JBS S.A.
Financial statements and Report of Independent auditors
As of March 31, 2012 and 2011

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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 March 31, 2012, which comprise the balance sheet and the related statements of operations, comprehensive income, changes in equity and cash flows for the three-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 (R1) – Interim Financial Reporting and the consolidated interim financial information in accordance with the CPC 21 (R1) 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 (R1) 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 (R1) 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 period ended March 31, 2012, which are the responsibility of its Management, which presentation 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 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.

Review of the prior period amounts

KPMG Auditores Associados (incorporated in December 2, 2011 by KPMG Auditores Independentes) reviewed the ínterim financial information for the period ended March 31, 2011, and issued report dated May 9, 2011, unmodified.

São Paulo, May 14, 2012

KPMG Auditores Independentes
CRC 2SP014428/O-6

Orlando Octávio de Freitas Júnior
Contador CRC 1SP178871/O-4

JBS S.A.

Balance sheets
(In thousands of Reais)

	Note	Company March 31, 2012	Company December 31, 2011	Consolidated March 31, 2012	Consolidated December 31, 2011
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	4	**3,177,231**	3,612,867	**5,150,828**	5,288,194
Trade accounts receivable, net	5	**1,840,663**	1,883,093	**4,431,010**	4,679,846
Inventories	6	**1,691,558**	1,544,261	**5,594,857**	5,405,705
Biological assets	7	**-**	-	**171,295**	209,543
Recoverable taxes	8	**1,421,441**	1,330,609	**1,916,537**	1,690,311
Prepaid expenses		**13,099**	8,148	**138,013**	131,033
Other current assets		**219,142**	256,225	**467,021**	526,649
TOTAL CURRENT ASSETS		**8,363,134**	**8,635,203**	**17,869,561**	**17,931,281**
NON-CURRENT ASSETS					
Long-term assets					
Credits with related parties	9	**611,629**	88,505	**498,069**	552,197
Judicial deposits and others		**167,347**	104,207	**411,653**	389,947
Recoverable taxes	8	**560,558**	562,027	**622,664**	626,126
Total long-term assets		**1,339,534**	**754,739**	**1,532,386**	**1,568,270**
Investments in subsidiaries	10	**6,254,220**	7,561,574	**-**	-
Property, plant and equipment, net	11	**8,057,574**	7,803,582	**15,364,157**	15,378,714
Intangible assets, net	12	**9,531,393**	9,531,506	**12,478,965**	12,532,619
		23,843,187	**24,896,662**	**27,843,122**	**27,911,333**
TOTAL NON-CURRENT ASSETS		**25,182,721**	**25,651,401**	**29,375,508**	**29,479,603**
TOTAL ASSETS		**33,545,855**	**34,286,604**	**47,245,069**	**47,410,884**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Balance sheets
(In thousands of Reais)

	Note	Company		Consolidated	
		March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Trade accounts payable	13	**838,313**	666,375	**3,193,850**	3,323,886
Loans and financings	14/15	**4,226,873**	4,574,702	**5,018,748**	5,339,433
Income taxes	17	**-**	-	**10,193**	211,528
Payroll, social charges and tax obligation	17	**429,565**	347,863	**1,182,422**	1,167,163
Payables related to facilities acquisitions	19	**136,040**	10,589	**136,040**	10,589
Other current liabilities		**443,724**	466,402	**423,232**	343,100
TOTAL CURRENT LIABILITIES		**6,074,515**	**6,065,931**	**9,964,485**	**10,395,699**
NON-CURRENT LIABILITIES					
Loans and financings	14/15	**6,210,233**	7,095,193	**13,667,344**	13,532,761
Convertible debentures	16	**1,283**	1,283	**1,283**	1,283
Payroll, social charges and tax obligation	17	**-**	-	**673,041**	683,812
Payables related to facilities acquisitions	19	**48,881**	2,048	**48,881**	2,048
Deferred income taxes	20	**413,298**	289,798	**797,598**	678,372
Provision for lawsuits risk	18	**142,325**	140,975	**197,295**	251,560
Other non-current liabilities		**26,412**	27,554	**243,696**	266,161
TOTAL NON-CURRENT LIABILITIES		**6,842,432**	**7,556,851**	**15,629,138**	**15,415,997**
SHAREHOLDERS' EQUITY	21				
Capital stock		**21,506,247**	21,506,247	**21,506,247**	21,506,247
Capital transaction		**(10,127)**	(10,212)	**(10,127)**	(10,212)
Capital reserve		**373,366**	985,944	**373,366**	985,944
Revaluation reserve		**100,100**	101,556	**100,100**	101,556
Profit reserves		**1,440,799**	1,440,799	**1,440,799**	1,440,799
Treasury shares		**-**	(610,550)	**-**	(610,550)
Valuation adjustments to shareholders' equity in subsidiaries		**126,972**	127,071	**126,972**	127,071
Accumulated translation adjustments in subsidiaries		**(3,025,984)**	(2,877,033)	**(3,025,984)**	(2,877,033)
Retained earnings		**117,535**	-	**117,535**	-
Attributable to controlling interest		**20,628,908**	**20,663,822**	**20,628,908**	**20,663,822**
Attributable to noncontrolling interest		**-**	**-**	**1,022,538**	**935,366**
TOTAL SHAREHOLDERS' EQUITY		**20,628,908**	**20,663,822**	**21,651,446**	**21,599,188**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**33,545,855**	**34,286,604**	**47,245,069**	**47,410,884**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statements of income for the three months period ended March 31, 2012 and 2011
(In thousands of Reais)

	Note	Company 2012	Company 2011	Consolidated 2012	Consolidated 2011
NET SALE REVENUE	22	**3,350,379**	**3,172,007**	**16,011,080**	**14,672,740**
Cost of goods sold		**(2,451,641)**	(2,493,902)	**(14,357,175)**	(12,984,313)
GROSS INCOME		**898,738**	**678,105**	**1,653,905**	**1,688,427**
OPERATING INCOME (EXPENSE)					
General and administrative expenses		**(162,472)**	(145,423)	**(427,891)**	(418,917)
Selling expenses		**(327,025)**	(298,505)	**(816,404)**	(737,451)
Financial expense, net	25	**(38,775)**	(303,081)	**(155,821)**	(351,130)
Equity in earnings of subsidiaries	10	**(130,962)**	195,505	**-**	-
Other income (expenses), net	26	**75**	2,894	**(12,185)**	(8,769)
		(659,159)	**(548,610)**	**(1,412,301)**	**(1,516,267)**
NET INCOME BEFORE TAXES		**239,579**	**129,495**	**241,604**	**172,160**
Current income taxes	20	**750**	748	**16,643**	(194,595)
Deferred income taxes	20	**(124,250)**	16,725	**(128,728)**	112,360
		(123,500)	**17,473**	**(112,085)**	**(82,235)**
NET INCOME OF THE PERIOD		**116,079**	**146,968**	**129,519**	**89,925**
ATTRIBUTABLE TO:					
Controlling interest				**116,079**	146,968
Noncontrolling interest				**13,440**	(57,043)
				129,519	**89,925**
Net income basic per thousand shares - in reais	23	**39.16**	**59.17**	**39.16**	**59.17**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statement of comprehensive income for the three months period ended March 31, 2012 and 2011
(In thousands of Reais)

	Company		Consolidated	
	2012	2011	2012	2011
Net income of the period	**116,079**	146,968	**129,519**	89,925
Other comprehensive income				
Valuation adjustments to shareholders' equity in subsidiaries	**(99)**	(98)	**(99)**	(98)
Accumulated adjustment of conversion in subsidiaries	**(558)**	17,336	**(558)**	17,336
Exchange variation in subsidiaries	**(148,393)**	(185,973)	**(148,393)**	(185,973)
Total of comprehensive income	**(32,971)**	**(21,767)**	**(19,531)**	**(78,810)**
Total of comprehensive income attributable to:				
Controlling interest	**(32,971)**	(21,767)	**(17,504)**	(48,221)
Noncontrolling interest	**-**	-	**(2,027)**	(30,589)
	(32,971)	**(21,767)**	**(19,531)**	**(78,810)**

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 March 31, 2012 and 2011
(In thousands of Reais)

	Capital stock	Capital transactions	Capital reserve	Revaluation reserve	Profit reserves: Legal	Profit reserves: For expansion	Treasury shares	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)**	**985,944**	**106,814**	**7,768**	**1,329,796**	**(485,169)**	**(1,719)**	**(2,385,181)**	**-**	**17,594,371**	**1,100,478**	**18,694,849**
Capital transaction	-	2	-	-	-	-	-	-	-	-	2	-	2
Treasury shares	-	-	-	-	-	-	(55,398)	-	-	-	(55,398)	-	(55,398)
Realization of revaluation reserve	-	-	-	(1,452)	-	-	-	-	-	1,452	-	-	-
Valuation adjustments in subsidiaries shareholders´ equity	-	-	-	-	-	-	-	(98)	-	-	(98)	-	(98)
Accumulated translation adjustments in subsidiaries shareholders' equity	-	-	-	-	-	-	-	-	17,336	-	17,336	-	17,336
Investments exchange rate variations, net	-	-	-	-	-	-	-	-	(185,973)	-	(185,973)	-	(185,973)
Net income of the period	-	-	-	-	-	-	-	-	-	146,968	146,968	(57,043)	89,925
Noncontrolling interest	-	-	-	-	-	-	-	-	-	-	**-**	(26,216)	**(26,216)**
BALANCE AS OF MARCH 31, 2011	**18,046,067**	**(9,947)**	**985,944**	**105,362**	**7,768**	**1,329,796**	**(540,567)**	**(1,817)**	**(2,553,818)**	**148,420**	**17,517,208**	**1,017,219**	**18,534,427**
BALANCE AS OF DECEMBER 31, 2011	**21,506,247**	**(10,212)**	**985,944**	**101,556**	**7,768**	**1,433,031**	**(610,550)**	**127,071**	**(2,877,033)**	**-**	**20,663,822**	**935,366**	**21,599,188**
Capital transactions	-	85	-	-	-	-	-	-	-	-	**85**	-	**85**
Purchase of treasury shares	-	-	-	-	-	-	(2,028)	-	-	-	**(2,028)**	-	**(2,028)**
Cancellation of treasury shares	-	-	(612,578)	-	-	-	612,578	-	-	-	**-**	-	**-**
Realization of revaluation reserve	-	-	-	(1,456)	-	-	-	-	-	1,456	**-**	-	**-**
Valuation adjustments to shareholders equity in subsidiaries	-	-	-	-	-	-	-	(99)	-	-	**(99)**	-	**(99)**
Accumulated translation adjustments in subsidiaries	-	-	-	-	-	-	-	-	(558)	-	**(558)**	-	**(558)**
Investments exchange rate variations, net	-	-	-	-	-	-	-	-	(148,393)	-	**(148,393)**	-	**(148,393)**
Net income of the period	-	-	-	-	-	-	-	-	-	116,079	**116,079**	13,440	**129,519**
Noncontrolling interest	-	-	-	-	-	-	-	-	-	-	**-**	73,732	**73,732**
BALANCE AS OF MARCH 31, 2012	**21,506,247**	**(10,127)**	**373,366**	**100,100**	**7,768**	**1,433,031**	**-**	**126,972**	**(3,025,984)**	**117,535**	**20,628,908**	**1,022,538**	**21,651,446**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statements of cash flows for the three months period ended March 31, 2012 and 2011
(In thousands of Reais)

	Company		Consolidated	
	2012	2011	2012	2011
Cash flow from operating activities				
Net income of the period attributable to controlling interest	**116,079**	146,968	**116,079**	146,968
Adjustments to reconcile loss to cash provided on operating activities				
. Depreciation and amortization	**105,084**	97,270	**285,043**	311,161
. Allowance for doubtful accounts	**-**	1,128	**(2,086)**	7,851
. Equity in earnings of subsidiaries	**130,962**	(195,505)	**-**	-
. Loss (gain) on assets sales	**(75)**	(1,525)	**6,114**	(1,863)
. Deferred income taxes	**124,251**	(16,725)	**128,728**	(112,360)
. Current and non-current financial charges	**(297,993)**	86,527	**(219,501)**	164,524
. Provision for lawsuits risk	**1,350**	2,108	**(15)**	2,692
. Impairment	**-**	-	**4,144**	-
	179,658	**120,246**	**318,506**	**518,973**
Decrease (increase) in operating assets				
Trade accounts receivable	**43,934**	33,627	**210,061**	31,632
Inventories	**(147,297)**	44,596	**(273,759)**	(105,371)
Recoverable taxes	**(44,593)**	(76,027)	**(225,116)**	(84,412)
Other current and non-current assets	**(31,007)**	(46,039)	**2,440**	(90,819)
Related party receivable	**(347,365)**	(87,495)	**44,691**	68,268
Biological assets	**-**	-	**33,374**	(10,642)
Increase (decrease) operating liabilities				
Trade accounts payable	**167,155**	(33,372)	**(104,951)**	(430,175)
Other current and non-current liabilities	**100,559**	(217,471)	**21,961**	(264,225)
Noncontrolling interest	**-**	-	**13,440**	(57,043)
Valuation adjustments to shareholders' equity in subsidiaries	**-**	-	**(77,156)**	(72,655)
Net cash provided by (used in) operating activities	**(78,956)**	**(261,935)**	**(36,509)**	**(496,469)**
Cash flow from investing activities				
Additions to property, plant and equipment and intangible assets	**(226,991)**	(104,355)	**(291,965)**	(315,305)
Increase in investments in subsidiaries	**-**	(552,356)	**-**	-
Decrease in investments in subsidiaries	**871,887**	-	**-**	-
Proceeds received from termination agreement of Inalca JBS	**-**	504,002	**-**	504,002
Net effect of working capital of acquired (merged) company	**-**	-	**151**	-
Net cash provided by (used in) investing activities	**644,896**	**(152,709)**	**(291,814)**	**188,697**
Cash flow from financing activities				
Proceeds from loans and financings	**453,764**	1,381,281	**4,421,162**	2,727,498
Payments of loans and financings	**(1,453,397)**	(1,739,270)	**(4,211,525)**	(2,860,053)
Capital transactions	**85**	-	**(263)**	-
Shares acquisition of own emission	**(2,028)**	(55,398)	**(1,680)**	(55,398)
Net cash provided by (used in) financing activities	**(1,001,576)**	**(413,387)**	**207,694**	**(187,953)**
Effect of exchange variation on cash and cash equivalents	**-**	**-**	**(16,737)**	**(21,573)**
Variance in cash and cash equivalents	**(435,636)**	(828,031)	**(137,366)**	(517,298)
Cash and cash equivalents at the beginning of the year	**3,612,867**	3,000,649	**5,288,194**	4,074,574
Cash and cash equivalents at the end of the period	**3,177,231**	**2,172,618**	**5,150,828**	**3,557,276**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Economic value added for the three months period ended March 31, 2012 and 2011
(In thousands of Reais)

	Company		Consolidated	
	2012	2011	2012	2011
Revenue				
Sales of goods and services	**3,583,442**	3,372,684	**16,328,561**	15,186,861
Other net income (expenses)	**2,798**	2,159	**(1,142)**	(6,034)
Allowance for doubtful accounts	**-**	(1,128)	**2,086**	(7,851)
	3,586,240	**3,373,715**	**16,329,505**	**15,172,976**
Goods				
Cost of services and goods sold	**(1,939,996)**	(1,868,575)	**(11,170,260)**	(7,919,552)
Materials, energy, services from third parties and others	**(536,984)**	(539,505)	**(2,374,063)**	(4,730,729)
Losses/Recovery of amounts	**-**	-	**(92)**	22,969
Others	**-**	-	**-**	1,456
	(2,476,980)	**(2,408,080)**	**(13,544,415)**	**(12,625,856)**
Gross added value	**1,109,260**	**965,635**	**2,785,090**	**2,547,120**
Depreciation and Amortization	**(105,084)**	(97,270)	**(285,043)**	(311,161)
Net added value generated by the company	**1,004,176**	**868,365**	**2,500,047**	**2,235,959**
Net added value by transfer				
Equity in earnings of subsidiaries	**(130,962)**	195,505	**-**	-
Financial income	**449,591**	694,388	**567,038**	821,970
Others	**597**	1,879	**7,184**	908
NET ADDED VALUE TOTAL TO DISTRIBUTION	**1,323,402**	**1,760,137**	**3,074,269**	**3,058,837**
Distribution of added value				
Labor				
Salaries	**283,829**	255,194	**1,400,705**	1,195,235
Benefits	**32,155**	47,246	**320,106**	83,718
FGTS (Brazilian Labor Social Charge)	**14,326**	18,293	**17,147**	20,181
	330,310	**320,733**	**1,737,958**	**1,299,134**
Taxes and contribution				
Federal	**185,040**	113,597	**203,845**	238,886
State	**190,978**	177,119	**212,123**	246,144
Municipal	**4,559**	552	**4,931**	788
	380,577	**291,268**	**420,899**	**485,818**
Capital Remuneration from third parties				
Interests	**456,846**	973,333	**684,887**	1,160,128
Rents	**13,150**	14,388	**64,734**	19,170
Others	**26,440**	13,447	**36,272**	4,662
	496,436	**1,001,168**	**785,893**	**1,183,960**
Owned capital remuneration				
Net income of the period attibutable to controlling interest	**116,079**	146,968	**116,079**	146,968
Noncontrolling interest	**-**	-	**13,440**	(57,043)
	116,079	**146,968**	**129,519**	**89,925**
ADDED VALUE TOTAL DISTRIBUTED	**1,323,402**	**1,760,137**	**3,074,269**	**3,058,837**

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

1 Operating activities

JBS S.A ("JBS", the "Company") is a listed company in the "Novo Mercado" segment, based in the city of São Paulo, Brazil, 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 Company and its subsidiaries develop the following operational activities:

a) Activities in Brazil

In Company

The Company performs slaughter facility, cold storage of cattle meat, meat processing operations for the production of beef, by-products of meat and canned goods, through forty-three industrial facilities based in the States of Acre, Bahia, Goiás, Minas Gerais, Mato Grosso do Sul, Mato Grosso, Pará, Rio de Janeiro, Rondônia and São Paulo.

The Company distributes its products through nine distribution centers based in the States of Amazonas, Bahia, Espírito Santo, Minas Gerais, Pernambuco, Paraná, Rio de Janeiro, Rio Grande do Sul, and São Paulo.

The Company has strong operations of leather tanning, most of its production intended to 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 fourteen industrial facilities based in the States of Espirito Santo, Goiás, Minas Gerais, Mato Grosso, Mato Grosso do Sul, Pará, Rio Grande do Sul, Rondônia, São Paulo and Tocantins. JBS has one distribution center based in the State of Mato Grosso do Sul.

Additionally, the Company operates in the segment of aluminum cans production, industrial waste management and plastic resin manufacturing; bar soap and soap production for its own brands of cleaning and hygiene segment; production of biodiesel, glycerin, olein and fatty acid; purchase and sale of soybeans, tallow, palm oil, caustic soda, stearin; industrialization and sale of tripe; own transport operations for retail sale, cattle for slaughter and export products. The Company also has stores named "Beef Shopping" that sell meat and barbecue related items directly to consumers. With the merger of Biolins, the Company is also engaged in the production and distribution of electric power, cogeneration and storage of hot water for heating, with the permission of the proper government authorities.

In subsidiaries

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

JBS Confinamento Ltda. (JBS Confinamento) is based in Castilho and Guaiçara - 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 reselling for fattening beef and providing services of fattening beef of its own and third party cattle for slaughtering.

Novaprom Food Ingredients Ltda. (Novaprom) based 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 and protein, collagen in its purest form, extracted from the suede and with the minimum of 99% protein content, it is the largest company in the world in production and distribution of natural collagen fiber. Novaprom sells its products throughout Brazil and exports to continents such as Europe, Latin America, Asia and Oceania.

The indirect subsidiary S.A. Fábrica de Produtos Alimentícios Vigor (Vigor), based in the City of São Paulo engages in the processing and distribution of dairy products in general, fresh milk and milk products and the refining, processing and distribution of oils, vegetable products derived, instant noodles and yogurt. Vigor, through the concession of registration on "Foods and Drug Administration - FDA, " is qualified to export its entire product line to the United States of America".

The indirect subsidiary Meat Snacks Partner do Brasil Ltda (Meat Snacks), a joint venture with shared control between the JBS´s subsidiary JBS Handels GMBH and the third party company Jack Link Beef Jerky, is based in Santo Antônio da Posse, State of São Paulo, produces Beef Jerky since May 2011, purchasing fresh meat in the domestic market and exports to the United States of America. As of March 2012, Meat Snacks opened a unit in the city of Lins, also in the State of São Paulo, in order to expand its operations.

Cascavel Couros Ltda. (Cascavel), based in Cascavel, State of Ceará, whose activity is the production, distribution, import and export of hides and leather products, preparation finishing and manufacture mainly upholstery leather and other leather artifacts. It is specialized in the processing of cattle leather and products, engaged in producing leather on the stages of Wet Blue, Semi Finished and Finished. Cascavel buys leather from slaughter facilities of JBS Group, selling especially to the foreign market, to Europe and United States of America .

b) Activities abroad

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

Due the unfavorable scenario in the meat industry in Argentina since the year 2008, the Company has decided temporarily to discontinue its operations of the following plants: San Jose (Province of Entre Rios) in the year of 2009, Colonia Caroya (Province of Córdoba), Consignaciones Rurales (Province of Buenos Aires) on the year 2010 and definitely Venado Tuerto (Province of Santa Fé) on the year ended 2011.

JBS USA Holdings Inc. (JBS USA) and its subsidiaries process, prepare, package and deliver 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 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 five feedlots in Australia.

JBS USA divides its operation into three categories: Beef, operating the segment of bovine products, Pork, operating the segment of pork and lamb products and Poultry, operating the segment of poultry acquired through the business combination of Pilgrim´s Pride (PPC).

In JBS USA, JBS Trading USA, Inc. also based in the United States of America distributes processed beef products mainly in U.S. market.

In JBS USA, Pilgrim's Pride - PPC based in Greeley, Colorado, United States of America is 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 twenty nine processing chicken facilities, supported by thirty one feed mills, thirty - seven hatcheries, nine rendering facilities, eight further processing facilities and three pet food facilities in the United States and Mexico.

In JBS USA, its subsidiary Sampco, Inc. (Sampco), based in Chicago, in the United States of America, imports processed meats primarily from South America for resale to United States of America, 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, based 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) based 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.

CJSC Prodcontract (Prodcontract) based 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.

Lesstor LLC is a warehouse based in Russia whose activity is the storage of its own and third parties products through rental agreements and storage services.

The indirect subsidiary JBS Paraguay S.A (JBS Paraguay), based in Assunção, as well as in San Antonio, both in 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.

The JBS Leather Paraguay, based in Assunção, Paraguay, operate in the leather segment, buying fresh leather from the local market and producing and export to the foreign market, on the stages of Wet Blue

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

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

The indirect subsidiary Misr Cold Centers and Storage (Misr Cold), based 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), based in Italy, consists of 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 beef jerky and flat cured pork belly (bacon), as well as the commercialization of cured ham.

The indirect subsidiary Trump Asia Enterprises Limited (Trump), based in China, has a leather processing plant, whose activity consists of 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 buys most of its products from JBS Group and third party.

The indirect JBS Leather Europe s.r.o. (JBS Leather), has one administrative and sales office based in the city of Prague, and a warehouse based 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 JBS Middle East FZE (Middle East), based in Dubai in the Emirates Arab United, and its subsidiary Sanaye Ghazaei Saeid Taam Co.(Sanaye) based in the city of Tehram Iran, sell food products of bovine origin acquired from the JBS Group for the Middle East market.

JBS Italia s.r.l. (JBS Italia), based in the city of Arzignano, and its subsidiary JBS Matera (Matera), based in the city of Matera, both in Italy, operate 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

a. Declaration of conformity

These financial statement includes:

-The Company consolidated financial statements were prepared and in accordance with International Financing Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and also in accordance with 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 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. Thereby the financial statements are not in accordance with the IFRS, which requires the evaluation of these investments in the individual company's financial statements 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).Thus, the balance sheets of subsidiaries have been prepared with international accounting uniform policies and practices. Similarly, for the new investments acquisitions after adoption of IFRS, IFRS 3 (R)/ CPC 15 - Business Combinations is applied, which presents investment of fair value, subsequently, evaluating its investments.

Since 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.

The Company applied the accounting practices defined in Note 3 for the period presented, although it considers the terms of the CPC 21(R1) /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.

Transitional Tax Regime (Regime Tributário Transitório - RTT) - The amounts presented in financial statements as of March 31, 2012 are considering the adoptior of the Tax Regime Transition (RTT) by the Company as allowed by Law n° 11.941/09, which aims to maintain neutrality tax changes in the Brazilian corporate law, introduced by Law n° 11.638/07 and by the Law n° 11.941/09.

The approval of these consolidated financial statements was given at the Board of Directors' meeting held on May 14, 2012.

Functional and presentation currency

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

3 Significant accounting practices

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

a) Statements of income

Revenue and expenses are recorded on the accrual basis. Revenue is measured at the fair value of the payment received or receivable for sale of products and services in the Company normal course of business and its subsidiaries.

In the income statement revenue is net of taxes, returns, rebates and discounts, as well as of intercompany sales, on note 22 is presented net revenue reconciliation.

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 maintains involvement in the Management 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 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 its estimates and underlying assumptions used in its accounting estimates on a quarterly basis. Revisions to accounting estimates are recognized in the financial statements in the period in which 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 account 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 allowance for doubtful accounts. In practice, they are recognized at the invoiced amount, adjusted by any provision of loan losses.

e) Allowance for doubtful accounts

Allowance for doubtful accounts is calculated based on the analysis of the aging list, provisioning the items of long standing, and considering the probable estimated losses, which the amount is considered sufficient by the Management to cover probable losses on accounts receivable.

Bad debits expenses are recorded under the caption "Selling 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 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 the income statement when inventories are sold.

g) Biological assets

In accordance with 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 the income statement of the year.

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

Biological assets are stated at fair value.

h) Interests in Joint Ventures

According to IAS 31/CPC 19- Interests in joint venture, Joint ventures are entities jointly controlled by the Company and one or more partners.
Investments in joint ventures are recognized under the proportionate consolidation method, from the date the joint control is acquired. Under this method, the components of a joint venture's assets and liabilities, and income and expenses are added to the consolidated accounting positions proportionally to the their participation in its capital as described in note 11.

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 - PP&E

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 at fair value, presented at historical acquisition cost plus spontaneous revaluations performed up to December 31, 2007 for a significant portion PP&E based on reports of specialized company.

The interest on loans 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 specific assets (but related to more than one asset) 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 of 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 the income statement.

j) Assets leased

Leases under which the Company assumes the risks and benefits of ownership are classified as financial leases. After initial recognition, the asset is in accordance with the accounting policy applicable to the asset.

Other leases are operating leases and the leased assets are not recognized on the balance sheet of the Company, being recorded in the Statement of income as an expense in accordance with the payments. The Company has only operating leases.

k) 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 due to 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.

<u>Goodwill arising from business combination</u>

Goodwill resulting from business combinations is stated at cost at the date of business combination, net of accumulated impairment.

Goodwill is 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 carrying value, the impairment loss is recorded. 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.

<u>Impairment of tangible and intangible assets, excluding goodwill</u>

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 exists 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 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 and is reversed if there has been a change in the estimates used to determine 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 determined 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 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) Loans and financings

Loans and financings are recognized at fair value upon receipt of the proceeds, net of transaction costs, when applicable, plus charges, interests and monetary and exchange rate variation contractually defined, incurred until the end of each period, as shown in note 14.

o) 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

Deferred income tax (deferred tax) is 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 liability is settled.

Deferred tax assets are recognized only in proportion to the expectation or 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.

p) Dividends

The dividend distribution, when occured, proposed by Management is equivalent to the mandatory minimum dividend of 25% and 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.

q) Current and noncurrent liabilities

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

r) Noncontrolling interest

According to 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.

s) Contingent assets and liabilities

According to IAS 37/CPC 25 -Provisions, Contingent Liabilities and Contingent Assets, contingent assets are recognized only when their realization is "virtually certain", based on favorable final judicial decision. Contingent assets are disclosed where an inflow of economic benefits is probable.

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

t) Adjustment of assets and liabilities to present value

The Company presents, when applicable, assets and liabilities at present value long-term assets and liabilities, according to CPC12- Present value adjustment. The present value long-term assets and liabilities are adjusted to present value, but the adjustment on the short-term balances occurs only 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.

u) Consolidation

Consolidated financial statements include individual financial statements of the Company, 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. Consolidated subsidiaries are detailed described on note 11.

The financial statements of the foreign subsidiaries are originally prepared in the currency of the country in which they are based 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 "accumulated translation adjustments" in accordance with IAS 21/CPC 2 - The effects of changes in foreign exchange rates.

v) 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 IFRS and 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.

w) 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 period.

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

x) 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 or 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. The financial instruments classified in this category are " Cash and cash equivalente" and "Derivatives payables".

• 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 the case when the Company intends 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.

• Non derivative financial liabilities

The Company recognizes debt securities and subordinated debt on the 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 derecognizes a financial liability when its contractual obligations canceled or expired.

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

• Impairment of financial assets

Financial assets, except those designated at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Impairment loss 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, and had an impact on the future cash flows estimated of this asset.

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

• Derivatives

The Company and subsidiaries recognize and disclose financial instruments and derivatives according to IAS 39/CPC 38 - Financial Instruments: Recognition and Measurement, IFRIC 9 - Assessment of embedded derivatives and IFRS 7/CPC 40 - Disclosure of Financial Instruments. The financial instruments are recognized after the Company and its subsidiaries become a party to the contractual provisions at 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 treasury 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.

y) Business combinations

According to IFRS 3/CPC 15 - Business Combination, business acquisitions are accounted for 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 on the acquisition date to the previous owners of the acquired shares issued in exchange for control of the acquired. 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 acquired 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.

z) 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 upo condition that reimbursement of cash or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 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 other 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 valuesof 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 and 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 subsidiary. 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. To the extent the benefits become vested immediately, the expense is recognized immediately in income.

All actuarial gains and losses arising from defined benefit plans are accounted for in other comprehensive income

aa) Segment reporting

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

ab) 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.

ac) Statement of comprehensive income

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

ad) Economic Value Added

In accordance with CPC 9 (No correlation to IFRS) - Statement of Economic Value Added, the Company included in the financial statements, the Statement of Value Added (EVA), and as additional information in the consolidated financial statements, because it is not a compulsory statement 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) 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.

(Expressed in thousands of reais)

af) New Pronouncements of IFRS, emissions, 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 March 31, 2012. 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:

Not effective yet :

• IFRS 9 Financial Instruments – Classification and measurement - It reflects the first phase of the IASB work on the replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a simplified approach to determine whether a financial asset should be 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 January 1, 2015. 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.

• IFRS 11 Joint Arrangements - IFRS 11 provides for a more realistic reflection of joint ventures by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint ventures 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 January 1, 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 January 1, 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 others generally accepted accounting principles. The standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently analyzing any possible effects arising from the adoption of IFRS 13.

• IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine - IFRIC 20 is regarding the recognition of the production stripping costs as an assets; initial measurement of the assets of removal activity, and subsequent measurement of the activity of the removal activity. Is effective for annual periods beginning on or after January 1, 2013. Until the present moment the Company does not foresee any impact as a result of it.

• IAS 32 - Financial instruments - Changes in the pronouncement aims to clarify the requirements for compensation of financial instruments. These changes shows inconsistencies found in practice when applied the criteria for compensation in IAS 32 Financial Instruments: Presentation. The changes are effective for periods beginning on / or after January 1, 2014. Anticipated application is permitted.

Other improvements :

- IFRS 7 – Financial instrument: Disclosures (annual periods beginning on or after July 1, 2011).
- IAS 1 – Presentation of Items of Other Comprehensive Income (annual periods beginning on or after July 1, 2012).
- IAS 12 – Deferred Tax: Recovery of Underlying Assets (annual periods beginning on or after January 1, 2012).
- IAS 19 – Employee benefits (annual periods beginning on or after January 1, 2013).
- IAS 27 – Consolidated and Separate Financial Statements (annual periods beginning on or after January 1, 2013).
- IAS 28 - Investments in associates (annual periods beginning on or after January 1, 2013).

The Brazilian Accounting Pronouncement Committee (CPC) has not yet issued these standards or amendments equivalent to the IFRS mentioned above. The Company is currently evaluating the impact of such standards in its financial statements.

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	
	Mar 31, 2012	Dec 31, 2011	Mar 31, 2012	Dec 31, 2011
Cash and banks	**1,252,331**	1,483,479	**2,456,479**	2,247,919
CDB-DI (bank certificates of deposit)	**1,240,844**	1,928,422	**1,486,016**	2,155,037
Investment funds	**-**	494	**524,277**	554,523
LCA-DI (Agribusiness Letters of Credit)	**-**	200,472	**-**	330,715
Investments in Debentures	**632,492**	-	**632,492**	-
National treasury bill - LFT	**51,564**	-	**51,564**	-
	3,177,231	**3,612,867**	**5,150,828**	**5,288,194**

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).

(Expressed in thousands of reais)

LCA-DI (Agribusiness Letters of Credit) are short term investment remunerated by a percentage of interbank deposit certificate (Certificado de Depósito Interbancário - CDI) , with a nominative credit , originated by agribusiness receivable and issued exclusively by public or private banks. LCA is issued in a form in the chamber of custodian and settlement (Câmara de Custódia e Liquidação - CETIP). These short term investments yield an average 100% of the variation of the interbank deposit certificate - (Certificado de Depósito Interbancário - CDI).

The investments in Debentures are remunerated by CDI. These investments yield an average 98% of CDI and has daily liquidity.

National treasury bill (LFT)– Are daily applications of profitability post-fixed, linked to the Selic rate.

Investments funds - Consolidated

It consists principally of investments in the direct subsidiary of JBS Project Management GMBH (subsidiary of JBS Holding GMBH) on mutual investment fund, the administration and management is held by JP Morgan

5 Trade accounts receivable, net

	Company		Consolidated	
	Mar 31, 2012	Dec 31, 2011	Mar 31, 2012	Dec 31, 2011
Current receivables	**1,704,251**	1,729,425	**3,849,236**	3,939,255
Overdue receivables:				
From 1 to 30 days	**107,433**	120,142	**432,045**	569,126
From 31 to 60 days	**18,203**	23,297	**58,141**	91,406
From 61 to 90 days	**12,007**	20,755	**32,706**	44,389
Above 90 days	**107,927**	102,656	**195,089**	185,589
Allowance for doubtful accounts	**(109,158)**	(113,182)	**(136,207)**	(149,919)
	136,412	153,668	**581,774**	740,591
	1,840,663	1,883,093	**4,431,010**	4,679,846

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

	Company		Consolidated	
	Mar 31, 2012	Dec 31, 2011	Mar 31, 2012	Dec 31, 2011
Initial balance	**(113,182)**	**(109,497)**	**(149,919)**	**(142,074)**
Additions	**-**	(10,020)	**(2,086)**	(16,390)
Exchange variation	**-**	-	**124**	225
Write-offs	**4,024**	6,335	**15,674**	8,320
Final balance	**(109,158)**	**(113,182)**	**(136,207)**	**(149,919)**

6 Inventories

	Company		Consolidated	
	Mar 31, 2012	Dec 31, 2011	Mar 31, 2012	Dec 31, 2011
Finished products	**1,317,515**	1,161,418	**3,593,057**	3,332,844
Work in process	**53,474**	53,879	**914,258**	900,597
Raw materials	**203,856**	188,722	**522,567**	527,046
Warehouse spare parts - other inventories	**116,713**	140,242	**564,975**	645,218
	1,691,558	1,544,261	**5,594,857**	5,405,705

7 Biological assets

	Consolidated	
	Mar 31, 2012	Dec 31, 2011
Cattle	**62,368**	83,978
Hogs and Lamb	**57,292**	73,790
Poultry	**49,355**	49,489
Plants for harvest	**2,280**	2,286
	171,295	209,543

Changes in biological assets in the period

Amount on December 31, 2011	**209,543**
Born	**1,605**
Death	**(1,402)**
Mark to market	**24,991**
Sale	**(125,411)**
Purchase	**63,441**
Exchange rate variation	**(3,751)**
Cost appropriating on plants for harvest	**3,731**
Domestic consumption on plants for harvest (feed)	**(1,452)**
Amount on March 31, 2012	**171,295**

(Expressed in thousands of reais)

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 thereafter 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 consolidated financial statements;

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

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 describe these three assumption that the fair value of biological assets can be measured reliably, 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	Mar 31, 2012	Dec 31, 2011
Cattle	**35,591**	46,954
Hogs and Lamb	**57,292**	73,790
Poultry	**49,355**	49,489
Total biological assets stated at cost	**142,238**	**170,233**

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

Cattle - A subsidiary of JBS USA in Australia keeps cattle in feedlot, there is no active market for cattle in confinement between the period (75-100 days) just over 180 days (item 30 of CPC 29 Biological Assets).

Hogs and Lamb - JBS USA keeps hogs and lambs in the feedlot system and there is no active market for such activities. For biological assets hogs and lamb, there is no active market independently because there are few competitors in the market (item 30 of CPC 29 Biological Assets).

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 of CPC 29 Biological Assets).

COMPANIES IN BRAZIL	Mar 31, 2012	Dec 31, 2011
Cattle	**26,777**	37,024
Plants for harvest	**2,280**	2,286
Total biological assets stated at market price	**29,057**	**39,310**

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.

8 Recoverable taxes

	Company		Consolidated	
	Mar 31, 2012	Dec 31, 2011	Mar 31, 2012	Dec 31, 2011
Value-added tax on sales and services (ICMS / IVA / VAT / GST)	**1,084,987**	1,075,566	**1,280,251**	1,264,118
Excise tax - IPI	**60,354**	59,772	**125,364**	124,459
Social contribution on billings - PIS and COFINS	**660,129**	616,957	**785,935**	745,376
Withholding income tax - IRRF	**138,391**	90,826	**270,796**	96,840
Other	**38,138**	49,515	**76,855**	85,644
	1,981,999	**1,892,636**	**2,539,201**	**2,316,437**
Current and Long-term:				
Current	**1,421,441**	1,330,609	**1,916,537**	1,690,311
Noncurrent	**560,558**	562,027	**622,664**	626,126
	1,981,999	**1,892,636**	**2,539,201**	**2,316,437**

(Expressed in thousands of reais)

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).

Annually, Company's management, supported by its legal counsel, evaluate the segregation between current and noncurrent of such ICMS credits according to their attainment.

Social contribution on billings - PIS and COFINS

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.

Withholding income tax - IRRF

Refers basically to withholding income tax levied on short-term investments deductions and remittance of dividends to its subsidiary JBS USA, 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$ 151,608. As of this amount the Company received R$ 28,987, and the remaining balance of R$ 122,621.

9 Related parties transactions

Mutual contracts between related parties recorded on the balance sheet as receivables and debts with related parties:

				Mar 31, 2012	Dec 31, 2011
COMPANY	**Currency**	**Maturity**	**Annual rate**	**Mutual contracts**	**Mutual contracts**
Direct subsidiaries					
Mouran Alimentos Ltda.	R$	Sept 13, 2012	CDI	**54,494**	53,207
JBS Confinamento Ltda.	R$	Apr 1, 2012	CDI + 4%	**76,577**	87,528
JBS Embalagens Metálicas Ltda.	R$	Aug 16, 2012	CDI + 12%	**56,301**	58,936
JBS USA, Inc	US$	Aug 16, 2012	Libor + 2.5% to 3%	**271,762**	(97,606)
JBS Slovakia Holdings s.r.o.	US$	Mar 12, 2013	4.5%	**(42,501)**	(43,284)
JBS Holding International	R$	-	-	**15,861**	-
Cascavel Couros Ltda	R$	Dec 31, 2012	CDI + 12%	**56,724**	29,300
Novaprom Food Ingredients Ltda	R$	Dec 31, 2012	CDI + 6%	**14,069**	12,115
Indirect subsidiaries					
Beef Snacks Brasil Ind.Com. Ltda.	R$	Jan 24, 2013	CDI	**97,812**	96,761
Beef Snacks International BV	US$	Dec 31, 2012	Libor + 2% to 3%	**4,310**	4,371
JBS HU Ltd	US$	May 19, 2012	12%	**-**	(119,117)
JBS Paraguay	US$	Aug 24, 2014	Libor + 5%	**6,220**	6,294
				611,629	**88,505**

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

	March 31, 2012		December 31, 2011	
COMPANY	**Trade accounts receivable**	**Trade accounts payable**	**Trade accounts receivable**	**Trade accounts payable**
Direct subsidiaries				
JBS Confinamento Ltda.	**624**	**7,426**	252	33,384
JBS Embalagens Metálicas Ltda.	**-**	**-**	-	94
JBS USA, Inc	**15,361**	**-**	13,521	-
JBS Itália SRL	**20,212**	**-**	7,268	-
S.A. Fabrica de Prod. Alimentícios Vigor	**26**	**-**	17,538	3,431
Cascavel Couros Ltda	**17,266**	**942**	16,917	2,704
Novaprom Food Ingredients Ltda	**1,399**	**425**	1,661	681
Indirect subsidiaries				
JBS Global (UK) Limited	**24,340**	**-**	32,149	4
JBS Argentina S.A.	**-**	**923**	-	2,017
Global Beef Trading SU Lda.	**473**	**-**	715	-
Austrália Meat	**-**	**1,568**	-	741
Toledo International NV	**9,762**	**1**	6,360	319
Weddel Limited	**3,580**	**-**	-	-
Sampco Inc.	**4,682**	**-**	1,655	-
Frigorífico Canelones S.A.	**-**	**1,021**	-	7
Rigamonti Salumificio Spa	**8,365**	**19**	10,334	19
Itaholb International	**-**	**375**	1,414	1,192
Wonder Best Holding Company	**15,043**	**-**	11,929	-

(Expressed in thousands of reais)

Trump Asia Enterprise Ltd	**12,008**	**-**	20,070	-
Trustful Leather	**6,451**	**-**	4,203	-
JBS Paraguay	**24**	**8,784**	24	-
Other related parties				
JBS Agropecuária Ltda.	**36**	**243**	178	2,984
Flora Produtos de Hig. Limp. S.A.	**7,830**	**109**	682	1
Flora Dist. Produtos de Hig. Limp. S.A.	**25,901**	**256**	18,439	190
	173,383	**22,092**	**165,309**	**47,768**

Impacts of related party transactions on Income Statements:

	March 31, 2012			**March 31, 2011**		
	Financial income (expenses)	**Purchases**	**Sales of products**	**Financial income (expenses)**	**Purchases**	**Sales of products**
Direct subsidiaries						
Mouran Alimentos Ltda.	**1,288**	**-**	**-**	2,064	-	-
JBS Confinamento Ltda.	**3,576**	**29,046**	**739**	4,469	78,351	397
JBS Embalagens Metálicas Ltda.	**2,498**	**2,354**	**-**	2,503	7,630	710
JBS USA, Inc	**(527)**	**-**	**73,270**	(10,691)	-	4,189
JBS Slovakia Holdings s.r.o.	**(441)**	**-**	**-**	(410)	-	-
JBS Itália SRL	**-**	**2,330**	**14,477**	-	-	12,268
S.A. Fabrica de Prod. Alimentícios Vigor	**-**	**-**	**81**	(9,067)	36	22,062
Cascavel Couros Ltda	**607**	**2,492**	**19,855**	(1,473)	574	60,358
Novaprom Food Ingredients Ltda	**416**	**1,338**	**1,921**	448	548	2,499
Indirect subsidiaries						
JBS Global (UK) Limited	**-**	**-**	**18,792**	-	-	25,705
JBS Argentina S.A	**-**	**5,083**	**-**	-	2,783	-
Global Beef Trading SU Lda.	**-**	**-**	**1,862**	-	-	37,964
Beef Snacks Brasil Ind.Com. Ltda.	**2,311**	**-**	**-**	2,969	-	-
Beef Snacks International	**18**	**-**	**-**	1	-	-
JBS HU Ltd	**(868)**	**-**	**-**	(14)	-	-
Australia Meat	**-**	**5,341**	**-**	-	3,514	-
Toledo International BV	**-**	**-**	**25,595**	-	-	28,399
JBS Leather Europe	**-**	**-**	**3,040**	-	-	1,807
Weddel Limited	**-**	**-**	**4,374**	-	-	2,409
Sampco Inc.	**-**	**-**	**29,362**	-	-	8,746
Frigorífico Canelones S.A.	**-**	**1,010**	**-**	-	1,952	-
Rigamonti Salumificio Spa	**-**	**-**	**8,584**	-	-	8,219
Wonder Best Holding Company	**-**	**-**	**12,516**	-	-	6,817
Trump Asia Enterprise Ltd	**-**	**-**	**12,074**	-	-	5,806
Trustful Leather	**-**	**-**	**9,391**	-	-	9,393
JBS Paraguay	**103**	**5,341**	**3**	48	-	2
Itaholb International	**-**	**-**	**104**	-	-	422
Other related parties						
JBS Agropecuária Ltda.	**-**	**271**	**-**	-	705	467
Flora Produtos de Hig. Limp. S.A.	**-**	**109**	**16,724**	-	-	12,160
Flora Dist. Produtos de Hig. Limp. S.A.	**-**	**-**	**54,639**	-	2	704
	8,981	**54,715**	**307,403**	**(9,153)**	**96,095**	**251,503**

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.

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 JBS Group). The number of cattle supplied by these related parties is irrelevant comparing to the demanded volume by the Company.

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

No allowance for doubtful accounts or bad debts expenses relating to related-party transactions were recorded for the periods ended March 31, 2012 and December 31, 2011.

(Expressed in thousands of reais)

On December 23, 2010 the Company received an advance of its indirect subsidiary Sampco Inc in the amount of US$ 135.0 million (R$ 224,937) regarding a contract for future sale of meat with expected delivery in up to three years. The advance is registered under the rubric of "other liabilities" in the financial statements of the Company, and its being eliminated in the consolidation.

The unamortized balance at March 31, 2012 and December 31, 2011 was approximately US$ 77,270 (R$ 140,793) and US$ 94.3 million (R$ 176,888) .

Consolidated - Credits with related parties

The consolidated balance of related parties, on the amount of R$ 498,069 as of March 31, 2012 (R$ 552,197 as of December 31, 2011), has the following composition:

a) Not consolidated Companies

The Company, by it subsidiary JBS USA, has to receive the amount of R$ 437,011 (R$ 491,465 as of December 31, 2011) regarding the credit line up to US$ 375 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 2016.

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.

On June 2011, J&F Australia became party to a cattle purchase and sale agreement with JBS Australia. Under this agreement, J&F Australia agreed to sell to JBS Australia, and JBS Australia has agreed to purchase from J&F Australia, at least 200,000 cattle during each year.

b) Companies partially consolidated

The amount of R$ 61,058 (R$ 60,732 as of December 31, 2011) refers to credits of subsidiaries partially consolidated, as follows :

	Mar 31, 2012	Dec 31, 2011
Beef Snacks do Brasil Ltda.	**48,906**	48,396
Beef Snacks International BV.	**4,285**	4,306
Jerky Snack Brands, Inc.	**7,867**	8,030
	61,058	**60,732**

Remuneration of key management

Company's management includes the Executive Board and the Board of Directors. The aggregate amount of compensation received by the members of Company's management for the services provided in their respective areas of business in the period ended on March 31, 2012 and 2011 is the following:

	Members	Mar 31, 2012	Dec 31, 2011
Executive Board and Board of Directors	**15**	**1,797**	6,791
	15	**1,797**	**6,791**

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

The Institutional Relations Executive Officer, Administrative and Control Director and Investor Relations Director are part of the employment contract regime *CLT* (which is the Consolidation of Labor Laws), which 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 for 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.

(Expressed in thousands of reais)

10 Investments in subsidiaries and joint ventures

	Company	
	Mar 31, 2012	Dec 31, 2011
Investments in subsidiaries	**5,548,750**	5,995,157
Goodwill	**705,470**	1,566,417
	6,254,220	**7,561,574**

Relevant information about subsidiaries in the period of March 31, 2012:

	Participation	Total assets	Capital stock	Shareholders' equity	Net revenue	Net income (loss)
JBS Embalagens Metálicas Ltda.	99.00%	83,344	2	22,996	1,713	(6,838)
JBS Global Investments S.A.	100.00%	40,617	169,455	40,617	-	(1,685)
JBS Holding Internacional S.A.	100.00%	523,939	1,108,467	257,177	159,464	(48,667)
JBS Global A/S (Denmark)	100.00%	231,877	489,409	67,498	111,751	(1,409)
Mouran Alimentos Ltda.	100.00%	7,058	120	(47,711)	-	(1,288)
JBS USA, Inc.	99.96%	15,585,500	1,824,968	2,219,919	11,844,652	(100,890)
JBS Confinamento Ltda.	100.00%	510,008	467,401	416,857	26,856	(7,666)
JBS Slovakia Holdings, s.r.o.	100.00%	135,861	159,474	64,167	11,860	524
JBS Italia S.R.L.	100.00%	89,701	19,642	11,647	35,508	338
CJSC Prodcontract	70.00%	8,137	1	(20,442)	25,209	2,919
LLC Lesstor	70.00%	39,888	9	39,643	1,119	(151)
JBS Middle East	100.00%	118	456	83	109	(90)
JBS Leather Paraguay	97.50%	740	17	23	83	4
JBS Holding GMBH	100.00%	1,375,930	85	374,096	321,390	15,519
Novaprom Foods e Ingredientes Ltda	60.00%	31,688	792	(2,805)	7,692	(270)
Cascavel Couros Ltda	100.00%	407,563	240,861	302,215	89,493	(3,046)
Vigor Alimentos S.A.	100.00%	1,982,453	1,191,378	1,213,082	314,176	22,348

Goodwill: According to technical interpretation ICPC 09 - Individual Financial Statements, Separate Statements, Consolidated Statements and Application of Equity Method, in the consolidated statements 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 Statements, this goodwill is recorded in 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 the goodwill will be only goodwill of the Bertin merger and the other goodwill are allocated as investments.
For details of goodwill, see Note 12 - Intangible Assets.

				Equity in subsidiaries		
	Dec 31, 2011	Addition (disposal)	Exchange rate variation (i)	Shareholders' Equity (ii)	Income Statements	Mar 31, 2012
JBS Embalagens Metálicas Ltda.	**29,536**	-	-	-	(6,769)	**22,767**
JBS Global Investments S.A.	**43,602**	-	(1,300)	-	(1,685)	**40,617**
JBS Holding Internacional S.A.	**320,912**	-	-	(15,068)	(48,667)	**257,177**
JBS Global A/S (Denmark)	**68,677**	-	(187)	417	(1,409)	**67,498**
Mouran Alimentos Ltda.	**(46,423)**	-	-	-	(1,288)	**(47,711)**
JBS USA, Inc. (1)	**3,356,247**	(917,332)	(140,885)	21,849	(100,850)	**2,219,029**
JBS Confinamento Ltda.	**424,523**	-	-	-	(7,666)	**416,857**
JBS Slovakia Holdings, s.r.o. (2)	**184,829**	(111,304)	(7,025)	(2,858)	524	**64,166**
JBS Italia S.R.L	**11,312**	-	(3)	-	338	**11,647**
CJSC Prodcontract	**(15,492)**	-	(860)	-	2,043	**(14,309)**
LLC Lesstor	**26,203**	-	1,653	-	(106)	**27,750**
JBS Middle East	**44**	130	(1)	-	(90)	**83**
JBS Leather Paraguay	**16**	-	2	-	4	**22**
JBS Holding GMBH	**893,569**	893	213	(4,353)	15,519	**905,841**
Novaprom Foods e Ingredientes Ltda	**(1,521)**	-	-	-	(162)	**(1,683)**
S.A.Fábrica de Produtos Alimentícios Vigor (3)	**330,427**	(330,427)	-	-	-	**-**
Cascavel Couros Ltda	**305,261**	-	-	-	(3,046)	**302,215**
Vigor Alimentos S.A. (4)	**-**	1,191,378	-	(644)	22,348	**1,213,082**
Transfer to Other current liabilities (Negative equity)	**63,435**	-	-	-	-	**63,702**
Total	**5,995,157**	**(166,662)**	**(148,393)**	**(657)**	**(130,962)**	**5,548,750**

(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".

(Expressed in thousands of reais)

(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.

Below is presented the breakdown of main additions and dispositions of investments during the period:

[(1)]- JBS USA, Inc. – On February 2012, the Company received from JBS USA the amount of R$ 917,337 in dividends.

[(2)]- JBS Slovakia Holdings, s.r.o.- During year 2009, Company received remittances from its indirect subsidiary JBS HU Ltd, wholly owned subsidiary of JBS Slovakia, being considered as mutual contracts, and at February 2012 such amounts were settled by a capital reduction on it subsidiary.

[(3)]- S.A.Fábrica de Produtos Alimentícios Vigor – In January 2012, the Company reduced its direct investment in Vigor, by transferring such investment as a capital increase in its direct subsidiary Vigor Alimentos.

[(4)] Vigor Alimentos - The Company has capitalized R$ 1,191,373 in Vigor Alimentos, by transferring the carrying amounts of investment (R$ 330,427) and goodwill (R$ 860,946) in S.A. Fábrica de Produtos Alimentícios Vigor. Additionally, there was also the initial capital contribution in the amount R$5.

Goodwill transferred to Vigor Alimentos, in the amount of R$ 860,946, results of a transaction under common control, occurred in January 17, 2012. On that date, through this assignment, Vigor Alimentos became the shareholder of 100% of Vigor's capital, thus there has been no change in its ultimate control, as the Company holds 100% of the capital of Vigor Alimentos, occurring only a corporate restructuring.

Goodwill on acquisition of Vigor was originated in November 2007, by the incorporated Bertin S.A. After the subsequent merger of Bertin by the Company in December 2009, goodwill accounted in the acquisition of Vigor was allocated among the various cash-generating units of the Company, having been assigned a value of R$ 860,946 to the operations of Vigor.

Joint ventures (jointly controlled entities)

Interests in joint ventures include:

	Equity interests - %	
	Mar 31, 2012	Dec 31, 2011
Beef Snacks International	50%	50%
Meat Snacks USA [(a)]	50%	50%
Dan Vigor	50%	50%

[(a)] As described in the operational context, the joint venture began operations in May 2011

According to CPC 19 / IAS 31 - Joint ventures (jointly controlled entities), the condensed financial information of the joint ventures was consolidated under the proportionate consolidation method, considering the joint control exercised under shareholders agreements. All the balances of the joint ventures" assets and liabilities are as follows:

	March 31, 2012			December 31, 2011		
ASSETS	**Beef Snacks International**	**Meat Snacks USA**	**Dan Vigor**	**Beef Snacks International**	**Meat Snacks USA**	**Dan Vigor**
Current	9,543	21,516	32,959	5,393	16,196	29,295
Non current	39,528	1,365	20,121	45,238	927	20,970
TOTAL ASSETS	**49,071**	**22,881**	**53,080**	**50,631**	**17,123**	**50,265**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current	5,989	6,365	11,111	24	4,165	10,409
Non current	124,934	-	2,635	130,289	-	3,484
Shareholder´s equity	(81,852)	16,516	39,334	(79,682)	12,958	36,373
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**49,071**	**22,881**	**53,080**	**50,631**	**17,123**	**50,265**

	March 31, 2012			December 31, 2011		
STATEMENTS OF NET INCOME	**Beef Snacks International**	**Meat Snacks USA**	**Dan Vigor**	**Beef Snacks International**	**Meat Snacks USA**	**Dan Vigor**
Net sales revenue	-	20,879	22,158	-	-	17,205
Cost of goods sold	-	(16,103)	(15,805)	(122)	-	(12,730)
GROSS INCOME (LOSS)	**-**	**4,776**	**6,353**	**(122)**	**-**	**4,475**
General and administrative expenses and selling	(13)	(1,932)	(1,870)	(690)	(8)	(2,672)
Financial income, net	(3,117)	(148)	(54)	(3,623)	-	296
Other income expenses, net	-	3	(35)	(112)	-	(25)
Current income taxes	-	(958)	(1,486)	-	-	(705)
NET INCOME (LOSS) OF THE PERIOD	**(3,130)**	**1,741**	**2,908**	**(4,547)**	**(8)**	**1,369**

(Expressed in thousands of reais)

The joint venture Beef Snacks International has in its consolidated statements the subsidiaries Beef Snack and Jerky Snacks. The investment of the joint venture Beef Snacks International is proportionally consolidated at JBS Global A/S, direct subsidiary, of the Company.

The joint venture Meat Snacks USA has in its consolidated subsidiary the subsidiary Meat Snacks. The investment of the joint venture Meat Snacks USA is proportionally consolidated at JBS Holding GMBH, direct subsidiary, of the Company.

Investment in joint venture Dan Vigor is proportionally consolidated in Vigor, indirect subsidiary of the Company.

11 Property, plant and equipment, net

				Net amount	
Company	**Cost**	**Revaluation**	**Accumulated depreciation**	**Mar 31, 2012**	**Dec 31, 2011**
Buildings	2,757,407	116,615	(312,842)	**2,561,180**	2,557,025
Land	914,579	9,305	-	**923,884**	953,614
Machinery and equipment	3,585,219	44,938	(684,382)	**2,945,775**	2,983,112
Facilities	791,195	21,815	(145,153)	**667,857**	641,365
Computer equipment	190,092	721	(56,059)	**134,754**	139,685
Vehicles	374,660	63	(183,034)	**191,689**	183,941
Construction in progress	507,454	-	-	**507,454**	238,236
Other	147,594	1,254	(23,867)	**124,981**	106,604
	9,268,200	**194,711**	**(1,405,337)**	**8,057,574**	**7,803,582**

				Net amount	
Consolidated	**Cost**	**Revaluation**	**Accumulated depreciation**	**Mar 31, 2012**	**Dec 31, 2011**
Buildings	5,870,023	116,615	(734,784)	**5,251,854**	5,278,135
Land	2,329,467	9,305	(107,987)	**2,230,785**	2,270,694
Machinery and equipment	7,901,199	44,938	(2,375,536)	**5,570,601**	5,684,510
Facilities	883,572	21,815	(194,415)	**710,972**	682,273
Computer equipment	338,972	721	(132,074)	**207,619**	208,511
Vehicles	594,647	63	(335,411)	**259,299**	253,133
Construction in progress	924,724	-	(12)	**924,712**	808,045
Other	247,984	1,254	(40,923)	**208,315**	193,413
	19,090,588	**194,711**	**(3,921,142)**	**15,364,157**	**15,378,714**

According to IAS 16/CPC 27 - Fixed Assets, on March 31, 2012 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.

	Average annual depreciation rates as of March 31, 2012	
	Company	**Consolidated**
Buildings	3.00%	3.66%
Land	0.00%	1.57%
Machinery and equipment	6.19%	8.17%
Facilities	5.13%	5.14%
Computer equipment	11.57%	13.98%
Vehicles	10.86%	10.95%
Other	2.88%	5.44%

Changes in property, plant and equipment

Company	**Dec 31, 2011**	**Additions**	**Disposals**	**Depreciation**	**Borrowings costs adjustments**	**Mar 31, 2012**
Buildings	2,557,025	26,492	(750)	(21,587)	-	**2,561,180**
Land	953,614	1,138	(30,868)	-	-	**923,884**
Machinery and equipment	2,983,112	29,937	(11,087)	(56,187)	-	**2,945,775**
Facilities	641,365	36,921	-	(10,429)	-	**667,857**
Computer equipment	139,685	620	(30)	(5,521)	-	**134,754**
Vehicles	183,941	24,683	(6,763)	(10,172)	-	**191,689**
Construction in progress	238,236	265,846	(46)	-	3,418	**507,454**
Other	106,604	19,552	(103)	(1,072)	-	**124,981**
	7,803,582	**405,189**	**(49,647)**	**(104,968)**	**3,418**	**8,057,574**

(Expressed in thousands of reais)

Consolidated	Dec 31, 2011	Additions	Disposals	Depreciation	Exchange rate variation	Borrowings costs adjustments	Mar 31, 2012
Buildings	5,278,135	93,762	(3,744)	(54,760)	(61,539)	-	**5,251,854**
Land	2,270,694	16,796	(32,023)	(9,198)	(15,484)	-	**2,230,785**
Machinery and equipment	5,684,510	129,483	(13,160)	(162,307)	(67,925)	-	**5,570,601**
Facilities	682,273	40,611	-	(11,626)	(286)	-	**710,972**
Computer equipment	208,511	12,952	(44)	(11,870)	(1,930)	-	**207,619**
Vehicles	253,133	31,127	(7,006)	(16,284)	(1,671)	-	**259,299**
Construction in progress	808,045	121,168	(46)	-	(12,406)	7,951	**924,712**
Other	193,413	23,192	(2,904)	(3,395)	(1,991)	-	**208,315**
	15,378,714	**469,091**	**(58,927)**	**(269,440)**	**(163,232)**	**7,951**	**15,364,157**

The increase in construction in progress in the Company as reflected in the consolidated, is result of recent acquisitions of assets by the Company, the assets are recorded as construction in progress and during the year of 2012 will be transferred to their account equity referred to, see note 19.

The depreciation expenses are booked under "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.

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 March 31, 2012, the total amount of property, plant and equipment revaluation is R$ 194,711 which the revaluation reserve is R$ 100,100 and the provision for income and social contribution taxes is R$ 46,992. For revalued property, plant and equipment, the Company recorded accumulated depreciation of R$ 47,619.

The Company and its subsidiaries reviewed the useful lives of their property, plant and equipment. Significant differences were not found in comparison with the useful lives adopted as of December 31, 2009. From January 1, 2010 new acquisitions are made with estimated useful lives, annually the useful lives are reviewed and when applicable adjusted.

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 March 31, 2012 and December 31, 2011 are shown below:

	Company		Consolidated	
	Mar 31, 2012	Dec 31, 2011	Mar 31, 2012	Dec 31, 2011
Construction in progress	**467,868**	199,441	**874,902**	762,645
(+) capitalized borrowing costs	**39,586**	38,795	**49,810**	45,400
	507,454	**238,236**	**924,712**	**808,045**

Impairment test of assets

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 assets on March 31, 2012, 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. Potential impacts of loss recover them are highlighted in the notes, where relevant. The assumptions of the annual test of recovery are described in note 12.

12 Intangible assets, net

	Company		Consolidated	
	Mar 31, 2012	Dec 31, 2011	Mar 31, 2012	Dec 31, 2011
Goodwill	**9,069,926**	9,069,926	**11,176,928**	11,189,867
Trademarks	**452,575**	452,575	**658,965**	665,005
Software	**8,892**	9,005	**15,788**	16,406
Water rights	**-**	-	**59,254**	60,840
Client portfolio	**-**	-	**564,962**	597,016
Other	**-**	-	**3,068**	3,485
	9,531,393	**9,531,506**	**12,478,965**	**12,532,619**

(Expressed in thousands of reais)

Changes in intangible assets

Company	Dec 31, 2011	Amortization	Mar 31, 2012
Goodwill	9,069,926	-	**9,069,926**
Trademarks	452,575	-	**452,575**
Software	9,005	(113)	**8,892**
	9,531,506	**(113)**	**9,531,393**

Consolidated	Dec 31, 2011	Additions	Amortization	Exchange rate variation	Mar 31, 2012
Goodwill	11,189,867	-	(65)	(12,874)	**11,176,928**
Trademarks	665,005	-	(210)	(5,830)	**658,965**
Software	16,406	20	(401)	(237)	**15,788**
Water rights	60,840	-	(19)	(1,567)	**59,254**
Client portfolio	597,016	-	(14,600)	(17,454)	**564,962**
Other	3,485	-	(308)	(109)	**3,068**
	12,532,619	**20**	**(15,603)**	**(38,071)**	**12,478,965**

(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).
In the company the intangible goodwill arising from the merger of Bertin, and the rest allocated to investments. Consolidated all goodwill re recorded as intangible. 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 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,based on expected future earnings, which was being amortized over 5 years. Accumulated amortization until December 31, 2008 was R$ 248,655, showing a net carrying amount of R$ 657,826 as of March 31, 2012.

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

In April 2011 the Company acquired 70% interest in LLC Lesstor, with goodwill of R$ 13,461, 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

Consolidated- Recorded as goodwill

JBS USA has goodwill of US$ 224,923 thousand, equivalent to R$ 409,832 as of March 31, 2012, 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 $ 31,796 thousand Argentinean pesos, equivalent to R$ 13,240 as of March 31, 2012. Goodwill is based upon expected future earnings of the acquired businesses.

JBS Global A/S has goodwill of 5,188 thousands of Euros, equivalent to R$ 12,607 as of March 31, 2012, arising from the acquisition of the Toledo Group , based on the appreciation of the assets.

On January 2012, the Company transferred the goodwill through its merged company Bertin that acquired 99.06% of interest in S.A. Fabrica de Produtos Alimenticios Vigor, in the amount of R$ 860,943, based on expected future earning, as a capital increase in it subsidiary Vigor Alimentos S.A.

(Expressed in thousands of reais)

The Company's subsidiaries have other smaller representation of goodwill arising from companies acquisition, based on expected future profitability of R$ 104,909 which related the following investments:
i) JBS Holding Inc - R$ 20,310
ii) Misr Cold - R$ 20,770
iii) Rigamonti - R$ 56,220
iv) Serrabella - R$ 1,459
v) Wonder Best - R$ 1,793
vi) IFPSA - R$ 4,357

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

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 indefinite business continuity capability. 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 8.9% to 10.6% 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 2012 to 2021 considering the growth in volume of different products of Cash Generating Units.

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

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

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

Based on the annual test for impairment of the Company's intangible assets, prepared based on the projections made on the financial statements of December 31, 2011, growth prospects and then follow the projections and results of operations for the three months period ended on March 31, 2012, there were no indications of possible losses or losses, as the estimated market value is higher than the carrying amount at the valuation date.

13 Trade accounts payable

	Company		Consolidated	
	Mar 31, 2012	Dec 31, 2011	Mar 31, 2012	Dec 31, 2011
Commodities - cattle	**427,990**	358,129	**1,154,308**	1,237,805
Materials and services	**368,384**	293,258	**1,710,561**	1,830,650
Finished products	**41,939**	14,988	**328,981**	255,431
	838,313	**666,375**	**3,193,850**	**3,323,886**

(Expressed in thousands of reais)

14 Loans and financings

The Company disclosers below the operations in foreign and national currency, considering the functional currency of each subsidiary. National currency indicates loans denominated in the same currency as functional currency.

Current liabilities

		Company	
Type	**Average annual rate of interest and commissions**	**Mar 31, 2012**	**Dec 31, 2011**
Foreign currency			
ACC - (advances on exchange contracts)	Exchange variation + interest from 2.5 % to 5.1%	**2,078,824**	2,078,290
Euro Bonds	Exchange variation and interest of 10.25%	**32,684**	16,637
Prepayment	Exchange variation + Libor and interest from 0.7% to 6%	**737,023**	824,925
144-A	Exchange variation + interest from 8.25% to 10.50%	**29,109**	82,161
Credit note - Export	Exchange variation + interest from 6.3% to 7.85%	**37,423**	36,648
Resolution 63	Exchange variation, Interest of 2.5% + Libor 6 months	**10,533**	10,859
		2,925,596	**3,049,520**
National currency			
FINAME	TJLP and interest from 1.26% to 8.5%	**68,838**	80,853
EXIM - export credit facility	TJLP and interest of 5.19% to 5.81%	**114,484**	225,926
BNDES automatic	TJLP and interest from 3.1% to 5.44%	**125,102**	153,456
BNDES automatic	Currency basket BNDES + interest from 2% to 3.1%	**6,282**	6,308
Working capital- Brazilian Reais	Interest from 11.25% or 100% to 114.4% of CDI	**92,057**	257,186
Credit note - export	Interest from 1.2% to 14% or 100% to 125% of CDI	**887,720**	796,672
FCO - Middle West Fund	Interest of 10.00%	**609**	612
FNO - North Fund	Interest of 10.00%	**4,179**	4,150
CDC	TJLP and interest from 2.11% to 6.82%	**2,006**	-
Others		**-**	19
		1,301,277	**1,525,182**
		4,226,873	**4,574,702**

Noncurrent liabilities

		Company	
Type	**Average annual rate of interest and commissions**	**Mar 31, 2012**	**Dec 31, 2011**
Foreign currency			
Euro Bonds	Exchange variation and interest of 10.25%	**637,735**	656,530
Prepayment	Exchange variation + Libor and interest from 0.7% to 6%	**712,496**	894,849
144-A	Exchange variation + interest from 8.25% to 10.50%	**2,174,782**	2,238,629
Credit note - Export	Exchange variation + interest from 6.3% to 7.85%	**15,456**	15,912
		3,540,469	**3,805,920**
National currency			
FINAME	TJLP and interest from 1.26% to 8.5%	**131,960**	132,854
EXIM - export credit facility	TJLP and interest of 5.19% to 5.81%	**58,333**	83,333
BNDES automatic	TJLP and interest from 3.1% to 5.44%	**21,256**	33,755
BNDES automatic	Currency basket BNDES + interest from 2% to 3.1%	**2,561**	4,329
Working capital- Brazilian Reais	Interest from 11.25% or 100% to 114.4% of CDI	**1,702,653**	1,842,188
Credit note - Export	Interest from 1.2% to 14% or 100% to 125% of CDI	**731,984**	1,171,540
FCO - Middle West Fund	Interest of 10.00%	**500**	650
FNO - North Fund	Interest of 10.00%	**19,628**	20,624
CDC	TJLP and interest from 2.11% to 6.82%	**889**	-
		2,669,764	**3,289,273**
		6,210,233	**7,095,193**

Breakdown:		
Current liabilities	**4,226,873**	**4,574,702**
Noncurrent liabilities	**6,210,233**	**7,095,193**
	10,437,106	**11,669,895**

Maturities of long-term debt are as follows:		
2013	**1,069,451**	1,883,106
2014	**1,170,589**	1,163,976
2015	**945,100**	945,160
2016	**1,364,611**	1,394,493
2017	**7,521**	7,318
2018	**1,648,846**	1,697,233
2019	**2,880**	2,689
2020	**1,046**	1,045
2021	**189**	173
	6,210,233	**7,095,193**

(Expressed in thousands of reais)

Current liabilities

Type	Average annual rate of interest and commissions	Consolidated	
		Mar 31, 2012	Dec 31, 2011
Foreign currency			
ACC - (advances on exchange contracts)	Exchange variation + interest from 2.5 % to 5.1%	**2,201,150**	2,216,128
Euro Bonds	Exchange variation and interest of 10.25%	**34,500**	22,758
Prepayment	Exchange variation + Libor and interest from 0.7% to 6%	**748,092**	836,276
144-A	Exchange variation + interest from 8.25% to 10.50%	**29,109**	82,161
Credit note - Import	Exchange variation + interest of 11.25%	**7,186**	7,110
Credit note - Export	Exchange variation + interest from 6.3% to 7.85%	**37,423**	36,648
PPC - México revolver	TIIE+ interest of 2.25%, Overnight +4.5%	**93**	54
Tasman Government Loan	Exchange variation + Interest of 0% until 2013	**1,578**	1,249
Resolution 63	Exchange variation + Interest of 2.5% + Libor 6 months	**10,533**	10,859
		3,069,664	**3,213,243**
National Currency			
FINAME	TJLP and interest from 1.26% to 8.5%	**69,021**	81,037
FINAME	Interest from 4.5% to 10%	**241**	152
Installment note corp aircraft (payable notes)	Libor and interest from 1.75%	**1,676**	1,726
JBS Mortgage	Interest from 5.75% to 8.35%	**2,974**	3,001
EXIM - export credit facility	TJLP and interest of 5.19% to 5.81%	**114,484**	225,926
EXIM - export credit facility	Interest from 7% to 11.19%	**67,269**	92,495
BNDES automatic	TJLP and interest from 3.1% to 5.44%	**125,102**	153,456
BNDES automatic	Currency basket + interest from 2% to 3.1%	**6,282**	6,308
US revolver	Libor or Prime and pre determinate rate	**2,724**	2,339
JBS Term Loan	Alternate Base Rate (ABR) or Eurodollar	**16,889**	17,514
Five Rivers term loan	Interest of 2.75% + Libor	**10,592**	11,816
Senior note due 2014	Interest of 11.625%	**59,721**	23,318
Senior note due 2020	Interest of 8.25%	**16,368**	-
Senior note due 2021	Interest of 7.25%	**27,430**	6,139
PPC - US Senior note 2018	Interest of 7.875%	**20,129**	2,257
PPC - US credit facility - revolving credit facility	Interest of 4.3% to 6.3%	**849**	1,780
PPC - US credit facility - term loans	Interest from 4.8% to 9.00%	**41,393**	42,931
PPC - US bonds	Interest from 7.625% to 9.25%	**397**	229
Plainwell Bond	Interest of 4.39%	**3,441**	3,554
Working capital- Brazilian Reais	Interest of 11.25% or 100% to 114.4% of CDI	**99,083**	264,107
Working capital - US dollars	Libor +interest from 1.10% to 3.20%	**122,479**	133,462
Working capital - EUROS	Euribor +interest from 0.15% to 1.75%	**58,709**	28,305
Credit note - Export	Interest from 1.2% to 14% or 100% to 125% of CDI	**887,720**	796,672
FCO - Middle West Fund	Interest of 10.00%	**1,551**	1,362
FNO - North Fund	Interest from 10.00%	**4,179**	4,150
Working capital - Egyptian pound	Libor + Interest of 2% and commission of 0,1%	**15,861**	17,168
EGF	Interest of 6.75%	**30,849**	30,351
Credit note - Import	Interest of 4.44% (LIBOR and interest of 2.80%)	**72,154**	108,056
Finep	Interest of 4.5%	**23**	24
CDC	TJLP and interest from 2.11% to 6.82%	**2,006**	-
Others		**67,488**	66,555
		1,949,084	**2,126,190**
		5,018,748	**5,339,433**

(Expressed in thousands of reais)

Noncurrent liabilities

Type	Average annual rate of interest and commissions	Consolidated Mar 31, 2012	Consolidated Dec 31, 2011
Foreign currency			
Euro Bonds	Exchange variation and interest of 10.25%	**819,945**	844,110
Prepayment	Exchange variation + Libor and interest from 0.7% to 6%	**712,496**	894,849
144-A	Exchange variation + interest from 8.25% to 10.50%	**2,174,782**	2,238,629
Credit note - Export	Exchange variation + interest from 6.3% to 7.85%	**15,456**	15,912
Tasman Government Loan	Exchange variation + Interest of 0% until 2013	**22,880**	22,851
		3,745,559	**4,016,351**
National currency			
FINAME	TJLP and interest from 1.26% to 8.5%	**132,227**	133,138
FINAME	Interest from 4.5% to 10%	**1,091**	1,172
Installment note corp aircraft (payable notes)	Libor and interest from 1.75%	**11,630**	12,405
JBS Mortgage	Interest from 5.75% to 8.35%	**30,134**	31,812
EXIM - export credit facility	TJLP and interest of 5.19% to 5.81%	**58,333**	83,333
BNDES automatic	TJLP and interest from 3.1% to 5.44%	**21,256**	33,755
BNDES automatic	Currency basket + interest from 2% to 3.1%	**2,561**	4,329
US revolver	Libor or Prime and pre determinate rate	**299,510**	50,450
JBS Term Loan	Alternate Base Rate (ABR) or Eurodollar	**836,639**	865,534
Five Rivers term loan	Interest of 2.75% + Libor	**137,942**	144,590
Senior note due 2014	Interest of 11.625%	**1,234,150**	1,265,417
Senior note due 2020	Interest of 8.25%	**1,241,716**	-
Senior note due 2021	Interest of 7.25%	**1,149,076**	1,182,157
PPC - US Senior note due 2018	Interest of 7.875%	**888,594**	913,999
PPC - US credit facility - revolving credit facility	Interest of 4.3% to 6.3%	**332,854**	631,389
PPC - US credit facility - term loans	Interest from 4.8% to 9.00%	**987,939**	1,022,148
PPC - US bonds	Interest from 7.625% to 9.25%	**7,101**	7,310
Plainwell Bond	Interest of 4.39%	**24,538**	26,059
Marshaltown	Interest of 2.34%	**17,401**	17,891
Working capital- Brazilian Reais	Interest of 11.25% or 100% to 114.4% of CDI	**1,702,653**	1,842,188
Working capital - US dollars	Libor +interest from 1.10% to 3.20%	**29,806**	32,187
Working capital - Euro	Euribor + interest from 0.15% to 1.75%	**1,657**	2,071
Credit Note - export	Interest from 1.2% to 14% or 100% to 125% of CDI	**731,984**	1,171,540
FCO - Middle West Fund	Interest of 10.00%	**1,358**	1,693
FNO - North Fund	Interest of 10.00%	**19,628**	20,624
Finep	Interest of 4.5%	**11,680**	11,680
CDC	TJLP and interest from 2.11% to 6.82%	**889**	-
Others		**7,438**	7,539
		9,921,785	**9,516,410**
		13,667,344	**13,532,761**
Breakdown:			
Current liabilities		**5,018,748**	**5,339,433**
Noncurrent liabilities		**13,667,344**	**13,532,761**
		18,686,092	**18,872,194**
Maturities of long-term debt are as follows:			
2013		**1,087,474**	1,949,326
2014		**3,772,537**	4,136,914
2015		**985,760**	980,346
2016		**1,792,870**	1,572,683
2017		**201,041**	199,347
2018		**3,359,557**	3,449,587
2019		**3,004**	4,148
2020		**1,259,722**	1,936
2021		**1,149,265**	1,182,330
Maturities thereafter 2021		**56,114**	56,144
		13,667,344	**13,532,761**

ACC (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$ 1,208,030 as of March 31, 2012 (US$ 1,016,367 as of December 31, 2011), to finance export transactions.

EUROBONDS - 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.

CDC – Working Capital Financing contract (Contrato de financiamento de capital de giro), credit facilities obtained from financial institutions by the Company, to finance the truck fleet of the transport operation.

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 two 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 endorsed 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.

15 Credit operations, guarantees and covenants

On March 31, 2012, 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, in the principal amount of US$300 million. The interest rate applicable to the notes is 10.50% per annum and interest is paid semiannually 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) 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:

. 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 its restricted subsidiaries;
. have certain transactions with related parties;
. Consolidate or enter into merger or transfer all assets to another company;
. 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).

Additionally, 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 on November 9, 2006 (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's Notes 2016 to conform the provisions to the indenture governing Notes 2016 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 Bertin's 2016 Notes. The supplemental indenture implementing these amendments to the Bertin's 2016 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 Bertin's Notes 2016 contains customary negative covenants that limit the Company's ability and the ability of its subsidiaries to, among other things:

. 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.

Additionally, 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.

Vigor's Notes 2017 - Vigor, a subsidiary following the Bertin merger, issued the Vigor's Notes 2017, in an aggregate principal amount of US$100.0 million, on February 23, 2007. Interest on the Vigor's Notes 2017 accrues at a rate (i) of 9.25% per annum between the issue date of the Indenture and February 23, 2012 and (ii) of 10,25% per annum between February 23, 2012 and February 23, 2017 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 Vigor's Notes 2017 is payable in full on February 23, 2017.

On September 24, 2010, the Company successfully concluded a consent solicitation relating to the Vigor's Notes 2017. The consent solicitation (i) amended certain provisions in the indenture governing the Vigor's Notes 2017 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. Vigor not characterized in a change of control.

Covenants. The indenture to the Vigor's Notes 2017 contains customary negative covenants that limit the Vigor's ability and the ability of certain of its subsidiaries to, among other things:

. 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 Vigor's Notes 2017.

The indenture governing the Vigor's Notes 2017 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 Vigor's Notes 2017.

The indenture governing the Vigor's Notes 2017 restricts Vigor's ability and the ability of its subsidiaries to declare or pay any dividend or make any distribution on securities issued by Vigor (excluding convertible or exchangeable debt instruments), in the event (1) that an event of default has occurred and continues under the Vigor's Notes 2017; (2) Vigor 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 JBS S.A.

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:

. 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, 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 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).

Additionally, 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.

Guarantee of J&F Oklahoma's revolving credit facility – On October 7, 2008, J&F Oklahoma entered into a US$600.0 million secured revolving credit facility. 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. The finished cattle are sold to JBS USA, LLC under the cattle purchase and sale agreement. This facility was amended and restated on September 10, 2010 to provide availability up to US$800.0 million and to extend maturity to September 23, 2014.

On June 14, 2011, J&F Oklahoma and JBS Five Rivers executed a third amended and restated credit agreement to increase the availability to US$1.0 billion and to add J&F Australia as a borrower under the facility. The facility matures on June 14, 2015. On March 6, 2012 J&F Oklahoma and JBS Five Rivers executed an amendment to the third amended and restated credit agreement to increase the availability up to US$1.2 billion. Borrowings under the facility bear interest at variable rates based on applicable LIBOR plus 2.25%, or based on the prime rate plus 1%. The interest rate at March 31, 2012 was 2.73%. As of March 31, 2012, US$1.9 million was used towards letters of credit and borrowing availability was US$54.8 million. As of December 31, 2011 and March 31, 2012, J&F Oklahoma had US$915.2 million and $1.0 billion, respectively, in outstanding borrowings on the facility.

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, covenants consider the combined position and results of J&F Oklahoma along with JBS Five Rivers. J&F Oklahoma's parent company has entered into a keep-well agreement 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 March 31, 2012.

Credit facility to 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. On September 26, 2011, the facility was amended to accrue interest at a per annum rate of LIBOR plus 2.75%. The interest rate at March 31, 2012 was 3.32%. The 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 $375.0 million. As of December 31, 2011 and March 31, 2012, outstanding borrowings were US$262.0 million and US$239,8 million, respectively.

Description of Indebtedness of JBS USA

ANZ credit line — On March 2, 2011, JBS Australia executed a A$35.0 million facility to assist with working capital requirements. The facility had an interest rate equal to the Bank Bill Swap Bid Rate (“BBSY”) plus a 2% margin. The facility was canceled on February 10, 2012.

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. Up to US$75.0 million of the Credit Agreement is available for the issuance of letters of credit.

On June 30, 2011, JBS USA and JBS Australia executed the Revolving Syndicated Facility Agreement ("Revolving Facility") to amend and restate the Credit Agreement. The facility provides a maximum borrowing availability of $850.0 million available in three tranches of $625.0 million, $150.0 million and $75.0 million. The facility matures on June 30, 2016. Up to $250.0 million of the Revolving Facility is available for the issuance of letters of credit. On January 26, 2012, JBS USA and JBS Australia executed the first amendment to the Revolving Facility agreement primarily to include a US$35.0 million swing line sub-facility for JBS Australia which allows JBS Australia to obtain same day funding under the Revolving Facility. Loans bear interest at applicable LIBOR rates or the prime rate plus applicable margins that are based on utilization of the facility.

Availability: Availability under the Revolving Facility is subject to a borrowing base. The borrowing base is based on certain JBS USA 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 March 31, 2012, there were US$87.8 million of outstanding letters of credit and borrowing availability was US$497.4 million.

Security and Guarantees: Borrowings made by JBS USA under the Revolving Facility are guaranteed by JBS S.A., JBS Hungary Holdings Kft., JBS USA Holdings and all domestic subsidiaries of JBS USA except JBS Five Rivers and certain immaterial subsidiaries. In addition, all material subsidiaries of JBS Australia guarantee JBS Australia borrowings. Furthermore, the borrowings are collateralized by a first priority perfected lien and interest in accounts receivable, finished goods and supply inventories up to the limit amount of the indebtedness.

Covenants: The Revolving Facility contains customary representations, warranties and a springing financial covenant that requires a minimum fixed charge coverage ratio of not less than 1.00 to 1.00. This ratio is applicable if borrowing availability causes a covenant trigger period, which only occurs when borrowing availability falls below the greater of 10% of the maximum borrowing amount or $72.0 million. The Revolving Syndicated Facility also contains negative covenants that may limit the ability of JBS USA and certain of its subsidiaries to, among other things:

• incur certain additional indebtedness;
• create certain liens on property, revenue or assets;
• make certain loans or investments;
• sell or dispose of certain 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 certain sale/leaseback transactions.

The Revolving Facility also contains customary events of default, including failure to perform or observe terms, covenants or agreements included in the Revolving Facility, 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 Revolving Facility. At March 31, 2012, JBS USA was in compliance with all covenants.

Installment note payable – The installment note payable relates to JBS USA financing of a capital investment. The note bears interest at LIBOR 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; however, JBS Australia extended the letter of credit portion of the facility. On May 5, 2010, the facility was revised to reflect current letters of credit requirements to a facility limit of A$1.9 million and is subject to an annual review. On March 7, 2011 the credit facility has increased in A$ 32.5 million.

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. 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. On July 6, 2011, the note was amended to reduce the interest rate margin of 3% over the BBSY to 2%. On November 7, 2011, the note was amended to extend the maturity date to December 31, 2013 and to make the interest rate margin on the note equal to the Revolver Bill Rate Spread as defined in the Revolving Facility in effect at the time an advance is made. The interest rate margin in effect following this amendment is 1.75%. 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 March 25, 2012 was 6.08%.

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. There were no outstanding borrowings at December 31, 2011 or March 31, 2012.

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 borrowing availability of up to US$50 million with interest based on the three-month LIBOR plus a fixed margin of 2.5% to fund working capital needs and general corporate purposes. This note matured on March 31, 2012 and JBS USA Holdings has no intent to renew it.

US$10 million loan receivable from Weddel Limited - On May 10, 2011, JBS USA Holdings executed a US$10.0 million related party revolving promissory note with Weddell Limited ("Weddell"), a wholly-owned subsidiary of JBS USA Holdings, with interest based on the U.S. prime rate plus a margin of 2.0% and a maturity date of May 10, 2012. This note eliminate upon consolidation.

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.

US$2.0 billion revolving intercompany note to JBS USA Holding - On June 2, 2011, JBS USA issued a US$2.0 billion revolving intercompany note to JBS USA Holdings. The note bears interest at a variable per annum rate equal to LIBOR plus 300 basis points. On January 25, 2012, JBS USA Holdings amended the revolving intercompany note with JBS USA to increase the maximum amount available under the note to US$3.0 billion. Principal and accrued interest are due an payable upon demand by JBS USA at any time on or after June 30, 2015. The interest rate at March 31, 2012 was 3.58%. The revolving intercompany note eliminates upon consolidation.

PPC entered into the Subordinated Loan Agreement with JBS USA Holdings - 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. In accordance with the PPC Rights Offering, on March 7, 2012, the commitments under the Subordinated Loan Agreement were terminated and outstanding principal and accrued interest were paid in full.

JBS USA letters of credit - On October 26, 2011 and November 4, 2011, JBS USA agreed to provide letters of credit in the amount of US$40.0 million and US$16.5 million, respectively to an insurance company serving PPC in order to allow that insurance company to return cash it held as collateral against potential workers compensation, auto and general liability claims of PPC. In return for providing this letter of credit, PPC is reimbursing JBS USA for the cost PPC would have otherwise incurred under its revolving credit agreement.

US$ 20 million note to Sampco - On March 15, 2012 Sampco executed a U$20.0 million revolving promissory note with JBS USA Holdings with interest based on the three-month LIBOR plus a margin of 3.0%. Principal and interest are due and payable upon demand by Sampco at any time on or after March 31, 2014. At March 25, 2012 the interest rate was 3.5%. The revolving promissory note eliminates upon consolidation.

4.39% secured notes due 2019 – On December 20, 2010, JBS USA Holdings' wholly-owned subsidiaries JBS USA and JBS Plainwell, Inc. issued 4.39% notes due 2019 in an aggregate principal amount of US$16.0 million to finance the construction of a cold storage warehouse. Interest is payable quarterly beginning April 1, 2011. Principal is payable quarterly beginning October 1, 2011.

Marshalltown new market tax credit – On March 10, 2011, Swift Pork entered into the Marshalltown NMTC transaction to finance construction of a distribution center. 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 other assets within the 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 bears interest at the Department's variable commercial rate for years 10 through 15. 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.

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 three months period 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. This loan eliminates 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"), an indirect wholly-owned subsidiary of JBS USA Holdings, 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. This loan eliminates upon consolidation. During three months period ended March 31, 2012, the outstanding principal and accrued interest were paid in full.

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, with interest based on the three-month LIBOR plus a margin of 2.5% and a maturity date of March 31, 2012. This loan eliminates upon consolidation. During three months period ended March 31, 2012, the outstanding principal and accrued interest were paid in full.

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 Revolving Facility (subject to certain exceptions). If certain conditions are met, JBS S.A. may be released from its guarantees. 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;
• 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 march 31, 2012, JBS USA and JBS USA Finance, Inc. were in compliance with all covenants.

7.25% senior unsecured notes due 2021 - On May 27, 2011 JBS USA and JBS USA Finance, Inc. issued 7.25% 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 Revolving Facility (subject to certain exceptions). If certain conditions are met, the JBS S.A. may be released from their guarantees.

Interest on these notes accrues at a rate of 7.25% 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. The covenants for this note contain customary negative covenants and customary events of default listed under the senior unsecured notes due 2014. At March 31, 2012, JBS USA was in compliance with all covenants.

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. The loan is guaranteed by JBS USA Holdings, JBS S.A., JBS Hungary Holdings Kft., and each of the U.S. restricted subsidiaries that guarantee the Revolving Facility (subject to certain exceptions). 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. The covenants for this note contain customary negative covenants and customary events of default listed under the Revolving Facility. At March 31, 2012, JBS USA was in compliance with all covenants.

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.

Covenants. The US$85.0 million term loan due 2016 contains customary negative covenants that limit JBS Five Rivers and its restricted subsidiaries' ability to, among other things:
- incur certain additional indebtedness;
- create certain liens on property, revenue or assets;
- make certain loans or investments;
- sell or dispose of certain assets;
- pay certain dividends and other restricted payments;
- dissolve, consolidate, merge or acquire the business or assets of other entities;
- enter into new lines of business;
- enter into certain transactions with affiliates;
- issue, sell, assign, or otherwise dispose of certain equity interests;
- enter into certain hedging agreements;
- locate more than a certain number of owned cattle at locations not owned by JBS Five Rivers;
- enter into certain cattle feeding joint ventures that contain restrictions on pledges and transfers of rights under the joint venture agreement and
- make certain advances to customers above certain thresholds.

Events of default – The US$85.0 million term loan also contains customary events of default, including failure to perform or observe terms, covenants or agreements included in the $85.0 million term loan 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, certain events related to bankruptcy and insolvency, certain events related to the Employee Retirement Income Security Act of 1974 ("ERISA"), and failure to comply with the terms of the Executive Succession Plan of J&F Oklahoma Holdings, Inc. 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 US$85.0 million term loan. At March 31, 2011, JBS Five Rivers was in compliance with all covenants.

8.25% senior unsecured notes due 2020 – On January 30, 2012, JBS USA and JBS USA Finance, Inc. issued 8.25% notes due 2020 in an aggregate principal amount of US$700.0 million. The proceeds were used (i) to make an intercompany loan to JBS USA Holdings, for further transfer to JBS S.A. to fund repayment of short and medium-term debt of JBS S.A. and its subsidiaries and (ii) for general corporate purposes. These notes are guaranteed by JBS USA Holdings, JBS S.A., JBS Hungary Holdings Kft., and each of the U.S. restricted subsidiaries that guarantee the Revolving Facility (subject to certain exceptions). If certain conditions are met, JBS S.A. may be released from its guarantees. Interest on these notes accrues at a rate of 8.25% per annum and is payable semi-annually in arrears on February 1 and August 1 of each year, beginning on August 1, 2012. The principal amount of these notes is payable in full on February 1, 2020. The original issue discount of approximately US$10.0 million is being accreted over the life of the notes. The covenants for this note contain customary negative covenants and customary events of default listed under the senior unsecured notes due 2014. At March 31, 2012, JBS USA was in compliance with all covenants.

Description of Indebtedness of PPC

US Credit Facility – PPC and certain of its subsidiaries entered into a credit agreement (the "US Credit Facility"), formerly referred to as the Exit Credit Facility, with Co Bank ACB, as administrative agent and collateral agent, and other lenders party thereto, which currently provides a $700.0 million revolving credit facility and a Term B facility ("Term B"). The US 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 $100.0 million and to increase the aggregate Term B loans commitment by up to an additional $400.0 million, in each case subject to the satisfaction of certain conditions, including an aggregate cap on all commitments under the US Credit Facility of $1.9 billion.

On January 13, 2011, PPC increased the amount of the revolving loan commitments under the US Credit Facility to $700.0 million. On April 22, 2011, PPC increased the amount of the sub-limit for swingline loans under the US Credit Facility to $100.0 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 $46.3 million of its excess cash flow from 2010 toward the outstanding principal under the Term B loans. PPC did not have excess cash flow from 2011 to be applied toward the outstanding principal under the Term B loans. After giving effect to the 2010 prepayment and other prepayments, the Term B loans must be repaid in 16 quarterly installments of approximately $3.9 million beginning on April 15, 2011, with the final installment due on December 28, 2014. The US 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 US Credit Facility. The cash proceeds received by PPC from the PPC Rights Offering were not required to be a mandatory prepayment under the US Credit Facility.

Actual borrowings by PPC under the revolving credit commitment component of the US Credit Facility are subject to a borrowing base, which is a formula based on certain eligible inventory, eligible receivables and restricted cash under the control of CoBank ACB. As of March 25, 2012, the applicable borrowing base was $671.0 million, the amount available for borrowing under the revolving loan commitment was $439.2 million.

The US Credit Facility contains financial covenants and various other covenants that may adversely affect PPC's ability to, among other things, incur additional indebtedness, incur liens, pay dividends or make certain restricted payments, consummate certain assets sales, enter into certain transactions with the Company and PPC's other affiliates, merge, consolidate and/or sell or dispose of all or substantially all of PPC's assets.

On June 23, 2011 and December 16, 2011, PPC entered into amendments to the US Credit Facility, which among other things (i) temporarily suspended the requirement for PPC to comply with the fixed charge coverage ratio and senior secured leverage ratio financial covenants until September 24, 2012, (ii) modified the fixed charge coverage ratio financial covenant so that when testing of this covenant resumes on September 24, 2012, PPC can calculate the fixed charge coverage ratio based upon a specified number of fiscal quarters selected by PPC (iii) reduced the minimum allowable consolidated tangible net worth to the sum of $450.0 million plus 50% of the cumulative net income (excluding any losses) of PPC from December 16, 2011 through such date of calculation and (iv) increased the maximum allowable senior secured leverage ratio, determined for any period of four consecutive fiscal quarters ending on the last day of each fiscal quarter, to be greater than 4.00:1.00 for periods calculated from September 24, 2012 and thereafter. PPC is currently in compliance with the modified tangible net worth covenant.

All obligations under the US Credit Facility are unconditionally guaranteed by certain of PPC's subsidiaries and are secured by a first priority lien on (i) the accounts receivable and inventories of PPC and both its domestic and Puerto Rico subsidiaries, (ii) 100% of the equity interests PPC's US and Puerto Rico subsidiaries and 65% of the equity interests in PPC's direct foreign subsidiaries, (iii) substantially all of the personal property and intangibles of PPC, its Puerto Rico subsidiaries and the guarantor subsidiaries under the US Credit Facility and (iv) substantially all of the real estate and fixed assets of PPC and the guarantor subsidiaries under the US Credit Facility.

Senior Unsecured Notes due 2018 - On December 15, 2010, On December 15, 2010, PPC issued $500.0 million of 7.875% Senior Notes due 2018 (the "2018 Notes"). The 2018 Notes are unsecured obligations of PPC and 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 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 the Company and PPC's other affiliates, merge, consolidate and/or sell or dispose of all or substantially all of its assets. PPC has subsequently exchanged these notes for substantially identical notes that are registered under the Securities Act of 1933.

Mexico Credit Facility - On October 19, 2011, Avícola Pilgrim's Pride de México, S. de R.L. de C.V. and certain subsidiaries (the "Loan Parties"), entered into an amended and restated credit agreement (the "Amended ING Credit Agreement") with ING Bank (México), S.A. Institución de Banca Múltiple, ING Grupo Financeiro, as lender and ING Capital, LLC, as administrative agent. The Mexico Credit Facility has a maturity date of September 25, 2014. As of March 25, 2012, the revolving commitment has a principal amount of 557.4 million Mexican pesos, a U.S. dollar-equivalent of $43.7 million.

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

The Mexico Credit Facility is secured by substantially all of the assets of PPC's Mexico subsidiaries.

(Expressed in thousands of reais)

16 Convertible debentures

Debentures capitalization

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 was 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 had a payable of R$ 2,032 for the debenture holders who did not exercise the option of capitalizing on their debentures in the deadline for redemption.

On March 31, 2012 the Company has a remaining balance to be paid to the debenture holders in the amount of R$ 1,283, which will be paid during the year of 2012.

17 Income taxes, payroll, social charges and tax obligation

	Company		Consolidated	
	Mar 31, 2012	Dec 31, 2011	Mar 31, 2012	Dec 31, 2011
Payroll and related social charges	**206,634**	150,414	**406,653**	333,678
Accrual for labor liabilities	**114,599**	99,463	**843,692**	900,978
Income taxes	**-**	-	**10,193**	211,528
Withholding income taxes	**627**	757	**1,356**	1,616
ICMS / VAT / GST tax payable	**12,034**	11,826	**25,734**	23,799
PIS / COFINS tax payable	**584**	348	**720**	521
Taxes in installments (Law 11.941/2009)	**-**	-	**272,640**	271,762
Others	**95,087**	85,055	**304,668**	318,621
	429,565	**347,863**	**1,865,656**	**2,062,503**
Breakdown:				
Current liabilities	**429,565**	347,863	**1,192,615**	1,378,691
Noncurrent liabilities	**-**	**-**	**673,041**	683,812
	429,565	**347,863**	**1,865,656**	**2,062,503**

The subsidiary Vigor joined the installment debts referred in Law No. 11.941 of May 27, 2009, and had the option to settle the penalties and default interest amounts, including those related to debts of the Debt Union (Dívida Ativa da União) using the credits arising from tax loss and negative basis of the Social Contribution (CSLL).
The minimum installment due from the Outstanding Installment (Parcelamento Excepcional - PAEX) described in the article 1 and 8 of MP No. 303/06 is equivalent to 85% of the installment due payable in the month of November/2009 and R$100.00 for the other debts of the corporation, which will expire on the last day of each month. The term was split in 161 installments. The first installment was paid in the month it was submitted an application for accession, having an effect in the corresponding requirements formulated with the first installment in an amount not less than the described in the Act. The amount of each installment will incurred interest corresponding to the variation of the Selic rate. Computed the benefits paid during the term of PAEX, the debts that make up the remaining balances of installment payments will be reinstated to the date of application for subdivision, with the legal charges due at the time of occurrence of the respective taxable events, the computed interest rate cuts, fines and legal charges, as well as the settlement of claims with interest and penalties resulting from tax losses and negative basis of social contribution (CSLL).

18 Provision for lawsuits risk

The Company and its subsidiaries are parties in several procedures arising in the regular course of business, for which provisions based on estimation of their legal consultants were established. The main information related to these procedures on March 31, 2012 and March 31, 2012, areas follows:

	Company		Consolidated	
	Mar 31, 2012	Dec 31, 2011	Mar 31, 2012	Dec 31, 2011
Labor	**48,413**	47,646	**72,171**	71,004
Civil	**7,335**	6,863	**34,059**	36,284
Tax and Social Security	**86,577**	86,466	**91,065**	144,272
Total	**142,325**	**140,975**	**197,295**	**251,560**

(Expressed in thousands of reais)

Changes in provisions

	Dec 31, 2011	Additions	Reversals	Exchange rate variation	Mar 31, 2012
Company	**140,975**	1,350	-	-	**142,325**
Consolidated	**251,560**	2,085	(55,213)	(1,137)	**197,295**

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 does not recognize 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 advice of its legal counsel, that its arguments will prevail in these procedures, which is the reason why no provision has been made.

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, in the amount of R$ 204,094. The management believes, based on the advice of its legal counsel, that its arguments will prevail in these procedures, which is the reason why no provision has been made. 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) with regard to 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$ 289,105 with the aggregate amount of R$ 358,305.

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, 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, fulfill 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) Other tax and social security procedures

The Company is a Party in additional 474 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$ 86,577 which are 100% provisioned.

Labor Proceedings

As of March 31, 2012 the Company was party to 7,464 labor and accident proceedings, involving total value of R$ 849,067 Based on the opinion of the Company's external legal counsel, the Company's management recorded a provision in the amount of R$ 48,413 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 March 31, 2012, the subsidiaries S.A. Fábrica de Produtos Alimentícios Vigor, Cia Leco de Produtos Alimentícios and Dan Vigor were party to 299 labor proceedings filed by former employees, that were accrued by Vigor based on an estimate of loss prepared by its legal counsel and approved by the management on the amount of R$ 2,132.

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.

(Expressed in thousands of reais)

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 debt 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.

b) Trademark Infringement

Also due to the barrier in Araputanga / MT, the seller distributed in the City of Araputanga / MT, filed a lawsuit for improper use of trademark, under the premise of Friboi Ltda. was using the mark Frigoara without its authorization.
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, seeking damages in the amount of R$ 26,938 and punitive damages in the amount of R$100,000. 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.

In the defense, 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. The expected loss on March 31, 2012, R$ 600, has been provisioned.

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 expected loss on March 31, 2012, R$ 6,735, has been provisioned.

Other proceedings

On March 31, 2012, the Company had other ongoing civil, labor and tax proceedings, on the approximately amounting of R$ 20,129 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.

19 Debit with third parties for investment

	Company		Consolidated	
	Mar 31, 2012	Dec 31, 2011	Mar 31, 2012	Dec 31, 2011
Current	**136,040**	10,589	**136,040**	10,589
Noncurrent	**48,881**	2,048	**48,881**	2,048
	184,921	12,637	**184,921**	12,637

The debit with third parties for investment, refers basically to acquisitions of various assets in the State of Mato Grosso do Sul, one industrial complex in the State of Minas Gerais, four slaughter facilities in the State of Rondonia and one slaughter facilities in the states of Mato Grosso, Mato Grosso do Sul, Goiás and São Paulo.

20 Income taxes - Nominal and effective tax rate reconciliation

Income tax and social contribution are recorded based on taxable profit in accordance with the laws and applicable rates. Deferred 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	
	2012	2011	2012	2011
Income before income taxes	**239,579**	129,495	**241,604**	172,160
Income taxes				
Expectation of income (expense) of the income taxes - Combined nominal of 34%	**(81,457)**	(44,028)	**(82,145)**	(58,534)
Adjust to demonstrate the effective rate				
Additions (write off), mostly result on equity subsidiaries (tax equivalents in other countries)	**(42,043)**	61,501	**(29,940)**	(23,701)
Income (expense) of the deferred income taxes	**(123,500)**	17,473	**(112,085)**	(82,235)
Effective rate	**-51.55%**	13.49%	**-46.39%**	-47.77%

(Expressed in thousands of reais)

Explanative notes

Composition of expenses of income tax and social contribution presented income statements of the Company and Consolidated results for the period ended on March 31, 2012 and 2011.

	Company		Consolidated	
	2012	2011	2012	2011
Current income taxes	**750**	748	**16,643**	(194,595)
Deferred income taxes	**(124,250)**	16,725	**(128,728)**	112,360
	(123,500)	**17,473**	**(112,085)**	**(82,235)**

Composition of deferred income tax and social contribution

	Company		Consolidated	
	Mar 31, 2012	December 31, 2011	Mar 31, 2012	December 31, 2011
ASSETS				
. On tax losses and temporary differences	**407,119**	356,459	**1,119,242**	1,148,817
LIABILITIES				
. On revaluation reserve and temporary differences	**820,417**	646,257	**1,916,840**	1,827,189
Net	**413,298**	**289,798**	**797,598**	**678,372**

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 profit or fiscal loss,

- 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.

21 Shareholders' equity

a) Capital Stock

The Capital Stock on March 31, 2012 is represented by 2,963,924,296 ordinary shares, without nominal value.

The Company is authorized to increase its capital by an additional 1,376,634,735 ordinary nominative shares. According with the social statute the Board of Directors shall determine the number, price, payment term and other conditions of the issuance of shares.

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

b) Capital reserve

Composed of goodwill on issuance of shares, derivatives of the IPO in 2007.

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

Refers to revaluations on fixed assets prior to CPC/IFRS adoption. 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

On January 31, 2012 the Board of Directors of the Company, based on it by-law, approved the cancellation of 97,519,895 shares pursuant to Article 19, section XVI of the Bylaws, without reduction of capital.

The cancellation of treasury shares was recorded as a reduction in treasury against paid up reserve (capital reserve), by the average cost of treasury shares on the date of cancellation.

(Expressed in thousands of reais)

Below is presented the changes on treasury shares:

	Quantity	R$ thousand
Balance as of December 31, 2011	**97,186,795**	**610,550**
Acquisition	**333,100**	**2,028**
Cancellation	**(97,519,895)**	**(612,578)**
Balance as of March 31, 2012	**-**	**-**

g) The Effects of Changes in Foreign Exchange Rates

According to CPC 2/IAS 21 -The Effects of Changes in Foreign Exchange Rates, basically records changes in foreign currency rates of the subsidiaries valued by the equity method (translation adjustments).

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 IAS 27/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.
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).

22 Net revenue

	Company		Consolidated	
	2012	2011	2012	2011
Gross sale revenue				
Products sales revenues				
Domestic sales	**2,694,509**	2,393,136	**13,026,070**	11,182,132
Foreign sales	**1,026,815**	1,136,648	**3,605,703**	4,085,468
	3,721,324	**3,529,784**	**16,631,773**	**15,267,600**
Sales deduction				
Returns and discounts	**(137,882)**	(156,509)	**(303,212)**	(311,232)
Sales taxes	**(233,063)**	(201,268)	**(317,481)**	(283,628)
	(370,945)	**(357,777)**	**(620,693)**	**(594,860)**
NET REVENUE	**3,350,379**	**3,172,007**	**16,011,080**	**14,672,740**

23 Earnings per share

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

Basic

The basic loss 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	
	2012	2011
Loss attributable to shareholders - R$	**116,079**	**146,968**
Average of the shares in the period - thousands	**2,996,431**	2,567,471
Average of the shares in the Treasury - thousands	**(32,507)**	(83,484)
Average of shares circulating - thousands	**2,963,924**	2,483,987
Loss per thousand shares - Basic - R$	**39.16**	**59.17**

Diluted

The Company did not present the diluted profit per share as required in IAS 33/CPC 41 - Profit per share, due the fact it does not have potentially dilutive ordinary shares since for the convertible debentures (note 17) is not possible to calculate the dilutive number of shares because it has projected future values of price, stop and deferred income (note 29) through historical analysis and there is expectation that the advance were be honored by future delivery, does not characterize potential dilutive shares.

(Expressed in thousands of reais)

24 EBITDA reconciliation

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

	Company		Consolidated	
	2012	2011	2012	2011
Loss before taxes	**239,579**	129,495	**241,604**	172,160
Financial expense, net	**38,775**	303,081	**155,821**	351,130
Depreciation and amortization	**105,084**	97,270	**285,043**	311,161
EBITDA	**383,438**	**529,846**	**682,468**	**834,451**
Equity in earnings of subsidiaries	**130,962**	(195,505)	**-**	-
Restructuring, reorganization and donation	**-**	-	**6,871**	-
Adjustment on bargain purchase gain	**-**	-	**-**	(3,400)
Indemnity	**-**	-	**7,129**	4,879
ADJUSTED EBITDA	**514,400**	**334,341**	**696,468**	**835,930**

25 Financial income (expense), net

	Company		Consolidated	
	2012	2011	2012	2011
Exchange rate variation	**219,116**	183,565	**230,004**	216,014
Results on derivatives	**(119,322)**	(223,215)	**(109,911)**	(235,239)
Interest - Loss	**(255,987)**	(312,553)	**(432,880)**	(374,386)
Interest - Gain	**124,746**	72,628	**173,403**	77,580
Taxes, contribution, tariff and others	**(7,328)**	(23,506)	**(16,437)**	(35,099)
	(38,775)	**(303,081)**	**(155,821)**	**(351,130)**

26 Other income (expenses),

Other expenses, on March 31, 2012 in the amount of (R$ 12,185) relating mainly to:

i) JBS Argentina - Amount of (R$ 7,129) 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$ 6,871) restructuring and reorganization costs.

iii) Other income - Amount of R$ 1,815 referring to basically net income in the sale of fixed assets and rental.

27 Transaction costs for the issuing of titles and securities

In accordance with the prerequisites under 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 deduction the liabilities that they refer to.

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

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

In the year end on December 31, 2010, the Company had incurred expenses in the amount of R$ 37,477 related to the transaction costs of the related Public Offering which was recorded directly in capital.

b) 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 September 30 , 2011, due to accumulated amortization of the amount through the flow of debt payments, the Company has a residual amount of R$ 14,164 of cost of transaction tied to debt that will continue to be amortized in accordance with the period of payment.

28 Defined contribution plans

JBS Plans

The Company sponsored tax-qualified employee savings and retirement plan (the "401(k) Savings Plan") covering its US based employees, both union and non-union, excluding PPC and Bertin USA employees. 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 the Company, 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 $1.4 million and $1.5 million for the three months period ended March 31, 2011 and March 31, 2012, respectively.

One of the Company's facilities participates in a multi-employer pension plan. The Company's contributions to this plan, which are included in cost of goods sold in the Consolidated Statements of Income, were $111 thousand and $105 thousand for the three months period ended March 31, 2011 and March 31, 2012, respectively. The Company also made contributions totaling $16 thousand and $17 thousand for the three months period ended March 31, 2011 and March 31, 2012, respectively, to a multi-employer pension plan related to former employees at the former Nampa, Idaho plant pursuant to a settlement agreement.

One of the Company's facilities participates in a supplemental executive retirement plan. There were no expenses recognized by the Company for this plan during the three months period ended March 31, 2011 or March 31, 2012

Employees of JBS Australia do not participate in the Company's 401(k) Savings Plan. 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 Company's expenses related to contributions to this fund totaled $7.1 million and $7.9 million for the three months period ended March 31, 2011 and March 31, 2012, respectively.

PPC 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. Under all of PPC's retirement plans, PPC's expenses were $2.3 million and $2.1 million for the three months period ended March 31, 2011 and March 31, 2012, respectively.

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:

- The Pilgrim's Pride Retirement Plan for Union Employees (the "Union Plan");
- the Pilgrim's Pride Retirement Plan for El Dorado Union Employees (the "El Dorado" Plan); and
- the Pilgrim's Pride 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' Emeriti 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 also 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 plan.

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. PPC matches up to 30.0% of the first 2.14% to 6.0% of salary based on the salary deferral and compensation levels up to $245 thousand. The To-Ricos Plan is maintained for certain eligible Puerto Rican employees. Under the To-Ricos Plan, eligible employees may voluntarily contribute a percentage of their compensation and there are various company matching provisions.

(Expressed in thousands of reais)

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.

The following table provides the components of net periodic benefit cost:

	March 31, 2012		March 31, 2011	
	Pension	**Other Benefits**	**Pension Benefits**	**Other Benefits**
Service cost	**21**	**-**	87	-
Interest cost	**3,587**	**42**	4,110	57
Estimated return on plan assets	**(2,537)**	**-**	(3,095)	-
Amortization of net loss	**612**	**-**	7	-
Net periodic benefit cost	**1,683**	**42**	**1,109**	**57**

During the three months period ended March 31, 2012, PPC contributed $1.4 million to its defined benefit plans.

Bertin USA Plans

Bertin USA sponsored a tax-qualified employee savings and retirement plan (the "Bertin 401(k) Plan") covering its US based employees. 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 $103 thousand and $28 thousand for the three months period ended March 31, 2011 and March 31, 2012, respectively.

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 the previous owners of JBS USA Trading, Inc. ("JBS USA Trading"), formerly known as SB Holdings, Inc., doing business as The Tupman Thurlow Co., Inc. 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. For the three months period ended March 31, 2011 and March 31, 2012, service cost, interest cost, estimated return on plan assets and net periodic benefit cost were immaterial.

During the three months period ended March 31, 2012, Bertin USA funded $74 thousand to its defined benefit plans.

29 Deferred revenue

On October 22, 2008, the JBS US received a deposit in cash from a customer of US$ 175 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 March 31, 2012 was 2.5% 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 March 31, 2012, the conversion right under the Supply Agreement would have equaled 36,91% of the outstanding common stock, or 36,91 shares.

The Supply Agreement contains affirmative and negative covenants which requires the Company to, among other things: maintain defined market share; maintain certain tangible net worth levels; and comply in all material respects with the Supply Agreement. JBS USA was in compliance with all covenants as of March 31, 2012. The unamortized balance at March 31, 2012 and December 31, 2011 was approximately US$ 101.8 million (R$ 185.490) and US$ US$ 107.5 million (R$ 201,649), other deferred revenue was US$4.6 million (R$ 8,382) e US$3.4 million (R$ 6,378), respectively.

30 Operating segments

According to IFRS 8/CPC 22 - Operating segments, Management has defined the operational segments that 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) and South America (Argentine, Paraguay and Uruguay).

The Beef segment performs slaughter facility, cold storage and meat processing operations for the production of beef preservatives, fat, feed and derivate products, with forty three industrial units located in Brazil, United States of America, Italy, Australia, Argentina, Uruguay, Paraguay, the latter three with consolidated analyzes, as well as in United States of America and Australia.

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

(Expressed in thousands of reais)

The Pork segment slaughters, processes and delivers "in natura" meet with one operational unit in United States of America 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 periods ended on March 31, 2012 and 2011, are as following:

Net revenue by product line:

	2012	2011
Net revenue of the segment		
Beef	**10,236,987**	9,241,609
Pork	**1,512,211**	1,394,941
Poultry	**3,325,302**	3,140,128
Others	**936,580**	896,062
Total	**16,011,080**	**14,672,740**

Depreciation by product line:

	2012	2011
Depreciation and amortization		
Beef	**137,182**	139,888
Pork	**14,356**	12,247
Poultry	**92,664**	134,681
Others	**40,841**	24,345
Total	**285,043**	**311,161**

EBITDA by product line:

	2012	2011
EBITDA		
Beef	**349,852**	673,507
Pork	**93,188**	175,549
Poultry	**172,019**	(97,541)
Others	**81,409**	84,415
Total	**696,468**	**835,930**

Assets by segment:

	March 31, 2012	December 31, 2011
Assets		
Beef	**31,677,783**	32,394,892
Pork	**1,075,356**	1,169,460
Poultry	**6,859,439**	6,987,619
Others	**7,632,491**	6,858,913
Total	**47,245,069**	**47,410,884**

Revenues by geographic area:

	2012	2011
Net revenue		
United States of America (including Australia)	**11,839,311**	10,707,469
South America	**3,827,400**	3,604,158
Others	**344,369**	361,113
Total	**16,011,080**	**14,672,740**

Depreciation by geographic area:

	2012	2011
Depreciation and amortization		
United States of America (including Australia)	**166,868**	200,928
South America	**116,554**	108,866
Others	**1,621**	1,367
Total	**285,043**	**311,161**

(Expressed in thousands of reais)

EBITDA by geographic area:

	2012	2011
EBITDA		
United States of America (including Australia)	**182,531**	529,375
South America	**508,559**	308,322
Others	**5,378**	(1,767)
Total	**696,468**	**835,930**

Assets by geographic area:

	March 31, 2012	December 31, 2011
Assets		
United States of America (including Australia)	**14,616,044**	14,684,699
South America	**31,038,742**	31,138,791
Others	**1,590,283**	1,587,394
Total	**47,245,069**	**47,410,884**

31 Expenses by nature

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

Classification by nature	2012	2011
Depreciation and amortization	**(285,043)**	(311,161)
Personnel expense	**(1,737,958)**	(1,299,134)
Raw material use and consumption materials	**(13,544,323)**	(12,650,281)
Taxes, fees and contributions	**(738,380)**	(769,446)
Third party capital remuneration	**(785,893)**	(1,183,960)
Other income, net	**1,322,121**	1,713,402
	(15,769,476)	**(14,500,580)**

Classification by function	2012	2011
Cost of goods sold	**(14,357,175)**	(12,984,313)
Selling expenses	**(816,404)**	(737,451)
General and administrative Expenses	**(427,891)**	(418,917)
Financial expense, net	**(155,821)**	(351,130)
Other expense, net	**(12,185)**	(8,769)
	(15,769,476)	**(14,500,580)**

32 Insurance coverage

As of March 31, 2012, the maximum individual limit for coverage was R$ 200,000. This coverage includes all types of casualties.

Regarding the indirect subsidiary JBS Argentina, located in the Republic of Argentina, the insurance policy has the same above-mentioned characteristics; however, the maximum indemnification limit for March 31, 2012 was of US$ 32 million (equivalent to R$ 58,307).

Regarding the subsidiary JBS USA, located in the USA, the insurance policy has the same above-mentioned characteristics; however, the maximum indemnification limit for March 31, 2012 was of US$ 200 million (equivalent to R$ 364,420).

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

33 Risk management and financial instruments

The Company and its subsidiaries incur, 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 is continuously monitored, especially 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.

(Expressed in thousands of reais)

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 interest rates, which may be caused by economic crisis, sovereign monetary policy alterations, or market movements. The Company has assets and 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 to the Risk Management Committee strategies to rebalance the exposure.

The interest rate exposure of the Company and its subsidiaries on March 31, 2012 and December 31, 2011 is described below.

	Company		Consolidated	
Net liabilities and assets exposure to CDI rate:	**Mar 31, 2012**	**Dec 31, 2011**	**Mar 31, 2012**	**Dec 31, 2011**
NCE / Compror / Others	**3,335,451**	4,067,586	**3,342,477**	4,074,507
CDB-DI	**(1,873,336)**	(2,035,784)	**(2,118,508)**	(2,262,399)
Investment funds, LCA-DI and national treasury bill	**(51,564)**	(93,604)	**(575,841)**	(777,876)
Total	**1,410,551**	**1,938,198**	**648,128**	**1,034,232**
Liabilities exposure to LIBOR/EURIBOR rate:				
Working Capital - Euro	**-**	-	**60,366**	30,376
Working Capital - USD	**-**	-	**152,285**	165,649
Pre-payment	**1,449,519**	1,719,774	**1,460,588**	1,731,125
Others	**10,533**	10,859	**562,715**	359,463
Total	**1,460,052**	**1,730,633**	**2,235,954**	**2,286,613**
Liabilities exposure to TJLP rate:				
FINAME / FINEM	**200,798**	213,707	**202,580**	214,175
BNDES Automatic	**155,201**	187,211	**155,201**	187,211
EXIM - export credit facility	**251,779**	309,259	**319,048**	309,259
Total	**607,778**	**710,177**	**676,829**	**710,645**

Sensitivity analysis

The Company's operations are indexed to fixed rates by TJLP, CDI, Libor and Euribor. Thus, in general, the Company's management believes that any fluctuation in interest rates, would create no significant impact on its income,so that preferably does not use derivative financial instruments to manage this risk, except in terms of specific situations that may arise.

With the aim of providing information on sensitivity to interest rate risks to which the Company is exposed on March 31, 2012, below is a simulation of 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 consolidated financial statements represent a scenario likely to impact the outcome. Following are the net result between the result of exposures for the period of one year:

		Effect on income - Company		
Exposure	**Risk**	**Probable scenario (I)**	**Scenario (II) Variation - 25%**	**Scenario (III) Variation - 50%**
Contracts indexed to CDI	Increase on interest rate CDI	**-**	(33,572)	(67,143)
Contracts indexed to Libor / Euribor	Increase on interest rate Libor / Euribor	-	(5,380)	(10,761)
Contracts indexed to TJLP	Increase on interest rate TJLP	-	(9,116)	(18,233)
		-	**(48,068)**	**(96,137)**

(Expressed in thousands of reais)

		Effect on income - Consolidated		
Exposure	**Risk**	**Probable scenario (I)**	**Scenario (II) Variation - 25%**	**Scenario (III) Variation - 50%**
Contracts indexed to CDI	Increase on interest rate CDI	-	(15,425)	(30,851)
Contracts indexed to Libor / Euribor	Increase on interest rate Libor / Euribor	-	(8,239)	(16,479)
Contracts indexed to TJLP	Increase on interest rate TJLP	-	(10,152)	(20,305)
		-	(33,816)	(67,635)
Premises				
Interest rate CDI	Increase on interest rate	9.52%	11.90%	14.28%
Interest Libro / Euribor	Increase on interest rate	1.47%	1.84%	2.21%
Interest TJLP	Increase on interest rate	6.00%	7.50%	9.00%

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 (US$), Australian Dollars (AUD), 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 March 31, 2012 and December 31, 2011. The exposure in the subsidiaries are irrelevant for this analysis.

	Company	
EXPOSURE	**Mar 31, 2012**	**Dec 31, 2011**
OPERATING		
Cash and cash equivalents - US$	**991,436**	932,153
Trade accounts receivable - US$ / € / £	**1,050,180**	1,030,323
Inventories - US$	**72,482**	74,003
Sales Orders - US$ / € / £	**501,965**	461,710
Suppliers - US$	**(50,878)**	(37,290)
Trade accounts payable - US$	**(10,604)**	(14,307)
Subtotal	**2,554,580**	**2,446,592**
FINANCIAL		
Loans and financings - US$	**(6,466,066)**	(6,855,440)
Subtotal	**(6,466,066)**	**(6,855,440)**
DERIVATIVES		
Future contracts - US$	**2,514,864**	2,263,870
NDF's (Non deliverable forwards)	**1,366,575**	-
Swap (Assets US$)	**201,213**	177,079
Swap (Liabilities US$)	**(234,136)**	-
Subtotal	**3,848,516**	**2,440,949**
TOTAL EXPOSURE	**(62,971)**	**(1,967,899)**

(Expressed in thousands of reais)

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

March 31, 2012

Future Contracts - BM&F

Risk factor	Instrument	Nature	Quantity	Notional	Market value
US$	Future	Purchase	26,250	2,410,820	(6,412)
				2,410,820	**(6,412)**

Future Contracts - Chicago stock market

Risk factor	Instrument	Nature	Quantity	Notional	Market value
US$/British Pound	Future	Purchase	229	45,035	(1,146)
US$/Euro	Future	Purchase	352	59,009	(848)
				104,044	**(1,994)**

December 31, 2011

Future Contracts - BM&F

Risk factor	Instrument	Nature	Quantity	Notional	Market value
US$	Future	Purchase	22,500	2,115,037	(9,399)
				2,115,037	**(9,399)**

Future Contracts - Chicago stock market

Risk factor	Instrument	Nature	Quantity	Notional	Market value
US$/British Pound	Future	Purchase	229	41,517	(96)
US$/Euro	Future	Purchase	352	107,316	284
				148,833	**188**

a.2.2) 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 (Assets US$)

Initial date Swap	Notional US$	Expiry date	Fair value (receivable) - R$	Fair value (payable) - R$	Open balance Mar 31, 2012 (a)
Feb 14,2011	55,556	May 14, 2013	103,836	107,027	(3,191)
Dec 13, 2010	28,282	Dec 10, 2012	21,496	21,795	(298)
Feb 4, 2011	117,375	Feb 4, 2015	93,115	96,160	(3,045)
	201,213			**Total**	**(6,534)**

Swap (Liabilities US$) - (b)

Initial date Swap	Nocional - R$	Expiry date	Fair value (receivable) - R$	Fair value (payable) - R$	Open balance Mar 31, 2012 (a)
Jan 26, 2012	9,180	Aug 23, 2012	9,033	9,307	(274)
Jan 26, 2012	9,043	Feb 25, 2013	8,897	9,211	(314)
Jan 26, 2012	8,906	Aug 23, 2013	8,763	9,085	(322)
Jan 26, 2012	8,750	Feb 25, 2014	8,608	8,951	(343)
Jan 26, 2012	8,580	Aug 25, 2014	8,441	8,807	(366)
Jan 26, 2012	8,404	Feb 25, 2015	8,269	8,647	(378)
Jan 26, 2012	8,212	Aug 24, 2015	8,080	8,462	(382)
Jan 26, 2012	8,015	Feb 23, 2016	7,886	8,286	(400)
Jan 26, 2012	7,842	Aug 23, 2016	7,716	8,109	(393)
Jan 26, 2012	157,204	Mar 23, 2017	154,673	162,866	(8,193)
	234,136			**Total**	**(11,365)**

(Expressed in thousands of reais)

(a) The result of swap refers to the difference of the asset and liability position at fair value
(b) The operation was performed on the BM&F Bovespa and has as against the S.A. Fábrica de Produtos Alimentícios Vigor.

a.2.3) NDF's (Non deliverable forwards)

Date of operation	Due date	Notional - US$	Notional- R$	Position Mar 31, 2012	Position Dec 31, 2011
27/3/2012	2/5/2012	750,000	1,366,575	3,540	-

The Company is positioned purchased in future exchange through NDFs (fixed-term contract without physical delivery of currency) in the OTC market in Brazil. The exposure period is 2 months on average and the operation is performed to hedges.

Sensitivity analysis

With the aim of providing information on sensitivity to market risks to which the Company is exposed on March 31, 2012, below is a simulation of 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 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

		Effect on income - Company		
Exposure	**Risk**	**Probable scenario (I)**	**Scenario (II) Variation - 25%**	**Scenario (III) Variation - 50%**
Financial	R$ Depreciation	-	(1,616,517)	(3,233,033)
Operation	R$ Depreciation	-	638,645	1,277,290
Hedge derivatives	R$ Appreciation	(22,765)	629,212	1,258,424
		(22,765)	**(348,660)**	**(697,320)**
Premises	Exchange rate	1.8221	2.2776	2.7332

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	**Mar 31, 2012**	**Dec 31, 2011**
OPERATING		
Firm Contracts - R$	**4,219,544**	3,821,547
TOTAL	**4,219,544**	**3,821,547**

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 diversity of the 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.

The Company held in March 31, 2012 hedging contracts with fair value larger than R$10,000 with the following institutions: Credit Suisse and Citibank.

(Expressed in thousands of reais)

The book value of financial assets that represent the maximum exposure to credit risk at the financial statement date was:

	Note	Company		Consolidated	
		Mar 31, 2012	Dec 31, 2011	Mar 31, 2012	Dec 31, 2011
Assets					
Cash and cash equivalents	4	**3,177,231**	3,612,867	**5,150,828**	5,288,194
Trade accounts receivable	5	**1,840,663**	1,883,093	**4,431,010**	4,679,846
Credits with related parties	9	**611,629**	88,505	**498,069**	552,197
		5,629,523	**5,584,465**	**10,079,907**	**10,520,237**

Loss on reduction of accounts receivable recoverable value	Company		Consolidated	
	Mar 31, 2012	Dec 31, 2011	Mar 31, 2012	Dec 31, 2011
Current receivables	**1,732,251**	**1,729,425**	**3,877,236**	**3,939,255**
Overdue receivables:				
From 1 to 30 days	**87,433**	120,142	**412,045**	569,126
From 31 to 60 days	**13,203**	23,297	**53,141**	91,406
From 61 to 90 days	**9,007**	20,755	**29,706**	44,389
Above 90 days	**107,927**	102,656	**195,089**	185,589
Allowance for doubtful accounts	**(109,158)**	(113,182)	**(136,207)**	(149,919)
	108,412	**153,668**	**553,774**	**740,591**
	1,840,663	**1,883,093**	**4,431,010**	**4,679,846**

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	
	Mar 31, 2012	Dec 31, 2011
Cash and cash equivalents	5,150,828	5,288,194
Loans and financings - Current	5,632,534	5,339,433
Modified liquidity indicator	0.91	0.99
Leverage indicator	4,3x	4,0x

To calculate the leverage indicator the Company used the dollar and the euro correction rates of the last day of the quarter (closing rate). This criteria is intended to equalize the net debt and EBITDA at the same exchange rate.

The table below shows the fair value of financial liabilities of the Company and its subsidiaries according to their maturities.

Company

March 31, 2012	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years	Fair Value
Trade accounts payable	838,313	-	-	-	838,313
Loans and financings	4,840,659	455,665	3,480,300	1,660,482	10,437,106
Derivatives financing liabilities (assets)	8,994	2,419	2,369	8,983	22,765
TOTAL	**5,687,966**	**458,084**	**3,482,669**	**1,669,465**	**11,298,184**

December 31, 2011	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years	Fair Value
Trade accounts payable	666,375	-	-	-	666,375
Loans and financings	4,574,702	1,883,106	3,503,629	1,708,458	11,669,895
Derivatives financing liabilities (assets)	16,984	2,045	793	-	19,822
TOTAL	**5,258,061**	**1,885,151**	**3,504,422**	**1,708,458**	**12,356,092**

(Expressed in thousands of reais)

Consolidated

March 31, 2012	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years	Fair Value
Trade accounts payable	3,193,850	-	-	-	3,193,850
Loans and financings	5,632,534	473,688	6,551,167	6,028,703	18,686,092
Derivatives financing liabilities (assets)	115,482	2,419	2,369	8,983	129,252
TOTAL	**8,941,866**	**476,107**	**6,553,536**	**6,037,686**	**22,009,194**

December 31, 2011	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years	Fair Value
Trade accounts payable	3,323,886	-	-	-	3,323,886
Loans and financings	5,339,433	1,949,326	6,689,943	4,893,492	18,872,194
Derivatives financing liabilities (assets)	18,498	2,045	793	-	21,336
TOTAL	**8,681,817**	**1,951,371**	**6,690,736**	**4,893,492**	**22,217,416**

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 March 31, 2012 is R$ 280,946 (R$ 500,195 at December 31, 2011). This warranty is superior to the need presented for these operations.

f) Financial instruments

All transactions with financial instruments are recognized in financial statements as described below:

		Company		Consolidated	
	Notes	Mar 31, 2012	Dec 31, 2011	Mar 31, 2012	Dec 31, 2011
Assets					
Fair value through profit or loss					
Cash and cash equivalents	4	3,177,231	3,612,867	5,150,828	5,288,194
Loans and receivables					
Trade accounts receivable	5	1,840,663	1,883,093	4,431,010	4,679,846
Credits with related parties	9	611,629	88,505	498,069	552,197
Total		**5,629,523**	**5,584,465**	**10,079,907**	**10,520,237**
Liabilities					
Liabilities at amortized cost					
Loans and financings	14/15	10,437,106	11,669,895	18,686,092	18,872,194
Trade accounts payable	13	838,313	666,375	3,193,850	3,323,886
Fair value through profit or loss					
Payables derivatives		22,765	19,822	129,252	21,336
Total		**11,298,184**	**12,356,092**	**22,009,194**	**22,217,416**

During the year there has been no reclassification between categories, fair value through profit or loss, loans and receivables and liabilities at amortized cost, shown in the table above.

g) 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 to CPC 40/IFRS 7 - Financial Instruments: Disclosures, the Company and its subsidiaries classify fair value measurements in accordance with the hierarchical levels that reflect the significance of the indices used in this measurement, according to the following levels

Level 1 - Quoted prices in active markets (unadjusted) for identical assets or liabilities;

Level 2 - Inputs other than 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 - Indices used for calculation are not derived from an active market. The Company and its subsidiaries do not have this level of measurement instruments.

(Expressed in thousands of reais)

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 :

Fair value hierarchy

	March 31, 2012		
	Company		
	Level 1	Level 2	Level 3
Current assets			
Cash and cash equivalents	3,177,231	-	-
Current liabilities			
Derivatives	(6,412)	(16,353)	-

	Consolidated		
	Level 1	Level 2	Level 3
Current assets			
Cash and cash equivalents	5,150,828	-	-
Current liabilities			
Derivatives	(112,899)	(16,353)	-

	December 31, 2011		
	Company		
	Level 1	Level 2	Level 3
Current assets			
Cash and cash equivalents	3,612,867	-	-
Current liabilities			
Derivatives	(9,211)	(10,611)	-

	Consolidated		
	Level 1	Level 2	Level 3
Current assets			
Cash and cash equivalents	5,288,194	-	-
Current liabilities			
Derivatives	(10,725)	(10,611)	-

Fair value versus book value

The fair values of financial assets and liabilities, with the book values presented in the balance sheet are as follows:

		March 31, 2012		December 31, 2011	
Company	**Note**	**Book value**	**Fair value**	**Book value**	**Fair value**
Cash and banks	4	**1,252,331**	1,252,331	1,483,479	1,483,479
Financial investments	4	**1,924,900**	1,924,900	2,129,388	2,129,388
Trade accounts receivable	5	**1,840,663**	1,840,663	1,883,093	1,883,093
Related parties receivable	9	**611,629**	611,629	88,505	88,505
Total financial assets		**5,629,523**	**5,629,523**	**5,584,465**	**5,584,465**
Trade accounts payable	13	**838,313**	838,313	666,375	666,375
Loans and financings	14/15	**10,437,106**	10,437,106	11,669,895	11,669,895
Convertible debentures	17	**1,283**	1,283	1,283	1,283
Derivatives		**22,765**	22,765	19,822	19,822
Total financial liabilities		**11,299,467**	**11,299,467**	**12,357,375**	**12,357,375**
		(5,669,944)	**(5,669,944)**	**(6,772,910)**	**(6,772,910)**

(Expressed in thousands of reais)

Consolidated	Note	March 31, 2012 Book value	March 31, 2012 Fair value	December 31, 2011 Book value	December 31, 2011 Fair value
Cash and banks	4	**2,456,479**	2,456,479	2,247,919	2,247,919
Financial investments	4	**2,694,349**	2,694,349	3,040,275	3,040,275
Trade accounts receivable	5	**4,431,010**	4,431,010	4,679,846	4,679,846
Related parties receivable	9	**498,069**	498,069	552,197	552,197
Total financial assets		**10,079,907**	**10,079,907**	**10,520,237**	**10,520,237**
Trade accounts payable	13	**3,193,850**	3,193,850	3,323,886	3,323,886
Loans and financings	14/15	**18,686,092**	18,686,092	18,872,194	18,872,194
Debentures	17	**1,283**	1,283	1,283	1,283
Derivatives		**129,252**	129,252	21,336	21,336
Total financial liabilities		**22,010,477**	**22,010,477**	**22,218,699**	**22,218,699**
		(11,930,570)	**(11,930,570)**	**(11,698,462)**	**(11,698,462)**

The loans and financing presented in the table above include the values of working capital in Reais and working capital in foreign currency (bonds), as shown in detail in note 14. In the Management opinion the loans and financing, which are measured at their amortized cost values do not present significant variation regarding to their fair values. These loans and financing are restated with bases in contracted rates and interest through the date of closing of financial statements, the outstanding balance is recognized by an amount close to fair value. Since there is no active market for such instruments, the differences that could occur if these values were for amounts paid in advance would be unrepresentative.

	Company		Consolidated	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Gains (losses) by category of financial instrument				
Fair value through profit or loss	(66,088)	(199,156)	(25,306)	(178,186)
Loans and receivables	44,942	55,625	(18,944)	40,040
Liabilities at amortized cost	(17,629)	(159,550)	(111,571)	(212,984)
Total	**(38,775)**	**(303,081)**	**(155,821)**	**(351,130)**

34 Material facts

JBS adjusts production in Argentina

On January 6, 2012 the Company informed to its shareholders and the market in general that it was adjusting its activities in Argentina to the country´s macroeconomic reality. Therefore, operations of the production unit located in Venado Tuerto (Province of Santa Fe) , which are suspended since December 2011, will be paralyzed.

The decision to close down the Venado Tuerto unit arose from the Company´s need to maintain its competitiveness in Argentina. JBS made a series of investments, including the Swift brand positioning and remains interested in continuing to operate in the country.

The closing of the Venado Tuerto unit will not represent losses to the contracts signed by the Company, which will be served by other Group units. Thereby it will fulfill all its commitments with its customers.

Despite the termination of activities in Venado Tuerto, the Company will continue its operations in Rosario, Pilar and partially Pontevedra

JBS Concludes its Bond Offering in the US

On January 25, 2012 the Company communicates to its shareholders and to the market in general, as part of its debt rebalancing process, that the subsidiaries of the Company, JBS USA, LLC and JBS USA Finance, Inc., priced the Bond ("notes") object of the Communication to the Market dated January 18, 2012. The total aggregate amount has been adjusted of USD 400 up to USD 700 million with a coupon of 8,25% and yield of 8,5% and with an 8 year maturity.

The Company opted to increase the size of the "notes" from the initial indicated amount of USD400 million to USD700 million due to the strong demand which surpassed USD3.7 billion, a clear gesture of confidence in the Company from the market. With this issuance, the Company completes the process of balancing its debt to a more efficient level initiated in May of 2011. Proceeds will be used to pay down shorter term more expensive debt.

Voluntary Public Offer for Exchange of Shares

On February 9, 2012 the Company informs its shareholders and the market in general that on this date it submitted the following to the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários) ("CVM") (i) a request to register a voluntary public tender offer with the CVM, directed at all shareholders of JBS, for the acquisition of common shares issued by the Company, in exchange for shares issued by its wholly-owned subsidiary Vigor Alimentos S.A. ("Vigor S.A."), sole shareholder of S.A. Fábrica de Alimentos Vigor (the "Vigor Subsidiary"), pursuant to CVM Instruction No. 361, dated March 5, 2002 ("CVM Instruction 361") (the "Exchange Offer"), and (ii) a request to register the Initial Public Offering of Vigor in Brazil, as defined below. The Company announced that:

i) The request to register the Exchange Offer was approved by the Board of Directors of JBS on January 31, 2012.

ii) The Exchange Offer is voluntary and was structured to guarantee to all shareholders of JBS the right to proportionally obtain in Vigor S.A., as a new public company, the same interest they currently hold in JBS; or, alternatively, to retain the number of shares of JBS that they currently own. Vigor S.A. will concentrate its activities in the consumer sector and its shares will be admitted to and traded on the Novo Mercado, the listing segment of the São Paulo Stock Exchange (BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros) ("BM&FBOVESPA") with the highest corporate governance standards. The management of JBS believes that, because Vigor S.A. is a wholly-owned subsidiary of the Company and not an independent company, the market may not perceive the real value of Vigor within the Company's assets. In addition, the dairy industry customarily has higher trading multiples than those of the meat processing industry. For these reasons, the Company believes that the Exchange Offer will add value to all of its shareholders.

iii) The Exchange Offer will be subject to certain conditions to be provided in the Offer Notice that will be published after the CVM approves the registration of the Exchange Offer (the "Offer Notice"), such as the consent of holders of bonds issued by (i) JBS USA LLC and JBS USA Finance Inc., maturing in May 2014, (ii) JBS and JBS Finance Ltd., maturing in August 2016 and (iii) Bertin S.A. (a company that merged into JBS), maturing in October 2016, and other financings, as applicable, pursuant to the terms of the Offer Notice. The Exchange Offer is also subject to analysis and approval, by the CVM, of specific requests for exemptions from compliance with certain regulatory provisions of CVM Instruction 361 and CVM Instruction No. 10, dated February 14, 1980.

iv) Prior to the publication of the Offer Notice, the Board of Directors of JBS will hold another meeting to define the value to be attributed to Vigor S.A.and its shares, as well as to the shares issued by JBS, and, consequently, to define the exchange ratio for the Exchange Offer.

v) The Board of Directors of JBS also resolved to allow the Company to vote in favor of the resolutions proposed at the general shareholders' meeting of Vigor held on February 09, 2012, which meeting approved: (a) the Initial Public Offering of Vigor S.A.; (b) the request to register Vigor as a publicly-held company with the CVM and the BM&FBOVESPA; (c) Vigor's entrance to the Novo Mercado listing segment of the BM&FBOVESPA; (d) the amendment and restatement of the Bylaws of Vigor S.A., in compliance with the requirements of publicly-held companies and the rules of the Novo Mercado segment of the BM&FBOVESPA; (e) the election of the members of the Board of Directors and Fiscal Council of Vigor S.A.; (f) the approval of the Disclosure of Material Information Policy and the Securities Trading Policy of Vigor S.A. and the Code of Ethics; and (g) the participation of Vigor in the Exchange Offer (all of these resolutions, in conjunction, the "Initial Public Offering of Vigor S.A.").

vi) In light of the above items and according to the applicable law for this operation, the Board of Directors of JBS approved the closure of the Program to Repurchase Shares renewed by the Company's Board of Directors on June 22, 2011 (the "Program"). Through the Program, 97,519,895 (ninety-seven million, five hundred nineteen thousand, eight hundred ninety-five) common shares issued by the Company were acquired ("Treasury Shares").

vii) Due to the closure of the Program and the imminent occurrence of the Exchange Offer, the Company's Board of Directors also approved the cancellation of all the Treasury Shares, in accordance with Article 19, item XVI of the Company's Bylaws, without reducing the value of its capital stock. The cancellation of the Treasury Shares must be submitted for deliberation at the first General Shareholders Meeting of the Company that will take place after this date, to amend Article 5 of the Bylaws to approve and restate the number of shares representing the capital stock of the Company after the cancellation of the Treasury Shares.

The Company's management believes that the Exchange Offer will be in the best interests of JBS and its shareholders. The market will be kept informed of the entire registration process of the Exchange Offer and the Initial Public Offering of Vigor S.A. with the CVM and the BM&FBOVESPA.

Following the approval by the relevant entities, Vigor S.A. will have its own independent corporate structure. The new Board of Directors will be composed of seven members, of which five will be independent, including Vicente Falconi Campos, professor emeritus at the Federal University of Minas Gerais (Universidade Federal de Minas Gerais), Betânia Tanure, consultant and professor at the Pontifical Catholic University of Minas Gerais (Pontifícia Universidade Católica de Minas Gerais), Evandro Guimarães, communications industry executive, Cristiana Arcangeli, executive from the cosmetics industry, and Sérgio Carvalho Mandin Fonseca, owner of a strategy and commercial management consulting firm, besides Joesley Mendonça Batista and Wesley Mendonça Batista, who will be the Chairman of the Board, while Gilberto Xandó is the CEO of Vigor S.A..

Copies of documents submitted to the CVM, as the Valuation Report of Vigor S.A. and the minutes the Bidding Form and the License are available on the Company and the CVM website.

Four Slaughter Units Leasing

On February 17, 2012 the Company informs its shareholders and the market in general that it has leased four production units in Brazil which were operated by Guaporé Carnes. Three of these units are located in the north of Mato Grosso State (Confresa, Juína e Colíder) and one in Rondônia (São Miguel do Guaporé). Together, these four plants have around 3,000 head daily slaughter capacity.

The Company believes that the synergies and operational benefits arising from this agreement bring value to the whole production chain.

JBS Finalizes Pilgrim's Pride Rights Offering

On March 7, 2012 the Company announced to its shareholders and to the market that PPC, a Company listed on the New York Stock Exchange and controlled by JBS SA through its subsidiary, JBS, completed the $200 million rights offering, as announced on December 8, 2011. The subscription ratio reached 94% and the new shares will be issued and available from March 9, 2012, date of the annual shareholders meeting.

In connection with the rights offering, the Company exercised its basic and over-subscription rights in full, with their resulting ownership interest through its subsidiary JBS USA, totaling 68% compared to 67.3% held previously.

PPC will receive $200 million of gross proceeds in connection with the offering, which will be used to improve the Company's capital position and to fund general operating requirements. "We are pleased with the participation rate in our offering exercised by our stockholders. There were oversubscription requests of 60% more than the shares we issued, which we believe signals confidence in the strategy we have implemented," stated Bill Lovette, PPC CEO.

JBS Acquires Pilgrim's Pride Shares

On March 14, 2012 the Company announced to its shareholders and the market in general that the Company purchased through its wholly owned subsidiary, JBS USA, 18,924,438 shares of PPC. These shares were the property of Lonnie "Bo" Pilgrim and associates and represent substantially all the remaining shares of the founder and former controlling shareholder of PPC.

As announced, the transaction was finalized on March 12, 2012 and the total amount paid was US$107,2 million, representing approximately US$5.69 per share. Upon concluding this deal, JBS' stake in PPC, through its subsidiary JBS USA, will be elevated from the present 68% to 75,3%.

35 Subsequent events

The register granted Vigor by CVM, as a publicly-held company

On the April 2, 2012 the Company and Vigor Alimentos S.A. ("Vigor Alimentos"), hereby jointly inform their shareholders and the market in general that, the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários) ("CVM") granted the applicable register of Vigor as a category "A" publicly-held company, pursuant to CVM Rule 480/09.
The register granted Vigor by CVM, as a publicly-held company was one of the necessary steps for the implementation by JBS of the Voluntary Public Tender Offer for Exchange of Common Shares issued by JBS for Vigor Common Shares. This request for registration is under analysis by CVM and has the purpose of giving Vigor Alimentos a separate corporate structure independent of the Company, as communicated in the Material Fact released by the Company on February 9th, 2012.

JBS and Vigor - Voluntary Exchange Offer

On April 9, 2012 the Company informs its shareholders and the market in general that, at a Board Meeting held on April 5, 2012, its Board of Directors determined that the maximum number of JBS shares to be offered in the Voluntary Public Tender Offering for the Exchange of Common Shares issued by JBS for Common Shares issued by Vigor S.A. ("Exchange Offer" nad"Vigor"), which registration request is currently under analysis by the CVM, shall be one hundred and forty-nine million, seven hundred and fourteen thousand, three hundred and forty-six (149,714,346) common shares of JBS ("JBS Exchange Offer Shares"), and such JBS Exchange Offer Shares shall be exchanged for up to the totality of Vigor's common shares currently held by the Company.

The Board of Directors determined the number of the JBS Exchange Offer Shares by: (i) attributing the value of seven reais and ninety-six centavos (R$ 7.96) to each JBS Exchange Offer Share. Such amount was based on the volume weighted average of the closing price of the JBS shares during the twenty (20) trading sessions prior to April 5, 2012, at the BM&FBOVESPA S.A. – Bolsa de Mercadorias, Valores e Futuros ("BM&FBOVESPA"), and (ii) attributing to Vigor S.A the amount of one billion, one hundred and ninety-one million, seven hundred and twenty-six thousand, one hundred and ninety-four reais and sixteen centavos (R$ 1,191,726,194.16), the midpoint value of the Appraisal Report of Vigor, prepared by Banco Bradesco BBI S.A., in accordance with CVM Instruction No. 361, dated March 5, 2002.

For purposes of the participation in the Exchange Offer and its auction, only the shareholders of JBS whose shares are held in custody, whether in the custodian agent of JBS shares or in the BM&FBOVESPA's Securities Depository Central (Central Depositária BM&FBOVESPA), at the end of the day prior to the publication of the Offering Notice (Edital de Oferta Pública), which is currently under review by the CVM. The final version of the Offering Notice will be duly published as soon as the registration of the Exchange Offer is granted by the CVM.

Notes - Requisite Consents Received

On May 3, 2012 the Company informed its shareholders and the market in general that, in connection with the notice to the market released on April 19, 2012, and the request for registration in Brazil of the Voluntary Public Tender Offer for the Exchange of Common Shares issued by JBS for Common Shares Issued by Vigor Alimentos S.A. ("Vigor") (Oferta Pública Voluntária de Aquisição de Ações Ordinárias de Emissão da JBS S.A. Mediante Permuta por Ações Ordinárias de Emissão da Vigor Alimentos S.A.) (the "Exchange Offer") currently under review by the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários) ("CVM"), that on this date, requisite consents were received from the holders of all three series of notes solicited, to amend certain covenants of such notes. This consent solicitation was a requirement necessary so that the Company could proceed with the Offer. Each consent solicitation expired today at 5:00 p.m. (New York City time).

JBS will operate Frangosul Plants in Brazil

On May 4 , 2012 the Company communicated to its shareholders and to the market in general that the Company took a further step towards consolidating its position as the leading producer and processor of meats globally. As the second largest chicken producer in the world, JBS announces that it will initiate operations in this sector in Brazil having signed an agreement to lease Frangosul plants for the period of ten years. Frangosul is controlled by the French company, Doux.

According to the agreement signed, the Company will not take on any pending matters, liabilities, leans or any other impediments. The agreement is focused on a contract to lease the assets which will be operated by the Company and whereby all employees of Frangosul will be hired and all contracts with integrated growers and with service providers will be maintained.

With this chicken operation in Brazil, the Company will increase its production capacity in this meat category by more than 15% reaching a total of nearly 9 million birds/day. The operations in Brazil are located in traditional grain and poultry production regions and are allied with operations in 12 US States and in Mexico and Porto Rico where the Company already owns one of the largest production complexes in the world in this sector.

The assets will permit JBS to have a relevant operation in the chicken sector in Brazil allowing technology and knowledge transfer between its various production units. The US and Brazil are the two most relevant countries in the chicken sector. Together they represent 30% of global consumption, 36% of global production and almost 70% of global chicken exports. These indicators prove the relevance and competitiveness of these two countries, their global reach and their very dynamic domestic markets.

The agreement to lease the Frangosul assets is further proof of JBS confidence in the Brazilian agri-business sector. With this agreement, JBS will maintain approximately 60 thousand jobs in the country and will guarantee the maintenance of jobs for the 6 thousand ex-Frangosul direct employees as well as maintainin 1500 integrated growers in business. As a result 20 thousand direct and indirect jobs are being preserved.

In order to create the correct structure, JBS will create a new business unit named JBS Chicken Brazil. The new structure will have James Cleary as President an CEO. James is 47 years old and has vast experience in the meat sector. Originally Irish, James holds a degree in finance and immigrated to Brazil in the early nineties to run a company specialized in the production and sale of meat based value added products.

JBS understands that it is strategically important to have a relevant production platform in the chicken sector in both Brazil and North America similar to its beef operations. The Company believes that in this manner value is being brought to its shareholders as activities are being balanced in the low cost regions of the world.

JBS announces the sale of its plant in San Jose, Argentina

On May 9, 2012 the company communicated to its shareholders and to the market in general that it completed the sale of its plant located in the city of San Jose in the province of Entre Rios, Argentina yesterday. The sale was made to a consortium comprising local cooperatives and the provincial government of Entre Rios which will now operate the plant jointly.

The transaction was completed for a value equivalent to US$16.5 million with US$15 million paid in cash and the balance due within a one year period. The Company acquired this plant in San Jose in 2006 and closed it down in 2009.

The Company continues exercising its best efforts to maintain viable operations in Argentina with a view towards serving its local customers as well as its many clients abroad adhering to the regulations imposed by the local authorities.

EXECUTIVE BOARD

Wesley Mendonça Batista
Chief Executive Officer

Eliseo Santiago Perez Fernandez

Jeremiah Alphonsus O'Callaghan
Investor Relations Director

Francisco de Assis e Silva
Institutional Relations Executive Director

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

BOARD OF DIRECTORS

Joesley Mendonça Batista
Board President

Wesley Mendonça Batista
Vice-President

José Batista Sobrinho

José Batista Júnior

Marcus Vinicius Pratini de Moraes

Natalino Bertin

Carlos Alberto Caser

Valere Batista Mendonça Ramos

Vanessa Mendonça Batista

Peter Dvorsak

Guilherme Rodolfo Laager

SUPERVISORY BOARD REPORT

The Fiscal Council, in compliance with legal and statutory provisions, reviewed the Management Report and Financial Statements of the Company for the three months period ended on March 31, 2012.

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

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

São Paulo, May 14, 2012

Divino Aparecido dos Santos

Florisvaldo Caetano de Oliveira

Demétrius Nichele Macei

John Shojiro Suzuki

Alexandre Aparecido Barros

STATEMENT OF DIRECTORS ON THE FINANCIAL STATEMENTS AND ON THE INDEPENDENT AUDITORS REPORT

JBS S.A. Directors declare for the purposes of provision 1st, Article 25, item V and VI of CVM Instruction 480 of December 7, 2009, that:

(i) They reviewed, discussed and agreed with the views expressed in the opinion of the independent auditors on the financial statements for the year ended December 31, 2011, and

(ii) They reviewed, discussed and agreed with the financial statements for the three months period ended on March 31, 2012

São Paulo, May 14, 2012

Wesley Mendonça Batista Chief Executive Officer	Jeremiah Alphonsus O'Callaghan Investor Relations Director
Eliseo Santiago Perez Fernandez Administration and Control Director	Francisco de Assis e Silva Institutional Relations Executive Director

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