

# **Condensed Interim Financial Information**

## **Camil Alimentos S.A.**

August 31, 2017  
with Independent Auditor's Review Report



**Building a better  
working world**

## **Camil Alimentos S.A.**

### Condensed interim financial information

August 31, 2017 and 2016

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**A free translation from Portuguese into English of Independent Auditor's Review Report on condensed interim financial information in Brazilian currency in accordance CPC 21 (R1) and IAS 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB)**

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## **Independent auditor's review report on condensed interim financial information**

The Shareholders, Board of Directors and Officers  
**Camil Alimentos S.A.**  
São Paulo (SP)

### **Introduction**

We have reviewed the accompanying condensed interim financial information of Camil Alimentos S.A. ("Company"), contained in the Quarterly Information Form (ITR) for the quarter ended August 31, 2017, which comprise the statement of financial position as at August 31, 2017 and the related statements of profit or loss and of comprehensive income for the three and six-month periods then ended, and the statements of changes in equity and of cash flows for the six-month period then ended, including explanatory information.

Management is responsible for the preparation and fair presentation of the individual and consolidated condensed interim financial information in accordance with Accounting Pronouncement CPC 21 (R1) and International Accounting Standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion on the individual and consolidated condensed interim financial information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the quarterly information referred to above is not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of quarterly information (ITR), consistently with the rules issued by the Brazilian Securities and Exchange Commission ("CVM").



## **Other matters**

### **Statements of value added**

We have also reviewed the individual and consolidated Statements of Value Added (SVA) for the six-month period ended August 31, 2017, prepared under the responsibility of Company management, whose presentation in the interim information is required according to the rules issued by the CVM applicable to the preparation of Quarterly Information (ITR) and considered supplementary information under the IFRS, which do not require SVA presentation. These statements have been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they were not fairly prepared, in all material respects, in relation to the overall accompanying individual and consolidated interim financial information.

São Paulo, October 11, 2017.

ERNST & YOUNG  
Auditores Independentes S.S.  
CRC-2SP034519/O-6



Douglas Travaglia Lopes Ferreira  
Accountant CRC-1SP218313/O-4

A free translation from Portuguese into English of Condensed Interim Financial Information in Brazilian currency in accordance CPC 21 (R1) and IAS 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB)

## Camil Alimentos S.A.

Statements of financial position  
August 31 and February 28, 2017  
(In thousands of reais)

	Note	Company		Consolidated	
		08/31/2017	02/28/2017	08/31/2017	02/28/2017
Assets					
Current assets					
Cash and cash equivalents	3	149,795	95,005	202,187	139,698
Short-term investments	4	184,708	470,677	184,708	470,677
Trade accounts receivable	5	381,398	479,236	579,690	676,680
Inventories	6	666,317	579,245	1,232,966	953,862
Derivative financial instruments		-	614	-	614
Taxes recoverable		55,473	67,597	60,283	75,744
Transactions with related parties	11	11,207	5,498	11,479	10,218
Other receivables		24,024	20,591	49,819	41,104
Prepaid expenses		3,981	8,095	10,179	11,236
Total current assets		1,476,903	1,726,558	2,331,311	2,379,833
Noncurrent assets					
Financial investments	4	34,312	32,597	34,312	32,597
Taxes recoverable		1,654	1,867	1,654	1,867
Transactions with related parties	11	17,524	15,934	-	-
Inventories	6	11,201	8,604	12,426	9,766
Judicial Deposits		7,064	8,776	8,703	9,220
Other receivables		1,694	4,867	4,943	9,462
		73,449	72,645	62,038	62,912
Investments	7	818,520	765,331	27,228	27,258
Property and equipment	8	493,010	494,095	799,318	797,746
Intangible assets	9	225,919	229,201	563,150	562,889
Total noncurrent assets		1,610,898	1,561,272	1,451,734	1,450,805
Total assets		3,087,801	3,287,830	3,783,045	3,830,638

	Note	Company		Consolidated	
		08/31/2017	02/28/2017	08/31/2017	02/28/2017
Liabilities and equity					
Current liabilities					
Trade accounts payable		196,259	322,575	380,547	467,881
Loans and financing	10a	54,235	488,872	274,505	634,093
Derivative financial instruments	16	283	-	283	-
Debentures	10b	196,977	146,078	196,977	146,078
Transactions with related parties	11	9,698	26,060	5,810	4,546
Social liabilities		16,254	26,846	27,114	37,918
Taxes payable		4,926	24,222	15,494	34,793
Accrued vacation pay and related charges		22,259	16,579	38,842	27,407
Special installment program		9,760	9,613	9,918	9,780
Other accounts payable		6,165	7,823	88,547	47,873
Total current liabilities		516,816	1,068,668	1,038,037	1,410,369
Noncurrent liabilities					
Loans and financing	10a	76,948	81,672	232,246	262,743
Debentures	10b	932,435	614,376	932,435	614,376
Special installment program		46,358	49,871	47,145	50,745
Deferred income tax	16	107,129	83,209	122,522	99,935
Provision for contingencies	12	32,109	29,256	34,654	31,539
Other accounts payable		55	55	55	208
Total noncurrent liabilities		1,195,034	858,439	1,369,057	1,059,546
Equity					
Capital	13a	581,374	581,374	581,374	581,374
Capital reserve		68,406	70,510	68,406	70,510
Income reserves		483,310	479,697	483,310	479,697
Other comprehensive income		242,861	229,142	242,861	229,142
Total equity		1,375,951	1,360,723	1,375,951	1,360,723
Total liabilities and equity		3,087,801	3,287,830	3,783,045	3,830,638

See accompanying notes.

## Camil Alimentos S.A.

Statements of profit or loss

Six-month periods ended August 31, 2017 and 2016

(In thousands of reais, except for earnings per share, expressed in reais)

	Note	Company		Consolidated		Company		Consolidated	
		03/01/2017 to 08/31/2017	03/01/2016 to 08/31/2016	03/01/2017 to 08/31/2017	03/01/2016 to 08/31/2016	06/01/2017 to 08/31/2017	06/01/2016 to 08/31/2016	06/01/2017 to 08/31/2017	06/01/2016 to 08/31/2016
Sales and service revenue, net	17	1,747,194	1,784,326	2,387,444	2,409,288	816,011	979,795	1,161,885	1,273,071
Costs of sales and services	18	(1,330,680)	(1,297,048)	(1,807,789)	(1,762,504)	(622,604)	(712,820)	(879,630)	(920,145)
Gross profit		416,514	487,278	579,655	646,784	193,407	266,975	282,255	352,926
Operating income (expenses)									
Selling expenses	18	(190,962)	(176,122)	(275,490)	(257,463)	(96,487)	(89,974)	(142,100)	(129,196)
General and administrative expenses	18	(91,603)	(95,041)	(120,598)	(124,127)	(44,499)	(56,014)	(59,020)	(70,960)
Equity pickup	7	37,373	34,434	(465)	(460)	14,926	20,699	410	536
Other operating income (expenses)		10,895	(6,497)	14,703	(5,753)	10,069	2,082	10,209	2,306
Income before financial income (expenses)		182,217	244,052	197,805	258,981	77,416	143,768	91,754	155,612
Finance costs	15	(92,333)	(99,892)	(107,049)	(116,951)	(44,160)	(58,204)	(52,357)	(67,467)
Finance income	15	51,050	20,266	58,224	31,582	23,681	10,412	26,328	14,811
Income before taxes		140,934	164,426	148,980	173,612	56,937	95,976	65,725	102,956
Income and social contribution taxes									
Current	14	(15,498)	(39,498)	(23,582)	(50,707)	(899)	(22,186)	(6,819)	(29,526)
Deferred	14	(23,920)	(10,554)	(23,882)	(8,531)	(15,719)	(10,247)	(18,587)	(9,887)
Total income and social contribution taxes		(39,418)	(50,052)	(47,464)	(59,238)	(16,618)	(32,433)	(25,406)	(39,413)
Loss for the period		101,516	114,374	101,516	114,374	40,319	63,543	40,319	63,543
Basic and diluted earnings per share - R\$		0.28	0.31	0.28	0.31	0.11	0.17	0.11	0.17

See accompanying notes.

## **Camil Alimentos S.A.**

Statements of comprehensive income  
Six-month periods ended August 31, 2017 and 2016  
(In thousands of reais)

	<b>Company and Consolidated</b>		<b>Company and Consolidated</b>	
	<b>03/01/2017 to 08/31/2017</b>	<b>03/01/2016 to 08/31/2016</b>	<b>06/01/2017 to 08/31/2017</b>	<b>06/01/2016 to 08/31/2016</b>
Income for the period	<b>101,516</b>	114,374	<b>40,319</b>	63,543
Other comprehensive income:				
Foreign exchange differences on foreign investments	<b>15,816</b>	(144,958)	<b>(3,752)</b>	(79,393)
Comprehensive income for the period, net of taxes	<b>117,332</b>	(30,584)	<b>36,567</b>	(15,850)

See accompanying notes.



## Camil Alimentos S.A.

Statements of changes in equity - Company and Consolidated  
Six-month periods ended August 31, 2017 and 2016  
(In thousands of reais)

	Note	Income reserves				Retained earnings	Other comprehensive income and deemed cost	Total
		Capital	Capital reserve	Legal reserve	Profits to be distributed			
Balances at February 29, 2016		527,428	-	34,024	396,756	-	468,230	1,426,438
Foreign exchange differences on foreign investments		-	-	-	-	-	(144,958)	(144,958)
Realization/depreciation of fair value, net of taxes		-	-	-	-	2,084	(2,084)	-
Capital increase		73,724	-	-	-	-	-	73,724
Spin-off		(19,779)	-	-	-	-	-	(19,779)
Net income for the period		-	-	-	-	114,374	-	114,374
Proposed allocation:								
Payment of dividends		-	-	-	-	(73,724)	-	(73,724)
Set-up of legal reserve		-	-	5,719	-	(5,719)	-	-
Balances at August 31, 2016		<b>581,373</b>	-	<b>39,743</b>	<b>396,756</b>	<b>37,015</b>	<b>321,188</b>	<b>1,376,075</b>
Balances at February 28, 2017		581,374	70,510	44,101	435,596	-	229,142	1,360,723
Foreign exchange differences on foreign investments	7	-	-	-	-	-	15,816	15,816
Realization/depreciation of fair value, net of taxes		-	-	-	-	2,097	(2,097)	-
Capital increase		-	-	-	-	-	-	-
Share issue cost		-	(2,104)	-	-	-	-	(2,104)
Net income for the period		-	-	-	-	101,516	-	101,516
Proposed allocation:								
Payment of dividends	13b	-	-	-	(100,000)	-	-	(100,000)
Set-up of legal reserve		-	-	5,076	-	(5,076)	-	-
Balances at August 31, 2017		<b>581,374</b>	<b>68,406</b>	<b>49,177</b>	<b>335,596</b>	<b>98,537</b>	<b>242,861</b>	<b>1,375,951</b>

See accompanying notes.

## Camil Alimentos S.A.

### Statements of cash flows

Six-month periods ended August 31, 2017 and 2016

(In thousands of reais)

	Company		Consolidated	
	03/01/2017 to 08/31/2017	03/01/2016 to 08/31/2016	03/01/2017 to 08/31/2017	03/01/2016 to 08/31/2016
Cash flows from operating activities				
Income before income taxes from continuing operations	<b>140,934</b>	164,426	<b>148,980</b>	173,612
Reconciliation of P&L to cash provided by operating activities:				
Equity pickup	<b>(37,373)</b>	(34,434)	<b>465</b>	460
Accrued financial charges	<b>61,411</b>	75,016	<b>70,091</b>	85,191
Allowance for doubtful accounts	<b>(1,988)</b>	3,977	<b>(1,849)</b>	6,216
Provision for rebates	<b>(6,638)</b>	1,300	<b>(6,638)</b>	1,300
Provision for contingencies	<b>2,853</b>	849	<b>3,115</b>	1,255
Reversal of other accounts	<b>(14,232)</b>	4,799	<b>2,292</b>	4,799
Depreciation	<b>24,417</b>	22,548	<b>40,371</b>	39,878
Amortization	<b>3,328</b>	4,500	<b>3,423</b>	4,541
Write-off of property, plant and equipment	<b>3,201</b>	552	<b>4,338</b>	719
Other	-	-	-	(5,474)
	<b>175,913</b>	243,533	<b>264,588</b>	312,497
Decrease (increase) in assets				
Trade accounts receivable	<b>106,464</b>	(54,509)	<b>111,267</b>	(23,936)
Inventories	<b>(88,291)</b>	(325,407)	<b>(275,267)</b>	(574,408)
Other current and noncurrent assets	<b>18,248</b>	22,763	<b>19,095</b>	38,302
(Decrease) increase in liabilities				
Trade accounts payable	<b>(142,678)</b>	20,147	<b>(89,232)</b>	69,705
Payroll and related charges payable	<b>(4,912)</b>	2,481	<b>342</b>	14,234
Tax liabilities	<b>(38,160)</b>	(33,317)	<b>(46,592)</b>	(64,056)
Other current and noncurrent liabilities	<b>229</b>	9,182	<b>26,568</b>	23,571
Net cash provided by (used in) operating activities	<b>26,813</b>	(115,127)	<b>10,769</b>	(204,091)
Cash flows from investing activities:				
Short-term investments, net	<b>284,254</b>	(26,658)	<b>284,407</b>	(51,307)
Dividends received	-	63,541	-	-
Disposal of property, plant and equipment	<b>3,937</b>	-	<b>3,937</b>	4,849
Additions to intangible assets	-	(1,983)	<b>(1,199)</b>	(2,130)
Additions to property, plant and equipment	<b>(26,579)</b>	(9,839)	<b>(46,100)</b>	(26,545)
Cash provided by (used in) investing activities	<b>261,612</b>	25,061	<b>241,045</b>	(75,133)
Cash flow from financing activities:				
Loans taken out	<b>440,330</b>	197,567	<b>715,954</b>	620,983
Loans repayment	<b>(490,884)</b>	(202,779)	<b>(714,578)</b>	(427,195)
Interest paid on loans	<b>(80,977)</b>	(80,719)	<b>(89,444)</b>	(88,985)
Dividends paid	<b>(100,000)</b>	(73,724)	<b>(100,000)</b>	(73,724)
Capital increase	-	73,724	-	73,724
Share issue cost	<b>(2,104)</b>	-	<b>(2,104)</b>	-
Cash provided by (used in) financing activities	<b>(233,635)</b>	(85,931)	<b>(190,172)</b>	104,803
Foreign exchange differences on cash and cash equivalents	-	-	<b>847</b>	-
Increase (decrease) in cash and cash equivalents	<b>54,790</b>	(175,997)	<b>62,489</b>	(174,421)
Cash and cash equivalents at beginning of year/period	<b>95,005</b>	352,519	<b>139,698</b>	441,377
Cash and cash equivalents at end of year/period	<b>149,795</b>	176,522	<b>202,187</b>	266,956
Increase (decrease) in cash and cash equivalents	<b>54,790</b>	(175,997)	<b>62,489</b>	(174,421)
Non-cash transactions:				
Non-cash distribution to owners	-	(19,778)	-	(19,778)

See accompanying notes.

## Camil Alimentos S.A.

### Statements of value added

Six-month periods ended August 31, 2017 and 2016

(In thousands of reais, unless otherwise stated)

	Company		Consolidated	
	03/01/2017 to 08/31/2017	03/01/2016 to 08/31/2016	03/01/2017 to 08/31/2017	03/01/2016 to 08/31/2016
Turnover				
Sales and services	1,912,075	1,949,626	2,609,205	2,564,230
Other turnover	15,094	2,106	20,315	12,098
(Reversal of) allowance for doubtful accounts	696	(3,966)	95	(5,213)
	<b>1,927,865</b>	1,947,766	<b>2,629,615</b>	2,571,115
Bought-in inputs				
Costs of sales and services	(1,162,196)	(1,126,569)	(1,601,429)	(1,487,537)
Bought-in materials, energy, services and other expenses	(275,456)	(267,416)	(376,268)	(364,395)
Other	(4,200)	(18,068)	(5,600)	(27,303)
	<b>(1,441,852)</b>	(1,412,053)	<b>(1,983,297)</b>	(1,879,235)
Gross value added	<b>486,013</b>	535,713	<b>646,318</b>	691,880
Retentions				
Depreciation, amortization and depletion	(27,745)	(27,048)	(43,794)	(44,418)
	<b>(27,745)</b>	(27,048)	<b>(43,794)</b>	(44,418)
Net value added generated	<b>458,268</b>	508,665	<b>602,524</b>	647,462
Value added received in transfer				
Equity pickup	37,373	34,434	(465)	(460)
Finance income	51,050	20,266	58,224	31,582
	<b>88,423</b>	54,700	<b>57,759</b>	31,122
Total value added to be paid	<b>546,691</b>	563,365	<b>660,283</b>	678,584
Payment of value added				
Personnel expenses				
Direct compensation	72,429	72,610	131,842	128,905
Benefits	27,388	26,546	34,251	34,107
Unemployment Compensation Fund (FGTS)	9,121	6,338	9,121	6,338
Other	26,287	21,840	26,310	21,873
	<b>135,225</b>	127,334	<b>201,524</b>	191,223
Taxes, charges and contributions				
Federal	64,669	71,829	73,494	81,778
State	137,217	139,698	158,890	161,126
Local	1,800	1,323	3,718	4,055
	<b>203,686</b>	212,850	<b>236,102</b>	246,959
Debt remuneration				
Interest income	92,333	99,892	107,050	116,952
Rents	13,931	8,915	14,091	9,076
	<b>106,264</b>	108,807	<b>121,141</b>	126,028
Equity remuneration				
Retained profits for the period	101,516	114,374	101,516	114,374
	<b>101,516</b>	114,374	<b>101,516</b>	114,374
	<b>546,691</b>	563,365	<b>660,283</b>	678,584

See accompanying notes.

## **Camil Alimentos S.A.**

Notes to condensed interim financial information  
August 31, 2017 and 2016  
(In thousands of reais - R\$, unless otherwise stated)

### **1. Operations**

Camil Alimentos S.A. ("Camil") is a privately-held corporation (until September 27, 2017) headquartered in the city and state of São Paulo which, jointly with its subsidiaries and affiliates (collectively the "Company"), is primarily engaged in the industrial processing and sale of rice, beans, fish and sugar.

The Company became operational in 1963 as a rice cooperative and has since then been expanding both through acquisitions of companies and/or food brands in Brazil and in some of the main countries in South America.

The Company owns a large brand portfolio, including "Camil", "Pescador", "Coqueiro", "União", "Barra", "Dolce", "Neve" and "Duçula" in Brazil, "Saman" in Uruguay, "Tucapel" in Chile, and "Costeño" and "Paisana" in Peru. With these brands, the Company won a prominent position in the Brazilian and Latin American food markets.

The Company has 14 industrial units in Brazil, 8 plants in Uruguay, 3 in Chile and 3 in Peru.

On July 12, 2016, WP Angra dos Reis Hodco S.A., managed by Warburg Pincus LLC, purchased all minority interest in Fundo de Investimentos em Participações Camil, managed by Gávea Investimentos Ltda. At August 31, 2017, its minority interest was 31.75% of the Company's capital.

On September 28, 2017, Camil Alimentos S.A. started to be traded in B3 on the *Novo Mercado* (New Market) segment. Please refer to item "b" of Note 20 - Subsequent events.

### **2. Significant accounting practices**

#### **2.1. Basis of preparation and presentation of condensed interim financial information**

The Company's condensed interim financial information compares the quarters and six-month periods ended August 31, 2017 and 2016, except for the statements of financial position, which compare the Company's financial position at August 31, 2017 to the financial position at February 28, 2017.

The condensed interim financial information, identified as Company and Consolidated, was prepared and is presented based on Accounting Pronouncement CPC 21 (R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board ("IASB"). The accounting practices, judgments, estimates and assumptions used are the same as those adopted in the preparation and presentation of the financial statements for the year ended February 28, 2017, as described in Note 2.

## Camil Alimentos S.A.

Notes to condensed interim financial information (Continued)  
August 31, 2017 and 2016  
(In thousands of reais - R\$, unless otherwise stated)

### 2. Significant accounting practices (Continued)

#### 2.1. Basis of preparation and presentation of condensed interim financial information (Continued)

Accordingly, the interim financial information is to be read in conjunction with the financial statements as at February 28, 2017.

The financial year of the Company and its subsidiaries ends on the last day of February every year, in order to align financial year end with rice harvest cycle, the main Company product. Harvest seasonality affects Company purchases, but does not result in significant changes in P&L.

The condensed interim financial information was approved and its issue was authorized by Company management on October 11, 2017.

#### 2.2. Consolidated interim financial information

At August 31, 2017 and February 28, 2017, the Company had investments in the following subsidiaries and affiliates:

		08/31/2017		02/28/2017	
		Direct	Indirect	Direct	Indirect
<b>Uruguay</b>					
CAMILATAM S.A.	Subsidiary	100.00%	-	100.00%	-
S.A. Molinos Arroceros Nacionales (SAMAN)	Subsidiary	-	100.00%	-	100.00%
Camil Uruguay Sociedad de Inversión S.A.	Subsidiary	-	100.00%	-	100.00%
Arrozur S.A.	Affiliate	-	49.19%	-	49.19%
Tacua S.A.	Affiliate	-	40.72%	-	40.72%
Agencia Marítima Sur	Affiliate	-	40.72%	-	40.72%
Comisaco S.A.	Affiliate	-	50.00%	-	50.00%
Galofer S.A.	Affiliate	-	45.00%	-	45.00%
<b>Chile</b>					
Camil Chile SpA. (a)	Subsidiary	-	-	-	100.00%
Empresas Tucapel S.A.	Subsidiary	-	99.86%	-	99.86%
Servicios Externos S.A. (a)	Subsidiary	-	-	-	100.00%
<b>Peru</b>					
Costeño Alimentos S.A.C.	Subsidiary	-	100.00%	-	100.00%
Envasadora Arequipa S.A.C	Subsidiary	-	100.00%	-	100.00%
<b>Argentina</b>					
La Loma Alimentos S.A.	Subsidiary	-	100.00%	-	100.00%
<b>Brasil</b>					
Ciclo Logística Ltda.	Subsidiary	100.00%	-	100.00%	-

(a) On July 1, 2017, Camil Chile SpA and Servicios Externos S.A. were merged into Tucapel S.A.

## Camil Alimentos S.A.

Notes to condensed interim financial information (Continued)  
August 31, 2017 and 2016  
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### 2. Significant accounting practices (Continued)

#### 2.2. Consolidated interim financial information (Continued)

The condensed interim financial information reporting period of subsidiaries included in the consolidation coincides with that of the Company, and accounting practices were uniformly applied on consolidated companies, being consistent with those used in prior period.

The main consolidation procedures are:

- Elimination of asset and liability balances between consolidated companies;
- Elimination of interest in capital, reserves and retained earnings of consolidated companies; and
- Elimination of revenues, expenses and unearned income from intercompany transactions.

### 3. Cash and cash equivalents

	Company		Consolidated	
	08/31/2017	02/28/2017	08/31/2017	02/28/2017
Cash and cash equivalents	791	1,733	42,398	25,454
Short-term investments	149,004	93,272	159,789	114,244
	<b>149,795</b>	95,005	<b>202,187</b>	139,698

Cash and cash equivalents are substantially represented by noninterest bearing bank deposits. Short-term investments classified as cash equivalents comprise fixed income investments backed by average earnings corresponding to 92.20% of the Interbank Deposit Certificate (CDI) variation (64.38% at February 28, 2017), which are redeemable within 90 days from investment date, with no significant risk of change in earnings.

### 4. Short-term and financial investments

Short-term investments comprise fixed income investments backed by average earnings corresponding to 99.99% of the CDI (99.47% at February 28, 2017), and are recorded at fair value through profit or loss, with grace period clauses.

## Camil Alimentos S.A.

Notes to condensed interim financial information (Continued)  
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### 5. Trade accounts receivable

	Company		Consolidated	
	08/31/2017	02/28/2017	08/31/2017	02/28/2017
Falling due	394,679	500,767	569,351	665,766
Overdue within 30 days	4,571	9,539	26,351	36,956
Overdue from 31 to 60 days	1,056	857	2,161	3,071
Overdue from 61 to 90 days	1,275	435	2,021	1,155
Overdue above 91 days	10,978	7,425	13,873	12,286
	<b>412,559</b>	<b>519,023</b>	<b>613,757</b>	<b>719,234</b>
Contractual discounts	<b>(22,859)</b>	(29,497)	<b>(22,859)</b>	(29,497)
Allowance for doubtful accounts	<b>(8,302)</b>	(10,290)	<b>(11,208)</b>	(13,057)
	<b>381,398</b>	<b>479,236</b>	<b>579,690</b>	676,680

Changes in the provision for contractual discounts are as follows:

#### Contractual discounts

	Company	Consolidated
<b>Balance at 02/28/2017</b>	<b>(29,497)</b>	<b>(29,497)</b>
Additions	(88,750)	(88,750)
Write-offs	95,388	95,388
<b>Balance at 08/31/2017</b>	<b>(22,859)</b>	<b>(22,859)</b>

(a) Discounts granted are recognized through agreements with specific customers.

Changes in the allowance for doubtful accounts are as follows:

#### Allowance for doubtful accounts

	Company	Consolidated
<b>Balance at 02/28/2017</b>	<b>(10,290)</b>	<b>(13,057)</b>
Additions	(128)	(267)
Write-offs	2,116	2,116
<b>Balance at 08/31/2017</b>	<b>(8,302)</b>	<b>(11,208)</b>

## Camil Alimentos S.A.

Notes to condensed interim financial information (Continued)

August 31, 2017 and 2016

(In thousands of reais - R\$, unless otherwise stated)

### 6. Inventories

	Company		Consolidated	
	08/31/2017	02/28/2017	08/31/2017	02/28/2017
Finished products	<b>212,089</b>	195,181	<b>311,069</b>	283,886
Raw material	<b>228,042</b>	141,452	<b>579,895</b>	252,688
Packaging material	<b>59,336</b>	55,048	<b>67,272</b>	62,194
Advances to suppliers (a)	<b>129,790</b>	182,437	<b>215,817</b>	330,142
Other	<b>48,261</b>	13,731	<b>71,339</b>	34,718
	<b>677,518</b>	587,849	<b>1,245,392</b>	963,628
Current	<b>666,317</b>	579,245	<b>1,232,966</b>	953,862
Noncurrent (a)	<b>11,201</b>	8,604	<b>12,426</b>	9,766

(a) The balance of advances to suppliers and producers refers to advances to rice producers to ensure rice purchase, with R\$12,426 (R\$9,766 at February 28, 2017) classified as noncurrent in the consolidated financial information, according to the expected realization.

### 7. Investments

Breakdown of investments is as follows:

	Company		Consolidated	
	08/31/2017	02/28/2017	08/31/2017	02/28/2017
Investment in subsidiaries	<b>633,245</b>	580,056	-	-
Investment in affiliates	-	-	<b>27,228</b>	27,258
Goodwill on investment acquisition	<b>185,275</b>	185,275	-	-
	<b>818,520</b>	765,331	<b>27,228</b>	27,258



## Camil Alimentos S.A.

Notes to condensed interim financial information (Continued)  
August 31, 2017 and 2016  
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### 7. Investments (Continued)

Changes in investments are as under:

	<u>Company</u>	<u>Consolidated</u>
Balance at 02/28/2017	765,331	27,258
Equity pickup	37,373	(465)
Foreign exchange differences on investments	15,816	435
Balance at 08/31/2017	<u>818,520</u>	<u>27,228</u>

In the six-month period ended August 31, 2017, a gain of R\$15,816 (loss of R\$144,958 at August 31, 2016) was recorded referring to the effects of foreign exchange differences from the translation into reais of the condensed interim financial information of foreign subsidiaries. These effects are recorded as a matching entry in equity.

### 8. Property, plant and equipment

#### Company

Cost							Total
	Land	Buildings and improvements	Machinery and equipment	Advances to suppliers	Construction in progress	Other	
Balance at 02/28/2017	67,354	239,877	563,327	1,313	29,331	24,738	925,940
Acquisitions	148	-	36	921	24,742	732	26,579
Write-offs	-	-	(191)	(1,991)	(2)	(1,235)	(3,419)
Transfers	-	3,841	12,098	-	(16,226)	241	(46)
Balance at 08/31/2017	<u>67,502</u>	<u>243,718</u>	<u>575,270</u>	<u>243</u>	<u>37,845</u>	<u>24,476</u>	<u>949,054</u>

Depreciation							Total
	Land	Buildings and improvements	Machinery and equipment	Advances to suppliers	Construction in progress	Other	
Balance at 02/28/2017	-	(79,723)	(335,328)	-	-	(16,794)	(431,845)
Depreciation	-	(4,239)	(19,442)	-	-	(736)	(24,417)
Write-offs	-	-	164	-	-	54	218
Balance at 08/31/2017	<u>-</u>	<u>(83,962)</u>	<u>(354,606)</u>	<u>-</u>	<u>-</u>	<u>(17,476)</u>	<u>(456,044)</u>
Balance at 02/28/2017	67,354	160,154	227,999	1,313	29,331	7,944	494,095
Balance at 08/31/2017	<u>67,502</u>	<u>159,756</u>	<u>220,664</u>	<u>243</u>	<u>37,845</u>	<u>7,000</u>	<u>493,010</u>

## Camil Alimentos S.A.

Notes to condensed interim financial information (Continued)  
August 31, 2017 and 2016  
(In thousands of reais - R\$, unless otherwise stated)

### 8. Property, plant and equipment (Continued)

#### Consolidated

Cost							Total
	Land	Buildings and improvements	Machinery and equipment	Advances to suppliers	Construction in progress	Other	
Balance at 02/28/2017	113,227	386,182	932,899	1,307	52,410	67,445	1,553,470
Foreign exchange differences	731	3,415	(2,930)	-	(158)	1,489	2,547
Acquisitions	148	8,808	6,316	1,150	25,227	4,451	46,100
Write-offs	-	(147)	(374)	(1,991)	(666)	(2,545)	(5,723)
Reclassification	1	11,203	20,537	(229)	(31,679)	121	(46)
Balance at 08/31/2017	<b>114,107</b>	<b>409,461</b>	<b>956,448</b>	<b>237</b>	<b>45,134</b>	<b>70,961</b>	<b>1,596,348</b>

Depreciation							Total
	Land	Buildings and improvements	Machinery and equipment	Advances to suppliers	Construction in progress	Other	
Balance at 02/28/2017	-	(133,891)	(585,969)	-	-	(35,864)	(755,724)
Foreign exchange differences	-	687	(2,499)	-	-	(508)	(2,320)
Depreciation	-	(6,997)	(30,385)	-	-	(2,989)	(40,371)
Write-offs	-	13	325	-	-	1,047	1,385
Transfers	-	-	(3)	-	-	3	-
Balance at 08/31/2017	-	<b>(140,188)</b>	<b>(618,531)</b>	-	-	<b>(38,311)</b>	<b>(797,030)</b>

Balance at 02/28/2017	113,227	252,291	346,930	1,307	52,410	31,581	797,746
Balance at 08/31/2017	<b>114,107</b>	<b>269,273</b>	<b>337,917</b>	<b>237</b>	<b>45,134</b>	<b>32,650</b>	<b>799,318</b>

There were no changes in the useful lives of property, plant and equipment for the six-month period ended August 31, 2017.

The Company has loans and financing amounting to R\$63,336 (R\$69,777 at February 28, 2017), which are guaranteed by statutory lien on property, plant and equipment items and pledge on inventories. Subsidiary SAMAN has a loan in the amount of R\$21,400 (R\$22,935 at February 28, 2017) guaranteed by mortgage, machinery and inventories of indirect subsidiaries Arrozur S.A and Galofer S.A. Please refer to Note10.

## Camil Alimentos S.A.

Notes to condensed interim financial information (Continued)  
August 31, 2017 and 2016  
(In thousands of reais - R\$, unless otherwise stated)

### 9. Intangible assets

#### Company

	Software	Goodwill	Trademarks and patents	Customer relationship	Non-competes agreement	Total
Balance at 02/28/2017	4,870	-	215,551	7,905	875	229,201
Acquisitions	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-
Amortization	(679)	-	-	(2,539)	(110)	(3,328)
Reclassification	46	-	-	-	-	46
Foreign exchange differences	-	-	-	-	-	-
Balance at 08/31/2017	4,237	-	215,551	5,366	765	225,919

#### Consolidated

	Software	Goodwill	Trademarks and patents	Customer relationship	Non-competes agreement	Total
Balance at 02/28/2017	7,779	269,710	276,620	7,905	875	562,889
Acquisitions	1,199	-	-	-	-	1,199
Write-offs	-	-	-	-	-	-
Amortization	(774)	-	-	(2,539)	(110)	(3,423)
Reclassification	46	-	-	-	-	46
Foreign exchange differences	59	848	1,485	47	-	2,439
Balance at 08/31/2017	8,309	270,558	278,105	5,413	765	563,150

Book value of intangible assets and property, plant and equipment allocated to each of the cash-generating units:

#### Company

	Fish CGU		Grains CGU		Sugar CGU		Total	
	08/31/2017	02/28/2017	08/31/2017	02/28/2017	08/31/2017	02/28/2017	08/31/2017	02/28/2017
Book value of trademarks and patents	50,884	50,884	30,115	30,115	134,551	134,551	215,550	215,550
Property and equipment	216,717	218,503	260,734	258,679	15,559	16,913	493,010	494,095
Other intangible assets	865	865	1,665	2,355	7,839	10,431	10,369	13,651
Book value of goodwill	-	-	-	-	-	-	-	-
	268,466	270,252	292,514	291,149	157,949	161,895	718,929	723,296

## Camil Alimentos S.A.

Notes to condensed interim financial information (Continued)  
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### 9. Intangible assets (Continued)

#### Consolidated

	Fish CGU		Grains CGU		Sugar CGU		Total	
	08/31/2017	02/28/2017	08/31/2017	02/28/2017	08/31/2017	02/28/2017	08/31/2017	02/28/2017
Book value of trademarks and patents	50,884	50,884	92,670	91,185	134,551	134,551	278,105	276,620
Property and equipment	216,717	218,503	567,042	562,330	15,559	16,913	799,318	797,746
Other intangible assets	1,380	1,380	4,283	3,763	8,824	11,416	14,487	16,559
Book value of goodwill	17,670	17,670	108,746	107,898	144,142	144,142	270,558	269,710
	<b>286,651</b>	<b>288,437</b>	<b>772,741</b>	<b>765,176</b>	<b>303,076</b>	<b>307,022</b>	<b>1,362,468</b>	<b>1,360,635</b>

Intangible assets and property, plant and equipment are annually tested for impairment. For the years ended February 28, 2017 and February 29, 2016, no assets were detected recorded at an amount exceeding their recoverable amount, as disclosed in a note to the financial statements at February 28, 2017.

### 10. Loans, financing and debentures

#### a) Loans and financing

	Index	Weighted average annual rate		Company		Consolidated	
		08/31/2017	02/28/2017	08/31/2017	02/28/2017	08/31/2017	02/28/2017
Working capital							
Local currency	-	10.62% p.a.	13.94% p.a.	41,131	485,920	41,131	485,920
Foreign currency	USD	3.50% p.a.	3.19% p.a.	26,769	14,847	26,769	14,847
Foreign currency	USD	2.74% p.a.	2.89% p.a.	-	-	108,725	60,936
Foreign currency	USD	3.53% p.a.	3.91% p.a.	-	-	8,768	10,700
Foreign currency	CLP	5.80% p.a.	5.80% p.a.	-	-	57,612	40,076
Foreign currency	PEN	7.73% p.a.	7.73% p.a.	-	-	129,503	129,876
PPE - Foreign currency	USD	3.89% p.a.	3.90% p.a.	1,260	2,114	1,260	2,114
PPE	TJLP	4.36% p.a.	4.36% p.a.	1,930	1,919	1,931	1,920
PPE	TJLP	4.48% p.a.	4.47% p.a.	-	-	-	973
PPE	-	2.53% p.a.	2.52% p.a.	-	-	481	50
PPE	-	4.30% p.a.	4.29% p.a.	60,093	65,744	60,093	65,744
PPE	USD	4.09% p.a.	4.13% p.a.	-	-	70,478	83,680
				<b>131,183</b>	<b>570,544</b>	<b>506,751</b>	<b>896,836</b>
Current				<b>54,235</b>	<b>488,872</b>	<b>274,505</b>	<b>634,093</b>
Noncurrent				<b>76,948</b>	<b>81,672</b>	<b>232,246</b>	<b>262,743</b>

## Camil Alimentos S.A.

Notes to condensed interim financial information (Continued)  
August 31, 2017 and 2016  
(In thousands of reais - R\$, unless otherwise stated)

### 10. Loans, financing and debentures (Continued)

#### a) Loans and financing (Continued)

Except for working capital operations amounting to R\$66,587 and import financing (FINIMP) amounting to R\$1,260, which do not have guarantees, all the other loans and financing are guaranteed by statutory lien on property, plant and equipment items and pledge on inventories. Subsidiary SAMAN has a loan in the amount of R\$21,400 guaranteed by mortgage, machinery and inventories of indirect subsidiaries Arrozur S.A and Galofer S.A.

The portions of loans mature as follows:

Company				Consolidated			
	08/31/2017		02/28/2017		08/31/2017		02/28/2017
Aug/2018	54,235	Feb/2018	488,872	Aug/2018	274,505	Feb/2018	634,093
Aug/2019	25,144	Feb/2019	24,604	Aug/2019	77,557	Feb/2019	79,212
Aug/2020	23,987	Feb/2020	24,292	Aug/2020	73,952	Feb/2020	75,877
Aug/2021	9,552	Feb/2021	9,793	Aug/2021	53,463	Feb/2021	55,634
Aug/2022	8,782	Feb/2022	9,209	Aug/2022	17,791	Feb/2022	38,246
From Aug/2022 onwards	9,483	From Feb/2022 onwards	13,774	From Aug/2022 onwards	9,483	From Feb/2022 onwards	13,774
Total	131,183		570,544	Total	506,751		896,836

#### b) Debentures

Breakdown of outstanding debentures is as follows:

Type	Outstanding debentures	Annual financial charges	U.P.	Company and Consolidated	
				08/31/2017	02/28/2017
Non-privileged					
Issued on 10/04/2012	170.0	CDI + 1.3546% p.a.	1,000	106,770	143,781
Issued on 07/03/2014	200.0	CDI + 1.30% p.a.	1,000	210,794	212,986
Issued on 11/23/2016 - 1 <sup>st</sup> series	213,905	99% CDI p.a.	1	221,991	219,490
Issued on 11/23/2016 - 2 <sup>nd</sup> series	188,350	100% CDI p.a.	1	193,986	193,318
Issued on 19/05/2017 - 1 <sup>st</sup> series	238,020	97% CDI p.a.	1	240,747	-
Issued on 05/19/2017 - 2 <sup>nd</sup> series	166,980	98% CDI p.a.	1	168,919	-
Transaction cost				(13,795)	(9,121)
				1,129,412	760,454
Current				196,977	146,078
Noncurrent				932,435	614,376

## Camil Alimentos S.A.

Notes to condensed interim financial information (Continued)  
August 31, 2017 and 2016  
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### 10. Loans, financing and debentures (Continued)

#### b) Debentures (Continued)

The portions of debentures mature as follows:

	<u>Company and Consolidated</u>		<u>Company and Consolidated</u>
	<u>08/31/2017</u>		<u>02/28/2017</u>
Aug/2018	<b>196,977</b>	Feb/2018	146,078
Aug/2019	<b>129,548</b>	Feb/2019	167,739
Aug/2020	<b>448,587</b>	Feb/2020	261,517
Aug/2021	<b>354,300</b>	Feb/2021	185,120
Total	<b>1,129,412</b>	Total	760,454

#### i) *Issue on October 4, 2012*

On October 4, 2012, 170 debentures were issued at the par value of R\$1,000 (one million of reais) by Docelar Alimentos e Bebidas S.A., nonconvertible into shares, unprivileged type, which were merged into Camil Alimentos S.A. on December 30, 2012, according to the Minutes of approval of the Rationale for the Merger.

Debenture remuneration will be paid on a semiannual basis, as from issue date, on the 4<sup>th</sup> day of April and October each year, beginning on April 4, 2013.

Debenture issue agreements provide for the compliance with the following covenants:

- (i) Net debt/EBTIDA equal to or lower than 3.0 (three times); and  
Current assets/current liabilities equal to or higher than 1.0 (one time).

The Company is in compliance with these covenants.

#### ii) *Issue on July 3, 2014*

On July 3, 2014, the Company performed its 4<sup>th</sup> issue of debentures amounting to R\$200,000, according to the "Private Indenture Document" of 4<sup>th</sup> Issue of non-privileged single-series unsecured junior non-convertible debentures, for Public Distribution with Restricted Efforts, of Camil Alimentos S.A.", executed between the Issuer and Banco Bradesco BBI S.A.

## **Camil Alimentos S.A.**

Notes to condensed interim financial information (Continued)  
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### **10. Loans, financing and debentures (Continued)**

#### b) Debentures (Continued)

Two hundred (200) debentures were issued with a par value of R\$1,000 (one million reais) each with term of five years from issue date (March 15, 2014), therefore maturing on March 15, 2019.

On the debt balance of the par value of each debenture, conventional interest of 100% (one hundred per cent) will be levied of the accumulated variation of the average DI rates (one-day interbank deposits), plus spread of 1.30% p.a.

Debenture issue agreements provide for the compliance with the following covenants:

- (i) Net debt/EBTIDA equal to or lower than 3.0 (three times); and
- (ii) Current assets/current liabilities equal to or higher than 1.0 (one time).

The Company is in compliance with these covenants.

#### *iii) Issue on November 23, 2016 - Agribusiness Receivables Certificate ("CRA")*

On November 23, 2016, the Company performed its 5<sup>th</sup> issue of debentures, according to the "Private Indenture Document of 5<sup>th</sup> Issue of unprivileged unsecured junior debentures nonconvertible into shares, in two series, for Public Distribution with Restricted Efforts, of Camil Alimentos S.A.", executed by and between Issuer and Eco Securitizadora de Direitos Creditórios do Agronegócio S.A.

After the acquisition by Securitizadora, the debentures were associated with the 91<sup>st</sup> and 92<sup>nd</sup> series of the 1<sup>st</sup> issue of Agribusiness Receivables Certificates ("CRA") of Securitizadora.

The first series debentures were issued at the cost of 99% p.a. of DI, maturing on December 12, 2019 and with semiannual interest (except for the last payment, which will occur in December 2019), with the first payment on April 12, 2017.

The second series debentures were issued at the cost of 100% p.a. of DI, maturing on December 12, 2020 and with semiannual interest (except for the last payment, which will occur in December 2020), with the first payment on May 12, 2017.

The CRAs are due to the purchase of sugar of the Company contracted with Raízen Energia S.A. ("Raízen").

## **Camil Alimentos S.A.**

Notes to condensed interim financial information (Continued)  
August 31, 2017 and 2016  
(In thousands of reais - R\$, unless otherwise stated)

### **10. Loans, financing and debentures (Continued)**

#### b) Debentures (Continued)

The debenture issue agreements provide that the following covenants shall be complied with:  
Net debt/EBTIDA equal to or lower than 3.5 (three times).

The Company is in compliance with these covenants.

#### *iv) Issue on May 19, 2017 - Agribusiness Receivables Certificate ("CRA")*

On May 19, 2017, the Company performed its 6<sup>th</sup> issue of debentures, according to the "Private Indenture Document of 6<sup>th</sup> Issue of unprivileged unsecured junior debentures nonconvertible into shares, in two series, for Public Distribution with Restricted Efforts, of Camil Alimentos S.A.", executed by and between Issuer and Eco Securitizadora de Direitos Creditórios do Agronegócio S.A.

After the acquisition by Securitizadora, the debentures were associated with the 117<sup>st</sup> and 118<sup>st</sup> series of the 1<sup>st</sup> issue of Agribusiness Receivables Certificates ("CRA") of Securitizadora.

The first series debentures were issued at the cost of 97% of DI, maturing on July 20, 2020, amounting to R\$238 million, bearing semiannual interest and with the first payment on January 18, 2018.

The second series debentures were issued at the cost of 98% of DI, maturing on July 19, 2021, amounting to R\$167 million, bearing semiannual interest and with the first payment on January 18, 2018.

The CRAs are due to the purchase of sugar of the Company contracted with Raízen Energia S.A. ("Raízen").

The debenture issue agreements provide that the following covenants shall be complied with:  
Net debt/EBTIDA equal to or lower than 3.5 (three times).

The Company is in compliance with these covenants.

For all issue dates, the Company may early redeem, in full or in part, the debentures from the issue date, upon written notice to the Trustee and publication of a notice to Debenture Holders.



## Camil Alimentos S.A.

Notes to condensed interim financial information (Continued)

August 31, 2017 and 2016

(In thousands of reais - R\$, unless otherwise stated)

### 11. Transactions with related parties

The Company's parent company is Camil Investimentos S.A. There are no transactions between the Company and its parent company, except for the payment of dividends.

The following balances are held between the Company, its subsidiaries and other related parties:

	Company		Consolidated	
	08/31/2017	02/28/2017	08/31/2017	02/28/2017
Current assets				
Accounts receivable				
Subsidiaries:				
S.A. Molinos Arroceros Nacionales	6,808	1,196	-	-
Ciclo Logística Ltda.	4,399	4,302	-	-
Affiliates:				
Galofer S.A	-	-	8,146	5,869
Comisaco S.A	-	-	3,156	2,324
Arrozur S.A	-	-	9	107
Other:				
Climuy S.A.	-	-	168	1,918
	<b>11,207</b>	5,498	<b>11,479</b>	10,218
Noncurrent assets				
Accounts receivable				
Affiliates:				
Ciclo Logística Ltda.	17,524	15,934	-	-
	<b>17,524</b>	15,934	-	-
Total assets	<b>28,731</b>	21,432	<b>11,479</b>	10,218

## Camil Alimentos S.A.

Notes to condensed interim financial information (Continued)  
August 31, 2017 and 2016  
(In thousands of reais - R\$, unless otherwise stated)

### 11. Transactions with related parties (Continued)

	Company		Consolidated	
	08/31/2017	02/28/2017	08/31/2017	02/28/2017
Current liabilities				
Accounts payable for purchases				
Subsidiaries:				
S.A. Molinos Arroceros Nacionales	941	15,450	-	-
Ciclo Logística Ltda.	6,983	8,911	-	-
Affiliates:				
Climuy S.A.	-	-	1,546	617
Arrozur S.A.	-	-	2,230	2,174
Tacua S.A.	-	-	260	6
Other:				
Arfei Investimentos S.A.	-	-	-	50
Q4 Setãozinho Empreendimentos e Participações Ltda.	125	-	125	-
Q4 Itajai Empreendimentos e Participações Ltda.	150	-	150	-
Q4 Empreendimentos e Participações Ltda.	1,499	1,699	1,499	1,699
Total liabilities	9,698	26,060	5,810	4,546

Transactions among the Company, its subsidiaries and other related parties are as follows:

	Company		Consolidated	
	03/01/2017 to 08/31/2017	03/01/2016 to 08/31/2016	03/01/2017 to 08/31/2017	03/01/2016 to 08/31/2016
Expenses from purchase of processed rice				
S.A Molinos Arroceros Nacionales	28,772	47,358	-	-
La Loma Alimentos S.A.	-	2,756	-	-
Despesas de Aluguel				
Q4 Empreendimentos e Participações Ltda.	8,804	1,345	8,804	1,345
Q4 Setãozinho Empreendimentos e Participações Ltda.	750	-	750	-
Q4 Itajai Empreendimentos e Participações Ltda.	900	-	900	-
Freight expenses				
Ciclo Logística Ltda.	40,264	37,888	-	-
Tzar Logística Ltda.	-	105	-	105
Irrigation expenses (revenues)				
Comisaco S.A.	-	-	111	1,257
Climuy S.A.	-	-	2,854	6,115
Electric energy expenses				
Galofer S.A.	-	-	52	861
Expenses with rice parboiling				
Arrozur S.A.	-	-	8,062	7,448
Expenses with commissions on exports				
Arfei Investimentos S.A.	-	-	267	-
Expenses with port services				
Tacua S.A.	-	-	3,159	2,627
Total expenses	79,490	89,452	24,959	19,758

## Camil Alimentos S.A.

Notes to condensed interim financial information (Continued)  
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### 11. Transactions with related parties (Continued)

Purchase transactions conducted with subsidiary S.A. Molinos Arroceros Nacionales (SAMAN), located in Uruguay, refer to purchase of rice to supply the Northeastern region of Brazil. Payments are basically made on an advanced basis. The terms and conditions of sale agreed with rural producers and industries in Uruguay are established by formal agreement between the Industries ("Gremial de Molinos") and the Rice Growers Association of that country ("Asociación de Cultivadores de Arroz").

Transactions with other affiliates and related parties refer substantially to advances for services to be rendered to the Company and its subsidiary S.A. Molinos Arroceros Nacionales.

The building and land on which the production units of São Paulo state and of Campo Grande in Rio de Janeiro state are located belong to related party Q4 Empreendimentos e Participações Ltda., which charges monthly rental of R\$720 and R\$704 (R\$720 and R\$704 at February 28, 2017), maturing on the first business day of the subsequent month, respectively.

On August 1, 2016, there was a disproportionate split-off of the properties where Sertãozinho and Itajaí Production Units are located, which were absorbed as of that date by related parties Q4 Sertãozinho Empreendimentos e Participações Ltda. and Q4 Itajaí Empreendimentos e Participações Ltda, respectively. Since August 1, 2016, the Company has paid monthly rent of R\$125 for Sertãozinho unit and R\$150 for Itajaí unit.

#### a) Sureties provided

Subsidiary S.A. Molinos Arroceros Nacionales is guarantor of the following transactions:

#### **Related parties:**

Bank loan transactions	<u>08/31/2017</u>	<u>02/28/2017</u>
Arrozur S.A.	1,238	1,224
Comisaco	2,921	2,877
Galfer S.A.	14,702	15,902
Climuy	1,574	1,550
	<u>20,435</u>	<u>21,553</u>
Rice producers		
Bank loan transactions	4,172	4,109
Supplier transactions	828	2,688
	<u>5,000</u>	<u>6,797</u>

## Camil Alimentos S.A.

Notes to condensed interim financial information (Continued)  
August 31, 2017 and 2016  
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### 11. Transactions with related parties (Continued)

#### b) Management compensation

Compensation paid to management and independent board totaled R\$5,125 (R\$7,275 at August 31, 2016) and is carried as administrative expenses in the statement profit or loss.

### 12. Provision for contingencies

The Company is party to various ongoing legal proceedings of labor, civil and tax nature, arising in the ordinary course of its business. Based on managerial analyses and on the opinion of the Company's legal advisors, management set up a provision for contingencies at an amount deemed sufficient to cover probable losses, if any, on these proceedings. Changes in the six-month period ended August 31, 2017 mainly refer to the restatement of labor, civil, tax and environmental proceedings.

### 13. Equity

#### a) Capital

According to the Minutes of the Special General Meeting held on August 28, 2017, shareholders decided to split the shares issued by the Company in the proportion of 1:3 (one to three), therefore every share started to be represented by three shares, with the Company's capital being represented by 369,051,876 (three hundred and sixty-nine million, fifty-one thousand, eight hundred and seventy-six) registered, book-entry common shares with no par value, granting their holders the same rights and full advantages of the currently existing shares.

#### Before share split

Shareholders	Common shares			
	Number	(%)		
Camil Investimentos S.A.	76,578,413	62.25%		
Controlling shareholders and managing officers	7,381,038	6.00%		
WP XII E Fundo de Investimentos em Participações	39,057,841	31.75%		
Total	123,017,292	100.00%		

  

	Company and Consolidated		Company and Consolidated	
	03/01/2017 to 08/31/2017	03/01/2016 to 08/31/2016	03/01/2017 to 08/31/2017	03/01/2016 to 08/31/2016
Basic and diluted earnings per share - R\$	0.83	0.93	0.33	0.52

## Camil Alimentos S.A.

Notes to condensed interim financial information (Continued)  
August 31, 2017 and 2016  
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### 13. Equity (Continued)

#### a) Capital (Continued)

##### After share split

Shareholders	Common shares	
	Number	(%)
Camil Investimentos S.A.	229,735,239	62.25%
Controlling shareholders and managing officers	22,143,114	6.00%
WP XII E Fundo de Investimentos em Participações	117,173,523	31.75%
Total	369,051,876	100.00%

	Company and Consolidated		Company and Consolidated	
	03/01/2017 to 08/31/2017	03/01/2016 to 08/31/2016	03/01/2017 to 08/31/2017	03/01/2016 to 08/31/2016
Basic and diluted earnings per share - R\$	0.28	0.31	0.11	0.17

#### b) Dividends

Through the Minutes of the Board of Director's Meeting held on May 25, 2017 shareholders approved the payment of dividends amounting to R\$100,000 to "Income reserve" account.

## Camil Alimentos S.A.

Notes to condensed interim financial information (Continued)

August 31, 2017 and 2016

(In thousands of reais - R\$, unless otherwise stated)

### 14. Income and social contribution taxes

#### Reconciliation of amounts recorded in profit or loss

	<b>Company</b>			
	<b>03/01/2017 to 08/31/2017</b>		<b>03/01/2016 to 08/31/2016</b>	
	<b>Income tax</b>	<b>Social contribution tax</b>	<b>Income tax</b>	<b>Social contribution tax</b>
Income before taxes	<b>140,934</b>	<b>140,934</b>	164,426	164,426
Statutory rates	<b>25%</b>	<b>9%</b>	25%	9%
Income and social contribution taxes at statutory rate	<b>(35,234)</b>	<b>(12,684)</b>	(41,107)	(14,798)
Equity pickup	<b>9,343</b>	<b>3,364</b>	8,609	3,099
Permanent exclusions (additions)	<b>(3,093)</b>	<b>(1,114)</b>	(4,305)	(1,550)
Amount recorded in profit or loss	<b>(28,984)</b>	<b>(10,434)</b>	(36,803)	(13,249)
Income and social contribution taxes at effective rate	-	<b>(39,418)</b>	-	(50,052)
Effective rates	-	<b>-28.0%</b>	-	-30.4%
	<b>Consolidated</b>			
	<b>03/01/2017 to 08/31/2017</b>		<b>03/01/2016 to 08/31/2016</b>	
	<b>Income tax</b>	<b>Social contribution tax</b>	<b>Income tax</b>	<b>Social contribution tax</b>
Income before taxes	<b>148,980</b>	<b>148,980</b>	173,612	173,612
Statutory rates	<b>25%</b>	<b>9%</b>	25%	9%
Income and social contribution taxes at statutory rate	<b>(37,245)</b>	<b>(13,408)</b>	(43,403)	(15,625)
Effect of profits from foreign sources (*)	-	-	(115)	(41)
Equity pickup	<b>(116)</b>	<b>(42)</b>	-	-
Permanent exclusions (additions)	<b>2,461</b>	<b>886</b>	(40)	(14)
Amount recorded in profit or loss	<b>(34,900)</b>	<b>(12,564)</b>	(43,558)	(15,680)
Income and social contribution taxes at effective rates	-	<b>(47,464)</b>	-	(59,238)
Effective rates	-	<b>-31.9%</b>	-	-34.1%

(\*) Income tax calculated at the rate of 25% for subsidiaries located in Uruguay; 25.5% for those located in Chile; 29.5% for those located in Peru; and 35% for those located in Argentina. No social contribution tax is levied in these countries.

## Camil Alimentos S.A.

Notes to condensed interim financial information (Continued)  
August 31, 2017 and 2016  
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### 14. Income and social contribution taxes (Continued)

#### Deferred income and social contribution taxes

	Company		Consolidated	
	03/01/2017 to 08/31/2017	02/28/2017	03/01/2017 to 08/31/2017	02/28/2017
Temporary differences - assets				
Allowance for doubtful accounts	2,823	3,498	3,422	4,204
Provision for freight on sales	-	2,216	-	2,216
Provision for profit sharing	3,067	6,086	3,067	6,086
Provision for losses - State VAT (ICMS)	243	4,099	243	4,099
Provision for contingencies	10,917	9,758	10,917	9,758
Deferred tax credits on GIF Codajás goodwill (*)	4,701	11,752	4,701	11,752
Provision for losses on other receivables	5,566	5,565	5,566	5,565
Provision for losses on advances to suppliers	1,169	1,632	1,169	1,632
Provision for inventory losses	234	365	234	365
Provision for losses of tax credits	344	850	1,048	850
Provision for sales discounts	2,790	4,144	2,790	4,144
Other temporary provisions	1,393	1,678	3,781	4,010
<b>Total</b>	<b>33,247</b>	<b>51,643</b>	<b>36,938</b>	<b>54,681</b>
Temporary differences - liabilities				
Deferred CSLL payments (MP No. 219)	2,309	2,309	2,309	2,309
Difference between accounting goodwill and tax goodwill	35,681	27,655	35,681	27,655
On allocation to intangible assets	41,071	41,971	46,924	47,937
On allocation to PPE	18,660	19,245	18,660	19,245
PPE deemed cost	42,655	43,672	42,655	43,672
Other	-	-	13,231	13,798
	<b>140,376</b>	<b>134,852</b>	<b>159,460</b>	<b>154,616</b>
Deferred income and social contribution taxes, net				
Noncurrent liabilities	<b>107,129</b>	<b>83,209</b>	<b>122,522</b>	<b>99,935</b>

(\*) Tax credits for the merger refer to future income and social contribution tax benefit, based on accounting and tax amortization of merged goodwill. On December 1, 2012, GIF Codajás Participações S.A. (GIF Codajás), company which held interest in Camil, was merged into Camil Alimentos S.A. Goodwill paid by GIF Codajás, supported by the expected future profitability, was merged into Camil, net of any adjustment provision for goodwill set forth in CVM Ruling No. 319/99 which, in essence, represents the tax benefit arising from the deductible nature of the referred to goodwill. The merged net assets will be amortized in both accounting and tax records over an estimated term of five years and matched against the special goodwill reserve account to be transferred to the capital account to the benefit of the shareholders upon total realization of the tax benefit.

## Camil Alimentos S.A.

Notes to condensed interim financial information (Continued)  
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### 14. Income and social contribution taxes (Continued)

#### Reconciliation of deferred income and social contribution taxes recorded in profit or loss

	Company		
	03/01/2017 to 08/31/2017	02/28/2017	Variation
Deferred assets	33,247	51,643	(18,396)
Deferred liabilities	(140,376)	(134,852)	(5,524)
Deferred taxes recorded in P&L for the year/period			(23,920)
	Consolidated		
	03/01/2017 to 08/31/2017	02/28/2017	Variation
Deferred assets	36,938	54,681	(17,743)
Deferred liabilities	(159,460)	(154,616)	(4,844)
			(22,587)
Foreign exchange differences			(1,295)
Deferred taxes recorded in P&L for the year/period			(23,882)

### 15. Finance income (costs)

	Company		Consolidated	
	03/01/2017 to 08/31/2017	03/01/2016 to 08/31/2016	03/01/2017 to 08/31/2017	03/01/2016 to 08/31/2016
Finance costs				
Interest payable on loans	(61,411)	(75,016)	(70,091)	(85,191)
Derivatives	(25,046)	(11,170)	(25,046)	(11,170)
Foreign exchange differences	285	(6,283)	(1,909)	(7,879)
Monetary variation	(1,562)	(2,548)	(1,526)	(2,434)
Other	(4,599)	(4,875)	(8,477)	(10,277)
	(92,333)	(99,892)	(107,049)	(116,951)
Finance income				
Interest income	2,319	3,556	3,410	6,439
Discounts	2,012	1,756	2,276	2,023
Short-term investments	15,189	14,250	19,877	19,414
Derivatives	23,125	-	23,125	-
Foreign exchange differences	781	704	1,912	3,706
Monetary variation	7,624	-	7,624	-
	51,050	20,266	58,224	31,582
Total	(41,283)	(79,626)	(48,825)	(85,369)



## **Camil Alimentos S.A.**

Notes to condensed interim financial information (Continued)  
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### **16. Financial instruments and risk management**

As mentioned in Note 1, the Company's business and that of its subsidiaries involves the industrial processing and sale in Brazil and abroad of various products, particularly rice, beans, sugar and canned fish.

The estimated realizable values of the financial assets and liabilities of the Company and its subsidiaries were determined based on available market information and proper valuation methodologies.

#### a) Fair value measurement

The Company measures financial instruments, such as short-term investments and derivatives, at fair value every statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability will occur:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing an asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a nonfinancial asset takes into consideration the capacity of a market participant to generate economic benefits through the best use of the asset, or selling it to other market participant that would also make best use of the asset. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. These valuation methodologies were not changed in the years presented.

All assets and liabilities that are measured or disclosed at fair value in the condensed interim financial information are classified within the fair value hierarchy, as described below, based on the lowest level input that is significant to the overall fair value measurement:

## Camil Alimentos S.A.

Notes to condensed interim financial information (Continued)  
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### 16. Financial instruments and risk management (Continued)

#### a) Fair value measurement (Continued)

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is either directly or indirectly observable;
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is not available.

For the purposes of fair value disclosures, the Company determined classes of assets and liabilities based on the nature, characteristics and risks of assets or liabilities and the fair value hierarchy level, as mentioned above. The corresponding fair value disclosures of financial instruments and nonfinancial assets measured at fair value or at the time of disclosure of fair values are summarized in their respective notes. Based on its assessment, management understands that the fair values of significant financial instruments presented have no significant differences in relation to their corresponding book values, as under:

	Level	Company			
		08/31/2017		02/28/2017	
		Book value	Fair value	Book value	Fair value
<b>Financial assets</b>					
<b>Loans and receivables</b>					
Trade accounts receivable	2	381,398	381,398	479,236	479,236
<b>Measured at fair value through P&amp;L</b>					
Cash and cash equivalents	1	149,795	149,795	95,005	95,005
Short-term investments	2	219,020	219,020	503,274	503,274
Derivatives	2	-	-	614	614
<b>Financial liabilities</b>					
<b>Measured at amortized cost</b>					
Trade accounts payable	2	1,457,137	1,457,137	1,653,573	1,653,573
Loans and financing	2	196,259	196,259	322,575	322,575
Debentures	2	131,183	131,183	570,544	570,544
Derivatives	2	1,129,412	1,129,412	760,454	760,454
Derivatives	2	283	283	-	-

## Camil Alimentos S.A.

Notes to condensed interim financial information (Continued)  
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### 16. Financial instruments and risk management (Continued)

#### a) Fair value measurement (Continued)

		Consolidated			
		08/31/2017		02/28/2017	
	Level	Book value	Fair value	Book value	Fair value
<b>Financial assets</b>					
<b>Loans and receivables</b>					
Trade accounts receivable and other	2	579,690	579,690	676,680	676,680
<b>Measured at fair value through P&amp;L</b>					
Cash and cash equivalents	1	202,187	202,187	139,698	139,698
Short-term investments	2	219,020	219,020	503,274	503,274
Derivatives	2	-	-	614	614
<b>Financial liabilities</b>					
<b>Measured at amortized cost</b>					
Trade accounts payable	2	380,547	380,547	467,881	467,881
Loans and financing	2	506,751	506,751	896,836	896,836
Debentures	2	1,129,412	1,129,412	760,454	760,454
Derivatives		283	283	-	-

The balances of cash and cash equivalents, as well as of short-term investments, are stated at fair value, which are equivalent to their book values at the statement of financial position date.

Derivatives are also recognized based on their respective fair values estimated based on the respective contracts and observable market inputs that include the changes in currencies in which the derivatives are designated. In these cases, the assets and liabilities are classified under Level 2. Additional information concerning derivatives and their measurement is as follows:

Transactions	Risk	Currency	Number of agreements	Principal	Hedging instrument amount	Gain/(loss)
Derivatives for hedging purposes	Future imports	Dollar	395	19,750	62,433	(264)
Derivatives for hedging purposes	Future imports	Euro	30	1,500	5,653	(19)
<b>Balance at 08/31/2017</b>			<b>425</b>	<b>21,250</b>	<b>68,086</b>	<b>(283)</b>

## **Camil Alimentos S.A.**

Notes to condensed interim financial information (Continued)  
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### **16. Financial instruments and risk management (Continued)**

#### a) Fair value measurement (Continued)

The balances of trade accounts receivable result from the Company's commercial operations and are recorded at their original amounts and subject to exchange and monetary differences, estimated loss on doubtful accounts and discounts granted occasionally.

The balances trade accounts payable arise from the Company's commercial operations and are recorded at their original amounts, subject to foreign exchange and monetary restatements, as applicable.

Loans, financing and debentures are classified as financial liabilities measured at amortized cost by the effective interest rate method and are recorded for their contractual amounts that reflect the usual terms and conditions obtained in the market. Accordingly, the fair values of these loans and financing approximates their book values at the statement of financial position date.

#### b) Risk factors that may affect the business of the Company and its subsidiaries

The operations of the Company and its subsidiaries are subject to the following main risks:

##### *Credit risk*

The Company and its subsidiaries are subject to counterparty credit risk in their operations involving short-term investments and accounts receivable.

Sales policies of the Company and its subsidiaries are subject to the credit policies established by management and are designed to minimize any problems arising from customer default. This goal is achieved through the careful selection of customer portfolio that takes into consideration their creditworthiness (credit rating) and the diversification of sales (risk dilution). The Company and its subsidiaries have historically obtained satisfactory results in relation to their goals of mitigating this risk. Short-term investments are always kept in banks listed among the 10 largest in the country.

For the year ended February 28, 2017, the Company and its subsidiaries had no customers accounting for more than 10% of their total net revenue.

## **Camil Alimentos S.A.**

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### **16. Risk management and financial instruments (Continued)**

#### b) Risk factors that may affect the business of the Company and its subsidiaries (Continued)

##### *Liquidity risk*

Liquidity risk represents shortage of funds intended for payment of debts (substantially loans and financing). The Company and its subsidiaries adopt cash monitoring policies to avoid mismatching of accounts receivable and payable. In addition, the Company has readily redeemable short-term investments to cover any mismatches between the maturity of its contractual obligations and its cash flow. The Company and its subsidiaries have historically obtained satisfactory results in relation to their goals of mitigating this risk.

##### *Market risk*

##### Price risk - inputs and finished products

The main inputs used in the Company's and its subsidiaries' industrial process are agricultural commodities, the prices of which are subject to fluctuations as a result of public agricultural fostering policies, seasonal harvests and climate change, which may result in losses due to fluctuations in market prices. To minimize this risk, the Company continually monitors price fluctuations in the local and international markets. The Company has historically obtained satisfactory results in relation to its goals of mitigating this risk.

##### Interest rate risk

This risk arises from the possibility of the Company incurring losses due to fluctuations in interest rates that increase its finance costs relating to loans and financing, or reduce the gains on its investments. The Company continuously monitors the volatility of the market interest rates. In order to reduce the possible impacts resulting from fluctuations in interest rates, the Company and its subsidiaries adopt the policy of keeping their funds invested in instruments pegged to the CDI. The Company has historically obtained satisfactory results in relation to its goals of mitigating this risk.

## Camil Alimentos S.A.

Notes to condensed interim financial information (Continued)  
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### 16. Financial instruments and risk management (Continued)

#### b) Risk factors that may affect the business of the Company and its subsidiaries (Continued)

##### Foreign exchange rate risk

The Company uses derivative financial instruments, mainly financial hedge, to hedge its imports against the risk of fluctuations in foreign exchange rates.

Gains and losses on derivative transactions are recognized on a daily basis in the statement of profit or loss, considering the realization amount of these instruments (market value). The provision for unrealized gains and losses is recognized in "Derivatives financial instruments", in the statement of financial position, and matched against "Gains/losses on derivatives, net", in P&L.

#### c) Sensitivity analysis

The following table presents a sensitivity analysis of financial instruments, describing the risks that may generate material loss to the Company, with the most probable scenario (scenario 1) according to management's assessment, and considering a twelve-month period at the end of which the next financial information containing such analysis shall be disclosed. In addition, two other scenarios are showed, in order to present 25% and 50% deterioration in the risk variable considered, respectively (scenarios 2 and 3).

##### *Sensitivity analysis - debts and short-term investments*

Financial operations relating to cash investment and funding pegged to currencies other than the real, CDI and TJLP are subject to exchange rate (USD/BRL, CLP/BRL, PEN/BRL and EUR/BRL) and interest rate differences (CDI).

##### Sensitivity analysis - Debt (interest rate increase)

Program	Instrument	Risk	Annual rate	Scenario 1	Scenario 2	Scenario 3
				Probable	25%	50%
				R\$(thousand)	R\$(thousand)	R\$(thousand)
Financing	Working capital	Fluctuation of CDI	7.39%	(3,134)	(3,917)	(4,701)
Financing	Debentures	Fluctuation of CDI	7.39%	(83,845)	(104,806)	(125,767)
<b>Total</b>				<b>(86,979)</b>	<b>(108,723)</b>	<b>(130,468)</b>
<b>Variation (loss)</b>					<b>(21,744)</b>	<b>(43,489)</b>

## Camil Alimentos S.A.

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### 16. Financial instrument and risk management (Continued)

#### c) Sensitivity analysis (Continued)

##### Sensitivity analysis - Debt (depreciation of real)

Program	Instrument	Risk	Annual rate	Scenario 1	Scenario 2	Scenario 3
				Probable	25%	50%
				R\$(thousand)	R\$(thousand)	R\$(thousand)
Financing	FINIMP	Fluctuation of BRL/USD	3.30	(433.0)	(2,767.0)	(5,102.0)
Financing	Debt denominated in USD	Fluctuation of BRL/USD	3.30	(8,707.0)	(55,684.0)	(102,662.0)
Financing	Debt denominated in PEN (**)	Fluctuation of BRL/PEN	1.018595	(6,292.0)	(40,241.0)	(74,190.0)
Financing	Debt denominated in ARS (***)	Fluctuation of BRL/ARS	0.190108	(426.0)	(2,725.0)	(5,023.0)
Financing	Debt denominated in CLP (*)	Fluctuation of BRL/CLP	0.005262	(2,799.0)	(17,902.0)	(33,004.0)
<b>Total Variation (loss)</b>				<b>(18,657)</b>	<b>(119,319)</b>	<b>(219,981)</b>
					<b>(100,662)</b>	<b>(201,324)</b>

(\*) CLP - Chilean pesos

(\*\*) PEN - New Sol / Peru

(\*\*\*) ARS - Argentinian pesos

##### Sensitivity analysis - cash and cash equivalent investments and short-term investments (interest rate decrease)

Program	Instrument	Risk	Annual rate	Scenario 1	Scenario 2	Scenario 3
				Probable	25%	50%
				R\$(thousand)	R\$(thousand)	R\$(thousand)
Cash investments	Short-term investments	Fluctuation of CDI	7.39%	26,336	19,752	13,168
<b>Total Variation (loss)</b>				<b>26,336</b>	<b>19,752</b>	<b>13,168</b>
					<b>(6,584)</b>	<b>(13,168)</b>

## Camil Alimentos S.A.

Notes to condensed interim financial information (Continued)  
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### 16. Financial instruments and risk management (Continued)

#### c) Sensitivity analysis (Continued)

**Sensitivity analysis - cash and cash equivalent investments and short-term investments (depreciation of real)**

Program	Instrument	Risk	Annual rate	Scenario 1	R\$(thousand)	R\$(thousand)
				Probable	25%	50%
				R\$(thousand)	R\$(thousand)	R\$(thousand)
Cash investments	Short-term investments	Fluctuation of BRL/CLP*	0.005262	11,309	8,482	5,654
<b>Total</b>				<b>11,309</b>	<b>8,482</b>	<b>5,654</b>
<b>Variation (loss)</b>					<b>(2,827)</b>	<b>(5,654)</b>

(\*) CLP - Chilean pesos

**Sensitivity analysis - Derivatives designated as hedge (appreciation of real)**

Program	Instrument	Risk	Rate	Scenario 1	Scenario 2	Scenario 3
				Probable	25%	50%
				R\$(thousand)	R\$(thousand)	R\$(thousand)
Imports	Derivatives	Fluctuation of BRL/USD	3.30	3,033	(13,333)	(29,700)
Imports	Derivatives	Fluctuation of BRL/EURO	3.93	275	(1,207)	(2,689)
<b>Total</b>				<b>3,308</b>	<b>(14,540)</b>	<b>(32,389)</b>
<b>Variation (gain/loss)</b>					<b>(17,848)</b>	<b>(35,697)</b>

The sources of information for the rates used above were obtained from the Central Bank of Brazil (BACEN).



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### 17. Sales and service revenue, net

	Company		Consolidated	
	03/01/2017 to 08/31/2017	03/01/2016 to 08/31/2016	03/01/2017 to 08/31/2017	03/01/2016 to 08/31/2016
Gross sales revenue				
Sales of goods and services - domestic market	2,027,968	2,049,061	2,473,678	2,514,401
Sales of goods in the foreign market	40,986	37,844	295,100	264,547
	<b>2,068,954</b>	2,086,905	<b>2,768,778</b>	2,778,948
Sales deductions				
Sales taxes	(162,730)	(164,138)	(181,389)	(182,425)
Returns and rebates	(159,030)	(138,441)	(199,945)	(187,235)
	<b>(321,760)</b>	(302,579)	<b>(381,334)</b>	(369,660)
Sales and service revenue, net	<b>1,747,194</b>	1,784,326	<b>2,387,444</b>	2,409,288

### 18. Expenses by nature

	Company		Consolidated	
	08/31/2017	08/31/2016	08/31/2017	08/31/2016
Expenses by function				
Cost of sales	(1,330,680)	(1,297,048)	(1,807,789)	(1,762,504)
Selling expenses	(190,962)	(176,122)	(275,490)	(257,463)
General and administrative expenses	(91,603)	(95,041)	(120,598)	(124,127)
	<b>(1,613,245)</b>	(1,568,211)	<b>(2,203,877)</b>	(2,144,094)
Expenses by nature				
Depreciation and amortization	(27,745)	(27,048)	(43,794)	(44,418)
Personnel expenses	(136,379)	(130,304)	(226,302)	(212,285)
Materials and raw material	(1,151,821)	(1,123,904)	(1,500,855)	(1,479,750)
Freight	(127,460)	(118,673)	(170,958)	(175,940)
Third-party service expenses	(29,468)	(27,643)	(42,536)	(40,460)
Maintenance expenses	(26,077)	(28,035)	(34,359)	(33,673)
Other expenses	(114,295)	(112,604)	(185,073)	(157,568)
	<b>(1,613,245)</b>	(1,568,211)	<b>(2,203,877)</b>	(2,144,094)

## Camil Alimentos S.A.

Notes to condensed interim financial information (Continued)  
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### 19. Segment reporting

Detailed information on Company segments is as follows:

	Food products - Brazil		Food products - International		Food products - Consolidated	
	03/01/2017 to 08/31/2017	03/01/2016 to 08/31/2016	03/01/2017 to 08/31/2017	03/01/2016 to 08/31/2016	03/01/2017 to 08/31/2017	03/01/2016 to 08/31/2016
Sales revenue, net	1,745,462	1,783,163	641,982	626,125	2,387,444	2,409,288
Gross profit	414,782	484,343	164,873	162,441	579,655	646,784
Selling, general and administrative expenses	(281,042)	(268,606)	(115,046)	(112,984)	(396,088)	(381,590)
Other operating income (expenses) and equity pickup	11,433	(6,312)	2,805	99	14,238	(6,213)
Income before finance income and costs	145,173	209,425	52,632	49,556	197,805	258,981
Finance costs	(92,391)	(99,990)	(14,658)	(16,961)	(107,049)	(116,951)
Finance income	51,050	22,129	7,174	9,453	58,224	31,582
Pretax income	103,832	131,564	45,148	42,048	148,980	173,612
IRPJ and CSLL	(40,867)	(51,360)	(6,597)	(7,878)	(47,464)	(59,238)
Net income	62,965	80,204	38,551	34,170	101,516	114,374

## **Camil Alimentos S.A.**

Notes to condensed interim financial information (Continued)  
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### **20. Subsequent events**

#### *a) Capital increase*

At the Board of Director's Meeting held on September 26, 2017, shareholders approved the Company's capital increase, within the authorized capital limit, amounting to R\$369,000, which will be increased from R\$581,374 to R\$950,374, through issue of 41,000,000 (forty-one million) common shares, subject to the Primary Offering of Shares, with the exclusion of the preemptive right of the Company's current shareholders in the subscription of new shares issued by the Company, in accordance with the provisions of article 172, item I of the Brazilian Corporate Law.

#### *b) Initial Public Offering (IPO)*

On July 25, 2017, the Company filed an application for registration as a publicly-held company and related to its Initial Public Offering (IPO) with the Brazilian Securities and Exchange Commission ("CVM"), initiating the listing and trading process of the Company's shares into the *Novo Mercado* (New Market) segment of the São Paulo Stock Exchange - B3 - Bolsa, Brasil, Balcão ("B3"). The Preliminary Prospectus was made available and Notice to the Market released by the Company on August 30, 2017.

On September 26, 2017, the price per registered common share was set at R\$9 (nine reais), followed by the disclosure of the Definitive Prospectus and Commencement Notice on September 27, 2017.

On September 28, 2017, the Company's shares began to be traded in B3 in the *Novo Mercado* segment, the highest level of corporate governance of B3, under ticker symbol "CAML3". The IPO consisted of a primary offering of 41,000,000 common shares ("Primary Offering") and a secondary offering of 86,500,000 million common shares ("Secondary Offering").

With the beginning of trading of common shares, without considering the supplementary shares (greenshoe), 127,500,000 common shares, representing 31.09% of the Company's capital, are outstanding in the free float market.

After the closing of the IPO, the Company will continue to be controlled by Camil Investimentos S.A.

On September 28, 2017, the Company's shareholding structure was as follows (total placement of common shares, without considering the greenshoe exercise):

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### 20. Subsequent events (Continued)

#### b) Initial Public Offering (IPO) - Continued

Shareholders	Structure before the offering		Structure after the offering		Adjusted structure <sup>(1)</sup> after the offering	
	of common shares	%	of common shares	%	of common shares	%
Camil Investimentos S.A.	229,735,239	62.25	229,735,239	56.03	229,735,239	56.03
WP XII E Fundo de Investimento em Participações Multiestratégia	117,173,523	31.75	45,435,599	11.08	35,402,154	8.63
Controlling shareholders and managing officers	22,143,114	6.00	7,381,038	1.80	17,414,483	4.26
Shares outstanding	-	-	127,500,000	31.09	127,500,000	31.09
<b>Total</b>	<b>369,051,876</b>	<b>100</b>	<b>410,051,876</b>	<b>100</b>	<b>410,051,876</b>	<b>100</b>

<sup>(1)</sup> Adjusted structure to anticipate the exercise of the stock option for purchase of common shares issued by the Company granted by WP FIP to controlling shareholders and managing officers, which was exercised on September 26, 2017.

The IPO gross amounts reached R\$1,147.5 million before deduction of commissions and expenses and R\$1,120 million net after such deduction. The net funds from the Primary Offering totaled approximately R\$357 million, after deduction of estimated commissions and expenses. The Company intends to use the net funds from the Primary Offering to: (i) support the organic growth and potential acquisitions; (ii) internalization of sugar packaging activities; and (iii) working capital enhancing. As long as the net funds from the Primary Offering are not used for the purposes described above, they will be invested in the financial market in Bank Deposit Certificates (CDB) issued by top-tier financial institutions, in accordance with the Company's current practice. The funds from the Secondary Offering will be fully allocated to the IPO selling shareholders. The Company will not receive any funds from the disposal of common shares under the Secondary Offering.

#### c) Tax assessment notice

On October 3, 2017, the Company became aware of the tax assessment notice filed by the Brazilian Internal Revenue Service (IRS) amounting to R\$270.1 million (including fine and interest charges), due to the challenging of the tax amortization of goodwill generated by the mergers occurred between 2011 and 2012 of companies Femepe, Canadá, Gif Codajas and Docelar.

This assessment notice corresponds to the amortization occurred between 2011 and 2015 amounting to R\$198.4 million related to Corporate Income Tax (IRPJ) and R\$71.7 million related to Social Contribution Tax on Net Profit (CSLL).

## **Camil Alimentos S.A.**

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August 31, 2017 and 2016

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### **20. Subsequent events (Continued)**

Management understands that the goodwill was set up on a regular basis, in strict compliance with tax legislation, according to the requirements set forth in article 385, paragraph 2, item II and paragraph 3, combined with article 386, item III, of the Income Tax Regulation (RIR/99). Based on the risk assessment carried out by the Company's legal advisors, R\$209.6 million were assessed as possible loss (principal, interest and one-time fine) and R\$60.5 million were assessed as remote loss (qualified automatic fine).

#### *d) Settlement of debentures issued on October 4, 2012*

On October 10, 2017, in accordance with clause V of the Debenture Indenture, the Company early redeemed the total debentures of the 3<sup>rd</sup> Issue of unprivileged single-series unsecured junior nonconvertible debentures, with additional secured guarantee and personal security, for distribution with restricted efforts.

The amount paid of R\$68.2 million corresponds to: (1) the balance of the par value of debentures increased by (2) remuneration, calculated on a *pro rata* day basis from the last payment date of the remuneration immediately prior to the redemption date, and other expected and unpaid charges up to the redemption date (being "1" and "2", together, the "unit price"), and increased by (3) the premium corresponding to the applicable index of 0.40% reduced to 0.15%, on the unit price (as provided in clause 5.1.2. of the Indenture).

The total early redemption was made by the Requesting Bank (Citibank), pursuant to clause 5.1.6 of the Indenture, according to the procedures adopted by B3 S.A. - Brasil, Bolsa, Balcão - Segment CETIP UTVM ("B3"), considering that the debentures are registered in the Debentures National System (SND) and under the custody of B3 electronically.