Grant Thornton

Marfrig Global Foods S.A.

Independent Auditor Review Reporto n Quarterly Information Form (ITR)

As of March 31, 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 March 31, 2017, comprising the balance sheet as at March 31, 2017 and the respective statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended, including the footnotes.

Management responsibility for the Quarterly Information Form (ITR)

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.

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.

Other matters

Statements of value added

We have also reviewed the individual and consolidated statements of value added (DVA), related to the three month period ended March 31, 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 audit and review of corresponding amounts on the individual and consolidated financial statements related to fiscal year ended December 31, 2016 and quarterly information related to the period of three months ended March 31, 2017, presented for comparative purposes, were audited and reviewed by other independent auditor, which reports were released on February 23, 2017 and May 11, 2016, respectively, without qualifcations.

São Paulo, May 10, 2017.

Daniel G. Maranhão Jr.
CT CRC 1SP-215.856/O-5

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

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

MARFRIG GLOBAL FOODS S.A.

Balance sheet
At March 31, 2017 and December 31, 2016
(In thousands of Brazilian reais - R$)

Assets

	Note	Parent		Consolidated	
		3/31/2017	12/31/2016	3/31/2017	12/31/2016
Current assets					
Cash and cash equivalents	4	254.625	396.281	3.382.278	3.291.705
Marketable securities	5	1.394.585	1.515.911	2.322.213	1.986.936
Trade accounts receivable - domestic	6	26.922	149.013	239.430	396.887
Trade accounts receivable - foreign	6	207.970	326.458	148.700	393.581
Inventories of goods and merchandise	7	428.238	518.292	1.211.746	1.257.616
Biological assets	8	-	-	114.792	112.454
Recoverable taxes	9	1.072.248	1.075.882	1.223.954	1.240.328
Prepaid expenses		11.544	8.005	107.439	132.242
Notes receivable	10	224.337	267.479	288.873	353.548
Advances to suppliers		1.759	9.184	15.687	23.988
Assets held or sale	11	142.198	-	213.120	-
Other receivables		13.509	15.979	57.953	113.893
		3.777.935	**4.282.484**	**9.326.185**	**9.303.178**
Non-current assets					
Marketable securities	5	-	-	786	851
Court deposits		45.302	64.085	46.707	65.427
Notes receivable	10	284.380	537.282	79.955	96.768
Deferred income and social contribution taxes	12	2.077.590	1.944.363	2.336.562	2.135.395
Recoverable taxes	9	1.684.696	1.684.696	1.696.024	1.723.660
Other receivables		12.234	10.279	43.104	41.493
		4.104.202	**4.240.705**	**4.203.138**	**4.063.594**
Investments	13	4.723.196	4.728.591	19.280	16.268
Property, plant and equipment	14	2.480.389	2.487.214	3.988.559	4.009.397
Biological assets	8	-	-	49.766	51.236
Intangible assets	15	1.337.976	1.372.346	2.735.481	2.815.130
		8.541.561	**8.588.151**	**6.793.086**	**6.892.031**
		12.645.763	**12.828.856**	**10.996.224**	**10.955.625**
Total Assets		**16.423.698**	**17.111.340**	**20.322.409**	**20.258.803**

Liabilities and Shareholders' Equity

	Note	Parent		Consolidated	
		3/31/2017	12/31/2016	3/31/2017	12/31/2016
Current assets					
Trade accounts payable	16	593.617	739.179	1.521.470	1.853.426
Supply chain financing	17	110.851	149.331	110.851	149.331
Accrued payroll and related charges	18	172.832	137.126	369.484	346.837
Taxes payable	19	92.057	91.855	191.339	175.801
Loans and financing	20	799.712	823.017	1.344.191	1.198.039
Notes payable	23	252.245	306.056	309.858	372.607
Lease payable	22	1.792	2.808	10.746	11.936
Interest on debentures	21	18.197	297.870	-	256.563
Advances from customers		512.467	590.470	645.068	695.046
Mandatory deed convertible into shares	24	-	2.147.392	-	2.147.392
Liabilities related to held-for-sale assets	11	3.590	-	80.660	-
Other payables		35.680	47.667	158.498	175.991
		2.593.040	**5.332.771**	**4.742.165**	**7.382.969**
Non-current assets					
Loans and financing	20	134.302	258.959	10.499.807	9.695.799
Taxes payable	19	717.757	722.203	718.869	723.435
Deferred income and social contribution taxes	26	-	-	386.039	269.616
Provisions for contingencies	25	80.830	76.991	87.477	87.739
Lease payable	22	472	664	23.383	26.560
Debentures payable	21	569.950	569.935	-	-
Notes payable	23	9.533.935	9.243.201	478.820	488.261
Advances from clients		-	-	316.840	375.448
Other		-	-	69.523	108.174
		11.037.246	**10.871.953**	**12.580.758**	**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		34.573	40.122	34.573	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	(5.561)	(12)	(5.561)	(12)
Treasury shares canceled	27.2.2	(11.690)	(11.690)	(11.690)	(11.690)
Other comprehensive income	27.3	(268.034)	(241.972)	(268.034)	(241.972)
Asset valuation adjustment	27.3.1	(1.672.260)	(2.054.151)	(1.672.260)	(2.054.151)
Cumulative translation adjustment	27.3.2	1.527.022	1.812.179	1.527.022	1.812.179
Equity amounts related to assets held for sale	27.3.3	(122.796)	-	(122.796)	-
Accumulated losses		(4.477.236)	(4.246.093)	(4.477.236)	(4.246.093)
Controlling shareholders' equity		2.793.412	906.616	2.793.412	906.616
Non-controlling interest	27.6	-	-	206.074	194.186
Total liabilities and shareholders' equity		**16.423.698**	**17.111.340**	**20.322.409**	**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 March 31, 2017 and 2016
(In thousands of Brazilian reais – R$)

		Parent		Consolidated	
	Note	1st Quarter 2017	1st Quarter 2016	1st Quarter 2017	1st Quarter 2016
Net sales revenue	28	1.554.968	1.446.975	4.136.164	4.906.408
Cost of products and goods sold	29	(1.369.832)	(1.213.986)	(3.675.738)	(4.330.701)
Gross profit		**185.136**	**232.989**	**460.426**	**575.707**
Operating income (expenses)		(152.957)	(182.594)	(272.913)	(276.570)
Selling expenses	29	(109.439)	(82.460)	(139.119)	(145.036)
General and administrative expenses	29	(26.800)	(19.568)	(97.829)	(110.572)
Equity in earnings (losses) of subsidiaries	13	15.976	(59.613)	1.734	(1.993)
Other operating income (expenses)		(32.694)	(20.953)	(37.699)	(18.969)
Net income (loss) before net financial income (loses)		**32.179**	**50.395**	**187.513**	**299.137**
Financial income (expenses)	30	(403.344)	(191.331)	(515.467)	(423.192)
Financial income		61.023	144.769	82.280	160.797
Exchange gain		437.113	462.275	495.291	579.634
Financial expenses		(438.243)	(425.740)	(584.007)	(620.806)
Exchange Loss		(463.237)	(372.635)	(509.031)	(542.817)
Loss before tax effects		**(371.165)**	**(140.936)**	**(327.954)**	**(124.055)**
Income and social contribution taxes		**133.227**	**39.023**	**101.843**	**36.003**
Current and deferred income tax	36	97.961	29.647	66.014	17.673
Current and deferred social contribution	36	35.266	9.376	35.829	18.330
Net income (loss) in the period from continuing operations		**(237.938)**	**(101.913)**	**(226.111)**	**(88.052)**
Net income (loss) in the period from discontinued operations	38	4.728	(4.271)	4.731	(4.269)
Net income (loss) in the period before interest		**(233.210)**	**(106.184)**	**(221.380)**	**(92.321)**
Attributable to:					
Marfrig Global Foods - controlling interest - continuing operations		(237.938)	(101.913)	(237.938)	(101.913)
Marfrig Global Foods - controlling interest - discontinued operations		4.728	(4.271)	4.728	(4.271)
Controlling interest - Total		**(233.210)**	**(106.184)**	**(233.210)**	**(106.184)**
Non-controlling interest - continuing operations		-	-	11.827	13.861
Non-controlling interest - discontinued operations		-	-	3	2
Total non-controlling interest		-	-	11.830	**13.863**
		(233.210)	**(106.184)**	**(221.380)**	**(92.321)**
Basic and diluted losses per common share - continuing operations	32	(0,3935)	(0,2039)	(0,4015)	(0,1957)
Basic and diluted losses per common share - discontinued operations	32	-	-	0,0080	(0,0082)
Total basic and diluted losses per common share	32	**(0,3935)**	**(0,2039)**	**(0,3935)**	**(0,2039)**

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 March 31, 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**
Exchange variation on investments, net	-	-	-	-	-	-	-	821.800	-	(40.887)	-	780.913	780.913	(18.623)	762.290
Exchange variation - balance sheet translation	-	-	-	-	-	-	-	-	(519.681)	26.370	-	(493.311)	(493.311)	-	(493.311)
Realization of Deemed Cost	-	-	-	-	-	-	-	(2.128)	-	-	2.128	-	-	-	-
Interest rate hedge	-	-	-	-	-	-	-	228	-	-	-	228	228	-	228
Write-off (acquisition) of treasury shares	-	-	-	-	-	542	-	-	-	-	-	542	542	-	542
Net income (loss) in the period	-	-	-	-	-	-	-	-	-	-	(106.184)	(106.184)	(106.184)	13.863	(92.321)
At March 31, 2016	**5.276.678**	**(108.210)**	**184.642**	**44.476**	**7.348**	**(12)**	**(11.690)**	**(3.093.261)**	**2.310.338**	**(105.404)**	**(3.679.459)**	**825.446**	**825.446**	**195.614**	**1.021.060**

	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	-	-	-	-	-	-	-	383.958	-	(173.160)	-	210.798	210.798	58	210.856
Exchange variation - balance sheet translation	-	-	-	-	-	-	-	-	(285.157)	50.364	-	(234.793)	(234.793)	-	(234.793)
Realization of Deemed Cost	-	-	-	-	-	-	-	(2.067)	-	-	2.067	-	-	-	-
Interest rate hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-off (acquisition) of treasury shares	-	-	-	-	-	(5.549)	-	-	-	-	-	(5.549)	(5.549)	-	(5.549)
Net income (loss) in the period	-	-	-	-	-	-	-	-	-	-	(233.210)	(233.210)	(233.210)	11.830	(221.380)
At March 31, 2017	**7.427.677**	**(108.210)**	**184.642**	**44.476**	**7.348**	**(5.561)**	**(11.690)**	**(1.672.260)**	**1.527.022**	**(122.796)**	**(4.477.236)**	**2.793.412**	**2.793.412**	**206.074**	**2.999.486**

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 flow
Periods ended March 31, 2017 and 2016
(In thousands of Brazilian reais – R$)

	Note	Parent		Consolidated	
		1st Quarter 2017	1st Quarter 2016	1st Quarter 2017	1st Quarter 2016
Net loss in the period from continuing operations		(237.938)	(101.913)	(237.938)	(101.913)
Items not affecting cash		**44.808**	**148.229**	**328.515**	**448.128**
Depreciation		46.037	32.423	83.930	95.117
Amortization		6.767	6.502	26.276	27.862
Non-controlling interest		-	-	11.827	13.861
Provision for contingencies		3.840	50.000	3.840	50.000
Deferred taxes		(133.227)	(39.023)	(144.929)	(61.062)
Equity in earnings (losses) of subsidiaries		(15.976)	59.613	(1.734)	1.993
Exchange variation on financing		(21.316)	(53.096)	(24.592)	(52.852)
Exchange variation on other assets and liabilities		47.440	(36.544)	38.331	16.034
Interest expenses on financial debt		18.788	29.453	192.027	245.431
Interest expenses on financial leasing		288	312	558	712
Interest expenses on debentures		42.245	87.492	21.126	66.746
Cost with issue of financial operations		2.860	6.651	70.468	40.272
Leasing adjustment to present value		122	484	122	484
Estimated non-realization of inventories		3.000	3.000	2.929	1.271
Estimated losses with doubtful accounts		13.828	916	14.680	921
Estimated losses with non-realization of recoverable taxes		30.000	-	30.000	-
Derecognition of fixed asset		112	46	3.656	1.338
Equity changes		**554.869**	**707.944**	**(11.060)**	**(48.247)**
Trade accounts receivable		131.446	51.682	256.430	(43.735)
Current inventory and biological assets		87.054	61.204	(1.386)	167.268
Court deposits		18.783	(2.300)	18.327	(2.755)
Accrued payroll and related charges		35.706	14.388	45.316	(762)
Trade payables and supplier chain financing		(186.803)	(29.144)	(318.096)	(132.287)
Current and deferred taxes		(30.609)	57.580	(11.773)	4.474
Notes receivable and payable		431.036	544.309	(74.688)	(89.255)
Other assets and liabilities		68.256	10.225	74.810	48.805
Cash flow provided by operating activities		**361.739**	**754.260**	**79.517**	**297.968**
Investing activities					
Investments		(14.715)	(15.425)	(16.414)	(15.214)
Investments in fixed and non-current biological assets		(39.324)	(34.881)	(115.098)	(89.810)
Investments in intangible assets		(856)	(2.899)	(2.191)	(2.899)
Cash flow from investing activities		**(54.895)**	**(53.205)**	**(133.703)**	**(107.923)**
Financing activities					
Interest settled debentures / Bonds		(321.918)	(301.086)	(277.749)	(294.713)
Loans and financing		(176.824)	93.701	940.455	546.717
Loans granted		245.792	790.209	2.933.177	1.759.270
Loans settled		(422.616)	(696.508)	(1.992.722)	(1.212.553)
Leasing payable		(1.617)	(2.065)	(4.061)	(5.640)
Leasing settled		(1.617)	(2.065)	(4.061)	(5.640)
Mandatory deed convertible into shares		(83.271)	(7.589)	(83.271)	(7.589)
Treasury shares		(5.549)	542	(5.549)	542
Cash flow generated (used) in financing activities	39	**(589.179)**	**(216.497)**	**569.825**	**239.317**
Exchange variation on cash and equivalents		(20.987)	(27.892)	(93.675)	(238.232)
Discontinued operations net of cash	38	40.340	(18.919)	3.886	(10.868)
Cash flow in the period		**(262.982)**	**437.747**	**425.850**	**180.262**
Cash and cash equivalents					
Balance at end of period		1.649.210	2.315.886	5.704.491	5.184.472
Balance at start of period		1.912.192	1.878.139	5.278.641	5.004.210
Changes in the period		**(262.982)**	**437.747**	**425.850**	**180.262**

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 March 31, 2017 and 2016
(In thousands of Brazilian reais – R$)

	Parent		Consolidated	
	1st Quarter 2017	1st Quarter 2016	1st Quarter 2017	1st Quarter 2016
Revenue	1.633.595	1.516.535	4.209.998	5.007.009
Sales of goods and services	1.646.467	1.517.451	4.223.817	5.001.015
Other revenues	956	-	731	6.525
Losses with doubtful accounts	(13.828)	(916)	(14.550)	(531)
Inputs purchased from other firms (including taxes - ICMS, IPI, PIS and Cofins)	1.327.986	1.052.252	3.307.732	3.751.165
Cost of goods sold and services rendered	1.155.369	871.666	2.754.649	3.070.234
Material, energy, outsourced services and other	172.617	180.586	553.083	680.845
Loss / Recovery of assets	-	-	-	86
Gross value added	305.609	464.283	902.266	1.255.844
Depreciation and amortization	52.804	38.925	110.206	122.979
Net value created by company	**252.805**	**425.358**	**792.060**	**1.132.865**
Value added received through transfer	**518.840**	**423.102**	**643.602**	**613.890**
Equity In Earnings (Losses) of Subsidiaries	15.976	(59.613)	1.734	(1.993)
Financial income and exchange rate gains	498.136	607.044	577.571	740.431
Other (including Discontinued Operations)	4.728	(124.329)	64.297	(124.548)
Total value added to be distributed	**771.645**	**848.460**	**1.435.662**	**1.746.755**
Value added distribution	**771.645**	**848.460**	**1.435.662**	**1.746.755**
Employees	**118.920**	**107.693**	**486.380**	**570.756**
Direct compensation	97.593	87.895	400.477	468.305
Benefits	15.393	13.721	79.182	94.348
FGTS (severance pay fund)	5.934	6.077	6.721	8.103
Taxes payable	**(26.512)**	**12.414**	**346**	**37.554**
Federal	(107.140)	(39.031)	(69.586)	(38.356)
State	79.251	51.372	68.549	75.666
Municipal	1.377	73	1.383	244
Value distributed to providers of capital	**912.447**	**834.537**	**1.170.316**	**1.230.766**
Interest	901.480	798.375	1.093.038	1.163.623
Rentals	10.967	11.150	17.071	18.489
Other (including Discontinued Operations)	-	25.012	60.207	48.654
Value distributed to shareholders	**(233.210)**	**(106.184)**	**(221.380)**	**(92.321)**
Operational loss in the period	(233.210)	(106.184)	(233.210)	(106.184)
Non-controlling interest			11.830	13.863

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 March 31, 2017 and 2016
(In thousands of Brazilian reais - R$)

	Parent		Consolidated	
	1st Quarter 2017	1st Quarter 2016	1st Quarter 2017	1st Quarter 2016
Net income (loss) in the period	(233.210)	(106.184)	(221.380)	(92.321)
Exchange variation on net investments	210.798	780.913	210.798	780.913
Exchange variation on balance sheet translation	(234.793)	(493.311)	(234.793)	(493.311)
	(23.995)	287.602	(23.995)	287.602
Total comprehensive income (loss) for the period	**(257.205)**	**181.418**	**(245.375)**	**195.281**
Attributable to:				
Marfrig Global Foods - controlling interest - continuing operations	(261.933)	185.689	(261.933)	185.689
Marfrig Global Foods - controlling interest - discontinued operations	4.728	(4.271)	4.728	(4.271)
Marfrig Global Foods - Total controlling interest	**(257.205)**	**181.418**	**(257.205)**	**181.418**
Non-controlling interest - continuing operations	-	-	11.827	13.861
Non-controlling interest - discontinued operations	-	-	3	2
Total non-controlling interest	**-**	**-**	**11.830**	**13.863**

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 and food service industries 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 proteins (beef, lamb and poultry) and a variety of other food products, such as breaded products, ready-to-eat meals, fish, 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 March 31, 2017, its subscribed and paid-in Share Capital was represented by 621,279,822 common shares, of which 217,508,791, or 35.01% was controlled by the controlling shareholder MMS Participações Ltda. and its partners, individually. On the same date, the free float was 402,511,343 shares, representing 64.79% of the Share Capital of the Corporation, which held 940,504 shares in treasury, while its Board of Directors and Executive Board held 319,184 shares, representing 0.05% of the capital. MMS Participações Ltda. is controlled by Marcos Antonio Molina dos Santos and Marcia Aparecida Pascoal Marçal dos Santos, each holding a 50% ownership interest.

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:

- *Marfrig Beef* - The Marfrig 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. Marfrig Beef 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 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

MARFRIG 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

HOLDING BV

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
MARFRIG 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 May 11, 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 year-end 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.

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	
	3/31/17	12/31/16	3/31/17	12/31/16
Cash and banks	217,467	390,293	3,008,742	3,283,625
Cash equivalents	37,158	5,988	373,536	8,080
	254,625	**396,281**	**3,382,278**	**3,291,705**

	Parent		Consolidated	
	3/31/17	12/31/16	3/31/17	12/31/16
Cash and banks:				
Brazilian real	139,763	81,151	140,564	82,200
US dollar	104,084	290,584	2,790,284	2,670,410
Euro	10,773	24,546	74,316	103,429
Pound sterling	5	-	3,929	4,739
Malaysian ringgit	-	-	19,825	20,147
Chinese Yuan	-	-	207,845	249,275
Australian dollar	-	-	23,902	30,134
Thai Baht (Thailand)	-	-	53,659	57,928
South Korean Won	-	-	31,900	35,271
Honk Kong dollar	-	-	10,818	6,645
Uruguayan peso	-	-	19,300	19,897
Chilean peso	-	-	5,826	5,006
Argentine peso	-	-	-	6,541
Other	-	-	110	83
	254,625	**396,281**	**3,382,278**	**3,291,705**

5. Marketable Securities

	Parent		Consolidated	
	3/31/17	12/31/16	3/31/17	12/31/16
Marketable securities	1,394,585	1,515,911	2,322,999	1,987,787
	1,394,585	**1,515,911**	**2,322,999**	**1,987,787**

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

				Parent	
	PMPV[1]	Currency	Average interest rate p.a.%	3/31/17	12/31/16
Held-for-trading:					
Bank deposit certificates - CDB [2]	-	BRL	11.81%	286,944	256,703
Repurchase and reverse repurchase agreements	-	BRL	11.51%	473,706	317,142
Interest-bearing deposit	-	USD	-	-	805,674
Fixed income bond	-	BRL	13.43%	14,257	20,897
Time Deposit (2)	0.50	USD	2.90%	506,189	-
Credit-linked note - CLN [2]	0.30	USD	0.95%	95,308	98,000
FIDC (2)	0.25	BRL	16.08%	18,181	17,495
Total				1,394,585	1,515,911
Total current				**1,394,585**	**1,515,911**

				Consolidated	
	PMPV [1]	Currency	Average interest rate p.a.%	3/31/17	12/31/16
Held-for-trading:					
Bank deposit certificates - CDB [2]	-	BRL	11.78%	287,731	257,489
Repurchase and reverse repurchase agreements	-	BRL	11.51%	473,706	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]	0.50	USD	2.90%	1,187,641	-
Credit-linked note - CLN [2]	0.30	USD	0.95%	190,585	195,969
FIDC [2]	0.25	BRL	16.08%	18,181	17,494
Fixed income bonds	-	BRL	13.43%	14,257	20,897
Fixed income bonds [2]	2.85	USD	7.38%	150,898	363,294
Total				2,322,999	1,987,787
Total current				**2,322,213**	**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. The average yield rate is 0.95% p.a. and they are measured by the amortized cost per annum.

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	
	3/31/17	12/31/16	3/31/17	12/31/16
Trade accounts receivable - domestic	26,922	149,013	239,430	396,887
Trade accounts receivable - foreign	207,970	326,458	148,700	393,581
	234,892	**475,471**	**388,130**	**790,468**
Amounts not yet due	203,417	398,224	97,652	415,359
Amounts overdue				
From 1 to 30 days	19,455	44,543	203,980	242,890
From 31 to 60 days	10,779	28,778	60,261	99,045
From 61 to 90 days	1,241	3,926	26,237	33,174
More than 90 days	33,269	19,441	41,356	29,368
(-) Estimated losses with doubtful accounts	(33,269)	(19,441)	(41,356)	(29,368)
	234,892	**475,471**	**388,130**	**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 March 31, 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	(14,559)	(15,401)
Estimate reversed	731	733
Exchange rate variation	-	180
Reclassification - held-for-sale	-	2,500
Balance on March 31, 2017	**(33,269)**	**(41,356)**

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 March 31, 2017, was R$82,716 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, with the remaining 10% considered a transaction fee. As of March 31, 2017, US$52.5 million (R$166.3 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 March 31, 2017, US$32.7 million (R$103.6 million) had been negotiated under the program. On December 31, 2016, US$53.6 million (R$174.4 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 periods ended March 31, 2017 and 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	
	3/31/17	12/31/16	3/31/17	12/31/16
Finished products	428,353	514,254	936,088	962,775
Raw materials	-	-	190,629	206,992
Packaging material and storeroom supplies	33,451	34,604	121,539	121,544
(-) Estimated losses	(33,566)	(30,566)	(36,510)	(33,695)
	428,238	**518,292**	**1,211,746**	**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	-	71
Recognition of estimates	(3,000)	(3,000)
Translation gains (losses)	-	92
Reclassification - held-for-sale	-	22
Balance on March 31, 2017	**(33,566)**	**(36,510)**

8. Biological assets

	Consolidated	
Current	**3/31/17**	**12/31/16**
Biological assets - cattle	449	2,382
Biological assets - poultry	114,343	110,072
Total current biological assets	**114,792**	**112,454**
Non-current		
Biological assets - poultry	49,766	51,236
Total non-current biological assets	**49,766**	**51,236**
Total biological assets	**164,558**	**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 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	935
(-) Write-off for slaughter	(305,646)
Costs of input for fattening	311,939
(-) Decrease due to sales	(1,896)
Net increase (decrease) due to births (deaths)	(3)
Change in fair value less estimated sale expenses (*)	182
Balance sheet translation	(3,173)
Balance on March 31, 2017	**114,792**

*** Only applicable to cattle**

Non-current biological assets:

	Consolidated
Balance on December 31, 2016	51,236
Increase due to purchases	8,292
(-) Write-off for slaughter	(975)
Costs of input for fattening	9,146
Amortization	(16,487)
Balance translation	(1,446)
Balance on March 31, 2017	**49,766**

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

9. Recoverable taxes

	Parent		Consolidated	
	3/31/17	12/31/16	3/31/17	12/31/16
ICMS (State VAT)	516,831	534,138	544,888	556,680
PIS and Cofins (taxes on sales) credits	2,540,424	2,499,746	2,625,253	2,581,502
IRPF / IRPJ and CSLL (taxes on income) recoverable	426,577	424,516	443,537	452,976
Other	13,897	12,963	48,779	85,309
(-) Estimated losses from non-realization	(740,785)	(710,785)	(742,479)	(712,479)
	2,756,944	**2,760,578**	**2,919,978**	**2,963,988**
Current assets	**1,072,248**	**1,075,882**	**1,223,954**	**1,240,328**
Non-current assets	**1,684,696**	**1,684,696**	**1,696,024**	**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 periods ended March 31, 2017 and December 31, 2016, the changes in this item were as follows:

	Parent Company	Consolidated
Balance at December 31, 2016	**(710,785)**	**(712,479)**
Accrual of estimates	(30,000)	(30,000)
Balance at March 31, 2017	**(740,785)**	**(742,479)**

10. Notes receivable

	Parent		Consolidated	
				Reclassified
	3/31/17	12/31/16	3/31/17	12/31/16
Related-party transactions (1)	449,110	717,391	1,437	46,740
Joint Venture	-	-	76,697	57,034
Market transactions receivable	58,003	53,628	285,526	308,639
Other notes receivable	1,604	33,742	5,168	37,903
Total	**508,717**	**804,761**	**368,828**	**450,316**
Current assets	**224,337**	**267,479**	**288,873**	**353,548**
Non-current assets	**284,380**	**537,282**	**79,955**	**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	
	3/31/17	12/31/16	3/31/17	12/31/16	3/31/17	3/31/16	3/31/17	3/31/16
Cledinor S.A.	362	-	7,277	11,037	-	-	3,131	3,101
Establecimientos Colonia S.A.	404	-	3,594	6,981	-	-	3,053	3,509
Frigorífico Tacuarembó S.A.	693	101	67,076	43,289	-	-	3,819	2,904
Inaler S.A.	359	-	2,339	6,230	-	-	2,885	3,665
MF Foods USA Inc.	-	-	-	-	-	265	-	-
Marfrig Argentina S.A	233,422	258,267	3,590	3,812	-	-	-	-
Marfrig Chile S.A.	35,962	28,011	1,029	977	73,650	57,730	495	1,842
Marfrig Holdings (Europe) BV	44	45	7,422,205	7,541,579	-	5,331	-	-
Marfrig Overseas Ltd.	12	12	311,658	316,271	-	-	-	-
MFB Marfrig Frigorificos Brasil S.A	-	-	-	-	-	78,776	-	72,124
MFG Agropecuária Ltda.	-	-	-	-	-	-	-	58,279
MFG Comercializadora de Energia Ltda	14,749	15,761	6,549	7,852	-	-	7,981	4,866
Pampeano Alimentos S.A.	308,164	290,039	56	509	45,828	41,387	-	811
Keystone Foods UK Limited	215,303	212,756	1,265,279	871,278	272,340	-	-	-
Keystone Foods International Limited	32,288	41,798	11,496	9,091	413	-	-	-
Controlling shareholders	1,417	46,740	5,618	1,618	-	1	-	3,708
Key management personnel	4	-	947	-	-	11	2,080	660
Other related parties	287	-	94,414	-	-	-	28,963	-
	843,470	**893,530**	**9,203,127**	**8,820,524**	**392,231**	**183,501**	**52,407**	**155,469**

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			
	Accounts receivable		Accounts payable		Income		Expenses	
	Reclassified							
	3/31/17	12/31/16	3/31/17	12/31/16	3/31/17	3/31/16	3/31/17	3/31/16
Controlling shareholders	1,417	65,435	5,618	1,618	-	1	-	1,584
Key management personnel	4	43	1,393	371	2	11	2,080	818
Other related parties	287	14	94,414	97,718	-	-	28,963	-
Joint venture	76,697	57,034	-	-	-	-	-	-
	78,405	**122,526**	**101,425**	**99,707**	**2**	**12**	**31,043**	**2,402**

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	99,50	China	180.741	184.930	86.568	3.115
COFOC-Keystone Supply Chain	100,00	China	103.572	50.187	-	(295)
Total			284.313	235.117	86.568	2.820

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 Marfrig 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 March 31, 2017, held-for-sale assets and liabilities were as follows:

Assets	Parent 3/31/2017	Consolidated 3/31/2017	Liabilities	Parent 3/31/2017	Consolidated 3/31/2017
Cash and cash equivalents	-	4,252	Trade accounts payable	3,590	53,958
Marketable securities		2,266	Other liabilities	-	26,702
Trade accounts receivable	-	31,037			
Taxes	-	91,860			
Investments	(91,225)	21	**Total liabilities**	**3,590**	**80,660**
Notes Receivable	233,423	83,684			
	-		**Equity**		
			Amounts related to held-for-sale assets	(122,796)	(122,796)
				(122,796)	**(122,796)**
Total assets held for sale	**142,198**	**213,120**	**Total liabilities and equity held for sale**	**(119,206)**	**(42,136)**

12. Deferred Income and Social Contribution Taxes - Assets

	Parent		Consolidated	
	3/31/17	12/31/16	3/31/17	12/31/16
Income tax	1,520,847	1,422,886	1,773,498	1,608,218
Social contribution tax	556,743	521,477	563,064	527,177
Non-current assets	**2,077,590**	**1,944,363**	**2,336,562**	**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 March 31, 2017:

ASSETS

Description	Parent		Consolidated	
	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)	(19,869)	(2,095)
Deferred taxes on tax losses/CSLL tax loss carryforwads	87,412	31,468	99,541	31,947
Deferred taxes on additions/temporary exclusions	89,352	32,167	94,566	32,481
(-) Realization of deferred taxes on additions/temporary exclusions	(74,414)	(26,789)	(74,510)	(26,824)
Gain or loss from translation	-	-	(7,035)	-
Reclassification - held for sale	-	-	(50,661)	-
Other	-	-	122,197	-
Balance on March 31, 2017	**1,545,072**	**557,934**	**1,806,827**	**567,533**

LIABILITIES

Description	Parent		Consolidated	
	IRPJ	CSLL	IRPJ	CSLL
Balance on December 31, 2016	25,137	1,519	34,380	4,847
Realization of reavaluation reserve	(260)	(94)	(267)	(96)
Realization of deemed cost	(652)	(234)	(784)	(282)
Balance on March 31, 2017	**24,225**	**1,191**	**33,329**	**4,469**
Total deferred assets, net	1,520,847	556,743	1,773,498	563,064

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 Marfrig 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 61% 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	500,875	579,708
2018	74,780	130,185
2019	83,571	102,455
2020	97,462	112,936
2021	153,121	167,984
2022 to 2026	1,167,781	1,243,294
	2,077,590	**2,336,562**

13. Investments

	Parent		Consolidated	
	3/31/17	**12/31/16**	**3/31/17**	**12/31/16**
Interest in subsidiaries	4,723,186	4,728,581	-	-
Other investments	10	10	19,280	16,268
	4,723,196	**4,728,591**	**19,280**	**16,268**

13.1 Investments (Parent)

Investments in subsidiaries on March 31, 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	55,676	114,119	7,006	-	113,412	-
Inaler S.A	66,247,320	100.00	Uruguay	4,648	25,351	(9,203)	-	25,351	-
Frigorífico Tacuarembó S.A	163,442,679	99.95	Uruguay	20,256	186,844	9,892	-	186,552	-
Masplen Ltd	5,050	100.00	Jersey Island	11,696	(13,030)	(3,415)	-	(16,568)	-
Prestcott International S.A	79,638,916	100.00	Uruguay	9,258	86,005	3,909	-	86,005	-
Establecimientos Colonia S.A	80,647,477	100.00	Uruguay	83,174	32,832	1,651	-	32,717	-
Marfrig Overseas Ltd	1	100.00	Cayman Island	-	(222,425)	(68,467)	-	(222,425)	-
Marfrig Argentina S.A.	1,158,882,568	99.94	Argentina	-	(91,278)	-	4,708	-	(91,224)
MFG Comercializadora de Energia Ltda	149,985	99.99	Brazil	-	(3,491)	609	-	(3,490)	-
Marfrig Holdings(Europe) BV	426,843	100.00	Netherlands	3,084,310	2,765,648	(32,483)	-	2,765,648	-
Marfrig Peru S.A.C.	5,000	100.00	Peru	5	(452)	(86)	-	(452)	-
Keystone Foods (UK) Limited	2,001	100.00	UK	898,584	508,322	44,475	-	508,322	-
Keystone Foods International Limited	2,001	100.00	UK	450,947	1,248,114	60,353	-	1,248,114	-
Total				4,618,554	4,636,559	14,241	4,708	4,723,186	(91,224)

The following table presents a summary of the financial information of the subsidiaries on March 31, 2017:

	Total assets	Total liabilities	Non-controlling interest	Non-controlling interest - held for sale	Net Revenue	Group equity in earnings/losses	Group equity in earnings/losses (1) Discontinued operation
Marfrig Chile S.A.	212,479	98,358	571	-	115,343	6,971	-
Inaler S.A	140,657	115,305	-	-	86,383	(9,203)	-
Frigorífico Tacuarembó S.A	420,998	234,154	93	-	147,510	9,887	-
Masplen Ltd	359,032	372,062	-	-	85,175	(3,415)	-
Prestcott International S.A	193,119	107,114	-	-	107,560	3,909	-
Establecimientos Colonia S.A	255,647	222,814	-	-	131,964	1,651	-
Marfrig Overseas Ltd	2,499,319	2,721,744	-	-	-	(68,467)	-
Marfrig Argentina S.A.	216,091	307,371	-	55	114,336	-	4,706
MFG Comercializadora de Energia Ltda	11,513	15,004	-	-	15,714	609	-
Marfrig Holdings(Europe) BV	10,667,633	7,901,985	-	-	-	(32,483)	-
Marfrig Peru S.A.C.	409	860	-	-	-	(86)	-
Keystone Foods (UK) Limited	4,932,299	4,423,977	-	-	413,663	44,475	-
Keystone Foods International Limited	5,138,829	3,244,983	-	-	2,109,218	60,353	-
Total	**25,048,025**	**19,765,731**	**664**	**55**	**3,326,866**	**14,201**	**4,706**

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

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	Equity in earnings (losses) (1)	Balance sheet translation effect	Held-for-sale assets	Book balance on 3/31/2017
Marfrig Chile S.A.	118,555	635	6,924	(12,702)	-	113,412
Inaler S.A.	35,695	-	(9,203)	(1,141)	-	25,351
Frigorífico Tacuarembó S.A.	181,064	-	10,415	(4,927)	-	186,552
Masplen Ltd	(14,394)	-	(2,175)	1	-	(16,568)
Prestcott International S.A.	84,371	-	3,909	(2,275)	-	86,005
Establecimientos Colonia S.A	31,801	-	1,705	(789)	-	32,717
Marfrig Overseas Ltd	(157,463)	-	(68,467)	3,505	-	(222,425)
Marfrig Argentina S.A.	(109,278)	-	-	-	109,278	-
MFG Comercializadora de Energia Ltda	(4,099)	-	609	-	-	(3,490)
Marfrig Holdings(Europe) BV	2,878,579	-	(32,483)	(80,448)	-	2,765,648
Marfrig Peru S.A.C.	(361)	-	(86)	(5)	-	(452)
Keystone Foods (UK) Limited	479,525	39,166	44,475	(54,844)	-	508,322
Keystone Foods International Limited	1,204,586	62,729	60,353	(79,554)	-	1,248,114
Total	4,728,581	102,530	15,976	(233,179)	109,278	4,723,186

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

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 3/31/2017
Marfrig Argentina S.A.	-	9,957	4,983	4,728	(1,615)	(109,278)	(91,225)
Total	-	9,957	4,983	4,728	(1,615)	(109,278)	(91,225)

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

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 March 31, 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 acquisition cost of the parent company

		Parent					
		3/31/17					
Description	Avg. annual depreciation rates	Acquisition Cost	Additions	Write-offs	Transfers	Accumulated depreciation	Net Cost
Plots of land	-	43,462	-	-	-	-	43,462
Constructions and buildings	3.00%	1,057,029	-	-	499	(166,518)	891,010
Machinery and equipment	14.37%	620,782	3,642	(582)	32	(285,792)	338,082
Furniture and fixtures	9.79%	24,060	150	(4)	-	(9,293)	14,913
Facilities	4.65%	1,204,068	-	-	33,610	(238,592)	999,086
Vehicles	18.66%	23,699	-	(683)	-	(1,432)	21,584
IT equipment	19.44%	12,637	41	(4)	-	(8,589)	4,085
Aircraft	10.69%	5,528	-	-	-	(543)	4,985
Advance for acquisition of property, plant and equipment	-	1,784	600	-	-	-	2,384
Leasehold improvements	11.77%	158,163	-	-	-	(24,177)	133,986
Lease - vehicles	20.00%	19,148	-	-	-	(19,135)	13
Lease - computer hardware	20.00%	25,666	-	-	-	(17,328)	8,338
Lease - machinery	10.00%	11,857	-	-	-	(10,155)	1,702
Lease - facilities	-	18,240	-	-	-	(18,240)	-
Lease - buildings	-	6,314	-	-	-	(6,314)	-
Construction in progress	-	15,809	34,891	-	(34,141)	-	16,559
Other	-	318	-	-	-	(118)	200
		3,248,564	39,324	(1,273)	-	(806,226)	2,480,389

Changes in net balance of the parent company:

		Parent					
		12/31/16					3/31/17
Description	Avg. annual depreciation rates	Net	Additions	Write-offs	Transfers	Depreciation	Net
Plots of land	-	43,462	-	-	-	-	43,462
Constructions and buildings	3.00%	897,349	-	-	499	(6,838)	891,010
Machinery and equipment	14.37%	352,663	3,642	(107)	32	(18,148)	338,082
Furniture and fixtures	9.79%	15,305	150	(2)	-	(540)	14,913
Facilities	4.65%	979,572	-	-	33,610	(14,096)	999,086
Vehicles	18.66%	21,338	-	-	-	246	21,584
IT equipment	19.44%	4,272	41	(3)	-	(225)	4,085
Aircraft	10.69%	5,114	-	-	-	(129)	4,985
equipment	-	1,784	600	-	-	-	2,384
Leasehold improvements	11.77%	139,689	-	-	-	(5,703)	133,986
Lease - vehicles	20.00%	26	-	-	-	(13)	13
Lease - computer hardware	20.00%	8,890	-	-	-	(552)	8,338
Lease - machinery	10.00%	1,741	-	-	-	(39)	1,702
Construction in progress	-	15,809	34,891	-	(34,141)	-	16,559
Other	-	200	-	-	-	-	200
		2,487,214	**39,324**	**(112)**	**-**	**(46,037)**	**2,480,389**

Changes in consolidated acquisition cost:

Description	Avg. annual depreciation rates	Acquisition Cost	Additions	Write-offs	Held-for-sale assets	Transfers	Translation	Accumulated Depreciation	Net Cost
Plots of land	-	117,297	-	-	(144)	2,230	(627)	-	118,756
Constructions and buildings	1.98%	2,449,367	21	(5)	(1,330)	3,290	(17,425)	(807,331)	1,626,587
Machinery and equipment	7.50%	2,457,580	3,450	(9,502)	(440)	(68,767)	(5,479)	(1,622,188)	754,654
Furniture and fixtures	4.90%	123,775	859	(57)	(24)	371	54	(93,708)	31,270
Facilities	4.68%	1,273,729	121	-	(651)	31,774	526	(315,190)	990,309
Vehicles	15.14%	83,212	114	(754)	-	4	(304)	(51,074)	31,198
IT equipment	19.76%	65,353	143	(2)	(55)	-	(54)	(60,158)	5,227
Aircraft	10.69%	5,528	-	-	-	-	-	(543)	4,985
Advance for acquisition of property, plant and equipment	-	1,784	600	-	-	-	-	-	2,384
Leasehold improvements	9.69%	335,507	2,064	-	-	10	(811)	(129,130)	207,640
Lease - vehicles	20.00%	20,265	-	-	-	-	-	(20,252)	13
Lease - computer hardware	20.00%	26,147	-	-	-	-	-	(17,793)	8,354
Lease - machinery	3.21%	140,846	-	-	-	-	(508)	(135,046)	5,292
Lease - facilities	-	18,790	-	-	-	-	-	(18,790)	-
Lease - buildings	-	11,577	-	-	-	-	-	(11,577)	-
Construction in progress	-	82,778	90,424	-	(1,319)	31,088	(1,279)	-	201,692
Other	-	4,107	583	(563)	(1,920)	-	(51)	(1,958)	198
		7,217,642	98,379	(10,883)	(5,883)	-	(25,958)	(3,284,738)	3,988,559

Changes in consolidated net balance:

		Consolidated							
		12/31/16							3/31/17
Description	Avg. annual depreciation rates	Net	Additions	Write-offs	Held-for-sale assets	Transfers	Translation	Depreciation	Net
Plots of land	-	117,297	-	-	(144)	2,230	(627)	-	118,756
Constructions and buildings	1.98%	1,659,580	21	- 1	(1,330)	3,290	(17,425)	(17,548)	1,626,587
Machinery and equipment	7.50%	868,068	3,450	- 2,783	(440)	(68,767)	(5,479)	(39,395)	754,654
Furniture and fixtures	4.90%	32,079	859	- 3	(24)	371	54	(2,066)	31,270
Facilities	4.68%	973,467	121	-	(651)	31,774	526	(14,928)	990,309
Vehicles	15.14%	31,980	114	-	-	4	(304)	(596)	31,198
IT equipment	19.76%	5,538	143	- 2	(55)	-	(54)	(343)	5,227
Aircraft	10.69%	5,114	-	-	-	-	-	(129)	4,985
Advance for acquisition of property, plant and equipment	-	1,784	600	-	-	-	-	-	2,384
Leasehold improvements	9.69%	213,011	2,064	-	-	10	(811)	(6,634)	207,640
Lease - vehicles	20.00%	26	-	-	-	-	-	(13)	13
Lease - computer hardware	20.00%	8,906	-	-	-	-	-	(552)	8,354
Lease - machinery	3.21%	7,620	-	-	-	-	(508)	(1,820)	5,292
Construction in progress	-	82,778	90,424	-	(1,319)	31,088	(1,279)	-	201,692
Other	-	2,149	583	- 563	(1,920)	-	(51)	-	198
		4,009,397	98,379	(3,352)	(5,883)	-	(25,958)	(84,024)	3,988,559

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 March 31, 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:

	Parent	
	3/31/17	
Description	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**

	Consolidated	
	3/31/17	
Description	Temporarily idle property, plant and equipment	Property, plant and equipment fully depreciated and still in operation
Land	9.770	-
Constructions and buildings	124.835	4.450
Machinery and equipment	29.527	109.283
Furniture and fixtures	3.740	2.420
Facilities	31.082	324
Vehicles	-	25.242
IT equipment	235	25.890
Aircraft	-	382
Leasehold improvements	32.607	-
	231.796	**167.991**

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:

			Parent		Consolidated	
	Amortization rate	Useful life	3/31/17	12/31/16	3/31/17	12/31/16
Goodwill	-	-	966,674	995,469	1,005,820	1,049,503
Trademark and patents	1.97%	1.97	22,883	22,883	283,816	287,993
Software and Systems	11.58%	3.89	28,644	29,428	55,416	58,066
Client relationship	10.00%	10.00	-	-	15,357	39,321
Client relationship	-	Indefinite	-	-	1,051,524	1,052,285
Right of use	5.50%	18.18	48,575	49,302	48,575	49,302
Sales channels	5.50%	18.18	271,200	275,264	271,200	275,264
Other intangible assets	25.00%	4.00	-	-	3,773	3,396
			1,337,976	**1,372,346**	**2,735,481**	**2,815,130**

Breakdown of intangible assets

	Parent	Consolidated
Balance on December 31,2016	1,372,346	2,815,130
(+) Addition	856	2,191
(-) Amortization	(6,767)	(9,790)
(+/-) Exchange variation	(28,459)	(71,966)
(-) Reclassification - held-for-sale	-	(84)
Balance on March 31, 2017	**1,337,976**	**2,735,481**

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 March 31, 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 March 31, 2017 are as follows:

	Balance on December 31, 2016	Acquisition / Write-off	Exchange Variation	Reclassification / Amortization	Balance on March 31, 2017
Inaler S.A. - Goodwill	69,320	-	(2,110)	-	67,210
Frigorífico Tacuarembó S.A. - Goodwill	104,423	-	(3,132)	(336)	100,955
Masplen Ltd - Goodwill	30,933	-	(932)	-	30,001
Prescott International S.A. -Goodwill	40,319	-	(1,186)	-	39,133
Establecimientos Colonia S.A - Goodwill	217,467	-	(6,265)	-	211,202
Keystone International -Goodwill	533,005	-	(14,834)	-	518,171
Sales channels	275,265	-	-	(4,064)	271,201
Rights of use	49,302	-	-	(728)	48,574
Software and systems	29,429	856	-	(1,639)	28,646
Trademarks and patents	22,883	-	-	-	22,883
Total	**1,372,346**	**856**	**(28,459)**	**(6,767)**	**1,337,976**

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 (subsidiaries)

	Book balance on December 31, 2016	Reclassification	Acquisitions	Exchange variation on translation	Amortization	Held-for-sale assets	Book balance on March 31, 2017
Marfrig Chile S.A.	**26,044**	**-**	**-**	**(12,265)**	**(25)**	**-**	**13,754**
Goodwill	25,903	(1,843)	-	(12,263)	-	-	11,797
Trademarks and patents/software/others	141	1,843	-	(2)	(25)	-	1,957
Masplen Ltd.	**387**	**-**	**2**	**-**	**(10)**	**-**	**379**
Trademarks and patents/software/others	387	-	2	-	(10)	-	379
Prestcott International S.A	**14,858**	**-**	**-**	**(414)**	**(27)**	**-**	**14,417**
Goodwill	14,328	-	-	(399)	-	-	13,929
Trademarks and patents/software/others	530	-	-	(15)	(27)	-	488
Frigoríficos Tacuarembó S.A	**1,312**	**-**	**-**	**(37)**	**(45)**	**-**	**1,230**
Trademarks and patents/software/others	1,312	-	-	(37)	(45)	-	1,230
Inaler S.A	**455**	**-**	**-**	**(13)**	**(23)**	**-**	**419**
Trademarks and patents/software/others	455	-	-	(13)	(23)	-	419
Establecimientos Colonia S.A	**730**	**-**	**-**	**(21)**	**(33)**	**-**	**676**
Trademarks and patents/software/others	730	-	-	(21)	(33)	-	676
Marfrig Argentina S.A	**87**	**-**	**-**	**-**	**(3)**	**(84)**	**-**
Trademarks and patents/software/others	87	-	-	-	(3)	(84)	-
Keystone Foods UK Limited	**13,803**	**-**	**-**	**(383)**	**-**	**-**	**13,420**
Goodwill	13,803	-	-	(383)	-	-	13,420
Keystone Foods International Limited	**1,385,108**	**-**	**1,333**	**(30,374)**	**(2,857)**	**-**	**1,353,210**
Client relationship	1,091,606	-	-	(23,638)	(1,087)	-	1,066,881
Trademarks and patents/software/others	293,502	-	1,333	(6,736)	(1,770)		286,329
Total	**1,442,784**	-	1,335	(43,507)	(3,023)	(84)	**1,397,505**

16. Trade payables

	Parent		Consolidated	
	3/31/17	**12/31/16**	**3/31/17**	**12/31/16**
Third parties	476,275	698,724	1,424,192	1,836,976
Related parties [1]	117,342	40,455	97,278	16,450
	593,617	**739,179**	**1,521,470**	**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	
	3/31/17	**12/31/16**	**3/31/17**	**12/31/16**
Supply chain finance	110,851	149,331	110,851	149,331
	110,851	**149,331**	**110,851**	**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 March 31, 2017 was R$111 million at an average rate of 1.70% 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	
	3/31/17	12/31/16	3/31/17	12/31/16
INSS (social security contribution) payable	101,487	70,574	102,197	71,421
Salaries and payroll obligations	67,722	62,411	145,945	142,079
Other social charges and benefits payable	3,623	4,141	121,342	133,337
	172,832	**137,126**	**369,484**	**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	
	3/31/17	12/31/16	3/31/17	12/31/16
ICMS (State VAT) payable	-	-	-	119
Special tax debt installment payment plan - Refis [1]	706,803	706,574	707,994	707,760
Income tax payable	-	-	71,963	55,464
Social contribution tax payable	-	-	5,921	7,551
Social contribution payable - PGFN [2]	50,885	50,400	50,885	50,400
Other taxes payable	52,126	57,084	73,445	77,942
	809,814	**814,058**	**910,208**	**899,236**
Current liabilities	92,057	91,855	191,339	175,801
Non-current liabilities	717,757	722,203	718,869	723,435

(1) Laws 11,941/09, 12,865/13 and 12,996/14, which reopened the period for adhesion.
(2) Office of the General Counsel to the National Treasury

Special Tax Debt Installment Payment Plan – Law 11,941/09

On September 30, 2009, the Corporation joined the Special Tax Debt Installment Payment Program (New REFIS), established by Law No. 11,941, of May 27, 2009. It provides 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), to be settled within 180 months

During the consolidation process of the abovementioned program, the Corporation decided not to include the lawsuit 10880.720.016/2008-93, totaling originally R$29,844, which was reclassified to taxes payable, under non-current liabilities.

In view of the waiver of the installment payment program, debits were adjusted in accordance with law in effect on the date of the taxable event, resulting in additional fine, interest and restatement amounting to R$21,041 and a total debit of R$50,885, as presented below:

Debits reclassified to taxes payable

	3/31/17	12/31/16
Social contribution payable- PGFN	11,368	11,260
Income tax payable - PGFN	30,796	30,502
Withholding income tax payable - PGFN	8,721	8,638
	50,885	**50,400**

Reopening of the Period for joining the program – Law 12,865/2013 and Law 12,996/2014

On December 20, 2013 and August 25, 2014, the Corporation joined the Reopening of Law 11,941 of 2009, which governs the payment in installments of dues with the Federal Revenue Service of Brazil (SRF), the Attorney General of the National Treasury (PGFN)

and the National Social Security Institute (INSS), stating its outstanding dues with these organs, to be settled within 180 months, as shown below:

	Parent		Consolidated	
	3/31/17	12/31/16	3/31/17	12/31/16
Opening balance	706,574	517,397	707,760	699,801
(+) Adhesion to the installment payment program	1,161	2,423	1,161	2,423
(-) Exclusion of installment payment program	-	(194)	-	(4,170)
(+) Inflation adjustment interest	16,089	56,575	16,116	73,791
(-) Payments made / tax credits	(17,021)	(47,828)	(17,043)	(64,193)
(+) Merger of subsidiary	-	178,201	-	-
(+/-) Reversal due to asset held for sale	-	-	-	108
Debt balance	706,803	706,574	707,994	707,760
Current liabilities	68,508	66,654	68,587	66,733
Non-current liabilities	638,295	639,920	639,407	641,027

20. Loans and financing

		Parent			
Credit facility	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance on 3/31/17	Balance on 12/31/16
Local currency					
FINAME/FINEP	TJLP + Fixed Rate	6.03%	3.39	58	63
NCE/Working Capital/CDCAS	Fixed Rate+%CDI	14.97%	1.09	322,083	388,348
Total local currency		**14.97%**		**322,141**	**388,411**
Foreign currency:					
NCE/Prepayment (US$) / ACC (US$)	Fixed Rate+ FX (US$) + Libor	6.42%	0.61	611,873	693,565
Total foreign currency		**6.42%**		**611,873**	**693,565**
Total loans and financing		**9.37%**		**934,014**	**1,081,976**
Current liabilities				799,712	823,017
Non-current liabilities				134,302	258,959

		Consolidated			
Credit facility	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance on 3/31/17	Balance on 12/31/16
Local currency					
FINAME/FINEP	TJLP + Fixed Rate	4.01%	2.92	17,352	18,836
NCE/Working capital (R$)/CDCAS	Fixed Rate+%CDI	14.97%	1.09	322,083	388,348
Total local currency		**14.41%**		**339,435**	**407,184**
Foreign currency					
Prepayment/NCE / ACC (US$)	Fixed Rate + FX (US$) + Libor	6.42%	0.61	613,317	695,011
Bonds (US$)	Fixed Rate + FX	7.66%	4.91	8,882,548	7,725,506
Bank loan (US$)	Fixed Rate + FX	3.00%	4.38	1,621,623	1,629,040
Revolving credit facility	Libor + 2.75	2.01%	3.07	355,452	411,331
PAE (US$)	Fixed Rate + FX	1.83%	0.46	31,623	25,766
Total foreign currency		**6.75%**		**11,504,563**	**10,486,654**
Total Loans and financing		**6.97%**		**11,843,998**	**10,893,838**
Current liabilities				1,344,191	1,198,039
Non-current liabilities				10,499,807	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, three of which – First, 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, 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.

- 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	
	3/31/17	12/31/16	3/31/17	12/31/16
Balance of financing	**934,014**	**1,081,976**	**11,843,998**	**10,893,838**
Guarantees:				
Promissory notes	190,104	195,692	191,548	197,136
Trade notes	22,359	42,978	22,359	42,978
Bank guarantee	96,465	104,043	96,465	107,719
Surety	296,113	339,826	424,383	480,567
Leased asset	58	63	58	63
Export document	-	-	64,910	60,843
Facilities	-	-	11,697	-
Marketable securities	4,170	5,358	4,170	5,358
Mortgage	-	-	1,514,935	60,752
Credit letter	-	-	141,538	-
No guarantees	324,745	394,016	9,371,935	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:

	3/31/17
Consolidated gross debt	11,843,998
(-) Consolidated cash and cash equivalents	5,704,491
Consolidated net debt	6,139,507
LTM EBITDA in the period ended March 31, 2017	1,465,243
EBITDA ratio	4.19
Consolidated net debt	6,139,507
(-) Effect from exchange variation (carve-out)	774,008
Consolidated adjusted net debt	5,365,499
Leverage ratio	3.66

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 3.66.

21. Debentures payable and interest on debentures

	Parent		Consolidated	
	3/31/17	12/31/16	3/31/17	12/31/16
Debentures payable	570,000	570,000	-	-
(-) Cost with debenture issue	(50)	(65)	-	-
Interest on debentures	18,197	343,146	-	301,839
(-) Withholding income tax on debenture interest	-	(45,276)	-	(45,276)
	588,147	**867,805**	**-**	**256,563**
Current liabilities	18,197	297,870	-	256,563
Current Liabilities - Interest on debentures	569,950	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	
	3/31/17	12/31/16	3/31/17	12/31/16
Local currency				
Loans and financing	322,141	388,411	339,435	407,184
Interest on debentures	18,197	297,870	-	256,563
Debentures payable	569,950	569,935	-	-
	910,288	**1,256,216**	**339,435**	**663,747**
Foreign currency				
Loans and financing	611,873	693,565	11,504,563	10,486,654
	611,873	**693,565**	**11,504,563**	**10,486,654**
	1,522,161	**1,949,781**	**11,843,998**	**11,150,401**

Loans and financing fall due and pay interest as follows:

	Parent		Consolidated	
	3/31/17	12/31/16	3/31/17	12/31/16
2017	624,436	1,120,887	1,025,034	1,454,602
2018	327,749	258,933	1,146,241	1,221,747
2019	569,963	569,948	2,088,412	2,131,263
2020	12	12	933,444	1,906,145
2021	1	1	83,624	84,608
2022	-	-	1,172,216	1,205,773
2023	-	-	3,063,733	3,146,263
2024	-	-	2,331,294	-
Total	**1,522,161**	**1,949,781**	**11,843,998**	**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 3/31/17	Future payments 3/31/17	Balance on 12/31/16
Domestic currency						
Finance lease of vehicles	CDI + Rate	13.12%	0.7	24	23	42
Finance lease of IT equipment	CDI + Rate	16.16%	1.0	2,912	2,723	4,336
Finance lease of machinery and equipment	CDI + Rate	13.16%	0.3	118	115	293
Interest payable				(599)	-	(887)
Finance lease - discount to present value				(191)	-	(312)
Total domestic currency				**2,264**	**2,861**	**3,472**
Total Parent Company				**2,264**	**2,861**	**3,472**
Current liabilities				**1,792**		**2,808**
Non-current liabilities				**472**		**664**

		Consolidated				
Credit facility	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance on 3/31/17	Future payments 3/31/17	Balance on 12/31/16
Domestic currency						
Finance lease of vehicles	CDI + Rate	13.12%	0.7	24	23	42
Finance lease of IT equipment	CDI + Rate	16.16%	1.0	2,912	2,723	4,336
Finance lease of machinery and equipment	CDI + Rate	13.16%	0.3	118	115	293
Interest payable				(599)	-	(887)
Finance lease - discount to present value				(191)	-	(312)
Total domestic currency				**2,264**	**2,861**	**3,472**
Foreign currency						
Finance lease of machinery and equipment	Rate	3.35%	3.5	31,865	33,778	35,024
Total foreign currency				**31,865**	**33,778**	**35,024**
Total Consolidated				**34,129**	**36,639**	**38,496**
Current liabilities				**10,746**		**11,936**
Non-current liabilities				**23,383**		**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	
	3/31/17	12/31/16	3/31/17	12/31/16
Domestic currency				
Up to one year	1,792	2,808	1,792	2,808
From one to five years	472	664	472	664
Total domestic currency	**2,264**	**3,472**	**2,264**	**3,472**
Foreign currency				
Up to one year	-	-	8,954	9,128
From one to five years	-	-	22,911	25,896
Total foreign currency	**-**	**-**	**31,865**	**35,024**
Total	**2,264**	**3,472**	**34,129**	**38,496**

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

	Parent		Consolidated	
	3/31/17	12/31/16	3/31/17	12/31/16
Domestic currency				
Up to one year	2,257	3,516	2,257	3,516
From one to five years	604	842	604	842
Total domestic currency	**2,861**	**4,358**	**2,861**	**4,358**
Foreign currency				
Up to one year	-	-	9,877	10,139
From one to five years	-	-	23,901	31,147
Total foreign currency	**-**	**-**	**33,778**	**41,286**
Total	**2,861**	**4,358**	**36,639**	**45,644**

22.2. Operating lease

Operating lease as at March 31, 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 3/31/17
	Local currency					
LEONI EMPREEND IMOBIL	Meatpacking plant	1/1/2014	IGP-M year	2.8	2,520	141
BRASIL FOOD SERV. GROUP .SA BFG	Meatpacking plant	10/1/14	IGP-M year	2.8	70,848	3,695
URUPA IND E COM DE ALIM LTDA	Meatpacking plant	10/1/15	IGP-M year	3.6	19,800	1,158
TOTAL S/A	Meatpacking plant	7/1/216	IGP-M year	4.9	105,860	5,424
	Total local currency				**199,028**	**10,418**
	Total Parent Company				**199,028**	**10,418**

Consolidated						
Financial institution	Leased asset	Start date	Weighted average interest rate (p.a)	Weighted average maturity (years)	Total amount leased	Expense at 3/31/17
	Local currency					
LEONI EMPREENDIMENTOS IMOB.	Meatpacking plant	1/1/14	IGP-M year	2.8	2,520	141
BRASIL FOOD SERV. GROUP .SA BFG	Meatpacking plant	10/1/14	IGP-M year	2.8	70,848	3,695
URUPA IND E COM DE ALIM LTDA	Meatpacking plant	10/1/15	IGP-M year	3.6	19,800	1,158
TOTAL S/A	Meatpacking plant	7/1/16	IGP-M year	4.9	105,860	5,424
	Total local currency				**199,028**	**10,418**
	Foreign currency					
Bank of America	Aircraft	4/15/11	6.61%	8.0	98,220	1,794
Sundry leasers	IT equipment	11/1/16	Fixed term	5.0	216	16
Sundry leasers	Land and buildings	1/18/17	Fixed term	9.7	6,953	4,680
Sundry leasers	Vehicles	2/25/17	Fixed term	5.9	44,310	1,838
Sundry leasers	Machinery and Equipment	3/29/17	Fixed term	6.8	250,197	7,957
	Total foreign currency				**399,896**	**16,285**
	Total Consolidated				**598,924**	**26,703**

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

	Parent	Consolidated
	3/31/17 (at present value)	3/31/17 (at present value)
Domestic currency		
Up to one year	24,718	24,718
From one to five years	63,640	63,640
Total domestic currency	**88,358**	**88,358**
Foreign currency		
Up to one year	-	63,774
From one to five years	-	251,231
Over 5 years	-	20,729
Total foreign currency	**-**	**335,734**
Total	**88,358**	**424,092**

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	
	3/31/17	12/31/16	3/31/17	12/31/16
Notes payable for investments in Brazil (a)	430,971	431,230	430,971	431,230
Market transactions payable (c)	250,874	314,169	331,273	405,473
Related parties (d)	9,082,047	8,780,070	4,000	-
Other	22,288	23,788	22,434	24,165
	9,786,180	**9,549,257**	**788,678**	**860,868**
Current liabilities	252,245	306,056	309,858	372,607
Non-current liabilities	9,533,935	9,243,201	478,820	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	
	3/31/17	12/31/16	3/31/17	12/31/16
Labor and social security	44,678	42,292	51,216	52,931
Tax	1,758	1,758	1,758	1,758
Civil	34,394	32,941	34,503	33,050
	80,830	76,991	87,477	87,739

The following table shows the changes in provisions in the period ended March 31, 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	2,728	-	1,453	4,181
Reversal	-	-	-	-	-	-	-	-
Gain/loss from translation	-	-	-	-	25	-	-	25
Reclassification - held for sale	-	-	-	-	(4,468)	-	-	(4,468)
Balance on March 31, 2017	**44,678**	**1,758**	**34,394**	**80,830**	**51,216**	**1,758**	**34,503**	**87,477**

25.1.1. Labor and social security

As at March 31, 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$51,216 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 March 31, 2017 a provision for the amount of shares considered to be of probable risk, totaling R$34,503. 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	
	3/31/17	12/31/16	3/31/17	12/31/16
Labor and social security	156,640	223,074	158,182	225,619
Tax	1,425,310	1,416,072	1,427,437	1,418,198
Civil	1,219	881	1,219	881
	1,583,169	**1,640,027**	**1,586,838**	**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 March 31, 2017, the Corporation was a party to administrative proceedings and court claims filed by the Federal Government at the total historical value of R$681,471, 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$147,233. 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.

b) State VAT – ICMS

On March 31, 2017, the Corporation had administrative proceedings, and court claims in the historical amount of R$745,246, 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, lack of proof of export of goods, which amount to the historical value of R$60,453. 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$556,002;

(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 March 31, 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 March 31, 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, which are pending trial and may be affected by the ruling by the Federal Supreme Court (STF) on Appeal to the Superior Court Of Justice (STJ) RE 718874, which is pending a final ruling, as well as by Direct Action for Declaration of Unconstitutionality (ADIN) 4395, which is pending trial;

(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	
	3/31/17	12/31/16
Income Tax	386,039	269,616
	386,039	**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 year ended March 31, 2017:

	Consolidated
Description	IRPJ
Balance on December 31, 2016	**269,616**
Deferred taxes on temporary differences	7,395
Reversal of deferred taxes on temporary differences	(5,771)
Other	125,814
Translation gain or loss	(11,015)
Balance on March 31, 2017	**386,039**

27. Shareholders' equity

27.1 Share capital

Subscribed and paid-in share capital as at March 31, 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$1,449,038, 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 March 31, 2017, Corporation held nine hundred forty thousand, five hundred and four (940,504) common shares in treasury, which were booked at the amount of R$5,561 thousand, which corresponds to an average cost of six reais and twenty-two centavos (R$6.22) 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	1,000,000	6,215
(-) Disposal - Stock options	(60,777)	(666)
Balance as at March 31, 2017	**940,504**	**5,561**

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 10, 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	
	3/3117	3/31/16	3/3117	3/31/16
Revenue from sales of products				
Domestic sales	967,882	759,171	3,032,588	3,464,163
Foreign sales	678,584	758,280	1,191,229	1,536,852
	1,646,466	**1,517,451**	**4,223,817**	**5,001,015**
Deductions from gross sales				
Taxes on sales	(41,428)	(32,623)	(35,899)	(43,744)
Returns and discounts	(50,070)	(37,853)	(51,754)	(50,863)
	(91,498)	**(70,476)**	**(87,653)**	**(94,607)**
Net sales	**1,554,968**	**1,446,975**	**4,136,164**	**4,906,408**

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	
		Reclassified		Reclassified
	3/31/17	3/31/16	3/31/17	3/31/16
Cost of sales				
Inventory costs	1,211,172	1,116,398	3,138,907	3,704,374
Depreciation	43,246	30,138	79,930	91,508
Amortization	1,975	1,710	21,142	22,824
Employee salaries and benefits	113,439	65,740	435,759	511,995
	1,369,832	**1,213,986**	**3,675,738**	**4,330,701**
Administrative expenses				
Depreciation	2,703	2,210	3,807	3,394
Amortization	4,792	4,792	5,134	5,038
Employee salaries and benefits	17,391	11,245	58,904	62,458
Other	1,914	1,321	29,984	39,682
	26,800	**19,568**	**97,829**	**110,572**
Selling expenses				
Depreciation	88	75	192	214
Employee salaries and benefits	8,619	6,513	16,840	20,655
Freight	68,595	47,199	72,372	69,089
Other	32,137	28,673	49,715	55,078
	109,439	**82,460**	**139,119**	**145,036**

30. Net financial result

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

	Parent		Consolidated	
	3/31/17	3/31/16	3/31/17	3/31/16
Financial income				
Market transactions	43,681	119,897	43,681	124,253
Interest received, earnings from marketable securities	16,617	23,542	37,012	33,127
Discounts, other	725	1,330	1,587	3,417
Total financial income	**61,023**	**144,769**	**82,280**	**160,797**
Exchange rate gains	**437,113**	**462,275**	**495,291**	**579,634**
Financial expense				
Provisioned interest, debentures and leasing with financial institutions	(320,308)	(318,641)	(216,975)	(324,837)
Market transactions	(500)	(32,050)	(37,065)	(89,817)
Bank expenses, commissions, fees, financial discounts, other	(117,435)	(75,049)	(329,967)	(206,152)
Total financial expense	**(438,243)**	**(425,740)**	**(584,007)**	**(620,806)**
Exchange rate losses	**(463,237)**	**(372,635)**	**(509,031)**	**(542,817)**
Net financial result	**(403,344)**	**(191,331)**	**(515,467)**	**(423,192)**

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 six members of the Board of Directors (the other three 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:

	3/31/17	3/31/16
Consolidated Management compensation	3,709	4,294
Total	**3,709**	**4,294**

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 March 31, 2017, 60,777 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
Options exercised - 2017	60,777	

[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	(60,777)	(610,618)
Options canceled and expired	-	(197,114)
Closing balance	**2,622,305**	**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 0.42% of all shares at March 31, 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	47,540	449,763	964,382	1,160,620	**2,622,305**
Treasury stock					**(940,504)**
Total shares except treasury stock					**620,339,318**
Percentage of dilution	**0.01%**	**0.07%**	**0.16%**	**0.19%**	**0.42%**

The Corporation recognized expenses relating to granting of plans in effect for the period ended March 31, 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	159.3	1,593.1
(-) Cost of treasury shares disposed of	(378.0)	(541.5)
(-) Cost of shares issued	-	(1,449.0)
Effect on disposal of shares	**(218.7)**	**(397.4)**

Due to the exercise of stock options, the Corporation incurred costs with the sale of treasury shares of R$378. At March 31, 2017, the book value of treasury shares was recorded under the Corporation's shareholders' equity in the amount of R$5,561 (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:** 39.17%. 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 October 1, 2016 to March 31, 2017;

- **Risk-free interest rate:** 7.50% 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 March 31, 2017 ranged between a minimum of R$0.70 and a maximum of R$3.89 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	1,964	0	37,876	47,540	R$ 5.0083
				349,520	**349,520**	**1,964**	**0**	**300,016**	**47,540**	
ESP VIII LP 13-14	4/30/2014	3/3/2017	9/2/2017	624,910	624,910	13,429	0	393,371	218,110	R$ 1.9470
ESP VIII LP 13-14	4/30/2014	3/3/2018	9/2/2018	624,910	3,377	0	0	393,257	231,653	R$ 1.9470
				2,499,640	**1,878,107**	**13,429**	**0**	**2,036,448**	**449,763**	
ESP IX LP 14-15	6/24/2015	3/3/2017	9/2/2017	395,316	395,316	20,144	0	66,611	308,561	R$ 2.3720
ESP IX LP 14-15	6/24/2015	3/3/2018	9/2/2018	395,316	3,831	703	0	66,611	328,002	R$ 2.3720
ESP IX LP 14-15	6/24/2015	3/3/2019	9/2/2019	395,069	3,826	702	0	66,548	327,819	R$ 2.3720
				1,581,017	**798,289**	**21,549**	**0**	**595,086**	**964,382**	
ESP X LP 15-16	11/7/2016	3/3/2017	9/2/2017	306,410	306,410	23,835	0	10,252	272,323	R$ 3.0281
ESP X LP 15-16	11/7/2016	3/3/2018	9/2/2018	306,410	4,901	0	0	10,252	296,158	R$ 3.0281
ESP X LP 15-16	11/7/2016	3/3/2019	9/2/2019	306,410	4,901	0	0	10,252	296,158	R$ 3.0281
ESP X LP 15-16	11/7/2016	3/3/2020	9/2/2020	306,219	4,893	0	0	10,238	295,981	R$ 3.0281
				1,225,449	**321,105**	**23,835**	**0**	**40,994**	**1,160,620**	
Total on	**3/31/2017**			**8,427,124**	**6,118,519**	**60,777**	**0**	**5,744,042**	**2,622,305**	

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	33.4	33.4	57.6
		33.4	**33.4**	**57.6**
ESP VIII LP 13-14	4/30/2014	0.0	0.0	0.0
ESP VIII LP 13-14	4/30/2014	820.7	820.7	931.9
ESP VIII LP 13-14	4/30/2014	902.0	0.0	989.7
		1,722.7	**820.7**	**1,921.6**
ESP IX LP 14-15	6/24/2015	1,030.0	1,030.0	1,187.2
ESP IX LP 14-15	6/24/2015	1,147.7	0.0	1,262.0
ESP IX LP 14-15	6/24/2015	1,205.6	0.0	1,261.3
		3,383.3	**1,030.0**	**3,710.4**
ESP X LP 15-16	11/7/2016	730.3	730.3	869.1
ESP X LP 15-16	11/7/2016	859.5	0.0	945.1
ESP X LP 15-16	11/7/2016	935.4	0.0	945.1
ESP X LP 15-16	11/7/2016	1,004.6	0.0	944.6
		3,529.8	**730.3**	**3,703.9**
Total on	**3/31/2017**	**8,669.2**	**2,614.4**	**9,393.4**

32. Earnings (loss) per share

The following table shows the calculation of earnings (loss) per share for the periods ended March 31, 2017 and 2016 (in thousands, unless otherwise stated):

	3/31/17	3/31/16
Profit (loss) attributable to shareholders from continuing operations	(237,938)	(101,913)
Profit (loss) attributable to shareholders from discontinued operations	4,728	(4,271)
Profit (loss) attributable to shareholders from the Corporation	(233,210)	(106,184)
Weighted average number of shares in the year (units)	593,035,591	520,747,405
Weighted average number of shares held in treasury (units)	(359,982)	(43,913)
Weighted average number of outstanding common shares (units)	592,675,609	520,703,492
Basic and Diluted Earnings (Losses) (in R$) from continuing operations	(0.4015)	(0.1957)
Basic and Diluted Earnings (Losses) (in R$) from discontinued operations	0.0080	(0.0082)
Earnings or losses attributable to shareholders of the Company	(0.3935)	(0.2039)

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. Segment reporting

Marfrig Global Foods S.A. is a multinational Brazilian-originated company dedicated to the production, processing and sale in domestic and foreign markets of diversified food products, focusing on products of animal protein.

The Corporation has built an integrated business model, geographically diverse, consisting of production bases located in places with significant competitive advantages in cost and a distribution network with access to major consumer markets in the world.

The Corporation is strategically organized into two main reporting segments:

- *Marfrig 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, Chile and two trading companies in Europe and Peru, with access to the world's main consumer markets.

- *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. The Keystone Foods business unit has a long history of a commercial relationship with a major global client that generates revenues diversified across Asian and European countries and, in particular, the United States.

  Sales to this client amounted to R$1.1 billion, or 52.5% of the business unit's total revenue and 26.6% of the Group's consolidated total revenue, on March 31, 2017, making the Corporation a strategic supplier to said client. Commercial agreements with said client vary from market to market, and are based on market conditions previously agreed upon by the parties. The business unit has a long relationship with said client, which reinforces the strategic alliance between both companies. Due to

the importance of this relationship, a significant portion of Keystone's accounts receivable refer to this strategic client. For the periods ended March 31, 2017 and 2016, Keystone Foods did not have significant credit losses with any of its clients.

Due to the contribution of this client to the business unit and to the Corporation as a whole, the capacity of Keystone's management to maintain a mutually beneficial relationship with this client is key to sustaining and continually growing the business. In this context, the market conditions affecting said client are very relevant to Keystone and are subject to constant evaluation and discussion by management.

The group's global platform is present in four continents, with 48 industrial complexes and offices in the Americas, Asia, Europe and Oceania, with a distribution system that allows us to export to over 100 countries.

The Corporation provides information to the market, combined by segment of activity similar to that considered by its managers when taking strategic decisions.

The consolidated balance sheet and statement of operations summarized by information segment are as follows:

	3/31/17					12/31/16			
	Marfrig Beef	Holding BV	Keystone	Discontinued Segment	Total	Marfrig Beef	Holding BV	Keystone	Total
Assets									
Current assets	6,699,207	946,339	1,467,519	213,120	9,326,185	7,505,741	261,324	1,536,113	9,303,178
Non-current assets	3,931,078	99,258	172,802	-	4,203,138	3,883,984	90,911	88,699	4,063,594
Investments	10	-	19,270	-	19,280	31	-	16,237	16,268
Property, plant and equipment	2,920,068	-	1,068,491	-	3,988,559	2,943,449	-	1,065,948	4,009,397
Biological assets	-	-	49,766	-	49,766	-	-	51,236	51,236
Intangible assets	1,382,271	-	1,353,210	-	2,735,481	1,430,020	-	1,385,110	2,815,130
	14,932,634	**1,045,597**	**4,131,058**	**213,120**	**20,322,409**	**15,763,225**	**352,235**	**4,143,343**	**20,258,803**
Current liabilities	3,274,452	206,287	1,180,766	80,660	4,742,165	6,099,767	89,934	1,193,268	7,382,969
Non-current liabilities	4,719,992	5,839,217	2,021,549	-	12,580,758	3,501,536	6,198,089	2,075,407	11,775,032
	7,994,444	**6,045,504**	**3,202,315**	**80,660**	**17,322,923**	**9,601,303**	**6,288,023**	**3,268,675**	**19,158,001**

	3/31/17					3/31/16				
	Marfrig Beef	Holding BV	Keystone	Discontinued Segment	Total	Reclassified Marfrig Beef	Reclassified Holding BV	Keystone	Discontinued Segment	Total
Net Revenue	2,040,460	-	2,095,704	-	4,136,164	2,468,728	-	2,437,680	-	4,906,408
COGS	(1,779,432)	-	(1,896,306)	-	(3,675,738)	(2,110,765)	-	(2,219,936)	-	(4,330,701)
Equity income (loss)	-	-	1,734	-	1,734	-	(16,530)	14,537	-	(1,993)
Net financial income (loss)	(321,317)	(178,517)	(15,633)	-	(515,467)	(262,653)	(68,837)	(91,702)	-	(423,192)
Income and social contribution taxes	136,448	10,801	(45,406)	-	101,843	63,428	8,639	(36,064)	-	36,003
Controlling interest in net income (loss) - continuing operations	(143,121)	(168,174)	73,357	-	(237,938)	(50,828)	(78,016)	26,931	-	(101,913)
Controlling interest in net income (loss) - discontinued operations	-	-	-	4,728	4,728	-	-	-	(4,271)	(4,271)
Non-controlling interest in net income (loss) - continuing operations	41	-	11,786	-	11,827	49	-	13,812	-	13,861
Non-controlling interest in net income (loss) - discontinued operations	-	-	-	3	3	-	-	-	2	2

(i) This segment reporting reflects the Corporation's fiduciary structure;
(ii) The Corporation believes that Marfrig Holding (Europe) BV, with activity of raise funds, should be segregated from this information in order to better report the Keystone and Marfrig Beef business segments.
(iii) Discontinued Segment refers to the sale of the Beef Jerky, MFG Agropecuária Ltda and the sale of assets relating to Marfrig Argentina S.A., as per note 38.

34. 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	3/31/17	12/31/16	3/31/17	12/31/16
Buildings and meatpacking plants	2,729,566	2,578,480	4,521,727	4,417,874
Inventories	325,266	223,000	534,208	422,170
Third-party warehouse	25,953	20,300	46,115	20,300
Vehicles	21,029	20,707	34,150	34,167
Transportation of goods	56,684	65,182	100,339	104,939
Officers' guarantees	158,420	162,955	240,798	247,703
Civil liability	20,000	20,000	230,999	234,048
Aircraft	1,003,084	852,483	1,003,084	852,483
Other	286,964	459,172	296,760	468,998
	4,626,966	4,402,279	7,008,180	6,802,682

35. Financial instruments - derivatives and risk management - consolidated

35.1. 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.

35.2. Financial instruments by category

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

	Parent			
Financial assets	**Amortized Cost**		**Held for trading**	
	3/31/17	**12/31/16**	**3/31/17**	**12/31/16**
Cash and cash equivalents	217,467	390,293	37,158	5,988
Marketable Securities	95,308	98,000	1,299,277	1,417,911
Trade accounts receivable	234,892	475,471	-	-
Notes receivable - derivatives	-	-	58,003	53,628
Related parties	449,110	717,391	-	-
Total financial assets	**996,777**	**1,681,155**	**1,394,438**	**1,477,527**

Financial liabilities	**Amortized Cost**		**Held for trading**	
	3/31/17	**12/31/16**	**3/31/17**	**12/31/16**
Trade accounts payable and supply chain finance	704,468	888,510	-	-
Loans, financing and debentures	1,503,964	1,651,911	-	-
Finance lease	2,264	3,472	-	-
Notes payable - derivatives	-	-	250,874	314,169
Notes payable - investments Brazil	430,971	431,230	-	-
Interest on debentures	18,197	297,870	-	-
Related parties	9,082,047	8,780,070	-	-
Total financial liabilities	**11,741,911**	**12,053,063**	**250,874**	**314,169**

	Consolidated			
Financial assets	Reclassified Amortized cost		Held for trading	
	3/31/17	**12/31/16**	**3/31/17**	**12/31/16**
Cash and cash equivalents	3,008,742	3,283,625	373,536	8,080
Marketable Securities	190,585	195,968	2,132,414	1,791,819
Trade accounts receivable	388,130	790,468	-	-
Notes receivable - derivatives	-	-	285,526	308,639
Related parties	1,437	46,740	-	-
Joint Venture	76,697	57,034	-	-
Total financial assets	**3,665,591**	**4,373,835**	**2,791,476**	**2,108,538**

Financial liabilities	Amortized cost		Held for trading	
	3/31/17	**12/31/16**	**3/31/17**	**12/31/16**
Trade accounts payable and supply chain fina	1,632,321	2,002,757	-	-
Loans, financing and debentures	11,843,998	10,893,838	-	-
Finance lease	34,129	38,496	-	-
Notes payable - derivatives	-	-	331,273	405,473
Notes payable - investments Brazil	430,971	431,230	-	-
Interest on debentures	-	256,563	-	-
Related parties	4,000	-	-	-
Total financial liabilities	**13,945,419**	**13,622,884**	**331,273**	**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.

35.3. Comparison of market value and respective fair values

Market values for the financial instruments are shown below:

	Consolidated			
	3/31/17		**12/31/16**	
	Book value	**Market value**	**Book value**	**Market value**
Cash and cash equivalents	3,382,278	3,382,278	3,291,705	3,291,705
Marketable Securities	2,322,999	2,322,999	1,987,787	1,987,787
Trade accounts receivable	388,130	388,130	790,468	790,468
Notes receivable - derivatives	285,526	285,526	308,639	308,639
Trade accounts payable and supply chain finance	1,632,321	1,632,321	2,002,757	2,002,757
Loans and financing	11,843,998	11,843,998	10,893,838	10,893,838
Finance lease	34,129	34,129	38,496	38,496
Payables - derivatives	331,273	331,273	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.

35.4. 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	419,813	(359)
Swap	Interest Rate	OTC	2019	LIBOR	USD	187,500	594,075	(10,797)
NDF	Exchange rate	OTC	2017	USD	GBP	25,152	77,844	(190)
NDF	Exchange rate	OTC	2017	USD	EUR	174	550	4
Transactions not designated as Hedge Accounting								
Swap	Interest Rate	CETIP	2017	BRL	USD	230,831	731,364	(159,207)
Swap	Interest Rate	OTC	2017	USD	BRL	230,831	731,364	159,207
Swap	Interest Rate	CETIP	2018	CDI	USD	10,252	32,481	(33,665)
								(45,007)
NDF	Exchange rate	OTC	2017	AUD	MYR	640	2,029	65
NDF	Exchange rate	OTC	2017	JPY	THB	70	222	(4)
NDF	Exchange rate	OTC	2017	KRW	USD	18,445	58,441	(1,435)
NDF	Exchange rate	OTC	2017	MYR	USD	17,255	54,672	(2,400)
NDF	Exchange rate	OTC	2017	THB	MYR	2,444	7,745	(35)
NDF	Exchange rate	OTC	2017	USD	AUD	(507)	(1,607)	(16)
NDF	Exchange rate	OTC	2017	USD	MYR	27,259	86,367	2,153
NDF	Exchange rate	OTC	2017	USD	THB	37,610	119,164	3,732
NDF	Exchange rate	OTC	2017	EUR	AUD	975	3,089	(179)
NDF	Exchange rate	OTC	2017	EUR	THB	866	2,743	65
NDF	Exchange rate	OTC	2017	CNH	USD	1,449	4,592	(465)
NDF	Exchange rate	OTC	2018	KRW	USD	12,869	40,775	(283)
NDF	Exchange rate	OTC	2017	USD	CLP	8,805	27,898	789
								1,987
Options	Corn	CBOT	2017	USD	USD	650	2,059	1,262
Options	Corn	CBOT	2018	USD	USD	122	386	307
SWAP	Soy meal	CBOT	2017	USD	USD	34,860	110,451	(4,634)
SWAP	Soy meal	CBOT	2018	USD	USD	3,563	11,289	48
SWAP	Fed cattle	CBOT	2017	USD	USD	30,459	96,506	2,003
SWAP	Corn	CBOT	2017	USD	USD	40,468	128,219	(1,831)
SWAP	Corn	CBOT	2018	USD	USD	11,802	37,394	118
								(2,727)
								(45,747)

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	
	3/31/17	**12/31/16**
Notes receivable - derivatives (note 10)	285,526	308,639
Notes payable - derivatives (note 23)	(331,273)	(405,473)
Total, net	**(45,747)**	**(96,834)**

In the period ended March 31, 2017, a consolidated net financial gain of R$6,553 was recorded from market transactions, of which R$37,065 corresponded to expenses and R$43,618 to income.

35.4.1 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	419,813	(359)	(296)	(63)
Swap	LIBOR	USD	2019	187,500	594,075	(10,797)	(494)	(10,303)
NDF	USD	GBP	2017	25,152	77,844	(190)	-	(190)
NDF	USD	EUR	2017	174	550	4	-	-
						(11,342)	**(790)**	**(10,556)**

35.5. 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.

35.5.1 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 3/31/2017
CBOT	Options	Corn	2017	650	2,059	1,262	1,262
CBOT	Options	Corn	2018	122	386	307	307
CBOT	SWAP	Soy meal	2017	34,860	110,451	(4,634)	(4,634)
CBOT	SWAP	Soy meal	2018	3,563	11,289	48	48
CBOT	SWAP	Fed cattle	2017	30,459	96,506	2,003	2,003
CBOT	SWAP	Corn	2017	40,468	128,219	(1,831)	(1,831)
CBOT	SWAP	Corn	2018	11,802	37,394	117	117
				121,924	386,304	(2,728)	(2,728)

35.5.1.1 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 March 31, 2017, three scenarios are considered and the probable scenario is the fair value as at March 31, 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 March 31, 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
(2,728)	(2,728)	(3,409)	(3,409)	(4,091)	(4,091)

Stress scenario - Derivatives Commodities Soy Meal

Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
(4,587)	(4,587)	(5,733)	(5,733)	(6,880)	(6,880)

Stress scenario - Derivatives Commodities Corn

Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
(144)	(144)	(180)	(180)	(216)	(216)

Stress scenario - Derivatives Commodities Cattle

Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
2,003	2,003	2,504	2,504	3,005	3,005

35.5.2 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 March 31, 2017 and December 31, 2016 is as follows:

	Consolidated	
	3/31/17	**12/31/16**
Exposure to CDI rate:		
NCE / Working capital/CDAs/Debentures	322,083	644,911
(-) CDB-DI (R$)	(287,731)	(257,489)
Subtotal	**34,352**	**387,422**
Exposure to LIBOR rate:		
NCE/ACC/Prepayment (US$)	613,317	695,011
Revolving credit facility (US$)	355,452	411,331
Subtotal	**968,769**	**1,106,342**
Exposure to TJLP rate:		
FINAME / FINEM / FINEP	17,352	18,836
Subtotal	**17,352**	**18,836**
Total	**1,020,473**	**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							
						3/31/17	**12/31/16**
Instrument	**Register**	**Receivable**	**Payable**	**Notional US$**	**Notional BRL**	**MTM**	**MTM**
Interest Rate Swap	CETIP	LIBOR	USD	320,000	1,013,888	(11,156)	(15,999)
Interest Rate Swap	CETIP	BRL	USD	230,831	731,364	(159,207)	(190,780)
Interest Rate Swap	OTC	USD	BRL	230,831	731,364	159,207	190,780
Interest Rate Swap	CETIP	CDI	USD	10,252	32,481	(33,665)	(70,581)
				791,914	**2,509,097**	**(44,821)**	**(86,580)**

Consolidated							
							3/31/17
Instrument	**Register**	**Maturity**	**Receivable**	**Payable**	**Notional US$**	**Notional BRL**	**MTM**
Interest Rate Swap	OTC	2018	LIBOR	USD	132,500	419,813	(359)
Interest Rate Swap	OTC	2019	LIBOR	USD	187,500	594,075	(10,797)
Interest Rate Swap	CETIP	2017	BRL	USD	230,831	731,364	(159,207)
Interest Rate Swap	OTC	2017	USD	BRL	230,831	731,364	159,207
Interest Rate Swap	CETIP	2018	CDI	USD	10,252	32,481	(33,665)
					791,914	**2,509,097**	**(44,821)**

35.5.2.1 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 March 31, 2017, three scenarios are considered and the probable scenario is the fair value as at March 31, 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
(44,821)	(44,821)	(52,458)	(52,458)	(61,295)	(61,295)

Stress scenario - Swap Int Rate CDI vs. USD

Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
(33,665)	(33,665)	(35,857)	(35,857)	(35,857)	(35,857)

Stress scenario - Swap Int Rate Libor vs. USD

Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
(11,156)	(11,156)	(16,601)	(16,601)	(25,438)	(25,438)

35.5.3 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	**3/31/17**	**12/31/16**	**2017**
Operating			
Trade accounts receivable	207,970	326,458	(18,816)
ACE (advance on export contracts)	-	-	1,513
Imports payable	(6,282)	(15,987)	(8,119)
Subtotal	**201,688**	**310,471**	**(25,422)**
Financial			
Loans and financing	(611,873)	(693,565)	21,316
Notes payable and receivable	10,202	-	(1,030)
Balance of banks and marketable securities (*)	716,358	1,218,805	(20,988)
Subtotal	**114,687**	**525,240**	**(702)**
Total	**316,375**	**835,711**	**(26,124)**
Exchange rate gains			437,113
Exchange rate losses			(463,237)
Exchange rate gains (losses), net			**(26,124)**

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

	Consolidated		
Exposure			**Effects of exchange rate gains (losses)**
Description	**3/31/17**	**12/31/16**	**2017**
Operating			
Trade accounts receivable	148,700	393,582	(22,362)
ACE (advance on export contracts)	-	-	1,513
Imports payable	(106,750)	(154,511)	(3,669)
Other	(60,450)	(62,735)	(2,192)
Subtotal	**(18,500)**	**176,336**	**(26,710)**
Financial			
Loans and financing	(11,504,563)	(10,486,654)	24,592
Notes payable and receivable	216,403	-	(3,575)
Balance of banks and marketable securities (*)	451,431	539,035	(20,818)
Other	40,215	-	12,771
Subtotal	**(10,796,514)**	**(9,947,619)**	**12,970**
Total	**(10,815,014)**	**(9,771,283)**	**(13,740)**
Exchange rate gains			495,291
Exchange rate losses			(509,031)
Exchange rate gains (losses), net			(13,740)

(*) 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".

35.5.3.1 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 March 31, 2017, three scenarios are considered and the probable scenario is the fair value as at March 31, 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 March 31, 2017 was applied for currencies, with notional value of R$/US$ 3.1684.

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

Stress Scenario - balance sheet exposure to foreign exchange

3/31/2017	Probable scenario	Possible scenario	Remote scenario
Parent	(26,124)	79,094	158,187
Subsidiaries	12,384	(2,782,847)	(5,565,694)
	(13,740)	**(2,703,753)**	**(5,407,507)**

35.6. 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	
	3/31/17	12/31/16
Short-term cash, cash equivalents and marketable securities	5,704,491	5,278,641
Short-term loans and financings	1,344,191	1,198,039
Interest on debentures	-	256,563
Modified liquidity ratio	4.24	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:

	3/31/17
Consolidated gross debt	11,843,998
(-) Consolidated cash and equivalents	5,704,491
Consolidated net debt	6,139,507
(-) Effect from exchange variation (carve-out [(1)])	774,008
Consolidated adjusted net debt	5,365,499
LTM EBITDA for the period ended March 31, 2017	1,465,243
Leverage ratio	3.66

(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**
March 31, 2017	**2017**	**2018**	**2019**	**2020**	**Onwards**	**Total**
Trade accounts payable and supply chain finance	1,632,321	-	-	-	-	1,632,321
Loans, financing and debentures	1,025,034	1,146,241	2,088,412	933,444	6,650,867	11,843,998
Derivative financial liabilities	288,203	34,189	8,881	-	-	331,273
Total	**2,945,558**	**1,180,430**	**2,097,293**	**933,444**	**6,650,867**	**13,807,592**

35.7. 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	
	3/31/17	12/31/16	3/31/17	12/31/16
Cash and cash equivalents	254,625	396,281	3,382,278	3,291,705
Marketable securities	1,394,585	1,515,911	2,322,999	1,987,787
Receivables from Brazilian clients	26,922	149,013	239,430	396,887
Receivables from foreign clients	207,970	326,458	148,700	393,581
Other receivables	25,743	26,258	101,057	155,386
Total	**1,909,845**	**2,413,921**	**6,194,464**	**6,225,346**

35.8. 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	-	2,336,171	-
Notes receivable - derivatives	12,224	275,216	-
Non-current liabilities			
Notes payable - derivatives	(12,965)	(331,273)	-
Total	**(741)**	**2,280,114**	**-**

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

36. 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:

Tax	Parent		Consolidated	
	3/31/17	3/31/16	3/31/17	3/31/16
Income (loss) before tax effects	(371,165)	(140,936)	(327,954)	(124,055)
Add-backs				
Add-backs of corporate income tax (IRPJ)	423,507	1,381,246	657,843	1,469,804
Add-backs of social contribution tax (CSLL)	423,507	1,381,246	631,068	1,459,748
(-) Deductions				
(-) Deductions from IRPJ	(374,271)	(384,156)	(432,919)	(272,940)
(-) Deductions from CSLL	(374,271)	(384,156)	(375,930)	(264,521)
Tax base				
Income tax base	(321,929)	856,154	(103,030)	1,072,809
Social contribution tax base	(321,929)	856,154	(72,816)	1,071,172
Companies with income tax loss	-	-	(278)	(802)
Companies with social contribution tax loss carryforwards	-	-	(278)	(825)
Calculation base after carry forwards of IRPJ	(321,929)	856,154	(103,308)	1,072,007
Calculation base after carry forwards of CSLL	(321,929)	856,154	(73,094)	1,070,347
(-) Tax loss carryforwards	-	(256,846)	(142)	(256,846)
(-) Social contribution tax loss carryforwards	-	(256,846)	(142)	(256,846)
Calculation base after carry forwards				
Calculation base after carry forwards of IRPJ	(321,929)	599,308	(103,450)	815,161
Calculation base after carry forwards of CSLL	(321,929)	599,308	(73,236)	813,501
Income tax (15%)	-	89,896	33,083	50,173
Surtax (10%)	-	59,925	59	60,111
(-) PAT	-	(3,596)	-	(3,596)
Total income tax	-	146,225	33,142	106,688
Social contribution tax (9%)	-	53,938	-	53,994
	-	200,163	33,142	160,682
Rate difference on results from abroad	-	-	58	49,783
Total taxes	-	200,163	33,200	210,465
Effect on Statement of Operations - Current Taxes (2)	-	200,163	33,200	210,465

Tax	Group	3/31/17	3/31/16	3/31/17	3/31/16
(-) Income tax - current	Current liabilities (2)	-	(146,225)	(33,142)	(156,471)
Deferred income tax - Assets (1)	Non-current assets	97,961	176,700	100,640	197,836
Deferred income tax - Liabilities (1)	Non-current liabilities	-	-	(1,484)	(22,864)
Net (3)	Income (loss)	97,961	30,475	66,014	18,501
(-) Social contribution tax - current	Current liabilities (2)	-	(53,938)	(58)	(53,994)
Deferred social contribution tax - Assets (1)	Non-current assets	35,266	63,612	35,837	72,572
Deferred social contribution tax - Liabilities (1)	Non-current liabilities	-	-	50	50
Net (3)	Income (loss)	35,266	9,674	35,829	18,628

(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) 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.

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:

- **Greenpeace Pact:** 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 with the non-governmental organization Greenpeace for responsible production in the Amazon Biome in its supply chain. 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 management practices, and minimizing unnecessary animal 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. Once again, in 2016, all production units in Brazil participated in awareness-raising campaigns in honor of World Animal Day, which is commemorated on October 4. The initiative started in 2012 at just one unit and expanded gradually until engaging all of the Group's units in 2015. The activities engage employees and others from various sectors of the industry, such as drivers hauling live animals, youth from the Marfrig Institute and young apprentices.

  Supported by the work of our teams, we maintained all authorizations at our most demanding clients in terms of animal welfare, continued to pursue approval in animal welfare audits by third parties based on the American Meat Institute (AMI) protocol, and believe that seeking and upholding dignified animal handling procedures are essential for the quality and safety of the brand's products. This is the only way to guarantee customer satisfaction and continuous improvement in all animal management stages. As a result of these efforts, the Corporation has become a reference in animal welfare.

  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 Marfrig 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 March 31, 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 assets	(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 Marfrig 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 March 31, 2017, whose net effect was a gain of R$28.2 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 Marfrig 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 March 31, 2017 and 2016 are summarized as follows:

Result from discontinued operations

	Consolidated	
	3/31/2017	**3/31/2016**
Net Revenue	114,336	268,089
Cost of Goods Sold	(117,032)	(253,926)
Gross Profit	(2,696)	14,163
Operating and financial income (expenses)	14,772	(21,278)
Net operating income (loss)	12,076	(7,115)
Income and social contribution taxes	(7,345)	2,846
Net income from discontinued operations	**4,731**	**(4,269)**
Non-controlling interest	(3)	(2)
Net income (loss) from discontinued operations	**4,728**	**(4,271)**

Cash flow from discontinued operations

	Consolidated	
	3/31/2017	**3/31/2016**
Net income (loss) for the period	4,728	(4,271)
Non-cash items	12,533	14,958
From changes in equity	(47,717)	(35,502)
Used in investing activities	44,602	9,352
Used in financing activities	(3,879)	(5,132)
Exchange variation on cash and equivalents	137	7,733
Cash from operations	(6,518)	1,994
Discontinued operations, net of cash	**3,886**	**(10,868)**

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						
			Non-cash changes				
Description	Balance on 12/31/2016	Financing activities	Capitalization	Other changes	Exchange rate fluctuation	Changes in fair value	Balance on 3/31/2017
Loans and financing	1,081,976	(176,823)		30,702	(21,316)	19,475	934,014
Lease payable	3,472	(1,617)		-	-	410	2,265
Mandatory convertible deed	2,147,392	(83,271)	(2,149,550)	83,271	-	2,158	-
Debentures payable	569,935	-		-	-	15	569,950
Interest on debentures	297,870	(321,918)		-	-	42,245	18,197
Share capital	5,278,127	-	2,149,550	-	-	-	7,427,677
Treasury shares	(11,702)	(5,549)		-	-	-	(17,251)
	9,367,070	**(589,178)**	**-**	**113,973**	**(21,316)**	**64,303**	**8,934,852**

	Consolidated						
			Non-cash changes				
Description	Balance on 12/31/2016	Financing activities	Capitalization	Other changes	Exchange rate fluctuation	Changes in fair value	Balance on 3/31/2017
Loans and financing	10,893,838	940,455		27,027	(277,644)	260,322	11,843,998
Lease payable	38,496	(4,061)		-	(985)	679	34,129
Mandatory convertible deed	2,147,392	(83,271)	(2,149,550)	83,271	-	2,158	-
Interest on debentures	256,563	(277,749)		-	-	21,186	-
Share capital	5,278,127	-	2,149,550	-	-	-	7,427,677
Treasury shares	(11,702)	(5,549)		-	-	-	(17,251)
	18,602,714	**569,825**	**-**	**110,298**	**(278,629)**	**284,345**	**19,288,553**

(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 May 4, 2017, the outstanding balance of US$204,384,000 of the Senior Notes of the subsidiary Marfrig Overseas Limited, due in 2020 and with interest of 9.50% p.a., was fully redeemed.

On May, 11, 2017, the Marfrig Global Foods S.A announced to its shareholders and the general public that its Keystone Foods subsidiary, which is incorporated under the laws of England and Wales ("Keystone"), has confidentially submitted a draft registration statement on Form F-1 to the U.S. Securities and Exchange Commission ("SEC") relating to the proposed Initial Public Offering ("IPO") of its ordinary shares in the United States. Marfrig currently intends to sell a portion of its holdings in Keystone as part of the IPO. Keystone currently intends to use the proceeds it receives from the IPO to finance growth and for general corporate purposes. The timing of the IPO is subject to the SEC review process and market conditions.

* * *

Keystone posts EBITDA of US$ 62 million, up 10%

São Paulo, May 11, 2017 *– Marfrig Global Foods S.A. – Marfrig (BM&FBovespa Novo Mercado: MRFG3 and Level 1 ADR: MRRTY) announces today its results for the first quarter of 2017 (1Q17). 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 March 31, 2017 filed at the Securities and Exchange Commission of Brazil (CVM).*

HIGHLIGHTS

- Marfrig has started the process of listing Keystone in the United States.
- Net Revenue[1] came to R$4.1 billion in 1Q17.
- Consolidated Adjusted EBITDA was R$334 million, with margin of 8.1%.
- Keystone posted Adjusted EBITDA of US$62 million, with margin of 9.4%, a record for a first quarter. Period highlights include volume growth and the favorable sales mix.
- The Beef Division posted Adjusted EBITDA of R$138 million, with margin of 6.7%. This result reflected the industry's lower margins, led by the 20% drop in the U.S. dollar compared to a year earlier.
- In March 2017, Marfrig issued US$750 million in 2024-bonds at a coupon of 7% p.a., which is 100 bps lower than the May 2016 issue.
- The Company, in January 2017, made the final interest payment of the debenture mandatorily convertible into shares in the amount of R$327 million.

[1] In the first quarter of 2017, Marfrig's Management decided to hold for sale the Villa Mercedes processing unit located in Província de San Luis, Argentina. The results for 2016 and 2017 of these operations are presented under "Net Income (Loss) from Discontinued Operations." The assets and liabilities of this company are presented under "Assets Held for Sale" and "Liabilities Related to Assets Held for Sale."

SUMMARY

The first quarter of 2017 was marked by political and economic uncertainty in Brazil and abroad. In the case of Brazil, although indicators were suggesting a better economy in the quarter, supported by the strong performance of the agriculture sector - especially soybean, a key Brazilian export product, the scenario remained highly challenging.

In the beef industry, in addition to the seasonally weaker demand, the Weak Flesh Operation, triggered in the second week of March, adversely affected the operations of animal protein companies (poultry, beef, pork and processed foods). Despite the immediate actions taken by the Ministry of Agriculture, consumer confidence was shaken and some important export destinations, such as Chile and China, temporarily suspended imports from Brazil.

Because of its solid experience and reputation in the domestic and international markets where it operates, Marfrig's Beef Division was able to partially mitigate the impacts from this operation.

In the United States, initial estimates point to a modest growth of 0.7% year-over-year in 1Q17, reflecting weak consumer spending due to the mild winter, which affected demand for heating and services. However, the U.S. consumer confidence remains high, which suggests that this scenario may have been temporary.

In the food service industry, despite lower customer traffic at stores, the Upscale Casual, Fine Dining and Quick Service segments continued to post good performances.

Asia economies, in general, continued presenting good performance. China, according to the National Bureau of Statistics, enjoyed a 6,9% expansion in the first quarter, exceeding initial expectations.

Within this context, Keystone Division continue to present strong results and reported an adjusted EBITDA of US$62 million (or R$196 million) in 1Q17.

Meanwhile, the Beef Division posted Adjusted EBITDA of R$138 million. As a result, Marfrig reported Adjusted EBITDA of R$334 million. The result was also affected by the U.S. dollar devaluation of 20% in the period.

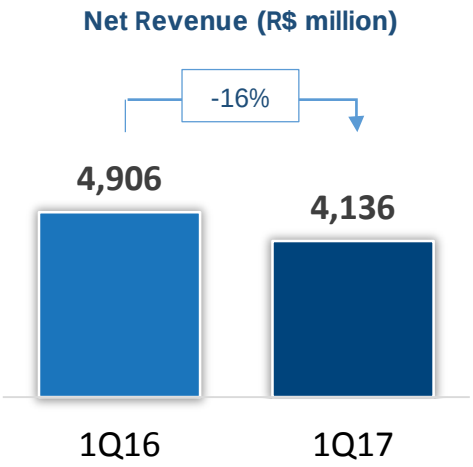
As part of its Liability Management process, Marfrig announced, in March, a tender offer for its 2018 and 2020 Senior Notes with coupons of 8.375% and 9.5% p.a., respectively. The repurchase amounted to US$346 million, with US$66 million for the 2018 Bonds and US$280 million for the 2020 Bonds. Marfrig also announced, in April, that it was exercising its option to repurchase the outstanding balance of its 2020 Bonds in the amount of US$204 million.

Marfrig also successfully raised US$750 million through a new bond issue in March. Demand for the issue exceeded the amount offered by three times, and the bonds due in March 2024 were issued with interest of 7.0% p.a., or 100 bps lower than the May 2016 issue, and were assigned a foreign currency credit rating of "B+" with a positive outlook by Standard & Poor's ("S&P) and of "BB-" with a stable outlook by Fitch Ratings.

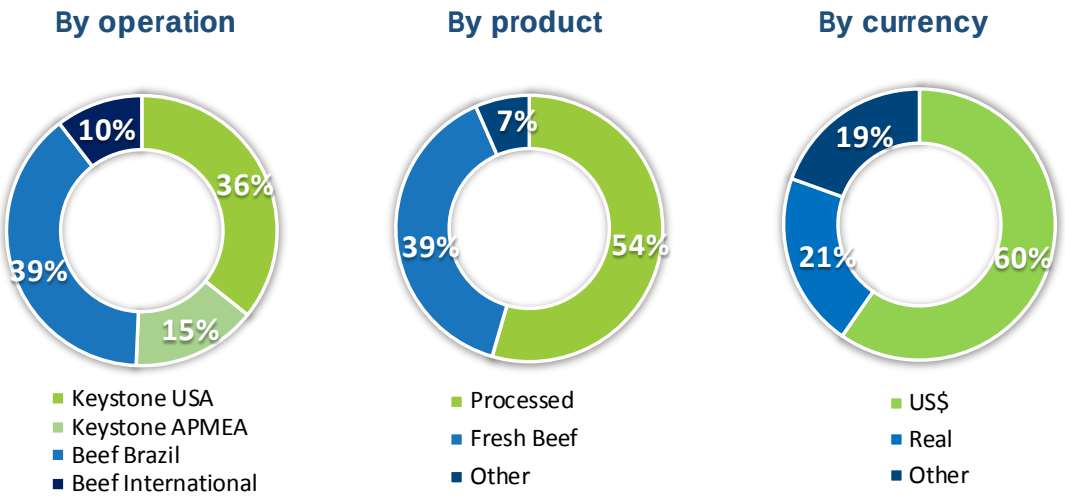
Considering the aforementioned repurchase and new issue, the Company expects annual savings with interest expenses of around US$13 million.

Net Revenue

Marfrig's consolidated net revenue in 1Q17 amounted to R$4.1 billion. The excellent result posted by the Keystone Division, which was supported by sales volume growth, was offset by the effects from the 20% depreciation of the U.S. dollar against the Brazilian real on the translation of revenues from the international operations and from Brazilian exports, and by the performance of the Beef Division.



Revenue Breakdown 1Q17



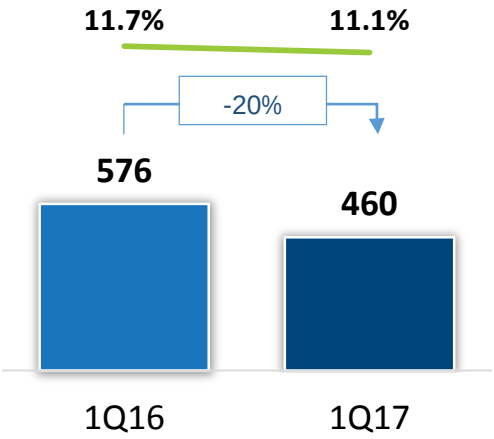
Marfrig is a global company, with a large part of its revenue generated in currencies other than the Brazilian real:

- **61%** of net revenue came from the **international operations** (Keystone USA, Keystone APMEA, and Beef International);
- **79%** of sales was linked to currencies **other than the Brazilian real.**

Gross Profit & Gross Margin

Consolidated gross profit in 1Q17 was R$ 460 million, down 20% from the year-ago period, reflecting the Brazilian Real apreciation and the performance of the Beef Division, with these factors partially offset by the results of the Keystone Division. Gross margin came to 11.1%, 60 bps lower than in 1Q16.

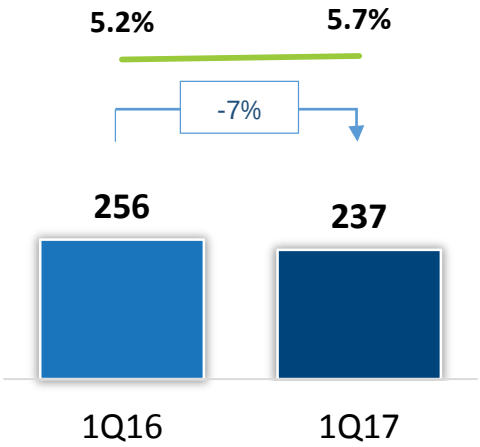
Gross Profit and Gross Margin (R$ million and %)



Selling, General and Administrative Expenses

SG&A expenses in 1Q17 came to R$237 million, improving R$19 million on the year-ago period, explained by the effects from exchange variation on the translation of amounts from the international units. SG&A expenses as a ratio of net revenue (SG&A/NOR) stood at 5.7%, within historical levels.

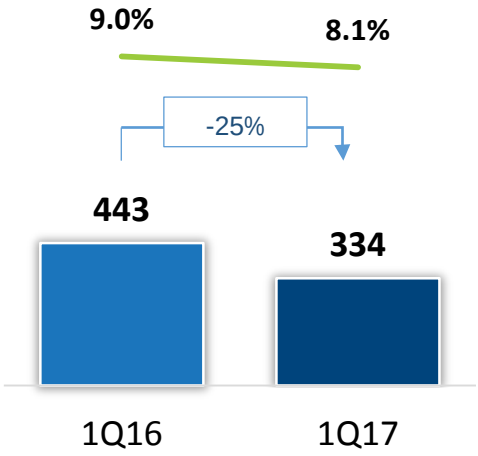
SG&A Expenses and SG&A/NOR (R$ million and %)



Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA in 1Q17 was R$ 334 million, with Adjusted EBITDA margin of 8.1%. The performance of the Beef Division was partially offset by the solid results of Keystone, which accounted for 59% of the Company's consolidated EBITDA in the quarter.

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



Financial Result

The net financial result in 1Q17 was an expense of R$516 million, which represents a decrease of 15% from the expense of R$608 million in 4Q16.

Excluding the effects from exchange variation, the financial result was an expense of R$502 million, down 2% from 4Q16. The main factors were (i) the R$77 million decrease in the "interest expenses" line, given the savings from the debentures conversion (despite the accrual of R$ 25 million in January) and the settlement of short-term liabilities; which was partially offset by (ii) the non-recurring expense of around R$45 million with the repurchase premium and the write-off of issuance costs for the repurchased notes; and (iii) the R$22 million increase in financial expenses due to working capital operations.

	1Q17	4Q16	Chg.	
	R$	R$	R$	%
FINANCIALS REVENUES	**82.3**	**63.0**	**19.3**	**30.6%**
Interest income, income from marketablesecurities	37.0	27.8	9.3	-
Market transactions	43.7	31.1	12.6	-
Other revenues	1.6	4.2	(2.6)	-
FINANCIALS EXPENSES	**(584.0)**	**(572.9)**	**(11.1)**	**1.9%**
Interests provisioned, debentures and lease	(217.0)	(293.7)	76.7	-
Market transactions	(37.1)	(46.3)	9.2	-
Bank fees, commissions, finance. disc. and other	(330.0)	(233.0)	(97.0)	-
FINANCIAL RESULT EX-EXCHANGE VAR.	**(501.7)**	**(509.9)**	**8.2**	**-1.6%**
Exchange Variation	**(13.7)**	**(97.7)**	**84.0**	**-**
NET FINANCIAL RESULT	**(515.5)**	**(607.7)**	**92.2**	**-15.2%**

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.

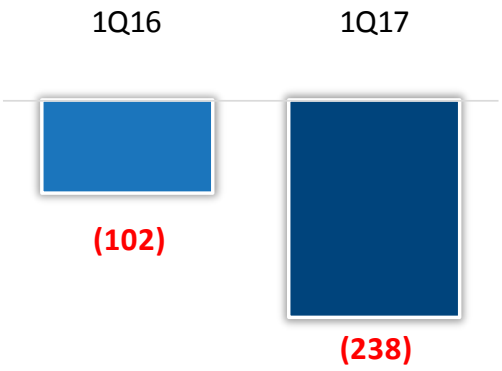
Net Income (Loss)

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

On this basis, Marfrig posted a net loss of R$238 million in 1Q17, which represents deterioration of R$136 million from the same quarter last year. The result reflected the operating performance in the quarter, influenced by the 20% depreciation of the U.S. dollar, and the non-recurring expenses with the repurchase of bonds, which affected the financial result in the period.

Net Income from Continued Operations

(R$ million)



* Results from Continued Operations exclude any gain from asset and equity divestments as well as their operating results.

Debt

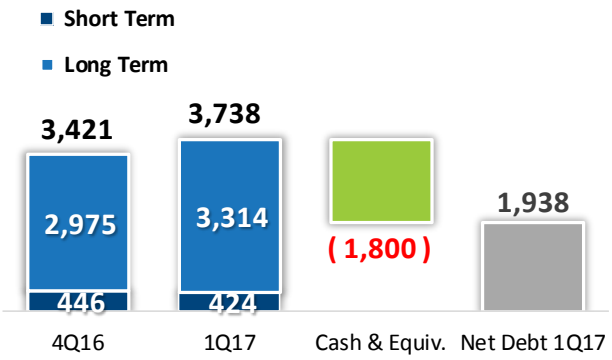
Because a large portion of Marfrig's debt is denominated in U.S. dollar (BRL-denominated debt ended 1Q17 at 3% of total debt), for analysis purposes, the variations discussed in this section are based on the amounts in U.S. dollar.

As of March 31, 2017, Marfrig held gross debt of US$3.7 billion, or 9% higher than in 4Q16, given the net balance of the new international issue of Bonds in the amount of US$750 million, due in March 2024, and the repurchase of the 2018 and 2020 Senior Notes in the amount of US$346 million.

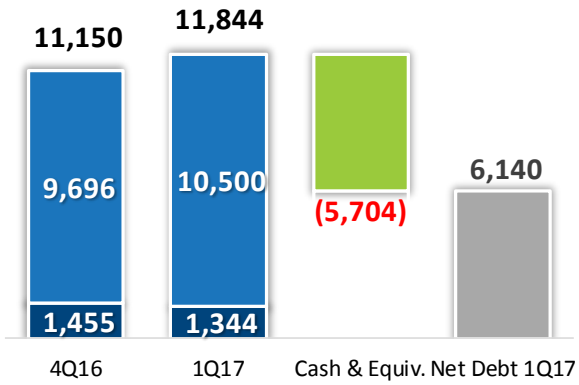
The balance of cash and marketable securities stood at US$1.8 billion, higher than in 4Q16, which also was due to the proceeds from the new issue, which were not fully used in the quarter.

Marfrig's net debt ended 1Q17 at US$1.9 billion, or US$136 million higher than at the end of the previous quarter. On March 31, 2017, the average debt term was 4.42 years, and only 11% of total debt matured in the short term, while the average annual debt cost was 6.97% p.a., compared to 7.26% p.a. in the previous quarter.

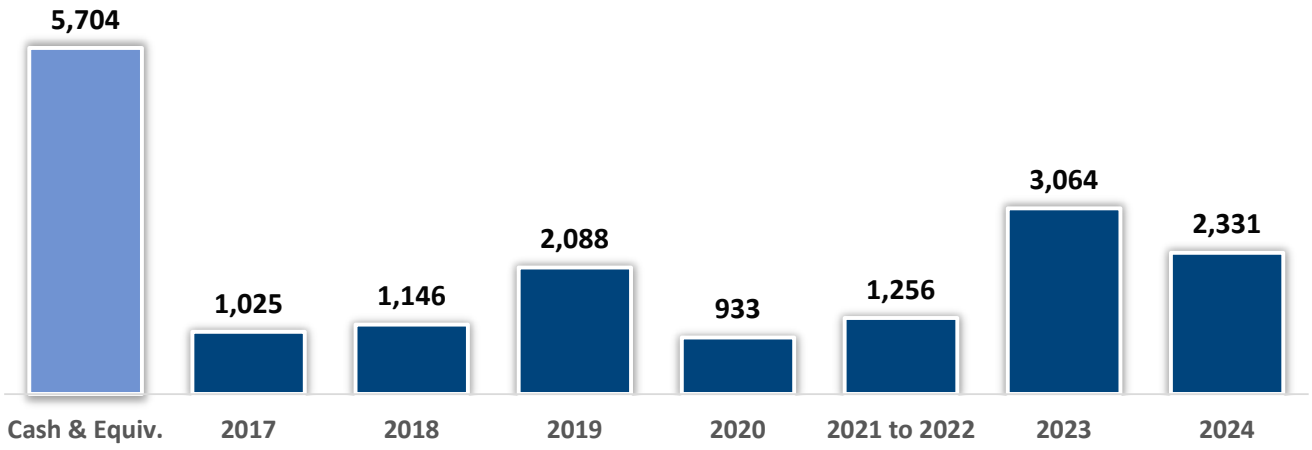
Debt in US$ million



Debt in R$ million



Debt Maturity Schedule
(R$ million)



1Q17 Indicators

Avg. Cost (% p.a.)	Avg. Term (years)	Current Liquidity	Net Debt/ Total Assets	Cash and Equiv. / Short-Term Debt
6.97%	4.42	1.97x	0.30x	4.24x

Management believes that the ratio that best reflects the current leverage is the ratio of net debt to annualized Adjusted EBITDA from continued operations. This ratio in 1Q17 was 4.08x, increasing 44 bps from 4Q16, reflecting the lower EBITDA in the period, as explained 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 1Q17 at 3.66x (for more information, see Note 35.6 to the financial statements).

1Q17 Leverage Ratios

Net Debt / LTM Adj. EBITDA*	Net Debt / LTM EBITDA – Ex-FX
4.08x	3.66x

*Adjusted EBITDA LTM from continued operations.

Cash Flow

The free cash flow in the 1Q17 was negative R$253 million, impacted by the seasonal factors of the period.

Operating cash flow generation in 1Q17 came to R$80 million, influenced by the appreciation of the Brazilian real that impacted Marfrig results. In case of the Beef division, the exchange variation impacted the export spreads in Brazil, while in the international operations the impact came due to the conversion of its results into Brazilian real.

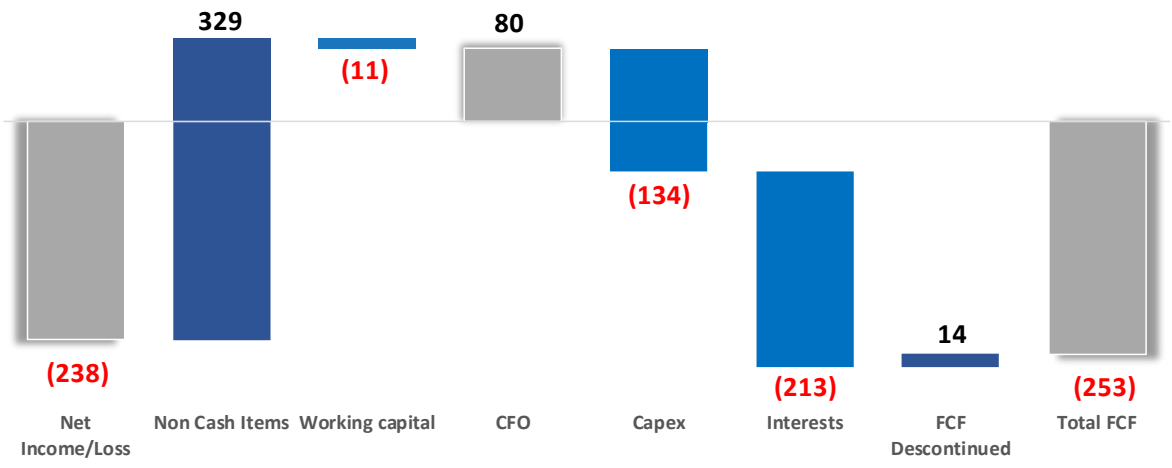
Working capital in the quarter had a negative impact of R$11 million. The variation was due to the payment acceleration in raw-material purchasing in the period.

Despite this challenging scenario, Marfrig maintained its commitments and invested R$134 million in the quarter.

In regards to the R$ 214 million in interests that affected the free cash flow in the period, it reflects a reduction close to R$100 million, as a result of the debentures' conversion, the ongoing *liability management* efforts and the exchange variation on interest.

The cash flow from discontinued operations contributed with R$14 million due to the proceeds from asset sales.

Cash Flow (R$ million)



Capital Expenditure

Marfrig invested R$ 134 million in the quarter. The amount was mainly in expanding capacity and efficiency at Keystone, in projects such as the construction of a plant in Thailand and increase in production line in Malaysia.

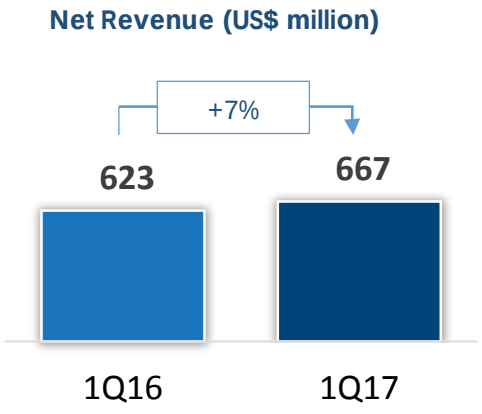
(R$ Millions)	1Q16	1Q17
	R$	R$
Investments	**15.2**	**16.4**
Investments in Fixed Assets	**89.8**	**115.1**
Fixed Assets	68.0	97.7
Breeding Stock	21.8	17.4
Investment in Intangigle Assets	**2.9**	**2.2**
TOTAL	**107.9**	**133.7**

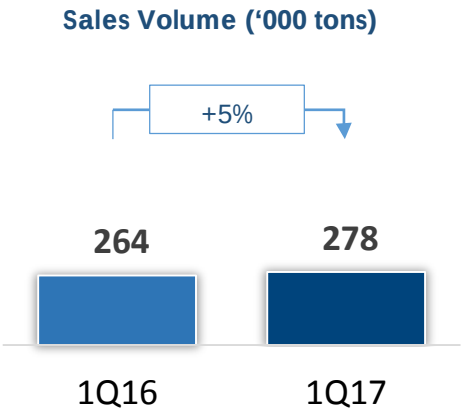
KEYSTONE

Keystone had a strong first quarter and a great start to the year. The current performance sets a new record for a first quarter Adjusted EBITDA margin. We believe our commitment to excellence in food safety and quality and in supply assurance, combined with our long history of developing and growing deep, strategic customer relationships with the world's leading and most demanding brands, is what defines our culture and differentiates us from our competitors.

Net Revenue

Keystone net revenue reached US$667 million in 1Q17, which is up 7% from the same quarter of 2016. This increase was driven by (i) an increase in volume in the U.S. of approximately 4% and APMEA of 11% , led by Thailand, Malaysia and Australia.; (ii) continued favorable sales mix with solid contribution of No Antibiotic Ever (NAE) products; and (iii) positively affected by higher prices for dark meat by-product exports out of the U.S. In Brazilian real, net revenue was R$ 2.1 billion.



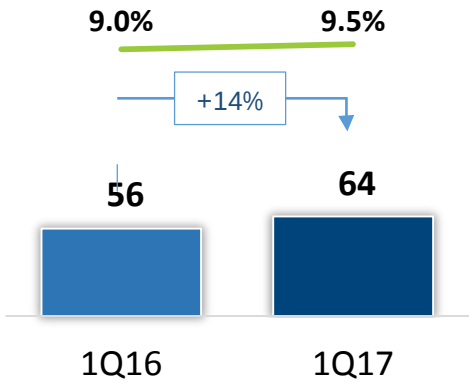


Gross Profit & Gross Margin

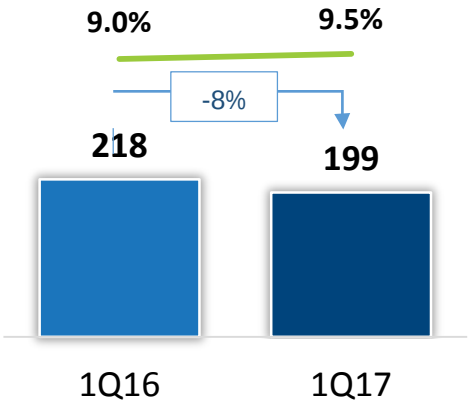
In 1Q17, gross profit reached US$64 million and gross margin 9.5%, an increase of 14% and 50bps year-over-year (1Q16 gross profit was US$56 million and margin 9.0%). In Brazilian real, gross profit amounted to R$199 million, 8% lower than in 1Q16 due to effects from exchange variation on the translation of U.S. dollar amounts to Brazilian real.

The expansion in gross profit was attributed to (i) the volume growth in both the US and APMEA in the Food Service and Retail/Convenience channels. In the APMEA region we experienced a strong quarter with a healthy combination of promotional activity, share increases and incremental demand from important export destinations like Japan; (ii) higher prices on by-product exports, mainly leg quarters, as the market for U.S. poultry continued to improve; (iii) favorable sales mix with substantial input of NAE products in the U.S.; and (iv) lower feed costs in our U.S. poultry operations.

Gross Profit & Gross Margin (US$ million and %)



Gross Profit & Gross Margin (R$ million and %)



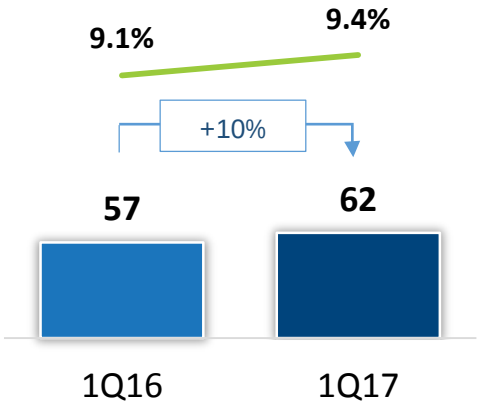
Selling, General and Administrative Expenses

In 1Q17, SG&A expenses reached US$17 million. As a ratio of NOR, SG&A stood at 2.6%, which is within the historical range.

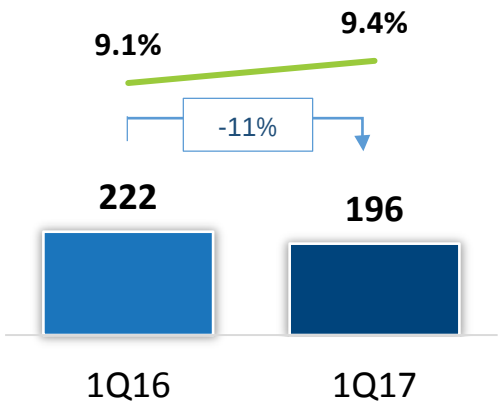
Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA amounted to US$62 million in 1Q17, up 10% from 1Q17, a record for a first quarter. Adjusted EBITDA margin reached 9.4%, an increase of 30 bps. These improvements reflect the same drivers described for the increase in Gross Profit. Considering the impact from exchange variation, Keystone's Adjusted EBITDA was R$196 million in 1Q17, down 11% from 1Q16.

Adjusted EBITDA & Margin (US$ million and %)



Adjusted EBITDA & Margin (R$ million and %)



BEEF

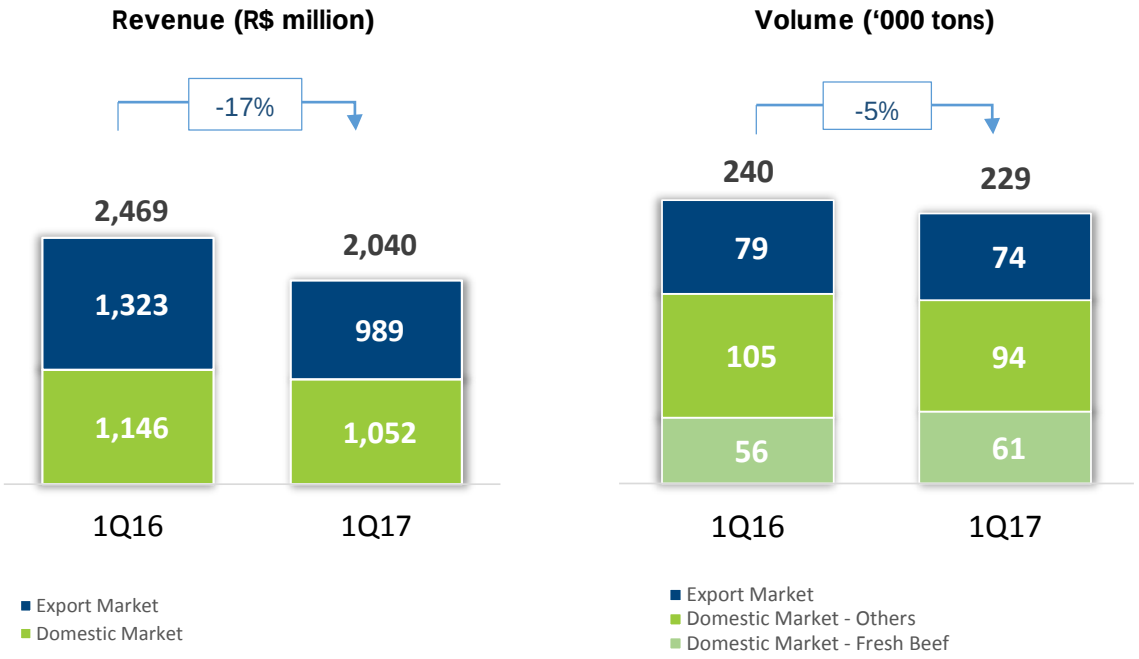
In a seasonally challenging quarter that was further aggravated by Operation Weak Flesh, whose investigations affected Brazil's animal proteins industry, Marfrig maintained its focus on capturing operating efficiency gains and adjusting its production to consumer demand. The recognition and solid reputation that Marfrig enjoys in the Brazilian and international markets enabled it to partially mitigate the impacts from the investigations.

However, margins in the industry remained under downward pressure. In Brazil, the export spread (average sales price less cattle cost) fell 18% in relation to 1Q16. The 5% drop in the average fed cattle price (ESALQ index) and higher international prices were insufficient to offset the 20% dollar devaluation in the comparison period. In Uruguay, the lower cattle price was offset by the lower sales price, with spreads narrowing 2% (INAC).

Net Revenue

Net revenue from the Beef Division was R$2.0 billion in the quarter, down 17% from 1Q16. The 20% U.S. dollar devaluation, the lower sales volume due to the temporary restrictions imposed by the Weak Flesh Operation at the end of the quarter, and 5% lower domestic price were partially offset by the recovery in the fresh beef export price of about 2%.

Slaughter volume in the beef operations fell 2% compared to 1Q16. As a result, the effective capacity utilization rate of the Brazilian operation stood at 79%. This utilization rate reflects the lower supply of fed cattle, which is typical during the rainy season and for the type of negotiations made with cattle producers during this time of year.



Despite the adverse market scenario, the Beef Division maintained its strategy of focusing on value-added channels and optimizing the sales mix.

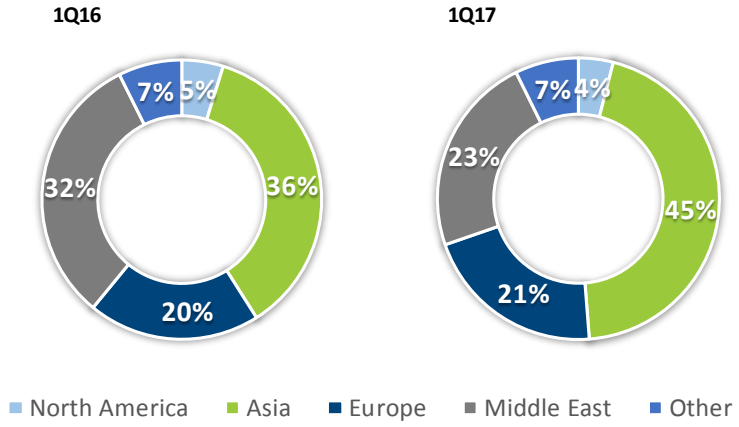
In this regard, we highlight (i) the focus on sales to the food service and small retailer channels, which increased their share of revenue in the Brazilian local market to 42,5%, a 240 bps increase

against 1T16 and (ii) the change in the fresh beef *mix* sales, which increased 9% in volume in the domestic market year-over-year.

In the export market, Marfrig focused on keeping its presence in the most profitable destinations and the ones that had not participated in the bans or temporary suspensions on Brazilian beef imports, such as the United States and Europe.

Beef Exports

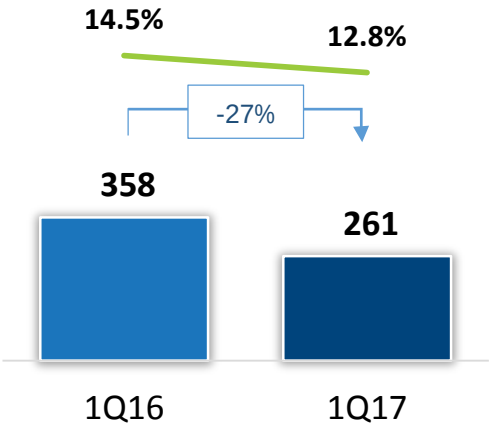
(% of Volume)



Gross Profit & Gross Margin

Gross profit in 1Q17 was R$ 261 million, down R$97 million on the year-ago period. Gross margin ended the quarter at 12.8%, down 170 bps, due to the Brazilian real appreciation, lower sales volumes and lower domestic prices, which were partially offset by the recovery in average fresh beef export prices and lower cattle costs, following the market trend (Esalq Index was 5% down).

Gross Profit and Gross Margin (R$ million and %)



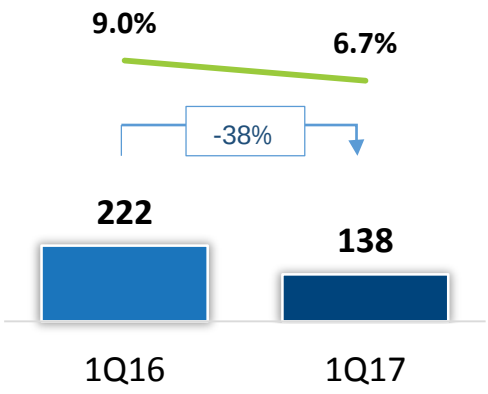
Selling, General and Administrative Expenses

SG&A expenses came to R$182 million in 1Q17, down R$10 million from 1Q16, reflecting: (i) the actions to capture productivity gains in the administrative and sales departments; and (ii) the effects from exchange variation on the translation of expenses from international operations.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA amounted to R$138 million in 1Q17, with margin of 6.7%, down from R$222 million in 1Q16, which is explained by the aforementioned factors.

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



OUTLOOK AND CLOSING REMARKS

The outlook for 2017 remains positive. The IMF reaffirmed in its April report the expected global GDP growth of 3.5%, driven by the improved outlook in the U.S., China, Europe and Japan.

In the United States, the prospects of fiscal stimulus measures and growing consumption maintained the GDP growth projection of 2.3% p.a. In the case of China, the continuation of the economic policy led to a revision of GDP growth to 6.6% p.a. In Brazil, projections still point to a reversal of the recession scenario of the last two years, with growth expected to reach 0.2% this year.

A positive cycle is expected in the global trade scenario, together with an increase in per capita income, which are positive drivers of global animal protein consumption.

In the long term, higher growth rates among products based on animal proteins are expected in higher value-added channels, such as the global fast food market (CAGR of 5.3% 2015-2020), especially in Asia, which should match the United States in size in 2018.

A favorable cycle is expected in the global beef market. In the United States, the expectations continue to be of increasing production to match the growing domestic demand. Meanwhile, Australia should continue to scale down its presence in the global market, due to the negative cattle supply cycle. In China, the growing demand should lead to higher beef imports. Corroborating this expectation are news reports in April indicating that China would suspend the embargo on U.S. meat after 13 years.

In Brazil's beef industry, the expectation of a higher supply of fed cattle should meet the recovery in domestic beef consumption and also help to boost exports, which, according to the Brazilian Association of Meat Exporters (ABIEC), should grow 11% in 2017.

In the poultry market, an increase in supply is expected from leading producers such as the United States and Brazil, which should be sufficient to offset the decline in Chinese supply.

The risk factors to this scenario are associated with a slowdown in world economic growth and sharp depreciations in the currencies of emerging countries, which could lead to contraction in household consumption. Specifically in relation to the protein industry, animal disease remains a key risk factor for the business.

Marfrig remains focused on creating value for 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: May 12, 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/ir

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APPENDIX I

Income Statement

Consolidated Quarterly

(R$ million)

	1Q17 (a)		1Q16 (b)		4Q16 (c)		(a/b) Chg.		(a/c) Chg.	
	R$	%NOR	R$	%NOR	R$	%NOR	R$	%	R$	%
Net Revenues	**4,136.2**	**100.0%**	**4,906.4**	**100.0%**	**4,899.1**	**100.0%**	**(770.2)**	**-15.7%**	**(762.9)**	**-15.6%**
COGS	(3,675.7)	-88.9%	(4,330.7)	-88.3%	(4,370.6)	-89.2%	655.0	-15.1%	694.8	-15.9%
Gross Profit	**460.4**	**11.1%**	**575.7**	**11.7%**	**528.5**	**10.8%**	**(115.3)**	**-20.0%**	**(68.1)**	**-12.9%**
SG&A	**(236.9)**	**-5.7%**	**(255.6)**	**-5.2%**	**(242.4)**	**-4.9%**	**18.7**	**-7.3%**	**5.5**	**-2.3%**
Commercial	(139.1)	-3.4%	(145.0)	-3.0%	(130.5)	-2.7%	5.9	-4.1%	(8.6)	6.6%
Administratives	(97.8)	-2.4%	(110.6)	-2.3%	(111.9)	-2.3%	12.7	-11.5%	14.1	-12.6%
Adj. EBTIDA*	**333.7**	**8.1%**	**443.1**	**9.0%**	**398.4**	**8.1%**	**(109.4)**	**-24.7%**	**(64.7)**	**-16.2%**
Others revenues/expenses	(37.7)	-0.9%	(19.0)	-0.4%	(37.9)	-0.8%	(18.7)	98.7%	0.2	-0.5%
EBITDA	**296.0**	**7.2%**	**424.1**	**8.6%**	**360.5**	**7.4%**	**(128.1)**	**-30.2%**	**(64.6)**	**-17.9%**
Equity Account	1.7	0.0%	(2.0)	0.0%	(0.4)	0.0%	3.7	-187.0%	2.1	-555.7%
D&A	(110.2)	-2.7%	(123.0)	-2.5%	(112.3)	-2.3%	12.8	-10.4%	2.1	-1.9%
EBIT	**187.5**	**4.5%**	**299.1**	**6.1%**	**247.8**	**5.1%**	**(111.6)**	**-37.3%**	**(60.3)**	**-24.3%**
Financial Results	**(515.5)**	**-12.5%**	**(423.2)**	**-8.6%**	**(607.7)**	**-12.4%**	**(92.3)**	**21.8%**	**92.2**	**-15.2%**
Financial revenues/expenses	**(501.7)**	**-12.1%**	**(460.0)**	**-9.4%**	**(509.9)**	**-10.4%**	**(41.7)**	**9.1%**	**8.2**	**-1.6%**
Exchange rate variation	**(13.7)**	**-0.3%**	**36.8**	**0.8%**	**(97.7)**	**-2.0%**	**(50.6)**	**-137.3%**	**84.0**	**-85.9%**
Minority Stake	**(11.8)**	**-0.3%**	**(13.9)**	**-0.3%**	**(8.6)**	**-0.2%**	**2.0**	**-14.7%**	**(3.3)**	**38.2%**
EBT	**(339.8)**	**-8.2%**	**(137.9)**	**-2.8%**	**(368.4)**	**-7.5%**	**(201.9)**	**146.4%**	**28.6**	**-7.8%**
Taxes	**101.8**	**2.5%**	**36.0**	**0.7%**	**138.1**	**2.8%**	**65.8**	**182.9%**	**(36.2)**	**-26.2%**
Controller Shareholder Net Profit	**(237.9)**	**-5.8%**	**(101.9)**	**-2.1%**	**(230.3)**	**-4.7%**	**(136.0)**	**133.5%**	**(7.6)**	**3.3%**
Descontinued Ops. + Capital Gain	**4.7**	**0.1%**	**(4.3)**	**-0.1%**	**(40.4)**	**-0.8%**	**9.0**	**-210.6%**	**45.1**	**-111.7%**
Controller Shareholder Net Profit	**(233.2)**	**-5.6%**	**(106.2)**	**-2.2%**	**(270.7)**	**-5.5%**	**(127.0)**	**119.6%**	**37.5**	**-13.8%**
P&L - USD x BRL	**R$ 3.14**		**R$ 3.91**		**R$ 3.29**		**-0.77**	**-19.6%**	**-0.15**	**-4.6%**
BS - USD x BRL	**R$ 3.17**		**R$ 3.56**		**R$ 3.26**		**-0.39**	**-11.0%**	**-0.09**	**-2.8%**
P&L - BRL x USD	**R$ 0.32**		**R$ 0.26**		**R$ 0.30**		**0.06**	**24.4%**	**0.01**	**4.8%**

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

APPENDIX II

EBITDA Calculation - Quarterly

(R$ million)

RECONCILIATION OF ADJUSTED EBITDA (R$ million)	1Q17	1Q16	4Q16
Net Profit / Loss	**(237.9)**	**(101.9)**	**(230.3)**
(+) Provision for income and social contribution taxes	(101.8)	(36.0)	(138.1)
(+) Non-controlling Interest	11.8	13.9	8.6
(+) Net Exchange Variation	13.7	(36.8)	97.7
(+) Net Financial Charges	501.7	460.0	509.9
(+) Depreciation & Amortization	110.2	123.0	112.3
(+) Equity Income	(1.7)	2.0	0.4
EBITDA	**296.0**	**424.1**	**360.5**
(+) Other Operacional Revenues/Expenses	37.7	19.0	37.9
Adj. EBITDA	**333.7**	**443.1**	**398.4**

APPENDIX III

Income Statement – Keystone

Quarterly

(US$ million)

	1Q17 (a)		1Q16 (b)		4Q16 (c)		(a/b) Chg.		(a/c) Chg.	
	$	%NOR	$	%NOR	$	%NOR	$	%	$	%
Net Revenues	**667.2**	**100.0%**	**623.3**	**100.0%**	**712.1**	**100.0%**	**43.9**	**7.0%**	**(44.9)**	**-6.3%**
COGS	(603.7)	-90.5%	(567.4)	-91.0%	(643.0)	-90.3%	(36.3)	6.4%	39.3	-6.1%
Gross Profit	**63.5**	**9.5%**	**55.9**	**9.0%**	**69.1**	**9.7%**	**7.6**	**13.6%**	**(5.6)**	**-8.1%**
SG&A	**(17.5)**	**-2.6%**	**(16.3)**	**-2.6%**	**(20.0)**	**-2.8%**	**(1.2)**	**7.2%**	**2.5**	**-12.5%**
Commercial	(1.7)	-0.2%	(1.7)	-0.3%	(1.8)	-0.3%	0.1	-3.7%	0.2	-8.4%
Administratives	(15.8)	-2.4%	(14.6)	-2.3%	(18.2)	-2.6%	(1.2)	8.5%	2.3	-12.9%
Adj. EBTIDA*	**62.5**	**9.4%**	**56.8**	**9.1%**	**66.3**	**9.3%**	**5.6**	**9.9%**	**(3.8)**	**-5.7%**
Others revenues/expenses	0.0	0.0%	(0.0)	0.0%	-	0.0%	0.0	-503.6%	0.0	**0.0%**
EBITDA	**62.5**	**9.4%**	**56.8**	**9.1%**	**66.3**	**9.3%**	**5.6**	**9.9%**	**(3.8)**	**-5.7%**
P&L - USD x BRL	**R$ 3.14**		**R$ 3.91**		**R$ 3.29**		**-0.77**	**-19.6%**	**-0.15**	**-4.6%**

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

Quarterly

(R$ million)

	1Q17 (a)		1Q16 (b)		4Q16 (c)		(a/b) Chg.		(a/c) Chg.	
	R$	%NOR	R$	%NOR	R$	%NOR	R$	%	R$	%
Net Revenues	**2,095.7**	**100.0%**	**2,437.7**	**100.0%**	**2,342.6**	**100.0%**	**(342.0)**	**-14.0%**	**(246.9)**	**-10.5%**
COGS	(1,896.3)	-90.5%	(2,219.9)	-91.1%	(2,115.5)	-90.3%	323.6	-14.6%	219.2	-10.4%
Gross Profit	**199.4**	**9.5%**	**217.7**	**9.0%**	**227.2**	**9.7%**	**(18.3)**	**-8.4%**	**(27.8)**	**-12.2%**
SG&A	**(55.0)**	**-2.6%**	**(63.8)**	**-2.6%**	**(65.9)**	**-2.8%**	**8.8**	**-13.8%**	**11.0**	**-16.7%**
Commercial	(5.2)	-0.2%	(6.8)	-0.3%	(6.0)	-0.3%	1.5	-22.7%	0.8	-12.8%
Administratives	(49.7)	-2.4%	(57.0)	-2.3%	(59.9)	-2.6%	7.3	-12.8%	10.2	-17.1%
Adj. EBTIDA*	**196.1**	**9.4%**	**221.5**	**9.1%**	**217.7**	**9.3%**	**(25.4)**	**-11.5%**	**(21.6)**	**-9.9%**
Others revenues/expenses	0.0	0.0%	(0.0)	0.0%	-	0.0%	0.0	-362.9%	0.0	**0.0%**
EBITDA	**196.1**	**9.4%**	**221.5**	**9.1%**	**217.7**	**9.3%**	**(25.4)**	**-11.5%**	**(21.6)**	**-9.9%**
P&L - USD x BRL	**R$ 3.14**		**R$ 3.91**		**R$ 3.29**		**-0.77**	**-19.6%**	**-0.15**	**-4.6%**

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

APPENDIX IV

Operating Indicators – Keystone

Volume (000 Tons)	1Q17 (a)	1Q16 (b)	4Q16 (c)	(a/b) Chg.	(a/c) Chg.
USA	227.2	218.2	249.0	4.1%	-8.8%
ASIA	51.2	46.3	55.7	10.6%	-8.0%
TOTAL KEYSTONE	278.4	264.5	304.7	5.3%	-8.6%

Revenues (US$ Million)	1Q17 (a)	1Q16 (b)	4Q16 (c)	(a/b) Chg.	(a/c) Chg.
USA	470.5	443.4	500.2	6.1%	-5.9%
ASIA	196.7	179.9	211.9	9.4%	-7.2%
TOTAL KEYSTONE	667.2	623.3	712.1	7.0%	-6.3%

Average Price (US$/Kg)	1Q17 (a)	1Q16 (b)	4Q16 (c)	(a/b) Chg.	(a/c) Chg.
USA	2.07	2.03	2.01	1.9%	3.1%
ASIA	3.84	3.89	3.80	-1.2%	1.0%
TOTAL KEYSTONE	2.40	2.36	2.34	1.7%	2.6%

Revenues (R$ Million)	1Q17 (a)	1Q16 (b)	4Q16 (c)	(a/b) Chg.	(a/c) Chg.
USA	1,477.6	1,734.7	1,645.0	-14.8%	-10.2%
ASIA	618.1	703.0	697.7	-12.1%	-11.4%
TOTAL KEYSTONE	2,095.7	2,437.7	2,342.6	-14.0%	-10.5%

Average Price (R$/Kg)	1Q17 (a)	1Q16 (b)	4Q16 (c)	(a/b) Chg.	(a/c) Chg.
USA	6.50	7.95	6.61	-18.2%	-1.5%
ASIA	12.07	15.19	12.53	-20.5%	-3.7%
TOTAL KEYSTONE	7.53	9.22	7.69	-18.3%	-2.1%

APPENDIX V
Income Statement – Beef

Quarterly

(R$ million)

	1Q17 (a)		1Q16 (b)		4Q16 (c)		(a/b) Chg.		(a/c) Chg.	
	R$	%NOR	R$	%NOR	R$	%NOR	R$	%	R$	%
Net Revenues	**2,040.5**	**100.0%**	**2,468.7**	**100.0%**	**2,556.5**	**100.0%**	**(428.3)**	**-17.3%**	**(516.0)**	**-20.2%**
COGS	(1,779.4)	-87.2%	(2,110.8)	-85.5%	(2,255.1)	-88.2%	331.3	-15.7%	475.7	-21.1%
Gross Profit	**261.0**	**12.8%**	**358.0**	**14.5%**	**301.3**	**11.8%**	**(96.9)**	**-27.1%**	**(40.3)**	**-13.4%**
SG&A	**(182.0)**	**-8.9%**	**(191.8)**	**-7.8%**	**(176.5)**	**-6.9%**	**9.8**	**-5.1%**	**(5.5)**	**3.1%**
Commercial	(133.9)	-6.6%	(138.3)	-5.6%	(124.5)	-4.9%	4.4	-3.2%	(9.4)	7.5%
Administratives	(48.1)	-2.4%	(53.6)	-2.2%	(52.0)	-2.0%	5.5	-10.2%	3.8	-7.4%
Adj. EBTIDA*	**137.5**	**6.7%**	**221.5**	**9.0%**	**180.7**	**7.1%**	**(84.0)**	**-37.9%**	**(43.2)**	**-23.9%**
Others revenues/expenses	(37.7)	-1.8%	(19.0)	-0.8%	(37.9)	-1.5%	(18.7)	98.7%	0.2	-0.5%
EBITDA	**99.8**	**4.9%**	**202.6**	**8.2%**	**142.8**	**5.6%**	**(102.7)**	**-50.7%**	**(43.0)**	**-30.1%**
P&L - USD x BRL	**R$ 3.14**		**R$ 3.91**		**R$ 3.29**		**-0.77**	**-19.6%**	**-0.15**	**-4.6%**

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

APPENDIX VI

Operating Indicators – BEEF

Volume (000 Tons)	1Q17 (a)	1Q16 (b)	4Q16 (c)	(a/b) Chg.	(a/c) Chg.
Fresh Beef	**118.3**	**120.0**	**143.6**	**-1.4%**	**-17.7%**
Local Market	60.7	55.7	81.4	9.0%	-25.4%
Export Market	57.5	64.3	62.3	-10.5%	-7.6%
Further Processed	**8.1**	**13.0**	**15.0**	**-38.2%**	**-46.4%**
Other	**102.3**	**106.9**	**116.5**	**-4.3%**	**-12.2%**
TOTAL BEEF	**228.6**	**239.9**	**275.2**	**-4.7%**	**-16.9%**

Revenues (R$ Millions)	1Q17 (a)	1Q16 (b)	4Q16 (c)	(a/b) Chg.	(a/c) Chg.
Fresh Beef	**1,610.8**	**1,899.9**	**1,964.3**	**-15.2%**	**-18.0%**
Local Market	765.1	742.7	1,045.9	3.0%	-26.9%
Export Market	845.7	1,157.2	918.4	-26.9%	-7.9%
Further Processed	**158.1**	**243.3**	**274.5**	**-35.0%**	**-42.4%**
Other	**271.5**	**325.6**	**317.7**	**-16.6%**	**-14.5%**
TOTAL BEEF	**2,040.5**	**2,468.7**	**2,556.5**	**-17.3%**	**-20.2%**

Average Price (R$/Kg)	1Q17 (a)	1Q16 (b)	4Q16 (c)	(a/b) Chg.	(a/c) Chg.
Fresh Beef	**13.62**	**15.83**	**13.68**	**-14.0%**	**-0.4%**
Local Market	12.60	13.33	12.85	-5.5%	-2.0%
Export Market	14.70	18.00	14.75	-18.3%	-0.3%
Export Market (US$)	4.67	4.61	4.48	1.5%	4.4%
Further Processed	**19.6**	**18.7**	**18.3**	**5.1%**	**7.4%**
Other	**2.65**	**3.05**	**2.73**	**-12.9%**	**-2.7%**
TOTAL BEEF	**8.92**	**10.29**	**9.29**	**-13.3%**	**-3.9%**

APPENDIX VII

Balance Sheet

(R$ '000)

ASSETS	1Q17	4Q16
CURRENT ASSETS		
Cash and cash equivalents	3,382,278	3,291,705
Marketable securities	2,322,213	1,986,936
Trade accounts receivable - domestic	239,430	396,887
Trade accounts receivable - foreign	148,700	393,581
Inventories of goods and merchandis	1,211,746	1,257,616
Biological assets	114,792	112,454
Recoverable taxes	1,223,954	1,240,328
Prepaid expenses	107,439	132,242
Notes receivable	288,873	353,548
Advances to suppliers	15,687	23,988
Held-for-sale assets	213,120	0
Other receivables	57,953	113,893
	9,326,185	**9,303,178**
NON CURRENT ASSETS		
Marketable securities	786	851
Court deposits	46,707	65,427
Notes receivable	79,955	96,768
Deferred income and social contributi	2,336,562	2,135,395
Recoverable taxes	1,696,024	1,723,660
Other receivables	43,104	41,493
	4,203,138	**4,063,594**
Investments	19,280	16,268
Property, plant and equipment	3,988,559	4,009,397
Biological assets	49,766	51,236
Intangible assets	2,735,481	2,815,130
	6,793,086	**6,892,031**
TOTAL ASSETS	**20,322,409**	**20,258,803**

LIABILITIES	1Q17	4Q16
CURRENT LIABILITIES		
Trade accounts payable	1,521,470	1,853,426
Supply chain finance	110,851	149,331
Accrued payroll and related charges	369,484	346,837
Taxes payable	191,339	175,801
Loans and financing	1,344,191	1,198,039
Notes payable	309,858	372,607
Lease payable	10,746	11,936
Interest on debentures	0	256,563
Advances from customers	645,068	695,046
Mandatory deed convertible into shares	0	2,147,392
Liabilities related to held-for-sale assets	80,660	0
Other payables	158,498	175,991
	4,742,165	**7,382,969**
NON CURRENT LIABILITIES		
Loans and financing	10,499,807	9,695,799
Taxes payable	718,869	723,435
Deferred income and social contributio	386,039	269,616
Provisions for contingencies	87,477	87,739
Lease payable	23,383	26,560
Debentures payable	0	0
Notes payable	478,820	488,261
Advances from customers	316,840	375,448
Other	69,523	108,174
	12,580,758	**11,775,032**
Non-controlling interest	**206,074**	**194,186**
CONTROLLING SHAREHOLDER'S EQUITY		
Share Capital	7,319,467	5,169,917
Capital reserve	184,642	184,642
Profit reserves	34,573	40,122
Other comprehensive income	-145,238	-241,972
Equity amounts related to held-for-sale	-122,796	0
Accumulated losses	-4,477,236	-4,246,093
	2,793,412	**906,616**
TOTAL LIABILITIES	**20,322,409**	**20,258,803**

APPENDIX VIII
Cash Flow

(R$ million)

	1Q16	1Q17
Net Income/Loss	(101.9)	(237.9)
(+/-) Non cash items	448.1	328.5
(+/-) Account Receivable	(43.7)	256.4
(+/-) Inventories	167.3	(1.4)
(+/-) Suppliers	(132.3)	(318.1)
(+/-) Other	(39.5)	52.0
(=) Operational Cash Flow	298.0	79.5
(-) Capex	(107.9)	(133.7)
(-) Interest expenses	(312.2)	(213.2)
Continued Free Cash Flow	**(122.1)**	**(267.3)**
Descontinued Free Cash Flow	**(15.5)**	**13.9**
Total Free Cash Flow	**(137.6)**	**(253.4)**