Results for 4Q10 and for 2010

"In God We Trust,
Nature We Respect"

São Paulo, March 23rd, 2011 – JBS S.A. ("JBS") (Bovespa: JBSS3), the global leading producer of animal protein announces today its results for the fourth quarter of 2010 (4Q10) and for the full year of 2010. For the purpose of analysis, this report considers the results for the quarter ended September 30, 2010 (3Q10) and December 31, 2009 (4Q09) as well as the fiscal year 2009.

The Company's consolidated financial results have been prepared for the years ending on the 31st of December 2010 and 2009 and are in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

On March 4th, 2011, JBS signed a "Termination Agreement" with the Cremonini Group ending its participation in INALCA (refer to Notice to the Market on March 4th, 2011). The consolidated numbers for the quarter do not consider the results of INALCA JBS.

The consolidated results of JBS are presented in Brazilian Real (R$) and when separately analyzed, each business unit reports its results in the currency of the country in which it operates. The operations of JBS Australia are an integral part of the subsidiary JBS USA and both results refer to the period of 13 weeks ended December 26, 2010 (4Q10). The quantitative data, such as volumes and heads slaughtered, are not audited.

2010 HIGHLIGHTS (Excluding the results of INALCA JBS for the last 9 months of 2010)

- ✓ Net revenue for 2010 was R$55,055.8 million.
- ✓ JBS presented an organic growth of 14.2% in net sales, in local currency
  - ➢ JBS USA Beef and Pork presented organic growth of 16.7% and 31.7%, respectively comparing 2009 to 2010.
- ✓ Consolidated EBITDA was R$3,756.2 million in 2010 with an EBITDA margin of 6.8%.
- ✓ The adjusted net income in 2010 was R$ R$196.1 million.

4Q10 HIGHLIGHTS (Excluding the results of INALCA JBS)

- ✓ In 4Q10, the net revenue was R$14,319.6 million.
- ✓ The EBITDA was R$865.9 million with an EBITDA margin of 6%.
  - ➢ JBS USA Pork presented EBITDA of US$102.4 million, 258% greater than the 4Q09 and an historically high EBITDA margin of 12.8% in 4Q10.
  - ➢ JBS USA Beef presented EBITDA of US$194.8 million and EBITDA margin of 5.4%.

MESSAGE FROM THE PRESIDENT

2010 was a year of various achievements. We can highlight the integration of Pilgrim's Pride into our American operations and the merger with Bertin into our Mercosul operations. As for operations, it is important to note our sales growth, which exceeded R$ 55 billion, with organic growth of 14.2% and an EBITDA of R$3.75 billion, presenting an EBITDA margin of 6.8% in 2010 compared to 3.7% in 2009.

JBS USA

The acquisition of Pilgrim's Pride at the end of 2009 was concluded based on studies that proved its economic potential and its alignment with our strategy to diversify into other proteins. The USA is the largest chicken producer in the world, and has recently become very cost competitive, thus allowing the US industry to increase its international market share. In a short time frame, we managed to integrate Pilgrim's into our American operations, capturing considerable synergies, which enabled us to achieve an EBITDA exceeding R$800 million and an EBITDA margin of 7.0%. At the same time we increased our market participation.

Achieving these goals was only possible after a full restructuring, including positive changes in senior management and centralization of corporate activities. Besides that, we optimized sales channels, which includes the international market as well as introducing significant improvement in our product mix, with an increased amount of value added products.

JBS Mercosul

The incorporation of Bertin, at the end of 2009, has increased significantly our market share in Brazil. The highlights of this segment were the efforts to integrate and to capture synergies in the administrative, commercial, operations and logistics areas of the companies. From an estimated R$485 million of synergies in two years, we captured about two-thirds of that value. There is more potential for synergies to be captured, the most significant relating to processes optimization, cost reduction per head processed and improvement in yield per carcass.

The outlook for the coming year is favorable, as we are well positioned with production platforms located in the main raw material supply regions. Moreover, we are operating our plants with a higher level of capacity utilization which enables us to be more efficient.

In Argentina, we took several structural measures to adapt to the country´s current situation. We temporarily suspended operations in four industrial units, reduced significantly the number of employees and, because of export restrictions, directed production to meet the domestic market. But investments in Argentina are expected to pay-off in the long run and when the economy recovers, we believe we can add value to this platform due to the tradition of Argentine beef on the international market.

Italy

During the year, we have made numerous efforts to resolve pending issues between the partners of Inalca JBS. These efforts resulted in the dissolution of the partnership and signing of the Termination Agreement. The Cremonini group paid € 218.9 million to JBS S.A. for our part in the company.

Also in Italy, we took control of 100% of Rigamonti, a company of which we already held 70% since December 2009. The company produces about 7,000 tons of processed meat per year and has a 40% market share in the segment in which it operates.

Results

Our net revenue reached R$ 55.1 billion. This amount represents a 57.7% growth over the previous year. Our EBITDA reached R$3.75 billion, placing us in a prominent position among the leading companies in Brazil, representing a 194.2% growth over the previous year.

Increased volumes and organic growth, inevitably lead to a need for working capital. Last year, our R$ 55 billion revenues, of which almost 30% resulted from international trade, demanded a considerable amount of capital and yet we were able to maintain our leverage at comfortable levels. We ended the year with our net debt/EBITDA relation in 3,0X, but when eliminating non-recurring issues, this factor reduces to 2,8X.

We decided to pay the debentures premium and, consequently extend the deadline for conversion of JBS stock until the end of this year because we believe that there will be more adequate conditions in 2011. As an alternative, we are reviewing the current debenture conditions in order to propose a solution that creates value for our shareholders.

Perspectives for 2011

When we look back, we realize much has been done. When we look forward, we see that there is still a lot to do. In 2011, we began a phase at our Company, one of collecting the positive results on our actions and investments.

We will continue to work on our aim to be an integrated global food company and on our constant search for new clients and markets in order to expand our distribution channels and exports. We will be completely focused on obtaining the highest possible return on our investments, thus creating value for our shareholders.

We are working with a macroeconomic scenario of increasing global demand for proteins this year, especially in emerging economies and of stable production in our productive sector to meet such demand. We are confident that our company´s performance will improve substantially.

Our challenge is to continue to be a Company with growing revenues while maintaining our simplicity, efficiency, concentration and traditional dynamism. To achieve this, we will work together, consistently, perennially and with a focus on growth.

Without the effort and cooperation of all our employees we would never have reached where we are today. We thank all of those who believe and invest in our Company. We count on the support of all our partners, suppliers, clients, shareholders and other stakeholders.

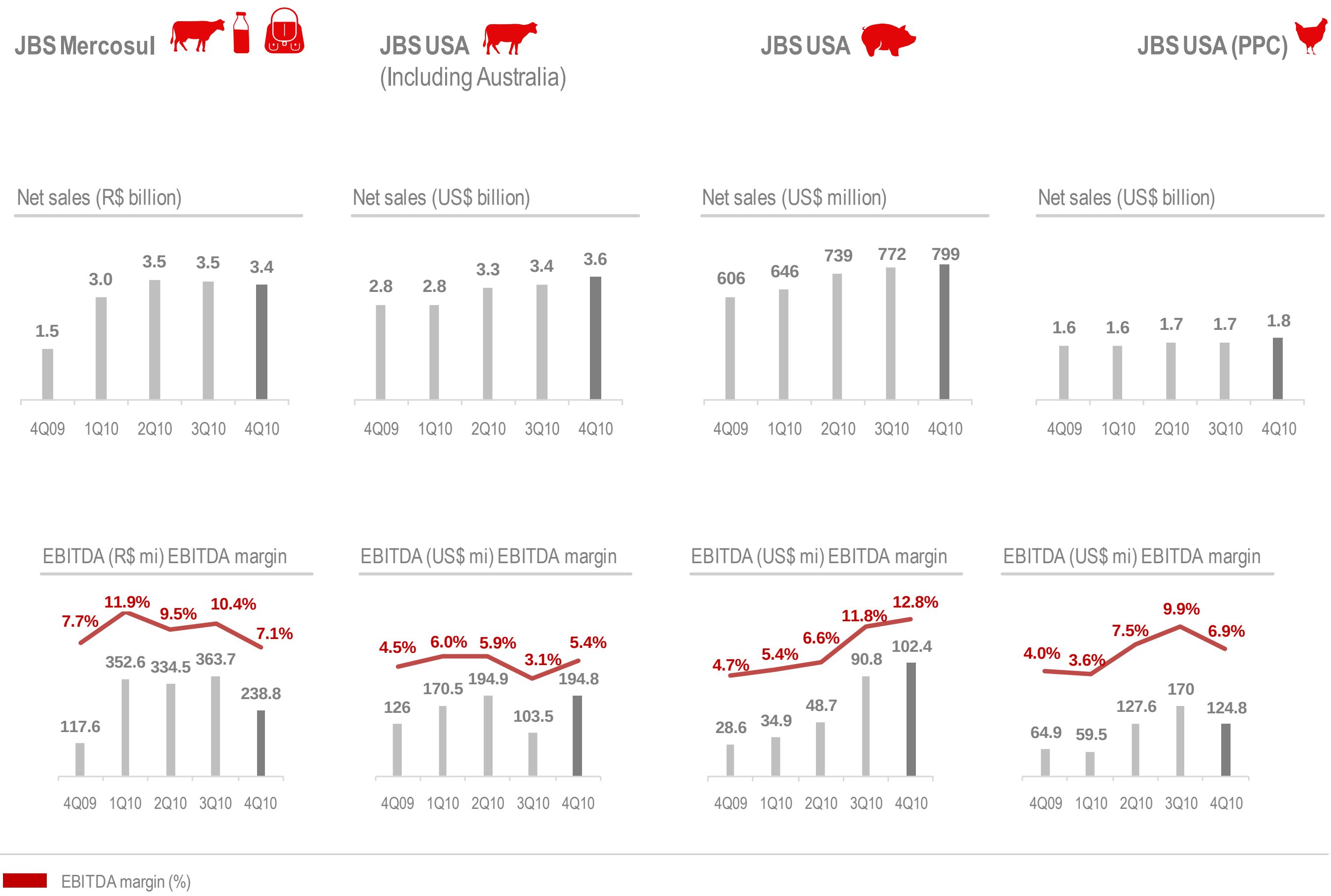
Wesley Batista
President & CEO

ANALYSIS OF CONSOLIDATED RESULTS

Analysis of the principal financial indicators of JBS by Business Unit

		4Q10	3Q10	Δ%	4Q09	Δ%	2010	2009	Δ%
Net Revenue									
JBS USA Beef	US$	3,588.7	3,358.4	6.9%	2,817.0	27.4%	13,103.6	11,232.3	16.7%
JBS USA Pork	US$	799.4	772.2	3.5%	605.6	32.0%	2,956.7	2,245.0	31.7%
JBS USA Chicken	US$	1,811.3	1,719.9	5.3%	1,602.7	13.0%	6,881.7	6,813.8	1.0%
JBS Mercosul	R$	3,362.8	3,491.0	-3.7%	1,528.7	120.0%	13,333.6	6,073.9	119.5%
EBITDA									
JBS USA Beef	US$	194.8	103.5	88.2%	126.0	54.6%	663.7	398.7	66.5%
JBS USA Pork	US$	102.4	90.8	12.8%	28.6	258.0%	276.8	76.1	263.8%
JBS USA Chicken	US$	124.8	170.0	-26.6%	64.9	92.3%	481.9	495.4	-2.7%
JBS Mercosul	R$	238.8	363.7	-34.3%	117.6	103.1%	1,289.6	304.4	323.7%
EBITDA Margin									
JBS USA Beef	%	5.4%	3.1%	-	4.5%	-	5.1%	3.5%	-
JBS USA Pork	%	12.8%	11.8%	-	4.7%	-	9.4%	3.4%	-
JBS USA Chicken	%	6.9%	9.9%	-	4.0%	-	7.0%	7.3%	-
JBS Mercosul	%	7.1%	10.4%	-	7.7%	-	9.7%	5.0%	-

Performance by Business Unit



Consolidated analysis of the principal operational indicators of JBS

R$ million	4Q10	3Q10	Δ%	4Q09	Δ%	2010	2009	Δ%
Net Revenue	**14,319.6**	**14,069.6**	**1.8%**	**7,408.9**	**93.3%**	**55,055.8**	**34,905.6**	**57.7%**
Cost of Goods Sold	-12,522.7	-12,291.3	1.9%	-6,570.1	90.6%	-48,296.8	-31,765.9	52.0%
Gross Income	**1,796.9**	**1,778.3**	**1.0%**	**838.8**	**114.2%**	**6,759.0**	**3,139.6**	**115.3%**
Gross Margin	12.5%	12.6%	-	11.3%	-	12.3%	9.0%	-
Selling Expenses	-717.7	-699.4	2.6%	-370.4	93.8%	-2,644.3	-1,645.9	60.7%
General and Adm. Expenses	-511.6	-364.5	40.4%	-161.8	216.1%	-1,650.1	-705.6	133.9%
Net Financial Income (expense)	-950.3	-363.1	161.7%	-128.7	-	-2,220.2	-579.0	283.5%
Non-recurring Expenses	-74.5	-80.7	-	0.0	-	-234.0	0.0	-
Gain on bargain purchase PPC	-9.5	0.0	-	0.0	-	-9.5	185.2	-
Other Income (expense)	1.8	10.3	-82.6%	0.4	-	65.3	7.9	723.8%
Operating Income	**-464.8**	**281.0**	**-265.4%**	**178.3**	**-360.8%**	**66.3**	**402.3**	**-83.5%**
Income and social contribution taxes	-34.7	-124.5	-72.1%	-50.4	-31.1%	-330.3	-182.2	81.3%
Net Income (Loss)	**0.0**	**-**	**0.0%**	**-**	**93.3%**	**-264.0**	**220.1**	**-219.9%**
Participation of controlling shareholders	-499.5	156.5	-419.2%	127.9	-490.6%	-302.7	220.7	-237.1%
Participation of non-controlling shareholders	-39.8	-23.0	72.9%	0.0	-	38.7	-0.6	-6749.5%
EBITDA	**865.9**	**1,026.4**	**-15.6%**	**397.8**	**117.7%**	**3,756.2**	**1,275.9**	**194.4%**
EBITDA Margin	6.0%	7.3%	-	5.4%	-	6.8%	3.7%	-
Adjusted Net Income (Loss)	**-145.7**	**-**	**-**	**127.9**	**-213.9%**	**196.1**	**220.1**	**-10.9%**

(1) Excluding non-recurring costs (note 28 of the financial statements) and the fee paid to the debenture holders in the amount of R$521.9 million in the 4Q10 and 2010 (Notice to the Market on the 26th of December, 2010). Consider the participation of the controlling shareholders.

Number of Heads Slaughtered and Sales Volume

	4Q10	3Q10	Δ%	4Q09	Δ%	2010	2009	Δ%
Heads slaughtered (thousand)								
Cattle	3,632.3	3,742.0	-2.9%	3,056.0	18.9%	15,112.6	12,624.6	19.7%
Hogs	3,587.2	3,121.3	14.9%	3,388.8	5.9%	12,841.8	12,468.6	3.0%
Smalls	890.2	854.8	4.1%	719.4	23.7%	2,531.1	1,922.1	31.7%
Volume Sold (thousand tons)*								
Domestic Market	**1,777.0**	**1,642.8**	**8.2%**	**1,374.1**	**29.3%**	**6,696.6**	**5,509.7**	**21.5%**
Fresh and Chilled Beef	1,511.0	1,375.5	9.9%	1,234.9	22.4%	5,635.8	4,963.6	13.5%
Processed Beef	38.7	41.7	-7.2%	33.4	15.7%	158.2	127.8	23.8%
Others	227.3	225.6	0.7%	105.8	114.9%	902.6	418.3	115.8%
Exports	**492.6**	**559.0**	**-11.9%**	**421.8**	**16.8%**	**2,030.9**	**1,728.1**	**17.5%**
Fresh and Chilled Beef	442.9	505.2	-12.3%	398.8	11.1%	1,798.3	1,637.2	9.8%
Processed Beef	18.1	24.2	-25.1%	21.7	-16.4%	103.5	88.1	17.6%
Others	31.6	29.6	6.7%	1.3	2330.4%	129.0	2.9	4348.9%
TOTAL	**2,269.6**	**2,201.8**	**3.1%**	**1,795.9**	**26.4%**	**8,727.5**	**7,237.8**	**20.6%**

* Not including chicken

CONSOLIDATED RESULTS

Net Revenues

JBS posted consolidated net revenues of R$55,055.8 million in 2010, an increase of 57.7% compared to 2009.

JBS USA presented net revenues of US$22,941.9 million in 2010, 13.0% superior to 2009 pro forma, which was US$20,291.1 million (Including PPC).

JBS Mercosul operations presented net revenues of R$13,333.6 million in 2010, an increase of 128.9% compared to 2009. Taking into consideration the pro forma revenue of JBS Mercosul and Bertin in 2009 (note 5 of the Financial Statements), which was R$13,122.3 millions, there was a revenue increase of 1.6%.

JBS consolidated net revenue in 2010 was R$ 55,055.8 million, which represents a reduction of 1.4% compared to R$ 55.817,3 million, the pro forma results of 2009 (including Bertin and PPC). This reduction is due to the fact that the revenues in 2009 took into consideration the results of INALCA JBS, while in 2010, only the results of 1Q10 are reflected. Furthermore, the real appreciated 11.9% against the dollar in the period, which also affects the company's results compared to the previous year. If adjusted for the effects of Inalca and the FX exchange, the growth of revenue would have been 14.2% over 2009.

EBITDA

The 2010 EBITDA was R$3,756.2 million, 194.4% superior to the previous year. The EBITDA margin was 6.8%.

JBS USA EBITDA was US$1,422.4 million in 2010, an increase of 46.63% in relation to pro forma EBITDA of 2009.

JBS Mercosul posted an EBITDA of R$1,289.6 for the year, 299.3% greater than in 2009. Considering the pro forma results of 2009 (including Bertin) the EBITDA went from R$1,071.7 million to R$1,289.6 million in 2010, an increase of 20.3%.

JBS Consolidated EBITDA presented an increase of 16.2%, when compared to the pro forma EBITDA of 2009, which was R$3,233.8 million.

Net Profit (Loss)

The adjusted net profit was R$196.1 million in 2010, excluding the effects of non-recurring events.

The non-recurring expenses that impacted the results of the period were:

i) Fee Payment to the debenture holders in the amount of R$521.9 million (Notice to the Market on the 26th of December 2010)

ii) JBS S.A - R$ 77.1 million, refers to the reorganization and restructuring costs due to the incorporation of Bertin S.A. and the donation given to the political parties in 2010 elections. Besides that, there was a R$25.5 million provision made for the losses related to investment in Inalca JBS as a result of Termination Agreement signed on March 4, 2011, in accordance with the Notice to the Market.

iii) JBS Argentina - R$ 41.3 million, refers to the reorganization and goodwill impairment and to the restructuring and severance payments due to the temporary suspension of operations at the Berazategui (Consignaciones Rurales), Colonia Caroya (Col-Car) and San Jose plant.

iv) JBS USA - R$ 90.1 million, refers to the reorganization and restructuring costs due to the acquisition of Pilgrim's Pride Corporation.

Considering the effects above, the Company presented a Net Loss of R$302.8 million in 2010.

Capital Expenditure

In 2010, the total capital expenditure of JBS in property, plant, and equipment was R$1,443.2 million. The principal investments were for the improvement of productivity and the increase in storage capacity and distribution.

Indebtedness

The net ratio debt to EBITDA increased from 2.9x in the 3Q10 to 3.0x for the quarter. It is important to note that the Company incurred non-recurring costs in the period such as: The fee paid to the debenture holders, and the R$208.3 million in cash used to repurchase Company's shares in the 4Q10. Excluding these effects, the leverage ratio would have reduced to 2.8x.

R$ million	31/12/10	30/09/10	Var.%
Gross debt	**15,564.7**	**14,952.6**	**4.1%**
(-) Cash and Equivalents	4,063.8	4,402.5	-7.7%
Net debt	**11,500.9**	**10,550.1**	**9.0%**
(-) Fee for the debentures in the 4Q10 (2)	521.9	---	---
(-) Repurchase of shares by the company (3)	212.3	---	---
Adjusted Net debt for the non-reoccurring events	**10,771.9**	**10,550.1**	**2.1%**
Net debt/EBITDA (1)	**3.0x**	**2.9x**	
Adjusted Net debt/EBITDA (1)	**2.8x**	**2.9x**	

(1) LTM include Bertin and Pilgrim's Pride pro-forma.
(2) Fee paid to debenture holders, as announced in the notice to the market on the 27th of December, 2010.
(3) The Company repurchased 30,7 million shares in the 4Q10 with an average price of R$6.9.

Organic Growth

JBS obtained net revenue of R$55.1 billion for the year and all the business units presented double digit organic growth, in their local currency, for the period.

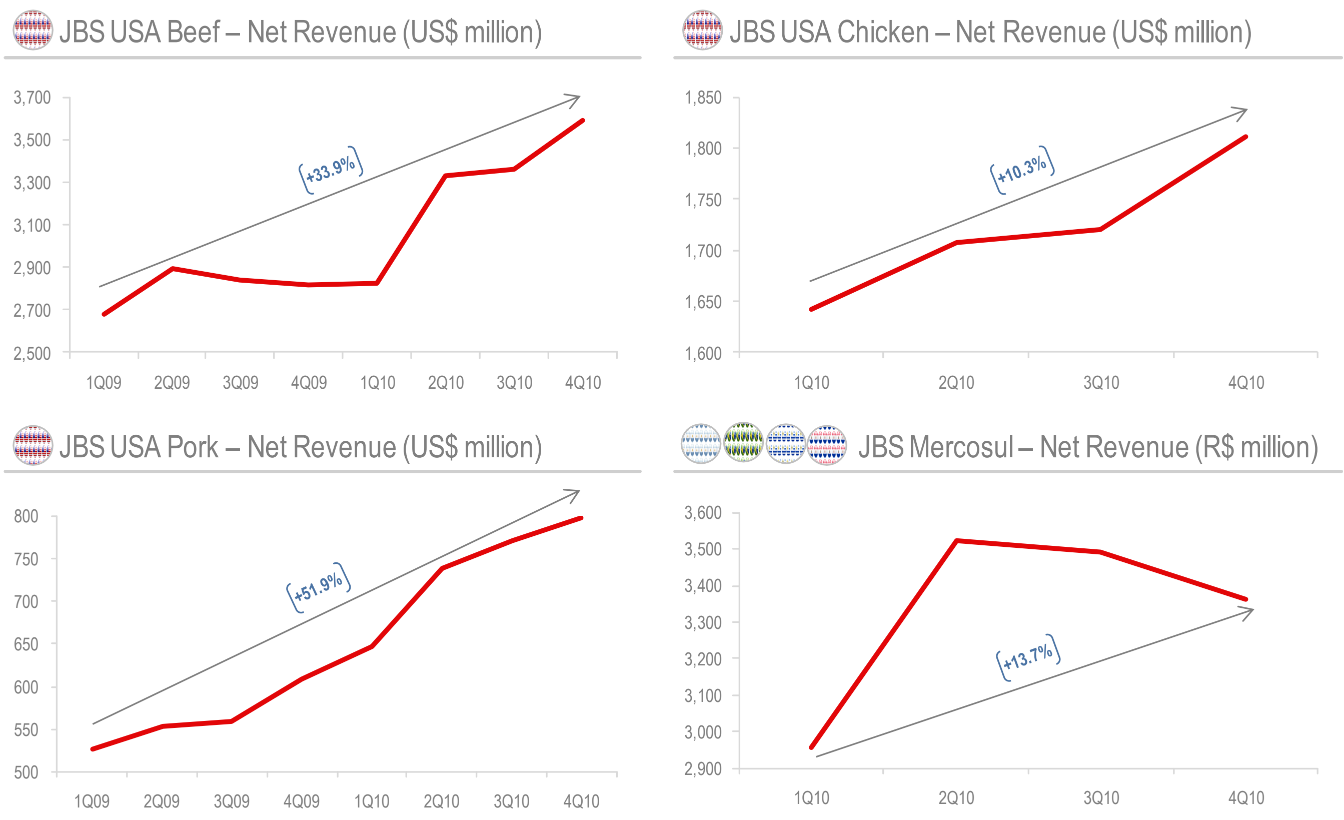
The USA Beef Unit grew 33.9% between 1Q09 and 4Q10 and from 2009 to 2010 by 16.7%, equivalent to US$1,872 million.

The USA Pork Unit grew 51.9% between 1Q09 and 4Q10 and from 2009 to 2010 by 31.7%, equivalent to US$712 million.

The USA Chicken Unit grew 10.3% between the 1st and 4th Quarter of 2010.

JBS Mercosul grew 13.7% between the 1st and 4th Quarter of 2010.

Net Revenue Growth by Business Unit



Source: JBS

ANALYSIS OF RESULTS BY BUSINESS UNIT

JBS USA Beef (including Australia) – 43% of JBS S.A. Net Revenues

Net revenue for the period was US$3,588.7 million, 27.4% greater than the 4Q09. The 4Q10 results reflect an increase in volume and average sales price in the domestic market. Comparing to 3Q10, the increase was 6.9%.

EBITDA was $ 194.8 million in the period, an increase of 54.6% and 88.2% over 4Q09 and 3Q10, respectively, with an EBITDA margin of 5.4% in 4Q10.

In 2010, net revenue was US$13,103.5 million, an increase of 16.7% over 2009, which was $11,232.3 million. EBITDA was US$ 663.7 million, 66.5% superior compared to the previous year. EBITDA margin rose from 3.5% in 2009 to 5.1% in 2010.

The improvement in performance reflects the gains in operational efficiencies such as reducing the cost of production per head slaughtered, increase in the productivity per carcass and reduction of selling, general and administrative expenses.

Highlights (US GAAP)

US$ million	4Q10	3Q10	Δ%	4Q09	Δ%	2010	2009	Δ%
Heads slaughtered (thousand)	2,047.3	2,080.2	-1.6%	1,891.4	8.2%	8,194.8	8,012.8	2.3%
Net Revenue	3,588.7	3,358.4	6.9%	2,817.0	27.4%	13,103.5	11,232.3	16.7%
EBITDA	194.8	103.5	88.2%	126.0	54.6%	663.7	398.7	66.5%
EBITDA margin %	5.4%	3.1%		4.5%		5.1%	3.5%	

Breakdown of Net Revenues

Domestic Market	4Q10	3Q10	Δ%	4Q09	Δ%	2010	2009	Δ%
Net Revenue (US$ million)	2,864.9	2,352.9	21.8%	2,074.4	38.1%	9,780.0	8,556.1	14.3%
Volume (tons)	917.0	829.6	10.5%	713.9	28.4%	3,304.5	3,075.9	7.4%
Average Price (US$/Kg)	3.12	2.84	10.2%	2.91	7.5%	2.96	2.78	6.4%

Exports	4Q10	3Q10	Δ%	4Q09	Δ%	2010	2009	Δ%
Net Revenue (US$ million)	723.8	1,005.5	-28.0%	742.5	-2.5%	3,323.5	2,746.6	21.0%
Volume (tons)	295.5	311.0	-5.0%	277.1	6.6%	1,116.6	1,143.7	-2.4%
Average Price (US$/Kg)	2.45	3.23	-24.3%	2.68	-8.6%	2.98	2.40	23.9%

JBS USA Pork – 10% of JBS S.A. Net Revenues

JBS USA Pork division achieved historical results for the quarter. The net revenue was US$799.4 million, 32.0% greater than the 4Q09, reflecting an increase in prices for domestic sales and an increase in volumes for exports. Compared to the previous quarter, the increase was 3.5%.

EBITDA reached US$102.4 million in the quarter, 258% higher y-o-y. The EBITDA margin was 12.8%.

The consolidated net revenue for the year was US$2,956.7 million, an increase of 31.7% for the year. EBITDA increased by 263.7%, from US$76.1 million in 2009 to US$276.8 in 2010.

The Pork Business unit demonstrates an improvement in operational efficiency and cost reduction, besides the balance between of the industry slaughter capacity and the supply of raw material.

Highlights (US GAAP)

US$ million	4Q10	3Q10	Δ%	4Q09	Δ%	2010	2009	Δ%
Animals slaughtered (thousand)	3,587.2	3,121.3	14.9%	3,388.8	5.9%	12,841.8	12,468.6	3.0%
Net Revenue	799.4	772.2	3.5%	605.6	32.0%	2,956.7	2,245.0	31.7%
EBITDA	102.4	90.8	12.8%	28.6	258.0%	276.8	76.1	263.7%
EBITDA margin %	12.8%	11.8%		4.7%		9.4%	3.4%	

Breakdown of Net Revenues

Domestic Market	4Q10	3Q10	Δ%	4Q09	Δ%	2010	2009	Δ%
Net Revenue (US$ million)	695.2	679.8	2.3%	523.1	32.9%	2,567.7	1,922.6	33.6%
Volume (thousand tons)	348.0	308.1	12.9%	337.8	3.0%	1,285.1	1,169.9	9.8%
Average Price (US$/Kg)	2.00	2.21	-9.4%	1.55	29.0%	2.00	1.64	21.6%

Exports	4Q10	3Q10	Δ%	4Q09	Δ%	2010	2009	Δ%
Net Revenue (US$ million)	104.2	92.4	12.8%	82.5	26.3%	388.9	322.4	20.6%
Volume (thousand tons)	64.4	52.9	21.8%	46.0	40.0%	214.6	169.3	26.8%
Average Price (US$/Kg)	1.62	1.75	-7.4%	1.79	-9.8%	1.81	1.90	-4.8%

JBS USA Chicken (PPC controlled by JBS USA) – 22% of JBS S.A. Net Revenues

Net revenue for the period was US$1,811.3 million, 13% greater than the 4Q09. Compared to 3Q10, the increase was 5.3%. The improvement in revenue reflects the increase in volumes sold in both retail and foodservices. Compared to the 4Q09, the U.S. sales and volume increased by 10% and 13%, respectively. In Mexico, the sales increased 36%, while volume increased 8%, reflecting the increase in demand.

EBITDA was US$124.8 million, 92.3% greater than the 4Q09, reflecting the improvement in gross margin in all segments compared to the previous year. EBITDA margin was 6.9%.

In the quarter, grain prices were much higher compared to 2009. Corn and soybeans rose on average of 45% and 10% respectively. The price of fresh chicken improved for the period, which partly offset the increase in grain prices.

The consolidated net revenue grew 1% compared to 2009, from US$6,813.8 million to US$6,881.7 million. EBITDA for the year decreased by 2.7%, from US$495.4 million in 2009 to US$481.9 million in 2010.

Highlights (US GAAP)

US$ million	4Q10	3Q10	Δ%	4Q09		2010	2009	Δ%
Net Revenue	1,811.3	1,719.9	5.3%	1,602.7	13.0%	6,881.7	6,813.8	1.0%
EBITDA	124.8	170.0	-26.6%	64.9	92.3%	481.9	495.4	-2.7%
EBITDA margin %	6.9%	9.9%		4.0%		7.0%	7.3%	-

JBS Mercosul - 25% of JBS S.A. Net Revenues

Revenues of JBS Mercosul showed a decrease of 3.7% in comparison to 3Q10, reaching R$3,362.8 million, impacted by a reduction in export volume sold, partially compensated by the improvements in export prices.

The EBITDA was R$238.8 million in the 4Q10, a decrease of 34.3% in comparison with the previous quarter. The EBITDA margin was 7.1%. Besides seasonality, the results of the period reflected an increase in cattle prices.

For the year, the net revenue went from R$6,073.9 million in 2009 to R$13,333.6 in 2010, an increase of 119.5%, mainly due to the incorporation of Bertin. The EBITDA for the year was R$1,289.6 million, 299.3% greater than 2009, which demonstrates the synergy gains from merging with Bertin, along with the gains in efficiency and improvement in operations. EBITDA margin rose from 5.5% in 2009 to 9.7% in 2010.

Highlights

R$ million	4Q10	3Q10	Δ%	4Q09	Δ%	2010	2009	Δ%
Heads slaughtered (thousand)	1,585.0	1,661.8	-4.6%	1,063.1	49.1%	6,819.6	4,201.2	62.3%
Net Revenue	3,362.8	3,491.0	-3.7%	1,528.7	120.0%	13,333.6	6,073.9	119.5%
EBITDA	238.8	363.7	-34.3%	117.6	103.1%	1,289.6	304.4	323.7%
EBITDA margin %	7.1%	10.4%		7.7%		9.7%	5.0%	

Breakdown of Net Revenues

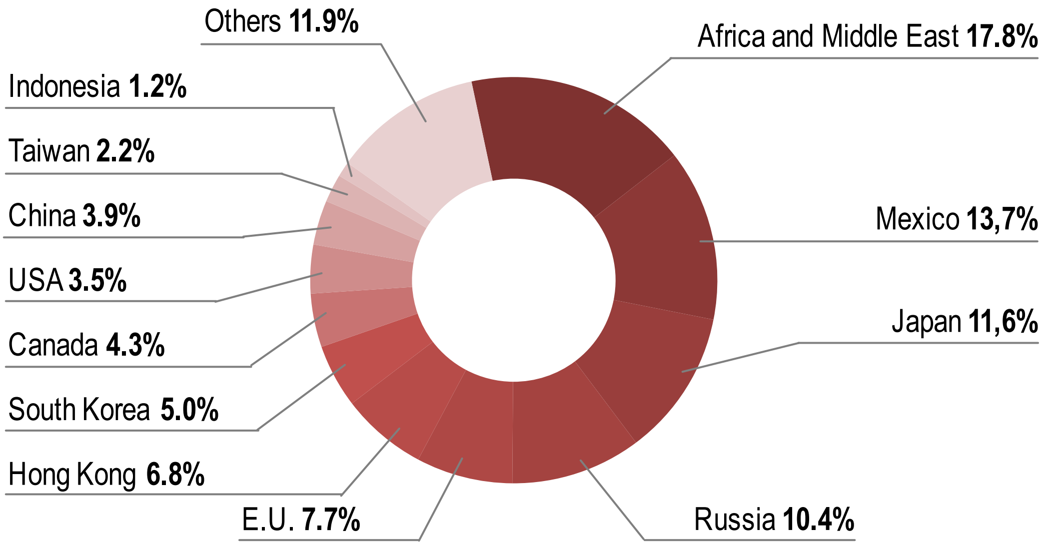
Domestic Market	4Q10	3Q10	Δ%	4Q09	Δ%	2010	2009	Δ%
Net Revenue (million R$)								
Fresh and Chilled Product	1,646.4	1,523.1	8.1%	777.3	111.8%	5,923.3	2,845.4	108.2%
Processed Items	139.8	124.5	12.3%	77.6	80.2%	503.2	327.9	53.4%
Others	434.4	447.8	-3.0%	106.9	306.5%	1,677.3	358.9	367.3%
TOTAL	**2,220.6**	**2,095.5**	**6.0%**	**961.7**	**130.9%**	**8,103.8**	**3,532.2**	**129.4%**
Volume (thousand tons)								
Fresh and Chilled Product	246.1	237.8	3.5%	149.9	64.2%	1,011.1	581.2	74.0%
Processed Items	38.7	41.7	-7.2%	33.4	15.7%	158.2	127.8	23.8%
Others	227.3	225.6	0.7%	105.8	114.9%	902.6	418.3	115.8%
TOTAL	**512.0**	**505.1**	**1.4%**	**289.1**	**77.1%**	**2,071.9**	**1,127.2**	**83.8%**
Average Price (R$/Kg)								
Fresh and Chilled Product	6.69	6.40	4.5%	5.19	29.0%	5.86	4.90	19.7%
Processed Items	3.62	2.99	21.0%	2.32	55.7%	3.18	2.57	23.9%
Others	1.91	1.98	-3.7%	1.01	89.2%	1.86	0.86	116.6%

Exports	4Q10	3Q10	Δ%	4Q09	Δ%	2010	2009	Δ%
Net Revenue (million R$)								
Fresh and Chilled Beef	703.5	972.3	-27.6%	435.7	61.5%	3,354.5	1,820.1	84.3%
Processed Beef	195.0	184.7	5.6%	124.7	56.4%	813.4	576.5	41.1%
Others	243.7	238.5	2.2%	6.6	3612.6%	1,061.9	15.4	6778.4%
TOTAL	**1,142.2**	**1,395.5**	**-18.2%**	**566.9**	**101.5%**	**5,229.8**	**2,412.1**	**116.8%**
Volume (thousand tons)								
Fresh and Chilled Beef	83.0	141.4	-41.3%	69.4	19.6%	460.7	298.6	54.3%
Processed Beef	18.1	24.2	-25.1%	21.7	-16.4%	103.5	88.1	17.6%
Others	31.6	29.6	6.7%	1.3	2330.4%	129.0	2.9	4348.9%
TOTAL	**132.7**	**195.2**	**-32.0%**	**92.4**	**43.7%**	**693.3**	**389.6**	**77.9%**
Average Price (R$/Kg)								
Fresh and Chilled Beef	8.47	6.88	23.2%	6.28	35.0%	7.28	6.09	19.5%
Processed Beef	10.76	7.63	40.9%	5.74	87.2%	7.86	6.55	20.0%
Others	7.71	8.06	-4.3%	5.05	52.8%	8.23	5.32	54.6%

TABLES AND CHARTS

Graph I - JBS Consolidated Exports Distribution

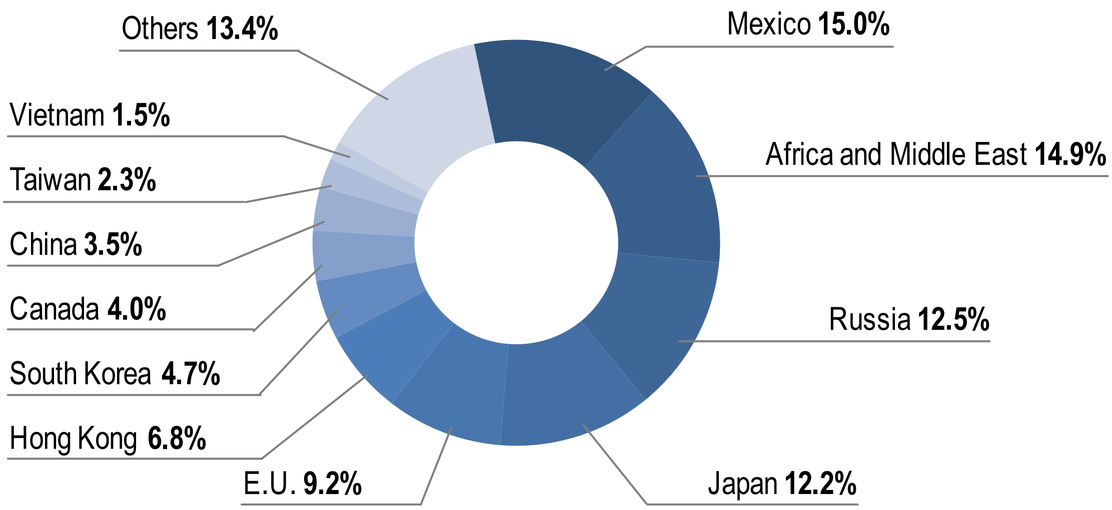
JBS Consolidated Exports Distribution - 2010



US$ 8,506.8 million

Source: JBS

JBS Exports Distribution – 4Q10



US$ 2,087.9 million

Source: JBS

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CONSOLIDATED FINANCIAL STATEMENT – JBS S.A.

JBS S.A.

Balance sheets
(In thousands of Reais)

	Company			Consolidated		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	**3.000.649**	4.097.027	1.522.973	**4.063.833**	5.067.530	2.291.619
Trade accounts receivable, net	**1.672.729**	1.273.377	552.991	**3.904.483**	3.201.437	2.256.721
Inventories	**1.109.472**	758.536	539.510	**4.711.938**	3.476.645	2.270.317
Recoverable taxes	**1.088.310**	841.306	447.343	**1.416.809**	1.066.033	623.022
Prepaid expenses	**13.844**	13.233	1.754	**109.140**	131.915	70.881
Other current assets	**161.066**	296.882	166.275	**533.998**	810.407	468.947
TOTAL CURRENT ASSETS	**7.046.070**	**7.280.361**	**3.230.846**	**14.740.201**	**13.753.967**	**7.981.507**
NON-CURRENT ASSETS						
Long-term assets						
Credits with related parties	**-**	-	1.700.868	**332.679**	326.972	54.777
Judicial deposits and others	**88.208**	70.640	16.378	**519.643**	558.615	102.571
Recoverable taxes	**553.770**	550.848	37.632	**616.308**	615.748	65.307
Total long-term assets	**641.978**	**621.488**	**1.754.878**	**1.468.630**	**1.501.335**	**222.655**
Investments in subsidiaries	**9.329.030**	7.234.791	4.652.319	**-**	-	-
Biological assets	**-**	-	-	**430.685**	249.618	279.356
Property, plant and equipment, net	**7.598.963**	7.599.627	1.816.206	**15.219.343**	15.014.548	5.825.225
Intangible assets, net (Note 15)	**11.294.531**	11.302.764	962.751	**12.667.244**	13.366.982	2.107.745
Other investments	**10**	10	10	**3.122**	3.984	5.722
	28.222.534	**26.137.192**	**7.431.286**	**28.320.394**	**28.635.132**	**8.218.048**
TOTAL NON-CURRENT ASSETS	**28.864.512**	**26.758.680**	**9.186.164**	**29.789.024**	**30.136.467**	**8.440.703**
TOTAL ASSETS	**35.910.582**	**34.039.041**	**12.417.010**	**44.529.225**	**43.890.434**	**16.422.210**

JBS S.A.

Balance sheets
(In thousands of Reais)

	Company			Consolidated		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Trade accounts payable	**566.982**	627.542	383.979	**2.837.973**	2.546.036	1.930.998
Loans and financings	**4.342.593**	3.926.390	1.494.690	**5.191.248**	5.123.099	2.210.380
Payroll, social charges and tax obligation	**375.600**	287.082	62.722	**1.140.678**	721.854	470.908
Declared dividends	**-**	122.953	51.127	**-**	122.953	51.127
Debit with third parties for investment	**45.746**	431.267	-	**45.746**	431.267	-
Other current liabilities	**509.482**	481.401	76.772	**469.437**	360.053	342.072
TOTAL CURRENT LIABILITIES	**5.840.403**	**5.876.635**	**2.069.290**	**9.685.082**	**9.305.262**	**5.005.485**
NON-CURRENT LIABILITIES						
Loans and financings	**6.679.915**	5.311.023	2.991.344	**10.373.479**	9.304.014	3.401.708
Convertible debentures	**3.462.212**	3.462.212	-	**3.462.212**	3.462.212	-
Deferred income taxes	**390.774**	344.704	60.827	**1.037.892**	1.141.278	348.849
Provision for contingencies	**136.002**	210.088	48.244	**322.427**	431.249	69.343
Debits with related parties	**1.532.002**	1.106.890	-	**-**	-	-
Debit with third parties for investment	**149.964**	171.939	210.480	**149.964**	171.938	210.480
Other non-current liabilities	**124.939**	47.919	40.473	**803.320**	923.960	392.450
TOTAL NON-CURRENT LIABILITIES	**12.475.808**	**10.654.775**	**3.351.368**	**16.149.294**	**15.434.651**	**4.422.830**
SHAREHOLDERS' EQUITY						
Capital stock	**18.046.067**	16.483.544	4.495.581	**18.046.067**	16.483.544	4.495.581
Capital reserve	**500.775**	714.503	769.463	**500.775**	714.503	769.463
Revaluation reserve	**106.814**	112.352	118.178	**106.814**	112.352	118.178
Profit reserves	**574.804**	810.538	863.238	**574.804**	810.538	863.238
Valuation adjustments to shareholders' equity	**(1.719)**	(914)	(2.920)	**(1.719)**	(914)	(2.920)
Accumulated translation adjustments	**(1.632.370)**	(612.392)	752.812	**(1.632.370)**	(612.392)	752.812
Attributable to controlling interest	**17.594.371**	**17.507.631**	**6.996.352**	**17.594.371**	**17.507.631**	**6.996.352**
Attributable to noncontrolling interest	**-**	**-**	**-**	**1.100.478**	**1.642.890**	**(2.457)**
TOTAL SHAREHOLDERS' EQUITY	**17.594.371**	**17.507.631**	**6.996.352**	**18.694.849**	**19.150.521**	**6.993.895**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**35.910.582**	**34.039.041**	**12.417.010**	**44.529.225**	**43.890.434**	**16.422.210**

JBS S.A.

Statements of income for the years ended December 31, 2010 and 2009
(In thousands of Reais)

	Company		Consolidated	
	2010	2009	2010	2009
NET SALE REVENUE	**11.770.293**	**5.148.794**	**55.055.802**	**34.905.571**
Cost of goods sold	**(9.338.628)**	(4.170.692)	**(48.296.810)**	(31.765.938)
GROSS INCOME	**2.431.665**	**978.102**	**6.758.992**	**3.139.633**
OPERATING INCOME (EXPENSE)				
General and administrative expenses	**(503.405)**	(193.241)	**(1.650.075)**	(705.586)
Selling expenses	**(995.067)**	(486.686)	**(2.644.309)**	(1.645.854)
Financial income (expense), net	**(1.927.045)**	(512.603)	**(2.220.182)**	(578.975)
Equity in subsidiaries	**827.857**	475.514	**-**	-
Non-recurring expenses	**(102.607)**	-	**(233.951)**	-
Bargain purchase gain	**-**	-	**(9.463)**	185.189
Other income, net	**7.013**	3.432	**65.288**	7.927
	(2.693.254)	**(713.584)**	**(6.692.692)**	**(2.737.299)**
INCOME (LOSS) BEFORE TAXES	**(261.589)**	**264.518**	**66.300**	**402.334**
Current income taxes	**2.853**	3.001	**(361.594)**	(49.728)
Deferred income taxes	**(44.012)**	(46.809)	**31.294**	(132.478)
	(41.159)	**(43.808)**	**(330.300)**	**(182.206)**
NET INCOME (LOSS) PER THOUSAND SHARES	**(302.748)**	**220.710**	**(264.000)**	**220.128**
Attributable to:				
Controlling interest			**(302.748)**	220.710
Noncontrolling interest			**38.748**	(582)
			(264.000)	**220.128**
Net Income (loss) basic per thousand shares in the end of the year - in reais (Note 26)	**(121,45)**	**94,99**	**(121,45)**	**94,99**

Statement of EBITDA (Earnings before income taxes, interest, depreciation and amortization)

	Company 2010	Company 2009	Consolidated 2010	Consolidated 2009
Net income (loss) before taxes	**(261.589)**	264.518	**66.300**	402.334
Financial income (expense), net	**1.927.045**	512.603	**2.220.182**	578.975
Depreciation and amortization	**286.115**	97.515	**1.226.300**	479.811
Equity in subsidiaries	**(827.857)**	(475.514)	**-**	-
Bargain purchase gain	**-**	-	**9.463**	(185.189)
Non-recurring expenses	**102.607**	-	**233.951**	-
AMOUNT OF EBITDA	**1.226.321**	**399.122**	**3.756.196**	**1.275.931**

JBS S.A.

Statements of cash flows for the years ended December 31, 2010 and 2009
(In thousands of Reais)

	Company		Consolidated	
	2010	2009	2010	2009
Cash flow from operating activities				
Net income (loss) of the year	**(302.748)**	220.710	**(302.748)**	220.710
Adjustments to reconcile net income (loss) to cash provided				
. Depreciation and amortization	**286.115**	97.515	**1.226.300**	479.811
. Allowance for doubtful accounts	**7.180**	6.018	**16.498**	11.395
. Equity in subsidiaries	**(827.857)**	(475.514)	**-**	-
. Noncontrolling interest income	**-**	-	**38.748**	(582)
. Write-off of fixed assets	**6.961**	3.878	**11.400**	12.833
. Deferred income taxes	**44.012**	46.809	**(31.294)**	132.478
. Current and non-current financial charges	**448.829**	(378.143)	**640.024**	333.471
. Provision for contingencies	**(73.368)**	4.207	**(22.336)**	8.128
. Capital loss in investment	**9.199**	-	**-**	-
. Adjustment of assets and liabilities to present value	**-**	(426)	**-**	(426)
. Impairment	**25.514**	-	**83.831**	1.048
	(376.163)	**(474.946)**	**1.660.423**	**1.198.866**
Variation in operating assets and liabilities				
Increase in trade accounts receivable	**(531.026)**	(108.890)	**(951.928)**	(34.872)
Decrease (increase) in inventories	**(350.936)**	259.878	**(1.237.510)**	332.118
Increase in recoverable taxes	**(239.357)**	(122.018)	**(273.708)**	(132.735)
Increase in other current and non-current assets	**31.791**	40.070	**262.511**	184.388
Decrease (increase) in credits with related parties	**-**	-	**(2.101)**	458.274
Decrease (increase) in biological assets	**-**	-	**(189.908)**	33.810
Increase (decrease) in trade accounts payable	**(60.870)**	(166.651)	**320.303**	(317.805)
Increase (decrease) in other current and non-current liabilities	**(311.617)**	220.309	**(77.739)**	1.224.265
Increase in debits with related parties	**1.598.237**	1.112.548	**-**	-
Valuation adjustments to shareholders' equity	**-**	-	**(936.089)**	(1.341.871)
Adjustments to first-time adoption of IFRS	**-**	-	**(55.733)**	(70.876)
Net cash provided by (used in) operating activities	**(239.941)**	**760.300**	**(1.481.479)**	**1.533.562**
Cash flow from investing activities				
Additions (disposal) to property, plant and equipment and intangible assets	**(533.831)**	(468.189)	**(1.257.374)**	(1.817.389)
Additions to investments	**(3.037.658)**	(1.348.475)	**-**	-
Net effect of the working capital of acquired company	**-**	(2.471.683)	**(338.119)**	(3.945.740)
Net cash used in investing activities	**(3.571.489)**	**(4.288.347)**	**(1.595.493)**	**(5.763.129)**
Cash flow from financing activities				
Loans and financings	**5.693.809**	2.436.612	**14.197.470**	4.585.835
Payments of loans and financings	**(4.309.777)**	(2.124.757)	**(13.465.178)**	(3.177.843)
Convertible debentures	**-**	3.462.212	**-**	3.462.212
Capital increase	**1.600.000**	2.527.354	**1.600.000**	2.527.354
Declared dividends	**-**	(122.953)	**-**	(122.953)
Transaction costs for the issuing of titles and securities	**(55.252)**	-	**(55.252)**	-
Shares acquisition of own emission	**(213.728)**	(76.367)	**(213.728)**	(76.367)
Net cash provided by financing activities	**2.715.052**	**6.102.101**	**2.063.312**	**7.198.238**
Effect of exchange variation on cash and cash equivalents	**-**	**-**	**9.963**	**(192.760)**
Net increase (decrease) in cash and cash equivalents	**(1.096.378)**	2.574.054	**(1.003.697)**	2.775.911
Cash and cash equivalents at the beginning of the year	**4.097.027**	1.522.973	**5.067.530**	2.291.619
Cash and cash equivalents at the end of the year	**3.000.649**	**4.097.027**	**4.063.833**	**5.067.530**

DISCLAIMER

This release contains forward-looking statements relating to the prospects of the business, estimates for operating and financial results, and those related to growth prospects of JBS. These are merely projections and, as such, are based exclusively on the expectations of JBS' management concerning the future of the business and its continued access to capital to fund the Company's business plan. Such forward-looking statements depend, substantially, on changes in market conditions, government regulations, competitive pressures, the performance of the Brazilian economy and the industry, among other factors and risks disclosed in JBS' filed disclosure documents and are, therefore, subject to change without prior notice.

JBS S.A.

Financial statements and Report of Independent auditors

As of December 31, 2010 and 2009

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(Convenience translation into English from the original previously issued in Portuguese)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
JBS S.A.
São Paulo – SP

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying s Company and Consolidated financial statements of JBS S.A. ("Company"), which comprises the statement of financial position as of 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the Company financial statements in accordance with accounting practices adopted in Brazil and the Consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - IASB and in accordance with accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements taken as a whole.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

BASIS FOR QUALIFIED OPINION

As mentioned in note No. 1.c., the Company's management, due to doubts about the quality and credibility of the accounting information presented in the financial statements of "Inalca JBS S.p.A.", chose not to recognize the equity in its earnings in Company financial statements and chose not to consolidate them in the Consolidated financial statements of JBS SA, both for the period from 1 April 2010 to 31 December 2010. Furthermore, the auditing of the financial statements of "Inalca JBS S.p.A." for the periods then mentioned, which is the responsibility of other independent accountants, has not been completed to date.

QUALIFIED OPINION FOR COMPANY FINANCIAL STATEMENTS

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of JBS S.A. as of 31 December 2010, its financial performance and cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

QUALIFIED OPINION FOR CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the consolidated financial position of JBS S.A. as of 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - IASB and in accordance with accounting practices adopted in Brazil.

EMPHASIS OF MATTER

As described in Note 2, the Company financial statements were prepared in accordance with accounting practices adopted in Brazil. In the case of JBS SA these practices differ from the IFRS applicable to Company financial statements, only in relation to the valuation of investments in subsidiaries, associates and jointly controlled companies by the equity method, whereas under IFRS they would be valued by cost or fair value.

OTHER MATTER

Statement of value added

We also audited the Company and Consolidated statements of value added (DVA) for the year ended 31 December 2010, whose presentation is required by Brazilian corporate law for public companies and as supplementary information under IFRS that do not require the presentation of DVA. These statements were submitted to the auditing procedures described above and, in our opinion, are fairly stated in all material respects, in relation to the financial statements taken as a whole.

PREVIOUS YEAR'S AUDIT

The figures for the year ended 31 December 2009, presented for comparative purposes, were previously audited by us in accordance with auditing standards prevailing at the time of issuance of the report on 1 March 2010 with no modified opinion. Auditing standards previously in effect did not consider the audits of group over the subsidiaries financial statements including the work of component auditors under ISA600 (NBCTA600) allowing the division of responsibility where the direct and indirect subsidiaries, respectively Inalca JBS SpA and Pilgrim's Pride Corporation, were audited by other auditors and other subsidiaries were audited by BDO member firms, at that time. Our opinion with respect to the balance of investments in these subsidiaries and the related equity in their earnings as of 31 December 2009, is based on the work of those auditors.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, 16 March 2011

Orlando Octávio de Freitas Júnior
Engagement partner
BDO Auditores Independentes

Márcio Serpejante Peppe
Engagement partner
BDO Auditores Independentes

JBS S.A.

Balance sheets
(In thousands of Reais)

	Company			Consolidated		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Note 7)	**3,000,649**	4,097,027	1,522,973	**4,063,833**	5,067,530	2,291,619
Trade accounts receivable, net (Note 8)	**1,672,729**	1,273,377	552,991	**3,904,483**	3,201,437	2,256,721
Inventories (Note 9)	**1,109,472**	758,536	539,510	**4,711,938**	3,476,645	2,270,317
Recoverable taxes (Note 10)	**1,088,310**	841,306	447,343	**1,416,809**	1,066,033	623,022
Prepaid expenses	**13,844**	13,233	1,754	**109,140**	131,915	70,881
Other current assets	**161,066**	296,882	166,275	**533,998**	810,407	468,947
TOTAL CURRENT ASSETS	**7,046,070**	**7,280,361**	**3,230,846**	**14,740,201**	**13,753,967**	**7,981,507**
NON-CURRENT ASSETS						
Long-term assets						
Credits with related parties (Note 11)	**-**	-	1,700,868	**332,679**	326,972	54,777
Judicial deposits and others	**88,208**	70,640	16,378	**519,643**	558,615	102,571
Recoverable taxes (Note 10)	**553,770**	550,848	37,632	**616,308**	615,748	65,307
Total long-term assets	**641,978**	**621,488**	**1,754,878**	**1,468,630**	**1,501,335**	**222,655**
Investments in subsidiaries (Note 12)	**9,329,030**	7,234,791	4,652,319	**-**	-	-
Biological assets (Note 13)	**-**	-	-	**430,685**	249,618	279,356
Property, plant and equipment, net (Note 14)	**7,598,963**	7,599,627	1,816,206	**15,219,343**	15,014,548	5,825,225
Intangible assets, net (Note 15)	**11,294,531**	11,302,764	962,751	**12,667,244**	13,366,982	2,107,745
Other investments	**10**	10	10	**3,122**	3,984	5,722
	28,222,534	**26,137,192**	**7,431,286**	**28,320,394**	**28,635,132**	**8,218,048**
TOTAL NON-CURRENT ASSETS	**28,864,512**	**26,758,680**	**9,186,164**	**29,789,024**	**30,136,467**	**8,440,703**
TOTAL ASSETS	**35,910,582**	**34,039,041**	**12,417,010**	**44,529,225**	**43,890,434**	**16,422,210**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Balance sheets
(In thousands of Reais)

	Company			Consolidated		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Trade accounts payable (Note 16)	**566,982**	627,542	383,979	**2,837,973**	2,546,036	1,930,998
Loans and financings (Note 17)	**4,342,593**	3,926,390	1,494,690	**5,191,248**	5,123,099	2,210,380
Payroll, social charges and tax obligation (Note 20)	**375,600**	287,082	62,722	**1,140,678**	721,854	470,908
Declared dividends	**-**	122,953	51,127	**-**	122,953	51,127
Debit with third parties for investment (Note 22)	**45,746**	431,267	-	**45,746**	431,267	-
Other current liabilities	**509,482**	481,401	76,772	**469,437**	360,053	342,072
TOTAL CURRENT LIABILITIES	**5,840,403**	**5,876,635**	**2,069,290**	**9,685,082**	**9,305,262**	**5,005,485**
NON-CURRENT LIABILITIES						
Loans and financings (Note 17)	**6,679,915**	5,311,023	2,991,344	**10,373,479**	9,304,014	3,401,708
Convertible debentures (Note 19)	**3,462,212**	3,462,212	-	**3,462,212**	3,462,212	-
Deferred income taxes (Note 23)	**390,774**	344,704	60,827	**1,037,892**	1,141,278	348,849
Provision for contingencies (Note 21)	**136,002**	210,088	48,244	**322,427**	431,249	69,343
Debits with related parties (Note 11)	**1,532,002**	1,106,890	-	**-**	-	-
Debit with third parties for investment (Note 22)	**149,964**	171,939	210,480	**149,964**	171,938	210,480
Other non-current liabilities	**124,939**	47,919	40,473	**803,320**	923,960	392,450
TOTAL NON-CURRENT LIABILITIES	**12,475,808**	**10,654,775**	**3,351,368**	**16,149,294**	**15,434,651**	**4,422,830**
SHAREHOLDERS' EQUITY (Note 24)						
Capital stock	**18,046,067**	16,483,544	4,495,581	**18,046,067**	16,483,544	4,495,581
Capital reserve	**500,775**	714,503	769,463	**500,775**	714,503	769,463
Revaluation reserve	**106,814**	112,352	118,178	**106,814**	112,352	118,178
Profit reserves	**574,804**	810,538	863,238	**574,804**	810,538	863,238
Valuation adjustments to shareholders' equity	**(1,719)**	(914)	(2,920)	**(1,719)**	(914)	(2,920)
Accumulated translation adjustments	**(1,632,370)**	(612,392)	752,812	**(1,632,370)**	(612,392)	752,812
Attributable to controlling interest	**17,594,371**	**17,507,631**	**6,996,352**	**17,594,371**	**17,507,631**	**6,996,352**
Attributable to noncontrolling interest	**-**	**-**	**-**	**1,100,478**	**1,642,890**	**(2,457)**
TOTAL SHAREHOLDERS' EQUITY	**17,594,371**	**17,507,631**	**6,996,352**	**18,694,849**	**19,150,521**	**6,993,895**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**35,910,582**	**34,039,041**	**12,417,010**	**44,529,225**	**43,890,434**	**16,422,210**

JBS S.A.

Statements of income for the years ended December 31, 2010 and 2009
(In thousands of Reais)

	Company		Consolidated	
	2010	2009	2010	2009
NET SALE REVENUE (Note 25)	**11,770,293**	**5,148,794**	**55,055,802**	**34,905,571**
Cost of goods sold	**(9,338,628)**	(4,170,692)	**(48,296,810)**	(31,765,938)
GROSS INCOME	**2,431,665**	**978,102**	**6,758,992**	**3,139,633**
OPERATING INCOME (EXPENSE)				
General and administrative expenses	**(503,405)**	(193,241)	**(1,650,075)**	(705,586)
Selling expenses	**(995,067)**	(486,686)	**(2,644,309)**	(1,645,854)
Financial income (expense), net (Note 27)	**(1,927,045)**	(512,603)	**(2,220,182)**	(578,975)
Equity in subsidiaries (Note 12)	**827,857**	475,514	**-**	-
Non-recurring expenses (Note 28)	**(102,607)**	-	**(233,951)**	-
Bargain purchase gain	**-**	-	**(9,463)**	185,189
Other income, net	**7,013**	3,432	**65,288**	7,927
	(2,693,254)	**(713,584)**	**(6,692,692)**	**(2,737,299)**
INCOME (LOSS) BEFORE TAXES (Note 23)	**(261,589)**	**264,518**	**66,300**	**402,334**
Current income taxes	**2,853**	3,001	**(361,594)**	(49,728)
Deferred income taxes	**(44,012)**	(46,809)	**31,294**	(132,478)
	(41,159)	**(43,808)**	**(330,300)**	**(182,206)**
NET INCOME (LOSS) PER THOUSAND SHARES	**(302,748)**	**220,710**	**(264,000)**	**220,128**
Attributable to:				
Controlling interest			**(302,748)**	220,710
Noncontrolling interest			**38,748**	(582)
			(264,000)	**220,128**
Net Income (loss) basic per thousand shares in the end of the year - in reais (Note 26)	**(121.45)**	**94.99**	**(121.45)**	**94.99**

Statement of EBITDA (Earnings before income taxes, interest, depreciation and amortization)

	Company 2010	Company 2009	Consolidated 2010	Consolidated 2009
Net income (loss) before taxes	**(261,589)**	264,518	**66,300**	402,334
Financial income (expense), net (Note 27)	**1,927,045**	512,603	**2,220,182**	578,975
Depreciation and amortization	**286,115**	97,515	**1,226,300**	479,811
Equity in subsidiaries (Note 12)	**(827,857)**	(475,514)	**-**	-
Bargain purchase gain	**-**	-	**9,463**	(185,189)
Non-recurring expenses (Note 28)	**102,607**	-	**233,951**	-
AMOUNT OF EBITDA	**1,226,321**	**399,122**	**3,756,196**	**1,275,931**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statement of comprehensive income for the years ended December 31, 2010 and 2009
(In thousands of Reais)

	Company	
	2010	2009
Net income (loss)	**(302,748)**	**220,710**
Other comprehensive income (loss)		
Valuation adjustments to shareholders' equity in subsidiaries	**(805)**	2,006
Accumulated adjustment of conversion in subsidiaries	**(190,602)**	(214,309)
Exchange variation in subsidiaries	**(829,376)**	(1,150,895)
Total of comprehensive income (loss)	**(1,323,531)**	**(1,142,488)**
Total of comprehensive income (loss) attributable to:		
Controlling interest	**(1,154,135)**	(1,139,475)
Noncontrolling interest	**(169,396)**	(3,013)
	(1,323,531)	**(1,142,488)**

	Consolidated	
	2010	2009
Net income (loss)	**(264,000)**	**220,128**
Other comprehensive income (loss)		
Valuation adjustments to shareholders' equity in subsidiaries	**(805)**	2,006
Accumulated adjustment of conversion in subsidiaries	**(190,602)**	(214,309)
Exchange variation in subsidiaries	**(829,376)**	(1,150,895)
Total of comprehensive income (loss)	**(1,284,783)**	**(1,143,070)**
Total of comprehensive income (loss) attributable to:		
Controlling interest	**(1,120,347)**	(1,140,056)
Noncontrolling interest	**(164,436)**	(3,014)
	(1,284,783)	**(1,143,070)**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statements of changes in shareholders' equity for the years ended December 31, 2010 and 2009
(In thousands of Reais)

	Capital stock	Capital reserve	Revaluation reserve	Profit reserves: Legal	Profit reserves: For expansion	Valuation adjustments to shareholders' equity	Accumulated translation adjustments	Accumulated Profit (loss)	Total	Noncontrolling interest	Total shareholders' equity
BALANCE AS OF DECEMBER 31, 2008	**4,495,581**	**769,463**	**118,178**	**1,297**	**-**	**(2,920)**	**752,812**	**-**	**6,134,411**	**-**	**6,134,411**
Adjustments to first-time adoption of IFRS (note 4)	-	-	-	-	861,941	-	-	-	**861,941**	(2,457)	**859,484**
BALANCE ADJUSTED AS OF JANUARY 1, 2009	**4,495,581**	**769,463**	**118,178**	**1,297**	**861,941**	**(2,920)**	**752,812**	**-**	**6,996,352**	**(2,457)**	**6,993,895**
Capital increase	11,987,963	-	-	-	-	-	-	-	**11,987,963**	-	**11,987,963**
Adjustment of net income destination from previous year	-	21,407	-	-	17,399	-	-	-	**38,806**	-	**38,806**
Realization of revaluation reserve	-	-	(5,826)	-	-	-	-	5,826	**-**	-	**-**
Treasury Shares	-	(76,367)	-	-	-	-	-	-	**(76,367)**	-	**(76,367)**
Valuation adjustments in subsidiaries shareholders´ equity	-	-	-	-	-	2,006	-	-	**2,006**	-	**2,006**
Accumulated exchange conversion adjustments in subsidiaries shareholders' equity	-	-	-	-	-	-	(214,309)	-	**(214,309)**	-	**(214,309)**
Investments exchange rate variations, net	-	-	-	-	-	-	(1,150,895)	-	**(1,150,895)**	-	**(1,150,895)**
Net income (loss)	-	-	-	-	-	-	-	220,710	**220,710**	-	**220,710**
Proposal for destination of the net income											
Legal reserve	-	-	-	6,471	-	-	-	(6,471)	**-**	-	**-**
Proposed dividends (R$ 13,23 per thousands)	-	-	-	-	-	-	-	(122,953)	**(122,953)**	-	**(122,953)**
Reserve for expansion	-	-	-	-	(76,570)	-	-	(97,112)	**(173,682)**	-	**(173,682)**
Noncontrolling interest	-	-	-	-	-	-	-	-	**-**	1,645,347	**1,645,347**
BALANCE AS OF DECEMBER 31, 2009	**16,483,544**	**714,503**	**112,352**	**7,768**	**802,770**	**(914)**	**(612,392)**	**-**	**17,507,631**	**1,642,890**	**19,150,521**
Capital Increase	1,600,000	-	-	-	-	-	-	-	**1,600,000**	-	**1,600,000**
Transaction costs for the issuing of titles and securities	(37,477)	-	-	-	-	-	-	-	**(37,477)**	-	**(37,477)**
Treasury shares	-	(213,728)	-	-	-	-	-	-	**(213,728)**	-	**(213,728)**
Adjustment of net income destination from previous year	-	-	-	-	61,476	-	-	-	**61,476**	-	**61,476**
Realization of revaluation reserve	-	-	(5,538)	-	-	-	-	5,538	**-**	-	**-**
Valuation adjustments in subsidiaries shareholders' equity	-	-	-	-	-	(805)	-	-	**(805)**	-	**(805)**
Accumulated translation adjustments in subsidiaries shareholders' equity	-	-	-	-	-	-	(190,602)	-	**(190,602)**	-	**(190,602)**
Exchange variation rate of investments in foreign currency	-	-	-	-	-	-	(829,376)	-	**(829,376)**	-	**(829,376)**
Loss of the year	-	-	-	-	-	-	-	(302,748)	**(302,748)**	-	**(302,748)**
Loss absorption	-	-	-	-	(297,210)	-	-	297,210	**-**	-	**-**
Minority interest	-	-	-	-	-	-	-	-	**-**	(542,412)	**(542,412)**
BALANCE AS OF DECEMBER 31, 2010	**18,046,067**	**500,775**	**106,814**	**7,768**	**567,036**	**(1,719)**	**(1,632,370)**	**-**	**17,594,371**	**1,100,478**	**18,694,849**

The accompanying notes are an integral part of the financial statements

Statements of cash flows for the years ended December 31, 2010 and 2009
(In thousands of Reais)

	Company		Consolidated	
	2010	2009	2010	2009
Cash flow from operating activities				
Net income (loss) of the year	**(302,748)**	220,710	**(302,748)**	220,710
Adjustments to reconcile net income (loss) to cash provided				
. Depreciation and amortization	**286,115**	97,515	**1,226,300**	479,811
. Allowance for doubtful accounts	**7,180**	6,018	**16,498**	11,395
. Equity in subsidiaries	**(827,857)**	(475,514)	**-**	-
. Noncontrolling interest income	**-**	-	**38,748**	(582)
. Write-off of fixed assets	**6,961**	3,878	**11,400**	12,833
. Deferred income taxes	**44,012**	46,809	**(31,294)**	132,478
. Current and non-current financial charges	**448,829**	(378,143)	**640,024**	333,471
. Provision for contingencies	**(73,368)**	4,207	**(22,336)**	8,128
. Capital loss in investment	**9,199**	-	**-**	-
. Adjustment of assets and liabilities to present value	**-**	(426)	**-**	(426)
. Impairment	**25,514**	-	**83,831**	1,048
	(376,163)	**(474,946)**	**1,660,423**	**1,198,866**
Variation in operating assets and liabilities				
Increase in trade accounts receivable	**(531,026)**	(108,890)	**(951,928)**	(34,872)
Decrease (increase) in inventories	**(350,936)**	259,878	**(1,237,510)**	332,118
Increase in recoverable taxes	**(239,357)**	(122,018)	**(273,708)**	(132,735)
Increase in other current and non-current assets	**31,791**	40,070	**262,511**	184,388
Decrease (increase) in credits with related parties	**-**	-	**(2,101)**	458,274
Decrease (increase) in biological assets	**-**	-	**(189,908)**	33,810
Increase (decrease) in trade accounts payable	**(60,870)**	(166,651)	**320,303**	(317,805)
Increase (decrease) in other current and non-current liabilities	**(311,617)**	220,309	**(77,739)**	1,224,265
Increase in debits with related parties	**1,598,237**	1,112,548	**-**	-
Valuation adjustments to shareholders' equity	**-**	-	**(936,089)**	(1,341,871)
Adjustments to first-time adoption of IFRS	**-**	-	**(55,733)**	(70,876)
Net cash provided by (used in) operating activities	**(239,941)**	**760,300**	**(1,481,479)**	**1,533,562**
Cash flow from investing activities				
Additions (disposal) to property, plant and equipment and intangible assets	**(533,831)**	(468,189)	**(1,257,374)**	(1,817,389)
Additions to investments	**(3,037,658)**	(1,348,475)	**-**	-
Net effect of the working capital of acquired company	**-**	(2,471,683)	**(338,119)**	(3,945,740)
Net cash used in investing activities	**(3,571,489)**	**(4,288,347)**	**(1,595,493)**	**(5,763,129)**
Cash flow from financing activities				
Loans and financings	**5,693,809**	2,436,612	**14,197,470**	4,585,835
Payments of loans and financings	**(4,309,777)**	(2,124,757)	**(13,465,178)**	(3,177,843)
Convertible debentures	**-**	3,462,212	**-**	3,462,212
Capital increase	**1,600,000**	2,527,354	**1,600,000**	2,527,354
Declared dividends	**-**	(122,953)	**-**	(122,953)
Transaction costs for the issuing of titles and securities	**(55,252)**	-	**(55,252)**	-
Shares acquisition of own emission	**(213,728)**	(76,367)	**(213,728)**	(76,367)
Net cash provided by financing activities	**2,715,052**	**6,102,101**	**2,063,312**	**7,198,238**
Effect of exchange variation on cash and cash equivalents	**-**	**-**	**9,963**	**(192,760)**
Net increase (decrease) in cash and cash equivalents	**(1,096,378)**	2,574,054	**(1,003,697)**	2,775,911
Cash and cash equivalents at the beginning of the year	**4,097,027**	1,522,973	**5,067,530**	2,291,619
Cash and cash equivalents at the end of the year	**3,000,649**	**4,097,027**	**4,063,833**	**5,067,530**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Economic value added for the years ended December 31, 2010 and 2009
(In thousands of Reais)

	Company		Consolidated	
	2010	2009	2010	2009
Revenue				
Sales of goods and services	**12,458,897**	5,540,209	**56,692,830**	35,388,600
Other income	**13,288**	3,477	**(3,353)**	12,582
Own assets building income	**(7,180)**	(6,018)	**(16,498)**	(11,395)
	12,465,005	**5,537,668**	**56,672,979**	**35,389,787**
Goods				
Cost of services and goods sold	**(7,102,970)**	(3,492,452)	**(25,301,765)**	(25,124,199)
Materials, energy, services from third parties and others	**(1,877,885)**	(855,193)	**(19,034,434)**	(4,925,239)
Losses/Recovery of amounts	**(25,514)**	-	**(53,922)**	(10,081)
Other	**-**	426	**931**	426
	(9,006,369)	**(4,347,219)**	**(44,389,190)**	**(30,059,093)**
Gross added value	**3,458,636**	**1,190,449**	**12,283,789**	**5,330,694**
Depreciation and Amortization	**(286,115)**	(97,515)	**(1,226,300)**	(479,811)
Net added value generated by the Company	**3,172,521**	**1,092,934**	**11,057,489**	**4,850,883**
Net added value by transfer				
Equity in subsidiaries	**827,857**	475,514	**-**	-
Financial income	**1,485,847**	665,442	**1,956,073**	1,174,162
Others	**133**	3,079	**(4,511)**	4,857
Net added value to distribution	**5,486,358**	**2,236,969**	**13,009,051**	**6,029,902**
Distribution of added value				
Labor				
Salaries	**988,169**	422,958	**5,769,952**	2,775,914
Benefits	**149,406**	50,128	**1,249,552**	655,593
FGTS (Brazilian Social Charge)	**67,938**	23,639	**75,561**	23,870
	1,205,513	**496,725**	**7,095,065**	**3,455,377**
Taxes and contribution				
Federal	**528,790**	187,818	**913,015**	372,047
State	**593,386**	142,859	**844,506**	189,598
Municipal	**2,486**	193	**3,397**	1,393
	1,124,662	**330,870**	**1,760,918**	**563,038**
Capital Remuneration from third parties				
Interests	**3,338,817**	1,162,163	**4,206,986**	1,720,528
Rents	**54,318**	18,422	**65,301**	33,747
Others	**65,796**	8,079	**144,781**	37,084
	3,458,931	**1,188,664**	**4,417,068**	**1,791,359**
Owned capital remuneration				
Dividends	**-**	122,953	**-**	122,953
Retained earnings of the year atributable to controlling interest	**(302,748)**	97,757	**(302,748)**	97,757
Noncontrolling interest	**-**	-	**38,748**	(582)
	(302,748)	**220,710**	**(264,000)**	**220,128**
Added value distributed	**5,486,358**	**2,236,969**	**13,009,051**	**6,029,902**

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

1 Operating activities

JBS S.A (the Company) is a listed company in the Novo Mercado segment, which requires the highest level of corporate governance in the Brazilian market and its shares are traded on the BM&F Bovespa S.A - Stock Exchange, Commodity and Forward.

The operations of the Company and its subsidiaries consist of:

a) Activities in Brazil

The Company performs slaughter facility, cold storage and meat processing operations for the production of beef, canned goods, fat, pet food and beef by-products, which are produced in the thirty six plants located in the States of São Paulo, Goiás, Mato Grosso, Mato Grosso do Sul, Rondônia, Minas Gerais, Acre, Rio de Janeiro, Paraná, Pará, Tocantins and Bahia.

The Company distributes its products through distribution centers located in the State of São Paulo, Rio de Janeiro, Brasília, Amazonas, Paraná, Rio Grande do Sul, Bahia, Espírito Santo, Minas Gerais, Santa Catarina and a container terminal for export in the city of Santos.

The Company uses own transport operating to retail sales of cattle for slaughter and export products.

After Bertin's incorporation, on December 29, 2009, the Company began operations from the activities of leather tanning, intending most of its production for export in the segments of leather for furniture, automotive, footwear and artifacts, in the stages of Wet Blue, Semi Finished and Finished. The Company has a structure of nineteen own industrial plants, three rented plants and seven services provider plants located in the states of São Paulo, Espírito Santo, Minas Gerais, Goiás, Mato Grosso, Mato Grosso do Sul, Rondônia, Maranhão, Pará, Tocantins, Goiás and Rio Grande do Sul.

JBS Embalagens Metálicas Ltda. (JBS Embalagens) produces metal packing in its plant located in the State of São Paulo, for the Company use.

The subsidiary JBS Confinamento Ltda. (JBS Confinamento) is located in Castilho, State of São Paulo and in Nazário and Aruanã, State of Goiás and Lucas do Rio Verde, State of Mato Grosso, operates the activity of buying and selling beef cattle and providing services of cattle feedlot.

Beef Snacks do Brasil Indústria e Comércio de Alimentos Ltda. (Beef Snacks), an indirect subsidiary of the Company is located in Santo Antônio da Posse, State of São Paulo, produces Beef Jerky buying fresh beef in the domestic market and exporting industrial products to the United States of America. Since April 2009, arising from a dispute among shareholders of the parent's Beef Snacks, the join venture Beef Snacks International BV, (50% by JBS Global A/S, a direct subsidiary of JBS S.A., and 50% of Link International Meat Products Ltd., US-based Company), Beef Snacks momentarily stopped its manufacturing operations. The Management, supported by the positioning of its legal advisors, has adopted legal measures to solve such dispute, aiming the proximate return of operations, as well as the increase of its activities.

Due to Bertin's incorporation synergy and interaction of JBS and Bertin has been created and, as a result of this, the Company assumed Bertin's operations.

Bertin was a wholly Brazilian company and was engaged in slaughter, processing and distribution of beef and derivatives, leather processing, processing and sale of personal hygiene and domestic cleaning products, production of pet food, production of metal packaging, cargo transportation and recycling. Bertin's activities were grouped into the following business plants: meat, leather, electricity, oil, biodiesel, personal care and hygiene, pet products, production of cans, logistics and environmental.

Bertin had a total of forty nine plants, being fifteen leather plants located in the States of São Paulo, Maranhão, Goiás, Mato Grosso, Mato Grosso do Sul, Espírito Santo, Tocantins, Pará, Rondônia and Minas Gerais; fifteen slaughter facilities located in the States of São Paulo, Mato Grosso, Mato Grosso do Sul, Goiás, Pará, Tocantins, Bahia, Minas Gerais and Rondônia; six commercial facilities located in the States of Rio de Janeiro, Bahia, Minas Gerais, Paraná and Rio Grande do Sul; four cosmetics plants in the State of São Paulo and Paraná; two carriers companies located in the State of São Paulo; three beef stores located in the State of São Paulo; one by-product facility n the State of Minas Gerais; one beef jerky plant located in the State of São Paulo; one pet products plant located in the State of São Paulo and one recycling plant in the State of São Paulo.

The subsidiary Biolins Energia S.A. (Biolins) located in the city of Lins, State of São Paulo, is engaged in the production and distribution of electric power, cogeneration and storage of hot water for heating, with the permission of the proper government authorities.

The subsidiary Novaprom Food Ingredients Ltda. (Novaprom) located in the Guaiçara, State of São Paulo, operates the exploration, production, distribution, export and import of food products and ingredients. It is the pioneer in the production of natural collagen fiber, protein, collagen in its purest form, extracted from the suede and with the minimum of 99% protein content, the largest company in the world in production and distribution of natural collagen fiber. Novaprom sells its products troughtout Brazil and exports for continets as Europe, Latin America, Asia and Oceania.

The subsidiary S.A. Fábrica de Produtos Alimentícios Vigor (Vigor), located in the city of São Paulo engages in the processing and distribution of dairy products in general, processing and distribution of oils, vegetable products, instant noodles and yogurt. Vigor, through the concession of registration for the "Foods and Drug Administration - FDA, " is qualified to export its entire production line to the United States of America.

In December 2009, the Companhia Leco de Produtos Alimentícios (Leco) and Laticínios Serrabella Ltda (Serrabella) were incorporated, with the following operations:
i) Leco: The activity consists in refining, processing and distribution of oils, vegetables derived, noodles and yogurt. It has production plants in São Caetano do Sul, São Paulo, Anápolis, State of Goiás, Santo Inácio and State of Paraná. Operates in the same market of Vigor, as large chains, small retailers and food service, with higher sales volume concentrated in the Southeast.
ii) Serrabella: The activity is based on the production of high-level quality of cheeses and fondue. It has a manufacturing facility in State of Minas Gerais and the distribution in São Paulo, with the products of Vigor, with higher sales volume concentrated in the Southeast.

The subsidiary Cascavel Couros Ltda. (Cascavel), located in Cascavel, State of Ceará, which activity is the production, distribution, import and export of hides and leather products, preparation and finishing and manufacture of upholstery leather and other leather artifacts. It specializes in the processing of cattle leather and products, dedicated to the production of wet blue leathers in stages, Semi-Finished and Finished. Cascavel buys leather from slaughter facilities of the JBS Group, selling mainly to domestic market, but principally export to Italy and United States of America .

b) Activities abroad

JBS Argentina S.A. (JBS Argentina), an indirect wholly-owned subsidiary of the Company, located in Argentina, operates slaughter facilities and cold storage facilities for the production of beef, canned goods, fat, pet food and beef products, in seven industrial plants located in the provinces of Buenos Aires, Entre Rios, Santa Fé and Córdoba.

JBS Argentina has three subsidiaries: One slaughter facility in Berezategui (Consignaciones Rurales), a can factory located in Zarate (Argenvases), both located in the province of Buenos Aires, and one slaughter facility in Cordoba.

In the current unfavorable scenario in the meat industry, the Company has decided temporarily discontinue its the operations of the following plants: San Jose, Colonia Caroya, Consignaciones Rurales and partially in Pontevedra.

JBS USA Holdings Inc. (JBS USA) processes, prepares, packages and delivers fresh, further processed and value-added beef, pork, chicken and lamb products for sale to customers in the United States and in international markets. In addition, JBS USA provides cattle hotelling services.

In the United States of America, JBS USA owns eight beef slaughter plants, three pork processing facilities, one lamb slaughter facility services, one value-added facility, and thirteen feedlots. JBS USA operates eleven processing facilities, two value added facilities and six feedlots in Australia. Three of the processing facilities in Australia process lamb, mutton, veal and beef; one facility processes lamb, mutton and veal; one facility processes only lamb; and the remaining six facilities process solely beef. JBS USA also operates twenty nine chicken facilities, supported by thirty two feed mills, forty one hatcheries, eleven rendering facilities, nine further processing facilities, and three pet food facilities in the United States and Mexico.

JBS USA divides its operation into three categories: Beef, operating the segment of bovine products, Pork, operating the segment of pork products and Chicken, operating the segment of poultry acquired through the business combination of PPC, both in the U.S. market.

Smithfield beef, currently known as JBS Packerland, owns four processing plants and one feedlot, and Five Rivers, known as JBS Five Rivers, own eleven feedlots.

In JBS USA, JBS Trading USA, Inc. (JBS Trading USA) and its subsidiaries, Tupman Thurlow Co., Inc. (Tupman) and Astro Sales International, Inc. (Astro) located in the United States of America distribute processed beef products mainly in U.S. market.

In JBS USA, PPC is a subsidiary company based in Pittsburgh, Texas, United States of America, one of the largest chicken processing in the United States of America, with operations in Mexico and Puerto Rico. Exporting commodities to over ninety countries, the main products are "in-natura ", whole chilled or chilled parts. The main customers are restaurant chains, food processors, distributors, supermarkets, wholesalers, distributors and other retail, and export to eastern Europe (including Russia), Far East (including China), Mexico and other world markets .

In JBS USA, the subsidiary Sampco, Inc. (Sampco), located in Chicago, in the United States of America, imports processed meats primarily from South America for sale primarius in the United States, Canada and the Caribbean. Sampco also imports other foods such as canned fish, fruits and vegetables from other regions, including the Far East, for sale in North America and Europe.

The indirect subsidiary Jerky Snack Brands, Inc (Jerky Snack), located in the United States of America, manufactures and distributes Meat Snacks (such s Beef Jerky, Smoked Meat Sticks, kippered Beef Steak , Meat & Cheese, Turkey Jerky and Hunter Sausage). Jerky Snack purchases products from Brazil and United States of America, and its main consumer is U.S. market. Since April 2009, due to shareholders' lawsuit of controller's Jerky Snack, joint venture Beef Snacks International BV, (50% by JBS Global A/S, a direct subsidiary of JBS S.A., and 50% of Link International Meat Products Ltd., US-based Company), has temporally dissoluted its manufacturing operations. The Management, supported by the opinion of its legal advisors, has adopted legal measures to solve such dispute, aiming the proximate return of operations, as well as the increase of its activities.

Global Beef Trading Sociedade Unipessoal Lda (Global Beef Trading), an indirect wholly-owned subsidiary of the Company, located in Ilha da Madeira, Portugal, sells food products such as beef, lamb, chicken and pork. Global Beef Trading imports the products from Latin America and exports to several countries in Europe, Africa and Asia.

As of December 31,2010 the Company owned 50% of Inalca JBS S.p.A, (Inalca JBS), that is Italy's leading beef company and one of the main operators in the European processing beef sector. It produces and markets a complete range of fresh and frozen meat, vacuum-packed, portioned products, canned meat, ready-to-eat meals, fresh and frozen hamburger, minced meats and, pre-cooked products. Inalca JBS owns six facilities in Italy, specialized by production line, and nine foreign facilities in Europe and Africa.

Inalca JBS, and it subsidiary Montana Alimentari S.p.A. (Montana) is one of Italy's leading companies in the segment of production, marketing and distribution of cured meats, snacks and ready for consumption products, with over 230 products. Montana owns the well-known brands “Montana” and “IBIS” and four facilities, specialized by product line and located in areas with Protected Denomination of Origin (P.D.O.) and Protected Geographic Indication (P.G.I.). Montana is also one of Italy's largest operators in the canned and pre-sliced meat market.

The indirect subsidiary Toledo International NV (Toledo) located in Belgium, has basically trading operations for the European, African, South American, Dutch and Belgian markets, selling cooked meat and other products. Additionally, develops logistics operations, warehousing, products customization and new products development.

The direct subsidiary CJSC Prodcontract (Prodcontract) is a company located in Russia, is an importer and distributor of fresh and frozen beef and frozen for the Russian Market, among the three largest importers of beef from the Russian market.

The indirect subsidiary Bertin Paraguay S.A (Bertin Paraguay), located in Assunção, Paraguay, slaughters and processes chilled and frozen beef and raw leather. Most of its production is destined to export to others subsidiaries of JBS Group. It is licensed to export to the European Union, Chile, Russia and other markets. In July 2009 Bertin Paraguay constituted a new plant, San Antonio, which came into operation in the second half of 2010.

The indirect subsidiary Frigorífico Canelones S.A (Frigorífico Canelones), located in Canelones, Uruguay, slaughters and processes “in natura” beef to export and frozen and chilled meat for local markets. Also sells meat cuts with bones, mainly to the local market.

The indirect subsidiary Egygate Distribution (Egygate), located in Egypt, is a wholesaler of food products.

The indirect subsidiary Mirs Cold Centers and Storage (Mirs Cold), located in Egypt, is a storage of fruits, meats and other kind of products that need to be frozen or chilled.

The indirect subsidiary Rigamonti Salumificio SpA (Rigamonti), located in Italy, consists on the leadership of the Italian market in production and sales of Bresaola (bovine cured beef). It is part of its operation also the production and sales of dry cured horse meat and flat cured pork belly (bacon), as well as the commercialization of cured ham.

The indirect subsidiary Trump Asia Enterprises Limited (Trump), located in China, has a leather processing plant, whose activity consists in the process of leather industrialization to be sold mainly for the local production of bags and shoes. It has three sales offices in Hong Kong, focused on the Asian market, and buying most of its from JBS Group and third party.

The indirect JBS Leather Europe S.R.O. (JBS Leather), has one administrative and sales office located in the city of Prague, and a warehouse located in the city of Borsov, both in the Czech Republic. JBS Leather buys leather from JBS Group and trades finished leathers in foreign markets, with focus on Eastern Europe, Poland and Germany the major consumer countries.

The indirect subsidiary Prometex SAM (Prometex), located in Monaco, trades mainly beef cuts "in-natura " frozen, buying most of its products from JBS Group for Russian and Egyptian markets.

The subsidiary JBS Italia S.R.L. (JBS Italy), located in the city of Arzignano, Italy, operates in the leather segment, buying leather from JBS Group and trading in domestic and European market, producing leather in semi finished and finished stages.

c) Inalca JBS

As of July 7, 2010, JBS S.A. filed an injunction in Italian court, aiming to discuss outstanding issues related to Corporate Governance of Group Cremonini, which on December 22, 2007 JBS acquired 50% of Inalca, forming the Inalca JBS (representing on March 31, 2010, 2.8% of consolidated revenue of JBS).

The remaining issues are mainly related to the failure of certain contractual terms relating to (i) full access to all information and facilities of Inalca JBS and its subsidiaries by board members appointed by JBS (including the Chairman) and (ii) the fulfillment of the contractual clause that delegates to JBS S.A., the appointment of Administrative and Financial Director of Inalca JBS and its subsidiaries, (iii) - full operation of the Internal Audit. Acting like this, JBS S.A. believes that will reach the appropriate stability administrative of Inalca JBS, and safeguarding the interests of its shareholders.

As of August 2, 2010, a request for action in the Chamber was filed with the ICC (International Chamber of Commerce) in Paris (France), to settle any outstanding issues cited in Corporate Governance on Inalca JBS.

Due to the impossibility to exercise some control functions guaranteed by contract clauses valid under Corporate Governance of Inalca JBS generated doubts about the quality and credibility of accounting information presented in the financial statements of Inalca JBS, for the year ended on December 31, 2010. As a result of all these legal procedures and doubts the Company under the quality and credibility of accounting information of Inalca JBS, Montana Alimentari and its subsidiaries, the financial statements of JBS S.A. for the year ended on December 31, 2010 has no effect of equity for the period of April 1st to the year ended on December 31, 2010, see Note 3. Therefore from equity method purposes the financial statements have been repeated the information from the first quarter of Inalca JBS and it's subsidiaries.

The Company signed on March 4, 2011, a “Termination Agreement" with the Cremonini Group for dissolution of its 50% of participation in Inalca's capital. Accordingly the terms of Termination Agreement, the Company has returned the shares representing 50% of the Capital Stock of Inalca JBS to the Cremonini Group and the Cremonini Group has simultaneously reimbursed the amount of Euros 218,855 thousands invested by the Company in 2008. As part of the agreement, the Company and Cremonini have agreed to definitively abandon all disputes and litigation relating to the Companies, their officers and employees.

The Company estimates that such termination agreement, would result in a loss, considering the probable tax effects of approximately R$ 16,839, considering the write off of investment, goodwill (intangible assets), debts payable to Cremonini Group and exchange rate variation on investments recorded in shareholders' equity updated until December 31, 2010.

2 Elaboration and presentation of consolidated financial statements

The authorization for completion of these consolidated financial statements was given at the Board of Directors' meeting held on March 22, 2011.

Consolidated financial statements

The consolidated financial statements were prepared for the years ended on December 31, 2010 and 2009 and are in accordance with international accounting practices (IFRS) issued by the International Accounting Standards Board (IASB), and also in accordance with accounting policies adopted in Brazil.

Individual financial statements (Company)

The individual financial statements were prepared in accordance with accounting practices adopted in Brazil, in compliance with the Law of joint stock companies (Lei das sociedades por ações - Leis SA's), considering the amendments made by Brazilian Laws 11.638/07 and 11.941/09 and pronouncements, interpretations and orientations of Brazilian Accounting Pronouncements Committee (Comitê de pronunciamentos contábeis) - CPC approved by resolutions of the Brazilian Federal Accounting Counci (Conselho Federal de Contabilidade) - CFC, and requirements of the Brazilian Securities Commission - CVM.

Due to first time adoption of Pronouncements issued by the Committee of Accounting Pronouncements - CPC 15 to 43, the Company and its subsidiaries, in accordance with CVM Resolution 592/09 which approved CPC 23, made certain adjustments in the financial statements at January 1, 2009 and December 31, 2009 and in the income statement for the year ended on December 31,2009 to enable the comparability between the periods presented.

The individual financial statements present the evaluation of investments in subsidiaries by the equity method, according to Brazilian legislation. However, the financial statements are not in accordance with the IFRS, which requires the evaluation of these investments in the separate Company's financial statements of the Company measured at their fair value or at cost.

The financial statements of subsidiaries presented prior to the first time adoption of IFRS are adjusted to the policies adopted by the Group - international accounting practices (IFRS). Thus, the financial statement of subsidiaries are presented at fair value, which defines the investments of the Company, measured at equity method, are also at fair value. Similarly for new acquisitions of investments after the adoption to IFRS is IFRS 3 (R)/ CPC 15 - Business Combinations is applied, which presents investment to fair value, subsequently, evaluating its investments in accordance with fair value or at cost.

Once there is no difference between the consolidated shareholders' equity and the consolidated profit/loss attributable to shareholders of Company, presented in the consolidated financial statements prepared in accordance with IFRSs and the practices adopted in Brazil, and shareholders' equity and profit/loss of the Company, presented in the individual financial statements prepared in accordance with accounting practices adopted in Brazil, the Company has decided to present separated and consolidated financial statements into a single set side by side.

3 Significant accounting practices

The main accounting practices used in the preparation of these interim consolidated financial statements, as described below, have been consistently applied all over the reported periods and years, unless otherwise stated.

a) Profit and loss calculation

Revenue and expenses are recorded on the accrual basis. Revenue includes the fair value of the payment received or receivable for sale of products and services in the normal course of business.

Revenue is net of taxes, returns, rebates and discounts, as well as of intercompany sales. Revenue is recognized when the risks and rewards of ownership have been transferred to the buyer.

According to IAS 18/CPC 30 - Revenues, the Company recognizes revenue when, and only when:

(i) the amount of revenue can be measured reliably;
(ii) the entity has transferred to the buyer the significant risks and rewards incidental to ownership over the goods.
(iii) it is probable that the economic benefits will flow to the Company and its subsidiaries;
(iv) specific criteria for each activity of the Company and its subsidiaries have been met.
(v) expenses incurred or to be incurred related to the transaction, can be reliably measured.

The amount of revenue is not considered reliably measurable until all contingencies related to the sale have been transferred to the buyer. The Company's estimates are based on historical data, considering the type of customer, type of transaction and specifications of each sale.

b) Accounting estimates

The preparation of financial statements requires that Management makes use of assumptions and judgments in determination and in accordance with accounting estimates. To make these estimates, the Management used the best information available at the time of preparation of financial statements, and the experience of past events and / or current, also considering assumptions regarding future events. Significant assets and liabilities subject to such estimates include the definition of the useful life of fixed assets, estimated recovery value of long-lived assets, allowance for doubtful accounts, inventories, deferred income taxes, provisions for tax, civil and labor liabilities, establishment of provisions for income taxes, determining the fair value of financial instruments (assets and liabilities) and other similar estimates regarding the selection of interest rates, valuation of derivative financial assets and liabilities.

The settlement of transactions involving these estimates may result in different amounts due to potential inaccuracies inherent in the process of its determination.

c) Financial instruments

Subsequent measurement of financial instruments occurs at each balance sheet date, according to the rules for each category of financial assets and liabilities: (i) assets and liabilities measured at fair value through profit or loss, (ii) held to maturity, (iii) loans and receivables (iv) available for sale.

The financial instruments of the Company and its subsidiaries are represented by cash, accounts receivable, accounts payable, debentures, loans and financing. They are initially recognized at fair value plus costs directly attributable to the acquisition or issue, except for financial instruments classified as instruments measured at fair value through results, which the costs are recorded on profit and loss of the period. The main financial assets recognized by the Company are: cash and cash equivalents and accounts receivable. The main financial liabilities recognized by the Company are: trade accounts payable, loans and financing and debentures.

The Company and its subsidiaries register and disclose their financial instruments and derivatives in accordance with IAS 39/CPC 38 - Financial Instruments: Recognition and Measurement, IFRIC 9 - Reassessment of embedded derivatives and IFRS 7/CPC 40 - Financial Instruments Disclosures. Financial instruments are recognized at the moment that the Company and its subsidiaries became part of the contractual provisions of the instruments. When a financial asset or liability is recognized initially, is recorded at fair value plus transaction costs that are directly attributable to acquisition or issue of financial asset or liability.

Based on a risk management policy group, the Company and its subsidiaries employ derivative financial instruments to minimize risk of loss with exposure, especially risk variations in exchange rates, interest rates, commodity prices, risks credit and liquidity risk, among others, which may adversely affect the value of assets and liabilities or future cash flows and profits.

The fair value of derivative financial instruments is calculated using the cash basis of information on each transaction and its contracted market information on the dates of closure of the financial statements, such as interest rates and exchange rates. The fair value recognized in its financial statements may not necessarily represent the amount of cash that the Company would receive or pay, as appropriate, if the company would settle the transactions on the date of financial statements.

d) Foreign currency translation

Functional and reporting currency

The Company's functional currency is the Brazilian Real (R$).The items of the financial statements of the subsidiaries are measured using the currency of the primary economic environment in which the subsidiaries operate ("functional currency"), being converted to accounting practices - IFRS for Brazilian Real at the corresponding exchange rate to the date of the balance sheet for assets and liabilities, the historical rate for transfers that occurred in equity and the average exchange rate of the period for revenue and expenditure accounts.

e) Adjustment of assets and liabilities to present value

As provided for international accounting practices, the Company shall, when applicable, assets and liabilities at present value and therefore the financial statements are in agreement with the CPC 12 - Adjustment to present value. Monetary assets and liabilities of short and long term are adjusted to present value, but the adjustment on the short-term balances occurs when the fact is considered material in relation to the consolidated financial statements.

In the present value calculation adjustment the Company considered the following assumptions: (i) the amount to be discounted; (ii) the dates of realization and settlement; and (iii) the discount rate.

The discount rate assumption relies on current market valuations as to time value of money and specific risks for each asset and liability.

f) Allowance for doubtful accounts - Loss estimation

Allowance for doubtful accounts is recorded in an amount considered sufficient to cover probable losses on accounts receivable.

The allowance for doubtful accounts expense was recorded under the caption "Operating Expenses" in the consolidated statement of operations. When no additional recovery is expected, the allowance for doubtful accounts is usually reversed against the definitive write-off of the account receivable.

g) Inventories

In accordance with the requirements of IAS 2/CPC 16 - Inventories, the inventories are stated at average cost of acquisition or production, not in excess of market or realizable value. The cost of inventories is recognized in income statement when inventories are sold.

h) Investments - Individual financial statements

In the individual financial statements of the Company's, the information of the subsidiaries are measured by the equity method.

Exchange differences on foreign currency investments are recognized in shareholders' equity in the accumulated translation adjustments.

i) Biological asset

In accordance with the requirements of IAS 41/CPC 29 - Biological Assets, companies that operate with agricultural activities, such as grain crops, increased herd (of cattle feedlot operations or livestock grazing), and various agriculture crops are subject to perform valuation of their assets in order to determine the fair value thereof, based on the concept of market value "Mark to Market - MtM" which effect shall be recorded in income statement of the year.

The evaluation of biological assets is done quarterly by the Company, and the gain or loss on change in fair value of biological assets is recognized in income in the period in which it occurs in specific line of the income statement as a reduction of gross revenue and cost of products sold.

Biological assets are stated by market value according to note 13.

j) Property, plant and equipment

According to IFRS 1/CPC 43 - First-time adoption of International Financial Reporting Standards - IFRS, an entity may elect to measure an item of PP&E at the date of transition to IFRS at its fair value and use that fair value as its estimated cost at that date.

Thus, the PP&E are recorded under fair value, presented at historical acquisition cost plus spontaneous revaluations performed up to December 31, 2007 for a significant portion of PP&E based on reports of specialized company. During the year 2010, these reports were reviewed and re-evaluated showing no significant variations. These revaluations are carried out, in its entirety, based on depreciation or disposal of revalued assets.

The loans interest that are directly attributable to fixed assets acquisition or construction of assets are capitalized as part of the costs of these assets. Borrowing costs that are not directly related to assets are capitalized based on average interest rate on the balance of construction in progress. These costs are amortized according to the estimated useful lives of the related assets.

The depreciation is recorded using the straight-line method over the estimated useful lives of the assets, so that the value of cost less its residual value after the useful life is fully disposed (except for land and construction in progress). The estimated useful lives, residual values and depreciation methods are reviewed at the end of the financial statement date and the effect of any changes in estimates are accounted for prospectively.

An item is disposed when there is no future economic benefits resulting from continued use of the asset is expected. Any gains or losses on sale or disposal of fixed assets are determined by the difference between the amounts received against the book value and are recognized in income statement.

k) Intangible assets

Consist mostly of goodwill recorded in accordance with IAS 38/CPC 4 - Intangible assets with defined useful lives intangibles acquired separately are accounts at acquisition cost or formation, less amortization and any applicable losses by impairment. Amortization is recognized linearly based on the useful lives of assets. The estimated useful lives and amortization method are reviewed at the end of each financial year and the effect of any changes in estimates are accounted for prospectively.

Goodwill arising from business combination

The goodwill resulting from business combinations is stated at cost at the date of business combination, net of accumulated loss in the recoverable amount, if any.

The goodwill are annually subjected to impairment testing, or more frequently when impairment indications are indentified. If the recoverable amount of the cash-generating unit is less than the booking value, the loss by reducing the recoverable amount is allocated first to reduce the booking value of the goodwill allocated to the unit and then to other assets of the unit in proportion to the value accounting of each of its assets. Any impairment loss on the recoverable amount of goodwill is directly recognized in income statement. The loss by reducing to the amount recoverable is not reversed in subsequent periods.
When the sale of the corresponding cash-generating unit, the value attributable goodwill is included in the calculation of profit or loss on disposal.

l) Business combination

According to IFRS 3/CPC 15 - Business Combination, the consolidated financial statements, business acquisitions are accounted by the method of acquisition. The counterpart transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values of assets transferred, liabilities at the acquisition from previously owners of it and the shares issued in exchange for the acquired control. The acquisition-related costs are generally recognized in income when incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the value of noncontrolling interests in the acquired and the fair value of the purchaser's participation in acquired previously held (if any) on the net at the acquisition date of assets acquired and liabilities made identifiable. If, after evaluation, the net value of assets acquired and identifiable liabilities assumed at acquisition date are greater than the sum of the counterpart transferred, the value of noncontrolling interests in the acquired and the fair value of participation by the purchaser previously held in the acquired, the exceeded amount is recognized immediately in income as a gain.

If the initial accounting for a business combination is incomplete at the closing of the period in which the business combination has occurred, the recording of the temporary values of items whose accounting is incomplete are made. These temporary figures are adjusted during the measurement period (which shall not exceed one year from the date of acquisition), or additional assets and liabilities are recognized to reflect new information relating to facts and circumstances existing at the acquisition date which, if known, would have affected the amounts recognized on that date.

m) Impairment of tangible and intangible assets, excluding goodwill

Property, plant and equipment, intangible assets, deferred charges and other assets (current and noncurrent) are tested for impairment at least annually, if indications of potential impairment exist. Goodwill and intangible assets with indefinite useful lives are tested for impairment on an annual basis, regardless of whether or not there is any indication of impairment, pursuant to IAS 38/CPC 4 - Intangible Assets.

After each year end review , is prepared the booking value of tangible and intangible assets to determine whether there is some indication that those assets have suffered any impairment. If identified any such indication, the recoverable amount the asset is estimated in order to measure the amount of such loss, if any.

The recoverable amount is the higher amount between fair value less costs to sell and value in use. In evaluation of value in use, the estimated future cash flows are discounted to present value by the discount rate before tax that reflects current market assessment of the value of money in the time and the specific risks to the asset for which the estimated future cash flows has not been set.

If the recoverable amount of an asset (or cash-generating unit) is lower than its carrying value, the asset (or cash-generating unit) is reduced to its recoverable amount. The loss on the impairment is recognized immediately in the statement of income. When an impairment loss is subsequently reversed, there is an increase in amount of the asset (or cash-generating unit) due to the revised estimate of its recoverable amount, since it does not exceed carrying amount that would have been given if no loss on the impairment had been recognized for the asset (or cash-generating unit) in prior years. Reversal of loss on the impairment is recognized immediately in the income statement.

n) Income tax and social contribution

Current taxes

Current taxes are computed based on taxable income at tax rates in effect, according to prevailing legislation.

Deferred taxes

Income tax and social contribution (deferred tax) are calculated on the revaluation reserves, temporary differences between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is determined using tax rates prevailing at balance sheet dates and should be applied when their deferred tax assets are realized or when the income tax and social contribution tax liabilities are settled.

Deferred tax assets are recognized only in proportion of the expectation to the likelihood that future taxable income will be available against which the temporary differences can be used.

Deferred tax assets and liabilities are offset if there is a legal right to offset current tax assets and liabilities, and they are related to income taxes levied by the same taxation authority on the same subject entity taxation.

o) Dividends

The dividend distribution proposed by Management that is equivalent to the mandatory minimum dividend of 25% is recorded under the caption "Declared Dividends" in liabilities since it is considered a legal obligation established by the Company's bylaws. However, the amount of dividends higher than the mandatory minimum dividend, declared after the period covered by the consolidated financial statements but before the date of authorization for release of the consolidated financial statements, is recorded under the caption "Proposed Additional Dividends" in shareholders' equity, with a disclosure in the notes to the financial statements.

p) Minority interest

According IAS 1/CPC 26, Presentation of financial statements, noncontrolling interests shall be presented in the consolidated financial statements within shareholders' equity, with respective effects included in the statement of income.

q) Other current and noncurrent assets

Other current and noncurrent assets are stated at cost or realizable value including, if applicable, income earned through the balance sheet date.

r) Current and noncurrent liabilities

Current and noncurrent liabilities are stated at known or estimated amounts, including, if applicable, charges and monetary or exchange variations.

s) Contingent assets and liabilities

Contingent assets are recognized only when their realization is virtually certain, based on favorable final judicial decision. Contingent assets are disclosed where an inflow of economic benefits is probable.

Contingent liabilities are accrued when losses are probable and the amounts can be estimated reliably. Contingent liabilities classified as possible are only disclosed and contingent liabilities classified as remote are neither accrued nor disclosed.

t) Consolidation

The consolidated financial statements include the financial statements of the Company individual and its subsidiaries. Control is obtained when the Company has the power to control financial and operating policies of an entity to obtain benefits from its activities.
When necessary, the financial statements of subsidiaries are adjusted according to the its accounting policies established by the Group.
All transactions, balances, income and expenses between Group companies are eliminated in the consolidated financial statements.

The financial statements of the foreign subsidiaries are originally prepared in the currency of the country in which they are located and, subsequently, are converted into IFRS and Brazilian reais using the exchange rate in effect at the balance sheet date for assets and liabilities, the historical exchange rate for changes in shareholders' equity and the average exchange rate for the period for income and expenses. Exchange gains and losses are recognized in shareholders' equity under the caption "cumulative translation adjustments" in accordance with IAS 21/CPC 2 - The effects of changes in foreign exchange rates.

The Argentinean and Italian accounting practices adopted by JBS Argentina and its subsidiaries and Inalca JBS and its subsidiaries, respectively, are similar to IFRS.

The accounting policies adopted in the United States of America by JBS USA and its subsidiaries differ in relation to international accounting practices - IFRS and were adjusted accordingly, as follows:

Stock: Difference in methodology of evaluation of finished goods inventory, since according to USGAAP, allows itself to be carried to market valuations. However, according to IAS 2/CPC 16- Inventories, this procedure is being denied the requested valuation of finished goods at cost (net cost of construction (SCR) "). Unlike the practice in question resulted in an adjustment of R$ 45,600 in the account group Cost of Goods Sold, because it is an effect of exercise.

Deferred tax liabilities: Due to differences of practice mentioned above, the Company had deferred tax reflected on the statement of income of R$ 17,443 under the jurisdiction caused by adjustments to GAAP.

Inalca JBS

As mentioned on Note 1.c, the financial statement of JBS S.A. is not consolidating the accounting information of Inalca JBS for the year ended on December 31, 2010. The Management has adopted procedures to consolidate the financial statements for the year ended on December 31, 2010, using the financial statements of Inalca JBS for the three months period ended on March 31, 2010.

The interim consolidated financial statements of the Company present in the assets, liabilities and income the balances and movements of Inalca JBS until March 31, 2010.

In order to provide additional information to users of financial statements, considering the importance of investment in the Company Inalca JBS and thus provide more detail for comparison purposes, we present the pro forma consolidated financial statements of JBS S.A. regarding the year ended on December 31, 2010 with the financial information of Inalca JBS for the year ended on December 31, 2010.

(Expressed in thousands of reais)

Assets	JBS S.A. Consolidated*	March 31, 2010 Inalca JBS	December 31, 2010 Inalca JBS	December 31, 2010 JBS S.A. Pro-forma
Cash and cash equivalents	4,063,833	26,045	27,994	**4,065,782**
Trade accounts receivable, net	3,904,483	151,815	149,401	**3,902,069**
Inventories	4,711,938	173,681	177,779	**4,716,036**
Recoverable taxes	2,033,117	20,519	17,236	**2,029,834**
Other current and non current assets	1,929,267	34,387	28,037	**1,922,917**
Property, plant and equipment, net	15,219,343	595,142	543,052	**15,167,253**
Intangible assets, net	12,667,244	31,503	33,280	**12,669,021**
TOTAL ASSETS	**44,529,225**	**1,033,092**	**976,779**	**44,472,912**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Trade accounts payable	2,837,973	159,014	163,481	**2,842,440**
Loans and financings	15,564,727	304,351	267,980	**15,528,356**
Convertible debentures	3,462,212	-	-	**3,462,212**
Other current and non current liabilities	3,969,464	100,492	102,443	**3,971,415**
Shareholders' equity	18,694,849	469,235	445,475	**18,671,089**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**44,529,225**	**1,033,092**	**979,379**	**44,475,512**

	December 31, 2010 JBS S.A. Consolidated*	December 31, 2010 Inalca JBS **	December 31, 2010 JBS S.A. Pro-forma
Net sale revenue	55,055,802	1,089,599	**56,145,401**
Costs of goods sold	(48,296,810)	(949,127)	**(49,245,937)**
GROSS INCOME	**6,758,992**	**140,472**	**6,899,464**
General and administrative expenses	(4,294,384)	(87,782)	**(4,382,166)**
Financial income (expense), net	(2,220,182)	(13,071)	**(2,233,253)**
Non-recurring expenses	(216,874)	(3,680)	**(220,554)**
Current income taxes	(330,300)	(17,765)	**(348,065)**
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTEREST INCOME	**(302,748)**	**18,174**	**(284,574)**
Statement of EBITDA (Earnings before income taxes, interest, depreciation and amortization)			
Net income before taxes	66,300	42,147	**108,447**
Financial income (expense), net	2,220,182	13,071	**2,233,253**
Depreciation and amortization	1,226,300	37,545	**1,263,845**
Bargain purchase	9,463	-	**9,463**
Non-recurring expenses	233,951	-	**233,951**
AMOUNT OF EBITDA	**3,756,196**	**92,763**	**3,848,959**

* Contemplating the first quarter 2010 of Inalca JBS.

** Unaudited information, including the second, third and forth quarter 2010 of Inalca JBS.

u) Earning per share

According to with IAS 33/CPC 41 - Earnings per share, the Company presents the calculation of earnings per share segregated as follow:

Basics: Calculated by dividing net income allocated to common shareholders of the parent by the weighted average number of common shares during the year.

Diluted: Calculated by dividing net income attributable to common shareholders of the parent by the weighted average number of shares available during the year, plus the weighted average number of common shares that would be issued on conversion of all potential diluted common shares in common shares.

v) Segment reporting

In accordance with IFRS 8/CPC 22 - Segment reporting - Segment reporting is presented consistently with the internal report provided to the entity's chief operating decision maker to make decisions about resources allocations, performance evaluation by segment and strategic decision making.

w) Statements of Cash flow

The statements of cash flows have been prepared by the indirect method starting from the financial information in accordance with the instructions contained in IAS 7/CPC 3 - Statement of Cash Flows.

x) Statement of comprehensive income

According to IAS 1/CPC 26 - Presentation of Financial Statements - This statement presents net revenue and foreign currency translation.

y) Economic Value Added

In accordance with CPC 09 - Statement of Economic Value Added, the Company included in the disclosure of their individual financial statements, the Statement of Value Added (EVA), as supplementary information of the consolidated financial statements due to this information is not mandatory according to IFRS.

The Economic Value Added Statement, aims to demonstrate the value of the wealth generated by the Company and its subsidiaries, its distribution among the elements that contributed to the generation of it, such as employees, lenders, shareholders, government and others, as well as the share of wealth not distributed.

4 First-time adoption of IFRS

First-time adoption of IFRS (International Financial Reporting Standards) - Consolidated Financial Statements

IFRS 1 (First-time adoption of International Reporting Standards) requires an entity to develop accounting policies based on IASB (International Accounting Standards Board) and interpretation at the first annual consolidated financial statements in IFRS. Which is on December 31, 2010, IFRS 1 also requires that these policies are applied on transition date to IFRS, and for all periods presented in the first financial statements under IFRS accordingly accounting policies presented in notes 2 and 3.

Adoption of new accounting practices in Brazil - Individual Financial Statements

CPC 37 (First time adoption of international accounting standards) requires an entity to develop accounting policies based on international accounting standards at the annual first financial statements. Which is on December 31, 2010, CPC 37 (R1) also requires that these policies are applied on the transition date and for all periods presented in the first financial statements, accounting policies presented in notes 2 e 3.

In the preparation of the individual financial statements, the Company adopted all the technical pronouncements and its interpretations and technical guidance issued by the CPC and approved by the CVM, which coupled with the accounting policies included in the Brazilian corporate law are referred as the accounting practices adopted in Brazil.

Interpretation of the first-time adoption of IFRS x accounting practices in Brazil

In the measurement of adjustments and preparation of the opening balance, the Company applied the requirements of CPC 43 (R1) - First Time Adoption of Technical Pronouncements CPC 15 to 40, adjusting its individual financial statements that provides, when consolidated, the same equity value attributable to owners of the parent, and statement of income statement in relation to consolidation in IFRSs developed by the application of IFRS 1 and CPC 37 (R1) - First-time Adoption of International Accounting Standards. Therefore, the Company adjusted its individual financial statements for the first time adoption of IFRSs in the consolidated financial statements.

This procedure was adopted to obtain the same result and shareholders' equity attributable to owners of parent company financial statements and consolidated, thus management believes that the financial statements issued by the CPC are fully merged with international accounting standards, according to the pronouncements issued by the International Accounting Standards Board (IASB).

For presentation and disclosure purpose of individual and consolidated financial statements in accordance with international standards - IFRS (consolidated) and new accounting practices in Brazil (Company), the opening balance (date of transition) was considered as January 1 2009, which was the date for initial measurement and disclosures purpose of the Company and its subsidiaries.

While the Company presents the first annual financial statements in accordance with the international standards - IFRS (consolidated) and new accounting practices in Brazil (Company) on December 31, 2010, it is important to emphasize the Company applied IFRS on its financial statements as of March 31, 2010 IFRS / CPC 37 - First-time adoption of international accounting standards, and these statements have been prepared and presented accordingly the requirements of IFRS 1/CPC 37 (R1) - First time adoption of international standards and IAS 34/CPC 4 - Interim Financial report.

Transitional Tax Regime

By Brazilian decree 449/08, which became Brazilian Law 11.941/09, was instituted Transitional Tax Regime (Regime Tributário de Transação - RTT) of taxable income, which for tax adjustments arising from new accounting procedures and criteria introduced by Brazilian Law 11.638/07. According to the RTT application, the measurement of income tax (CIT) and social contribution (CSL) remained in accordance with the requirements of Brazilian Law 6.404 established on December 31, 2007. Since 2010, the RTT has become mandatory and consistent with the practices adopted in the years 2008 and 2009.

Effect on shareholders' equity and income statment due to the application of IFRS 1/CPC 37 (R1)

The Company has applied the mandatory exceptions and certain optional exemptions from retrospective application provided for in IFRS 1 and CPC 37 (R1) - First-time Adoption of International Accounting Standards, the main differences between accounting practices in transition date with those adopted in the presentation of comparative financial statements are described in note below, including the reconciliations of shareholders' equity and profit.

According to CPC 37 (IFRS 1) is established two categories of exceptions that the opening balance sheet shall comply with all IFRS: exemptions and exceptions to retrospective application of the rules.

Initial Adoption - mandatory exceptions from retrospective application:

The prohibition of retrospective application under IFRS 1 does not apply to the Company, since no significant differences related to accounting practices adopted in Brazil in these areas, or the same did not apply to the Company's business, as follows:

(a) Hedges accounting

The Management has used to hedge accounting as of January 1, 2009 only in cases which the hedging relationship met the criteria for hedge accounting provisions of IAS 39/CPC 38 - Financial Instruments: Recognition and Measurement on that date.

(b) Estimates

The estimates used when preparing the financial statements on January 1, 2009 and December 31, 2009 are consistent with estimates made at the same dates in accordance with accounting practices previously adopted in Brazil.

(c) Mandatory exceptions not applicable

The following mandatory exceptions were not applied, since there were no significant difference related to accounting practices adopted previously in Brazil

• Derecognizing of financial assets and liabilities;
• Noncontrolling interest.

Initial Adoption - Exemptions from retrospective application:

The Company applied the following optional exemptions from full retrospective application of IFRS:

(a) Business combinations

The Company has applied the business combinations exemption as described in IFRS 1 and CPC 37 (R1) - "First Time Adoption of International Accounting Standards" and due to this fact not restated business combinations that occurred in prior periods to January 1, 2009 , the transition date.

(b) Fair value or revaluation as deemed cost

The Company realized periodic reevaluations of its tangible assets, including review of their useful lives following accounting practices previously adopted in Brazil. Thus, Management believes that the carrying amounts given on the transition date to IFRS presents the best assessment and presentation of cost to the group of tangible assets.

(c) Accumulated translation adjustments

The Company has decided to set at "zero" the cumulative translation adjustments, primarily from foreign exchange variation of foreign investments, from the opening balance as of January 1, 2009. This exemption has been applied to all subsidiaries.

(Expressed in thousands of reais)

(d) Exemptions not applicable

The following optional exemptions were not applied, since the Company has no operations of this nature or did not differ significantly from accounting practices adopted in previously Brazil:
• The Company has no current or prior actuarial gains or losses on the transition date of January 1, 2009;
• The share-based payment, as well as accounting for leases, since the Brazilian accounting practices and IFRS are in line.
• The insurance contracts because the Company has no operations of this nature;
• Capitalization of borrings costs, the Company has recognited the prior effects for the transition date.
• Assets and liabilities of subsidiaries, associates and joint ventures, due to only the individual financial statements of the Company and Consolidated Group have been prepared;
• Compound financial instruments, since the group has no outstanding balance related to this type of financial instrument on the transition date as of January 1, 2009;
• Liabilities for restoration included in the cost of land, buildings and equipment, as the Group has no liabilities of this nature;
• Financial assets or intangible assets recorded in accordance with IFRIC 01 12/ICPC, "Concession", since the group has no contracts signed under the scope of these interpretations.
• Clients assets transference, the Company has no operations of this nature.

First Time Adoption - Summary of accounting policies and reconciliation of the adjustments made since the date of transition:

		January 1, 2009 Shareholders' Equity
Amount in BRGAAP*	**Ref**	**6,134,411**
Reclassification on noncontrolling interests into shareholders' equity	a	(2,457)
Borrowings costs adjustments	b	14,893
Assets deferred reversal	c	(1,603)
Fair value on businesses combinations	d	794,059
Deferred income taxes	e	55,321
Others	f	(729)
Total relating accounting practices adjustments		**859,484**
Amount in IFRS		**6,993,895**

		December 31, 2009	
		Shareholders' Equity	Net income
Amount in BRGAAP*	**Ref**	**16,728,086**	**129,424**
Reclassification on noncontrolling interests into shareholders' equity	a	**1,642,890**	-
Borrowings costs adjustments	b	**37,036**	22,143
Measurement adjustment on biological assets	g	**(6,342)**	(6,342)
Fair value on businesses combinations	d	**480,533**	(136,220)
Bargain purchase on PPC	h	**185,189**	185,189
Deferred income taxes	e	**84,796**	29,475
Others	f	**(1,667)**	(2,959)
Total relating accounting practices adjustments		**2,422,435**	**91,286**
Amount in IFRS		**19,150,521**	**220,710**

		December 31, 2010	
		Shareholders' Equity	Net income
Amount in BRGAAP*	**Ref**	**17,224,116**	**106,876**
Borrowings costs adjustments	a	**49,027**	11,991
Reclassification on noncontrolling interests into shareholders' equity	b	**1,100,478**	-
Measurement adjustment on biological assets	g	**49,449**	55,791
Fair value on businesses combinations	d	**141,511**	(339,022)
Bargain purchase on PPC	h	**154,519**	(9,463)
Deferred income taxes	e	**(38,223)**	(123,020)
Others	f	**13,972**	(5,901)
Total relating accounting practices adjustments		**1,470,733**	**(409,624)**
Amount in IFRS		**18,694,849**	**(302,748)**

** BRGAAP in the Brazilian generally accounting accepted practices in place since January 1, 2009, CPC 01 to CPC 14.*

(a) - Reclassification on the presentation of minority interests into shareholders' equity in accordance with IAS 1/CPC 26 - Presentation of financial statements.

(b) - In accordance with IAS 23 (R)/ CPC 20 borrowing costs related to funding for construction of qualifying assets must be added to the cost of the asset.

(c) - According to IAS 38/CPC 4 (R1) - Intangible assets, deferred charges were extinguished, and any remaining balances classified as any remaining balances classified as expenses (if applicable).

(d) - Refers to the adjustment of practice adopted between the accounting treatment for acquisitions, fair value, since in JBS USA has applied the methodology of accounting for acquisitions of companies through its fair value, being classified in its profit and loss of the period consisting mainly of depreciation and amortization.

(e) - Refers to the impact of deferred income tax relating to differences in practices identified.

(f) - Other adjustments related to the differences in practices.

(g) - According with IAS 41/CPC 29 - Agriculture: The fair value of standing timber the biological assets must be valued at market price.

(h) - Refers to the difference in practices related to the letter 2.b, (PPC acquisition) , where there was gain on bargaining because of the negotiated acquisition price , whereas the PPC was in bankruptcy protection, leading to a trading value lower than the market value.

Standards, amendments and interpretations that are not in place and are not relevant to the Company's operations

The following standards, interpretations and amendments pre-existing standards are not yet in effect, and also were not previously adopted by the Company. However, Management does not expect significant changes or effects on the financial statements currently presented, when applied.

• IFRS 1 (amendment) / CPC 37 (R1) - First-time Adoption of International Accounting Standards: Effective for periods beginning on or after July 1, 2011. Changes related to economies with strong impacts hyper-inflation and removal of fixed dates for early adopters, changes in accounting policy in the year of adoption, based on reassessment as deemed cost and use the estimated cost for operations subject to regulated prices;

•IFRS 7 (changes) / CPC 40 - Financial Instruments. Presentation: Effective for periods beginning on or after January 1, 2011. The amendments intended to emphasize the interaction of quantitative and qualitative disclosures regarding the nature and extent of risks associated with financial instruments. Resulting from proposals which were defined in the draft amendments to IAS 39 and IFRS 7.

• IFRS 9 - Financial Instruments: Effective for periods beginning on or after January 1, 2013. Classification and measurement of financial liabilities and derecognizing of financial assets and liabilities. The Standard presents a new classification and measurement requirements of financial assets that replace the classification and measurement requirements previously included in IAS 39 - Financial Instruments and new requirements for the classification and measurement of financial liabilities, the withdrawal of financial instruments, commitment and accountability coverage are expected to be added to IFRS 9, which probably will affect the accounting for the Company. As a result, IFRS 9 will eventually be a complete replacement for IAS 39 - Financial Instruments.

• IAS 1 (amendment) / CPC 26 (R1) - Presentation of Financial Statements: Effective for periods beginning on or after January 1, 2011. Clarifies that an entity shall submit an analysis of other comprehensive income for each component of equity, statement of changes in shareholders or in the notes to financial statements.

• IAS12 (change) / CPC 32 - Taxes on income. Effective for periods beginning on or after January 1, 2012.

• IAS 24 (Amendments) / CPC 05 (R1) - Presentation of Related Parties: Effective for periods beginning on or after January 1, 2011. IAS has been revised due to concerns that in practice the application of existing disclosure requirements and current definition of related parties may be difficult to implement in environments with heavy government control.

• IAS 34 (Amendments) / CPC 21 - Interim Financial Statements: Effective for periods beginning on or after January 1, 2011. The changes reinforce the need to present relevant events in the most recent financial statements.

• IFRIC 13 (Amendments) / CPC 30 - Loyalty programs: Effective for periods beginning on or after January 1, 2011. The improvements provide for the fair value of these claims loyalty programs should also consider the values of future rebates or incentives which will be offered to the customer.

•IFRIC 14 (Amendments) / CPC 33 - Prepayment of minimum funding requirements: Effective for periods beginning on or after January 1, 2011. The improvements in this interpretation deals with the limits of defined benefit asset, minimum funding requirements and their interactions.

(Expressed in thousands of reais)

5 Acquisition of Pilgrim's Pride Corporation (PPC) and Incorporation of Bertin S.A. (Bertin)

The Company made one acquisition from PPC shares of 64%, through its subsidiary JBS USA, on December 28, 2009, and incorporated Bertin on December 31, 2009, as announced to the market at that time.

CONSOLIDATED STATEMENTS OF INCOME - Pro forma

Due to the incorporation of Bertin by the Company and of an acquisition of significant stake in PPC by JBS USA near the end of the year 2009, the consolidated statements of income as of December 31, 2010 had a significant increase, making impossible a comparison with the consolidated financial statements for the prior period. To enhance comparability of these consolidated financial statements, shown below is (pro forma) consolidated statements of income as of December 31, 2009, including the incorporation made by the Company and the significant acquisition made by the subsidiary JBS USA, for the purpose of presenting the combined result of these companies in the year ended on December 31, 2009 and result of the current period.

	December 31, 2010				
	2010	2009 - "Pro-forma"			
	JBS S.A.	JBS S.A. (Consolidated)	Bertin S.A.	PPC	JBS S.A. Bertin S.A. PPC
Net operating revenue	**55,055,802**	34,905,571	7,297,437	13,614,333	**55,817,341**
Cost of products sold	**(48,296,810)**	(31,765,938)	(5,652,290)	(12,542,527)	**(49,960,755)**
GROSS INCOME	**6,758,992**	**3,139,633**	**1,645,147**	**1,071,806**	**5,856,586**
Selling, general and administrative expenses	**(4,294,384)**	(2,351,440)	(1,267,039)	(764,391)	**(4,382,870)**
Financial expenses, net	**(2,220,182)**	(578,975)	(777,055)	(329,541)	**(1,685,571)**
Other (expenses) income	**(178,126)**	193,116	20,800	7,093	**221,009**
Income and social contribution taxes	**(330,300)**	(182,206)	(199,810)	248,228	**(133,788)**
Noncontrolling interests	**(38,748)**	582	(8,050)	(486)	**(91,729)**
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTEREST INCOME	**(302,748)**	**220,710**	**(586,007)**	**232,709**	**(216,363)**
Statement of EBITDA (Earnings before interest, taxes, depreciation and amortization)					
Income (loss) before provision for income and social contribution taxes	**66,300**	402,334	(378,147)	(15,519)	**8,668**
Financial income, net	**2,220,182**	578,975	777,055	329,541	**1,685,571**
Bargain purchase gain	**9,463**	-	-	-	**-**
Depreciation and amortization	**1,226,300**	479,811	345,671	453,300	**1,278,782**
Non-recurring expenses	**233,951**	-	-	-	**-**
Impairment, restructuring and others	**-**	**-**	4,131	256,692	**260,823**
VALOR EBITDA	**3,756,196**	**1,461,120**	**748,710**	**1,024,014**	**3,233,844**

6 Business Combinations

6.1 - Bertin's Incorporation

On September 16, 2009, J&F and ZMF, until then shareholders of the Company, and the controlling shareholders of Bertin, agreed to initiate a process to unify the operations of the two companies. Bertin was a Brazilian company and one of the largest meat exporters in Latin America. Pursuant to the association agreement: (1) the controlling shareholders of the Company agreed to contribute the shares owned directly or indirectly by them, representing 51.4% of the Company, in exchange for the shares to be issued by a recently created holding company called FB Participações S.A. (FB Participações); and (2) the controlling shareholders of Bertin agreed to contribute all their shares representing 73.1% of Bertin's capital in exchange for the shares to be issued by FB Participações.

Transaction costs incurred during the business combination of Bertin were approximately R$ 8,640, which were fully recorded during fiscal year 2010.

On December 23, 2009 the former shareholders of the Company, J&F and ZMF, contributed, respectively, a total of 632,781,603 and 87,903,348 common shares to FB Participações, a current shareholder of the Company.

(Expressed in thousands of reais)

On December 28, 2009, the Company completed the process of association with the Bertin Group by a corporate restructuring that, after the previous acquisition of all 28,636,178 Bertin shares by the Company on December 29, 2009, resulted in the merger with Bertin. The controlling shareholders of Bertin contributed a total of 679,182,067 shares, that shareholders received due to the above-mentioned share acquisition, to increase capital of FB Participações, in the total amount of R$ 4,949,046, upon issue by FB Participações of 2,334,370,128 new registered common shares without nominal value.

Regarding the expected gain on merger with Bertin, the Company has had synergy gains and believes it can still have benefits with costs reduction in packaging, manufacturing, formulation and management, besides the synergy derived mainly from corporate and exports.

The business value, related to the merger with Bertin, was R$ 11,987,963, equivalent to the merger of 100% of the acquirer's shareholders' equity. The amount paid is based on the economic value of Bertin at the date of the deal, and total goodwill (excess) was R$ 9,460,609, as shown below:

Summary of goodwill allocation operation - R$ thousand	
Amount invested in Bertin	11,987,963
Bertin's shareholders' equity as of Dec 31, 2009	2,527,354
Goodwill	**9,460,609**

For purposes of goodwill allocation under IFRS 3 (R)/CPC 15 - Business combination, only goodwill related to the groups of property, plant and equipment and intangible assets (basically trademarks and patents) was taken into account. Deferred tax liabilities and other adjustments to assets (such as prepaid expenses) are not applicable in accordance with IFRS 3 (R) and IAS 12/CPC 32 - Income taxes. Regarding trademarks and patents, the measurements of the dairy products division (Vigor and Leco) as well as of the processed meat division (Bertin) were considered. The calculation of the residual goodwill after allocation of generated goodwill to the related asset accounts is as follows:

Goodwill allocation - R$ thousand	
Goodwill arising from operation	**9,460,609**
(-) Fair value of property, plant and equipment	(146,152)
(-) Fair value of trademarks and patents	(267,959)
(+) Effect of income tax and social contribution	23,428
Residual goodwill	**9,069,926**

The residual goodwill after the above-mentioned allocations was recorded as "Goodwill" for accounting purposes, which is not amortizable and is tested for impairment as required by IAS 38/CPC 04 (R1) - Intangible assets.

6.2 - Pilgrim's Pride Acquisition

On September 16, 2009, JBS USA entered into a stock purchase agreement with Pilgrim's Pride Corporation - PPC ("PPC Agreement"), which filed for Chapter 11 bankruptcy protection. Under the PPC Agreement and the PPC Restructuring Plan, JBS USA purchased 64% of PPC shares outstanding by a direct investment of US$ 800,000 thousand (R$ 1,392,000) on December 28, 2009 for PPC to emerge from bankruptcy. The amount of US$ 647,988 thousand (R$ 1,128,000) initially attributed to minority interest was calculated based on the number of common shares outstanding (77,141,389), multiplied by the share price of US$ 8.40 at the acquisition date.

The transaction costs incurred for the purchase of PPC were US$8,300 thousand (R$ 14,500), of which US$ 3,300 (R$ 5,700) thousand was in 2009 and US$ 5,000 thousand (R$ 8,000) in the thirteen weeks ended March 28, 2010 (quarterly close of PPC). The acquisition resulted in a final gain on bargain purchase of US$ 88,743 thousand (R$ 154,693), which was recognized directly in income. The gain was recognized based on the excess of the estimated fair value of assets acquired and liabilities assumed in relation to the acquisition price and the aggregated fair value of noncontrolling interests, recognized in the consolidated financial statements as of December 31, 2009.

The consolidated financial statements of the Company reflect the acquisition of PPC, which was recorded as an acquisition under IFRS 3/CPC 15 – Business Combinations. JBS USA acquired a 64% stake in PPC to add poultry products to the existing line of beef and pork, allowing cross sales and diversifying usual risks of the industry, such as industry's cycles and changes in meat consumer preference. The acquired assets include 29 chicken processing plants, supported by 31 feed mills, 41 hatcheries, 11 processing plants, 9 prepared foods plants, and 3 pet food plants in the United States of America and Mexico.

PCC's income and expenses are included in the consolidated financial statements of the Company from the acquisition date, including administrative restructuring charges of US$ 25,900 thousand (R$ 45,100) and reorganization items of US$ 7,100 thousand (R$ 12,400), posted in the thirty nine weeks ended December 31, 2010.

(Expressed in thousands of reais)

The allocation of the purchase price is preliminary, contingent upon completion of the assessment of assets acquired and liabilities assumed, including deferred taxes. The preliminary allocation of the purchase price is shown below and is subject to changes, which may occur within one year, as stated in IFRS 3 (R)/CPC 15 - Business Combination. The amounts shown reflect the estimated fair value of individual assets and liabilities acquired on December 28, 2009.

Gain on bargain calculation

Amount paid on PPC acquisition	1,392,960
Fair value of noncontrolling interests	1,128,277
Total amount paid and noncontrolling interests	**2,521,237**
Estimated fair value of acquired assets and assumed liabilities	2,675,756
Estimated value of gain on bargain	**154,519**

Allocation of the estimated value of acquired assets and assumed liabilities of Pilgrim's Pride Corporation - PPC:

The allocation of the estimated value of acquired assets and assumed liabilities in accordance with IFRS3 (R)/CPC 15 - Business combination, were used only capital gains related to groups of fixed assets and intangible current assets. The deferred tax liabilities and other assets adjustments (as prepaid expenses) are not applicable, as IFRS 3 (R) and IAS 12/CPC 32 - Income taxes. The fair value of the participation of noncontrolling was measured in the acquire at the acquisition date, based on market prices in active shares not held by the acquirer.

(+) Property, plant and equipment fair value	1,061,470
(+) Intangible fair value	72,610
(-) Other current fair value	(64,773)
(-) Income taxes of subsidiaries impacts	(408,299)
(-) Fair value of noncontrolling interest	(506,489)
Total allocation of purchase price	**154,519**

7 Cash and cash equivalents

Cash, bank accounts and short-term investments are the items of the balance sheet presented in the statements of the cash flows as cash and cash equivalents and are described as below:

	Company		
	Dec 31, 2010	**Dec 31, 2009**	**Jan 1, 2009**
Cash and cash equivalents	**825,171**	3,712,853	236,432
CDB-DI (bank certificates of deposit)	**1,810,529**	367,757	1,147,326
Investment funds	**264,681**	16,417	139,215
National treasury bill	**100,268**	-	-
	3,000,649	**4,097,027**	**1,522,973**

	Consolidated		
	Dec 31, 2010	**Dec 31, 2009**	**Jan 1, 2009**
Cash and cash equivalents	**1,865,925**	**4,551,441**	975,196
CDB-DI (bank certificates of deposit)	**1,826,496**	**497,268**	1,150,604
Investment funds	**271,144**	**18,821**	165,819
National treasury bill	**100,268**	**-**	-
	4,063,833	**5,067,530**	**2,291,619**

CDB-DI (bank certificates of deposit) are held by financial institutions, with floating-rate and yield an average of 100% of the variation of the interbank deposit certificate (Certificado de Depósito Interbancário - CDI). National treasury bill are fixed income assets.

Investments in national treasury bill are fixed income assets.

Investments funds

The Company is the exclusive shareholder of Novo Eldorado Fundo de Investimento Multimercado (Novo Eldorado fund) and in Ediom Fundo de Investimento Multimercado (Ediom fund), both investment funds, whose applications on December 31, 2010 were R$ 112,937 and R$ 151,744 (R$ 13,908 and R$ 1,000 as of December 31,2009) respectively. These investments are classified as available for sale.

(Expressed in thousands of reais)

On December 31, 2010, the composition of these investments funds were approximately 81% investment in government securities remunerated by the Selic variation, and of the remaining balance only 0.5 % refers to investment in derivatives, which is considered immaterial as described in items 24, 26 and 30 of the Basic Conceptual Framework - approved by CVM. Bellow is the composition of equities and notional investment funds as of December 31, 2010 and 2009 the financial statements filed by the respective funds at the CVM - Brazilian Securities Commission.

	December 31, 2010		December 31, 2009	
	Shareholder's equity	Notional **(a)**	Shareholder's equity	Notional **(a)**
Novo Eldorado fund	**112,938**	**3,283,794**	13,930	10,057
Ediom fund	**151,743**	**48,580,653**	1,000	-

(a) - The accounting Notional, extracted from the financial statements of these funds, contemplates the sum of acquired and sold positions, without considering the net effect between these positions.

Below is presented the Notional effect, showing the breakdown of Bovespa's products and the net effect of acquired and sold positions on December 31, 2010 and December 31, 2009:

	Novo Eldorado fund	
	Dec 31, 2010	**Dec 31, 2009**
Forward (Bovespa, Cattle forward, Currency and Interests)		
Acquired Positions	**3,179,831**	691
Sold Positions	**103,963**	9,366
Net effect - forward	**3,075,868**	**(8,675)**

Risks related to Novo Eldorado fund

The risks to which the fund is exposed are in line with the respective policies that allow leverage of funds, and are in accordance with the limitations of VaR, stop loss and leverage permitted by the shareholders. VaR is calculated to 1 (one) day with a confidence interval of 99%.

On December 31, 2010 the VaR - Value at Risk for the Novo Eldorado fund is R$ 4,500 (R$ 13 on December 31, 2009).

	Ediom fund	
	Dec 31, 2010	**Dec 31, 2009**
Options (Currency and Interests)		
Purchase Positions	**24,081,403**	-
Sold Positions	**24,033,125**	-
Net effect - options	**48,278**	**-**
Forward (Bovespa, Cattle forward, Currency and Interests)		
Purchase Positions	**323,521**	-
Sold Positions	**142,604**	-
Net effect - forward	**180,917**	**-**
Net effect - Options and forward	**229,195**	**-**

Risks related to Fundo Ediom fund

The net effect of the options on interest rates are referring to 45,000 contracts positions released (sold) against 45,000 contracts holders (purchased).

The net effect of the options on currencies summarize the positions of 300 contracts released (sold) and 500 contract holders (purchased).

The risks to which the fund is exposed are in line with the respective policies that allow leverage of funds, and are in accordance with the limitations of VaR, stop loss and leverage permitted by the shareholders. VaR is calculated to 1 (one) day with a confidence interval of 99%.

On December 31, 2010 VaR - Value at Risk for the Ediom fund is R$ 508.

(Expressed in thousands of reais)

8 Trade accounts receivable, net

	Company		
	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Receivables not yet due	**1,333,676**	770,116	505,910
Overdue receivables:			
From 1 to 30 days	**164,516**	316,443	35,802
From 31 to 60 days	**80,638**	101,783	6,277
From 61 to 90 days	**49,333**	51,675	6,589
Above 90 days	**154,063**	156,962	7,875
Fair value adjustment	**-**	-	(1,191)
Allowance for doubtful accounts	**(109,497)**	(123,602)	(8,271)
	339,053	**503,261**	**47,081**
	1,672,729	**1,273,377**	**552,991**

	Consolidated		
	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Receivables not yet due	**2,961,668**	**2,279,432**	1,679,292
Overdue receivables:			
From 1 to 30 days	**577,615**	606,157	449,001
From 31 to 60 days	**206,581**	167,136	71,726
From 61 to 90 days	**69,803**	68,543	24,236
Above 90 days	**235,510**	233,347	63,050
Fair value adjustment	**-**	-	(1,191)
Allowance for doubtful accounts	**(146,694)**	(153,178)	(29,393)
	942,815	**922,005**	**577,429**
	3,904,483	**3,201,437**	**2,256,721**

Pursuant to IFRS 7/CPC 39 - Financial Instruments, below are the changes in the allowance for doubtful accounts.

	Company		
	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Initial balance	**(123,602)**	**(8,271)**	**(3,848)**
(+) Additions	**(7,180)**	(6,018)	(4,423)
(+) Acquisition	**-**	(109,313)	-
(-) Disposals	**21,285**	-	-
Final balance	**(109,497)**	**(123,602)**	**(8,271)**

	Consolidated		
	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Initial balance	**(153,178)**	**(29,393)**	**(9,164)**
(+) Additions	**(16,498)**	(11,395)	(9,364)
(+) Acquisition	**(10,015)**	(109,605)	(12,606)
(+) Exchange variation	**71**	(2,785)	1,741
(-) Disposals	**32,926**	-	-
Final balance	**(146,694)**	**(153,178)**	**(29,393)**

(Expressed in thousands of reais)

9 Inventories

	Company		
	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Finished products	**618,073**	422,202	489,953
Work in process	**181,574**	80,507	674
Raw materials	**198,246**	154,809	1,978
Warehouse spare parts	**111,579**	101,018	46,905
	1,109,472	**758,536**	**539,510**

	Consolidated		
	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Finished products	**2,885,089**	2,292,871	1,770,198
Work in process	**872,050**	629,394	157,745
Raw materials	**704,471**	326,555	70,213
Warehouse spare parts	**250,328**	227,825	272,161
	4,711,938	**3,476,645**	**2,270,317**

The net increase of finished goods, goods in process and raw material for 2010 is substantially justified directly by, the Company, increasing on leather segment and cattle price increase. On the Consolidated, beyond the changes above, is also due to the resumption of PPC operations and increase on production volume and on sales of the "Beef Segment" in JBS USA.

10 Recoverable taxes

	Company		
	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Value-added tax on sales and services (ICMS / IVA / VAT / GST)	**997,994**	896,294	379,678
Excise tax - IPI	**58,113**	55,544	51,657
Social contribution and taxation on billings - PIS and Cofins	**445,680**	282,683	19,330
Income tax withheld at source - IRRF	**79,783**	84,844	25,556
Other	**60,510**	72,789	9,936
Fair value adjustment	**-**	-	(1,182)
	1,642,080	**1,392,154**	**484,975**
Current and Long-term:			
Current	**1,088,310**	841,306	447,343
Non-current	**553,770**	550,848	37,632
	1,642,080	**1,392,154**	**484,975**

	Consolidated		
	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Value-added tax on sales and services (ICMS / IVA / VAT)	**1,182,901**	1,018,822	476,761
Excise tax - IPI	**118,032**	112,863	111,447
Social contribution and taxation on billings - PIS and Cofins	**554,761**	355,882	32,957
Income tax withheld at source - IRRF	**85,086**	93,324	29,612
Other	**92,337**	100,890	38,734
Fair value adjustment	**-**	-	(1,182)
	2,033,117	**1,681,781**	**688,329**
Current and Long-term:			
Current	**1,416,809**	1,066,033	623,022
Non-current	**616,308**	615,748	65,307
	2,033,117	**1,681,781**	**688,329**

Value-added tax on sales and services (ICMS / IVA / VAT/GST)

Recoverable ICMS refers to excess of credits derived from purchases of raw materials, packaging and other materials over tax charges due on domestic sales, since exports are tax-exempted.

The above-mentioned tax credit is under examination and homologation by the Tax Authority of the State of São Paulo. The Company expects to recover the total amount of the tax credit, including the ICMS credits from other states (difference between the statutory rate for tax bookkeeping and the effective rate for ICMS collection in the state of origin), which are being challenged by the State of São Paulo. However, the procedure adopted by the Company is supported by prevailing legislation, according to external and internal legal counsel.

Based on studies performed by the Company's management, supported by its legal counsel, ICMS credits, amounting of R$ 553,770 were segregated in consolidation, according to their realization, from current to noncurrent, and were realized in the year ended December, 31 2010.

PIS and COFINS (social contribution on net income)

Refers to non-cumulative PIS and COFINS credits arising from purchases of raw materials, packaging and other materials used in the products sold in the foreign market.

IRRF (withholding income tax)

Refers to withholding income tax levied on short-term investments, which can be offset against income tax payable on profits.

General comments

Based upon previous decisions of the Board of Tax Appeals and the legal counsel's opinion, which considers that a favorable decision is almost certain, the Company and JBS Embalagens recorded the monetary adjustment of their PIS, COFINS and IPI tax credits based on SELIC (Central Bank overnight rate), in the amount of R$ 146,863. As of this date, the Company received R$ 28,987, and the remaining balance of R$ 117,876 is recorded in noncurrent assets, in consolidated.

(Expressed in thousands of reais)

11 Related parties transactions

Intercompany balances shown in the balance sheet and statement of operations are as follows:

	December 31, 2010		December 31, 2009		January 1, 2009	
COMPANY	Trade accounts receivable	Trade accounts payable	Trade accounts receivable	Trade accounts payable	Trade accounts receivable	Trade accounts payable
Direct subsidiaries						
JBS Confinamento Ltda.	**618**	**43,544**	138	4,638	215	8
JBS Embalagens Metálicas Ltda.	**268**	**1,583**	-	500	-	2,735
JBS USA, Inc	**90**	**-**	-	-	-	-
Inalca JBS S.p.A	**-**	**-**	3,479	4	6,798	-
JBS Itália SRL	**14,932**	**-**	-	-	-	-
S.A. Fabrica de prod. alimentícios vigor	**14,841**	**18**	3,029	3,029	-	-
Cia Leco de Prod. Alimentícios	**29**	**-**	2,152	-	-	-
Cascavel Couros Ltda	**24,208**	**395**	112,872	230,771	-	-
Novaprom Food Ingredients Ltda	**1,146**	**163**	1,024	112	-	-
Biolins Energia Ltda	**866**	**2,201**	34,382	22	-	-
Indirect subsidiaries						
JBS Global Beef Company Lda.	**48**	**-**	48	-	-	-
JBS Global (UK) Limited	**22,089**	**-**	21,920	-	24,625	-
JBS Argentina S.A.	**-**	**4,186**	-	2,259	-	677
The Tupman Thurlow Co.	**-**	**-**	4,432	-	34,258	715
Global Beef Trading SU Lda.	**2,825**	**1**	521	-	-	-
Beef Snacks Brasil Ind.Com. Ltda.	**1**	**-**	7	-	5	-
Marr Russia L.L.C	**1,157**	**-**	1,734	-	-	-
SARL Inalca Algerie	**-**	**-**	-	-	129	-
Frimo Sam	**149**	**-**	-	-	-	4
JBS Leather Europe	**8,579**	**-**	-	-	-	-
Austrália Meat	**-**	**10**	-	1,144	-	-
Toledo International NV	**13,036**	**-**	-	-	-	-
Weedel Limited	**4,096**	**-**	-	-	-	-
Sampco Inc.	**24,978**	**-**	30,529	-	-	-
Frigorífico Canelones S.A.	**-**	**705**	-	533	-	-
Rigamonti Salumificio Spa	**1,629**	**-**	-	-	-	-
Itaholb International	**4,470**	**-**	-	-	-	-
Wonder Best Holding Company	**19,069**	**-**	10,857	-	-	-
Trump Asia Entreprise Ltd	**10,790**	**-**	6,422	-	-	-
Trustful Leather	**6,510**	**-**	-	-	-	-
Bertin Paraguay	**22**	**-**	-	-	-	-
Other related parties						
JBS Agropecuária Ltda.	**502**	**-**	137	2,446	143	7,540
Flora Produtos de Hig. Limp. S.A.	**6,350**	**689**	5,297	238	1,813	83
Flora Dist. Produtos de Hig. Limp. S.A.	**730**	**87**	-	-	-	-
	184,028	**53,582**	**238,980**	**245,696**	**67,986**	**11,762**

(Expressed in thousands of reais)

Mutual contracts between related parties recorded on the balance sheet as credits and debits with related parties:

				Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
COMPANY	Currency	Maturity	Annual rate	Mutual contracts	Mutual contracts	Mutual contracts
Direct subsidiaries						
Mouran Alimentos Ltda.	R$	Sep 13, 2011	CDI + 12%	**43,883**	11,455	5,719
JBS Confinamento Ltda.	R$	Apr 1, 2011	CDI + 4%	**142,169**	76,010	14,959
JBS Embalagens Metálicas Ltda.	R$	Aug 16, 2012	CDI + 12%	**54,862**	49,043	57,282
JBS Global A/S (Denmark)	R$	Aug 16, 2012	CDI + 12%	**(1,308)**	-	(531)
JBS USA, Inc	US$	Aug 16, 2011	Libor + 2,5%	**(1,538,772)**	-	1,580,340
JBS Slovakia Holdings s.r.o.	EURO	Mar 12, 2012	4.50%	**(36,771)**	(941,640)	-
S.A. Fabrica de Prod. Alimentícios Vigor	R$	Dec 31, 2011	CDI	**(215,539)**	(278,228)	-
Cascavel Couros Ltda	R$	Dec 31, 2011	CDI + 12%	**(25,131)**	-	-
Novaprom Food Ingredients Ltda	R$	Dec 31, 2011	CDI + 6%	**11,350**	-	-
Biolins Energia Ltda	R$	Dec 31, 2011	CDI + 12%	**78,179**	-	-
Indirect subsidiaries						
JBS Global Beef Company Lda.	EURO	Dec 31, 2011	Libor + 2%	**(39,156)**	(40,918)	(54,920)
The Tupman Thurlow Co.	US$	May 5, 2011	Libor + 3%	**-**	13,943	18,488
Beef Snacks Brasil Ind.Com. Ltda.	R$	Jan 24, 2011	CDI + 4%	**82,911**	74,373	72,135
Beef Snacks International BV	EURO	Dec 31, 2012	Libor + 2% to 3%	**3,649**	3,569	4,463
Marr Russia L.L.C	EURO	May 19, 2011	12%	**-**	-	2,933
JBS HU Ltd	EURO	May 19, 2011	12%	**(96,018)**	(90,108)	-
Sampco Inc.	US$	Jan 10, 2013	Libor + 5%	**-**	11,951	-
Bertin Paraguay	US$	Jul 21, 2011	Libor + 5%	**3,690**	3,660	-
				(1,532,002)	**(1,106,890)**	**1,700,868**

Impacts of related party transactions on Income Statements:

(Expressed in thousands of reais)

	December 31, 2010			December 31, 2009		
	Financial income (expenses)	Purchases	Sales of products	Financial income (expenses)	Purchases	Sales of products
Direct subsidiaries						
Mouran Alimentos Ltda.	**3,237**	**-**	**-**	1,694	-	-
JBS Confinamento Ltda.	**14,040**	**200,970**	**3,952**	7,119	82,949	2,121
JBS Embalagens Metálicas Ltda.	**9,727**	**43,576**	**883**	9,878	43,358	-
JBS Global A/S	**-**	**-**	**-**	11	-	-
JBS USA, Inc	**(17,281)**	**-**	**3,510**	21,636	-	1,277
Inalca JBS S.p.A	**-**	**-**	**18,568**	-	-	34,095
JBS Slovakia Holdings s.r.o.	**(46,375)**	**-**	**-**	(26,722)	-	-
JBS Itália SRL	**53**	**-**	**16,516**	-	-	-
S.A. Fabrica de Prod. Alimentícios Vigor	**(3,572)**	**159**	**57,090**	-	-	-
Cia Leco de Prod. Alimentícios	**-**	**-**	**16**	-	-	-
Cascavel Couros Ltda	**2,895**	**12,436**	**209,443**	-	-	-
Novaprom Food Ingredients Ltda	**158**	**2,122**	**8,125**	-	-	-
Biolins Energia Ltda.	**294**	**28,490**	**7,969**	-	-	-
Indirect subsidiaries						
JBS Global (UK) Limited	**-**	**-**	**94,880**	-	-	71,818
JBS Argentina S.A	**-**	**10,098**	**-**	-	11,665	-
The Tupman Thurlow Co.	**93**	**-**	**6,293**	800	-	45,328
Global Beef Trading SU Lda.	**-**	**448**	**93,356**	-	-	55,882
Beef Snacks Brasil Ind.Com. Ltda.	**10,558**	**18**	**-**	9,408	-	-
Beef Snacks International	**191**	**-**	**-**	(14)	-	-
JBS HU Ltd	**(9,892)**	**-**	**-**	(6,105)	-	-
Frimo Sam	**-**	**-**	**164**	-	-	-
Marr Russia L.L.C	**-**	**-**	**30,742**	15	-	121,347
Australia Meat	**-**	**4,350**	**-**	-	11,346	-
Toledo International BV	**-**	**-**	**22,397**	-	-	-
Swift & Company Trade Group	**-**	**-**	**211**	-	-	2,955
JBS Leather Europe	**-**	**-**	**8,978**	-	-	-
Weedel Limited	**-**	**-**	**7,050**	-	-	-
Sampco Inc.	**-**	**-**	**84,656**	-	-	-
Bertin USA Corporation	**136**	**-**	**-**	-	-	-
Frigorífico Canelones S.A.	**-**	**4,971**	**-**	-	-	-
Rigamonti Salumificio Spa	**-**	**-**	**4,697**	-	-	-
Wonder Best Holding Company	**-**	**-**	**38,247**	-	-	-
Trump Asia Entreprise Ltd	**-**	**-**	**12,781**	-	-	-
Trustful Leather	**-**	**-**	**6,631**	-	-	-
Bertin Paraguay	**265**	**2,387**	**22**	-	-	-
Itaholb International	**-**	**-**	**5,725**	-	-	-
Other related parties						
JBS Agropecuária Ltda.	**-**	**37,848**	**2,085**	-	73,141	1,501
Flora Produtos de Hig. Limp. S.A.	**-**	**428**	**42,614**	-	1,839	59,857
Flora Dist. Produtos de Hig. Limp. S.A.	**-**	**2**	**1,007**	-	-	-
	(35,473)	**348,303**	**788,608**	**17,720**	**224,298**	**396,181**

(Expressed in thousands of reais)

Guarantees provided and / or received

The Company guarantees US Bonds operation of the subsidiary JBS USA in the amount of US$ 700 million with final maturity in 2014.

The parent company J&F Participações S.A guarantees Eurobonds operation of the Company in the amount of US$ 275 million with final maturity in 2011.

JBS USA together with its subsidiaries, JBS USA, LLC and Swift Beef Company, guarantee, in an unsecured way, US$ 300 million of notes issued by the Company in 2016 as a result of commitment contained in the indenture governing such notes.

Details of transactions with related parties

The main assets and liabilities balances, as well as the transactions that had impact on income statements related with related parties transactions, which Management considers that were accomplished in the usual market conditions for similar types of operations.

Among the transactions between related parties more representative, we emphasize the purchase of cattle for slaughter between the Company and its subsidiaries JBS Agropecuária and JBS Confinamento and Leather sales operation to the subsidiary Cascavel. Such transactions are made at regular price and market conditions in their region because it takes the market prices applied with other suppliers (third parties not from JBS Group). The quantity cattle provided by the subsidiaries is irrelevant in related to the volume demanded by the Company.

On the mutual contracts are calculated exchange rate and interests, when applicable.

No allowance for doubtful accounts or bad debts expenses relating to related-party transactions were recorded for the year as of December 31, 2010, and the year ended December 31, 2009.

JBS USA purchase and sale agreement

On December 21, 2009, the Company and JBS USA entered into a purchase and sale agreement pursuant to which it has been agreed to issue and sell 20%-25% of JBS USA common stock to the Company for an aggregate purchase price of $2.0 billion. The percentage of shares to be issued and sold shall be equal to $ 2.0 billion divided by the valuation of assets in American dollars of JBS USA, based on the number of shares outstanding immediately prior to the IPO of JBS USA (the JBS USA's IPO), but calculated based on the IPO price per share of JBS USA, multiplied by 100. As a result of this purchase and sale. Accordingly, prior to the completion of JBS USA anticipated initial public offering (IPO), JBS USA will anticipate that to the Company that will hold a 20%-25% interest directly, in addition to the remaining controlling interest the Company will continue to hold in JBS USA indirectly through JBS Hungary Holdings Kft.

The consolidated balance of related parties, on the amount of R$ 332,679 as of December 31, 2010 (R$ 326,972 as of December 31, 2009), has the following composition:

a) Not consolidated Companies

The amount of R$ 280,772 (R$ 279,405 as of December 31, 2009) regarding part of the line of credit of US$ 200 million, with market interests, between the indirect subsidiary JBS Five Rivers and J&F Oklahoma, subsidiary of J&F Participações S.A., not consolidated, where J&F Oklahoma uses this credit for adding value to cattle placed in the feedlot of JBS Five Rivers to be prepared for the slaughter.

J&F Oklahoma is still part in 2 commercial agreements with subsidiaries of the Company:

i) Cattle supply and feeding agreement with JBS Five Rivers, where it takes the responsibility for the cattle from J&F Oklahoma and collects the medicinal and adding value costs, besides a daily fee of rent in line with market terms;
ii) Sales and purchase cattle agreement with JBS USA of at least 500,000 animals/year, starting from 2009 up to 2011 with market prices.

JBS Five Rivers also guarantee in third degree, after warranty of the assets from J&F Oklahoma and its parent company, up to US$ 250 million in a line of credit of J&F Oklahoma.

b) Companies partially consolidated

The amount of R$ 51,907 (R$ 47,567 as of December 31, 2009) refers to credits of subsidiaries partially consolidated, as follows :

	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Beef Snacks do Brasil Ltda.	**41,456**	37,186	40,321
Beef Snacks International BV.	**3,666**	3,720	5,012
Jerky Snack Brands, Inc.	**6,785**	6,661	9,444
	51,907	**47,567**	**54,777**

(Expressed in thousands of reais)

Remuneration of key management

The Company's management includes the Executive Board and the Board of Directors. The aggregate amount of compensation received by the members of the Company's management for the services provided in their respective areas of business in the year ended December 31, 2010, December 31, 2009 and January 1, 2009 is the following:

	Members	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Executive Board and Board of Directors	**14**	**5,038**	4,243	3,000
	14	**5,038**	**4,243**	**3,000**

The alternate members of the Board of Directors are paid for each meeting of Council in attendance

The Counsel Director and Investor Relations Director are part of the employment contract regime *CLT* (which is the Consolidation of Labor Laws), where follows all the legal prerogatives of payments and benefits. Not included any remuneration bonuses of the Company or other corporate benefits to additional employees or that should be extended to their family.

In accordance with IAS 24(R)/CPC 5 (R) - Related parties, except to those described above, the other members of the Executive Board, and Management Board are not part of any employment contract or any other contracts for additional business benefits such as post-employment benefits or other long-term benefits, termination of work that does not conform to those requested by the *CLT*, where applicable, or payment based on shares.

12 Investments in subsidiaries

Relevant information about subsidiaries in the year ended on December 31, 2010:

	Number of shares (Thousand)	Participation	Capital stock	Shareholders' equity	Net income (loss)
JBS Embalagens Metálicas Ltda.	10,002	99.00%	2	31,704	(3,227)
JBS Global Investments S.A.	93,000	100.00%	154,957	75,451	12,950
JBS Holding Internacional S.A.	960,514	100.00%	960,514	331,706	(195,689)
JBS Global A/S (Denmark)	1,250	100.00%	441,988	87,566	12,451
Mouran Alimentos Ltda.	120	100.00%	120	(34,248)	(6,410)
JBS USA, Inc.	0.1	100.00%	4,958,178	7,045,765	806,326
JBS Confinamento Ltda.	415,001	100.00%	415,001	401,659	1,323
Inalca JBS S.p.A	280,000	50.00%	674,128	928,188	24,492
JBS Slovakia Holdings, s.r.o.	0.001	100.00%	50,596	162,517	125,219
JBS Italia S.R.L.	7483	100.00%	16,672	11,606	(5,310)
CJSC Prodcontract	10	70.00%	1	(18,707)	6,114
JBS Holding GMBH	96	100.00%	74	163,242	(4,198)
Novaprom Foods e Ingredientes Ltda	792	60.00%	792	2,753	(2,339)
S.A. Fabrica de Prod. Alimenticios Vigor	165,447	99.06%	104,031	250,716	72,840
Cascavel Couros Ltda	265,127	100.00%	240,861	289,028	4,247
Biolins Energia S.A.	10,672	100.00%	43,727	40,512	(3,215)

(Expressed in thousands of reais)

	December, 2009	Addition (disposal)	Exchange rate variation (i)	Equity in subsidiaries: Shareholders' Equity (ii)	Equity in subsidiaries: Income Statements	December, 2010
JBS Embalagens Metálicas Ltda.	**34,581**	-	-	-	(3,194)	**31,387**
JBS Global Investments S.A.	**66,037**	-	(6,086)	2,550	12,950	**75,451**
JBS Holding Internacional S.A.	**402,886**	156,279	-	(31,770)	(195,689)	**331,706**
JBS Global A/S (Denmark)	**143,657**	(51,303)	(15,205)	(2,034)	12,451	**87,566**
Mouran Alimentos Ltda.	**(19,486)**	(9,199)	-	-	(5,563)	**(34,248)**
JBS USA, Inc.	**4,122,234**	2,837,846	(547,053)	(173,588)	806,326	**7,045,765**
JBS Trading USA, Inc.	**(1,766)**	7,849	78	127	(6,288)	**-**
JBS Confinamento Ltda.	**56,677**	350,000	-	(6,341)	1,323	**401,659**
Inalca JBS S.p.A	**463,011**	(25,514)	(18,416)	7,253	12,246	**438,580**
JBS Slovakia Holdings, s.r.o.	**1,251,415**	(1,000,017)	(233,302)	19,202	125,219	**162,517**
JBS Italia S.R.L	**-**	16,787	(90)	219	(5,310)	**11,606**
CJSC Prodcontract	**-**	(18,139)	1,017	(253)	4,280	**(13,095)**
JBS Holding GMBH	**142,582**	32,001	(7,608)	465	(4,198)	**163,242**
Novaprom Foods e Ingredientes Ltda	**3,056**	-	-	-	(1,404)	**1,652**
S.A. Fabrica de Prod. Alimenticios Vigor	**177,927**	(863)	(539)	(321)	72,155	**248,359**
Cascavel Couros Ltda	**283,847**	934	-	-	4,247	**289,028**
Bertin USA Corporation	**43,154**	(43,734)	(933)	(8)	1,521	**-**
Biolins Energia S.A.	**43,727**	-	-	-	(3,215)	**40,512**
Transfer to Other current liabilities (Negative equity)	**21,252**	-	-	-	-	**47,343**
Total	**7,234,791**	**2,252,927**	**(828,137)**	**(184,499)**	**827,857**	**9,329,030**

(i) - As defined in CPC 2/IAS 21 - The effects of changes in foreign exchanges rates, refers to the exchange rate variation of foreign currency investments that are accounted under the equity method, which was accounted directly to shareholders' equity of the Company on the line "Accumulated translation adjustments".

(ii) - Refers to the reflex of valuation adjustments and exchange rate variation of foreign investments, accounted in valuation adjustments to shareholders' equity in the subsidiaries, whose effect is being recognized when calculating the equity in subsidiaries, directly to shareholders' equity of the Company.

On December 2010, the Company, contributed its 100 percent ownership in JBS Tranding USA and Bertin USA trough it subsidiary JBS USA. This contribution was made in order at better management of these operations, and was made through a capital increase at JBS USA and based on account balances, without indication of impairment, not generating losses or gains in the operation.

Termination in partnership at Inalca JBS

The Company signed on March 4, 2011, a “Termination Agreement" with the Cremonini Group for dissolution of its 50% of participation in Inalca's capital. Accordingly the terms of Termination Agreement, the Company has returned the shares representing 50% of the Capital Stock of InalcaJBS to the Cremonini Group and the Cremonini Group has simultaneously reimbursed the amount of Euros 218,855 thousands invested by the Company in 2008. As part of the agreement, the Company and Cremonini have agreed to definitively abandon all disputes and litigation relating to the Companies, their officers and employees.

The Company estimates that such termination agreement, would result in a loss, considering the probable tax effects of approximately R$ 16,839, considering the write off of investment, goodwill (intangible assets), debts payable to Cremonini Group and exchange rate variation on investments recorded in shareholders' equity updated until December 31, 2010.

(Expressed in thousands of reais)

13 Biological assets

	Consolidated		
	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Cattle	**398,858**	239,569	264,594
Pork and Lamb	**29,044**	8,629	13,893
Poultry	**1,250**	958	869
Plants for harvest	**1,533**	462	-
	430,685	**249,618**	**279,356**

Effects of valuation of biologic assets

	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Valuation by absorption cost	**374,894**	255,960	279,356
Fair value market "Mark to Market - MtM"	**55,791**	(6,342)	-
Fair value	**430.685**	**249.618**	**279.356**

Biological assets are composed mainly of live animals, mostly in confinement. To according with the requirements of IAS 29 41/CPC - Biological Assets, companies that own agricultural activities, such as grain crops, increased herd (cattle feeding operations and livestock grazing), and various agriculture crops are subject to realize the value of their assets in order to determine the fair value thereof, based on the concept of market value to "Mark to Market - MtM" at least quarterly or annually, recognizing the effects of these comments directly in the income the year. However, the standard shows that, for cases where there is no active market, such as those presented by JBS USA, one or more of the following alternatives for determining the fair value should be adopted:

a) the market price of the most recent transaction, considering that no significant economic change had occurred between the date of the transaction and the closing of the interim consolidated financial statements;

b) market price of similar assets with adjustments to reflect any difference; and

c) industry standards, such as the value of orchard expressed by the value of standard packing for export, acres or hectares, and the value of cattle expressed per kilogram of meat or arroba.

There is an assumption that the fair value of biological assets can be measured reliably. However, this assumption can be rejected in case of biological assets whose value should be determined by the market, but this is not available and the alternatives for estimating them are clearly not reliable. In such situations, the biological asset should be measured at cost less depreciation and any accumulated impairment loss.

COMPANIES IN UNITED STATES OF AMERICA	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Cattle	**282,481**	195,667	234,502
Pork and Lamb	**29,044**	8,629	13,893
Poultry	**1,250**	958	869
Total biological assets stated at cost	**312,775**	**205,254**	**249,264**

As mentioned, part of the biological assets of the company JBS USA will not be valued at market, adopting the procedures of recovery by absorption costing for the following reasons:

Poultry – PPC is engaged in the poultry activity, however, due to the "maturation" period, which covers the period between the egg until the time of slaughter, is less than 45 days;

Pork and Lamb - The unit of JBS USA in Australia keeps pigs and lambs in the feedlot system and there is no active market for such activities;

Cattle - The JBS USA unit in Australia keeps cattle in feedlot and there is no reliable active market because of its "age", since this is bovine cattle born for more than 180 days. However, the active market covers only bovine cattle between born between 75 and 100 days.

(Expressed in thousands of reais)

COMPANIES IN BRAZIL	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Cattle	**92,013**	29,883	-
Plants for harvest	**1,533**	462	-
Total biological assets stated at market price	**93,546**	**30,345**	**-**

Operations relating to biological assets of activities in Italy are integrally represented bovine cattle under feedlot system (intensive), whose valuation at market price is reliably measured due to the existence of an active market, as shown below:

The balances plants for harvest, consist of corn, soybeans and grass, which will be used in the preparation of ration for cattle. The Management chose to keep the measurement of biological assets at their cost values, due to the immateriality of the balances, since the efforts needed to develop and measure these assets at their fair values overcome the benefits expected by management.

COMPANIES IN ITALY	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Cattle	**13,657**	14,019	30,092
Total biological assets stated at market price	**13,657**	**14,019**	**30,092**

Operations relating to biological assets of activities in Italy are integrally represented bovine cattle under feedlot system (intensive), whose valuation at market price is reliably measured due to the existence of an active market, as shown below:

COMPANIES IN ARGENTINA	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Cattle	**10,707**	-	-
Total biological assets stated at market price	**10,707**	**-**	**-**

Operations relating to biological assets of activities in Italy are integrally represented bovine cattle under feedlot system (intensive), whose valuation at market price is reliably measured due to the existence of an active market, as shown below:

14 Property, plant and equipment, net

				Net amount		
Company	**Cost**	**Revaluation**	**Accumulated depreciation**	**Dec 31, 2010**	**Dec 31, 2009**	**Jan 1, 2009**
Buildings	2,620,225	116,742	(208,480)	**2,528,487**	2,385,975	486,669
Land	960,109	9,352	-	**969,461**	1,262,583	116,821
Machinery and equipment	3,332,253	44,738	(418,764)	**2,958,227**	2,495,004	285,314
Facilities	710,226	21,815	(91,562)	**640,479**	697,255	93,020
Computer equipment	67,724	731	(39,422)	**29,033**	26,338	7,963
Vehicles	429,210	190	(188,978)	**240,422**	262,679	41,374
Construction in progress	205,346	-	-	**205,346**	443,036	773,921
Other	44,263	1,253	(16,436)	**29,080**	26,757	11,124
Impairment	(1,572)	-	-	**(1,572)**	-	-
	8,367,784	**194,821**	**(963,642)**	**7,598,963**	**7,599,627**	**1,816,206**

				Net amount		
Consolidated	**Cost**	**Revaluation**	**Accumulated depreciation**	**Dec 31, 2010**	**Dec 31, 2009**	**Jan 1, 2009**
Buildings	5,692,495	116,742	(559,957)	**5,249,280**	4,987,115	1,572,864
Land	2,358,707	9,352	(59,468)	**2,308,591**	1,958,941	844,267
Machinery and equipment	7,344,864	44,738	(1,733,029)	**5,656,573**	6,022,602	2,014,090
Facilities	834,236	21,815	(130,057)	**725,994**	768,024	97,289
Computer equipment	171,392	731	(97,535)	**74,588**	82,727	37,046
Vehicles	639,531	190	(305,775)	**333,946**	331,559	80,101
Construction in progress	804,487	-	-	**804,487**	804,635	1,105,083
Other	115,140	1,253	(48,338)	**68,055**	59,544	74,485
Impairment	(2,171)	-	-	**(2,171)**	(599)	-
	17,958,681	**194,821**	**(2,934,159)**	**15,219,343**	**15,014,548**	**5,825,225**

(Expressed in thousands of reais)

According to IAS 27 16/CPC - Fixed Assets, the Company made a review of the useful lives of fixed assets, resulting in different rates of depreciation for each asset, which hinders the disclosure of annual depreciation rate for each group of assets. Because of the above, annually is calculated for the purpose of disclosure and to provide additional information to readers, the calculation of the weighted average depreciation rates of assets that make up each group. Below the rates of depreciation for the year ended December 31, 2010:

	Average annual depreciation rates	
	Company	Consolidated
Buildings	2.74%	6.97%
Land	0.00%	1.18%
Machinery and equipment	4.22%	9.57%
Facilities	4.32%	4.37%
Computer equipment	13.74%	34.89%
Vehicles	10.95%	10.17%
Other	6.88%	18.07%

Changes in property, plant and equipment

	Company		
	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Initial balance	**7,599,627**	**1,816,206**	**1,328,015**
(+/ -) First-time adoption of IFRS	**11,990**	168,675	11,373
(+) Additions	**627,499**	5,751,139	545,637
(-) Disposals	**(356,961)**	(38,878)	(2,949)
(-) Depreciation	**(283,192)**	(97,515)	(65,870)
Final balance	**7,598,963**	**7,599,627**	**1,816,206**

	Consolidated		
	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Initial balance	**15,014,548**	**5,825,225**	**2,536,098**
(+) Acquisitions	**80,296**	2,567,760	-
(+/ -) First-time adoption of IFRS	**11,990**	815,491	906,556
(+) Additions	**1,553,598**	6,807,515	2,108,376
(-) Disposals	**(255,520)**	(49,237)	(10,254)
(-) Depreciation	**(1,139,133)**	(324,362)	(159,946)
(+) Exchange variation	**(46,436)**	(627,844)	444,395
Final balance	**15,219,343**	**15,014,548**	**5,825,225**

The balance of construction in progress refers to investments for expansion, modernization and adaptation of meat-packing plants, aiming to maintain current and obtain new certifications required by the market. When these assets are concluded and start operating, they will be transferred to a proper property, plant and equipment account and then will be subject to depreciation.

Until December 2007, revaluations were performed on property, plant and equipment items of several Company's plants, as supported by reports issued by the specialized firm, and offsetting entries were made to the revaluation reserve account and the provision for deferred income and social contribution taxes. The method and assumption applied to estimate the fair value of the assets were determined based on current market prices. As of December 31, 2010, the total amount of property, plant and equipment revaluation is R$ 194,821 which the revaluation reserve is R$ 106,814 and the provision for income and social contribution taxes is R$ 50,452. For revalued property, plant and equipment, the Company recorded accumulated depreciation of R$ 37,555.

The Company and its subsidiaries engaged the review the useful life of their property, plant and equipment. Significant divergences were not found in comparison with the useful lives adopted as of December 31, 2009.

The useful life of all property, plant and equipment items was duly reviewed and has been applied since January 1, 2010.

(Expressed in thousands of reais)

Interest capitalization - Borrowing costs

Pursuant to IAS 23/CPC 20 – Borrowing costs, the Company capitalized those borrowing costs directly attributable to the construction of qualifying assets, which are exclusively represented by construction in progress. The borrowing costs allocated to the qualifying assets as of December 31,2010, December 31, 2009 and January 1, 2009 are shown below:

	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Construction in progress	**193,356**	405,912	759,028
(+) capitalized borrowing costs	**11,990**	37,124	14,893
	205,346	**443,036**	**773,921**

Deemed cost

According to CVM Resolution 619/09 which approved the ICPC 10 - Property, plant and equipment for investment, the Company can and is encouraged to apply the cost attributable to fixed assets, replacing the carrying amount on to the initial adoption of new accounting standards and adoption of international standards . This application is allowed only in the initial adoption, restricted for reviewing in subsequent periods.

Despite the fact this procedure is optional and encouraged, item II of the CVM 619/09, which approved the ICPC 10, requires public companies that do not adopt the cost assigned in the initial evaluation of fixed assets should disclose the fact, in a footnote of financial statements, explaining the reasons for not adopting.

Based on this, the Company chose to measure its fixed assets to estimated cost, since it is broadly comparable to fair value, based on the following premises:

i) The cost method, less depreciation and any provisions for losses, is the best method to evaluate the Company's assets;

ii) The impairment test is performed at least annually and whenever there are indications of impairment; updating the carrying amounts at fair value;

iii) The depreciation rates applied in the fixed assets are reviewed and changed, if necessary, periodically, representing accurately the useful life of assets;

iv) Fixed assets revaluations were performed in recent previous periods, in accordance with prior requirements, and its carrying amount is broadly comparable to fair value, with no significant difference;

v) Fixed assets are segregated into specific categories and related to the Company's operational activities;

vi) The Company has effective controls over fixed assets that enable the identification of losses and changes in estimates of useful life of assets in a timely;

vii) For all business combinations fixed assets were incorporated into their respective fair values, even before the transition date, as the most significant acquisitions were controlled by JBS USA, which adopted the international practice and USGAAP, which applies the Purchase Accounting and brings the assets acquired at fair value;

Impairment test of asset

In compliance with the requirements of IAS 36/CPC 1 - Presentation of financial statement, the Company performed the annual impairment test of the tangible and intangible, which were estimated based on the values in use of its various cash-generating units using the discounted cash flows, and showed that the estimated market value is higher than the net book value at the valuation date and, during the year there was no evidence of loss of value of individual assets or group of relevant assets.

15 Intangible assets, net

	Company		
	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Goodwill	**10,832,718**	10,840,885	949,615
Trademarks	**452,574**	452,574	9,615
Software	**9,239**	9,305	3,521
	11,294,531	**11,302,764**	**962,751**

(Expressed in thousands of reais)

	Consolidated		
	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Goodwill	**11,337,087**	12,020,947	2,069,749
Trademarks	**649,266**	452,574	9,615
Software	**17,666**	9,305	-
Water rights	**50,589**	117,534	28,381
Client portfolio	**608,130**	647,585	-
Other	**4,506**	119,037	-
	12,667,244	**13,366,982**	**2,107,745**

Changes in intangible assets

	Company		
	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Initial balance	**11,302,764**	**962,751**	**9,615**
(+) Acquisitions	**-**	1,071,339	-
(+) Additions	**20,997**	9,337,504	1,088,237
(-) Amortization [1]	**(2,923)**	-	(179,867)
(+) Exchange variation	**(26,307)**	(68,830)	44,766
Final balance	**11,294,531**	**11,302,764**	**962,751**

	Consolidated		
	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Initial balance	**13,366,982**	**2,107,745**	**193,917**
(+) Acquisitions	**-**	1,187,397	984,917
(+/ -) Adjustments from first-time adoption of IFRS	**(476,946)**	-	-
(+) Additions	**5,016**	10,359,301	1,046,442
(-) Write-offs	**(29,292)**	-	-
(-) Amortization [1]	**(87,167)**	(3,031)	(228,864)
(+) Exchange variation	**(111,349)**	(284,430)	111,333
Final balance	**12,667,244**	**13,366,982**	**2,107,745**

[1] - Refers to amortization of intangible assets with useful lives defined in business combinations.

Detailing of the Goodwill

Company

In July 2007 the Company acquired a 100% interest in Swift Foods Company, currently known as JBS USA , with goodwill of R$ 906,481, based on expected future earnings of the acquired business, which will be paid over a period of 5 years. Goodwill amortized as of December 31, 2008 is R$ 248,656, showing a net balance of R$ 657,825 as of December 31, 2010.

In December 2007 Company acquired a 50% interest in Inalca S.p.A., presently known as Inalca JBS, with goodwill of 94,181 thousand Euros, equivalent to R$ 209,836 (Note 1c) as of December 31, 2010, based on expected future earnings of the acquired business showing a net of R$ 657,825 as of December 31, 2010.

In December 2009 the Company merged Bertin. The market value of this operation was ascertained based on an appraisal report prepared by a specialized company. The base value of the operation of share exchange between the companies amounted to R$ 11,987,963, generating a goodwill of R$ 9,069,926. Pursuant to IFRS 3 (R)/CPC 15 – Business combinations, in 2010 the goodwill was allocated to the respective asset accounts, based on the appreciation of assets.

On September 2007, the Company through its merged company Bertin, acquired 99.06% of interest in S.A. Fabrica de Produtos Alimenticios Vigor, with goodwill of R$ 860,947, based on expected future earning of the acquired business.

In July 2010 the Company acquired 70% interest in CJSC % Prodcontract, with goodwill of R$ 18,140, based on expected future earnings of the acquired business

The Company through its acquired company Bertin, has other smaller representation of goodwill arising from companies acquisition based on expected future profitability of R $ 16,044, which related the following investments:
i) Novaprom Foods Ingredients - R$ 12,000
ii) Phitoderm - R$ 4,044

Subsidiaries

JBS USA has goodwill of US$ 224,374 thousand, equivalent to R$ 373,852 as of December 31, 2010, arising mainly from the acquisition in 2008 of Smithfield beef, Tasman and Five Rivers, preliminarily calculated and subject to adjustments, based on the appreciation of the assets.

In 2007, JBS Holding International S.A., through its subsidiaries JBS Argentina S.A. and JBS Mendoza S.A., acquired 100% of the capital stock of Consignaciones Rurales S.A. and Argenvases S.A.I.C. and, in 2008, through the same subsidiaries, acquired 100% of the capital stock of Colcar S.A., with total goodwill of $14,110 thousand Argentinean pesos, equivalent to R$ 5,917 as of December 31, 2010. Goodwill is based upon expected future earnings of the acquired businesses.

Inalca JBS has goodwill of EUR 12,171 thousands, equivalent to R$ 29,303 as of March 31, 2010, arising from the acquisition of the companies Montana, Frimo and Guardamiglio, based on the appreciation of the assets.

JBS Global A/S has goodwill of 4,574 thousands of Euros, equivalent to R$ 10,191 as of December 31, 2010, arising from the acquisition of the Toledo Group , based on the appreciation of the assets.

The Company's subsidiaries have other smaller representation of goodwill arising from companies acquisition, based on expected future profitability of R$ 85,106, which related the following investments:
i) JBS Holding Inc - R$ 18,622
ii) Mirs Cold - R$ 18,993
iii) Rigamonti - R$ 40,408
iv) Serrabella - R$ 1,459
v) Wonder Best - R$ 1,640
vi) IFPSA - R$ 3,984

In accordance with CVM decision No. 565, dated December 17, 2008, and CVM Decision No. 553, dated November 12, 2008, since January 1, 2009 the Company has adopted the criteria of not amortize goodwill based upon expected future earnings, which is in line with IFRS 3 (R)/CPC 15 - Business combination. Under these CVM decisions and the IFRS, intangible assets with indefinite life can no longer be amortized.

Goodwill and intangible assets with no estimated useful lives are tested for impairment at least once a year, in accordance with IFRS 3 (R)CPC 15 – Business combinations.

Impairment test of goodwill

The Company tested the recovery of the goodwill using the concept of "value in use" through models of discounted cash flow, representing the group of tangible and intangible assets used in the development and sale of products to its customers.

The process of determining the value in use involves the use of assumptions, judgments and estimates about cash flows, such as rates of revenue growth, costs and expenses, estimates of investment, working capital and discount rates. The assumptions about growth projections, cash flow and future cash flows are based on Management's best estimates, as well as comparable information from market, economic conditions that will exist during the economic life of the group of assets that provides the generation of the cash flows. The future cash flows were discounted based on the representative rate of the cost of capital (WACC).

Consistent with the techniques of economic evaluation, assessment of the value in use is effected for a period of 10 years, and after, considering the perpetuity of the premises in view of the business continuity capability indefinitely. The Management judged appropriate to use the period of 10 years based on their past experience in designing accurately projected cash flows. This understanding is in accordance with paragraph 35 of IAS 36/CPC 01 (R) - Impairment of Assets.

The growth rates used to extrapolate the projections after the period of 10 years ranged from 3% to 4% at year in nominal values. The estimated future cash flows were discounted using discount rates ranging from 9.3% to 10.9% at year, also in nominal values. The principal assumptions used in estimating the value in use are as follows:

(Expressed in thousands of reais)

• Sales Revenue - Revenues are projected from 2011 to 2020 considering the growth in volume of different products of Cash Generating Units.

• Operating costs and expenses - The costs and expenses were projected accordance with historical performance of the Company and, with the historical growth in revenues. In addition, we considered efficiency gains derived from business combinations of synergies and process improvements.

• Capital investment - Investment in capital goods were estimated considering the maintenance of existing infrastructure and expectations required to enable the supply of products.

The key assumptions were based on historical performance of the Company and reasonable macroeconomic assumptions reasoned basis on projections of the financial market, documented and approved by management.

Based on the annual test for impairment of the Company's intangible assets, there were no indications of possible losses or losses in the year ended December 31, 2010, as the estimated market value is higher than the carrying amount at the valuation date.

16 Trade accounts payable

	Company		
	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Commodities - cattle	**284,008**	149,351	313,316
Materials and services	**268,059**	444,625	70,586
Finished products	**14,915**	33,566	2,024
Fair value adjustment	**-**	-	(1,947)
	566,982	**627,542**	**383,979**

	Consolidated		
	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Commodities - cattle	**1,244,819**	686,267	897,296
Materials and services	**1,458,181**	1,642,047	916,293
Finished products	**134,973**	217,722	119,356
Fair value adjustment	**-**	-	(1,947)
	2,837,973	**2,546,036**	**1,930,998**

(Expressed in thousands of reais)

17 Loans and financings

Current liabilities

Type	Average annual rate of interest and commissions	Company Dec 31, 2010	Company Dec 31, 2009	Company Jan 1, 2009
Foreign currency				
FININP	Exchange variation and interest of 3.8%	**-**	781	-
ACC - (advances on exchange contracts)	Exchange variation, Libor plus interest from 0.45% to 8.90%	**1,499,011**	1,371,585	591,990
Euro Bonds	Exchange variation and interest of 9.375%	**460,698**	6,609	9,038
Prepayment	Exchange variation + Libor and interest from 1.00 to 2.3%	**406,867**	450,736	207,769
144-A	Exchange variation + interest from 8.25% to 10.50%	**81,612**	38,232	30,469
Foreign loan from multilateral organisms	Exchange variation + Libor and interest of 1.85%	**-**	87,370	-
Exim - Foreign loan	Exchange variation + interest from 3 % to 5,5%	**3,764**	12,252	-
		2,451,952	**1,967,565**	**839,266**
National currency				
FINAME	TJLP and interest from 1.5% to 3.08%	**54,402**	82,009	90,957
FINAME	Currency basket and interest of 3.30% to 3.73%	**245**	15,442	-
FINAME	Interest from 6.83% to 11.2%	**4,114**	8,004	-
FINEM	TJLP and interest of 3.00% to 3.98%	**48,203**	101,789	-
EXIM - export credit facility	TJLP and interest from 3.00% to 5.5%	**403,268**	159,884	71,652
EXIM - export credit facility	Interest from 5.15% to 18.27%	**-**	320,614	-
Working capital- Brazilian Reais	CDI + interest of 6.00%	**141,684**	3,360	51,113
NCE/COMPROR	Interest from 113.9% to 120.0% of CDI	**1,232,546**	971,683	441,702
FCO - Middle West Fund	Interest of 10.00%	**615**	620	-
FNO - North Fund	Interest of 10.00%	**5,008**	6,753	-
Working capital - Agriculture	TR and Interest of 10.50%	**-**	75,686	-
Working capital - Processing	Interest of 152.00% of CDI	**-**	212,425	-
Other		**556**	556	-
		1,890,641	**1,958,825**	**655,424**
		4,342,593	**3,926,390**	**1,494,690**

JBS S.A.
Notes to the consolidated financial statements for the year ended on December 31, 2010 and 2009
(Expressed in thousands of reais)

Non-current liabilities

		Company		
Type	**Average annual rate of interest and commissions**	**Dec 31, 2010**	**Dec 31, 2009**	**Jan 1, 2009**
Foreign currency				
FININP	Exchange variation and interest of 3.8%	**-**	193	-
ACC - (advances on exchange contracts)	Exchange variation, Libor plus interest from 0.45% to 8.90%	**494,985**	245,081	-
Euro Bonds	Exchange variation and interest of 9.375%	**-**	478,830	642,675
Prepayment	Exchange variation + Libor and interest from 1.00 to 2.3%	**907,802**	1,063,393	309,068
144-A	Exchange variation + interest from 8.25% to 10.50%	**2,567,852**	1,131,780	701,100
EXIM - export credit facility	TJLP and interest from 3.00% to 5.5%	**-**	3,482	-
		3,970,639	**2,922,759**	**1,652,843**
National currency				
FINAME	TJLP and interest from 1.5% to 3.08%	**99,456**	132,388	140,742
FINAME	Currency basket and interest of 3.30% to 3.73%	**51**	7,709	-
FINAME	Interest from 6.83% to 11.2%	**7,384**	16,461	-
FINEM	TJLP and interest of 3.00% to 3.98%	**63,538**	440,648	-
EXIM - export credit facility	TJLP and interest from 3.00% to 5.5%	**247,916**	9,518	105,755
EXIM - export credit facility	Interest from 5.15% to 18.27%	**-**	6,064	-
Working capital- Brazilian Reais	CDI + interest of 6.00%	**571,631**	11,616	-
NCE/COMPROR	Interest from 113.9% to 120.00% of CDI	**1,693,441**	1,734,094	1,092,004
FCO - Middle West Fund	Interest of 10.00%	**1,250**	1,850	-
FNO - North Fund	Interest of 10.00%	**24,609**	27,916	-
		2,709,276	**2,388,264**	**1,338,501**
		6,679,915	**5,311,023**	**2,991,344**
Breakdown:				
Current liabilities		**4,342,593**	**3,926,390**	**1,494,690**
Non current liabilities		**6,679,915**	**5,311,023**	**2,991,344**
		11,022,508	**9,237,413**	**4,486,034**
Maturities of long-term debt are as follows:				
2010		**-**	-	636,327
2011		**-**	2,482,552	1,122,953
2012		**1,779,752**	922,847	298,308
2013		**1,195,695**	528,826	232,656
2014		**595,982**	187,092	-
2015		**518,743**	32,559	-
2016		**1,080,390**	1,139,869	701,100
2017		**2,000**	6,862	-
2018		**1,503,639**	6,443	-
2019		**3,714**	3,973	-
		6,679,915	**5,311,023**	**2,991,344**

(Expressed in thousands of reais)

Current liabilities

Type	Average annual rate of interest and commissions	Consolidated Dec 31, 2010	Consolidated Dec 31, 2009	Consolidated Jan 1, 2009
Foreign currency				
FININP	Exchange variation and interest of 3.8%	**-**	781	-
ACC - (advances on exchange contracts)	Exchange variation, Libor plus interest from 0.45% to 8.90%	**1,581,087**	1,515,490	714,886
Euro Bonds	Exchange variation and interest of 9.375%	**460,698**	6,609	9,038
Prepayment	Exchange variation, Libor and interest of 1.00 to 2.3%	**406,867**	455,550	207,769
144-A	Exchange variation + Libor and interest from 8.25 to 10.5%	**81,612**	38,232	30,469
Foreign loan from multilateral organisms	Exchange variation + Libor and interest of 1.85%	**-**	87,370	-
Credit note - Export	Exchange variation + interest of 11.25%	**17,483**	26,016	-
Notes	Exchange variation + interest of 9.25%	**5,438**	33,742	-
EXIM - export credit facility	TJLP and interest from 3.00% to 5.5%	**3,764**	12,252	-
		2,556,949	**2,176,042**	**962,162**
National Currency				
FINAME	TJLP and interest from 1.5% to 3.08%	**54,535**	82,094	90,957
FINAME	Currency basket and interest of 3.30% to 3.73%	**-**	24,718	-
FINAME	Interest from 6.83% to 11.2%	**4,207**	8,526	-
FINEM	TJLP and interest of 3.00% to 3.98%	**48,533**	101,789	-
FINEM	Currency basket and interest of 2.9%	**101,593**	-	-
Installment note corp aircraft (payable notes)	Libor and interest from 1.75% to 7.25%	**2,666**	1,602	2,150
JBS Mortgage	Interest of 5.75%	**2,183**	-	2,508
EXIM - export credit facility	TJLP and interest from 3.00% to 5.5%	**403,268**	159,884	71,652
EXIM - export credit facility	Interest from 5.15% to 18.27%	**-**	320,614	-
Tasman revolver	BBSY and interest of 1.60%	**-**	72,646	87,895
US revolver	Interest of 11.625%	**-**	1,616	178
PPC - US revolver	Interest of 4,875% to 6.75%	**1,366**	1,868	-
PPC - US term notes	Interest from 5.25% to 9.00%	**110,456**	161,472	-
PPC - México revolver	Interest of 9.5981%	**-**	71,953	-
USD Bonds	Interest of 11.625%	**21,092**	21,561	-
PPC - US bonds	Interest from 7.625% to 9.25%	**1,998**	2,035	-
Plainwell Bond	Interest of 4.39%	**701**	-	-
Working capital- Brazilian Reais	CDI + interest of 6.00%	**141,684**	3,360	51,113
Working capital - US dollars	Libor +interest from 1.10% to 3.20%	**113,388**	46,446	104,333
Working capital - Euro	Euribor + interest from 0.15% to 1.75%	**225,050**	227,422	302,393
NCE/COMPROR	Interest from 113.9% to 120.0% of CDI	**1,235,295**	1,010,261	467,229
Tasman Government Loan	Interest of 0% until 2013	**1,076**	-	-
FCO - Middle West Fund	Interest of 10.00%	**1,370**	1,382	-
FNO - North Fund	Interest of 10.00%	**5,008**	6,754	-
Working capital - Agriculture	TR and Interest of 10.50%	**-**	75,686	-
Working capital - Processing	Interest of 152.00% of CDI	**127,316**	534,167	-
EGF	Interest of 6.75%	**25,910**	8,212	-
Others		**5,604**	989	67,810
		2,634,299	**2,947,057**	**1,248,218**
		5,191,248	**5,123,099**	**2,210,380**

(Expressed in thousands of reais)

Non current liabilities

Type	Average annual rate of interest and commissions	Consolidated		
		Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Foreign currency				
FININP	Exchange variation and interest of 3.8%	**-**	193	-
ACC - (advances on exchange contracts)	Exchange variation, Libor plus interest from 0.45% to 8.90%	**494,985**	245,081	-
Euro Bonds	Exchange variation and interest of 9.375%	**-**	478,830	642,675
Prepayment	Exchange variation + Libor and interest from 1.00 to 2.3%	**907,801**	1,065,626	309,068
144-A	Exchange variation + interest from 8.25% to 10.50%	**2,567,852**	1,131,780	701,100
Credit note - Import	Exchange variation + interest of 11.25%	**6,667**	-	-
Notes	Exchange variation + interest of 9.25%	**166,621**	174,120	-
EXIM - export credit facility	Exchange variation + TJLP and interest from 3.00% to 5.5%	**-**	3,482	-
		4,143,926	**3,099,112**	**1,652,843**
National currency				
FINAME	TJLP and interest from 1.5% to 3.08%	**99,766**	132,755	140,742
FINAME	Currency basket and interest of 3.30% to 3.73%	**-**	180,867	-
FINAME	Interest from 6.83% to 11.2%	**7,420**	17,080	-
FINEM	TJLP and interest of 3.00% to 3.98%	**63,701**	440,648	-
FINEM	Currency basket and interest of 2.9%	**92,101**	-	-
Installment note corp aircraft (payable notes)	Libor and interest from 1.75% to 7.25%	**12,550**	14,583	21,722
JBS Mortgage	Interest of 5.75%	**30,920**	-	-
EXIM - export credit facility	TJLP and interest from 3.00% to 5.5%	**247,917**	9,518	105,755
EXIM - export credit facility	Interest from 5.15% to 18.27%	**-**	6,064	-
US revolver	Prime, Libor and interest of 2,25% to 3,25%	**-**	313,416	269,645
PPC - US revolver	Interest of 4.875% to 6.75%	**1,169,161**	172,252	-
PPC - US term notes	Interest from 5.25% to 9.00%	**957,379**	1,840,908	-
PPC - México revolver	Interest of 9.5981%	**6,493**	6,791	-
USD Bonds	Interest of 11.625%	**1,112,372**	1,145,492	-
Plainwell Bond	Interest of 4.39%	**26,033**	-	-
Working capital- Brazilian Reais	CDI + interest of 6.00%	**571,631**	11,616	-
Working capital - US dollars	Libor +interest from 1.10% to 3,20%	**-**	-	3,097
Working capital - Euro	Euribor + interest from 0.15% to 1.75%	**79,300**	83,408	115,848
NCE/COMPROR	Interest from 113.9% to 120.0% of CDI	**1,693,438**	1,734,991	1,092,004
Tasman Government Loan	Interest of 0% until 2013	**5,995**	-	-
FCO - Middle West Fund	Interest of 10.00%	**3,029**	4,364	-
FNO - North Fund	Interest of 10.00%	**24,609**	27,916	-
Working capital - Processing	Interest of 152.00% of CDI	**20,420**	62,147	-
Others		**5,318**	86	52
		6,229,553	**6,204,902**	**1,748,865**
		10,373,479	**9,304,014**	**3,401,708**
Breakdown:				
Current liabilities		**5,191,248**	**5,123,099**	**2,210,380**
Non current liabilities		**10,373,479**	**9,304,014**	**3,401,708**
		15,564,727	**14,427,113**	**5,612,088**

(Expressed in thousands of reais)

Maturities of long-term debt are as follows:

2010	**-**	-	666,817
2011	**-**	2,507,922	1,416,957
2012	**1,909,346**	1,594,183	322,770
2013	**1,232,133**	1,205,173	248,111
2014	**3,026,489**	331,773	-
2015	**543,011**	2,294,643	-
2016	**1,084,108**	1,178,922	747,053
2017	**215,868**	6,862	-
2018	**2,340,803**	180,563	-
2019	**21,721**	3,973	-
	10,373,479	**9,304,014**	**3,401,708**

ACCs (advances on exchange contracts) are credit facilities obtained from financial institutions by the Company, its subsidiary JBS Argentina S.A., and the acquired company Bertin and its subsidiaries Novaprom and Bracol Couros, in the amount of US$ 1,245,992 as of December 31, 2010 (US$ 1,011,125 as of December 31, 2009), to finance export transactions.

EUROBONDS - On January 26, 2006 the Company issued bonds in the total amount of US$ 200 million and, on February 8, 2006, issued US$ 75 million bonds, totaling US$ 275 million, with a payment term of 5 years and coupon of 9.375% per year. The operation is guaranteed by the Company and its indirect subsidiary J&F Participações S.A.

USBONDS - On April 27, 2009, the subsidiary JBS USA issued bonds in the amount of US$ 700 million, with a payment term of five years and coupon of 11.625% per year, with a discount of US$ 48,7, which will be added to the loan over its useful live. The operation is guaranteed by the Company and its subsidiary JBS USA and the subsidiaries of JBS USA.

144-A - It refers to three capture operations by the issuance of 144-A notes in the international market, with a payment term of 10 years performed on the Company as the following: on July 28, 2006, on the amount of R$ 300 million with a coupon of 10.5% p.a., guaranteed and endorsement by the Company; on July 29, 2010, on the amount of R$ 900 million, with a coupon of 8.25% p.a., guaranteed endorsement by the Company, and on October 13, 2006 by the incorporated Bertin, on the amount of R$ 350 million with a coupon of 10.25% p.a. without guarantee.

FINAME / FINEM – Financing agreements with BNDES are secured by the assets subject matter of the financing.

18 Credit operations, guarantees and covenants

Notes 2011 - JBS S.A. - On February 6, 2006, the Company issued Notes 2011, maturing in February 2011, at the principal amount of US$275 million. Notes 2011 are guaranteed by J&F and by JBS Agropecuária Ltda. The interest rate applicable to the notes is 9.375% per annum starting February 6, 2006, and quarterly paid on February 7, May 7, August 7 and November 7, beginning on May 7, 2006. The principal amount of the notes should be fully paid by February 7, 2011.

Covenants. The issuance instrument of Notes 2011 contains covenants that restrict the Company and some of its subsidiaries from:

. incurring additional debt, if the ratio net debt/EBITDA is higher than a determined index;
. incurring liens on property, revenue or assets;
. making certain loans or investments;
. selling or disposing of assets;
. paying certain dividends and making other payments;
. paying in advance, cancelling or changing certain debts;
. dissolving, consolidating, merging or acquiring the business or assets of other entities;
. taking part in certain joint-ventures or creating certain types of subsidiaries;
. having certain transactions with related parties;
. executing lease transactions with repurchase option (sale/leaseback);
. changing the control without making a purchase offer on Notes 2011.

As mentioned above, the terms and conditions for Notes 2011 include covenants. They restrict the Company and its subsidiaries, including JBS USA, to incur any debts (observed certain exceptions) unless the pro forma net debt / EBITDA ratio of the Company (as defined in the indenture) at the date the debt is incurred is lower than 4.75/1.0.

Again, as mentioned above, Notes 2011 establish restrictions to the Company and its subsidiaries in the execution of certain actions, such as: (i) paying dividends or making any other payments of securities; (ii) paying debts or other obligations; (iii) obtaining loans or advances; or (iv) transferring its properties or assets. Despite that, such payments can be made in certain cases, such as, (a) when there are certain obligations incurred before the issuance of the notes; (b) they are established in law; (c) when the transfer of assets takes place in the normal course of business, or under clauses usually accepted in joint venture agreements executed by the subsidiaries; or (d) when imposed by standard documents of BNDES (National Bank of Economic and Social Development).

Besides, according to Notes 2011, the Company will not be able, directly or indirectly, to declare or pay any dividends or make any distributions related to securities issued by the Company (except for debt instruments convertible or exchangeable for such amounts), if (i) there has been default in relation to the notes 2011; (ii) the Company can incur in at least US$ 1.00 of debt under the terms of the net debt/EBITDA ratio test established in the indenture of the notes mentioned in the paragraph above; and (iii) the total value to be paid does not exceed 50% of the jointly net income in a certain year or when in a determined year where there is loss, the payment value does not exceed US$30 million.

Default events. The indenture of Notes 2011 establishes usual default events. They include non-compliance with or violation of terms, restrictions and other agreements contained in the mentioned instrument, besides default of other debt in case the effect leads to anticipated payment, lack of payment within the grace periods applicable of other debt waived or extended, rendering of unfavorable sentences or court orders against the issuer or its subsidiaries, and certain events related to bankruptcy and insolvency. If default takes place, the trustee or holder of at least 25% of the principal amount of the notes outstanding at the time is entitled to declare immediately payable the principal and accrued interest on the notes.

Repurchase offer. In December 2009, the Company made an offer on the repurchase of Notes 2011, at a total approximate value of US$2.4 million. The mentioned offer was made according to the Company's obligation under the indenture that governs the notes of making an offer to buy them in case of a change in control (as defined in the indenture). A control change took place on December 31, 2009, when the Company merged Bertin S.A.

Notes 2016 - JBS S.A. - On August 4, 2006, the Company issued Notes 2016 maturing in 2016, at the principal amount of US$300 million. The interest rate applicable to the notes is 10.50% per annum and are semiannually paid on February 4 and August 4, beginning on February 4, 2007. The principal amount of the notes should be fully paid by August 4, 2016. JBS Finance Ltd is the co-issuer of Notes 2016.

On January 28, 2010 the Company initiated a change of control offer (at a purchase price equal to 101% of the principal amount of the 2016 Notes, plus accrued and unpaid interest) for the 2016 Notes pursuant to the terms of the indenture as a result of the Bertin merger, which caused the controlling shareholders to cease to own more than 50% of our outstanding voting stock. The change of control offer expired on February 26, 2010, and approximately US$2.4 million in aggregate principal amount of 2016 Notes were repurchased by us from holders of the 2016 Notes.

Covenants: The indenture governing Notes 2016 requires that any significant subsidiary (ie, any subsidiary that represents at least 20% of the total assets or annual gross revenue of the Company, according to its most recent financial statements) to guarantee all obligations of the Company as stated in Notes 2016. Notes 2016 are guaranteed by JBS Hungary Holdings Kft (indirect wholly owned subsidiary of the Company), by JBS USA Holdings, JBS USA, LLC and Swift Beef Company. Other subsidiaries of the Company (including subsidiaries of JBS USA) may be required to guarantee the Notes 2016 in the future.

Covenants. The issuance instrument of Notes 2016 contains covenants that restrict the Company and some of its subsidiaries from:

. incurring additional debt, if the ratio net debt/EBITDA is higher than a determined index;
. incurring liens;
. selling or disposing of assets;
. paying certain dividends and making other payments;
. permit restrictions on dividends and other restricted payments by our restricted subsidiaries;
. having certain transactions with related parties;
. executing lease transactions with repurchase option (sale/leaseback).
. changing the control without making a purchase offer on Notes 2016.

As mentioned above, the terms and conditions for Notes 2016 include covenants. They restrict the Company and its subsidiaries, including JBS USA, to incur any debts (observed certain exceptions) unless the pro forma net debt / EBITDA ratio of the Company (as defined in the indenture) at the date the debt is incurred is lower than 4.75/1.0.

Again, as mentioned above, Notes 2016 establish restrictions to the Company and its subsidiaries in the execution of certain actions, such as: (i) paying dividends or making any other payments of securities; (ii) paying debts or other obligations; (iii) obtaining loans or advances; or (iv) transferring its properties or assets. Despite that, such payments can be made in certain cases, such as, (a) when there are certain obligations incurred before the issuance of the notes; (b) they are established in law; (c) when the transfer of assets takes place in the normal course of business, or under clauses usually accepted in joint venture agreements executed by the subsidiaries; or (d) when imposed by standard documents of BNDES (National Bank of Economic and Social Development).

Besides, according to Notes 2016, the Company will not be able, directly or indirectly, to declare or pay any dividends or make any distributions related to securities issued by the Company (except for debt instruments convertible or exchangeable for such amounts), if (i) there has been default in relation to the notes 2016; (ii) the Company can incur in at least US$ 1.00 of debt under the terms of the net debt/EBITDA ratio test established in the indenture of the notes mentioned in the paragraph above; and (iii) the total value to be paid does not exceed 50% of the jointly net income in a certain year or when in a determined year where there is loss, the payment value does not exceed US$30 million.

Default events: The indenture of Notes 2016 establishes usual default events. They include non-compliance with or violation of terms, restrictions and other agreements contained in the mentioned instrument, besides default of other debt in case the effect leads to anticipated payment, lack of payment within the grace periods applicable of other debt waived or extended, rendering of unfavorable sentences or court orders against the issuer or its subsidiaries, and certain events related to bankruptcy and insolvency. If default takes place, the trustee or holder of at least 25% of the principal amount of the notes outstanding at the time is entitled to declare immediately payable the principal and accrued interest on the notes.

Bertin's Notes 2016 - Bertin S.A., an enterprise of which the Company is the successor through merger, issued Bertin's Notes 2016 at the principal amount of US$350 million (under its former corporate name of Bertin Ltda.). The interest applicable to Bertin's Notes 2016 corresponds to 10.25% per annum, paid every semiannually on April 5 and October 5, beginning on April 5, 2007. The principal amount of the notes should be fully paid by October 5, 2016.

On December 14, 2009, Bertin successfully concluded a consent solicitation relating to the 2016 Bertin Notes. The consent solicitation (1) amended certain provisions in the indenture governing the 2016 Bertin Notes to conform the provisions to the indenture governing 2016 Notes and (2) amended the change of control provisions to exclude the Bertin merger as an event that would trigger a change of control under the 2016 Bertin Notes. The supplemental indenture implementing these amendments to the 2016 Bertin Notes was executed on December 22, 2009.

Guarantees - The indenture that governs Bertin's Notes 2016 requires that any significant subsidiaries (as defined in the indenture governing Bertin's Notes 2016) to guarantee all obligations of the Company established in Bertin's Notes 2016. They are guaranteed by JBS Hungary Holdings Kft. (indirect wholly-owned subsidiary of the Company). Other controlled companies of the Company (including the subsidiaries of JBS USA) can be required to guarantee the Bertin's Notes 2016 in the future.

Covenants. The indenture of Notes 2016 contains usual contract restrictions, restricting the Company and some of the subsidiaries from:

. incurring additional debt if the net debt/EBITDA ratio is higher than a determined index;
. incurring liens;
. paying dividends or making certain payments to shareholders;
. selling or disposing of assets;
. having certain transactions with related parties;
. dissolving, consolidating, merging or acquiring the business or assets of other entities;
. executing lease transactions with repurchase option (sale/leaseback);
. changing the company's control without making a purchase offer on Bertin' Notes 2016.
. in a general manner, limits dividends or other payments to shareholders by restricted subsidiaries.

As indicated above, the terms and conditions for Bertin's Notes 2016 include covenants that restrict the Company (as legal successor of Bertin) and the subsidiaries, to incur any debts (observing certain exceptions) unless the pro forma net debt / EBITDA ratio of the Company (as defined in the indenture) at the date the debt is incurred is lower than 4.75/1.0.

Besides, Bertin's Notes 2016 restrict the Company and its subsidiaries from: (i) paying dividends or making any other payments of securities; (ii) paying debts or other obligations; (iii) making loans or advances; or (iv) transferring its properties or assets. Despite that, such payments can be made in certain cases, such as, (a) when there are certain obligations incurred before the issuance of the notes; (b) they are established in law; (c) when the transfer of assets takes place in the normal course of the business, or under clauses usually accepted in joint venture agreements executed by the subsidiaries; (d) when imposed by standard documents of BNDES or other international governmental agencies.

Besides, according to the notes, the Company can only, directly or indirectly, declare or pay any dividends or make any distributions related to securities issued by the Company (except for debt instruments convertible or exchangeable for such amounts), if (i) it is not in default in relation to the notes; (ii) the Company can incur in at least US$ 1.00 of debt under the terms of the net debt/EBITDA ratio test established in the indenture of the notes mentioned in the paragraph above; and (iii) the total value to be paid does not exceed 50% of the jointly net income in a certain year or when in a determined year where there is loss, the payment value does not exceed US$ 30 million.

Default events: The issuance instrument of Bertin's Notes 2016 establishes usual default events. They include non-compliance with or violation of terms, restrictions and other agreements contained in the mentioned instrument, besides default of other debt in case the effect leads to anticipated payment, lack of payment within the grace periods applicable of other debt waived or extended, rendering of unfavorable sentences or court orders against the issuer or its subsidiaries, and certain events related to bankruptcy and insolvency. If default takes place, the trustee or holder of at least 25% of the principal amount of the notes outstanding at the time is entitled to declare immediately payable the principal and accrued interest on the notes.

2017 Vigor Notes - Vigor, a subsidiary following the Bertin merger, issued the 2017 Vigor Notes, in an aggregate principal amount of $100.0 million, on February 23, 2007. Interest on the 2017 Vigor Notes accrues at a rate of 9.25% per annum and is payable semiannually in arrears on February 23 and August 23 of each year, beginning on August 23, 2007. The principal amount of the 2017 Vigor Notes is payable in full on February 23, 2017.

On September 24, 2010, the Company successfully concluded a consent solicitation relating to the 2017 Vigor Notes. The consent solicitation (i) amended certain provisions in the indenture governing the 2017 Vigor Notes to conform the provisions to the indenture governing JBS S.A.'s Notes 2018 and (ii) amend the definitions of "Change of Control" and "Permitted Holders" (among others) in the Indenture to substantially conform such definitions to the corresponding definitions set forth in JBS S.A.'s Notes 2018; and (iii) provide for the ability of Vigor (or its successors) to be substituted as the issuer of the Notes, upon the satisfaction of certain conditions.

Covenants. The indenture to the 2018 Vigor Notes contains customary negative covenants that limit the Company's ability and the ability of certain of its subsidiaries to, among other things:

. incurring additional debt if the net debt/EBITDA ratio is higher than a determined index;
. incurring liens;
. paying dividends or making certain payments to shareholders;
. . permit restrictions on dividends and other restricted payments by restricted subsidiaries
. selling or disposing of assets;
. having certain transactions with related parties;
. executing lease transactions with repurchase option (sale/leaseback);
. changing the company's control without making a purchase offer on Vigor Notes 2017.

The indenture governing the 2017 Vigor Notes restricts the Company and its subsidiaries from incurring any debt (subject to certain permitted exceptions), unless on the date of such incurrence, our pro forma net debt to EBITDA ratio is less than 4.75/1.0, each as defined and calculated in the indenture governing the 2017 Vigor Notes.

The indenture governing the 2017 Vigor Notes restricts our ability to declare or pay any dividend or make any distribution on securities issued by us (excluding convertible or exchangeable debt instruments), in the event (1) that an event of default has occurred and continues under the 2017 Vigor Notes; (2) we can incur at least US$1.00 of debt under the terms of the net debt to EBITDA ratio test; and (3) the total value to be paid does not exceed 50% of the jointly net income in a certain year or when in a determined year where there is loss, reduced 100% of the loss.

Events of default. The indenture also contains customary events of default, including for failure to perform or observe terms, covenants or other agreements in the indenture, defaults on other indebtedness if the effect is to permit acceleration, failure to make a payment on other indebtedness waived or extended within the applicable grace period, entry of unsatisfied judgments or orders against the issuer or its subsidiaries, and certain events related to bankruptcy and insolvency matters. If an event of default occurs, the trustee or the holders of at least 25% in aggregate principal amount of the notes then outstanding may declare such principal and accrued interest on the notes to be immediately due and payable.

Notes 2018 - JBS S.A. - On Julys 29, 2010, the Company issued Notes 2018 maturing in 2018, at the principal amount of US$700 million and on September 10, 2010, the company issued additional notes at the principal amount of US$200 million under the indenture of Notes 2018. The interest rate applicable to the notes is 8.25% per annum and are semiannually paid on January 29 and July 29 of each year, beginning January 29, 2011. The principal amount of the Notes 2018 should be fully paid by January 29, 2018. JBS Finance II Ltd. is the issuer of Notes 2018.

They are guaranteed by JBS Hungary Holdings Kft. (indirect wholly-owned subsidiary of the Company) and by the Company.

Covenants. The indenture of Notes 2018 contains usual contract restrictions, restricting the Company and some of the subsidiaries from:

. incurring additional debt if the net debt/EBITDA ratio is higher than a determined index;
. incurring liens;
. paying dividends or making certain payments to shareholders;
. permit restrictions on dividends and other restricted payments by restricted subsidiaries
. selling or disposing of assets;
. having certain transactions with related parties;
. dissolving, consolidating, merging or acquiring the business or assets of other entities;
. executing lease transactions with repurchase option (sale/leaseback);
. changing the company's control without making a purchase offer on Notes 2018.

As mentioned above, the terms and conditions for Notes 2016 include covenants. They restrict the Company and its subsidiaries, besides JBS USA, to incur any debts (observed certain exceptions) unless the pro forma net debt / EBITDA ratio of the Company (as defined in the indenture) at the date the debt is incurred is lower than 4.75/1.0.

Again, as mentioned above, Notes 2018 establish restrictions to the Company and its subsidiaries in the execution of certain actions, such as: (i) paying dividends or making any other payments of securities; (ii) paying debts or other obligations; (iii) obtaining loans or advances; or (iv) transferring its properties or assets. Despite that, such payments can be made in certain cases, such as, (a) when there are certain obligations incurred before the issuance of the notes; (b) they are established in law; (c) when the transfer of assets takes place in the normal course of business, or under clauses usually accepted in joint venture agreements executed by the subsidiaries; or (d) when imposed by standard documents of BNDES (National Bank of Economic and Social Development).

Besides, according to Notes 2018, the Company will not be able, directly or indirectly, to declare or pay any dividends or make any distributions related to securities issued by the Company (except for debt instruments convertible or exchangeable for such amounts), if (i) there has been default in relation to the notes 2018; (ii) the Company can incur at least US$ 1.00 of debt under the terms of the net debt/EBITDA ratio test established in the indenture of the notes mentioned in the paragraph above; and (iii) the total value to be paid does not exceed 50% of the jointly net income in a certain year or when in a determined year where there is loss, reduced 100% of the loss.

Default events: The indenture of Notes 2018 establishes usual default events. They include non-compliance with or violation of terms, restrictions and other agreements contained in the mentioned instrument, besides default of other debt in case the effect leads to anticipated payment, lack of payment within the grace periods applicable of other debt waived or extended, rendering of unfavorable sentences or court orders against the issuer or its subsidiaries, and certain events related to bankruptcy and insolvency. If default takes place, the trustee or holder of at least 25% of the principal amount of the notes outstanding at the time is entitled to declare immediately payable the principal and accrued interest on the notes.

Guaranteed revolving credit line of J&F Oklahoma - J&F Oklahoma has a revolving line of credit at an amount of US$ 600 million with a commercial bank. Its controlling company, J&F, has executed an agreement with J&F Oklahoma where it will made contributions to J&F Oklahoma if J&F Oklahoma does not comply with the financial obligations established under that line of credit. In the event J&F Oklahoma does not comply with the obligations and that is not remedied by J&F, under the terms of the filiations contract, Five Rivers will be forced to pay US$250 million of the obligations. That line of credit is available for revolving loans and letters of credit. J&F Oklahoma was in compliance with the financial covenants under this credit facility as of December 21, 2010.

This credit facility and the guarantee are secured solely by the assets of J&F Oklahoma and the net assets of JBS Five Rivers. This credit facility is used to acquire cattle which are then fed in the JBS Five Rivers feed yards pursuant to the cattle supply and feeding agreement. The finished cattle are sold to JBS USA under the cattle purchase and sale agreement. This facility was amended on September 10, 2010. The amended and restated facility has availability up to US$ 800.0 million and matures on September 23, 2014.

Revolving line of credit for J&F Oklahoma - Five Rivers is a party to an agreement with J&F Oklahoma, where Five Rivers undertook to grant up to US$200 million in revolving loans to J&F Oklahoma. The loans will be used by J&F Oklahoma to acquire animals for confinement in the feed yards of Five Rivers. Interest is applicable to those loans at annual LIBOR, plus 2.25% and the interest is payable at least quarterly. The interest rate at December 26, 2010 was 2.54%. This facility was amended on September 10, 2010 to mature on September 11, 2016. As of December 31, 2010, outstanding borrowings were $111.9 million

Description of Indebtedness of JBS USA

Senior Secured Credit Facility — On November 5, 2008, JBS USA entered into a senior secured revolving credit facility (the “Credit Agreement”) that allows borrowings up to $400.0 million, and terminates on November 5, 2011. Up to $75.0 million of the Credit Agreement is available for the issuance of letters of credit. At December 31, 2010, $31.5 million of the availability was used towards letters of credit. Borrowings that are index rate loans will bear interest at the prime rate plus a margin of 2.25% and the all-in rate as of December 31, 2010 was 5.5%. Upon approval by the lender, LIBOR rate loans may be taken for one, two or three month terms, (or six months at the discretion of the agent) at LIBOR plus a margin of 3.25%. There were no outstanding borrowings at December 31, 2010.

Availability. Availability under the Credit Agreement is subject to a borrowing base. The borrowing base is based on certain JBS USA domestic wholly-owned subsidiaries’ assets as described below, with the exclusion of JBS Five Rivers. The borrowing base consists of percentages of eligible accounts receivable, inventory and supplies less certain eligibility and availability reserves. As of December 31, 2010, borrowing availability was $366.1 million.

Security and Guarantees. Borrowings made by JBS USA under the Credit Agreement are guaranteed by JBS S.A., JBS USA Holdings and all domestic subsidiaries of JBS USA except JBS Five Rivers. Furthermore, the borrowings are collateralized by a first priority perfected lien and interest in accounts receivable, finished goods and supply inventories of all domestic subsidiaries of JBS USA except JBS Five Rivers.

Covenants. The Credit Agreement contains customary representations and warranties and a springing financial covenant that requires a minimum fixed charge coverage ratio of not less than 1.15 to 1.00. This ratio is only applicable if borrowing availability falls below the minimum threshold, which is the greater of 20% of the aggregate commitments or $70.0 million. The Credit Agreement also contains negative covenants that limit the ability of JBS USA and certain of its subsidiaries to, among other things:

- have capital expenditures greater than $175.0 million per year, plus 50% of unused permitted capital expenditures from the preceding year;
- incur additional indebtedness;
- create liens on property, revenue or assets;
- make certain loans or investments;
- sell or dispose of assets;
- pay certain dividends and other restricted payments;
- prepay or cancel certain indebtedness;
- dissolve, consolidate, merge or acquire the business or assets of other entities;
- enter into joint ventures other than certain permitted joint ventures or create certain other subsidiaries;
- enter into new lines of business;
- enter into certain transactions with affiliates and certain permitted joint ventures;
- agree to restrictions on the ability of the subsidiaries to make dividends;
- agree to enter into negative pledges in favor of any other creditor; and
- enter into sale/leaseback transactions and operating leases.

The Credit Agreement also contains customary events of default, including failure to perform or observe terms, covenants or agreements included in the Credit Agreement, payment of defaults on other indebtedness, defaults on other indebtedness if the effect is to permit acceleration, entry of unsatisfied judgments or orders against a loan party or its subsidiaries, failure of any collateral document to create or maintain a priority lien and certain events related to bankruptcy and insolvency or environmental matters. If an event of default occurs the lenders may, among other things, terminate their commitments, declare all outstanding borrowings to be immediately due and payable together with accrued interest and fees, and exercise remedies under the collateral documents relating to the Credit Agreement. At December 31, 2010, JBS USA was in compliance with all covenants.

On April 27, 2009, the Credit Agreement was amended to allow the execution of the $700.0 million senior unsecured notes due 2014 described below. Under the amendment, the existing limitation on distributions between JBS USA and JBS USA Holdings was amended to allow the proceeds of the senior unsecured notes due 2014, less transaction expenses and $100.0 million retained by JBS USA, to be remitted to JBS USA Holdings as a one time distribution. Also, the unused line fee was increased from 37.5 basis points to 50.0 basis points.

On August 13, 2009, the Credit Agreement was amended to eliminate JBS USA's obligation to report daily mark-to-market summary of inventory market values to the administrative agent.

On September 11, 2009, the Credit Agreement was amended to modify the change of control definition so that JBS S.A. is required to own, directly or indirectly, more than 50% rather than 100% of the capital stock of JBS USA Holdings. In addition, the amendment excludes capital expenditures that are financed with initial public offering proceeds from the fixed charge coverage ratio covenant calculation and any capital expenditures and acquisitions that are financed with such proceeds are not subject to the respective covenant limitations in the Credit Agreement. Finally, the aggregate amount of permitted capital leases was increased from $25.0 million to $50.0 million.

On May 7, 2010 the Credit Agreement was amended and restated ("Amended and Restated Credit Agreement") to allow JBS USA Holdings to make acquisitions with proceeds from an equity contribution or loan from JBS S.A. or a subsidiary of JBS S.A. that is not a subsidiary of JBS USA Holdings. In addition, the permitted acquisitions requirements under the Amended and Restated Credit Agreement for such acquisitions as well as acquisitions financed with any potential initial public offering proceeds of JBS USA Holdings have been modified. Furthermore, any capital expenditures that are financed with such proceeds are not subject to the covenant limitations in the Amended and Restated Credit Agreement. Finally, the aggregate amount of permitted capital leases and fixed asset indebtedness was increased from $50.0 million to $100.0 million.

On July 27, 2010, JBS USA executed an amendment to the Amended and Restated Credit Agreement to permit the Company to guarantee any new debt issuances by JBS S.A. or its subsidiaries with certain exceptions.

Installment note payable – The installment note payable relates to JBS USA financing of a capital investment. The note bears interest at LIBOR. The rate as of December 31, 2010 was 0.25% plus a fixed margin of 1.75% per annum with payments due on the first of each month. The note matures on August 1, 2013.

Unsecured credit facility – Swift Australia entered into an Australian dollar ("A$") denominated A$120.0 million unsecured credit facility on February 26, 2008 to fund working capital needs and letter of credit requirements. This facility terminated on October 1, 2009 with the A$40.0 million letter of credit facility extended to June 30, 2010. On May 5, 2010, the facility was revised to reflect current letters of credit requirements to a facility limit of A$1.9 million and is subject to an annual review starting June 30, 2011. At December 31, 2010, the amount of outstanding letters of credit under this facility was $1.9 million.

Intercompany loans – From October 26, 2009 through April 28, 2010, JBS USA made eight intercompany loans to Swift Australia amounting to $167.0 million to fund working capital and general corporate purposes. Each loan had a one year maturity with interest at the three-month LIBOR plus a fixed margin of 5% per annum. While these loans eliminated upon consolidation, the loans were denominated in USD, but reported by our Australian subsidiary in AUD. Therefore, the loans generated foreign currency transaction gains or losses depending on fluctuations in the period end AUD to USD exchange rate. On May 4, 2010, the loans payable and related interest were paid in full. The agreements were terminated.

A$250 million revolving loan payable between JBS USA and Swift Australia – On May 4, 2010, JBS USA issued a long-term intercompany revolving promissory note to Swift Australia for A$250.0 million with interest based on the three-month Bank Bill Swap Bid Rate ("BBSY") plus 3% and a maturity date of May 4, 2012 to fund working capital and general corporate purposes. While these loans eliminate upon consolidation, the loans are denominated in AUD, but reported by JBS USA in USD. Therefore, the loans generate foreign currency transaction gains or losses depending on fluctuations in the period end AUD to USD exchange rate. The average interest rate at December 31, 2010 was 7.96%.

A$50 million revolving loan receivable from Swift Australia – On May 4, 2010, JBS USA Holdings issued an intercompany revolving promissory note to Swift Australia for A$50.0 million with interest based on the three-month BBSY plus 3% and a maturity date of May 4, 2012 to fund working capital and general corporate purposes. While these loans eliminate upon consolidation, the loans are denominated in AUD, but reported by JBS USA Holdings in USD. Therefore, the loans generate foreign currency transaction gains or losses depending on fluctuations in the period end AUD to USD exchange rate. As of December 31, 2010, outstanding borrowings were A$10.2 million, or approximately $10.3 million. The average interest rate at December 31, 2010 was 7.88%.

$50 million revolving loan receivable from JBS USA – On April 19, 2010, JBS USA Holdings issued a $50.0 million intercompany revolving promissory note to JBS USA with interest based on the three-month LIBOR plus a fixed margin of 2.5% and a maturity date of March 31, 2012 to fund working capital and general corporate purposes. There were no outstanding borrowings at December 31, 2010.

Unsecured term loan facility – On February 12, 2010, Swift Australia entered into an unsecured $10.0 million facility with Banco Santander. The loan bears interest at the three-month LIBOR plus a fixed margin of 3% per annum. There were no outstanding borrowings at December 31, 2010.

Secured credit/ multi-option bridge facility – JBS Southern entered into an A$80.0 million secured multi-option bridge facility on May 2, 2008 to fund working capital and letter of credit requirements. This facility terminated on January 26, 2010.

4.39% secured notes due 2019 – JBS USA, LLC and JBS Plainwell, Inc., a wholly-owned subsidiary of JBS USA, issued 4.39% notes due 2019 in an aggregate principal amount of $16.0 million on December 20, 2010 to finance construction of a cold storage warehouse. Interest is payable quarterly beginning April 1, 2011. Principal is payable quarterly beginning October 1, 2011. The proceeds are restricted as to use and were deposited directly into two escrow accounts.

Tasmanian government loan – On September 2, 2010, Swift Australia and JBS Southern entered into a secured facility which provides up to A$12.0 million with the Tasmanian Government (Tasmania Development and Reserve, the "Department"), to fund a capital investment at Swift Australia's processing plant located in King Island, Tasmania. Funding is available in three tranches of A$3.6 million, A$3.6 million and up to A$4.8 million. Loans are payable on the 22nd of the month following the 15th anniversary of each tranche's initial drawdown. Funds on two tranches were drawn on October 4, 2010 and November 8, 2010, respectively.

Each loan is interest free for the initial three years, then bears interest at the Department's cost of funds for years four through nine and then for year 10 through 15 at the Department's variable commercial rate. Interest accrues monthly after the initial three year period and is payable upon notice by the Department or in conjunction with the repayment of principal. The debt is secured by certain fixed assets at Swift Australia's processing plant located in Rockhampton, Queensland and is subject to standard debt covenants. At December, 26, 2010, outstanding borrowings were approximately $7.2 million.

Corporate building loan assumption – in October 2010, the Company acquired its corporate headquarters in Greeley, Colorado. The Company paid $9.2 million in cash and assumed $20.1 million in mortgage debt. The debt is comprised of two mortgages in the amounts of $3.1 million and $17.0 million. The mortgages accrue interest at annual rates of 5.75% and 8.35%, respectively, and are repayable in monthly installments over 10 and 14 years, beginning November 1, 2010. Approximately $0.6 million of expenses relating to this transaction have been capitalized as part of the building during the period. At December 31, 2010, outstanding borrowings under both mortgages were approximately $18.6 million.

Credit facility to Sampco – On April 1, 2010, JBS USA Holdings executed a $60.0 million related party revolving promissory note with Sampco, Inc. ("Sampco"), an indirect wholly-owned subsidiary of JBS S.A., with interest based on three-months LIBOR plus a margin of 2.5% and a maturity date of March 31, 2012. The Company recognized $0.7 million of interest income on the Sampco note for the fifty-two weeks ended December 31, 2010. Due to the Bertin Contribution, the outstanding borrowings of $30.6 million plus accrued interest of $0.7 million are eliminated upon consolidation.

Credit facility to JBS USA Trading – On April 1, 2010, JBS USA Holdings executed a $15.0 million related party revolving promissory note with JBS USA Trading, Inc. ("JBS USA Trading"), formerly known as SB Holdings, Inc., doing business as The Tupman Thurlow Co., Inc., an indirect wholly-owned subsidiary of JBS S.A., with interest based on three-months LIBOR plus a margin of 2.5% and a maturity date of March 31, 2012. The note was amended and restated on April 15, 2010 to increase the maximum borrowings to $25.0 million. The Company recognized $0.4 million of interest income on the JBS USA Trading note for the fifty-two weeks ended December 31, 2010. Due to the Bertin Contribution, the outstanding borrowings of $18.0 million plus accrued interest of $0.4 million are eliminated upon consolidation.

Credit facility to Bertin USA – On April 15, 2010, JBS USA Holdings executed an $11.0 million related party revolving promissory note with Bertin USA, a direct wholly-owned subsidiary of JBS S.A., with interest based on three-month LIBOR plus a margin of 2.5% and a maturity date of March 31, 2012. The Company recognized $139 thousand of interest income on the Bertin USA note for the fifty-two weeks ended December 31, 2010. Due to the Bertin Contribution, the outstanding borrowings of $6.8 million plus accrued interest of $139 thousand are eliminated upon consolidation.

11.625% senior unsecured notes due 2014 – JBS USA Holdings' wholly-owned subsidiaries JBS USA and JBS USA Finance, Inc. issued 11.625% notes due 2014 in an aggregate principal amount of $700.0 million on April 27, 2009. These notes are guaranteed by JBS USA Holdings, JBS S.A., JBS Hungary Holdings Kft., and each of the U.S. restricted subsidiaries that guarantee the Credit Agreement (subject to certain exceptions). Interest on these notes accrues at a rate of 11.625% per annum and is payable semiannually in arrears on May 1 and November 1 of each year, beginning on November 1, 2009. The principal amount of these notes is payable in full on May 1, 2014. The original issue discount of approximately $48.7 million is being accreted over the life of the notes

Covenants. The indenture for the 11.625% senior unsecured notes due 2014 contains customary negative covenants that limit JBS USA and its restricted subsidiaries' ability to, among other things:

• incur additional indebtedness, based on net debt to EBITDA ratio;
• incur liens;
• sell or dispose of assets;
• pay dividends or make certain payments to our shareholders;
• permit restrictions on dividends and other restricted payments by its restricted subsidiaries;
• enter into related party transactions;
• enter into sale/leaseback transactions; and
• undergo changes of control without making an offer to purchase the notes.

Events of default. The indenture also contains customary events of default, including failure to perform or observe terms, covenants or other agreements in the indenture, defaults on other indebtedness if the effect is to permit acceleration, failure to make a payment on other indebtedness waived or extended within the applicable grace period, entry of unsatisfied judgments or orders against the issuer or its subsidiaries, and certain events related to bankruptcy and insolvency matters. If an event of default occurs, the trustee or the holders of at least 25% in aggregate principal amount of the notes then outstanding may declare such principal and accrued interest on the notes to be immediately due and payable. On December 31, 2010, JBS USA and JBS USA Finance, Inc. were in compliance with all covenants.

Dividend Restrictions – Certain covenants of indebtedness and debt guarantee terms include restrictions on our ability to pay dividends, make loans or advances. As of December 31, 2009 and December 31, 2010, the Company had $107.2 million and $397.4 million, respectively, of retained earnings available to pay dividends.

The five various intercompany loans issued in 2008 described below from JBS S.A., were subsequently assigned to JBS HU Liquidity Management LLC ("Hungary"), a wholly-owned, indirect subsidiary of JBS S.A. which is organized in the country of Hungary. On April 27, 2009, in connection with the issuance of the 11.625% senior unsecured notes by JBS USA, these intercompany loan agreements were consolidated into one loan agreement, the maturity date was extended to April 18, 2019, and the interest rate was changed from approximately 6.5% to 12% per annum with interest payable semiannually. The net proceeds of the offering of the 11.625% senior unsecured notes due 2014 (other than $100.0 million) were used to repay accrued interest and a portion of the principal on these intercompany loans. On January 1, 2010, the Company capitalized interest in the amount of $5.5 million into this loan. On May 4th, 2010, the loan payable and related interest was paid in full.

$100 million loan payable to JBS HU Liquidity – On April 28, 2008, the Company entered into an unsecured loan agreement with its parent, JBS S.A., for $100.0 million with a maturity date of April 28, 2011. The funds received from this loan were used to fund the Tasman Acquisition. On March 27, 2009, this loan was assigned to Hungary.

$25 million loan payable to JBS HU Liquidity – On May 5, 2008, the Company entered into an unsecured loan agreement with JBS S.A. for $25.0 million with a maturity date of May 5, 2011. The funds received were used to fund operations. On March 27, 2009, this loan was assigned to Hungary.

$25 million loan payable to JBS HU Liquidity – On June 10, 2008, the Company entered into an unsecured loan agreement with JBS S.A. for $25.0 million with a maturity date of June 10, 2011. The funds received from this loan were used to fund operations. On March 27, 2009, this loan was assigned to Hungary.

$350 million loan payable to JBS HU Liquidity – On June 30 2008, the Company entered into an unsecured loan agreement with JBS S.A. totaling $350.0 million with a maturity date of June 30, 2011. The funds received were used to pay outstanding unsecured bank debt. On March 27, 2009, this loan was assigned to Hungary.

$250 million loan payable to JBS HU Liquidity – On October 21, 2008, the Company entered into an unsecured loan agreement with JBS S.A. for $250.0 million with a maturity date of October 21, 2011. The funds received were used for the Smithfield Acquisition (see Note 2). On March 27, 2009, this loan was assigned to Hungary.

$6 million loan payable to JBS HU Liquidity – On May 20, 2009, the Company entered into an unsecured loan agreement with Hungary for $6.0 million with a maturity date of May 20, 2019. The proceeds were used to repay a portion of the consolidated intercompany note referenced above. The loan agreement has a stated interest rate of 12% with interest payable semiannually. On January 1, 2010, the Company capitalized interest in the amount of $0.4 million into this loan. On March 12, 2010, the loan payable and related interest was paid in full.

Description of Indebtedness of PPC

On December 28, 2009, PPC used the proceeds received from borrowing under the Exit Credit Facility (see below) and available cash to repay indebtedness under its prior credit agreements in the amount of US$1.4 billion. PPC also used the proceeds received from the sale of 64% of the outstanding common stock of the reorganized PPC to repay indebtedness under the Senior Unsecured Notes totaling US$651.9 million.

Senior Subordinated Notes due 2018 - PPC. On December 15, 2010, the Company closed on the sale of $500.0 million of 7 7/8% Senior Notes due 2018 (the "2018 Notes"). The 2018 Notes are unsecured obligations of the Company and are guaranteed by one the PPC's subsidiaries.

Interest is payable on December 15 and June 15 of each year, commencing on June 15, 2011. The proceeds from the sale of the notes, after initial purchasers' discounts and expenses, were used to (i) repay all indebtedness outstanding under the Term A loan commitments of our Exit Credit Facility and (ii) repay a portion of the indebtedness outstanding under the Term B-1 loans commitments of our Exit Credit Facility. The indenture governing the 2018 Notes contains various covenants that may adversely affect our ability, among other things, to incur additional indebtedness, incur liens, pay dividends or make certain restricted payments, consummate certain asset sales, enter into certain transactions with JBS USA and our other affiliates, merge, consolidate and/or sell or dispose of all or substantially all PPC's assets.

Senior Unsecured Note – PPC has indebtedness under Senior Notes due in 2015 bearing interest at a rate of 7 5/8% and a principal amount outstanding of US$0.1 million at December 31, 2010

Senior Subordinated Unsecured Notes – PPC has indebtedness under senior subordinated notes due in 2017 bearing interest at 8 3/8% and a principal amount outstanding of US$3.5 million at December 31, 2010. PPC has indebtedness under senior subordinated notes due in 2013 bearing interest at 9 ¼% and a principal amount outstanding of US$0.3 million as of December 31, 2010.

Exit Credit Facility- Upon exiting from bankruptcy, the Company and certain of its subsidiaries, consisting of To-Ricos, Ltd. and To-Ricos Distribution, Ltd. entered into the Exit Credit Facility, which provides for an aggregate commitment of $1.75 billion consisting of (i) a revolving loan commitment of $600.0 million, (ii) a Term A loans commitment of $375.0 million and (iii) a Term B loans commitment of $775.0 million. The Exit Credit Facility also includes an accordion feature that allows us at any time to increase the aggregate revolving loan commitment by up to an additional $250 million and to increase the aggregate Term B loans commitment by up to an additional $400 million, in each case subject to the satisfaction of certain conditions, including an aggregate cap on all commitments under the Exit Credit Facility of $1.85 billion.

The proceeds received from the Exit Credit Facility and sale of common stock to JBS USA were used to repay prepetition notes and bank debt as well as fund distributions to holders of other allowed claims. On January 13, 2011, PPC increased the amount of the revolving loan commitments under the Exit Credit Facility to $700.0 million. The Term A loan was repaid on December 15, 2010 with proceeds from the 2018 Notes. The revolving loan commitment and the Term B loans will mature on December 28, 2014.

On December 31, 2010, a principal amount of $632.5 million under the Term B loans commitment and $205.3 million under the revolving loan commitment were outstanding. On December 28, 2009, the Company also paid loan costs totaling $50.0 million related to the Exit Credit Facility that it recognized as an asset on its balance sheet. The Company amortizes these capitalized costs to expense over the life of the Exit Credit Facility.

Subsequent to the end of each fiscal year, a portion of our cash flow must be used to repay outstanding principal amounts under the Term B loans. With respect to 2010, the Company must pay approximately $46.3 million of its cash flow toward the outstanding principal under the Term B loans. After giving effect to this prepayment and other prepayments of the Term B Loans, the Term B Loans must be repaid in 16 quarterly installments of approximately $3.9 million beginning on April 15, 2011, with the final installment due on December 28, 2014. The Exit Credit Facility also requires us to use the proceeds we receive from certain asset sales and specified debt or equity issuances and upon the occurrence of other events to repay outstanding borrowings under the Exit Credit Facility.

The Exit Credit Facility includes a $50.0 million sub-limit for swing line loans and a $200.0 million sub-limit for letters of credit. Outstanding borrowings under the revolving loan commitment bear interest at a per annum rate equal to 3.00% plus the greater of (i) the US prime rate as published by the Wall Street Journal, (ii) the average federal funds rate plus 0.5%, and (iii) the one-month LIBOR rate plus 1.0%, in the case of alternate base rate loans, or 4.00% plus the one, two, three or six month LIBOR rate adjusted by the applicable statutory reserve, in the case of Eurodollar loans. Outstanding Term B-1 loans bear interest at a per annum rate equal to 3.50% plus greater of (i) the US prime rate, as published by the Wall Street Journal, (ii) the average federal funds rate plus 0.5%, and (iii) the one month LIBOR rate plus 1.0%, in the case of alternate base rate loans, or 4.50%, plus the one, two, three or six month LIBOR Rate adjusted by the applicable statutory reserve, in the case of Eurodollar loans.

Outstanding Term B-2 loans bear interest at a per annum rate equal to 9.00%. Commitment fees charged on the revolving commitments under the Exit Credit Facility accrue at a per annum rate equal to 0.50%.

Actual borrowings by the Company under the revolving credit commitment part of the Exit Credit Facility are subject to a borrowing base, which is a formula based on certain eligible inventory, eligible receivables and restricted cash under the control of CoBank ACB, as administrative agent under the Exit Credit Facility. The borrowing base formula is reduced by the sum of (i) inventory reserves, (ii) rent and collateral access reserves, and (iii) any amount more than 15 days past due that is owed by the Company or its subsidiaries to any person on account of the purchase price of agricultural products or services (including poultry and livestock) if that person is entitled to any grower's or producer's lien or other security arrangement. Revolving loan availability under the borrowing base is also limited to an aggregate of $25.0 million with respect to the To-Ricos

As of December 31, 2010, the applicable borrowing base was $600.0 million, the amount available for borrowing under the revolving loan commitment was $354.2 million and outstanding borrowings and letters of credit under the revolving loan commitment totaled $40,5 million.

The Exit Credit Facility provides that PPC may not incur capital expenditures in excess of $275.0 million in fiscal year 2011 and $350.0 million per fiscal year thereafter. PPC must also maintain a minimum fixed charge coverage ratio and a minimum level of tangible net worth and may not exceed a maximum leverage ratio. The Exit Credit Facility contains various covenants that restrict PPC's ability to, among other things, incur additional indebtedness, incur liens, pay dividends or make certain restricted payments, consummate certain asset sales, enter into certain transactions with JBS USA and other affiliates, merge, consolidate and/or sell or dispose of all or substantially all of PPC's assets.

PPC was in compliance with all covenants and expects to remain in compliance for the foreseeable future, however, chicken prices, commodity prices, access to export markets and other factors could affect PPC's ability to maintain compliance with its financial covenants.

Under the Exit Credit Facility, the Company, PPC's majority stockholder, or its affiliates may make loans to PPC on a subordinated basis on terms reasonably satisfactory to the agents under the Exit Credit Facility and up to $100.0 million of such subordinated indebtedness may be included in the calculation of EBITDA (as defined in the Exit Credit Facility).

Under the Exit Credit Facility, JBS USA, the Company's majority stockholder, or its affiliates may make loans to the Company on a subordinated basis on terms reasonably satisfactory to the agents under the Exit Credit Facility and up to $100 million of such subordinated indebtedness may be included in the calculation of EBITDA (as defined in the Exit Credit Facility).

The Exit Credit Facility contains various covenants that may adversely affect our ability to, among other things, incur additional indebtedness, incur liens, pay dividends or make certain restricted payments, consummate certain assets sales, enter into certain transactions with JBS USA and our other affiliates, merge, consolidate and/or sell or dispose of all or substantially all of our assets.All obligations under the Exit Credit Facility are unconditionally guaranteed by certain of the Company's subsidiaries and are secured by a first priority lien on (i) the domestic (including Puerto Rico) accounts and inventory of the Company and its subsidiaries, (ii) 100% of the equity interests in the To-Ricos Borrowers and the Company's domestic subsidiaries and 65% of the equity interests in the Company's direct foreign subsidiaries, (iii) substantially all of the personal property and intangibles of the Company, the To-Ricos Borrowers and the guarantor subsidiaries, and (iv) substantially all of the real estate and fixed assets of the Company and the subsidiary guarantors.

ING Credit Agreement - On September 25, 2006, a subsidiary of the Company, Avícola Pilgrim's Pride de México, S. de R.L. de C.V. (the "Mexico Borrower"), entered into a secured revolving credit agreement (the "ING Credit Agreement") with ING Capital, LLC, as agent (the "Mexico Agent") and the lenders party thereto (the "Mexico Lenders"). The ING Credit Agreement has a final maturity date of September 25, 2011 and a revolving commitment of 557.4 million Mexican pesos, a US dollar-equivalent $45.1 million at December 31, 2010. There were no outstanding borrowings under the ING Credit Agreement at December 31, 2010.

Outstanding amounts under the ING Credit Agreement bear interest at a rate per annum equal to: the LIBOR Rate, the Base Rate, or the Interbank Equilibrium Interest Rate (the "TIIE Rate"), as applicable, plus the Applicable Margin (as those terms are defined in the ING Credit Agreement). While the Company was operating in Chapter 11, the Applicable Margin for LIBOR loans, Base Rate loans, and TIIE loans was 6.0%, 4.0%, and 5.8%, respectively. Following the Effective Date, the Applicable Margin for LIBOR loans and Base Rate loans is 0.375% higher than the highest applicable interest rate margin under the Exit Credit Facility and for TIIE loans is 0.20% less than the Applicable Margin for LIBOR loans.

The ING Credit Agreement requires the Company to make a mandatory prepayment of the revolving loans, in an aggregate amount equal to 100.0% of the net cash proceeds received by any Mexican subsidiary of the Company (a "Mexico Subsidiary"), as applicable, in excess of thresholds specified in the ING Credit Agreement (i) from the occurrence of certain asset sales by the Mexico Subsidiaries; (ii) from the occurrence of any casualty or other insured damage to, or any taking under power of eminent domain or by condemnation or similar proceedings of, any property or asset of any Mexico Subsidiary; or (iii) from the incurrence of certain indebtedness by a Mexico Subsidiary. Any such mandatory prepayments will permanently reduce the amount of the commitment under the ING Credit Agreement. The Mexico Subsidiaries have pledged substantially all of their receivables, inventory, and equipment and certain fixed assets. The Mexico Subsidiaries were excluded from the US bankruptcy proceedings.

Capital and Operating Leases - The Company and certain of its subsidiaries lease a waste treatment facility in Mayfield, Kentucky; a freezer in Nacogdoches, Texas; a hatchery in Center, Texas; and a vehicle maintenance facility in Tenaha, Texas under capital leases. Under operating leases, the Company and certain of its subsidiaries lease distribution facilities in Florida, Nebraska, Colorado and Texas; a feedlot in New Mexico; warehouses in Arkansas, Georgia and Puerto Rico; administrative offices in Georgia and Texas; sales offices in Kentucky, Tennessee, Texas and Virginia; a data center in Texas; marketing liaison offices in South Korea, Japan, Mexico, China and Taiwan; distribution centers and warehouses in Australia; and a variety of equipment. These operating leases expire between 2011 and 2022.

Future minimum lease payments at December 31, 2010, under capital and no cancellable operating leases with terms exceeding one year are as follows (in thousands of dollars):

(Expressed in thousands of reais)

For the fiscal years ending December:	Capitalized Lease Obligations (USD)	Noncancellable Operating Lease Obligations (USD)
2011	2,903	60,103
2012	3,601	38,047
2013	2,476	25,541
2014	2,466	12,668
2015	1,507	7,726
Thereafter	20,362	17,722
Net minimum lease payments	33,315	161,807
Less: Amount representing interest	(1,740)	-
Present value of net minimum lease payments	**31,575**	**161,807**

Rent expense associated with operating leases was US$39.8 million and US$106.4 million for the fifty-two weeks ended December 27, 2009 and December 31,2010, respectively.

19 Convertible debentures

The Company received on December 22, 2009 correspondence from BNDES Participações SA - BNDESPAR, communicating the approval of the investment conduct through the subscription of subordinated debentures, convertible into shares and transfer clause of the first private placement the Company to be held in single series.

The Agreement Investment signature was approved by the Board of Directors in a resolution held on December 7, 2009.

The funds were fully used to subscribe a capital increase in JBS USA, in order to complete the transaction reflected in the Stock Purchase Agreement whereby the JBS USA, by subscription of new shares, became the owner of shares representing 64% (sixty-four per cent) of the total voting capital of PPC and strengthen the capital structure consolidated by the Company for implementation of investment plans and expansion projects, and enable the completion of the integration of operations with Bertin.

On December 28, 2009, the Company issued 2,000,000 debentures at the unit par value of R$ 1,739.80. The total value of the debentures is R$3,479,600. Issuance and transaction costs corresponded to R$17,388, and there is no premium in the in this fund raising operation. Under the terms of the indenture, the debentures corresponded to US$2 billion at issuance date. The 2,000,0000 debentures will be obligatorily exchangeable for certificates of deposit of securities (Brazilian Depositary Receipt - BDR) sponsored Level II or III, supported by voting common shares issued by JBS USA Holdings, Inc., or obligatorily convertible into shares issued by the Company, in the event the latter does not have liquidity.

Liquidity event means to combine the completion of an initial public offering of JBS USA, in the minimum amount equivalent to US$ 1,5 billion with primary placement of at least 50%, either through IPO or follow-on, where JBS USA (a) becomes a Reporting company with the Securities and Exchange Commission, (b) has shares listed on the New York Stock Exchange or NASDAQ, (c) has a minimum free float (excluding potential involvement of debenture holders) of 15% and (d) that the capital of JBS USA, on the day of the liquidity event, be composed of single species and class stocks, noting that will be allowed to issue classes of preferred shares with different political rights after the liquidity event.

The maturity of the debentures will be 60 years from the issuance date, on December 28, 2069.

Due to the end of the deadline for apportionment of surplus in the issuance of debentures, on February 19, 2010, the Company communicated, based on the information received from bank Bradesco S.A., depository institution of the Company's debentures, that all debentures issued were subscribed, as approved during a general extraordinary meeting held on December 31, 2009 at the Company.

Each debenture can only be converted into shares of the Company, exclusively in the following cases: (i) if the Liquity Event has not occurred within the period established in the indenture, (ii) in case certain requirements described in the indenture are not met, or (iii) in the occurrence of an Anticipated Expiration as established in the indenture. The number of common shares issued by the Company in the conversion of the debentures is based on the division of (a) their unit par value, plus a prize of 10% (ten percent); and (b) a conversion price based on the weighted average of the price of the common shares in negotiation ("JBSS3") in the 60 (sixty) trading sessions before date of conversion of the debentures. Such average should be adjusted for the declared proceeds, limited to the a floor of R$6.50 (six reais and fifty cents) per share action and a ceiling of R$12.50 (twelve reais and fifty cents) per share ("Conversion into Shares").

Shareholders agreement

On December 22, 2009 the Company celebrated a Shareholder Agreement with J&F Participações S.A., ZMF Fundo de Investimento and BNDES PARTICIPAÇÕES - BNDESPAR, where BNDESPAR assumed commitment of accomplishing an investment in the Company through the subscription of debentures of the Company, as detailed above.

During the term of the Shareholders' Agreement, and while it continues being an Eligible Shareholder, the shareholder BNDESPAR will be entitled to interfering in any of the matters mentioned below (each one is an "Approval Item"):

(i) contracting by the Company and/or by any of its subsidiary companies of any debt (except in relation to refinancing of debt or already existing obligation, or debt between companies of the same group that do not affect the Maximum Debt Limit), implying that the ratio of the division between the Net Debt and EBITDA (in both cases related to the last four quarters, according to the quarterly or annual consolidated financial statements of the Company) calculated on a pro forma basis is higher than 5.5 (" Maximum Debt Limit");

(ii) the distribution of dividends, interest on equity capital or any other form of compensation to the shareholders by the Company, implying that the ratio of the division between Net Debt and EBITDA (in both cases related to the last four quarters, according to the quarterly or annual consolidated financial statements of the Company) calculated on a pro forma basis and after distribution, is higher than 4.0 ("Managerial Indebtedness Limit");

(iii) a reduction in the capital stock of the Company, of JBS USA and/or of any of their respective subsidiary companies, that, if executed, would exceed the Managerial Indebtedness Limit. Exceptions to this restriction are the subsidiary companies whose capital stock is directly or indirectly held by JBS in a percentage equal to or higher than 99% ("Exempt subsidiary Companies");

(iv) proposition of an extrajudicial recovery plan, judicial recovery plan or filing of bankruptcy by the Company or by JBS USA;

(v) liquidation or dissolution of JBS, of JBS USA or of any of their subsidiary companies (except for Exempt subsidiary Companies);

(vi) reduction in JBS's obligatory dividends;

(vii) amendments to article 33 of JBS’s by-laws, so that the audit committee would start working in a non-permanent manner or any other changes in the by-laws of JBS regarding the business purpose (aiming a significant change in the business carried out by JBS), or other changes that conflict with any dispositions of the Shareholders' Agreement;

(viii) change, merger, spin-off, combination, including of shares, or any other corporate restructuring involving JBS, JBS USA and their subsidiary companies (except for (a) operations between Exempt subsidiary Companies, or (b) in operations between (i) JBS or JBS USA and (ii) any of their Exempt subsidiary Companies), including exchange, payment through shares or assignment of share subscription rights;

(ix) any operations between JBS and/or its subsidiary companies, on the one hand, and any related parties of JBS, on the other hand, amounting to more than R$100,000 (one hundred million reais) for a period of 12 (twelve) months, taken as a whole or individually;

(x) disposal or encumbrance, by JBS and/or by its subsidiary companies, of noncurrent assets that, individually or cumulatively, have, in a period of 12 (twelve) months, a value of more than 10% (ten percent) of the Company’s total assets (column 'Company”, that is, non-consolidated numbers), based on the most recent financial statements;

(xi) approval of the annual budget of JBS and/or of its subsidiary companies in the event an increase in the ratio Net Debt/EBITDA would exceed the Managerial Indebtedness Limit;

(xii) investments of capital, as a whole or individually, not considered in the business plan or budget approved by the Board of Directors of the Company, that, if made, would exceed the Managerial Indebtedness Limit;

(xiii) (A) the cancellation of the registration of the Company or of JBS USA, as public-held corporations, or a reduction in the listing level of the Company with the Stock and Exchange of São Paulo (BMF&BOVESPA); or (B) the creation of types or classes of share of JBS USA under different policies or equity rights (including, without limitation, preferred shares);

(Expressed in thousands of reais)

(xiv) any acquisition operation by JBS or by its subsidiary companies of (a) ownerships interests that would be considered significant investments for JBS (even if acquired by a subsidiary company) as defined in the applicable legislation, and not included in the of business plan or budget approved by the Board of Directors of JBS or (b) noncurrent asset items, that, if executed, would exceed the Managerial Indebtedness Limit; and

(xv) giving of collateral or guarantees by JBS and/or its subsidiary companies to guarantee obligations of third parties, except for obligations of JBS and/or of its subsidiary companies, at an individual value lower than R$ 200,000 (two hundred million reais).

Payment of debentures premium to BNDESPAR

According to the communicate on December 26, 2010 the Company has notified Planner Trustee DTVM Ltda. ("Trustee") to extend the Due Date for the Liquidity Event to December 31, 2011, and that it has paid a premium in the gross amount of R$ 260.97 (two hundred, sixty reais and ninety seven centavos) for each debenture issued by the Company, totaling R$ 521,940, as set forth in sections III.16.1.2. and III.21.a.vi. of the Indenture of the 1st Issuance of Convertible Debenture ("1st Issuance of Debentures"). The Administrative Agent (Banco Bradesco S.A.) has initiated payment to Debenture Holders on December 23, 2010.

Additionally, the Company communicated that it is in advanced stages of negotiation with its main debenture holder for the 2nd issuance of mandatorily convertible debentures ("2nd Issuance of Debentures") aiming at fully substituting the 1st Issuance of Debentures. The placement of the 2nd Issuance of Debentures will be private, and current shareholders (as of the issuance date) will have preemptive rights. The Debenture will have the following characteristics:

* Amount: R$4.000.000 billion
* Period: 5 years
* Interest: 8.5% per annum, paid quarterly
*Mandatorily convertible into JBS S.A. shares at the end of the fifth year Conversion price of R$9.50 per share (JBSS3), plus interest paid on the debentures, net of taxes, minus the remuneration paid to shareholders in the period (dividends, interest on equity, etc)
*Option to subscribe using 1st issuance of debentures.

Among the advantages of the new issuance are the elimination of the obligation to make the IPO of JBS USA in 2011 and the optimization of the tax and financial structure of the Company. The terms and characteristics of the new debenture issuance will be detailed in the near future and will be subject to the necessary approvals.

20 Payroll, social charges and tax obligation

	Company		
	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Payroll and related social charges	**175,613**	65,564	23,240
Accrual for labor liabilities	**92,615**	81,650	28,590
Income tax	**-**	2,715	-
Social contribution	**13**	1,059	-
ICMS / VAT / GST tax payable	**19,646**	15,899	3,088
PIS / COFINS tax payable	**49**	27,257	-
FOMENTAR (Brazilian social contribution)	**-**	3,986	-
FUNRURAL (Brazilian Rural Workers' Assistance Fund)	**-**	69,079	-
Others	**87,664**	19,873	7,804
	375,600	**287,082**	**62,722**

(Expressed in thousands of reais)

	Consolidated		
	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Payroll and related social charges	**340,151**	136,811	188,025
Accrual for labor liabilities	**589,428**	355,737	182,521
Income tax	**56,310**	38,015	15,960
Social contribution	**1,499**	1,252	119
ICMS / VAT / GST tax payable	**26,704**	20,207	3,095
PIS / COFINS tax payable	**142**	28,392	31,802
FOMENTAR (Brazilian social contribution)	**-**	3,986	-
FUNRURAL (Brazilian Rural Workers' Assistance Fund)	**-**	69,079	-
Others	**126,444**	68,375	49,386
	1,140,678	**721,854**	**470,908**

21 Provision for contingencies

The Company and its subsidiary are parties in several procedure arising out of the regular course of their businesses, to which the provisions based on estimation of their legal consultants were established. The main information related to these procedures on December 31, 2010 and December 31, 2009, areas follows:

	Company		
	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Labor	**44,310**	40,579	5,799
Civil	**7,773**	4,229	15,663
Tax and Social Security	**83,919**	165,280	26,782
Total	**136,002**	**210,088**	**48,244**

	Consolidated		
	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Labor	**68,118**	50,189	9,208
Civil	**34,298**	54,979	21,216
Tax and Social Security	**220,011**	326,081	38,919
Total	**322,427**	**431,249**	**69,343**

Tax Proceedings

a) ICMS - Value Added Tax (Imposto sobre Operações Relativas à Circulação de Mercadorias e sobre a Prestação de Serviços de Transporte Interestadual e Intermunicipal e de Comunicação)

The Tax Authority of the State of São Paulo (Secretaria da Fazenda do Estado de São Paulo) filed several administrative proceedings against the Company, under which the Tax Authority challenges the amount of the Company's ICMS tax credits arising from the purchase of cattle and meat transfer by the Company in other Brazilian states. The Tax Authority of the State of São Paulo claims that the tax incentives should be approved by Confaz , and are known as a "Tax War". The Tax Authority of the State of São Paulo do not recognizes the Company's ICMS tax credits up to the amount of the ICMS tax guaranteed in such other states. The Company estimates that the claims under these administrative proceedings amount to R$ 1,087,263 in the aggregate. In addition to presenting its defense in such administrative proceedings, the Company has filed legal proceedings seeking the payment of damages from such other states if the Tax Authority of the State of São Paulo prevails in these administrative proceedings.

The management believes, based on the advices from its legal counsel, that its arguments will prevail in these procedures, which is the reason why no provision were done.

The Tax Authority of the State of Goiás filed other administrative proceedings against the Company, due to interpretation divergences of the Law concerning the export VAT credits. Based on the opinion of the Company's external legal counsel, the management of the Company believes the Company will prevail in most of these proceedings, on the amount of R$ 204,094. The management believes, based on the advices from its legal counsel, that its arguments will prevail in these procedures, which is the reason why no provision were done.

b) Social contributions — Rural Workers' Assistance Fund (FUNRURAL)

In January 2001, the INSS (Brazilian Social Security Institute) filed two administrative proceedings (autos de infração) against the Company, seeking to collect certain social security contributions (which are referred to as contributions to the Rural Workers' Assistance Fund (NOVO FUNRURAL) referring the period from January 1999 to December 2003, in the amount of R$ 69,200, and from 2003 until 2006, in the amount of R$ 198,800, with the aggregate amount of R$ 268,000 million, that the Company should have allegedly withheld in connection with purchases of cattle from individual ranchers. As a result of a decision by a lower court in a proceeding to adjudicate a writ of mandamus action filed by the Company in order to challenge the constitutionality of such social security contributions, the administrative proceedings have been stayed and the INSS has been enjoined from collecting these social security contributions from the Company.

The Company has presented its defense in those administrative proceedings, informing that it does not collect the amount due to a favorable court ruling, so those processes are suspended until a final decision of the writ of mandamus.

This matter was the subject of a decision favorable to the taxpayer, issued by the Supreme Court - STF for a company whose activity is similar to the activity of the Company. For this reason, and based on advice from legal counsel, lawyers and renowned, the Company believes that the legality and enforceability of such taxation is quite low, which is why the Administration is not providing for this contingency. Currently, the Company is not obligated to make any rebate or payment. If a discount is made for commercial reasons, the Company will deposit it in court and, fulfilling a court order. Based on the opinion of legal advisors and based on case law in favor of the Supreme Court in a similar case, management believes that its fundamentals will prevail and no provision was recorded for that contingency.

c) PIS / COFINS - Brazilian social contributions

The subsidiaries S.A. Fábrica de Produtos Alimentícios Vigor, Cia Leco de Produtos Alimentícios and Dan Vigor have proceeding of Programa de Integração Social - PIS (which is a Brazilian Social Integration Program) - questioning the following: (a) unconstitutionality of the tax imposed by Complementary Law No. 7/70; (b) taxation of other operating income in accordance with Law No. 9718/98; and (c) compensation for amounts owed to the public debt securities on the total provisioned amount of R$ 14,107.

The subsidiaries S.A. Fábrica de Produtos Alimentícios Vigor, Cia Leco de Produtos Alimentícios and Dan Vigor have proceeding of Contribuição para o Financiamento da Seguridade Social - COFINS (which is a Brazilian Social Contribution of Security Financing) - questioning the following: (a) increase in rate from 2% to 3% according to Law No. 9718/98 - questioning until July 2003, and (b) compensation of amounts owed to the public debt securities on the total provisioned amount of R$ 107,127.

d) Income tax and social contribution

The subsidiaries S.A. Fábrica de Produtos Alimentícios Vigor, Cia Leco de Produtos Alimentícios and Dan Vigor have proceeding of Income tax and social contribution, referring with the process of tax debts relating to income tax levied on the effects of the monetary restatement established by Law No. 8200/91 and questions related to the indices of monetary restatement resulting from "Plano Verão (an economic plan launched by the government on 1989)" on the total provisioned amount of R$ 12,291.

e) Other tax and social security procedures

The Company is a Party in additional 307 tax and social security proceedings, in which the individual contingencies are not relevant for the Company's context. We highlight that the ones with probable loss risk have contingencies for R$ 83,919 which are 100% provisioned.

Labor Proceedings

As of December 31, 2010 the Company was party to 6,183 labor and accident proceedings, involving total value of R$ 543,687. Based on the opinion of the Company's external legal counsel, the Company's management recorded a provision in the amount of R$ 44,310 for losses arising from such proceedings. Most of these lawsuits were filed by former employees of the Company seeking overtime payments and payments relating to their exposure to health hazards.

As of December 31, 2010, the subsidiaries S.A. Fábrica de Produtos Alimentícios Vigor, Cia Leco de Produtos Alimentícios and Dan Vigor were party to 309 labor proceedings filed by former employees, that were accrued by the Company based on an estimate of loss prepared by its legal counsel and approved by the management on the amount of R$ 4,181.

Civil Proceedings

a) Slaughter facility at Araputanga

In 2001, the Company (formerly known as Friboi Ltda.), entered into a purchase agreement for the acquisition of one slaughter facility located in the City of Araputanga, State of Mato Grosso, from Frigorífico Araputanga S.A. ("Frigorífico Araputanga"). As a result of the payment of the purchase price by the Company and the acknowledgement by Frigorífico Araputanga of compliance by the Company with its obligations under the purchase agreement, a public deed reflecting the transfer of title of the slaughter facility from Frigorífico Araputanga to the Company was registered with the applicable real estate notary.

As (i) Frigorífico Araputanga was a beneficiary of certain tax benefits granted by the Federal Government through an agency responsible for fostering the development of the northern region of Brazil (*Superintendência de Desenvolvimento da Amazônia* – SUDAM*)* and (ii) the slaughter facility sold to the Company was granted by Frigorífico Araputanga to SUDAM as collateral for these tax benefits the consent of SUDAM was required for the registration of the public deed with the applicable real estate notary. In September 2004, Frigorífico Araputanga S.A. filed a lawsuit against the Company in a state court located in the City of Araputanga, State of Mato Grosso, alleging that the Company breached the purchase agreement and seeking an injunction to prevent the Company from finalizing the transfer of the slaughter facility and a declaratory judgment that the purchase agreement and the public deed registered with the real estate notary were null and void.

The parties are waiting for new appraisal. The first judicial expert appraisal was favorable to the company, that after evaluating the payments made by Agropecuária Friboi, the appraisal concluded that the debit was already paid. The judicial appeal number 2006.01.00.024584-7 was judged favorably to the Company, when the "TRF" Regional Federal Court declared valid the purchase title deeds of the property, object of discussion. Based on the Company's legal advisers' opinion and based on Brazilian jurisprudence management of the Company believes that their arguments will prevail and no provision was registered.

b) Trademark Infringement

In July 2005, Frigorífico Araputanga filed a lawsuit against the Company seeking damages in the amount of R$ 26,938 and punitive damages in the amount of R$100,000 for the use by the Company of the trademark "Frigoara" without Frigorífico Araputanga's consent. The amounts of the claim were based upon a report presented by Frigorífico Araputanga to the trial court, which appraised the value of the trademark "Frigoara" at R$ 315,000.

The Company presented its defense against this lawsuit alleging that (i) the lawsuit should be analyzed and reviewed together with the lawsuit relating to the purchase of the slaughter facility from Frigorífico Araputanga by the Company, (ii) the trademark "Frigoara" was used by the Company for a limited period of time, with the written consent and upon the request of Frigorífico Araputanga (the use of the trademark by the Company was a requirement of SUDAM to consent to the registration of the public deed contemplating the transfer of the slaughter facility from Frigorífico Araputanga to the Company) and (iii) the amount of any damages under the lawsuit should be limited to a percentage of products sold by the Company under the trademark "Frigoara," pursuant to article 208 of the Intellectual Property Law. Almost all of the products manufactured by the Company were marketed under the trademark "Friboi." The only product marketed by the Company under the trademark "Frigoara" was minced meat, in limited amounts.No provison was registered.

Following a determination of the judge of the trial court, the lawsuit was submitted to the review of the Federal Court of Cáceres on January 17, 2007. The judge of the Federal Court of Cárceres determined that this lawsuit be joined with the lawsuit relating to the purchase of the slaughter facility by the Company from Frigorífico Araputanga. The Federal Government will be notified to issue an opinion on the matter under discussion in this lawsuit. Based on the Company's legal counsel opinion supported by precedents of the Federal Brazilian Supreme Court (Supremo Tribunal Federal) and the Brazilian Superior Court of Justice (Superior Tribunal de Justiça), the Company's management believes that the Company will prevail in these proceedings.

c) Other civil proceedings

The Company is also part to other civil proceedings that in the evaluation of the Administration and its legal advisers, the loss expectation on December 31, 2010 is R$ 7,773 that it is provisioned.

Other proceedings

On December 31, 2010, the Company had other ongoing civil, labor and tax proceedings, on the approximately amounting of R$ 20,134 whose materialization, according to the evaluation of legal advisors, it is possible to loss, but not probable, for which the Company's management does not consider necessary to set a provision for possible loss, in line with the requirements of the IAS 37/CPC 25 - Provisions, Contingent Liabilities and Contingent Assets.

(Expressed in thousands of reais)

22 Debit with third parties for investment

On current liabilities due to Bertin's incorporation, the amount of R$ 42,101 as of December 31, 2010 (R$ 427,523 as of December 31, 2009 refers to the acquisition of the remaining debt investments, with discharge during the year 2010. Investments acquired are i) Plant Pimenta Bueno (R$ 12,101), ii) Gould Participações Ltda. concerning the acquisition of Grupo Vigor, acquired in 2007 (R$ 78,875) and iii) Companhia Araguaia Eletricidade (R$ 30,000).

On non current assets refers to 65 million of Euros, corresponding, on December 31, 2010, to R$ 144,820 (R$ 162,976 on December 31, 2009) to be added to the purchase price of Inalca JBS , should the company reaches, at least, one of the following goals: average EBITDA for the years 2008, 2009 and 2010 equal or higher than 75 million of Euros or, alternatively, an EBITDA equal or higher than 90 million of Euros for the fiscal year of 2010. If none of these goals are met, this debit will revert to the amount of the premium assessed on the purchase.

On May 11, 2009 the Company made a purchase and sale agreement with C. Sola Participações e Representações S/A, regarding the acquisition of the industrial complex of Teófilo Ottoni, State of Minas Gerais, in the amount of R$ 16,886, and in December 31, 2010 the Company has in the current liabilities R$ 3,645 and of R$ 5,144 in the non-current liabilities (R$ 3,744 and R$ 8,962 respectively in December 2009).

23 Income taxes

Income tax and social contribution are recorded based on taxable profit in accordance with the laws and applicable rates. Income tax and social contribution-assets are recognized on temporary differences. Income tax and social contribution tax-liabilities were recorded on the revaluation reserves established by the Company and on temporary differences.

Company

a) Reconciliation of income tax and social contribution

	Company	
	Dec 31, 2010	Dec 31, 2009
Income (loss) before income tax and social contribution	**(261,589)**	**264,518**
Addition (exclusion), NET:		
Permanent differences (substantially equity in subsidiaries)	**411,667**	(129,900)
Temporary differences (substantially on goodwill tax amortization)	**(860,298)**	(137,673)
Calculation basis for income tax and social contribution	**(710,220)**	**(3,055)**
Income tax and Social Contribution		
Reversal of deferred income tax of revaluation	**2,853**	3,001
	2,853	**3,001**
Calculation basis for deferred income tax and social contribution		
On tax losses of previous years	**(730,851)**	-
Temporary differences (substantially on goodwill tax amortization)	**860,298**	137,673
	129,447	**137,673**
Income tax and social contribution:		
On tax losses on the year current and previous years	**248,489**	**-**
Temporary differences (substantially on goodwill amortization)	**(292,501)**	**(46,809)**
	(44,012)	**(46,809)**

(Expressed in thousands of reais)

	Consolidated	
	Dec 31, 2010	Dec 31, 2009
Income (loss) before income tax and social contribution	**66,300**	**402,334**
Tax losses and negative basis of the year		
Amounts that do not generate taxable basis for the income tax and social contribution	**710,220**	
Addition (exclusion), NET:		
Permanent differences (substantially equity in subsidiaries)	**977,019**	239,774
Temporary differences	**(717,350)**	(495,085)
Calculation basis for current income tax and social contribution	**1,036,189**	**147,023**
Income tax and Social Contribution		
Income tax and Social Contribution	**358,741**	46,727
Reversal of deferred income tax of revaluation	**2,853**	3,001
	361,594	**49,728**
Calculation basis for income tax and social contribution		
On tax losses on the current and previous years	**(730,851)**	67,068
Temporary differences (substantially on goodwill tax amortization)	**717,350**	495,085
	(13,501)	**562,153**
Income tax and Social Contribution		
On tax losses on the and previous years	**248,489**	23,474
Temporary differences (substantially on goodwill tax amortization)	**(217,195)**	(155,952)
	31,294	**(132,478)**

b) Deferred income tax and social contribution on balance sheet

	Company		
	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Assets			
. On tax losses and temporary differences	**292,770**	30,357	22,626
Liabilities			
. On revaluation reserve and temporary differences	**683,544**	375,061	83,453
Net			
. On revaluation reserve and temporary differences	**390,774**	**344,704**	**60,827**

	Consolidated		
	Dec 31, 2010	Dec 31, 2009	Jan 1, 2009
Assets			
. On tax losses and temporary differences	**1,095,222**	807,526	1,037,248
Liabilities			
. On revaluation reserve and temporary differences	**2,133,114**	1,948,804	1,386,097
Net			
. On revaluation reserve and temporary differences	**1,037,892**	**1,141,278**	**348,849**

Deferred income taxes

Deferred income taxes is generated by temporary differences at balance date between the taxable basis of assets and liabilities and its accounting amounts. Deferred taxes liabilities are recognized for all temporary tax differences, except:

- When the deferred tax asset arises from initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, on the transaction date, does not affect the accounting net income or taxable profit or fiscal loss, and

- Tax on temporary differences related to investments in subsidiaries, where the period of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the near future. Deferred income tax assets are recognized for all deductible temporary differences, credits and tax losses not used to the extent that it is probable that taxable profit will be available for the deductible temporary differences can be made, and tax credits and unused losses can be used except:

- When the income tax asset deferred related to the temporary difference deductible is generate when the deferred tax asset related to deductible temporary difference is generated in the initial recognition of an asset or liability in a transaction that is not a business combination and, at the transaction date, does not affect net income or profit or tax loss, and

- on the deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only on the extension that it is probable that the temporary difference are reversed in the future and that taxable profit will be available for the temporary differences can be utilized.

The deferred tax assets and liabilities are presented net due to is related to the same taxing authority.

On December 31, 2010 the Company recorded a deferred income tax liabilities arising from the amortization of goodwill of Bertin's incorporation in the amount of R$ 308,000 in accordance with the CPC 32 - Income tax.

Additionally, on December 31, 2010 the Company recorded a deferred income tax assets amounting to R$ 248,000 from the carrying amount tax loss of R$ 730,000.

24 Shareholders’ equity

a) Capital Stock

The Capital Stock on December 31, 2010 is represented by 2,567,471,476 ordinary shares, without nominal value. From the total shares, as described in letter e) below, 74,753,200 shares are maintained in treasury.

The Company is authorized to increase its capital by an additional 3,000,000,000 ordinary nominative shares. According with the social statute the Board of Directors shall determine the number, price, payment term and other conditions of the issuance of shares.

The Company may grant options to purchase shares to directors, employees or persons who will provide services, or the directors, employees or persons providing services companies under its control, excluding the preemptive rights of shareholders in issuing and exercise of stock options.

b) Profit reserves

Legal reserve

Computed based on 5% of the net income of the year.

Reserve for expansion

Consists of the remaining balance of the net income after the computation of legal reserve and dividend distribution. The purpose of this reserve is to provide funds to investment in assets.

c) Revaluation reserve

Revaluation reserve reflects the appraisal effected by the Company, net of tax effects that are progressively offset against retained earnings to the same extent that the increase in value of the revalued property is realized through depreciation, disposal or retirement.

d) Dividends

Mandatory dividends corresponds to not less than 25% of the adjusted net income of the year, according to law.

e) Treasury shares

The Board of Directors of the Company, based on the amendment of it by-laws, authorized the acquisition of not more than 68,371,334 shares for maintenance in treasury and subsequent cancel or alienation without reduction of the social capital.

According to the normative instructions of CVM 10, as of February 10, 1980, article 21, the detailed of the treasury shares as of December 30, 2010 are presented. The Company maintained 74,753,200 treasury shares, with an average unit cost of R$ 6.49 and the minimum and maximum acquisition prices were R$ 2.68 and R$ 10.81, respectively, with no disposal of acquired shares. The amount of 74,753,200 treasury shares on December 31, 2010, 13,364,600 shares were acquired during 2009, which were supported by approval of the Board of Directors' meeting occurred on December 29, 2008, that approve the acquisition limit of 41,113,898 own issued shares. The Company have repurchased shares on the total amount of 30,763,100 during the current year.

The market value of the shares according to the BOVESPA as of December 31, 2010 R$ 7.17 (December 31, 2009 was R$ 9.32)

(Expressed in thousands of reais)

25 Net sale revenue

	Company 2010	Company 2009
Gross sale revenue		
Products sales revenues		
Domestic sales	**8,503,356**	3,907,867
Foreign sales	**4,415,802**	1,859,301
	12,919,158	**5,767,168**
Sales deduction		
Returns and discounts	**(456,139)**	(225,768)
Sales taxes	**(692,726)**	(392,606)
	(1,148,865)	**(618,374)**
NET SALE REVENUE	**11,770,293**	**5,148,794**

	Consolidated 2010	Consolidated 2009
Gross sale revenue		
Products sales revenues		
Domestic sales	**42,267,422**	27,091,607
Foreign sales	**14,839,637**	8,697,637
	57,107,059	**35,789,244**
Sales deduction		
Returns and discounts	**(1,026,977)**	(395,494)
Sales taxes	**(1,024,280)**	(488,179)
	(2,051,257)	**(883,673)**
NET SALE REVENUE	**55,055,802**	**34,905,571**

26 Profit per share

As per requested by the IAS 33/CPC 41 - Profit per share, the following tables reconcile the net profit with the amounts used to calculate the basic per share.

Basic

The basic profit per share is calculated through the division of the profit attributable to the shareholders of the Company by the weighted average amount of shares of the fiscal year, reduced by the shares in treasury.

	Consolidated 2010	Consolidated 2009
Net profit attributable to shareholders - R$	**(302,748)**	**220,710**
Average of the shares in the period - thousands	**2,567,471**	2,367,471
Average of the shares in the Treasury - thousands	**74,753**	43,990
Average of shares circulating - thousands	**2,492,718**	2,323,481
Net profit per thousand shares - Basic - R$	**(121.45)**	**94.99**

Diluted

The Company did not present the diluted profit per share as required in IAS/CPC 41 - Profit per share, due the fact it does not have potentially dilutive ordinary shares.

(Expressed in thousands of reais)

27 Financial income (expense), net

	Company	
	2010	**2009**
Exchange variation	**159,381**	713,085
Results on derivatives	**(675,755)**	(999,077)
Interest - Loss	**(1,574,722)**	(399,700)
Interest - Gain	**236,392**	189,788
Taxes, contribution, tariff and others	**(72,341)**	(16,699)
	(1,927,045)	**(512,603)**

	Consolidated	
	2010	**2009**
Exchange variation	**287,806**	854,613
Results on derivatives	**(739,327)**	(1,013,628)
Interest - Loss	**(1,991,021)**	(601,640)
Interest - Gain	**335,610**	219,540
Taxes, contribution, tariff and others	**(113,250)**	(37,860)
	(2,220,182)	**(578,975)**

The amount of interest expense of R$ 1,991,021 includes the premium of debenture paid to BNDES Participações S.A. BNDESPAR, of R$ 521,940 as detailed in Note 19 - Debentures and notes 34 - Material facts.

28 Non-recurring expenses

The consolidated non- recurring expenses for the year ended on December 31,2010 referring to:

i) JBS S.A. - Amount of R$ 77,093, referring to reorganization and restructuring costs due to Bertin S.A. incorporation, and donations to political parties in election campaigns in 2010 elections; and amount of R$ 25,514 referring to provision of investment loss in the subsidiary Inalca JBS, due to Termination Agreement signed on March 4, 2011, according to subsequents events and footnote 1.

ii) JBS Argentina -Amount of R$ 41,292, referring to reorganization and restructuring costs, impairment of goodwill and indemnities due to units temporary suspension operations in Berazategui (Consignaciones Rurales), Colonia Caroya (Col-Car) and San Jose.

iii) JBS USA - Amount of R$ 90,052, referring to reorganization and restructuring costs due to Pilgrim's Pride Corporation acquisition.

29 Transaction costs for the issuing of titles and securities

In accordance with the prerequisites under the IAS 39/CPC 38 – Financial Instruments - Recognition and assessment, the costs related to the transactions in the issuing of titles and securities must be accounted and stated in a highlighted fashion in the financial statements.

During the years of 2009 and 2010, the Company has carried out , respectively, transactions for the issuance of debentures and Public Offering of Shares - POS. However, to render this transactions effective, the Company incurred in transaction expenses, i.e., the expenses directly attributable to the activities that are necessary to effect these transactions, exclusively.

a) Debentures

To effect the transaction of issuance of debentures, the Company incurred in transaction expenses of R$ 17,388, which were classified as a reducer of the fair value of the debentures , initially recognized for R$ 3,479,600, therefore, evidencing the net value received of R$ 3,462,212.

The debentures must be convertible, mandatorily, with security deposit certificates (Brazilian depositary receipts - BDRs) sponsored of levels II or III, secured in ordinary shares, issued by JBS USA when the company went public (IPO), then the financial costs that support the issuance of the debentures will be reclassified for the Fiscal Year results, If the Liquidity Event does not take place, the bonds will covert, mandatorily, into shares issued by the Company. Therefore, the financial costs will be recorded directly under an account that reduces the Capital Stock .

In accordance with the IAS 39/CPC 38 - Financial Instruments, the financial instruments hired by the Company must be presented at their fair values. Therefore, as this is a certain Bond transaction, the par value expressed on the Bonds correspond to the fair value of the transaction, and the carrying out of adjustments related to the variation between the par and the fair value is not necessary.

b) Initial Public Offering of shares - IPO (Follow on)

As of December 31, 2010, the Company had incurred in expenses of the order of R$ 37,477 related to the costs of the transaction for securing resources to initial Public Offering, whose recording is under the temporary accounts of the asset, as advanced payment. As soon as the process of securing resources is over, there will be a reclassification of these values to the account that reduces the asset account, highlighted in the net asset, eventual effects deducted.

c) Senior Notes Offering (Bonds)

As of December 31, 2010, the Company had incurred in expenses of the order of R$ 17,775 related to the costs of the transaction for securing resources to initial Public Offering (Bonds) – in the amounts of US$ 700,000 and US$ 200,000 realized on July and September of 2010, respectively, whose recording is under in a reduction of liabilities, the amortization will occur according to the flow of debt payments.

30 Operating segments

The Management has defined the operational segments that can report to the Group, based on the reports use to make strategic decisions, analyzed by the Executive Board of Officers, which are segmented as per the commercialized product point of view, and per geographical location.

The modalities of commercialized products include Beef, Poultry and Pork. Geographically, the Administration takes into account the operational performance of its unities in s o Brazil, USA (including Australia), South America (Argentine, Paraguay and Uruguay), Italy.

Even though the Pork segment does not meet the quantitative requirements of IFRS 8/CPC 22 - Operations segments, the Administration concluded that this segment ought to be presented as t is monitored by the Executive Board of Officers as a segment with potential for growth and therefore must contribute, in the future, significantly for the revenues of the Group.

The Beef segment exploits the slaughter house and the frigorific of bovines, the industrialization of meat, preservatives, fat, feed and derivate products, with industrial unities located in the States of: São Paulo, Goiás, Mato Grosso, Mato Grosso do Sul, Rondônia, Minas Gerais, Acre, Rio de Janeiro and Paraná. In addition, there are producing unities in the USA, Italy, Australia, Argentina, Uruguay, Paraguay, the three latter ones with consolidated analyzes, as well as in the USA and Australia.

The Poultry is represented by in natura products, refrigerated as a whole or in pieces, whose productive unities are located in the USA and in Mexico, servicing restaurant chains, food processors, distributors, supermarkets, who sale and other retail distributors, in addition to exporting to the Eastern Europe (including Russia), the Eastern Hemisphere (including China), Mexico and other international markets.

The Pork segment slaughters, processes and delivers “in natura” meet with one operational unity in the USA servicing the internal and the foreign market. The products prepared by JBS USA include, also, specific industrial standards cuts, refrigerated.

Due to the significant percentage of the above-mentioned operational segments, the remaining segments and activities in which the Company acts are not relevant and are presented as "Others". In addition, all eliminations of operations, between segments will be elimiinated in the group.

The accounting policies of the operational segments are the same as the ones described in the significant accounting policies summary. The Company evaluates its performance per segment, based on the profit or the losses before taxes, and it does not include the non-recurrent gains and losses and the exchange losses – EBITDA.

There are no revenues arising out of transactions with one only foreign client that represent 10% or more of the total revenues

The information per businesses' operational segment, analyzed by the Executive Board of Officers, and related to the period of December 31, 2010 and 2009, are as following:

(Expressed in thousands of reais)

Net revenue by product line:

	2010	2009
Net revenue of the segment		
Beef	**34,997,452**	30,290,261
Pork	**5,204,157**	4,485,660
Poultry	**12,051,459**	-
Others	**2,802,734**	129,650
Total	**55,055,802**	**34,905,571**

Depreciation by product line:

	2010	2009
Depreciation and amortization		
Beef	**530,786**	386,702
Pork	**50,675**	91,918
Poultry	**604,182**	-
Others	**40,657**	1,191
Total	**1,226,300**	**479,811**

EBITDA by product line:

	2010	2009
EBITDA		
Beef	**2,187,158**	875,160
Pork	**466,104**	408,927
Poultry	**854,070**	-
Others	**248,864**	(8,156)
Total	**3,756,196**	**1,275,931**

Assets by segment:

	31.12.10	31.12.09
Assets		
Beef	**31,607,444**	33,272,460
Pork	**598,077**	707,491
Poultry	**8,289,261**	5,199,187
Others	**4,034,443**	4,711,296
Total	**44,529,225**	**43,890,434**

Revenues by geographic area:

	2010	2009
Net revenue		
United States of America (including Australia)	**40,327,620**	26,939,826
South America	**13,333,568**	6,073,934
Italy*	**624,311**	1,595,047
Others	**770,303**	296,764
Total	**55,055,802**	**34,905,571**

(Expressed in thousands of reais)

Depreciation by geographic area:

	2010	2009
Depreciation and amortization		
United States of America (including Australia)	**874,565**	312,652
South America	**334,890**	119,050
Italy*	**14,275**	47,842
Others	**2,570**	267
Total	**1,226,300**	**479,811**

EBITDA by geographic area:

	2010	2009
EBITDA		
United States of America (including Australia)	**2,422,098**	884,996
South America	**1,289,601**	304,365
Italy*	**9,285**	82,989
Others	**35,212**	3,581
Total	**3,756,196**	**1,275,931**

Assets by geographic area:

	31.12.10	31.12.09
Assets		
United States of America (including Australia)	15,287,789	11,401,107
South America	27,344,023	29,650,499
Italy*	1,184,959	1,183,230
Others	712,454	1,655,598
Total	**44,529,225**	**43,890,434**

* As described in Note 1 and 3, only information of the first quarter of 2010 of Inalca has been included.

31 Expenses by nature

The Company has opted for the presentation of the Consolidated Result Statement per function. As per requested by the IFRS, following, there is the detailing of the consolidated Result Statement per nature:

Classification by nature	2010	2009
Depreciation and amortization	**(1,226,300)**	(479,811)
Expenses with personnel	**(7,095,065)**	(3,455,377)
Raw material use and consumption materials	**(44,336,199)**	(30,049,438)
Taxes, fees and contributions	**(736,638)**	(74,859)
Third party capital remuneration	**(4,417,068)**	(1,791,359)
Other (expense) income, net	**2,821,768**	1,347,607
	(54,989,502)	**(34,503,237)**

Classification by function	2010	2009
Cost of goods sold	**(48,296,810)**	(31,765,938)
Selling expenses	**(2,644,309)**	(1,645,854)
General and administrative Expenses	**(1,650,075)**	(705,586)
Financial income (expense), net	**(2,220,182)**	(578,975)
Other (expense) income, net	**(178,126)**	193,116
	(54,989,502)	**(34,503,237)**

32 Insurance coverage

As of December 31, 2010, the maximum individual limit for coverage was R$ 99,000. This coverage includes all types of casualties.

For the incorporated Bertin, the insurance policy has the same above-mentioned characteristics; however, the maximum indemnification limit for December 31, 2010 was of R$ 200,000.

Regarding to the indirectly subsidiary JBS Argentina, located in the Republic of Argentina, the insurance policy has the same above-mentioned characteristics; however, the maximum indemnification limit for December 31, 2010 was of US$ 32 million (equivalent to R$ 53,000).

Regarding to the subsidiary JBS USA, located in the USA, the insurance policy has the same above-mentioned characteristics; however, the maximum indemnification limit for December 31, 2010 was of US$ 200 million (equivalent to R$ 333,000).

Regarding to the subsidiary Inalca JBS, located in Italy, the insurance policy has the same above-mentioned characteristics; however, the maximum indemnification limit for December 31, 2010 was of € 141 million (equivalent to R$ 314,000).

33 Risk management and financial instruments

The Company and its subsidiaries are exposed to market risks arising from their operations, mainly related to possible changes in exchange rates, interest rates, commodity prices, credit risks and liquidity risk that may adversely affect the value of assets, liabilities or projected cash flows and profits. To minimize the risks of exposure the Company manages the risks of its financial instruments in assets and liabilities in an integrated way with its subsidiaries, hiring derivative financial instruments to minimize the risk of their exposure integrated net.

a) Management risk policy

The Company has a formal risk administration policy, controlled by the administration treasury department that uses control instruments through appropriate systems and qualified professionals in risk measurement, analysis and administration that make possible the reduction of the daily risk exposure. This policy is permanently monitored by the financial committee and for Directors of the Company that have the responsibility of the strategy definition to the risk administration, determining the position limits and exhibition. Additionally, operations with speculative financial instruments character are not allowed.

b) Management risks objectives and strategies

Through management risks the Company looks for mitigating the economical and accounting exposure of its exchange variation operations, credit risks, interest rates and commodities purchase prices such as cattle, grains and energy. The strategies are based on detailed analyses of the Company's financial statements customers, consult to monitoring risk and credit agencies, and also risk to bring to zero the expository of forwards on Stock Exchange.

c) Discretion of the Treasury

Having identified the Company exposure, the business units prices and turn to zero their risks on the Treasury, which consolidates these risks and seeks protection with market operations on Stock Exchange. These risks are monitored daily, to correct additional exposures caused by risks of "gaps" and controls margins and adjustments. The discretion of the Treasury to determine the position limits necessary to minimize the Company's exposure to foreign currencies and/or interest rates is limited to the analysis parameters of VAR (Value at Risk) portfolio of derivatives.

d) Interest rate risk

The risk of interest rate on short term investments, loans and financing is reduced by the strategy of equalization of the rates contracted to CDI through forward contracts on the Stock Exchange. The parameters for coverage take into consideration the relevance of the net exposure, based on amounts, terms and interest rates compared to the CDI. The internal controls used for risk management and coverage are made through spreadsheets and monitoring of operations performed and calculation of VAR for 1 day with a confidence interval of 99%. The nominal values of these contracts are not recorded in the financial statements. The results of the daily adjustments of position of forward contracts on the Stock Exchange, Commodity and Forward are recognized as income or expense in the income statement accounts.

(Expressed in thousands of reais)

The subsidiaries of the Company is exposed, mainly, to oscillation of the LIBOR rate, the loans rates are relating to the LIBOR rate. The strategy of the Administration is not to apply derivatives to this specific risk, because the possible oscillation would not affect materially the cash flow. The risk of exposure to interest rate of the Company and its subsidiaries on December 31, 2010 and 2009 is described below:

Net liabilities and assets exposure to CDI rate:	December 31, 2010	December 31, 2009
NCE / Compror / Others	**3,789,784**	**3,356,542**
CDB-DI	**(1,826,496)**	**(497,268)**
Investment funds and national treasury bill	**(371,412)**	**(18,821)**
Subtotal	**1,591,876**	**2,840,453**
Liabilities exposure to LIBOR/EURIBOR rate:		
ACC -advances on exchange contracts	**1,581,087**	1,760,571
Working capital - Euros	**304,350**	310,830
Working capital - Americans Dollars	**192,688**	46,446
Pre-payment	**1,314,668**	1,521,175
Foreign Loans	**-**	87,370
US revolver	**-**	489,152
Others	**15,216**	88,830
Subtotal	**3,408,009**	**4,304,374**

Liabilities exposure to TJLP rate:	December 31, 2010	December 31, 2009
FINAME / FINEM	**266,535**	988,477
EXIM - export credit facility	**654,949**	511,814
Subtotal	**921,484**	**1,500,291**

Breakdown of the derivatives financial instruments for interest risk protection of the Company

Derivative	Maturity	Receivable	Payable	Counterpart	(notional R$)	Market value- R$	Impact on the year ended 2010
Forwards (BM&F)	July, 2011 to July, 2012	DI	R$	BM&F	100,287	79	(1,776)

e) Exchange variation risks

The risk of exchange rate variation on loans, financing, trade accounts receivable in foreign currency from exports, inventories and any other payables denominated in foreign currency, are protected by a strategy of minimizing the daily position of assets and liabilities exposed to variation in exchange rates (Notional protection), by engaging in hedging the foreign exchange futures at BM&F contracts SWAP,) and arbitration between interest and future dollar, seeking to bring the position to zero. The parameter of protection is based on net exposure in foreign currency, seeking to reduce excessive exposure to the risks of exchange rate changes balancing its assets not denominated in the foreign currency, against its obligations not denominated in the functional currency, thereby protecting the balance sheet of the Company and its subsidiaries. The internal controls used for risk management and hedging are made through spreadsheets and monitoring the operations performed and calculation of VAR for 1 day with a confidence interval of 99%.

(Expressed in thousands of reais)

The nominal values of these contracts are not recorded in the financial statements. The results of operations of the counter currency futures market, accounted and not financially settled and the daily adjustments of position of currency futures contracts on the Stock Exchange, Commodity and Forward - BM&F are recognized as income or expense in the income statement accounts.

Bellow are presented the assets and liabilities exposed to exchange rate variation risks that are subject to derivative instruments, as well as the effects of such accounts in the income statements for the period ended on December 31, 2010 and 2009:

			Income statements effects on the year ended December 31, 2010	
EXPOSURE	**December 31, 2010**	**December 31, 2009**	**Exchange variation**	**Derivatives**
OPERATING				
Cash and cash equivalents - US$ / € / £	1,172,492	801,187	-	-
Trade accounts receivable - US$ / € / £	2,855,633	2,554,393	(94,658)	50,351
Inventories - cattle US$ / €	3,669,589	2,659,999	-	(67,072)
Sales orders - US$ / € / £	667,221	321,390	(22,342)	50,458
Trade account payable - US$ / € / £	(2,307,743)	(1,863,872)	-	-
Subtotal	**6,057,192**	**4,473,097**	**(117,000)**	**33,737**
FINANCIAL				
Credits with subsidiaries - US$ / €	-	-	110,950	
Loans and financings - US$	(7,834,339)	(9,536,050)	292,386	(693,064)
Imports payable - US$	(13,010)	(4,485)	1,470	
Amounts receivable (payable) of forward contracts	768	(24,107)	-	
Subtotal	**(7,846,581)**	**(9,564,642)**	**404,806**	**(693,064)**
TOTAL	**(1,789,389)**	**(5,091,545)**	**287,806**	**(659,327)**

The changes in foreign rates can impact in losses to the Company, due to possible assets decrease or increase in the liabilities. The mainly exposure that the Company is subjected, related to exchange variation, refers to US dollars, Euros and Pounds variations against Brazilian reais.

Below is presented the foreign currency exposure covered by derivative financial instruments:

	Dec 31, 2010	**Dec 31, 2009**
Cash and cash equivalents - US$ / € / £	1,172,492	801,187
Trade accounts receivable - US$ / € / £	2,855,633	2,554,393
Inventories - cattle US$ / €	3,669,589	2,659,999
Sales orders - US$ / € / £	667,221	321,390
Trade accounts payable - US$ / € / £	(2,307,743)	(1,863,872)
Loans and financings - US$	(7,834,339)	(9,536,050)
Imports payable - US$	(13,010)	(4,485)
	(1,790,157)	**(5,067,438)**
Forwards (BM&F) - Parent Company	1,114,524	1,302,755
Forwards (NewEdge) - Parent Company - US$	345,447	188,965
Swap (over-the-countermark - CETIP) - Parent Company	166,620	174,120
	1,626,591	**1,665,840**
Foreign currency exposure in R$	**(1,790,157)**	(5,067,438)
Notional protection	**1,626,591**	1,665,840
Relation	**91%**	**33%**

(Expressed in thousands of reais)

Incorporation Bertin effects

Bertin was reducing its protection policy for exchange rates, and prices at sign cattle risks which it was exposed. The Company, after the incorporation, has implemented its protection policy to those assets and liabilities mentioned above.

However, as of December 31, 2009 the balances and expositors incorporated through Bertin impacted significantly the Company expositor relation (33% of derivatives coverage). With the intention of providing additional information, the covering index was 84% eliminating the effects of the incorporation on December 31, 2009, showing the continuous effectiveness of the Company in herein protection financial instruments.

JBS USA Holdings Inc.

On December 31, 2010, JBS USA and its subsidiaries had a high covering of its exchange risks, due to sales in foreign currency, and the related derivatives.

On December 31, 2010, JBS USA and its subsidiaries recognized R$ 181,387 (R$ 239,567 as of December 31, 2009), due to the variation of fair value and liquidation of these derivatives. The fair value of these derivatives, on December 31, 2010, are registered in the assets and liability, by R$ 107,337 and R$ 67,191 (R$ 9,091 and R$ 10,137 on December 31, 2009), respectively.

Breakdown of the derivatives financial instruments for exchange variation risks

The financial instruments are derivative swap contract to hedge the net currency exposure of the Company and it's consolidated subsidiaries assets and liabilities, and are classified as financial asset or liability measured at fair value through income. It has been hired by the Bank Credit Suisse.

Starting day Swap	Principal (Amortizations) US$	Maturity date Swap	Contract value (Assets)- R$	Fair value (Assets) - R$	Contract value (Liabilities)- R$	Fair value (Liabilities) - R$	Swap result December 31, 2010
			(a)	(b)	(c)	(b)	(d)
11/16/2010	100,000,000	2/14/2011	2,510	2,240	5,105	4,556	(2,316)
2/14/2011	100,000,000	2/14/2011	14,039	12,149	16,798	14,537	(2,388)
	(11,111,111)	5/16/2011					
5/16/2011	88,888,889		14,070	11,790	16,799	14,076	(2,286)
	(11,111,111)	8/15/2011					
8/15/2011	77,777,778		14,095	11,426	16,669	13,513	(2,087)
	(11,111,111)	11/14/2011					
11/14/2011	66,666,667		14,456	11,332	16,809	13,176	(1,844)
	(11,111,111)	2/14/2012					
2/14/2012	55,555,556		14,082	10,669	16,112	12,207	(1,538)
	(11,111,111)	5/14/2012					
5/14/2012	44,444,444		14,091	10,317	15,743	11,527	(1,210)
	(11,111,111)	8/14/2012					
8/14/2012	33,333,333		14,055	9,944	15,329	10,845	(901)
	(11,111,111)	11/14/2012					
11/14/2012	22,222,222		13,981	9,557	14,846	10,149	(592)
	(11,111,111)	2/14/2013					
2/14/2013	11,111,111		13,874	9,164	14,327	9,462	(298)
	(11,111,111)	5/14/2013					
			129,253	**98,588**	**148,537**	**114,048**	**(15,460)**
Impact on the Income Statements of the year ended on December 31, 2010.							**(8,792)**

(a) The swap assets contract value is calculated based on the dollar exchange rate on the maturity plus interest of 6% p.a.

(b) The assets and liabilities fair value is calculated based on the contracts adjusted by the present value of CDI on the maturity month of swap.

(c) The swap liabilities contract value is calculated based on the dollar exchange rate on the maturity date plus interest o 120% variation of maturity and beginning month of CDI.

(d) Swap result is the difference between assets and liabilities at fair value.

Hedge accounting

The notional is not registered in the balance sheet. The accounting is based on the methodology denominated hedge accounting, according to IAS 39/CPC 38 -

financial Instruments - Recognition and Measurement, the exchange variation of the sales orders to impact the derivatives protection.

The Administration of the Company describes as fair value hedge the orders sales contracts with the protection objective for the exchange risk between the recruiting date and the date of shipment of the goods. The sale price in foreign currency is closed on the date of the contract. For this covering, the Company uses dollar forward negotiated with BM&F. At least, at the financial statements preparation, the Company evaluates the effectiveness of these operations that normally must stay in a covering of 85% to 125% of the variation of the fair value of the protected risk.

f) Credit risks

The Company and its subsidiaries are potentially subject to credit risks related to accounts receivable, whose value is presented in Note 8. The Strategies to reduce the credit risk is based on the spread of portfolio, not having customers or business group representing over 10% of consolidated sales, credit-related financial ratios and operational health, credit limits, detailed analysis of the financial ability of customers through own federal tax number, affiliates companies and partners federal tax number, and through consult with the agencies of information and constant monitoring of customers.

The Company and its subsidiaries limits its exposure to credit risk by customer and market, through its department of credit analysis and portfolio management clients. Thus, the Company seeks to reduce the economic exposure to a particular customer and/or market that may represent significant losses to the Company in the event contractual default or implementation of sanitary or trade barrier in countries to which it exports. The market risk exposure is monitored by the Credit Committee of the Company that meets regularly with the commercial areas for analysis and control of the portfolio. Historically, there were no significant losses on its accounts receivables.

The parameters used are based on the daily flows of information monitoring operations that identify additional purchase volumes in the market, eventual contracts default, bad checks, and protests or lawsuits against their customers. Internal controls include the assignment of credit limits and configuration status granted to each individual client and automatic lock-billing in the event of default, timeouts or occurrence of restrictive information.

To minimize the credit risks of derivative contracts, the Company has a strategy to concentrate these operations in the futures market where the counterparty is the futures and commodities exchange. For these instruments, the variations of just value of derivatives occurs by daily adjustments, which are paid or received in cash daily, reducing the risk of default.

g) Commodities purchase price (cattle)

The Company's sector is exposed to volatility in cattle prices, whose fluctuation derives from factors out of the Company's control, such as climate factors, supply levels, transportation costs, agricultural and other policies. The Company, in accordance with its policy of inventories, maintains its strategy of risk management, based on physical control, which includes anticipated purchases, combined with operations in the futures market, and reducing the daily position of purchases cattle contracts to future delivery through contracting of cattle future hedge at BM&F, aimed at resetting the position and ensuring the market price.

The parameters for reducing risk in cattle purchases are based on the physical position portfolio of the futures market, considering determined values and terms. The internal controls used for risk management are done through spreadsheets and monitoring of the transactions concluded and calculating 1-day VAR, with 99% confidence interval.

The segment in which JBS USA Holdings Inc. and its subsidiaries are present is exposed to volatility in cattle prices, in grains such as corn and soybean meal and in energy, such as natural gas, electricity and diesel, whose fluctuations derive from factors out of the Company's control, such as climate, supply levels, transportation costs, political conditions, supply and demand, among others. The direct subsidiary JBS USA and its subsidiaries purchase derivatives aiming at reducing price risk related to the forecast needs for purchase of these commodities for the next 12 months. The Companies may enter into long-term contracts for specific commodities in case necessary. On December 31, 2010, the direct subsidiary JBS USA and its subsidiaries had open derivatives positions covering 4.4% of its cattle purchase needs forecast until September 2011, 20.3% of its hogs needs forecast until September 2011, 0.8% of its grains needs.

The parameters for risk reduction are based on the constant monitoring of the commodities exposure, considering values and terms negotiated, comparing that with the budget of the risk management team for the year. For these commodities fundamental to the business, such as live cattle, hogs, grains and energy ("fundamental commodities"), the stop loss for a trader ("Stop Loss") is assumed to be 25% of his budget for the year, calculated using the result of 10 days of operations and independent from the result accumulated in the current exercise of each trader ("calculating stop loss"). Each trader will be authorized to two "stop loss" in every 12-month period.

During these "stop loss", the trader will have to close his open positions and stay out of this transaction for two weeks or more, in case judged necessary by the financial committee. In case the loss exceeds the 25% authorized, as previously mentioned, this committee will have a formal conversation with the trader that exceeded the limit, analyzing if it will be appropriate to extend an additional "stop loss", reviewing the VAR limits and margins for this trader or if the employment contract will be terminated.

(Expressed in thousands of reais)

On December 31, 2010, the Company and its subsidiaries recognized R$ 8,128 (a gain of R$189,825 on December 31, 2009) in the cost of goods sold, resulting from the fluctuation of fair value of these commodities instruments and of settlements of these instruments that took place in the period. The fair value of these derivatives, on December 31, 2010, are registered in the assets and liabilities, for R$ 107,337 and R$ 67,191(R$ 9,091 and R$ 10,137 in December 31, 2009), respectively.

Below is presenting the assets, liabilities and total firm commitments exposed to risks of commodities price fluctuations:

EXPOSURE	December 31, 2010	December 31, 2009
OPERATING		
Firm Contracts - R$	**1,871,573**	300,169
TOTAL	**1,871,573**	**300,169**

h) Liquidity Risk

Liquidity risk arises from the management of working capital of the Company and its subsidiaries and amortization of financing costs and principal of the debt instruments. It is the risk that the Company and its subsidiaries will find difficulty in meeting their financial obligations falling due.

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

The Management of the Company's liquidity is done taking into account mainly the immediate liquidity indicator modified, represented by the level of cash plus investments divided by short-term debt. It is also maintained a focus on managing the overall leverage of the Company and its subsidiaries to monitor the ratio of net debt to "EBITDA" at levels we considered to be manageable for continuity of operations.

Based on the analysis of these indicators, the management of working capital has been defined to maintain the natural leverage of the Company and its subsidiaries at levels equal to or less than the leverage ratio that we want to achieve.

The index of liquidity and leverage consolidated are shown below:

	December 31, 2010	December 31, 2009
Cash and cash equivalents	4,063,833	5,067,530
Loans and financings - Current	5,191,248	5,123,099
Liquidity indicator changed	0.78	0.99
Leverage indicator	3,0x	3,1x

The drop in the liquidity indicator was changed caused by the need to use cash to restructure the operations of companies acquired at the end of 2009. The leverage of the company remained at similar levels.

The table below shows the fair value of financial liabilities of the Company and its subsidiaries according to their salaries, without considering the present value discount cash flow hired:

December 31, 2010	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years	Fair Value
Trade accounts payable	2,837,973	-	-	-	2,837,973
Loans and Financings	5,191,248	1,909,346	4,801,633	3,662,500	15,564,727
Derivatives financing liabilities (assets)	(7,150)	5,493	890	-	(767)
TOTAL	8,022,071	1,914,839	4,802,523	3,662,500	18,401,933

December 31, 2009	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years	Fair Value
Trade accounts payable	2,546,036	-	-	-	2,546,036
Loans and Financings	5,123,099	4,837,860	3,095,835	1,370,319	14,427,113
Derivatives financing liabilities (assets)	24,155	18,251	2,523	-	44,929
TOTAL	7,693,290	4,856,111	3,098,358	1,370,319	17,018,078

(Expressed in thousands of reais)

i) Estimated market values

The assets and liabilities are represented in the financial statements at cost and their appropriations of revenues and expenses are accounted for in accordance with its expected realization or settlement.

The market values of non-derivative financial instruments and derivatives were estimated based on information available on the market.

j) Guaranteed margins

The Company has securities pledged as collateral for derivative transactions with the commodities and futures whose balance at December 31, 2010 is R$ 500,195 (R$ 230,643 at December 31, 2009). This warranty is superior to the need presented for these operations. The indirect subsidiary has securities pledged as collateral for derivative transactions with the commodities and futures whose balance at December 31, 2010 is R$ 37,255 (R$ 50,800 at December 31, 2009). This warranty is superior to the need presented for these operations.

k) Fair value of financial instruments

The assets and liabilities are represented in the financial statements at cost and their appropriations of revenues and expenses are accounted for in accordance with its expected realization or settlement. The derivatives market of future fair values are calculated based on daily adjustments for changes in market prices of stock futures and commodities that act as counterparty. The swap is obtained by calculating independently the active and passive parts, bringing them to their present value. The future prices used to calculate the curve of the contracts were drawn from the Bloomberg database.

In accordance with IFRS 7, the Company and its subsidiaries classify the measuring of fair value in accordance with the hierarchical levels that reflects the significance of the indices used in this measurement, as the following levels:

Level 1: Prices quoted in active markets (unadjusted) for identical assets and liabilities;

Level 2 - Additional information available, except those of Level 1, in which prices are quoted for similar assets and liabilities, either directly by obtaining prices in active markets or indirectly, as valuation techniques that use data from active markets.

Level 3 - The indices used for calculation are not derived from an active market. The Company and its subsidiaries do not have this level of measurement instrument.

As noted above, the fair values of financial instruments, except for those maturing in the short term, equity instruments with no active market and contracts with discretionary features that fair value can not be reliably measured, are presented in hierarchical levels of measurement below:

	Level 1	Level 2	Level 3
Current liabilities			
Derivatives	16,228	(15,460)	-

Find below, the comparison between accounting records and the respective fair values:

		December 31, 2010		December 31, 2009	
		Book Value	Market Value	Book Value	Market Value
(i)	Cash and banks	1,865,925	1,865,925	4,551,441	4,551,441
(iii)	Financial investments	2,197,908	2,197,908	516,089	516,089
(iii)	Trade accounts receivable	3,904,483	3,904,483	3,201,437	3,201,437
(iii)	Credits with related parties	332,679	332,679	326,972	326,972
(i)	Derivatives	16,228	16,228	48,844	48,844
	Total financial assets	**8,317,223**	**8,317,223**	**8,644,783**	**8,644,783**
(iii)	Trade accounts payable	2,837,973	2,837,973	2,546,036	2,546,036
(iii)	Loans and financings	15,564,727	15,564,727	14,427,113	14,427,113
(ii)	Convertible debentures	3,462,212	3,462,212	3,462,212	3,462,212
(i)	Derivatives	(15,461)	(15,461)	38,235	38,235
	Total liabilities assets	**21,849,451**	**21,849,451**	**20,473,596**	**20,473,596**
		(13,532,228)	**(13,532,228)**	**(11,828,813)**	**(11,828,813)**

(Expressed in thousands of reais)

Classification by financial instrument categories

(i) Financial assets and Liabilities measured at cost or fair value through income
(ii) Held to maturity
(iii) Loans and receivables
(iv) Available for sale

I) Sensibility analysis

With the aim of providing information on how to behave market risks to which the Company and its subsidiaries are exposed on December 31, 2010, we simulate possible changes of 25% and 50% in the relevant variables of risk in relation to the likely scenario. The Administration believes that the closing prices used in measuring assets and liabilities, based on the date of these interim consolidated financial statements represent a scenario likely to impact the outcome. Following are the net result between the result of exposures and their derivatives:

Exchange risk

Exposition	Risk	Probable scenario (I)	Scenario (II) Variation - 25%	Scenario (III) Variation - 50%
Financial	Depreciation R$	404,806	(1,107,149)	(2,214,298)
Operation	Depreciation R$	(117,000)	361,272	722,545
Hedge derivatives	Appreciation R$	(659,327)	407,548	815,096
		(371,521)	**(338,329)**	**(676,657)**
Premises	Exchange	1.6662	2.0828	2.4993

34 Material facts

JBS increases its stake in Pilgrim's Pride

On November 9, 2010, the Company has negotiated the block purchase of 7 million common Pilgrim's Pride shares listed on the New York Stock Exchange under the ticker PPC from Pilgrim Interests (which belongs to the Pilgrim family) at a unit price of US$5.96 per share, totaling US$41,720,000.00 paid to the seller. The purchase price was based on the 30-day average closing price of PPC stock. This block of shares represents 3.27% of the total number of outstanding PPC shares and now elevates JBS ownership of Pilgrim's Pride from 64% to 67.27%.

Pilgrim's Pride completes offering of USD 500 million in Senior unsecured notes (Bonds)

The indirect subsidiary Pilgrim's Pride Corporation (PPC), listed on the New York Stock Exchange under the ticker PPC, which is controlled by JBS USA Holdings, completed the private offering of US$500 million aggregate principal amount of senior unsecured notes (bonds) due 2018. These notes will bear an interest rate of 7.875% per annum, payable semi-annually in arrears on June 15 and December 15 of each year, beginning June 15, 2011.

Net proceeds from this offering will be used to repay borrowings under Pilgrim's Pride existing term loan credit facilities. JBS commented that this issuance will create a more positive debt profile for Pilgrim's Pride to continue it's market and growth strategy not only domestically in the North American market but also its exports. Furthermore, the substantial oversubscription observed is a demonstration of the confidence the financial community has in the Company and in the sector.

Enhanced management structure within JBS USA

The Company had enhanced management structure within JBS USA. The adjustments are intended to further develop the growth and profitability of JBS USA through a strengthened management team and experienced leadership.

1) Pilgrim's Pride Corporation, which is controlled by JBS USA Holdings, Inc., has appointed William H. Lovette as President and Chief Executive Officer, effective January 3, 2011. Mr. Lovette brings more than 27 years of chicken industry leadership experience to Pilgrim's. Since 2008, he has served as President and Chief Operating Officer of Case Foods, Inc. Prior to that, Mr. Lovette spent 25 years at Tyson Foods in various Senior Management roles, lastly as Senior Group Vice President of Poultry and Prepared Foods.

2) Don Jackson, current President and Chief Executive Officer at Pilgrim's, will resign on January 2, 2011 and has been appointed President and CEO of JBS USA, effective the next day. Mr. Jackson will continue to report to Wesley M. Batista, Chairman of JBS USA Holdings. In his new role, he will be responsible for JBS USA's major US operations. Those operations include the Beef unit run by Bill Rupp who joined JBS bringing vast industry experience; the Pork unit led by Marty Dooley; and Pilgrim's Pride under its new CEO, as well as corporate and other units.

3) Wesley M. Batista will remain Chairman of both JBS USA and Pilgrim's Pride while also continuing to serve on the board of JBS S.A. Mr. Jackson and JBS Australia will continue to report to Mr. Batista, who will be dedicating more time toward the continued growth and expansion of the JBS Group, focusing on enhanced direct distribution and other strategic projects.

Payment of debentures premium to BNDESPAR

According to the communicate on December 26, 2010 the Company has notified Planner Trustee DTVM Ltda. ("Trustee") to extend the Due Date for the Liquidity Event to December 31, 2011, and that it has paid a premium in the gross amount of R$ 260,97 (two hundred, sixty reais and ninety seven cents) for each debenture issued by the Company, totaling R$ 521.940, as set forth in sections III.16.1.2. and III.21.a.vi. of the Indenture of the 1st Issuance of Convertible Debenture ("1st Issuance of Debentures"). The Administrative Agent (Banco Bradesco S.A.) has initiated payment to Debenture Holders on December 23, 2010.

Additionally, the Company communicated that it is in advanced stages of negotiation with its main debenture holder for the 2nd issuance of mandatorily convertible debentures ("2nd Issuance of Debentures") aiming at fully substituting the 1st Issuance of Debentures. The placement of the 2nd Issuance of Debentures will be private, and current shareholders (as of the issuance date) will have preemptive rights. The Debenture will have the following characteristics:

* Amount: R$4.000.000 billion
* Period: 5 years
* Interest: 8.5% per annum, paid quarterly
*Mandatorily convertible into JBS S.A. shares at the end of the fifth year Conversion price of R$9.50 per share (JBSS3), plus interest paid on the debentures, net of taxes, minus the remuneration paid to shareholders in the period (dividends, interest on equity, etc)
*Option to subscribe using 1st issuance of debentures.

Among the advantages of the new issuance are the elimination of the obligation to make the IPO of JBS USA in 2011 and the optimization of the tax and financial structure of the Company. The terms and characteristics of the new debenture issuance will be detailed in the near future and will be subject to the necessary approvals.

35 Subsequent events

Biolins Merger

The Company submitted to the shareholders the proposal to merge Biolins Energia S.A.

The Company submitted to the shareholders in Extraordinary General Shareholders' Meeting, to be held on March 15, 2011, the proposal of merging Biolins Energia S.A. with the Company, referred to in the Protocol and Justification of the Merger ("Protocol of merger").

Biolins, at the date of the merger, will be a wholly owned subsidiary of the Company. The Merger is part of a process of simplification of the corporate structure of which the Company and Biolins are a part. The Merger will result, among other advantages, in operational simplification and cost reductions on transactions between the companies.

Referring to a wholly owned subsidiary, there will be no capital increase in the Company and the Biolins shares will be extinguished, promoting the required accounting adjustments at the Company. The net equity of Biolins will be merged into the Company taking into account its book value on October 31, 2010.

It is estimated that the costs of the Merger shall be up to R$ 200.000 including expenses with publications, auditors, appraisers, lawyers and other technical professionals to be hired to assist in the transaction.

The management of the Company and the Audit Committee approved the Merger, pursuant to the terms set forth in the Protocol and Justification entered into by the management of the companies on this date ("Protocol of merger"), and approved the summoning of an Extraordinary General Shareholders' Meeting to be held on April 29, 2011 to resolve such matters.

JBS S.A. appoints Joesley Batista Chairman of the Board and Wesley Batista President and CEO of its global operations

The Board has approved the appointment of Joesley Batista as the Board Chairman and Wesley Batista as the President and Chief Executive Officer (CEO), effective on February 1, 2011.

After 5 years leading the growth and internationalization of the Company as well as advancing the modernization of its corporate governance structure, Joesley Batista, who has been accumulating both the Chairman and the CEO positions, appointed Wesley Batista to replace him as CEO.

With 22 years of Company experience, Wesley initially ran the JBS South American beef business before transference in the last 4 years to become the CEO of JBS USA, where he focused on the restructuring, expansion and integration of the North American and Australian operations

JBS and Cremonini Group announces the termination of their partnership

The Company signed on March 4, 2011, a "Termination Agreement" with the Cremonini Group for dissolution of its 50% of participation in Inalca's capital.

Accordingly the terms of Termination Agreement, the Company has returned the shares representing 50% of the Capital Stock of InalcaJBS to the Cremonini Group and the Cremonini Group has simultaneously reimbursed the amount of Euros 218,855 thousands invested by the Company in 2008.

As part of the agreement, the Company and Cremonini have agreed to definitively abandon all disputes and litigation relating to the Companies, their officers and employees.

The Company estimates that such termination agreement, would result in a loss, considering the probable tax effects of approximately R$ 16,839, considering the write off of investment, goodwill (intangible assets), debts payable to Cremonini Group and exchange rate variation on investments recorded in shareholders' equity updated until December 31, 2010.

JBS takes full control of Rigamonti

On March 4, 2011 the Company took control of 100% of the Capital of Rigamonti Salumificio. Since December of 2009, the Company controlled 70% of Rigamonti, producing more than 7.000 tons of finished products annually and holds a 40% market share in its products category in Italy.

EXECUTIVE BOARD

Wesley Mendonça Batista
Chief Executive Officer

Eliseo Santiago Perez Fernandez
Director

Jeremiah Alphonsus O'Callaghan
Investor Relations Director

Francisco de Assis e Silva
Legal Director

Wanderley Higino da Silva
Accountant CRC: 1SP123638/O-8

BOARD OF DIRECTORS

Joesley Mendonça Batista
Board President

Wesley Mendonça Batista
Vice-President

José Batista Sobrinho

José Batista Júnior

Marcus Vinicius Pratini de Moraes

Natalino Bertin

Wagner Pinheiro de Oliveira

Valere Batista Mendonça Ramos

Vanessa Mendonça Batista

Peter Dvorsak

Guilherme Rodolfo Leager

SUPERVISORY BOARD REPORT

The Fiscal Council, in compliance with legal and statutory provisions, reviewed the Management Report and Financial Statements of the Company for the fiscal year ended on December 31, 2010.

Our examination were conducted in accordance with the legal provisions including: a) analysis of the Financial Statements periodically prepared by the Company b) monitoring the work done by the external independent auditors, c) questions about relevant actions and transactions made by the Administration.

Based on our examination, according to the information and explanations received, and considering the Independent Auditors Report, the Supervisory Board believes that the Management Report and Financial Statements above mentioned are adequately reflecting the information contained therein and are able to be assessed by the Ordinary General Meeting.

São Paulo, March 21, 2010.

Divino Aparecido dos Santos

Florisvaldo Caetano de Oliveira

Alexandre Seiji Yokaichiya

John Shojiro Suzuki

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