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

INDEPENDENT AUDITORS' REPORT

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

1. We have performed a special review of the accompanying quarterly information of JBS S.A. (the "Company") and controlled companies as of 30 June 2010, consisting of the balance sheet and the related consolidated balance sheets, consolidated statements of operations, changes in shareholders' equity, cash flows, value added, as well as notes and management report for the quarter then ended, all expressed in Brazilian reais, and prepared under the responsibility of the Company's management. The financial statements of Pilgrim's Pride Corporation, its indirectly controlled company, was reviewed by other independent accountants. Our review of the carrying values of this investment in the controlled company and the equity in its earnings as of 30 June 2010 are supported by the work of those other independent accountants.

2. Except for the mentioned in paragraph no. 3, our review was performed in accordance with specific standards established by IBRACON (Brazilian Institute of Independent Auditors) together with the Federal Association of Accountants (CFC) which consisted principally of: a) inquiry of and discussion with the managers responsible for the accounting, financial and operating areas as to the main criteria adopted in preparing the Quarterly Information and b) review of the information and subsequent events that have or may have material effects on the financial situation and operations of the Company and its controlled companies.

3. As mentioned in Notes no. 1 and 3, Management of the Company, by doubts on the quality and credibility of the accounting information presented in the financial statements of the "Inalca JBS S.p.A.", chose not to consolidate them in the financial statements of JBS SA for the quarter and semester ended 30 June 2010. Furthermore, the auditing of the "Inalca JBS S.p.A." financial statements for the periods then mentioned, whose auditing is responsibility of another independent auditor, has not been completed to date. Due to the uncertainties generated by the subjects mentioned in this paragraph, we can not conclude as to their possible impacts on the financial statements of JBS SA for the quarter and semester ended 30 June 2010.

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

INDEPENDENT AUDITORS' REPORT

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

4. According to our review and the review report of the other independent accountants, except for the possible adjustments that might result from the review of investment mentioned in paragraph no. 3, we are not aware of any relevant changes that should be made to the financial statements referred to in paragraph 1 for such financial statements to be in conformity with international financial reporting standards - IFRS issued by the "International Accounting Standards Board" - IASB, applicable to the preparation of consolidated interim financial reports (IAS 34 - "Interim Financial Reporting").

5. As mentioned in note 4, the Company decided to present its quarterly information of 30 June 2010 in accordance with international financial reporting standards - IFRS issued by the "International Accounting Standards Board" - IASB. Brazilian accounting practices differ in certain respects from international financial reporting standards - IFRS. The information relating to the nature and effect of these differences is presented in note 4 of the consolidated Quarterly Information.

6. The Quarterly Information mentioned in the first paragraph also includes comparative accounting information on income (loss) for the quarter ended 30 June 2009, obtained from the Quarterly Information for that quarter, and to the balance sheet as of 31 December 2009 and 1 January 2009, obtained from the financial statements as of 31 December 2009. The limited review of the Quarterly Information for the quarter ended 30 June 2009 and the audit of the financial statements for the year ended 31 December 2009 were performed by us. We issued our review report on 12 August 2009 and our opinion on 1 March 2010 with no qualification, therefore before adjustments and a new preparation of the accounting information mentioned in note 4. In connection with our review described in paragraph 1, we have reviewed the adjustments described in the notes and in our opinion these adjustments are adequate and were correctly made, considering all significant aspects.

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

São Paulo, 4 August 2010

Orlando Octávio de Freitas Junior
Engagement Partner
BDO Auditores Independentes

Marcio Serpejante Peppe
Engagement Partner
BDO Auditores Independentes

RA7375-1

JBS S.A.

International Accounting Stantards - IFRS

Quarterly Consolidated Financial Statements and Independent Auditor's Review Report

As of June 30, 2010 and 2009

JBS S.A.

Balance sheets
(In thousands of Reais)

	June 30, 2010	December 31, 2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 7)	**3,515,090**	5,067,530
Trade accounts receivable, net (Note 8)	**4,117,937**	3,201,437
Inventories (Note 9)	**4,449,839**	3,726,263
Recoverable taxes (Note 10)	**1,210,276**	1,066,033
Prepaid expenses	**143,910**	131,915
Other current assets	**557,818**	810,407
TOTAL CURRENT ASSETS	**13,994,870**	**14,003,585**
NON-CURRENT ASSETS		
Long-term assets		
Credits with related parties (Note 11)	**371,494**	326,972
Judicial deposits and others	**578,303**	558,615
Deferred income taxes (Note 21)	**868,766**	807,526
Recoverable taxes (Note 10)	**614,359**	615,748
Total long-term assets	**2,432,922**	**2,308,861**
Property, plant and equipment, net (Note 12)	**15,351,313**	15,017,688
Intangible assets, net (Note 13)	**12,766,910**	13,363,842
Other investments	**3,122**	3,984
	28,121,345	**28,385,514**
TOTAL NON-CURRENT ASSETS	**30,554,267**	**30,694,375**
TOTAL ASSETS	**44,549,137**	**44,697,960**

	June 30, 2010	December 31, 2009
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade accounts payable (Note 14)	**2,674,643**	2,546,036
Loans and financings (Note 15)	**5,016,515**	5,123,099
Payroll, social charges and tax obligation (Note 18)	**780,406**	721,854
Declared dividends	**-**	122,953
Debit with third parties for investment (Note 20)	**201,993**	427,523
Other current liabilities	**270,980**	363,797
TOTAL CURRENT LIABILITIES	**8,944,537**	**9,305,262**
NON-CURRENT LIABILITIES		
Loans and financings (Note 15)	**8,783,891**	9,304,014
Convertible debentures (Note 17)	**3,462,212**	3,462,212
Deferred income taxes (Note 21)	**2,039,308**	1,948,804
Provision for contingencies (Note 19)	**313,701**	431,249
Debit with third parties for investment (Note 20)	**143,280**	162,976
Other non-current liabilities	**566,834**	932,922
TOTAL NON-CURRENT LIABILITIES	**15,309,226**	**16,242,177**
SHAREHOLDERS' EQUITY (Note 22)		
Capital stock	**18,047,181**	16,483,544
Capital reserve	**714,503**	714,503
Revaluation reserve	**109,530**	112,352
Profit reserves	**897,952**	810,538
Valuation adjustments to shareholders' equity	**1,059**	(914)
Accumulated translation adjustments	**(744,943)**	(612,392)
Accumulated profit	**105,887**	-
	19,131,169	**17,507,631**
MINORITY INTEREST	**1,164,205**	**1,642,890**
TOTAL SHAREHOLDERS' EQUITY	**20,295,374**	**19,150,521**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**44,549,137**	**44,697,960**

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, 2010 and 2009
(In thousands of Reais)

	2010	Adjusted IFRS 2009
NET SALE REVENUE (Note 23)	**26,666,592**	**18,522,961**
Cost of goods sold	**(23,482,834)**	(16,932,998)
GROSS INCOME	**3,183,758**	**1,589,963**
OPERATING INCOME (EXPENSE)		
General and administrative expenses	**(775,985)**	(451,719)
Selling expenses	**(1,227,277)**	(809,384)
Financial income (expense), net (Note 25)	**(906,794)**	(472,325)
Non-recurring expenses	**(76,717)**	-
Other (expense) income, net	**53,136**	7,091
	(2,933,637)	**(1,726,337)**
NET INCOME BEFORE TAXES	**250,121**	**(136,374)**
Current income taxes	**(180,072)**	(57,514)
Deferred income taxes	**9,014**	(3,985)
	(171,058)	**(61,499)**
RESULT BEFORE MINORITY INTEREST	**79,063**	**(197,873)**
Minority interest (expense) income	**24,002**	1,069
NET INCOME (LOSS) OF THE PERIOD	**103,065**	**(196,804)**
Net Income (Basic) per thousand shares reais (Note 24)	**40.84**	**(140.48)**
Net Income (Diluted) per thousand shares reais (Note 24)	**40.87**	**(140.48)**

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

Net income before taxes	**250,121**	(136,374)
Financial income (expense), net (Note 25)	**906,794**	472,325
Depreciation and amortization	**628,286**	255,421
Non-recurring expenses	**76,717**	-
AMOUNT OF EBITDA	**1,861,918**	**591,373**

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, 2010 and 2009
(In thousands of Reais)

	2010	Adjusted IFRS 2009
NET SALE REVENUE (Note 23)	**14,116,307**	**9,255,034**
Cost of goods sold	**(12,372,093)**	(8,423,193)
GROSS INCOME	**1,744,214**	**831,841**
OPERATING INCOME (EXPENSE)		
General and administrative expenses	**(443,074)**	(236,444)
Selling expenses	**(654,059)**	(394,921)
Financial income (expense), net (Note 25)	**(539,789)**	(25,743)
Non-recurring expenses	**417**	-
Other (expense) income, net	**43,524**	7,709
	(1,592,981)	**(649,399)**
NET INCOME BEFORE TAXES	**151,233**	**182,442**
Current income taxes	**(118,189)**	(54,385)
Deferred income taxes	**(18,579)**	(2,311)
	(136,768)	**(56,696)**
RESULT BEFORE MINORITY INTEREST	**14,465**	**125,746**
Minority interest (expense) income	**(10,759)**	134
NET INCOME OF THE PERIOD	**3,706**	**125,880**
Net Income (Basic) per thousand shares reais (Note 24)	**1.47**	**89.85**
Net Income (Diluted) per thousand shares reais (Note 24)	**1.47**	**89.85**

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

	2010	Adjusted IFRS 2009
Net income before taxes	**151,233**	182,442
Financial income (expense), net (Note 25)	**539,789**	25,743
Depreciation and amortization	**309,352**	171,645
Non-recurring expenses	**(417)**	-
AMOUNT OF EBITDA	**999,957**	**379,830**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statement of changes in shareholders' equity for the six months period ended June 30, 2010
(In thousands of Reais)

		Capital reserve		Profit reserves		Valuation adjustments to shareholders' equity	Accumulated translation adjustments			
	Capital stock	Goodwill	Revaluation reserve	Legal	For expansion	equity	adjustments	Accumulated Profit	Minority interest	Total
BALANCE AS OF DECEMBER 31, 2009	**16,483,544**	**714,503**	**112,352**	**7,768**	**23,225**	**(914)**	**(612,392)**	**-**	**641,254**	**17,369,340**
Adjustments to first-time adoption of IFRS (note 2)	-	-	-	-	779,545	-	-	-	1,001,636	1,781,181
BALANCE ADJUSTED AS OF JANUARY 1, 2010	**16,483,544**	**714,503**	**112,352**	**7,768**	**802,770**	**(914)**	**(612,392)**	**-**	**1,642,890**	**19,150,521**
										-
Capital increase	1,563,637	-	-	-	-	-	-	-	-	1,563,637
Adjustment of net income destination from previous year	-	-	-	-	61,476	-	-	-	-	61,476
Realization of revaluation reserve	-	-	(2,822)	-	-	-	-	2,822	-	-
Valuation adjustments in subsidiaries shareholders' equity	-	-	-	-	-	1,973	-	-	-	1,973
Accumulated translation adjustments in subsidiaries shareholders' equity	-	-	-	-	-	-	48,985	-	-	48,985
Exchange variation rate of investments in foreign currency	-	-	-	-	-	-	(181,536)	-	-	(181,536)
Net income of the period	-	-	-	-	-	-	-	103,065	-	103,065
IFRS adjustment	-	-	-	-	25,938	-	-	-	-	25,938
Minority interest	-	-	-	-	-	-	-	-	(478,685)	(478,685)
BALANCE AS OF JUNE 30, 2010	**18,047,181**	**714,503**	**109,530**	**7,768**	**890,184**	**1,059**	**(744,943)**	**105,887**	**1,164,205**	**20,295,374**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statement of changes in shareholders' equity for the three months period ended June 30, 2010
(In thousands of Reais)

	Capital stock	Capital reserve	Revaluation reserve	Profit reserves		Valuation adjustments to shareholders' equity	Accumulated translation adjustments	Accumulated Profit	Minority interest	Total
		Goodwill		Legal	For expansion					
BALANCE AS OF MARCH 31, 2010	**16,483,544**	**714,503**	**110,922**	**7,768**	**883,645**	**1,038**	**(661,755)**	**100,789**	**1,141,511**	**18,781,965**
Capital increase	1,563,637	-	-	-	-	-	-	-	-	1,563,637
Realization of revaluation reserve	-	-	(1,392)	-	-	-	-	1,392	-	-
Valuation adjustments in subsidiaries shareholders' equity	-	-	-	-	-	21	-	-	-	21
Accumulated translation adjustments in subsidiaries shareholders' equity	-	-	-	-	-	-	10,404	-	-	10,404
Exchange variation rate of investments in foreign currency	-	-	-	-	-	-	(93,592)	-	-	(93,592)
Net income of the period	-	-	-	-	-	-	-	3,706	-	3,706
IFRS adjustment	-	-	-	-	6,539	-	-	-	-	6,539
Minority interest	-	-	-	-	-	-	-	-	22,694	22,694
BALANCE AS OF JUNE 30, 2010	**18,047,181**	**714,503**	**109,530**	**7,768**	**890,184**	**1,059**	**(744,943)**	**105,887**	**1,164,205**	**20,295,374**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statements of cash flow for the six months period ended June 30, 2010 and 2009
(In thousands of Reais)

	2010	2009
Cash flow from operating activities		
Net income (loss) of the period	**103,065**	**(149,941)**
Adjustments to reconcile net income to cash provided		
. Depreciation and amortization	**628,286**	171,217
. Allowance for doubtful accounts	**17,360**	8,498
. Minority interest	**(24,002)**	(1,069)
. Write-off of fixed assets	**52,791**	2,620
. Deferred income taxes	**(9,014)**	36,521
. Current and non-current financial charges	**304,450**	(134,651)
. Provision for contingencies	**2,212**	1,018
. Adjustment of assets and liabilities to present value	**-**	(917)
	1,075,148	**(66,704)**
Variation in operating assets and liabilities		
Increase in trade accounts receivable	**(895,648)**	(23,658)
Decrease (increase) in inventories	**(648,764)**	273,109
Increase in recoverable taxes	**(134,957)**	(60,282)
Decrease in other current and non-current assets	**259,962**	75,027
Increase in credits with related parties	**(191)**	(64,329)
Increase (decrease) in trade accounts payable	**97,767**	(457,971)
Increase (decrease) in other current and non-current liabilities	**(675,930)**	122,017
Valuation adjustments to shareholders' equity	**(325,981)**	(205,994)
Adjustments to first-time adoption of IFRS	**118,516**	-
Net cash used in operating activities	**(1,130,078)**	(408,785)
Cash flow from investing activities		
Additions to property, plant and equipment and intangible assets	**(689,338)**	(546,395)
Increase in investments	**(832)**	(309)
Net effect of the working capital of acquired company	**(125,546)**	-
Net cash used in investing activities	**(815,716)**	**(546,704)**
Cash flow from financing activities		
Loans and financings	**10,334,323**	3,198,110
Payments of loans and financings	**(11,485,808)**	(2,138,004)
Capital increase	**1,563,637**	-
Shares acquisition of own emission	**-**	(13,026)
Net cash provided by financing activities	**412,152**	**1,047,080**
Effect of exchange variation on cash and cash equivalents	**(18,797)**	**(84,550)**
Net decrease in cash and cash equivalents	**(1,552,439)**	7,041
Cash and cash equivalents at the beginning of the period	**5,067,529**	2,291,617
Cash and cash equivalents at the end of the period	**3,515,090**	**2,298,658**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statements of cash flows for the three months period ended June 30, 2010 and 2009
(In thousands of Reais)

	2010	2009
Cash flow from operating activities		
. Net income of the period	**3,706**	**172,743**
Adjustments to reconcile net income to cash provided		
. Depreciation and amortization	**309,352**	87,441
. Allowance for doubtful accounts	**8,766**	4,802
. Minority interest	**10,759**	(134)
. Write-off of fixed assets	**19,744**	1,560
. Deferred income taxes	**18,579**	34,847
. Current and non-current financial charges	**(19,533)**	(511,548)
. Provision for contingencies	**2,781**	815
. Adjustment of assets and liabilities to present value	**-**	(1,227)
	354,154	**(210,701)**
Variation in operating assets and liabilities		
Increase in trade accounts receivable	**(816,024)**	(194,256)
Decrease (increase) in inventories	**(532,558)**	104,100
Increase in recoverable taxes	**(65,396)**	(43,563)
Increase in other current and non-current assets	**373,716**	38,993
Decrease (increase) in credits with related parties	**(36)**	353,295
Increase in trade accounts payable	**227,405**	21,920
Increase (decrease) in other current and non-current liabilities	**(166,806)**	40,969
Valuation adjustments to shareholders' equity	**(377,244)**	(123,004)
Adjustments to first-time adoption of IFRS	**172,059**	-
Net cash used in operating activities	**(830,730)**	**(12,247)**
Cash flow from investing activities		
Additions to property, plant and equipment and intangible assets	**(369,778)**	(285,605)
Net cash used in investing activities	**(369,778)**	**(285,605)**
Cash flow from financing activities		
Loans and financings	**4,672,264**	1,877,768
Payments of loans and financings	**(4,481,732)**	(1,007,268)
Shares acquisition of own emission	**1,563,637**	-
Net cash provided by financing activities	**1,754,169**	**870,500**
Effect of exchange variation on cash and cash equivalents	**(30,578)**	(71,941)
Net decrease in cash and cash equivalents	**523,083**	**500,707**
Cash and cash equivalents at the beginning of the period	**2,992,007**	**1,797,951**
Cash and cash equivalents at the end of the period	**3,515,090**	**2,298,658**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Notes to the consolidated interim financial statements for the six months period ended June 30, 2010 and 2009
(Expressed in thousands of Brazilian reais)

1 Operating activities

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

The operations of the Company and its subsidiaries consists of:

a) Activities in Brazil

The Company owns and operates slaughterhouses, cold storage and meat processing operations for the production of beef, canned goods, fat, animal rations and beef by-products, which are produced in the twenty six plants located in the States of São Paulo, Goiás, Mato Grosso, Mato Grosso do Sul, Rondônia, Minas Gerais, Acre, Rio de Janeiro and Paraná.

The Company distributes its products through distribution centers located in the State of São Paulo, Rio de Janeiro, Brazilia, Manaus e Curitiba and a container terminal for export in the city of Santos.

Aiming to minimize transportation costs, the Company uses its own operations for the transportation of cattle for slaughter and products intended for export.

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

The subsidiary JBS Confinamento Ltda. (JBS Confinamento) is located in Castilho, State of São Paulo and in Nazario, State of Goias, and engages in cattle feedlot operations.

Beef Snacks do Brasil Indústria e Comércio de Alimentos Ltda. (Beef Snacks), an indirect subsidiary of the Company is located in Santo Antônio da Posse, State of São Paulo, in operation since August 2007 produces Beef Jerky. Beef Snacks purchases fresh meat in the domestic market and exports to the United States of America.

Incorporation of Bertin S.A. (Bertin)

Due to Bertin's incorporation on December 29, 2009 synergy and interaction of JBS and Bertin has been created and, as a result, since December 29, 2009 the Company assumed Bertin's operations.

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

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

Due to Bertin's incorporation, the asset and liabilities accounts of Bertin were consolidated into the Company as of December 29, 2009, as well as, on the consolidated financial statements as of December 31, 2009.

b) Activities abroad

The Company has indirect subsidiaries located in England and Egypt, which are responsible for the sales and distribution of the Company's products in Europe, Asia, and Africa.

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

JBS Argentina has three subsidiaries: One meat-packing slaughterhouse in Berezategui (Consignaciones Rurales), other can factory located in Zarate (Argenvases), both located in the province of Buenos Aires, and one meat-packing slaughterhouse in Cordoba.

JBS Trading USA, Inc. (JBS Trading USA) and its subsidiaries, Tupman Thurlow Co., Inc. (Tupman) and Astro Sales International, Inc. (Astro) located in the United States of America sale processed beef products mainly in the North-American market.

Jerky Snack Brands, Inc (Jerky Snack), an indirect wholly-owned subsidiary of the Company, located in the United States of America, produces and sells meat snacks (Beef Jerky, Smoked Meat Sticks, Kippered Beef Steak, Meat&Cheese, Turkey Jerky and Hunter Sausage). Jerky Snack purchases meat from Brazil and in the local market and its the consumer market is mainly the United States of America.

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

JBS USA Holdings Inc. (JBS USA) engages in slaughtering, processing, packaging and delivery of fresh, further processed and value-added beef and pork "in natura" products for sale to customers in the United States and international markets. The fresh meat products prepared by JBS USA include chilled meat cuts following standard industry specifications.

JBS USA completed in October of 2008 the acquisition of the cattle meat unit of Smithfield group and also the fattening feedlot operations known as Five Rivers.

Smithfield beef, currently known as JBS Packerland, owns four cattle units and one feedlot cattle unit, and Five Rivers, known as JBS Five Rivers, own ten cattle feedlot units.

In the United States of America, JBS USA owns eight beef slaughtering plants, three pork processing facilities, one lamb slaughtering plant, one case ready plant and eleven feedlot locations. In Australia, JBS USA owns ten beef and small animals slaughterhouses and operates five feedlots, which provide grain-fed cattle for its processing operations.

JBS USA operates in two major segments in the United States of America: Beef, operating the beef processing business; and pork, operating the pork processing business.

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

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

Incorporation of Bertin S.A. (Bertin)

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

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

The indirect subsidiary Egygate Distribution (Egygate), located on Egypt, is a delivery center of food products located on Egypt, which has started it operations on March 31, 2008.

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

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

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

The indirect subsidiary Trump Asia Enterprises Limited (Trump), located on China, has one leather processing plant, and two commercial offices in Hong Kong.

Pilgrim's Pride Corporation (PPC) acquisition

As of December 28, 2009 the Company concluded the operation by its subsidiary JBS USA., through the subscription of new shares, and become the owner of shares representing 64% of the capital stock and voting capital of PPC, located in Pittsburg, Texas, United Sates of America , by 800 millions of US dollar which were settled in cash.

The PPC is a company located in Delaware, United States of America, one of the largest poultry processing in the United States of America, with operations in Mexico and Puerto Rico. Export commodities chicken for more than 90 countries, the main products are "in-kind", chilled whole or in pieces. 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 .

c) Inalca JBS

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

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

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

The inability to exercise some control functions guaranteed by contract clauses valid under Corporate Governance of Inalca JBS generated concern about the quality and credibility of accounting information presented in the financial statements of Inalca JBS, for the period of three and six months ended on June 30, 2010. As a result of all these legal procedures and doubts about the quality and credibility of accounting information of Inalca JBS, the financial statements of JBS S.A. for the period ended June 30, 2010 were not consolidated with the updated accounting information of Inalca JBS, for the period of three months ended June 30, 2010, see Note 3. Thus, for consolidation purposes the financial statements have been repeated the information from the first quarter of Inalca JBS.

2 Elaboration and presentation of consolidated interim financial statements

The authorization for completion of these consolidated interim financial statements was given at the Board of Directors' meeting held on August 12, 2010.

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

The consolidated interim financial statements for the six months period ended on June 30, 2010 are in conformity with IFRS 1 - First-time adoption of IFRS.

IFRS 1 - First-time adoption of International Financial Reporting Standards (IFRS) requires an entity to develop accounting policies based on IASB - International Accounting Standards Board, standards and interpretations in effect at the date of the first IFRS consolidated interim financial statements. Thus, as of June 30, 2010, IFRS 1 also requires that such policies be applied at the date of transition to IFRS and over all periods covered by the first IFRS

For purposes of preparation and publication of the interim financial statements using the IFRSs, the transition date was considered January 1, 2009, which is the start date for measurement and disclosures of the Company and its subsidiaries.

The consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

In accordance with IAS 1- Presentation of financial statements, the Company's consolidated interim financial statements include:

i) Balance sheet;
ii) Statement of operations;
iii) Statement of comprehensive income, as an integral part of the notes to the financial statements;
iv) Statement of changes in shareholders' equity;
v) Statement of cash flows;
vi) Notes to the financial statements.

Additionally, as a market practice, the Company discloses in notes to the financial statements the Statement of Value Added as supplemental information with a view to providing further details to the users of the financial statements.

The interim consolidated financial statements of the Company for the six months period ended as of June 30, 2010 were prepared in accordance with International Accounting Standards (IAS) 34, which deals with interim accounting reports. These statements should be read in conjunction with the consolidated financial statements of the Company, December 31, 2009 (comparative) were prepared in accordance with International Financial Reporting Standards (IFRS).

The main differences between accounting practices at the time of transition, including the reconciliations of Shareholder's Equity and Profit and Loss, with those adopted in the presentation of comparative financial information are described in Note 4

3 Significant accounting practices

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

The consolidated interim financial statements of the Company have been prepared and are presented in accordance with the IFRS issued by the International Accounting Standards Board – IASB. The main differences between BRGAAP and IFRS, including reconciliation of shareholders' equity and comprehensive income, are described in note 4.

The consolidated interim financial statements of the Company were prepared and presented in accordance with accounting practices generally accepted in Brazil (BRGAAP), based on provisions of the Brazilian Corporate Law and standards issued by the Brazilian Securities Commission until December 31, 2009 and these practices differ, in some respects, from IFRS.

On the preparation of the consolidated interim financial statements for the six months period ended on June 30, 2010, the Company adjusted certain accounting methods so as to harmonize them with IFRS.

a) Profit and loss calculation

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

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

According to IAS 18, the Company recognizes revenue when, and only when:

(i) the amount of revenue can be measured reliably;
(ii) it is probable that the economic benefits will flow to the Company; and
(iii) specific criteria for each activity of the Company and its subsidiaries have been met. The amount of revenue is not considered reliably measurable until all contingencies related to the sale have been transferred to the buyer. The Company's estimates are based on historical data, considering the type of customer, type of transaction and specifications of each sale.

b) Accounting estimates

The preparation of consolidated interim financial statements requires management to adopt assumptions and exercise its judgment in determining and recording accounting estimates. Significant estimates include the useful life of property, plant and equipment, allowance for doubtful accounts, inventories, deferred tax assets, provision for contingencies and valuation of derivative instruments. Actual results could differ from those estimates.

c) Financial instruments

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

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

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

d) Allowance for doubtful accounts

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

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

e) Inventories

Inventories are stated at average cost of acquisition or production, not in excess of market or realizable value. The cost of inventories is recognized in income when inventories are sold.

f) Investments

Investments in subsidiaries are accounted for using the equity method.

g) Property, plant and equipment

According to IFRS 1 - First-time adoption of International Financial Reporting Standards - IFRS, an entity may elect to measure an item of fixed assets at the date of transition to IFRS at its fair value and use that fair value as its estimated cost at that date . Thus, the fixed asset is recorded the fair value, stated at historical acquisition cost plus spontaneous revaluations conducted on various dates until December 31, 2007 for a significant proportion of goods in fixed assets, based on reports of specialized company. Such reassessments are being performed in its entirety, based on depreciation or disposal of revalued assets.

Depreciation is computed using the straight-line method, based on the estimated useful lives of the assets at the annual rates mentioned in Note 12.

h) Intangible assets

Intangible assets are stated at acquisition cost, less amortization. Intangible assets with indefinite useful lives are not amortized but tested for impairment annually.

i) Impairment

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

j) 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.

k) Current and noncurrent liabilities

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

l) Contingent assets and liabilities

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

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

m) 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 and social contribution tax liabilities arise from revaluation reserves and temporary differences. Deferred income tax assets arise from tax losses and temporary differences and deferred social contribution tax assets arise from temporary differences.

n) Earning per share

The Company discloses basic and diluted EPS, in accordance with IAS 33 - Earnings Per Share.

o) Consolidation

The Company presents the consolidated financial statements in accordance with IAS 27 - Consolidated and Separate Financial Statements.

In the consolidation of the financial statements of the Company and its subsidiaries, are eliminated the shares between the companies, the balances of accounts receivable/payable, revenues and expenses between each other.

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

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

The accounting practices adopted by Tupman and Astro, subsidiaries of JBS Trading USA, and by Jerky Snack, located in the United States of America, do not differ significantly from IFRS.

The US generally accepted accounting principles adopted by JBS USA and its subsidiaries differ from IFRS and have been properly adjusted as described below:

Inventories: Difference between USGAAP and IAS relating to finished products. Under US GAAP, finished products are carried at market value. However, IAS 2 prohibits this practice and requires that finished products be stated at lower of cost or market. This difference in accounting practice resulted in an adjustment of R$ 20,932 to Cost of Products Sold, relating to current year. Additionally, there was an adjustment of R$ 112,765 to Retained earnings, relating to the prior years.

Deferred taxes: Due to the difference in accounting practices mentioned above, the Company determined deferred taxes, with effects on income in the amount of R$ 23,490 (FY 2010) and on Retained earnings in the amount of R$ 43,133 (prior years), respectively, relative to the GAAP adjustments.

As mentioned on Note 1.c, the financial statement of JBS S.A. is not consolidating the accounting information of Inalca JBS for the period of three months ended June 30, 2010, the Management has adopted procedures to consolidate the financial statements for the period of six months ended June 30, 2010 using the financial statements of Inalca JBS for the three months period ended on March 31, 2010.

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

In order to provide additional information to users of financial statements, considering the importance of investment in the Company Inalca JBS and thus provide more detail for comparison purposes, we present the pro forma consolidated financial statements of JBS S.A. regarding the six months period ended on June 30, 2010 with the financial information of Inalca JBS for the three months period ended on June 30, 2010. Thus, for consolidation purposes the financial statements have been repeated information from the first quarter of Inalca JBS.

JBS S.A.

Notes to the consolidated interim financial statements for the six months period ended June 30, 2010 and 2009
(Expressed in thousands of Brazilian reais)

Assets	JBS S.A. Consolidated*	March 31, 2010 Inalca JBS	June 30, 2010 Inalca JBS **	June 30, 2010 JBS S.A. Pro forma
Cash and cash equivalents	3,515,090	26,045	29,019	**3,518,063**
Trade accounts receivable, net	4,117,937	151,815	155,062	**4,121,184**
Inventories	4,449,839	173,681	167,416	**4,443,574**
Recoverable taxes	1,824,635	20,519	21,119	**1,825,235**
Other current and non current assets	2,523,413	34,387	30,978	**2,520,004**
Property, plant and equipment, net	15,351,313	595,142	555,228	**15,311,399**
Intangible assets, net	12,766,910	31,503	28,924	**12,764,330**
TOTAL ASSETS	**44,549,137**	**1,033,092**	**987,744**	**44,503,789**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Trade accounts payable	2,674,643	159,014	158,650	**2,674,279**
Loans and financings	13,800,406	304,351	280,936	**13,776,991**
Convertible debentures	3,462,212	-	-	**3,462,212**
Other current and non current liabilities	4,316,502	100,492	98,313	**4,314,323**
Shareholders' equity	20,295,374	469,235	449,845	**20,275,983**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**44,549,137**	**1,033,092**	**987,744**	**44,503,789**

	Six months period ended on June 30, 2010		
	JBS S.A. Consolidado*	**Inalca JBS ****	**JBS S.A. Pro forma**
Net sale revenue	26,666,592	341,369	**27,007,961**
Costs of goods sold	(23,482,834)	(292,200)	**(23,775,034)**
GROSS INCOME	**3,183,758**	**49,169**	**3,232,927**
General and administrative expenses	(2,003,262)	(28,846)	**(2,032,108)**
Financial income (expense), net	(906,794)	(378)	**(907,172)**
Non-recurring expenses	421	(664)	**(243)**
Current income taxes	(171,058)	(5,228)	**(176,286)**
NET INCOME (LOSS) OF THE PERIOD	**103,065**	**14,053**	**117,118**
Statement of EBITDA (Earnings before income taxes, interest, depreciation and amortization)			
Net income before taxes	250,121	20,009	**270,130**
Financial income (expense), net	906,794	378	**907,172**
Depreciation and amortization	628,286	11,792	**640,078**
Non-recurring expenses	76,717	-	**76,717**
AMOUNT OF EBITDA	**1,861,918**	**32,179**	**1,894,097**

JBS S.A.

Notes to the consolidated interim financial statements for the six months period ended June 30, 2010 and 2009
(Expressed in thousands of Brazilian reais)

	Three months period on June 30, 2010		
	JBS S.A. Consolidado*	Inalca JBS **	JBS S.A. Pro forma
Net sale revenue	14,116,307	341,369	**14,457,676**
Costs of goods sold	(12,372,093)	(292,200)	**(12,664,293)**
GROSS INCOME	**1,744,214**	**49,169**	**1,793,383**
General and administrative expenses	(1,097,133)	(28,846)	**(1,125,979)**
Financial income (expense), net	(539,789)	(378)	**(540,167)**
Non-recurring expenses	33,182	(664)	**32,518**
Current income taxes	(136,768)	(5,228)	**(141,996)**
NET INCOME (LOSS) OF THE PERIOD	**3,706**	**14,053**	**17,759**
Statement of EBITDA (Earnings before income taxes, interest, depreciation and amortization)			
Net income before taxes	151,233	20,009	**171,242**
Financial income (expense), net	539,789	378	**540,167**
Depreciation and amortization	309,352	11,792	**321,144**
Non-recurring expenses	(417)	-	**(417)**
AMOUNT OF EBITDA	**999,957**	**32,179**	**1,032,136**

* Contemplating the first quarter 2010 of Inalca JBS.
* Unaudited information, for the second quarter 2010 of Inalca JBS.

p) Segment reporting

Segment reporting is presented consistently with the internal report provided to the Company's Executive Board in charge of allocation of funds, performance evaluation by segment and strategic decision making.

q) Adjustment of assets and liabilities to present value

Long-term monetary assets and liabilities as well as current items, when the effect is material in relation to the consolidated interim financial statements as a whole, are adjusted to their present value.

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.

r) Foreign currency translation

Functional and reporting currency

The items of the consolidated interim financial statements of the subsidiaries are measured using the currency of the primary economic environment in which the subsidiaries operate ("functional currency"). The Company's functional currency is the Real (R$).

s) Dividends

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

t) Biological asset

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

u) Statement of comprehensive income

This statement presents net revenue, foreign currency translation, derivatives adjustment (net of taxes), unrealized gain (loss) on pensions, unrealized gains (losses) on securities, net of taxes, as described in note 26.

v) Minority interest

Under IAS 1, minority interest shall be presented in the consolidated interim financial statements within shareholders' equity, with respective effects included in the statement of income.

w) Business combination

The consolidated financial statements present the results of business combinations under the acquisition method. In the consolidated balance sheet, identifiable assets acquired and liabilities and any contingencies assumed in the business combinations are initially recognized at fair value at the acquisition date. The acquirer's profit or loss is included in the income statement on the date control is obtained. In step acquisitions, the acquired entity's assets, liabilities and contingencies are measured at the acquisition date.

x) Statements of Cash flow

The statements of cash flows have been prepared by the indirect method starting from the financial information in accordance with the instructions contained in IAS No. 7 - Statement of Cash Flows.

4 First-time adoption of IFRS

Due to the merging process of Brazilian General Acceptable Accounting Principles - BRGAAP into International Financial Reporting Standards - IFRS by Law 11.638/07, new Pronouncements, Interpretations and Orientations had been issued during 2009.

In connection with the merging process into IFRS, the opening balance on January 1, 2009 and the Equities on December 31, 2009 and June 30, 2010 including the Statements of Income on June, 2009 and June, 2010 had been reconciliated to IFRS, where no relevant adjustments were identified.

Considering the relevance of implementation of IFRS in Brazil which increase the confiability of the financial statements, in accordance with Instruction CVM n 457, of July 13, 2007, and based on Deliberation CVM n 609 of December 22, 2009 that explain the first-time adoption of IFRS, the management of the Company decided to present, the condensed consolidated financial statements in accordance with IFRS. Thus, the interim financial reporting are prepared in accordance with IFRS, in accordance with the first-time adoption procedures.

4.1 - Transition to IFRS

Applying to IFRS 1

The consolidated interim financial reporting are related to the six months period June 30, 2010, compared with December 31, 2009, which are the first financial statements prepared in accordance with IFRS. The Company applied IFRS 1 - First-time adoption when preparing the financial statements.

The effective transaction date to IFRS is January 1, 2009 that are in accordance with IFRS.

The explanation of the differences in accounting practices which affects the Company are described in the footnotes bellow.

		January 1, 2009 Shareholders' Equity
Amount in BRGAAP*	Ref	**6,134,411**
Reclassification of minority interests to the shareholders' equity	a	(2,458)
Borrowings costs adjustments	b	14,893
Deferred reversal	c	(1,603)
Fair value on businesses combinations	d	794,059
Deferred income taxes	e	55,321
Others	f	(728)
Total relating accounting practices adjustments		**859,484**
Amount in IFRS		**6,993,895**

JBS S.A.

Notes to the consolidated interim financial statements for the six months period ended June 30, 2010 and 2009
(Expressed in thousands of Brazilian reais)

		December 31, 2009	
		Shareholders' Equity	Net income
Amount in BRGAAP*	Ref	**16,728,086**	**129,424**
Reclassification of minority interests to the shareholders' equity	a	1,642,890	-
Borrowings costs adjustments	b	37,036	22,143
Measurement adjustment on biological assets	g	(6,342)	(6,342)
Fair value on businesses combinations	d	480,533	(136,220)
Bargain purchase on PPC	h	185,189	185,189
Deferred income taxes	e	84,796	29,475
Others	f	(1,667)	(1,285)
Total relating accounting practices adjustments		**2,422,435**	**92,961**
Amount in IFRS		**19,150,521**	**222,385**

		June 30, 2010	
		Shareholders' Equity	Net income
Amount in BRGAAP*	Ref	**18,450,724**	**202,165**
Reclassification of minority interests to the shareholders' equity	a	1,164,205	-
Borrowings costs adjustments	b	43,433	6,329
Measurement adjustment on biological assets	g	1,904	8,246
Fair value on businesses combinations	d	311,990	(168,542)
Bargain purchase on PPC	h	185,189	-
Deferred income taxes	e	139,595	54,799
Others	f	(1,667)	68
Total relating accounting practices adjustments		**1,844,650**	**(99,100)**
Amount in IFRS		**20,295,374**	**103,065**

(a) - Reclassification on the presentation of minority interests into shareholders' equity in accordance with IAS 1.

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

(c) - According to IAS 38, deferred charges was extinguished, and any remaining balances classified as an expense (if applicable).

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

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

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

(g) - According with IAS 41, the biological assets must be valued at market price.

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

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

4.2 - Interpretations and amendments to existing standards that have recently come into effect or have not yet come into effect

The following interpretations and amendments to existing standards have been published and shall be applied for the Company's fiscal years beginning on or after January 1, 2010 or for subsequent periods. However, adoption of these interpretations and amendments to existing standards does not have material impacts on the Company's operations:

Standard	Topic	Main requirements	Effective date
IFRS 5	Requirements for the disclosure of noncurrent assets (or disposal group) classified as held for sale or discontinued operations	Amendment to clarify that IFRS 5 “Noncurrent Assets Held for Sale and Discontinued Operations” specifies the disclosures required in respect of noncurrent assets (or disposal group) classified as held for sale or discontinued operations. It also clarifies that the general requirements of IAS 1 are still applicable, especially those stated in paragraph 15 (for a fair presentation) and in paragraph 125 (sources of estimation uncertainty) of IAS . 1	Effective for fiscal years beginning on or after January 1, 2010.
IFRS 8	Disclosure of information about segment assets	Minor text amendment and amendment to the basis for conclusions to clarify an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision maker.	Effective for fiscal years beginning on or after January 1, 2010.
IFRS 9	Recognition and measurement of financial instruments	This Standard introduces new requirements for the classification and measurement of financial assets that replace the requirements of IAS 39 – Financial Instruments: Recognition and Measurement. New requirements for the classification and measurement of financial liabilities, derecognizing of financial instruments, impairment and hedge accounting are expected to be added to IFRS in 2010. As a result, IFRS 9 will eventually be a complete replacement for IAS 39 - Financial Instruments: Recognition and Measurement.	Effective for fiscal years beginning on or after January 1, 2010.
IAS 1	Current and noncurrent classification of convertible instruments	Clarification that the potential settlement of a liability by the issue of equity instruments is not relevant to its classification as current or noncurrent. By amending the definition of current liability, the amendment permits a liability to be classified as noncurrent (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.	Effective for fiscal years beginning on or after January 1, 2010.
IAS 7	Classification of expenditure on unrecognized assets	Amendment to require that only expenditures that result in a recognized asset in the balance sheet can be classified as investing activities.	Effective for fiscal years beginning on or after January 1, 2010.

IAS 17	Classification of leases of land and buildings	Deletion of specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of IAS 17.	Effective for fiscal years beginning on or after January 1, 2010.
IAS 18	Determining whether an entity is acting as a principal or as an agent	Additional guidance added to the appendix to IAS 18 *Revenue* regarding the determination as to whether an entity is acting as a principal or as an agent.	Not applicable, since the appendix is not part of the Standard.
IAS 24	Related-party disclosures	Amendments to IAS 24 - Related-Party Disclosures. The revised Standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The revised Standard requires retrospective application. Therefore, in the year of initial application, disclosures for the comparative period will need to be restated. Earlier application is permitted, either of the whole revised Standard or of the partial exemption for government-related entities. If an entity applies either the whole Standard or the partial exemption for a period beginning before January 1, 2011, it is required to disclose that fact.	Effective for fiscal years beginning on or after January 1, 2010.
IAS 36	Unit of accounting for goodwill impairment test	Amendment to clarify that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of IFRS 8 *Operating Segments* (i.e. before the aggregation of segments with similar economic characteristics permitted by paragraph 12 of IFRS 8).	Effective for fiscal years beginning on or after January 1, 2010.
IAS 38	Measuring the fair value of an intangible asset acquired in a business combination	Amendments to paragraphs 40 and 41 of IAS 38 to clarify the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets.	Effective for fiscal years beginning on or after January 1, 2010.
IAS 39	Treating loan prepayment penalties as closely related derivatives	Clarification that prepayment options, the exercise price of which compensates the lender for loss of interest by reducing the economic loss from reinvestment risk, should be considered closely related to the host debt contract.	Effective for fiscal years beginning on or after January 1, 2010.

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

CONSOLIDATED STATEMENTS OF INCOME - Pro forma

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

Due to the incorporation of Bertin by the Company and of an acquisition of significant stake in PPC by JBS USA near the end of year 2009, the consolidated statements of income as of June 30, 2010 had a significant increase, making impossible a comparison with the consolidated interim financial statements for the prior period. To enhance comparability of these consolidated interim financial statements, shown below is (pro forma) consolidated statements of income as of June 30, 2009, including the incorporation made by the Company and the significant acquisition made by the subsidiary JBS USA, for the purpose of presenting the combined result of these companies in the three and six months period ended as of June 30, 2009 with the net income of the Company in the current quarter:

JBS S.A.

Notes to the consolidated interim financial statements for the six months period ended June 30, 2010 and 2009
(Expressed in thousands of Brazilian reais)

	Six months period ended as of June 30,				
	2010	2009 - Pro-Forma			
	JBS S.A.	JBS S.A. (Consolidated)	Bertin S.A.	PPC	JBS S.A. Bertin S.A. PPC
Net operating revenue	**26,666,592**	18,522,961	3,674,791	7,620,641	**29,818,393**
Cost of products sold	**(23,482,834)**	(16,932,998)	(2,803,146)	(7,045,719)	**(26,781,863)**
GROSS INCOME	**3,183,758**	**1,589,963**	**871,645**	**574,922**	**3,036,530**
Selling, general and administrative expenses	**(2,003,262)**	(1,261,103)	(572,536)	(292,265)	**(2,125,904)**
Financial expenses, net	**(906,794)**	(472,325)	(6,406)	(180,384)	**(659,115)**
Other (expenses) income	**(23,581)**	7,091	(2,648)	(107,245)	**(102,802)**
Income and social contribution taxes	**(171,058)**	(61,499)	(79,985)	(6,364)	**(147,848)**
Minority interest	**24,002**	1,069	4,072	(781)	**8,722**
NET INCOME (LOSS)	**103,065**	**(196,804)**	**214,142**	**(12,117)**	**9,583**
Statement of EBITDA (Earnings before interest, taxes, depreciation and amortization)					
Income (loss) before provision for income and social contribution taxes	**250,121**	(136,374)	290,055	(5,026)	**148,655**
Financial income, net	**906,794**	472,325	6,406	180,384	**659,115**
Depreciation and amortization	**628,286**	255,421	91,363	250,307	**597,091**
Non-recurring expenses	**76,717**	-	-	113,376	**113,376**
EBITDA	**1,861,918**	**591,373**	**387,824**	**539,041**	**1,518,238**

	Three months period ended as of June 30,				
	2010	2009 - Pro-forma			
	JBS S.A.	JBS S.A. (Consolidated)	Bertin S.A.	PPC	JBS S.A. Bertin S.A. PPC
Net operating revenue	**14,116,307**	9,255,034	1,902,189	3,695,761	**14,852,984**
Cost of products sold	**(12,372,093)**	(8,423,193)	(1,444,845)	(3,347,868)	**(13,215,906)**
GROSS INCOME	**1,744,214**	**831,841**	**457,344**	**347,893**	**1,637,078**
Selling, general and administrative expenses	**(1,097,133)**	(631,365)	(305,553)	(111,172)	**(1,048,090)**
Financial expenses, net	**(539,789)**	(25,743)	81,306	(84,764)	**(29,201)**
Other (expenses) income	**43,941**	7,709	(4,254)	(26,533)	**(23,078)**
Income and social contribution taxes	**(136,768)**	(56,696)	(66,971)	(939)	**(124,606)**
Minority interest	**(10,759)**	134	1,390	(781)	**(43,790)**
NET INCOME (LOSS)	**3,706**	**125,880**	**163,262**	**123,704**	**368,313**
Statement of EBITDA (Earnings before interest, taxes, depreciation and amortization)					
Income (loss) before provision for income and social contribut	**151,233**	182,442	228,843	125,370	**536,655**
Financial income, net	**539,789**	25,743	(81,306)	84,764	**29,201**
Depreciation and amortization	**309,352**	171,645	28,997	110,448	**311,091**
Extraordinary expenses	**(417)**	-	-	113,376	**113,376**
EBITDA	**999,957**	**379,831**	**176,534**	**433,958**	**990,323**

6 Business Combinations

6.1 - Bertin's Incorporation

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

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

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

At the Extraordinary General Meeting held on December 29, 2009, the shareholders approved the acquisition of Bertin shares and a subsequent merger, ratified at the Extraordinary General Meeting held on December 31, 2009, under the terms of the agreement entered into by and between the two parties, which was disclosed to the market as material developments.

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

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

For purposes of goodwill allocation under IFRS3 (R), only goodwill related to the groups of property, plant and equipment and intangible assets (basically trademarks and patents) was taken into account. Deferred tax liabilities and other adjustments to assets (such as prepaid expenses) are not applicable in accordance with IFRS 3 (R) and IAS 12. Regarding trademarks and patents, the measurements of the dairy products division (Vigor and Leco) as well as of the processed meat division (Bertin) were considered. The calculation of the residual goodwill after allocation of generated goodwill to the related asset accounts is as follows:

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

The residual goodwill after the above-mentioned allocations was recorded as "Goodwill" for accounting purposes, which is not amortizable and is tested for impairment as required by IAS 38.

6.2 - Pilgrim's Pride Acquisition

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

The transaction costs incurred for the purchase of PPC were US$8,300 million (R$ 14,500), of which US$ 3,300 (R$ 5,700) million was in 2009 and US$ 5,000 million (R$ 8,000) in the thirteen weeks ended March 28, 2010 (quarterly close of PPC). The acquisition resulted in a gain on bargain purchase of US$ 106,357 million (R$ 191,701), which was recognized directly in income. The gain was recognized based on the excess of the estimated fair value of assets acquired and liabilities assumed in relation to the acquisition price and the aggregated fair value of minority interests, recognized in the consolidated financial statements as of December 31, 2009.

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

PCC's income and expenses are included in the consolidated financial statements of the Company from the acquisition date, including administrative restructuring charges of US$ 25,900 million (R$ 45,100) and reorganization items of US$ 7,100 million (R$ 12,400), posted in the thirteen weeks ended June 30, 2010.

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

Gain on bargain calculation

Amount paid on PPC acquisition	1,392,960
Fair value of minority interest	1,128,277
Total amount paid and minority interest	**2,521,237**
Estimated fair value of acquired assets and assumed liabilities	2,712,938
Estimated value of gain on bargain	**191,701**

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

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

(+) Property, plant and equipment fair value	1,126,818
(+) Intangible fair value	72,610
(-) Other current fair value	(31,832)
(-) Income taxes of subsidiaries impacts	(469,406)
(-) Fair value of minority interest	(506,489)
Total allocation of purchase price	**191,701**

JBS S.A.

Notes to the consolidated interim financial statements for the six months period ended June 30, 2010 and 2009
(Expressed in thousands of Brazilian reais)

7 Cash and cash equivalents

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

	June 30, 2010	December 31, 2009
Cash and cash equivalents	**2,209,267**	4,551,441
CDB-DI (bank certificates of deposit)	**915,519**	497,268
Investment funds	**295,742**	18,821
National treasury bill	**94,562**	-
	3,515,090	**5,067,530**

Certificates of bank deposits-CDB-DI, with first-line banks, are fixed income securities that provide yields of approximately 100% of the Brazilian interbank rate. The Investment Funds are supported by investments in Multi-Market funds, to the qualified public. Investments in treasury bill are fixed income assets.

8 Trade accounts receivable, net

	June 30, 2010	December 31, 2009
Receivables not yet due	**2,955,336**	**2,279,432**
Overdue receivables:		
From 1 to 30 days	**664,244**	606,157
From 31 to 60 days	**195,717**	167,136
From 61 to 90 days	**117,824**	68,543
Above 90 days	**350,923**	233,347
Allowance for doubtful accounts	**(166,107)**	(153,178)
	1,162,601	**922,005**
	4,117,937	**3,201,437**

Pursuant to IFRS 7, below are the changes in the allowance for doubtful accounts, the Company's policy for collection of trade accounts receivable in default and the estimate for recovery/losses of the accrued amounts.

	June 30, 2010	December 31, 2009
Initial balance	**(153,178)**	**(29,393)**
(+) Additions	**(12,893)**	(11,395)
(+) Acquisition	**-**	(109,605)
(+) Exchange variation	**(36)**	(2,785)
Final balance	**(166,107)**	**(153,178)**

9 Inventories

	June 30, 2010	December 31, 2009
Finished products	**2,636,670**	2,292,871
Work in process	**827,718**	629,394
Raw materials	**293,905**	326,555
Biological assets [1]	**336,619**	249,156
Warehouse spare parts	**354,927**	228,287
	4,449,839	**3,726,263**

[1] - Biological assets: Composed basically by living animals, most in feedlots.

Biological assets

Pursuant to IAS 41 – Biological Asset, companies engaging in agricultural activities, such as grain growing, cattle raising and other shall measure their assets at fair value at least at end of quarters or years, included in profit or loss. However, if there is no active market, as it is the case of JBS USA, the standard provides guidance for choosing one or more of the following measurement bases:

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

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

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

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

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

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

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

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

Below is the breakdown of the biological assets of the companies located in the United States, whose balances are measured at cost:

COMPANIES IN THE UNITED STATES OF AMERICA	June 30, 2010	December 31, 2009
Poultry	**1,048**	958
Pork and Lamb	**7,447**	8,629
Cattle	**232,985**	195,667
Total biological assets stated at cost	**241,480**	**205,254**

The transactions in the biological activities in Brazil are represented entirely by cattle in feedlot (intensive) and cattle grazing (extensive), which valuation the market is measured reliably because of the existence of active markets for same, as shown below:

C0MPANIES IN BRAZIL	June 30, 2010	December 31, 2009
Cattle	**58,525**	29,883
Total biological assets stated at market price	**58,525**	**29,883**

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

C0MPANIES IN ITALY	June 30, 2010	December 31, 2009
Cattle	**13,657**	14,019
Total biological assets stated at market price	**13,657**	**14,019**

C0MPANIES IN ARGENTINA	June 30, 2010	December 31, 2009
Cattle	**22,957**	-
Total biological assets stated at market price	**22,957**	**-**

10 Recoverable taxes

	June 30, 2010	December 31, 2009
Value-added tax on sales and services (ICMS / IVA / VAT)	**1,075,693**	1,018,822
Excise tax - IPI	**114,903**	112,863
Social contribution and taxation on billings - PIS and Cofins	**430,237**	355,882
Income tax withheld at source - IRRF	**79,614**	93,324
Other	**124,188**	100,890
	1,824,635	**1,681,781**
Current and Long-term:		
Current	**1,210,276**	1,066,033
Non-current	**614,359**	615,748
	1,824,635	**1,681,781**

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

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

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

Based on studies performed by the Company's management, supported by its legal counsel, the ICMS credits, amounting to R$ 320,000, were segregated in consolidation, according to their realization, from current to noncurrent, and were realized in the period ended June 30, 2010.

PIS and COFINS (social contribution on net income)

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

IRRF (withholding income tax)

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

General comments

Based upon previous decisions of the Board of Tax Appeals and the legal counsel's opinion, which considers that a favorable decision is almost certain, the Company and JBS Embalagens recorded the monetary adjustment of their PIS, COFINS and IPI tax credits based on SELIC (Central Bank overnight rate), in the amount of R$ 145,233. As of this date, the Company received R$ 28,987, and the remaining balance of R$ 116,246 is recorded in noncurrent assets, in consolidated.

JBS S.A.

Notes to the consolidated interim financial statements for the six months period ended June 30, 2010 and 2009
(Expressed in thousands of Brazilian reais)

11 Related parties transactions

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

	June 30, 2010		December 31, 2010	
COMPANY	Trade accounts receivable	Trade accounts payable	Trade accounts receivable	Trade accounts payable
Direct subsidiaries				
JBS Confinamento Ltda.	550	56	138	4,638
JBS Embalagens Metálicas Ltda.	-	1,318	-	500
JBS USA, Inc	134	-	-	-
Inalca JBS S.p.A	3,455	4	3,479	4
JBS Itália SRL	771	-	-	-
Indirect subsidiaries				
JBS Global Beef Company Lda.	48	-	48	-
JBS Global (UK) Limited	19,949	-	21,920	-
JBS Argentina S.A.	-	729	-	2,259
The Tupman Thurlow Co.	96	-	4,432	-
Global Beef Trading SU Lda.	3,293	1	521	-
Beef Snacks Brasil Ind.Com. Ltda.	2	-	7	-
Marr Russia L.L.C	3,577	-	1,734	-
Austrália Meat	-	527	-	1,144
Subsidiaries incorporated [1]				
S.A. Fabrica de prod. alimenticios vigor	3,499	2	3,029	3,029
Cia Leco de Prod. Alimenticios	1,001	9	2,152	-
Cascavel Couros Ltda	59,936	4,512	112,872	230,771
Novaprom Food Ingredients Ltda	615	199	1,024	112
Biolins Energia Ltda	25	2,676	34,382	22
Sampco Inc.	45,232	-	30,529	-
Laticinios Serrabella Ltda	6	-	-	-
Frigorífico Canelones S.A.	-	127	-	533
Wonder Best Holding Company	25,212	-	10,857	-
Trump Asia Entreprise Ltd	7,873	-	6,422	-
Other related parties				
JBS Agropecuária Ltda.	963	366	137	2,446
Flora Produtos de Hig. Limp. S.A.	10,356	943	5,297	238
	186,593	11,469	238,980	245,696

JBS S.A.

Notes to the consolidated interim financial statements for the six months period ended June 30, 2010 and 2009
(Expressed in thousands of Brazilian reais)

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

COMPANY	Currency	Maturity	Annual rate	30.06.10 Mutual contracts	31.12.09 Mutual contracts
Direct subsidiaries					
Mouran Alimentos Ltda.	R$	Sep 13, 2011	CDI + 12% p.a.	**14,356**	11,455
JBS Confinamento Ltda.	R$	Jul 21, 2011	CDI + 4% p.a.	**99,165**	76,010
JBS Embalagens Metálicas Ltda.	R$	Jul 21, 2011	CDI + 12% p.a.	**50,584**	49,043
JBS USA, Inc	US$	Aug 16, 2010	Libor + 2,5% p.a.	**(816,827)**	-
JBS Slovakia Holdings s.r.o.	EURO	May 8, 2010	4,5% p.a.	**(1,184,343)**	(941,640)
JBS Itália SRL	EURO	Jun 18, 2011	Libor + 3% p.a.	**441**	-
Indirect subsidiaries					
JBS Global Beef Company Lda.	EURO	Dec 31, 2011	Libor + 2% p.a.	**(42,335)**	(40,918)
JBS Argentina S.A.	US$			**88,927**	-
The Tupman Thurlow Co.	US$	May 5, 2011	Libor + 3% p.a.	**-**	13,943
Beef Snacks Brasil Ind.Com. Ltda.	R$	Jan 24, 2011	CDI + 4% p.a.	**79,803**	74,373
Beef Snacks International BV	EURO	Dec 31, 2011	Libor + 2% - 3% p.a.	**3,818**	3,569
JBS HU Ltd	EURO	May 19, 2010	12% p.a.	**(98,479)**	(90,108)
Subsidiaries incorporated [1]					
S.A. Fabrica de Prod. Alimenticios Vigor	R$	Jan 10, 2013	CDI + 12% p.a.	**(160,470)**	(278,228)
Cia Leco de Prod. Alimenticios	R$	Jan 10, 2013	CDI + 12% p.a.	**7,074**	-
Cascavel Couros Ltda	R$	Jan 10, 2013	CDI + 12% p.a.	**(114,177)**	-
Novaprom Food Ingredients Ltda	R$	Jan 10, 2013	CDI + 12% p.a.	**3,792**	-
Biolins Energia Ltda	R$	Jan 10, 2013	CDI + 12% p.a.	**39,281**	-
Sampco Inc.	US$	Jan 10, 2013	Libor + 5% p.a.	**-**	11,951
Laticinios Serrabella Ltda	R$	Jan 10, 2013	CDI + 12% p.a.	**13**	-
Bertin Paraguay	US$	Jul 21, 2011	Libor + 5% p.a.	**3,733**	3,660
				(2,025,644)	**(1,106,890)**

JBS S.A.

Notes to the consolidated interim financial statements for the six months period ended June 30, 2010 and 2009
(Expressed in thousands of Brazilian reais)

Impacts of related party transactions on Income Statements:

	June 30, 2010			June 30, 2009		
	Financial income (expenses)	Purchases	Sales of products	Financial income (expenses)	Purchases	Sales of products
Direct subsidiaries						
Mouran Alimentos Ltda.	1,101	-	-	1,694	-	-
JBS Confinamento Ltda.	5,188	17,612	735	7,119	82,949	2,121
JBS Embalagens Metálicas Ltda.	4,528	20,828	-	9,878	43,358	-
JBS Global A/S (Denmark)	-	-	-	11	-	-
JBS USA, Inc	(5,981)	-	2,058	21,636	-	1,277
Inalca JBS S.p.A	-	-	17,374	-	-	34,095
JBS Slovakia Holdings s.r.o.	(23,530)	-	-	(26,722)	-	-
JBS Itália SRL	1	-	-	-	-	-
Indirect subsidiaries						
JBS Global (UK) Limited	-	-	33,902	-	-	71,818
JBS Argentina S.A	-	2,998	-	-	11,665	-
The Tupman Thurlow Co.	93	-	6,293	800	-	45,328
Global Beef Trading SU Lda.	-	448	25,584	-	-	55,882
Beef Snacks Brasil Ind.Com. Ltda.	4,700	18	-	9,408	-	-
Beef Snacks International	160	-	-	(14)	-	-
JBS HU Ltd	(5,253)	-	-	(6,105)	-	-
Marr Russia L.L.C	-	-	28,030	15	-	121,347
Australia Meat	-	1,736	-	-	11,346	-
Swift & Company Trade Group	-	-	124	-	-	2,955
Subsidiaries incorporated [(1)]						
Fabrica de Prod. Alimentícios Vigor S.A.	-	20	11,285	-	-	-
Cascavel Couros Ltda	-	10,088	95,288	-	-	-
Novaprom Food Ingredients Ltda	-	969	3,383	-	-	-
Cia Leco de Prod. Alimenticios	-	20	14,354	-	-	-
Biolins Energia Ltda.	-	12,729	4,446	-	-	-
Sampco Inc.	-	-	75,616	-	-	-
Laticinios Serrabella Ltda	-	-	24	-	-	-
Frigorífico Canelones S.A.	-	1,417	-	-	-	-
Trump Asia Entreprise Ltd	-	-	4,814	-	-	-
Bertin Paraguay	73	-	21,088	-	-	-
Other related parties						
JBS Agropecuária Ltda.	-	824	1,109	-	73,141	1,501
Flora Produtos de Hig. Limp. S.A.	-	183	20,304	-	1,839	59,857
	(18,920)	69,890	365,811	17,720	224,298	396,181

[(1)] - Refers to the subsidiaries of the incorporated Bertin, that for better visualization and understanding of the users of the information, were segregated, impacting only assets and liabilities.

Guarantees provided and / or received

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

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

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

Details of transactions with related parties

The Company and its subsidiaries conduct commercial transactions between them, mainly sales operations, realized with normal price and market conditions, when existing.

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 six months period ended as of June 30, 2010, and the year ended December 31, 2009.

JBS USA purchase and sale agreement

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

The consolidated balance of related parties, on the amount of R$ 371,475 as of June 30, 2010 (R$ 326,972 as of December 31, 2009), has the following composition:

a) Not consolidated Companies

The amount of R$ 320,838 (R$ 279,405 as of December 31, 2009) regarding part of the line of credit of US$ 200 million, with market interests, between the indirect subsidiary JBS Five Rivers and J&F Oklahoma, subsidiary of J&F Participações S.A., not consolidated, where J&F Oklahoma uses this credit for cattle acquisition for fattening that are placed in the fattening 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 fattening costs, besides a daily fee of rent in line with market terms;
ii) Sales and purchase cattle agreement with JBS USA of at least 500,000 animals/year, starting from 2009 up to 2011 with market prices.

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

b) Companies partially consolidated

The amount of R$ 50,637 (R$ 47,567 as of December 31, 2009) refers to credits of subsidiaries partially consolidated, as follows :

	June 30, 2010	December 31, 2009
Beef Snacks do Brasil Ltda.	**39,902**	**37,186**
Beef Snacks International BV.	**3,674**	**3,720**
Jerky Snack Brands, Inc.	**7,061**	**6,661**
	50,637	**47,567**

Remuneration of key management

The Company's management includes the Executive Board and the Board of Directors. The aggregate amount of compensation received by the members of the Company's management for the services provided in their respective areas of business in the three months period ended as of June 30, 2010, in the year ended December 31, 2009 is the following:

	Members	June 30, 2010	December 31, 2009
Executive Board and Board of Directors	**12**	**2,006**	**4,243**
	12	**2,006**	**4,243**

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

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

Except to those described above, the other members of the Executive Board, and Management Board are not part of any employment contract or any other contracts for additional business benefits such as post-employment benefits or other long-term benefits, termination of work that does not conform to those requested by the *CLT*, where applicable, or payment based on shares.

12 Property, plant and equipment, net

					Net amount	
	Average annual depreciation rates	Cost	Revaluation	Accumulated depreciation	June 30, 2010	December 31, 2009
Buildings	3 to 20%	5,773,828	116,742	(495,098)	**5,395,472**	4,987,115
Land	-	2,350,499	9,352	(52,525)	**2,307,326**	1,958,941
Machinery and equipment	8 to 10%	7,138,585	44,758	(1,508,862)	**5,674,481**	6,022,602
Facilities	10%	924,049	21,815	(110,566)	**835,298**	768,024
Computer equipment	20 to 100%	165,215	752	(84,950)	**81,017**	82,727
Vehicles	14 to 50%	639,429	189	(243,910)	**395,708**	331,559
Construction in progress	-	570,291	-	-	**570,291**	804,635
Other	10 to 100%	144,929	3,865	(54,903)	**93,891**	62,684
Impairment		(2,171)	-	**-**	**(2,171)**	(599)
		17,704,654	**197,473**	**(2,550,814)**	**15,351,313**	**15,017,688**

Changes in property, plant and equipment

December 31, 2009	First-time adoption of IFRS	Additions	Write-offs	Depreciation	Exchange variation	June 30, 2010
15,017,688	6,329	792,228	(52,791)	(583,351)	171,210	**15,351,313**

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

Until December 2007, revaluations were performed on property, plant and equipment items of several Company's plants, as supported by reports issued by the specialized firm SETAPE- Serviços Técnicos de Avaliações do Patrimônio e Engenharia S/C Ltda., 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, 2010, revaluation of property, plant and equipment is R$ 197,473 and the provision for income and social contribution taxes is R$ 109,530. For revalued property, plant and equipment, the Company recorded accumulated depreciation of R$ 33,453.

Property, plant and equipment are tested for impairment at least annually if indications of potential impairment exist.

The Company demand its subsidiaries reviewed the useful life of their property, plant and equipment by engaging a The Company and its subsidiaries engaged the specialized firm SETAPE – Serviços Técnicos de Avaliações do Patrimônio e Engenharia S/C Ltda. to review the useful life of their property, plant and equipment. Significant divergences were found in comparison with the useful lives adopted as of December 31, 2009. The useful life of all property, plant and equipment items was duly reviewed and has been applied since January 1, 2010.

Interest capitalization - Borrowing costs

Pursuant to IAS 23 – 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 30,2010 and December 31, 2009 are shown below:

	June 30, 2010	December 31, 2009
Construction in progress	**526,838**	767,511
(+) capitalized borrowing costs	**43,453**	37,124
	570,291	**804,635**

13 Intangible assets, net

	June 30, 2010	December 31, 2009
Goodwill	**11,357,547**	12,020,947
Trademarks	**666,788**	452,574
Softwares	**16,614**	6,165
Water rights	**34,038**	117,534
Client portfolio	**677,296**	647,585
Other	**14,627**	119,037
	12,766,910	**13,363,842**

Changes in intangible assets

December 31, 2009	Adjustments from first-time adoption of IFRS	Amortization(3)	Additions	Exchange variation	June 30, 2010
13,363,842	(540,445)	(44,934)	16,338	(27,891)	**12,766,910**

Goodwill

(3) - Refers to amortization of intangible assets with useful lives defined in business combinations.

Company

In July 2007 the Company acquired a 100% interest in Swift Foods Company, currently known as JBS USA , with goodwill of R$ 877,609, based on expected future earnings of the acquired business, which will be paid over a period of 5 years. Goodwill amortized as of December 31, 2008 is R$ 248,656.

In January 2007 the Company acquired 100% of JBS Trading USA, Inc., with goodwill of R$ 21,725 based on expected future earnings of the acquired business, which will be amortized over the period and extent of the related projections, no more than ten years. As of December 31, 2008, accumulated goodwill amortization is R$ 6,035.

In March 2008 the Company acquired a 50% interest in Inalca S.p.A., presently known as Inalca JBS, with goodwill of 94,181 thousand Euros, equivalent to R$ 207,603 as of June 30, 2010, based on expected future earnings of the acquired business.

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

Company - Resulting from the incorporated Bertin

Goodwill from Bertin USA Corporation	13,183
Goodwill from Novaprom Foods Ingredients	12,000
Goodwill from Vigor shares	798,503
Goodwill from Phitoderm	4,044
Goodwill from Goult Participações	48,598
Goodwill from Leco shares	13,846
	890,174

Subsidiaries

JBS USA has goodwill of US$ 217,720 thousand, equivalent to R$ 391,486 as of June 30, 2010, arising mainly from the acquisition in 2008 of Smithfield beef, Tasman and Five Rivers, preliminarily calculated and subject to adjustments, based on the appreciation of the assets.

In 2007, JBS Holding International S.A., through its subsidiaries JBS Argentina S.A. and JBS Mendoza S.A., acquired 100% of the capital stock of Consignaciones Rurales S.A. and Argenvases S.A.I.C. and, in 2008, through the same subsidiaries, acquired 100% of the capital stock of Colcar S.A., with total goodwill of $53,341 thousand Argentinean pesos, equivalent to R$ 24,452 as of June 30, 2010. Goodwill is based upon expected future earnings of the acquired businesses.

Inalca JBS has goodwill of 12,171 thousands of Euros, equivalent to R$ 29,303 as of June 30, 2010, arising from the acquisition of the companies Montana, Frimo and Guardamiglio, based on the appreciation of the assets.

Consolidated - Resulting from the incorporated Bertin

Goodwill from Sampco Inc.	3,432
Goodwill from Bertin Holding Inc	20,134
Goodwill from Misr Cold	20,535
Goodwill from Rigamonti	39,977
Goodwill from Serrabella	1,459
Goodwill from IFPSA	4,307
Goodwill from Gibis Investments, Inc	3,103
Goodwill from Wonder Best	839
Goodwill from International Foods Parkers	6,174
	99,960

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 criterion of not to amortize goodwill based upon expected future earnings, which is in line with IFRS 3. 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) – Business combinations.

14 Trade accounts payable

	June 30, 2010	December 31, 2009
Commodities	**965,061**	686,267
Materials and services	**1,508,762**	1,642,047
Finished products	**200,820**	217,722
	2,674,643	**2,546,036**

15 Loans and financings

Type	Average annual rate of interest and commissions	June 30, 2010	December 31, 2009
FINAME	TJLP and interest from 1.5% to 3.08%	**306,800**	330,159
FINAME	Currency basket and interest of 3.30% to 3.73%	**453**	182,997
FINAME	Interest from 6.83% to 11.2%	**13,989**	25,606
FINEM	TJLP and interest of 3.00% to 3.98%	**38,131**	427,127
FINEM	BNDES currency basket and interest of 2.90%	**-**	22,588
FININP	Exchange variation and interest of 3.8%	**-**	974
Installment note corp aircraft (Trade notes payable)	Libor and interest from 1.75% to 7.25%	**15,916**	16,184
Installment note corp aircraft (Trade notes payable)	Interest from 3.50% to 8.53%	**-**	2,699
ACC - (advances on exchange contracts)	Exchange variation, Libor plus interest from 0.45% to 7.20%	**1,808,625**	1,633,724
ACC (advances on exchange contracts)	Exchange variation and interest from 4.65% to 8.90%	**57,821**	126,847
EXIM - export credit facility	TJLP and interest from 3.00% to 5.5%	**1,012,948**	185,136
EXIM - export credit facility	Interest from 5.15% to 18.27%	**84,845**	326,678
BNDES automatic	Currency basket + Interest 3,2%	**19,469**	-
Euro Bonds	Exchange variation and interest of 9.375%	**497,852**	485,439
USD Bonds	Interest of 11.625%	**1,216,735**	1,167,053
Tasman revolver	BBSY and interest of 1.60%	**-**	72,646
US revolver	Prime rate + Libor and interest from 2.25% to 3.25%	**1,385**	315,032
PPC - US revolver	Interest of 4,875% to 6.75%	**801,954**	174,120
PPC - US term notes	Interest from 5.25% to 9.00%	**1,413,354**	1,999,619
PPC - Mexico revolver	Interest of 9.5981%	**15,055**	71,953
PPC - US bonds	Interest from 7.625% to 9.25%	**7,129**	8,826
Working capital- Brazilian Reais	CDI + interest of 6.00%	**13,333**	14,976
Working capital - US dollars	Libor +interest from 1.10% to 3.20%	**23,766**	46,446
Working capital - Australian dollars	BBSY + 0.975% to 1.6%	**-**	-
Working capital - Euro	Euribor + interest from 0.15% to 1.75%	**304,351**	310,830
Prepayment	Exchange variation + Libor and interest from 1.00 to 2.3%	**1,521,813**	1,521,175
144-A	Exchange variation + interest from 10.25% to 10.50%	**1,395,300**	1,377,874
NCE/COMPROR	CDI + interest of 7,15% to 10,53%	**2,373,727**	1,536,301
NCE/COMPROR	Interest from 113.9% to 120.0%% of CDI	**679,169**	1,208,951
Foreign loan from multilateral organisms	Exchange variation + Libor and interest of 1.85%	**-**	87,370
FCO - Middle West Fund	Interest of 10.00%	**5,074**	5,746
FNO - North Fund	Interest of 10.00%	**32,141**	34,670
Working capital - Agriculture	TR and Interest of 10.50%	**-**	75,686
Working capital - Processing	Interest of 152.00% of CDI	**114,693**	596,314
Credit note - Import	Exchange variation + interest of 11.25% to 125%	**9,327**	26,016
EGF	Interest of 6.75%	**9,787**	8,212
Notes	Exchange variation + interest of 9.25%	**5,464**	-
Other		**-**	1,139
		13,800,406	**14,427,113**

Breakdown:		
Current liabilities	**5,016,515**	**5,123,099**
Non current liabilities	**8,783,891**	**9,304,014**
	13,800,406	**14,427,113**
Maturities of long-term debt are as follows:		
2011	**1,107,621**	3,197,241
2012	**2,253,135**	1,640,619
2013	**1,054,408**	714,865
2014	**2,727,576**	2,348,104
2015	**229,687**	32,866
2016	**1,217,003**	1,178,922
2017	**185,529**	6,862
2018	**4,960**	180,563
2019	**3,972**	3,972
	8,783,891	**9,304,014**

ACCs (advances on exchange contracts) are credit facilities obtained from financial institutions by the Company, its subsidiary JBS Holding Internacional S.A., and the acquired company Bertin and its subsidiaries NovaProm and Bracol Couros, in the amount of US$ 1,036,051 as of June 30, 2010 (US$ 1,011,125 as of December 31, 2009), to finance export transactions.

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

USBONDS - On April 27, 2009, the subsidiary JBS USA issued bonds in the amount of US$ 700 million, with a payment term of five years and coupon of 11.625% per year, with a discount of US$ 48,700, 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 - On July 28, 2006, JBS S.A. issued 144-A rule notes in the international market, in the total amount of US$ 300 million, with a payment term of 10 years and coupon of 10.5% per year. The operation is guaranteed by the Company itself. On 13 October 2006, Bertin issued 144-A rule notes in the international market, in the total amount of US$ 350 million, with coupon of 10.25% per year. No guarantee was pledged for this operation.

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

16 Credit operations, guarantees and covenants

Revolving credit line of JBS USA - On November 5, 2008, JBS USA executed a revolving credit loan agreement allowing loans of up to US$ 400 million. Such agreement matures on November 5, 2011. On April 22, 2009, the agreement was amended, so that the line of credit available was increased to US$500 million.

Up to US$ 75 million from this line of credit is available for JBS USA. As of June 30, 2010, loans indexed to variable rates would bear interest at an annual rate equals to the PRIME rate, plus 2.25%, with total cost of 5.5%.

There were no outstanding borrowings at June 20, 2010.The availability of the funds depends on the giving of guarantees linked to the assets of the wholly owned subsidiaries of JBS USA, except for Five Rivers. The assets to be given as collateral can be receivables and inventories, among others. The collateral given is of first degree.

Covenants. The revolving credit line includes financial covenants requiring fixed charge coverage ratio of at least 1.15 to 1. Fixed charge coverage ratio is defined as the EBITDA index for fixed charges. Besides, the revolving credit also establishes limits that restrict the subsidiaries of JBS USA from:

. making investments at amounts higher than US$ 175 million per year;
. incurring additional debt;
. putting lien on goods, revenue or assets;
. making certain loans or investments;
. selling or disposing of assets;
. paying certain dividends and making other payments;
. paying in advance, cancelling or changing certain debts;
. liquidating, consolidating, merging or acquiring the business or assets of other entities;
. taking part in certain joint-ventures or creating certain types of subsidiaries;
. acting in new business lines;
. having certain transactions with related parties; and
. executing lease transactions with repurchase option (sale/leaseback).

Default. The revolving line of credit also includes covenants on default, such as non-compliance with or disrespect to certain provisions, and other debts, rendering of unfavorable court sentences or decisions and certain events related to bankruptcy and insolvency or matters referring ERISA. If default or non-compliance take place, creditors are entitled, among other things, to cancel their commitment and declare all loans matured in advance, and charge accumulated interest and fine, besides executing the guarantees.

As of June 30, 2010, JBS USA was complying with the revolving credit line agreement covenants.

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

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

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

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

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

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

Default events. The indenture of Notes 2011 establishes usual default events. They include non-compliance with or violation of terms, restrictions and other agreements contained in the mentioned instrument, besides default of other debt in case the effect leads to anticipated payment, lack of payment within the grace periods applicable of other debt waived or extended, rendering of unfavorable sentences or court orders against the issuer or its subsidiaries, and certain events related to bankruptcy and insolvency. If default takes place, the issuer or holder of at least 25% of the principal amount of the notes 2014 outstanding at the time is entitled to declare immediately payable the principal and accumulated interest on the notes 2014.

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

Notes 2014 - JBS USA, LLC and JBS USA Finance Inc. guaranteed by JBS S.A. - On April 27, 2009, the wholly-owned subsidiaries, JBS USA, LLC and JBS USA Finance, Inc. issued Notes 2014 at the total principal value of US$700 million. Notes 2014 are guaranteed by the Company, by JBS USA, by JBS Hungary Holdings Kft. (an indirect wholly-owned subsidiary of the Company) and by certain restricted North American subsidiaries. The notes bear interest of 11.625% a year, paid every six months in May 1 and November 1, starting November 1, 2009. The principal amount of notes 2014 should be fully paid by May 1, 2014.

Covenants. The issuance instrument of Notes 2014 contains usual covenants that restrict JBS USA and its subsidiaries from:

. incurring additional debt, if the ratio net debt/EBITDA is higher than a determined index;
. putting lien on goods;
. selling or disposing of assets;
. paying dividends or making certain payments to shareholders;
. in general manner, impose limits to dividends or other payments to shareholders by restricted subsidiaries;
. executing transactions with related parties;
. executing lease transactions with repurchase option (sale/leaseback); and
. changing the control without making a purchase offer on Notes 2014.

Pro forma net debt/EBITDA index of JBS USA, LLC. Notes 2014 include covenants that forbid the subsidiary, JBS USA, LLC and the subsidiaries guarantying Notes 2014, to incur any debts or issue shares (observing certain exceptions) unless the pro forma net debt/EBITDA ratio of JBS USA, LLC at the date of contracting of the debt and destination of the respective product is lower than 3.0/1.0. The co-issuers of the notes were the wholly-owned subsidiaries JBS USA, LLC and JBS USA Finance, Inc.

The calculation of the net debt/EBITDA rate is based on the net debt/EBITDA index of JBS USA, LLC and of its restricted subsidiaries, as defined in the terms of the issuance indenture, and do not encompass JBS USA.

The terms and conditions of Notes 2014 define various restrictions that should be observed in the respective contract.

For the purpose of the covenants, the consolidated net income (loss) is adjusted to exclude, among other things, (1) the income of restricted subsidiaries, as the payment of dividends or similar distributions to them is not allowed by law or any contract that the restricted subsidiaries take part of, (2) the income of any company where JBS USA, LLC has jointly interests, except for the cases where dividends and other distributions are actually paid to JBS USA, LLC or one of its wholly-owned subsidiaries considered as restricted, and (3) certain items that are not in kind and are not recurring.

Default events. The indenture establishes usual default events. They include non-compliance with or violation of terms, restrictions and other agreements contained in the mentioned instrument, besides default of other debt in case the effect leads to anticipated payment, lack of payment within the grace periods applicable of other debt waived or extended, rendering of unfavorable sentences or court orders against the issuer or its subsidiaries, and certain events related to bankruptcy and insolvency. If default takes place, the issuer 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 accumulated interest on the notes.

Notes 2016 - JBS S.A. - On August 4, 2006, the Company issued seniors notes maturing in 2016, with principal total value of US$ 300 million. The interest applicable to Notes 2016 is 10.5% a year, due every six months in February 4 and August 4, beginning on February 4, 2007. The principal value of Notes 2016 should be fully paid by August 4, 2016. According to the first complementary indenture of January 31, 2007, JBS Finance Ltd. is the co-issuer.

Guarantees - The indenture that governs Notes 2016 requires that any significant subsidiaries (that is, any subsidiary that represents at least 20% of all assets or annual gross revenue of the Company, according to the most recent financial statements) guarantee all obligations of the Company established in Notes 2016. They are guaranteed by JBS Hungary Holdings Kft. (indirect wholly-owned subsidiary of the Company), by JBS USA and its subsidiaries, JBS USA Holdings, Inc., JBS USA, LLC, and by Swift Beef Company. Other subsidiary companies of the Company (including the subsidiaries of JBS USA) can be required to guarantee the notes in the future.

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

. incurring additional debt, if the ratio net debt/EBITDA is higher than a determined index;
. Putting lien on goods;
. selling or disposing of assets;
. paying dividends or making certain payments to shareholders;
. in general manner, limits dividends or other payments to shareholders by restricted subsidiaries;
. executing transactions with related parties;
. consolidating or making mergers or disposing of all assets to another company;
. executing lease transactions with repurchase option (sale/leaseback); and
. changing the control without making a purchase offer on Notes 2016.

The terms and conditions for Notes 2016 include covenants that forbid the Company and its subsidiaries, including JBS USA, to incur any debts (observing certain exceptions) unless the pro forma net debt / EBITDA ratio of the Company (as defined in the indenture) at the date the debt is incurred is lower than the following indicators, under the terms of net debt /EBITDA test: (i) until December 31, 2007, lower than 4.75/1.0.

Notes 2016 also establish restrictions to the Company and to 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) giving 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 clauses in joint venture agreements executed by the subsidiaries; or (d) when imposed by standard documents of BNDES.

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

Default events: The indenture of Notes 2016 establishes usual default events. They include non-compliance with or violation of terms, restrictions and other agreements contained in the mentioned instrument, besides default of other debt in case the effect leads to anticipated payment, lack of payment within the grace periods applicable of other debt waived or extended, rendering of unfavorable sentences or court orders against the issuer or its subsidiaries, and certain events related to bankruptcy and insolvency. If default takes place, the issuer 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 accumulated interest on the notes.

Bertin's Notes 2016 - On November 9, 2006, Bertin S.A., an enterprise of which the Company is the successor through merger, issued Bertin's Notes 2016 at the principal value of US$350 million (still under the name of Bertin Ltda.). The interest applicable to Bertin's Notes 2016 corresponds to 10.25%, per annum, paid every six months on April 5 and October 5, beginning April 5, 2007. The principal value of the notes should be fully paid by October 5, 2016.

Covenants. The issuance instrument of the notes contains usual covenants restricting Company and its subsidiaries from:

. incurring additional debt if the net debt/EBITDA ratio is higher than a determined index and if the operation is not specifically allowed in the indenture of Bertin's Notes 2016;
. putting lien on goods;
. paying dividends or making certain payments to shareholders;
. selling or disposing of assets;
. having certain transactions with related parties;
. liquidating, consolidating, merging or acquiring the business or assets of other entities;
. executing lease transactions with repurchase option (sale/leaseback);
. changing the company's control without making a purchase offer on Bertin' Notes 2016.
. in a general manner, limits dividends or other payments to shareholders by restricted subsidiaries.

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

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

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

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

On November 24, 2009, Bertin began a process of consent solicitation with the holders of Bertin's Notes 2016 . It aimed, among others, (i) to turn even certain terms of the indenture of the notes, especially those related to the covenants and default events of the Company's Notes 2016; and (ii) except the control change of Bertin, due to its merger by the Company, from the cases of control change.

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

Commitment fee of 0.45% is applicable to new credit. That line of credit matures on October 7, 2011. Such credit line and the respective guarantees are supported by assets of J&F Oklahoma and of Five Rivers. The credit line is used to finance the purchase of cattle by J&F Oklahoma, that is then fed in Five River's feed wards according to the supply and cattle feeding agreements above-described. The cattle is sold to JBS USA, LLC pursuant to the cattle purchase and sale agreements also described above.

Revolving line of credit for J&F Oklahoma - Five Rivers is a party to an agreement with J&F Oklahoma, where Five Rivers undertook to grant up to US$200 million in revolving loans to J&F Oklahoma. The loans will be used by J&F Oklahoma to acquire animals for confinement in the feed yards of Five Rivers. Interest is applicable to those loans at annual LIBOR, plus 2.25% or basic prime rate plus 1%, and the interest is payable at least quarterly. The maturity of the line of credit is on October 24, 2011. As of June 30, 2010, the balance was US$ 178 million.

Loans among companies of the same group payable by JBS USA Holdings, Inc. to a subsidiary of JBS S.A. - On March 29, 2009, JBS USA owed a total of US$658.6 million for various loans between companies of the same group of the Company, from now on called JBS HU Liquidity Management LLC (Hungary), an indirect wholly-owned subsidiary of the Company. The product of those loans was destined to finance the operations of JBS USA and for the Acquisition of the enterprises Tasman and JBS Packerland. On April 27, 2009, the loan agreements were consolidated in a single loan agreement, the due dates of the principal amount of the loans were extended to April 18, 2019, and the interest rate was changed 12% per annum.

The net outcome of the offer and sale of Notes 2014 (less US$100 million) was used in the amortization of accumulated interest and part of the principal amount of loans between companies of the same group. Besides, JBS USA executed a loan agreement between companies of the same group at the principal value of US$6 million under the same terms of the previous loan agreement between companies of the consolidated group.

Exit Credit Agreement - As the company is in a bankruptcy process, PPC and certain subsidiaries take part in an exit credit agreement to supply the financing for the recovery plan and working capital.

The Exit Credit Agreement currently established will supply (i) a guaranteed credit line at the principal amount of US$1,750 million, including a revolving line of credit of three years, at a total maximum principal amount of US$600 million, (ii) an "A" credit of three years with total principal amount of US$375 million and (iii) a "B" credit line with period of five years at a total principal amount of US$775 million. As established under the terms of the credit line, at least US$200 million will be available for issuance of letters of credit (standby) and commercial letters of credit. The revolving credit line matures in 2012. The "A" credit matures in 2012 and the "B" credit in 2014. After expiration, and under certain conditions, the value of the "A" credit might be increased to a maximum value of US$100 million and the "B" credit increased from US$25 million to U$400 million.

Under the terms of the exit credit agreement, the value of the pending principal cannot exceed US$1.850 million.

Guarantees. Under the terms of the Exit Credit Agreement, the loans and obligations related to certain specified bank products and hedge contracts will be guaranteed by determined subsidiaries of Pilgrim's Pride and by first-grade collateral of all assets, whether security interest or personal assets, both tangible or intangible, subject to certain exceptions. In the case of certain foreign subsidiaries, PPC will guarantee 100% of the nonvoting capital stock and 65% of voting capital stock.

Agreements. The Exit Credit Agreement contains representations, guarantees and common financial agreements, including a required minimum fixed charge coverage ratio of 1.2 to 1. Fixed charge coverage ratio is defined as the EBITDA index (defined in the credit agreement) of PPC less certain investments not financed and taxes paid.

The Exit Credit Agreement will also require a leverage index based on four quarters in a row of at maximum 3.5 to 1 for the quarters ended March 28, 2010 and June 27, 2010 and 3.0 to 1 for subsequent quarters. Leverage index is defined as the total debt in relation to EBITDA. The EBITDA of PPC is not calculated in the same way as the one of JBS USA. PPC should comply with its leverage index at the closing of the acquisition of PPC.

The Exit Credit Agreement will also require a consolidated tangible shareholders' equity not lower than the sum of 70% of the shareholders' equity consolidated at the date the credit line comes into effect and 50% of cumulative net income. Consolidated tangible equity is defined as the shareholders' equity of PPC less intangible assets (according to the definition of the Exit Credit Agreement).

Among other things, the Exit Credit Agreement includes covenants that restrict PPC and its subsidiaries from:
. incurring additional debt;
. putting lien on properties or assets;
. dissolving, consolidating, merging or transferring a significant part of all assets, liquidating or changing the entityt's type or its jurisdiction;
. making certain investments, loans, advances, giving guarantees and acquisitions;
. selling, transferring, leasing or disposing of assets;
. executing lease transactions with repurchase option (sale/leaseback).
. executing swap contracts:
. making certain payments of debt and management fees other restricted payments (including dividends);
. executing transactions with affiliated companies;
. executing restrictive agreements;
. paying in advance, canceling or changing certain debts;
. changing the fiscal year; and
. expending capital at an amount higher than US$225 million during the year 2010, US$275 million during the year 2011 and US$350 million from 2012 on.

Default events. The Exit Credit Agreement also contains usual default events. They include lack of payment related to the Exit Credit Agreement, lack of payment of other debts, any event or condition that allows the anticipation of significant debt and certain events related to bankruptcy and insolvency.
If default takes place, the creditors are entitled, amount other things, to declare all the loans immediately payable, together with accumulated interest and execute the rights and guarantees under the loan documents.

The Company also has Notes 2017 of the company Vigor, NCE - Export Credit Notes associated with Compror and prepayments made by Bertin in view of its merger, whose funds raised are used to finance exports, and CCB - Bank Credit Notes, among others. They are all subject to their respective covenants.

The obligations established in certain debt contracts of the Company and of its subsidiaries restrict the Company (and its subsidiaries, as applicable) from paying dividends.

The Company's debt contracts contain affirmative covenants in relation to, among others, the supply of information; financial reporting; conduction of businesses; maintenance of the existing companies; compliance with laws; keeping of books and records; insurance coverage; payment of taxes and credit and communication of certain events. The debt contracts of the Company also contain negative covenants, including, without limitation, restrictions as to incurring debts; limitations as to undertaking obligations; restrictions as to operations with branches; limitations as to the disposal of assets; limitation as to consolidation, merger and/or sales; restrictions to pledge; and changes in properties of the companies, among others.

17 Convertible debentures

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

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

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

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

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

The Liquidity event has to occur until December 31, 2010, subject to mandatory conversion into shares of debentures. However, the Company may, at least 5 days before the deadline, notify the trustee that intends to extend the deadline until December 31, 2011, in this case it must pay on the date of notification and in national currency, the debenture holders a premium of 15% on par value of all the Debentures then outstanding.

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

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

Each debenture can only be converted into shares of the Company, exclusively in the following cases: (i) if the Liquity Event has not occurred within the period established in the indenture, (ii) in case certain requirements described in the indenture are not met, or (iii) in the occurence of an Anticipated Expiration as established in the indenture. The number of common shares issued by the Company in the conversion of the debentures is based on the division of (a) their unit par value, plus a prize of 10% (ten percent); and (b) a conversion price based on the weighted average of the price of the common shares in negotiation ("JBSS3") in the 60 (sixty) trading sessions before date of conversion of the debentures. Such average should be adjusted for the declared proceeds, limited to the a floor of R$6.50 (six reais and fifty cents) per share action and a celing of R$12.50 (twelve reais and fifty cents) per share ("Conversion into Shares"). The Liquidity Event should take place until December 31, 2010, and the Company can extend such period to December 31, 2011, subject to the payment of an extension premium of 15% (fifteen percent) on the unit par value of all outstanding debentures.

In case the Liquidity Event does not occur until the limit date and the Company has not paid the extension premium, the debentures will be obligatorily converted into shares of the Company on January 31, 2011. In the event the period was extended from the limit date and the Liquidity the has not occurred until January 31, 2011, the debentures will be obligatorily converted into actions of the Company on January 31, 2012.

Shareholders' Agreement

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

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

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

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

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

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

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

(vi) reduction in JBS's obligatory dividends;

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

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

(ix) any operations between JBS and/or its subsidiary companies, on the one hand, and any related parties of JBS, on the other hand, amounting to more than R$100,000,000.00 (one hundred million reais) for a period of 12 (twelve) months, taken as a whole or individually;

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

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

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

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

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

(xv) giving of collateral or guarantees by JBS and/or its subsidiary companies to guarantee obligations of third parties, except for obligations of JBS and/or of its subsidiary companies, at an individual value lower than R$ 200,000,000.00 (two hundred million reais).

18 Payroll, social charges and tax obligation

	June 30, 2010	December 31, 2009
Payroll and related social charges	**161,810**	136,811
Accrual for labor liabilities	**413,911**	355,737
Income tax	**25,474**	38,015
Social contribution	**3,934**	1,252
ICMS / VAT tax payable	**24,010**	20,207
PIS / COFINS tax payable	**1,417**	28,392
Others	**149,850**	141,440
	780,406	**721,854**

JBS S.A.

Notes to the consolidated interim financial statements for the six months period ended June 30, 2010 and 2009
(Expressed in thousands of Brazilian reais)

19 Provision for contingencies

The Company and its subsidiary are parties in several procedure arising out of the regular course of their businesses, to which the provisions based on estimation of their legal consultants were established. The main information related to these procedures on June 30, 2010 and December 31, 2009, areas follows:

	June 30, 2010	December 31, 2009
Labor	**51,611**	50,189
Civil	**48,020**	54,979
Tax and Social Security	**214,070**	326,081
Total	**313,701**	**431,249**

Tax Proceedings

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

The Tax Authority of the State of São Paulo (Secretaria da Fazenda do Estado de São Paulo) filed several administrative proceedings against the Company, under which the Tax Authority challenges the amount of the Company's ICMS tax credits arising from the purchase of cattle and meat transfer by the Company in other Brazilian states. The Tax Authority of the State of São Paulo claims that the tax incentives should be approved by Confaz , and are known as a "Tax War". The Tax Authority of the State of São Paulo do not recognizes the Company's ICMS tax credits up to the amount of the ICMS tax guaranteed in such other states. The Company estimates that the claims under these administrative proceedings amount to R$ 793,204 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 legal proceedings filed by the Company suspended the requirements of the State of São Paulo. Based on the opinion of the Company's legal counsels. The management believes, based on the advices from its legal counsel, that its arguments will prevail in these procedures, which is the reason why no provision were done.

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

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

In September 2002, the INSS (Brazilian Social Security Institute) filed two administrative proceedings (autos de infração) against the Company, seeking to collect certain social security contributions (which are referred to as contributions to the Rural Workers' Assistance Fund (NOVO FUNRURAL) referring the period from January 1999 to December 2003, in the amount of R$ 69,200, and from 2003 until 2006, in the amount of R$ 198,800, with the aggregate amount of R$ 268,000 million, that the Company should have allegedly withheld in connection with purchases of cattle from individual ranchers. As a result of a decision by a lower court in a proceeding to adjudicate a writ of mandamus action filed by the Company in order to challenge the constitutionality of such social security contributions, the administrative proceedings have been stayed and the INSS has been enjoined from collecting these social security contributions from the Company.

The INSS has not timely appealed from this decision and, accordingly, the proceeding has been submitted to the review of the Regional Federal Court of the 3rd Region as a matter of law. Currently, the proceedings await a ruling by such appellate court. Based on the opinion of the Company's legal counsel supported by precedents of the Federal Supreme Court in a similar case, the Company's management believes that the Company will prevail in these proceedings. Accordingly, the Company has not established any provision for contingencies arising from these proceedings.

Recently, according recent decision of the STF (Brazilian Supreme Courte) in other comparative claims, the Administration still believes that the final decision of it administrative claims will be favorable to the Company, excluding the obligation to pay the amounts described by this claim.

c) PIS / COFINS - Brazilian social contributions

The subsidiaries S.A. Fábrica de Produtos Alimentícios Vigor, Cia Leco de Produtos Alimentícios and Dan Vigor have proceeding of Programa de Integração Social - PIS (which is a Brazilian Social Integration Program) - questioning the following: (a) unconstitutionality of the tax imposed by Complementary Law No. 7/70; (b) taxation of other operating income in accordance with Law No. 9718/98; and (c) compensation for amounts owed to the public debt securities on the total provisioned amount of R$ 36,288.

The subsidiaries S.A. Fábrica de Produtos Alimentícios Vigor, Cia Leco de Produtos Alimentícios and Dan Vigor have proceeding of Contribuição para o Financiamento da Seguridade Social - COFINS (which is a Brazilian Social Contribution of Security Financing) - questioning the following: (a) increase in rate from 2% to 3% according to Law No. 9718/98 - questioning until July 2003, and (b) compensation of amounts owed to the public debt securities on the total provisioned amount of R$ 70,838.

d) Income tax and social contribution

The subsidiaries S.A. Fábrica de Produtos Alimentícios Vigor, Cia Leco de Produtos Alimentícios and Dan Vigor have proceeding of Income tax and social contribution, referring with the process of tax debts relating to income tax levied on the effects of the monetary restatement established by Law No. 8200/91 and questions related to the indices of monetary restatement resulting from "Plano Verão (an economic plan launched by the government on 1989)" on the total provisioned amount of R$ 23,881.

e) Other tax and social security procedures

The Company is a Party in additional 281 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$ 76,321 which are 100% provisioned.

Labor Proceedings

As of June 30, 2010 the Company was party to 6,462 labor and accident proceedings, involving total value of R$ 611,171. Based on the opinion of the Company's external legal counsel, the Company's management recorded a provision in the amount of R$ 42,823 for losses arising from such proceedings. Most of these lawsuits were filed by former employees of the Company seeking overtime payments and payments relating to their exposure to health hazards.

As of June 30, 2010, the subsidiaries S.A. Fábrica de Produtos Alimentícios Vigor, Cia Leco de Produtos Alimentícios and Dan Vigor were party to 362 labor proceedings filed by former employees, that were accrued by the Company based on an estimate of loss prepared by its legal counsel and approved by the management on the amount of R$ 4,912.

Civil Proceedings

a) Slaughterhouse at Araputanga

In 2001, the Company (formerly known as Friboi Ltda.), entered into a purchase agreement for the acquisition of one slaughterhouse 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 slaughterhouse 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 slaughterhouse 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 slaughterhouse and a declaratory judgment that the purchase agreement and the public deed registered with the real estate notary were null and void.

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

b) Trademark Infringement

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

The Company presented its defense against this lawsuit alleging that (i) the lawsuit should be analyzed and reviewed together with the lawsuit relating to the purchase of the slaughterhouse from Frigorífico Araputanga by the Company, (ii) the trademark "Frigoara" was used by the Company for a limited period of time, with the written consent and upon the request of Frigorífico Araputanga (the use of the trademark by the Company was a requirement of SUDAM to consent to the registration of the public deed contemplating the transfer of the slaughterhouse from Frigorífico Araputanga to the Company) and (iii) the amount of any damages under the lawsuit should be limited to a percentage of products sold by the Company under the trademark "Frigoara," pursuant to article 208 of the Intellectual Property Law. Almost all of the products manufactured by the Company were marketed under the trademark "Friboi." The only product marketed by the Company under the trademark "Frigoara" was minced meat, in limited amounts.

In light of the foregoing, the Company's management established a provision for losses arising from this lawsuit in the amount of R$600. 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 slaughterhouse by the Company from Frigorífico Araputanga. The Federal Government will be notified to issue an opinion on the matter under discussion in this lawsuit. Based on the Company's legal counsel opinion supported by precedents of the Federal Brazilian Supreme Court (Supremo Tribunal Federal) and the Brazilian Superior Court of Justice (Superior Tribunal de Justiça), the Company's management believes that the Company will prevail in these proceedings.

c) Other civil proceedings

The Company is also part to other civil proceedings that in the evaluation of the Administration and its legal advisers, the loss expectation on June 30, 2010 is R$ 4,429.

Other proceedings

On June 30, 2010, the Company had other ongoing civil, labor and tax proceedings, on the approximately amounting of R$ 76,321 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 CVM n 594 from 2009.

20 Debit with third parties for investment

On incorporated Bertin current liabilities, the amount of R$ 201.993 as of June 30, 2010 (R$ 427,523 as of December 31, 2009 refers to the acquisition of the remaining debt investments, with discharge during the year 2010. Investments acquired are i) Plant Pimenta Bueno (R$ 14,241), ii) Gould Participações Ltda. concerning the acquisition of Grupo Vigor, acquired in 2007 (R$ 250,137) and iii) Electricity Co. Araguaia (R$ 40,000).

The Company refers to 65 million of Euros, corresponding, on June 30, 2010, to R$ 143,280 (R$ 162,976 on December 31, 2009 and R$ 210,480 on January 1, 2009) to be added to the purchase price of Inalca JBS , should the company reaches, at least, one of the following goals: average EBITDA for the years 2008, 2009 and 2010 equal or higher than 75 million of Euros or, alternatively, an EBITDA equal or higher than 90 million of Euros for the fiscal year of 2010. If none of these goals are met, this debit will revert to the amount of the premium assessed on the purchase.

21 Income taxes

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

a) Reconciliation of income tax and social contribution of the Company

	Three months period ended on June 30,	
	2010	**2009**
Income (loss) before income tax and social contribution	**151,233**	182,442
Addition (exclusion), NET:	**-**	-
Permanent differences (substantially equity in subsidiaries)	**636,291**	554,541
Temporary differences	**56,689**	(50,947)
Calculation basis for income tax and social contribution	**844,213**	**686,036**
Income tax and CSLL	**(118,555)**	(55,083)
Reversal of income tax and CSLL of revaluation	**366**	698
	(118,189)	**(54,385)**
Temporary differences	**56,689**	(50,947)
Deferred income tax and social contribution	**(18,579)**	**(2,311)**

b) Deferred income tax and social contribution

	June 30, 2010	**December 31, 2009**
Assets:		
. On tax losses and temporary differences	**868,766**	807,526
	868,766	**807,526**
Liabilities:		
. On revaluation reserve and temporary differences	**2,039,308**	1,948,804
	2,039,308	**1,948,804**

The Company and its subsidiaries have a history of future taxable net income. The Company expects to recover the tax credits arising there from within eight years due to the termination of the causes of their contingencies.

The Company expects to recover the tax credits referring to it deferred asset as following:

	June 30, 2010
2010	385,081
2011	174,947
2012	62,116
2013	62,116
2014	62,116
2015 to 2017	86,747
2018 to 2020	35,643
Total	**868,766**

The criteria for utilization of tax losses in taxable compensation, comply with the limits of the relevant tax legislation, limited in Brazil 30% of the positive basis for the calculation of income tax and social contribution.

22 Shareholders' equity

a) Capital Stock

The Capital Stock on June 30, 2010 is represented by 2,567,471,476 ordinary shares, without nominal value. From the total shares, as described in letter e) below, 43,990,100 shares are maintained in treasury.

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

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

b) Profit reserves

Legal reserve

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

Reserve for expansion

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

c) Revaluation reserve

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

d) Dividends

Mandatory dividends corresponds to not less than 25% of the adjusted net income of the year, according to article 202 of Law 6.404/76.

e) Treasury shares

The Board of Directors of the Company, based on the amendment of it by-laws and according to the normative instructions of CVM nº 10/80, 268/97 and 390/03, authorized the acquisition of not more than 41,113,898 shares for maintenance in treasury and subsequent cancel or alienation without reduction of the social capital.

On June 30, 2010, the Company maintained 43,990,100 treasury shares, with an average unit cost of R$ 6.17, and the minimum and maximum acquisition prices were R$ 2.68 and R$ 10.81, respectively.

The market value of the shares according to the BOVESPA as of June 30, 2010 R$ 7,64 (December 31, 2009 was R$ 9,32)

23 Net sale revenue

	Three months period ended on June 30,	
	2010	**2009**
Gross sale revenue		
Products sales revenues		
Domestic sales	**10,478,835**	7,060,483
Foreign sales	**4,177,285**	2,434,467
	14,656,120	**9,494,950**
Sales deduction		
Returns and discounts	**(284,673)**	(106,521)
Sales taxes	**(255,140)**	(133,395)
	(539,813)	**(239,916)**
NET SALE REVENUE	**14,116,307**	**9,255,034**

24 Profit per share

As per requested by the IAS nº 33, Profit per share, the following Tables reconcile the Net Profit with the amounts used to calculate the basic and the diluted profit per share.

Basic

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

	Three months period ended on June 30,	
	2010	2009
Net Profit attributable to shareholders - R$	**3,706**	125,880
Weighed average of the shares in the period - thousands	**2,567,471**	1,438,079
Weighed average of the shares in the Treasury - thousands	**43,990**	37,140
Weighed average of shares circulating - thousands	**2,523,481**	1,400,939
Net Profit per share - Basic - R$	**1.47**	**89.85**

Diluted

The diluted profit per share is calculated through the adjustment of the weighed average of the amount of circulating shares, supposing the conversion of all the shares that potentially could yield dilution. The Company has only one category of that potentially could yield dilution: the convertible debentures.

	Three months period ended on June 30,	
	2010	2009
Net Profit attributable to the shareholders - R$	**3,706**	125,880
Weighed average of circulating shares - thousands	**2,523,481**	1,400,939
Adjustment via the bond conversion option - thousands	**2,000**	-
Amount of circulating share for the diluted profit per share	**2,521,481**	**1,400,939**
Net Profit per share - Diluted - R$	**1.47**	**89.85**

25 Financial income (expense), net

	Three months period ended on June 30,	
	2010	2009
Exchange variation	**(146,004)**	554,466
Results on derivatives	**(99,567)**	(491,022)
Interest - Loss	**(335,556)**	(169,280)
Interest - Gain	**60,693**	95,667
Taxes, contribution, tariff and others	**(19,355)**	(15,574)
	(539,789)	**(25,743)**

26 Consolidated statement of comprehensive income

In accordance with IAS 34 - Interim Statements, the Company shall submit the statement of comprehensive income for the quarter and accumulated period.

	Six months period ended on June 30,	
	2010	**2009**
NET PROFIT (LOSSES) OF THE CONTINUING OPERATIONS	**103,065**	**(196,804)**
Other general results		
Adjustment of assets evaluation in the subsidiary	**1,973**	2,301
Accumulated Adjustment of conversion in the Company	**48,985**	(162,463)
Exchange variation on foreign investments	**(181,536)**	(680,488)
Total comprehensive income for the period	**(27,513)**	**(1,037,454)**
Total comprehensive income for the period attributable to:		
Company's Shareholders	**(2,848)**	**(1,043,490)**
Non-controllers	**(24,665)**	**6,036**
	(27,513)	**(1,037,454)**

	Three months period ended on June 30,	
	2010	**2009**
NET PROFIT (LOSSES) OF THE CONTINUING OPERATIONS	**3,706**	**125,880**
Other general results		
Adjustment of assets evaluation in the subsidiary	**21**	57
Accumulated Adjustment of conversion in the Company	**10,404**	(123,061)
Exchange variation on foreign investments	**(93,592)**	(645,047)
Total comprehensive income for the period	**(79,461)**	**(642,171)**
Total comprehensive income for the period attributable to:		
Company's Shareholders	**(63,751)**	**(647,686)**
Non-controllers	**(15,710)**	**5,515**
	(79,461)	**(642,171)**

27 Transaction costs for the issuing of titles and securities

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

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

a) Debentures

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

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

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

b) Initial Public Offering of shares - IPO

As of June 30, 2010, the Company had incurred in expenses of the order of R$ 36,363 related to the costs of the transaction for securing resources to initial Public Offering, whose recording is under the temporary accounts of the asset, as advanced payment. As soon as the process of securing resources is over, there will be a reclassification of these values to the account that reduces the asset account, highlighted in the net asset, eventual effects deducted.

28 Operating segments

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

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

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

The Beef segment exploits the slaughter house and the frigorific of bovines, the industrialization of meat, preservatives, fat, feed and derivate products, with 26 industrial unities located in the States of: São Paulo, Goiás, Mato Grosso, Mato Grosso do Sul, Rondônia, Minas Gerais, Acre, Rio de Janeiro and Paraná. In addition, there are producing unities in the USA, Italy, Australia, Argentine, Uruguay, Paraguay, the three latter ones with consolidated analyzes, as well as in the USA and Australia.

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

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

Due to the significant percentage of the above-mentioned operational segments, the remaining segments and activities in which the Company acts are not relevant and are presented as "Others".

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

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

The information per businesses' operational segment, analyzed by the Executive Board of Officers, and related to the period of June 30, 2010 and 2009, are as following:

JBS S.A.
Notes to the consolidated interim financial statements for the six months period ended June 30, 2010 and 2009
(Expressed in thousands of Brazilian reais)

28.1 - Net revenue by product line:

	Three months period ended on June 30,	
	2010	**2009**
Net revenue of the segment		
Beef	**9,084,144**	8,095,980
Pork Meat	**1,325,225**	1,150,937
Poultry	**3,045,845**	-
Others	**661,093**	8,117
Total	**14,116,307**	**9,255,034**

28.2 - Depreciation by product line:

	Three months period ended on June 30,	
	2010	**2009**
Depreciation and amortization		
Beef	**128,720**	145,217
Pork Meat	**12,979**	26,114
Poultry	**157,770**	-
Others	**9,883**	314
Total	**309,352**	**171,645**

28.3 - EBITDA by product line:

	Three months period ended on June 30,	
	2010	**2009**
EBITDA		
Beef	**616,565**	326,467
Pork Meat	**66,483**	53,313
Poultry	**232,740**	-
Others	**84,169**	50
Total	**999,957**	**379,830**

28.4 - Assets by segment:

	June 30, 2010	**December 31, 2009**
Assets		
Beef	**33,460,582**	33,720,794
Pork Meat	**850,495**	750,411
Poultry	**6,703,149**	5,514,598
Others	**3,534,911**	4,712,157
Total	**44,549,137**	**44,697,960**

28.5 - Revenues by geographic area:

	Three months period ended on June 30,	
	2010	**2009**
Net revenue		
United States of America (including Australia)	**10,350,761**	7,176,776
South America	**3,521,857**	1,589,400
Italy*	**107,373**	408,213
Others	**136,316**	80,645
Total	**14,116,307**	**9,255,034**

28.6 - Depreciation by geographic area:

	Three months period ended on June 30, 2010	2009
Depreciation and amortization		
United States of America (including Australia)	**226,102**	131,606
South America	**81,377**	26,943
Italy*	**1,219**	13,067
Others	**654**	29
Total	**309,352**	**171,645**

28.7 - EBITDA by geographic area:

	Three months period ended on June 30, 2010	2009
EBITDA		
United States of America (including Australia)	**661,415**	277,063
South America	**334,494**	83,543
Italy*	**474**	19,490
Others	**3,574**	(266)
Total	**999,957**	**379,830**

28.8 - Assets by geographic area:

	June 30, 2010	December 31, 2009
Assets		
United States of America (including Australia)	**16,341,609**	12,083,978
South America	**25,251,461**	29,762,734
Italy*	**1,150,528**	1,195,650
Others	**1,805,539**	1,655,598
Total	**44,549,137**	**44,697,960**

* As described in Note 1 and 3, it hasn't been contemplated the information from the second quarter 2010 of Inalca JBS.

29 Expenses by nature

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

Classification by nature	Three months period ended as of June 30, 2010	2009
Depreciation and amortization	**(309,352)**	(87,876)
Expenses with personnel	**(1,740,227)**	(893,226)
Raw material use and consumption materials	**(7,882,055)**	(6,392,442)
Taxes, fees and contributions	**(443,558)**	(187,118)
Third party capital remuneration	**(1,439,380)**	(488,645)
Other expenses	**(2,150,502)**	(1,023,285)
	(13,965,074)	**(9,072,592)**

Classification by function	2010	2009
Cost of goods sold	**(12,372,093)**	(8,423,193)
Selling expenses	**(654,059)**	(394,921)
General and administrative Expenses	**(443,074)**	(236,444)
Financial income (expense), net	**(539,789)**	(25,743)
Other (expense) income, net	**43,941**	7,709
	(13,965,074)	**(9,072,592)**

30 Insurance coverage

As of June 30, 2010, the maximum individual limit for coverage was R$ 99,000. This coverage includes all types of casualties.

For the incorporated Bertin, the insurance policy has the same above-mentioned characteristics; however, the maximum indemnification limit for June 30, 2010 was of R$ 200,000.

Regarding to the indirectly subsidiary JBS Argentina, located in the Republic of Argentina, the insurance policy has the same above-mentioned characteristics; however, the maximum indemnification limit for June 30, 2010 was of US$ 32 million (equivalent to R$ 57,648).

Regarding to the subsidiary JBS USA, located in the USA, the insurance policy has the same above-mentioned characteristics; however, the maximum indemnification limit for June 30, 2010 was of US$ 200 million (equivalent to R$ 360,300).

Regarding to the subsidiary Inalca JBS, located in Italy, the insurance policy has the same above-mentioned characteristics; however, the maximum indemnification limit for June 30, 2010 was of €141 million (equivalent to R$ 310,806).

31 Risk management and financial instruments

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

a) Management risk policy

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

b) Management risks objectives and strategies

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

c) Discretion of the Treasury

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

d) Interest rate risk

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

The Company is exposed, mainly, to oscillation of the LIBOR rate, the loans rates are relating to the LIBOR rate. The strategy of the Administration is not to apply derivatives to this specific risk, because the possible oscillation would not affect materially the cash flow. The risk of exposure to interest rate of the Company on June 30, 2010 is described below:

Net liabilities and assets exposure to CDI rate:	**June 30, 2010**	**December 31, 2009**
NCE / Compror / Others	**3,180,922**	**3,356,542**
CDB-DI	**(915,519)**	**(497,268)**
Investment funds	**(390,304)**	**(18,821)**
Subtotal	**1,875,099**	**2,840,453**
Liabilities exposure to LIBOR/EURIBOR rate:		
ACC -advances on exchange contracts	**1,866,446**	1,760,571
Working capital - Euros	**304,351**	310,830
Working capital - Americans Dollars	**23,766**	46,446
Pre-payment	**1,521,813**	1,521,175
Foreign Loans	**-**	87,370
US revolver	**803,339**	489,152
Others	**15,916**	88,830
Subtotal	**4,535,631**	**4,304,374**

Liabilities exposure to TJLP rate:	**June 30, 2010**	**December 31, 2009**
FINAME / FINEM	**359,373**	988,477
EXIM - export credit facility	**1,097,793**	511,814
Subtotal	**1,457,166**	**1,500,291**
TOTAL	**7,867,896**	**8,645,118**

Breakdown of the derivatives financial instruments for interest risk protection

Derivative	Maturity	Receivable	Payable	Counterpart	(notional R$)	Market value- R$	Impact on the 2nd quarter 2010 income statements
Forwards (BM&F)	July, 2011 to July, 2012	DI	R$	BM&F	94,715	104	195

e) Exchange variation risks

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

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

Bellow are presented the assets and liabilities exposed to exchange rate variation risks that are subject to derivative instruments, as well as the effects of such accounts in the income statements for the period ended on June 30, 2010 and December 31, 2009:

JBS S.A.

Notes to the consolidated interim financial statements for the six months period ended June 30, 2010 and 2009
(Expressed in thousands of Brazilian reais)

EXPOSURE	June 30, 2010	December 31, 2009	Income statements effects on second quarter ended June 30, 2010	
			Exchange variation	Derivatives
OPERATING				
Cash and cash equivalents - US$ / € / £	**1,693,590**	801,187	-	-
Accounts receivable - US$ / € / £	**3,294,748**	2,554,393	**(22,075)**	**28,959**
Inventories - cattle	**3,275,781**	2,659,999	**-**	**-**
Sales orders - US$ / € / £	**667,221**	321,390	**(81)**	**2,442**
	(2,145,497)	(1,863,872)	**-**	**-**
Subtotal	**6,785,843**	**4,473,097**	**(22,156)**	**31,401**
FINANCIAL				
Credits with subsidiaries - US$ / €	**-**	-	**(24,486)**	**-**
Loans and financings - US$	**(8,967,458)**	(9,536,050)	**(99,390)**	**(130,968)**
Imports payable - US$	**(21,289)**	(4,485)	**28**	**-**
Amounts receivable (payable) of forward contracts	**(29,875)**	(24,107)	**-**	**-**
Subtotal	**(9,018,622)**	**(9,564,642)**	**(123,848)**	**(130,968)**
TOTAL	**(2,232,779)**	**(5,091,545)**	**(146,004)**	**(99,567)**

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

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

	June 30, 2010	2009
Cash and cash equivalents - US$ / € / £	**1,693,590**	801,187
Trade accounts receivable - US$ / € / £	**3,294,748**	2,554,393
Inventories - cattle	**3,275,781**	2,659,999
Sales orders - US$ / € / £	**667,221**	321,390
Trade accounts payable - US$ / € / £	**(2,145,497)**	(1,863,872)
Loans and financings - US$	**(8,967,458)**	(9,536,050)
Imports payable - US$	**(21,289)**	(4,485)
	(2,202,904)	**(5,067,438)**
Forwards (BM&F) - Parent Company	**330,016**	1,302,755
Forwards (NewEdge) - Parent Company	**287,364**	188,965
Forward contracts - Parent Company	**1,351,125**	-
Swap (over-the-countermark - CETIP) - Parent Company	**180,150**	174,120
	2,148,655	**1,665,840**
Foreign currency exposure in R$	**(2,202,904)**	(5,067,438)
Notional protection	**2,148,655**	1,665,840
Relation	**98%**	**33%**

Incorporation Bertin effects

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

However, as of December 31, 2009 the balances and expositors incorporated through Bertin impacted significantly the Company expositor relation (21% of derivatives coverage). With the intention of providing additional information, the covering index was 84% eliminating the effects of the incorporation on December 31, 2009, showing the continuous effectiveness of the Company in herein protection financial instruments.

JBS USA Holdings Inc.

On June 30, 2010, JBS USA and its subsidiaries had a high covering of its exchange risks, due to sales in foreign currency, and the related derivatives.

On the second quarter 2010, JBS USA and its subsidiaries recognized R$ 382 (R$ 56,542 as of June 30, 2009), due to the variation of fair value and liquidation of these derivatives. The fair value of these derivatives, on June 30, 2010, are registered in the assets and liability, by R$ 27,298 and R$ 12,513 (R$ 39,753 and R$ 3,991 on December 31, 2009), respectively.

Breakdown of the derivatives financial instruments for exchange variation risks

Derivative	Maturity	Receivable	Payable	Counterpart	(notional R$)	Market value- R$	Impact on the 2nd quarter 2010 income statements
Forward contracts	August 2010	US$ exchange variation	R$	Banco Itaú BBA S.A.	100,000	(940)	(940)
Forward contracts	August 2010	US$ exchange variation	R$	Banco Santander (Brasil) S.A.	500,000	(4,015)	(4,015)
Forward contracts	August 2010	US$ exchange variation	R$	Banco J.P. Morgan S/A	150,000	(1,170)	(1,170)
Forwards (BM&F)	April to May 2010	US$ exchange variation	R$	BM&F	182,250	(2,128)	(93,729)
				Total	932,250	(8,253)	(99,854)

Breakdown of the derivatives financial instruments for exchange variation risks

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

JBS S.A.

Notes to the consolidated interim financial statements for the six months period ended June 30, 2010 and 2009
(Expressed in thousands of Brazilian reais)

Starting day Swap	Principal (Amortizations) US$	Maturity date Swap	Contract value (Assets)- R$	Fair value (Assets) - R$	Contract value (Liabilities)- R$	Fair value (Liabilities) - R$	Swap result June 30, 2010
			(a)	(b)	(c)	(b)	(d)
14/05/10	100,000,000	16/08/10	2,837	2,690	5,139	4,872	(2,182)
16/08/10	100,000,000	16/11/10	2,840	2,613	5,634	5,184	(2,571)
16/11/10	100,000,000	14/02/11	2,845	2,537	6,077	5,418	(2,881)
14/02/11	100,000,000	16/05/11	15,934	13,752	19,401	16,744	(2,992)
	(11,111,111)						
16/05/11	88,888,889	15/08/11	15,974	13,337	19,240	16,064	(2,727)
	(11,111,111)						
15/08/11	77,777,778	14/11/11	15,993	12,912	18,991	15,332	(2,421)
	(11,111,111)						
14/11/11	66,666,667	14/02/12	15,999	12,487	18,630	14,541	(2,054)
	(11,111,111)						
14/02/12	55,555,556	14/05/12	15,944	12,029	18,240	13,761	(1,732)
	(11,111,111)						
14/05/12	44,444,444	14/08/12	15,934	11,619	17,788	12,971	(1,352)
	(11,111,111)						
14/08/12	33,333,333	14/11/12	15,871	11,185	17,293	12,187	(1,002)
	(11,111,111)						
14/11/12	22,222,222	14/02/13	15,667	10,671	16,626	11,323	(653)
	(11,111,111)						
14/02/13	11,111,111	14/05/13	15,283	10,060	15,775	10,384	(324)
	(11,111,111)						
			151,121	**115,892**	**178,834**	**138,783**	**(22,891)**
			Impanct on the Income Statements on the second quarter period of 2010:				**92**

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

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

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

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

Hedge accounting

The notional is not registered in the balance sheet. The accounting is based on the methodology denominated hedge accounting, according to IAS 39 - financial Instruments - Recognition and Measurement, the exchange variation of the sales orders to impact the derivatives protection.

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

f) Credit risks

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

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

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

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

g) Commodities purchase price (cattle)

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

On June 30,2010, the Company had open derivatives position covering 90% of its needs for cattle purchases estimated until November 2010.

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

The segment in which JBS USA Holdings Inc. and its subsidiaries are present is exposed to volatility in cattle prices, in grains such as corn and soybean meal and in energy, such as natural gas, electricity and diesel, whose fluctuations derive from factors out of the Company's control, such as climate, supply levels, transportation costs, political conditions, supply and demand, among others. The direct subsidiary JBS USA and its subsidiaries purchase derivatives aiming at reducing price risk related to the forecast needs for purchase of these commodities for the next 12 months. The Companies may enter into long-term contracts for specific commodities in case necessary. On June 30, 2010, the direct subsidiary JBS USA Holdings, Inc. and its subsidiaries had open derivatives positions covering 2.7% of its cattle purchase needs forecast until June 2011, 13.7% of its hogs needs forecast until March 2011, 0.6% of its grains needs and 0.1% of its natural gas needs until March 2011.

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

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

On the second quarter 2010, the Company and its subsidiaries recognized R$ 46,001 (a gain of R$ 80,966 on the second quarter of 2009) in the cost of goods sold, resulting from the fluctuation of fair value of these commodities instruments and of settlements of these instruments that took place in the period. The fair value of these derivatives, on June 30, 2010, are registered in the assets and liabilities, for R$18,820 and R$ 27,291 (R$ 9.123 and R$ 10,137 in December 31, 2009), respectively.

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

EXPOSURE	June 30, 2010	December 31, 2009
OPERATING		
Firm Contracts for cattle purchase - R$	**168,336**	17,026
Firm contracts for grains and energy - R$	**876,547**	283,143
TOTAL	**1,044,883**	**300,169**

h) Liquidity Risk

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

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

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

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

The index of liquidity and leverage consolidated are shown below:

	June 30, 2010	December 31, 2009
Cash and cash equivalents	3,515,090	5,067,530
Loans and financings - Current	5,016,515	5,123,099
Liquidity indicator changed	0.70	0.99
Leverage indicator	2,9x	3,1x

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

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

June 30, 2010	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years	Fair Value
Trade accounts payable	2,674,643	-	-	-	2,674,643
Loans and Financings	5,016,515	3,360,756	4,011,671	1,411,464	13,800,406
Derivatives financing liabilities	17,611	11,287	977	-	29,875
TOTAL	7,708,769	3,372,043	4,012,648	1,411,464	16,504,924

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

i) Estimated market values

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

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

j) Guaranteed margins

The Company has securities pledged as collateral for derivative transactions with the commodities and futures whose balance at June 30, 2010 is R$ 302,256 (R$ 230,643 at December 31, 2009). This warranty is superior to the need presented for these operations. The indirect subsidiary has securities pledged as collateral for derivative transactions with the commodities and futures whose balance at June 30, 2010 is R$ 46,700 (R$ 50,800 at December 31, 2009). This warranty is superior to the need presented for these operations.

k) Fair value of financial instruments

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

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

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

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

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

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

	Level 1	Level 2	Level 3
Current liabilities			
Derivatives	(6,984)	(22,891)	-

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

		June 30, 2010		December 31, 2009	
		Book Value	Market Value	Book Value	Market Value
(i)	Cash and banks	2,209,267	2,209,267	4,551,441	4,551,441
(iii)	Financial investments	1,305,823	1,305,823	516,089	516,089
(iii)	Trade accounts receivable	4,117,937	4,117,937	3,201,437	3,201,437
(iii)	Credits with related parties	371,494	371,494	326,972	326,972
(i)	Derivatives	-	-	48,844	48,844
	Total financial assets	**8,004,521**	**8,004,521**	**8,644,783**	**8,644,783**
(iii)	Trade accounts payable	2,674,643	2,674,643	2,546,036	2,546,036
(iii)	Loans and financings	13,800,406	13,800,406	14,427,113	14,427,113
(ii)	Convertible debentures	3,462,212	3,462,212	3,462,212	3,462,212
(i)	Derivatives	29,875	29,875	38,235	38,235
	Total liabilities assets	**19,967,136**	**19,967,136**	**20,473,596**	**20,473,596**
		(11,962,615)	**(11,962,615)**	**(11,828,813)**	**(11,828,813)**

Classification by financial instrument categories

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

l) Sensibility analysis

With the aim of providing information on how to behave market risks to which the Company and its subsidiaries are exposed on June 30, 2010, we simulate possible changes of 25% and 50% in the relevant variables of risk in relation to the likely scenario. The Administration believes that the closing prices used in measuring assets and liabilities, based on the date of these interim consolidated financial statements represent a scenario likely to impact the outcome. Following are the net result between the result of exposures and their derivatives:

Exchange risk

Exposition	Risk	Probable scenario (I)	Scenario (II) Variation - 25%	Scenario (III) Variation - 50%
Financial	Depreciation R$	(123,848)	(1,133,908)	(2,267,816)
Operation	Depreciation R$	(22,156)	459,157	918,313
Hedge derivatives	Appreciation R$	(99,567)	536,772	1,073,544
		(245,571)	**(137,979)**	**(275,959)**
Premise	Exchange	1.8015	2.2519	2.7023

32 Material facts

Initial Public Offering - JBS USA

JBS USA presented to the Securities and Exchange Commission ("SEC") a request for the registration for the initial public offering of ordinary shares issued by the Company. The ordinary shares issued by JBS USA should be registered in the USA, at the New York Stock Exchange - NYSE.

In addition, JBS USA has presented to the CVM a request for registration in the public offering program in Brazil, of Brazilian Depositary Receipts Level III - BDRs, representing the ordinary shares issued by JBS USA.

The Global Offer herein is subjected to registrations and authorizations by SEC, CVM and BM&F Bovespa, as well as from the remaining proper authorities and is subjected to the market conditions at the time of the Global Offer.

The request for registration by JBS USA at SEC has not been granted, yet, and no security can be sold, or there should be no acceptance of offers prior to the granting of the registration request.

On January 28, 2010 the Company reported, via a notice to the market that continues to assess the possibility of carrying out the IPO of JBS USA. However, due to recent transactions the Company has decided to wait the release of the quarterly results of March, 2010 while monitors the conditions of the market to determine the best tie for the transaction. In accordance with the Good Practices of corporative management, the Company will issue relevant communications to the market as long as news are available.

Closing of Public Offer of Shares - POS

On March 11, 2010, the Company filed request at the ANBIMA – Brazilian Association of Financial Market and Capital Stock institutions ("ANBIMA"), for the preliminary analyzes of the request for the registration of public distribution of ordinary shares issued by the Company ("Public Offer "). The Public Offer was carried out in a non-organized desk market, in Brazil, under the CVM Instruction no 400/03, as amended, and, still, with efforts for placement abroad, based on the risk exemptions under the U.S. A Securities Act of 1933, as amended.

The Public Offer was not and will not be registered in the Securities and Exchange Commission, or in any other agency or regulating institution of the Capital Stock market of any country, except for Brazil. The request for registration of the Public Offer will follow the procedures of the simplified procedure under the CVM Instruction no 471 and under the Securities Commission ("CVM").

The offer consisted of the primary public offering of 200,000,000 (two hundred million) of shares issued by the Company ("Offer") in Brazil on April 26, 2010, in non-organized desk market ,under the CVM Instruction no 400/03, coordinated by the Coordinators of the Offering, with the participation of certain financial institutions included in the distribution system of securities and certain institutions consortium authorized to operate in the Brazilian capital market, accredited to the BM& FSA - Stock Exchange, Commodities and Forward. ("BM & F") as well as other financial institutions contracted to participate in the Retail Offer.

On May 31, 2010, the Company, together with BANCO BTG PACTUAL S.A. ("BTG Pactual" or "Lead Manager"), BANCO JP MORGAN SA ("JP Morgan"), BANCO SANTANDER (BRAZIL) SA (" Santander "), BB INVESTMENT BANK SA ("BB BI") and Banco Bradesco BBI S.A. ("Bradesco BBI" and, together with the Lead Manager, JP Morgan, Santander and BI BB, the "Coordinators Offer "), announced the closure of the primary public offering of 200,000,000 (two hundred million) ordinary shares, nominative, without par value, free and clear of any liens or encumbrances, issued by the Company (" Shares ") to the exclusion of preference rights of its existing shareholders, under the Article 172, item I of Law No. 6,404 of December 15, 1976 and subsequent amendments ("Law Corporation") within the limit authorized capital under the Company's Bylaws, the price of R $ 8.00 (eight dollars) per share ("Price per Share"), totaling R $ 1,600,000,000.00.

Purchase Agreement McElhaney feedyard

On June 30, 2010, the Company has entered into an agreement to acquire through it's US subsidiary – JBS FIVE RIVERS CATTLE FEEDING LLC – the McElhaney Feedyard in Welton, Arizona

This feedyard has a onetime capacity to feed 130,000 head of cattle and is strategically located in the region of the JBS production facility in Tolleson also in the State of Arizona. The transaction which includes the purchase of 100% of the asset including yards and feed mill is valued at USD24 million. The transaction is subject to the customary regulatory approvals.

33 Subsequent events

Toledo Group Acquisition

On July 13, 2010, the Company finalized the acquisition of the TOLEDO Group (including TOLEDO INTERNATIONAL nv) located in Gent, Belgium for an enterprise value of EUR 11 million. TOLEDO Group is specialized in Researching, Developing and Commercializing customized cooked and frozen beef products for a wide range of end users across Western Europe with a customer base in excess of 100 clients ranging from food service, Industrial Kitchens to large food companies that use beef products as an ingredient in their finished products. In 2009 the TOLEDO Group had net revenues in excess of USD 50 million.
The TOLEDO Group was founded by Clayton Toledo and Bob Stevens more than 20 years ago and has pioneered the development of these cooked beef products through partnerships at production level with South American Beef Companies. Exports of this group of products out of South America has increased more than tenfold over these two decades due in large part to the pioneering work of Clayton and Bob.

Standard & Poor's upgrades JBS ratings two notes to 'BB'

On July 16, 2010, the rating agency Standard & Poor's raised its ratings on JBS S.A. and JBS USA LLC two notes from 'B+' (positive outlook) to 'BB' (stable outlook).

According to Standard & Poor's report: "The upgrade reflects JBS's better consolidated business profile that improved to fair from weak after it acquired a 64% stake in Pilgrim's Pride Corp. (PPC: not rated) and merged with Bertin S.A. (not rated). According to the report, these acquisitions have enhanced the company's market position and product diversity in beef, pork, and chicken, while benefiting it with economies of scale, operating synergies, and stronger bargaining power with suppliers and clients.

Senior Notes Offering – US$ 700,000,000 – 8.25%

On the July 22, 2010, the Company announced the pricing of their Senior Unsecured Notes Offering, with the offering scheduled to close on Thursday, July 29, 2010. The aggregate principal amount is US$ 700 million, with a coupon of 8.25%, due in 2018.

The Company intends to use the proceeds to extend our debt maturity profile by refinancing shorter maturity indebtedness and improve its liquidity, as well as increasing its cash position.

The notes have not been registered under the Securities Act of 1933 or any state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act of 1933 and applicable state laws.

JBS S.A.

Notes to the consolidated interim financial statements for the six months period ended June 30, 2010 and 2009
(Expressed in thousands of Brazilian reais)

34 Supplemental information - Economic value added

	Six months period ended June 30	
	2010	2009
Revenue		
Sales of goods and services	27,338,503	18,780,593
Other income	61,086	2,768
Allowance for doubtful accounts constitution (write-off)	(17,360)	(7,918)
	27,382,229	18,775,443
Goods		
Cost of services and goods sold	(14,144,425)	(13,419,094)
Materials, energy, services from third parties and others	(7,534,661)	(2,582,230)
Losses/Recovery of amounts	157,035	(197,984)
Others	560	918
	(21,521,491)	(16,198,390)
Gross added value	5,860,738	2,577,053
Depreciation and Amortization	(628,286)	(171,217)
Net added value generated by the Company	5,232,452	2,405,836
Net added value by transfer		
Financial income	1,497,672	606,406
Others	44	10,863
Net added value to distribution	6,730,168	3,023,105
Distribution of added value		
Labor		
Salaries	2,750,923	1,452,057
Benefits	598,253	335,785
FGTS (Brazilian Social Charge)	36,209	11,497
	3,385,385	1,799,339
Taxes and contribution		
Federal	387,905	208,837
State	390,602	61,930
Municipal	1,644	793
	780,151	271,560
Capital Remuneration from third parties		
Interests	2,361,523	1,062,929
Rents	25,353	16,215
Others	98,693	24,072
	2,485,569	1,103,216
Owned capital remuneration		
Retained earnings of the period	103,065	(149,941)
Minority interests participation on retained income	(24,002)	(1,069)
	79,063	(151,010)
Added value distributed	6,730,168	3,023,105

35 Supplemental information - Economic value added

	Three months period ended June 30	
	2010	**2009**
Revenue		
Sales of goods and services	**14,422,149**	9,391,896
Other income	**46,966**	2,280
Allowance for doubtful accounts constitution (write-off)	**(8,766)**	(5,813)
	14,460,349	**9,388,363**
Goods		
Cost of services and goods sold	**(7,673,304)**	(6,728,948)
Materials, energy, services from third parties and others	**(3,831,916)**	(1,232,483)
Losses/Recovery of amounts	**119,022**	(53,157)
Others	**362**	1,228
	(11,385,836)	**(8,013,360)**
Gross added value	**3,074,513**	**1,375,003**
Depreciation and Amortization	**(309,352)**	(87,876)
Net added value generated by the Company	**2,765,161**	**1,287,127**
Net added value by transfer		
Financial income	**884,031**	444,743
Others	**(11,562)**	9,728
Net added value to distribution	**3,637,630**	**1,741,598**
Distribution of added value		
Labor		
Salaries	**1,416,498**	712,356
Benefits	**304,652**	174,607
FGTS (Brazilian Social Charge)	**19,077**	6,263
	1,740,227	**893,226**
Taxes and contribution		
Federal	**237,369**	151,297
State	**205,407**	35,402
Municipal	**782**	419
	443,558	**187,118**
Capital Remuneration from third parties		
Interests	**1,406,557**	463,698
Rents	**16,195**	7,838
Others	**16,628**	17,109
	1,439,380	**488,645**
Owned capital remuneration		
Retained earnings of the period	**3,706**	172,743
Minority interests participation on retained income	**10,759**	(134)
	14,465	**172,609**
Added value distributed	**3,637,630**	**1,741,598**

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