arroba = A unit of weight equivalent to 15 Kg.

on a straight-line basis over the useful life of the animals. Poultry for reproduction have an average useful life of up to 60 weeks.

The changes in biological assets are as follows:

Current biological assets:

	Consolidated
Balance on December 31, 2016	112,454
Increase due to purchases	1,969
(-) Write-off for slaughter	(616,734)
Costs of input for fattening	620,756
(-) Decrease due to sales	(2,090)
Net increase (decrease) due to births (deaths)	(8)
Change in fair value less estimated sale expenses (*)	294
Translation gains (losses)	1,674
Balance on June 30, 2017	118,315

* Only applicable to cattle

Non-current biological assets:

	Consolidated
Balance on December 31, 2016	51,236
Increase due to purchases	17,320
(-) Write-off for slaughter	(2,017)
Costs of input for fattening	18,072
Amortization	(33,182)
Translation gains (losses)	777
Balance on June 30, 2017	52,206

9. Recoverable taxes

	Parent		Consolidated	
	6/30/17	12/31/16	6/30/17	12/31/16
ICMS (State VAT)	458,490	534,138	489,521	556,680
PIS and Cofins (taxes on sales) credits	2,589,853	2,499,746	2,676,994	2,581,502
IRPF / IRPJ and CSLL (taxes on income) recoverable	450,591	424,516	470,111	452,976
Other	14,272	12,963	55,977	85,309
(-) Estimated losses from non-realization	(770,803)	(710,785)	(772,497)	(712,479)
	2,742,403	2,760,578	2,920,106	2,963,988
Current assets	1,059,475	1,075,882	1,225,850	1,240,328
Non-current assets	1,682,928	1,684,696	1,694,256	1,723,660

9.1 ICMS (State VAT)

The balance of recoverable ICMS derives from credits taken for ICMS paid on the acquisition of raw, packaging and other materials and inputs, in amounts higher than the debts generated from domestic sales, since foreign market sales are free from this tax. The Corporation has been seeking ways to optimize these balances by offsetting debits under a non-cumulative regime for the domestic market, or through transfers to third parties.

9.2 PIS and COFINS taxes

Pursuant to Laws No. 10.637/02 and 10.833/03, this line item consists of noncumulative PIS and COFINS credits on the acquisition of raw, packaging, and other materials used in the goods sold in foreign markets. In 2016, the Corporation was successful in its efforts to optimize these tax credits, although its export model in Brazil allows the continuous generation of credits. Furthermore, the Corporation is engaged in guaranteeing and registering its credits before the Federal Revenue Service.

9.3 IRRF / IRPJ and CSLL recoverable

Refers to the amounts of withholding of income tax at source on services rendered to related companies located abroad and financial investments, prepayments of income and social contribution taxes, calculated based on estimation, suspense account balance sheet and taxation based on annual taxable income, payable via offsetting of income and social contribution taxes calculated on profit for future periods, as well as offsetting of other federal taxes owed and managed by the Federal Revenue Service of Brazil (SRF).

9.4 Estimated losses from non-realization of tax credits

The estimated losses for non-realization of tax credits were calculated based on the best estimate of realization of the Corporation's recoverable taxes balances, in which main credits are mainly from PIS/COFINS.

In the period ended June 30, 2017 and in the fiscal year ended December 31, 2016, the changes in this item were as follows:

	Parent	Consolidated
Balance at December 31, 2016	(710,785)	(712,479)
Reversal of estimates	20,094	20,094
Accrual of estimates	(80,112)	(80,112)
Balance at June 30, 2017	(770,803)	(772,497)

10. Notes receivable

	Parent		Consolidated	
				Reclassified
	6/30/17	12/31/16	6/30/17	12/31/16
Related-party transactions [(1)]	479,740	717,391	1,437	46,740
Joint Venture	-	-	80,122	57,034
Market transactions receivable	53,631	53,628	308,725	308,639
Other notes receivable	1,587	33,742	4,640	37,903
Total	534,958	804,761	394,924	450,316
Current assets	236,535	267,479	313,029	353,548
Non-current assets	298,423	537,282	81,895	96,768

(1) Includes the remaining balance of the direct subsidiary sale transaction as described in note 38.

The Parent Company's notes receivable mostly consist of balances resulting from transactions with its subsidiaries (related parties), as described in note 10.1.

The Corporation reclassified receivables from joint ventures related to the base-date December 31, 2016.

10.1. Related-party transactions with the Parent Company

The following tables, except for transactions with controlling shareholders, show the transactions between the Corporation and its wholly owned subsidiaries:

	Parent							
	Outstanding Balance				Recognized as profit or loss			
	Accounts receivable		Accounts payable		Income		Expenses	
	6/30/17	12/31/16	6/30/17	12/31/16	6/30/17	6/30/16	6/30/17	6/30/16
Cledinor S.A.	756	-	7,104	11,037	-	-	5,854	5,451
Establecimientos Colonia S.A.	844	-	4,186	6,981	-	-	6,040	4,560
Frigorífico Tacuarembó S.A.	1,343	101	98,432	43,289	-	-	8,151	5,268
Inaler S.A.	750	-	2,865	6,230	-	-	4,089	4,971
Marfrig Argentina S.A	246,516	258,267	4,482	3,812	-	-	-	-
Marfrig Chile S.A.	28,130	28,011	1,042	977	144,582	106,095	509	1,842
Marfrig Holdings (Europe) BV	46	45	7,774,537	7,541,579	-	16,673	-	-
Marfrig Overseas Ltd.	12	12	306,614	316,271	-	-	-	-
MFG Comercializadora de Energia Ltda	7,300	15,761	-	7,852	-	-	14,864	15,202
Masplen Ltd	336,669	290,039	10	509	93,042	85,323	-	811
Keystone Foods UK Limited	144,919	212,756	1,431,697	871,278	570,383	-	-	-
Keystone Foods International Limited	41,412	41,798	15,005	9,091	413	-	-	-
Controlling shareholders	10,604	46,740	-	1,618	-	7	-	3,365
Key management personnel	1	-	230	-	-	19	424	151
Other related parties	10,206	-	39,983	-	-	18	59,571	46,137
	829,508	893,530	9,686,187	8,820,524	808,420	208,135	99,502	87,758

The nature of related-party transactions between Marfrig Group companies is represented by commercial transactions (purchases and sales) and sending of cash for payment of such transactions, as well as for working capital.

Intercompany loans (instruments receivable and payable) in Brazil (parent company and subsidiaries) are managed by checking accounts held between the companies based on the centralized cash system managed by the parent company. For transactions with subsidiaries abroad, the loan rate is 3% plus 6-month LIBOR (London Interbank Offered Rate).

Purchases and sales of products are made at market values. No guarantees or estimated losses with doubtful accounts are required. These transactions involve purchase and sale of fresh meat and cattle, poultry and lamb processed products.

Transactions between subsidiaries do not have an impact on consolidated financial information, given that they are eliminated in consolidation.

10.2. Consolidated related parties

	Consolidated							
	Outstanding balance				Recognized as profit or loss			
	Reclassified							
	Accounts receivable		Accounts payable		Income		Expenses	
	6/30/17	12/31/16	6/30/17	12/31/16	6/30/17	6/30/16	6/30/17	6/30/16
Controlling shareholders	10,604	65,435	-	1,618	-	7	-	3,365
Key management personnel	1	43	375	371	2	20	424	987
Other related parties	10,206	14	39,983	97,718	-	18	59,571	46,137
Joint venture	80,122	57,034	-	-	-	-	-	-
	100,933	122,526	40,358	99,707	2	45	59,995	50,489

10.3. Controlling shareholders

A suretyship agreement was entered into with the controlling shareholder, MMS Participações Ltda., for fiscal year 2017, under which said shareholder guarantees certain obligations of the Corporation. These transactions were conducted on an arm's length basis and in accordance with internal guidelines formally established by the Corporation.

10.4. Key management personnel

On December 19, 2016, the Board of Directors decided, among other things, that the Corporation shall be represented exclusively by its Officers and Attorney-in-Fact (Article 26 of the Bylaws) for acts and transactions in amounts of up to R$500 million or US$200 million, depending on the currency in which they are carried out.

For acts and transactions in amounts greater than R$500 million or US$200 million, the approval by the Board of Directors is required.

10.5. Other related parties

The controlling shareholders own membership interests in other entities that have businesses with Marfrig Group. The aggregate amount of transactions is represented in the table above under "other related parties." Most of transactions refer primarily to sale of animals for slaughter and to associated logistics services. These transactions are carried out on an arm's length basis, in accordance with internal guidelines formally established by the Corporation that are periodically verified by the Corporation management to attest their compliance with market conditions.

10.6. Joint Ventures

The indirect subsidiary Mckey Luxembourg Holdings S.a.r.l is part of 2 Joint Ventures, which are recognized through the equity method of accounting.

The following table summarizes the main financial information on unconsolidated joint ventures in the financial statements, in accordance with NBC TG 18(R2) – Investments in associates, subsidiaries and joint ventures.

	% Interest	Country	Total assets	Total liabilities	Net revenue	Net income (loss) in the period
Shandong McKey Chinwhiz Foods Co	60.00%	China	57,185	58,486	55,862	638
COFCO-Keystone Supply Chain	45.00%	China	33,140	16,078	-	(147)
Total			90,325	74,564	55,862	491

11. Assets and Liabilities Held for Sale

On March 20, 2017, the Management Committee decided to hold for sale all assets of the business unit Marfrig Argentina S.A., which is part of the Beef business division, and authorized the management of the Corporation to carry out all efforts to comply with said decision.

In accordance with CVM Resolution 598/09 (NBC TG 31 – Non-current assets held for sale and discontinued operations), the unit's assets and liabilities were recorded under Assets and Liabilities Held for Sale. Also in conformity with NBC TG 31, the Corporation informs that fixed and intangible assets were measured at their fair value as described in Notes 14 and 15, respectively, and that this impact is reflected in the same line.

Such decision is based on the Corporation's strategic plan to increase the group's profitability and streamline its ownership structure.

On June 30, 2017, held-for-sale assets and liabilities were as follows:

Assets	Parent 6/30/2017	Consolidated 6/30/2017	Liabilities	Parent 6/30/2017	Consolidated 6/30/2017
Cash and cash equivalents	-	7,160	Trade accounts payable	4,482	45,271
Marketable securities	-	7,705	Other liabilities	-	35,815
Trade accounts receivable	-	27,926			
Taxes	-	96,504			
Investments	(106,847)	21	Total liabilities	4,482	81,086
Notes Receivable	246,517	71,576			
			Equity		
			Amounts related to held-for-sale assets	(124,910)	(124,910)
				(124,910)	(124,910)
Total assets held for sale	139,670	210,892	Total liabilities and equity held for sale	(120,428)	(43,824)

12. Deferred Income and Social Contribution Taxes - Assets

	Parent		Consolidated	
	6/30/17	12/31/16	6/30/17	12/31/16
Income tax	1,630,844	1,422,886	1,773,242	1,608,218
Social contribution tax	596,341	521,477	602,800	527,177
Non-current assets	2,227,185	1,944,363	2,376,042	2,135,395

Deferred tax assets

These tax credits consist of deferred Income and Social Contribution Taxes, calculated on temporary add-backs/exclusions that were added/excluded to the taxable income and the social contribution tax basis in prior and current years, as well as tax losses, temporary add-backs and future utilization for tax purposes of goodwill paid due to future profitability, which will be realized from 2017 onwards.

Tax credits recognized for income and social contribution tax losses and temporary differences are supported by taxable income projections and expectations for recoverability based on internal feasibility studies, prepared by expert professionals, which are annually reviewed by the Corporation's Management. These credits were recognized according to provisions referred to in note 3.1.12 to the financial statements for the fiscal year ended December 31, 2016.

Deferred tax liabilities

Refer to (i) deferred taxes recorded when property, plant and equipment items adopted deemed cost as of January 1, 2009 in accordance with NBC TG 27/R3 (CVM Resolution 583/09) – property, plant and equipment and (ITG 10 (CVM Resolution 619/09), which will be settled as revalue assets are sold, written off, depreciated or amortized, according to their respective useful lives established in the appraisal report, and (ii) the effect of deferred federal taxes calculated on the effects of NBC TG 15/R3 (CVM Resolution 665/11 – business combination.

The following table presents the reconciliation of deferred taxes in the period ended June 30, 2017:

ASSETS	Parent		Consolidated	
Description	IRPJ	CSLL	IRPJ	CSLL
Balance on December 31, 2016	1,448,023	522,996	1,642,598	532,024
(-) Realization of taxes on tax losses/CSLL tax loss carryforwads	(5,301)	(1,908)	(6,345)	(2,373)
Deferred taxes on tax losses/CSLL tax loss carryforwads	301,730	108,623	313,457	109,486
Deferred taxes on additions/temporary exclusions	89,352	32,167	91,100	32,743
(-) Realization of deferred taxes on additions/temporary exclusions	(163,001)	(58,682)	(159,779)	(58,996)
Gain or loss from translation	-	-	4,102	-
Reclassification - held for sale	-	-	(61,425)	-
Other	(16,642)	(5,992)	(18,182)	(5,992)
Balance on June 30, 2017	1,654,161	597,204	1,805,526	606,892

LIABILITIES	Parent		Consolidated	
Description	IRPJ	CSLL	IRPJ	CSLL
Balance on December 31, 2016	25,137	1,519	34,380	4,847
Realization of revaluation reserve	(521)	(188)	(532)	(192)
Realization of deemed cost	(1,299)	(468)	(1,564)	(563)
Balance on June 30, 2017	23,317	863	32,284	4,092
Total deferred assets, net	1,630,844	596,341	1,773,242	602,800

In relation to the assumptions for technical feasibility studies, in 2013, the Corporation launched an operational and corporate restructuring process to adjust its capital structure and indebtedness to its business model.

Initially, in October 2013, the Corporation announced to the market the "Focus to Win" strategic plan, which was soon implemented. The targets established for the period from 2014 to 2016 were mostly achieved.

The "Focus to Win" plan has the following pillars: a) specific agenda of productivity gains in the Beef Brazil business; b) margins under control; c) acceleration of organic growth, especially increasing the share of exports in total revenue in the Beef business, and increased diversification of the client base at the Keystone business; d) focus on more profitable sales channels; e) higher integration of business platforms at the global level; f) divestments of non-strategic operating activities; g) reductions in gross debt and in the interest rates of funding transactions.

Based on this, and consistent with the established guidelines, in 2013, the Corporation began the restructuring process with the divestments of the Seara and Zenda businesses.
In keeping with this process, in 2015, the Corporation continued the process and concluded the divestment of the Moy Park business unit for approximately US$1.5 billion. The transaction helped to reduce the Corporation's leverage and, consequently improve its profit outlook.

In fiscal year 2016, the Corporation divested its Beef Jerky operations in the United States and part of its Beef processing operations in Argentina. It also divested its feedlot operation in Brazil. Also in the fiscal year, the Corporation restructured and lengthened its long-term debt, which improved the management of its financial expenses. In its efforts to improve and optimize its operating structure, the Corporation centralized most of its operations into a single entity, through the merger of its wholly-owned subsidiary MFB Marfrig Frigoríficos Brasil S/A.

In 2017, the Corporation maintains its efforts to restructure its businesses to converge them to its strategic plan. Therefore, the main value drivers will focus on the international units, especially Keystone, which is well positioned to capture opportunities in chicken-based processed products in the United States as well as in various Asian countries.

Regarding the improvement of its capital structure and financial management, the conversion of the mandatorily convertible deed represents an important ally of the Corporation in its efforts to reduce financial expenses. Therefore, the Corporation will continue to closely monitor the market to identify other opportunities for reducing its interest rates as part of its capital structure management process.

Note that the projections were based on the assumptions for net income and historical data on profitability in each segment, in light of the diverse economic scenarios of each market where the Corporation operates, due to its global and diversified presence (approximately 62% of revenue came from international units, and most of them are located in economically stable countries).

The expected realization of "Deferred Tax Assets," based on a technical feasibility study as per CVM Instruction 371 of June 27, 2002 is as follows:

Year	Parent	Consolidated
2017	173,000	219,513
2018	74,780	126,097
2019	83,571	91,285
2020	97,462	102,003
2021	153,121	158,762
2022 to 2026	1,645,251	1,678,382
	2,227,185	2,376,042

13. Investments

	Parent		Consolidated	
	6/30/17	12/31/16	6/30/17	12/31/16
Interest in subsidiaries	4,930,900	4,728,581	-	-
Other investments	10	10	20,449	16,268
	4,930,910	4,728,591	20,449	16,268

13.1 Investments (Parent)

Investments in subsidiaries on June 30, 2017:

	No. of units of interest/shares	Ownership percentage in voting capital	Country	Share capital	Equity	Net income (loss) for the year	Net income in the period from discontinued operation	Equity according to % interest	Equity according to % interest held for sale
Marfrig Chile S.A.	9,950	99.50	Chile	57,996	125,025	12,543	-	124,280	-
Inaler S.A.	66,247,320	100.00	Uruguay	4,853	19,367	(16,034)	-	19,368	-
Frigorífico Tacuarembó S.A.	163,442,679	99.95	Uruguay	21,150	204,715	19,266	-	204,076	-
Masplen Ltd	5,050	100.00	Jersey Island	12,212	(15,169)	(3,619)	-	(17,998)	-
Prestcott International S.A.	79,638,916	100.00	Uruguay	9,667	92,352	6,395	-	92,351	-
Establecimientos Colonia S.A.	80,647,477	100.00	Uruguay	86,844	31,918	(630)	-	31,828	-
Marfrig Overseas Ltd	1	100.00	Cayman Islands	-	(302,366)	(136,563)	-	(302,366)	-
Marfrig Argentina S.A.	1,208,439,948	99.94	Argentina	241,093	(106,911)	-	(5,485)	-	(106,847)
MFG Comercializadora de Energia Ltda	149,985	99.99	Brazil	-	(3,501)	598	-	(3,501)	-
Marfrig Holdings(Europe) BV	426,842	100.00	Netherlands	1,541,340	2,880,846	(39,147)	-	2,880,846	-
Marfrig Peru S.A.C.	4,988	99.76	Peru	5	(476)	(79)	-	(474)	-
Keystone Foods (UK) Limited	2,001	100.00	UK	938,232	554,266	77,403	-	554,266	-
Keystone Foods International Limited	2,001	100.00	UK	470,845	1,348,224	124,240	-	1,348,224	-
Total				3,384,237	4,828,290	44,373	(5,485)	4,930,900	(106,847)

The following table presents a summary of the financial information of the subsidiaries on June 30, 2017:

	Total assets	Total liabilities	Non-controlling interest	Non-controlling interest - held for sale	Net Revenue	Group equity in earnings / losses(1)	Group equity in earnings / losses (1) - Discontinued operations
Marfrig Chile S.A.	233,073	108,045	625	-	248,335	12,480	-
Inaler S.A.	149,686	130,319	-	-	137,204	(16,034)	-
Frigorífico Tacuarembó S.A.	488,204	283,490	102	-	347,021	19,256	-
Masplen Ltd	380,137	395,306	-	-	176,072	(3,619)	-
Prestcott International S.A.	208,210	115,858	-	-	226,204	6,395	-
Establecimientos Colonia S.A.	269,556	237,638	-	-	274,648	(630)	-
Marfrig Overseas Ltd	2,720,679	3,023,045	-	-	-	(136,563)	-
Marfrig Argentina S.A.	213,695	320,606	-	(64)	-	-	(5,482)
MFG Comercializadora de Energia Ltda	4,715	8,216	-	-	29,939	598	-
Marfrig Holdings(Europe) BV	11,058,400	8,177,554	-	-	-	(39,147)	-
Marfrig Peru S.A.C.	96	571	(1)	-	-	(79)	-
Keystone Foods (UK) Limited	5,943,431	5,389,165	-	-	880,163	77,403	-
Keystone Foods International Limited	6,268,475	4,210,581	-	-	4,372,460	124,240	-
Total	27,938,357	22,400,394	726	(64)	6,692,046	44,301	(5,482)

(1) The balance corresponds to the Corporation's ownership interest in its subsidiaries.

13.2 Breakdown of investments (parent)

Effect of reverse equity interest in the equity accounts of subsidiaries.

	Book balance on 12/31/2016	Asset valuation adjustment	Dividends	Equity in earnings (losses) (1)	Balance sheet translation effect	Held-for-sale assets	Book balance on 6/30/2017
Marfrig Chile S.A.	118,555	1,123	-	12,450	(7,848)	-	124,280
Inaler S.A.	35,695	-	-	(16,034)	(293)	-	19,368
Frigorifico Tacuarembó S.A.	181,064	-	-	19,447	3,565	-	204,076
Masplen Ltd	(14,394)	(1,934)	-	(1,670)	-	-	(17,998)
Prestcott International S.A.	84,371	-	-	6,395	1,585	-	92,351
Establecimientos Colonia S.A.	31,801	-	-	(551)	578	-	31,828
Marfrig Overseas Ltd	(157,463)	-	-	(136,563)	(8,340)	-	(302,366)
Marfrig Argentina S.A.	(109,278)	-	-	-	-	109,278	-
MFG Comercializadora de Energia Ltda	(4,099)	-	-	598	-	-	(3,501)
Marfrig Holdings(Europe) BV	2,878,579	-	-	(39,147)	41,414	-	2,880,846
Marfrig Peru S.A.C.	(361)	(9)	-	(78)	(26)	-	(474)
Keystone Foods (UK) Limited	479,525	39,086	(10,136)	77,403	(31,612)	-	554,266
Keystone Foods International Limited	1,204,586	62,606	(28,046)	124,241	(15,163)	-	1,348,224
Total	4,728,581	100,872	(38,182)	46,491	(16,140)	109,278	4,930,900

(1) The balance corresponds to the Corporation's ownership interest in its subsidiaries, adjusted by any unrealized profits at the time of consolidation.

Assets Held for Sale

	Book balance on 12/31/2016	Asset valuation adjustment	Capital increase (reduction)	Equity in earnings (losses), net (1)	Balance sheet translation effect	Investment	Book balance on 6/30/2017
Marfrig Argentina S.A.	-	(9,158)	15,423	(5,459)	1,625	(109,278)	(106,847)
Total	-	(9,158)	15,423	(5,459)	1,625	(109,278)	(106,847)

(1) The balance corresponds to the Corporation's ownership interest in its subsidiaries, adjusted by any unrealized profits at the time of consolidation.

13.3 Merger of subsidiary

On September 30, 2016, the Corporation released a Material Fact notice announcing the proposal for the merger of MFB Marfrig Frigoríficos Brasil S.A. The operation was approved in the Extraordinary Shareholders Meeting (AGE) held on October 31, 2016, when the company was fully merged into the parent company Marfrig Global Foods S.A.

The merger aimed to simplify the ownership and operational structure of Marfrig Global Foods S.A. and did not require any change in the Corporation's share capital (or any substitution of shares for shares in the Corporation or issue of new shares), since the Corporation already held 100% of the capital of the Merged Company. Therefore, the parent company financial information presented herein consolidates the accounting records of the merged company as of November 2016, with the exception of the operating results through October 31, 2016, whose impacts on the income statement of the Parent Company are presented under "Equity income (loss)."

The merger of MFB Marfrig Frigoríficos Brasil resulted in material changes to certain items of the Corporation's parent company financial statements, for the period ended June 30, 2017.

14. Property, plant and equipment

The following tables show the weighted average annual depreciation rate determined using the straight-line method and based on the economic useful life of the assets and their balances:

Changes in property, plant and equipment (Parent Company):

	Parent Company				
Description	Land, Constructions and Buildings	Machinery, equipment, furniture and fixtures	Construction in progress	Other property, plant and equipment	Total
Avg. annual depreciation rates	2.86%	14.18%	0.00%	0.00%	
Acquisition cost	2,372,772	683,567	15,809	276,088	3,348,236
Accumulated depreciation	(452,386)	(315,599)	-	(93,037)	(861,022)
Net balance on 12/31/2016	1,920,386	367,968	15,809	183,051	2,487,214
Additions	20,370	16,922	69,645	811	107,748
Write-offs	(51)	(121)	-	(1,704)	(1,876)
Transfers	66,301	121	(66,422)	-	-
Depreciation in the period	(42,420)	(38,390)	-	(12,743)	(93,553)
Net balance on 6/30/2017	1,964,586	346,500	19,032	169,415	2,499,533
Acquisition cost	2,459,392	700,489	19,032	275,195	3,454,108
Accumulated depreciation	(494,806)	(353,989)	-	(105,780)	(954,575)
Net balance at the end of the period	1,964,586	346,500	19,032	169,415	2,499,533

Changes in property, plant and equipment (Consolidated):

	Consolidated				
Description	Land, Constructions and Buildings	Machinery, equipment, furniture and fixtures	Construction in progress	Other property, plant and equipment	Total
Avg. annual depreciation rates	1.82%	7.20%	0.00%	5.72%	
Acquisition cost	3,566,474	1,763,407	155,718	539,154	6,024,753
Accumulated depreciation	(771,840)	(935,106)	-	(308,410)	(2,015,356)
Net balance on 12/31/2016	2,794,634	828,301	155,718	230,744	4,009,397
Additions	21,076	20,587	201,919	3,951	247,533
Write-offs	(1)	(2,099)	-	(2,033)	(4,133)
Transfers	75,081	46,130	(121,560)	349	-
Held-for-sale assets	(2,049)	(2,434)	(1,277)	(99)	(5,859)
Translation gains (losses)	16,760	13,656	10,992	497	41,905
Depreciation in the period	(65,652)	(85,311)	-	(20,064)	(171,027)
Net balance on 6/30/2017	2,839,849	818,830	245,792	213,345	4,117,816
Acquisition cost	3,677,341	1,839,247	245,792	541,819	6,304,199
Accumulated depreciation	(837,492)	(1,020,417)	-	(328,474)	(2,186,383)
Net balance at the end of the period	2,839,849	818,830	245,792	213,345	4,117,816

According to NBC TG 06/R2 (CVM Resolution 645/10) – lease operations, the assets acquired by the Corporation under a finance lease started to be recorded as property, plant and equipment, including their respective depreciation, as mentioned above, with an offsetting entry to lease payable, shown in note 22.

Pursuant to NBC TG 01/R3 (CVM Resolution 639/10) – asset impairment, an asset is tested for impairment on an annual basis. The asset's value must be estimated only if there is any indication of impairment.

If any indication of impairment is found, recoverability analysis comprises projecting the profitability and future cash of the Corporation's business units, which are discounted to present value to identify the degree of recoverability of the asset.

During the period ended June 30, 2017, the book values of the Corporation's assets were not higher than the amounts which could be obtained by use or sale.

Nevertheless, in 2016, the Corporation prepared, by engaging an external advisory firm, a valuation report of temporarily idle assets, and no impairment loss was verified.

The Corporation and its subsidiaries recorded property, plant and equipment that are fully depreciated and still in operation, as well as temporarily idle items, as follows:

Description	Parent 6/30/17	
	Temporarily idle property, plant and equipment	Property, plant and equipment fully depreciated and still in operation
Land	9,770	-
Constructions and buildings	124,835	580
Machinery and equipment	29,527	98,588
Furniture and fixtures	3,715	2,255
Facilities	31,082	320
Vehicles	-	25,153
IT equipment	1	25,337
Aircraft	-	382
Leasehold improvements	32,607	-
	231,537	152,615

Description	Consolidated 6/30/17		
	Temporarily idle property, plant and equipment	Property, plant and equipment fully depreciated and still in operation	Property, plant and equipment not in operation and not classified as held for sale
Land	9,770	-	-
Constructions and buildings	124,835	580	-
Machinery and equipment	29,527	98,588	-
Furniture and fixtures	3,715	2,255	28
Facilities	31,082	320	-
Vehicles	-	25,153	-
IT equipment	1	25,337	220
Aircraft	-	382	-
Leasehold improvements	32,607	-	-
	231,537	152,615	248

15. Intangible assets

The Corporation has the subgroup intangible assets, composed of non-current assets, presented pursuant to NBC TG 04/R3 (CVM Resolution 644/10) – intangible assets, as shown in the summary below:

	Amortization rate	Useful life	Parent		Consolidated	
			6/30/17	12/31/16	6/30/17	12/31/16
Goodwill	-	-	1,010,538	995,469	1,051,125	1,049,503
Trademark and patents	1.99%	1.99	22,883	22,883	295,939	287,993
Software and Systems	10.79%	4.12	27,469	29,428	55,162	58,066
Client relationship	10.00%	10.00	-	-	14,901	39,321
Client relationship	-	Indefinite	-	-	1,100,867	1,052,285
Right of use	5.50%	18.18	47,847	49,302	47,847	49,302
Sales channels	5.50%	18.18	267,136	275,264	267,136	275,264
Other intangible assets	25.00%	4.00	-	-	3,719	3,396
			1,375,873	1,372,346	2,836,696	2,815,130

Goodwill from the acquisition of businesses by September 30, 2008 (last acquisition previous to transition date as of January 1, 2009, referring to complete adoption of the International Financial Reporting Standards (IFRS)) was calculated based on the accounting standards previous to NBC TG 15 (CVM Resolution 665/11) - business combination. According to "IFRS Optional Exemptions," the Corporation decided to adopt IFRS in all business acquisitions as from September 30, 2008. These goodwill amounts were based on expected future profitability, and supported by valuation reports from experts. The trademarks acquired from third parties, prior to December 31, 2009, were measured at the paid amount, while trademarks and list of clients acquired as part of business combination after September 30, 2008 were calculated at fair value pursuant to NBC TG 15/R3 (CVM Resolution 665/11) – business combination.

According to NBC TG 01/R3 (CVM Resolution 639/10) – asset impairment, the impairment test of goodwill and intangible assets with indefinite useful lives is conducted annually, and other intangible assets with finite useful lives are tested whenever there is evidence of non-realization of those items. Intangible assets represented by patents and a list of clients are amortized at their respective useful lives, if applicable. Certain intangible assets of the Corporation have undefined useful lives, according to the experts' valuation, and are annually tested for impairment.

Such analysis comprised projecting the profitability and future cash of the Corporation's business units, which are discounted to present value to identify the degree of recoverability of the asset.

Discounted cash flows to assess asset impairment were prepared for a period close to 10 years. This cash flow is in line with the Corporation's 2014-2018 strategic plan and growth projections based on past information and market projections prepared by non-governmental agencies and entities. Estimated impairment losses include the fair value adjustment of assets held for sale.

In the period ended June 30, 2017, the Corporation did not identify any indications of asset recorded in its books at an amount higher than that recoverable through use or sale.

15.1 Changes in intangible assets (parent)

Changes in the Intangible assets accounts of parent company for the period ended June 30, 2017 are as follows:

	Balance on December 31, 2016	Acquisition / Write-off	Exchange Variation	Reclassification / Amortization	Balance on June 30, 2017
Inaler S.A. - Goodwill	69,320	-	1,142	-	70,462
Frigorífico Tacuarembó S.A. - Goodwill	104,423	-	1,695	-	106,118
Masplen Ltd - Goodwill	30,933	-	505	-	31,438
Prescott International S.A. -Goodwill	40,319	-	642	-	40,961
Establecimientos Colonia S.A - Goodwill	217,467	-	3,392	-	220,859
Keystone International -Goodwill	533,005	-	8,030	-	541,035
Sales channels	275,265	-	-	(8,129)	267,136
Rights of use	49,302	-	-	(1,456)	47,846
Software and systems	29,429	1,867	-	(4,161)	27,135
Trademarks and patents	22,883	-	-	-	22,883
Total	1,372,346	1,867	15,406	(13,746)	1,375,873

The goodwill generated from acquisitions of ownership interests abroad is expressed in the business unit's functional currency and is translated at the closing rate, in accordance with NBC TG 02/R2 (CVM Resolution 540/10) – effects of changes in exchange rates and translation of accounting statements.

15.2 Changes in intangible assets (Consolidated)

	Book balance on December 31, 2016	Acquisition / Write-off	Translation gains (losses)	Reclassification / Amortization	Held-for-sale assets	Book balance on June 30, 2017
Goodwill	1,049,503	-	3,801	-	-	1,053,304
Sales channels	275,264	-	-	(8,129)	-	267,135
Right of use	49,302	-	-	(1,456)	-	47,846
Software and Systems	58,066	4,056	333	(7,628)	-	54,827
Trademarks and patents	287,993	-	6,186	(6)	(78)	294,095
Client relationship	16,892	-	210	(2,200)	-	14,902
Client relationship	1,074,714	-	26,152	-	-	1,100,866
Other intangible assets	3,396	738	74	(487)	-	3,721
Total	2,815,130	4,794	36,756	(19,906)	(78)	2,836,696

16. Trade payables

	Parent		Consolidated	
	6/30/17	12/31/16	6/30/17	12/31/16
Third parties	637,868	698,724	1,744,614	1,836,976
Related parties [1]	62,964	40,455	40,357	16,450
	700,832	739,179	1,784,971	1,853,426

(1) Most of trade and other accounts payable include balances from transactions with its Subsidiaries and other related parties, as described in Note 10.1 and 10.2.

17. Supply chain finance

	Parent		Consolidated	
	6/30/17	12/31/16	6/30/17	12/31/16
Supply chain finance	122,378	149,331	122,378	149,331
	122,378	149,331	122,378	149,331

The Corporation entered into structured supply chain financing operations to extend raw material purchase terms with certain suppliers. The balance of these operations on June 30, 2017 was R$122 million at an average rate of 1.76% p.m. On December 31, 2016, these operations amounted to R$149 million at an average rate of 1.40% p.m.

18. Accrued payroll and related charges

	Parent		Consolidated	
	6/30/17	12/31/16	6/30/17	12/31/16
INSS (social security contribution) payable	133,626	70,574	134,249	71,421
Salaries and payroll obligations	81,803	62,411	167,247	142,079
Other social charges and benefits payable	3,333	4,141	78,961	133,337
	218,762	137,126	380,457	346,837

On November 21, 2005, Law No. 11.196 was enacted allowing the offsetting of INSS debts against federal tax credits. This procedure was regulated by Interministerial Ordinance No. 23 dated February 2, 2006.

In addition, article 2 of Law 11.457/07 establishes responsibility to the Brazilian Federal Revenue Service concerning the employees' social security contributions levied on their contribution salaries, according to item c, sole paragraph, Article 11 of Law 8.212/91 and Article 104 of Law 11.196/05.

The Corporation currently has a favorable court decision that determines that the Federal Revenue Service of Brazil should analyze the requests for Reimbursement filed by the Corporation and also establishes the recognition of the possibility to offset credits related to PIS and COFINS taxes with social security contributions, upon use of tax credits to pay the dues.

The Corporation believes it holds sufficient credits to settle its debits and therefore, based on the opinion of its legal counsel, is carrying out the offset of social security debts with PIS/COFINS tax credits.

An Interlocutory Appeal was filed by the National Treasury against said court decision, which was judged and the decision maintained with regard to the requirement of analysis by the Federal Revenue Service of Brazil of the requests for Reimbursement filed by the Corporation. However, the decision was altered regarding the right to suspend the enforceability of the dues.

As a result, the Corporation requested the court to recognize the possibility of offsetting the PIS and COFINS credits with social security contributions using the tax credits to pay the debts, to be undertaken by the Federal Revenue Service of Brazil.

To formalize said credits, the Corporation filed Requests for Reimbursement with the Federal Revenue Service of Brazil. These requests indicate the existence of sufficient credits to settle the Corporation's debts, at the occasion of occurrence of the facts and events, using the tax credits to pay such debts.

However, given the start of the period to include dues settled with PIS and COFINS credits, which has been challenged by Brazil's Federal Revenue Service, in order to improve its positioning and relationship with the Federal Revenue Service, the Corporation chose to include the dues settled until December 2013 in the World Cup REFIS. Consequently, the credits settled were once again included in the balance sheet.

This does not mean that the Corporation has withdrawn or changed its opinion, as mentioned above.

19. Taxes payable

	Parent		Consolidated	
	6/30/17	Reclassification 12/31/16	6/30/17	Reclassification 12/31/16
ICMS (State VAT) payable	-	-	-	119
Income and Social contribution taxes payable	51,531	50,400	149,967	113,415
Special tax debt installment plans	831,605	753,197	832,799	754,382
Other taxes, fees and contributions payable	33,387	10,461	74,082	31,320
	916,523	814,058	1,056,848	899,236
Current liabilities	139,637	91,855	278,847	175,801
Non-current liabilities	776,886	722,203	778,001	723,435

Special Tax Debt Installment Payment Plan – Laws 11,941/09, 12,865/2013, 12,996/2014, PRT MP 766/2017 and TA 120 of the state of Mato Grosso do Sul

On September 30, 2009, December 2, 20013, August 25, 2014, the Corporation joined Special Tax Debt Installment Payment Programs (New REFIS, Reopening and PRT)), established by the above-mentioned laws, which provide for the payment in installments of debts due to the Brazilian Federal Revenue Service (SRF), the Office of the National Treasury Attorney-General (PGNF), and the Brazilian Social Security Institute (INSS). The Corporation declared debts with those agencies and transferred to the plan debts included in other payment plans (Special Tax Debt Installment Payment Plan - Law No. 10,684/03 – PAES and Extraordinary Tax Debt Installment Payment Plan – Executive Act No. 303/06 – PAEX). These debts will be settled within 180 months.

On May 31, 2017, the Corporation joined PRT to pay in installments debits overdue up to 2016, in the amount of R$29,770, following the rule of paying 24% in 24 installments as of the date it joined the program, with the remainder of the balance paid using tax losses and social contribution tax loss carryforwards.

Additionally, on June 30, 2017, the Corporation signed a term for spontaneous submission of debits offset using credits under homologation with the State of Mato Grosso do Sul in TA 120, in the amount of R$85,991, to be paid in 48 monthly installments.

Changes in special installment payment plans are as follows:

	Parent		Consolidated	
		Reclassification		Reclassification
	6/30/17	12/31/16	6/30/17	12/31/16
Opening balance	753,197	517,397	754,382	699,801
(+) Adhesion to the installment payment program	116,922	2,423	116,922	2,423
(-) Exclusion of installment payment program	-	(194)	-	(4,170)
(+) Inflation adjustment interest	30,391	56,575	30,444	73,791
(-) Payments made / tax credits	(68,905)	(47,828)	(68,949)	(64,193)
(+) Merger of subsidiary	-	178,201	-	-
(+/-) Reclassifications	-	46,623	-	46,622
(+/-) Reversal due to asset held for sale	-	-	-	108
Debt balance	831,605	753,197	832,799	754,382
Current liabilities	106,250	81,393	106,329	81,472
Non-current liabilities	725,355	671,804	726,470	672,910

20. Loans and financing

		Parent			
Credit facility	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance on 6/30/17	Balance on 12/31/16
Local currency					
FINAME	TJLP + Fixed Rate	5.50%	3.55	43	63
NCE/Working Capital	Fixed Rate+%CDI	14.07%	0.87	297,063	388,348
Total local currency		14.07%		297,106	388,411
Foreign currency:					
NCE/Prepayment (US$) / ACC (US$)	Libor + Fixed Rate+ FX + Libor	5.22%	0.65	406,763	693,565
Total foreign currency		5.22%		406,763	693,565
Total loans and financing		8.96%		703,869	1,081,976
Current liabilities				631,560	823,017
Non-current liabilities				72,309	258,959

Credit facility	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance on 6/30/17	Balance on 12/31/16
Local currency					
FINAME/FINEP	TJLP + Fixed Rate	4.00%	2.84	15,852	18,836
NCE/Working capital	Fixed Rate+%CDI	14.07%	0.87	297,063	388,348
Total local currency		13.56%		312,915	407,184
Foreign currency					
Prepayment/NCE / ACC (US$)	Fixed Rate + FX (US$) + Libor	5.23%	0.65	408,208	695,011
Bonds (US$)	Fixed Rate + FX	7.50%	5.02	8,537,190	7,725,506
Bank loan (US$)	Fixed Rate + FX	2.43%	3.42	1,762,700	1,629,040
Revolving credit facility	Fixed Rate + Libor	3.04%	4.04	1,082,122	411,331
PAE (US$)	Fixed Rate + FX	1.80%	0.54	33,070	25,766
Total foreign currency		6.28%		11,823,290	10,486,654
Total Loans and financing		6.47%		12,136,205	10,893,838
Current liabilities				1,834,751	1,198,039
Non-current liabilities				10,301,454	9,695,799

The Corporation's main types of loans and financing can be described as follows:

20.1. Senior Notes – BONDS

These are long-term funding operations denominated in foreign currencies involving the issue of debt securities abroad (Bonds) exclusively to qualified institutional investors (Rule 144A/Reg S), not registered at the Securities and Exchange Commission of Brazil (CVM), in accordance with the Securities Act of 1933, as amended.

The Corporation, through its subsidiaries, has conducted nine funding operations of this nature since 2006, four of which – First, Second, Fourth and Sixth Issues – have been fully settled.

The First Issue, concluded in November 2006 by Marfrig Overseas Ltd, was fully settled in November 2016, the Second Issue, concluded in April 2010 by Marfrig Overseas Ltd, was fully settled in May 2017, and the Fourth issue, concluded in January 2013 by Marfrig Holdings (Europe) B.V., was fully settled in August 2016.

With regard to the Sixth Issue, which was concluded by Moy Park (Bondco) Plc under the Agreement for the Purchase and Sale of Ownership Interest and Other Covenants, on June 19, 2015, and involved the sale of certain assets to JBS S.A., we inform that it is no longer consolidated by the Corporation.

Therefore, all issues currently valid are detailed below:

- The second operation was conducted in April 2010, upon the issue by Marfrig Overseas Ltd. of US$500 million in Senior Notes, with a coupon of 9.50% p.a., semiannual interest payments beginning in November 2010 and maturity of principal in 10 years (May 2020), which were assigned foreign currency risk ratings of B1 by Moody's and B+ by Standard & Poor's and Fitch. This operation also was guaranteed by Marfrig Global Foods S.A. and Marfrig Holdings (Europe) B.V. and its proceeds were used to lengthen the debt profile of the Corporation ("Second Issue"). In March 2014, the Corporation concluded the re-tap of its Senior Notes linked to the Second Issue in the aggregate amount of US$275 million ("Additional Notes"). The Additional Notes were consolidated into a single series with the Senior Notes of the Second Issue, with coupon of 9.50% p.a. (yield of 9.43% p.a. for the issue). The additional notes were assigned foreign currency risk ratings of B2 by Moody's and B by Standard & Poor's and Fitch. The issue of Additional Notes issue is guaranteed by Marfrig Global Foods. S.A. and its subsidiary Marfrig Holdings (Europe) B.V. On October 28, 2015, Marfrig Global Foods S.A. announced the conclusion of a cash tender offer for the Senior Notes issued by Marfrig Overseas Ltd., with the principal amount of US$94.5 million of the 2020 Senior Notes, or approximately 12.20% of the notes outstanding, duly offered under the terms of the Joint Tender Offer. The holders of the 2020 Senior Notes tendered received US$980.00 for each US$1,000.00 in principal of the notes, which includes the prepayment of US$30.00 plus any accrued and unpaid interest through the settlement date;

  In April 2016, the Corporation announced the repurchase and cancellation of notes in the aggregate amount of US$10.7 million through purchases made in the market between October 2015 and February 2016.

  In May 2016, based on the conclusion of the eighth operation, the Corporation repurchased the principal amount of approximately US$185.0 million, or 27.62% of the remaining outstanding Notes of the Second Issue.

  In March 2017, based on the conclusion of the ninth operation, the Corporation repurchased the principal amount of approximately US$280.3 million, or 57.84% of the remaining outstanding Notes of the Second Issue.

  In May 2017, the Corporation repurchased the outstanding principal of US$204,4 million of the Senior Notes maturing in 2020, and paying interest of 9.500% p.a.

- The third operation was concluded in May 2011 and comprised the issue by Marfrig Holdings (Europe) B.V. of US$750 million in Senior Notes, with a coupon of 8.375% p.a., semiannual interest payment beginning in November 2011 and maturity of principal in 7 years (May 2018), which were assigned foreign currency risk ratings of B1 by Moody's and B+ by Standard & Poor's and Fitch. The operation was guaranteed by Marfrig Global Foods S.A. and Marfrig Overseas Limited and the proceeds were used to lengthen the debt profile of the Corporation and to strengthen its working capital ("Third Issue"). On October 28, 2015, Marfrig Global Foods S.A. announced the conclusion of a cash tender offer for the Senior Notes issued by Marfrig Holdings (Europe) B.V, with the principal amount of US$150.8 million of the 2018 Senior Notes, or approximately 20.81% of the notes outstanding, duly offered under the terms of the Joint Tender Offer. The holders of the Senior Notes tendered received US$937.50 for each US$1,000.00 in principal of the notes, which includes the prepayment of US$30.00 plus any accrued and unpaid interest through the settlement date;

  In April 2016, the Corporation announced the repurchase and cancellation of notes in the aggregate amount of US$6.9 million through purchases made in the market between October 2015 and February 2016.

  In May 2016, based on the conclusion of the eighth operation, the Corporation repurchased the principal amount of approximately US$285.2 million, or 50.29% of the remaining outstanding Notes of the Third Issue.

  In March 2017, based on the conclusion of the ninth operation, the Corporation repurchased the principal amount of approximately US$66.0 million, or 23.44% of the remaining outstanding Notes of the Third Issue.

- The fifth operation was concluded in September 2013 and comprised the issue by Marfrig Holdings (Europe) B.V. of US$400 million in Senior Notes, with a coupon of 11.25% p.a., semiannual interest payments beginning in March 2014 and maturity of the principal in 8 years (September 2021), which were assigned foreign currency risk ratings of B2 by Moody's and B by Standard & Poor's and Fitch. This operation was guaranteed by Marfrig Global Foods S.A. and Marfrig Overseas and the proceeds were used to lengthen the debt profile of the Corporation and to strengthen its working capital ("Fifth Issue"). Also in connection with the Fifth Issue, the Corporation carried out a consent solicitation and tender offer to acquire the Bonds of the First Issue, which mature in 2016.

  In March 2014, in connection with the Additional Notes of the Second operation, the Corporation carried out a tender offer to acquire the Bonds of the Fifth Issue, maturing in 2021. Based on the conclusion of this offering, the Corporation repurchased Bonds in the approximate amount of US$57.1 million or 14.28% of the outstanding Bonds of the Fifth Issue.

  In June 2014, in connection with the Seventh Issue, the Corporation carried out a tender offer together with a consent solicitation, for 2021 Bonds of the Fifth Issue. Based on the conclusion of these offers, the Corporation repurchased a total principal amount of about (i) US$291.5 million, or 85.03% of the outstanding Notes of the Fifth Issue. As a result of the early tender offer, the Fifth Issue was amended through a complementary indenture that set forth, among other things, the elimination of virtually all the covenants in the Indenture.

  On September 29, 2015, Marfrig Holdings (Europe) B.V. announced the cash tender offer for Senior Notes from the Fifth Issue, in the aggregate principal of US$51.3 million ("Offer I").

  On October 28, 2015, Marfrig Global Foods S.A. announced the conclusion of a cash tender offer for the Senior Notes issued by Marfrig Holdings (Europe) B.V, with the principal amount of US$22.2 million of the 2021 Senior Notes, or approximately 43.30% of the notes outstanding, duly offered under the terms of the Joint Tender Offer. The holders of the 2021 Senior Notes

tendered received US$970.00 for each US$1,000.00 in principal of the notes, which includes the prepayment of US$30.00 plus any accrued and unpaid interest through the settlement date;

In April 2016, the Corporation announced the repurchase and cancellation of notes in the aggregate amount of US$1.3 million through purchases made in the market between October 2015 and February 2016.

- The seventh operation was carried out in June 2014 and comprised the issue by Marfrig Holdings (Europe) B.V. of US$850 million in Senior Notes, with a coupon of 6.875% p.a., semiannual interest payments starting in December 2014 and maturity of the principal in 5 years (June 2019), which were assigned foreign currency risk ratings of B2 by Moody's and B by Standard & Poor's. This operation was guaranteed by Marfrig Global Foods S.A. and Marfrig Overseas Ltd., with the proceeds used to reduce the cost and lengthen the profile of debt ("Seventh Issue").

  On September 29, 2015, Marfrig Holdings (Europe) B.V. and Marfrig Overseas Limited also announced the cash tender offer for Senior Notes from the Seventh Issue ("Offer II") and the Third Issue ("Offer III"), both issued by Marfrig Holdings (Europe) B.V.; and by Marfrig Overseas, for the Second Issue ("Offer IV"), Offer II, Offer III and Offer IV in the total amount of up to US$500 million, with the possibility of increasing the offer by up to US$150 million. Offer I, Offer II, Offer III and Offer IV, jointly referred to as "Offers;"

  On October 28, 2015, the Corporation notified the market of the settlement of the Cash Tender Offers for Senior Notes, and total principal amount of R$406.5 million was accepted for acquisition and paid under the terms of the Tender Offers of September 29, 2015 and October 14, 2015. Of this amount, the Corporation settled US$138.9 million maturing 2019, issued by the subsidiary Marfrig Holdings (Europe) B.V.
  In April 2016, the Corporation announced the repurchase and cancellation of notes in the aggregate amount of US$50.7 million through purchases made in the market between October 2015 and February 2016.

- The eighth operation was concluded in June 2016 and comprised the issue by Marfrig Holdings (Europe) B.V. of US$750 million in Senior Notes, with a coupon of 8.00% p.a. and yield of 8.25% p.a., semiannual interest payments beginning in December 2016 and maturity of the principal in 7 years (June 2023), which were assigned foreign currency risk ratings of B2 by Moody's and B+ by Standard & Poor's ("S&P"). This operation was guaranteed by Marfrig Global Foods S.A. and Marfrig Overseas and the proceeds were used to reduce costs and lengthen the debt profile of the Corporation ("Eighth Issue").

  On June 29, 2016, Marfrig Global Foods S.A. announced an additional issue of Senior Notes in connection with the Eighth Issue, in the aggregate amount of US$250 million. The Additional Notes due on June 8, 2023 were issued with yield of 7.625% p.a. and were assigned foreign-currency credit-risk ratings of "B2" by Moody's and "B+" by Fitch Ratings, both with a positive outlook. The transaction carried out in late June was settled in July 2016.

- The ninth operation was concluded in March 2017 and comprised the issue by MARB BondCo PLC of US$750 million in Senior Notes, with a coupon of 7.0% p.a. and semiannual interest payments beginning in September 2017 and maturity of the principal in 7 years (March 2024), which were assigned foreign currency risk ratings of B+ by Standard & Poor's ("S&P") and BB- by Fitch Ratings. This operation was guaranteed by Marfrig Global Foods S.A., Marfrig Overseas Limited and Marfrig Holdings (Europe) B.V. and the proceeds were used to reduce costs and lengthen the debt profile.

20.2. Guarantees for loans and financing:

	Parent		Consolidated	
	6/30/17	12/31/16	6/30/17	12/31/16
Balance of financing	703,869	1,081,976	12,136,205	10,893,838
Guarantees:				
Promissory notes	-	195,692	1,444	197,136
Trade notes	22,011	42,978	22,011	42,978
Bank guarantee	99,630	104,043	99,630	107,719
Surety	272,942	339,826	395,236	480,567
Leased asset	43	63	43	63
Export document	-	-	65,633	60,843
Facilities	-	-	7,390	-
Marketable securities	3,333	5,358	3,333	5,358
Mortgage	-	-	2,377,944	60,752
Credit letter	-	-	147,094	-
No guarantees	305,910	394,016	9,016,447	9,938,422

20.3. Covenants

The loan agreements are ruled by covenant of 4.75 times, in its most restrictive form, in relation to consolidated indebtedness level, as maximum quotient of Net Debt/annualized (last 12 months) EBITDA ratio.

The schedule of maturities is presented in note 21.

The penalty for breach of this covenant is the same as generally applied in the financial markets, which is the early maturity of the debt, which is then reclassified as current liabilities.

The leverage ratio is calculated as follows:

	6/30/17
Consolidated gross debt	12,136,205
(-) Consolidated cash and cash equivalents	5,435,944
Consolidated net debt	6,700,261
LTM EBITDA in the period ended June 30, 2017	1,272,575
EBITDA ratio	5.27
Consolidated net debt	6,700,261
(-) Effect from exchange variation (carve-out)	897,311
Consolidated adjusted net debt	5,802,950
Leverage ratio	4.56

In accordance with note 35.6 – Liquidity risk and capital management, due to the contractual provisions (carve-out) that allow the exclusion of foreign exchange variation effects from the calculation of leverage ratio (net debt/EBITDA LTM), the Corporation clarifies that based on this methodology, the current leverage ratio (net debt/EBITDA LTM) stood at 4.56.

21. Debentures payable and interest on debentures

	Parent		Consolidated	
	6/30/17	12/31/16	6/30/17	12/31/16
Debentures payable	570,000	570,000	-	-
(-) Cost with debenture issue	(94)	(65)	-	-
Interest on debentures	39,584	343,146	-	301,839
(-) Withholding income tax on debenture interest	-	(45,276)	-	(45,276)
	609,490	867,805	-	256,563
Current Liabilities - Interest on debentures	39,525	297,870	-	256,563
Non-Current Liabilities - Debentures payable	569,965	569,935	-	-

The Corporation, with assistance from its financial advisors, structured during the second quarter of 2013, an issue of non-convertible debentures maturing on January 22, 2019 in the amount of R$570,000. This operation formalized the process of internalizing a portion of the financial resources derived from the Senior Notes issued by its subsidiary Marfrig Holding Europe BV in January 2013. The operation was structured in such a way as to not affect the Corporation's consolidated statements.

The Corporation does not have a renegotiation clause for the debentures, and therefore it does not believe on the need to report the information required under item 18.4.1 of Circular Letter/CVM/SNC/SEP no. 01/07 in the notes to the financial statements.

Interest due on mandatorily convertible debentures was also accrued as of December 31, 2016 as per note 24.

Debt, debentures and interest on debentures were as follows:

	Parent		Consolidated	
	6/30/17	12/31/16	6/30/17	12/31/16
Local currency				
Loans and financing	297,106	388,411	312,915	407,184
Interest on debentures	39,584	297,870	-	256,563
Debentures payable	569,906	569,935	-	-
	906,596	1,256,216	312,915	663,747
Foreign currency				
Loans and financing	406,763	693,565	11,823,290	10,486,654
	406,763	693,565	11,823,290	10,486,654
	1,313,359	1,949,781	12,136,205	11,150,401

Loans and financing fall due and pay interest as follows:

	Parent		Consolidated	
	6/30/17	12/31/16	6/30/17	12/31/16
2017	360,091	1,120,887	754,101	1,454,602
2018	383,278	258,933	1,161,023	1,221,747
2019	569,977	569,948	2,197,152	2,131,263
2020	12	12	1,073,780	1,906,145
2021	1	1	86,685	84,608
2022	-	-	1,223,938	1,205,773
2023	-	-	3,204,168	3,146,263
2024	-	-	2,435,358	-
Total	1,313,359	1,949,781	12,136,205	11,150,401

22. Lease payable

The Corporation is a lessee in various agreements, classified as operating or finance leases.

22.1. Finance lease

According to NBC TG 06/R2 (CVM Resolution 645/10) – commercial leasing, finance lease operations are now recognized under the Corporation's current and non-current liabilities, with an offsetting entry of the leased asset recorded in property, plant and equipment, according to note 14, while financial leasing operations are guaranteed by the leased assets themselves:

	Parent					
Credit facility	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance on 6/30/17	Future payments 6/30/17	Balance on 12/31/16
Domestic currency						
Finance lease of vehicles	CDI + Rate	7.79%	1.60	172	141	42
Finance lease of IT equipment	CDI + Rate	14.53%	1.30	1,543	1,416	4,336
Finance lease of machinery and equipment				-	-	293
Interest payable				(373)	-	(887)
APV financial lease				(158)	-	(312)
Total domestic currency				1,184	1,557	3,472
Total Parent Company				1,184	1,557	3,472
Current liabilities				850		2,808
Non-current liabilities				334		664

		Consolidated				
Credit facility	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance on 6/30/17	Future payments 6/30/17	Balance on 12/31/16
Domestic currency						
Finance lease of vehicles	CDI + Rate	7.79%	1.60	172	141	42
Finance lease of IT equipment	CDI + Rate	14.53%	1.30	1,543	1,416	4,336
Finance lease of machinery and equipment				-	-	293
Interest payable				(373)	-	(887)
APV of financial lease				(158)	-	(312)
Total domestic currency				1,184	1,557	3,472
Foreign currency						
Finance lease of machinery and equipment	Rate	3.31%	3.20	30,963	32,680	35,024
Total foreign currency				30,963	32,680	35,024
Total Consolidated				32,147	34,237	38,496
Current liabilities				10,277		11,936
Non-current liabilities				21,870		26,560

According to NBC TG 12 (CVM Resolution 564/08) – present value adjustment, finance lease payable was discounted to present value.

Lease contracts fall due as follows:

	Parent		Consolidated	
	6/30/17	12/31/16	6/30/17	12/31/16
Domestic currency				
Up to one year	850	2,808	850	2,808
From one to five years	334	664	334	664
Total domestic currency	1,184	3,472	1,184	3,472
Foreign currency				
Up to one year	-	-	9,427	9,128
From one to five years	-	-	21,536	25,896
Total foreign currency	-	-	30,963	35,024
Total	1,184	3,472	32,147	38,496

The schedule for future payments of the finance lease is as follows:

	Parent		Consolidated	
	6/30/17	12/31/16	6/30/17	12/31/16
Domestic currency				
Up to one year	1,121	3,516	1,121	3,516
From one to five years	436	842	436	842
Total domestic currency	1,557	4,358	1,557	4,358
Foreign currency				
Up to one year	-	-	10,303	10,139
From one to five years	-	-	22,377	31,147
Total foreign currency	-	-	32,680	41,286
Total	1,557	4,358	34,237	45,644

22.2. Operating lease

Operating lease as at June 30, 2017 is as follows:

Parent						
Financial institution	Leased asset	Start date	Weighted average interest rate (p.a)	Weighted average maturity (years)	Total amount leased	Expense at 6/30/17
	Local currency					
LEONI EMPREEND IMOBIL	Meatpacking plant	1/1/14	IGP-M year	2.50	2,520	283
BRASIL FOOD SERV. GROUP .SA BFG	Meatpacking plant	10/1/14	IGP-M year	2.42	70,848	7,390
URUPA IND E COM DE ALIM LTDA	Meatpacking plant	10/1/15	IGP-M year	3.33	19,800	1,874
TOTAL S/A	Meatpacking plant	7/1/16	IGP-M year	4.67	105,860	7,946
	Total local currency				199,028	17,493
	Total Parent Company				199,028	17,493

Consolidated						
Financial institution	Leased asset	Start date	Weighted average interest rate (p.a)	Weighted average maturity (years)	Total amount leased	Expense at 6/30/17
	Local currency					
LEONI EMPREENDIMENTOS IMOB.	Meatpacking plant	1/1/14	IGP-M year	2.5	2,520	283
BRASIL FOOD SERV. GROUP .SA BFG	Meatpacking plant	10/1/14	IGP-M year	2.4	70,848	7,390
URUPA IND E COM DE ALIM LTDA	Meatpacking plant	10/1/15	IGP-M year	3.3	19,800	1,874
TOTAL S/A	Meatpacking plant	7/1/16	IGP-M year	4.7	105,860	7,946
	Total local currency				199,028	17,493
	Foreign currency					
Bank of America	Aircraft	4/15/11	6.60%	1.5	102,554	3,599
Sundry leasers	Land and buildings	1/18/17	Fixed term	8.5	434	10,016
Sundry leasers	Land and buildings	6/27/17	Fixed term	5.6	288,166	16,181
Sundry leasers	Land and buildings	2/25/17	Fixed term	4.4	46,259	3,657
Sundry leasers	Land and buildings	11/1/16	Fixed term	0.0	-	16
	Total foreign currency				437,413	33,469
	Total Consolidated				636,441	50,962

The balance of the operating lease payable falls due as follows:

	Parent	Consolidated
	6/30/17 (at present value)	6/30/17 (at present value)
Domestic currency		
Up to one year	23,376	23,376
From one to five years	53,107	53,107
Total domestic currency	76,483	76,483
Foreign currency		
Up to one year	-	73,084
From one to five years	-	157,457
Over 5 years	-	147,202
Total foreign currency	-	377,743
Total	76,483	454,226

The operating leases the Corporation enters into have no restrictions or contingencies, follow market practices and include, in some cases, price adjustment clauses during their effective term.

The value of the leased assets is calculated at total definitive cost, which includes costs of transportation, taxes and documentation. Finance lease obligations are calculated on the total definitive cost, by applying a predefined percentage for each agreement.

In the event of termination, the lessor will have the option of cumulatively: (i) unilaterally cancelling all rights arising from the lease agreement; (ii) claiming the return of the leased goods; and (iii) accelerating the maturity of the lease agreement. In that case, the lessee undertakes to pay unsettled debts, including installments overdue and falling due, besides possible outstanding expenses, taxes and charges, plus a fine of 10% on the debt balance. The lessee, without prejudice to the lessor, may file a claim for damages.

In relation to the renewal option, the lessee should previously communicate their intention to renew the lease agreement, otherwise the renewal is automatic, the conditions of which should be agreed upon between the parties. In the event the parties do not reach an agreement, the lessee should opt for purchasing the goods at market value or returning them.

23. Notes payable

	Parent		Consolidated	
	6/30/17	12/31/16	6/30/17	12/31/16
Notes payable for investments in Brazil (a)	431,112	431,230	431,112	431,230
Notes payable - Sponsorships (b)	279,813	314,169	348,469	405,473
Market transactions payable (c)	9,618,741	8,780,070	-	-
Other	20,788	23,788	21,170	24,165
	10,350,454	9,549,257	800,751	860,868
Current liabilities	329,733	306,056	373,090	372,607
Non-current liabilities	10,020,721	9,243,201	427,661	488,261

(a) The amount refers primarily to the acquisition of all shares in Mercomar Empreendimentos e Participações Ltda., as described in Note 13.4 to the financial statements for the fiscal year December 31, 2016.

(b) In the note 35, we break down financial instrument operations practiced by the Corporation. The Corporation and its subsidiaries are subject to market risks related to foreign exchange variations, interest rates fluctuations and commodities prices variations. These represent the amount of derivatives payable.

(c) The breakdown of balance can be seen in note 10.1 and 10.2.

24. Mandatory deed convertible into shares

According to the "Indenture for the Second Issue of Debentures Convertible into Shares of (Mandatory Deed) Marfrig Global Foods S.A.", the Corporation issued two hundred and fifty thousand (250,000) debentures, mainly convertible into shares, with unit par value of R$10, amounting to R$2,500,000. The Mandatory Deed was issued on July 15, 2010 through private subscription, with maturity within 60 months, annually restated at the interest rate at 100% of the accumulated variation of average interbank deposit rates of a day, plus spread of one per cent (1%). On December 31, 2016, remuneration of the Mandatory Deed was recognized as current liabilities and collateralized by a bank guarantee provided by Banco Itaú BBA S.A. All two hundred and fifty thousand (250,000) debentures were subscribed on various dates during, and the main debenture holder is BNDES Participações S.A.

As defined in said Indenture and except for the cases of voluntary conversion, the conversion price will be lower than the following items: (i) R$21.50, plus the percentage of interest paid to debenture holders over the par value of the issues, less earnings distributed to each share, both restated at CDI as from the actual payment, in the case of interest on debentures, or the date of debentures less earnings, in the case of earnings, until the conversion date; and (ii) the higher between the market price and R$24.50, the latter without adjustment for earnings in cash or monetary restatement.

The Corporation, based on the essence of the operation (equity) and on the characteristics thereof, initially recorded the Mandatory Deed (principal) as Capital Reserve, under Shareholders' Equity. However, the Securities and Exchange Commission of Brazil (CVM), through Official Letter CVM/SEP/GEA-5/no. 329/2012 dated October 10, 2012, stated its opinion of this instrument and ordered: (i) the accounting reclassification of the Mandatory Deed; and (ii) the re-filing of the 2011 financial statements with comparisons to the 2010 financial instatements.

The Corporation abided by the order of the CVM, proceeding with the full reclassification of the Mandatory Deed to the specific accounting line non-current liabilities. The previous method of accounting was based on accounting and legal opinions issued specifically regarding this matter.

Said reclassification does not affect any terms and conditions of the Mandatory Deed and there is no effect on the financial indebtedness of the Corporation, on the servicing of its debt or on its financial covenants, since, unlike others items under the liabilities of the Corporation, the Mandatory Deed may not be liquidated into cash or cash equivalents, but only into common shares issued by the Corporation.

The Corporation spent R$12,328 to issue the Mandatory Deed, which was initially recorded as a valuation allowance to the Capital Reserve account. The surety was renewed annually bringing the expenses with the issue of the Mandatory Deed to R$41,180 on June 30, 2014. These expenses were also reclassified under non-current liabilities, as a deduction from the account "Mandatory Deed Convertible into Shares". As determined by the Corporation, the value started to be amortized on a monthly basis.

Because of the paying in of such debentures made by BNDES Participações S.A., MMS Participações Ltda. and BNDES Participações S.A. have entered into a Shareholders' Agreement with the purpose of regulating the relationship between the parties as shareholders of Marfrig Global Foods S.A.

On February 5, 2013 the Corporation conducted a capital increase, within the authorized limit due to the conversion of thirty-five thousand (35,000) debentures from the 2nd Issue of Convertible Debentures of the Corporation that were held by BNDES Participações S.A. – BNDESPAR into forty-three million and seven hundred fifty thousand (43,750,000) common shares issued by the Corporation, in accordance with Item III.16.11 of the "Private Deed of the 2nd Issue of Debentures Convertible Into Shares of Marfrig Global Foods S.A." that was entered into by the Corporation and Planner Trustee DTVM Ltda. on July 22, 2010, and as per the Material Fact published on October 24, 2012.

The Shares resulting from the conversion have the same characteristics and conditions and enjoy all of the same rights and advantages ascribed by law and by the bylaws that are attributed to the existing common shares issued by the Corporation.

As a result of the abovementioned conversion of debentures, there was a material increase in the ownership interest held by the shareholder BNDESPAR, which now holds common shares representing 19.63% of the Share Capital of the Corporation.

On January 6, 2014, the Board of Directors of the Corporation approved the submission to the Meeting of Shareholders of the proposal for Fifth (5th) Issue of Unsecured Convertible Debentures in a Single Series in the aggregate amount of R$2,150,000 (5th Issue of Convertible Debentures of the Corporation).

On January 22, 2014, the shareholders of the Corporation, assembled in an Extraordinary Shareholders' Meeting, approved said Firth Issue of Convertible Debentures of the Corporation in the aggregate amount of R$2,150,000, in a single series, upon the issue of 215,000 thousand debentures at the unit face value of R$10, restated by an interest rate corresponding to 100% of the cumulative variation in the average overnight rate for one day, plus a spread of one percent (1%). The interest was paid annually on the following dates: January 25, 2015, January 25, 2016; with the last payment date coinciding with the maturity date, on January 25, 2017. The Fifth Issue had the objective, within the limits of its indenture, of fully redeeming the debentures of the Second Issue of Convertible Debentures of the Corporation.

Likewise, the debentures of the Fifth Issue of Convertible Debentures of the Corporation are mandatorily convertible into shares of the Corporation on the Maturity Date, with the conversion price corresponding to the lowest of the following amounts: (i) R$21.50, restated annually by an interest rate corresponding to the overnight rate plus one percent (CDI+1%), less any and all payments received by shareholders (dividends or interest on equity); or (ii) the highest between the market price, as defined in the indenture as the weighted average market price of MRFG3 stock quoted in the spot market of the BM&FBovespa in the sixty (60) trading sessions immediately prior to the conversion date, and R$21.50 (without adjustment for cash dividends or monetary restatement).

On March 17, 2014, the Corporation released a Notice to the Market announcing the conclusion of the issue and subscription of its Fifth Issue of Convertible Debentures, with the subscription of 214,955 Debentures, with unit face value of R$10, as per the information received from the agent bank Itaú Unibanco S.A., and that 45 unsubscribed debentures were canceled by the Corporation.

On March 28, 2014, the Corporation published a Notice to the Market informing that, as decided in the Meeting of Debenture Holders of the Second Issue of Convertible Debentures of the Corporation, held on January 22, 2014, of a total of 215,000 debentures of the Second Issue: a) 214,900 were used by the respective debenture holders to pay up the debentures of the Fifth Issue of Convertible Debentures of the Corporation; and b) 100 outstanding debentures were fully redeemed, on the date hereof, which resulted in the cancelation of all 215,000 debentures of the Second Issue of Convertible Debentures of the Corporation and the consequent conclusion of said Second Issue of Debentures.

On January 25, 2017, the mandatory deeds held by BNDES were fully converted, and on January 26, 2017, Marfrig Global Foods informed its shareholders and the general market that, due to the final maturity of the 214,955 debentures were converted into 99,979,068 common shares. The shares were deposited at the depositary institution to be delivered to debenture holders. Within the same period, the respective amount corresponding to share fractions resulting from the conversion of Debentures, calculated in accordance with the Indenture, will be credited to the Debenture holders, in legal tender. The price per share to be considered for payment of share fractions is R$21.50, and additional financial costs of R$ 83.3 million. The newly issued shares will have the same characteristics and conditions and be entitled to all the rights and benefits attributed by the Bylaws, now and in the future, to the common shares issued by the Corporation, including full rights to any distribution of dividends and/or interest on equity capital that may be announced by the Corporation after the ratification of the capital increase.

On February 2, 2017, the Corporation announced that it received correspondence from BNDES Participações S.A. ("BNDESPAR"), in its capacity as shareholder of Marfrig, informing the increase in its relevant interest in the Corporation. The Corporation informs that, due to the mandatory conversion of debentures issued in accordance with the Private Indenture of the 5th Issue of Convertible Debentures, BNDESPAR now holds an equity interest corresponding to 32.54% of the capital of Corporation, or 202,152,194 shares out of the total of 621,279,822 common shares that currently form the share capital of the Corporation on said date, in accordance with the Issue Indenture. It further states that, on said date, BNDESPAR was a signatory to the Shareholders' Agreement of the Corporation, executed on August 5, 2010. The aforementioned interest does not seek to change the composition of the controlling group or the administrative structure of Marfrig Global Foods S.A.

25. Tax, labor and civil contingencies

25.1 Provisions

The Corporation and its subsidiaries are involved in several civil, administrative, tax, social security and tax proceedings, in the ordinary course of business, for which provisions based on legal counsel's estimates have been set up. The principal information about these proceedings is presented below:

	Parent		Consolidated	
	6/30/17	12/31/16	6/30/17	12/31/16
Labor and social security	44,118	42,292	51,380	52,931
Tax	1,758	1,758	1,758	1,758
Civil	33,586	32,941	33,698	33,050
	79,462	76,991	86,836	87,739

The following table shows the changes in provisions in the period ended June 30, 2017:

	Parent				Consolidated			
	Labor and social security	Tax	Civil	Total	Labor and social security	Tax	Civil	Total
Balance on December 31, 2016	42,292	1,758	32,941	76,991	52,931	1,758	33,050	87,739
Addition	2,386	-	1,453	3,839	3,452	-	1,456	4,908
Reversal	(560)	-	(808)	(1,368)	(599)	-	(808)	(1,407)
Gain/loss from translation	-	-	-	-	(117)	-	-	(117)
Reclassification - held for sale	-	-	-	-	(4,287)	-	-	(4,287)
Balance on June 30, 2017	44,118	1,758	33,586	79,462	51,380	1,758	33,698	86,836

25.1.1. Labor and social security

As at June 30, 2017, the Corporation and its subsidiaries are parties to various labor claims. Based on the Corporation's and its subsidiaries' payment history, a provision of R$51,380 was set up. In the opinion of the Management and legal counsel, this provision is sufficient to face probable losses. Most of the labor claims filed against the Corporation and its subsidiaries refer to matters usually questioned in this industry, such as dismissal for just cause, preparation time, breaks for personnel who work in refrigerated environments, commuting time and ergonomic risk, among others. The Management of the Corporation believes no individual labor claim is relevant.

25.1.2. Tax

The Corporation accrues provisions for tax contingencies as a reserve for risks not incurred in the amount of R$1,758.

25.1.3. Civil

Based on the opinion of legal advisors, the Management recognized on June 30, 2017 a provision for the amount of shares considered to be of probable risk, totaling R$33,698 The civil suits of the Corporation and its subsidiaries involve disputes typically related to business agreements and indemnities. The early terminations include the agreement for sponsorship of the Brazilian National Football Teams entered into with the Brazilian Football Confederation (CBF).

25.2 Contingent liabilities

Contingent liabilities, which are not recorded in the books of account, according to prevailing legislation, are shown below:

	Parent		Consolidated	
	6/30/17	12/31/16	6/30/17	12/31/16
Labor and social security	135,987	223,074	137,211	225,619
Tax	1,686,347	1,416,072	1,688,472	1,418,198
Civil	813	881	813	881
	1,823,147	1,640,027	1,826,496	1,644,698

25.2.1 Labor and social security

The labor and social security lawsuits in which the Corporation and its subsidiaries are parties typically involve issues usually claimed in the segment, such as dismissal without cause, preparation time, breaks for persons working in refrigerated environments, overtime, ergonomic hazards and others, which are individually insignificant.

25.2.2 Tax

The main tax matters discussed at court that in the opinion of the Management and legal counsel are rated as possible losses for the Corporation and its subsidiaries is presented below.

a) Federal Taxes and Contributions

As at June 30, 2017, the Corporation was a party to administrative proceedings and court claims filed by the Federal Government at the total historical value of R$947,805, claiming:

(i) Deduction of ICMS from PIS and COFINS tax bases. This last lawsuit refers to a refund request at the historical value of R$68,552, for which a provision was not accrued, given that according to the opinion of the legal counsel, they are considered only possible losses. The Corporation has filed administrative defenses that are pending final judgments and allege non-enforceability due to miscalculation of their tax bases, and that inspectors estimated the amounts according to assumptions;

(ii) Income and Social Contribution Taxes due to measurement of profits of foreign subsidiaries at the historical amount of R$37,279, which is the subject-matter of the administrative defense under the allegation of failure to comply with the accrual basis principle, the non-constitutionality of law provision (Article 74 of Provisional Measure 2158-35/2011) and infringement of dual taxation treaties signed by Brazil, where also no provision was recorded in view of the possible chance of loss;

(iii) Income and Social Contribution Taxes - Failure to accrue in net income when determining the taxable base, as well as in the CSLL calculation base, the income from branches, subsidiaries or affiliated companies determined for fiscal year 2008 in the historical amount of R$38,094. An administrative defense was presented. It is important to note that because this does not involve a tax credit, but rather the disallowance of a tax loss and negative calculation base for CSLL, the effect on deferred assets is the amount indicated in the proceeding;

(iv) No increase in taxable income and CSLL base for profits earned abroad in calendar year 2009, disallowance of goodwill amortization and non-subjection to tax of interest from loan agreements in force with subsidiaries abroad, in the historical amount of R$83,910. An administrative defense was submitted.

(v) Disallowance of the negative balance of income tax (IRPJ) for 2008, with partial approval of the offsets made, due to the non-recognition of a portion of the credit a debit was created in the historical amount of R$24,980, against said disallowance a statement of nonconformance was presented so that the entire credits of the Corporation could be recognized;

(vi) Disallowance of the negative balance of income tax (IRPJ) for 2007, whose disallowances of offsets make up a debit in the historical amount of R$37,337, which arose from the supposed utilization of improper credit to settle the monthly estimates of the elements that cause the negative balance;

(vii) Disallowance of amounts deducted from the calculation base of income and social contribution taxes as interest on equity, and disallowance as RTT of the amounts "adjustment to present value," "share issue expenses,", "goodwill amortization," "biological assets," "financial transaction costs" and "business combination," in the historical amount of R$84,633;

(viii) The Corporation has a tax deficiency notice related to the requirement of additional contribution to SENAI in the historical amount of R$689. Said action is awaiting analysis of the appeal and export report presented by the company;

(ix) The Corporation has a tax deficiency notice related to the requirement of additional contribution to SENAI in the historical amount of R$1,213, for alleged error in taxing the activities of its establishments;

(x) The Corporation has a tax deficiency notice in the amount of R$1,487 filed due to alleged insufficient non-cumulative credits of PIS/Cofins taxes in domestic and export markets (first quarter of 2010 to second quarter of 2011), to cancel the PIS/Cofins dues declared in Dacon. The objection submitted required the suspension of judgment of the objection until the final analysis of each of the reimbursement requests, which will prove the existence of credits;

(xi) The Corporation has administrative proceedings associated with federal tax credits offset against social security debts, in the amounts of R$7,144 and R$2,659, respectively. The companies are party to a court action discussing their right to the offset;

(xii) The Corporation and its subsidiary Pampeano have federal tax debts, whose collection suits are individually immaterial, totaling R$142,460;

(xiii) The Corporation is facing Tax Foreclosure that seeks to collect social security debt for the period from December 2013 to November 2014, in the historical amount of R$345,522. Despite the proceeding, there is a request for settlement of the debt through the use of tax credits based on a decision made in a specific legal claim, which recognized this right, and a portion of the liabilities that form such foreclosures (services rendered by cooperative members through work cooperatives and FUNRURAL) cannot be recorded as overdue tax liabilities, since a final and unappealable decision has already been granted in favor of the companies regarding the liabilities related to the services contracted from the cooperative, while other rulings have also required the suspension of collections related to FUNRURAL;

(xiv) The Corporation is party to Federal Tax Foreclosure, in the historical amount of R$3,801, in which it was attributed joint and several liability for the alleged succession, regardless of the discussion of succession, there is a preliminary discussion regarding the time barring of the Treasury right to redirect the demand against Marfrig.

The Corporation joined the tax installment payment program envisaged by Law 12,996/14, which reopened the period for joining the tax installment payment program provided for by Law 11,941/09, granting the prerogative to taxpayers that pay their overdue debits in installments by December 31, 2013 – World Cup REFIS. The following debits were subject to such installment payments: i) social security contributions, ii) arising from settlements not ratified; and iii) Import PIS/COFINS, whose amounts are mentioned in note 19 – Taxes, rates and contributions.

Said adhesion was made effective with tax credits approved and available, which were duly backed by a court ruling on September 30, 2014.

Pampeano also adhered to the installment payments program provided for by Law 12,966/14, which reopened the period for joining the tax installment payment program provided for by Law 11,941/09, granting the prerogative to taxpayers who pay their overdue debits in installments by December 31, 2013 – World Cup REFIS. Debits subject to the adhesion refer to social security contributions, whose amounts are mentioned in note 19 – Taxes, rates and contributions.

(xv) The Corporation has Tax Deficiency Notices amounting to R$68,045, related to the requirement to pay a fine of 50% for alleged lack of payment of Social Contribution and Income Tax on the calculation base of the monthly estimate. The notice was due to the fact that the Federal Revenue Service did not ignore the rectifying DCTF's submitted by the company within the legal deadline.

b) State VAT – ICMS

On June 30, 2017, the Corporation had administrative proceedings, and court claims in the historical amount of R$739,947, claiming the following:

(i) The discussions on ICMS involving the Corporation in administrative proceedings filed by the Finance Departments of the States of São Paulo, Goiás, Bahia, Rio Grande do Sul, Rondônia and Ceará that question the credits from the transfer of goods, the allocation of presumed tax credit arising from slaughtering activities, non-fulfillment of ancillary obligations, wrong issuance of invoices, credit granted and non-payment of ICMS ST, claimed credit of ICMS in the acquisition of Beef cattle from another state, alleged shipment of goods supported by irregular invoices, requirement of ICMS tax payment, due to the understanding by tax authorities that the Corporation is not entitled to the tax benefit, due to the indication of alleged debits, failure to recognize the special tax regime of the Corporation in the state of Mato Grosso, leading to the requirement to pay ICMS tax upon entrance of goods into said state, lack of proof of export of goods, which amount to the historical value of R$62,480. Of this amount, R$13,226 was the subject of a court claim related to the credit granted by the State Government of São Paulo, praying for interlocutory relief against its enforceability;

(ii) The Corporation is challenging the collection imposed for the lack of supporting documentation to prove the entrance of goods through the Free-Trade Zone of Manaus, at the historical value of R$969.

(iii) In the State of Mato Grosso, the actions refer to the disregard of the tax regimen established with the State, the absence of issuance of electronic invoice, irregular issue of tax document and export evidence corresponding to R$3,751.

(iv) The most significant proceedings regarding ICMS were filed by the Finance Department of the State of São Paulo claiming amounts related to deemed credit taken on transfer invoices of goods sent by the branches located in the states of Mato Grosso do Sul and Goiás to the branches in the State of São Paulo, that is, a "Tax War". The assessed amounts correspond to the difference between the amount separately identified in the goods receiving documents at the distribution center and that paid to the State of origin. The total historical amount claimed in these proceedings is R$548,676;

(v) The Corporation has a Tax Deficiency Notice regarding the charge of ICMS debits, issued by the Tax Authority of the State of São Paulo for alleged non-payment of ICMS-ST for inbound goods acquired from rural agricultural producers, submission of GIA with incorrect information, alleged undue credits granted in a higher amount than that established by law, failure to reverse ICMS credits arising from exempt shipments and non-payment of ICMS for exports outside the period set by law, in the historical amount of R$6,013;

(vi) It also received Tax Deficiency Notices discussing the collection of ICMS debts filed by the Finance Departments of the state of Rondônia related to the disallowance of ICMS credits in view of breach of an ancillary obligation, error in determining the ICMS calculation base, not including freight in the ICMS calculation base in the amount paid for transport services, circulation of goods with invoice considered questionable, non-compliance with the minimum price in the state and omission of the ICMS declaration in the Periodic Tax Statement (DIP), all of which led to the tax collection notice for the historical amount of R$340;

(vii) Tax Deficiency Notices discussing the collection of ICMS taxes in the state of Goiás related to the disallowance of ICMS tax credits due to noncompliance with accessory obligations, error in the basis for calculation of the value due in ICMS taxes, failure to return credits granted after goods were returned, failure to return ICMS credits on the acquisition of inputs/goods proportionally to disbursements, failure to substantiate exports of goods abroad, which amount to a historical amount of R$117,706;

(viii) The subsidiary Pampeano has a Tax Deficiency Notice involving the collection of ICMS debts filed by the Finance Department the State of Rio Grande do Sul, related to the collection of ICMS debts for the alleged issue of invoice without declaring the ICMS in the outflow of goods from that state, in the historical amount of R$12.

c) Taxes on Services of Any Nature (ISSQN)

On June 30, 2017, the Corporation had tax deficiency notices issued by the municipalities of Santo André in São Paulo and of Mineiros in Goiás claiming the payment of ISSQN related to the alleged retention and nonpayment of the respective tax credit levied on the provision of services received, in the historical amount of R$720.

25.2.3 Civil

The civil suits of the Corporation and its subsidiaries involve disputes typically related to business agreements and indemnities, which are not individually relevant.

25.3 Additional Information on Contingent Liabilities

25.3.1 Remote Risk

On June 30, 2017 the Corporation, based on the opinion of its Management and legal advisors, classified the amount of R$237,061 as Remote Risk, not including it in the balance informed in note 25.2 – Contingent Liabilities – Tax.

(i) Contributions to Social Security, FUNRURAL and GILRAT - tax deficiency notices, the first related to fiscal years 2006 and 2007, the second related to fiscal year 2008 and the third related to fiscal years 2009 and 2010, in the historical amount of R$237,061, with administrative defenses filed in all cases, claiming the unconstitutionality of these contributions based on the ruling of the Federal Supreme Court (STF), grounded in Article 26 – A of the Decree;

(ii) With regard to federal administrative and judicial proceedings deemed as remote risk, as described earlier in note 22.3 for the period ended June 30, 2014, the Corporation joined the tax installment payment program instituted by Law 12,966/14, which reopened the period for joining the tax installment payment program provided for by Law 11,941/09, granting the prerogative to taxpayers that pay their overdue debits in installments by December 31, 2013 – World Cup REFIS. The debits subject to adhesion refer to social security contributions and Import PIS/COFINS, whose amounts are mentioned in note 19 - Taxes, rates and contributions.

25.3.2 Ongoing investigations

a) Operation Acrônimo

For Operation Acrônimo, the Corporation has provided all information required by the authorities and has been accompanying the ongoing police investigation, and to date no formal accusations, criminal charges or information have been filed against any officers or directors. The internal Compliance Department has assessed the facts and documents related to the merit of the investigation and has concluded that no irregularities occurred in the acts for which the Corporation is being investigated. Despite such findings, the Corporation offered to collaborate with the Federal Police and with Federal Prosecution Office to clarify the facts and provide any information/documents that may be required.

b) Operation Cui Bono

With regard to Operation Cui Bono, the Corporation also has been collaborating with the Federal Prosecution Office (MPF) and with other federal authorities to clarify the facts cited in the police investigation into the matter, and to date the authorities have not filed any charges and/or information against any of its officers or directors. The internal Compliance Department has opened an internal investigation to assess the existence or not of the matters cited in the investigation.

Furthermore, the Corporation clarifies that it publishes and monitors the application of its Code of Ethics and Conduct, which contains guidelines for corporate conduct, and reaffirms that it does not tolerate the practice of any crimes or wrongdoings of any kind by any of its officers, directors, employees, suppliers or partners.

26. Deferred Income and Social Contribution Taxes – Liabilities

	Consolidated	
	6/30/17	12/31/16
Income Tax	286,673	269,616
	286,673	269,616

Deferred income tax liabilities refer to the taxes calculated on temporary differences, as well as translation gains and losses recognized as deferred tax liabilities resulting from the translation of balances into foreign currencies other than the Corporation's functional currency, which are recorded at the foreign subsidiaries and settled in future fiscal years.

Below are the changes in deferred taxes in the period ended June 30, 2017:

	Consolidated
Description	IRPJ
Balance on December 31, 2016	269,616
Deferred taxes on temporary differences	14,720
Reversal of deferred taxes on temporary differences	(4,962)
Other	713
Translation gain or loss	6,586
Balance on June 30, 2017	286,673

27. Shareholders' equity

27.1 Share capital

Subscribed and paid-in share capital as at June 30, 2017 totals R$7,427,677 and is represented by 621,279,822 common shares without par value (R$5,278,127 as of December 31, 2016, represented by 521,300,754 shares). Under the scope of the primary public offering of common shares of the Corporation in December 2012, a total of 131,250,000 common shares were issued at the aggregate subscription price of R$1,050,000, as per the minutes of the meeting of the Board of Directors held on December 10 and 21, 2012. As per the Minutes of the Board of Directors' Meeting held on July 30, 2012, a total of 1,236,549 registered common shares, previously held in treasury, were canceled. Based on NBC TG 08 (CVM Resolution 649/10) – transaction costs and premium on issue of securities, the Corporation recorded under shareholders' equity the costs incurred with the processes of funding (R$108,210) through public share offering and private share issue.

On February 5, 2013, the Corporation carried out a capital increase, within the authorized limit, in a Meeting of the Board of directors, due to the conversion of thirty-five thousand (35,000) debentures from the 2nd Issue of Convertible Debentures of the Corporation that were held by BNDES Participações S.A. (BNDESPAR) into 43,750 million common shares ("Shares") issued by the Corporation, as explained in note 24.

In 2016, the Corporation conducted capital increases involving the issue of 553,349 new shares, in the aggregate amount of R$1,449 to meet the needs of the stock option plan in effect ("Stock Options").

Pursuant to the Corporation's by-laws, at the discretion of the Board of Directors, Share Capital can be composed of up to 630 million common shares, including share capital, regardless of amendments to the by-laws.

Also at discretion of the Board of Directors, the Corporation can issue shares and debentures convertible into shares or subscription warrants without pre-emptive rights or with the period reduction provided for in paragraph 4 of article 171 of Law No. 6.404/76. Their placement should be made through sale on stock exchange or public subscription, or by means of exchange for shares in a public offering for control acquisition, under the terms of the law and within the limit of authorized capital.

The Board of Directors defines issuance conditions (prices and periods).

The call option of shares, the conditions under which shareholders will have pre-emptive rights to subscription, or the inexistence of such right in relation to Management, employees, or individuals who render services to the Corporation or other companies under its control are presented in note 31.5.

On January 26, 2017, Marfrig Global Foods informed its shareholders and the general market that, due to the final maturity of the convertible debentures on January 25, 2017, the 214,955 debentures were converted into 99,979,068 common shares, in the amount of R$ 2,149.550.

27.2 Income reserves

27.2.1 Legal reserve

It is 5% (five per cent) of the Corporation's net income, as defined in its by-laws and current legislation.

In 2016 and 2015, the Corporation did not recognize legal reserve given that it recorded loss. Accordingly, the balance as of December 31, 2016 remained at R$44,476.

27.2.2 Treasury shares

On June 30, 2017, Corporation held seven hundred seventy-one thousand, seven hundred seventy-two (771,772) common shares in treasury, which were booked at the amount of R$4,704, which corresponds to an average cost of six reais and nine centavos (R$6.09) per share.

Changes in treasury shares in the period are shown in the table below:

	Held in Treasury	
	Number of Shares	Value (R$ '000)
Balance as at December 31, 2016	1,281	12
(+) Acquisition - Repurchase program	1,267,000	7,723
(-) Disposal - Stock options	(498,635)	(3,031)
Balance as at June 30, 2017	769,646	4,704

Share buyback program

Shares repurchased were held in treasury for exercise of stock options by the beneficiaries of the Corporation's Stock Option Plan and/or subsequent cancellation or sale.

On January 9, 2017, the Corporation's Board of Directors approved the use of the available capital reserve to acquire shares.

The buyback program includes the acquisition of up to 9,456,917 registered, book-entry common shares without par value issued by the Corporation.

The maximum period for effecting the purchase transactions is eighteen (18) months, starting on January 11, 2017 and ending on July 10, 2018.

27.3 Other comprehensive income

27.3.1 Asset and liability valuation adjustment

This account recognizes, before being recorded in the statement of operations, corresponding entries of increases or decreases in the amount attributed to asset and liability items arising from their adjustment to market price on investments in subsidiaries directly and indirectly held by the Corporation. Such accumulated effect will be transferred to the statement of operations for the year as gain or loss only upon the disposal or write-off of the investment. This account also recognized the effects from the adoption of deemed cost, transactions hedging the interest rate risk of the parent company and the impact of its subsidiaries and currency differences in the translation of transactions abroad.

27.3.2 Cumulative translation adjustment

This account records exchange rate gains (losses) resulting from the translation of the foreign subsidiaries' interim financial information. The investee's functional currency is different from that of the Corporation.

27.3.3 Amounts under Shareholders' Equity related to assets held for sale

In compliance NBC TG 31/R3 (CVM Resolution 598/09) – Non-Current Assets Held for Sale and Discontinued Operation, the Corporation segregated from the balance of other comprehensive income recorded in its shareholders' equity the amounts related to assets held for sale.

27.4 Dividends payable

The Corporation's mandatory dividend is at least 25% of the adjusted net income determined in the Corporation's financial statements, pursuant to Brazilian Corporate Law and the Corporation's by-laws. The annual statement of dividends, including their payment, in addition to mandatory minimum dividends, are approved at an Annual Shareholders' Meeting by majority voting of Marfrig's shareholders and will depend on various factors. Among these factors are the Corporation's operating results, financial conditions, cash needs, future prospects and others which Marfrig's Board of Directors and shareholders deem relevant.

At a meeting held on February 22, 2017, in view of the net loss recorded in the period, the Board of Directors did not submit to the Annual Shareholders' Meeting the proposal for distribution of dividends for 2016.

27.5 Interest on equity capital

The Corporation did not declare interest on equity for the fiscal years ended December 31, 2016 and 2015.

27.6 Non-controlling interest

Refers to the interest of non-controlling shareholders in the Corporation's equity.

28. Net sales revenue

	Parent		Consolidated	
	6/30/17	6/30/16	6/30/17	Reclassified 6/30/16
Revenue from sales of products				
Domestic sales	1,995,333	1,568,180	6,283,253	6,900,524
Foreign sales	1,305,526	1,445,231	2,352,204	2,895,636
	3,300,859	3,013,411	8,635,457	9,796,160
Deductions from gross sales				
Taxes on sales	(83,968)	(67,435)	(74,223)	(94,454)
Returns and discounts	(107,788)	(89,842)	(112,114)	(119,629)
	(191,756)	(157,277)	(186,337)	(214,083)
Net sales	3,109,103	2,856,134	8,449,120	9,582,077

29. Costs and expenses by nature

The Corporation has decided to present the statements of income by function. The breakdown by nature is below:

	Parent		Consolidated	
	6/30/17	Reclassified 6/30/16	6/30/17	Reclassified 6/30/16
Cost of sales				
Inventory costs	2,401,717	2,122,652	6,392,228	7,217,022
Depreciation	87,763	60,492	162,723	178,331
Amortization	4,161	3,450	42,763	43,479
Employee salaries and benefits	235,709	204,308	895,170	993,561
	2,729,350	2,390,902	7,492,884	8,432,393
Administrative expenses				
Depreciation	5,615	4,524	7,928	6,918
Amortization	9,585	9,585	10,320	10,059
Employee salaries and benefits	37,594	39,821	117,587	133,166
Other	5,685	(9,386)	65,597	76,678
	58,479	44,544	201,432	226,821
Selling expenses				
Depreciation	174	162	377	427
Employee salaries and benefits	17,693	22,288	33,640	41,617
Freight	132,840	97,035	141,056	143,870
Other	44,429	49,345	79,129	109,529
	195,136	168,830	254,202	295,443

30. Net financial result

The Corporation's net financial income (expenses) is as follows:

	Parent		Consolidated	
	6/30/17	6/30/16	6/30/17	Reclassified 6/30/16
Financial income				
Market transactions	43,681	208,986	66,432	213,015
Interest received, earnings from marketable securities	40,098	45,356	65,967	66,752
Discounts, other	1,442	3,208	3,359	5,620
Total financial income	85,221	257,550	135,758	285,387
Exchange rate gains	784,983	1,004,800	859,812	1,257,693
Financial expense				
Provisioned interest, debentures and leasing with financial institutions	(605,389)	(651,477)	(421,020)	(622,951)
Market transactions	(32,645)	(41,966)	(70,811)	(160,647)
Bank expenses, commissions, fees, financial discounts, other	(176,198)	(134,074)	(561,564)	(474,497)
Total financial expense	(814,232)	(827,517)	(1,053,395)	(1,258,095)
Exchange rate losses	(858,979)	(900,769)	(945,472)	(1,221,720)
Net financial result	(803,007)	(465,936)	(1,003,297)	(936,735)

31. Management compensation

The compensation policy is designed to establish the criteria, responsibilities and directions for the short- and long-term compensation program of Marfrig Group's Management (Bonus and Stock Option).

The purpose of this policy is to motivate the Corporation's executive officers to grow and develop to achieve maximum performance, in line with the business objectives, through a short- and long-term reward pay-out.

The Compensation, Corporate Governance and Human Resources Committee is the advisory body to the Board of Directors in assessing management compensation. The committee is composed solely of members of the Corporation's Board of Directors and one of them is the Committee Coordinator.

The parameters used to determine Management's compensation are based on market practices.

31.1 Board of directors

The Board of Directors' compensation consists of a fixed and variable portion.

Fixed portion – An annual amount is set for each member and paid on a monthly basis.

Variable portion – Short-term bonus or stock option-based payment.

The board members' compensation is determined through market research with the major companies in the industry whereby a compensation base is defined and submitted to Marfrig Global Foods's Compensation, Corporate Governance and Human Resources Committee for validation.

31.2 Officers appointed as per Bylaws

The Board of Executive Officers' compensation consists of a fixed and variable portion.

Fixed portion – An annual amount is set for each member and paid on a monthly basis.

Variable portion – Consists of short-term (bonus) and long-term (stock option) compensation. In general, the goals set by the Corporation for Management evaluation refer to economic objectives and individual goals.

The gain on the Stock Option Plan is tied to the appreciation of the market price of the share, i.e. the value added to the Corporation by the performance of the individual and the Management as a whole will reflect on the gain on the stock option plan. At the same time the employees' interests are aligned with the Corporation's interests in the long term.

The exercise price of the stock options related to share-based compensation under "Specific Programs" is the average of the last 20 trading sessions prior to the first business day of March of each year and the grant price with a 50% discount starting with the grants in 2010.

The vesting period follows these criteria:

- 25% after 12 months of the grant;
- 25% after 24 months of the grant;
- 25% after 36 months of the grant;
- 25% after 48 months of the grant.

The officers' compensation is determined through market research with the major companies in the industry whereby measurement criteria are established according to the significance of the position within the organization. The macro policies are approved by the Compensation, Corporate Governance and Human Resources Committee.

31.3 Audit Board

The Corporation's Audit Board was set up after approval at the Annual Shareholders' Meeting held on April 30, 2010. In the by-laws amended by the Special Shareholders' Meeting held on March 11, 2011, the Audit Board became a permanent body.

The Audit Board's is fixed on an annual basis and paid on a monthly basis. There is no variable portion.

31.4 Consolidated compensation

Management and Board members compensation is made up of the compensation of eight members of the Board of Directors (the other two opted for not receiving compensation as board members, one of whom is also a member of the Statutory Board of Executive Officers and receives compensation from that body), six members of the Audit Board (there of whom are alternate members) and five officers appointed as per the Corporation's by-laws.

The added value of the compensation received by the Corporation's Management and Board members for their services is defined through market practices, with the participation of the Compensation, Corporate Governance and Human Resources Committee, made up exclusively of members of the Board of Directors of the Corporation, one of whom acts as Coordinator of the Committee:

	6/30/17	6/30/16
Consolidated Management compensation	8,256	13,247
Total	8,256	13,247

31.5 Stock option plan

On May 29, 2009, the Annual Shareholders' Meeting approved the amendment and restatement of the Stock Option Plan (Plan), with the purpose of: (i) promoting value generation to the Corporation's shareholders, through alignment of their interests with those of the Management, employees and outsourced employees of Marfrig or its subsidiaries and (ii) enabling a higher level of attraction, retention and motivation of strategic employees.

The Plan is managed by the Board of Directors, within the limits established in the general guidelines and applicable legislation. The general guidelines of the plan are disclosed in detail in the Corporation's Reference Form.

The Board of Directors may create stock option programs with specific conditions regarding the participants, the number of options to be granted, performance targets to be achieved, exercise price discounts and other conditions ("Specific Programs"). Specific Programs were created in which the exercise price of the Stock Option is equivalent to the average stock quote in the last 20 trading sessions of the BM&FBOVESPA S.A. prior to the reference date of the first business day of March each year, over which a 50% discount shall apply.

During the period ended June 30, 2017, 498,635 shares were transferred to the Management of the Corporation under the stock option plans. The changes in options exercised during the period are shown in the tables below:

Total options exercised by month

	Number of shares exercised	Average Market Price[1] (R$ per share)
January/17	-	6.31
February/17	-	6.85
March/17	60,777	5.88
April/17	36,602	6.09
May/17	349,308	6.93
June/17	51,948	6.56
Options exercised - 2017	498,635	

[1] Average monthly quote disclosed by BM&FBOVESPA - Bolsa de Valores, Mercadorias e Futuros S.A., related to Marfrig's common shares, traded under ticker MRFG3.

Consolidated Changes	2017	2016
(Options)		
Opening balance	2,683,082	2,265,365
Options granted	-	1,225,449
Options exercised	(498,635)	(610,618)
Options canceled and expired	-	(197,114)
Closing balance	2,184,447	2,683,082

The expected dilution of ownership interest of current shareholders, when stock options are exercised at the vesting date, up to the limit of shares held in the treasury for this purpose, is 0.35% of all shares at June 30, 2017, as detailed in the table below:

Percentage of Dilution	ESP VII LP Plan 12-13	ESP VIII LP Plan 13-14	ESP IX LP Plan 14-15	ESP X LP Plan 15-16	Total
Granting date	4/5/2013	4/30/2014	6/24/2015	11/7/2016	
Unexercised agreements	28,665	331,318	811,947	1,012,517	2,184,447
Treasury stock					(769,646)
Total shares except treasury stock					620,510,176
Percentage of dilution	0.00%	0.05%	0.13%	0.16%	0.35%

The Corporation recognized expenses relating to granting of plans in effect for the period ended June 30, 2017, as detailed in the table below:

Effects from the exercise of options (R$ '000)	2017	2016
Amount received from sale of shares - Exercised options	1,294.5	1,593.1
(-) Cost of treasury shares disposed of	(3,039.1)	(541.5)
(-) Cost of shares issued	-	(1,449.0)
Effect on disposal of shares	(1,744.6)	(397.4)

Due to the exercise of stock options, the Corporation incurred costs with the sale of treasury shares of R$3,039. At June 30, 2017, the book value of treasury shares was recorded under the Corporation's shareholders' equity in the amount of R$4,704 (R$12 at December 31, 2016).

The fair value of the options was measured on an indirect basis, according to the Black-Scholes pricing method, based on the following assumptions:

- **Standard deviation:** 37.54%. Volatility is measured taking into consideration the daily prices of the Corporation's shares traded on the Brazilian stock exchange (BM&FBOVESPA) under the ticker MRFG3, from January 1, 2017 to June 30, 2017;

- **Risk-free interest rate:** 7.00% p.a. The Corporation uses as risk-free interest rate the Long Term Interest Rate (TJLP) annualized on calculation date and available on the federal revenue service website – www.receita.fazenda.gov.br/pessoajuridica/refis/tjlp.htm.

The fair value of options as of June 30, 2017 ranged between a minimum of R$1.75 and a maximum of R$4.90 per share for SPECIAL plans.

Changes to the stock option programs are presented below:

Plans	Granting Date	Performance (vesting) period	Option expiration date	Options granted	Vested options	Options exercised in the period	Options cancelled and/or expired in the period	Options exercised and/or cancelled in prior periods	Unexercised agreements	Option exercise price
Options Exercised/Canceled in Previous Periods				**8,427,124**	**4,686,731**			**4,936,310**	**2,683,082**	
ESP VII LP 12-13	4/5/2013	3/3/2017	9/2/2017	87,380	87,380	20,839	0	37,876	28,665	R$ 5.0083
				349,520	**349,520**	**20,839**	**0**	**300,016**	**28,665**	
ESP VIII LP 13-14	4/30/2014	3/3/2017	9/2/2017	624,910	624,910	130,645	0	393,371	100,894	R$ 1.9470
ESP VIII LP 13-14	4/30/2014	3/3/2018	9/2/2018	624,910	3,377	1,229	0	393,257	230,424	R$ 1.9470
				2,499,640	**1,878,107**	**131,874**	**0**	**2,036,448**	**331,318**	
ESP IX LP 14-15	6/24/2015	3/3/2017	9/2/2017	395,316	395,316	168,574	0	66,611	160,131	R$ 2.3720
ESP IX LP 14-15	6/24/2015	3/3/2018	9/2/2018	395,316	3,831	2,706	0	66,611	325,999	R$ 2.3720
ESP IX LP 14-15	6/24/2015	3/3/2019	9/2/2019	395,069	3,826	2,704	0	66,548	325,817	R$ 2.3720
				1,581,017	**798,289**	**173,984**	**0**	**595,086**	**811,947**	
ESP X LP 15-16	11/7/2016	3/3/2017	9/2/2017	306,410	306,410	161,344	0	10,252	134,814	R$ 3.0281
ESP X LP 15-16	11/7/2016	3/3/2018	9/2/2018	306,410	4,901	3,533	0	10,252	292,625	R$ 3.0281
ESP X LP 15-16	11/7/2016	3/3/2019	9/2/2019	306,410	4,901	3,533	0	10,252	292,625	R$ 3.0281
ESP X LP 15-16	11/7/2016	3/3/2020	9/2/2020	306,219	4,893	3,528	0	10,238	292,453	R$ 3.0281
				1,225,449	**321,105**	**171,938**	**0**	**40,994**	**1,012,517**	
Total on	**6/30/2017**			**8,427,124**	**6,118,519**	**498,635**	**0**	**5,744,042**	**2,184,447**	

Plans	Granting Date	Market value of unvested options at the end of the period (R$ '000)	Market value of outstanding vested options at the end of the period (R$ '000)	Effects in the result of the period in case of recognition (R$ '000)
ESP VII LP 12-13	4/5/2013	50.2	50.2	31.1
		50.2	**50.2**	**31.1**
ESP VIII LP 13-14	4/30/2014	0.0	0.0	0.0
ESP VIII LP 13-14	4/30/2014	485.6	485.6	418.5
ESP VIII LP 13-14	4/30/2014	1,129.7	0.0	955.8
		1,615.3	**485.6**	**1,374.2**
ESP IX LP 14-15	6/24/2015	702.7	702.7	596.1
ESP IX LP 14-15	6/24/2015	1,466.1	0.0	1,213.6
ESP IX LP 14-15	6/24/2015	1,516.7	0.0	1,213.0
		3,685.5	**702.7**	**3,022.7**
ESP X LP 15-16	11/7/2016	503.1	503.1	413.4
ESP X LP 15-16	11/7/2016	1,133.2	0.0	897.4
ESP X LP 15-16	11/7/2016	1,196.7	0.0	897.4
ESP X LP 15-16	11/7/2016	1,258.8	0.0	896.9
		4,091.8	**503.1**	**3,105.1**
Total on	**6/30/2017**	**9,442.9**	**1,741.6**	**7,533.2**

32. Earnings (loss) per share

The following table shows the calculation of earnings (loss) per share for the periods ended June 30, 2017 and 2016 (in thousands, unless otherwise stated):

	6/30/17	6/30/16
Profit (loss) attributable to shareholders from continuing operations	(394,793)	(302,441)
Profit (loss) attributable to shareholders from discontinued operations	(5,459)	64,322
Profit (loss) attributable to shareholders from the Corporation	(400,252)	(238,119)
Weighted average number of shares in the year (units)	593,035,591	521,065,385
Weighted average number of shares held in treasury (units)	(381,779)	(245,267)
Weighted average number of outstanding common shares (units)	592,653,812	520,820,118
Basic and Diluted Earnings (Losses) (in R$) from continuing operations	(0.6662)	(0.5807)
Basic and Diluted Earnings (Losses) (in R$) from discontinued operations	(0.0092)	0.1235
Earnings or losses attributable to shareholders of the Company	(0.6754)	(0.4572)

For the fiscal year of 2016, the Corporation has debentures mandatorily convertible into common shares, which are not added to the calculation of diluted earnings per share.

33. Financial instruments - derivatives and risk management - consolidated

33.1. Overview

The Corporation and its subsidiaries are exposed to market risks related to exchange rate gains (losses), interest rate and commodities price fluctuations of a nature considered normal to their business. In order to minimize these risks, the Corporation has policies and procedures to minimize these exposures and may use hedging instruments, as long as previously approved by the Board of Directors.

Among the Corporation's guidelines we highlight: Monitoring levels of exposure to each market risk; measuring these risks; setting limits for making decisions and using hedging mechanisms, always aiming at minimizing the foreign exchange exposure of its debts, cash flows and interest rates.

On December 19, 2016, the Board of Directors decided that the Corporation shall be represented exclusively by its Officers and Attorney-in-Fact (Article 26 of the Bylaws) for acts and transactions in amounts of up to R$500 million or US$200 million, depending on the currency in which they are carried out.

For acts and transactions in amounts greater than R$500 million or US$200 million, the approval by the Board of Directors is required.

The Corporation only enters into transactions with derivatives or similar instruments that offer a minimum protection against: foreign currencies, interest rates and commodity prices, and also adopts a conservative policy of not entering into transactions that could affect its financial position. The Corporation does not enter into leveraged transactions with derivatives or similar instruments

The Corporation also has a sound financial policy, maintaining a high level of cash balance, cash equivalents and short-term financial investments. At the same time, the maturity of the Corporation's long-term indebtedness is such way that it is not concentrated in any single year.

33.2. Financial instruments by category

The Corporation's financial assets and liabilities are classified as below:

	Parent			
Financial assets	Amortized Cost		Held for trading	
	6/30/17	12/31/16	6/30/17	12/31/16
Cash and cash equivalents	260,520	390,293	12,407	5,988
Marketable Securities	-	98,000	1,211,542	1,417,911
Trade accounts receivable	255,198	475,471	-	-
Notes receivable - derivatives	-	-	53,631	53,628
Related parties	479,740	717,391	-	-
Total financial assets	995,458	1,681,155	1,277,580	1,477,527

Financial liabilities	Amortized Cost		Held for trading	
	6/30/17	12/31/16	6/30/17	12/31/16
Trade accounts payable and supply chain finance	823,210	888,510	-	-
Loans, financing and debentures	1,273,775	1,651,911	-	-
Finance lease	1,184	3,472	-	-
Notes payable - derivatives	-	-	279,813	314,169
Notes payable - investments Brazil	431,112	431,230	-	-
Interest on debentures	39,584	297,870	-	-
Related parties	9,618,741	8,780,070	-	-
Total financial liabilities	12,187,606	12,053,063	279,813	314,169

	Consolidated			
Financial assets	Reclassified Amortized cost		Held for trading	
	6/30/17	12/31/16	6/30/17	12/31/16
Cash and cash equivalents	1,679,266	3,283,625	2,259,983	8,080
Marketable Securities	-	195,968	1,497,481	1,791,819
Trade accounts receivable	652,620	790,468	-	-
Notes receivable - derivatives	-	-	308,725	308,639
Related parties	1,437	46,740	-	-
Joint Venture	80,122	57,034	-	-
Total financial assets	2,413,445	4,373,835	4,066,189	2,108,538

Financial liabilities	Amortized cost		Held for trading	
	6/30/17	12/31/16	6/30/17	12/31/16
Trade accounts payable and supply chain fina	1,907,349	2,002,757	-	-
Loans, financing and debentures	12,136,205	10,893,838	-	-
Finance lease	32,147	38,496	-	-
Notes payable - derivatives	-	-	348,469	405,473
Notes payable - investments Brazil	431,112	431,230	-	-
Interest on debentures	-	256,563	-	-
Total financial liabilities	14,506,813	13,622,884	348,469	405,473

Details of the accounting policies and methods used (including criteria for recognition, measurement bases and criteria for recognition of gains and losses) for each class of financial instruments and equity are presented in note 3.1.4 to the financial statements for the fiscal year ended December 31, 2016.

33.3. Comparison of market value and respective fair values

Market values for the financial instruments are shown below:

	Consolidated			
	6/30/17		12/31/16	
	Book value	Market value	Book value	Market value
Marketable Securities	1,497,481	1,497,481	1,987,787	1,987,787
Trade accounts receivable	652,620	652,620	790,468	790,468
Notes receivable - derivatives	308,725	308,725	308,639	308,639
Trade accounts payable and supply chain finance	1,907,349	1,907,349	2,002,757	2,002,757
Loans and financing	12,136,205	12,136,205	10,893,838	10,893,838
Finance lease	32,147	32,147	38,496	38,496
Payables - derivatives	348,469	348,469	405,473	405,473
Interest on debentures	-	-	256,563	256,563

The fair value of financial instruments is similar to the book value and largely reflects the values that would be obtained if they were traded in the market.

33.4. Breakdown of Derivative Financial Instruments

The breakdown of Marfrig Group's derivative financial instruments follows:

				Consolidated				
Instrument	**Hedged Item**	**Exchange**	**Maturity**	**Long**	**Short**	**Notional USD**	**Notional R$**	**MTM R$**
Transactions designated as Hedge Accounting								
Swap	Interest Rate	OTC	2018	LIBOR	USD	132,500	438,337	21
Swap	Interest Rate	OTC	2019	LIBOR	USD	187,500	620,288	(10,698)
NDF	Exchange rate	OTC	2017	USD	GBP	19,224	63,598	(1,955)
NDF	Exchange rate	OTC	2018	USD	GBP	11,673	38,618	(938)
NDF	Exchange rate	OTC	2017	USD	EUR	353	1,168	(39)
Transactions not designated as Hedge Accounting								
Swap	Interest Rate	CETIP	2017	BRL	USD	230,831	763,635	(189,590)
Swap	Interest Rate	OTC	2017	USD	BRL	230,831	763,635	189,590
Swap	Interest Rate	CETIP	2018	CDI	USD	9,818	32,481	(36,874)
								(50,483)
NDF	Exchange rate	OTC	2017	AUD	MYR	1,382	4,571	96
NDF	Exchange rate	OTC	2017	JPY	THB	70	232	10
NDF	Exchange rate	OTC	2017	KRW	USD	12,070	39,930	(78)
NDF	Exchange rate	OTC	2017	MYR	USD	9,768	32,316	(374)
NDF	Exchange rate	OTC	2017	THB	MYR	4,811	15,914	(15)
NDF	Exchange rate	OTC	2017	USD	AUD	(321)	(1,062)	(29)
NDF	Exchange rate	OTC	2017	USD	MYR	16,643	55,058	697
NDF	Exchange rate	OTC	2017	USD	THB	20,089	66,458	2,329
NDF	Exchange rate	OTC	2017	EUR	AUD	780	2,581	(34)
NDF	Exchange rate	OTC	2017	EUR	THB	40	133	(1)
NDF	Exchange rate	OTC	2018	JPY	THB	389	1,288	23
NDF	Exchange rate	OTC	2018	KRW	USD	12,570	41,584	(645)
NDF	Exchange rate	OTC	2017	USD	BRL	35,000	115,787	282
NDF	Exchange rate	OTC	2017	USD	CLP	8,760	28,980	410
								2,671
Options	Corn	CBOT	2017	USD	USD	710	2,349	1,348
Options	Corn	CBOT	2018	USD	USD	602	1,993	631
Options	Soy meal	CBOT	2017	USD	USD	185	613	196
Options	Soy meal	CBOT	2018	USD	USD	487	1,611	433
SWAP	Soy meal	CBOT	2017	USD	USD	25,169	83,265	(1,991)
SWAP	Soy meal	CBOT	2018	USD	USD	12,135	40,143	(195)
SWAP	Fed cattle	CBOT	2017	USD	USD	15,521	51,346	4,897
SWAP	Corn	CBOT	2017	USD	USD	20,152	66,667	1,765
SWAP	Corn	CBOT	2018	USD	USD	20,695	68,462	984
								8,068
								(39,744)

Assets and liabilities presented on the balance sheet under "securities receivable" and "trade accounts payable" regarding derivative transactions, which are intended for equity hedging, are shown below:

	Consolidated	
	6/30/17	12/31/16
Notes receivable - derivatives (note 10)	308,725	308,639
Notes payable - derivatives (note 23)	(348,469)	(405,473)
Total, net	(39,744)	(96,834)

In the period ended June 30, 2017, a consolidated net financial loss of R$4,844 was recorded from market transactions, of which R$70,811 corresponded to expenses and R$65,967 to income.

33.4.1 Derivative Financial Instruments subject to Cash Flow Hedge Accounting

In November 2013, the Marfrig group adopted hedge accounting policies for financial instruments exposed to cash flow changes. As a result, the variations in fair value of derivatives designated as hedge are recognized directly in shareholders' equity, under "other comprehensive income". The amounts booked under other comprehensive income are immediately transferred to the income statement when the transaction underlying the hedge affects profit or loss.

The Corporation documents, at the start of the operation, the relation between the hedge instruments and the underlying hedged items, as well as the objectives of the risk management and the strategy to carry out various hedge operations. The documentation for operations designated as hedge accounting evidences control of the effectiveness and the operation, and includes:

- Hedged item;
- Financial instrument;
- Strategy for managing the risk to be hedged;
- Effectiveness of the hedge instrument, reliably measured;
- Evaluation of the hedge on an ongoing basis throughout the duration of the contract.

The Corporation also documents its assessment, both at the start of the hedge as well as periodically, that the derivatives used in the hedge operations are highly effective in offsetting the variations in the fair value of the underlying hedge items. Therefore, all instruments designated as hedge accounting are effective, highly probable and neutralize the exposure to variations in the cash flow that could affect results.

The effectiveness of the operations is periodically controlled in a reliable and documented manner throughout the duration of the contract, through statistical correlation between the fair value or cash flows of the hedged position and the hedging instrument, or by comparing previous changes in the fair value or cash flows of the hedged position attributable to the hedged risk with previous changes in the fair value or in the cash flows of the hedging instrument.

	Consolidated							
							Gain / Loss	
Instrument	Asset (Hedged Item)	Liability (Risk Exposure)	Maturity	Notional USD	Notional BRL	**Balance (MTM) R$**	Equity	Result
Swap	LIBOR	USD	2018	132,500	438,337	21	403	(381)
Swap	LIBOR	USD	2019	187,500	620,288	(10,698)	(10,162)	(537)
NDF	USD	GBP	2017	19,224	63,598	(1,955)	(1,955)	-
NDF	USD	EUR	2018	11,673	38,618	(938)	(938)	-
NDF	USD	EUR	2017	353	1,168	(39)	(39)	-
						(13,609)	(12,691)	(918)

33.5. Market risk

The Corporation is exposed to market risks arising from commodity prices, interest rates and exchange rates. For each risk, the Corporation conducts a continuous management and sensitivity studies presented in this note.

33.5.1 Commodity price risk management

During its activities, the Corporation and its subsidiaries purchase some commodities, such as: cattle, grains and energy, which are the biggest individual components of the production cost and are subject to certain variables.

The price of cattle acquired from third parties is directly related to market conditions, and is influenced by domestic availability and foreign market demand.

Maize and soya bean meal ("grains") are subject to volatility resulting from weather conditions, crop yield, transport costs, warehousing costs, agricultural policy, exchange rates, international prices, among others, which is not under Management's control.

So as to reduce the impact over commodities, the Corporation and its subsidiaries manage inventory levels, keep cattle in feedlots and trade derivative financial instruments in the futures market.

The Corporation and its subsidiaries purchase financial instruments to reduce the price risk related to the needs for commodities within 12 months.

A substantial part of these hedge instruments come from the futures market at the Chicago Board of Trade (CBOT).

The position of derivatives related to commodity risks is shown below:

				Consolidated			
Exchange	Instrument	Futures contract	Maturity	Notional USD	Notional R$	MTM R$	Result on 6/30/2017
CBOT	Options	Corn	2017	710	2,349	1,348	1,348
CBOT	Options	Corn	2018	602	1,993	631	631
CBOT	Options	Soy meal	2017	185	613	196	196
CBOT	Options	Soy meal	2018	487	1,611	433	433
CBOT	SWAP	Soy meal	2017	25,169	83,265	(1,991)	(1,991)
CBOT	SWAP	Soy meal	2018	12,135	40,143	(195)	(195)
CBOT	SWAP	Fed cattle	2017	15,521	51,346	4,896	4,896
CBOT	SWAP	Corn	2017	20,152	66,667	1,764	1,764
CBOT	SWAP	Corn	2018	20,695	68,462	985	985
				95,656	316,448	8,067	8,067

33.5.1.1 Sensitivity analysis of commodity price risk

To provide information about the behavior of market risks that the Corporation and its subsidiaries were exposed to as at June 30, 2017, three scenarios are considered and the probable scenario is the fair value as at June 30, 2017 and two more scenarios with deterioration of 25% and 50% of the risk variable taken into account, denominated as Possible and Remote, respectively.

The base prices for commodity futures are referenced to the prices quoted on the Chicago Board of Trade (CBOT) for contracts maturing on June 30, 2017.

With regard to commodity risk, following are the sensitivity scenarios:

Stress scenario - Derivatives Commodities Consolidated

Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
8,067	8,067	10,084	10,084	12,100	12,100

Stress scenario - Derivatives Commodities Soy Meal

Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
(1,557)	(1,557)	(1,947)	(1,947)	(2,336)	(2,336)

Stress scenario - Derivatives Commodities Corn

Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
4,728	4,728	5,910	5,910	7,091	7,091

Stress scenario - Derivatives Commodities Cattle

Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
4,896	4,896	6,121	6,121	7,345	7,345

33.5.2 Interest rate risk management

Interest rate risk refers to the Corporation's risk of incurring economic losses due to negative changes in interest rates. This exposure basically refers to changes in market interest rates which affect the Corporation's assets and liabilities indexed to the TJLP (long-term interest rate), LIBOR (London Interbank Offered Rate) or CDI (interbank deposit rate).

In order to reduce debt service costs, the Corporation and its subsidiaries continually monitor market interest rates to assess the need to enter into new derivative contracts to hedge its operations against the risk of fluctuations of these rates.

The risk of exposure to interest rate for the Corporation and its subsidiaries as at June 30, 2017 and December 31, 2016 is as follows:

	Consolidated	
	6/30/17	12/31/16
Exposure to CDI rate:		
NCE / Working capital	297,063	644,911
(-) CDB-DI (R$)	(333,520)	(257,489)
Subtotal	(36,457)	387,422
Exposure to LIBOR rate:		
NCE/ACC/Prepayment (US$)	408,208	695,011
Revolving credit facility (US$)	1,082,122	411,331
Subtotal	1,490,330	1,106,342
Exposure to TJLP rate:		
FINAME / FINEP	15,852	18,836
Subtotal	15,852	18,836
Total	1,469,725	1,512,600

The Corporation entered into non-speculative swap contracts to minimize the effects of exchange rates fluctuations on the settlement of its loans and financing, as below:

				Consolidated			
						6/30/17	12/31/16
Instrument	Register	Receivable	Payable	Notional US$	Notional BRL	MTM	MTM
Interest Rate Swap	CETIP	LIBOR	USD	320,000	1,058,624	(10,676)	(15,999)
Interest Rate Swap	CETIP	BRL	USD	230,831	763,635	(189,590)	(190,780)
Interest Rate Swap	OTC	USD	BRL	230,831	763,635	189,590	190,780
Interest Rate Swap	CETIP	CDI	USD	9,818	32,481	(36,874)	(70,581)
				791,480	2,618,375	(47,550)	(86,580)

					Consolidated		
							6/30/17
Instrument	Register	Maturity	Receivable	Payable	Notional US$	Notional BRL	MTM
Interest Rate Swap	OTC	2018	LIBOR	USD	132,500	438,337	21
Interest Rate Swap	OTC	2019	LIBOR	USD	187,500	620,287	(10,697)
Interest Rate Swap	CETIP	2017	BRL	USD	230,831	763,635	(189,590)
Interest Rate Swap	OTC	2017	USD	BRL	230,831	763,635	189,590
Interest Rate Swap	CETIP	2018	CDI	USD	9,818	32,481	(36,874)
					791,480	2,618,375	(47,550)

33.5.2.1 Interest rate risk sensitivity Analysis

To provide information about the behavior of market risks that the Corporation and its subsidiaries are exposed to as at June 30, 2017, three scenarios are considered and the probable scenario is the fair value as at June 30, 2017 and two more scenarios with deterioration of 25% and 50% of the risk variable taken into account, denominated as Possible and Remote, respectively.

Sensitivity scenarios for interest rate risk are below:

Stress scenario - Swap Int Rate - Consolidated

Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
(47,550)	(47,550)	(53,971)	(53,971)	(61,327)	(61,327)

Stress scenario - Swap Int Rate CDI vs. USD

Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
(36,874)	(36,874)	(37,629)	(37,629)	(37,654)	(37,654)

Stress scenario - Swap Int Rate Libor vs. USD

Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
(10,676)	(10,676)	(16,342)	(16,342)	(23,673)	(23,673)

33.5.3 Exchange rate risk management

Exchange rate risk consists of the risk of foreign exchange fluctuations leading the Corporation and its subsidiaries to incur losses and causing a reduction in the values of assets or an increase in the values of liabilities. The Corporation's main current exchange rate exposure relates to the US dollar fluctuation against the Brazilian real.

Given that approximately 79% of the Corporation's revenues are denominated in currencies other than the Brazilian real, the Corporation has a natural *hedge* against the maturities of future obligations in foreign currency.

The Corporation also has a sound financial policy, maintaining a high level of cash balance and short-term financial investments with solid financial institutions.

We believe that the Corporation's and its subsidiaries' consistent financial policy, grounded in a well-distributed capital structure, allows it to consolidate synergies achieved through the acquisitions made.

Outstanding foreign currency and derivatives position

Assets and liabilities in foreign currency are presented as follows:

	Parent		
Exposure			Effects of exchange rate gains (losses)
Description	6/30/17	12/31/16	2017
Operating			
Trade accounts receivable	131,677	326,458	(59,405)
ACE (advance on export contracts)	-	-	(4,000)
Imports payable	(29,140)	(15,987)	(9,913)
Subtotal	102,537	310,471	(73,318)
Financial			
Loans and financing	(406,763)	(693,565)	(5,319)
Notes payable and receivable	13,766	-	(41)
Balance of banks and marketable securities (*)	654,290	1,218,805	4,682
Subtotal	261,293	525,240	(678)
Total	363,830	835,711	(73,996)
Exchange rate gains			784,983
Exchange rate losses			(858,979)
Exchange rate gains (losses), net			(73,996)

(*) Refers only to banks and marketable securities that generated exchange rate gains (losses).

	Consolidated		
Exposure			Effects of exchange rate gains (losses)
Description	6/30/17	12/31/16	2017
Operating			
Trade accounts receivable	228,676	393,581	(58,827)
ACE (advance on export contracts)	-	-	(4,000)
Imports payable	(191,919)	(154,511)	(2,586)
Other	(87,967)	(62,735)	(2,422)
Subtotal	(51,210)	176,335	(67,835)
Financial			
Loans and financing	(11,823,290)	(10,486,654)	13,219
Notes payable and receivable	233,271	-	(14,595)
Balance of banks and marketable securities (*)	1,189,310	539,035	(16,449)
Subtotal	(10,400,709)	(9,947,619)	(17,825)
Total	(10,451,919)	(9,771,284)	(85,660)
Exchange rate gains			859,812
Exchange rate losses			(945,472)
Exchange rate gains (losses), net			(85,660)

(*) Refers only to banks and marketable securities that generated exchange rate gains (losses).

Over the course of 2017, the Corporation contracted Non-Deliverable Forwards (NDFs) and futures contracts, all of them non-speculative in nature, to minimize the effects of the foreign exchange variation on its overseas subsidiaries, as per the breakdown shown in note 35.5.3, the results of which are accounted for under the items "Exchange Rate Gains" and "Exchange Rate Losses".

33.5.3.1 Exchange rate risk sensitivity Analysis

To provide information about the behavior of market risks that the Corporation and its subsidiaries were exposed to as at June 30, 2017, three scenarios are considered and the probable scenario is the fair value as at June 30, 2017 and two more scenarios with deterioration of 25% and 50% of the risk variable taken into account, denominated as Possible and Remote, respectively.

The market future curve of June 30, 2017 was applied for currencies, with notional value of R$/US$ 3.3082.

As for exchange rate risk, following are the sensitivity scenarios:

Stress Scenario - balance sheet exposure to foreign exchange			
6/30/2017	Probable scenario	Possible scenario	Remote scenario
Parent	(73,996)	90,958	181,915
Subsidiaries	(11,665)	(2,703,937)	(5,407,875)
	(85,661)	(2,612,979)	(5,225,960)

33.6. Liquidity risk and capital management

Liquidity risk arises from the Corporation's and its subsidiaries' working capital management and the amortization of the principal and finance charges of debt instruments. This is the risk that the Corporation and its subsidiaries will find to settle its falling due payables.

The Corporation and its subsidiaries manage their capital based on parameters to optimize the shareholding structure focused on liquidity and leverage metrics that enable a return to shareholders over the medium term, consistent with the risks assumed in the transaction.

The purpose of capital management is to define the best financing structure for the Corporation and its subsidiaries.

The main indicator for monitoring such management is the modified immediate liquidity ratio, which is the ratio between cash and cash equivalents and the leverage ratio - current indebtedness (short term).

	Consolidated	
	6/30/17	12/31/16
Short-term cash, cash equivalents and marketable securities	5,435,944	5,278,641
Short-term loans and financings	1,834,751	1,198,039
Interest on debentures	-	256,563
Modified liquidity ratio	2.96	3.63

The main indicators for monitoring such management is the modified immediate liquidity The leverage ratio - monitoring the ratio of net debt (total debt indebtedness less cash and cash equivalents) to LTM EBITDA at levels considered to be manageable for continuity of operations, in accordance with the following calculation method:

	6/30/17
Consolidated gross debt	12,136,205
(-) Consolidated cash and equivalents	5,435,944
Consolidated net debt	6,700,261
(-) Effect from exchange variation (carve-out [(1)])	897,311
Consolidated adjusted net debt	5,802,950
LTM EBITDA for the period ended June 30, 2017	1,272,575
Leverage ratio	4.56

(1) Contractual provisions, in this case related to exchange variation on foreign-denominated loans, which allow these effects to be excluded from the calculation of the leverage ratio for the specific purpose of compliance with covenants.

Based on the analysis of these indices, the management of working capital is defined so as to keep Corporation's and its subsidiaries' natural leverage at levels equal or lower than the leverage ratio deemed adequate.

The following table presents contractual terms (representing undiscounted contractual cash flows) of financial liabilities:

	Consolidated					
December 31, 2016	2017	2018	2019	2020	Onwards	Total
Trade accounts payable and supply chain finance	2,002,757	-	-	-	-	2,002,757
Loans, financing and debentures	1,198,039	1,221,747	2,131,263	1,906,145	4,436,644	10,893,838
Interest on debentures	256,563	-	-	-	-	256,563
Derivative financial liabilities	321,862	69,025	14,586	-	-	405,473
Total	3,779,221	1,290,772	2,145,849	1,906,145	4,436,644	13,558,631
June 30, 2017	2017	2018	2019	2020	Onwards	Total
Trade accounts payable and supply chain finance	1,907,349	-	-	-	-	1,907,349
Loans, financing and debentures	754,101	1,161,023	2,197,152	1,073,780	6,950,149	12,136,205
Derivative financial liabilities	298,738	39,033	10,698	-	-	348,469
Total	2,960,188	1,200,056	2,207,850	1,073,780	6,950,149	14,392,023

33.7. Credit risk

The Corporation and its subsidiaries are subject to credit risk. Credit risk deals with group's financial losses if a client or counterpart in a financial instrument fails to comply with contractual obligations, which arise from most receivables.

The Corporation and its subsidiaries limit their exposure by analyzing credit and managing client's portfolio, seeking to minimize the economic exposure to a certain client and/or market that may represent significant losses.

The Global Credit Risk Policy determines the guideline for financial credit risk management based on the following:

- Limit of counterparty's credit risk concentration to 15% of total current assets;
- Investments in solid and prime financial institutions, based on their financial rating;
- Balance between assets and liabilities.

Conducted evaluations are based on information flows and follow-up of the volume of purchases in the market. The internal controls cover the assignment of credit limits.

The maximum exposure to credit risk for the Corporation and its subsidiaries are the trade accounts receivable shown in note 6, where the value of the effective risk of possible losses is presented as provision for credit risk is also shown.

Values subject to credit risk:

	Parent		Consolidated	
	6/30/17	12/31/16	6/30/17	12/31/16
Cash and cash equivalents	272,927	396,281	3,939,249	3,291,705
Marketable securities	1,211,542	1,515,911	1,497,481	1,987,787
Receivables from Brazilian clients	123,521	149,013	423,944	396,887
Receivables from foreign clients	131,677	326,458	228,676	393,581
Other receivables	29,641	26,258	106,504	155,386
Total	1,769,308	2,413,921	6,195,854	6,225,346

33.8. Fair value of financial instruments

The method used by the Corporation to determine market value consists in calculating the future value based on contracted conditions and determining the present value based on market curves obtain from Bloomberg's database, except for futures market derivatives whose fair values are calculated based on the on daily adjustments of variations in market prices of commodities and futures acting as consideration.

According to IFRS 7, the Corporation and its subsidiaries classify the measurement of fair value according to hierarchical levels which reflect the importance of indices used in such measurement, as follows:

- **Level 1:** Prices quoted in (non-adjusted) active market for identical assets and liabilities;
- **Level 2:** Other available information, except those of Level 1, where quoted prices relate to similar assets and liabilities, whether directly, by obtaining prices in active markets, or indirectly, such as evaluation techniques using active market data.
- **Level 3:** Indices used for the calculation do not derive from an active market. The Corporation and its subsidiaries do not have instruments at this measurement level.

Currently, the fair value of all the financial instruments of the Marfrig Group is reliably measured and hence these are classified as level 1 and 2, as shown below:

	Consolidated		
	Level 1	Level 2	Level 3
Current assets			
Cash and cash equivalents	-	-	-
Marketable securities - held for trading	-	1,497,481	-
Notes receivable - derivatives	14,604	294,121	-
Non-current liabilities			
Notes payable - derivatives	(3,865)	(344,604)	-
Total	10,739	1,446,998	-

Management understands that the results obtained with derivative transactions are in line with the risk management strategy adopted by the Corporation and its subsidiaries.

34. Income and social contribution taxes

Income and Social Contribution Taxes were calculated according to prevailing legislation and Federal Law 12,973/2014, which rescinds the Transition Tax System provided for in Federal Law 11,941/09, and the Corporation began the adoption of corporate accounting (to comply with the NBC TGs) and of tax accounting (to comply with income and social contribution tax legislation).

Income and Social Contribution Tax calculations and returns, when required, are open to review by tax authorities for varying statutory years in relation to the payment or filing date.

Below are the calculation and reconciliation of income and social contribution taxes in the income statements for the period:

	Parent		Consolidated	
Tax	6/30/17	6/30/16	6/30/17	6/30/16
Income (loss) before tax effects	(722,667)	(393,052)	(611,516)	(363,043)
Add-backs				
Add-backs of corporate income tax (IRPJ)	428,218	2,840,108	892,880	3,024,044
Add-backs of social contribution tax (CSLL)	428,218	2,840,108	853,557	3,165,233
(-) Deductions				
(-) Deductions from IRPJ	(779,616)	(749,248)	(889,902)	(460,669)
(-) Deductions from CSLL	(779,616)	(749,248)	(826,092)	(439,164)
Tax base				
Income tax base	(1,074,066)	1,697,808	(608,538)	2,200,332
Social contribution tax base	(1,074,066)	1,697,808	(584,051)	2,363,026
Companies with income tax loss	-	-	(274)	(5,285)
Companies with social contribution tax loss carryforwards	-	-	(274)	(825)
Calculation base after carry forwards of IRPJ	(1,074,066)	1,697,808	(608,812)	2,195,047
Calculation base after carry forwards of CSLL	(1,074,066)	1,697,808	(584,325)	2,362,201
(-) Tax loss carryforwards	-	(493,035)	(274)	(493,035)
(-) Social contribution tax loss carryforwards	-	(493,035)	(274)	(493,035)
Calculation base after carry forwards				
Calculation base after carry forwards of IRPJ	(1,074,066)	1,204,773	(609,086)	1,702,012
Calculation base after carry forwards of CSLL	(1,074,066)	1,204,773	(584,599)	1,869,166
Income tax (15%)	-	172,562	80,120	58,045
Surtax (10%)	-	115,030	54	115,030
(-) PAT	-	(6,902)	-	(6,902)
Total income tax	-	280,690	80,174	166,173
Social contribution tax (9%)	-	103,537	58	103,420
	-	384,227	80,232	269,593
Rate difference on results from abroad	(22,417)	-	(22,417)	162,178
Total taxes	(22,417)	384,227	57,815	431,771
Effect on Statement of Operations - Current Taxes (2)	(22,417)	384,227	57,815	431,771

Tax	Group	6/30/17	6/30/16	6/30/17	6/30/16
(-) Income tax - current	Current liabilities (2)	16,483	(280,690)	(77,380)	(328,351)
Deferred income tax - Assets (1)	Non-current assets	224,601	349,972	236,613	373,745
Deferred income tax - Liabilities (1)	Non-current liabilities	-	-	(5,841)	(35,127)
Net (3)	Income (loss)	241,084	69,282	153,392	10,267
(-) Social contribution tax - current	Current liabilities (2)	5,934	(103,537)	5,876	(103,420)
Social contribution	Non-current liabilities	-	-	-	-
Deferred social contribution tax - Assets (1)	Non-current assets	80,856	125,991	81,615	147,558
Deferred social contribution tax - Liabilities (1)	Non-current liabilities	-	-	-	-
Net (3)	Income (loss)	86,790	22,454	87,491	44,138

(1) Refer to deferred Income and Social Contribution Taxes calculated on: i) taxes whose payment has been suspended (estimates), and which were added to the calculation of the taxable income and the social contribution tax basis; ii) utilization for tax purposes of the goodwill paid on future profitability and income and iii) social contribution tax losses, which are stated in notes 12 and 26.

(2) Corresponds to Income Tax and Social Contribution due on the current results of the year and effectively paid/offset during the year and/or to be paid/offset in subsequent years.

(3) For the period 2016, the difference between the values of taxes in this note and the values in the Statement of Income, which is an integral part of this financial information, refers to taxes on the sale of MFG Agropecuária.

35. Segment reporting

The Corporation is strategically organized into two main reporting segments:

- *Beef* - A pioneer in the Brazilian market in the marketing and promotion of Beef and lamb, Marfrig maintains a strong presence in the food service segment and a significant presence in export markets. Its international operations in South America are concentrated in exporting premium Beef cuts and leveraging its strategic position in Uruguay and Chile.

- *Keystone* - A global company focused on producing and developing multi-protein foods to serve major global restaurant chains, with a strong presence in Asia and the United States.

On June 30, 2017, one of the Corporation's clients accounted for 27.5% of the total consolidated revenue. This is a long-term commercial relationship (above 45 years), where the Marfrig Group can also be considered one of its main suppliers.

The following table presents information by segment and geographic area:

Total non-current assets by segment and geography

	6/30/2017	12/31/2016
Keystone		
USA/Asia - Pacific	2,771,304	2,607,230
Beef		
South America	8,506,496	8,348,395

Breakdown of results by segment and geography

	6/30/2017			6/30/2016		
	Keystone USA/Asia - Pacific	**Beef** South America	**Total**	**Keystone** USA/Asia - Pacific	**Beef** South America	**Total**
Net Revenue	4,340,555	4,108,565	8,449,120	4,801,823	4,780,254	9,582,077
Operating Income[1]	309,994	81,787	391,781	329,468	244,224	573,692
Depreciation and amortization	105,461	118,649	224,110	128,361	110,853	239,214

(1) Operating income has been reconciled with consolidated net income as follows:

	6/30/2017	6/30/2016
Net income (loss)	(394,793)	(302,441)
Income and social contribution taxes	(240,883)	(86,735)
Net financial income (loss)	1,003,297	936,735
Non-controlling interest	24,160	26,133
Operating income	**391,782**	**573,692**

36. Insurance coverage

The Corporation's policy is to insure its property, plant and equipment and inventories subject to risk, at amounts deemed sufficient to cover possible losses, taking into consideration the nature of its activities and the insurance advisors' opinion.

Based on the maximum risk weighting, the Corporation does not have a policy of maintaining insurance policies to protect against lost profits, given the broad geographic distribution of its plants and the fact that its operations can be reorganized in the event that any need arises.

The risk assumptions adopted, given their nature, are not part of the scope of an audit of financial statements and, accordingly, were not reviewed by the Corporation's independent auditors.

Below is a summary of the amounts insured by the Corporation:

	Parent		Consolidated	
Description	6/30/17	12/31/16	6/30/17	12/31/16
Buildings and meatpacking plants	2,729,566	2,578,480	4,596,022	4,417,874
Inventories	325,266	223,000	541,064	422,170
Third-party warehouse	25,953	20,300	25,953	20,300
Vehicles	21,540	20,707	35,211	34,167
Transportation of goods	58,082	65,182	98,267	104,939
Officers' guarantees	165,410	162,955	251,423	247,703
Civil liability	20,000	20,000	240,489	234,048
Aircraft	1,047,343	852,483	1,047,343	852,483
Other	286,964	459,172	289,064	468,998
	4,680,124	4,402,279	7,124,836	6,802,682

37. Sustainable Development

37.1. Social and Environmental Performance

Since 2013, when it implemented its FOCUS TO WIN strategy, Marfrig has consistently strengthened the strategic pillars of Sustainable Development, which permeate all business units and are a reference for developing local actions that together foster and ensure the sustainability of the entire production system. The Corporation is committed to always balancing the economic, social and environmental aspects of its business in order to contribute to the development of society and help preserve the planet. The pillars forming the Corporation's Sustainability strategy are: (1) customers, (2) suppliers, (3) the environment, (4) workplace, (5) economic and (6) social.



Given its leading position in promoting sustainable production and preserving biodiversity, the Corporation upholds, and continues to uphold and strengthen, various public commitments in partnership with major organizations.

Highlights in Brazil:

- **Public Commitment to the Amazon Biome:** public commitment signed by Marfrig in October 2009, through which it undertakes not to source animals from deforested areas and/or areas that violate indigenous land rights and/or conservation units, with the Corporation subjected to annual audits by independent audit companies to verify compliance with the requirements of the agreement. In 2016, Marfrig registered once again an excellent result in the audit for the period from June 7 to June 16, 2016, related to the activities carried out in 2015. According to the audit, no cattle sourcing transactions by Marfrig violated the provisions of the public commitment undertaken by the Corporation. Marfrig was the industry's only company to achieve 100% for the third straight year, in addition to being the only company with geo-referenced maps for its suppliers in the Amazon Biome.

- **Marfrig Club Program:** The Corporation's efforts also include promoting sustainable agricultural and cattle raising practices. Through programs like the Marfrig Club, which is a program to foment good practices to guide suppliers and adjust properties to social and environmental standards. Through professional relations with its suppliers, Marfrig is capable of monitoring the origin of its animals to ensure complete social and environmental compliance, in addition to driving the evolution of Brazilian farms and recognizing those with best practices in production, human capital and natural resources management, given that consumers' increasing demand for sustainably-made products.

- **Rainforest Alliance Certified:** in June 2012, Marfrig became the world's first food company in the animal protein segment to track its complete Beef production cycle in accordance with the standards developed by the Agriculture and Forest Management and Certification Institute (IMAFLORA), which entitled the

Corporation to use the Rainforest Alliance seal. This seal authorizes four units of Marfrig (Tangará da Serra – MT; Pampeano – Hulha Negra and Bagé, RS and Promissão – SP) to produce and sell products with the "Green Cattle Farm Seal" in the international market. After launching, in partnership with a European client, the first Rainforest Alliance-certified hamburger. The patty, which is made from Beef produced in accordance with the highest environmental, social and economic sustainability and animal welfare standards, is sold at retail chains across Europe. In 2016, products with the seal were also made available to Brazilian consumers.

- **The Nature Conservancy (TNC):** in 2013, the Corporations entered into a partnership with TNC, one of the world's largest environmental organizations, and Walmart, the world's leading retailer, to foster sustainable cattle production in the southeastern region of the state of Pará, which will help preserve the Amazon biome and promote the adoption of good social and environmental practices. In 2015, the Corporation made advances in promoting good practices in southern Pará state, and also provided technical support to producers in both environmental and animal welfare aspects. In addition to these field actions continued in 2016, the Beef originating from the project was introduced into the market through two Walmart stores in Brasília. The project will be highlighted in the NGO TNC's global annual report, which is distributed to thousands of representatives of companies, foundations, governments and NGOs around the world.

- **Alianza del Pastizal:** The seal is an initiative by NGO Alianza del Pastizal in partnership with Marfrig with the objective of offering consumers products that combine quality with the conservation of natural areas of the Pampa Biome. It enables consumers to identify and choose meat produced consistently with the conservation of the environment and which preserves important areas of native fields and vegetation, predominantly in the South American Pampas. Consistent with Marfrig's sustainability strategy, the Alianza del Pastizal seal is aligned with our commitment to sustainable production practices and to high-quality final products that, in this case, are evidently superior for their levels of Omega 3 in the meat. The seal is granted after assessing and certifying production processes on rural properties that are members of Alianza del Pastizal, based on the guidelines set by the Board of Pastizal Beef Certification (CCCP).

- **CDP Forest:** Marfrig Global Foods was recognized for its leadership in Latin America by the Forest Program of the Carbon Disclosure Program (CDP), which addresses climate change, the environment and water resources in the value chain. The recognition is for the company's efforts to reduce deforestation in the value chain, i.e., reducing Scope 3 carbon emissions. The commitment assumed by the company in 2009 not to source animals from areas that have been blacklisted by IBAMA, coupled with our efforts to monitor suppliers, ensured us an A score, attesting to our leadership in the segment.

- **Animal welfare:** Animal welfare is a priority for Marfrig, which for over a decade has intensified its work in this area, based on its belief that animals should be treated with respect throughout their life cycles. It is in our interest to implement and maintain procedures to guarantee the quality and safety of our products and satisfaction of our clients, continuously improve all stages of management and, whenever possible, make changes to meet the five inherent freedoms of animals, as defined by the Farm Animal Welfare Council - England (FAWC).

  The Corporation has a department dedicated exclusively to the production chain, promoting animal welfare and good animal management practices, and minimizing unnecessary suffering. The department is coordinated by an Officer Welfare Animal (AWO), who is designated to address animal welfare issues in each of the plants. The team is formed by highly trained zootechnicians and veterinarians, who monitor the evolution in indicators, assess the decision-making process and develop training programs.

Focusing on the evolution of work done internally by its team in each of at plants and considering the need to make these results widely known, Marfrig created the Animal Welfare Committee, seeking to develop the segment globally. Every year, all production units in Brazil participated in awareness-raising campaigns in honor of World Animal Day, which is commemorated on October 4. The initiative took place in 2012 at just one unit and expanded gradually to other units. The activities engage people from various sectors and segments.

Supported by the work of our teams, we maintained all approvals by clients and the strictest animal welfare protocols during audits conducted by third parties. We believe that seeking and upholding dignified animal handling procedures are essential for the quality and safety of the brand's products.

Highlights in Uruguay:

- **Viva Grass Fed Beef:** Program conducted jointly with cattle suppliers to ensure the production of superior products that involves grass-fed cattle that meets the demands of the U.S. market, without the use of any antibiotics, growth hormones or animal-based feed. Approved by the U.S. Department of Agriculture (USDA), the products are sold in major U.S. retail chains.
- **Certified Organic Beef:** Through the Certified Organic Beef Program, we offer products made from animals that comply with the U.S. National Organic Program (NOP) and with European Regulations CE 834/2007 and 889/2008, as well as with the agreement for equivalent of U.S. (NOP) and Canadian standards (Canada Organic Regime – COR).
- **San José Unit:** The unit was concluded and started operating a new Wastewater Treatment Station, for investment of US$2 million. The unit is a reference in the country, since the plant eliminates all nitrogen and phosphorus in wastewater. The plant also has its own laboratory for conducting routine controls.
- In 2016, it worked together with managers and transporters of production waste (such as polyethylene, cardboard and plastic) to comply with the new legal requirement for solid waste, focusing on recycling. The unit also started composting rumen and sludge to produce fertilizer, which is successfully being distributed to the region's producers. Some of the plants are also using these products as raw material to produce bricks.
- Another milestone in our Uruguay division was the participation in the "Program to Improve Industrial Competitiveness and Environmental Performance in the Industries of the Santa Lucia basin" sponsored by Uruguay's Ministry of Industry, Energy and Mines (MIEM), which trains employees on-site at plants as well as at the University of Montevideo on Cleaner Production with regard to the contamination of water by industrial waste.
- In 2016, the Corporation also created an environmental training program that is being implemented at the units, supported by the engagement of the senior management and an external technical team specializing in environment management.
  These recognitions result from the various initiatives adopted by Marfrig Global Foods involving its suppliers, seeking to strengthen the relationship, develop competencies and improve the quality of the products reaching consumers' tables.

A reference and pioneer in its market segments, Marfrig adopts the principle of guaranteeing transparency and advancing sustainability. For this reason, it publishes an annual report in accordance with the framework of the Global Reporting Initiative (GRI), which features the major achievements and challenges on the work fronts established by its sustainability pillars. A full version of the document is available on the Corporation's Investor Relations website: www.marfrig.com.br/ri.

37.2. Social Responsibility

Grounded in the principles of social responsibility, the units of Marfrig Global Foods develop important programs to support local communities. These include:

- **Social Campaigns:**

- Back to School: drive for collecting school materials;
- Winter Clothing: drive for collecting winter clothing;
- Food Drive;
- Commemorative Dates;
- Blue November: awareness campaign focusing on the prevention and diagnosis of prostate cancer;
- Pink October: awareness campaign focusing on the importance of the prevention and early diagnosis of breast cancer;
- Combatting Discrimination.

- **Projects:** Conducted since 2012 and growing stronger with each passing year;
  - Minor Apprentice: started in 2012, the project consists of offering learning opportunities and employing youth aged from 16 to 18;
  - Persons with Disabilities: launched in 2012, the project consists of employing and monitoring persons with disabilities sand ensuring their social and professional integration;
  - Expecting Mothers: monitoring of pregnant women, with monthly meetings addressing topics about pregnancy, mother and child health, labor, breast feeding and etc., while also ensuring future mothers are fed every 3 hours.

- **Certifications:** SA8000, OHSAS18001 and ISO14001 at 10 units, BRC and HACCP at 12 units and IFS at 1 unit.

  We continue to assess 100% of our supplier chain with regard to social, environmental, health and safety aspects, as well as product quality, and we continue to comply with the Costumer Code of Conduct, with medical results through external audits.

  KEYSTAR: created in 2008, the program balances environmental management, social responsibility and profitable growth to deliver a sustainable operation in the global and local communities in which the Keystone operates. In June 2015, the charity program Keystone Cares was launched, with the objective of expanding the Corporation's contributions in the following areas: Public Nutrition, Support for Local Communities and Mitigating the Impacts from Environmental Disasters. For more information, go to: http://www.keystonefoods.com/corporate-social-responsibility/keystar.

38. Result from discontinued operations

- **Divestment of the Beef Jerky Businesses**

On September 30, 2015, the Management Committee decided to hold for sale all assets of the subsidiary Marfood USA, Inc., (part of the Beef business), and authorized the Corporation's management to carry out all efforts to comply with said decision.

On January 30, 2016, the Corporation concluded the sale of the Beef jerky business of Marfood USA, Inc. to The Classic Jerky Company, a subsidiary of Link Snacks, Inc. for US$3.1 million (R$ 12,7 million on the transaction date). The impact of the sale in the result from discontinued operations was a loss R$ 1.1 million, which is irrelevant in the period.

With the sale of the Beef jerky business, Marfood USA, Inc., organized under the company name MF Foods USA, Inc., will concentrate its operations on the sale of meatpacking products (canned food and

non-refrigerated meat for future processing) in the U.S. market and surrounding region, aiming to maintain the group's service capillarity in the segment.

- **Divestment of direct subsidiary**

On March 30, 2016, the Corporation concluded, as per the notice to the market dated February 10, 2016, the related party transaction involving the sale of the ownership interest it held in the subsidiary MFG Agropecuária Ltda. ("MFG") to the controlling shareholder, Mr. Marcos Antonio Molina dos Santos. The negotiation between the parties reflects commercial conditions for the sale of ownership interests strictly compatible with those typically practiced in the market, supported, as a condition precedent for the transaction, by a technical Valuation Report prepared by the audit and consulting firm PricewaterhouseCoopers Auditores Independentes.

The purchase agreement entered into between the parties, among other terms and conditions, provides for the following conditions for consummation of the transaction: (i) sales price of R$95 million, which includes the amount of R$13.2 million as pre-fixed interests; (ii) discount from an advance in the amount of R$10.9 million received by the Corporation from Mr. Marcos Molina, as payment; (iii) settlement of the outstanding balance in nine quarterly installments.

On June 30, 2017, the Corporation received in advance a significant portion of the amount outstanding owed by its Controlling Shareholder. Following receipt of the amount, the Corporation had an outstanding balance of R$1.4 billion with its Controlling Shareholder related to this transaction.

The transaction was the object of consideration and approval by the Audit Committee, Management Committee and Financial and Risk Management Committee of Marfrig, and was submitted to examination and approval, in accordance with the shareholders' agreement. The divestment of MFG is aligned with the strategic plan "Focus to Win," which aims to streamline the operations and to focus more on key assets.

The result of the transaction, before taxes, was a loss of R$10.9 million, recorded in the consolidated statement of income for the year under "Net income (loss) from discontinued operations." The following amounts reflect the transactions mentioned above:

	R$ '000
Sales price	95,000
(-) Financial interest incurred during the contract (*)	(13,212)
(-) Expenses with legal counsels and independent consultants	(93)
(-) Write-off of Moy Park investment	(98,214)
(=) Income (loss) from the sale before taxes	(16,519)
Effect of Income and social contribution taxes	5,616
(=) Profit (loss) from the operation	(10,903)

(*) Financial interest provided by contract to be paid as installments are received. Considering the impact of interest expenses in the gain/loss from sale, the loss, net of tax effects, would be R$ 2.2 million.

Gains and losses in the current year, related to the divested business, were recorded under "Net income (loss) in the year from discontinued operations," and the gains and losses in the comparison years were reclassified pursuant to NBC TG 31/R3 (CVM Resolution 598/09 – non-current assets held for sale and discontinued operations).

- **Divestment of Marfrig Argentina business**

On September 30, 2015, the Management Committee decided to hold for sale the assets of the Marfrig Argentina S.A. business unit, which is part of the Beef business segment, and authorized the Corporation's management to carry out all efforts to comply with said decision.

On April 6, 2016, Marfrig announced to the market, through a Material Fact notice, the execution of an agreement for the sale ("Transaction") of certain units in Argentina to Black Bamboo Enterprises S.A. (Foresun Group – People's Republic of China). The units are located in a) Hughes (Santa Fé Province); b) Vivoratá (Buenos Aires Province); c) Unquillo (Córdoba Province); and d) Monte Ralo (Córdoba Province).

The total amount of the Transaction is around US$75 million and payment will be made in installments. The initial payment received, of US$34.0 million (R$121.2 million), was made on the disclosure date, upon delivery of the Hughes unit. The remaining balance will be paid within 12 months upon delivery of the other units.

In addition, an advance of US$2.4 million (R$7.9 million) was made in the last quarter of 2016.

At December 31, 2016, the effect from the sale on the results from discontinued operations was a gain of R$48.5 million.

In compliance with contractual provisions, the delivery of the units "Vivorata" and "Monte Ralo" led to the receipt of US$9.2 million (R$28.4 million) in the period ended June 30, 2017, whose net effect was a gain of R$18.6 million in the profit or loss.

Gains and losses in the current period related to the divested business were recorded under "Net income (loss) in the period from discontinued operations," and the gains and losses in the comparison period were reclassified pursuant to NBC TG 31 (R3).

On March 20, 2017, the Management Committee decided to hold for sale all assets of the business unit Marfrig Argentina S.A., which is part of the Beef business division, and authorized the management of the Corporation to carry out all efforts to comply with said decision.

As described in transactions for divestment of the Beef Jerky and Marfrig Argentina businesses, the result from discontinued operations and cash flow for the periods ended June 30, 2017 and 2016 are summarized as follows:

Result from discontinued operations

	Consolidated	
	6/30/2017	6/30/2016
Net Revenue	216,081	356,379
Cost of Goods Sold	(216,832)	(344,247)
Gross Profit	(751)	12,132
Operating and financial income (expenses)	997	85,000
Net operating income (loss)	246	97,132
Income and social contribution taxes	(5,709)	(32,771)
Net income from discontinued operations	(5,463)	64,361
Non-controlling interest	4	(39)
Net income (loss) from discontinued operations	(5,459)	64,322

Cash flow from discontinued operations

	Consolidated	
	6/30/2017	6/30/2016
Net income (loss) for the period	(5,459)	64,322
Non-cash items	30,759	(64,148)
From changes in equity	(60,730)	(111,485)
Used in investing activities	43,736	80,238
Used in financing activities	(811)	(18,628)
Exchange variation on cash and equivalents	815	(1,252)
Cash from operations	(14,865)	14,099
Discontinued operations, net of cash	(6,555)	(36,854)

39. Additional information of the cash flow statements

In compliance with NBC TG 03/R3 – Statement of Cash Flows, the following table presents the changes in liabilities from financing activities arising from cash and non-cash flows:

	Parent							
Description	Balance on 12/31/2016	Net effect on cash flows from financing activities	Capitalization	Other businesses (a)	Other changes (1)	Exchange rate fluctuation	Changes in fair value	Balance on 6/30/2017
Dividends	-	38,182	-	-	-	-	-	38,182
Loans and financing	1,081,976	(448,549)	-	-	30,702	5,319	34,420	703,868
Lease payable	3,472	(2,992)	-	-	-	-	705	1,185
Mandatory convertible deed	2,147,392	(83,271)	-	-	(2,149,550)	-	85,429	-
Debentures payable	569,935	-	-	-	-	-	30	569,965
Interest on debentures	297,870	(321,918)	-	-	-	-	63,573	39,525
Share capital	5,278,127	-	-	-	2,149,550	-	-	7,427,677
Treasury shares	(11,702)	(4,692)	-	-	-	-	-	(16,394)
	9,367,070	(823,240)	-	-	30,702	5,319	184,157	8,764,008

	Consolidated							
Description	Balance on 12/31/2016	Net effect on cash flows from financing activities	Capitalization	Other businesses (a)	Other changes (1)	Exchange rate fluctuation	Changes in fair value	Balance on 6/30/2017
Loans and financing	10,893,838	478,406	-	(3,676)	30,702	226,140	510,782	12,136,192
Lease payable	38,496	(7,936)	-	-	-	354	1,233	32,147
Mandatory convertible deed	2,147,392	(83,271)	-	-	(2,149,550)	-	85,429	-
Interest on debentures	256,563	(277,749)	-	-	-	-	21,186	-
Share capital	5,278,127	-	-	-	2,149,550	-	-	7,427,677
Treasury shares	(11,702)	(4,692)	-	-	-	-	-	(16,394)
	18,602,714	104,758	-	(3,676)	30,702	226,494	618,630	19,579,622

(1) Changes arising from the application of NBC TG 31 (R3) – Non-current assets held for sale and discontinued operations; settlements of derivatives linked to loans and financings and other changes.

40. Events after the reporting period

On July 3, 2017, Marfrig Global Foods announced to its shareholders and the general market that, due to the increased availability of cattle for slaughter in Brazil, it decided to adjust the production capacity of its Beef division. The adjustment included the reopening of meatpacking units in Nova Xavantina (MT) and Pirenópolis (GO), and the expansion of production in four meatpacking units in the states of Goiás, Mato Grosso, Pará and Rondônia. After the implementation of these measures, capacity of the Brazilian operation of the Beef division is estimated to increase by around 25% from current levels. This increase is aligned with the Corporation's strategy to pursue sustainable growth.

* * *

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: MRTTY) 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[1] 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.

[1] 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%.

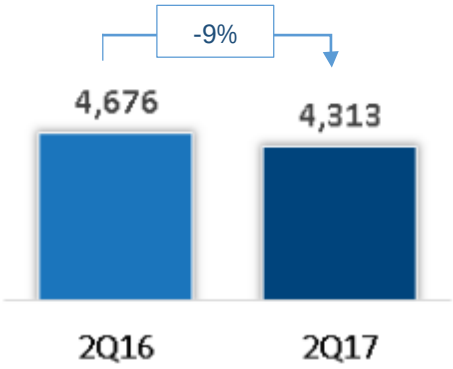
In this context, Marfrig reported adjusted EBITDA ("Adj. EBITDA") of R$391 million in 2Q17. The Keystone Division, leveraged by the successful strategy of its ongoing Key Accounts Program and by the solid performance of the foodservice channel, reported record Adj. EBITDA of US$69 million (or R$221 million). 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.

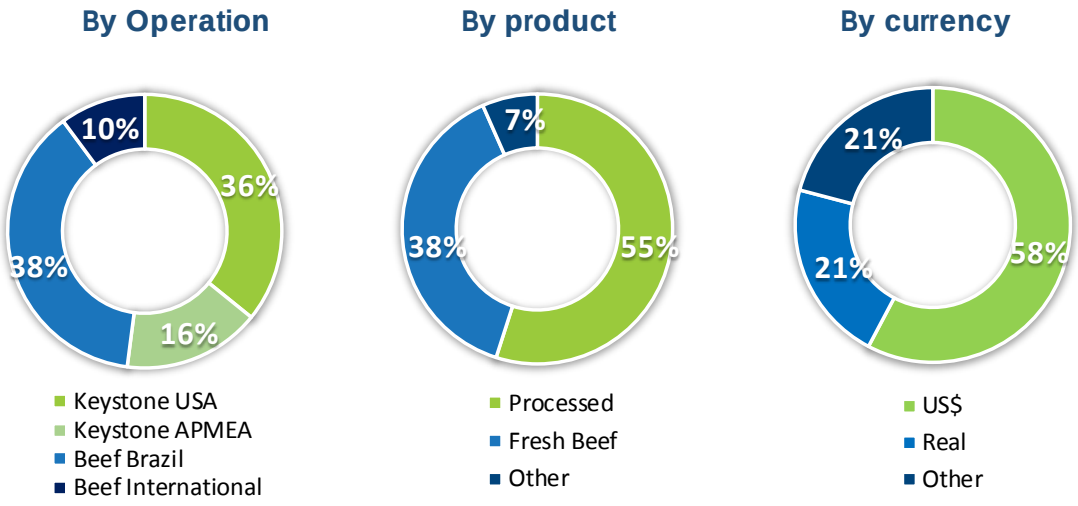
Net Revenue

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.

Net Revenue (R$ million)



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.**

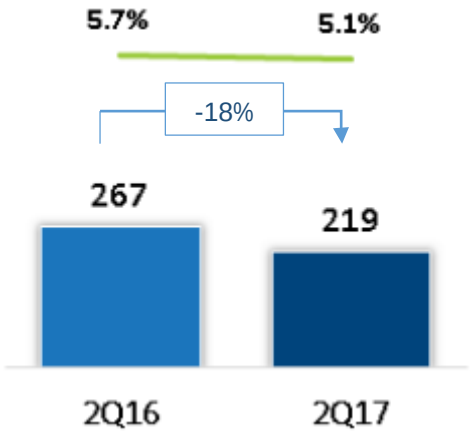
Gross Profit & Gross Margin

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 %)

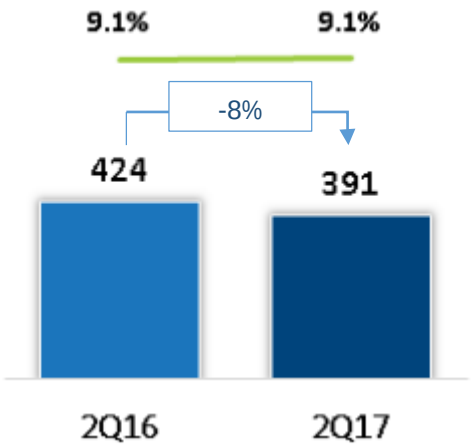


Adjusted EBITDA and Adjusted EBITDA Margin

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$	%
FINANCIALS REVENUES	**53.5**	**82.3**	**(28.8)**	**-35.0%**
Interest income, income from marketablesecurities	29.0	37.0	(8.1)	-
Market transactions	22.8	43.7	(20.9)	-
Other revenues	1.8	1.6	0.2	-
FINANCIALS EXPENSES	**(469.4)**	**(584.0)**	**114.6**	**-19.6%**
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	-
FINANCIAL RESULT EX-EXCHANGE VAR.	**(415.9)**	**(501.7)**	**85.8**	**-17.1%**
Exchange Variation	**(71.9)**	**(13.7)**	**(58.2)**	**-**
NET FINANCIAL RESULT	**(487.8)**	**(515.5)**	**27.6**	**-5.4%**

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.

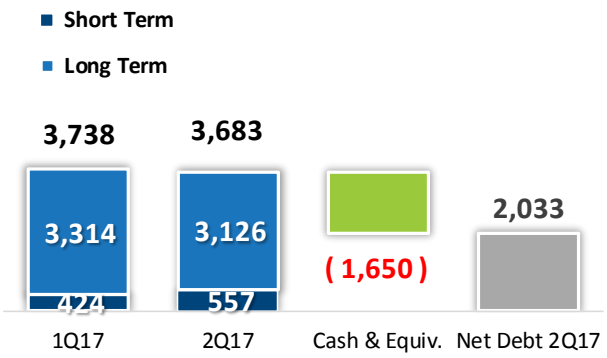
On June 30, 2017, Marfrig held gross debt of US$3,683 million, a reduction of US$ 55 million in comparison to the previous quarter.

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

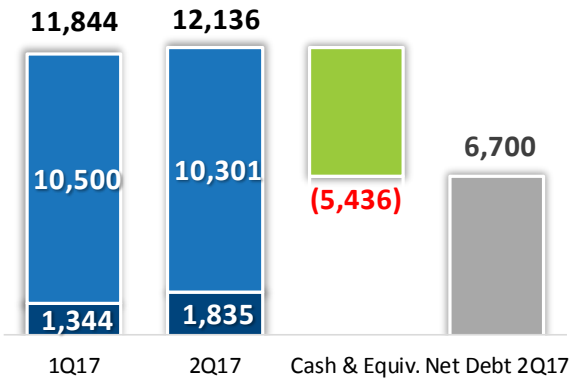
As a consequence, Company´s net debt ended 2Q17 at US$2,033 million, 5% up from the end of the previous quarter, reflecting the cash flow consumption and the bond´s interest payment concentration in the quarter.

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.

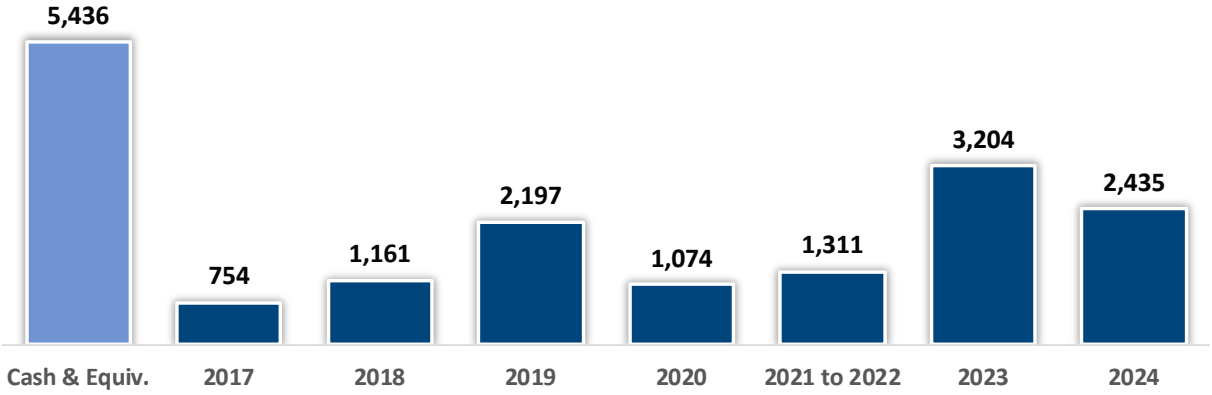
Debt in US$ million



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*
6.47%	4.44	1.66x	0.32x	4.55x

*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).

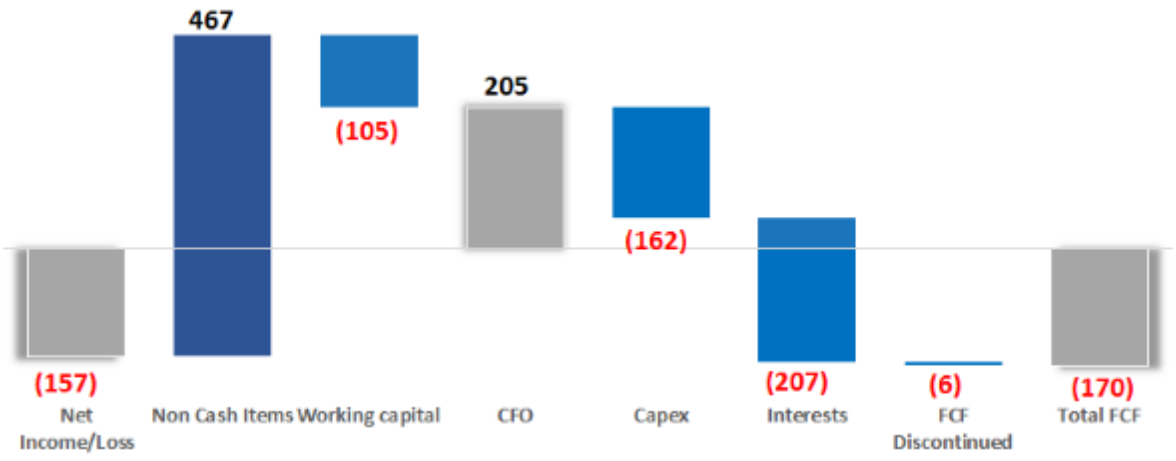
Cash Flow

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.

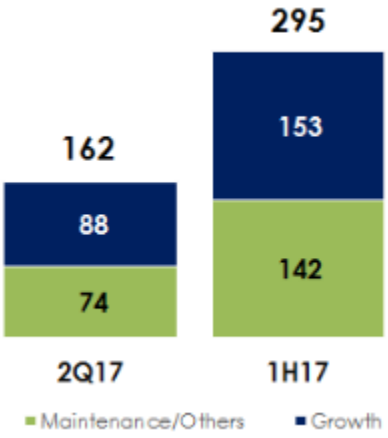
Cash Flow (R$ million)



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)



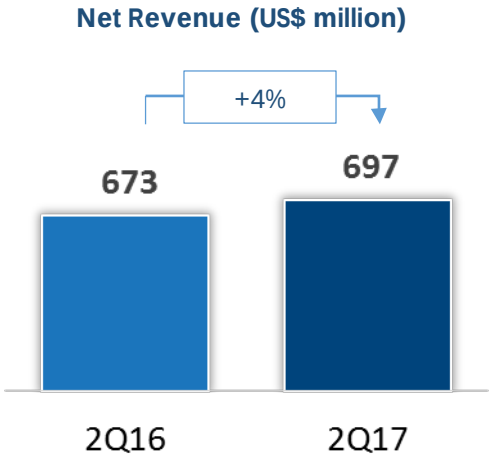
KEYSTONE

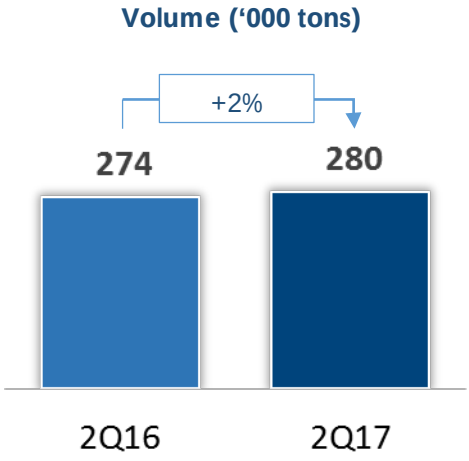
Keystone experienced another excellent quarter setting a new record for quarterly Adjusted EBITDA of US$69 million. The strong performance is the result of our ongoing strategy of increasing value-added business with existing customers and establishing new customer relationships as a part of our ongoing 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.

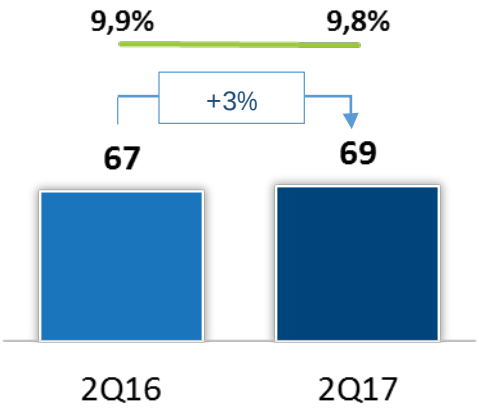
Adjusted EBITDA and Adjusted EBITDA Margin

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.

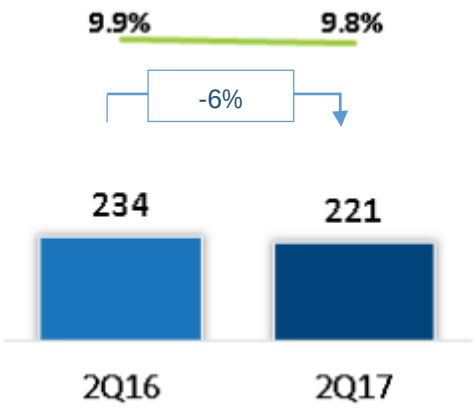
This improvement in Adjusted EBITDA was driven by (i) volume expansion as part of ongoing success with promotional activities and new product introductions in APMEA; (ii) strong export-oriented demand in markets served by our production facilities in Thailand; (iii) an ongoing favorable sales mix with 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.

Adjusted EBITDA & Margin (US$ million and %)



Adjusted EBITDA & Margin (R$ million and %)



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

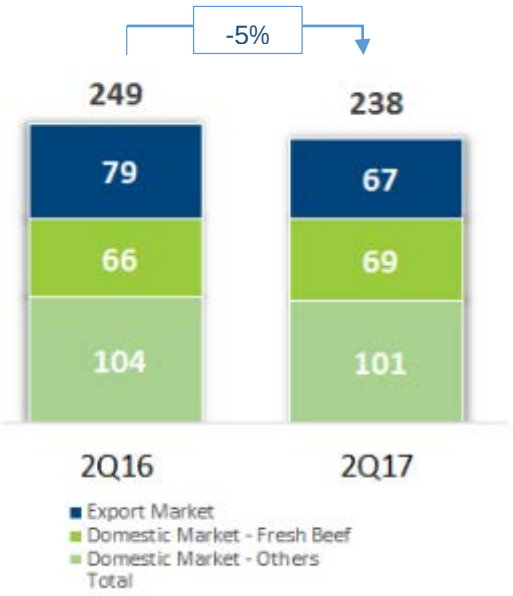
Net revenue from the Beef Division was R$2.1 billion in the quarter, down 10% from 2Q16, influenced by (i) the 9% Brazilian real appreciation; (ii) the decline in production volume, especially of byproducts; partially offset by (iii) the increase in international prices (in U.S. dollars).

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.

Revenue (R$ million)



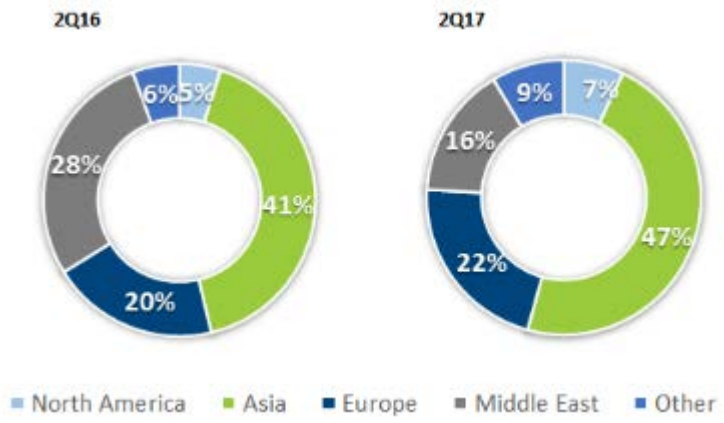
Volume ('000 tons)



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

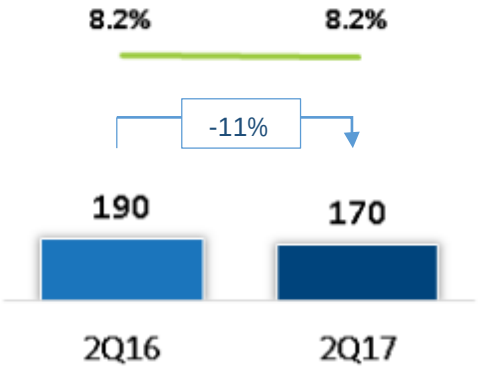
SG&A expenses were R$162 million in 2Q17, down R$43 million. As a ratio of NOR, SG&A expenses stood at 7.8%, improving 100 bps from 2Q16. This result is explained by (i) the initiative to streamline as well as actions to increase productivity, part as a result from the new structure recently announced; (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	**English**
2:30 p.m. (Brasília)	1:00 p.m. (Brasília)
1:30 p.m. (US EST)	**12:00 p.m. (US EST)**
6:30 p.m. (London)	5:00 p.m. (London)
Dial-in: Brazil: + 55 (11) 3193-1001 or 2820-4001	Dial-in: Other countries: + 1 (786) 924-6977
Code: Marfrig	Code: Marfrig

Live audio webcast with slide presentation.
Replay available for download: www.marfrig.com.br/ri

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APPENDIX LIST

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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$	%
Net Revenues	**4,313.0**	**100.0%**	**4,675.7**	**100.0%**	**4,136.2**	**100.0%**	**(362.7)**	**-7.8%**	**176.8**	**4.3%**
COGS	(3,817.1)	-88.5%	(4,101.7)	-87.7%	(3,675.7)	-88.9%	284.5	-6.9%	(141.4)	3.8%
Gross Profit	**495.8**	**11.5%**	**574.0**	**12.3%**	**460.4**	**11.1%**	**(78.2)**	**-13.6%**	**35.4**	**7.7%**
SG&A	**(218.7)**	**-5.1%**	**(266.7)**	**-5.7%**	**(236.9)**	**-5.7%**	**48.0**	**-18.0%**	**18.3**	**-7.7%**
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%
Adj. EBTIDA*	**391.0**	**9.1%**	**423.6**	**9.1%**	**333.7**	**8.1%**	**(32.5)**	**-7.7%**	**57.3**	**17.2%**
Others revenues/expenses	(72.1)	-1.7%	(31.6)	-0.7%	(37.7)	-0.9%	(40.5)	128.3%	(34.4)	91.2%
EBITDA	**318.9**	**7.4%**	**392.0**	**8.4%**	**296.0**	**7.2%**	**(73.0)**	**-18.6%**	**23.0**	**7.8%**
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%
EBIT	**204.3**	**4.7%**	**274.6**	**5.9%**	**187.5**	**4.5%**	**(70.3)**	**-25.6%**	**16.8**	**8.9%**
Financial Results	**(487.8)**	**-11.3%**	**(513.5)**	**-11.0%**	**(515.5)**	**-12.5%**	**25.7**	**-5.0%**	**27.6**	**-5.4%**
Financial revenues/expenses	**(415.9)**	**-9.6%**	**(512.7)**	**-11.0%**	**(501.7)**	**-12.1%**	**96.8**	**-18.9%**	**85.8**	**-17.1%**
Exchange rate variation	**(71.9)**	**-1.7%**	**(0.8)**	**0.0%**	**(13.7)**	**-0.3%**	**(71.1)**	**8410.9%**	**(58.2)**	**423.5%**
Minority Stake	**(12.3)**	**-0.3%**	**(12.3)**	**-0.3%**	**(11.8)**	**-0.3%**	**(0.1)**	**0.5%**	**(0.5)**	**4.3%**
EBT	**(295.9)**	**-6.9%**	**(251.3)**	**-5.4%**	**(339.8)**	**-8.2%**	**(44.6)**	**17.8%**	**43.9**	**-12.9%**
Taxes	**139.0**	**3.2%**	**50.7**	**1.1%**	**101.8**	**2.5%**	**88.3**	**174.1%**	**37.2**	**36.5%**
Controller Shareholder Net Profit	**(156.9)**	**-3.6%**	**(200.5)**	**-4.3%**	**(237.9)**	**-5.8%**	**43.7**	**-21.8%**	**81.1**	**-34.1%**
Descontinued Ops. + Capital Gain	**(10.2)**	**-0.2%**	**68.6**	**1.5%**	**4.7**	**0.1%**	**(78.8)**	**-114.8%**	**(14.9)**	**-315.5%**
Controller Shareholder Net Profit	**(167.0)**	**-3.9%**	**(131.9)**	**-2.8%**	**(233.2)**	**-5.6%**	**(35.1)**	**26.6%**	**66.2**	**-28.4%**
P&L - USD x BRL	**R$ 3.21**		**R$ 3.51**		**R$ 3.14**		**-0.30**	**-8.4%**	**0.07**	**2.3%**
BS - USD x BRL	**R$ 3.31**		**R$ 3.21**		**R$ 3.17**		**0.10**	**3.1%**	**0.14**	**4.4%**
P&L - BRL x USD	**R$ 0.31**		**R$ 0.28**		**R$ 0.32**		**0.03**	**9.2%**	**-0.01**	**-2.2%**

(*) 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$	%
Net Revenues	**8,449.1**	**100.0%**	**9,582.1**	**100.0%**	**(1,133.0)**	**-11.8%**
COGS	(7,492.9)	-88.7%	(8,432.4)	-88.0%	939.5	-11.1%
Gross Profit	**956.2**	**11.3%**	**1,149.7**	**12.0%**	**(193.4)**	**-16.8%**
SG&A	**(455.6)**	**-5.4%**	**(522.3)**	**-5.5%**	**66.6**	**-12.8%**
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%
Adj. EBTIDA*	**724.7**	**8.6%**	**866.6**	**9.0%**	**(141.9)**	**-16.4%**
Others revenues/expenses	(109.8)	-1.3%	(50.5)	-0.5%	(59.2)	117.2%
EBITDA	**614.9**	**7.3%**	**816.1**	**8.5%**	**(201.2)**	**-24.6%**
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%
EBIT	**391.8**	**4.6%**	**573.7**	**6.0%**	**(181.9)**	**-31.7%**
Financial Results	**(1,003.3)**	**-11.9%**	**(936.7)**	**-9.8%**	**(66.6)**	**7.1%**
Financial revenues/expenses	**(917.6)**	**-10.9%**	**(972.7)**	**-10.2%**	**55.1**	**-5.7%**
Exchange rate variation	**(85.7)**	**-1.0%**	**36.0**	**0.4%**	**(121.6)**	**-338.1%**
Minority Stake	**(24.2)**	**-0.3%**	**(26.1)**	**-0.3%**	**2.0**	**-7.5%**
EBT	**(635.7)**	**-7.5%**	**(389.2)**	**-4.1%**	**(246.5)**	**63.3%**
Taxes	**240.9**	**2.9%**	**86.7**	**0.9%**	**154.1**	**177.7%**
Controller Shareholder Net Profit	**(394.8)**	**-4.7%**	**(302.4)**	**-3.2%**	**(92.4)**	**30.5%**
Descontinued Ops. + Capital Gain	**(5.5)**	**-0.1%**	**64.3**	**0.7%**	**(69.8)**	**-108.5%**
Controller Shareholder Net Profit	**(400.3)**	**-4.7%**	**(238.1)**	**-2.5%**	**(162.1)**	**68.1%**
P&L - USD x BRL	**R$ 2.70**		**R$ 3.49**		**-0.79**	**-22.7%**
BS - USD x BRL	**R$ 3.31**		**R$ 3.26**		**0.05**	**1.5%**

APPENDIX II

EBITDA Calculation - Quarterly

(R$ million)

RECONCILIATION OF ADJUSTED EBITDA (R$ million)	2Q17	2Q16	1Q17
Net Profit / Loss	**(156.9)**	**(200.5)**	**(237.9)**
(+) 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)
EBITDA	**318.9**	**392.0**	**296.0**
(+) Other Operacional Revenues/Expenses	72.1	31.6	37.7
Adj. EBITDA	**391.0**	**423.6**	**333.7**

EBITDA Calculation – Year to Date

(R$ million)

RECONCILIATION OF ADJUSTED EBITDA (R$ million)	1H17	1H16
Net Profit / Loss	**(394.8)**	**(302.4)**
(+) 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
EBITDA	**614.9**	**816.1**
(+) Other Operacional Revenues/Expenses	109.8	50.5
Adj. EBITDA	**724.7**	**866.6**

APPENDIX III

Income Statement – Keystone

Quarterly

(US$ million)

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

(*) 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$	%
Net Revenues	**2,244.9**	**100.0%**	**2,364.1**	**100.0%**	**2,095.7**	**100.0%**	**(119.3)**	**-5.0%**	**149.1**	**7.1%**
COGS	(2,020.4)	-90.0%	(2,129.3)	-90.1%	(1,896.3)	-90.5%	108.9	-5.1%	(124.1)	6.5%
Gross Profit	**224.4**	**10.0%**	**234.8**	**9.9%**	**199.4**	**9.5%**	**(10.4)**	**-4.4%**	**25.0**	**12.5%**
SG&A	**(56.7)**	**-2.5%**	**(61.8)**	**-2.6%**	**(55.0)**	**-2.6%**	**5.1**	**-8.2%**	**(1.8)**	**3.3%**
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%
Adj. EBITDA*	**221.4**	**9.8%**	**233.8**	**9.9%**	**196.1**	**9.4%**	**(12.4)**	**-5.3%**	**25.3**	**12.9%**
Others revenues/expenses	(3.1)	-0.1%	0.0	0.0%	0.0	0.0%	(3.1)	n/a	(3.1)	n/a
EBITDA	**218.3**	**9.7%**	**233.8**	**9.9%**	**196.1**	**9.4%**	**(15.4)**	**-6.6%**	**22.2**	**11.3%**
P&L - USD x BRL	**R$ 3.21**		**R$ 3.51**		**R$ 3.14**		**-0.30**	**-8.4%**	**0.07**	**2.3%**

(*) 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	$	%
Net Revenues	**1,364.3**	**100.0%**	**1,296.3**	**100.0%**	**68.0**	**5.2%**
COGS	(1,231.2)	-90.2%	(1,173.6)	-90.5%	(57.6)	4.9%
Gross Profit	**133.1**	**9.8%**	**122.7**	**9.5%**	**10.4**	**8.5%**
SG&A	**(35.2)**	**-2.6%**	**(33.9)**	**-2.6%**	**(1.3)**	**3.8%**
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%
Adj. EBITDA*	**131.1**	**9.6%**	**123.4**	**9.5%**	**7.7**	**6.3%**
Others revenues/expenses	(0.9)	-0.1%	0.0	0.0%	(0.9)	n/a
EBITDA	**130.2**	**9.5%**	**123.4**	**9.5%**	**6.8**	**5.5%**

Year to Date

(R$ million)

	1H17 (a)		1H16 (b)		(a/b) Chg.	
	R$	%NOR	R$	%NOR	R$	%
Net Revenues	**4,340.6**	**100.0%**	**4,801.8**	**100.0%**	**(461.3)**	**-9.6%**
COGS	(3,916.8)	-90.2%	(4,349.3)	-90.5%	432.5	-9.9%
Gross Profit	**423.8**	**9.8%**	**452.6**	**9.5%**	**(28.8)**	**-6.4%**
SG&A	**(111.7)**	**-2.6%**	**(125.6)**	**-2.6%**	**13.9**	**-11.1%**
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%
Adj. EBITDA*	**417.6**	**9.6%**	**455.3**	**9.5%**	**(37.8)**	**-8.3%**
Others revenues/expenses	(3.1)	-0.1%	0.0	0.0%	(3.1)	n/a
EBITDA	**414.5**	**9.5%**	**455.3**	**9.5%**	**(40.8)**	**-9.0%**

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%
TOTAL KEYSTONE	**280.3**	**273.8**	**278.4**	**2.4%**	**0.7%**	**558.7**	**538.3**	**3.8%**

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%
TOTAL KEYSTONE	**697.1**	**673.0**	**667.2**	**3.6%**	**4.5%**	**1,364.3**	**1,296.3**	**5.2%**

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%
TOTAL KEYSTONE	**2.49**	**2.46**	**2.40**	**1.2%**	**3.8%**	**2.44**	**2.41**	**1.4%**

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%
TOTAL KEYSTONE	**2,244.9**	**2,364.1**	**2,095.7**	**-5.0%**	**7.1%**	**4,340.6**	**4,801.8**	**-9.6%**

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%
TOTAL KEYSTONE	**8.01**	**8.64**	**7.53**	**-7.2%**	**6.4%**	**7.77**	**8.92**	**-12.9%**

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$	%
Net Revenues	**2,068.1**	**100.0%**	**2,311.5**	**100.0%**	**2,040.5**	**100.0%**	**(243.4)**	**-10.5%**	**27.6**	**1.4%**
COGS	(1,796.7)	-86.9%	(1,972.4)	-85.3%	(1,779.4)	-87.2%	175.7	-8.9%	(17.3)	1.0%
Gross Profit	**271.4**	**13.1%**	**339.2**	**14.7%**	**261.0**	**12.8%**	**(67.8)**	**-20.0%**	**10.4**	**4.0%**
SG&A	**(161.9)**	**-7.8%**	**(204.8)**	**-8.9%**	**(182.0)**	**-8.9%**	**42.9**	**-20.9%**	**20.1**	**-11.0%**
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%
Adj. EBITDA*	**169.6**	**8.2%**	**189.8**	**8.2%**	**137.5**	**6.7%**	**(20.1)**	**-10.6%**	**32.1**	**23.3%**
Others revenues/expenses	(69.0)	-3.3%	(31.6)	-1.4%	(37.7)	-1.8%	(37.4)	118.5%	(31.3)	83.0%
EBITDA	**100.6**	**4.9%**	**158.2**	**6.8%**	**99.8**	**4.9%**	**(57.6)**	**-36.4%**	**0.8**	**0.8%**
P&L - USD x BRL	R$ 3.21		R$ 3.51		R$ 3.14		-0.30	-8.4%	0.07	2.3%

(*) 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$	%
Net Revenues	**4,108.6**	**100.0%**	**4,780.3**	**100.0%**	**(671.7)**	**-14.1%**
COGS	(3,576.1)	-87.0%	(4,083.1)	-85.4%	507.0	-12.4%
Gross Profit	**532.4**	**13.0%**	**697.1**	**14.6%**	**(164.7)**	**-23.6%**
SG&A	**(343.9)**	**-8.4%**	**(396.7)**	**-8.3%**	**52.7**	**-13.3%**
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%
Adj. EBITDA*	**307.1**	**7.5%**	**411.3**	**8.6%**	**(104.2)**	**-25.3%**
Others revenues/expenses	(106.7)	-2.6%	(50.5)	-1.1%	(56.2)	111.1%
EBITDA	**200.4**	**4.9%**	**360.8**	**7.5%**	**(160.3)**	**-44.4%**

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.
Fresh Beef	**122.1**	**127.3**	**118.3**	**-4.1%**	**3.2%**	**240.3**	**247.3**	**-2.8%**
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%
Further Processed	**7.4**	**13.2**	**8.1**	**-43.7%**	**-8.0%**	**15.5**	**26.2**	**-41.0%**
Other	**108.0**	**109.1**	**102.3**	**-0.9%**	**5.6%**	**210.3**	**215.9**	**-2.6%**
TOTAL BEEF	**237.5**	**249.5**	**228.6**	**-4.8%**	**3.9%**	**466.2**	**489.4**	**-4.7%**

Revenues (R$ Millions)	2Q17 (a)	2Q16 (b)	1Q17 (c)	(a/b) Chg.	(a/c) Chg.	1H17 (a)	1H16 (a)	(a/b) Chg.
Fresh Beef	**1,639.2**	**1,752.6**	**1,610.8**	**-6.5%**	**1.8%**	**3,250.0**	**3,652.4**	**-11.0%**
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%
Further Processed	**143.6**	**251.9**	**158.1**	**-43.0%**	**-9.2%**	**301.7**	**495.1**	**-39.1%**
Other	**285.3**	**307.1**	**271.5**	**-7.1%**	**5.1%**	**556.8**	**632.7**	**-12.0%**
TOTAL BEEF	**2,068.1**	**2,311.5**	**2,040.5**	**-10.5%**	**1.4%**	**4,108.6**	**4,780.2**	**-14.1%**

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

APPENDIX VII

Balance Sheet

(R$ '000)

ASSETS	2Q17	4Q16
CURRENT ASSETS		
Cash and cash equivalents	3,939,249	3,291,705
Marketable securities	1,496,695	1,986,936
Trade accounts receivable - domestic	423,944	396,887
Trade accounts receivable - foreign	228,676	393,581
Inventories of goods and merchandis	1,334,944	1,257,616
Biological assets	118,315	112,454
Recoverable taxes	1,225,850	1,240,328
Prepaid expenses	128,836	132,242
Notes receivable	313,029	353,548
Advances to suppliers	38,542	23,988
Held-for-sale assets	210,892	0
Other receivables	60,444	113,893
	9,519,416	**9,303,178**
NON CURRENT ASSETS		
Marketable securities	786	851
Court deposits	51,594	65,427
Notes receivable	81,895	96,768
Deferred income and social contributi	2,376,042	2,135,395
Recoverable taxes	1,694,256	1,723,660
Other receivables	46,060	41,493
	4,250,633	**4,063,594**
Investments	20,449	16,268
Property, plant and equipment	4,117,816	4,009,397
Biological assets	52,206	51,236
Intangible assets	2,836,696	2,815,130
	7,027,167	**6,892,031**
TOTAL ASSETS	**20,797,216**	**20,258,803**

LIABILITIES	2Q17	4Q16
CURRENT LIABILITIES		
Trade accounts payable	1,784,971	1,853,426
Supply chain finance	122,378	149,331
Accrued payroll and related charges	380,457	346,837
Taxes payable	278,847	175,801
Loans and financing	1,834,751	1,198,039
Notes payable	373,090	372,607
Lease payable	10,277	11,936
Interest on debentures	0	256,563
Advances from customers	748,283	695,046
Mandatory deed convertible into shares	0	2,147,392
Liabilities related to held-for-sale assets	81,086	0
Other payables	130,108	175,991
	5,744,248	**7,382,969**
NON CURRENT LIABILITIES		
Loans and financing	10,301,454	9,695,799
Taxes payable	778,001	723,435
Deferred income and social contributio	286,673	269,616
Provisions for contingencies	86,836	87,739
Lease payable	21,870	26,560
Debentures payable	0	0
Notes payable	427,661	488,261
Advances from customers	330,820	375,448
Other	112,218	108,174
	12,345,533	**11,775,032**
Non-controlling interest	**224,175**	**194,186**
CONTROLLING SHAREHOLDER'S EQUITY		
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
	2,483,260	**906,616**
TOTAL LIABILITIES	**20,797,216**	**20,258,803**

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)
Continued Free Cash Flow	**(267.3)**	**(163.7)**	**(431.1)**
Discontinued Free Cash Flow	**13.9**	**(6.0)**	**7.9**
Total Free Cash Flow	**(253.4)**	**(169.8)**	**(423.2)**