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**(Convenience translation into English form the original previously issued in Portuguese)**  
**SPECIAL REVIEW REPORT**

To the Board of Directors and Shareholders of JBS S.A.

- 1 We have performed a special review of the accompanying quarterly information (Company and Consolidated) of JBS S.A. (the "Company") and controlled companies as of 30 September 2009, consisting of the balance sheet and the related statements of operations, changes in shareholders' equity, and cash flows, the notes to the financial statements and management report for the nine-month period then ended, all expressed in Brazilian reais, and prepared under the responsibility of the Company's management. The financial statements of directly-controlled company Inalca JBS S.p.A. were reviewed by other independent auditors. Our review of the carrying values of JBS S.A.'s investment in this company and the equity in its earnings (loss) is based on the work of those auditors.
- 2 Our review was performed in accordance with specific standards established by IBRACON (Brazilian Institute of Independent Auditors) together with the Federal Association of Accountants, which consisted principally of: a) inquiry of and discussion with the managers responsible for the accounting, financial and operating areas as to the main criteria adopted in preparing the Quarterly Information and b) review of the information and subsequent events that have or may have material effects on the financial situation and operations of the Company and its controlled companies.
- 3 Based on our special review and the review report prepared by other independent auditors, we are not aware of any material modifications that should be made to the Quarterly Information referred to in paragraph 1 for it to be in conformity with Brazilian accounting practices and standards established by the Brazilian Securities and Exchange Commission (CVM), specifically applicable to the preparation of Quarterly Information.



## SPECIAL REVIEW REPORT

To the Board of Directors and Shareholders of JBS S.A.

- 4 As mentioned in note 2, Brazilian accounting practices were changed during 2008, and the effects of their initial adoption were only accounted for by the Company and its controlled companies in the fourth quarter of 2008, and disclosed in the financial statements as of 31 December 2008. The statements of operations and cash flows for the nine-month period ended 30 September 2008, presented along with the current nine-month period information, were not adjusted for comparative purposes, as allowed by CVM/SNC/SEP Circular Letter No. 02/2009.
- 5 The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, 4 November 2009

A handwritten signature in blue ink, appearing to read 'Orlando Octavio de Freitas Junior', written over a light blue circular stamp.

Orlando Octavio de Freitas Junior  
Engagement Partner  
BDO Trevisan Auditores Independentes



**JBS S.A.**  
**Financial Statements and Independent auditors' review report**  
ITR - Quarterly Information  
As of September 30, 2009 and 2008



**JBS S.A.**
**Balance sheets**  
**(In thousands of Reais)**

	<u>Company</u>		<u>Consolidated</u>	
	<u>September, 2009</u>	<u>June, 2009</u>	<u>September, 2009</u>	<u>June, 2009</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 4)	1.673.854	1.916.361	2.035.252	2.298.658
Trade accounts receivable, net (Note 5)	470.359	513.786	1.763.022	1.888.639
Inventories (Note 6)	296.352	285.585	1.835.312	1.941.171
Recoverable taxes (Note 7)	260.967	434.201	377.420	539.535
Prepaid expenses	8.724	3.213	72.152	65.352
Other current assets	50.067	53.589	393.338	307.948
<b>TOTAL CURRENT ASSETS</b>	<b>2.760.323</b>	<b>3.206.735</b>	<b>6.476.496</b>	<b>7.041.303</b>
<b>NON-CURRENT ASSETS</b>				
<b>Long-term assets</b>				
Credits with related parties (Note 8)	-	-	356.047	338.041
Judicial deposits and others	34.614	17.284	114.624	98.662
Deferred income taxes (Note 17)	30.621	29.292	371.176	437.791
Recoverable taxes (Note 7)	312.797	109.257	376.570	185.272
<b>Total long-term assets</b>	<b>378.032</b>	<b>155.833</b>	<b>1.218.417</b>	<b>1.059.766</b>
<b>Permanent assets</b>				
Investments in subsidiaries (Note 9)	4.491.789	4.798.622	-	-
Other investments	10	10	4.449	4.520
Property, plant and equipment, net (Note 10)	2.111.590	2.021.209	4.839.461	4.852.604
Intangible assets, net (Note 11)	899.230	912.299	1.861.278	1.873.031
Deferred charges	-	-	1.493	1.551
<b>Total Permanent assets</b>	<b>7.502.619</b>	<b>7.732.140</b>	<b>6.706.681</b>	<b>6.731.706</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>7.880.651</b>	<b>7.887.973</b>	<b>7.925.098</b>	<b>7.791.472</b>
<b>TOTAL ASSETS</b>	<b>10.640.974</b>	<b>11.094.708</b>	<b>14.401.594</b>	<b>14.832.775</b>

	<u>Company</u>		<u>Consolidated</u>	
	<u>September, 2009</u>	<u>June, 2009</u>	<u>September, 2009</u>	<u>June, 2009</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Trade accounts payable ( Note 12)	262.816	260.591	1.472.595	1.377.565
Loans and financings (Note 13)	1.843.082	1.900.295	2.437.396	2.411.857
Payroll, social charges and tax obligation (Note 14)	125.873	102.441	400.266	379.199
Other current liabilities	141.023	96.416	350.713	281.136
<b>TOTAL CURRENT LIABILITIES</b>	<b>2.372.794</b>	<b>2.359.743</b>	<b>4.660.970</b>	<b>4.449.757</b>
<b>NON-CURRENT LIABILITIES</b>				
Loans and financings (Note 13)	2.176.101	2.327.507	3.439.714	3.814.513
Deferred income taxes (Note 17)	100.263	86.145	701.717	732.332
Provision for contingencies (Note 15)	52.338	49.891	64.204	61.298
Debits with related parties (Note 8)	777.567	874.607	-	-
Debit with third parties for investment (Note 16)	169.070	178.090	169.070	178.090
Other non-current liabilities	50.120	49.125	426.715	430.811
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>3.325.459</b>	<b>3.565.365</b>	<b>4.801.420</b>	<b>5.217.044</b>
<b>MINORITY INTEREST</b>	<b>-</b>	<b>-</b>	<b>(3.517)</b>	<b>(3.626)</b>
<b>SHAREHOLDERS' EQUITY (Note 18)</b>				
Capital stock	4.495.581	4.495.581	4.495.581	4.495.581
Capital reserve	762.340	777.844	762.340	777.844
Revaluation reserve	113.845	115.340	113.845	115.340
Profit reserves	18.696	18.696	18.696	18.696
Valuation adjustments to shareholders' equity	(1.365)	(619)	(1.365)	(619)
Accumulated translation adjustments	(452.263)	(90.139)	(452.263)	(90.139)
Accumulated income (losses)	5.887	(147.103)	5.887	(147.103)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>4.942.721</b>	<b>5.169.600</b>	<b>4.942.721</b>	<b>5.169.600</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>10.640.974</b>	<b>11.094.708</b>	<b>14.401.594</b>	<b>14.832.775</b>

The accompanying notes are an integral part of the financial statements

**Statements of income for the nine months period ended September 30, 2009 and 2008**  
**(In thousands of Reais)**

	Company		Consolidated	
	2009	2008	2009	2008
<b>GROSS OPERATING REVENUE</b>				
<b>Sales of products</b>				
Domestic Sales	2.865.367	2.115.604	20.952.445	13.656.501
Foreign Sales	1.421.317	1.886.046	6.646.314	7.584.223
	<b>4.286.684</b>	<b>4.001.650</b>	<b>27.598.759</b>	<b>21.240.724</b>
<b>SALES DEDUCTIONS</b>				
Returns and discounts	(165.643)	(148.845)	(302.891)	(256.412)
Sales taxes	(320.622)	(229.245)	(393.001)	(277.251)
	<b>(486.265)</b>	<b>(378.090)</b>	<b>(695.892)</b>	<b>(533.663)</b>
<b>NET SALE REVENUE</b>	<b>3.800.419</b>	<b>3.623.560</b>	<b>26.902.867</b>	<b>20.707.061</b>
Cost of goods sold	(3.093.330)	(2.937.446)	(24.542.650)	(18.565.911)
<b>GROSS INCOME</b>	<b>707.089</b>	<b>686.114</b>	<b>2.360.217</b>	<b>2.141.150</b>
<b>OPERATING INCOME (EXPENSE)</b>				
General and administrative expenses	(140.623)	(78.781)	(543.746)	(342.612)
Selling expenses	(362.222)	(361.856)	(1.192.384)	(1.069.261)
Financial income (expense), net (Note 19)	(398.315)	19.175	(472.375)	(129.949)
Equity in subsidiaries (Note 9)	202.396	214.780	-	-
Goodwill amortization (Note 11)	-	(134.177)	-	(134.177)
Other (expense) income, net	2.045	(28.833)	10.515	(27.583)
	<b>(696.719)</b>	<b>(369.692)</b>	<b>(2.197.990)</b>	<b>(1.703.582)</b>
<b>NET INCOME BEFORE TAXES</b>	<b>10.370</b>	<b>316.422</b>	<b>162.227</b>	<b>437.568</b>
Current income taxes	2.232	2.435	(58.947)	(32.669)
Deferred income taxes	(11.048)	4.057	(102.351)	(82.917)
	<b>(8.816)</b>	<b>6.492</b>	<b>(161.298)</b>	<b>(115.586)</b>
<b>RESULT BEFORE MINORITY INTEREST</b>	<b>1.554</b>	<b>322.914</b>	<b>929</b>	<b>321.982</b>
Minority interest (expense) income	-	-	625	932
<b>NET INCOME OF THE PERIOD</b>	<b>1.554</b>	<b>322.914</b>	<b>1.554</b>	<b>322.914</b>
<b>INCOME PER THOUSAND SHARES</b>	<b>1,11</b>	<b>228,81</b>		
<b>Statement of EBITDA (Earnings before income taxes, interest, depreciation and amortization)</b>				
Net income before taxes	10.370	316.422	162.227	437.568
Financial income (expense), net (Note 19)	398.315	(19.175)	472.375	129.949
Depreciation and amortization	68.192	48.372	252.826	160.941
Equity in subsidiaries (Note 9)	(202.396)	(214.780)	-	-
Non-recurring expenses	-	35.691	-	35.691
Goodwill amortization (Note 11)	-	134.177	-	134.177
<b>AMOUNT OF EBITDA</b>	<b>274.481</b>	<b>300.707</b>	<b>887.428</b>	<b>898.326</b>

The accompanying notes are an integral part of the financial statements

**Statements of income for the three months period ended September 30, 2009 and 2008**  
**(In thousands of Reais)**

	Company		Consolidated	
	2009	2008	2009	2008
<b>GROSS OPERATING REVENUE</b>				
<b>Sales of products</b>				
Domestic Sales	1.011.127	910.975	6.493.559	5.143.431
Foreign Sales	454.356	720.771	2.105.677	2.850.894
	<b>1.465.483</b>	<b>1.631.746</b>	<b>8.599.236</b>	<b>7.994.325</b>
<b>SALES DEDUCTIONS</b>				
Returns and discounts	(43.852)	(72.648)	(78.668)	(105.815)
Sales taxes	(116.252)	(93.479)	(140.662)	(117.048)
	<b>(160.104)</b>	<b>(166.127)</b>	<b>(219.330)</b>	<b>(222.863)</b>
<b>NET SALE REVENUE</b>	<b>1.305.379</b>	<b>1.465.619</b>	<b>8.379.906</b>	<b>7.771.462</b>
Cost of goods sold	(1.061.099)	(1.212.848)	(7.635.346)	(6.830.491)
<b>GROSS INCOME</b>	<b>244.280</b>	<b>252.771</b>	<b>744.560</b>	<b>940.971</b>
<b>OPERATING INCOME (EXPENSE)</b>				
General and administrative expenses	(51.117)	(32.767)	(150.537)	(120.790)
Selling expenses	(124.318)	(145.230)	(383.000)	(402.358)
Financial income (expense), net (Note 19)	45.053	416.142	7.797	408.690
Equity in subsidiaries (Note 9)	49.361	275.867	-	-
Goodwill amortization (Note 11)	-	(44.733)	-	(44.733)
Other (expense) income, net	1.026	(31.597)	(767)	(31.249)
	<b>(79.995)</b>	<b>437.682</b>	<b>(526.507)</b>	<b>(190.440)</b>
<b>NET INCOME BEFORE TAXES</b>	<b>164.285</b>	<b>690.453</b>	<b>218.053</b>	<b>750.531</b>
Current income taxes	770	884	(284)	824
Deferred income taxes	(13.560)	2.642	(65.830)	(57.738)
	<b>(12.790)</b>	<b>3.526</b>	<b>(66.114)</b>	<b>(56.914)</b>
<b>RESULT BEFORE MINORITY INTEREST</b>	<b>151.495</b>	<b>693.979</b>	<b>151.939</b>	<b>693.617</b>
Minority interest (expense) income	-	-	(444)	362
<b>NET INCOME OF THE PERIOD</b>	<b>151.495</b>	<b>693.979</b>	<b>151.495</b>	<b>693.979</b>
<b>NET INCOME PER THOUSAND SHARES</b>	<b>108,29</b>	<b>491,75</b>		
<b>Statement of EBITDA (Earnings before income taxes, interest, depreciation and amortization)</b>				
Income (loss) before taxes	164.285	690.453	218.053	750.531
Financial income (expense), net (Note 19)	(45.053)	(416.142)	(7.797)	(408.690)
Depreciation and amortization	24.723	16.761	81.609	52.684
Equity in subsidiaries (Note 9)	(49.361)	(275.867)	-	-
Non-recurring expenses	-	35.691	-	35.691
Goodwill amortization (Note 11)	-	44.733	-	44.733
<b>AMOUNT OF EBITDA</b>	<b>94.594</b>	<b>95.629</b>	<b>291.865</b>	<b>474.949</b>

The accompanying notes are an integral part of the financial statements

**JBS S.A.**

**Statement of changes in shareholders' equity for the nine months period ended September 30, 2009  
(In thousands of Reais)**

	Capital stock	Capital reserve	Revaluation reserve	Profit Reserves		Valuation adjustments to shareholders' equity	Accumulated translation adjustments	Accumulated gain	Total
		Goodwill		Legal	For expansion				
<b>BALANCE AS OF DECEMBER 31, 2008</b>	<b>4.495.581</b>	<b>769.463</b>	<b>118.178</b>	<b>1.297</b>	<b>-</b>	<b>(2.920)</b>	<b>752.812</b>	<b>-</b>	<b>6.134.411</b>
Adjustment of net income destination from previous year	-	21.407	-	-	17.399	-	-	-	38.806
Realization of revaluation reserve	-	-	(4.333)	-	-	-	-	4.333	-
Shares acquisition	-	(28.530)	-	-	-	-	-	-	(28.530)
Valuation adjustments in subsidiaries shareholders' equity	-	-	-	-	-	1.555	-	-	1.555
Accumulated translation adjustments in subsidiaries shareholders' equity	-	-	-	-	-	-	(234.768)	-	(234.768)
Exchange variation rate of investments in foreign currency	-	-	-	-	-	-	(970.307)	-	(970.307)
Result of the period	-	-	-	-	-	-	-	1.554	1.554
<b>BALANCE AS OF SEPTEMBER 30, 2009</b>	<b>4.495.581</b>	<b>762.340</b>	<b>113.845</b>	<b>1.297</b>	<b>17.399</b>	<b>(1.365)</b>	<b>(452.263)</b>	<b>5.887</b>	<b>4.942.721</b>

The accompanying notes are an integral part of the financial statements

**JBS S.A.**

**Statement of changes in shareholders' equity for the three months period ended September 30, 2009  
(In thousands of Reais)**

	Capital stock	Capital reserve	Revaluation reserve	Profit Reserves		Valuation adjustments to shareholders' equity	Accumulated translation adjustments	Accumulated gain	Total
		goodwill		Legal	For expansion				
<b>BALANCE AS OF JUNE 30, 2009</b>	<b>4.495.581</b>	<b>777.844</b>	<b>115.340</b>	<b>1.297</b>	<b>17.399</b>	<b>(619)</b>	<b>(90.139)</b>	<b>(147.103)</b>	<b>5.169.600</b>
Realization of revaluation reserve	-	-	(1.495)	-	-	-	-	1.495	-
Shares acquisition	-	(15.504)	-	-	-	-	-	-	(15.504)
Valuation adjustments in subsidiaries shareholders' equity	-	-	-	-	-	(746)	-	-	(746)
Accumulated translation adjustments in subsidiaries shareholders' equity	-	-	-	-	-	-	(72.305)	-	(72.305)
Exchange variation rate of investments in foreign currency	-	-	-	-	-	-	(289.819)	-	(289.819)
Result of the period	-	-	-	-	-	-	-	151.495	151.495
<b>BALANCE AS OF SEPTEMBER 30, 2009</b>	<b>4.495.581</b>	<b>762.340</b>	<b>113.845</b>	<b>1.297</b>	<b>17.399</b>	<b>(1.365)</b>	<b>(452.263)</b>	<b>5.887</b>	<b>4.942.721</b>

The accompanying notes are an integral part of the financial statements



**JBS S.A.**
**Statements of cash flows for the nine months period ended September 30, 2009 and 2008  
(In thousands of Reais)**

	Company		Consolidated	
	2009	2008	2009	2008
<b>Cash flow from operating activities</b>				
Net income of the period	1.554	322.914	1.554	322.914
Adjustments to reconcile net income (loss) to cash provided				
. Depreciation and amortization	68.192	48.372	252.826	160.941
. Allowance for doubtful accounts	4.493	3.185	13.277	6.142
. Goodwill amortization	-	134.177	-	134.177
. Minority interest	-	-	(625)	(932)
. Equity in subsidiaries	(202.396)	(214.780)	-	-
. Write-off of fixed assets	2.718	1.608	7.896	3.004
. Deferred income taxes	11.048	(4.057)	102.351	82.917
. Current and non-current financial charges	(450.240)	72.735	25.329	208.656
. Net effect of acquired Company working capital	-	-	-	(147.353)
. Provision for contingencies	4.094	(2.893)	5.193	(10.789)
. Adjustment of assets and liabilities to present value	325	-	325	-
	<b>(560.212)</b>	<b>361.261</b>	<b>408.126</b>	<b>759.677</b>
<b>Variation in operating assets and liabilities</b>				
Increase in trade accounts receivable	(41.330)	(374.735)	(42.366)	(800.193)
Decrease (increase) in inventories	243.158	(216.925)	273.483	(698.683)
Increase in recoverable taxes	(88.439)	(89.040)	(95.342)	(115.084)
Decrease (increase) in other current and non-current assets	91.002	13.795	(56.048)	(551.728)
Increase in credits with related parties	-	(862.864)	(107.465)	(14.811)
Increase (decrease) in trade accounts payable	(125.050)	(104.733)	(285.958)	126.350
Increase in other current and non-current liabilities	120.385	208.139	246.507	801.473
Increase in debits with related parties	1.084.111	-	-	-
Valuation adjustments to shareholders' equity	-	-	(577.883)	-
<b>Net cash provided by (used in) operating activities</b>	<b>723.625</b>	<b>(1.065.102)</b>	<b>(236.946)</b>	<b>(492.999)</b>
<b>Cash flow from investing activities</b>				
Additions to property, plant and equipment and intangible assets	(412.667)	(330.489)	(872.235)	(709.894)
Increase in deferred charges	-	(2.534)	-	(2.776)
Increase in investments	(71.128)	(1.696.360)	(466)	(327.973)
<b>Net cash used in investing activities</b>	<b>(483.795)</b>	<b>(2.029.383)</b>	<b>(872.701)</b>	<b>(1.040.643)</b>
<b>Cash flow from financing activities</b>				
Loans and financings	1.660.894	2.844.292	3.642.263	3.043.993
Payments of loans and financings	(1.721.313)	(1.380.866)	(2.647.180)	(3.022.246)
Increase in capital stock	-	2.550.279	-	2.550.279
Shares acquisition of own emission	(28.530)	(164.511)	(28.530)	(164.511)
<b>Net cash provided by (used in) financing activities</b>	<b>(88.949)</b>	<b>3.849.194</b>	<b>966.553</b>	<b>2.407.515</b>
<b>Effect of exchange variation on cash and cash equivalents</b>	<b>-</b>	<b>-</b>	<b>(113.271)</b>	<b>-</b>
Net increase (decrease) in cash and cash equivalents	150.881	754.709	(256.365)	873.873
Cash and cash equivalents at the beginning of the period	1.522.973	869.784	2.291.617	1.381.703
<b>Cash and cash equivalents at the end of the period</b>	<b>1.673.854</b>	<b>1.624.493</b>	<b>2.035.252</b>	<b>2.255.576</b>

The accompanying notes are an integral part of the financial statements

**JBS S.A.**
**Statements of cash flows for the three months period ended September 30, 2009 and 2008  
(In thousands of Reais)**

	Company		Consolidated	
	2009	2008	2009	2008
<b>Cash flow from operating activities</b>				
Net income of the period	151.495	693.979	151.495	693.979
Adjustments to reconcile net income (loss) to cash provided				
. Depreciation and amortization	24.723	16.761	81.609	52.684
. Allowance for doubtful accounts	1.200	2.160	4.779	4.211
. Goodwill amortization	-	44.733	-	44.733
. Minority interest	-	-	444	(362)
. Equity in subsidiaries	(49.361)	(275.867)	-	-
. Write-off of fixed assets	1.686	783	5.276	2.178
. Deferred income taxes	13.560	(2.642)	65.830	57.738
. Current and non-current financial charges	(189.046)	(153.652)	159.980	152.943
. Provision for contingencies	2.447	(2.893)	4.175	(7.502)
. Adjustment of assets and liabilities to present value	1.242	-	1.242	-
	(42.054)	323.362	474.830	1.000.602
<b>Variation in operating assets and liabilities</b>				
Decrease (increase) in trade accounts receivable	8.766	(168.131)	(18.708)	(253.313)
Decrease (increase) in inventories	(10.767)	7.542	374	(217.637)
Increase in recoverable taxes	(30.353)	(31.867)	(35.060)	(42.381)
Increase in other current and non-current assets	(19.319)	(4.871)	(131.075)	(167.107)
Decrease (increase) in credits with related parties	156	(577.310)	(43.136)	(7.341)
Increase (decrease) in trade accounts payable	1.459	(6.807)	172.013	100.167
Increase in other current and non-current liabilities	67.154	47.188	124.490	181.693
Valuation adjustments to shareholders' equity	-	-	(371.889)	-
	(24.958)	(410.894)	171.839	594.683
<b>Net cash provided by (used in) operating activities</b>				
<b>Cash flows from investing activities</b>				
Additions to property, plant and equipment and intangible assets	(116.790)	(169.031)	(325.840)	(226.567)
Increase in deferred charges	-	(1.284)	-	(1.267)
Increase in investments	(1.519)	(6.671)	(157)	(3.130)
	(118.309)	(176.986)	(325.997)	(230.964)
<b>Net cash used in investing activities</b>				
<b>Cash flows from financing activities</b>				
Loans and financings	266.405	588.210	444.153	680.764
Payments of loans and financings	(350.141)	(467.819)	(509.176)	(1.222.022)
Increase in capital stock	-	-	-	-
Shares acquisition of own emission	(15.504)	(36.772)	(15.504)	(36.772)
	(99.240)	83.619	(80.527)	(578.030)
<b>Net cash provided by (used in) financing activities</b>				
<b>Effect of exchange variation on cash and cash equivalents</b>				
	-	-	(28.721)	-
Decrease in cash and cash equivalents	(242.507)	(504.261)	(263.406)	(214.311)
Cash and cash equivalents at the beginning of the period	1.916.361	2.128.754	2.298.658	2.469.887
<b>Cash and cash equivalents at the end of the period</b>	1.673.854	1.624.493	2.035.252	2.255.576

The accompanying notes are an integral part of the financial statements

# JBS S.A.

Notes to the financial statements for the nine months period ended September 30, 2009 and 2008  
(Expressed in thousands of reais)

## 1 Operating activities

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

The operations of the Company and its subsidiaries consists of:

### a) Activities in Brazil

The Company owns and operates slaughterhouses, cold storage and meat processing operations for the production of beef, canned goods, fat, animal rations and beef by-products, which are produced in the 26 plants located in the States of São Paulo, Goiás, Mato Grosso, Mato Grosso do Sul, Rondônia, Minas Gerais, Acre, Rio de Janeiro and Paraná.

The Company distributes its products through distribution centers located in the State of São Paulo, and a container terminal for export in the city of Santos.

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

Mouran Alimentos Ltda. (Mouran) is a subsidiary which conducts slaughterhouse and cold storage business operations for the production of beef, canned goods, fat, animal rations and beef by-products in its facilities located in the State of São Paulo.

JBS Embalagens Metálicas Ltda. (JBS Embalagens) produces metallic cans in its plant located in the State of São Paulo and Nazário, State of Goiás, which are purchased by the Company.

The subsidiary JBS Confinamento Ltda. (JBS Confinamento) is located in Castilho, State of São Paulo, renders fattening service of bovine for slaughter.

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

### b) Activities abroad

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

JBS Argentina S.A. (JBS Argentina), an indirect wholly-owned subsidiary of the Company, operates slaughterhouses and cold storage facilities for the production of beef, canned goods, fat, animal food and beef by-products, in 7 plants located in the provinces of Buenos Aires, Entre Rios, Santa Fé and Córdoba.

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

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

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

Global Beef Trading Sociedade Unipessoal Lda (Global Beef Trading), an indirect wholly-owned subsidiary of the Company, located in Ilha da Madeira, Portugal, sells bovine meat, birds and porks products. Global Beef Trading imports the products from Latin America and exports to several countries, in Europe, Africa and Asia.

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

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

## JBS S.A.

Notes to the financial statements for the nine months period ended September 30, 2009 and 2008

(Expressed in thousands of reais)

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

In the United States, JBS USA owns eight beef processing facilities, three pork processing facilities, one lamb slaughter facility, one value-added facility for pork and eleven feedlot. In Australia, JBS USA owns ten beef and small animals processing facilities and JBS USA in Australia operates five feedlots that provide grain-fed cattle for its processing operations.

JBS USA divides its business into two big segments: Beef, operating the beef processing business; and pork, operating the pork processing business, both in the U.S. market.

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

The integral subsidiary Montana Alimentari S.p.A. (Montana) is one of the leading Italian companies in the production, marketing and distribution of cured meats, snacks and ready-to-eat meals with over 230 products. Montana owns the well-known brands "Montana" and "IBIS", and Montana owns four facilities, specialized by product line and located in the area distinguished by the Protected Denomination of Origin (P.D.O.) and Protected Geographic Indication (P.G.I.) brands. Montana is also one of the main operators in the Italian canned meat market and pre-sliced products.

## 2 Elaboration and presentation of financial information

The individual and consolidated financial statements for the three and nine months period ended September 30, 2009 have been prepared in accordance with the generally accepted accounting principles in Brazil, that embraces the corporate Brazilian legislation, the Pronouncements, Guidance and Interpretations issued by the Brazilian Accounting Pronouncements Committee - CPC and deliberated by the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários - CVM).

The accounting practices in Brazil were changed during 2008, according to the Law n° 11.638 promulgated on December 28, 2007, with the respective modifications introduced by the Executive Act n° 449 (actual Law n° 11.941/09) of December 3, 2008, and the effects of the initial adoption were only recognized by the Company and its subsidiaries during the fourth quarter of 2008, and published in the financial statements of December 31, 2008.

The statements of income and cash flows to the three and nine months period ended September 30, 2008, presented together with the statements of the current quarter and nine months period, were not adjusted for comparison purposes, according to the option allowed by CVM/SNC/SEP n° 02/2009.

Transitional Tax Regime (Regime Tributário Transitório - RTT) - The amounts presented in financial statements as of September 30, 2009 are considering the adoption of the Tax Regime Transition (RTT) by the Company, as allowed by Law n° 11.941/09, which aims to maintain neutrality tax changes in the Brazilian corporate law, introduced by Law n° 11.638/09 and by the Law n° 11.941/09.

Below are presented the relevant effects in the income statements and shareholder's equity of the three and nine months period ended on September 30, 2008, that would be obtained if were adjusted by the accounting principles in place in the current three and nine months period.

**Effects at the profit & loss for the three and nine months period ended on September 30, 2008 and at shareholder's equity for the nine months period ended on September 30, 2008**

	Quarter		Nine months period			
	Profit and loss		Profit and loss		Shareholder's equity	
	Company	Consolidated	Company	Consolidated	Company	Consolidated
<b>As per accounting principles 2008</b>	<b>693.979</b>	<b>693.979</b>	<b>322.914</b>	<b>322.914</b>	<b>5.763.270</b>	<b>5.763.270</b>
Exchange variation on foreign investments, net	(356.362)	(423.852)	(201.576)	(243.437)	-	-
Equity in subsidiaries	(67.490)	-	(41.861)	-	-	-
Investments goodwill amortization	44.733	44.733	134.177	134.177	134.177	134.177
<b>As per accounting principles 2009</b>	<b>314.860</b>	<b>314.860</b>	<b>213.654</b>	<b>213.654</b>	<b>5.897.447</b>	<b>5.897.447</b>

## JBS S.A.

Notes to the financial statements for the nine months period ended September 30, 2009 and 2008  
(Expressed in thousands of reais)

### 3 Significant accounting practices

#### a) Profit and loss calculation

The operations results are in conformity with the accounting regime of competence. Product sales revenue is recognized when the risk and property are transferred to customers.

#### b) Accounting estimates

The preparation of financial statements in accordance with generally accepted accounting practices in Brazil requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Significant assets and liabilities subjected to these estimates, includes definition of the useful lives of the fixed assets, allowance for doubtful accounts, inventories, deferred taxes, provision for contingencies, valuation of assets and liabilities derivatives instruments. The liquidation of these transactions involving estimates can differ from those estimates.

#### c) Financial instruments

Financial instruments are recognized in the moment that the Company becomes part of the contractual dispositions of the instrument. When a financial asset or liability is initially recognized, it is registered by the fair value, plus transaction costs that are directly attributable to the acquisition or issuance of the financial asset or liability.

In case of financial assets and liabilities classified in the category of fair value through the result, the transaction costs are directly accounted in the profit and loss of the year.

Subsequent measurement of the financial instruments happens in each date of the financial statements according to the rules established for each classification of financial assets and liabilities in: (i) assets and liabilities measured to the fair value through the result, (ii) maintained until the expiration date, (iii) loans and receivables (iv) available for sale.

#### d) Allowance for doubtful accounts

Allowance for doubtful accounts is computed based on the probable loss, which amount is considered sufficient to cover the exposure to possible losses.

#### e) Inventories

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

#### f) Investments

Investments in subsidiaries are accounted according to the equity method.

#### g) Property, plant and equipment, net

Property, plant and equipment are stated at an amount equivalent to their historical acquisition cost plus the amount resulting from the increase in the value of these assets as determined by revaluations performed by independent appraisal firms until December 31, 2007.

As a result of the changes introduced by Law n° 11.638/09, which extinguished the possibility of fixed assets revaluation, since January 1, 2008 the Company and its subsidiaries, based on the option granted by the normative instruction n° 469 from May 2, 2008, opted for maintaining the revaluation balances from December 31, 2007, which will be realized, in its entirety, based on depreciation or disposal of the revaluated assets.

Depreciation is computed using the straight-line method, using rates described in Note 10, which take into account the useful and economic lives of the assets.

#### h) Intangible assets

The intangible assets are stated at the acquisition or formation cost, less the amortization. The intangible assets with indefinite useful lives are not amortized.

The goodwill has not been amortized starting from 2009 according to orientation OCPC 02 endorsed by CVM through the publication CVM/SNC/SEP n° 01/2009.

#### i) Reduction to recovery amount (Impairment)

The items of property, plant and equipment, intangible assets and deferred charges are tested for impairment, at least annually, if indications of potential impairment exist. The goodwill and the intangible assets with indefinite useful lives are tested for impairment on an annual basis, regardless of whether there is any indication of impairment in accordance to CPC 01 - Reduction to recovery amount (Impairment).

## JBS S.A.

Notes to the financial statements for the nine months period ended September 30, 2009 and 2008  
(Expressed in thousands of reais)

### j) Other current and non-current assets

Current and non-current assets are accounted for at realizable value including, if applicable, the related income, charges and monetary variations.

### k) Current and non-current liabilities

Current and non-current liabilities are accounted for at known or estimated amounts, including, if applicable, the related income, charges and monetary variations.

### l) Contingent assets and liabilities

Contingent assets are recognized only when it is "almost certain" their success or based on favorable judicial decisions rendered. Contingent assets with probable a gain are only disclosed in accompanying notes.

Contingent liabilities are accrued when losses are probable and the involved amounts are measurable with enough certainty. Contingent liabilities appraised as possible losses are only published in accompanying notes and the contingent liabilities appraised as remote losses are neither accrued nor disclosed.

### m) Income tax and social contribution

#### Current taxes

Provisions for income tax and social contribution are based on rates and laws and regulations in force.

#### Deferred taxes

The Company records deferred income tax liabilities based on revaluation reserve and temporary differences. The deferred income tax asset is recorded based on fiscal tax losses and temporary differences, and the deferred social contribution asset is recorded based on temporary difference.

### n) Result by share

The result by share is calculated based on the outstanding shares on the date of the financial statements.

### o) Consolidation

All assets and liabilities of JBS S.A. and its subsidiaries revenues and expenses from transactions between JBS S.A. and its subsidiaries were eliminated. No inter-company profits were recorded on the consolidated balance sheet of the Company. Accordingly, the shareholders' equity of JBS S.A. individually is equal to its consolidated shareholders' equity.

The financial statements of the foreign subsidiaries of JBS S.A. were originally prepared in the local currency of the country in which they are located and subsequently, were converted into Reais using the applicable commercial exchange rates reported by the Central Bank of Brazil on the date of the consolidated balance sheet for assets and liabilities, and the average exchange rate of the period to revenues and expenses. The gains and losses due to the conversion are recognized directly in shareholders' equity in the account of accumulated exchange conversion adjustments.

With respect to the Company's investment in JBS Argentina and its subsidiaries and Inalca JBS and its subsidiaries, we have compared the generally accepted accounting principles in Argentina and Italy with the corresponding principles in Brazil applied by the Company, and we have noted that there were no material differences.

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

The accounting practices adopted in the United States of America by JBS USA (US GAAP) are adjusted to Brazilian GAP, according to the following differences:

- Finished goods inventories: valued at market price, and adjusted to production average cost method;
- Permanent assets: includes R\$ 511,156 related to intangible assets and fixed assets goodwill, calculated according to applicable purchasing accounting, and it was adjusted reducing the shareholder's equity.

The subsidiaries companies included in the consolidation are mentioned in the Note 9.

## JBS S.A.

Notes to the financial statements for the nine months period ended September 30, 2009 and 2008

(Expressed in thousands of reais)

### p) Adjustments of assets and liabilities to present value.

The financial long term assets and liabilities are adjusted by its present value, and the short term, when the effect is considered relevant in the financial statements.

In present value calculation, the Company considered the following assumptions: (i) the amount to be deducted, (ii) the dates of execution and settlement, and (iii) the discount rate, according to the precepts of CPC 12.

The discount rate used by the Company considered the current market assessments of the money value over time and the specific risks for each asset.

The purchase and sale operations and the long-term recoverable tax (non-current), or short-term (current) when relevant, in case of addressing the precepts mentioned above, are brought to its present value by adopting a discount rate monthly CDI from 0,69% for the nine months period ended September 30, 2009, and the impacts are presented in the accompanying notes 5, 7 and 12.

### q) Complemental information

In order to provide a better understanding of its financial statements the Company has presented, as complemental information, its consolidated statements Economic Value Added (EVA) report for the three and nine months period ended September 30, 2009. The objective of this report is to demonstrate the wealth generated by the Company, and the distribution of this wealth among the elements that contributed to its generation, such as employees, lenders, shareholders, government and others, as well as the wealth portion not distributed.

## 4 Cash and cash equivalents

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

	Company		Consolidated	
	Sept, 2009	June, 2009	Sept, 2009	June, 2009
Cash and bank accounts	69.784	187.827	401.107	519.595
Certificates of bank deposits - CDB-DI	1.234.663	1.594.628	1.261.710	1.642.646
Investment funds	369.407	133.906	372.435	136.417
	<b>1.673.854</b>	<b>1.916.361</b>	<b>2.035.252</b>	<b>2.298.658</b>

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

## 5 Trade accounts receivable, net

	Company		Consolidated	
	Sept, 2009	June, 2009	Sept, 2009	June, 2009
Receivables not yet due	424.867	464.924	1.360.280	1.387.707
Overdue receivables:				
From 1 to 30 days	39.243	36.955	328.894	408.738
From 31 to 60 days	5.048	9.809	56.016	56.181
From 61 to 90 days	4.138	4.811	12.380	25.447
Above 90 days	10.698	9.703	41.950	42.266
Adjustment to present value	(871)	(852)	(871)	(852)
Allowance for doubtful accounts	(12.764)	(11.564)	(35.627)	(30.848)
	<b>45.492</b>	<b>48.862</b>	<b>402.742</b>	<b>500.932</b>
	<b>470.359</b>	<b>513.786</b>	<b>1.763.022</b>	<b>1.888.639</b>

## JBS S.A.

Notes to the financial statements for the nine months period ended September 30, 2009 and 2008

(Expressed in thousands of reais)

### 6 Inventories

	Company		Consolidated	
	Sept, 2009	June, 2009	Sept, 2009	June, 2009
Finished products	246.351	244.270	1.179.808	1.254.884
Work-in-process	5.805	590	119.356	127.483
Raw-materials	323	323	43.005	46.058
Livestock	-	-	255.380	282.880
Warehouse spare parts	43.873	40.402	237.763	229.866
	<b>296.352</b>	<b>285.585</b>	<b>1.835.312</b>	<b>1.941.171</b>

### 7 Recoverable taxes

	Company		Consolidated	
	Sept, 2009	June, 2009	Sept, 2009	June, 2009
Value-added tax on sales and services (ICMS / IVA / VAT)	453.714	436.433	540.195	515.627
Excise tax - IPI	51.667	51.665	105.570	112.187
Social contribution and taxation on billings - PIS and Cofins	14.379	8.172	27.267	21.470
Income tax withheld at source - IRRF	44.870	38.017	48.352	42.041
Others	9.966	9.956	33.438	34.267
Adjustment to present value	(832)	(785)	(832)	(785)
	<b>573.764</b>	<b>543.458</b>	<b>753.990</b>	<b>724.807</b>
<b>Current and Long-term:</b>				
Current	260.967	434.201	377.420	539.535
Non-current	312.797	109.257	376.570	185.272
	<b>573.764</b>	<b>543.458</b>	<b>753.990</b>	<b>724.807</b>

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

Brazilian law authorizes manufacturers of goods to set off the ICMS tax paid upon the purchase of raw materials against the taxes charged upon the sale of the finished goods manufactured with such raw materials. Recoverable ICMS derives from tax credits received by the Company in connection with ICMS taxes paid upon its purchase of raw-materials, packaging materials and other goods, which are offset against ICMS taxes resulting from the sale of the Company's products. As export sales are exempt from ICMS and a relevant portion of the Company's sales are export sales, a tax credit is generated.

The Tax Authority of the State of São Paulo (*Secretaria da Fazenda do Estado de São Paulo*) filed administrative proceedings against the Company challenging the amount of the Company's ICMS tax credits arising from the purchase of cattle by the Company in other Brazilian states. The Tax Authority of the State of São Paulo claims that the tax incentives granted by such other states were not based upon an agreement with the State of São Paulo, and accordingly, the Tax Authority of the State of São Paulo only recognizes the Company's ICMS tax credits up to the amount of the ICMS tax paid in such other states. The Company's management believes that its accounting of the ICMS tax credit is in accordance with Brazilian law, and expects to be reimbursed of such credits.

Based on studies conducted by the Company's management, supported by its legal counsel, those claims of ICMS were segregated according to their realization, from current to non current, in the amount of R\$ 201,976 in the Company and R\$ 265,749 in consolidated, performed on the quarter ended September 30, 2009.

#### PIS and COFINS (social contribution on net income)

PIS and COFINS tax credits are generated as a result of PIS/COFINS taxes paid by the Company upon its purchase of raw-materials, packaging and other materials used in the manufacturing of its products against the PIS/COFINS taxes paid by Company upon the sale of its finished products. Similarly to ICMS and IPI, as exports of the Company's products are exempt from such taxes, a tax credit is created.

#### IRRF (withholding income tax)

IRRF corresponds to withholding income tax levied upon the redemption of marketable securities by the Company. The Company expects to set off such withholding income taxes against income taxes on net income paid for the applicable period.



## JBS S.A.

Notes to the financial statements for the nine months period ended September 30, 2009 and 2008  
(Expressed in thousands of reais)

### General comments

Based upon final administrative decisions by the *Câmara Superior do Conselho de Contribuintes* and on the opinion of its legal counsels, that believe it is "almost certain" the success in these lawsuits, the Company and JBS Embalagens has performed a monetary adjustment of its tax credits of PIS, COFINS and IPI based on the SELIC rate (which is the reference rate published by the Central Bank of Brazil). After such monetary adjustments, the total PIS, COFINS and IPI tax credits totaled R\$ 139,807. From the total amount the Company received an amount of R\$ 28,986, and will receive an additional amount of R\$ 110,821.

## 8 Related parties transactions

Main transactions between related parties in the balance sheet and income statement are the following:

COMPANY	September 30, 2009			June 30, 2009		
	Trade accounts receivable	Trade accounts payable	Mutual Contracts	Trade accounts receivable	Trade accounts payable	Mutual Contracts
<b>Direct subsidiaries</b>						
Mouran Alimentos Ltda.	-	-	10.982	-	-	9.990
JBS Confinamento Ltda.	214	8.184	74.954	337	870	63.935
JBS Embalagens Metálicas Ltda.	-	1.948	49.279	-	1.580	60.064
JBS Global A/S (Denmark)	-	-	-	-	-	(426)
JBS USA, Inc	-	-	-	366	-	-
Inalca JBS S.p.A	368	4	-	5.785	4	-
JBS Holding Internacional S.A.	-	-	79.496	-	-	64.198
JBS Slovakia Holdings s.r.o.	-	-	(950.850)	-	-	(1.020.092)
<b>Indirect subsidiaries</b>						
JBS Global Beef Company Lda.	48	-	(41.785)	48	-	(45.863)
JBS Global (UK) Limited	18.030	-	-	19.132	-	-
JBS Argentina S.A	-	1.018	-	-	1.059	-
The Tupman Thurlow Co.	12.573	-	14.056	28.364	-	15.227
Global Beef Trading SU Lda.	3.593	-	-	3.060	-	-
Beef Snacks Brasil Ind.Com. Ltda	-	6	72.107	-	1	69.716
Beef Snacks International BV	-	-	3.581	-	-	3.863
JBS HU Ltd	-	-	(89.387)	-	-	(95.219)
Marr Russia L.L.C	2.463	-	-	5.687	4	-
<b>Other related parties</b>						
JBS Agropecuária Ltda.	262	5.231	-	12	874	-
Flora Produtos de Hig. Limp. S.A.	1.692	338	-	6.420	451	-
	<b>39.243</b>	<b>16.729</b>	<b>(777.567)</b>	<b>69.211</b>	<b>4.843</b>	<b>(874.607)</b>

	Nine months period ended September 30, 2009		Nine months period ended September 30, 2008	
	Purchases	Sales of products	Purchases	Sales of products
<b>Direct subsidiaries</b>				
JBS Confinamento Ltda.	39.484	1.576	-	208
JBS Embalagens Metálicas Ltda.	32.442	-	26.522	-
JBS USA, Inc	-	2.831	-	-
Inalca JBS S.p.A	-	26.252	-	10.436
<b>Indirect subsidiaries</b>				
JBS Global (UK) Limited	-	53.100	-	119.292
JBS Argentina S.A	9.302	-	3.508	-
The Tupman Thurlow Co.	-	35.321	-	22.960
Global Beef Trading SU Lda.	-	43.951	-	17.501
Beef Snacks Brasil Ind.Com. Ltda	11	-	7	10.372
Marr Russia L.L.C	-	99.090	-	-
<b>Other related parties</b>				
JBS Agropecuária Ltda.	50.940	1.022	5.426	-
Flora Produtos de Hig. Limp. S.A.	1.418	47.525	-	65.329
	<b>133.597</b>	<b>310.668</b>	<b>35.463</b>	<b>246.098</b>

### Guarantees provided and / or received

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

## JBS S.A.

Notes to the financial statements for the nine months period ended September 30, 2009 and 2008  
(Expressed in thousands of reais)

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

### Details of transactions with related parties

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

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

During the nine months period ended on September 30, 2009 and 2008 was not recorded any allowance for doubtful accounts, and were not recognized any costs of bad debts related to related party transactions.

The consolidated balance of credits with related parties, in the amount of R\$ 356,047 on September 30, 2009 (R\$ 338,041 at June 30, 2009), has the following composition:

#### a) Not consolidated Companies

R\$ 309,534 (R\$ 292,469 as of June 30, 2009) regarding part of the line of credit of US\$ 200 million, with market interests, between the indirect subsidiary JBS Five Rivers and J&F Oklahoma, subsidiary of J&F Participações S.A., not consolidated, where J&F Oklahoma uses this credit for cattle acquisition for fattening that are placed in the fattening of JBS Five Rivers to be prepared for the slaughter.

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

- i) Cattle supply and feeding agreement with JBS Five Rivers, where it takes the responsibility for the cattle from J&F Oklahoma and collects the medicinal and fattening costs, besides a daily fee of rent in line with market terms;
- ii) Sales and purchase cattle agreement with JBS USA of at least 500.000 animals/year, starting from 2009 up to 2011 with market prices.

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

#### b) Partially consolidates Companies

R\$ 46,513 (R\$ 45,572 as of June 30, 2009) regarding credits of partially consolidated subsidiaries, composed by:

	<u>Sept, 2009</u>	<u>June, 2009</u>
Beef Snacks do Brasil Ltda.	36.049	34.388
Beef Snacks International BV.	3.777	3.996
Jerky Snack Brands, Inc.	6.687	7.188
	<u>46.513</u>	<u>45.572</u>

### Remuneration of key management

The key management board includes the Executive Board and Board of Directors. The value of the remuneration received by these key managers for services provided in their respective areas in the nine months period ended on September 30, 2009 and 2008 is as follow:

	<b>Nine months period ended on September 30,</b>		
	<u>Members</u>	<u>2009</u>	<u>2008</u>
Executive Board and Board of Directors	<u>8</u>	<u>3.030</u>	3.103
	<u>8</u>	<u>3.030</u>	<u>3.103</u>

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

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

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

## JBS S.A.

Notes to the financial statements for the nine months period ended September 30, 2009 and 2008  
(Expressed in thousands of reais)

### 9 Investments in subsidiaries

Relevant information about subsidiaries in the three months period ended on September 30, 2009:

September 30, 2009	Number of shares (Thousand)	Participation	Capital stock	Shareholders' equity	Net income (loss)
JBS Embalagens Metálicas Ltda.	10.002	99,00%	2	34.166	(918)
JBS Global Investments S.A.	93.000	100,00%	165.363	58.355	(13.603)
JBS Holding Internacional. S. A.	679.153	100,00%	679.153	296.670	(53.246)
JBS Global A/S	1.250	100,00%	143.559	152.151	(7.641)
Mouran Alimentos Ltda.	120	70,00%	120	(26.620)	(1.202)
JBS USA, Inc.	0,1	100,00%	1.683.709	2.153.754	101.436
JBS Trading USA, Inc.	20	100,00%	20	(267)	(2.401)
JBS Confinamento Ltda.	65.001	100,00%	65.001	60.056	486
Inalca JBS S.p.A	280.000	50,00%	728.302	956.048	16.152
JBS Slovakia Holdings, S.R.O	0,001	100,00%	1.342.568	1.258.957	18.006
JBS Couros Ltda.	1	100,00%	1	1	-

	June 30,2009	Addition (disposal)	Exchange rate variation (i)	Equity in subsidiaries		September 30, 2009
				Shareholders' Equity (ii)	Income Statements	
JBS Embalagens Metálicas Ltda.	34.732	-	-	-	(908)	33.824
JBS Global Investments S.A.	77.505	-	(8.124)	2.576	(13.603)	58.354
JBS Holding Internacional. S. A.	388.723	-	-	(38.807)	(53.246)	296.670
JBS Global A/S	165.867	1.519	(9.096)	1.502	(7.641)	152.151
Mouran Alimentos Ltda.	(17.793)	-	-	-	(841)	(18.634)
JBS USA, Inc.	2.210.973	-	(170.894)	12.241	101.433	2.153.753
JBS Trading USA, Inc.	2.075	-	(310)	369	(2.401)	(267)
JBS Confinamento Ltda.	59.570	-	-	-	486	60.056
Inalca JBS S.p.A	497.751	-	(25.719)	(2.084)	8.076	478.024
JBS Slovakia Holdings, S.R.O	1.361.426	-	(71.627)	(48.848)	18.006	1.258.957
JBS Couros Ltda	-	-	-	-	-	-
Transfer to Other current liabilities	-	-	-	-	-	-
(Negative equity Mouran)	17.793	-	-	-	-	18.901
<b>Total</b>	<b>4.798.622</b>	<b>1.519</b>	<b>(285.770)</b>	<b>(73.051)</b>	<b>49.361</b>	<b>4.491.789</b>

(i) - As defined in CPC 12, refers to the exchange rate variation of foreign currency investments that are accounted under the equity method, which was accounted directly to shareholders' equity of the Company on the line "Accumulated translation adjustments".

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

## JBS S.A.

Notes to the financial statements for the nine months period ended September 30, 2009 and 2008  
(Expressed in thousands of reais)

### 10 Property, plant and equipment, net

Company	Annual depreciation rates	Cost	Revaluation	Accumulated depreciation	Net amount	
					Sept, 2009	June, 2009
Buildings	4%	582.161	116.742	(50.295)	<b>648.608</b>	491.677
Land	-	107.579	9.352	-	<b>116.931</b>	116.821
Machinery & equipment	10%	556.725	44.940	(99.998)	<b>501.667</b>	470.433
Facilities	10%	93.824	21.815	(28.698)	<b>86.941</b>	89.030
Computer equipment	20%	16.002	751	(9.439)	<b>7.314</b>	7.147
Vehicles	20%	143.786	195	(51.366)	<b>92.615</b>	38.080
Construction in progress	-	642.684	-	-	<b>642.684</b>	793.086
Others	10 to 20%	22.569	3.871	(11.610)	<b>14.830</b>	14.935
		<b>2.165.330</b>	<b>197.666</b>	<b>(251.406)</b>	<b>2.111.590</b>	<b>2.021.209</b>

Consolidated	Annual depreciation rates	Cost	Revaluation	Accumulated depreciation	Net amount	
					Sept, 2009	June, 2009
Buildings	3 to 20%	1.612.303	116.742	(188.829)	<b>1.540.216</b>	1.441.038
Land	-	571.595	9.352	(28.179)	<b>552.768</b>	575.024
Machinery & equipment	8 to 10%	2.046.757	44.940	(648.877)	<b>1.442.820</b>	1.437.542
Facilities	10%	99.091	21.815	(29.810)	<b>91.096</b>	93.332
Computer equipment	20 to 100%	68.276	751	(38.648)	<b>30.379</b>	32.233
Vehicles	14 to 50%	194.526	195	(68.185)	<b>126.536</b>	73.239
Construction in progress	-	1.005.126	-	-	<b>1.005.126</b>	1.143.455
Others	10 to 100%	90.315	3.871	(43.666)	<b>50.520</b>	56.741
		<b>5.687.989</b>	<b>197.666</b>	<b>(1.046.194)</b>	<b>4.839.461</b>	<b>4.852.604</b>

Construction in progress represents the investments in amplification, modernization and adaptation of the cold storage industrial units, seeking the maintenance and obtaining of new certifications demanded by the market. Upon completion and commencement of these assets operation, they are transferred to the appropriate account, and after it recognized the depreciation of that items.

Until December 2007, supported by appraisal reports from SETAPE- Serviços Técnicos de Avaliações do Patrimônio e Engenharia S/C Ltda., the Company made an appraisal of its facilities, resulting in an increase in the value of these assets, and the creation of the revaluation reserve and the related deferred income tax and social contribution provisions. As of September 30 2009, the balance of the Company's revaluation of fixed assets account was R\$ 197,666, the balance of the Company revaluation reserve account was R\$ 113,845, and the balance of the Company income tax and social contribution account was R\$ 54,074. The Company recorded accrued depreciation of R\$ 29,747 with respect to the Company's revaluation of fixed assets as of September 30, 2009.

### 11 Intangible assets, net

	Company		Consolidated	
	Sept, 2009	June, 2009	Sept, 2009	June, 2009 (reclassified)
Goodwill	<b>889.615</b>	902.684	<b>1.821.759</b>	1.830.377
Trademarks	<b>9.615</b>	9.615	<b>9.615</b>	9.615
Water rights	-	-	<b>29.904</b>	33.039
	<b>899.230</b>	<b>912.299</b>	<b>1.861.278</b>	<b>1.873.031</b>

#### Goodwill

##### In the Company

In July 2007 the Company acquired 100% of the capital stock of Swift Foods Company, currently known as JBS USA Holdings, Inc., and paid a goodwill of R\$ 877,609, based on the expectation of future profitability. The goodwill was been amortized as long as such profits are earned, during a period of five years. The accumulated goodwill amortization until December 31, 2008 is R\$ 248,656.

## JBS S.A.

Notes to the financial statements for the nine months period ended September 30, 2009 and 2008

(Expressed in thousands of reais)

In January 2007 the Company acquired 100% of the capital stock of JBS Trading USA, Inc., and paid a goodwill of R\$ 21,725 based on the expectation of future profitability of the subsidiary. The goodwill was been amortized as long as such profits are earned, during a period not exceeding ten years. The accumulated goodwill amortization until December 31, 2008 is R\$ 6,035.

In March of 2008 the Company acquired 50% of the capital stock of Inalca S.p.A., currently known as Inalca JBS, and paid a goodwill of EUR 94,181, which correspond as of September 30, 2009 to R\$ 244,972, based on the expectation of future profitability.

The Company, according to normative instruction of CVM nº 565, from December 17, 2008, and normative instruction nº 553, from November 12, 2008, adopted the criteria of no longer amortizing goodwill starting on the fiscal year beginning on January 1, 2009. It should be noted that intangible assets with indefinite useful lives are no longer amortized according to these deliberations.

The goodwill and intangible assets without estimated useful life are tested at least annually for impairment according to CPC 01 (CVM Resolution nº 527/07).

### In subsidiary

JBS USA has a goodwill in the amount of US\$ 491,729 thousand, corresponding as of September 30, 2009 to R\$ 874,343 represented, mainly, by the acquisition in 2008 of Smithfield, Tasman and Five Rivers, preliminary calculated and subject to adjustments.

In 2007, JBS Holding International S.A., through its subsidiaries JBS Argentina S.A. and JBS Mendoza S.A., acquired 100% of the capital stock of Consignaciones Rurales S.A. and Argenvases S.A.I.C. and in 2008, through the same subsidiaries, acquired 100% of the capital stock of Colcar S.A., with a total goodwill in these acquisition of \$53,341 thousand Argentinean pesos, that corresponds as of September 30, 2009 to R\$ 24,687. These goodwill are based on the expectation of future profitability.

Inalca JBS has a goodwill of EUR 12.731 thousand, which corresponds as of September 30, 2009 to R\$ 33,114 from the acquisition of the companies Montana, and Frimo Guardamiglio, based on the appreciation of assets.

## 12 Trade accounts payable

	Company		Consolidated	
	Sept, 2009	June, 2009	Sept, 2009	June, 2009
Commodities	149.567	172.842	692.408	680.630
Materials and services	100.001	86.790	719.122	672.373
Finished products	14.199	3.087	62.016	26.690
Adjustment to present value	(951)	(2.128)	(951)	(2.128)
	<b>262.816</b>	<b>260.591</b>	<b>1.472.595</b>	<b>1.377.565</b>

## JBS S.A.

Notes to the financial statements for the nine months period ended September 30, 2009 and 2008  
(Expressed in thousands of reais)

### 13 Loans and financings

#### a) Company

Modality	Annual average rate of interest and commissions	Sept, 2009	June, 2009
<b>Financing for purchase of fixed assets:</b>			
FINAME / FINEM - Enterprise financing	TJLP-UMBNDDES index rate and interest rate of 3.0%	<b>204.560</b>	205.515
		<b>204.560</b>	<b>205.515</b>
<b>Loans for working capital purposes:</b>			
ACC - Exchange advance contracts	Exchange rate variation and interest rate LIBOR + 2.00%	<b>906.623</b>	975.872
EXIM - BNDES export credit facility	TJLP and interest rate of 3.0%	<b>122.458</b>	112.325
Fixed Rate Notes with final maturity in February 2011 (Eurobonds)	Exchange rate variation and interest rate of 9.375%	<b>495.981</b>	544.237
Working Capital	CDI and interest rate of 6.0%	<b>17.147</b>	16.613
Export prepayment	Exchange rate variation and interest rate of Libor + 1.0%	<b>248.476</b>	285.308
Fixed Rate Notes with final maturity in February 2016 (144-A) NCE / COMPROR	Exchange rate variation and Interest rate of 10.5%	<b>542.921</b>	610.753
	CDI and interest rate of 2.0%	<b>1.481.017</b>	1.477.179
		<b>3.814.623</b>	<b>4.022.287</b>
<b>Total Loans and Financings</b>		<b>4.019.183</b>	<b>4.227.802</b>
<b>Current and Non-Current</b>			
Current		<b>1.843.082</b>	1.900.295
Non-current		<b>2.176.101</b>	2.327.507
		<b>4.019.183</b>	<b>4.227.802</b>
<b>Long-term installments have the following maturities:</b>			
2010		<b>121.326</b>	167.218
2011		<b>1.005.510</b>	1.056.600
2012		<b>282.578</b>	286.509
2013		<b>229.174</b>	229.317
2014		<b>4.084</b>	2.383
2016		<b>533.429</b>	585.480
		<b>2.176.101</b>	<b>2.327.507</b>

## JBS S.A.

Notes to the financial statements for the nine months period ended September 30, 2009 and 2008

(Expressed in thousands of reais)

### b) Consolidated

Modality	Annual average rate of interest and commissions	Sept, 2009	June, 2009
<b>Financing for purchase of fixed assets:</b>			
FINAME / FINEM - Enterprise financing	TJLP-UMBNDDES index rate and interest rate of 3.0%	<b>204.884</b>	205.750
Notes Payable	Interest rate Libor + 1.75% and interests of 3.0% to 7.25%	<b>17.002</b>	19.826
		<b>221.886</b>	<b>225.576</b>
<b>Loans for working capital purposes:</b>			
ACC - Exchange advance contracts	Exchange rate variation and interest rate LIBOR + 2.00%	<b>1.032.833</b>	1.104.303
EXIM - BNDES export credit facility	TJLP and interest rate of 3.0%	<b>122.458</b>	112.325
Fixed Rate Notes with final maturity in February 2011 (Eurobonds)	Exchange rate variation and interest rate of 9.375%	<b>495.981</b>	544.237
Senior Unsecured Notes due in 2014 (US bonds)	Interest rate of 11.625%	<b>1.227.336</b>	1.302.242
Working Capital - American Dollars	Libor + Interest rate of 1.1% to 3.2%	<b>52.234</b>	161.774
Working Capital - Australian Dollars	BBSY + 0,975% to 1,60%	<b>53.272</b>	16.360
Working Capital - Euros	Euribor + Interests 0.15% - 1.75%	<b>356.444</b>	344.868
Working Capital - Reais	CDI and interest rate of 6.0%	<b>17.147</b>	16.613
Export prepayment	Exchange rate variation and interest rate of Libor + 1.0%	<b>248.476</b>	285.308
Fixed Rate Notes with final maturity February 2016 (144-A) NCE / COMPROR	Exchange rate variation and Interest rate of 10.5%	<b>542.921</b>	610.753
	CDI and interest rate of 2.0%	<b>1.506.122</b>	1.502.011
		<b>5.655.224</b>	<b>6.000.794</b>
<b>Total</b>		<b>5.877.110</b>	<b>6.226.370</b>
<b>Current and Non-Current</b>			
Current		<b>2.437.396</b>	2.411.857
Non-current		<b>3.439.714</b>	3.814.513
		<b>5.877.110</b>	<b>6.226.370</b>
<b>Long-term installments have the following maturities:</b>			
2010		<b>129.574</b>	180.394
2011		<b>1.026.394</b>	1.182.729
2012		<b>302.216</b>	307.242
2013		<b>241.013</b>	242.281
2014		<b>1.169.551</b>	1.276.850
2016		<b>570.966</b>	625.017
		<b>3.439.714</b>	<b>3.814.513</b>

Exchange Advance Contracts (ACCs) are credits taken with financial institutions by the Company and by its subsidiary JBS Holding Internacional S.A., on the amount of US\$ 580,863 thousands on September 30, 2009 (US\$ 565,845 thousands on June 30, 2009) and are used to finance the export sales.

Outstanding amounts of export pre-payment loans are an export finance credit facility, and were US\$ 139,742 thousands on September 30, 2009 (US\$ 146,192 thousands on June 30, 2009), used to finance the purchase of raw materials used in the Company's export products.

NCE (*Notas de Crédito à Exportação*)/COMPROR are an export finance credit facility linked to COMPROR used to finance the purchase of raw materials used in the Company's and in the subsidiary Mouran export products.

## JBS S.A.

Notes to the financial statements for the nine months period ended September 30, 2009 and 2008

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### Guarantees provided

EUROBONDS - JBS S.A. issued 9.375% fixed rate notes due in 2011 in total aggregate amounts of US\$200 million on February 6, 2006 and US\$75 million on February 14, 2006. These notes are guaranteed by JBS S.A. and J&F Participações S.A., as bondsman.

144-A - JBS S.A. also issued the 10.5% fixed rate notes due on 2016 in the total aggregate amount of US\$300 million on July 28, 2006. These notes are also guaranteed by the Company, as bondsman.

US BONDS - On April 27, 2009, the subsidiary JBS USA issued 11.625% USD BONDS in the amount of US\$ 700 million due in 2014. These notes are guaranteed by the Company and JBS USA and its subsidiaries. The original issue discount of approximately \$48.7 million will be accreted over the life of the notes, as bondsman.

FINAME / FINEM - Contracts with BNDES financing is secured by the financed fixed assets.

### 14 Payroll, social charges and tax obligation

	Company		Consolidated	
	Sept, 2009	June, 2009	Sept, 2009	June, 2009
Payroll and related social charges	26.641	27.728	84.903	92.424
Accrual for labor liabilities	51.615	46.735	186.958	174.247
Income tax	-	9	57.964	60.616
ICMS / VAT tax payable	6.696	6.633	7.165	6.801
PIS / COFINS tax payable	32.081	14.583	32.081	14.583
Others	8.840	6.753	31.195	30.528
	<b>125.873</b>	<b>102.441</b>	<b>400.266</b>	<b>379.199</b>

### 15 Provision for contingencies

The Company and its subsidiaries are parties in several legal and administrative proceedings arising from the ordinary course of their respective businesses, including labor proceedings, civil proceedings and tax proceedings based on the estimate of its legal advisors. The Company has established provisions in its financial statements for the contingencies arising from these proceedings based on the estimates provided by its legal advisors. The table below sets forth the main information about the legal and administrative proceedings as of September 30, 2009:

	Company				Consolidated	
	Sept, 2009		June, 2009		Sept, 2009	June, 2009
	Number of lawsuits	Provision	Number of lawsuits	Provision	Provision	Provision
Labor	2.212	23.538	1.695	21.014	26.430	23.790
Civil	182	1.914	166	2.390	10.124	10.596
Tax	173	26.886	161	26.487	27.650	26.912
<b>Total</b>	<b>2.567</b>	<b>52.338</b>	<b>2.022</b>	<b>49.891</b>	<b>64.204</b>	<b>61.298</b>

#### Tax Proceedings

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

The Tax Authority of the State of São Paulo (Secretaria da Fazenda do Estado de São Paulo) filed several administrative proceedings against the Company, under which the Tax Authority challenges the amount of the Company's ICMS tax credits arising from the purchase of cattle and meat transfer by the Company in other Brazilian states. The Tax Authority of the State of São Paulo claims that the tax incentives should be approved by Confaz, and are known as a "Tax War". The Tax Authority of the State of São Paulo do not recognizes the Company's ICMS tax credits up to the amount of the ICMS tax guaranteed in such other states. The Company estimates that the claims under these administrative proceedings amount to R\$ 126,176 in the aggregate. In addition to presenting its defense in such administrative proceedings, the Company has filed legal proceedings seeking the payment of damages from such other states if the Tax Authority of the State of São Paulo prevails in these administrative proceedings.

The legal proceedings filed by the Company suspended the requirements of the State of São Paulo. Based on the opinion of the Company's legal counsels, the Company's management established a provision for losses arising from such administrative and legal proceedings in the amount of R\$ 1,258.



## JBS S.A.

Notes to the financial statements for the nine months period ended September 30, 2009 and 2008  
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The Tax Authority of the State of Goiás filed other administrative proceedings against the Company, due to interpretation divergences of the Law concerning the export VAT credits. Based on the opinion of the Company's external legal counsel, the management of the Company believes the Company will prevail in most of these proceedings, on the amounting of R\$ 204,094. The Company's management has recorded a provision for losses arising from such administrative proceedings in the amount of R\$ 4,185.

### b) PIS (Programa de Integração Social) and COFINS (Contribuição para Financiamento da Seguridade Social)

The Company has filed administrative proceedings challenging the calculation method used in the assessment of PIS and COFINS by the Federal Tax Authority (Secretaria da Receita Federal). The Company's management estimates that the contingencies arising from these legal proceedings amount to R\$6,969 in the aggregate. Based on the opinion of the Company's legal counsels and recent decisions granted by the Brazilian Federal Supreme Court (Supremo Tribunal Federal), the Company's management has recorded a provision for losses arising from such legal proceedings in the amount of R\$3,793.

### c) Social contributions — Rural Workers' Assistance Fund (FUNRURAL)

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

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

In order to preserve its claims under the administrative proceeding and to avoid the lapse of the applicable statute of limitations period relating to these claims, the INSS sent the Company tax default notices (*notificações fiscais de lançamento de débito*) with respect to the contributions allegedly owed by the Company for the period from January 2001 to December 2003, in the amount of R\$ 69,200, and from 2003 until 2006, in the amount of R\$ 198,800, with the aggregate amount of R\$ 268,000. In its defense to these default notices, the Company argued that it did not pay the contributions with respect to the period described in such notices in light of the favorable decision issued by the trial court reviewing the writ of mandamus action, which ordered the stay of the administrative proceedings and enjoined the INSS from collecting the contributions from the Company until a final decision is reached under such action.

An ongoing legal proceeding arguing as to the unconstitutionality of the contribution to the Rural Workers' Assistance Fund, with issues and factual circumstances similar to the writ of mandamus action is currently under review by the Brazilian Federal Supreme Court (*Supremo Tribunal Federal*). Up to the present moment, five of the ten judges opining on this proceeding have voted to declare this contribution unconstitutional and no judge has issued a dissenting opinion on this matter.

Based on this and other precedents and on the opinions of its external legal counsel, the Company's management believes the Company will prevail in these proceedings. Accordingly, the Company's management has not established any provision for contingencies arising from these proceedings. Currently, the Company is not forced to apply any discount, or pay the amount. In case any discount is made, due to commercial negotiation, the Company apply the discount and deposits it in Judgment, accomplishing the judicial decision.

The Company actually cannot assure that the INSS will not file other legal proceedings or issue default notices as a result of its failure to pay these social contributions for other fiscal years not covered by the administrative proceedings and default notices filed against the Company. In addition, the Company is granted an unfavorable decision under these administrative and legal proceedings, and INSS will not just be able to demand the withdrawal from the values of the debit notifications, estimate effect of R\$ 38,000, as well as the values that have not been discounted, estimate effect of R\$ 43,600, that will result in a total estimate exposure of R\$ 81,600.

### d) Other Tax Proceedings

The Company is also party to 100 other tax lawsuits and administrative proceedings. Contingencies arising from these proceedings are not material to the Company if considered on an individual basis. We highlight the proceedings with probable risk of loss, which have been provisioned for in the aggregate amount of R\$ 17,650.

### Labor Proceedings

As of September 30, 2009 the Company was party to 2,212 labor and accident proceedings, involving total value of R\$ 135,833. Based on the opinion of the Company's external legal counsel, the Company's management recorded a provision in the amount of R\$23,538 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.

## JBS S.A.

Notes to the financial statements for the nine months period ended September 30, 2009 and 2008  
(Expressed in thousands of reais)

### Civil Proceedings

#### a) Slaughterhouse at Araputanga

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

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

In the lawsuit, Frigorífico Araputanga claimed that the sale of the slaughterhouse should be nullified as the Company did not obtain the consent of SUDAM in order to register the public deed with the applicable real estate notary. In January 2005, the court of appeals (Tribunal de Justiça do Mato Grosso) held that the Company had complied with all material terms of the purchase agreement. The lawsuit was subsequently submitted to the review of the Federal Court of Cáreres, under n° 2005.36.01.001618-8, in light of the inclusion of the Federal Government as a party to the lawsuit. The Company obtained the consent of Unidade de Gerenciamento dos Fundos de Investimento - UGFIN, the successor of SUDAM, according to the Federal Regional Court of the 1st Region (Tribunal Federal da 1ª Região) decision, under Proceedings n° 2006.01.00.024584-7.

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

#### b) Trademark Infringement

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

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

In light of the foregoing, the Company's management established a provision for losses arising from this lawsuit in the amount of R\$600. Following a determination of the judge of the trial court, the lawsuit was submitted to the review of the Federal Court of Cáreres on January 17, 2007. The judge of the Federal Court of Cáreres determined that this lawsuit be joined with the lawsuit relating to the purchase of the slaughterhouse by the Company from Frigorífico Araputanga. The Federal Government will be notified to issue an opinion on the matter under discussion in this lawsuit. Based on the Company's legal counsel opinion supported by precedents of the Federal Brazilian Supreme Court (Supremo Tribunal Federal) and the Brazilian Superior Court of Justice (Superior Tribunal de Justiça), the Company's management believes that the Company will prevail in these proceedings.

#### c) Other civil proceedings

The Company is also party to other civil proceedings that in the evaluation of the Administration and its legal advisers, the loss expectation on September 30, 2009 is of R\$ 1,314.

## JBS S.A.

Notes to the financial statements for the nine months period ended September 30, 2009 and 2008

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### Other proceedings

On September 30, 2009, the Company had other ongoing civil, labor and tax proceedings, on the approximately amounting of R\$ 111,834, whose materialization, according to the evaluation of legal advisors, it is possible to loss, but not probable, for which the Company's management does not consider necessary to set a provision for possible loss, in line with the requirements of the CVM nº 594 from 2009.

### 16 Debit with third parties for investment

Refers to the amount of 65 million Euros, corresponding September 30, 2009 to R\$ 169,070 (R\$ 178,090 at June 30, 2009), that will be increased in Inalca's purchase price in case the Company achieves at least one of the following economic targets: EBITDA average over business year 2008, 2009 and 2010 equal or greater than Euro 75 million, or alternatively, EBITDA over business year 2010 equal or greater than Euro 90 million. In case none of these financial metrics is reached, the debit will be reverted against the goodwill of the acquisition.

### 17 Income taxes

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

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

	Nine month period ended on September 30,	
	2009	2008
Income (loss) before income tax and social contribution	10.370	316.422
<b>Addition (exclusion), NET:</b>		
Permanent differences (substantially equity in subsidiaries)	(195.967)	(419.014)
Temporary differences	(32.494)	11.933
	<b>(218.091)</b>	<b>(90.659)</b>
<b>Calculation basis for income tax and social contribution</b>		
Income tax and CSLL	-	-
Reversal of income tax and CSLL of revaluation	2.232	2.435
	<b>2.232</b>	<b>2.435</b>
Temporary differences	32.494	(11.933)
	<b>(11.048)</b>	<b>4.057</b>

#### b) Deferred income tax and social contribution

	Company		Consolidated	
	Sept, 2009	June, 2009	Sept, 2009	June, 2009
<b>Assets:</b>				
. On tax losses and temporary differences	30.621	29.292	371.176	437.791
	<b>30.621</b>	<b>29.292</b>	<b>371.176</b>	<b>437.791</b>
<b>Liabilities:</b>				
. On revaluation reserve and temporary differences	100.263	86.145	701.717	732.332
	<b>100.263</b>	<b>86.145</b>	<b>701.717</b>	<b>732.332</b>

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

### 18 Shareholders' equity

#### a) Capital Stock

The Capital Stock on September 30 and June 30, 2009 is represented by 1,438,078,926 ordinary shares, without nominal value. From the total shares, as described in letter e) below, 39,156,300 shares are maintained in treasury.

The Company is authorized to increase its capital by an additional 22,600,000 ordinary nominative shares.

## JBS S.A.

Notes to the financial statements for the nine months period ended September 30, 2009 and 2008  
(Expressed in thousands of reais)

### b) Profit reserves

#### Legal reserve

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

#### Reserve for expansion

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

### c) Revaluation reserve

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

### d) Dividends

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

### e) Treasury shares

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

On September 30, 2009, the Company maintained 39,156,300 treasury shares, with an average unit cost of R\$ 5.71, and the minimum and maximum acquisition prices were R\$ 2.68 and R\$ 8.53, respectively.

The market value of the shares according to the BOVESPA as of September 30, 2009 was R\$ 9.22.

## 19 Financial income (expense), net

	Company		Consolidated	
	Three month period ended on September 30, 2009	Three month period ended on September 30, 2008	Three month period ended on September 30, 2009	Three month period ended on September 30, 2008
Exchange variation	287.003	225.201	195.146	232.099
Results on derivatives	(211.251)	261.594	(224.121)	278.187
Interest - Loss	(94.625)	(103.882)	(177.059)	(130.397)
Interest - Gain	66.495	37.850	217.480	38.323
Taxes, contribution, tariff and others	(2.569)	(4.621)	(3.649)	(9.522)
	<b>45.053</b>	<b>416.142</b>	<b>7.797</b>	<b>408.690</b>

The financial income for the three month period ended September 30, 2008 is positively affecting, by a significant amount, by exchange variation rate of the permanent investments in foreign currency. The impact of the referred exchange variation rate in the consolidated financial income is R\$ 423,852 and did not impact on EBTIDA

## 20 Insurance coverage

The Company adopts the policy of maintaining insurance coverage for property, plant and equipment and inventories that are subject to risks, in the amounts considered sufficient to cover any loss arising from such risks. Due to the multi-location aspect of its business, the Company contracts insurance covering the maximum possible loss per operational unit. The insurance covers the following events: fire, flood and landslide.

As of September 30, 2009 the maximum individual coverage was R\$ 99,000, considering all types of risks.

The insurance coverage related to the controlled company JBS Argentina has the same characteristics as explained above, and the maximum coverage as of September 30, 2009 was US\$ 32 million (equivalent to R\$ 56,899).

The insurance coverage related to the controlled Company JBS USA, Inc. has the same characteristics as explained above, and the maximum coverage as of September 30, 2009 was US\$200 million (equivalent to R\$ 355,620).

The insurance coverage related to the controlled Company Inalca JBS has the same characteristics as explained above, and the maximum coverage as of June 30, 2009 was Euros 141 million (equivalent to R\$ 366,752).

## JBS S.A.

Notes to the financial statements for the nine months period ended September 30, 2009 and 2008  
(Expressed in thousands of reais)

### 21 Risk management and financial instruments

The Company's operations are exposed to market risks, mainly related to changes in exchange rates, credit worthiness of its customers, interest rates and cattle prices and uses derivatives financial instruments to reduce the exposure to those risks.

#### a) Management risk policy

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

#### b) Management risks objectives and strategies

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

#### c) Discretion of the Treasury

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

As of September 30, 2009 the VAR (Value at Risk) of the derivatives portfolio for the period of one day, with a confidence interval of 99%, was R\$ 25.177.

#### d) Interest rate risk

The risk of interest rate on short term investments, loans and financing is reduced by the strategy of equalization of the rates contracted to CDI through forward contracts on the Stock Exchange. The parameters for coverage take into consideration the relevance of the net exposure, based on amounts, terms and interest rates compared to the CDI. The internal controls used for risk management and coverage are made through spreadsheets and monitoring of operations performed and calculation of VAR for 1 day with a confidence interval of 99%. The nominal values of these contracts are not recorded in the financial statements. The results of the daily adjustments of position of forward contracts on the Stock Exchange, Commodity and Forward are recognized as income or expense in the income statement accounts. The risk of exposure to interest rate of the Company on September 30, 2009 is described below:

	Sept, 2009	June, 2009
FINAME / FINEM	204.560	205.515
EXIM	122.458	112.325
Working capital	17.147	16.613
NCE / Compror	1.481.017	1.477.179
CDB-DI	(1.234.663)	(1.594.628)
Investments funds	(369.407)	(133.906)
	<b>221.112</b>	<b>83.098</b>

On September 30, 2009 there were not contracted and non-settled position of derivatives in BM&F to cover these specific risks.

## JBS S.A.

Notes to the financial statements for the nine months period ended September 30, 2009 and 2008

(Expressed in thousands of reais)

### e) Exchange variation risks

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

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

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

EXPOSURE	Sept, 2009	June, 2009	Income Statements effects	
			Exchange variation	Derivatives
<b>OPERATING</b>				
Accounts receivable - US\$ / € / £	189.540	255.244	(32.443)	33.462
Investments - US\$ / €	4.770.758	5.040.191	-	-
Inventories destined to export - cattle	44.732	34.763	-	988
Sales order - US\$ / € / £	290.242	275.437	(445)	26.035
<b>Subtotal</b>	<b>5.295.272</b>	<b>5.605.635</b>	<b>(32.888)</b>	<b>60.485</b>
<b>FINANCIAL</b>				
Credits with subsidiaries - US\$ / €	(992.276)	(977.575)	102.197	
Loans and financings - US\$	(2.365.710)	(2.416.170)	217.284	(271.736)
Imports payable - US\$	(2.937)	(4.017)	410	
Amounts receivable (payable) of forward contracts, NET	(3.619)	24.508	-	
<b>Subtotal</b>	<b>(3.364.542)</b>	<b>(3.373.254)</b>	<b>319.891</b>	<b>(271.736)</b>
<b>TOTAL</b>	<b>1.930.730</b>	<b>2.232.381</b>	<b>287.003</b>	<b>(211.251)</b>

Investments - It was deliberated, in the Council of Administration meeting, that the Hedge of the investments in overseas companies should not be done.

Sales orders - The notional amount is not registered in financial statements. Starting in 2008, in accordance with the pronouncement CPC 14, the Company started to account the sales orders exchange variation to offset the effects of the hedge instruments of these same orders.

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

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Notes to the financial statements for the nine months period ended September 30, 2009 and 2008

(Expressed in thousands of reais)

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

	Sept, 2009	June, 2009
Trade accounts receivable - US\$ / € / £	189.540	255.244
Sales order - US\$ / € / £	290.242	275.437
Loans and financings - US\$	(2.365.710)	(2.416.170)
Imports payable - US\$	(2.937)	(4.017)
	<b>(1.888.865)</b>	<b>(1.889.506)</b>
Forwards (BM&F) - Parent Company	1.411.717	1.507.611
Swap (over-the-countermark - CETIP) - Parent Company	177.810	195.160
	<b>1.589.527</b>	<b>1.702.771</b>
Foreign currency exposure in R\$	<b>(1.888.865)</b>	<b>(1.889.506)</b>
Notional protection	<b>1.589.527</b>	<b>1.702.771</b>
<b>Relation</b>	<b>84%</b>	<b>90%</b>

Through the subsidiary JBS Global Investments, the Company administrate the treasury positions in foreign currency, with the objective of protecting exposures represented by financial assets and liabilities denominated in foreign currency. In case the positions were considered derivative for protection purposes, contracted by the subsidiary JBS Global Investments, the relation between the exposure and notional protection of the Company, as of September 30 and June 30, 2009, would be, respectively, 93% and 116%.

### Derivative financial instruments balances composition for assets protection

Derivative	Maturity	Receivable	Payable	Counterpart of the Principal	Reference value (notional US\$)	Market value R\$	Impact in the income of the quarter
Swap (counter market- CETIP)	November, 2009	US\$ (VC) + 6% per year	R\$/CDI (weighted average 120% of CDI)	Credit Suisse Equity Hedge Fund	100.000	177.810	(20.051)
Forward (BM&F)	November, 2009	US\$ (VC)	R\$	BM&F	793.000	1.411.717	(174.735)

#### f) Credit risks

The Company is potentially subject to credit risks related to accounts receivable. Strategies to reduce the credit risk is based on the spread of portfolio, not having customers or business group representing over 10% of consolidated sales, credit-related financial ratios and operational health, detailed analysis of the financial ability of customers through own federal tax number, affiliates companies and partners federal tax number, and through consult with the agencies of information and constant monitoring of customers. The Company limits its exposure to credit risk by customer and market, through its department of credit analysis and portfolio management clients. Thus, the Company seeks to reduce the economic exposure to a particular customer and/or market that may represent significant losses to the Company in the event contractual default or implementation of sanitary or trade barrier in countries to which it exports. The market risk exposure is monitored by the Credit Committee of the Company that meets regularly with the commercial areas for analysis and control of the portfolio.

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

#### g) Purchase cattle price risk

The Company business is exposed to the volatility of cattle prices, which any variation can result from factors beyond the control of management, such as climate, volume of supply, transport, agricultural and other policies. The Company, in accordance with its policy of inventories, maintains its strategy of risk management, based on physical control, which includes anticipated purchases, combined with operations in the futures market, and reducing the daily position of purchases cattle contracts to future delivery through contracting of cattle future hedge at BM&F, aimed at resetting the position and ensuring the market price.

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

<b>Exposure</b>	<b>Sept, 2009</b>	<b>June, 2009</b>
Future cattle purchases contracts	<b>28.910</b>	17.538
	<b>28.910</b>	<b>17.538</b>

### Derivative financial instruments balances composition for assets protection for purchase price of cattle

<b>Derivative</b>	<b>Maturity</b>	<b>Receivable</b>	<b>Payable</b>	<b>Counterpart of the Principal</b>	<b>Reference value (notional US\$)</b>	<b>Market value R\$</b>	<b>Impact in the income of the quarter</b>
Forward (BM&F)	November, 2009	R\$	cattle	BM&F		(23.126)	988

Below is presented a statement of cattle prices exposure with coverage by derivative financial instruments:

	<b>Sept, 2009</b>	<b>June, 2009</b>
Forwards (BM&F) - Cattle	<b>(23.126)</b>	(16.436)
	<b>(23.126)</b>	<b>(16.436)</b>
Cattle purchase price exposure - R\$	<b>28.910</b>	17.538
Protection notional	<b>(23.126)</b>	(16.436)
<b>Relation</b>	<b>80%</b>	<b>94%</b>

#### **h) Fair value estimate**

The financial assets and liabilities of the Company are accounted for on the balance sheet based on their respective acquisition cost, and the related classification of revenue and expenses in the income statement is accounted for based on its expected realization or liquidation value.

The fair value of the financial instruments that are not derivatives and derivatives contracts was estimated based on the available market information.

#### **i) Margin in warranty**

The Company has sales invoices given in warranty for derivative operations into BM&F, amounting R\$ 384,600 on September 30, 2009 (R\$ 253,372 on June 30, 2009). The warranty is higher than the needs for those operations.

#### **j) Fair value of financial instruments**

The fair value of the financial instruments is determined based on market prices, and in the absence of those, based on the present value of expected cash flows.

The fair value market of Cash and cash equivalents; Trade accounts receivable; Trade accounts payable; and Loans and financings is equivalent to their book values. The fair value of long term assets and liabilities does not differ significantly the accounting from book values.

#### **k) Sensitivity analysis**

The following sensitivity analysis was performed to the fair value of the foreign currency derivatives. The scenario probable is the fair value as of September 30, 2009, the scenario possible and remote considered the risk deterioration from 25% to 50%, respectively, in relation to the same date.



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### Exchange variation risk

Operation	Risk	Scenario Probable (I)	Scenario (II) deterioration of 25%	Scenario (II) deterioration of 50%
Forward (BM&F) - dollar	Appreciation of R\$	-	352.508	705.017
SWAP	Appreciation of R\$	-	44.453	88.905
Exposure indexed to foreign currency	Depreciation of R\$	-	(472.216)	(944.433)
		-	<b>(75.255)</b>	<b>(150.511)</b>
Assumption	Exchange	1,78	2,23	2,67

### Cattle purchase price risks

Operation	Risk	Scenario Probable (I)	Scenario (II) deterioration of 25%	Scenario (II) deterioration of 50%
Cattle purchase price exposure - R\$	Depreciation of @ - cattle	-	7.228	14.455
Forward (BM&F) - cattle	Appreciation of @ - cattle	-	(5.782)	(11.563)
		-	<b>1.446</b>	<b>2.892</b>
Assumption	Price of R\$	82,84	103,55	124,26

The derivative financial instruments balances recorded in the balance sheet of the Company are allocated on other current assets and other current liabilities. On September 30, 2009, the derivative financial instruments amount allocated to other current assets was R\$ 10,536 (R\$ 29,311 on June 30, 2009), and the amount allocated in other current liabilities was R\$ 14,155 (R\$ 4,803 on June 30, 2009).

## 22 Material facts of the Quarter

### Initial Public Offering - JBS USA

JBS USA filed with the Securities and Exchange Commission ("SEC") a registration statement for the public offering of its common shares. The common shares are expected to be listed on The New York Stock Exchange - NYSE in the United States of America ("NYSE").

JBS USA also filed with the CVM an application for the registration of its Brazilian Depositary Receipts Level III - BDRs, each BDR representing a certain number of shares of the common stock of JBS USA.

The Global Offering described above is subject to the authorization of the SEC, CVM and BM&F Bovespa, as well as other authorities and is subject to market conditions at the time of the Global Offering.

The registration statement filed by JBS USA with the SEC has not yet become effective, and no securities described in that registration statement may be sold, nor may offers to buy be accepted, prior to the time the registration statement becomes effective.

### Leased units

On July 6, 2009 the Company leased five slaughter and deboning units. These units will increase the Company's slaughter capacity by 5,150 heads/day, increasing the capacity up to 26,000 heads/day.

The integration of these units, which are approved for exports to the main global markets, strengthens the Company's position in Brazil. One of the units also produces a variety of quality, value added processed products, such as canned meats and a selection of frozen pre-cooked meats which are exported to the main markets of the world. Two of the leased units also produces biodiesel from tallow, and this marks the Company's entrance into this growing sector.

### Foundation of JBS Couros

The Board of Directors of the Company deliberated and approved in a meeting on August 11, 2009 the foundation of JBS Couros Ltda. (JBS Couros) and this represents the entrance of the Company into the industrialization, purchase, sale, import and export of bovine leather. The Board also approved the capitalization of JBS Couros in up to R\$ 50.000 for the purpose of financing the initial investments of JBS Couros. JBS Couros is currently is pre-operational.

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### Bertin Association agreement

On September 16, 2009 was executed an Association Agreement establishing, among others, several transactions in order to make feasible the unification of operations of Bertin and JBS. The exclusive financial advisors of JBS and Bertin were Banco J.P.Morgan S.A. and Banco Santander Brasil S.A., respectively.

Bertin has over 30 years of market experience and is one of the largest producers and exporters of animal origin products in Latin America, such as in natura and processed beef, dairy, leather and pet products. Bertin provides integrated solutions in the chain of proteins and derivatives, in accordance with its market and anticipating tendencies. The products and services of Bertin are commercialized in the Brazilian market and over 100 countries, in five continents. Bertin has 38 plants in Brazil and abroad, with a harvesting capacity of 16.5 thousand head/day and employs over 28 thousand collaborators.

On October 22, 2009 it was announced a Material Fact, informing that the necessary steps for the unification of operations of Bertin S.A. (Bertin) and JBS remain on course. Notwithstanding the fact that the definitive structure of the integration of the operations of Bertin and JBS has not been defined, and in light of the expressive nature of this transaction, and with the desire to comply with the highest standards of Corporate Governance, the management of both Bertin e JBS find it appropriate and recommend that the final determination of the exchange ratio, for the purposes of a merger of Bertin and JBS, or a merger of shares involving Bertin and JBS, as per the structure to be adopted, shall occur in accordance with the proceedings suggested in the CVM Normative Opinion n° 35/08 ("PO 35").

The obligation of the current controlling shareholders of JBS to conclude the transaction involving the association of the operations of Bertin and JBS is subject to (i) the realization of a USD 2.5 billion capitalization in JBS USA Holdings, in order to avoid any impact in the current indebtedness level of JBS; (ii) the approval of antitrust authorities in Brazil and abroad, as applicable; and (iii) customary conditions, such as the inexistence of material adverse effect on the assets to be contributed, and the conclusion, in a satisfactory manner, of the due diligence of Bertin.

Whichever structure is chosen for the effective combination of the operations of Bertin and JBS, the current controlling shareholders of JBS and Bertin shall hold indirect equity participation in JBS, through a new holding (New Holding), provided that the control of the New Holding shall be exercised, in any circumstance, by the current controlling shareholders of JBS. The definition of the definitive equity participation of the current controlling shareholders of JBS and Bertin in the New Holding shall consider other businesses which may possibly be contributed by the parties to the New Holding and also liquidity mechanisms which may possibly be attributed to the current controlling shareholders of Bertin.

### Acquisition of Pilgrim's Pride Corporation

On September 16, JBS has entered into a Stock Purchase Agreement ("SPA") through its subsidiary JBS USA Holdings, Inc. (JBS USA), whereby, through the subscription of newly issued shares, JBS USA will hold shares, representing 64% of the total and voting capital stock ("Shares") of Pilgrim's Pride Corporation ("Pilgrim's Pride"). The financial advisors of JBS at all stages of this transaction were Rothschild and Rabo Securities USA, Inc. The legal advisor in the transaction was Shearman & Sterling LLP.

Pilgrim's Pride is headquartered in Pittsburgh, Texas, United States of America, operating in the raising, harvesting, processing and commercializing of poultry meat. Pilgrim's Pride has 33 processing plants in the United States of America, 3 processing plants in Mexico and 1 processing plant in Puerto Rico, and employs approximately 41 thousand workers. It is one of the largest poultry meat companies in the USA, with a significant presence also in Puerto Rico and Mexico, with exports to over 80 countries. Pilgrim's Pride has a capacity to process approximately 9 billion pounds (approximately 4.1 million tons) of chicken per year.

Pilgrim's Pride is currently under a judicial recovery proceeding in the U.S. Bankruptcy Court for the Northern District of Texas (Bankruptcy Court), under the terms of Chapter 11 of the United States Bankruptcy Code. The transaction reported herein is supported by the reorganization plan (Reorganization Plan) submitted by Pilgrim's Pride to the Bankruptcy Court. The negotiation has considered an Enterprise Value of approximately USD 2.8 billion. JBS USA will initially detain 64% of the capital stock of Pilgrim's Pride and, as a result, the former shareholders of Pilgrim's Pride will hold the remaining capital stock, corresponding to 36%.

The conclusion of the transaction established in the SPA is subject to customary conditions, including the approval of antitrust authorities and the final approval of the Reorganization Plan by the Bankruptcy Court. Upon its conclusion, the transaction will count on credit facilities sufficient to finance a debt at approximately USD 1.5 billion.

On October 14, 2009, the Company, through a notice to the market, informed its shareholders and the market in general that the U.S. Department of Justice announced that was terminating its investigation into JBS USA Holdings Inc.'s acquisition of Pilgrim's Pride allowing the transaction to proceed. The conclusion of the acquisition is subject to the final approval of the reorganization plan by the Bankruptcy Court.

## JBS S.A.

Notes to the financial statements for the nine months period ended September 30, 2009 and 2008

(Expressed in thousands of reais)

### 23 Subsequent events

#### Tax Reduction in the Brazilian beef sector

The Brazilian Federal Government has published on October 14, 2009 a decree in its Official Journal which exempts the whole beef chain from paying a local tax known as PIS/Pasep and Cofins which represented 9.25% of gross sales on the domestic Brazilian market. The decree goes into effect on starting on November 1, 2009.

### 24 Complemental information - Economic value added for the nine months period ended September 30, 2009

	<u>Company</u>	<u>Consolidated</u>
<b>Revenue</b>		
Sales of goods and services	4.120.721	27.298.402
Other income	2.071	4.248
Own assets building income	(4.493)	(13.277)
	<b>4.118.299</b>	<b>27.289.373</b>
<b>Goods</b>		
Cost of services and goods sold	(2.625.740)	(19.497.367)
Materials, electric power, outside services and others	(618.435)	(3.788.340)
Losses/Recovery of assets	-	(171.274)
Other costs	(325)	(325)
	<b>(3.244.500)</b>	<b>(23.457.306)</b>
<b>Gross added value</b>	<b>873.799</b>	<b>3.832.067</b>
<b>Depreciation and amortization</b>	(68.192)	(252.826)
<b>Net added value generated by the Company</b>	<b>805.607</b>	<b>3.579.241</b>
<b>Net added value by transfer</b>		
Equity in subsidiaries	202.396	-
Financial income	543.759	910.913
Others	2.313	4.888
<b>Net added value to distribution</b>	<b>1.554.075</b>	<b>4.495.042</b>
<b>Distribution of added value</b>		
<b>Labor</b>		
Salaries	325.669	2.137.103
Benefits	36.454	488.990
FGTS (Brazilian Social Charge)	17.350	17.521
	<b>379.473</b>	<b>2.643.614</b>
<b>Taxes and contribution</b>		
Federal	130.632	327.283
State	91.148	117.755
Municipal	147	941
	<b>221.927</b>	<b>445.979</b>
<b>Capital Remuneration from third parties</b>		
Interests	931.808	1.356.295
Rents	13.287	25.362
Others	6.026	22.863
	<b>951.121</b>	<b>1.404.520</b>
<b>Owned capital remuneration</b>		
Profit of the period	1.554	1.554
Minority interests participation on retained income	-	(625)
	<b>1.554</b>	<b>929</b>
<b>Added value distributed</b>	<b>1.554.075</b>	<b>4.495.042</b>

**JBS S.A.**

Notes to the financial statements for the nine months period ended September 30, 2009 and 2008

(Expressed in thousands of reais)

**25 Complementary information - Economic value added for the three months period ended September 30, 2009**

	<u>Company</u>	<u>Consolidated</u>
<b>Revenue</b>		
Sales of goods and services	1.421.650	8.517.229
Other income	1.042	1.480
Own assets building income	(1.200)	(4.779)
	<b>1.421.492</b>	<b>8.513.930</b>
<b>Goods</b>		
Cost of services and goods sold	(873.441)	(6.078.275)
Materials, electric power, outside services and others	(226.147)	(1.206.110)
Losses/Recovery of assets	-	26.710
Other costs	(1.242)	(1.241)
	<b>(1.100.830)</b>	<b>(7.258.916)</b>
<b>Gross added value</b>	<b>320.662</b>	<b>1.255.014</b>
<b>Depreciation and amortization</b>	(24.723)	(81.609)
<b>Net added value generated by the Company</b>	<b>295.939</b>	<b>1.173.405</b>
<b>Net added value by transfer</b>		
Equity in subsidiaries	49.361	-
Financial income	173.343	304.507
Others	763	(5.975)
<b>Net added value to distribution</b>	<b>519.406</b>	<b>1.471.937</b>
<b>Distribution of added value</b>		
<b>Labor</b>		
Salaries	113.904	685.046
Benefits	16.855	153.205
FGTS (Brazilian Social Charge)	5.966	6.024
	<b>136.725</b>	<b>844.275</b>
<b>Taxes and contribution</b>		
Federal	53.040	118.446
State	43.366	55.825
Municipal	45	148
	<b>96.451</b>	<b>174.419</b>
<b>Capital Remuneration from third parties</b>		
Interests	125.677	293.366
Rents	6.235	9.147
Others	2.823	(1.209)
	<b>134.735</b>	<b>301.304</b>
<b>Owned capital remuneration</b>		
Profit of the period	151.495	151.495
Minority interests participation on retained income	-	444
	<b>151.495</b>	<b>151.939</b>
<b>Added value distributed</b>	<b>519.406</b>	<b>1.471.937</b>

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