IMPORTANT NOTICE

THE OFFERING MEMORANDUM (THE "OFFERING MEMORANDUM") FOLLOWING THIS PAGE IS INTENDED SOLELY FOR (i) QUALIFIED INSTITUTIONAL BUYERS ("QIBs") UNDER RULE 144A OF THE U.S. SECURITIES ACT OF 1933 (AS AMENDED, THE "SECURITIES ACT") AND (ii) NON-U.S. PERSONS LOCATED OUTSIDE OF THE UNITED STATES AND THAT ARE NOT ACQUIRING THE NOTES FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON IN RELIANCE ON REGULATION S OF THE SECURITIES ACT.

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum following this page, and you are therefore advised to read this carefully before reading, accessing or making any other permitted use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION OR IN THE OFFERING MEMORANDUM CONSTITUTES AN OFFER OF SECURITIES IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN WHOLE OR IN PART IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED, AND FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: in order to be eligible to view the offering memorandum or make an investment decision with respect to the securities, investors must be either (1) QIBs within the meaning of Rule 144A under the Securities Act or (2) non-U.S. persons (as defined in Regulation S under the Securities Act). The offering memorandum is being sent at your request and by accepting the e-mail and accessing the offering memorandum, you shall be deemed to have represented to us that (1) you and any customer you represent are either (a) QIBs or (b) not a U.S. person and that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the U.S. and (2) that you consent to delivery of such offering memorandum by electronic transmission and agree to comply with the terms, conditions and restrictions provided herein.

You are reminded that the offering memorandum has been delivered to you on the basis that you are a person into whose possession the offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the offering memorandum to any other person.

OFFERING MEMORANDUM CONFIDENTIAL

US$275,000,000

ESAL GmbH

(*a corporation limited by shares under the laws of the Republic of Austria*)

6.25% Senior Notes due 2023

Unconditionally Guaranteed by

JBS S.A. and JBS Hungary Holdings Kft.

ESAL GmbH, or the issuer, is offering US$275,000,000 aggregate principal amount of its 6.25% senior notes due 2023, or the new notes. The new notes will be additional notes issued under the indenture, dated as of February 5, 2013, or the indenture, pursuant to which the issuer initially issued and sold US$500,000,000 aggregate principal amount of 6.25% senior notes due 2023, or the initial notes, on February 5, 2013. The new notes will have identical terms and conditions as the initial notes, other than the issue date and issue price, and will form a single series with, and vote together as a single class with, the initial notes. The new notes will have the same ISIN and CUSIP numbers as, and will be fungible with, the initial notes, except that the new notes offered and sold in offshore transactions under Regulation S (as defined below) will have temporary ISIN and CUSIP numbers during a 40-day distribution compliance period commencing on the issue date of the new notes. References to the "notes" are to the new notes and the initial notes collectively, unless the context otherwise requires.

Interest on the notes will accrue from and including February 5, 2013 at a rate of 6.25% per annum. The issuer will pay interest on the notes semi-annually in arrears on February 5 and August 5 of each year, commencing on August 5, 2013. The notes will mature on February 5, 2023.

The notes will be guaranteed by JBS S.A., or JBS, a corporation (*sociedade anônima*) incorporated under the laws of the Federative Republic of Brazil, and JBS Hungary Holdings Kft., or JBS Hungary, a company organized under the laws of Hungary, or the guarantors.

Prior to February 5, 2018, the issuer or JBS may redeem the notes, in whole or in part, by paying the principal amount of the notes plus the applicable "make-whole" amount and accrued interest and additional amounts, if any. Thereafter, the issuer or JBS may redeem the notes, in whole or in part, at the redemption prices set forth herein. The issuer or JBS may also redeem up to 35% of the aggregate principal amount of the outstanding notes using the proceeds of certain equity offerings completed before February 5, 2016. The notes also may be redeemed, in whole but not in part, at 100% of their principal amount plus accrued interest and additional amounts, if any, at any time upon the occurrence of specified events relating to Brazilian, Hungarian or Austrian tax law, as set forth herein.

The notes and the guarantees will rank equally in right of payment with all other present and future senior unsecured obligations of the issuer and of the guarantors, respectively (except for any obligations that may be preferred by provisions of law that are both mandatory and of general application). The notes and the guarantees will be effectively subordinated to all existing and future secured indebtedness of the issuer and the guarantors to the extent of the value of the assets securing such indebtedness and the liabilities of JBS' subsidiaries (other than the issuer and JBS Hungary). See "Description of the Notes."

The issuer will apply to the Singapore Exchange Securities Trading Limited, or the SGX-ST, for permission to list the new notes on the main board of the SGX-ST. We cannot guarantee the listing will be obtained. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering memorandum. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the new notes or our company.

Investing in the new notes involves risks. See "Risk Factors" beginning on page 16 for certain information that you should consider before investing in the new notes.

Price: 99.989% plus accrued interest, from February 5, 2013.

Purchasers of new notes will be required to pay accrued interest totaling US$3,151,041.67, or US$11.46 per US$1,000 principal amount of new notes, from and including February 5, 2013 up to (but excluding) April 11, 2013, the date we expect to deliver the new notes.

Delivery of the new notes in book-entry form will be made on or about April 11, 2013 through The Depository Trust Company, or DTC, and its participants, including Euroclear Bank S.A./N.V., or Euroclear, and Clearstream Banking, *société anonyme*, Luxembourg, or Clearstream. The new notes are being offered pursuant to an exemption from prospectus requirements under the Directive 2003/71/EC of the European Union, and this offering memorandum has not been approved by a competent authority within the meaning of that Directive.

The new notes have not been registered under the U.S. Securities Act of 1933, as amended, or the Securities Act, or any state securities law. The new notes may not be offered or sold within the United States or to U.S. persons (as defined in Regulation S under the Securities Act, or Regulation S), except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the Securities Act, or Rule 144A, and to certain non-U.S. persons in offshore transactions in reliance on Regulation S. Prospective purchasers that are qualified institutional buyers are hereby notified that sellers of the new notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfer of the new notes, see "Notice to Investors."

Joint Bookrunners and Joint Lead Managers

Deutsche Bank Securities **J.P. Morgan** **Santander**

The date of this offering memorandum is April 8, 2013

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In this offering memorandum, references to (1) "JBS," "JBS S.A.," "we," "us" or "our company" refer to JBS S.A. and its consolidated subsidiaries and (2) "ESAL" or the "issuer" refer to ESAL GmbH, except where otherwise indicated or where the context requires otherwise.

In making your investment decision, you should rely only on the information contained in this offering memorandum. None of us, the issuer, JBS Hungary, or Deutsche Bank Securities Inc., J.P. Morgan Securities LLC and Santander Investment Securities Inc., or the initial purchasers, have authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. None of us, the issuer, JBS Hungary or the initial purchasers are making an offer to sell the new notes in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this offering memorandum is accurate only as of the date on the front cover of this offering memorandum, regardless of the time of delivery of this offering memorandum or any sale of the new notes. Our business, financial condition, results of operations and prospects may have changed since that date.

The initial purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past or future. We have furnished the information contained in this offering memorandum.

The new notes and the guarantees have not been registered with, recommended or approved by the U.S. Securities and Exchange Commission, or the SEC, the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or the CVM, or any other federal or state securities commission or any other regulatory authority, and neither the SEC, the CVM nor any other securities commission or regulatory authority has passed upon the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

You should not construe the contents of this offering memorandum as investment, legal or tax advice. You should consult your own counsel, accountant and other advisors for advice regarding the legal, tax, business, financial and related aspects of an investment in the new notes. None of us, the issuer, JBS Hungary or the initial purchasers are making any representation to you regarding the legality of an investment in the new notes by you under applicable law.

In making an investment decision, you must rely on your own examination of the issuer, our company and the

terms of this offering, including the merits and risks involved. This offering is being made on the basis of this offering memorandum. Any decision to invest in the new notes must be based solely on the information contained herein.

This offering memorandum is highly confidential and has been prepared solely for use in connection with an offering exempt from registration under the Securities Act and applicable state securities laws. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the new notes. Distribution of this offering memorandum to any person other than the offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorized, and any disclosure of any of its contents without our prior written consent is prohibited. This offering memorandum may not be copied or reproduced in whole or in part. See "Notice to Investors." By accepting delivery of this offering memorandum, you agree to these restrictions and acknowledge that:

- Your investment decision is based solely on this offering memorandum, and you are not relying on any other information you may have received from us;

- You have been afforded an opportunity to request from us and to review, and have received, all additional information considered by you to be necessary to verify the accuracy of or to supplement the information herein;

- You have not relied upon the initial purchasers or any person affiliated with the initial purchasers in connection with your investigation of the accuracy of this information or your investment decision;

- This offering memorandum relates to an offering that is exempt from registration under the Securities Act and does not comply in important respects with SEC rules that would apply to an offering document relating to a public offering of securities;

- If you purchase new notes, you will be (1) deemed to have made the acknowledgments, representations, warranties and agreements described under "Notice to Investors" in this offering memorandum and (2) subject to restrictions on transferability and resale of the new notes and may not transfer or resell the new notes except as permitted under the Securities Act and other applicable securities laws pursuant to registration thereunder or exemption therefrom described under "Notice to Investors" in this offering memorandum; and

- The new notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. See "Plan of Distribution" and "Notice to Investors."

The information contained in this offering memorandum has been furnished by us and sources believed by us to be reliable. No representation or warranty, express or implied, is made by initial purchasers as to the accuracy or completeness of any of the information set forth herein, and nothing contained in this offering memorandum is or shall be relied upon as a promise or representation, whether as to the past or the future. This offering memorandum summarizes certain documents and other information, and we refer you to them for a more complete understanding of what we discuss in this offering memorandum.

Each prospective purchaser of the new notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the new notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the new notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we, ESAL, nor the initial purchasers shall have any responsibility therefor.

The SGX-ST takes no responsibility for the contents of this offering memorandum, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from

or in reliance upon the whole or any part of the contents of this offering memorandum.

We, the issuer and the initial purchasers reserve the right to reject any offer to purchase the new notes in whole or in part for any reason.

NOTICE TO INVESTORS WITHIN BRAZIL

THE NEW NOTES (AND RELATED GUARANTEES) HAVE NOT BEEN, AND WILL NOT BE, REGISTERED WITH THE CVM. THE NEW NOTES MAY NOT BE OFFERED OR SOLD IN BRAZIL, EXCEPT IN CIRCUMSTANCES THAT DO NOT CONSTITUTE A PUBLIC OFFERING OR UNAUTHORIZED DISTRIBUTION UNDER BRAZILIAN LAWS AND REGULATIONS. THE NEW NOTES (AND RELATED GUARANTEES) ARE NOT BEING OFFERED INTO BRAZIL. DOCUMENTS RELATING TO THE OFFERING OF THE NEW NOTES, AS WELL AS INFORMATION CONTAINED THEREIN, MAY NOT BE SUPPLIED TO THE PUBLIC IN BRAZIL, NOR BE USED IN CONNECTION WITH ANY OFFER FOR SUBSCRIPTION OR SALE OF THE NEW NOTES TO THE PUBLIC IN BRAZIL.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421 B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE INVESTOR, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

U.S. INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

PURSUANT TO U.S. INTERNAL REVENUE SERVICE CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO U.S. FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE U.S. INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE NEW

NOTES. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

ADDITIONAL INFORMATION

While any notes remain outstanding, we will make available, upon request, to any holder and any prospective purchaser of the notes the information required pursuant to Rule 144(A)(d)(4)(i) under the Securities Act, during any period in which we are not subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act.

The issuer will apply to list the new notes on the SGX-ST. The issuer cannot guarantee the listing will be obtained. See "Listing and General Information." The issuer will comply with any undertakings given by it from time to time to the SGX-ST in connection with the new notes, and we will furnish to the SGX-ST all such information as the rules of the SGX-ST may require in connection with the listing of the new notes.

NOTICE REGARDING SINGAPORE OFFERING

THIS OFFERING MEMORANDUM HAS NOT BEEN REGISTERED AS A PROSPECTUS WITH THE MONETARY AUTHORITY OF SINGAPORE, OR THE MAS, AND THE NEW NOTES (AND RELATED GUARANTEES) ARE BEING OFFERED IN SINGAPORE PURSUANT TO EXEMPTIONS INVOKED UNDER SECTION 274 AND/OR SECTION 275 OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE, OR THE SFA. ACCORDINGLY, EACH OF THE INITIAL PURCHASERS HAS REPRESENTED AND AGREED THAT IT WILL NOT OFFER OR SELL THE NEW NOTES NOR MAKE THE NEW NOTES THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, NOR WILL IT CIRCULATE OR DISTRIBUTE THIS OFFERING MEMORANDUM OR ANY OTHER DOCUMENT OR MATERIAL IN CONNECTION WITH THE OFFER OR SALE, OR INVITATION FOR SUBSCRIPTION OR PURCHASE, OF THE NEW NOTES, WHETHER DIRECTLY OR INDIRECTLY, TO PERSONS IN SINGAPORE OTHER THAN (A) TO AN INSTITUTIONAL INVESTOR UNDER SECTION 274 OF THE SFA, (B) TO A RELEVANT PERSON UNDER SECTION 275(I) AND/OR ANY PERSON UNDER SECTION 275(IA) OF THE SFA, AND IN ACCORDANCE WITH THE CONDITIONS SPECIFIED IN SECTION 275 OF THE SFA OR (C) OTHERWISE PURSUANT TO, AND IN ACCORDANCE WITH THE CONDITIONS OF, ANY OTHER APPLICABLE PROVISION OF THE SFA.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The statements included in this offering memorandum regarding our plans, forecasts, expectations of future events, strategies, projections and financial trends affecting our business, as well as statements regarding other information, including, without limitation, under the headings "Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," consist of forward-looking statements that involve risks and uncertainties and, therefore, constitute no guarantee of future results. Many important factors, in addition to those discussed elsewhere in this offering memorandum, could cause our actual results to differ substantially from those anticipated in our forward-looking statements, including, among other factors:

- the risk of outbreak of animal diseases, more stringent trade barriers in key export markets and increased regulation of food safety and security;
- product contamination or recall concerns;
- fluctuations in the prices of live cattle, hogs, chicken, corn and soymeal;
- fluctuations in the selling prices of beef, pork and chicken products;
- developments in, or changes to, the laws, regulations and governmental policies governing our business and products or failure to comply with them, including environmental and sanitary liabilities;
- currency exchange rate fluctuations, exchange controls, political risk and other risks associated with export and foreign operations;
- changes in international trade regulations;
- our strategic direction and future operation;
- deterioration of economic conditions;
- the performance of the Brazilian, U.S., Argentine, European, Australian and Asian economies generally and more specifically in our principal markets;
- our ability to implement our business plan, including our ability to arrange financing when required and on reasonable terms and the implementation of our financing strategy and capital expenditure plan;
- the successful integration or implementation of mergers and acquisitions, joint ventures, strategic alliances or divestiture plans;
- the competitive nature of the industry in which we operate and the consolidation of our customers;
- customer demands and preferences;
- weather conditions in our areas of operations;
- continued access to a stable workforce and favorable labor relations with employees;
- our dependence on key members of our management;

- interests of our controlling shareholders;
- the declaration or payment of dividends or interest attributable to shareholders' equity;
- unfavorable outcomes in legal and regulatory proceedings;
- the risk factors discussed under the heading "Risk Factors";
- other factors or trends affecting our financial conditions, liquidity or results of operations; and
- other statements contained in this offering memorandum regarding matters that are not historical facts.

The words "believe," "anticipate," "expect," "estimate," "should," "plan," "can," "may," "intend," "foresee," "project" and "will," among other similar words, are intended to identify forward-looking statements.

Forward-looking statements involve uncertainties, risks and assumptions, since these statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, the effects of future regulation and the effects of competition. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update publicly or to revise any forward-looking statements after we distribute this offering memorandum because of new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this offering memorandum might not occur and are not guarantees of future performance. Our actual results and performance could differ substantially from those anticipated in our forward-looking statements.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references in this offering memorandum to the "*real*," "*reais*" or "R$" are to the Brazilian *real*, the official currency of Brazil. All references to "U.S. dollars," "dollars" or "US$" are to U.S. dollars. All references to "AUS$" are to Australian dollars, the official currency of Australia. All references to "EU" or "€" are to the Euro, the official currency of the European Economic Area.

We maintain our books and records in *reais*. Solely for the convenience of the reader, we have translated some amounts included in "Summary," "Summary Financial and Other Information," "Capitalization," "Selected Financial Information" and "Business" from *reais* into U.S. dollars using the selling rate as reported by the Central Bank at December 31, 2012 of R$2.044 to US$1.00. As a result of fluctuations in the *real*/U.S. dollar exchange rate, the selling rate at December 31, 2012 may not be indicative of current or future exchange rates. As a result, prospective investors should not read these convenience translations as representations that any amounts have been or could be converted into U.S. dollars or *reais* at those or any other exchange rates. The selling rate was R$2.004 to US$1.00 as of April 5, 2013, R$1.876 to US$1.00 as of December 31, 2011 and R$1.666 to US$1.00 as of December 31, 2010, in each case, as reported by the Central Bank. See "Exchange Rate Information" for information regarding exchange rates for the *real* since January 1, 2008.

Financial Statements

Our audited consolidated financial statements are included elsewhere in this offering memorandum and have been prepared in accordance with: (1) International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or the IASB; and (2) accounting practices adopted in Brazil, or Brazilian GAAP.

Brazilian GAAP is based on:

- Brazilian Law No. 6,404 of December 15, 1976, as amended by Law No. 9,457 of May 5, 1997, Law No. 10,303 of October 31, 2001, Law No. 11,638 of December 28, 2007, Law No. 12,431 of June 24, 2011 and Provisional Measure No. 449 of June 24, 2008, which was later converted into Law No. 11,941 of May 27, 2009, which are referred to hereinafter as the Brazilian Corporate Law;
- the rules and regulations enacted by the CVM; and
- the accounting standards issued by the Accounting Pronouncement Committee (*Comitê de Pronunciamentos Contábeis*), or the CPC, the accounting standards issued by the Brazilian Institute of Independent Accountants (*Instituto dos Auditores Independentes do Brasil*), or IBRACON, and the Brazilian Federal Accounting Council (*Conselho Federal de Contabilidade*), or the CFC.

Our financial information contained in this offering memorandum has been derived from our records and financial statements, and includes our:

- audited consolidated financial statements as of and for the years ended December 31, 2012 and 2011; and
- audited consolidated financial statements as of and for the years ended December 31, 2011 and 2010.

For more information about the emphasis and other matter paragraphs contained in the review and audit reports prepared by our independent auditors, see "Independent Accountants."

Non-Accounting Financial Measures

We have disclosed EBITDA and Adjusted EBITDA in this offering memorandum, which are non-accounting financial measures. See "Summary Financial and Other Information" and "Selected Financial and Other Information." EBITDA and Adjusted EBITDA are used as measures of performance by our management. They should not be considered as measures of financial performance in accordance with IFRS or Brazilian GAAP.

We calculate EBITDA as net income *plus*: income taxes, financial income (expense), net; and depreciation and amortization.

We calculate Adjusted EBITDA as EBITDA *plus*: income taxes, financial income (expense), net and depreciation and amortization from discontinued operations; equity in subsidiaries; bargain purchase gain; indemnity; and reorganization and restructuring costs. The use of our Adjusted EBITDA, instead of net income, has limitations as an analytical tool, including the following:

- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect our interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
- Adjusted EBITDA does not reflect our tax expense or the cash requirements to pay our taxes;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- Adjusted EBITDA does not reflect historical cash expenditures or future requirements for capital expenditures or contractual commitments; and
- Adjusted EBITDA includes adjustments that represented a cash expense or that represented a non-cash charge that may relate to a future cash expense, and some of these expenses are of a type that we expect to incur in the future, although we cannot predict the amount of any such future charge.

EBITDA and Adjusted EBITDA should not be considered as alternatives to net income or operating cash flow, nor should they be considered as liquidity measurements, since they do not reflect certain costs involved in our operations, such as financial expenses, taxes, depreciation, capital expenses and other related costs, any of which may have a significant effect on our net income. EBITDA and Adjusted EBITDA are useful tools for assessing financial performance but are not reliable indicators of our ability to generate cash to service our debt obligations because certain of the items added to net income (loss) to determine EBITDA and Adjusted EBITDA involve outlays of cash. As a result, actual cash available to service debt obligations will be different from EBITDA and Adjusted EBITDA.

You should rely primarily on our IFRS results, and use EBITDA and Adjusted EBITDA in a supplemental manner in making your investment decision. There is no standard definition of EBITDA and Adjusted EBITDA, and our definitions may not be comparable to EBITDA or Adjusted EBITDA as used by other companies.

Market Share and Other Information

We obtained the statistical data and information relating to the markets where we operate from reports prepared by independent consulting firms and government bodies and general publications. Although we believe that these sources are reliable, none of us, the issuer, JBS Hungary or the initial purchasers performed any independent verification with respect to such statistical data and information and, therefore, we cannot guarantee its accuracy or completeness. Nothing in this offering memorandum should be interpreted as a market forecast.

Rounding

Certain figures and some percentages included in this offering memorandum have been subject to rounding adjustments. Accordingly, the totals included in certain tables contained in this offering memorandum may not correspond to the arithmetic aggregation of the figures or percentages that precede them.

SUMMARY

The following summary highlights selected information about our business, operating and financial statements. This summary may not contain all the information included elsewhere in the offering memorandum and does not contain all of the information that may be important to you in connection with making a decision to purchase the new notes. Before deciding whether to purchase the new notes, you should read this entire offering memorandum carefully for a more complete understanding of our business and this offering, including information contained in "Presentation of Financial and Other Information," "Summary Financial and Other Information," "Risk Factors," "Selected Financial Information," and "Management's Discussion and Analysis of Financial Condition and Results of Operations," among others, as well as our consolidated financial statements and related notes included elsewhere in this offering memorandum.

Overview

We are the world's largest protein company with R$75,696.7 million (US$37,033.6 million) and R$61,796.8 million (US$30,233.3 million) in net revenues for the years ended December 31, 2012 and December 31, 2011, respectively. We process beef, pork, lamb and chicken, in addition to other animal by-products and leather. We also believe we are:

- the largest beef producer and exporter in the world, with operations in the United States, Brazil, Argentina, Paraguay, Uruguay, Australia and Canada, with a daily slaughtering capacity of approximately 99,846 heads of cattle;
- one of the largest poultry producers in the world, with operations in the United States, Mexico, Puerto Rico and Brazil, with a daily slaughtering capacity of approximately 8.4 million chickens;
- the third largest pork producer in the United States, with a daily slaughtering capacity of approximately 51,300 hogs;
- one of the largest lamb producers and exporters in the world, with operations in the United States and Australia, with a current daily slaughtering capacity of approximately 22,265 lambs; and
- the largest leather tanner in the world, with operations in Brazil, the United States, Australia and China, with a daily production capacity of 77,400 hides.

We process, prepare, package and deliver fresh, further processed and value-added beef, pork, lamb and poultry products in approximately 140 countries on five continents. Our further processed products are comprised of value-added products that are cut, ground and packaged in a customized manner for specific orders, and these include frozen, cooked, canned, seasoned, marinated and consumer-ready products. Our protein products are recognized internationally through our well-known brands, including "Swift," "Swift Premium," "Pilgrim's Pride," "Friboi," and "Bertin."

We mainly sell our products to wholesalers, such as supermarkets, club stores and other retail distributors and food service companies (such as restaurants, hotels, food service distributors and additional processors). In addition, we produce and sell other animal by-products that are derived from our beef processing operations, such as hides, to customers in the personal care, pet food and automotive industries, among others. We also produce personal hygiene and cleaning products, such as soaps.

The following table sets forth our daily slaughtering, personal hygiene and cleaning and leather production capacities and the location of our plants as of December 31, 2012:

Country	Slaughtering Capacity (Meats)								Other Production	
	Beef		Poultry		Pork		Lamb and Other Small Animals		Personal Hygiene and Cleaning	Leather
	(heads per day)	*(units)*	*(thousand heads per day)*	*(units)*	*(heads per day)*	*(units)*	*(heads per day)*	*(units)*	*(tons per day)*	*(hides per day)*
Argentina	4,660	5	-	-	-	-	-	-	-	-
Australia	7,765	10	-	-	-	-	19,700	5	-	6,000
Brazil	54,615	53	1,347	5	-	-	-	-	4,000	64,200
Canada	5,000	2	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	2,200
United States	26,025	8	6,478	31	51,300	3	2,565	1	-	5,000
Mexico	-	-	544	3	-	-	-	-	-	-
Puerto Rico	-	-	70	1	-	-	-	-	-	-
Paraguay	521	2	-	-	-	-	-	-	-	-
Uruguay	900	1	-	-	-	-	-	-	-	-
Total	**99,846**	**81**	**8,440**	**40**	**51,300**	**3**	**22,265**	**6**	**4,000**	**77,400**

Our management focuses on sustainable growth and has a successful track record of acquiring and integrating acquisitions and restructuring unprofitable companies. During the past few years, our net revenue significantly increased as a result of organic growth and acquisitions. In the last five years, our net revenue, EBITDA and Adjusted EBITDA had an annual compound growth rate of 39.9%, 49.0% and 49.5%, respectively. The following table sets forth some of our main financial information for the periods indicated.

	For the year ended December 31,			Compound annual growth rate
	2010	**2011**	**2012**	**2007-2012**
	(in millions of reais, except percentages and operating data)			
Net revenue	54,712.8	61,796.8	75,696.7	39.9%
EBITDA (1)	3,509.4	3,072.1	4,334.2	49.0%
Adjusted EBITDA (2)	3,766.1	3,151.0	4,410.3	49.5%
Adjusted EBITDA margin (3)	6.9%	5.1%	5.8%	-

(1) EBITDA is used as a measure of performance by our management. We calculate EBITDA as net income *plus*: income taxes, financial income (expense), net; and depreciation and amortization. EBITDA is a useful tool for assessing financial performance but is not a reliable indicator of our ability to generate cash to service our debt obligations because certain of the items added to net income (loss) to determine EBITDA involve outlays of cash. As a result, actual cash available to service debt obligations will be different from EBITDA. You should rely primarily on our IFRS results, and use EBITDA in a supplemental manner in making your investment decision. For more information about the limitations of EBITDA, see "Presentation of Financial and Other Information—Non-Accounting Financial Measures."

(2) Adjusted EBITDA is used as a measure of performance by our management. We calculate Adjusted EBITDA as EBITDA *plus*: income taxes, financial income (expense), net and depreciation and amortization from discontinued operations; equity in subsidiaries; bargain purchase gain; indemnity; and reorganization and restructuring costs. Adjusted EBITDA is a useful tool for assessing financial performance but is not a reliable indicator of our ability to generate cash to service our debt obligations because certain of the items added to net income (loss) to determine Adjusted EBITDA involve outlays of cash. As a result, actual cash available to service debt obligations will be different from Adjusted EBITDA. You should rely primarily on our IFRS results, and use Adjusted EBITDA in a supplemental manner in making your investment decision. For more information about the limitations of Adjusted EBITDA, see "Presentation of Financial and Other Information—Non-Accounting Financial Measures."

(3) Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by net revenues.

Of our R$61,796.8 million in net revenue for the year ended December 31, 2011, 73.3%, 24.2% and 2.6% derived from sales in the United States and Australia, South America, and other countries, respectively. Of our R$75,696.7 million in net revenue for the year ended December 31, 2012, 73.9%, 23.8% and 2.3% derived from sales in the United States and Australia, South America, and other countries, respectively, and 64.3%, 21.9%, 9.0% and 4.8% derived from sales of beef products, chicken products, pork products and other products, respectively.

Since January 1, 2010, we have acquired several important businesses, both in Brazil and abroad, including the following:

- on February 22, 2010, we acquired Tatiara Meat Company, or Tatiara, an Australian company. Tatiara is a high quality lamb processor that focuses on exports to the United States, Canada, Europe and Australia. As a result of this acquisition, we became one of the largest lamb processing companies in Australia, with a

maximum daily slaughtering capacity of approximately 23,000 lambs. Our lamb slaughtering facilities may be converted to pork slaughtering facilities according to demand. Our current daily slaughtering capacity is approximately 18,265 lambs. We refer to this transaction as the Tatiara acquisition. See “Business—Tatiara Acquisition”;

- in July 2010, we acquired the Toledo Group, a Belgian company that specializes in the research, development and marketing of customized cooked and frozen beef products for more than 100 customers across Western Europe;

- in November 2010, we increased our ownership of the total issued and outstanding common stock of Pilgrim’s Pride Corporation, or PPC, from 64% to approximately 67.3%; and

- on March 4, 2011, we acquired the remaining 30% equity interest in Rigamonti Salumificio, or Rigamonti, one of Italy’s largest sausage-makers. We held a 70% interest in this Italian company since December 2009. Rigamonti is one of the 10 largest cured meat processors in Italy, producing more than 7,000 tons of finished products annually and holding a 40% market share in Italy.

- On October 17, 2012, JBS Food Canada Inc., or JBS Food Canada, our Canadian subsidiary, signed an agreement with XL Foods, Inc., or XL Foods, pursuant to which it assumed the management of certain Canadian operations of XL Foods. Concurrently, we acquired an exclusive option to purchase certain Canadian and U.S. assets of XL Foods. On January 14, 2013 and April 8, 2013, we acquired these Canadian and U.S. assets, respectively.

- On November 26, 2012, the general creditors’ meeting of Independência S.A., or Independência, and Nova Carne Indústria de Alimentos Ltda., or Nova Carne, approved our proposal to acquire certain assets of these companies in connection with their judicial reorganization plans (*planos de recuperação judicial*). However, our consummation of these acquisitions has been suspended pending decisions on interlocutory appeals filed to oppose the approval of the judicial reorganization plans by the general creditors’ meeting of Independência and Nova Carne.

Our common shares are listed on the *Novo Mercado* segment (the highest level of corporate governance requirements) of the São Paulo Stock Exchange (*BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros*), or BM&FBOVESPA, under the symbol “JBSS3.”

On May 3, 2010, we sold 200,000,000 common shares at a price of R$8.00 per share to investors in Brazil and institutional and other investors outside Brazil in a public offering that was registered with the CVM in Brazil. The net proceeds of this equity offering were R$1,562.5 million. The proceeds from this equity offering were used (1) to invest in our global direct distribution business and (2) for working capital and for general and administrative expenses. The issuance resulted in a capital increase of R$1,600 million, a 9.7% increase over our previous capital stock.

In May 2011, we announced a proposed increase in our share capital in the amount of R$3.5 billion, which was funded through a capital increase in the form of capitalization of credits held by BNDES Participações S.A. – BNDESPAR, or BNDESPAR, through its holding of R$3.5 billion in convertible debentures issued by us on December 22, 2009, or the BNDESPAR debentures, and the related cancellation of these debentures. In July 2011, our board of directors confirmed the subscription of the proposed capital increase (and we amended the terms of the BNDESPAR debentures to provide for the capitalization of credits and related cancellation), with holders of debentures owning 99.94% of the common shares that were issued as a result of the capital increase. We redeemed the BNDESPAR debentures (0.6%) that were not subscribed for in connection with our increase in share capital. See “Business—BNDESPAR Debentures and the BNDESPAR Transaction.”

On January 5, 2012, PPC issued 200,000 common shares that had been previously awarded to William W. Lovette, PPC's chief executive officer, to enable him to participate in the PPC Rights Offering (defined below). The restrictions on 100,000 of these common shares awarded to Mr. Lovette lapsed on January 14, 2013 when they

vested. The restrictions on the remaining 100,000 common shares will lapse when they vest on January 14, 2014. Granting these common shares subsequently reduced our controlling interest in PPC to 67.2%.

On January 17, 2012, PPC conducted an offering of transferable subscription rights to holders of its common shares, or the PPC Rights Offering. Each subscription right entitled the holder to purchase 0.2072 shares of common stock at a purchase price of US$4.50 per share. Additionally, the PPC Rights Offering also included an over-subscription privilege, which entitled a shareholder who exercised all of its basic subscription right in full the over-subscription privilege to purchase additional shares of common stock that remained unsubscribed at the expiration of the PPC Rights Offering on February 29, 2012. the net proceeds received by PPC under the PPC Rights Offering totaled US$198.3 million. In connection with the PPC Rights Offering, JBS USA Holdings, Inc., or JBS USA Holdings, exercised its basic and over-subscription rights in full for US$143.7 million thereby increasing our ownership percentage in PPC to 68%.

On March 12, 2012, we purchased, through our wholly-owned subsidiary JBS USA Holdings, 18,924,438 shares of PPC from Lonnie "Bo" Pilgrim, the founder and former controlling shareholder of PPC, and his associates, representing substantially all of his remaining shares. We increased our stake in PPC from 68% to 75.3% through this purchase.

On May 4, 2012, we announced that we had signed an agreement to lease certain plants from Doux Frangosul S.A. Agro Avícola Industrial, or Frangosul, in Brazil, permitting us to enter the chicken sector in Brazil in a relevant manner. Frangosul is controlled by the French poultry producer Doux Group. Pursuant to this lease agreement, we increased our chicken production capacity by more than 15%, reaching a daily slaughtering capacity of approximately 8.3 million chickens per day. Our operations in Brazil are located in traditional grain and poultry production regions, including the States of Mato Grosso do Sul and Rio Grande do Sul, and are integrated, through technology and knowledge transfers, with our PPC operations in 12 U.S. States, Mexico and Puerto Rico, where we own one of the largest production complexes in the world. The United States and Brazil are the two most important countries in the chicken sector in terms of exports.

On June 21, 2012, we acquired 117,800,183 of our common shares following a voluntary public tender offer for our common shares in exchange for common shares issued by Vigor Alimentos S.A., or Vigor. Following the conclusion of this transaction, or the Vigor Exchange Offer, we retained 21.32% of the total capital stock of Vigor. FB Participações S.A., or FB Participações, our controlling shareholder, acquired 44.62% of the Vigor shares subject to the Vigor Exchange Offer. As a condition precedent to the Vigor Exchange Offer, we were required to obtain the consent of holders of certain of our notes. For more information about the consent solicitations and amendments to the covenants of certain of our notes, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Description of Indebtedness—2014 Notes," "Management's Discussion and Analysis of Financial Condition and Results of Operations—Description of Indebtedness—2016 Notes" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Description of Indebtedness—2016 Bertin Notes." For more information about the Vigor Exchange Offer, see "Business—Vigor Exchange Offer."

On November 23, 2012, we purchased, through JBS USA Holdings, 455,269 common shares of PPC from Don Jackson, JBS USA's former president and chief executive officer, for a price of US$6.00 per share. Mr. Jackson applied the proceeds from the sale to repay his February 23, 2012 promissory note to JBS USA Holdings, in the total amount of US$2.7 million, including principal and interest. As a result of this purchase, our stake in PPC increased from 75.3% to 75.6%, equivalent to 195,455,936 common shares.

Competitive Strengths and Advantages

Our competitive strengths and advantages include:

Scale, leading market positions and brand recognition. We believe we are the largest animal protein producer and the largest beef producer and exporter in the world. We have access to approximately 140 countries. In addition, we are one of the largest poultry producers in the world, the third largest pork producer in the United States and the world leader in hide processing. We believe our leading global position allows us to benefit from market opportunities to expand our business and increase our worldwide market share. Our production scale enables us to

optimize our production and reduce our fixed costs, which we believe will give us a competitive edge against our local and global competitors.

Our trademarks are well-recognized as symbols of quality in the markets in which they are sold. Our trademarks in the United States include: "Swift," "Swift Premium," "1855," "Pilgrim's Pride" and "Black Angus." Our trademarks in Brazil include: "Friboi", "Swift", "Swift Maturatta", "Swift Orgânico", "Swift Grill", "Swift Linha Profissional", "Swift Fresh", "Swift Reserva Gourmet", "Swift Black", "Anglo", "Bordon", "Mouran", "Bertin" and "Apetit." Our trademarks in Australia include: "AMH," "Aberdeen,", "King Island Beef", "La Herencia", "Longford", "Pure Prime," "Royal", "Tasman", "Tasman Meats", "Tasmanian", "Tatiara", "Seattle Meat", "Gold Kist" and "Swift". Our trademarks in Argentina include: "Swift," "Cabaña Las Lilas," "Plate" and "La Blanca." Our trademarks in Uruguay include: "Canelones." These brands help enable us to maintain and increase our leadership position.

Diverse business model with international reach. Our business is highly diversified and we produce and distribute a variety of animal products and by-products in approximately 140 countries through numerous distribution channels.

- *Diversified products*. We sell beef, pork, chicken, mutton and lamb. Selling multiple products offers us the opportunity to cross-sell to customers consequently mitigating typical industry risks, such as industry cycles, the impact of species-based diseases and changes in consumer preferences. As a result of our diverse product offerings, we believe we have added protection against risks in our industry.

- *Geographic distribution*. Our processing platforms in the major beef-producing countries provide us with further geographic diversification and an appropriate operating flexibility to meet customer demands, regardless of market conditions and health restrictions. This allows us to mitigate risks of fresh meat export bans due to possible animal and plant health issues such as BSE (also commonly referred to as mad cow disease) and FMD (a highly contagious animal disease). Currently, our processing platforms in Uruguay, Paraguay and Australia enable us to continue to meet European beef demand despite restrictions imposed by the European Union on beef produced in Brazil.

- *Sales and distribution channel diversification*. We benefit from our diversified sales and distribution channels, which include national and regional retailers (including supermarket chains, independent grocers, club stores and wholesale distributors), further processors (including those that make bacon, sausage and deli and luncheon meats), international markets and the food service industry (including food service distributors, restaurant and hotel chains and other institutional customers). We sell our products to over 115,000 customers worldwide, and no single customer accounted for more than 3.1% of our net sales during the year ended December 31, 2012. This diversification reduces our dependence on any one market or customer and provides multiple channels for potential growth.

- *Export diversification*. We are the world's largest beef exporter and sell our products in approximately 140 countries on five continents. Overall, our exports correspond to 24.5% of our gross revenue for the year ended December 31, 2012. With our geographic diversification, we are able to reduce exposure to any market and also have access to a wide variety of export markets. In addition, our access to international markets allows us to potentially generate higher returns as many of our export products, such as forequarter cuts, tongue, heart, kidney and other variety meats, have a stronger demand in foreign markets, particularly in Asia and the Middle East.

Successful track record of acquisitions and integration. We have a successful history of acquiring and integrating companies into our business. During the past 17 years, we have made more than 30 acquisitions. We also have a history of success in turning around unprofitable companies that we have acquired as evidenced by our acquisition and restructuring of Swift Foods Company, or Swift, in the United States (which we subsequently renamed JBS USA Holdings). Since our initial public equity offering conducted in Brazil in April 2007, we have also acquired Smithfield Beef Group, Inc., or Smithfield Beef (which we subsequently renamed JBS Packerland, Inc., or JBS Packerland), Five Rivers Ranch Cattle Feeding LLC, or JBS Five Rivers, Tasman Group Services, Pty. Ltd. and Industry Park Pty. Ltd., or the Tasman Group, PPC, Tatiara and Rockdale Beef Pty. Ltd, or Rockdale Beef,

among other acquisitions, and have consummated the Bertin merger. Our history of successfully acquiring and integrating companies has turned us into the largest protein producer in the world. We believe that due to our leadership, global production scale, financial stability and experience in acquiring and integrating companies, we are well positioned to operate as one of the leading companies in the consolidation of the global food industry.

Experienced management. Our management team has a significant knowledge of the beef, pork and poultry industries. Certain members of our management have over 20 years of experience in our management or in the industries in which we operate. We believe that our management is one of the main factors responsible for the increase in our sales, improvement of our business and integration of our new acquisitions, transforming us into one of the leading companies in the global food industry.

Our Strategy

Our strategy is to continue our growth trajectory as a leader in the global food industry, to benefit from consolidation opportunities in the industry worldwide and to open and expand international markets. Our strategy is based on the following key principles:

Seek sustainable growth opportunities through investments and bolt-on acquisitions. We intend to continue to grow in the global food industry in a sustainable manner, by pursuing regional bolt-on acquisition opportunities and strategic partnerships, with a focus on expanding our sales and distribution capabilities. During the past 17 years, we have successfully acquired and integrated companies, which we believe will help us to enter new markets, offer new products and consolidate our leading position in the markets in which we currently operate, through gains in economies of scale and operating synergies and maintaining strict food safety standards to assure the quality of our products. We also believe that we will be able to access new export markets as existing trade restrictions are relaxed or lifted.

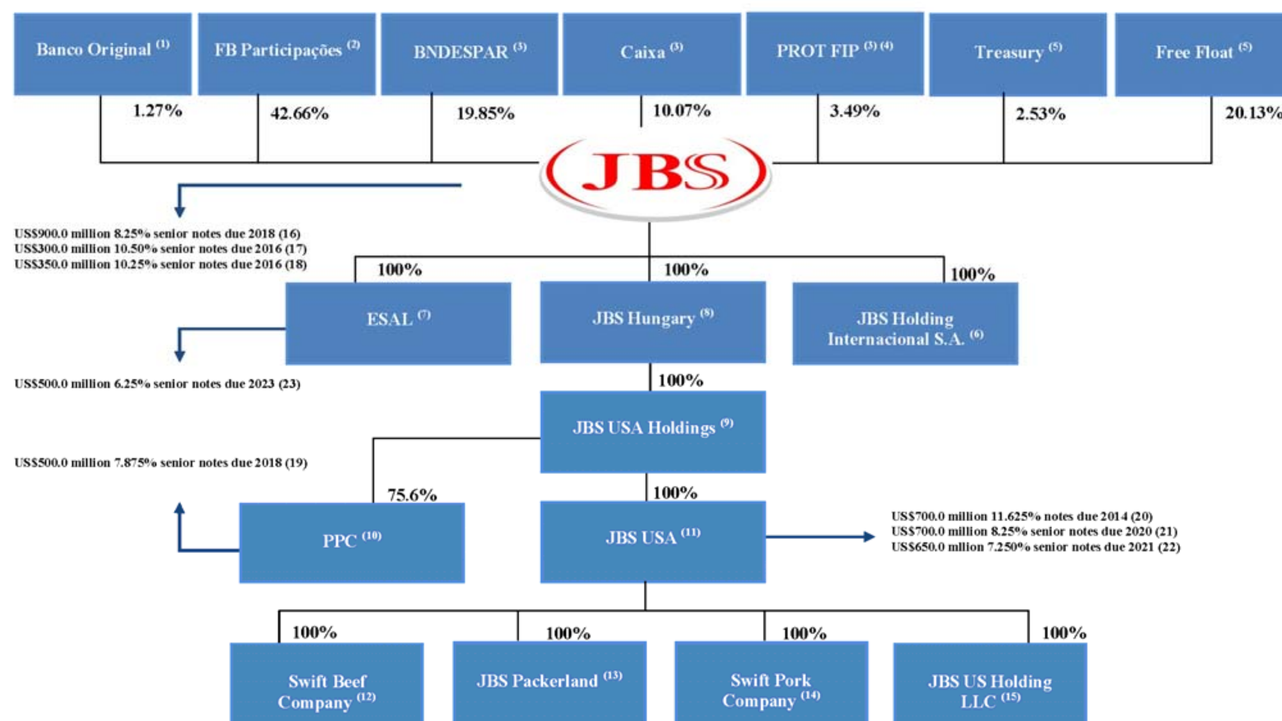
Continue to decrease costs and increase operating efficiencies. Since our inception, we have focused on reducing costs and increasing production yields. We intend to continue being one of the most cost-effective companies in the world; constantly looking to improve the efficiency of our production processes and logistics, investing in information technology and the development of our employees' professional skills while continuing to benefit from gains in economies of scale and operating synergies from acquisitions. We believe we can enhance our yields through development and implementation of modern processes and improvement of products throughout the production chain, improving carcass use for fresh and processed meat, as well as processing hides. We will continue to focus on developing innovative processes and improving products throughout the production chain.

Increase the quantity and variety of value-added trademark products. We intend to increase our offering of processed, manufactured and trademark products, which typically have higher yield margins and lower price fluctuation. Historically, we achieved our best results when we offered higher value-added products to our clients. Examples of our value-added product offerings include trademark products and processed and manufactured product offerings, such as sliced, cubed, tenderized, canned, marinated and consumer-ready products. These products reduce labor costs for our customers and encourage consumer demand. We intend to expand our processed and manufactured product offerings and increase the production of our trademark products through investments in, and expansion of our existing production facilities and through acquisitions. We also intend to continue to invest in marketing to create strong trademarks and strengthen existing ones. We believe that increased sales of value-added products will significantly improve our future profit margin.

Continue to successfully integrate acquisitions. We have a successful history of acquiring and improving the operating performance of companies. We have used this experience to integrate PPC and Bertin S.A., or Bertin, and will continue to apply this experience to other companies that we may acquire in the future, for operational synergies, including the streamlining of managerial jobs, improvements to sales networks, consolidation of distribution networks, enhancement of freight and storage costs and the consolidation of risk and financial management systems.

Corporate Structure

The following diagram sets forth our current simplified corporate structure and principal business segments and principal notes outstanding.



(1) Banco Original S.A., or Banco Original, is a Brazilian bank, which owns 1.27% of our total capital stock. The members of the Batista family indirectly, through several holding companies, own 100% of the issued and outstanding shares of Banco Original.

(2) FB Participações, our controlling shareholder, is a Brazilian corporation which owns 42.66% of our total capital stock. The members of the Batista family indirectly, through several holding companies, own 51.48% of the issued and outstanding shares of FB Participações. Members of the Bertin family, through a Brazilian holding company, own 48.52% of the issued and outstanding shares of FB Participações.

(3) BNDESPAR is a subsidiary of the Brazilian Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social*), or BNDES. BNDESPAR invests and owns equity interests in Brazilian companies, including in us. On December 22, 2009, we agreed to issue, and BNDESPAR agreed to subscribe for and purchase, up to the entire principal amount of R$3.5 billion of the BNDESPAR debentures. The terms of the BNDESPAR debentures provided that such debentures were mandatorily exchangeable into our shares if JBS USA Holdings did not complete its initial public offering prior to December 31, 2011. In May 2011, we announced a proposed increase in our share capital in the amount of R$3.5 billion, which was funded through a capital increase in the form of capitalization of credits held by BNDESPAR through its holding of R$3.5 billion in the BNDESPAR debentures, and the related cancellation of the BNDESPAR debentures. We amended the terms of the BNDESPAR debentures to provide for the capitalization of credits and related cancellation and in July 2011, our board of directors confirmed the subscription of the proposed capital increase, with holders of debentures acquiring 99.94% of the common shares that were issued as a result of the capital increase. We redeemed the BNDESPAR debentures (0.6%) that were not subscribed for in connection with our increase in share capital. See "Business—BNDESPAR Debentures and the BNDESPAR Transaction." On December 28, 2012, BNDESPAR informed us that it disposed of 296,392,500 common shares issued by us. Furthermore, on January 3, 2013, we also received a letter from Caixa Econômica Federal, or Caixa, informing us that it had received 296,392,500 of our common shares from its controlling shareholder as a capital increase. Thus, Caixa became the holder of 296,392,500 of our common shares, corresponding to 10.07% of our total capital stock. BNDESPAR now holds directly 584,417,512 common shares of JBS, corresponding to 19.85% of our total capital stock. Additionally, BNDESPAR holds, through its participation in PROT - Fundo de Investimento em Participações, or PROT FIP, shares equivalent to 3.14% of our total capital stock, amounting to a total direct and indirect participation of 22.99% in our total capital stock.

(4) PROT FIP is a Brazilian equity investment fund.

(5) Minority shareholders own 20.13% of our total capital stock, and the remaining 2.53% of our total capital stock are held as treasury shares.

(6) JBS Holding Internacional S.A. is the holding company for our Argentine operations.

(7) ESAL, the issuer of the notes, is our wholly-owned subsidiary. ESAL is a limited liability company which was organized under the laws of Austria on January 14, 2013. See "The Issuer."

(8) JBS Hungary is our wholly-owned, indirect subsidiary and a guarantor of the notes.
(9) JBS USA Holdings is the holding company for our United States and Australian operations.
(10) PPC is the operating company for our poultry operations.
(11) JBS USA, LLC, or JBS USA, is the company through which we conduct our beef and pork operations in the United States and Australia.
(12) Swift Beef Company is the operating company for our United States beef operations, other than JBS Packerland.
(13) JBS Packerland is the holding company for the beef operations we acquired in the JBS Packerland Acquisition, including the feedlots operated by JBS Five Rivers.
(14) Swift Pork Company is the operating company for our United States pork operations.
(15) JBS US Holding LLC is the holding company for our Australian operations.
(16) JBS Finance II Ltd.'s 8.25% senior notes due 2018, or the 2018 Notes.
(17) Our 10.50% senior notes due 2016, or the 2016 Notes.
(18) Bertin's 10.25% senior notes due 2016, or the 2016 Bertin Notes.
(19) PPC's 7.875% senior notes due 2018, or the PPC 2018 Notes.
(20) JBS USA and JBS USA Finance, Inc., or JBS USA Finance's, 11.625% notes due 2014, or the 2014 Notes.
(21) JBS USA and JBS USA Finance's 8.25% senior notes due 2020, or the 2020 Notes.
(22) JBS USA and JBS USA Finance's 7.250% senior notes due 2021, or the 2021 Notes.
(23) The initial notes.

Recent Events

Caixa Transaction

On January 3, 2013, we received a letter from Caixa informing us that it had received 296,392,500 of our common shares from its controlling shareholder as a capital increase. Thus, Caixa became the holder of 296,392,500 of our common shares, corresponding to 10.07% of our share capital. For more information, see "Principal Shareholders."

US$500.0 Million 6.25% Senior Notes due 2023

On February 5, 2013, ESAL issued the initial notes in an aggregate principal amount of US$500.0 million. The initial notes were unconditionally guaranteed by JBS and JBS Hungary. See "Capitalization" and "Description of the Notes."

Export Credit Facilities

On February 4, 2013, we entered into an export credit facility (*nota de crédito de exportação*), or NCE, with Banco Santander (Brasil) S.A. in an aggregate principal amount of R$269.0 million, maturing on January 20, 2016.

On February 7, 2013 and February 22, 2013, we entered into two NCEs with Banco Bradesco S.A., as creditor, in an aggregate principal amount of R$100.0 million each, maturing on January 22, 2016 and February 5, 2016, respectively.

On February 27, 2013 and March 19, 2013, we entered into two NCEs with Banco do Brasil S.A., in the aggregate principal amount of R$200.0 million each, maturing on April 23, 2014 and May 13, 2014, respectively.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Description of Indebtedness—Export Credit Facilities" and "Capitalization."

Acquisition of Agrovêneto S.A. Indústria de Alimentos

On March 5, 2013, we acquired Agrovêneto S.A. Indústria de Alimentos, or Agrovêneto, a Brazilian company that specializes in the production of chicken products and operates in the city of Nova Veneza in the State of Santa Catarina, through our wholly-owned subsidiary, JBS Aves Ltda., or JBS Frangosul, for a purchase price of R$108.5 million.

Purchase of U.S. Assets of XL Foods

On April 8, 2013, we acquired certain U.S. assets of XL Foods, pursuant to an agreement that JBS Food Canada signed with XL Foods on October 17, 2012. See "Business—Summary of Our Corporate History."

ESAL

ESAL is a wholly-owned, direct subsidiary of JBS. ESAL is a limited liability company which was organized under the laws of Austria on January 14, 2013. The registered office of ESAL is located at Landstraßer Hauptstraße 2/Top M2.01.31, A-1030, Vienna, Austria.

Under ESAL's memorandum of association, ESAL is permitted to engage in any act or activity that is not prohibited under any law as may be in force from time to time in Austria. ESAL has no business operations of its own, and its ability to incur indebtedness (other than the notes and other indebtedness ranking equally with the notes), make investments, pay dividends or distributions on its capital stock, redeem its capital stock or incur liens on its property and assets will be substantially limited by covenants in the indenture. See "Description of the Notes."

JBS

Our headquarters are located at Av. Marginal Direita do Tietê, 500, Bloco I, 3rd floor, CEP 05118-100, in the City of São Paulo, State of São Paulo, Brazil, and our phone number is (+55 11) 3144-4000. Our Investor Relations Department is located in our management office at Av. Marginal Direita do Tietê, 500, CEP 05118-100, in the City of São Paulo, State of São Paulo, Brazil, and may be contacted by phone at (+55 11) 3144-4055 and by email at *ir@jbs.com.br*. Our website is *www.jbs.com.br.* Information contained on or obtainable through our website is not incorporated into, and does not constitute a part of, this offering memorandum.

THE OFFERING

The following summary is provided solely for the investors' convenience. This summary is not intended to be complete. Investors should read the full text and more specific details contained elsewhere in this offering memorandum. For a more detailed description of the notes, see "Description of the Notes."

Issuer..	ESAL GmbH.
Guarantors	JBS S.A. and JBS Hungary Holdings Kft.
Notes offered	US$275,000,000 aggregate principal amount of 6.25% senior notes due 2023. The new notes will be additional notes issued under the indenture, dated as of February 5, 2013, pursuant to which the issuer initially issued and sold US$500,000,000 aggregate principal amount of the initial notes. The new notes will have identical terms and conditions as the initial notes, other than the issue date and issue price, and will form a single series with, and vote together as a single class with, the initial notes. The new notes will have the same ISIN and CUSIP numbers as, and be fungible with, the initial notes, except that the new notes offered and sold in offshore transactions under Regulation S will have temporary ISIN and CUSIP numbers during a 40-day distribution compliance period commencing on the issue date of the new notes.
Ranking	The notes will be senior unsecured obligations of the issuer ranking: • equal in right of payment to other existing and future senior unsecured debt of the issuer; • senior in right of payment to the issuer's subordinated debt; and • effectively subordinated to secured debt of the issuer to the extent of the value of the assets securing such secured debt. As of the date of this offering memorandum, the issuer had total outstanding debt of US$500.0 million, and the indenture allows the issuer to incur debt in the future subject to certain conditions. The guarantees will be senior unsecured obligations of the guarantors ranking: • equal in right of payment to other existing and future senior unsecured debt of such guarantors; • senior in right of payment to such guarantor's subordinated debt; and • structurally subordinated to debt and other liabilities (including subordinated debt and trade payables) of JBS' and/or JBS Hungary's non-guarantor subsidiaries (other than the issuer) and effectively subordinated to secured debt of the guarantors to the extent of the value of the assets securing such secured debt. As of December 31, 2012, JBS had total consolidated debt of R$20,488.9 million (US$10,023.9 million), excluding related party debt, of which R$5,099.8 million (US$2,495.0 million) was secured debt of JBS. As of December 31, 2012, PPC, a non-guarantor

subsidiary of JBS, had total indebtedness of R$2,347.3 million (US$1,148.4 million) and JBS' other non-guarantor subsidiaries had total indebtedness of R$5,989.9 million (US$2,930.5 million).

Maturity .... February 5, 2023.

Issue price.. 99.989%, plus accrued interest, from February 5, 2013 up to (but excluding), April 11, 2013.

Interest .... The notes will bear interest from February 5, 2013 at the annual rate of 6.25%, payable semi-annually in arrears on February 5 and August 5 of each year, commencing on August 5, 2013.

Purchasers of new notes will be required to pay accrued interest totaling US$3,151,041.67, or US$11.46 per US$1,000 principal amount of new notes, from and including February 5, 2013 up to (but excluding) April 11, 2013, the date we expect to deliver the new notes.

Payment of additional amounts........... Payments of interest on the notes or payments on the guarantees will be made after withholding and deduction for any Brazilian, Hungarian or Austrian taxes as set forth under "Taxation." The issuer, JBS or JBS Hungary will pay such additional amounts as will result in receipt by the holders of notes of such amounts as would have been received by them had no such withholding or deduction for Brazilian, Hungarian or Austrian taxes been required, subject to certain exceptions described under "Description of the Notes—Additional Amounts."

Optional redemption .... Prior to February 5, 2018, the issuer or JBS may redeem the notes, in whole or in part, by paying 100% of the principal amount of the notes plus the applicable "make-whole" amount and accrued interest and additional amounts, if any, to the redemption date. Thereafter, the issuer or JBS may redeem the notes, in whole or in part, at the redemption prices set forth herein. The issuer or JBS may also redeem up to 35% of the aggregate principal amount of the outstanding notes using the proceeds of certain equity offerings completed before February 5, 2016, as described under "Description of the Notes—Redemption—Optional Redemption."

Tax redemption .... The issuer, JBS or JBS Hungary may redeem the notes, in whole but not in part, at 100% of their principal amount, plus accrued interest and additional amounts, if any, to the redemption date, upon the occurrence of specified events relating to Brazilian, Hungarian or Austrian tax law. See "Description of the Notes—Redemption—Tax Redemption."

Change of control offer .... Upon the occurrence of a change of control that results in a ratings decline, noteholders will have the right to require the issuer to repurchase some or all of the notes at 101% of their principal amount, plus accrued interest and additional amounts, if any, to the repurchase date. See "Description of the Notes—Covenants—Repurchase of Notes upon a Change of Control."

Substitution of issuer........................... The issuer may, without the consent of the holders of the notes and subject to certain conditions, be replaced and substituted by JBS or any wholly-owned subsidiary of JBS as principal debtor in respect of the notes. See "Description of the Notes—Substitution of the Issuer."

Delivery	The new notes will be delivered on or about April 11, 2013, as described below.
Indenture	The new notes will be additional notes issued under the indenture, dated as of February 5, 2013, among the issuer, the guarantors and The Bank of New York Mellon, as trustee, and The Bank of New York Mellon Trust (Japan), Ltd., as principal paying agent.
Clearance and settlement	The new notes will be issued in book-entry form through the facilities of DTC for the accounts of its participants, including Euroclear and Clearstream, and will trade in DTC's same day funds settlement system. For a description of certain factors relating to clearance and settlement, see "Description of the Notes" and "Form of Notes."
Form and denomination	The new notes will be issued in the form of global notes in fully registered form without interest coupons, as described under "Form of the Notes." The global notes will be exchangeable or transferable, as the case may be, for definitive certificated notes in fully registered form without interest coupons only in limited circumstances. The new notes will be issued in registered form in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. See "Description of the Notes—Form and Transfer" and "Form of Notes."
Covenants of JBS	The indenture imposes certain limitations and restrictions on us and our subsidiaries, including: • making restricted payments; • creating liens; • incurring additional indebtedness; • entering into certain transactions with our affiliates; • selling our assets; and • consolidating or merging or selling substantially all of our assets. However, these covenants are subject to a number of important exceptions. See "Description of the Notes—Covenants."
Events of default	The indenture sets forth the events of default applicable to the notes, including an event of default triggered by cross-acceleration of other debt in an amount of US$50.0 million or more.
Use of proceeds	We estimate the net proceeds from the sale of the new notes to be approximately US$274.1 million (after expenses payable by us in respect of the offering of the new notes). We intend to use the net proceeds of this offering to extend our debt maturity profile by refinancing a portion of our outstanding short-term debt and for our general corporate purposes. See "Use of Proceeds."
Transfer restrictions	There are restrictions on the offer and sale of new notes and the distribution of offering material in various jurisdictions. See "Notice to Investors."

Trustee, transfer agent, paying agent and registrar	The Bank of New York Mellon.
Principal paying agent	The Bank of New York Mellon Trust (Japan), Ltd.
Listing	The issuer will apply to list the new notes on the SGX-ST. The issuer cannot assure you, however, that this application will be accepted. If the listing of the new notes on the SGX-ST would, in the future, require the issuer to publish financial information either more regularly than we otherwise would be required to, or according to accounting principles which are materially different from the accounting principles which we would otherwise use to prepare our published financial information, the issuer may seek an alternative admission to listing, trading and/or quotation for the notes by another listing authority, stock exchange and/or quotation system.
Governing law	The indenture, the notes and the guarantees will be governed by the laws of the State of New York.

Risk Factors

Prospective investors should carefully consider all of the information contained in this offering memorandum prior to investing in the new notes. In particular, we urge prospective investors to carefully consider the information set forth under "Risk Factors" for a discussion of risks and uncertainties relating to the issuer, the guarantors, its shareholders and an investment in the new notes.

SUMMARY FINANCIAL AND OTHER INFORMATION

The tables below present a summary of our financial and operating information included in this offering memorandum and have been derived from: (1) our audited consolidated financial statements as of and for the years ended December 31, 2010 and 2011; and (2) our audited consolidated financial statements as of and for the years ended December 31, 2011 and 2012. You should read this information in conjunction with our audited consolidated financial statements and related notes included elsewhere in this offering memorandum and with the sections entitled "Presentation of Financial and Other Information," "Selected Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our audited consolidated financial statements are included elsewhere in this offering memorandum and have been prepared in accordance with: (1) IFRS, as issued by the IASB; and (2) Brazilian GAAP.

The historical selected financial information presented in this offering memorandum is not necessarily indicative of our future operating results. The tables below present a summary of our financial and operating performance for the periods indicated. The following information should be read and analyzed together with "Presentation of Financial and Other Information," "Selected Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes included elsewhere in this offering memorandum.

Solely for the convenience of the reader, we have translated some of the *real* amounts included in this offering memorandum into U.S. dollars. The exchange rate used to translate such amounts was R$2.044 to US$1.00, which was the commercial selling rate at closing for the purchase of U.S. dollars in effect as of December 31, 2012 as reported by the Central Bank. The U.S. dollar equivalent information included in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the *real* amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. See "Exchange Rate Information" for further information about recent fluctuations in exchange rates.

Statement of Operations

	For the year ended December 31,			
	2010	**2011**	**2012**	**2012 (1)**
		(in millions of reais)		*(in millions of US$)*
Net revenues	54,712.8	61,796.8	75,696.7	37,033.6
Cost of goods sold	(47,994.8)	(55,100.2)	(67,006.9)	(32,782.2)
Gross income	**6,718.0**	**6,696.6**	**8,689.8**	**4,251.4**
Operating income (expense):				
General and administrative expenses	(1,641.0)	(1,739.2)	(2,057.4)	(1,006.6)
Selling expenses	(2,627.2)	(3,144.1)	(3,877.7)	(1,897.1)
Financial expenses, net	(2,223.0)	(2,010.7)	(1,338.2)	(654.7)
Equity in earnings of subsidiaries	–	–	0.8	0.4
Other income (expenses), net	(168.2)	(32.7)	(35.0)	(17.1)
	(6,659.5)	**(6,926.7)**	**(7,307.5)**	**(3,575.1)**
Net income (loss) before taxes	**58.6**	**(230.1)**	**1,382.3**	**676.3**
Current income taxes	(358.8)	(520.7)	(176.7)	(86.4)
Deferred income taxes	33.3	427.9	(442.7)	(216.6)
Net income (loss) of continued operations	**(266.9)**	**(322.9)**	**762.9**	**373.2**
Net income from discontinued operations	12.2	–	–	–
Net income (loss)	**(254.6)**	**(322.9)**	**762.9**	**373.2**
Attributable to:				
Controlling interest	**(292.8)**	**(75.7)**	**718.9**	**351.7**
Noncontrolling interest	**38.2**	**(247.2)**	**44.0**	**21.5**
	(254.6)	**(322.9)**	**762.9**	**373.2**

(1) Solely for the convenience of the reader, Brazilian *real* amounts have been translated into U.S. dollars at an exchange rate of R$2.044 per US$1.00, which was the commercial selling rate for U.S. dollars in effect on December 31, 2012, as reported by the Central Bank and should not be construed as implying that the *real* amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. See "Exchange Rate Information" for further information about recent fluctuations in exchange rates.

Balance Sheets

	As of December 31,			
	2010	2011	2012	2012 (1)
		(in millions of reais)		*(in millions of US$)*
Cash and cash equivalents	4,074.6	5,288.2	5,383.1	2,633.6
Trade accounts receivable, net	4,036.1	4,679.8	5,688.6	2,783.1
Inventories	4,476.9	5,405.7	5,182.2	2,535.3
Property, plant and equipment, net	14,624.2	15,378.7	16,207.6	7,929.4
Total assets	43,930.8	47,410.9	49,756.2	24,342.6
Total debt	15,183.4	18,872.2	20,488.9	10,023.9
Total equity	18,694.8	21,599.2	21,433.3	10,486.0

(1) Solely for the convenience of the reader, Brazilian real amounts have been translated into U.S. dollars at an exchange rate of R$2.044 per US$1.00, which was the commercial selling rate for U.S. dollars in effect on December 31, 2012, as reported by the Central Bank and should not be construed as implying that the real amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. See "Exchange Rate Information" for further information about recent fluctuations in exchange rates.

Other Financial Data

	For the year ended December 31,			
	2010	2011	2012	2012 (1)
		(in millions of reais)		*(in millions of US$)*
Net income (loss)	**(254.6)**	**(322.8)**	**762.9**	**373.2**
Income taxes	325.5	92.8	619.4	303.0
Financial income, net	2,223.0	2,010.7	1,338.2	654.7
Depreciation and amortization	1,215.5	1,291.4	1,613.7	789.5
EBITDA (2)	**3,509.4**	**3,072.1**	**4,334.2**	**2,120.5**
Income taxes, financial income (expense), net and depreciation and amortizations from discontinued operations	13.3	–	–	–
Equity in subsidiaries	–	–	(0.8)	(0.4)
Bargain purchase gain	9.5	–	–	–
Indemnity (3)	–	10.4	10.9	5.3
Reorganization and restructuring costs	233.9	68.5	66.0	32.3
Adjusted EBITDA (4)	**3,766.1**	**3,151.0**	**4,410.3**	**2,157.7**

(1) Solely for the convenience of the reader, Brazilian *real* amounts have been translated into U.S. dollars at an exchange rate of R$2.044 per US$1.00, which was the commercial selling rate for U.S. dollars in effect on December 31, 2012, as reported by the Central Bank and should not be construed as implying that the *real* amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. See "Exchange Rate Information" for further information about recent fluctuations in exchange rates.

(2) EBITDA is used as a measure of performance by our management. We calculate EBITDA as net income *plus*: income taxes, financial income (expense), net; and depreciation and amortization. EBITDA is a useful tool for assessing financial performance but is not a reliable indicator of our ability to generate cash to service our debt obligations because certain of the items added to net income (loss) to determine EBITDA involve outlays of cash. As a result, actual cash available to service debt obligations will be different from EBITDA. You should rely primarily on our IFRS results, and use EBITDA in a supplemental manner in making your investment decision. For more information about the limitations of EBITDA, see "Presentation of Financial and Other Information—Non-Accounting Financial Measures."

(3) Indemnity for the year ended December 31, 2011 corresponds to amounts due to the temporary suspension of operations in our plants in Berazategui (*Consignaciones Rurales*), Colonia Caroya (*Col-Car*) and San Jose, Argentina.

(4) Adjusted EBITDA is used as a measure of performance by our management. We calculate Adjusted EBITDA as EBITDA *plus*: income taxes, financial income (expense), net and depreciation and amortization from discontinued operations; equity in subsidiaries; bargain purchase gain; indemnity; and reorganization and restructuring costs. Adjusted EBITDA is a useful tool for assessing financial performance but is not a reliable indicator of our ability to generate cash to service our debt obligations because certain of the items added to net income (loss) to determine Adjusted EBITDA involve outlays of cash. As a result, actual cash available to service debt obligations will be different from Adjusted EBITDA. You should rely primarily on our IFRS results, and use Adjusted EBITDA in a supplemental manner in making your investment decision. For more information about the limitations of Adjusted EBITDA, see "Presentation of Financial and Other Information—Non-Accounting Financial Measures."

RISK FACTORS

An investment in the new notes involves a high degree of risk. You should carefully consider the risks and uncertainties described below, as well as the other information included elsewhere in this offering memorandum before making an investment in the new notes. The risks described below are not the only ones we face. In the event any of the following risks actually occur, our business, financial condition and results of operations could be materially adversely affected. The market price of the new notes could decline due to any of these risks, and you may lose all or part of your investment in the new notes. The risks described below are those that we currently believe may materially affect us. Additional risks not presently known to us, or that we currently consider immaterial may also materially adversely affect us.

For the purposes of this section, when we state that a risk, uncertainty or problem may, could or will have an "adverse effect" on us or "adversely affect" us, we mean that the risk, uncertainty or problem could have an adverse effect on our business, financial condition, results of operations, cash flow and/or prospects, and/or the price of the notes, except as otherwise indicated. You should view similar expressions in this section as having similar meaning.

Risks Relating to our Business and Industries

We may be unable to fully implement our strategy to develop our businesses and increase our future revenues and profitability.

Our future growth and financial performance will depend, in part, on the successful implementation of our business strategy, which in turn depends on factors that are beyond our control. The principal elements of our business strategy continue to include:

- to seek sustainable growth opportunities through investments and bolt-on acquisitions;
- continue to grow in the domestic and international markets;
- to reduce costs and increase operating efficiencies; and
- to expand the share of products with higher margins in our total revenues.

We cannot assure you that any of our strategies will be fully or successfully implemented. The food industry is particularly affected by changes in consumer eating preferences, tastes and habits, governmental regulations, regional and national economic conditions, demographic trends and sales practices by retailers, among other things. Some aspects of our strategy involve an increase in our operating expenses that may not be offset by corresponding increases in revenue, resulting in a decrease in our operating margins.

We are constantly assessing potential acquisitions, for which we may not be able to negotiate acceptable terms. Our strategy may also expose us to direct competition with our current third-party distributors, which may affect our relationship with such distributors. Furthermore, we may be unable to effectively integrate the businesses that we acquire or successfully implement appropriate operating, financial and administrative systems and controls to benefit from such acquisitions. The diversion of our management's attention and any other delays or difficulties faced in connection with the integration of these businesses may negatively affect our business and results of operations.

Our results of operations and financial condition may be adversely affected if we are unable to successfully integrate the businesses that we acquire or that are merged into us. Some of our competitors may seek to grow through acquisitions, which may reduce our ability to complete future acquisitions necessary to expand our business.

Additionally, the benefits that we expect to receive from such acquisitions may not materialize and any other proposed acquisitions may be subject to the approval of antitrust authorities and other governmental approvals. We may not be able to obtain the approvals required in a timely manner or at all.

In addition, certain aspects of our business strategy depend on factors that are beyond our control, such as changes in market conditions and actions taken by our competitors or by governments in the jurisdictions in which we operate. Any failure to implement the elements of our strategy may adversely affect the growth of our business and our future financial performance.

Our business strategies require substantial capital and long-term investments.

Our competitiveness and the implementation of our growth strategy depends on our ability to raise funds for capital expenditures. We cannot assure you that we will be able to obtain sufficient funds or at reasonable costs to finance our capital expenditures and our expansion strategy due to adverse macroeconomic conditions, our performance or other external factors, which may adversely affect our ability to successfully implement our growth strategy.

The implementation of our growth strategy relies on factors beyond our control, such as changes in market conditions and actions taken by our competitors or by the governments in the jurisdictions where we operate. If we cannot successfully implement any part of our growth strategy, our business, financial condition and results of operations may be adversely affected.

We may not be able to successfully integrate the operations of companies we acquire or benefit from growth opportunities.

We intend to pursue selected growth opportunities and acquisitions in the future. These types of opportunities may expose us to successor liability relating to actions involving any acquired entities, their respective management or contingent liabilities incurred prior to our involvement. A material liability associated with these types of opportunities, or our failure to successfully integrate any acquired entities into our business, could adversely affect our reputation and have a material adverse effect on us.

Undisclosed liabilities from our acquisitions may harm our financial condition and operating results. If we make acquisitions in the future, such transactions may be structured in such a manner that would result in the assumption of undisclosed liabilities or liabilities not identified during pre-acquisition due diligence. These obligations and liabilities could harm our financial condition and operating results.

We may not be able to successfully integrate any growth opportunities we may undertake in the future or successfully implement appropriate operational, financial and administrative systems and controls to achieve the benefits that we expect to result therefrom. These risks include: (1) failure of the acquired entities to achieve expected results; (2) possible inability to retain or hire key personnel of the acquired entities; and (3) possible inability to achieve expected synergies and/or economies of scale. In addition, the process of integrating businesses could cause interruption of, or loss of momentum in, the activities of our existing business. The diversion of our management's attention and any delays or difficulties encountered in connection with the integration of these businesses could adversely affect our business, results of operations, prospects and the market price of the notes.

Our results of operations may be adversely affected by fluctuations in market prices for livestock and grains.

Our operating margins depend on, among other factors, the purchase price of raw material, primarily livestock, and the sales price of our products. These prices may vary significantly, including during short periods of time, due to a number of factors, including the beef and pork supply and the demand and market of other protein products. The supply and the market price of livestock, our principal raw material, representing approximately 79.6% and 80.5% of our costs of products sold in 2011 and 2012, respectively. The supply and market of livestock depend on a number of factors that we have little or no control over, including outbreaks of diseases such as BSE and FMD, the cost of animal feeding, economic and weather conditions.

Livestock prices demonstrate a cyclical nature both seasonally and over longer periods, reflecting the supply of and demand for livestock on the market and the market for other protein products such as fish. These costs are determined by constantly changing market forces of supply and demand as well as other factors over which we have little or no control. These other factors include:

- environmental and conservation regulations;
- import and export restrictions;
- economic conditions;
- crop and livestock diseases; and
- declining livestock inventory levels.

We do not generally enter into long-term sales arrangements with our customers with fixed price contracts, and, as a result, the prices at which we sell our products are determined in large part by market conditions. A majority of our livestock is purchased from independent producers who sell livestock to us under marketing contracts or on the open market. A significant decrease in beef or pork prices for a sustained period of time could have a material adverse effect on our net revenues.

We attempt to mitigate certain of these risks through the use of risk management and hedging programs, which include forward purchase and sale agreements, futures and options. However, these strategies are unable to fully eliminate these risks. Furthermore, these programs may also limit our ability to participate in gains from favorable commodity price fluctuations.

Also, a portion of our forward purchase and sale contracts are marked-to-market such that the related unrealized gains and losses are reported in earnings on a quarterly basis. Therefore, losses on those contracts would adversely affect our earnings and may cause significant volatility in our quarterly earnings.

Profitability in the processing industry is materially affected by the commodity prices of animal feed ingredients, such as corn and soybeans. The production of feed ingredients is positively or negatively affected primarily by the global level of supply inventories and demand for feed ingredients, the agricultural policies of the United States and foreign governments and weather patterns throughout the world.

Market prices for feed ingredients remain volatile. There can be no assurance that the price of corn or soybean meal will not continue to rise as a result of, among other things, increasing demand for these products around the world and alternative uses of these products, such as ethanol and biodiesel production. The price of corn or soybean meal could rise significantly again. High prices for animal feed ingredients may have a material adverse effect on our operating results.

Accordingly, we may be unable to pass on all or part of any increased costs we experience from time to time to consumers of our products directly, in a timely manner or at all. Additionally, if we do not attract and maintain contracts or marketing relationships with independent producers and growers, our production operations could be disrupted, adversely affecting us.

Cyclicality in the U.S. poultry industry has significantly affected the earnings of PPC and, consequently ours, especially due to fluctuations in commodity prices of feed ingredients and chicken.

Profitability in the chicken industry is materially affected by the commodity prices of feed ingredients and chicken, which are determined by supply and demand factors. As a result, the chicken industry is subject to cyclical earnings fluctuations. The production of feed ingredients is positively or negatively affected primarily by the global level of supply inventories and demand for feed ingredients, the agricultural policies of the United States and foreign governments and global weather patterns. In particular, weather patterns often change agricultural conditions in an unpredictable manner. A significant change in weather patterns could affect supplies of feed ingredients, as well as both the industries' and PPC's ability to obtain adequate supplies of feed ingredients, grow chickens or deliver its products.

The cost of corn and soybean meal, PPC's primary feed ingredients, increased significantly from August 2006 to July 2008. Market prices for feed ingredients decreased throughout 2009 and the first six months of 2010, but rose significantly again in late 2010 and remained at high levels throughout 2011. From mid-2012 onwards, corn and

soybean prices increased due to adverse climate conditions in North America. However, PPC and the US poultry market were able to pass on these higher grain prices to the market. There can be no assurance that the price of corn or soybean meal will not continue to rise as a result of, among other things, increasing demand for these products around the world and alternative uses of these products, such as ethanol and biodiesel production. High feed ingredient prices have had, and may continue to have, a material adverse effect on the operating results of PPC. PPC periodically seeks, to the extent available, to enter into advance purchase commitments or financial derivative contracts for the purchase of feed ingredients in an effort to manage our feed ingredient costs. PPC's use of these instruments may not be successful.

Our exports are subject to a wide range of political and economic risks in foreign countries.

Our exports account for a significant portion of our sales, representing 24.5% of our gross revenue for the year ended December 31, 2012. We are subject to risk factors that are outside our control in our principal export markets (Africa and the Middle East, Mexico, China, Hong Kong and Vietnam, Japan, Russia and the European Union), including:

- changes in foreign currency exchange rates;
- deterioration of economic conditions;
- imposition of tax increases, anti-dumping tariffs and other trade and/or health barriers;
- exchange controls and restrictions to exchange operations;
- strikes or other events that may affect ports and transportation;
- compliance with different foreign legal and regulatory regimes; and
- sabotage of our products.

Our future financial performance will depend significantly on economic, political and social conditions in our principal export markets.

We attempt to manage certain of these risks through the use of risk management and hedging programs, including futures and options relating to currency fluctuation risk arising from sales or anticipated sales of our finished goods that are denominated in currencies other than *reais*. However these strategies cannot and do not fully eliminate these risks.

In addition, our operations can be adversely affected by strikes of port employees, customs agents, sanitary inspection agents and other civil servants at the Brazilian ports from where we export our products. For example, the sanitary inspection team of the Brazilian government has gone on strike from time to time, resulting in delays in the export of our products. An extended strike in the future may adversely affect our business and results of operations.

We face competition in our business, which may adversely affect our market share and profitability.

The beef, pork and chicken industries are highly competitive. Competition exists both in the purchase of live cattle, hogs and chicken, and in the sale of beef, pork and poultry products. In addition, our beef, pork and chicken products compete with a number of other protein sources, including fish. We face competition from a number of beef producers in Brazil, the United States and Australia, in addition to pork and poultry producers.

The principal competitive factors in the animal protein processing industries are operating efficiency and the availability, quality and cost of raw materials and labor, price, quality, food safety, product distribution, technological innovations and brand loyalty. Our ability to be an effective competitor depends on our ability to compete on the basis of these characteristics. In addition, some of our competitors may have greater financial and other resources than us. We may be unable to compete effectively with these companies, and if we are unable to

remain competitive with these beef, pork and poultry producers in the future, our market share may be adversely affected.

Our performance depends on favorable labor relations with our employees and our compliance with labor laws. Any deterioration of those relations or increase in labor costs could adversely affect our business.

As of December 31, 2012, we had approximately 142,000 employees worldwide. A majority of these employees are represented by labor organizations, and our relationships with these employees are governed by collective bargaining agreements. Upon the expiration of existing collective bargaining agreements or other labor agreements, we may not reach new agreements without union action, and any such new agreements may not be on terms satisfactory to us. In addition, any new agreements may be for shorter durations than our historical agreements. Moreover, additional groups of currently non-unionized employees may seek union representation in the future. If we are unable to negotiate acceptable collective bargaining agreements, we may become subject to union-initiated work stoppages, including strikes. Any significant increase in labor costs, deterioration of employee relations, slowdowns or work stoppages at any of our locations, whether due to union activities, employee turnover or otherwise, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The loss of members of our senior management or our inability to attract and retain qualified senior management personnel could have an adverse effect on us.

Our ability to maintain our competitive position depends in large part on the performance of our senior management team, mainly because of our business model and our acquisition strategy. As a result of improvements in the foreign and domestic economies, we may lose key employees or face problems hiring qualified key employees. In order to retain key employees, we may have to make significant changes in our compensation policy to remain competitive, which would increase our costs. There is no assurance that we will succeed in attracting and retaining qualified senior management personnel. The loss of the services of any member of our senior management or our inability to attract and retain qualified personnel could have an adverse effect on us.

Our indebtedness could adversely affect our business.

As of December 31, 2012, we had total outstanding consolidated debt of R$20,488.9 million. Our consolidated indebtedness may:

- make it difficult for us to satisfy our respective obligations;
- limit our ability to obtain additional financing to operate our business;
- require us to dedicate a substantial portion of our cash flow to serve our debt, reducing our ability to use our cash flow to fund working capital, capital expenditures and other general corporate requirements;
- limit our flexibility to plan for and react to changes in our business and the industry in which we operate;
- place us at a competitive disadvantage relative to some of our competitors that have less debt than us;
- make us more vulnerable to increases in interest rates, resulting in higher interest costs in respect of our floating rate debt; and
- increase our vulnerability to general adverse economic and industry conditions, including changes in interest rates, lower cattle and hog prices or a downturn in our business or the economy.

Certain covenants of our financing agreements limit our ability to operate our business and incur additional debt and obtain additional financing.

We are party to debt agreements and commitments that require us to maintain specified financial ratios or to comply with certain covenants. Any failure to maintain the ratios or breach of these covenants would result in an

event of default under the relevant debt agreement if it is not remedied or waived by the respective lenders, and the lenders could elect to declare all amounts outstanding thereunder to be immediately due and payable. Certain of our debt agreements contain debt covenants that restrict our ability (and our subsidiaries' ability) from incurring indebtedness, subject to permitted exceptions, unless our net leverage ratio is less than 4.75:1.0. In addition, some of the debt agreements we have entered into impose restrictions on our ability to pay dividends, incur additional debt or grant guarantees to third parties in connection with new financings. As a result, if an event of default under a debt agreement were to occur, our cash flow and our financial condition may be adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Description of Indebtedness."

Unfavorable decisions in our legal or administrative proceedings may adversely affect us.

We are defendants in legal and administrative proceedings arising from the ordinary conduct of our business, especially with respect to civil, tax, labor and environmental claims, which may be decided to our detriment. Adverse rulings that have material economic impacts on our business or impede the execution of our growth plan may adversely affect our financial condition and results of operations. For some of these lawsuits, we were not required and have not established any provision on our balance sheet or have established provisions only for part of the amounts in dispute, based on our judgments or opinions of our legal counsel as to the likelihood of winning these lawsuits. For more information regarding our legal and administrative proceedings, see "Business—Legal Proceedings."

We are exposed to risks relating to product liability, product recall, property damage and personal injuries for which insurance coverage is expensive, limited and potentially inadequate.

Our business operations entail a number of risks, including risks relating to product liability claims, product recalls, property damage and personal injuries. We currently maintain insurance with respect to certain of these risks, but in many cases such insurance is expensive and difficult to maintain. No assurance can be given that such insurance can be maintained by us in the future on acceptable terms, or in sufficient amounts to protect us against losses due to any such events, or at all. Moreover, even though our insurance coverage may be designed to protect us from losses attributable to certain events, it may not adequately protect us from liability and expenses incurred in connection with such events and may not always be available on commercially reasonable terms or at all in the future.

Outbreaks of species-based diseases may affect our ability to conduct our business and harm demand for our products.

An outbreak of disease affecting livestock, such as BSE or FMD, could result in restrictions on sales of products to our customers or purchases of livestock from our suppliers. Also, outbreaks of these diseases or concerns that these diseases may occur and spread in the future can lead to cancellation of orders by our customers and create negative publicity that may have a material adverse effect on customer demand for our products. In December 2003, the U.S. Department of Agriculture, or USDA, reported the first confirmed case of BSE in the United States. Following the announcement, substantially all international export markets banned the import of U.S. beef. While most have since re-opened, we are currently unable to assess whether or when these remaining foreign markets may fully open to U.S. beef or whether existing open markets may close.

On October 11, 2005, Brazilian authorities detected the foot-and-mouth virus on a cattle ranch in the State of Mato Grosso do Sul, which state had previously been considered free of FMD due to an ongoing vaccination program. FMD was subsequently detected in a number of surrounding cattle ranches in the State of Mato Grosso do Sul. In the beginning of 2006, FMD was also detected in ranches in the State of Paraná. As a result of this outbreak of FMD in Brazil, approximately 58 countries at that time indefinitely suspended or restricted fresh beef imports from certain Brazilian states. Several of these countries banned imports from the states of Mato Grosso do Sul and Paraná, while other countries (including the majority of countries in the European Union) banned imports of fresh beef from the neighboring State of São Paulo.

In 2010, a cow that was found to be infected with a precursor of BSE died in the State of Paraná. The animal did not develop the disease, nor did the precursor agent cause its death. While the World Organization for Animal Health has continued to maintain that the BSE risk to Brazil is still negligible, Japan, Saudi Arabia, South Africa,

South Korea, China and Peru have suspended all beef imports from Brazil. Jordan and Lebanon have restricted beef products from the State of Paraná, and Chile has suspended buying any products except for meat and bones. In the year ended December 31, 2012, 1.7% of our consolidated beef exports were to countries that imposed restrictions.

In addition to BSE (in the case of cattle) and FMD, cattle, sheep and pigs are subject to outbreaks of other diseases affecting such livestock. An actual outbreak of BSE, FMD or any other diseases, or the perception by the public that such an outbreak has occurred, could result in restrictions on domestic and export sales of our products, cancellations of orders by our customers and adverse publicity. In addition, if the products of our competitors become contaminated, the adverse publicity associated with such an event may lower consumer demand for our products.

During the first half of 2006, there was substantial publicity regarding a highly pathogenic strain of avian influenza, known as H5N1, which has been affecting Asia since 2002 and which has also been found in Europe and Africa. Worldwide fears about avian disease, such as avian influenza, could adversely impact chicken sales and, consequently, our sales.

In 2009, A(H1N1) influenza, also known as "swine flu," spread in a number of countries. Any additional outbreak of the A(H1N1) influenza could have an adverse impact on the consumption of pork in our markets, and a significant outbreak could adversely affect our pork net revenues and our results of operations and could lead to the imposition of costly preventive controls on pork imports in the international markets where we operate.

Additional outbreaks of species-based diseases may affect our ability to conduct our business and harm demand for our products.

Any perceived or real health risks related to the food industry could adversely affect our ability to sell our products. If our products become contaminated, we may be subject to product liability claims and product recalls.

We are subject to risks affecting the food industry generally, including risks posed by the following:

- food spoilage or food contamination;
- evolving consumer preferences and nutritional and health-related concerns;
- consumer product liability claims;
- product tampering;
- the possible unavailability and expense of product liability insurance; and
- the potential cost and disruption of a product recall.

Our beef products and our pork products in the United States have in the past been, and may in the future be, exposed to contamination by organisms that may produce food borne illnesses, such as E. coli, listeria monocytogenes and salmonella. These organisms are generally found in the environment and, as a result, there is a risk that they could be present in our products. These pathogens can also be introduced to our products through tampering or as a result of improper handling at the further processing, foodservice or consumer level. Once contaminated products have been shipped for distribution, illness or death may result if the products are not properly prepared prior to consumption or if the pathogens are not eliminated in further processing.

Our systems designed to monitor food safety risks throughout all stages of our processes may not eliminate the risks related to food safety. As a result, we may voluntarily recall, or be required to recall, our products if they are or may be contaminated, spoiled or inappropriately labeled. For example, on June 25, 2009, we voluntarily recalled 41,280 pounds of beef products that may have been contaminated with E. coli.

The recalled beef products were shipped to distributors and retailers in multiple states and internationally.

In addition, on May 21, 2010, we were informed by the Brazilian Ministry of Agriculture (*Ministério da Agricultura, Pecuária e Abastecimento*), or MAPA, that routine sampling by the U.S. Food and Drug Administration, or the FDA, indicated that certain beef products exported from our facility in Brazil located in the city of Lins, in the State of São Paulo, to the United States contained levels of Ivermectin, a commonly-used antiparasitic agent, in excess of the levels established by the FDA. As a result, we undertook a voluntary recall of beef products exported to the United States from our Lins facility and took additional measures to ensure products from our Lins and other Brazilian-based USDA approved facilities that are exported to the United States meet the safety requirements established by the FDA. The FDA temporarily suspended additional exports from our Lins facility while we undertook these additional measures. The ban on exports from our Lins facility was lifted at the end of December 2010, and we have since resumed exports from our Lins facility to the United States. None of our other facilities exporting to the United States has been affected by this recall or temporary suspension.

We may be subject to significant liability in the jurisdictions in which our products are sold if the consumption of any of our products causes injury, illness or death. Such liability may result from proceedings filed by the government's attorney's office, consumer agencies and individual consumers. We may have to pay significant damages to consumers or to the government and such liability may be in excess of applicable liability insurance policy limits. Adverse publicity concerning any perceived or real health risk associated with our products could also cause customers to lose confidence in the safety and quality of our food products, which could adversely affect our ability to sell our products. We could also be adversely affected by perceived or real health risks associated with similar products produced by others to the extent such risks cause customers to lose confidence in the safety and quality of such products generally.

Changes in consumer preferences could adversely affect our business.

The food industry, in general, is subject to changing consumer trends, demands and preferences. Our products compete with other protein sources, including fish. Trends within the food industry frequently change, and our failure to anticipate, identify or react to changes in these trends could lead to reduced demand and prices for our products, among other concerns, and could have a material adverse effect on our business, financial condition, results of operations and market price of the notes.

Climate change, climate change regulations, adverse weather conditions and greenhouse effects may adversely impact our operations and markets.

There is a growing political and scientific consensus that emissions of greenhouse gases, or GHG, continue to alter the composition of the global atmosphere in ways that are affecting and are expected to continue affecting the global climate. Climate change, including the impact of global warming, creates physical and financial risk. Physical risks from climate change include an increase in sea level and changes in weather conditions, such as an increase in changes in precipitation and extreme weather events. Climate change could have a material adverse effect on our results of operations, financial condition, and liquidity. Natural disasters, fire, bioterrorism, pandemics, drought, changes in rainfall patterns or extreme weather, including floods, excessive cold or heat, hurricanes or other storms, could impair the health or growth of livestock or interfere with our operations due to power outages, fuel shortages, damage to our production and processing plants or disruption of transportation channels, among other things. Any of these factors, as well as disruptions in our information systems, could have an adverse effect on our financial results.

We are subject to legislation and regulation regarding climate change, and compliance with related rules could be difficult and costly. Concerned parties in the countries in which we operate, such as government agencies, legislators and regulators, shareholders and non-governmental organizations, as well as companies in many business sectors, are considering ways to reduce GHG emissions. In the United States, for example, many states have announced or adopted programs to stabilize and reduce GHG emissions, and federal legislation has been proposed in Congress, including the creation of a cap and trade system. The EPA is regulating GHG emissions through the Clean Air Act. A number of our facilities are already required to track and report GHG emissions in accordance with the EPA's reporting rules. We could incur increased energy, environmental and other costs and capital expenditures to comply with existing or new GHG limitations. Similarly, the Australian federal government has proposed a GHG cap and trade system, while various states are also considering enacting regulations that could be stricter than those at the federal level. In addition, the Australian federal government has recently passed the "Clean Energy Future" legislative package into law, which substantially reforms the Australian rules on environmental regulation. Among

other provisions, the "Clean Energy Future" legislative package establishes a carbon price mechanism for waste, pursuant to which there is an automatic threshold for liability for emissions over 25,000 tons of CO2 greenhouse gas emissions during a given year. During a fixed price period (2012-2015), it will be necessary for industrial operators, such as our facilities, to purchase and surrender sufficient carbon units to cover their waste emissions that are in excess of the threshold. We anticipate that we will incur additional costs as a result of both (1) the additional capital expenditures that we will have to incur in order to comply with the new regulations and (2) the carbon price we may need to pay as a result of our level of carbon emissions.

In addition, Brazil has recently passed legislation creating a national policy for climate change and reduction of GHG, which is still pending further regulation. Internationally, the Kyoto Protocol established targets for reduction of GHG by certain developed countries and created a carbon trading mechanism. However, such targets were set for 2012 and it is unclear whether such system will remain in force after 2012 and whether a new international agreement will be reached to replace the current international framework. In all cases, unless and until legislation is enacted and its terms are known, we cannot reasonably or reliably estimate its impact on our financial condition, operating performance or ability to compete.

Finally, we could face increased costs related to defending and resolving legal claims and other litigation related to climate change and the alleged impact of our operations on climate change.

The consolidation of our customers could adversely affect our business.

Our customers, such as supermarkets, warehouse clubs and food distributors, have consolidated in recent years, and consolidation is expected to continue throughout the United States and in other major markets. These consolidations have produced large, sophisticated customers with increased buying power who are more capable of operating with reduced inventories, opposing price increases, and demanding lower pricing, increased promotional programs and specifically tailored products. These customers also may use shelf space currently used for our products for their own private label products. If we fail to respond to these trends, our volume growth could slow or we may need to lower prices or increase promotional spending for our products, any of which would adversely affect our financial results.

The use of derivative financial instruments may adversely affect our results of operations, particularly in a volatile and uncertain market.

We have been utilizing derivative financial instruments to manage our risk profile associated with interest rates and our debt currency exposure. Significant changes may occur in our portfolio of derivative instruments due to increasing volatility and the fluctuation of the *real* against the U.S. dollar and volatility in commodity prices, including raw materials we purchase, and we may incur net losses from our derivative financial and commodity markets. The fair value of the derivative instruments fluctuates over time as a result of the effects of future interest rates and volatility of the financial and commodity markets. These values must be analyzed in connection with the underlying transactions and as a part of our total average exposure to interest rate and exchange rate and commodity price fluctuations. It is difficult to predict the magnitude of the risk resulting from derivative instruments because the appreciation is imprecise and variable. We may be adversely affected by our derivative financial positions.

Deterioration of economic conditions could adversely affect our business.

Our business may be adversely affected by changes in national or global economic conditions, including inflation, interest rates, availability of capital, consumer spending rates, energy availability and costs (including fuel surcharges) and the effects of governmental initiatives to manage economic conditions. Any such changes could adversely affect the demand for products both in domestic and international markets, or the cost and availability of our needed raw materials, cooking ingredients and packaging materials, thereby adversely affecting our financial results.

Disruptions in credit and other financial markets and deterioration of national and global economic conditions, including, but not limited to, the debt crisis affecting certain countries in the European Union, could, among other things:

- adversely affect global demand for protein products, which could result in a reduction of sales, operating income and cash flows;

- cause our customers or end consumers of our products to “trade down” to lower-value protein sources such as fish or beans, or to cuts of beef, pork or chicken that are less profitable, putting pressure on our profit margins;

- make it more difficult or costly for us to obtain financing for our operations or investments or to refinance our debt in the future;

- cause our lenders to depart from prior credit industry practice and make more difficult or expensive the granting of any technical or other waivers under our debt agreements to the extent we may seek them in the future;

- impair the financial condition of some of our customers and suppliers; and

- decrease the value of our investments.

Compliance with existing or changing environmental requirements relating to current and/or discontinue operations may result in significant costs, and failure to comply may result in civil liabilities for damages as well as criminal and administrative sanctions.

Our operations are subject to extensive and increasingly stringent federal, state, local and foreign laws and regulations pertaining to the protection of the environment, including those relating to the discharge of materials into the environment, the handling, treatment and disposal of wastes and remediation of soil and groundwater contamination. Failure to comply with these requirements could have serious consequences for us, including criminal as well as civil and administrative penalties, claims for property damage, personal injury and damage to natural resources and negative publicity. Our activities may also be affected by future international agreements entered into force to protect the environment. As a result of possible new environmental international agreements or other unforeseen events, especially if environmental rules and regulations become stricter in Brazil and in the other markets in which we operate, we may have to incur additional expenses in order to comply with such environmental rules and regulations, which may adversely affect our available resources for capital expenditures and other purposes. Compliance with existing or new environmental rules and regulations may increase our costs and expenses, and, as a result, reduce our profit.

JBS USA Holdings and previous owners and operators of its facilities have handled and used hazardous materials and have generated and disposed wastes that are or may be considered hazardous or may have polluted the soil, surface water or groundwater at or in the vicinity of JBS USA Holdings’ facilities. Some environmental laws impose strict and, in certain circumstances, joint and several liability for costs of investigation and remediation of contaminated sites on current and former owners and operators of the sites, and on persons who arranged for disposal of wastes at such sites. Discovery of previously unknown contamination at or in the vicinity of our or our predecessor’s present or former properties or manufacturing facilities and/or third-party waste disposal sites could require us to incur material unforeseen expenses.

For example, we have incurred and may continue to incur significant capital and operating expenditures, including for the upgrade of wastewater treatment facilities, such as our ongoing negotiations with the City of Cactus, Texas regarding implementation of a second phase of upgrades to the City of Cactus’ and JBS USA Holdings’ wastewater treatment facilities, which is in addition to previous work that was financed through JBS USA Holdings’ purchase of taxable series 2007 bonds issued by the City of Cactus. JBS USA Holdings has also incurred similar expenditures in connection with remediation of previous contamination from the release of wastewater from certain of our plants. Between August 10, 2007 and June 10, 2008 while under prior ownership, our Souderton, Pennsylvania facility experienced a series of wastewater release incidents. On November 29, 2008, the U.S. Department of Justice commenced a civil action against JBS USA Holdings in the federal district court for the Eastern District of Pennsylvania in connection with these incidents. In June 2010, we reached a settlement with the U.S. Department of Justice in connection with these incidents. The settlement agreement, as outlined in a consent

decree JBS USA Holdings entered into on September 13, 2010, required JBS USA Holdings to improve operations by reconstructing the system that carries water to its wastewater treatment plant.

Additional environmental requirements imposed in the future and/or stricter enforcement of existing requirements could require currently unanticipated investigations, assessments or expenditures and may require us to incur significant additional costs.

In addition, a number of PPC facilities have been operating below capacity due to economic conditions, and upgrades at some facilities have been delayed or deferred because of PPC's bankruptcy prior to our acquisition of control of PPC. Before production can be restored to pre-bankruptcy levels, capital expenditures may be necessary at some facilities for installation of new pollution control equipment in order to achieve compliance with existing or changing environmental requirements, including more stringent limitations imposed or expected in recently renewed or soon-to-be renewed environmental permits.

In the past, PPC acquired businesses with operations such as pesticide and fertilizer production that involved greater use of hazardous materials and generation of more hazardous wastes than PPC's operations. While many of those operations have been sold or terminated by PPC, some environmental laws impose strict and, in certain circumstances, joint and several liability for costs of investigation and remediation of contaminated sites or third-party disposal sites on current and former owners and operators of the sites, and on persons who arranged for disposal of wastes at such sites, including third-party disposal sites. In addition, current owners or operators of such contaminated sites may seek to recover cleanup costs from PPC based on its past operations or contractual indemnification obligations.

New environmental requirements, stricter interpretations of existing environmental requirements, or obligations related to the investigation or clean-up of contaminated sites, may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our international operations pose special risks to our business and operations.

We have significant operations around the world and are subject to a number of special risks as a global company, including among others:

- exchange rate fluctuations, inflation or deflation in the foreign countries where we have operations;
- the impact of formal and informal trade barriers and changes in laws and policies where we have operations or where we export may adversely affect our business and our operating results;
- exchange controls; and
- changes in laws and policies of the countries where we have operations.

Trade authorities in Mexico, the most important international market for U.S. chicken in recent years, recently completed an investigation of U.S. producers over dumping complaints lodged by certain Mexican chicken processors. These Mexican chicken processors alleged U.S . producers sold chicken legs and thighs on the Mexican market below their cost of production in 2010. On August 6, 2012, the Mexican government issued final resolutions imposing duties on PPC and certain other U.S. chicken producers. Mexico will impose a duty of approximately 25% on chicken legs and thighs exported by PPC and three other U.S. exporters and duties of approximately 127% on chicken legs and thighs exported by all other U.S. companies from the U.S. to Mexico. However, the Mexican government has postponed the imposition of these duties until conditions in Mexico's domestic chicken market resulting from the outbreak of H7N3 avian influenza in the Mexican state of Jalisco are normalized. On September 3, 2012, PPC and certain other U.S. producers filed a request with the NAFTA Secretariat for a panel review of Mexico's decision. We do not believe that these duties, when imposed, will materially adversely impact PPC's financial position, results of operations or cash flow.

In September 2010, China imposed anti-dumping and countervailing duties of up to 135.7% levied on the imports of chicken products from the United States, including 58.5% levied on the imports of our chicken products

to China. Until these duties are modified or eliminated, these duty rates can be expected to deter Chinese importers from purchasing U.S.-origin chicken products, including our chicken products, and can be expected to diminish the volume of such purchases. China is one of PPC's largest international markets.

In January 2010, Russia, also one of the largest international markets for PPC, introduced new sanitary controls which effectively banned U.S. poultry imports shipped after January 1, 2010. As long as the restrictions remained in place, PPC was unable to export its chicken products to Russia. On June 24, 2010, Russia and the United States announced they had reached an agreement to permit the resumption of U.S. poultry exports to Russia. Although we began exporting products to Russia again in September 2010, there can be no assurances that new disruptions will not arise. For example, Russia has indicated that it will develop its own internal poultry production and has established an import quota of 350,000 metric tons of poultry per annum that began in 2011.

Efforts to comply with immigration laws and/or the introduction of new immigration legislation could make it more difficult or costly for JBS USA Holdings and/or PPC to hire employees, as well as have a material adverse effect on our operations and subject JBS USA Holdings and/or PPC to civil or possible criminal penalties.

Immigration reform continues to attract significant attention in the U.S. Congress. If new federal immigration legislation is enacted or if states in which JBS USA Holdings and/or PPC do business enact immigration laws, such laws may contain provisions that could make it more difficult or costly for JBS USA Holdings and/or PPC to hire United States citizens and/or legal immigrant workers. In such a case, JBS USA Holdings and/or PPC may incur additional labor costs and other costs of doing business, which could have a material adverse effect on our business, operating results and financial condition.

In addition, despite JBS USA Holdings' and PPC's efforts to hire only United States citizens and/or persons legally authorized to work in the United States, JBS USA Holdings and PPC are unable to ensure that all of their employees are United States citizens and/or persons legally authorized to work in the United States.

For example, on December 12, 2006, when JBS USA Holdings was under prior private equity ownership, agents from the U.S. Department of Homeland Security's Immigration and Customs Enforcement division, or ICE, and other law enforcement agencies conducted on-site employee interviews at all of its production facilities except with respect to its production facilities located in Louisville, Kentucky and Santa Fe Springs, California, in connection with an investigation of the immigration status of an unspecified number of JBS USA Holdings' workers. Approximately 1,300 individuals were detained by the ICE and removed from JBS USA Holdings' U.S. domestic labor force. No civil or criminal charges have been filed by the U.S. government against JBS USA Holdings or any of JBS USA Holdings' current or former management or employees. We estimate that the labor shortages and related disruptions to our operations as a result of this event resulted in additional costs of approximately US$82 million, as well as reduced revenues at the affected facilities, as lower levels of experienced staffing resulted in lower volumes of beef that met processing specifications. JBS USA Holdings resumed production at its affected facilities in March 2007. In addition, the ICE detained 30 employees of PPC in 2007 and an additional 300 employees of PPC in 2008 for lack of adequate immigration documentation.

In the future, other efforts by governmental authorities in enforcing the law may occur, including civil or possible criminal penalties, and JBS USA Holdings and/or PPC may face shortages of personnel or interruptions in their operations in one or more plants, resulting in an adverse impact on the businesses of JBS USA Holdings and/or PPC and, consequently, our business.

Our businesses are subject to government policies and extensive regulations affecting the beef, pork and poultry industries.

Livestock production and trade flows are significantly affected by government policies and regulations. Governmental policies affecting the livestock industry, such as taxes, tariffs, duties, subsidies and import and export restrictions on livestock products, can influence industry profitability, the use of land resources, the location and size of livestock production, whether unprocessed or processed commodity products are traded, and the volume and types of imports and exports.

JBS USA Holdings' plants and its products are subject to periodic inspections by federal, state and municipal authorities and to comprehensive food regulation, including controls over processed food. JBS USA Holdings' operations are subject to extensive regulation and oversight by state, local and foreign authorities regarding the processing, packaging, storage, distribution, advertising and labeling of its products, including food safety standards. JBS USA Holdings' exported products are often inspected by foreign food safety authorities, and any violation discovered during these inspections may result in a partial or total return of a shipment, partial or total destruction of the shipment and costs due to delays in product deliveries to its customers.

JBS USA Holdings' operations in the United States are subject to extensive regulation and oversight by the USDA, the Grain Inspection Packers and Stockyards Administration, or GIPSA, the U.S. Environmental Protection Agency, or the EPA, and other state, local and foreign authorities regarding the processing, packaging, labeling, storage, distribution and advertising of its products. JBS USA Holdings' domestic operations are subject to the Packers and Stockyards Act of 1921, or the PSA. The PSA generally prohibits meat packers in the livestock industry from engaging in certain anti-competitive practices. In addition, this statute requires JBS USA Holdings to make payment for its livestock purchases before the close of the next business day following determination of the purchase price and transfer of possession of the livestock JBS USA Holdings purchases, unless otherwise agreed to by its livestock suppliers. Recently, the food safety practices and procedures of the meat processing industry have been subject to more intense scrutiny and oversight by the USDA. Food safety standards, processes and procedures are subject to the USDA Hazard Analysis Critical Control Point program, which includes compliance with the Public Health Security and Bioterrorism Preparedness and Response Act of 2002. Wastewater, storm water and air discharges from its operations are subject to extensive regulations by the EPA and other state and local authorities. JBS USA Holdings' facilities for processing beef, pork and lamb are subject to a variety of federal, state and local laws relating to the health and safety of its employees, including those administered by the U.S. Occupational Safety and Health Administration, or OSHA. JBS USA Holdings' Australian operations also are subject to extensive regulation by the Australian Quarantine Inspection Service, or AQIS, and other state, local and foreign authorities. Additionally, we are routinely affected by new or amended laws, regulations and accounting standards. Our failure to comply with applicable laws and regulations or failure to obtain necessary permits and registrations could delay or prevent us from meeting current product demand or acquiring new businesses, as well as possibly subjecting us to administrative penalties, damages, fines, injunctions, recalls of our products or seizure of our properties as well as potential criminal sanctions, any of which could materially adversely affect our financial results.

Our operations in Brazil are subject to extensive regulation and oversight by MAPA and other state, local and foreign authorities regarding the processing, packaging, storage, distribution, advertising and labeling of our products, including food safety standards. For example, on May 21, 2010, we were informed by MAPA that routine sampling by the FDA indicated that certain beef products exported from our facility in Brazil located in the city of Lins, in the State of São Paulo, to the United States contained levels of Ivermectin, a commonly-used antiparasitic agent, in excess of the levels established by the FDA. As a result, we undertook a voluntary recall of beef products exported to the United States from our Lins facility and took additional measures to ensure products from our Lins and other Brazilian-based USDA approved facilities that are exported to the United States meet the safety requirements established by the FDA. The FDA temporarily suspended additional exports from our Lins facility while we undertook these additional measures. The ban on exports from our Lins facility was lifted at the end of December 2010, and we have since resumed exports from our Lins facility to the United States. These suspensions, as well as suspensions and restrictions imposed by numerous countries in light of an outbreak of FMD in Brazil and any future suspensions or restrictions, imposed by Brazilian governmental authorities or governmental authorities in other jurisdictions could have a material adverse effect on us and our results of operations.

We are also subject to extensive regulation from the Brazilian National Sanitation Inspection Agency (*Agência Nacional de Vigilância Sanitária*), or ANVISA, which is responsible for the inspection of all food products (1) transported outside the state where they were produced, (2) exported from Brazil or (3) imported to Brazil. For example, on July 16, 2008, Russia announced a temporary restriction on beef imports from Brazil, Argentina and other countries following the discovery of a forbidden substance found in certain products produced in beef processing plants in Brazil and other countries. Our exported products are often inspected by foreign food safety authorities, and any violation discovered during these inspections may result in a partial or total return of a shipment, partial or total destruction of the shipment and costs due to delays in product deliveries to our customers.

Government policies in the United States, Brazil, Argentina, Australia, Italy and other jurisdictions may adversely affect the supply of, demand for and prices of livestock products, restrict our ability to do business in existing and target domestic and export markets and could adversely affect our results of operations. For example, the European Union has banned the importation of beef from cattle raised using hormones. Our facilities in the United States and, to a limited extent, our facilities in Australia process cattle that have been raised with hormones, and therefore, we are prohibited from exporting our products from these facilities to the European Union.

In addition, if we are required to comply with future material changes in food safety regulations, we could be subject to material increases in operating costs, and we could be required to implement regulatory changes on schedules that may require us to interrupt our operations.

The Bertin merger is subject to the approval of the Brazilian antitrust authorities and any approval by Brazilian antitrust authorities may require us to undo a part of the merger or impose us additional obligations to approve the merger.

On September 16, 2009, J&F Investimentos S.A. (formerly J&F Participações S.A.), or J&F, and ZMF Fundo de Investimento em Participações, or ZMF, members of the controlling group of our controlling shareholder, FB Participações, entered into an association agreement with the controlling shareholders of Bertin. On December 29, 2009, at a meeting of the shareholders of JBS S.A. and Bertin, this transaction was approved and consummated. See "Business—Bertin Merger."

On October 7, 2009, we submitted the Bertin merger for the review of Brazil's antitrust agency (*Conselho Administrativo de Defesa Econômica*), or CADE, in accordance with applicable Brazilian law. If CADE were to determine that the Bertin merger restricts competition and is harmful to consumers, CADE may not approve the merger or may impose conditions to allow the merger to take place, such as performance commitments or the sale of certain subsidiaries, lines of products, brands or plants.

If we were to receive an unfavorable decision from CADE, and are required to undo all or part of our merger with Bertin, or if CADE were to impose additional conditions to approve our merger, our business, financial condition and results of operations may be adversely affected.

PPC may face significant costs for compliance with existing or changing environmental requirements and for potential environmental obligations relating to current or discontinued operations.

In the past, PPC acquired businesses with operations such as pesticide and fertilizer production that involved greater use of hazardous materials and generation of more hazardous wastes than PPC's current operations. While many of those operations have been sold or terminated, some environmental laws impose strict and, in certain circumstances, joint and several liability for costs of investigation and remediation of contaminated sites or third-party disposal sites on current and former owners and operators of the sites, and on persons who arranged for disposal of wastes at such sites, including third-party disposal sites. In addition, current owners or operators of such contaminated sites may seek to recover cleanup costs from PPC based on past operations or contractual indemnifications.

New environmental requirements, stricter interpretations of existing environmental requirements, or obligations related to the investigation or clean-up of contaminated sites, may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Risks Relating to Brazil and Argentina

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. This influence, as well as Brazilian political and economic conditions, could adversely affect our activities.

The Brazilian government frequently intervenes in the Brazilian economy and occasionally makes significant changes in policies and regulations. The Brazilian government's actions to control inflation and other regulations and policies have often involved, among other measures, increases in interest rates, changes in tax policies, price

controls, currency devaluations, capital controls, limits on imports and other actions. Our business, financial condition, and results of operations may be adversely and materially affected by changes in policy or regulations involving or affecting factors such as:

- monetary policies and interest rates;
- exchange controls and restrictions on remittances abroad;
- fluctuations in the exchange rates;
- changes in the fiscal and tax systems;
- liquidity of domestic capital and financial markets;
- interest rates;
- inflation;
- liquidity of domestic capital and financial markets;
- energy shortages;
- fiscal policy; and
- other political, social and economic developments in or affecting Brazil.

For example, in October 2009, the Brazilian government increased the tax rate applicable to certain foreign investments in the Brazilian financial and capital markets from zero to two percent, including investments made pursuant to Resolution No. 2,689, as amended, issued by the National Monetary Council. Subsequent rate increases from two to four percent, and then to six percent, were enacted in October 2010; however an exception was made for certain variable income investments within the BM&FBOVESPA (such as the acquisition of shares within the BM&FBOVESPA), for which the rate was increased from zero to two percent, and subsequently as of December 1, 2011, such rate was reduced again to zero percent.

The Tax on Foreign Exchange Transactions (*Imposto sobre Operações Financeiras*), or IOF/Exchange tax, applies upon conversion of foreign currency into Brazilian *reais* related to equity or debt investments by foreign investors in the Brazilian stock exchanges (such as the BM&FBOVESPA, where our common shares are listed) or the over-the-counter, or OTC, market, as well as private equity funds, Brazilian treasury notes and other fixed income securities. Uncertainty over whether the Brazilian government will implement changes in policy or regulation affecting these or other factors in the future may contribute to economic uncertainty in Brazil and heightened volatility in the Brazilian securities markets and securities issued abroad by Brazilian companies. This uncertainty and other future events affecting the Brazilian economy and the actions of the Brazilian government may adversely affect our business, results of operations and the market price of the notes.

We cannot predict whether and when new fiscal, exchange rate and monetary policies will be adopted by the Brazilian government, as well as whether these policies adversely affect the Brazilian economy, our business, financial condition or results of operations.

Changes in Brazilian tax laws may result in an increase of certain direct and indirect taxes, which could decrease our net margin and adversely affect our financial performance.

The Brazilian government frequently implements changes to tax regimes that affect us and our customers. These changes include changes in prevailing tax rates and, on occasion, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. We cannot predict changes in Brazilian tax laws that may be implemented by the Brazilian government. In addition, the governments of other jurisdictions in which we

operate may also implement changes in their respective tax regimes, thus increasing the tax load of our subsidiaries abroad. Future changes in tax law may result in an increase of our and our subsidiaries' tax burden, which could reduce our net margin and adversely affect our financial performance.

Government efforts to combat inflation, especially the increase in official interest rates, may contribute significantly to economic uncertainty in Brazil and negatively affect our business, financial condition and results of operations.

Brazil has, in the past, experienced extremely high rates of inflation. Inflation and the government measures designed to combat inflation had a significant negative effect on the Brazilian economy. Since the introduction of the Brazilian *real* in July 1994, however, inflation has been substantially lower than in previous periods. Nevertheless, the threat of inflation persists and measures to combat inflation, as well as public speculation about possible future governmental measures, contribute to economic uncertainty in Brazil and heightened volatility in the Brazilian securities market. Brazilian inflation rates may increase in the future. Inflationary pressures may lead the government to intervene in the economy. This intervention may include the introduction of government policies that may adversely affect the general performance of the Brazilian economy and, consequently, adversely affect our results of operations.

The Argentine government has exercised, and continues to exercise, significant influence over the Argentine economy, which may impact our business in Argentina.

The Argentine economy has been characterized by frequent, and occasionally drastic, intervention by the Argentine government, which has often changed monetary, credit and other policies to influence Argentina's economy. The Argentine government's actions to control inflation, among other policies, have involved wage and price controls, fluctuation of the Central Bank of Argentina's base interest rates, and measures that set forth a beef export quota and tariff in 2006 that remain in effect as of the date of this offering memorandum. Actions taken by the Argentine government in relation to the economy may have adverse effects on us and our financial results.

The volatility of the real against the U.S. dollar, the Euro and other currencies may have a material adverse effect on us and on the market price of the notes.

The *real* has historically suffered frequent depreciations. The Brazilian government implemented a number of economic plans and utilized several exchange rate policies, including sudden depreciations, mini periodic depreciations, ranging from daily to monthly depreciations, floating exchange rate market systems, exchange rate controls and free float exchange rate market. From time to time, there have been significant exchange rate fluctuations between the *real* and the U.S. dollar and other currencies. As of December 31, 2012, the exchange rate of the *real* against the U.S. dollar was R$2.044 to US$1.00.

A significant portion of our indebtedness, revenues and some of our operating expenses are, and we expect them to continue to be, denominated or indexed to the U.S. dollar and other foreign currencies. As of December 31, 2012, our net exposure to foreign currencies was R$7,584.3 million. We manage part of our exchange rate risk through derivative instruments in foreign currency, not fully hedging our net exposure to debt in foreign currency. In addition, market conditions may not permit us to enter into hedge agreements at reasonable costs. Unless we successfully hedge all our foreign currency, any exchange rate fluctuations may have a material adverse effect on our business and results of operations. A less favorable exchange rate may effectively increase the borrowing cost of interest rates of our debt denominated in U.S. dollars and other foreign currencies.

We are subject to exchange rate and interest rate fluctuations.

As of December 31, 2012, 37.0% of our indebtedness, in the amount of R$7,584.3 million, was denominated in foreign currency and 31.8% of our indebtedness, in the amount of R$6,516.6 million, was subject to interest rate fluctuations, specifically the London Interbank Offered Rate, or LIBOR, and Brazil's interbank deposit rate (*Certificado de Depósito Interbancário*), or CDI, as published by CETIP S.A. – Balcão Organizado de Ativos e Derivativos, or CETIP, including the effects of the swap transactions. Fluctuations in exchange rates and interest rates are caused by a number of factors that are beyond our control. If exchange rates or interest rates, such as CDI or LIBOR, or Brazil's long-term interest rate (*Taxa de Juros de Longo Prazo*), or TJLP, which is the interest rate

applied to our agreements with BNDESPAR, were to increase significantly, our financial expenses will increase and our ability to obtain financings may decrease, which may adversely affect our results of operations.

Interest rates fluctuations may be harmful to our business and to the market prices of the notes.

The Committee of Monetary Policy (*Comitê de Política Monetária*) of the Central Bank sets forth the base interest rates for the Brazilian banking system. As of December 31, 2012, 31.8% of our debt, in the amount of R$6,516.6 million, was indexed to: (1) Brazilian financial market rates or inflation rates, such as CDI and TJLP; or (2) LIBOR. Therefore, any increase in CDI, TJLP or LIBOR rates may increase our cost of indebtedness and may adversely affect our results.

Risks Relating to the Notes and the Guarantees

Events and the perception of risk in other countries, especially the United States and emerging market countries, may adversely affect the Brazilian economy and, as a result, the market price of Brazilian securities, including the notes.

The Brazilian economy and the market price of securities of Brazilian companies is affected to varying degrees by economic and market conditions in other countries, including other Latin American and emerging market countries. Investors' reactions to developments in certain countries may have an adverse effect on the market value of securities of Brazilian issuers. For example, recent developments in the sovereign debt markets relating to countries in the European Union, especially Greece, have led to increased uncertainty. Crises in other emerging market countries may diminish investor interest in securities of Brazilian issuers, including ours, which could negatively affect the market price of the notes.

In the past, the development of adverse economic conditions in other emerging market countries resulted, in general, in the outflow of funds from Brazil and, consequently, the reduction of external funds invested in Brazil. The financial crisis that originated in the United States in the third quarter of 2008 resulted in a global recession, with various effects that, directly or indirectly, adversely affected financial markets and the Brazilian economy.

Any of these factors may negatively affect the market price of the notes and make it more difficult for us to access the capital markets and finance our operations in the future on acceptable terms or at all.

Holders of the notes must depend on us to provide ESAL with sufficient funds to make payments on the notes when due.

ESAL, a recently incorporated wholly-owned Austrian subsidiary of JBS, has no operations of its own, other than the issuing and making payments on the notes, although ESAL may, in the future, issue other senior unsecured indebtedness. Accordingly, the ability of ESAL to pay principal, interest and other amounts due on the notes and other indebtedness will depend upon our financial condition and results of operations. In the event of an adverse change in JBS' financial condition or results of operations, ESAL may not have sufficient funds to repay all amounts due on or with respect to the notes.

Payments on the guarantees will be junior to the secured debt obligations of the guarantors and effectively junior to debt obligations of our non-guarantor subsidiaries (other than the issuer).

The notes will be fully guaranteed by the guarantors on an unsecured basis. The guarantees will constitute senior unsecured obligations of the guarantors. The guarantees will rank equal in right of payment with all of the guarantors' other existing and future senior unsecured indebtedness. Although the guarantees will provide the holders of the notes with a direct but unsecured claim on the guarantors' assets and property, payment on the guarantees will be subordinated to secured debt of the guarantors to the extent of the assets and property securing such debt. Payment on the guarantees will also be structurally subordinated to the payment of secured and unsecured debt and other creditors of JBS' non-guarantor subsidiaries and jointly controlled companies.

Upon any liquidation or reorganization of either guarantor, any right of the holders of the notes, through enforcement of the guarantees, to participate in the assets of such guarantor, including the capital stock of its jointly

controlled entities, will be subject to the prior claims of the guarantors' secured creditors, and to participate in the assets of JBS' non-guarantor subsidiaries will be subject to the prior claims of the creditors of such subsidiaries. The indenture relating to the notes includes a covenant limiting the ability of the issuer and guarantors to create or suffer to exist liens, although this limitation is subject to significant exceptions.

None of our significant subsidiaries will guarantee the notes. Our principal operating subsidiaries in the United States, JBS USA Holdings, JBS USA, Swift Beef Company and PPC will not guarantee the notes. The notes will be effectively subordinated in right of payment to all debt and other liabilities and commitments (including trade payables and lease obligations) of JBS' non-guarantor subsidiaries (other than the issuer), which includes holders of: (1) the 2016 Notes; (2) the 2016 Bertin Notes; (3) the 2014 Notes; (4) the 2020 Notes; (5) the 2021 Notes and (6) the initial notes. For the year ended December 31, 2009, our non-guarantor subsidiaries represented a material percentage of net sales, operating income, EBITDA and cash flows from operating activities.

As of December 31, 2012, JBS had total consolidated debt of R$20,488.9 million (US$10,023.9 million), excluding related party debt, of which R$5,099.8 million (US$2,495.0 million) was secured debt of JBS. As of December 31, 2012, PPC, a non-guarantor subsidiary of JBS, had total indebtedness of R$2,347.3 million (US$1,148.4 million) and JBS' other non-guarantor subsidiaries had total indebtedness of R$5,989.9 million (US$2,930.5 million). With respect to our subsidiaries operating in the United States, the notes will be effectively subordinated to the claims of their livestock suppliers under the U.S. Packers and Stockyards Act of 1921, or the PSA, which grants to those suppliers preferential treatment as creditors. See "Business—Legal Proceedings." As of the date of this offering memorandum, some of our accounts receivable are subject to liens and other security interests to secure our indebtedness. Any right of the holders of the notes to participate in our assets, including the capital stock of our subsidiaries, and the assets of our subsidiaries upon any liquidation or reorganization will be subject to the prior claims of our secured creditors and the creditors of our subsidiaries.

The guarantors' obligations under the guarantees are subordinated to certain statutory preferences.

Under Brazilian law, JBS' obligations under the guarantees are subordinated to certain statutory preferences. In the event of a liquidation, bankruptcy or judicial reorganization of the guarantor, such statutory preferences, including post-petition claims, claims for salaries, wages, social security, taxes and court fees and expenses and claims secured by collateral, among others, will have preference over any other claims, including claims by any investor in respect of the guarantees. In such event, enforcement of the guarantee may be unsuccessful, and noteholders may be unable to collect amounts that they are due under the notes.

We may incur additional indebtedness ranking equal to the notes and the guarantees.

The indenture permits JBS and its subsidiaries, including ESAL, to incur additional debt, including debt that ranks on an equal and ratable basis with the notes and the guarantees. If JBS or any of its subsidiaries incur additional debt or provide guarantees that rank on an equal and ratable basis with the notes or the guarantees, as the case may be, the holders of that debt (and beneficiaries of those guarantees) would be entitled to share ratably with the holders of the notes in any proceeds that may be distributed upon any guarantors' insolvency, liquidation, reorganization, dissolution or other winding up. This would likely reduce the amount of any liquidation proceeds that would be available to be paid to you. As of December 31, 2012, JBS had total consolidated debt of R$20,488.9 million (US$10,023.9 million), excluding related party debt, of which R$5,099,8 million (US$2,495.0 million) was secured debt of JBS. As of December 31, 2012, PPC, a non-guarantor subsidiary of JBS, had total indebtedness of R$2,347.3 million (US$1,148.4 million) and JBS' other non-guarantor subsidiaries had total indebtedness of R$5,989.9 million (US$2,930.5 million).

Our ability to meet our obligations under our debt, in part, depends on the earnings and cash flows of our subsidiaries and the ability of our subsidiaries to pay dividends or advance or repay funds to us.

We conduct a significant portion of our business operations through our subsidiaries, including JBS Argentina S.A., or JBS Argentina, JBS USA Holdings, PPC, Swift Pork Company, JBS Australia Pty. Ltd. (formerly Swift Australia Pty. Ltd.), or JBS Australia, and JBS Trading USA, Inc., or JBS Trading USA. In servicing payments to be made on the guarantees, we will rely, in part, on cash flows from these subsidiaries, mainly dividend payments. The ability of these subsidiaries to make dividend payments to us will be affected by, among other factors, the

obligations of these entities to their creditors, requirements of corporate and other law, and restrictions contained in agreements entered into by or relating to these entities.

Restrictions on the movement of currency out of Brazil may impair the ability of holders of the notes to receive interest and other payments on the notes.

The Brazilian government may impose temporary restrictions on the conversion of Brazilian currency into foreign currencies and on the remittance to foreign investors of proceeds of their investments in Brazil. Brazilian law permits the government to impose these restrictions whenever there is a serious imbalance in Brazil's balance of payments or there are reasons to foresee a serious imbalance.

The Brazilian government imposed remittance restrictions for approximately six months in 1990. Similar restrictions, if imposed in the future, would impair or prevent the conversion of interest payments on the notes from *reais* into U.S. dollars and the remittance of U.S. dollars abroad to holders of the notes. The Brazilian government may take similar measures in the future.

Changes in the foreign exchange policy of Brazil may affect our ability to make money remittances outside Brazil in respect of the guarantees.

Under Brazilian regulations, Brazilian companies are not required to obtain authorization from the Central Bank in order to make payments under guarantees in favor of foreign persons, such as the holders of the notes. We cannot assure you that these regulations will continue to be in force at the time we are required to perform our payment obligations under the guarantees. If these regulations are modified and an authorization from the Central Bank is required, we would need to seek an authorization from the Central Bank to transfer the amounts under the guarantees out of Brazil or, alternatively, make such payments with funds held by us outside Brazil. We cannot assure you that such an authorization will be obtained or that such funds will be available.

We may be unable to repurchase the notes pursuant to our obligation to repurchase upon a change of control that results in a ratings decline.

If we experience a change of control that results in a ratings decline (as defined in the indenture governing the notes), we will be required to offer to purchase some or all of the outstanding notes at a price equal to 101% of their principal amount plus accrued interest and additional amounts, if any, to the date of repurchase. Our failure to repay holders tendering notes upon a change of control that results in a ratings decline will result in an event of default under the notes. A change of control that results in a ratings decline, or an event of default under the notes, could lead to an acceleration, requiring us to pay all such outstanding debt immediately. We may not have funds available to repurchase the notes upon such an occurrence. In addition, future debt we incur may limit our ability to repurchase the notes upon a change of control or require us to offer to redeem that debt upon a change of control. See "Description of the Notes—Covenants—Repurchase of Notes upon a Change of Control."

We cannot assure you that an active trading market for the new notes will develop.

The initial notes are currently listed on the SGX-ST. Although the issuer will apply to list the new notes on the SGX-ST, we cannot guarantee the listing will be obtained or assure you that, if the application is approved and trading of the new notes commences, an active trading market for the new notes will develop and continue after this offering or that the prices at which the notes will sell in the market after this offering will not be lower than the offering price. The initial purchasers have advised us that they presently make a market with respect to the initial notes. However, they are not obligated to do so and they may discontinue any marketmaking activities at any time without notice. If an active trading market for the notes does not continue after the issuance of the new notes, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors. In addition, market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, we cannot assure you as to the liquidity of or the trading market for the notes.

Although the new notes issued pursuant to Rule 144A will be fungible upon issuance with the initial notes

issued pursuant to Rule 144A, the new notes issued pursuant to Regulation S, or the new Reg S notes, will initially have different CUSIP and ISIN numbers from the initial notes issued pursuant to Regulation S, or the initial Reg S notes. Following a 40-day distribution compliance period, we expect that the new Reg S notes will have the same CUSIP and ISIN numbers as, and be fungible with, the initial Reg S notes. However, in the event we are unable to consolidate the CUSIP and ISIN numbers of the new Reg S notes with the CUSIP and ISIN numbers of the initial Reg S notes, the new Reg S notes would continue to trade under separate CUSIP and ISIN numbers and therefore would not be fungible with the initial Reg S notes.

Brazilian bankruptcy laws may be less favorable to you than U.S. bankruptcy and insolvency laws.

If we are unable to pay our indebtedness, including our obligations under the guarantees, then we may become subject to bankruptcy proceedings in Brazil. Brazilian bankruptcy law is significantly different from, and may be less favorable to creditors than, the bankruptcy law in effect in the United States. In addition, any judgment obtained against us in Brazilian courts in respect of any payment obligations under the notes may be expressed in the *real* equivalent of the dollar amount of such sum at the exchange rate in effect (1) on the date of actual payment, or (2) on the date on which collection or enforcement proceedings are started against us. Consequently, in the event of our bankruptcy in a liquidation proceeding, all of our debt obligations, including the guarantees, that are denominated in foreign currency will be converted into *reais* at the prevailing exchange rate on the date of declaration of our bankruptcy by the court. However, in a reorganization proceeding under Brazilian bankruptcy law, all of our debt obligations, including the guarantees, that are denominated in foreign currency will remain in foreign currency, unless the parties agree otherwise.

Brazilian tax laws may have an adverse impact on the taxes applicable to a disposition of the notes (including the guarantees).

Under Law No. 10,833, enacted on December 29, 2003, the disposition of assets located in Brazil by a non-resident to either a Brazilian resident or a non-resident is subject to taxation in Brazil, regardless of whether the disposition occurs outside or within Brazil. In the event that the disposition of assets in Brazil is interpreted to include a disposition of the notes (including the guarantees), this tax law could result in the imposition of withholding taxes on a disposition of the notes by a non-resident of Brazil to another non-resident of Brazil. Given that no judicial guidance as to Law No. 10,833's application yet exists, we are unable to predict whether an interpretation applying this law to dispositions of the notes (including the guarantees) between non-residents could ultimately be made by in the courts of Brazil.

The new notes and the guarantees are subject to transfer restrictions.

The new notes and the guarantees have not been registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Such exemptions include offers and sales that occur outside the United States in compliance with Regulation S and in accordance with any applicable securities laws of any other jurisdiction and sales to qualified institutional buyers as defined under Rule 144A. For a discussion of certain restrictions on resale and transfer, see "Notice to Investors."

Judgments of Brazilian courts enforcing our obligations under the guarantees would be payable only in **reais.**

If proceedings are brought in the courts of Brazil seeking to enforce JBS' obligations under the guarantees, JBS would not be required to discharge its obligations in a currency other than *reais*. Any judgment obtained against JBS in Brazilian courts in respect of any payment obligations under the guarantees would be expressed in *reais*. We cannot assure you that this amount in *reais* will afford you full compensation of the amount sought in any such litigation.

We cannot assure you that a judgment of a United States court for liabilities under U.S. securities laws would be enforceable in Brazil or that an original action can be brought in Brazil against us for liabilities under U.S. securities laws.

ESAL is our direct wholly-owned subsidiary in Austria. All or substantially all of ESAL's directors and officers and certain advisors named herein reside in Brazil and Austria. We are incorporated under the laws of Brazil and a portion of our assets are located in Brazil. In addition, all or substantially all of our directors and officers and certain advisors named herein reside in Brazil. As a result, it may not be possible for investors to effect service of process within the United States upon ESAL, us or our respective directors, officers and advisors or to enforce against ESAL, us or them in U.S. courts any judgments predicated upon the civil liability provisions of the U.S. federal securities laws.

In addition, we have been advised by our Austrian counsel that as of the date of this offering memorandum, a judgment of a court in the United States would not be enforceable in Austria. See "Service of Process and Enforcement of Judgments—Austria."

The book-entry registration system of the notes may limit the exercise of rights by the beneficial owners of the notes.

Because transfers of interests in the global notes representing the notes may be effected only through book entries at DTC and its direct and indirect participants (including Clearstream Luxembourg and Euroclear), the liquidity of any secondary market in the notes may be reduced to the extent that some investors are unwilling to hold notes in book-entry form in the name of a DTC direct or indirect participant. The ability to pledge interests in the global notes may be limited due to the lack of a physical certificate. In addition, beneficial owners of interests in global notes may, in certain cases, experience delay in the receipt of payments of principal and interest, since the payments will generally be forwarded by the paying agent to DTC, which will then forward payment to its direct and indirect participants, which (if they are not themselves the beneficial owners) will then forward payments to the beneficial owners of the global notes. In the event of the insolvency of DTC or any of its direct and indirect participants in whose name interests in the global notes are recorded, the ability of beneficial owners to obtain timely or ultimate payment of principal and interest on global notes may be negatively affected.

A holder of beneficial interests in the global notes will not have a direct right under the notes to act upon any solicitations that we may request. Instead, holders will be permitted to act only to the extent they receive appropriate proxies to do so from DTC or, if applicable, DTC's direct or indirect participants. Similarly, if ESAL defaults on its obligations under the notes, holders of beneficial interests in the global notes will be restricted to acting through DTC, or, if applicable, DTC's direct or indirect participants. We cannot assure holders that the procedures of DTC or DTC's nominees or direct or indirect participants will be adequate to allow them to exercise their rights under the notes in a timely manner.

Our controlling shareholder may exercise control in a manner that differs from your interests as a note holder.

We are controlled by FB Participações, which, as of the date of this offering memorandum, held 42.66% of our outstanding voting shares. FB Participações may exercise this control in a manner that differs from your interests as a noteholder. In addition, since a variety of decisions related to our business are confirmed with FB Participações, we may experience delays in making certain business decisions as a result of our corporate structure.

We cannot assure you that the credit ratings for the notes will not be lowered, suspended or withdrawn by the rating agencies.

The credit ratings of the notes may change after the issuance of the new notes. Such ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. An explanation of the significance of such ratings may be obtained from the rating agencies. We cannot assure you that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price and marketability of the notes.

EXCHANGE RATE INFORMATION

The Brazilian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of *reais* by any person or legal entity, regardless of the amount, subject to certain regulatory procedures. The rules governing the foreign exchange system were made more flexible in 2010 with respect to the registration of flows of direct investments, credits, royalties, transfers of technology and cross-border leases, among others.

Since 1999, the Central Bank has allowed the *real*/U.S. dollar exchange rate to float freely, and, since that time, the *real*/U.S. dollar exchange rate has fluctuated considerably. The *real* depreciated against the U.S. dollar by 18.7% in 2001 and 52.3% in 2002. Although the *real* appreciated 18.2%, 8.1%, 11.8%, 8.7% and 17.2% against the U.S. dollar in 2003, 2004, 2005, 2006 and 2007, respectively. In 2008, as a result of the international financial and economic crisis, the *real* depreciated against the U.S. dollar by 24.2%. However, in 2009 and 2010, the *real* appreciated 34.2% and 4.5%, respectively. In 2011 and 2012, the *real* depreciated 11.2% and 8.2%, respectively. As of December 31, 2012, the *real*/U.S. dollar exchange rate was R$2.044 per US$1.00.

In the past, the Brazilian government has implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluation, periodic mini-devaluation during which the frequency of adjustments ranged from a daily to a monthly basis, floating exchange rate systems, exchange controls and dual exchange rate markets. We cannot predict whether the Central Bank or the Brazilian government will continue to let the *real* float freely or intervene in the exchange rate market by returning to a currency band system or otherwise. The *real* may depreciate or appreciate substantially against the U.S. dollar.

The following tables set forth the exchange rate, expressed in *reais* per U.S. dollar (R$/US$), for the periods indicated, as reported by the Central Bank.

Year Ended December 31,	Period-end	Average for Period (1)	Low	High
		(reais per U.S. dollar)		
2008	2.337	1.837	1.559	2.500
2009	1.741	1.994	1.702	2.422
2010	1.666	1.759	1.655	1.881
2011	1.876	1.675	1.535	1.902
2012	2.044	1.955	1.702	2.112

(1) Represents the daily average of the exchange rates during the period.
Source: Central Bank

Month	Period-end	Average for Period (1)	Low	High
		(reais per U.S. dollar)		
October 2012	2.031	2.030	2.022	2.038
November 2012	2.107	2.067	2.031	2.107
December 2012	2.044	2.078	2.044	2.112
January 2013	2.042	2.039	2.029	2.046
February 2013	1.975	1.973	1.973	1.957
March 2013	2.014	1.983	1.953	2.019
April 2013 (through April 5)	2.004	2.017	2.004	2.024

(1) Represents the daily average of the exchange rates during the period.
Source: Central Bank

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the new notes (after expenses payable by us in respect of the offering of the new notes) will be approximately US$274.1 million.

We intend to use the net proceeds of this offering to extend our debt maturity profile by refinancing a portion of our outstanding short-term debt and for our general corporate purposes. Following this offering, we intend to evaluate the relative costs and maturities of our existing debt and select indebtedness for repayment based on such debt's applicable interest rate, outstanding principal amount and maturity date, as well as other factors as our management deems important and otherwise in a manner that is consistent with its liquidity and risk management policies. Pending any specific application, we may invest the net proceeds of this offering in cash equivalents and short-term marketable securities.

Certain of the initial purchasers and/or their affiliates are lenders under our or our affiliates' revolving facilities, term loans or other financings. A portion of the net proceeds of this offering may be used to repay all or a portion of these facilities, loans or financings.

CAPITALIZATION

The following table sets forth our cash, cash equivalents and marketable securities and our capitalization as of December 31, 2012, derived from our audited consolidated statement of financial position as of December 31, 2012 prepared in accordance with IFRS and Brazilian GAAP:

- on an actual historical basis;
- on an "As Adjusted" basis for the (1) issuance of US$500.0 million (R$1,022.0 million) aggregate principal amount of the initial notes, (2) application of the net proceeds from the sale of the initial notes (after expenses payable by us in respect of the offering of the initial notes in the amount of R$26.2 million), (3) issuance of one NCE with Banco Santander (Brasil) S.A. in the aggregate principal amount of R$269.0 million, (4) issuance of two NCEs with Banco Bradesco S.A., in the aggregate principal amount of R$100.0 million each, and (5) issuance of two NCEs with Banco do Brasil S.A. in the aggregate principal amount of R$200.0 million each (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Description of Indebtedness—Export Credit Facilities"); and
- on an "As Further Adjusted" basis for the (1) issuance of US$275.0 million (R$562.1 million) aggregate principal amount of the new notes and (2) application of the net proceeds from the sale of the new notes (after expenses payable by us in respect of the offering of the new notes in the amount of R$1.7 million).

You should read this table in conjunction with "Use of Proceeds," "Selected Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements included elsewhere in this offering memorandum.

	As of December 31, 2012					
	Actual		As Adjusted (2)		As Further Adjusted (3)	
	(in millions of R$)	*(in millions of US$)(1)*	*(in millions of R$)*	*(in millions of US$)(1)*	*(in millions of R$)*	*(in millions of US$)(1)*
Cash, cash equivalents and marketable securities	R$5,383.1	US$2,633.6	R$7,247.9	US$3,545.9	R$7,808.3	US$3,820.1
Short-term indebtedness	**6,098.9**	**2,983.8**	**6,098.9**	**2,983.8**	**6,098.9**	**2,983.8**
Secured	368.5	180.3	368.5	180.3	368.5	180.3
Unsecured	5,730.4	2,803.5	5,730.4	2,803.5	5,730.4	2,803.5
Long-term indebtedness	**14,390.0**	**7,040.2**	**16,254.9**	**7,952.5**	**16,815.3**	**8,226.6**
Secured	4,731.3	2,314.7	4,731.3	2,314.7	4,731.3	2,314.7
Unsecured	9,658.8	4,725.4	11,523.6	5,637.8	12,084.0	5,911.9
Shareholders' equity	**21,433.3**	**10,486.0**	**21,433.3**	**10,486.0**	**21,433.3**	**10,486.0**
Total capitalization	**R$41,922.2**	**US$20,509.9**	**R$43,787.1**	**US$21,422.3**	**R$44,347.5**	**US$21,696.4**

(1) Solely for the convenience of the reader, Brazilian *real* amounts have been translated into U.S. dollars at an exchange rate of R$2.044 per US$1.00, which was the commercial selling rate for U.S. dollars in effect on December 31, 2012, as reported by the Central Bank and should not be construed as implying that the *real* amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. See "Exchange Rate Information" for further information about recent fluctuations in exchange rates.

(2) This column has been adjusted for the (1) issuance of US$500.0 million (R$1,022.0 million) aggregate principal amount of the initial notes, (2) application of the net proceeds from the sale of the initial notes (after expenses payable by us in respect of the offering of the initial notes in the amount of R$26.2 million), (3) issuance of one NCE with Banco Santander (Brasil) S.A. in the aggregate principal amount of R$269.0 million, (4) issuance of two NCEs with Banco Bradesco S.A., in the aggregate principal amount of R$100.0 million each, and (5) issuance of two NCEs with Banco do Brasil S.A. in the aggregate principal amount of R$200.0 million each (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Description of Indebtedness—Export Credit Facilities");

(3) This column has been adjusted for the (1) issuance of US$275.0 million (R$562.1 million) aggregate principal amount of the new notes and (2) application of the net proceeds from the sale of the new notes (after expenses payable by us in respect of the offering of the new notes in the amount of R$1.7 million.

There have been no material changes to our capitalization since December 31, 2012, except as disclosed above.

SELECTED FINANCIAL AND OTHER INFORMATION

The tables below present our selected consolidated financial and operating information included in this offering memorandum and have been derived from: (1) our audited consolidated financial statements as of and for the years ended December 31, 2010 and 2011; and (2) our audited consolidated financial statements as of and for the years ended December 31, 2011 and 2012. You should read this information in conjunction with our audited consolidated financial statements and related notes included elsewhere in this offering memorandum and with the sections entitled "Presentation of Financial and Other Information," "Selected Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our audited consolidated financial statements are included elsewhere in this offering memorandum and have been prepared in accordance with: (1) IFRS, as issued by the IASB; and (2) Brazilian GAAP.

The historical selected financial information presented in this offering memorandum is not necessarily indicative of our future operating results. The tables below present a summary of our financial and operating performance for the periods indicated. The following information should be read and analyzed together with "Presentation of Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes included elsewhere in this offering memorandum.

Solely for the convenience of the reader, we have translated some of the *real* amounts included in this offering memorandum into U.S. dollars. The exchange rate used to translate such amounts was R$2.044 to US$1.00, which was the commercial selling rate at closing for the purchase of U.S. dollars in effect as of December 31, 2012 as reported by the Central Bank. The U.S. dollar equivalent information included in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the *real* amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. See "Exchange Rate Information" for further information about recent fluctuations in exchange rates.

Statement of Operations

	For the year ended December 31,			
	2010	2011	2012	2012 (1)
		(in millions of reais)		*(in millions of US$)*
Net revenues	54,712.8	61,796.8	75,696.7	37,033.6
Cost of goods sold	(47,994.8)	(55,100.2)	(67,006.9)	(32,782.2)
Gross income	**6,718.0**	**6,696.6**	**8,689.8**	**4,251.4**
Operating income (expense):				
General and administrative expenses	(1,641.0)	(1,739.2)	(2,057.4)	(1,006.6)
Selling expenses	(2,627.2)	(3,144.1)	(3,877.7)	(1,897.1)
Financial expenses, net	(2,223.0)	(2,010.7)	(1,338.2)	(654.7)
Equity in earnings of subsidiaries	–	–	0.8	0.4
Other income (expenses), net	(168.2)	(32.7)	(35.0)	(17.1)
	(6,659.5)	**(6,926.7)**	**(7,307.5)**	**(3,575.1)**
Net income (loss) before taxes	**58.6**	**(230.1)**	**1,382.3**	**676.3**
Current income taxes	(358.8)	(520.7)	(176.7)	(86.4)
Deferred income taxes	33.3	427.9	(442.7)	(216.6)
Net income (loss) of continued operations	**(266.9)**	**(322.9)**	**762.9**	**373.2**
Net income from discontinued operations	12.2	-	–	–
Net income (loss)	**(254.6)**	**(322.9)**	**762.9**	**373.2**
Attributable to:				
Controlling interest	**(292.8)**	**(75.7)**	**718.9**	**351.7**
Noncontrolling interest	**38.2**	**(247.2)**	**44.0**	**21.5**
	(254.6)	**(322.9)**	**762.9**	**373.2**

(1) Solely for the convenience of the reader, Brazilian *real* amounts have been translated into U.S. dollars at an exchange rate of R$2.044 per US$1.00, which was the commercial selling rate for U.S. dollars in effect on December 31, 2012, as reported by the Central Bank and should not be construed as implying that the *real* amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. See "Exchange Rate Information" for further information about recent fluctuations in exchange rates.

Balance Sheets

	As of December 31,			
	2010	2011	2012	2012 (1)
		(in millions of reais)		*(in millions of US$)*
Assets				
Current assets:				
Cash and cash equivalents	4,074.6	5,288.2	5,383.1	2,633.6
Trade accounts receivable, net	4,036.1	4,679.8	5,688.6	2,783.1
Inventories	4,476.9	5,405.7	5,182.2	2,535.3
Biological assets	417.0	209.5	849.6	415.7
Recoverable taxes	1,515.0	1,690.3	1,676.3	820.1
Prepaid expenses	107.8	131.0	143.0	70.0
Other investment and discontinued operations	504.0	–	–	–
Other current assets	351.8	526.6	460.6	225.3
Total current assets	**15,483.2**	**17,931.3**	**19,383.4**	**9,483.1**
Non-current assets				
Long-term assets				
Credits with related parties	332.7	552.2	548.9	268.5
Biological assets	–	–	304.3	148.9
Recoverable taxes	616.3	626.1	673.3	329.4
Other non-current assets	448.9	389.9	671.8	328.7
Total long-term assets	**1,397.9**	**1,568.3**	**2,198.3**	**1,075.5**
Investment in subsidiaries and in associates	–	–	258.6	126.5
Property, plant and equipment, net	14,624.2	15,378.7	16,207.6	7,929.4
Intangible assets, net	12,425.5	12,532.6	11,708.2	5,728.1
Total non-current assets	**28,447.6**	**29,479.6**	**30,372.8**	**14,859.5**
Total assets	**43,930.8**	**47,410.9**	**49,756.2**	**24,342.6**
Liabilities				
Liabilities and equity				
Current liabilities:				
Trade accounts payable	2,962.4	3,323.9	3,564.3	1,743.8
Loans and financings	4,966.2	5,339.4	6,098.9	2,983.8
Income taxes	-	211.5	8.9	4.4
Payroll, social charges and tax obligation	1,205.2	1,167.2	1,276.0	624.3
Declared dividends	–	–	170.7	83.5
Payables related to facilities acquisitions	45.7	10.6	112.7	55.1
Other current liabilities	332.2	343.1	306.0	149.7
Total current liabilities	**9,511.7**	**10,395.7**	**11,537.6**	**5,644.6**
Non-current liabilities				
Loans and financing	10,217.2	13,532.8	14,390.0	7,040.1
Convertible debentures	3,462.2	1.3	–	–
Payroll, social charges and tax obligation	317.6	683.8	524.2	256.5
Payables related to facilities acquisitions	5.1	2.0	95.1	46.5
Deferred income taxes	1,003.1	678.4	1,276.8	624.7
Provision for lawsuits risk	321.7	251.6	203.4	99.5
Other non-current liabilities	397.4	266.2	295.8	144.7
Total non-current liabilities	**15,724.3**	**15,416.0**	**16,785.3**	**8,212.0**
Equity				
Capital stock	18,046.1	21,506.2	21,506.2	10,521.6
Capital transaction	(9.9)	(10.2)	77.4	37.9
Capital reserve	500.8	985.9	211.9	103.7
Revaluation reserve	106.8	101.6	96.8	47.4
Profit reserves	1,511.2	1,440.8	1,993.7	975.4
Treasury shares	–	(610.6)	(776.5)	(379.9)
Valuation adjustments to shareholders' equity in subsidiaries	(1.7)	127.1	93.0	45.5
Accumulated translation adjustments in subsidiaries	(2,558.9)	(2,877.0)	(2,592.0)	(1,268.1)
Attributable to controlling interest	**17,594.4**	**20,663.8**	**20,610.5**	**10,083.4**
Attributable to noncontrolling interest	1,100.5	935.4	822.8	402.5
Total equity	**18,694.8**	**21,599.2**	**21,433.6**	**10,486.1**
Total liabilities and equity	**43,930.8**	**47,410.9**	**49,756.2**	**24,342.6**

(1) Solely for the convenience of the reader, Brazilian *real* amounts have been translated into U.S. dollars at an exchange rate of R$2.044 per US$1.00, which was the commercial selling rate for U.S. dollars in effect on December 31, 2012, as reported by the Central Bank and should not be construed as implying that the *real* amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. See "Exchange Rate Information" for further information about recent fluctuations in exchange rates.

Other Financial Data

	For the year ended December 31,			
	2010	2011	2012	2012 (1)
		(in millions of reais)		*(in millions of US$)*
Net income (loss)	**(254.6)**	**(322.8)**	**762.9**	**373.2**
Income taxes	325.5	92.8	619.4	303.0
Financial income, net	2,223.0	2,010.7	1,338.2	654.7
Depreciation and amortization	1,215.5	1,291.4	1,613.7	789.5
EBITDA (2)	**3,509.4**	**3,072.1**	**4,334.2**	**2,120.5**
Income taxes, financial income (expense), net and depreciation and amortizations from discontinued operations	13.3	–	–	–
Equity in subsidiaries	–	–	(0.8)	(0.4)
Bargain purchase gain	9.5	–	–	–
Indemnity (3)	–	10.4	10.9	5.3
Reorganization and restructuring costs	233.9	68.5	66.0	32.3
Adjusted EBITDA (4)	**3,766.1**	**3,151.0**	**4,410.3**	**2,157.7**

(1) Solely for the convenience of the reader, Brazilian *real* amounts have been translated into U.S. dollars at an exchange rate of R$2.044 per US$1.00, which was the commercial selling rate for U.S. dollars in effect on December 31, 2012, as reported by the Central Bank and should not be construed as implying that the *real* amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. See "Exchange Rate Information" for further information about recent fluctuations in exchange rates.

(2) EBITDA is used as a measure of performance by our management. We calculate EBITDA as net income *plus*: income taxes, financial income (expense), net; and depreciation and amortization. EBITDA is a useful tool for assessing financial performance but is not a reliable indicator of our ability to generate cash to service our debt obligations because certain of the items added to net income (loss) to determine EBITDA involve outlays of cash. As a result, actual cash available to service debt obligations will be different from EBITDA. You should rely primarily on our IFRS results, and use EBITDA in a supplemental manner in making your investment decision. For more information about the limitations of EBITDA, see "Presentation of Financial and Other Information—Non-Accounting Financial Measures."

(3) Indemnity for the year ended December 31, 2011 corresponds to amounts due to the temporary suspension of operations in our plants in Berazategui (*Consignaciones Rurales*), Colonia Caroya (*Col-Car*) and San Jose, Argentina.

(4) Adjusted EBITDA is used as a measure of performance by our management. We calculate Adjusted EBITDA as EBITDA *plus*: income taxes, financial income (expense), net and depreciation and amortization from discontinued operations; equity in subsidiaries; bargain purchase gain; indemnity; and reorganization and restructuring costs. Adjusted EBITDA is a useful tool for assessing financial performance but is not a reliable indicator of our ability to generate cash to service our debt obligations because certain of the items added to net income (loss) to determine Adjusted EBITDA involve outlays of cash. As a result, actual cash available to service debt obligations will be different from Adjusted EBITDA. You should rely primarily on our IFRS results, and use Adjusted EBITDA in a supplemental manner in making your investment decision. For more information about the limitations of Adjusted EBITDA, see "Presentation of Financial and Other Information—Non-Accounting Financial Measures."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This section contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those discussed in the forward-looking statements for several reasons, including those described under "Cautionary Note Regarding Forward-Looking Statements," "Risk Factors" and other issues discussed herein. The following analysis and discussion of our financial condition and results of operations should be read in conjunction with, and is qualified in its entirety by reference to (1) our audited consolidated financial information as of and for the years ended December 31, 2012 and 2011, and related notes included elsewhere in this offering memorandum, (2) our audited consolidated financial information as of and for the years ended December 31, 2011 and 2010, and related notes included elsewhere in this offering memorandum, and (3) the information presented under the sections entitled "Presentation of Financial and Other Information," "Summary Financial and Other Information" and "Selected Financial Information."

Overview

We are the world's largest protein company with R$75,696.7 million (US$37,033.6 million) and R$61,796.8 million (US$30,233.3 million) in net revenues for the years ended December 31, 2012 and December 31, 2011, respectively. We process beef, pork, lamb and chicken, in addition to other animal by-products and leather. We also believe we are:

- the largest beef producer and exporter in the world, with operations in the United States, Brazil, Argentina, Paraguay, Uruguay, Australia and Canada, with a daily slaughtering capacity of approximately 99,846 heads of cattle;
- one of the largest poultry producers in the world, with operations in the United States, Mexico, Puerto Rico and Brazil, with a daily slaughtering capacity of approximately 8.4 million chickens;
- the third largest pork producer in the United States, with a daily slaughtering capacity of approximately 51,300 hogs;
- one of the largest lamb producers and exporters in the world, with operations in the United States and Australia, with a current daily slaughtering capacity of approximately 22,265 lambs; and
- the largest leather tanner in the world, with operations in Brazil, the United States, Australia and China, with a daily production capacity of 77,400 hides.

We process, prepare, package and deliver fresh, further processed and value-added beef, pork, lamb and poultry products in approximately 140 countries on five continents. Our further processed products are comprised of value-added products that are cut, ground and packaged in a customized manner for specific orders, and these include frozen, cooked, canned, seasoned, marinated and consumer-ready products. Our protein products are recognized internationally through our well-known brands, including "Swift," "Swift Premium," "Pilgrim's Pride," "Friboi," and "Bertin."

We mainly sell our products to wholesalers, such as supermarkets, club stores and other retail distributors and food service companies (such as restaurants, hotels, food service distributors and additional processors). In addition, we produce and sell other animal by-products that are derived from our beef processing operations, such as hides, to customers in the personal care, pet food and automotive industries, among others. We also produce personal hygiene and cleaning products, such as soaps.

Of our R$61,796.8 million in net revenue for 2011, 73.3%, 24.2% and 2.6% derived from sales in the United States and Australia, South America, and other countries, respectively. Of our R$75,696.7 million in net revenue for 2012, 73.9%, 23.8% and 2.3% derived from sales in the United States and Australia, South America, and other countries, respectively, and 64.3%, 21.9%, 9.0% and 4.8% derived from sales of beef products, chicken products, pork products and other products, respectively.

Critical Accounting Policies

The presentation of our financial condition and results of operation in accordance with Brazilian GAAP and IFRS requires that we make certain judgments and estimates regarding the effects of matters that are inherently uncertain and that impact the carrying value of our assets and liabilities. Significant assets and liabilities that are subject to these estimates include the useful life of the property, plant and equipment, estimated recovery value of long-lived assets, allowance for doubtful accounts, inventories, deferred income tax, provision for tax, civil, and labor liabilities, determining the fair value of financial instruments (assets and liabilities) and other similar estimates regarding the selection of interest rates, and valuation of derivative financial instruments. The settlement of a transaction involving these estimates may result in values that are different from those estimated, due to the possible lack of precision inherent to the process. Certain of our accounting policies require higher degrees of judgment than others in their application. Actual results may differ from those estimated depending upon the variables, assumptions or conditions used by our management. In order to provide an understanding regarding how our management forms its judgments about future events, including the variables and assumptions underlying the estimates and the sensitivity of those judgments to different variables and conditions, we discuss certain of our critical accounting policies below.

Financial instruments

Financial instruments are recorded only as of the date we become a party to the relevant instrument. The financial asset or liability is initially recorded by its fair value, plus any costs of the transaction that are directly attributable to the acquisition or issue of the financial assets or liability.

If the financial assets or liabilities are classified as fair value through profit or loss, the costs of the transaction are expensed.

The subsequent measuring of financial instruments occurs as of each reporting date in accordance with the rules set forth depending on the nature of the relevant financial assets and liabilities, which are classified as follows: (1) fair value through profit or loss; (2) held-to-maturity; (3) loans and receivables; (4) available for sale; and (5) other liabilities not measured at fair value through profit or loss.

Allowance for doubtful accounts

Our allowance for doubtful accounts is calculated based on estimated probable losses which we considered sufficient to cover any probable losses on the realization of our accounts receivable.

Impairment

Items of property, plant and equipment, intangible assets and other assets (current and non-current), when applicable, have their value tested at least once a year for indications of impairment. Goodwill and intangible assets with indefinite useful lives are tested every year, regardless of impairment indicators.

Contingent assets and liabilities

Contingent assets are recorded only when a favorable decision is “almost certain,” or based on final favorable court decisions. Contingent assets that are likely to have a favorable decision are disclosed in the notes to our financial statements.

Contingent liabilities are provisioned when losses are considered to be probable and the amount involved can be reliably measured. Contingent liabilities assessed as possible losses are disclosed in the notes to our financial statements and contingent liabilities assessed as remote losses are not recorded or disclosed.

Description of Main Statement of Operations Line Items

Net revenues. Our net revenues (revenue after the deductions corresponding to cancellations, discounts and taxes levied on revenues) consists primarily of:

- *Revenue from sales of fresh and processed beef.* Revenue from the sale of cuts of (1) fresh and chilled beef, lamb and sheep including traditional cuts, prime cuts and offal (the internal parts of the cattle, including the brain, heart, kidneys, liver, tongue and tripe) and (2) processed beef products, including frozen cooked or pre-cooked beef, corned cooked beef, beef cubes, hamburgers and sausages in domestic and international markets of our operations in South America, the United States, Australia and Canada.

- *Revenue from sales of fresh and processed pork.* Revenue from the sale of (1) cuts of fresh pork products, including trimmed cuts such as loins, roasts, chops and ribs and (2) other pork products, including hams, bellies and trimmings, predominantly to further processors, who, in turn, manufacture bacon, sausage and deli and luncheon meat in the domestic and international markets of our operations in the United States.

- *Revenue from sales of fresh and processed chicken.* Following the PPC acquisition, we entered new markets and earned revenue in the domestic and international markets of our operations in the United States, Mexico and Puerto Rico from the sale of (1) fresh chicken products, including refrigerated whole and cut-up chickens and prepackaged case-ready chicken and (2) prepared chicken products, including refrigerated and frozen portion-controlled breast fillets, tenderloins and strips, delicatessen products and salads, formed nuggets and patties, and bone-in chicken parts. In May 2012, we signed an agreement to lease certain plants from Frangosul, which agreement allowed us to debut our operations in the chicken market in Brazil.

- *Other.* Revenue from the sale of raw hides to tanneries for the production of leather and the sale of corn, peas and other selected canned vegetables. Following the Bertin merger, we entered new markets and earned revenue from the sale of cleaning and hygiene products, pet food and biodiesel.

Cost of goods sold. A significant portion of our cost of goods sold consists of the cost of purchasing raw materials. We generally purchase livestock in spot market transactions. In addition to livestock and feed costs, our cost of goods sold also consists of other production costs (including packaging and other raw materials) and labor.

Operating income. Our operating income consists primarily of:

- *General and administrative expenses.* This line item includes primarily expenses relating to payroll and payments made to members of our management.

- *Selling expenses.* This line item includes expenses relating to advertising, payment of commissions and other amounts to members of our sales team and allowances for doubtful accounts.

- *Financial expenses, net.* This line item includes expenses relating to interest incurred on our indebtedness, revenue from interest on our investments, taxes on our financial income (including Social Integration Program tax (*Programa de Integração Social*), or PIS, and the Contribution for the Financing of Social Security tax (*Contribuição para o Financiamento da Seguridade Social*), or COFINS, until July 2004, taxes on financial transactions, expenses and revenue from fluctuations of the *real* against the U.S. dollar and revenue and expenses from derivatives transactions.

Bargain purchase gain. When a business acquisition occurs, accounting rules require the acquirer to compare the fair value of consideration given to the fair value of assets acquired and liabilities assumed. If the consideration exceeds the fair value of net identifiable assets and liabilities and intangible assets, then goodwill is recorded. However, if the estimated fair value of the assets acquired and liabilities assumed exceeds the aggregate purchase price and fair value of the noncontrolling interest, then the excess is recognized as a "gain on bargain purchase."

Non-operating results. This line item includes certain non-operating results, including revenue from the sale of certain non-operating assets.

Deferred income tax and social contribution. We record deferred tax assets and liabilities based on the differences between the carrying amounts on our financial statements and the tax basis of assets and liabilities, as well as on the tax loss carry forward credits, using prevailing tax rates.

Principal Factors Affecting our Financial Condition and Results of Operations

Our results of operations have been influenced and will continue to be influenced by a variety of factors. In addition to the factors discussed below, factors that impact the results of its operations include outbreaks of livestock and poultry disease, product contamination or recalls, our ability to implement our business plan (including our ability to arrange financing when required and on reasonable terms) and the implementation of our financing strategy and capital expenditure plan.

Beef and Pork segments

Our management monitors a number of metrics and indicators that affect our operations in our Beef and Pork segments, including the following:

- production volume;
- plant capacity utilization;
- sales volume;
- selling prices of beef and pork products;
- customer demand and preferences (see “Risk factors—Risks relating to our Business and Industries—Changes in consumer preferences could adversely affect our business”);
- commodity futures prices for livestock (see “Risk factors—Risks relating to our Business and Industries—Our results of operations may be adversely affected by fluctuations in market prices for livestock and grains”);
- the spread between livestock prices and selling prices for finished goods;
- utility prices and trends;
- livestock availability (in particular, the cattle herd supply, which in the U.S. has been declining gradually over the past years and which decline was aggravated by the recent drought that adversely affected the southern plains region of the U.S. According to USDA projections, the U.S. cattle herd is expected to rebuild progressively until 2020. In Brazil and Australia, the cattle herd has been growing recently due to heifer retention and favorable weather conditions);
- production yield;
- seasonality;
- currency exchange rate fluctuations (in particular, between the U.S. dollar and the Australian dollar and the relationship between the U.S. dollar and the currencies in which we market our products) (see “Risk factors—Risks relating to our business and the beef, pork and chicken industries—Our exports are subject to a wide range of political and economic risks in foreign countries”); and
- trade barriers, exchange controls and political risk and other risks associated with export and foreign operations (see “Risk factors—Risks relating to our business and the beef, pork and chicken industries—Our exports are subject to a wide range of political and economic risks in foreign countries”).

Chicken segment

In addition to those factors affecting our results of operations in the Beef and Pork segments, factors influencing our results of operations in the Chicken segment include the following:

- *Production volume*. We had a daily processing capacity of approximately 8.3 million chicken broilers as of December 31, 2012 in our consolidated U.S. and Brazil divisions. The chicken industry has experienced an oversupply of chicken products that has exceeded profitable demand.

- *Chicken production*. PPC is a vertically integrated company and controls every phase of the production of its products. PPC operates feed mills, hatcheries and processing plants. By contrast, in our Beef and Pork segments, we are primarily a "spread" operator, purchasing cattle and hogs pursuant to market-priced supply arrangements from feedlot operators or on the spot market, processing the beef and pork and selling its products by contract or on the spot market, except that in our Australian beef operations, we were a vertically integrated beef processor prior to entering into a cattle supply and feeding agreement with J&F Australia Pty Limited, or J&F Australia, a wholly-owned subsidiary of our affiliate, J&F Oklahoma Holdings, Inc., or J&F Oklahoma. See "Related Party Transactions—Agreements with J&F Australia." The operating profits of our Beef and Pork segments are therefore largely determined by our plant operating efficiency rather than by fluctuations in the price of cattle, beef or pork. By contrast, operating profits in our Chicken segment are highly dependent on prevailing commodity prices for chicken.

- *Commodity price impact*. Like our Beef and Pork segments, our Chicken segment is affected by fluctuations in the prices of certain commodities. However, our Chicken segment is more heavily influenced by fluctuations in the prices of corn and soymeal, which are feed ingredients, as PPC supplies feed to growers as part of its vertically integrated operations. Our Beef and Pork segments, by contrast, are only indirectly affected by fluctuations in the prices of feed ingredients, since we do not own or raise its own cattle or hogs (except for its Australian cattle operations prior to the Australian cattle inventory agreements referred to above), and instead are more directly affected by fluctuations in the spot market for cattle and hogs, where we purchase a significant portion of the cattle and hogs it needs. PPC is also significantly influenced by fluctuations in the cost of energy, both in terms of production and manufacturing costs and with respect to associated transportation delivery expenses. See "Risk factors—Risks Relating to our Business and Industries—Cyclicality in the U.S. poultry industry has significantly affected the earnings of PPC and, consequently ours, especially due to fluctuations in commodity prices of feed ingredients and chicken."

- *Seasonality*. PPC does not experience large fluctuations in demand due to seasonality. However, PPC's net sales have historically been higher in its second and third fiscal quarters. PPC's net sales have historically been lowest in its first fiscal quarter.

PPC's earnings are affected by foreign exchange rate fluctuations related to the Mexican peso net exposure of its Mexican subsidiaries. PPC manages this exposure primarily by attempting to minimize its net exposure to the Mexican peso. PPC is also exposed to the effect of potential exchange rate fluctuations to the extent that amounts are repatriated from Mexico to the United States. However, PPC currently anticipates that the future cash flows of its Mexican subsidiaries will be reinvested in its Mexican operations.

Due to low to moderate inflation in the U.S. and Mexico in recent years and PPC's rapid inventory turnover, we believe that PPC's results of operations have not been significantly affected by inflation during the past two-year period.

Brazilian economic environment

The protein sector in Brazil is generally affected by changes in Brazilian macroeconomic conditions, including: increases in income, unemployment rates, consumer confidence, short- and long-term interest rates, governmental policies and exchange rates. These macroeconomic changes may alter the levels of demand and price of products in the protein sector and, as a result, affect revenues and profitability of companies operating therein.

In 2010, according to the Central Bank, the Brazilian economy experienced a significant recovery. The acceleration in the pace of expansion of economic activity and growth in employment and income rates, coupled with supply shocks, exerted pressure on the rate of inflation during 2010. The cumulative inflation rate for 2010, as measured by the Broad Consumer Price Index (*Índice de Preços ao Consumidor Amplo*), or IPCA, and published by the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or IBGE, was 5.9%, remaining within the inflation target then set by the Central Bank. Maintaining inflation at this level can be attributed to the monetary policy that resulted in raising the SELIC target rate during 2010, from 8.25% per annum as of December 31, 2009 to 10.75% as of December 31, 2010, according to the Central Bank.

In 2011, Brazil's GDP grew by 2.7%, according to data released by the IBGE, demonstrating relative resistance to the external crisis, but with performance below some market forecasts. The accumulated rate of inflation, measured by the IPCA, was 6.5%, remaining within the inflation target then established by the Central Bank. Maintaining inflation within the target reflects the monetary policies of the Central Bank and the cooling trend of inflationary pressures at the end of 2011. The SELIC target rate, on December 31, 2010, was 10.75% per annum and increased to 11.00% per annum as of December 31, 2011, reflecting increases in the SELIC rate during 2011 for purposes of controlling inflation rates during the same period.

According to data released by the IBGE, Brazil's GDP grew by 0.9% in 2012. This increase was primarily due to, on the supply side, growth in the service sector and, on the demand side, an increase in family consumption. The accumulated rate of inflation in 2012, as measured by the IPCA, was 5.8%, above the inflation target established by the Central Bank. This increase in inflation was primarily due to greater consumption. In order to stimulate economic growth, the Brazilian government reduced the SELIC target rate to 7.25% per annum, a reduction of 3.75 percentage points to the SELIC rate as of December 31, 2011. During 2012, the *real* depreciated 8.2% against the U.S. dollar. The depreciation of the *real* tends to benefit Brazilian exporters, which incur costs in *reais* and earn revenues linked to the U.S. dollar.

The following table sets forth the main Brazilian economic indicators as of and for the periods indicated:

	As of and for the year Ended December 31,		
	2010	**2011**	**2012**
GDP growth (1)	7.5%	2.7%	0.9%
Inflation (IGP-M) (2)	11.3%	5.1%	7.8%
Inflation (IPCA) (3)	5.9%	6.5%	5.8%
CDI (4)	9.7%	11.6%	8.4%
TJLP (5)	6.0%	6.0%	5.5%
Appreciation (depreciation) of the *real* vs. U.S. dollar in the period	4.5%	(11.2)%	(8.2)%
Exchange rate at period end—US$1.00	R$1.666	R$1.876	R$2.044
Average exchange rate—US$1.00 (6)	R$1.760	R$1.675	R$1.955

Sources: Central Bank, Fundação Getúlio Vargas, IBGE, Liquidation and Custody Chamber (*Câmara de Custódia e Liquidação*), and CETIP.

(1) Brazilian GDP according to IBGE.

(2) Inflation (IGP-M) is the general market price index measured by Fundação Getúlio Vargas.

(3) Inflation (IPCA) is the broad consumer price index as measured by IBGE.

(4) The CDI rate is the average of the fixed rates of interbank deposits for one business day as registered with and settled by the CETIP system.

(5) The TJLP is the long-term interest rate published every quarter by the Central Bank. The figures correspond to the average of the period indicated.

(6) Average exchange rate in the period indicated.

In periods of economic downturn, unemployment rates increase and result in decreased consumer purchasing power, which in turn causes a reduction in demand for our products. The reduction in demand for our products is normally accompanied by a reduction in the prices of those products, thus negatively affecting our results of operations. During such periods, financing becomes more costly, which also affects our results of operations. Although Brazilian GDP has increased in the past few years, our business grew substantially due to our expansion, our productivity gains and the improvements in our production processes.

Effect of level of indebtedness and interest rates

As of December 31, 2012, our total outstanding indebtedness was R$20,488.9 million. The level of our indebtedness resulted in net financial expenses of R$1,338.2 million as of December 31, 2012, of which R$530.6 million corresponded to income relating to derivatives transactions, R$1,126.2 million corresponded to net interest, R$626.5 million corresponded to expenses from exchange rate variation, and R$116.2 million corresponded to taxes, contributions, tariffs and other expenses.

As of December 31, 2011, our total outstanding indebtedness was R$18,872.2 million. The level of our indebtedness resulted in net financial expenses of R$2,010.7 million in 2011, R$138.3 million of which corresponded to expenses relating to derivatives transactions, R$1,265.8 million corresponded to net interest, R$492.4 million corresponded to expenses from exchange rate variation and R$114.2 million corresponded to taxes, contributions, tariffs and other expenses.

As of December 31, 2010, our total outstanding indebtedness was R$15,183.4 million. The level of our indebtedness resulted in net financial expenses of R$2,223.0 million in 2010, R$738.3 million of which corresponded to expenses relating to derivatives transactions, R$1,653.6 million corresponded to net interest, R$281.4 million corresponded to income from exchange rate variation and R$112.6 million corresponded to taxes, contributions, tariffs and other expenses. The R$2,223.0 million net financial expense includes the premium of R$521.9 million paid to holders of the BNDESPAR debentures. See "Business—BNDESPAR Debentures and the BNDESPAR Transaction."

The interest rates that we pay on our indebtedness depend on a variety of factors, including prevailing Brazilian and international interest rates and risk assessments of our company, our industry and the Brazilian and global economies.

Effect of the levels of sales of fresh and processed products in the domestic market on our results of operations

We define domestic sales as all sales where the customer is located in the same country as the company recording the sales and export sales as all sales where the customer is located in a different country as the company recording the sale.

Our domestic sales accounted for 75.5% and 75.6% of our gross sales revenue for the years ended December 31, 2012 and 2011, respectively. Domestic sales volume increased by 5.0%, from 6,642.5 thousand tons in 2011 to 6,976.5 thousand tons in 2012. Gross domestic sales increased by 21.6%, from R$48,578.5 million in 2011 to R$59,083.7 million in 2012. Gross sales revenue from the domestic market increased primarily due to the increase in domestic sales volume in South America and due to stronger overall market conditions.

Our domestic sales accounted for 75.6% and 74.0% of our gross sales revenue for the years ended December 31, 2011 and 2010, respectively. Domestic sales volume decreased by 0.8%, from 6,696.6 thousand tons in 2010 to 6,642.5 thousand tons in 2011. Gross sales in domestic markets increased by 15.7%, from R$41,984.7 million in 2010 to R$48,578.5 million in 2011, primarily due to the increase in domestic sales volume in the United States.

Effect of the levels of exports of fresh and processed products on our results of operations

In general, the export prices of our products are higher than the domestic prices, primarily due to: (1) higher prices of certain commodities in developed countries compared to developing countries; (2) the cost of transportation of our products; (3) the costs of storage and logistics; and (4) customs taxes and tariffs.

Exports accounted for 24.5% and 24.4% of our gross sales revenue in 2012 and 2011, respectively. Export volume increased by 4.5%, from 2,055.4 thousand tons in 2011 to 2,147.5 thousand tons in 2012, and export gross sales revenue increased by 22.7%, from R$15,660.3 million in 2011 to R$19,214.0 million in 2012, primarily due to stronger overall market conditions in South America.

Exports accounted for 24.4% and 26.0% of our gross sales revenue for the years ended December 31, 2011 and 2010, respectively. Export volume increased by 1.2%, from 2,030.9 thousand tons in 2010 to 2,055.4 thousand tons in 2011, and export gross sales revenue increased by 6.0%, from R$14,773.8 million in 2010 to R$15,660.3 million

in 2011, primarily due to an increase in average sales prices, attributable to stronger overall market conditions and increased export demand.

Our ability to export depends on several factors, including: (1) the level of economic growth in our export markets; (2) the economic conditions of our export markets (including interest rates and exchange rates); and (3) variations in product demand in our export markets, including variations resulting from health-related events and related restrictions. Any change to these factors may adversely affect our results of operations.

Fluctuations in domestic market prices of fresh and processed products can significantly affect our operating revenues

Domestic market prices for fresh and processed products are generally determined in accordance with market conditions. These prices are also affected by the additional markup that retailers charge end consumers. We have negotiated these margins with each network of retailers and depending on the network, with each store individually. Domestic market prices of our fresh and processed products increased by 15.8% from R$7.31 per kilogram in 2011 to R$8.47 per kilogram in 2012 and increased by 16.6% from R$6.27 per kilogram in 2010 to R$7.31 per kilogram in 2011.

Effects of fluctuations in export prices of fresh and processed products on operating revenues

Fluctuations in export prices of our raw and processed products can significantly affect our net operating income. Average prices for our exported products increased by 17.4% from R$7.62 per kilogram in 2011 to R$8.95 per kilogram in 2012, and increased by 4.7% from R$7.27 per kilogram in 2010 to R$7.62 per kilogram in 2011. The prices of fresh and processed products that we charge in domestic and export markets have fluctuated significantly in recent years, and we believe that these prices will continue to fluctuate in the future.

Effects of the variation of prices for the purchase of raw materials on our costs of goods sold

Our principal raw materials is livestock and feed ingredients for our Chicken segment. Raw materials accounted for approximately 79.6% and 80.5% of the total cost of products sold in 2012 and 2011, respectively. Changes in the price of cattle, pork and feed ingredients have a direct impact on operating costs. We generally purchases cattle, pork and feed ingredients in spot market transactions. We seek to hedge 100% of our cattle purchased through financial instruments negotiated on the BM&FBOVESPA in order to attempt to protect ourselves from price variations between their date of the purchase and their date of the delivery.

The price of cattle, pork and feed ingredients in the domestic markets has significantly fluctuated in the past, and we believe that it will continue to fluctuate over the next few years. Any increase in the price of cattle, pork and feed ingredients and, consequently, production costs may adversely impact our gross margins and our results of operations if we are not able to pass these price increases to our clients. Conversely, any decrease in the price of cattle, pork and feed ingredients and, consequently, our production costs, may positively impact our gross margins and our results of operations.

Effects of fluctuations in exchange rates between the Brazilian real and foreign currencies

Our results of operations and financial condition have been, and will continue to be, affected by the rate of depreciation or appreciation of the Brazilian *real* against foreign currencies.

We have a global production and distribution platform. Political uncertainties and general economic conditions in the countries where we operate may adversely affect our results of operations.

A substantial portion of our net revenues is linked to foreign currencies because a large part of our exports are denominated in foreign currencies. Any depreciation or appreciation of the *real* against foreign currencies may impact our export revenues, causing a monetary increase or decrease, provided that the other variables remain unchanged.

In addition, a substantial portion of our indebtedness is linked to foreign currencies. As of December 31, 2012, our consolidated debt denominated in foreign currencies accounted for 37.0% of our total debt. For this reason, any depreciation or appreciation of the *real* against foreign currencies may significantly increase our financial expenses and our short- and long-term debt denominated in *reais*. Conversely, any appreciation of the *real* against foreign currencies may significantly decrease our financial expenses and our short- and long-term debt denominated in *reais*. As of December 31, 2012, our exports account for 24.5% of our gross revenue.

The exchange rate risk for loans, financings, trade accounts receivable in foreign currency, inventories and other non-recurring obligations denominated in foreign currency are hedged through our strategy of minimizing the daily exposure of assets and liabilities to the fluctuations of the exchange rate by contracting futures contracts on the BM&FBOVESPA and swap contracts (exchange of exchange rate fluctuation for variation of the CDI rate), in order to settle the position. The hedging parameter is based on the net exposure in foreign currency, seeking to reduce the exposure to the exchange rate risks and balancing assets that are not denominated in *reais* against obligations that are also not denominated in *reais*, thus hedging our assets. Our internal controls are carried out through calculation spreadsheets and follow-up of the transactions completed and the value at risk calculation for one day.

Results of Operations

In the following discussion, references to increases or decreases in any year are made by comparison with the corresponding prior year, except as the context otherwise indicates.

For the Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

The following table sets forth certain historical financial information for the year ended December 31, 2012 and 2011, respectively.

	For the year ended December 31,	
	2012	**2011**
	(in millions of reais)	
Statement of operations data:		
Net revenues	75,696.7	61,796.8
Cost of goods sold	(67,006.9)	(55,100.2)
Gross income	**8,689.8**	**6,696.6**
Operating expenses		
General and administrative expenses	(2,057.4)	(1,739.2)
Selling expenses	(3,877.7)	(3,144.1)
Financial expenses, net	(1,338.2)	(2,010.7)
Equity in earnings of subsidiaries	0.8	–
Other expenses, net	(35.0)	(32.7)
Income tax and social contribution		
Current income taxes	(176.7)	(520.7)
Deferred income taxes	(442.7)	427.9
Net income (loss)	**762.9**	**(322.9)**
Attributable to:		
Controlling interest	**718.9**	**(75.7)**
Noncontrolling interest	**44.0**	**(247.2)**

Net revenues

Our net revenues increased by 22.5%, from R$61,796.8 million in 2011 to R$75,696.7 million in 2012, primarily due to (1) the increase in net revenues from our Beef segment of 22.6%; (2) the increase in net revenues from our Pork segment of 17.7% and (3) the increase in net revenues from our Chicken segment of 31.8%. This increase was partially offset by the decrease of 2.9% in our Other segment.

Our net revenues from our Beef segment increased by 22.6%, from R$39,681.9 million in 2011 to R$48,668.4 million in 2012, primarily due to: (1) an increase of 19.3% in the sales volume in our South America beef division, from 1,650.3 thousand tons in 2011 to 1,968.9 thousand tons in 2012; (2) an increase of 0.8% in the sales volume in our U.S./Australia beef division, from 4,591.1 thousand tons in 2011 to 4,626.0 thousand tons in 2012; (3) an increase of 2.6% in average sales prices of our South America beef division, from R$7.75 per kilogram in 2011 to R$7.95 per kilogram in 2012; and (4) an increase of 21.8% in the average sales prices of our U.S./Australia beef division, from R$5.86 per kilogram in 2011 to R$7.13 in 2012.

Our net revenues from our Pork segment increased by 17.7%, from R$5,816.5 million in 2011 to R$6,843.2 million in 2012, primarily due to: (1) an increase of 13.2% in average sales prices, from R$4.09 per kilogram in 2011 to R$4.63 per kilogram in 2012; and (2) an increase of 3.9% in sales volume, from 1,422.0 thousand tons in 2011 to 1,477.9 thousand tons in 2012.

Our net revenues from our Chicken segment increased by 31.8%, from R$12,566.2 million in 2011 to R$16,562.4 million in 2012, primarily due to: (1) the increase in sales revenues from PPC resulting primarily from the 16.7% appreciation of the U.S. dollar against the *real*, from an average exchange rate of R$1.675/US$1.00 in 2011 to R$1.955/US$1.00 in 2012; and (2) our commencement of chicken operations in Brazil following our lease of certain Frangosul plants in May 2012.

Our net revenues from our Other segment decreased by 2.9%, from R$3,732.2 million for in 2011 to R$3,622.7 million in 2012, primarily due to the decrease in sales volumes, from 1,034.6 thousand tons in 2011 to 865.3 thousand tons in 2012, as a result of the Vigor deconsolidation. See "Business—Vigor Exchange Offer." This decrease was partially offset by an increase of 16.1% in average sales prices of the products sold by our leather, hygiene and cleaning and other divisions, from R$3.61 per kilogram in 2011 to R$4.19 per kilogram in 2012.

Cost of goods sold

Our cost of goods sold increased by 21.6%, from R$55,100.2 million in 2011 to R$67,006.9 million in 2012, primarily due to an increase in sales volume as detailed above. As a percentage of net revenues, our cost of goods sold decreased by 0.7 percentage points, from 89.2% in 2011 to 88.5% in 2012, primarily due to a reduction in average prices of raw material in our South American division.

Gross income

Our gross income increased by 29.8%, from R$6,696.6 million in 2011 to R$8,689.8 million in 2012 as a result of the above factors. Our gross margin increased by 0.7 percentage points from 10.8% in 2011 to 11.5% in 2012.

General and administrative expenses

General and administrative expenses increased by 18.3%, from R$1,739.2 million in 2011 to R$2,057.4 million in 2012, primarily due to our commencement of chicken operations in Brazil following our lease of certain Frangosul plants in May 2012. As a percentage of net revenues, our general and administrative expenses decreased by 0.1 percentage points, from 2.8% in 2011 to 2.7% in 2012.

Selling expenses

Selling expenses increased by 23.3%, from R$3,144.1 million in 2011 to R$3,877.7 million in 2012, primarily due to the increase in sales volume of most of our business segments. As a percentage of our net revenues, our selling expenses remained stable at 5.1% in 2011 and 2012.

Financial expenses, net

Our financial expenses, net decreased by 33.4%, from R$2,010.7 million in 2011 to R$1,338.2 million in 2012, primarily due to: (1) a change in the results on derivatives, from an expense of R$138.3 million in 2011 to an income of R$530.7 million in 2012, resulting from currency hedge transactions that benefited from the 16.7% appreciation of the U.S. dollar against the *real*, from an average exchange rate of R$1.675/US$1.00 in 2011 to

R$1.955/US$1.00 in 2012; (2) an increase of 25.2% in interest revenue, from R$465.1 million in 2011 to R$582.4 million in 2012; (3) a reduction of 1.3% in interest expense, from R$1,731.0 million in 2011 to R$1,708.6 million in in 2012, which was partially offset by (4) an increase of 27.2% in our financial expenses, due to exchange rate variation, from R$492.4 million in 2011 to R$626.5 million in 2012, which resulted mainly from the depreciation of the *real* against the U.S. dollar during 2012 and (5) an increase of 1.8% in taxes, contribution, tariff and others expenses, from R$114.2 million in 2011 to R$116.2 million in 2012. Interest expense decreased primarily as a result of debt rebalancing measures between the United States and Brazil adopted by us in order to reduce our overall debt service costs. As a percentage of our net revenues, our financial expenses, net decreased by 1.5 percentage points, from 3.3% in 2011 to 1.8% in 2012.

Other expenses, net

We had other expenses of R$35.0 million in 2012 compared to other expenses of R$32.7 in 2011, primarily due to: (1) expenses at JBS USA in the amount of R$23.5 million, related to restructuring and reorganization costs; and (2) expenses at JBS Global A/S in the amount of R$41.8 million, related to our recognition of an additional 50% of Beef Snacks International that we did not own following an arbitration decision that resulted in us being obligated to acquire the remaining 50% of Beef Snacks International owned by Link International Meat Products, which was partially offset by (3) income in the amount of R$23.3 million related to rentals and our sale of fixed assets and (4) income in the amount of R$7.0 million related to sales of a unit located in San José, Argentina and its assets sales, which was partially offset by expenses from the settlement of labor disputes with former employees.

Current income taxes

Current income taxes decreased by 66.1%, from R$520.7 million in 2011 to R$176.7 million in 2012, primarily due to the amortization of goodwill following our merger with Bertin. As a percentage of net revenues, current income taxes totaled 0.2% in 2012 compared to 0.8% in 2011.

Deferred income taxes

Our deferred income taxes changed from income of R$427.9 million in 2011 to an expense of R$442.7 million in 2012, primarily due to our amortization of goodwill following our merger with Bertin. As a percentage of net revenues, deferred income taxes represented positive 0.7% in 2011 compared to negative 0.6% in 2012.

Net income (loss)

As a result of the foregoing, our net income (loss) changed from a loss of R$322.9 million in 2011 to net income of R$762.9 million in 2012.

Net income (loss) attributable to controlling interest

As a result of the foregoing, our net income (loss) attributable to controlling interest changed from a loss of R$75.7 million in 2011 to net income of R$718.9 million in 2012.

For the Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

The following table sets forth certain historical financial information for the years ended December 31, 2011 and 2010, respectively.

	For the year ended December 31,	
	2011	**2010**
	(in millions of reais)	
Statement of operations data:		
Net revenues	61,796.8	54,712.8
Cost of goods sold	(55,100.2)	(47,994.8)
Gross income	**6,696.6**	**6,718.0**
Operating expenses		
General and administrative expenses	(1,739.2)	(1,641.0)
Selling expenses	(3,144.1)	(2,627.2)
Financial expense, net	(2,010.7)	(2,223.0)
Other expense, net	(32.7)	(168.2)
Income tax and social contribution		
Current income tax and social contribution	(520.7)	(358.8)
Deferred income tax and social contribution	427.9	33.3
Net loss from continued operations	**(322.9)**	**(266.9)**
Net income from discontinued operations	**—**	**12.2**
Net loss	**(322.9)**	**(254.6)**
Attributable to:		
Controlling interest	**(75.7)**	**(292.8)**
Noncontrolling interest	**(247.2)**	**38.2**

Net revenues

Our net revenues increased by 12.9%, from R$54,712.8 million in 2010, to R$61,796.8 million in 2011, primarily due to: (1) the increase in net revenues from our Beef segment of 14.5%; (2) the increase in net revenues from our Pork segment of 11.8%; (3) the increase in net revenues from our Chicken segment of 4.3%; and (4) the increase in net revenues from our Other segment of 33.2%.

Our net revenues from our Beef segment increased by 14.5%, from R$34,654.5 million in 2010 to R$39,681.9 million in 2011, due primarily to: (1) an increase of 3.8% in sales volume in our U.S./Australia beef division, from 4,421.1 thousand tons in 2010 to 4,591.1 thousand tons in 2011; (2) an increase of 12.2% in average sales price of our U.S./Australia beef division, from R$5.22 per kilogram in 2010 to R$5.86 in 2011; and (3) an increase of 16.0% in average sales prices of our South America beef division, from R$6.68 per kilogram in 2010 to R$7.75 per kilogram in 2011. This increase was partially offset by a decrease of 2.1% in sales volume of fresh beef and a decrease of 19.8% in sales volume of processed beef in our South America beef division, from 1.471,8 thousand tons in 2010 to 1,440.4 thousand tons in 2011 and 261.7 thousand tons in 2010 to 209.9 thousand tons in 2011, respectively.

Our net revenues from our Pork segment increased by 11.8%, from R$5,204.2 million in 2010 to R$5,816.5 million in 2011, primarily due to an increase of 17.9% in average sales prices, from R$3.47 per kilogram in 2010 to R$4.09 per kilogram in 2011. This increase was partially offset by a decrease of 5.2% in sales volume, from 1,499.7 thousand tons in 2010 to 1,422.0 thousand tons in 2011.

Our net revenues from our Chicken segment increased by 4.3%, from R$12,051.5 million in 2010 to R$12,566.2 million in 2011, primarily due to an increase in unit sales volume driven by increased demand and PPC's focused inventory reduction efforts during 2011. This increase was partially offset by a decrease in net revenue per pound sold, which resulted primarily from a less favorable product mix sold in 2011 as compared to 2010.

Our net revenues from our Other segment increased by 33.2%, from R$2,802.7 million in 2010 to R$3,732.2 million in 2011, primarily due to an increase of 32.8% in average sales prices of the products sold by our leather, hygiene and cleaning, among others divisions, from R$2.72 per kilogram in 2010 to R$3.61 per kilogram in 2011.

Cost of goods sold

Our cost of goods sold increased by 14.8%, from R$47,994.8 million in 2010 to R$55,100.2 million in 2011, primarily due to an increase of 16.4% in the cost of raw materials. Live production costs in our Chicken segment, which increased primarily because of higher feed costs, were one of the factors in the increase in our cost of goods sold, as well as the cost associated with increased sales volumes from PPC's focused inventory reduction efforts. As a percentage of net revenues, our cost of goods sold increased by 1.5 percentage points, from 87.7% for 2010 to 89.2% for 2011.

Gross income

Our gross income decreased by 0.3%, from R$6,718.0 million in 2010 to R$6,696.6 million in 2011 as a result of the above factors. Our gross margin decreased from 12.3% in 2010 to 10.8% in 2011, primarily due to the impact of the results of our Chicken segment described above.

General and administrative expenses

General and administrative expenses increased by 6.0%, from R$1,641.0 million in 2010 to R$1,739.2 million in 2011, primarily due to an increase of 312.5% in rent expenses, from R$63.3 million in 2010 to R$261.1 million in 2011, primarily due to the greater number of leased plants in Brazil. As a percentage of net revenues, our general and administrative expenses decreased by 0.2 percentage points, from 3.0% in 2010 to 2.8% in 2011.

Selling expenses

Selling expenses increased by 19.7%, from R$2,627.2 million in 2010 to R$3,144.1 million in 2011, primarily due to the increase in sales transactions volume, mainly in our U.S./Australian operations. As a percentage of net revenues, selling expenses increased by 0.3 percentage points, from 4.8% in 2010 to 5.1% in 2011.

Financial expenses, net

Our financial expenses, net decreased by 9.6%, from R$2,223.0 million in 2010 to R$2,010.7 million in 2011, primarily due to: (1) our payment of R$521.9 million in 2010 as a premium to the holders of BNDESPAR debentures (see "Business—BNDESPAR Debentures and the BNDESPAR Transaction"); (2) a decrease of 81.3% in our results on derivatives, from an expense of R$738.3 million 2010 to an expense of R$138.3 million in 2011, resulting from the fluctuation of the *real*/U.S. dollar exchange rate; (3) an increase of 38.7% in interest gain, from R$335.5 million in 2010 to R$465.2 million in 2011; and (4) a decrease of 13.0% in interest losses, from R$1,989.1 million in 2010 to R$1,731.0 million in 2011.

Other expenses, net

We had other operating expenses of R$32.7 million in 2011 compared to other operating expenses of R$168.2 million in 2010, primarily due to: (1) an expense of R$10.4 million in indemnities due to the temporary suspension of operations in our plants in Berazategui (*Consignaciones Rurales*), Colonia Caroya (*Col-Car*) and San Jose, Argentina; (2) an expense of R$68.6 million in bargain purchase income, due to acquisitions of subsidiaries and restructuring and reorganization costs in connection with of our U.S./Australian operations; and (3) income of R$46.3 million from rentals and our sale of fixed assets.

Current income taxes

Current income taxes increased by 45.1%, from R$358.8 million in 2010 to R$520.7 million in 2011, primarily due to an increase in pre-tax income from our pork and beef operations in the United States. As a percentage of net revenues, current income taxes represented 0.7% in 2010 compared to 0.8% in 2011.

Deferred income taxes

Our deferred income taxes credits increased by 1,185.0%, from a R$33.3 million in 2010 to R$427.9 million in 2011 primarily due to losses from PPC in 2010, generating deferred income taxes in 2011. As a percentage of net revenues, deferred income taxes represented 0.1% in 2010 compared to 0.7% in 2011.

Net loss from continued operations

As a result of the foregoing, our net loss from continued operations increased from R$266.9 million in 2010 to R$322.9 million in 2011.

Net loss attributable to controlling interest

As a result of the foregoing, our net loss attributable to controlling interest decreased from R$292.8 million in 2010 to a loss of R$75.7 million in 2011.

Liquidity and Capital Resources

Our financial condition and liquidity is and will continue to be influenced by a variety of factors, including:

- our ability to generate cash flows from operations;
- the level of our outstanding indebtedness and the interest we are obligated to pay on our indebtedness, which affects our net financial results;
- prevailing domestic and international interest rates, which affect our debt service requirements;
- our ability to continue to borrow funds from Brazilian and international financial institutions or to access the domestic and international capital markets;
- our working capital needs, based on our growth plans; and
- our capital expenditure requirements, which consist primarily of purchasing equipment, strategic investments and acquisitions.

Our principal cash requirements consist of the following:

- the purchase of raw material, most of which relates to the purchase of livestock for our Beef and Pork segments and the purchase of feed ingredients for our Chicken segment;
- our working capital requirements;
- the servicing of our indebtedness;
- capital expenditures related mainly to our purchases of equipment, strategic investments, and acquisitions;
- dividends and other distributions in respect of our share capital; and
- tax, labor and social obligations and indirect taxes in connection with our operations.

We are required by Brazilian Corporate Law to distribute an amount equal to at least 25% of our adjusted net annual profits, as dividends or payment of interest attributable to shareholders' equity in any particular fiscal year.

Our main sources of liquidity consist of the following:

- our cash flows from operating activities;
- our short-term and long-term borrowings; and
- our dividend payments and other distributions from our subsidiaries.

We believe that our cash on hand, cash flow from operations, remaining availability under credit lines from commercial banks and funds we receive in distributions and/or loans from our subsidiaries, will be sufficient to meet our ongoing operating requirements, make scheduled principal and interest payments on our outstanding debt, make dividend distributions required under Brazilian Corporate Law and fund our capital expenditures for the foreseeable future. Our ability to continue to generate sufficient cash, however, is subject to certain general economic, financial, industry, legislative, regulatory and other factors beyond our control.

Cash Flows

The table below shows our cash flows from operating, investing and financing activities for the periods indicated:

	For the year ended December 31,		
	2010	**2011**	**2012**
Net cash provided by (used in) operating activities	(1,471.1)	606.5	1,472.3
Net cash provided used in investing activities	(1,563.7)	(704.4)	(1,870.3)
Net cash provided by financing activities	2,059.8	1,181.5	361.5
Effect of exchange rates on cash and cash equivalents	11.1	130.0	131,4
Increase (decrease) in cash and cash equivalents	**(963.8)**	**1,213.6**	**94.9**
At the beginning of the period	5,038.4	4,074.6	5,288.2
At the end of the period	4,074.6	5,288.2	5,383.1

Operating activities. Net cash from operating activities may vary from time to time according to the fluctuation of sales revenue, cost of goods sold, operating expenses and financial income. For the year ended December 31, 2012, net cash provided by operating activities totaled R$1,472.3 million compared to net cash provided by operating activities of R$606.5 million in 2011. The variation in cash flow from operating activities between these periods was primarily due to changes in the net income (loss) of the period attributable to controlling interest, from a net loss of R$75.7 million in 2011 to net income of R$718.9 million in 2012. For the years ended December 31, 2011 and 2010, net cash provided by (used in) operating activities was R$606.5 million and R$(1.471.1) million, respectively. The variation in cash flow provided by (used in) operating activities between these periods was primarily due to: (1) a reduction in the net loss attributable to controlling interest from R$(292.8) million in 2010 to R$(75.7) million in 2011; and (2) changes in working capital between these periods, primarily due to our use of cash in our inventories of R$1,251.4 million in 2010 compared to our use of cash in our inventories of R$627.9 million in 2011.

Investing activities. Net cash from investing activities is primarily related to: (1) our acquisition of subsidiaries minus their net cash at the time of acquisition; (2) our acquisition of property, plant and equipment; (3) our acquisition of intangible assets; (4) our receipt of payment from the sale of equipment; (5) interest received; and (6) the net effect of working capital from acquired companies. For the years ended December 31, 2012 and 2011, cash used in investing activities totaled R$1,870.3 million and R$704.4 million, respectively. The cash used in investing activities in 2012 was primarily due to: (1) our acquisitions of property, plant and equipment; (2) the net effect of Vigor deconsolidation (see "Business—Vigor Exchange Offer"); (3) the net effect on working capital of companies we acquired; and (4) the net effect of the full consolidation of Beef Snacks International. The cash used in investing activities in 2011 was primarily due to: (1) our acquisitions of property, plant and equipment; and (2) the net effect on working capital of acquired companies, partially offset by proceeds we received from the termination agreement

related to Inalca JBS. Cash used in investing activities totaled R$1,563.7 million in 2010 compared to R$5,684.4 million in 2009. Cash used in investing activities in 2010 was primarily due to our acquisition of property, plant and equipment.

Financing activities. Net cash from financing activities is composed of payments for the shares that we issue, including capital stock subscribed for by our shareholders and the funding and payment of our indebtedness. For year ended December 31, 2012, net cash provided by financing activities was R$361.5 million, compared to R$1,181.5 million for the corresponding period in 2011, and was primarily due to new loans and financing (including the issuance of the 2020 Notes that was incurred during the period). The cash provided by financing activities in the year ended December 31, 2011 was R$1,181.5 million, and was primarily due to new loans and financing that we incurred in 2011 (including the issuance of the 2021 Notes), partially offset by the payment of principal and interest of indebtedness and the acquisition of our own shares. For the year ended December 31, 2010, cash flow provided by financing activities was R$2,059.9 million compared to R$7,218.0 million for the year ended December 31, 2009, primarily due to: (1) the increase in principal payments due on debt resulting from the PPC acquisition and the Bertin merger; (2) our receipt of funds from a capital increase; and (3) our use of cash to acquire our own shares.

Sources and Uses Of Cash

We expect to meet our short-term contractual obligations and commitments and budgeted capital expenditures in 2013 through a combination of cash generated from our operating activities and cash provided by financing activities, including the incurrence of additional indebtedness and the refinancing of our existing short-term indebtedness as it becomes due.

Indebtedness and Financing Strategy

As of December 31, 2012, our total outstanding indebtedness was R$20,488.9 million, consisting of R$6,098.9 million of short-term indebtedness and R$14,390.0 million of long-term indebtedness, representing 72.3% of our total liabilities, which totaled R$28,322.9 million as of December 31, 2012.

As of December 31, 2011 and 2010, our total outstanding indebtedness was R$18,872.2 million and R$15,183.4 million, respectively, representing 73.1% and 60.4% of our total liabilities which amounted to R$25,811.7 million and R$25,140.8 million in 2011 and 2010, respectively.

Our financing strategy has been and will be, over the next several years, to (1) extend the average maturity of our outstanding indebtedness, including by refinancing short-term debt through longer-term borrowings and issuing longer-term debt securities, in order to increase our liquidity levels and improve our strategic, financial and operational flexibility, (2) reduce our financing costs by accessing lower-cost sources of finance, including through the international capital markets and export finance and (3) balance our debt structure across our distinct geographic operations (e.g., the United States, Brazil, and Australia), including through the offering of the notes.

Based on the profile of our indebtedness as of December 31, 2012 and our track record, we believe we will continue to be able to raise funds in U.S. dollars and *reais* to meet our financial obligations. We further believe that our capital expenditures during recent years, in addition to capital expenditures that we intend to make in the near future, will allow us to increase our ability to generate cash, to strengthen our credit ratios and to enhance our capacity to meet our financial obligations.

We believe that our cash flow provided by our operating activities, in the total amount of R$606.5 million and R$1,472.3 million in 2011 and 2012, respectively, and the cash currently available to us as of December 31, 2012 are sufficient to meet our liquidity requirements for the next 12 months.

Short-Term Indebtedness

Our short-term debt, including the current portion of our long-term debt, increased from R$5,339.4 million as of December 31, 2011 to R$6,098.9 million as of December 31, 2012, primarily due to additional borrowings under lines of credit, loans and financing. Our short-term debt, including the current portion of our long-term debt, increased from R$4,966.2 million as of December 31, 2010 to R$5,339.4 million as of December 31, 2011,

primarily due to additional borrowings under lines of credit and loans and financing as well. We maintain lines of credit with several Brazilian and international banks to finance working capital requirements and we believe we will continue to be able to obtain additional credit to finance our working capital needs based on our past track record and current market conditions.

We believe that our cash flow from operations is sufficient to meet our working capital and current liabilities obligations. If our cash flow from operations is not sufficient to pay our short-term obligations, we have access to credit facilities from the principal commercial banks in Brazil. We also believe that our principal subsidiary, JBS USA Holdings, has access to credit from commercial banks in the United States, in case it needs to meet any cash flow requirements.

Description of Indebtedness

Senior Secured Revolving Credit Facility

On November 5, 2008, JBS USA entered into a senior secured revolving credit facility, or the Senior Secured Revolving Credit Facility, that allowed borrowings up to US$400.0 million, and up to US$75.0 million of this Senior Secured Revolving Credit Facility was available for the issuance of letters of credit.

The Senior Secured Revolving Credit Facility was amended and restated on May 7, 2010 and further amended and restated on June 30, 2011, and currently provides for maximum borrowing availability of US$850.0 million available in three tranches of US$625.0 million, US$75.0 million and US$150.0 million, subject to the borrowing base described below. On January 26, 2012, JBS USA and JBS Australia executed an amendment to the facility primarily to include a US$35.0 million swingline sub-facility for JBS Australia, which allows JBS Australia to obtain same day funding under this facility. Up to US$250.0 million of the Senior Secured Revolving Credit Facility is available for the issuance of letters of credit. Loans bear interest at applicable LIBOR or the prime rate plus applicable margins that are based on utilization of the Senior Secured Revolving Credit Facility.

The facility matures on the earlier of June 30, 2016 or 45 days prior to the maturity of the 2014 Notes if the 2014 Notes are not refinanced or extended. This facility is guaranteed by us, JBS USA Holdings and certain subsidiaries of JBS USA.

Availability. Availability under the Senior Secured Revolving Credit Facility is subject to a borrowing base. The borrowing base is based on certain JBS USA Holdings' wholly-owned subsidiaries' assets as described below, with the exclusion of JBS Five Rivers. The borrowing base consists of percentages of eligible accounts receivable, inventory and supplies less certain eligibility and availability reserves. As of December 31, 2012, there were US$87.8 million of outstanding letters of credit and borrowing availability of US$750.8 million.

Security and Guarantees. Borrowings made by JBS USA under the Senior Secured Revolving Credit Facility are guaranteed by us, JBS Hungary, JBS USA Holdings and all domestic subsidiaries of JBS USA Holdings except JBS Five Rivers and certain immaterial subsidiaries. In addition, all material subsidiaries of JBS Australia guarantee JBS Australia borrowings. Furthermore, the borrowings are secured by a first priority perfected lien and interest in accounts receivable, finished goods and supply inventories of all of JBS USA Holdings' subsidiaries except JBS Five Rivers and certain immaterial subsidiaries.

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

- incur additional indebtedness;
- create certain liens on property, revenue, or assets;

- make certain loans or investments;
- sell or dispose of assets;
- pay certain dividends and other restricted payments;
- prepay, cancel or amend certain indebtedness;
- dissolve, consolidate, merge, or acquire the business or assets of other entities;
- enter into joint ventures other than certain permitted joint ventures or create certain other subsidiaries;
- enter into new lines of business;
- enter into certain transactions with affiliates and certain permitted joint ventures;
- agree to restrictions on the ability of our subsidiaries to pay dividends to us; and
- enter into certain sale/leaseback transactions.

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

As of December 31, 2012, JBS USA was in compliance with all of its covenants under the Senior Secured Revolving Credit Facility.

Senior Secured Term Loan

On May 27, 2011, JBS USA entered into a Senior Secured Term Loan, or the Senior Secured Term Loan, that allowed for a single borrowing in the amount of up to US$475.0 million. The proceeds of this facility were used to make an intercompany loan to JBS USA Holdings, for further transfer to us to repay certain of our short- and medium-term debt. Commencing on September 30, 2011, 0.25% of the initial principal amount of US$475.0 million is payable on the last business day of each calendar quarter, and the remaining outstanding principal amount will be payable on May 25, 2018.

Pursuant to the terms of the Senior Secured Term Loan, JBS USA may request one or more additional tranches of term loans or an increase in the size of such additional tranches not to exceed in the aggregate US$750.0 million plus such additional amounts as will not cause JBS USA's senior secured leverage ratio (calculated as set forth in the Senior Secured Term Loan) to be greater than 2.00 to 1.00. JBS USA may also request a refinancing of the term loans under the Senior Secured Term Loan in whole or in part with one or more term facilities.

The term loans under the Senior Secured Term Loan may be either base rate loans or Eurodollar loans at JBS USA's election. Interest on Eurodollar loans is payable at the end of the associated interest period while interest on base rate loans is payable the last day of each calendar quarter. The base rate loans bear interest at a per annum rate equal to the highest of: (1) the prime rate; (2) the average federal funds rate plus 0.5%; and (3) the one-month LIBOR rate plus 1.0% (which in any case will be subject to a minimum floor) and plus the applicable margin (as defined in the Senior Secured Term Loan); and the Eurodollar loans bear interest at a per annum rate equal to the one, two, three or six-month LIBOR rate adjusted by the applicable statutory reserve which will be subject to a minimum floor plus the applicable margin (as defined in the Senior Secured Term Loan).

Pursuant to the terms of this senior secured term loan, JBS USA is also required to prepay the term loans with the net proceeds of certain asset sales, certain additional indebtedness, and a specified percentage of any excess cash flow (which payment percentage varies depending on JBS USA's total leverage ratio).

Security and guarantees. These term loans are guaranteed by us, JBS Hungary, JBS USA Holdings and certain of JBS USA's subsidiaries, and are secured by a perfected first priority security interest in all of JBS USA's and certain of its subsidiaries' fixed assets, whether real or personal, tangible or intangible, subject to certain exceptions and 100% of JBS USA's capital stock and the capital stock of certain of its domestic subsidiaries and a second priority security interest in assets securing the Senior Secured Revolving Credit Facility. In the case of certain foreign subsidiaries, JBS USA and certain of its subsidiaries are required to pledge 65% of the capital stock of such foreign subsidiaries.

Covenants and events of default. The Senior Secured Term Loan contains negative covenants and events of default substantially similar to the covenants and events of default in the Senior Secured Revolving Credit Facility. See "—Senior Secured Revolving Credit Facility."

At December 31, 2012, JBS USA was in compliance with all covenants.

2014 Notes

On April 27, 2009, JBS USA and JBS USA Finance issued the 2014 Notes in an aggregate principal amount of US$700.0 million. These notes are guaranteed by us, JBS USA Holdings, JBS Hungary and certain of our U.S. restricted subsidiaries. Interest on these notes accrues at a rate of 11.625% per annum and is payable semi-annually in arrears on May 1 and November 1 of each year. The principal amount of these notes is payable in full on May 1, 2014. The original issue discount of approximately US$48.7 million is being accreted over the life of the 2014 Notes. As of December 31, 2012, we had US$700.0 million in aggregate principal amount outstanding under the 2014 Notes.

Covenants. The indenture for the 2014 Notes contains customary negative covenants that limit JBS USA Holdings and its restricted subsidiaries' ability to, among other things:

- incur additional indebtedness;
- incur liens;
- sell or dispose of assets;
- pay certain dividends and make certain payments to our shareholders;
- permit restrictions on dividends and other restricted payments to our shareholders or restricted subsidiaries;
- enter into related party transactions;
- enter into sale/leaseback transactions; and
- undergo changes of control without making an offer to purchase the 2014 Notes.

The indenture governing the 2014 Notes also restricts us and our subsidiaries from incurring any debt (subject to certain permitted exceptions), unless on the date of such incurrence and the application of the proceeds therefrom, our net debt to EBITDA ratio is less than 4.75 to 1.00. In addition, the indenture restricted our ability to make restricted payments and other distributions.

On April 19, 2012, JBS USA Holdings announced that it was soliciting consents from holders of the 2014 Notes to amend the restricted payments covenant with respect to us in order to permit restricted payments to be made with the equity interests and/or assets of any of our non-essential subsidiaries, provided that such restricted payments

would not exceed 2% of our total consolidated revenues. This consent solicitation expired on May 3, 2012 with JBS USA Holdings receiving the required consents necessary to implement this amendment.

Events of default. The indenture governing the 2014 Notes also contain customary events of default, including failure to perform or observe terms, covenants or other agreements in the indenture, defaults on other indebtedness if the effect is to permit acceleration, failure to make a payment on other indebtedness waived or extended within the applicable grace period, entry of unsatisfied judgments or orders against the issuers or their material subsidiaries, and certain events related to bankruptcy and insolvency matters. If an event of default occurs, the trustee or the holders of at least 25% in aggregate principal amount of the notes then outstanding may declare such principal and accrued interest on the notes to be immediately due and payable.

As of December 31, 2012, we were in compliance with all of the covenants under the 2014 Notes.

2016 Notes

On August 4, 2006, we issued the 2016 Notes in an aggregate principal amount of US$300.0 million. Interest on the 2016 Notes accrues at a rate of 10.50% per annum and is payable semi-annually in arrears on February 4 and August 4 of each year. The principal amount of the 2016 Notes is payable in full on August 4, 2016. Pursuant to the additional indenture dated January 31, 2007, JBS Finance Ltd. became a co-issuer of the 2016 Notes. As of December 31, 2012, we had US$300.0 million in aggregate principal amount outstanding under the 2016 Notes.

Guarantees. The indenture governing the 2016 Notes requires any of our "significant subsidiaries" (as defined in the indenture governing the 2016 Notes) to guarantee all obligations under the 2016 Notes. The 2016 Notes are currently guaranteed by JBS Hungary., Swift Beef Company, JBS USA Holdings and JBS USA. Other subsidiaries of ours may be required to become a guarantor of the 2016 Notes in the future.

Covenants. The indenture for the 2016 Notes contains customary negative covenants that limit our ability and the ability of our subsidiaries to, among other things:

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

The indenture restricts our and our subsidiaries' ability, to incur any debt, (subject to certain permitted exceptions), unless on the date of such incurrence our pro forma net debt to EBITDA Ratio is less than 4.75 to 1.0.

The indenture governing the 2016 Notes restricts our ability to declare or pay any dividend or make any distribution on securities issued by us (excluding convertible or exchangeable debt instruments), unless (1) no event of default has occurred and continues under the 2016 Notes; (2) we can incur at least US$1.00 of debt under the terms of the net debt to EBITDA ratio test; and (3) the aggregate amount to be paid does not exceed 50% of the amount of our net income accrued during such fiscal year; or in any fiscal year in which our aggregate net income is a loss, the aggregate amount does not exceed US$30.0 million.

On April 19, 2012, we announced that we were soliciting consents from holders of the 2016 Notes to amend the restricted payments covenant with respect to us in order to permit restricted payments to be made with the equity interests and/or assets of our non-essential subsidiaries, provided that such restricted payments would not exceed 2% of our total consolidated revenues. This consent solicitation expired on May 3, 2012 with our receipt of the required consents necessary to implement this amendment.

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

As of December 31, 2012, we were in compliance with all of the covenants under the 2016 Notes.

2016 Bertin Notes

On October 13, 2006, Bertin (under its former corporate name of Bertin Ltda.) issued the 2016 Bertin Notes in an aggregate principal amount of US$350.0 million. Following the Bertin merger, we assumed the obligations of these notes. Interest on the 2016 Bertin Notes accrues at a rate of 10.25% per annum and is payable semi-annually in arrears on April 5 and October 5 of each year, beginning on April 5, 2007. The principal amount of the 2016 Bertin Notes is payable in full on October 5, 2016.

On December 14, 2009, Bertin successfully concluded a consent solicitation relating to the 2016 Bertin Notes. The consent solicitation (1) amended certain provisions in the indenture governing the 2016 Bertin Notes to conform the provisions to the indenture governing our 2016 Notes and (2) amended the change of control provisions to exclude the Bertin merger as an event that would trigger a change of control under the 2016 Bertin Notes. The supplemental indenture implementing these amendments to the 2016 Bertin Notes was executed on December 22, 2009. As of December 31, 2012, we had US$350.0 million in aggregate principal amount outstanding under the 2016 Bertin Notes.

Guarantee. The indenture governing the 2016 Bertin Notes requires any of our "material subsidiaries" (as defined in the indenture governing the 2016 Bertin Notes) to guarantee all obligations under the 2016 Bertin Notes. The 2016 Bertin Notes are guaranteed by JBS Hungary. Other subsidiaries of ours may be required to become a guarantor of the 2016 Bertin Notes in the future.

Covenants. The indenture to the 2016 Bertin Notes contains customary negative covenants that limit our ability and the ability of certain of our subsidiaries to, among other things:

- incur additional indebtedness, based on net debt to EBITDA ratio;
- incur liens;
- sell or dispose of assets;
- pay dividends or make certain payments to our shareholders;
- enter into related party transactions;
- dissolve, consolidate, merge, or acquire the business or assets of other entities;
- enter into sale/leaseback transactions;
- undergo changes of control without making an offer to purchase the notes; and

- permit restrictions on dividends and other restricted payments by our restricted subsidiaries.

The indenture restricts our and our subsidiaries' ability to incur any debt (subject to certain permitted exceptions), unless on the date of such incurrence our pro forma net debt to EBITDA Ratio is less than 4.75 to 1.0.

On April 19, 2012, we announced that we were soliciting consents from holders of the 2016 Bertin Notes to amend the restricted payments covenant with respect to us in order to permit restricted payments to be made with the equity interests and/or assets of our non-essential subsidiaries, provided that such restricted payments would not exceed 2% of our total consolidated revenues. This consent solicitation expired on May 3, 2012 with our receipt of the required consents necessary to implement this amendment.

The indenture governing 2016 Bertin Notes restricts our ability to declare or pay any dividend or make any distribution on securities issued by us (excluding convertible or exchangeable debt instruments), unless (1) no event of default has occurred and continues under the 2016 Bertin Notes; (2) we can incur at least US$1.00 of debt under the terms of the net debt to EBITDA ratio test; and (3) the aggregate amount to be paid does not exceed 50% of the amount of our net income accrued during such fiscal year; or in any fiscal year in which our aggregate net income is a loss, the aggregate amount does not exceed US$30.0 million.

Events of default. The indenture to the 2016 Bertin Notes also contains customary events of default, including for failure to perform or observe terms, covenants or other agreements in the indenture, defaults on other indebtedness if the effect is to permit acceleration, failure to make a payment on other indebtedness waived or extended within the applicable grace period, entry of unsatisfied judgments or orders against us or our material subsidiaries, and certain events related to bankruptcy and insolvency matters. If an event of default occurs, the trustee or the holders of at least 25% in aggregate principal amount of the notes then outstanding may declare such principal and accrued interest on the notes to be immediately due and payable.

As of December 31, 2012, we were in compliance with all of the covenants under the 2016 Bertin Notes.

2018 Notes

On July 29, 2010 and September 10, 2010, JBS Finance II Ltd. issued the 2018 Notes in an aggregate principal amount of US$900.0 million. Interest on the 2018 Notes accrues at a rate of 8.25% per annum and is payable semi-annually in arrears on January 29 and July 29 of each year, beginning on January 29, 2011. The principal amount of the 2018 Notes is payable in full on January 29, 2018. As of December 31, 2012, we had US$900.0 million in aggregate principal amount outstanding under the 2018 Notes.

Guarantees. The 2018 Notes are currently guaranteed by JBS Hungary and us.

Covenants. The indenture for the 2018 Notes contains customary negative covenants that limit our ability and the ability of certain of our subsidiaries to, among other things:

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

The indenture restricts our and our subsidiaries' ability, to incur any debt, (subject to certain permitted exceptions), unless on the date of such incurrence our pro forma net debt to EBITDA Ratio is less than 4.75 to 1.0.

The indenture governing the 2018 Notes restricts our ability to declare or pay any dividend or make any distribution on securities issued by us (excluding convertible or exchangeable debt instruments), unless (1) no event of default has occurred and continues under the 2018 Notes; (2) we can incur at least US$1.00 of debt under the terms of the net debt to EBITDA ratio test; and (3) the aggregate amount to be paid does not exceed (i) 50% of the amount of our net income accrued during such fiscal year, or in any fiscal year in which our aggregate net income is a loss, minus 100% of the amount of the loss), plus (ii) 100% of the net cash proceeds received by JBS from the issue or sale of its equity interests or other capital contributions subsequent to the issue date of the 2018 Notes, plus (iii) 100% of the fair market value of property other than cash received by JBS from the issue or sale of its equity interests or other capital contributions subsequent to the issue date of the 2018 Notes.

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

As of December 31, 2012, we were in compliance with all of the covenants under the 2018 Notes.

2020 Notes

On January 30, 2012, JBS USA and JBS USA Finance issued the 2020 Notes in an aggregate principal amount of US$700.0 million. Interest on the 2020 Notes accrues at a rate of 8.25% per annum and is payable semi-annually in arrears on February 1 and August 1 of each year. The principal amount of these notes is payable in full on February 1, 2020. The original issue discount of approximately US$10.0 million is being accreted over the life of these notes. As of December 31, 2012, we had US$700.0 million in aggregate principal amount outstanding under the 2020 Notes.

Guarantees. These notes are guaranteed by us, JBS USA Holdings, JBS Hungary and certain of our U.S. restricted subsidiaries. If certain conditions are met, we and the other parent company guarantors may be released from their guarantees of the 2020 Notes.

Covenants. The indenture for the 2020 Notes contains customary negative covenants that limit JBS USA Holdings and its restricted subsidiaries' ability to, among other things:

- incur additional indebtedness, based on JBS USA's fixed charge coverage ratio being at least 2.00 to 1.00 on the date of incurrence and application of the net proceeds therefrom;
- incur liens;
- sell or dispose of assets;
- pay certain dividends and make certain payments to our shareholders;
- permit restrictions on dividends and other restricted payments to our shareholders or restricted subsidiaries;
- enter into related party transactions;
- enter into sale/leaseback transactions; and
- undergo changes of control without making an offer to purchase the 2020 Notes.

The indenture governing the 2020 Notes also restricts us and our restricted subsidiaries from incurring any debt (subject to certain permitted exceptions), unless on the date of such incurrence and the application of the proceeds therefrom, our net debt to EBITDA ratio is less than 4.75 to 1.00. In addition, the indenture restricted our ability to make restricted payments and other distributions.

Events of default. The indenture also contains customary events of default, including failure to perform or observe terms, covenants or other agreements in the indenture, defaults on other indebtedness if the effect is to permit acceleration, failure to make a payment on other indebtedness within the applicable grace period, entry of unsatisfied judgments or orders against us or our subsidiaries, and certain events related to bankruptcy and insolvency matters. If an event of default were to occur, the trustee or the holders of at least 25% in the aggregate principal amount of the notes then outstanding may declare such principal and accrued interest on the notes to be immediately due and payable.

As of December 31, 2012, we were in compliance with all of the covenants under the 2020 Notes.

2021 Notes

On May 27, 2011, JBS USA and JBS USA Finance issued the 2021 Notes in an aggregate principal amount of US$650.0 million. Interest on these notes accrues at a rate of 7.250% per annum and is payable semi-annually in arrears on June 1 and December 1 of each year. The principal amount of these notes is payable in full on June 1, 2021. The original issue discount of approximately US$11.3 million is being accreted over the life of the 2021 Notes. As of December 31, 2012, we had US$650.0 million in aggregate principal amount outstanding under the 2021 Notes.

Guarantees. The 2021 Notes are guaranteed by us, JBS USA Holdings, JBS Hungary and certain of our U.S. restricted subsidiaries. If certain conditions are met, JBS S.A. and the other parent company guarantors may be released from their guarantees of the 2020 Notes.

Covenants. The indenture for the 2021 Notes contains customary negative covenants that limit JBS USA Holdings and its restricted subsidiaries' ability to, among other things:

- incur additional indebtedness, based on JBS USA's fixed charge coverage ratio being at least 2.00 to 1.00 on the date of incurrence and application of the net proceeds therefrom;
- incur liens;
- sell or dispose of assets;
- pay certain dividends and make certain payments to our shareholders;
- permit restrictions on dividends and other restricted payments to our shareholders or restricted subsidiaries;
- enter into related party transactions;
- enter into sale/leaseback transactions; and
- undergo changes of control without making an offer to purchase the 2021 Notes.

The indenture governing the 2021 Notes also restricts us and our restricted subsidiaries from incurring any debt (subject to certain permitted exceptions), unless on the date of such incurrence and the application of the proceeds therefrom, our net debt to EBITDA ratio is less than 4.75 to 1.00. In addition, the indenture restricted our ability to make restricted payments and other distributions.

Events of default. The indenture also contains customary events of default, including failure to perform or observe terms, covenants or other agreements in the indenture, defaults on other indebtedness if the effect is to permit acceleration, failure to make a payment on other indebtedness within the applicable grace period, entry of

unsatisfied judgments or orders against us or our subsidiaries, and certain events related to bankruptcy and insolvency matters. If an event of default were to occur, the trustee or the holders of at least 25% in the aggregate principal amount of the notes then outstanding may declare such principal and accrued interest on the notes to be immediately due and payable.

As of December 31, 2012, we were in compliance with all of the covenants under the 2021 Notes.

2023 Notes

On February 5, 2013, ESAL GmbH issued the 2023 Notes in an aggregate principal amount of US$500.0 million. Interest on the 2023 Notes accrues at a rate of 6.25% per annum and is payable semi-annually in arrears on February 5 and August 5 of each year, beginning on August 5, 2013. The principal amount of the 2023 Notes is payable in full on February 5, 2023. As of the date of this offering memorandum, we had US$500.0 million in aggregate principal amount outstanding under the 2023 Notes. The sale of the new notes in this offering will be additional notes with respect to such US$500.0 million aggregate principal amount of initial notes.

Guarantees. The 2023 Notes are currently guaranteed by JBS Hungary and us.

Covenants. The indenture for the 2023 Notes contains customary negative covenants that limit our ability and the ability of certain of our subsidiaries to, among other things:

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

The indenture restricts our and our subsidiaries' ability, to incur any debt, (subject to certain permitted exceptions), unless on the date of such incurrence our pro forma net debt to EBITDA Ratio is less than 4.75 to 1.0.

The indenture governing the 2023 Notes restricts our ability to declare or pay any dividend or make any distribution on securities issued by us (excluding convertible or exchangeable debt instruments), unless (1) no event of default has occurred and continues under the 2023 Notes; (2) we can incur at least US$1.00 of debt under the terms of the net debt to EBITDA ratio test; and (3) the aggregate amount to be paid does not exceed (i) 50% of the amount of our net income accrued during such fiscal year, or in any fiscal year in which our aggregate net income is a loss, minus 100% of the amount of the loss), plus (ii) 100% of the net cash proceeds received by JBS from the issue or sale of its equity interests or other capital contributions subsequent to the issue date of the initial notes, plus (iii) 100% of the fair market value of property other than cash received by JBS from the issue or sale of its equity interests or other capital contributions subsequent to the issue date of the initial notes.

Events of default. The indenture also contains customary events of default, including for failure to perform or observe terms, covenants or other agreements in the indenture, defaults on other indebtedness if the effect is to permit acceleration, failure to make a payment on other indebtedness waived or extended within the applicable grace period, entry of unsatisfied judgments or orders against us or our material subsidiaries, and certain events related to bankruptcy and insolvency matters. If an event of default occurs, the trustee or the holders of at least 25% in

aggregate principal amount of the notes then outstanding may declare such principal and accrued interest on the notes to be immediately due and payable.

As of the date of this offering memorandum, we were in compliance with all of the covenants under the 2023 Notes.

JBS Australia Credit Facilities

On February 26, 2008, JBS Australia entered into a AUS$120.0 million unsecured revolving credit facility to fund working capital needs and letter of credit requirements. The working capital portion of the facility terminated on October 1, 2009, and the letter of credit facility portion of the facility was extended to June 30, 2010. On May 5, 2010, the facility was revised to reflect current letters of credit requirements to a facility limit of AUS$1.9 million.

On March 7, 2011, JBS Australia replaced the unsecured credit facility with a secured standby letter of credit facility of AUS$32.5 million and a trade finance loan facility of AUS$20.0 million. On April 27, 2012, the facilities were amended, increasing the standby letter of credit facility limit and the trade finance loan facility limit to AUS$26.0 million and AUS$5.0 million, respectively. On September 11, 2012, the standby letter of credit facility and the trade finance loan facility were restated in the amounts of AUS$26.0 million and AUS$55.0 million, respectively. These facilities are subject to annual review.

As of December 31, 2012, the amount outstanding under the standby letter of credit facility was AUS$27.0 million. As of December 31, 2012, there was no amount outstanding under the trade finance loan facility.

AUS$400 Million Revolving Loan Payable between JBS USA Holdings and JBS Australia

On May 4, 2010, JBS USA Holdings issued a long-term intercompany revolving promissory note to JBS Australia for AUS$250.0 million to fund working capital needs and general corporate purposes. Interest on this note is based on the three-month Bank Bill Swap Rate plus a margin. Subsequent amendments to this note (1) increased the maximum amount of advances to AUS$400.0 million, (2) extended the maturity date to December 31, 2013 and (3) revised the interest rate margin on the note to be equal to the revolver bill rate spread (as defined in JBS USA's Senior Secured Revolving Credit Facility in effect at the time an advance is made). The interest rate margin in effect following these amendments was 1.75%. While this loan is eliminated when consolidated with our results, because the loan is denominated in AUS$, but reported by JBS USA Holdings in USD, the loans generate foreign currency transaction gains or losses due to fluctuations in the period-end AUS$ to USD exchange rate. The average interest rate at December 31, 2012 was 4.8%.

US$2.0 Billion Revolving Intercompany Note to JBS USA Holdings

On June 2, 2011, JBS USA issued a US$2.0 billion revolving intercompany note to JBS USA Holdings. The note bears interest at a variable per annum rate equal to LIBOR plus 3%. On January 25, 2012, JBS USA Holdings amended this note to increase the maximum amount available under it to US$3.0 billion. Principal and accrued interest are due and payable upon demand by JBS USA Holdings at any time on or after June 30, 2015. The interest rate at December 31, 2012 was 3.4%. The revolving intercompany note is eliminated upon consolidation.

Guarantee of J&F Oklahoma Secured Revolving Credit Facility

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

On June 14, 2011, J&F Oklahoma and JBS Five Rivers executed a third amended and restated credit agreement to increase the availability to US$1.0 billion and to add J&F Australia as a borrower under this facility. This facility matures on June 14, 2015. On March 6, 2012 J&F Oklahoma and JBS Five Rivers executed an amendment to the

third amended and restated credit agreement to increase the availability up to US$1.2 billion. Borrowings under this facility bear interest at variable rates based on applicable LIBOR plus 2.25% per annum, or based on the prime rate plus 1%. The interest rate at December 31, 2012 was 2.5%. As of December 31, 2012, no borrowings were used towards letters of credit and borrowing availability was US$109.6 million. As of December 31, 2011 and December 31, 2012, J&F Oklahoma had US$915.2 million and US$849.2 million, respectively, in outstanding amounts under this facility. On January 24, 2013, J&F Oklahoma executed a fourth amended and restated credit facility to add J&F Canada as a borrower under the facility, allow borrowings under additional currency options and extend this maturity date to June 16, 2016.

This credit agreement is secured by accounts receivable and inventories of J&F Oklahoma and by certain fixed assets, accounts receivable and inventories of JBS Five Rivers. Among other requirements, the facility requires J&F Oklahoma to maintain certain financial ratios, minimum levels of net worth and establish limitations on certain types of payments, including dividends, investments and capital expenditures. In most instances, covenants consider the combined position and results of J&F Oklahoma along with JBS Five Rivers.

J&F Oklahoma's parent company has entered into a keep-well agreement whereby it has agreed to make contributions to J&F Oklahoma if J&F Oklahoma is not in compliance with its financial covenants under this credit facility. If J&F Oklahoma were to default on its obligations under the credit facility and such default is not cured by its parent under the keep-well agreement, JBS Five Rivers is obligated for up to US$250.0 million of guaranteed borrowings plus certain other obligations and costs under this credit facility. J&F Oklahoma was in compliance with financial covenants under this credit facility as of December 31, 2012.

J&F Oklahoma Revolving Credit Facility

JBS Five Rivers is party to an agreement with J&F Oklahoma pursuant to which JBS Five Rivers has agreed to loan up to US$200.0 million in revolving loans to J&F Oklahoma. The loans are used by J&F Oklahoma to acquire feeder animals which are placed in JBS Five Rivers' feed yards for finishing. Borrowings accrue interest at a per annum rate of LIBOR plus 2.25% and interest is payable at least quarterly. On September 26, 2011, this facility was amended to accrue interest at a per annum rate of LIBOR plus 2.75%. The interest rate at December 31, 2012 was 3.1%. The facility was amended on September 10, 2010 to mature on September 11, 2016. The facility was amended on June 14, 2011 to increase availability under the loan to US$375.0 million. As of December 31, 2012, the outstanding amount under this facility was US$268.6 million. On January 24, 2013, this facility was amended to increase the total amount to up to US$450.0 million. The additional funds will be used for working capital needs.

Indebtedness of PPC

U.S. Credit Facility

On December 28, 2009, PPC and certain of its subsidiaries entered into a credit facility or the U.S. Credit Facility (formerly referred to as the Exit Credit Facility), with Co Bank ACB, as administrative agent and collateral agent, and other lenders party thereto. As of December 31, 2012, PPC had US$664.8 million in aggregate principal amount outstanding under the U.S. Credit Facility. The material terms and conditions of the U.S. Credit Facility are as follows.

The U.S. Credit Facility provides (1) a revolving credit facility in an aggregate principal amount of US$700.0 million, and (2) a term B loan facility. The revolving loan commitment and the term B loans mature on December 28, 2014. Subject to certain conditions, the revolving credit facility and the term B loan may be increased by an amount not to exceed US$100.0 million and US$400.0 million, respectively. The aggregate principal amount outstanding under the U.S. Credit Facility may not increase to greater than US$1,900.0 million.

Availability. Availability under the revolving credit facility is subject to a borrowing base, which is based on certain of the borrowers' assets. The borrowing base consists of percentages of certain eligible accounts receivables, inventory and restricted cash under the control of Co Bank ACB.

Security and guarantees. Borrowings under the U.S. Credit Facility are guaranteed by certain subsidiaries of PPC and secured by a perfected first priority security interest in (1) the accounts receivable and inventories of PPC and its non-Mexican subsidiaries, (2) 65% of the equity interests in PPC's direct foreign subsidiaries and 100% of

the equity interests in PPC's other subsidiaries, (3) substantially all of the personal property and intangibles of the borrowers and guarantors under the U.S. Credit Facility and (4) substantially all of the real estate and fixed assets of PPC and the guarantor subsidiaries under the U.S. Credit Facility.

Covenants. The U.S. Credit Facility contains financial and other covenants that may adversely affect PPC's ability to, among other things, incur additional indebtedness, incur liens, pay dividends or make certain restricted payments, consummate certain asset sales, enter into certain transactions with us and PPC's other affiliates and merge, consolidate and/or sell or dispose of all or substantially all of PPC's assets. In addition, PPC may not incur capital expenditures in excess of US$175.0 million during each of 2011 or 2012 and US$350.0 million during each fiscal year thereafter.

Subsequent to the end of each fiscal year, a portion of PPC's cash flow must be used to repay outstanding principal amounts under the term B loans. With respect to 2012, PPC estimates that it will be required to pay approximately US$141.0 million of its cash flow toward the outstanding principal under the term B loans, which PPC expects to pay on April 29, 2013. The excess cash flow payments have been and will continue to be applied to installments of the term B loans ratably in accordance with the then outstanding amounts thereof. The U.S. Credit Facility also requires PPC to use the proceeds it receives from certain asset sales and specified debt or equity issuances and upon the occurrence of certain other events to repay outstanding borrowings under the U.S. Credit Facility. The cash proceeds received by PPC from the PPC Rights Offering were not subject to this requirement.

On June 23,2011 and December 16, 2011, PPC entered into amendments to the U.S. Credit Facility, which, among other things: (1) temporarily suspended the requirement for PPC to comply with the fixed charge coverage ratio and senior secured leverage ratio financial covenants until the quarter ended December 31, 2012; (2) modified the fixed charge coverage ratio financial covenant so that when the requirement to comply with this covenant resumes in the fiscal quarter ended December 31, 2012, PPC can calculate this ratio based upon a specified number (between one and eight) of historical fiscal quarters that it selects; (3) reduced the minimum allowable consolidated tangible net worth to the sum of US$450.0 million plus 50% of the cumulative net income (excluding any losses) of PPC from December 16, 2011 through such date of calculation; and (4) increased the maximum allowable senior secured leverage ratio, determined for any period of four consecutive fiscal quarters ending on the last day of each fiscal quarter, to be no greater than 4.0 to 1.0 for periods calculated for the fiscal quarter ended December 31, 2012 and thereafter.

Events of default. The U.S. Credit Facility also contains customary events of default, including failure to make a payment, failure to make payments on other indebtedness, change of corporate or share control, any event or condition that would permit acceleration of material debt, and certain events related to bankruptcy and insolvency.

If an event of default occurs, the lenders under the U.S. Credit Facility may, among other things, terminate their commitments, declare all outstanding borrowings to be immediately due and payable together with accrued interest and fees, and exercise other rights and remedies under the loan documents.

As of December 31, 2012, PPC was in compliance with its financial covenants under the U.S. Credit Facility.

PPC 2018 Notes

On December 15, 2010, PPC issued the PPC 2018 Notes in an aggregate principal amount of US$500.0 million. The PPC 2018 Notes bear interest at a rate of 7.875% per annum, payable semi-annually in arrears on June 15 and December 15 of each year. The PPC 2018 Notes are unsecured obligations of PPC and are guaranteed by one of PPC's subsidiaries. The principal amount of these notes is payable in full in 2018. As of December 31, 2012, US$500.0 million in aggregate amount was outstanding under the PPC 2018 Notes. The indenture governing the PPC 2018 Notes contains various covenants that may adversely affect PPC's ability, among other things, to incur additional indebtedness, incur liens, pay dividends or make certain restricted payments, consummate certain asset sales, enter into certain transactions with JBS USA Holdings and PPC's other affiliates, merge, consolidate and/or sell or dispose of all or substantially all PPC's assets. PPC has subsequently exchanged the PPC 2018 Notes for substantially identical notes that are registered under the Securities Act.

Export Credit Facilities

NCEs are export credit facilities with certain tax benefits that are available to Brazilian exporting companies. To qualify for an NCE, a company must provide proof of exports. Facilities can be in Brazilian *reais* or dollars. As of December 31, 2012, we had entered into the following NCEs:

NCEs with Banco do Brasil S.A.

On February 22, 2008, we entered into an NCE in an aggregate principal amount of R$192.4 million and an NCE in an aggregate principal amount of R$337.5 million. According to the terms of this credit facility, the principal amount will amortize in three installments of R$64.1 million and R$112.5 million each, respectively, on February 26, 2011, 2012 and 2013. The principal amount accrues interest at a rate calculated based on the average CDI rate, plus 1.20% per annum. Interest is calculated on a daily basis and paid semi-annually, upon maturity and liquidation of the debt. The amounts raised through these credit facilities were used as working capital. This NCE is guaranteed by J&F.

On March 29, 2010, we entered into an NCE in an aggregate principal amount of R$130.0 million. According to the terms of this credit facility, the principal amount (and capitalized interest) will amortize on March 13, 2013. The principal amount accrues interest at a rate of 13.1% and is capitalized on a monthly basis. The amounts raised through this credit facility were used to buy cattle for beef exports. This NCE is guaranteed by FB Participações.

On June 29, 2010, we entered into an NCE in an aggregate principal amount of R$570.0 million. According to the terms of this credit facility, the principal amount will amortize in four annual, successive installments of R$142.5 million, with the first three occurring on June 1, 2012, June 1, 2013, and June 1, 2014, respectively, and the last on June 3, 2015. The principal amount accrues interest at a rate of 14.029% per annum. Interest is calculated on a daily basis and paid along with each payment of principal. The amounts raised through this credit facility will be credited toward our deposit account. This NCE is guaranteed by FB Participações.

On June 5, 2012, we entered into an NCE in an aggregate principal amount of R$185.0 million. According to the terms of this credit facility, the principal amount will amortize in two annual, successive installments of R$92.5 million, with the first occurring on May 26, 2013 and the second on May 26, 2014. The principal amount accrues interest at a rate of 112% of CDI. Interest is calculated on a daily basis and paid along with each payment of principal. This credit facility contains a cross default provision that, in the event that we were to default on any other debt with Banco do Brasil S.A., the creditor would be able to accelerate this debt to become immediately due and payable. This NCE is guaranteed by FB Participações.

On September 12, 2012, we entered into an NCE in an aggregate principal amount of R$116.0 million. According to the terms of this credit facility, the principal amount will amortize in three annual, successive installments of R$38.7 million, occurring on August 28, 2013, 2014 and 2015. The principal amount accrues interest at a rate of 112% of CDI. Interest is calculated on a daily basis and paid along with each payment of principal. We will also pay commission to Banco do Brasil S.A., for assistance in setting up the credit line, at a flat rate of 1.14% of the total amount of the credit facility. This credit facility contains a cross-default provision that, in the event that we or any of our affiliates were to default on any other debt with Banco do Brasil S.A., the creditor would be able to accelerate this debt to become immediately due and payable. This NCE is guaranteed by FB Participações.

NCEs with Banco Bradesco S.A.

On February 2, 2011, we issued an NCE with Banco Bradesco S.A., as creditor, in an aggregate principal amount of R$260.0 million. According to the terms of this credit facility, the principal amount will amortize in three installments payable on January 23, 2013, July 23, 2013 and January, 20, 2014. The principal amount accrues interest at a rate of 100% of the CDI, capitalized annually plus a margin of 1.55% per annum, payable on the same dates of the principal amount. We used the net proceeds from this credit facility to buy cattle for beef exports.

NCE with Rabobank Curação N. V.

On February 25, 2011, we issued an NCE in an aggregate principal amount of R$100.0 million. According to the terms of this credit facility, the principal amount amortizes in seven equal installments beginning 12 months

after the initial drawdown, with the final payment due before the final maturity date of February 28, 2014. Interest is paid on the date of each principal payment and is calculated two days prior to the next interest period based on LIBOR plus 2.5% per annum. We used the net proceeds from this credit facility to finance our export activities.

NCE with Banco Santander (Brasil) S.A.

On June 25, 2012, we issued an NCE in an aggregate principal amount of R$200.0 million. According to the terms of this credit facility, the principal amount will mature in one installment on July 15, 2013. The principal amount accrues interest at a rate of 100% of the CDI, capitalized annually, plus a margin of 1.97% per annum (of which 0.163% is capitalized on a monthly basis). Interest is payable upon payment of principal on July 15, 2013. This credit facility contains a cross-default provision that, in the event that we or any of our affiliates were to default on any other indebtedness, the creditor would be able to accelerate this debt to become immediately due and payable. The amount raised in this credit facility will be used to finance export activities.

As of December 31, 2012, the outstanding balance of NCEs totaled R$2,051.6 million.

On February 4, 2013, we entered into an additional NCE with Banco Santander (Brasil) S.A. in an aggregate principal amount of R$269.0 million, maturing on January 20, 2016. According to the terms of this credit facility, the principal amount will be payable at maturity and will accrue interest at a rate of 8% per annum, payable quarterly until maturity. This credit facility contains a cross-default provision that, in the event that we or any of our affiliates were to default on any other indebtedness, the creditor would be able to accelerate this debt to become immediately due and payable. See “Capitalization.”

On February 7, 2013 and February 22, 2013, we entered into two additional NCEs with Banco Bradesco S.A., as creditor, in an aggregate principal amount of R$100.0 million each, maturing on January 22, 2016 and February 5, 2016, respectively. According to the terms of these credit facilities, the principal amounts will be payable at their respective maturities and will accrue interest at a rate of 8% per annum, payable quarterly until maturity. See “Capitalization.”

On February 27, 2013 and March 19, 2013, we entered into two additional NCEs with Banco do Brasil S.A., in the aggregate principal amount of R$200.0 million each, maturing on April 23, 2014 and May 13, 2014, respectively. According to the terms of these credit facilities, the principal amounts will be payable at their respective maturities. The principal amounts accrue interest at a rate of 116% of CDI. Interest is calculated on a monthly basis and paid along with the payment of principal. These credit facilities contains cross-default provisions that, in the event that we or any of our affiliates were to default on any other debt with Banco do Brasil S.A., the creditor would be able to accelerate this debt to become immediately due and payable. See “Capitalization.”

Prepayments

We entered into, or assumed as a result of the Bertin merger, the following export prepayment agreements. Each of these agreements is denominated in U.S. dollars.

On March 4, 2008, we entered into a prepayment agreement with Rabobank International Brasil S.A. in an aggregate principal amount of US$50.0 million. Under the terms and conditions of this prepayment agreement, the principal amount amortizes in nine equal installments in the amount of US$5.6 million, as follows: (1) one installment maturing 36 months as of the date the funds were credited to Bertin’s bank account; and (2) the other payments are due on the maturity dates of the payment of interest, final maturity will be February 4, 2015. The principal amount accrues interest at a rate of LIBOR plus 1.80% and is payable semi-annually in arrears with the first payment due six months as of the date the funds were credited to Bertin’s bank account. Heber Participações S.A. and Bracol Holding Ltda. are guarantors to this prepayment agreement.

On May 8, 2008, we entered into a prepayment agreement with Credit Suisse (Brasil) S.A. in an aggregate principal amount of US$100.0 million. On May 14, 2012, we entered into an amendment to this prepayment agreement that amended the amortization schedule for the remaining outstanding principal amount of US$55.6 million as of the date of the amendment. The amended amortization schedule amortizes the outstanding principal amount in 11 installments as follows: (1) three equal principal payments in the amount of US$1.5 million, to be paid on May 14, 2014, August 14, 2014 and November 14, 2014; (2) three equal principal payments in the amount

of US$3.0 million, to be paid on February 14, 2015, May 14, 2015 and August 14, 2015; (3) three equal principal payments in the amount of US$7.0 million, to be paid on November 14, 2015, February 14, 2016 and May 14, 2016; and (4) two equal principal payments in the amount of approximately US$10.5 million to be paid on August 14, 2016 and November 14, 2016. This loan accrues interest at a rate of 6%, payable on the principal payment dates plus quarterly interest payments during the 24-month grace period from May 14, 2012 and May 14, 2014. J&F guarantees this export prepayment agreement.

On August 12, 2008, Bertin entered into a prepayment agreement with Rabobank International Brasil S.A. in an aggregate principal amount of US$75.0 million. Under the terms and conditions of this prepayment agreement, the principal amount amortizes in nine installments in the amount of US$8.3 million, as follows: (1) one installment maturing 30 months as of the date the funds were credited to Bertin's bank account; and (2) the other payments are due on the maturity dates of the payment of interest, final maturity will be February 4, 2015. The principal amount accrues interest at a rate of LIBOR plus 3.0% and is payable semi-annually in arrears with the first payment due six months as of the date the funds were credited to Bertin's bank account. Heber Participações S.A. and Bracol Holding Ltda. are guarantors under this export prepayment agreement.

On December 28, 2009, we entered into a prepayment agreement with Banco Santander (Brasil) S.A. in an aggregate principal amount of US$200.0 million. Under the terms and condition of this prepayment agreement, the principal amount amortizes in nine installments on the following dates: December 28, 2010, June 23, 2011, December 20, 2011; June 18, 2012; December 14, 2012; June 12, 2013; December 9, 2013; June 9, 2014 and December 4, 2014. This loan accrues interest at a per annum rate of LIBOR plus 3.50% as of the date of payment of the principal amount. Interest will be paid semi-annually.

On July 15, 2010, we entered into an export prepayment agreement with Sovereign Bank in an aggregate principal amount of US$117.5 million. Under the terms and conditions of this prepayment agreement, the principal amount amortizes in three installments as follows: (1) one payment of US$40 million on July 10, 2011, (2) one payment of US$40 million on July 5, 2012, and (3) one payment of US$37.5 million on June 29, 2013. The principal amount accrues interest at LIBOR plus 2.5% per annum, payable in arrears semi-annually, on the last repayment date, on the date of any payment or prepayment of principal, and immediately upon acceleration pursuant to the terms of the agreement. This prepayment agreement contains a covenant that requires us to maintain a pro forma net debt to EBITDA ratio below 4.75 to 1.0 at all times during the term of the agreement.

As of December 31, 2012, the outstanding principal balance of these prepayment facilities totaled R$1,407.2 million.

Bank Credit Certificates

On June 11, 2010, we issued a Bank Credit Certificate (*Cédula de Crédito Bancário*), or CCB, to BNDES in the aggregate principal amount of R$200.0 million. Under the terms and condition of this CCB, the principal amount amortizes in 24 monthly installments. The first installment is due on May 15, 2011 and the last on April 15, 2013. The principal amount accrues interest at TJLP plus a margin of 4.81% per annum, plus 1% per annum subject to adjustments if the TJLP is greater or less than 6% per annum. This CCB is guaranteed by J&F as well as mortgages on three separate facilities located in the States of Mato Grosso, Goiás and Rondônia. As of December 31, 2012, the outstanding aggregate balance of this CCB was R$33.8 million.

Between December 20, 2010 and June 28, 2012, we issued five CCBs to Caixa in the aggregate principal amount of R$3,000.0 million, with final maturities ranging from December 20, 2015 to June 28, 2017. Under the terms and conditions of these CCBs, the principal amounts amortize in 60 monthly installments, commencing with an 18-month grace period for principal payments but with quarterly interest payments, followed by 42 months of monthly principal payments plus interest. The principal amount accrues interest at 114.40% of the CDI rate per annum. As of December 31, 2012, the outstanding aggregate balance of our CCBs with Caixa was R$2,877.1 million.

Borrowings under ACCs

ACC with Banco BNP Paribas Brasil S.A.

Between July and October 2012, we entered into three foreign exchange contracts (*Adiantamento sobre Contrato de Câmbio*), or ACCs, with Banco BNP Paribas Brasil S.A., each in the aggregate principal amount of US$50.0 million, in connection with our export of goods. Under these contracts, we are required to export goods in the aggregate amount of US$150.0 million by September 2013.

ACC with Banco Bradesco S.A.

On August 22, 2012, we entered into an ACC with Banco Bradesco S.A. in the aggregate principal amount of US$60.0 million, in connection with our export of goods. Under this contract, we are required to export goods in the aggregate amount of US$60.0 million by August 2013.

ACCs with Banco BTG Pactual S.A.

In May and October 2012, we entered into two ACCs with Banco BTG Pactual S.A., each in the aggregate principal amount of US$60.0 million, in connection with the export of goods. Under these contract, we are required to export goods in the amount of US$120.0 million by October 2013. These facilities contain provisions that would enable the creditor to accelerate payment on this debt if, among other things, there is a change of control of the company or our net debt to EBITDA ratio is more than 4.75 to 1.0. These facilities also include cross-default provisions that would enable the creditor to accelerate payment on this debt to become immediately due and payable if we or any of our affiliates defaults on any debt.

ACC with Banco do Brasil S.A.

On May 31, 2012, we entered into an ACC with Banco do Brasil S.A. in the aggregate principal amount of US$70.0 million, in connection with our export of goods. Under this contract, we are required to export goods in the aggregate amount of US$70.0 million by March 2013.

ACC with Banco Santander (Brasil) S.A.

On August 28, 2012, we entered into an ACC with Banco Santander (Brasil) S.A. in the aggregate principal amount of US$60.0 million, in connection with our export of goods. Under this contract, we are required to export goods in the aggregate amount of US$60.0 million by March 2013. This facility contains a provision that would enable the creditor to accelerate payment on this debt if, among other things, we experience a change of control without prior consent from the creditor. This facility also includes a cross-default provision that would enable the creditor to accelerate payment on this debt to become immediately due and payable if we default on any other debt with Banco Santander (Brasil) S.A.

ACC with Banco Sumitomo Mitsui Brasileiro S.A.

On May 29, 2012, we entered into an ACC with Banco Sumitomo Mitsui Brasileiro S.A. in the aggregate principal amount of US$75.0 million, in connection with our export of goods. Under this contract, we are required to export goods in the aggregate amount of US$75.0 million by May 2013.

ACCs with HSBC Bank Brasil S.A.

In November 2012, we entered into two ACCs with HSBC Bank Brasil S.A., each in the aggregate principal amount of US$50.0 million, in connection with our export of goods. Under these contracts, we are required to export goods in the aggregate amount of US$100.0 million by November 2013.

ACC with ING Bank N.V. Filial de São Paulo

On December 6, 2012, we entered into an ACC with ING Bank N.V. Filial de São Paulo in the aggregate principal amount of US$75.0 million, in connection with our export of goods. Under this contract, we are required to export goods in the aggregate amount of US$75.0 million by June 2013.

For more information about our indebtedness and the indebtedness of our subsidiaries, see notes 14 and 15 to our audited consolidated financial statements as of December 31, 2012, included elsewhere in this offering memorandum.

The table below sets forth our indebtedness as of December 31, 2012 and 2011:

		(Consolidated) As of December 31,	
Type	**Average annual rate of interest and commissions**	**2012**	**2011**
		(in thousands of reais)	
Foreign Currency			
ACC - (advances on exchange contracts)	Exchange variation + interest from 2.88 % to 5.20%	**2,906.4**	2,174.4
Prepayment	Exchange variation + Libor and interest from 1% to 6%	**1,407.2**	1,731.1
144A	Exchange variation + interest from 8.25% to 10.50%	**3,253.3**	3,187.7
Credit note - Import	Exchange variation + interest of 11.25%	**–**	7.1
Credit note - Export	Exchange variation + interest of 7.85%	**17.5**	56.6
PPC – Mexico Revolver	TIIE+ interest of 2.25%, Overnight +4.5%	**–**	0.1
Tasman Government Loan	Exchange variation + Interest of 0% until 2013	**–**	24.1
Resolution 63	Exchange variation + Interest of 2.5% + Libor 6 months	**–**	10.9
Total Foreign Currency		**7,584.3**	**7,187.9**
Local Currency			
FINAME	TJLP and interest from 1% to 8.5%	**239.1**	214.2
FINAME	Interest from 4.5% to 10%	**–**	1.3
Installment note corp aircraft (payable notes)	Libor and interest from 1.75%	**13.5**	14.1
JBS Mortgage	Interest from 5.8% to 8.4%	**34.7**	34.8
EXIM – Export Credit Facility	TJLP and interest of 5.81%	**87.0**	309.3
EXIM – Export Credit Facility	Interest from 9% to 11.19%	**–**	92.5
BNDES Automatic	TJLP and interest from 3.1% to 5.44%	**33.8**	187.2
BNDES Automatic	Currency basket + interest from 2% to 3.1%	**4.7**	10.6
U.S. Revolver	Libor or Prime + applicable rate	**16.8**	52.8
JBS Term Loan	Alternate Base Rate (ABR) or Eurodollar	**953.1**	883.0
Five Rivers Term Loan	Libor + 2.75% or Prime + 1.5%	**158.3**	156.4
Senior notes due 2014	Interest of 11.625%	**1,429.0**	1,288.7
Senior notes due 2020	Interest of 8.25%	**1,444.4**	–
Senior notes due 2021	Interest of 7.25%	**1,300.0**	1,188.3
PPC - US Senior note 2018	Interest of 7.875%	**1,003.0**	916.3
PPC-US credit facility-revolving credit facility	Interest from 4.3% to 6.3%	**197.3**	633.2
PPC-US credit facility-term loans	Interest from 4.8% to 9.0%	**1,138.7**	1,065.1
PPC-US bonds	Interest from 7.625% to 9.25%	**8.3**	7.5
Plainwell bond	Interest of 4.39%	**28.7**	29.6
Marshaltown	Interest of 2.34%	**19.6**	17.9
Working capital – Brazilian *reais*	Interest of 4%+100% of CDI or 100% to 114.4% of CDI	**2,238.2**	2,106.3
Working capital – US dollars	Libor + interest from 1.10% to 3.20%	**120.3**	130.8
Working capital – Euros	Euribor + interest from 0.15% to 1.75%	**43.2**	30.4
Working capital – Argentine *pesos*	Interest of 18.77%	**129.0**	76.6
Credit note - export	Interest from 1.2% to 3.4% or 100% to 118.5% of CDI	**2,034.1**	1,968.2
FCO – Middle West Fund	Interest of 10.00%	**0.7**	3.1
FNO – North Fund	Interest from 10.00%	**21.1**	24.8
Working capital – Egyptian pound	Libor + interest of 2% and commission of 0.1%	**–**	17.2
EGF	Interest of 6.75%	**–**	30.4
Credit note - Import	Interest of 4.44% (Libor and interest of 2.80%)	**106.5**	108.1
Finep	Interest of 4.5%	**10.6**	11.7
CDC	TJLP and interest from 2.11% to 6.82%	**13.8**	–
Rural – Credit note	Interest of 5.5%	**50.1**	–
Others		**27.0**	74.1
Total Local Currency		**12,904.6**	**11,684.3**
Total		**20,488.9**	**18,872.2**

Type	Average annual rate of interest and commissions	(Consolidated) As of December 31, 2012	2011
		(in thousands of reais)	
Breakdown:			
Current liabilities		**6,098.9**	5,339.4
Noncurrent liabilities		**14,390.0**	13,532.8
Total		**20,488.9**	**18,872.2**

The table below sets forth the payment schedule of our indebtedness, in the total amount of R$20,488.9 million, as of December 31, 2012:

Loans and Financings	As of December 31, 2012	
	(in millions of reais)	*Percentage*
Short-term	6,098.9	29.8%
Long-term	14,390.0	70.2%
2013	-	0.0%
2014	4,245.6	20.7%
2015	1,411.3	6.9%
2016	2,072.8	10.1%
2017	176.0	0.9%
2018	3,762.3	18.4%
2019	2.9	0.0%
2020	1,412.4	6.9%
2021	1,292.1	6.3%
After 2021	14.7	0.1%
Total	**20,488.9**	**100.0%**

Certain of our indebtedness is secured or guaranteed by the following: (1) receivables; (2) letters of credit; (3) guarantees by the controlling shareholder; and (4) mortgages and liens on real estate, equipment and other items. In addition, we are in compliance with all of the terms.

Capital Expenditures

We make capital expenditures primarily towards maintenance of our plants. As of the date of this offering memorandum, we do not foresee any additional significant capital expenditure to increase our production capacity or any other significant capital expenditure because we believe that our current production capacity is sufficient to support our production levels that we expect during the next few years. Our total capital expenditures on property, plant and equipment, amounted to R$1,173.8 million and R$1,619.4 million in 2011 and 2012, respectively.

The source of cash for our capital expenditures that are normally made at our plants tends to be our own cash flows generated from operations and, when applicable and possible, credit facilities from BNDES and other Brazilian governmental agencies at favorable interest rates.

Debt with third parties for investment

Debt with third parties for investment. The table below sets forth the payment schedule of investment debt with third parties for investment as of December 31, 2012, in the total amount of R$207.9 million. The debts with third parties for investments, refers basically to acquisitions of assets and others industrial complexes located in the states of Minas Gerais, Mato Grosso, Mato Grosso do Sul, Rondônia, Goiás and São Paulo.

Debt with third parties for investment	As of December 31, 2012
	(in millions of reais)
Current	**112.7**
Non-current	**95.1**
2014	95.1
Total	**R$207.9**

Off-Balance Sheet Arrangements

We hedge exchange rate and interest rate risks related to financings and loans, marketable securities and accounts receivable from clients denominated in foreign currencies on a transaction by transaction basis through derivative instruments, such as swap contracts (U.S. dollar to CDI or LIBOR to fixed interest rates or vice-versa), futures contracts traded on the BM&FBOVESPA, and forward contracts. The notional value of these contracts is only accounted for in our off-balance sheet accounts.

Quantitative and Qualitative Disclosures About Market Risks

We are exposed to market risks arising from our normal business activities. These market risks, which are beyond our control, involve primarily the possibility that changes in interest rates, exchange rates and inflation will adversely affect the value of our financial assets and liabilities or future cash flows and earnings. Market risk is the potential loss arising from adverse changes in market rates and prices.

Interest rate risk

As of December 31, 2012, without giving effect to the initial notes and the new notes offered hereby, 31.8% of our indebtedness, in the amount of R$6,516.6 million, was subject to interest rate fluctuations.

Net liabilities and assets exposure to CDI rate:	As of December 31, 2012
	(in millions of *reais*)
NCE / Compror / Others	4,272.4
CDB-DI	(2,429.7)
Investment funds, LCA-DI and national treasury bill	(1,004.2)
Total	**838.5**
Liabilities exposure to LIBOR/EURIBOR rate:	
Working Capital – Euro	43.2
Working Capital – USD	120.3
Pre-payment	1,407.2
Others	295.2
Total	**1,865.8**
Liabilities exposure to TJLP rate:	
FINAME / FINEM	239.1
BNDES Automatic	38.5
EXIM - export credit facility	87.0
CDC	13.8
Total	**378.4**

Foreign currency risk

As of December 31, 2012, without giving effect to the initial notes and the new notes offered hereby, 37.0% of our indebtedness was denominated in foreign currency. Accordingly, we are exposed to foreign currency exchange rate risk. Therefore, any depreciation of the *real* against the U.S. dollar may significantly increase our financial expenses and short-term and long-term indebtedness denominated in *reais*. Conversely, any appreciation of the *real* against the U.S. dollar may significantly reduce our financial expenses and short-term and long-term indebtedness denominated in *reais*. In addition, because we operate in a number of foreign countries to support our operations and investments, we are exposed to market risks from changes in foreign exchange rates and interest rates.

To partially offset the risk of any devaluation of the *real* against foreign currencies and for risk management purposes, we attempt to reduce our foreign exchange exposure by (1) maintaining cash and marketable securities denominated in foreign currencies, (2) entering into derivative contracts and (3) exporting our products, which generates receivables payable in foreign currencies. In the ordinary course of our business, we hedge substantially all of our risk exposure.

With the aim of providing information on sensitivity to exchange rate risks to which the Company is exposed on December 31, 2012, below is a simulation of possible changes of 25% and 50% in the relevant variables of risk in relation to the closing prices used in the measurement of assets and liabilities based on the date of these financial statements. To calculate the effect on the result in a probable scenario, we deem appropriate the application of the Value at Risk methodology (VaR) for a confidence interval of 95% and a horizon of one day.

The results of this analysis are shown below:

		Effect on income - Company		
Exchange rate risk	**Risk**	**Scenario (I) VaR 95% I.C. 1 day**	**Scenario (II) R$ Depreciation - 25%**	**Scenario (III) R$ Depreciation - 50%**
			(in millions of reais)	
Financial	R$ Depreciation	(153.1)	(1,870.7)	(3,741.4)
Operational	R$ Appreciation	72.1	881.1	1,762.1
Hedge derivatives	R$ Appreciation	1.7	20.4	40.8
		(79.3)	(969.3)	(1,938.5)
Assumption	Exchange rate (R$/US$)	2.0640	2.5544	3.0653

Commodity risk

The availability and prices of cattle and beef fluctuate due to unpredictable factors, such as weather, worldwide government agricultural programs and policies, changes in global demand, fluctuations in the size of herds maintained by producers, the relative cost of feed, cattle diseases and changes in standards of living. We enter into various types of derivative contracts, primarily commodity exchange-traded futures and forwards, mainly in order to manage its exposure to adverse changes in the price per pound of cattle. The counterparties on these contracts are generally the BM&FBOVESPA and financial institutions in Brazil. Generally, we enter into derivatives in an attempt to mitigate price risk related to its anticipated consumption of commodity inputs for periods of up to 12 months. We use exchange-traded futures and options to hedge livestock commodities. We may enter into longer-term derivatives on particular commodities if we deem appropriate.

The table below presents the assets, liabilities and total firm commitments exposed to risks of commodities price fluctuations price fluctuations:

Exposure	**As of December 31, 2012**	**As of December 31, 2011**
	(in millions of reais)	
Operational	(2,043.5)	(1,875.8)
Firm contracts – R$	31.2	3,821.5
Total	**(2,012.3)**	**1,945.7**

THE BEEF, PORK AND POULTRY INDUSTRIES

Production

According to data from the USDA, the world beef herd in 2012 stood at a total of 1,028 million heads of cattle, a growth of 0.5% in relation to 2011.

Not including data for India, which for religious reasons does not make a significant part of its beef herd available for commercial purposes, Brazil boasts the largest commercial beef herd in the world with 203.7 million heads of cattle in 2012, while the United States has the third largest commercial beef herd in the world with 89.7 million heads of cattle and Australia has the seventh largest commercial beef herd in the world with 29.7 million heads of cattle in 2012, according to data from the USDA.

As reflected in the table below, Brazil and Australia were among the countries experiencing the greatest growth in beef herds in 2012, whereas reductions in beef herds were seen in Russia, the United States and the European Union.

In Argentina, farming subsidies that were historically granted to confinement units were withheld as a result of the economic crisis in that country, negatively impacting the replacement of the cattle slaughtered by the local operators. In Russia, unfavorable climate conditions have resulted in a drastic reduction of its beef herd, negatively impacting its capacity to compete in the world beef market and turning it into a major importer. In the United States, the high price of grain, droughts and low profit margins have had a negative impact on the size of its herd. In the European Union, the gradual reduction of subsidies for farmers and exporters has reduced the size of the cattle farming segment. In Uruguay, exports of fresh, frozen or chilled beef to the United States led to an increase in slaughter exceeding the growth rate of its herd, resulting in a minor reduction of its overall herd size. Uruguay is considered to be a country free of foot and mouth disease and is authorized to export fresh, frozen or chilled beef to the United States.

The table below presents the countries with the largest beef herds in the world between 2010 and 2012:

Largest Beef Herds in the World by Country:	As of December 31, 2010	2011	2012	% of Total
	(in thousands of head)			
India	320,800	323,700	327,300	31.8%
Brazil	190,925	197,550	203,715	19.8%
China	104,822	104,346	104,152	10.1%
United States	92,682	90,769	89,700	8.7%
EU-27	87,437	86,209	85,320	8.3%
Argentina	48,156	49,597	51,097	5.0%
Colombia	30,971	30,910	30,610	3.0%
Australia	27,550	28,506	29,710	2.9%
Russia	19,970	19,695	19,430	1.9%
Mexico	21,456	20,090	18,570	1.8%
Canada	12,155	12,215	12,545	1.2%
Venezuela	12,750	12,090	11,615	1.1%
Uruguay	11,241	11,232	11,302	1.1%
New Zealand	9,864	10,057	10,253	1.0%
Egypt	6,100	6,175	6,180	0.6%
Ukraine	4,494	4,426	4,450	0.4%
Belarus	4,151	4,247	4,250	0.4%
Japan	4,230	4,172	4,110	0.4%
Korea, South	3,278	3,354	3,338	0.3%
World	**1,013,032**	**1,019,340**	**1,027,647**	**100.0%**

Source: USDA

According to data from the USDA, the world produced 57.2 million tons of beef in 2012, representing an increase of 0.3% in relation to 2011.

The table below presents the leading producers of beef in the world:

World Beef Production by Country:	For the Year Ended December 31, 2010	2011	2012	% of Total
	(in thousands of tons)			
United States	12,046	11,988	11,709	20.5%
Brazil	9,115	9,030	9,210	16.1%
EU-27	8,048	8,023	7,815	13.7%
China	5,600	5,550	5,540	9.7%
India (1)	2,842	3,244	3,643	6.4%
Argentina	2,620	2,530	2,620	4.6%
Australia	2,129	2,129	2,140	3.7%
Mexico	1,745	1,804	1,815	3.2%
Pakistan	1,470	1,435	1,400	2.4%
Russia	1,435	1,360	1,350	2.4%
Canada	1,273	1,154	1,060	1.9%
Colombia	885	905	900	1.6%
South Africa	835	800	800	1.4%
New Zealand	643	601	627	1.1%
Uruguay	530	510	520	0.9%
Japan	515	501	508	0.9%
Uzbekistan	445	455	465	0.8%
Kazakhstan	407	415	425	0.7%
Paraguay	490	380	425	0.7%
Other	2,202	2,163	2,186	3.8%
World	**57,285**	**56,988**	**57,170**	**100.0%**

Source: USDA
(1) Includes Buffalo Meat

Despite having only the third largest commercial beef herd in the world, the United States is the world's foremost producer of beef. This is due to the high productivity rate of its herd and the widespread use of growth hormones on beef cattle in the United States. In addition, cattle are raised in confinement units, producing cattle ready for slaughter much earlier than their grazing and free-range/organic counterparts. The high productivity rate in

the United States is reflected in its utilization rate (the rate used to indicate the quantity of beef cattle slaughtered over the course of one year in relation to the overall herd), which was 39.4% in 2012.

In 2012, Australia registered a utilization rate of 27.8%. Unlike the United States, the cattle raising method used in Australia is predominantly grazing, which requires a longer period of time for animals to reach the ideal weight for slaughter.

The utilization rate in China is higher than in the United States. Although China does not use the same cattle raising techniques and methods as in the United States, its utilization rate is higher because Chinese beef cattle is slaughtered before reaching the ideal age and weight. In addition, we believe China has reached the limit of its slaughter capacity, while the growth in the rate of beef consumption has exceeded the rate of growth for its herd. As a result, we believe that China will not be able to meet its internal demand for beef with its own production in the long term and may need to import beef.

Argentina, Brazil and Australia are the countries with the highest beef surpluses and consequently, are export countries. The European Union, Russia and Eastern Asia are experiencing deficits in beef production, making them dependent on overseas markets.

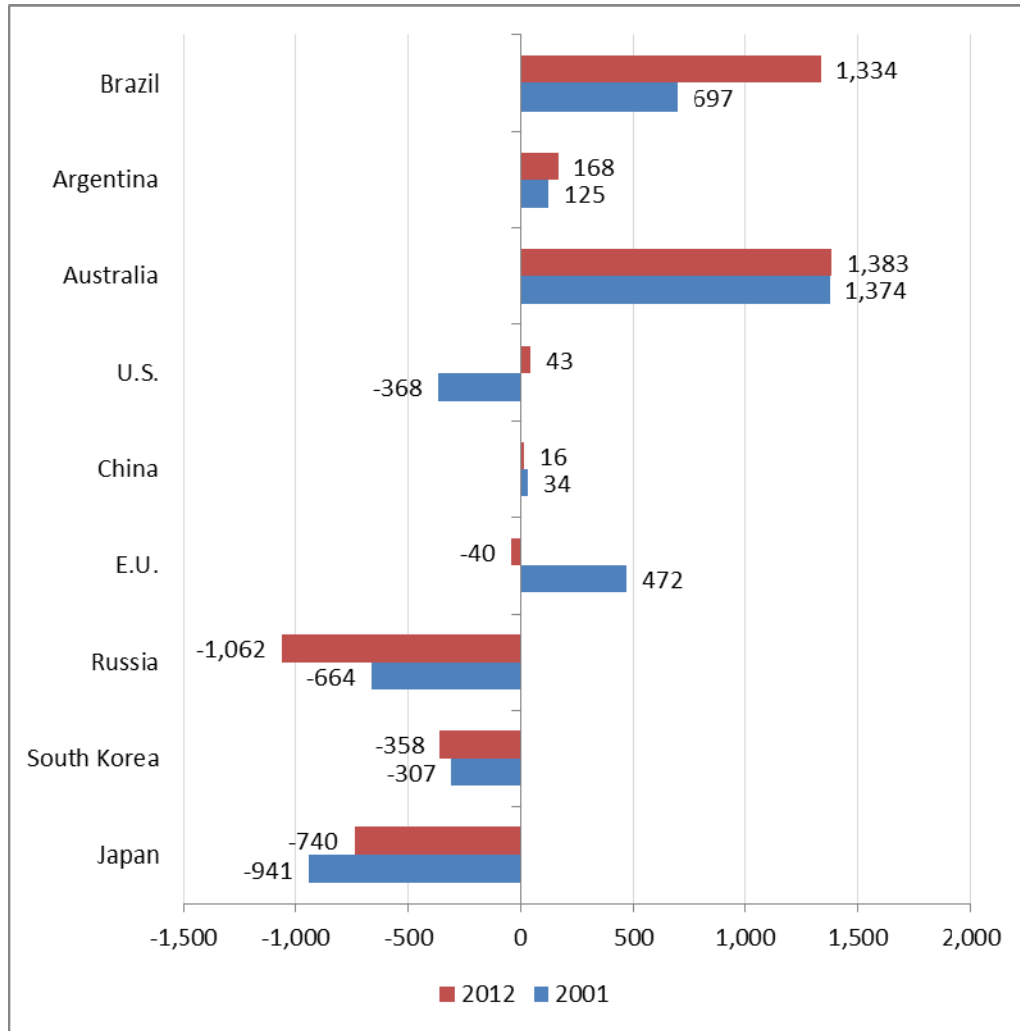
The table below presents the utilization rate for the countries indicated from 2010 to 2012:

	For the Year Ended December 31,		
Utilization Rate (Slaughter versus Herd) by Country:	**2010**	**2011**	**2012**
China	39.3%	39.1%	39.1%
United States	38.1%	38.9%	39.4%
New Zealand	40.5%	39.7%	38.9%
Russia	36.2%	34.1%	34.9%
EU-27	32.6%	32.9%	32.5%
Mexico	28.2%	32.6%	34.3%
Canada	30.8%	27.8%	23.9%
Japan	28.8%	28.1%	28.8%
Australia	30.0%	27.9%	26.5%
Belarus	27.9%	26.3%	28.5%
Egypt	26.1%	23.6%	21.0%
Argentina	24.7%	22.3%	22.9%
Korea, South	23.0%	25.4%	31.2%
Uruguay	20.3%	18.7%	18.8%
Brazil	20.6%	19.8%	19.5%
Colombia	13.6%	13.9%	14.1%
Venezuela	12.2%	13.0%	13.6%
India	8.9%	10.1%	11.2%

Source: USDA

The following graph demonstrates world beef production deficits and surpluses in thousands of tons.

Beef Deficit and Surplus—Production minus Consumption (in thousands of tons)



Source: USDA
* USDA Estimate

Consumption

Beef is a rich source of protein and is the third most consumed type of meat in the world, after pork and poultry. According to the USDA, world beef consumption increased 0.3% in 2012. A major part of this consumption is concentrated in Western nations, due to local food habits.

Although the USDA data for 2012 regarding world beef consumption still indicates a modest 0.3% increase in relation to the previous year, a growth in subsequent years is expected to be fueled by an increase in global population, economic development and an increase in per capita income (since the per capita consumption of beef is directly related to economic growth). Therefore, it is believed that emerging nations (for example, China and Brazil) will present the highest rates of growth in the consumption of beef, along with other countries in Latin America, the Middle East and Eastern Europe.

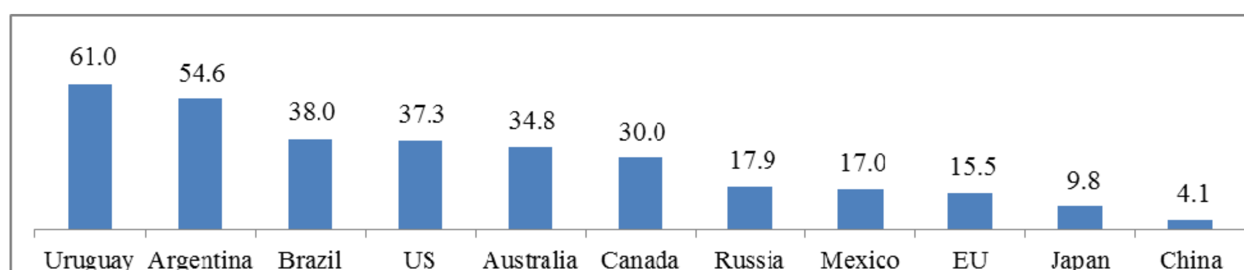
The table below presents the world's top beef-consuming nations from 2010 to 2012:

World Beef Consumption by Country:	For the Year Ended December 31, 2010	2011	2012	%
	(in thousands of tons)			
United States	12,038	11,651	11,666	21.0%
Brazil	7,592	7,730	7,876	14.2%
EU-27	8,147	7,941	7,855	14.1%
China	5,589	5,523	5,524	10.0%
Argentina	2,346	2,320	2,452	4.4%
Russia	2,505	2,417	2,412	4.3%
India	1,925	1,950	1,963	3.5%
Mexico	1,938	1,921	1,915	3.4%
Pakistan	1,436	1,402	1,367	2.5%
Japan	1,225	1,238	1,248	2.2%
Other	11,401	11,282	11,235	20.2%
World	**56,142**	**55,375**	**55,513**	**100.0%**

Source: USDA

The table below illustrates the USDA estimate for 2012 (in kilograms) of per capita beef consumption, for the following countries:

Beef Consumption (per capita, in kg/year)



Source: USDA

Imports

Despite being the world's leading beef producing nation, the United States is also responsible for a substantial volume of beef imports in the world because its internal production is insufficient to meet the full demands of its consumer market. According to the USDA, world beef imports reached a total of 6.7 million tons in 2012, representing a 2.5% increase from 2011. Imports are expected to rise in the coming years, mainly due to: (1) the increase in demand from developed and emerging nations; (2) the reduction of the Russian beef herd and, consequently, its productive capacity; (3) the reduction of subsidies for cattle farmers in the European Union, which has had a negative effect on their production; and (4) the expectation that China will begin to import beef following the relative increase of its consumption.

The table below illustrates the evolution of the world's top beef importers from 2010 to 2012:

World's Top Beef Importers by Country	Year Ended December 31,			
	2010	2011	2012	%
	(in thousands of tons)			
Russia	1,075	1,065	1,070	16.0%
United States	1,042	933	1,069	16.0%
Japan	721	745	746	11.2%
Korea, South	366	431	375	5.6%
EU-27	437	367	350	5.2%
Mexico	296	265	300	4.5%
Canada	243	282	285	4.3%
Venezuela	143	195	255	3.8%
Egypt	260	217	230	3.4%
Hong Kong	154	152	200	3.0%
Saudi Arabia	158	180	195	2.9%
Chile	190	180	190	2.8%
Other	1,556	1,511	1,418	21.2%
World	**6,641**	**6,523**	**6,683**	**100.0%**

Source: USDA

Exports

Brazil has been the world's foremost exporter of beef since 2004 (not considering India). Australia and the United States are the world's second and third largest exporters of beef, respectively. According to the USDA, world exports increased 2.6% from 2011 to 2012, primarily due to a better international demand as a result of the economic development in emerging countries.

In the same period, Brazil's exports increased 4.0%. In 2012, the United States' exports decreased by 11.0% due to the reduced number of cattle available to slaughter. Australia also reduced its exports by 2.1% during the same period.

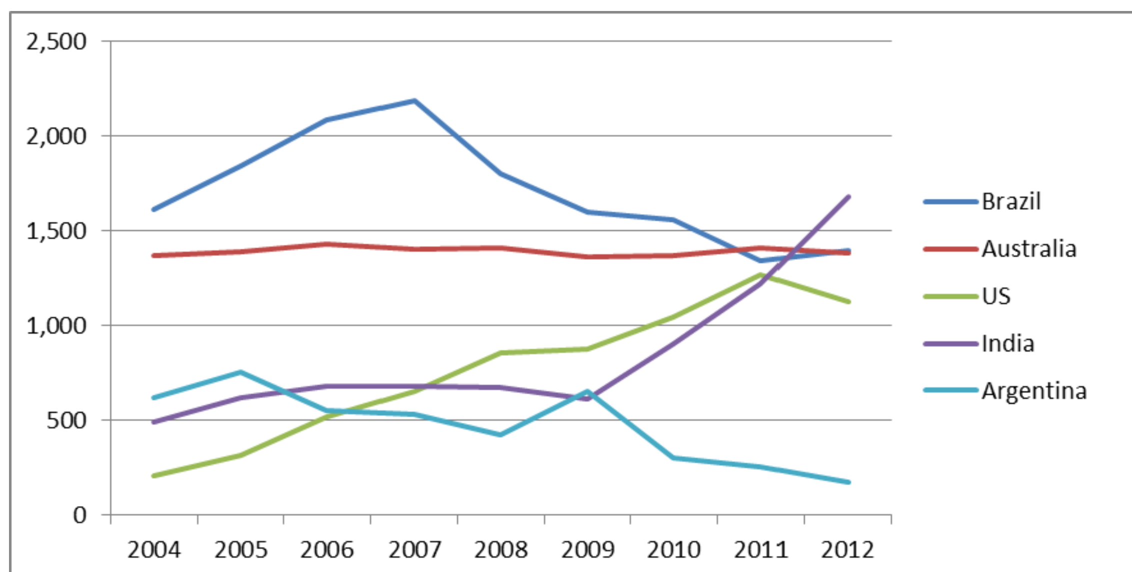
The table below displays the evolution of the top beef exporting nations from 2010 to 2012:

World's Leading Countries in the Export of Beef by Country	Year Ended December 31,			
	2010	2011	2012	%
	(in thousands of tons)`			
India	917	1,294	1,680	20.2%
Brazil	1,558	1,340	1,394	16.7%
Australia	1,368	1,410	1,380	16.6%
United States	1,043	1,263	1,124	13.5%
New Zealand	530	503	521	6.3%
Canada	523	426	395	4.7%
Uruguay	347	320	365	4.4%
EU-27	338	449	310	3.7%
Paraguay	296	207	240	2.9%
Mexico	103	148	200	2.4%
Argentina	277	213	170	2.0%
Belarus	181	136	145	1.7%
Other	354	406	400	4.8%
World	**7,835**	**8,115**	**8,324**	**100.0%**

Source: USDA

The graph below represents the top exporters of beef in the world for the periods indicated.

World's Leading Exporters of Beef (Million tons)



Source: USDA

The American Beef Industry

The United States has the largest herd of confined beef cattle in the world and is the top global producer of beef. This is mainly due to the high quality of meat from the confined and grain-fed cattle, which is sold to both the domestic and foreign markets.

In 2012, the United States processed 33.6 million heads of cattle and produced 11.7 million tons of beef. The North American beef industry is characterized by daily price oscillations based on patterns of seasonal consumption and on the supply and demand for beef and other sources of protein in the United States and other countries. Cattle prices vary over time and are influenced by stock levels, production cycles, weather and cattle feeding costs, among other factors.

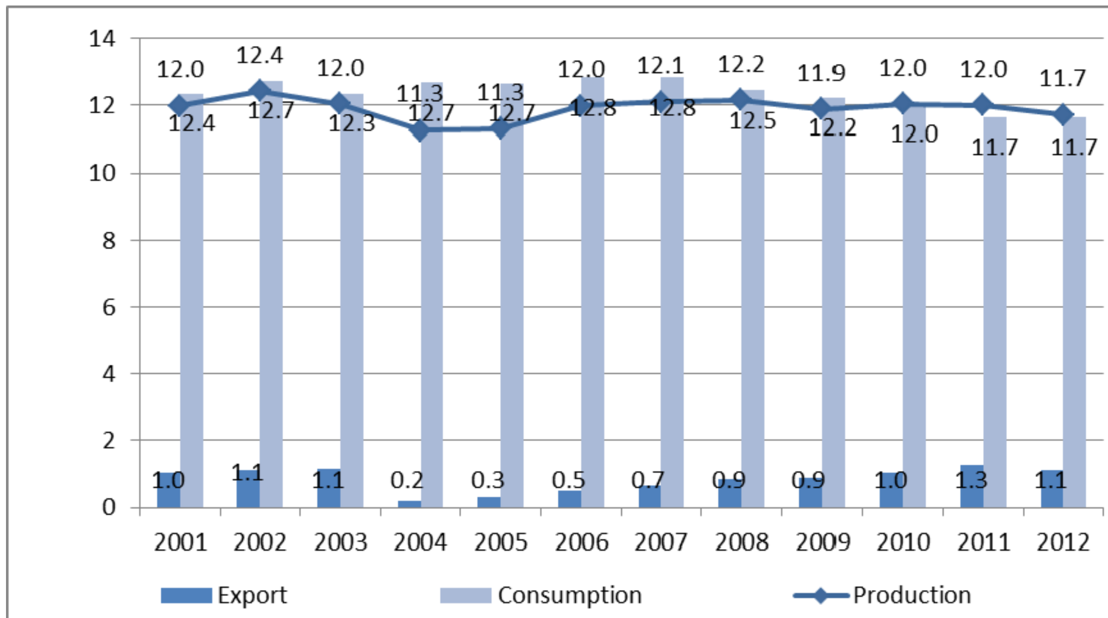
Beef processors include vertically integrated companies, who own and raise cattle on feed for use in their processing facilities, and pure processors, who do not own cattle on feed. The four largest beef processors in the United States, together representing approximately 75% of the total capacity of beef processors in the United States according to Cattle Buyer's Weekly, work predominantly as pure processors. Pure U.S. beef processors generally buy cattle raised in confinement on the spot market or pursuant to market-priced supply agreements. They process the cattle in their own facilities and sell the beef at spot prices. Cattle are normally purchased at market prices and kept for less than one day before slaughter. Thus, such processors are typically exposed to oscillations in market prices for less than two weeks. Pure beef processors are primarily "spread" operators, and their operating profit is largely determined by the operational efficiency of their facilities and not by fluctuations in the market prices for cattle and beef. In the United States we operate as a pure beef processor.

During the past few decades, consumer demand for beef products in the United States has been driven by population growth, which is the primary driver of aggregate demand. Historically, consumer demand for beef products in the United States has remained relatively stable during economic downturns and has also remained relatively stable during the current recession. We believe that consumer demand for North American exports in developing countries is driven by the growth in their respective populations compounded by economic growth. As consumers' economic circumstances improve, they increasingly shift their diets to protein. Export demand has varied, but it has been growing since the reopening of certain international markets in 2005, which had been closed

to North American beef imports following the discovery of isolated cases of BSE, in 2003. According to the USDA, North American beef exports reached 1,124 (1000 MT CWE) in 2012, representing an decrease of more than 11% over 2011, however, exports had increased 21.1% between 2010 and 2011, despite the cooling down of the global economy.

The following graph demonstrates the relationship between domestic production of beef in the United States, domestic consumption and export volumes in the years indicated (in millions of tons):

North American Exports, Domestic Consumption and Production of Beef (in millions of tons)

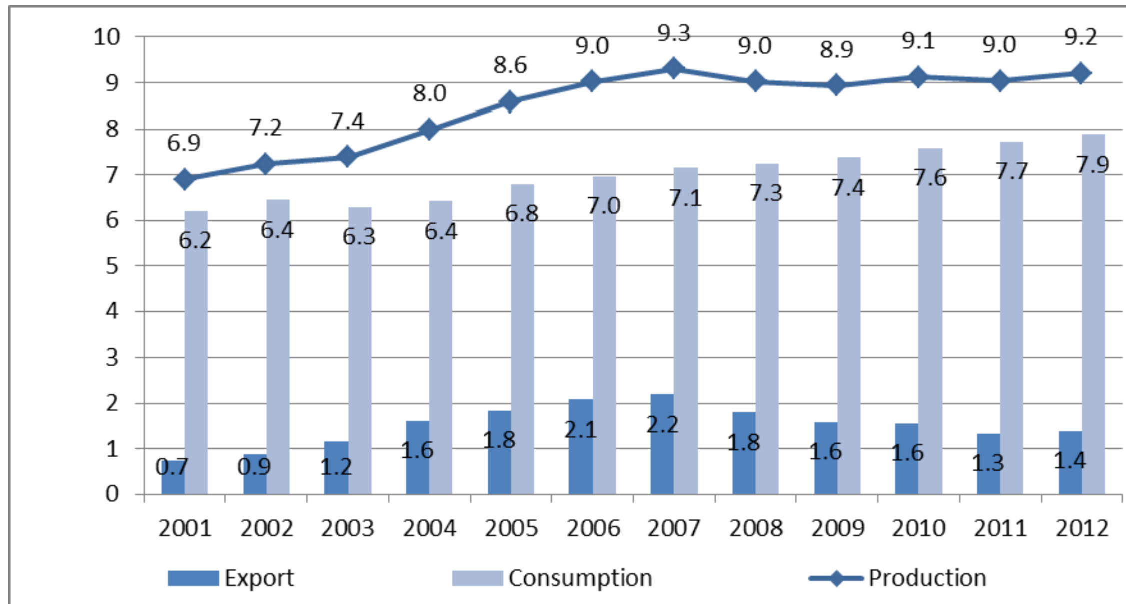


Source: USDA

The Brazilian Beef Industry

According to the USDA, Brazil has the largest commercial herd of beef cattle in the world with an estimated 203.7 million heads of cattle as of 2012.

Brazilian Exports, Domestic Consumption and Production of Beef (in millions of tons)



Source: USDA

The Brazilian beef industry has undergone an intense process of internationalization. As a result, Brazilian beef exports have grown considerably, increasing from less than 8.0% of production at the beginning of 2000 to approximately 15.1% in 2012. The increase in Brazilian beef exports is a result of:

- increased productivity in the Brazilian beef sector and reduced production costs;
- intensified marketing and advertising campaigns; and
- an increased number of export destinations.

Brazil offers a number of competitive advantages in the production of beef, the most important of which include:

- low production costs. Brazil has one of the lowest production costs for beef among the world's leading producers;
- high potential for production growth. Brazil currently has the largest commercial beef cattle herd in the world, with 203.7 million heads of cattle and a utilization rate of 19.5%, in comparison with 26.5% in Australia and 37.4% in the United States. Brazil still has large tracts of land available in rural areas, which also makes it possible to substantially increase the farming and production of Brazilian beef;
- grazing method of cattle farming and other advantages. Cattle farming in Brazil is predominantly grazing. Unlike most of the world's top beef producers (including the United States and the countries of the

European Union), Brazilian cattle graze and/or are fed on vegetable-based feed, which is seen as a factor that eliminates the risk of an outbreak of BSE among Brazilian cattle. In addition, the beef produced in Brazil has a low fat content and contains none of the growth hormones used in cattle farming in other countries. Such factors are important to the marketing position for Brazilian beef, especially for a number of developed countries; and

- strong demand from the domestic market. Brazil has a large domestic market for beef that traditionally consumes around 80.0% of its production. This strong demand from the domestic market makes it possible to optimize the utilization and processing of each carcass, which is believed to represent a competitive advantage in relation to other beef producers around the world.

The chart below presents the total sum (in US$) of Brazilian beef exports among the main export markets in 2012:

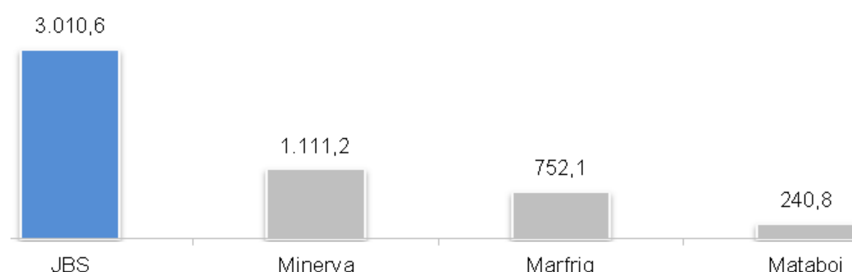
Destinations and Total Amounts of Brazilian Beef Exports in 2012

	US$ F.O.B. Year Ended December 31,		Year Ended December 31,		
	2012	**%**	**2011**	**%**	**Var %**
Country					
Russia	1,057,402,989	0.24	1,013,691,101.00	0.24	0.04
Egypt	532,028,955	0.12	413,585,928.00	0.10	0.29
Venezuela	448,096,315	0.10	376,348,403.00	0.09	0.19
Hong Kong	433,077,926	0.10	327,765,972.00	0.08	0.32
Chile	376,940,912	0.08	200,436,633.00	0.05	0.88
Iran	323,937,244	0.07	688,803,548.00	0.17	-0.53
Italy	172,752,170	0.04	161,252,629.00	0.04	0.07
Saudi Arabia	156,095,411	0.03	130,733,781.00	0.03	0.19
The Netherlands	142,757,286	0.03	142,239,265.00	0.03	0.00
Libya	78,667,310	0.02	22,242,909.00	0.01	2.54
Other	773,123,499	0.17	692,185,325.00	0.17	0.12
Total	**4,494,880,017**	1.00	**4,169,285,494.00**	1.00	**0.08**

Source: SECEX/MDIC

The following graph shows the top Brazilian beef product exporters and their respective export revenues in 2012:

Top Brazilian Beef Product Export Companies in 2012 (in millions of U.S. dollars)



Source: SECEX

The Argentine Beef Industry

Production

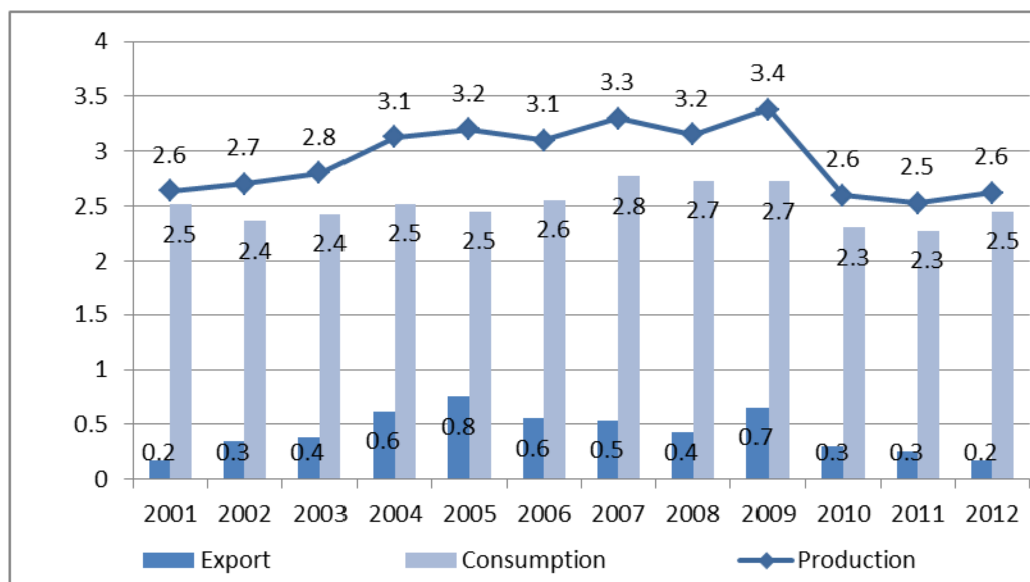
According to the USDA, Argentina boasts the fifth largest commercial beef cattle herd in the world with an estimated 51.1 million heads of cattle in 2012.

Owing to Argentina's low utilization rate (23.3% in 2012, according to the USDA), there is a significant chance that Argentina will increase its production even more in the next few years.

Consumption

The consumption of beef in Argentina has remained relatively constant in recent years, representing one of the highest levels of per capita consumption in the world (54.6 kg/inhabitant compared with 37.3 kg/inhabitant in the United States and 38.0 kg/inhabitant in Brazil). According to the USDA, this level of consumption is expected to remain stable.

Argentine Beef Exports, Domestic Consumption and Production (in millions of tons)



Source: USDA

Exports

In the last few years, the Argentine beef industry has been significantly decreasing its export levels. In 2012, Argentina was the tenth largest exporter of beef in the world, according to the USDA, with a 2.0% share of global beef exports.

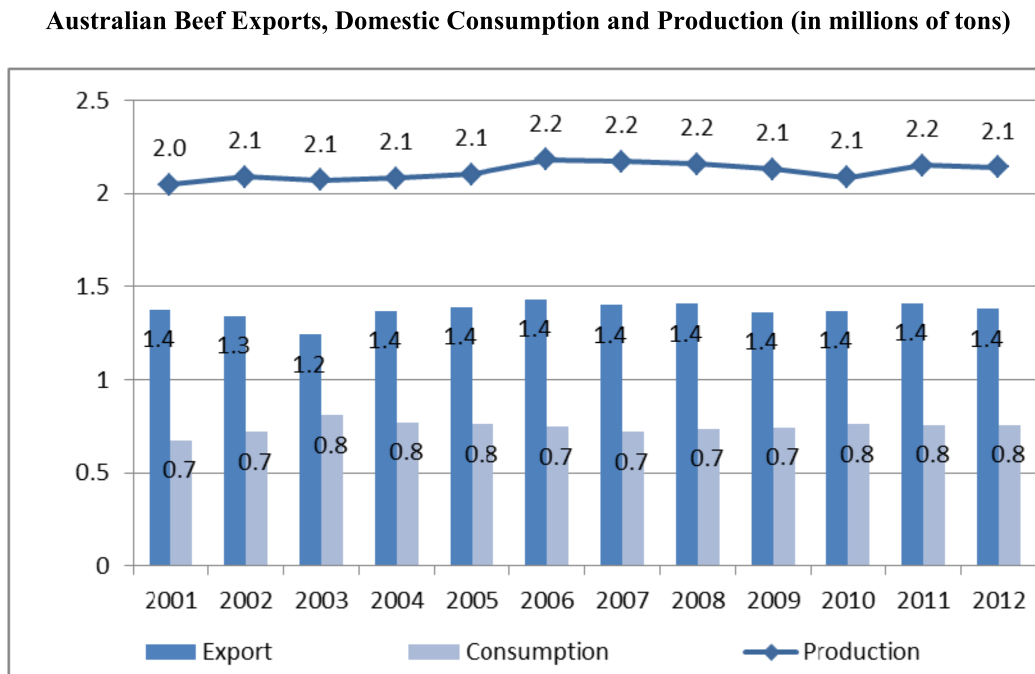
The European Union accounts for a major portion of Argentine exports. The Hilton Beef Quota is an import tariff quota for high-quality boneless and chilled beef, established by the European Union as a way of compensating for the restrictions on importing other agricultural goods. The tariff quota is 20.0%, compared with the full tariff of 104.0%. The current quota of approximately 60,600 tons of fresh, frozen or chilled meat is divided between six countries, with Argentina representing 46.0% of the quota (28,000 tons). The Argentine Government, via the SAGPYA (Argentine department of agriculture, animal husbandry, fishing and food products) allocates a part of the quota among Argentine beef exporters.

The Australian Beef Industry

Australia is a traditional supplier of beef from grazing cattle, with pasture being a much cheaper food source than grains. Given the huge areas of land available for raising and feeding cattle in Australia, grazing constitutes the most common method of feeding. Most of the cattle slaughtered in Australia are fed in the winter pasture or grazing lands and are not fattened in confinement units. Australia also has a sector for grain-fed beef cattle, which supplies beef that has been processed for export, especially to Japan, South Korea and the domestic market. Grain-fed cattle accounted for 27% of the cattle slaughtered in 2011, representing 34% of the total Australian beef production. We choose to be vertically integrated in Australia so that we would be able to supply products with higher profit margins, such as Kobe-style beef, to clients from the Asian markets. Australia has been one of the world's leading beef exporters for over a decade. We believe that approximately 75% of the exports are traditionally sold to the United States, Japan and South Korea, although Australian beef has been increasingly exported to Russia, Taiwan, Indonesia, Chile and the United Arab Emirates, among other countries.

The following graph illustrates the relationship between Australian domestic beef production, consumption and export volumes in the years indicated:

Australian Beef Exports, Domestic Consumption and Production (in millions of tons)



Source: USDA

Other Relevant Topics Regarding the Beef Industry

BSE (Bovine Spongiform Encephalopathy)

BSE, popularly known as mad cow disease, is a chronic degenerative disease that attacks the bovine nervous system leading to motor dysfunction. Transmission of this disease occurs when an animal ingests meal prepared using meat, bones, blood and entrails of BSE-infected animals. What causes the disease is neither a virus nor a bacteria but rather an abnormal protein known as a prion. The first case of this disease was diagnosed in Great Britain in 1986. Due to a failure to monitor the use of animal-based meal, the disease spread to a number of countries, especially those located within the European Union. In 1995, the first human victim of Creutzfeldt-Jakob disease was diagnosed. The cause of this disease was attributed to the ingestion of beef coming from an animal

contaminated with BSE. Transmission of the disease to humans occurs via ingestion of contaminated meat, even after it has been cooked or fried.

Since that time, the World Organization for Animal Health has reported a number of cases of BSE in beef herds around the world, with the majority occurring in countries located within Europe, especially in the member countries of the European Union. The other countries around the world that have registered the disease in their beef herds are the United States, Canada, Japan and Israel. Common among these countries is the use of intensive farming methods to raise cattle, in particular, the use of confinement and animal-based meal.

Given the fact that BSE is contracted via the ingestion of BSE-infected animal-based meal, countries where cattle are raised by grazing on pasture, such as Brazil and Argentina, are considered to be free of the disease. In both Brazil and Argentina, it is prohibited to use animal-based meal to feed beef herds. No cases of this disease have been registered in either country.

Foot and Mouth Disease

Discovered in Italy in the 16th century, foot and mouth disease is a contagious viral disease that affects cows, pigs, buffalo, goats, sheep, deer and other animals with cloven feet. Human beings are rarely infected by the virus, as evidenced by the small number of human cases described around the world, despite frequent contact with such animals. Transmission may occur through contact with sick animals or infected materials, via small wounds through which the virus can penetrate the organism, or through the ingestion of unpasteurized milk. Human infection from the ingestion of meats and other products from the same origin has not been proven. There have also been no reports of transmission between humans.

The importance of foot and mouth disease, in terms of public health, would be minimal were it not for the social and economic impacts it has on the production, productivity and profitability of animal farming. The disease results in reduced availability of the product in a given country and generates embargos on products from certain regions, leading to a reduction in export volumes.

The North American Pork Industry

Pork is the world's most commonly consumed meat in terms of volume and is the third largest source of meat protein consumed in the United States, after beef and poultry. According to the USDA, the United States is the third largest producer and consumer of pork in the world, after China and the European Union. The United States is also one of world's largest pork exporters.

The North American pork industry is characterized by daily price oscillations based on patterns of seasonal consumption and on the supply and demand for pork and other sources of protein in the United States and other countries. In general, domestic and foreign consumer demands for pork products drive pork processors' long-term demand for hogs. Pork processors' profitability is driven primarily by their ability to acquire or raise hogs cost effectively and minimize processing costs by maximizing plant efficiency. Hog prices vary over time and are influenced by inventory levels, production cycles, weather and animal feeding costs, among other factors.

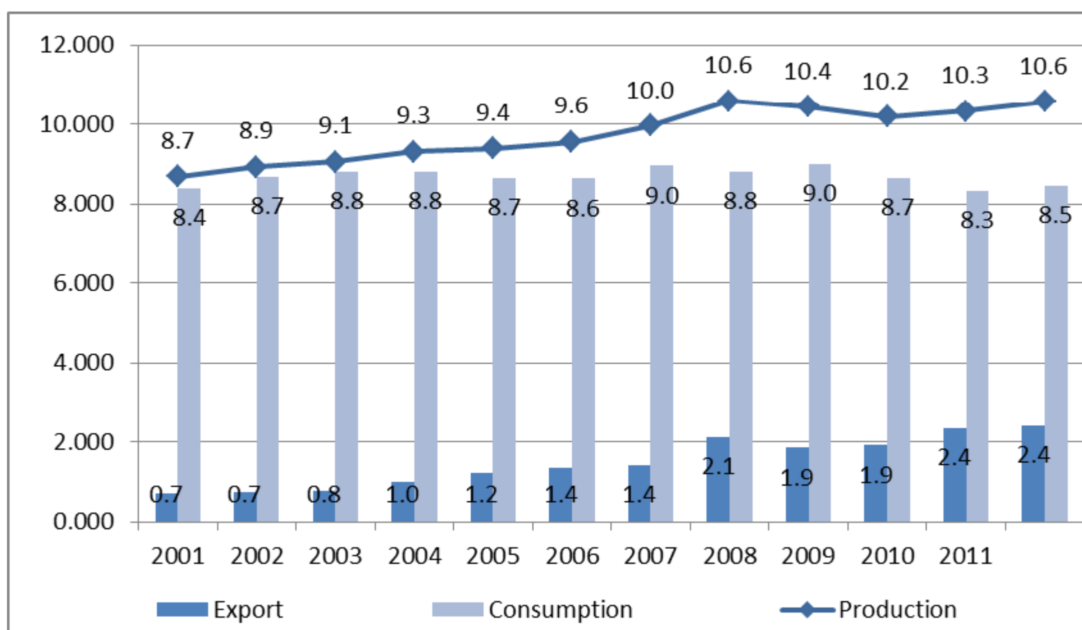
Pork processors include vertically integrated companies, who own and raise hogs on feed for use in their own slaughter houses, and pure processors, who do not own hogs on feed. In general pure processors generally purchase finished hogs under long-term supply contracts at prevailing market prices, process the hogs in their own facilities and sell the finished products at spot prices. The hogs are normally purchased at market prices and kept for less than one day before slaughter. Pure processors are typically exposed to oscillations in market prices for less than two weeks. Pure pork processors are primarily "spread" operators and their operating profit is largely determined by the plant operating efficiency and not by fluctuations in the market prices for hogs and pork products. Our pork operations based in the United States are operated as pure pork processors.

Despite being affected by seasonal consumption patterns, the demand for pork has remained consistently strong. We believe that the last few decades of population growth have been the main driving force behind the increase in the aggregated demand for pork in the United States. We believe that consumer demand for North American exports

in developing countries is driven by population growth compounded with economic growth. As consumers' economic circumstances improve, they increasingly shift their diets to protein. To meet the growing global demand, North American pork exports have more than tripled in the last decade to four billion pounds, according to the USDA. The top three export markets for U.S. pork and pork variety meats are Japan, Mexico and Canada.

The following graph illustrates the relationship between North American domestic pork production, consumption and export volumes in the years indicated:

North American Exports and Domestic Pork Consumption and Production (in millions of tons)



Source: USDA

The North American Poultry Industry

The poultry industry is comprised principally of chicken and turkey products. Chicken products are the most commonly consumed source of meat protein in the United States and the second most consumed meat in the world by volume. According to the USDA, the United States is the world's largest producer of poultry products.

The North American poultry sector is characterized by daily price alterations based on seasonal consumption patterns and overall supply and demand for poultry and other meats in the United States and abroad. The prices for poultry vary over time and are affected by inventory levels, production cycles, weather and animal feeding costs, among other factors.

Large-scale poultry processors are typically vertically integrated processors. Vertically integrated processors own and raise brood hens to lay eggs for incubation. Once hatched, the chicks are transported to independently contracted growth farms where they develop until they reach the age of seven to nine weeks. The processor supplies the hired farmers with the chicks, feed and veterinary services. Vertically integrated poultry processors may be significantly affected by demands for working capital, since the chicks are fed for between seven and nine weeks and generate no revenue until they are processed.

Additionally, since chicks consume feed (meal produced from corn and soybean meal) with a replacement price that is subject to variations in market price, vertically integrated poultry processors have direct financial exposure to the volatility in such feed prices.

Despite being affected by seasonal consumption patterns, the demand for poultry has remained consistently stable. During the last few decades, demographic changes in work-forces, dietary tendencies and the growing demand for food services are the main driving force behind the increased demand for poultry products in the United States. We believe that consumer demand from emerging nations for North American exports is driven by the growth in population compounded with economic growth. As consumers' economic circumstances improve, they tend to change their diets to include more protein. The United States is the world's second largest exporter of poultry products, after Brazil, according to the USDA. The largest importers of North American poultry products are Russia, China and Mexico, who together account for almost half the North American exports of poultry products in the aggregate.

Competition in the beef and pork industry

The beef and pork sectors are highly competitive. Competition exists both in the purchase of beef cattle and pigs, and in the sale of meat products. In Brazil, the competitors in the beef market include Marfrig Alimentos S.A. and Minerva S.A. meat packing companies. We compete with a number of international beef producers, including companies based in the United States (Tyson Foods Inc., National Beef Packing Company, LLC and Cargill Inc.) and in Australia (Teys Bros Pty Ltd. and Nippon Meat Packers Ltd.), as well as with pork producers (Smithfield Foods, Inc., Tyson Foods Inc. and Cargill Inc.). The main competitive factors in the beef and pork processing industries are operational efficiency, availability, quality and cost of raw materials and manpower, price, quality, food safety, product distribution, technological innovations and brand loyalty. Our ability to compete effectively depends on our capacity to compete in these areas.

Competition in the poultry industry

The poultry sector is highly competitive. Both in the United States and in Mexico, PPC will mainly compete with other vertically integrated poultry processing companies. The factors of competition vary in accordance with the market. In the food services market, we believe competition to be primarily based on consistent quality, product development, customer service and price. In the North American retail market, we believe that competition is primarily based on product quality, brand awareness, client service and price. Also, there is competition with other non-vertically integrated ready-made poultry product processors. Our main competitors are Tyson Foods, Inc., Cargill Inc., Hormel Foods Corporation and Sara Lee Corporation.

Seasonality

Demand

In the beef sector in the United States, seasonal demand for beef products is higher in the summer and autumn months, when weather patterns allow for more outdoor activities. There is typically an increase in the demand for higher value products, such as steaks, during such months. Both the prices for live cattle and packaged beef tend to reach seasonal highs at such times. Because of the increase in consumption and more favorable conditions for the growth and housing of confined animals in the winter months, there are generally more cattle available in the summer and autumn. Seasonal demand in Australia does not fluctuate as much as it does in the United States.

The pork sector presents similar seasonal cycles, but in different months. Pigs take an average of 11 months from birth to reach market weight. In general, sows are less productive in the summer months, resulting in less availability in the spring and early summer, times at which the prices for pigs and pork usually go up and production goes down. The greatest demand for pork occurs from October to March, when the availability of pigs combined with the holidays increase the demand for ham, pork loin and other pork products with greater aggregated value.

In the poultry sector, PPC experiences no major seasonal fluctuations. Nevertheless, net sales for PPC have been historically higher in its third and fourth fiscal quarters, corresponding to the spring and summer months. Net sales for PPC have been historically lower in its first fiscal quarter, which corresponds to autumn and early winter.

Impact of the commodity price

As in the case of the beef and pork markets, the poultry markets are affected by fluctuations in the prices of certain commodities. However, the business activities of PPC are more influenced by fluctuations in the prices of corn and soy chaff, which are feed ingredients required for its vertically integrated operations. Our beef and pork segments, on the other hand, are only indirectly influenced by fluctuations in the prices of feed ingredients since we do not keep or raise our own cattle or pigs (except for the cattle operations in Australia). Instead, our beef and pork segments are more directly affected by fluctuations in the spot market for beef cattle and pigs, where we buy a significant part of the beef cattle and pigs required for our operations. PPC is also significantly influenced by fluctuations in energy costs, both in terms of production and manufacturing costs and in regard to the costs of delivery and transportation.

THE ISSUER

The issuer is our wholly-owned direct subsidiary and was organized in Austria as a limited liability company on January 14, 2013 with an unlimited duration. The registered office of ESAL is located at Landstraßer Hauptstraße 2/Top M2.01.31, A-1030, Vienna, Austria. The issuer was registered with the Austrian commercial register under FN Company No. 391043 on January 16, 2013.

The issuer is not required to and has not published financial statements for any period. However, should it publish any financial statements in the future, such financial statements will be made available free of charge at the office of the Singapore listing agent and sent to you upon request of the issuer or the trustee. The managing directors of the issuer are Wesley Mendonça Batista, Eliseo Santiago Perez Fernandez and Francisco de Assis e Silva. See "Management." As directors of the issuer and subject to general provisions of Austrian law, they act in accordance with the instructions of JBS, as its sole direct shareholder.

The authorized share capital of the issuer is €35,000 divided into one common shares of a nominal or par value of €35,000. As of the date of this offering memorandum, one share has been issued as fully paid and is outstanding.

BUSINESS

Overview

We are the world's largest protein company with R$75,696.7 million (US$37,033.6 million) and R$61,796.8 million (US$30,233.3 million) in net revenues for the years ended December 31, 2012 and December 31, 2011, respectively. We process beef, pork, lamb and chicken, in addition to other animal by-products and leather. We also believe we are:

- the largest beef producer and exporter in the world, with operations in the United States, Brazil, Argentina, Paraguay, Uruguay, Australia and Canada, with a daily slaughtering capacity of approximately 99,846 heads of cattle;
- one of the largest poultry producers in the world, with operations in the United States, Mexico, Puerto Rico and Brazil, with a daily slaughtering capacity of approximately 8.4 million chickens;
- the third largest pork producer in the United States, with a daily slaughtering capacity of approximately 51,300 hogs;
- one of the largest lamb producers and exporters in the world, with operations in the United States and Australia, with a current daily slaughtering capacity of approximately 22,265 lambs; and
- the largest leather tanner in the world, with operations in Brazil, the United States, Australia and China, with a daily production capacity of 77,400 hides.

We process, prepare, package and deliver fresh, further processed and value-added beef, pork, lamb and poultry products in approximately 140 countries on five continents. Our further processed products are comprised of value-added products that are cut, ground and packaged in a customized manner for specific orders, and these include frozen, cooked, canned, seasoned, marinated and consumer-ready products. Our protein products are recognized internationally through our well-known brands, including "Swift," "Swift Premium," "Pilgrim's Pride," "Friboi," and "Bertin."

We mainly sell our products to wholesalers, such as supermarkets, club stores and other retail distributors and food service companies (such as restaurants, hotels, food service distributors and additional processors). In addition, we produce and sell other animal by-products that are derived from our beef processing operations, such as hides, to customers in the personal care, pet food and automotive industries, among others. We also produce personal hygiene and cleaning products, such as soaps.

Of our R$61,796.8 million in net revenue for the year ended December 31, 2011, 73.3%, 24.2% and 2.6% derived from sales in the United States and Australia, South America, and other countries, respectively. Of our R$75,696.7 million in net revenue for the year ended December 31, 2012, 73.9%, 23.8% and 2.3% derived from sales in the United States and Australia, South America, and other countries, respectively, and 64.3%, 21.9%, 9.0% and 4.8% derived from sales of beef products, chicken products, pork products and other products, respectively.

Competitive Strengths and Advantages

Our competitive strengths and advantages include:

Scale, leading market positions and brand recognition. We believe we are the largest animal protein producer and the largest beef producer and exporter in the world. We have access to approximately 140 countries. In addition, we are one of the largest poultry producer in the world, the third largest pork producer in the United States and the world leader in hide processing. We believe our leading global position allows us to benefit from market opportunities to expand our business and increase our worldwide market share. Our production scale enables us to optimize our production and reduce our fixed costs, which we believe will give us a competitive edge against our local and global competitors.

Our trademarks are well-recognized as symbols of quality in the markets in which they are sold. Our trademarks in the United States include: “Swift,” “Swift Premium,” “1855,” “Pilgrim’s Pride” and “Black Angus.” Our trademarks in Brazil include: “Friboi”, “Swift”, “Swift Maturatta”, “Swift Orgânico”, “Swift Grill”, “Swift Linha Profissional”, “Swift Fresh”, “Swift Reserva Gourmet”, “Swift Black”, “Anglo”, “Bordon”, “Mouran”, “Bertin” and “Apetit.” Our trademarks in Australia include: “AMH,” “Aberdeen,”, “King Island Beef”, “La Herencia”, “Longford”, “Pure Prime,” “Royal”, “Tasman”, “Tasman Meats”, “Tasmanian”, “Tatiara”, “Seattle Meat”, “Gold Kist” and “Swift”. Our trademarks in Argentina include: “Swift,” “Cabaña Las Lilas,” “Plate” and “La Blanca.” Our trademarks in Uruguay include: “Canelones.” These brands help enable us to maintain and increase our leadership position.

Diverse business model with international reach. Our business is highly diversified and we produce and distribute a variety of animal products and by-products in approximately 140 countries through numerous distribution channels.

- *Diversified products*. We sell beef, pork, chicken, mutton and lamb. Selling multiple products offers us the opportunity to cross-sell to customers consequently mitigating typical industry risks, such as industry cycles, the impact of species-based diseases and changes in consumer preferences. As a result of our diverse product offerings, we believe we have added protection against risks in our industry.

- *Geographic distribution*. Our processing platforms in the major beef-producing countries provide us with further geographic diversification and an appropriate operating flexibility to meet customer demands, regardless of market conditions and health restrictions. This allows us to mitigate risks of fresh meat export bans due to possible animal and plant health issues such as BSE and FMD. Currently, our processing platforms in Uruguay, Paraguay and Australia enable us to continue to meet European beef demand despite restrictions imposed by the European Union on beef produced in Brazil.

- *Sales and distribution channel diversification*. We benefit from our diversified sales and distribution channels, which include national and regional retailers (including supermarket chains, independent grocers, club stores and wholesale distributors), further processors (including those that make bacon, sausage and deli and luncheon meats), international markets and the food service industry (including food service distributors, restaurant and hotel chains and other institutional customers). We sell our products to over 115,000 customers worldwide, and no single customer accounted for more than 3.1% of our net sales during the year ended December 31, 2012. This diversification reduces our dependence on any one market or customer and provides multiple channels for potential growth.

- *Export diversification*. We are the world’s largest beef exporter and sell our products in approximately 140 countries on five continents. Overall, our exports correspond to 24.5% of our gross revenue for the year ended December 31, 2012. With our geographic diversification, we are able to reduce exposure to any market and also have access to a wide variety of export markets. In addition, our access to international markets allows us to potentially generate higher returns as many of our export products, such as forequarter cuts, tongue, heart, kidney and other variety meats, have a stronger demand in foreign markets, particularly in Asia and the Middle East.

Successful track record of acquisitions and integration. We have a successful history of acquiring and integrating companies into our business. During the past 17 years, we have made more than 30 acquisitions. We also have a history of success in turning around unprofitable companies that we have acquired as evidenced by our acquisition and restructuring of Swift in the United States (which we subsequently renamed JBS USA Holdings). Since our initial public equity offering conducted in Brazil in April 2007, we have also acquired Smithfield Beef (which we subsequently renamed JBS Packerland), JBS Five Rivers, the Tasman Group, PPC, Tatiara and Rockdale Beef, among other acquisitions, and have consummated the Bertin merger. Our history of successfully acquiring and integrating companies has turned us into the largest protein producer in the world. We believe that due to our leadership, global production scale, financial stability and experience in acquiring and integrating companies, we are well positioned to operate as one of the leading companies in the consolidation of the global food industry.

Experienced management. Our management team has a significant knowledge of the beef, pork and poultry industries. Certain members of our management have over 20 years of experience in our management or in the industries in which we operate. We believe that our management is one of the main factors responsible for the increase in our sales, improvement of our business and integration of our new acquisitions, transforming us into one of the leading companies in the global food industry.

Our Strategy

Our strategy is to continue our growth trajectory as a leader in the global food industry, to benefit from consolidation opportunities in the industry worldwide and to open and expand international markets. Our strategy is based on the following key principles:

Seek sustainable growth opportunities through investments and bolt-on acquisitions. We intend to continue to grow in the global food industry in a sustainable manner, by pursuing regional bolt-on acquisition opportunities and strategic partnerships, with a focus on expanding our sales and distribution capabilities. During the past 17 years, we have successfully acquired and integrated companies, which we believe will help us to enter new markets, offer new products and consolidate our leading position in the markets in which we currently operate, through gains in economies of scale and operating synergies and maintaining strict food safety standards to assure the quality of our products. We also believe that we will be able to access new export markets as existing trade restrictions are relaxed or lifted.

Continue to decrease costs and increase operating efficiencies. Since our inception, we have focused on reducing costs and increasing production yields. We intend to continue being one of the most cost-effective companies in the world; constantly looking to improve the efficiency of our production processes and logistics, investing in information technology and the development of our employees' professional skills while continuing to benefit from gains in economies of scale and operating synergies from acquisitions. We believe we can enhance our yields through development and implementation of modern processes and improvement of products throughout the production chain, improving carcass use for fresh and processed meat, as well as processing hides. We will continue to focus on developing innovative processes and improving products throughout the production chain.

Increase the quantity and variety of value-added trademark products. We intend to increase our offering of processed, manufactured and trademark products, which typically have higher yield margins and lower price fluctuation. Historically, we achieved our best results when we offered higher value-added products to our clients. Examples of our value-added product offerings include trademark products and processed and manufactured product offerings, such as sliced, cubed, tenderized, canned, marinated and consumer-ready products. These products reduce labor costs for our customers and encourage consumer demand. We intend to expand our processed and manufactured product offerings and increase the production of our trademark products through investments in, and expansion of our existing production facilities and through acquisitions. We also intend to continue to invest in marketing to create strong trademarks and strengthen existing ones. We believe that increased sales of value-added products will significantly improve our future profit margin.

Continue to successfully integrate acquisitions. We have a successful history of acquiring and improving the operating performance of companies. We have used this experience to integrate PPC and Bertin, and will continue to apply this experience to other companies that we may acquire in the future, for operational synergies, including the streamlining of managerial jobs, improvements to sales networks, consolidation of distribution networks, enhancement of freight and storage costs and the consolidation of risk and financial management systems.

Summary of Our Corporate History

We were incorporated under the laws of Brazil, under the name Friboi Ltda., on December 10, 1998. However, we were originally founded in 1953 by José Batista Sobrinho, who began operating a small slaughterhouse, in the city of Anápolis, State of Goiás, Brazil, with a daily slaughtering capacity of five head of cattle. In 1968, we bought our first slaughterhouse and in 1970 our second, increasing our slaughtering capacity to 500 head of cattle.

From 1970 through 2001, we significantly expanded the scale of our operations in the Brazilian beef industry, primarily through the acquisition of slaughterhouses and beef processing facilities, as well as through capital expenditures to increase the production capacity of our existing facilities. During this period, our daily slaughtering capacity increased to 5,800 head of cattle.

From 2001 through 2006, our daily slaughtering capacity increased from 5,800 to 19,900 head of cattle, and by 2006, we had operations in 21 plants in Brazil and five in Argentina. In 2005, we acquired Swift-Armour Argentina S.A, or Swift-Armour, the largest beef producer and exporter in Argentina, through our subsidiary, JBS Holding Internacional Ltda. Following our acquisition of Swift-Armour, we acquired a plant in Pontevedra, owned by Compañia Elaboradora de Produtos Alimentícios, or CEPA. In addition, in 2006, we acquired a second plant from CEPA, in Venado Tuerto.

In January 2007, we acquired the North American company SB Holdings, Inc., or SB Holdings, and its subsidiaries, Tupman Thurlow, Inc., or Tupman Thurlow, Astro Sales International, Inc., or Astro, and Austral Foods, which were merged into JBS Trading USA, on February 4, 2009. We refer to this transaction as the SB Holdings acquisition. See "—SB Holdings Acquisition."

On April 2, 2007, we issued and sold 150,000,000 common shares at a price of R$8.00 per share in our initial public equity offering to investors in Brazil and institutional and other investors outside Brazil that was registered with the CVM. The total net proceeds of this offering were R$1,152.0 million (US$723.7 million). Simultaneously with our initial public offering, the Batista family, through a controlled investment fund, also sold approximately 52,000,000 of our common shares to investors in Brazil and institutional and other investors outside Brazil in a secondary equity offering. Our common shares are listed on the *Novo Mercado* segment (the highest level of corporate governance requirements) of the BM&FBOVESPA, under the symbol "JBSS3."

On July 11, 2007, we acquired Swift, a company organized in Delaware, which we subsequently renamed JBS USA Holdings, Inc. We refer to this transaction as the Swift acquisition. See "—Swift Acquisition."

On May 2, 2008, we acquired substantially all of the assets of the Tasman Group. We refer to this transaction as the Tasman acquisition. See "—Tasman Acquisition."

On October 23, 2008, we acquired the beef processing unit of Smithfield Beef, which we subsequently renamed JBS Packerland, which included the acquisition Smithfield Beef's feedlot operation, currently named JBS Five Rivers. See "—JBS Packerland Acquisition."

On July 6, 2009, we announced our expansion in Brazil with the lease of five slaughtering and deboning facilities increasing our daily slaughtering capacity by 5,150 heads: (1) one slaughtering and deboning facility in the city of Juara, with a daily processing capacity of 800 heads; (2) one slaughtering and deboning facility in the city of Alta Floresta, with a daily processing capacity of 1,600 heads; (3) one slaughtering and deboning facility in the city of Colider, with a daily processing capacity of 850 heads; (4) one slaughtering and deboning facility in the city of Cuiabá, with a daily processing capacity of 800 heads; and (5) one slaughtering and deboning facility in the city São José dos Quatro Marcos, with a daily processing capacity of 1,100 heads. The facilities of the cities of Cuiabá and São José dos Quatro Marcos belong to Grupo Quatro Marcos, which is currently undergoing a restructuring.

On December 28, 2009, we announced a transaction through which JBS USA Holdings became the holder of 64% of the total and voting share capital of PPC, a company headquartered in Pittsburgh, Texas, for a total amount of US$800 million, paid in cash.

On December 29, 2009, Bertin was merged into us. In exchange for their shares in Bertin, Bertin's shareholders indirectly received, through FB Participações, shares representing approximately 29.2% of our share capital. See "—Bertin Merger."

On February 22, 2010, we announced the acquisition of Tatiara, for a total amount of US$27.9 million and the merger of its assets. See "—Tatiara Acquisition."

On May 3, 2010, we sold 200,000,000 common shares at a price of R$8.00 per share to investors in Brazil and institutional and other investors outside Brazil in a public offering that was registered with the CVM in Brazil. The net proceeds of this equity offering were R$1,562.5 million.

On July 2010, we acquired the Toledo Group, a Belgian company that specializes in the research, development and marketing of customized cooked and frozen beef products for more than 100 customers across Western Europe.

On September 20, 2010, we acquired, through our indirect subsidiary JBS Australia, the assets of Rockdale Beef. With a meatworks capacity of approximately 200,000 cattle per annum, and a feedlot capacity of over 53,000 cattle, Rockdale Beef enhanced our Australian presence. We refer to this transaction as the Rockdale Beef acquisition. See "—Rockdale Beef Acquisition."

On November 4, 2010, we increased our ownership of the total issued and outstanding common stock of PPC from 64.0% to approximately 67.3%.

On March 4, 2011, we acquired the remaining 30% equity interest in Rigamonti, one of Italy's largest sausage-makers. We previously held a 70% interest in the Italian company since December 2009. Rigamonti is one of the ten largest cured meat processors in Italy, producing more than 7,000 tons of finished products annually and holding a 40% market share in Italy.

On January 5, 2012, PPC issued 200,000 common shares that had been previously awarded to William W. Lovette, PPC's chief executive officer, to enable him to participate in the PPC Rights Offering. The restrictions on 100,000 of these common shares awarded to Mr. Lovette lapsed on January 14, 2013 when they vested. The restrictions on the remaining 100,000 common shares will lapse when they vest on January 14, 2014. Issuing these common shares reduced our controlling interest in PPC to 67.2%.

On January 17, 2012, PPC conducted the PPC Rights Offering, in which PPC distributed to the holders of its common stock transferable subscription rights for each share of its common stock. Each subscription right entitled the holder to purchase 0.2072 shares of common stock at a purchase price of US$4.50 per share. Additionally, the PPC Rights Offering also included an over-subscription privilege, which entitled a stockholder that exercised all of its basic subscription privilege in full the right to purchase additional shares of common stock that remained unsubscribed at the expiration of the PPC Rights Offering on February 29, 2012. The net proceeds received by PPC under the PPC Rights Offering totaled US$198.3 million. In connection with the PPC Rights Offering, JBS USA Holdings exercised its basic and over-subscription rights in full for US$143.7 million thereby increasing our ownership percentage to 68%.

On May 4, 2012, we announced that we had signed an agreement to lease certain plants from Frangosul in Brazil, permitting us to enter the chicken sector in Brazil in a relevant manner. Frangosul is controlled by the French poultry producer Doux Group. Pursuant to this lease agreement, we increased our chicken production capacity by more than 15%, reaching a daily slaughtering capacity of approximately 8.3 million chickens per day. Our operations in Brazil are located in traditional grain and poultry production regions, including the States of Mato Grosso do Sul and Rio Grande do Sul, and are integrated, through technology and knowledge transfers, with our PPC operations in 12 U.S. States, Mexico and Puerto Rico, where we own one of the largest production complexes in the world. The United States and Brazil are the two most important countries in the chicken sector in terms of exports.

On March 12, 2012, we purchased, through our wholly-owned subsidiary JBS USA Holdings, 18,924,438 shares of PPC. These shares were the property of Lonnie "Bo" Pilgrim, the founder and former controlling shareholder of PPC, and his associates, and represented substantially all of his remaining shares. Upon concluding this deal, our stake in PPC rose from 68% to 75.3%.

On June 21, 2012, we acquired 117,800,183 of our common shares in exchange for common shares issued by Vigor following a voluntary public tender offer of our common shares in exchange for common shares issued by Vigor. Following the conclusion of the Vigor Exchange Offer, we retained 21.32% of the total capital stock of Vigor. FB Participações, our controlling shareholder, acquired 44.62% of the Vigor shares subject to the Vigor

Exchange Offer. See "—Vigor Exchange Offer." As a condition precedent to the Vigor Exchange Offer, we were required to obtain the consent of holders of certain of our notes. For more information about the consent solicitations and amendments to the covenants of certain of our notes, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Description of Indebtedness—2014 Notes," "Management's Discussion and Analysis of Financial Condition and Results of Operations—Description of Indebtedness—2016 Notes" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Description of Indebtedness—2016 Bertin Notes."

On October 17, 2012, JBS Food Canada signed an agreement with XL Foods pursuant to which it assumed the management of certain Canadian operations of XL Foods. Concurrently, we acquired an exclusive option to purchase certain Canadian and U.S. assets of XL Foods. On January 14, 2013 and April 8, 2013, we acquired these Canadian and U.S. assets, respectively.

On November 23, 2012, we purchased, through JBS USA Holdings, 455,269 common shares of PPC from Don Jackson, JBS USA's former president and chief executive officer, for a price of US$6.00 per share. Mr. Jackson applied the proceeds from the sale to repay his February 23, 2012 promissory note to JBS USA Holdings, in the total amount of US$2.7 million, including principal and interest. As a result of this purchase, our stake in PPC increased from 75.3% to 75.6%, equivalent to 195,455,936 common shares.

On November 26, 2012, the general creditors' meeting of Independência and Nova Carne approved our proposal to acquire certain assets of these companies in connection with their judicial reorganization plans (*planos de recuperação judicial*). However, our consummation of these acquisitions has been suspended pending decisions on interlocutory appeals filed to oppose the approval of the judicial reorganization plans by the general creditors' meeting of Independência and Nova Carne.

On March 5, 2013, we acquired Agrovêneto, a Brazilian company that specializes in the production of chicken products and operates in the city of Nova Veneza in the State of Santa Catarina, through our wholly-owned subsidiary, JBS Frangosul, for a purchase price of R$108.5 million.

SB Holdings Acquisition

In January 2007, we acquired the North American company SB Holdings and its subsidiaries Tupman Thurlow, Astro and Austral Foods, one of the largest beef distributors in North America and owner of the "Hereford," "Manco Pride" and "Rip n' Ready" trademarks. The aggregate purchase price for this acquisition was US$11.9 million. The consolidated net sales of SB Holdings in 2006 were US$55.7 million. Tupman Thurlow, Astro and Austral Foods were merged into JBS Trading USA, on February 4, 2009.

Swift Acquisition

On July 11, 2007, we acquired Swift, as approved by an extraordinary shareholders' meeting held on June 29, 2007. The aggregate purchase price for the acquisition was US$1,459 million, including US$225 million paid to HM Capital Partners LLC, the former controlling shareholder of Swift, and US$1,234 million for the repayment of indebtedness of Swift. Swift also paid transaction costs, such as fees, commissions, and expenses with employees.

We financed a substantial portion of the Swift acquisition with an increase in our capital, as approved by our shareholders in an extraordinary shareholders' meeting held on June 29, 2007, in the total amount of R$1,853.8 million, for the private subscription of 227,400,000 new common shares at a price of R$8.1523 per share. In connection with this increase in our capital, BNDESPAR entered into an investment agreement pursuant to which it subscribed to a significant portion of our new common shares, in the amount of up to R$1,463.5 million, and J&F and/or ZMF agreed to invest up to R$390.3 million. The subscription of shares by BNDESPAR occurred through an assignment of a portion of the preemptive rights of the shareholders of J&F and/or ZMF in the subscription of new shares. The remaining purchase price of Swift acquisition was financed through new debt incurred by Swift on the date of the Swift acquisition.

As a result of Swift acquisition we became the world's largest company in the beef protein sector and the largest Brazilian company in the food sector.

Inalca JBS

On December 6, 2007, we entered into an agreement with Cremonini S.p.A., or Cremonini, pursuant to which, on March 3, 2008, we acquired 50% of: (1) the share capital of Inalca JBS one of Italy's leading beef companies and one of the main beef processing companies in Europe; and (2) Montana Alimentari S.p.A. and their respective subsidiaries, forming Inalca JBS. On March 4, 2011, we entered into a termination agreement with Cremonini, pursuant to which we ended our participation in Inalca JBS. Under the terms of the agreement, we sold 100% of our share ownership, representing 50% of Inalca JBS' share capital, to Cremonini for approximately R$504.0 million. In addition, pursuant to the terms of the agreement, we agreed with Cremonini to definitively abandon all disputes and litigation relating to the companies, their officers and employees.

Tasman Acquisition

On March 4, 2008, we executed a share sale agreement to acquire, direct or indirectly, the Tasman Group, Inc.'s operations in Australia, including the Tasman Group, for a purchase price of AUS$116.9 million (approximately US$108 million), fully paid in cash, based on the Tasman Group's enterprise value, consisting of an equity value of AUS$110 million and debt of AUS$50 million. The Tasman Group operates beef and small animal (hogs, lamb and sheep) processing facilities.

The Tasman acquisition was an important step in our investment plan, beginning in July 2007 with the Swift acquisition, to build a sustainable processing, production and sales platform in the United States and Australia. The Tasman acquisition increased our capacity to meet customer demand, providing for economies of scale and operating efficiency, and generating value to our shareholders.

JBS Packerland Acquisition

On March 4, 2008, we entered into a stock purchase agreement with Smithfield Foods, Inc., pursuant to which we purchased, through JBS USA Holdings, Smithfield Beef, for US$569.4 million in cash (including US$32.3 million of transaction related costs) and contributed our ownership in Smithfield Beef to JBS USA Holdings. We refer to this transaction as the JBS Packerland acquisition. The purchase included 100% of JBS Five Rivers, which was held by Smithfield Beef in a joint venture with Continental Grain Company, or CGC, formerly ContiGroup Companies, Inc. On October 23, 2008, we completed the acquisition of Smithfield Beef. The JBS Packerland acquisition included four processing plants and 11 feedlots and provided additional capacity to continue to meet customer demand.

The JBS Packerland acquisition excluded substantially all live cattle inventories and associated debt held by Smithfield Beef and JBS Five Rivers as of the closing date.

We financed a substantial portion of the Tasman acquisition and the JBS Packerland acquisition through an increase in our capital, as approved by our shareholders in an extraordinary shareholders' meeting held on April 11, 2008. In connection with this increase in our capital, BNDESPAR and PROT FIP entered into an investment agreement with our controlling shareholders. Pursuant to this investment agreement, BNDESPAR, PROT FIP, J&F and ZMF agreed to invest up to R$2,550.0 million in us, equivalent to the total amount of the proposed increase in our capital through the issuance of 360,678,926 new shares of our common stock at a price of R$7.07 per share. BNDESPAR and PROT FIP subscribed to the issued shares following an assignment of a portion of the preemptive rights of the shareholders of J&F and/or ZMF in the subscription of these new shares, pursuant to the investment agreement entered into March 18, 2008.

PPC Acquisition

On December 1, 2008, PPC and six of its subsidiaries filed voluntary petitions in the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division, seeking reorganization relief under the U.S. Bankruptcy Code.

On September 16, 2009, JBS USA Holdings entered into a share purchase agreement with PPC. Following conclusion of the transactions provided for in this agreement, and in accordance with PPC's amended joint plan of reorganization, JBS USA Holdings acquired new common shares issued by PPC, representing 64% of the total outstanding shares for a total purchase price of US$800.0 million paid in cash. Following the bankruptcy process, PPC entered into a credit facility consisting of a three-year revolving credit facility in the amount not to exceed US$600.0 million, a three-year term loan A facility in the amount not to exceed US$375.0 million and a five-year term loan B facility in the amount not to exceed US$775.0 million. We refer to this financing arrangement as the Exit Facility. In addition, under the terms of the stock purchase agreement, in the event JBS USA Holdings were to complete an initial public offering by January 27, 2012, JBS USA Holdings would have the option to cause each share of PPC's common stock to be exchanged for new shares of JBS USA Holdings' common stock, according to a specified exchange offer ratio, calculated based on the fair value of the shares of JBS USA Holdings and PPC. JBS USA Holdings would then hold all common stock of PPC.

On September 17, 2009, PPC and six of its subsidiaries filed with the bankruptcy court a proposed amended joint plan of reorganization, or the Plan, and a proposed disclosure statement pursuant to Chapter 11 of the Bankruptcy Code. On December 10, 2009, the bankruptcy court entered an order approving and confirming the Plan. On December 28, 2009, PPC consummated the reorganization contemplated by the Plan and emerged from Chapter 11 bankruptcy proceedings.

The PPC acquisition has resulted in gains in synergy and cost reductions through initiatives in the corporate, transport, supply and packaging areas, in addition to reducing general and administrative, exports and logistics expenses.

On November 4, 2010, JBS USA Holdings negotiated a block purchase of an additional 7.0 million shares of PPC's common stock from Pilgrim Interests, Ltd. at a price of US$5.96 per share, for a total of US$41.7 million. The purchase price was based on the previous 30-day average closing price of PPC common stock. This block represented approximately 3.3% of the total issued and outstanding common stock of PPC, increasing JBS USA Holdings' ownership of the total issued and outstanding common stock of PPC to approximately 67.3%.

On January 5, 2012, PPC issued 200,000 common shares that had been previously awarded to William W. Lovette, PPC's chief executive officer, to enable him to participate in the PPC Rights Offering. The restrictions on 100,000 of these shares awarded to Mr. Lovette lapsed on January 14, 2013 when they vested. The restrictions on the remaining 100,000 shares will lapse when they vest on January 14, 2014. Granting these shares subsequently reduced our controlling interest in PPC to 67.2%.

On January 17, 2012, PPC conducted the PPC Rights Offering. Each subscription right entitled the holder to purchase 0.2072 shares of common stock at a purchase price of US$4.50 per share. Additionally, the PPC Rights Offering also included an over-subscription privilege, which entitled a stockholder who exercised all of its basic subscription privilege in full the right to purchase additional shares of common stock that remained unsubscribed at the expiration of the PPC Rights Offering on February 29, 2012. PPC's net proceeds received under the PPC Rights Offering totaled US$198.3 million. In connection with the PPC Rights Offering, JBS USA Holdings exercised its basic and over-subscription rights in full for US$143.7 million thereby increasing our ownership percentage to 68%.

On March 12, 2012, we purchased, through our wholly owned subsidiary JBS USA Holdings, 18,924,438 shares of PPC. These shares were the property of Lonnie "Bo" Pilgrim, the founder and former controlling shareholder of PPC, and his associates, and represented substantially all of his remaining shares. Upon concluding this deal, our stake in PPC rose from 68% to 75.3%.

On November 23, 2012, we purchased, through JBS USA Holdings, 455,269 common shares of PPC from Don Jackson, JBS USA's former president and chief executive officer, for a price of US$6.00 per share. Mr. Jackson applied the proceeds from the sale to repay his February 23, 2012 promissory note to JBS USA Holdings, in the total amount of US$2.7 million, including principal and interest. As a result of this purchase, our stake in PPC increased from 75.3% to 75.6%, equivalent to 195,455,936 common shares.

Bertin Merger

On September 16, 2009, J&F and ZMF, members of the controlling group of our controlling shareholder, FB Participações, entered into an association agreement with the controlling shareholders of Bertin, a Brazilian company that was one of the largest exporters of beef and other cattle by-products in Latin America. Pursuant to the association process entered into between the parties: (1) our controlling shareholders agreed to contribute their shares in us held, directly or indirectly, by them in exchange for shares to be issued by FB Participações, a newly formed holding company; and (2) the controlling shareholders of Bertin agreed to contribute all of their shares representing 73.1% of Bertin in exchange for shares to be issued by FB Participações.

On December 23, 2009, J&F and ZMF contributed all of our common shares owned by them to an increase in the capital of FB Participações.

On December 31, 2009, the Bertin merger was consummated. Bertin's controlling shareholders contributed all of their shares in Bertin to increase the capital of FB Participações by a total amount of R$4,949.0 million through the issuance of 2,334,370,128 new common registered shares, without par value, of FB Participações.

We experienced gains in synergy as a result of our merger with Bertin. The Bertin merger resulted in reduced packaging, industrial and administrative costs, in addition to benefits from corporate and export synergies. For more information about the Bertin merger, see "Risk Factors—Risks Relating to our Business and Industries—The Bertin merger is subject to the approval of the Brazilian antitrust authorities and any approval by Brazilian antitrust authorities may require us to undo a part of the merger."

BNDESPAR Debentures and the BNDESPAR Transaction

On December 22, 2009, we agreed to issue, and BNDESPAR agreed to subscribe for and purchase, up to the entire principal amount of US$2.0 billion of the BNDESPAR debentures in a private unregistered transaction pursuant to Brazilian Law No. 6,382 and exempt from registration under the Securities Act pursuant to Regulation S thereunder. The terms of the BNDESPAR debentures provided that these debentures were mandatorily exchangeable into our shares if JBS USA Holdings did not complete its initial public offering prior to December 31, 2011. In May 2011, we announced a proposed increase in our share capital in the amount of R$3.5 billion, which was funded through a capital increase in the form of capitalization of credits held by BNDESPAR through its holding of R$3.5 billion in BNDESPAR debentures, and the related cancellation of the BNDESPAR debentures. In July 2011, our board of directors confirmed the subscription of the proposed capital increase (and we amended the terms of the BNDESPAR debentures to provide for the capitalization of credits and related cancellation), with holders of debentures acquiring 99.94% of the common shares that were issued as a result of the capital increase. We redeemed the BNDESPAR debentures (0.6%) that were not subscribed for in connection with our increase in share capital. On December 28, 2012, BNDESPAR informed us that it disposed of 296,392,500 common shares issued by us, and, as a result, BNDESPAR currently directly holds 584,417,512 common shares of JBS, corresponding to 19.85% of our total capital stock. Additionally, BNDESPAR holds, through its participation in PROT FIP, shares equivalent to 3.14% of our total capital stock, amounting to a total direct and indirect participation of 22.99% in our total capital stock.

Tatiara Acquisition

On February 22, 2010, our indirect subsidiary JBS Australia announced the acquisition of Tatiara, from Vion Food Group, a Netherlands international food company, for a total amount of AUS$30 million (US$27.9 million). This acquisition was approved by Australia's antitrust authorities in February 2010. Tatiara is a high quality lamb processor focused on sales to sophisticated markets such as the United States, Canada and Europe, as well as in the

Australian market. With the Tatiara acquisition, we are the largest lamb processor in Australia, with the capacity to slaughter 23,000 heads per day.

Rockdale Beef Acquisition

On March 19, 2010, we announced our intent to acquire Rockdale Beef, through our indirect subsidiary JBS Australia. Pursuant to the terms of the agreement entered into with the controlling shareholders of Rockdale Beef, JBS Australia agreed to acquire all of Rockdale Beef's business, including its property, plant and equipment, intellectual property, inventory and cattle. Rockdale Beef operates an integrated beef cattle feedlot, feed mill, meat processing facility and farming business located in New South Wales, Australia. Rockdale Beef has an annual slaughtering capacity of 200,000 head of cattle and has simultaneous feedlot capacity of up to 53,000 head of cattle. This acquisition closed on September 10, 2010. Rockdale was renamed "Riverina Beef."

Vigor Exchange Offer

On June 21, 2012, we acquired 117,800,183 of our common shares in exchange for common shares issued by Vigor following the Vigor Exchange Offer. Following the conclusion of the Vigor Exchange Offer, we retained 21.32% of the total capital stock of Vigor. FB Participações, our controlling shareholder, acquired 44.62% of the Vigor shares subject to the Vigor Exchange Offer. As a condition precedent to the Vigor Exchange Offer, we were required to obtain the consent of holders of certain of our notes. For more information about the consent solicitations and amendments to the covenants of certain of our notes, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Description of Indebtedness—2014 Notes," "Management's Discussion and Analysis of Financial Condition and Results of Operations—Description of Indebtedness—2016 Notes" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Description of Indebtedness—2016 Bertin Notes."

Description of Business Divisions

Our business operations are currently organized into the following segments:

- Beef segment, through which we conduct our domestic and international beef processing business in South America and the United States and Australia, as well as our Australian lamb and sheep businesses that we acquired as part of Tasman acquisition;

- Pork segment, through which we conduct our domestic and international pork and lamb processing business in the United States;

- Chicken segment, through which we conduct our chicken processing business in the United States, Mexico, Puerto Rico and Brazil; and

- Other segment, through which we conduct our leather, pet, biodiesel, collagen and hygiene and cleaning products operations.

In 2011, our net revenues totaled R$61,796.8 million, of which 64.2% derived from our Beef segment, 9.4% from our Pork segment, 20.3% from our Chicken segment and 6.0% from our Other segment. In 2012, our net revenues totaled R$75,696.7 million, of which 64.3% derived from our Beef segment, 9.0% from our Pork segment, 21.9% from our Chicken segment and 4.8% from our Other segment.

We operate in five continents and have production platforms and offices in several countries, including Brazil, Argentina, Australia, the United States, Uruguay, Paraguay, Mexico, Puerto Rico and China. Our products primarily consist of fresh beef (including fresh and frozen chuck cuts, rib cuts, loin cuts, round cuts, thin meats, ground beef and other products), processed beef (including trimmed cuts and ground beef products), value-added beef (including frozen cooked beef, canned, seasoned, marinated and consumer-ready products), offal, hides (including wet blue, semi-finished and finished leather), fresh pork (including fresh and/or frozen loins, chops, and ribs), processed and value-added pork (including trimmed cuts and marinated products), fresh chicken (including refrigerated and/frozen

whole chickens and chicken parts), prepared chicken (including trimmed cuts, tenderloins and strips, delicatessen products and salads, formed nuggets and patties, and bone-in chicken parts) and other products (including hygiene, beauty and cleaning products, collagen and biodiesel fuel).

We sell our products primarily to retailers, such as grocery store chains and other retail distributors and foodservice customers (such as foodservice distributors, food processors and chain restaurants). We also produce and sell by-products derived from our meat processing operations, such as hides and variety meats, to customers in the cleaning supply, pet food, tannery, collagen and biodiesel fuel industries, among others. We have approximately 115,000 active clients in our database, including retailers and wholesalers.

As a result of the Bertin merger, we increased our processing, sale and distribution of fresh beef and beef by-products. See "—Bertin Merger." We also added cleaning and personal care, pet food, metallic packing products, as well as cargo transportation and recycling operations.

In South America, we conduct our operations through 53 beef processing facilities in Brazil, five beef processing facilities in Argentina, two beef processing facilities in Paraguay, one beef processing facility in Uruguay, 12 distribution centers, one leather distribution center and five feedlots in Brazil.

In the United States, through JBS USA Holdings, we operate eight beef processing facilities, three pork processing facilities, one lamb processing facility, one case-ready beef and pork facility, one hide tannery, one grease producing facility and 12 feedlots operated by JBS Five Rivers, which supply approximately 24% of the cattle processed by JBS USA Holdings. In Australia, through JBS USA Holdings, we operate 15 processing facilities, processing beef and hogs, lamb and sheep, or smalls, including the largest technologically advanced facility in Australia (Dinmore), and five feedlots that supply approximately 16% of the cattle JBS USA Holdings processes. In Canada, following the acquisition of XL Foods assets, we operate two processing facilities through JBS USA Holdings.

Following the PPC acquisition, through JBS USA Holdings, we conduct our chicken business through 31 chicken processing facilities equipped with 25 feed mills, 29 hatcheries and 11 cooking facilities, seven rendering facilities and three pet food plants in the United States, three chicken processing facilities equipped with four feed mills and two hatcheries and two rendering facilities in Mexico and one chicken processing facility, one feed mill, one hatchery and one rendering facility in Puerto Rico. In addition, the PPC acquisition expanded our distribution capacity, adding 14 distribution centers in Mexico.

Our facilities and products are inspected by the MAPA and health authorities in the countries in which we operate. All of our meat processing facilities in Brazil are approved by the Federal Inspection Service of the Ministry of Agriculture (*Serviço de Inspeção Federal do Ministério da Agricultura*), or SIF, which regulates the export of animal products. Our animal product exports receive an international health certificate and our domestic transfers receive an uncertified transfer form. United States and European markets have their regulation in the SIF, which controls are stricter. We ensure compliance with these regulations by all of our facilities through our animal products tracking system. Our animal products tracking system is also available for use by via internet portals to our centralized database, which is able to track and verify the farm and supplier from which the animal products originated. Customers may also check certain websites to ensure the products they purchase are not coming from prohibited or restricted regions. In addition, we invest in the quality of our farmers, establishing a set of criteria to assure the quality of the farmers that we purchase cattle from.

Beef and Pork Segments

South America Division

Beef Processing

Our products primarily consist of fresh beef (including fresh and/or frozen chuck cuts, rib cuts, loin cuts, round cuts, thin meats, ground beef and other products), processed beef (including trimmed cuts and ground beef products), value-added beef (including frozen cooked beef, canned, seasoned, marinated and consumer-ready products) and offal.

Our products are sold domestically and internationally. We are renowned for the high quality of our products in the domestic and international markets. Our products are subject to strict quality control and satisfy international health standards. Our beef products are handled in acclimatized rooms and our freezing and refrigeration chambers are equipped with computerized temperature-control systems. We ensure quality control by adhering to various programs and standards, including: Standard Sanitizing Operating Procedures; Good Manufacture Practice; Hazard Analysis and Critical Control Point; and Friboi Quality. Furthermore, our carcasses are inspected by officials from the SIF who certify our processing and production. In addition to animal tracking and health monitoring, quality control in our processing facilities is assured through our use of state-of-the-art laboratories and expert technicians.

In Brazil, we market our beef products through several distribution channels, including:

- national and regional retailers, including grocery store chains, independent grocers, and wholesale distributors;
- food processors;
- international distributors; and
- the food service industry, including food service distributors, fast food and other restaurants, and hotel chains.

We market our products through local sales teams and agents and distribute our products both directly from our facilities and through our 12 distribution centers located in São Paulo, Distrito Federal, Minas Gerais, Paraná, Rio Grande do Sul, Santa Catarina, Amazonas, Rio de Janeiro, Bahia, Espírito Santo, and Pernambuco. We ship our products through outsourced transportation companies.

According to SECEX data, as of December 31, 2012, we were the largest exporter of beef products in Brazil, representing approximately 53.7% of all beef products exports, and we rank among the primary Brazilian export companies across all industries.

We conduct our beef processing operations in Brazil through 53 beef processing facilities, 12 distribution centers, and five feedlots. We conduct our beef processing operations in Argentina through five beef processing facilities. In addition, we operate two beef processing facilities in Paraguay and one beef processing facility in Uruguay.

Raw Materials

The primary raw material for our beef processing operations is live cattle. We purchase most of our cattle from ranchers in Brazil generally located within 500 kilometers of one or more of our beef processing facilities. The close proximity of our cattle suppliers to our beef processing facilities results in lower transportation costs and reduces the risk of weight loss and bruising of cattle during transportation.

We enter into livestock purchase agreements with our cattle suppliers. In addition, we assist local cattle suppliers in obtaining financing as part of a program created to help these suppliers to improve and expand their businesses. The terms of such financing is as follows:

- a financial institution grants a short-term loan to a cattle supplier;
- the cattle supplier provides a certain number of head of cattle as collateral, the total value of which (on the date of execution of the loan agreement) exceeds the principal amount of the loan;
- we agree to purchase the cattle from the financial institution upon maturity of the loan at a discounted price, established at the time agreement. Payment is made upon delivery of cattle to our facilities;
- the default risk is borne by the cattle supplier, since we are only required to purchase the number of cattle we consider appropriate, provided that the cattle supplier delivers cattle to our facilities; and
- the financial institution uses funds paid by us to reduce the principal amount and total interest owed in connection with the loan and refunds any excess amounts to the cattle supplier.

We employ experienced cattle buyers who purchase cattle in the principal cattle raising areas in Brazil. Our buyers are trained to select high quality, disease-free animals, and we constantly monitor their performance. We purchase cattle only from select registered producers, based on rigorous animal selection guidelines. Our cattle suppliers are required to document the quality of their operations and verify that their use of antibiotics and agricultural chemicals complies with industry standards. All cattle that we purchase in Brazil is inspected by officials from the SIF, which regulates cattle slaughter and processing in Brazil.

Cattle supply and prices are affected by several factors such as climate, access to capital by cattle raisers and harvest period.

Beef Processing Facilities

Our South America beef division includes 53 beef processing facilities located in the Brazilian States of Acre, Bahia, Goiás, Mato Grosso, Mato Grosso do Sul, Minas Gerais, Pará, Paraná, Rondônia, São Paulo and Tocantins.

In addition, our South America beef division includes certain facilities located outside of South America. JBS Trading USA, our wholly-owned subsidiary located in the United States, sells processed beef products in the North American market. In addition, we have two wholly-owned indirect subsidiaries in England and Egypt that we established in order to increase product sales and distribution in Europe, Asia and Africa.

On December 31, 2009, we consummated the Bertin merger and have since fully integrated Bertin's operations with our operations. See "—Bertin Merger." These operations include beef processing, beef and beef by-product sales and distribution and the production and sale of leather, hygiene and cleaning products, pet food products, as well as metallic packaging, cargo transportation and recycling services. Our operations are organized into the following business divisions: beef, leather, biodiesel, hygiene and cleaning products, pet products, can manufacturing, logistics and environment.

United States/Australia Division

Products, Sales and Marketing

JBS USA Holdings is one of the world's largest beef and pork processing companies. Following the Swift acquisition, we believe we are, through JBS USA Holdings, one of the largest beef processors to operate in the North American market. We also believe JBS USA Holdings owns and operates the largest feedlot business in the United States. In addition, JBS USA Holdings is the largest beef processing and export company in Australia with exports to over 30 countries.

JBS USA Holdings processes, packages and delivers fresh beef, processed and value-added beef, pork, lamb and mutton products to customers in the United States and the global market. JBS USA Holdings' meat products include refrigerated beef and pork processed to standard industry specifications.

Raw Materials

Beef Processing – United States and Canada

The primary raw material for our U.S. and Canadian beef processing facilities is live cattle. All of our U.S. and Canadian cattle procurement process is centralized at JBS USA Holdings' headquarters in Greeley, Colorado. JBS USA Holdings requires all of its cattle suppliers to document the quality of their feedlot operations, verify that the use of antibiotics and agricultural chemicals follow the manufacturer's intended standards and confirm that feed containing animal based protein products, which have been associated with outbreaks of BSE, has not been used. JBS USA Holdings has in excess of 3,000 cattle suppliers.

JBS Five Rivers operates 12 cattle feedlots with a one-time feeding capacity of approximately 910,000 cattle, located in Colorado, Idaho, Kansas, Oklahoma, New Mexico, Arizona and Texas, adjacent to our existing Beef segment slaughter facilities. JBS Five Rivers operates exclusively as a custom feedlot, sometimes known as a "hotelling" operation. Under this model, the feedlot "hotels" cattle owned by third parties in return for fees. JBS Five Rivers has such an agreement with our affiliate, J&F Oklahoma, which is a wholly-owned subsidiary of J&F, our indirect shareholder. Under this agreement, JBS Five Rivers has agreed to "hotel" cattle owned by J&F Oklahoma in exchange for fees. While the feedlot operator generally sells the cattle on behalf of the owner (deducting the fees from the sale proceeds), the ultimate risk of the cattle going unsold is borne by the cattle's owner, not the feedlot.

Following the acquisition of XL Foods' assets in the U.S. and Canada, JBS USA Holdings assumed ownership of the following properties: (1) in the U.S., a beef packing plant in Omaha, Nebraska, with capacity to process 1,100 head of cattle per day and a beef packing plant in Nampa, Idaho, with capacity to process 1,100 head of cattle per day; and (2) in Canada, a beef packing plant, a feedlot and adjacent farmland to support the feedlot in Brooks, Alberta, and a beef packing plant in Calgary, Alberta.

Beef Processing – Australia

The primary raw materials we use in our Australian processing facilities are live cattle, lamb and sheep. Our Australian cattle procurement function is focused on efficiently sourcing both grass-fed cattle and feeder cattle for our grain-fed business. Grass-fed cattle are primarily sourced from third party suppliers with specific weight and grade characteristics. This process helps ensure that the cattle we source meet our future order requirements. The majority of grain-fed cattle are sourced from company-owned feedlot operations.

JBS USA Holdings operates five feedlots that provide grain-fed cattle exclusively for our processing operations in Australia. On average, cattle remain in its feedlots for approximately 140 days before they are transferred to our processing operations.

Pork Processing – United States

In the United States, through JBS USA Holdings, we employ a network of hog buyers at our processing plants and buying stations to secure our hog supply. For the years ended December 31, 2011 and 2012, approximately 82.4% and 80.0%, respectively, of our hog purchases were made through various forms of supply contracts that provide us with a stable supply of high-quality hogs. These supply contracts are typically four to five years in duration and stipulate minimum and maximum purchase commitments with prices based in part on the market price of hogs upon delivery, with adjustments based on quality, weight, lean composition and meat quality. For the years ended December 31, 2011 and 2012, we purchased the remaining approximately 15.6% and 16.7%, respectively, of our hogs on the spot market at a daily market price with the same general quality and yield grade as we require under our contracts. For the years ended December 31, 2011 and 2012, approximately 1.98% and 3.25%, respectively, of our hogs were owned by us. We require, through JBS USA Holdings, an extensive supplier

certification program and conduct comprehensive cutting tests of our potential suppliers' animals to determine carcass composition and leanness.

We are a non-vertically integrated pork processor. Vertically integrated pork processors, which own hogs on feed, can be subject to significant financial impact in terms of working capital utilization, since hogs on feed eat in the yards for approximately 180 days and do not generate revenue until slaughtered. In addition, since hogs on feed consume feed with a replacement price that is subject to market changes, vertically integrated pork processors have direct financial exposure to the volatility in corn and other feedstock prices.. We do not own significant number of hogs on feed and generally purchase finished hogs under long-term supply contracts at prevailing market prices, fabricate the hogs in our production facilities and sell the finished products at spot prices. Because the finished hogs typically are acquired within 24 hours of slaughter, they are not exposed to changing market prices over as great a span of time as vertically integrated processors.

Processing Facilities

In the United States, through JBS USA Holdings, we operate eight beef processing facilities, three pork processing facilities, one lamb processing facility, one case-ready beef and pork facility, one hide tannery, one grease producing facility and 12 feedlots operated by JBS Five Rivers, which supply approximately 24% of the cattle processed by JBS USA Holdings. In Australia, through JBS USA Holdings, we operate 15 processing facilities, processing beef and hogs, lamb and sheep, or smalls, including a large technologically advanced facility in Dinmore, and five feedlots that supply approximately 16.0% of the cattle JBS USA Holdings processes. Our Australian facilities are strategically located to source cattle at a low cost and efficiently serve our global customer base in Asia and elsewhere. We have the capacity to process approximately 26,025 cattle, 51,300 hogs and 2,565 lambs daily in the United States and 7,765 cattle and 19,700 smalls daily in Australia based on our facilities' existing configurations.

Chicken Segment

United States Division

Products, Sales and Marketing

PPC is one of the largest chicken processers in the United States, with operations in Mexico and Puerto Rico as well. PPC exports chicken commodities to approximately 100 countries and its main products are fresh and refrigerated whole and cut-up chickens. Its main clients are restaurant chains, food processors, grocery stores, wholesalers and other retailer distributors. It also exports to Mexico, Asia, Eastern Europe and other world markets.

Through PPC, we produce both fresh and prepared chicken products for sale to customers in retail, foodservice and international distribution channels in over approximately 100 countries on five continents. Our fresh chicken products include refrigerated whole and cut-up chickens and prepackaged case-ready chicken. Case-ready chicken includes various combinations of freshly refrigerated whole chickens and chicken parts ready for the retail grocer's fresh meat counter. Our prepared chicken products include refrigerated and frozen portion-controlled breast fillets, tenderloins and strips, delicatessen products and salads, formed nuggets and patties, and bone-in chicken parts. Our prepared chicken products may be fully cooked, partially cooked or raw and include breaded and marinated products.

Raw Materials

PPC operates as a vertically integrated company and controls every phase of the production of its products, including feed mills, hatcheries, incubators, processing plants and distribution centers in Mexico. Vertically integrated processors own and raise breeder flocks for the production of hatching eggs. Once hatched, the chicks, or broilers, are transported to independent contract grow-out farms, where they are grown to an age of seven to nine weeks. The processor supplies the contract growers with the chicks, feed and veterinary services.

Through JBS USA Holdings, we enter into long-term agreements with our suppliers. As a current market practice, we do not enter into exclusive agreements because we want to be able to find the most appropriate supplier in each transaction based on price, quality and terms and conditions for product delivery. We highlight that all of our suppliers are subject to inspection bodies and applicable laws in their area of operations. We have over 11,000 suppliers and, as a result, there is no risk of concentration for us.

Results of operations in our USA chicken division depend, among other factors, on the purchase price of raw material (especially corn) and the sales price of our products. Such prices may significantly fluctuate, including in short periods, due to several factors, including supply and demand of chicken and the market of other protein sources, such as beef and pork. We try to manage some of these risks with risk and hedge management programs, including futures and options agreements. However, these strategies do not completely eliminate these risks. In addition these programs may also limit gains due to fluctuations on the commodities price. See "Risk factors—Risks Relating to our Business and Industries—Our results of operations may be adversely affected by fluctuations in market prices for livestock and grains."

Processing Facilities

Following the PPC acquisition, through JBS USA Holdings, we now have a daily processing capacity of 7.1 million chicken broilers and are able to conduct chicken business through 31 chicken processing facilities equipped with 25 feed mills, 29 hatcheries and 11 cooking facilities, seven rendering and three pet food plants in the United States, three chicken processing facilities equipped with four feed mills and two hatcheries and two rendering facilities in Mexico and one chicken processing facility, one feed mill, one hatchery and one rendering facility in Puerto Rico. In addition, the PPC acquisition expanded our distribution capacity, adding 14 distribution centers in Mexico.

Brazil Division

Products, Sales and Marketing

JBS Frangosul is the third largest chicken processor and exporter in Brazil, with operations in the States of Rio Grande do Sul and Mato Grosso do Sul. We export chicken commodities to approximately 100 countries and our main products are fresh and refrigerated whole and cut-up chickens, as well as processed and value-added chicken products. We export to Middle East, Japan, Latin America and others world markets.

Domestically, we sell refrigerated and frozen breast fillets, formed nuggets and bone-in chicken parts. Our prepared chicken products may be fully cooked, partially cooked or raw and include breaded and marinated products. We hold highly recognized and established brands with strong reputation for quality and innovation.

Raw Materials

We operate our Brazil chicken division as a vertically integrated company and control every phase of production, including feed mills, hatcheries, incubators and processing plants. Vertically integrated processors own and raise breeder flocks for the production of hatching eggs. Once hatched, the chicks, or broilers, are transported to independent contract grow-out farms, where they are grown to an age of seven to nine weeks. The processor supplies the contract growers with the chicks, feed and veterinary services.

Results of operations in our Brazil chicken division depend, among other factors, on the purchase price of raw material (especially corn) and the sales price of our products. Such prices may significantly fluctuate, including in short periods, due to several factors, including supply and demand of chicken and the market of other protein sources, such as beef and pork. We try to manage some of these risks with risk and hedge management programs, including futures and options agreements. However, these strategies do not completely eliminate these risks. In addition, these programs may also limit gains due to fluctuations on the commodities price. See "Risk factors—Risks Relating to our Business and Industries—Our results of operations may be adversely affected by fluctuations in market prices for livestock and grains."

Processing Facilities

We have a daily processing capacity of approximately 1.3 million chicken broilers and are able to conduct chicken business through three chicken processing facilities, one dedicated plant for processed products and two breaded plants, four feed facilities and six hatcheries equipped with feed mills, hatcheries and cooking facilities and rendering.

Other Segment

Leather

We produce and sell a broad line of wet blue, semi-finished and finished leather and leather-related products to the shoe, automobile, furniture and artifact industries. Our leather products are marketed under the "JBS Couros" name. We believe we are one of the largest Brazilian leather exporters, with 21 leather products facilities in Brazil, one leather products facility in China, one leather products facility in the United States and one leather products facility in Australia.

Hygiene and Cleaning Products

We operate one hygiene and cleaning products facility. We believe we are leaders in the production of fat and other by-products for small, mid-sized and large companies in this sector. Brand names under which we sell our products include "BioBriz" and "Lavarte." We manufacture household and clothing cleaning products, such as disinfectants, soap bars, softeners, all-purpose cleaners, heavy-duty cleaning products and dishwashing detergents.

Collagen

We believe we are world leaders in the production of natural collagen fiber through Novaprom Food Ingredients Ltda., which has manufactured and sold natural collagen fibers since 2002. Collagen fiber is a pure non-denatured protein extracted from the inner layers of cattle skin. Collagen products are used by the food industry in meat and dairy products, and beverages. We are pioneers in Brazil in the manufacture of natural collagen fiber, which we believe to have several health benefits, including helping to heal bone, joints and heart tissue, preventing skin aging and flaccidity, moisturizing the skin and providing tissue texture and elasticity.

We have one collagen producing facility with a production capacity of hundreds of tons per month. Our collagen products are sold in the domestic and foreign market.

Biodiesel Fuel

We have one biodiesel fuel facility with a monthly capacity of 28 megawatts of biodiesel fuel, rendered from vegetable oils and animal fat. Our biodiesel fuel processing capabilities are housed in our 30,000 square meter facility located in the city of Lins, State of São Paulo. Our biodiesel fuel facility is fully automated and has a state-of-the-art system of production and lab analysis system that certifies the quality of this alternative power source, ensuring it meets Brazilian and international standards.

Distribution and Transportation

Overview

Our distribution network enables us to sell our products throughout the world and is fundamental to our strategy of expanding into new markets and consolidating our fast, safe and high quality services in markets in which we already operate. We continue to seek innovative solutions to accomplish this mission. Our distribution network enables us to control our operating costs and includes 12 beef distribution centers in Brazil, one leather distribution center in Brazil, seven beef distribution centers in Australia, 14 chicken distribution centers in Mexico and distribution and sales offices in Chile, Japan, Hong Kong, South Korea, Taiwan and China.

Brazil Division

We transport our export products from our plants in Brazil to ports with our own fleet of trucks, which are adapted to transport containers. In order to facilitate export logistics, we have an inland container terminal on land near the Port of Santos, State of São Paulo. In addition, we completed the construction of an inland container terminal on land located in Cubatão, São Paulo (near the Port of Santos, the largest port in Latin America) purchased in October 2007. This inland container terminal has a total area of approximately 30,000 square meters, including an office building and container areas and other facilities that can (1) receive and store up to 240 full containers (up to 6,000 thousand tons of beef) and up to 600 empty containers and (2) accommodate up to 80 loaded trucks. This inland container terminal operates as a cargo warehouse, so that our containers can be unloaded from our trucks at the inland container terminal (freeing these trucks up to make more deliveries to our inland container terminal) and loaded onto other trucks that transport our products from our inland container terminal to maritime carriers.

We own a fleet of 430 trucks that we use to transport cattle to our beef processing facilities in Brazil and 275 trucks used to transport our export products, which together with our empty containers near the Port of Santos facilitate our export logistics. In addition, we have a fleet of 96 trucks serving our direct distribution network for small retailers and end consumers.

United States and Australia Division

JBS USA Holdings

Our distribution network in the United States and Australia, through JBS USA Holdings, varies by product type. JBS USA Holdings leases seven trading/distribution facilities in Australia. These distribution facilities are strategically located next to certain processing facilities of JBS USA Holdings. JBS USA Holdings also sells its products to food distributors that will supply products to restaurant and hotel chains and other clients. Such food distributors purchase from JBS USA Holdings through its processing and distribution facilities.

JBS owns or leases approximately 850 trucks in the United States and Australia that are specially equipped to transport raw materials and finished products. JBS USA Holdings also utilizes third-party shipping companies that provide them with additional trucks to transport their raw materials and finished products. Diesel fuel cost is not a significant cost since the fuel cost is generally borne by the customer and so is “passed through” to the buyer of the finished goods. JBS USA Holdings does not have long-term contracts to purchase diesel fuel since it purchases most of the fuel for its trucks on the national highway system in truck stops.

Pilgrim’s Pride

PPC currently owns 14 distribution centers in Mexico.

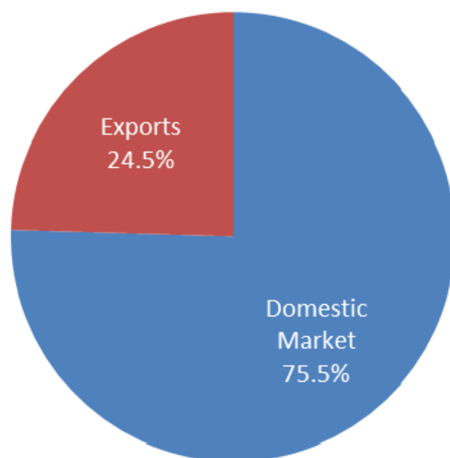
PPC currently owns or leases approximately 1,100 tractors and 2,200 trailers which are used to transport chicks from the hatcheries and feed to the contract growers and chickens from the contract growers to the processing plants.

Other Markets

We have sales teams in Egypt, the United States, England, Chile, Japan, Belgium, Hong Kong and China, among other countries, which are responsible for the distribution of our products. These offices’ proximity to our end consumers and clients enables us to provide efficient and customized service in accordance with cultural preferences and consumption patterns in each of these markets.

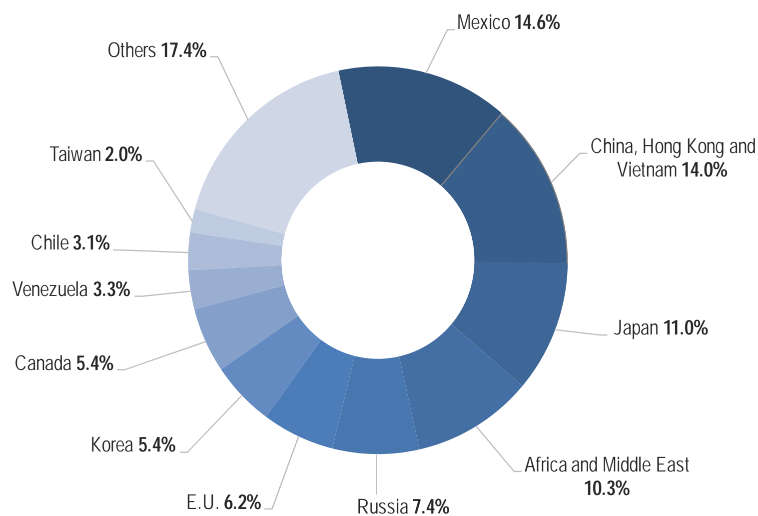
Sales Distribution by Market

The following chart sets forth our sales distribution by market during the year ended December 31, 2012:



Distribution of Consolidated Exports

The following chart sets forth our exports during the year ended December 31, 2012:



Environmental Regulation

We believe we fully comply with local, state and federal health and environmental laws in the areas in which we operate and we obtain and renew all necessary licenses.

We value sustainable development and we incorporate concepts of corporate responsibility, respect for the environment, ethics and economic performance into our corporate governance practice. We believe our development and corporate growth depends on the sustainability of our actions. Therefore, we have implemented certain corporate governance practices and we constantly seek investments that will improve our operations and facilities, in particular to reduce any environmental impact, and we strive to strengthen relations with our employees, their families and local communities through our community activities.

We maintain a sustainable development policy because we are aware of the environmental, economic and social impact created by each of our businesses in the regions in which we operate and of our corporate responsibility as the world's largest meat processing company. As such, we have implemented appropriate sustainable development programs in each of our facilities, including environmental protection policies, educational programs, social development programs, and investments aiming to reduce our environmental impact.

The premises of sustainable development, including ecological viability, social fairness and cultural acceptance have always been part of our growth and development in all countries in which we operate. Our significant experience corroborates the importance of reducing environmental impact and maintaining a close relationship with the communities in which we operate. We prioritize the sustainable use of resources, environmentally sound waste treatment, partnerships with fair companies, health, life quality, and ethics.

In the year ended December 31, 2012, we invested approximately R$25.1 million in improvements of our operations in Brazil to comply with environmental regulations and other practices, including adherence to international environmental protection standards.

Our facilities in Brazil and abroad comply with applicable environmental rules and regulations, including environmental licenses prescribed by law. In order to reduce our environmental impact, we conduct preventive maintenance of machinery, equipment and gas filtering systems, and implement programs for efficient use of water and electricity and recycling of material used by us. We frequently measure the environmental impact of products, processes, operations and services to identify possible or potential causes of significant damage to the environment. We also develop and implement sustainable processes.

We have a specific policy to address the sustainability issues and the social and environmental risks associated with our supply chain. In order to mitigate the effects of climate change and manage greenhouse gas emissions, we have been a member of the Carbon Disclosure Project since 2009 and the Integrated CO_2 Network since 2010. Both initiatives aim to measure, disclose and monitor emissions across value chain operations.

We aim to ensure that the origin of our feedstock is not associated with deforestation, poor work conditions, or the invasion of indigenous or conservation land. Since 2010, we have been developing a social and environmental monitoring system for the Amazon biome using satellite imagery, geo-referenced ranch data and government data to analyze more than 22,000 cattle suppliers in the region.

In addition, we conduct environmental educational programs, consisting of various informational campaigns and recycling programs, for all employees of our facilities. Our JBS USA Holdings facilities recycle most of the waste produced by each facility. In Australia, we participate in the Healthy Waterways Partnership, to improve the health of water systems in the southeastern of Queensland and we are a member of the Fitzroy Basin Association in Rockhampton, which works to ensure the sustainable development of the Fitzroy Bay.

Brazil

Environmental Licensing

Our activities are subject to an environmental permitting procedure in Brazil, which is required for potentially polluting activities or those that may in any way cause environmental degradation.

The environmental permitting includes "preliminary," "installation" and "operation" permits. A "preliminary" permit is granted during the preliminary phase of an enterprise or activity, to authorize its location and concept, attesting its environmental feasibility. An "installation" permit authorizes the installation of an enterprise or activity in accordance with the specifications stated or approved plans, programs and projects. An "operation" permit authorizes an enterprise to operate after the conditions stated in the "installation" permit are fulfilled and verified, with environmental protection measures and certain conditions for operations.

Environmental permits must be renewed at the end of its period of validity, which is determined by the competent agency depending on the activity being developed.

Protein Segment

Our operations in Brazil are subject to extensive regulation and oversight by MAPA, the Brazilian Agency of Sanitary Surveillance (*Agência Nacional de Vigilância Sanitária*), or ANVISA and other federal, state and local authorities regarding the processing, packaging, storage, distribution, advertising and labeling of our products, including food safety standards. Recently, the food safety practices and procedures of the meat processing industry have been subject to increased scrutiny and oversight by MAPA and ANVISA. Each facility in which we operate is subject to prior licensing by state authorities and must provide veterinarian oversight. If we fail to comply with any health laws, to renew permits or to otherwise comply with any laws regulating our industries, we may be subject to legal and civil liability, including warnings, fines, interdiction, and suspension of permits or licenses, as well as penalties under Law No. 6,437 of August 20, 1977. Fresh beef products need to be registered with the MAPA.

All of our meat processing plants in Brazil are approved by the Brazilian Federal Inspection Service of the Ministry of Agriculture (*Serviço de Inspeção Federal do Ministério da Agricultura*), or SIF, which regulates the export of animal products. Our animal product exports receive an international health certificate and our Brazilian transfers receive an uncertified transfer form. U.S. and European markets are regulated by the SIF, whose controls are stricter. We ensure compliance with these regulations in all of our facilities through our animal products tracking system, by which we are able to track and verify the farm and supplier from which our animal products originated. Customers may also check certain websites to ensure the products they purchase do not originate in prohibited or restricted regions. In addition, We invest in the quality of our farmers and has established criteria to assure the quality of the farms from which we purchase cattle.

Other Countries

Our operations in the United States, Australia and Argentina are subject to extensive regulation and oversight by state, local and foreign authorities regarding the processing, packaging, labeling, storage, distribution and advertising of our products, including food safety standards.

Beef and Pork Industries

Our United States operations are subject to extensive regulation by the EPA and other state and local authorities relating to handling and discharge of waste water, storm water, air emissions, treatment, storage and disposal of wastes, handling of hazardous substances and remediation of contaminated soil, surface water and groundwater. Our Australian operations also are subject to extensive regulation by the Australian Quarantine Inspection Service, or AQIS, as well as Australian environmental authorities. The EPA, AQIS, and/or other U.S. or Australian state and local authorities may, from time to time, adopt revisions to environmental rules and regulations with which we must comply. Such compliance may require us to incur additional capital and operating expenses which may be significant. In order to ensure ongoing compliance with existing environmental laws, rules, and regulations, we

must, from time to time, replace, repair, or upgrade existing facilities, equipment, or supplies, which may require us to incur additional capital.

Some of our facilities discharge wastewater in municipally operated wastewater treatment plants, and if such municipal plants are unable to comply with environmental rules, we may be required to make improvements or operational changes that could result in additional costs. In addition, some of our facilities use hazardous substances, such as ammonia, in refrigeration systems that may leak and cause accidents that may result in liability. Some of our properties have been affected by contamination from spills and we and our predecessors have incurred costs to remediate such contamination. We also have voluntarily upgraded some of our facilities to address concerns of local governmental officials and/or our neighbors.

Increasing efforts to control emissions of GHG are likely to impact our operations. In the United States, the EPA issued a rule establishing a mandatory GHG reporting system for certain activities, including manure management systems, which exceed specified emission thresholds, and some of our facilities are subject to these reporting requirements. The EPA is regulating GHG emissions through the Clean Air Act.

In Australia, the federal government has proposed a GHG cap and trade system that would cover agricultural operations, including certain of our feedlots, and at least two of our processing plants. Certain states in Australia could also adopt regulations of GHG emissions which are stricter than Australian federal regulations. While it is not possible to estimate the specific impact final GHG regulations will have on our operations, there can be no guarantee that these measures will not result in significant impacts on us.

Our U.S. operations are subject to the PSA. This statute generally prohibits meat packers in the livestock industry from engaging in certain anti-competitive practices. In addition, this statute requires us to make payment for our livestock purchases before the close of the next business day following the purchase and transfer of possession of the livestock we purchase, unless otherwise agreed to by our livestock suppliers. Any delay or attempt to delay payment will be deemed an unfair practice in violation of the statute. Under the PSA, we must hold our cash livestock purchases in trust for our livestock suppliers until they have received full payment of the cash purchase price.

We are also subject to voluntary market withdrawals and recalls of our meat products in the event of suspected contamination or adulteration that could constitute food safety hazards. We maintain a rigorous program of interventions, inspections and testing to reduce the likelihood of food safety hazards. As a proactive measure, our management team expanded our testing procedures in all of our beef processing plants. For example, in June 2009, we voluntarily recalled certain of our beef products that may have been contaminated with E. coli.

In addition, on May 21, 2010, we voluntarily recalled certain beef products exported to the United States from our facility located in the city of Lins, State of São Paulo, Brazil, after being informed by MAPA that such products may have contained levels of Ivermectin, a commonly-used antiparasitic agent, in excess of the levels established by the FDA, and the FDA suspended additional exports from our Lins facility while we undertook additional measures to meet the safety requirements established by FDA. This suspension was lifted at the end of December 31, 2010, and we have since resumed exports from our Lins facility to the United States. No other facilities exporting to the United States have been affected by the recall or temporary suspension.

In addition, as a result of the growth of the international market for Brazilian beef, pork and chicken, Brazilian export companies are being increasingly affected by measures taken by foreign countries to protect their local producers. Competition with Brazilian companies led some countries to establish commercial barriers to limit the access of Brazilian companies to their markets or offer subsidies to local producers. Some countries impose beef quotas on fresh beef, pork and chicken from Brazil. Any changes in the allocation of such quotas or in laws or policies in connection with these quotas may adversely affect our exports.

Our business in Argentina is subject to strict regulation. The main bodies that regulate operations in Argentina are: the National Office of Commercial Agribusiness Control (*Oficina Nacional de Control Comercial Agropecuario*), or ONCCA, and the National Health and Food Quality Service (S*ervicio Nacional de Sanidad y Calidad Agroalimentaria*), or SENASA. ONCCA is the body that regulates the distribution of Cota Hilton (a portion

of prime cuts of boneless beef exports that the European Union grants every year to producers and exporters of beef) in Argentina. ONCCA has extensive powers that encompass internal and external trade control, such as health issues. Its powers overlap with the responsibilities of health inspection of other government bodies, both in the provinces and in the federal government. The ONCCA regulates internal prices and frequently bans or restricts exports of beef and beef by-products to control increasing inflation in Argentina. SENASA is a health inspection agency. It has a strong presence in the industry in which we operate because beef is considered the main internal consumption product in Argentina. These regulations result in great instability in commercialization, primarily as a result of the activities of ONCCA, generating significant losses in our operations. In the first half of 2008, we were negatively and significantly impacted by ONCCA Resolution No. 125, which controlled prices. Resolution No. 125 was intensely debated in the Argentine Congress, which debate resulted in it being rejected by the Senate, after a close vote, only months after it was enacted. Also, in order to comply with such regulation, we may have to incur significant additional operating and capital expenses. To constantly comply with existing laws, rules and regulations, we must frequently fix or update our facilities, equipment or material, and, as a result, we may have to incur additional cost.

Chicken Industry

The chicken industry is subject to government regulation, particularly in the health and environmental areas, including provisions relating to the discharge of materials into the environment, by the Center for Disease Control, the USDA, the FDA and the EPA in the United States and by similar governmental agencies in Mexico. PPC's chicken processing plants in the United States are subject to on-site examination, inspection and regulation by the USDA. The FDA inspects the production of PPC's feed mills in the United States. PPC's Mexican food processing plants and feed mills are subject to on-site examination, inspection and regulation by a Mexican governmental agency that performs functions similar to those performed by the USDA and FDA.

PPC's operations are subject to extensive regulation by the EPA and other state and local authorities relating to handling and discharge of wastewater, storm water, air emissions, treatment, storage and disposal of wastes, handling of hazardous substances and remediation of contaminated soil, surface water and groundwater. PPC's Mexican operations also are subject to extensive regulation by Mexican environmental authorities. The EPA and/or other United States or Mexican state and local authorities may, from time to time, adopt revisions to environmental rules and regulations, and/or changes in the terms and conditions of PPC's environmental permits, with which PPC must comply. Compliance with existing or new environmental requirements, including more stringent limitations imposed or expected in recently-renewed or soon-to be renewed environmental permits, will require capital expenditures and operating expenses which may be significant.

Some of PPC's properties have been impacted by contamination from spills or other releases, and PPC has incurred costs to remediate such contamination. In addition, in the past PPC acquired businesses with operations such as pesticide and fertilizer production that involved greater use of hazardous materials and generation of more hazardous wastes than PPC's current operations. While many of those operations have been sold or closed, some environmental laws impose strict and, in certain circumstances, joint and several liability for costs of investigation and remediation of contaminated sites or third-party disposal sites on current and former owners and operators of the sites, and on persons who arranged for disposal of wastes at such sites. In addition, current owners or operators of such contaminated sites may seek to recover cleanup costs from PPC based on past operations or contractual indemnifications.

We anticipate increased regulation by the USDA concerning food safety, by the FDA concerning the use of medications in feed and by the EPA and various other state agencies concerning discharges to the environment.

Intellectual Property

We hold a number of trademarks, patents and domain names that we believe are material to our business and which are registered or have been filed and are under analysis with the Brazilian Patents and Trademarks Office (*Instituto Nacional de Propriedade Industrial*), the Argentine Patents and Trademarks Office and the United States Patent and Trademark Office. In Italy, patents and trademarks are registered with the Italian Patent and Trademark Office (*Ufficio Italiano Brevetti e Marchi*) of the Ministry of the Italian Economic Development. We are authorized

to use the trademark “Swift” under an exclusive license agreement entered into with Nippon Meat Packers Inc. Our trademarks in the United States include: “Swift,” “Swift Premium,” “1855,” “Pilgrim’s Pride” and “Black Angus.” Our trademarks, registrations and applications in Brazil include: “Friboi”, “Swift”, “Swift Maturatta”, “Swift Orgânico”, “Swift Grill”, “Swift Linha Profissional”, “Swift Fresh”, “Swift Reserva Gourmet”, “Swift Black”, “Anglo”, “Bordon”, “Mouran”, “Bertin” and “Apetit.” Our trademarks in Australia include: “AMH,” “Aberdeen,”, “King Island Beef”, “La Herencia”, “Longford”, “Pure Prime,” “Royal”, “Tasman”, “Tasman Meats”, “Tasmanian”, “Tatiara”, “Seattle Meat”, “Gold Kist” and “Swift”. Our trademarks in Argentina include: “Swift,” “Cabaña Las Lilas,” “Plate” and “La Blanca.” Our trademarks in Uruguay include: “Canelones.” In addition, with the PPC acquisition, the following brand names were included: “Pilgrim’s Pride,” “Country Pride,” “Gold Kist” and “Pierce Chicken.” Currently, we have a number of patent applications and trademark registrations pending in Brazil, the United States and in foreign countries.

In addition to trademark protection, we attempt to protect our unregistered trademarks and other proprietary information under trade secret laws, employee and third-party non-disclosure agreements and other laws and methods of protection.

We believe our trademarks are significant and play an important role in the competitiveness of our products. In recent years, we have made investments to improve brand identity and brand recognition. These investments include many acquisitions and the diversification of our portfolio of products, including by launching new products, increasing existing product lines, improving the quality of our products, improving packaging and layout of our brands and promotional campaigns. If we lose our of trademark rights, we would no longer have exclusive rights to use them in Brazil and would have problems preventing others from using identical or similar trademarks. Furthermore, if we fail to prove that we are the holders of our trademarks, we may be subject to legal and civil proceedings for violation of trademark and third party rights. However, we currently don’t depend on specific patents, trademarks, licenses, franchise, and royalties to run our business.

Employees

As of December 31, 2012, we and our subsidiaries had approximately 142,000 employees distributed among management, sales and manufacturing/operating areas.

The following table sets forth the number of our employees as of the dates indicated:

	As of December 31,		
	2010	**2011**	**2012**
Management	11,555	9,251	15,821
Sales	3,954	4,867	2,110
Manufacturing/operating	112,527	121,070	123,697
Total	**128,036**	**135,187**	**141,628**

The following table sets forth the number of our employees by location as of the dates indicated:

	As of December 31,		
	2010	**2011**	**2012**
Brazil	49,093	59,055	57,776
Argentina	2,908	2,121	2,243
United States	61,689	59,180	63,935
Australia	7,075	7,905	7,886
Mexico	5,154	4,996	5,393
Other (1)	2,177	1,930	4,394
Total	**128,036**	**135,187**	**141,628**

(1) “Other” refers to Uruguay, Paraguay, Italy, China and Hong Kong

Our compensation policy offers competitive salaries to our employees, according to our budget, and enables us to retain skilled workers. Our policy is applicable to all our employees, including the employees of our subsidiaries, excluding our executive officers.

In addition to what is required by law, we offer meal and transportation vouchers and other benefits to all our employees in Brazil, excluding our executive officers, under our collective bargaining agreements. In Argentina, we offer the following benefits to our employees: medical assistance, meal voucher, annual bonus equivalent to one month's pay (measured as 50% of June's pay and 50% of December's pay), vacation periods that increase based on seniority, day care for children up to five years old in our Swift facility in Rosario and discount prices in our "Swift" brand products.

In the United States and Australia, we offer certain benefits to all our employees, such as health plans, health and life insurance, reimbursement for expenses with education and employee assistance programs.

In addition to the above, we have insignificant numbers of employees in other countries and we do not offer specific benefits to them.

Relationship with Unions

We believe we have good relations with our employees and the unions that represent them. All of our employees in the countries and states in which we operate are represented by unions, including: Union of Workers of the Beef and Beef By-products Industry, Union of Workers of the Food Industries, Federation of Workers, Union of Goods Transportation and Management Assistance Workers, Union of Workers of the Food, Sugar and Ethanol Industries, Union of Drivers and Cargo Transportation Workers, Union of Workers of the Meat, Meat By-products and Dairy Industries, Meat Shops, Union of Road Transportation Workers, Union of Workers of the Food Industries, Union of Workers of the Meat and Dairy Industries, Union of Workers of the Food Industries, Interstate Federation of Manufacturing Workers, and Union of Workers of Processed Food Companies.

As of December 31, 2012, we and our subsidiaries had approximately 142,000 employees worldwide. A majority of these employees are represented by labor organizations, and our relationships with these employees are governed by collective bargaining agreements.

Legal Proceedings

We are party to several legal proceedings incident to our ordinary course business, including civil, tax and labor proceedings.

We record provisions based on the probability of loss evaluated by our legal counsel. Accounting practices adopted in Brazil require us to record provisions for the contingencies evaluated as probable losses and when, in the opinion of the executive officers and external counsel, we believe that an unfavorable result is probable and losses can be reasonably estimated.

The following are the material legal and administrative proceedings to which we are party:

Brazil

Based on the opinion of our legal counsel, as of December 31, 2012, we had established a total of R$155.2 million in provisions for tax, labor and civil contingencies in Brazil evaluated as probable loss.

Labor Proceedings

As of December 31, 2012, we were party to 8,943 labor and workplace injury claims in Brazil in an aggregate amount in dispute of approximately R$1,083.2 million. Except for the proceedings named herein, none of the claims are considered material to our activities. We have established provisions for labor contingencies, considered by our legal counsel as a probable loss, in a total amount of R$53.8 million. In general, the labor claims to which we are a

party were filed by former employees. The principal claims involved in these labor suits relate to overtime, compensation for health hazards, work-related health conditions and 20-minute breaks based on Brazilian labor laws. Although there are many labor suits against us, we believe that none of such suits individually will have a material adverse impact on our results of operations.

In 2009, the Labor Attorney's Office filed a public suit (*ação civil pública*), or ACP, requesting Bertin grant its employees a 20-minute break for every one hour and 40 minutes of work in the deboning facilities. This request is based on the labor laws of Brazil, which grants employees working in refrigerated chambers the right to a 20-minute break for every one hour and 40 minutes of work.

In September and August 2011, respectively, we were notified of a public suit based on the same issue of the Bertin ACP filed by the Labor Prosecutor regarding the Barretos and the Andradina's facilities. Requests of breaks for employees working in refrigerated chambers in deboning facilities also resulted in public suits in 2012, regarding some specific JBS S.A.' facilities in the State of Mato Grosso and State of Rondônia. As of September 2012, Brazilian labor law had not considered deboning rooms as refrigerated chambers. Hence, we had considered all these proceedings a possible loss, and no provision had been recorded. However, in October 2012, the Superior Labor Court (*Tribunal Superior do Trabalho*) issued a new ruling (*Súmula 438*) stating, among other matters, that only deboning rooms below a certain temperature were considered as refrigerated chambers. Therefore, the employees working in facilities in which the deboning rooms were considered as refrigerated are entitled to have regular breaks during working hours. In view of the issuance of *Súmula 438*, we are already taking all measures to implement regular breaks during working hours in deboning facilities in which such breaks are necessary. Additionally, we executed a Term of Adjustment of Conduct (*Termo de Ajustamento de Conduta*), or TAC, with the Labor Attorney's Office of the State of Mato Grosso to conform its deboning activities as from January 2013.

On April 2, 2013 we signed a TAC with the Labor Attorney's Office of the State of Mato Grosso do Sul to govern the labor aspects of deboning activities in the Naviraí facility. By means of this TAC, we agreed to implement measures to allow regular breaks during working hours in the deboning facility and also to pay an aggregate amount of R$0.75 million for a period of 30 months to certain institutions indicated by the labor authorities of the State of Mato Grosso do Sul.

Civil Proceedings

As of December 31, 2012, we were party to 443 civil claims in Brazil, in an aggregate amount of approximately R$647.2 million. We have established provisions in a total amount of R$9.3 million. In general, the civil claims to which we are a party involve accidents on the job. We believe that none of the civil claims to which we are party are likely, on an individual basis, to have a material adverse impact on our results of operations.

On April 14, 2011, Brazilian prosecutors filed a civil lawsuit against us, alleging that we, during the prior four years, purchased cattle from land in the State of Acre in Brazil that was illegally deforested and from farms linked to slavery. We presently conduct three separate compliance checks to ensure that we comply with the Brazilian Environmental and Renewable Natural Resources Institute (*Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis*), or IBAMA, and the Brazilian Ministry of Labor cattle purchasing procedures. On April 27, 2011, we announced an agreement with the Public Authorities of the Brazilian State of Acre and other government authorities from various Brazilian States, ending the civil lawsuit against us. See "—Environmental Proceedings" below.

Two class actions (*ações populares*) have been filed against Bertin, which was merged into us, the Municipality of Campo Grande and Nelson Trad Filho (the mayor of Campo Grande at the time of the donation), seeking a declaration of nullity of the donation of a municipal public area in favor of Bertin, as well as the nullification of the mortgage in the total amount of R$380.0 million over the said area. Both suits are pending before the Judicial District of Campo Grande, State of Mato Grosso do Sul. We have been served and have presented our defense in both suits.

We are currently party to a claim alleging misuse of the trademark "Frigoara" by us. Frigorífico Araputanga S.A., the plaintiff, is alleging damages in the amount of R$126.9 million. The claim is part of a lawsuit challenging

the legality and enforceability of J&F's purchase of real property located in Araputanga, State of Mato Grosso. The lawsuit alleges that J&F (1) failed to pay the purchase price, resulting in default with farmers and suppliers, as well as with BNDESPAR, and (2) did not obtain the requisite approval from the Amazon Development Superintendency (*Superintendência de Desenvolvimento da Amazônia*), or SUDAM. This lawsuit is currently in its fact-finding stage, however, J&F's full payment of the purchase price has already been confirmed as part of such fact-finding proceedings. The interlocutory appeal was judged favorably to J&F and the deeds of purchase and sale of the property that was the subject of the claim were declared valid. We are currently awaiting a new appraisal to determine the total amount of the purchase price. Based on our legal advisors' opinion and Brazilian jurisprudence, we believe that our arguments will prevail, and we consider the probability of loss as remote.

Tax proceedings

As of December31, 2012, we were party to 942 administrative and tax and social security proceedings in Brazil with an aggregate amount in controversy of approximately R$4,550.9 million. Based on the opinion of our legal counsel, we have established provisions in a total amount of R$92.0 million in connection with these proceedings. In addition to the proceedings mentioned below, we were party to tax proceedings incident to our normal course of business. We believe these proceedings are unlikely to have a material adverse impact on our results of operations.

The Tax Authority of the State of São Paulo (*Secretaria da Fazenda do Estado de São Paulo*) has filed several administrative proceedings against us, under which the Tax Authority of the State of São Paulo challenges the amount of value-added tax (*Imposto sobre Circulação de Bens e Serviços*), or ICMS, credits arising from the purchase of cattle and meat transfer by us in other Brazilian states. The Tax Authority of the State of São Paulo claims that the tax credits should be approved by the National Council of Fiscal Policy (*Conselho Nacional de Política Fazendária*), or Confaz, and does not recognize our ICMS tax credits up to the amount of the ICMS tax paid in such other states. We have used a significant portion of these credits to offset other tax obligations. The total aggregate amount of these administrative proceedings is approximately R$1,349.2 million. In addition to presenting our defense in such administrative proceedings, we have 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 us suspended the requirements of the State of São Paulo. Based on the opinion of our legal counsel and relevant case law, we believes our arguments will prevail and, therefore, no provision has been recorded.

The Tax Authority of the State of Goiás filed other proceedings against us, due to divergences in the interpretation of the law concerning export ICMS credits, in a total amount of R$640.9 million. Based on the opinion of our legal counsel and relevant case law and doctrine, we believe our arguments will prevail and, therefore, no provision has been recorded.

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

In January 2001, we filed a writ of mandamus to challenge the collection of certain social security contributions to the Rural Workers' Assistance Fund (*Novo FUNRURAL*). These administrative proceedings have been stayed, and the Brazilian National Social Security Institute (*Instituto Nacional da Previdência Social*), or INSS, has been enjoined from collecting these contributions. The proceeding awaits decision by the Regional Federal Court of the Third Region (*Tribunal Federal da Terceira Região*) as a matter of law.

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 us tax default notices (*notificações fiscais de lançamento de débito*) with respect to the contributions allegedly owed in the total aggregate amount of approximately R$410.9 million. In our defense to these default notices, we argued that we did not pay the contributions with respect to the period described in such notices in light of the favorable decision issued by the court reviewing the writ of mandamus action, which ordered the stay of the administrative proceedings and enjoined the INSS from collecting the contributions until a final decision is reached under such action.

A similar legal proceeding was reviewed by the Brazilian Supreme Court (*Supremo Tribunal Federal*) and ruled in favor of taxpayers. Based on this and other precedents and on the opinions of our external legal counsel, we

believe we will prevail in these proceedings. Accordingly, we have not established any provision for contingencies arising from these proceedings. We believe this proceeding is relevant due to its total amount.

Environmental proceedings

On July 7, 2009, Bertin and its controlling shareholders entered into a Term of Adjustment of Conduct (*Termo de Ajustamento de Conduta*), or TAC, with the Federal Public Prosecutor's Office of the State of Pará relating to several environmental violations in respect of our cattle raising operations in that State. Pursuant to the TAC, Bertin, which was merged into us in December 2009, agreed not to purchase cattle from farms that do not comply with all applicable environmental legislation, according to the IBAMA, and from farms whose labor conditions are considered by the Ministry of Labor to approximate slave labor. The same issues were the subject of a TAC executed with the Federal Public Prosecutor's Office of the State of Mato Grosso, in May 2010.

In November 2010, we entered into two TACs with the State Public Prosecutor's Office of Mato Grosso do Sul, committing to undertake specific environmental measures in order to enhance Campo Grande facilities and to contribute R$0.7 million in support of a state project that pays for environmental services undertaken in local farms.

In March 2011, we entered into a TAC with the State Public Prosecutor's Office of São Paulo, committing to undertake specific environmental measures in order to resolve existing public complaints relating to its Lins facility's odor issues and to contribute R$4 million in support of environmental education and research projects.

On April 14, 2011, Brazilian prosecutors (Federal Public Prosecutor's Office of the State of Acre, State Public Prosecutor's Office of Acre and Labor Public Prosecutor's Office) filed an ACP against us, alleging that we, during the past four years, purchased cattle from land in the State of Acre in Brazil that was illegally deforested and from farms linked to slavery. We presently conduct three separate compliance checks to ensure that we comply with IBAMA and the Brazilian Ministry of Labor cattle purchasing procedures. We negotiated a settlement agreement with the Federal Prosecutor's Office of the State of Acre, which we signed on April 27, 2011, with obligations similar to the TACs entered into with the Federal Public Prosecutor's Office of the States of Pará and Mato Grosso. By such agreement, we commit to only purchase cattle from farms which are in compliance with all applicable environmental and labor rules. Furthermore, we must verify if the land where the purchased cattle was raised is not embargoed by IBAMA or by any other competent authority and if the producers have not received any Infraction Notice issued by IBAMA or any other competent authority during the last five years.

On March 25, 2013 we signed a new TAC with Federal Prosecutor's Office of the States of Acre and Mato Grosso to establish standards to our facilities located in the Amazon region. This new TAC replaced the TACs we had previously signed with both States, renewing our commitment to purchase cattle only from farms that are in compliance with all applicable social, environmental and labor rules.

In case we fail to comply with the settlement agreement mentioned above, we will be fined 50 times the price of an arroba of cattle, as established by the BM&FBOVESPA, for each head of cattle purchased from farms which are not in compliance with all applicable environmental and labor rules established by the TAC.

PPC—Legal Proceedings

Securities litigation

On October 29, 2008, Ronald Acaldo filed a purported class action suit in the U.S. District Court for the Eastern District of Texas, Marshall Division, against PPC and individual defendants Lonnie "Bo" Pilgrim, Lonnie Ken Pilgrim, J. Clinton Rivers, Richard A. Cogdill and Clifford E. Butler, or the Acaldo case. The complaint sought unspecified injunctive relief and an unspecified amount of damages. On November 13, 2008, Chad Howes filed suit in the U.S. District Court for the Eastern District of Texas, Marshall Division, against PPC and individual defendants Lonnie "Bo" Pilgrim, Lonnie Ken Pilgrim, J. Clinton Rivers, Richard A. Cogdill and Clifford E. Butler, or the Howes case.

The allegations in the Howes case complaint are identical to those in the Acaldo case complaint, as are the class

allegations and relief sought. The plaintiffs allege that PPC and the individual defendants violated sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder. On May 14, 2009, the court consolidated the Acaldo and Howes cases and renamed the style of the case, "In re: Pilgrim's Pride Corporation Securities Litigation."

On June 26, 2009, the Pennsylvania Public Fund Group, as lead plaintiff, filed a consolidated and amended complaint. Those claims assert, among other things, that, during the class period, certain of the defendants through various financial statements, press releases and conference calls, made material misstatements of fact and/or omitted to disclose material facts by purportedly failing to completely impair the goodwill associated with PPC's acquisition of Gold Kist, Inc., or Gold Kist, in December 2006 and January 2007.

This matter was settled by the parties, and the majority of the settlement was paid by insurance, with no impact to PPC.

Grower litigation

On September 10, 2008, Ricky Arnold and others filed a lawsuit against PPC and two of its representatives in the Circuit Court of Van Buren County, Arkansas. case is styled *Ricky Arnold, et al. v Pilgrim's Pride Corporation, et al*. Nearly 100 contract poultry growers and their spouses assert claims for fraud and deceit, promissory estoppel and violations of the Arkansas Livestock and Poultry Contract Protection Act relating to the idling of PPC's Clinton, Arkansas processing plant. The total amount of damages sought is unliquidated and unknown at this time. The plaintiffs filed proofs of claim in the Bankruptcy Court, and PPC filed objections to the proofs of claim. PPC anticipates that the Arnold case will be resolved as a part of the claim resolution process in the Bankruptcy Court.

On June 1, 2009, an adversary proceeding was filed against PPC in the Bankruptcy Court on behalf of approximately 555 former and current independent contract broiler growers, their spouses and poultry farms alleging violations of the PSA and the Texas Deceptive Trade Practices Act, or the DTPA, intentional infliction of emotional distress, promissory estoppel, simple fraud and fraud by non-disclosure. This action is styled *Sheila Adams, et al. v Pilgrims Pride Corporation.* In response to the adversary proceeding, the reference of which was withdrawn from the Bankruptcy Court to the U.S. District Court for the Northern District of Texas, or the Fort Worth Court, PPC filed a motion to dismiss. The motion to dismiss was granted in part, dismissing all the plaintiffs' claims except for claims brought under the PSA and by Texas growers under the DTPA, subject to the plaintiffs' right to file a motion for leave to file an amended complaint. Plaintiffs filed a motion seeking leave to amend their complaint to replead their claims and to transfer the case from the Fort Worth Court to the Eastern District Court of Texas, or the Marshall Court. The court granted both motions and a bench trial commenced on June 16, 2011. The trial concluded as to the El Dorado growers, the growers in the El Dorado, Arkansas region covered by the Adams case, on August 25, 2011. On September 30, 2011, the Marshall Court found in favor of the Company with respect to the El Dorado growers with exception of claims under 7 U.S.C. §192(e), and awarded damages to plaintiffs in the aggregate of approximately US$25.8 million. Afterward, PPC filed post-judgment motions attacking the trial court's findings of fact and conclusions of law, on which, on December 28, 2011, were granted in part and resulted in a reduction of the damages award from US$25.8 million to US$25.6 million. On January 19, 2012, PPC appealed the findings of fact and conclusions of law and decision concerning the post-judgment motions to the United States Fifth Circuit Court of Appeals. On December 3, 2012, oral argument was presented to the Fifth Circuit Court of Appeals. All trial court matters are suspended pending a ruling from the Fifth Circuit.

While the outstanding judgment is reasonably possible, PPC has recorded an estimated probable loss that is less than the outstanding judgment. The remaining growers' claims were schedule for trial during the summer and fall of 2012. Although the trial of growers' claims from Farmerville, Louisiana complex was completed without a ruling, the trials associated with the growers' claims from Nacogdoches, Texas complex have not been completed, and the growers' claims from the DeQueen/Batesville, Arkansas complexes have been indefinitely postponed per court order. PPC intends to vigorously defend against these claims. Although the likelihood of financial loss related to the remaining growers' claims is reasonably possible, an estimated of potential loss cannot be determined at this time because of now conflicting legal authority, the factual nature

of the various growers' individual claims, and a new judge who will preside over the remaining bench trials. There can be no assurances that other similar claims may not be brought against PPC.

ERISA litigation

In re Pilgrim's Pride Stock Investment Plan ERISA Litigation, No. 2:08-CV-472-TJW, is pending in the United States District Court for the Eastern District of Texas, Marshall Division. This case is the consolidation of two putative class actions filed by Kenneth Patterson and Denise Smalls, on December 17, 2008 and January 2, 2009, respectively, pursuant to section 502 of the U.S. Employee Retirement Income Security Act of 1974, as amended, or Erisa, or the Patterson case. During the Chapter 11 cases, PPC sought to extend the bankruptcy stay to the Patterson case. PPC's motion was denied by the bankruptcy court without prejudice.

Plaintiffs allege generally that the individual defendants breached fiduciary duties to participants and beneficiaries of the Pilgrim's Pride Stock Investment Plan, as administered through the Pilgrim's Pride Retirement Savings Plan and the To-Ricos, Inc. Employee Savings and Retirement Plan, together, the Plans, due to the Plans' allegedly imprudent investment in PPC common stock. The allegations in the complaints were similar to the allegations made in the Acaldo case discussed in "—Securities litigation" above. A consolidated amended complaint was filed on March 2, 2010, alleging, among other things, a breach of ERISA fiduciary duties to participants by permitting the Plans to continue investing in PPC's common stock during the alleged class period. On August 29, 2012, the Magistrate judge issued a Report and Recommendation to deny the Defendants' motion to dismiss the complaint on grounds that complaint included too many exhibits. Defendants subsequently filed objections with the District Court, and the District Court has not adopted the Magistrate's Report and Recommendation or ruled the Defendants' Objections. The Magistrate has issued a scheduling order for class certification proceedings that required a briefing, which was completed on January 14, 2013.

The likelihood of an unfavorable outcome or the amount or range of any possible loss to PPC cannot be determined at this time. PPC has a liability insurance policy in place that is available to offset the defense costs and damages in the Patterson case, which coverage is being provided under a reservation of rights. The insurance provider has already agreed to pay the related defense costs.

Although PPC is not a named defendant in this action, its bylaws require PPC to indemnify its current and former directors and officers from any liabilities and expenses incurred by them in connection with actions they took in good faith while serving as an officer or director. The liability insurer has been notified of the amended complaint.

Tax claims and proceedings

The U.S. Internal Revenue Service, or the IRS, has filed an amended proof of claim in the Bankruptcy Court pursuant to which the IRS asserts claims that total US$74.7 million. PPC has filed in the bankruptcy court (i) an objection to the IRS amended proof of claim, and (ii) a motion requesting the bankruptcy court to determine its U.S. federal tax liability pursuant to Sections 105 and 505 of the Bankruptcy Code. The objection and motion assert that PPC has no liability for the additional U.S. federal taxes that have been asserted for pre-petition periods by the IRS. The IRS has responded in opposition to PPC's objection and motion. On July 8, 2010, the bankruptcy court granted PPC's unopposed motion requesting that the bankruptcy court abstain from determining PPC's federal tax liability. As a result, PPC intends to work with the IRS through the normal process and procedures that are available to all taxpayers outside of bankruptcy (including the United States Tax Court, or Tax Court, proceedings discussed below) to resolve the IRS amended proof of claim.

In connection with the amended proof of claim, on May 26, 2010, PPC filed a petition in Tax Court in response to a notice of deficiency that was issued to PPC as the successor in interest to Gold Kist. The notice of deficiency and the Tax Court proceeding relate to a loss that Gold Kist claimed for its tax year ended June 30, 2004. The matter is currently in litigation before the Tax Court.

On August 10, 2010, PPC filed two petitions in Tax Court. The first petition relates to three notices of deficiency that were issued to PPC with respect to its 2003, 2005 and 2007 tax years. The second petition relates to a notice of deficiency that was issued to PPC with respect to Gold Kist's tax year ended June 30, 2005 and its short tax year ended September 30, 2005. Both cases are currently in litigation before the Tax Court.

If adversely determined, the outcome could have a material effect on PPC's operating results and financial position.

MANAGEMENT

Pursuant to our bylaws, we are managed by a board of directors and a board of executive officers. We have also established a fiscal council.

Board of Directors

Our board of directors consists of a minimum of five members and a maximum of eleven members. Currently, our board of directors consists of eleven members and one alternate of which three are independent, including the alternate director.

Directors are elected at our annual shareholders' meeting for a two-year unified term of office, and they may be reelected for subsequent terms at our shareholders' meetings. The directors are not required to be shareholders of our company.

Pursuant to the regulations of the *Novo Mercado* listing segment, at least 20% of the members of our board of directors must be independent directors. An independent director must: (1) have no relationship with our company, except for the director's share participation; (2) not be a controlling shareholder, nor be a spouse, sibling or any relative up to the second degree of our controlling shareholders, or within the last three years, have had any relationship with any corporation or organization related to our controlling shareholders (excluding persons related to public schools and/or research institutions); (3) not have been, within the last three years, our employee or officer, or an employee or officer of our controlling shareholders or any entity controlled by our company; (4) not be our direct or indirect supplier or client to an extent that it could compromise such director's independence; (5) not be an employee or officer of any company or organization that is offering services and/or products to, or soliciting services and/or products from, our company; (6) not be the spouse, sibling or any relative up to the second degree of any of our directors or officers; and (7) not receive any remuneration from us other than as a director or shareholder. Currently, three of our directors and our alternate director are independent directors.

Our directors must be elected at shareholders' meetings by the majority vote of the attending holders of common shares, in person or represented by a proxy, not including blank votes. Pursuant to the Brazilian Corporate Law and CVM Rule No. 165 of December 11, 1991, as modified by CVM Rule No. 282 of June 26, 1998, shareholders representing at least 5.0% of our voting capital stock may demand cumulative voting procedures, pursuant to a 48-hour notice to the board of directors before the respective shareholders' meeting, excluding for this matter the controlling shareholder.

Brazilian Corporate Law further provides that holders of our voting shares representing at least 15.0% of our voting capital stock are entitled to appoint and dismiss one director and corresponding alternate by separate election, outside the general directors' election at the shareholders' meeting.

Pursuant to the *Novo Mercado* listing segment, all of our directors are required to execute the Statement of Consent (*Termo de Anuência*) within 15 days from the date of their election, agreeing to comply with the *Novo Mercado* regulations and the rules of the BM&FBOVESPA Arbitration Chamber (*Câmara de Arbitragem do Mercado*).

Our board of directors is responsible for determining the guidelines and general business, including our long-term strategy, supervising our performance and monitoring the activities of our officers and committees.

On April 29, 2011, at our general shareholders' meeting, our shareholders elected the members of the board of directors for a two-year term, as stated below. Moreover, on May 3, 2012, one of the members of the board of directors resigned from his position and was replaced by another member on the same date.

As a consequence, the following chart sets forth the name, age and position of current members of our board of directors.

Name	Director Since	Age	Position
Joesley Mendonça Batista	January 2, 2007	40	Chairman
Wesley Mendonça Batista	January 2, 2007	42	Vice-Chairman
José Batista Sobrinho	January 2, 2007	79	Director
Marcus Vinicius Pratini de Moraes (1)	January 2, 2007	73	Director
Natalino Bertin (1)	December 31, 2009	63	Director
Peter Dvorsak	April 30, 2010	61	Director
Valere Batista Mendonça Ramos	April 30, 2010	49	Director
Vanessa Mendonça Batista	April 30, 2010	46	Director
José Batista Júnior	January 2, 2007	52	Director
Guilherme Rodolfo Laager	April 30, 2010	55	Director
Carlos Alberto Caser.	May 3, 2012	49	Director
Umberto Conti (1)..	May 3, 2012	37	Alternate Director

(1) Independent Director

The following is a summary of the business experience of our directors:

Joesley Mendonça Batista became chairman of our board of directors on January 2, 2007. Joesley Batista has over 20 years of experience in beef production and has been working with us since 1988. He is one of the sons of the founder of JBS, José Batista Sobrinho, and a brother of José Batista Júnior, Wesley Mendonça Batista, Valere Batista Mendonça Ramos and Vanessa Mendonça Batista. In addition, he is also Chief Executive Officer of J&F Investimentos S.A., or J&F Investimentos, holding company of the JBS Group.

Wesley Mendonça Batista became vice-chairman of our board of directors on January 2, 2007. Wesley Batista has over 20 years of experience in beef production working with us since 1987. In addition, he is also our Chief Executive Officer. He is one of the sons of the founder of JBS, José Batista Sobrinho, and a brother of José Batista Júnior, Joesley Mendonça Batista, Valere Batista Mendonça Ramos and Vanessa Mendonça Batista.

José Batista Sobrinho is the founder of JBS and has been a member of our board of directors since January 2, 2007. He has over 50 years of experience in beef production with us. He is the father of Joesley Mendonça Batista, Wesley Mendonça Batista, José Batista Júnior, Valere Batista Mendonça Ramos and Vanessa Mendonça Batista.

Marcus Vinicius Pratini de Moraes became a member of our board of directors on January 2, 2007. Mr. Pratini has held several public offices, including Minister of Agriculture, Livestock and Supply (*Ministro da Agricultura, Pecuária e Abastecimento*) and Minister of Mines and Energy (*Ministro de Minas e Energia*). He was a congressman in Brazil from 1982 to 1986. Mr. Pratini is the founder and former president of the Foreign Trade Study Center Foundation (*Fundação Centro de Estudos do Comércio Exterior*), or FUNCEX. He also served as a member of the Brazilian Industrial Development Council (*Conselho Nacional de Desenvolvimento Industrial*) and vice-president of the Beef Information Center (*Serviço de Informação da Carne*), or SIC. In addition he has served as president to several councils, including that of the Center of Brazilian Studies—School of Advanced International Studies—The John Hopkins University, the International Finance Corporation, or IFC, the Center for Advanced Studies in Management — The Wharton School University of Pennsylvania. Mr. Pratini also served as chairman of the board of directors of Association of Brazilian Beef Exporters (*Associação Brasileira das Indústrias Exportadoras de Carnes Industrializadas*), or ABIEC, and as member of the board of directors of the China-Brazil Business Council and Russia-Brazil Business Council, among others. Mr. Pratini has a degree in economics and a post-graduation in public administration from *Deutsche Stiftung für Entwicklungsländer,* and in business administration from the Carnegie Institute of Technology.

Natalino Bertin became a member of our board of directors on December 31, 2009. He has been working in agricultural business since the 1970s, and is one of the founders of Bertin. Mr. Bertin is also a member of the board of officers of Heber Participações S.A. and Tinto Holding Ltda.

Peter Dvorsak became a member of our board of directors on April 30, 2010. He has served on the board of directors of several companies and served as a member of the fiscal council of Vale S.A. He has held several

positions for BNDES and BNDESPAR, and has worked at Petrobrás and other Brazilian companies. Mr. Dvorsak has a degree in chemical engineering and advanced studies in finance and business administration.

Valere Batista Mendonça Ramos became a member of our board of directors on April 30, 2010. She has over 20 years of experience in financial and industrial activity with us. She is one of the daughters of the founder of JBS, José Batista Sobrinho, and a sister of José Batista Júnior, Wesley Mendonça Batista and Joesley Mendonça Batista and Vanessa Mendonça Batista. Mrs. Ramos has a degree in law.

Vanessa Mendonça Batista became a member of our board of directors on April 30, 2010. She has over 20 years of experience in financial and industrial activity with us. She is one of the daughters of the founder of JBS, José Batista Sobrinho, and a sister of José Batista Júnior, Wesley Mendonça Batista and Joesley Mendonça Batista and Valere Batista Mendonça Ramos. Mrs. Batista has a degree in law.

José Batista Junior became a member of our board of directors on January 2, 2007. José Batista Junior has over 20 years of experience in beef production. He is one of the sons of the founder of JBS, José Batista Sobrinho, and a brother of Joesley Mendonça Batista, Wesley Mendonça Batista, Valere Batista Mendonça Ramos and Vanessa Mendonça Batista.

Guilherme Rodolfo Laager became a member of our board of directors on April 30, 2010. He worked for Grupo Rede Bahia de Comunicação, Varig Linhas Aéreas, Vale, Delta Construção and other Brazilian companies. Mr. Laager has a degree in civil engineering and a graduate degree in administration.

Carlos Alberto Caser became a member of our board of directors on May 3, 2012. He has a degree in law and history. He is also an agricultural technician.

Umberto Conti became an alternate member of our board of directors on April 29, 2011 and was reappointed as such on May 3, 2012. He currently works at FUNCEF, as new business development coordinator. Mr. Conti has a degree in geography and post-graduate degree in finances and is Mr. Carlos Alberto Caser's alternate.

Board of Executive Officers

Our executive officers are our legal representatives to enter into transactions with third parties. They are responsible for the day-to-day management of our business and for the implementation of the general policies and guidelines established by our board of directors.

In general, pursuant to Brazilian Corporate Law, each executive officer must be a Brazilian resident. If a foreign resident is appointed as a director, his or her appointment is subject to the establishment of a Brazilian resident representative. Not more than one-third of the members of our board of directors may be executive officers. The executive officers are not required to be shareholders of our company.

Our executive officers are elected by the board of directors for a three-year term, and may be re-elected or removed, at any time. Our bylaws currently provide that our board of executive officers is comprised of at least two and no more than seven members. Currently, our board of executive officers consists of four members.

Pursuant to the *Novo Mercado* listing segment, all of our executive officers are required to execute the Statement of Consent within 15 days from the date of their election, agreeing to comply with the *Novo Mercado* regulations and the rules of the BM&FBOVESPA Arbitration Chamber.

The following sets forth the name, age and position of current members of our board of executive officers.

Name	Officer Since	Age	Position
Wesley Mendonça Batista	January 26, 2011	42	Chief Executive Officer
Jeremiah Alphonsus O'Callaghan	May 14, 2008	58	Investor Relations Officer
Francisco de Assis e Silva	January 2, 2007	48	Institutional Relations Executive Officer
Eliseo Santiago Perez Fernandez	November 11, 2010	47	Managing and Control Officer

The following is a summary of the business experience of the current members of our board of executive officers who are not also members of our board of directors.

Jeremiah Alphonsus O'Callaghan is our Investor Relations Officer. Mr. O'Callaghan holds a degree in engineering from the University College Cork in Ireland. He immigrated to Brazil in 1979. Mr. O'Callaghan entered the beef industry in 1983 and joined us in 1996 to develop international trade for us.

Francisco de Assis e Silva has been a member of our board of executive officers since January 2, 2007. He is a member of the São Paulo Lawyers Institute (*Instituto dos Advogados de São Paulo*) and the Brazilian Tax Law Institute (*Instituto Brasileiro de Direito Tributário*). He has been working for us since December 2001. Mr. Assis holds a law degree and a post-graduate degree in environmental law from Pontifícia Universidade Católica do Paraná, a post-graduate degree in corporate law and a master's degree in public law from Universidade Mackenzie, and a master's degree in business administration in labor economics from Universidade de São Paulo.

Eliseo Santiago Perez Fernandez is our Managing and Controlling Officer. He holds a degree in business administration from Universidade Católica of Pernambuco and a post-graduate degree in business administration from Fundação Getúlio Vargas. He has over 8 years of experience in audit and accounting firms and over 10 year experience in the retail industry.

Fiscal Council

Pursuant to the Brazilian Corporate Law, the fiscal council is an internal audit board independent of the company's management and external auditors. The main responsibility of the fiscal council is to oversee the activities of the company's management and to analyze the financial statements and report its findings to the shareholders. The fiscal council can operate either on a permanent or non-permanent basis; in which case it will only operate for the fiscal year in which its installation was requested by the shareholders.

The Brazilian Corporate Law requires that the fiscal council be comprised of a minimum of three and a maximum of five members, and an equal number of alternates, who are not required to own our shares. Currently, our fiscal council consists of five members.

Under the Brazilian Corporate Law, the following persons cannot be members of our fiscal council: (1) directors, officers and employees of our company; (2) employees of our subsidiaries or affiliates; or (3) spouses or family members up to the third degree of any member of our board of directors or board of executive officers.

Our bylaws provide for a permanent fiscal council. According to the Brazilian Corporate Law, our fiscal council is elected at a general shareholders' meeting, and is subject to removal at any time by our shareholders.

The following sets forth the name, age and position of current members of our fiscal council.

Name	Member Since	Age	Position
Divino Aparecido dos Santos	April 27, 2012	47	President of the Fiscal Council
Florisvaldo Caetano de Oliveira	April 27, 2012	60	Member
John Shojiro Suzuki	April 27, 2012	35	Member
Alexandre Aparecido de Barros	April 27, 2012	45	Member
Demetrius Nichele Macei	April 27, 2012	41	Member
Sandro Domingues Raffai	April 27, 2012	47	Alternate Member
Marcos Godoy Brogiato	April 27, 2012	53	Alternate Member
Eduardo Sodero Rezende	April 27, 2012	28	Alternate Member
Flávia Silva Fialho Rebelo	April 27, 2012	29	Alternate Member
Ricardo Yocyaky Sugieda	December 27, 2012	34	Alternate Member

The following is a summary of the business experience of the current members of our Fiscal Council:

Divino Aparecido dos Santos has been a member of our fiscal council since September 28, 2007. He has over 15 years of experience in the beef production and livestock industry and is currently Chief Executive Officer and partner of *Doce Vida Ind. E Com. Produtos Alimentícios Naturais Ltda*. He was responsible for our accounting from

June 1994 to July 2007 and of Bordon S.A. from 1988 to 1994. Mr. Santos is an accounting technician registered with the Regional Accounting Council of the State of São Paulo.

Florisvaldo Caetano de Oliveira has been a member of our fiscal council since September 28, 2007. He currently manages *Escritório de Contabilidade F.F. Ltda*. Previously, he managed *Rigor 65 Comércio e Distribuição de Produtos de Higiene e Limpeza and Empresa Transportadora Santos Dumont Ltda*. Mr. Oliveira is an accountant technician.

John Shojiro Suzuki has been a member of our fiscal council since April 29, 2009. He acted as a consultant with Booz Allen and as credit manager and corporate relations manager with Banco Itaú/ItaúBBA. and as an investment manager at Angra Partners. Mr. Suzuki has a degree in engineering and a master's in business administration from the University of Chicago.

Alexandre Aparecido de Barros has been a member of our fiscal council since April 27, 2012. He holds a degree in business science from FACE-UFMG and Master's in finance from IBMEC-RJ. He is currently a manager of Plafin, GFB at Petrobras and member of Fiscal Council at Transpetro.

Demetrius Nichele Macei has been a member of our fiscal council since April 27, 2012. He holds a PhD in tax laws and regulations from Pontifícia Universidade Católica. He is currently a professor at Faculdade de Direito de Curitiba. Mr. Macei has held positions at JBS Argentina, our company and Deloitte Brasil.

Sandro Domingues Raffai has been an alternate member of our fiscal council since April 27, 2012. He holds degree in fiscal management from FECAP. He currently manages Escritório de Contabilidade F.F. Ltda.

Marcos Godoy Brogiato has been an alternate member of our fiscal council since April 27, 2012. He holds a degree in business administration from Pontifícia Universidade Católica. He currently works at Comércio e Swift Armour S.A. Indústria – Grupo Bordon.

Eduardo Sodero Rezende has been a member of our fiscal council since April 27, 2012. He holds a degree in industrial engineering from Universidade Federal do Rio de Janeiro. He currently holds a position at Angra Partners as financial analyst.

Flavia Silva Fialho Rebelo has been an alternate member of our fiscal council since April 27, 2012. She holds degree and master in economic from IBMEC/RJ. She currently holds a position at Fundação Petrobras de Seguridade Social – PETROS.

Ricardo Yocyaky Sugieda has been an alternate member of our fiscal council since December 27, 2012. He holds a degree in business administration from Universidade de São Paulo and Accounting from Universidade Paulista. Mr. Sugieda has held a position as Financial Manager of our company and positions at Intertrust Corporate Finance S.A. and Socopa Corretora Paulista S.A.

Audit Committee

The members of our audit committee members are appointed by our board of directors. The members of our board of directors may also be members of the audit committee.

The members of our audit committee are: José Paulo da Silva Filho, Eliseo Santiago Perez Fernandez, Francisco de Assis e Silva and Valdir Aparecido Boni.

The audit committee directly reports to the board of directors, assisting it with analysis and evaluation in connection with regulations, corporate rules, drafting procedures, disclosure and transparency of financial statements, internal control systems and internal and external audits.

Independent auditor and internal audit: The audit committee must: (1) assist the board of directors in the selection of the independent audit company (choosing, hiring, supervising and evaluating the independent auditor);

delivery and handling of information in connection with our financial statements (including independent auditor and internal audit reports); establishment of guidelines and requirements to be complied with by the Management (including entering into agreement with the independent auditor for other services) and establishment of guidelines for annual planning of internal audit, reports and team adjustment; (2) prepare requirements for evaluation of efficiency in connection with internal and external audit; independent auditor and compliance with rules and corporate regulations; and (3) conduct a follow up in connection with fulfillment of recommendations by the independent auditor or internal audit relating to adjustment of internal controls, acts or relevant facts occurring during the course of the business or violation of corporate rules and regulations.

Financial statements: The audit committee must review our quarterly financial statements and notes thereto and the independent auditors report.

Internal controls: The audit committee evaluates the quality and efficacy of internal controls and risk management systems in order to determine efficiency in connection with the use of funds and establish information and decision procedures, ensuring that our operations comply with corporate rules and regulations.

Reports: The audit committee prepares a report with the following information: activities conducted during the period; evaluation of efficiency of internal control systems; description of recommendations made to the management (highlighting those that have been rejected with their respective reasons); evaluation of effectiveness of the independent auditor and internal audit (including compliance with corporate rules and regulations, highlighting any deficiencies) and the evaluation of the quality of the financial statements for the periods (with focus on accounting practices adopted and compliance with rules).

Financial and Risk Management Committee

Our financial and risk management committee members are appointed by our board of directors. The members of our financial committee may be active or alternate members of our board of directors and board of executive officers or financial specialists with knowledge in economy, financial transactions, cash and financial risk management and related matters.

Our financial and risk management committee consists of the following members: Wesley Mendonça Batista, Joesley Mendonça Batista, André Nogueira, Peter Dvorsak, Denilson Molina and Eliseo Santiago Perez Fernandez.

The financial committee must assist the board of directors and board of executive officers to analyze the domestic and foreign economy and their potential effects on our financial condition; examine, discuss and prepare recommendations to our board of directors in connection with the financial policy proposed by our board of executive officers; follow up the implementation of the financial policy approved by the board of directors, and constantly analyze the results of the financial policy implemented by us.

Human Resources Committee

The members of our human resources are appointed by our board of directors. The members of our board of directors, as well as anyone directly or indirectly related to us, may be members of our human resources committee.

Our human resources committee consists of the following members: Wesley Mendonça Batista, Verônica Peixoto Coelho, José Augusto de Carvalho Júnior and Sérgio Sampaio Nogueira.

The human resources committee directly reports to the board of directors. It must analyze and validate human resources policies and practices, such as to: (1) analyze members appointed to integrate the board of directors, board of executive officers or any of our committees; (2) review and discuss the policy of compensation of members of our management team and any stock option plans offered to our officers, as well as recruiting and selection practices adopted by us; (3) propose criteria to analyze the performance of our officers, managers and employees; (4) establish compensation and benefits to our officers, managers and employees, as the case may be; (5) analyze human resources reports; and (6) analyze all papers and documents sent to our officers, managers and employees.

Sustainability Committee

Our sustainability committee members are appointed by our board of directors.

Currently, the chairman of the sustainability committee is Wesley Mendonça Batista. The other members of our sustainability committee are: Marcus Vinicius Pratini de Moraes, José Augusto de Carvalho Júnior, Renato Mauro Menezes Costa, José Luiz Medeiros, Paulo Sérgio Moreira da Fonseca, Marcio Nappo, Francisco de Assis e Silva, Alexandre Moreira Martins de Almeida, Jeremiah O'Callaghan and Roberto Mulbert.

Our sustainability committee's activities include: (1) assisting the board of directors in all aspects of sustainability, identifying, approaching and dealing with critical matters that may pose risks or significantly impact our business; (2) making recommendations to the board of directors and monitoring the implementation of policies, strategies and actions in connection with the sustainability of our business; and (3) evaluating proposals for strategic investments with a focus on sustainability and assisting the board of directors in investment decisions.

Family Relationship

Members of the Batista family (José Batista Sobrinho and Flora Mendonça Batista and their six children, José Batista Júnior, Valere Batista Mendonça Ramos, Vanessa Mendonça Batista, Wesley Mendonça Batista, Joesley Mendonça Batista and Vivianne Mendonça Batista) are directors and/or officers of our company, our controlling shareholder and several of our subsidiaries. A member of the Bertin family, Natalino Bertin, is a member of our board of directors.

Compensation

Compensation to key members of our management totaled R$6.8 million and R$7.3 million for the years ended December 31, 2011 and 2012, respectively.

Our management compensation policy, including members of our board of directors and statutory and non-statutory officers, is in line with best corporate governance practices and has the objective of attracting and retaining the best employees in our industry. Compensation is established based on market research and must align the interests of our officers with the interests of our shareholders.

The members of our board of directors, committees and our fiscal council are paid a monthly fixed compensation and are not entitled to direct or indirect benefits or profit sharing. Alternate members of the board of directors are paid compensation for each meeting they attend. The members of the committees are only paid a fixed compensation. Other than the fixed monthly amount, members of our board of directors and our fiscal council do not receive any additional compensation.

Statutory officers receive a fixed and variable pay. The variable portion is paid based on our profits and is calculated according to a performance evaluation based on our results. The only benefits they receive are health and dental benefits.

The members of our board of directors and our fiscal council are paid a fixed compensation, which in 2012 represented 100% of their total compensation. Other than the director's qualifying share, which was a legal requirement until June 2011, none of our directors, executive officers or members of our fiscal council, directly own any of our common shares.

PRINCIPAL SHAREHOLDERS

We are directly controlled by FB Participações, a Brazilian holding company, whose only investment is the ownership of our shares. As of the date of this offering memorandum, FB Participações owns 1,255,787,135 of our common shares, representing 42.66% of our total capital. Pursuant to the rules of the *Novo Mercado*, our capital stock is represented solely by common shares. The following table sets forth the shareholders of our outstanding common shares and their respective shareholding as of the date of this offering memorandum:

Shareholders	Shares Outstanding	%
FB Participações (1)	1,255,787,135	42.66
BNDESPAR (2)	584,417,512	19.85
Caixa (3)	296,392,500	10.07
PROT FIP (4)	102,773,401	3.49
Banco Original (5)	37,358,829	1.27
Free float	592,382,067	20.13
Treasury shares	74,532,562	2.53
Total	**2,943,644,008**	**100.00**

(1) FB Participações, our controlling shareholder, is controlled by J&F, ZMF and Bertin Fundo de Investimento em Participações, or FIP Bertin, which own 45.20%, 6.28% and 48.52%, respectively, of the total capital stock of FB Participações. J&F is owned indirectly through several Brazilian holding companies by the members of the Batista family (José Batista Sobrinho and Flora Mendonça Batista and their children, José Batista Júnior, Valere Batista Mendonça Ramos, Vanessa Mendonça Batista, Wesley Mendonça Batista, Joesley Mendonça Batista and Vivianne Mendonça Batista). The Batista family (except for Mr. José Batista Sobrinho and Mrs. Flora Mendonça Batista) owns 100% of the equity interests in ZMF. FIP Bertin, through Tinto Holding Ltda., a Brazilian holding company, is indirectly owned by the members of the Bertin family (the five Bertin brothers, Natalino Bertin, Silmar Bertin, Fernando Bertin, Reinaldo Bertin and João Bertin, and the heirs of Henrique Bertin). José Batista Sobrinho, Joesley Mendonça Batista and José Batista Júnior each own one share of FB Participações.

(2) BNDESPAR is the holding company of BNDES. BNDESPAR invests and owns equity interests in Brazilian companies.

(3) Caixa is a financial institution owned by the Brazilian Federal Government, and subject to the Brazilian Ministry of Finance.

(4) PROT FIP is a Brazilian private equity fund whose major quota holder is BNDESPAR.

(5) Banco Original was founded from the merger of two banks: Banco JBS S.A., which was focused on the development of farming in Brazil, and Banco Matone, which was focused on payroll loans.

Shareholders' Agreement

On December 22, 2009, BNDESPAR, J&F and ZMF entered into a shareholders' agreement with us as intervening and consenting party, or the shareholders' agreement. FB Participações automatically became a party to the shareholders' agreement when it replaced J&F and ZMF as our direct controlling shareholder. Pursuant to the terms of the shareholders' agreement, BNDESPAR is granted veto rights with respect to the following matters:

- the incurrence of debt by us or any company controlled by us, or the controlled companies, if our pro forma consolidated net debt/EBITDA ratio exceeds 5.5:1.0 (other than refinancing debt, among other exceptions);
- the payment of any dividend, interest or any other distribution by us to our shareholders if our pro forma consolidated net debt/EBITDA ratio exceeds 4.0:1.0, or the debt management limit;
- any capital reduction in us or any of our controlled companies if such transaction would cause our pro forma consolidated net debt/EBITDA ratio to exceed the debt management limit; provided that BNDESPAR's approval of any capital reduction will not be required in connection with controlled companies that are 99% or more held by us, or exempted subsidiaries;
- any voluntary filing of bankruptcy by us or JBS USA Holdings;
- any dissolution or liquidation by us, JBS USA Holdings or any other controlled company, except for exempted subsidiaries;

- any reduction in our mandatory dividend under Brazilian law;
- any amendment to our bylaws which would: (1) cause our fiscal council to no longer be permanent; (2) substantially change our business; or (3) conflict with the terms of the shareholders' agreement;
- any merger, acquisition, spin-off, amalgamation, share swap, transfer of subscription rights, reorganization or any other similar transaction by us, JBS USA Holdings or any of the controlled companies, except for the exempted subsidiaries;
- any affiliate transaction that individually or in the aggregate for any period of 12 months would amount to more than R$100 million;
- incurrence of any lien or granting of a security interest in our or any of our controlled companies' assets, which would total more than 10% of our total assets (individually or in the aggregate for a period of 12 months);
- approval of our annual budget and/or the controlled companies if the budgeted expenses would imply a net debt/EBITDA ratio above the debt management limit;
- the making of any capital investment not contemplated in the annual budget approved by our board of directors in an amount that would cause the debt management limit to be surpassed;
- the cancellation of our registry with the CVM, the de-listing of our shares from the BM&FBOVESPA or the deregistration of the shares of JBS USA Holdings under the Exchange Act;
- the creation of any additional class of our stock with different voting or economic rights, including preferred stock;
- any acquisition by us or any of our controlled companies of (1) material holdings of shares of another company not contemplated by the business plan or annual budget approved by our board of directors or (2) non-current assets, in the event that such acquisition would cause the debt management limit to be surpassed; and
- creation of liens, mortgages, pledges, etc. by us or any of our controlled companies to guarantee third party obligations, except for obligations of controlled companies individually in an amount less than R$200 million.

Currently, our board of directors consists of eleven members, of whom BNDESPAR designated one member and the right to designate two members as long as it owns not less than 20% of our total voting and share capital. In addition, we shall have a fiscal council consisting of at least three members, one of which is designated by BNDESPAR.

At any time during the period that the shareholders' agreement is in effect, BNDESPAR shall be entitled, by means of a letter sent to the chairman of our board of directors, to call a special meeting of our board of directors to create and install committees for us, including financial and risk management committees and a sustainability committee. The creation of such committees were approved at a meeting of our board of directors held on March 4, 2010. Such committees shall act as ancillary bodies and have no power to pass any board resolutions but will provide support to our board of directors at all times. To the extent that financial and risk management committees and a sustainability committee are established, BNDESPAR shall be entitled to designate one member to each committee.

This shareholders' agreement will expire on December 31, 2014, and shall be automatically renewed for one five-year term if on such date BNDESPAR owns not less than 15% of our total voting and share capital. In any event the shareholders' agreement will expire if BNDESPAR, directly or indirectly, fails to own 10% or more of our

total voting and share capital prior to December 31, 2014 or 15% or more of our total voting and share capital at any time after December 31, 2014.

This shareholders' agreement is governed by the laws of Brazil. Any claim or controversy arising under the shareholders' agreement will be determined in accordance with the rules of the BM&FBOVESPA Arbitration Chamber.

RELATED PARTY TRANSACTIONS

During the regular course of our business, we engage in transactions with related parties on an arm's length basis, some of which are of a recurring nature, including in respect of administrative, legal, financial, management, accounting, human resources and information technology services and the purchase and sale of raw material and cattle. The following summarizes the material transactions we engage in with our principal affiliates.

Rental Property

We rent portions of the building in which our principal executive offices are located to J&F, Flora Distribuidora de Produtos de Higiene e Limpeza Ltda. and Flora Produtos de Higiene e Limpeza S.A., or Flora, and JBS Agropecuária Ltda., or JBS Agropecuária, in each case for a 10-year term as of December 31, 2006. The aggregate monthly rent is approximately R$77,000, and it is proportionally divided among the lessees, based on the area used by each of them. The amount paid by the lessees entitles them to cleaning and maintenance services of the common areas, electricity, insurance, stationary and mail and telephone service, and includes taxes and other expenses necessary to maintain, preserve and secure their offices. The penalty to terminate this agreement prior to its term is an amount equal to 50% of one year's rent and other expenses.

Services Agreement

On December 31, 2006, we entered into a services agreement for the provision of services (including financial, legal, management, accounting, information technology and human resources) by us to Flora, J&F Investimentos, JBS Participações Financeiras and JBS Agropecuária for a 10-year term. The obligations of each of these companies under this agreement are based on the respective payroll costs of each company as a percentage of the aggregate payroll costs incurred by all of these companies. These companies currently pay us an aggregate monthly fee of approximately R$366.8 thousand. This services agreement may be terminated upon 30 days prior written notice, and we neither guarantee nor provide insurance for this services agreement.

Transportation

On December 31, 2006, we entered into a transportation agreement with JBS Agropecuária to provide transportation services to it. JBS Agropecuária raises cattle in four of its rural properties and needs to transport cattle among these properties. The pricing terms and conditions of this agreement are consistent with other suppliers who provide cattle transportation services. This agreement is for an indefinite period. This agreement may be terminated by JBS Agropecuária upon 30 days prior written notice to us. Pursuant to the terms of this agreement, we are required to indemnify JBS Agropecuária for any damages or losses incurred by JBS Agropecuária. We have adequate insurance coverage taking into account the transportation services we provide.

Raw Material Supply Agreement

On December 31, 2006, we entered into a raw material supply agreement with Flora to supply it with cattle fat for an indefinite period. Pursuant to the terms of this agreement, we charge Flora market rates and payment conditions. This agreement may be terminated by Flora upon 30 days prior written notice to us, and we neither guarantee nor provide insurance for this agreement.

Purchase of Cattle

On December 31, 2006, we entered into a sale and purchase agreement with JBS Agropecuária pursuant to which we regularly purchase cattle from JBS Agropecuária at market prices and conditions based on prices disclosed by Luiz de Queiroz College of Agriculture (*Escola Superior de Agricultura Luiz de Queiroz*), or ESALQ's Center of Advanced Studies of Applied Economics (*Centro de Estudos Avançados em Economia Aplicada*), or CEPEA. This agreement is for an indefinite period. This agreement may be terminated by upon 30 days prior written notice to JBS Agropecuária, and we neither guarantee nor provide insurance for this agreement.

Guarantee of our Debt

JBS USA Holdings, together with its affiliates, JBS Hungary, JBS USA and Swift Beef Company, guarantee, on an unsecured basis, US$300.0 million of the 10.5% notes due 2016 issued by us as a result of a covenant contained in the indenture governing these notes. Additional subsidiaries of JBS USA may be required to guarantee our notes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Description of Indebtedness—2016 Notes."

Agreements with J&F Oklahoma

J&F Oklahoma is party to the following transactions with our subsidiaries:

Cattle Supply and Feeding Agreement

J&F Oklahoma entered into cattle supply and feeding agreement with JBS Five Rivers, pursuant to which JBS Five Rivers feeds and cares for cattle owned by J&F Oklahoma. J&F Oklahoma pays JBS Five Rivers for the cost of feed and medicine plus a yardage fee on a per head per day basis.

Cattle Purchase and Sale Agreement

J&F Oklahoma and JBS USA entered into a cattle purchase and sale agreement, pursuant to which JBS Australia has agreed to purchase from J&F Australia at least 500,000 head of cattle per year between 2009 and 2016.

Guarantee of J&F Oklahoma Secured Revolving Credit Facility

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

On June 14, 2011, J&F Oklahoma and JBS Five Rivers executed a third amended and restated credit agreement to increase the availability to US$1.0 billion and to add J&F Australia as a borrower under this facility. This facility matures on June 14, 2015. On March 6, 2012 J&F Oklahoma and JBS Five Rivers executed an amendment to the third amended and restated credit agreement to increase the availability up to US$1.2 billion. Borrowings under this facility bear interest at variable rates based on applicable LIBOR plus 2.25% per annum, or based on the prime rate plus 1%. The interest rate at December 31, 2012 was 2.5%. As of December 31, 2012, no borrowings were used towards letters of credit and borrowing availability was US$109.6 million. As of December 31, 2011 and December 31, 2012, J&F Oklahoma had US$915.2 million and US$849.2 million, respectively, in outstanding amounts under this facility. On January 24, 2013, J&F Oklahoma executed a fourth amended and restated credit facility to add J&F Canada as a borrower under the facility, allow borrowings under additional currency options and extend the maturity date to June 16, 2016.

This credit agreement is secured by accounts receivable and inventories of J&F Oklahoma and by certain fixed assets, accounts receivable and inventories of JBS Five Rivers. Among other requirements, the facility requires J&F Oklahoma to maintain certain financial ratios, minimum levels of net worth and establish limitations on certain types of payments, including dividends, investments and capital expenditures. In most instances, covenants consider the combined position and results of J&F Oklahoma along with JBS Five Rivers.

J&F Oklahoma's parent company has entered into a keep-well agreement whereby it has agreed to make contributions to J&F Oklahoma if J&F Oklahoma is not in compliance with its financial covenants under this credit facility. If J&F Oklahoma were to default on its obligations under the credit facility and such default is not cured by its parent under the keep-well agreement, JBS Five Rivers is obligated for up to US$250.0 million of guaranteed

borrowings plus certain other obligations and costs under this credit facility. J&F Oklahoma was in compliance with financial covenants under this credit facility as of December 31, 2012.

J&F Oklahoma Revolving Credit Facility

JBS Five Rivers is party to an agreement with J&F Oklahoma pursuant to which JBS Five Rivers has agreed to loan up to US$200.0 million in revolving loans to J&F Oklahoma. The loans are used by J&F Oklahoma to acquire feeder animals which are placed in JBS Five Rivers' feed yards for finishing. Borrowings accrue interest at a per annum rate of LIBOR plus 2.25% and interest is payable at least quarterly. On September 26, 2011, this facility was amended to accrue interest at a per annum rate of LIBOR plus 2.75%. The interest rate at December 31, 2012 was 3.1%. The facility was amended on September 10, 2010 to mature on September 11, 2016. The facility was amended on June 14, 2011 to increase availability under the loan to US$375.0 million. As of December 31, 2012, the outstanding amount under this facility was US$268.6 million. On January 24, 2013, this facility was amended to increase the total amount to up to US$450.0 million. The additional funds will be used for working capital needs

Variable Interest Entities

As of December 31, 2012, JBS USA Holdings holds variable interests in J&F Oklahoma, which is considered a variable interest entity. Since the business purpose of J&F Oklahoma is the ownership of livestock and the risks and rewards of owning feeder and fat cattle accrue to J&F Oklahoma, JBS USA Holdings has determined that it is a non-primary beneficiary of J&F Oklahoma, although we have significant variable interests in the entity. Therefore, the results of J&F Oklahoma are not consolidated in our consolidated financial statements. JBS USA Holdings' significant variable interests are listed below:

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

Agreements with J&F Australia

Cattle Supply and Feeding Agreement

J&F Australia, a wholly-owned subsidiary of J&F Oklahoma, is party to a cattle supply and feeding agreement with JBS Australia, pursuant to which JBS Australia feeds and cares for cattle owned by J&F Australia. J&F Australia pays JBS Australia for the cost of feed and medicine plus a yardage fee on a per head per day basis. Under the terms of this agreement, J&F Australia has agreed to maintain sufficient cattle on JBS Australia's feed yards so that such feed yards are at least 80% full of cattle at all times. The agreement commenced on June 1, 2011 and continues through May 30, 2016.

Cattle Purchase and Sale Agreement

On June 1, 2011, J&F Australia and JBS Australia entered into a cattle purchase and sale agreement, pursuant to which JBS Australia has agreed to purchase from J&F Australia at least 200,000 head of cattle per calendar year.

Agreements with J&F Ranch Canada

Cattle Supply and Feeding Agreement

J&F Ranch Canada Inc., or J&F Ranch Canada, a wholly-owned subsidiary of J&F Oklahoma, is party to a cattle supply and feeding agreement with JBS Food Canada Inc., or JBS Food Canada, pursuant to which JBS Food Canada feeds and cares for cattle owned by J&F Ranch Canada. J&F Ranch Canada pays JBS Food Canada for the cost of feed and medicine plus a yardage fee on a per head per day basis. Under the terms of this agreement, J&F Food Canada has agreed to maintain sufficient cattle on JBS Australia's feed yards so that its feed yards are at least 75% of their capacity with cattle at all times. This agreement commenced on January 24, 2013 and terminates on July 1, 2016.

Cattle Purchase and Sale Agreement

On January 24, 2013, J&F Ranch Canada and JBS Food Canada entered into a cattle purchase and sale agreement, pursuant to which JBS Food Canada has agreed to purchase from J&F Ranch Canada at least 200,000 head of cattle per calendar year.

Transactions with Directors and Officers

On June 29, 2010, JBS USA purchased the home of one of its executive officers for US$1.4 million. However, the home was appraised for $1.0 million. The difference of $0.4 million was treated as compensation expense to the employee when paid. JBS USA has since sold the house and recognized a loss of US$0.3 million.

On March 2, 2011, PPC purchased a home on behalf of one of its executive officers for US$2.1 million in order for him to relocate to Colorado. His home was sold on July 23, 2012.

On August 18, 2011, JBS USA purchased a home on behalf of one of its executive officers for US$530.0 thousand. The executive officer purchased the home from JBS USA for its full purchase price in January 2012.

On September 26, 2011, JBS USA purchased a home on behalf of one of its executive officers for US$730.0 thousand. On January 25, 2012, JBS USA and the executive officer entered into a residential lease agreement in the amount of US$3.0 thousand per month. This lease agreement terminates on April 30, 2013 or at the time the executive purchases the home from JBS USA.

On January 5, 2012, PPC issued 200,000 common shares that had been previously awarded to William W. Lovette, PPC's chief executive officer, to enable him to participate in the PPC Rights Offering (defined below). The restrictions on 100,000 of these common shares awarded to Mr. Lovette lapsed on January 14, 2013 when they vested. The restrictions on the remaining 100,000 common shares will lapse when they vest on January 14, 2014. Granting these common shares subsequently reduced our controlling interest in PPC to 67.2%.

On August 27, 2012, PPC granted 72,675 restricted shares of its common stock to Fabio Sandri as compensation for services to be rendered. Restrictions on these shares will lapse on April 27, 2014, subject to Mr. Sandri's continued employment with PPC through the vesting date.

On November 23, 2012, JBS USA Holdings purchased 455,269 shares of PPC from Don Jackson, JBS USA's former president and chief executive officer, for a price of US$6.00 per share. Mr. Jackson applied the proceeds from the sale to repay his February 23, 2012 promissory note to JBS USA Holdings, in the total amount of US$2.7 million, including principal and interest.

Policies and Procedures for Related Party Transactions

Our board of directors is expected to review in advance any proposed related party transaction. All of our directors, officers and employees are required to report to our board of directors any related party transaction prior to entering into the transaction.

It is our intention to ensure that all transactions between us and our officers, directors and principal stockholders and their affiliates are approved by our board of directors, and are on terms no less favorable to us than those that we could obtain from unaffiliated third parties.

DESCRIPTION OF THE NOTES

Definitions of capitalized terms used in this section can be found under "—Certain Definitions." For purposes of this section of this offering memorandum, references to the "**Issuer**" refer only to ESAL GmbH, and references to "**JBS**" refer only to JBS S.A. and in each case, not to its subsidiaries.

The notes offered hereunder will be additional notes (the "**new notes**") issued under the indenture dated as of February 5, 2013 (the "**indenture**"), among the Issuer, as issuer, and JBS and JBS Hungary Holdings Kft., as guarantors, The Bank of New York Mellon, as trustee (which term includes any successor as trustee under the indenture), and The Bank of New York Mellon Trust (Japan), Ltd., as principal paying agent. Pursuant to the indenture, the issuer previously issued and sold US$500,000,000 aggregate principal amount of 6.25% senior notes due 2023 on February 5, 2013 (the "**initial notes**"). The new notes will be issued in an aggregate principal amount of US$275,000,000. The new notes will have identical terms and conditions as the initial notes, other than the issue date and issue price, and will form a single series with, and vote together as a single class with, the initial notes. The new notes will have the same ISIN and CUSIP numbers as, and will be fungible with, the initial notes, except that the new notes offered and sold in offshore transactions under Regulation S will have temporary ISIN and CUSIP numbers during a 40-day distribution compliance period commencing on the issue date of the new notes. In this description, references to the "**notes**" are to the new notes and the initial notes collectively, unless the context otherwise requires. Under the indenture, the Issuer has appointed a registrar, paying agents and transfer agents, which are identified on the inside back cover page of this offering memorandum. A copy of the indenture, including the form of the notes and related guarantees, is available for inspection during normal business hours at the offices of the trustee and any of the other paying agents set forth on the inside back cover page of this offering memorandum. The trustee or any paying agent will also act as transfer agent and registrar in the event that the Issuer issues certificates for the notes in definitive registered form as set forth in "Form of Notes—Issuance of Certificated Notes."

This Description of the Notes is a summary of the material provisions of the notes and the indenture. Potential investors should refer to the indenture for a complete description of the terms and conditions of the notes and the indenture, including the obligations of the Issuer and JBS and your rights.

General

The notes:

- will be unsecured, unsubordinated obligations of the Issuer, ranking equally in right of payment with all existing and future unsecured, unsubordinated obligations of the Issuer;
- will mature on February 5, 2023;
- will be unconditionally guaranteed on an unsecured, unsubordinated basis by JBS and JBS Hungary Holdings Kft.;
- will be issued in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof; and
- will be represented by one or more registered notes in global form and may be exchanged for notes in definitive form only in limited circumstances.

The guarantees related to the notes will be:

- unsecured, unsubordinated obligations of the Guarantors, ranking equally in right of payment with all existing and future unsecured, unsubordinated obligations of such Guarantor;

- effectively subordinated in right of payment to existing and future secured debt of the Guarantors, to the extent of the value of the assets securing such obligations; and
- effectively subordinated in right of payment to all existing and future debt and other liabilities, including trade payables, of JBS's Subsidiaries that are not Guarantors.

Interest on the notes:

- will accrue at the rate of 6.25% *per annum*;
- will accrue from February 5, 2013;
- will be payable in cash semi-annually in arrears on February 5 and August 5 of each year, commencing on August 5, 2013;
- will be payable to the holders of record on the 15th day immediately preceding the related interest payment dates; and
- will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Principal of, and interest and any additional amounts on, the notes will be payable, and the transfer of notes will be registrable, at the office of the trustee, and at the offices of the paying agents and transfer agents, respectively. The Issuer initially will maintain the principal paying agent in Japan. For so long as the notes are listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the rules of that stock exchange will so require, the Issuer will maintain a paying agent and transfer agent in Singapore.

JBS's Subsidiaries (other than JBS Hungary Holdings Kft.) will not guarantee the notes. The notes will be effectively subordinated in right of payment to all Debt and other liabilities and commitments (including trade payables and lease obligations) of JBS's non-Guarantor subsidiaries (other than the Issuer), including JBS's principal operating Subsidiaries in the United States. JBS's subsidiaries represent a material percentage of net sales, operating income, EBITDA and cash flows from operating activities.

As of December 31, 2012, JBS had total consolidated debt of R$20,488.9 million (US$10,023.9 million), excluding related party debt, of which R$5,099.8 million (US$2,495.0 million) was secured debt of JBS. As of December 31, 2012, PPC, a non-guarantor subsidiary of JBS, had total indebtedness of R$2,347.3 million (US$1,148.4 million) and JBS' other non-guarantor subsidiaries had total indebtedness of R$5,989.9 million (US$2,930.5 million).

Additional Notes

Subject to the covenants described below, the Issuer may, from time to time and without your consent as a holder of the notes, issue notes under the indenture having the same terms in all respects as the notes except that the issue date, the issue price and the date of the first payment of interest thereon may differ. The notes and any additional notes will be treated as a single class for all purposes under the indenture and will vote together as one class on all matters with respect to the notes, *provided* that unless such additional notes are issued under a separate CUSIP, such additional notes will be fungible with the notes for U.S. federal income tax purposes.

Guarantee

Each of JBS and JBS Hungary Holdings Kft. will unconditionally guarantee to each holder and the trustee all of the obligations of the Issuer pursuant to the notes, including the full and prompt payment of and interest on the notes, when and as the same become due and payable, whether at maturity, upon redemption or repurchase, by declaration of acceleration or otherwise, including any additional amounts required to be paid in connection with certain taxes. Any obligation of the Issuer to make a payment may be satisfied by causing the Guarantors to make

such payment.

A guarantee will terminate upon:

(1) a sale or other disposition (including by way of consolidation or merger) of such Guarantor or the sale or disposition of all or substantially all the assets of such Guarantor (other than to the Issuer) otherwise permitted by the indenture; or

(2) discharge or defeasance of the notes, as described under "—Defeasance."

In addition, if at any time JBS Hungary Holdings Kft. shall cease to guarantee the 8.25% Notes due 2018 issued by JBS Finance II Ltd. (the "**2018 Notes**"), including as a result of full repayment or redemption of the 2018 Notes, JBS Hungary Holdings Kft. shall automatically cease to guarantee the notes. For so long as any person guarantees the 2018 Notes (including any resumption of the guarantee by Hungary Holdings Kft. subsequent to any release), such person will also be required to guarantee the notes.

Ranking

The notes will constitute direct, unconditional unsubordinated and unsecured obligations of the Issuer without any preference among themselves. The notes will rank equally with all of the Issuer's other present and future unsecured and unsubordinated obligations.

Form and Transfer

The notes will be in registered form without coupons attached in minimum amounts of US$200,000 and integral multiples of US$1,000 in excess thereof.

Notes sold in offshore transactions in reliance on Regulation S will be represented by one or more permanent global notes in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC for the accounts of Euroclear and Clearstream. Notes sold in reliance on Rule 144A will be represented by one or more permanent global notes in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Notes represented by the global notes will trade in DTC's Same-Day Funds Settlement System, and secondary market trading activity in such notes will therefore settle in immediately available funds. There can be no assurance as to the effect, if any, of settlements in immediately available funds on trading activity in the notes. Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream. Except in certain limited circumstances, definitive registered notes will not be issued in exchange for beneficial interests in the global notes. See "Form of Notes—Issuance of Certificated Notes."

Title to the notes will pass by registration in the register. The holder of any note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, writing on, or theft or loss of, the definitive note issued in respect of it) and no Person will be liable for so treating the holder or for a period of 15 days before a selection of notes to be redeemed.

Payments of Principal and Interest

The Issuer will make payments of principal and interest on the notes to the principal paying agent (as identified on the inside back cover page of this offering memorandum), which will pass such funds to the trustee and the other paying agents or to the holders. Upon any issuance of individual definitive notes, the Issuer will appoint and maintain a paying agent in Singapore, for so long as the notes are listed on the SGX-ST and the rules of such exchange so require. In such event, an announcement shall be made through the SGX-GT and will include all material information with respect to the delivery of the definitive notes, including details of the paying agent in Singapore. Upon any change in the paying agent or registrar, the Issuer will publish a notice in a leading daily newspaper of general circulation in Singapore (which is expected to be *The Business Times* (Singapore Edition)), for

so long as the notes are listed on the SGX-ST and the rules of such exchange so require. See “Form of Notes—Issuance of Certificated Notes.”

The Issuer will make payments of principal upon surrender of the relevant notes at the specified office of the trustee or any of the paying agents. The Issuer will pay principal on the notes to the Persons in whose name the notes are registered at the close of business on the 15th day before the due date for payment. Payments of principal and interest in respect of each note will be made by the paying agents by U.S. dollar check drawn on a bank in New York City and mailed to the holder of such note at its registered address. Upon application by the holder to the specified office of any paying agent not less than 15 days before the due date for any payment in respect of a note, such payment may be made by transfer to a U.S. dollar account maintained by the payee with a bank in New York City.

Under the terms of the indenture, payment by the Issuer of any amount payable under the notes on the due date thereof to the principal paying agent in accordance with the indenture will satisfy the obligation of the Issuer to make such payment; *provided*, *however*, that the liability of the principal paying agent will not exceed any amounts paid to it by the Issuer, or held by it, on behalf of the holders under the indenture. The Issuer has agreed in the indenture to indemnify the holders in the event that there is subsequent failure by the trustee or any paying agent to pay any amount due in respect of the notes in accordance with the indenture (including, without limitation, any failure to pay any amount due as a result of the imposition of any present or future taxes, duties, assessments, fees or governmental charges of whatever nature (and any fines, penalties or interest related thereto) imposed or levied by or on behalf of Japan or any political subdivision or authority thereof or therein, having power to tax) as will result in the receipt by the holders of such amounts as would have been received by them had no such failure occurred.

All payments will be subject in all cases to any applicable tax or other laws and regulations, but without prejudice to the provisions of “—Additional Amounts.” No commissions or expenses will be charged to the holders in respect of such payments.

Subject to applicable law, the trustee and the paying agents will pay to the Issuer or JBS upon request any monies held by them for the payment of principal or interest that remains unclaimed for two years after the applicable payment date, and, thereafter, holders entitled to such monies must look to the Issuer or JBS for payment. After the return of such monies by the trustee or the paying agents to the Issuer, neither the trustee nor the paying agents will be liable to the holders in respect of such monies.

Redemption

The notes will not be redeemable at the option of the Issuer prior to the maturity date except as set forth below.

Optional Redemption

Optional Redemption without a Make-Whole Premium

On and after February 5, 2018, the Issuer or JBS may on any one or more occasions redeem the notes, at its option, in whole or in part, upon not less than 30 nor more than 60 days’ notice, at the following redemption prices (expressed as a percentage of principal amount), *plus* accrued and unpaid interest and additional amounts, if any, to, but excluding, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on February 5 of the years set forth below:

Period	Redemption Price
2018	103.125%
2019	102.083%
2020	101.042%
2021 and thereafter	100.000%

Optional Redemption with a Make-Whole Premium

Prior to February 5, 2018, the Issuer or JBS may on any one or more occasions redeem the notes, at its option, in whole or in part, upon not less than 30 nor more than 60 days' notice, at a "make-whole" redemption price equal to 100% of the principal amount of such notes *plus* the greater of (1) 1% of the principal amount of the notes being redeemed and (2) the excess of (a) the present value at such redemption date of (i) the redemption price of the notes at February 5, 2018 (such redemption price being set forth in the table above under "—Optional Redemption without a Make-Whole Premium") *plus* (ii) all required interest payments thereon through February 5, 2018 (excluding accrued but unpaid interest to the redemption date), in each case, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate *plus* 50 basis points, over (b) the principal amount of the notes being redeemed; *plus* in each case, any accrued and unpaid interest and additional amounts, if any, on such notes to, but excluding, the applicable redemption date, as calculated by the Independent Investment Banker.

Optional Redemption Upon Eligible Equity Offerings

At any time, or from time to time, on or prior to February 5, 2016, the Issuer or JBS may, at its option, use an amount not to exceed the net cash proceeds of one or more Eligible Equity Offerings to redeem up to 35% of the aggregate principal amount of the outstanding notes (including any additional notes) at a redemption price equal to 106.25% of the principal amount on the redemption date, *plus* any accrued and unpaid interest to, but excluding, the redemption date; *provided* that:

- after giving effect to any such redemption at least 65% of the aggregate principal amount of the notes (including any additional notes) issued under the indenture remains outstanding; and
- the Issuer makes such redemption not more than 60 days after the consummation of such Eligible Equity Offering.

The following terms are relevant to the determination of the redemption price for the notes:

"**comparable treasury issue**" means the United States Treasury security selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such notes.

"**comparable treasury price**" means (A) the arithmetic average of the reference treasury dealer quotations for such redemption date after excluding the highest and lowest reference treasury dealer quotations, or (B) if we obtain fewer than four reference treasury dealer quotations, the arithmetic average of all reference treasury dealer quotations for such redemption date.

"**Eligible Equity Offering**" means the issuance and sale of Equity Interests of JBS for cash to any Person (other than a Subsidiary of JBS) pursuant to (i) a public offering in accordance with U.S. or Brazilian laws, rules and regulations, or (ii) a private offering in accordance with Rule 144A, Regulation S and/or another exemption under the Securities Act.

"**Independent Investment Banker**" means one of the reference treasury dealers appointed by us.

"**reference treasury dealer**" means Deutsche Bank Securities Inc., J.P. Morgan Securities LLC or their respective affiliates which are a primary U.S. government securities dealer in New York City *plus* two other leading primary United States government securities dealers in New York City reasonably designated by the Issuer not later than the fifth business day preceding such redemption date; *provided* that, if any of the foregoing shall cease to be a primary United States government securities dealer in New York City (a "**Primary Treasury Dealer**"), the Issuer will substitute therefor another Primary Treasury Dealer.

"**reference treasury dealer quotations**" means, with respect to each reference treasury dealer and any

redemption date, the arithmetic average, as determined by us, of the bid and asked prices for the comparable treasury issue (expressed in each case as a percentage of its principal amount) quoted in writing to us by such reference treasury dealer by 3:30 p.m. (New York City time) on the third business day preceding such redemption date.

"**Treasury Rate**" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated yield to maturity of the comparable treasury issue. In determining the treasury rate, the price for the comparable treasury issue (expressed as a percentage of its principal amount) will be assumed to be equal to the comparable treasury price for such redemption date.

Tax Redemption

If as a result of any change in or amendment to the laws (or any rules or regulations thereunder) of Brazil, Hungary or Austria (or the jurisdiction of any successor) or any political subdivision or taxing authority thereof or therein affecting taxation, or any amendment to or change in an official interpretation, administration or application of such laws, rules, or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the issue date of the initial notes or on or after the date a successor assumes the obligations under the notes, the Issuer, JBS, JBS Hungary Holdings Kft. or any successor has or will become obligated to pay additional amounts as described below under "—Additional Amounts" in excess of the additional amounts the Issuer, JBS, JBS Hungary Holdings Kft. or any successor would be obligated to pay if payments were subject to withholding or deduction for (i) Brazilian Taxes (as defined under "—Additional Amounts") at a rate of 15% or at a rate of 25% in case the holder of the notes is resident in a tax haven jurisdiction (i.e., countries which do not impose any income tax or which impose it at a maximum rate lower than 20% or where the laws impose restrictions on the disclosure of ownership composition or securities ownership) or (ii) Hungarian Taxes or Austrian Taxes (each as defined under "—Additional Amounts") at a rate of 0% (the "**Minimum Withholding Level**"), the Issuer, JBS, JBS Hungary Holdings Kft. or any successor may, at its option, redeem all, but not less than all, of the notes, at a redemption price equal to 100% of their principal amount, together with any interest accrued to the date fixed for redemption, upon publication of irrevocable notice not less than 30 days nor more than 90 days prior to the date fixed for redemption. No notice of such redemption may be given earlier than 90 days prior to the earliest date on which the Issuer, JBS, JBS Hungary Holdings Kft. or any successor would, but for such redemption, be obligated to pay the additional amounts above the Minimum Withholding Level. The Issuer, JBS, JBS Hungary Holdings Kft. or any successor will not have the right to so redeem the notes in the event it becomes obliged to pay additional amounts which are less than the additional amounts payable at the Minimum Withholding Level. Notwithstanding the foregoing, the Issuer, JBS, JBS Hungary Holdings Kft. or any successor will not have the right to so redeem the notes unless: (i) it has taken reasonable measures to avoid the obligation to pay additional amounts; and (ii) it has complied with all necessary Central Bank regulations to legally effect such redemption. For the avoidance of doubt, reasonable measures will not include the Issuer, JBS, JBS Hungary Holdings Kft. or any successor changing or moving jurisdictions or the incurrence of material out-of-pocket costs by the Issuer, JBS, JBS Hungary Holdings Kft. or any successor.

In the event that the Issuer, JBS, JBS Hungary Holdings Kft. or any successor elects to so redeem the notes, it will deliver to the trustee: (1) a certificate, signed in the name of the Issuer, JBS, JBS Hungary Holdings Kft. or any successor by any two of its executive officers or by its attorney in fact in accordance with its bylaws, stating that the Issuer, JBS, JBS Hungary Holdings Kft. or any successor, as the case may be, is entitled to redeem the notes pursuant to their terms and setting forth a statement of facts showing that the condition or conditions precedent to the right of the Issuer, JBS, JBS Hungary Holdings Kft. or any successor to so redeem have occurred or been satisfied; and (2) an Opinion of Counsel, to the effect that the Issuer, JBS, JBS Hungary Holdings Kft. or any successor has or will become obligated to pay additional amounts in excess of the additional amounts payable at the Minimum Withholding Level as a result of the change or amendment, that the Issuer, JBS, JBS Hungary Holdings Kft. or any successor, as the case may be, cannot avoid payment of such excess additional amounts by taking reasonable measures available to it and that all governmental requirements necessary for the Issuer, JBS, JBS Hungary Holdings Kft. or any successor to effect the redemption have been complied with. For the avoidance of doubt, reasonable measures will not include the Issuer, JBS, JBS Hungary Holdings Kft. or any successor changing or moving jurisdictions or the incurrence of material out-of-pocket costs by the Issuer, JBS, JBS Hungary Holdings Kft. or any successor.

General Provisions for Optional or Tax Redemption

If the redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest, if any, will be paid to the Person in whose name the note is registered at the close of business, on such record date, and no additional interest will be payable to holders whose notes will be subject to redemption by the Issuer or JBS.

In the case of any partial redemption, selection of the notes for redemption will be made by the trustee in compliance with the requirements of the principal national securities exchange, if any, on which the notes are listed or, if the notes are not listed, then by lot (or, in the case of notes issued in global form, then in accordance with the procedures of DTC)). If any note is to be redeemed in part only, the notice of redemption relating to such note will state the portion of the principal amount thereof to be redeemed. If notes are redeemed in part, the remaining outstanding amount must be at least equal to US$200,000 and be an integral multiple of US$1,000.

No Mandatory Redemption or Sinking Funds

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the notes.

Repurchase

The Issuer, JBS or any of their Affiliates may at any time purchase notes in the open market or otherwise at any price. Any such purchased notes will not be resold, except in compliance with applicable requirements or exemptions under the relevant securities laws.

Transfer of Notes

Notes may be transferred in whole or in part in an authorized denomination upon the surrender of the note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the registrar or the specified office of any transfer agent. Each new note to be issued upon exchange of notes or transfer of notes will, within three business days of the receipt of a request for exchange or form of transfer, be mailed at the risk of the holder entitled to the note to such address as may be specified in such request or form of transfer.

Notes will be subject to certain restrictions on transfer as more fully set out in the indenture. See "Notice to Investors." Transfer of beneficial interests in the global notes will be effected only through records maintained by DTC and its participants. See "Form of Notes."

Transfer will be effected without charge by or on behalf of the Issuer, the registrar or the transfer agents, but upon payment, or the giving of such indemnity as the registrar or the relevant transfer agent may require, in respect of any tax or other governmental charges which may be imposed in relation to it. The Issuer is not required to transfer or exchange any note selected for redemption.

No holder may require the transfer of a note to be registered during the period of 15 days ending on the due date for any payment of principal or interest on that note.

Additional Amounts

All payments by the Issuer, JBS or JBS Hungary Holdings Kft. in respect of the notes or the related guarantees will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments, or other governmental charges of whatever nature (and any fines, penalties or interest relating thereto) imposed or levied by or on behalf of Brazil, Hungary or Austria, or any authority therein or thereof ("**Brazilian Taxes**", "**Hungarian Taxes**" or "**Austrian Taxes**", respectively), unless the Issuer, JBS or JBS Hungary Holdings Kft., as the case may be, is required by law to deduct or withhold such taxes, duties, assessments, or governmental charges. In such event, the Issuer, JBS or JBS Hungary Holdings Kft., as the case may be, will make such deduction or

withholding, make payment of the amount so withheld to the appropriate governmental authority and pay such additional amounts as may be necessary to ensure that the net amounts receivable by holders of notes after such withholding or deduction will equal the respective amounts of principal, premium, if any, and interest which would have been receivable in respect of the notes or the related guarantees in the absence of such withholding or deduction. No such additional amounts will be payable:

- to, or to a third party on behalf of, a holder who is liable for such taxes, duties, assessments or governmental charges in respect of such note by reason of the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of such holder, if such holder is an estate, a trust, a partnership, or a corporation) and Brazil, Hungary or Austria, including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein, other than the mere holding of the note or enforcement of rights and the receipt of payments with respect to the note or the related guarantees;

- in respect of notes surrendered (if surrender is required) more than 30 days after the Relevant Date (as defined below) except to the extent that payments under such note or the related guarantees would have been subject to withholdings and the holder of such note would have been entitled to such additional amounts, on surrender of such note for payment on the last day of such period of 30 days;

- where such additional amount is imposed on a payment to an individual and is required to be made pursuant to any law implementing or complying with, or introduced in order to conform to, any European Union Directive on the taxation of savings;

- to, or to a third party on behalf of, a holder or beneficial owner who is liable for such taxes, duties, assessments or other governmental charges by reason of such holder's or beneficial owner's failure to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with Brazil, Hungary or Austria, or a successor jurisdiction or applicable political subdivision or authority thereof or therein having power to tax, of such holder or beneficial owner, if (a) compliance is required by such jurisdiction, or any political subdivision or authority thereof or therein having power to tax, as a precondition to exemption from, or reduction in the rate of, the tax, assessment or other governmental charge and (b) the Issuer, JBS or JBS Hungary Holdings Kft. has given the holders at least 30 days' notice that holders will be required to comply with such certification, identification or other requirement;

- in respect of any estate, inheritance, gift, sales, transfer, capital gains, excise or personal property or similar tax, assessment or governmental charge;

- in respect of any tax, assessment or other governmental charge which is payable other than by deduction or withholding from payments of principal of, premium, if any, or interest on the note or by direct payment by the Issuer, JBS or JBS Hungary Holdings Kft. in respect of claims made against the Issuer, JBS or JBS Hungary Holdings Kft.; or

- in respect of any combination of the above.

Notwithstanding anything to the contrary in the preceding paragraph, none of the Issuer, JBS, JBS Hungary Holdings Kft., any paying agent or any other person shall be required to pay any additional amounts with respect to any withholding or deduction imposed on or in respect of any note pursuant to Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended ("FATCA"), any treaty, law, regulation or other official guidance enacted by Brazil, Hungary or Austria implementing FATCA, or any agreement between the Issuer, JBS and/or JBS Hungary Holdings Kft. and the United States or any authority thereof implementing FATCA.

In addition, no additional amounts will be paid with respect to any payment on a note or the related guarantees to a holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of

that payment to the extent that payment would be required by the laws of Brazil, Hungary or Austria, or any political subdivision thereof to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interest holder in a limited liability company or a beneficial owner who would not have been entitled to the additional amounts had that beneficiary, settlor, member or beneficial owner been the holder.

"**Relevant Date**" means, with respect to any payment on a note, whichever is the later of: (i) the date on which such payment first becomes due; and (ii) if the full amount payable has not been received by the trustee on or prior to such due date, the date on which notice is given to the holders that the full amount has been received by the trustee.

The Issuer, JBS or JBS Hungary Holdings Kft., as the case may be, will also pay any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies which arise in any jurisdiction from the execution, delivery, registration or the making of payments in respect of the notes and the related guarantees, excluding any such taxes, charges or similar levies imposed by any jurisdiction outside of Brazil, Austria or Hungary other than those resulting from, or required to be paid in connection with, the enforcement of the notes and the related guarantees following the occurrence of any Default or Event of Default.

The Issuer, JBS or JBS Hungary Holdings Kft. will provide the trustee with the official acknowledgment of the relevant taxing authority (or, if such acknowledgment is not available, other reasonable documentation) evidencing any payment of Brazilian Taxes, Hungarian Taxes or Austrian Taxes in respect of which the Issuer, JBS or JBS Hungary Holdings Kft. has paid any additional amounts. Copies of such documentation will be made available to the holders of the notes or the paying agents, as applicable, upon request therefor.

In the event that additional amounts actually paid with respect to the notes or the related guarantees described above are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the holder of such notes, and, as a result thereof such holder is entitled to make claim for a refund or credit of such excess from the authority imposing such withholding tax, then such holder will, by accepting such notes, be deemed to have assigned and transferred all right, title, and interest to any such claim for a refund or credit of such excess to the Issuer.

Any reference in this offering memorandum, the indenture, the notes or the related guarantees to principal, interest or any other amount payable in respect of the notes or the related guarantees by the Issuer, JBS or JBS Hungary Holdings Kft. will be deemed also to refer to any additional amounts, unless the context requires otherwise, that may be payable with respect to that amount under the obligations referred to in this subsection.

The foregoing obligation will survive termination or discharge of the indenture.

Covenants

The indenture contains the following covenants, which apply so long as the notes are outstanding:

Limitation on Debt

JBS will not, and will not permit any Subsidiary to, incur, directly or indirectly, any Debt unless the pro forma Net Debt to EBITDA Ratio as of the date of the proposed incurrence at any time is less than 4.75 to 1.0.

Notwithstanding the foregoing, JBS or any Subsidiary may issue the following Debt ("**Permitted Debt**"):

(i) the notes (other than additional notes) and the guarantees (other than guarantees related to additional notes);

(ii) Debt outstanding on the issue date of the notes;

(iii) Debt ("**Permitted Refinancing Debt**") constituting an extension or renewal of, replacement of, or

substitution for, or issued in exchange for, or the net proceeds of which are used to repay, redeem, repurchase, refinance or refund, including by way of defeasance (all of the above, for purposes of this clause and clauses (vii) and (viii) below, "**refinance**") any Debt permitted by the first paragraph of this covenant, clauses (i) or (ii) above, by this clause (iii) or clause (xv) below; *provided*, *however*, that (a) the principal amount of the Debt so incurred does not exceed the principal amount of the Debt so refinanced (*plus*, without duplication, any additional Debt incurred to pay interest or premium (if any) required by the instruments governing such Debt and fees and expenses incurred in connection therewith), (b) the Debt so incurred (i) does not mature prior to the earlier of (A) the Stated Maturity of the Debt so refinanced and (B) the 91st day after the Stated Maturity of the notes, and (c) the Debt is subordinated on a *pari passu* basis to the extent that the Debt being refinanced is so subordinated;

(iv) Debt owed to or held by a: (i) Wholly Owned Subsidiary or a Substantially Wholly Owned Subsidiary; or (ii) Subsidiary to the extent that such Debt is subordinated to the prior payment of all obligations with respect to the notes and the guarantee;

(v) Debt of a Subsidiary owed to or held by JBS;

(vi) Debt of JBS or any Subsidiary pursuant to (a) interest rate swap or similar agreements designed to protect JBS or such Subsidiary against fluctuations in interest rates or interest rate indices in respect of Debt of JBS or such Subsidiary to the extent the notional principal amount of such obligation does not exceed the aggregate principal amount of the Debt to which such interest rate contracts relate and (b) foreign exchange or commodity hedge, exchange or similar agreements designed to protect JBS or such Subsidiary against fluctuations in foreign currency exchange rates or commodity prices in respect of foreign exchange or commodity exposures incurred by JBS or such Subsidiary;

(vii) Debt of JBS or any Subsidiary, which may include Capital Leases, incurred on or after the issue date of the notes no later than 365 days after the date of purchase or completion of construction or improvement of Property (including Capital Stock) for the purpose of financing all or any part of the purchase price or cost of construction or improvement, *provided* that the principal amount of any Debt incurred pursuant to this clause may not exceed at any one time outstanding US$60.0 million (or the equivalent thereof at the time of determination), and any refinancing of Debt incurred pursuant to this clause (vii), subject to the proviso set forth in clause (iii) above;

(viii) Debt of JBS or any Subsidiary incurred to pay all or a portion of the purchase price of the acquisition or lease of equipment, vehicles and services used in the ordinary course of the business of JBS or its Subsidiaries; *provided* that such Debt is incurred within 365 days prior to or after any such acquisition (or addition, improvement or construction) , and any refinancing of Debt incurred pursuant to this clause (viii), subject to the proviso set forth in clause (iii) above;

(ix) Debt of JBS or any Subsidiary consisting of guarantees of Debt of JBS or any Subsidiary, incurred under any other clause of this covenant;

(x) Debt of JBS or any Subsidiary to the extent the net proceeds thereof are promptly used to purchase notes in connection with a tender offer effected by JBS or an Affiliate of JBS or deposited to defease or discharge the notes, in each case, in accordance with the indenture;

(xi) All obligations of JBS or any Subsidiary for the reimbursement of any obligor on any letter of credit, banker's acceptance, surety bond or similar credit transaction; *provided* that if at any time after the issuance of such letter of credit, surety bond or other similar credit transaction there is a drawing thereunder, such drawing must, as of the date thereof, then otherwise be permitted pursuant to this covenant;

(xii) Debt of JBS or any Subsidiary arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or Equity Interest in any Subsidiary; *provided* that the maximum aggregate liability in respect of all such Debt shall at no time exceed the gross proceeds actually received by JBS or any Subsidiary

thereof in connection with such disposition plus any fees or expenses incurred therein; *provided further* that such Debt is not reflected on the balance sheet of JBS or any Subsidiary, other than as Contingent Obligations referred to in a footnote to the financial statements;

(xiii) Debt of JBS or any Subsidiary arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Debt is extinguished within five business days of its incurrence;

(xiv) Debt of JBS or any Subsidiary consisting of (a) the financing of insurance premiums or (b) take-or-pay obligations contained in supply agreements in the ordinary course of business;

(xv) Acquired Debt; *provided* that after giving effect to the incurrence thereof, (i) JBS could incur at least $1.00 of Debt under the Net Debt to EBITDA Ratio test set forth in the first paragraph of this covenant, or (ii) the Net Debt to EBITDA Ratio would be equal to or less than immediately prior to the relevant acquisition or merger; and

(xvi) Debt of JBS and/or its Subsidiaries incurred on or after the issue date of the notes not otherwise permitted in an aggregate principal amount at any time outstanding not to exceed the sum of (a) 25% of JBS's EBITDA for the then most recent concluded period of four consecutive fiscal quarters for which financial statements are publicly available, plus (b) 1% of JBS's Total Consolidated Assets.

For purposes of determining compliance with this covenant: (i) in the event that an item of Debt meets the criteria of more than one of the types of Debt described above, including the first paragraph above, the Issuer or JBS, in its sole discretion, may classify, and from time to time may reclassify, such item of Debt, in any manner that complies with this covenant; and (ii) Debt permitted by this covenant (including the first paragraph above), need not be permitted solely by reference to one provision permitting such Debt but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Debt.

For purposes of determining compliance with clause (xvi) above, EBITDA will be calculated to give pro forma effect to the following: (i) the acquisition or disposition of companies, divisions or lines of businesses by JBS and its Subsidiaries, including any acquisition or disposition of a company, division or line of business during or after the reference period by a Person that became a Subsidiary during or after the reference period; and (ii) the discontinuation of any discontinued operations, in each case, that have occurred during or after the reference period as if such events had occurred, and, in the case of any disposition, the proceeds thereof applied, on the first day of the reference period.

For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Debt where the Debt incurred is denominated in a different currency, the amount of such Debt will be the U.S. Dollar Equivalent determined on the date of the incurrence of such Debt; *provided*, however, that if any such Debt denominated in a different currency is subject to a Currency Protection Agreement with respect to U.S. dollars covering all principal, premium, if any, and interest payable on such Debt, the amount of such Debt expressed in U.S. dollars will be as provided in such Currency Protection Agreement. The principal amount of any Permitted Refinancing Debt incurred in the same currency as the Debt being refinanced will be the U.S. Dollar Equivalent of the Debt refinanced, except to the extent that (1) such U.S. Dollar Equivalent was determined based on a Currency Protection Agreement, in which case the Permitted Refinancing Debt will be determined in accordance with the preceding sentence, and (2) such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if the U.S. Dollar Equivalent were calculated as of the date of such refinancing, in which case such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount in the applicable currency of such Permitted Refinancing Debt does not exceed the principal amount in such currency of such Debt being refinanced.

With respect to any holder of Debt of JBS or any of its Subsidiaries, such holder of Debt (or its assignee) will not be deemed to have provided such Debt to JBS or any such Subsidiary in violation of the indenture if such holder of such Debt or its agent or representative (a) had no actual knowledge at the time of the incurrence of such Debt that such incurrence violated the indenture and (b) will have received an officer's certificate to the effect that the

incurrence of such Debt does not violate the provisions of the indenture.

In connection with an acquisition or disposition of a company, division or line of business (an "**Acquired Entity**") for which audited or reviewed financial statements are not available, EBITDA for such Acquired Entity will be calculated in good faith by the Issuer and JBS based upon management reports or other similar information ("**Initial EBITDA**"). Notwithstanding any other provision of this covenant, neither JBS nor any Subsidiary will, with respect to any Debt Incurred pursuant to this Initial EBITDA calculation (the "**New Debt**"), be deemed to be in violation of this covenant; *provided*, *however*, that the Issuer and JBS will be required by the date that is 90 days following the consummation of the acquisition of the Acquired Entity to recalculate EBITDA, for the period of four consecutive fiscal quarters for which financial statements of JBS are publicly available (or a period most closely coinciding with such period to the extent that the fiscal year of the Acquired Entity does not correspond to the fiscal year of JBS, using financial statements of the Acquired Entity that have been audited or subjected to a limited review ("**Recalculated EBITDA**"). If (1) the Recalculated EBITDA is less than the Initial EBITDA and (2) as a result, JBS or any Subsidiary Incurred New Debt that exceeded (by an amount in excess of US$30.0 million) what it would have been permitted to Incur using Recalculated EBITDA, then JBS or any Subsidiary within 90 days thereafter will be required to repay such amount of New Debt that would ensure that it would have been in compliance with this covenant had it used Recalculated EBITDA to determine the amount of Debt it was permitted to Incur thereunder.

Limitation on Liens

JBS will not, and will not permit any Subsidiary to, incur or permit to exist any Lien securing the payment of Debt upon any of its Property or assets now owned or hereafter acquired by it (including any Capital Stock or Debt of its Subsidiaries), without effectively providing that the notes are secured equally and ratably with (or, if the obligation to be secured by the Lien is subordinated in right of payment to the notes, prior to) the obligations so secured for so long as such obligations are so secured, other than Permitted Liens.

Limitation on Dividend and Other Payment Restrictions Affecting Subsidiaries

(a) Except as provided in paragraph (b), JBS will not, and will not permit any Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction of any kind on the ability of any Subsidiary to:

(i) pay cash dividends or make any other cash distributions on any Equity Interests of the Subsidiary owned by JBS or any other Subsidiary;

(ii) pay in cash any Debt or other obligation owed to JBS or any other Subsidiary; or

(iii) make loans or advances to JBS or any other Subsidiary.

(b) The provisions of paragraph (a) do not apply to any encumbrances or restrictions:

(i) existing on the issue date of the notes as provided for in the indenture or any other agreements in effect on the issue date of the notes, and any extensions, renewals, replacements or refinancings of any of the foregoing; *provided* that the encumbrances and restrictions in the extension, renewal, replacement or refinancing are, taken as a whole, no less favorable in any material respect to the noteholders than the encumbrances or restrictions being extended, renewed, replaced or refinanced;

(ii) existing under or by reason of applicable law;

(iii) existing with respect to any Person, or to the Property of any Person, at the time the Person is acquired by JBS or any Subsidiary, which encumbrances or restrictions: (i) are not applicable to any other Person or the Property of any other Person; and (ii) were not put in place in anticipation of such event, and any extensions, renewals, replacements or refinancings of any of the foregoing; *provided* that the encumbrances and restrictions in the extension, renewal, replacement or refinancing are, taken as a whole, no

less favorable in any material respect to the noteholders than the encumbrances or restrictions being extended, renewed, replaced or refinanced;

(iv) on the ability of any Subsidiary to transfer any of its property or assets to JBS or any other Subsidiary arising or agreed to in the ordinary course of business: (a) that restrict in a customary manner the subletting, assignment or transfer of any Property that is subject to a lease or license or (b) by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any Property of, JBS or any Subsidiary;

(v) with respect to a Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or Property of, the Subsidiary that is permitted by the covenant described under the heading "Limitation on Asset Sales;"

(vi) with respect to a Subsidiary and imposed pursuant to a customary provision in a joint venture or other similar agreement with respect to such Subsidiary that was entered into in the ordinary course of business;

(vii) imposed by the standard loan documentation in connection with loans from (a) *Banco Nacional de Desenvolvimento Econômico e Social—BNDES* (including loans from *Financiadora de Estudos e Projetos—FINEP*), or any other Brazilian governmental development bank or credit agency or (b) any international or multilateral development bank, government-sponsored agency, export-import bank or official export-import credit insurer;

(viii) required pursuant to the indenture; or

(ix) with respect to any agreement governing Debt of any Subsidiary that is permitted to be incurred by the covenant described under the heading "—Limitation on Debt"; *provided* that JBS determines that on the date of the incurrence of such Debt, that such encumbrance or restriction would not be expected to materially impair the Issuer's ability to make principal or interest payments on the notes.

Limitation on Restricted Payments

(a) JBS will not, and at any time the Issuer is a Significant Subsidiary, the Issuer will not, directly or indirectly (the payments and other actions described in the following paragraphs being collectively "**Restricted Payments**"):

- declare or pay any dividend or make any distribution on its Equity Interests (other than dividends or distributions paid in its Equity Interests and dividends or distributions by the Issuer to JBS or any other Subsidiary of JBS (and, to the extent that the Issuer remains a Wholly Owned Subsidiary but less than 100% of the Capital Stock of the Issuer is owned by JBS at the time of such dividend or distribution, the payment of a pro rata amount of such dividend or distribution to the other holders of such Capital Stock));

- purchase, redeem or otherwise acquire or retire for value any of its Equity Interests; or

- repay, redeem, repurchase, defease or otherwise acquire or retire for value, or make any payment on or with respect to, any Subordinated Debt, except (i) a payment of interest and (ii) a repayment, redemption, repurchase, defeasance or acquisition or retirement in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of such repurchase, defeasance or acquisition or retirement;

unless, at the time of, and after giving effect to, the proposed Restricted Payment:

(i) no Default has occurred and is continuing;

(ii) JBS could incur at least US$1.00 of Debt under the Net Debt to EBITDA Ratio test set forth in the first paragraph of the covenant described above under the caption "—Limitation on Debt";

(iii) the aggregate amount expended for all Restricted Payments made on or after the issue date of the notes would not, subject to paragraph (d) below, exceed the sum of:

- 50% of the aggregate amount of the Consolidated Net Income (or, if the Consolidated Net Income is a loss, *minus* 100% of the amount of the loss) accrued on a cumulative basis during the period, taken as one accounting period, beginning on the first day of the fiscal quarter in which the issue date of the initial notes occurs and ending on the last day of JBS's most recently completed fiscal quarter for which financial statements are publicly available; *plus*

- 100% of the net cash proceeds received by JBS from the issue or sale of its Equity Interests (including by way of issuance of Debt to the extent since converted into or exchanged for Equity Interests of JBS) or other capital contributions subsequent to the issue date of the notes (other than net cash proceeds received from an issuance or sale of such Equity Interests to a Subsidiary of JBS or an employee stock ownership plan, option plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loan from or guaranteed by JBS or any Subsidiary unless such loans have been repaid with cash on or prior to the date of determination) excluding in any event net cash proceeds received by JBS from the issue and sale of its Equity Interests or capital contributions to the extent applied to redeem the notes in compliance with the provisions set forth under the caption "Redemption—Optional Redemption—Optional Redemption Upon Eligible Equity Offerings"; *plus*

- 100% of the fair market value (as determined in good faith by JBS) of property other than cash received by JBS from the issue or sale of its Equity Interests (including by way of issuance of Debt to the extent since converted into or exchanged for Equity Interests of JBS) or other capital contributions subsequent to the issue date of the notes; *provided* that any Restricted Payment permitted to be made in connection with the contribution of such property other than cash shall not be made in the form of cash or cash equivalents as such terms are determined under IFRS.

(b) Paragraph (a) above will not prohibit the declaration and payment of mandatory dividends in an amount equivalent to not more than the Minimum Legally Required Dividend including, in each case, in the form of interest attributable to JBS's outstanding capital; *provided* that the payment of such amounts is in compliance with the Brazilian corporate law and JBS's bylaws and that JBS's Board of Directors, with the approval of its fiscal council, if in existence at such time, has not reported to the general shareholders' meeting that the distribution would not be advisable given the financial condition of JBS or its Subsidiaries.

(c) The foregoing will not prohibit:

(i) the payment of any dividend or distribution within 60 days after the date of declaration thereof if, at the date of declaration, such payment would comply with this provision;

(ii) payments on Subordinated Debt owed to JBS or any of its Subsidiaries, the incurrence of which was permitted under clause (iv) or (v) of the covenant described under "—Limitation on Debt";

(iii) the repayment, redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Debt with the proceeds of, or in exchange for, Permitted Refinancing Debt;

(iv) any Restricted Payment made in exchange for, or out of the proceeds of a substantially concurrent offering of, Equity Interests of JBS or of a cash contribution to the common equity of JBS;

(v) repurchases of Equity Interests of JBS deemed to occur upon exercise of warrants, options or rights to acquire Equity Interests in each case in connection with employee stock option or stock purchase agreements or other agreements to compensate management employees, if such Equity Interests represent a portion of the exercise price of such warrants, options or rights or nominal cash payments in lieu of issuances of fractional shares;

(vi) so long as no Default or Event of Default has occurred and is continuing, the purchase, redemption or other acquisition, cancellation or retirement for value of Equity Interests, or options, warrants, equity appreciation rights or other rights to purchase or acquire Equity Interests of JBS or any Subsidiary held by any existing or former employees or management of JBS or any Subsidiary or their assigns, estates or heirs, in each case in connection with the repurchase provisions under employee stock option or stock purchase agreements or other agreements to compensate management employees; *provided* that such redemptions or repurchases pursuant to this clause will not exceed US$25.0 million in the aggregate during any calendar year and US$50.0 million in the aggregate for all such redemptions and repurchases;

(vii) repurchases of Subordinated Debt at a purchase price not greater than (a) 101% of the principal amount or accreted value, as applicable, of such Subordinated Debt and accrued and unpaid interest thereon in the event of a change of control or (b)100% of the principal amount or accreted value, as applicable, of such Subordinated Debt and accrued and unpaid interest thereon in the event of an asset sale, in connection with any change of control offer or asset sale offer required by the terms of such Subordinated Debt, but only if, to the extent applicable: (i) in the case of a change of control, the Issuer or JBS has first complied with and fully satisfied its obligations under the covenant described above under the caption "—Repurchase of Notes Upon a Change of Control"; or (ii) in the case of an asset sale, JBS has first complied with and fully satisfied its obligations under the covenant described above under the caption "—Limitation on Asset Sales";

(viii) Restricted Payments made with the Equity Interests and/or assets (including proceeds from any sale of all or a portion of such Equity Interests and/or assets) of any Subsidiary that JBS determines on the date of such Restricted Payment is not essential to the operations of JBS's business of processing beef, pork, lamb and poultry; *provided* that, the aggregate amount of Restricted Payments made pursuant to this clause (as measured on the date of declaration of such Restricted Payment) will not exceed 3% of JBS's Total Consolidated Revenues for the then most recently concluded period of four consecutive fiscal quarters for which financial statements are publicly available at the time such Restricted Payment is declared; and

(ix) Restricted Payments in aggregate amount not to exceed US$30.0 million, *provided* that at the time of, and after giving effect to, the proposed Restricted Payment (a) no Default has occurred and is continuing, and (b) JBS could incur at least an additional US$1.00 of Debt under the Net Debt to EBITDA Ratio test set forth in the first paragraph of the covenant described above under the caption "—Limitation on Debt."

(d) In determining the aggregate amount of Restricted Payments made subsequent to the issue date of the notes, only amounts expended pursuant to clauses (i), (vi) and (vii) of paragraph (c) will be included in such calculation under paragraph (a).

Limitation on Transactions with Affiliates

JBS will not, and will not permit its Subsidiaries to, sell, lease or otherwise transfer any Property or assets to, or purchase, lease or otherwise acquire any Property or assets from, or otherwise engage in any other transactions with, any Affiliates that are not its Subsidiaries (each, a "**Related Party Transaction**"), except transactions at prices and on terms and conditions no less favorable to JBS, or any of its Subsidiaries, as the case may be, than could be obtained on an arm's-length basis from unrelated third parties.

In any Related Party Transaction or series of Related Party Transactions with an aggregate value in excess of US$5.0 million (or the equivalent thereof at the time of determination), the Issuer and JBS must first deliver to the trustee an officer's certificate to the effect that such transaction or series of related transactions are on fair and reasonable terms no less favorable to JBS or such Subsidiaries than could be obtained in a comparable arm's-length transaction and is otherwise compliant with the terms of the indenture. In any Related Party Transaction or series of Related Party Transactions with an aggregate value in excess of US$15.0 million (or the equivalent thereof at the time of determination), the Issuer and JBS must first deliver to the trustee a certificate from JBS's Board of Directors (or equivalent body) to the effect that such transaction or series of related transactions are on fair and reasonable terms no less favorable to JBS or such Subsidiaries than could be obtained in a comparable arm's-length transaction and is otherwise compliant with the terms of the indenture. Prior to entering into any Related Party Transaction or series of Related Party Transactions with an aggregate value in excess of US$45.0 million (or the

equivalent thereof at the time of determination), the Issuer and JBS must obtain and deliver to the trustee a favorable written opinion from an independent nationally recognized Brazilian or internationally recognized investment banking, auditing or consulting firm as to the fairness of the transaction to JBS or its Subsidiaries, as the case may be, from a financial point of view.

The foregoing paragraphs do not apply to:

(i) the payment of reasonable and customary regular fees to directors of JBS;

(ii) any Restricted Payments permitted to be made pursuant to the covenant described under "—Limitation on Restricted Payments";

(iii) any issuance or sale of Equity Interests to Affiliates of JBS;

(iv) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, pursuant to any employee, officer or director compensation or benefit plans, customary indemnifications or arrangements entered into in the ordinary course of business;

(v) transactions pursuant to agreements in effect on the issue date of the notes and described in the offering memorandum, as amended, modified or replaced from time to time so long as the amended, modified or new agreements, taken as a whole, are no less favorable in any material respect to JBS and its Subsidiaries than those in effect on the issue date of the notes;

(vi) any Sale and Leaseback Transaction otherwise permitted pursuant to the covenant described under "—Limitation on Sale and Leaseback Transactions" if such transaction is on market terms;

(vii) transactions with customers, clients, distributors, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business and on market terms and in compliance with the indenture;

(viii) (A) any advance, loan or other extension of credit (or guarantee thereof) from (a) *Banco Nacional de Desenvolvimento Econômico e Social—BNDES* (including loans from *Financiadora de Estudos e Projetos—FINEP*), or any other Brazilian governmental development bank or credit agency or (b) any international or multilateral development bank, government-sponsored agency, export-import bank or official export-import credit insurer and (B) any other transaction with BNDES Participações S.A. or any of its Affiliates; and

(ix) transactions with joint ventures or other similar arrangements made in the ordinary course of business and on market terms pursuant to supply or purchase arrangements (i) in effect on the issue date of the notes, as amended, modified or replaced from time to time and (ii) as may be entered into after the issue date of the notes; *provided*, that the amendment, modification, replacement or new arrangement, taken as a whole, is no less favorable in any material respect to JBS and its Subsidiaries than those in effect on the issue date of the notes.

Limitation on Sale and Leaseback Transactions

JBS will not, and will not permit any Subsidiary to, enter into any Sale and Leaseback Transaction with respect to any Property unless JBS or such Subsidiary would be entitled to:

- incur Debt in an amount equal to the Attributable Debt with respect to such Sale and Leaseback Transaction pursuant to the covenant described under "—Limitation on Debt" above; and

- create a Lien on such Property securing such Attributable Debt without equally and ratably securing the notes pursuant to the covenant described under "—Limitation on Liens" above;

in which case, the corresponding Debt and Lien will be deemed incurred pursuant to those provisions.

Repurchase of Notes Upon a Change of Control

Not later than 30 days following a Change of Control that results in a Ratings Decline, JBS or the Issuer will make an Offer to Purchase all outstanding notes at a purchase price equal to 101% of the principal amount *plus* accrued interest to, but excluding, the date of purchase, on the terms set out in the indenture.

Notwithstanding the above, JBS and the Issuer will not be required to make an Offer to Purchase upon a Change of Control if (i) a third party makes the Offer to Purchase in the manner, at the times and otherwise in compliance with the requirements set forth in the indenture that are applicable to an Offer to Purchase made by the Issuer and such third party purchases all notes properly tendered and not withdrawn under the Offer to Purchase or (ii) a notice of redemption for all outstanding notes has been given pursuant to the indenture as described above. An Offer to Purchase may be made in advance of a Change of Control and conditioned upon the occurrence of such Change of Control and Ratings Decline if a definitive agreement is in place for the Change of Control at the time of making of the Offer to Purchase.

Limitation on Asset Sales

JBS will not, and will not permit any Subsidiary to, make any Asset Sale unless the following conditions are met:

(i) The Asset Sale is for fair market value (as determined in good faith by the Issuer and JBS);

(ii) At least 75% of the consideration consists of all or part of any of the following, received at closing, (a) cash and cash equivalents (consisting of marketable securities issued by the Brazilian federal government or any agency or subdivision thereof, or by any first tier U.S. financial institution or its Brazilian subsidiary or affiliate, or by any first tier Brazilian financial institution) or (b) Productive Assets (for purposes of this clause (ii), the assumption by the purchasers of Debt or other obligations (other than Subordinated Debt) of JBS or a Subsidiary pursuant to a customary novation agreement, and instruments or securities received by JBS or any of its Subsidiaries from the purchasers that are converted into cash within 90 days of the closing shall be considered to be cash received at closing);

(iii) Within 365 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Net Cash Proceeds may be used:

- to permanently repay Debt other than Subordinated Debt of JBS or of any of its Subsidiaries (and in the case of a revolving credit, permanently reduce the commitment thereunder by such amount), in each case owing to a Person other than JBS or any Subsidiary; or
- to acquire (or within such 365-day period, the Board of Directors shall have approved and a memorandum of understanding or binding agreement has been entered into to acquire, which acquisition shall be consummated prior to the second anniversary of such Asset Sale) (a) Productive Assets or (b) all or substantially all of the assets of a Permitted Business, or a majority of the Voting Stock of another Person that thereupon becomes a Subsidiary engaged in a Permitted Business, or to make capital expenditures or otherwise acquire long-term assets that are to be used in a Permitted Business; and

(iv) The Net Cash Proceeds of an Asset Sale not applied (or agreed to be applied) pursuant to paragraph (iii) above within 365 days of the Asset Sale will constitute "**Excess Proceeds**." Excess Proceeds of less than US$30.0 million (or the equivalent thereof at the time of determination) will be carried forward and accumulated. When accumulated Excess Proceeds equals or exceeds US$30.0 million, the Issuer or JBS must, within 30 days, make an Offer to Purchase notes having a principal amount equal to:

- accumulated Excess Proceeds, *multiplied by*
- a fraction (x) the numerator of which is equal to the then outstanding principal amount of the notes and (y) the denominator of which is equal to the then outstanding principal amount of the notes and all pari passu Debt similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US$1,000.

The purchase price for the notes will be 100% of the principal amount *plus* accrued interest to the date of purchase. If the offer to purchase is for less than all of the outstanding notes and notes in an aggregate principal amount in excess of the purchase amount are tendered and not withdrawn pursuant to the offer, the Issuer or JBS will purchase notes having an aggregate principal amount equal to the purchase amount on a pro rata basis, with adjustments so that only notes in multiples of US$1,000 will be purchased and that only notes with a minimum denomination of US$200,000 or in multiples of US$1,000 in excess thereof will remain outstanding following such purchase. Upon completion of the Offer to Purchase, Excess Proceeds will be reset at zero. Pending application in accordance with this covenant, Net Cash Proceeds may be applied in a manner not prohibited by the indenture.

Limitation on Consolidation or Merger

JBS will not consolidate with or merge into or convey, transfer, or lease all or substantially all of its assets (determined on a consolidated basis) to, any Person, unless:

(i) the resulting, surviving or transferee Person (if not JBS) will be a Person organized and validly existing under the laws of Brazil or any political subdivision thereof or any other country member of the Organization for Economic Co-operation and Development (OECD), and such Person will expressly assume by a supplement to the indenture, executed and delivered to the trustee, all of the obligations of the Issuer under the indenture and the notes;

(ii) the resulting, surviving or transferee Person (if not JBS), if not organized and existing under the laws of Brazil, undertakes, in such supplement to the indenture, to pay such additional amounts as may be necessary in order that every net payment made in respect of the guarantees related to the notes after deduction or withholding for or on account of any present or future taxes, duties, assessments or other governmental charges imposed by its country of organization or any political subdivision or taxing authority thereof or therein will not be less than the amount of principal (and premium, if any) and interest then due and payable on the guarantees related to the notes, subject to the same exceptions set forth under "—Additional Amounts," but replacing existing references to Brazil and Austria with references to such other country;

(iii) immediately after giving effect to the transaction (and treating any Debt that becomes an obligation of the resulting, surviving or transferee Person as a result of such transaction as having been incurred by such Person at the time of such transaction), no Default will have occurred and be continuing;

(iv) immediately after giving effect to the transaction on a pro forma basis, JBS or the resulting, surviving or transferee Person (A) could incur at least US$1.00 of Debt under the covenant described in the first paragraph under the caption "—Limitation on Debt" or (B) would have a Net Debt to EBITDA Ratio that is less than that of JBS immediately prior to such transaction; and

(v) JBS will have delivered to the trustee an officer's certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplement to the indenture (if any) comply with the notes, the guarantees and the indenture.

Notwithstanding the foregoing, clause (iv) will not apply to (x) any consolidation, merger, conveyance, transfer or lease of assets by a Subsidiary to or into JBS and (y) any merger or consolidation or conveyance, transfer or lease of assets of JBS or one of its Subsidiaries with an Affiliate solely for the purpose of reincorporating JBS or a Subsidiary in another jurisdiction to realize tax benefits; *provided* that, in the case of a Subsidiary that merges into JBS, JBS will not be required to comply with the preceding clause (v).

The trustee will accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set forth in paragraph (v) above, in which event it will be conclusive and binding on the holders.

Reporting Requirements

JBS will furnish to the trustee (and will also provide the trustee with sufficient copies of the following reports referred to in paragraphs (i) and (ii) below for distribution, at JBS's expense, to all holders of notes):

(i) an English language version of its annual audited consolidated financial statements, prepared in accordance with IFRS, promptly upon such financial statements becoming available but not later than 120 days after the close of its fiscal year;

(ii) an English language version of its unaudited quarterly consolidated financial statements prepared in accordance with IFRS promptly upon such financial statements becoming available but not later than 60 days after the close of each fiscal quarter (other than the last fiscal quarter of its fiscal year);

(iii) simultaneously with the delivery of the set of financial statements referred to in paragraphs (i) and (ii) above, an officer's certificate stating whether an event of default or a default exists on the date of such certificate and, if an event of default or a default exists, setting forth the details thereof and the action being taken or proposed to take with respect thereto;

(iv) without duplication, English language versions or summaries of such other reports or notices as may be filed or submitted by (and promptly after filing or submission by) JBS or the Issuer with the SGX-ST, the Brazilian *Novo Mercado* or any other stock exchange on which the notes or JBS's equity securities may be listed (in each case, to the extent that any such report or notice is generally available to its security holders or the public in Brazil), except, to the extent that JBS has properly communicated that such English language versions or summaries are available without charge, including, without limitation, on any public website; and

(v) as soon as practicable and in any event within 10 business days after an executive officer of the Issuer or JBS becomes aware of the existence of an event of default or a default under the notes, an officer's certificate setting forth the details thereof and the action the Issuer or JBS, as the case may be, proposes to take with respect thereto.

In addition, at any time that the Issuer is a Significant Subsidiary, the Issuer will furnish the trustee (with sufficient copies, at the expense of the Issuer) the financial statements in clauses (i) and (ii) above within the respective time periods described in those clauses.

Delivery of these reports and information to the trustee is for informational purposes only and the trustee's receipt of them will not constitute constructive notice of any information contained therein or determinable for information contained therein, including the Issuer's or JBS's compliance with any of its covenants in the indenture (as to which the trustee is entitled to rely exclusively on officer's certificates).

The Issuer and JBS have agreed that, so long as any notes remain outstanding, the Issuer and JBS will furnish to noteholders and securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Compliance with Laws

JBS will, and will cause each of its Subsidiaries to, comply with all material Laws applicable to it or to any of its Subsidiaries.

Maintenance of Books and Records

JBS will, and will cause each of its Subsidiaries to, maintain books, accounts and records in all material respects in accordance with applicable Law and IFRS.

Line of Business

JBS will not, and will not permit any of its Subsidiaries, to engage in any business other than a Permitted Business, except to an extent that so doing would not be material to JBS and its Subsidiaries, taken as a whole. JBS will not cease or threaten to cease to carry on all or any substantial part of its business.

Covenant Suspension

From and during any time that:

(i) the notes have an Investment Grade Rating from both Rating Agencies, and

(ii) no Default has occurred and is continuing (the occurrence of the events described in the foregoing clauses (a) and (b) being collectively referred to as a "**Covenant Suspension Event**"), JBS and its Subsidiaries will not be subject to the following provisions of the indenture:

- "—Limitation on Debt";
- "—Limitation on Dividend and Other Payment Restrictions Affecting Subsidiaries";
- "—Limitation on Restricted Payments";
- "—Limitation on Transactions with Affiliates";
- "—Limitation on Sale and Leaseback Transactions";
- "—Limitation on Asset Sales";
- "—Line of Business"; and
- clause (iv) of the first paragraph of "—Limitation on Consolidation or Merger";

The covenants set forth above are referred to collectively as the "**Suspended Covenants**".

In addition, during the Suspension Period, the reference to 20% of JBS's Consolidated Net Tangible Assets in clause (q) of the definition of Permitted Liens shall be replaced with 20% of JBS's Total Consolidated Assets.

In the event that JBS and its Subsidiaries are not subject to the Suspended Covenants for any period of time as a result of the foregoing, and on any subsequent date (the "**Reversion Date**"), the notes cease to have an Investment Grade Rating from one of the Rating Agencies, then JBS and its Subsidiaries will thereafter again be subject to the Suspended Covenants. The period of time between the occurrence of a Covenant Suspension Event and the Reversion Date is referred to as the "**Suspension Period**." Notwithstanding that the Suspended Covenants may be reinstated, no Default or Event of Default will be deemed to have occurred as a result of a failure to comply with any of the Suspended Covenants during the Suspension Period (or upon termination of the Suspension Period or after that time based solely on events that occurred during the Suspension Period).

On the Reversion Date, all Debt incurred during the Suspension Period will be classified to have been incurred pursuant to the first paragraph or clauses (i) through (xvi) of the second paragraph under "—Limitation on Debt" (to the extent such Debt would be permitted to be incurred thereunder as of the Reversion Date and after giving effect to the Debt incurred prior to the Suspension Period and outstanding on the Reversion Date). To the extent such Debt would not be permitted to be incurred pursuant to such paragraph or clauses of the second paragraph under "—Limitation on Debt," such Debt will be deemed to have been outstanding on the issue date of the notes, so that it is classified as permitted under clause (ii) of "—Limitation on Debt." On the Reversion Date, no Default or Event of Default will be deemed to have occurred if, during the Suspension Period, JBS or its Subsidiaries had incurred Liens in excess of 20% of JBS's Consolidated Net Tangible Assets but not exceeding 20% of JBS's Total Consolidated Assets. Any such Liens will be deemed to have been outstanding on the issue date of the notes, so that it is classified as permitted under clause (a) of the definition of Permitted Liens.

The Issuer or JBS shall give the trustee written notice of any Covenant Suspension Event or any occurrence of a Reversion Date. In the absence of such notice of a Covenant Suspension Event, the trustee shall assume the

Suspended Covenants apply and are in full force and effect.

Calculations made after the Reversion Date of the amount available to be made as Restricted Payments under the covenant described under "—Limitation on Restricted Payments" will be made as though such covenant had been in effect prior to, but not during, the Suspension Period (and, for the avoidance of doubt, all Consolidated Net Income and other amounts attributable to the Suspension Period that would otherwise increase the amount of Restricted Payments available to be made pursuant to any clause (including clause (a)(3) of the first paragraph) of the covenant described under "—Limitation on Restricted Payments" shall be excluded in determining the amount of Restricted Payments available to be made following the Reversion Date).

Additional Limitations on the Issuer and JBS

The indenture will require that the Issuer will be a Wholly Owned Subsidiary of JBS for so long as any notes are outstanding. JBS and the Issuer will agree in the indenture that, for so long as any of the notes are outstanding, neither JBS nor the Issuer will take any corporate action with respect to:

- the consolidation or merger of the Issuer with or into any other person, except that the Issuer may merge with JBS or a Wholly Owned Subsidiary of JBS; or

- the transfer or disposition by JBS of all or any portion of the Capital Stock or assets of the Issuer to any person other than a Wholly Owned Subsidiary of JBS, except as part of a sale of all or substantially all of the assets of JBS permitted under "—Covenants—Limitation on Consolidation or Merger."

Substitution of the Issuer

The Issuer may, without the consent of any holder of the notes, be substituted by (a) JBS or (b) any Wholly Owned Subsidiary of JBS as principal debtor in respect of the notes (in that capacity, the "**Substituted Issuer**"); *provided* that the following conditions are satisfied:

(1) such documents will be executed by the Substituted Issuer, the Issuer, JBS and the trustee as may be necessary to give full effect to the substitution, including a supplemental indenture under which the Substituted Issuer assumes all of the Issuer's obligations under the indenture and the notes and, unless the Guarantors' then existing guarantees remain in full force and effect, substitute guarantees issued by the Guarantors in respect of the notes (collectively, the "**Issuer Substitution Documents**");

(2) if the Substituted Issuer is organized in a jurisdiction other than Austria, the Issuer Substitution Documents will contain covenants (1) to ensure that each holder of the notes has the benefit of a covenant in terms corresponding to the obligations of the Issuer in respect of the payment of additional amounts; and (2) to indemnify each holder and beneficial owner of the notes against all taxes or duties (a) which arise by reason of a law or regulation in effect or contemplated on the effective date of the substitution, which may be incurred or levied against such holder or beneficial owner of the notes as a result of the substitution and which would not have been so incurred or levied had the substitution not been made or (b) which are imposed on such holder or beneficial owner of the notes by any political subdivision or taxing authority of any country in which such holder or beneficial owner of the notes resides or is subject to any such tax or duty and which would not have been so imposed had the substitution not been made; *provided*, that any holder or beneficial owner of the notes making a claim with respect to such tax indemnity shall provide the Issuer or JBS with notice of such claim, along with supporting documentation, within two years of the announcement of the substitution of the Issuer; *provided further*, that none of the Issuer, JBS, JBS Hungary Holdings Kft., any paying agent or any other person shall be required to indemnify any holder or beneficial owner of the notes for any taxes imposed pursuant to FATCA, the laws of Brazil, Hungary or Austria implementing FATCA, or any agreement between the Issuer, JBS and/or JBS Hungary Holdings Kft. and the United States or any authority thereof implementing FATCA;

(3) the Issuer will deliver, or cause the delivery, to the trustee of opinions from internationally recognized

counsel in the jurisdiction of organization of the Substituted Issuer, Austria and the United States as to the validity, legally binding effect and enforceability of the Issuer Substitution Documents and specified other legal matters, as well as an officer's certificate as to compliance with the provisions described under this section;

(4) the Substituted Issuer will appoint a process agent in the Borough of Manhattan in The City of New York to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the notes, the indenture and the Issuer Substitution Documents;

(5) no Event of Default has occurred or is continuing; and

(6) the substitution will comply with all applicable requirements under the laws of the jurisdiction of organization of the Substitute Issuer, Austria and Brazil.

Upon the execution of the Issuer Substitution Documents, any substitute guarantees and compliance with the other conditions set forth above, the Substituted Issuer will be deemed to be named in the notes as the principal debtor in place of the Issuer and the Issuer, will be released from all of its obligations under the notes and the indenture.

Not later than 10 business days after the execution of the Issuer Substitution Documents, the Substituted Issuer will give notice thereof to the holders of the notes.

Notwithstanding any other provision of the indenture, JBS will (unless it is the Substituted Issuer) do or cause to be done all acts and things and promptly execute and deliver any documents or instruments, including any substitute guarantees and a legal opinion of internationally recognized Brazilian counsel, that may be required, or that the trustee may reasonably request, to ensure that the Guarantors' guarantees are in full force and effect for the benefit of the holders and beneficial owners of the notes following the substitution.

Events of Default

An "**Event of Default**" occurs if:

(i) the Issuer or JBS defaults in the payment of the principal of (including, without limitation, any additional amounts, if any, on) any note when the same becomes due and payable at maturity, upon acceleration or redemption, or otherwise;

(ii) the Issuer or JBS defaults in the payment of interest (including additional amounts, if any, without limitation) on any note when the same becomes due and payable, and the default continues for a period of 30 days;

(iii) the Issuer or JBS fails to make an Offer to Purchase and thereafter to accept and pay for notes tendered when and as required pursuant to the covenants described under "—Repurchase of Notes Upon a Change of Control" and "—Limitation on Asset Sales", or the Issuer or JBS fails to comply with the covenants described under "—Limitation on Consolidation or Merger" or "—Additional Limitations on the Issuer and JBS";

(iv) the Issuer or JBS, as the case may be, defaults in the performance of or breaches any other covenant or agreement of the Issuer or JBS in the indenture or under the notes or the related guarantees and the default or breach continues for a period of 60 consecutive days after written notice to the Issuer by the trustee or to the Issuer and the trustee by the holders of 25% or more in aggregate principal amount of the notes;

(v) there occurs with respect to any Debt of JBS, the Issuer or any of JBS's Significant Subsidiaries having an outstanding principal amount of US$50.0 million (or the equivalent thereof at the time of determination) or more in the aggregate for all such Debt of all such Persons (i) an event of default that

results in such Debt being due and payable prior to its scheduled maturity or (ii) failure to make a payment of principal, interest or any other amount due thereunder when due and such defaulted payment is not made, waived or extended within the applicable grace period;

(vi) one or more final judgments or orders for the payment of money in the aggregate are rendered against JBS, the Issuer or any of JBS's Significant Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$50.0 million or the equivalent thereof at the time of determination (in excess of amounts which JBS's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(vii) an involuntary case or other proceeding is commenced against JBS, the Issuer or any of JBS's Significant Subsidiaries with respect to it or its debts under any bankruptcy, insolvency or other similar law then in effect seeking the appointment of a trustee, receiver, *síndico*, liquidator, custodian or other similar official of it or any substantial part of its Property, and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 days; or an order for relief is entered against JBS, the Issuer or any Significant Subsidiary of JBS under the applicable bankruptcy laws then in effect, and such order is not being contested by JBS, the Issuer or such Significant Subsidiary, as the case may be, in good faith, or has not been dismissed, discharged or otherwise stayed, in each case within 60 days of being made (an event of default specified in this paragraph (vii) or paragraph (viii) below, a "**bankruptcy default**");

(viii) JBS, the Issuer or any of JBS's Significant Subsidiaries (a) commences a voluntary case or other proceeding seeking liquidation, reorganization, *concordata* or other relief with respect to itself or its Debts or any guarantee under any applicable bankruptcy, insolvency or other similar law then in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, *síndico*, liquidator, assignee, custodian, trustee, sequestrator or similar official of JBS, the Issuer or any of JBS's Significant Subsidiaries or for all or substantially all of the Property of JBS, the Issuer or any of JBS's Significant Subsidiaries or (c) effects any general assignment for the benefit of creditors;

(ix) any event occurs that under the laws of Brazil, United States, Austria (with respect to the Issuer only for so long as it is domiciled there) or any political subdivision thereof or any other country has substantially the same effect as any of the events referred to in any of paragraph (vii) or (viii) above;

(x) it is or will become unlawful for JBS or the Issuer to perform or comply with any of its material obligations under or in respect of the notes and the related guarantees, or the indenture, or any note, or any guarantee, or the indenture ceases to be in full force and effect, other than in accordance with the terms of the indenture, or JBS or the Issuer denies or disavows its obligations under the notes and the related guarantees; or

(xi) all or substantially all of the assets and revenues of JBS are condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government or JBS is prevented by any such Person from exercising normal control over all or substantially all of such assets and revenues for a period of 45 consecutive days or longer.

If an Event of Default, other than a bankruptcy default with respect to JBS, the Issuer or any of JBS's Significant Subsidiaries, occurs and is continuing under the indenture, the trustee or the holders of at least 25% in aggregate principal amount of the notes then outstanding, by written notice to the Issuer (and to the trustee if the notice is given by the holders), may, and the trustee at the request of such holders will, declare the principal of and accrued interest on the notes to be immediately due and payable. Upon a declaration of acceleration, such principal and interest will become immediately due and payable. If a bankruptcy default occurs with respect to JBS, the Issuer or any of JBS's Significant Subsidiaries, the principal of and accrued interest on the notes then outstanding will become immediately due and payable without any declaration or other act on the part of the trustee or any holder. In

this case, JBS will comply with any and all then applicable regulations of the Central Bank for remittance of funds outside of Brazil.

The holders of a majority in principal amount of the outstanding notes by written notice to the Issuer and to the trustee may waive all past defaults and rescind and annul a declaration of acceleration and its consequences if (i) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the notes that have become due solely by the declaration of acceleration, have been cured or waived; and (ii) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

The trustee is not to be charged with knowledge of any Default or Event of Default or knowledge of any cure of any Default or Event of Default unless written notice of such Default or Event of Default has been given to an officer of the trustee with direct responsibility for the administration of the indenture by the Issuer or any holder.

Defeasance

The Issuer or JBS may at any time terminate all of its obligations with respect to the notes ("**defeasance**"), except for certain obligations, including those regarding any trust established for a defeasance and obligations to register the transfer or exchange of the notes, to replace mutilated, destroyed, lost or stolen notes and to maintain agencies in respect of notes. The Issuer or JBS may at any time terminate its obligations under certain covenants set forth in the indenture, and any omission to comply with such obligations will not constitute a default or an event of default with respect to the notes issued under the indenture ("**covenant defeasance**"). In order to exercise either defeasance or covenant defeasance, the Issuer or JBS must irrevocably deposit in trust, for the benefit of the holders of the notes, with the trustee money or U.S. government obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent auditors expressed in a written certificate delivered to the trustee, without consideration of any reinvestment, to pay the principal of, and interest on the notes to redemption or maturity and comply with certain other conditions, including the delivery of an Opinion of Counsel to the effect that the holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same time as would otherwise have been the case (and in the case of a defeasance that is not a covenant defeasance, such opinion will be based on a change in law or a ruling of the U.S. Internal Revenue Service).

Amendment, Supplement, Waiver

Subject to certain exceptions, the indenture, the notes or the guarantees may be amended or supplemented with the consent of the holders of at least a majority in principal amount of the notes then outstanding, and any past Default or compliance with any provision may be waived with the consent of the holders of at least a majority in principal amount of the notes then outstanding. However, without the consent of each holder of an outstanding note affected thereby, no amendment may:

- reduce the rate of or extend the time for payment of interest on any note;
- reduce the principal amount of or change the stated maturity of any installment of principal of any note;
- reduce the amount payable upon redemption of any note or change the time at which any note may be redeemed;
- change the currency for payment of principal of, or interest on, any note;
- impair the right to institute suit for the enforcement of any payment on or with respect to any note;
- waive certain payment defaults with respect to the notes;
- reduce the principal amount of notes whose holders must consent to any amendment or waiver;

- make any change in the amendment or waiver provisions which require each holder's consent;
- modify or change any provision of the indenture affecting the ranking of the notes in a manner materially adverse to the holders of the notes;
- amend or modify any provisions of the guarantees in a manner materially adverse to the holders of the notes; or
- after the time an offer to purchase is required to have been made, reduce the purchase amount or purchase price, or extend the latest expiration date or purchase date thereunder.

The holders of the notes will receive prior notice as described under "—Notices" of any proposed amendment to the notes or the indenture described in this paragraph. After an amendment described in the preceding paragraph becomes effective, the Issuer or JBS is required to mail to the holders a notice briefly describing such amendment. However, the failure to give such notice to all holders of the notes, or any defect therein, will not impair or affect the validity of the amendment.

The consent of the holders of the notes is not necessary to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

The Issuer, JBS and the trustee may, without the consent or vote of any holder of the notes, amend or supplement the indenture, the notes or the guarantees for the following purposes:

- cure any ambiguity, omission, defect or inconsistency;
- comply with the covenant described under "—Limitation on Consolidation or Merger";
- add to the covenants of the Issuer or JBS for the benefit of holders of the notes;
- surrender any right conferred upon the Issuer or JBS;
- evidence and provide for the acceptance of an appointment by a successor trustee;
- provide for the issuance of additional notes;
- to secure the notes or to confirm and evidence the release, termination or discharge of any guarantee of or Lien securing the notes when such release, termination or discharge is permitted by the indenture;
- make any other change that does not materially and adversely affect the rights of any holder of the notes or to conform the indenture to this "Description of the Notes"; or
- to cause an additional guarantor to guarantee the obligations under the notes and the indenture.

Notices

For so long as notes in global form are outstanding, notices to be given to holders will be given to the depositary, in accordance with its applicable policies as in effect from time to time. If notes are issued in certificated form, notices to be given to holders will be deemed to have been given upon the mailing by first class mail, postage prepaid, of such notices to holders of the notes at their registered addresses as they appear in the trustee's records. In addition, so long as the notes are listed on the SGX-ST and the rules of such stock exchange so require, notices will also be published in a leading English language newspaper having general circulation in Singapore (which is expected to be *The Business Times* (Singapore Edition)). Any such notice will be deemed to have been delivered on the date of first publication.

Concerning the Trustee

The Bank of New York Mellon is the trustee under the indenture. The indenture contains provisions for the indemnification of the trustee and for its relief from responsibility. The obligations of the trustee to any holder are subject to such immunities and rights as are set forth in the indenture.

Except during the continuance of an Event of Default, the trustee needs to perform only those duties that are specifically set forth in the indenture and no others, and no implied covenants or obligations will be read into the indenture against the trustee. In case an Event of Default has occurred and is continuing, the trustee will exercise those rights and powers vested in it by the indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. No provision of the indenture will require the trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder, or in the exercise of its rights or powers, unless it receives indemnity satisfactory to it against any loss, liability or expense.

JBS and its affiliates may from time to time enter into normal banking and trustee relationships with the trustee and its affiliates.

Governing Law

The notes, the indenture and the guarantees will be governed by the laws of the State of New York.

Consent to Service

Each of the parties to the indenture will submit to the jurisdiction of the U.S. federal and New York State courts located in the Borough of Manhattan, City and State of New York for purposes of all legal actions and proceedings instituted in connection with the notes and the indenture. Each of the Issuer and JBS has appointed National Corporate Research, Ltd., 10 East 40th Street, 10th Floor, New York, New York 10016, as its authorized agent upon which process may be served in any such action.

Currency Indemnity

U.S. dollars are the sole currency of account and payment for all sums payable by the Issuer or JBS under or in connection with the notes, including damages. Any amount received or recovered in a currency other than dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, JBS or otherwise) by any holder of a note in respect of any sum expressed to be due to it from the Issuer or JBS will only constitute a discharge of the Issuer or JBS, as the case may be, to the extent of the dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that dollar amount is less than the dollar amount expressed to be due to the recipient under any note, the Issuer or JBS, as the case may be, will indemnify such holder against any loss sustained by it as a result; and if the amount of U.S. dollars so purchased is greater than the sum originally due to such holder, such holder will, by accepting a note, be deemed to have agreed to repay such excess. In any event, the Issuer or JBS, as the case may be, will indemnify the recipient against the cost of making any such purchase.

For the purposes of the preceding paragraph, it will be sufficient for the holder of a note to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had an actual purchase of dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of dollars on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above). These indemnities constitute a separate and independent obligation from the other obligations of the Issuer and JBS, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any holder of a note and will continue in foil force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any note.

Certain Definitions

The following is a summary of certain defined terms used in the indenture. Reference is made to the indenture for the full definition of all such terms as well as other capitalized terms used herein for which no definition is provided.

"**Acquired Debt**" of JBS means Debt of JBS or any of its Subsidiaries existing at the time that Person becomes a Subsidiary of JBS, or at the time it merges or consolidates with JBS or any of its Subsidiaries, or assumed in connection with the acquisition of assets from that Person.

"**Advance Transaction**" means an advance from a financial institution involving either (a) a foreign exchange contract (ACC — *Adiantamento sobre Contrato de Câmbio*) or (b) an export contract (ACE — *Adiantamento sobre Contrato de Exportação*).

"**Affiliate**" means, with respect to any Person, (1) any other Person which, directly or indirectly, is in control of, is controlled by or is under common control with such Person or (2) any other Person who is a director or officer (a) of such Person, (b) of any Subsidiary of such Person or (c) of any Person described in clause (1) above. For purposes of this definition, "**control**" of a Person means the power, direct or indirect, to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise, and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing.

"**Asset Sale**" means any sale, lease, transfer or other disposition of any assets by JBS or any Subsidiary, including by means of a merger, consolidation or similar transaction and including any sale or issuance of the Equity Interests of any Subsidiary (each of the above referred to as a "**disposition**"), *provided* that the following are not included in the definition of "**Asset Sale**":

(i) a disposition to JBS or a Subsidiary, including the sale or issuance by JBS or any Subsidiary of any Equity Interests of any Subsidiary to JBS or any Subsidiary;

(ii) the disposition by JBS or any Subsidiary in the ordinary course of business of (a) cash and cash management investments, (b) inventory and other assets acquired and held for resale in the ordinary course of business, (c) damaged, worn out or obsolete assets, or (d) rights granted to others pursuant to leases or licenses;

(iii) the sale or discount of accounts receivable arising in the ordinary course of business in connection with the compromise or collection thereof;

(iv) a transaction covered by the covenant described under "—Limitation on Consolidation and Merger";

(v) a Restricted Payment permitted under the covenant described under "—Limitation on Restricted Payments";

(vi) a Sale and Leaseback Transaction otherwise permitted under "—Limitation on Sale and Leaseback Transactions";

(vii) the creation of a Lien not prohibited by the indenture (but not the sale or disposition of the property subject to such Lien);

(viii) any surrender or waiver of contract rights pursuant to a settlement, release, recovery on or surrender of contract, tort or other claims of any kind; or

(ix) any disposition or a series of related disposition of assets with a fair market value of less than US$30.0 million (or the equivalent thereof at the time of determination).

"**Attributable Debt**" means, in respect of a Sale and Leaseback Transaction, the present value, discounted at

the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

"**Austria**" means the Republic of Austria.

"**Batista Family**" includes José Batista Sobrinho, together with his wife, sons and daughters, or any of their respective heirs.

"**Brazil**" means the Federative Republic of Brazil.

"**Capital Lease**" means, with respect to any Person, any lease of any property which, in conformity with IFRS, is required to be capitalized on the statement of financial position of such Person.

"**Capital Stock**" means, with respect to any person, any and all quotas, shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated), but excluding any debt securities convertible into or exchangeable for, such equity.

"**Change of Control**" means the Permitted Holders, directly or indirectly, cease to have the power to direct or cause the direction of the management and policies of JBS, whether through the ownership of voting securities, by contract or otherwise.

"**Consolidated Net Income**" means, for any period, the aggregate net income (loss) of JBS for such period determined on a consolidated basis in conformity with IFRS.

"**Consolidated Net Tangible Assets**" means the total amount of assets of JBS and its Subsidiaries on a consolidated basis (less applicable depreciation, amortization and other valuation reserves), except to the extent resulting from write-ups of capital assets subsequent to the issue date of the notes, after deducting therefrom (i) all current liabilities of JBS and its Subsidiaries on a consolidated basis (excluding intercompany items) and (ii) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles of JBS and its Subsidiaries on a consolidated basis as set forth on the most recent consolidated financial statements which are publicly available, in each case in accordance with IFRS.

"**Contingent Obligation**" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for purposes of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part; *provided* that the term "**Contingent Obligation**" does not include endorsements for collection or deposit in the ordinary course of business.

"**Currency Protection Agreement**" means any currency protection agreement entered into with one or more financial institutions in the ordinary course of business that is designed to protect the Person or entity entering into the agreement against fluctuations in currency exchange rates with respect to Debt incurred and not for purposes of speculation.

"**Debt**" means, with respect to any Person, without duplication:

(a) the principal of and premium, if any, in respect of (i) all indebtedness of such Person for borrowed money and (ii) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable;

(b) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but

excluding trade accounts payable or other short-term obligations to suppliers payable within 180 days, in each case arising in the ordinary course of business);

(c) all obligations of such Person for the reimbursement of any obligor on any letter of credit, bankers' acceptances or other similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in (a) and (b) above) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the third business day following receipt by such Person of a demand for reimbursement following payment on the letter of credit);

(d) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Redeemable Stock (but excluding any accrued dividends);

(e) all obligations of such Person under Hedging Agreements;

(f) all obligations of the type referred to in (a) through (e) above of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any Contingent Obligation (other than obligations of other Persons that are customers or suppliers of such Person for which such Person is or becomes so responsible or liable in the ordinary course of business to (but only to) the extent that such Person does not, or is not required to, make payment in respect thereof); and

(g) all obligations of the type referred to in (a) through (e) above of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person), the amount of such obligation being deemed to be the lesser of the value of such property or assets or the amount of the obligation so secured.

"**Default**" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"**EBITDA**" means, for any period, as to JBS and its Subsidiaries, on a consolidated basis:

(a) aggregate net income (or loss); *plus*

(b) current and deferred income tax and social contribution, net; *plus*

(c) non-operating expense (income), net; *plus*

(d) financial expenses (income), net; *plus*

(e) any depreciation or amortization; *plus*

(f) bargain purchase gain; *plus*

(g) reorganization and restructuring charges; *plus*

(h) the extent net income (loss) from discontinued operations is included in the determination of Consolidated Net Income, any current and deferred income tax and social contribution, net, plus financial expenses (income), net plus depreciation and amortization attributable to such discontinued operations; *plus*

(i) any expenses or charges (other than depreciation or amortization expense) related to any Eligible Equity Offering, Investment permitted by the indenture, acquisition, disposition, recapitalization or the incurrence, repurchase, repayment or amendment of Debt permitted to be incurred by the indenture (including a refinancing thereof) (whether or not successful), including, without limitation, (i) such fees, expenses or charges related to the offering of the notes and (ii) any amendment or other modification of the notes, and, in each case, deducted in computing net income;

as each such item is reported on the most recent financial statements or financial information delivered by JBS to the trustee and prepared in accordance with IFRS.

"**Equity Interests**" means all Capital Stock and all warrants or options with respect to, or other rights to purchase, Capital Stock, but excluding Debt convertible into equity.

"**Fitch**" means Fitch Ratings, Ltd. and its successors.

"**Guarantors**" means, on the issue date of the notes, (1) JBS S.A. and (2) JBS Hungary Holdings Kft.

"**Hedging Agreements**" means any interest rate swap agreement, foreign currency exchange agreement, interest rate collar agreement, option or futures contract or other similar agreement or arrangement designed to protect such Person against changes in interest rates, foreign exchange rates or fluctuations in commodity prices.

"**holder**" means the Person in whose name a note is registered in the register.

"**IFRS**" means International Financial Reporting Standards as adopted by the International Accounting Standards Board, as in effect from time to time.

"**Investment**" means, with respect to any Person, any loan or advance to, any acquisition of Capital Stock, equity interest, obligation or other security of, or capital contribution or other investment in, such Person.

"**Investment Grade Rating**" means a rating of BBB- or higher by S&P or Baa3 or higher by Moody's, or the equivalent of such global ratings by S&P or Moody's, or of another Rating Agency.

"**Law**" means any laws (whether statutory or otherwise), rules, regulations, judgments, decrees, orders and injunctions of any Brazilian or other federal, state or municipal government, or any department, commission, board, agency, public registry, public authority, or instrumentality thereof, or any court or arbitrator that has or asserts jurisdiction over JBS or any of its Subsidiaries, now in effect or hereinafter enacted, including, without limitation, in respect of the environment.

"**Lien**" means any mortgage, pledge, security interest, conditional sale or other title retention agreement or other similar lien.

"**Minimum Legally Required Dividend**" means, for any Brazilian Person and any period, an amount equal to the sum of the minimum dividend required to be distributed under applicable Brazilian law by such Person to holders of its Equity Interests during such period.

"**Moody's**" means Moody's Investors Service, Inc. and its successors.

"**Net Cash Proceeds**" means, with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash (including (i) payments in respect of deferred payment obligations to the extent corresponding to principal, but not interest, when received in the form of cash, and (ii) proceeds from the conversion of other consideration received when converted to cash), net of:

(a) brokerage commissions and other fees and expenses related to such Asset Sale, including fees and expenses of counsel, accountants and investment bankers;

(b) provisions for taxes as a result of such Asset Sale taking into account the consolidated results of operations of JBS and its Subsidiaries;

(c) payments required to be made to repay Debt (other than revolving credit borrowings) outstanding at the time of such Asset Sale that is secured by a Lien on the property or assets sold; and

(d) appropriate amounts to be provided as a reserve against liabilities associated with such Asset Sale,

including pension and other post-employment benefit liabilities, liabilities related to environmental matters and indemnification obligations associated with such Asset Sale, with any subsequent reduction of the reserve other than by payments made and charged against the reserved amount to be deemed a receipt of cash.

"**Net Debt**" means, as of any date of determination, the aggregate amount of Debt less the sum of (without duplication) cash and cash equivalents and marketable securities recorded as current assets (except for any Capital Stock in any Person).

"**Net Debt to EBITDA Ratio**" means, at any time, the ratio of:

(a) Net Debt at that time to;

(b) EBITDA for the then most recently concluded period of four consecutive fiscal quarters for which financial statements are publicly available (the "**reference period**");

provided, however, that in making the foregoing calculation:

(i) pro forma effect will be given to any Debt incurred (or repaid) during or after the reference period as if the Debt had been incurred (or repaid) on the first day of the reference period; and

(ii) pro forma effect will be given to:

- the acquisition or disposition of companies, divisions or lines of businesses by JBS and its Subsidiaries, including any acquisition or disposition of a company, division or line of business during or after the reference period by a Person that became a Subsidiary during or after the reference period; and

- the discontinuation of any discontinued operations;

in each case, that have occurred during or after the reference period as if such events had occurred, and, in the case of any disposition, the proceeds thereof applied, on the first day of the reference period.

"**Offer to Purchase**" means an offer by the Issuer or JBS to purchase the notes as required by the indenture.

"**Opinion of Counsel**" means a written opinion signed by legal counsel, who may be an employee of or counsel to JBS, reasonably satisfactory to the trustee under the indenture relating to the notes.

"**Permitted Business**" means any of the businesses in which JBS and any of its Subsidiaries are engaged on the issue date of the notes, and any business reasonably related, incidental, complementary or ancillary thereto.

"**Permitted Holders**" means (1) any member of the Batista Family or any Affiliate or Affiliates of any of the foregoing and (2) any Person the Voting Stock of which (or in the case of a trust, the beneficial interests in which), is owned at least 51% by Persons specified in clause (1).

"**Permitted Liens**" means, with respect to any Person:

(a) any Lien existing on the issue date of the notes;

(b) Liens securing the notes;

(c) Liens incurred in the ordinary course of business not securing Debt and not in the aggregate materially detracting from the value of the properties or their use in the operation of the business of JBS and its Subsidiaries;

(d) Liens on Property or other assets (including Capital Stock) of any Person that secure Debt incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of such Property or other asset and which attach within 365 days after the date of such purchase or the completion of construction or improvement;

(e) Liens on Property or other assets of a Person at the time such Person becomes a Subsidiary of JBS, *provided* that such Liens were not created in contemplation thereof and do not extend to any other Property of JBS or any of its Subsidiaries;

(f) Liens on Property or other assets at the time JBS or any of its Subsidiaries acquires such Property or other assets, including any acquisition by means of a merger or consolidation with or into JBS or any of its Subsidiaries, *provided* that such Liens were not created in contemplation thereof;

(g) any Lien imposed by law that was incurred in the ordinary course of business, including, without limitation, carriers', warehousemen's and mechanics' liens and other similar encumbrances arising in the ordinary course of business, in each case for sums not yet due or being contested in good faith by appropriate proceedings;

(h) any pledge or deposit made in connection with workers' compensation, unemployment insurance or other similar social security legislation, any deposit to secure appeal bonds in proceedings being contested in good faith to which JBS or any Subsidiary is a party, good faith deposits in connection with bids, tenders, contracts (other than for the payment of Debt) or leases to which JBS or any Subsidiary is a party or deposits for the payment of rent, in each case made in the ordinary course of business;

(i) any Lien in favor of issuers of surety or performance bonds or letters of credit issued pursuant to the request of and for the account of JBS or any Subsidiary in the ordinary course of business;

(j) any Lien securing taxes, assessments and other governmental charges, the payment of which are not yet due or are being contested in good faith by appropriate proceedings and for which such reserves or other appropriate provisions, if any, have been established as required by IFRS;

(k) defects, easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business and encumbrances consisting of zoning restrictions, licenses, restrictions on the use of property or assets or imperfections in title that do not materially impair the value or use of the property or assets affected thereby, and any leases and subleases of real property that do not interfere with the ordinary conduct of the business of JBS or any Subsidiary, and which are made on customary and usual terms applicable to similar properties;

(l) any rights of set-off of any Person with respect to any deposit account of JBS or any Subsidiary arising in the ordinary course of business;

(m) Liens granted to secure borrowings from, directly or indirectly, (i) *Banco Nacional de Desenvolvimento Econômico e Social—BNDES* (including loans from *Financiadora de Estudos e Projetos—FINEP*), or any other Brazilian governmental development bank or credit agency or (ii) any international or multilateral development bank or government-sponsored agency, export-import bank or official export-import credit insurer;

(n) any Liens on the inventory and receivables of JBS or any Subsidiary (and all assets related thereto and proceeds thereof), securing the obligations of such Person under any credit facility or in connection with any structured export or import financing or other trade transaction; *provided* that the aggregate principal amount of receivables securing Debt shall not exceed (i) with respect to transactions secured by receivables from export sales, 80% of JBS's consolidated gross revenues from export sales for the 12-month period ending on the last day of JBS's most recently completed fiscal quarter or (ii) with respect to transactions secured by receivables from non-export sales, 80% of such Person's consolidated gross revenues from non-export sales for the 12-month period ending on the last day of JBS's most recently

completed fiscal quarter; and, *provided*, *further*, that Advance Transactions will not be deemed transactions secured by receivables for purpose of the above calculation;

(o) any Lien securing Hedging Agreements so long as such Hedging Agreements are entered into for bona fide, non-speculative purposes;

(p) extensions, renewals or replacements of any Liens referred to in clauses (a), (b), (d), (e), (f) or (m) and this clause (p) in connection with the refinancing of the obligations secured thereby, *provided* that the amount secured by such Lien is not increased (*plus* any premiums, fees and expenses in connection with such extension, renewal or replacement); and

(q) other Liens securing obligations in an aggregate amount not to exceed 20% of Consolidated Net Tangible Assets.

For purposes of determining compliance with the "—Limitation on Lien" covenant: (i) in the event that a Permitted Lien meets the criteria of more than one of the types of Permitted Liens described above, including the first paragraph of the covenant, the Issuer, in its sole discretion, may classify, and from time to time may reclassify, such item of Permitted Lien, in any manner that complies with this covenant; and (ii) a Permitted Lien permitted by the covenant (including the first paragraph of the covenant), need not be permitted solely by reference to one provision permitting such Permitted Lien but may be permitted in part by one such provision and in part by one or more other provisions of the covenant permitting such Permitted Lien.

"**Person**" means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity, including a government or political subdivision or agency or instrumentality thereof.

"**Productive Assets**" means assets (including Capital Stock or its substantial equivalent or other Investments) that are used or usable by JBS or any of its Subsidiaries in Permitted Businesses (or in the case of Capital Stock or its substantial equivalent or other Investments that represent direct, or indirect (via a holding company), ownership or other interests held by JBS or any Subsidiary in entities engaged in Permitted Businesses).

"**Property**" means (i) any land, ranches, buildings, machinery and other improvements and equipment located therein; (ii) any executive offices, administrative buildings, and research and development facilities, including land and buildings and other improvements thereon and equipment located therein; and (iii) any intangible assets, including, without limitation, any brand names, trademarks, copyrights and patents and similar rights and any income (licensing or otherwise), proceeds of sale or other revenues therefrom.

"**Rating Agency**" means (i) S&P and (ii) Moody's; *provided* that the Issuer or JBS may substitute S&P or Moody's at any time with Fitch.

"**Ratings Decline**" means that at any time within 90 days (which period shall be extended so long as the rating of JBS is under publicly announced consideration for possible downgrade by any Rating Agency) after the earlier of the date of public notice of a Change of Control and of the Issuer's intention or that of any Person to effect a Change of Control, (i) in the event the notes are assigned an Investment Grade Rating by both Rating Agencies prior to such public notice, the rating of the notes by one of the Rating Agencies shall be below an Investment Grade Rating; or (ii) in the event the notes are rated below an Investment Grade Rating by one or both of the Rating Agencies prior to such public notice, the rating of the notes by one of the Rating Agencies shall be decreased by one or more categories; *provided* that, in each case, any such Rating Decline is in whole or in part in connection with a Change in Control.

"**Redeemable Stock**" means any Capital Stock that by its terms or otherwise matures or is required to be redeemed on or prior to the first anniversary of the Stated Maturity of the notes or is redeemable at the option of the holder thereof at any time on or prior to the first anniversary of the Stated Maturity of the notes.

"**Sale and Leaseback Transaction**" means, with respect to any Person, an arrangement whereby such Person enters into a lease of property previously transferred by such Person to the lessor.

"**S&P**" means Standard & Poor's Ratings Group and its successors.

"**Significant Subsidiary**" means any Subsidiary, which at the time of determination, either (i) had assets, which as of the date of JBS's then-most recent consolidated quarterly balance sheet, constituted at least 20.0% of JBS's total assets as of such date or (ii) had gross revenues for the twelve-month period ending on the date of JBS's then-most recent consolidated quarterly statement of income which constituted at least 20.0% of JBS's total gross revenues for such period.

"**Stated Maturity**" means, with respect to any security, the date specified in such security as the fixed date on which the principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"**Subordinated Debt**" means any Debt of JBS which is subordinated in right of payment to the notes, pursuant to a written agreement to that effect;

"**Subsidiary**" means any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by (a) JBS, (b) JBS and one or more Subsidiaries or (c) one or more Subsidiaries.

"**Substantially Wholly Owned**" means any Subsidiary in which JBS, directly or indirectly, owns at least 90% of the outstanding Capital Stock (other than director's qualifying shares) of that Subsidiary.

"**Total Consolidated Assets**" means the total amount of assets of JBS and its Subsidiaries prepared in accordance with IFRS.

"**Total Consolidated Revenues**" means the total amount of revenues of JBS and its Subsidiaries prepared in accordance with IFRS.

"**U.S. Dollar Equivalent**" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the spot rate for the purchase of U.S. dollars with the applicable foreign currency as published in The Wall Street Journal in the "Exchange Rates" column under the heading "Currency Trading" on the date two business days prior to such determination.

"**Voting Stock**" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"**Wholly Owned**" means any Subsidiary of JBS of which at least 95% of the outstanding Capital Stock or other ownership interests (other than directors' qualifying shares) of such entity shall at the time be owned, directly or indirectly, by JBS.

FORM OF NOTES

New notes sold in offshore transactions in reliance on Regulation S will be represented by a permanent global note or notes in fully registered form without interest coupons (the "Regulation S Global Note") and will be registered in the name of a nominee of DTC and deposited with a custodian for DTC. Notes sold in reliance on Rule 144A will be represented by a permanent global note or notes in fully registered form without interest coupons (the "Restricted Global Note" and, together with the Regulation S Global Note, the "global notes") and will be deposited with a custodian for DTC and registered in the name of a nominee of DTC.

The new notes will be subject to certain restrictions on transfer as described in "Notice to Investors." A beneficial interest in the Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Restricted Global Note only upon receipt by the principal paying agent of a written certification from the transferor (in the form provided in the indenture) to the effect that such transfer is being made to a person whom the transferor reasonably believes to be a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction (a "Restricted Global Note Certificate"). This certification requirement will apply to such transfers until at least the 40th day after the later of the commencement of the offering and the closing date of this offering; *provided*, *however*, that we may extend the time period during which this certification is required at our discretion. Beneficial interests in the Restricted Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note only upon receipt by the principal paying agent of a written certification from the transferor (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144 under the Securities Act (a "Regulation S Global Note Certificate"). Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in the other global note will, upon transfer, cease to be an interest in such global note and become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other global note for as long as it remains an interest.

Except in the limited circumstances described under "—Global Notes," owners of the beneficial interests in global notes will not be entitled to receive physical delivery of certificated notes. The notes are not issuable in bearer form.

Global Notes

Upon receipt of the Regulation S Global Note and the Restricted Global Note, DTC will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such global note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the initial purchasers. Ownership of beneficial interests in a global note will be limited to persons who have accounts with DTC ("DTC Participants") or persons who hold interests through DTC Participants. Ownership of beneficial interests in the global notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of persons other than DTC Participants).

So long as DTC, or its nominee, is the registered owner or holder of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such global note for all purposes under the indenture and the notes. Unless DTC notifies the issuer that it is unwilling or unable to continue as depositary for a global note, or ceases to be a "clearing agency" registered under the Exchange Act, or any of the notes becomes immediately due and payable in accordance with "Description of the Notes— Events of Default," owners of beneficial interests in a global note will not be entitled to have any portions of such global note registered in their names, will not receive or be entitled to receive physical delivery of notes in certificated form and will not be considered the owners or holders of the global note (or any notes represented thereby) under the indenture or the notes. In addition, no beneficial owner of an interest in a global note will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the indenture and, if applicable, those of Euroclear and Clearstream).

Investors may hold interests in the Regulation S Global Note through Euroclear or Clearstream, if they are participants in such systems. Euroclear and Clearstream will hold interests in the Regulation S Global Note on behalf of their account holders through customers' securities accounts in their respective names on the books of their respective depositaries, which, in turn, will hold such interests in the Regulation S Global Note in customers' securities accounts in the depositaries' names on the books of DTC. Investors may hold their interests in the Restricted Global Note directly through DTC, if they are DTC Participants, or indirectly through organizations which are DTC Participants, including Euroclear and Clearstream.

Payments of the principal of and interest on global notes will be made to DTC or its nominee as the registered owner thereof. Neither the issuer nor JBS, nor any initial purchaser, will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. The issuer and JBS anticipate that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a global note representing any notes held by its nominee, will immediately credit DTC Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global note as shown on the records of DTC or its nominee. The issuer and JBS also expect that payments by DTC Participants to owners of beneficial interests in such global note held through such DTC Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC Participants.

Transfers between DTC Participants will be effected in accordance with DTC's procedures, and will be settled in same-day funds. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in a global note to such persons may be limited. Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a global note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificated certificate in respect of such interest. Transfers between accountholders in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the notes described above, crossmarket transfers between DTC participants, on the one hand, and directly or indirectly through Euroclear or Clearstream account holders, on the other hand, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the Regulation S Global Note in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Euroclear and Clearstream account holders may not deliver instructions directly to the depositaries for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream account holder purchasing an interest in a global note from a DTC Participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, as the case may be) immediately following the DTC settlement date and such credit of any transactions in interests in a global note settled during such processing day will be reported to the relevant Euroclear or Clearstream accountholder on such day. Cash received in Euroclear or Clearstream as a result of sales of interests in a global note by or through a Euroclear or Clearstream account holder to a DTC Participant will be received for value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

DTC has advised that it will take any action permitted to be taken by a holder of notes (including the presentation of notes for exchange as described below) only at the direction of one or more DTC Participants to whose account or accounts with DTC interests in the global notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such DTC Participant or DTC Participants has or have given

such direction. However, in the limited circumstances described above, DTC will exchange the global notes for certificated notes (in the case of notes represented by the Restricted Global Note, bearing a restrictive legend), which will be distributed to its participants. Holders of indirect interests in the global notes through DTC Participants have no direct rights to enforce such interests while the notes are in global form.

The giving of notices and other communications by DTC to DTC Participants, by DTC Participants to persons who hold accounts with them and by such persons to holders of beneficial interests in a global note will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

DTC has advised as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for DTC Participants and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include security brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("indirect participants").

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the Regulation S Global Note and in the Restricted Global Note among participants and accountholders of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the issuer, JBS or any agent will have any responsibility for the performance of DTC, Euroclear or Clearstream or their respective participants, indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

Issuance of Certificated Notes

If (1) DTC or any successor to DTC is at any time unwilling or unable to continue as a depositary for the reasons described in "—Global Notes" and a successor depositary is not appointed by the issuer or JBS within 90 days, or (2) any of the notes has become immediately due and payable in accordance with "Description of the Notes—Events of Default," the issuer will issue certificated notes in registered form in exchange for the Regulation S Global Note and the Restricted Global Note, as the case may be. Upon receipt of such notice from DTC or the paying agent, as the case may be, the issuer will use its best efforts to make arrangements with DTC for the exchange of interests in the global notes for certificated notes and cause the requested certificated notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to holders. Persons exchanging interests in a global note for certificated notes will be required to provide the registrar with (a) written instruction and other information required by the issuer and the registrar to complete, execute and deliver such certificated notes, and (b) in the case of an exchange of an interest in a Restricted Global Note, certification that such interest is not being transferred or is being transferred only in compliance with Rule 144A under the Securities Act. In all cases, certificated notes delivered in exchange for any global note or beneficial interests therein will be registered in the names, and issued in any authorized denominations, requested by DTC.

Upon the issue of certificated notes, the issuer will appoint and maintain a paying agent in Singapore, for so long as the notes are listed on the SGX-ST and the rules of such exchange so require. In such event, an announcement shall be made through the SGX-GT and will include all material information with respect to the delivery of the definitive notes, including details of the paying agent in Singapore. Upon any change in the paying agent or registrar, the issuer will publish a notice in a leading daily newspaper of general circulation in Singapore (which is expected to be *The Business Times* (Singapore Edition)).

In the case of certificated notes issued in exchange for the Restricted Global Note, such certificated notes will bear, and be subject to, the legend described in "Notice to Investors" (unless the issuer determines otherwise in accordance with applicable law). The holder of a restricted certificated note may transfer such note, subject to compliance with the provisions of such legend, as provided in "Notice to Investors." Upon the transfer, exchange or

replacement of notes bearing the legend, or upon specific request for removal of the legend on a note, the issuer will deliver only notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the issuer such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. Before any certificated note may be transferred to a person who takes delivery in the form of an interest in any global note, the transferor will be required to provide the principal paying agent with a Restricted Global Note Certificate or a Regulation S Global Note Certificate, as the case may be.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear, Clearstream or DTC.

TAXATION

The following discussion summarizes certain Austrian, Brazilian, U.S. federal income and European Union tax considerations that may be relevant to you if you invest in the notes. This summary is based on laws and regulations now in effect in Austria and Brazil, laws, regulations, rulings and decisions now in effect in the United States, and a directive of the European Union, in each case which may change. Any change could apply retroactively and could affect the continued validity of this summary.

This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your tax advisors about the tax consequences of holding the notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local and other tax laws.

Austrian Tax Considerations

This section on taxation contains a brief summary of the issuer's understanding with regard to certain important principles which are of significance in connection with the purchase, holding or sale of the notes in the Republic of Austria. This summary does not purport to exhaustively describe all possible tax aspects and does not deal with specific situations which may be of relevance for certain potential investors. The following comments are rather of a general nature and included herein solely for information purposes. These comments are not intended to be, nor should they be construed to be, legal or tax advice. It is based on the currently valid tax legislation, case law and regulations of the tax authorities, as well as their respective interpretation, all of which may be amended from time to time. Such amendments may possibly also be effected with retroactive effect and may negatively impact on the tax consequences described. For the purposes of the following, it is assumed that the notes are legally and factually offered to an indefinite number of persons.

IT IS RECOMMENDED THAT POTENTIAL PURCHASERS OF THE NOTES CONSULT WITH THEIR LEGAL AND TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE PURCHASE, HOLDING OR SALE OF THE NOTES. TAX RISKS RESULTING FROM THE NOTES SHALL IN ANY CASE BE BORNE BY THE PURCHASER.

General Principles

Individuals having a permanent domicile (*Wohnsitz*) and/or their habitual abode (*gewöhnlicher Aufenthalt*) in Austria are subject to income tax (*Einkommensteuer*) in Austria on their worldwide income (unlimited income tax liability; *unbeschränkte Einkommensteuerpflicht*). Individuals having neither a permanent domicile nor their habitual abode in Austria are subject to income tax only on income from certain Austrian sources (limited income tax liability; *beschränkte Einkommensteuerpflicht*).

Corporations having their place of effective management (*Ort der Geschäftsleitung*) and/or their legal seat (*Sitz*) in Austria are subject to corporate income tax (*Körperschaftsteuer*) in Austria on their worldwide income (unlimited corporate income tax liability; *unbeschränkte Körperschaftsteuerpflicht*). Corporations having neither their place of effective management nor their legal seat in Austria are subject to corporate income tax only on income from certain Austrian sources (limited corporate income tax liability; *beschränkte Körperschaftsteuerpflicht*).

Both in case of unlimited and limited (corporate) income tax liability Austria's right to tax may be restricted by double taxation treaties.

Income Taxation of the Notes

Pursuant to sec. 27(1) of the Austrian Income Tax Act (*Einkommensteuergesetz*), the term investment income (*Einkünfte aus Kapitalvermögen*) comprises:

- income from the letting of capital (*Einkünfte aus der Überlassung von Kapital*) pursuant to sec. 27(2) of the Austrian Income Tax Act, including dividends and interest;

- income from realised increases in value (*Einkünfte aus realisierten Wertsteigerungen*) pursuant to sec. 27(3) of the Austrian Income Tax Act, including gains from the sale, redemption and other realisation of assets that lead to income from the letting of capital, zero coupon bonds and also broken-period interest; and

- income from derivatives (*Einkünfte aus Derivaten*) pursuant to sec. 27(4) of the Austrian Income Tax Act, including cash settlements, option premiums received and income from the sale or other realisation of forward contracts like options, futures and swaps and other derivatives such as index certificates.

Also the withdrawal of the notes from a bank deposit (*Depotentnahme*) and circumstances leading to Austria's loss of taxation right regarding the notes *vis-à-vis* other countries, *e.g.*, a relocation from Austria (*Wegzug*), are in general deemed to constitute a sale (*cf.* sec. 27(6)(1) of the Austrian Income Tax Act).

Individuals subject to unlimited income tax liability in Austria holding the notes as a non-business asset are subject to income tax on all resulting investment income pursuant to sec. 27(1) of the Austrian Income Tax Act. In case of investment income with an Austrian nexus (*inländische Einkünfte aus Kapitalvermögen*), basically meaning income that is paid by an Austrian paying agent (*auszahlende Stelle*) or an Austrian custodian agent (*depotführende Stelle*), the income is subject to a withholding tax of 25%; no additional income tax is levied over and above the amount of tax withheld (final taxation pursuant to sec. 97(1) of the Austrian Income Tax Act). In case of investment income without an Austrian nexus, the income must be included in the income tax return and is subject to a flat income tax rate of 25%. In both cases, upon application, the option exists to tax all income subject to the tax rate of 25% at the lower progressive income tax rate (option to regular taxation pursuant to sec. 27a(5) of the Austrian Income Tax Act). Pursuant to sec. 27(8) of the Austrian Income Tax Act, losses from investment income may not be offset with other types of income. Negative income subject to the flat tax rate of 25% may not be offset with income subject to the progressive income tax rate (this equally applies in case of an exercise of the option to regular taxation). Further, an offsetting of losses from realised increases in value and from derivatives in the form of securities with (i) interest and other claims against credit institutions and (ii) income from Austrian or foreign private law foundations and comparable legal estates (*privatrechtliche Stiftungen und damit vergleichbare Vermögensmassen*) is not permissible.

Individuals subject to unlimited income tax liability in Austria holding the notes as a business asset are subject to income tax on all resulting investment income pursuant to sec. 27(1) of the Austrian Income Tax Act. In case of investment income with an Austrian nexus (as described above) the income is subject to a withholding tax of 25%. While this withholding tax has the effect of final taxation for income from the letting of capital, income from realised increases in value and income from derivatives must on the other hand be included in the income tax return (nevertheless flat income tax rate of 25%). In case of investment income without an Austrian nexus, the income must always be included in the income tax return (flat income tax rate of 25%). In both cases, upon application, the option exists to tax all income subject to the tax rate of 25% at the lower progressive income tax rate (option to regular taxation pursuant to sec. 27a(5) of the Austrian Income Tax Act). Pursuant to sec. 6(2)(c) of the Austrian Income Tax Act, depreciations to the lower fair market value and losses from the sale, redemption and other realisation of financial assets and derivatives in the sense of sec. 27(3) and (4) of the Austrian Income Tax Act, which are subject to the special tax rate of 25%, are primarily to be offset against income from realised increases in value of such financial assets and derivatives and with appreciations in value of such assets; only half of the remaining negative difference may be offset against other types of income (and carried forward).

Corporations subject to unlimited corporate income tax liability in Austria are subject to corporate income tax on interest from the notes at a rate of 25%. In case of investment income with an Austrian nexus (as described above) the income is subject to a withholding tax of 25%, which can be credited against the corporate income tax liability. However, under the conditions set forth in sec. 94(5) of the Austrian Income Tax Act no withholding tax is levied in the first place. Income from the sale of the notes is subject to corporate income tax of 25%. Losses from the sale of the notes can be offset against other income (and carried forward).

Private foundations pursuant to the Austrian Private Foundations Act fulfilling the prerequisites contained in sec. 13(3) and (6) of the Austrian Corporate Income Tax Act and holding the notes as a non-business asset are subject to interim taxation at a rate of 25% on interest income, income from realised increases in value and income from derivatives in the form of securities. Interim tax does not fall due insofar as distributions subject to withholding

tax are made to beneficiaries in the tax period. In case of investment income with an Austrian nexus (as described above) the income is in general subject to a withholding tax of 25%, which can be credited against the tax falling due. Under the conditions set forth in sec. 94(12) of the Austrian Income Tax Act no withholding tax is levied.

Individuals and corporations subject to limited (corporate) income tax liability in Austria are neither taxed on interest nor on capital gains from the sale of the notes, except in cases where the notes are attributable to an Austrian permanent establishment. Pursuant to sec. 94(13) of the Austrian Income Tax Act no withholding tax is levied.

Pursuant to sec. 93(6) of the Austrian Income Tax Act, the Austrian custodian agent is obliged to automatically offset negative investment income against positive investment income, taking into account all of a taxpayer's bank deposits with the custodian agent. If negative and at the same time or later positive income is earned, then the negative income is to be offset against the positive income. If positive and later negative income is earned, then the withholding tax on the positive income is to be refunded, with such refund being limited with 25% of the negative income. In certain cases, the offsetting is not permissible. The custodian agent has to issue a written confirmation on the offsetting of losses for each bank deposit.

EU Withholding Tax

Sec. 1 of the Austrian EU Withholding Tax Act (*EU-Quellensteuergesetz*) – which transforms into national law the provisions of Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments – provides that interest payments paid or credited by an Austrian paying agent to a beneficial owner who is an individual resident in another EU member state (or in certain dependent or associated territories) are subject to a withholding tax of 35% if no exception from such withholding applies. Sec. 10 of the Austrian EU Withholding Tax Act provides for an exemption from withholding tax where the beneficial owner presents to the paying agent a certificate drawn up in his/her name by the competent authority of his/her EU member state of residence for tax purposes, indicating the name, address and tax or other identification number or, failing such, the date and place of birth of the beneficial owner, the name and address of the paying agent, and the account number of the beneficial owner or, where there is none, the identification of the security; such certificate shall be valid for a period not exceeding three years.

Tax Treaty between Austria and Switzerland

On 1 January 2013, the Treaty between the Republic of Austria and the Swiss Confederation on Cooperation in the Areas of Taxation and Capital Markets entered into force. The treaty provides that a Swiss paying agent has to withhold a withholding tax with the effect of final taxation corresponding to the Austrian income tax, amounting to 25%, on income and capital gains from assets booked with an account or deposit of such Swiss paying agent, if the relevant holder of such assets (*i.e.* in general individuals on their own behalf and as beneficial owners of domiciliary companies) is tax resident in Austria. The following income and capital gains are subject to the withholding tax: interest income, dividends and capital gains. The treaty, however, does not apply to interest covered by the Agreement between the European Community and the Swiss Confederation providing for measures equivalent to those laid down in Council Directive 2003/48/EC on taxation of savings income in the form of interest payments. The taxpayer can opt for voluntary disclosure instead of the withholding tax by expressly authorising the Swiss paying agent to disclose to the competent Austrian authority the income and capital gains; these subsequently have to be included in the income tax return.

Austrian Inheritance and Gift Tax

Austria does not levy inheritance or gift tax.

However, it should be noted that certain gratuitous transfers of assets to (Austrian or foreign) private law foundations and comparable legal estates (*privatrechtliche Stiftungen und damit vergleichbare Vermögensmassen*) are subject to foundation tax (*Stiftungseingangssteuer*) pursuant to the Austrian Foundation Tax Act (*Stiftungseingangssteuergesetz*). Such tax is triggered if the transferor and/or the transferee at the time of transfer have a domicile, their habitual abode, their legal seat or their place of effective management in Austria. Certain exemptions apply in case of a transfer *mortis causa*, in particular for bank deposits, publicly placed bonds and

portfolio shares (*i.e.*, less than 1%). The tax basis is the fair market value of the assets transferred minus any debts, calculated at the time of transfer. The tax rate is in general 2.5%, with a higher rate of 25% applying in special cases.

In addition, a special notification obligation exists for gifts of money, receivables, shares in corporations, participations in partnerships, businesses, movable tangible assets and intangibles. The notification obligation applies if the donor and/or the donee have a domicile, their habitual abode, their legal seat or their place of effective management in Austria. Not all gifts are covered by the notification obligation: In case of gifts to certain related parties, a threshold of EUR 50,000 per year applies; in all other cases, a notification is obligatory if the value of gifts made exceeds an amount of EUR 15,000 during a period of five years. Furthermore, gratuitous transfers to foundations falling under the Austrian Foundation Tax Act described above are also exempt from the notification obligation. Intentional violation of the notification obligation may lead to the levying of fines of up to 10% of the fair market value of the assets transferred.

Further, it should be noted that gratuitous transfers of the notes may trigger income tax at the level of the transferor pursuant to sec. 27(6)(1) of the Austrian Income Tax Act (see above).

Other Tax Considerations

The issuance of the notes will not be subject to Austrian capital contribution tax (*Gesellschaftsteuer*) or stamp duty (*Rechtsgeschäftsgebühren*). However, certain guarantee arrangements with an Austrian nexus may trigger stamp duty.

Brazilian Taxation

The following discussion is a general description of certain Brazilian tax aspects of the notes applicable to an individual, entity, trust or organization resident or domiciled outside Brazil ("Non-Brazilian Holder") and does not purport to be a comprehensive description of the tax aspects of the notes. The earnings of foreign companies and persons not resident in Brazil, as a rule, are subject to income tax in Brazil when such earnings are paid or credited or otherwise made available by Brazilian sources or when the transaction giving rise to such earnings involves assets in Brazil.

The following discussion is based on the federal tax laws of Brazil as in effect on the date hereof, is subject to any change in Brazilian law that may come into effect after such date, and is applicable to us. The information set forth below is intended to be a general description only and does not address all possible tax consequences relating to an investment in the notes and is not applicable to all categories of investors, some of which may be subject to special rules. The discussion below does not address any tax consequences under the tax laws of any state or locality of Brazil.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE CONSEQUENCES OF PURCHASING THE NOTES, INCLUDING, WITHOUT LIMITATION, THE CONSEQUENCES OF THE RECEIPT OF INTEREST AND THE SALE, REDEMPTION OR REPAYMENT OF THE NOTES.

Payments on the Notes Made by ESAL and Gains on the Notes

Generally, non-Brazilian residents are taxed in Brazil only when income is derived from Brazilian sources or gains are realized on the disposition of assets located in Brazil. The applicability of Brazilian taxes with respect to payments on the notes will depend on the origin of such payments and on the domicile of the recipients thereof.

Interest, fees, commissions, expenses, and any other income payable by the issuer in respect of the notes are not subject to withholding or deduction in respect of Brazilian income tax or any other taxes, duties, assessments or governmental charges in Brazil, provided that such payments are made with funds held by such entity outside of Brazil.

Since the notes will be issued abroad and payments of interest, fees, commissions and expenses will be made by the issuer from the Cayman Islands, Brazilian withholding income tax and other taxes are not applicable.

According to article 26 of Law No. 10,833 dated December 29, 2003, or Law No. 10,833, capital gains realized on the disposition of assets located in Brazil by a Non-Brazilian Holder to another non-resident made outside Brazil are subject to taxation in Brazil. We believe that, based on the fact that the notes are issued and registered abroad and, therefore, will not fall within the definition of assets located in Brazil for the purposes of Law No. 10,833, gains on the sale or other disposition of the notes made outside Brazil by a Non-Brazilian Holder, other than a branch or a subsidiary of a Brazilian resident, to another non-Brazilian resident should not be subject to Brazilian taxes. However, considering the general scope of Law No. 10,833 and the absence of judicial guidance in respect thereof, we are unable to predict whether such interpretation will ultimately prevail in the Brazilian courts.

If the income tax is deemed to be due, the gains may be subject to income tax in Brazil at a rate of 15.0%, or 25.0% if such Non-Brazilian Holder is located in a tax haven jurisdiction (i.e., countries which do not impose any income tax or which impose it at a maximum rate lower than 20.0% or where the laws impose restrictions on the disclosure of ownership composition or securities ownership or do not allow for the identification of the effective beneficiary of income attributed to non-residents), unless a lower rate is provided for in an applicable tax treaty between Brazil and the country where the Non-Brazilian Holder is domiciled.

In addition, Law No. 11,727, of June 23, 2008, introduced a broader concept of tax haven jurisdiction applicable to transactions subject to Brazilian transfer pricing and thin capitalization rules, with the creation of the preferential or privileged tax regime concept (which came into effect on January 1, 2009). Pursuant to Law No. 11,727, a privileged tax regime is a tax regime that: (1) does not tax income or taxes it at a maximum rate lower than 20.0%; (2) grants tax advantages to a non-resident entity or individual (a) without the need to carry out a substantial economic activity in the country or in the territory or (b) conditioned upon the non-exercise of a substantial economic activity in the country or in the territory; (3) does not tax or taxes foreign sourced income at a maximum rate lower than 20.0%; or (4) restricts the ownership disclosure of assets and ownership rights or restricts disclosure about economic transactions carried out.

Notwithstanding the fact that such privileged tax regime concept was enacted in connection with transfer pricing and thin capitalization rules, Brazilian tax authorities and Brazilian courts may take the position that such broader definition of tax haven also applies to non-resident investors such as a Non-Brazilian Holder. In the event that the privileged tax regime concept is interpreted to be applicable to transactions such as payments related to the notes to non-residents, this tax law would accordingly result in the imposition of taxation to a Non-Brazilian Holder that meets the privileged tax regime requirements in the same way applicable to a tax haven resident.

Payments on the Notes Made by JBS as Guarantor

In the event the issuer fails to timely pay any due amount, including any payment of principal, interest or any other amount that may be due and payable in respect of the notes, JBS as guarantor will be required to assume the obligation to pay such due amounts. As there is no specific legal provision dealing with the imposition of withholding income tax on payments made by Brazilian sources to non-resident beneficiaries under guarantees and no uniform decision from the Brazilian courts, there is a risk that tax authorities will take the position that the funds remitted by the guarantor to the Non-Brazilian Holders may be subject to the imposition of withholding income tax at a general 15% rate, or at a 25% rate, if the Non-Brazilian Holder is located in a tax haven jurisdiction. Arguments exist to sustain that (a) payments made under the guarantee structure should be subject to imposition of withholding income tax according to the nature of the guaranteed payment, in which case only interest and fees should be subject to taxation at the rates of 15% or 25%, in cases of beneficiaries located in tax haven jurisdiction, as defined by the Brazilian legislation; or (b) that payments made under the guarantee by Brazilian sources to non-resident beneficiaries should not be subject to the imposition of withholding income tax, to the extent that they should qualify as a credit transaction by the Brazilian party to the borrower. The imposition of withholding income tax under these circumstances has not been settled by the Brazilian courts.

In the event the guarantor is required to make any payment in connection with the notes to Non-Brazilian Holders, the guarantor would be required to pay such additional amounts as may be necessary to ensure that the net amounts receivable by the Non-Brazilian Holder after withholding for taxes will equal the amounts that would have been payable in the absence of such withholding, subject to certain exceptions described under "Description of the Notes—Additional Amounts."

Other Tax Considerations

Brazilian law imposes a tax on Foreign Exchange Transactions (*Imposto sobre Operações de Crédito,Câmbio, Seguros e sobre Operações relativas à Títulos e Valores Mobiliários*), or "IOF/Exchange," on the conversion of Brazilian reais into foreign currency and on the conversion of foreign currency into reais, including foreign exchange transactions in connection with payments potentially made by a Brazilian guarantor under the guarantee to Non-Brazilian Holders. Currently, the IOF/Exchange rate is 0.38% for most foreign exchange transactions, including foreign exchange transactions in connection with payments under the guarantee by a Brazilian guarantor to Non-Brazilian Holders. In any case, the Federal Government may increase the current IOF/Exchange rate at any time, up to a maximum rate of 25%. Any such new rate would only apply to future foreign exchange transactions.

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the notes outside Brazil, nor any inheritance, gift or succession tax applicable to the ownership, transfer or disposition of the notes, except for gift and inheritance taxes imposed by some Brazilian states on gifts and bequests by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such states.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of notes. Prospective purchasers of notes should consult their own tax advisors concerning the tax consequences of their particular situations.

U.S. Federal Income Taxation

The following is a description of certain U.S. federal income tax consequences of the acquisition, ownership, retirement or other disposition of new notes by a holder thereof. This description only applies to new notes held as capital assets by a "U.S. Holder" (as defined below) and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as:

- financial institutions;
- insurance companies;
- real estate investment trusts;
- regulated investment companies;
- grantor trusts;
- tax-exempt organizations;
- persons that will own new notes through partnerships or other pass-through entities;
- dealers or traders in securities or currencies;
- certain former citizens or long-term residents of the United States; holders that will hold a new note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes; or
- holders that have a functional currency other than the U.S. dollar.

Moreover, this description does not address the U.S. federal estate and gift tax or alternative minimum tax consequences of the acquisition, ownership, retirement or other disposition of new notes and does not address the U.S. federal income tax treatment of holders that do not acquire new notes as part of this offering. Each prospective purchaser should consult its tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, holding and disposing of new notes.

This description is based on the Internal Revenue Code of 1986, as amended, or the "Code," existing and proposed U.S. Treasury Regulations, or the "Regulations," administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein.

For purposes of this description, a U.S. Holder is a beneficial owner of new notes who, for U.S. federal income tax purposes, is:

- an individual who is a citizen or resident of the United States;
- a corporation (or any other entity that is treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States, any State thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (1) that has a valid election in effect to be treated as a U.S. person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control.

If a partnership (or any other entity that is treated as a partnership for U.S. federal income tax purposes) holds new notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences.

IRS Circular 230 Disclosure

Pursuant to IRS Circular 230, we hereby inform you that the description set out herein with respect to U.S. federal tax issues was not intended or written to be used, and such description cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be imposed on the taxpayer under the Code. Such description was written to support the promotion or marketing of the new notes. Taxpayers should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Classification of the New Notes

Because the issuer is treated for U.S. federal income tax purposes as disregarded as separate from its owner, JBS, the new notes should be treated for U.S. federal income tax purposes as issued by JBS.

Qualified Reopening

The new notes should be treated, and we intend to treat them, as issued in a qualified reopening of the initial notes for U.S. federal income tax purposes. Accordingly, the new notes will have the same "issue price" and "issue date" as the initial notes. The initial notes had an issue price of 98.183% and an issue date of February 5, 2013.

Pre-Issuance Accrued Interest

A portion of the purchase price of the new notes will be attributable to the amount of interest accrued prior to the date the new notes are issued ("pre-issuance accrued interest"). We intend to take the position that a portion of the first interest payment on the new notes equal to the pre-issuance accrued interest will be treated as a return of the pre-issuance accrued interest rather than as an amount payable on the new notes. The portion of the first stated interest payment equal to the pre-issuance accrued interest should be excluded from income and should instead reduce a U.S. Holder's initial tax basis in a new note. Prospective purchasers of the new notes are urged to consult their own tax advisors regarding pre-issuance accrued interest.

Amortizable Bond Premium

If, immediately after purchasing a new note, a U.S. Holder's tax basis in the new note (taking into account any reduction in basis equal to the pre-issuance accrued interest) exceeds the stated principal amount of the new note, the new note will be treated as having been acquired with "bond premium." A U.S. Holder may elect to amortize such bond premium, in which case the amount required to be included in the holder's income each year with respect to interest on the new note will be reduced by the amount of amortizable bond premium allocable (based on the new note's yield to maturity) to that year. However, because the new notes may be redeemed prior to maturity at a premium, special rules apply that may reduce or eliminate the amount of bond premium that a U.S. Holder may amortize with respect to a new note. Any election to amortize bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the holder, and is irrevocable without the consent of the Internal Revenue Service, or the "IRS."

Interest

Interest paid to a U.S. Holder on a new note (other than pre-issuance accrued interest, as discussed above), including any Brazilian or other foreign tax withheld and any additional amounts with respect thereto as described under "Description of the Notes—Additional Amounts," will be includible in such holder's gross income as ordinary interest income in accordance with such holder's usual method of tax accounting. In addition, interest on the new notes will be treated as foreign source income for U.S. federal income tax purposes. Subject to certain conditions and limitations, foreign taxes, if any, withheld on interest payments may be treated as foreign taxes eligible for credit against such holder's U.S. federal income tax liability. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific "baskets" of income. Interest on the new notes generally will constitute "passive category income," or, in the case of certain U.S. Holders, "general category income." As an alternative to the tax credit, a U.S. Holder may elect to deduct such taxes (the election would then apply to all foreign income taxes such U.S. Holder paid in that taxable year). The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

The issuer may redeem all or part of the new notes at a redemption price equal to 100% of the principal amount of new notes redeemed plus the applicable make whole premium (see "Description of the Notes—Redemption—Optional Redemption"). Similarly, a U.S. Holder may require the issuer to repurchase their new notes in the event of a "Change of Control" (see "Description of the Notes—Repurchase of Notes Upon a Change of Control"). Under the contingent payment debt instrument Regulations, or the "CPDI Regulations," the possibility of a contingent payment on a note may be disregarded if the likelihood of the contingent payment, as of the issue date, is remote or incidental. We believe that as of the issue date of the new notes, the likelihood of a Change of Control and/or a redemption of the new notes is for this purpose remote and, therefore, we do not intend to treat the new notes as contingent payment debt instruments, or "CPDIs." Our determination, however, is not binding on the IRS, and if the IRS were to challenge this determination, a U.S. Holder may be required to accrue income on the new notes that such holder owns in excess of stated interest, and to treat as ordinary income rather than capital gain any income realized on the taxable disposition of such new notes before the resolution of the contingency. In the event that such contingency were to occur, it would affect the amount and timing of the income that a U.S. Holder recognizes. U.S. Holders are urged to consult their tax advisors regarding the potential application to the new notes of the CPDI Regulations and the consequences thereof. This discussion assumes that the new notes will not be treated as CPDIs.

Sale, Exchange, Retirement or Other Disposition

Upon the sale, exchange, retirement or other disposition of a new note, a U.S. Holder will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange, retirement or other disposition, other than accrued but unpaid interest which will be taxable as interest, and such U.S. Holder's adjusted tax basis in the new note. A U.S. Holder's adjusted tax basis in a new note generally will equal the cost of the new note to such holder decreased by (i) any amounts attributable to pre-issuance accrued interest and (ii) the amount of any amortizable bond premium applied to reduce interest on the new note as set forth above. Any such gain or loss will be capital gain or loss. For a non-corporate U.S. Holder, the maximum marginal U.S. federal income tax rate applicable to any gain will generally be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income (other than certain dividends) if such U.S. Holder's holding period for the new notes exceeds one year (*i.e.*, such gain is long-term capital gain). Any gain or loss realized on the sale, exchange, retirement or other

disposition of a new note generally will be treated as U.S. source gain or loss, as the case may be. Consequently, a U.S. Holder may not be able to claim a credit for any Brazilian or other foreign tax imposed upon a disposition of a new note unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources. The deductibility of capital losses is subject to limitations.

Substitution of the Issuer

The issuer may, subject to certain conditions, be replaced and substituted by JBS or any Wholly Owned Subsidiary of JBS as principal debtor (the "Substituted Issuer") in respect of the new notes (see "Description of the Notes—Substitution of the Issuer"), which may result in certain adverse tax consequences to holders. If the Substituted Issuer is organized in a jurisdiction other than Austria, the Substituted Issuer and the guarantors will have an obligation to indemnify and hold harmless each holder and beneficial owner of the new notes against all taxes or duties which arise by reason of a law or regulation having legal effect or contemplated on the date such substitution becomes effective, which may be incurred or levied against such holder or beneficial owner as a result of any substitution described under "Description of the Notes—Substitution of the Issuer" and which would not have been so incurred or levied had such substitution not been made. Holders are urged to consult their tax advisors regarding any potential adverse tax consequences that may result from a substitution of the issuer.

Information Reporting and Backup Withholding

Information reporting and backup withholding requirements apply to certain payments of principal of, and interest on, an obligation and to proceeds of the sale or redemption of an obligation, to certain U.S. Holders. Information reporting generally will apply to payments of principal of, and interest on, new notes, and to proceeds from the sale or redemption of, new notes within the United States, or by a U.S. payor or U.S. middleman, to a U.S. Holder (other than an exempt recipient and certain other persons). The payor will be required to backup withhold on payments made within the United States, or by a U.S. payor or U.S. middleman, on a new note to a U.S. Holder, other than an exempt recipient, if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements.

Backup withholding is not an additional tax. A U.S. Holder generally will be entitled to credit any amounts withheld under the backup withholding rules against such holder's U.S. federal income tax liability provided the required information is furnished to the IRS in a timely manner.

Foreign Asset Reporting

Certain U.S. Holders who are individuals are required to report information relating to an interest in the new notes, subject to certain exceptions (including an exception for new notes held in accounts maintained by U.S. financial institutions). U.S. Holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of the new notes.

Medicare Tax

For taxable years beginning after December 31, 2012, a U.S. Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8% tax on the lesser of (1) such U.S. Holder's ''net investment income'' (or undistributed "net investment income" in the case of estates and trusts) for the relevant taxable year and (2) the excess of such U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between $125,000 and $250,000, depending on the individual's circumstances). A U.S. Holder's net investment income will generally include its gross interest income and its net gains from the disposition of the new notes, unless such interest or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a U.S. Holder that is an individual, estate or trust, you are urged to consult your tax advisor regarding the applicability of this tax to your income and gains in respect of your investment in the new notes.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of the new notes. Prospective purchasers of new notes should

consult their tax advisors concerning the tax consequences of their particular situations.

European Union Savings Directive (Directive 2003/48/EC)

The Council of the European Union, or the EU, adopted a directive on the taxation of savings income (Directive 2003/48/EC). From July 1, 2005, each member state of the EU is required to provide to the tax authorities of the other member states information regarding payments of interest (or other similar income) paid by persons within its jurisdiction to individual residents of such other member states, except that Luxembourg and Austria will instead operate a withholding system in relation to such payments until such time as the EU is able to enter into satisfactory information exchange agreements with several non-EU countries. In addition, the Council entered into an agreement with Switzerland pursuant to which Switzerland agreed to impose withholding tax on non-Swiss source interest payments paid by persons within its jurisdiction to individual residents of the EU and share a portion of the revenue with the recipients' countries of residence.

NOTICE TO INVESTORS

The new notes (including the guarantees) have not been registered, and will not be registered, under the Securities Act or any other applicable securities laws, and the new notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the new notes are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A under the Securities Act; and
- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of new notes (other than the initial purchasers in connection with the initial issuance and sale of new notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

(1) It is purchasing the new notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made in reliance on Rule 144A or (b) a non-U.S. person that is outside the United States;

(2) It acknowledges that the new notes have not been registered under the Securities Act or with any securities regulatory authority of any jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(3) It understands and agrees that new notes initially offered in the United States to qualified institutional buyers will be represented by one or more global notes and that notes offered outside the United States in reliance on Regulation S will also be represented by one or more global notes;

(4) It will not resell or otherwise transfer any of such new notes except (a) to the issuer or JBS, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (d) pursuant to another applicable exemption from registration under the Securities Act (if available), or (e) pursuant to an effective registration statement under the Securities Act;

(5) It agrees that it will give to each person to whom it transfers the new notes notice of any restrictions on transfer of such notes;

(6) It acknowledges that prior to any proposed transfer of new notes (other than pursuant to an effective registration statement or in respect of new notes sold or transferred either pursuant to Rule 144A or Regulation S) the holder of such notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture;

(7) It acknowledges that the trustee, registrar or transfer agent for the new notes will not be required to accept for registration transfer of any notes acquired by it, except upon presentation of evidence satisfactory to us and the trustee, registrar or transfer agent that the restrictions set forth herein have been complied with; and

(8) It acknowledges that we, the initial purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the new notes are no longer accurate, it will promptly notify us and the initial purchasers. If it is acquiring the new notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment

discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

Legends

The following is the form of restrictive legend which will appear on the face of the Rule 144A global note, and which will be used to notify transferees of the foregoing restrictions on transfer:

"This Note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any other securities laws. The holder hereof, by purchasing this Note, agrees for the benefit of ESAL and JBS S.A. that this Note or any interest or participation herein may be offered, resold, pledged or otherwise transferred only (1) to ESAL or JBS S.A., (2) so long as this Note is eligible for resale pursuant to Rule 144A under the Securities Act ("Rule 144A"), to a person who the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A) in accordance with Rule 144A, (3) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act, (4) pursuant to another applicable exemption from registration under the Securities Act (if available), or (5) pursuant to an effective registration statement under the Securities Act, and in each of such cases in accordance with any applicable securities laws of any state of the United States or other applicable jurisdiction. As a condition to the registration of transfer of this Note pursuant to clause (4) above, ESAL, JBS S.A. or the Trustee may require delivery of any documentation or other evidence that it, in its sole discretion, deems necessary or appropriate to evidence compliance with the exemption referred to in such clause (4) and, in each case, in accordance with any applicable securities laws of any state of the United States or other applicable jurisdiction. The holder hereof, by purchasing this Note, represents and agrees that it shall notify any purchaser of this Note from it of the resale restrictions referred to above.

This legend may be removed solely in the discretion and at the direction of ESAL or JBS S.A."

The following is the form of restrictive legend which will appear on the face of the Regulation S Global Note and which will be used to notify transferees of the foregoing restrictions on transfer:

"This Note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any other securities laws. The holder hereof, by purchasing this Note, agrees that neither this Note nor any interest or participation herein may be offered, resold, pledged or otherwise transferred in the absence of such registration unless such transaction is exempt from, or not subject to, such registration.

This legend may be removed solely in the discretion and at the direction of ESAL or JBS S.A."

For further discussion of the requirements (including the presentation of transfer certificates) under the indenture to effect exchanges or transfers of interest in global notes and certificated notes, see "Form of the Notes."

PLAN OF DISTRIBUTION

Deutsche Bank Securities Inc., J.P. Morgan Securities LLC and Santander Investment Securities Inc. are acting as joint book-runners and joint lead managers for the offering. Subject to the terms and conditions stated in the purchase agreement dated April 8, 2013, each initial purchaser named below has severally agreed to purchase, and ESAL has agreed to sell to that initial purchaser, the principal amount of the new notes set forth opposite the initial purchaser's name.

Initial purchasers	Principal amount of new notes
Deutsche Bank Securities Inc.	US$91,667,000
J.P. Morgan Securities LLC	91,667,000
Santander Investment Securities Inc.	91,666,000
	US$275,000,000

The purchase agreement provides that the obligations of the initial purchasers to purchase the new notes are subject to approval of legal matters by counsel and to other conditions. The initial purchasers must purchase all the new notes if they purchase any of the new notes. In addition, the initial purchasers may offer and sell the new notes through any of their affiliates.

We have been advised that the initial purchasers propose to resell the new notes at the offering price set forth on the cover page of this offering memorandum within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States in reliance on Regulation S. See "Notice to Investors." The offering price at which the new notes are offered may be changed at any time without notice.

The new notes (including the guarantees) have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Notice to Investors."

Each initial purchaser has agreed, in connection with sales of new notes outside the United States, that, except as permitted by the purchase agreement and set forth in the "Notice to Investors," it will not offer or sell the new notes within the United States or to, or for the account or benefit of, U.S. persons (1) as part of its distribution at any time, or (2) otherwise until 40 days after the later of the commencement of the offering and the closing date of this offering.

In addition, until 40 days after the commencement of this offering, an offer or sale of new notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

Purchasers of any new notes sold outside the United States may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price paid by such purchasers for such new notes.

Relationship with the Initial Purchasers

Certain of the initial purchasers and their affiliates have engaged, and may in the future engage, in investment banking, commercial banking and other financial advisory and commercial dealings with us and our affiliates. They have received (or will receive) customary fees and commissions for these transactions. Certain initial purchasers and/or their affiliates are holders of existing notes issued by us or our affiliates and/or lenders under our or our affiliates' revolving facilities, term loans or other financings. An affiliate of J.P. Morgan Securities LLC is the administrative agent under the JBS USA's Senior Secured Revolving Credit Facility and Senior Secured Term Loan. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Description of Indebtedness—Senior Secured Revolving Credit Facility" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Description of Indebtedness—Senior Secured Term Loan," respectively. Santander Investment Securities Inc. and/or its affiliates also provide export credit facilities, export prepayment

facilities and other financing to us and our affiliates. In addition, certain initial purchasers and/or their affiliates are party to funding programs, exchange contract advances, derivative or leasing transactions and other financing arrangements with us and/or our affiliates. A portion of the net proceeds of this offering may be used to repay all or a portion of such facilities, loans or financings.

We have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the initial purchasers may be required to make because of any of those liabilities.

Listing and Trading

The initial notes are currently listed on the SGX-ST. Although the issuer will apply to list the new notes on the SGX-ST, we cannot guarantee the listing will be obtained or assure you that, if the application is approved and trading of the new notes commences, an active trading market for the new notes will develop and continue after this offering or that the prices at which the notes will sell in the market after this offering will not be lower than the offering price. The initial purchasers have advised us that they presently make a market with respect to the initial notes. However, they are not obligated to do so and they may discontinue any marketmaking activities at any time without notice. In addition, market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, we cannot assure you as to the liquidity of or the trading market for the notes.

Although the new notes issued pursuant to Rule 144A will be fungible upon issuance with the initial notes issued pursuant to Rule 144A, the new Reg S notes will initially have different CUSIP and ISIN numbers from the initial Reg S notes. Following a 40-day distribution compliance period, we expect that the new Reg S notes will have the same CUSIP and ISIN numbers as, and be fungible with, the initial Reg S notes. However, in the event we are unable to consolidate the CUSIP and ISIN numbers of the new Reg S notes with the CUSIP and ISIN numbers of the initial Reg S notes, the new Reg S notes would continue to trade under separate CUSIP and ISIN numbers and therefore would not be fungible with the initial Reg S notes.

We expect to deliver the new notes against payment for the new notes on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the third business day following the date of the pricing of the new notes.

Stabilization Activities

In connection with this offering, the initial purchasers may purchase and sell new notes in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Overallotment involves sales of new notes in excess of the principal amount of notes to be purchased by the initial purchasers in this offering, which creates a short position for the initial purchasers. Covering transactions involve purchases of the new notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of notes made for the purpose of preventing or retarding a decline in the market price of the new notes while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the new notes. They may also cause the price of the new notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the OTC market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time.

Selling Restrictions

No action has been taken in any jurisdiction by the issuer or the initial purchasers that would permit a public offering of the new notes offered hereby in any jurisdiction where action for that purpose is required. The new notes offered hereby may not be offered or sold, directly or indirectly, nor may this offering memorandum or any other offering material or advertisements in connection with the offer and sale of the new notes be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of such jurisdiction. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the new notes and the distribution of this offering memorandum. This offering memorandum does not constitute an offer to purchase or a solicitation

of an offer to sell any of the new notes offered hereby in any jurisdiction in which such an offer or a solicitation is unlawful.

Brazil

Each initial purchaser has also represented and agreed that it has not offered or sold, and will not offer or sell any new notes in Brazil, except in circumstances that do not constitute a public offering or distribution under Brazilian laws and regulations. The new notes and the guarantee have not been, and will not be, registered with the CVM.

European Economic Area

In relation to each member state of the European Economic Area (each, a "Member State") which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), no offer of the new notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the new notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of new notes to the public in that Relevant Member State at any time:

- to any legal entity which is a "qualified investor" as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons per Relevant Member State (other than "qualified investors" as defined in the Prospectus Directive); or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive.

Each person in a Relevant Member State who initially acquires any new notes as a "financial intermediary," as that term is used in Article 3(2) of the Prospectus Directive, will be deemed to have represented, acknowledged and agreed that (x) the new notes acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than "qualified investors" as defined in the Prospectus Directive, or in circumstances in which the prior consent of the subscribers has been given to the offer or resale, or (y) where new notes have been acquired by it on behalf of persons in any Relevant Member State other than "qualified investors" as defined in the Prospectus Directive, the offer of those new notes to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of the foregoing, ''offer of new notes to the public,'' in relation to any new notes in any Relevant Member State, means the communication in any form and by any means of sufficient information on the terms of the offer and the new notes to be offered so as to enable an investor to decide to purchase or subscribe the new notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive), and includes any relevant implementing measure in the Relevant Member State; and "2010 PD Amending Directive" means Directive 2010/73/EC.

United Kingdom

Each initial purchaser has advised us that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom Financial Services and Markets Act of 2000 ("FSMA") received by it in connection with the issue or sale of new notes in circumstances in which Section 21(1) of the FSMA does not, or would not, apply to us; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any new notes in, from or otherwise involving the United Kingdom.

Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore and the new notes are offered by ESAL pursuant to exemptions invoked under Section 274 and Section 275 of the Securities and Futures Act, Chapter 289 of Singapore ("Securities and Futures Act"). Accordingly, each of the initial purchasers has represented and agreed that this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the new notes will not be circulated or distributed, nor will the new notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the Securities and Futures Act or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the new notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the new notes under Section 275 of the Securities and Futures Act except:

(1) to an institutional investor under Section 274 of the Securities and Futures Act or to a relevant person, or any person pursuant to Section 275(1) or Section 275(1A) of the Securities and Futures Act respectively, and in accordance with the conditions, specified in Section 275 of the Securities and Futures Act;

(2) where no consideration is given for the transfer; or

(3) by operation of law.

Switzerland

This document, as well as any other material relating to the new notes which are the subject of the offering contemplated by this offering memorandum, do not constitute an issue prospectus pursuant to Article 652a of the Swiss Code of Obligations. The new notes will not be listed on the SWX Swiss Exchange and, therefore, the documents relating to the new notes, including, but not limited to, this document, do not claim to comply with the disclosure standards of the listing rules of SWX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SWX Swiss Exchange. The new notes are being offered in Switzerland by way of a private placement, i.e. to a small number of selected investors only, without any public offer and only to investors who do

not purchase the new notes with the intention to distribute them to the public. The investors will be individually approached by us from time to time. This document, as well as any other material relating to the new notes, is personal and confidential and do not constitute an offer to any other person. This document may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without our express consent. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

Hong Kong

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any new notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the new notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to new notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Japan

The new notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, as amended, or the "FIEL," and, accordingly, the new notes may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

Chile

The new notes will not be registered under Law 18,045, as amended, of Chile with the Chilean Securities Commission (*Superintendencia de Valores y Seguros*), and accordingly, they may be not be offered to persons in Chile, except in circumstances that do not constitute a public offering under Chilean law and the regulations from the Chilean Securities Commission. Chilean institutional investors (such as banks, pension funds and insurance companies) are required to comply with specific restrictions relating to the purchase of the new notes.

Colombia

The new notes have not been and will not be offered in Colombia through a public offering of securities pursuant to Colombian laws and regulations, nor will they will be registered in the Colombian National Registry of Securities and Issuers or listed on a regulated securities trading system such as the Colombian Stock Exchange.

LEGAL MATTERS

The validity of the new notes offered and sold in this offering, together with the guarantees, will be passed upon for us and the issuer by White & Case LLP, and for the initial purchasers by Simpson Thacher & Bartlett LLP. Certain matters of Brazilian law relating to the new notes, together with the guarantees, will be passed upon for us and the issuer by Lefosse Advogados, and for the initial purchasers by Mattos Filho, Veiga Filho, Marrey Jr. e Quiroga Advogados. Certain matters of Austrian law will be passed upon for us and ESAL by Wolf Theiss.

INDEPENDENT ACCOUNTANTS

Our individual and consolidated financial statements as of and for the year ended December 31, 2012 included in this offering memorandum have been audited by KPMG Auditores Independentes, independent auditors, as stated in their report included elsewhere in this offering memorandum, which contains: (1) an emphasis of matter paragraph stating that as described in note 2.a., the individual financial statements were prepared in accordance with accounting practices adopted in Brazil. In the case of JBS S.A., these practices differ from the IFRS applicable to separate financial statements, only in relation to the measurement of investments in subsidiaries, associates and jointly controlled companies by the equity method, whereas under IFRS they would be measured at cost or fair value. Their opinion is not qualified due to this matter; and (2) an other matters paragraph stating that they also audited the statements of value added, or DVA, for the year ended December 31, 2012, whose presentation is required by Brazilian corporate law for public companies and is considered as supplementary information under IFRS that do not require the presentation of the DVA.

Our individual and consolidated financial statements as of and for the year ended December 31, 2011 included in this offering memorandum have been audited by KPMG Auditores Independentes, independent auditors, as stated in their report included elsewhere in this offering memorandum, which contains: (1) an emphasis of matter paragraph stating that as described in note 3, the individual financial statements were prepared in accordance with accounting practices adopted in Brazil. In the case of JBS S.A., these practices differ from the IFRS applicable to separate financial statements, only in relation to the measurement of investments in subsidiaries, associates and jointly controlled companies by the equity method, whereas under IFRS they would be measured at cost or fair value. Their opinion is not qualified due to this matter; and (2) an other matters paragraph stating that they also audited the DVA for the year ended December 31, 2011, whose presentation is required by Brazilian corporate law for public companies and is considered as supplementary information under IFRS that do not require the presentation of the DVA.

LISTING AND GENERAL INFORMATION

1. The notes have been accepted for clearance and settlement through DTC, Euroclear and Clearstream. The CUSIP and ISIN numbers for the notes are as follows:

	Restricted Global Note	Regulation S Global Note
CUSIP	29605Y AA1	A9617T AA9
ISIN	US29605YAA10	USA9617TAA90

The new notes and the initial notes will share the same ISIN and CUSIP numbers and be fungible, except that the new notes offered and sold in offshore transactions under Regulation S shall be issued and maintained under temporary ISIN and CUSIP numbers during a 40-day distribution compliance period commencing on the issue date, as set out below:

	Temporary Regulation S Global Note
CUSIP	A9617T AB7
ISIN	USA9617TAB73

2. Copies of our and latest audited consolidated (when available) and individual annual financial statements and unaudited consolidated (when available) quarterly financial statements, and copies of ESAL's memorandum and articles of association and our bylaws (*estatuto social*), as well as the indenture (including the form of the notes), will be available for inspection at the offices of the principal paying agent and any other paying agent, including the Singapore paying agent.

3. The issuer will apply to list the new notes on the SGX-ST. We cannot guarantee the listing will be obtained.

4. So long as the new notes are listed on the SGX-ST and the rules of the SGX-ST so require, the issuer has undertaken to the SGX-ST that it shall appoint and maintain a paying agent in Singapore, where the new notes may be presented or surrendered for payment or redemption, in the event that the global notes are exchanged for definitive certificated notes in accordance with Rule 305 of the Singapore Stock Exchange Listing Manual. In addition, the issuer has also undertaken to the SGX-ST that in the event that the global notes are exchanged for definitive certificated notes, announcement of such exchange shall be made through the SGX-ST, and such announcement will include all material information with respect to the delivery of the definitive certificated notes, including details of the paying agent in Singapore.

5. The issuance of the new notes and the guarantees was authorized by our board of directors on or about April 8, 2013. The issuance of the new notes was authorized by the shareholders and managing directors of ESAL on or about April 8, 2013. The issuance of the guarantee was authorized by the board of directors of JBS Hungary on or about April 8, 2013.

SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

Brazil

We are incorporated under the laws of Brazil. All of our directors and officers are Brazilian residents. Certain of our assets are located in Brazil. As a result, it may not be possible or it may be difficult for you to effect service of process upon us or these other persons within the United States or to enforce judgments obtained in United States courts against us or them, including those predicated upon the civil liability provisions of the federal securities laws of the United States.

We have been advised that judgments of United States courts for civil liabilities based upon the federal securities laws of the United States may be, subject to the requirements described below, enforced in Brazil. A judgment against us or the persons described above obtained outside Brazil would be enforceable in Brazil without reconsideration of the merits, upon confirmation of that judgment by the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*). That confirmation will occur if the foreign judgment:

- fulfills all formalities required for its enforceability under the laws of the country where the foreign judgment is granted;
- is issued by a competent court after proper service of process on the parties, which service must be in accordance with Brazilian law if made in Brazil, or after sufficient evidence of the parties' absence has been given, as established pursuant to applicable law;
- is not subject to appeal;
- is authenticated by a Brazilian consular office in the country where the foreign judgment is issued and is accompanied by a sworn translation into Portuguese; and
- is not against Brazilian public policy, good morals or national sovereignty.

Notwithstanding the foregoing, we cannot assure you that confirmation will be obtained, that the process described above will be conducted in a timely manner or that Brazilian courts will enforce a monetary judgment for violation of the U.S. securities laws with respect to the notes.

We have also been advised that:

- original actions based on the federal securities laws of the United States may be brought in Brazilian courts and that, subject to applicable law, Brazilian courts may enforce liabilities in such actions against us (provided that provisions of the federal securities laws of the United States do not contravene Brazilian public policy, good morals or national sovereignty and provided further that Brazilian courts can assert jurisdiction over the particular action);
- the ability of a judgment creditor or the other persons named above to satisfy a judgment by attaching certain of our assets is limited by provisions of Brazilian law; and
- a plaintiff, whether Brazilian or non-Brazilian, who resides outside Brazil during the course of litigation in Brazil must make a deposit to guarantee the payment of the defendant's legal fees and court expenses if the plaintiff owns no real property in Brazil that could secure that payment, except in the case of collection claims based on an instrument that may be enforced in Brazilian courts without the review of its merit (*título executivo extrajudicial*) or counterclaims as established under Article 836 of the Brazilian Code of Civil Procedure. The deposit must have a value sufficient to satisfy the payment of court fees and the defendant's attorney fees, as determined by a Brazilian judge. This requirement does not apply to the enforcement of foreign judgments which have been confirmed by the Brazilian Superior Court of Justice.

Austria

We have been advised that Austrian companies, such as the issuer, may enter into agreements and contracts, such as the notes or the indenture, governed by foreign law, including the laws of the State of New York. The choice of New York law to govern the notes and the indenture will be recognized and upheld by the Austrian courts, subject to:

- certain mandatory rules of Austrian conflicts law such as, e.g., the *lex rei sitae* principle with respect to rights in real property;
- Austrian public policy;
- the principle that insolvency proceedings, the pre-requisites for their inception, and their legal effects are, generally (subject to a number of exceptions) governed by the law of the country where such proceedings are commenced; and
- the provisions of Regulation (EC) No. 593/2008 of 17 June 2008 (ROME I Regulation), e.g., Article 9 of the ROME I Regulation which provides that effect may be given to the overriding mandatory provisions of the law of the forum or the country where the obligations arising out of the contract have to be or have been performed, in so far as those overriding mandatory provisions render the performance of the contract unlawful.

Despite the choice of New York law by the parties, an Austrian court may apply Austrian law if it cannot ascertain the content of New York law within reasonable time. What "reasonable time" means depends on the urgency of the matter (e.g., in case of a preliminary injunction it will be relatively short).

We have further been advised that, according to § 79 paragraph 2 of the Austrian Enforcement Act (*Exekutionsordnung*), enforcement of foreign court decisions by Austrian courts requires, *inter alia* and outside applicable European regulations, reciprocity (*Gegenseitigkeit*) for such enforcement by means of multilateral or bilateral treaties, ordinances or agreements securing the mutual recognition and enforcement of foreign judgments in Austria. As of the date of this offering memorandum, no such treaty, ordinance or agreement exists between Austria and the United States. In addition, the Austrian Ministry of Justice (*Bundesministerium für Justiz*) has issued guidelines according to which judgments of courts in the United States are not enforceable in Austria. Consequently, judgments by courts of New York would not be enforceable in Austria. In addition, awards of punitive damages in actions brought in the United States or elsewhere are unenforceable in Austria.

Finally, Austrian law does not allow for exclusive jurisdiction agreements relating to courts the judgments of which cannot be enforced in Austria. Therefore, jurisdiction agreements for the courts of New York will not result in Austrian courts denying their competence to try a dispute and upon the request of a claimant, the Austrian Supreme Court (*Oberster Gerichtshof*) may designate an Austrian court as being competent to try the dispute, regardless of the New York courts' jurisdiction clause. Where a claimant is not resident in Austria and the cost decisions of an Austrian court would not be enforced in the country of residence of the claimant, the claimant can be ordered to post security to cover for the defendant's litigation costs.

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Independent Auditors' Report on the Financial Statements

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

Report on the Financial Statements
We have audited the accompanying individual and consolidated financial statements of JBS S.A. ("Company"), which comprise the balance sheet as of December 31, 2012, and the respective statement of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with accounting practices adopted in Brazil and the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and in accordance with accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Individual Financial Statements
In our opinion, the individual financial statements present fairly, in all material respects, the financial position of JBS S.A. as of December 31, 2012, and of its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Opinion on the Consolidated Financial Statements
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of JBS S.A. as of December 31, 2012, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and in accordance with accounting practices adopted in Brazil.

Emphasis of matter
As described in note 2.a., the individual financial statements were prepared in accordance with accounting practices adopted in Brazil. In the case of JBS S.A. these practices differ from the IFRS applicable to separate financial statements, only in relation to the measurement of investments in subsidiaries, associates and jointly controlled companies by the equity method, whereas under IFRS they would be measured at cost or fair value. Our opinion is not qualified due this matter.

Other Matters

Statement of value added
We have also audited the individual and consolidated statement of value added (DVA) for the year ended December 31, 2012, whose presentation is required by Brazilian corporate law for public companies and is considered as supplementary information under IFRS that do not require the presentation of the DVA. These statements were submitted to the same audit procedures previously described and, in our opinion, are fairly stated, in all material respects, in relation to the individual and consolidated financial information taken as a whole.

São Paulo, March 12, 2013

KPMG Auditores Independentes
CRC 2SP014428/O-6

Moacyr Humberto Piacenti
Accountant CRC 1SP204757/O-9

JBS S.A.

Balance sheets
(In thousands of Reais)

	Note	Company		Consolidated	
		December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	4	**3,564,984**	3,612,867	**5,383,087**	5,288,194
Trade accounts receivable, net	5	**2,753,737**	1,883,093	**5,688,648**	4,679,846
Inventories	6	**1,940,192**	1,544,261	**5,182,187**	5,405,705
Biological assets	7	**-**	-	**849,624**	209,543
Recoverable taxes	8	**1,309,995**	1,330,609	**1,676,267**	1,690,311
Prepaid expenses		**9,648**	8,148	**142,961**	131,033
Other current assets		**273,332**	256,225	**460,625**	526,649
TOTAL CURRENT ASSETS		**9,851,888**	**8,635,203**	**19,383,399**	**17,931,281**
NON-CURRENT ASSETS					
Long-term assets					
Credits with related parties	9	**808,062**	88,505	**548,909**	552,197
Biological assets	7	**-**	-	**304,309**	-
Recoverable taxes	8	**641,957**	562,027	**673,346**	626,126
Other non-current assets		**206,137**	104,207	**671,758**	389,947
Total long-term assets		**1,656,156**	**754,739**	**2,198,322**	**1,568,270**
Investments in subsidiaries and in associates	10	**6,118,876**	7,561,574	**258,620**	-
Property, plant and equipment, net	11	**8,767,637**	7,803,582	**16,207,640**	15,378,714
Intangible assets, net	12	**9,531,964**	9,531,506	**11,708,212**	12,532,619
TOTAL NON-CURRENT ASSETS		**26,074,633**	**25,651,401**	**30,372,794**	**29,479,603**
TOTAL ASSETS		**35,926,521**	**34,286,604**	**49,756,193**	**47,410,884**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Balance sheets
(In thousands of Reais)

	Note	Company		Consolidated	
		December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
LIABILITIES					
CURRENT LIABILITIES					
Trade accounts payable	13	**1,000,273**	666,375	**3,564,270**	3,323,886
Loans and financings	14/15	**5,355,774**	4,574,702	**6,098,898**	5,339,433
Income taxes	16	**-**	-	**8,886**	211,528
Payroll, social charges and tax obligation	16	**361,741**	347,863	**1,276,009**	1,167,163
Declared dividends	17	**170,749**	-	**170,749**	-
Payables related to facilities acquisitions	18	**112,712**	10,589	**112,712**	10,589
Other current liabilities		**280,649**	466,402	**306,049**	343,100
TOTAL CURRENT LIABILITIES		**7,281,898**	**6,065,931**	**11,537,573**	**10,395,699**
NON-CURRENT LIABILITIES					
Loans and financings	14/15	**6,795,885**	7,095,193	**14,390,046**	13,532,761
Payroll, social charges and tax obligation	16	**137,847**	-	**524,230**	683,812
Payables related to facilities acquisitions	18	**95,142**	2,048	**95,142**	2,048
Deferred income taxes	19	**825,781**	289,798	**1,276,756**	678,372
Provision for lawsuits risk	20	**155,156**	140,975	**203,361**	251,560
Other non-current liabilities		**24,265**	28,837	**295,779**	267,444
TOTAL NON-CURRENT LIABILITIES		**8,034,076**	**7,556,851**	**16,785,314**	**15,415,997**
EQUITY	21				
Capital stock		**21,506,247**	21,506,247	**21,506,247**	21,506,247
Capital transaction		**77,374**	(10,212)	**77,374**	(10,212)
Capital reserve		**211,879**	985,944	**211,879**	985,944
Revaluation reserve		**96,847**	101,556	**96,847**	101,556
Profit reserves		**1,993,697**	1,440,799	**1,993,697**	1,440,799
Treasury shares		**(776,526)**	(610,550)	**(776,526)**	(610,550)
Valuation adjustments to equity		**92,999**	127,071	**92,999**	127,071
Accumulated translation adjustments		**(2,591,970)**	(2,877,033)	**(2,591,970)**	(2,877,033)
Attributable to controlling interest		**20,610,547**	**20,663,822**	**20,610,547**	**20,663,822**
Attributable to noncontrolling interest		**-**	**-**	**822,759**	**935,366**
TOTAL EQUITY		**20,610,547**	**20,663,822**	**21,433,306**	**21,599,188**
TOTAL LIABILITIES AND EQUITY		**35,926,521**	**34,286,604**	**49,756,193**	**47,410,884**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statements of income for the years ended December 31, 2012 and 2011
(In thousands of Reais)

	Note	Company		Consolidated	
		2012	2011	2012	2011
NET REVENUE	22	**16,405,822**	**13,060,853**	**75,696,710**	**61,796,761**
Cost of goods sold	30	**(12,093,878)**	(10,023,868)	**(67,006,886)**	(55,100,207)
GROSS INCOME		**4,311,944**	**3,036,985**	**8,689,824**	**6,696,554**
OPERATING INCOME (EXPENSE)					
General and administrative expenses	30	**(816,779)**	(595,453)	**(2,057,415)**	(1,739,198)
Selling expenses	30	**(1,564,217)**	(1,274,996)	**(3,877,714)**	(3,144,069)
Equity in earnings of subsidiaries	10	**385,040**	113,264	**836**	-
Other income (expenses), net	24	**23,290**	28,031	**(35,002)**	(32,667)
		(1,972,666)	**(1,729,154)**	**(5,969,295)**	**(4,915,934)**
NET INCOME BEFORE FINANCIAL RESULTS		**2,339,278**	**1,307,831**	**2,720,529**	**1,780,620**
Financial expense, net	23	**(1,082,690)**	(1,468,238)	**(1,338,243)**	(2,010,728)
NET INCOME (LOSS) BEFORE INCOME TAX		**1,256,588**	**(160,407)**	**1,382,286**	**(230,108)**
Current income taxes	19	**2,424**	2,710	**(176,742)**	(520,711)
Deferred income taxes	19	**(540,074)**	81,992	**(442,654)**	427,934
		(537,650)	**84,702**	**(619,396)**	**(92,777)**
NET INCOME (LOSS) OF THE YEAR		**718,938**	**(75,705)**	**762,890**	**(322,885)**
ATTRIBUTABLE TO:					
Controlling interest				**718,938**	(75,705)
Noncontrolling interest				**43,952**	(247,180)
				762,890	**(322,885)**
Net income (loss) basic per thousand shares - in reais	25	**247.84**	**(27.77)**	**247.84**	**(27.77)**
Net income (loss) diluted per thousand shares - in reais	25	**247.84**	**(27.77)**	**247.84**	**(27.77)**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statement of comprehensive income (loss) for the years ended December 31, 2012 and 2011
(In thousands of Reais)

	Company		Consolidated	
	2012	2011	2012	2011
Net income (loss) of the year	**718,938**	**(75,705)**	**762,890**	**(322,885)**
Other comprehensive income				
Valuation adjustments	**(34,072)**	128,790	**(34,072)**	128,790
Accumulated adjustment of conversion	**58,862**	(281,203)	**58,862**	(281,203)
Exchange variation	**226,201**	(36,967)	**226,201**	(36,967)
Total of comprehensive income (loss)	**969,929**	**(265,085)**	**1,013,881**	**(512,265)**
Total of comprehensive income (loss) attributable to:				
Controlling interest	**969,929**	(265,085)	**955,469**	(120,108)
Noncontrolling interest	**-**	-	**58,412**	(392,157)
	969,929	**(265,085)**	**1,013,881**	**(512,265)**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statements of changes in equity for the years ended December 31, 2012 and 2011
(In thousands of Reais)

	Capital stock	Capital transactions	Capital reserve	Revaluation reserve	Profit reserves: Legal	Profit reserves: For expansion	Treasury shares	Valuation adjustments to equity	Accumulated translation adjustments	Retained Earnings	Total	Noncontrolling interest	Total equity
BALANCE AS OF DECEMBER 31, 2010	**18,046,067**	**(9,949)**	**985,944**	**106,814**	**7,768**	**1,503,478**	**(485,169)**	**(1,719)**	**(2,558,863)**	**-**	**17,594,371**	**1,100,478**	**18,694,849**
Capital transaction	-	(263)	-	-	-	-	-	-	-	-	**(263)**	-	**(263)**
Treasury shares	-	-	-	-	-	-	(125,381)	-	-	-	**(125,381)**	-	**(125,381)**
Convertible debentures	3,460,180	-	-	-	-	-	-	-	-	-	**3,460,180**	-	**3,460,180**
Realization of revaluation reserve	-	-	-	(5,258)	-	-	-	-	-	5,258	**-**	-	**-**
Valuation adjustments	-	-	-	-	-	-	-	128,790	-	-	**128,790**	-	**128,790**
Accumulated translation adjustments	-	-	-	-	-	-	-	-	(281,203)	-	**(281,203)**	-	**(281,203)**
Investments exchange rate variations, net	-	-	-	-	-	-	-	-	(36,967)	-	**(36,967)**	-	**(36,967)**
Loss of the year	-	-	-	-	-	-	-	-	-	(75,705)	**(75,705)**	(247,180)	**(322,885)**
Loss absorption	-	-	-	-	-	(70,447)	-	-	-	70,447	**-**	-	**-**
Noncontrolling interest	-	-	-	-	-	-	-	-	-	-	**-**	82,068	**82,068**
BALANCE AS OF DECEMBER 31, 2011	**21,506,247**	**(10,212)**	**985,944**	**101,556**	**7,768**	**1,433,031**	**(610,550)**	**127,071**	**(2,877,033)**	**-**	**20,663,822**	**935,366**	**21,599,188**
Capital transactions	-	87,586	-	-	-	-	-	-	-	-	**87,586**	-	**87,586**
Purchase of treasury shares	-	-	-	-	-	-	(939,717)	-	-	-	**(939,717)**	-	**(939,717)**
Transaction costs	-	-	-	-	-	-	(324)	-	-	-	**(324)**	-	**(324)**
Cancellation of treasury shares	-	-	(774,065)	-	-	-	774,065	-	-	-	**-**	-	**-**
Realization of revaluation reserve	-	-	-	(4,709)	-	-	-	-	-	4,709	**-**	-	**-**
Valuation adjustments	-	-	-	-	-	-	-	(34,072)	-	-	**(34,072)**	-	**(34,072)**
Accumulated translation adjustments	-	-	-	-	-	-	-	-	58,862	-	**58,862**	-	**58,862**
Investments exchange rate variations, net	-	-	-	-	-	-	-	-	226,201	-	**226,201**	-	**226,201**
Net income of the year	-	-	-	-	-	-	-	-	-	718,938	**718,938**	43,952	**762,890**
Proposal for destination of the net income													
Proposed dividends	-	-	-	-	-	-	-	-	-	(170,749)	(170,749)	-	(170,749)
Legal reserve	-	-	-	-	35,947	-	-	-	-	(35,947)	-	-	-
Reserve for expansion	-	-	-	-	-	516,951	-	-	-	(516,951)	-	-	-
Noncontrolling interest	-	-	-	-	-	-	-	-	-	-	-	(156,559)	(156,559)
BALANCE AS OF DECEMBER 31, 2012	**21,506,247**	**77,374**	**211,879**	**96,847**	**43,715**	**1,949,982**	**(776,526)**	**92,999**	**(2,591,970)**	**-**	**20,610,547**	**822,759**	**21,433,306**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statements of cash flows for the years ended December 31, 2012 and 2011
(In thousands of Reais)

	Company		Consolidated	
	2012	**2011**	**2012**	**2011**
Cash flow from operating activities				
Net income (loss) of the year attributable to controlling interest	**718,938**	(75,705)	**718,938**	(75,705)
Adjustments to reconcile loss to cash provided on operating activities				
. Depreciation and amortization	**435,920**	436,501	**1,613,710**	1,291,411
. Allowance for doubtful accounts	**(6,431)**	10,021	**(4,657)**	15,577
. Equity in earnings of subsidiaries	**(385,040)**	(113,264)	**(836)**	-
. Loss (gain) on assets sales	**(14,852)**	(24,998)	**26,131**	(8,132)
. Deferred income taxes	**540,074**	(81,992)	**409,062**	(427,934)
. Current and non-current financial charges	**495,970**	1,544,673	**490,681**	1,611,274
. Provision for lawsuits risk	**10,027**	5,562	**5,106**	9,865
. Impairment	**-**	-	**10,282**	63,193
	1,794,606	**1,700,798**	**3,268,417**	**2,479,549**
Decrease (increase) in operating assets				
Trade accounts receivable	**(828,058)**	(149,369)	**(892,675)**	(278,778)
Inventories	**(329,123)**	(433,292)	**(395,360)**	(627,902)
Recoverable taxes	**106,863**	(195,802)	**(163,553)**	(295,794)
Other current and non-current assets	**(58,723)**	(104,145)	**89,214**	(43,156)
Related party receivable	**(463,806)**	(360,521)	**11,612**	(171,501)
Biological assets	**-**	-	**(440,813)**	247,255
Increase (decrease) operating liabilities				
Trade accounts payable	**303,692**	77,789	**206,669**	(28,742)
Other current and non-current liabilities	**28,412**	(100,210)	**(270,741)**	(75,275)
Noncontrolling interest	**-**	-	**44,541**	(247,180)
Valuation adjustments to equity in subsidiaries	**-**	-	**14,945**	(351,964)
Changes in operating assets and liabilities	**(1,240,743)**	**(1,265,550)**	**(1,796,161)**	**(1,873,037)**
Net cash provided by operating activities	**553,863**	**435,248**	**1,472,256**	**606,512**
Cash flow from investing activities				
Additions to property, plant and equipment and intangible assets	**(1,083,314)**	(569,741)	**(1,619,393)**	(1,173,780)
Net effect of Vigor deconsolidation	**-**	-	**(211,856)**	-
Increase in investments in subsidiaries	**-**	(963,638)	**-**	-
Decrease in investments in subsidiaries	**(109,306)**	2,491,708	**2,067**	-
Received dividends from JBS USA	**875,503**	-	**-**	-
Proceeds received from termination agreement of Inalca JBS	**-**	504,002	**-**	504,002
Net effect of working capital of acquired / merged company, net of cash acquired	**7,356**	718	**(21,355)**	(34,584)
Net effect of full consolidation Beef Snacks International B.V., net of cash acquired	**-**	-	**(19,757)**	-
Net cash provided by (used in) investing activities	**(309,761)**	**1,463,049**	**(1,870,294)**	**(704,362)**
Cash flow from financing activities				
Proceeds from loans and financings	**5,579,875**	6,181,618	**14,145,935**	17,532,838
Payments of loans and financings	**(5,869,508)**	(7,341,304)	**(13,773,332)**	(16,224,978)
Payments of debentures	**-**	(749)	**-**	(749)
Capital transactions	**-**	(263)	**(8,760)**	(263)
Acquisition of treasury stock	**(2,352)**	(125,381)	**(2,352)**	(125,381)
Net cash provided by (used in) financing activities	**(291,985)**	**(1,286,079)**	**361,491**	**1,181,467**
Effect of exchange variation on cash and cash equivalents	**-**	**-**	**131,440**	**130,003**
Variance in cash and cash equivalents	**(47,883)**	612,218	**94,893**	1,213,620
Cash and cash equivalents at the beginning of the year	**3,612,867**	3,000,649	**5,288,194**	4,074,574
Cash and cash equivalents at the end of the year	**3,564,984**	**3,612,867**	**5,383,087**	**5,288,194**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Economic value added for the years ended December 31, 2012 and 2011
(In thousands of Reais)

	Company		Consolidated	
	2012	2011	2012	2011
Revenue				
Sales of goods and services	**17,440,319**	13,914,737	**76,956,495**	63,008,737
Other net income	**32,425**	34,820	**(4,328)**	25,723
Allowance for doubtful accounts	**6,431**	(10,021)	**4,657**	(15,577)
	17,479,175	**13,939,536**	**76,956,824**	**63,018,883**
Goods				
Cost of services and goods sold	**(10,028,087)**	(7,507,627)	**(52,272,801)**	(41,973,722)
Materials, energy, services from third parties and others	**(2,548,057)**	(2,172,303)	**(11,094,042)**	(9,311,938)
Losses/Recovery of amounts	**-**	-	**-**	(1,830)
Others	**-**	-	**-**	(5,104)
	(12,576,144)	**(9,679,930)**	**(63,366,843)**	**(51,292,594)**
Gross added value	**4,903,031**	**4,259,606**	**13,589,981**	**11,726,289**
Depreciation and Amortization	**(435,920)**	(436,501)	**(1,613,710)**	(1,291,411)
Net added value generated by the company	**4,467,111**	**3,823,105**	**11,976,271**	**10,434,878**
Net added value by transfer				
Equity in earnings of subsidiaries	**385,040**	113,264	**836**	-
Financial income	**1,007,119**	1,961,079	**1,607,159**	2,575,797
Others	**59**	3,457	**3,624**	(24,787)
NET ADDED VALUE TOTAL TO DISTRIBUTION	**5,859,329**	**5,900,905**	**13,587,890**	**12,985,888**
Distribution of added value				
Labor				
Salaries	**1,259,220**	1,066,632	**6,400,408**	5,556,714
Benefits	**153,769**	169,640	**1,362,069**	1,156,769
FGTS (Brazilian Labor Social Charge)	**64,630**	77,914	**77,485**	88,412
	1,477,619	**1,314,186**	**7,839,962**	**6,801,895**
Taxes and contribution				
Federal	**666,855**	451,607	**826,713**	741,121
State	**860,755**	774,733	**929,306**	970,679
Municipal	**15,969**	2,528	**17,958**	6,016
	1,543,579	**1,228,868**	**1,773,977**	**1,717,816**
Capital Remuneration from third parties				
Interests	**2,037,834**	3,300,639	**2,829,175**	4,385,420
Rents	**65,131**	60,096	**281,073**	261,106
Others	**16,228**	72,821	**100,813**	142,536
	2,119,193	**3,433,556**	**3,211,061**	**4,789,062**
Owned capital remuneration				
Net income (loss) of the year attributable to controlling interest	**718,938**	(75,705)	**718,938**	(75,705)
Noncontrolling interest	**-**	-	**43,952**	(247,180)
	718,938	**(75,705)**	**762,890**	**(322,885)**
ADDED VALUE TOTAL DISTRIBUTED	**5,859,329**	**5,900,905**	**13,587,890**	**12,985,888**

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

1 Operating activities

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

The consolidated figures represent the company and its subsidiaries (together refer "as the JBS Group").

The Company and its subsidiaries have the following operational activities:

a) Activities in Brazil

In Company

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

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

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

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

In subsidiaries / Joint Ventures

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

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

Novaprom Food Ingredients Ltda. (Novaprom) based in Guaiçara, State of São Paulo, is engaged in the exploration, production, distribution, export and import of food products and ingredients. It is the pioneer in the production of natural collagen fiber and protein, collagen in its purest form, extracted from the suede and with the minimum of 99% protein content. Novaprom sells its products throughout Brazil and exports to continents such as Europe, Latin America, Asia and Oceania.

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

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

b) Activities abroad

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

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

JBS USA Holdings Inc. (JBS USA) and its subsidiaries process and prepare fresh, further processed and value-added beef, pork, chicken and lamb products for sale to customers in the United States of America and in international markets.

In the United States of America, JBS USA operates eight beef processing facilities, three pork processing facilities, one lamb slaughter facility services, one value-added facility, and eleven feedlots. JBS USA operates ten processing facilities, three value added facilities and four feedlots in Australia.

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

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

Part of JBS USA, Pilgrim's Pride - PPC, based in Greeley, Colorado, United States of America is one of the largest chicken processors in the United States of America. Pilgrim's Pride - PPC is a listed company on the New York Stock Exchange and has operations in Mexico and Puerto Rico. The entity exports commodities to over ninety countries and its main products are "in-nature", whole chilled chickens or chilled chicken parts.

JBS USA, subsidiary Sampco, Inc. (Sampco), based in Chicago, in the United States of America, imports processed meats primarily from South America for resale in the United States of America, Canada and the Caribbean. Sampco also imports other foods such as canned food, fruits and vegetables from other regions, including the Far East, for sale in North America and Europe.

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

The indirect subsidiary Toledo International NV (Toledo) based in Belgium, has basically trading operations for the european and african markets, selling cooked meat and other products. Additionally, it develops logistics operations, warehousing, customization and new products development.

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

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

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

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

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

The indirect subsidiary Misr Cold Centers and Storage (Misr Cold), based in Egypt, is a storage of meats that need to be frozen or chilled, but trades other food products.

The indirect subsidiary Rigamonti Salumificio SpA (Rigamonti), based in Italy, is the leader of the Italian market in production and sale of Bresaola (bovine cured beef). Also is engaged in the production and sales of beef jerky and flat cured pork belly (bacon), as well as the commercialization of cured ham.

The indirect subsidiary Trump Asia Enterprises Limited (Trump), based in China, has a leather processing plant, whose activity consists of the process of leather industrialization to be sold mainly for the local production of bags and shoes. It has three sales offices in Hong Kong, focused on the Asian market, and buys most of its products from JBS Group and third party.

The indirect subsidiary JBS Leather Europe s.r.o. (JBS Leather) owns an administrative and business office located in the city of Prague, and a warehouse located in the city of Borsov, all in the Czech Republic. JBS Leather buys leather from JBS Group and trades finished leathers in the foreign markets focusing on Eastern Europe, where Poland and Germany are the main consumer countries.

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

c) Relevant Operating Event

c.1) Voluntary Public Offering for the Acquisition of Common Shares Issued by JBS S.A. in Exchange for Common Shares Issued by Vigor Alimentos S.A.

On June 21, 2012, we acquired 117,800,183 of our common shares following a voluntary public tender offer for our common shares in exchange for common shares held by us in Vigor Alimentos S.A., or Vigor. Following the conclusion of this transaction, we retained 21.32% of the total capital stock of Vigor. This transaction was recorded at book value, consistent with the Company's policy under IFRS for transactions with entities under common control.

Therefore, through the "Exchange Offer", the Company, that was previously the wholly owner of the Shares of Vigor, actually holds 21.32% of the total shares, giving 44.62% of the total shares of Vigor, to the FB Participações S.A., which is the holding of JBS S.A. and the remained 34.06% to other shareholders of the Company.

With this new corporate structure, the Company no longer consolidates its investment in Vigor Alimentos S.A., being treated as associate under the equity method. Although the Company has an ownership percentage of 21.32%, which indicates significant influence, FB Participações S.A. started to manage and control operations of Vigor, becoming the new parent Company.

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

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

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

a) Balance sheets

	Consolidated	"Pro-forma"
	December 31, 2012	December 31, 2011
ASSETS		
Cash and cash equivalents	**5,383,087**	4,966,514
Trade accounts receivable, net	**5,688,648**	4,551,746
Inventories	**5,182,187**	5,294,299
Biological assets	**1,153,933**	209,543
Recoverable taxes	**2,349,613**	2,204,589
Other current and non current assets	**1,824,253**	2,080,733
Investments in associates	**258,620**	330,427
Property, plant and equipment, net	**16,207,640**	14,956,655
Intangible assets, net	**11,708,212**	12,527,229
TOTAL ASSETS	**49,756,193**	**47,121,735**
LIABILITIES AND EQUITY		
Trade accounts payable	**3,564,270**	3,236,162
Loans and financings	**20,488,944**	18,545,772
Payroll, social charges, tax obligation and current and deferred income tax	**3,085,881**	2,391,245
Other current and non current liabilities	**1,183,792**	1,349,367
Equity	**21,433,306**	21,599,189
TOTAL LIABILITIES AND EQUITY	**49,756,193**	**47,121,735**

For comparability purposes, below is presented the "pro-forma" statements of income excluding the results of Vigor for the six months period ended on June 30, 2011, comparative with the same period of 2012, since the result of Vigor was consolidated only until the six months period ended on June 30, 2012.

b) Statements of income

	2012	2011 "Pro-forma"
Net sale revenue	**75,696,710**	61,152,912
Cost of goods sold	**(67,006,886)**	(54,618,546)
GROSS INCOME	**8,689,824**	**6,534,366**
General, administrative and selling expenses	**(5,935,129)**	(4,738,644)
Financial expense, net	**(1,338,243)**	(1,956,332)
Other income (expenses), net	**(35,002)**	(34,910)
Equity in earnings of subsidiaries	**836**	(9,094)
Income taxes	**(619,396)**	(118,271)
NET INCOME (LOSS) OF THE PERIOD	**762,890**	**(322,885)**
ATTRIBUTABLE TO:		
Controlling interest	**718,938**	(75,705)
Noncontrolling interest	**43,952**	(247,180)
	762,890	**(322,885)**

c.2) Cascavel Couros Ltda Incorporation

On December 27, 2012, the Company incorporated its wholly owned subsidiary, Cascavel Couros Ltda. ("Cascavel Couros"), as a process of simplifying the corporate structure of the economic group, higher administrative efficiency and reduction of the costs incurred on operations. The incorporation did not result in an increase of capital or issuance of new shares of the Company.

The incorporated equity of Cascavel Couros by the Company was evaluated at book value by a specialized company, based on the criteria in the applicable legislation. Due to the fact of the financial statements presented by the Company for the year ended on December 31, 2012 contemplate the incorporated balances of Cascavel Couros, and for comparative purposes, below is the individual "pro-forma" balance sheet, excluding the incorporated balances from Cascavel Couros:

	Company	Cascavel	"Pro-forma"
	31.12.12	31.12.12	31.12.12
ASSETS			
Cash and cash equivalents	3,564,984	7,356	3,557,628
Trade accounts receivable, net	2,753,737	54,850	2,698,887
Inventories	1,940,192	66,808	1,873,384
Recoverable taxes	1,951,952	93,083	1,858,869
Property, plant and equipment, net	8,767,637	69,006	8,698,631
Other current and non current assets	16,948,019	63,556	16,884,463
TOTAL ASSETS	35,926,521	354,659	35,571,862
LIABILITIES AND EQUITY			
Trade accounts payable	1,000,273	9,159	991,114
Loans and financings	12,151,659	10,043	12,141,616
Payroll, social charges and tax obligation	499,588	5,596	493,992
Provision for lawsuits risk	155,156	4,154	151,002
Other current and non current liabilities	1,509,298	16,061	1,493,237
Equity	20,610,547	309,646	20,300,901
TOTAL LIABILITIES AND EQUITY	35,926,521	354,659	35,571,862

c.3) Arbitral decision litigation - Beef Snacks International B.V.

In March 2007, the Company, through its subsidiary JBS Global A/S, along with Link International Meat Products (Link) created Beef Snacks International B.V. (BSI), a joint venture of shared control (50%/50%) based in the Netherlands, holding of two subsidiaries, Beef Snacks do Brasil, located in Brazil and Jerky Snack Brands Inc, located in the United States of America.

In March 2009, Link notified the Company performing the right of sale of own shares after being diluted (Dilution Put Right), not complying the capitalization obligations of the joint venture.

Due to the discussion of the sale price of the shares and also in consideration of the enormous losses of the joint venture, in April 2009, the Company filed an arbitral process with ICC (International Commerce Camera) as provided by the contract to discuss the sale value of the shares and the Link's output of society.

The arbitral tribunal with decision in 2011 established that nothing was owed by the Company to the Link's output of the joint venture, and on September 1, 2011 the arbitral decision was approved by the Court of the Netherlands (exequatur). At the end of this year, the Dutch Court ordered the immediate transfer of BSI's shares in favor of the Company, then going to be a wholly owned subsidiary (100%) of JBS, through a grant by arbitral decision of 50% participation to JBS Global A/S held by Link, and JBS Global A/S has became the holder of 100% participation of BSI. The effects of such consolidation were not material.

2 Elaboration and presentation of consolidated financial statements

a. Declaration of conformity

These financial statement includes:

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

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

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

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

Since there is no difference between the consolidated equity and the consolidated profit/loss attributable to shareholders of Company, presented in the consolidated financial statements prepared in accordance with IFRSs and the practices adopted in Brazil, and equity and profit/loss of the Company, presented in the individual financial statements prepared in accordance with accounting practices adopted in Brazil. Therefore, the Company has decided to present individual and consolidated financial statements into a single set side by side.

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

The approval of these consolidated financial statements was given at the Board of Directors' meeting held on March 12, 2013.

Functional and presentation currency

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

3 Significant accounting policies

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

a) Statements of income

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

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

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

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

The expenses are recorded on the accrual basis.

b) Accounting estimates

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

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

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

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

c) Cash and cash equivalents

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

d) Trade accounts receivable

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

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

e) Provision for impairment

Estimated impairment losses with the adjustment to recoverable value of accounts receivable are calculated based on the analysis of the aging list, provisioning the items of long standing, and considering the probable estimated losses, which the amount is considered sufficient by the Management to cover probable losses on accounts receivable based on historical losses.

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

f) Inventories

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

g) Biological assets

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

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

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

h) Investments in associates, subsidiaries and joint ventures

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

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

According to IAS 31/CPC 19 R1- Interests in joint venture, Joint ventures are entities jointly controlled by the Company and one or more partners.
Investments in joint ventures are recognized under the proportionate consolidation method, from the date the joint control is acquired. Under this method, the components of a joint venture's assets and liabilities, and income and expenses are added to the consolidated accounting positions proportionally to the their participation in its capital as described in note 10.

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

i) Property, plant and equipment - PP&E

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

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

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

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

j) Assets leased

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

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

k) Intangible assets

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

Goodwill arising from business combination

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

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

Impairment of tangible and intangible assets, excluding goodwill

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

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

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

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

l) Other current and noncurrent assets

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

m) Trade accounts payable

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

n) Loans and financings

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

o) Income tax and social contribution

Current taxes

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

Deferred taxes

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

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

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

p) Dividends

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

q) Current and noncurrent liabilities

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

r) Noncontrolling interest

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

s) Contingent assets and liabilities

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

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

t) Adjustment of assets and liabilities to present value

The Company presents, when applicable, assets and liabilities at present value long-term assets and liabilities, according to CPC12- Present value adjustment. The present value long-term assets and liabilities are adjusted to present value, but the adjustment on the short-term balances occurs only when the fact is considered material in relation to the consolidated financial statements.

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

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

u) Consolidation

Consolidated financial statements include individual financial statements of the Company, its subsidiaries and joint controlled entities (proportionally consolidated). Control is obtained when the Company has the power to control financial and operating policies of an entity so as to obtain benefits from its activities.
When necessary, the financial statements of subsidiaries are adjusted according to the accounting policies established by the Group. All transactions, balances, income and expenses between Group companies are eliminated in the consolidated financial statements. Consolidated subsidiaries are detailed described on note 10.

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

v) Foreign currency translation

Functional and reporting currency

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

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

w) Earning per share

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

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

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

x) Financial instruments

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

• Financial assets at fair value through profit or loss

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

• Loans and receivables

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

• Held to maturity

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

• Non derivative financial liabilities

The Company recognizes debt securities and subordinated debt on the date on which they originated. All other financial liabilities (including liabilities designated at fair value recorded in income) are initially recognized on the trade date on which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are canceled or expired.

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

• Impairment of financial assets

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

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

• Derivatives

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

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

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

y) Business combinations

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

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

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

z) Employee benefits

Defined Contribution Plans:

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

Defined benefit plans

A defined benefit plan is a plan for post-employment benefits other than defined contribution plan. The net liability with regard to pension plans of defined benefit is calculated individually for each plan by estimating the amount of future benefit that employees earned in return for services rendered in the current period and prior periods, that benefit is discounted to present value. Any past service costs not recognized and the fair values of any plan assets is deducted.

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

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

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

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

aa) Segment reporting

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

ab) Statements of Cash flow

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

ac) Statement of comprehensive income

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

ad) Economic Value Added

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

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

ae) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operation that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

af) Rules, changes and interpretations of standards that will be in force in 2013

The following new rules, changes and interpretations of standards were issued by IASB, but were not in force for the year 2012. Early adoption of these standards, though encouraged by IASB, was not permitted in Brazil by the Brazilian Accounting Pronouncements Committee (Comitê de Pronunciamentos Contábeis) - CPC and by the Brazilian Securities Commission - CVM, and will be applicable as from January 1, 2013.

• IFRS 11 – "Joint arrangements", on November 23, 2012, the CVM released Deliberation 694 approving CPC 19 (R2) "Joint businesses", which incorporated the changes introduced under IFRS 11. The main change introduced by this standard is the impossibility of proportional consolidation of entities where the control of the net assets be shared through an agreement between two or more parties and be classified as a joint venture.

The Company has evaluated this standard and identified that it will have a non material impact due to deconsolidation of Meat Snacks Partner do Brasil Ltda. (MSP), whose share of the Company is 50%, according to the operating activities. The MSP had as of December 31, 2012, total assets and liabilities in the amount of R$ 44,666, equity of R$ 35,633 and net income of R$ 11,393 for the year ended on December 31, 2012.

• IFRS 12 – "Disclosure of interest in other entities", on December 13, 2012, the CVM released Deliberation 697 approving CPC 45 "Disclosure of interest in other entities", which incorporated the changes under IFRS 12 – "Disclosure of interest in other entities". The standard deals with disclosure requirements for all forms of interest in other entities, including joint arrangements, associations, specific-purpose interest and other forms of interest that are not booked.

The Company has evaluated this standard and it is not expected to have significant effects in the financial statements.

• IAS 19 – "Employee benefits", on December 13, 2012, the Securities and Exchange Commission of Brazil (CVM) published Deliberation 695 approving CPC 33 (R1) "Employee benefits", which incorporated the changes under IAS 19 amended in June 2011. The main impacts of the changes follow:

(i) elimination of the possibility of using the "corridor method" (permission for actuarial gains and losses up to the limit of 10% of the present value of the defined benefit obligation or 10% of the fair value of the plan's assets, the greater of the two values, to be recognized as profit or loss for the remaining average working life of participants in the plan);

(ii) recognition of actuarial gains and losses under "other comprehensive income", as they occur. These amounts will not be carried to the profit or loss of the fiscal year, remaining under equity in other comprehensive income;

(iii) immediate recognition of the costs of past services in the profit or loss; and

(iv) substitution of the participation cost and expected return on the plan's assets for a net participation amount calculated by applying the discount rate to the assets (liabilities) of the net defined benefit.

The Company has evaluated this standard and the effect in the other comprehensive income is estimated in approximately R$ 90 million as described in note 27.

• IFRS 10 – "Consolidated financial statements, on December 20, 2012, the CVM released Deliberation 698 approving CPC 36 (R3) "Consolidated financial statements", which incorporated the changes under IFRS 10. The new standard is based on existing principles and identifies the concept of control as the dominant factor when determining whether an entity should be included in the consolidated financial statements of the Parent Company. The standard provides additional guidance for determining control.

The Company analyzed this standard and concluded that it will not cause any impacts on its consolidated financial statements.

• IFRS 13 - "Fair value measurement", on December 20, 2012, the CVM disclosed Deliberation 699 approving CPC 46 "Fair value measurement", which incorporated the changes under IFRS. The objective of the standard is to increase consistency and reduce the complexity of fair value measurement, providing a more precise definition and a single source of fair value measurement and its disclosure requirements under IFRS. The requirements do not expand the use of fair value booking, but rather provide instructions on how to apply it when already required or allowed under other IFRS standards.

It is not expected to have a relevant impacts in the financial statements of the Company.

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

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

• IFRS 9 – "Financial Instruments" outlines the requirements for the classification, measurement and recognition of financial assets and liabilities IFRS 9 was issued in November 2009 and October 2012 and substitutes the paragraphs in IAS 39 related to the classification and measurement of financial instruments. IFRS 9 required classification of financial assets into two categories: measured at fair value and measured at amortized cost. Classification is determined when the financial asset is initially recognized. Classification depends on the business model of the entity and the characteristics of the cash flow arrangements of the financial instruments. For financial liabilities, the standard maintains most of the requirements under IAS 39.

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

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

• IAS 1 – "Presentation of Financial Statements" – the main change was the requirement that entities group the items presented under other comprehensive income based on whether or not they are potentially reclassifiable to the subsequent profit or loss (reclassification adjustments). This change, however, does not establish which items should be presented under other comprehensive income. The standard will be applicable as of July 1, 2013.

4 Cash and cash equivalents

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

	Company		Consolidated	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Cash and banks	**1,014,160**	1,483,479	**1,949,230**	2,247,919
CDB-DI (bank certificates of deposit)	**2,295,275**	1,928,422	**2,429,706**	2,155,037
Investment funds	**-**	494	**748,602**	554,523
LCA-DI (Agribusiness Letters of Credit)	**-**	200,472	**-**	330,715
National treasury bill - LFT	**255,549**	-	**255,549**	-
	3,564,984	**3,612,867**	**5,383,087**	**5,288,194**

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

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

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

Investments funds - consolidated

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

5 Trade accounts receivable, net

	Company		Consolidated	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Current receivables	**2,529,365**	**1,729,425**	**4,970,194**	**3,939,255**
Overdue receivables:				
From 1 to 30 days	**191,144**	120,142	**584,276**	569,126
From 31 to 60 days	**17,060**	23,297	**75,746**	91,406
From 61 to 90 days	**18,380**	20,755	**33,411**	44,389
Above 90 days	**94,721**	102,656	**156,709**	185,589
Impairment	**(96,933)**	(113,182)	**(131,688)**	(149,919)
	224,372	**153,668**	**718,454**	**740,591**
	2,753,737	**1,883,093**	**5,688,648**	**4,679,846**

Pursuant to IFRS 7/CPC 39 - Financial Instruments, below are the changes in the impairment:

	Company		Consolidated	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Initial balance	**(113,182)**	**(109,497)**	**(149,919)**	**(142,074)**
Additions	**-**	(10,020)	**-**	(16,390)
Exchange variation	**-**	-	**1,011**	225
Write-offs	**16,249**	6,335	**17,220**	8,320
Final balance	**(96,933)**	**(113,182)**	**(131,688)**	**(149,919)**

6 Inventories

	Company		Consolidated	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Finished products	**1,509,526**	1,161,418	**3,564,257**	3,332,844
Work in process	**64,199**	53,879	**333,100**	900,597
Raw materials	**234,934**	188,722	**668,387**	527,046
Warehouse spare parts	**131,533**	140,242	**616,443**	645,218
	1,940,192	**1,544,261**	**5,182,187**	**5,405,705**

7 Biological assets

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

	Consolidated	
Current biological assets:	December 31, 2012	December 31, 2011
Cattle	**125,818**	83,978
Hogs and Lamb	**52,203**	73,790
Chicken	**668,314**	49,489
Plants for harvest	**3,289**	2,286
	849,624	**209,543**

	Consolidated	
Non-Current biological assets:	December 31, 2012	December 31, 2011
Chicken	**304,309**	-
	304,309	**-**

Changes in biological assets:	Current	Noncurrent
Amount on December 31, 2011	**209,543**	**-**
Born	**4,911,589**	**6,761**
Death	**(8,962)**	**(1,082)**
Fair value (Mark to market)	**43,659**	**135**
Purchase	**875,697**	**450,419**
Sale / lowering for slaughter	**(5,775,172)**	**(23,785)**
Transfer of work-in-progress	**529,200**	**203,672**
Exchange rate variation	**60,781**	**7,464**
Cost appropriating on plants for harvest	**5,795**	**-**
Domestic consumption on plants for harvest (feed)	**(2,506)**	**-**
Amortization	**-**	**(339,275)**
Amount on December 31, 2012	**849,624**	**304,309**

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

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

Below are details of the biological assets that are carried at cost:

COMPANIES IN UNITED STATES OF AMERICA	December 31, 2012	December 31, 2011
Current biological assets:		
Cattle	**56,956**	46,954
Hogs and Lamb	**52,203**	73,790
Chicken	**620,683**	49,489
Total biological assets valued at cost	**729,842**	**170,233**
Noncurrent biological assets:		
Chicken	**265,527**	**-**
Total biological assets valued at cost	**265,527**	**-**

Cattle - A subsidiary of JBS USA in Australia keeps cattle in feedlots, there is no active market for cattle in feedlot between the period of 75-100 days, just over 180 days.

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

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

Due to the fact there is no active market for these biological assets, the Company has evaluated such assets based on a model of discounted cash flow, not identifying material changes in relation to the absorption cost. Thereby, the current assets are maintained at cost and the non-current assets besides being maintained at cost, are amortized according to the lifetime of the animals.

COMPANIES IN BRAZIL	December 31, 2012	December 31, 2011
Current biological assets:		
Cattle	**68,862**	37,024
Biological assets valued at market:	**68,862**	**37,024**
Chicken	**47,631**	-
Plants for harvest	**3,289**	2,286
Biological assets valued at cost:	**50,920**	**2,286**
Total current biological assets	**119,782**	**39,310**
Noncurrent biological assets:		
Chicken	**38,782**	-
Total noncurrent biological assets valued at cost	**38,782**	**-**

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

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

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

8 Recoverable taxes

	Company		Consolidated	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Value-added tax on sales and services (ICMS / IVA / VAT / GST)	**994,229**	1,075,566	**1,128,245**	1,264,118
Excise tax - IPI	**63,392**	59,772	**129,736**	124,459
Social contribution on billings - PIS and COFINS	**650,654**	616,957	**681,341**	745,376
Withholding income tax - IRRF	**172,048**	90,826	**303,024**	96,840
Other	**71,629**	49,515	**107,267**	85,644
	1,951,952	**1,892,636**	**2,349,613**	**2,316,437**
Current and Long-term:				
Current	**1,309,995**	1,330,609	**1,676,267**	1,690,311
Noncurrent	**641,957**	562,027	**673,346**	626,126
	1,951,952	**1,892,636**	**2,349,613**	**2,316,437**

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

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

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

Social contribution on billings - PIS and COFINS

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

Withholding income tax - IRRF

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

General comments

Company and JBS Embalagens recorded the monetary adjustment of their PIS, COFINS, IPI and IRPJ tax credits based on SELIC (Central Bank overnight rate), in the amount of R$ 181,157. As of this amount the Company received R$ 28,987, and the remaining balance is R$ 152,170.

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

9 Related parties transactions

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

				December 31, 2012	December 31, 2011
COMPANY	**Currency**	**Maturity**	**Annual rate**	**Mutual contracts**	**Mutual contracts**
Direct subsidiaries					
JBS Aves Ltda.	R$	Jun 01, 2013	CDI + 1%	**268,903**	53,207
JBS Confinamento Ltda.	R$	Apr 01, 2014	CDI + 4%	**100,289**	87,528
JBS Embalagens Metálicas Ltda.	R$	Aug 16, 2013	CDI + 12%	**63,682**	58,936
JBS USA, Inc	US$	Mar 25, 2014	Libor + 2.5% to 3%	**319,331**	(97,606)
JBS Slovakia Holdings s.r.o.	US$	Jun 12, 2013	4.5%	**(49,214)**	(43,284)
Cascavel Couros Ltda	R$	Dec 31, 2012	9%	**-**	29,300
Novaprom Food Ingredients Ltda	R$	Dec 31, 2013	CDI + 1%	**(2,105)**	12,115
Indirect subsidiaries					
Beef Snacks Brasil Ind.Com. S.A.	R$	Jan 24, 2014	CDI	**102,127**	96,761
Beef Snacks International BV	US$	Dec 31, 2013	Libor + 2% to 3%	**5,049**	4,371
JBS HU Ltd	US$	May 19, 2012	12%	**-**	(119,117)
JBS Paraguay	US$	Aug 24, 2014	Libor + 5%	**-**	6,294
				808,062	**88,505**

JBS S.A.

Notes to the financial statements for the years ended December 31, 2012 and 2011
(Expressed in thousands of reais)

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

	December 31, 2012		December 31, 2011	
COMPANY	**Trade accounts receivable**	**Trade accounts payable**	**Trade accounts receivable**	**Trade accounts payable**
Direct subsidiaries				
JBS Aves Ltda.	**1,924**	**5,982**	-	-
JBS Confinamento Ltda.	**360**	**29,836**	252	33,384
JBS Embalagens Metálicas Ltda.	**-**	**-**	-	94
JBS USA, Inc	**186**	**393**	13,521	-
JBS Itália SRL	**29,523**	**-**	7,268	-
Cascavel Couros Ltda	**512**	**9**	16,917	2,704
Novaprom Food Ingredients Ltda	**1,800**	**408**	1,661	681
Indirect subsidiaries				
JBS Global (UK) Limited	**52,824**	**210**	32,149	4
JBS Argentina S.A.	**-**	**103**	-	2,017
Global Beef Trading SU Lda.	**2,956**	**-**	715	-
Austrália Meat	**-**	**982**	-	741
Toledo International NV	**39,540**	**1**	6,360	319
Weddel Limited	**4,709**	**-**	-	-
Sampco Inc.	**5,961**	**-**	1,655	-
JBS Leather Europe	**1,779**	**-**	-	-
Meat Snacks Partners do Brasil Ltda	**3,410**	**198**	-	-
Frigorífico Canelones S.A.	-	**1,313**	-	7
Rigamonti Salumificio Spa	-	**21**	10,334	19
Itaholb International	-	**-**	1,414	1,192
Wonder Best Holding Company	-	**-**	11,929	-
Trump Asia Enterprise Ltd	**11,195**	**-**	20,070	-
Trustful Leather	**-**	**-**	4,203	-
JBS Paraguay	**-**	**2,412**	24	-
Other related parties				
S.A. Fabrica de Prod. Alimentícios Vigor	**11,681**	**1**	17,538	3,431
JBS Agropecuária Ltda.	**42**	**-**	178	2,984
Flora Produtos de Hig. Limp. S.A.	**8,567**	**474**	682	1
Flora Dist. Produtos de Hig. Limp. S.A.	**23,317**	**10**	18,439	190
	200,286	**42,353**	**165,309**	**47,768**

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

	December 31, 2012			December 31, 2011		
	Financial income (expenses)	**Purchases**	**Sales of products**	**Financial income (expenses)**	**Purchases**	**Sales of products**
Direct subsidiaries						
JBS Aves Ltda.	**18,678**	**72**	**45,765**	9,320	-	-
JBS Confinamento Ltda.	**14,037**	**242,765**	**2,792**	24,149	395,757	4,795
JBS Embalagens Metálicas Ltda.	**9,633**	**2,354**	**-**	10,984	63,005	3,657
JBS USA, Inc	**25,589**	**-**	**231,718**	(52,051)	-	62,036
JBS Slovakia Holdings s.r.o.	**(1,976)**	**-**	**-**	(1,680)	-	-
JBS Itália SRL	**-**	**8,762**	**102,371**	-	590	61,846
Cascavel Couros Ltda	**1,681**	**16,105**	**168,330**	(1,641)	8,964	215,371
Novaprom Food Ingredients Ltda	**1,688**	**4,133**	**15,129**	1,729	3,614	9,946
Indirect subsidiaries						
JBS Global (UK) Limited	**-**	**-**	**130,489**	-	-	116,903
JBS Argentina S.A	**-**	**11,795**	**-**	-	13,819	-
Global Beef Trading SU Lda.	**-**	**804**	**55,359**	-	-	130,572
Beef Snacks Brasil Ind.Com. S.A.	**7,961**	**-**	**-**	13,302	-	-
Beef Snacks International	**430**	**-**	**-**	384	-	-
JBS HU Ltd	**(868)**	**-**	**-**	(7,433)	-	-
Australia Meat	**-**	**23,597**	**-**	-	12,964	-
Toledo International BV	**-**	**-**	**185,583**	-	-	98,355
JBS Leather Europe	**-**	**-**	**53,489**	-	-	6,471
Meat Snacks Partners do Brasil Ltda	**-**	**-**	**34,636**	-	-	-
Weddel Limited	**-**	**-**	**18,921**	-	-	2,386
Sampco Inc.	**-**	**-**	**165,686**	-	-	80,736
Frigorífico Canelones S.A.	**-**	**9,575**	**-**	-	8,331	-
Rigamonti Salumificio Spa	**-**	**-**	**15,607**	-	-	49,080
Wonder Best Holding Company	**-**	**-**	**14,301**	-	-	50,077
Trump Asia Enterprise Ltd	**-**	**-**	**143,961**	-	20	67,331
Trustful Leather	**-**	**-**	**31,180**	-	-	25,507
JBS Paraguay	**180**	**49,721**	**8**	245	-	17
Itaholb International	**-**	**-**	**1,553**	-	-	3,210

Other related parties						
S.A. Fabrica de Prod. Alimentícios Vigor	**-**	**8,510**	**115,988**	(24,628)	1,576	125,204
JBS Agropecuária Ltda.	**-**	**16,955**	**166**	-	56,299	2,610
Flora Produtos de Hig. Limp. S.A.	**-**	**1,335**	**68,505**	-	-	49,581
Flora Dist. Produtos de Hig. Limp. S.A.	**-**	**5**	**174,959**	-	634	73,326
	77,033	**396,488**	**1,776,496**	**(27,320)**	**565,573**	**1,239,017**

Guarantees provided and / or received

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

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

Details of transactions with related parties

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

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

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

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

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

The unamortized balance at December 31, 2012 and December 31, 2011 was US$ 11,371 (R$ 23,237) and US$ 94.3 million (R$ 192,702), respectively.

Consolidated - Credits with related parties

The consolidated balance of related parties, on the amount of R$ 548,909 as of December 31, 2012 (R$ 552,197 as of December 31, 2011), has the following composition:

a) Not consolidated Companies

The Company, by it subsidiary JBS USA, has a receivable in the amount of R$ 548,909 (R$ 491,465 as of December 31, 2011) regarding the credit line up to US$ 375 million, with market interests, between the indirect subsidiary JBS Five Rivers and J&F Oklahoma, subsidiaries of J&F Participações S.A., not consolidated, where J&F Oklahoma uses this credit for adding value to cattle placed in the feedlot of JBS Five Rivers to be prepared for the slaughter.

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

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

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

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

b) Companies partially consolidated

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

	December 31, 2012	December 31, 2011
Beef Snacks do Brasil Ltda.	**-**	48,396
Beef Snacks International BV.	**-**	4,306
Jerky Snack Brands, Inc.	**-**	8,030
	-	**60,732**

On December 31, 2012 these companies have become indirect wholly owned subsidiaries of the Company as described in Note 1, c.3) item.

Remuneration of key management

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

	Members	December 31, 2012	December 31, 2011
Executive Board and Board of Directors	**15**	**7,268**	6,791
	15	**7,268**	**6,791**

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

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

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

10 Investments in associates, subsidiaries and joint ventures

	Company		Consolidated	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Investments in subsidiaries and associates	**5,431,545**	5,995,157	**258,620**	-
Goodwill	**687,331**	1,566,417	**-**	-
	6,118,876	**7,561,574**	**258,620**	**-**

In the Company:

Relevant information about investments in the year ended on December 31, 2012:

	Participation	Total assets	Capital stock	Equity	Net revenue	Net income (loss)
Controlled:						
JBS Embalagens Metálicas Ltda.	99.00%	84,457	2	16,654	1,713	(13,180)
JBS Global Investments S.A.	100.00%	6,959	149,176	6,959	-	314
JBS Holding Internacional S.A.	100.00%	518,032	1,218,645	278,551	684,801	(138,998)
JBS Global Luxembourg S.à.r.l.	100.00%	342,727	105,355	37,639	195,608	249
JBS Aves Ltda	100.00%	499,355	55,173	19,447	747,713	10,817
JBS USA, Inc.	99.93%	17,154,184	2,047,787	3,097,813	55,941,521	394,281
JBS Confinamento Ltda.	100.00%	580,040	473,401	428,050	289,745	(2,473)
JBS Slovakia Holdings, s.r.o.	100.00%	111,467	176,891	80,819	92,641	9,280
JBS Leather Italia S.R.L.	100.00%	95,611	31,487	24,830	168,233	2,426
LLC Lesstor	70.00%	37,479	10	37,078	1,493	(5,495)
JBS Middle East	100.00%	60	1,014	25	121	(645)
JBS Leather Paraguay	97.50%	40	18	21	674	2
JBS Holding GMBH	100.00%	2,199,281	513,371	1,147,303	1,493,085	134,769
FG Holding III Ltda.	100.00%	75	53	75	-	4
Novaprom Foods e Ingredientes Ltda	97.99%	30,189	15,792	11,345	30,735	(1,120)
Associates:						
Vigor Alimentos S.A.	21.12%	1,904,602	1,191,378	1,224,290	1,330,177	30,653

In the Consolidated Fianncial Statements, goodwill is recognized as an intangible asset and assets and liabilities acquired are consolidated in the Company. In the Individual Financial Statements, goodwill is recorded in investments, the same group of non-current assets.

				Equity in subsidiaries		
	December 31, 2011	Addition (disposal)	Exchange rate variation (i)	Equity (ii)	Income Statements	December 31, 2012
JBS Embalagens Metálicas Ltda.	**29,536**	-	-	-	(13,048)	**16,488**
JBS Global Investments S.A.	**43,602**	(36,490)	(467)	-	314	**6,959**
JBS Holding Internacional S.A. (1)	**320,912**	110,178	-	(13,541)	(138,998)	**278,551**
JBS Global A/S (2)	**68,677**	(39,492)	4,834	2,269	(36,288)	**-**
JBS Global Luxembourg S.à.r.l. (2)	**-**	36,107	18	1,265	249	**37,639**
JBS Aves Ltda (3)	**(46,423)**	55,053	-	-	10,817	**19,447**
JBS USA, Inc. (4)	**3,356,247**	(919,020)	164,978	99,438	394,005	**3,095,648**
JBS Confinamento Ltda.	**424,523**	6,000	-	-	(2,473)	**428,050**
JBS Slovakia Holdings, s.r.o. (5)	**184,829**	(111,304)	612	(2,598)	9,280	**80,819**
JBS Leather Italia S.R.L	**11,312**	8,930	2,162	-	2,426	**24,830**
CJSC Prodcontract	**(15,492)**	15,986	28	-	(522)	**-**
LLC Lesstor	**26,203**	-	3,598	-	(3,846)	**25,955**
JBS Middle East	**44**	631	(5)	-	(645)	**25**
JBS Leather Paraguay	**16**	-	2	-	2	**20**
JBS Holding GMBH	**893,569**	23,318	50,441	45,205	134,769	**1,147,302**
FG Holding III Ltda.	**-**	53	-	18	4	**75**
Novaprom Foods e Ingredientes Ltda	**(1,521)**	15,000	-	(1,676)	(686)	**11,117**
S.A.Fábrica de Produtos Alimentícios Vigor (6)	**330,427**	(330,427)	-	-	-	**-**
Cascavel Couros Ltda (7)	**305,261**	(309,646)	-	2,237	2,148	**-**
Vigor Alimentos S.A. (8)	**-**	251,329	-	(20,241)	27,532	**258,620**
Subtotal	**5,931,721**	**(1,223,794)**	**226,201**	**112,376**	**385,040**	**5,431,545**
Provision for loss on investments	**63,435**					**-**
Total	**5,995,157**					**5,431,545**

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

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

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

(1)- JBS Holding Internacional S.A. - The Company capitalized R$ 110,178 in the JBS Holding Internacional S.A. through mutual capitalization.

(2)- JBS Global A/S and JBS Global Luxembourg S.à.r.l. - On December 20, 2012, through a corporate reorganization with a focus on tax optimization, the Company ended its participation in JBS Global A/S, a wholly owned subsidiary of the Company whose purpose was to participate in the capital of other companies, and constituted JBS Global Luxembourg S.à.r.l. through the subscription of initial capital of EUR 13 thousand (R$ 35), and subsequent capitalization of the shareholdings held by JBS Global A/S in the amount of EUR 13,383 (R$ 36,072).

(3)- JBS Aves Ltda. – Mouran Alimentos Ltda. had stopped its operations and was renamed to JBS Aves Ltda. on May 2, 2012 and started operating in the chicken segment.

(4)- JBS USA, Inc. – On February 2012, the Company received from JBS USA the amount of R$ 917,337 as dividends.

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

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

(7)- Cascavel Couros Ltda – As described in the operating activities, on December 27, 2012, the Company merged its wholly owned subsidiary, Cascavel Couros Ltda.

(8) Vigor Alimentos - The Company has capitalized R$ 1,191,373 in Vigor Alimentos, by transferring the carrying amounts of investment (R$ 330,427) and goodwill (R$ 860,946) in S.A. Fábrica de Produtos Alimentícios Vigor. Additionally, there was also the initial capital contribution in the amount R$5. In June 2012 the Company reduced the value of investment in the Vigor due to the exchange for common shares proportionally to its stake in the amount of R$ 959,961, being part of such amount the value (R$ 22,272) relating to the capital transaction.

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

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

In the Consolidated:

It refers to the participation of 21.12% in Vigor Alimentos as described in Note 1, c.1) item.

11 Property, plant and equipment, net

				Net amount	
Company	**Cost**	**Revaluation**	**Accumulated depreciation**	**December 31, 2012**	**December 31, 2011**
Buildings	2,855,409	116,616	(370,245)	**2,601,780**	2,557,025
Land	915,307	9,305	-	**924,612**	953,614
Machinery and equipment	4,065,382	44,679	(921,522)	**3,188,539**	2,983,112
Facilities	865,846	21,737	(190,452)	**697,131**	641,365
Computer equipment	184,483	701	(72,802)	**112,382**	139,685
Vehicles	416,514	61	(148,494)	**268,081**	183,941
Construction in progress	831,154	-	-	**831,154**	238,236
Other	170,219	1,245	(27,506)	**143,958**	106,604
	10,304,314	**194,344**	**(1,731,021)**	**8,767,637**	**7,803,582**

				Net amount	
Consolidated	**Cost**	**Revaluation**	**Accumulated depreciation**	**December 31, 2012**	**December 31, 2011**
Buildings	6,127,959	116,616	(791,308)	**5,453,267**	5,280,707
Land	1,875,768	9,305	-	**1,885,073**	1,985,996
Machinery and equipment	8,796,495	44,679	(2,939,685)	**5,901,489**	5,684,510
Facilities	884,428	21,737	(202,738)	**703,427**	682,273
Computer equipment	353,567	701	(143,352)	**210,916**	208,511
Vehicles	657,404	61	(323,195)	**334,270**	253,133
Construction in progress	1,220,139	-	-	**1,220,139**	805,473
Other	742,204	1,245	(244,390)	**499,059**	478,111
	20,657,964	**194,344**	**(4,644,668)**	**16,207,640**	**15,378,714**

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

	Average annual depreciation rates as of December 31,			
	2012		2011	
	Company	Consolidated	Company	Consolidated
Buildings	2.83%	3.76%	3.09%	3.11%
Land	0.00%	0.00%	0.00%	0.01%
Machinery and equipment	5.70%	8.22%	6.07%	6.11%
Facilities	4.83%	5.08%	5.89%	5.90%
Computer equipment	12.48%	17.76%	6.74%	6.78%
Vehicles	10.04%	10.41%	11.05%	11.08%
Other	5.66%	8.13%	5.93%	5.88%

Changes in property, plant and equipment

Company	December 31, 2011	Additions net of transferences	Cascavel Incorporation	Disposals	Depreciation	December 31, 2012
Buildings	2,557,025	104,756	26,468	(2,297)	(84,172)	**2,601,780**
Land	953,614	1,647	219	(30,868)	-	**924,612**
Machinery and equipment	2,983,112	427,813	31,652	(19,787)	(234,251)	**3,188,539**
Facilities	641,365	89,148	10,002	(546)	(42,838)	**697,131**
Computer equipment [(2)]	139,685	(4,374)	251	(75)	(23,105)	**112,382**
Vehicles	183,941	160,998	7	(35,041)	(41,824)	**268,081**
Construction in progress [(1)]	238,236	592,964	-	(46)	-	**831,154**
Other	106,604	42,097	407	(333)	(4,817)	**143,958**
	7,803,582	**1,415,049**	**69,006**	**(88,993)**	**(431,007)**	**8,767,637**

Consolidated	December 31, 2011	Additions net of transferences	Disposals	Depreciation	Exchange rate variation	Vigor deconsolidation	December 31, 2012
Buildings	5,280,707	365,532	(19,838)	(234,756)	224,481	(162,859)	**5,453,267**
Land	1,985,996	18,902	(39,106)	-	51,509	(132,228)	**1,885,073**
Machinery and equipment	5,684,510	886,757	(29,279)	(727,174)	194,723	(108,048)	**5,901,489**
Facilities	682,273	98,256	(1,567)	(45,994)	143	(29,684)	**703,427**
Computer equipment [(2)]	208,511	63,384	(1,463)	(62,905)	4,772	(1,383)	**210,916**
Vehicles	253,133	185,744	(41,608)	(68,464)	5,789	(324)	**334,270**
Construction in progress [(1)]	805,473	391,903	(11,965)	-	34,969	(241)	**1,220,139**
Other	478,111	27,735	(5,050)	(60,421)	64,778	(6,094)	**499,059**
	15,378,714	**2,038,213**	**(149,876)**	**(1,199,714)**	**581,164**	**(440,861)**	**16,207,640**

[(1)] - Construction in progress – The additions in the amount of R$ 592,964 in the Company and R$ 391,903 in the Consolidated include interest capitalization in the amount of R$ 16,852 and R$ 30,627, respectively, for the year ended on December 31, 2012.

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

Part of the increase in construction in progress in the Company as reflected in the consolidated, is result of recent acquisitions of assets by the Company. The assets are recorded as construction in progress and subsequently transferred to their account equity referred to, see note 18.

[(2)] - Computer equipment - Negative additions in the amount of R$ (4,374) in the Company are net of transfers to adjust classification in the amount of R$ 28,990, related to equipment purchased in the second quarter of 2012 and were transferred to the category of machinery and equipment.

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

Until December 2007, revaluations were performed on property, plant and equipment items of several Company's plants, and offsetting entries were made to the revaluation reserve account and the provision for deferred income and social contribution taxes. The method and assumption applied to estimate the fair value of the assets were determined based on current market prices. As of December 31, 2012, the total amount of property, plant and equipment revaluation is R$ 194,344 which the revaluation reserve is R$ 96,847 and the provision for income and social contribution taxes is R$ 45,318. For revalued property, plant and equipment, the Company recorded accumulated depreciation of R$ 52,179.

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

Interest capitalization - Borrowing costs

Pursuant to IAS 23/CPC 20 R1 – Borrowing costs, the Company capitalized those borrowing costs directly attributable to the construction of qualifying assets, which are exclusively represented by construction in progress. The borrowing costs allocated to the qualifying assets as of December 31, 2012 and December 31, 2011 are shown below:

	Company		Consolidated	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Construction in progress	**790,883**	199,441	**1,147,013**	760,073
(+) capitalized borrowing costs	**40,271**	38,795	**73,126**	45,400
	831,154	**238,236**	**1,220,139**	**805,473**

12 Intangible assets, net

	Company		Consolidated	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Goodwill (incorporations and subsidiaries)	**9,069,926**	9,069,926	**10,351,556**	11,189,867
Trademarks	**452,578**	452,575	**687,165**	665,005
Software	**9,460**	9,005	**15,810**	16,406
Water rights	**-**	-	**66,326**	60,840
Client portfolio	**-**	-	**584,551**	597,016
Other	**-**	-	**2,804**	3,485
	9,531,964	**9,531,506**	**11,708,212**	**12,532,619**

Changes in intangible assets

Company	December 31, 2011	Cascavel incorporation	Additions	Amortization [1]	December 31, 2012
Goodwill	9,069,926	-	-	-	**9,069,926**
Trademarks	452,575	3	-	-	**452,578**
Software	9,005	67	5,301	(4,913)	**9,460**
	9,531,506	**70**	**5,301**	**(4,913)**	**9,531,964**

Consolidated	December 31, 2011	Additions	Disposals	Amortization [1]	Exchange rate variation	Vigor deconsolidation	December 31, 2012
Goodwill	11,189,867	-	(18,140)	-	42,233	(862,405)	**10,351,556**
Trademarks	665,005	19	-	(909)	26,242	(3,192)	**687,165**
Software	16,406	6,368	-	(6,793)	566	(737)	**15,810**
Water rights	60,840	-	-	(90)	5,576	-	**66,326**
Client portfolio	597,016	-	-	(65,938)	53,473	-	**584,551**
Other	3,485	-	-	(991)	310	-	**2,804**
	12,532,619	**6,387**	**(18,140)**	**(74,721)**	**128,400**	**(866,334)**	**11,708,212**

[1] - Refers to amortization of intangible assets with useful lives defined in business combinations.

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

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

Goodwill: According to technical interpretation ICPC 09 - Individual Financial Statements, Separate Statements, Consolidated Statements and Application of Equity Method, in the consolidated goodwill is recorded in the Intangible assets due to expected profitability of the acquired subsidiary, assets and liabilities are consolidated with the Individual Statement. In the balance sheets of the Company, this goodwill is recorded on Investments, the same group of noncurrent assets, because, for the Company it is part of its investment on subsidiary acquisition, not being its intangible assets (as stated above, the expectation of future earnings - the genuine intangible - is the subsidiary).
In the company the intangible goodwill arising from the merger of Bertin, and the rest allocated to investments. Consolidated all goodwill re recorded as intangible.
The Company presents only the intangible goodwill arising from the merger of Bertin and the remaining amounts are allocated in investments.

Goodwill

Company- Recorded as intangible (Goodwill)

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

Company- Recorded as investment (Goodwill in subsidiaries)

In July 2007 the Company acquired a 100% interest in Swift Foods Company, currently known as JBS USA , with goodwill of R$ 906,481,based on expected future earnings, which was being amortized over 5 years. Accumulated amortization until December 31, 2008 was R$ 248,655, showing a net carrying amount of R$ 657,826 as of December 31, 2012.

In April 2011 the Company acquired 70% interest in LLC Lesstor, with goodwill of R$ 13,461, based on expected future earnings of the acquired business.

The Company through its acquired company Bertin, has other smaller representation of goodwill arising from companies acquisition based on expected future profitability of R$ 16,044, which related the following investments:
i) Novaprom Foods Ingredients - R$ 12,000
ii) Phitoderm - R$ 4,044

Consolidated- Recorded as intangible (Goodwill)

JBS USA has goodwill of US$ 224.796 thousand, equivalent to R$ 459,371 as of December 31, 2012, arising mainly from the acquisition in 2008 of Smithfield beef, Tasman and Five Rivers, based on the appreciation of the acquired assets.

In 2007, JBS Holding Internacional S.A., through its subsidiaries JBS Argentina S.A. and JBS Mendoza S.A., acquired 100% of the capital stock of Consignaciones Rurales S.A. and Argenvases S.A.I.C. and, in 2008, through the same subsidiaries, acquired 100% of the capital stock of Colcar S.A., with total goodwill of $ 14,110 thousand Argentinean pesos, equivalent to R$ 5,870 as of December 31, 2012. Goodwill is based upon expected future earnings of the acquired businesses.

JBS Global Luxembourg has goodwill of EUR 5,188 thousands, equivalent to R$ 13,984 as of December 31, 2012, arising from the acquisition of the Toledo Group , based on the appreciation of the assets.

On January 2012, the Company transferred the goodwill through its merged company Bertin that acquired 99.06% of interest in S.A. Fabrica de Produtos Alimenticios Vigor, in the amount of R$ 860,943, based on expected future earning, as a capital increase in it subsidiary Vigor Alimentos S.A., therefore the referred goodwill is not part of the intangible based on the date of December 31, 2012.

The Company's subsidiaries have other smaller representation of goodwill arising from companies acquisition, based on expected future profitability of R$ 115,074 which related the following investments:
i) JBS Holding Inc - R$ 22,528
ii) Misr Cold - R$ 23,294
iii) Rigamonti - R$ 62,355
iv) Wonder Best - R$ 2,011
v) IFPSA - R$ 4,886

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

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

Impairment test of goodwill

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

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

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

The growth rates used to extrapolate the projections after the period of 10 years ranged from 3% to 4% at year in nominal values. The estimated future cash flows were discounted using discount rates ranging from 9.4% to 11.0% at year, also in nominal values. The principal assumptions used in estimating the value in use are as follows:

• Sales Revenue - Revenues are projected from 2013 to 2022 considering the growth in volume of different products of Cash Generating Units.

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

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

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

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

13 Trade accounts payable

	Company		Consolidated	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Commodities - cattle	**621,664**	358,129	**1,658,863**	1,237,805
Materials and services	**331,373**	293,258	**1,667,392**	1,830,650
Finished products	**47,236**	14,988	**238,015**	255,431
	1,000,273	**666,375**	**3,564,270**	**3,323,886**

14 Loans and financings

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

Current liabilities

Type	Average annual rate of interest and commissions	Company	
		December 31, 2012	December 31, 2011
Foreign currency			
ACC - (advances on exchange contracts)	Exchange variation + interest from 2.88 % to 5.20%	**2,866,405**	2,078,290
Prepayment	Exchange variation + Libor and interest from 1% to 6%	**721,888**	824,925
144-A	Exchange variation + interest from 8.25% to 10.50%	**107,459**	98,798
Credit note - Export	Exchange variation + interest of 7.85%	**8,837**	36,648
Resolution 63	Exchange variation, Interest of 2.5% + Libor 6 months	**-**	10,859
		3,704,589	**3,049,520**
Local currency			
FINAME	TJLP and interest from 1% to 8.5%	**61,542**	80,853
EXIM - export credit facility	TJLP and interest of 5.81%	**87,012**	225,926
BNDES automatic	TJLP and interest from 3.1% to 5.44%	**32,495**	153,456
BNDES automatic	Currency basket BNDES + interest from 2% to 3.1%	**4,597**	6,308
Working capital- Brazilian Reais	Interest of 4% + 100% of CDI or 100% to 114.4% of CDI	**156,201**	257,186
Credit note - export	Interest from 1.2% to 3.4% or 100% to 118.5% of CDI	**1,297,734**	796,672
FCO - Middle West Fund	Interest of 10.00%	**617**	612
FNO - North Fund	Interest of 10.00%	**4,416**	4,150
CDC	TJLP and interest from 2.11% to 6.82%	**6,571**	-
Others		**-**	19
		1,651,185	**1,525,182**
		5,355,774	**4,574,702**

Noncurrent liabilities

Type	Average annual rate of interest and commissions	Company	
		December 31, 2012	December 31, 2011
Foreign currency			
Prepayment	Exchange variation + Libor and interest from 1% to 6%	**623,756**	894,849
144-A	Exchange variation + interest from 8.25% to 10.50%	**3,145,834**	2,895,159
Credit note - Export	Exchange variation + interest of 7.85%	**8,667**	15,912
		3,778,257	**3,805,920**
Local currency			
FINAME	TJLP and interest from 1% to 8.5%	**173,894**	132,854
EXIM - export credit facility	TJLP and interest of 5.81%	**-**	83,333
BNDES automatic	TJLP and interest from 3.1% to 5.44%	**1,322**	33,755
BNDES automatic	Currency basket BNDES + interest from 2% to 3.1%	**118**	4,329
Working capital- Brazilian Reais	Interest of 4% + 100% of CDI or 100% to 114.4% of CDI	**2,082,037**	1,842,188
Credit note - Export	Interest from 1.2% to 3.4% or 100% to 118.5% of CDI	**736,386**	1,171,540
FCO - Middle West Fund	Interest of 10.00%	**50**	650
FNO - North Fund	Interest of 10.00%	**16,642**	20,624
CDC	TJLP and interest from 2.11% to 6.82%	**7,179**	-
		3,017,628	**3,289,273**
		6,795,885	**7,095,193**

Breakdown:		
Current liabilities	**5,355,774**	**4,574,702**
Noncurrent liabilities	**6,795,885**	**7,095,193**
	12,151,659	**11,669,895**

Maturities of long-term debt are as follows:

2013	**-**	1,883,106
2014	**1,479,962**	1,163,976
2015	**1,382,980**	945,160
2016	**1,915,630**	1,394,493
2017	**164,877**	7,318
2018	**1,848,336**	1,697,233
2019	**2,880**	2,689
2020	**1,046**	1,045
2021	**174**	173
	6,795,885	**7,095,193**

Current liabilities

		Consolidated	
Type	**Average annual rate of interest and commissions**	**December 31, 2012**	**December 31, 2011**
Foreign currency			
ACC - (advances on exchange contracts)	Exchange variation + interest from 2.88 % to 5.20%	**2,906,352**	2,174,421
Prepayment	Exchange variation + Libor and interest from 1% to 6%	**783,394**	836,276
144-A	Exchange variation + interest from 8.25% to 10.50%	**107,459**	104,919
Credit note - Import	Exchange variation + interest of 11.25%	**-**	7,110
Credit note - Export	Exchange variation + interest of 7.85%	**8,837**	36,648
PPC - México revolver	TIIE+ interest of 2.25%, Overnight +4.5%	**-**	54
Tasman Government Loan	Exchange variation + Interest of 0% until 2013	**-**	1,249
Resolution 63	Exchange variation + Interest of 2.5% + Libor 6 months	**-**	10,859
		3,806,042	**3,171,536**
Local Currency			
FINAME	TJLP and interest from 1% to 8.5%	**62,435**	81,037
FINAME	Interest from 4.5% to 10%	**-**	152
Installment note corp aircraft (payable notes)	Libor and interest from 1.75%	**13,534**	1,726
JBS Mortgage	Interest from 5.8% to 8.4%	**3,545**	3,001
EXIM - export credit facility	TJLP and interest of 5.81%	**87,012**	225,926
EXIM - export credit facility	Interest from 9% to 11.19%	**-**	92,495
BNDES automatic	TJLP and interest from 3.1% to 5.44%	**32,495**	153,456
BNDES automatic	Currency basket + interest from 2% to 3.1%	**4,597**	6,308
US revolver	Libor or Prime + applicable rate	**631**	2,339
JBS Term Loan	Alternate Base Rate (ABR) or Eurodollar	**19,550**	17,514
Five Rivers term loan	Libor + 2.75% or Prime + 1.5%	**11,991**	11,816
Senior notes due 2014	Interest of 11.625%	**28,178**	23,318
Senior notes due 2020	Interest of 8.25%	**49,173**	-
Senior notes due 2021	Interest of 7.25%	**8,025**	6,139
PPC - US Senior note 2018	Interest of 7.875%	**3,576**	2,257
PPC - US credit facility - revolving credit facility	Interest from 4.3% to 6.3%	**727**	1,780
PPC - US credit facility - term loans	Interest from 4.8% to 9.0%	**47,160**	42,931
PPC - US bonds	Interest from 7.625% to 9.25%	**915**	229
Plainwell Bond	Interest of 4.39%	**4,007**	3,554
Marshaltown	Interest of 2.34%	**41**	-
Working capital- Brazilian Reais	Interest of 4% + 100% of CDI or 100% to 114.4% of CDI	**156,201**	264,107
Working capital - US dollars	Libor +interest from 1.10% to 3.20%	**95,805**	98,565
Working capital - EUROS	Euribor +interest from 0.15% to 1.75%	**39,536**	28,305
Working capital - Argentine Pesos	Interest of 18.77%	**129,007**	76,604
Credit note - Export	Interest from 1.2% to 3.4% or 100% to 118.5% of CDI	**1,297,734**	796,672
FCO - Middle West Fund	Interest of 10.00%	**617**	1,362
FNO - North Fund	Interest from 10.00%	**4,416**	4,150
Working capital - Egyptian pound	Libor + Interest of 2% and commission of 0,1%	**-**	17,168
EGF	Interest of 6.75%	**-**	30,351
Credit note - Import	Interest of 4.44% (LIBOR and interest of 2.80%)	**106,527**	108,056
Finep	Interest of 4.5%	**1,747**	24
CDC	TJLP and interest from 2.11% to 6.82%	**6,571**	-
Rural - Credit note	Interest of 5.5%	**50,125**	-
Others		**26,978**	66,555
		2,292,856	**2,167,897**
		6,098,898	**5,339,433**

Noncurrent liabilities

Type	Average annual rate of interest and commissions	Consolidated	
		December 31, 2012	December 31, 2011
Foreign currency			
Prepayment	Exchange variation + Libor and interest from 1% to 6%	**623,756**	894,849
144-A	Exchange variation + interest from 8.25% to 10.50%	**3,145,834**	3,082,739
Credit note - Export	Exchange variation + interest of 7.85%	**8,667**	15,912
Tasman Government Loan	Exchange variation + Interest of 0% until 2013	**-**	22,851
		3,778,257	**4,016,351**
Local currency			
FINAME	TJLP and interest from 1% to 8.5%	**176,647**	133,138
FINAME	Interest from 4.5% to 10%	**-**	1,172
Installment note corp aircraft (payable notes)	Libor and interest from 1.75%	**-**	12,405
JBS Mortgage	Interest from 5.8% to 8.4%	**31,110**	31,812
EXIM - export credit facility	TJLP and interest of 5.81%	**-**	83,333
BNDES automatic	TJLP and interest from 3.1% to 5.44%	**1,322**	33,755
BNDES automatic	Currency basket + interest from 2% to 3.1%	**118**	4,329
US revolver	Libor or Prime + applicable rate	**16,182**	50,450
JBS Term Loan	Alternate Base Rate (ABR) or Eurodollar	**933,526**	865,534
Five Rivers term loan	Libor + 2.75% or Prime + 1.5%	**146,302**	144,590
Senior note due 2014	Interest of 11.625%	**1,400,846**	1,265,417
Senior note due 2020	Interest of 8.25%	**1,395,253**	-
Senior note due 2021	Interest of 7.25%	**1,291,968**	1,182,157
PPC - US Senior note due 2018	Interest of 7.875%	**999,408**	913,999
PPC - US credit facility - revolving credit facility	Interest from 4.3% to 6.3%	**196,595**	631,389
PPC - US credit facility - term loans	Interest from 4.8% to 9.0%	**1,091,517**	1,022,148
PPC - US bonds	Interest from 7.625% to 9.25%	**7,424**	7,310
Plainwell Bond	Interest of 4.39%	**24,692**	26,059
Marshaltown	Interest of 2.34%	**19,581**	17,891
Working capital- Brazilian Reais	Interest of 4% + 100% of CDI or 100% to 114.4% of CDI	**2,082,037**	1,842,188
Working capital - US dollars	Libor +interest from 1.10% to 3.20%	**24,455**	32,187
Working capital - Euro	Euribor + interest from 0.15% to 1.75%	**3,712**	2,071
Credit Note - export	Interest from 1.2% to 3.4% or 100% to 118.5% of CDI	**736,386**	1,171,540
FCO - Middle West Fund	Interest of 10.00%	**50**	1,693
FNO - North Fund	Interest of 10.00%	**16,642**	20,624
Finep	Interest of 4.5%	**8,837**	11,680
CDC	TJLP and interest from 2.11% to 6.82%	**7,179**	-
Others		**-**	7,539
		10,611,789	**9,516,410**
		14,390,046	**13,532,761**
Breakdown:			
Current liabilities		**6,098,898**	**5,339,433**
Noncurrent liabilities		**14,390,046**	**13,532,761**
		20,488,944	**18,872,194**
Maturities of long-term debt are as follows:			
2013		**-**	1,949,326
2014		**4,245,577**	4,136,914
2015		**1,411,281**	980,346
2016		**2,072,807**	1,572,683
2017		**176,015**	199,347
2018		**3,762,264**	3,449,587
2019		**2,880**	4,148
2020		**1,412,395**	1,936
2021		**1,292,142**	1,182,330
Maturities thereafter 2021		**14,685**	56,144
		14,390,046	**13,532,761**

ACC – (advances on exchange contracts) are credit facilities obtained from financial institutions by the Company, its subsidiary JBS Argentina S.A., in the amount of US$ 1,422,242 on December 31, 2012 (US$ 1,181,431 on December 31, 2011), to finance export transactions.

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

USBONDS - On April 27, 2009, the subsidiary JBS USA issued bonds in the amount of US$ 700 million, with a payment term of five years and coupon of 11.625% per year, with a discount of US$ 48.7, which will be added to the loan over its useful live. The operation is guaranteed by the Company and its subsidiary JBS USA and the subsidiaries of JBS USA.

144-A – Refers to three issuances of 144-A notes: (i) Notes 2016 - JBS S.A. in the amount of US$ 300 million with an interest rate of 10.50% per annum; (ii) Notes 2016 of Bertin (an enterprise of which the Company is the sucessor through merger) in the amount of US$ 350 million with an interest rate of 10.25% per annum and (iii) Notes 2018 - JBS S.A. in the amount of US$ 900 million with an interest rate of 8.25% per annum.

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

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

Term Loan B - On May 27, 2011 the subsidiary JBS USA, LLC entered into a credit agreement consisting of a term loan of US$ 475 million with a payment term of 7 years and LIBOR + 3% per year.

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

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

15 Credit operations, guarantees and covenants

On December 31, 2012, the Company was in compliance with all covenants. The main credit operations, guarantees and covenants of the Company and its subsidiaries are described below.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Additionally, according to Notes 2018, the Company will not be able, directly or indirectly, to declare or pay any dividends or make any distributions related to securities issued by the Company (except for debt instruments convertible or exchangeable for such amounts), if (i) there has been default in relation to the notes 2018; (ii) the Company can incur at least US$ 1.00 of debt under the terms of the net debt/EBITDA ratio test established in the indenture of the notes mentioned in the paragraph above; and (iii) the total value to be paid does not exceed 50% of the accrued net income in a certain year or when in a determined year where there is loss.

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

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

On June 14, 2011, J&F Oklahoma and JBS Five Rivers executed a third amended and restated credit agreement to increase the availability to US$1.0 billion and to add J&F Australia as a borrower under the facility. The facility matures on June 14, 2015. On March 6, 2012 J&F Oklahoma and JBS Five Rivers executed an amendment to the third amended and restated credit agreement to increase the availability up to US$1.2 billion. Borrowings under the facility bear interest at variable rates based on applicable LIBOR plus 2.25%, or based on the prime rate plus 1%. The interest rate at December 31, 2012 was 2.5%. As of December 31, 2012, no borrowings were used towards letters of credit and borrowing availability was US$109.6 million. As of December 31, 2011 and December 31, 2012, J&F Oklahoma had US$915.2 million and US$849.2 million, respectively, in outstanding borrowings on the facility.

The credit agreement is collateralized by accounts receivable and inventories of J&F Oklahoma and by certain fixed assets, accounts receivable and inventories of JBS Five Rivers. Among other requirements, the facility requires J&F Oklahoma to maintain certain financial ratios, minimum levels of net worth and establish limitations on certain types of payments, including dividends, investments and capital expenditures. In most instances, covenants consider the combined position and results of J&F Oklahoma along with JBS Five Rivers. J&F Oklahoma's parent company has entered into a keep-well agreement whereby it will make contributions to J&F Oklahoma if J&F Oklahoma is not in compliance with its financial covenants under this credit facility. If J&F Oklahoma defaults on its obligations under the credit facility and such default is not cured by its parent under the keep-well agreement, JBS Five Rivers is obligated for up to US$250.0 million of guaranteed borrowings plus certain other obligations and costs under this credit facility. J&F Oklahoma was in compliance with financial covenants under this credit facility as of December 31, 2012.

Credit facility to J&F Oklahoma – JBS Five Rivers is party to an agreement with J&F Oklahoma pursuant to which JBS Five Rivers has agreed to loan up to US$200.0 million in revolving loans to J&F Oklahoma. The loans are used by J&F Oklahoma to acquire feeder animals which are placed in JBS Five Rivers' feed yards for finishing. Borrowings accrue interest at a per annum rate of LIBOR plus 2.25% and interest is payable at least quarterly. On September 26, 2011, the facility was amended to accrue interest at a per annum rate of LIBOR plus 2.75%. The facility was amended on September 10, 2010 to mature on September 11, 2016. The facility was amended on June 14, 2011 to increase availability under the loan to US$375.0 million. The interest rate at December 31, 2012 was 3.1%. As of December 31, 2011 and December 31, 2012, outstanding borrowings were US$262.0 million and US$268.6 million, respectively.

Variable interest entities – As of December 31, 2012, JBS USA Holdings holds variable interests in J&F Oklahoma, which is considered a variable interest entity. Since the business purpose of J&F Oklahoma is the ownership of livestock and the risks and rewards of owning feeder and fat cattle accrue to J&F Oklahoma, JBS USA Holdings has determined that it is a nonprimary beneficiary of J&F Oklahoma, although we have significant variable interests in the entity. Therefore, the results of J&F Oklahoma are not consolidated in these consolidated financial statements. The JBS USA Holdings' significant variable interests are listed below and discussed further above:

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

JBS USA Holdings' maximum exposure to loss related to these variable interests is US$375.0 million. Potential losses under the terms of the hotelling and cattle purchase and sale agreement depend on future market conditions and cannot be quantified. On May 27, 2011, JBS USA contributed US$35.0 million to JBS Five Rivers. These funds were contributed to fund working capital and general corporate purposes. As of December 31, 2012, the carrying value of JBS Five Rivers' net assets is US$455.4 million.

Description of Indebtedness of JBS USA

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

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

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

Availability: Availability under the Revolving Facility is subject to a borrowing base. The borrowing base is based on certain JBS USA wholly-owned subsidiaries' assets as described below, with the exclusion of JBS Five Rivers. The borrowing base consists of percentages of eligible accounts receivable, inventory and supplies less certain eligibility and availability reserves. As of December 31, 2012, there were US$87.8 million of outstanding letters of credit and borrowing availability of US$750.8 million.

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

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

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

Events of Default: The Revolving Facility also contains customary events of default, including failure to perform or observe terms, covenants or agreements included in the Revolving Facility, payment of defaults on other indebtedness, defaults on other indebtedness if the effect is to permit acceleration, entry of unsatisfied judgments or orders against a loan party or its subsidiaries, failure of any collateral document to create or maintain a priority lien and certain events related to bankruptcy and insolvency or environmental matters. If an event of default occurs the lenders may, among other things, terminate their commitments, declare all outstanding borrowings to be immediately due and payable together with accrued interest and fees and exercise remedies under the collateral documents relating to the Revolving Facility. At December 31, 2012, JBS USA was in compliance with all covenants.

Installment note payable – The installment note payable relates to JBS USA financing of a capital investment. The note bears interest at LIBOR plus a fixed margin of 1.75% per annum with payments due on the first of each month. The note matures on August 1, 2013.

ANZ secured facilities – JBS Australia entered into an Australian dollar ("A$") denominated A$120.0 million unsecured credit facility on February 26, 2008 to fund working capital needs and letter of credit requirements. This facility terminated on October 1, 2009; however, JBS Australia extended the letter of credit portion of the facility throught a cash collateral account. On May 5, 2010, the facility was revised to reflect current letters of credit requirements to a facility limit of A$1.9 million. On March 7, 2011, JBS Australia replaced the unsecured credit facility with a secured facility which increased the standby letter of credit limit to A$32.5 million and added a A$20.0 million money market facility, subject to an annual review. On April 27, 2012, the facility was amended, providing a A$5.0 million trade finance letter of credit limit and A$26.0 million standby letter of credit limit. On September 11, 2012, the facility was restated to provide for a A$55.0 million trade finance loan facility limit and a A$26.0 million standby letter of credit limit, subject to annual review. At December 31, 2012, there were no outstanding borrowings under the trade finance loan and the amount of outstanding letters of credit was US$27.0 million.

A$250 million revolving loan payable between JBS USA and JBS Australia – On May 4, 2010, JBS USA issued a long-term intercompany revolving promissory note to JBS Australia for A$250.0 million with interest based on the three-month Bank Bill Swap Bid Rate ("BBSY") plus 3% and a maturity date of May 4, 2012 to fund working capital needs and general corporate purposes. On November 9, 2010, the note was amended to increase the maximum amount of advances to A$350.0 million. On February 2, 2011, the note was amended to increase the maximum amount of advances to A$400.0 million. On July 6, 2011, the note was amended to reduce the interest rate margin of 3% over the BBSY to 2%. On November 7, 2011, the note was amended to extend the maturity date to December 31, 2013 and to make the interest rate margin on the note equal to the Revolver Bill Rate Spread as defined in the Revolving Facility in effect at the time an advance is made. While these loans eliminate upon consolidation, the loans are denominated in AUD, but reported by JBS USA in USD. Therefore, the loans generate foreign currency transaction gains or losses due to fluctuations in the period end AUD to USD exchange rate. The average interest rate at December 31, 2012 was 4.8%.

A$50 million revolving loan receivable from JBS Australia – On May 4, 2010, JBS USA Holdings issued an intercompany revolving promissory note to JBS Australia for A$50.0 million with interest based on the three-month BBSY plus 3% to fund working capital needs and general corporate purposes. While these loans eliminate upon consolidation, the loans are denominated in AUD, but reported by JBS USA Holdings in USD. Therefore, the loans generate foreign currency transaction gains or losses due to fluctuations in the period end AUD to USD exchange rate. This note matured on May 4, 2012.

US$50 million revolving loan receivable from JBS USA – On April 19, 2010, JBS USA Holdings issued an intercompany revolving promissory note to JBS USA with borrowing availability of up to US$50 million with interest based on the three-month LIBOR plus a fixed margin of 2.5% to fund working capital needs and general corporate purposes. This loan eliminates upon consolidation. The note matured on March 31, 2012.

US$10 million loan receivable from Weddel Limited - On May 10, 2011, JBS USA Holdings executed a US$10.0 million related party revolving promissory note with Weddell Limited ("Weddell"), a wholly-owned subsidiary of JBS USA Holdings, with interest based on the U.S. prime rate plus a margin of 2.0% and a maturity date of May 10, 2012. On May 8, 2012, the note was amended to extend the maturity date to March 31, 2013. The interest rate at December 31, 2012 was 5.3%. This note eliminate upon consolidation.

US$50 million loan receivable from JBS Five Rivers - On May 27, 2011, JBS USA issued a US$50.0 million intercompany loan to JBS Five Rivers with interest based on the three-month LIBOR plus 2.25%. The loan matured on May 27, 2012. This note eliminates upon consolidation.

US$2.0 billion revolving intercompany note to JBS USA Holding - On June 2, 2011, JBS USA issued a US$2.0 billion revolving intercompany note to JBS USA Holdings. The note bears interest at a variable per annum rate equal to LIBOR plus 3%. On January 25, 2012, JBS USA Holdings amended the revolving intercompany note with JBS USA to increase the maximum amount available under the note to US$3.0 billion. Principal and accrued interest are due and payable upon demand by JBS USA at any time on or after June 30, 2015. The interest rate at December 31, 2012 was 3.4%. The revolving intercompany note eliminates upon consolidation.

PPC entered into the Subordinated Loan Agreement with JBS USA Holdings - On June 23, 2011, PPC entered into the Subordinated Loan Agreement (the "Subordinated Loan Agreement") with JBS USA Holdings which provided an aggregate commitment of US$100.0 million. On June 23, 2011, JBS USA Holdings made a term loan to PPC in the principal amount of US$50.0 million. In addition, JBS USA Holdings agreed to make an additional one-time term loan of US$50.0 million if PPC's availability under the revolving loan commitment in the U.S. Credity Facility is less than US$200.0 million. This note eliminates upon consolidation. On March 7, 2012, in accordance with the PPC Rights Offering, the commitments under the Subordinated Loan Agreement were terminated and outstanding principal and accrued interest were paid in full.

JBS USA letters of credit - On October 26, 2011 and November 4, 2011, JBS USA agreed to provide letters of credit in the amount of US$40.0 million and US$16.5 million, respectively to an insurance company serving PPC in order to allow that insurance company to return cash it held as collateral against potential workers compensation, auto and general liability claims of PPC. In return for providing this letter of credit, PPC is reimbursing JBS USA for the cost PPC would have otherwise incurred under its revolving credit agreement. During the twelve months period ended December 31, 2012, JBS USA reduced interest expense, net by US$0.6 million and US$2.4 million, respectively, as a result of the PPC reimbursement.

US$ 20 million note to Sampco - On March 15, 2012 Sampco executed a U$20.0 million revolving promissory note with JBS USA Holdings with interest based on the three-month LIBOR plus a margin of 3.0%. On May 22, 2012, the note was amended to increase the maximum amount available to US$50 million. On September 18, 2012, the note was amended to increase the maximum amount available to US$100.0 million. Principal and interest are payable upon demand by Sampco at any time on or after March 31, 2014. At December 31, 2012 the interest rate was 3.3%. The revolving promissory note eliminates upon consolidation.

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

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

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

Tasmanian government loan – On September 2, 2010, JBS Australia and JBS Southern Australia Pty. Ltd. entered into a secured facility which provides up to A$12.0 million with the Tasmanian Government (Tasmania Development and Reserve, the "Department"), to fund a capital investment at JBS Australia's processing plant located in King Island, Tasmania. Funding is available in three tranches of A$3.6 million, A$3.6 million and up to A$4.8 million. Loans are payable on the 22nd of the month following the 15th anniversary of each tranche's initial drawdown. Funds were drawn on October 4, 2010, November 8, 2010 and May 17, 2011, respectively.

Each loan is interest payment free for the initial three years, then bears interest at the Department's cost of funds for years four through nine and then bears interest at the Department's variable commercial rate for years 10 through 15. Upon initial drawdown, interest expense is accrued monthly at the estimated average rate for the life of the loan and is payable upon notice by the Department or in conjunction with the repayment of principal after the three year period. The debt is secured by certain fixed assets at JBS Australia's processing plant located in Rockhampton, Queensland and is subject to standard debt covenants. On September 7, 2012, this loan was terminated due to the closure of the processing plant located in King Island, Tasmania, and all accrued interest and oustanding principal was paid in full.

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

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

Credit facility to JBS USA Trading – On April 1, 2010, JBS USA Holdings executed a US$15.0 million related party revolving promissory note with JBS USA Trading, Inc. ("JBS USA Trading"), an indirect wholly-owned subsidiary of JBS S.A., with interest based on the three-month LIBOR plus a margin of 2.5% and a maturity date of March 31, 2012. The note was amended and restated on April 15, 2010 to increase the maximum borrowings to US$25.0 million. This loan eliminates upon consolidation. During three months period ended March 31, 2012, the outstanding principal and accrued interest were paid in full.

Credit facility to Bertin USA – On April 15, 2010, JBS USA Holdings executed an US$11.0 million related party revolving promissory note with Bertin USA, with interest based on the three-month LIBOR plus a margin of 2.5% and a maturity date of March 31, 2012. This loan eliminates upon consolidation. During three months period ended March 31, 2012, the outstanding principal and accrued interest were paid in full.

11.625% senior unsecured notes due 2014 – On April 27, 2009, JBS USA Holdings' wholly-owned subsidiaries JBS USA and JBS USA Finance, Inc. issued 11.625% notes due 2014 in an aggregate principal amount of US$700.0 million. These notes are guaranteed by JBS USA Holdings, JBS S.A., JBS Hungary Holdings Kft., and each of the US restricted subsidiaries that guarantee the Revolving Facility (subject to certain exceptions). If certain conditions are met, JBS S.A. may be released from its guarantees. Interest on these notes accrues at a rate of 11.625% per annum and is payable semi-annually in arrears on May 1 and November 1 of each year, beginning on November 1, 2009. The principal amount of these notes is payable in full on May 1, 2014. The original issue discount of approximately US$48.7 million is being accreted over the life of the notes.

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

Covenants. The indenture for the 11.625% senior unsecured notes due 2014 contains customary negative covenants that limit JBS USA and its restricted subsidiaries' ability to, among other things:

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

Events of default. The indenture also contains customary events of default, including failure to perform or observe terms, covenants or other agreements in the indenture, defaults on other indebtedness if the effect is to permit acceleration, failure to make a payment on other indebtedness waived or extended within the applicable grace period, entry of unsatisfied judgments or orders against the issuer or its subsidiaries and certain events related to bankruptcy and insolvency matters. If an event of default occurs, the trustee or the holders of at least 25% in aggregate principal amount of the notes then outstanding may declare such principal and accrued interest on the notes to be immediately due and payable. At December 31, 2012, JBS USA and JBS USA Finance, Inc. were in compliance with all covenants.

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

Interest on these notes accrues at a rate of 7.25% per annum and is payable semi-annually in arrears on June 1 and December 1 of each year, beginning on December 1, 2011. The principal amount of these notes is payable in full on June 1, 2021. The original issue discount of approximately US$11.3 million is being accreted over the life of the notes. The covenants for this note contain customary negative covenants and customary events of default listed under the 11.625% senior unsecured notes due 2014. At December 31, 2012, JBS USA was in compliance with all covenants.

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

Interest on Eurodollar loans is payable at the end of the associated interest period while interest on ABR loans is payable the last day of each calendar quarter. Commencing on September 30, 2011 and continuing until maturity, 0.25% of the initial principal amount of US$475.0 million will be payable on the last business day of each calendar quarter. The outstanding principal is payable on May 25, 2018. The original issue discount of approximately US$2.4 million is being accreted over the life of the loan. The covenants for this note contain customary negative covenants and customary events of default listed under the Revolving Facility. At December 31, 2012, JBS USA was in compliance with all covenants.

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

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

Events of default – The US$85.0 million term loan also contains customary events of default, including failure to perform or observe terms, covenants or agreements included in the $85.0 million term loan agreement, payment of defaults on other indebtedness, defaults on other indebtedness if the effect is to permit acceleration, entry of unsatisfied judgments or orders against a loan party or its subsidiaries, failure of any collateral document to create or maintain a priority lien, certain events related to bankruptcy and insolvency, certain events related to the Employee Retirement Income Security Act of 1974 ("ERISA"), and failure to comply with the terms of the Executive Succession Plan of J&F Oklahoma Holdings, Inc. If an event of default occurs the lenders may, among other things, terminate their commitments, declare all outstanding borrowings to be immediately due and payable together with accrued interest and fees and exercise remedies under the collateral documents relating to the US$85.0 million term loan. At December 31, 2012, JBS Five Rivers was in compliance with all covenants.

8.25% senior unsecured notes due 2020 – On January 30, 2012, JBS USA and JBS USA Finance, Inc. issued 8.25% notes due 2020 in an aggregate principal amount of US$700.0 million. The proceeds were used (i) to make an intercompany loan to JBS USA Holdings, for further transfer to JBS S.A. to fund repayment of short and medium-term debt of JBS S.A. and its subsidiaries and (ii) for general corporate purposes. These notes are guaranteed by JBS USA Holdings, JBS S.A., JBS Hungary Holdings Kft., and each of the U.S. restricted subsidiaries that guarantee the Revolving Facility (subject to certain exceptions). If certain conditions are met, JBS S.A. may be released from its guarantees. Interest on these notes accrues at a rate of 8.25% per annum and is payable semi-annually in arrears on February 1 and August 1 of each year, beginning on August 1, 2012. The principal amount of these notes is payable in full on February 1, 2020. The original issue discount of approximately US$10.0 million is being accreted over the life of the notes. The covenants for this note contain customary negative covenants and customary events of default listed under the 11.625% senior unsecured notes due 2014. At December 31, 2012, JBS USA was in compliance with all covenants.

Description of Indebtedness of PPC

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

On January 13, 2011, PPC increased the amount of the revolving loan commitments under the US Credit Facility to US$700.0 million. On April 22, 2011, PPC increased the amount of the sub-limit for swingline loans under the US Credit Facility to US$100.0 million. The revolving loan commitment and the Term B loans will mature on December 28, 2014.

Subsequent to the end of each fiscal year, a portion of PPC's cash flow must be used to repay outstanding principal amounts under the Term B loans. In April 2011, PPC paid approximately US$46.3 million of its excess cash flow from 2010 toward the outstanding principal under the Term B loans. After giving effect to the 2010 prepayment and other prepayments, the Term B loans must be repaid in 16 quarterly installments of approximately US$3.9 million beginning on April 15, 2011, with the final installment due on December 28, 2014. PPC did not have excess cash flow from 2011 to be applied toward the outstanding principal under the Term B loans. The US Credit Facility also requires PPC to use the proceeds it receives from certain asset sales and specified debt or equity issuances and upon the occurrence of other events to repay outstanding borrowings under the US Credit Facility. The cash proceeds received by PPC from the PPC Rights Offering were not subject to this requirement.

Actual borrowings by PPC under the revolving credit commitment component of the US Credit Facility are subject to a borrowing base, which is a formula based on certain eligible inventory, eligible receivables and restricted cash under the control of CoBank ACB. As of December 31, 2012, there were US$24.6 million of outstanding letters of credit and borrowing availability of US$529.9 million.

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

On June 23, 2011 and December 16, 2011, PPC entered into amendments to the US Credit Facility, which among other things (i) temporarily suspended the requirement for PPC to comply with the fixed charge coverage ratio and senior secured leverage ratio financial covenants until the quarter ended December 31, 2012, (ii) modified the fixed charge coverage ratio financial covenant so that when the requirement to comply with this covenant resumes in the quarter ended December 31, 2012, PPC can calculate the fixed charge coverage ratio based upon a specified number of fiscal quarters selected by PPC, (iii) reduced the minimum allowable consolidated tangible net worth to the sum of US$450.0 million plus 50% of the cumulative net income (excluding any losses) of PPC from December 16, 2011 through such date of calculation and (iv) increased the maximum allowable senior secured leverage ratio, determined for any period of four consecutive fiscal quarters ending on the last day of each fiscal quarter, to be greater than 4.00 to 1.00 for periods calculated from September 24, 2012 and thereafter. PPC is currently in compliance with the modified consolidated tangible net worth covenant.

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

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

Mexico Credit Facility - On October 19, 2011, Avícola Pilgrim's Pride de México, S.A. de C.V., Pilgrim's Pride S. de R.L. de C.V. and certain subsidiaries, entered into an amended and restated credit agreement (the "Mexico Credit Facility") with ING Bank (México), S.A. Institución de Banca Múltiple, ING Grupo Financeiro, as lender and ING Capital, LLC, as administrative agent. The Mexico Credit Facility has a maturity date of September 25, 2014. The Mexico Credit Facility is secured by substantially all of the assets of PPC's Mexico subsidiaries. As of December 31, 2012, the U.S. dollar-equivalent of the loan commitment under the Mexico Credit Facility was US$42.8 million.

16 Income taxes, payroll, social charges and tax obligation

	Company		Consolidated	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Payroll and related social charges	**99,782**	150,414	**319,532**	333,678
Accrual for labor liabilities	**116,946**	99,463	**989,110**	900,978
Income taxes	**-**	-	**8,886**	211,528
Withholding income taxes	**88**	757	**892**	1,616
ICMS / VAT / GST tax payable	**10,196**	11,826	**20,539**	23,799
PIS / COFINS tax payable	**4**	348	**131**	521
Taxes in installments	**184,738**	-	**185,470**	271,762
Others	**87,834**	85,055	**284,565**	318,621
	499,588	**347,863**	**1,809,125**	**2,062,503**
Breakdown:				
Current liabilities	**361,741**	347,863	**1,284,895**	1,378,691
Noncurrent liabilities	**137,847**	**-**	**524,230**	683,812
	499,588	**347,863**	**1,809,125**	**2,062,503**

17 Declared dividends

	Company		Consolidated	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Declared dividends	**170,749**	**-**	**170,749**	**-**
	170,749	**-**	**170,749**	**-**

The Company has declared dividends of R$ 170,749 to be submitted to the General Meeting of Shareholders for approval according to the calculation presented below:

	2012	2011
Net income of the year	**718,938**	-
Legal reserve - (5%)	**(35,947)**	-
Adjusted base for dividends calculation	**682,991**	-
Mandatory dividends (25%)	**170,749**	-
Declared dividends	**170,749**	**-**

18 Debit with third parties for investment

	Company		Consolidated	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Current	**112,712**	10,589	**112,712**	10,589
Noncurrent	**95,142**	2,048	**95,142**	2,048
	207,854	**12,637**	**207,854**	**12,637**

The debts with third parties for investments, refers basically to acquisitions of assets and others industrial complexes located in the states of Minas Gerais, Mato Grosso, Mato Grosso do Sul, Rondônia, Goiás and São Paulo.

19 Income taxes - Nominal and effective tax rate reconciliation

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

	Company		Consolidated	
	2012	2011	2012	2011
Income before income taxes	**1,256,588**	(160,407)	**1,382,286**	(230,108)
Income taxes				
Expectation of income (expense) of the income taxes - Combined nominal of 34%	**(427,240)**	54,538	**(469,977)**	78,237
Adjust to demonstrate the effective rate				
Permanent additions (deductions)	**(110,410)**	30,164	**(149,419)**	(171,014)
Income (expense) of the deferred income taxes	**(537,650)**	84,702	**(619,396)**	(92,777)
Effective rate	**42.79%**	-52.80%	**44.81%**	40.32%

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

	Company		Consolidated	
	2012	2011	2012	2011
Current income taxes	**2,424**	2,710	**(176,742)**	(520,711)
Deferred income taxes	**(540,074)**	81,992	**(442,654)**	427,934
	(537,650)	**84,702**	**(619,396)**	**(92,777)**

Composition of deferred income tax and social contribution

	Company		Consolidated	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
ASSETS				
. On tax losses and temporary differences	**418,038**	356,459	**1,220,582**	1,148,817
LIABILITIES				
. On revaluation reserve and temporary differences	**1,243,819**	646,257	**2,497,338**	1,827,189
Net	**825,781**	**289,798**	**1,276,756**	**678,372**

Deferred income taxes

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

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

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

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

20 Provision for lawsuits risk

The Company and its subsidiaries are parties in several proceedings arising in the regular course of business, for which provisions were established based on estimation of their legal counsel. The main information related to these procedures on December 31, 2012 and 2011, areas follows:

	Company		Consolidated	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Labor	**53,838**	47,646	**75,685**	71,004
Civil	**9,277**	6,863	**33,524**	36,284
Tax and Social Security	**92,041**	86,466	**94,152**	144,272
Total	**155,156**	**140,975**	**203,361**	**251,560**

Changes in provisions

	Decemler 31, 2011	Additions	Reversals	Exchange rate variation	Cascavel Incorporation	Vigor deconsolidation	December 31, 2012
Company	**140,975**	10,027	-	-	4,154	-	**155,156**
Consolidated	**251,560**	5,106	(53,229)	2,791	-	(2,867)	**203,361**

Tax Proceedings

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

The Tax Authority of the State of São Paulo (Secretaria da Fazenda do Estado de São Paulo) filed several administrative proceedings against the Company, under which the Tax Authority challenges the amount of the Company's ICMS tax credits arising from the purchase of cattle and meat transfer by the Company in other Brazilian states. The Tax Authority of the State of São Paulo claims that the tax incentives should be approved by Confaz , and are known as a "Tax War". The Tax Authority of the State of São Paulo does not recognize the Company's ICMS tax credits up to the amount of the ICMS tax guaranteed in such other states. The Company estimates that the claims under these administrative proceedings amount to R$ 1,349,200 in the aggregate. In addition to presenting its defense in such administrative proceedings, the Company has filed legal proceedings seeking the payment of damages from such other states if the Tax Authority of the State of São Paulo prevails in these administrative proceedings.

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

The Tax Authority of the State of Goiás filed 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, Management believes the Company will prevail in most of these proceedings, in the amount of R$ 640,924. The management believes, based on the advice of its legal counsel, that its arguments will prevail in these procedures, which is the reason why no provision has been made. The probability of loss is considered remote.

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

Social Contributions – In January 2001, the INSS (Brazilian Social Security Institute) filed administrative proceedings (autos de infração) against the Company, seeking to collect certain social security contributions (which are referred to as contributions to the Rural Workers' Assistance Fund - NOVO FUNRURAL) with the aggregate amount of R$ 410,941.

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

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

c) Other tax and social security procedures

The Company is a party in additional 768 tax and social security proceedings, in which the individual contingencies are not relevant for the Company's context. We highlight that the ones with probable loss risk have contingencies for R$ 92,041 which are 100% provisioned.

Labor Proceedings

As of December 31, 2012 the Company was party to 8,943 labor and accident proceedings, involving total value of R$ 1,083,189. Based on the opinion of the Company's external legal counsel, the Company's management recorded a provision in the amount of R$ 53,838 for losses arising from such proceedings. Most of these lawsuits were filed by former employees of the Company seeking overtime payments and payments relating to their exposure to health hazards.

Civil Proceedings

a) Slaughter facility at Araputanga

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

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

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

b) Trademark Infringement

Also due to the barrier in Araputanga / MT, the seller distributed in the City of Araputanga / MT, filed a lawsuit for improper use of trademark, under the premise that Friboi Ltda. was using the mark Frigoara without its authorization.
The amounts of the claim were based upon a report presented by Frigorífico Araputanga to the trial court, which appraised the value of the trademark "Frigoara" at R$ 315,000, seeking damages in the amount of R$ 26,938 and punitive damages in the amount of R$100,000. The Company presented its defense against this lawsuit alleging that (i) the lawsuit should be analyzed and reviewed together with the lawsuit relating to the purchase of the slaughter facility from Frigorífico Araputanga by the Company, (ii) the trademark "Frigoara" was used by the Company for a limited period of time, with the written consent and upon the request of Frigorífico Araputanga (the use of the trademark by the Company was a requirement of SUDAM to consent to the registration of the public deed contemplating.

In the defense, the amount of any damages under the lawsuit should be limited to a percentage of products sold by the Company under the trademark "Frigoara," pursuant to article 208 of the Intellectual Property Law. Almost all of the products manufactured by the Company were marketed under the trademark "Friboi." The only product marketed by the Company under the trademark "Frigoara" was minced meat, in limited amounts. The expected loss on December 31, 2012, R$ 600, has been provisioned.

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

c) Other civil proceedings

The Company is also part to other civil proceedings that in the opinion of the Management and its legal advisers. The expected loss on December 31, 2012, R$ 8,677, has been provisioned.

Other proceedings

On December 31, 2012, the Company had other ongoing civil, labor and tax proceedings, on the approximately amounting of R$ 31,192 whose materialization, according to the evaluation of legal advisors, it is possible to loss, but not probable, for which the Company's management does not consider necessary to set a provision for possible loss, in line with the requirements of the IAS 37/CPC 25 - Provisions, Contingent Liabilities and Contingent Assets.

21 Equity

a) Capital Stock

The Capital Stock on December 31, 2012 is represented by 2,943,644,008 ordinary shares, without nominal value. From this total, as described below in the letter f), 97,519,895 shares are held in treasury.

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

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

b) Capital reserve

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

c) Profit reserves

Legal reserve

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

Reserve for expansion

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

d) Revaluation reserve

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

e) Dividends

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

f) Treasury shares

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

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

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

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

On August 14, 2012, the Board of Directors, based on it by-law, approved the cancellation of 20,280,288 shares, pursuant to Article 19, section XVI of the Bylaws, without reduction of capital, which had been acquired by the Company under the "Exchange Tender Offer", as provided in Section 5.17 of the Notice in the "Exchange Tender Offer", in compliance with the Brazilian Securities Commission - CVM Regulatory Rule 10 requirements.

Below is presented the changes on treasury shares:

	Quantity	R$ thousand
Balance as of December 31, 2011	**97,186,795**	**610,550**
Acquisition	**333,100**	**2,028**
Exchange Offer (Vigor)	**117,800,183**	**937,689**
Cancellation	**(117,800,183)**	**(774,065)**
Transaction Costs	**-**	**324**
Balance as of December 31, 2012	**97,519,895**	**776,526**

g) The Effects of Changes in Foreign Exchange Rates

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

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

h) Capital Transactions

According to IAS 27/CPC 36 R2 - Consolidated Financial Statements, the changes in the relative share of the parent over a subsidiary that do not result in loss of control must be accounted as capital transactions (ie transactions with shareholders, as owners). Any difference between the amount by which the participation of noncontrolling has been adjusted and the fair value of the amount received or paid must be recognized directly in equity attributable to owners of the parent.
Therefore, if the parent acquire additional shares or other equity instruments of an entity that already controls, it should consider this value to reduce its equity (individual and consolidated).

Significant operations for the year ended on December 31, 2012:

As mentioned in the note 1c) by the "Exchange Offer", the Company that was previously the wholly owner of the Shares of Vigor, actually holds 21.32% of the total shares, giving 44.62% of the total shares of Vigor, to the FB Participações S.A., which is the holding of JBS S.A. and the remained 34.06% to others shareholders. Although the Company reduced its stake percentage and lost control on Vigor, the control is still kept in the same economic Group,characterized a common control transaction.The result of this transaction was recorded as Capital Transaction in equity in the amount of (R$ 22,272)

The Company has registered in the year ended on December 31, 2012 the amount of (R$ 7,070) for the increase of its stake in JBS Paraguay, through its subsidiary JBS Holding GMBH and the amount of R$ 118,618 related to the increase of its stake in PPC, through its subsidiary JBS USA. After these stake increase, the Company, through its subsidiary JBS Holding GmbH, is the wholly owner of JBS Paraguay, and through JBS USA, increased its stake from 68% to 75.3% in PPC.

22 Net revenue

	Company		Consolidated	
	2012	2011	2012	2011
Gross sale revenue				
Products sales revenues				
Domestic sales	**12,300,811**	10,179,034	**59,083,661**	48,578,513
Foreign sales	**5,787,613**	4,341,485	**19,214,001**	15,660,294
	18,088,424	**14,520,519**	**78,297,662**	**64,238,807**
Sales deduction				
Returns and discounts	**(648,103)**	(605,782)	**(1,341,168)**	(1,230,070)
Sales taxes	**(1,034,499)**	(853,884)	**(1,259,784)**	(1,211,976)
	(1,682,602)	**(1,459,666)**	**(2,600,952)**	**(2,442,046)**
NET REVENUE	**16,405,822**	**13,060,853**	**75,696,710**	**61,796,761**

23 Financial income (expense), net

	Company		Consolidated	
	2012	2011	2012	2011
Exchange rate variation	**(605,918)**	(435,279)	**(626,472)**	(492,372)
Results on derivatives	**188,910**	(101,512)	**530,619**	(138,281)
Interest expense	**(1,063,610)**	(1,194,406)	**(1,708,611)**	(1,730,980)
Interest income	**449,901**	343,528	**582,446**	465,154
Taxes, contribution, tariff and others	**(51,973)**	(80,569)	**(116,225)**	(114,249)
	(1,082,690)	**(1,468,238)**	**(1,338,243)**	**(2,010,728)**

24 Other income (expenses)

Other expenses in year ended on December 31, 2012, in the consolidated, in the amount of R$ 35,002 relates mainly to:

i) Other income in JBS Argentina in the amount of R$ 7,039, related to the sale of the unit located in San José in the province of Entre Rios, assets sales and labor indemnity;

ii) Other expenses in JBS USA in the amount of R$ 23,540, related to the restructuring and reorganization costs;

iii) Other expenses in JBS Global A/S in the amount of R$ 41,792, related to the recognition of the additional 50% of Beef Snacks International (BSI) due to the arbitral decision that deliberated as final result the granting of the 50% held by Link International Meat Products to JBS Global A/S, and JBS Global A/S has became the holder of 100% participation of BSI.

iv) Other income in the amount of R$ 23,291 relates to income on the sale of fixed assets and rental.

25 Net income (loss) per share

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

Basic

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

	Consolidated	
	2012	2011
Net income (loss) attributable to shareholders - R$	**718,938**	**(75,705)**
Average of the shares in the period - thousands	**2,962,866**	2,814,458
Average of the shares in the Treasury - thousands	**(62,096)**	(88,480)
Average of shares circulating - thousands	**2,900,770**	**2,725,978**
Net income (loss) per thousand shares - Basic and Diluted - R$	**247.84**	**(27.77)**

26 Transaction costs for the issuing of titles and securities

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

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

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

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

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

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

c) Senior Notes Offering (Bonds)

During the year of December 31, 2010, the Company incurred in R$ 17,789 related to the transaction costs for financial funding with Senior Notes Offering (Bonds) – in the amounts of US$ 700,000 and US$ 200,000 realized on July and September of 2010, respectively, recorded as a reduction of the loan. On December 31, 2012, due to accumulated amortization of the amount based on the payments period, the Company has a residual amount of R$ 12,331 of transaction cost related to debt that will continue to be amortized in accordance with the period payment.

On June 2012, the Company incurred in R$ 13,699 related to the transaction costs in the process of amending certain dispositions of the Notes 2016 from JBS S.A. and Notes 2016 which the Company is sucessor by Bertin's merger through the consent of the holders of such Notes. These costs are maintained prominently in a reduction account of the liability. On December 31, 2012, because of accumulated amortization based on the recorded payments period reduction, the Company has a residual amount of R$ 11,629 of transaction costs related to debt that will continue to be amortized according to the period payment.

d) Other Funding

In June 2012, the Company incurred in R$ 444 related to the transaction costs of the processes of funding credit note to export (NCE) in the amount of R$ 185,000, which accounting is maintained in a reduction account of the loan. On December 31, 2012, because of the accumulated amortization of the balance based on the payments period, the Company has a residual amount of R$ 315 of transaction cost related to debt that will continue to be amortized according to the period payment.

In June 2012, the Company incurred in R$ 6,000 related to the transaction costs of the processes of funding Working capital in the amount of R$ 1,000,000, which accounting is maintained in a reduction account of the loan. On December 31, 2012, because of the accumulated amortization of the balance based on the payments period, the Company has a residual amount of R$ 5,311 of transaction cost related to debt that will continue to be amortized according to the period payment.

In August 2012, the Company incurred R$ 1,136 related to the transaction costs of the processes of Prepayment export (PPE) in the amount of R$ 151,065, which accounting is maintained in a reduction account of the loan. On December 31, 2012, because of the accumulated amortization of the balance based on the payments period, the Company has a residual amount of R$ 699 of transaction cost related to debt that will continue to be amortized according to the period payment.

In September 2012, the Company incurred R$ 5,483 related to the transaction costs of the processes of funding credit note to export (NCE) in the amount of R$ 215,000, which accounting is maintained in a reduction account of the loan. On December 31, 2012, because of the accumulated amortization of the balance based on the payments period, the Company has a residual amount of R$ 5,194 of transaction cost related to debt that will continue to be amortized according to the period payment.

27 Defined Benefit and Contribution Plans

JBS Plans

JBS USA sponsors a tax-qualified employee savings and retirement plan (the “401(k) Savings Plan”) covering its US based employees, both union and non-union, excluding PPC and Bertin USA employees. Pursuant to the 401(k) Savings Plan, eligible employees may elect to reduce their current compensation by up to the lesser of 75% of their annual compensation or the statutorily prescribed annual limit and have the amount of such reduction contributed to the 401(k) Savings Plan. The 401(k) Savings Plan provides for additional matching contributions by JBS USA, based on specific terms contained in the 401(k) Savings Plan. The trustee of the 401(k) Savings Plan, at the direction of each participant, invests the assets of the 401(k) Savings Plan in participant designated investment options. The 401(k) Savings Plan is intended to qualify under Section 401 of the Internal Revenue Code. JBS USA’s expenses related to the matching provisions of the plan were US$5.9 million (R$ 9,882) for the year ended on December 31, 2011 and US$6.1 million (R$ 11,923) for the year ended on December 31, 2012.

One of JBS USA’s facilities participates in a multi-employer pension plan. JBS USA’s contributions to this plan, which are included in cost of goods sold in the Consolidated Statements of Income, were US$417 thousand (R$ 698) for the year ended on December 31, 2011 and US$411 thousand (R$ 803) for the year ended on December 31, 2012. JBS USA also made contributions totaling US$64 thousand (R$ 107) for the year ended on December 31, 2011 and US$68 thousand (R$ 133) for the year ended on December 31, 2012, to a multi-employer pension plan related to former employees at the former Nampa, Idaho plant pursuant to a settlement agreement.

One of JBS USA’s facilities participates in a supplemental executive retirement plan. The expense recognized by JBS USA for this plan, which is included in selling, general and administrative costs in the Consolidated Statements of Income, was US$2.6 million (R$ 4,355) for the year ended on December 31, 2011. During the year ended on December 31, 2012, JBS USA recognized income of US$1.2 million (R$ 2,346) for this plan, which is included in selling, general and administrative costs in the Consolidated Statements of Income.

Employees of JBS Australia do not participate in JBS USA’s 401(k) Savings Plan. Under Australian law, JBS Australia contributes a percentage of employee compensation to a Superannuation fund. This contribution approximates 9% of employee cash compensation as required under the Australian “Superannuation Act of 1997”. As the funds are administered by a third party, once this contribution is made to the Superannuation fund, JBS Australia has no obligation for payments to participants or oversight of the fund. JBS USA’s expenses related to contributions to this fund totaled US$32.3 million (R$ 54,102) for the year ended on December 31, 2011 and US$33.6 million (R$ 65,674) for the year ended on December 31, 2012.

PPC Plans

PPC sponsors programs that provide retirement benefits to most of their employees. These programs include qualified defined benefit pension plans, non-qualified defined benefit retirement plans, a defined benefit postretirement life insurance plan, defined contribution retirement savings plans and deferred compensation plans. Under all of PPC's retirement plans, PPC's expenses were US$7.8 million (R$ 13,065) for the year ended on December 31, 2011 and US$ 8.4 million (R$ 16,419) for the year ended on December 31, 2012.

Qualified Defined Benefit Pension Plans:

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

The Union Plan covers certain locations or work groups within PPC. The El Dorado Plan was spun off from the Union Plan effective January 1, 2008 and covers certain eligible locations or work groups within PPC. This Plan was settled in 2010. The GK Pension Plan covers certain eligible US employees who were employed at locations that PPC acquired in its acquisition of Gold Kist, Inc. ("Gold Kist"') in 2007. Participation in the GK Pension Plan was frozen as of February 8, 2007, for all participants with the exception of terminated vested participants who are or may become permanently and totally disabled. The plan was frozen for that group as of March 31, 2007.

Non-qualified Defined Benefit Retirement Plans:

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

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

Defined Benefit Postretirement Life Insurance Plan:

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

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

Defined Benefit Plans Obligations and Assets

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

	December 31, 2012		December 31, 2011	
Change in projected benefit obligation	**Pension Benefits**	**Other Benefits**	**Pension Benefits**	**Other Benefits**
Projected benefit obligation, beginning of year	**343,167**	**4,007**	**291,974**	**3,990**
Service cost	104	-	325	-
Interest cost	16,904	196	15,406	210
Actuarial losses	50,826	325	22,645	(319)
Benefits paid	(13,675)	-	(15,344)	(203)
Curtailments and settlements	-	(578)	-	-
Projected benefit obligation, end of year	**397,326**	**3,950**	**315,006**	**3,678**

	December 31, 2012		December 31, 2011	
Change in projected benefit obligation	**Pension Benefits**	**Other Benefits**	**Pension Benefits**	**Other Benefits**
Fair value of plan assets, beginning of the year	**165,918**	**-**	**159,186**	**-**
Actual return on plan assets	16,375	-	(6,091)	-
Contributions by employer	19,963	578	14,551	203
Benefits paid	(13,675)	-	(15,344)	(203)
Curtailments and settlements	-	(578)	-	-
Fair value of plan assets, end of year	**188,581**	**-**	**152,302**	**-**

	December 31, 2012		December 31, 2011	
Funded status	**Pension Benefits**	**Other Benefits**	**Pension Benefits**	**Other Benefits**
Unfunded benefit obligation, end of year	**(208,746)**	**(3,950)**	**(162,703)**	**(3,678)**

	December 31, 2012		December 31, 2011	
Amounts recognized in the Consolidated Balance Sheets	**Pension Benefits**	**Other Benefits**	**Pension Benefits**	**Other Benefits**
Accrued benefit cost, current	**(13,602)**	**(323)**	(20,621)	(311)
Accrued benefit cost, long-term	**(195,144)**	**(3,627)**	(142,082)	(3,367)
Net amount recognized	**(208,746)**	**(3,950)**	**(162,703)**	**(3,678)**

The accumulated benefit obligation for all defined benefit plans was US$167.9 million (R$ 315,000) and US$194.4 million (R$ 397,000) at December 31, 2011 and December 31, 2012, respectively. Each of PPC's defined benefit plans had an accumulated benefit obligation in excess of plan assets at December 31, 2011 and December 31, 2012.

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

	December 31, 2012		December 31, 2011	
Net Periodic Benefit Cost	**Pension Benefits**	**Other Benefits**	**Pension Benefits**	**Other Benefits**
Service cost	**104**	**-**	325	-
Interest cost	**16,904**	**196**	15,406	210
Estimated return on plan assets	**(11,989)**	**-**	(11,587)	-
Curtailment loss	**-**	**-**	30	-
Settlement gain	**-**	**(14)**	-	-
Amortization of net loss	**390**	**(4)**	-	-
Net periodic benefit cost	**5,409**	**178**	**4,174**	**210**

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

	December 31, 2012		December 31, 2011	
	Pension Benefits	**Other Benefits**	**Pension Benefits**	**Other Benefits**
Benefit obligation				
Discount rate	**4.22%**	**4.22%**	5.09%	5.09%
Rate of compensation increase	**NA**	**NA**	3.00%	NA
Net pension and other postretirement costs:				
Discount rate	**5.09%**	**5.09%**	5.50%	5.50%
Rate of compensation increase	**3.00%**	**NA**	3.00%	NA
Expected return on plan assets	**7.50%**	**NA**	7.75%	NA

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

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

	December 31, 2012	December 31, 2011
Equity securities	**71%**	71%
Debt securities	**29%**	29%
Total assets	**100%**	**100%**

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

The fair value measurements of plan assets fell into level 2 of the fair value hierarchy:

	December 31, 2012	December 31, 2011
Equity securities	**133,124**	107,849
Debt securities	**55,457**	44,453
Total assets	**188,581**	**152,302**

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

Benefit Payments

Because PPC pension plans are primarily funded plans, the anticipated benefits with respect to these plans will come primarily from the trusts established for these plans. Because their other postretirement plans are unfunded, the anticipated benefits with respect to these plans will come from their own assets. The following table reflects the benefits as of December 31, 2012 expected to be paid in each of the next five years and in the aggregate for the five years thereafter from PPC's pension and other postretirement plans:

	Pension Benefits	Other Benefits
2013	**24,604**	**323**
2014	**24,060**	**327**
2015	**23,106**	**329**
2016	**23,237**	**331**
2017	**23,100**	**331**
Thereafter	**109,350**	**1,559**
Total	**227,457**	**3,200**

PPC will anticipate contributing US$6.7 million (R$ 13,691) and US$200 thousand (R$ 409) to their pension and other postretirement plans, respectively, during 2013.

Unrecognized Benefit Amounts in Accumulated Other Comprehensive Income

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

	2012		2011	
	Pension	Other Benefits	Pension Benefits	Other Benefits
Net actuarial loss (gain), beginning of the year	**44,140**	**(341)**	(559)	6
Amortization	**(390)**	**4**	-	-
Curtailment and settlement adjustments	**-**	**14**	-	-
Actuarial loss (gain)	**50,824**	**325**	22,645	(319)
Asset loss (gain)	**(4,385)**	**-**	17,678	-
Other	**-**	**-**	754	-
Net actuarial loss (gain), end of the year	**90,189**	**2**	**40,518**	**(313)**

Defined Contribution Plans

PPC currently sponsors two defined contribution retirement savings plans:

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

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

Under the RS Plan, eligible US employees may voluntarily contribute a percentage of their compensation. PPC matches up to 30.0% of the first 2.14% to 6.0% of salary based on the salary deferral and compensation levels up to US$245 thousand. PPC's expenses related to contributions to the RS Plan totaled US$5.5 million (R$ 9,212) for the year ended on December 31, 2011 and US$5.7 million (R$ 11,141) for the year ended on December 31, 2012. The To-Ricos Plan is maintained for certain eligible Puerto Rican employees. Under the To-Ricos Plan, eligible employees may voluntarily contribute a percentage of their compensation and there are various company matching provisions.

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

According to the new standard IAS 19 - "Employee Benefits" (item ii), as described in note 3 - item af), from January 1, 2013, gains and losses that until December 31, 2012 were not registered in accounting, become now recorded as other comprehensive income.

Bertin USA Plans

Bertin USA sponsors a tax-qualified employee savings and retirement plan (the "Bertin 401(k) Plan") covering its US based employees. The Bertin 401(k) Plan provides for additional matching contributions by Bertin USA, based on specific terms contained in the Bertin 401(k) Plan. The trustee of the Bertin 401(k) Plan, at the direction of each participant, invests the assets of the Bertin 401(k) Plan in participant designated investment options. The Bertin 401(k) Plan is intended to qualify under section 401 of the Internal Revenue Code. Bertin USA's expenses related to the matching provisions of the Bertin 401(k) Plan totaled approximately US$236 thousand (R$ 395) for the year ended on December 31, 2011 and approximately US$118 thousand (R$ 231) for the year ended on December 31, 2012.

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

Bertin USA also provides certain health care and life insurance benefits for certain retired and terminated employees based on contractual obligations incurred by the previous owners of JBS USA Trading, Inc. ("JBS USA Trading"), formerly known as SB Holdings, Inc., doing business as The Tupman Thurlow Co., Inc. Bertin USA has elected immediate recognition of the unfunded accumulated postretirement benefit obligation in conjunction with the purchase of the common stock of JBS USA Trading. The postretirement payments are funded in monthly installments. For the years ended on December 31, 2011 and 2012, service cost, interest cost, estimated return on plan assets and net periodic benefit cost were immaterial.

28 Deferred revenue

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

To provide the customer with security, in the unlikely event the JBS USA was to default on its commitment, the payment is evidenced by the Supply Agreement which bears interest at the three-month LIBOR plus 2%. The interest rate at December 31, 2012 was 2.3%. In the event of default, the Supply Agreement provides for a conversion into shares of common stock of JBS USA Holdings based on a formula stipulated in the Supply Agreement. Assuming default had occurred on December 31, 2012, the conversion right under the Supply Agreement would have equaled 2.96% of the outstanding common stock or 2.96 shares.

The Supply Agreement contains affirmative and negative covenants which requires JBS USA to, among other things: maintain defined market share; maintain certain tangible net worth levels; and comply in all material respects with the Supply Agreement. JBS USA was in compliance with all covenants as of December 31, 2012. During the second quarter of 2012, the customer ceased taking product from the JBS USA and, since the Supply Agreement makes no provision for an alternate form of calculating the repayment of the unamortized balance the JBS USA continues to accrue interest on the unamortized balance. JBS USA is in discussions with the customer, however no agreement has been reached. At December 31, 2012, the JBS USA had accrued interest of U$1.7 million (R$ 3,474). The unamortized balance at December 31, 2011 and 2012 was approximately U$107.5 million (R$ 201,649) and $100.8 million (R$ 205,985), respectively. At December 31, 2011 and 2012, other deferred revenue was U$3.4 million (R$ 6,378) and U$2.3 million (R$ 4,700), respectively.

29 Operating segments

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

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

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

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

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

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

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

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

The information per businesses' operational segment, analyzed by the Executive Board of Officers, and related to the years ended on December 31, 2012 and 2011, are as following:

Net revenue by product line:

	2012	2011
Net revenue of the segment		
Beef	**48,668,366**	39,681,864
Pork	**6,843,216**	5,816,502
Chicken	**16,562,406**	12,566,167
Others	**3,622,722**	3,732,228
Total	**75,696,710**	**61,796,761**

Depreciation by product line:

	2012	2011
Depreciation and amortization		
Beef	**624,427**	579,415
Pork	**66,804**	51,921
Chicken	**760,945**	513,188
Others	**161,534**	146,887
Total	**1,613,710**	**1,291,411**

Assets by segment:

	December 31, 2012	December 31, 2011
Assets		
Beef	**34,547,272**	32,394,892
Pork	**1,245,125**	1,169,460
Chicken	**8,079,176**	6,987,619
Others	**5,884,620**	6,858,913
Total	**49,756,193**	**47,410,884**

Revenues by geographic area:

	2012	2011
Net revenue		
United States of America (including Australia)	**55,917,924**	45,268,985
South America	**18,013,093**	14,926,617
Others	**1,765,693**	1,601,159
Total	**75,696,710**	**61,796,761**

Depreciation by geographic area:

	2012	2011
Depreciation and amortization		
United States of America (including Australia)	**1,107,889**	800,411
South America	**497,723**	484,513
Others	**8,098**	6,487
Total	**1,613,710**	**1,291,411**

Assets by geographic area:

	December 31, 2012	December 31, 2011
Assets		
United States of America (including Australia)	**16,195,669**	14,684,699
South America	**31,733,779**	31,138,791
Others	**1,826,745**	1,587,394
Total	**49,756,193**	**47,410,884**

30 Expenses by nature

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

Classification by nature	2012	2011
Depreciation and amortization	**(1,613,710)**	(1,291,411)
Personnel expense	**(7,839,962)**	(6,801,895)
Raw material use and consumption materials	**(63,366,843)**	(51,285,660)
Taxes, fees and contributions	**(3,033,761)**	(2,929,792)
Third party capital remuneration	**(3,211,061)**	(4,789,062)
Other income, net	**4,750,077**	5,070,951
	(74,315,260)	**(62,026,869)**

Classification by function	2012	2011
Cost of goods sold	**(67,006,886)**	(55,100,207)
Selling expenses	**(3,877,714)**	(3,144,069)
General and administrative Expenses	**(2,057,415)**	(1,739,198)
Financial expense, net	**(1,338,243)**	(2,010,728)
Other expense, net	**(35,002)**	(32,667)
	(74,315,260)	**(62,026,869)**

31 Insurance coverage

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

Regarding the indirect subsidiary JBS Argentina, located in the Republic of Argentina, the insurance policy has the same above-mentioned characteristics; however, the maximum indemnification limit for December 31, 2012 was of US$ 32 million (equivalent to R$ 65,392).

Regarding the subsidiary JBS USA, located in the USA, the insurance policy has the same above-mentioned characteristics; however, the maximum indemnification limit for December 31, 2012 was of US$ 200 million (equivalent to R$ 408,700).

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

32 Risk management and financial instruments

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

The Risk Management Department is responsible for mapping all the risk factors that may bring adverse financial results for the Company and propose strategies to mitigate those risks. The Risk Management Committee is responsible for approving the strategies and supervising their implementation, following competence levels and the Risk Management Policy.

a) Market Risk

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

The Risk Management Department is responsible for providing hedge instruments to all operational departments of the Company, centralizing all risk exposures and managing those risks following the Risk Management Policy. It is the function of the Board of Control Risks ensure that other areas of operations are within the exposure limits set by management, are financially protected against price fluctuations, centralizing the exhibits and applying the Risk Management Policy of the Company.

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

a.1) Interest rate risk

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

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

	Company		Consolidated	
Net liabilities and assets exposure to CDI rate:	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
NCE / Compror / Others	**4,272,358**	4,067,586	**4,272,358**	4,074,507
CDB-DI	**(2,295,275)**	(2,035,784)	**(2,429,706)**	(2,262,399)
Investment funds, LCA-DI and national treasury bill	**(255,549)**	(93,604)	**(1,004,151)**	(777,876)
Total	**1,721,534**	**1,938,198**	**838,501**	**1,034,232**
Liabilities exposure to LIBOR/EURIBOR rate:				
Working Capital - Euro	**-**	-	**43,248**	30,376
Working Capital - USD	**-**	-	**120,260**	165,649
Pre-payment	**1,345,644**	1,719,774	**1,407,150**	1,731,125
Others	**-**	10,859	**295,167**	359,463
Total	**1,345,644**	**1,730,633**	**1,865,825**	**2,286,613**
Liabilities exposure to TJLP rate:				
FINAME / FINEM	**235,436**	213,707	**239,082**	214,175
BNDES Automatic	**38,532**	187,211	**38,532**	187,211
EXIM - export credit facility	**87,012**	309,259	**87,012**	309,259
CDC	**13,750**	-	**13,750**	-
Total	**374,730**	**710,177**	**378,376**	**710,645**

Sensitivity analysis

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

With the aim of providing information on sensitivity to interest rate risks to which the Company is exposed on December 31, 2012, below is a simulation of possible changes of 25% and 50% in the relevant variables of risk in relation to the closing prices used in the measurement of assets and liabilities based on the date of these financial statements. To calculate the effect on the result in a probable scenario, the Company deems appropriate the application of the Value at Risk methodology (VaR) for a confidence interval of 95% and a horizon of one day. The results of this analysis are shown below:

		Effect on income - Company		
Exposure	**Risk**	**Scenario (I) VaR 95% I.C. 1 day**	**Scenario (II) Variation - 25%**	**Scenario (III) Variation - 50%**
Contracts indexed to CDI	Increase on interest rate CDI	(278)	(29,696)	(59,393)
Contracts indexed to Libor / Euribor	Increase on interest rate Libor / Euribor	(0)	(2,838)	(5,675)
Contracts indexed to TJLP	Increase on interest rate TJLP	(3)	(5,153)	(10,305)
		(281)	**(37,687)**	**(75,373)**

		Effect on income - Consolidated		
Exposure	**Risk**	**Scenario (I) VaR 95% I.C. 1 day**	**Scenario (II) Variation - 25%**	**Scenario (III) Variation - 50%**
Contracts indexed to CDI	Increase on interest rate CDI	(135)	(14,464)	(28,928)
Contracts indexed to Libor / Euribor	Increase on interest rate Libor / Euribor	(1)	(3,935)	(7,869)
Contracts indexed to TJLP	Increase on interest rate TJLP	(3)	(5,203)	(10,405)
		(139)	**(23,601)**	**(47,203)**

Premises	**Risk**	**Current Scenario**	**Scenario (I) VaR 95% I.C. 1 day**	**Scenario (II) Variation - 25%**	**Scenario (III) Variation - 50%**
Interest rate CDI	Increase on interest rate	6.90000%	6.91612%	8.62500%	10.35000%
Interest Libor / Euribor	Increase on interest rate	0.84350%	0.84353%	1.05438%	1.26525%
Interest TJLP	Increase on interest rate	5.50000%	5.50075%	6.87500%	8.25000%

a.2) Exchange rate risk

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

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

Below are presented the Company's assets and liabilities exposed to the exchange rate risk for the years ended on December 31, 2012 and 2011. The exposure in the subsidiaries are irrelevant for this analysis.

	Company	
EXPOSURE in US$ - expressed in thousands of reais	**December 31, 2012**	**December 31, 2011**
OPERATING		
Cash and cash equivalents - US$	**1,264,644**	932,153
Trade accounts receivable - US$	**1,607,515**	769,262
Inventories - US$	**56,763**	74,003
Sales Orders - US$	**681,245**	417,334
Suppliers - US$	**(85,906)**	(37,290)
Trade accounts payable - US$	**-**	(14,307)
Subtotal	**3,524,261**	**2,141,155**
FINANCIAL		
Loans and financings - US$	**(7,482,846)**	(6,855,440)
Subtotal	**(7,482,846)**	**(6,855,440)**

	December 31, 2012	December 31, 2011
DERIVATIVES		
Future contracts - US$	**(16,348)**	2,115,037
NDF's (Non deliverable forwards)	**-**	-
Swap (Assets US$)	**97,872**	177,079
Subtotal	**81,524**	**2,292,116**
TOTAL EXPOSURE US$	**(3,877,061)**	**(2,422,169)**

EXPOSURE in €(EURO) - expressed in thousands of reais	Company	
	December 31, 2012	December 31, 2011
OPERATING		
Trade accounts receivable - €	**97,233**	193,624
Sales Orders - €	**99,454**	29,087
Subtotal	**196,687**	**222,711**
DERIVATIVES		
Future contracts - €	**(144,894)**	(107,316)
Subtotal	**(144,894)**	**(107,316)**
TOTAL EXPOSURE €	**51,793**	**115,395**

EXPOSURE in £ (British Pound) - expressed in thousands of reais	Company	
	December 31, 2012	December 31, 2011
OPERATING		
Trade accounts receivable - £	**30,157**	67,437
Sales Orders - £	**28,732**	15,289
Subtotal	**58,889**	**82,726**
DERIVATIVES		
Future contracts - £	(65,897)	(41,517)
Subtotal	**(65,897)**	**(41,517)**
TOTAL EXPOSURE £	**(7,008)**	**41,209**

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

US$

December 31, 2012

Future Contracts - BM&F

Risk factor	Instrument	Nature	Quantity	Notional	Market value
US$	Future	Short	(160)	(16,348)	2,526
				(16,348)	**2,526**

December 31, 2011

Future Contracts - BM&F

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

€(EURO)

December 31, 2012

Future Contracts - BM&F

Risk factor	Instrument	Nature	Quantity	Notional	Market value
Euro	Future	Short	(1,065)	(144,894)	402
				(144,894)	**402**

December 31, 2011

Future Contracts - Chicago stock market

Risk factor	Instrument	Nature	Quantity	Notional	Market value
US$/Euro	Future	Short	(352)	(107,316)	284
				(107,316)	**284**

£ (British Pound)

December 31, 2012

Future Contracts - BM&F

Risk factor	Instrument	Nature	Quantity	Notional	Market value
British Pound	Future	Short	(565)	(65,897)	(110)
				(65,897)	**(110)**

December 31, 2011

Future Contracts - Chicago stock market

Risk factor	Instrument	Nature	Quantity	Notional	Market value
US$/British Pound	Future	Short	(229)	(41,517)	(96)
				(41,517)	**(96)**

a.2.2) Position Balance in foreign exchange swaps (Company)

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

Swap (Assets US$)

Initial date Swap	Notional US$	Expiry date	Fair value (receivable) - R$	Fair value (payable) - R$	Open balance December 31, 2012
Feb 4, 2011	97,872	Feb 4, 2015	89,353	92,083	(2,730)
	97,872			**Total**	**(2,730)**

Sensitivity analysis

With the aim of providing information on sensitivity to exchange rate risks to which the Company is exposed on December 31, 2012, below is a simulation of possible changes of 25% and 50% in the relevant variables of risk in relation to the closing prices used in the measurement of assets and liabilities based on the date of these financial statements. To calculate the effect on the result in a probable scenario, the Company deems appropriate the application of the Value at Risk methodology (VaR) for a confidence interval of 95% and a horizon of one day. The results of this analysis are shown below:

Exchange rate risk (US$)

		Effect on income - Company		
Exposure	**Risk**	**Scenario (I) VaR 95% I.C. 1 day**	**Scenario (II) R$ Depreciation - 25%**	**Scenario (III) R$ Depreciation - 50%**
Financial	R$ Depreciation	(153,076)	(1,870,712)	(3,741,423)
Operation	R$ Appreciation	72,096	881,065	1,762,131
Hedge derivatives	R$ Appreciation	1,668	20,381	40,762
		(79,313)	**(969,265)**	**(1,938,531)**

Premises	Risk	Current Scenario	Scenario (I) VaR 95% I.C. 1 day	Scenario (II) Variation - 25%	Scenario (III) Variation - 50%
Dolar rate	R$ depreciation	2.0435	2.0640	2.5544	3.0653

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

Exchange rate risk (€- EURO)

Exposure	Risk	Effect on income - Company Scenario (I) VaR 95% I.C. 1 day	Scenario (II) R$ Appreciation - 25%	Scenario (III) R$ Appreciation - 50%
Operation	R$ Appreciation	6,103	(132,538)	(265,075)
Hedge derivatives	R$ Depreciation	(4,496)	97,637	195,274
		1,607	**(34,901)**	**(69,802)**

Premises		Risk	Current Scenario	Scenario (I) VaR 95% I.C. 1 day	Scenario (II) Variation - 25%	Scenario (III) Variation - 50%
Euro rate	R$ appreciation		2.6954	2.7264	2.0216	1.3477

Exchange rate risk (£ - British Pound)

Exposure	Risk	Effect on income - Company Scenario (I) VaR 95% I.C. 1 day	Scenario (II) R$ Appreciation - 25%	Scenario (III) R$ Appreciation - 50%
Operation	R$ Appreciation	2,129	(48,629)	(97,258)
Hedge derivatives	R$ Depreciation	(2,382)	54,416	108,832
		(253)	**5,787**	**11,574**

Premises		Risk	Current Scenario	Scenario (I) VaR 95% I.C. 1 day	Scenario (II) Variation - 25%	Scenario (III) Variation - 50%
British Pound rate	R$ appreciation		3.3031	3.3392	2.4773	1.6516

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

a.3) Commodity price risk

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

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

a.3.1) Position balance in commodities contracts

The balance in commodities contracts are as follow:

EXPOSURE	Consolidated December 31, 2012	December 31, 2011
Operating	**(2,043,500)**	(1,875,800)
Firm Contracts - R$	**31,186**	3,821,547
TOTAL	**(2,012,314)**	**1,945,747**

Commodities risk

Exposure	Risk	Effect on income - Consolidated Scenario (I) VaR 95% I.C. 1 day	Scenario (II) Variation - 25%	Scenario (III) Variation - 50%
Operation	Commodities' prices appreciation	(32,492)	(510,875)	(1,021,750)
Hedge derivatives	Commodities' prices depreciation	496	7,797	15,593
		(31,996)	**(503,078)**	**(1,006,157)**

Premises	Risk	Current Scenario	Scenario (I) VaR 95% I.C. 1 day	Scenario (II) Variation - 25%	Scenario (III) Variation - 50%
Commodities' prices	Price increase	-	1.59%	25.00%	50.00%

b) Credit risk

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

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

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

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

Observations:

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

Besides private bonds, the Company can also invest funds in federal national treasury bill: LFT, LTN, NTN-F and NTN-B. For these cases there is no pre-established limits.

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

		Company		Consolidated	
	Note	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Assets					
Cash and cash equivalents	4	**3,594,984**	3,612,867	**5,413,087**	5,288,194
Trade accounts receivable	5	**2,753,737**	1,883,093	**5,688,648**	4,679,846
Credits with related parties	9	**808,062**	88,505	**548,909**	552,197
Derivatives		**25,281**	-	**26,154**	-
		7,182,064	**5,584,465**	**11,676,798**	**10,520,237**

Loss on reduction of accounts receivable recoverable value	Company		Consolidated	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Current receivables	**2,529,365**	**1,729,425**	**4,970,194**	**3,939,255**
Overdue receivables:				
From 1 to 30 days	**191,144**	120,142	**584,276**	569,126
From 31 to 60 days	**17,060**	23,297	**75,746**	91,406
From 61 to 90 days	**18,380**	20,755	**33,411**	44,389
Above 90 days	**94,721**	102,656	**156,709**	185,589
Allowance for doubtful accounts	**(96,933)**	(113,182)	**(131,688)**	(149,919)
	224,372	**153,668**	**718,454**	**740,591**
	2,753,737	**1,883,093**	**5,688,648**	**4,679,846**

c) Liquidity risk

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

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

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

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

The index of liquidity and leverage consolidated are shown below:

	Consolidated	
	December 31, 2012	December 31, 2011
Cash and cash equivalents	**5,413,087**	5,288,194
Loans and financings - Current	**5,948,898**	5,339,433
Modified liquidity indicator	**0.91**	0.99

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

Company

December 31, 2012	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years	Fair Value
Trade accounts payable	1,000,273	-	-	-	1,000,273
Loans and financings	5,205,774	1,629,962	3,463,487	1,852,436	12,151,659
Derivatives financing liabilities (assets)	(26,420)	941	198	-	(25,281)
TOTAL	**6,179,627**	**1,630,903**	**3,463,685**	**1,852,436**	**13,126,651**

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

Consolidated

December 31, 2012	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years	Fair Value
Trade accounts payable	3,564,270	-	-	-	3,564,270
Loans and financings	5,948,898	4,395,577	3,660,103	6,484,366	20,488,944
Derivatives financing liabilities (assets)	(27,293)	941	198	-	(26,154)
TOTAL	**9,485,875**	**4,396,518**	**3,660,301**	**6,484,366**	**24,027,060**

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

d) Estimated market values

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

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

e) Guarantees provided and guarantees received

Guarantees provided

The Company has securities pledged as collateral for derivative transactions with the commodities and futures whose balance at December 31, 2012 is R$ 253,740 (R$ 268,331 at December 31, 2011). This guarantee is superior to the need presented for these operations.

The indirect subsidiary, JBS USA, has securities pledged as collateral for derivative transactions with the commodities and futures whose balance at December 31, 2012 is R$ 65,586 (R$ 97,283 at December 31, 2011). This guarantee is superior to the need presented for these operations.

Other guarantees considered relevant are described in detail in the notes: 14 - Loans and financings, and 15 - Credit operations, guarantees and covenants.

Guarantees received

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

f) Financial instruments

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

	Notes	Company		Consolidated	
		December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Assets					
Fair value through profit or loss					
Cash and cash equivalents	4	**3,594,984**	3,612,867	**5,413,087**	5,288,194
Loans and receivables					
Trade accounts receivable	5	**2,753,737**	1,883,093	**5,688,648**	4,679,846
Credits with related parties	9	**808,062**	88,505	**548,909**	552,197
Fair value through profit or loss					
Receivables derivatives		**25,281**	-	**26,154**	-
Total		**7,182,064**	**5,584,465**	**11,676,798**	**10,520,237**
Liabilities					
Liabilities at amortized cost					
Loans and financings	14/15	**12,151,659**	11,669,895	**20,488,944**	18,872,194
Trade accounts payable	13	**1,000,273**	666,375	**3,564,270**	3,323,886
Fair value through profit or loss					
Payables derivatives		**-**	19,822	**-**	21,336
Total		**13,151,932**	**12,356,092**	**24,053,214**	**22,217,416**

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

g) Fair value of financial instruments

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

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

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

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

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

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

Fair value hierarchy

	December 31, 2012		
	Company		
	Level 1	Level 2	Level 3
Current assets			
Cash in banks	1,044,160	-	-
Financial investments (cash equivalents)	-	2,550,824	-
Derivatives	2,608	22,673	-
	Consolidated		
	Level 1	Level 2	Level 3
Current assets			
Cash in banks	1,979,230	-	-
Financial investments (cash equivalents)	-	3,433,857	-
Derivatives	3,481	22,673	-

	December 31, 2011		
	Company		
	Level 1	Level 2	Level 3
Current assets			
Cash in banks	1,483,479	-	-
Financial investments (cash equivalents)	-	2,129,388	-
Current liabilities			
Derivatives	(9,211)	(10,611)	-

	Consolidated		
	Level 1	Level 2	Level 3
Current assets			
Cash in banks	2,247,919	-	-
Financial investments (cash equivalents)	-	3,040,275	-
Current liabilities			
Derivatives	(10,725)	(10,611)	-

Fair value versus book value

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

		December 31, 2012		December 31, 2011	
Company	Note	Book value	Fair value	Book value	Fair value
Cash in banks	4	**1,044,160**	**1,044,160**	1,483,479	1,483,479
Financial investments (cash equivalents)	4	**2,550,824**	**2,550,824**	2,129,388	2,129,388
Trade accounts receivable	5	**2,753,737**	**2,753,737**	1,883,093	1,883,093
Related parties receivable	9	**808,062**	**808,062**	88,505	88,505
Derivatives		**25,281**	**25,281**	-	-
Total financial assets		**7,182,064**	**7,182,064**	**5,584,465**	**5,584,465**
Trade accounts payable	13	**1,000,273**	**1,000,273**	666,375	666,375
Loans and financings	14/15	**12,151,659**	**12,151,659**	11,669,895	11,669,895
Derivatives		**-**	**-**	19,822	19,822
Total financial liabilities		**13,151,932**	**13,151,932**	**12,356,092**	**12,356,092**
		(5,969,868)	**(5,969,868)**	**(6,771,627)**	**(6,771,627)**

		December 31, 2012		December 31, 2011	
Consolidated	Note	Book value	Fair value	Book value	Fair value
Cash in banks	4	**1,979,230**	**1,979,230**	2,247,919	2,247,919
Financial investments (cash equivalents)	4	**3,433,857**	**3,433,857**	3,040,275	3,040,275
Trade accounts receivable	5	**5,688,648**	**5,688,648**	4,679,846	4,679,846
Related parties receivable	9	**548,909**	**548,909**	552,197	552,197
Derivatives		**26,154**	**26,154**	-	-
Total financial assets		**11,676,798**	**11,676,798**	**10,520,237**	**10,520,237**
Trade accounts payable	13	**3,564,270**	**3,564,270**	3,323,886	3,323,886
Loans and financings	14/15	**20,488,944**	**20,488,944**	18,872,194	18,872,194
Derivatives		**-**	**-**	21,336	21,336
Total financial liabilities		**24,053,214**	**24,053,214**	**22,217,416**	**22,217,416**
		(12,376,416)	**(12,376,416)**	**(11,697,179)**	**(11,697,179)**

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

	Company		Consolidated	
	Years ended on December 31,		Years ended on December 31,	
	2012	2011	2012	2011
Gains (losses) by category of financial instrument				
Fair value through profit or loss	**384,835**	101,777	**886,020**	195,676
Loans and receivables	**187,071**	132,663	**201,966**	149,136
Liabilities at amortized cost	**(1,654,596)**	(1,702,678)	**(2,426,229)**	(2,355,540)
Total	**(1,082,690)**	**(1,468,238)**	**(1,338,243)**	**(2,010,728)**

EXECUTIVE BOARD

Wesley Mendonça Batista
Chief Executive Officer

Eliseo Santiago Perez Fernandez

Jeremiah Alphonsus O'Callaghan
Investor Relations Director

Francisco de Assis e Silva
Institutional Relations Executive Director

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

BOARD OF DIRECTORS

Joesley Mendonça Batista
Board President

Wesley Mendonça Batista
Vice-President

José Batista Sobrinho

José Batista Júnior

Marcus Vinicius Pratini de Moraes

Natalino Bertin

Carlos Alberto Caser

Valere Batista Mendonça Ramos

Vanessa Mendonça Batista

Peter Dvorsak

Guilherme Rodolfo Laager

AUDIT BOARD REPORT

The members of the Audit Board reviewed and manifested favorably to the financial statements of the Company for the year ended on December 31, 2012.

São Paulo, March 8, 2013.

Eliseo Santiago Perez Fernandez

Francisco de Assis e Silva

Valdir Aparecido Boni

José Paulo da Silva Filho

SUPERVISORY BOARD REPORT

The Fiscal Council, in compliance with legal and statutory provisions, reviewed the Management Report and Financial Statements of the Company for the fiscal year ended on December 31, 2012.

Our examination were conducted in accordance with the legal provisions including: a) analysis of the Financial Statements periodically prepared by the Company b) monitoring the work done by the external independent auditors, c) questions about relevant actions and transactions made by the Administration. Additionally, we obtained further information that the net income of the year was fully allocated to: legal reserve constitution, mandatory minimum dividend distribution and expansion reserve constitution, in that order, based on it by-law, remaining zero balance, rendering unnecessary the presentation of the capital budget to this Council's assessment.

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

São Paulo, March 11, 2013.

Divino Aparecido dos Santos

Florisvaldo Caetano de Oliveira

Demetrius Nichele Macei

John Shojiro Suzuki

Alexandre Aparecido de Barros

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

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

(i) They reviewed, discussed and agreed with the views expressed in the opinion of the independent auditors on the financial statements for the year ended December 31, 2012, and

(ii) They reviewed, discussed and agreed with the financial statements for the year ended December 31, 2012.

São Paulo, March 12, 2013.

Wesley Mendonça Batista
Chief Executive Officer

Jeremiah Alphonsus O'Callaghan
Investor Relations Director

Eliseo Santiago Perez Fernandez
Administration and Control Director

Francisco de Assis e Silva
Institutional Relations Executive Director

* * * * *

KPMG Auditores Independentes
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Fax Nacional 55 (11) 2183-3001
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Independent auditors' report on the financial statements

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

Report on the financial statements
We have audited the accompanying individual and consolidated financial statements of JBS S.A. ("the Company"), which comprise the statement of financial position as of December 31, 2011, and the respective statement of operations, comprehensive income (loss), changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with accounting practices adopted in Brazil and the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and in accordance with accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

Opinion on the individual financial statements
In our opinion, the individual financial statements present fairly, in all material respects, the financial position of JBS S.A. as of December 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of JBS S.A. as of December 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and in accordance with accounting practices adopted in Brazil.

Emphasis of matter
As described in note 3, the individual financial statements were prepared in accordance with accounting practices adopted in Brazil. In the case of JBS S.A. these practices differ from the IFRS applicable to separate financial statements in relation to the measurement of investments in subsidiaries, associates and jointly controlled companies by the equity method, whereas under IFRS they would be measured at cost or fair value. Our opinion is not qualified due to this matter.

Other matters

Statement of value added
We have also audited the individual and consolidated statements of value added (DVA) for the year ended December 31, 2011, whose presentation is required by Brazilian corporate law for public companies and is considered as supplementary information under IFRS that do not require the presentation of the DVA. These statements were submitted to the same audit procedures previously described and, in our opinion, are fairly stated, in all material respects, in relation to the individual and consolidated financial information taken as a whole.

São Paulo, March 20, 2012

KPMG Auditores Independentes
CRC 2SP014428/O-6

Orlando Octávio de Freitas Júnior	Márcio Serpejante Peppe
Accountant CRC 1SP178871/O-4	Accountant CRC 1SP233011/O-8

JBS S.A.

Statements of financial position
(In thousands of Reais)

	Note	Company		Consolidated	
		December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	4	**3,612,867**	3,000,649	**5,288,194**	4,074,574
Trade accounts receivable, net	5	**1,883,093**	1,672,729	**4,679,846**	4,036,104
Inventories	6	**1,544,261**	1,109,472	**5,405,705**	4,476,934
Biological assets	7	**-**	-	**209,543**	417,028
Recoverable taxes	8	**1,330,609**	1,088,310	**1,690,311**	1,419,784
Prepaid expenses		**8,148**	13,844	**131,033**	107,825
Other investment and discontinued operations	9	**-**	504,002	**-**	504,002
Other current assets		**256,225**	161,066	**526,649**	351,817
TOTAL CURRENT ASSETS		**8,635,203**	**7,550,072**	**17,931,281**	**15,388,068**
NON-CURRENT ASSETS					
Long-term assets					
Credits with related parties	10	**88,505**	-	**552,197**	332,679
Judicial deposits and others		**104,207**	88,218	**389,947**	448,875
Recoverable taxes	8	**562,027**	553,770	**626,126**	616,297
Total long-term assets		**754,739**	**641,988**	**1,568,270**	**1,397,851**
Investments in subsidiaries	11	**7,561,574**	10,443,000	**-**	-
Property, plant and equipment, net	12	**7,803,582**	7,598,963	**15,378,714**	14,624,201
Intangible assets, net	13	**9,531,506**	9,531,739	**12,532,619**	12,425,499
		24,896,662	**27,573,702**	**27,911,333**	**27,049,700**
TOTAL NON-CURRENT ASSETS		**25,651,401**	**28,215,690**	**29,479,603**	**28,447,551**
TOTAL ASSETS		**34,286,604**	**35,765,762**	**47,410,884**	**43,835,619**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statements of financial position
(In thousands of Reais)

	Note	Company		Consolidated	
		December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Trade accounts payable	14	**666,375**	566,982	**3,323,886**	2,962,395
Loans and financings	15/16	**4,574,702**	4,342,593	**5,339,433**	4,966,198
Income taxes	18	**-**	-	**211,528**	14,251
Payroll, social charges and tax obligation	18	**347,863**	375,600	**1,167,163**	1,095,687
Payables related to facilities acquisitions	20	**10,589**	45,746	**10,589**	45,746
Other current liabilities		**466,402**	509,482	**343,100**	332,208
TOTAL CURRENT LIABILITIES		**6,065,931**	**5,840,403**	**10,395,699**	**9,416,485**
NON-CURRENT LIABILITIES					
Loans and financings	15/16	**7,095,193**	6,679,915	**13,532,761**	10,217,156
Convertible debentures	17	**1,283**	3,462,212	**1,283**	3,462,212
Payroll, social charges and tax obligation	18	**-**	-	**683,812**	317,633
Payables related to facilities acquisitions	20	**2,048**	5,144	**2,048**	5,144
Deferred income taxes	21	**289,798**	390,774	**678,372**	1,003,050
Provision for lawsuits risk	19	**140,975**	136,002	**251,560**	321,660
Debts with related parties	10	**-**	1,532,002	**-**	-
Other non-current liabilities		**27,554**	124,939	**266,161**	397,430
TOTAL NON-CURRENT LIABILITIES		**7,556,851**	**12,330,988**	**15,415,997**	**15,724,285**
EQUITY	22				
Capital stock		**21,506,247**	18,046,067	**21,506,247**	18,046,067
Capital transaction		**(10,212)**	(9,949)	**(10,212)**	(9,949)
Capital reserve		**985,944**	985,944	**985,944**	985,944
Revaluation reserve		**101,556**	106,814	**101,556**	106,814
Profit reserves		**1,440,799**	1,511,246	**1,440,799**	1,511,246
Treasury shares		**(610,550)**	(485,169)	**(610,550)**	(485,169)
Valuation adjustments to shareholders' equity in subsidiaries		**127,071**	(1,719)	**127,071**	(1,719)
Accumulated translation adjustments in subsidiaries		**(2,877,033)**	(2,558,863)	**(2,877,033)**	(2,558,863)
Attributable to controlling interest		**20,663,822**	**17,594,371**	**20,663,822**	**17,594,371**
Attributable to noncontrolling interest		**-**	**-**	**935,366**	**1,100,478**
TOTAL EQUITY		**20,663,822**	**17,594,371**	**21,599,188**	**18,694,849**
TOTAL LIABILITIES AND EQUITY		**34,286,604**	**35,765,762**	**47,410,884**	**43,835,619**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statements of operations for the years ended December 31, 2011 and 2010
(In thousands of Reais)

	Note	Company		Consolidated	
		2011	2010	2011	2010
NET SALE REVENUE	23	**13,060,853**	**11,770,293**	**61,796,761**	**54,712,832**
Cost of goods sold		**(10,023,868)**	(9,338,628)	**(55,100,207)**	(47,994,792)
GROSS INCOME		**3,036,985**	**2,431,665**	**6,696,554**	**6,718,040**
OPERATING INCOME (EXPENSE)					
General and administrative expenses		**(595,453)**	(503,405)	**(1,739,198)**	(1,641,024)
Selling expenses		**(1,274,996)**	(995,067)	**(3,144,069)**	(2,627,201)
Financial expense, net	26	**(1,468,238)**	(1,927,045)	**(2,010,728)**	(2,223,021)
Equity in earnings of subsidiaries	11	**113,264**	815,611	**-**	-
Other income (expenses), net	27	**28,031**	(85,645)	**(32,667)**	(168,224)
		(3,197,392)	**(2,695,551)**	**(6,926,662)**	**(6,659,470)**
INCOME (LOSS) BEFORE TAXES		**(160,407)**	**(263,886)**	**(230,108)**	**58,570**
Current income taxes	21	**2,710**	2,853	**(520,711)**	(358,774)
Deferred income taxes	21	**81,992**	(44,012)	**427,934**	33,346
		84,702	**(41,159)**	**(92,777)**	**(325,428)**
LOSS OF CONTINUED OPERATIONS		**(75,705)**	**(305,045)**	**(322,885)**	**(266,858)**
Net income from discontinued operations	9	**-**	12,246	**-**	12,246
LOSS FOR THE YEAR		**(75,705)**	**(292,799)**	**(322,885)**	**(254,612)**
ATTRIBUTABLE TO:					
Controlling interest				**(75,705)**	(292,799)
Noncontrolling interest				**(247,180)**	38,187
				(322,885)	**(254,612)**
Basic loss per thousand shares - in reais	24	**(27.77)**	**(117.46)**	**(27.77)**	**(117.46)**
Diluted loss per thousand shares - in reais	24	**(27.77)**	**(98.03)**	**(27.77)**	**(98.03)**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statements of comprehensive income (loss) for the years ended December 31, 2011 and 2010
(In thousands of Reais)

	Company		Consolidated	
	2011	2010	2011	2010
Loss for the year	**(75,705)**	(292,799)	**(322,885)**	(254,612)
Other comprehensive loss				
Valuation adjustments to shareholders' equity in subsidiaries	**128,790**	(805)	**128,790**	(805)
Accumulated adjustment of conversion in subsidiaries	**(281,203)**	(190,601)	**(281,203)**	(190,601)
Exchange variation in subsidiaries	**(36,967)**	(829,376)	**(36,967)**	(829,376)
Total comprehensive loss	**(265,085)**	**(1,313,581)**	**(512,265)**	**(1,275,394)**
Total comprehensive loss attributable to:				
Controlling interest	**(265,085)**	(1,313,581)	**(120,108)**	(1,109,056)
Noncontrolling interest	**-**	-	**(392,157)**	(166,338)
	(265,085)	**(1,313,581)**	**(512,265)**	**(1,275,394)**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statements of changes in equity for the years ended December 31, 2011 and 2010
(In thousands of Reais)

	Capital stock	Capital transactions	Capital reserve	Revaluation reserve	Profit reserves: Legal	Profit reserves: For expansion	Treasury shares	Valuation adjustments to shareholders' equity	Accumulated translation adjustments	Retained earnings	Total shareholders' equity	Noncontrolling interest	Total equity
BALANCE AS OF JANUARY 1, 2010	**16,483,544**	**-**	**985,944**	**112,352**	**7,768**	**1,729,264**	**(271,441)**	**(914)**	**(1,538,886)**	**-**	**17,507,631**	**1,638,379**	**19,146,010**
Capital transactions	-	(9,949)	-	-	-	-	-	-	-	-	**(9,949)**	-	**(9,949)**
Capital increase	1,600,000	-	-	-	-	-	-	-	-	-	**1,600,000**	-	**1,600,000**
Transaction costs for the Initial Public Offering (IPO)	(37,477)	-	-	-	-	-	-	-	-	-	**(37,477)**	-	**(37,477)**
Purchase of treasury shares	-	-	-	-	-	-	(213,728)	-	-	-	**(213,728)**	-	**(213,728)**
Adjustment of net income destination from previous year	-	-	-	-	-	61,475	-	-	-	-	**61,475**	-	**61,475**
Realization of revaluation reserve	-	-	-	(5,538)	-	-	-	-	-	5,538	**-**	-	**-**
Valuation adjustments to shareholders' equity in subsidiaries	-	-	-	-	-	-	-	(805)	-	-	**(805)**	-	**(805)**
Accumulated translation adjustments in subsidiaries	-	-	-	-	-	-	-	-	(190,601)	-	**(190,601)**	-	**(190,601)**
Investments exchange rate variations, net	-	-	-	-	-	-	-	-	(829,376)	-	**(829,376)**	-	**(829,376)**
Loss for the year	-	-	-	-	-	-	-	-	-	(292,799)	**(292,799)**	38,187	**(254,612)**
Loss absorption with equity reserve	-	-	-	-	-	(287,261)	-	-	-	287,261	**-**	-	**-**
Noncontrolling interest	-	-	-	-	-	-	-	-	-	-	**-**	(576,088)	**(576,088)**
BALANCE AS OF DECEMBER 31, 2010	**18,046,067**	**(9,949)**	**985,944**	**106,814**	**7,768**	**1,503,478**	**(485,169)**	**(1,719)**	**(2,558,863)**	**-**	**17,594,371**	**1,100,478**	**18,694,849**
Capital transactions	-	(263)	-	-	-	-	-	-	-	-	**(263)**	-	**(263)**
Purchase of treasury shares	-	-	-	-	-	-	(125,381)	-	-	-	**(125,381)**	-	**(125,381)**
Convertible debentures (Note 17)	3,460,180	-	-	-	-	-	-	-	-	-	**3,460,180**	-	**3,460,180**
Realization of revaluation reserve	-	-	-	(5,258)	-	-	-	-	-	5,258	**-**	-	**-**
Valuation adjustments to shareholders equity in subsidiaries	-	-	-	-	-	-	-	128,790	-	-	**128,790**	-	**128,790**
Accumulated translation adjustments in subsidiaries	-	-	-	-	-	-	-	-	(281,203)	-	**(281,203)**	-	**(281,203)**
Investments exchange rate variations, net	-	-	-	-	-	-	-	-	(36,967)	-	**(36,967)**	-	**(36,967)**
Loss for the year	-	-	-	-	-	-	-	-	-	(75,705)	**(75,705)**	(247,180)	**(322,885)**
Loss absorption with equity reserve	-	-	-	-	-	(70,447)	-	-	-	70,447	**-**	-	**-**
Noncontrolling interest	-	-	-	-	-	-	-	-	-	-	**-**	82,068	**82,068**
BALANCE AS OF DECEMBER 31, 2011	**21,506,247**	**(10,212)**	**985,944**	**101,556**	**7,768**	**1,433,031**	**(610,550)**	**127,071**	**(2,877,033)**	**-**	**20,663,822**	**935,366**	**21,599,188**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statements of cash flows for the years ended December 31, 2011 and 2010
(In thousands of Reais)

	Company		Consolidated	
	2011	2010	2011	2010
Cash flow from operating activities				
Loss of the year attributable to controlling interest	**(75,705)**	(292,799)	**(75,705)**	(292,799)
Adjustments to reconcile loss to cash provided on operating activities				
. Depreciation and amortization	**436,501**	286,115	**1,291,411**	1,215,454
. Allowance for doubtful accounts	**10,021**	7,180	**15,577**	16,132
. Equity in earnings of subsidiaries	**(113,264)**	(815,611)	**-**	-
. Net income on discontinued operations	**-**	(12,246)	**-**	(12,246)
. Gain on assets sales	**(24,998)**	6,961	**(8,132)**	11,005
. Deferred income taxes	**(81,992)**	44,012	**(427,934)**	(33,346)
. Current and non-current financial charges	**1,544,673**	448,829	**1,611,274**	642,763
. Provision for lawsuits risk	**5,562**	(73,368)	**9,865**	(22,509)
. Impairment	**-**	25,514	**63,193**	83,831
	1,700,798	**(375,413)**	**2,479,549**	**1,608,285**
Decrease (increase) in operating assets				
Trade accounts receivable	**(149,369)**	(531,026)	**(278,778)**	(957,276)
Inventories	**(433,292)**	(350,936)	**(627,902)**	(1,251,438)
Recoverable taxes	**(195,802)**	(239,357)	**(295,794)**	(275,947)
Other current and non-current assets	**(104,145)**	31,791	**(43,156)**	225,296
Related party receivable	**(360,521)**	-	**(171,501)**	(2,101)
Biological assets	**-**	-	**247,255**	(189,908)
Increase (decrease) operating liabilities				
Trade accounts payable	**77,789**	(60,870)	**(28,742)**	344,962
Other current and non-current liabilities	**(100,210)**	(311,617)	**(75,275)**	(67,419)
Related party payable	**-**	1,598,237	**-**	-
Noncontrolling interest	**-**	-	**(247,180)**	38,187
Valuation adjustments to shareholders' equity in subsidiaries	**-**	-	**(351,964)**	(943,717)
Net cash provided by (used in) operating activities	**435,248**	**(239,191)**	**606,512**	**(1,471,076)**
Cash flow from investing activities				
Additions to property, plant and equipment and intangible assets	**(569,741)**	(533,831)	**(1,173,780)**	(1,225,581)
Increase in investments in subsidiaries	**(963,638)**	(3,038,408)	**-**	-
Decrease in investments in subsidiaries	**2,491,708**	-	**-**	-
Proceeds received from termination agreement of Inalca JBS	**504,002**	-	**504,002**	-
Net effect of working capital of acquired (merged) company	**718**	-	**(34,584)**	(338,119)
Net cash provided by (used in) investing activities	**1,463,049**	**(3,572,239)**	**(704,362)**	**(1,563,700)**
Cash flow from financing activities				
Proceeds from loans and financings	**6,181,618**	5,693,809	**17,532,838**	14,191,471
Payments of loans and financings	**(7,341,304)**	(4,309,777)	**(16,224,978)**	(13,462,647)
Debentures payment	**(749)**	-	**(749)**	-
Capital increase	**-**	1,600,000	**-**	1,600,000
Transaction costs for issuing of tittles and securities	**-**	(55,252)	**-**	(55,252)
Capital transactions	**(263)**	-	**(263)**	-
Own shares acquired	**(125,381)**	(213,728)	**(125,381)**	(213,728)
Net cash provided by (used in) financing activities	**(1,286,079)**	**2,715,052**	**1,181,467**	**2,059,844**
Effect of exchange variation on cash and cash equivalents	**-**	**-**	**130,003**	**11,122**
Variance in cash and cash equivalents	**612,218**	(1,096,378)	**1,213,620**	(963,810)
Cash and cash equivalents at the beginning of the year	**3,000,649**	4,097,027	**4,074,574**	5,038,384
Cash and cash equivalents at the end of the year	**3,612,867**	**3,000,649**	**5,288,194**	**4,074,574**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Value added statements for the years ended December 31, 2011 and 2010
(In thousands of Reais)

	Company		Consolidated	
	2011	2010	2011	2010
Revenue				
Sales of goods and services	13,914,737	12,458,897	63,008,737	56,349,860
Other net income (expenses)	34,820	13,288	25,723	(3,353)
Allowance for doubtful accounts	(10,021)	(7,180)	(15,577)	(16,132)
	13,939,536	12,465,005	63,018,883	56,330,375
Goods				
Cost of services and goods sold	(7,507,627)	(7,102,970)	(41,973,722)	(25,081,778)
Materials, energy, services from third parties and others	(2,172,303)	(1,877,885)	(9,311,938)	(18,981,322)
Losses/Recovery of amounts	-	(25,514)	(1,830)	(37,979)
Others	-	-	(5,104)	931
	(9,679,930)	(9,006,369)	(51,292,594)	(44,100,148)
Gross added value	4,259,606	3,458,636	11,726,289	12,230,227
Depreciation and Amortization	(436,501)	(286,115)	(1,291,411)	(1,215,454)
Net added value generated by the company	3,823,105	3,172,521	10,434,878	11,014,773
Net added value by transfer				
Equity in earnings of subsidiaries	113,264	815,611	-	-
Financial income	1,961,079	1,485,847	2,575,797	1,949,594
Others	3,457	10,082	(24,787)	17,637
Net added value to distribution	5,900,905	5,484,061	12,985,888	12,982,004
Net income on discontinued operations	-	12,246	-	49,242
NET ADDED VALUE TOTAL TO DISTRIBUTION	5,900,905	5,496,307	12,985,888	13,031,246
Distribution of added value				
Labor				
Salaries	1,066,632	988,169	5,556,714	5,746,228
Benefits	169,640	149,406	1,156,769	1,249,552
FGTS (Brazilian Labor Social Charge)	77,914	67,938	88,412	75,561
	1,314,186	1,205,513	6,801,895	7,071,341
Taxes and contribution				
Federal	451,607	528,790	741,121	908,143
State	774,733	593,386	970,679	844,506
Municipal	2,528	2,486	6,016	3,397
	1,228,868	1,124,662	1,717,816	1,756,046
Capital Remuneration from third parties				
Interests	3,300,639	3,338,817	4,385,420	4,204,044
Rents	60,096	54,318	261,106	63,324
Others	72,821	65,796	142,536	141,861
	3,433,556	3,458,931	4,789,062	4,409,229
Owned capital remuneration				
Loss of the year attibutable to controlling interest	(75,705)	(305,045)	(75,705)	(292,799)
Noncontrolling interest	-	-	(247,180)	38,187
	(75,705)	(305,045)	(322,885)	(254,612)
Added value distributed	5,900,905	5,484,061	12,985,888	12,982,004
Net income on discontinued operations	-	12,246	-	49,242
ADDED VALUE TOTAL DISTRIBUTED	5,900,905	5,496,307	12,985,888	13,031,246

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

1 Operating activities

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

a) Activities in Brazil

Company

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

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

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

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

In subsidiaries

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

JBS Confinamento Ltda. (JBS Confinamento) is based in Castilho and Guaiçara - State of São Paulo, Nazário and Aruanã - State of Goiás and Lucas do Rio Verde - State of Mato Grosso, and operates the activity of buying and reselling for fattening beef and providing services of fattening beef and third party cattle for slaughtering.

Novaprom Food Ingredients Ltda. (Novaprom) based in Guaiçara, State of São Paulo, operates the exploration, production, distribution, export and import of food products and ingredients. It is the pioneer in the production of natural collagen fiber and protein, collagen in its purest form, extracted from the suede and with a the minimum of 99% protein content, it is the largest company in the world in production and distribution of natural collagen fiber. Novaprom sells its products throughout Brazil and exports to continents such as Europe, Latin America, Asia and Oceania.

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

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

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

b) Activities abroad

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

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

JBS USA Holdings Inc. (JBS USA) and its subsidiaries process, prepare, package and deliver fresh, further processed and value-added beef, pork, chicken and lamb products for sale to customers in the United States of America and in international markets.

In the United States of America, JBS USA owns eight beef processing facilities, three pork processing facilities, one lamb slaughter facility services, one value-added facility, and twelve feedlots. JBS USA operates eleven processing facilities, two value added facilities and five feedlots in Australia.

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

~~In~~ Part of JBS USA, JBS Trading USA, Inc. (JBS Trading USA) and its subsidiaries, Tupman Thurlow Co., Inc. (Tupman) and Astro Sales International, Inc. (Astro) based in the United States of America distribute processed beef products mainly in U.S. market.

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

Part of JBS USA, its subsidiary Sampco, Inc. (Sampco), based in Chicago, in the United States of America, imports processed meats primarily from South America for resale to United States of America, Canada and the Caribbean. Sampco also imports other foods such as canned food, fruits and vegetables from other regions, including the Far East, for sale in North America and Europe.

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

The indirect subsidiary Toledo International NV (Toledo) based in Belgium, has basically trading operations for the European, African, South American, Dutch and Belgian markets, selling cooked meat and other products. Additionally, it develops logistics operations, warehousing, customization and new products development.

CJSC Prodcontract (Prodcontract) based in Russia, is an importer and distributor of fresh, chilled and frozen beef for the Russian Market, among the three largest importers of beef from the Russian market.

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

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

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

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

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

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

The indirect subsidiary Trump Asia Enterprises Limited (Trump), based in China, has a leather processing plant, whose activity consists of the process of leather industrialization to be sold mainly for the local production of bags and shoes. It has three sales offices in Hong Kong, focused on the Asian market, and buys most of its products from JBS Group and third party.

The indirect subsidiary JBS Leather Europe s.r.o. (JBS Leather) owns an administrative and business office located in the city of Prague, and a warehouse located in the city of Borsov, all in the Czech Republic. The JBS Leather buys leather from JBS Group and trades finished leather in the foreign markets focusing on Eastern Europe, where Poland and Germany are the main consumer countries.

The indirect subsidiary Prometex SAM (Prometex), based in Monaco, trades mainly, frozen beef cuts "in-natura ", buying most of its products from JBS Group for Russian and Egyptian markets.

The indirect subsidiary JBS Middle East FZE (Middle East), based in Dubai in the Emirates Arab United, and its subsidiary Sanaye Ghazaei Saeid Taam Co.(Sanaye) based in the city of Tehram Iran, sell food products of bovine origin acquired from the JBS Group for the Middle East market.

JBS Italia s.r.l. (JBS Italy), based in the city of Arzignano, and its subsidiary JBS Matera (Matera), based in the city of Matera, both in Italy, operate in the leather segment, buying leather from JBS Group and trading in domestic and European market, producing leather in Semi Finished and Finished stages.

2 Preparation and presentation of consolidated financial statements

a. Declaration of conformity

These financial statements include:

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

The individual financial statements were prepared in accordance with accounting practices adopted in Brazil.

The individual financial information of the parent company measures investments in associates, subsidiaries and joint ventures using the equity method, according to Brazilian legislation. Thereby these financial statements are not in accordance with IFRS, which requires the measurement of these investments in separate financial statements at their fair value or at cost.

Since there is no difference between the consolidated shareholders' equity and the consolidated profit/loss attributable to shareholders of Company, presented in the consolidated financial statements prepared in accordance with IFRSs and the accounting practices adopted in Brazil, and shareholders' equity and profit/loss of the Company, presented in the individual financial statements prepared in accordance with accounting practices adopted in Brazil, the Company has decided to present individual and consolidated financial statements into a single set side by side.

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

The issuance approval of these financial statements was given at the Board of Directors' meeting held on March 20, 2012.

Functional and presentation currency

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

3 Significant accounting practices

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

a) Statements of operations

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

In the statement of operations, revenue is presented net of taxes, returns, rebates and discounts, as well as eliminated intercompany sales. Refer to note 22 for a net revenue breakdown.

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

b) Accounting estimates

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

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

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

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

c) Cash and cash equivalents

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

d) Trade accounts receivable

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

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

e) Provision for impairment

Estimated impairment losses of accounts receivable are calculated based on the analysis of the aging list, impairing the long standing items, and considering the probable estimated losses, which amount is considered sufficient by Management to cover probable losses on accounts receivable.

Impairment expenses are recognized under the caption "Selling Expenses" in the individual and consolidated statement of operations. When no additional recovery is expected, the receivable is written-off.

f) Inventories

Inventories are stated at the lower of the average cost of acquisition or production, and the net realizable value. The cost of sales are recognized in the statement of operations when inventories are sold.

g) Biological assets

Companies that operate agricultural activities, such as grain crops, increased herd (of cattle feedlot operations or livestock grazing), and various agriculture crops are required to fair value these assets, which measurement effect is recognized in the statement of operations.

The measurement of biological assets is performed quarterly by the Company, and gain or loss on changes in fair value of biological assets are recognized in the statement of operations in the period in which it occurs, as a reduction of gross revenue and cost of products sold.

Biological assets are measured either at fair value or cost, according to the criteria defined in the Note 7.

h) Investments in associates, subsidiaries and joint ventures

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

Associate is an entity over which the Company has significant influence, being the power to participate in the financial and operating policy decisions of the investee (but not control or joint control).

Joint ventures are entities jointly controlled by the Company and one or more partners. Investments in joint ventures are recognized using the proportionate consolidation method, from the date joint control is acquired. Under this method, the venture's assets and liabilities, and income and expenses are recognized in the consolidated financial statements proportionally to the Company's ownership.

Foreign exchange differences on foreign investments are recognized in equity as accumulated translation adjustments.

i) Property, plant and equipment - PP&E

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

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

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

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

j) Intangible assets

Intangible assets consist mostly of goodwill, and any applicable impairment losses. For intangibles other than goodwill, amortization is recognized using the straight-line method based on the useful lives of the assets. The estimated useful lives and amortization methods are reviewed at the end of each financial year and the effect of any changes in estimated are accounted for prospectively.

Goodwill arising from business combination

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

Goodwill is annually subjected to impairment testing or more frequently when impairment indications are identified. If the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognized. Any goodwill impairment losses is directly recognized in the statement of operations. An impairment loss is not reversed in subsequent periods. At the sale of the corresponding cash-generating unit, the goodwill is included in the calculation of profit or loss on disposal.

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

Property, plant and equipment, intangible assets with defined useful life and other assets (current and noncurrent) are tested for impairment, if indications of a potential impairment exist. Indefinite life intangible assets are tested for impairment when an indication of potential impairment exists or on an annual basis, regardless of whether or not there is any indication of impairment.

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

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

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

k) Other current and noncurrent assets

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

l) Trade accounts payable

Trade accounts payable correspond to amounts owed to suppliers in the ordinary course of business. If the payment is due in one year or less, suppliers are classified as current liabilities. Otherwise, the corresponding amount is classified as noncurrent liabilities. When applicable, interest, monetary charges and foreign exchange rate adjustments are recognized.

m) Loans and financings

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

n) Income tax and social contribution

Current taxes

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

Deferred taxes

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

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

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

o) Dividends

The dividend distribution, when applicable, is equivalent to the mandatory minimum dividend of 25% and is recognized under the caption "Declared Dividends" in liabilities since it is considered a legal obligation established by the Company's bylaws. However, if the amount of dividends is higher than the mandatory minimum dividend, and those are declared after the period covered by the financial information but before the date of authorization for release of the financial statements, those are recognized under the caption "Proposed Additional Dividends" in equity, with a disclosure in the notes to the financial statements.

p) Current and noncurrent liabilities

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

q) Noncontrolling interest

Noncontrolling interests are presented in the financial statements within equity, with respective effects included in the statement of operations.

r) Contingent assets and liabilities

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

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

s) Adjustment of assets and liabilities to present value

The Company presents, when applicable, assets and liabilities at present value according to CPC12 - Present value adjustment. Noncurrent assets and liabilities are adjusted to present value, and any adjustment on current balances is recognized when material to the interim financial information.

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

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

t) Consolidation

Consolidated financial statements include the financial statements of the Company, its subsidiaries and joint controlled entities (proportionally consolidated). Control is obtained when the Company has the power to control financial and operating policies of an entity so as to obtain benefits from its activities.
When necessary, the financial statements of subsidiaries are adjusted according to the accounting policies established by the Company. All transactions, balances, income and expenses between consolidated companies are eliminated in the consolidated financial statements. Consolidated subsidiaries are detailed described on note 10.

u) Foreign currency translation

Functional and reporting currency

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

The financial statements of the foreign subsidiaries are originally prepared in the currency of the country in which they are based and, subsequently, are adjusted to IFRS and remeasured to Brazilian reais using the exchange rate in effect at the reporting date for assets and liabilities, and the historical exchange rate for equity and the transaction date rate for income and expenses. Exchange gains and losses are recognized in equity under the caption "accumulated translation adjustments".

v) Earning per share

The Company presents the basic and diluted earnings per share data for its common shares:

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

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

w) Financial instruments

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

• Financial assets at fair value through profit or loss

A financial asset is classified as fair value through profit or loss if it is classified as held for trading or designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the company manages such investments and makes purchase and sale decisions based on their fair values in accordance with a documented risk management and investment strategy of the Company. Transaction costs, after initial recognition are recognized in the statement of operations as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes in fair value of these assets are recognized in statement of operations of the period.

• Loans and receivables

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

• Non derivative financial liabilities

The Company recognizes debt securities and subordinated debt on the date on which they originated. All other financial liabilities (including liabilities designated at fair value recorded in income) are initially recognized on the trade date on which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations is canceled or expires.

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

• Impairment of financial assets

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

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

• Derivatives

The financial instruments are recognized after the Company and its subsidiaries become a party to the contractual provisions at the instruments.

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

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

x) Business combinations

Business acquisitions are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to the Group. Consideration transferred in a business combination is measured at fair value, which is calculated by adding the fair values of assets and liabilities transferred on the acquisition date to the previous owners in exchange for control of the acquired business. Acquisition-related costs are generally recognized in the statement of operations when incurred.

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

If the initial accounting for a business combination is incomplete at the reporting date, recognition of assets acquired and liabilities assumed is made using temporary amounts. These temporary amounts are adjusted during the measurement period (which shall not exceed one year from the date of acquisition), and additional assets and liabilities are recognized to reflect new information relating to facts and circumstances existing at the acquisition date which, if known, would have affected the amounts recognized on that date.

y) Employee benefits

Defined Contribution Plans:

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

Defined benefit plans

A defined benefit plan is a plan for post-employment benefits other than a defined contribution plan. The net liability with regard to pension plans of defined benefit is calculated individually for each plan by estimating the amount of future benefit that employees earned in return for services rendered in the current and prior periods. That benefit is discounted to present value. Any past service costs not recognized and the fair values of any plan assets is deducted.

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

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

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

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

z) Segment reporting

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

aa) Statements of Cash flow

The statements of cash flows have been prepared using the indirect method.

ab) Statement of comprehensive income

The statement of comprehensive income is composed by the conversion rate of foreign currency investments abroad and shareholders' equity valuation in investments.

ac) Economic Value Added

In accordance with CPC 9 (No correlation to IFRS) - Statement of Economic Value Added, the Company presents the Statement of Value Added (EVA) whose disclosure in the interim financial statements is required in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Information and considered as supplemental information by the IFRS, which do not require the disclosure of the Statement of Value Added.

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

ad) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operation that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statements of operations and comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

ae) New pronouncements of IFRS, amendments and interpretations issued by IASB applicable to the consolidated financial statements

New accounting standards from the IASB and IFRIC interpretations have been published and / or reviewed and may be early adopted in December 31, 2011. The Management assessed the impact of these new standards and interpretations and does not anticipate that its adoption will lead to a significant impact on the annual information of the Company and its subsidiaries in the year of initial application. The mains pronouncements and interpretations are presented as follows:

Not effective yet :

• IFRS 9 Financial Instruments – Classification and measurement - It reflects the first phase of the IASBs work on the replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a simplified approach to determine whether a financial asset is measured at amortized cost or fair value, based on the manner in which an entity manages its financial instruments (business model) and the typical contractual cash flow of financial assets. The standard also requires the adoption of only one method for determining losses in recoverable value of assets. The standard is effective for annual periods beginning on or after 1 January 2015. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

• IFRS 10 Consolidated Financial Statements - IFRS 10 as issued establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 *Consolidation—Special Purpose Entities* and IAS 27 *Consolidated and Separate Financial Statements* and is effective for annual periods beginning on or after January 1, 2013. Early application is permitted. The Company is currently analyzing any possible effects arising from the adoption of IFRS 10.

• IFRS 11 Joint Arrangements - IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 13 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Ventures, and is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The Company is currently analyzing any possible effects arising from the adoption of IFRS 11.

• IFRS 12 Disclosures of Interests in Other Entities - IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The Company is currently analyzing impacts on its disclosures arising from the adoption of IFRS 12.

• IFRS 13 Fair Value Measurement - IFRS 13 establishes new requirements on how to measure fair value and the related disclosures for IFRSs and US generally accepted accounting principles. The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The Company is currently analyzing any possible effects arising from the adoption of IFRS 13.

• IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine - IFRIC 20 is regarding the recognition of the production stripping costs as an assets; initial measurement of the assets of removal activity, and subsequent measurement of the activity of the removal activity. Is effective for annual periods beginning on or after 1 January 2013

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

Other improvements :

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

The Brazilian Accounting Pronouncement Committee (CPC) has not yet issued these standards or amendments equivalent to the IFRS mentioned above. The

4 Cash and cash equivalents

Cash, bank accounts and short-term investments are described below:

	Company		Consolidated	
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
Cash and banks	**1,483,479**	825,171	**2,247,919**	1,876,666
CDB-DI (bank deposit certificates)	**1,928,422**	1,810,529	**2,155,037**	1,826,496
Investment funds	**494**	264,681	**554,523**	271,144
LCA-DI (Agribusiness Letters of Credit)	**200,472**	-	**330,715**	-
National treasury bill	**-**	100,268	**-**	100,268
	3,612,867	**3,000,649**	**5,288,194**	**4,074,574**

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

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

Investments funds - Company

The Company is a shareholder of Ediom Fundo de Investimento Multimercado (Ediom fund), investment fund which balance on December 31, 2011 was R$ 494 (R$ 151,743 as of December 31, 2010).

The risks to which the fund is exposed are in line with the respective policies that allow leverage of funds, and are in accordance with the limitations of VaR, stop loss and leverage permitted by the shareholders. Value at Risk (VaR) is calculated to 1 (one) day with a confidence interval of 99%.

On December 31, 2010 VaR for the Ediom fund was R$ 508.

Investments funds - Consolidated

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

5 Trade accounts receivable, net

	Company		Consolidated	
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
Current receivables	**1,729,425**	**1,333,676**	**3,939,255**	**3,131,962**
Overdue receivables:				
From 1 to 30 days	**120,142**	164,516	**569,126**	554,860
From 31 to 60 days	**23,297**	80,638	**91,406**	198,192
From 61 to 90 days	**20,755**	49,333	**44,389**	68,467
Above 90 days	**102,656**	154,063	**185,589**	224,697
Allowance for doubtful accounts	**(113,182)**	(109,497)	**(149,919)**	(142,074)
	153,668	**339,053**	**740,591**	**904,142**
	1,883,093	**1,672,729**	**4,679,846**	**4,036,104**

Below are the changes in the allowance for doubtful accounts:

	Company		Consolidated	
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
Initial balance	**(109,497)**	**(123,602)**	**(142,074)**	**(153,178)**
Additions	**(10,020)**	(7,180)	**(16,390)**	(16,498)
Exchange variation	**-**	-	**225**	71
Write-offs	**6,335**	21,285	**8,320**	27,531
Final balance	**(113,182)**	**(109,497)**	**(149,919)**	**(142,074)**

6 Inventories

	Company		Consolidated	
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
Finished products	**1,161,418**	618,073	**3,332,844**	2,626,480
Work in process	**53,879**	181,574	**900,597**	891,999
Raw materials	**188,722**	198,246	**527,046**	446,940
Warehouse spare parts - other inventories	**140,242**	111,579	**645,218**	511,515
	1,544,261	**1,109,472**	**5,405,705**	**4,476,934**

7 Biological assets

	Consolidated	
	Dec 31, 2011	Dec 31, 2010
Cattle	**83,978**	346,425
Hogs and Lamb	**73,790**	29,044
Poultry	**49,489**	40,026
Plants for harvest	**2,286**	1,533
	209,543	**417,028**

Changes in biological assets in the period

Amount on December 31, 2010	**417,028**
Born	**51,680**
Death	**(7,508)**
Fair value (Mark to market)	**68,791**
Sale	**(1,406,327)**
Purchase	**1,035,185**
Exchange rate variation	**49,942**
Cost appropriating on plants for harvest	**3,120**
Domestic consumption on plants for harvest (feed)	**(2,368)**
Amount on December 31, 2011	**209,543**

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

Companies that own agricultural and farming activities, such as grain crops, increased herd (cattle feeding operations and livestock grazing), and various agriculture crops measure their biological assets at fair value at each reporting period, recognizing the effects of these changes directly in the income of the year.

However, for cases where there is no active market, one or more of the following alternatives for determining the fair value should be adopted:

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

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

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

Although there is an assumption that the fair value of biological assets can be reliably measured, this assumption can be rejected, and the biological assets can be measured at cost, which occurs with the current biological assets of JBS USA, as in these cases market information is not available and alternatives to estimate them are clearly not reliable.

COMPANIES IN UNITED STATES OF AMERICA	**Dec 31, 2011**	**Dec 31, 2010**
Cattle	**46,954**	282,481
Hogs and Lamb	**73,790**	29,044
Poultry	**49,489**	1,250
Total biological assets stated at cost	**170,233**	**312,775**

As mentioned on the assumption above, the current biological assets of JBS USA are not measured at fair value, adopting the procedures of recovery by absorption costing.

Cattle - A subsidiary of JBS USA in Australia keeps cattle in feedlot, there is no active market for cattle in feedlot between the period of 75-100 days, just over 180 days.

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

Poultry – PPC is engaged in the poultry activity, however, due to the "maturation" period, which covers the period between the egg until the time of slaughter, is less than 45 days, the cost is close to fair value.

COMPANIES IN BRAZIL	**Dec 31, 2011**	**Dec 31, 2010**
Cattle	**37,024**	92,013
Plants for harvest	**2,286**	1,533
Total biological assets stated at market price	**39,310**	**93,546**

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

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

COMPANIES IN ARGENTINA	**Dec 31, 2011**	**Dec 31, 2010**
Cattle	-	10,707
Total biological assets stated at market price	**-**	**10,707**

Operations relating to biological assets of activities in Argentina on December 31, 2010 were integrally represented by bovine cattle under feedlot system (intensive), whose valuation at market price is reliably measured due to the existence of an active market.

JBS Argentina Board of Directors have decided not to continue with bovine cattle under feedlot system, and in October 2011 sold and slaughtered all their cattle under feedlot maintaining only the operation of slaughter facilities.

8 Recoverable taxes

	Company		**Consolidated**	
	Dec 31, 2011	**Dec 31, 2010**	**Dec 31, 2011**	**Dec 31, 2010**
Value-added tax on sales and services (ICMS / IVA / VAT / GST)	**1,075,566**	997,994	**1,264,118**	1,189,452
Excise tax - IPI	**59,772**	58,113	**124,459**	117,211
Social contribution on billings - PIS and COFINS	**616,957**	445,680	**745,376**	554,761
Withholding income tax - IRRF	**90,826**	79,783	**96,840**	84,981
Other	**49,515**	60,510	**85,644**	89,676
	1,892,636	**1,642,080**	**2,316,437**	**2,036,081**

Current and Long-term:				
Current	**1,330,609**	1,088,310	**1,690,311**	1,419,784
noncurrent	**562,027**	553,770	**626,126**	616,297
	1,892,636	**1,642,080**	**2,316,437**	**2,036,081**

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

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

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

Annually, Management, supported by its legal counsel, evaluate the segregation between current and noncurrent of such ICMS credits according to their expected realization.

Social contribution on billings - PIS and COFINS

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

Withholding income tax - IRRF

Refers basically to withholding income tax levied on short-term investments deductions and remittance of dividends from its subsidiary JBS USA, which can be offset against income tax payable on profits.

General comments

Company and JBS Embalagens recorded the monetary adjustment of their PIS, COFINS and IPI tax credits based on SELIC (Central Bank overnight rate), in the amount of R$ 150,717. Of this amount, the Company received R$ 28,987, and the remaining balance of R$ 121,730.

9 Other investments and discontinued operations

Inalca JBS SpA

On July 7, 2010, JBS S.A. filed an injunction in Italian court, aiming to discuss outstanding issues related to Corporate Governance of Group Cremonini, which on December 22, 2007 JBS acquired 50% of Inalca, forming the Inalca JBS (representing on March 31, 2010, 2.8% of consolidated revenue of JBS). The inability to exercise some control functions guaranteed by contract clauses valid under Corporate Governance of Inalca JBS generated concern about the quality and credibility of accounting information presented in the financial statements of Inalca JBS. As a result of all these legal procedures and doubts about the quality and credibility of accounting information of Inalca JBS, the financial statements of JBS S.A. were not consolidated with the updated accounting information after March 31, 2010 of Inalca JBS.

The issues were mainly related to failing compliance of certain contractual terms relating to (i) full access to all information and facilities of Inalca JBS and its subsidiaries by board members appointed by JBS (including the Chairman) and (ii) the fulfillment of the contractual clause that delegates to JBS S.A., the appointment of Administrative and Financial Director of Inalca JBS and its subsidiaries, (iii) full operation of the internal audit department.

On August 2, 2010, a request for action in the Chamber was filed with the ICC (International Chamber of Commerce) in Paris (France), to settle any outstanding issues cited in Corporate Governance on Inalca JBS.

The Company signed on March 4, 2011, a “Termination Agreement" with the Cremonini Group for dissolution of its 50% of participation in Inalca's capital. Accordingly the terms of Termination Agreement, the Company has returned the shares representing 50% of the Capital Stock of Inalca JBS to the Cremonini Group and the Cremonini Group has simultaneously reimbursed the amount of Euros 218,855 thousands (R$ 504,002) invested by the Company in 2008. As part of the agreement, the Company and Cremonini have agreed to definitively abandon all disputes and litigation relating to the Companies, their officers and employees.

On December 31, 2010 the Company estimated that such termination agreement, would result in a loss, considering the probable tax effects of approximately R$ 16,839, (R$ 25,514 loss and deferred income tax R$ 8,675),considering the write off of investment, goodwill (intangible assets), debts payable to Cremonini Group and exchange rate variation on investments recorded in shareholders' equity updated until December 31, 2010.

Due to the fact investment was permanently disposed in the first quarter of 2011, for comparative purposes, the Company decided to reclassify the investment of Inalca JBS on December 31, 2010 as discontinued operations and other investments, allowing readers and users a better comparability of the financial statements for the year 2011.

*** Other investments reconciliation (correspond to investment, equal participations of investee shareholder's equity)**

Shareholder's equity Inalca JBS:	928,188
Participation- 50%	464,094
Provision recorded on Dec.10:	(25,514)
Goodwill on investment	65,422
Assets held for sale	**504,002**

*** Discontinued operation net income in 2010**

Income statement Inalca JBS:	24,492
Participation - 50%	12,246
Discontinued operations	**12,246**

The Company established the accounting for noncurrent assets held for sale and the presentation of discontinued operations, as demonstrated below investment discontinued information, considering only the percentage of participation, used for recording on December 31, 2010.

Due to the considerations as discussed above, Inalca financial statement as of for the quarter ended March 31, 2010 (last consolidated Financial Statements) are presented below:

a) Statement of financial position - Inalca JBS

ASSETS		LIABILITIES	
Cash and cash equivalents	26,045	Trade accounts payable	159,014
Trade accounts receivable, net	151,815	Loans and financings	304,351
Inventories	173,681	Other current and non current liabilities	105,633
Recoverable taxes	20,519		
Other current and non current assets	34,387		
Property, plant and equipment, net	595,142	**TOTAL EQUITY**	**464,094**
Intangible assets, net	31,503		
TOTAL ASSETS	**1,033,092**	**TOTAL LIABILITIES AND EQUITY**	**1,033,092**

b) Statement of operations - Inalca JBS

Net sales revenue	342,970
Cost of goods sold	(302,018)
GROSS INCOME	**40,952**
General and administrative expenses and selling	(26,159)
Financial income, net	2,839
Other income expenses, net	(514)
Current income taxes	(4,872)
NET INCOME	**12,246**

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

Net income before taxes	17,679
Financial income, net	(2,839)
Depreciation and amortization	10,846
AMOUNT OF EBITDA	**25,686**

c) Summary Cash Flow Statement Inalca JBS

Cash flow from operating activities	25,678
Cash flow used in investing activities	(31,088)
Cash flow from financing activities	3,468
Effect of exchange variation on cash and cash equivalents	(1,159)
Net decrease in cash and cash equivalents	**(3,101)**
Cash and cash equivalents on Dec 31,2009	29,146
Cash and cash equivalents on Mar 31, 2010	**26,045**

10 Related parties transactions

Contracts between related parties recorded on the statement of financial position of the Company as receivables and debts with related parties:

				Dec 31, 2011	Dec 31, 2010
COMPANY	**Currency**	**Maturity**	**Annual rate**	**Mutual contracts**	**Mutual contracts**
Direct subsidiaries					
Mouran Alimentos Ltda.	R$	Sept 13, 2012	CDI + 12%	**53,207**	43,883
JBS Confinamento Ltda.	R$	Apr 1, 2012	CDI + 4%	**87,528**	142,169
JBS Embalagens Metálicas Ltda.	R$	Aug 16, 2012	CDI + 12%	**58,936**	54,862
JBS Global A/S (Denmark)	R$	Aug 16, 2012	CDI + 12%	**-**	(1,308)
JBS USA, Inc	US$	Aug 16, 2012	Libor + 2.5%	**(97,606)**	(1,538,772)
JBS Slovakia Holdings s.r.o.	US$	Mar 12, 2012	4.5%	**(43,284)**	(36,771)
S.A. Fabrica de Prod. Alimentícios Vigor	R$	Dec 31, 2012	CDI	**-**	(215,539)
Cascavel Couros Ltda	R$	Dec 31, 2012	CDI + 12%	**29,300**	(25,131)
Novaprom Food Ingredients Ltda	R$	Dec 31, 2012	CDI + 6%	**12,115**	11,350
Biolins Energia Ltda	R$	Dec 31, 2012	CDI + 12%	**-**	78,179

Indirect subsidiaries					
JBS Global Beef Company Lda.	EURO	Dec 31, 2011	Libor + 2%	**-**	(39,156)
Beef Snacks Brasil Ind.Com. Ltda.	R$	Jan 24, 2013	CDI + 4%	**96,761**	82,911
Beef Snacks International BV	US$	Dec 31, 2012	Libor + 2% to 3%	**4,371**	3,649
JBS HU Ltd	US$	May 19, 2012	12%	**(119,117)**	(96,018)
JBS Paraguay	US$	Aug 24, 2014	Libor + 5%	**6,294**	3,690
				88,505	**(1,532,002)**

Intercompany

	December 31, 2011		December 31, 2010	
COMPANY	**Trade accounts receivable**	**Trade accounts payable**	**Trade accounts receivable**	**Trade accounts payable**
Direct subsidiaries				
JBS Confinamento Ltda.	**252**	**33,384**	618	43,544
JBS Embalagens Metálicas Ltda.	**-**	**94**	268	1,583
JBS USA, Inc	**13,521**	**-**	90	-
JBS Itália SRL	**7,268**	**-**	14,932	-
S.A. Fabrica de Prod. Alimentícios Vigor	**17,538**	**3,431**	14,870	18
Cascavel Couros Ltda	**16,917**	**2,704**	24,208	395
Novaprom Food Ingredients Ltda	**1,661**	**681**	1,146	163
Indirect subsidiaries				
JBS Global Beef Company Lda.	**-**	**-**	48	-
JBS Global (UK) Limited	**32,149**	**4**	22,089	-
JBS Argentina S.A.	**-**	**2,017**	-	4,186
Global Beef Trading SU Lda.	**715**	**-**	2,825	1
Beef Snacks Brasil Ind.Com. Ltda.	**-**	**-**	1	-
JBS Leather Europe	**-**	**-**	8,579	-
Austrália Meat	**-**	**741**	-	10
Toledo International NV	**6,360**	**319**	13,036	-
Weddel Limited	**-**	**-**	4,096	-
Sampco Inc.	**1,655**	**-**	24,978	-
Frigorífico Canelones S.A.	**-**	**7**	-	705
Rigamonti Salumificio Spa	**10,334**	**19**	1,629	-
Itaholb International	**1,414**	**1,192**	4,470	-
Wonder Best Holding Company	**11,929**	**-**	19,069	-
Trump Asia Enterprise Ltd	**20,070**	**-**	10,790	-
Trustful Leather	**4,203**	**-**	6,510	-
JBS Paraguay	**24**	**-**	22	-
Other related parties				
JBS Agropecuária Ltda.	**178**	**2,984**	502	-
Flora Produtos de Hig. Limp. S.A.	**682**	**1**	6,350	689
Flora Dist. Produtos de Hig. Limp. S.A.	**18,439**	**190**	730	87
	165,309	**47,768**	**181,856**	**51,381**

Impacts of related party transactions on the statements of operations of the Company:

	December 31, 2011			December 31, 2010		
	Financial income (expenses)	**Purchases**	**Sales of products**	**Financial income (expenses)**	**Purchases**	**Sales of products**
Direct subsidiaries						
Mouran Alimentos Ltda.	**9,320**	**-**	**-**	3,237	-	-
JBS Confinamento Ltda.	**24,149**	**395,757**	**4,795**	14,040	200,970	3,952
JBS Embalagens Metálicas Ltda.	**10,984**	**63,005**	**3,657**	9,727	43,576	883
JBS USA, Inc	**(52,051)**	**-**	**62,036**	(17,281)	-	3,510
JBS Slovakia Holdings s.r.o.	**(1,680)**	**-**	**-**	(46,375)	-	-
JBS Itália SRL	**-**	**590**	**61,846**	53	-	16,516
S.A. Fabrica de Prod. Alimentícios Vigor	**(24,628)**	**1,576**	**125,204**	(3,572)	159	57,090
Cascavel Couros Ltda	**(1,641)**	**8,964**	**215,371**	2,895	12,436	209,443
Novaprom Food Ingredients Ltda	**1,729**	**3,614**	**9,946**	158	2,122	8,125

Indirect subsidiaries						
JBS Global (UK) Limited	**-**	**-**	**116,903**	-	-	94,880
JBS Argentina S.A	**-**	**13,819**	**-**	-	10,098	-
The Tupman Thurlow Co.	**-**	**-**	**-**	93	-	6,293
Global Beef Trading SU Lda.	**-**	**-**	**130,572**	-	448	93,356
Beef Snacks Brasil Ind.Com. Ltda.	**13,302**	**-**	**-**	10,558	18	-
Beef Snacks International	**384**	**-**	**-**	191	-	-
JBS HU Ltd	**(7,433)**	**-**	**-**	(9,892)	-	-
Swift & Company Trade Group	**-**	**-**	**-**	-	-	211
Australia Meat	**-**	**12,964**	**-**	-	4,350	-
Toledo International BV	**-**	**-**	**98,355**	-	-	22,397
JBS Leather Europe	**-**	**-**	**6,471**	-	-	8,978
Weddel Limited	**-**	**-**	**2,386**	-	-	7,050
Sampco Inc.	**-**	**-**	**80,736**	-	-	84,656
Bertin USA Corporation	**-**	**-**	**-**	136	-	-
Frigorífico Canelones S.A.	**-**	**8,331**	**-**	-	4,971	-
Rigamonti Salumificio Spa	**-**	**-**	**49,080**	-	-	4,697
Wonder Best Holding Company	**-**	**-**	**50,077**	-	-	38,247
Trump Asia Enterprise Ltd	**-**	**20**	**67,331**	-	-	12,781
Trustful Leather	**-**	**-**	**25,507**	-	-	6,631
JBS Paraguay	**245**	**-**	**17**	265	2,387	22
Itaholb International	**-**	**-**	**3,210**	-	-	5,725
Other related parties						
JBS Agropecuária Ltda.	**-**	**56,299**	**2,610**	-	37,848	2,085
Flora Produtos de Hig. Limp. S.A.	**-**	**-**	**49,581**	-	428	42,614
Flora Dist. Produtos de Hig. Limp. S.A.	**-**	**634**	**73,326**	-	2	1,007
	(27,320)	**565,573**	**1,239,017**	**(35,767)**	**319,813**	**731,149**

Guarantees provided and / or received

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

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

Details of transactions with related parties

The main assets and liabilities balances, as well as the transactions that impacted the statements of operations related with related parties transactions, are considered by Management as accomplished in the usual market conditions for similar types of operations.

Among the more representative transactions between related parties, we emphasize the purchase of cattle for slaughter between the Company and it subsidiary JBS Confinamento, the related party JBS Agropecuária and Leather sales operation to the subsidiary Cascavel. Such transactions are made at regular price and market conditions in their region because it takes the market prices applied to other suppliers (third parties outside the JBS Group). The number of cattle supplied by these related parties is immaterial comparing to the Company's demand.

The Company has short term investments in agribusiness letters of credit (LCA - DI) in Banco Original do Agronegócio S.A. in the amount of R$ 107,362 on December 31, 2011.This has interest equivalent to the market, an average 100% of the variation of the Interbank Deposit Certificate - CDI.

On mutual contracts exchange rate and interests may apply.

No allowance for doubtful accounts relating to related-party transactions were recognized as of December 31, 2011 and 2010.

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

The unamortized balance at December 31, 2011 and 2010 was approximately US$ 94.3 million (R$ 176,888) and US$ 135.0 million (R$ 224,937).

Consolidated - Credits with related parties

The consolidated balance of related parties, in the amount of R$ 552,197 as of December 31, 2011 (R$ 332,679 as of December 31, 2010), has the following composition:

a) Not consolidated Companies

The Company's subsidiary JBS USA, has a receivable in the amount of 491,465 (R$ 280,772 as of December 31, 2010) from a credit line of up to US$ 375 million, bearing interest, between the indirect subsidiary JBS Five Rivers and J&F Oklahoma, a sister company also a subsidiary of the holding J&F Participações S.A. J&F Oklahoma uses this credit for adding value to cattle placed in the feedlot of JBS Five Rivers to be prepared for 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 charges the medicinal and adding value costs, besides a daily rental fee in line with market terms;
ii) Cattle sale and purchase agreement with JBS USA of at least 500,000 animals/year, starting from 2009 up to 2016.

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

On June 2011, J&F Australia became party to a cattle purchase and sale agreement with JBS Australia. Under this agreement, J&F Australia agreed to sell to JBS Australia, and JBS Australia has agreed to purchase from J&F Australia, at least 200,000 cattle during each year. The minimum for the first year ending December 31, 2011 is 100,000 cattle.

b) Companies partially consolidated

The amount of R$ 60,732 (R$ 51,907 as of December 31, 2010) refers to credits of subsidiaries partially consolidated, as follows :

	Dec 31, 2011	Dec 31, 2010
Beef Snacks do Brasil Ltda.	**48,396**	41,456
Beef Snacks International BV.	**4,306**	3,666
Jerky Snack Brands, Inc.	**8,030**	6,785
	60,732	**51,907**

Remuneration of key management

Company's management includes the Executive Board and the Board of Directors. The aggregate amount of compensation received by the members of Company's management for the services provided in their respective areas of business in the years ended December 31, 2011 and 2010 is the following:

	Members	Dec 31, 2011	Dec 31, 2010
Executive Board and Board of Directors	**15**	**6,791**	5,038
	15	**6,791**	**5,038**

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

The Institutional Relations Executive Officer, Administrative and Control Director and Investor Relations Director are under an employment contract regime CLT (which is the Consolidation of Labor Laws), which follows all the legal prerogatives of payments and benefits. Bonuses and other corporate benefits to employees or extended to their family are not included above.

Except for those described above, the other members of the Executive Board and Management Board are not part of any employment contract or any other contracts for additional business benefits such as post-employment benefits or other long-term benefits, termination benefits that are not part of those required by the CLT, when applicable, or either share-based payments.

11 Investments in subsidiaries and joint ventures

	Company	
	Dec 31, 2011	Dec 31, 2010
Investments in subsidiaries	**5,995,157**	8,890,450
Goodwill	**1,566,417**	1,552,550
	7,561,574	**10,443,000**

Relevant information about subsidiaries in the year ended on December 31, 2011:

	Ownership	Total assets and liabilities	Capital stock	Shareholders' equity	Net revenue	Net income (loss)
JBS Embalagens Metálicas Ltda.	99.00%	92,604	2	29,834	38,741	(1,870)
JBS Global Investments S.A.	100.00%	43,602	174,449	43,602	-	(36,913)
JBS Holding Internacional S.A.	100.00%	574,099	1,108,467	320,912	704,995	(169,220)
JBS Global A/S (Denmark)	100.00%	262,117	490,255	68,677	652,792	(33,795)
Mouran Alimentos Ltda.	100.00%	7,058	120	(46,423)	-	(12,175)
JBS USA, Inc.	99.97%	16,081,575	752,972	3,357,311	45,281,949	280,247
JBS Confinamento Ltda.	100.00%	546,916	467,401	424,523	469,715	(29,536)
JBS Slovakia Holdings, s.r.o.	100.00%	254,566	55,278	184,829	43,630	3,236
JBS Italia S.R.L.	100.00%	69,730	19,676	11,312	90,233	(2,706)
CJSC Prodcontract	70.00%	20,582	-	(22,132)	194,049	(1,874)
LLC Lesstor	70.00%	37,634	9	37,433	1,856	52
JBS Middle East	100.00%	80	333	44	179	(257)
JBS Leather Paraguay	100.00%	17	16	16	-	-
JBS Holding GMBH	100.00%	1,898,272	85	360,904	1,325,249	122,456
Novaprom Foods e Ingredientes Ltda	60.00%	35,593	792	(2,535)	23,919	(5,288)
S.A.Fábrica de Produtos Alimentícios Vigor	100.00%	1,186,978	354,031	330,427	1,229,543	(7,579)
Cascavel Couros Ltda	100.00%	384,908	240,861	305,261	291,583	13,495

In the consolidated financial statements goodwill is recognized as an intangible asset and assets and liabilities acquired are consolidated in the Company. In the individual financial statements, goodwill is recorded in Investments, the same group of noncurrent assets.

				Equity in subsidiaries		
	Dec 31, 2010	Addition (disposal)	Exchange rate variation (i)	Shareholders' Equity (ii)	Statements of operations	Dec 31, 2011
JBS Embalagens Metálicas Ltda.	**31,387**	-	-	-	(1,851)	**29,536**
JBS Global Investments S.A.	**75,451**	-	843	4,221	(36,913)	**43,602**
JBS Holding Internacional S.A. [(1)]	**331,706**	147,953	-	10,473	(169,220)	**320,912**
JBS Global A/S (Denmark)	**87,566**	7,088	2,577	5,241	(33,795)	**68,677**
Mouran Alimentos Ltda.	**(34,248)**	-	-	-	(12,175)	**(46,423)**
JBS USA, Inc. [(2)]	**7,045,765**	(3,885,883)	(36,933)	(46,860)	280,158	**3,356,247**
JBS Confinamento Ltda.	**401,659**	52,400	-	-	(29,536)	**424,523**
JBS Slovakia Holdings, s.r.o.	**162,517**	-	4,144	14,932	3,236	**184,829**
JBS Italia S.R.L	**11,606**	1,342	1,245	(175)	(2,706)	**11,312**
Prodcontract	**(13,095)**	(107)	(851)	(127)	(1,312)	**(15,492)**
LLC Lesstor	**-**	24,259	1,527	381	36	**26,203**
JBS Middle East	**-**	308	26	(33)	(257)	**44**
JBS Leather Paraguay	**-**	16	-	-	-	**16**
JBS Holding GMBH [(3)]	**163,242**	563,792	(8,281)	52,360	122,456	**893,569**
Novaprom Foods e Ingredientes Ltda	**1,652**	-	-	-	(3,173)	**(1,521)**
S.A.Fábrica de Produtos Alimentícios Vigor [(4)]	**248,359**	287,142	-	(197,495)	(7,579)	**330,427**
Cascavel Couros Ltda	**289,028**	-	-	2,738	13,495	**305,261**
Biolins Energia S.A. [(5)]	**40,512**	(32,913)	-	-	(7,599)	**-**
Transfer to Other current liabilities (Negative equity)	**47,343**	-	-	-	-	**63,435**
Total	**8,890,450**	**(2,834,603)**	**(35,703)**	**(154,344)**	**113,264**	**5,995,157**

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

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

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

[(1)]- JBS Holding Internacional S.A - During year 2011 the Company sent remittances being considered as mutual contracts, and at the year end capitalized such amounts.

[(2)]- JBS USA, Inc. - As of June 2011, the Company received from JBS USA the amount of R$ 1,532,151 referring to a capital reduction, and additionally in April and June 2011 another capital reduction was in place as an offset of mutual contract on the amount of R$ 1,394,175. Also, in December 2011 JBS USA has paid dividends to the Company on the amount of R$ 959,557.

[(3)]- JBS Holding GMBH - Basically in march 2011, the Company capitalized the amount received on the sale of its investment in Inalca, on JBS Holding GMBH.

[(4)]- S.A.Fábrica de Produtos Alimentícios Vigor - Basically, in December 2011 the Company capitalized the amount of R$ 250,000 at Vigor as cash remittance.

[(5)]- Biolins Energia S.A. - on April 23, 2011, Biolins was incorporated into the Company on April, 2011.

Joint ventures (jointly controlled entities)

Interests in joint ventures include:

	Equity interests - %	
	Dec 31, 2011	Dec 31, 2010
Beef Snacks International	50%	50%
Meat Snacks USA [(a)]	50%	-
Dan Vigor	50%	50%

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

The financial information of the joint ventures was consolidated under the proportionate consolidation method, considering the joint control exercised under shareholders agreements. All the balances of the joint ventures" assets and liabilities are as follows:

	December 31, 2011			December 31, 2010		
ASSETS	Beef Snacks International	Meat Snacks USA	Dan Vigor	Beef Snacks International	Meat Snacks USA	Dan Vigor
Current	**5,393**	**16,196**	**29,295**	2,080	-	13,814
Non current	**45,238**	**927**	**20,970**	50,136	-	5,540
TOTAL ASSETS	**50,631**	**17,123**	**50,265**	**52,216**	**-**	**19,354**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current	**24**	**4,165**	**10,409**	871	-	3,834
Non current	**130,289**	**-**	**3,484**	112,817	-	1,144
Shareholder´s equity	**(79,682)**	**12,958**	**36,373**	(61,472)	-	14,376
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**50,631**	**17,123**	**50,265**	**52,216**	**-**	**19,354**

	December 31, 2011			December 31, 2010		
OPERATIONS	Beef Snacks International	Meat Snacks USA	Dan Vigor	Beef Snacks International	Meat Snacks USA	Dan Vigor
Net sales revenue	**-**	**43,765**	**80,073**	24,743	-	64,197
Cost of goods sold	**-**	**(40,322)**	**(58,691)**	(25,110)	-	(47,291)
GROSS INCOME (LOSS)	**-**	**3,443**	**21,382**	**(367)**	**-**	**16,906**
General and administrative expenses and selling	**(1,630)**	**(3,373)**	**(9,944)**	(5,492)	-	(8,398)
Financial income, net	**(12,095)**	**745**	**140**	(12,894)	-	1,041
Other income expenses, net	**-**	**22**	**(17)**	5,513	-	(82)
Current income taxes	**-**	**(306)**	**(3,940)**	-	-	(3,172)
NET INCOME (LOSS) OF THE YEAR	**(13,725)**	**531**	**7,621**	**(13,240)**	**-**	**6,295**

The joint venture Beef Snacks International consolidateds the subsidiaries Beef Snack and Jerky Snacks. The investments of the joint venture Beef Snacks International is proportionally consolidated at JBS Global A/S, direct subsidiary, of the Company.

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

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

12 Property, plant and equipment, net

				Net amount	
Company	Cost	Revaluation	Accumulated depreciation	Dec 31, 2011	Dec 31, 2010
Buildings	2,731,833	116,782	(291,590)	**2,557,025**	2,528,487
Land	944,262	9,352	-	**953,614**	969,461
Machinery and equipment	3,567,501	45,041	(629,430)	**2,983,112**	2,958,227
Facilities	753,649	21,832	(134,116)	**641,365**	640,479
Computer equipment	189,463	737	(50,515)	**139,685**	29,033
Vehicles	371,227	83	(187,369)	**183,941**	240,422
Construction in progress	238,236	-	-	**238,236**	205,346
Other	127,996	1,265	(22,657)	**106,604**	27,508
	8,924,167	**195,092**	**(1,315,677)**	**7,803,582**	**7,598,963**

Consolidated	Cost	Revaluation	Accumulated depreciation	Net amount Dec 31, 2011	Net amount Dec 31, 2010
Buildings	5,849,513	116,782	(688,160)	**5,278,135**	4,975,792
Land	2,363,839	9,352	(102,497)	**2,270,694**	2,180,248
Machinery and equipment	7,892,235	45,041	(2,252,766)	**5,684,510**	5,513,906
Facilities	842,188	21,832	(181,747)	**682,273**	725,792
Computer equipment	337,303	737	(129,529)	**208,511**	74,588
Vehicles	593,002	83	(339,952)	**253,133**	330,674
Construction in progress	808,055	-	(10)	**808,045**	762,612
Other	242,921	1,265	(50,773)	**193,413**	60,589
	18,929,056	**195,092**	**(3,745,434)**	**15,378,714**	**14,624,201**

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

	Average annual depreciation rates as of December 31, 2011 Company	Consolidated
Buildings	3.09%	3.11%
Land	0.00%	0.01%
Machinery and equipment	6.07%	6.11%
Facilities	5.89%	5.90%
Computer equipment	6.74%	6.78%
Vehicles	11.05%	11.08%
Other	5.93%	5.88%

Changes in property, plant and equipment

	Company		Consolidated	
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
Initial balance	**7,598,963**	**7,599,627**	**14,624,201**	**14,440,634**
(+) Borrowings costs adjustments	**4,475**	11,990	**4,475**	11,990
(+) Additions	**587,899**	627,499	**1,474,472**	1,532,020
(+) Incorporation of Biolins	**110,566**	-	**-**	-
(-) Disposals	**(65,927)**	(356,961)	**(268,981)**	(176,544)
(-) Depreciation	**(432,394)**	(283,192)	**(1,198,305)**	(1,129,019)
(+) Exchange rate variation	**-**	-	**742,852**	(54,880)
Final balance	**7,803,582**	**7,598,963**	**15,378,714**	**14,624,201**

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

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

Until December 2007, revaluations were performed on property, plant and equipment items of several Company's plants.The method and assumption applied to estimate the fair value of the assets were determined based on current market prices. As of September 30, 2012, the total amount of property, plant and equipment revaluation is R$ 195,092 which the revaluation reserve is R$ 101,055 and the provision for income and social contribution taxes is R$ 47,743. For revalued property, plant and equipment, the Company recorded accumulated depreciation of R$ 45,794.

The Company and its subsidiaries reviewed the useful lives of their property, plant and equipment. Significant differences were not found in comparison with the useful lives adopted as of December 31, 2009. From January 1, 2011 new acquisitions are made with estimated useful lives, annually the useful lives are reviewed and when applicable adjusted.

Interest capitalization - Borrowing costs

The Company capitalized those borrowing costs directly attributable to the construction of qualifying assets, which are exclusively represented by construction in progress. The borrowing costs allocated to the qualifying assets as of December 31, 2011 and December 31, 2010 are shown below:

	Consolidated	
	Dec 31, 2011	Dec 31, 2010
Construction in progress	**754,543**	713,585
(+) capitalized borrowing costs	**53,502**	49,027
	808,045	**762,612**

Impairment test of assets

In compliance with the requirements of IAS 36/CPC 01 R1 - Presentation of financial statement, the Company performed the annual impairment test of the tangible and intangible assets on December 31, 2011, which were estimated based on the values in use of its various cash-generating units using the discounted cash flows, and showed that the estimated market value is higher than the net book value at the valuation date and, during the year there was no evidence of loss of value of individual assets or group of relevant assets. Potential impacts of loss are disclosed in notes when relevant. The assumptions of the annual impairment test of recovery are described in note 13.

13 Intangible assets, net

	Company		Consolidated	
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
Goodwill	**9,069,926**	9,069,926	**11,189,867**	11,097,542
Trademarks	**452,575**	452,574	**665,005**	649,031
Software	**9,005**	9,239	**16,406**	17,666
Water rights	**-**	-	**60,840**	48,870
Client portfolio	**-**	-	**597,016**	608,130
Other	**-**	-	**3,485**	4,260
	9,531,506	**9,531,739**	**12,532,619**	**12,425,499**

Changes in intangible assets

	Company		Consolidated	
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
Initial balance	**9,531,739**	**9,539,972**	**12,425,499**	**13,156,740**
(+) Additions	**3,859**	-	**45,774**	5,016
(+) Incorporation of Biolins	**15**	-	**-**	-
(-) Disposals	**-**	(5,310)	**(243)**	(537,741)
(-) Amortization [(1)]	**(4,107)**	(2,923)	**(93,105)**	(87,167)
(-) Exchange rate variation	**-**	-	**154,694**	(111,349)
Final balance	**9,531,506**	**9,531,739**	**12,532,619**	**12,425,499**

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

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

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

Goodwill: According to technical interpretation ICPC 09 - Individual Financial Statements, Separate Statements, Consolidated Statements and Application of Equity Method, in the consolidated goodwill is recorded in the Intangible assets due to expected profitability of the acquired subsidiary, assets and liabilities are consolidated in the Individual Statement. In the balance sheet of the Company, this goodwill is recorded on Investments, the same group of noncurrent assets, because, for the Company it is part of its investment on subsidiary acquisition, not being its intangible assets (as stated above, the expectation of future earnings - the genuine intangible - is the subsidiary).
In the company the intangible goodwill arising from the merger of Bertin, and the rest allocated to investments. Consolidated all goodwill re recorded as intangible. The Company presents only the intangible goodwill arising from the merger of Bertin and the remaining amounts are allocated in investments.

Detailing of the Goodwill

Company- Recorded as intangible

In December 2009 the Company merged Bertin. The market value of this operation was ascertained based on an appraisal report prepared by a valuation company. The fair value of shares exchange between the companies amounted to R$ 11,987,963, generating goodwill of R$ 9,069,926. Pursuant to IFRS 3 (R)/CPC 15 – Business combinations, in 2010 the purchase price was allocated to the respective asset accounts, based on the fair value of identifiable assets and liabilities.

Company- Recorded as investment

In July 2007 the Company acquired a 100% interest in Swift Foods Company, currently known as JBS USA , with goodwill of R$ 906,481,based on expected future earnings, which was being amortized over 5 years prior to IFRS first time adoption. Accumulated amortization at the transmition date (December 31, 2008) was R$ 248,656, showing a net carrying amount of R$ 657,826 as of December 31, 2011.

On September 2007, the Company through its merged company Bertin, acquired 99.06% of interest in S.A. Fabrica de Produtos Alimenticios Vigor, with goodwill of R$ 860,947, based on expected future earning of the acquired business.

In July 2010 the Company acquired 70% interest in CJSC Prodcontract, with goodwill of R$ 18,140~~.~~

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

The Company through its acquired company Bertin, has other smaller representation of goodwill arising from companies acquisition based on expected future profitability of R$ 16,043, which related the following investments:
i) Novaprom Foods Ingredients - R$ 12,000
ii) Phitoderm - R$ 4,043

JBS USA has goodwill of US$ 224,507 thousand, equivalent to R$ 421,130 as of December 31, 2011, arising mainly from the acquisition in 2008 of Smithfield beef, Tasman and Five Rivers.

In 2007, JBS Holding International S.A., through its subsidiaries JBS Argentina S.A. and JBS Mendoza S.A., acquired 100% of the capital stock of Consignaciones Rurales S.A. and Argenvases S.A.I.C. and, in 2008, through the same subsidiaries, acquired 100% of the capital stock of Colcar S.A., with total goodwill of $ 31,956 thousand Argentinean pesos, equivalent to R$ 13,933 as of December 31, 2011. Goodwill is based upon expected future earnings of the acquired businesses.

JBS Global A/S has goodwill of 5,187 thousands of Euros, equivalent to R$ 12,626 as of December 31, 2011, arising from the acquisition of the Toledo Group.

The Company's subsidiaries have other smaller representation of goodwill arising from companies acquisition, of R$ 105,835 which related to the following investments:
i) JBS Holding Inc - R$ 20,346
ii) Misr Cold - R$ 21,382
iii) Rigamonti - R$ 56,317
iv) Serrabella - R$ 1,459
v) Wonder Best - R$ 1,846
vi) IFPSA - R$ 4,485

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

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

Impairment test of goodwill

On December, 2011 the Company tested the recovery of the goodwill using the concept of "value in use" through models of discounted cash flow, representing the group of tangible and intangible assets used in the development and sale of products to its customers.

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

Consistent with the techniques of economic evaluation, assessment of the value in use is effected for a period of 10 years, and after, considering the perpetuity of the assumptions in view of the indefinite business continuity capability. Management judged appropriate to use the period of 10 years based on their past experience in designing accurately projected cash flows.

The growth rates used to extrapolate the projections after the period of 10 years ranged from 3% to 4% ~~at~~ a year in nominal values. The estimated future cash flows were discounted using discount rates ranging from 8.9% to 10.6% at year, also in nominal values. The principal assumptions used in estimating the value in use are as follows:

• Sales Revenue - Revenues are projected from 2012 to 2021 considering the growth in volume of different products of the Cash Generating Units.

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

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

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

Based on our annual test for impairment of the in 2011, there were no indications of possible losses, as the estimated market value is higher than the carrying amount at the valuation date.

14 Trade accounts payable

	Company		Consolidated	
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
Commodities - cattle	**358,129**	284,008	**1,237,805**	1,218,781
Materials and services	**293,258**	268,059	**1,830,650**	1,584,807
Finished products	**14,988**	14,915	**255,431**	158,807
	666,375	**566,982**	**3,323,886**	**2,962,395**

15 Loans and financings

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

Current liabilities

		Company	
Type	**Average annual rate of interest and commissions**	**Dec 31, 2011**	**Dec 31, 2010**
Foreign currency			
ACC - (advances on exchange contracts)	Exchange variation + interest from 2.54 % to 5.18%	**2,078,290**	1,304,840
Euro Bonds	Exchange variation and interest of 10.25%	**16,637**	474,978
Prepayment	Exchange variation + Libor and interest from 0.7% to 6%	**824,925**	406,867
144-A	Exchange variation + interest from 8.25% to 10.50%	**82,161**	67,332
Credit note - Export	Exchange variation + interest from 6.3% to 7.85%	**36,648**	406
Exim - Foreign loan	Exchange variation, TJLP + interest from 3 % to 5.5%	**-**	3,764
Resolution 63	Exchange variation, Interest of 2.5% + Libor 6 months	**10,859**	25,232
		3,049,520	**2,283,419**
National currency			
FINAME	TJLP and interest from 1.26% to 8.5%	**80,853**	54,402
FINAME	Interest from 4.5% to 10%	**-**	4,114
FINEM	TJLP and interest from 3.00% to 3.98%	**-**	48,203
FINEM	Currency basket BNDES + interest of 2.90%	**-**	245
EXIM - export credit facility	TJLP and interest of 5.81%	**225,926**	387,629
BNDES automatic	TJLP and interest from 3.1% to 5.44%	**153,456**	168,938
BNDES automatic	Currency basket BNDES + interest from 2% to 3.1%	**6,308**	15,639
Working capital- Brazilian Reais	Interest from 11.25% or 100% to 114.4% of CDI	**257,186**	141,684
Credit note - export	Interest from 1.2% to 14% or 100% to 125% of CDI	**796,672**	1,232,141
FCO - Middle West Fund	Interest of 10.00%	**612**	615
FNO - North Fund	Interest of 10.00%	**4,150**	5,008
Others		**19**	556
		1,525,182	**2,059,174**
		4,574,702	**4,342,593**

Noncurrent liabilities

		Company	
Type	**Average annual rate of interest and commissions**	**Dec 31, 2011**	**Dec 31, 2010**
Foreign currency			
ACC - (advances on exchange contracts)	Exchange variation + interest from 2.54 % to 5.18%	**-**	289,919
Euro Bonds	Exchange variation and interest of 10.25%	**656,530**	583,170
Prepayment	Exchange variation + Libor and interest from 0.7% to 6%	**894,849**	907,802
144-A	Exchange variation + interest from 8.25% to 10.50%	**2,238,629**	1,984,683
Credit note - Export	Exchange variation + interest from 6.3% to 7.85%	**15,912**	46,320
Resolution 63	Exchange variation, Interest of 2.5% + Libor 6 months	**-**	9,521
		3,805,920	**3,821,415**

Local currency			
FINAME	TJLP and interest from 1.26% to 8.5%	**132,854**	99,456
FINAME	Interest from 4.5% to 10%	**-**	7,384
FINEM	TJLP and interest from 3.00% to 3.98%	**-**	63,538
FINEM	Currency basket BNDES + interest of 2.90%	**-**	51
EXIM - export credit facility	TJLP and interest of 5.81%	**83,333**	247,916
BNDES automatic	TJLP and interest from 3.1% to 5.44%	**33,755**	195,545
BNDES automatic	Currency basket BNDES + interest from 2% to 3.1%	**4,329**	-
Working capital- Brazilian Reais	Interest from 11.25% or 100% to 114.4% of CDI	**1,842,188**	571,631
Credit note - Export	Interest from 1.2% to 14% or 100% to 125% of CDI	**1,171,540**	1,647,120
FCO - Middle West Fund	Interest of 10.00%	**650**	1,250
FNO - North Fund	Interest of 10.00%	**20,624**	24,609
		3,289,273	**2,858,500**
		7,095,193	**6,679,915**

Breakdown:		
Current liabilities	**4,574,702**	**4,342,593**
Noncurrent liabilities	**7,095,193**	**6,679,915**
	11,669,895	**11,022,508**

Maturities of long-term debt are as follows:		
2012	**-**	1,779,752
2013	**1,883,106**	1,195,695
2014	**1,163,976**	595,982
2015	**945,160**	518,743
2016	**1,394,493**	1,080,390
2017	**7,318**	2,000
2018	**1,697,233**	1,503,639
2019	**2,689**	3,714
2020	**1,045**	-
2021	**173**	-
	7,095,193	**6,679,915**

Current liabilities

		Consolidated	
Type	**Average annual rate of interest and commissions**	**Dec 31, 2011**	**Dec 31, 2010**
Foreign currency			
ACC - (advances on exchange contracts)	Exchange variation + interest from 2.54 % to 5.18%	**2,216,128**	1,403,552
Euro Bonds	Exchange variation and interest of 10.25%	**22,758**	474,978
Prepayment	Exchange variation + Libor and interest from 0.7% to 6%	**836,276**	406,867
144-A	Exchange variation + interest from 8.25% to 10.50%	**82,161**	67,332
Credit note - Import	Exchange variation + interest of 11.25%	**7,110**	17,483
Credit note - Export	Exchange variation + interest from 6.3% to 7.85%	**36,648**	406
Notes	Exchange variation + interest of 9.25%	**-**	5,437
PPC - México revolver	Libor, base rate or TIIE, pre determinate rate	**54**	-
Tasman Government Loan	Exchange variation + Interest of 0% until 2013	**1,249**	1,076
EXIM - export credit facility	Exchange variation TJLP, interest from 3.00% to 5.5%	**-**	3,764
Resolution 63	Exchange variation + Interest of 2.5% + Libor 6 months	**10,859**	25,232
		3,213,243	**2,406,127**

Local Currency			
FINAME	TJLP and interest from 1.26% to 8.5%	**81,037**	54,535
FINAME	Interest from 4.5% to 10%	**152**	4,207
FINEM	TJLP and interest of 3.00% to 3.98%	**-**	48,533
FINEM	Currency basket BNDES + interest of 2.90%	**-**	246
Installment note corp aircraft (payable notes)	Libor and interest from 1.75%	**1,726**	2,666
JBS Mortgage	Interest from 5.75% to 8.35%	**3,001**	2,183
EXIM - export credit facility	TJLP and interest from 5.81%	**225,926**	387,629
EXIM - export credit facility	Interest from 7% to 11.19%	**92,495**	101,347
BNDES automatic	TJLP and interest from 3.1% to 5.44%	**153,456**	168,939
BNDES automatic	Currency basket + interest from 2% to 3.1%	**6,308**	15,639
US revolver	Libor or Prime and pre determinate rate	**2,339**	-
JBS Term Loan	Rate (ABR) or Juros de 4,25%	**17,514**	-
Five Rivers term loan	Interest of 2.75%	**11,816**	-
Senior note due 2014	Interest of 11.625%	**23,318**	21,092
Senior note due 2021	Interest of 7.25%	**6,139**	-
PPC - US Senior note	Interest of 7.875%	**2,257**	72
PPC exit credit facility - revolving credit facility	Base + pre determinate rate	**1,780**	1,295
PPC - US term notes	Interest from 4.813% to 9.00%	**42,931**	110,456
PPC - US bonds	Interest from 7.625% to 9.25%	**229**	1,998
Plainwell Bond	Interest of 4.39%	**3,554**	701
Working capital- Brazilian Reais	Interest of 11.25% or 100% to 114.4% of CDI	**264,107**	141,684
Working capital - US dollars	Libor +interest from 1.10% to 3.20%	**133,462**	102,356
Working capital - EUROS	Euribor +interest from 0.15% to 1.75%	**28,305**	-
Credit note - Export	Interest from 1.2% to 14% or 100% to 125% of CDI	**796,672**	1,234,889
FCO - Middle West Fund	Interest of 10.00%	**1,362**	1,370
FNO - North Fund	Interest from 10.00%	**4,150**	5,008
Working capital - Egyptian pound	Libor + Interest of 2% and commission of 0,1%	**17,168**	50,712
EGF	Interest of 6.75%	**30,351**	25,910
Credit note - Import	Interest of 4.44% (LIBOR and interest of 2.80%)	**108,056**	76,604
Finep	Interest of 4.5%	**24**	-
Others		**66,555**	-
		2,126,190	**2,560,071**
		5,339,433	**4,966,198**

Noncurrent liabilities

		Consolidated	
Type	**Average annual rate of interest and commissions**	**Dec 31, 2011**	**Dec 31, 2010**
Foreign currency			
ACC - (advances on exchange contracts)	Exchange variation + interest from 2.54 % to 5.18%	**-**	289,919
Euro Bonds	Exchange variation and interest of 10.25%	**844,110**	749,790
Prepayment	Exchange variation + Libor and interest from 0.7% to 6%	**894,849**	907,801
144-A	Exchange variation + interest from 8.25% to 10.50%	**2,238,629**	1,984,683
Credit note - Import	Exchange variation + interest of 11.25%	**-**	6,667
Credit note - Export	Exchange variation + interest from 6.3% to 7.85%	**15,912**	46,320
Tasman Government Loan	Exchange variation + Interest of 0% until 2013	**22,851**	5,995
Resolution 63	Exchange variation + Interest of 2.5% + Libor 6 months	**-**	9,521
		4,016,351	**4,000,696**

JBS S.A.

Notes to the consolidated financial statements for the years ended December 31, 2011 and 2010
(Expressed in thousands of reais)

Local currency			
FINAME	TJLP and interest from 1.26% to 8.5%	**133,138**	99,766
FINAME	Interest from 4.5% to 10%	**1,172**	7,420
FINEM	TJLP and interest of 3.00% to 3.98%	**-**	63,701
FINEM	Currency basket BNDES + interest of 2.90%	**-**	51
Installment note corp aircraft (payable notes)	Libor and interest from 1.75%	**12,405**	12,550
JBS Mortgage	Interest from 5.75% to 8.35%	**31,812**	30,920
EXIM - export credit facility	TJLP and interest from 5.81%	**83,333**	247,917
EXIM - export credit facility	Interest from 7% to 11.19%	**-**	92,050
BNDES automatic	TJLP and interest from 3.1% to 5.44%	**33,755**	195,545
BNDES automatic	Currency basket + interest from 2% to 3.1%	**4,329**	-
US revolver	Libor or Prime and pre determinate rate	**50,450**	-
JBS Term Loan	Alternate Base Rate (ABR) or Eurodollar	**865,534**	-
Five Rivers term loan	Interest of 2.75%	**144,590**	-
Senior note due 2014	Interest of 11.625%	**1,265,417**	1,100,725
Senior note due 2021	Interest of 7.25%	**1,182,157**	-
PPC - US Senior note due 2018	Interest of 7.875%	**913,999**	788,879
PPC exit credit facility - revolving credit facility	Base + pre determinate rate	**631,389**	342,071
PPC - US term notes	Interest from 4.813% to 9.00%	**1,022,148**	936,706
PPC - US bonds	Interest from 7.625% to 9.25%	**7,310**	-
Plainwell Bond	Interest of 4.39%	**26,059**	26,033
Marshaltown	Interest of 2.34%	**17,891**	-
Working capital- Brazilian Reais	Interest of 11.25% or 100% to 114.4% of CDI	**1,842,188**	571,631
Working capital - US dollars	Libor +interest from 1.10% to 3.20%	**32,187**	14,441
Working capital - Euro	Euribor + interest from 0.15% to 1.75%	**2,071**	-
Credit Note - export	Interest from 1.2% to 14% or 100% to 125% of CDI	**1,171,540**	1,647,120
FCO - Middle West Fund	Interest of 10.00%	**1,693**	3,029
FNO - North Fund	Interest of 10.00%	**20,624**	24,609
Working capital - Egyptian pound	Libor + Interest of 2% and commission of 0,1%	**-**	5,979
Finep	Interest of 4.5%	**11,680**	-
Others		**7,539**	5,317
		9,516,410	**6,216,460**
		13,532,761	**10,217,156**
Breakdown:			
Current liabilities		**5,339,433**	**4,966,198**
Noncurrent liabilities		**13,532,761**	**10,217,156**
		18,872,194	**15,183,354**

Maturities of long-term debt are as follows:		
2012	**-**	1,888,682
2013	**1,949,326**	1,210,997
2014	**4,136,914**	2,960,036
2015	**980,346**	540,466
2016	**1,572,683**	1,081,564
2017	**199,347**	175,824
2018	**3,449,587**	2,338,259
2019	**4,148**	21,328
2020	**1,936**	-
2021	**1,182,330**	-
Maturities thereafter 2021	**56,144**	-
	13,532,761	**10,217,156**

ACC (advances on exchange contracts) are credit facilities obtained from financial institutions by the Company, its subsidiary JBS Argentina S.A., in the amount of US$ 1,181,431 as of December 31, 2011 (US$ 1,016,367 as of December 31, 2010), to finance export transactions.

EUROBONDS - The merged company Bertin who entered into a credits agreement in the amount of US$ 350 million on October 13, 2006 , with a coupon of 10.25% per year, without guarantee.

USBONDS - On April 27, 2009, the subsidiary JBS USA issued bonds in the amount of US$ 700 million, with a payment term of five years and coupon of 11.625% per year, with a discount of US$ 48.7 million, which will be added to the loan over its useful live. The operation is guaranteed by the Company and its subsidiary JBS USA and the subsidiaries of JBS USA.

144-A – It refers to three issuances of 144-A notes: (i) Notes 2016 - JBS S.A. in the amount of US$ 300 million with an interest rate of 10.50% per annum; (ii) Notes 2016 of Bertin (an acquired company merged into the Company) in the amount of US$ 350 million with an interest rate of 10.25% per annum and (iii) Notes 2018 - JBS S.A. in the amount of US$ 900 million with an interest rate of 8.25% per annum.

FINAME / FINEM – Financing agreements with BNDES are secured by the financed assets

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

Term Loan B - On May 27, 2011 the subsidiary JBS USA, LLC entered into a credit agreement consisting of a term loan of US$ 475 million with a payment term of 7 years and LIBOR + 3% per year.

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

16 Credit operations, guarantees and covenants

On December 31, 2011, the Company was in compliance with all covenants. The main credit operations, guarantees and covenants of the Company and its subsidiaries are described below.

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

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

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

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

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

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

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

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

Bertin's Notes 2016 - Bertin S.A., an acquired company merged into the Company is the successor through merger, issued Bertin's Notes 2016 at the principal amount of US$350 million on November 9, 2006 (under its former corporate name of Bertin Ltda.). The interest applicable to Bertin's Notes 2016 corresponds to 10.25% per annum, paid semiannually on April 5 and October 5, beginning on April 5, 2007. The principal amount of the notes should be fully paid by October 5, 2016.

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

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

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

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

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

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

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

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

Vigor's Notes 2017 - Vigor, a subsidiary following the Bertin merger, issued the Vigor's Notes 2017, in an aggregate principal amount of US$100.0 million, on February 23, 2007. Interest on the Vigor's Notes 2017 accrues at a rate of 9.25% per annum and is payable semiannually in arrears on February 23 and August 23 of each year, beginning on August 23, 2007. The principal amount of the Vigor's Notes 2017 is payable in full on February 23, 2017.

On September 24, 2010, the Company successfully concluded a consent solicitation relating to the Vigor's Notes 2017. The consent solicitation (i) amended certain provisions in the indenture governing the Vigor's Notes 2017 to conform the provisions to the indenture governing JBS S.A.’s Notes 2018 and (ii) amended the definitions of “Change of Control” and “Permitted Holders” (among others) in the Indenture to substantially conform such definitions to the corresponding definitions set forth in JBS S.A.’s Notes 2018; and (iii) provide for the ability of Vigor (or its successors) to be substituted as the issuer of the Notes, upon the satisfaction of certain conditions.

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

. incur additional debt if the net debt/EBITDA ratio is higher than a determined index;
. incur liens;
. pay dividends or make certain payments to shareholders;
. permit restrictions on dividends and other restricted payments by restricted subsidiaries
. sell or dispose of assets;
. perform certain transactions with related parties;
. execute lease transactions with repurchase option (sale/leaseback);
. change the company’s control without making a purchase offer on Vigor's Notes 2017.

The indenture governing the Vigor's Notes 2017 restricts Vigor and its subsidiaries from incurring any debt (subject to certain permitted exceptions), unless on the date of such incurrence, Vigor's pro forma net debt to EBITDA ratio is less than 4.75/1.0, each as defined and calculated in the indenture governing the Vigor's Notes 2017.

The indenture governing the Vigor's Notes 2017 restricts Vigor's ability and the ability of its subsidiaries to declare or pay any dividend or make any distribution on securities issued by Vigor (excluding convertible or exchangeable debt instruments), in the event (1) that an event of default has occurred and continues under the Vigor's Notes 2017; (2) Vigor can incur at least US$1.00 of debt under the terms of the net debt to EBITDA ratio test; and (3) the total value to be paid does not exceed 50% of the accrued net income in a certain year or when in a determined year where there is loss, reduced 100% of the loss.

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

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

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

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

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

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

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

Additionally, according to Notes 2018, the Company will not be able, directly or indirectly, to declare or pay any dividends or make any distributions related to securities issued by the Company (except for debt instruments convertible or exchangeable for such amounts), if (i) there has been default in relation to the notes 2018; (ii) the Company can incur at least US$ 1.00 of debt under the terms of the net debt/EBITDA ratio test established in the indenture of the notes mentioned in the paragraph above; and (iii) the total value to be paid does not exceed 50% of the accrued net income in a certain year or when in a determined year where there is loss, reduced 100% of the loss.

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

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

On June 14, 2011, J&F Oklahoma and JBS Five Rivers executed a third amended and restated credit agreement to increase the availability to $1.0 billion and to add J&F Australia as a borrower under the facility. The facility matures on June 14, 2016. Borrowings under the facility bear interest at variable rates based on applicable LIBOR plus 2.25%, or based on the prime rate plus 1%. The interest rate at December 31, 2011 was 2.63%. As of December 25, 2011, borrowing availability was $83.4 million and $1.4 million of the availability was used towards letters of credit. As of December 31, 2010 and December 31, 2011, J&F Oklahoma had $669.0 million and $915.2 million, respectively, in outstanding borrowings on the facility.

The credit agreement is collateralized by accounts receivable and inventories of J&F Oklahoma and by certain fixed assets, accounts receivable and inventories of JBS Five Rivers. Among other requirements, the facility requires J&F Oklahoma to maintain certain financial ratios, minimum levels of net worth and establish limitations on certain types of payments, including dividends, investments and capital expenditures. In most instances, covenants consider the combined position and results of J&F Oklahoma along with JBS Five Rivers. The J&F Oklahoma company has entered into a keep-well agreement with its subsidiary (J&F Oklahoma) whereby it will make contributions to J&F Oklahoma if J&F Oklahoma is not in compliance with its financial covenants under this credit facility. If J&F Oklahoma defaults on its obligations under the credit facility and such default is not cured by its parent under the keep-well agreement, JBS Five Rivers is obligated for up to US$250.0 million of guaranteed borrowings plus certain other obligations and costs under this credit facility. J&F Oklahoma was in compliance with financial covenants under this credit facility as of December 31, 2011.

Credit facility to J&F Oklahoma – JBS Five Rivers is party to an agreement with J&F Oklahoma pursuant to which JBS Five Rivers has agreed to loan up to $200.0 million in revolving loans to J&F Oklahoma. The loans are used by J&F Oklahoma to acquire feeder animals which are placed in JBS Five Rivers' feed yards for finishing. Borrowings accrue interest at a per annum rate of LIBOR plus 2.25% and interest is payable at least quarterly. On September 26, 2011, the facility was amended to accrue interest at a per annum rate of LIBOR plus 2.75%. The interest rate at December 31, 2011 was 3.11%. The facility was amended on September 10, 2010 to mature on September 11, 2016. The facility was amended on June 14, 2011 to increase availability under the loan to $375.0 million. As of December 31, 2010 and December 31, 2011, outstanding borrowings were $111.9 million and $262.0million, respectively.

Description of Indebtedness of JBS USA

ANZ credit line — On March 2, 2011, JBS Australia executed a A$35.0 million facility to assist with working capital requirements. The facility will mature on July 31, 2012 and has an interest rate equal to the Bank Bill Swap Bid Rate ("BBSY") plus a 2% margin. The interest rate at December 31, 2011 was 6.25%.

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

On June 30, 2011, JBS USA and JBS Australia executed the Revolving Syndicated Facility Agreement ("Revolving Facility") to amend and restate the Credit Agreement. The facility provides a maximum borrowing availability of $850.0 million available in three tranches of $625.0 million, $150.0 million and $75.0 million. The facility matures on June 30, 2016. Up to $250.0 million of the Revolving Syndicated Facility is available for the issuance of letters of credit. At December 31, 2011, $87,8 million of the availability was used towards letters of credit. Loans bear interest at applicable LIBOR rates or the prime rate plus applicable margins that are based on utilization of the facility. The interest rate at December 31, 2011 was 4.0%.

Availability: Availability under the Revolving Facility is subject to a borrowing base. The borrowing base is based on certain JBS USA wholly-owned subsidiaries' assets as described below, with the exclusion of JBS Five Rivers. The borrowing base consists of percentages of eligible accounts receivable, inventory and supplies less certain eligibility and availability reserves. As of December 31, 2011, borrowing availability was $620.9 million.

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

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

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

The Revolving Facility also contains customary events of default, including failure to perform or observe terms, covenants or agreements included in the Revolving Facility, payment of defaults on other indebtedness, defaults on other indebtedness if the effect is to permit acceleration, entry of unsatisfied judgments or orders against a loan party or its subsidiaries, failure of any collateral document to create or maintain a priority lien and certain events related to bankruptcy and insolvency or environmental matters. If an event of default occurs the lenders may, among other things, terminate their commitments, declare all outstanding borrowings to be immediately due and payable together with accrued interest and fees and exercise remedies under the collateral documents relating to the Revolving Facility. At December 31, 2011, JBS USA was in compliance with all covenants.

Installment note payable – The installment note payable relates to JBS USA financing of a capital investment. The note bears interest at LIBOR plus a fixed margin of 1.75% per annum with payments due on the first of each month. The rate as of December 31, 2011 was 2.0%. The note matures on August 1, 2013.

Unsecured credit facility – JBS Australia entered into an Australian dollar ("A$") denominated A$120.0 million unsecured credit facility on February 26, 2008 to fund working capital needs and letter of credit requirements. This facility terminated on October 1, 2009; however, JBS Australia extended the letter of credit portion of the facility. On May 5, 2010, the facility was revised to reflect current letters of credit requirements to a facility limit of A$1.9 million and is subject to an annual review. On March 7, 2011 the credit facility has increased in A$ 32.5 million.

A$250 million revolving loan payable between JBS USA and JBS Australia – On May 4, 2010, JBS USA issued a long-term intercompany revolving promissory note to JBS Australia for A$250.0 million with interest based on the three-month Bank Bill Swap Bid Rate ("BBSY") plus 3% and a maturity date of May 4, 2012 to fund working capital needs and general corporate purposes. On November 9, 2010, the note was amended to increase the maximum amount of advances to A$350.0 million. On February 2, 2011, the note was amended to increase the maximum amount of advances to A$400.0 million. While these loans eliminate upon consolidation, the loans are denominated in AUD, but reported by JBS USA in USD. Therefore, the loans generate foreign currency transaction gains or losses due to fluctuations in the period end AUD to USD exchange rate. The average interest rate at December 31, 2011 was 6.13%.

A$50 million revolving loan receivable from JBS Australia – On May 4, 2010, JBS USA Holdings issued an intercompany revolving promissory note to JBS Australia for A$50.0 million with interest based on the three-month BBSY plus 3% and a maturity date of May 4, 2012 to fund working capital needs and general corporate purposes. While these loans eliminate upon consolidation, the loans are denominated in AUD, but reported by JBS USA Holdings in USD. Therefore, the loans generate foreign currency transaction gains or losses due to fluctuations in the period end AUD to USD exchange rate. As of December 31, 2010, outstanding borrowings were approximately $10.3 million. There were no outstanding borrowings at December 31, 2011.

US$50 million revolving loan receivable from JBS USA – On April 19, 2010, JBS USA Holdings issued an intercompany revolving promissory note to JBS USA with interest based on the three-month LIBOR plus a fixed margin of 2.5% and a maturity date of March 31, 2012 to fund working capital needs and general corporate purposes. There were no outstanding borrowings at December 31, 2010 or December 31, 2011.

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

US$50 million loan receivable from JBS Five Rivers - On May 27, 2011, JBS USA issued a US$50.0 million intercompany loan to JBS Five Rivers with interest based on the three-month LIBOR plus 225 basis points and a maturity date of May 27, 2012. While this loan eliminates upon consolidation, on June 22, 2011 the outstanding principal and accrued interest were paid in full.

On June 2, 2011, JBS USA issued a US$2.0 billion revolving intercompany note to JBS USA Holding, which used these funds to distribute US$850.0 million to JBS S.A. to fund the repayment of short and medium-term debt of JBS S.A. The note bears interest at a variable per annum rate equal to LIBOR plus 300 basis points payable annually. Principal and interest are payable upon demand by JBS USA at any time on or after June 2, 2012. The interest rate at December 31, 2011 was 3.37%. The revolving intercompany note eliminates upon consolidation.

On June 23, 2011, PPC entered into the Subordinated Loan Agreement (the "Subordinated Loan Agreement") with JBS USA Holdings which provided an aggregate commitment of US$100.0 million. On June 23, 2011, JBS USA Holdings made a term loan to PPC in the principal amount of US$50.0 million. In addition, JBS USA Holdings agreed to make an additional one-time term loan of US$50.0 million if PPC's availability under the revolving loan commitment is less than US$200.0 million. Pursuant to the terms of the Subordinated Loan Agreement, PPC also agreed to reimburse the JBS USA Holdings up to $56.5 million for draws upon any letters of credit issued for the JBS USA Holdings' account that support certain obligations of Mayflower Insurance Company, Ltd., a wholly-owned subsidiary of PPC. The commitment, under the Subordinated Loan Agreement, will terminate on the earliest to occur of (i) date on which all amounts owing under the 2018 Notes and Exit Credit Facilities are due and payable in accordance with its terms or (ii) June 27, 2015. Loans under the Subordinated Loan Agreement mature on June 28, 2015. Loans under the Subordinated Loan Agreement mature on June 28, 2015. The term loan and accrued interest are eliminated upon consolidation. Additionally, on December 16, 2011, PPC entered into an amendment to the Subordinated Loan Agreement which, among other things, provided that if PPC consummates the Rights Offering on (Note 15) or before March 24, 2012 (unless such date is extended in accordance with the terms of the Exit Credit Facility), the revolving loan commitment under the Subordinated Loan Agreement will be terminated. Further, the Exit Credit Facility, as amended, also provides that if the Rights Offering occurs, then PPC, at its option, is permitted to prepay the outstanding $50.0 million term loan under the Subordinated Loan Agreement and the existing commitment of the JBS USA Holdings to make an additional $50.0 million term loan to PPC under the Subordinated Loan Agreement will be terminated.

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

Unsecured term loan facility – On February 12, 2010, JBS Australia entered into an unsecured US$10.0 million facility with Banco Santander. The loan bears interest at the three-month LIBOR plus a fixed margin of 3% per annum. The facility terminated on February 4, 2011.

4.39% secured notes due 2019 – JBS USA and JBS Plainwell, issued 4.39% notes due 2019 in an aggregate principal amount of US$16.0 million on December 20, 2010 to finance construction of a cold storage warehouse. Interest is payable quarterly beginning April 1, 2011. Principal is payable quarterly beginning October 1, 2011. The proceeds are restricted as to use and were deposited directly into two escrow accounts.

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

Tasmanian government loan – On September 2, 2010, JBS Australia and JBS Southern Australia Pty. Ltd. entered into a secured facility which provides up to A$12.0 million with the Tasmanian Government (Tasmania Development and Reserve, the "Department"), to fund a capital investment at JBS Australia's processing plant located in King Island, Tasmania. Funding is available in three tranches of A$3.6 million, A$3.6 million and up to A$4.8 million. Loans are payable on the 22nd of the month following the 15th anniversary of each tranche's initial drawdown. Funds were drawn on October 4, 2010, November 8, 2010 and May 17, 2011, respectively.

Each loan is interest payment free for the initial three years, then bears interest at the Department's cost of funds for years four through nine and then for years 10 through 15 bears interest at the Department's variable commercial rate. Upon initial drawdown, interest expense is accrued monthly at the estimated average rate for the life of the loan and is payable upon notice by the Department or in conjunction with the repayment of principal after the three year period. The debt is secured by certain fixed assets at JBS Australia's processing plant located in Rockhampton, Queensland and is subject to standard debt covenants. The estimated average interest rate at December 31, 2011 was 8.50%.

Corporate building loan assumption – In October 2010, JBS USA Holdings acquired its corporate headquarters in Greeley, Colorado. It paid US$9.2 million in cash and assumed US$20.1 million in mortgage debt. The debt is comprised of two mortgages in the amounts of US$3.1 million and US$17.0 million. The mortgages accrue interest at annual rates of 5.75% and 8.35%, respectively, and are repayable in monthly installments over 10 and 14 years, beginning November 1, 2010. During the thirteen weeks ended December 31, 2010, US$0.6 million of expenses related to this transaction were capitalized as part of the building.

Credit facility to Sampco – On April 1, 2010, JBS USA Holdings executed a US$60.0 million related party revolving promissory note with Sampco, Inc. ("Sampco"), an indirect wholly-owned subsidiary of JBS S.A., with interest based on the three-month LIBOR plus a margin of 2.5% and a maturity date of March 31, 2012. As a result of the Bertin Contribution on December 21, 2010, these loans now eliminate upon consolidation.

Credit facility to JBS USA Trading – On April 1, 2010, JBS USA Holdings executed a US$15.0 million related party revolving promissory note with JBS USA Trading, Inc. ("JBS USA Trading"), an indirect wholly-owned subsidiary of JBS USA Holdings, with interest based on the three-month LIBOR plus a margin of 2.5% and a maturity date of March 31, 2012. The note was amended and restated on April 15, 2010 to increase the maximum borrowings to US$25.0 million. As a result of the Bertin Contribution on December 21, 2010, these loans now eliminate upon consolidation.

Credit facility to Bertin USA – On April 15, 2010, JBS USA Holdings executed an US$11.0 million related party revolving promissory note with Bertin USA, with interest based on the three-month LIBOR plus a margin of 2.5% and a maturity date of March 31, 2012. As a result of the Bertin Contribution on December 21, 2010, these loans now eliminate upon consolidation.

11.625% senior unsecured notes due 2014 – On April 27, 2009, JBS USA Holdings' wholly-owned subsidiaries JBS USA and JBS USA Finance, Inc. issued 11.625% notes due 2014 in an aggregate principal amount of US$700.0 million. These notes are guaranteed by JBS USA Holdings, JBS S.A., JBS Hungary Holdings Kft., and each of the US restricted subsidiaries that guarantee the Revolving Facility (subject to certain exceptions). If certain conditions are met, JBS S.A. may be released from its guarantees Interest on these notes accrues at a rate of 11.625% per annum and is payable semi-annually in arrears on May 1 and November 1 of each year, beginning on November 1, 2009. The principal amount of these notes is payable in full on May 1, 2014. The original issue discount of approximately US$48.7 million is being accreted over the life of the notes.

Covenants. The indenture for the 11.625% senior unsecured notes due 2014 contains customary negative covenants that limit JBS USA and its restricted subsidiaries' ability to, among other things:

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

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

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

Interest on these notes accrues at a rate of 7.25% per annum and is payable semi-annually in arrears on June 1 and December 1 of each year, beginning on December 1, 2011. The principal amount of these notes is payable in full on June 1, 2021. The original issue discount of approximately US$11.3 million is being accreted over the life of the notes. The covenants for this note contain customary negative covenants and customary events of default listed under the senior unsecured notes due 2014.

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

Interest on Eurodollar loans is payable at the end of the associated interest period while interest on ABR loans is payable the last day of each calendar quarter. The interest rate at December 31, 2011 was 4.25%. Commencing on September 20, 2011 and continuing until maturity, 0.25% of the initial principal amount of US$475.0 million will be payable on the last business day of each calendar quarter. The outstanding principal is payable on May 25, 2018. The original issue discount of approximately US$2.4 million is being accreted over the life of the loan. The covenants for this note contain customary negative covenants and customary events of default listed under the Revolving Facility.

US$85 million term loan due 2016 – On June 14, 2011, JBS Five Rivers obtained an US$85.0 million term loan which has a maturity date of June 14, 2016. Repayment of the term loan is required to be made in 20 quarterly installments in the amount of US$1.4 million on the last day of each calendar quarter, with the remaining unpaid principal balance due upon maturity. Borrowings under the term loan bear interest at variable rates based on applicable LIBOR rates plus 2.75%, or based on the prime rate plus 1.5%. The interest rate at December 31, 2011 was 3.12%. The proceeds from the term loan were advanced to J&F Oklahoma Holdings, Inc. ("J&F Oklahoma") under the note receivable from J&F Oklahoma. The term loan is secured by certain fixed assets, accounts receivable and inventories of JBS Five Rivers and accounts receivable and inventories of J&F Oklahoma. J&F Oklahoma is a guarantor under the term loan agreement and while it is possible that J&F Oklahoma would be required to repay the outstanding balance and certain other obligations and costs under the term loan as part of its guarantee, it is not probable at this time.

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

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

Events of default – The $85.0 million term loan also contains customary events of default, including failure to perform or observe terms, covenants or agreements included in the $85.0 million term loan agreement, payment of defaults on other indebtedness, defaults on other indebtedness if the effect is to permit acceleration, entry of unsatisfied judgments or orders against a loan party or its subsidiaries, failure of any collateral document to create or maintain a priority lien, certain events related to bankruptcy and insolvency, certain events related to the Employee Retirement Income Security Act of 1974 ("ERISA"), and failure to comply with the terms of the Executive Succession Plan of J&F Oklahoma Holdings, Inc. If an event of default occurs the lenders may, among other things, terminate their commitments, declare all outstanding borrowings to be immediately due and payable together with accrued interest and fees and exercise remedies under the collateral documents relating to the $85.0 million term loan. At December 31, 2011, JBS Five Rivers was in compliance with all covenants.

Description of Indebtedness of PPC

On December 28, 2009, PPC used the proceeds received from borrowing under the Exit Credit Facility and available cash to repay indebtedness under its prior credit agreements in the amount of US$1.4 billion. PPC also used the proceeds received from the sale of 64% of the outstanding common stock of the reorganized PPC to repay indebtedness under the Senior Unsecured Notes totaling US$651.9 million.

Senior Unsecured Note – PPC has indebtedness under Senior Notes due in 2015 bearing interest at a rate of 7.625%.

Senior Subordinated Unsecured Notes – PPC has indebtedness under senior subordinated notes due in 2017 bearing interest at 8.375%. PPC has indebtedness under senior subordinated notes due in 2013 bearing interest at 9.25%.

Exit Credit Facility - Upon exiting from bankruptcy, PPC and certain of its subsidiaries entered into the Exit Credit Facility. This facility provided for an aggregate commitment of US$1.8 billion consisting of a three-year US$600.0 million revolving credit facility, a three-year US$375.0 million Term A facility ("Term A") and a five-year US$775.0 million Term B facility ("Term B"). The Exit Credit Facility also includes an accordion feature that allows PPC, at any time, to increase the aggregate revolving loan commitment by up to an additional US$250.0 million and to increase the aggregate Term B loans commitment by up to an additional US$400.0 million, in each case subject to the satisfaction of certain conditions, including an aggregate cap on all commitments under the Exit Credit Facility of US$1.9 billion.

On January 13, 2011, PPC increased the amount of the revolving loan commitments under the Exit Credit Facility to US$700.0 million. On April 22, 2011, PPC increased the amount of the sub-limit for swingline loans under the Exit Credit Facility to $100.0 million. The Term A loan was repaid on December 15, 2010 with proceeds from the senior unsecured notes due 2018. The revolving loan commitment and the Term B loans will mature on December 28, 2014.

Subsequent to the end of each fiscal year, a portion of PPC's cash flow must be used to repay outstanding principal amounts under the Term B loans. In 2011, PPC did not have excess cash flow from 2011 to be applied toward the outstanding principal under the Term B loans. In April 2011, PPC paid approximately US$46.3 million of its excess cash flow toward the outstanding principal under the Term B loans. After giving effect to this prepayment and other prepayments, the Term B loans must be repaid in 16 quarterly installments of approximately US$3.9 million beginning on April 15, 2011, with the final installment due on December 28, 2014. The Exit Credit Facility also requires PPC to use the proceeds it receives from certain asset sales and specified debt or equity issuances and upon the occurrence of other events to repay outstanding borrowings under the Exit Credit Facility. The cash proceeds received by PPC from the Rights Offering (Note 28) will not be required to be prepaid to the lenders under the Exit Credit Facility as a mandatory prepayment.

The Exit Credit Facility includes a US$100.0 million sub-limit for swingline loans (loans with same day availability), and a US$200.0 million sub-limit for letters of credit. Outstanding borrowings under the revolving loan commitment bear interest at a per annum rate equal to 3.0% plus the greater of the US prime rate, the average federal funds rate plus 0.5%, and the one-month LIBOR rate plus 1.0%, in the case of alternate base rate loans, or 4.0% plus the one, two, three or six-month LIBOR rate adjusted by the applicable statutory reserve, in the case of Eurodollar loans.

Outstanding Term B-1 loans bear interest at a per annum rate equal to 3.5% plus greater of the US prime rate, the average federal funds rate plus 0.5%, and the one month LIBOR rate plus 1.0%, in the case of alternate base rate loans, or 4.5%, plus the one, two, three or six-month LIBOR Rate adjusted by the applicable statutory reserve, in the case of Eurodollar loans.

Outstanding Term B-2 loans bear interest at a per annum rate equal to 9.0%. Commitment fees charged on the revolving commitments under the Exit Credit Facility accrue at a per annum rate equal to 0.5%.

Actual borrowings by PPC under the revolving credit commitment component of the Exit Credit Facility are subject to a borrowing base, which is a formula based on certain eligible inventory, eligible receivables and restricted cash under the control of CoBank ACB, as administrative agent under the Exit Credit Facility. The borrowing base formula is reduced by the sum of inventory reserves, rent and collateral access reserves and any amount more than 15 days past due that is owed by PPC or its subsidiaries to any person on account of the purchase price of agricultural products or services (including poultry and livestock) if that person is entitled to any grower's or producer's lien or other security arrangement. As of December 31, 2010, the applicable borrowing base was $600.0 million, the amount available for borrowing under the revolving loan commitment was $354.2 million and outstanding letters of credit under the revolving loan commitment totaled $40.5 million. As of December 31, 2011, the applicable borrowing base was $635.4 million, the amount available for borrowing under the revolving loan commitment was $248.0 million and the outstanding letters of credit obligations, related to revolving loan totaled USD 40.1 million.

Under the Exit Credit Facility, the JBS USA Holdings, PPC's majority stockholder, or its affiliates may make loans to PPC on a subordinated basis on terms reasonably satisfactory to the agents under the Exit Credit Facility and up to US$200.0 million of such subordinated indebtedness may be included in the calculation of Earnings Before Interest, Income Taxes, Depreciation, and Amortization ("EBITDA") (as defined in the Exit Credit Facility).

The Exit Credit Facility provides that PPC may not incur capital expenditures in excess of US$175.0 million in 2011 and US$350.0 million per fiscal year thereafter. The Exit Credit Facility contains various covenants that restrict PPC's ability to, among other things, incur additional indebtedness, incur liens, pay dividends or make certain restricted payments, consummate certain asset sales, enter into certain transactions with JBS USA Holdings and other affiliates, merge, consolidate and/or sell or dispose of all or substantially all of PPC's assets.

On June 23, 2011 and December 16, 2011, PPC entered into amendments to the Exit Credit Facility, which, among other things:

- Temporarily suspended the requirement for PPC to comply with the fixed charge coverage ratio and senior secured leverage ratio financial covenants until September 23, 2012;

- Modified the consolidated tangible net worth financial covenant to (i) require PPC to maintain consolidated tangible net worth of at least US$550.0 million, including subordinated indebtedness owed to the Company, plus 50.0% of the cumulative net income (excluding any losses) of PPC from June 24, 2011 through the date of calculation and (ii) eliminate the requirement for PPC to comply with that financial covenant for the fiscal quarter ended December 31, 2011 and, if certain conditions are met, for the fiscal quarter ended March 31, 2012;

- Amended the fixed charge coverage ratio and the senior secured leverage ratio financial covenants so that when testing of those financial covenants resumes on September 24, 2012, PPC can calculate those financial covenants based upon a specified number of fiscal quarters selected by PPC;

- Provided that if the Rights Offering (Note 28) occurs on or before March 24, 2012 (which date may be extended under certain circumstances at the sole discretion of the administrative agent and Rabobank International to April 24, 2012), then:

  - The senior secured leverage ratio financial covenant will be set at levels more favorable to PPC after June 30, 2013; and
  - The consolidated tangible net worth financial covenant will be modified to reduce the level of tangible net worth of PPC required to satisfy such financial covenant.

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

ING Credit Agreement - On September 25, 2006, a Avícola Pilgrim's Pride de México, S. de R.L. de C.V., a wholly owned subsidiary of PPC and certain subsidiaries (the "Mexico Borrower"), entered into a secured revolving credit agreement (the "ING Credit Agreement") with ING Capital, LLC, as agent (the "Mexico Agent") and the lenders party thereto (the "Mexico Lenders"). The ING Credit Agreement had a maturity date of September 25, 2011.

On September 23, 2011, the Mexico Borrower entered into an amendment to the ING Credit Agreement, which, among other things, (i) extends the final maturity date to October 31, 2011 and (ii) reduces the aggregate principal amount of the revolving loan commitments under the ING Credit Agreement from an aggregate principal amount of $50.0 million to an aggregate principal amount of 557.4 million Mexican pesos minus the Reserve Commitment Amount (the "Reserve Commitment Amount"). The Reserve Commitment Amount consists of a revolving commitment of 257.3 million Mexican pesos that is reserved for one or more financial institutions that are not lenders under the ING Credit Agreement as of the amendment, which commitment amount can be converted to a revolving commitment pursuant to certain terms and conditions set forth in the amendment.

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

The ING Credit Agreement requires PPC to make a mandatory prepayment of the revolving loans in an aggregate amount equal to 100% of the net cash proceeds received by certain Mexico subsidiaries of PPC (the "Mexico Subsidiaries"), as applicable, in excess of thresholds specified in the ING Credit Agreement, from the sale of certain assets by the Mexico Subsidiaries; from any casualty or other insured damage to, or any taking under power of eminent domain or by condemnation or similar proceedings of, any property or asset of any Mexico Subsidiaries; or from the incurrence of certain indebtedness by the Mexico Subsidiary. Any such mandatory prepayments will permanently reduce the amount of the commitment under the ING Credit Agreement. The Mexico Subsidiaries pledged substantially all of their receivables, inventory and equipment and certain fixed assets. The Mexico Subsidiaries were excluded from the US bankruptcy proceedings.

On October 19, 2011, Avícola Pilgrim's Pride de México, S. de R.L. de C.V. and certain subsidiaries (the "Loan Parties"), entered into an amended and restated credit agreement (the "Amended ING Credit Agreement") with ING Bank (México), S.A. Institución de Banca Múltiple, ING Grupo Financeiro, as lender and ING Capital, LLC, as administrative agent. The Amended ING Credit Agreement has a maturity date of September 25, 2014. As of December 25, 2011, the revolving commitment was a principal amount of 557.4 million Mexican pesos, a US dollar-equivalent of US$40.3 million. There were no outstanding borrowings under the ING Credit Agreement at December 31, 2011.

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

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

Substantially all of PPC's domestic inventories and domestic fixed assets are pledged as collateral to secure the obligations under the Exit Credit Facility. The ING Credit Agreement is secured by substantially all of the assets of PPC's Mexico subsidiaries.

17 Convertible debentures

Debentures capitalization

On May 17, 2011, the Board of Directors approved the capital increase, in accordance with the authorized limit, in the amount of R$ 3,479,600, by issuing up to 494,261,363 common shares, nominative, without par value and the price of R$ 7.04 (seven reais and four cents) each.

On June 3, 2011, at a General Meeting of Debenture holders, 99.94% of the holders approved the use of the credits of the debentures to the capitalization up to R$ 3,479,600 through the private issuing of up to 494,261,363 new common shares at a price of R$ 7.04 (seven reais and four cents) each.

During the statutory period, noncontrolling shareholders exercised their preemptive rights to subscribe shares and subscribed 5,410 shares in the total amount of R$38. BNDESPAR, main debenture holder, subscribed 493,967,305 shares in total amount of R$ 3,477,530 through the capitalization of credits of the Debentures held.

On July 14, 2011, the capital increase approved by the Board of Directors was approved in the amount of R$ 3,477,568 through the issuance of 493,972,715 common shares at a price of R$ 7.04 (seven reais and four cents).

On July 14, 2011 was recognized the capital increase in the amount of R$ 3,477,568, reduced by spending with issuing debentures in the amount of R$ 17,388, with net effect of R$ 3,460,180 occured.

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

On December 31, 2011 the Company has a remaining balance to be paid to the debenture holders in the amount of R$ 1,283, which will be paid during the year of 2012.

18 Income taxes, payroll, social charges and tax obligation

	Company		Consolidated	
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
Payroll and related social charges	**150,414**	175,613	**333,678**	375,013
Accrual for labor liabilities	**99,463**	92,615	**900,978**	755,743
Income taxes	**-**	-	**211,528**	14,251
Withholding income taxes	**757**	13	**1,616**	22
ICMS / VAT / GST tax payable	**11,826**	19,646	**23,799**	26,392
PIS / COFINS tax payable	**348**	49	**521**	142
Taxes in installments (Law 11.941/2009)	**-**	-	**271,762**	-
Others	**85,055**	87,664	**318,621**	256,008
	347,863	**375,600**	**2,062,503**	**1,427,571**
Breakdown:				
Current liabilities	**347,863**	375,600	**1,378,691**	1,109,938
Noncurrent liabilities	**-**	**-**	**683,812**	317,633
	347,863	**375,600**	**2,062,503**	**1,427,571**

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

19 Provision for lawsuits risk

The Company and its subsidiaries are parties in several procedures arising in the regular course of business, for which provisions based on estimation of their legal consultants were established. The main information related to these procedures on December 31, 2011 and December 31, 2010, areas follows:

	Company		Consolidated	
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
Labor	**47,646**	44,310	**71,004**	68,118
Civil	**6,863**	7,773	**36,284**	33,562
Tax and Social Security	**86,466**	83,919	**144,272**	219,980
Total	**140,975**	**136,002**	**251,560**	**321,660**

Changes in provisions

	Dec 31, 2010	Additions	Reversals	Exchange rate variation	Dec 31, 2011
Company	**136,002**	5,562	(589)	-	**140,975**
Consolidated	**321,660**	9,865	(84,661)	4,696	**251,560**

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 , known as a "Tax War". The Tax Authority of the State of São Paulo does not recognize the Company's ICMS tax credits up to the amount of the ICMS tax guaranteed in such other states. The Company estimates that the claims under these administrative proceedings amount to R$ 1,224,731 in the aggregate. In addition to presenting its defense in such administrative proceedings, the Company has filed legal proceedings seeking the payment of damages from such other states if the Tax Authority of the State of São Paulo prevails in these administrative proceedings.

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

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, management believes the Company will prevail in most of these proceedings, in the amount of R$ 204,094. Management believes, based on the advice of its legal counsel, that its arguments will prevail in these procedures, which is the reason why no provision has been recognized. The probability of loss is considered remote.

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

In January 2001, the INSS (Brazilian Social Security Institute) filed two administrative proceedings (autos de infração) against the Company, seeking to collect certain social security contributions (which are referred to as contributions to the Rural Workers' Assistance Fund (NOVO FUNRURAL) with regard to the period from January 1999 to December 2003, in the amount of R$ 69,200, and from 2003 until 2006, in the amount of R$ 198,800, with the aggregate amount of R$ 268,000 million.

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

This matter was the subject of a decision favorable to the taxpayer, issued by the Supreme Court - STF for a company whose activity is similar to the activity of the Company. For this reason, and based on advice from legal counsel, the Company believes that the legality and enforceability of such taxation is quite low, which is why the Management is not providing for this contingency. Currently, the Company is not obligated to make any rebate or payment. If a discount is made for commercial reasons, the Company will deposit it in court and, fulfill a court order. Based on the opinion of legal advisors and based on case law in favor of the Supreme Court in a similar case, management believes that its fundamentals will prevail and no provision was recorded for that contingency. The probability of loss is considered remote.

c) PIS / COFINS - Brazilian social contributions

The subsidiaries S.A. Fábrica de Produtos Alimentícios Vigor, Cia Leco de Produtos Alimentícios and Dan Vigor have proceeding of Programa de Integração Social - PIS (which is a Brazilian Social Integration Program) - questioning the following: (a) unconstitutionality of the tax imposed by Complementary Law No. 7/70; (b) taxation of other operating income in accordance with Law No. 9718/98; and (c) compensation for amounts owed to the public debt securities on the total provisioned amount of R$ 6,334.

The subsidiaries S.A. Fábrica de Produtos Alimentícios Vigor, Cia Leco de Produtos Alimentícios and Dan Vigor have proceeding of Contribuição para o Financiamento da Seguridade Social - COFINS (which is a Brazilian Social Contribution of Security Financing) - questioning the following: (a) increase in rate from 2% to 3% according to Law No. 9718/98 - questioning until July 2003, and (b) compensation of amounts owed to the public debt securities on the total provision amount of R$ 41,555.

d) Income tax and social contribution

The subsidiaries S.A. Fábrica de Produtos Alimentícios Vigor, Cia Leco de Produtos Alimentícios and Dan Vigor have proceeding of Income tax and social contribution, regarding the process of tax debts relating to income tax levied on the effects of the monetary restatement established by Law No. 8200/91 and questions related to the indices of monetary restatement resulting from "Plano Verão (an economic plan launched by the government on 1989)" on the total provision amount of R$ 4,026.

e) Other tax and social security procedures

The Company is a party in additional 419 tax and social security proceedings, which are not individually material. Probable loss risk amount to R$ 86,466 which is 100% provisioned.

Labor Proceedings

As of December 31, 2011 the Company was party to 7,085 labor and accident proceedings, involving total value of R$ 769,106 Based on the opinion of the Company's external legal counsel, management recognized a provision in the amount of R$ 47,646 for losses arising from such proceedings. Most of these lawsuits were filed by former employees of the Company is seeking overtime payments and payments relating to their exposure to health hazards.

As of December 31, 2011, the subsidiaries S.A. Fábrica de Produtos Alimentícios Vigor, Cia Leco de Produtos Alimentícios and Dan Vigor were party to 299 labor proceedings filed by former employees, that were accrued by the company based on an estimate of loss prepared by its legal counsel and approved by the management on the amount of R$ 2,132.

Civil Proceedings

a) Slaughter facility at Araputanga

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

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

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

b) Trademark Infringement

Following the same Araputanga / MT issue, the seller, filed a lawsuit for improper use of trademark in the city of Friboi Ltda. was using the trademark Frigoara without its authorization.
The amounts of the claim were based ~~upon~~ on a report presented by Frigorífico Araputanga to the trial court, which appraised the value of the trademark "Frigoara" at R$ 315,000, seeking damages in the amount of R$ 26,938 and punitive damages in the amount of R$100,000. The Company presented its defense against this lawsuit alleging that (i) the lawsuit should be analyzed and reviewed together with the lawsuit relating to the purchase of the slaughter facility from Frigorífico Araputanga by the Company, (ii) the trademark "Frigoara" was used by the Company for a limited period of time, with the written consent and upon the request of Frigorífico Araputanga (the use of the trademark by the Company was a requirement of SUDAM to the seller.

In the defense, the amount of any damages under the lawsuit should be limited to a percentage of products sold by the Company under the trademark "Frigoara," pursuant to article 208 of the Intellectual Property Law. Almost all of the products manufactured by the Company were marketed under the trademark "Friboi." The only product marketed by the Company under the trademark "Frigoara" was minced meat, in limited amounts. The expected loss on December 31, 2011, R$ 600, has been provisioned.

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

c) Other civil proceedings

The Company is also part to other civil proceedings in the evaluation of the Management and its legal advisers. The expected loss on December 31, 2011, amounting to R$ 6,263, has been provisioned.

Other proceedings

On December 31, 2011, the Company had other ongoing civil, labor and tax proceedings, on the approximately amounting of R$ 20,129 that according to the evaluation of legal advisors, have a possible probability of loss, but not probable, and therefore were not provisioned.

20 Debit with third parties for investment

On current liabilities as of December 31, 2011, the amount of R$ 7,286 refers to the acquisition of the remaining debt of Plant Pimenta Bueno. Release is expected during 2013.

On May 11, 2009 the Company entered in a purchase and sale agreement with C. Sola Participações e Representações S/A, regarding the acquisition of the industrial complex of Teófilo Ottoni, State of Minas Gerais, in the amount of R$ 16,886, and on December 31, 2011 the Company has current liabilities of R$ 3,303 and R$ 2,048 in noncurrent liabilities.

21 Income taxes - Nominal and effective tax rate reconciliation

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

	Company		Consolidated	
	2011	**2010**	**2011**	**2010**
Income (loss) before income taxes	**(160,407)**	(263,886)	**(230,108)**	58,570
Income taxes				
Expectation of income (expense) of the income taxes - Combined nominal of 34%	**54,538**	89,721	**78,237**	(19,914)
Adjust to demonstrate the effective rate				
Additions (write off), mostly result on equity subsidiaries (tax equivalents in other countries)	**30,164**	(130,880)	**(171,014)**	(305,514)
Income (expense) for income taxes	**84,702**	(41,159)	**(92,777)**	(325,428)
Effective rate	**-52.80%**	15.60%	**40.32%**	-555.62%

Explanative notes

Composition of expenses of income tax and social contribution presented income statements of the Company and Consolidated results for the years ended on December 31, 2011 and 2010.

	Company		Consolidated	
	2011	**2010**	**2011**	**2010**
Current income taxes	**2,710**	2,853	**(520,711)**	(358,774)
Deferred income taxes	**81,992**	(44,012)	**427,934**	33,346
	84,702	**(41,159)**	**(92,777)**	**(325,428)**

Composition of deferred income tax and social contribution

	Company		Consolidated	
	Dec 31, 2011	December 31, 2010	Dec 31, 2011	December 31, 2010
ASSETS				
. On tax losses and temporary differences	**356,459**	292,770	**1,148,817**	1,130,064
LIABILITIES				
. On revaluation reserve and temporary differences	**646,257**	683,544	**1,827,189**	2,133,114
Net	**289,798**	**390,774**	**678,372**	**1,003,050**

Deferred income taxes

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

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

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

- on the deductible temporary differences associated with investments in associates and in subsidiaries, deferred tax taxes are reconized only when it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available for the temporary differences can be utilized.

22 Equity

a) Capital Stock

The Capital Stock on December 31, 2011 is represented by 3,061,444,191 ordinary shares, without nominal value. From the total shares, as described in letter l) below, 97,186,795 shares are held in treasury.

Below is presented the changes on capital stock:

	Quantity	R$ thousand
Balance as of December 31, 2010	2,567,471,476	18,046,067
Debentures capitalization	493,972,715	3,460,180
Balance as of December 31, 2011	**3,061,444,191**	**21,506,247**

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

On December 31, 2011 the total outstanding shares is 2,964,257,396 and on December 31,2010 was 2,492,718,276.

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

b) Capital reserve

Premium on issuance of shares on the IPO in 2007.

c) Profit reserves

Legal reserve

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

Reserve for expansion

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

d) Revaluation reserve

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

e) Dividends

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

f) Treasury shares

The Board of Directors of the Company, based on the amendment of its bylaws on June 14, 2011, authorized the acquisition of not more than 37,500,000 shares to be held in treasury and subsequent cancel or sale without reduction of the social capital.

According to the normative instructions of CVM 10, as of February 10, 1980, article 21, details of treasury shares as of December 31, 2011 are presented: The Company maintained 97,186,795 treasury shares, with an average unit cost of R$ 6.33 and the minimum and maximum acquisition prices were R$ 2.68 and R$ 10.81, respectively, with no disposal of acquired shares. The amount of 97,186,795 treasury shares on December 31, 2011, 30,625,500 shares were acquired during the year of 2008, 13,364,600 shares were acquired during 2009, which were supported by approval of the Board of Directors' meeting occurred on December 29, 2008, that approved the acquisition limit of 41,113,898 own shares. The Company have repurchased shares in the total amount of 30,763,100 during the 2010, and during 2011 had repurchased shares in the total amount of 22,433,595.

The market value of the shares according to the BOVESPA as of December 31, 2011 R$ 6.08 (December 31, 2010 was R$ 7.17)

Below is presented the changes on treasury shares:

	Quantity	R$ thousand
Balance as of December 31, 2010	74,753,200	485,169
Acquisition	22,433,595	125,381
Balance as of December 31, 2011	**97,186,795**	**610,550**

g) The Effects of Changes in Foreign Exchange Rates

Includes changes in foreign currency rates of the subsidiaries valued by the equity method (translation adjustments).

First-time adoption of IFRS eliminated the balances of exchange variation of investments recorded in equity (under the rubric of accumulated translation adjustments) against retained earnings. The Company does not consider these adjustments to calculate dividend distributions.

h) Capital Transactions

Changes in ownership of the parent over a subsidiary that do not result in loss of control must be accounted as capital transactions (ie transactions with shareholders, as owners). Any difference between the amount by which noncontrolling interests has been adjusted and the fair value of the amount received or paid is recognized directly in equity attributable to controlling shareholders.

Therefore, if the parent acquires additional shares or other equity instruments of an entity it already controls, it consider this value to reduce its shareholder's equity (individual and consolidated).

23 Net revenue

	Company		Consolidated	
	2011	2010	2011	2010
Gross sale revenue				
Products sales revenues				
Domestic sales	**10,179,034**	8,503,356	**48,578,513**	41,984,689
Foreign sales	**4,341,485**	4,415,802	**15,660,294**	14,773,762
	14,520,519	**12,919,158**	**64,238,807**	**56,758,451**
Sales deduction				
Returns and discounts	**(605,782)**	(456,139)	**(1,230,070)**	(1,021,339)
Sales taxes	**(853,884)**	(692,726)	**(1,211,976)**	(1,024,280)
	(1,459,666)	**(1,148,865)**	**(2,442,046)**	**(2,045,619)**
NET REVENUE	**13,060,853**	**11,770,293**	**61,796,761**	**54,712,832**

24 Earnings per share

The following tables reconcile the net profit (loss) with the amounts used to calculate the basic and dilluted earnings per share.

Basic

Basic earnings per share is calculated through the division of the profit attributable to the shareholders of the Company by the weighted average amount of shares outstading during the period, net of treasury shares.

	Consolidated	
	2011	2010
Loss attributable to shareholders - R$	**(75,705)**	**(292,799)**
Average outstanding shares in the period - thousands	**2,814,458**	2,567,471
Average treasury shares in the period - thousands	**(88,480)**	(74,753)
Average outstanding share - thousands	**2,725,978**	2,492,718
Loss per thousand shares - Basic - R$	**(27.77)**	**(117.46)**

Diluted

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

	Consolidated	
	2011	2010
Loss attributable to shareholders - R$	**(75,705)**	**(292,799)**
Weighted average number of common shares (basic) - R$	**2,725,978**	2,492,718
Effect of conversion of debentures - thousands	**-**	493,973
Weighted average number of ordinary shares (diluted)	**2,725,978**	**2,986,691**
Loss per thousand shares - Diluted - R$	**(27.77)**	**(98.03)**

analysis is expected to be settled by future delivery, and therefore is not potentially dilutive.

25 EBITDA reconciliation

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

	Company		Consolidated	
	2011	2010	2011	2010
Loss before taxes	**(160,407)**	(263,886)	**(230,108)**	58,570
Financial expense, net	**1,468,238**	1,927,045	**2,010,728**	2,223,021
Depreciation and amortization	**436,501**	286,115	**1,291,411**	1,215,454
EBITDA	**1,744,332**	**1,949,274**	**3,072,031**	**3,497,045**

26 Financial income (expense), net

	Company		Consolidated	
	2011	2010	2011	2010
Exchange rate gains and losses, net	**(435,279)**	159,381	**(492,372)**	281,422
Results on derivatives	**(101,512)**	(675,755)	**(138,281)**	(738,284)
Interest - Expense	**(1,194,406)**	(1,574,722)	**(1,730,980)**	(1,989,122)
Interest - Income	**343,528**	236,392	**465,154**	335,515
Taxes, contribution, fees and others	**(80,569)**	(72,341)	**(114,249)**	(112,552)
	(1,468,238)	**(1,927,045)**	**(2,010,728)**	**(2,223,021)**

27 Other income (expenses),

Other expenses, on December 31, 2011 in the amount of (R$ 32,667) relate mainly to:

i) JBS Argentina - Amount of (R$ 10,382) referring to indemnities from the temporary suspension operations in Berazategui (Consignaciones Rurales), Colonia Caroya (Col-Car) and San Jose;

ii) JBS USA - Amount of (R$ 68,592) referring to a bargain purchase gain, and restructuring and reorganization costs.

iii) Other income - Amount of R$ 46,307 refers basically to the sale of fixed assets and rental.

28 Transaction costs for the issuing of securities

Costs related to the transactions in the issuing of securities must be accounted reducing the liabilities/equity that they refer to.

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

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

During the year end on December 31, 2010, the Company incurred in R$ 37,477 related to the transaction costs raising funds through a public offering, which was accounted as a reduction to equity.

b) Senior Notes Offering (Bonds)

During the year ended December 31, 2010, the Company incurred in R$ 17,789 in transaction costs for the Senior Notes Offering (Bonds) in the amounts of US$ 700,000 and US$ 200,000 performed in July and September 2010, respectively, recognized as a reduction of the loan payable. On December 31, 2011, due to accumulated amortization of the amount under the effective interest method, the Company has a residual amount of R$ 14,757 of transaction costs that will continue to be amortized.

29 Defined contribution plans

JBS USA has pension plans, which impact on its consolidated financial statements and details are presented below:

Effects of pension plans on the statement of financial position

	Dec 31, 2011	Dec 31, 2010
Liabilities (Payroll and related social charges)	**170,390**	125,583
Equity (Valuation adjustments to shareholders' equity)	**(45,010)**	(3,994)

Effects of pension plans on the statements of operations

	Dec 31, 2011	Dec 31, 2010
Consolidated statements of operations (Cost of goods sold)	**4,122**	8,012

a) JBS USA Plans

JBS USA sponsored two tax-qualified employee savings and retirement plans (the "401(k) Plans") covering its based employees, both union and non-union, excluding PPC employees, during the fiscal year ended December 31, 2010. On January 1, 2010, the employees of JBS Five Rivers joined the non-union 401(k) Plan and the balances for each participant were transferred from the former plan. On January 1, 2011, JBS USA merged the 401(k) Plans into one plan (the "401(k) Savings Plan") in order to increase administrative efficiencies and provide cost savings. Pursuant to the 401(k) Savings Plan, eligible employees may elect to reduce their current compensation by up to the lesser of 75% of their annual compensation or the statutorily prescribed annual limit and have the amount of such reduction contributed to the 401(k) Savings Plan.

The 401(k) Savings Plan provides for additional matching contributions by JBS USA based on specific terms contained in the 401(k) Savings Plan. The trustee of the 401(k) Savings Plan, at the direction of each participant, invests the assets of the 401(k) Savings Plan in participant designated investment options. The 401(k) Savings Plan is intended to qualify under Section 401 of the Internal Revenue Code. The Company's expenses related to the matching provisions of these plans totaled US$5.9 million (R$ 9.882) for the year ended on December 31, 2011 and US$5.3 million (R$ 9.329) for 2010.

One of the JBS USA facilities participates in a multi-employer pension plan. JBS USA contributions to this plan, which are included in cost of goods sold in the Consolidated Statements of Income, were US$417 thousand (R$ 698) for the year ended on December 31, 2011 and US$ 429 thousand (R$ 755) for 2010. JBS USA also made contributions totaling US$64 thousand (R$ 107) for the year ended on December 31, 2011 and US$61 thousand (R$ 107) for 2010 to a multi-employer pension plan related to former employees at the former Nampa, Idaho plant pursuant to a settlement agreement.

One of the JBS USA facilities participates in a supplemental executive retirement plan. There were no expenses recognized by JBS USA for this plan during the year ended on December 31, 2010. The expense recognized by JBS USA for this plan, which is included in selling, general and administrative costs in the Consolidated Statements of Income, were US$2.6 million (R$ 4.355) during the year ended December 31, 2011.

Employees of JBS Australia do not participate in the JBS USA 401(k) Plans. Under Australian law, JBS Australia contributes a percentage of employee compensation to a Superannuation fund. This contribution approximates 9% of employee cash compensation as required under the Australian "Superannuation Act of 1997". As the funds are administered by a third party, once this contribution is made to the Superannuation fund, JBS Australia has no obligation for payments to participants or oversight of the fund. The JBS USA's expenses related to contributions to this fund totaled US$32.3 million (R$ 54,099) and US$26 million (R$ 45,764) for the year ended December 31, 2011 and December 31, 2010, respectively.

b) Pilgrim's Pride - PPC

PPC sponsors programs that provide retirement benefits to most of their employees. These programs include qualified defined benefit pension plans, non-qualified defined benefit retirement plans, a defined benefit postretirement life insurance plan, defined contribution retirement savings plans and deferred compensation plans and deferred compensation plans. Under all of PPC's retirement plans, PPC's expenses were US$ 7.8 million (R$ 13,064) and US$ 8.9 million (R$ 15,665) for the year ended on December 31, 2011 and December 31, 2010, respectively.

i) Qualified Defined Benefit Pension Plans:

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

The Union Plan covers certain locations or work groups within PPC. The El Dorado Plan was spun off from the Union Plan effective January 1, 2008 and covers certain eligible locations or work groups within PPC. This Plan was settled in 2010. The GK Pension Plan covers certain eligible US employees who were employed at locations that PPC acquired in its acquisition of Gold Kist, Inc. ("Gold Kist'") in 2007. Participation in the GK Pension Plan was frozen as of February 8, 2007, for all participants with the exception of terminated vested participants who are or may become permanently and totally disabled. The plan was frozen for that group as of March 31, 2007.

ii) Non-qualified Defined Benefit Retirement Plans:

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

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

iii) Defined Benefit Postretirement Life Insurance Plan:

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

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

iv) Defined Benefit Plans Obligations and Assets

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

	Dec 31, 2011		Dec 31, 2010	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Projected benefit obligation, beginning of year	**260,703**	**3,563**	284,452	3,721
Service cost	**290**	**-**	290	-
Interest cost	**13,756**	**188**	15,241	202
Actuarial losses (gains)	**20,219**	**(285)**	11,749	5
Benefits paid	**(13,701)**	**(181)**	(11,099)	(185)
Curtailments and settlements	**-**	**-**	(26,661)	-
Projected benefit obligation, end of year	**281,267**	**3,285**	**273,972**	**3,743**

Change in projected plan assets :	Dec 31, 2011		Dec 31, 2010	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Fair value of plan assets, beginning of the year	**142,137**	**-**	150,827	-
Actual return on plan assets	**(5,438)**	**-**	19,946	-
Contributions by employer	**12,992**	**181**	17,279	185
Benefits paid	**(13,701)**	**(181)**	(11,099)	(185)
Curtailments and settlements	**-**	**-**	(27,581)	-
Fair value of plan assets, end of year	**135,990**	**-**	**149,372**	**-**

Funded status:	Dec 31, 2011		Dec 31, 2010	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Funded status	**(145,277)**	**(3,284)**	(124,601)	(3,744)
Unrecognized net actuarial loss (gain)	**36,178**	**(280)**	(525)	5
Accrued benefit cost	**(109,099)**	**(3,564)**	**(125,126)**	**(3,739)**

Amounts recognized in the consolidated statements of financial position	Dec 31, 2011		Dec 31, 2010	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Accumulated benefit obligation, current	**(18,412)**	**(278)**	(22,565)	(322)
Accumulated benefit obligation, noncurrent	**(126,865)**	**(3,006)**	(102,036)	(3,422)
Others	**36,178**	**(280)**	(525)	5
Net amount recognized	**(109,099)**	**(3,564)**	**(125,126)**	**(3,739)**

The accumulated benefit obligation for all defined benefit plans was US$169.8 million (R$ 284,398) and US$157.8 million (R$ 277,751) at December 31, 2011 and December 31, 2010, respectively. Each of PPC's defined benefit plans had an accumulated benefit obligation in excess of plan assets at December 31, 2011 and December 31, 2010.

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

Net periodic benefit cost	Dec 31, 2011		Dec 31, 2010	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Service cost	**290**	**-**	290	-
Interest cost	**13,756**	**188**	15,241	202
Estimated return on plan assets	**(10,346)**	**-**	(10,767)	-
Curtailment loss	**27**	**-**	63	-
Settlement loss	**-**	**-**	2,647	-
Amortization of net gain	**-**	**-**	2	-
Net periodic benefit cost	**3,727**	**188**	**7,476**	202

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

	Dec 31, 2011		Dec 31, 2010	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Discount rate	**5.09%**	**5.09%**	5.50%	5.50%
Rate of increase in compensation levels	**3.00%**	**N/A**	3.00%	N/A

The decrease in discount rate resulted in an increase in pension benefit obligation of US$12 million (R$ 20,099).

The following table presents the assumptions used in determining the net periodic benefit cost :

	Dec 31, 2011		Dec 31, 2010	
	Pension	Other Benefits	Pension Benefits	Other Benefits
Discount rate	**5.50%**	**5.50%**	5.69%	5.69%
Rate of increase in compensation levels	**3.00%**	**N/A**	3.00%	N/A
Expected return on plan assets	**7.75%**	**N/A**	7.67%	N/A

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

	Dec 31, 2011	Dec 31, 2010
Cash and money market funds	**-**	**1%**
Equity securities	**71%**	**72%**
Debt securities	**29%**	**27%**
Total assets	**100%**	**100%**

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

The fair value measurements of plan assets fell into the following levels of the fair value hierarchy as of December 31, 2011:

	Level 1	Level 2	Level 3	Total
Equity securities	**-**	**107,849**	**-**	**107,849**
Debt securities	**-**	**44,453**	**-**	**44,453**
Total assets	**-**	**152,302**	-	**152,302**

Benefit Payments

The following table reflects the benefits as of December 31, 2011 expected to be paid in each of the next five years and in the aggregate for the five years thereafter from PPC's pension and other postretirement plans. Because their pension plans are primarily funded plans, the anticipated benefits with respect to these plans will come primarily from the trusts established for these plans. Because their other postretirement plans are unfunded, the anticipated benefits with respect to these plans will come from their own assets.

	Pension Benefits	Other Benefits
2012	**20,621**	**311**
2013	**20,251**	**317**
2014	**20,009**	**319**
2015	**19,227**	**321**
2016	**19,448**	**321**
Thereafter	**93,527**	**1,533**
Total	**193,083**	**3,122**

Unrecognized Benefit Amounts in Accumulated Other Comprehensive Loss (Income)

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

	Dec 31, 2011		Dec 31, 2010	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Net actuarial losses (gains), beginning of year	**(499)**	**5**	-	-
Amortization	**-**	**-**	(2)	-
Curtailment and settlement adjustments	**-**	**-**	(3,112)	-
Actuarial loss (gain)	**20,219**	**(285)**	11,749	5
Asset loss (gain)	**15,784**	**-**	(9,179)	-
Other	**673**	**-**	19	-
Net actuarial loss (gain), end of year	**36,177**	**(280)**	**(525)**	5

v) Defined Contribution Plans:

PPC currently sponsors two defined contribution retirement savings plans:

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

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

Under the RS Plan, eligible US employees may voluntarily contribute a percentage of their compensation. PPC matches up to 30.0% of the first 2.14% to 6.0% of salary based on the salary deferral and compensation levels up to US$245 thousand (R$ 410). PPC's expenses related to contributions to the RS Plan totaled US$5.5 million (R$ 9,212) and US$4.5 million (R$ 7,921) for the year ended December 31, 2011 and 2010, respectively. The To-Ricos Plan is maintained for certain eligible Puerto Rican employees. Under the To-Ricos Plan, eligible employees may voluntarily contribute a percentage of their compensation and there are various company matching provisions. During the year ended December 31, 2011 and 2010, PPC's expenses related to contributions to the To-Ricos Plan were immaterial.

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

c) Bertin USA Plans

Bertin USA sponsored a tax-qualified employee savings and retirement plan (the "Bertin 401(k) Plan") covering its US based employees. The Bertin 401(k) Plan provides for additional matching contributions by Bertin USA, based on specific terms contained in the Bertin 401(k) Plan. The trustee of the Bertin 401(k) Plan, at the direction of each participant, invests the assets of the Bertin 401(k) Plan in participant designated investment options. The Bertin 401(k) Plan is intended to qualify under section 401 of the Internal Revenue Code. Bertin USA's expenses related to the matching provisions of the Bertin 401(k) Plan totaled approximately US$236 thousand (R$ 395) for the year ended December 31, 2011.

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

Bertin USA also provides certain health care and life insurance benefits for certain retired and terminated employees based on contractual obligations incurred by the previous owners of JBS USA Trading, Inc. ("JBS USA Trading"), formerly known as SB Holdings, Inc., doing business as The Tupman Thurlow Co., Inc. Bertin USA has elected immediate recognition of the unfunded accumulated postretirement benefit obligation in conjunction with the purchase of the common stock of JBS USA Trading. The postretirement payments are funded in monthly installments. For the year ended December 31, 2011 and 2010, service cost, interest cost, estimated return on plan assets and net periodic benefit cost were immaterial.

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

	Dec 31, 2011		**Dec 31, 2010**	
Change in projected benefit obligation:	**Pension Benefits**	**Other Benefits**	**Pension Benefits**	**Other Benefits**
Projected benefit obligation, beginning of year	**9,023**	**126**	9,037	120
Interest cost	**467**	**7**	547	9
Actuarial losses	**476**	**18**	688	14
Benefits paid	**(775)**	**(12)**	(790)	(11)
Projected benefit obligation, end of year	**9,191**	**139**	**9,482**	**132**

	Dec 31, 2011		**Dec 31, 2010**	
Change in plan assets:	**Pension Benefits**	**Other Benefits**	**Pension Benefits**	**Other Benefits**
Fair value of plan assets, beginning of the year	**5,038**	**-**	5,537	-
Revision to fair value of plan assets, beginning of the year	**489**	**-**	-	-
Actual return on plan assets	**486**	**-**	139	-
Contributions by employer	**513**	**12**	408	11
Benefits paid	**(774)**	**(12)**	(790)	(11)
Fair value of plan assets, end of year	**5,752**	-	**5,294**	-

	Dec 31, 2011		**Dec 31, 2010**	
Funded status:	**Pension Benefits**	**Other Benefits**	**Pension Benefits**	**Other Benefits**
Funded status	**(3,440)**	**(139)**	**(4,187)**	**(132)**

Amounts recognized in the Consolidated Balance Sheets:	Dec 31, 2011		Dec 31, 2010	
	Pension Benefits	**Other Benefits**	**Pension Benefits**	**Other Benefits**
Accrued benefit cost, current	**(229)**	**(12)**	**(137)**	**(12)**
Accrued benefit cost, long-term	**(3,211)**	**(127)**	**(4,050)**	**(120)**
Accumulated other comprehensive loss	**4,326**	**(35)**	**4,738**	**-**
Net amount recognized	**886**	**(174)**	**551**	**(132)**

The accumulated benefit obligation for all defined benefit plans was US$5.5 million (R$ 9.212) and US$5.4 million (R$ 9.505) at December 31, 2011 and December 31, 2010, respectively.

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

Net periodic benefit cost:	Dec 31, 2011		Dec 31, 2010	
	Pension Benefits	**Other Benefits**	**Pension Benefits**	**Other Benefits**
	204	**3**	327	5

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

	Dec 31, 2011		Dec 31, 2010	
	Pension Benefits	**Other Benefits**	**Pension Benefits**	**Other Benefits**
Discount rate	**4.50%**	**5.50%**	5.50%	6.25%
Expected rate of return	**N/A**	**N/A**	N/A	N/A

The following table presents the assumptions used in determining the net periodic benefit cost amounts:

	Dec 31, 2011		Dec 31, 2010	
	Pension Benefits	**Other Benefits**	**Pension Benefits**	**Other Benefits**
Discount rate	**5.50%**	**4.50%**	6.25%	5.50%
Expected return on plan assets	**Variable**	**N/A**	Variable	N/A

It is Bertin USA's policy to adjust, on an annual basis, the discount rate used to determine the projected benefit obligation to approximate rates on high-quality, long-term obligations. The Moody's Corporate Aa Bond index is generally used as a benchmark for this purpose.

The expected rate of return on plan assets reflects the average rate of earnings expected on plan assets. This rate reflects long-term assumptions and is consistent with long-term historical returns. Sustained changes in the market may lead to revisions in the assumed long-term rate of return on plan assets.

Plan Assets

The plan assets consisted 100% of debt securities at both December 31, 2011.

Benefit Payments

The following table reflects the benefits as of December 31, 2011 expected to be paid in each of the next five years and in the aggregate for the five years thereafter from Bertin USA's pension and other postretirement plans.

	Pension Benefits	**Other Benefits**
2012	**823**	**13**
2013	**823**	**13**
2014	**795**	**13**
2015	**786**	**13**
2016	**763**	**13**
Thereafter	**3,622**	**62**
Total	**7,612**	**127**

Unrecognized Benefit Amounts in Accumulated Other Comprehensive Loss (Income)

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

	Dec 31, 2011		Dec 31, 2010	
	Pension Benefits	**Other Benefits**	**Pension Benefits**	**Other Benefits**
Net actuarial loss (gain), beginning of year	**4,509**	**(40)**	-	-
Revision to actuarial loss (gain)	**(435)**	**-**	-	-
Amortization	**(154)**	**3**	(171)	4
Actuarial loss (gain)	**407**	**2**	4,909	(46)
Net actuarial loss (gain)	**4,327**	**(35)**	**4,738**	**(42)**

30 Deferred revenue

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

To provide the customer with security, in the unlikely event the JBS USA was to default on its commitment, the payment is evidenced by the Supply Agreement which bears interest at the three-month LIBOR plus 200 basis points. The interest rate at December 31, 2011 was 2.6% In the event of default, the Supply Agreement provides for a conversion into shares of common stock of JBS USA Holdings based on a formula stipulated in the Supply Agreement. Assuming default had occurred on December 31, 2011, the conversion right under the Supply Agreement would have equaled 13.41% of the outstanding common stock, or 13.41 shares.

JBS USA was in compliance with all covenants as of December 31, 2011. The unamortized balance at December 31, 2011 and December 31, 2010 was approximately US$ 107.5 million (R$ 201,649) and US$ 136.9 million (R$ 228,100), other deferred revenue was US$3.9 million (R$ 7,316) e US$3.4 million (R$6,377), respectively.

31 Operating segments

Management has defined the operational segments based on the reports used to make strategic decisions, analyzed by the Executive Board of Officers, which are segmented as per the commercialized product point of view, and per geographical location.

The modalities of commercialized products include Beef, Poultry and Pork. Geographically, Management takes into account the operational performance of its units in Brazil, USA (includes Australia), South America (Argentine, Paraguay and Uruguay) and Italy.

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

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

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

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

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

There are no revenues arising out of transactions with a single foreign client that represent 10% or more of the total revenues.

The information per businesses' operational segment, analyzed by the Executive Board of Officers, and related to the years ended on December 31, 2011 and 2010, are as following:

Net revenue by product line:

	2011	2010
Net revenue of the segment		
Beef	**39,681,864**	34,654,482
Pork	**5,816,502**	5,204,157
Poultry	**12,566,167**	12,051,459
Others	**3,732,228**	2,802,734
Total	**61,796,761**	**54,712,832**

Depreciation by product line:

	2011	2010
Depreciation and amortization		
Beef	**579,415**	519,940
Pork	**51,921**	50,675
Poultry	**513,188**	604,182
Others	**146,887**	40,657
Total	**1,291,411**	**1,215,454**

Assets by segment:

	December 31, 2011	December 31, 2010
Assets		
Beef	**32,394,892**	31,870,640
Pork	**1,169,460**	995,696
Poultry	**6,987,619**	6,510,465
Others	**6,858,913**	4,458,818
Total	**47,410,884**	**43,835,619**

Revenues by geographic area:

	2011	2010
Net revenue		
United States of America (including Australia)	**45,268,985**	40,327,620
South America	**14,926,617**	13,333,568
Others	**1,601,159**	1,051,644
Total	**61,796,761**	**54,712,832**

Depreciation by geographic area:

	2011	2010
Depreciation and amortization		
United States of America (including Australia)	**800,411**	874,565
South America	**484,513**	334,890
Others	**6,487**	5,999
Total	**1,291,411**	**1,215,454**

Assets by geographic area:

	December 31, 2011	December 31, 2010
Assets		
United States of America (including Australia)	**14,684,699**	15,324,208
South America	**31,138,791**	27,344,023
Others	**1,587,394**	1,167,388
Total	**47,410,884**	**43,835,619**

32 Expenses by nature

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

Classification by nature	**2011**	**2010**
Depreciation and amortization	**(1,291,411)**	(1,215,454)
Personnel expense	**(6,801,895)**	(7,071,341)
Raw material use and consumption materials	**(51,285,660)**	(44,063,100)
Taxes, fees and contributions	**(2,929,792)**	(2,780,326)
Third party capital remuneration	**(4,789,062)**	(4,409,229)
Other income, net	**5,070,951**	4,885,188
	(62,026,869)	**(54,654,262)**

Classification by function	**2011**	**2010**
Cost of goods sold	**(55,100,207)**	(47,994,792)
Selling expenses	**(3,144,069)**	(2,627,201)
General and administrative Expenses	**(1,739,198)**	(1,641,024)
Financial expense, net	**(2,010,728)**	(2,223,021)
Other expense, net	**(32,667)**	(168,224)
	(62,026,869)	**(54,654,262)**

33 Insurance coverage

As of December 31, 2011, the maximum individual limit for coverage was R$ 200,000. This coverage includes all types of casualties.

The indirect subsidiary JBS Argentina, located in the Republic of Argentina, the insurance policy has the same above-mentioned characteristics; however, the maximum indemnification limit for December 31, 2011 was of US$ 32 million (equivalent to R$ 60,026).

The subsidiary JBS USA, located in the USA, the insurance policy has the same above-mentioned characteristics; however, the maximum indemnification limit for December 31, 2011 was of US$ 200 million (equivalent to R$ 375,160).

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

34 Risk management and financial instruments

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

The Risk Management Department is responsible for mapping all the risk factors that may bring adverse financial results for the Company and propose strategies to mitigate those risks. The Risk Management Committee is responsible for approving the strategies and supervising their implementation, following competence levels and the Risk Management Policy.

a) Market Risk

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

The Risk Management Department is responsible for providing hedge instruments to all operational departments of the Company, centralizing all risk exposures and managing those risks following the Risk Management Policy. It is the function of the Board of Control Risks ensure that other areas of operations are within the exposure limits set by management, are financially protected against price fluctuations, centralizing the exhibits and applying the Risk Management Policy of the Company.

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

a.1) Interest rate risk

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

The interest rate exposure of the Company and its subsidiaries on December 31, 2011 and December 31, 2010 is described below.

	Company		Consolidated	
Net liabilities and assets exposure to CDI rate:	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
NCE / Compror / Others	**4,067,586**	3,592,576	**4,074,507**	3,652,012
CDB-DI	**(2,035,784)**	(1,810,529)	**(2,262,399)**	(1,826,496)
Investment funds, LCA-DI and national treasury bill	**(93,604)**	(364,949)	**(777,876)**	(371,412)
Total	**1,938,198**	**1,417,098**	**1,034,232**	**1,454,104**
Liabilities exposure to LIBOR/EURIBOR rate:				
Working Capital - Euro	**-**	-	**30,376**	-
Working Capital - USD	**-**	-	**165,649**	143,045
Pre-payment	**1,719,774**	1,314,669	**1,731,125**	1,314,668
Others	**10,859**	34,753	**359,463**	104,502
Total	**1,730,633**	**1,349,422**	**2,286,613**	**1,562,215**
Liabilities exposure to TJLP rate:				
FINAME / FINEM	**213,707**	265,599	**214,175**	266,535
BNDES Automatic	**187,211**	364,483	**187,211**	364,484
EXIM - export credit facility	**309,259**	639,309	**309,259**	639,310
Total	**710,177**	**1,269,391**	**710,645**	**1,270,329**

Sensitivity analysis

The Company's operations are indexed to fixed rates by TJLP, CDI, Libor and Euribor. Thus, in general, Management believes that any fluctuation in interest rates, would create no significant impact on its income.

a.2) Exchange rate risk

Exchange rate risk is related to potentially adverse results that may arise from oscillations in this risk factor, which may be caused by economic crisis, sovereign monetary policy alterations, or market movements. The Company has assets and liabilities exposed to foreign currencies, however the Risk Management Policy clarifies that offsetting exposures do not mean a natural hedge, since other important issues like exposure term and market volatility are very relevant and must also be observed.

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

Below are presented the Company's assets and liabilities exposed to the exchange rate risk for the years ended on December 31, 2011 and 2010. The exposure in the subsidiaries are irrelevant for this analysis.

	Company	
EXPOSURE	**Dec 31, 2011**	**Dec 31, 2010**
OPERATING		
Cash and cash equivalents - US$	**932,153**	214,948
Trade accounts receivable - US$ / € / £	**1,030,323**	899,893
Inventories - US$	**74,003**	63,364
Sales Orders - US$ / € / £	**461,710**	667,221
Suppliers - US$	**(37,290)**	(30,361)
Trade accounts payable - US$	**(14,307)**	(3,006)
Subtotal	**2,446,592**	**1,812,059**
FINANCIAL		
Loans and financings - US$	**(6,855,440)**	(6,070,081)
Subtotal	**(6,855,440)**	**(6,070,081)**
DERIVATIVES		
Future Contracts - US$	**2,263,870**	**1,626,591**
Swap	**177,079**	**166,620**
Subtotal	**2,440,949**	**1,793,211**
TOTAL EXPOSURE	**(1,967,899)**	**(2,464,811)**

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

December 31, 2011

Future Contracts - BM&F

Risk factor	Instrument	Nature	Quantity	Expiry	Notional	Market value
US$	Future	Purchase	22,500	February 1, 2012	2,115,037	(9,399)
					2,115,037	**(9,399)**

Future Contracts - Goldman Sachs

Risk factor	Instrument	Nature	Quantity	Expiry	Notional	Market value
US$/British Pound	Future	Purchase	229	March 1, 2012	41,517	(96)
US$/Euro	Future	Purchase	352	March 1, 2012	107,316	284
					148,833	**188**

a.2.2) Position Balance in foreign exchange swaps (Company)

Swaps are derivatives used to hedge net exposures of assets and liabilities of the Company and its subsidiaries. The Company has swap agreements with Credit Suisse and Citibank.

Swap

Bank	Start date	Notional US$	Expiry date	Fair value (receivable) - R$	Fair value (payable) - R$	Result in Dec 31, 2011
				(a)	(a)	(b)
Credit Suisse	Feb 14, 2011	89,000	May 14, 2013	126,644	132,793	(6,149)
Citibank	Dec 13, 2010	15,077	Dec 10, 2012	22,649	22,924	(275)
Citibank	Feb 4, 2011	73,002	Feb 4, 2015	115,821	120,009	(4,188)
Balance in Dec 31, 2011		**177,079**			**Total**	**(10,612)**

(a) The swap assets contract value is calculated based on the dollar exchange rate on the maturity plus interest of 6% p.a.
(b) Swap result is the difference between assets and liabilities at fair value.

Sensitivity analysis

With the aim of providing information on sensitivity to market risks to which the Company is exposed on December 31, 2011, below is a simulation of possible changes of 25% and 50% in the relevant variables of risk in relation to the likely scenario. The Management believes that the closing prices used in measuring assets and liabilities, based on the date of these consolidated financial statements represent a scenario likely to impact the outcome. Following are the net result between the result of exposures and their derivatives:

Exchange rate risk

Exposure (a)	Risk	Effect on income - Company		
		Probable scenario (I)	Scenario (II) Variation - 25%	Scenario (III) Variation - 50%
Financial	R$ Depreciation	-	(1,713,860)	(3,427,720)
Operation	R$ Depreciation	-	611,648	1,223,296
Hedge derivatives	R$ Appreciation	(19,822)	565,968	1,131,936
		(19,822)	**(536,244)**	**(1,072,488)**
Premises	Exchange rate	1.8758	2.3448	2.8137

a.3) Commodity price risk

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

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

a.3.1) Position balance in commodities contracts

The balance in commodities contracts are as follow:

EXPOSURE	Consolidated	
	Dec 31, 2011	Dec 31, 2010
OPERATING		
Firm Contracts - R$	**3,821,547**	1,871,573
TOTAL	**3,821,547**	**1,871,573**

b) Credit risk

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

The Risk Management Department follows all operations involving credit risk with financial institutions (investments and hedging), monitoring exposure limits set in the Risk Management Policy based in credit ratings provided by international rating agencies.

The Company held in December 31, 2011 hedging contracts with fair value larger than R$10,000 with the following institutions: Credit Suisse and Citibank.

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

	Note	Company		Consolidated	
		Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
Assets					
Cash and cash equivalents	4	**3,612,867**	3,000,649	**5,288,194**	4,074,574
Trade accounts receivable	5	**1,883,093**	1,672,729	**4,679,846**	4,036,104
Credits with related parties	10	**88,505**	-	**552,197**	332,679
		5,584,465	**4,673,378**	**10,520,237**	**8,443,357**

Loss on reduction of accounts receivable recoverable value	Company		Consolidated	
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
Current receivables	**1,729,425**	**1,333,676**	**3,939,255**	**3,131,962**
Overdue receivables:				
From 1 to 30 days	**120,142**	164,516	**569,126**	554,860
From 31 to 60 days	**23,297**	80,638	**91,406**	198,192
From 61 to 90 days	**20,755**	49,333	**44,389**	68,467
Above 90 days	**102,656**	154,063	**185,589**	224,697
Allowance for doubtful accounts	**(113,182)**	(109,497)	**(149,919)**	(142,074)
	153,668	**339,053**	**740,591**	**904,142**
	1,883,093	**1,672,729**	**4,679,846**	**4,036,104**

c) Liquidity risk

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

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

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

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

The index of liquidity and leverage consolidated are shown below:

Company

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

December 31, 2010	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years	Fair Value
Trade accounts payable	566,982	-	-	-	566,982
Loans and financings	4,342,593	2,975,447	2,195,115	1,509,353	11,022,508
Derivatives financing liabilities (assets)	(7,150)	5,493	890	-	(767)
TOTAL	**4,902,425**	**2,980,940**	**2,196,005**	**1,509,353**	**11,588,723**

Consolidated

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

December 31, 2010	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years	Fair Value
Trade accounts payable	2,962,395	-	-	-	2,962,395
Loans and financings	4,966,198	3,099,679	4,582,067	2,535,410	15,183,354
Derivatives financing liabilities (assets)	(27,146)	5,493	890	-	(20,763)
TOTAL	**7,901,447**	**3,105,172**	**4,582,957**	**2,535,410**	**18,124,986**

d) Estimated market values

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

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

e) Guaranteed margins

The Company has securities pledged as collateral for derivative transactions with the commodities and futures whose balance at December 31, 2011 is R$ 268,331 (R$ 500,195 at December 31, 2010). This warranty is superior to the need presented for these operations.

f) Financial instruments

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

		Company		Consolidated	
	Notes	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
Assets					
Fair value through profit or loss					
Cash and cash equivalents	4	3,612,867	3,000,649	5,288,194	4,074,574
Receivables derivatives		-	767	-	20,763
Loans and receivables					
Trade accounts receivable	5	1,883,093	1,672,729	4,679,846	4,036,104
Credits with related parties	10	88,505	-	552,197	332,679
Total		**5,584,465**	**4,674,145**	**10,520,237**	**8,464,120**

Liabilities					
Liabilities at amortized cost					
Loans and financings	15	11,669,895	11,022,508	18,872,194	15,183,354
Trade accounts payable	14	666,375	566,982	3,323,886	2,962,395
Debts with related parties	10	-	1,532,002	-	-
Fair value through profit or loss					
Payables derivatives		19,822	-	21,336	-
Total		**12,356,092**	**13,121,492**	**22,217,416**	**18,145,749**

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

g) Fair value of financial instruments

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

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

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

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

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

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

Fair value hierarchy

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

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

	December 31, 2010		
	Company		
	Level 1	Level 2	Level 3
Current assets			
Cash and cash equivalents	3,000,649	-	-
Derivatives	16,227	-	-
Current liabilities			
Derivatives	-	(15,460)	-

	Consolidated		
	Level 1	Level 2	Level 3
Current assets			
Cash and cash equivalents	4,074,574	-	-
Derivatives	36,223	-	-
Current liabilities			
Derivatives	-	(15,460)	-

Fair value versus book value

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

		December 31, 2011		December 31, 2010	
Company	Note	Book value	Fair value	Book value	Fair value
Cash and banks	4	**1,483,479**	1,483,479	825,171	825,171
Financial investments	4	**2,129,388**	2,129,388	2,175,478	2,175,478
Trade accounts receivable	5	**1,883,093**	1,883,093	1,672,729	1,672,729
Related parties receivable	10 0	**88,505**	88,505	-	-
Derivatives		**-**	-	767	767
Total financial assets		**5,584,465**	**5,584,465**	**4,674,145**	**4,674,145**
Trade accounts payable	14 0	**666,375**	666,375	566,982	566,982
Loans and financings	15 0	**11,669,895**	11,669,895	11,022,508	11,022,508
Related parties payable	10 0	**-**	-	1,532,002	1,532,002
Convertible debentures	17 0	**1,283**	1,283	3,462,212	3,462,212
Derivatives		**19,822**	19,822	-	-
Total financial liabilities		**12,357,375**	**12,357,375**	**16,583,704**	**16,583,704**
		(6,772,910)	**(6,772,910)**	**(11,909,559)**	**(11,909,559)**

		December 31, 2011		December 31, 2010	
Consolidated	Note	Book value	Fair value	Book value	Fair value
Cash and banks	4 0	**2,247,919**	2,247,919	1,876,666	1,876,666
Financial investments	4 0	**3,040,275**	3,040,275	2,197,908	2,197,908
Trade accounts receivable	5 0	**4,679,846**	4,679,846	4,036,104	4,036,104
Related parties receivable	10 0	**552,197**	552,197	332,679	332,679
Derivatives		**-**	-	20,763	20,763
Total financial assets		**10,520,237**	**10,520,237**	**8,464,120**	**8,464,120**
Trade accounts payable	14 0	**3,323,886**	3,323,886	2,962,395	2,962,395
Loans and financings	15 0	**18,872,194**	18,872,194	15,183,354	15,183,354
Debentures	17 0	**1,283**	1,283	3,462,212	3,462,212
Derivatives		**21,336**	21,336	-	-
Total financial liabilities		**22,218,699**	**22,218,699**	**21,607,961**	**21,607,961**
		(11,698,462)	**(11,698,462)**	**(13,143,841)**	**(13,143,841)**

Result on derivatives

	Company		Consolidated	
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
Income (expenses) on derivatives	**(101,512)**	**(675,755)**	**(138,281)**	**(738,284)**

35 Material facts

JBS Communicates Financial Amendments and Registration Statement at its U.S. Chicken Division, Pilgrim's Pride Corporation

On December 19, 2011 the Company communicates to its shareholders and to the market in general that a subsidiary indirectly controlled by JBS SA and listed in the U.S. under the regulation of the United States Securities and Exchange Commission (SEC), Pilgrim's Pride Corporation (PPC) today filed a Communication (8K) with the SEC informing of certain amendments to its financial structure. The complete document including attachments can be accessed on the SEC web-page or at www.pilgrims.com.

Furthermore, PPC also filed an S-3 with the SEC in this date detailing the Registration Statement regarding the Rights Offering at PPC announced on December 08, 2011. This S-3 is also available on the SEC web-page or at www.pilgrims.com.

Upon the completion of the rights offering and as part of the CoBank Credit Facility amendments, JBS will no longer be required to make a further USD50 million loan to PPC and furthermore, PPC is allowed to prepay to the Company the principal and interest on the US$ 50 million facility provided by the Company in June 2011.

The Company believes that these financial amendments at Pilgrim's Pride as well as the Registration of the Rights Offering will strengthen the Company's financial position as 2012 approaches with the perspective of the recovery of the chicken industry in the U.S. as exports continue to expand and domestic consumption begins to recover.

36 Subsequent events

JBS adjusts production in Argentina

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

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

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

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

JBS Concludes its Bond Offering in the US

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

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

This rebalancing process will reduce financial costs and improve the fiscal structure at the Company which will result in an overall savings in the order of USD200 million (including 2011 issuances) on an annualized basis. Furthermore, these funds will improve the maturity profile and reduce the average cost of debt, thus enhancing value to shareholders.

Voluntary Public Offer for Exchange of Shares

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

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

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

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

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

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

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

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

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

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

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

Market Maker

On February 16, 2012 the Company informs its shareholders and the market in general that it has hired FLOW CORRETORA DE CÂMBIO, TÍTULOS E VALORES MOBILIÁRIOS S.A., a corporation with headquarters in the city and state of São Paulo, at Rua Joaquim Floriano, no. 100 – 12º floor, duly enrolled at the General Corporate Taxpayers' Register (CNPJ/MF) under no. 05.816.451/0001-15, to act as market maker aiming at promoting liquidity to its common shares (JBSS3) traded on the São Paulo Stock Exchange (BM&FBOVESPA S.A.), for a period of 1 (one) year, from February 8th 2012, automatically renewable for equal periods, provided that neither party states otherwise.

The Company further informs that the free float is composed by 1.564.057.283 (one billion, five hundred and sixty four million, fifty seven thousand and two hundred eighty three) common shares, currently traded on the market and that it has not entered into any agreement with the market maker providing for the exercise of voting rights or purchase and sale of its shares. The market maker will initiate its activities from February 16th 2012.

Four Slaughter Units Leasing

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

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

JBS Finalizes Pilgrim's Pride Rights Offering

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

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

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

JBS Acquires Pilgrim's Pride Shares

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

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

* * * * *

EXECUTIVE BOARD

Wesley Mendonça Batista
Chief Executive Officer

Eliseo Santiago Perez Fernandez

Jeremiah Alphonsus O'Callaghan
Investor Relations Director

Francisco de Assis e Silva
Institutional Relations Executive Director

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

BOARD OF DIRECTORS

Joesley Mendonça Batista
Board President

Wesley Mendonça Batista
Vice-President

José Batista Sobrinho

José Batista Júnior

Marcus Vinicius Pratini de Moraes

Natalino Bertin

Guilherme Narciso de Lacerda

Valere Batista Mendonça Ramos

Vanessa Mendonça Batista

Peter Dvorsak

Guilherme Rodolfo Laager

SUPERVISORY BOARD REPORT

The Fiscal Council, in compliance with legal and statutory provisions, reviewed the Management Report and Financial Statements of the Company for the fiscal year ended on December 31, 2011.

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

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

São Paulo, March 19, 2012

Divino Aparecido dos Santos

Florisvaldo Caetano de Oliveira

Alexandre Seiji Yokaichiya

Eduardo Sodero Rezende

Pedro Americo Herbst

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

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

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

(ii) They reviewed, discussed and agreed with the financial statements for the year ended December 31, 2011.

São Paulo, March 20, 2012

Wesley Mendonça Batista
Chief Executive Officer

Jeremiah Alphonsus O'Callaghan
Investor Relations Director

Eliseo Santiago Perez Fernandez
Administration and Control Director

Francisco de Assis e Silva
Institutional Relations Executive Director

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JBS