JBS S.A.

Financial statements and Report of Independent auditors

As of June 30, 2012 and 2011

KPMG Auditores Independentes
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Report on the quarterly information review

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

Introduction
We have reviewed the individual and consolidated interim financial information of JBS S.A. (“Company”) contained within the Quarterly Information - ITR for the three-month period ended on June 30, 2012, which comprise the balance sheet on June 30, 2012 and the related statements of operations, comprehensive income for the three and six-month period then ended and changes in equity and cash flows for the six-month period then ended, including the notes to these interim financial information.

Management is responsible for the preparation of the individual interim financial information in accordance with Technical Pronouncement (CPC) 21 (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.

KPMG Auditores Independentes, uma sociedade simples brasileira e firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative (“KPMG International”), uma entidade suíça.

KPMG Auditores Independentes, a Brazilian entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

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.

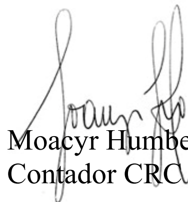
Other issues

Interim statement of value added
We have also reviewed the individual and consolidated Interim Statement of Value added for the period ended June 30, 2012, prepared under the responsibility of the Company's management, whose disclosure in the interim financial statements is required in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Information and considered as supplemental information by the international accounting standards (IFRS), which do not require the disclosure of the Statement of Value Added. This statement was submitted to the same review procedures previously described and based on our review, we are not aware of any fact that would lead us to believe that they have not been fairly stated, in all material respects, in relation to the Individual and Consolidated interim financial information taken as a whole.

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 June 30, 2011, disclosed for comparative purposes, and issued report dated July 29, 2011 , unmodified.

São Paulo, August 14, 2012

KPMG Auditores Independentes
CRC 2SP014428/O-6



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Contador CRC 1SP204757/O-9

JBS S.A.

Balance sheets
(In thousands of Reais)

	Note	Company		Consolidated	
		June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	4	**3,955,537**	3,612,867	**5,475,236**	5,288,194
Trade accounts receivable, net	5	**2,249,386**	1,883,093	**5,045,674**	4,679,846
Inventories	6	**1,912,149**	1,544,261	**6,333,557**	5,405,705
Biological assets	7	**-**	-	**253,007**	209,543
Recoverable taxes	8	**1,416,568**	1,330,609	**1,787,350**	1,690,311
Prepaid expenses		**17,165**	8,148	**134,535**	131,033
Other current assets		**269,497**	256,225	**521,268**	526,649
TOTAL CURRENT ASSETS		**9,820,302**	**8,635,203**	**19,550,627**	**17,931,281**
NON-CURRENT ASSETS					
Long-term assets					
Credits with related parties	9	**622,997**	88,505	**716,870**	552,197
Biological assets	7	**-**	-	**33,700**	-
Recoverable taxes	8	**558,281**	562,027	**622,733**	626,126
Other non-current assets		**183,843**	104,207	**602,301**	389,947
Total long-term assets		**1,365,121**	**754,739**	**1,975,604**	**1,568,270**
Investments in subsidiaries and in associates	10	**5,991,761**	7,561,574	**260,070**	-
Property, plant and equipment, net	11	**8,240,672**	7,803,582	**15,661,692**	15,378,714
Intangible assets, net	12	**9,530,666**	9,531,506	**11,737,883**	12,532,619
TOTAL NON-CURRENT ASSETS		**25,128,220**	**25,651,401**	**29,635,249**	**29,479,603**
TOTAL ASSETS		**34,948,522**	**34,286,604**	**49,185,876**	**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	
		June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Trade accounts payable	13	**885,636**	666,375	**3,513,481**	3,323,886
Loans and financings	14/15	**4,177,140**	4,574,702	**4,819,190**	5,339,433
Income taxes	17	**-**	-	**10,576**	211,528
Payroll, social charges and tax obligation	17	**437,963**	347,863	**1,246,611**	1,167,163
Payables related to facilities acquisitions	19	**131,445**	10,589	**131,445**	10,589
Other current liabilities		**555,859**	466,402	**515,350**	343,100
TOTAL CURRENT LIABILITIES		**6,188,043**	**6,065,931**	**10,236,653**	**10,395,699**
NON-CURRENT LIABILITIES					
Loans and financings	14/15	**7,707,714**	7,095,193	**15,932,936**	13,532,761
Convertible debentures	16	**1,280**	1,283	**1,280**	1,283
Payroll, social charges and tax obligation	17	**122,504**	-	**583,997**	683,812
Payables related to facilities acquisitions	19	**52,094**	2,048	**52,094**	2,048
Deferred income taxes	20	**456,226**	289,798	**832,121**	678,372
Provision for lawsuits risk	18	**144,994**	140,975	**197,977**	251,560
Other non-current liabilities		**15,348**	27,554	**288,194**	266,161
TOTAL NON-CURRENT LIABILITIES		**8,500,160**	**7,556,851**	**17,888,599**	**15,415,997**
SHAREHOLDERS' EQUITY	21				
Capital stock		**21,506,247**	21,506,247	**21,506,247**	21,506,247
Capital transaction		**79,064**	(10,212)	**79,064**	(10,212)
Capital reserve		**373,366**	985,944	**373,366**	985,944
Revaluation reserve		**99,205**	101,556	**99,205**	101,556
Profit reserves		**1,440,799**	1,440,799	**1,440,799**	1,440,799
Treasury shares		**(938,013)**	(610,550)	**(938,013)**	(610,550)
Valuation adjustments to shareholders' equity in subsidiaries		**108,581**	127,071	**108,581**	127,071
Accumulated translation adjustments in subsidiaries		**(2,696,844)**	(2,877,033)	**(2,696,844)**	(2,877,033)
Retained earnings		**287,914**	-	**287,914**	-
Attributable to controlling interest		**20,260,319**	**20,663,822**	**20,260,319**	**20,663,822**
Attributable to noncontrolling interest		**-**	**-**	**800,305**	**935,366**
TOTAL SHAREHOLDERS' EQUITY		**20,260,319**	**20,663,822**	**21,060,624**	**21,599,188**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**34,948,522**	**34,286,604**	**49,185,876**	**47,410,884**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statements of income for the six months period ended June 30, 2012 and 2011
(In thousands of Reais)

		Company		Consolidated	
	Note	2012	2011	2012	2011
NET SALE REVENUE	22	**7,311,933**	**6,429,342**	**34,479,371**	**29,294,545**
Cost of goods sold		**(5,349,568)**	(4,958,099)	**(30,708,013)**	(26,186,645)
GROSS INCOME		**1,962,365**	**1,471,243**	**3,771,358**	**3,107,900**
OPERATING INCOME (EXPENSE)					
General and administrative expenses		**(382,727)**	(287,919)	**(946,647)**	(804,982)
Selling expenses		**(680,311)**	(611,205)	**(1,748,778)**	(1,492,175)
Financial expense, net	25	**(585,083)**	(839,191)	**(545,187)**	(942,024)
Equity in earnings of subsidiaries	10	**130,334**	145,925	**-**	-
Other income (expenses), net	26	**7,414**	3,933	**9,863**	(14,259)
		(1,510,373)	**(1,588,457)**	**(3,230,749)**	**(3,253,440)**
NET INCOME (LOSS) BEFORE TAXES		**451,992**	**(117,214)**	**540,609**	**(145,540)**
Current income taxes	20	**1,209**	1,434	**(47,417)**	(295,672)
Deferred income taxes	20	**(167,638)**	81,992	**(179,115)**	324,166
		(166,429)	**83,426**	**(226,532)**	**28,494**
NET INCOME (LOSS) OF THE PERIOD		**285,563**	**(33,788)**	**314,077**	**(117,046)**
ATTRIBUTABLE TO:					
Controlling interest				**285,563**	(33,788)
Noncontrolling interest				**28,514**	(83,258)
				314,077	**(117,046)**
Net income (loss) basic per thousand shares - in reais	23	**100.33**	**(13.65)**	**100.33**	**(13.65)**
Net income (loss) diluted per thousand shares - in reais	23	**100.33**	**(11.38)**	**100.33**	**(11.38)**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statements of income for the three months period ended June 30, 2012 and 2011
(In thousands of Reais)

		Company		Consolidated	
	Note	2012	2011	2012	2011
NET SALE REVENUE	22	**3,961,554**	**3,257,335**	**18,468,291**	**14,621,805**
Cost of goods sold		**(2,897,927)**	(2,464,197)	**(16,350,838)**	(13,202,332)
GROSS INCOME		**1,063,627**	**793,138**	**2,117,453**	**1,419,473**
OPERATING INCOME (EXPENSE)					
General and administrative expenses		**(220,255)**	(142,496)	**(518,756)**	(386,065)
Selling expenses		**(353,286)**	(312,700)	**(932,374)**	(754,724)
Financial expense, net	25	**(546,308)**	(536,110)	**(389,366)**	(590,894)
Equity in earnings of subsidiaries	10	**261,296**	(49,580)	**-**	-
Other income (expenses), net	26	**7,339**	1,039	**22,048**	(5,490)
		(851,214)	**(1,039,847)**	**(1,818,448)**	**(1,737,173)**
NET INCOME (LOSS) BEFORE TAXES		**212,413**	**(246,709)**	**299,005**	**(317,700)**
Current income taxes	20	**459**	686	**(64,060)**	(101,077)
Deferred income taxes	20	**(43,388)**	65,267	**(50,387)**	211,806
		(42,929)	**65,953**	**(114,447)**	**110,729**
NET INCOME (LOSS) OF THE PERIOD		**169,484**	**(180,756)**	**184,558**	**(206,971)**
ATTRIBUTABLE TO:					
Controlling interest				**169,484**	(180,756)
Noncontrolling interest				**15,074**	(26,215)
				184,558	**(206,971)**
Net income (loss) basic per thousand shares - in reais	23	**59.55**	**(73.00)**	**59.55**	**(73.00)**
Net income (loss) diluted per thousand shares - in reais	23	**59.55**	**(60.86)**	**59.55**	**(60.86)**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statement of comprehensive income for the six months period ended June 30, 2012 and 2011
(In thousands of Reais)

	Company		Consolidated	
	2012	2011	2012	2011
Net income (loss) of the period	**285,563**	**(33,788)**	**314,077**	**(117,046)**
Other comprehensive income				
Valuation adjustments to shareholders' equity in subsidiaries	**(18,490)**	(906)	**(18,490)**	(906)
Accumulated adjustment of conversion in subsidiaries	**29,620**	14,153	**29,620**	14,153
Exchange variation in subsidiaries	**150,569**	(446,421)	**150,569**	(446,421)
Total of comprehensive income	**447,262**	**(466,962)**	**475,776**	**(550,220)**
Total of comprehensive income attributable to:				
Controlling interest	**447,262**	(466,962)	**432,582**	(158,834)
Noncontrolling interest	**-**	-	**43,194**	(391,386)
	447,262	**(466,962)**	**475,776**	**(550,220)**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statement of comprehensive income for the three months period ended June 30, 2012 and 2011
(In thousands of Reais)

	Company		Consolidated	
	2012	2011	2012	2011
Net income (loss) of the period	**169,484**	**(180,756)**	**184,558**	**(206,971)**
Other comprehensive income				
Valuation adjustments to shareholders' equity in subsidiaries	**(18,391)**	(808)	**(18,391)**	(808)
Accumulated adjustment of conversion in subsidiaries	**30,178**	(3,183)	**30,178**	(3,183)
Exchange variation in subsidiaries	**298,962**	(260,448)	**298,962**	(260,448)
Total of comprehensive income	**480,233**	**(445,195)**	**495,307**	**(471,410)**
Total of comprehensive income attributable to:				
Controlling interest	**480,233**	(445,195)	**454,852**	(411,701)
Noncontrolling interest	**-**	-	**40,455**	(59,709)
	480,233	**(445,195)**	**495,307**	**(471,410)**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statements of changes in shareholders' equity for the six months period ended June 30, 2012 and 2011
(In thousands of Reais)

	Capital stock	Capital transactions	Capital reserve	Revaluation reserve	Profit reserves		Treasury shares	Valuation adjustments to shareholders' equity	Accumulated translation adjustments	Retained Earnings	Total	Noncontrolling interest	Total shareholders' equity
					Legal	For expansion							
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	-	(1)	-	-	-	-	-	-	-	-	**(1)**	-	**(1)**
Treasury shares	-	-	-	-	-	-	(99,417)	-	-	-	**(99,417)**	-	**(99,417)**
Convertible debentures	-	-	3,460,180	-	-	-	-	-	-	-	**3,460,180**	-	**3,460,180**
Realization of revaluation reserve	-	-	-	(2,782)	-	-	-	-	-	2,782	**-**	-	**-**
Valuation adjustments in subsidiaries shareholders´ equity	-	-	-	-	-	-	-	(906)	-	-	**(906)**	-	**(906)**
Accumulated translation adjustments in subsidiaries shareholders' equity	-	-	-	-	-	-	-	-	14,153	-	**14,153**	-	**14,153**
Investments exchange rate variations, net	-	-	-	-	-	-	-	-	(446,421)	-	**(446,421)**	-	**(446,421)**
Loss of the period	-	-	-	-	-	-	-	-	-	(33,788)	**(33,788)**	(83,258)	**(117,046)**
Noncontrolling interest	-	-	-	-	-	-	-	-	-	-	**-**	(86,463)	**(86,463)**
BALANCE AS OF JUNE 30, 2011	**18,046,067**	**(9,950)**	**4,446,124**	**104,032**	**7,768**	**1,329,796**	**(584,586)**	**(2,625)**	**(2,817,449)**	**(31,006)**	**20,488,171**	**930,757**	**21,418,928**
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	-	89,276	-	-	-	-	-	-	-	-	**89,276**	-	**89,276**
Purchase of treasury shares	-	-	-	-	-	-	(939,717)	-	-	-	**(939,717)**	-	**(939,717)**
Transaction costs	-	-	-	-	-	-	(324)	-	-	-	**(324)**	-	**(324)**
Cancellation of treasury shares	-	-	(612,578)	-	-	-	612,578	-	-	-	**-**	-	**-**
Realization of revaluation reserve	-	-	-	(2,351)	-	-	-	-	-	2,351	**-**	-	**-**
Valuation adjustments to shareholders equity in subsidiaries	-	-	-	-	-	-	-	(18,490)	-	-	**(18,490)**	-	**(18,490)**
Accumulated translation adjustments in subsidiaries	-	-	-	-	-	-	-	-	29,620	-	**29,620**	-	**29,620**
Investments exchange rate variations, net	-	-	-	-	-	-	-	-	150,569	-	**150,569**	-	**150,569**
Net income of the period	-	-	-	-	-	-	-	-	-	285,563	**285,563**	28,514	**314,077**
Noncontrolling interest	-	-	-	-	-	-	-	-	-	-	**-**	(163,575)	**(163,575)**
BALANCE AS OF JUNE 30, 2012	**21,506,247**	**79,064**	**373,366**	**99,205**	**7,768**	**1,433,031**	**(938,013)**	**108,581**	**(2,696,844)**	**287,914**	**20,260,319**	**800,305**	**21,060,624**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statements of cash flows for the six months period ended June 30, 2012 and 2011
(In thousands of Reais)

	Company		Consolidated	
	2012	2011	2012	2011
Cash flow from operating activities				
Net income (loss) of the period attributable to controlling interest	**285,563**	(33,788)	**285,563**	(33,788)
Adjustments to reconcile loss to cash provided on operating activities				
. Depreciation and amortization	**212,246**	211,702	**603,277**	621,347
. Allowance for doubtful accounts	**(2,633)**	4,857	**(1,640)**	9,549
. Equity in earnings of subsidiaries	**(130,334)**	(145,925)	**-**	-
. Loss (gain) on assets sales	**(7,414)**	(3,526)	**1,643**	4,068
. Deferred income taxes	**167,638**	(81,992)	**179,115**	(324,166)
. Current and non-current financial charges	**391,962**	233,329	**266,793**	203,609
. Provision for lawsuits risk	**4,019**	3,455	**3,070**	16,047
. Impairment	**-**	-	**8,111**	-
	921,047	**188,112**	**1,345,932**	**496,666**
Decrease (increase) in operating assets				
Trade accounts receivable	**(320,040)**	118,397	**(256,540)**	(93,923)
Inventories	**(367,888)**	1,567	**(769,800)**	(333,100)
Recoverable taxes	**(62,115)**	(119,499)	**(230,121)**	(165,433)
Other current and non-current assets	**(76,642)**	(63,655)	**(34,112)**	(139,473)
Related party receivable	**(353,983)**	(226,412)	**(114,616)**	(58,030)
Biological assets	**-**	-	**(66,572)**	(120,069)
Increase (decrease) operating liabilities				
Trade accounts payable	**204,299**	19,028	**128,701**	(139,543)
Other current and non-current liabilities	**369,365**	(31,597)	**95,998**	(143,627)
Noncontrolling interest	**-**	-	**28,514**	(83,258)
Valuation adjustments to shareholders' equity in subsidiaries	**-**	-	**(80,980)**	(104,912)
Net cash provided by (used in) operating activities	**314,043**	**(114,059)**	**46,404**	**(884,702)**
Cash flow from investing activities				
Additions to property, plant and equipment and intangible assets	**(509,678)**	(274,903)	**(695,025)**	(592,424)
Net effect of Vigor deconsolidation	**-**	-	**(211,856)**	-
Decrease in investments in subsidiaries	**886,505**	839,497	**-**	-
Proceeds received from termination agreement of Inalca JBS	**-**	504,002	**-**	504,002
Net effect of working capital of acquired / merged company	**-**	718	**151**	-
Net cash provided by (used in) investing activities	**376,827**	**1,069,314**	**(906,730)**	**(88,422)**
Cash flow from financing activities				
Proceeds from loans and financings	**2,887,895**	3,478,283	**10,469,604**	9,086,437
Payments of loans and financings	**(3,234,278)**	(3,989,896)	**(9,496,462)**	(7,065,018)
Capital transactions	**535**	-	**(7,070)**	-
Shares acquisition of own emission	**(2,352)**	(99,417)	**(2,352)**	(99,417)
Net cash provided by (used in) financing activities	**(348,200)**	**(611,030)**	**963,720**	**1,922,002**
Effect of exchange variation on cash and cash equivalents	**-**	**-**	**83,648**	**(63,270)**
Variance in cash and cash equivalents	**342,670**	344,225	**187,042**	885,608
Cash and cash equivalents at the beginning of the period	**3,612,867**	3,000,649	**5,288,194**	4,074,574
Cash and cash equivalents at the end of the period	**3,955,537**	**3,344,874**	**5,475,236**	**4,960,182**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Economic value added for the six months period ended June 30, 2012 and 2011
(In thousands of Reais)

	Company		Consolidated	
	2012	2011	2012	2011
Revenue				
Sales of goods and services	**7,794,269**	6,853,449	**35,131,011**	30,400,311
Other net income	**11,369**	6,175	**22,074**	30,439
Allowance for doubtful accounts	**2,632**	(4,857)	**1,640**	(9,549)
	7,808,270	**6,854,767**	**35,154,725**	**30,421,201**
Goods				
Cost of services and goods sold	**(4,379,305)**	(3,627,306)	**(24,037,425)**	(18,250,818)
Materials, energy, services from third parties and others	**(1,123,924)**	(1,149,461)	**(5,044,565)**	(6,939,485)
Losses/Recovery of amounts	**-**	-	**(97)**	(4,272)
Others	**-**	-	**-**	-
	(5,503,229)	**(4,776,767)**	**(29,082,087)**	**(25,194,575)**
Gross added value	**2,305,041**	**2,078,000**	**6,072,638**	**5,226,626**
Depreciation and Amortization	**(212,246)**	(211,702)	**(603,277)**	(621,347)
Net added value generated by the company	**2,092,795**	**1,866,298**	**5,469,361**	**4,605,279**
Net added value by transfer				
Equity in earnings of subsidiaries	**130,334**	145,925	**-**	-
Financial income	**687,677**	1,438,192	**967,095**	1,769,450
Others	**1,067**	2,462	**253,736**	1,101
NET ADDED VALUE TOTAL TO DISTRIBUTION	**2,911,873**	**3,452,877**	**6,690,192**	**6,375,830**
Distribution of added value				
Labor				
Salaries	**594,513**	516,685	**2,981,010**	2,483,651
Benefits	**68,762**	89,204	**660,169**	390,909
FGTS (Brazilian Labor Social Charge)	**30,538**	37,999	**36,548**	42,116
	693,813	**643,888**	**3,677,727**	**2,916,676**
Taxes and contribution				
Federal	**253,841**	194,517	**356,394**	323,203
State	**397,890**	372,874	**461,850**	490,900
Municipal	**8,604**	1,147	**9,427**	1,617
	660,335	**568,538**	**827,671**	**815,720**
Capital Remuneration from third parties				
Interests	**1,182,050**	2,213,272	**1,646,741**	2,633,240
Rents	**29,659**	31,711	**131,516**	84,364
Others	**60,453**	29,256	**92,460**	42,876
	1,272,162	**2,274,239**	**1,870,717**	**2,760,480**
Owned capital remuneration				
Net income (loss) of the period attributable to controlling interest	**285,563**	(33,788)	**285,563**	(33,788)
Noncontrolling interest	**-**	-	**28,514**	(83,258)
	285,563	**(33,788)**	**314,077**	**(117,046)**
ADDED VALUE TOTAL DISTRIBUTED	**2,911,873**	**3,452,877**	**6,690,192**	**6,375,830**

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 fifteen 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 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 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 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 leather and its derivatives. 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, United States of America and China.

JBS Aves Ltda. (JBS Aves), located in Montenegro, State of Rio Grande do Sul, explores the processing activity of chicken, developing of layer, breeder and broiler chickens, their production and slaughter, until the industrialization of sub products and trade and export of them as well. JBS Aves operates four feed mills, three chicken slaughterhouse, four plants of industrial products, six hatcheries and four sales branches.

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 plants in Colonia Caroya (Province of Córdoba), Consignaciones Rurales (Province of Buenos Aires) on the year 2010 and Venado Tuerto (Province of Santa Fé) on the year ended 2011.

JBS USA Holdings Inc. (JBS USA) and its subsidiaries process and prepare 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 Chicken, operating the segment of chicken 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, seventeen 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 and African 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, 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 meats that need to be frozen or chilled, but trades other food products.

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.

c) Operating Relevant Event

In June 21, 2012, was performed the Voluntary Public Offering for the Acquisition of Common Shares Issued by JBS in Exchange for Common Shares Issued by Vigor (Oferta Pública Voluntária de Aquisição de Ações Ordinárias de Emissão da JBS Mediante Permuta por Ações Ordinárias de Emissão da Vigor (the "Exchange Offer").

In the auction were acquired by JBS S.A. 117,800,183 (one hundred seventeen million, eight thousand one hundred and eighty-three) common shares of its own issuance through the exchange of common shares from Vigor, previously the holding.

Therefore, through the "Exchange Offer", the Company, that was previously the wholly owner of the Shares of Vigor, actually holds 21.32% of the total shares, giving most of its stake, equivalent to 44.62% of the total shares of Vigor, to the FB Participações S.A., which is the holding of JBS S.A.

With this new corporate structure, the Company no longer consolidates its investment in Vigor Alimentos S.A., being treated as an investment in associates because although the Company has an ownership percentage above 20%, which indicates significant influence, FB Participações S.A. started to manage and control operations of Vigor, becoming the new parent Company.

This new corporate structure indicates that although the Company reduces its stake percentage and loses control on Vigor, the control is still kept in the same economic Group, by FB Participações S.A., Company's holding, so the result of this transaction was registered under the line of capital transactions, so that was sold an investment of R$ 959,961 in exchange of R$ 937,689 treasury shares, resulting in a capital transaction of (R$ 22,272), which the breakdown is the following:

- Write-off in Vigor investment:

Number of shares:		117,800,183
Share value in reais:	R$	8.15
Amount of investment written-off:	R$	959,961

- Exchange (Treasury Shares Receiving):

Number of shares:		117,800,183
Share value in reais:	R$	7.96
Amount of treasury shares:	R$	937,689

- Capital transaction calculation: R$ (22,272)

Due to the fact that investment is not being consolidated on the financial statements for the six month period ended on June 30, 2012, and has been consolidated until the three months period ended on March 31, 2012, for comparative purposes, below is the "pro-forma" balance sheet for the comparative period of December 31, 2011, allowing readers and users a better comparability.

a) Balance sheets

	Consolidated	"Pro-forma"
	June 30, 2012	December 31, 2011
ASSETS		
Cash and cash equivalents	**5,475,236**	4,966,514
Trade accounts receivable, net	**5,045,674**	4,551,746
Inventories	**6,333,557**	5,294,299
Biological assets	**286,707**	209,543
Recoverable taxes	**2,410,083**	2,204,589
Other current and non current assets	**1,974,974**	2,080,733
Investments in associates	**260,070**	330,427
Property, plant and equipment, net	**15,661,692**	14,956,655
Intangible assets, net	**11,737,883**	12,527,229
TOTAL ASSETS	**49,185,876**	**47,121,735**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Trade accounts payable	**3,513,481**	3,236,162
Loans and financings	**20,752,126**	18,545,772
Payroll, social charges, tax obligation and current and deferred income tax	**2,673,305**	2,391,245
Other current and non current liabilities	**1,186,340**	1,349,367
Shareholders' equity	**21,060,624**	21,599,189
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**49,185,876**	**47,121,735**

For comparability purposes, the profit and loss should not be adjusted once Vigor is consolidated in the Company's profit and loss in the six months period ended on June 30, 2012, once in the end of this period, the Company had control on Vigor.

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 associates, subsidiaries and joint ventures 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 R1 - 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 R1 / IAS 1 - Presentation of financial statements.

Transitional Tax Regime (Regime Tributário Transitório - RTT) - The amounts presented in financial statements as of June 30, 2012 are considering the adoption 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 August 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. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value in accordance with IAS 7/CPC 03 R2 - Statement of Cash Flows.

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 R1 - 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.

The registration of biological assets is done through the concept of market to market and cost, according to the criteria defined in the Note 7.

h) Investments in associates, subsidiaries and joint ventures

In the individual financial statements of the Company, the investments in associates, subsidiaries and joint ventures are measured by the equity method.

In accordance with IAS 28/CPC 18 - IAS 28 Investments in Associates, Associate is an entity over which an investee has significant influence, being the power to participate in the financial and operating policy decisions of the investee (but not control or joint control).

According to IAS 31/CPC 19 R1- 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.

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 R1 - 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.

Goodwill arising from business combination

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.

Impairment of tangible and intangible assets, excluding goodwill

Property, plant and equipment, intangible assets with defined useful life and other assets (current and noncurrent) are tested for impairment, if indications of potential impairment exist. Intangible assets are tested for impairment when an indication of potential impairment 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 occurred, 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 R1, 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 10.

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 equivalents" 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 R1 - 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 upon 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 values of any plan assets is deducted.

The discount rate is yield at the reporting date on funds that have maturity dates approximating the terms of the appropriate subsidiary's obligation 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 R1 - 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.

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 June 30, 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	
	June 30, 2012	Dec 31, 2011	June 30, 2012	Dec 31, 2011
Cash and banks	**1,372,409**	1,483,479	**2,238,552**	2,247,919
CDB-DI (bank certificates of deposit)	**2,530,458**	1,928,422	**2,646,237**	2,155,037
Investment funds	**-**	494	**537,777**	554,523
LCA-DI (Agribusiness Letters of Credit)	**-**	200,472	**-**	330,715
National treasury bill - LFT	**52,670**	-	**52,670**	-
	3,955,537	**3,612,867**	**5,475,236**	**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).

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).

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	
	June 30, 2012	Dec 31, 2011	June 30, 2012	Dec 31, 2011
Current receivables	**2,146,165**	**1,729,425**	**4,561,597**	**3,939,255**
Overdue receivables:				
From 1 to 30 days	**91,407**	120,142	**385,362**	569,126
From 31 to 60 days	**8,795**	23,297	**30,269**	91,406
From 61 to 90 days	**5,827**	20,755	**22,855**	44,389
Above 90 days	**107,741**	102,656	**190,950**	185,589
Allowance for doubtful accounts	**(110,549)**	(113,182)	**(145,359)**	(149,919)
	103,221	**153,668**	**484,077**	**740,591**
	2,249,386	**1,883,093**	**5,045,674**	**4,679,846**

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

	Company		Consolidated	
	June 30, 2012	Dec 31, 2011	June 30, 2012	Dec 31, 2011
Initial balance	**(113,182)**	**(109,497)**	**(149,919)**	**(142,074)**
Additions	**-**	(10,020)	**-**	(16,390)
Exchange variation	**-**	-	**2,920**	225
Write-offs	**2,633**	6,335	**1,640**	8,320
Final balance	**(110,549)**	**(113,182)**	**(145,359)**	**(149,919)**

6 Inventories

	Company		Consolidated	
	June 30, 2012	Dec 31, 2011	June 30, 2012	Dec 31, 2011
Finished products	**1,524,239**	1,161,418	**4,126,979**	3,332,844
Work in process	**68,617**	53,879	**1,014,130**	900,597
Raw materials	**202,594**	188,722	**587,356**	527,046
Warehouse spare parts - other inventories	**116,699**	140,242	**605,092**	645,218
	1,912,149	**1,544,261**	**6,333,557**	**5,405,705**

7 Biological assets

The Company's biological assets are composed of live animals segregated among the categories of cattle, hogs and lamb, and chicken, which detail is as follows:

	Consolidated	
Current biological assets:	**June 30, 2012**	**Dec 31, 2011**
Cattle	**111,527**	83,978
Hogs and Lamb	**50,150**	73,790
Chicken	**89,487**	49,489
Plants for harvest	**1,843**	2,286
	253,007	**209,543**

	Consolidated	
Non-Current biological assets:	**June 30, 2012**	**Dec 31, 2011**
Chicken	**33,700**	-
	33,700	**-**

Changes in biological assets:	**Current**	**Noncurrent**
Amount on December 31, 2011	**209,543**	**-**
Born	**11,181**	**-**
Death	**(2,386)**	**-**
Fair value (Mark to market)	**9,353**	**-**
Purchase	**252,179**	**36,758**
Sale / lowering for slaughter	**(242,824)**	**(446)**
Exchange rate variation	**14,118**	**-**
Cost appropriating on plants for harvest	**4,489**	**-**
Domestic consumption on plants for harvest (feed)	**(2,646)**	**-**
Amortization	**-**	**(2,612)**
Amount on June 30, 2012	**253,007**	**33,700**

The current biological assets consist mainly of animals, mostly of feedlots and maturity period for slaughtering, which remain in development for a period of 90 to 120 days, mainly cattle, and 30 to 35 days, for chicken, until they reach maturity and therefore sent for slaughter units. For this reason are classified as current assets.

The noncurrent biological assets consist exclusively layer and breeder chicken that are intended for breeding. The lifespan of these breeding animals is approximately 67 weeks, and for this reason they are classified as noncurrent assets.

According to IAS 41 /CPC 29 - Biological Assets, companies that own agricultural and farming 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 of the year.

However, the standard shows that, for cases where there is no active market, 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 there is an assumption that the fair value of biological assets can be reliably measured, this assumption can be rejected, and the biological assets can be measured at cost, as presented in the current biological assets of JBS USA and for the chicken of JBS Aves in Brazil, because in these cases the market should determine the value of these assets, but it is not available and the alternatives to estimate them are clearly not reliable.

Below, details of the biological assets of the Company:

COMPANIES IN UNITED STATES OF AMERICA	June 30, 2012	Dec 31, 2011
Current biological assets:		
Cattle	**30,845**	46,954
Hogs and Lamb	**50,150**	73,790
Chicken	**53,987**	49,489
Total biological assets valued at cost	**134,982**	**170,233**

As mentioned on the assumption above, the current biological assets of JBS USA are not 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 feedlot between the period of 75-100 days, just over 180 days.

Hogs and Lamb - JBS USA keeps hogs and lambs in the feedlot system. For biological assets hogs and lamb, there is no active market, because there are few competitors in the market.

Chicken – PPC is engaged in the chicken 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.

COMPANIES IN BRAZIL	June 30, 2012	Dec 31, 2011
Current biological assets:		
Cattle	**80,682**	37,024
Biological assets valued at market:	**80,682**	**37,024**
Chicken	**35,500**	-
Plants for harvest	**1,843**	2,286
Biological assets valued at cost:	**37,343**	**2,286**
Total current biological assets	**118,025**	**39,310**
Noncurrent biological assets:		
Chicken	**33,700**	-
Total noncurrent biological assets valued at cost	**33,700**	**-**

The operations relating to activities of cattle in Brazil are represented mainly by cattle in feedlot (intensive) and cattle on pasture (extensive), whose valuation at market is reliably measured due to the existence of active markets .

The operations relating to chicken activities in Brazil, are divided among broiler chicken for slaughtering (current) for production of fresh meat and / or industrialized products, and layer and breeder chicken (noncurrent) that are intended for breeding. For both cases, by the fact there is no market price for these animals, the Company has evaluated these biological assets based on a discounted cash flow method, not identifying material changes in relation to the absorption cost. Thereby, the current assets, are maintained at cost, and the noncurrent assets besides being maintained at cost, are amortized according to the lifetime of the animals.

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	
	June 30, 2012	Dec 31, 2011	June 30, 2012	Dec 31, 2011
Value-added tax on sales and services (ICMS / IVA / VAT / GST)	**1,022,216**	1,075,566	**1,223,865**	1,264,118
Excise tax - IPI	**61,012**	59,772	**126,560**	124,459
Social contribution on billings - PIS and COFINS	**705,144**	616,957	**729,672**	745,376
Withholding income tax - IRRF	**145,766**	90,826	**248,058**	96,840
Other	**40,711**	49,515	**81,928**	85,644
	1,974,849	**1,892,636**	**2,410,083**	**2,316,437**
Current and Long-term:				
Current	**1,416,568**	1,330,609	**1,787,350**	1,690,311
Noncurrent	**558,281**	562,027	**622,733**	626,126
	1,974,849	**1,892,636**	**2,410,083**	**2,316,437**

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$ 152,665. As of this amount the Company received R$ 28,986, and the remaining balance of R$ 123,679.

9 Related parties transactions

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

				June 30, 2012	Dec 31, 2011
COMPANY	**Currency**	**Maturity**	**Annual rate**	**Mutual contracts**	**Mutual contracts**
Direct subsidiaries					
JBS Aves Ltda.	R$	Sept 13, 2012	CDI	**27,388**	53,207
JBS Confinamento Ltda.	R$	Apr 01, 2014	CDI + 4%	**91,888**	87,528
JBS Embalagens Metálicas Ltda.	R$	Aug 16, 2012	CDI + 12%	**58,732**	58,936
JBS USA, Inc	US$	Aug 16, 2012	Libor + 2.5% to 3%	**291,453**	(97,606)
JBS Slovakia Holdings s.r.o.	US$	Mar 12, 2013	4.5%	**(47,655)**	(43,284)
JBS Holding International	R$	-	-	**36,200**	-
Cascavel Couros Ltda	R$	Dec 31, 2012	CDI + 12%	**45,237**	29,300
Novaprom Food Ingredients Ltda	R$	Dec 31, 2012	CDI + 6%	**15,047**	12,115
Indirect subsidiaries					
Beef Snacks Brasil Ind.Com. Ltda.	R$	Jan 24, 2013	CDI	**99,856**	96,761
Beef Snacks International BV	US$	Dec 31, 2012	Libor + 2% to 3%	**4,851**	4,371
JBS HU Ltd	US$	May 19, 2012	12%	**-**	(119,117)
JBS Paraguay	US$	Aug 24, 2014	Libor + 5%	**-**	6,294
				622,997	**88,505**

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

	June 30, 2012		December 31, 2011	
COMPANY	**Trade accounts receivable**	**Trade accounts payable**	**Trade accounts receivable**	**Trade accounts payable**
Direct subsidiaries				
JBS Confinamento Ltda.	**902**	**6,931**	252	33,384
JBS Embalagens Metálicas Ltda.	**-**	**-**	-	94
JBS USA, Inc	**36,895**	**-**	13,521	-
JBS Itália SRL	**8,700**	**-**	7,268	-
Cascavel Couros Ltda	**7,858**	**1,836**	16,917	2,704
Novaprom Food Ingredients Ltda	**1,093**	**134**	1,661	681
Indirect subsidiaries				
JBS Global (UK) Limited	**30,280**	**-**	32,149	4
JBS Argentina S.A.	**-**	**888**	-	2,017
Global Beef Trading SU Lda.	**8,986**	**-**	715	-
Austrália Meat	**-**	**493**	-	741
Toledo International NV	**23,880**	**1**	6,360	319
Weddel Limited	**5,538**	**-**	-	-
Sampco Inc.	**1,190**	**-**	1,655	-
JBS Leather Europe	**13,564**	**-**	-	-
JBS Middle East	**178**	**-**	-	-
Frigorífico Canelones S.A.	**-**	**156**	-	7
Rigamonti Salumificio Spa	**3,517**	**20**	10,334	19
Itaholb International	**1,187**	**-**	1,414	1,192
Wonder Best Holding Company	**75**	**-**	11,929	-
Trump Asia Enterprise Ltd	**33,120**	**-**	20,070	-
Trustful Leather	**2,142**	**-**	4,203	-
JBS Paraguay	**-**	**1,254**	24	-
Other related parties				
S.A. Fabrica de Prod. Alimentícios Vigor	**11,610**	**1,501**	17,538	3,431
JBS Agropecuária Ltda.	**3**	**2**	178	2,984
Flora Produtos de Hig. Limp. S.A.	**7,014**	**153**	682	1
Flora Dist. Produtos de Hig. Limp. S.A.	**20,209**	**220**	18,439	190
	217,941	**13,589**	**165,309**	**47,768**

Impacts of related party transactions on Income Statements of the Company:

	June 30, 2012			June 30, 2011		
	Financial income (expenses)	Purchases	Sales of products	Financial income (expenses)	Purchases	Sales of products
Direct subsidiaries						
JBS Aves Ltda.	1,765	-	-	4,337	-	-
JBS Confinamento Ltda.	6,684	41,549	1,044	10,313	96,871	2,401
JBS Embalagens Metálicas Ltda.	4,875	2,354	-	5,400	28,717	2,053
JBS USA, Inc	19,296	-	157,240	(51,437)	-	17,154
JBS Slovakia Holdings s.r.o.	(937)	-	-	(804)	-	-
JBS Itália SRL	-	8,353	29,042	-	-	37,044
Cascavel Couros Ltda	1,118	6,625	34,521	(1,779)	2,651	106,256
Novaprom Food Ingredients Ltda	1,025	1,983	4,412	821	1,207	5,680
Indirect subsidiaries						
JBS Global (UK) Limited	-	-	47,241	-	-	59,038
JBS Argentina S.A	-	6,796	-	-	79,960	-
The Tupman Thurlow Co.	-	-	-	-	-	70,476
Global Beef Trading SU Lda.	-	-	24,015	-	-	-
Beef Snacks Brasil Ind.Com. Ltda.	4,355	-	-	6,241	-	-
Beef Snacks International	266	-	-	5	-	-
JBS HU Ltd	(868)	-	-	(2,316)	-	-
Australia Meat	-	9,371	-	-	5,423	-
Toledo International BV	-	-	69,050	-	-	66,400
JBS Leather Europe	-	-	20,572	-	-	1,987
Weddel Limited	-	-	10,149	-	-	6,663
Sampco Inc.	-	-	67,188	-	-	25,237
Frigorífico Canelones S.A.	-	3,887	-	-	3,752	-
Rigamonti Salumificio Spa	-	-	15,607	-	-	19,993
Wonder Best Holding Company	-	-	14,299	-	-	23,410
Trump Asia Enterprise Ltd	-	-	66,167	-	20	17,454
Trustful Leather	-	-	22,443	-	-	12,760
JBS Paraguay	180	20,038	9	95	-	5
Itaholb International	-	-	1,553	-	-	570
Other related parties						
S.A. Fabrica de Prod. Alimentícios Vigor	-	6,699	76,213	(15,794)	74	47,549
JBS Agropecuária Ltda.	-	1,966	-	-	20,729	806
Flora Produtos de Hig. Limp. S.A.	-	246	36,645	-	-	25,619
Flora Dist. Produtos de Hig. Limp. S.A.	-	3	101,507	-	4	1,463
	37,759	109,870	798,917	(44,918)	239,408	550,018

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 June 30, 2012 and December 31, 2011.

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 June 30, 2012 and December 31, 2011 was approximately US$ 77,270 (R$ 156,186) and US$ 94.3 million (R$ 190,609) .

Consolidated - Credits with related parties

The consolidated balance of related parties, on the amount of R$ 716,870 as of June 30, 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$ 653,296 (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$ 63,574 (R$ 60,732 as of December 31, 2011) refers to credits of subsidiaries partially consolidated, as follows :

	June 30, 2012	Dec 31, 2011
Beef Snacks do Brasil Ltda.	**49,928**	48,396
Beef Snacks International BV.	**4,742**	4,306
Jerky Snack Brands, Inc.	**8,904**	8,030
	63,574	**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 June 30, 2012 and year ended on December 31, 2011 is the following:

	Members	June 30, 2012	Dec 31, 2011
Executive Board and Board of Directors	**15**	**3,594**	6,791
	15	**3,594**	**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.

10 Investments in associates, subsidiaries and joint ventures

	Company	
	June 30, 2012	Dec 31, 2011
Investments in subsidiaries and associates	**5,286,290**	5,995,157
Goodwill	**705,471**	1,566,417
	5,991,761	**7,561,574**

Relevant information about subsidiaries in the period of June 30, 2012:

	Participation	Total assets	Capital stock	Shareholders' equity	Net revenue	Net income (loss)
Controlled:						
JBS Embalagens Metálicas Ltda.	99.00%	83,603	2	20,883	1,712	(8,951)
JBS Global Investments S.A.	100.00%	6,676	147,555	6,676	-	109
JBS Holding Internacional S.A.	100.00%	536,228	1,108,467	256,668	327,912	(71,168)
JBS Global A/S (Dinamarca)	100.00%	268,558	515,712	78,973	293,164	5,087
JBS Aves Ltda [1]	100.00%	185,230	55,173	(3,933)	33,804	(12,563)
JBS USA, Inc.	99.95%	17,209,687	2,024,762	2,682,262	25,478,453	32,231
JBS Confinamento Ltda.	100.00%	561,449	473,401	416,325	51,082	(14,198)
JBS Slovakia Holdings, s.r.o.	100.00%	165,872	168,045	72,201	35,296	3,985
JBS Italia S.R.L.	100.00%	72,775	20,697	21,350	70,544	222
CJSC Prodcontract	70.00%	3,337	1	(24,395)	26,168	(746)
LLC Lesstor	70.00%	39,031	9	38,899	1,296	(1,046)
JBS Middle East	100.00%	64	635	25	115	(275)
JBS Leather Paraguay	97.50%	135	18	27	644	8
JBS Holding GMBH	100.00%	2,171,908	513,367	1,124,523	778,573	155,545
Novaprom Foods e Ingredientes Ltda	60.00%	30,060	792	(3,434)	13,524	(899)
Cascavel Couros Ltda	100.00%	413,539	240,861	320,587	185,101	15,326
Associates:						
Vigor Alimentos S.A.	21.32%	1,973,616	1,191,378	1,220,031	638,410	26,696

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	June 30, 2012
JBS Embalagens Metálicas Ltda.	**29,536**	-	-	-	(8,861)	**20,675**
JBS Global Investments S.A.	**43,602**	(36,490)	(545)	-	109	**6,676**
JBS Holding Internacional S.A.	**320,912**	-	-	6,924	(71,168)	**256,668**
JBS Global A/S (Denmark)	**68,677**	-	3,891	1,318	5,087	**78,973**
JBS Aves Ltda [1]	**(46,423)**	55,053	-	-	(12,563)	**(3,933)**
JBS USA, Inc. [2]	**3,356,247**	(919,064)	120,509	91,057	32,215	**2,680,964**
JBS Confinamento Ltda	**424,523**	6,000	-	-	(14,198)	**416,325**
JBS Slovakia Holdings, s.r.o. [3]	**184,829**	(111,304)	(3,393)	(1,916)	3,985	**72,201**
JBS Italia S.R.L	**11,312**	8,929	887	-	222	**21,350**
CJSC Prodcontract	**(15,492)**	-	(1,062)	-	(522)	**(17,076)**
LLC Lesstor	**26,203**	-	1,758	-	(732)	**27,229**
JBS Middle East	**44**	254	2	-	(275)	**25**
JBS Leather Paraguay	**16**	-	2	-	8	**26**
JBS Holding GMBH	**893,569**	23,551	28,520	23,338	155,545	**1,124,523**
Novaprom Foods e Ingredientes Ltda	**(1,521)**	-	-	-	(539)	**(2,060)**
S.A.Fábrica de Produtos Alimentícios Vigor [4]	**330,427**	(330,427)	-	-	-	**-**
Cascavel Couros Ltda	**305,261**	-	-	-	15,326	**320,587**
Vigor Alimentos S.A. [5]	**-**	253,689	-	(20,314)	26,695	**260,070**
Transfer to Other current liabilities (Negative equity)	**63,435**	-	-	-	-	**23,067**
Total	**5,995,157**	**(1,049,809)**	**150,569**	**100,407**	**130,334**	**5,286,290**

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

(ii) - Refers to the reflex of valuation adjustments and exchange rate variation of foreign investments and capital transactions, 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 Aves Ltda. – Mouran Alimentos Ltda. had stopped its operations and was renamed to JBS Aves Ltda. on May 2, 2012 and started operating in the chicken segment.

[2]- JBS USA, Inc. – On February 2012, the Company received from JBS USA the amount of R$ 917,337 as dividends.

[(3)]- 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.

[(4)]- 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.

[(5)] 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$5. In June 2012 the Company reduced the value of investment in the Vigor due to the exchange for common shares proportionally to its stake in the amount of R$ 959,961, being part of such amount the value (R$ 22,272) relating to the capital transaction.

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 - %	
	June 30, 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 R1 / 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:

	June 30, 2012			December 31, 2011		
ASSETS	Beef Snacks International	Meat Snacks USA	Dan Vigor [(a)]	Beef Snacks International	Meat Snacks USA	Dan Vigor
Current	**11,154**	**36,707**	**-**	5,393	16,196	29,295
Non current	**38,386**	**2,696**	**-**	45,238	927	20,970
TOTAL ASSETS	**49,540**	**39,403**	**-**	**50,631**	**17,123**	**50,265**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current	**6,145**	**17,819**	**-**	24	4,165	10,409
Non current	**129,735**	**-**	**-**	130,289	-	3,484
Shareholder´s equity	**(86,340)**	**21,584**	**-**	(79,682)	12,958	36,373
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**49,540**	**39,403**	**-**	**50,631**	**17,123**	**50,265**

	Six months period ended on June 30, 2012			Six months period ended on June 30, 2011		
STATEMENTS OF NET INCOME	Beef Snacks International	Meat Snacks USA	Dan Vigor	Beef Snacks International	Meat Snacks USA	Dan Vigor
Net sales revenue	**-**	**39,807**	**43,534**	-	1,958	36,405
Cost of goods sold	**-**	**(37,174)**	**(31,005)**	(233)	(1,362)	(26,558)
GROSS INCOME (LOSS)	**-**	**2,633**	**12,529**	**(233)**	**596**	**9,847**
General and administrative expenses and selling	**(19)**	**(4,440)**	**(3,938)**	(1,253)	(1,839)	(5,240)
Financial income, net	**(3,198)**	**1,135**	**(97)**	(8,159)	(18)	(155)
Other income expenses, net	**-**	**-**	**(84)**	-	-	(64)
Current income taxes	**-**	**(2,014)**	**(2,851)**	-	-	(1,493)
NET INCOME (LOSS) OF THE PERIOD	**(3,217)**	**(2,686)**	**5,559**	**(9,645)**	**(1,261)**	**2,895**

STATEMENTS OF NET INCOME	Three months period ended on June 30, 2012			Three months period ended on June 30, 2011		
	Beef Snacks International	Meat Snacks USA	Dan Vigor	Beef Snacks International	Meat Snacks USA	Dan Vigor
Net sales revenue	**-**	**18,928**	**21,376**	-	1,958	19,200
Cost of goods sold	**-**	**(21,071)**	**(15,200)**	(111)	(1,362)	(13,828)
GROSS INCOME (LOSS)	**-**	**(2,143)**	**6,176**	**(111)**	**596**	**5,372**
General and administrative expenses and selling	**(6)**	**(2,508)**	**(2,068)**	(563)	(1,831)	(2,568)
Financial income, net	**(81)**	**1,283**	**(43)**	(4,536)	(18)	(451)
Other income expenses, net	**-**	**(3)**	**(49)**	112	-	(39)
Current income taxes	**-**	**(1,056)**	**(1,365)**	-	-	(788)
NET INCOME (LOSS) OF THE PERIOD	**(87)**	**(4,427)**	**2,651**	**(5,098)**	**(1,253)**	**1,526**

[a] The Investment in the joint venture Dan Vigor is proportionally consolidated in the Vigor. As mentioned in the note 1c), the Company consolidated only the results of Vigor for the six months period ended on June 30, 2012, therefore the Company no longer consolidates proportionally the balance sheet accounts of the joint venture Dan Vigor.

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.

11 Property, plant and equipment, net

Company	Cost	Revaluation	Accumulated depreciation	Net amount	
				June 30, 2012	Dec 31, 2011
Buildings	2,785,693	116,616	(314,200)	**2,588,109**	2,557,025
Land	915,079	9,305	-	**924,384**	953,614
Machinery and equipment	3,709,123	44,636	(764,057)	**2,989,702**	2,983,112
Facilities	797,671	21,815	(164,014)	**655,472**	641,365
Computer equipment	209,256	717	(59,597)	**150,376**	139,685
Vehicles	358,386	70	(165,193)	**193,263**	183,941
Construction in progress	609,654	-	-	**609,654**	238,236
Other	152,862	1,250	(24,400)	**129,712**	106,604
	9,537,724	**194,409**	**(1,491,461)**	**8,240,672**	**7,803,582**

Consolidated	Cost	Revaluation	Accumulated depreciation	Net amount	
				June 30, 2012	Dec 31, 2011
Buildings	5,946,162	116,616	(715,103)	**5,347,675**	5,278,135
Land	2,295,110	9,305	(128,872)	**2,175,543**	2,270,694
Machinery and equipment	8,258,496	44,636	(2,566,123)	**5,737,009**	5,684,510
Facilities	827,501	21,815	(178,492)	**670,824**	682,273
Computer equipment	391,955	717	(145,827)	**246,845**	208,511
Vehicles	597,777	70	(332,403)	**265,444**	253,133
Construction in progress	1,005,792	-	(3)	**1,005,789**	808,045
Other	253,162	1,250	(41,849)	**212,563**	193,413
	19,575,955	**194,409**	**(4,108,672)**	**15,661,692**	**15,378,714**

According to IAS 16/CPC 27 - Fixed Assets, on December 31, 2011 the Company made a review of the useful lives of fixed assets, resulting in different rates of depreciation for each asset. 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 June 30, 2012	
	Company	Consolidated
Buildings	2.94%	3.58%
Land	0.00%	1.67%
Machinery and equipment	6.03%	8.24%
Facilities	5.16%	5.14%
Computer equipment	10.64%	14.17%
Vehicles	11.86%	11.49%
Other	2.92%	6.98%

Changes in property, plant and equipment

Company	Dec 31, 2011	Additions	Disposals	Depreciation	June 30, 2012
Buildings	2,557,025	75,536	(1,718)	(42,734)	**2,588,109**
Land	953,614	1,638	(30,868)	-	**924,384**
Machinery and equipment	2,983,112	135,333	(15,491)	(113,252)	**2,989,702**
Facilities	641,365	35,767	(534)	(21,126)	**655,472**
Computer equipment	139,685	21,914	(56)	(11,167)	**150,376**
Vehicles	183,941	43,408	(15,048)	(19,038)	**193,263**
Construction in progress [1]	238,236	371,464	(46)	-	**609,654**
Other	106,604	25,482	(113)	(2,261)	**129,712**
	7,803,582	**710,542**	**(63,874)**	**(209,578)**	**8,240,672**

Consolidated	Dec 31, 2011	Additions	Disposals	Depreciation	Exchange rate variation	Vigor deconsolidation	June 30, 2012
Buildings	5,278,135	175,560	(8,408)	(110,601)	175,848	(162,859)	**5,347,675**
Land	2,270,694	26,997	(35,815)	(19,243)	65,138	(132,228)	**2,175,543**
Machinery and equipment	5,684,510	359,578	(19,560)	(342,978)	163,507	(108,048)	**5,737,009**
Facilities	682,273	42,596	(1,375)	(23,583)	597	(29,684)	**670,824**
Computer equipment	208,511	64,695	(533)	(28,084)	3,639	(1,383)	**246,845**
Vehicles	253,133	57,922	(16,768)	(32,174)	3,655	(324)	**265,444**
Construction in progress [1]	808,045	167,961	(8,407)	(5)	38,436	(241)	**1,005,789**
Other	193,413	31,421	(4,649)	(7,475)	5,947	(6,094)	**212,563**
	15,378,714	**926,730**	**(95,515)**	**(564,143)**	**456,767**	**(440,861)**	**15,661,692**

[1]- Construction in progress – The additions in the amount of R$ 371,464 in the Company and R$ 167,961 in the Consolidated include transaction costs in the amount of R$ 7,519 and R$ 14,577, respectively, for the six months ended on June 30, 2012.

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 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.

The depreciation expenses are booked under "Cost of goods sold" and "General and administrative expenses".

Until December 2007, revaluations were performed on property, plant and equipment items of several Company's plants, and offsetting entries were made to the revaluation reserve account and the provision for deferred income and social contribution taxes. The method and assumption applied to estimate the fair value of the assets were determined based on current market prices. As of June 30, 2012, the total amount of property, plant and equipment revaluation is R$ 194,409 which the revaluation reserve is R$ 99,205 and the provision for income and social contribution taxes is R$ 46,532. For revalued property, plant and equipment, the Company recorded accumulated depreciation of R$ 48,672.

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 R1 – Borrowing costs, the Company capitalized those borrowing costs directly attributable to the construction of qualifying assets, which are exclusively represented by construction in progress. The borrowing costs allocated to the qualifying assets as of June 30, 2012 and December 31, 2011 are shown below:

	Company		Consolidated	
	June 30, 2012	Dec 31, 2011	June 30, 2012	Dec 31, 2011
Construction in progress	**568,926**	199,441	**942,734**	762,645
(+) capitalized borrowing costs	**40,728**	38,795	**63,055**	45,400
	609,654	**238,236**	**1,005,789**	**808,045**

Impairment test of assets

In compliance with the requirements of IAS 36/CPC 01 R1 - Presentation of financial statement, the Company performed the annual impairment test of the tangible and intangible assets on December 31, 2011, 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	
	June 30, 2012	Dec 31, 2011	June 30, 2012	Dec 31, 2011
Goodwill	**9,069,926**	9,069,926	**10,358,989**	11,189,867
Trademarks	**452,575**	452,575	**685,406**	665,005
Software	**8,165**	9,005	**14,628**	16,406
Water rights	**-**	-	**65,446**	60,840
Client portfolio	**-**	-	**610,232**	597,016
Other	**-**	-	**3,182**	3,485
	9,530,666	**9,531,506**	**11,737,883**	**12,532,619**

Changes in intangible assets

Company	Dec 31, 2011	Additions	Amortization	June 30, 2012
Goodwill	9,069,926	-	-	**9,069,926**
Trademarks	452,575	-	-	**452,575**
Software	9,005	1,828	(2,668)	**8,165**
	9,531,506	**1,828**	**(2,668)**	**9,530,666**

Consolidated	Dec 31, 2011	Additions	Disposals	Amortization	Exchange rate variation	Vigor deconsolidation	June 30, 2012
Goodwill	11,189,867	-	-	-	31,527	(862,405)	**10,358,989**
Trademarks	665,005	-	(142)	(307)	24,042	(3,192)	**685,406**
Software	16,406	2,139	(14)	(3,630)	578	(851)	**14,628**
Water rights	60,840	-	-	(22)	4,628	-	**65,446**
Client portfolio	597,016	-	-	(31,991)	45,207	-	**610,232**
Other	3,485	-	-	(572)	269	-	**3,182**
	12,532,619	**2,139**	**(156)**	**(36,522)**	**106,251**	**(866,448)**	**11,737,883**

(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 with 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 R1 – 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 June 30, 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$ 224.360 thousand, equivalent to R$ 453,499 as of June 30, 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 $ 14,110 thousand Argentinean pesos, equivalent to R$ 6,303 as of June 30, 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$ 13,284 as of June 30, 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.

The Company's subsidiaries have other smaller representation of goodwill arising from companies acquisition, based on expected future profitability of R$ 110,506 which related the following investments:
i) JBS Holding Inc - R$ 21,401
ii) Misr Cold - R$ 22,912
iii) Rigamonti - R$ 59,357
iv) Wonder Best - R$ 1,989
v) IFPSA - R$ 4,847

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 R1 - 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 R1 – 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 R1 (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 six months period ended on June 30, 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	
	June 30, 2012	Dec 31, 2011	June 30, 2012	Dec 31, 2011
Commodities - cattle	**544,186**	358,129	**1,268,530**	1,237,805
Materials and services	**306,533**	293,258	**1,936,944**	1,830,650
Finished products	**34,917**	14,988	**308,007**	255,431
	885,636	**666,375**	**3,513,481**	**3,323,886**

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

Type	Average annual rate of interest and commissions	Company	
		June 30, 2012	Dec 31, 2011
Foreign currency			
ACC - (advances on exchange contracts)	Exchange variation + interest from 2.9 % to 5.20%	2,321,925	2,078,290
Euro Bonds	Exchange variation and interest of 10.25%	15,751	16,637
Prepayment	Exchange variation + Libor and interest from 1% to 6%	730,057	824,925
144-A	Exchange variation + interest from 8.25% to 10.50%	89,012	82,161
Credit note - Export	Exchange variation + interest of 7.85%	8,723	36,648
Resolution 63	Exchange variation, Interest of 2.5% + Libor 6 months	-	10,859
		3,165,468	3,049,520
National currency			
FINAME	TJLP and interest from 1% to 8.5%	62,388	80,853
EXIM - export credit facility	TJLP and interest of 5.81%	143,355	225,926
BNDES automatic	TJLP and interest from 3.1% to 5.44%	97,225	153,456
BNDES automatic	Currency basket BNDES + interest from 2% to 3.1%	6,788	6,308
Working capital- Brazilian Reais	Interest of 4% + 100% of CDI or 100% to 114.4% of CDI	2,194	257,186
Credit note - export	Interest from 1.2% to 14% or 100% to 120% of CDI	689,826	796,672
FCO - Middle West Fund	Interest of 10.00%	612	612
FNO - North Fund	Interest of 10.00%	4,258	4,150
CDC	TJLP and interest from 2.11% to 6.82%	5,006	-
Others		20	19
		1,011,672	1,525,182
		4,177,140	4,574,702

Noncurrent liabilities

Type	Average annual rate of interest and commissions	Company	
		June 30, 2012	Dec 31, 2011
Foreign currency			
Euro Bonds	Exchange variation and interest of 10.25%	682,507	656,530
Prepayment	Exchange variation + Libor and interest from 1% to 6%	838,156	894,849
144-A	Exchange variation + interest from 8.25% to 10.50%	2,425,560	2,238,629
Credit note - Export	Exchange variation + interest of 7.85%	8,573	15,912
		3,954,796	3,805,920
National currency			
FINAME	TJLP and interest from 1% to 8.5%	164,483	132,854
EXIM - export credit facility	TJLP and interest of 5.81%	50,000	83,333
BNDES automatic	TJLP and interest from 3.1% to 5.44%	8,543	33,755
BNDES automatic	Currency basket BNDES + interest from 2% to 3.1%	1,265	4,329
Working capital- Brazilian Reais	Interest of 4% + 100% of CDI or 100% to 114.4% of CDI	2,593,836	1,842,188
Credit note - Export	Interest from 1.2% to 14% or 100% to 120% of CDI	912,221	1,171,540
FCO - Middle West Fund	Interest of 10.00%	350	650
FNO - North Fund	Interest of 10.00%	18,633	20,624
CDC	TJLP and interest from 2.11% to 6.82%	3,587	-
		3,752,918	3,289,273
		7,707,714	7,095,193

Breakdown:		
Current liabilities	4,177,140	4,574,702
Noncurrent liabilities	7,707,714	7,095,193
	11,884,854	11,669,895

Maturities of long-term debt are as follows:

2013	**872,611**	1,883,106
2014	**1,645,977**	1,163,976
2015	**1,334,854**	945,160
2016	**1,865,886**	1,394,493
2017	**155,942**	7,318
2018	**1,828,328**	1,697,233
2019	**2,880**	2,689
2020	**1,046**	1,045
2021	**190**	173
	7,707,714	**7,095,193**

Current liabilities

Type	Average annual rate of interest and commissions	Consolidated	
		June 30, 2012	Dec 31, 2011
Foreign currency			
ACC - (advances on exchange contracts)	Exchange variation + interest from 2.9 % to 5.20%	**2,442,164**	2,216,128
Euro Bonds	Exchange variation and interest of 10.25%	**15,751**	22,758
Prepayment	Exchange variation + Libor and interest from 1% to 6%	**740,589**	836,276
144-A	Exchange variation + interest from 8.25% to 10.50%	**89,012**	82,161
Credit note - Import	Exchange variation + interest of 11.25%	**7,480**	7,110
Credit note - Export	Exchange variation + interest of 7.85%	**8,723**	36,648
PPC - México revolver	TIIE+ interest of 2.25%, Overnight +4.5%	**-**	54
Tasman Government Loan	Exchange variation + Interest of 0% until 2013	**2,029**	1,249
Resolution 63	Exchange variation + Interest of 2.5% + Libor 6 months	**-**	10,859
		3,305,748	**3,213,243**
National Currency			
FINAME	TJLP and interest from 1% to 8.5%	**62,565**	81,037
FINAME	Interest from 4.5% to 10%	**-**	152
Installment note corp aircraft (payable notes)	Libor and interest from 1.75%	**1,878**	1,726
JBS Mortgage	Interest from 5.75% to 8.35%	**3,367**	3,001
EXIM - export credit facility	TJLP and interest of 5.81%	**143,355**	225,926
EXIM - export credit facility	Interest from 9% to 11.19%	**-**	92,495
BNDES automatic	TJLP and interest from 3.1% to 5.44%	**97,225**	153,456
BNDES automatic	Currency basket + interest from 2% to 3.1%	**6,788**	6,308
US revolver	Libor or Prime + applicable rate	**1,625**	2,339
JBS Term Loan	Alternate Base Rate (ABR) or Eurodollar	**18,713**	17,514
Five Rivers term loan	Libor + 2.75% or Prime + 1.5%	**11,812**	11,816
Senior note due 2014	Interest of 11.625%	**25,129**	23,318
Senior note due 2020	Interest of 8.25%	**47,015**	-
Senior note due 2021	Interest of 7.25%	**6,351**	6,139
PPC - US Senior note 2018	Interest of 7.875%	**2,211**	2,257
PPC - US credit facility - revolving credit facility	Interest from 4.22% to 6.25%	**1,403**	1,780
PPC - US credit facility - term loans	Interest from 4.75% to 9.00%	**45,679**	42,931
PPC - US bonds	Interest from 7.625% to 9.25%	**198**	229
Plainwell Bond	Interest of 4.39%	**3,883**	3,554
Marshaltown	Interest of 2.34%	**30**	-
Working capital- Brazilian Reais	Interest of 4% + 100% of CDI or 100% to 114.4% of CDI	**2,194**	264,107
Working capital - US dollars	Libor +interest from 1.10% to 3.20%	**127,668**	133,462
Working capital - EUROS	Euribor +interest from 0.15% to 1.75%	**58,558**	28,305
Credit note - Export	Interest from 1.2% to 14% or 100% to 120% of CDI	**689,826**	796,672
FCO - Middle West Fund	Interest of 10.00%	**612**	1,362
FNO - North Fund	Interest from 10.00%	**4,258**	4,150
Working capital - Egyptian pound	Libor + Interest of 2% and commission of 0,1%	**18,270**	17,168
EGF	Interest of 6.75%	**-**	30,351
Credit note - Import	Interest of 4.44% (LIBOR and interest of 2.80%)	**54,897**	108,056
Finep	Interest of 4.5%	**1,731**	24
CDC	TJLP and interest from 2.11% to 6.82%	**5,006**	-
Others		**71,195**	66,555
		1,513,442	**2,126,190**
		4,819,190	**5,339,433**

Noncurrent liabilities

Type	Average annual rate of interest and commissions	Consolidated June 30, 2012	Consolidated Dec 31, 2011
Foreign currency			
Euro Bonds	Exchange variation and interest of 10.25%	682,507	844,110
Prepayment	Exchange variation + Libor and interest from 1% to 6%	838,156	894,849
144-A	Exchange variation + interest from 8.25% to 10.50%	2,425,560	2,238,629
Credit note - Export	Exchange variation + interest of 7.85%	8,573	15,912
Tasman Government Loan	Exchange variation + Interest of 0% until 2013	24,355	22,851
		3,979,151	4,016,351
National currency			
FINAME	TJLP and interest from 1% to 8.5%	164,708	133,138
FINAME	Interest from 4.5% to 10%	-	1,172
Installment note corp aircraft (payable notes)	Libor and interest from 1.75%	12,437	12,405
JBS Mortgage	Interest from 5.75% to 8.35%	32,561	31,812
EXIM - export credit facility	TJLP and interest of 5.81%	50,000	83,333
BNDES automatic	TJLP and interest from 3.1% to 5.44%	8,543	33,755
BNDES automatic	Currency basket + interest from 2% to 3.1%	1,265	4,329
US revolver	Libor or Prime + applicable rate	559,306	50,450
JBS Term Loan	Alternate Base Rate (ABR) or Eurodollar	926,616	865,534
Five Rivers term loan	Libor + 2.75% or Prime + 1.5%	150,245	144,590
Senior note due 2014	Interest of 11.625%	1,374,577	1,265,417
Senior note due 2020	Interest of 8.25%	1,377,569	-
Senior note due 2021	Interest of 7.25%	1,275,750	1,182,157
PPC - US Senior note due 2018	Interest of 7.875%	986,659	913,999
PPC - US credit facility - revolving credit facility	Interest from 4.22% to 6.25%	307,955	631,389
PPC - US credit facility - term loans	Interest from 4.75% to 9.00%	1,090,457	1,022,148
PPC - US bonds	Interest from 7.625% to 9.25%	7,877	7,310
Plainwell Bond	Interest of 4.39%	26,271	26,059
Marshaltown	Interest of 2.34%	19,324	17,891
Working capital- Brazilian Reais	Interest of 4% + 100% of CDI or 100% to 114.4% of CDI	2,593,836	1,842,188
Working capital - US dollars	Libor +interest from 1.10% to 3.20%	29,440	32,187
Working capital - Euro	Euribor + interest from 0.15% to 1.75%	5,229	2,071
Credit Note - export	Interest from 1.2% to 14% or 100% to 120% of CDI	912,221	1,171,540
FCO - Middle West Fund	Interest of 10.00%	350	1,693
FNO - North Fund	Interest of 10.00%	18,633	20,624
Finep	Interest of 4.5%	9,692	11,680
CDC	TJLP and interest from 2.11% to 6.82%	3,587	-
Others		8,677	7,539
		11,953,785	9,516,410
		15,932,936	13,532,761
Breakdown:			
Current liabilities		4,819,190	5,339,433
Noncurrent liabilities		15,932,936	13,532,761
		20,752,126	18,872,194
Maturities of long-term debt are as follows:			
2013		883,393	1,949,326
2014		4,469,115	4,136,914
2015		1,381,129	980,346
2016		2,566,922	1,572,683
2017		169,149	199,347
2018		3,725,591	3,449,587
2019		2,880	4,148
2020		1,397,948	1,936
2021		1,275,940	1,182,330
Maturities thereafter 2021		60,869	56,144
		15,932,936	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$ 1,208,215 on June 30, 2012 (US$ 1,181,431 on 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 June 30, 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.

On April 19, 2012 the Company announced that it was soliciting consents from holders of the Notes 2016 to amend the restricted payments covenant to permit restricted payments to be made with the equity interests and/or assets of any non-essential subsidiaries of JBS S.A., provided that such restricted payments would not exceed 2% of JBS S.A.'s total consolidated revenues. The consent solicitation expired on May 3, 2012 with the Company receiving the requisite consents to implement the amendment.

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 in October 13, 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 Notes 2016 was executed on December 22, 2009.

On April 19, 2012 the Company announced that it was soliciting consents from holders of the Bertin's Notes 2016 to amend the restricted payments covenant to permit restricted payments to be made with the equity interests and/or assets of any non-essential subsidiaries of JBS S.A., provided that such restricted payments would not exceed 2% of JBS S.A.'s total consolidated revenues. The consent solicitation expired on May 3, 2012 with the Company receiving the requisite consents to implement the amendment.

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's 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.

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 June 30, 2012 was 2.49%. As of June 30, 2012, US$0.5 million was used towards letters of credit and borrowing availability was US$73.6 million. As of December 31, 2011 and June 30, 2012, J&F Oklahoma had US$915.2 million and $843.0 million, 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 June 30, 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 June 30, 2012 was 3.2%. 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 June 30, 2012, outstanding borrowings were US$262.0 million and US$323,2 million, respectively.

Variable interest entities – As of June 30, 2012, JBS USA Holdings holds variable interests in J&F Oklahoma, which is considered a variable interest entity. Since the business purpose of J&F Oklahoma is the ownership of livestock and the risks and rewards of owning feeder and fat cattle accrue to J&F Oklahoma, JBS USA Holdings has determined that it is a nonprimary beneficiary of J&F Oklahoma, although we have significant variable interests in the entity. Therefore, the results of J&F Oklahoma are not consolidated in these consolidated financial statements. The JBS USA Holdings' significant variable interests are listed below and discussed

- JBS Five Rivers has agreed to provide up to US$375.0 million in loans to J&F Oklahoma;
- JBS Five Rivers' guarantee of up to US$250.0 million of J&F Oklahoma's borrowings under its revolving credit facility plus certain other obligations and costs, which is secured by and limited to the net assets of JBS Five Rivers;
- JBS Five Rivers' rights and obligations under the annual incentive agreement; and
- JBS USA's rights and obligations under the cattle purchase and sale agreement.

JBS USA Holdings' maximum exposure to loss related to these variable interests is limited to the lesser of the net assets of JBS Five Rivers (including loans made to J&F Oklahoma) or US$250.0 million plus certain other obligations and costs. Potential losses under the terms of the hotelling and cattle purchase and sale agreement depend on future market conditions and cannot be quantified. On May 27, 2011, JBS USA contributed US$35.0 million to JBS Five Rivers. These funds were contributed to fund working capital and general corporate purposes. As of June 30, 2012, the carrying value of JBS Five Rivers' net assets is US$452.0 million.

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 allowed borrowings up to US$400.0 million. Up to US$75.0 million of the Credit Agreement was 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 June 30, 2012, there were US$87.8 million of outstanding letters of credit and borrowing availability of US$395.1 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.

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.

Events of Default: 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 June 30, 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 June 30, 2012 was 5.9%.

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% 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. This note matured on May 4, 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. The note matured on March 31, 2012.

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. The interest rate at June 30, 2012 was 5.25%. On May 8, 2012, the note was amended to extend the maturity date to March 31, 2013. This note

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. There were no outstanding borrowings at December 31, 2011. This note eliminates upon consolidation.

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 3%. 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 and payable upon demand by JBS USA at any time on or after June 30, 2015. The interest rate at June 30, 2012 was 3.5%. 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 in the U.S. Credity Facility is less than US$200.0 million. The loan and accrued interest are eliminated upon consolidation. 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. During the six months period ended June 30, 2012, JBS USA reduced interest expense, net by US$0.6 million and US$1.2 million, respectively, as a result of the PPC reimbursement.

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%. On May 22, 2012, the note was amended to increase the maximum amount available to US$50 million. Principal and interest are payable upon demand by Sampco at any time on or after March 31, 2014. At June 30, 2012 the interest rate was 3.5%. The revolving promissory note eliminates upon consolidation.

US$ 100 million note to JBS Five Rivers - On April 20, 2012, JBS USA Holdings executed a US$100.0 million intercompany revolving promissory note with JBS Five Rivers with interest based on the three-month LIBOR plus a margin of 3% and a maturity date of April 20, 2013 to fund working capital needs and general corporate purposes. At June 30, 2012, JBS Five Rivers had accrued interest outstanding of US$13 thousand. This 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.

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. On April 1, 2012, JBS USA Holdings and Sampco amended the related party revolving promissory note to increase the interest rate to the three-month LIBOR plus a 3% margin and to extend the maturity date to March 31, 2014. 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.

On April 19, 2012 JBS USA announced that it was soliciting consents from holders of the 11.625% senior unsecured notes due 2014 to amend the restricted payments covenant with respect to JBS S.A. to permit restricted payments to be made with the equity interests and/or assets of any non-essential subsidiaries of JBS S.A., provided that such restricted payments would not exceed 2% of JBS S.A.'s total consolidated revenues. The consent solicitation expired on May 3, 2012 with JBS USA receiving the requisite consents to implement the amendment.

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 June 30, 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 11.625% senior unsecured notes due 2014. At June 30, 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 30, 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 June 30, 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 June 30, 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 11.625% senior unsecured notes due 2014. At June 30, 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 June 30, 2012, the applicable borrowing base was $676.9 million, the amount available for borrowing under the revolving loan commitment was $476.2 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 - PPC's 2018 Notes - On December 15, 2010, On December 15, 2010, PPC issued $500.0 million of 7.875% Senior Notes due 2018 (the "PPC's 2018 Notes"). The PPC's 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 PPC's 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 "Mexico Credit Facility") 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 June 30, 2012, the revolving commitment has a principal amount of 557.4 million Mexican pesos, a U.S. dollar-equivalent of $40.2 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.

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 June 30, 2012 the Company has a remaining balance to be paid to the debenture holders in the amount of R$ 1,280, which will be paid during the year of 2012.

17 Income taxes, payroll, social charges and tax obligation

	Company		Consolidated	
	June 30, 2012	Dec 31, 2011	June 30, 2012	Dec 31, 2011
Payroll and related social charges	**162,965**	150,414	**374,127**	333,678
Accrual for labor liabilities	**144,529**	99,463	**970,929**	900,978
Income taxes	**-**	-	**10,576**	211,528
Withholding income taxes	**431**	757	**595**	1,616
ICMS / VAT / GST tax payable	**12,594**	11,826	**16,346**	23,799
PIS / COFINS tax payable	**899**	348	**936**	521
Taxes in installments	**150,687**	-	**151,450**	271,762
Others	**88,362**	85,055	**316,225**	318,621
	560,467	**347,863**	**1,841,184**	**2,062,503**
Breakdown:				
Current liabilities	**437,963**	347,863	**1,257,187**	1,378,691
Noncurrent liabilities	**122,504**	**-**	**583,997**	683,812
	560,467	**347,863**	**1,841,184**	**2,062,503**

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 June 30, 2012 and December 31, 2011, areas follows:

	Company		Consolidated	
	June 30, 2012	Dec 31, 2011	June 30, 2012	Dec 31, 2011
Labor	**50,020**	47,646	**68,315**	71,004
Civil	**7,824**	6,863	**37,265**	36,284
Tax and Social Security	**87,150**	86,466	**92,397**	144,272
Total	**144,994**	**140,975**	**197,977**	**251,560**

Changes in provisions

	Dec 31, 2011	Additions	Reversals	Exchange rate variation	Vigor deconsolidation	June 30, 2012
Company	**140,975**	4,019	-	-	-	**144,994**
Consolidated	**251,560**	3,070	(56,818)	3,032	(2,867)	**197,977**

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 in the trials of Extraordinary Appeals number 363.852/MG and 596.177/RS. 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$ 87,150 which are 100% provisioned.

Labor Proceedings

As of June 30, 2012 the Company was party to 8,456 labor and accident proceedings, involving total value of R$ 1,037,734. Based on the opinion of the Company's external legal counsel, the Company's management recorded a provision in the amount of R$ 50,020 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.

Civil Proceedings

a) Slaughter facility at Araputanga

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

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

The parties are waiting for new appraisal. The first judicial expert appraisal was favorable to the company, that after evaluating the payments made by Agropecuária Friboi, the appraisal concluded that the 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 June 30, 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 June 30, 2012, R$ 7,224, has been provisioned.

Other proceedings

On June 30, 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	
	June 30, 2012	Dec 31, 2011	June 30, 2012	Dec 31, 2011
Current	**131,445**	10,589	**131,445**	10,589
Noncurrent	**52,094**	2,048	**52,094**	2,048
	183,539	**12,637**	**183,539**	**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 (mainly goodwill amortization).

	Company		Consolidated	
	For the six months period ended on June 30,		For the six months period ended on June 30,	
	2012	2011	2012	2011
Income before income taxes	**451,992**	(117,214)	**540,609**	(145,540)
Income taxes				
Expectation of income (expense) of the income taxes - Combined nominal of 34%	**(153,677)**	39,853	**(183,807)**	49,484
Adjust to demonstrate the effective rate				
Additions (write off), mostly result on equity subsidiaries (tax equivalents in other countries)	**(12,752)**	43,573	**(42,725)**	(20,990)
Income (expense) of the deferred income taxes	**(166,429)**	83,426	**(226,532)**	28,494
Effective rate	**-36.82%**	-71.17%	**-41.90%**	-19.58%

	Company		Consolidated	
	For the three months period ended on June 30,		For the three months period ended on June 30,	
	2012	2011	2012	2011
Income before income taxes	**212,413**	(246,709)	**299,005**	(317,700)
Income taxes				
Expectation of income (expense) of the income taxes - Combined nominal of 34%	**(72,220)**	83,881	**(101,662)**	108,018
Adjust to demonstrate the effective rate				
Additions (write off), mostly result on equity subsidiaries (tax equivalents in other countries)	**29,291**	(17,928)	**(12,785)**	2,711
Income (expense) of the deferred income taxes	**(42,929)**	65,953	**(114,447)**	110,729
Effective rate	**-20.21%**	-26.73%	**-38.28%**	-34.85%

Explanative notes

Composition of expenses of income tax and social contribution presented income statements of the Company and Consolidated results for the three and six months period ended on June 30, 2012 and 2011.

	Company		Consolidated	
	Six months period ended on June 30,		Six months period ended on June 30,	
	2012	2011	2012	2011
Current income taxes	**1,209**	1,434	**(47,417)**	(295,672)
Deferred income taxes	**(167,638)**	81,992	**(179,115)**	324,166
	(166,429)	**83,426**	**(226,532)**	**28,494**

	Company		Consolidated	
	Three months period ended on June 30,		Three months period ended on June 30,	
	2012	2011	2012	2011
Current income taxes	**459**	686	**(64,060)**	(101,077)
Deferred income taxes	**(43,388)**	65,267	**(50,387)**	211,806
	(42,929)	**65,953**	**(114,447)**	**110,729**

Composition of deferred income tax and social contribution

	Company		Consolidated	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
ASSETS				
. On tax losses and temporary differences	**415,449**	356,459	**1,228,114**	1,148,817
LIABILITIES				
. On revaluation reserve and temporary differences	**871,675**	646,257	**2,060,235**	1,827,189
Net	**456,226**	**289,798**	**832,121**	**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, and

- 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 associates and 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 June 30, 2012 is represented by 2,963,924,296 ordinary shares, without nominal value. From this total, as described below in the letter f), 117,800,183 shares are held in treasury.

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.

On June 21, 2012, was performed the Voluntary Public Tender Offer for the Acquisition of Common Shares Issued by JBS as previously mentioned, in Exchange for Common Shares issued by Vigor Alimentos SA (Oferta Pública Voluntária de Aquisição de Ações Ordinárias de Emissão da JBS Mediante Permuta por Ações Ordinárias de Emissão da Vigor) the "Exchange Offer". As a result of the Exchange Tender Offer, JBS SA acquired 117,800,183 shares of its own issue at a price of R$ 7.96 per share. Additionally, JBS SA incurred transaction costs in the amount of $ 324.

The acquisition of the shares as a result of the Exchange Tender Offer, as well as transaction costs, were registered as an increase in treasury shares against the investment that JBS SA had in Vigor, which described in detail following item (h) Capital Transactions.

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**
Exchange Offer (Vigor)	**117,800,183**	**937,689**
Cancellation	**(97,519,895)**	**(612,578)**
Transaction Costs	**-**	**324**
Balance as of June 30, 2012	**117,800,183**	**938,013**

g) The Effects of Changes in Foreign Exchange Rates

According to CPC 02 R2/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 R1 / IFRS 1 - First Time Adoption of International Accounting Standards, under the term of the CPC 02 R2 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 R2 - 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 noncontrolling 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).

Significant operations during the six months period ended June 30, 2012:

As mentioned in the note 1c) by the "Exchange Offer", the Company that was previously the wholly owner of the Shares of Vigor, actually holds 21.32% of the total shares, giving most of its stake, equivalent to 44.62% of the total shares of Vigor, to the FB Participações S.A., which is the holding of JBS S.A., and although the Company reduces its stake percentage and loses control on Vigor, the control is still kept in the same economic Group, by FB Participações S.A., Company's holding, so the result of this transaction was registered under the line of capital transactions, so that was sold an investment of R$ 959,961 in exchange of R$ 937,689 treasury shares, resulting in a capital transaction of (R$ 22,272), which the breakdown is the following:

- Write-off in Vigor investment:		
Number of shares:		117,800,183
Share value in reais:	R$	8.15
Amount of investment written-off:	R$	959,961
- Exchange (Treasury Shares Receiving):		
Number of shares:		117,800,183
Share value in reais:	R$	7.96
Amount of treasury shares:	R$	937,689
- Capital transaction calculation:	**R$**	**(22,272)**

The Company also registered in the six months period ended on June 30, 2012 the amount of (R$ 7,070) for the increase of its stake in JBS Paraguay, through its subsidiary JBS Holding GMBH and the amount of R$ 118,618 related to the increase of its stake in PPC, through its subsidiary JBS USA. After these stake increase, the Company, through its subsidiary JBS Holding GmbH, is the wholly owner of JBS Paraguay, and through JBS USA, increased its stake from 68% to 75.3% in PPC.

22 Net revenue

	Company		Consolidated	
	For the six months period ended on June 30,		For the six months period ended on June 30,	
	2012	2011	2012	2011
Gross sale revenue				
Products sales revenues				
Domestic sales	**5,678,437**	4,969,251	**27,549,368**	22,635,255
Foreign sales	**2,408,609**	2,201,065	**8,214,211**	7,856,973
	8,087,046	**7,170,316**	**35,763,579**	**30,492,228**
Sales deduction				
Returns and discounts	**(292,775)**	(316,869)	**(632,568)**	(602,013)
Sales taxes	**(482,338)**	(424,105)	**(651,640)**	(595,670)
	(775,113)	**(740,974)**	**(1,284,208)**	**(1,197,683)**
NET REVENUE	**7,311,933**	**6,429,342**	**34,479,371**	**29,294,545**

	Company		Consolidated	
	For the three months period ended on June 30,		For the three months period ended on June 30,	
	2012	2011	2012	2011
Gross sale revenue				
Products sales revenues				
Domestic sales	**2,983,928**	2,576,115	**14,523,298**	11,453,123
Foreign sales	**1,381,794**	1,064,417	**4,608,508**	3,771,505
	4,365,722	**3,640,532**	**19,131,806**	**15,224,628**
Sales deduction				
Returns and discounts	**(154,893)**	(160,360)	**(329,356)**	(290,781)
Sales taxes	**(249,275)**	(222,837)	**(334,159)**	(312,042)
	(404,168)	**(383,197)**	**(663,515)**	**(602,823)**
NET REVENUE	**3,961,554**	**3,257,335**	**18,468,291**	**14,621,805**

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	
	Six months period ended on June 30,	
	2012	2011
Net profit (loss) attributable to shareholders - R$	**285,563**	**(33,788)**
Average of the shares in the period - thousands	**2,881,469**	2,567,471
Average of the shares in the Treasury - thousands	**(35,345)**	(91,498)
Average of shares circulating - thousands	**2,846,124**	**2,475,973**
Net profit (loss) per thousand shares - Basic - R$	**100.33**	**(13.65)**

	Consolidated	
	Three months period ended on June 30,	
	2012	2011
Net profit (loss) attributable to shareholders - R$	**169,484**	**(180,756)**
Average of the shares in the period - thousands	**2,881,469**	2,567,471
Average of the shares in the Treasury - thousands	**(35,345)**	(91,498)
Average of shares circulating - thousands	**2,846,124**	**2,475,973**
Net profit (loss) per thousand shares - Basic - R$	**59.55**	**(73.00)**

Diluted

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

	Consolidated	
	For the six months period ended on June 30,	
	2012	2011
Net profit (loss) attributable to shareholders - R$	**285,563**	**(33,788)**
Weighted average number of ordinary shares (basic) - R$	**2,846,124**	2,475,973
Effect of conversion of debentures - thousands	**-**	493,973
Weighted average number of ordinary shares (diluted)	**2,846,124**	**2,969,946**
Net profit (loss) per thousand shares - Diluted - R$	**100.33**	**(11.38)**

	Consolidated	
	For the three months period ended on June 30,	
	2012	2011
Net profit (loss) attributable to shareholders - R$	**169,484**	**(180,756)**
Weighted average number of ordinary shares (basic) - R$	**2,846,124**	2,475,973
Effect of conversion of debentures - thousands	**-**	493,973
Weighted average number of ordinary shares (diluted)	**2,846,124**	**2,969,946**
Net profit (loss) per thousand shares - Diluted - R$	**59.55**	**(60.86)**

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

24 EBITDA reconciliation

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

	Company		Consolidated	
	For the six months period ended on June 30,		For the six months period ended on June 30,	
	2012	2011	2012	2011
Net profit (loss) before taxes	**451,992**	(117,214)	**540,609**	(145,540)
Financial expense, net	**585,083**	839,191	**545,187**	942,024
Depreciation and amortization	**212,246**	211,702	**603,277**	621,347
EBITDA	**1,249,321**	**933,679**	**1,689,073**	**1,417,831**
Equity in earnings of subsidiaries	**(130,334)**	(145,925)	**-**	-
Restructuring, reorganization and donation	**-**	-	**11,716**	-
Adjustment on bargain purchase gain	**-**	-	**-**	95
Indemnity	**-**	-	**8,485**	5,671
ADJUSTED EBITDA	**1,118,987**	**787,754**	**1,709,274**	**1,423,597**

	Company		Consolidated	
	For the three months period ended on June 30,		For the three months period ended on June 30,	
	2012	2011	2012	2011
Net profit (loss) before taxes	**212,413**	(246,709)	**299,005**	(317,700)
Financial expense, net	**546,308**	536,110	**389,366**	590,894
Depreciation and amortization	**107,162**	114,432	**318,234**	310,186
EBITDA	**865,883**	**403,833**	**1,006,605**	**583,380**
Equity in earnings of subsidiaries	**(261,296)**	49,580	**-**	-
Restructuring, reorganization and donation	**-**	-	**4,845**	-
Adjustment on bargain purchase gain	**-**	-	**-**	3,495
Indemnity	**-**	-	**1,356**	792
ADJUSTED EBITDA	**604,587**	**453,413**	**1,012,806**	**587,667**

25 Financial income (expense), net

	Company		Consolidated	
	For the six months period ended on June 30,		For the six months period ended on June 30,	
	2012	2011	2012	2011
Exchange rate variation	**(455,061)**	443,072	**(459,214)**	450,048
Results on derivatives	**217,830**	(737,532)	**505,374**	(789,781)
Interest - Loss	**(531,434)**	(616,003)	**(861,634)**	(708,709)
Interest - Gain	**221,538**	121,982	**349,344**	170,788
Taxes, contribution, tariff and others	**(37,956)**	(50,710)	**(79,057)**	(64,370)
	(585,083)	**(839,191)**	**(545,187)**	**(942,024)**

	Company		Consolidated	
	For the three months period ended on June 30,		For the three months period ended on June 30,	
	2012	2011	2012	2011
Exchange rate variation	**(674,177)**	259,507	**(689,218)**	234,034
Results on derivatives	**337,152**	(514,317)	**615,285**	(554,542)
Interest - Loss	**(275,447)**	(303,450)	**(428,754)**	(334,323)
Interest - Gain	**96,792**	49,354	**175,941**	93,208
Taxes, contribution, tariff and others	**(30,628)**	(27,204)	**(62,620)**	(29,271)
	(546,308)	**(536,110)**	**(389,366)**	**(590,894)**

26 Other income (expenses),

Other income on June 30, 2012 in the amount of R$ 9,863 relating mainly to:

i) JBS Argentina in the amount of R$ 7,844, related to the sale of the unit located in San José in the province of Entre Rios;

ii) JBS USA in the amount of (R$ 5,395) restructuring and reorganization costs;

iii) Other income in the amount of R$ 7,414 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 reducing the liabilities that they refer to.

Follows below, in detail, the operations which the Company incurred transaction costs, in other words, i.e., incurred costs 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 incurred in R$ 37,477 related to the transaction costs of the process of raising funds through the Public Offering, which accounting is kept prominently in a reduction account of the shareholders' equity, deducting any effects.

b) Exchange for Common Shares of Vigor Alimentos SA ("The Exchange Tender Offer")

In June 2012, the Company incurred in transaction costs on the amount of R$ 324 related to the acquisition process of 117,800,183 shares of its own issue, which is kept prominently in a reduction account of shareholders' equity, deducting any effects.

c) Senior Notes Offering (Bonds)

During the year of December 31, 2010, the Company incurred in R$ 17,789 related to the transaction costs for financial funding with Senior Notes Offering (Bonds) – in the amounts of US$ 700,000 and US$ 200,000 realized on July and September of 2010, respectively, recorded as a reduction of the loan. On June 30, 2012, due to accumulated amortization of the amount based on the payments period, the Company has a residual amount of R$ 13,543 of transaction cost related to debt that will continue to be amortized in accordance with the period payment.

On June 2012, the Company incurred in R$ 13,699 related to the transaction costs financial funding, through the emissions of the Senior Notes Offering (Bonds) in the amount of US$ 650,000, as a reduction of the loan. On June 30, 2012, because of accumulated amortization based on the recorded payments period reduction, the Company has a residual amount of R$ 13,177 of transaction costs related to debt that will continue to be amortized according to the period payment.

d) Other Funding

In June 2012, the Company incurred in R$ 444 related to the transaction costs of the processes of funding credit note to export (NCE) in the amount of R$ 185,000, which accounting is maintained in a reduction account of the loan. On June 30, 2012, because of the accumulated amortization of the balance based on the payments period, the Company has a residual amount of R$ 425 of transaction cost related to debt that will continue to be amortized according to the period payment.

In June 2012, the Company incurred in R$ 6,000 related to the transaction costs of the processes of funding Working capital in the amount of R$ 1,000,000, which accounting is maintained in a reduction account of the loan. On June 30, 2012, because of the accumulated amortization of the balance based on the payments period, the Company has a residual amount of R$ 5,902 of transaction cost related to debt that will continue to be amortized according to the period payment.

28 Defined Benefit and Contribution Plans

JBS Plans

JBS USA sponsors a 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 JBS USA, based on specific terms contained in the 401(k) Savings Plan. The trustee of the 401(k) Savings Plan, at the direction of each participant, invests the assets of the 401(k) Savings Plan in participant designated investment options. The 401(k) Savings Plan is intended to qualify under Section 401 of the Internal Revenue Code. JBS USA’s expenses related to the matching provisions of the plan were US$1.5 million (R$ 2,447) and US$2.9 million (R$ 4,731) for the three and six months period ended on June 30, 2011, respectively. JBS USA’s expenses related to the matching provisions of the plan were US$1.5 (R$ 2,798) million and US$3.0 million (R$ 5,597) for the three and six months period ended on June 30, 2012, respectively.

One of JBS USA’s facilities participates in a multi-employer pension plan. JBS USA’s contributions to this plan, which are included in cost of goods sold in the Consolidated Statements of Income, were US$251 thousand (R$ 410) and US$362 thousand (R$ 591) for the three and six months period ended June 30, 2011, respectively, and US$102 thousand (R$ 190) and US$207 thousand (R$ 386) for the three and six months period ended June 30, 2012, respectively. JBS USA also made contributions totaling US$16 thousand (R$ 30) and US$32 thousand (R$ 60) for the three and six months period ended June 30, 2011, respectively, and US$17 thousand (R$ 34) and $34 thousand for the three and six months period ended June 30, 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 JBS USA’s facilities participates in a supplemental executive retirement plan. There were no expenses recognized by JBS USA for this plan during the three and six months period ended on June 30, 2011 and 2012.

Employees of JBS Australia do not participate in JBS USA’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. JBS USA’s expenses related to contributions to this fund totaled US$8.3 million (R$ 13,531) and US$15.4 million (R$ 25,125) for the three and six months period ended June 30, 2011, respectively. JBS USA’s expenses related to contributions to this fund totaled US$8.2 million (R$ 15,298) and US$16.1 million (R$ 30,036) for the three and six months period ended June 30, 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 US$3.0 million (R$ 4,894) and US$5.3 million (R$ 8,647) for the three and six months period ended June 30, 2011, respectively, and US$ 2.4 million (R$ 4,477) and US$ 4.6 million (R$ 8,592) for the three and six months period ended June 30, 2012, respectively.

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 Benefit Plans Obligations and Assets

The following tables provide reconciliations of the changes in the plans' projected benefit obligations and fair value of assets as well as statements of the funded status, balance sheet reporting and economic assumptions for these plans:

Change in projected benefit obligation	For the six months period ended on June 30, 2012	
	Pension Benefits	Other Benefits
Projected benefit obligation, beginning of period	339,439	3,964
Service cost	51	-
Interest cost	8,360	97
Actuarial losses	24,146	283
Benefits paid	(6,274)	(168)
Curtailments and settlements	-	-
Projected benefit obligation, end of period	365,722	4,176

Change in plan assets	For the six months period ended on June 30, 2012	
	Pension Benefits	Other Benefits
Fair value of plan assets, beginning of the period	164,115	-
Actual return on plan assets	5,609	-
Contributions by employer	8,734	168
Benefits paid	(6,274)	(168)
Curtailments and settlements	-	-
Fair value of plan assets, end of period	172,184	-

Funded status	June 30, 2012		December 31, 2011	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Funded status	(193,537)	(4,176)	(162,703)	(3,678)
Unrecognized net actuarial loss (gain)	65,937	(53)	40,517	(313)
Accrued benefit cost	(127,600)	(4,229)	(122,186)	(3,991)

Amounts recognized in the Consolidated Balance Sheets	June 30, 2012		December 31, 2011	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Accrued benefit cost, current	(22,113)	(338)	(20,621)	(311)
Accrued benefit cost, long-term	(171,424)	(3,838)	(142,082)	(3,367)
Accumulated other comprehensive loss (income)	65,937	(53)	40,517	(313)
Net amount recognized	(127,600)	(4,229)	(122,186)	(3,991)

The accumulated benefit obligation for all defined benefit plans was US$169.8 million (R$ 319,000) and US$183 million (R$ 370,000) at December 31, 2011 and June 30, 2012, respectively. Each of PPC's defined benefit plans had an accumulated benefit obligation in excess of plan assets at December 31, 2011 and June 30, 2012.

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

Net Periodic Benefit Cost	For the six months period ended on June 30, 2012		For the six months period ended on June 30, 2011	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Service cost	47	-	162	-
Interest cost	7,569	88	7,629	104
Estimated return on plan assets	(5,356)	-	(5,745)	-
Amortization of net loss	1,295	(2)	7	-
Net periodic benefit cost	3,555	86	2,053	104

The following table presents the economic assumptions used in determining the benefit obligations:

	For the six months period ended on June 30, 2012	
	Pension Benefits	Other Benefits
Discount rate	4.58%	4.59%
Rate of increase in compensation levels	3.00%	N/A

The following table reflects the pension plans' actual asset allocations:

	June 30, 2012	December 31, 2011
Equity securities	69%	71%
Debt securities	31%	29%
Total assets	100%	100%

Absent regulatory or statutory limitations, the target asset allocation for the investment of the assets for their ongoing pension plans is 30% in debt securities and 70% in equity securities. The plans only invest in debt and equity instruments for which there is a ready public market. PPC develops their expected long-term rate of return assumptions based on the historical rates of returns for equity and debt securities of the type in which PPC's plans invest.

The fair value measurements of plan assets fell into the following levels of the fair value hierarchy as of June 30, 2012:

	Level 1	Level 2	Total
Cash and money market funds	206	-	206
Equity securities	-	119,311	119,311
Debt securities	-	52,667	52,667
Total assets	206	171,978	172,184

The valuation of plan assets in Level 2 is determined using a market approach based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for substantially the full term of the financial instrument. Level 2 securities primarily include equity and fixed income securities funds.

Benefit Payments

Because PPC pension plans are primarily funded plans, the anticipated benefits with respect to these plans will come primarily from the trusts established for these plans. Because their other postretirement plans are unfunded, the anticipated benefits with respect to these plans will come from their own assets. The following table reflects the benefits as of June 30, 2012 expected to be paid in each of the next five years and in the aggregate for the five years thereafter from PPC's pension and other postretirement plans:

	Pension Benefits	Other Benefits
2012 (remaining)	11,202	168
2013	21,822	340
2014	21,559	344
2015	20,718	346
2016	20,957	346
Thereafter	100,782	1,651
Total	197,040	3,195

PPC anticipates contributing US$9.9 million (R$ 20,011) and US$0.2 million (R$ 404) to their pension and other postretirement plans, respectively, during 2012.

Unrecognized Benefit Amounts in Accumulated Other Comprehensive Income

The amounts in accumulated other comprehensive income that were not recognized as components of net periodic benefits cost and the changes in those amounts are as follows:

	For the six months period ended on June 30, 2012	
	Pension Benefits	Other Benefits
Net actuarial loss (gain), beginning of the period	43,660	(338)
Amortization	(1,403)	2
Liability loss	23,374	283
Asset loss	305	-
Net actuarial loss (gain), end of the period	65,936	(53)

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 US$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.

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

Bertin USA Plans

Bertin USA sponsors 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 US$76 thousand (R$ 124) and US$179 thousand (R$ 292) for the three and six months period ended on June 30, 2011, respectively, and approximately US$31 thousand (R$ 58) and US$59 thousand (R$ 110) for the three and six months period ended on June 30, 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 and six months period ended on June 30, 2011 and 2012, service cost, interest cost, estimated return on plan assets and net periodic benefit cost were immaterial.

During the six months period ended on June 30, 2012, Bertin USA funded US$119 thousand (R$ 241) to its defined benefit plan.

29 Deferred revenue

On October 22, 2008, the JBS USA received a deposit in cash from a customer of U$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 US beef plants. This agreement was formalized in writing as the Raw Material Supply Agreement ("Supply Agreement") on February 27, 2008 and matures on December 30, 2016. The customer advance payment was recorded as deferred revenue. 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 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 2%. The interest rate at June 30, 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 June 30, 2012, the conversion right under the Supply Agreement would have equaled 2.96% of the outstanding common stock or 2.96 shares.

The Supply Agreement contains affirmative and negative covenants which requires JBS USA 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 June 30, 2012. During the second quarter of 2012, the customer ceased taking product from the JBS USA and, since the Supply Agreement makes no provision for an alternate form of calculating the repayment of the unamortized balance the JBS USA continues to accrue interest on the unamortized balance. JBS USA is in discussions with the customer, however no agreement has been reached. At June 30, 2012, the JBS USA had accrued interest of U$436 thousand (R$ 881). The unamortized balance at December 31, 2011 and June 30, 2012 was approximately U$107.5 million (R$ 201,649) and $100.8 million (R$ 203,747), respectively. At December 31, 2011 and June 30, 2012, other deferred revenue was U$3.4 million (R$ 6,378) and U$2.8 million (R$ 5,660), 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, Chicken and Pork. Geographically, the Management takes into account the operational performance of its unities in 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 Chicken segment is represented by in natura products, refrigerated as a whole or in pieces, whose productive units are located in United States of America, Mexico and Brazil, 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.

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 operations between segments will be eliminated in the group.

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

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

The information per businesses' operational segment, analyzed by the Executive Board of Officers, and related to the three and six months periods ended on June 30, 2012 and 2011, are as following:

Net revenue by product line:

	For the six months period ended on June 30,		For the six months period ended on June 30,	
	2012	2011	2012	2011
Net revenue of the segment				
Beef	**22,092,172**	18,517,225	**11,855,185**	9,275,616
Pork	**3,170,433**	2,744,889	**1,658,222**	1,349,948
Chicken	**7,212,629**	6,196,134	**3,887,327**	3,056,006
Others	**2,004,137**	1,836,297	**1,067,557**	940,235
Total	**34,479,371**	**29,294,545**	**18,468,291**	**14,621,805**

Depreciation by product line:

	For the six months period ended on June 30,		For the six months period ended on June 30,	
	2012	2011	2012	2011
Depreciation and amortization				
Beef	**290,720**	291,426	**153,538**	151,538
Pork	**30,791**	24,205	**16,435**	11,958
Chicken	**199,371**	251,546	**106,707**	116,865
Others	**82,395**	54,170	**41,554**	29,825
Total	**603,277**	**621,347**	**318,234**	**310,186**

EBITDA by product line:

	For the six months period ended on June 30,		For the six months period ended on June 30,	
	2012	2011	2012	2011
EBITDA				
Beef	**848,480**	1,162,563	**498,628**	489,056
Pork	**214,986**	330,181	**121,798**	154,632
Chicken	**421,881**	(171,162)	**249,862**	(73,621)
Others	**223,927**	102,015	**142,518**	17,600
Total	**1,709,274**	**1,423,597**	**1,012,806**	**587,667**

Assets by segment:

	June 30, 2012	December 31, 2011
Assets		
Beef	**34,323,112**	32,394,892
Pork	**1,082,416**	1,169,460
Chicken	**7,839,707**	6,987,619
Others	**5,940,641**	6,858,913
Total	**49,185,876**	**47,410,884**

Revenues by geographic area:

	For the six months period ended on June 30,		For the six months period ended on June 30,	
	2012	2011	2012	2011
Net revenue				
United States of America (including Australia)	**25,469,082**	21,299,620	**13,629,771**	10,592,151
South America	**8,145,131**	7,219,475	**4,317,731**	3,615,317
Others	**865,158**	775,450	**520,789**	414,337
Total	**34,479,371**	**29,294,545**	**18,468,291**	**14,621,805**

Depreciation by geographic area:

	For the six months period ended on June 30,		For the six months period ended on June 30,	
	2012	2011	2012	2011
Depreciation and amortization				
United States of America (including Australia)	**361,291**	384,843	**194,423**	183,915
South America	**238,505**	234,177	**121,951**	125,311
Others	**3,481**	2,327	**1,860**	960
Total	**603,277**	**621,347**	**318,234**	**310,186**

EBITDA by geographic area:

	For the six months period ended on June 30,		For the six months period ended on June 30,	
	2012	2011	2012	2011
EBITDA				
United States of America (including Australia)	**536,635**	684,242	**354,104**	154,867
South America	**1,138,815**	736,206	**630,256**	427,884
Others	**33,824**	3,149	**28,446**	4,916
Total	**1,709,274**	**1,423,597**	**1,012,806**	**587,667**

Assets by geographic area:

	June 30, 2012	December 31, 2011
Assets		
United States of America (including Australia)	**16,166,222**	14,684,699
South America	**31,224,825**	31,138,791
Others	**1,794,829**	1,587,394
Total	**49,185,876**	**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:

	For the six months period ended on June 30,		For the six months period ended on June 30,	
Classification by nature	2012	2011	2012	2011
Depreciation and amortization	**(603,277)**	(621,347)	**(318,234)**	(310,186)
Personnel expense	**(3,677,727)**	(2,916,676)	**(1,939,769)**	(1,617,542)
Raw material use and consumption materials	**(29,081,990)**	(25,190,303)	**(15,537,667)**	(12,540,022)
Taxes, fees and contributions	**(1,479,311)**	(844,134)	**(740,931)**	(641,944)
Third party capital remuneration	**(1,870,717)**	(2,760,480)	**(1,084,824)**	(1,576,520)
Other income, net	**2,774,260**	2,892,855	**1,452,139**	1,746,709
	(33,938,762)	**(29,440,085)**	**(18,169,286)**	**(14,939,505)**

	For the six months period ended on June 30,		For the six months period ended on June 30,	
Classification by function	2012	2011	2012	2011
Cost of goods sold	**(30,708,013)**	(26,186,645)	**(16,350,838)**	(13,202,332)
Selling expenses	**(1,748,778)**	(1,492,175)	**(932,374)**	(754,724)
General and administrative Expenses	**(946,647)**	(804,982)	**(518,756)**	(386,065)
Financial expense, net	**(545,187)**	(942,024)	**(389,366)**	(590,894)
Other expense, net	**9,863**	(14,259)	**22,048**	(5,490)
	(33,938,762)	**(29,440,085)**	**(18,169,286)**	**(14,939,505)**

32 Insurance coverage

As of June 30, 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 June 30, 2012 was of US$ 32 million (equivalent to R$ 64,682).

Regarding the subsidiary JBS USA, located in the USA, the insurance policy has the same above-mentioned characteristics; however, the maximum indemnification limit for June 30, 2012 was of US$ 200 million (equivalent to R$ 404,260).

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.

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 June 30, 2012 and December 31, 2011 is described below.

	Company		Consolidated	
Net liabilities and assets exposure to CDI rate:	June 30, 2012	Dec 31, 2011	June 30, 2012	Dec 31, 2011
NCE / Compror / Others	**4,198,077**	4,067,586	**4,198,077**	4,074,507
CDB-DI	**(1,555,968)**	(2,035,784)	**(1,671,747)**	(2,262,399)
Investment funds, LCA-DI and national treasury bill	**(1,027,161)**	(93,604)	**(1,564,938)**	(777,876)
Total	**1,614,948**	**1,938,198**	**961,392**	**1,034,232**
Liabilities exposure to LIBOR/EURIBOR rate:				
Working Capital - Euro	**-**	-	**63,787**	30,376
Working Capital - USD	**-**	-	**157,108**	165,649
Pre-payment	**1,568,213**	1,719,774	**1,578,745**	1,731,125
Others	**-**	10,859	**810,470**	359,463
Total	**1,568,213**	**1,730,633**	**2,610,110**	**2,286,613**
Liabilities exposure to TJLP rate:				
FINAME / FINEM	**226,871**	213,707	**227,273**	214,175
BNDES Automatic	**105,768**	187,211	**105,768**	187,211
EXIM - export credit facility	**193,355**	309,259	**193,355**	309,259
CDC	**8,593**	-	**8,593**	-
Total	**534,587**	**710,177**	**534,989**	**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 June 30, 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	**-**	(33,833)	(67,666)
Contracts indexed to Libor / Euribor	Increase on interest rate Libor / Euribor	-	(4,187)	(8,374)
Contracts indexed to TJLP	Increase on interest rate TJLP	-	(8,019)	(16,038)
		-	**(46,039)**	**(92,078)**

Exposure	Risk	Effect on income - Consolidated		
		Probable scenario (I)	Scenario (II) Variation - 25%	Scenario (III) Variation - 50%
Contracts indexed to CDI	Increase on interest rate CDI	-	(20,141)	(40,282)
Contracts indexed to Libor / Euribor	Increase on interest rate Libor / Euribor	-	(6,969)	(13,938)
Contracts indexed to TJLP	Increase on interest rate TJLP	-	(8,025)	(16,050)
		-	(35,135)	(70,270)
Premises				
Interest rate CDI	Increase on interest rate	8.38%	10.48%	12.57%
Interest Libor / Euribor	Increase on interest rate	1.07%	1.34%	1.60%
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 June 30, 2012 and December 31, 2011. The exposure in the subsidiaries are irrelevant for this analysis.

EXPOSURE	Company	
	June 30, 2012	Dec 31, 2011
OPERATING		
Cash and cash equivalents - US$	**1,240,987**	932,153
Trade accounts receivable - US$ / € / £	**1,365,765**	1,030,323
Inventories - US$	**69,101**	74,003
Sales Orders - US$ / € / £	**971,671**	461,710
Suppliers - US$	**(25,254)**	(37,290)
Trade accounts payable - US$	**-**	(14,307)
Subtotal	**3,622,270**	**2,446,592**
FINANCIAL		
Loans and financings - US$	**(7,120,264)**	(6,855,440)
Subtotal	**(7,120,264)**	**(6,855,440)**
DERIVATIVES		
Future contracts - US$	**2,163,157**	2,263,870
NDF's (Non deliverable forwards)	**2,627,690**	-
Swap (Assets US$)	**131,516**	177,079
Swap (Liabilities US$)	**(259,731)**	-
Subtotal	**4,662,632**	**2,440,949**
TOTAL EXPOSURE	**1,164,638**	**(1,967,899)**

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

June 30, 2012

Future Contracts - BM&F

Risk factor	Instrument	Nature	Quantity	Notional	Market value
US$	Future	Purchase	24,000	2,429,070	(88,023)
US$/Euro	Future	Disposal	(1,720)	(220,376)	3,617
US$/British Pound	Future	Disposal	(410)	(45,537)	1,054
				2,163,157	**(83,352)**

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$/£	Future	Purchase	229	41,517	(96)
US$/€	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 Citibank.

Swap (Assets US$)

Initial date Swap	Notional US$	Expiry date	Fair value (receivable) - R$	Fair value (payable) - R$	Open balance June 30, 2012
			(a)	(a)	(b)
Dec 13, 2010	14,141	Dec 10, 2012	12,171	12,273	(102)
Feb 4, 2011	117,375	Feb 4, 2015	106,520	109,963	(3,443)
	131,516			**Total**	**(3,545)**

Swap (Liabilities US$) - (b)

Initial date Swap	Notional - R$	Expiry date	Fair value (receivable) - R$	Fair value (payable) - R$	Open balance June 30, 2012
					(a)
Jan 26, 2012	10,184	Aug 23, 2012	9,221	10,292	(1,071)
Jan 26, 2012	10,031	Feb 25, 2013	9,083	10,181	(1,098)
Jan 26, 2012	9,879	Aug 23, 2013	8,946	10,029	(1,083)
Jan 26, 2012	9,706	Feb 24, 2014	8,788	9,863	(1,075)
Jan 26, 2012	9,517	Aug 25, 2014	8,618	9,703	(1,085)
Jan 26, 2012	9,323	Feb 23, 2015	8,442	9,524	(1,082)
Jan 26, 2012	9,110	Aug 24, 2015	8,249	9,335	(1,086)
Jan 26, 2012	8,892	Feb 23, 2016	8,051	9,138	(1,087)
Jan 26, 2012	8,700	Aug 23, 2016	7,877	8,958	(1,081)
Jan 26, 2012	174,389	Feb 23, 2017	157,905	179,756	(21,851)
	259,731			**Total**	**(31,599)**

(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)

Risk factor	Instrument	Nature	Notional - US$	Notional- R$	Position in June 30, 2012	Position in December 31, 2011
US$	NDF	Purchase	1,300,000	2,627,690	**(83,058)**	-
			1,300,000	2,627,690	**(83,058)**	-

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 June 30, 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	-	(1,780,066)	(3,560,132)
Operation	R$ Depreciation	-	905,568	1,811,136
Hedge derivatives	R$ Appreciation	(194,971)	1,165,658	2,331,316
		(194,971)	**291,160**	**582,320**
Premises	Exchange rate	2.0213	2.5266	3.0320

a.3) Commodity price risk

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

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

a.3.1) Position balance in commodities contracts

The balance in commodities contracts are as follow:

	Consolidated	
EXPOSURE	**June 30, 2012**	**Dec 31, 2011**
OPERATING		
Firm Contracts - R$	**2,680,628**	3,821,547
TOTAL	**2,680,628**	**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 Director of Risk Control monitors the operations that have as counterpart financial institutions (applications and protection contracts), monitoring exposure limits set by the Risk Management Committee based on risk ratings (ratings) of specialized international agencies.

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

	Note	Company		Consolidated	
		June 30, 2012	Dec 31, 2011	June 30, 2012	Dec 31, 2011
Assets					
Cash and cash equivalents	4	**3,955,537**	3,612,867	**5,475,236**	5,288,194
Trade accounts receivable	5	**2,249,386**	1,883,093	**5,045,674**	4,679,846
Credits with related parties	9	**622,997**	88,505	**716,870**	552,197
		6,827,920	**5,584,465**	**11,237,780**	**10,520,237**

Loss on reduction of accounts receivable recoverable value	Company		Consolidated	
	June 30, 2012	Dec 31, 2011	June 30, 2012	Dec 31, 2011
Current receivables	**2,146,165**	**1,729,425**	**4,561,597**	**3,939,255**
Overdue receivables:				
From 1 to 30 days	**91,407**	120,142	**385,362**	569,126
From 31 to 60 days	**8,795**	23,297	**30,269**	91,406
From 61 to 90 days	**5,827**	20,755	**22,855**	44,389
Above 90 days	**107,741**	102,656	**190,950**	185,589
Allowance for doubtful accounts	**(110,549)**	(113,182)	**(145,359)**	(149,919)
	103,221	**153,668**	**484,077**	**740,591**
	2,249,386	**1,883,093**	**5,045,674**	**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	
	June 30, 2012	Dec 31, 2011
Cash and cash equivalents	**5,475,236**	5,288,194
Loans and financings - Current	**4,819,190**	5,339,433
Modified liquidity indicator	**1.14**	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

June 30, 2012	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years	Fair Value
Trade accounts payable	885,636	-	-	-	885,636
Loans and financings	4,177,140	872,611	4,846,717	1,988,386	11,884,854
Derivatives financing liabilities (assets)	163,893	3,318	27,760	-	194,971
TOTAL	**5,226,669**	**875,929**	**4,874,477**	**1,988,386**	**12,965,461**

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**

Consolidated

June 30, 2012	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years	Fair Value
Trade accounts payable	3,513,481	-	-	-	3,513,481
Loans and financings	4,819,190	883,393	8,417,166	6,632,377	20,752,126
Derivatives financing liabilities (assets)	215,814	3,318	27,760	-	246,892
TOTAL	**8,548,485**	**886,711**	**8,444,926**	**6,632,377**	**24,512,499**

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 June 30, 2012 is R$ 265,787 (R$ 268,331 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	June 30, 2012	Dec 31, 2011	June 30, 2012	Dec 31, 2011
Assets					
Fair value through profit or loss					
Cash and cash equivalents	4	**3,955,537**	3,612,867	**5,475,236**	5,288,194
Loans and receivables					
Trade accounts receivable	5	**2,249,386**	1,883,093	**5,045,674**	4,679,846
Credits with related parties	9	**622,997**	88,505	**716,870**	552,197
Total		**6,827,920**	**5,584,465**	**11,237,780**	**10,520,237**
Liabilities					
Liabilities at amortized cost					
Loans and financings	14/15	**11,884,854**	11,669,895	**20,752,126**	18,872,194
Trade accounts payable	13	**885,636**	666,375	**3,513,481**	3,323,886
Fair value through profit or loss					
Payables derivatives		**194,971**	19,822	**246,892**	21,336
Total		**12,965,461**	**12,356,092**	**24,512,499**	**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.

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

	June 30, 2012		
	Company		
	Level 1	Level 2	Level 3
Current assets			
Cash and cash equivalents	3,955,537	-	-
Current liabilities			
Derivatives	(83,503)	(111,468)	-
	Consolidated		
	Level 1	Level 2	Level 3
Current assets			
Cash and cash equivalents	5,475,236	-	-
Current liabilities			
Derivatives	(135,424)	(111,468)	-

	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:

		June 30, 2012		December 31, 2011	
Company	**Note**	**Book value**	**Fair value**	**Book value**	**Fair value**
Cash and banks	4	**1,372,408**	**1,372,408**	1,483,479	1,483,479
Financial investments	4	**2,583,129**	**2,583,129**	2,129,388	2,129,388
Trade accounts receivable	5	**2,249,386**	**2,249,386**	1,883,093	1,883,093
Related parties receivable	9	**622,997**	**622,997**	88,505	88,505
Total financial assets		**6,827,920**	**6,827,920**	**5,584,465**	**5,584,465**
Trade accounts payable	13	**885,636**	**885,636**	666,375	666,375
Loans and financings	14/15	**11,884,854**	**11,884,854**	11,669,895	11,669,895
Convertible debentures	17	**1,280**	**1,280**	1,283	1,283
Derivatives		**194,971**	**194,971**	19,822	19,822
Total financial liabilities		**12,966,741**	**12,966,741**	**12,357,375**	**12,357,375**
		(6,138,821)	**(6,138,821)**	**(6,772,910)**	**(6,772,910)**

Consolidated	Note	June 30, 2012		December 31, 2011	
		Book value	Fair value	Book value	Fair value
Cash and banks	4	**2,238,551**	**2,238,551**	2,247,919	2,247,919
Financial investments	4	**3,236,685**	**3,236,685**	3,040,275	3,040,275
Trade accounts receivable	5	**5,045,674**	**5,045,674**	4,679,846	4,679,846
Related parties receivable	9	**716,870**	**716,870**	552,197	552,197
Total financial assets		**11,237,780**	**11,237,780**	**10,520,237**	**10,520,237**
Trade accounts payable	13	**3,513,481**	**3,513,481**	3,323,886	3,323,886
Loans and financings	14/15	**20,752,126**	**20,752,126**	18,872,194	18,872,194
Debentures	16	**1,280**	**1,280**	1,283	1,283
Derivatives		**246,892**	**246,892**	21,336	21,336
Total financial liabilities		**24,513,779**	**24,513,779**	**22,218,699**	**22,218,699**
		(13,275,999)	**(13,275,999)**	**(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	
	Six months period ended on June 30,		Six months period ended on June 30,	
	2012	2011	2012	2011
Gains (losses) by category of financial instrument				
Fair value through profit or loss	**320,139**	(644,328)	**767,335**	(565,889)
Loans and receivables	**135,957**	297,643	**111,630**	278,056
Liabilities at amortized cost	**(1,041,149)**	(492,506)	**(1,424,152)**	(654,191)
Total	**(585,053)**	**(839,191)**	**(545,187)**	**(942,024)**

	Company		Consolidated	
	Six months period ended on June 30,		Six months period ended on June 30,	
	2012	2011	2012	2011
Gains (losses) by category of financial instrument				
Fair value through profit or loss	**386,198**	(479,846)	**792,641**	(387,703)
Loans and receivables	**91,015**	138,060	**130,574**	238,016
Liabilities at amortized cost	**(1,023,521)**	(194,324)	**(1,312,581)**	(441,207)
Total	**(546,308)**	**(536,110)**	**(389,366)**	**(590,894)**

34 Material facts

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

On May 9,2012 the Company informed that it completed the sale of its plant located in the city of San Jose in the province of Entre Rios, Argentina. 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. The Company acquired the plant in San Jose in 2006 and the operations was stopped since 2009.

JBS Reopens its Plant in Presidente Epitacio, Sao Paulo, Brazil

On May 31,2012 the Company informed that it is reactivating its plant located in the town of Presidente Epitacio in the State of Sao Paulo, Brazil. All activities at the plant will restart on June 5, 2012 except for the slaughtering.

In this initial phase, the plant will produce about 9,5 thousand tons of beef per month. This amount could increase depending on demand in the domestic and export markets. Raw material will be provided from the other production plants of the Company.

This reopening became possible after considerable efforts of the government of the State of Sao Paulo when the governor himself and his ministers became involved. The plant will revive economic activities in the community generating jobs and providing tax revenue for the state.

The plant at Presidente Epitacio was built in the late seventies and has been under Company management since 2001. Activities at the plant were suspended last September prior to this weeks reopening.

35 Subsequent events

Liquidation of PROT-FIP

On July 23, 2012 the Company informed that the fund PROT – Fundo de Investimentos em Participacoes ("PROT-FIP") entered liquidation phase in the month of July, 2012, as its validity period matured.

As a consequence of this, the administrator of the PROT-FIP sent a document to the Company on July 20, 2012 communicating that 2 of the 5 participants – holders of 24.98% each – opted to withdraw their participation in the fund, thus receiving assets proportionate to their participation including Company shares. As a result, these ex-participants will now become direct shareholders in Company. The remaining participants have 180 days from July 13, 2012 to terminate their participation in PROT FIP.

The liquidation of PROT-FIP happens as a result of the maturity of its tenure which was established at the time it was founded and does not at all imply the sale of Company shares to the market.

With these modifications, PROT-FIP which had a 6.93% stake in Company is now reduced to 3.47%.

Additionally on July 24, 2012 the Company informed that the PROT-FIP termination process, initiated in July 2012, does not represent the sale of Company shares in the market. In fact, the fund will cease to exist as an institution, but the Company's shares owned by PROT will be distributed to its participants in the proportion to the quota that each one held. Thus, each participant of PROT becomes a direct shareholder of Company. The termination of the fund represents only a change in the investment vehicle used by its participants.

PROT was created in March 2008 and, on that occasion, the fund bought 205,365,101 Company shares. These shares are returning to the former fund participants.

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

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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

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