JBS S.A.

Quarterly Interim Financial Statements and Independent Auditor's Review Report

As of June 30, 2011 and 2010

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Report on the quarterly information review

To
The Board of Directors and Shareholders of
JBS S.A.
São Paulo - SP

Introduction

We have reviewed the individual and consolidated interim financial information of JBS S.A. ("Company") contained within the Quarterly Information - ITR for the three-month period ended on June 30, 2011, which comprise the balance sheet and the related statements of operations, comprehensive income, changes in equity and cash flows for the three and six-month period then ended, including the notes to these interim financial information.

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

Scope of the review

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

Conclusion about the individual interim financial information

Based on our review, we are not aware of any fact that causes us to believe that the individual interim financial information included in the quarterly information referred to above is not prepared, in all material respects, in accordance with CPC 21 applicable to Quarterly Information and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission.

Conclusion about the consolidated interim financial information

Based on our review, we are not aware of any fact that causes us to believe that the consolidated interim financial information included in the quarterly information referred to above is not prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to Quarterly Information and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission.

Other issues

Interim statement of value added

We have also reviewed the individual and consolidated Interim Statement of Value added for the quarter and period ended June 30, 2011, whose disclosure in the interim financial statements is required in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Information and considered as supplemental information by the international accounting standards (IFRS), which do not require the disclosure of the Statement of Value Added. This statement was submitted to the same review procedures previously described and based on our review, we are not aware of any fact that would lead us to believe that they have not been fairly stated, in all material respects, in relation to the Individual and Consolidated interim financial information taken as a whole.

KPMG

Audit and review of the prior year and period amounts

On April 4, 2011 BDO Auditores Independentes, a legal entity established in Brazil which held the legal right to use the BDO trademark, became part of the KPMG network of professional service firms under the new corporate name of KPMG Auditores Associados. BDO Auditores Independentes reviewed and audited the interim financial information and the financial statements for the period and year ended June 30, 2010 and December 31, 2010, respectively, while it still held the right to use BDO trademark, and issued reports dated August 4, 2010, with an unmodified opinion and March 16, 2011, which had a modification due to doubts about the effects of subsidiary Inalca JBS S.p.A. in the Individual and Consolidated financial statements. As disclosed in footnote 9, this subsidiary was discontinued in March, 2011, being presented as Discontinued Operation retrospectively. As part of our review in the interim financial information of 2011, we have also reviewed the effects of the presentation related of this Discontinued Operation and we have concluded that such presentation is appropriated.

São Paulo, August 15, 2011

KPMG Auditores Associados (new corporate name of BDO Auditores Independentes)
CRC 2SP013439/O-5
Original in Portuguese signed by

Orlando Octávio de Freitas Júnior	Márcio Serpejante Peppe
Accountant CRC 1SP178871/O-4	Accountant CRC 1SP233011/O-8

JBS S.A.

Balance sheets
(In thousands of Reais)

	Company		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Note 4)	**3.344.874**	3.000.649	**4.960.182**	4.074.574
Trade accounts receivable, net (Note 5)	**1.498.848**	1.672.729	**3.934.861**	4.036.104
Inventories (Note 6)	**1.109.402**	1.109.472	**4.616.191**	4.476.934
Biological assets (Note 7)	**-**	-	**516.368**	417.028
Recoverable taxes (Note 8)	**1.200.092**	1.088.310	**1.639.375**	1.515.013
Prepaid expenses	**12.172**	13.844	**119.036**	107.825
Other investment and discontinued operations (Note 9)	**-**	504.002	**-**	504.002
Other current assets	**222.590**	161.066	**440.263**	351.817
TOTAL CURRENT ASSETS	**7.387.978**	**7.550.072**	**16.226.276**	**15.483.297**
NON-CURRENT ASSETS				
Long-term assets				
Credits with related parties (Note 10)	**190.647**	-	**376.836**	332.679
Judicial deposits and others	**93.326**	88.218	**411.709**	448.875
Recoverable taxes (Note 8)	**566.515**	553.770	**625.039**	616.297
Total long-term assets	**850.488**	**641.988**	**1.413.584**	**1.397.851**
Investments in subsidiaries (Note 11)	**7.504.360**	10.443.000	**-**	-
Property, plant and equipment, net (Note 12)	**7.778.995**	7.598.963	**14.323.594**	14.624.201
Intangible assets, net (Note 13)	**9.531.114**	9.531.739	**12.327.542**	12.425.499
	24.814.469	**27.573.702**	**26.651.136**	**27.049.700**
TOTAL NON-CURRENT ASSETS	**25.664.957**	**28.215.690**	**28.064.720**	**28.447.551**
TOTAL ASSETS	**33.052.935**	**35.765.762**	**44.290.996**	**43.930.848**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Balance sheets
(In thousands of Reais)

	Company		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Trade accounts payable (Note 14)	**586.181**	566.982	**2.683.113**	2.962.395
Loans and financings (Note 15 and 16)	**3.927.297**	4.342.593	**4.582.497**	4.966.198
Payroll, social charges and tax obligation (Note 18)	**387.506**	375.600	**1.228.230**	1.205.167
Payables related to facilities acquisitions (Note 20)	**13.337**	45.746	**13.337**	45.746
Other current liabilities	**447.363**	509.482	**295.346**	332.208
TOTAL CURRENT LIABILITIES	**5.361.684**	**5.840.403**	**8.802.523**	**9.511.714**
NON-CURRENT LIABILITIES				
Loans and financings (Note 15 and 16)	**6.715.340**	6.679.915	**12.541.810**	10.217.156
Convertible debentures (Note 17)	**2.032**	3.462.212	**2.032**	3.462.212
Payroll, social charges and tax obligation (Note 18)	**-**	-	**292.375**	317.633
Payables related to facilities acquisitions (Note 20)	**3.286**	5.144	**3.286**	5.144
Deferred income taxes (Note 21)	**306.131**	390.774	**648.817**	1.003.050
Provision for contingencies (Note 19)	**139.345**	136.002	**334.397**	321.660
Debits with related parties (Note 10)	**-**	1.532.002	**-**	-
Other non-current liabilities	**36.946**	124.939	**246.828**	397.430
TOTAL NON-CURRENT LIABILITIES	**7.203.080**	**12.330.988**	**14.069.545**	**15.724.285**
SHAREHOLDERS' EQUITY (Note 22)				
Capital stock	**18.046.067**	18.046.067	**18.046.067**	18.046.067
Capital transaction	**(9.950)**	(9.949)	**(9.950)**	(9.949)
Capital reserve	**3.861.538**	500.775	**3.861.538**	500.775
Revaluation reserve	**104.032**	106.814	**104.032**	106.814
Profit reserves	**1.337.564**	1.337.564	**1.337.564**	1.337.564
Valuation adjustments to shareholders' equity in subsidiaries	**(2.625)**	(1.719)	**(2.625)**	(1.719)
Accumulated translation adjustments in subsidiaries	**(2.817.449)**	(2.385.181)	**(2.817.449)**	(2.385.181)
Retained earnings	**(31.006)**	-	**(31.006)**	-
Attributable to controlling interest	**20.488.171**	**17.594.371**	**20.488.171**	**17.594.371**
Attributable to noncontrolling interest	**-**	**-**	**930.757**	**1.100.478**
TOTAL SHAREHOLDERS' EQUITY	**20.488.171**	**17.594.371**	**21.418.928**	**18.694.849**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**33.052.935**	**35.765.762**	**44.290.996**	**43.930.848**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statements of income for the six months period ended June 30, 2011 and 2010
(In thousands of Reais)

	Company		Consolidated	
	2011	2010	2011	2010
NET SALE REVENUE (Note 23)	**6.429.342**	**5.634.454**	**29.294.545**	**26.323.622**
Cost of goods sold	**(4.958.099)**	(4.445.356)	**(26.186.645)**	(23.180.816)
GROSS INCOME	**1.471.243**	**1.189.098**	**3.107.900**	**3.142.806**
OPERATING INCOME (EXPENSE)				
General and administrative expenses	**(287.919)**	(220.942)	**(804.982)**	(766.934)
Selling expenses	**(611.205)**	(434.424)	**(1.492.175)**	(1.210.169)
Financial expense, net (Note 26)	**(839.191)**	(913.895)	**(942.024)**	(909.633)
Equity in earnings of subsidiaries (Note 11)	**145.925**	469.686	**-**	-
Other income (expenses), net (Note 27)	**3.933**	(4.479)	**(14.259)**	(23.628)
	(1.588.457)	**(1.104.054)**	**(3.253.440)**	**(2.910.364)**
INCOME (LOSS) BEFORE TAXES	**(117.214)**	**85.044**	**(145.540)**	**232.442**
Current income taxes (Note 21)	**1.434**	1.454	**(295.672)**	(177.252)
Deferred income taxes (Note 21)	**81.992**	4.321	**324.166**	11.066
	83.426	**5.775**	**28.494**	**(166.186)**
NET INCOME (LOSS) OF CONTINUED OPERATIONS	**(33.788)**	**90.819**	**(117.046)**	**66.256**
Net income of discontinued operations (Note 9)	**-**	12.246	-	12.246
NET INCOME (LOSS) OF THE PERIOD	**(33.788)**	**103.065**	**(117.046)**	**78.502**
ATTRIBUTABLE TO:				
Controlling interest			**(33.788)**	103.065
Noncontrolling interest			**(83.258)**	(24.563)
			(117.046)	**78.502**
Net Income (loss) basic per thousand shares - in reais (Note 24)	**(13,65)**	**40,84**	**(13,65)**	**40,84**
Net Income (loss) diluted per thousand shares - in reais (Note 24)	**(11,38)**	**40,84**	**(11,38)**	**40,84**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statements of income for the three months period ended June 30, 2011 and 2010
(In thousands of Reais)

	Company		Consolidated	
	2011	2010	2011	2010
NET SALE REVENUE (Note 23)	**3.257.335**	**3.134.296**	**14.621.805**	**14.116.307**
Cost of goods sold	**(2.464.197)**	(2.472.307)	**(13.202.332)**	(12.372.093)
GROSS INCOME	**793.138**	**661.989**	**1.419.473**	**1.744.214**
OPERATING INCOME (EXPENSE)				
General and administrative expenses	**(142.496)**	(159.979)	**(386.065)**	(443.074)
Selling expenses	**(312.700)**	(242.150)	**(754.724)**	(654.059)
Financial expense, net (Note 25)	**(536.110)**	(554.899)	**(590.894)**	(539.789)
Equity in earning of subsidiaries (Note 11)	**(49.580)**	292.663	**-**	-
Other income (expenses), net (Note 26)	**1.039**	1.376	**(5.490)**	43.941
	(1.039.847)	**(662.989)**	**(1.737.173)**	**(1.592.981)**
INCOME (LOSS) BEFORE TAXES	**(246.709)**	**(1.000)**	**(317.700)**	**151.233**
Current income taxes (Note 21)	**686**	717	**(101.077)**	(118.189)
Deferred income taxes (Note 21)	**65.267**	3.989	**211.806**	(18.579)
	65.953	**4.706**	**110.729**	**(136.768)**
NET INCOME OF CONTINUED OPERATIONS	**(180.756)**	**3.706**	**(206.971)**	**14.465**
Net income of discontinued operations (Note 9)	**-**	**-**	**-**	**-**
NET INCOME (LOSS) OF THE PERIOD	**(180.756)**	**3.706**	**(206.971)**	**14.465**
ATTRIBUTABLE TO:				
Controlling interest			**(180.756)**	3.706
Noncontrolling interest			**(26.215)**	10.759
			(206.971)	**14.465**
Net Income basic per thousand shares - in reais (Note 24)	**(73,00)**	**1,47**	**(73,00)**	**1,47**
Net Income diluted per thousand shares - in reais (Note 24)	**(60,86)**	**1,47**	**(60,86)**	**1,47**

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JBS S.A.

Statement of comprehensive income for the six months period ended June 30, 2011 and 2010
(In thousands of Reais)

	Company		Consolidated	
	2011	2010	2011	2010
Net income (loss) of the period	**(33.788)**	103.065	**(117.046)**	78.502
Other comprehensive income (loss)				
Valuation adjustments to shareholders' equity in subsidiaries	**(906)**	1.973	**(906)**	1.973
Accumulated adjustment of conversion in subsidiaries	**14.153**	48.985	**14.153**	48.985
Exchange variation in subsidiaries	**(446.421)**	(181.536)	**(446.421)**	(181.536)
Total of comprehensive income (loss)	**(466.962)**	**(27.513)**	**(550.220)**	**(52.076)**
Total of comprehensive income (loss) attributable to:				
Controlling interest	**(466.962)**	(27.513)	**(158.834)**	(39.665)
Noncontrolling interest	**-**	-	**(391.386)**	(12.411)
	(466.962)	**(27.513)**	**(550.220)**	**(52.076)**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statement of comprehensive income for the three months period ended June 30, 2011 and 2010
(In thousands of Reais)

	Company		Consolidated	
	2011	2010	2011	2010
Net income (loss) of the period	**(180.756)**	3.706	**(206.971)**	14.465
Other comprehensive income (loss)				
Valuation adjustments to shareholders' equity in subsidiaries	**(808)**	21	**(808)**	21
Accumulated adjustment of conversion in subsidiaries	**(3.183)**	10.404	**(3.183)**	10.404
Exchange variation in subsidiaries	**(260.448)**	(93.592)	**(260.448)**	(93.592)
Total of comprehensive income (loss)	**(445.195)**	**(79.461)**	**(471.410)**	**(68.702)**
Total of comprehensive income (loss) attributable to:				
Controlling interest	**(445.195)**	(79.461)	**(411.701)**	(268.154)
Noncontrolling interest	**-**	-	**(59.709)**	199.452
	(445.195)	**(79.461)**	**(471.410)**	**(68.702)**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statements of changes in shareholders' equity for the six months period ended June 30, 2011
(In thousands of Reais)

	Capital stock	Capital transaction	Capital reserve	Revaluation reserve	Profit reserves Legal	Profit reserves For expansion	Valuation adjustments to shareholders' equity	Accumulated translation adjustments	Retained Earnings	Total	Noncontrolling interest	Total shareholders' equity
BALANCE AS OF DECEMBER 31, 2010	**18.046.067**	**(9.949)**	**500.775**	**106.814**	**7.768**	**1.329.796**	**(1.719)**	**(2.385.181)**	**-**	**17.594.371**	**1.100.478**	**18.694.849**
Capital transaction	-	(1)	-	-	-	-	-	-	-	**(1)**	-	**(1)**
Treasury shares	-	-	(99.417)	-	-	-	-	-	-	**(99.417)**	-	**(99.417)**
Convertible debentures	-	-	3.460.180	-	-	-	-	-	-	**3.460.180**	-	**3.460.180**
Realization of revaluation reserve	-	-	-	(2.782)	-	-	-	-	2.782	**-**	-	**-**
Valuation adjustments to shareholders equity in subsidiaries	-	-	-	-	-	-	(906)	-	-	**(906)**	-	**(906)**
Accumulated translation adjustments in subsidiaries	-	-	-	-	-	-	-	14.153	-	**14.153**	-	**14.153**
Investments exchange rate variations, net	-	-	-	-	-	-	-	(446.421)	-	**(446.421)**	-	**(446.421)**
Net income (loss)	-	-	-	-	-	-	-	-	(33.788)	**(33.788)**	(83.258)	**(117.046)**
Noncontrolling interest	-	-	-	-	-	-	-	-	-	**-**	(86.463)	**(86.463)**
BALANCE AS OF JUNE 30, 2011	**18.046.067**	**(9.950)**	**3.861.538**	**104.032**	**7.768**	**1.329.796**	**(2.625)**	**(2.817.449)**	**(31.006)**	**20.488.171**	**930.757**	**21.418.928**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statements of changes in shareholders' equity for the three months period ended June 30, 2011
(In thousands of Reais)

	Capital stock	Capital transaction	Capital reserve	Revaluation reserve	Profit reserves: Legal	Profit reserves: For expansion	Valuation adjustments to shareholders' equity	Accumulated translation adjustments	Retained Earnings	Total	Noncontrolling interest	Total shareholders' equity
BALANCE AS OF MARCH 31, 2011	**18.046.067**	**(9.947)**	**445.377**	**105.362**	**7.768**	**1.329.796**	**(1.817)**	**(2.553.818)**	**148.420**	**17.517.208**	**1.017.219**	**18.534.427**
Capital transaction	-	(3)	-	-	-	-	-	-	-	**(3)**	-	**(3)**
Treasury shares	-	-	(44.019)	-	-	-	-	-	-	**(44.019)**	-	**(44.019)**
Convertible debentures	-	-	3.460.180	-	-	-	-	-	-	**3.460.180**	-	**3.460.180**
Realization of revaluation reserve	-	-	-	(1.330)	-	-	-	-	1.330	**-**	-	**-**
Valuation adjustments to shareholders equity in subsidiaries	-	-	-	-	-	-	(808)	-	-	**(808)**	-	**(808)**
Accumulated translation adjustments in subsidiaries	-	-	-	-	-	-	-	(3.183)	-	**(3.183)**	-	**(3.183)**
Investments exchange rate variations, net	-	-	-	-	-	-	-	(260.448)	-	**(260.448)**	-	**(260.448)**
Net income (loss)	-	-	-	-	-	-	-	-	(180.756)	**(180.756)**	(26.215)	**(206.971)**
Noncontrolling interest	-	-	-	-	-	-	-	-	-	**-**	(60.247)	**(60.247)**
BALANCE AS OF JUNE 30, 2011	**18.046.067**	**(9.950)**	**3.861.538**	**104.032**	**7.768**	**1.329.796**	**(2.625)**	**(2.817.449)**	**(31.006)**	**20.488.171**	**930.757**	**21.418.928**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statements of cash flows for the six months period ended June 30, 2011 and 2010
(In thousands of Reais)

	Company		Consolidated	
	2011	2010	2011	2010
Cash flow from operating activities				
Net income (loss) of the period	**(33.788)**	103.065	**(33.788)**	103.065
Adjustments to reconcile net income (loss) to cash provided				
. Depreciation and amortization	**211.702**	143.928	**621.347**	617.440
. Allowance for doubtful accounts	**4.857**	4.559	**9.549**	16.994
. Equity in earnings of subsidiaries	**(145.925)**	(469.686)	**-**	-
. Net income on discontinued operations	**-**	(12.246)	**-**	(12.246)
. Gain on assets sales	**(3.526)**	(6.826)	**4.068**	15.024
. Deferred income taxes	**(81.992)**	(4.321)	**(324.166)**	(11.066)
. Current and non-current financial charges	**233.329**	369.390	**203.609**	307.191
. Provision for contingencies	**3.455**	2.039	**16.047**	2.039
	188.112	**129.902**	**496.666**	**1.038.441**
Decrease (increase) in operating assets				
Trade accounts receivable	**118.397**	(644.630)	**(93.923)**	(782.481)
Inventories	**1.567**	(162.931)	**(333.100)**	(575.691)
Recoverable taxes	**(119.499)**	(107.522)	**(165.433)**	(137.196)
Other current and non-current assets	**(63.655)**	(98.418)	**(139.473)**	234.362
Related party receivable	**(226.412)**	-	**(58.030)**	(191)
Biological assets	**-**	-	**(120.069)**	(87.001)
Increase (decrease) operating liabilities				
Trade accounts payable	**19.028**	(385.613)	**(139.543)**	122.426
Other current and non-current liabilities	**(31.597)**	(412.319)	**(143.627)**	(665.609)
Related party payable	**-**	1.135.869	**-**	-
Noncontrolling interest	**-**	-	**(83.258)**	(24.563)
Valuation adjustments to shareholders' equity	**-**	-	**(104.912)**	(344.772)
Net cash used in operating activities	**(114.059)**	**(545.662)**	**(884.702)**	**(1.222.275)**
Cash flow from investing activities				
Additions to property, plant and equipment and intangible assets	**(274.903)**	(228.827)	**(592.424)**	(594.127)
Additions to investments	**839.497**	(2.873.796)	**-**	(1.536)
Proceeds received from termination agreement of Inalca JBS	**504.002**	-	**504.002**	-
Net effect of working capital of acquired company	**718**	-	**-**	(125.546)
Net cash provided by (used in) investing activities	**1.069.314**	**(3.102.623)**	**(88.422)**	**(721.209)**
Cash flow from financing activities				
Loans and financings	**3.478.283**	3.407.216	**9.086.437**	10.328.324
Payments of loans and financings	**(3.989.896)**	(3.638.359)	**(7.065.018)**	(11.483.278)
Capital increase	**-**	1.563.637	**-**	1.563.637
Shares acquisition of own emission	**(99.417)**	-	**(99.417)**	-
Net cash provided by (used in) financing activities	**(611.030)**	**1.332.494**	**1.922.002**	**408.683**
Effect of exchange variation on cash and cash equivalents	**-**	**-**	**(63.270)**	**(17.638)**
Variance in cash and cash equivalents	**344.225**	(2.315.791)	**885.608**	(1.552.439)
Cash and cash equivalents at the beginning of the period	**3.000.649**	4.097.027	**4.074.574**	5.067.529
Cash and cash equivalents at the end of the period	**3.344.874**	**1.781.236**	**4.960.182**	**3.515.090**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statements of cash flows for the three months period ended June 30, 2011 and 2010
(In thousands of Reais)

	Company		Consolidated	
	2011	2010	2011	2010
Cash flow from operating activities				
Net income (loss) of the period	**(180.756)**	3.706	**(180.756)**	3.706
Adjustments to reconcile net income to cash provided				
. Depreciation and amortization	**114.432**	69.483	**310.186**	309.352
. Allowance for doubtful accounts	**3.729**	874	**1.698**	8.766
. Equity in earnings of subsidiaries	**49.580**	(292.663)	**-**	-
. Gain on assets sales	**(2.001)**	(2.962)	**5.931**	19.744
. Deferred income taxes	**(65.267)**	(3.989)	**(211.806)**	18.579
. Current and non-current financial charges	**146.802**	(134.535)	**39.085**	(19.531)
. Provision for contingencies	**1.347**	2.039	**13.355**	2.781
	67.866	**(358.047)**	**(22.307)**	**343.397**
Decrease (increase) assets				
Trade accounts receivable	**84.770**	(479.801)	**(125.555)**	(676.143)
Inventories	**(43.029)**	(133.619)	**(227.729)**	(458.929)
Recoverable taxes	**(43.472)**	(66.527)	**(81.021)**	(65.396)
Other current and non-current assets	**(17.612)**	100.608	**(48.654)**	373.715
Related party receivable	**(138.917)**	-	**(126.298)**	(36)
Biological assets	**-**	-	**(109.428)**	(73.629)
Increase (decrease) liabilities	**-**	-	**-**	-
Trade accounts payable	**52.400**	34.520	**290.631**	227.405
Other current and non-current liabilities	**185.870**	(38.868)	**120.598**	(134.629)
Related party payable	**-**	20.860	**-**	-
Decrease on noncontrolling interest	**-**	-	**(26.215)**	10.759
Valuation adjustments to shareholders' equity	**-**	-	**(32.256)**	(377.244)
Net cash provided by (used in) operating activities	**147.876**	**(920.874)**	**(388.234)**	**(830.730)**
Cash flow from investing activities				
Additions to property, plant and equipment and intangible assets	**(170.548)**	(195.824)	**(277.118)**	(369.778)
Additions to investments	**1.391.853**	(47.885)	**-**	-
Net cash merged	**718**	-	**-**	-
Net cash provided by (used in) investing activities	**1.222.023**	**(243.709)**	**(277.118)**	**(369.778)**
Cash flow from financing activities				
Loans and financings	**2.097.002**	1.978.435	**6.358.939**	4.672.264
Payments of loans and financings	**(2.250.626)**	(1.741.875)	**(4.204.965)**	(4.481.732)
Capital Increase	**-**	1.563.637	**-**	1.563.637
Shares acquisition of own emission	**(44.019)**	-	**(44.019)**	-
Net cash provided by (used in) financing activities	**(197.643)**	**1.800.197**	**2.109.955**	**1.754.169**
Effect of exchange variation on cash and cash equivalents	**-**	**-**	**(41.697)**	**(30.578)**
Variance in cash and cash equivalents	**1.172.256**	635.614	**1.402.906**	523.083
Cash and cash equivalents at the beginning of the period	**2.172.618**	1.145.622	**3.557.276**	2.992.007
Cash and cash equivalents at the end of the period	**3.344.874**	**1.781.236**	**4.960.182**	**3.515.090**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Economic value added for the six months period ended June 30, 2011 and 2010
(In thousands of Reais)

	Company		Consolidated	
	2011	2010	2011	2010
Revenue				
Sales of goods and services	**6.853.449**	5.963.209	**30.400.311**	26.995.533
Other income	**6.175**	6.914	**30.439**	61.086
Allowance for doubtful accounts constitution	**(4.857)**	(4.559)	**(9.549)**	(16.994)
	6.854.767	**5.965.564**	**30.421.201**	**27.039.625**
Goods				
Cost of services and goods sold	**(3.627.306)**	(3.433.772)	**(18.250.818)**	(13.924.438)
Materials, energy, services from third parties and others	**(1.149.461)**	(816.899)	**(6.939.485)**	(7.481.549)
Losses/Recovery of amounts	**-**	-	**(4.272)**	172.978
Others	**-**	-	**-**	560
	(4.776.767)	**(4.250.671)**	**(25.194.575)**	**(21.232.449)**
Gross added value	**2.078.000**	**1.714.893**	**5.226.626**	**5.807.176**
Depreciation and Amortization	**(211.702)**	(143.928)	**(621.347)**	(617.440)
Net added value generated by the company	**1.866.298**	**1.570.965**	**4.605.279**	**5.189.736**
Net added value by transfer				
Equity in earnings of subsidiaries	**145.925**	469.686	**-**	-
Financial income	**1.438.192**	1.041.346	**1.769.450**	1.491.193
Others	**2.462**	2.484	**1.101**	(3)
Net added value to distribution	**3.452.877**	**3.084.481**	**6.375.830**	**6.680.926**
Net income on discontinued operations	-	12.246	-	49.242
NET ADDED VALUE TOTAL TO DISTRIBUTION	**3.452.877**	**3.096.727**	**6.375.830**	**6.730.168**
Distribution of added value				
Labor				
Salaries	**516.685**	479.077	**2.483.651**	2.727.199
Benefits	**89.204**	67.266	**390.909**	598.253
FGTS (Brazilian Labor Social Charge)	**37.999**	32.429	**42.116**	36.209
	643.888	**578.772**	**2.916.676**	**3.361.661**
Taxes and contribution				
Federal	**194.517**	165.885	**323.203**	383.033
State	**372.874**	277.966	**490.900**	390.602
Municipal	**1.147**	1.240	**1.617**	1.644
	568.538	**445.091**	**815.720**	**775.279**
Capital Remuneration from third parties				
Interests	**2.213.272**	1.924.081	**2.633.240**	2.358.581
Rents	**31.711**	19.965	**84.364**	23.376
Others	**29.256**	25.753	**42.876**	95.773
	2.274.239	**1.969.799**	**2.760.480**	**2.477.730**
Owned capital remuneration				
Net income (loss) of the period	**(33.788)**	90.819	**(33.788)**	90.819
Noncontrolling interest	**-**	-	**(83.258)**	(24.563)
	(33.788)	**90.819**	**(117.046)**	**66.256**
Added value distributed	**3.452.877**	**3.084.481**	**6.375.830**	**6.680.926**
Net income on discontinued operations	**-**	12.246	**-**	49.242
ADDED VALUE TOTAL DISTRIBUTED	**3.452.877**	**3.096.727**	**6.375.830**	**6.730.168**

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

JBS S.A.

Economic value added for the three months period ended June 30, 2011 and 2010
(In thousands of Reais)

	Company		Consolidated	
	2011	2010	2011	2010
Revenue				
Sales of goods and services	**3.480.765**	3.310.993	**15.213.450**	14.422.149
Other income	**4.016**	3.207	**36.473**	46.966
Allowance for doubtful accounts constitution	**(3.729)**	(874)	**(1.698)**	(8.766)
	3.481.052	**3.313.326**	**15.248.225**	**14.460.349**
Goods				
Cost of services and goods sold	**(1.758.731)**	(1.916.275)	**(10.331.266)**	(7.673.304)
Materials, energy, services from third parties and others	**(609.956)**	(525.227)	**(2.208.756)**	(3.831.916)
Losses/Recovery of amounts	**-**	-	**(27.241)**	119.022
Other	**-**	-	**(1.456)**	362
	(2.368.687)	**(2.441.502)**	**(12.568.719)**	**(11.385.836)**
Gross added value	**1.112.365**	**871.824**	**2.679.506**	**3.074.513**
Depreciation and Amortization	**(114.432)**	(69.483)	**(310.186)**	(309.352)
Net added value generated by the Company	**997.933**	**802.341**	**2.369.320**	**2.765.161**
Net added value by transfer				
Equity in earnings of subsidiaries	**(49.580)**	292.663	**-**	-
Financial income	**743.804**	638.739	**947.480**	884.031
Others	**583**	1.687	**193**	(11.562)
NET ADDED VALUE TOTAL TO DISTRIBUTION	**1.692.740**	**1.735.430**	**3.316.993**	**3.637.630**
TOTAL ADDED VALUE DISTRIBUTED				
Labor				
Salaries	**261.491**	248.842	**1.288.416**	1.416.498
Benefits	**41.958**	31.302	**307.191**	304.652
FGTS (Brazilian Labor Social Charge)	**19.706**	17.271	**21.935**	19.077
	323.155	**297.415**	**1.617.542**	**1.740.227**
Taxes and contribution				
Federal	**80.920**	75.576	**84.317**	237.369
State	**195.755**	146.773	**244.756**	205.407
Municipal	**595**	583	**829**	782
	277.270	**222.932**	**329.902**	**443.558**
Capital Remuneration from third parties				
Interests	**1.239.939**	1.181.331	**1.473.112**	1.406.557
Rents	**17.323**	13.975	**65.194**	16.195
Others	**15.809**	16.071	**38.214**	16.628
	1.273.071	**1.211.377**	**1.576.520**	**1.439.380**
Owned capital remuneration				
Net income (loss) of the period	**(180.756)**	3.706	**(180.756)**	3.706
Noncontrolling interest	**-**	-	**(26.215)**	10.759
	(180.756)	**3.706**	**(206.971)**	**14.465**
ADDED VALUE TOTAL DISTRIBUTED	**1.692.740**	**1.735.430**	**3.316.993**	**3.637.630**

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

1 Operating activities

JBS S.A (the "Company" or "JBS") 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, leather processing, processing and sale of personal hygiene and domestic cleaning products, production of pet food, production of metal packaging, cargo transportation and recycling. It has plants located in the States of São Paulo, Ceará, Goiás, Espírito Santo, 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 States 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.

The Company has operations 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 structure is composed of nineteen own industrial facilities three rendered facilities and seven service providers facilities, located in the states of São Paulo, Espírito Santo, Minas Gerais, Goiás, Mato Grosso, Mato Grosso do Sul, Rondônia, Ceará, Pará, Tocantins, Goiás and Rio Grande do Sul.

The subsidiary JBS Embalagens Metálicas Ltda. (JBS Embalagens) produces metal packing in its plant located in the State of São Paulo, for the Company use. The Company has a metal pack facilities and which part of the production is sold to third party.

The subsidiary JBS Confinamento Ltda. (JBS Confinamento) is located in Castilho, State of São Paulo 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.

The subsidiary Novaprom Food Ingredients Ltda. (Novaprom) located in 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 throughout Brazil and exports for continents as Europe, 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.

The indirect subsidiary Meat Snacks Partner do Brasil Ltda (Meat Snacks), joint venture with shared control between the JBS´s subsidiary JBS Handels GMBH and the third party company Jack Link Beef Jerky, is located in Santo Antônio da Posse, State of São Paulo, produces Beef Jerky, purchasing fresh meat in the domestic market and exports to the United States of America.

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 is specialized 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 foreign market, principally 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.

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

JBS USA Holdings Inc. (JBS USA) and its subsidiaries 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 of America and in international markets. In addition, JBS USA provides cattle yardage and feeding services.

In the United States of America, JBS USA owns eight beef processing facilities, three pork processing facilities, one lamb slaughter facility services, one value-added facility, and twelve feedlots. JBS USA operates eleven processing facilities, two value added facilities and six feedlots in Australia.

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.

JBS Packerland, owns four processing plants and one feedlot, and Five Rivers, known as JBS Five Rivers, owns 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, Pilgrim's Pride - 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. Operates thirty chicken facilities, supported by thirty two feed mills, thirty eight hatcheries,ten rendering facilities, ten rendering facilities, nine further processing facilities and three pet food facilities in the United States and Mexico.

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 food, fruits and vegetables from other regions, including the Far East, for sale in North America and Europe.

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.

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, customization and new products development.

The direct subsidiary CJSC Prodcontract (Prodcontract) is a company located in Russia, is an importer and distributor of fresh, chilled and frozen beef 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 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, once Poland and Germany are 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.

2 Elaboration and presentation of consolidated financial statements

The approved of these consolidated financial statements was given at the Board of Directors' meeting held on August 22, 2011.

The CPC 21 / IAS 34 – Interim Financial Reporting prescribe the minimum content of an interim financial statement and the principles for recognition and measurement in complete or condensed financial statements for an interim period.

Although it considers the terms of the CPC 21/IAS 34 - Interim Financial Reporting , the Company is publishing the complete table of financial statements in its interim quarterly financial statements in accordance with the requirements of the CPC 26 / IAS 1 - Presentation of financial statements.

Consolidated financial statements

The consolidated financial statements were prepared and are in accordance with International Financing Reporting Standards (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 das 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 Council (Conselho Federal de Contabilidade) - CFC, and requirements of the Brazilian Securities Commission - CVM.

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 individual 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 Financing Reporting Standards (IFRS). 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.

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 individual and consolidated financial statements into a single set side by side.

Function and presentation currency

These consolidated financial statements are presented in reais, which is the Company's functional currency. All financial information are presented in thousands of reais.

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) Revenue recognition

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, on note 23 is presented net revenue conciliation. 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) the entity neither maintain involvement in the Managerial of product sold at levels normally associated with ownership nor effective control of such cost of good sold.
(v) expenses incurred or to be incurred related to the transaction, can be reliably measured.

The expenses are recorded on the accrual basis.

b) Accounting estimates

In the process of applying the Company's accounting policies, Management made the following judgments which can eventually have a material impact on the amounts recognized in the financial statements:

•impairment of non-financial assets;
•loss on the reduction of recoverable value of taxes;
•retirement benefits;
•measurement at fair value of items related to business combinations;
•fair value of financial instruments;
•provision for tax, civil and labor risks;
•estimated losses on doubtful receivables;
•biological assets; and
•useful lives of property, plant and equipment.

The Company reviews estimates and underlying assumptions used in its accounting estimates at least on a quarterly basis. Revisions to accounting estimates are recognized in the financial statements in the period in each the estimates are revised.

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

c) Cash and cash equivalents

Cash and cash equivalents include cash balances, banks and financial investments with original maturities of three months or less from the date of the contract.

d) Trade accounts receivable

Trade accounts receivable correspond to amounts owed by customers in the ordinary course of business of the Company. If the due date is equivalent to one year or less, the accounts receivable is classified as current assets. Otherwise, the corresponding amount is classified as noncurrent assets.

Accounts receivable are initially recognized at fair value less any allowance for doubtful accounts when necessary, subsequently measured at amortized cost, less any provision for doubtful accounts (PCLD) and any provision for impairment when necessary. In practice, are recognized at the invoiced amount, adjusted by any provision of loan losses and provision for possible impairment if there is evidence of reduction in the recoverable amount.

e) 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 income. When no additional recovery is expected, the allowance for doubtful accounts is usually reversed against the definitive write-off of the account receivable.

f) Inventories

In accordance with the requirements of IAS 2/CPC 16 - Inventories, the inventories are stated at the lower of the average cost of acquisition or production, and the net realizable value. The cost of inventories is recognized in income statement when inventories are sold.

g) 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 required to mark to market these assets, which effect shall be recorded in statements of income 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 statement income of the period in which it occurs, in specific line as a reduction of gross revenue and cost of products sold.

Biological assets are stated by market value according to note 7.

h) Investments - Individual financial statements

In the individual financial statements of the Company, 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) Property, plant and equipment

According to IFRS 1/CPC 37 - 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 deemed 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 Property, plant and equipment (PP&E) based on reports of specialized company.

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 depreciated (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 its continued use. 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.

j) Intangible assets

Consist mostly of goodwill recorded in accordance with IAS 38/CPC 4 - Intangible assets by cost or formation, less amortization and any applicable losses by impairment. Amortization is recognized using straight-line method 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 estimated 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 impairment.

The goodwill are annually subjected to impairment testing, or more frequently when impairment indications are identified. If the recoverable amount of the cash-generating unit is less than the book value, the impairment loss is booked. Any impairment loss on the recoverable amount of goodwill is directly recognized in income statement. The impairment loss is not reversed in subsequent periods.
At the sale of the corresponding cash-generating unit, the goodwill is included in the calculation of profit or loss on disposal.

Impairment of tangible and intangible assets, excluding goodwill

Property, plant and equipment, intangible assets with defined useful life and other assets (current and noncurrent) are tested for impairment, if indications of potential impairment exist. Intangible assets are tested for impairment when an indication of potential impairment exist or 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 a review is made of the book value of tangible and intangible assets to determine whether there is some indication that those assets have suffered any impairment. If such indication is indentified, the recoverable amount of 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.

If the recoverable amount of an asset is lower than its carrying value, the asset is reduced to its recoverable amount. The loss on the impairment is recognized immediately in the statement of income and is reversed if there has been a change in the estimates used to determinate the recoverable amount. When an impairment loss is subsequently reversed, there is an increase in amount of the asset due to the revised estimate of its recoverable amount, but it does not exceed carrying amount that would have been determinated if no loss on the impairment had been recognized for the asset in prior years. Reversal of loss on the impairment is recognized directly in the statement income.

k) Non-financial assets

The carrying amount of non-financial assets except for inventories, biological assets and deferred taxes are tested for impairment. Intangible assets with indefinite useful lives and cash generating units to which goodwill has been allocated 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. Our other non-financial assets are tested for impairment only when there is an indication of possible impairment (triggering event). An impairment loss is recognized if the carrying amount of an assets exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to present value using a discount rate before tax that reflects current market assessment of the time value of money and the specific risks to the asset.

If the recoverable amount of an asset is lower than its carrying value, the asset is reduced to its recoverable amount. The loss on the impairment is recognized immediately in the statement of income. An impairment loss in respect of goodwill is not reversed. Impairment losses recognized are allocated first to reduce the carrying amount of goodwill allocated and then to reduce the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

When an impairment loss related to non-financial assets other than goodwill is subsequently reversed, there is an increase in amount of the asset due to the revised estimate of its recoverable amount, to the extent it does not exceed the carrying amount that would have been recognized if no loss on the impairment had been recognized for the asset in prior years. Reversal of loss on the impairment is recognized immediately in the income statement.

l) 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.

m) Trade accounts payable

Correspond to the amounts owed to suppliers in the ordinary course of business of the Company. If the payment period is equivalent to one year or less, suppliers are classified as current. Otherwise, the corresponding amount is classified as noncurrent. When applicable, are added interest, monetary or exchange rate.

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 temporary differences between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is determined using tax rates enacted and expected to be applied when the 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, tax losses and tax credits 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 taxable entity.

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 by laws. 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) Current and noncurrent liabilities

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

q) Noncontrolling 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.

r) 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.

s) Adjustment of assets and liabilities to present value

As provided under IFRS, the Company presents, when applicable, assets and liabilities at present value assets and liabilities long term are adjusted to present value, but the adjustment on the short-term balances occurs on 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.

t) Consolidation

The consolidated financial statements include the financial statements of the Company individual and its subsidiaries and joint controlled entities (proportionally consolidated). Control is obtained when the Company has the power to control financial and operating policies of an entity so as to obtain benefits from its activities.
When necessary, the financial statements of subsidiaries are adjusted according to the 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 when it is appropriate. Exchange gains and losses are recognized in shareholders' equity under the caption "accumulative translation adjustments" in accordance with IAS 21/CPC 2 - The effects of changes in foreign exchange rates.

u) Foreign currency translation

Functional and reporting currency

Transactions in foreign currencies are translated to the respective functional currencies of the Company entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

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 translated to Brazilian Real at the corresponding exchange rate of the reporting period for assets and liabilities, the historical rate for equity and the average exchange rate of the period for the income statement. With the exchange rate effects recognized in comprehensive income.

v) Earning per share

According to with IAS 33/CPC 41 - Earnings per share, the Company presents the basic and diluted earnings per share data for its common shares:

Basic: Calculated by dividing net income allocated to common shareholders of the Company by the weighted average number of common shares outstanding during the year.

Diluted: Calculated by dividing net income attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, adjusted for the effects of all dilutive potential common shares in common shares, adjusted for own shares held.

w) 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.

• Financial assets at fair value through profit or loss

Financial asset are classified by its fair value on the financial report if it is classified as held for trading and designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the company manages such investments and makes purchase and sale decisions based on their fair values in accordance with a documented risk management and investment strategy of the Company. Transaction costs, after initial recognition are recognized in income statement as incurred. Financial assets recorded at fair value through profit or loss are measured at fair value and changes in fair value of these assets are recognized in statement of income of the period.

• Loans and receivables

Loans and receivables are financial assets with fixed or estimated payment amounts that are not quoted in an active market. Such assets are initially recognized at fair value plus any attributable transaction costs. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, decreased by any loss on the impairment. The main assets of the Company classified in this category are "trade accounts receivables" and "related parties".

• Held to maturity

In case the Company intents and is able to hold bonds to maturity, then such financial assets are classified as held to maturity. Investments held to maturity are initially recognized at fair value plus any directly attributable transaction costs. After initial recognition, investments held to maturity are measured at amortized cost using the effective interest method, decreased by any loss on the impairment. The Company has no financial instruments in this category.

• Financial liabilities

The Company has recognized debt securities and subordinated debt in the first date on which they originated. All other financial liabilities (including liabilities designated at fair value recorded in income) are initially recognized on the trade date on which the Company becomes a party to the contractual provisions of the instrument. The Company write off a financial liability when its contractual obligations canceled or expired.

The Company has the following non-derivative financial liabilities: loans, financing, trade accounts payable, debits with related parties and other payables.

• Impairment of financial assets

Financial assets, except those designated at fair value through profit or loss, are valued by indicators of the impairment at the end of each period. The losses by impairment is recognized if, and only if there is any indication that an asset may be impaired as a result of one or more events that occurred after initial recognition, are impact on the future cash flows estimated of this asset.

The financial asset booking value is reduced directly by the loss of the impairment for all financial assets, except accounts receivable in the booking value is reduced by provision. Subsequent recoveries of amounts previously written off are credited to the provision. Changes in the booking value of the provision are recognized in statement of income.

• Derivatives

The Company and subsidiaries register and disclose financial instruments and derivatives according to IAS 39/CPC 38 - Financial Instruments: Recognition and Measurement, IFRIC 9 - Revalidation of embedded derivatives and IFRS 7/CPC 40 - Disclosure of Financial Instruments. The financial instruments are recognized after the Company and its subsidiaries are part of the contract of the instruments.

Based on a risk management policy of the JBS Group, the Company and/its subsidiaries, contract financial derivatives instruments in order to minimize the risk of losses due to the exposure to fluctuation in exchange rates, interest rates, commodities prices, credit risks and liquidity, which can affect the valuation of current and noncurrent assets, future cash flow and profit.

The fair value of derivative instruments is calculated by the treasure department, based on information of each contracted transaction and market information on the dates of closure of the financial statements, such as interest rates and exchange rates.

x) Business combination

According to IFRS 3/CPC 15 - Business Combination, business acquisitions are accounted using the acquisition method at the acquisition date, which is the date on which control is transferred to the Group . The consideration transferred in a business combination is measured at fair value, which is calculated by adding the fair values of assets transferred, liabilities incurred in the acquisition date for the old drivers and acquired the shares issued in exchange for control of the acquiree. 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 recognized amount of noncontrolling interests in the acquired business plus the fair value of the existing equity interest in the acquire less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. If the excess is negative, a bargain purchase gain 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.

y) Employee benefits

Defined Contribution Plans:

A defined contribution plan is a plan for post-employment benefits under which an entity pays fixed contributions into a separate entity (Provident Fund) and shall have no legal or constructive obligation to pay additional amounts. Obligations for contributions to pension plans to defined contribution plans are recognized as expenses for employee benefits in income in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset upon condition that there is reimbursement of cash or a reduction in future payments is available. Contributions to a defined contribution plan whose income is expected for 12 months after the end of the period in which the employee renders service are discounted to their present values.

Defined benefit plans

A defined benefit plan is a plan for post-employment benefits different than defined contribution plan. The net liability with regard to pension plans of defined benefit is calculated individually for each plan by estimating the amount of future benefit that employees earned in return for services rendered in the current period and prior periods, that benefit is discounted to present value. Any past service costs not recognized and the fair values of any plan assets is deducted.

The discount rate is yield at the reporting date on funds that have maturity dates approximating the terms of the appropriate subsidiary's obligation an that are denominated in the same currency in which benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method.

When the calculation results in a benefit for the indirect subsidiary, the asset to be recognized is limited to the total cost of any unrecognized past service and present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan . To calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in indirect. An economic benefit is available to the indirect subsidiary if it is achievable during the life of the plan or the liquidation of the plan liabilities.

When the benefits of a plan are increased, the portion of the increased benefit relating to past service by employees is recognized in the straight-line method over the average period until the benefits become vested. In the condition in which the benefits become vested right immediately, the expense is recognized immediately in income.

All actuarial gains and losses arising from defined benefit plans are accounted on other comprehensive income.

z) 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 process.

aa) Statements of Cash flow

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

ab) Statement of comprehensive income

According to IAS 1/CPC 26 - Presentation of Financial Statements - This statement reconciles net income to total comprehensive income.

ac) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operation that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

ad) Economic Value Added

In accordance with CPC 9 - Statement of Economic Value Added, the Company included in the financial statements, the Statement of Value Added (EVA), as supplementary information as it 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.

ae) New IFRS, amendments and interpretations issued by IASB applicable to the consolidated financial statements

New accounting pronouncements from the IASB and IFRIC interpretations have been published and / or reviewed and have the optional adoption in June 30, 2011. The Management assessed the impact of these new pronouncements and interpretations and does not anticipate that its adoption will lead to a significant impact on the annual information of the Company and its subsidiaries in the year of initial application. The mains pronouncements and interpretations are presented as follows:

Effective:

• IAS 24 Related Party Disclosures (Amendment) It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The amended standard is effective for annual periods beginning on or after 1 January 2011. The Company has already adopted in 2010 this IAS.

• IFRIC 14 Prepayments of a minimum funding requirement. This standard applies only to those situations where an entity is subject to minimum funding requirements and anticipated contributions to cover these requirements. The standard allows the entity to account for the benefit of such prepayment as an asset. This standard is effective for fiscal years beginning from January 1, 2011. The changes do not have a significant impact on its consolidated financial statements.

• IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments - IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The changes do not have a significant impact on its consolidated financial statements.

Not yet effective:

• IFRS 9 Financial Instruments – Classification and measurement - It reflects the first phase of the IASBs work on the replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a simplified approach to determine whether a financial asset is measured at amortized cost or fair value, based on the manner in which an entity manages its financial instruments (business model) and the typical contractual cash flow of financial assets. The standard also requires the adoption of only one method for determining losses in recoverable value of assets. The standard is effective for annual periods beginning on or after 1 January 2013. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

• IFRS 10 Consolidated Financial Statements - IFRS 10 as issued establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 *Consolidation—Special Purpose Entities* and IAS 27 *Consolidated and Separate Financial Statements* and is effective for annual periods beginning on or after January 1, 2013. Early application is permitted. The Company is currently analyzing any possible effects arising from the adoption of IFRS 10.

(Expressed in thousands of reais)

• IFRS 11 Joint Arrangements - IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 13 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Ventures, and is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The Company is currently analyzing any possible effects arising from the adoption of IFRS 11.

• IFRS 12 Disclosures of Interests in Other Entities - IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The Company is currently analyzing impacts on its disclosures arising from the adoption of IFRS 12.

• IFRS 13 Fair Value Measurement - IFRS 13 establishes new requirements on how to measure fair value and the related disclosures for IFRSs and US generally accepted accounting principles. The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The Company is currently analyzing any possible effects arising from the adoption of IFRS 13.

Other improvements to IFRS – The IASB standards for improvements and amendments to IFRS in May 2010 and the amendments are effective from/or after January 1, 2011:

- IFRS 1 – First-Time Adoption of International Financial Reporting Standards.
- IFRS 3 – Business combination.
- IFRS 7 – Financial instrument: Disclosures.
- IAS 1 – Presentation of Items of Other Comprehensive Income
- IAS 12 – Deferred Tax: Recovery of Underlying Assets
- IAS 19 – Employee benefits
- IAS 27 – Consolidated and Separate Financial Statements
- IAS 27 – Investments in associates
- IAS 32 – Classification of rights issues

The Accounting Pronouncement Committee (CPC) has not yet issued these standards or amendments equivalent to the IFRS mentioned above. The Company does not expect material effects on its financial statements from these new standards.

4 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 as described below:

	Company		Consolidated	
	June 30, 2011	Dec 31, 2010	June 30, 2011	Dec 31, 2010
Cash and banks	**721.583**	825.171	**1.674.072**	1.876.666
CDB-DI (bank certificates of deposit)	**2.467.204**	1.810.529	**2.475.550**	1.826.496
Investment funds	**156.087**	264.681	**810.560**	271.144
National treasury bill	**-**	100.268	**-**	100.268
	3.344.874	**3.000.649**	**4.960.182**	**4.074.574**

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 - Company

The Company is shareholder of Ediom Fundo de Investimento Multimercado (Ediom fund), investment fund, which application on June 30, 2011 was R$ 156,087 (R$ 151,743 as of December 31,2010). This investment is classified as cash and cash equivalents.

On June 30, 2011, the composition of this investment fund was approximately 76.3% investment in government securities yield by the Selic variation (interdeposit bank rates), and of the remaining balance only 0.5% refers to investment in derivative. below is the composition of equities and notional investment funds as of June 30, 2011 and December 31, 2010 the financial statements.

	June 30, 2011		December 31, 2010	
	Shareholder's equity	Notional **(a)**	Shareholder's equity	Notional **(a)**
Ediom fund	**156.087**	**35.597.216**	151.743	28.580.653

(a) - The accounting Notional, extracted from the financial statements of this fund, 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 June 30, 2011 and December 31, 2010:

(Expressed in thousands of reais)

Ediom fund

	June 30, 2011	Dec 31, 2010
Options (Currency and Interests)		
Purchase Positions	**16.865.000**	14.081.403
Sold Positions	**18.483.400**	14.033.125
Net effect - options	**(1.618.400)**	**48.278**
Forward (Bovespa, Cattle forward, Currency and Interests)		
Purchase Positions	**46.287**	323.521
Sold Positions	**202.529**	142.604
Net effect - forward	**(156.242)**	**180.917**
Net effect - Options and forward	**(1.774.642)**	**229.195**

Risks related to Fundo Ediom fund

The net effect of the options on interest rates are referring to 57,000 contracts positions released (sold) against 52,000 contracts holders (purchased) reflecting the locks made in this market. Excess sold options on the closing date was subsequently marked to zero due to the upward movement of interest rates implemented by the Central Bank, thus representing a very low risk in the 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 June 30, 2011 VaR - Value at Risk for the Ediom fund is R$ 1,104 (R$ 508 on December 31, 2010)

Investments funds - Consolidated

It consists principally of investments, from of receiving of the termination agreement of Inalca, of the direct subsidiary of JBS Austria on mutual investment fund, the administration and management is held by JP Morgan.

5 Trade accounts receivable, net

	Company		Consolidated	
	June 30, 2011	Dec 31, 2010	June 30, 2011	Dec 31, 2010
Receivables not yet due	**1.370.793**	**1.333.676**	**3.559.161**	**3.131.962**
Overdue receivables:				
From 1 to 30 days	**91.764**	164.516	**248.357**	554.860
From 31 to 60 days	**25.467**	80.638	**62.526**	198.192
From 61 to 90 days	**7.298**	49.333	**31.710**	68.467
Above 90 days	**115.004**	154.063	**177.025**	224.697
Allowance for doubtful accounts	**(111.478)**	(109.497)	**(143.918)**	(142.074)
	128.055	**339.053**	**375.700**	**904.142**
	1.498.848	**1.672.729**	**3.934.861**	**4.036.104**

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

	Company		Consolidated	
	June 30, 2011	Dec 31, 2010	June 30, 2011	Dec 31, 2010
Initial balance	**(109.497)**	**(123.602)**	**(142.074)**	**(153.178)**
(+) Additions	**(4.857)**	(7.180)	**(9.549)**	(16.498)
(+) Exchange variation	**-**	-	**(67)**	71
(-) Disposals	**2.876**	21.285	**7.772**	27.531
Final balance	**(111.478)**	**(109.497)**	**(143.918)**	**(142.074)**

6 Inventories

	Company		Consolidated	
	June 30, 2011	Dec 31, 2010	June 30, 2011	Dec 31, 2010
Finished products	**677.309**	618.073	**2.712.988**	2.677.930
Work in process	**71.340**	181.574	**887.152**	867.956
Raw materials	**201.955**	198.246	**467.814**	689.344
Warehouse spare parts	**158.798**	111.579	**548.237**	241.704
	1.109.402	**1.109.472**	**4.616.191**	**4.476.934**

(Expressed in thousands of reais)

7 Biological assets

	Consolidated	
	June 30, 2011	Dec 31, 2010
Cattle	**485.471**	385.201
Pork and Lamb	**28.417**	29.044
Poultry	**1.197**	1.250
Plants for harvest	**1.283**	1.533
	516.368	**417.028**

Changes in biological assets in the period

Amount on December 31, 2010	**417.028**
Born	**7**
Death	**(540)**
Fair value adjustment (MtM)	**596**
Sale	**(427.146)**
Purchase	**532.286**
Exchange rate	**(7.145)**
Cost appropriating on plants for harvest	**2.785**
Domestic consumption on plants for harvest (feed)	**(1.502)**
Amount on June 30, 2011	**516.368**

Biological assets are composed mainly of live animals, mostly in feedlots which remain in a period about of 90 to 120 days confined to maturity and therefore sent for slaughtering units. For this reason, they are classified as current assets.

According to IAS 41 /CPC 29 - 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.

Although the requirements describes there three 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, as presented by JBS USA, less depreciation and any accumulated impairment loss.

COMPANIES IN UNITED STATES OF AMERICA	June 30, 2011	Dec 31, 2010
Cattle	**333.691**	**282.481**
Pork and Lamb	**28.417**	**29.044**
Poultry	**1.197**	**1.250**
Total biological assets stated at cost	**363.305**	**312.775**

As mentioned on the assumption above, the biological assets of the company JBS USA are not be valued at market, adopting the procedures of recovery by absorption costing.

Cattle - JBS USA subsidiary in Australia keeps cattle in feedlot, as there is no reliable market for long-fed cattle in Australia (180 day+). The main feedlot market in Australia is short-fed (75-100 day), (item 30 CPC 29 - Biological Assets).

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

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, the cost is close to fair value (item 24 CPC 29 - Biological Assets).

COMPANIES IN BRAZIL	June 30, 2011	Dec 31, 2010
Cattle	**148.914**	**92.013**
Plants for harvest	**1.283**	**1.533**
Total biological assets stated at market price	**150.197**	**93.546**

(Expressed in thousands of reais)

Operations relating to biological assets of activities in Brazil 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.

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 ARGENTINA	June 30, 2011	Dec 31, 2010
Cattle	**2.866**	**10.707**
Total biological assets stated at market price	**2.866**	**10.707**

Operations relating to biological assets of activities in Argentina 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.

8 Recoverable taxes

	Company		Consolidated	
	June 30, 2011	Dec 31, 2010	June 30, 2011	Dec 31, 2010
Value-added tax on sales and services (ICMS / IVA / VAT / GST)	**1.061.788**	997.994	**1.245.538**	1.189.408
Excise tax - IPI	**59.034**	58.113	**119.890**	117.211
Social contribution and taxation on billings - PIS and Cofins	**530.238**	445.680	**650.751**	554.761
Income tax withheld at source - IRRF	**41.974**	79.783	**147.595**	180.253
Other	**73.573**	60.510	**100.640**	89.677
	1.766.607	**1.642.080**	**2.264.414**	**2.131.310**
Current and Long-term:				
Current	**1.200.092**	1.088.310	**1.639.375**	1.515.013
noncurrent	**566.515**	553.770	**625.039**	616.297
	1.766.607	**1.642.080**	**2.264.414**	**2.131.310**

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 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).

Based on studies performed by the Company's management, supported by its legal counsel, ICMS credits, amounting of R$ 566.515 were segregated in consolidation, according to their realization, from current to noncurrent.

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

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$ 148,695 as of this date, the Company received R$ 28,987, and the remaining balance of R$ 119,708 is recorded in noncurrent assets consolidated.

9 Other investments and discontinued operations.

Inalca JBS SpA

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 were 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.

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.

(Expressed in thousands of reais)

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.

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 (R$ 504,002) 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.

On December 31, 2010 the Company estimated that such termination agreement, would result in a loss, considering the probable tax effects of approximately R$ 16,839, (R$ 25,514 loss and deferred income tax R$ 8,675),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.

Due to the sale of the investment in the first quarter of 2011the requirement for the presentation of the investment on Inalca JBS SpA as Discontinued Operations have been achieved.

*** Other investments conciliation (correspond to investment, equal participations of investee shareholder's equity)**

Shareholder's equity Inalca JBS:	928.188
Participation- 50%	464.094
Provision recorded on Dec.10:	(25.514)
Goodwill on investment	65.422
Assets held for sale	**504.002**

*** Discontinued operation conciliation (correspond to equity, equal participations of investee shareholder's equity)**

Income statement Inalca JBS:	24.492
Participation - 50%	12.246
Discontinued operations	**12.246**

According to CPC 31 / IFRS 5 - noncurrent Assets Held for Sale and Discontinued Operations, the Company established the accounting for noncurrent assets held for sale and the presentation of discontinued operations, as demonstrated below investment discontinued information, considering only the percentage of participation, used for recording on December 31, 2010.

Due to the considerations as discussed above, Inalca financial statement as of for the quarter ended March 31, 2010 (last consolidated Financial Statements) are presented below:

a) Balance sheet Inalca JBS

ASSETS		**LIABILITIES**	
Cash and cash equivalents	26.045	Trade accounts payable	159.014
Trade accounts receivable, net	151.815	Loans and financings	304.351
Inventories	173.681	Other current and non current liabilities	105.633
Recoverable taxes	20.519		
Other current and non current assets	34.387		
Property, plant and equipment, net	595.142	**TOTAL SHAREHOLDERS' EQUITY**	**464.094**
Intangible assets, net	31.503		
TOTAL ASSETS	**1.033.092**	**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**	**1.033.092**

b) Income statement Inalca JBS

Net sales revenue	342.970
Cost of goods sold	(302.018)
GROSS INCOME	**40.952**
General and administrative expenses and selling	(26.159)
Financial income, net	2.839
Other income expenses, net	(514)
Current income taxes	(4.872)
NET INCOME	**12.246**

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

Net income before taxes	17.679
Financial income, net	(2.839)
Depreciation and amortization	10.846
AMOUNT OF EBITDA	**25.686**

(Expressed in thousands of reais)

c) Summary Cash Flow Statement Inalca JBS

Cash flow from operating activities	25.678
Cash flow from investing activities	(31.088)
Cash flow from financing activities	3.468
Effect of exchange variation on cash and cash equivalents	(1.159)
Net decrease in cash and cash equivalents	**(3.101)**
Cash and cash equivalents on Dec 31,2009	29.146
Cash and cash equivalents on Mar 31, 2010	**26.045**

10 Related parties transactions

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

COMPANY	Currency	Maturity	Annual rate	June 30, 2011 Mutual contracts	Dec 31, 2010 Mutual contracts
Direct subsidiaries					
Mouran Alimentos Ltda.	R$	Sep 13, 2011	CDI + 12%	**48.223**	43.883
JBS Confinamento Ltda.	R$	Apr 1, 2011	CDI + 4%	**199.719**	142.169
JBS Embalagens Metálicas Ltda.	R$	Aug 16, 2012	CDI + 12%	**64.930**	54.862
JBS Global A/S (Denmark)	R$	Aug 16, 2012	CDI + 12%	**-**	(1.308)
JBS Holding Internacional S.A	R$	-	-	**79.960**	-
JBS USA, Inc	US$	Aug 16, 2011	Libor + 2,5%	**(8.830)**	(1.538.772)
JBS Slovakia Holdings s.r.o.	EURO	Mar 12, 2012	4,50%	**(35.230)**	(36.771)
S.A. Fabrica de Prod. Alimentícios Vigor	R$	Dec 31, 2011	CDI	**(117.400)**	(215.539)
Cascavel Couros Ltda	R$	Dec 31, 2011	CDI + 12%	**(15.643)**	(25.131)
Novaprom Food Ingredients Ltda	R$	Dec 31, 2011	CDI + 6%	**9.333**	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%	**(36.686)**	(39.156)
Beef Snacks Brasil Ind.Com. Ltda.	R$	Jan 24, 2011	CDI + 4%	**89.701**	82.911
Beef Snacks International BV	EURO	Dec 31, 2012	Libor + 2% to 3%	**3.528**	3.649
JBS HU Ltd	EURO	May 19, 2011	12%	**(94.509)**	(96.018)
Bertin Paraguay	US$	Jul 21, 2011	Libor + 5%	**3.551**	3.690
				190.647	**(1.532.002)**

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

COMPANY	June 30, 2011 Trade accounts receivable	June 30, 2011 Trade accounts payable	December 31, 2010 Trade accounts receivable	December 31, 2010 Trade accounts payable
Direct subsidiaries				
JBS Confinamento Ltda.	**1.140**	**15.996**	618	43.544
JBS Embalagens Metálicas Ltda.	**621**	**8.225**	268	1.583
JBS USA, Inc	**998**	**-**	90	-
JBS Itália SRL	**22.023**	**-**	14.932	-
S.A. Fabrica de Prod. Alimentícios Vigor	**10.664**	**20**	14.870	18
Cascavel Couros Ltda	**23.438**	**641**	24.208	395
Novaprom Food Ingredients Ltda	**1.278**	**233**	1.146	163
Indirect subsidiaries				
JBS Global Beef Company Lda.	**48**	**-**	48	-
JBS Global (UK) Limited	**32.163**	**1.462**	22.089	-
JBS Argentina S.A.	**-**	**4.600**	-	4.186
Global Beef Trading SU Lda.	**4.142**	**-**	2.825	1
Beef Snacks Brasil Ind.Com. Ltda.	**2**	**-**	1	-
JBS Leather Europe	**-**	**-**	8.579	-
Austrália Meat	**-**	**-**	-	10
Toledo International NV	**6.301**	**760**	13.036	-
Weedel Limited	**2.806**	**-**	4.096	-
Sampco Inc.	**2.269**	**31**	24.978	-
Frigorífico Canelones S.A.	**-**	**475**	-	705
Rigamonti Salumificio Spa	**5.896**	**-**	1.629	-
Itaholb International	**889**	**349**	4.470	-

(Expressed in thousands of reais)

Wonder Best Holding Company	**17.885**	**-**	19.069	-
Trump Asia Enterprise Ltd	**12.830**	**-**	10.790	-
Trustful Leather	**2.726**	**-**	6.510	-
Bertin Paraguay	**20**	**-**	22	-
Other related parties				
JBS Agropecuária Ltda.	**3.912**	**3.697**	502	-
Flora Produtos de Hig. Limp. S.A.	**5.725**	**293**	6.350	689
Flora Dist. Produtos de Hig. Limp. S.A.	**873**	**132**	730	87
	158.649	**36.914**	**181.856**	**51.381**

Impacts of related party transactions on Income Statements:

	June 30, 2011			**June 30, 2010**		
	Financial income (expenses)	**Purchases**	**Sales of products**	**Financial income (expenses)**	**Purchases**	**Sales of products**
Direct subsidiaries						
Mouran Alimentos Ltda.	**4.337**	**-**	**-**	1.101	-	-
JBS Confinamento Ltda.	**10.313**	**96.871**	**2.401**	5.188	17.612	735
JBS Embalagens Metálicas Ltda.	**5.400**	**28.717**	**2.053**	4.528	20.828	-
JBS USA, Inc	**(51.437)**	**-**	**17.154**	(5.981)	-	2.058
JBS Slovakia Holdings s.r.o.	**(804)**	**-**	**-**	(23.530)	-	-
JBS Itália SRL	**-**	**-**	**37.044**	-	-	-
S.A. Fabrica de Prod. Alimentícios Vigor	**(15.794)**	**74**	**47.549**	-	40	25.663
Cascavel Couros Ltda	**(1.779)**	**2.651**	**106.256**	-	10.088	95.288
Novaprom Food Ingredients Ltda	**821**	**1.207**	**5.680**	-	969	3.383
Indirect subsidiaries						
JBS Global (UK) Limited	**-**	**-**	**59.038**	-	-	33.902
JBS Argentina S.A	**-**	**79.960**	**-**	-	2.998	-
The Tupman Thurlow Co.	**-**	**-**	**70.476**	93	-	6.293
Global Beef Trading SU Lda.	**-**	**-**	**-**	-	448	25.584
Beef Snacks Brasil Ind.Com. Ltda.	**6.241**	**-**	**-**	4.700	18	-
Beef Snacks International	**5**	**-**	**-**	160	-	-
JBS HU Ltd	**(2.316)**	**-**	**-**	(5.253)	-	-
Swift & Company Trade Group	**-**	**-**	**-**	-	-	124
Australia Meat	**-**	**5.423**	**-**	-	1.736	-
Toledo International BV	**-**	**-**	**66.400**	-	-	-
JBS Leather Europe	**-**	**-**	**1.987**	-	-	-
Weedel Limited	**-**	**-**	**6.663**	-	-	-
Sampco Inc.	**-**	**-**	**25.237**	-	-	75.616
Frigorífico Canelones S.A.	**-**	**3.752**	**-**	-	1.417	-
Rigamonti Salumificio Spa	**-**	**-**	**19.993**	-	-	-
Wonder Best Holding Company	**-**	**-**	**23.410**	-	-	-
Trump Asia Enterprise Ltd	**-**	**20**	**17.454**	-	-	4.814
Trustful Leather	**-**	**-**	**12.760**	-	-	-
Bertin Paraguay	**95**	**-**	**5**	73	-	21.088
Itaholb International	**-**	**-**	**570**	-	-	-
Other related parties						
JBS Agropecuária Ltda.	**-**	**20.729**	**806**	-	824	1.109
Flora Produtos de Hig. Limp. S.A.	**-**	**-**	**25.619**	-	183	20.304
Flora Dist. Produtos de Hig. Limp. S.A.	**-**	**4**	**1.463**	-	-	-
	(44.918)	**239.408**	**550.018**	**(18.921)**	**57.161**	**315.961**

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.

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.

(Expressed in thousands of reais)

Among the transactions between related parties more representative, we emphasize the purchase of cattle for slaughter between the Company and it subsidiary JBS Confinamento, related party JBS Agropecuária 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).

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 period of six months as of June 30, 2011 and the year ended December 31, 2010.

Consolidated - Credits with related parties

The consolidated balance of related parties, on the amount of R$ 376,836 as of June 30, 2011 (R$ 332,679 as of December 31, 2010), has the following composition:

a) Not consolidated Companies

The amount of R$ 321,780 (R$ 280,772 as of December 31, 2010) 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, subsidiaries 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$ 55,056 (R$ 51,907 as of December 31, 2010) refers to credits of subsidiaries partially consolidated, as follows :

	June 30, 2011	Dec 31, 2010
Beef Snacks do Brasil Ltda.	**44.851**	41.456
Beef Snacks International BV.	**3.688**	3.666
Jerky Snack Brands, Inc.	**6.517**	6.785
	55.056	**51.907**

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 periods ended on June 30, 2011 and December 31, 2010 is the following:

	Members	June 30, 2011	Dec 31, 2010
Executive Board and Board of Directors	**15**	**3.548**	5.038
	15	**3.548**	**5.038**

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

The Counsel Director, Administrative 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 05 (R1) - 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.

11 Investments in subsidiaries

	Company	
	June 30, 2011	Dec 31, 2010
Investments in subsidiaries	**5.951.403**	8.890.450
Goodwill	**1.552.957**	1.552.550
	7.504.360	**10.443.000**

(Expressed in thousands of reais)

Relevant information about subsidiaries in the period ended on June 30, 2011:

	Number of shares (Thousand)	Participation	Capital stock	Shareholders' equity	Net income (loss)
JBS Embalagens Metálicas Ltda.	10.002	99,00%	2	30.427	(1.277)
JBS Global Investments S.A.	93.000	100,00%	145.182	20.597	(52.354)
JBS Holding Internacional S.A.	960.514	100,00%	960.514	216.030	(84.213)
JBS Global A/S (Dinamarca)	1.250	100,00%	454.707	92.903	(1.605)
Mouran Alimentos Ltda.	120	100,00%	120	(38.589)	(4.341)
JBS USA, Inc.	0,1	100,00%	1.561.849	3.694.584	193.377
JBS Confinamento Ltda.	415.001	100,00%	415.001	370.257	(31.402)
JBS Slovakia Holdings, s.r.o.	0,001	100,00%	51.474	155.071	(1.957)
JBS Italia S.R.L.	7483	100,00%	16.962	11.921	114
CJSC Prodcontract	10	70,00%	-	(12.779)	6.577
JBS Austria Holding Ltda	0,1	100,00%	513.277	496.012	-
JBS Holding GMBH	96	100,00%	79	322.341	128.451
Novaprom Foods e Ingredientes Ltda	792	60,00%	792	621	(2.132)
Fábrica de Produtos Alimentícios Vigor S.A.	165.447	99,06%	104.031	260.366	10.852
Cascavel Couros Ltda	265.127	100,00%	240.861	283.693	(5.335)

Goodwill: According to technical interpretation ICPC 09 - Individual Financial Statements, Separate Statements, Consolidated Statements and Application of Equity Method, in the consolidated goodwill is recorded in the Intangible assets due to expected profitability of the acquired subsidiary, assets and liabilities are consolidated in the Company. In the balance sheet of the Individual Statement, this goodwill is recorded on Investments, the same group of noncurrent assets, because, for the Company it is part of its investment on subsidiary acquisition, not being its intangible assets (as stated above, the expectation of future earnings - the genuine intangible - is the subsidiary).
In the Company is intangible goodwill arising from the merger of Bertin, and the other allocated in investments.
For details of goodwill, see Note 13 - Intangible Assets.

				Equity in subsidiaries		
	Dec, 2010	Addition (disposal)	Exchange rate variation (i)	Shareholders' Equity (ii)	Income Statements	June, 2011
JBS Embalagens Metálicas Ltda.	**31.387**	-	-	-	(1.264)	**30.123**
JBS Global Investments S.A.	**75.451**	-	(4.530)	2.030	(52.354)	**20.597**
JBS Holding Internacional S.A.	**331.706**	-	-	(31.463)	(84.213)	**216.030**
JBS Global A/S (Dinamarca)	**87.566**	5.143	1.464	335	(1.605)	**92.903**
Mouran Alimentos Ltda.	**(34.248)**	-	-	-	(4.341)	**(38.589)**
JBS USA, Inc.	**7.045.765**	(3.175.556)	(396.662)	27.261	193.355	**3.694.163**
JBS Confinamento Ltda.	**401.659**	-	-	-	(31.402)	**370.257**
JBS Slovakia Holdings, s.r.o.	**162.517**	-	3.021	(8.510)	(1.957)	**155.071**
JBS Italia S.R.L	**11.606**	-	202	(1)	114	**11.921**
Prodcontract	**(13.095)**	-	(441)	(13)	4.604	**(8.945)**
JBS Austria Holding Ltda	**-**	513.276	-	(17.264)	-	**496.012**
JBS Holding GMBH	**163.242**	38.008	(6.167)	(1.193)	128.451	**322.341**
Novaprom Foods e Ingredientes Ltda	**1.652**	-	-	-	(1.279)	**373**
Fábrica de Prod. Alimentícios Vigor S.A.	**248.359**	-	(1.152)	(38)	10.750	**257.919**
Cascavel Couros Ltda	**289.028**	-	-	-	(5.335)	**283.693**
Biolins Energia S.A. [(1)]	**40.512**	(32.913)	-	-	(7.599)	**-**
Transfer to Other current liabilities (Negative equity)	**47.343**	-	-	-	-	**47.534**
Total	**8.890.450**	**(2.652.042)**	**(404.265)**	**(28.856)**	**145.925**	**5.951.403**

(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.

[(1)]- As informed on April 23, 2011, Biolins was incorporated into the Company on April, 2011.

(Expressed in thousands of reais)

12 Property, plant and equipment, net

Company	Cost	Revaluation	Accumulated depreciation	Net amount June 30, 2011	Net amount Dec 31, 2010
Buildings	2.680.498	116.734	(251.258)	**2.545.974**	2.528.487
Land	965.824	11.622	-	**977.446**	969.461
Machinery and equipment	3.466.022	45.308	(522.284)	**2.989.046**	2.958.227
Facilities	727.702	21.815	(116.969)	**632.548**	640.479
Computer equipment	120.417	718	(43.206)	**77.929**	29.033
Vehicles	432.718	128	(214.359)	**218.487**	240.422
Construction in progress	296.379	-	-	**296.379**	205.346
Other	59.991	1.248	(20.053)	**41.186**	27.508
	8.749.551	**197.573**	**(1.168.129)**	**7.778.995**	**7.598.963**

Consolidated	Cost	Revaluation	Accumulated depreciation	Net amount June 30, 2011	Net amount Dec 31, 2010
Buildings	5.185.165	186.063	(552.724)	**4.818.504**	4.975.792
Land	2.153.581	86.723	(71.367)	**2.168.937**	2.180.248
Machinery and equipment	6.925.042	45.308	(1.755.799)	**5.214.551**	5.513.906
Facilities	795.267	21.815	(161.201)	**655.881**	725.792
Computer equipment	221.046	718	(101.051)	**120.713**	74.588
Vehicles	627.669	128	(344.164)	**283.633**	330.674
Construction in progress	946.995	-	(78)	**946.917**	762.612
Other	153.695	1.248	(40.485)	**114.458**	60.589
	17.008.460	**342.003**	**(3.026.869)**	**14.323.594**	**14.624.201**

According to IAS 16/CPC 27 - 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 period of six months ended on June 30,2011:

	Average annual depreciation rates - Company	Average annual depreciation rates - Consolidated
Buildings	1.53%	1.02%
Land	0.00%	0.53%
Machinery and equipment	2.95%	3.32%
Facilities	3.39%	3.87%
Computer equipment	3.12%	1.59%
Vehicles	5.86%	6.97%
Other	5.91%	6.25%

Changes in property, plant and equipment

	Company June 30, 2011	Company Dec 31, 2010	Consolidated June 30, 2011	Consolidated Dec 31, 2010
Initial balance	**7.598.963**	**7.599.627**	**14.624.201**	**14.440.634**
(+/ -) Borrowings costs adjustments	**2.100**	11.990	**2.100**	11.990
(+) Additions	**288.347**	627.499	**636.159**	1.532.020
(+) Incorporation of Biolins	**110.566**	-	**-**	-
(-) Disposals	**(11.881)**	(356.961)	**(37.400)**	(176.544)
(-) Depreciation	**(209.100)**	(283.192)	**(577.895)**	(1.129.019)
(+) Exchange variation	**-**	-	**(323.571)**	(54.880)
Final balance	**7.778.995**	**7.598.963**	**14.323.594**	**14.624.201**

The depreciation expenses are booked on the cost of goods sold and general and administrative expenses.

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.

(Expressed in thousands of reais)

Until December 2007, revaluations were performed on property, plant and equipment items of several Company's plants, 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 June 30, 2011, the total amount of property, plant and equipment revaluation is R$ 197,573 which the revaluation reserve is R$ 104,032 and the provision for income and social contribution taxes is R$ 49,019. For revalued property, plant and equipment, the Company recorded accumulated depreciation of R$ 44,522.

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 recorded.

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 June 30,2011 and December 31,2010 are shown below:

	Consolidated	
	June 30, 2011	Dec 31, 2010
Construction in progress	**895.912**	713.585
(+) capitalized borrowing costs	**51.005**	49.027
	946.917	**762.612**

Impairment test of asset

In compliance with the requirements of IAS 36/CPC 01 - 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.

13 Intangible assets, net

	Company		Consolidated	
	June 30, 2011	Dec 31, 2010	June 30, 2011	Dec 31, 2010
Goodwill	**9.069.926**	9.069.926	**11.094.018**	11.097.542
Trademarks	**452.574**	452.574	**630.537**	649.031
Software	**8.614**	9.239	**15.689**	17.666
Water rights	**-**	-	**50.836**	48.870
Client portfolio	**-**	-	**533.017**	608.130
Other	**-**	-	**3.445**	4.260
	9.531.114	**9.531.739**	**12.327.542**	**12.425.499**

Changes in intangible assets

	Company		Consolidated	
	June 30, 2011	Dec 31, 2010	June 30, 2011	Dec 31, 2010
Initial balance	**9.531.739**	**9.539.972**	**12.425.499**	**13.156.740**
(+) Additions	**1.962**	-	**22.087**	5.016
(+) Merged of Biolins	**15**	-	**-**	-
(-) Write-offs	**-**	(5.310)	**(16)**	(537.741)
(-) Amortization [1]	**(2.602)**	(2.923)	**(43.452)**	(87.167)
(+) Exchange variation	**-**	-	**(76.576)**	(111.349)
Final balance	**9.531.114**	**9.531.739**	**12.327.542**	**12.425.499**

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

Trademarks, the water right and goodwill have indefinite lives and their recoverable amounts are tested annually for impairment.

Amortization expenses are recorded in the accounts of "Cost of goods sold" and "General and administrative expenses".

Goodwill: According to technical interpretation ICPC 09 - Individual Financial Statements, Separate Statements, Consolidated Statements and Application of Equity Method, in the consolidated goodwill is recorded in the Intangible assets due to expected profitability of the acquired subsidiary, assets and liabilities are consolidated in the Individual Statement. In the balance sheet of the Company, this goodwill is recorded on Investments, the same group of noncurrent assets, because, for the Company it is part of its investment on subsidiary acquisition, not being its intangible assets (as stated above, the expectation of future earnings - the genuine intangible - is the subsidiary).
The Company presents only the intangible goodwill arising from the merger of Bertin and the remaining amounts are allocated in investments.

Detailing of the Goodwill

Company- Recorded as intangible

In December 2009 the Company merged Bertin. The market value of this operation was ascertained based on an appraisal report prepared by a valuation company. The fair value 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 purchase price was allocated to the respective asset accounts, based on the fair value of identifiable assets and liabilities.

Company- Recorded as investment

In July 2007 the Company acquired a 100% interest in Swift Foods Company, currently known as JBS USA , with goodwill of R$ 906,481. Accumulated amortization until December 31, 2008 was R$ 248,656, showing a net carrying amount of R$ 657,825 as of June 30, 2011.

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

JBS USA has goodwill of US$ 224,968 thousand, equivalent to R$ 351,198 as of June 30, 2011, arising mainly from the acquisition in 2008 of Smithfield beef, Tasman and Five Rivers, based on the appreciation of the acquired 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 $32,275 thousand Argentinean pesos, equivalent to R$ 12,271 as of June 30, 2011. Goodwill is based upon expected future earnings of the acquired businesses.

JBS Global A/S has goodwill of 5,187 thousands of Euros, equivalent to R$ 11,757 as of June 30, 2011, 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$ 95,909, which related the following investments:
i) JBS Holding Inc - R$ 18,945
ii) Mirs Cold - R$ 17,795
iii) Rigamonti - R$ 52,442
iv) Serrabella - R$ 1,459
v) Wonder Best - R$ 1,536
vi) IFPSA - R$ 3,732

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

On December, 2010 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:

• 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.

(Expressed in thousands of reais)

• 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, prepared based on the projections made on the financial statements of December 31, 2010, growth prospects and then follow the projections and results of operations for the three months period ended on June 30, 2011, there were no indications of possible losses or losses, as the estimated market value is higher than the carrying amount at the valuation date.

14 Trade accounts payable

	Company		Consolidated	
	June 30, 2011	Dec 31, 2010	June 30, 2011	Dec 31, 2010
Commodities - cattle	**292.779**	284.008	**773.150**	1.218.781
Materials and services	**288.837**	268.059	**1.633.435**	1.584.807
Finished products	**4.565**	14.915	**276.528**	158.807
	586.181	**566.982**	**2.683.113**	**2.962.395**

15 Loans and financings

The Company disclosed the operations in foreign currency and national currency, considering the function currency of each subsidiary that has loans in relation to its countries' function currency.

Current liabilities

		Company	
Type	**Average annual rate of interest and commissions**	June 30, 2011	Dec 31, 2010
Foreign currency			
ACC - (advances on exchange contracts)	Exchange variation, + interest from 2.55 % to 4.15%	**1.495.551**	1.304.840
Euro Bonds	Exchange variation and interest of 10.25%	**14.001**	474.978
Prepayment	Exchange variation + Libor and interest from 0.7% to 6%	**550.478**	406.867
144-A	Exchange variation + interest from 8.25% to 10.50%	**66.916**	67.332
Credit note - Export	Exchange variation + interest from 6.3% to 7.85%	**-**	406
Exim - Foreign loan	Exchange variation, TJLP + interest from 3 % to 5.5%	**-**	3.764
Resolution 63	Interest of 2.5% + Libor 6 months	**17.917**	25.232
		2.144.863	**2.283.419**
National currency			
FINAME	TJLP and interest from 1.26% to 14.5%	**101.335**	54.402
FINAME	Interest from 4.5% to 8%	**-**	4.114
FINEM	TJLP and interest from 3.00% to 3.98%	**-**	48.203
FINEM	Currency basket BNDES + interest of 2.9%	**-**	245
EXIM - export credit facility	TJLP and interest of 5.81%	**392.207**	387.629
BNDES automatic	TJLP and interest from 3.1% to 5.44%	**167.257**	168.938
BNDES automatic	Currency basket BNDES + interest from 2% to 3.2%	**6.472**	15.639
Working capital- Brazilian Reais	Interest from 4% to 11.25% or 100% to 114% of CDI	**160.791**	141.684
Credit note - export	Interest from 1.2% to 14% or 100% to 125% of CDI	**948.732**	1.232.141
FCO - Middle West Fund	Interest of 10.00%	**612**	615
FNO - North Fund	Interest from 10.00% to 11.5%	**4.472**	5.008
Others		**556**	556
		1.782.434	**2.059.174**
		3.927.297	**4.342.593**

(Expressed in thousands of reais)

Noncurrent liabilities

		Company	
Type	**Average annual rate of interest and commissions**	**June 30, 2011**	**Dec 31, 2010**
Foreign currency			
ACC - (advances on exchange contracts)	Exchange variation, + interest from 2.55 % to 4.15%	**271.631**	289.919
Euro Bonds	Exchange variation and interest of 10.25%	**546.385**	583.170
Prepayment	Exchange variation + Libor and interest from 0.7% to 6%	**793.311**	907.802
144-A	Exchange variation + interest from 8.25% to 10.50%	**1.859.776**	1.984.683
Credit note - Export	Exchange variation + interest from 6.3% to 7.85%	**-**	46.320
Resolution 63	Exchange variation + Interest of 2.5% + Libor 6 months	**-**	9.521
		3.471.103	**3.821.415**
National currency			
FINAME	TJLP and interest from 1.26% to 14.5%	**153.307**	99.456
FINAME	Interest from 4.5% to 8%	**-**	7.384
FINEM	TJLP and interest from 3.00% to 3.98%	**-**	63.538
FINEM	Currency basket BNDES + interest of 2.9%	**-**	51
EXIM - export credit facility	TJLP and interest of 5.81%	**135.417**	247.916
BNDES automatic	TJLP and interest from 3.1% to 5.44%	**99.723**	195.545
BNDES automatic	Currency basket + interest from 2% to 3.1%	**6.215**	-
Working capital- Brazilian Reais	Interest from 4% to 11.25% or 100% to 114% of CDI	**1.495.010**	571.631
Credit note - Export	Interest from 1.2% to 14% or 100% to 125% of CDI	**1.331.005**	1.647.120
FCO - Middle West Fund	Interest of 10.00%	**950**	1.250
FNO - North Fund	Interest from 10.00% to 11.5%	**22.610**	24.609
		3.244.237	**2.858.500**
		6.715.340	**6.679.915**

Breakdown:		
Current liabilities	**3.927.297**	**4.342.593**
noncurrent liabilities	**6.715.340**	**6.679.915**
	10.642.637	**11.022.508**

Maturities of long-term debt are as follows:

2012	**833.920**	1.779.752
2013	**1.663.715**	1.195.695
2014	**990.999**	595.982
2015	**763.883**	518.743
2016	**1.042.916**	1.080.390
2017	**4.190**	2.000
2018	**1.411.017**	1.503.639
2019	**4.218**	3.713
2020	**441**	-
2021	**41**	-
	6.715.340	**6.679.915**

Current liabilities

		Consolidated	
Type	**Average annual rate of interest and commissions**	**June 30, 2011**	**Dec 31, 2010**
Foreign currency			
ACC - (advances on exchange contracts)	Exchange variation + interest from 2.55 % to 4.15%	**1.614.634**	1.403.552
Euro Bonds	Exchange variation and interest of 10.25%	**14.001**	474.978
Prepayment	Exchange variation + Libor and interest from 0.7% to 6%	**558.355**	406.867
144-A	Exchange variation + interest from 8.25% to 10.50%	**66.916**	67.332
Credit note - Import	Exchange variation + interest of 11.25%	**6.691**	17.483
Credit note - Export	Exchange variation + interest from 6.3% to 7.85%	**-**	406
Notes	Exchange variation + interest of 9.25%	**5.134**	5.437
PPC - México revolver	Interest of 9.5981%	**67**	-
Tasman Government Loan	Exchange variation + Interest of 0% until 2013	**1.816**	1.076
EXIM - export credit facility	Exchange variation TJLP, interest from 3.00% to 5.5%	**-**	3.764
Resolution 63	Exchange variation + Interest of 2.5% + Libor 6 months	**17.917**	25.232
		2.285.532	**2.406.127**

(Expressed in thousands of reais)

National Currency			
FINAME	TJLP and interest from 1.26% to 14.5%	**101.468**	54.535
FINAME	Interest from 4.5% to 8%	**-**	4.207
FINEM	TJLP and interest of 3.00% to 3.98%	**63**	48.533
FINEM	Currency basket BNDES + interest of 2.90%	**-**	246
Installment note corp aircraft (payable notes)	Libor and interest from 1.75%	**1.436**	2.666
JBS Mortgage	Interest from 5.75% to 8.35%	**2.309**	2.183
EXIM - export credit facility	TJLP and interest from 5.81%	**392.207**	387.629
EXIM - export credit facility	Interest from 7% to 11.19%	**101.062**	101.347
BNDES automatic	TJLP and interest from 3.1% to 5.44%	**167.257**	168.939
BNDES automatic	Currency basket + interest from 2% to 3.1%	**6.472**	15.639
US revolver	Prime + 2.25%, Libor and Interest of 3.25%	**1.338**	-
JBS Term Loan	Interest of 4.25%	**8.399**	-
Five Rivers term loan	Interest of 2.93%	**8.992**	-
Senior note due 2014	Interest of 11.625%	**19.760**	21.092
Senior note due 2021	Interest of 7.25%	**6.366**	-
PPC - US Senior note	Interest of 7.875%	**2.050**	72
PPC exit credit facility - revolving credit facility	Base + pre determinate rate	**1.805**	1.295
PPC - US term notes	Interest from 5.25% to 9.00%	**36.374**	110.456
PPC - US bonds	Interest from 7.625% to 9.25%	**148**	1.998
Plainwell Bond	Interest of 4.39%	**2.353**	701
Working capital- Brazilian Reais	Interest from 4% to 11.25% or 100% to 114% of CDI	**174.625**	141.684
Working capital - US dollars	Libor +interest from 1.10% to 3.20%	**120.566**	96.753
Credit note - Export	Interest from 1.2% to 14% or 100% to 125% of CDI	**969.252**	1.234.889
FCO - Middle West Fund	Interest of 10.00%	**1.365**	1.370
FNO - North Fund	Interest from 10.00% to 11.5%	**4.472**	5.008
Working capital - Egyptian pound	Interest of 152.00% of CDI	**33.082**	50.712
EGF	Interest of 6.75%	**-**	25.910
Credit note - Import	Interest of 4.44% (libor and interest of 2.80%)	**89.961**	76.604
Others		**43.783**	5.603
		2.296.965	**2.560.071**
		4.582.497	**4.966.198**

Noncurrent liabilities

Type	**Average annual rate of interest and commissions**	**Consolidated** **June 30, 2011**	 **Dec 31, 2010**
Foreign currency			
ACC - (advances on exchange contracts)	Exchange variation, + interest from 2.55 % to 4.15%	**271.631**	289.919
Euro Bonds	Exchange variation and interest of 10.25%	**702.495**	749.790
Prepayment	Exchange variation + Libor and interest from 0.7% to 6%	**793.311**	907.801
144-A	Exchange variation + interest from 8.25% to 10.50%	**1.859.776**	1.984.683
Credit note - Import	Exchange variation + interest of 11.25%	**-**	6.667
Credit note - Export	Exchange variation + interest of 6.3% to 7.85%	**-**	46.320
Tasman Government Loan	Exchange variation + Interest of 0% until 2013	**19.667**	5.995
Resolution 63	Exchange variation + Interest of 2.5% + Libor 6 months	**-**	9.521
		3.646.880	**4.000.696**
National currency			
FINAME	TJLP and interest from 1.26% to 14.5%	**153.551**	99.766
FINAME	Interest from 4.5% to 8%	**-**	7.420
FINEM	TJLP and interest of 3.00% to 3.98%	**8**	63.701
FINEM	Currency basket BNDES + interest of 2.90%	**-**	51
Installment note corp aircraft (payable notes)	Libor and interest from 1.75%	**11.042**	12.550
JBS Mortgage	Interest of 5.75% to 8.35%	**27.749**	30.920
EXIM - export credit facility	TJLP and interest from 5.81%	**135.417**	247.917
EXIM - export credit facility	Interest from 7% to 11.19%	**41.841**	92.050
BNDES automatic	TJLP and interest from 3.1% to 5.44%	**99.723**	195.545
BNDES automatic	Currency basket + interest of 2% to 3.1%	**6.215**	-
US revolver	Prime + 2,25%, Libor and Interest of 3.25%	**426.155**	-
JBS Term Loan	Interest of 4.25%	**724.992**	-
Five Rivers term loan	Interest of 2.93%	**122.559**	-
Senior note due 2014	Interest of 11.625%	**1.046.287**	1.100.725
Senior note due 2021	Interest of 7.25%	**983.810**	-

(Expressed in thousands of reais)

PPC - US Senior note due 2018	Interest of 7.875%	**759.221**	788.879
PPC exit credit facility - revolving credit facility	Base + pre determinate rate	**571.647**	342.071
PPC - US term notes	Interest from 5.25% to 9.00%	**861.445**	936.706
PPC - US bonds	Interest from 7.625% to 9.25%	**6.085**	-
Plainwell Bond	Interest of 4.39%	**23.053**	26.033
Marshaltown	Interest of 2%	**14.859**	-
Working capital- Brazilian Reais	Interest from 4% to 11.25% or 100% to 114% of CDI	**1.495.010**	571.631
Working capital - US dollars	Libor +interest from 1.10% to 3.20%	**-**	14.441
Working capital - Euro	Euribor + interest from 0.15% to 1.75%	**2.684**	-
Credit Note - export	Interest from 1.2% to 14% or 100% to 125% of CDI	**1.331.005**	1.647.120
FCO - Middle West Fund	Interest of 10.00%	**2.361**	3.029
FNO - North Fund	Interest of 10.00% to 11.5%	**22.609**	24.609
Working capital - Egyptian pound	Interest of 152.00% of CDI	**-**	5.979
Others		**25.602**	5.318
		8.894.929	**6.216.460**
		12.541.810	**10.217.156**
Breakdown:			
Current liabilities		**4.582.497**	**4.966.198**
noncurrent liabilities		**12.541.810**	**10.217.156**
		17.124.307	**15.183.354**
Maturities of long-term debt are as follows:			
2012		**897.261**	1.888.682
2013		**1.716.110**	1.210.997
2014		**3.499.456**	2.960.036
2015		**791.005**	540.466
2016		**1.565.044**	1.081.564
2017		**165.131**	175.824
2018		**2.869.100**	2.338.259
2019		**1.038.222**	21.328
2020		**441**	-
2021		**41**	-
		12.541.810	**10.217.156**

ACCs (advances on exchange contracts) are credit facilities obtained from financial institutions by the Company, its subsidiary JBS Argentina S.A., in the amount of US$ 1,208,292 as of June 30, 2011 (US$ 1,016,367 as of December 31, 2010), to finance export transactions.

EUROBONS - The incorporated Bertin who entered into a credits agreement in the amount of US$ 350 million on October 13, 2006 , with a coupon of 10.25% per year, without guarantee.

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.

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

ABL (Asset Based Loan) – On May 12, 2011 the subsidiary JBS USA, LLC entered into a credit agreement consisting of a term loan commitment of US$ 850 million, with a payment term of 5 years and LIBOR + 1.75% per year.

Term Loan B - On May 27, 2011 the subsidiary JBS USA, LLC entered into a credit agreement consisting of a term loan of US$ 475 million with a payment term of 7 years and LIBOR + 3% per year.

Term Loan A - On July 14, 2011 the indirect subsidiary JBS Five Rivers obtained an US$ 85 million term loan with a payment term of 5 years and LIBOR + 2.75% per year.

16 Credit operations, guarantees and covenants

On June 30, 2011, the Company was in compliance with all covenants. The main credit operations, guarantees and covenants of the Company and its subsidiaries are described below.

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. Pursuant to the additional indenture dated January 31, 2007, JBS Finance Ltd became a co-issuer of Notes 2016.

Guarantees: The indenture governing Notes 2016 requires that any significant subsidiary (as defined in the indenture governing the Notes 2016) to guarantee all obligations of the Company as stated in Notes 2016, subject to certain exceptions. 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 may be required to guarantee the Notes 2016 in the future.

Covenants. The indenture for the Notes 2016 contains customary negative covenants that limit the Company's ability and the ability of certain subsidiaries to, among other things limits:

. incur additional debt, if the ratio net debt/EBITDA is higher than a determined index;
. incur liens;
. sell or dispose of assets;
. pay certain dividends and make other payments;
. permit restrictions on dividends and other restricted payments by our restricted subsidiaries;
. have certain transactions with related parties;
. execute lease transactions with repurchase option (sale/leaseback).
. change 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 (subject to certain permitted 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 accrued 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.

Events of default: The indenture of Notes 2016 contains customary events of default. 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 an event of default occurs, 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 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 "material subsidiary" (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 subsidiaries of the Company may be required to guarantee the Bertin's Notes 2016 in the future.

Covenants. The indenture of Notes 2016 contains customary negative covenants that limit the Company's ability and the ability of its subsidiaries to, among other things limits:

. incur additional debt if the net debt/EBITDA ratio is higher than a determined index;
. incur liens;
. pay dividends or make certain payments to shareholders;
. sell or dispose of assets;
. have certain transactions with related parties;
. dissolve, consolidate, merge or acquire the business or assets of other entities;
. execute lease transactions with repurchase option (sale/leaseback);
. change 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 (subject to certain permitted 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 accrued 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.

Events of default: The issuance instrument of Bertin's Notes 2016 contains customary events of default. 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 an event of default occurs, 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 US$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) amended 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 2017 Vigor Notes contains customary negative covenants that limit the Vigor's ability and the ability of certain of its subsidiaries to, among other things limits:

. incur additional debt if the net debt/EBITDA ratio is higher than a determined index;
. incur liens;
. pay dividends or make certain payments to shareholders;
. permit restrictions on dividends and other restricted payments by restricted subsidiaries
. sell or dispose of assets;
. have certain transactions with related parties;
. execute lease transactions with repurchase option (sale/leaseback);
. change the company's control without making a purchase offer on 2017 Vigor Notes.

The indenture governing the 2017 Vigor Notes restricts Vigor and its subsidiaries from incurring any debt (subject to certain permitted exceptions), unless on the date of such incurrence, Vigor's 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 Vigor's ability and the ability of its subsidiaries 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 accrued 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 July 29, 2010, JBS Finance II Ltd., a wholly-owned subsidiary of 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.

The Notes 2018 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 customary negative covenants that limit the Company's ability and the ability of certain subsidiaries to, among other things limits:

. incur additional debt if the net debt/EBITDA ratio is higher than a determined index;
. incur liens;
. pay dividends or make certain payments to shareholders;
. permit restrictions on dividends and other restricted payments by restricted subsidiaries
. sell or dispose of assets;
. have certain transactions with related parties;
. execute lease transactions with repurchase option (sale/leaseback);
. change the company's control without making a purchase offer on Notes 2018.

As mentioned above, the terms and conditions for Notes 2018 include covenants. They restrict the Company and its subsidiaries, besides JBS USA, to incur any debts (subject to certain permitted 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 accrued 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 of Notes 2018 contains customary events of default. 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 an event of default occurs, 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 US$600.0 million secured revolving credit facility with a commercial bank. This credit facility and the guarantee thereof 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 described above. The finished cattle are sold to JBS USA under the cattle purchase and sale agreement discussed above. This facility was amended and restated on September 10, 2010. The amended and restated facility has availability up to US$800.0 million and matures on September 23, 2014.

On June 14, 2011, J&F Oklahoma and JBS Five Rivers executed a third amended and restated credit agreement to extend availability up to US$1.0 billion and to add J&F Australia as a borrower under the facility. This amended and restated facility has a maturity date of June 14, 2015 and provides commitments of US$900.0 million upon closing and an increase of US$100.0 million on August 10, 2011. At June 30, 2011, with US$900.0 million as available commitments, J&F Oklahoma was utilizing US$717.3 million of the facility and had outstanding letters of credit of US$1.5 million, leaving US$181.2 million in unused commitments with US$144.0 million available to be borrowed by J&F Oklahoma according to the terms of the credit agreement.

At December 26, 2010, with US$750.0 million as available commitments, J&F Oklahoma was utilizing US$669.0 million of the facility and had outstanding letters of credit of US$1.5 million, leaving US$79.5 million in unused commitments with US$79.1 million available to be borrowed by J&F Oklahoma according to the terms of the credit agreement. Borrowings under the facility bear interest at variable rates based on applicable LIBOR rates plus 2.25%, or based on the prime rate plus 1%. The interest rate at June 30, 2011 was 4.25%.

The credit agreement is collateralized by accounts receivable and inventories of J&F Oklahoma and by certain fixed assets, accounts receivable and inventories of JBS Five Rivers. Among other requirements, the facility requires J&F Oklahoma to maintain certain financial ratios, minimum levels of net worth and establish limitations on certain types of payments, including dividends, investments and capital expenditures. In most instances, the bank considers the combined position and results of J&F Oklahoma along with JBS Five Rivers. Its parent company has entered into a keep-well agreement with its subsidiary (J&F Oklahoma) whereby it will make contributions to J&F Oklahoma if J&F Oklahoma is not in compliance with its financial covenants under this credit facility. If J&F Oklahoma defaults on its obligations under the credit facility and such default is not cured by its parent under the keep-well agreement, JBS Five Rivers is obligated for up to US$250.0 million of guaranteed borrowings plus certain other obligations and costs under this credit facility. J&F Oklahoma was in compliance with financial covenants under this credit facility as of June 30, 2011.

Revolving line of credit for J&F Oklahoma - JBS Five Rivers is party to an agreement with J&F Oklahoma pursuant to which JBS Five Rivers has agreed to loan up to US$200.0 million in revolving loans to J&F Oklahoma. The loans are used by J&F Oklahoma to acquire feeder animals which are placed in JBS Five Rivers' feed yards for finishing. Borrowings accrue interest at a per annum rate of LIBOR plus 2.25% and interest is payable at least quarterly. The interest rate at June 30, 2011 was 2.56%. This facility was amended on September 10, 2010 to mature on September 11, 2016. The facility was amended on June 14, 2011 to increase availability under the loan to US$375.0 million. As of December 31, 2010 and June 30, 2011, outstanding borrowings were US$111.9 million and US$206.1 million, respectively.

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 US$400.0 million, and terminates on November 5, 2011. Up to US$75.0 million of the Credit Agreement is available for the issuance of letters of credit. At December 31, 2010 and June 30, 2011, US$31.5 million and US$31.3 million of the availability were used towards letters of credit, respectively. Borrowings that are index rate loans will bear interest at the prime rate plus a margin of 2.25%, the all-in rate as of June 30, 2011 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%.

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 and June 30, 2011, borrowing availability was US$366.1 million and US$91.4 million, respectively.

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, 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 US$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 limits:

- have capital expenditures greater than US$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 June 30, 2011, JBS USA was in compliance with all covenants.

On April 27, 2009, the Credit Agreement was amended to allow the execution of the US$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 US$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 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 US$25.0 million to US$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 US$50.0 million to US$100.0 million.

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

On May 16, 2011, JBS USA executed an amendment to the Amended and Restated Credit Agreement to permit JBS USA to issue the 7.250% senior unsecured notes due 2021 and enter into the US$475 million term loan due 2018, both described below. The amendment also recognized the resignation of General Electric Capital Corporation as the agent and effective June 10, 2011, JPMorgan Chase Bank, N.A. assumed the role of agent for the facility.

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 June 30, 2011 was 0.21% 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 – JBS 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.

Intercompany loans – From October 26, 2009 through April 28, 2010, JBS USA made eight intercompany loans to JBS Australia totaling US$167.0 million to fund working capital needs 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 eliminate 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 due to fluctuations in the period end AUD to USD exchange rate. On May 4, 2010, the loans payable and related interest were paid in full and the agreements were terminated.

A$250 million revolving loan payable between JBS USA and JBS Australia – On May 4, 2010, JBS USA issued a long-term intercompany revolving promissory note to JBS 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 needs and general corporate purposes (Note 28). On November 9, 2010, the note was amended to increase the maximum amount of advances to A$350.0 million. On February 2, 2011, the note was amended to increase the maximum amount of advances to A$400.0 million. 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 due to fluctuations in the period end AUD to USD exchange rate. The average interest rate at June 30, 2011 was 7.77%.

A$50 million revolving loan receivable from JBS Australia – On May 4, 2010, JBS USA Holdings issued an intercompany revolving promissory note to JBS 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 needs 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 due to fluctuations in the period end AUD to USD exchange rate. As of December 31, 2010, outstanding borrowings were approximately US$10.3 million. There were no outstanding borrowings at June 30, 2011.

US$50 million revolving loan receivable from JBS USA – On April 19, 2010, JBS USA Holdings issued an 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 needs and general corporate purposes. There were no outstanding borrowings at December 31, 2010 or June 30, 2011. The interest rate at June 30, 2011 was 2.80%.

US$50 million loan receivable from JBS Five Rivers - On May 27, 2011, JBS USA issued a US$50.0 million intercompany loan to JBS Five Rivers with interest based on the three-month LIBOR plus 225 basis points and a maturity date of May 27, 2012. While this loan eliminates upon consolidation, on June 22, 2011, the outstanding principal and accrued interest were paid in full.

On June 2, 2011, JBS USA issued a US$2.0 billion revolving intercompany note to JBS USA Holding, which used these funds to distribute US$850.0 million to JBS S.A. to fund the repayment of short and medium-term debt of JBS S.A. The note bears interest at a variable per annum rate equal to LIBOR plus 300 basis points payable annually. Principal and interest are payable upon demand by JBS USA at any time on or after June 2, 2012. The interest rate at June 30, 2011 was 3.25%. JBS USA Holdings recognized US$1.7 million of interest expense on the note for both the thirteen and twenty-six weeks ended June 30, 2011. The outstanding borrowings of US$942.2 million plus interest expense of US$1.7 million are eliminated upon consolidation.

On June 23, 2011, PPC entered into the Subordinated Loan Agreement (the "Subordinated Loan Agreement") with JBS USA Holdings which provided an aggregate commitment of US$100.0 million. On June 23, 2011, JBS USA Holdings made a term loan to PPC in the principal amount of US$50.0 million. In addition, JBS USA Holdings agreed to make an additional one-time term loan of US$50.0 million if PPC's availability under the revolving loan commitment is less than US$200.0 million at any time. The commitment, under the Subordinated Loan Agreement, will terminate on the earliest to occur of (i) date on which all Exit Credit Facilities are due and payable in accordance with its terms or (ii) June 27, 2015. Loans under the Subordinated Loan Agreement mature on June 28, 2015. The outstanding borrowings of US$50.0 million plus accrued interest of US$55 thousand are eliminated upon consolidation.

Unsecured term loan facility – On February 12, 2010, JBS Australia entered into an unsecured US$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 June 30, 2011.

4.39% secured notes due 2019 – JBS USA and JBS Plainwell, issued 4.39% notes due 2019 in an aggregate principal amount of US$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. The funds are classified as restricted cash in the Condensed Consolidated Balance Sheets. At both December 31, 2010 and June 30, 2011 the balance in restricted cash related to the 4.39% secured notes due 2019 was US$16.0 million.

Marshalltown NMTC – On March 10, 2011, Swift Pork entered into the Marshalltown NMTC transaction to finance construction of a distribution center (see Note 3). Swift Pork borrowed US$9.8 million at 2.34% annual interest payable monthly for seven years. Of the total amount borrowed, US$7.2 million ("Loan A") was indirectly funded by JBS USA through a leverage loan and is included in judicial deposits and other within the Condensed Consolidated Balance Sheets. The remaining US$2.6 million ("Loan B") was funded by a local community development entity. At the end of the seven year period there is an option to dissolve the transaction through a put option with an exercise price of US$1 thousand or a call option with an exercise price which will be calculated at its fair market value. If the put or call option is not exercised then Loan A will begin to amortize over the remaining 28 years, with principal and interest due monthly and a balloon payment for the remaining principal due March 2046. Loan B will continue to have interest only payments through 2046 at which time principal and interest are due.

Tasmanian government loan – On September 2, 2010, JBS Australia and JBS Southern Australia Pty. Ltd. 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 JBS 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 were drawn on October 4, 2010, November 8, 2010 and May 17, 2011, respectively.

Each loan is interest payment free for the initial three years, then bears interest at the Department's cost of funds for years four through nine and then for years 10 through 15 bears interest at the Department's variable commercial rate. Upon initial drawdown, interest expense is accrued monthly at the estimated average rate for the life of the loan and is payable upon notice by the Department or in conjunction with the repayment of principal after the three year period. The debt is secured by certain fixed assets at JBS Australia's processing plant located in Rockhampton, Queensland and is subject to standard debt covenants. The estimated average interest rate at June 30, 2011 was 8.50%.

Corporate building loan assumption – In October 2010, JBS USA Holdings acquired its corporate headquarters in Greeley, Colorado. It paid US$9.2 million in cash and assumed US$20.1 million in mortgage debt. The debt is comprised of two mortgages in the amounts of US$3.1 million and US$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. During the thirteen weeks ended December 31, 2010, US$0.6 million of expenses related to this transaction were capitalized as part of the building.

Credit facility to Sampco – On April 1, 2010, JBS USA Holdings executed a US$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 the three-month LIBOR plus a margin of 2.5% and a maturity date of March 31, 2012. JBS USA Holdings recognized US$0.2 million of interest income on the Sampco note for both the thirteen and twenty-six weeks ended June 27, 2010. Due to the Bertin Contribution, as of June 30, 2011, the outstanding borrowings of US$24.6 million plus accrued interest of US$31 thousand are eliminated upon consolidation.

Credit facility to JBS USA Trading – On April 1, 2010, JBS USA Holdings executed a US$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 the three-month 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 US$25.0 million. JBS USA Holdings recognized US$113 thousand of interest income on the JBS USA Trading note for both the thirteen and twenty-six weeks ended June 30, 2010. Due to the Bertin Contribution, as of June 30, 2011, the outstanding borrowings of US$7.9 million plus accrued interest of US$83 thousand are eliminated upon consolidation.

Credit facility to Bertin USA – On April 15, 2010, JBS USA Holdings executed an US$11.0 million related party revolving promissory note with Bertin USA, a direct wholly-owned subsidiary of JBS S.A., with interest based on the three-month LIBOR plus a margin of 2.5% and a maturity date of March 31, 2012. JBS USA Holdings recognized US$38 thousand of interest income on the Bertin USA note for both the thirteen and twenty-six weeks ended June 30, 2010. Due to the Bertin Contribution, as of June 30, 2011, the outstanding borrowings of US$6.0 million plus accrued interest of US$61 thousand are eliminated upon consolidation.

11.625% senior unsecured notes due 2014 – On April 27, 2009, 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 US$700.0 million. These notes are guaranteed by JBS USA Holdings, JBS S.A., JBS Hungary Holdings Kft., and each of the US 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 semi-annually 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 US$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. At June 30, 2011, JBS USA and JBS USA Finance, Inc. were in compliance with all covenants.

7.250% senior unsecured notes due 2021 - On May 27, 2011, JBS USA Holdings' wholly-owned subsidiaries JBS USA and JBS USA Finance, Inc. issued 7.250% notes due 2021 in an aggregate principal amount of US$650.0 million primarily to make an intercompany loan to the JBS USA Holdings, for further transfer to JBS S.A. to fund the repayment of short and medium-term debt of JBS S.A. These notes are guaranteed by JBS USA Holdings, JBS S.A., JBS Hungary Holdings Kft., and each of the US restricted subsidiaries that guarantee the Credit Agreement (subject to certain exceptions). If certain conditions are met, the Parent Guarantors may be released from their guarantees. Interest on these notes accrues at a rate of 7.250% per annum and is payable semi-annually in arrears on June 1 and December 1 of each year, beginning on December 1, 2011. The principal amount of these notes is payable in full on June 1, 2021. The original issue discount of approximately US$11.3 million is being accreted over the life of the notes.

US$475 million term loan due 2018 – On May 27, 2011, JBS USA entered into a credit agreement consisting of a term loan commitment of US$475.0 million primarily to make an intercompany loan to JBS USA Holdings, for further transfer to JBS S.A. to fund the repayment of short and medium-term debt of JBS S.A. Loans under this agreement may be either Alternate Base Rate ("ABR") loans or Eurodollar loans at the election of JBS USA. Interest on Eurodollar loans is payable at the end of the associated interest period while interest on ABR loans is payable the last day of each calendar quarter. Commencing on September 20, 2011 and continuing until maturity, 0.25% of the initial principal amount of US$475.0 million will be payable on the last business day of each calendar quarter. The outstanding principal is payable on May 25, 2018. The original issue discount of approximately US$2.4 million is being accreted over the life of the loan.

US$85 million term loan due 2016 – On June 14, 2011, JBS Five Rivers obtained an US$85.0 million term loan which has a maturity date of June 14, 2016. Repayment of the term loan is required to be made in 20 quarterly installments in the amount of US$1.4 million on the last day of each calendar quarter, with the remaining unpaid principal balance due upon maturity. Borrowings under the term loan bear interest at variable rates based on applicable LIBOR rates plus 2.75%, or based on the prime rate plus 1.5%. The proceeds from the term loan were advanced to J&F Oklahoma Holdings, Inc. ("J&F Oklahoma") under the note receivable from J&F Oklahoma. The term loan is secured by certain fixed assets, accounts receivable and inventories of JBS Five Rivers and accounts receivable and inventories of J&F Oklahoma. J&F Oklahoma is a guarantor under the term loan agreement and while it is possible that J&F Oklahoma would be required to repay the outstanding balance and certain other obligations and costs under the term loan as part of its guarantee, it is not probable at this time.

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, 2010 and June 30, 2011, JBS USA Holdings had US$397.4 million and US$453.6 million, respectively, of retained earnings available to pay dividends.

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 Unsecured Notes due 2018 - On December 15, 2010, PPC closed on the sale of US$500.0 million of 7 7/8% Senior Notes due 2018 (the "2018 Notes"). The 2018 Notes are unsecured obligations of PPC are guaranteed by one of 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 purchaser's discounts and expenses, were used to repay all indebtedness outstanding under the Term A loan commitments of the Exit Credit Facility and to repay a portion of the indebtedness outstanding under the Term B-1 loans commitments of the Exit Credit Facility. The indenture governing the 2018 Notes contains various covenants that may adversely affect PPC's 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 Holdings and PPC's other affiliates, merge, consolidate and/or sell or dispose of all or substantially all of their assets.

Senior Unsecured Note – PPC has indebtedness under Senior Notes due in 2015 bearing interest at a rate of 7 5/8%.

Senior Subordinated Unsecured Notes – PPC has indebtedness under senior subordinated notes due in 2017 bearing interest at 8 3/8%. PPC has indebtedness under senior subordinated notes due in 2013 bearing interest at 9 1/4%.

Exit Credit Facility - Upon exiting from bankruptcy, PPC and certain of its subsidiaries entered into the Exit Credit Facility. This facility provided for an aggregate commitment of US$1.8 billion consisting of a revolving loan commitment of US$600.0 million, a Term A loans commitment ("Term A") of US$375.0 million and a Term B loans commitment ("Term B") of US$775.0 million. The Exit Credit Facility also includes an accordion feature that allows PPC at any time to increase the aggregate revolving loan commitment by up to an additional US$250.0 million and to increase the aggregate Term B loans commitment by up to an additional US$400.0 million, in each case subject to the satisfaction of certain conditions, including an aggregate cap on all commitments under the Exit Credit Facility of US$1.9 billion.

The Term A loan was repaid on December 15, 2010 with proceeds from the 7 7/8% Senior Notes discussed below. On January 13, 2011, PPC increased the amount of the revolving loan commitments under the Exit Credit Facility to US$700.0 million. The revolving loan commitment and the Term B loans will mature on December 28, 2014.

Subsequent to the end of each fiscal year, a portion of PPC's cash flow must be used to repay outstanding principal amounts under the Term B loans. In April 2011, PPC paid approximately US$46.3 million of its excess 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 US$3.9 million beginning on April 15, 2011, with the final installment due on December 28, 2014. The Exit Credit Facility also requires PPC to use the proceeds it receives 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.

Actual borrowings by PPC under the revolving credit commitment part of the Exit Credit Facility are subject to a borrowing base, based on certain eligible inventory, eligible receivables and restricted cash under the control of the Exit Credit Facility agent. The borrowing base formula is reduced by the sum of inventory reserves, rent and collateral access reserves, and any amount more than 15 days past due that is owed by PPC 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 US$25.0 million with respect to To-Ricos as joint borrower. As of June 30, 2011, the applicable borrowing base was US$700.0 million and the amount available for borrowing under the revolving loan commitment was US$279.8 million.

The Exit Credit Facility includes a US$50.0 million sub-limit for swingline loans (loans with same day availability), and a US$200.0 million sub-limit for letters of credit. On April 14, 2011, PPC increased the amount of the sub-limit for swingline loans under the Exit Credit Facility to US$100.0 million. Outstanding borrowings under the revolving loan commitment bear interest at a per annum rate equal to 3.0% plus the greater of the US prime rate, the average federal funds rate plus 0.5%, and the one-month LIBOR rate plus 1.0%, in the case of alternate base rate loans, or 4.0% 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 3.5% plus greater of the US prime rate, the average federal funds rate plus 0.5%, and the one month LIBOR rate plus 1.0%, in the case of alternate base rate loans, or 4.5%, 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 9.0%. Commitment fees charged on the revolving commitments under the Exit Credit Facility accrue at a per annum rate equal to 0.5%.

The Exit Credit Facility provides that PPC may not incur capital expenditures in excess of US$275.0 million in 2011 and US$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 Holdings and other affiliates, merge, consolidate and/or sell or dispose of all or substantially all of PPC's assets.

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 US$200.0 million of such subordinated indebtedness may be included in the calculation of EBITDA (as defined in the Exit Credit Facility).

On June 23, 2011, PPC entered into an amendment to the Exit Credit Facility, which, among other things, temporarily suspended the requirement for PPC to comply with the fixed charge coverage ratio and senior secured leverage ratio financial covenants until September 23, 2012 and modified the consolidated tangible net worth financial covenant. PPC is currently in compliance with the required tangible net worth covenant. However, if chicken prices and feed ingredient prices fail to improve relative to current levels, PPC's ability to maintain compliance with this financial covenant could be materially jeopardized.

All obligations under the Exit Credit Facility are unconditionally guaranteed by certain of PPC's subsidiaries and are secured by a first priority lien on the domestic (including Puerto Rico) accounts receivable and inventory of PPC and its subsidiaries; 100% of the equity interests in the To-Ricos Borrowers and PPC's domestic subsidiaries and 65% of the equity interests in PPC's direct foreign subsidiaries; substantially all of the personal property and intangibles of PPC, the To-Ricos Borrowers and the guarantor subsidiaries; and substantially all of the real estate and fixed assets of PPC and the subsidiary guarantors.

ING Credit Agreement - On September 25, 2006, a subsidiary of PPC, 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 revolving commitment of 557.4 million Mexican pesos, a US dollar-equivalent US$45.1 million at December 31, 2010 The ING Credit Agreement has a revolving commitment of 557.4 million Mexican pesos, a US dollar-equivalent US$46.8 million at June 30, 2011.

Outstanding amounts under the ING Credit Agreement bear interest at a rate per annum equal to the LIBOR Rate, the Base Rate or the TIIE Rate, as applicable, plus the Applicable Margin (as those terms are defined in the ING Credit Agreement).

The ING Credit Agreement requires PPC to make a mandatory prepayment of the revolving loans in an aggregate amount equal to 100% of the net cash proceeds received by certain Mexico subsidiaries of PPC (the "Mexico Subsidiaries"), as applicable, in excess of thresholds specified in the ING Credit Agreement, from the sale of certain assets by the Mexico Subsidiaries; from 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 Subsidiaries; or from the incurrence of certain indebtedness by the Mexico Subsidiary. Any such mandatory prepayments will permanently reduce the amount of the commitment under the ING Credit Agreement. The Mexico Subsidiaries pledged substantially all of their receivables, inventory and equipment and certain fixed assets. The Mexico Subsidiaries were excluded from the US bankruptcy proceedings.

17 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 per value of R$ 1,739.80. The total value of the debentures was R$3,479,600. Issuance and transaction costs corresponded to R$17,388, and there was no premium 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 were 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 did not have liquidity.

Liquidity event meant 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) would became a Reporting company with the Securities and Exchange Commission, (b) would have shares listed on the New York Stock Exchange or NASDAQ, (c) would have 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, would be composed of single species and class stocks, noting that would be allowed to issue classes of preferred shares with different political rights after the liquidity event.

The maturity of the debentures were 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 could 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 would 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);

(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 - BNDES Participações S.A.

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, on the total amount of 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 was 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
* 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.

Debentures capitalization - subsequent event

On May 17, 2011, the Board of Directors approved the capital increase, in accordance with the authorized limit, in the amount of R$ 3,479,600, by issuing up to 494,261,363 common shares, nominative, without par value and the price of R$ 7.04 (seven reais and four cents) each.

On June 3, 2011, at a General Meeting of Debenture holders, 99.94% of the holders approved the use of the credits of the debentures to the capitalization up to R$ 3,479,600 through the private issuing of up to 494,261,363 new common shares at a price of R$ 7.04 (seven reais and four cents) each.

During the statutory period, noncontrolling shareholders exercised their preemptive rights to subscribe shares and subscribed 5,410 shares in the total amount of R$38. BNDESPAR, main debenture holder, subscribed 493,967,305 shares in total amount of R$ 3,477,530 through the capitalization of credits of the Debentures held.

On July 14, 2011, the capital increase approved by the Board of Directors was approved in the amount of R$ 3,477,568 through the issuance of 493,972,715 common shares at a price of R $ 7.04 (seven reais and four cents).

(Expressed in thousands of reais)

On July 14, 2011 will be recognized the capital increase in the amount of R$ 3,477,568, reduced by spending with issuing debentures in the amount of R$ 17,388, with net effect of R$ 3,460,180.

The Company will pay R$2,032 for the debenture holders who did not exercise the option of capitalizing on their debentures in the deadline for redemption.

On June 30, 2011 Convertible Debentures had all the conditions to be recognized as an equity instrument, given the above the Company made the necessary records and reclassified the debentures into equity, see details in note 22b.

18 Payroll, social charges and tax obligation

	Company		Consolidated	
	June 30, 2011	Dec 31, 2010	June 30, 2011	Dec 31, 2010
Payroll and related social charges	**142.789**	175.613	**361.703**	369.283
Accrual for labor liabilities	**141.308**	92.615	**668.657**	755.743
Income tax	**1.677**	-	**315.115**	214.142
Social contribution	**106**	13	**848**	1.499
ICMS / VAT / GST tax payable	**15.721**	19.646	**25.539**	26.392
PIS / COFINS tax payable	**65**	49	**186**	142
Others	**85.840**	87.664	**148.557**	155.599
	387.506	**375.600**	**1.520.605**	**1.522.800**
Breakdown:				
Current liabilities	**387.506**	375.600	**1.228.230**	1.205.167
Noncurrent liabilities	**-**	-	**292.375**	317.633
	387.506	**375.600**	**1.520.605**	**1.522.800**

19 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 June 30, 2011 and December 31, 2010, areas follows:

	Company		Consolidated	
	June 30, 2011	Dec 31, 2010	June 30, 2011	Dec 31, 2010
Labor	**47.187**	44.310	**68.919**	68.118
Civil	**6.405**	7.773	**43.287**	33.562
Tax and Social Security	**85.753**	83.919	**222.191**	219.980
Total	**139.345**	**136.002**	**334.397**	**321.660**

Changes in contingencies

	Dec 31, 2010	Additions	Disposal	Exchange variation	June 30, 2011
Company	**136.002**	3.455	(112)	-	**139.345**
Consolidated	**321.660**	16.047	(931)	(2.379)	**334.397**

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$ 1,224,731 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. The probability of loss is considered remote.

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 Management 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. The probability of loss is considered remote.

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$ 14,449.

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$ 109,262.

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$ 12,574.

e) Other tax and social security procedures

The Company is a Party in additional 364 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$ 85,753 which are 100% provisioned.

Labor Proceedings

As of June 30, 2011 the Company was party to 6,958 labor and accident proceedings, involving total value of R$ 691,131. Based on the opinion of the Company's external legal counsel, the Company's management recorded a provision in the amount of R$ 47,187 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 June 30, 2011, the subsidiaries S.A. Fábrica de Produtos Alimentícios Vigor, Cia Leco de Produtos Alimentícios and Dan Vigor were party to 324 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$ 5,945.

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. The probability of loss is considered remote.

(Expressed in thousands of reais)

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 provision was registered. The probability of loss is considered remote.

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 Management and its legal advisers, the loss expectation on June 30, 2011 is R$ 5,805 that it is provisioned.

Other proceedings

On June 30, 2011, 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.

20 Debit with third parties for investment

Due to Bertin's incorporation, the amount of R$ 9,831 on current liabilities as of June 30, 2011 refers to the acquisition of the remaining debt with Plant Pimenta Bueno acquisition. With discharge during the year 2011.

On May 11, 2009 the Company entered in 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 June 30, 2011 the Company has in the current liabilities R$ 3,506 and of R$ 3,286 in the noncurrent liabilities.

21 Income taxes - Nominal and effective tax rate

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		Consolidated	
	Six months period ended on		Six months period ended on	
	2011	2010	2011	2010
Income (loss) before income tax and social contribution	**(117.214)**	85.044	**(145.540)**	232.442
Income tax and Social Contribution	**-**	-	**-**	-
Combined nominal of 34%	**39.853**	(28.915)	**49.484**	(79.030)
Adjust to demonstrate the effective rate				
Additions (write of), mostly result on equity subsidiaries (tax equivalents in other countries)	**43.573**	34.690	**(20.990)**	(87.156)
Expenses of income tax and Social Contribution	**83.426**	5.775	**28.494**	(166.186)
Effective rate	**-71,17%**	6,79%	**-19,58%**	-71,50%

(Expressed in thousands of reais)

	Company		Consolidated	
	Three months period ended on		Three months period ended on	
	2011	2010	2011	2010
Income (loss) before income tax and social contribution	**(246.709)**	(1.000)	**(317.700)**	151.233
Income tax and Social Contribution				
Combined nominal of 34%	**83.881**	340	**108.018**	(51.419)
Adjust to demonstrate the effective rate				
Additions (write of), mostly result on equity subsidiaries (tax equivalents in other countries)	**(17.928)**	4.366	**2.711**	(85.349)
Expenses of income tax and Social Contribution	**65.953**	4.706	**110.729**	(136.768)
Effective rate	**-26,73%**	-470,60%	**-34,85%**	-90,44%

Explanative notes

Composition of expenses of income tax and social contribution presented income statements of the Company and Consolidated results for the semester and quarter ended June 30, 2011 and 2010.

	Company		Consolidated	
	Six months period ended on		Six months period ended on	
	2011	2010	2011	2010
Current income taxes	**1.434**	1.454	**(295.672)**	(177.252)
Deferred income taxes	**81.992**	4.321	**324.166**	11.066
	83.426	**5.775**	**28.494**	**(166.186)**

	Company		Consolidated	
	Three months period ended on		Three months period ended on	
	2011	2010	2011	2010
Current income taxes	**686**	717	**(101.077)**	(118.189)
Deferred income taxes	**65.267**	3.989	**211.806**	(18.579)
	65.953	**4.706**	**110.729**	**(136.768)**

Composition of deferred income tax and social contribution

	Company		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
ASSETS				
. On tax losses and temporary differences	**527.584**	292.770	**1.400.762**	1.130.064
LIABILITIES				
. On revaluation reserve and temporary differences	**833.715**	683.544	**2.049.579**	2.133.114
Net	**306.131**	**390.774**	**648.817**	**1.003.050**

Deferred income taxes

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

- When the deferred tax liability arises from initial recognition of goodwill, or when the deferred tax asset or liability asset from the initial recognition 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

- When taxable temporary differences related to investments in subsidiaries, can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

- on the deductible temporary differences associated with investments in subsidiaries, when it is not probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available for the temporary differences can be utilized.

22 Shareholders' equity

a) Capital Stock

The Capital Stock on June 30, 2011 is represented by 2,567,471,476 ordinary shares, without nominal value. From the total shares, as described in letter e) below, 91,497,500 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.

On June 30,2011 the total outstanding shares is 2,476,033,976 and on December 31,2010 was 2,492,718,276.

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

b) Capital reserve

Compose by goodwill on issuance of shares, derivatives of the IPO in 2007, and repurchase of shares maintained in treasury.

Convertibles debentures

On June 30, 2011 Convertible Debentures had all the conditions to be recognized as an equity instrument, given the above and with the capitalization of 99,94% of the debentures on July 14, 2011, the Company made the necessary records and reclassified 99,94 the debentures, recorded before in the noncurrent liabilities into capital reserve.

On July 14, 2011 will be recognized the capital increase in the amount of R$ 3,477,568, reduced by spending with issuing debentures in the amount of R$ 17,388, with net effect of R$ 3,460,180. The issuance of 493,972,715 common shares at a price of R $ 7,04 (seven reais and four cents).

c) 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.

d) 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.

e) Dividends

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

f) Treasury shares

The Board of Directors of the Company, based on the amendment of it by-laws on June 14, 2011, authorized the acquisition of not more than 37,500,000 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 June 30, 2011 are presented: The Company maintained 91,497,500 treasury shares, with an average unit cost of R$ 6.39 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 91,437,500 treasury shares on June 30, 2011, 30,625,500 shares were acquired during the year of 2008, 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 year of 2010, and during the first semester of 2011 had repurchased shares on the total amount of 16.744.300.

The market value of the shares according to the BOVESPA as of June 30, 2011 R$5.38 (December 31, 2010 was R$ 7.17)

g) The Effects of Changes in Foreign Exchange Rates

According to CPC 2/IAS 21 -The Effects of Changes in Foreign Exchange Rates, is basically recorded changes of instruments (direct and reflex) in foreign currency and are valued by the equity method.

According to CPC 37 / IFRS 1 - First Time Adoption of International Accounting Standards, under the term of the CPC 02 before the date of initial adoption, the adopting of IFRS for the first time should cancel the balances of exchange variation of investments recorded in equity (under the rubric of accumulated translation adjustments) transferring it to retained earnings or loss(profits reserves) and divulge distribution policy applicable to such outstanding results. The Company does not compute these adjustments to the distribution of profit

h) Capital Transactions

According to CPC 36 - Consolidated Financial Statements, the changes in the relative share of the parent over a subsidiary that do not result in loss of control must be accounted as capital transactions (ie transactions with shareholders, as owners). Any difference between the amount by which the participation of non-controlling has been adjusted and the fair value of the amount received or paid must be recognized directly in equity attributable to owners of the parent, not as a result.
Therefore, if the parent acquire additional shares or other equity instruments of an entity that already controls, it should consider this value to reduce its shareholder's equity (individual and consolidated).

(Expressed in thousands of reais)

23 Net sale revenue

	Company		Consolidated	
	For the six months period ended		For the six months period ended on	
	2011	2010	2011	2010
Gross sale revenue				
Products sales revenues				
Domestic sales	**4.969.251**	3.894.326	**22.635.255**	20.151.627
Foreign sales	**2.201.065**	2.265.221	**7.856.973**	7.160.749
	7.170.316	**6.159.547**	**30.492.228**	**27.312.376**
Sales deduction				
Returns and discounts	**(316.869)**	(193.680)	**(602.013)**	(497.587)
Sales taxes	**(424.105)**	(331.413)	**(595.670)**	(491.167)
	(740.974)	**(525.093)**	**(1.197.683)**	**(988.754)**
NET SALE REVENUE	**6.429.342**	**5.634.454**	**29.294.545**	**26.323.622**

	Company		Consolidated	
	For the three months period ended on		For the three months period ended on	
	2011	2010	2011	2010
Gross sale revenue				
Products sales revenues				
Domestic sales	**2.576.115**	2.102.221	**11.453.123**	10.478.835
Foreign sales	**1.064.417**	1.316.854	**3.771.505**	4.177.285
	3.640.532	**3.419.075**	**15.224.628**	**14.656.120**
Sales deduction				
Returns and discounts	**(160.360)**	(109.570)	**(290.781)**	(284.673)
Sales taxes	**(222.837)**	(175.209)	**(312.042)**	(255.140)
	(383.197)	**(284.779)**	**(602.823)**	**(539.813)**
NET SALE REVENUE	**3.257.335**	**3.134.296**	**14.621.805**	**14.116.307**

24 Earnings 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	
	For the six months period ended on	
	2011	2010
Net profit attributable to shareholders - R$	**(33.788)**	**103.065**
Average of the shares in the period - thousands	**2.567.471**	2.567.471
Average of the shares in the Treasury - thousands	**(91.498)**	(43.990)
Average of shares circulating - thousands	**2.475.973**	2.523.481
Net profit per thousand shares - Basic - R$	**(13,65)**	**40,84**

	Consolidated	
	For the three months period ended on	
	2011	2010
Net profit attributable to shareholders - R$	**(180.756)**	**3.706**
Average of the shares in the period - thousands	**2.567.471**	2.567.471
Average of the shares in the Treasury - thousands	**(91.498)**	(43.990)
Average of shares circulating - thousands	**2.475.973**	2.523.481
Net profit per thousand shares - Basic - R$	**(73,00)**	**1,47**

(Expressed in thousands of reais)

Diluted

The diluted income is calculated by dividing net income attributable to common shareholders of the parent by the weighted average number of shares outstanding during the year, adjusted for the effects of all dilutive potential common shares in common shares, adjusted for own shares held.

	Consolidated	
	For the six months period ended on	
	2011	2010
Net profit attributable to shareholders - R$	**(33.788)**	**103.065**
Weighted average number of ordinary shares (basic) - R$	**2.475.973**	2.523.481
Effect of conversion of debentures - thousands	**493.973**	-
Weighted average number of ordinary shares (diluted)	**2.969.946**	**2.523.481**
Net profit per thousand shares - Diluted - R$	**(11,38)**	40,84

	Consolidated	
	For the three months period ended	
	2011	2010
Net profit attributable to shareholders - R$	**(180.756)**	**3.706**
Weighted average number of ordinary shares (basic) - R$	**2.475.973**	2.523.481
Effect of conversion of debentures - thousands	**493.973**	-
Weighted average number of ordinary shares (diluted)	**2.969.946**	**2.523.481**
Net profit per thousand shares - Diluted - R$	**(60,86)**	1,47

Note: Deferred income (note 30) through historical analysis and for expectation that the advance will be performed by future sales, does not characterize potential dilutive shares.

25 EBITDA reconciliation

The Company present below the EBTIDA (Earnings before income taxes, interest, depreciation and amortization) reconciliation:

	Company		Consolidated	
	Six months period ended on June 30,		Six months period ended on June 30,	
	2011	2010	2011	2010
Net income before taxes	**(117.214)**	85.044	**(145.540)**	232.442
Financial income (expense), net	**839.191**	913.895	**942.024**	909.633
Depreciation and amortization	**211.702**	143.928	**621.347**	617.440
EBTIDA	**933.679**	**1.142.867**	**1.417.831**	**1.759.515**
Equity in earnings of subsidiaries	**(145.925)**	(469.686)	**-**	-
Net income of discontinued operations	**-**	-	**-**	25.686
Bargain purchase gain	**-**	-	**95**	-
Reorganization and restructuring	**-**	-	**-**	76.717
Indemnity	**-**	8.640	**5.671**	-
ADJUSTED EBITDA	**787.754**	**681.821**	**1.423.597**	**1.861.918**

	Company		Consolidated	
	Three months period ended on June 30,		Three months period ended on June 30,	
	2011	2010	2011	2010
Net income before taxes	**(246.709)**	(1.000)	**(317.700)**	151.233
Financial income (expense), net	**536.110**	554.899	**590.894**	539.789
Depreciation and amortization	**114.432**	69.483	**310.186**	309.352
EBTIDA	**403.833**	**623.382**	**583.380**	**1.000.374**
Equity in subsidiaries	**49.580**	(292.663)	**-**	-
Bargain purchase gain	**-**	-	**3.495**	-
Reorganization and restructuring	**-**	-	**-**	(417)
Indemnity	**-**	-	**792**	-
ADJUSTED EBITDA	**453.413**	**330.719**	**587.667**	**999.957**

(Expressed in thousands of reais)

26 Financial income (expense), net

	Company		Consolidated	
	Six months period ended on June 30,		Six months period ended on June 30,	
	2011	2010	2011	2010
Exchange variation	**443.072**	(363.751)	**450.048**	(220.297)
Results on derivatives	**(737.532)**	(197.745)	**(789.781)**	(138.300)
Interest - Loss	**(616.003)**	(447.812)	**(708.709)**	(669.600)
Interest - Gain	**121.982**	125.506	**170.788**	171.769
Taxes, contribution, tariff and others	**(50.710)**	(30.093)	**(64.370)**	(53.205)
	(839.191)	**(913.895)**	**(942.024)**	**(909.633)**

	Company		Consolidated	
	Three months period ended on June 30.		Three months period ended on June 30.	
	2011	2010	2011	2010
Exchange variation	**259.507**	(219.817)	**234.034**	(146.004)
Results on derivatives	**(514.317)**	(133.823)	**(554.542)**	(99.567)
Interest - Loss	**(303.450)**	(246.052)	**(334.323)**	(335.556)
Interest - Gain	**49.354**	52.419	**93.208**	60.693
Taxes, contribution, tariff and others	**(27.204)**	(7.626)	**(29.271)**	(19.355)
	(536.110)	**(554.899)**	**(590.894)**	**(539.789)**

27 Other income (expenses),

Other income (expenses), on June 30, 2011 in the amount of (R$14,259) referring mainly to:

i) JBS Argentina - Amount of (R$ 5,671), referring to indemnities due to units temporary suspension operations in Berazategui (Consignaciones Rurales), Colonia Caroya (Col-Car) and San Jose;

ii) JBS USA - Amount of R$ 95 referring to bargain purchase gain, due to acquisitions of subsidiaries in business combination;

iii) Other income (expenses) - Amount of (R$ 8,493) referring to basically net income in the sale of fixed assets and rental.

28 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.

Debentures capitalization - subsequent events

For presentation purposes, on June 30, 2011 the Company presented the capitalized debentures as capital reserve, see details on explanative note 22b.

Therefore, based on the debentures classification into capital reserve, the Company transferred the debentures transaction costs to capital increase transaction cost.

(Expressed in thousands of reais)

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

In the year end on 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 in the account that reduces the shareholder's equity, eventual effects are deducted.

c) Senior Notes Offering (Bonds)

In the year end on December 31, 2010, the Company had incurred in expenses of the order of R$ 17,789 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. On June 30 , 2011, due to accumulated amortization of the amount through the flow of debt payments, the Company has a residual amount of R $ 16,587.

29 Defined contribution plans

Effects of the defined contribution plans on the financial statements

	Consolidated	
	June 30, 2011	December 31, 2010
Liabilities	**114.972**	**121.494**
Shareholder's equity	**(9.507)**	**(9.976)**

	Consolidated		Consolidated	
	Six months period ended on June 30,		Three months period ended on June 30,	
	2011	2010	2011	2010
Income Statements YTD	**3.565**	**8.936**	**2.358**	**7.227**

JBS USA Contribution Plans

JBS USA sponsored two tax-qualified employee savings and retirement plans (the “401(k) Plans”) covering its based employees, both union and non-union, excluding PPC employees, during the fiscal year ended December 31, 2010. On January 1, 2010, the employees of JBS Five Rivers joined the non-union 401(k) Plan and the balances for each participant were transferred from the former plan. On January 1, 2011, JBS USA merged the 401(k) Plans into one plan (the “401(k) Savings Plan”) in order to increase administrative efficiencies and provide cost savings. Pursuant to the 401(k) Savings Plan, eligible employees may elect to reduce their current compensation by up to the lesser of 75% of their annual compensation or the statutorily prescribed annual limit and have the amount of such reduction contributed to the 401(k) Savings Plan.

The 401(k) Savings Plan provides for additional matching contributions by JBS USA, based on specific terms contained in the 401(k) Savings Plan. The trustee of the 401(k) Savings Plan, at the direction of each participant, invests the assets of the 401(k) Savings Plan in participant designated investment options. The 401(k) Savings Plan is intended to qualify under Section 401 of the Internal Revenue Code. The Company’s expenses related to the matching provisions of these plans totaled US$ 1.5 million for three months period ended June 30, 2011.

One of the facilities participates in a multi-employer pension plan. JBS USA contributions to this plan, which are included in cost of goods sold in the Consolidated Statements of Income, were US$ 251 thousand for the three months period of June 30, 2011. The also made contributions totaling US$ 16 thousand for the three months period ended June 30, 2011, to a multi-employer pension related to former employees at the former Nampa, Idaho plant pursuant to a settlement agreement.

Employees of JBS Australia do not participate in the Company’s 401(k) Plans. Under Australian law, JBS Australia contributes a percentage of employee compensation to a Superannuation fund. This contribution approximates 9% of employee cash compensation as required under the Australian “Superannuation Act of 1997”. As the funds are administered by a third party, once this contribution is made to the Superannuation fund, JBS Australia has no obligation for payments to participants or oversight of the fund. The expenses related to contributions to this fund totaled US$ 8.3 million for the period of three months ended on June 30, 2011.

Pilgrim's Pride - PPC Contribution Plans

PPC sponsors programs that provide retirement benefits to most of their employees. These programs include qualified defined benefit pension plans, non-qualified defined benefit retirement plans, a defined benefit postretirement life insurance plan, defined contribution retirement savings plans and deferred compensation plans and deferred compensation plans. Under all of PPC's retirement plans, PPC's expenses were US$ 3 million for the period of three months ended on June 30, 2011.

The pension and postretirement benefits plans have a fiscal year end which coincides with the Company’s. Disclosures material to the consolidated financial statements are included below.

Qualified Defined Benefit Pension Plans:

• PPC Retirement Plan for Union Employees (the “Union Plan”),
• PPC Plan for El Dorado Union Employees (the “El Dorado” Plan), and
• PPC Pension Plan for Legacy Gold Kist Employees (the “GK Pension Plan”).

The Union Plan covers certain locations or work groups within PPC. The El Dorado Plan was spun off from the Union Plan effective January 1, 2008 and covers certain eligible locations or work groups within PPC. This Plan was settled in 2010. The GK Pension Plan covers certain eligible US employees who were employed at locations that PPC acquired in its acquisition of Gold Kist, Inc. ("Gold Kist'") in 2007. Participation in the GK Pension Plan was frozen as of February 8, 2007, for all participants with the exception of terminated vested participants who are or may become permanently and totally disabled. The plan was frozen for that group as of March 31, 2007.

Non-qualified Defined Benefit Retirement Plans:

• The Former Gold Kist Inc. Supplemental Executive Retirement Plan (the "SERP Plan"), and
• the Former Gold Kist Inc. Directors' Emeriti Retirement Plan (the "Directors' Emeriti Plan").

PPC assumed sponsorship of the SERP Plan and Directors Plan through its acquisition of Gold Kist in 2007. The SERP Plan provides benefits on compensation in excess of certain Internal Revenue Code limitations to certain former executives with whom Gold Kist negotiated individual agreements. Benefits under the SERP Plan were frozen as of February 8, 2007. The Directors' Emeriti Plan provides benefits to former Gold Kist directors.

Defined Benefit Postretirement Life Insurance Plan:

• The Gold Kist Inc. Retiree Life Insurance Plan (the "Insurance Plan").

PPC assumed defined benefit postretirement medical and life insurance obligations, including the Insurance Plan, through its acquisition of Gold Kist in 2007. In January 2001, Gold Kist began to substantially curtail its programs for active employees. On July 1, 2003, Gold Kist terminated medical coverage for retirees age 65 and older, and only retired employees in the closed group between ages 55 and 65 could continue their coverage at rates above the average cost of the medical insurance plan for active employees. These retired employees will all reach the age of 65 by 2012 and liabilities of the postretirement medical plan will then end.

Defined Contribution Plans:

PPC currently sponsors two defined contribution retirement savings plans:
• The Pilgrim's Pride Retirement Savings Plan (the "RS Plan"), a Section 401(k) salary deferral plan, and
• The To-Ricos Employee Savings and Retirement Plan (the "To-Ricos-Plan"), a Section 1165 (e) salary deferral, and

PPC also maintains three postretirement plans for eligible Mexico employees as required by Mexico law that primarily cover termination benefits. Separate disclosure of the Mexican plan obligations is not considered material.

Under the RS Plan, eligible US employees may voluntarily contribute a percentage of their compensation. The To-Ricos Plan is maintained for certain eligible Puerto Rican employees.

Certain retirement plans that PPC sponsors invest in a variety of financial instruments. In response to the continued turbulence in global financial markets, PPC has analyzed their portfolios of investments and, to the best of their knowledge, none of their investments, including money market funds units, commercial paper and municipal securities, have been downgraded because of this turbulence, and neither PPC nor any fund in which PPC participates hold significant amounts of structured investment vehicles, auction rate securities, collateralized debt obligations, credit derivatives, hedge funds investments, fund of funds investments or perpetual preferred securities. Certain postretirement funds in which PPC participates hold significant amounts of mortgage-backed securities. However, none of the mortgages collateralizing these securities are considered subprime.

Bertin USA Plans

Bertin USA sponsored a tax-qualified employee savings and retirement plan (the "Bertin 401(k) Plan") covering its U.S. based employees during the quarter ended June 30, 2011. The Bertin 401(k) Plan provides for additional matching contributions by Bertin USA, based on specific terms contained in the Bertin 401(k) Plan. The trustee of the Bertin 401(k) Plan, at the direction of each participant, invests the assets of the Bertin 401(k) Plan in participant designated investment options. The Bertin 401(k) Plan is intended to qualify under section 401 of the Internal Revenue Code. Bertin USA's expenses related to the matching provisions of the Bertin 401(k) Plan totaled approximately US$76 thousand for the three months period ended June 30, 2011.

Bertin USA has a defined benefit and a supplemental benefit pension plan covering retirees meeting certain age and service requirements. The plan benefits are based primarily on years of service and employee's compensation. The funding policy is to meet ERISA funding requirements and to accumulate plan assets, which will, over time, approximate the present value of projected benefits payable. Plan assets are invested solely in a group annuity contract. The defined benefit and supplemental benefit plans were frozen on December 31, 1995.

Bertin USA also provides certain health care and life insurance benefits for certain retired and terminated employees based on contractual obligations incurred by JBS USA Trading's previous owners. Bertin USA has elected immediate recognition of the unfunded accumulated postretirement benefit obligation in conjunction with the purchase of the common stock of JBS USA Trading. The postretirement payments are funded in monthly installments.

As of December 31, 2010 the plan's projected benefit obligation and plan asset balances were US$ 5.4 million and US$ 3 million, respectively. The remaining unfunded balance of US$2.4 million was accrued on the opening balance sheet at December 31, 2010. Bertin USA funded US$ 34 thousand to its defined benefit plans during the thirteen weeks ended June 30, 2011. The unfunded balance at June 30, 2011 was US$2.4 million. The discount rate and estimated return on plan asset rates were 6.25% and 7.50% as of December 31, 2010, respectively. The plan assets consisted 100% of debt securities at December 31, 2010.

30 Deferred revenue

On October 22, 2008, the JBS US received a deposit in cash from a customer of US$ 175.0 million for the customer to secure an exclusive right to collect a certain by-product of the beef fabrication process in all of our U.S. beef plants. This agreement was formalized in writing as the Raw Material Supply agreement ("Supply Agreement") on February 27, 2008. The customer advance payment was recorded as deferred revenue on JBS USA and as other liabilities on consolidated financial statements. As the by-product is delivered to the customer over the term of the agreement, the deferred revenue is recognized within gross sales in the Consolidated Statements of Income.

To provide the customer with security, in the unlikely event the JBS USA was to default on its commitment, the payment is evidenced by the Supply Agreement which bears interest at the three-month LIBOR plus 200 basis points. The interest rate at June 30, 2011 was 2.2% In the event of default, the Supply Agreement provides for a conversion into shares of common stock of JBS USA Holdings based on a formula stipulated in the Supply Agreement. Assuming default had occurred on June 30, 2011, the conversion right under the Supply Agreement would have equaled 8.65% of the outstanding common stock, or 8.65 shares.

JBS USA was in compliance with all covenants as of June 30, 2011. The unamortized balance at June 30, 2011 and December 31, 2010 was approximately US$ 121.1 (R$ 189,0) million and US$ 136.9 (R$ 228,1) million, respectively.

(Expressed in thousands of reais)

31 Operating segments

According to IFRS 8/CPC 22 - 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 Management takes into account the operational performance of its unities in s o Brazil, USA (including Australia), South America (Argentine, Paraguay and Uruguay), Italy.

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 eliminated 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 three months period of June 30, 2011 and 2010, are as following:

Net revenue by product line:

	Six months period ended on June 30,		Three months period ended on June 30,	
	2011	2010	2011	2010
Net revenue of the segment				
Beef	**18.517.225**	16.577.792	**9.275.616**	9.084.144
Pork	**2.744.889**	2.489.346	**1.349.948**	1.325.225
Poultry	**6.196.134**	5.990.659	**3.056.006**	3.045.845
Others	**1.836.297**	1.265.825	**940.235**	661.093
Total	**29.294.545**	**26.323.622**	**14.621.805**	**14.116.307**

Depreciation by product line:

	Six months period ended on June 30,		Three months period ended on June 30,	
	2011	2010	2011	2010
Depreciation and amortization				
Beef	**291.426**	252.538	**151.538**	128.720
Pork	**24.205**	25.888	**11.958**	12.979
Poultry	**251.546**	311.750	**116.865**	157.770
Others	**54.170**	27.264	**29.825**	9.883
Total	**621.347**	**617.440**	**310.186**	**309.352**

EBITDA by product line:

	Six months period ended on June 30,		Three months period ended on June 30,	
	2011	2010	2011	2010
EBITDA				
Beef	**1.162.563**	1.222.887	**489.056**	616.565
Pork	**330.181**	138.678	**154.632**	66.483
Poultry	**(171.162)**	349.410	**(73.621)**	232.740
Others	**102.015**	150.943	**17.600**	84.169
Total	**1.423.597**	**1.861.918**	**587.667**	**999.957**

(Expressed in thousands of reais)

Assets by segment:

	June, 2011	December, 2010
Assets		
Beef	**32.780.001**	31.965.869
Pork	**930.096**	995.696
Poultry	**6.529.558**	6.510.465
Others	**4.051.341**	4.458.818
Total	**44.290.996**	**43.930.848**

Revenues by geographic area:

	Six months period ended on June 30,		Three months period ended on June 30,	
	2011	2010	2011	2010
Net revenue				
United States of America (including Australia)	**21.299.620**	19.606.712	**10.592.151**	10.350.761
South America	**7.219.475**	6.344.514	**3.615.317**	3.521.857
Others	**775.450**	372.396	**414.337**	243.689
Total	**29.294.545**	**26.323.622**	**14.621.805**	**14.116.307**

Depreciation by geographic area:

	Six months period ended on June 30,		Three months period ended on June 30,	
	2011	2010	2011	2010
Depreciation and amortization				
United States of America (including Australia)	**384.843**	445.866	**183.915**	226.102
South America	**234.177**	168.655	**125.311**	81.377
Others	**2.327**	2.919	**960**	1.873
Total	**621.347**	**617.440**	**310.186**	**309.352**

EBITDA by geographic area:

	Six months period ended on June 30,		Three months period ended on June 30,	
	2011	2010	2011	2010
EBITDA				
United States of America (including Australia)	**684.242**	1.124.957	**154.867**	661.415
South America	**736.206**	697.205	**427.884**	334.494
Others	**3.149**	39.756	**4.916**	4.048
Total	**1.423.597**	**1.861.918**	**587.667**	**999.957**

Assets by geographic area:

	June, 2011	December, 2010
Assets		
United States of America (including Australia)	**10.084.866**	15.419.437
South America	**31.190.770**	27.344.023
Others	**3.015.360**	1.167.388
Total	**44.290.996**	**43.930.848**

32 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 Statement per nature:

	Six months period ended on June 30,		Three months period ended on June 30,	
Classification by nature	2011	2010	2011	2010
Depreciation and amortization	**(621.347)**	(617.440)	**(310.186)**	(309.352)
Expenses with personnel	**(2.916.676)**	(3.361.661)	**(1.617.542)**	(1.740.227)
Raw material use and consumption materials	**(25.190.303)**	(21.405.987)	**(12.540.022)**	(11.505.220)
Taxes, fees and contributions	**(844.134)**	(794.392)	**(641.944)**	(698.698)
Third party capital remuneration	**(2.760.480)**	(2.477.730)	**(1.576.520)**	(1.439.380)
Other (expense) income, net	**2.892.855**	2.566.030	**1.746.709**	1.727.803
	(29.440.085)	**(26.091.180)**	**(14.939.505)**	**(13.965.074)**

(Expressed in thousands of reais)

Classification by function

Cost of goods sold	**(26.186.645)**	(23.180.816)	**(13.202.332)**	(12.372.093)
Selling expenses	**(1.492.175)**	(1.210.169)	**(754.724)**	(654.059)
General and administrative Expenses	**(804.982)**	(766.934)	**(386.065)**	(443.074)
Financial income (expense), net	**(942.024)**	(909.633)	**(590.894)**	(539.789)
Other (expense) income, net	**(14.259)**	(23.628)	**(5.490)**	43.941
	(29.440.085)	**(26.091.180)**	**(14.939.505)**	**(13.965.074)**

33 Insurance coverage

As of June 30, 2011, 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 June 30, 2011 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 June 30, 2011 was of US$ 32 million (equivalent to R$ 49,955).

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 June 30, 2011 was of US$ 200 million (equivalent to R$ 312,220).

The assumptions of risk taken, by their nature, are not part of the scope of a quarterly review, therefore, were not reviewed by independent auditors

34 Risk management and financial instruments

The Company and its subsidiaries generate, during the regular course of their operations, exposures to market, credit and liquidity risks. Those exposures are managed in an integrated way by the Risk Management Department, following directives from the Risk Management Policy defined by the Risk Management Committee and the Company Directors.

The Risk Management Department is responsible for mapping all the risk factors that may bring adverse financial results for the Company and propose strategies to mitigate those risks. The Risk Management Committee is responsible for approving the strategies and supervising their implementation, following competence levels and the Risk Management Policy.

a) Market Risk

In particular, the exposure to market risk are constantly monitored, specially the risk factors related to foreign exchange, interest rates ad commodity prices, which directly affect the value of financial assets and liabilities, future cash flow and net investments in operations abroad. In these cases the Company and its subsidiaries may use financial hedge instruments, including derivatives, given the approval by the Risk Management Committee.

The Risk Management Department is responsible for providing hedge instruments to all operational departments of the Company, centralizing all risk exposures and managing those risks following the Risk Management Policy. It is the function of the Board of Control Risks ensure that other areas of operations are within the exposure limits set by management, are financially protected against price fluctuations, centralizing the exhibits and applying the Risk Management Policy of the Company;

The Risk Management Department uses proprietary and third party information systems specially developed to control and manage market risk, applying stress scenario and value at risk analysis to measure the net exposure as well as the specific exposure to the exchanges.

a.1) Interest rate risk

Interest rate risk is related to potentially adverse results that may arise from oscillations in this risk factor, which may be caused by economic crisis, sovereign monetary policy alterations, or market movements. The Company has assets and specially liabilities exposed to interest rates like the CDI (Certificado de Depósito Interbancário), TJLP (Taxa de Juros de Longo Prazo), UMBNDES (Unidade Monetária do BNDES), LIBOR (London Interbank Offer Rate) and EURIBOR (Euro Interbank Offer Rate), among others. The Risk Management Policy does not define levels to the proportion between float and fixed exposures, but the Risk Management Department follows market conditions and may propose the Risk Management Committee strategies to rebalance the exposure.

The interest rate exposure of the Company and its subsidiaries on June 30, 2011 and December 31, 2010 is described below.

	Company		Consolidated	
Net liabilities and assets exposure to CDI rate:	**June 30, 2011**	**December 31, 2010**	**June 30, 2011**	**December 31, 2010**
NCE / Compror / Others	**3.935.538**	3.592.576	**4.002.974**	3.652.012
CDB-DI	**(2.467.204)**	(1.810.529)	**(2.475.550)**	(1.826.496)
Investment funds and national treasury bill	**(156.087)**	(364.949)	**(176.593)**	(371.412)
Total	**1.312.247**	**1.417.098**	**1.350.831**	**1.454.104**

(Expressed in thousands of reais)

Liabilities exposure to LIBOR/EURIBOR rate:

Working Capital - Euro	**-**	-	**2.684**	-
Working Capital - USD	**-**	-	**560.537**	143.045
Pre-payment	**1.343.789**	1.314.669	**1.351.667**	1.314.668
Others	**17.917**	34.753	**110.652**	104.502
Total	**1.361.706**	**1.349.422**	**2.025.540**	**1.562.215**

Liabilities exposure to TJLP rate:

FINAME / FINEM	**254.642**	265.599	**255.090**	266.535
BNDES Automatic	**266.980**	364.483	**266.980**	364.484
EXIM - export credit facility	**527.624**	639.309	**527.624**	639.310
Total	**1.049.246**	**1.269.391**	**1.049.694**	**1.270.329**

a.2) Exchange rate risk

Exchange rate risk is related to potentially adverse results that may arise from oscillations in this risk factor, which may be caused by economic crisis, sovereign monetary policy alterations, or market movements. The Company has assets and liabilities exposed to foreign currencies, however the Risk Management Policy does not believe in natural hedging from those opposite exposures, since other important issues like expiry matching and market volatility are very relevant and must be observed.

The Risk Management Department applies approved hedge instruments to protect financial assets and liabilities, potential future cash flow from commercial activities and net investments in foreign operations. Futures, NDFs (non deliverable forwards), options and swaps may be used to hedge loans, investments, flows from interest payments, acquisition of raw material, and other flows, whenever they are quoted in currencies different than the Company's functional currency. The main exposures to exchange rate risk are in US Dollars, Australian Dollars, Euros and the British Pound.

Below are presented the Company's assets and liabilities exposed to the exchange rate risk for the periods ended on June 30, 2011 and December 31, 2010. The exposure in the subsidiaries are irrelevant for this analysis.

	Company	
EXPOSURE	**June 30, 2011**	**December 31, 2010**
OPERATING		
Cash and cash equivalents - US$ / € / £	**1.102.137**	214.948
Trade accounts receivable - US$ / € / £	**761.211**	899.893
Inventories - @ cattle- US$ / €	**128.822**	63.364
Sales Orders - US$ / € / £	**561.197**	667.221
Suppliers - US$ / € / £	**(49.073)**	(30.361)
Trade accounts payable - US$	**(2.984)**	(3.006)
Subtotal	**2.501.310**	**1.812.059**
FINANCIAL		
Loans and financings - US$ / €	**(5.598.049)**	(6.070.081)
Subtotal	**(5.598.049)**	**(6.070.081)**
TOTAL EXPOSURE	**(3.096.739)**	**(4.258.022)**

Financial derivatives used for exchange rate hedging

a.2.1) Position balance in foreign exchange options (Company)

June 30, 2011

Risk factor	Instrument	Nature	Quantity	Expiry	Notional	Market value
USD	put	long	3.000	February 2, 2012	234.165	427
USD	put	long	5.000	February 2, 2012	390.275	2.736
					624.440	3.163

(Expressed in thousands of reais)

a.2.2) Position balance in foreign exchange futures (Company)

June 30, 2011

Future Contracts - BM&F

Risk factor	Instrument	Nature	Quantity	Expiry	Notional	Market value
USD	future	long	20.000	August 1, 2011	1.561.100	(12.397)

Future Contracts - New Edge

Risk factor	Instrument	Nature	Quantity	Expiry	Notional	Market value
British Pound	future	long	359	September 1, 2011	56.222	100
Euro	future	long	776	September 1, 2011	219.387	798
					275.609	898

a.2.3) Position Balance in foreign exchange swaps (Company)

Swaps are derivatives used to hedge net exposures of assets and liabilities of the Company and its subsidiaries and are classified as financial assets or liabilities measured at fair value through income. The Company has swap agreements with Credit Suisse and Citibank.

Swap

Bank	Start date	Notional USD	Expiry date	Fair value (receivable) - R$	Fair value (payable) - R$	Result in 06/30/2011
				(a)	(a)	(b)
Credit Suisse	14/02/2011	89.000	14/05/2013	74.651	84.882	(10.231)
Citibank	13/12/2010	30.000	10/12/2012	1.112	2.398	(1.286)
Citibank	04/02/2011	73.296	04/02/2015	11.936	19.824	(7.888)
Balance in June 30, 2011		**192.296**			**Total**	**(19.405)**

(a) The swap assets contract value is calculated based on the dollar exchange rate on the maturity plus interest of 6% p.a.
(b) Swap result is the difference between assets and liabilities at fair value.

a.3) Commodity price risk

The Company is a global player in different areas related to the Agribusiness (the entire livestock protein chain, biodiesel, dairy products, among others) and the regular course of its operations brings exposures to price oscillations in feeder cattle, live cattle, lean hogs, corn, soybeans, and energy, especially in the American, Australian and Brazilian markets. Commodity markets are characterized by volatility arising from external factors like climate, supply levels, transportation costs, agricultural policies, storage costs, among others. The Risk Management Department is responsible for mapping all the Company´s exposures to commodity prices oscillations and for proposing strategies to mitigate those risks to the Risk Management Committee. The Risk Management Committee is responsible for approving the strategies and supervising their implementation, and analyzing their effectiveness, following competence levels and the Risk Management Policy.

A very important part of the Company's raw materials needs are biological assets sensitive to stockpiling. In order to guarantee future supply of these materials the Company contracts anticipated purchases from suppliers. Aiming at mitigating price oscillations risks from these operations as well as from other exposures like inventories and future sales orders, the Company and its subsidiaries use hedging instruments specific for each exposure, most notably futures contracts.

a.3.1) Position balance in commodities contracts

The balance in commodities contracts are as follow:

	Consolidated	
EXPOSURE	**June 30, 2011**	**December 31, 2010**
OPERATING		
Firm Contracts - R$	**4.151.695**	1.871.573
TOTAL	**4.151.695**	**1.871.573**

b) Credit risk

The Company and its subsidiaries are potentially subject to credit risk related to accounts receivable, investments and hedging contracts. The Risk Management Policy understands that the pulverized portfolio contributes significantly to reduce the credit risk, but parameters are set to operations where credit is provided, observing financial ratios and operational health, as well as consults to credit monitoring entities.

(Expressed in thousands of reais)

The Risk Management Department follows all operations involving credit risk with financial institutions (investments and hedging), monitoring exposure limits set in the Risk Management Policy based in credit ratings provided by international rating agencies. The Company held in June 30, 2011 investments with balances larger than R$10.000 with the following institutions: Caixa Econômica Federal, Schahin, Santander, Safra, Banco do Brasil, Bradesco, Pine, Itaú, HSBC, JP Morgan and New York Mellon.

The Company held in June 30, 2011 hedging contracts with fair value larger than R$10.000 with the following institutions: Credit Suisse and Citibank.

c) 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:

	Consolidated	
	June 30, 2011	December 31, 2010
Cash and cash equivalents	4.960.182	4.074.574
Loans and financings - Current	4.582.497	4.966.198
Modified liquidity indicator	1,08	0,82
Leverage indicator	3,6x	3,0x

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:

Company

June 30, 2011	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years	Fair Value
Trade accounts payable	586.181	-	-	-	586.181
Loans and financings	3.927.297	2.497.635	2.797.798	1.419.907	10.642.637
Derivatives financing liabilities (assets)	24.249	9.701	896	-	34.846
TOTAL	4.537.727	2.507.336	2.798.694	1.419.907	11.263.664

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	566.982	-	-	-	566.982
Loans and financings	4.342.593	2.975.447	2.195.115	1.509.353	11.022.508
Derivatives financing liabilities (assets)	(7.150)	5.493	890	-	(767)
TOTAL	4.902.425	2.980.940	2.196.005	1.509.353	11.588.723

Consolidated

June 30, 2011	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years	Fair Value
Trade accounts payable	2.683.113	-	-	-	2.683.113
Loans and financings	4.582.497	2.640.409	5.935.421	3.965.979	17.124.307
Derivatives financing liabilities (assets)	(19.054)	9.701	896	-	(8.457)
TOTAL	7.246.556	2.650.111	5.936.317	3.965.979	19.798.963

(Expressed in thousands of reais)

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	2.962.395	-	-	-	2.962.395
Loans and financings	4.966.198	3.099.679	4.582.067	2.535.410	15.183.354
Derivatives financing liabilities (assets)	(27.146)	5.493	890	-	(20.763)
TOTAL	7.901.447	3.105.172	4.582.957	2.535.410	18.124.986

d) 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.

e) Guaranteed margins

The Company has securities pledged as collateral for derivative transactions with the commodities and futures whose balance at June 30, 2011 is R$ 198,196 (R$ 500,195 at December 31, 2010). 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 June 30, 2011 is R$ 131,289 (R$ 37,255 at December 31, 2010). This warranty is superior to the need presented for these operations.

f) 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:

	June 30, 2011		
	Company		
	Level 1	Level 2	Level 3
Current liabilities			
Derivatives	(15.442)	(19.404)	-
	Consolidated		
	Level 1	Level 2	Level 3
Current assets (liabilities)			
Derivatives	27.861	(19.404)	-

	December 31, 2010		
	Company		
	Level 1	Level 2	Level 3
Current assets (liabilities)			
Derivatives	16.227	(15.460)	-
	Consolidated		
	Level 1	Level 2	Level 3
Current assets (liabilities)			
Derivatives	36.223	(15.460)	-

(Expressed in thousands of reais)

	Company	Level	June 30, 2011 Book value	June 30, 2011 Fair value	December 31, 2010 Book value	December 31, 2010 Fair value
(i)	Cash and banks	Level 1	**721.583**	721.583	825.171	825.171
(i)	Financial investments	Level 1	**2.623.291**	2.623.291	2.175.478	2.175.478
(ii)	Trade accounts receivable	Level 2	**1.498.848**	1.498.848	1.672.729	1.672.729
(ii)	Credits with related parties	Level 2	**190.647**	190.647	-	-
(iv)	Derivatives	Level 1 / Level 2	**-**	-	767	767
	Total financial assets		**5.034.369**	**5.034.369**	**4.674.145**	**4.674.145**
(iii)	Trade accounts payable	Level 2	**586.181**	586.181	566.982	566.982
(iii)	Loans and financings	Level 1	**10.642.637**	10.642.637	11.022.508	11.022.508
(iii)	Debit with related parties	Level 2	**-**	-	1.532.002	1.532.002
(iii)	Convertible debentures	Level 1	**3.462.212**	3.462.212	3.462.212	3.462.212
(iv)	Derivatives	Level 1 / Level 2	**34.846**	34.846	-	-
	Total financial liabilities		**14.725.876**	**14.725.876**	**16.583.704**	**16.583.704**
			(9.691.507)	**(9.691.507)**	**(11.909.559)**	**(11.909.559)**

	Consolidated	Level	June 30, 2011 Book value	June 30, 2011 Fair value	December 31, 2010 Book value	December 31, 2010 Fair value
(i)	Cash and banks	Level 1	**1.674.072**	1.674.072	1.876.666	1.876.666
(i)	Financial investments	Level 1	**3.286.110**	3.286.110	2.197.908	2.197.908
(ii)	Trade accounts receivable	Level 2	**3.934.861**	3.934.861	4.036.104	4.036.104
(ii)	Credits with related parties	Level 2	**376.836**	376.836	332.679	332.679
(iv)	Derivatives	Level 1 / Level 2	**8.457**	8.457	20.763	20.763
	Total financial assets		**9.280.336**	**9.280.336**	**8.464.120**	**8.464.120**
(iii)	Trade accounts payable	Level 2	**2.683.113**	2.683.113	2.962.395	2.962.395
(iii)	Loans and financings	Level 1	**17.124.307**	17.124.307	15.183.354	15.183.354
(iii)	Debêntures	Level 1	**3.462.212**	3.462.212	3.462.212	3.462.212
	Total financial liabilities		**23.269.632**	**23.269.632**	**21.607.961**	**21.607.961**
			(13.989.296)	**(13.989.296)**	**(13.143.841)**	**(13.143.841)**

Classification by financial instrument categories

(i) Financial assets and Liabilities measured at cost or fair value through income
(ii) Loans and receivables
(iii) Non derivative financial liabilities
(iv) Financial instrument derivatives

g) Sensibility analysis

With the aim of providing information on how to behave market risks to which the Company is exposed on June 30, 2011, we simulate possible changes of 25% and 50% in the relevant variables of risk in relation to the likely scenario. The Management 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 rate risk

		Result Effect - Company		
Exposure (a)	**Risk**	**Probable scenario (I)**	**Scenario (II) Variation - 25%**	**Scenario (III) Variation - 50%**
Financial	R$ Depreciation	521.953	(1.399.512)	(2.799.025)
Operation	R$ Depreciation	(262.446)	624.458	1.248.916
Hedge derivatives	R$ Appreciation	(514.317)	459.968	919.936
		(254.810)	**(315.087)**	**(630.173)**
Premises	Exchange rate	1,5611	1,9514	2,3417

35 Material facts

JBS signs an agreement with the Brazilian State of Acre

The Company announced that it signed an agreement with the Public Authorities of the Brazilian State of Acre, as well as with other Government Authorities from various Brazilian States on the April 27, 2011. The Company anticipated this event in the Notice to the Market of April 19, 2011. The agreement puts an end to the civil action against JBS and eliminates any possibility of a fine.

For the Company, this agreement (valid throughout Brazil) embodies its ongoing and sustainable practices in the Amazon Region and reaffirms its commitment to transparency and social and environmental development. This agreement is aligned with the Company's principles and with its shareholders, including the BNDES (Brazilian Social and Development Bank) with whom the Company already has an ongoing agreement to implement innovative environmental practices throughout the meat supply chain, resulting in a more sustainable sector.

This agreement with these Government Authorities reinforces the work being done by the Company with cattle ranchers. The company has enhanced the partnership with Embrapa (the renowned Brazilian Agriculture Research Institute) to promote Good Agricultural Practices (BPA) with cattle ranchers in all regions.

Summary of Statement from the Ministry of Justice’s Secretariat of Economic Monitoring (SEAE)

The Company informed the market that on April 29, 2011 the Ministry of Justice’s Secretariat of Economic Monitoring (“SEAE/MF”) issued a summary of a statement regarding Concentration Act no. 08012.008074/2009-11, which deals with the association between JBS and Bertin S.A.

The summary of statement mentioned above suggests the approval of Bertin's acquisition, subject to the sale of a plant (slaughterhouse) in the States of Goiás and Minas Gerais equivalent to Bertin’s market share in such states prior to the transaction.

SEAE/MF’s opinion is a non-binding document and the conclusions thereof shall not necessarily be considered as an indicative of the final decision to be issued by the Administrative Council for Economic Defense (“CADE”), which shall be responsible for the final decision regarding the anti-competitive aspects of the referred transaction. The Company believes that the transaction does not violate antitrust laws in such States and will continue to actively cooperate with the responsible authorities in order to have the transaction approved in its entirety.

JBS Continues to Export to Russia

On June 2, 2011, the Company communicated to its shareholders and to the market in general that following the news that Russia has banned animal protein imports from the three Brazilian states of Mato Grosso, Paraná and Rio Grande do Sul, three production facilities of the Company will effectively be restricted due to this ban.

While the Company believes that authorities from both countries will work towards resolving these issues in the short term, JBS will continue to serve its many Russian customers from another 8 production facilities approved and operating in Brazil as well as from its production platforms outside of Brazil.

Asset Based Loan – US$ 850,000,000 – LIBOR + 1.75% Annually
Completion of the Company's Debt Rebalancing

The Company communicates to its shareholders and to the market in general, as the last part of the Company’s debt rebalancing process announced in a Notice to the Market on May 12, 2011, that its subsidiary JBS USA, LLC today priced its Asset Based Loan (ABL) with a principal amount of US$850 million and an interest rate of LIBOR + 1.75% annually, with a 5 year maturity.

The Company opted to expand the initial amount from US$800 million to US$850 million due to demand which reached US$2 billion, and an interest rate significantly lower than expected.

This operation completes the debt rebalancing process of the Company which includes the following completed operations:

- Senior Unsecured Bond in the amount of US$ 650 million with a 10 year maturity and a coupon of 7.25% annually.
- Term Loan B in the amount of US$ 475 million with a 7 year maturity and a cost of LIBOR + 3% annually.
- Term Loan A in JBS Five Rivers in the amount of US$ 85 million with a 5 year maturity and a cost of LIBOR + 2.75% annually.

The total operations amounted to US$2.06 billion with an average cost of 4.35%, resulting in a reduction in the cost of debt and a more efficient tax structure which together represent a savings for the company around US$ 150 million per year. Besides this, there will be an improvement in debt profile, reducing the share of short term debt.

36 Subsequent events

Debentures - Capital Increase

On May 17, 2011, the Board of Directors approved the capital increase, in accordance with the authorized limit, in the amount of R$ 3,479,600, by issuing up to 494,261,363 common shares, nominative, without par value and the price of R$ 7.04 (seven reais and four cents) each.

On June 3, 2011, at a General Meeting of Debenture holders, 99.94% of the holders approved the use of the credits of the debentures to the capitalization up to R$ 3,479,600 through the private issuing of up to 494,261,363 new common shares at a price of R$ 7.04 (seven reais and four cents) each.

During the statutory period, noncontrolling shareholders exercised their preemptive rights to subscribe shares and subscribed 5,410 shares in the total amount of R$38. BNDESPAR, main debenture holder, subscribed 493,967,305 shares in total amount of R$ 3,477,530 through the capitalization of credits of the Debentures held.

On July 14, 2011, the capital increase approved by the Board of Directors was approved in the amount of R$ 3,477,568 through the issuance of 493,972,715 common shares at a price of R $ 7.04 (seven reais and four cents).

On July 14, 2011 will be recognized the capital increase in the amount of R$ 3,477,568, reduced by cost of transaction increased by issuing of the debentures in the amount of R$ 17,388, with net effect of R$ 3,460,180.

The Company will pay R$2,032 for the debenture holders who did not exercise the option of capitalizing on their debentures, until the deadline for redemption.

* * * * *

São Paulo, August 15th, 2011 – JBS S.A. ("JBS") (Bovespa: JBSS3), the global leading producer of animal protein announces today its results for the second quarter of 2011 (2Q11). For the purpose of analysis, this report considers the results for the quarters ended March 31, 2011 (1Q11) and June 30, 2010 (2Q10).

The consolidated financial statements are in accordance with the International Financing Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and also in accordance with accounting policies adopted in Brazil.

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 June 26, 2011 (2Q11). The quantitative data, such as volumes and number of heads slaughtered, are not audited.

2Q11 HIGHLIGHTS

- ✓ JBS posted net revenue of R$14,621.8 million, 3.6% higher than 2Q10. Excluding the effects of FX variation, revenue growth was 16.3%. In local currency, each business units presented the following growth, comparing with 2Q10:

  - ➢ JBS USA Beef: 19.1%
  - ➢ JBS USA Pork: 14.4%
  - ➢ JBS USA Chicken: 16.7%
  - ➢ JBS Mercosul: 2.7%

- ✓ JBS Mercosul presented EBITDA of R$427.9 million, 27.9% higher than 2Q10 with an EBITDA Margin of 11.8%.
- ✓ The Company completed the capitalization of its debentures into JBS S.A. shares at R$7.04.
- ✓ JBS raised US$2.0 billion in long-term debt through its subsidiary JBS USA, with an average cost below 4.5% per annum, which will be used to pay down shorter term debts in Brazil. The total savings from this operation are estimated at US$ 150 million per annum.
- ✓ The Company ended the quarter with R$5.0 billion in cash, equivalent to more than a 100% of the short-term debt.

ANALYSIS OF CONSOLIDATED RESULTS

Analysis of the principal financial indicators of JBS by Business Unit

		2Q11	1Q11	Δ%	2Q10	Δ%
Net Revenue						
JBS USA Beef	US$	3,964.0	3,793.3	4.5%	3,328.9	19.1%
JBS USA Pork	US$	845.8	836.6	1.1%	739.2	14.4%
JBS USA Chicken	US$	1,992.7	1,892.5	5.3%	1,707.6	16.7%
JBS Mercosul	R$	3,615.3	3,604.2	0.3%	3,521.9	2.7%
EBITDA						
JBS USA Beef	US$	44.7	269.7	-83.4%	194.9	-77.1%
JBS USA Pork	US$	83.6	105.3	-20.6%	48.7	71.7%
JBS USA Chicken	US$	-47.6	-55.2	-	127.6	-
JBS Mercosul	R$	427.9	308.3	38.8%	334.5	27.9%
EBITDA Margin						
JBS USA Beef	%	1.1%	7.1%	-	5.9%	-
JBS USA Pork	%	9.9%	12.6%	-	6.6%	-
JBS USA Chicken	%	-2.4%	-2.9%	-	7.5%	-
JBS Mercosul	%	11.8%	8.6%	-	9.5%	-

Consolidated analysis of the principal operational indicators of JBS

R$ million	2Q11	1Q11	∆%	2Q10	∆%
Net Revenue	**14,621.8**	**14,672.7**	**-0.3%**	**14,116.3**	**3.6%**
Cost of Goods Sold	(13,202.3)	(12,984.3)	1.7%	(12,372.1)	6.7%
Gross Income	**1,419.5**	**1,688.4**	**-15.9%**	**1,744.2**	**-18.6%**
Gross Margin	9.7%	11.5%	-	12.4%	-
Selling Expenses	(754.7)	(737.5)	2.3%	(654.1)	15.4%
General and Adm. Expenses	(386.1)	(418.9)	-7.8%	(443.1)	-12.9%
Net Financial Income (expense)	(590.9)	(351.1)	68.3%	(539.8)	9.5%
Other Income (expense)	(5.5)	(8.8)	-37.4%	43.9	-
Operating Income	**(317.7)**	**172.2**	**-**	**151.2**	**-**
Income and social contribution taxes	110.7	(82.2)	-	(136.8)	-
Participation of non-controlling shareholders	(26.2)	(57.0)	-54.0%	10.8	-
Net Income (Loss)[(1)]	**(180.8)**	**147.0**	**-**	**3.7**	**-**
EBITDA	**587.7**	**835.9**	**-29.7%**	**1,000.0**	**-41.2%**
EBITDA Margin	4.0%	5.7%	-	7.1%	-
Net Income (Loss) per share	**(0.07)**	**0.06**	**-**	**0.00**	**-**

(1) Participation of Controlling Shareholders.

Number of Heads Slaughtered and Sales Volume

	2Q11	1Q11	∆%	2Q10	∆%
Heads slaughtered (thousand)					
Cattle	3,884.6	3,750.2	3.6%	4,037.7	-3.8%
Hogs	3,072.1	3,303.6	-7.0%	3,017.6	1.8%
Smalls	839.6	574.0	46.3%	1,041.7	-19.4%
Volume Sold (thousand tons)*					
Domestic Market	**1,610.2**	**1,739.7**	**-7.4%**	**1,684.5**	**-4.4%**
Fresh and Chilled Beef	1,348.8	1,468.0	-8.1%	1,424.0	-5.3%
Processed Beef	34.0	32.7	3.9%	39.5	-13.9%
Others	227.4	238.9	-4.8%	221.0	2.9%
Exports	**501.9**	**528.4**	**-5.0%**	**546.8**	**-8.2%**
Fresh and Chilled Beef	450.3	468.4	-3.9%	478.4	-5.9%
Processed Beef	19.6	17.6	11.4%	29.5	-33.4%
Others	32.0	42.4	-24.4%	39.0	-17.9%
TOTAL	**2,112.2**	**2,268.0**	**-6.9%**	**2,231.3**	**-5.3%**

* Not including chicken

CONSOLIDATED RESULTS

Net Revenues

JBS posted consolidated net revenue of R$14,621.8 million in 2Q11, an increase of 3.6% compared to 2Q10. All business units presented organic growth from 2Q10 to 2Q11, in their local currency, reflecting an overall increase in average prices and strong demand in emerging markets.

Due to the appreciation of the real against the dollar, the net revenue in Reais stayed practically stable in comparison to 1Q11. Excluding the Fx variation, revenue increased by 4.1%.

EBITDA

EBITDA for 2Q11 was R$587.7 million, a decline of 41.2% compared to 2Q10, due to the underperformance by Pilgrim's Pride (JBS USA Chicken), and the weak performance of JBS USA Beef division.

However, during the first semester of 2011, the EBITDA of the Beef and Pork business units in the US totaled US$503.3 million, 12.1% higher than the corresponding semester of 2010.

Financial Results

Financial Results for the quarter increased 9.5% when compared with 2Q10 due to Fx hedge position.

Net Income / Loss

The loss for the period was R$180.8 million, equivalent to minus R$0.07 EPS, due to the Chicken Operations which incurred a net loss of US$ 128.1 million and the challenges faced by the Beef Operations in the US, as mentioned above.

Capital Expenditure

In 2Q11, the total capital expenditure (CAPEX) of JBS in property, plant, and equipment was R$277.1 million. The principal investments were for the improvement of productivity and the increase in storage capacity and distribution.

Issuance of Debt at JBS USA

The Company concluded the issuance of long-term debt totaling more than US$2.0 billion through its wholly owned subsidiary, JBS USA, with an average cost below 4.5% per annum.
Part of this amount is already on the 2Q11 balance sheet, which explains the increase in gross debt. The purpose of this issuance is to pay down more expensive shorter term debt in Brazil, reducing financial cost and increasing tax efficiency. The benefit of this operation is estimated to be US$150 million annually.

Indebtedness

JBS' net debt to EBITDA, excluding Pilgrim's Pride (PPC), a US Listed Company controlled by JBS, increased from 2.9x in 1Q11 to 3.2x in 2Q11. The increase in leverage reflects the underperformance of the Beef business unit in the US, combined with an increase in the need for working capital, due to the increase in raw material costs and production inputs.

Pilgrim's Pride was excluded from the debt calculation of JBS due to the fact that PPC is a non-recourse subsidiary controlled by JBS.

JBS (excluding PPC)

R$ million	6/30/2011	3/31/2011	Var.%
Gross debt	**14,661.4**	**12,599.9**	**16.4%**
(+) Short Term Debt	4,558.1	4,484.7	1.6%
(+) Long Term Debt	10,103.3	8,115.2	24.5%
(-) Cash and Equivalents	4,809.0	3,352.8	43.4%
Net debt	**9,852.5**	**9,247.1**	**6.5%**
Net debt/EBITDA (1)	**3.2x**	**2.9x**	

(1) EBITDA LTM

Including Pilgrim's Pride's performance in the results of JBS, the leverage went from 3.1x in 1Q11 to 3.6x in 2Q11. PPC presented negative EBITDA in the first semester of 2011 which significantly reduced the annualized EBITDA used to calculate the ratio.

On June 24th, 2011 PPC announced an amendment to its financial structure to suspend the existing covenants of the fixed-charge coverage and of the senior secured debt ratio until 4Q12.

JBS including Pilgrim's Pride

R$ million	6/30/2011	3/31/2011	Var.%
Gross debt	**17,124.3**	**15,162.7**	**12.9%**
(+) Short Term Debt	4,582.5	4,585.7	-0.1%
(+) Long Term Debt	12,541.8	10,577.0	18.6%
(-) Cash and Equivalents	4,960.2	3,557.3	39.4%
Net debt	**12,164.1**	**11,605.5**	**4.8%**
Net debt/EBITDA (1)	**3,6x**	**3.1x**	

(1) EBITDA LTM

Cash Position

The Company ended the quarter with R$5.0 billion in cash or cash equivalents, more than a 100% of the Company´s short-term debt.

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$3,964.0 million, outperforming 2Q10 by 19.1%. 2Q11 results reflect an increase in average sales prices. Comparing to 1Q11, the revenue increase was 4.5%.

EBITDA was US$44.7 million in the period, a decrease of 77.1% and 83.4% over 2Q10 and 1Q11, respectively, with an EBITDA margin of 1.1% in 2Q11. The results of the quarter reflect difficulties encountered by the Australian operation, primarily due to a strong Australian dollar and the impact of the mark-to-market hedge structure for the long position on cattle in the US, which depreciated significantly in the quarter due to the drought that hit the southern U.S. and the resulting increase in the supply of cattle for slaughter.

The operations in Australia, besides suffering from currency appreciation, faced other challenges like the increase in collections by the Government, the carbon tax project and the increase in labor costs without any corresponding increase in productivity.

Despite the lower than expected results for the quarter, EBITDA for the 1st semester of 2011 of the Beef and Pork units in the U.S. totaled US$503.3 million, compared to US$449 million in the first semester of last year, a 12.1% increase.

Highlights (US GAAP)

US$ million	2Q11	1Q11	Δ%	2Q10	Δ%
Heads slaughtered (thousand)	2,111.9	2,003.1	5.4%	2,187.4	-3.5%
Net Revenue	3,964.0	3,793.3	4.5%	3,328.9	19.1%
EBITDA	44.7	269.7	-83.4%	194.9	-77.1%
EBITDA margin %	1.1%	7.1%		5.9%	

Breakdown of Net Revenues

Domestic Market	2Q11	1Q11	Δ%	2Q10	Δ%
Net Revenue (US$ million)	2,811.8	2,774.1	1.4%	2,384.7	17.9%
Volume (tons)	799.7	908.7	-12.0%	829.7	-3.6%
Average Price (US$/Kg)	3.52	3.05	15.2%	2.87	22.3%

Exports	2Q11	1Q11	Δ%	2Q10	Δ%
Net Revenue (US$ million)	1,152.2	1,019.2	13.0%	944.2	22.0%
Volume (tons)	291.3	280.8	3.7%	291.1	0.1%
Average Price (US$/Kg)	3.96	3.63	9.0%	3.24	21.9%

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

Net revenue for the period was US$845.8 million, 14.4% above 2Q10, reflecting a significant increase in export volumes and average sales prices. Compared to the previous quarter, the increase was 1.1%.

EBITDA reached US$83.6 million in the quarter, 71.7% higher y-o-y. EBITDA margin was 9.9% in 2Q11. Comparing with EBITDA of 1Q11, there was a 20.6% decrease.

The Pork Business unit performance remains strong due to an increase in the sales prices of pork items and significant demand from the export market, combined with streamlined operation, lower cost of production and an adjusted product mix with higher aggregate value products in order to maximize performance.

For the 1st Semester of 2011, the EBITDA totaled US$188.9 million, 125.9% greater than the same period in 2010, which was US$83.6 million.

Highlights (US GAAP)

US$ million	2Q11	1Q11	Δ%	2Q10	Δ%
Animals slaughtered (thousand)	3,072.1	3,303.6	-7.0%	3,017.6	1.8%
Net Revenue	845.8	836.6	1.1%	739.2	14.4%
EBITDA	83.6	105.3	-20.6%	48.7	71.7%
EBITDA margin %	9.9%	12.6%		6.6%	

Breakdown of Net Revenues

Domestic Market	2Q11	1Q11	Δ%	2Q10	Δ%
Net Revenue (US$ million)	701.4	683.2	2.7%	639.1	9.7%
Volume (thousand tons)	279.9	321.0	-12.8%	310.2	-9.8%
Average Price (US$/Kg)	2.51	2.13	17.7%	2.06	21.6%

Exports	2Q11	1Q11	Δ%	2Q10	Δ%
Net Revenue (US$ million)	144.4	153.4	-5.9%	100.1	44.3%
Volume (thousand tons)	52.9	71.5	-26.0%	49.7	6.4%
Average Price (US$/Kg)	2.73	2.15	27.2%	2.01	35.5%

JBS USA Chicken (Pilgrim's Pride Corporation, a US listed Company which is controlled by JBS USA) – 22% of JBS S.A. Net Revenues

Net revenue for the period was US$1,992.7 million, 16.7% higher than 2Q10, reflecting an increase in volumes sold. Compared to 1Q11, the increase was 5.3%.

EBITDA was minus US$47.6 million, compared to minus US$55.2 million in 1Q11. The negative EBITDA reflects the high input grain prices, weak demand in the period and falling prices for certain products, principally the domestically sold cuts. Exports continue to grow, reaching record levels, higher than the U.S. chicken industry average levels.

The Company announced the closure of its Dallas plant due to occur by late September. Production from this plant will be redistributed to the other plants in east Texas, increasing the capacity utilization and efficiency of these plants as well as reducing production costs.

PPC remains focused on reducing costs, extracting synergies and achieving operational efficiencies to mitigate the effects of grains in the cost of goods sold. In addition, the Company is committed to improving the product mix and to increase the sales prices to reflect the current market conditions.

Highlights (US GAAP)

US$ million	2Q11	1Q11	Δ%	2Q10	Δ%
Net Revenue	1,992.7	1,892.5	5.3%	1,707.6	16.7%
EBITDA	(47.6)	(55.2)	-	127.6	-
EBITDA margin %	-2.4%	-2.9%		7.5%	

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

Net revenue of JBS Mercosul showed an increase of 2.7% in comparison to 2Q10, reaching R$3,615.3 million, reflecting an increase in sales prices and in export prices. In comparison with 1Q11, the revenue was practically stable.

EBITDA was R$427.9 million in 2Q11, an increase of 27.9% in comparison with 2Q10. In relation to the 1Q11 EBITDA increased 38.8%. EBITDA margin in the period was 11.8%.

JBS Mercosul results reflect strong demand in the domestic market combined with a recovery in exports of further processed products. Besides this, Brazilian operations presented a significant reduction in production costs due to gains in synergies and scale.

Highlights

R$ million	2Q11	1Q11	Δ%	2Q10	Δ%
Heads slaughtered (thousand)	1,772.7	1,747.1	1.5%	1,850.3	-4.2%
Net Revenue	3,615.3	3,604.2	0.3%	3,521.9	2.7%
EBITDA	427.9	308.3	38.8%	334.5	27.9%
EBITDA margin %	11.8%	8.6%		9.5%	

Breakdown of Net Revenues

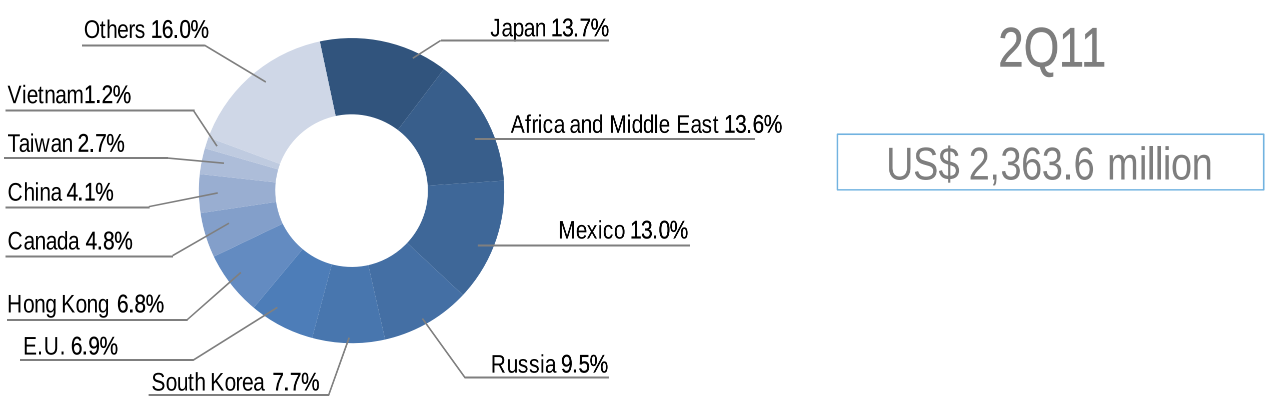
Domestic Market	2Q11	1Q11	Δ%	2Q10	Δ%
Net Revenue (million R$)					
Fresh and Chilled Product	1,686.1	1,625.6	3.7%	1,468.2	14.8%
Processed Items	159.6	183.0	-12.8%	121.8	31.0%
Others	457.4	448.5	2.0%	410.9	11.3%
TOTAL	**2,303.1**	**2,257.1**	**2.0%**	**2,000.9**	**15.1%**
Volume (thousand tons)					
Fresh and Chilled Product	269.2	238.3	12.9%	284.1	-5.2%
Processed Items	34.0	32.7	3.9%	39.5	-13.9%
Others	227.4	238.9	-4.8%	221.0	2.9%
TOTAL	**530.6**	**510.0**	**4.1%**	**544.6**	**-2.6%**
Average Price (R$/Kg)					
Fresh and Chilled Product	6.26	6.82	-8.2%	5.17	21.2%
Processed Items	4.69	5.59	-16.1%	3.08	52.2%
Others	2.01	1.88	7.1%	1.86	8.1%

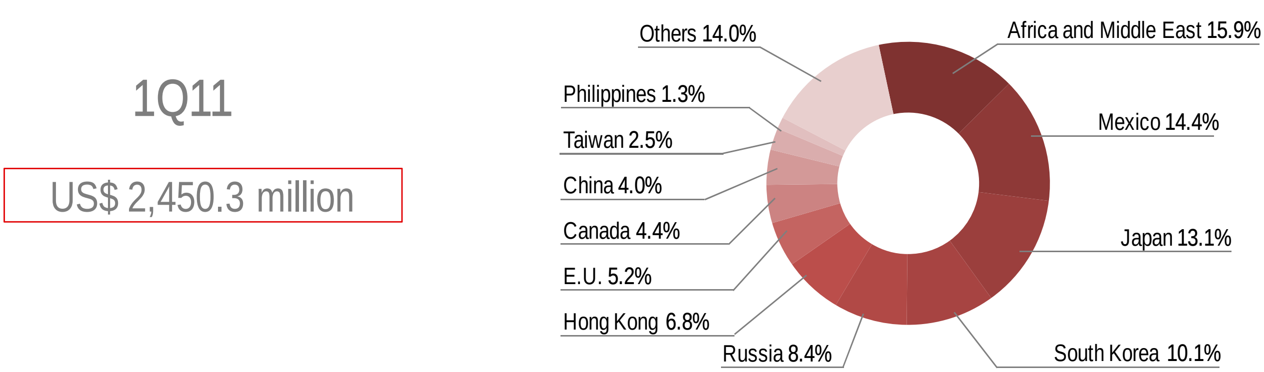
JBS Mercosul - 25% of JBS S.A. Net Revenues

Breakdown of Net Revenues

Exports	2Q11	1Q11	Δ%	2Q10	Δ%
Net Revenue (million R$)					
Fresh and Chilled Beef	822.1	872.7	-5.8%	993.0	-17.2%
Processed Beef	189.6	166.3	14.1%	226.5	-16.3%
Others	300.5	308.1	-2.5%	301.5	-0.3%
TOTAL	**1,312.2**	**1,347.0**	**-2.6%**	**1,521.0**	**-13.7%**
Volume (thousand tons)					
Fresh and Chilled Beef	106.1	116.1	-8.6%	137.6	-22.9%
Processed Beef	19.6	17.6	11.4%	29.5	-33.4%
Others	32.0	42.4	-24.4%	39.0	-17.9%
TOTAL	**157.8**	**176.1**	**-10.4%**	**206.0**	**-23.4%**
Average Price (R$/Kg)					
Fresh and Chilled Beef	7.75	7.52	3.1%	7.22	7.3%
Processed Beef	9.67	9.44	2.4%	7.69	25.8%
Others	9.38	7.27	29.0%	7.73	21.3%

Graph I - JBS Consolidated Exports Distribution





Source: JBS

Tables I - Breakdown of Production Cost by Business Unit (%)

2Q11 (%)	Consolidated	JBS Mercosul	USA Beef	USA Pork	USA Chicken
Raw material (livestock)	79.7%	85.1%	86.3%	84.9%	58.6%
Processing (including ingredients and packaging)	11.0%	8.9%	5.9%	6.7%	25.1%
Labor Cost	9.3%	6.0%	7.8%	8.4%	16.3%

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JBS S.A.

Balance sheets
(In thousands of Reais)

	Company		Consolidated	
	June 30, 2011	Dec 31, 2010	June 30, 2011	Dec 31, 2010
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	3,344,874	3,000,649	4,960,182	4,074,574
Trade accounts receivable, net	1,498,848	1,672,729	3,934,861	4,036,104
Inventories	1,109,402	1,109,472	4,616,191	4,476,934
Biological assets	-	-	516,368	417,028
Recoverable taxes	1,200,092	1,088,310	1,639,375	1,515,013
Prepaid expenses	12,172	13,844	119,036	107,825
Other investment and discontinued operations	-	504,002	-	504,002
Other current assets	222,590	161,066	440,263	351,817
TOTAL CURRENT ASSETS	7,387,978	7,550,072	16,226,276	15,483,297
NON-CURRENT ASSETS				
Long-term assets				
Credits with related parties	190,647	-	376,836	332,679
Judicial deposits and others	93,326	88,218	411,709	448,875
Recoverable taxes	566,515	553,770	625,039	616,297
Total long-term assets	850,488	641,988	1,413,584	1,397,851
Investments in subsidiaries	7,504,360	10,443,000	-	-
Property, plant and equipment, net	7,778,995	7,598,963	14,323,594	14,624,201
Intangible assets, net	9,531,114	9,531,739	12,327,542	12,425,499
	24,814,469	27,573,702	26,651,136	27,049,700
TOTAL NON-CURRENT ASSETS	25,664,957	28,215,690	28,064,720	28,447,551
TOTAL ASSETS	33,052,935	35,765,762	44,290,996	43,930,848

JBS S.A.

Balance sheets
(In thousands of Reais)

	Company		Consolidated	
	June 30, 2011	Dec 31, 2010	June 30, 2011	Dec 31, 2010
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Trade accounts payable	586,181	566,982	2,683,113	2,962,395
Loans and financings	3,927,297	4,342,593	4,582,497	4,966,198
Payroll, social charges and tax obligation	387,506	375,600	1,228,230	1,205,167
Payables related to facilities acquisitions	13,337	45,746	13,337	45,746
Other current liabilities	447,363	509,482	295,346	332,208
TOTAL CURRENT LIABILITIES	5,361,684	5,840,403	8,802,523	9,511,714
NON-CURRENT LIABILITIES				
Loans and financings	6,715,340	6,679,915	12,541,810	10,217,156
Convertible debentures	2,032	3,462,212	2,032	3,462,212
Payroll, social charges and tax obligation	-	-	292,375	317,633
Payables related to facilities acquisitions	3,286	5,144	3,286	5,144
Deferred income taxes	306,131	390,774	648,817	1,003,050
Provision for contingencies	139,345	136,002	334,397	321,660
Debits with related parties	-	1,532,002	-	-
Other non-current liabilities	36,946	124,939	246,828	397,430
TOTAL NON-CURRENT LIABILITIES	7,203,080	12,330,988	14,069,545	15,724,285
SHAREHOLDERS' EQUITY				
Capital stock	18,046,067	18,046,067	18,046,067	18,046,067
Capital transaction	(9,950)	(9,949)	(9,950)	(9,949)
Capital reserve	3,861,538	500,775	3,861,538	500,775
Revaluation reserve	104,032	106,814	104,032	106,814
Profit reserves	1,337,564	1,337,564	1,337,564	1,337,564
Valuation adjustments to shareholders' equity in subsidiaries	(2,625)	(1,719)	(2,625)	(1,719)
Accumulated translation adjustments in subsidiaries	(2,817,449)	(2,385,181)	(2,817,449)	(2,385,181)
Retained earnings	(31,006)	-	(31,006)	-
Attributable to controlling interest	20,488,171	17,594,371	20,488,171	17,594,371
Attributable to noncontrolling interest	-	-	930,757	1,100,478
TOTAL SHAREHOLDERS' EQUITY	20,488,171	17,594,371	21,418,928	18,694,849
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	33,052,935	35,765,762	44,290,996	43,930,848

JBS S.A.

Statements of income for the three months period ended June 30, 2011 and 2010
(In thousands of Reais)

	Company		Consolidated	
	2011	2010	2011	2010
NET SALE REVENUE	3,257,335	3,134,296	14,621,805	14,116,307
Cost of goods sold	(2,464,197)	(2,472,307)	(13,202,332)	(12,372,093)
GROSS INCOME	793,138	661,989	1,419,473	1,744,214
OPERATING INCOME (EXPENSE)				
General and administrative expenses	(142,496)	(159,979)	(386,065)	(443,074)
Selling expenses	(312,700)	(242,150)	(754,724)	(654,059)
Financial expense, net	(536,110)	(554,899)	(590,894)	(539,789)
Equity in earning of subsidiaries	(49,580)	292,663	-	-
Other income (expenses), net	1,039	1,376	(5,490)	43,941
	(1,039,847)	(662,989)	(1,737,173)	(1,592,981)
INCOME (LOSS) BEFORE TAXES	(246,709)	(1,000)	(317,700)	151,233
Current income taxes	686	717	(101,077)	(118,189)
Deferred income taxes	65,267	3,989	211,806	(18,579)
	65,953	4,706	110,729	(136,768)
NET INCOME OF CONTINUED OPERATIONS	(180,756)	3,706	(206,971)	14,465
Net income of discontinued operations	-	-	-	-
NET INCOME (LOSS) OF THE PERIOD	(180,756)	3,706	(206,971)	14,465
ATTRIBUTABLE TO:				
Controlling interest			(180,756)	3,706
Noncontrolling interest			(26,215)	10,759
			(206,971)	14,465
Net Income basic per thousand shares - in reais	(73.00)	1.47	(73.00)	1.47
Net Income diluted per thousand shares - in reais	(60.86)	1.47	(60.86)	1.47

JBS S.A.

Statements of cash flows for the three months period ended June 30, 2011 and 2010
(In thousands of Reais)

	Company		Consolidated	
	2011	**2010**	**2011**	**2010**
Cash flow from operating activities				
Net income (loss) of the period	(180,756)	3,706	(180,756)	3,706
Adjustments to reconcile net income to cash provided				
. Depreciation and amortization	114,432	69,483	310,186	309,352
. Allowance for doubtful accounts	3,729	874	1,698	8,766
. Equity in earnings of subsidiaries	49,580	(292,663)	-	-
. Gain on assets sales	(2,001)	(2,962)	5,931	19,744
. Deferred income taxes	(65,267)	(3,989)	(211,806)	18,579
. Current and non-current financial charges	146,802	(134,535)	39,085	(19,531)
. Provision for contingencies	1,347	2,039	13,355	2,781
	67,866	(358,047)	(22,307)	343,397
Decrease (increase) assets				
Trade accounts receivable	84,770	(479,801)	(125,555)	(676,143)
Inventories	(43,029)	(133,619)	(227,729)	(458,929)
Recoverable taxes	(43,472)	(66,527)	(81,021)	(65,396)
Other current and non-current assets	(17,612)	100,608	(48,654)	373,715
Related party receivable	(138,917)	-	(126,298)	(36)
Biological assets	-	-	(109,428)	(73,629)
Increase (decrease) liabilities	-	-	-	-
Trade accounts payable	52,400	34,520	290,631	227,405
Other current and non-current liabilities	185,870	(38,868)	120,598	(134,629)
Related party payable	-	20,860	-	-
Decrease on noncontrolling interest	-	-	(26,215)	10,759
Valuation adjustments to shareholders' equity	-	-	(32,256)	(377,244)
Net cash provided by (used in) operating activities	147,876	(920,874)	(388,234)	(830,730)
Cash flow from investing activities				
Additions to property, plant and equipment and intangible assets	(170,548)	(195,824)	(277,118)	(369,778)
Additions to investments	1,391,853	(47,885)	-	-
Net cash merged	718	-	-	-
Net cash provided by (used in) investing activities	1,222,023	(243,709)	(277,118)	(369,778)
Cash flow from financing activities				
Loans and financings	2,097,002	1,978,435	6,358,939	4,672,264
Payments of loans and financings	(2,250,626)	(1,741,875)	(4,204,965)	(4,481,732)
Capital Increase	-	1,563,637	-	1,563,637
Shares acquisition of own emission	(44,019)	-	(44,019)	-
Net cash provided by (used in) financing activities	(197,643)	1,800,197	2,109,955	1,754,169
Effect of exchange variation on cash and cash equivalents	-	-	(41,697)	(30,578)
Variance in cash and cash equivalents	1,172,256	635,614	1,402,906	523,083
Cash and cash equivalents at the beginning of the period	2,172,618	1,145,622	3,557,276	2,992,007
Cash and cash equivalents at the end of the period	3,344,874	1,781,236	4,960,182	3,515,090

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.