



JBS S.A.
Financial statements and Independent
auditors' report
As of March 31, 2014 and 2013



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

INDEPENDENT AUDITORS' REPORT ON THE INTERIM FINANCIAL STATEMENTS

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

1. Introduction

We have reviewed the individual and consolidated interim financial information of **JBS S.A. ("Company")** contained within the Quarterly Information (ITR), identified as Company and Consolidated, respectively, for the quarter ended on March 31, 2014, which comprise the balance sheet on March 31, 2014 and the related statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended, as well as a summary of the significant accounting practices and other notes.

Management is responsible for the preparation of the individual interim financial information in accordance with Technical Pronouncement CPC 21 (R1) - Interim Financial Reporting and the consolidated interim financial information in accordance with the CPC 21 (R1) and with the International Accounting Standard (IAS) 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and for the presentation of these interim financial information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

2. Scope of the review

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

3. Conclusion on the individual interim financial information

Based on our review, we are not aware of any fact that causes us to believe that the individual interim financial information included in the quarterly information referred to above were not prepared, in all material respects, in accordance with CPC 21 (R1) applicable to Quarterly Information and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission.

4. Conclusion on the consolidated interim financial information

Based on our review, we are not aware of any fact that causes us to believe that the consolidated interim financial information included in the quarterly information referred to above were not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to Quarterly Information and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission.

5. Other issues

Interim statements of added value

We have also reviewed the individual and consolidated interim statement of added value for the three-month period ended March 31, 2014, prepared under the responsibility of the Company's management, whose disclosure in the interim financial statements is required in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Information and considered as supplemental information by the International Financial Accounting Standards (IFRS), which do not require the disclosure of the Statement of Added Value. This statement was submitted to the same review procedures previously described and based on our review, we are not aware of any fact that would lead us to believe that they have not been fairly stated, in all material respects, in relation to the Individual and Consolidated interim financial information taken as a whole.

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

São Paulo, May 14, 2014.

JBS S.A.

Balance sheets
(In thousands of Reais)

	Note	Company		Consolidated	
		March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	5	4,917,974	5,223,978	8,696,372	9,013,147
Trade accounts receivable, net	6	3,648,904	4,087,073	8,142,918	8,919,926
Inventories	7	2,617,030	2,414,148	7,455,409	6,904,616
Biological assets	8	-	-	1,419,214	1,419,343
Recoverable taxes	9	1,246,197	1,275,614	2,015,657	2,003,256
Prepaid expenses		27,833	10,171	181,044	152,425
Other current assets		322,543	309,988	483,272	500,770
TOTAL CURRENT ASSETS		12,780,481	13,320,972	28,393,886	28,913,483
NON-CURRENT ASSETS					
Long-term assets					
Credits with related parties	10	4,767,142	1,784,948	675,671	733,958
Biological assets	8	-	-	484,674	496,903
Recoverable taxes	9	703,154	682,571	1,167,207	1,149,725
Other non-current assets		298,940	294,254	1,276,012	1,182,302
Total long-term assets		5,769,236	2,761,773	3,603,564	3,562,888
Investments in associate, subsidiaries and joint ventures	11	8,828,129	11,594,353	536,324	277,571
Property, plant and equipment, net	12	9,712,955	9,392,336	21,162,003	20,940,616
Intangible assets, net	13	9,548,984	9,547,037	14,702,605	14,975,663
TOTAL NON-CURRENT ASSETS		33,859,304	33,295,499	40,004,496	39,756,738
TOTAL ASSETS		46,639,785	46,616,471	68,398,382	68,670,221

The accompanying notes are an integral part of the quarterly interim financial statements



JBS S.A.

Balance sheets
(In thousands of Reais)

	Note	Company		Consolidated	
		March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Trade accounts payable	14	1,061,495	1,371,205	4,908,867	5,342,388
Loans and financings	15/16	7,139,724	6,839,122	9,346,726	9,430,892
Income taxes	17	-	-	50,386	19,760
Payroll, social charges and tax obligation	17	403,854	382,741	1,652,234	1,741,536
Declared dividends	18	220,494	220,494	220,494	220,494
Payables related to facilities acquisitions	19	340,099	95,853	513,088	264,264
Other current liabilities		836,951	535,352	1,181,377	689,535
TOTAL CURRENT LIABILITIES		10,002,617	9,444,767	17,873,172	17,708,869
NON-CURRENT LIABILITIES					
Loans and financings	15/16	13,405,986	13,753,849	23,028,748	23,330,449
Payroll, social charges and tax obligation	17	125,102	125,166	715,986	705,179
Payables related to facilities acquisitions	19	61,104	62,754	453,214	463,485
Deferred income taxes	20	1,097,019	1,090,973	2,135,035	2,119,594
Provision for lawsuits risk	21	167,134	164,051	844,885	849,324
Other non-current liabilities		23,568	23,123	403,453	360,067
TOTAL NON-CURRENT LIABILITIES		14,879,913	15,219,916	27,581,321	27,828,098
EQUITY					
Capital stock	22	21,506,247	21,506,247	21,506,247	21,506,247
Treasury shares		(595,849)	(595,849)	(595,849)	(595,849)
Capital transaction		88,757	86,444	88,757	86,444
Capital reserve		211,879	211,879	211,879	211,879
Revaluation reserve		91,161	92,227	91,161	92,227
Profit reserves		2,705,084	2,705,084	2,705,084	2,705,084
Valuation adjustments to equity in subsidiaries		123,251	132,787	123,251	132,787
Accumulated translation adjustments in subsidiaries		(2,444,320)	(2,187,031)	(2,444,320)	(2,187,031)
Retained earnings		71,045	-	71,045	-
Attributable to controlling interest		21,757,255	21,951,788	21,757,255	21,951,788
Attributable to noncontrolling interest		-	-	1,186,634	1,181,466
TOTAL EQUITY		21,757,255	21,951,788	22,943,889	23,133,254
TOTAL LIABILITIES AND EQUITY		46,639,785	46,616,471	68,398,382	68,670,221

The accompanying notes are an integral part of the quarterly interim financial statements



JBS S.A.

Statements of income for the three months period ended March 31, 2014 and 2013
(In thousands of Reais)

	Note	Company		Consolidated	
		2014	2013	2014	2013
NET REVENUE	23	5,750,712	4,513,957	26,419,076	19,527,576
Cost of goods sold		(4,407,031)	(3,386,284)	(22,997,772)	(17,491,030)
GROSS INCOME		1,343,681	1,127,673	3,421,304	2,036,546
OPERATING INCOME (EXPENSE)					
General and administrative expenses		(293,370)	(242,330)	(688,045)	(544,066)
Selling expenses		(600,591)	(450,060)	(1,604,382)	(1,050,054)
Financial expense, net	24	(628,880)	(51,251)	(869,326)	(78,215)
Equity in earnings of subsidiaries	11	248,898	(12,178)	4,693	1,664
Other income (expenses), net	25	(626)	2,067	(4,538)	5,199
		(1,274,569)	(753,752)	(3,161,598)	(1,665,472)
NET INCOME BEFORE TAXES	20	69,112	373,921	259,706	371,074
Current income taxes	20	549	603	(223,243)	(18,806)
Deferred income taxes	20	318	(146,631)	83,548	(110,041)
		867	(146,028)	(139,695)	(128,847)
NET INCOME		69,979	227,893	120,011	242,227
ATTRIBUTABLE TO:					
Controlling interest				69,979	227,893
Noncontrolling interest				50,032	14,334
				120,011	242,227
Net income basic per shares - in reais	26	24.40	79.64	24.40	79.64
Net income diluted per shares - in reais	26	24.40	79.64	24.40	79.64

The accompanying notes are an integral part of the quarterly interim financial statements



JBS S.A.

Statement of comprehensive income for the three months period ended March 31, 2014 and 2013
(In thousands of Reais)

	Company		Consolidated	
	2014	2013	2014	2013
Net income	69,979	227,893	120,011	242,227
Other comprehensive income				
Valuation adjustments to equity in subsidiaries	(9,536)	15,645	(9,536)	15,645
Accumulated adjustment of conversion in subsidiaries	(44,827)	(70,559)	(44,827)	(70,559)
Exchange variation in subsidiaries	(212,462)	(65,998)	(212,462)	(65,998)
Total of comprehensive income	(196,846)	106,981	(146,814)	121,315
Total of comprehensive income attributable to:				
Controlling interest	(196,846)	106,981	(196,846)	114,136
Noncontrolling interest	-	-	50,032	7,179
	(196,846)	106,981	(146,814)	121,315

The accompanying notes are an integral part of the quarterly interim financial statements



JBS S.A.

Statements of changes in equity for the three months period ended March 31, 2014 and 2013
(In thousands of Reais)

	Capital stock	Capital transactions	Capital reserve	Revaluation reserve	Profit reserves		Treasury shares	Valuation adjustments to equity	Accumulated translation adjustments	Retained Earnings	Total	Noncontrolling interest	Total equity
					Legal	For expansion							
BALANCE AS OF DECEMBER 31, 2012	21,506,247	77,374	211,879	96,847	43,715	1,949,982	(776,526)	92,999	(2,591,970)	-	20,610,547	822,759	21,433,306
Capital transaction	-	(588)	-	-	-	-	-	-	-	-	(588)	-	(588)
Transfer of treasury shares	-	-	-	-	-	-	183,041	-	-	-	183,041	-	183,041
Realization of revaluation reserve	-	-	-	(1,170)	-	-	-	-	-	1,170	-	-	-
Valuation adjustments in subsidiaries equity	-	-	-	-	-	-	-	15,645	-	-	15,645	-	15,645
Accumulated translation adjustments in subsidiaries equity	-	-	-	-	-	-	-	-	(70,559)	-	(70,559)	-	(70,559)
Investments exchange rate variations, net	-	-	-	-	-	-	-	-	(65,998)	-	(65,998)	-	(65,998)
Net income	-	-	-	-	-	-	-	-	-	227,893	227,893	14,334	242,227
Noncontrolling interest	-	-	-	-	-	-	-	-	-	-	-	(8,554)	(8,554)
BALANCE AS OF MARCH 31, 2013	21,506,247	76,786	211,879	95,677	43,715	1,949,982	(593,485)	108,644	(2,728,527)	229,063	20,899,981	828,539	21,728,520
BALANCE AS OF DECEMBER 31, 2013	21,506,247	86,444	211,879	92,227	90,060	2,615,024	(595,849)	132,787	(2,187,031)	-	21,951,788	1,181,466	23,133,254
Capital transactions	-	2,313	-	-	-	-	-	-	-	-	2,313	-	2,313
Realization of revaluation reserve	-	-	-	(1,066)	-	-	-	-	-	1,066	-	-	-
Valuation adjustments in subsidiaries equity	-	-	-	-	-	-	-	(9,536)	-	-	(9,536)	-	(9,536)
Accumulated translation adjustments in subsidiaries equity	-	-	-	-	-	-	-	-	(44,827)	-	(44,827)	-	(44,827)
Investments exchange rate variations, net	-	-	-	-	-	-	-	-	(212,462)	-	(212,462)	-	(212,462)
Net income	-	-	-	-	-	-	-	-	-	69,979	69,979	50,032	120,011
Noncontrolling interest	-	-	-	-	-	-	-	-	-	-	-	(44,864)	(44,864)
BALANCE AS OF MARCH 31, 2014	21,506,247	88,757	211,879	91,161	90,060	2,615,024	(595,849)	123,251	(2,444,320)	71,045	21,757,255	1,186,634	22,943,889

The accompanying notes are an integral part of the quarterly interim financial statements

JBS S.A.

Statements of cash flows for the three months period ended March 31, 2014 and 2013
(In thousands of Reais)

	Company		Consolidated	
	2014	2013	2014	2013
Cash flow from operating activities				
Net income attributable to controlling interest	69,979	227,893	69,979	227,893
Adjustments to reconcile net income to cash provided on operating activities				
. Depreciation and amortization	140,035	119,978	614,078	429,006
. Allowance for doubtful accounts	-	(3,057)	5,617	(3,507)
. Equity in earnings of subsidiaries	(248,898)	12,178	(4,693)	(1,664)
. Loss (gain) on assets sales	626	7,499	(1,925)	4,325
. Deferred income taxes	(318)	146,631	(83,548)	110,041
. Current and non-current financial charges	(259,517)	(55,750)	(143,297)	86,660
. Provision for lawsuits risk	3,083	2,008	2,748	6,371
	(295,010)	457,380	458,959	859,125
Decrease (increase) in operating assets				
Trade accounts receivable	533,573	(75,548)	657,253	(143,114)
Inventories	(202,882)	96,369	(684,513)	(218,666)
Recoverable taxes	9,365	35,204	(25,842)	(8,255)
Other current and non-current assets	(34,903)	(68,528)	(111,577)	(91,022)
Related party receivable	57,163	(129,523)	38,238	(87,314)
Biological assets	-	-	(156,048)	(107,714)
Increase (decrease) operating liabilities				
Trade accounts payable	(300,327)	(126,804)	(303,411)	(196,683)
Other current and non-current liabilities	323,638	21,249	626,725	23,375
Noncontrolling interest	-	-	50,032	14,334
Valuation adjustments to equity in subsidiaries	-	-	(45,174)	14,521
	385,627	(247,581)	45,683	(800,538)
Changes in operating assets and liabilities				
	90,617	209,799	504,642	58,587
Net cash provided by operating activities				
	90,617	209,799	504,642	58,587
Cash flow from investing activities				
Additions to property, plant and equipment and intangible assets	(453,027)	(175,450)	(711,146)	(282,504)
Net effect of Joint Venture deconsolidation	-	-	-	(8,623)
Increase in investments in subsidiaries	(13,430)	(970,218)	-	-
Net effect of working capital of acquired / merged company	-	-	-	(271,843)
	(466,457)	(1,145,668)	(711,146)	(562,970)
Net cash used in investing activities				
	(466,457)	(1,145,668)	(711,146)	(562,970)
Cash flow from financing activities				
Proceeds from loans and financings	2,402,373	2,210,330	4,740,538	4,430,261
Payments of loans and financings	(2,332,537)	(1,789,819)	(4,736,708)	(3,737,065)
Capital transactions	-	-	2,313	(588)
	69,836	420,511	6,143	692,608
Net cash provided by financing activities				
	69,836	420,511	6,143	692,608
Effect of exchange variation on cash and cash equivalents				
	-	-	(116,414)	(54,398)
Variance in cash and cash equivalents	(306,004)	(515,358)	(316,775)	133,827
Cash and cash equivalents at the beginning of the year	5,223,978	3,564,984	9,013,147	5,383,087
	4,917,974	3,049,626	8,696,372	5,516,914
Cash and cash equivalents at the end of the year				

The accompanying notes are an integral part of the quarterly interim financial statements



JBS S.A.

Economic value added for the three months period ended March 31, 2014 and 2013
(In thousands of Reais)

	Company		Consolidated	
	2014	2013	2014	2013
Revenue				
Sales of goods and services	6,034,553	4,780,809	26,908,223	19,833,026
Other net income	2,644	4,737	2,547	48,909
Allowance for doubtful accounts	-	3,057	(5,617)	3,507
	6,037,197	4,788,603	26,905,153	19,885,442
Goods				
Cost of services and goods sold	(3,764,307)	(2,784,578)	(18,468,169)	(13,745,156)
Materials, energy, services from third parties and others	(720,729)	(744,208)	(3,667,421)	(2,801,264)
	(4,485,036)	(3,528,786)	(22,135,590)	(16,546,420)
Gross added value	1,552,161	1,259,817	4,769,563	3,339,022
Depreciation and Amortization	(140,035)	(119,978)	(614,078)	(429,006)
Net added value generated by the company	1,412,126	1,139,839	4,155,485	2,910,016
Net added value by transfer				
Equity in earnings of subsidiaries	248,898	(12,178)	4,693	1,664
Financial income	2,079,854	489,780	2,198,765	616,607
Others	3,302	2,013	16,586	4,300
NET ADDED VALUE TOTAL TO DISTRIBUTION	3,744,180	1,619,454	6,375,529	3,532,587
Distribution of added value				
Labor				
Salaries	429,092	365,423	1,880,857	1,664,955
Benefits	54,797	45,140	413,720	362,472
FGTS (Brazilian Labor Social Charge)	20,899	18,432	21,054	20,823
	504,788	428,995	2,315,631	2,048,250
Taxes and contribution				
Federal	112,212	175,578	419,764	183,428
State	326,532	224,113	363,044	247,233
Municipal	5,587	4,937	6,184	4,971
	444,331	404,628	788,992	435,632
Capital Remuneration from third parties				
Interests	2,613,925	535,918	2,953,768	718,434
Rents	16,644	17,575	72,493	69,995
Others	94,513	4,445	124,634	18,049
	2,725,082	557,938	3,150,895	806,478
Owned capital remuneration				
Net income attributable to controlling interest	69,979	227,893	69,979	227,893
Noncontrolling interest	-	-	50,032	14,334
	69,979	227,893	120,011	242,227
ADDED VALUE TOTAL DISTRIBUTED	3,744,180	1,619,454	6,375,529	3,532,587

The accompanying notes are an integral part of the quarterly interim financial statements

JBS S.A.

Notes to the quarterly interim financial statements for the three months period ended March 31, 2014 and 2013
(Expressed in thousands of reais)

1 Operating activities

JBS S.A. (JBS, the Company) is a listed company in the "Novo Mercado" segment, based in the city of São Paulo, Brazil, which requires the highest level of corporate governance in the Brazilian market and its shares are traded on the BM&F Bovespa S.A - Stock Exchange, Commodity and Forward as ticker symbol "JBSS3" and American Depository Receipts traded over the counter as "JBSAY".

The Company and its subsidiaries have the following operational activities:

a) Activities in Brazil

In Company

The Company is engaged in the operation of slaughter facilities, cold storage of cattle meat, meat processing operations for the production of beef, meat by-products and canned goods, through fifty industrial facilities based in the states: Acre, Bahia, Goiás, Maranhão, Minas Gerais, Mato Grosso do Sul, Mato Grosso, Pará, Rio de Janeiro, Rondônia and São Paulo.

The Company distributes its products through twelve distribution centers based in the States of Amazonas, Bahia, Minas Gerais, Pernambuco, Paraná, Rio de Janeiro, Rio Grande do Sul, Santa Catarina, São Paulo and Distrito Federal.

The Company has strong leather tanning operations, most of its production intended to export in the segments of leather for furniture, automotive, footwear and artifacts, in the stages of Wet Blue, Semi Finished and Finished. The structure is composed of twenty industrial facilities based in the States of Bahia, Ceará, Espírito Santo, Goiás, Mato Grosso, Mato Grosso do Sul, Minas Gerais, Pará, Rio Grande do Sul, Rondônia, São Paulo and Tocantins. JBS has one distribution center based in the State of Mato Grosso do Sul and a warehouse in the State of São Paulo.

Additionally, the Company operates in the segment of steel cans production, industrial waste management and plastic resin manufacturing; bar soap and soap production for its own brands of cleaning and hygiene segment; production of biodiesel, glycerin, olein and fatty acid; purchase and sale of soybeans, tallow, palm oil, caustic soda, stearin; industrialization and sale of cattle tripe; own transport operations for retail sale, cattle for slaughter and export products; industrialization of collagen; industrialization of dog biscuits. The Company also has stores named "Mercado da Carne" that sell meat and barbecue related items directly to customers. The Company is also engaged in the production and distribution of electric power and cogeneration.

In subsidiaries / Joint Ventures

JBS Confinamento Ltda. (JBS Confinamento) is based in the State of São Paulo in the city of Castilho and Guaçara, State of Goiás in the city of Nazário, Aruanã and Anápolis, in the State of Mato Grosso in the city of Lucas do Rio Verde and also in the State of Mato Grosso do Sul in the city of Terenos, is engaged in the activity of buying and reselling for fattening beef and providing services of fattening beef and third party cattle for slaughtering.

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

In JBS Foods S.A., the subsidiary Seara Alimentos Ltda. (Seara Alimentos) based in the city of São Paulo, explores the activity of industrialization and commercialization of food products, breeding activity of broiler chickens and hogs for slaughtering, production of pet food and concentrates and meat industrialization. It operates thirty industrial facilities based in the States of Bahia, Minas Gerais, Mato Grosso, Mato Grosso do Sul, Paraná, Rio de Janeiro, Rio Grande do Sul, Santa Catarina, São Paulo and Distrito Federal and twenty warehouses in the States of Bahia, Ceará, Goiás, Minas Gerais, Mato Grosso, Mato Grosso do Sul, Pernambuco, Paraná, Rio de Janeiro, Rio Grande do Sul, Rio Grande do Norte, São Paulo and Distrito Federal. It also has a private warehouse based in the State of Santa Catarina.

In JBS Foods S.A., the subsidiary JBS Aves Ltda. (JBS Aves), based in State of São Paulo, explores the activity of industrialization and commercialization of food products, breeding activity of broiler chickens and hogs for slaughtering, production of pet food and meat industrialization. It operates seven industrial facilities base in the States of Rio Grande do Sul, Santa Catarina, Paraná e Mato Grosso do Sul and two warehouses in the States of Rio Grande do Sul and São Paulo. JBS Aves also operates the activities of exploring warehouses through the subsidiary Agil Armazéns Gerais Imituba Ltda.

Excelsior Alimentos S.A. (Excelsior) (direct subsidiary of the Company and indirect of the holding Baumhardt Comércio e Participação Ltda (Baumhardt)), based in the State of Rio Grande do Sul, in the city of Santa Cruz do Sul, has as main activity the production of industrialized products. It operates an industrial facilities of built-in meat in the State of Rio Grande do Sul.

Brazservice Wet Leather S.A., based in the State of Mato Grosso, in the city of Pedra Preta, has as main activity the process of leather industrialization and marketing.

b) Activities abroad

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

Due to the unfavorable scenario in the meat industry in Argentina since the year 2008, the Company decided temporarily to discontinue its operations of the plants in Colonia Caroya (Province of Córdoba), Consignaciones Rurales (Province of Buenos Aires) in 2010 and Venado Tuerto (Province of Santa Fé) in 2011.

JBS USA Holdings Inc. (JBS USA) and its subsidiaries process and prepare fresh, further processed and value-added beef, pork, chicken and lamb products for sale to customers in the United States of America and in international markets. Additionally, through its subsidiaries JBS USA offers transport services as well as importing activities of manufactured products, processed meat, and other food items for sale in the North American market and Europe.

In the United States of America, JBS USA operated nine beef processing facilities, three pork processing facilities, one lamb slaughter facility, one value-added facility and eleven feedyards which one was leased to and operated by a third party. The Company operated ten processing facilities, three value-added facilities and four feedyards in Australia. One of the processing facilities in Australia process lamb, four processes lamb and meat, and the remaining five facilities process solely beef. JBS USA operated one beef processing facility and one feedyards in Canada.

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



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Part of JBS USA, Pilgrim's Pride - PPC based in Greeley, Colorado, United States of America is one of the largest chicken processors in the United States of America, listed company in NASDAQ, with operations in Mexico and Puerto Rico. Exporting commodities to over ninety countries, the main products are "in-natura", whole chilled or chilled parts. The main customers are restaurant chains, food processors, distributors, supermarkets, wholesalers, distributors and other retail, and export to Eastern Europe (including Russia), Far East (including China), Mexico and other world markets. The Company also operated twenty seven chicken processing facilities, supported by twenty eight feed mills, thirty six hatcheries, eight rendering facilities and five pet food facilities in the United States and Mexico.

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

Toledo International NV (Toledo), an indirect wholly-owned subsidiary of the Company, based in Belgium, has basically trading operations for the European and African markets, selling cooked meat. Additionally, it develops logistics operations, warehousing, customization and new products development.

JBS Paraguay S.A (JBS Paraguay), an indirect wholly-owned subsidiary of the Company, based in Assunção, as well as in San Antonio, slaughters and processes chilled and frozen beef and raw leather. Most of its production is destined to export to other subsidiaries of JBS Group. It is licensed to export to the European Union, Chile, Russia and other markets.

Frigorífico Canelones S.A (Frigorífico Canelones), an indirect wholly-owned subsidiary of the Company, based in Canelones, Uruguay, slaughters and processes "in natura" beef for export, and for local markets. Also sells meat cuts with bones, mainly to the local market.

Rigamonti Salumificio SpA (Rigamonti), an indirect wholly-owned subsidiary of the Company, based in Italy, leads the Italian market in the production and sale of Bresaola (bovine cured beef). Additionally, Rigamonti is engaged in the production and sales of beef jerky and flat cured pork belly (bacon), as well as the commercialization of cured ham.

Trump Asia Enterprises Limited (Trump), an indirect wholly-owned subsidiary of the Company, has two leather processing plants, one of them is based in Hong Kong, China, whose activity consists in the process of leather industrialization to be sold mainly to local market production of bags and shoes, and the other one is based in Bien Hoa, Vietnam, engaged in the leather industrialization for the furniture market. It has two sales offices in Hong Kong and Dongguan, which sell in the Asian market and buy most of its products from JBS Group and third parties.

JBS Leather Italia S.R.L. (JBS Leather Italia), based in the city of Arzignano with another plant in the city of Matera, both in Italy, operates in the leather segment, buying leather from JBS Group and trading in domestic and European market, producing leather in Semi Finished and Finished stages.

Capital Joy Holding Limited (Capital Joy), based in British Virgin Islands, has a leather processing plant in the city of Juangmen in China, whose activity consists in the process of leather industrialization to be sold mostly to the Asian market of production of shoes and artifacts, buying the "Wet Blue" stage from JBS Group.

Columbus Netherlands B.V. (Columbus), based in Netherlands, operates in its subsidiaries the activity of production and marketing of leather in stages of Semi Finished and Finished to the markets of shoes and furniture. In addition, it manufactures finished leathers for the automotive industry. It operates units located in Uruguay, Argentina, Mexico and South Africa, and distribution centers in the United States and Germany.

The indirect subsidiary Seara Holding Europe B.V. (Seara Holding), based in the city of Amsterdam, operates in its subsidiaries the activity of sale and purchase of products to the foreign market, which main activity is in the European market. It also operates with two commercial offices, based in Japan and Singapore.

c) Acquisition of the operations of Zenda's Group and Seara's Group:

The consolidated quarterly interim financial statements of the Company as of March 31, 2014, as well as the consolidated financial statements as of December 31, 2013, reflect the acquisitions of Zenda's Group (through by the holding Columbus) and Seara's Group (through the holdings JBS Foods Ltda., Seara Holding and Baumhardt), which are recorded as an acquisition in accordance with IFRS 3 (R)/CPC 15 R1.

Due to the fact of the participation of these investments have not been consolidated in the comparative quarter ended as of March 31, 2013 and were consolidated in the quarter ended as of March 31, 2014, for comparison purposes, below is present the Statement of income excluding the carrying amounts of the consolidated participations on March 31, 2014, allowing readers and users a better comparability.

Statements of Income

	2014			2013	
	Consolidated	Seara's Group	Zenda's Group	Consolidated excluding Seara and Zenda Group	Consolidated
Net sales revenue	26,419,076	2,167,129	143,374	24,108,573	19,527,576
Cost of goods sold	(22,997,772)	(1,629,999)	(129,816)	(21,237,957)	(17,491,030)
GROSS INCOME	3,421,304	537,130	13,558	2,870,616	2,036,546
General, administrative and selling expenses	(2,292,427)	(364,088)	(11,626)	(1,916,713)	(1,594,120)
Financial expense, net	(869,326)	(51,949)	(686)	(816,691)	(78,215)
Other income (expenses), net	(4,538)	(6,292)	(1,352)	3,106	5,199
Equity in earnings of subsidiaries	4,693	-	-	4,693	1,664
Income taxes	(139,695)	(34,944)	(2,920)	(101,831)	(128,847)
NET INCOME (LOSS)	120,011	79,857	(3,026)	43,180	242,227
ATTRIBUTABLE TO:					
Controlling interest	69,979	80,209	(3,026)	(7,204)	227,893
Noncontrolling interest	50,032	(352)	-	50,384	14,334
Net income (loss)	120,011	79,857	(3,026)	43,180	242,227

* Composed by the results of the subsidiaries Baumhardt, Seara Holding and JBS Foods Ltda.



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2 Elaboration and presentation of quarterly interim financial statements

a. Declaration of conformity

These quarterly interim financial statement includes:

The Company quarterly interim financial statements were prepared and in accordance with International Financing Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and also in accordance with pronouncements, interpretations and orientations of Brazilian Accounting Pronouncements Committee (Comitê de Pronunciamentos Contábeis - CPC) approved by resolutions of the Brazilian Federal Accounting Council (Conselho Federal de Contabilidade - CFC) and requirements of the Brazilian Securities Commission - CVM.

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

The individual quarterly interim financial statements present the evaluation of investments in associates, subsidiaries and joint ventures by the equity method, according to Brazilian legislation. Thereby the quarterly interim financial statements are not in accordance with the IFRS, which requires the evaluation of these investments in the individual company's quarterly interim financial statements measured at their fair value or at cost.

The quarterly interim financial statements of subsidiaries presented prior to the first time adoption of IFRS are adjusted to the policies adopted by the Group - International Financing Reporting Standards (IFRS). Thus, the balance sheets of subsidiaries have been prepared with international accounting uniform policies and practices. Similarly, for the new investments acquisitions after adoption of IFRS, IFRS 3 (R)/CPC 15 R1 - Business Combinations is applied, which presents investment of fair value, subsequently, evaluating its investments.

Since there is no difference between the consolidated equity and the consolidated profit/loss attributable to shareholders of Company, presented in the consolidated quarterly interim financial statements prepared in accordance with IFRSs and constants in the individual quarterly interim financial statements prepared in accordance with accounting practices adopted in Brazil (BR GAAP), the Company opted to present these statements in a single set side by side.

c. Normative Statement nº 1.397 e Provisory Measure (Medida Provisória - MP) nº 627 of 2013

In 2013 the Normative Statement (Instrução Normativa - IN) nº 1.397 and the Provisory Measure (Medida Provisória - MP) nº 627 was published, bringing relevant changes for the federal tax rules, among which stands out the following: (i) repeal of Transitional Tax Regime (Regime Tributário Transitório - RTT); (ii) changes in Decree-law nº 1.598/77 dealing with the Corporate Income Tax (IRPJ and CSLL); (iii) definition that changes and new accounting practices issued through administrative acts after the issuance of this Provisory Measure, will have no implication in the determination of federal taxes until tax law regulates the matter, (iv) inclusion of specific treatment on the taxation of profits or dividends, (v) inclusion of provisions on the calculation of interest on equity, and (vi) new considerations of investments valued at equity method.

The Normative Statement take effect from September, 2013 and determined that the taxpayer provide the evaluation of the paid dividends in the years 2008 to 2013 above the limits set by the tax laws, as well as other measures.

The providences of Provisory Measure take effect from 2015, however the Provisory Measure allows that the taxpayer opts for anticipating the effects for 2014 as a condition to eliminate any tax effects related to dividends paid until the date of publication of the Provisory Measure, until the date of publication of the MP, the calculation of interest on equity and the valuation of significant investments in subsidiaries and associates under the equity method.

The Company, oriented by its legal advisors, decided not to recognize any possible effect of the these regulations, once up to this date the Internal Revenue Service of Brazil did not regulate the form and date to exercise this option, in addition to the Provisory Measure itself has been the subject of several amendments, which makes it impractical for the Company's Management to take any decision to compliance with those changes. The final decision on the effective exercise of such option will be taken when converting the final text of Provisory Measure in law.

The voting on the text of the Provisory Measure 627 was completed by the Chamber of Deputies and the Federal Senate, although the sanction of the Federal Executive is still needed, there are relevant changes in its original text, particularly regarding early adoption in 2014, which remains optional but without any linking to the past events of distribution of profits, and there is thus taxes effects for those who do not adhere to the option presented.

Based on the current contend of the Provisory Measure, the Company carried out studies on the possible effects that could result from the application of those provisions of the Provisory Measure and the IN and concluded that no material adjustments to its quarterly interim financial statements as of December 31, 2013.

d. Approval of quarterly interim financial statements

The approval of these quarterly interim financial statements was given at the Board of Directors' meeting held on May 14, 2014.

e. Functional and presentation currency

These individual and quarterly interim financial statements are presented in Reais (R\$), which is the Company's functional currency. All financial information is presented in thousands of reais.

3 Significant accounting policies

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

a) Statements of income

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

In the income statement revenue is net of taxes, returns, rebates and discounts, as well as of intercompany sales. On note 23 is presented net revenue reconciliation.



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In accordance with IAS 18/CPC 30 R1 - Revenues, the Company recognizes revenue when, and only when:

- (i) the amount of revenue can be measured reliably;
- (ii) the entity has transferred to the buyer the significant risks and rewards incidental to ownership over the goods;
- (iii) it is probable that the economic benefits will flow to the Company and its subsidiaries;
- (iv) the entity neither maintains involvement in the Management of product sold at levels normally associated with ownership nor effective control of such cost of good sold; and
- (v) expenses incurred or to be incurred related to the transaction, can be reliably measured.

The expenses are recorded on the accrual basis.

b) Accounting estimates

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

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

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

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

c) Cash and cash equivalents

Cash and cash equivalents include cash balances, banks and financial investments with original maturities of three months or less from the date of the contract. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value in accordance with IAS 7/CPC 03 R2 - Statement of Cash Flows. These investments are designed to satisfy the cash commitments of short-term (daily management of financial resources of the Company and its subsidiaries) and not for investment or other purposes.

d) Trade accounts receivable

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

Accounts receivable are initially recognized at fair value, subsequently measured at amortized cost, less any impairment. In practice, they are recognized at the invoiced amount, adjusted to its recoverable value.

e) Allowance for doubtful accounts

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

Allowance for doubtful accounts expenses with the constitution of the provision for adjustment to recoverable value are recorded under the caption "Selling Expenses" in the individual and consolidated statements of income. When no additional recoverability is expected, the account receivable is derecognized.

f) Inventories

In accordance with IAS 2/CPC 16 R1 - Inventories, the inventories are stated at the lower of the average cost of acquisition or production, and the net realizable value. The cost of inventories is recognized in the income statement when inventories are sold or perishing.

g) Biological assets

In accordance with IAS 41/CPC 29 - Biological Assets, companies that operate with agricultural activities, such as grain crops, increased herd (of cattle feedlot operations or livestock grazing), and various agriculture crops are required to mark to market these assets, which effect shall be recorded in the income statement of the year.

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

The registration of biological assets is done through the concept of market to market and cost, according to the criteria defined in the Note 8.

h) Investments in associates, subsidiaries and joint ventures

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

In accordance with IAS 28/CPC 18 R2 - IAS 28 Investments in Associates, Subsidiaries and Joint Ventures, Associate is an entity over which an investee has significant influence, being the power to participate in the financial and operating policy decisions of the investee (but not control or joint control).

According to IAS 31/CPC 19 R2 - Interests in joint venture, Joint ventures are business jointly controlled whereby parties that hold the joint control have rights to the net assets of the business. The interests in joint ventures are treated as investment and recorded by the equity method, in accordance with IAS28/CPC 18 R2 - Investments in associates, subsidiaries and joint ventures.

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



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i) Property, plant and equipment - PP&E

The items of property, plant and equipment are valued at historical cost of acquisition or construction, net of accumulated depreciation and impairment.

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

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

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

j) Assets leased

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

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

k) Intangible assets

Consist mostly of goodwill recorded in accordance with IAS 38/CPC 4 R1 - Intangible assets by cost or formation, less amortization and any applicable losses due to impairment. Amortization, when applicable, is recognized using straight-line method based on the useful lives of assets. The estimated useful lives and amortization method are reviewed at the end of each financial year and the effect of any changes in estimated are accounted for prospectively.

Goodwill arising from business combination

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

Goodwill is subject to annual impairment testing or more frequently when impairment indications are identified. If the recoverable amount of the cash-generating unit is less than the carrying value, an impairment loss is recorded. Any impairment loss on the recoverable amount of goodwill is directly recognized in income statement. The impairment loss is not reversed in subsequent periods.

At the sale of the corresponding cash-generating unit, the goodwill is included in the calculation of profit or loss on disposal.

Impairment of tangible and intangible assets, excluding goodwill

Property, plant and equipment, intangible assets with defined useful lives and other assets (current and noncurrent) are tested for impairment, if indications of potential impairment exist. Intangible assets are tested for impairment when an indication of potential impairment exists or on an annual basis, regardless of whether or not there is any indication of impairment, pursuant to IAS 38/CPC 4 R1- Intangible Assets.

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

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

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

l) Other current and noncurrent assets

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

m) Trade accounts payable

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

n) Loans and financings

Loans and financings are recognized at fair value upon receipt of the proceeds, net of transaction costs, when applicable, plus charges, interests and monetary and exchange rate variation contractually defined, incurred until the end of each period, as shown in note 15.

o) Income tax and social contribution

Current taxes

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

Deferred taxes

Deferred income tax (deferred tax) is calculated on the temporary differences between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is determined using tax rates enacted and expected to be applied when the deferred tax assets are realized or when the income tax liability is settled.

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



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

p) Dividends

Dividend distribution, when applicable, proposed by Management is equivalent to the mandatory minimum dividend of 25% and is recorded under the caption "Declared Dividends" in liabilities since it is considered a legal obligation established by the Company's laws.

q) Current and noncurrent liabilities

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

r) Noncontrolling interest

According to IAS 1/CPC 26 R1, Presentation of quarterly interim financial statements, noncontrolling interests are presented in the quarterly interim financial statements within equity, with respective effects included in the statement of income.

s) Contingent assets and liabilities

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

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

t) Adjustment of assets and liabilities to present value

The Company presents, when relevant, assets and liabilities at present value long-term assets and liabilities, according to CPC12 - Present value adjustment. The present value is calculated timely by the Company, and recorded if relevant, being detailed in the notes in which these assets and liabilities refers to.

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

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

u) Consolidation

The quarterly interim financial statements includes individual quarterly interim financial statements of the Company, its subsidiaries and joint controlled entities (proportionally consolidated). Control is obtained when the Company has the power to control financial and operating policies of an entity so as to obtain benefits from its activities.

When necessary, the quarterly interim financial statements of subsidiaries are adjusted according to the accounting policies established by the Group. All transactions, balances, income and expenses between Group companies are eliminated in the quarterly interim financial statements. Consolidated subsidiaries are detailed described on note 11.

The quarterly interim financial statements of the foreign subsidiaries are originally prepared in the currency of the country in which they are based and, subsequently, are adjusted to IFRS and translated to Brazilian reais using the exchange rate in effect at the reporting date for assets and liabilities, the historical exchange rate for changes in equity and the average exchange rate for the period for income and expenses when it is appropriate. Exchange gains and losses are recognized in equity under the caption "accumulated translation adjustments" in accordance with IAS 21/CPC 2 R2 - The effects of changes in foreign exchange rates.

v) Foreign currency translation

Functional and reporting currency

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

The items of the quarterly interim financial statements of the subsidiaries are measured using the currency of the primary economic environment in which the subsidiaries operate ("functional currency"), being adjusted to IFRS and translated to Brazilian Real at the corresponding exchange rate of the reporting period for assets and liabilities, the historical rate for equity and the average exchange rate of the period for the income statement, if applicable, and with the exchange rate effects recognized in comprehensive income.

w) Earning per share

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

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

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

x) Financial instruments

Subsequent measurement of financial instruments occurs at each reporting date, according to the rules for each category of financial assets and liabilities.

• Financial assets at fair value through profit or loss

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



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• Loans and receivables

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

• Held to maturity

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

• Non derivative financial liabilities

The Company recognizes debt securities and subordinated debt on the date on which they originated. All other financial liabilities (including liabilities designated at fair value recorded in income) are initially recognized on the trade date on which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are canceled or expired. The Company has the following non-derivative financial liabilities: loans, financing, trade accounts payable, debts with related parties and other payables.

• Impairment of financial assets

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

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

• Derivatives

The Company and subsidiaries recognize and disclose financial instruments and derivatives according to IAS 39/CPC 38 - Financial Instruments: Recognition and Measurement, IFRIC 9 - Assessment of embedded derivatives and IFRS 7/CPC 40 R1 - Disclosure of Financial Instruments. Financial instruments are recognized after the Company and its subsidiaries become a party to the contractual provisions at the instruments.

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

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

y) Business combinations

According to IFRS 3 (R)/CPC 15 R1 - Business Combination, business acquisitions are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to the Group. The consideration transferred in a business combination is measured at fair value, which is calculated by adding the fair values of assets transferred, liabilities incurred on the acquisition date to the previous owners of the acquired shares issued in exchange for control of the acquired. The acquisition-related costs are generally recognized in income when incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the recognized amount of noncontrolling interests in the acquired business plus the fair value of the existing equity interest in the acquired less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. If the excess is negative, a gain on bargain is recognized immediately in income as a gain.

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

z) Employee benefits

Defined Contribution Plans:

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

Defined benefit plans

The amount of the defined benefit plans that will be received by the beneficiaries are previously defined, calculated individually for each of the plan by using actuarial assumptions. The contributions can be adjusted in order to guarantee the payment of these benefits.

The recognized obligation for these contributions is the present value of the obligation defined in the closing, less the fair value of the assets of the plan, adjusted by actuarial gains or losses and past service costs.

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

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



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

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

aa) Segment reporting

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

ab) Statements of Cash flow

The statements of cash flows have been prepared by the indirect method in accordance with the instructions contained in IAS 7/CPC 3 R2 - Statement of Cash Flows.

ac) Statement of comprehensive income

According to IAS 1/CPC 26 R1 - Presentation of quarterly interim financial statements - The statement of comprehensive income is composed by the conversion rate of foreign currency investments abroad and equity valuation in investments.

ad) Economic Value Added

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

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

ae) New IFRS pronouncements, issues, changes and interpretations issued by the IASB applicable to quarterly interim financial statements

The following new rules, changes and interpretations of standards were issued by IASB and have initial adoption on January 1, 2014.

- IAS 32 – "Financial Instruments: Presentation" provides further clarification in addition to the application guidance in IAS 32 on the requirement to offset financial assets and liabilities in the balance sheets. The standard will be applicable as of January 1, 2014.

- IAS 36 - "Impairment of Assets", In May, 2013, IASB issued a revised IAS 36. This change requires disclosure of discount rates that were used in the current and previous evaluation of impairment of assets, if the recoverable amount of the asset is based on a valuation technique to present value based on the fair value less the disposal. This standard is effective for annual periods beginning on or after January 1, 2014. The Company is evaluating the impact of adopting these amendments in its financial statements.

- IAS 39 - "Novation of Derivatives and Continuation of Hedge Accounting", in June 2013, the IASB issued a revised IAS 39. This change is intended to clarify when an entity is required to discontinue a hedge, in situations where this instrument expires, is sold, terminated or exercised. This standard is effective for annual periods beginning on or after January 1, 2014. The Company is evaluating the impact of adopting these amendments in its financial statements.

- IFRS 10, IFRS 12 and IAS 27 - "Invest entities", on October, 2012, the IASB issued a revised IFRS 10, IFRS 12 and IAS 27, which define entity of investment and introduced an exception to the consolidation entity controlled by investment, establishing the accounting treatment in these cases. These changes are effective for annual periods beginning on or after January 1, 2014. The Company is evaluating the impact of adopting these amendments in its financial statements.

- IFRIC 21 - "Taxes", in May 2013, the IASB issued an interpretation of IFRIC 21. This interpretation addresses issues related to the recognition of a tax liability when it originates from application of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets. This interpretation is effective for annual periods beginning on or after January 1, 2014. The Company is evaluating the impact of adopting these amendments in its financial statements.

af) Rules, changes and interpretations of standards that are not yet in force

The following new rules, changes and interpretations of standards were issued by IASB, but were not adopted by CPC:

- IFRS 9 – "Financial Instruments" outlines the requirements for the classification, measurement and recognition of financial assets and liabilities IFRS 9 was issued in November 2009 and October 2010 and substitutes the paragraphs in IAS 39 related to the classification and measurement of financial instruments. IFRS 9 required classification of financial assets into two categories: measured at fair value and measured at amortized cost. Classification is determined when the financial asset is initially recognized. Classification depends on the business model of the entity and the characteristics of the cash flow arrangements of the financial instruments. For financial liabilities, the standard maintains most of the requirements under IAS 39.

The main change is when the fair value option is adopted for financial liabilities, in which case the portion of change in fair value that is attributable to changes in the credit risk of the entity is registered in other comprehensive income and not in the statement of operations, except for cases in which this results in accounting mismatches. The standard will be applicable as of January 1, 2015.

- IAS 19 - "Employee benefits", on November, 2013 the IAS issued a revised IAS 19. This change is intended to clarify the aspects related to the recognition of the contributions of employees or third parties and their impacts in the cost of service and period service. This standard is effective for annual periods beginning on or after July 1, 2014. The Company is evaluating the impact of adopting these amendments in its financial statements.

- Annual Improvements to IFRS December, 2013 - In December, 2013, the IASB issued a revised version of IFRS 1, IFRS 2, IFRS 3, IFRS 8, IFRS 12, IFRS 13, IAS 16, IAS 24, IAS 38 and IAS 40 standards. These standards are effective for annual periods beginning in or after July 1, 2014. The Company is evaluating the impact of these changes in its financial statements.

4 Business Combination

According to IFRS 3 (R)/CPC 15 R1 - Business Combination, business acquisitions are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to the Group. The consideration transferred in a business combination is measured at fair value, which is calculated by adding the fair values of assets transferred, liabilities incurred on the acquisition date to the previous owners of the acquired shares issued in exchange for control of the acquired. The acquisition-related costs are generally recognized in income when incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the recognized amount of noncontrolling interests in the acquired business plus the fair value of the existing equity interest in the acquired less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. If the excess is negative, a bargain purchase gain is recognized immediately in income as a gain.



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

In subsidiaries

4.1) Sul Valle's acquisition

In March 2014, the indirect subsidiary Seara Alimentos Ltda. (Seara Alimentos) acquired all the shares of Sul Valle Alimentos Ltda (Sul Valle), by the amount of R\$ 24,000. In the consolidated, In the Consolidated, liabilities related to this transaction is kept under the caption Payables related to facilities acquisitions.

Seara Alimentos continues to evaluate the impacts of the operation and the allocation of the purchase price is preliminary, remained pending completion of the assessments of the assets acquired and liabilities assumed, including deferred taxes. The allocation of the purchase price is subject to the following changes, which can occur within a year, as defined in IFRS 3 (R)/CPC 15 R1. The amounts below reflect the estimated fair value of individual assets and liabilities assumed on March 31, 2014:

ASSETS

Cash and cash equivalents	1,000
Inventories	1,853
Biological assets	10,505
Recoverable taxes	21,839
Prepaid expenses and other assets	232
Property, plant and equipment, net	20,367
Intangible assets, net	20
TOTAL ASSETS	55,816

LIABILITIES AND EQUITY

Trade accounts payable	9,000
Loans and financings	23,491
Payroll, social charges and tax obligation	3,229
Equity	20,096
TOTAL LIABILITIES AND EQUITY	55,816

Estimated value of goodwill to expectation of future earnings:

Below, we present the goodwill to expectation of future earnings, which corresponds to the difference between the amount paid for controlling acquisition over the acquired equity, calculated based on the identified assets and liabilities assumed in a business combination:

Total amount paid	24,000
Estimated fair value of net assets acquired	20,096
Estimated Goodwill to expectation of future earnings (note 13)	3,904

5 Cash and cash equivalents

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

	Company		Consolidated	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Cash and banks	2,231,696	1,789,254	5,218,679	4,713,369
CDB-DI (bank certificates of deposit)	2,280,910	3,148,005	2,409,591	3,236,034
Investment funds	-	-	662,734	777,025
National treasury bill - LFT	405,368	286,719	405,368	286,719
	4,917,974	5,223,978	8,696,372	9,013,147

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

National treasury bill (LFT) – Correspond to purchased bonds with financial institutions, whose conditions and characteristics are similar to the CDB's.

Investments funds - Consolidated

It is composed entirely of investments of the indirect subsidiary JBS Project Management GMBH (subsidiary of JBS Holding GMBH) in mutual investment funds nonexclusive, whose investments are performed by JP Morgan as part of a cash management service.



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6 Trade accounts receivable, net

	Company		Consolidated	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Current receivables	3,539,416	3,981,264	7,332,728	7,866,991
Overdue receivables:				
From 1 to 30 days	107,577	111,388	691,111	840,843
From 31 to 60 days	19,427	9,527	75,964	109,287
From 61 to 90 days	14,955	2,990	72,961	80,982
Above 90 days	56,114	70,489	182,060	232,266
Allowance for doubtful accounts	(88,585)	(88,585)	(211,906)	(210,443)
	109,488	105,809	810,190	1,052,935
	3,648,904	4,087,073	8,142,918	8,919,926

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

	Company		Consolidated	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Initial balance	(88,585)	(96,933)	(210,443)	(131,688)
Additions	-	-	(5,617)	(97,729)
Exchange variation	-	-	(4,888)	(3,901)
Write-offs	-	8,348	9,042	22,875
Final balance	(88,585)	(88,585)	(211,906)	(210,443)

7 Inventories

	Company		Consolidated	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Finished products	1,934,076	1,796,484	5,250,895	4,713,790
Work in process	224,542	169,326	576,391	507,475
Raw materials	319,851	314,429	807,128	830,847
Warehouse spare parts	138,561	133,909	820,995	852,504
	2,617,030	2,414,148	7,455,409	6,904,616

8 Biological assets

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

	Consolidated	
	March 31, 2014	December 31, 2013
Current biological assets:		
Chicken and egg	930,747	923,778
Cattle	42,419	61,371
Hogs and Lamb	443,332	430,645
Plants for harvest	2,716	3,549
	1,419,214	1,419,343
Non-Current biological assets:		
Chicken and egg	425,163	442,966
Hogs and Lamb	59,511	53,937
	484,674	496,903
	Current	Non-current
Current amount on December 31, 2013	1,419,343	496,903
Increase by reproduction (born) and costs absorptions	3,444,859	189,110
Increase by Purchase	58,334	57,404
Fair value (Mark to market)	7,476	163
Changes from current to noncurrent	85,382	(85,382)
Decrease by Death	(1,363)	(454)
Reduction for slaughter, sale or consumption	(3,576,383)	(23,101)
Exchange rate variation	(25,841)	(6,400)
Amortization	-	(146,667)
Impact of Sul Valle's acquisition	7,407	3,098
Current amount on March 31, 2014	1,419,214	484,674

The current biological assets consist mainly of eggs awaiting hatching and animals, mostly of feedlots and maturity period for slaughtering, which remain in development for a period of 90 to 120 days, mainly cattle, and 30 to 48 days, for chicken and 170 to 175 days, for hogs, until they reach maturity and therefore sent for slaughter units.

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Noncurrent biological assets are composed of layer and breeder chicken and hogs that are intended for breeding. The lifetime of these animals for breeding is approximately 68 weeks for chickens and 28 months for hogs, and for this reason, classified under non-current assets accounts.

Below, details of the biological assets of the Company:

COMPANIES IN UNITED STATES OF AMERICA	March 31, 2014	December 31, 2013
Current biological assets:		
Chicken and egg	650,339	624,274
Cattle	5,669	8,891
Hogs and Lamb	43,051	50,457
Total biological assets valued at cost	699,059	683,622
Noncurrent biological assets:		
Chicken and egg	281,904	297,503
Total biological assets valued at cost	281,904	297,503

Chicken and egg – PPC has breeding activity of broiler chickens for slaughtering (current) for production of fresh meat and / or industrialized products, and breeder chicken (noncurrent) that are intended for breeding.

Cattle - A subsidiary JBS USA keeps cattle in feedlots between the period of 75-100 days. The active market for cattle in feedlot just over 180 days.

Hogs and Lamb - JBS USA keeps hogs and lambs in the feedlot system.

Due to the fact there is no active market for these biological assets, the fair value of these biological assets is substantially represented by its acquisition cost plus accumulated absorption, due to the short life cycle and by the fact that the profit margin is substantially representative only in the process of industrialization. Thereby, the current assets are maintained at cost and the non-current assets besides being maintained at cost, are amortized according to the lifetime of the animals.

COMPANIES IN BRAZIL	March 31, 2014	December 31, 2013
Current biological assets:		
Cattle	36,750	52,480
Biological assets valued at market:	36,750	52,480
Chicken and egg	280,408	299,504
Hogs	400,281	380,188
Plants for harvest	2,716	3,549
Biological assets valued at cost:	683,405	683,241
Total current biological assets	720,155	735,721
Noncurrent biological assets:		
Chicken and egg	143,259	145,463
Hogs	59,511	53,937
Total noncurrent biological assets valued at cost	202,770	199,400

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

The operations relating to chicken activities in Brazil, are divided among broiler chicken for slaughtering (current) for production "in natura" and/or industrialized products, and layer and breeder chicken (noncurrent) that are intended for breeding. For both cases, the fair value of these biological assets is substantially represented by its acquisition cost plus accumulated absorption, due to the short life cycle and by the fact that the profit margin is substantially representative only in the process of industrialization. Thereby, the current assets are maintained at cost and the non-current assets besides being maintained at cost, are amortized according to the lifetime of the animals.

Operations related to hogs of activities in Brazil, are similar to the activities of chicken, divided among hogs for slaughtering (current) for production "in natura" and/or industrialized products, and layer and breeder hogs (non-current) that are intended for breeding. For both cases, the fair value of biological assets is substantially represented by its acquisition cost plus accumulated absorption. Thereby, the current assets are maintained at cost and the noncurrent assets besides being maintained at cost, are amortized according to the lifetime of the animals.

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



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9 Recoverable taxes

	Company		Consolidated	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Value-added tax on sales and services (ICMS / IVA / VAT / GST)	909,961	919,691	1,534,118	1,460,744
Excise tax - IPI	45,187	43,937	110,699	109,792
Social contribution on billings - PIS and COFINS	726,289	720,362	989,560	975,294
Withholding income tax - IRRF/IRPJ	168,462	164,310	391,165	425,600
Reintegra	95,472	105,917	114,052	124,753
Other	3,980	3,968	43,270	56,798
	1,949,351	1,958,185	3,182,864	3,152,981
Current and Long-term:				
Current	1,246,197	1,275,614	2,015,657	2,003,256
Noncurrent	703,154	682,571	1,167,207	1,149,725
	1,949,351	1,958,185	3,182,864	3,152,981

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

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

The Company expects to recover the total amount of the tax credit, including the ICMS credits from other states (difference between the statutory rate for tax bookkeeping and the effective rate for ICMS collection in the state of origin).

Social contribution on billings - PIS and COFINS

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

Withholding income tax - IRRF/IRPJ

Refers mainly to withholding income tax levied on short-term investments, deductions and remittance of dividends to its subsidiary JBS USA and prepayments of income tax and social contribution paid by estimate, which can be offset against income tax payable on profits.

Reintegration of the Special Tax Values - Reintegra

The credit of Reintegra was instituted on December, 2011 and refers to a 3% rate applied over the revenue from the exportation of determined industrialized products. The compensation of such credit is done with others federal taxes or is paid in cash.

According to the Brazilian Law nº 12.546 from December 14, 2011, 3rd article, item I, the Reintegra was applicable to the exportation made up to December 31, 2013.

General comments

Company and JBS Embalagens recorded the monetary adjustment of their PIS, COFINS, IPI and IRPJ tax credits based on SELIC (Central Bank overnight rate), in the amount of R\$ 197,208. As of this amount the Company received R\$ 51,787 and the remaining balance is R\$ 145,421.

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

10 Related parties transactions

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

COMPANY	Currency	Maturity	Annual rate	March 31, 2014	December 31, 2013
Direct subsidiaries					
JBS Confinamento Ltda.	R\$	Apr 1, 2015	CDI + 4%	67,158	81,349
JBS Embalagens Metálicas Ltda.	R\$	Dec 31, 2014	CDI + 12%	78,791	75,309
JBS USA, Inc	US\$	Mar 25, 2016	Libor + 2.5% to 3%	(274,372)	(201,070)
Brazservice Wet Leather S.A.	R\$	Oct 1, 2015	CDI + 12% a.a.	8,674	-
JBS Global Meat S.A. ⁽¹⁾	R\$	-	-	102,667	87,862
JBS Foods S.A. ⁽²⁾	R\$	Sep 30, 2014	-	2,798,419	-
Indirect subsidiaries					
Zenda Leather S.A.	US\$	Jul 16, 2014	3%	25,358	26,082
Seara Alimentos Ltda	R\$	Oct 1, 2015	CDI	670,876	679,386
Beef Snacks Brasil Ind.Com. S.A.	R\$	Jan 23, 2015	CDI	110,353	107,768
Beef Snacks International BV	US\$	Dec 31, 2014	Libor + 2% to 3%	5,983	6,117
JBS Aves Ltda.	R\$	Sep 18, 2014	CDI	557,024	622,946
Da Granja Agroindust. Ltda. ⁽²⁾	R\$	Sep 30, 2014	-	46,604	-
JBS Argentina S.A. ⁽¹⁾	R\$	-	-	18,942	-
Seara Alimentos Ltda ^{(2) (3)}	R\$	Sep 30, 2014	-	474,882	220,751
Zenda Leather S.A. ⁽³⁾	US\$	-	-	75,783	78,448
				4,767,142	1,784,948

⁽¹⁾ - Advances made with the purpose of further capitalization.

⁽²⁾ - Refers to credits related to the selling of the equity participation and assets (according to note 11 - Investments in associate, subsidiaries and joint ventures).



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⁽³⁾ - Refers to credits granted to the Company by Marfrig Alimentos S.A., due to the acquisition of the business in Seara's Group.

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

COMPANY	March 31, 2014		December 31, 2013	
	Trade accounts receivable	Trade accounts payable	Trade accounts receivable	Trade accounts payable
Direct subsidiaries				
JBS Confinamento Ltda.	467	9,815	355	44,778
JBS Leather Itália SRL	1,101	-	3,466	-
Brazservice Wet Leather S.A.	291	3,369	-	-
Indirect subsidiaries				
JBS Global (UK) Limited	36,912	27	52,470	-
JBS Argentina S.A.	-	-	-	48
Global Beef Trading SU Ltda.	1,473	-	2,798	-
Austrália Meat	-	1,478	-	1,804
Toledo International NV	18,384	-	15,990	-
JBS Aves Ltda.	2,476	152,607	1,524	109,790
Weddel Limited	3,416	-	2,118	-
Sampco Inc.	35,024	-	33,904	-
JBS Leather Europe	-	2	4,255	-
Meat Snacks Partners do Brasil Ltda	12,127	98	9,989	113
Frigorífico Canelones S.A.	-	338	-	-
Rigamonti Salumificio Spa	-	19	-	20
Trump Asia Enterprise Ltd	14,665	-	6,197	701
JBS Paraguay	-	688	-	1,415
Zenda Leather S.A	2,732	-	2,713	-
Brasão Produtos de Carnes Ltda	5,876	-	2,894	-
Excelsior Alimentos S.A.	4	-	7	-
Seara Alimentos Ltda	4,664	38,706	2,265	69,429
MBL Alimentos S.A	35	-	23	-
JBS Leather Uruguay	459	-	-	-
Other related parties				
S.A. Fabrica de Prod. Alimentícios Vigor	5,495	6,454	4,057	18,547
J&F Floresta Agropecuária Ltda	2	34	181	-
Flora Produtos de Hig. Limp. S.A.	5,104	-	5,453	1
Flora Dist. Produtos de Hig. Limp. S.A.	12,567	61	11,932	58
Itambé Alimentos S.A.	10	37,285	1	13,884
	163,284	250,981	162,592	260,588

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

	2014			2013		
	Financial income (expenses)	Purchases	Sales of products	Financial income (expenses)	Purchases	Sales of products
Direct subsidiaries						
JBS Confinamento Ltda.	3,172	57,418	804	3,434	35,806	1,521
JBS Embalagens Metálicas Ltda.	3,392	-	-	2,335	-	-
JBS USA, Inc	(1,042)	-	-	2,894	-	-
JBS Slovakia Holdings s.r.o.	-	-	-	(494)	-	-
JBS Leather Itália SRL	-	-	34,422	-	-	24,647
Novaprom Food Ingredients Ltda	-	-	-	(67)	984	4,262
Brazservice Wet Leather S.A.	298	9,404	6,618	-	-	-
Indirect subsidiaries						
JBS Global (UK) Limited	-	90	36,015	-	-	34,317
JBS Argentina S.A	-	1,299	-	-	2,330	-
Global Beef Trading SU Ltda.	-	726	29,025	-	777	24,788
Beef Snacks Brasil Ind.Com. S.A.	2,585	-	-	1,644	-	-
Beef Snacks International	(16)	-	-	40	-	-
JBS Aves Ltda.	10,814	155,880	6,013	10,942	22,431	5,243
Australia Meat	-	7,745	-	-	7,378	-
Toledo International BV	-	-	34,837	-	-	64,832
Meat Snacks Partners do Brasil Ltda	-	278	36,331	-	-	20,552
JBS Chile Ltda	-	-	-	-	-	204
Agrovêneto S.A. Indústria de Alimentos	-	-	-	-	609	1,714
Weddel Limited	-	-	5,545	-	-	1,808
Sampco Inc.	-	-	43,393	-	-	48,068
Frigorífico Canelones S.A.	-	2,044	-	-	4,279	166
Trump Asia Enterprise Ltd	-	-	86,011	-	-	61,307
JBS Paraguay	-	13,625	-	-	15,765	-
Zenda Leather S.A.	190	-	6,782	-	-	-
Braslo Produtos de Carnes Ltda	-	-	17,737	-	-	-
Excelsior Alimentos S.A	-	-	19	-	-	-
Seara Alimentos Ltda	15,941	43,998	28,713	-	-	-
JBS Leather Uruguay	-	-	11,052	-	-	-
MBL Alimentos S.A	-	-	248	-	-	-
Other related parties						
S.A. Fabrica de Prod. Alimentícios Vigor	-	9,566	14,031	-	169	22,336
J&F Floresta Agropecuária Ltda	-	1,016	84	-	87	35
Flora Produtos de Hig. Limp. S.A.	-	-	13,893	-	4	18,094
Flora Dist. Produtos de Hig. Limp. S.A.	-	96	26,679	-	57	28,335
Itambé Alimentos S.A.	-	46,743	-	-	-	-
	35,334	349,928	438,252	20,728	90,676	362,229

Guarantees provided and / or received

The Company guarantees the amount of notes 8,25% issued by its direct subsidiary JBS USA, expiring in 2020.

The Company guarantees the amount of notes 7,25% issued by its direct subsidiary JBS USA, expiring in 2021.

JBS USA and its subsidiaries JBS USA LLC, JBS USA Holdings and Swift Beef Company, along with JBS Hungary Holdings are guarantors of the amount of the notes of the Company in 2016.

JBS Hungary Holdings guarantees the amount of notes 2016 of the incorporated Bertin, 2018 and 2023 recorded in the Company.

Details of transactions with related parties

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

Among the transactions between related parties more representative, we emphasize the purchase of cattle for slaughter between the Company and its subsidiary JBS Confinamento, related party J&F Floresta Agropecuária Ltda. Such transactions are made at regular price and market conditions in their region because it takes the market prices applied with other suppliers (third parties not JBS Group). The number of cattle supplied by these related parties is irrelevant comparing to the demanded volume by the Company.

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

No allowance for doubtful accounts or bad debts expenses relating to related-party transactions were recorded for the periods ended on March 31, 2014 and December 31, 2013.

Consolidated - Credits with related parties

The consolidated amount of credits with related parties, of R\$ 675,671 in March 31, 2014 (R\$ 733,958 in December 31, 2013) arises from the use of the credit of up to US\$ 450 million between the indirect subsidiary JBS Five Rivers (subsidiary of JBS USA) and J&F Oklahoma (subsidiary of J&F Participações S.A., which is not consolidated in the Company).

This transaction has interest and J&F Oklahoma uses this credit to purchase cattle for fattening, which are allocated in the JBS Five Rivers feedyards for fattening until ready for slaughter.



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

- i) Cattle supply and feeding agreement with JBS Five Rivers, where it takes the responsibility for the cattle from J&F Oklahoma and collects the medicinal and adding value costs, besides a daily fee of rent in line with market terms;
- ii) Sales and purchase cattle agreement with JBS USA of at least 500,000 animals/year, starting from 2009 up to 2016.

JBS Five Rivers also guarantee in third degree, after guarantee 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.

In June 2011, J&F Australia entered into a purchase and sale of cattle to JBS Australia, according to this agreement, J&F Australia should sell for JBS Australia and this one should buy at least 200,000 head of cattle from J&F Australia per year.

In January 2013, J&F Canada entered into a purchase and sale of cattle to JBS Canada, according to this agreement, J&F Canada should sell for JBS Canada and this one should buy at least 50,000 head of cattle from J&F Canada per year.

Remuneration of key management

Company's management includes the Executive Board and the Board of Directors. The aggregate amount of compensation received by the members of Company's management for the services provided in their respective areas of business in the three months period ended on March 31, 2014 and 2013 is the following:

	2014		2013	
	Members	Value	Members	Value
Executive Board and Board of Directors	13	1,891	15	1,872
	13	1,891	15	1,872

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

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

In accordance with IAS 24(R)/CPC 05 R1 - Related parties, except for those described above, the other members of the Executive Board, and Management Board are not part of any employment contract or any other contracts for additional business benefits such as post-employment benefits or other long-term benefits, termination of work that does not conform to those requested by the *CLT*, where applicable, or payment based on shares.

11 Investments in associate, subsidiaries and joint ventures

	Company		Consolidated	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Investments in subsidiaries, associates and joint ventures	8,129,815	9,457,375	282,194	277,571
Goodwill (note 13)	698,314	2,136,978	-	-
Acquisition rights - Massa Leve (note 19)	-	-	254,130	-
	8,828,129	11,594,353	536,324	277,571

Relevant information about investments in the in the period of March 31, 2014:

	Participation	Total assets	Capital stock	Equity	Net revenue	Net income (loss)
Controlled:						
JBS Embalagens Metálicas Ltda.	99.00%	87,578	2	941	-	(2,809)
JBS Global Investments S.A.	100.00%	2,412	165,199	2,412	-	(16)
JBS Holding Internacional S.A.	100.00%	543,102	1,415,387	351,735	226,821	230
JBS USA, Inc.	100.00%	20,860,768	2,316,579	4,620,342	17,352,519	139,371
JBS Confinamento Ltda.	100.00%	552,574	533,401	454,040	8,724	(11,065)
JBS Slovakia Holdings, s.r.o.	100.00%	43,753	146,706	35,184	-	(223)
JBS Leather Italia S.R.L.	100.00%	207,429	36,419	28,070	50,456	577
JBS S/A (DMCC Branch)	100.00%	249	2,304	183	-	(179)
JBS Leather Paraguay	97.50%	6	20	6	-	(5)
JBS Holding GMBH	100.00%	4,613,722	513,386	1,199,165	474,526	579
JBS Global Luxembourg S.à.r.l.	100.00%	346,806	108,127	63,982	259,220	(3,492)
FG Holding III Ltda.	100.00%	67	53	67	-	(1)
JBS Global Meat S.A.	100.00%	266,263	135,001	135,001	-	-
Columbus Netherlands B.V.	100.00%	490,752	159,530	104,561	143,374	(3,026)
Baumhardt Com. e Particip. Ltda. *	73.94%	88,180	1,240	44,392	32,789	2,425
Brazservice Wet Leather S.A.	100.00%	40,443	23,063	(2,781)	8,661	(833)
JBS Foods S.A. ⁽¹⁾	100.00%	10,671,145	841,034	841,034	-	-
Associates:						
Vigor Alimentos S.A.	21.12%	3,516,435	1,191,378	1,232,140	427,597	13,737

In consolidated interim quarterly interim financial statements, goodwill is recorded in the Intangible assets due to expected profitability of the acquired subsidiary, assets and liabilities are consolidated with the Individual Statement. In the balance sheets of the Company, this goodwill is recorded on Investments, the same group of noncurrent assets, because, for the Company it is part of its investment on subsidiary acquisition, not being its intangible assets (as stated above, the expectation of future earnings - the genuine intangible - is the subsidiary). In the company the intangible goodwill arising from the merger of Bertin, and the rest allocated to investments. Consolidated all goodwill re recorded as intangible. The Company presents only the intangible goodwill arising from the merger of Bertin and the remaining amounts are allocated in investments.

* Includes direct and indirect participation of Company in Excelsior.



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In the Company:

	December 31, 2013	Addition (disposal)	Exchange rate variation (i)	Equity in subsidiaries		March 31, 2014
				Equity in subsidiaries (ii)	Income Statements	
JBS Embalagens Metálicas Ltda.	3,713	-	-	-	(2,781)	932
JBS Global Investments S.A.	2,513	-	(85)	-	(16)	2,412
JBS Holding Internacional S.A.	433,319	9,070	-	(90,883)	230	351,736
JBS Aves Ltda ⁽¹⁾	62,819	(110,878)	-	-	48,059	-
JBS USA, Inc.	4,590,739	-	(161,944)	52,176	139,371	4,620,342
JBS Confinamento Ltda.	465,105	-	-	-	(11,065)	454,040
JBS Slovakia Holdings, s.r.o.	36,630	-	(1,229)	6	(223)	35,184
JBS Leather Italia S.R.L.	28,477	-	(984)	-	577	28,070
JBS S/A (DMCC Branch)	33	338	(9)	-	(179)	183
JBS Leather Paraguay	11	-	-	-	(5)	6
JBS Holding GMBH	1,212,493	5,971	(20,049)	171	579	1,199,165
JBS Global Luxembourg S.à.r.l.	70,893	-	(2,263)	(1,156)	(3,492)	63,982
FG Holding III Ltda.	68	-	-	-	(1)	67
JBS Global Meat S.A.	135,001	-	-	-	-	135,001
Vigor Alimentos S.A.	257,376	-	-	-	2,901	260,277
Columbus Netherlands B.V.	110,523	-	(3,626)	690	(3,026)	104,561
Seara Holding Europe B.V. ⁽¹⁾	652,530	(636,555)	(22,273)	224	6,074	-
Baumhardt Com. Particip. Ltda	31,030	-	-	-	1,793	32,823
JBS Foods Particip. Ltda. ⁽¹⁾	1,364,102	(1,421,759)	-	(13,278)	70,935	-
Brazservice Wet Leather S.A.	-	(1,947)	-	-	(833)	(2,780)
JBS Foods S.A. ⁽¹⁾	-	841,034	-	-	-	841,034
Subtotal	9,457,375	(1,314,726)	(212,462)	(52,050)	248,898	8,127,035
Accrual for loss on investments Brazservice	-	-	-	-	-	2,780
Total	9,457,375					8,129,815

In the Consolidated:

	Equity in subsidiaries			
	December 31, 2013	Equity in subsidiaries (ii)	Income Statements	March 31, 2014
Vigor Alimentos S.A.	257,376	-	2,901	260,277
Meat Snacks Partners Ltda.	20,195	(70)	1,792	21,917
Total	277,571	(70)	4,693	282,194

(i) - As defined in IAS 21/CPC 2 R1 - The effects of changes in foreign exchanges rates, refers to the exchange rate variation of foreign currency investments that are accounted under the equity method, which was accounted directly to equity of the Company on the line "Accumulated translation adjustments".

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

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

⁽¹⁾ - On March 31, 2014 a corporate restructuring was effected through sale by book value, of the company JBS Foods Ltda and capitalization of the Company's investments in the subsidiaries JBS Aves and Seara Holding to JBS Foods S.A., created to receive these operations. The total amount of the sale of investment in JBS Foods Ltda was in the amount of R\$ 1,421,759 plus goodwill in the amount of R\$ 1,376,660 summarizing the total amount of R\$ 2,798,419 and the capitalization of the investments in JBS Aves and Seara Holding in the total amount of R\$ 841,034.

12 Property, plant and equipment, net

Company	Cost	Revaluation	Accumulated depreciation	Net amount	
				March 31, 2014	December 31, 2013
Buildings	3,123,179	116,615	(489,021)	2,750,773	2,757,435
Land	1,052,733	9,305	-	1,062,038	988,544
Machinery and equipment	4,662,678	44,354	(1,284,178)	3,422,854	3,424,150
Facilities	1,095,212	21,737	(263,799)	853,150	826,721
Computer equipment	193,964	688	(101,704)	92,948	96,871
Vehicles	501,142	33	(143,679)	357,496	293,104
Construction in progress	989,217	-	-	989,217	828,605
Other	218,034	1,237	(34,792)	184,479	176,906
	11,836,159	193,969	(2,317,173)	9,712,955	9,392,336



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Consolidated	Cost	Revaluation	Accumulated depreciation	Net amount	
				March 31, 2014	December 31, 2013
Buildings	8,883,824	116,615	(1,667,391)	7,333,048	7,369,250
Land	2,442,437	9,305	-	2,451,742	2,399,488
Machinery and equipment	11,986,746	44,354	(4,801,645)	7,229,455	7,337,010
Facilities	1,645,579	21,737	(448,668)	1,218,648	1,195,665
Computer equipment	445,711	688	(254,024)	192,375	200,588
Vehicles	772,536	33	(348,114)	424,455	352,418
Construction in progress	1,677,441	-	-	1,677,441	1,430,774
Other	989,268	1,237	(355,666)	634,839	655,423
	28,843,542	193,969	(7,875,508)	21,162,003	20,940,616

The Company annually accompanies the useful lives of fixed assets and no significant differences were indentified during the period. The weighted average depreciation rates of assets that make up each group are as follows:

	Average annual depreciation rates as of March 31,			
	2014		2013	
	Company	Consolidated	Company	Consolidated
Buildings	3.01%	3.86%	3.01%	3.85%
Land	0.00%	0.00%	0.00%	0.00%
Machinery and equipment	6.39%	9.05%	6.42%	8.64%
Facilities	5.35%	5.75%	5.36%	5.21%
Computer equipment	12.00%	15.32%	12.88%	15.86%
Vehicles	10.38%	9.83%	11.26%	11.44%
Other	2.46%	7.49%	3.14%	7.34%

Changes in property, plant and equipment

Company	December 31, 2013	Additions net of transferences	Disposals	Depreciation	March 31, 2014
Buildings	2,757,435	18,582	(48)	(25,196)	2,750,773
Land	988,544	73,494	-	-	1,062,038
Machinery and equipment	3,424,150	79,858	(3,332)	(77,822)	3,422,854
Facilities	826,721	41,903	(6)	(15,468)	853,150
Computer equipment	96,871	1,958	(42)	(5,839)	92,948
Vehicles	293,104	91,117	(13,249)	(13,476)	357,496
Construction in progress ⁽¹⁾	828,605	160,612	-	-	989,217
Other	176,906	9,028	(69)	(1,386)	184,479
	9,392,336	476,552	(16,746)	(139,187)	9,712,955

⁽¹⁾ - Additions of construction in progress are presented for quarterly interim financial statements purposes, net of transfers, being composed in March 31, 2014 as

(+) Additions in the period: R\$ 220,374;

(-) Transfer to a proper property plant item: (R\$ 59,762);

(=) Additions net of transfers: R\$ 160,612.

Consolidated	December 31, 2013	Acquisition ⁽¹⁾	Additions net of transferences ⁽²⁾	Disposals	Depreciation	Exchange rate variation	March 31, 2014
Buildings	7,369,250	13,164	146,013	(345)	(86,800)	(108,234)	7,333,048
Land	2,399,488	1,574	74,032	(1,156)	-	(22,196)	2,451,742
Machinery and equipment	7,337,010	5,328	256,964	(6,947)	(272,353)	(90,547)	7,229,455
Facilities	1,195,665	53	48,275	(1,207)	(23,985)	(153)	1,218,648
Computer equipment	200,588	39	10,921	(50)	(17,095)	(2,028)	192,375
Vehicles	352,418	135	105,806	(13,663)	(18,992)	(1,249)	424,455
Construction in progress	1,430,774	-	261,646	(640)	-	(14,339)	1,677,441
Other	655,423	74	20,922	(1,107)	(24,805)	(15,668)	634,839
	20,940,616	20,367	924,579	(25,115)	(444,030)	(254,414)	21,162,003

⁽¹⁾ - The acquisitions of R\$ 20,367, refer to acquisition of Sul Valle by the indirect subsidiary Seara Alimentos.

⁽²⁾ - The addition of R\$ 924,579 includes the amount of R\$ 193,266 referring to the ending of the business combination of the Global Meat and Midtown's acquisition, where the preliminary goodwill was allocated in a final way as a fair value on the fixed asset, according to note 13 - Intangible assets, net.

The balance of construction in progress refers to investments for expansion, modernization and adaptation of plants for the maintenance, increasing productivity and obtaining 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.

Part of the increase in construction in progress in the Company as reflected in the consolidated, is result of recent acquisitions of assets by the Company. The assets are recorded as construction in progress and subsequently transferred to their balance account referred to, see note 19.



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Until December 2007, revaluations were performed on property, plant and equipment items of several Company's plants, and offsetting entries were made to the revaluation reserve account and the provision for deferred income and social contribution taxes. The method and assumption applied to estimate the fair value of the assets were determined based on current market prices. As of March 31, 2014, the total amount of property, plant and equipment revaluation is R\$ 193,969 which the revaluation reserve is R\$ 91,161 and the provision for deferred income and social contribution taxes is R\$ 42,389. For revalued property, plant and equipment, the Company recorded accumulated depreciation of R\$ 60,419.

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

Interest capitalization - Borrowing costs

Pursuant to IAS 23/CPC 20 R1 – Borrowing costs, the Company capitalized those borrowing costs directly and indirectly attributable to the construction of qualifying assets, which are exclusively represented by construction in progress. The borrowing costs allocated to the qualifying assets as of March 31, 2014 and December 31, 2013 are shown below:

	Company		Consolidated	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Construction in progress	946,278	788,961	1,587,011	1,345,960
(+) capitalized borrowing costs	42,939	39,644	90,430	84,814
	989,217	828,605	1,677,441	1,430,774

In the period ended on March 31, 2014, the amount of capitalized interest on construction in progress including the amount of the additions is R\$ 6,334 in the Company.

Impairment test of assets

In compliance with the requirements of IAS 36/CPC 01 R1 - Impairment of assets, the Company performed the annual impairment test of the tangible and intangible assets on March 31, 2014, which were estimated based on the values in use of its various cash-generating units using the discounted cash flows, and showed that the estimated market value is higher than the net book value at the valuation date and, during the year there was no evidence of loss of value of individual assets or group of relevant assets. Potential impacts of loss recover them are highlighted in the notes, where relevant. The assumptions of the annual test of recovery are described in note 13.

13 Intangible assets, net

	Company		Consolidated	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Goodwill (incorporations and subsidiaries)	9,085,970	9,085,970	12,475,060	12,702,971
Trademarks	452,578	452,578	1,543,209	1,553,916
Software	10,436	8,489	42,239	34,672
Water rights	-	-	72,543	74,844
Client portfolio	-	-	563,782	603,152
Other	-	-	5,772	6,108
	9,548,984	9,547,037	14,702,605	14,975,663

Changes in intangible assets

Company	December 31, 2013	Additions	Amortization	March 31, 2014
Goodwill	9,085,970	-	-	9,085,970
Trademarks	452,578	-	-	452,578
Software	8,489	2,795	(848)	10,436
	9,547,037	2,795	(848)	9,548,984

Consolidated	December 31, 2013	Acquisitions	Additions ⁽¹⁾	Disposal ⁽²⁾	Amortization ⁽³⁾	Exchange rate variation	March 31, 2014
Goodwill	12,702,971	-	3,904	(193,265)	-	(38,550)	12,475,060
Trademarks	1,553,916	-	12	-	(327)	(10,392)	1,543,209
Software	34,672	20	10,577	-	(3,028)	(2)	42,239
Water rights	74,844	-	-	-	(26)	(2,275)	72,543
Client portfolio	603,152	-	-	-	(19,761)	(19,609)	563,782
Other	6,108	-	-	-	(239)	(97)	5,772
	14,975,663	20	14,493	(193,265)	(23,381)	(70,925)	14,702,605

⁽¹⁾ - The additions for the quarter refers to the goodwill arising from the acquisition of all the shares of Sul Valle Alimentos Ltda by the indirect subsidiary Seara Alimentos in the amount of R\$ 3,904.

⁽²⁾ - The disposal in the intangible asset is reflected as a fixed asset addition and refers to the finalization of the business combination of the Global Meat and Midtown's acquisition, where the preliminary goodwill was allocated in a final way as a fair value on the fixed asset, being recorded as tangible asset, according to note 12.

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

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

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



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Goodwill: According to technical interpretation ICPC 09 - Individual quarterly interim financial statements, Separate Statements, Consolidated Statements and Application of Equity Method, in the consolidated goodwill is recorded in the Intangible assets due to expected profitability of the acquired subsidiary, assets and liabilities are consolidated with the Individual Statement. In the balance sheets of the Company, this goodwill is recorded on Investments, the same group of noncurrent assets, because, for the Company it is part of its investment on subsidiary acquisition, not being its intangible assets (as stated above, the expectation of future earnings - the genuine intangible - is the subsidiary).

In the company the intangible goodwill arising from the merger of Bertin and Novaprom, and the rest allocated to investments. Consolidated all goodwill re recorded as intangible.

Goodwill

Company- Recorded as intangible (Goodwill)

In December 2009 the Company merged Bertin. The market value of this operation was ascertained based on an appraisal report prepared by a valuation company. The fair value of share exchange between the companies amounted to R\$ 11,987,963, generating goodwill based on future profitability of R\$ 9,069,926. Pursuant to IFRS 3 (R)/CPC 15 R1 – Business combinations, represents the residual amount in determining the fair value of net assets acquired. In Business Combination was allocated an amount of R\$ 414,111 for the intangible and property, plant and equipment accounts.

The Company incorporated all the shares of Novaprom, which owned a goodwill based on expected future earnings of R\$ 16,044. Upon such incorporation, the Company goodwill is transferred from investment line and is allocated as an intangible item.

Company- Recorded as investment (Goodwill in subsidiaries)

In July 2007 the Company acquired a 100% interest in Swift Foods Company, currently known as JBS USA , with goodwill of R\$ 906,481, based on expected future earnings, which was being amortized over 5 years. Accumulated amortization until December 31, 2008 was R\$ 248,654, showing a net carrying amount of R\$ 657,827 as of March 31, 2014.

In September 2013, a preliminary goodwill was calculated arising from the acquisition of Columbus, holding of Zenda's Group in the amount of R\$ 40,292 subject to changes which may occur within maximum of one year, pursuant defined in IFRS 3 (R)/CPC15 R1.

In September 2013, a preliminary goodwill was calculated arising from the acquisition of Excelsior through Baumhardt, in the amount of R\$ 195 subject to changes that may occur within a year, as defined in IFRS 3 (R)/R1 CPC15.

Consolidated- Recorded as intangible (Goodwill)

JBS USA has goodwill of US\$ 222,802 thousand, equivalent to R\$ 505,341 as of March 31, 2014, arising mainly from the acquisition in 2008 of Smithfield beef, Tasman and Five Rivers, based on the appreciation of the acquired assets.

In 2007, JBS Holding Internacional S.A., through its subsidiaries JBS Argentina S.A. and JBS Mendoza S.A., acquired 100% of the capital stock of Consignaciones Rurales S.A. and Argenvases S.A.I.C. and, in 2008, through the same subsidiaries, acquired 100% of the capital stock of Colcar S.A., with total goodwill of \$ 14,110 thousand Argentinean pesos, equivalent to R\$ 3,986 as of March 31, 2014. Goodwill is based upon expected future earnings of the acquired businesses.

JBS Global Luxembourg has goodwill of EUR 5,188 thousands, equivalent to R\$ 16,174 as March 31, 2014, arising from the acquisition of the Toledo Group , based on the appreciation of the assets.

On March 2013, JBS Aves Ltda. acquired all the shares of Agrovêneto SA Food Industry with goodwill in the amount of R\$ 33,618.

JBS Aves acquired the shares of the company Agil Imbituba General Stores Ltd., having arrived at a Goodwill future profitability of R\$ 47.

The indirect subsidiary JBS Foods Ltda. possesses other goodwill arising from the acquisition of companies, and based on expectation of future earnings in the amount of R\$ 641,776, as follows:

- i) Parc Castell by acquisition of Valores Catalanes S.A. in the amount of R\$ 459,803
- ii) Frigorífico Mabella Ltda by acquisition of the subsidiaries Pena Branca, MBL, Mas do Brasil, Braslo and Brusand - R\$ 123,124
- iii) Masfrangos Part. Ltda by acquisition of Agrofrango - R\$ 28,343
- iv) Babicora Holding Part. Ltda by acquisition of Seara Alimentos - R\$ 11,111
- v) Mas do Brasil Part Ltda by acquisition of Penasul Ltda - R\$ 9,974
- vi) Brusand LTD by acquisition of the subsidiary Penasul UK - R\$ 5,517
- vii) Seara Alimentos by acquisition of the subsidiary Sul Valle - R\$ 3,904

The others Company's subsidiaries have another goodwill arising from the acquisition of companies, based on expected future earnings of R\$ 113,174 for the following investments:

- i) JBS Handels GmbH by acquisition of the subsidiary Holding Inc. - R\$ 26,044
- ii) Itaholb International B.V. by acquisition of the subsidiary Rigamonti - R\$ 72,126
- iii) Capital Joy Holding Limited - R\$ 7,366
- iv) Trump Asia Enterprises Ltd by acquisition of the subsidiary Wonder Best - R\$ 2,227
- v) JBS Paraguay S.A. by acquisition of the subsidiary IFPSA - R\$ 5,411

On March 31, 2014 the Company sold to the subsidiary JBS Foods S.A. the goodwill arising from JBS Foods Ltda's acquisition in the amount of R\$ 1,376,660, based on the expectation of future earnings.

In accordance with CVM decision No. 565, dated December 17, 2008, and CVM Decision No. 553, dated November 12, 2008, since January 1, 2009 the Company has adopted the criteria of not amortize goodwill based upon expected future earnings, which is in line with IFRS 3 (R) /CPC 15 R1 - Business combination. Under these CVM decisions and the IFRS, intangible assets with indefinite life can no longer be amortized.

Goodwill and intangible assets with no estimated useful lives are tested for impairment at least once a year, in accordance with IFRS 3 (R)CPC 15 R1 – Business combinations.



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Impairment test of goodwill

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

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

Consistent with the techniques of economic evaluation, assessment of the value in use is effected for a period of 10 years, and after, considering the perpetuity of the premises in view of the indefinite business continuity capability. The Management judged appropriate to use the period of 10 years based on their past experience in designing accurately projected cash flows. This understanding is in accordance with paragraph 35 of IAS 36/CPC 01 R1 - Impairment of Assets.

The growth rates used to extrapolate the projections after the period of 10 years ranged from 3% to 4% at year in nominal values. The estimated future cash flows were discounted using discount rates ranging from 8.9% to 10.2% at year, also in nominal values. The principal assumptions used in estimating the value in use are as follows:

- Sales Revenue - Revenues are projected from 2014 to 2022 considering the growth in volume of different products of Cash Generating Units.
- Operating costs and expenses - The costs and expenses were projected accordance with historical performance of the Company and, with the historical growth in revenues. In addition, we considered efficiency gains derived from business combinations of synergies and process improvements.
- Capital investment - Investment in capital goods were estimated considering the maintenance of existing infrastructure and expectations required to enable the supply of products.

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

Based on the annual test for impairment of the Company's intangible assets, prepared with the projections made on the quarterly interim financial statements of December 31, 2013, growth prospects and results of operations for the year ended on March 31, 2014, there were no indications of possible losses or losses, as the estimated value in use is higher than the carrying amount at the valuation date.

14 Trade accounts payable

	Company		Consolidated	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Commodities - cattle	478,873	770,546	1,424,567	1,902,201
Materials and services	529,835	541,944	3,169,164	3,096,015
Finished products	52,787	58,715	315,136	344,172
	1,061,495	1,371,205	4,908,867	5,342,388

15 Loans and financings

The Company discloses below the operations in foreign and local currency, considering the functional currency of each subsidiary. Local currency indicates loans denominated in the functional currency of the borrower.

Current liabilities

Type	Average annual rate of interest and commissions	Company	
		March 31, 2014	December 31, 2013
Foreign currency			
ACC - (advances on exchange contracts)	Exchange variation + interest from 2.30% to 3.60%	3,485,942	3,008,575
Prepayment	Exchange rate, Libor and interest from 1% to 8.75%	1,239,865	1,300,677
144-A	Exchange variation + interest from 6.25% to 10.50%	163,862	199,341
Credit note - export	Exchange variation + interest of 7.85% or 118% CDI	11,756	12,025
		4,901,425	4,520,618
Local currency			
FINAME	TJLP and interest from 1% to 8.5%	82,951	77,967
BNDES automatic - TJLP	TJLP and interest from 3.1% to 5.44%	-	1,222
BNDES automatic - Currency basket	Currency basket BNDES + interest from 2% to 3.1%	-	124
Working capital- Brazilian Reais	Interest of 4% + 100% of CDI or 100% to 120% of CDI	862,108	862,188
Working capital - EUROS	Euribor +interest from 0.15% to 1.75%	9,040	354
Credit note - export	Interest from 1.2% to 8.54% or 100% to 118.5% of CDI	1,054,378	1,112,611
FCO - Middle West Fund	Interest of 10.00%	-	50
FNO - North Fund	Interest of 10.00%	4,069	4,075
CDC - Direct Credit to Consumers	TJLP and interest from 2.11% to 6.82%	3,197	3,148
FINEP	TJLP and interest of 4.0% to 4.5%	1,727	1,726
Debentures	127.6% of CDI and IPCA + 9%	220,829	255,039
		2,238,299	2,318,504
		7,139,724	6,839,122



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Noncurrent liabilities

Type	Average annual rate of interest and commissions	Company	
		March 31, 2014	December 31, 2013
Foreign currency			
Prepayment	Exchange rate, Libor and interest from 1% to 8.75%	1,470,251	1,412,126
144-A	Exchange variation + interest from 6.25% to 10.50%	7,476,227	7,738,003
Credit note - export	Exchange variation + interest of 7.85% or 118% CDI	186,672	193,238
		9,133,150	9,343,367
Local currency			
FINAME	TJLP and interest from 1% to 8.5%	236,363	225,639
Working capital- Brazilian Reais	Interest of 4% + 100% of CDI or 100% to 120% of CDI	1,748,361	1,940,536
Working capital - EUROS	Euribor +interest from 0.15% to 1.75%	29,506	43,765
Credit note - export	Interest from 1.2% to 8.54% or 100% to 118.5% of CDI	2,235,651	1,962,434
FNO - North Fund	Interest of 10.00%	11,664	12,660
CDC - Direct Credit to Consumers	TJLP and interest from 2.11% to 6.82%	4,592	4,066
FINEP	TJLP and interest of 4% to 4.5%	6,699	7,127
Debentures	127.6% of CDI and IPCA + 9%	-	214,255
		4,272,836	4,410,482
		13,405,986	13,753,849
Breakdown:			
Current liabilities		7,139,724	6,839,122
Noncurrent liabilities		13,405,986	13,753,849
		20,545,710	20,592,971
Maturities of noncurrent liabilities are as follows:			
2015		3,527,692	2,514,791
2016		3,528,757	3,947,468
2017		771,215	698,546
2018		1,993,171	2,326,206
2019		38,909	5,498
2020		1,974,887	2,373,563
2021		3,511	2,471
Maturities thereafter 2021		1,567,844	1,885,306
		13,405,986	13,753,849



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(Expressed in thousands of reais)

Current liabilities

Type	Average annual rate of interest and commissions	Consolidated	
		March 31, 2014	December 31, 2013
Foreign currency			
ACC - (advances on exchange contracts)	Exchange variation + interest from 2.30% to 3.60%	3,492,437	3,069,450
Prepayment	Exchange rate, Libor and interest from 1% to 8.75%	1,410,212	1,418,119
144-A	Exchange variation + interest from 6.25% to 10.50%	163,862	199,341
Credit note - import	Exchange variation + interest of 11.25%	22,633	23,424
Credit note - export	Exchange variation + interest of 7.85% or 118% CDI	11,756	12,025
Canadian Credit Facility	CDOR or RBC Prime + applicable interest	136	351
Canadian Credit Facility - term loan	Exchange variation + interest of 3.65%	13,058	1,994
Canadian Bank Facility	Exchange variation + interest of 3.5%	1,878	14,822
		5,115,972	4,739,526
Local Currency			
FINAME	TJLP and interest from 1% to 8.5%	84,828	78,796
JBS Mortgage	Interest from 5.8% to 8.4%	4,345	4,416
BNDES automatic - TJLP	TJLP and interest from 3.1% to 5.44%	-	1,222
BNDES automatic - Currency basket	Currency basket + interest from 2% to 3.1%	-	124
US revolver	Libor or Prime + applicable rate	896	169
JBS Term Loan due to 2018	Alternate Base Rate ("ABR")+1.75% or Eurodollar+2.75%	122,485	21,273
Five Rivers term loan	Libor + 2.75% or Prime + 1.5%	13,232	13,707
Senior notes due 2020	Interest of 8.25%	21,781	55,993
Senior notes due 2021	Interest of 7.25%	62,893	15,733
PPC - US Senior note 2018	Interest of 7.875%	26,237	3,844
PPC - US credit facility - term loans	Interest from 2.9% to 9.0%	474,859	972,220
PPC - US bonds	Interest from 7.625% to 9.25%	299	131
Plainwell Bond	Interest of 4.39%	4,612	4,734
Marshalltown	Interest of 2.34%	43	42
Working capital- Brazilian Reais	Interest of 4% + 100% of CDI or 100% to 120% of CDI	873,393	866,662
Working capital - US dollars	Libor +interest from 1.10% to 3.20%	252,176	252,987
Working capital - EUROS	Euribor +interest from 0.15% to 1.75%	140,150	137,829
Working capital - Argentine Pesos	Interest of 18.77%	1,498	7,297
Credit note - export	Interest from 1.2% to 8.54% or 100% to 118.5% of CDI	1,068,245	1,120,735
FCO - Middle West Fund	Interest of 10.00%	1,705	1,803
FNO - North Fund	Interest from 10.00%	4,069	4,075
Credit note - import	Interest of 4.44% (LIBOR and interest of 2.80%)	211,441	202,308
Finep - Financing of Studies and Projects	Interest of 4.0% to 4.5%	5,713	5,719
CDC - Direct Credit to Consumers	TJLP and interest from 2.11% to 6.82%	3,197	3,148
Rural - Credit note	Interest of 5.5%	162,320	160,325
ACC - (advances on exchange contracts)	Interest de 1%	15,590	47
Rural - Credit note	Interest of 5,5%	440,679	486,993
Term loan due to 2020	Alternate Base Rate ("ABR")+1.75% or Eurodollar+2.75%	12,843	13,055
Debentures	127.6% of CDI and IPCA + 9%	220,829	255,039
Others		396	940
		4,230,754	4,691,366
		9,346,726	9,430,892

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(Expressed in thousands of reais)

Type	Average annual rate of interest and commissions	Consolidated	
		March 31, 2014	December 31, 2013
Noncurrent liabilities			
Foreign currency			
Prepayment	Exchange rate, Libor and interest from 1% to 8.75%	2,531,236	2,553,208
144-A	Exchange variation + interest from 6.25% to 10.50%	7,476,227	7,738,003
Credit note - export	Exchange variation + interest of 7.85% or 118% CDI	186,672	193,238
ACC - (advances on exchange contracts)	Exchange variation + interest from 2.30% to 3.60%	22,606	23,436
Canadian Credit Facility	CDOR or RBC Prime + applicable interest	177,209	142,554
Canadian Credit Facility - term loan	Exchange variation + interest of 3.65%	31,472	34,134
		10,425,422	10,684,573
Local currency			
FINAME	TJLP and interest from 1% to 8.5%	243,144	227,570
JBS Mortgage	Interest from 5.8% to 8.4%	29,077	31,257
US revolver	Libor or Prime + applicable rate	418,080	-
JBS Term Loan due 2020	Alternate Base Rate ("ABR")+1.75% or Eurodollar+2.75%	913,722	1,063,330
Five Rivers term loan	Libor + 2.75% or Prime + 1.5%	146,509	154,874
Senior note due 2020	Interest of 8.25%	1,551,993	1,605,161
Senior note due 2021	Interest of 7.25%	2,518,271	2,584,448
PPC - US Senior note due 2018	Interest of 7.875%	1,086,688	1,116,598
PPC - US bonds	Interest from 7.625% to 9.25%	8,221	8,511
Plainwell Bond	Interest of 4.39%	21,969	23,878
Marshalltown	Interest of 2.34%	21,804	22,545
Working capital- Brazilian Reais	Interest of 4% + 100% of CDI or 100% to 120% of CDI	1,771,270	1,958,748
Working capital - US dollars	Libor +interest from 1.10% to 3.20%	40,346	47,197
Working capital - Euro	Euribor + interest from 0.15% to 1.75%	30,613	45,475
Working capital - Argentine Pesos	Interest of 18.77%	4,305	-
Credit Note - export	Interest from 1.2% to 8.54% or 100% to 118.5% of CDI	2,678,809	2,405,592
FCO - Middle West Fund	Interest of 10.00%	5,840	6,238
FNO - North Fund	Interest of 10.00%	11,664	12,660
Finep - Financing of Studies and Projects	Interest of 4% to 4.5%	26,123	27,539
CDC - Direct Credit to Consumers	TJLP and interest from 2.11% to 6.82%	4,592	4,066
Rural - Credit note	Interest of 5.5%	1,356	-
Term loan due 2020	Alternate Base Rate ("ABR")+1.75% or Eurodollar+2.75%	1,068,928	1,080,901
Debentures	127.6% of CDI and IPCA + 9%	-	214,255
Others		2	5,033
		12,603,326	12,645,876
		23,028,748	23,330,449
Breakdown:			
Current liabilities		9,346,726	9,430,892
Noncurrent liabilities		23,028,748	23,330,449
		32,375,474	32,761,341
Maturities of noncurrent liabilities are as follows:			
2015		3,989,834	3,000,141
2016		4,574,174	4,557,716
2017		1,147,871	1,083,776
2018		4,543,889	5,029,761
2019		44,094	32,617
2020		4,580,139	5,073,542
2021		2,564,839	2,651,133
Maturities thereafter 2021		1,583,908	1,901,763
		23,028,748	23,330,449

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ACC – (advances on exchange contracts) are credit facilities obtained from financial institutions by the Company, its subsidiary JBS Argentina and JBS Foods S.A. subsidiaries, in the amount of US\$ 1,560,156 on March 31, 2014 (US\$ 1,320,299 on December 31, 2013), to finance export transactions.

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

144-A – Refers to five issuances of 144-A notes: (i) Notes 2016 - JBS S.A. in the amount of US\$ 300 million with an interest rate of 10.50% per annum; (ii) Notes 2016 of Bertin (an enterprise of which the Company is the successor through merger) in the amount of US\$ 350 million with an interest rate of 10.25% per annum, (iii) Notes 2018 - JBS S.A. in the amount of US\$ 900 million with an interest rate of 8.25% per annum and (iv) Notes 2023 - JBS S.A. in the amount of US\$ 775 million with an interest rate of 6.25% per annum and (v) Notes 2020 - JBS S.A. in the amount of US\$ 1 billion with an interest rate of 7.75% per annum.

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

Rural credit note – Refers to the capture the subsidiary Seara Alimentos Ltda (Group Seara) with resources of Banco Itau, Banco do Brazil, Santander, Bradesco and Caixa for the purpose of fostering the supply chain (rural). Payment will be made within one year, with interest rate of 5.50%.

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

Term Loan due to 2018 - On May 27, 2011 the subsidiary JBS USA, LLC entered into a credit agreement consisting of a term loan of US\$ 475 million with a payment term of 7 years and ABL + 1,75% or LIBOR + 2,75% per year.

Term Loan A - On June 14, 2011 the indirect subsidiary JBS Five Rivers obtained an US\$ 85 million term loan with a payment term of 5 years and LIBOR + 2.75% or Prime + 1,5% per year.

Term Loan due 2020: On September 18, 2013 the subsidiary JBS USA, LLC made the raising of US\$ 500 million with a term of seven years and cost of: (i) ABR plus 1.75% or (ii) LIBOR + 2.75%.

Rural credit note - Refers to financing obtained by the subsidiary JBS Aves from Caixa Econômica Federal, with the purpose of promoting the supply chain (rural). The payment will be made within one year and it will have J&F Participações S.A. as guarantor.

Subsequent events: As announced to the Market on March 31, 2014, the Company issued on April 3, 2014 the Notes 2024 in the amount of US\$ 750 million with interest rate of 7.25% in the same terms as the other notes under rule 144-A.

16 Credit operations, guarantees and covenants

On March 31, 2014, the Company was in compliance with all covenants. The main credit operations, guarantees and covenants of the Company and its subsidiaries are described below.

Notes 2016 - JBS S.A. - On August 4, 2006, the Company issued Notes 2016 maturing in 2016, in the principal amount of US\$300 million. The interest rate applicable to the notes is 10.50% per annum and interest is paid semiannually on February 4 and August 4, beginning on February 4, 2007. The principal amount of the notes should be fully paid by August 4, 2016. Pursuant to the additional indenture dated January 31, 2007, JBS Finance Ltd became a co-issuer of Notes 2016.

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

Guarantees: The indenture governing Notes 2016 requires that any significant subsidiary (as defined in the indenture governing the Notes 2016) guarantee all obligations of the Company as stated in Notes 2016, subject to certain exceptions. Notes 2016 are guaranteed by JBS Hungary Holdings Kft (indirect wholly owned subsidiary of the Company), by JBS USA Holdings, JBS USA, LLC and Swift Beef Company. Other subsidiaries of the Company may be required to guarantee the Notes 2016 in the future.

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

- . incur additional debt, if the ratio net debt/EBITDA is higher than a determined ratio;
- . incur liens;
- . sell or dispose of assets;
- . pay certain dividends and make other payments;
- . permit restrictions on dividends and other restricted payments by its restricted subsidiaries;
- . have certain transactions with related parties;
- . consolidate or enter into merger or transfer all assets to another company;
- . execute lease transactions with repurchase option (sale/leaseback); and
- . change the control without making a purchase offer on Notes 2016.

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

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

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



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

Bertin's Notes 2016 - Bertin S.A., an enterprise of which the Company is the successor through merger, issued Bertin's Notes 2016 at the principal amount of US\$350 million on October 13, 2006 (under its former corporate name of Bertin Ltda.). The interest applicable to Bertin's Notes 2016 corresponds to 10.25% per annum, paid semiannually on April 5 and October 5, beginning on April 5, 2007. The principal amount of the notes will be fully paid by October 5, 2016.

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

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

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

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

- . incur additional debt if the net debt/EBITDA ratio is higher than a determined ratio;
- . incur liens;
- . pay dividends or make certain payments to shareholders;
- . sell or dispose of assets;
- . have certain transactions with related parties;
- . dissolve, consolidate, merge or acquire the business or assets of other entities;
- . execute lease transactions with repurchase option (sale/leaseback);
- . change the company's control without making a purchase offer on Bertin's Notes 2016; and
- . in a general manner, limits dividends or other payments to shareholders by restricted subsidiaries.

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

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

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

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

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

The Notes 2018 are guaranteed by JBS Hungary Holdings Kft. (indirect wholly-owned subsidiary of the Company) and by JBS S.A.

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

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



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As mentioned above, the terms and conditions for Notes 2018 include covenants. They restrict the Company and its subsidiaries, including JBS USA, to incur any debts (subject to certain permitted exceptions) unless the pro forma net debt / EBITDA ratio of the Company (as defined in the indenture) at the date the debt is incurred is lower than 4.75/1.0.

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

Additionally, according to Notes 2018, the Company will not be able, directly or indirectly, to declare or pay any dividends or make any distributions related to securities issued by the Company (except for debt instruments convertible or exchangeable for such amounts), if (i) there has been default in relation to the Notes 2018; (ii) the Company can incur at least US\$ 1.00 of debt under the terms of the net debt/EBITDA ratio test established in the indenture of the notes mentioned in the paragraph above; and (iii) the total value to be paid does not exceed (a) 50% of the amount of the net income accrued on a cumulative basis during the period, taken as one accounting period, beginning on the first day of the fiscal quarter in which the issue date of the Notes 2018 occurs and ending on the last day of JBS' most recently completed fiscal quarter for which interim financial statements are publicly available, or if the aggregate net income is a loss, minus 100% of the amount of the loss, plus (b) 100% of the net cash proceeds received by JBS from the issue or sale of its equity interests or other capital contributions subsequent to the issue date of the Notes 2018, plus (c) 100% of the fair market value of property other than cash received by JBS from the issue or sale of its equity interests or other capital contributions subsequent to the issue date of the Notes 2018.

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

Notes 2020 - On October 28, 2013, JBS Investments GmbH, a wholly-owned subsidiary of the Company, issued Notes 2020 maturing in 2020, at the principal amount of US\$1 billion. The interest rate applicable to the notes is 7.75% per annum and are semiannually paid on April 28 and October 28 of each year, beginning April 28, 2014. The principal amount of the Notes 2020 should be fully paid by October 28, 2020.

The Notes 2020 are guaranteed by JBS Hungary Holdings Kft. (indirect wholly-owned subsidiary of the Company) and by JBS S.A.

Covenants: The indenture of Notes 2020 contains customary negative covenants that limit the Company's ability and the ability of certain subsidiaries to, among other things:

- . incur additional debt if the net debt/EBITDA ratio is higher than a determined ratio;
- . incur liens;
- . pay dividends or make certain payments to shareholders;
- . permit restrictions on dividends and other restricted payments by restricted subsidiaries
- . sell or dispose of assets;
- . have certain transactions with related parties;
- . execute lease transactions with repurchase option (sale/leaseback); and
- . change the company's control without making a purchase offer on Notes 2020.

As mentioned above, the terms and conditions for Notes 2020 include covenants. They restrict the Company and its subsidiaries, including JBS USA, to incur any debts (subject to certain permitted exceptions) unless the pro forma net debt / EBITDA ratio of the Company (as defined in the indenture) at the date the debt is incurred is lower than 4.75/1.0.

Also, as mentioned above, the Notes 2020 establish restrictions to the Company and its subsidiaries in the execution of certain actions, such as: (i) paying dividends or making any other payments of securities; (ii) paying debts or other obligations; (iii) obtaining loans or advances; or (iv) transferring its properties or assets. Despite that, such payments can be made in certain cases, such as, (a) when there are certain obligations incurred before the issuance of the notes; (b) they are established in law; (c) when the transfer of assets takes place in the normal course of business, or under clauses usually accepted in joint venture agreements executed by the subsidiaries; or (d) when imposed by standard documents of BNDES (National Bank of Economic and Social Development).

Additionally, according to Notes 2020, 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 2020; (ii) the Company can incur at least US\$ 1.00 of debt under the terms of the net debt/EBITDA ratio test established in the indenture of the notes mentioned in the paragraph above; and (iii) the total value to be paid does not exceed (a) 50% of the amount of the net income accrued on a cumulative basis during the period, taken as one accounting period, beginning on January 1, 2013 and ending on the last day of JBS' most recently completed fiscal quarter for which interim financial statements are publicly available, or if the aggregate net income is a loss, minus 100% of the amount of the loss, plus (b) 100% of the net cash proceeds received by JBS from the issue or sale of its equity interests or other capital contributions subsequent to the issue date of the Notes 2020, plus (c) 100% of the fair market value of property other than cash received by JBS from the issue or sale of its equity interests or other capital contributions subsequent to the issue date of the Notes 2020.

Events of default: The indenture of Notes 2020 contains customary events of default. They include non-compliance with or violation of terms, restrictions and other agreements contained in the mentioned instrument, besides default of other debt in case the effect leads to anticipated payment, lack of payment within the grace periods applicable of other debt waived or extended, rendering of unfavorable sentences or court orders against the issuer or its subsidiaries, and certain events related to bankruptcy and insolvency. If an event of default occurs, the trustee or holder of at least 25% of the principal amount of the notes outstanding at the time is entitled to declare immediately payable the principal and accrued interest on the notes.



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Notes 2023 - On February 5, 2013, JBS Investments GmbH, a wholly-owned subsidiary of the Company, issued Notes 2023 maturing in 2023, at the principal amount of US\$500 million and on April 11, 2013, the company issued additional notes at the principal amount of US\$275 million under the indenture of Notes 2023. The interest rate applicable to the notes is 6.25% per annum and are semiannually paid on February 5 and August 5 of each year, beginning August 5, 2013. The principal amount of the Notes 2023 should be fully paid by February 5, 2023.

The Notes 2023 are guaranteed by JBS Hungary Holdings Kft. (indirect wholly-owned subsidiary of the Company) and by JBS S.A.

Covenants: The indenture of Notes 2023 contains customary negative covenants that limit the Company's ability and the ability of certain subsidiaries to, among other things:

- . incur additional debt if the net debt/EBITDA ratio is higher than a determined ratio;
- . incur liens;
- . pay dividends or make certain payments to shareholders;
- . permit restrictions on dividends and other restricted payments by restricted subsidiaries
- . sell or dispose of assets;
- . have certain transactions with related parties;
- . execute lease transactions with repurchase option (sale/leaseback); and
- . change the company's control without making a purchase offer on Notes 2023.

As mentioned above, the terms and conditions for Notes 2023 include covenants. They restrict the Company and its subsidiaries, including JBS USA, to incur any debts (subject to certain permitted exceptions) unless the pro forma net debt / EBITDA ratio of the Company (as defined in the indenture) at the date the debt is incurred is lower than 4.75/1.0.

Also, as mentioned above, the Notes 2023 establish restrictions to the Company and its subsidiaries in the execution of certain actions, such as: (i) paying dividends or making any other payments of securities; (ii) paying debts or other obligations; (iii) obtaining loans or advances; or (iv) transferring its properties or assets. Despite that, such payments can be made in certain cases, such as, (a) when there are certain obligations incurred before the issuance of the notes; (b) they are established in law; (c) when the transfer of assets takes place in the normal course of business, or under clauses usually accepted in joint venture agreements executed by the subsidiaries; or (d) when imposed by standard documents of BNDES (National Bank of Economic and Social Development).

Additionally, according to Notes 2023, 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 2023; (ii) the Company can incur at least US\$ 1.00 of debt under the terms of the net debt/EBITDA ratio test established in the indenture of the notes mentioned in the paragraph above; and (iii) the total value to be paid does not exceed (a) 50% of the amount of the net income accrued on a cumulative basis during the period, taken as one accounting period, beginning on the first day of the fiscal quarter in which the issue date of the Notes 2023 occurs and ending on the last day of JBS' most recently completed fiscal quarter for which interim financial statements are publicly available, or if the aggregate net income is a loss, minus 100% of the amount of the loss, plus (b) 100% of the net cash proceeds received by JBS from the issue or sale of its equity interests or other capital contributions subsequent to the issue date of the Notes 2023, plus (c) 100% of the fair market value of property other than cash received by JBS from the issue or sale of its equity interests or other capital contributions subsequent to the issue date of the Notes 2023.

Events of default: The indenture of Notes 2023 contains customary events of default. They include non-compliance with or violation of terms, restrictions and other agreements contained in the mentioned instrument, besides default of other debt in case the effect leads to anticipated payment, lack of payment within the grace periods applicable of other debt waived or extended, rendering of unfavorable sentences or court orders against the issuer or its subsidiaries, and certain events related to bankruptcy and insolvency. If an event of default occurs, the trustee or holder of at least 25% of the principal amount of the notes outstanding at the time is entitled to declare immediately payable the principal and accrued interest on the notes.

Description of Indebtedness of JBS USA

Senior Secured Credit Facility - On November 5, 2008, JBS USA entered into a senior secured revolving credit facility (the "Credit Agreement") that allowed borrowings up to US\$400.0 million. Up to US\$75.0 million of the Credit Agreement was available for the issuance of letters of credit.

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

Availability: Availability under the Revolving Facility is subject to a borrowing base. The borrowing base is based on certain JBS USA wholly-owned subsidiaries' assets as described below, with the exclusion of JBS Five Rivers. The borrowing base consists of percentages of eligible accounts receivable, inventory and supplies less certain eligibility and availability reserves. As of March 31, 2014, there were US\$97.8 million of outstanding letters of credit and borrowing availability of US\$564.7 million.

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

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



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- incur certain additional indebtedness;
- create certain liens on property, revenue or assets;
- make certain loans or investments;
- sell or dispose of certain assets;
- pay certain dividends and other restricted payments;
- prepay or cancel certain indebtedness;
- dissolve, consolidate, merge or acquire the business or assets of other entities;
- enter into joint ventures other than certain permitted joint ventures or create certain other subsidiaries;
- enter into new lines of business;
- enter into certain transactions with affiliates and certain permitted joint ventures;
- agree to restrictions on the ability of the subsidiaries to make dividends;
- agree to enter into negative pledges in favor of any other creditor; and
- enter into certain sale/leaseback transactions.

Events of Default: The Revolving Facility also contains customary events of default, including failure to perform or observe terms, covenants or agreements included in the Revolving Facility, payment of defaults on other indebtedness, defaults on other indebtedness if the effect is to permit acceleration, entry of unsatisfied judgments or orders against a loan party or its subsidiaries, failure of any collateral document to create or maintain a priority lien and certain events related to bankruptcy and insolvency or environmental matters. If an event of default occurs the lenders may, among other things, terminate their commitments, declare all outstanding borrowings to be immediately due and payable together with accrued interest and fees and exercise remedies under the collateral documents relating to the Revolving Facility. At March 31, 2014, JBS USA was in compliance with all covenants.

ANZ credit facilities – On March 7, 2011, JBS Australia entered into a secured facility to fund working capital needs and letter of credit requirements. The facility includes a standby letter of credit limit of A\$32.5 million and a A\$20.0 million money market facility, subject to an annual review. On April 27, 2012, the facility was amended, providing a A\$5.0 million trade finance letter of credit limit and a A\$26.0 million standby letter of credit limit. On September 11, 2012, the facility was restated to provide for a A\$55.0 million trade finance loan facility limit and a A\$26.0 million standby letter of credit limit. On September 16, 2013, the facility was restated to provide for a A\$55.0 million trade finance loan facility limit and a A\$23.7 million standby letter of credit limit, subject to annual review. As of March 31, 2014, there were US\$21.0 million of outstanding letters of credit and borrowing availability of US\$50.9 million.

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

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

Corporate building loans – In October 2010, JBS USA Holdings acquired its corporate headquarters in Greeley, Colorado. It paid US\$9.2 million in cash and assumed US\$20.1 million in mortgage debt. The debt is comprised of two mortgages in the amounts of US\$3.1 million and US\$17.0 million. The mortgages are repayable in monthly installments over 10 and 14 years, beginning on November 1, 2010.

7.25% senior unsecured notes due 2021 - On May 27, 2011 JBS USA and JBS USA Finance. issued 7.25% notes due 2021 in an aggregate principal amount of US\$650.0 million primarily to make an intercompany loan to JBS USA Holdings, for further transfer to JBS S.A. to fund the repayment of short and medium-term debt of JBS S.A. These notes are guaranteed by JBS USA Holdings, JBS S.A., JBS Hungary Holdings Kft., and each of the US restricted subsidiaries that guarantee the Revolving Facility (subject to certain exceptions). If certain conditions are met, JBS S.A. may be released from its guarantees.

Interest on these notes is payable semi-annually in arrears on June 1 and December 1 of each year. The principal amount of these notes is payable in full on June 1, 2021. The original issue discount of approximately US\$11.3 million is being accreted over the life of the notes.

On September 18, 2013, JBS USA and JBS USA Finance, issued US\$500.0 million in aggregate principal as a follow on to its 7.25% senior notes due 2021 under the indenture dated May 27, 2011. The proceeds from the issuance of these additional notes are being used to repay the outstanding principal amount of the 11.625% notes due 2014 and to repay a portion of the borrowings under the Revolving Facility. The original issue discount of US\$2.5 million is being accreted over the remaining life of the notes.

Covenants: The indenture for the 7.25% senior unsecured notes due 2021 contains customary negative covenants that limit JBS USA and its restricted subsidiaries' ability to, among other things:

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



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Events of default: The indenture also contains customary events of default, including failure to perform or observe terms, covenants or other agreements in the indenture, defaults on other indebtedness if the effect is to permit acceleration, failure to make a payment on other indebtedness waived or extended within the applicable grace period, entry of unsatisfied judgments or orders against the issuer or its subsidiaries and certain events related to bankruptcy and insolvency matters. If an event of default occurs, the trustee or the holders of at least 25% in aggregate principal amount of the notes then outstanding may declare such principal and accrued interest on the notes to be immediately due and payable. At March 31, 2014, JBS USA and JBS USA Finance were in compliance with all covenants.

US\$475 million term loan due 2018 – On May 27, 2011, JBS USA entered into a credit agreement consisting of a term loan commitment of US\$475.0 million primarily to make an intercompany loan to JBS USA Holdings, for further transfer to JBS S.A. to fund the repayment of short and medium-term debt of JBS S.A. The loan is guaranteed by JBS USA Holdings, JBS S.A., JBS Hungary Holdings Kft., and each of the U.S. restricted subsidiaries that guarantee the Revolving Facility (subject to certain exceptions). Loans under this agreement may be either Alternate Base Rate (“ABR”) loans or Eurodollar loans at the election of JBS USA.

Interest on the ABR loans is based on ABR plus 2.0% with a 2.25% ABR floor or interest on the Eurodollar loans is based on LIBOR plus 3.0% with a 1.25% LIBOR floor. Interest on ABR loans is payable on the last day of each calendar quarter while interest on Eurodollar loans is payable at the end of the associated interest period. The outstanding principal is payable on May 25, 2018. The original issue discount of approximately US\$2.4 million is being accreted over the life of the loan. The covenants for this note contain customary negative covenants and customary events of default listed under the Revolving Facility. On February 22, 2013, JBS USA amended the loan to reduce the ABR loan interest rate to ABR plus 1.75% with a 1.75% ABR floor and to reduce the Eurodollar loan interest rate to LIBOR plus 2.75% with a 1.0% LIBOR floor. Commencing on March 29, 2013 and continuing until maturity, approximately US\$1.2 million will be payable on the last business day of each calendar quarter. At March 31, 2014, JBS USA was in compliance with all covenants.

US\$500 million term loan due 2020 – On September 18, 2013, JBS USA executed an increased facility activation notice consisting of a term loan commitment of US\$500.0 million in addition to the US\$475.0 million term loan due 2018. The proceeds from the issuance of these notes were used to repay the outstanding principal amount of the 11.625% notes due 2014 and to repay a portion of the borrowings under the Revolving Facility. The loan is guaranteed by JBS USA Holdings, JBS S.A., JBS Hungary Holdings Kft., and each of the U.S. restricted subsidiaries that guarantee the Revolving Facility (subject to certain exceptions). Loans under this agreement may be either ABR loans or Eurodollar loans at the election of the Company. Interest on the ABR loans is based on ABR plus 1.75% with a 1.75% ABR floor or interest on the Eurodollar loans is based on LIBOR plus 2.75% with a 1.00% LIBOR floor. Interest on ABR loans is payable on the last day of each calendar quarter while interest on Eurodollar loans is payable at the end of the associated interest period. Commencing on December 31, 2013 and continuing until maturity, payments of approximately US\$1.3 million will be payable on the last business day of each calendar quarter. The outstanding principal is payable on September 18, 2020. The original issue discount of US\$2.5 million is being accreted over the life of the loan. The covenants for this note contain customary negative covenants and customary events of default listed under the Revolving Facility. At March 31, 2014, JBS USA was in compliance with all covenants.

Subsequent to the end of each fiscal year, a portion of JBS USA's cash flow must be used to repay outstanding principal amounts under the US\$500 million term loan due 2020. The excess cash flow payment will be applied to installments of the US\$500 million term loan due 2020 in accordance with the then outstanding amounts thereof.

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

Covenants: The US\$85.0 million term loan due 2016 contains customary negative covenants that limit JBS Five Rivers and its restricted subsidiaries' ability to, among other things:

- incur certain additional indebtedness;
- create certain liens on property, revenue or assets;
- make certain loans or investments;
- sell or dispose of certain assets;
- pay certain dividends and other restricted payments;
- dissolve, consolidate, merge or acquire the business or assets of other entities;
- enter into new lines of business;
- enter into certain transactions with affiliates;
- issue, sell, assign, or otherwise dispose of certain equity interests;
- enter into certain hedging agreements;
- locate more than a certain number of owned cattle at locations not owned by JBS Five Rivers;
- enter into certain cattle feeding joint ventures that contain restrictions on pledges and transfers of rights under the joint venture agreement; and
- make certain advances to customers above certain thresholds.

Events of default – The US\$85.0 million term loan also contains customary events of default, including failure to perform or observe terms, covenants or agreements included in the \$85.0 million term loan agreement, payment of defaults on other indebtedness, defaults on other indebtedness if the effect is to permit acceleration, entry of unsatisfied judgments or orders against a loan party or its subsidiaries, failure of any collateral document to create or maintain a priority lien, certain events related to bankruptcy and insolvency, certain events related to the Employee Retirement Income Security Act of 1974 (“ERISA”), and failure to comply with the terms of the Executive Succession Plan of J&F Oklahoma Holdings, Inc. If an event of default occurs the lenders may, among other things, terminate their commitments, declare all outstanding borrowings to be immediately due and payable together with accrued interest and fees and exercise remedies under the collateral documents relating to the US\$85.0 million term loan. At March 31, 2014, JBS Five Rivers was in compliance with all covenants.

8.25% senior unsecured notes due 2020 – On January 30, 2012, JBS USA and JBS USA Finance issued 8.25% notes due 2020 in an aggregate principal amount of US\$700.0 million. The proceeds were used (i) to make an intercompany loan to JBS USA Holdings, for further transfer to JBS S.A. to fund repayment of short and medium-term debt of JBS S.A. and its subsidiaries and (ii) for general corporate purposes. These notes are guaranteed by JBS USA Holdings, JBS S.A., JBS Hungary Holdings Kft., and each of the U.S. restricted subsidiaries that guarantee the Revolving Facility (subject to certain exceptions). If certain conditions are met, JBS S.A. may be released from its guarantees. Interest on these notes is payable semi-annually in arrears on February 1 and August 1 of each year. The principal amount of these notes is payable in full on February 1, 2020. The original issue discount of approximately US\$10.0 million is being accreted over the life of the notes. The covenants for these notes contain customary negative covenants and customary events of default listed under the 7.25% senior unsecured notes due 2021. At March 31, 2014, JBS USA was in compliance with all covenants.



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Canadian Credit Facility — revolving credit facility: On May 15, 2013, JBS Canada entered into a credit agreement (the “Canadian Credit Facility”) with the Royal Bank of Canada (“RBC”) as administrative agent and collateral agent, and other lenders party thereto. The Canadian Credit Facility currently provides a revolving dual currency facility of CAD\$110.0 million maximum borrowing availability that can be drawn in CAD\$ and US\$. Canadian dollar loans bear interest at the applicable Canadian Dealer Offered Rate (“CDOR”) or RBC Prime Rate plus applicable margins. US dollar loans bear interest at the applicable LIBOR or RBC borrowing rate plus applicable margins.

The Canadian Credit Facility also provides for a CAD\$17.0 million term loan. The loan is guaranteed by JBS USA Holdings and JBS S.A. The loan amortizes over a 15 year period with principal and interest due monthly. The outstanding principal is payable on May 15, 2018. This loan is secured by certain real property of JBS Canada. The covenants for this note contain customary negative covenants and customary events of default listed under the Canadian Credit Facility.

Availability: Actual borrowings under this facility are subject to a borrowing base, which is a formula based on eligible receivables, inventory, machinery and equipment and real estate less certain eligibility and availability reserves. As of March 31, 2014, there were no outstanding letters of credit and borrowing availability of US\$19.7 million.

Security and guarantees: Borrowings made by JBS Canada under the Canadian Credit Facility are guaranteed by JBS USA Holdings and JBS S.A. Furthermore, the borrowings are collateralized by a first priority perfected lien and interest in accounts receivable, finished goods, feed, live inventory and supply inventories, machinery equipment and real estate.

Covenants: The Canadian Credit Facility contains customary representations, warranties and a springing financial covenant that requires a minimum fixed charge coverage ratio of not less than 1.00 to 1.00. This ratio is applicable if borrowing availability causes a covenant trigger period, which only occurs when borrowing availability falls below the greater of 10% of the maximum borrowing amount or CAD\$10.0 million for five consecutive business days. The Canadian Credit Facility also contains negative covenants that may limit the ability of JBS Canada to, among other things:

- incur certain additional indebtedness;
- create certain liens on property, revenue or assets;
- make certain loans or investments;
- sell or dispose of certain assets;
- pay certain dividends and other restricted payments;
- prepay or cancel certain indebtedness;
- dissolve, consolidate, merge or acquire the business or assets of other entities;
- enter into joint ventures other than certain permitted joint ventures or create certain other subsidiaries;
- enter into new lines of business;
- enter into certain transactions with affiliates and certain permitted joint ventures;
- agree to restrictions on the ability of the subsidiaries to make dividends;
- agree to enter into negative pledges in favor of any other creditor; and
- enter into certain sale/leaseback transactions.

Events of default. The Canadian Credit Facility also contains customary events of default, including failure to perform or observe terms, covenants or agreements included in the Canadian Credit Facility, payment of defaults on other indebtedness, defaults on other indebtedness if the effect is to permit acceleration, entry of unsatisfied judgments or orders against a loan party or its subsidiaries, failure of any collateral document to create or maintain a priority lien and certain events related to bankruptcy and insolvency or environmental matters. If an event of default occurs the lenders may, among other things, terminate their commitments, declare all outstanding borrowings to be immediately due and payable together with accrued interest and fees and exercise remedies under the collateral documents relating to the Canadian Credit Facility. At March 31, 2014, JBS Canada was in compliance with all covenants.

Guarantee of J&F Oklahoma's revolving credit facility – On October 7, 2008, J&F Oklahoma entered into a US\$600.0 million secured revolving credit facility. This credit facility and the guarantee thereof are secured solely by the assets of J&F Oklahoma and the net assets of JBS Five Rivers. This credit facility is used to acquire cattle which are then fed in the JBS Five Rivers' feedyards pursuant to the cattle supply and feeding agreement. The finished cattle are sold to JBS USA under the cattle purchase and sale agreement. This facility was amended and restated on September 10, 2010 to provide availability up to US\$800.0 million and to extend the maturity date to September 23, 2014.

On June 14, 2011, J&F Oklahoma and JBS Five Rivers executed a third amended and restated credit agreement to increase the availability to US\$1.0 billion and to add J&F Australia as a borrower under the facility. The facility matures on June 14, 2015. On March 6, 2012, J&F Oklahoma and JBS Five Rivers executed an amendment to the third amended and restated credit agreement to increase the availability up to US\$1.2 billion. On January 24, 2013, J&F Oklahoma executed a fourth amended and restated credit facility to add J&F Canada as a borrower under the facility, allow borrowings under additional currency options and extend the maturity date to June 14, 2016. Borrowings under the facility bear interest at variable rates based on applicable LIBOR plus 2.25%, or based on the prime rate plus 1%. The interest rate at March 31, 2014 was 2.8%. As of March 31, 2014, no borrowings were used towards letters of credit and borrowing availability was US\$159.5 million. As of March 31, 2014 and December 31, 2013, J&F Oklahoma had US\$ 988.0 million and US\$880.9 million, respectively, in outstanding borrowings on the facility.

The credit agreement is collateralized by accounts receivable and inventories of J&F Oklahoma and by certain fixed assets, accounts receivable and inventories of JBS Five Rivers. Among other requirements, the facility requires J&F Oklahoma to maintain certain financial ratios, minimum levels of net worth and establish limitations on certain types of payments, including dividends, investments and capital expenditures. In most instances, the covenants consider the combined position and results of J&F Oklahoma along with JBS Five Rivers. J&F Oklahoma's parent company has entered into a keep-well agreement whereby it will make contributions to J&F Oklahoma if J&F Oklahoma is not in compliance with its financial covenants under this credit facility. If J&F Oklahoma defaults on its obligations under the credit facility and such default is not cured by its parent under the keep-well agreement, JBS Five Rivers is obligated for up to US\$250.0 million of guaranteed borrowings plus certain other obligations and costs under this credit facility. J&F Oklahoma was in compliance with the financial covenants under this credit facility as of March 31, 2014.

Credit facility to J&F Oklahoma – JBS Five Rivers is party to an agreement with J&F Oklahoma pursuant to which JBS Five Rivers has agreed to loan up to US\$200.0 million in revolving loans to J&F Oklahoma. The loans are used by J&F Oklahoma to acquire feeder animals which are placed in JBS Five Rivers' feedyards for finishing. Borrowings accrue interest at a per annum rate of LIBOR plus 2.25% and interest is payable at least quarterly. On September 26, 2011, the facility was amended to accrue interest at a per annum rate of LIBOR plus 2.75%. On September 10, 2010, the facility was amended to extend the maturity date to September 11, 2016. On June 14, 2011, the facility was amended to increase availability under the loan to US\$375.0 million. On January 24, 2013, the agreement was amended to extend the facility up to US\$450.0 million to fund working capital needs. The interest rate at March 31, 2014 was 3.0%.



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US\$250 million intercompany loan – On July 12, 2007, a subsidiary of JBS USA issued a US\$250.0 million intercompany loan to JBS Australia with an 8.0% interest rate and a maturity date of July 12, 2017. While this loan eliminates upon consolidation, the loan is denominated in US\$, but reported by JBS Australia in A\$. Therefore, the loan generates foreign currency transaction gains or losses due to fluctuations in the period end A\$ to US\$ exchange rate. JBS USA Holdings may use derivatives for the purpose of mitigating exposure to changes in foreign currency exchange rates.

Credit facility to Sampco – On April 1, 2010, JBS USA Holdings executed a US\$60.0 million related party revolving promissory note with Sampco, Inc. ("Sampco"), an indirect wholly-owned subsidiary of JBS S.A., with interest based on the three-month LIBOR plus a margin of 2.5% and a maturity date of March 31, 2012. On April 1, 2012, JBS USA Holdings and Sampco amended the related party revolving promissory note to increase the interest rate to the three-month LIBOR plus a 3% margin and to extend the maturity date to March 31, 2014. On March 6, 2014, the note was amended to extend the maturity date to March 31, 2016. The interest rate at March 31, 2014 was 3.2%. This note eliminates upon consolidation.

Revolving loan payable between JBS USA and JBS Australia – On May 4, 2010, JBS USA issued a long-term intercompany revolving promissory note to JBS Australia for A\$250.0 million with interest based on the three-month Bank Bill Swap Bid Rate ("BBSY") plus 3% and a maturity date of May 4, 2012 to fund working capital needs and general corporate purposes. On November 9, 2010, the note was amended to increase the maximum amount of advances to A\$350.0 million. On February 2, 2011, the note was amended to increase the maximum amount of advances to A\$400.0 million. On July 6, 2011, the note was amended to reduce the interest rate margin of 3% over the BBSY to 2%. On November 7, 2011, the note was amended to extend the maturity date to December 31, 2013 and to make the interest rate margin on the note equal to the Revolver Bill Rate Spread as defined in the Revolving Facility in effect at the time an advance is made. On December 31, 2013, the note was amended to extend the maturity date to December 31, 2014. While this note eliminates upon consolidation, the note is denominated in AUD, but reported by JBS USA in USD. Therefore, the note generates foreign currency transaction gains or losses due to fluctuations in the period end AUD to USD exchange rate. The interest rate at March 31, 2014 was 4.4%.

US\$10 million loan receivable from Weddel Limited - On May 10, 2011, JBS USA Holdings executed a US\$10.0 million related party revolving promissory note with Weddel Limited ("Weddel"), a wholly-owned subsidiary of JBS USA Holdings, with interest based on the U.S. Prime Rate plus a margin of 2.0% and a maturity date of May 10, 2012. On May 8, 2012, the note was amended to extend the maturity date to March 31, 2013. On March 26, 2013, the note was amended to extend the maturity date to March 31, 2014. On July 26, 2013, the note was amended to convert the note from a US\$-denominated note to a CAD\$10.0 million note and amend the interest rate to be the Canadian Prime Rate plus 2.0%. On March 6, 2014, the note was amended to extend the maturity date to March 31, 2016. While this note eliminates upon consolidation, the CAD\$-denominated note will be reported by the Company in US\$; therefore, this amended note will generate foreign currency transaction gains or losses due to fluctuations in the period end CAD\$ to US\$ exchange rate. The interest rate at March 31, 2014 was 5.0%.

Revolving intercompany note to JBS USA Holding - On June 2, 2011, JBS USA, LLC issued a US\$2.0 billion revolving intercompany note to JBS USA Holdings. The note bears interest at a variable rate equal to LIBOR plus 3%. On January 25, 2012, JBS USA, LLC amended the revolving intercompany note to increase the maximum amount available under the note to US\$3.0 billion. On September 30, 2013, JBS USA, LLC amended the revolving intercompany note to JBS USA Holdings to increase the maximum amount available under the note to US\$3.5 billion. Principal and accrued interest are due and payable upon demand by JBS USA, LLC at any time on or after June 30, 2015. The interest rate at March 31, 2014 was 3.2%. This intercompany note eliminates upon consolidation.

JBS USA letters of credit - On October 26, 2011 and November 4, 2011, JBS USA, LLC agreed to provide letters of credit in the amount of US\$40.0 million and US\$16.5 million, respectively to an insurance company serving PPC in order to allow that insurance company to return cash it held as collateral against potential workers compensation, auto and general liability claims of PPC. In return for providing these letters of credit, PPC is reimbursing JBS USA for the cost PPC would have otherwise incurred. During the three months periods ended March 31, 2014, and March 31, 2013, PPC reimbursed JBS USA, LLC US\$0.3 million and US\$0.6 million, respectively.

Note to Sampco - On March 15, 2012 Sampco executed a US\$20.0 million revolving promissory note to JBS USA Holdings with interest based on the three-month LIBOR plus a margin of 3%. On May 22, 2012, the note was amended to increase the maximum amount available to US\$50 million. On September 18, 2012, the note was amended to increase the maximum amount available to US\$100.0 million. Principal and interest are due and payable upon demand by Sampco at any time on or after March 31, 2014. On March 6, 2014, the note was amended to increase the maximum amount available to US\$120.0 million and to extend the maturity date to March 31, 2016. The interest rate at March 31, 2014 was 3.2%. This note eliminates upon consolidation.

Note to JBS Five Rivers - On April 20, 2012, JBS USA Holdings issued a US\$100.0 million intercompany revolving promissory note to JBS Five Rivers with interest based on the three-month LIBOR plus a margin of 3% and a maturity date of April 20, 2013 to fund working capital needs and general corporate purposes. On March 5, 2013, this note was amended to increase the maximum amount available under the note to US\$175.0 million and to extend the maturity date to June 14, 2016. The interest rate at March 31, 2014 was 3.2%. This note eliminates upon consolidation.

Note to JBS Canada - On January 2, 2013, JBS USA Holdings issued an intercompany revolving promissory note to JBS Canada for CAD\$200.0 million with interest based on the CDOR plus 3% and a maturity date of December 31, 2014 to fund working capital needs and general corporate purposes. The interest rate at March 31, 2014 was 4.5%. This note eliminates upon consolidation.

Description of Indebtedness of PPC

US Credit Facility – PPC and certain of its subsidiaries entered into a credit agreement (the "US Credit Facility") with CoBank ACB, as administrative agent and collateral agent, and other lenders party thereto, which was amended and restated on August 7, 2013. As of March 31, 2014, the US Credit Facility provided for a US\$700.0 million revolving credit facility, a Term B facility ("Term B") of approximately US\$205.2 million and a delayed draw term loan commitment of up to US\$400.0 million (the "Delayed Draw Term Loan"). PPC can draw upon the Delayed Draw Term Loan, in one or more advances, between May 1, 2014 and December 28, 2014. The US Credit Facility also includes an accordion feature that allows PPC, at any time, to increase the aggregate revolving loan commitment by up to an additional US\$250.0 million and to increase the aggregate Delayed Draw Term Loan by up to an additional US\$500.0 million, in each case subject to the satisfaction of certain conditions, including obtaining the lenders' agreement to participate in the increase and an aggregate limit on all commitments under the US Credit Facility of US\$1.9 billion. The US Credit Facility also provides for a US\$100 million sub-limit for swingline loans and a US\$200.0 million sub-limit for letters of credit. The revolving loan commitment under the U.S. Credit Facility matures on August 7, 2018. Any Delayed Draw Term Loans would be payable in quarterly installments beginning in fiscal year 2015 equal to 1.875% of the principal outstanding as of December 28, 2014, with all remaining principal and interest due at maturity on August 7, 2018.

On August 7, 2013, PPC paid loan costs totaling US\$5.0 million related to the amendment and restatement to the U.S. Credit Facility that is recognized as an asset on its balance sheet. PPC amortizes these capitalized costs to interest expense over the life of the U.S. Credit Facility.

Subsequent to the end of each fiscal year, a portion of PPC's cash flow must be used to repay outstanding principal amounts under the Term B loans. On April 29, 2013, PPC paid approximately US\$141.2 million of its cash flow from 2012 toward the outstanding principal under the Term B loans. On December 30, 2013, PPC paid US\$204.9 million of its cash flow toward the outstanding principal under the Term B loans. The excess cash flow payments have been applied to installments of the Term B loans ratably in accordance with the then outstanding amounts thereof. The US Credit Facility also requires PPC to use the proceeds it receives from certain asset sales and specified debt or equity issuances and upon the occurrence of other events to repay outstanding borrowings under the US Credit Facility.



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Actual borrowings by PPC under the revolving credit commitment component of the US Credit Facility are subject to a borrowing base, which is a formula based on certain eligible inventory, eligible receivables and restricted cash under the control of CoBank ACB. As of March 31, 2014, there were US\$29.6 million of outstanding letters of credit and borrowing availability of US\$664.8 million.

The US Credit Facility contains financial covenants and various other covenants that may adversely affect PPC's ability to, among other things, incur additional indebtedness, incur liens, pay dividends or make certain restricted payments, consummate certain assets sales, enter into certain transactions with JBS USA Holdings and PPC's other affiliates, merge, consolidate and/or sell or dispose of all or substantially all of PPC's assets. The US Credit Facility requires PPC to comply with a minimum level of tangible net worth covenant. PPC is currently in compliance with this financial covenant.

All other financial covenants were eliminated in connection with the August 7, 2013 amendment and restatement to the US Credit Facility. The US Credit Facility also provides that PPC may not incur capital expenditures in excess of US\$350.0 million in any fiscal year.

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

Senior Unsecured Notes due 2018 - PPC's 2018 Notes - On December 15, 2010, PPC issued US\$500.0 million of 7.875% Senior Notes due 2018 (the "PPC's 2018 Notes"). The PPC's 2018 Notes are unsecured obligations of PPC and guaranteed by one of PPC's subsidiaries. Interest is payable on December 15 and June 15 of each year, commencing on June 15, 2011. The indenture governing the PPC's 2018 Notes contains various covenants that may adversely affect PPC's ability to, among other things, incur additional indebtedness, incur liens, pay dividends or make certain restricted payments, consummate certain asset sales, enter into certain transactions with the Company and PPC's other affiliates, merge, consolidate and/or sell or dispose of all or substantially all of its assets. PPC has subsequently exchanged these notes for substantially identical notes that are registered under the Securities Act of 1933.

Mexico Credit Facility - On October 19, 2011, Avícola Pilgrim's Pride S. de R.L. de C.V. and certain other Mexican subsidiaries, entered into an amended and restated credit agreement (the "Mexico Credit Facility") with ING Bank (México), S.A. Institución de Banca Múltiple, ING Grupo Financiero, as lender and ING Capital, LLC, as administrative agent. The Mexico Credit Facility has a final maturity date of September 25, 2014. The Mexico Credit Facility is secured by substantially all of the assets of PPC's Mexico subsidiaries. As of March 31, 2014, the U.S. dollar-equivalent of the loan commitment under the Mexico Credit Facility was US\$42.6 million.

Under the Mexico Credit Facility, if (i) any default or event of default has occurred and is continuing or (ii) the quotient of the borrowing base divided by the outstanding loans and letters of credit (the "Collateral Coverage Ratio") under the Mexico Credit Facility is less than 1.25 to 1.00, the loans and letters of credit under the Mexico Credit Facility will be subject to, and cannot exceed, a borrowing base. The borrowing base is a formula based on accounts receivable, inventory, prepaid assets, net cash under the control of the administrative agent and up to 150.0 million Mexican pesos of fixed assets of PPC's Mexico subsidiaries party to the Mexico Credit Facility. The borrowing base formula will be reduced by trade payables of those Mexico subsidiaries. If the Collateral Coverage Ratio falls below 1.25 to 1.00, the borrowing base requirement would terminate upon the earlier of (i) the Collateral Coverage Ratio exceeding 1.25 to 1.00 as of the latest measurement period for 60 consecutive days or (ii) the borrowing availability under the Mexico Credit Facility being equal to or greater than the greater of 20% of the revolving commitments under the Mexico Credit Facility and 100.0 million Mexican pesos for a period of 60 consecutive days.

Avícola may pay dividends or make other restricted payments to PPC in an amount not to exceed in the aggregate 250.0 million Mexican pesos during the term of the Mexico Credit Facility if certain conditions are satisfied, including a condition that availability is at least 100% of the revolving loan commitment under the Mexico Credit Facility, less any letter of credit liability under the Mexico Credit Facility. However, PPC deems its earnings from Mexico as of March 31, 2014 to be permanently reinvested. As such, US deferred income taxes have not been provided on these earnings. If such earnings were not considered indefinitely reinvested, certain deferred foreign and US income taxes would be provided.

17 Income taxes, payroll, social charges and tax obligation

	Company		Consolidated	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Payroll and related social charges	102,998	111,665	456,292	476,293
Accrual for labor liabilities	173,711	138,898	1,170,770	1,217,222
Income taxes	-	-	50,386	19,760
Withholding income taxes	869	1,073	3,029	3,221
ICMS / VAT / GST tax payable	10,834	11,712	63,149	54,925
PIS / COFINS tax payable	250	261	1,614	1,657
Taxes in installments	143,749	152,189	373,827	382,393
Others	96,545	92,109	299,539	311,004
	528,956	507,907	2,418,606	2,466,475
Breakdown:				
Current liabilities	403,854	382,741	1,702,620	1,761,296
Noncurrent liabilities	125,102	125,166	715,986	705,179
	528,956	507,907	2,418,606	2,466,475

18 Declared dividends

	Company		Consolidated	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Declared dividends	220,494	220,494	220,494	220,494
	220,494	220,494	220,494	220,494
Proposed dividends on 2012 - Residual				354
Proposed dividends on 2013				220,140
				220,494



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The Company has declared dividends in December 31, 2013 of R\$ 220,140 approved by the General Meeting of Shareholders on April 30, 2013, according to the calculation presented below:

	December 31, 2013
Net income of the year	926,907
Legal reserve - (5%)	(46,345)
Adjusted base for dividends calculation	880,562
Mandatory dividends (25%)	220,140
Declared dividends	220,140

The residual amount of unpaid dividends of the year 2012, in the amount of R\$ 354, remains open since that time due to lack of updated bank information. These pending items by some minority shareholders avoid the realization of fully payment. The Company sent notification to such shareholders to update their information so the amount would be paid. The liability will be maintained during the statutory period in the short term, since once the register is updated, the payment is automatic.

19 Payables related to facilities acquisitions

	Company		Consolidated	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Current	340,099	95,853	513,088	264,264
Noncurrent	61,104	62,754	453,214	463,485
	401,203	158,607	966,302	727,749

In Company:

The payables related to facilities acquisitions in the Company is related primarily to acquisitions of assets and other industrial complexes based in the States of Acre, Minas Gerais, Mato Grosso, Mato Grosso do Sul, Rondônia, Paraná, Goiás and São Paulo and accrual of the payment of the right of acquisition right of Massa Leve, which is under approval of CADE (Administrative Council for Economic Defense) in the amount of R\$ 254,130, according to note 11.

In the Consolidated

- i) R\$ 2,386 in the indirect subsidiary JBS Aves is related to the acquisition in June 2013 of the company Agil, which explores the activity of warehouses, where the amount is recorded in the short term;
- ii) R\$ 102,178 in the indirect subsidiary JBS Aves is related to the acquisition in March, 2013 of the company Agrovêneto that explores an activity similar to JBS Aves, where the amount is recorded in the long term;
- iii) R\$ 185,325 in the indirect subsidiary JBS Aves related to the acquisition in June, 2013 of assets and industrial complexes of Ana Rech, to implement the activity of hogs slaughtering and refrigeration, as well as industrialization and sub-products, R\$ 49,325 in the short term and R\$ 136,000 in the long term.
- iv) R\$ 28,595 in the subsidiary JBS Global Meat related to debts to Midtown acquisition.
- v) R\$ 223,615 in the indirect subsidiary Seara Alimentos refers to the debts of subsidiary JBS Foods with Marfrig Alimentos S.A., due to the acquisition of the transfer of certain assets of the Seara's Group, R\$ 212,615 in the short term and R\$ 11,000 in the long term.
- vi) R\$ 23,000 in the indirect subsidiary refers to the Sul Valle's acquisition occurred on March, 2014, which is engaged in the activity of creating, slaughter and marketing of pork, being R\$ 11,000 classified as short term and R\$ 12,000 classified as long term.

20 Income taxes - Nominal and effective tax rate reconciliation

Income tax and social contribution are recorded based on taxable profit in accordance with the laws and applicable rates. Deferred Income tax and social contribution-assets are recognized on temporary differences and fiscal loss. Income tax and social contribution tax-liabilities were recorded on the revaluation reserves established by the Company and on temporary differences (mainly goodwill amortization).

	Company		Consolidated	
	2014	2013	2014	2013
Income before income taxes	69,112	373,921	259,706	371,074
Expectation of expense of the income taxes - Combined nominal of 34%	(23,498)	(127,133)	(88,300)	(126,165)
Adjust to demonstrate the effective rate				
Additions, mostly result on equity subsidiaries, foreign income, goodwill amortization and tax equivalents in other countries	24,365	(18,895)	(51,395)	(2,682)
Expense of the deferred income taxes	867	(146,028)	(139,695)	(128,847)
Effective rate	1.25%	-39.05%	-53.79%	-34.72%

Explanative notes

Composition of expenses of income tax and social contribution presented income statements of the Company and Consolidated results for the three months period ended on March 31, 2014 and 2013.

	Company		Consolidated	
	2014	2013	2014	2013
Current income taxes	549	603	(223,243)	(18,806)
Deferred income taxes	318	(146,631)	83,548	(110,041)
	867	(146,028)	(139,695)	(128,847)



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Composition of deferred income tax and social contribution

	Company		Consolidated	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
ASSETS				
. On tax losses and temporary differences	435,638	417,598	963,979	1,027,330
LIABILITIES				
. On goodwill amortization, revaluation reserve and temporary differences	1,532,657	1,508,571	3,099,014	3,146,924
Net	1,097,019	1,090,973	2,135,035	2,119,594

Deferred income taxes

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

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

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

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

21 Provision for lawsuits risk

The Company and its subsidiaries are parties in several proceedings arising in the regular course of business, for which provisions were established based on estimation of their legal counsel. The main information related to these procedures on March 31, 2014 are as follows:

	Company		Consolidated	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Labor	58,911	57,769	172,200	163,466
Civil	10,408	9,951	75,756	75,035
Tax and Social Security	97,815	96,331	596,929	610,823
Total	167,134	164,051	844,885	849,324

Changes in provisions

	December 31, 2013	Additions	Reversals	Exchange rate variation	March 31, 2014
Company	164,051	3,083	-	-	167,134
Consolidated	849,324	2,748	(5,695)	(1,492)	844,885

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 171 administrative proceedings against the Company, under which the Tax Authority challenges the amount of the Company's ICMS tax credits arising from the purchase of cattle and meat transfer by the Company in other Brazilian states. The Tax Authority of the State of São Paulo claims that the tax incentives should be approved by Confaz, and are known as a "Tax War". The Tax Authority of the State of São Paulo does not recognize the Company's ICMS tax credits up to the amount of the ICMS tax guaranteed in such other states. The Company estimates that the claims under these administrative proceedings amount to R\$ 1,601,540 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.

Management believes, based on the advice of its legal counsel, that its arguments will prevail in these procedures, which is the reason why no provision has been made.

The Tax Authority of the State of Goiás filed 17 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, Management believes the Company will prevail in most of these proceedings, in the amount of R\$ 718,726. The management believes, based on the advice of its legal counsel, that its arguments will prevail in these procedures, which is the reason why no provision has been made. The probability of loss is considered remote.

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

Social Contributions – In January 2001, the INSS (Brazilian Social Security Institute) filed 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). This sentence was reformulate by the Federal Regional Court of 3rd region. The Company filed an extraordinary appeal, which was halted on the basis of Article 543-B, § 1 of the Code of Civil Procedure, until the final decision of the Supreme Court on the matter. To avoid the institution to lose the right to require the contribution to the New Funrural, INSS released tax notifications, in a total of 17 infringement notices, in the amount of R\$ 793,120.

The Company has presented its defense in those administrative proceedings, informing that it does not collect the amount due to a favorable court ruling, considering that there is no final decision of the writ of mandamus mentioned.



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This matter was the subject of decisions favorable to the taxpayer, issued by the Supreme Court - STF for companies whose activities are similar to the activity of the Company in the trials of Extraordinary Appeals number 363.852/MG and 596.177/RS. Currently, the Company does not make any rebate or payment. If a discount is made for commercial reasons, the Company will deposit it in court and, fulfill a court order. Based on the opinion of legal advisors and based on case law in favor of the Supreme Court in a similar case, management believes that its fundamentals will prevail and no provision was recorded for that contingency. The probability of loss is considered remote.

c) Other tax and social security procedures

The Company is a party in additional 946 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\$ 97,815 which are 100% accrued.

Labor Proceedings

As of March 31, 2014 the Company was party to 10,541 labor and accident proceedings, involving total value of R\$ 1,658,839. Based on the opinion of the Company's external legal counsel, the Company's management recorded a provision in the amount of R\$ 58,911 for losses arising from such proceedings. Most of these lawsuits were filed by former employees of the Company seeking overtime payments and payments relating to their exposure to health hazards.

Civil Proceedings

a) Slaughter facility at Araputanga

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

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

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

b) Trademark Infringement

Also due to the barrier in Araputanga / MT, the seller distributed in the City of Araputanga / MT, filed a lawsuit for improper use of trademark, under the premise that Friboi Ltda. was using the mark Frigoara without its authorization.

The amounts of the claim were based upon a report presented by Frigorífico Araputanga to the trial court, which appraised the value of the trademark "Frigoara" at R\$ 315,000, seeking damages in the amount of R\$ 100,000 and punitive damages in the amount of R\$ 26,938. The Company presented its defense against this lawsuit alleging that (i) the lawsuit should be analyzed and reviewed together with the lawsuit relating to the purchase of the slaughter facility from Frigorífico Araputanga by the Company, (ii) the trademark "Frigoara" was used by the Company for a limited period of time, with the written consent and upon the request of Frigorífico Araputanga (the use of the trademark by the Company was a requirement of SUDAM to consent to the registration of the public deed contemplating).

In the defense, the amount of any damages under the lawsuit should be limited to a percentage of products sold by the Company under the trademark "Frigoara," pursuant to article 208 of the Intellectual Property Law. Almost all of the products manufactured by the Company were marketed under the trademark "Friboi." The only product marketed by the Company under the trademark "Frigoara" was minced meat, in limited amounts. The expected loss on March 31, 2014, R\$ 600, has been provisioned.

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

c) Other civil proceedings

The Company is also part to other civil proceedings that in the opinion of the Management and its legal advisers. The expected loss on March 31, 2014, R\$ 9,808, has been provisioned.

Other proceedings

In March 31, 2014, the Company had other ongoing civil, labor and tax proceedings, on the approximately amounting of R\$ 20,169, whose materialization, according to the evaluation of legal advisors, it is possible to loss, but not probable, for which the Company's management does not consider necessary to set a provision for possible loss, in line with the requirements of the IAS 37/CPC 25 - Provisions, Contingent Liabilities and Contingent Assets.

In JBS Foods Ltda.

Labor Proceedings

As of March 31, 2014 the subsidiaries of JBS Foods S.A. was party to 7,504 labor proceedings, involving total amount of R\$ 647,987. Based on the opinion of the company's external legal counsel, the management recorded a provision in the amount of R\$ 72,741 for losses arising from such proceedings. Most of these lawsuits are related to actions that deal with seeking damages for occupational disease, physical and aesthetical damage, seeking overtime payments, payments relating to their exposure to health hazards, commuting time, interval for thermal recovery, seeking damages for accidents and exchanging uniform.

Besides these, there are 35 Public Civil labor proceedings, involving the total amount of R\$ 89,870, which the management recorded a provision in the amount of R\$ 35,222, based on the opinion of the company's external legal counsel.



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Civil proceedings

As of March 31, 2014 the subsidiaries of JBS Foods S.A. was party to 1,997 civil and administrative proceedings, involving total amount of R\$ 250,356. Based on the opinion of the company's external legal council, the company's management recorded a provision in the amount of R\$ 60,368 for losses arising from such proceedings. Most of the lawsuits are related to indemnity for collective seeking damages, seeking damages for improper protest, repairing damages for termination of partner poultry or pigs integration, cancellation of industry or trade mark complaints and consumer contracts - product quality.

Tax Proceedings

a) Risk in the glosses of claims - PIS/COFINS

In between the years of 2003 to 2013 the indirect subsidiary Seara Alimentos has sent requests for electronics reimbursement of PIS/COFINS to the Federal Revenue of Brazil. The tax authorities have assessed the applications for compensation for periods relating to the 4th quarter of 2009 and perpetuated an initial gloss of about 47% of the value, causing fiscal proceedings with probable losses in the approximately amount of R\$ 230,290.

b) Fine and interest on compensation of INSS with credits of PIS/COFINS

On March 31, 2014 the company sent requests for INSS compensation with credits of PIS/COFINS to the Federal Revenue of Brazil and was made the compensation of payable INSS. According to the risk assessment pointed out by the company's legal assessors, a provision of fine and probable interest was made to such compensation in the estimated amount of R\$ 168,329.

c) Others tax proceedings

On March 31, 2014 the companies of JBS Foods S.A. was party of others 520 tax proceedings, in which the contingencies individually do not present relevant in their contexts. We emphasize that the proceedings considered as probable of losses are properly provisioned, in the amount of R\$ 94,094.

22 Equity

a) Capital Stock

The Capital Stock on March 31, 2014 is R\$ 21.506.247 and it is represented by 2,943,644,008 ordinary shares, without nominal value. From this total, as described below in the letter f), 75,190,179 shares are held in treasury.

The Capital Stock is presented with a net effect in the balance sheet in the amount of expenses of R\$ 54,865, being expenses of the period of 2010 in the amount of R\$ 37,477 related to the costs of the transaction for securing resources to Initial Public Offering, and expenses in the amount of R\$ 17,388 regarding the debentures issuance for the period of 2011.

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

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

b) Capital reserve

Composed of premium on issuance of shares, on the Initial Public Offering in 2007.

c) Profit reserves

Legal reserve

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

Reserve for expansion

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

d) Revaluation reserve

Refers to revaluations on fixed assets prior to CPC/IFRS adoption. Revaluation reserve reflects the appraisal effected by the Company, net of tax effects that are progressively offset against retained earnings to the same extent that the increase in value of the revalued property is realized through depreciation, disposal or retirement.

e) Dividends

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

f) Treasury shares

No change or movement occurred in the amount of treasury shares for the three months period ended on March, 2014.

g) The Effects of Changes in Foreign Exchange Rates

According to CPC 02 R2/IAS 21 -The Effects of Changes in Foreign Exchange Rates, basically records changes in foreign currency rates of the subsidiaries valued by the equity method (translation adjustments).

According to CPC 37 R1 / IFRS 1 - First Time Adoption of International Accounting Standards, under the term of the CPC 02 R2 before the date of initial adoption, the adopting of IFRS for the first time should cancel the balances of exchange variation of investments recorded in equity (under the rubric of accumulated translation adjustments) transferring it to retained earnings or loss (profits reserves) and divulge distribution policy applicable to such outstanding results. The Company does not compute these adjustments to the distribution of profit.



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h) Capital Transactions

According to IAS 27/CPC 36 R3 - quarterly interim financial statements, the changes in the relative share of the parent over a subsidiary that do not result in loss of control must be accounted as capital transactions (ie transactions with shareholders, as owners). Any difference between the amount by which the participation of noncontrolling has been adjusted and the fair value of the amount received or paid must be recognized directly in equity attributable to owners of the parent. Therefore, if the parent acquire additional shares or other equity instruments of an entity that already controls, it should consider this value to reduce its equity (individual and consolidated).

23 Net revenue

	Company		Consolidated	
	2014	2013	2014	2013
Gross sale revenue				
Products sales revenues				
Domestic sales	3,984,083	3,248,680	20,035,045	14,972,546
Foreign sales	2,306,172	1,688,275	7,435,885	5,204,081
	6,290,255	4,936,955	27,470,930	20,176,627
Sales deduction				
Returns and discounts	(255,702)	(156,145)	(562,708)	(343,602)
Sales taxes	(283,841)	(266,853)	(489,146)	(305,449)
	(539,543)	(422,998)	(1,051,854)	(649,051)
NET REVENUE	5,750,712	4,513,957	26,419,076	19,527,576

24 Financial income (expense), net

	Company		Consolidated	
	2014	2013	2014	2013
Exchange rate variation	629,149	30,319	629,016	70,476
Results on derivatives	(957,870)	67,621	(902,660)	114,778
Interest expense	(412,699)	(235,466)	(693,983)	(412,097)
Interest income	123,644	91,388	138,618	165,249
Taxes, contribution, tariff and others	(11,104)	(5,113)	(40,317)	(16,621)
	(628,880)	(51,251)	(869,326)	(78,215)

Results from daily settlements of future contracts used to protect assets and liabilities, as well as the marked to market value of instruments traded over the counter with the same purpose of protection are recognized under Results on Derivatives. For the year ended on March 31, 2014 the net effect in the results amounted to R\$ 328,721 and R\$ 273,644 in the Consolidated level.

25 Other income (expenses)

Other income for the year ended on March 31, 2014, in the consolidated, in the amount of (R\$ 4,538) relates mainly to:

- Other expenses in JBS Argentina in the amount of R\$ 1,771, related to the labor indemnity and other pulverized;
- Other income in JBS USA in the amount of R\$ 3,844, basically due to rental income and income from sale of scrap;
- Other expenses in JBS Foods in the amount of R\$ 5,985, basically due to the result of the sale of fixed assets, lease of the plant in Carambeí and others.
- Other expenses in the amount of R\$ 626 referring basically to the result of the sale of fixed assets and others.

26 Net income per share

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

Basic

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

	Consolidated	
	2014	2013
Net income attributable to shareholders - R\$	69,979	227,893
Average of the shares in the period - thousands	2,943,644	2,943,644
Average of the shares in the Treasury - thousands	(75,190)	(82,195)
Average of shares circulating - thousands	2,868,454	2,861,449
Net income per thousand shares - Basic - R\$	24.40	79.64

Diluted

The Company did not present the calculation of the diluted net income per share as required in IAS 33/CPC 41 - Profit per share, due the fact it does not have potentially dilutive ordinary shares. The deferred revenue transaction (Note 29) through historical analysis is expected to be settled by future delivery, and therefore is not potentially dilutive.



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27 Transaction costs for the issuing of titles and securities

In accordance with the prerequisites under IAS 39/CPC 38 – Financial Instruments – Recognition and assessment, the costs related to the transactions in the issuance of notes and securities are accounted reducing the liabilities that they refer to.

Follows below, in detail, the operations which the Company incurred transaction costs, in other words, i.e., incurred costs directly attributable to the activities that are necessary to effect these transactions, exclusively.

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

In the year end on December 31, 2010, the Company incurred in R\$ 37,477 related to the transaction costs of the process of raising funds through the Public Offering, which accounting is kept prominently in a reduction account of the equity, deducting any effects.

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

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

c) Senior Notes Offering (Bonds)

During the year of December 31, 2010, the Company incurred in R\$ 17,789 related to the transaction costs for financial funding with Senior Notes Offering (Bonds) – in the amounts of US\$ 700 million and US\$ 200 million realized on July and September of 2010, respectively, recorded as a reduction of the loan. On March 31, 2014, due to accumulated amortization of the amount based on the payments period, the Company has a residual amount of R\$ 7,767 of transaction cost related to debt that will continue to be amortized in accordance with the period of the contract.

On June 2012, the Company incurred in R\$ 13,699 related to the transaction costs in the process of amending certain dispositions of the Notes 2016 from JBS S.A. and Notes 2016 which the Company is successor by Bertin's merger through the consent of the holders of such Notes. These costs are maintained prominently in a reduction account of the liability. On March 31, 2014, because of accumulated amortization based on the recorded payments term period reduction, the Company has a residual amount of R\$ 7,803 of transaction costs related to debt that will continue to be amortized according to the period of the contract.

On February 2013, the Company incurred in R\$ 27,649 related to the transaction costs of the process of raising funds through issues of Senior Notes Offering (Bonds) in the amount of US\$ 775 million in March, 2013, which accounting is kept prominently in a reduction account of liability. On March 31, 2014 due to accumulated amortization of the amount based on the payments term period, the Company has a residual amount of R\$ 25,612 of transaction cost related to the debt that will continue to be amortized in accordance with the period of the contract.

On October 2013, the Company incurred in R\$ 15,630 related to the transaction costs of the process of raising funds through issues of Senior Notes Offering (Bonds) in the amount of US\$ 1 million in October 2013, which accounting is kept prominently in a reduction account of liability. On March 31, 2014 due to accumulated amortization of the amount based on the payments term period, the Company has a residual amount of R\$ 14,504 of transaction cost related to the debt that will continue to be amortized in accordance with the period of the contract.

d) Other Funding

In June 2012, the Company incurred in R\$ 6,000 related to the transaction costs of the processes of funding Working capital in the amount of R\$ 1 million, which accounting is maintained in a reduction account of the loan. On March 31, 2014, because of the accumulated amortization of the balance based on the payments term period, the Company has a residual amount of R\$ 3,836 of transaction cost related to debt that will continue to be amortized according to the period of the contract.

In October 2013, the Company incurred in R\$ 4,800 related to the transaction costs of the processes of funding Working capital in the amount of R\$ 800,000 which accounting is maintained in a reduction account of the loan. On March 31, 2014, because of the accumulated amortization of the balance based on the payments term period, the Company has a residual amount of R\$ 4,200 of transaction cost related to debt that will continue to be amortized according to the period of the contract.

In February 2014, the Company incurred in R\$ 843 related to the transaction costs of the processes of funding prepayment export (PPE) in the amount of R\$ 144,471 which accounting is maintained in a reduction account of the loan. On March 31, 2014, because of the accumulated amortization of the balance based on the payments term period, the Company has a residual amount of R\$ 798 of transaction cost related to debt that will continue to be amortized according to the period of the contract.

28 Defined Benefit and Contribution Plans

JBS Plans

JBS USA sponsors a tax-qualified employee savings and retirement plan (the "401(k) Savings Plan") covering its US based employees, both union and non-union, excluding PPC employees. Pursuant to the 401(k) Savings Plan, eligible employees may elect to reduce their current compensation by up to the lesser of 75% of their annual compensation or the statutorily prescribed annual limit and have the amount of such reduction contributed to the 401(k) Savings Plan. The 401(k) Savings Plan provides for additional matching contributions by JBS USA, based on specific terms contained in the 401(k) Savings Plan. The trustee of the 401(k) Savings Plan, at the direction of each participant, invests the assets of the 401(k) Savings Plan in participant designated investment options. The 401(k) Savings Plan is intended to qualify under Section 401 of the Internal Revenue Code ("IRC"). JBS USA's expenses related to the matching provisions of the plan were US\$ 1.8 million (R\$ 4,255) and US\$ 1.6 million (R\$ 3,193) for the three months period ended on March 31, 2014 and 2013, respectively.

One of the JBS USA's facilities participates in a multi-employer pension plan. JBS USA's contributions to this plan, which are included in cost of goods sold in the Consolidated Statements of Income, were US\$ 112 thousand (R\$ 265) and US\$ 109 thousand (R\$ 218) for the three months period ended on March 31, 2014 and 2013, respectively. JBS USA also made contributions totaling US\$ 18 thousand (R\$ 43) and US\$ 18 thousand (R\$ 36) for both the three months period ended on March 31, 2014 and 2013, respectively, to a multi-employer pension plan related to former employees at the idle Nampa, Idaho plant pursuant to a settlement agreement.

One of the JBS USA's facilities participates in a supplemental executive retirement plan. There were no expenses recognized by JBS USA for this plan during the three months period ended on March 31, 2014 or March 31, 2013.



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Employees of JBS Australia do not participate in JBS USA's 401(k) Savings Plan. Under Australian law, JBS Australia contributes a percentage of employee compensation to a Superannuation fund. This contribution approximates 9% of employee cash compensation as required under the Australian "Superannuation Act of 1997". As the funds are administered by a third party, once this contribution is made to the Superannuation fund, JBS Australia has no obligation for payments to participants or oversight of the fund. Effective July 1, 2013, the superannuation rate was increased to 9.25% of employee cash compensation. JBS USA's expenses related to contributions to this fund totaled US\$ 6.2 million (R\$ 14,657) and US\$ 8.2 million (R\$ 16,365) for the three months period ended on March 31, 2014 and 2013, respectively.

PPC Plans

PPC sponsors programs that provide retirement benefits to most of their employees. These programs include qualified defined benefit pension plans, non-qualified defined benefit retirement plans, a defined benefit postretirement life insurance plan and defined contribution retirement savings plans. Under all of PPC's retirement plans, PPC's expenses were US\$ 1.4 million (R\$ 3,310) and US\$ 1.9 million (R\$ 3,792) for the three months period ended on March 31, 2014 and 2013, respectively.

Qualified Defined Benefit Pension Plans:

- the Pilgrim's Pride Retirement Plan for Union Employees (the "Union Plan");
- the Pilgrim's Pride Pension Plan for Legacy Gold Kist Employees (the "GK Pension Plan").

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

Non-qualified Defined Benefit Retirement Plans:

- the Former Gold Kist Inc. Supplemental Executive Retirement Plan (the "SERP Plan"); and
- the Former Gold Kist Inc. Directors' Emeriti Retirement Plan (the "Directors' Emeriti Plan").

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

Defined Benefit Postretirement Life Insurance Plan:

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

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

Defined Benefit Plans Obligations and Assets

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

The benefit plan obligation is recognized in Payroll, social charges and tax obligation. The amount to be paid corresponds to the next ten years, while the projected amount corresponds to the obligations to be paid until the next thirty years, or more, depending on the last beneficiary.

Change in projected benefit obligation	2014		2013	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Projected benefit obligation, beginning of year	401,950	4,031	391,551	3,893
Service cost	-	-	20	-
Interest cost	4,789	47	4,003	38
Actuarial losses	21,316	123	(15,635)	(72)
Benefits paid	(8,517)	(87)	(3,162)	(79)
Projected benefit obligation, end of year	419,538	4,114	376,777	3,780

Change in plan assets	2014		2013	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Fair value of plan assets, beginning of the year	256,484	-	185,840	-
Actual return on plan assets	3,198	-	7,471	-
Contributions by employer	3,615	87	447	79
Benefits paid	(8,517)	(87)	(3,162)	(79)
Fair value of plan assets, end of year	254,780	-	190,596	-

Funded status	March 31, 2014		December 31, 2013	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Unfunded benefit obligation	(157,720)	(3,937)	(144,150)	(3,994)



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Amounts recognized in the Consolidated Balance Sheets	March 31, 2014		December 31, 2013	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Accrued benefit cost, current	(23,897)	(337)	(21,425)	(347)
Accrued benefit cost, long-term	(133,823)	(3,600)	(122,724)	(3,647)
Net amount recognized	(157,720)	(3,937)	(144,149)	(3,994)

Amounts recognized in the Consolidated Income Statement	March 31, 2014		December 31, 2013	
	Pension Benefits	Other Benefits	Benefits	Other Benefits
Net actuarial losses	61,939	(175)	36,587	(272)

The accumulated benefit obligation for the defined benefit pension plans was US\$ 177.5 million (R\$ 402) and US\$ 170 million (R\$ 398) at March 31, 2014 and December 31, 2013, respectively. Each of PPC's defined benefit pension plans had accumulated benefit obligations that exceeded the fair value of plan assets at March 31, 2014 and December 31, 2013.

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

Net Periodic Benefit Cost	2014		2013	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Service cost	-	-	20	-
Interest cost	4,789	47	3,967	40
Estimated return on plan assets	(3,766)	-	(2,692)	-
Amortization of net loss	7	-	471	-
Net periodic benefit cost	1,030	47	1,766	40

The following table presents the weighted average assumptions used in determining the pension and other postretirement plan obligations:

Benefit obligation	March 31, 2014		December 31, 2013	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Discount rate	4.58%	4.58%	4.95%	4.95%

The expected rate of return on plan assets was determined based on the current interest rate environment and historical market premiums relative to the fixed income rates of equities and other asset classes. PPC also takes in consideration anticipated asset allocations, investment strategies and the views of various investment professionals when developing this rate.

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

	March 31, 2014	December 31, 2013
Equity securities	64%	68%
Fixed income securities	36%	32%
Total assets	100%	100%

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

The fair value measurements of plan assets fell into the following levels of the fair value hierarchy on March 31, 2014 and December 31, 2013:

	March 31, 2014			December 31, 2013		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash and money market funds	48	-	48	644	-	644
Equity securities	-	156,611	156,611	-	171,431	171,431
Debt securities	-	87,236	87,236	-	82,087	82,087
Total assets	48	243,847	243,895	644	253,518	254,162

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Benefit Payments

Because PPC pension plans are primarily funded plans, the anticipated benefits with respect to these plans will come primarily from the trusts established for these plans. Because PPC's other postretirement plans are unfunded, the anticipated benefits with respect to these plans will come from PPC's own assets. The following table reflects the benefits as of March 31, 2014 expected to be paid in each of the next five years and in the aggregate for the five years thereafter from PPC's pension and other postretirement plans:

	Pension Benefits	Other Benefits
2014 (remaining)	21,729	251
2015	27,679	342
2016	26,810	346
2017	25,995	349
2018	24,757	346
Thereafter	115,110	1,636
Total	242,080	3,270

PPC anticipates contributing US\$ 7.6 million (R\$ 17,199) and US\$ 100 thousand (R\$ 226) to their pension and other postretirement plans, respectively, during 2014.

Unrecognized Benefit Amounts in Other Comprehensive Income

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

	2014		2013	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Net actuarial loss (gain), beginning of the year	18,394	(180)	88,079	2
Amortization	(7)	-	(471)	(72)
Liquidations adjustments	-	-	(15,493)	-
Actuarial loss (gain)	21,316	123	(4,712)	-
Asset loss (gain)	570	-	-	-
Net actuarial loss (gain), end of the year	40,273	(57)	67,403	(70)

Defined Contribution Plans

PPC currently

- The Pilgrim's Pride Retirement Savings Plan (the "RS Plan"), a Section 401(k) salary deferral plan; and
- The To-Ricos Employee Savings and Retirement Plan (the "To-Ricos Plan"), a Section 1165(e) salary deferral plan.

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

Under the RS Plan, eligible US employees may voluntarily contribute a percentage of their compensation. PPC matches up to 30.0% of the first 2.14% to 6.0% of salary based on the salary deferral and compensation levels up to US\$ 245 thousand (R\$ 554). The To-Ricos Plan is maintained for certain eligible Puerto Rican employees. Under the To-Ricos Plan, eligible employees may voluntarily contribute a percentage of their compensation and there are various company matching provisions.

Certain retirement plans that PPC sponsors invest in a variety of financial instruments. Certain postretirement funds in which PPC participates hold significant amounts of mortgage-backed securities. However, none of the mortgages collateralizing these securities are considered subprime.

PPC Incentive Compensation:

PPC sponsors a performance-based, omnibus long-term incentive plan that provides for the grant of a broad range of long-term equity-based and cash-based awards to PPC's officers and other employees, members of the Board of Directors of PPC and any consultants (the "LTIP"). The equity-based awards that may be granted under the LTIP include "incentive stock options," within the meaning of the IRC, nonqualified stock options, stock appreciation rights, restricted stock awards ("RSAs") and restricted stock units ("RSUs"). At March 31, 2014, PPC has reserved approximately 6.6 million shares of common stock for future issuance under the LTIP.

The following awards existed at March 31, 2014:

Award Type	Benefit Plan	Award Quantity	Grant Date	Vesting Condition	Vesting Date	Estimate Forfeiture Rate	Settlement Method
RSA	Employment	100,000	14/01/2011	Service	03/01/2014	-	Stock
RSA	LTIP	72,675	27/08/2012	Service	27/04/2014	-	Stock
RSU	LTIP	608,561	04/02/2013	Service	31/12/2014	9.66%	Stock
RSA	LTIP	15,000	25/02/2013	Service	24/02/2015	-	Stock
RSA	LTIP	15,000	25/02/2013	Service	24/02/2016	-	Stock
RSU	LTIP	206,933	26/02/2013	Service	31/12/2014	-	Stock
RSU	LTIP	462,518	19/02/2014	Service	31/12/2016	13.49%	Stock

The fair value of each RSA and RSU granted represents the closing price of PPC's common stock on the respective grant date.

The following table presents compensation costs and the income tax benefit recognized for PPC's share-based compensation arrangements:

	2014	2013
Share-based compensation costs:		
Costs of goods sold	45	114
Selling, general and administrative expenses	2,371	980
Total	2,416	1,094
Income tax benefit	650	251



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PPC's restricted share and restricted stock unit activity is included below:

	March 31, 2014		December 31, 2013	
	Number	Weighted Average	Number	Weighted Average
RSAs:				
Outstanding at beginning of year	203	16	273	13
Granted	-	-	30	21
Vested	(100)	17	(100)	17
Outstanding at end of year	<u>103</u>	<u>14</u>	<u>203</u>	<u>13</u>
RSUs:				
Outstanding at beginning of year	729	21	-	-
Granted	462	39	-	18
Vested	(24)	21	-	-
Outstanding at end of year	<u>1,167</u>	<u>28</u>	<u>-</u>	<u>18</u>

The total fair value of shares vested was US\$ 710 thousand (R\$ 1,678) and US\$ 710 (R\$ 1,417) during each of the three months period ended on March 31, 2014 and 2013.

At March 31, 2014, the total unrecognized compensation cost related to all nonvested awards was US\$ 11.1 million (R\$ 25,119). That cost is expected to be recognized over a weighted average period of 2.10 years.

Historically, PPC has issued new shares to satisfy award conversions.

Bertin USA Plans

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

Bertin USA also provides certain health care and life insurance benefits for certain retired and terminated employees based on contractual obligations incurred by the previous owners of JBS USA Trading, Inc., formerly known as SB Holdings, Inc., doing business as The Tupman Thurlow Co., Inc. Bertin USA has elected immediate recognition of the unfunded accumulated postretirement benefit obligation in conjunction with the purchase of the common stock of JBS USA Trading. The postretirement payments are funded in monthly installments. For the three months period ended on March 31, 2014 and 2013, service cost, interest cost, estimated return on plan assets and net periodic benefit cost were immaterial.

During the three months period ended on March 31, 2014 and 2013, Bertin USA funded US\$ 67 thousand (R\$ 158) and US\$ 75 thousand (R\$ 150), respectively, to its defined benefit plan.

JBS Canada Plans

JBS Canada participates in the Canada Pension Plan (the "CPP"), a government provided pension plan required for all employees aged 18 to 70 who are not recipients of any retirement or disability pension under the CPP, who do not participate in the Quebec Pension Plan and whose earnings exceed the year's basic exemption of CAD\$3,500. The contribution rate is equal to 9.9% of the employment earnings in excess of the basic exemption up to the maximum pensionable earnings. The employee and the employer must each pay half of the contribution. JBS Canada's expenses related to the matching provisions of the plan were US\$ 1.2 million (R\$ 2,837) and US\$ 1.1 million (R\$ 2,195) for the three months period ended on March 31, 2014 and 2013, respectively.

JBS Canada also provides a group of Registered Retirement Savings Plans ("RRSP") to union and non-union employees. A RRSP is an arrangement between an individual and an issuer (e.g. an insurance company or a trust company) under which contributions are made by individuals and a retirement income is payable at maturity. Contributions are tax deductible and investment earnings are tax-free. Payments out of a RRSP are taxable upon receipt. JBS Canada offers a group of RRSPs issued by Sun Life Assurance Company of Canada. JBS Canada's expenses related to the matching provisions of the plan were US\$ 200 thousand (R\$ 473) and US\$ 500 thousand (R\$ 998) for the three months period ended on March 31, 2014 and 2013, respectively.

JBS Foods Plans

JBS Foods offers to its employees additional benefit pension plan. The Pension Plan is closed and managed by Multipensions Bradesco. Since May 20, 2010, the defined benefit plan is closed to new members. There is no actuarial deficits to be recorded in March 31, 2014.

In addition, the plan guarantees the employee the right to continue health care after shutdown of the company. On March 31, 2014 this liability is recorded in the amount of R\$ 9,447.

The technical report used to calculate the need for new provisions is held annually, being the last calculation performed on December 31, 2013 and is therefore not expect significant changes for the period due to the immateriality of the balances.

29 Deferred revenue

On October 22, 2008, JBS USA received a deposit in cash from a customer of US\$175 million for the customer to secure an exclusive right to collect a certain by-product of the beef fabrication process in all of our US beef plants. This agreement was formalized in writing as the Raw Material Supply Agreement ("Supply Agreement") on February 27, 2008 and matures on December 30, 2016. The customer advance payment was recorded as deferred revenue. As the by-product is delivered to the customer over the term of the agreement, the deferred revenue is recognized within gross sales in the Consolidated Statements of Income.

To provide the customer with security, in the unlikely event JBS USA was to default on its commitment, the payment is evidenced by the Supply Agreement which bears interest at the three-month LIBOR plus 2%. The interest rate at March 31, 2014 was 2.2%. In the event of default, the Supply Agreement provides for a conversion into shares of common stock of JBS USA Holdings based on a formula stipulated in the Supply Agreement. Assuming default had occurred on March 31, 2014, the conversion right under the Supply Agreement would have equaled 2.96% of the outstanding common stock, or 2.96 shares.

The Supply Agreement contains affirmative and negative covenants which require JBS USA to, among other things: maintain defined market share; maintain certain tangible net worth levels; and comply in all material respects with the Supply Agreement. JBS USA was in compliance with all covenants as of March 31, 2014. During the second quarter of 2012, the customer ceased taking product from JBS USA and, since the Supply Agreement makes no provision for an alternate form of calculating the repayment of the unamortized balance, JBS USA continues to accrue interest on the unamortized balance. JBS USA is in discussions with the customer; however, no agreement has been reached. The unamortized balance at both March 31, 2014 and December 31, 2013 was approximately US\$ 100.8 million, being R\$ 228,110 and R\$ 236,134, respectively. At March 31, 2014 and December 31, 2013, JBS USA had accrued interest of US\$ 4.7 million (R\$ 10,636) and US\$ 4.1 million (R\$ 9,605), respectively. At March 31, 2014 and December 31, 2013, other deferred revenue was US\$ 11 million (R\$ 24,893) and US\$ 2.5 million (R\$ 5,857), respectively.



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30 Operating segments

According to IFRS 8/CPC 22 - Operating segments, Management has defined the operational segments that report to the Group, based on the reports use to make strategic decisions, analyzed by the Executive Board of Officers, which are segmented as per the commercialized product point of view, and per geographical location.

The modalities of commercialized products include Beef, Chicken and Pork. Geographically, the Management takes into account the operational performance of its unities in Brazil, USA (including Australia, Canada and Mexico) and South America (Argentine, Paraguay and Uruguay).

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

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

The Pork segment is presented by the segment of slaughters, processing, cold storage of pork meat, delivers "in natura" meat and manufacture of products and subproducts of the same origin. It operates in Brazil and Unites States of America, servicing the internal and the foreign market. The products also include specific industrial standards cuts, refrigerated.

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

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

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 ended on March 31, 2014 and year ended on December 31, 2013, are as following:

Net revenue by product modality:

	2014	2013
Net revenue of the segment		
Beef	16,075,045	12,724,961
Chicken	6,591,967	4,412,028
Pork	2,893,178	1,680,378
Others	858,886	710,209
Total	26,419,076	19,527,576

Depreciation by product modality:

	2014	2013
Depreciation and amortization		
Beef	197,001	166,585
Chicken	309,191	205,278
Pork	54,809	17,239
Others	53,077	39,904
Total	614,078	429,006

Assets by modality of product:

	March 31, 2014	December 31, 2013
Assets		
Beef	38,500,994	41,218,032
Chicken	15,437,382	13,817,172
Pork	4,854,024	4,516,202
Others	9,605,982	9,118,815
Total	68,398,382	68,670,221

Net revenues by geographic area:

	2014	2013
Net revenue		
United States of America	17,344,774	14,165,969
South America	8,505,335	4,969,558
Others	568,967	392,049
Total	26,419,076	19,527,576



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Depreciation by geographic area:

	2014	2013
Depreciation and amortization		
United States of America	345,618	289,223
South America	266,459	137,861
Others	2,001	1,922
Total	614,078	429,006

Assets by geographic area:

	March 31, 2014	December 31, 2013
Assets		
United States of America	19,647,191	19,889,926
South America	46,516,641	46,696,020
Others	2,234,550	2,084,275
Total	68,398,382	68,670,221

31 Expenses by nature

The Company opted for the presentation of the Statements of Income per function. The following table details expenses by nature:

Classification by nature	Company		Consolidated	
	2014	2013	2014	2013
Depreciation and amortization	(140,035)	(119,978)	(614,078)	(429,006)
Personnel expense	(504,788)	(428,995)	(2,315,631)	(2,048,250)
Raw material use and consumption materials	(4,485,036)	(3,528,786)	(22,135,590)	(16,546,420)
Taxes, fees and contributions	(444,331)	(671,481)	(788,992)	(741,081)
Third party capital remuneration	(2,725,082)	(557,938)	(3,150,895)	(806,478)
Other income, net	2,368,774	1,179,320	2,841,123	1,413,069
	(5,930,498)	(4,127,858)	(26,164,063)	(19,158,166)
Classification by function	2014	2013	2014	2013
Cost of goods sold	(4,407,031)	(3,386,284)	(22,997,772)	(17,491,030)
Selling expenses	(600,591)	(450,060)	(1,604,382)	(1,050,054)
General and administrative Expenses	(293,370)	(242,330)	(688,045)	(544,066)
Financial expense, net	(628,880)	(51,251)	(869,326)	(78,215)
Other expense, net	(626)	2,067	(4,538)	5,199
	(5,930,498)	(4,127,858)	(26,164,063)	(19,158,166)

32 Insurance coverage

As of March 31, 2014, in the Company, the maximum individual limit for coverage was R\$ 150,000. This coverage includes all types of casualties.

Regarding the indirect subsidiary JBS Argentina, located in the Republic of Argentina, the insurance policy has the same above-mentioned characteristics; however, the maximum indemnification limit for March 31, 2014 was of US\$ 32 million (equivalent to R\$ 72,416).

Regarding the subsidiary JBS USA, located in the USA, the insurance policy has the same above-mentioned characteristics; however, the maximum indemnification limit for March 31, 2014 was of US\$ 250 million (equivalent to R\$ 565,750).

Regarding the Seara's Group, the insurance policy has the same above-mentioned characteristics; however, the maximum indemnification limit for March 31, 2014 was of R\$ 213 million.

The assumptions of risk taken, by their nature, are not part of the scope of an audit, therefore, were not audited by independent auditors.

33 Risk management and financial instruments

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

The Risk Management Department is responsible for mapping all the risk factors that may bring adverse financial results for the Company and propose strategies to mitigate those risks. Their proposals are submitted to the Risk Management Committee for further submission to the Board of Directors, which supervises the implementation of new solutions, noting limitations of scope and guidelines of the Risk Management Policy.

a) Market Risk

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

It is the function of the Risk Management Department ensure that other areas of operations are within the exposure limits set by management, are financially protected against price fluctuations, centralizing the exhibits and applying the Financial and Commodities Risk Management Policy of the Company.

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



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a.1) Interest rate risk

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

The Board understands that quantitative figures regarding the exposure risk to interest rates of the Company and its subsidiaries on March 31, 2014 and December 31, 2013 are presented below in accordance with the Financial and Commodities Risk Management Policy and are representative of the exposure incurred during the period in accordance with paragraph 35 of CPC 40 R1.

	Company		Consolidated	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Net liabilities and assets exposure to CDI rate:				
NCE / Compror / Others	6,319,755	6,552,326	6,810,974	7,026,294
CDB-DI	(2,280,910)	(3,148,005)	(2,409,591)	(3,236,034)
Investment funds, LCA-DI and national treasury bill	(405,368)	(286,719)	(1,068,102)	(1,063,744)
Total	3,633,477	3,117,602	3,333,281	2,726,516
Liabilities exposure to LIBOR/EURIBOR rate:				
Working Capital - Euro	38,546	44,119	170,763	183,304
Working Capital - USD	-	-	871,239	314,060
Pre-payment	2,710,116	2,712,803	3,941,448	3,971,327
Others	-	-	211,441	357,182
Total	2,748,662	2,756,922	5,194,891	4,825,873
Liabilities exposure to TJLP rate:				
FINAME	319,314	303,606	327,972	333,905
BNDES Automatic	-	1,222	-	1,222
CDC	7,789	7,214	7,789	7,214
Total	327,103	312,042	335,761	342,341

Sensitivity analysis

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

With the aim of providing information on sensitivity to interest rate risks to which the Company is exposed on March 31, 2014, below is a simulation of possible changes of 25% and 50% in the relevant variables of risk in relation to the closing prices used in the measurement of assets and liabilities based on the date of these quarterly interim financial statements. To calculate the effect on the result in a probable scenario, the Company deems appropriate the application of the Value at Risk methodology (VaR) for a confidence interval of 99% and a horizon of one day. The results of this analysis are shown below:

Exposure	Risk	Effect on income - Company			
		Scenario (I) VaR 99% I.C. 1 day	Scenario (II) Variation - 25%	Scenario (III) Variation - 50%	
Contracts indexed to CDI	Increase on interest rate CDI	(1,904)	(95,833)	(191,666)	
Contracts indexed to Libor / Euribor	Increase on interest rate Libor / Euribor	(2)	(3,834)	(7,672)	
Contracts indexed to TJLP	Increase on interest rate TJLP	-	(4,089)	(8,178)	
		(1,906)	(103,756)	(207,516)	
Exposure	Risk	Effect on income - Consolidated			
		Scenario (I) VaR 99% I.C. 1 day	Scenario (II) Variation - 25%	Scenario (III) Variation - 50%	
Contracts indexed to CDI	Increase on interest rate CDI	(1,747)	(87,915)	(175,831)	
Contracts indexed to Libor / Euribor	Increase on interest rate Libor / Euribor	(5)	(7,247)	(14,499)	
Contracts indexed to TJLP	Increase on interest rate TJLP	-	(4,197)	(8,394)	
		(1,752)	(99,359)	(198,724)	
Premises	Risk	Current Scenario	Scenario (I) VaR		
			99% I.C. 1 day	Scenario (II) Variation - 25%	Scenario (III) Variation - 50%
Interest rate CDI	Increase on interest rate	10.5500%	10.6024%	13.1875%	15.8250%
Interest Libor / Euribor	Increase on interest rate	0.5581%	0.5582%	0.6976%	0.8372%
Interest TJLP	Increase on interest rate	5.0000%	5.0000%	6.2500%	7.5000%



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a.2) Exchange rate risk of Company

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

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

As described in the note of the operating segments, approximately 66% of the Group sales are performed by the operations of JBS USA and its subsidiaries, which operate mainly in American dollar, therefore without foreign exchange exposure risk. Approximately 32% of sales are performed by the Company and JBS Foods S.A., which its sales represents approximately 9% of the sales performed in the quarter, for which it is presented the board of sensitivity analysis for foreign currency risk. The remaining 2% of the sales are made by subsidiaries, mostly in local currency and a small part in dollar, with no material impact for disclosure in the statements sensitivity analysis of foreign exchange risk.

The Board understands that quantitative figures regarding the foreign currency exposure risk of the Company on March 31, 2014 and December 31, 2013 are presented below in accordance with the Financial and Commodities Risk Management Policy. However, in view of paragraph 35 of CPC 40 R1, it should be mentioned that during the period there were representative movement due to hedging operations at the stock exchange as programming of financial and commercial operations.

EXPOSURE in US\$ - expressed in thousands of reais	Company	
	March 31, 2014	December 31, 2013
OPERATING		
Cash and cash equivalents	1,302,749	1,512,407
Trade accounts receivable	2,423,478	2,960,113
Inventories	52,809	39,705
Sales Orders	915,412	753,257
Trade accounts payable	(30,979)	(39,462)
Subtotal	4,663,469	5,226,020
FINANCIAL		
Loans and financings	(14,034,575)	(13,863,985)
Subtotal	(14,034,575)	(13,863,985)
DERIVATIVES		
Future contracts	835,691	4,110,677
Non Deliverable Forwards (NDF's)	10,534,718	7,383,641
Swap (Assets)	324,395	358,393
Swap (Liabilities)	(325,818)	(360,553)
Subtotal	11,368,986	11,492,158
TOTAL EXPOSURE	1,997,880	2,854,193

EXPOSURE in C\$ (Canadian Dollar) - expressed in thousands of reais	Company	
	March 31, 2014	December 31, 2013
OPERATING		
Cash and cash equivalents	189	-
Trade accounts receivable	5,034	1,357
Sales Orders	11,399	-
Subtotal	16,622	1,357
DERIVATIVES		
Future contracts	(6,822)	-
Subtotal	(6,822)	-
TOTAL EXPOSURE	9,800	1,357



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EXPOSURE in €(EURO) - expressed in thousands of reais	Company	
	March 31, 2014	December 31, 2013
OPERATING		
Cash and cash equivalents	74,455	73,890
Trade accounts receivable	156,699	128,347
Sales Orders	112,790	269,236
Trade accounts payable	(22,929)	(20,095)
Subtotal	321,015	451,378
DERIVATIVES		
Future contracts	(94,429)	(282,619)
Non Deliverable Forwards (NDF's)	(155,875)	(161,325)
Subtotal	(250,304)	(443,944)
TOTAL EXPOSURE	70,711	7,434

EXPOSURE in £ (British Pound) - expressed in thousands of reais	Company	
	March 31, 2014	December 31, 2013
OPERATING		
Cash and cash equivalents	3,447	1,853
Trade accounts receivable	46,538	49,840
Sales Orders	64,561	54,542
Trade accounts payable	(48)	-
Subtotal	114,498	106,235
DERIVATIVES		
Future contracts	(112,361)	(105,404)
Subtotal	(112,361)	(105,404)
TOTAL EXPOSURE	2,137	831

a.2.1) Position balance in foreign exchange futures

US\$**March 31, 2014**

Future Contracts - BM&F

Risk factor	Instrument	Nature	Quantity	Notional	Market value
US\$	Future	Long	6,830	835,691	6,956
				835,691	6,956

December 31, 2013

Future Contracts - BM&F

Risk factor	Instrument	Nature	Quantity	Notional	Market value
US\$	Future	Long	35,095	4,110,677	37,476
				4,110,677	37,476

C\$ (Canadian Dollar)**March 31, 2014**

Future Contracts - BM&F

Risk factor	Instrument	Nature	Quantity	Notional	Market value
Canadian Dollar	Future	Short	(55)	(6,822)	(16)
				(6,822)	(16)



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€(EURO)
March 31, 2014
Future Contracts - BM&F

Risk factor	Instrument	Nature	Quantity	Notional	Market value
Euro	Future	Short	(600)	(94,429)	(282)
				(94,429)	(282)

December 31, 2013
Future Contracts - BM&F

Risk factor	Instrument	Nature	Quantity	Notional	Market value
Euro	Future	Short	(1,720)	(282,619)	(2,693)
				(282,619)	(2,693)

£ (British Pound)
March 31, 2014
Future Contracts - BM&F

Risk factor	Instrument	Nature	Quantity	Notional	Market value
British Pound	Future	Short	(843)	(112,361)	(307)
				(112,361)	(307)

December 31, 2013
Future Contracts - BM&F

Risk factor	Instrument	Nature	Quantity	Notional	Market value
British Pound	Future	Short	(766)	(105,404)	(928)
				(105,404)	(928)

a.2.2) Position Balance in foreign exchange swaps

Swaps are derivatives used to hedge net exposures of assets and liabilities of the Company and its subsidiaries and are classified as financial assets or liabilities measured at fair value through income.

Swap (Assets US\$)

Initial date Swap	Notional US\$	Notional R\$	Expiry date	Fair value (receivable) - R\$	Fair value (payable) - R\$	Open balance March 31, 2014
Feb 3, 2009	26,317	59,555	Feb 4, 2015	38,700	39,391	(691)
Aug 22, 2013	25,000	56,575	Aug 27, 2014	57,189	57,301	(112)
May 29, 2013	100,000	226,300	Sep 5, 2014	228,506	229,126	(620)
	151,317	342,430		324,395	325,818	(1,423)

Initial date Swap	Notional US\$	Notional R\$	Expiry date	Fair value (receivable) - R\$	Fair value (payable) - R\$	Open balance March 31, 2014
Feb 3, 2009	26,317	61,650	Feb 4, 2015	60,994	62,387	(1,393)
Aug 22, 2013	25,000	58,565	Aug 27, 2014	59,573	59,680	(107)
May 29, 2013	100,000	234,260	Sep 05, 2014	237,826	238,486	(660)
	151,317	354,475		358,393	360,553	(2,160)

a.2.3) NDF's (Non deliverable forwards)
US\$

Risk factor	Instrument	Nature	Notional - USD	Notional - R\$	March 31, 2014	December 31, 2013
Dollar	NDF	Long	4,655,200	10,534,718	(344,294)	119,380
			4,655,200	10,534,718	(344,294)	119,380

€(EURO)

Risk factor	Instrument	Nature	Notional - €	Notional - R\$	March 31, 2014	December 31, 2013
Euro	NDF	Short	(50,000)	(155,875)	9,829	(6,831)
			(50,000)	(155,875)	9,829	(6,831)



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Sensitivity analysis of Company

With the aim of providing information on sensitivity to exchange rate risks to which the Company is exposed on March 31, 2014, below is a simulation of possible changes of 25% and 50% in the relevant variables of risk in relation to the closing prices used in the measurement of assets and liabilities based on the date of these quarterly interim financial statements. To calculate the effect on the result in a probable scenario, the Company deems appropriate the application of the Value at Risk methodology (VaR) for a confidence interval of 99% and a horizon of one day. The results of this analysis are shown below:

Exchange rate risk (US\$)		Effect on income - Company		
Exposure	Risk	Scenario (I) VaR 99% I.C. 1 day	Scenario (II) R\$ Appreciation - 25%	Scenario (III) R\$ Appreciation - 50%
Financial	R\$ depreciation	(283,606)	(3,508,644)	(7,017,288)
Operation	R\$ appreciation	94,238	1,165,867	2,331,735
Hedge derivatives	R\$ appreciation	229,741	2,842,247	5,684,493
		40,373	499,470	998,940

Premises	Risk	Current Scenario	Scenario (I) VaR 99% I.C. 1 day	Scenario (II) Variation - 25%	Scenario (III) Variation - 50%
Dollar rate	R\$ depreciation	2.2630	2.3087	2.8288	3.3945

The risk of the operational exposure in US\$ comes from the appreciation of the Real, however, by the fact of the Company's risk be the depreciation of the Real, we calculate the increase of the dollar in 25% and 50% in all cases.

Exchange rate risk (C\$ - Canadian Dollar)		Effect on income - Company		
Exposure	Risk	Scenario (I) VaR 99% I.C. 1 day	Scenario (II) R\$ Appreciation - 25%	Scenario (III) R\$ Appreciation - 50%
Operation	R\$ appreciation	358	4,156	8,311
Hedge derivatives	R\$ depreciation	(147)	(1,706)	(3,411)
		211	2,450	4,900

Premises	Risk	Current Scenario	Scenario (I) VaR 99% I.C. 1 day	Scenario (II) Variation - 25%	Scenario (III) Variation - 50%
Canadian Dollar rate	R\$ depreciation	2.0472	2.0913	2.5590	3.0708

Exchange rate risk (€ - EURO)		Effect on income - Company		
Exposure	Risk	Scenario (I) VaR 99% I.C. 1 day	Scenario (II) R\$ Depreciation - 25%	Scenario (III) R\$ Depreciation - 50%
Operation	R\$ appreciation	6,863	80,254	160,508
Hedge derivatives	R\$ depreciation	(5,351)	(62,576)	(125,152)
		1,512	17,678	35,356

Premises	Risk	Current Scenario	Scenario (I) VaR 99% I.C. 1 day	Scenario (II) Variation - 25%	Scenario (III) Variation - 50%
Euro rate	R\$ depreciation	3.1175	3.1841	3.8969	4.6763

Exchange rate risk (£ - British Pound)		Effect on income - Company		
Exposure	Risk	Scenario (I) VaR 99% I.C. 1 day	Scenario (II) R\$ Depreciation - 25%	Scenario (III) R\$ Depreciation - 50%
Operation	R\$ appreciation	2,574	28,625	57,249
Hedge derivatives	R\$ depreciation	(2,526)	(28,091)	(56,181)
		48	534	1,068

Premises	Risk	Current Scenario	Scenario (I) VaR 99% I.C. 1 day	Scenario (II) Variation - 25%	Scenario (III) Variation - 50%
British Pound rate	R\$ depreciation	3.7733	3.8581	4.7166	5.6600

The risk of the operational exposure in Canadian Dollar, Euro and British Pound comes from the depreciation of the Real, thereby, we calculate the reduction of Canadian Dollar, Euro and British Pound in 25% and 50% in all cases.

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a.3) Exchange rate risk of JBS Foods S.A.

We present below the exposure of financial assets and liabilities of JBS Foods S.A., indexed to foreign currencies. The main exposures to exchange rate risk are in US Dollars (US\$), Euros (€) and the British Pound (£).

EXPOSURE in US\$ - expressed in thousands of reais	JBS Foods S.A.	
	March 31, 2014	December 31, 2013
OPERATING		
Cash and cash equivalents	16,134	5,104
Trade accounts receivable	752,576	1,405,571
Purchase orders	(400,685)	(189,284)
Sales orders	458,252	347,265
Liabilities	(643,735)	(1,217,084)
Subtotal	182,542	351,572
FINANCIAL		
Loans and financings	(983,228)	(1,078,125)
Subtotal	(983,228)	(1,078,125)
DERIVATIVES		
Swap (Assets)	362,080	374,816
Subtotal	362,080	374,816
TOTAL EXPOSURE	(438,606)	(351,737)

EXPOSURE in €(EURO) - expressed in thousands of reais	JBS Foods S.A.	
	March 31, 2014	December 31, 2013
OPERATING		
Cash and cash equivalents	533	552
Trade accounts receivable	3,325	4,749
Purchase orders	(4,758)	-
Sales orders	93,188	-
Liabilities	(938)	(804)
Subtotal	91,350	4,497
TOTAL EXPOSURE	91,350	4,497

EXPOSURE in £ (British Pound) - expressed in thousands of reais	JBS Foods S.A.	
	March 31, 2014	December 31, 2013
OPERATING		
Cash and cash equivalents	4,305	1,967
Trade accounts receivable	29,125	30,797
Sales Orders	34,942	43,194
Subtotal	68,372	75,958
TOTAL EXPOSURE	68,372	75,958

a.3.1) Position Balance in foreign exchange swaps

Swaps are derivatives used to hedge net exposures of assets and liabilities of the JBS Foods S.A. and its subsidiaries and are classified as financial assets or liabilities measured at fair value through income.

Swap (Assets US\$)

Initial date Swap	Notional US\$	Notional R\$	Expiry date	Fair value (receivable) - R\$	Fair value (payable) - R\$	Open balance March 31, 2014
Nov 27, 2013	100,000	226,300	Oct 23, 2018	248,617	261,690	(13,073)
Nov 29, 2013	60,000	135,780	Nov 19, 2015	142,998	150,537	(7,539)
	160,000	362,080		391,615	412,227	(20,612)
Initial date Swap	Nocional - US\$	Nocional - R\$	Expiry date	Fair value (receivable) - R\$	Fair value (payable) - R\$	Open balance March 31, 2014
Nov 27, 2013	100,000	234,260	Oct 23, 2018	254,140	255,553	(1,413)
Nov 29, 2013	60,000	140,556	Nov 19, 2015	146,784	146,850	(66)
	160,000	374,816		400,924	402,403	(1,479)



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Sensitivity analysis of JBS Foods S.A.

Exchange rate risk (US\$)

Exposure	Risk	Effect on income - JBS Foods S.A.		
		Scenario (I) VaR 99% I.C. 1 day	Scenario (II) R\$ Depreciation - 25%	Scenario (III) R\$ Depreciation - 50%
Financial	R\$ depreciation	(19,869)	(245,807)	(491,614)
Operation	R\$ appreciation	3,689	45,636	91,271
Hedge derivatives	R\$ appreciation	7,317	90,520	181,040
		(8,863)	(109,651)	(219,303)

Premises	Risk	Current Scenario	Scenario (I) VaR 99% I.C. 1 day	Scenario (II) Variation - 25%	Scenario (III) Variation - 50%
Dollar rate	R\$ depreciation	2.2630	2.3087	2.8288	3.3945

The risk of the operational exposure in US\$ comes from the appreciation of the Real, however, by the fact of the Company's risk be the depreciation of the Real, we calculate the increase of the dollar in 25% and 50% in all cases.

Exchange rate risk (€ - EURO)

Exposure	Risk	Effect on income - JBS Foods S.A.		
		Scenario (I) VaR 99% I.C. 1 day	Scenario (II) R\$ Depreciation - 25%	Scenario (III) R\$ Depreciation - 50%
Operation	R\$ depreciation	1,953	22,838	45,675
Hedge derivatives	R\$ depreciation	-	-	-
		1,953	22,838	45,675

Premises	Risk	Current Scenario	Scenario (I) VaR 99% I.C. 1 day	Scenario (II) Variation - 25%	Scenario (III) Variation - 50%
Euro rate	R\$ appreciation	3.1175	3.1841	3.8969	4.6763

Exchange rate risk (£ - British Pound)

Exposure	Risk	Effect on income - JBS Foods S.A.		
		Scenario (I) VaR 99% I.C. 1 day	Scenario (II) R\$ Depreciation - 25%	Scenario (III) R\$ Depreciation - 50%
Operation	R\$ appreciation	1,537	17,093	34,186
		1,537	17,093	34,186

Premises	Risk	Current Scenario	Scenario (I) VaR 99% I.C. 1 day	Scenario (II) Variation - 25%	Scenario (III) Variation - 50%
British Pound rate	R\$ depreciation	3.7733	3.8581	4.7166	5.6600

The risk of the operational exposure in Euro and British Pound comes from the depreciation of the Real, thereby, we calculate the reduction of Euro and British Pound in 25% and 50% in all cases.

a.4) Commodity price risk

The Company is a global player in different areas related to the Agribusiness (the entire livestock protein chain, biodiesel, among others) and the regular course of its operations brings exposures to price oscillations in feeder cattle, live cattle, lean hogs, corn, soybeans, and energy, especially in the American, Australian and Brazilian markets. Commodity markets are characterized by volatility arising from external factors like climate, supply levels, transportation costs, agricultural policies, storage costs, among others. The Risk Management Committee is responsible for mapping the exposures to commodity prices of the Company and its subsidiaries and propose strategies to the Risk Management Committee, in order to mitigate such exposures.

A very important part of the raw materials needs of the Company and its subsidiaries are biological assets sensitive to stockpiling. In order to maintain future supply of these materials the Company contracts anticipated purchases from suppliers. To complement the purchase term, ensuring minimum price and volume to the materials purchased for a planning horizon pre-defined by the Risk Management Committee and approved by the Board of Directors, as well as aiming at mitigating price oscillations risks on inventories and sales contracts, the Company and its subsidiaries use hedging instruments specific for each exposure, most notably futures contracts. The Company deems appropriate to take the average amount spent with materials as a parameter indicative of operational value to be protected by firm contracts.

a.4.1) Position balance in commodities (cattle) contracts of the Company

The field of activity of the Company is exposed to volatility in cattle prices, which changes arise from factors beyond the Company's control, such as climate, the supply volume, transportation costs, agricultural policies and others. The Company, in accordance with its policy of stock, maintains its strategy of risk management, based on physical control, which includes anticipated purchases, combined with future market operations, and reducing the daily position of cattle purchase contracts forward for future delivery through future hedge contracting of cattle on BM&F, aimed at resetting the position and ensuring the market price.

The parameters for reducing the cattle purchase risk are based on the physical position of term contracts of cattle purchase considering negotiated values and terms. The internal controls used for coverage and risk management are made through spreadsheets and monitoring of operations performed and calculation of VAR for 1 day, with a confidence interval of 99%.

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The Company understands that quantitative figures regarding the exposure risk on the cattle's arroba (15kg) price changes of the Company on March 31, 2014 and December 31, 2013 are presented below in accordance with the Financial and Commodities Risk Management Policy and are representative of the exposure incurred during the period in accordance with paragraph 35 of CPC 40 R1.

EXPOSURE	March 31, 2014	December 31, 2013
Firm Contracts of cattle purchase	117,631	36,241
TOTAL	117,631	36,241

Composition of derivative financial instruments to hedge of cattle purchase price

Derivative	Maturity	Receivable	Payable	Counterpart of the principal amount	Reference value (notional @)	Market Value R\$
Future and options contracts (BM&F)	April, 2014 to November, 2014	R\$	Cattle @ (15 kg)	BM&F	(92,906)	1,581

Price risk of cattle purchase

Exposure	Risk	Effect on income - Company		
		Scenario (I) VaR 99% I.C. 1 day	Appreciation - 25%	Appreciation - 50%
Operational	@ (15kg) appreciation	935	29,408	58,816
Hedging derivatives of cattle @ (15kg) price	@ (15kg) depreciation	(739)	(23,227)	(46,453)
		196	6,181	12,363

Premises	Risk	Current Scenario	Scenario (I) VaR 99% I.C. 1 day	Scenario (II) Variation - 25%	Scenario (III) Variation - 50%
Price quote of @ (15kg)	@ (15kg) appreciation	128.8500	129.8745	161.0625	193.2750

The exposure operating risk in firm contracts of cattle purchase is the change up the quote price of cattle arroba, thereby, it is calculated the risk of market price appreciation of the cattle market price.

a.4.2) Position balance in commodities (corn) derivatives financial instruments of the Company

The business segment of the Company in its division Confinamento is exposed to price volatility of corn, which changes arise from factors beyond the Company's control, such as climate, the supply volume, transportation costs, agricultural policies and others.

The Company, in accordance with its policy of inventory management, started the strategy of risk management of corn's price based on physical control, including expectations of future consumption, anticipated purchases, combined with future market operations, by hiring hedge corn futures on BM&F, in order to guarantee the market price.

The internal controls used for coverage and risk management are made through spreadsheets and monitoring of operations performed and calculation of VAR for 1 day, with a confidence interval of 99%.

The Company understands that quantitative figures regarding the exposure risk on the corn's sacks price changes of the Company on March 31, 2014 and December 31, 2013 are presented below in accordance with the Financial and Commodities Risk Management Policy. On December 31, 2013 the Company had no position balance of derivatives financial instruments related to the commodity price risk of corn.

a.4.3) Position balance in commodities derivatives financial instruments of JBS USA

The Company understands that quantitative figures regarding the exposure risk of the commodities' price changes of the subsidiary JBS USA on March 31, 2014 and December 31, 2013 are presented below in accordance with the Financial and Commodities Risk Management Policy and are representative of exposure incurred during the period in accordance with paragraph 35 of CPC 40 R1.

EXPOSURE	JBS USA subsidiary	
	March 31, 2014	December 31, 2013
Operational	(7,418,112)	(7,129,630)
Firm contracts - R\$	5,967,336	4,840,304
TOTAL EXPOSURE	(1,450,775)	(2,289,326)

Commodities risk	Exposure	Risk	Effect on income - JBS USA subsidiary		
			Scenario (I) VaR 99% I.C. 1 day	Scenario (II) Variation - 25%	Scenario (III) Variation - 50%
	Operational	Commodities price appreciation	95,020	1,854,528	3,709,056
	Hedging derivatives	Commodities price depreciation	(76,436)	(1,491,834)	(2,983,668)
			18,584	362,694	725,388



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Premises	Risk	Scenario (I) VaR 99% I.C. 1 day	Scenario (II) Variation - 25%	Scenario (III) Variation - 50%
Commodities price	Price increase	1.281%	25.000%	50.000%

b) Credit risk

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

For the case of the financial operations that have as counterpart financial institutions (investments and hedging contracts), the Company employs exposure limits set by the Risk Management Committee and approved by the Board of Directors, based on risk ratings (ratings) of specialized international agencies.

Amounts invested in private bonds (notably bank certificates of deposit) and accumulated fair values receivables in hedging transactions contracted with banks, must comply with the following table limits, in order that, the total volume does not exceed a specified percentage of the equity of the financial institution (% PL). In conjunction, the limits should be observed as the time horizon (maximum horizon) to the rescue of the application.

Category	%PL	Maximum horizon
Triple A	2.00%	5 years
Double A	1.00%	3 years
Single A	0.50%	2 years
Triple B	0.25%	1 year

Observations:

- In case of different ratings for the same financial institution, must adopt the most conservative;
- The associates banks should be consolidated at its headquarters;
- Financial institutions without rating are not eligible;
- In the absence of rating in the national scale, use the global rating scale;
- If the Company holds debt and applications with particular counterparty, the net value of the transactions should be considered;
- Exceptions can occur if previously approved by the Risk Management Committee and Executive Board.

Besides private bonds, the Company can also invest funds in federal national treasury bill: LFT, LTN, NTN-F and NTN-B. For these cases there is no pre-established limits. It is also permitted to invest in fixed income funds of low risk that have policy of investment applications in assets directly related to the basic interest rate.

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

	Note	Company		Consolidated	
		March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Assets					
Cash and cash equivalents	5	4,917,974	5,223,978	8,696,372	9,013,147
Trade accounts receivable	6	3,648,904	4,087,073	8,142,918	8,919,926
Credits with related parties	10	4,767,142	1,784,948	675,671	733,958
		13,334,020	11,095,999	17,514,961	18,667,031
Loss on reduction of accounts receivable recoverable value					
		Company		Consolidated	
		March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Current receivables		3,539,416	3,981,264	7,332,728	7,866,991
Overdue receivables:					
From 1 to 30 days		107,577	111,388	691,111	840,843
From 31 to 60 days		19,427	9,527	75,964	109,287
From 61 to 90 days		14,955	2,990	72,961	80,982
Above 90 days		56,114	70,489	182,060	232,266
Allowance for doubtful accounts		(88,585)	(88,585)	(211,906)	(210,443)
		109,488	105,809	810,190	1,052,935
		3,648,904	4,087,073	8,142,918	8,919,926

c) Liquidity risk

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

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

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



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

The index of liquidity and leverage consolidated are shown below:

	Consolidated	
	March 31, 2014	December 31, 2013
Cash and cash equivalents	8,696,372	9,013,147
Loans and financings - Current	9,346,726	9,430,892
Modified liquidity indicator	0.93	0.96
Leverage indicator	3,2x	3,7x

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

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

Company

March 31, 2014	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years	Fair Value
Trade accounts payable	1,061,495	-	-	-	1,061,495
Loans and financings	7,139,724	4,409,881	5,420,681	3,575,424	20,545,710
Derivatives financing liabilities (assets)	317,308	-	-	-	317,308
TOTAL	8,518,527	4,409,881	5,420,681	3,575,424	21,924,513

December 31, 2013

	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years	Fair Value
Trade accounts payable	1,371,205	-	-	-	1,371,205
Loans and financings	6,839,122	2,514,791	6,972,220	4,266,838	20,592,971
Derivatives financing liabilities (assets)	9,958	247	-	-	10,205
TOTAL	8,220,285	2,515,038	6,972,220	4,266,838	21,974,381

Consolidated

March 31, 2014	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years	Fair Value
Trade accounts payable	4,908,867	-	-	-	4,908,867
Loans and financings	9,346,726	5,133,378	9,133,414	8,761,956	32,375,474
Derivatives financing liabilities (assets)	317,308	7,539	13,073	-	337,920
TOTAL	14,572,901	5,140,917	9,146,487	8,761,956	37,622,261

December 31, 2013

	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years	Fair Value
Trade accounts payable	5,342,388	-	-	-	5,342,388
Loans and financings	9,430,892	3,000,141	10,671,253	9,659,055	32,761,341
Derivatives financing liabilities (assets)	12,311	560	1,413	-	14,284
TOTAL	14,785,591	3,000,701	10,672,666	9,659,055	38,118,013

d) Estimated market values

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

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

e) Guarantees provided and guarantees received**Guarantees provided**

The Company has securities pledged as collateral for derivative transactions with the commodities and futures whose balance at March 31, 2014 is R\$ 655,979 (R\$ 551,303 at December 31, 2013). This guarantee is superior to the need presented for these operations.

The indirect subsidiary JBS USA and its subsidiaries, has securities pledged as collateral for derivative transactions with the commodities and futures whose balance at March 31, 2014 is R\$ 311,947 (R\$ 252,670 at December 31, 2013). This guarantee is superior to the need presented for these operations.

Other guarantees considered relevant are described in detail in the notes: 15 - Loans and financings, and 16 - Credit operations, guarantees and covenants.

Guarantees received

The Company and its subsidiaries have no guarantees received from third parties deemed relevant.



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f) Financial instruments

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

	Notes	Company		Consolidated	
		March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Assets					
Fair value through profit or loss					
Cash and banks	5	2,686,278	3,434,724	3,477,693	3,477,693
Loans and receivables					
Short-term investments		2,231,696	1,789,254	5,218,679	5,218,679
Trade accounts receivable	6	3,648,904	4,087,073	8,142,918	8,919,926
Credits with related parties	10	4,767,142	1,784,948	675,671	733,958
Total		13,334,020	11,095,999	17,514,961	18,350,256
Liabilities					
Liabilities at amortized cost					
Loans and financings	15/16	20,545,710	20,592,971	32,375,474	32,761,341
Trade accounts payable	14	1,061,495	1,371,205	4,908,867	5,342,388
Fair value through profit or loss					
Payables derivatives		317,308	10,205	337,920	14,284
Total		21,924,513	21,974,381	37,622,261	38,118,013

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

g) Fair value of financial instruments

The assets and liabilities are represented in the quarterly interim 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 CPC 40 R1/IFRS 7 - Financial Instruments: Disclosures, the Company and its subsidiaries classify fair value measurements in accordance with the hierarchical levels that reflect the significance of the indices used in this measurement, according to the following levels

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

Level 2 - Inputs other than Level 1, in which prices are quoted for similar assets and liabilities, either directly by obtaining prices in active markets or indirectly as valuation techniques that use data from active markets.

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

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

Fair value hierarchy

	March 31, 2014		
	Company		
	Level 1	Level 2	Level 3
Current assets			
Cash and banks	2,231,696	-	-
Financial investments	-	2,686,278	-
Consolidated			
	Level 1	Level 2	Level 3
Current assets			
Cash and banks	5,218,679	-	-
Financial investments	-	3,477,693	-

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	December 31, 2013		
	Company		
	Level 1	Level 2	Level 3
Current assets			
Cash and banks	1,789,254	-	-
Financial investments	-	3,148,005	-
Consolidated			
	Level 1	Level 2	Level 3
Current assets			
Cash and banks	4,713,369	-	-
Financial investments	-	3,236,034	-

Fair value versus book value

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

Company	Note	March 31, 2014		December 31, 2013	
		Book value	Fair value	Book value	Fair value
Cash and banks	5	2,231,696	2,231,696	1,789,254	1,789,254
Financial investments	5	2,686,278	2,686,278	3,148,005	3,148,005
Trade accounts receivable	6	3,648,904	3,648,904	4,087,073	4,087,073
Related parties receivable	10	4,767,142	4,767,142	1,784,948	1,784,948
Total financial assets		13,334,020	13,334,020	10,809,280	10,809,280
Trade accounts payable	14	1,061,495	1,061,495	1,371,205	1,371,205
Derivatives		317,308	317,308	10,205	10,205
Loans and financings	15/16	20,545,710	20,545,710	20,592,971	20,592,971
Declared dividends	18	220,494	220,494	220,494	220,494
Payables related to facilities acquisitions	19	401,203	401,203	158,607	158,607
Total financial liabilities		22,546,210	22,546,210	22,353,482	22,353,482
		(9,212,190)	(9,212,190)	(11,544,202)	(11,544,202)

Consolidated	Note	March 31, 2014		December 31, 2013	
		Book value	Fair value	Book value	Fair value
Cash and banks	5	5,218,679	5,218,679	4,713,369	4,713,369
Financial investments	5	3,477,693	3,477,693	3,236,034	3,236,034
Trade accounts receivable	6	8,142,918	8,142,918	8,919,926	8,919,926
Related parties receivable	10	675,671	675,671	733,958	733,958
Total financial assets		17,514,961	17,514,961	17,603,287	17,603,287
Trade accounts payable	14	4,908,867	4,908,867	5,342,388	5,342,388
Derivatives		337,920	337,920	14,284	14,284
Loans and financings	15/16	32,375,474	32,375,474	32,761,341	32,761,341
Declared dividends	18	220,494	220,494	220,494	220,494
Payables related to facilities acquisitions	19	712,171	712,171	727,749	727,749
Total financial liabilities		38,554,926	38,554,926	39,066,256	39,066,256
		(21,039,965)	(21,039,965)	(21,462,969)	(21,462,969)

The loans and financing presented in the table above include the values of working capital in Reais and working capital in foreign currency (bonds), as shown in detail in notes 15 and 16. In the Management opinion the loans and financing, which are measured at their amortized cost values do not present significant variation regarding to their fair values. These loans and financing are restated with bases in contracted rates and interest through the date of closing of quarterly interim financial statements, the outstanding balance is recognized by an amount close to fair value. Since there is no active market for such instruments, the differences that could occur if these values were for amounts paid in advance would be unrepresentative.

	Company		Consolidated	
	2014	2013	2014	2013
Gains (losses) by category of financial instrument				
<i>Fair value through profit or loss</i>	(782,715)	121,300	(687,339)	185,118
<i>Loans and receivables</i>	135,367	(45,810)	111,515	(69,911)
<i>Liabilities at amortized cost</i>	18,468	(126,741)	(293,502)	(193,422)
Total	(628,880)	(51,251)	(869,326)	(78,215)

* * * * *



JBS S.A.

Notes to the quarterly interim financial statements for the three months period ended March 31, 2014 and 2013
(Expressed in thousands of reais)

EXECUTIVE BOARD

Wesley Mendonça Batista
Chief Executive Officer

Eliseo Santiago Perez Fernandez
Administrative and Control Officer

Jeremiah Alphonsus O'Callaghan
Investor Relations Officer

Francisco de Assis e Silva
Institutional Relations Executive Officer

Agnaldo dos Santos Moreira Jr.
Accountant CRC SP: 244207/O-4

BOARD OF DIRECTORS

Joesley Mendonça Batista
Chairman

Wesley Mendonça Batista
Vice-Chairman

José Batista Sobrinho

Humberto Junqueira de Farias

Marcus Vinicius Pratini de Moraes

João Carlos Ferraz

Carlos Alberto Caser

Tarek Mohamed Noshay Nasr Mohamed Farahat

Marcio Percival Alves Pinto

FISCAL COUNCIL REPORT

The Fiscal Council reviewed the quarterly interim financial statements of the Company for the period ended on March 31, 2014.

Our review included: a) analysis of the quarterly interim financial statements prepared by the Company; b) monitoring and discussion of the review done by the external independent auditors; and c) questions about relevant actions and transactions made by the management.

Based on our review, according to the information and explanations received, and considering the Independent Auditors Review, the Fiscal Council is not aware of any fact that would lead to believe that the quarterly interim Financial Statements above mentioned do not reflect at all relevant aspects of the information contained therein and are in condition to be disclosed.

São Paulo, May 13, 2014.

Florisvaldo Caetano de Oliveira
Chairman

José Paulo da Silva Filho
Member

Demetrius Nichele Macei
Member

Amoreti Franco Gibbon
Member

STATEMENT OF OFFICERS ON THE QUARTTERLY INTERIM FINANCIAL STATEMENTS AND ON THE INDEPENDENT AUDITORS REVIEW REPORT

The Company's Officers declare for the purposes of Article 25, paragraph 1, item V and VI of CVM Instruction No. 480 of December 7, 2009, that:

(i) They reviewed, discussed and agreed with the views expressed in the review report of the independent auditors on the quarterly interim financial statements for the period ended on March 31, 2014, and

(ii) They reviewed, discussed and agreed with the quarterly interim financial statements for the period ended on March 31, 2014.

São Paulo, May 14, 2014.

Wesley Mendonça Batista
Chief Executive Officer

Eliseo Santiago Perez Fernandez
Administrative and Control Officer

Jeremiah Alphonsus O'Callaghan
Investor Relations Officer

Francisco de Assis e Silva
Institutional Relations Executive Officer

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